Annual Results 2021/22

May 2022

Contents

PICTON

Overview

Picton at a glance

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

£849 million

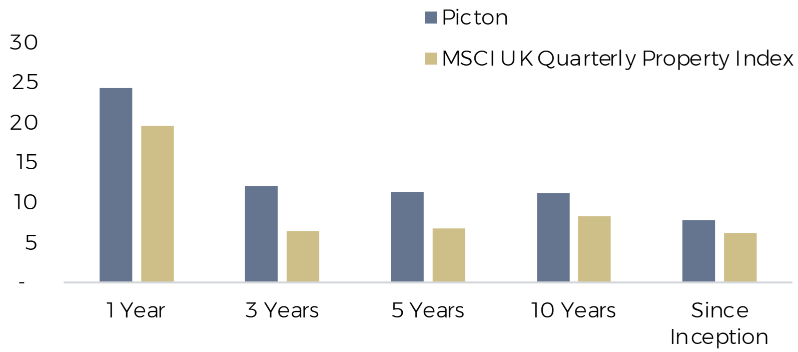
commercial property portfolio

Our purpose

To be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

Portfolio outperformance against MSCI UK Quarterly Property Index (over one, three, five and ten years, and since inception).

Annualised total property return (%)



For year ended March 2022

- Strong financial performance
- Outperforming property portfolio
- Improving income and occupancy
- Responsible stewardship

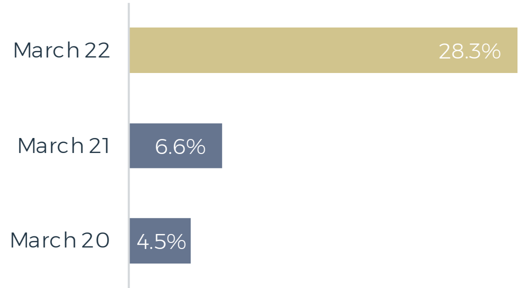
Occupier focused, Opportunity led.

Performance at a glance

Positive performance measures

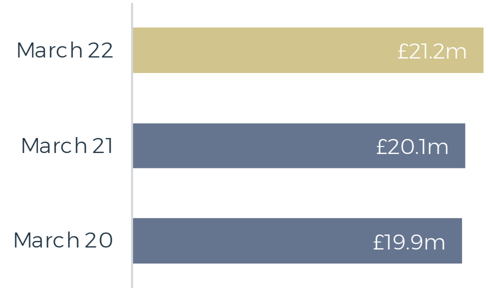
Total return

28.3%



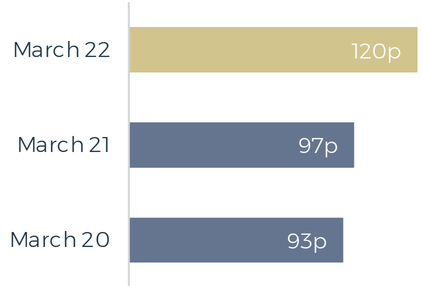
EPRA EPS

£21.2m



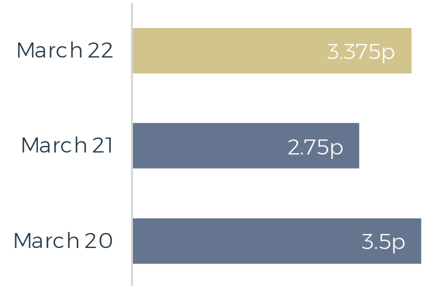
EPRA NTA per share

120p



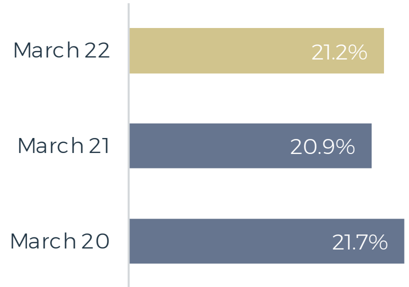
Dividends paid per share

3.375p



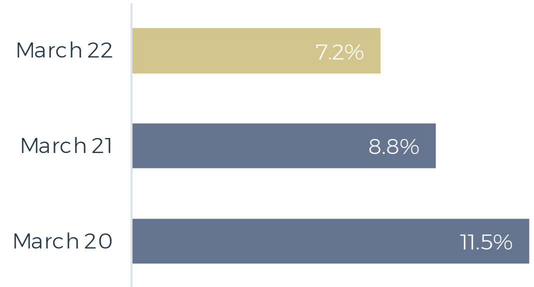
Loan to value

21.2%



EPRA vacancy rate

7.2%



Business overview

Corporate

£657m
Net assets

3.8%
Dividend yield*

£509m
Market capitalisation*

1.0%
Cost ratio

£219m
Borrowings

21%
Loan to value

Portfolio

£849m
Value

4.0%
Net initial yield

47
Number of assets

5.4%
Reversionary yield

400
Number of occupiers

93%
Occupancy

Industrial weighting

60%

London & South East	**44%**
Rest of UK	**16%**

Office weighting

30%

Central London	**11%**
Rest of UK	**10%**
South East	**9%**

Retail and Leisure weighting

10%

Retail Warehouse	**7%**
High Street (Rest of UK)	**2%**
Leisure	**1%**

*As at 24 May 2022

Our strategy

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs.

We have in place three strategic pillars including a range of priorities which guide the direction of the business:

Portfolio Performance

1 Creating and owning a portfolio which provides income and capital growth

2 Growing occupancy and income profile

3 Enhancing asset quality, providing space that exceeds occupier expectations

4 Outperforming the MSCI UK Quarterly Property Index

Operational Excellence

1 Maintaining an efficient operating platform, utilising technology as appropriate

2 Having an agile and flexible business model, adaptable to market trends

3 Delivering earnings growth

4 Having an appropriate capital structure for the market cycle

5 Growing to deliver economies of scale

Acting Responsibly

1 Ensuring we maintain our company values, positive working culture and alignment of the team

2 Working closely with our occupiers, shareholders and other stakeholders

3 Ensuring sustainability is integrated within our business model and how we and our occupiers operate

4 Adapting to and mitigating impact of climate change

5 Reducing emissions to become carbon net zero by 2040

Annual Results

Financial summary

Strong financial performance

- Profit for the year of £147.4 million, the highest recorded since launch in 2005
- Net assets of £657 million, or 120p per share, an increase of 24.4%
- Earnings per share of 27.0p
- Total return of 28.3%
- Total shareholder return of 18.7%
- 23% increase in dividends paid of £18.4 million, with dividend cover of 115%

