PICTON

Half Year Results

To 30 September 2021

November 2021

PICTON

Contents

Introduction

Picton at a glance

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

£745 million

diversified commercial property portfolio

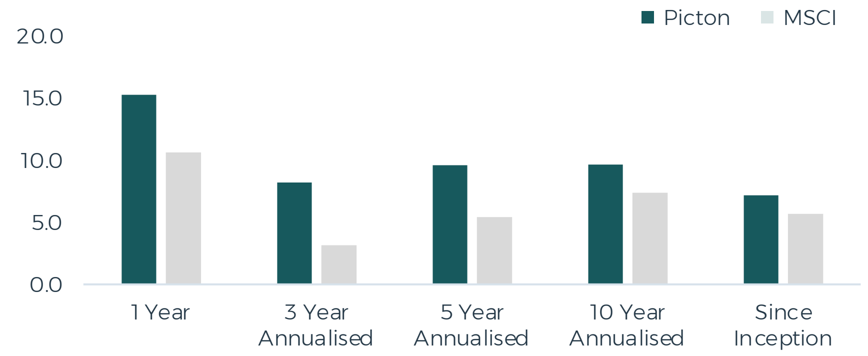
Our purpose

Through our occupier focused, opportunity led approach **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.

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

Total property returns (%)



For period ended September 2021

- Strong financial results
- Valuation gains and asset management drive outperformance
- Improving portfolio activity, occupancy and rent collection
- Sustainability progress

Occupier focused, Opportunity led.

Business overview

Corporate summary

£574m
Net assets

3.6%
Dividend yield

£519m
Market capitalisation

1.1%
Cost ratio

£180m
Borrowings

22%
Loan to value

Portfolio summary

£745m
Value

4.5%
Net initial yield

46
Number of assets

5.9%
Reversionary yield

350
Number of occupiers

93%
Occupancy

Industrial weighting

55.9%

South East	**41.2%**
Rest of UK	**14.7%**

Office weighting

33.1%

South East	**10.2%**
Rest of UK	**10.5%**
City and West End	**12.4%**

Retail and Leisure weighting

11.0%

Retail Warehouse	**6.9%**
High Street Rest of UK	**2.6%**
Leisure	**1.5%**

Our strategy

In order to continue delivering shareholder value, we have put in place three strategic pillars that include a range of priorities to 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

Acting responsibly

- Overarching Sustainability Policy published
- Continued investment into sustainable refurbishments including improvement of five EPCs securing B rating
- Pathway to net zero carbon being developed and to be published by March 2022
- Member of Better Buildings Partnership and will become signatory to their Climate Change Commitment

Stanford Building
London WC2
Improved the EPC rating from E to B
Letting to Blackwood

180 West George Street
Glasgow
Improved the EPC rating from D to B
Letting to BJSS

50 Farringdon Road
London EC1
Improved the EPC rating from D to B. Air conditioning improvements decarbonising from gas to electric
Fully leased

