TriplePoint
Social Housing REIT plc

ANNUAL REPORT

2020

CHAIRMAN'S STATEMENT

Chris Phillips, Chairman

For all the challenges the year brought us in the short-term, there may well be some benefits over the longer-term. The social care system, which is often overlooked, saw renewed political support. This translated into a number of accelerated referrals into specialised supported housing properties.

When I wrote to shareholders in our Annual Report at the start of last year, I said that we looked forward to 2020 with optimism. I noted that we had challenges to tackle – particularly in terms of accommodating increased regulation and our share price – but our continued operational success left us well equipped to meet those challenges and more as we moved forward into 2020. Little did I know that 2020 would bring a challenge unique in our history. The social and economic damage it has wrought does not need repeating here. But I am pleased to report that, a year on, with vaccines having helped turn the tide in our fight against the pandemic, that optimism for our business seems justified. As this report shows, 2020 has been another year of strong performance, made possible by the tireless work of all our stakeholders.

Despite – or perhaps because of – the unprecedented pressures of 2020, our stakeholders across the board rose to the challenge. Commissioners continued to support our business model, referring residents into our housing whenever possible to relieve pressure on the NHS. Local Authorities continued to pay rent and care fees to ensure the viability of schemes. Approved Providers continued to provide essential housing services to keep properties as safe and suitable as possible for our residents. Care providers continued to provide care, implementing their infectious disease control policies and managing the challenges of social distancing to ensure our residents remained safe. As chairman of our Board, and a long-term participant in social housing, I was proud to see everyone pulling together in a time of adversity to focus on the ultimate purpose of our business: to provide better, safer, more affordable housing for some of the most vulnerable people in our society in a way that benefits our shareholders precisely because it benefits society.

Indeed, that we received 100% of rent during 2020, and paid all dividends in full, is testament to the resilience of not just our stakeholders, but also the wider business model which derives the strength of its rental income from the positive social impact it generates.[5] As you know, the capital that we raise from investors is typically used to acquire, or fund the development of, newly-built or newly-renovated community-based homes, supported by local health Commissioners, that provide long-term homes for some of the most vulnerable people in society. In doing so, our properties can

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improve the health and wellbeing of our residents while generating cost-savings for the government. In light of these benefits, it is hardly surprising that the sector has received such widespread support during the pandemic. Investments that meet a social need are often the most resilient precisely because they provide the services that our society cannot live without. In this context, we were pleased to be shortlisted for Property Investor of the Year at the Laing Buisson Awards.

For all the resilience of our business model during 2020, we should not forget the tragic human cost of the pandemic. Inevitably in a portfolio of our size, a limited number of the individuals living in our properties were infected with the virus. This was despite the best efforts of our Approved Providers and care providers to protect our residents as much as possible – the heroic efforts of our key workers deserve particular gratitude. But it is also true that our portfolio was spared the widely-publicised high rates of infections in care homes during 2020, and we did not have any reports of Covid-19-related deaths. In part, this reflects the nature of our properties, which are smaller residential properties rather than institutional facilities with large common areas. But it also reflects the commitment of our counterparties who worked hard to contain and manage the virus, with much-needed PPE and handcreams donated to care workers.

Beyond its human impact, Covid-19 also caused some difficulties during 2020 by delaying the deployment of our funds and the progress of our construction projects. As discussed more below, in the early weeks of the first lockdown Approved Providers understandably hesitated before signing long-term leases given the uncertainty of referrals. Building sites suffered from temporary shortages in personnel and materials because of social distancing and supply chain disruption. Despite these delays, we achieved full dividend cover on an EPRA earnings run-rate basis in August 2020 and was 97.6% as at 31 December 2020 (31 December 2019: 89.4%).

For all the challenges the year brought us in the short-term, there may well be some benefits over the longer-term. The social care system, which is often overlooked by the media and politicians, saw renewed political support as the importance of the social care system in easing the burden on the NHS became clear. This translated into a number of accelerated referrals into Supported Housing properties as Commissioners sought to create more capacity in hospitals, a trend which we think and hope will continue beyond the pandemic. Politically and medically, the pandemic may have reminded our country of the benefits of better integration between healthcare and social care, and the persistent demand for this type of housing helped us successfully complete both an equity raise and an extension to our debt facility during the year, as discussed more below.