120p

EPRA NTA per share

(2021: **97p**)
(2020: **93p**)

3.9p

EPRA earnings per share

(2021: **3.7p**)
(2020: **3.7p**)

3.375p

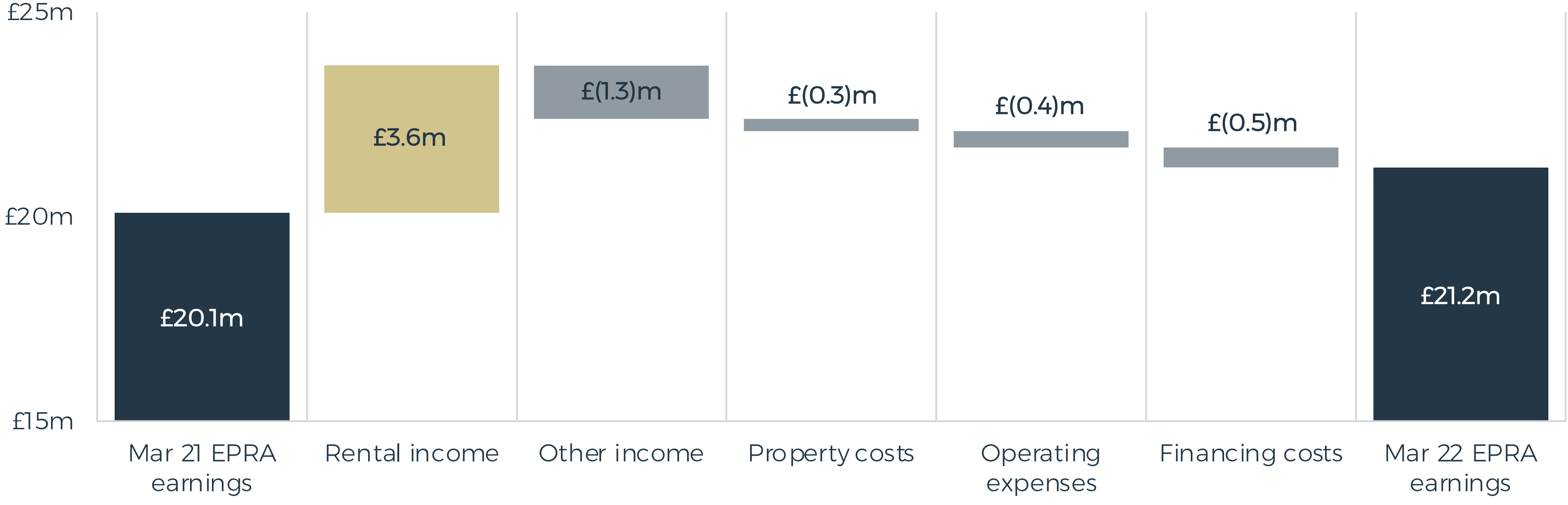
Dividends paid per share

(2021: **2.75p**)
(2020: **3.5p**)

Income statement

Post pandemic income recovery

- Increased EPRA earnings of £21.2 million
- Rental income increased as a result of higher occupancy, reduced bad debt provisions and new acquisitions
- Other income less than received in prior year
- Property costs impacted by general inflationary pressure
- Administrative costs also impacted by inflation, plus higher remuneration and sustainability projects
- Financing costs higher this year due to refinancing and use of RCF

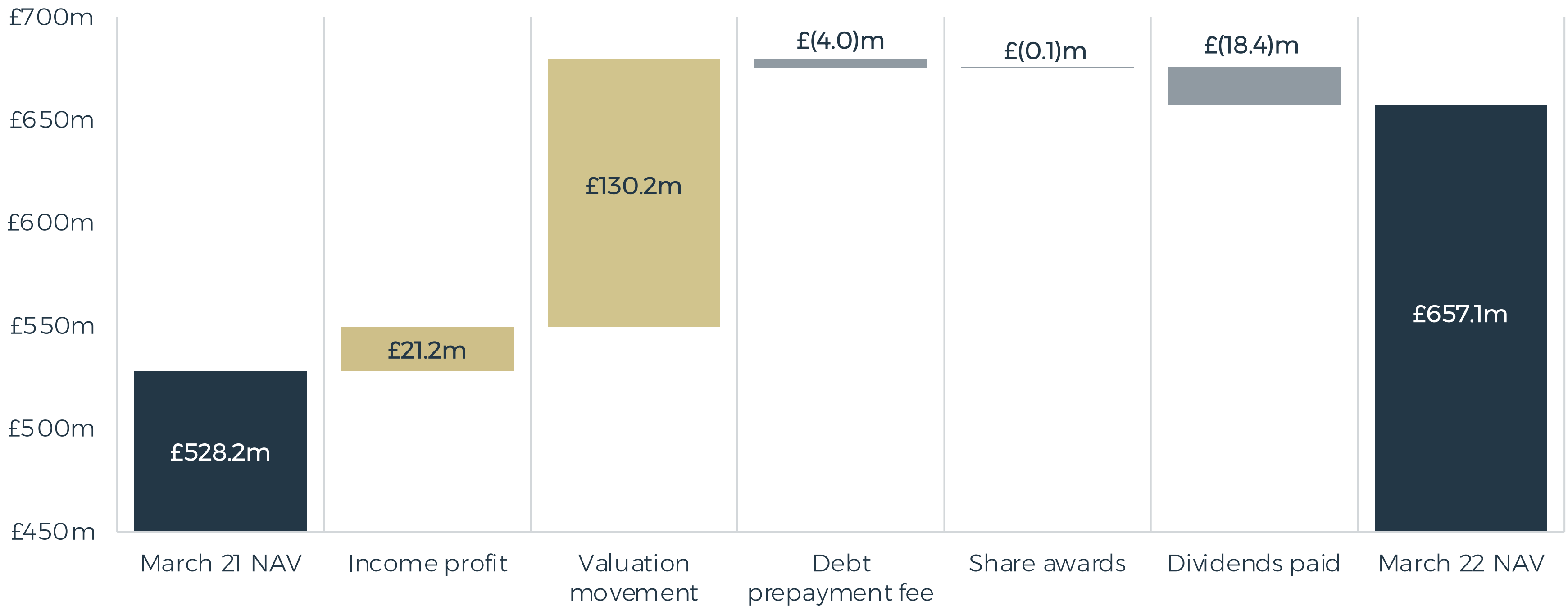


Please refer to Income Statement on page 41.

