PICTON

Annual Results 2019/20

June 2020

Contents

Introduction

Who we are

We aim to be one of the **consistently best performing diversified UK REITS**

To us this means being a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders

For year ended March 2020

– Positive financial results
– Strengthened balance sheet
– Outperforming property portfolio
– Responsible stewardship

Long-term track record of outperformance

Established in 2005, Picton is an internally managed UK REIT with a

£665 million

commercial property portfolio

Portfolio top quartile outperformance against MSCI UK Quarterly Property Index (over one, three, five and ten years)

3.6%

Dividend yield*

* As at 21 June 2020

93p

March 2020 NAV per share (March 2019: 93p)

Our business model ensures we have the **flexibility to adapt** to changing market conditions

Awards

CITYWIRE WINNER INVESTMENT TRUST 2019 UK PROPERTY PICTON PROPERTY INCOME

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2018 WINNER PROPERTY

moneywise Investment Trust awards 2018 WINNER

Money Observer Trust Awards 2018 Best Property Trust Picton Property Income

MSCI IPF Investment Property Forum UK Property Investment Awards WINNER 2018

EPRA BPR GOLD FINANCIAL REPORTING

Where we invest

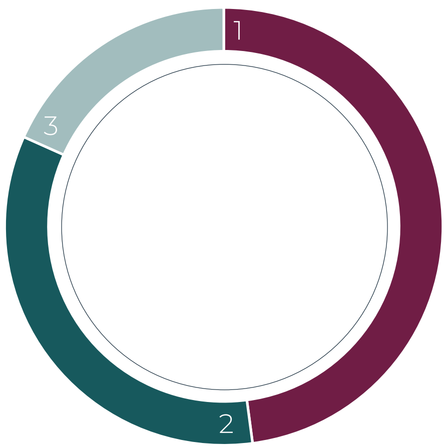
Diversified portfolio with industrial and office bias

Our portfolio currently consists of approximately
4.2 million sq ft
across 47 assets in the industrial, office, retail and leisure sectors

More than
80%
in industrial and office markets

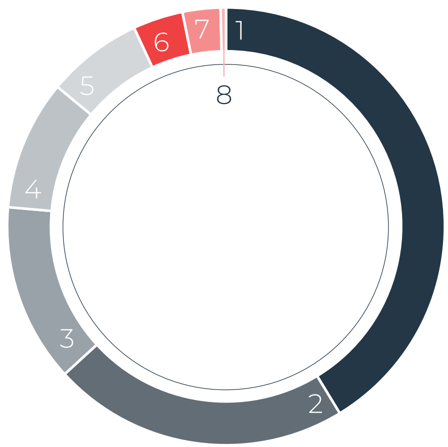
More than
40% in South East
21% in London
39% in regions

Sector %



1.	Industrial	47.9%
2.	Office	33.8%
3.	Retail & Leisure	18.3%

Geography %



1.	South East	41.3%
2.	London	21.9%
3.	North	13.2%
4.	Midlands	9.6%
5.	South West	7.1%
6.	Scotland	3.7%
7.	Wales	2.8%
8.	Northern Ireland	0.4%

Portfolio summary

Significant reversionary upside underpins income biased strategy

Actively managed portfolio with diverse income from around

350

occupiers

Top 10 occupiers represent

27%

of income

No occupier

> 5%

of rent roll

Focus on occupiers and working with them to meet needs

	March 2020	March 2019
Portfolio valuation	£665 million	£685 million
Number of properties	47	49
Average lot size	£14.1 million	£14.0 million
Net initial yield	4.9%	5.0%
Net reversionary yield	6.4%	6.3%
Annualised rental income	£36.2 million	£37.7 million
Annualised reversionary income	£45.2 million	£46.8 million
Occupancy as a % of ERV	89%	90%
Weighted average unexpired lease term	5.5 years	5.1 years