50 Pembroke Court
Chatham
Improved the EPC rating from D to B
Letting to NatWest

Market update

UK commercial property market

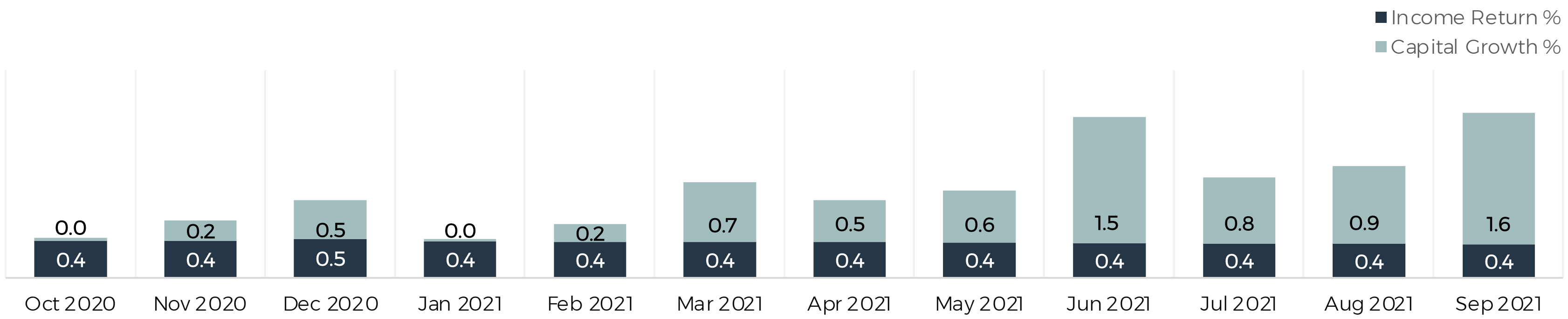
Marked improvement in total returns since easing of lockdown restrictions

– Industrial has been the strongest performer, generating a total return of 15.9% for the six months to September 2021

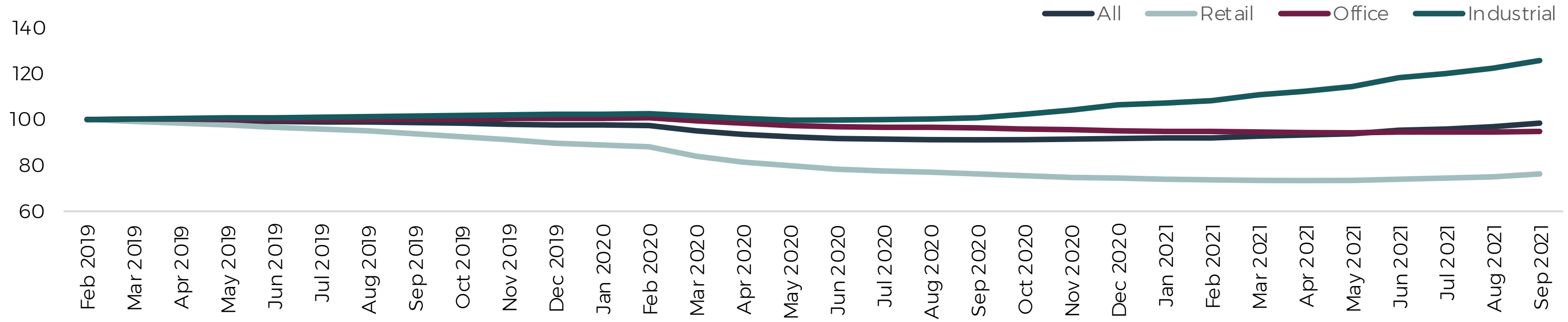
– Office total return of 2.6% for the six months to September 2021

– Retail total return of 7.5% for the six months to September 2021

Income and Capital Growth (%)



Sector Indexed Capital Growth (%)



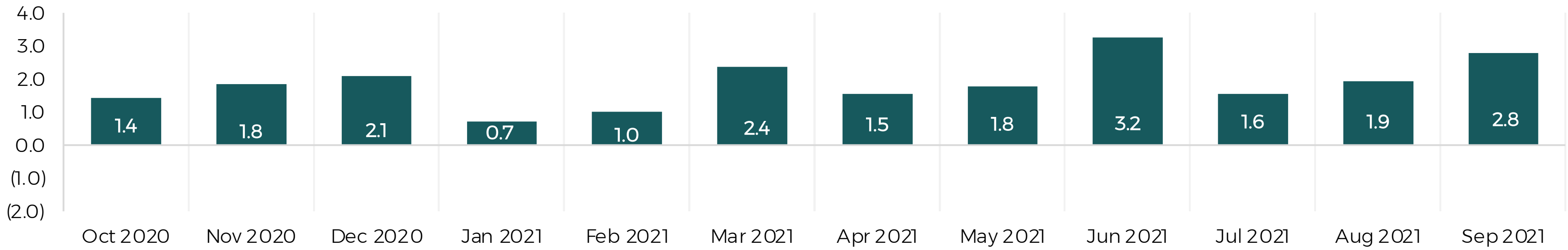
* Source: MSCI UK Monthly Property Index

