PICTON / Occupier focused, Opportunity led.

Half Year Results

November 2024

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PICTON

Overview

Half Year Results 2024
www.picton.co.uk

Half year highlights

Positive financial results, with return to profit and strong EPRA earnings growth

12%
EPRA EPS growth

Continued reduction in office exposure

25%
Office weighting (excluding assets held for sale)

Property portfolio delivering income, capital and rental growth

2.5%
Total property return

Proactive management of debt

25%
Loan to value ratio

Improved occupancy through portfolio repositioning strategy

94%
Occupancy (excluding assets held for sale)

Upgraded portfolio to improve environmental credentials and create value

£4.2m
Invested across 15 key projects

PICTON

Half year results

Half Year Results 2024
www.picton.co.uk

Half year results

Earnings growth driven by net property income and lower financing costs

- £11.5 million profit with positive valuation movement (Sept 23: loss £1.4 million)
- EPRA earnings of £11.2 million, or 2.1 pps (+ 12% vs Sept 23)
- Dividends paid of £10.1 million or 1.85 pps and dividend cover of 111%
- Strong cash and balance sheet with net assets of £525 million or 96 pps (+ 0.3% vs Mar 24)
- Valuable long-term debt increases EPRA net disposal value to £548 million or 101 pps
- NAV total return of 2.2% and shareholder total return of 17.4% over six months

96p

EPRA NTA per share

(March 2024: **96p**)
(Sept 2023: **99p**)

2.1p

EPRA earnings per share

(Sept 2023: **1.8p**)
(Sept 2022: **2.0p**)

1.85p

Dividends paid per share

(Sept 2023: **1.75p**)
(Sept 2022: **1.75p**)

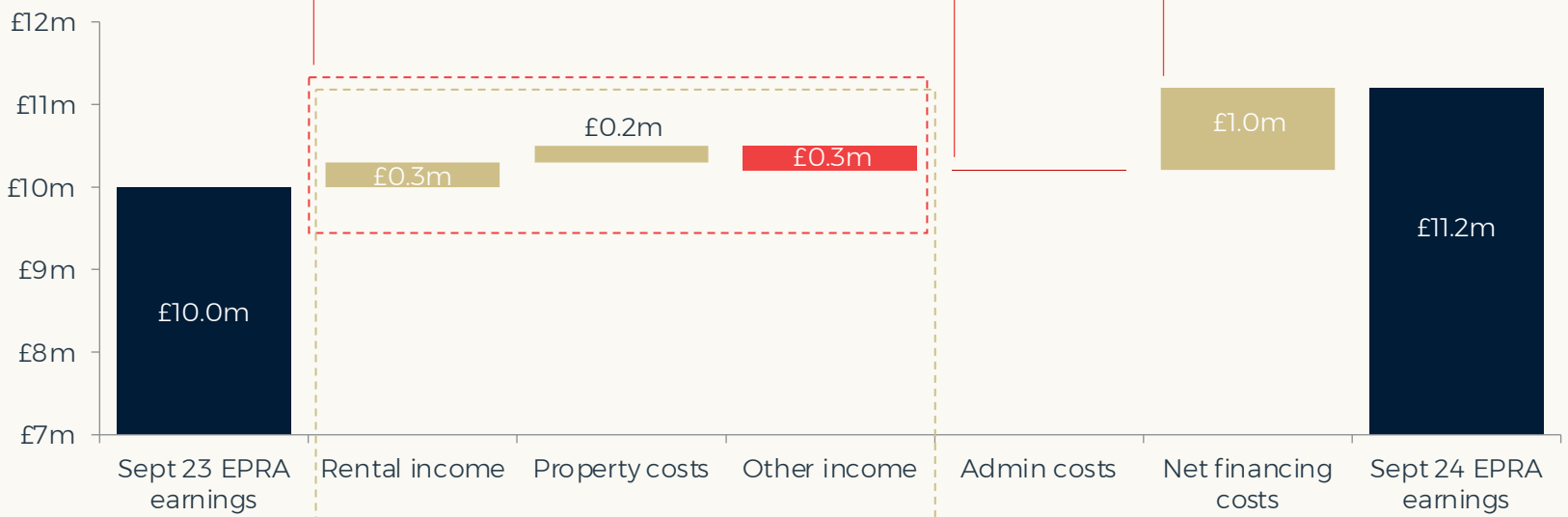
Income statement

Growth in net property income and portfolio repositioning, drive earnings growth

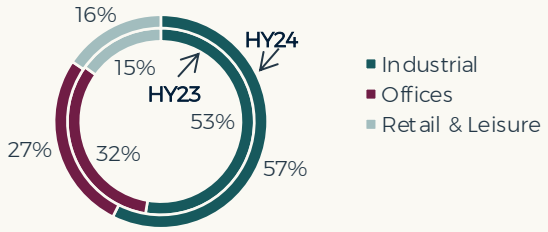
Net property income +£0.2m
Rental income growth* £0.9m or +4.2%
Lower property costs
Strong rent collection >99%