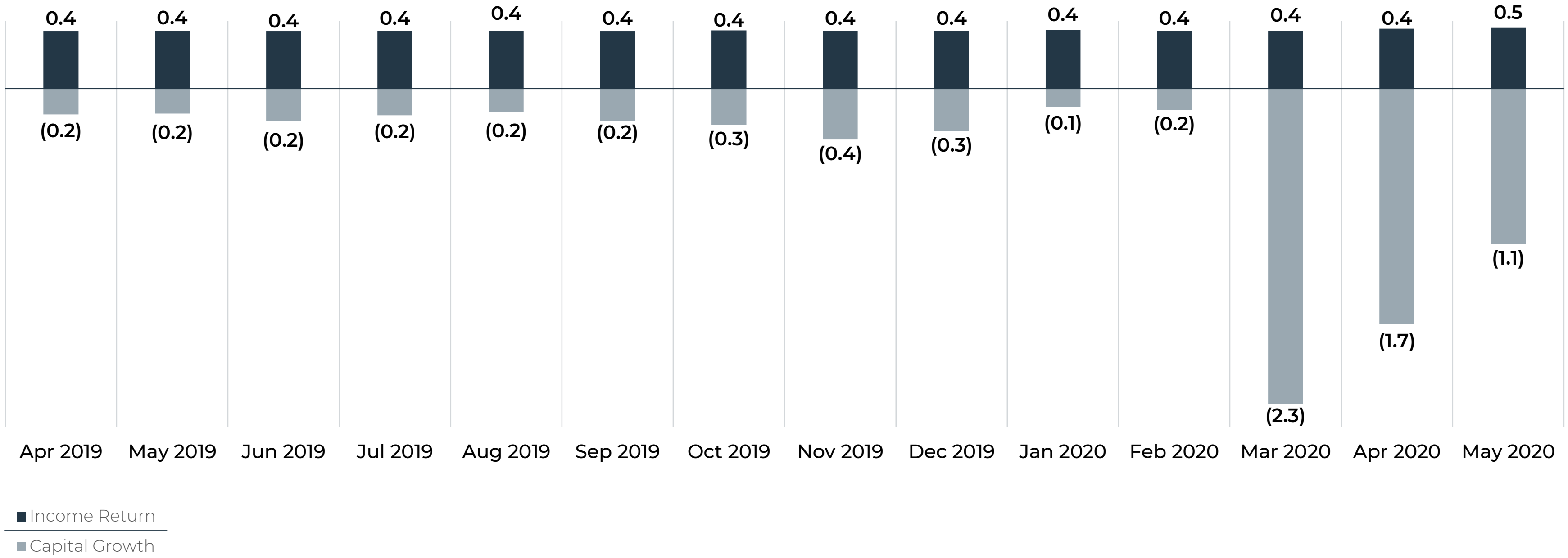
Market update

UK commercial property market

All Property total returns positive until March

- Income return offsetting capital movements primarily reflecting Brexit concerns
- January and February bounce, halted by Covid-19 lockdown – leasing and sales stopped
- No direct Government support for property sector – but lenders supportive
- Retail and Leisure hit hardest
- Now lower return environment. Long-term, income is key component of total return but short-term disruption likely

Income & Capital Growth



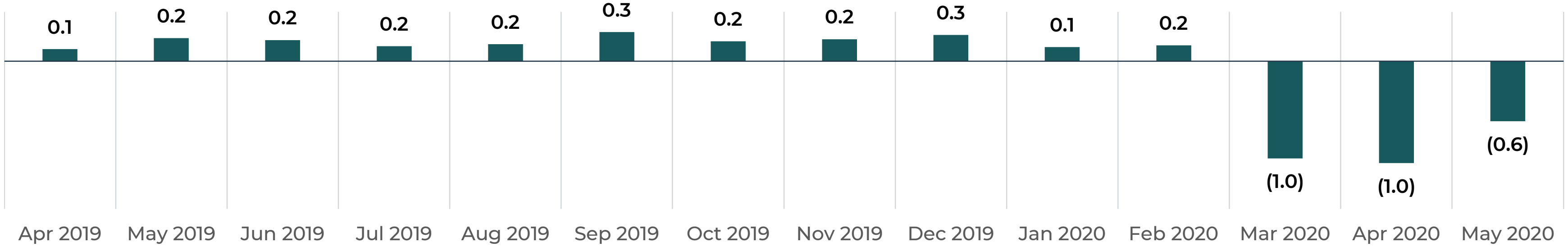
* Source: MSCI UK Property Monthly Index

Industrial market

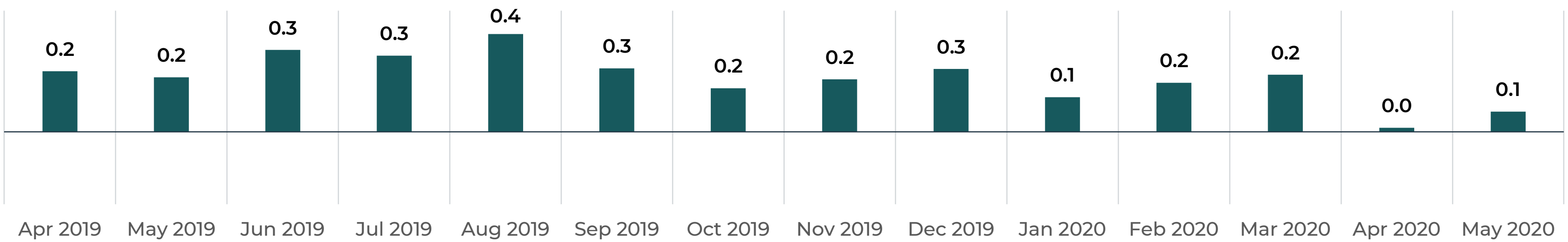
Supply and demand balance provides stability

- Pre-lockdown - capital values in the industrial sector have been rising since 2016
- Rental values have risen since 2013
- Sector not immune from wider economy – Retail and Leisure supply chain for example
- Buildings generally self contained and easier to reoccupy

MSCI Capital Growth



Sector Rental Value Growth



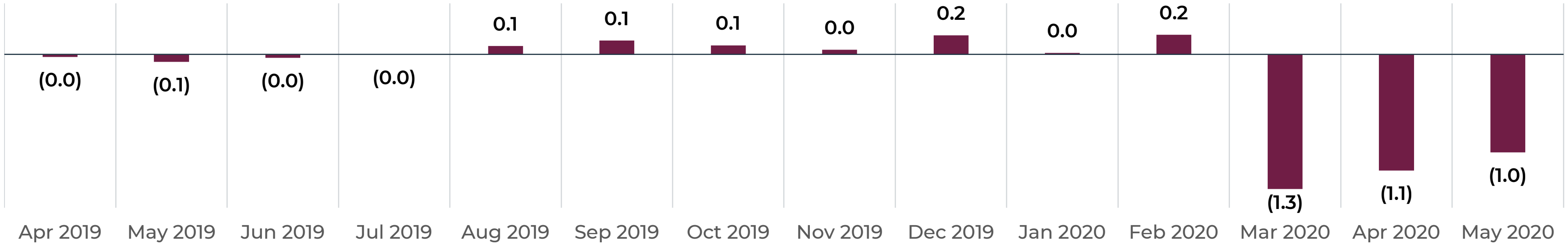
* Source: MSCI UK Property Monthly Index