Balance sheet

NAV growth primarily driven by valuation gains in industrial assets

- Increased net assets to £657.1 million, up £128.9 million over the year
- Like-for-like valuation increase of 20.8%
- Debt prepayment fee of £4.0 million incurred on refinancing of senior debt facility
- Dividends paid of £18.4 million, maintaining a well covered dividend



Please refer to Balance Sheet on page 42.

PICTON

Capital structure

Debt maturity extended and costs reduced during the year

- Total debt drawn of £219 million with the loan to value ratio maintained at 21%
- Refinanced an existing debt facility, increasing borrowings by £49 million, reducing the interest rate to 3.25% and extending the term by four years
- Proceeds used to finance acquisitions
- Currently £45 million undrawn under revolving credit facility with maturity extended by a further year until May 2025

21%

Loan to value

(2021: **21%**)
(2020: **22%**)

3.7%

Weighted average interest rate

(2021: **4.2%**)
(2020: **4.2%**)

9.6yrs

Debt maturity*

(2031 maturity: **£129.0m**)
(2032 maturity: **£67.0m**)

* Ignoring annual amortisation and RCF.
Please refer to Borrowings Summary on page 40.

Market update

Annual Results 2021/22
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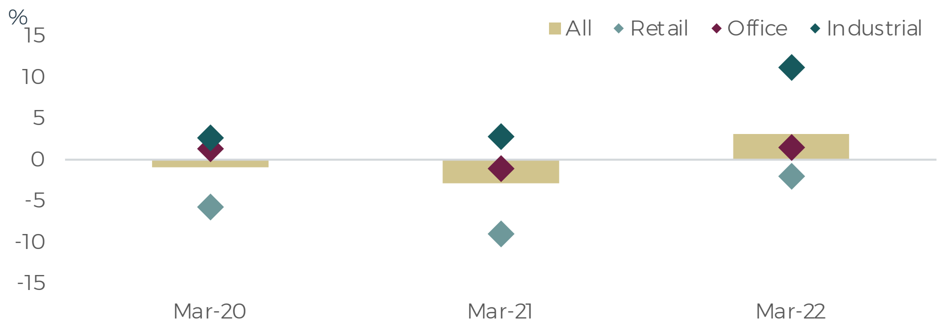
Total returns highest since 2010

MSCI Total return year to 31 March 2022

All property	Industrial	Office	Retail
+19.6%	+40.7%	+6.9%	+14.9%

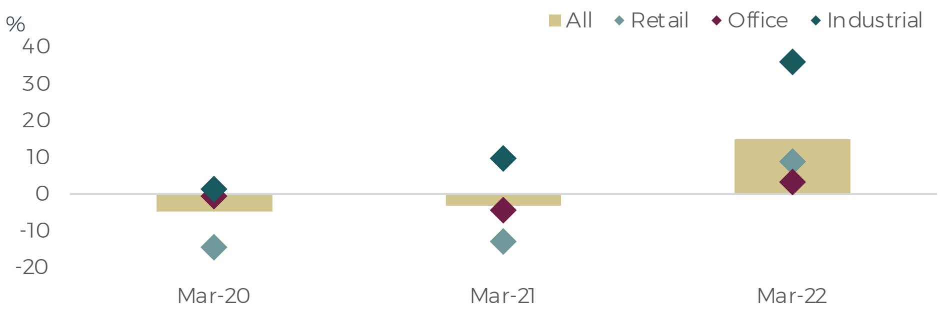
- Strong rental growth in industrial sector with limited supply
- WFH impacted office occupational demand. Better quality space at a premium
- Retail rental falls past the worst but still negative

Annual rental value growth



- Strong investor demand for industrials despite increased pricing
- Investor interest for offices more selective. Leasing risk and capital expenditure a concern
- Growth returned to retail warehouse subsectors and where underpinned by alternative use
- UK attractive to international investors
- Economic backdrop to dampen returns

Annual capital value growth



Source: MSCI UK Quarterly Property Index

Industrial market

- Very strong industrial occupational demand and rents rising in all subsectors
- Occupiers are seeking space to remove supply chain disruption
- Rising construction costs may limit speculative development and lead to higher rents

"Strong demand and dwindling supply will continue to drive rental increases through 2022 and beyond."

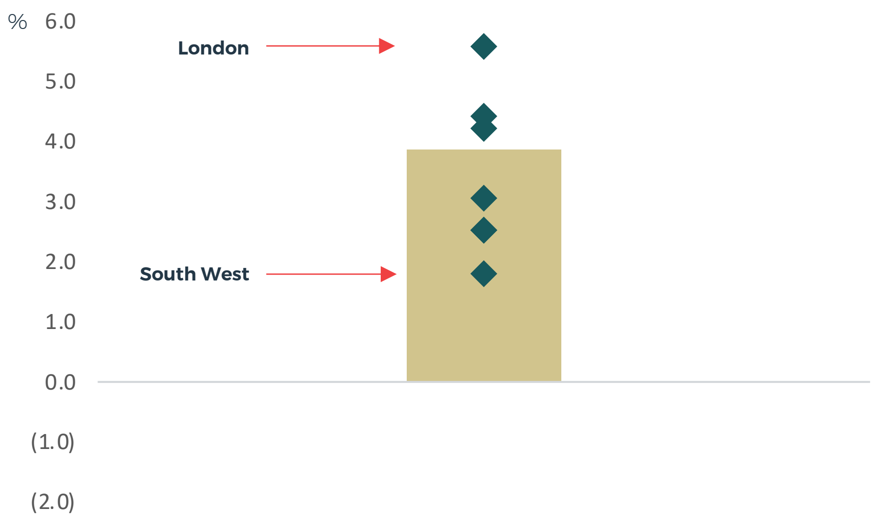
BNP Paribas RE, Industrial & Logistics Insider, Q1 22

- Significant growth driven by investor demand for industrial property reflecting strong occupational market
- Standard industrial demand more correlated to the wider economy – not just Amazon led demand

"Void rates dwindled to a new historic low which continues to underpin investor confidence".