Flat admin costs

Net financing costs +£1.0m
RCF repaid +£0.4m
Interest income +£0.6m



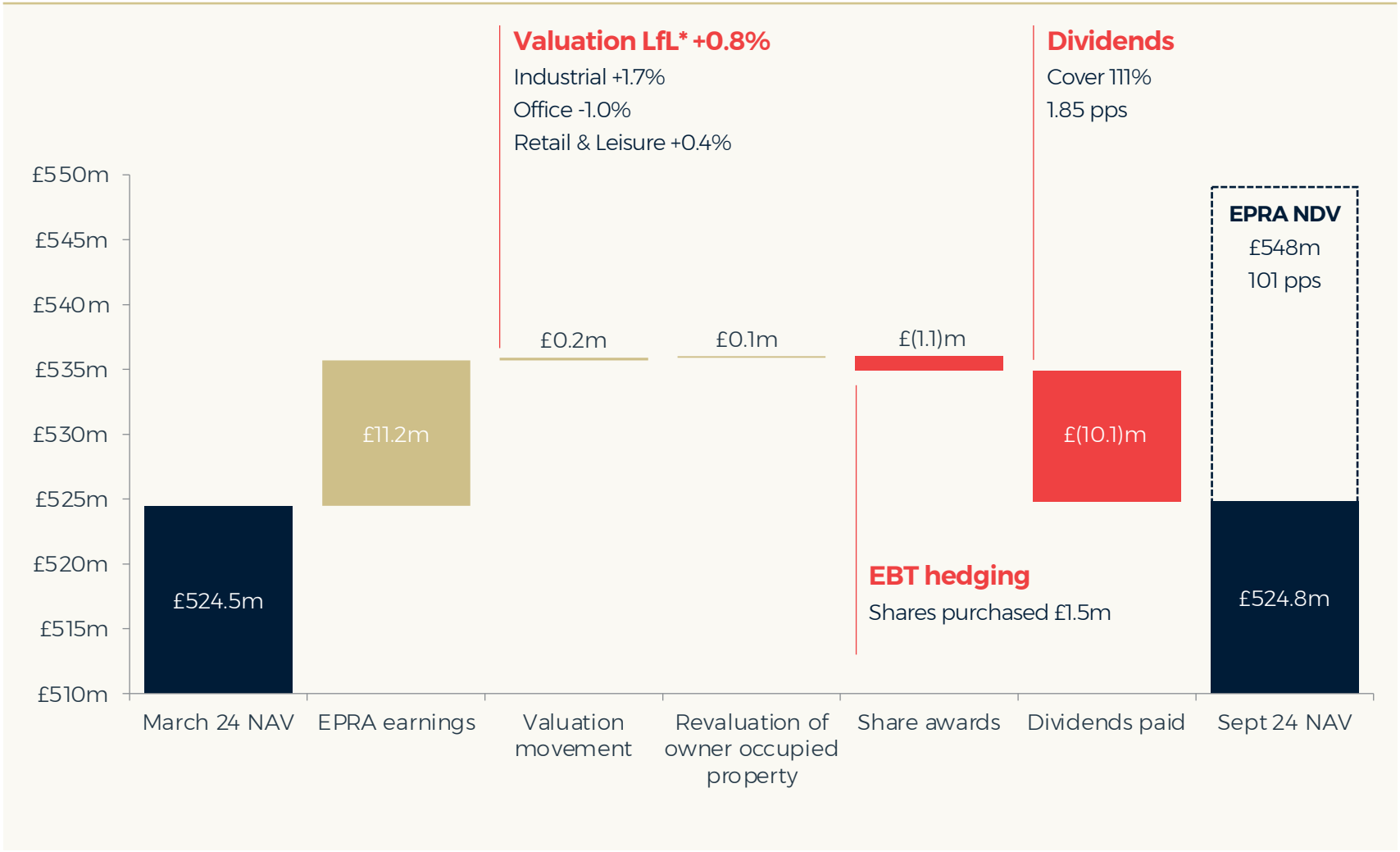
Net property income by sector*



* Excluding assets held for sale - Angel Gate, Longcross and Charlotte Terrace

Balance sheet

Stabilising property values and NAV (30 Sept 24: 96p)



* LfL denotes the like-for-like basis excluding the disposal of Angel Gate in the period and capital expenditure

Capital structure

Significant value in long-term fixed debt structure

Lender	Facility type	Amount	Maturity	Interest rate
Canada Life	Long-term fixed	£129m	July 31	3.25%
Aviva	Long-term fixed – amortising	£81m	July 32	4.38%
NatWest	Revolving credit facility ('RCF')	Undrawn £50m facility	May 25	6.5% (150bps + SONIA)

Fair value adjustment
£23.0m

25%

Loan to value

(March 2024: **28%**)
(Sept 2023: **28%**)

3.7%

Weighted average interest rate

(March 2024: **3.9%**)
(Sept 2023: **3.9%**)

7.2yrs

Debt maturity

(March 2024: **7.2yrs**)
(Sept 2023: **7.8yrs**)

Capital allocation

Debt management

Reduce floating rate debt and interest cost

- Fully repaid RCF with proceeds from Angel Gate
- Disciplined cash management to minimise drawdowns whilst interest rates remain high

Portfolio reinvestment

Investing in existing portfolio to unlock reversion and maximise capital return

- Improving environmental credentials and progressing net zero pathway
- Aligning investment to lease events

Investment opportunities

Assets with return profile accretive to earnings

- Greater volume of opportunities
- Focus on markets with limited supply of good quality space
- Potential to improve income from low value base