Office market

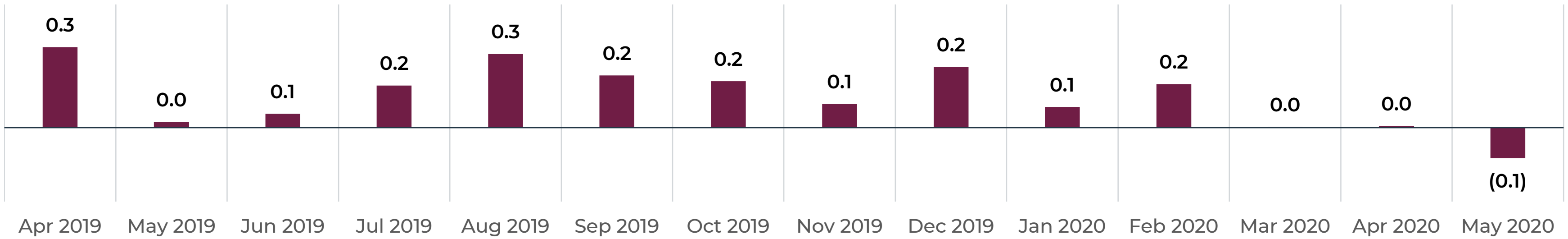
Changing working habits

- Pre-lockdown capital values in the office sector stable
- Pre-lockdown rental values had risen since 2016
- Location and design impacting reoccupation – public transport, high rise, multi-occupancy have more challenges
- Regional markets likely to stabilise more quickly as easier to reoccupy
- More remote working to ease congestion and manage reduced office occupancy. Not the total solution – engagement, training, onboarding, motivation, collaboration, variety, visibility, sociability vs cost, convenience and suitability of WFH

MSCI Capital Growth



Sector Rental Value Growth



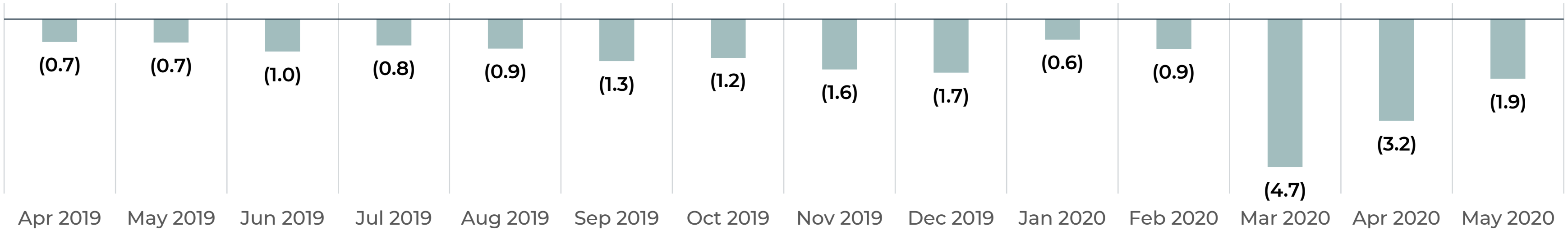
* Source: MSCI UK Property Monthly Index

Retail market

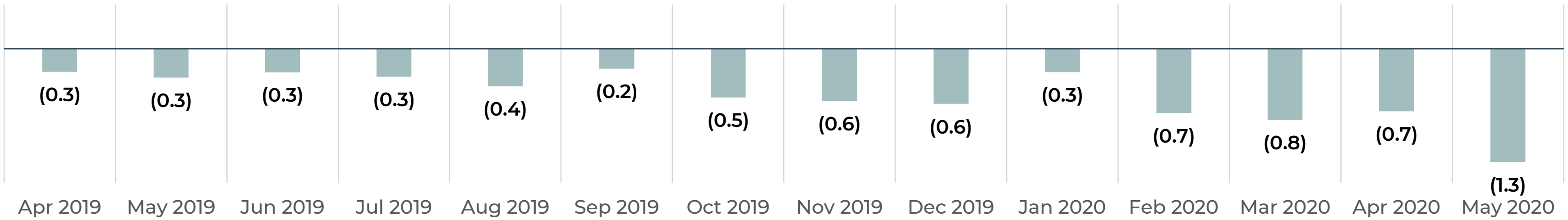
Forced lockdown accelerates online trend

- Pre-lockdown capital values in the retail sector have declined since 2018
- Pre-lockdown rental values have not risen since 2016
- CVAs and failures likely to depress rents further in short-term
- Alternative use increasingly likely
- Retail warehousing more suited to social distancing

MSCI Capital Growth



Sector Rental Value Growth



* Source: MSCI UK Property Monthly Index

Financial summary

Positive results against difficult backdrop

- Net assets of £509 million, or 93p per share
- Total return of 4.5%
- Earnings per share of 4.1p
- Profit of £22.5 million and dividends paid of £19 million
- Dividend cover of 105%