Gerald Eve, In Brief, March 2022

Rental growth 3-months to April 2022



Capital growth 3-months to April 2022

Source: MSCI UK Monthly Property Index

Office market

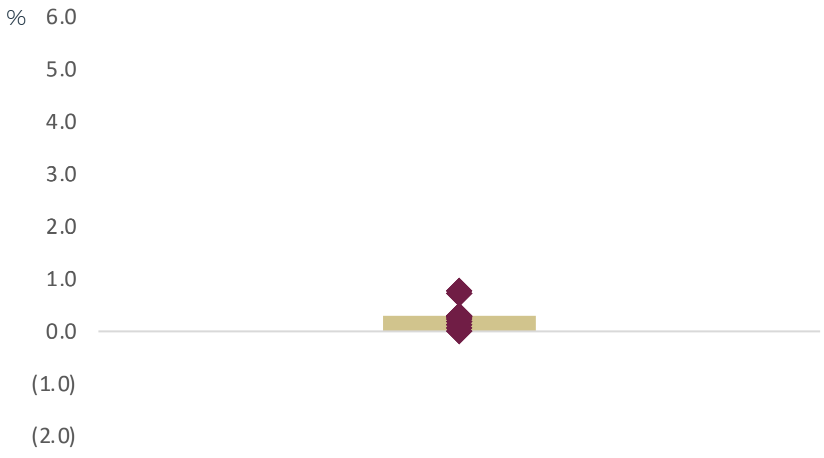
- Office demand impacted by lengthened WFH disruption
- The Big 6 centres continue to show resilience
- The uplift in vacancy has largely been driven by secondary space coming on to the market

> *"Demand for office space is healthy, as occupiers, many of whom put requirements on hold, are now actioning searches and committing to space."*
>
> Colliers, UK Property Snapshot, April 2022

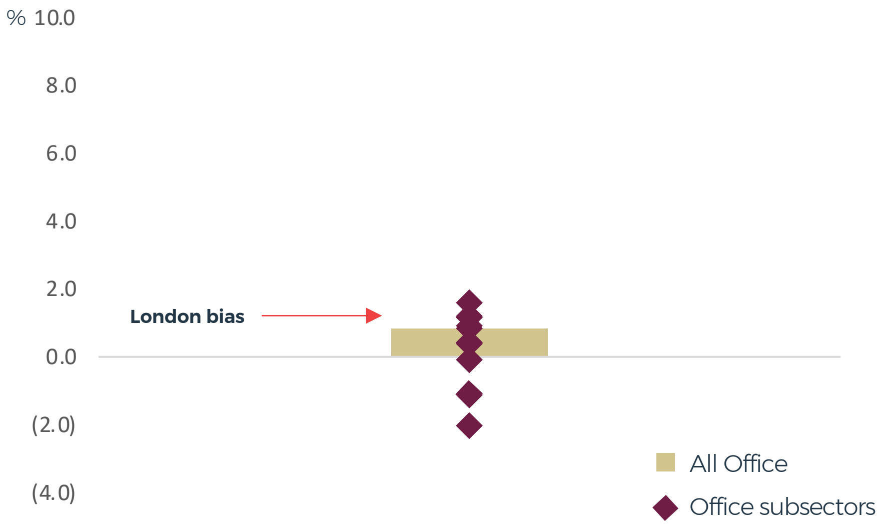
- Stable yield environment and positive sentiment
- Sustainability credentials increasingly important
- Capital expenditure costs required impacting pricing
- Alternative use can underpin values in some markets

> *"Investor appetite for UK offices continue to grow."*
>
> CBRE, UK Property Snapshot, Q1 22

Rental growth 3-months to April 2022



Capital growth 3-months to April 2022



Source: MSCI UK Monthly Property Index

Retail market

- Retail warehouse rents stabilised but vacancies impacting rents elsewhere
- Footfall is still around 15% below 2019 levels, with town centres still lagging retail parks
- Total UK retail sales 10% ahead of 2019 levels with online ahead of pre-Covid-19 levels

"Stabilisation of occupier markets, renewed acquisition activity and a reduction in overall retail footprint as some retail floorspace is repurposed to other uses are likely to keep vacancy rates more in check going forward."

Knight Frank, Two years on from COVID, April 22

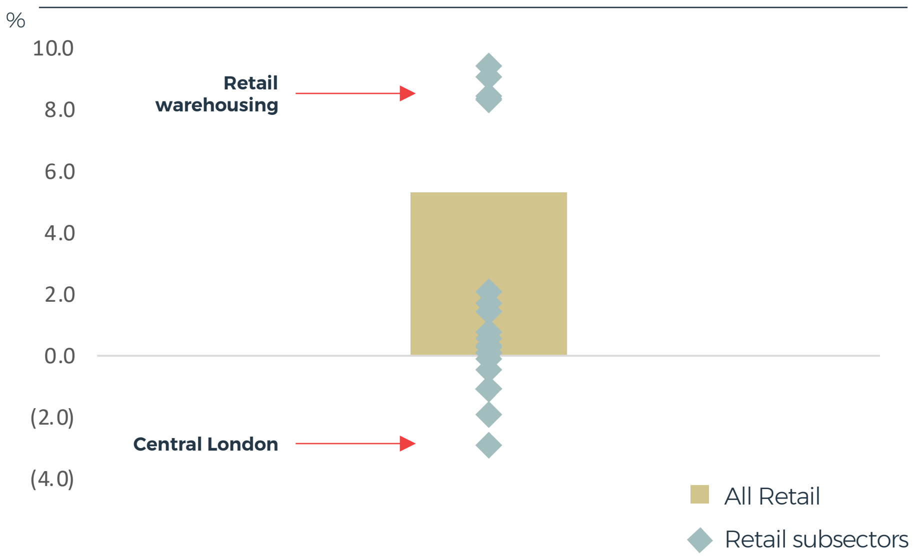
- Retail rebound driven almost exclusively by the retail warehousing subsector or where there is higher alternative use values

"Retail Park yields continue to compress while other retail yields remain stable."