Industrial market

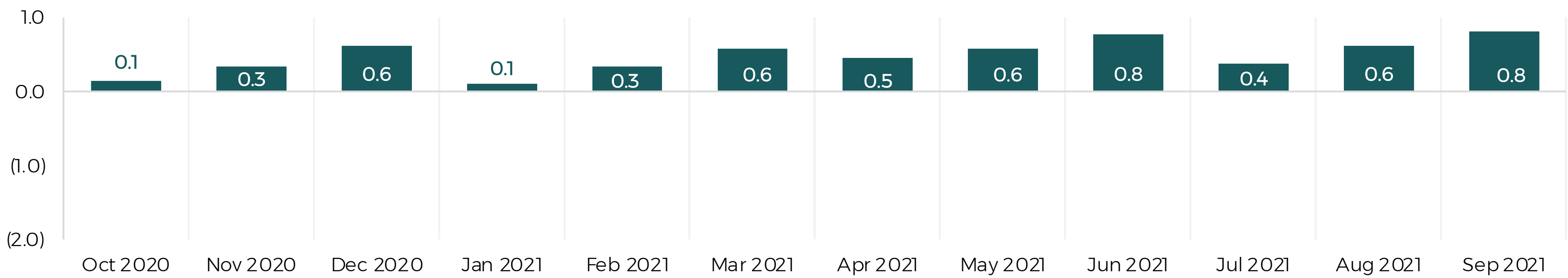
Investor and occupational demand remains strong

- Capital growth 13.5% for the six months to September 2021
- Strongest subsector *Industrial London* at 16.5%. Weakest subsector *Industrial South West* at 8.9%
- Rental growth positive in all subsectors. Strongest subsector *Industrial Eastern* at 4.8%. Weakest *Industrial South West* at 2.4%
- Industrial occupancy 94.3% September 2021 (March 2021 92.6%)

MSCI Capital Growth (%)



MSCI Rental Value Growth (%)



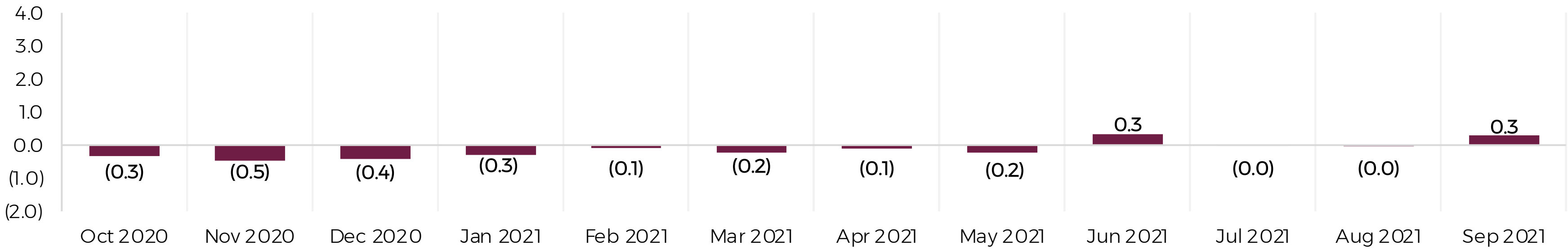
* Source: MSCI UK Monthly Property Index