93p

EPRA NAV per share

(2019: **93p**)
(2018: **90p**)

3.7p

EPRA earnings per share

(2019: **4.3p**)
(2018: **4.2p**)

3.5p

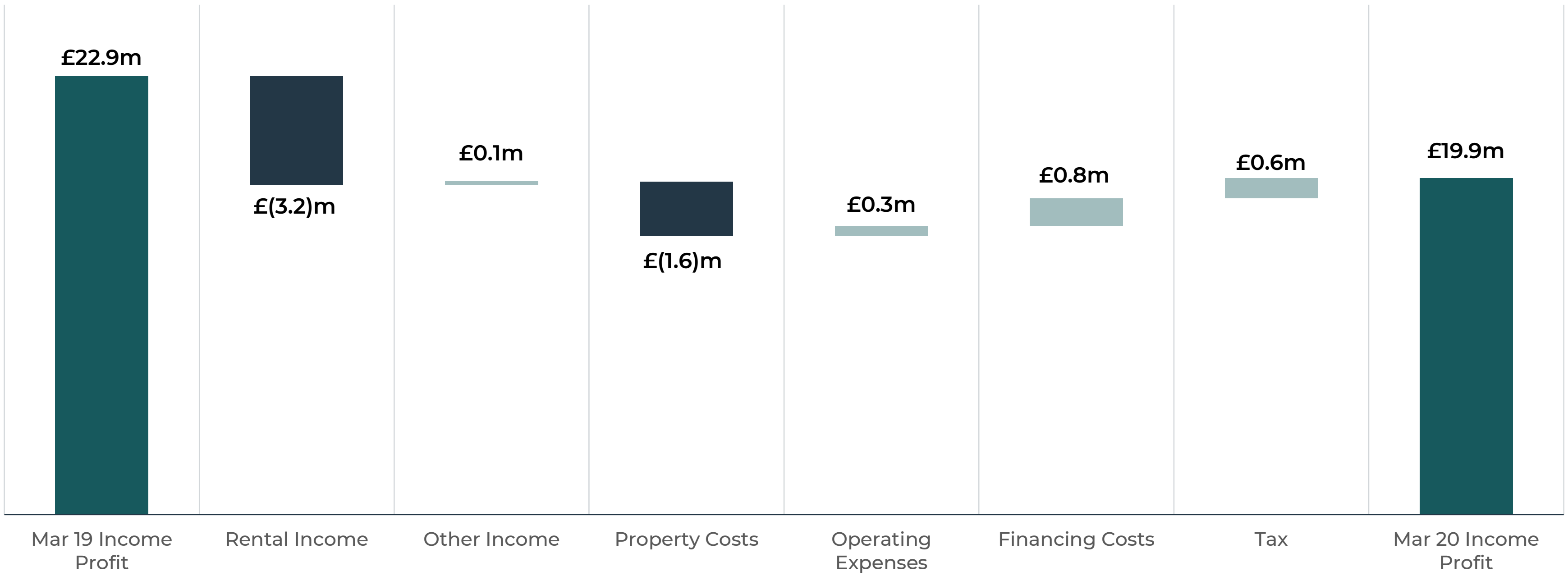
Dividends paid per share

(2019: **3.5p**)
(2018: **3.4p**)

Income statement

Lower occupancy impacting income and property costs

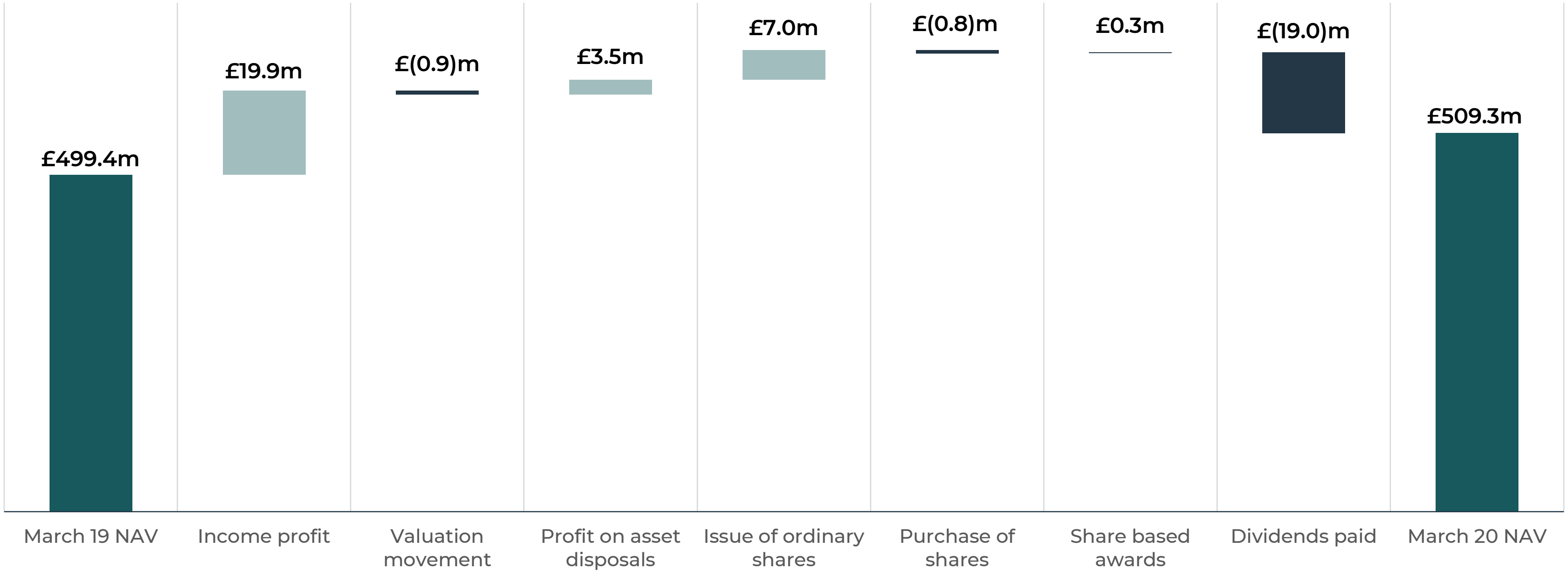
- EPRA earnings of £19.9 million
- Rental income impacted by asset disposals and current refurbishment programme
- Provision of £0.5 million made against March quarters rent
- Increased property costs, reflecting lower occupancy levels over the year
- Financing costs reduced following debt repayments
- Nil tax since REIT conversion



