RNS Number : 5057B
Home REIT PLC
23 August 2024

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION

FOR IMMEDIATE RELEASE

Home REIT plc

("Home REIT" or the "Company")

Posting of Circular

Further to its announcement of 16 July 2024 regarding the proposed implementation of a managed wind-down strategy (the "**Managed Wind-Down**"), the Company today announces that it has published a circular (the "**Circular**") containing details of the proposed changes to the Company's investment policy and notice of a general meeting to be held on 16 September 2024.

The Board are proposing to amend the Company's investment policy in order to effectively implement the Managed Wind-Down strategy for the Company pursuant to which the assets of the Company would be sold with the objectives of optimising remaining shareholder value and repaying the Company's loan balance (the "**Proposal**").

The text of the Chairman's letter, which includes the rationale for the Proposal, together with the expected timetable, have been extracted from the Circular without material amendment and are set out in the Appendix below.

The Circular also includes a notice of general meeting of the Company to be held at 8 Bishopsgate, Level 1, London EC2N 4BQ on 16 September 2024 at 10 a.m. (the "**General Meeting**").

The Circular will also be available on the Company's website (www.homereituk.com).

The person responsible for arranging the release of this announcement on behalf of the Company is Apex Group.

FOR FURTHER INFORMATION, PLEASE CONTACT:

FTI Consulting (Communications Adviser) Dido Laurimore Bryn Woodward Oliver Harrison	HomeREIT@fticonsulting.com +44 (0)20 3727 1000

The Company's LEI is: 213800A53AOVH3FCGG44.

For more information, please visit the Company's website: **www.homereituk.com**

Appendix

Expected timetable of principal events:

Publication of this circular	23 August 2024
Latest time and date for receipt of proxy appointments and instructions for the General Meeting	10 a.m. on 13 September 2024
General Meeting	10 a.m. on 16 September 2024

Letter from the Chair:

"Dear Shareholder

Recommended Proposals for a Managed Wind-Down of the Company and associated adoption of the New Investment Policy and Notice of General Meeting

Introduction

On 16 July 2024, following a detailed review of the options available to the Company and after consultation with its advisers, as well as taking into account feedback received from a range of Shareholders, the Board announced its conclusion that it would be in the best interests of Shareholders as a whole to put forward proposals for a managed wind-down of the Company (the "**Managed Wind-Down**").

The purpose of this document is therefore to set out details of the proposed Managed Wind-Down of the Company, to explain the associated amendments to the Company's Investment Policy, and to convene a General Meeting to seek Shareholder approval for the adoption of the New Investment Policy.

Subject to the adoption of the New Investment Policy, under the proposed Managed Wind-Down process, the Company will be managed with the intention of realising all the assets in its property portfolio (the "**Portfolio**") in an orderly manner and with a view to repaying borrowings and making timely returns of capital to Shareholders whilst aiming to optimise value for the Company's assets.

Further details of the Proposals and the Resolution to adopt the New Investment Policy which will be put to Shareholders at the General Meeting are set out below. The Notice of General Meeting is set out on pages 21 to 24 of this document.

Background to and reasons for the Proposals

The Company was set up to contribute to the alleviation of homelessness in the UK, whilst targeting inflation-protected income and capital returns, by funding the acquisition and creation of a diversified portfolio of high-quality accommodation assets across the UK dedicated to providing accommodation to homeless people. The Company is an externally managed investment company whose Ordinary Shares are admitted to the premium segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange.

The Company has experienced very significant challenges as a result of the failings of its former advisers, including: poor condition of properties, a larger than expected proportion of the portfolio let as private rented sector (PRS) rather than supported housing, weak tenant covenant strength, significant mismanagement of properties by non-performing tenants, tenants failing to pay rent and disputing rent payments, connections between tenants (and connections between tenants and vendors) that were not disclosed to the Board, tenants entering liquidation and limited evidence of the Company's former advisers undertaking any detailed ongoing monitoring of tenants and properties.

Additionally, the trading of the Company's shares was suspended on 3 January 2023 as a consequence of not publishing its annual report and accounts for the year ended 31 August 2022 by the required deadline.