Evesham Street, Redditch

CHAIRMAN'S STATEMENT (Continued)

445
Assets acquired to date

100%
Rent collected to date[6]

3,124
Total units to date

Deployment

During March and April of 2020, our plans for deployment during 2020 looked set to fall short. With our country entering a sudden and unprecedented lockdown, the ability of our stakeholders to successfully launch new schemes became difficult. Commissioners were distracted by the challenges of Covid-19. Care providers were focused on protecting existing residents, sourcing PPE, and managing complex staffing schedules in the new world of social distancing. Without certainty of referrals and limited contact with care providers, Approved Providers were understandably cautious about signing new long-term lease commitments. All this resulted in a slow-down in the number of schemes that we completed in the second quarter of 2020, meaning that schemes did not launch as fast as we had hoped, and funds were deployed slower than expected.

But once the initial shock of the lockdown had passed, and operating conditions stabilised, our ability to acquire or develop properties continued. During the first half of the year, we acquired 16 properties, comprising 144 units, for a total investment cost of £29.9 million. From the start of lockdown in March until the end of the year, we acquired 51 properties, comprising 309 units, for a total investment cost of £59.6 million. Across the entire year, we bought 58 properties, comprising 400 units, for a total investment cost of £78.9 million at net initial yields in line with the Company's existing portfolio. The continued demand for this type of housing reflects not only the commitment of everyone – including government – to providing much-needed new housing to vulnerable individuals, but also the heightened awareness of the benefits that investment in the social care system provides to the NHS and wider society.

At the start of the year, we had seven forward funding projects under construction. All seven projects that were yet to be completed by the time the first national lockdown was imposed on 23 March 2020 inevitably suffered delays. Through maintaining close relationships with both the developers and contractors responsible for delivering these projects, we were able to work with all stakeholders to ensure that, by adapting operating practices to manage the virus, any resultant interruptions were minimised. It's testament to the success of this approach that we suffered no major setbacks on any of our projects and by the end of the year all but two had been completed. As of 31 December 2020, we have committed £56.2 million to 22 projects, with 20 projects already successfully completed (providing homes for 280 residents). Of the remaining 2 schemes, one completed on 26 February 2021 and the final project is due to complete imminently.

As a result of all this deployment, at the end of the year we owned 445 properties (31 December 2019: 388), providing accommodation for 3,124 residents (31 December 2019: 2,728), having deployed since IPO an aggregate £530.7 million. A map showing the location of our properties can be found on page 12. In the period, we started leasing to five new Approved Providers (bringing the total to 20), 10 new care providers (bringing the total to 98) and working in six new Local Authorities (bringing the total to 155). The portfolio's weighted average unexpired lease term (including put/call options and reversionary leases) is 26.2 years (31 December 2019: 25.7 years).

Share Price

At the start of the year, our share price ranged between 90 pence and 100 pence. Our business was not immune from the turbulence caused by Covid-19 that swept across global financial markets. Our share price dropped sharply in mid-March, reaching a floor of 68 pence, before recovering to above 90 pence by the end of March. Since then, it has continued to gain momentum, consistently remaining above 100 pence and reaching an all-time high of 113.50 pence in November. On 31 December 2020, we traded at a premium of 4.77% to our net asset value of 106.42 pence per share.

It is worth noting that, despite all that happened last year, our share price was higher at the end of 2020 than it was at the beginning. This reflects not only the resilience of our rental income, but also our

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106.42p
IFRS NAV

£571.5m
IFRS Valuation

5.27%
Valuation NIY

shareholders' endorsement of our impact-focused investment strategy. Our ambition in 2021 is to build upon our success in 2020 and maintain the upward momentum in our share price.

Debt and Equity

Our deployment at the start of 2020 was funded by the £38.3 million that we drew down from our revolving credit facility with Lloyds and NatWest in November 2019 (leaving £29.4 million undrawn). The facility had been increased from £70 million to £130 million in October 2019. Following further deployment, we drew down an additional £16.0 million in May 2020 and the final £13.4 million in October 2020.

In order to maintain target gearing levels following the recent equity raise and continue to meet demand for new properties, in December we signed a further £30 million increase in the revolving credit facility. This increased the total facility amount to £160 million and extended the initial term for a further 12 months, to 20 December 2023. The term of the revolving credit facility may be extended by a further year, to 20 December 2024 (subject to the consent of the lenders).

In terms of equity, in October 2020 we successfully raised a further £55 million of gross proceeds (£53.3 million net of costs) through an issuance of new ordinary shares. This was part of a 12-month placing programme (which will remain in place until the end of September 2021) undertaken with our joint financial advisers, Stifel Nicolaus Europe Limited and Akur Limited. During the raise, we were pleased to see further investment from existing shareholders, as well as first investments from new investors.

The debt facility increase and equity raise do, of course, provide us with further capital to meet our attractive pipeline and persistent demand for Supported Housing. But they are also an endorsement from our lenders and investors of our investment strategy, even in the challenging circumstances.