Balance sheet

Covered dividend supports marginal NAV increase

- Increased net assets to £509 million
- NAV per share maintained at 93p
- Like-for-like valuation increase of 1.4%, with a valuation movement of £(0.9) million after capital expenditure
- Two asset disposals for £34.1 million, 15% ahead of March 19 valuation
- £7 million of new equity raised which has been invested back into the portfolio
- Dividends paid of £19 million, maintaining a covered dividend



Capital structure

Further debt reduction and operational flexibility secured

- Further reduction in loan to value ratio to below 22%
- 14% reduction in total debt outstanding to £167.5 million
- New £50 million revolving credit facility completed post year end

21.7%

Loan to value

(2019: **24.7%**)
(2018: **26.7%**)

£168m

Debt outstanding

(2019: **£195m**)
(2018: **£214m**)

9.9yrs

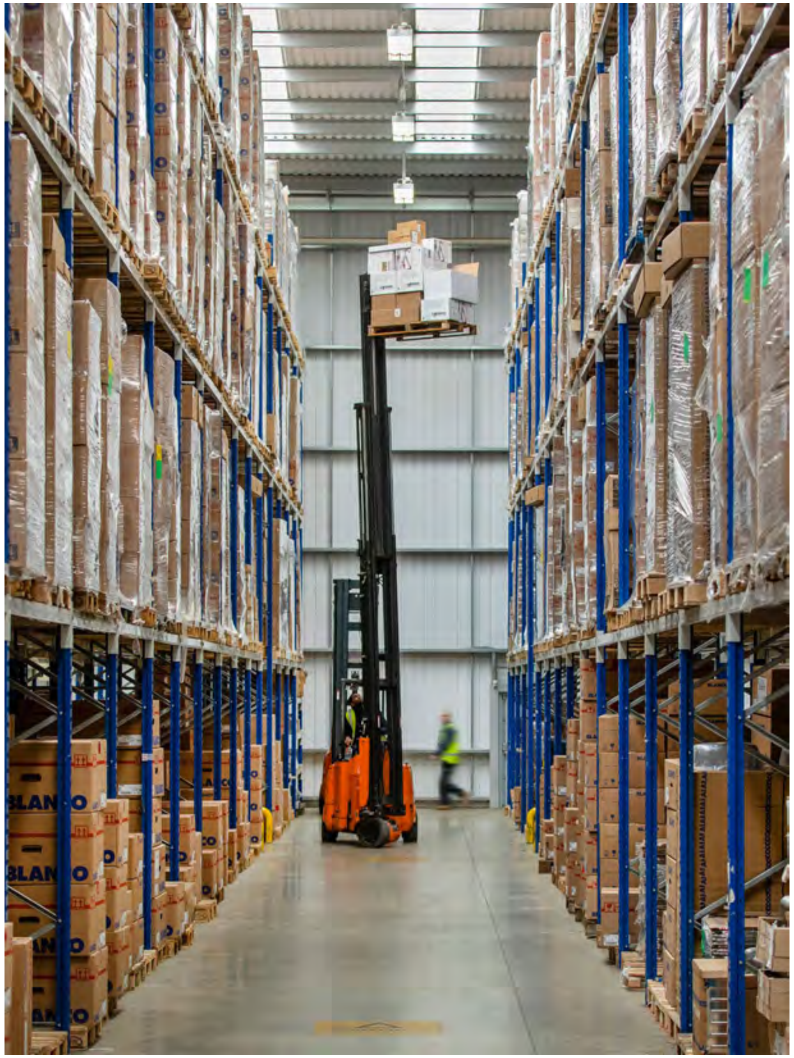
Debt maturity*

(2027 maturity: **£80.0m**)
(2032 maturity: **£67.0m**)

* Please refer to Borrowings Summary on P32

Portfolio highlights

Operational performance



Outperforming property portfolio

5.3% Total property return — VS — **-0.5%** MSCI UK Quarterly Property Index

Portfolio top quartile outperformance against MSCI over one, three, five and ten years

1.4% Like-for-like valuation increase

1.2% Like-for-like rental income increase

1.3% Like-for-like estimated rental value increase

89% Occupancy

Occupier focused, Opportunity led.