In August 2023, the Company appointed AEW UK Investment Management LLP ("**AEW**") as its investment manager and AIFM. Given the number of challenges it faced, at the same time a stabilisation strategy (the "**Stabilisation Strategy**") was adopted by the Company which included stabilising the Portfolio and the Company's financial position. A comprehensive inspection programme led to a significant re-assessment of the quality of the Portfolio. Many properties were found to be in need of extensive renovation before they could be occupied or be reconfigured to provide an appropriate number of rooms to suit the local market or intended social use. In December 2023, the Board announced an unaudited valuation demonstrating a material reduction in the value of the Portfolio. The reduction in valuation was principally a result of a re-assessment of the quality of the assets, and of the covenant strength of the tenants, several of which went into liquidation in 2023.

It was a condition of the continued support of the Company's lender, Scottish Widows Limited ("**Scottish Widows**"), that the Company took forward proposals targeting repayment of Scottish Widows' debt by 30 June 2024. The Company's strategy to achieve this and create liquidity to meet ongoing costs, was to auction properties and pursue a re-financing. On 17 June 2024, the Company announced that it had been unable to secure a re-financing of its existing debt facility on terms that it could recommend to Shareholders, despite extensive and advanced discussions with a potential lender. The re-financing of the debt was a key component of the continued implementation of the Stabilisation Strategy. As the re-financing had not proved possible, the Company also announced that it was considering several options to both re-pay the outstanding debt and provide an optimised resolution for Shareholders, which may include a more extensive realisation strategy.

The Board and AEW have continued to engage with Scottish Widows, which has advised that its objective is for repayment of the loan balance in the short term and by no later than 31 December 2024. In addition, and as announced on 3 July 2024, Scottish Widows has revised the terms of the additional fee payable by the Company charged on the outstanding loan amounts, such that this will increase from 5.0 per cent. to 7.0 per cent. per annum until repayment of the loans. As of 31 July 2024, the Company had accrued £7.3 million for the additional unpaid fees being charged since August 2023.

The Company's total borrowings due to Scottish Widows have been reduced from £220.0 million as at 31 August 2023 to £106.1 million, which will be further reduced by the proceeds of the property sales which have exchanged but are yet to complete which total approximately £34.1 million. The Company's unaudited draft valuation for the 2,079 properties held as at 29 February 2024 (the "**Valuation**") prepared by Jones Lang LaSalle Limited ("**JLL**") was £341.0 million on the basis of fair value. The percentage of the Portfolio valued on a vacant possession basis or investment value was 87 per cent. and 13 per cent. respectively. The Valuation was prepared in accordance with the current Royal Institution of Chartered Surveyors' Valuation - Global Standards, effective from January 2022, incorporating the International Valuation Standards, and the RICS Valuation - Global Standards 2017 UK national supplement.

Since its appointment, AEW has undertaken extensive and detailed steps to improve the viability and performance of the Company's assets and thereby providing a firmer platform for its operations. This has involved substantial tenant engagement, the removal of non-performing tenants, the appointment of property managers and re-tenanting of assets where appropriate. Through these activities, the Company has gained control of the majority of its properties and thereby enhanced the liquidity of the Portfolio. In addition, approximately 90 per cent. of the Portfolio has been subject to internal inspection either by AEW, JLL, Vibrant Energy Matters Limited or other property managers, thereby significantly improving the level of data on the Portfolio. Analysis of the underlying condition and occupation of each property has been paramount to determine suitability, capital expenditure budgets, prospects for income and capital returns and for formulating strategies to drive rent collection.

The inspection programme has been critical to putting the Company in a position to publish its 2022 audited accounts, which are expected to be released by mid-September. The work that AEW has done has also significantly improved the position of the Company by providing increasingly reliable and transparent flows of information, undertaking asset management initiatives to preserve or enhance value and generally boost the marketability of properties. Asset management initiatives have also been carried out with a view to minimising disruption to vulnerable occupiers. In addition, despite the Company being unable to secure a re-financing, the stabilisation process has also increased the financial security of the Company by reducing debt whilst maintaining the support of Scottish Widows.

Updated draft valuation reports have been produced as part of the process to conclude the financial results for past periods. The Company's audited results for the year ended 31 August 2022 expected to be published by mid-September 2024. The audited results for the year ended 31 August 2023 have been prepared in parallel and, along with interim results for the periods to 28 February 2023 and 2024 respectively, are expected to be published during the fourth quarter. Upon publication of the results for all these periods, application will be made to the FCA for the restoration of trading of the Ordinary Shares. Further announcements in respect of restoration of trading are expected to be made in due course.