Office assets being repositioned for alternative use and held for sale

£29.6m*

Angel Gate, London
Sale completed April 24

£20.6m**

Longcross, Cardiff
Sale conditional on planning - completion expected in FY25

Charlotte Terrace, London
Being marketed for sale - completion expected in FY25

* Denotes gross sales price ** CBRE appraised valuation as at 30 September 2024

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Market update

Half Year Results 2024

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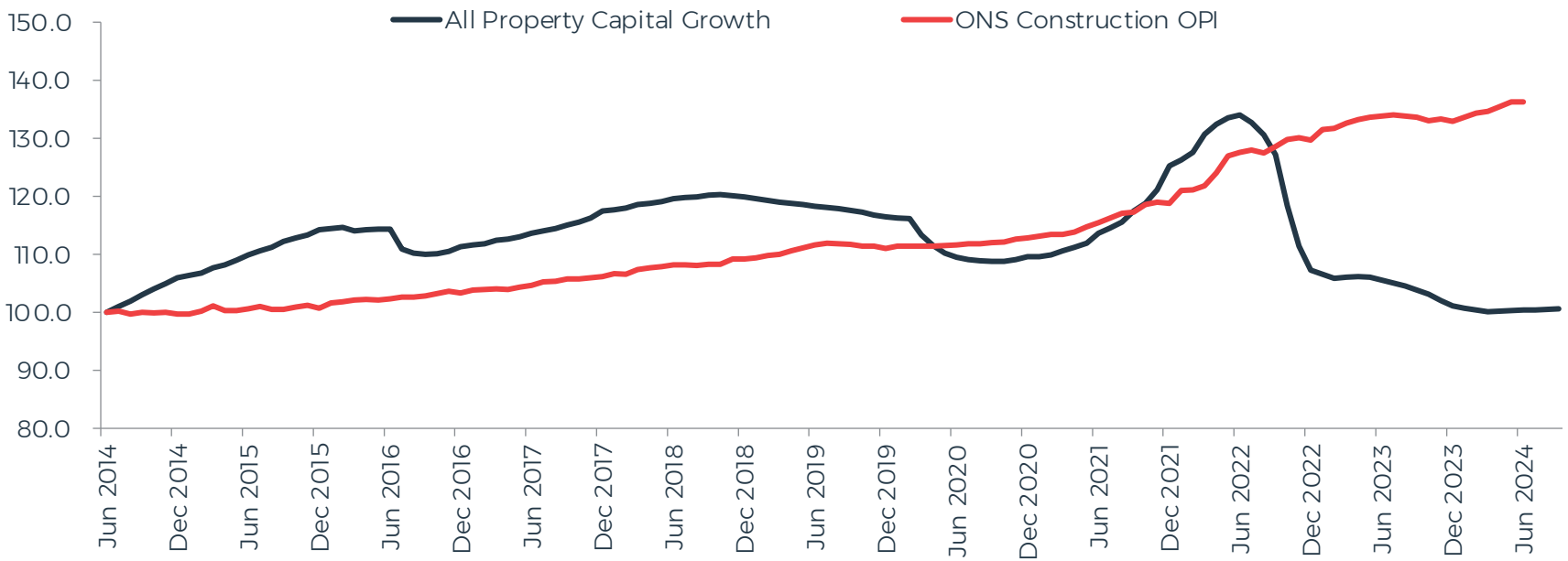
Market backdrop

Repricing creates further disconnect with cost of construction

- All Property capital values flat vs 2014 (industrial +82%, office -18%, retail -35%)
- Recent market activity supporting stabilisation in values, post 2022 correction
- Future development likely to be constrained
- Upward pressure on rents to make schemes viable
- Providing space that occupiers want is key

Rising cost of construction vs commercial property values



Source: MSCI UK Monthly Property Index, ONS Construction Output Price Index

Occupational markets

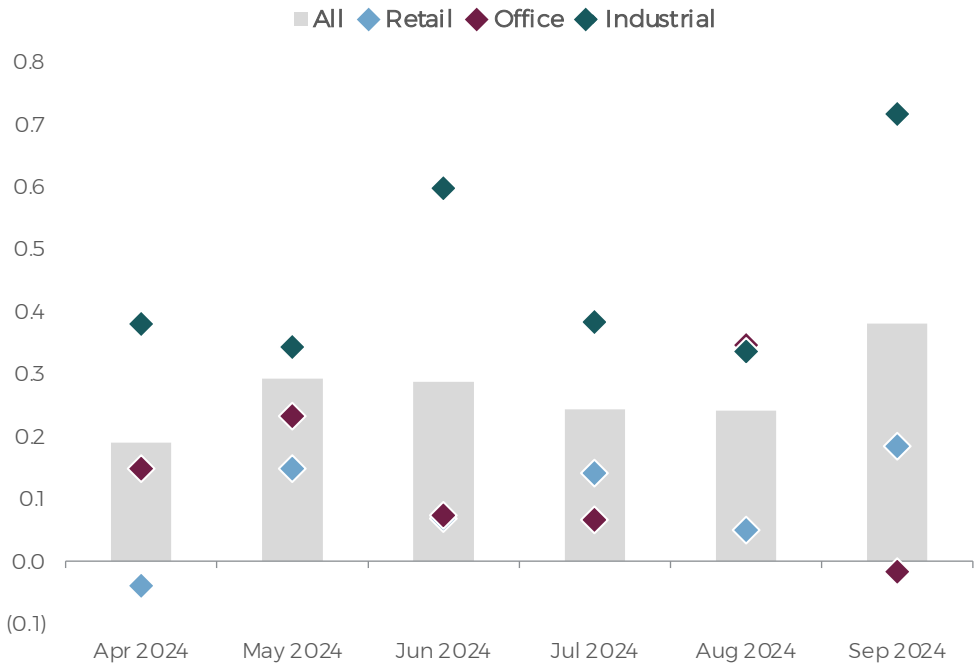
Positive rental growth in all sectors

MSCI Rental Growth six-months to September 2024

All property	Industrial	Office	Retail
1.6%	2.8%	0.9%	0.6%

- Six-month rental growth positive for all sectors
- Industrial sector remains strongest with healthy occupier demand and limited supply
- Office rental growth driven by best-in-class space
- Retail rents positive overall, with ten out of 16 sub-sectors recording positive rental growth for the period

MSCI Monthly Rental Growth (%)