Office market

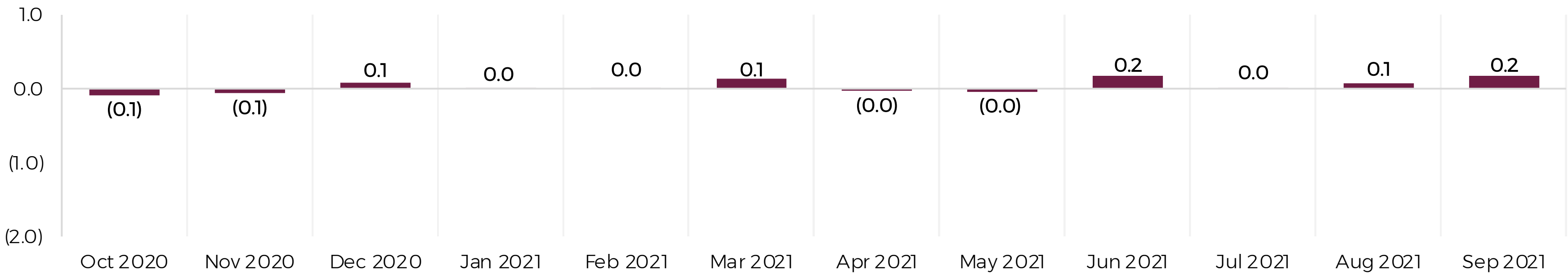
Returns muted reflecting a slower than anticipated return to the office

- Capital growth 0.2% for the six months to September 2021
- Strongest subsector *Office Eastern* at 3.5%. Weakest subsector *Office Scotland* at -3.4%
- All office rental growth 0.4%. Strongest subsector *Office Midlands & Wales* at 2.1%. Weakest *Office Inner South East* at -0.5%
- Stronger demand for high quality space

MSCI Capital Growth (%)



MSCI Rental Value Growth (%)



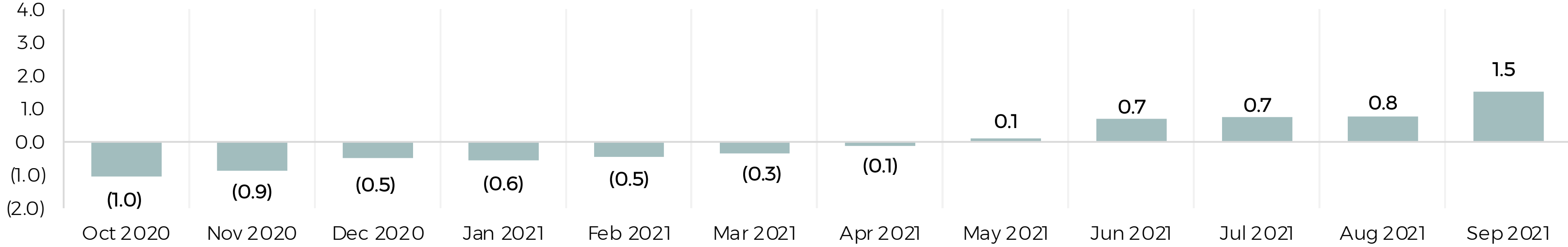
* Source: MSCI UK Monthly Property Index