CBRE, UK Property Snapshot, Q1 22

Rental growth 3-months to April 2022

Capital growth 3-months to April 2022



Source: MSCI UK Monthly Property Index

Portfolio highlights

Portfolio overview

Outperforming property portfolio

24.3% Total property return VS 19.6% MSCI UK Quarterly Property Index

20.8%
Like-for-like valuation increase

5.4%
Like-for-like estimated rental value increase

6.9%
Like-for-like increase in contracted rent

2.1%
Like-for-like increase in passing rent

93%
Occupancy increased by 2%

Operational performance

Occupier focused asset management

34 lettings / agreements to lease

Securing £4.9 million per annum, 8% above the March 2021 ERV

21 lease renewals / regears

Retaining £2.2 million per annum, 3% above the March 2021 ERV

12 rent reviews

Securing an uplift of £0.2 million per annum, 7% above the March 2021 ERV

Asset upgrades

£10 million invested into refurbishment, repositioning and sustainability projects

Rent collection

Now back to pre-pandemic levels

Industrial

Strong occupational demand

Key letting activity in:

Barking
45,000 sq ft - 5% ahead of ERV

Gloucester
22,000 sq ft - 87% ahead of ERV

Rugby
99,500 sq ft - 11% ahead of ERV

- Limited void
- Demand strong from wide range of occupier types
- Significant reversionary potential of £2.2 million p.a.
- Vacancy of only £0.6 million p.a.

£1.6m p.a.
leased during the year

98%
Occupancy

67%
EPC rated A-C

	Distribution	Standard Industrial	
Capital value	19%	81%	
	Within M25	**South East**	**Rest UK**
Capital value %	47%	26%	27%
Average capital value psf	£445	£181	£71
Equivalent yield	3.3%	4.3%	5.7%
Average contracted rent psf	£13	£8	£4
Average ERV psf	£16	£9	£5

Office

Flight to quality

Key letting activity in:

Chatham
12,500 sq ft - 8% ahead of ERV

Glasgow
21,400 sq ft - 19% ahead of ERV

London (Stanford)
5,900 sq ft - 3% below ERV

- Focus on providing high quality space
- With occupier amenities and improving environmental credentials
- Occupancy improved during the year but further upside
- £2.5 million p.a. of vacancy upside

£2.9m p.a.
leased during the year

87%
Occupancy

74%
EPC rated A-C

	Single let	Multi-let
Capital value	4%	96%

	London	South East	Rest UK
Capital value %	37%	31%	32%
Average capital value psf	£814	£206	£237
Equivalent yield	5.1%	8.1%	7.4%
Average contracted rent psf	£45	£20	£18
Average ERV psf	£47	£19	£20

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Retail and Leisure

Occupational demand improving

Key letting activity in:

Bury
16,000 sq ft – in line with ERV

Swansea
15,500 sq ft – in line with ERV

Covent Garden*
6,000 sq ft - 22% ahead of ERV

- Rental values stabilising
- Occupier demand improving for right locations
- Only four vacancies – one of which is now an office element of leisure scheme

£0.4m p.a.
leased during the year

93%
Occupancy

73%
EPC rated A-C

	Retail Warehouse	High Street	Leisure
Capital value %	65%	21%	14%
Average capital value psf	£139	£121	£98
Equivalent yield	6.9%	10.0%	7.8%
Average contracted rent psf	£11	£19	£8
Average ERV psf	£10	£12	£10

*Part of Stanford Building

Vacancy breakdown – £3.6 million p.a. of upside

Top five voids account for over 65% of total void

£0.9m
Office
Angel Gate
London

Seeing greater occupational demand off a low base.
Occupier lounge being widely used, and occupier engagement app launched.

£0.5m
Office & industrial
Colchester Business Park
Colchester

46% of the void is an industrial unit that came back in January.
All void space being refurbished.

£0.4m
Office
Metro
Salford

Refurbishment on site and completes in the summer.
Adjacent to the Metro station with a high parking ratio.

£0.4m
Office
Rum Runner Works
Birmingham

Unique office space with views over the canal basin.
Seeking a single occupier for the whole.
Shortlisted for BCO refurbishment prize.

£0.3m
Office
Longcross
Cardiff

Refurbishment recently completed.
Now includes occupier amenity space, new reception and a high parking ratio.


Angel Gate
London


Rum Runner Works
Birmingham

Longcross
Cardiff

Picton SwiftSpace

Adapting to post Covid-19 environment

Flexible leasing solution

- Targeting smaller office suites
- Flexibility and ease of occupation
- Bespoke to suit occupier changing and evolving needs
- Simple - speed up moving in process and reducing upfront costs
- Three different offerings, Flexible, Fitted and Inclusive

Investment activity

Selective activity to support income and value growth

Acquired a city centre industrial estate for £13.1 million in October 2021

Acquired adjacent industrial estate in for £10.4 million February 2022

Sold a non-core retail asset for £0.75 million, 16.3% ahead of the March 2021 valuation

Madleaze Trading Estate, Gloucester

- Comprises 18 industrial units totalling 304,000 sq ft on a 10.3 acre site
- Let to eight occupiers and currently includes two vacant units
- Freehold
- Total rental income of £0.75 million per annum, equating to a low £2.74 per sq ft

Mill Place Trading Estate , Gloucester

- Comprises 38 industrial units totalling 365,000 sq ft on a 19.1 acre site
- Let to 27 occupiers and 22,000 sq ft leased since purchased
- Freehold/ part leasehold
- Total rental income of £0.68 million per annum, equating to a low £2.79 per sq ft

Created dominant estate on 29 acre site

- Combined purchase price reflects a net initial yield of 6.1% and £35 per sq ft
- Better able to relocate and retain occupiers
- Significant active management potential and rental upside
- Longer-term redevelopment potential with waterside frontage

Investment activity post year-end

Acquired west London office building for £13.7 million

Charlotte Terrace, Hammersmith Road, W14

- Comprises a 32,900 sq ft unbroken parade of four buildings redeveloped in 1990 behind a Grade II listed façade
- Will benefit from £1bn Olympia regeneration
- Let to nine occupiers with over 50% of the lettable area vacant
- Total rental income of £0.5 million per annum, equating to a low £34 per sq ft
- Purchase price reflects a net initial yield of 3.3% with an expected reversion to over 8%
- Opportunity to roll out SwiftSpace flexible lease offering
- Pricing underpinned by alternative use value