The Board has conducted a full review of the Stabilisation Strategy and whilst it recognises that there is an opportunity to add value to the Portfolio at a property level, it has concluded that this strategy faces considerable challenges. These include a high fixed corporate cost base as a result of the issues being dealt with by the Company at this time, as well as the significant capital expenditure needed to drive an increase in rental income and the valuation of the Portfolio. Corporate costs (excluding the Investment Manager fee) paid in the period from 1 September 2023 to 16 August 2024 were approximately £17.1 million, largely attributable to exceptional levels of legal, audit and other professional fees (including in respect of the financing), and director and officer insurance. These fees include approximately £5.0 million of legal fees, a significant proportion of which has been incurred to defend threatened litigation from current and past shareholders. Corporate costs are expected to remain at elevated levels over the next 12 months.

Whilst expense levels can be reduced in the future, given the issues the Company is facing, it is hard to predict by how much and when. The Board also does not consider they can be reduced to a level that is sustainable given the size and nature of the deleveraged Portfolio. In addition, the Board is aware that the size of the Group following the repayment of debt to Scottish Widows may be considered too small by many investors when considering the Company's future as a listed REIT.

As a result of these factors and having carefully considered the range of options available to the Company, the Board has concluded that it is in the best interests of the Shareholders to adopt the New Investment Policy and implement the Managed Wind-Down pursuant to which the assets of the Company would be sold in an orderly manner with the objectives of optimising remaining shareholder value and repaying the Company's loan balance.

It has been clear from consultation with Shareholders, and the feedback received following the announcement on 17 June 2024, that there is significant support for a realisation strategy and the return of capital to Shareholders when the Company is able to do so.

Approach to the Managed Wind-Down

Subject to the adoption of the New Investment Policy, the Company, via its investment manager AEW, will adopt a broad and managed approach to the disposal of assets, with a view to optimising value for Shareholders. To assist with the process of property disposals, the Company has appointed JLL and Allsop LLP ("**Allsop**") as joint sales agents. This will ensure the Company's assets are widely marketed as part of the Managed Wind-Down. JLL and Allsop are both familiar with the Portfolio having been involved in other key workstreams, working with large teams that will be essential for managing the disposal of a portfolio of this nature and have extensive client networks both nationally and internationally. During the Managed Wind-Down the Company will consider various forms of property sales, including, auction, private treaty, portfolio and individual asset sales.

Although it will be necessary to realise a proportion of the Portfolio before 31 December 2024 to meet the requirements of Scottish Widows and repay the outstanding debt, sales will be structured and executed with the intention to achieve best value and to minimise disruption to the underlying occupiers of the Portfolio. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type, lease terms, the nature of interested purchasers and market conditions.

It is anticipated that whilst parts of the Portfolio may be identified for private treaty and portfolio sales, properties will continue to be sold via auction. All disposal routes have been considered since AEW's appointment, when selling assets to reduce the outstanding loan balance and provide working capital. In conjunction with advice from third party agents, however, given the nature of a significant number of properties within the Portfolio, auction has been considered the most suitable method of disposal to date. Given the diverse and granular nature of the Portfolio, it is anticipated that there will be a wide variety of parties interested in acquiring individual or portfolios of properties including private investors, property companies, larger real estate investment companies and specialist investment companies for supported living assets. As such, the appointment of both JLL and Allsop is considered appropriate in order to maximise exposure and manage a diverse set of counterparties.

Through the Managed Wind-Down process, the Company will endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising value and making timely returns to Shareholders.

During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity. In addition, given the Company's originally stated objective of providing accommodation for the homeless, the realisation process will be carried out in a way intended to minimise impact and disruption to vulnerable occupiers. In that respect, as previously announced, a larger than expected proportion of the Portfolio has been identified as private rented sector rather than homeless accommodation backed by exempt rents from local authorities. The current data on the composition of the Portfolio indicates that approximately 60 per cent. of properties are being used as private rented sector assets.

The Company will continue to provide regular updates during the Managed Wind-Down, however, the level of disclosure included will be reviewed throughout the process in order to protect the Company's commercial interests and allow disposals to be completed in a manner that preserves shareholder value.

As previously announced, Marlene Wood, Simon Moore, Peter Cardwell and Lynne Fennah have advised the Company that they will step down from the Board on the publication of the 2023 financial results. Lynne Fennah will continue to assist the Company, when necessary, on historic legal and FCA matters. There is no current intention to expand the remaining board of three directors, all of whom have joined in 2024, which will consist of Michael O'Donnell, Peter Williams and Rod Day.