Retail and Leisure market

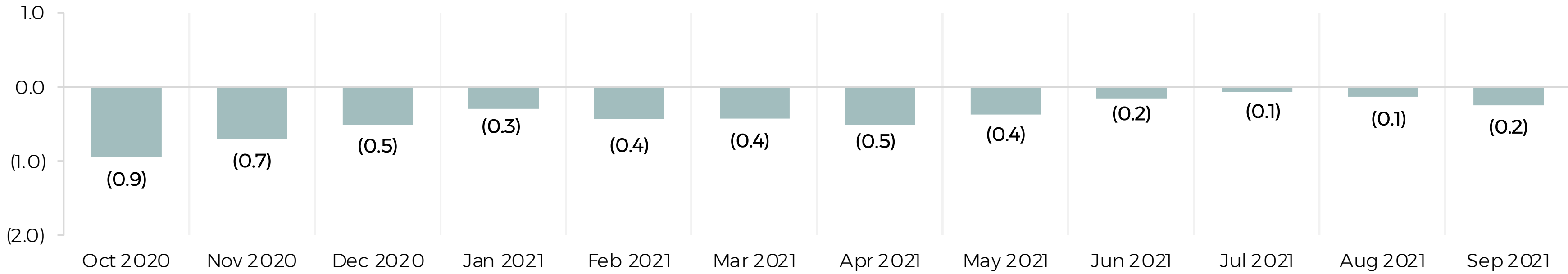
Retail warehousing drives rebound

- Capital growth 3.8% for the six months to September 2021
- Strongest subsector *Retail Warehouse Midlands & Wales* at 8.7%. Weakest subsector *Standard Retail Outer South East* at -6.7%
- All retail rental growth -1.5% and negative in all subsectors bar one. Strongest subsector *Retail Warehouse London* at 0.3%. Weakest *Standard Retail Wales* -6.7%
- Oversupply most noticeable in Shopping Centres and High Streets
- Online sales 23% lower than pandemic peak

MSCI Capital Growth (%)



MSCI Rental Value Growth (%)



* Source: MSCI UK Monthly Property Index

Half Year Results

Financial summary

Strong financial results

- 8.6% increase in net assets to £574 million, or 105p per share
- Profit of £54.4 million (30 September 2020 £3.7 million)
- EPRA earnings of £10.9 million (30 September 2020 £10.1 million)
- Total return of 10.2%
- Shareholder return of 12.7%
- Dividend cover of 121%
- Dividend increased by 6.3% over the period (dividends paid over 30% higher than last year)

105p

NAV per share

(31 March 2021 **97p**)

2.0p

EPRA earnings per share

(30 Sept 2020: **1.8p**)