PICTON

Being responsible

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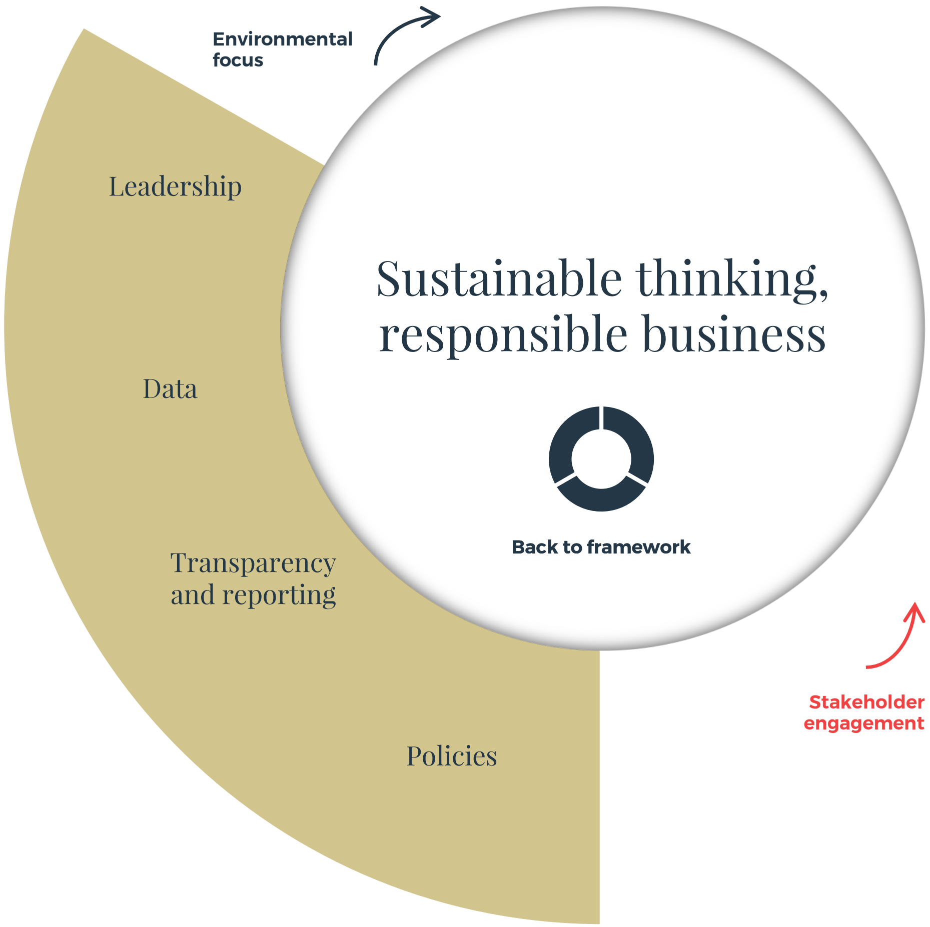
Sustainability reporting framework

Sustainability reporting framework



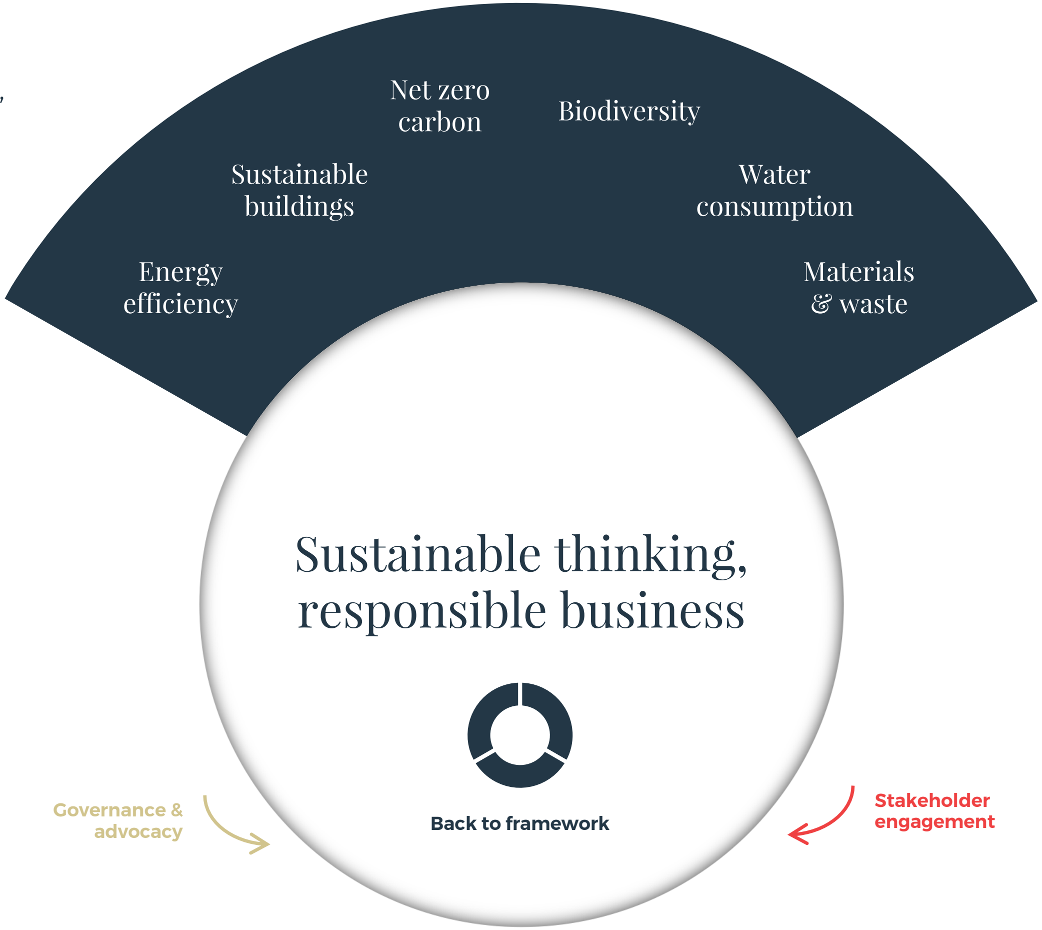
Governance & advocacy

- Became a signatory to the Better Buildings Partnership Climate Commitment
- Published our Sustainability Policy
- Completed assessment of climate-related risks
- Achieved EPRA Gold awards for reporting
- 2022 environmental data to be independently assured