Return of capital to Shareholders

It is the intention of the Board that, following the repayment of the Company's outstanding debt facilities, capital will be returned to Shareholders upon the completion of the realisation strategy. Shareholders should be aware, however, that the ability of the Company to make distributions to Shareholders may be constrained, in whole or in part, whilst the Company, and the Company's directors in office at IPO, face potential shareholder group litigation and an FCA investigation.

It should be noted that the Company intends vigorously to defend itself in respect of the threatened litigation and has denied the allegations made against it. At present, however, the realistic quantum of any possible claims from such potential group litigation against the Company is difficult for the Board to assess with any degree of accuracy. This current position of material uncertainty created by the presence of the potential group litigation against the Company is likely to change over time as matters develop. Further clarity will allow the Board to better assess the Company's ability to make distributions to Shareholders and the potential size and timing of any such distributions.

As previously announced on 5 March 2024, the Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing. To that end, the Company has issued pre-action letters of claim to Alvarium Fund Managers (UK) Limited (its former alternative investment fund manager), AITi RE Limited (its former investment adviser's principal) and Alvarium Home REIT Advisors Limited (in liquidation) (its former investment adviser). The Company expects to retain sufficient capital resources to meet its ongoing corporate costs and to provide the Company with sufficient resources to pursue legal action against those it considers responsible for wrongdoing.

The most appropriate timing and mechanism to make any returns of capital to Shareholders will be determined in due course. It is expected that the Company will eventually be placed into liquidation, and its listing cancelled, when the Managed Wind-Down is complete and capital has been returned to Shareholders, although, for the reasons outlined above, the timing of the Company entering liquidation, and its proposed delisting, are, at present, uncertain.

Net proceeds from realisations will first be used to repay borrowings, with excess cash placed on sterling only deposits and/or held as cash equivalent securities, other cash equivalents, cash funds or bank cash deposits, pending its return to Shareholders.

Proposed adoption of the New Investment Policy

The Proposals involve the adoption of the New Investment Policy to reflect the realisation strategy. The proposed amendments to the Company's Investment Policy are considered a material change and therefore, in accordance with the Listing Rules, the Company is seeking the consent of Shareholders to the adoption of the New Investment Policy.

The Listing Rules also require any proposed material changes to the Company's published investment objective and policy to be submitted to the FCA for prior approval. The FCA approved the New Investment Policy on 21 August 2024.

Part 2 (The Company's Proposed New Investment Policy) of this document sets out the proposed New Investment Policy in full.

Resolution

The Proposals are subject to the approval of Shareholders of the New Investment Policy. Notice of a General Meeting at which the Resolution to approve the adoption of the New Investment Policy will be considered is set out on pages 21 to 24 of this document.

The Resolution will be proposed as an ordinary resolution. An ordinary resolution requires a simple majority of members entitled to vote and present in person or by proxy to vote in favour in order for it to be passed.

General Meeting

The General Meeting has been convened for 10.00 a.m. on 16 September 2024 to be held at 8 Bishopsgate, Level 1, London EC2N 4BQ. The Resolution will be voted on by way of a poll. In accordance with the Articles, all Shareholders entitled to vote and who are present in person or by proxy at the General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held.

Shareholders are strongly encouraged to appoint the Chair of the General Meeting as their proxy to vote on their behalf at the General Meeting. This should ensure that your votes are registered.

Action to be taken

If you would like to vote on the Resolution you may vote:

- by logging on to www.signalshares.com and following the instructions;
- by requesting a hard copy form of proxy directly from the registrars;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service; or
- if you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform at www.proxymity.io.

In order for a proxy appointment to be valid, you must ensure that you have recorded proxy details using one of the methods set out above by 10.00 a.m. on 13 September 2024.

If you are an institutional investor, you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.00 a.m. on 13 September 2024 in order to be considered valid or, if the General Meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

Further details are set out in the Notice of General Meeting at the end of this document.

Recommendation

The Board considers that the Proposals are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

The Directors, who in aggregate have an interest in 151,000 Ordinary Shares (representing approximately 0.02 per cent. of the Company's issued share capital as at 22 August 2024 (being the latest practicable date prior to the publication of this document)), intend to vote their entire beneficial holdings in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully

Michael O'Donnell
Chair
Home REIT plc"

END

CIRQKBBNDBKBNFB