Source: MSCI UK Monthly Property Index

Investment markets

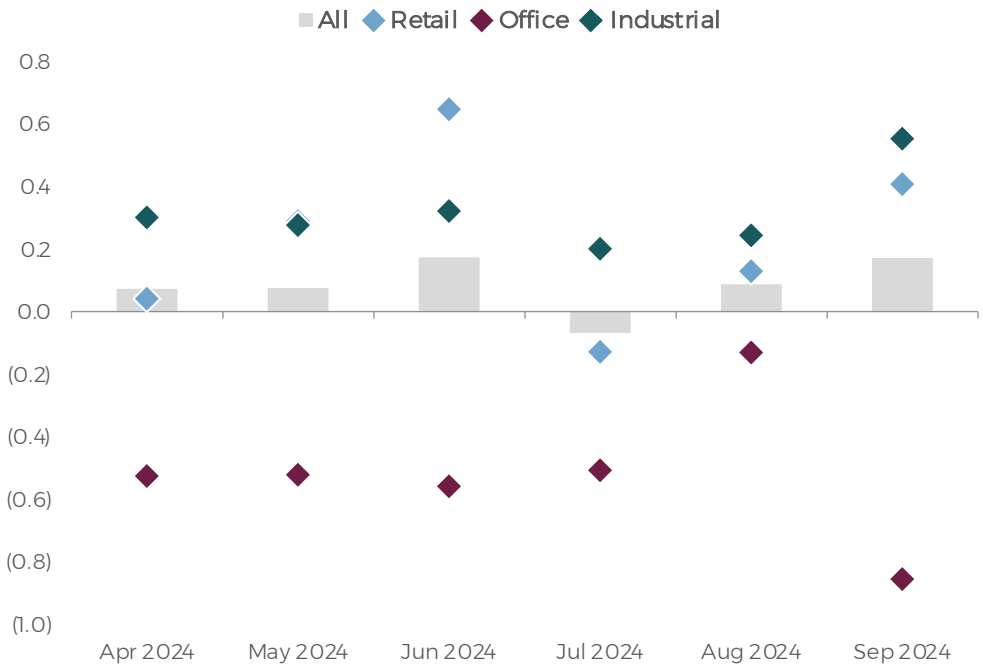
Capital values improving in the industrial and retail sectors

MSCI Capital Growth six-months to September 2024

All property	Industrial	Office	Retail
0.5%	1.9%	-3.1%	1.4%

- Marked improvement in capital growth compared to the previous six-month period
- Industrial best performing sector and positive across all sub-sectors
- Offices still impacted by working patterns and sustainability related costs of upgrading
- Retail sector starting to show growth – retail warehouses and shopping centres outperforming high street shops

MSCI Monthly Capital Growth (%)



Source: MSCI UK Monthly Property Index

PICTON

Portfolio highlights

Half Year Results 2024
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Portfolio snapshot

Strong industrial bias, with office exposure reducing

£721m
Property valuation

94%
Occupancy*

5.1%
Net initial yield

48
Number of assets

350
Number of occupiers

6.9%
Revisionary yield

Industrial

62%

London & South East	44%
Rest of UK	18%

- Occupancy 98%
- 81% multi-let industrial and 19% single let distribution

Office

27%

Rest of UK	9%
South East	8%
Central London	7%
Alternative use	3%

- Occupancy 83%, increasing to 89% excluding office assets held for sale
- 43% of office void being repositioned for alternative use

Retail and Leisure

11%

Retail Warehouse	7%
High Street	2%
Leisure	2%

- Occupancy 93%
- 64% is retail warehousing

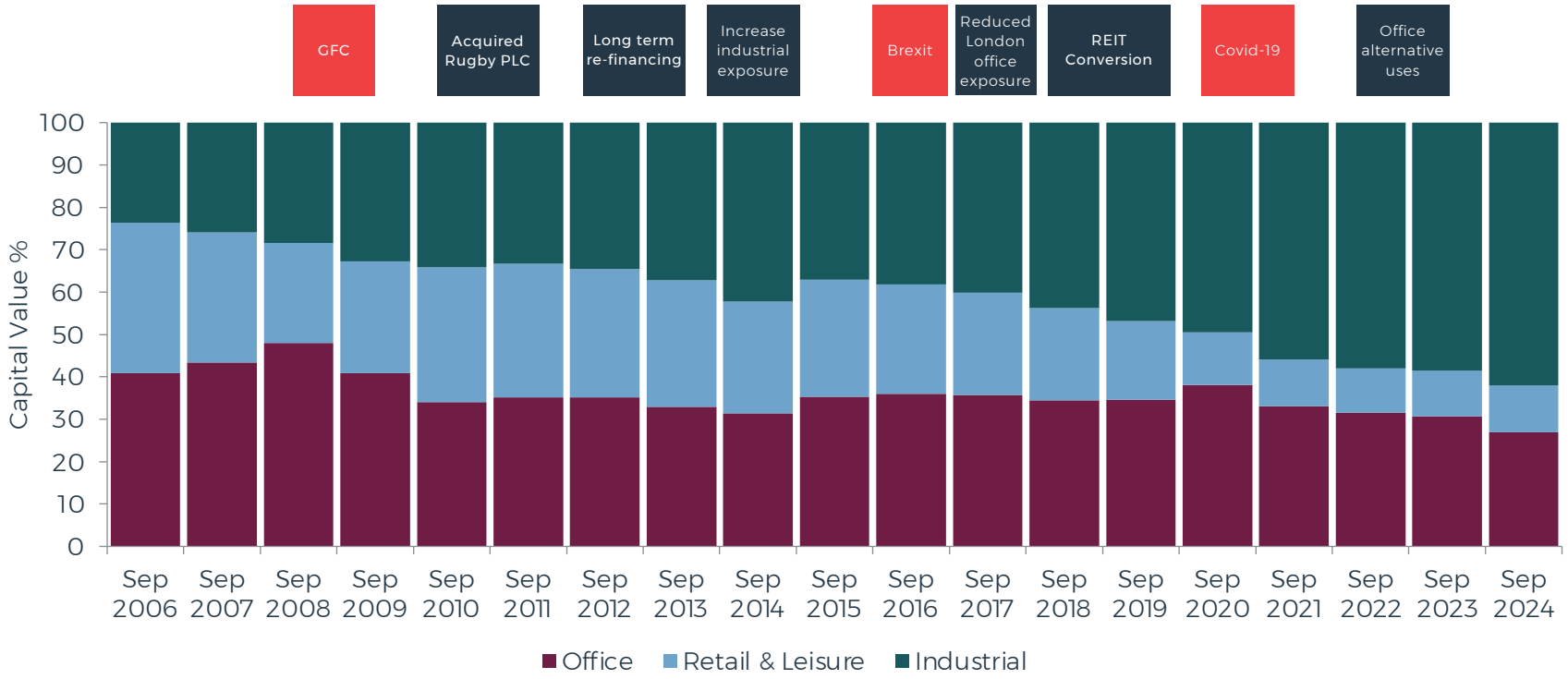
* 92% including assets held for sale

Portfolio composition

Proactively adapting the portfolio over property cycles

- Our diversified approach enables us to pivot the portfolio to adapt to underlying market conditions
- Since launch we have increased exposure to the industrial sector and reduced exposure to retail and, more recently, offices