Financial Results

As at 31 December 2020, our property portfolio was independently valued at £571.5 million on an IFRS basis. This reflects a valuation uplift of £40.7 million, or 7.7%, over our total investment cost (including acquisition costs). The valuation of £571.5 million equates to a blended valuation yield of 5.27%, an improvement over the portfolio's blended net initial yield of 5.90%. This yield compression of 63 basis points reflects our ability to buy high-quality properties at discounted prices off-market through the Investment Manager's network of trusted contacts in the sector.

As at 31 December 2020, our portfolio was also valued at £611.6 million on a portfolio valuation basis. This assumes a single sale of the property-holding SPVs to a third-party on an arm's length basis, with purchasers' costs of 2.3%. The portfolio valuation reflects a portfolio premium of £40.1 million, 7.02%, against the IFRS valuation.

In June 2020, the Royal Institute of Chartered Surveyors published guidance on the removal of material uncertainty clauses when valuing Supported Housing. Our independent valuer, Jones Lang LaSalle Limited, therefore no longer considers that there is material uncertainty when valuing Supported Housing. This reflects the timely receipt of rents in line with pre-Covid-19 levels and continued market activity.

EPRA earnings per share was 4.61 pence in the year and IFRS earnings per share was 6.82 pence. The EPRA NTA and audited IFRS NAV per share was 106.42 pence, an increase of 1.0% since 31 December 2019.

Dividends

On 14 May 2020, we paid a dividend of 1.285 pence per share for the period from 1 October 2019 to 31 December 2019, bringing our total dividends for 2019 to our target level of 5.095 pence per share.

CHAIRMAN'S STATEMENT (Continued)

During the rest of 2020, we paid three interim dividends of 1.295 pence per share each for the first three quarters of the year. On 4 March 2021, we declared a dividend of 1.295 pence per share for the final quarter of 2020, bringing the total dividend for 2020 to our full year target of 5.18 pence per share. This represents a 1.7% increase over 2019's aggregate dividend, reflecting the CPI-based rent reviews typically contained in our leases.

Full dividend cover on a look-through EPRA earnings run-rate basis was achieved in August 2020 and was 97.6% as at 31 December 2020.

Social Impact

From the day we launched, the central thesis of our investment strategy has been that, when deployed judiciously, private capital can be used to benefit society at the same time as shareholders. More than that, the strength of the returns we provide to shareholders derives precisely from the social impact that the investments generate. By funding the development of high-quality newly-built and newly-renovated homes for residents whose rent is funded by government, we save the government money at the same time as improving the well-being of residents and generating a steady, resilient income stream for our investors.

Although social impact is in our investment strategy's DNA, we welcome the rise and growing adoption of Environmental, Social and Governance metrics across the market and are committed to ensuring ESG and impact metrics are explicitly considered throughout our entire investment lifecycle. During 2020, the Investment Manager helped pioneer and design sector-wide ESG and impact metrics, signing up to become an early adopter. of sector-wide metrics which are to be tested and implemented throughout 2021 and beyond. This is further discussed in the Investment Manager's report on pages 34 to 35. Likewise, you will see elsewhere in this report an excerpt from an independent impact report by social impact consultants The Good Economy. We commissioned this report to ensure that we are publicly held up to our own high impact standards and continue to deliver a positive impact to society.

Outlook

Making predictions at a time like this is even more hazardous than usual. Circumstances are changing with such speed, and such consequence, that stating our outlook is particularly difficult. But if 2020 taught our business anything, it is that a well-executed investment strategy, predicated on meeting a critical social need, can prove resilient even in a time of significant disruption. I hope it is therefore not rash of me to predict that, if we and our stakeholders continue to manage the risk of the virus, and the government continues to support our investment model, in 2021 we will achieve further strong financial and operational performance as a result of the positive social impact we deliver.

Indeed, the fundamentals of our sector remain strong. The need is as great – if not greater – than ever before. Our counterparties remain committed to providing high-quality housing. In light of all this, we look forward to 2021, conscious of the challenges that lie ahead, but cautiously optimistic about the success that we can achieve if we work hard to deliver the housing that our country, and our residents, so desperately need.

Before I finish, I would like to say that much of our continued success is thanks to the Investment Manager's hard work. It has built on its strong relationships, and continually refined its processes, to deliver the high-quality homes that are central to our positive social impact alongside financial and operational performance. Likewise, we have benefited hugely from the hard work of our corporate broker and joint financial adviser Stifel Nicolaus Europe Limited, as well as our joint financial adviser Akur Limited, both of which were instrumental in the success of our equity raise during 2020.

Finally, I would like to thank our shareholders for their continued support, and my fellow Board members for their ongoing support and commitment throughout the year.

Chris Phillips
Chairman
4 March 2021

Dunwoody Way, Crewe