Operational performance

Significant asset management activity

- 104 asset management transactions completed including:
  - 20 rent reviews, 10% ahead of ERV
  - 31 lease renewals or regears, 12% ahead of ERV
  - 35 lettings or agreements to lease, 2% ahead of ERV
- Two asset disposals for £34.1 million, 15% ahead of March 2019 valuations
- £9 million invested into refurbishment projects
- Income extended on key 2020 expiries with four of our largest occupiers

Occupier focused, Opportunity led.

Our business model in action

Office

Tower Wharf
Bristol

- Upgrade of the building
- Existing occupier upsized by 73% at a passing rent of £0.5 million per annum
- Occupier break moved out by three years and 29% uplift secured at August 2020 rent review 4% ahead of ERV
- One floor to lease

Industrial

Shipton Way
Rushden

- Mitigated largest void
- Existing occupier lease extended by 6 months
- Simultaneously agreed new 10 year lease with Whistl, with break at year 5
- New passing rent of £1.6 million in line with ERV

Retail and Leisure

Angouleme Way
Bury

- Upgrade of the park
- Anchor retailers retained
- Further unit let for £0.1 million
- Two units available

Occupier focused, Opportunity led.

Vacancy breakdown

Top five voids account for over 65% of total void

£1.6m	£0.6m	£0.6m	£0.3m	£0.3m
Stanford Building, Covent Garden	**Angel Gate, London**	**Swiftbox, Rugby**	**50 Pembroke Court, Chatham**	**Tower Wharf, Bristol**
Building refurbishment to complete this summer. Landmark retail unit and three floors of Grade A offices with concierge and amenities	Refurbished office village with car parking and Cat A+ space available	Golden triangle distribution unit, refurbishment recently completed. Interest received	Refurbished ground floor office, part under offer	Grade A office, available in two small suites. Currently moving an occupier to create a whole floor

Responsible stewardship

Embedded sustainability into corporate strategy, completing materiality assessment review

Improved portfolio EPC ratings

Incorporated energy efficiency measures into building refurbishments

We work with occupiers to understand needs and provide space they want to help them succeed.

Focus on key occupier commitments of Action, Community, Technology, Sustainability and Support

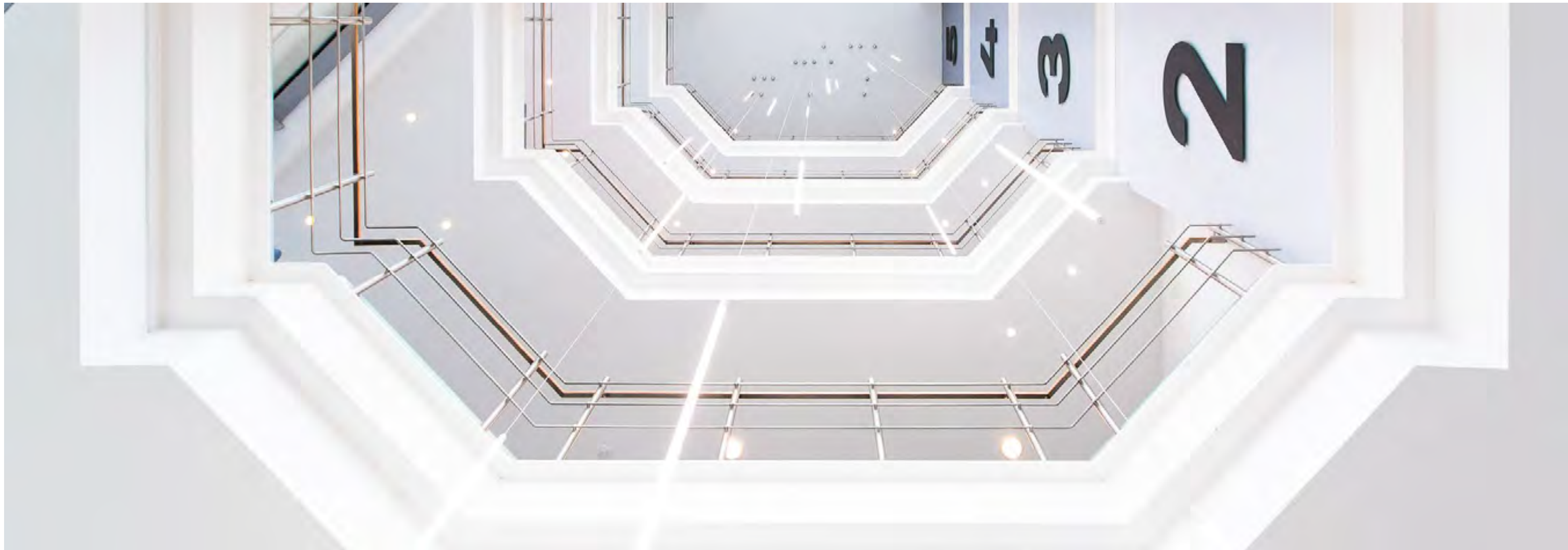
Further developed occupier and employee engagement programmes

Covid-19 impact and response

Covid-19 impact and response

Covid–19 response priorities

- Health and safety of all our stakeholders
- The security and ongoing operation of our buildings – all multi-let offices remain open
- Reducing service charge costs to assist occupiers and reduce vacancy costs
- Established re-occupancy protocols
- Refurbishment projects – all projects are back on site
- Rent collection and assisting our occupiers where necessary on a case-by-case basis to include:
  - Rental adjustments reflecting break option, rent review, lease expiry
  - Rent deferrals
  - Rent holiday or write off