Sector allocation

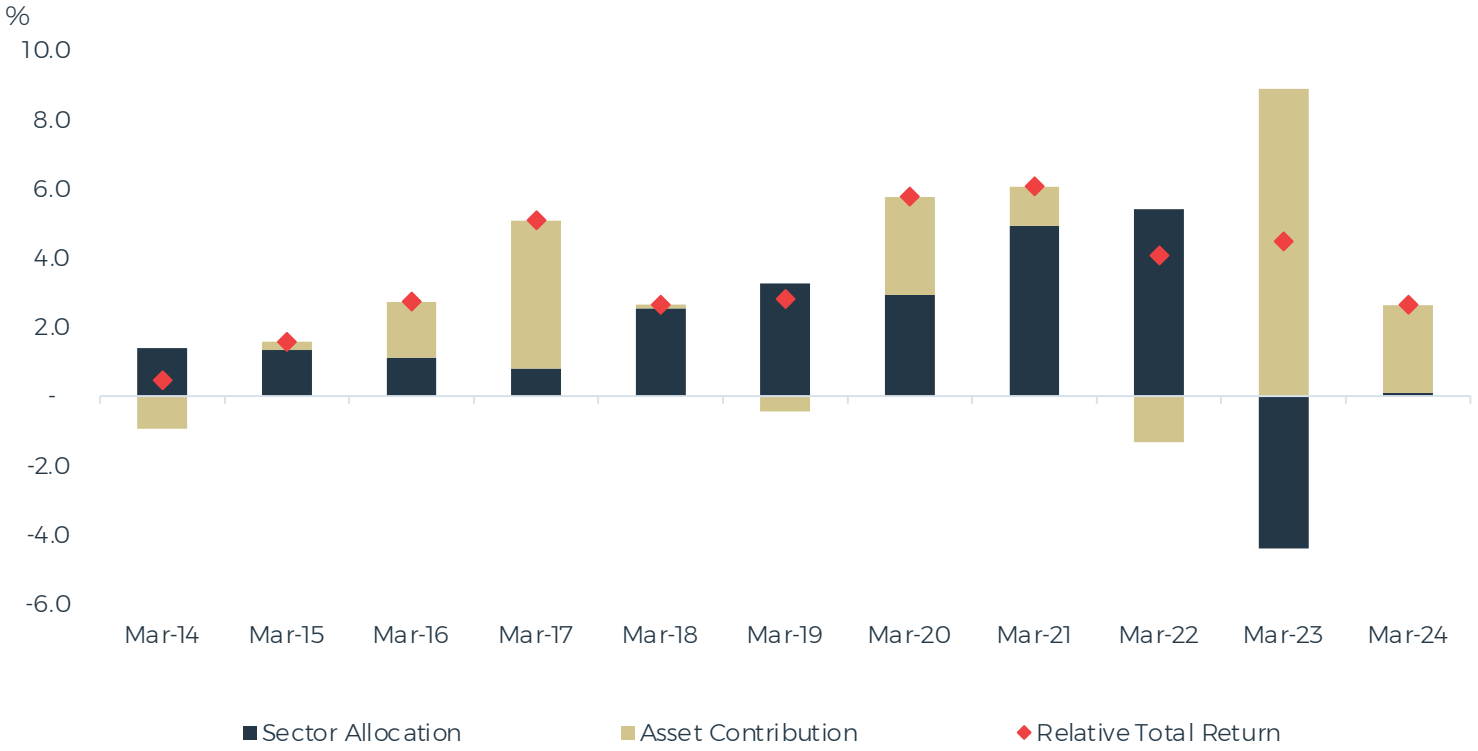


Source: MSCI

Importance of both sector allocation and asset contribution

Drivers of our relative outperformance

- Upper quartile outperformance of MSCI UK Quarterly Property Index since launch in 2005
- 11 consecutive years of outperformance
- MSCI provides attribution analysis showing the components of relative total return
- 10 out of 11 years - positive sector allocation score
- 8 out of 11 years - positive asset contribution score



Source: MSCI

Portfolio activity

Improved occupancy and rental growth despite macro uncertainty

- Like-for-like portfolio valuation increase of 0.8% reflecting stabilising property valuations and investment into the portfolio
- Like-for-like increases in contracted rent of 1.0% and ERV growth of 1.6%

Created through 38 active management transactions:

12 lettings / agreements to lease	16 lease renewals / regears	6 rent reviews	Asset upgrades	Rent collection
Secured £1.6 million per annum, 9% above the March 2024 ERV	Retained £3.7 million per annum, 7% above the March 2024 ERV and a 14% uplift vs previous rent	Secured an uplift of £0.3 million per annum, 9% above the March 2024 ERV	£4.2 million invested into 15 key refurbishments, and sustainability upgrading projects	Over 99%

Key activity

Industrial

- Grantham (13-year lease extension)
- Bracknell (new letting post refurbishment)
- Datapoint, E16 (surrender and re-letting to adjoining occupier)
- Radlett (lease renewal)