1.65p

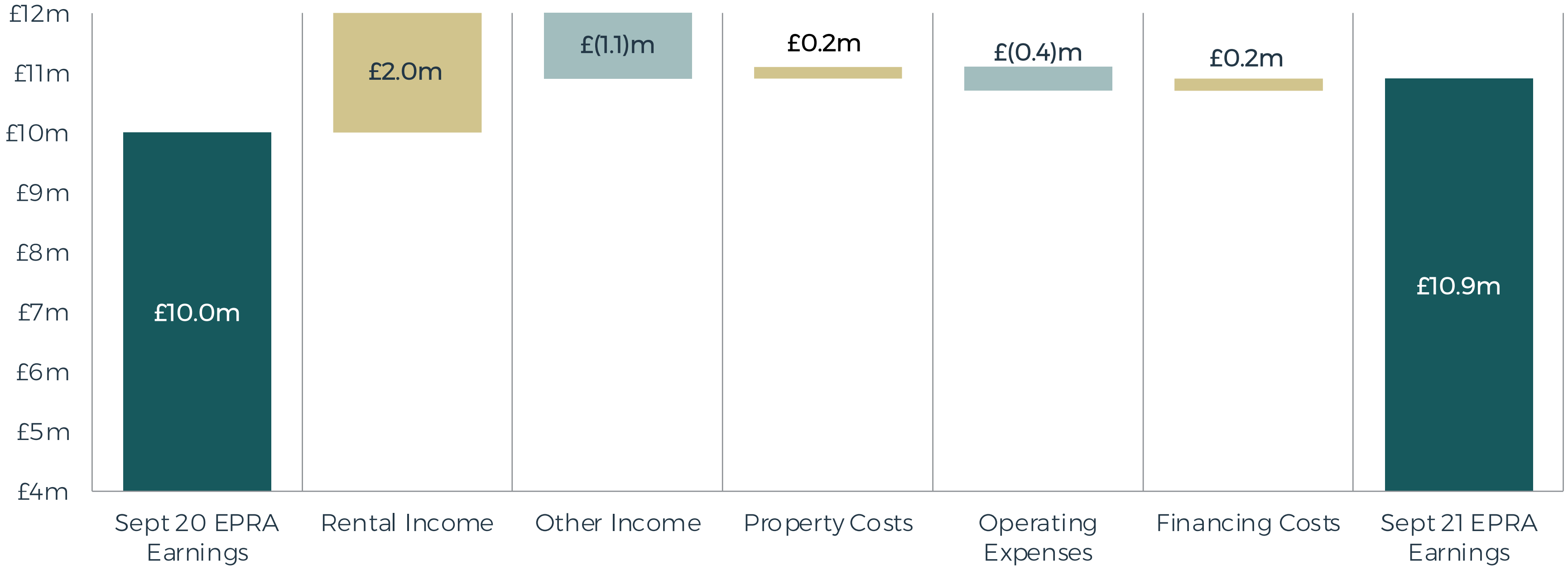
Dividends paid per share

(30 Sept 2020: **1.25p**)

Income statement

Increased profit and earnings

- EPRA earnings of £10.9 million
- Rental income improved through increased occupancy and reduction in bad debts
- Property costs reduced, reflecting higher occupancy levels over the period
- Operating expenses higher, offset by lower finance costs

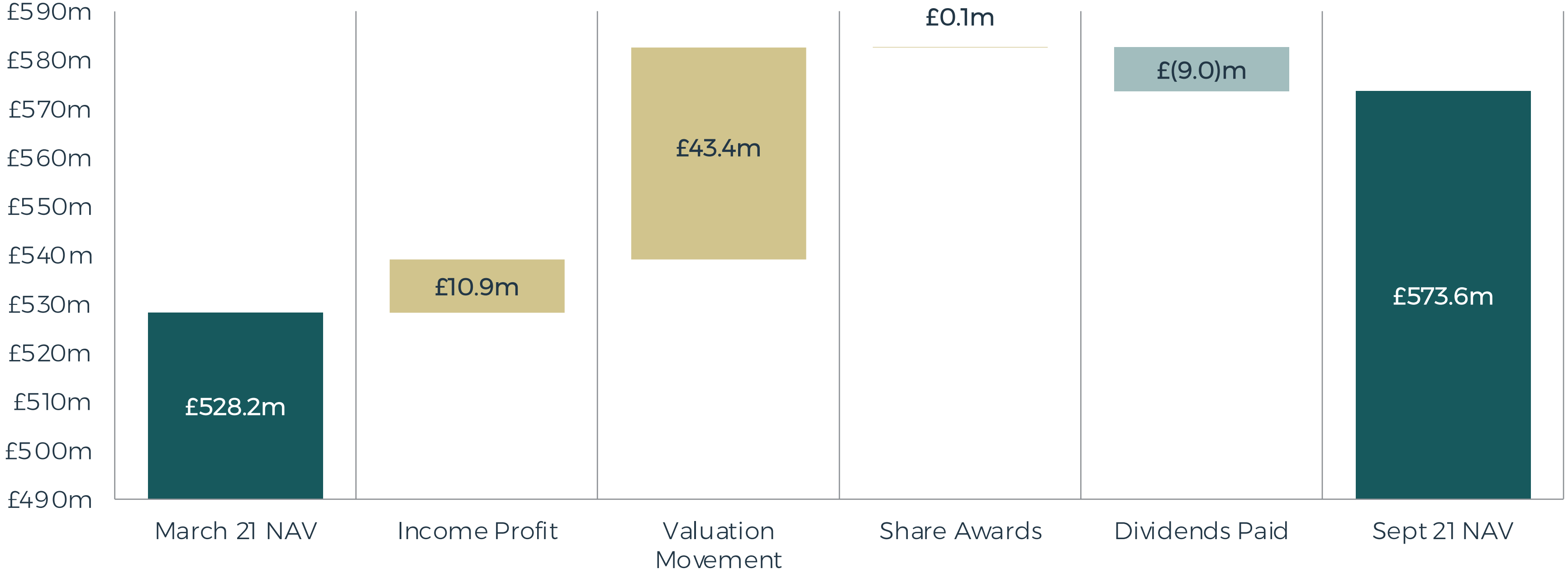


Please refer to Consolidated income statement on P31

Balance sheet

NAV growth driven by valuation gains

- Increased net assets to £574 million
- Like-for-like valuation increase of 7.4%
- Dividends paid of £9 million, dividend cover of 121%