Covid-19 impact and response

Covid–19 impact

- March 2020 valuation write-down (For the quarter - industrial -0.3%, office -0.2% and retail/leisure -2.9%)
- Principally reflects income uncertainty, longer void periods, ERV write downs in retail
- Reduced dividend by 29% to provide greater operational flexibility and balance sheet strength
- £0.5 million provision against March 2020 potential defaults
- No employees furloughed, no Government support
- Full remote working

Current March 2020 rent collection status

	Industrial	Office	Retail and Leisure	Total
Received	84%	89%	67%	82%
Rent deferrals	6%	5%	8%	6%
Active management	0%	0%	4%	1%
Rent concession	0%	1%	0%	0%
Moved to monthly	1%	1%	8%	2%
Outstanding	9%	4%	13%	9%

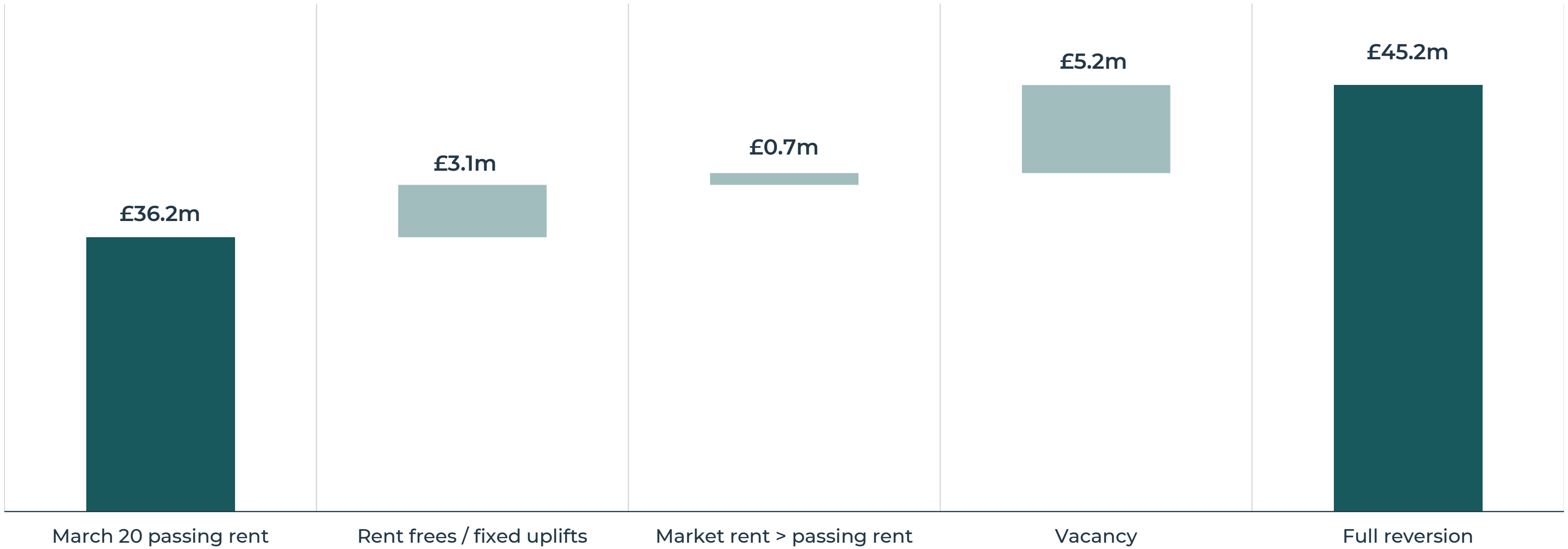
PICTON

Outlook & focus

Outlook and focus

Lockdown easing – key to speed of recovery

- Over 80% of portfolio invested in industrial and office sectors
- Considerable income upside with occupancy at 89%
- 74% of vacant space either recently refurbished or under refurbishment
- Low LTV with significant flexibility and £50 million undrawn capacity
- Focus on what we can control



Appendices

Management team

Michael Morris,
Chief Executive

Michael has over 25 years' experience in the UK commercial property sector and was appointed to the Picton Property Income Board on 1 October 2015.
He has worked with the Group since launch in 2005 and is the Chief Executive. Within this role he is responsible for the implementation of all aspects of the Company's strategy.

Andrew Dewhirst,
Finance Director

Andrew joined the Group in March 2011 and became its Finance Director in 2018. He has over 30 years' experience in the real estate and financial services sector. Andrew is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Investment Property Forum.
He is the Chair of the Responsibility Committee.

Jay Cable,
Head of Asset Management

.Jay is Head of Asset Management and in this role, he is responsible for overseeing all asset management activities in respect of the Group's property portfolio. He has over 19 years of real estate experience and is a member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum. He sits on the Executive Committee and the Transaction and Finance Committee.