Office

- Bristol (letting and upsizing of existing occupier)
- Marlow (lease renewal)
- St Albans (new letting)

Retail and Leisure

- Bury (simultaneous lease end and re-letting)
- Swansea (rent review with 10% uplift)
- Gloucester (lease extension)

Reducing exposure and repositioning offices

Angel Gate, EC1 - first office disposal completed

Asset overview

- Book cost: £22 million
- Sale price: £29.6 million
- Acquired: 2005-2015
- Purpose-built courtyard office estate in Zone 1
- Built around 1990
- Estate comprises 64,765 sq ft of offices across 19 self-contained buildings plus car parking

Repositioning strategy

- Pre 2020: leased as office campus – increasing tech demand
- 2021: Weaker post Covid-19 demand
- 2022: applied for removal of Article 4 restrictions
- 2023: planning consent secured for residential use
- 2024: ran competitive disposal process aimed at residential developers
- Completed sale in April 2024

Uplift on book cost £7.6 million

35%

Annualised total return*	MSCI All Property total return*
6.8%	**4.7%**

*Source: MSCI

Further repositioning in progress

Planning progress unlocking value, ahead of disposals

- Office exposure reduces to 25% excluding assets held for sale
- Progress with planning success - disposals expected before FY25
- Significant valuation uplift in Cardiff reflecting planning status
- Costs associated with void assets held for sale, expected to be removed by year-end
- Further opportunities being considered, aligned with lease expiries

Longcross, Cardiff
Student

Planning Committee Approval **September**

- Exchanged contracts for sale in October 2023, subject to planning permission
- Planning submitted May 2024, committee approval September 2024
- Vacant possession in 2024
- Sale expected after s106 agreement and judicial review process
- 17% valuation uplift since March 2024

Charlotte Terrace, London
Residential

Planning Secured **August**

- Active management to secure vacant possession of part
- Planning permission for six residential units in vacant office space secured in summer 2024
- Leasing progress on retail space
- Asset being marketed for disposal

Unlocking reversion through leasing space

Total vacancy of £4.8 million per annum

- 32% of total void are assets held for sale
- Remaining void comprises 63% office, 21% industrial, 16% retail
- Over 70% of void space under refurbishment or recently completed

Key vacancies* - 39% of void ERV

Colchester Office

£0.7m

- Most of void relating to a single office building
- Upgrading to remove fossil fuels and create occupier amenity space

Manchester Office

£0.4m

- Single floor available to lease
- Excellent public transport links
- Good occupier amenities

Bristol Office

£0.3m

- Converting a single large suite into two smaller suites to meet occupier demand

Gloucester Industrial

£0.3m

- Following the insolvency of an occupier, we have three units available
- All have been refurbished

Gloucester Retail

£0.2m

- One vacant unit
- Under offer to a leisure operator and planning secured for change of use

* Excluding assets for sale

Sustainable refurbishments – projects completed

Improving assets to enhance income and value

Return on cost	Income secured	Rental income uplift	Total spend
>110%	£0.7m	62%	£0.8m

Harlow

Lease regeared

- Roof replacement
- Increased insulation
- Expected EPC 'D' to 'B'

Radlett

Leased

- Full refurbishment
- Removal of gas heating
- Expected EPC 'C' to 'B'

Warrington

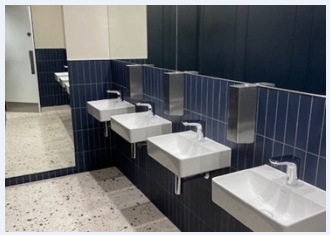
Leased

- External refurbishment
- Solar array
- Expected EPC 'D' to 'A'

Sustainable refurbishments – ongoing projects

Focused on decarbonising and upgrading our high quality office assets

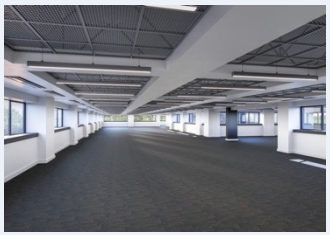
- Improving occupier experience and amenities
- Alignment of investment with timing of leasing events
- Continuing net zero pathway progress, working to set interim targets to meet our 2040 commitment



Farringdon

Due Dec 2024

- Refurbishment of the common areas, undertaken in phases to reduce disruption
- Building already EPC B and gas removed



Marlow

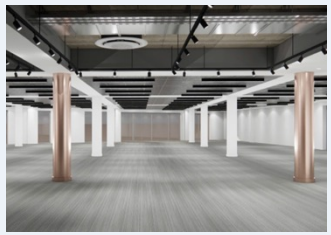
Due Jan 2025

- Office refurbishment to one suite
- M&E replacement project to whole building and solar array
- Expected EPC 'D' to an 'A'

Chatham

Due Feb 2025

- Whole building M&E replacement project
- New solar array
- Gas removal – electric A/C
- Expected EPC 'C' to a 'B'



Bristol

Due Feb 2025

- Full refurbishment of the part 1st and 3rd floor offices, including significant M&E replacement
- Part pre-leased to expanding occupier
- Expected EPC 'C' to a 'B'

Colchester

Due March 2025

- Office refurbishment, with enhanced amenities
- Gas removal – electric A/C
- Expected EPC 'D' to a 'B'

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Summary & Outlook

Half Year Results 2024
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Occupier focused, opportunity led

Set against a market backdrop of:

- Stable valuations, improving investment volumes
- Motivated, rather than forced sellers
- Yields*
  - Industrial (4.75-7.5%)
  - Office (4-14%)
  - Retail (5.25-16%)
- Asset quality a key factor in terms of rental growth and leasing risk

In the past six months we have:

- ✓ Grown net income
- ✓ Delivered stable portfolio valuation
- ✓ Reduced office exposure
- ✓ Improved occupancy
- ✓ Invested and upgraded portfolio
- ✓ Reduced financing costs

We are focused on:

- Completing identified asset disposals
- Further improving occupancy and reducing void costs
- Competing upgrading projects to facilitate re-leasing
- Redeploying future disposal proceeds

* Source CBRE yield sheet October 2024

PICTON

Appendices

Picton at a glance

Occupier focused, opportunity led

Our purpose

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

- Established in 2005, Picton is listed on the main market of the London Stock Exchange and is a constituent of the EPRA Nareit Global Index
- Picton owns and actively manages a diversified portfolio currently weighted towards the industrial sector
- With an occupier focused, opportunity led approach, Picton aims to be one of the consistently best performing diversified UK REITs, delivering outperformance and a consistently higher income return than the MSCI UK Quarterly Property Index
- The portfolio is strategically positioned to capture income and capital growth

Commercial property portfolio

£721m

- 11th consecutive year of outperformance vs MSCI UK Quarterly Property Index
- Upper quartile outperformance since launch in 2005
- Long-term fixed rate financing
- Fully aligned internalised management structure
- Occupier focused approach - Picton Promise
- Net zero carbon commitment by 2040

Management team

Michael Morris
Chief Executive

Michael has more than 25 years' experience in the UK commercial property sector.

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. He is Chair of the Executive Committee and Chair of the Transaction and Finance Committee. He was appointed to the Picton Property Income Board on 1 October 2015.

Saira Johnston
Chief Financial Officer

Saira is a Chartered Accountant and has more than 20 years' experience working in the real estate sector. She has held senior finance positions across the industry, most recently as CFO of Gravis Capital Management Limited.

Saira joined Picton in March and assumed responsibility for the financial strategy and reporting for the Group on 1 April 2024. Saira is also Chair of the Responsibility Committee and a member of the Transaction and Finance Committee.

Our strategy

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

Our strategic priorities guide the direction of our business and are reviewed annually.

1

Portfolio Performance

1. Manage the portfolio to provide income and capital growth
2. Grow occupancy and income profile
3. Enhance asset quality and create space that meets evolving occupier expectations
4. Outperform the MSCI UK Quarterly Property Index

2

Operational Excellence

1. Run an efficient and innovative operating platform
2. Adapt to market trends with an agile and flexible business model
3. Deliver earnings growth
4. Maintain appropriate capital structure for the market cycle
5. Pursue opportunities for growth to deliver economies of scale

3

Acting Responsibly

1. Reduce our emissions to become net zero carbon by 2040
2. Actively engage with our occupiers, shareholders, communities and other stakeholders
3. Promote our company values, nurture a positive working culture and alignment of the team
4. Ensure the long-term success of the business with strong governance and transparent reporting

Top 10 assets

1/

Parkbury Industrial Estate Radlett, Herts

- Lot size band – £100 million +
- Size (sq ft) 340,900

- Multi-let industrial estate within M25
- 24 units
- Principal occupiers include Blanco, Franke Coffee and XMA
- 7,300 sq ft available

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/

Stanford Building Long Acre, London WC2

- Lot size band – between £30m - £50m
- Size (sq ft) 20,100

- Prime Covent Garden asset
- Grade II listed with retail, office and residential
- Picton occupies first floor
- Fully let

4/

Datapoint Business Park, London E16

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

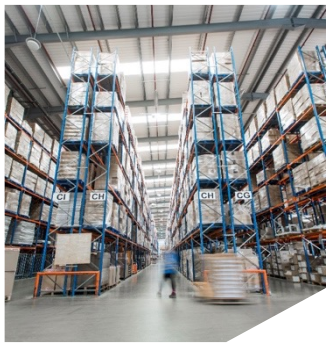
- Greater London industrial estate
- Multi-let
- Six units
- Principal occupiers include NHS, Netwise and MGN
- Close to DLR and A13
- Fully let

5/

Shipton Way, 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



Top 10 assets

6/

Lyon Business Park, London IG11

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

- Greater London industrial estate
- Multi-let
- Ten units
- Principal occupier is Jones Hire
- Adjacent to A13
- Fully let

7/

Sundon Business Park, Luton, Beds

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

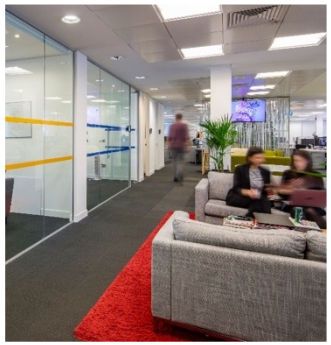
- South East industrial estate
- Multi-let
- 13 units
- Close to J11a M1
- 16,000 sq ft available

8/

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



9/

Grantham Book Services, Grantham

- Lot size band – between £20m - £30m
- Size (sq ft) 336,100

- Single let distribution unit
- Let to Random House Group
- Lease recently extended by 13 years

10/

Tower Wharf Cheese Lane, Bristol

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

- Multi-let Grade A office
- Principal occupiers include Ashfords and McCann
- 12,700 sq ft available