Sustainability reporting framework

Environmental focus

- Developed and published our net zero carbon pathway
- Improved portfolio EPC ratings* (71% A-C, with 29% D & E)
- Removed gas supplies from three assets
- Increased the number of green leases completed
- Introduced further biodiversity measures
- Reduced GHG emissions compared to 2019 baseline



*Calculated by reference to rental value

Sustainability reporting framework

Stakeholder engagement

- Provided further sustainability training for the team
- Introduced new supplier clauses and a due diligence questionnaire to address modern slavery risks
- Helped develop the BBP Responsible Management Toolkit
- Pandemic 'return to office' information packs provided for occupiers

Net zero carbon pathway

Target date of 2040, ten years ahead of UK wide target

- Sets out our approach to tackling climate change and our priority actions to decarbonising our portfolio
- In line with Better Buildings Partnership framework
- Includes both our emissions and our occupiers
- Includes embodied and operational emissions
- We will monitor and regularly report progress

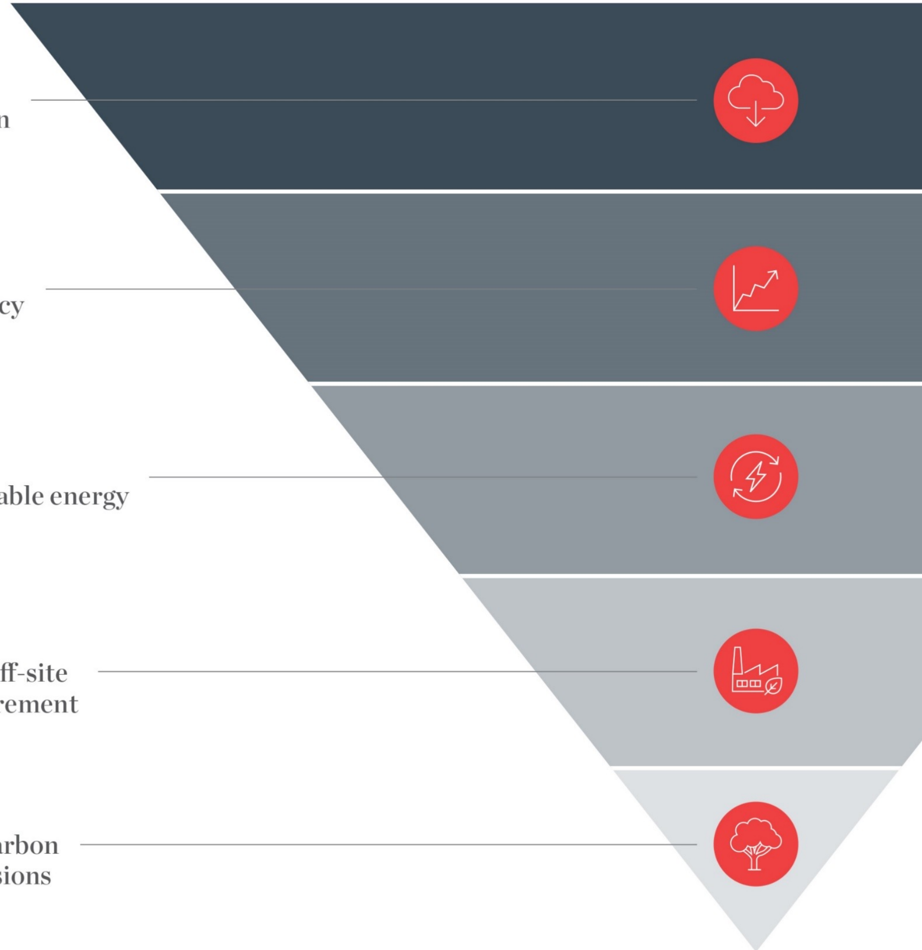
01.
Reduce embodied carbon

02.
Optimise energy efficiency

03.
Maximise on-site renewable energy

04.
Maximise high-quality off-site renewable energy procurement

05.
Purchase high-quality carbon offsets for residual emissions

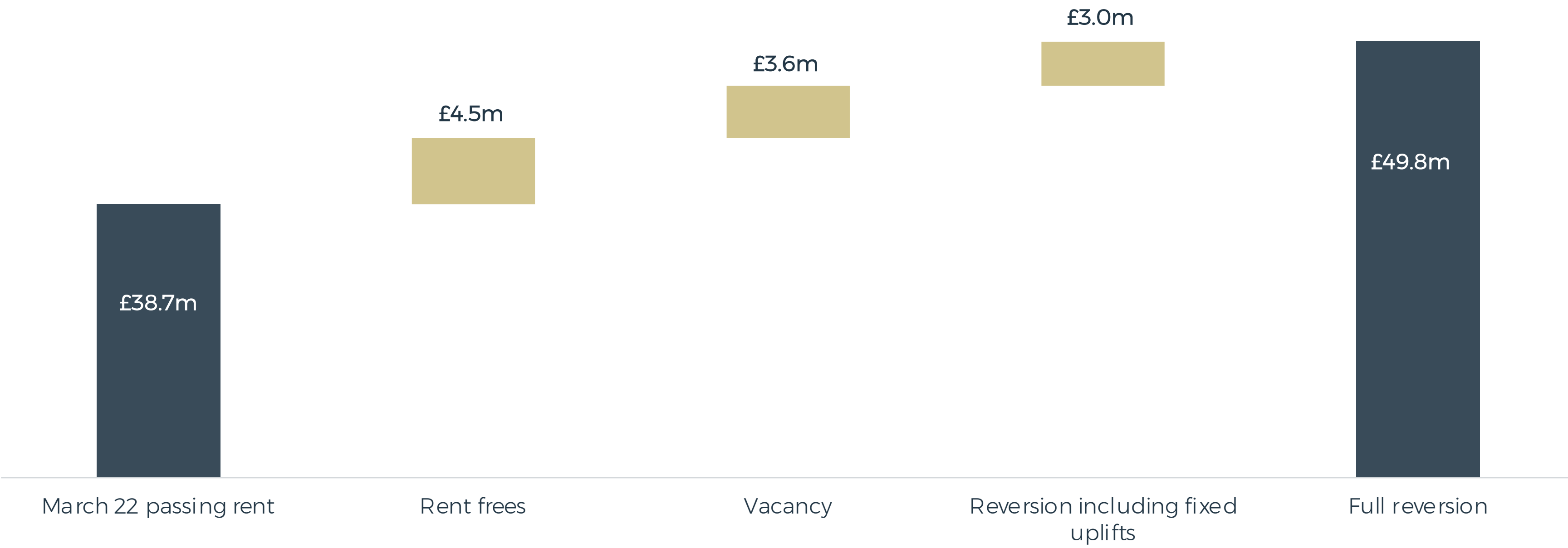


Outlook

Annual Results 2021/22
www.picton.co.uk

Outlook

- Macroeconomic conditions unhelpful but bottom up fundamentals look encouraging
- Supply of quality space limited in most markets, which is supportive of rental growth
- Focus on occupiers and amenities and net zero carbon will make assets more resilient
- 98% of drawn debt fixed until at least 2031, with RCF available for future opportunities
- Significant income upside through vacancy and reversion



Appendices

Management team

Michael Morris
Chief Executive

Michael has over 25 years of 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 of 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 20 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 – £100 million +
- Size (sq ft) 343,800

- 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 – between £50m - £75m
- Size (sq ft) 454,800

- Multi-let industrial estate 20 miles from London
- 11 units
- Principal occupiers include BOC, DHL and Argyll Stores
- Fully let

3/

Datapoint Business Park London E16

- Lot size band – between £30m - £50m
- Size (sq ft) 55,100

- Greater London industrial estate
- Multi-let
- Six units
- Principal occupiers include L.A.S. and MGN.
- Close to DLR and A13
- Fully let

4/

Lyon Business Park Barking

- Lot size band – between £30m - £50m
- Size (sq ft) 99,400

- Greater London industrial estate
- Multi-let
- Ten units
- Principal occupier is Jones Hire
- Adjacent to A13