Top 10 assets

1/

Parkbury Industrial Estate Radlett, Herts

- Lot size band - £40 million +
- Size (sq ft.) 336,700

- Multi-let industrial estate within M25
- 24 units
- Principal occupiers include Blanco, Franke Coffee and XMA
- Fully let

2/

River Way Industrial Estate Harlow, Essex

- Lot size band - £40 million +
- Size (sq ft.) 454,800

- Multi-let industrial estate 20 miles from London
- 11 units
- Principal occupiers include BOC, DHL and Fedex
- 98% let with remaining unit under offer

3/

Angel Gate, City Road London EC1

- Lot size band – between £30m-£40m
- Size (sq ft.) 64,500

- Multi-let courtyard office development
- Offering a mix of self-contained units and individual floors
- Repositioned to offer contemporary space
- 16,100 sq ft available

4/

Stanford Building, Long Acre , London WC2

- Lot size band – between £30m - £40m
- Size (sq ft.) 19,,600

- Prime Covent Garden asset
- Grade II listed
- Comprehensive refurbishment on site to complete in the summer

5/

Tower Wharf, Cheese Lane, Bristol

- Lot size band – between £20m - £30m
- Size (sq ft.) 70,800

- Multi-let grade A office
- BREEAM excellent rated
- Reception refurbishment recently completed
- 12,000 sq ft to lease

Top 10 assets

6/

50 Farringdon Road London EC1

- Lot size band – between £20m - £30m
- Size (sq ft.) 31,000

- Multi-let office
- Located adjacent to Farringdon Crossrail station
- Principal occupiers include Volker Wessels, PA Consulting and Lawrence Stephens
- Fully let

7/

Shipton Way, Express Park, Rushden, Northants

- Lot size band – between £20m - £30m
- Size (sq ft.) 312,900

- Single-let
- Centrally located within the UK's distribution heartland
- Modern distribution warehouse on a 14 acre site
- Good road connectivity – adjacent to the A45

8/

Datapoint Business Park, London E16

- Lot size band – between £20 - £30m
- Size (sq ft) 55,500

- Greater London Industrial Estate
- Multi-let
- Six units
- Close to DLR and A13
- One unit to lease

9/

Lyon Business Park, Barking

- Lot size band – between £20m - £30m
- Size (sq ft.) 99,400

- Greater London industrial estate
- Multi-let
- 10 units
- Adjacent to A13
- Fully let

10/

Colchester Business Park, Colchester

- Lot size band – between £20m - £30m
- Size (sq ft.) 150,700

- Multi-let business park adjacent to A12
- Principal occupiers include Essex County Council, Linklakers and Natwest
- 99% let

Borrowings summary

Long-term fixed rate debt & available revolving credit facility

	Canada Life	Aviva	RCF
Amount drawn	£80.0 million	£87.5 million	£0.0 million
Undrawn	Fully drawn	Fully drawn	£50.0 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	4.08%	4.38%	3 month libor + 1.5% (currently 1.7%)
Commitment fee	–	–	0.6%
Maturity	2027	2032	2023 (ability to extend a further 2 years)
Covenant LTV	65%	65%	55%
Covenant ICR	1.75x	N/A	2.5x
Covenant DSCR	N/A	1.4x	N/A
Repayment	Full balance due in 2027	£67 million repayable on maturity. Remainder repayable trough annual amortisation	Ability to redraw and repay over term

Consolidated statement of comprehensive income

Profit reflects both lower valuation movement and occupancy

	March 2020 (£ million)	March 2019 (£ million)
Rental income	37.8	40.9
Other Income	1.2	1.1
Property expenses	(5.3)	(3.7)
Administrative expenses	(5.6)	(5.8)
Finance costs	(8.3)	(9.1)
Tax	0.1	(0.5)
INCOME PROFIT AFTER TAX	19.9	22.9
Unrealised movement on property assets	(0.9)	10.9
Gains on disposal of property assets	3.5	0.4
Debt Prepayment Fee	-	(3.2)
PROFIT BEFORE DIVIDENDS	22.5	31.0
Dividends paid	19.0	18.9
Dividends paid per share (pence)	3.5	3.5

Consolidated balance sheet

Strengthened through new equity and debt repayment

	March 2020 (£ million)	March 2019 (£ million)
Property assets	654.5	676.1
Cash	23.6	25.2
Other assets	17.6	14.3
TOTAL ASSETS	695.7	715.6
Borrowings	(165.1)	(192.0)
Other liabilities	(21.3)	(24.2)
NET ASSETS	509.3	499.4
Net asset value per share (pence)	93	93

Disclaimer

This presentation is for information purposes only and does not constitute an offering document or an offer of transferable securities to the public in the UK.

This presentation is not intended to provide the basis for any credit or other evaluation of any securities of the Company and should not be considered as a recommendation, invitation or inducement that any investor should subscribe for, dispose of or purchase any such securities or enter into any other transaction with the Company or any other person.

The merits and suitability of any investment action in relation to securities should be considered carefully and involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of such securities.

This presentation contains certain statements that are neither financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed or implied by these statements.

Certain information contained in this presentation has been obtained from published sources prepared by other parties. Certain other information has been extracted from unpublished sources prepared by other parties which have been made available to Picton, Picton has not carried out an independent investigation to verify the accuracy and completeness of such third party information. No responsibility is accepted by Picton or any of associates, directors, officers, employees or advisers for the accuracy or completeness of such information.

The distribution of this presentation in jurisdictions other than the UK may be restricted by law and regulation and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. This presentation has been prepared for the purpose of complying with English law and regulation and the information disclosed may not be the same as that which would have been disclosed if this presentation had been prepared in accordance with the laws of the jurisdictions outside the UK.

Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

Contact details

If you require any further information please contact

Michael Morris

Picton Property Income Limited
1st Floor, 28 Austin Friars
London EC2N 2QQ
+44 (0) 20 7011 9980

www.picton.co.uk