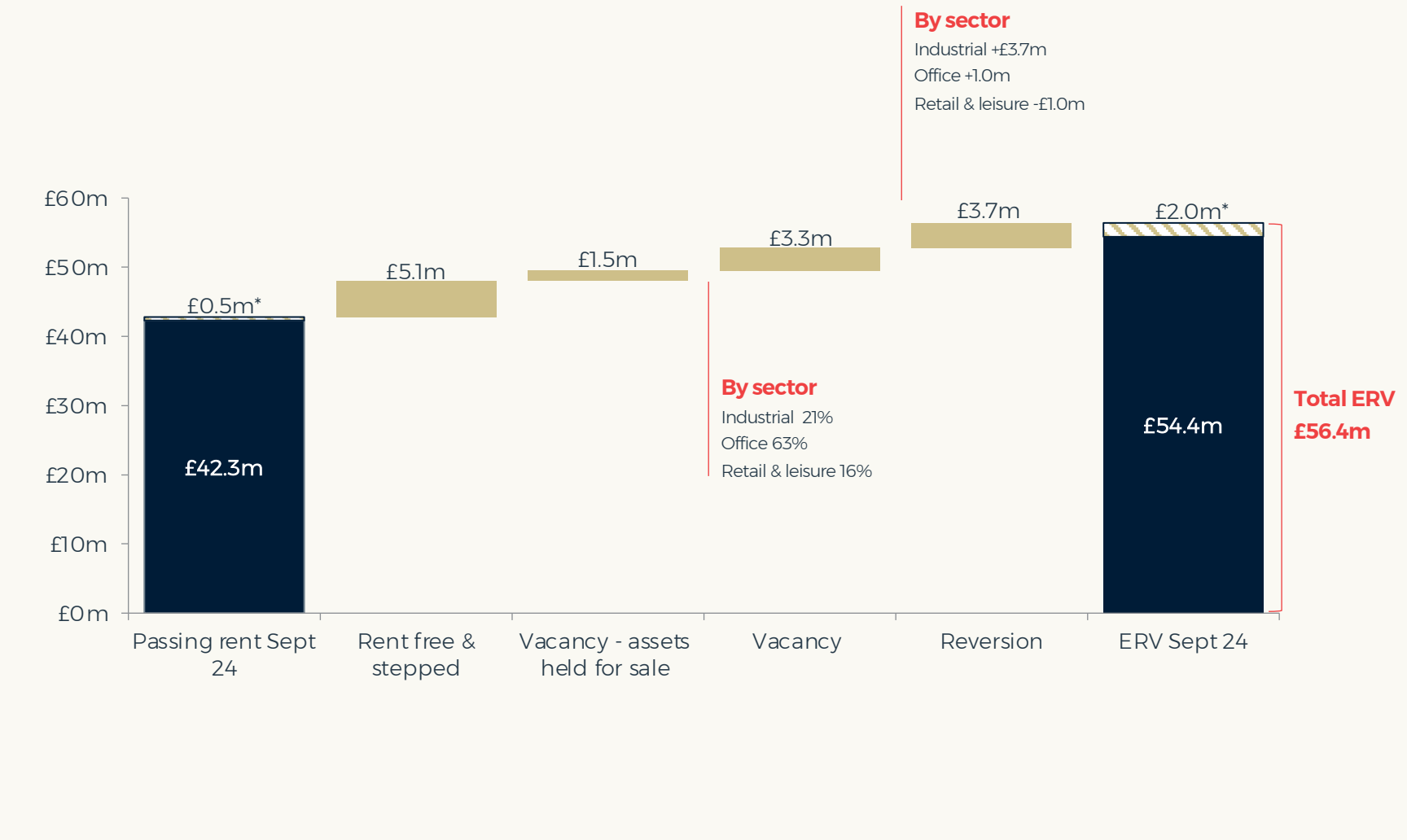
Vacancy breakdown

Top ten voids account for over 80% of total void

Sector	Asset	Void ERV	Progress
Office	Longcross, Cardiff	£0.9m	Student planning secured – completion due after judicial review period
Office	Charlotte Terrace, London	£0.7m	Residential planning secured on void space – being marketed for sale
Office	Colchester Business Park, Colchester	£0.7m	Being refurbished including decarbonisation
Office	Metro, Manchester	£0.4m	Single refurbished floor available with ability to split if required
Office	Tower Wharf, Bristol	£0.3m	Two suites under refurbishment to be fully fitted and ready for occupation
Industrial	Madleaze Trading Estate, Gloucester	£0.3m	Recent void post occupier default
Retail	Gloucester Retail Park, Gloucester	£0.2m	Under offer
Office	401 Grafton Gate, Milton Keynes	£0.2m	Being refurbished including decarbonisation
Office	Atlas House, Marlow	£0.2m	Being refurbished including decarbonisation - completing Jan 2025
Industrial	Sundon Business Park, Luton	£0.2m	Under offer

Drivers of reversion

Reversionary potential 30 Sept 2024



* Assets held for sale as at 30 Sept 24

Borrowings summary

	Canada Life	Aviva	NatWest
Amount drawn	£129.0 million	£81.3 million	Undrawn
Undrawn	Fully drawn	Fully drawn	£50 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	3.25%	4.38%	SONIA + 1.5%
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	Non-amortising, balance due 2031	Quarterly amortising with £67 million due 2032	Ability to redraw and repay over term

Consolidated statement of comprehensive income

	Sept 2024 (£ million)	Sept 2023 (£ million)
Rental income	21.9	21.6
Other income	0.1	0.4
Property expenses	(3.6)	(3.8)
Administrative expenses	(3.5)	(3.4)
Finance costs	(3.7)	(4.7)
Tax	-	-
INCOME PROFIT AFTER TAX	**11.2**	**10.1**
Unrealised movement on property assets	0.2	(11.6)
Revaluation of owner-occupied property	0.1	0.1
PROFIT/(LOSS) BEFORE DIVIDENDS	**11.5**	**(1.4)**
Dividends paid	10.1	9.5
Dividends paid per share (pence)	1.85	1.75

Consolidated balance sheet

	Sept 2024 (£ million)	March 2024 (£ million)	Sept 2023 (£ million)
Property assets	699.5	724.0	736.6
Cash	28.2	19.8	17.2
Other assets	28.7	30.1	29.6
TOTAL ASSETS	**756.4**	**773.9**	**783.4**
Borrowings	(209.1)	(226.1)	(225.2)
Other liabilities	(22.5)	(23.3)	(21.1)
NET ASSETS	**524.8**	**524.5**	**537.1**
Net asset value per share (pps)	96	96	99

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Contact details

If you require any further information please contact

Michael Morris

Picton Property Income Limited
Stanford Building, 27A Floral Street
WC2E 9EZ
+44 (0) 207 011 9980

www.picton.co.uk