- 26,000 sq ft available

5/

Stanford Building Long Acre, London WC2

- Lot size band – between £30m - £50m
- Size (sq ft) 19,600

- Prime Covent Garden asset
- Grade II listed
- Picton occupies first floor
- Retail unit leased to Scotch & Soda
- Fully let

Top 10 assets

6/

Shipton Way, Rushden, Northants.

- Lot size band – between £30m - £50m
- 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

7/

Angel Gate, City Road London EC1

- Lot size band – between £30m - £50m
- Size (sq ft) 64,600

- Multi-let courtyard office development
- Offering a mix of self-contained units and individual floors
- Repositioned to offer contemporary space
- 26,800 sq ft available

8/

Tower Wharf Cheese Lane, Bristol

- Lot size band – between £20m - £30m
- Size (sq ft) 70,600

- Multi-let Grade A office
- BREEAM Excellent rated
- Principle occupiers include Ashfords, Oracle and McCann
- 7,000 sq ft available

9/

50 Farringdon Road London EC1

- Lot size band – between £20m - £30m
- Size (sq ft) 31,300

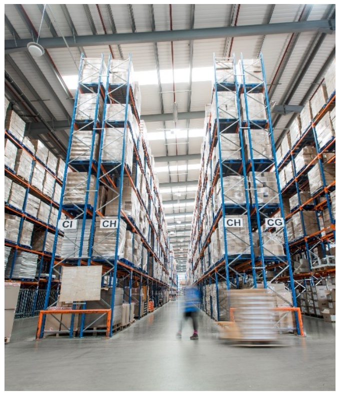
- Multi-let office
- Located adjacent to Farringdon Crossrail station
- Principal occupiers include Volker Wessels, PA Consulting and Reed
- Fully let

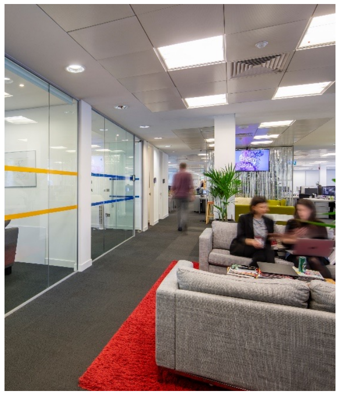
10/

Sundon Business Park, Luton, Beds.

- Lot size band – between £20m - £30m
- Size (sq ft) 127,800

- South East industrial estate
- Multi-let
- 13 units
- Close to J11a M1
- 11,300 sq ft available




Borrowings summary

	Canada Life	Aviva	NatWest
Amount drawn	£129.0 million	£84.9 million	£4.9 million
Undrawn	Fully drawn	Fully drawn	£45.1 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	3.25%	4.38%	SONIA + 1.5% (currently 2.3%)
Commitment fee	–	–	0.6%
Maturity	2031	2032	2025
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 2031	£67 million repayable on maturity. Remainder repayable through annual amortisation	Ability to redraw and repay over term

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Consolidated statement of comprehensive income

	March 2022 (£ million)	March 2021 (£ million)
Rental income	40.1	36.6
Other income	0.2	1.5
Property expenses	(4.9)	(4.6)
Administrative expenses	(5.7)	(5.4)
Finance costs	(8.5)	(8.0)
Tax	-	-
INCOME PROFIT AFTER TAX	**21.2**	**20.1**
Unrealised movement on property assets	129.8	12.8
Gains on disposal of property assets	-	0.9
Revaluation of owner-occupied property	0.4	-
Debt prepayment fees	(4.0)	-
PROFIT BEFORE DIVIDENDS	**147.4**	**33.8**
Dividends paid	18.4	15.0
Dividends paid per share (pence)	3.375	2.75

Consolidated balance sheet

	March 2022 (£ million)	March 2021 (£ million)
Property assets	830.0	665.4
Cash	38.5	23.4
Other assets	27.3	23.7
TOTAL ASSETS	**895.8**	**712.5**
Borrowings	(216.8)	(163.7)
Other liabilities	(21.9)	(20.6)
NET ASSETS	**657.1**	**528.2**
Net asset value per share (pence)	120	97

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