Please refer to Consolidated balance sheet on P32

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Capital structure

Low gearing, with RCF used to fund acquisition

- £14 million drawn under revolving credit facility to fund property acquisition
- Further £36 million available under facility
- Extended revolving credit facility until May 2024
- 92% of debt fixed
- Drawn borrowings at blended rate of 4.0% (March 2021: 4.2%)

22%

Loan to value

(31 March 2021 **21%**)

£180m

Debt outstanding

(31 March 2021 **£166m**)

8.0yrs

Debt maturity*

(2024 maturity: **£14.0m**)
(2027 maturity: **£80.0m**)
(2032 maturity: **£67.0m**)

* Ignoring annual amortisation.

Please refer to Borrowings Summary on P30

Portfolio highlights

Operational performance

Outperforming property portfolio

9.0% Total property return — VS — **7.6%** MSCI UK Quarterly Property Index

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

7.4% Like-for-like valuation increase

3.2% Like-for-like increase in contractual passing rent

1.9% Like-for-like estimated rental value increase

93% Occupancy increased by 2% over the half year

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Operational performance

Improving portfolio activity, occupancy and rent collection

- 15 lettings / agreements to lease completed, securing £2.4 million per annum, 2.2% above the March 2021 ERV
- Six lease renewals / regears completed, retaining £0.3 million per annum, 5.4% above the March 2021 ERV
- Eight rent reviews completed, securing an uplift of £0.1 million per annum, 10.8% above the March 2021 ERV

96% of the rent due for the six months to September 2021 has been collected

97% of the September 2021 quarter's rent has been collected or is expected to be received under monthly payment plans

Occupier focused, Opportunity led.

Investment activity

Selective activity to support income and value growth

Completed the acquisition of a freehold, city centre industrial estate for £13.1 million

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

- Madleaze Trading Estate 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
- Total rental income of £0.75 million per annum, equating to a low £2.74 per sq ft
- Purchase price reflects a net initial yield of 6.1% on letting the vacant units and a capital value of £44 per sq ft, well below construction cost
- Significant active management potential, rental upside
- Longer-term redevelopment potential

Our business model in action

Office

50 Pembroke Court
Chatham

- Refurbishment improved the EPC from a D to a B
- All remaining offices leased to NatWest on a five-year lease, subject to break, at a rent of £0.3 million p.a.
- 7% ahead of March 2021 ERV

Industrial

Mayesbrook House
Barking

- Unit became vacant due to business being impacted by Covid-19
- Obtained vacant possession and refurbished unit
- Letting is on a 15-year lease at £0.6 million p.a.
- 43% ahead of the previous rent and 4% ahead of the March 2021 ERV

Retail and Leisure

Angouleme Retail Park
Bury

- Refurbished and updated in 2020
- Final vacant unit leased to JD Gyms on a ten-year lease at £0.2 million per annum via Agreement for Lease
- Rent in-line with March 2021 ERV
- Park is fully let

Vacancy breakdown

Top five voids account for over 70% of total void

£1.0m

Office

Angel Gate
London

Space let during the half year. We are on site refurbishing space as well as creating a communal occupier lounge facility. Considering possible change of use to residential of part.

£0.4m

Retail

Stanford Building
London

Ground and basement retail unit available. Low void holding costs. Market beginning to pick up.

£0.4m

Office

Longcross
Cardiff

Refurbishment on site and almost complete. It will offer best in class space in its category.

£0.4m

Office

Regency Wharf
Birmingham

Leisure block converted to offices – completion due November 2021. Unique space with views over the canal basin.

£0.4m

Office

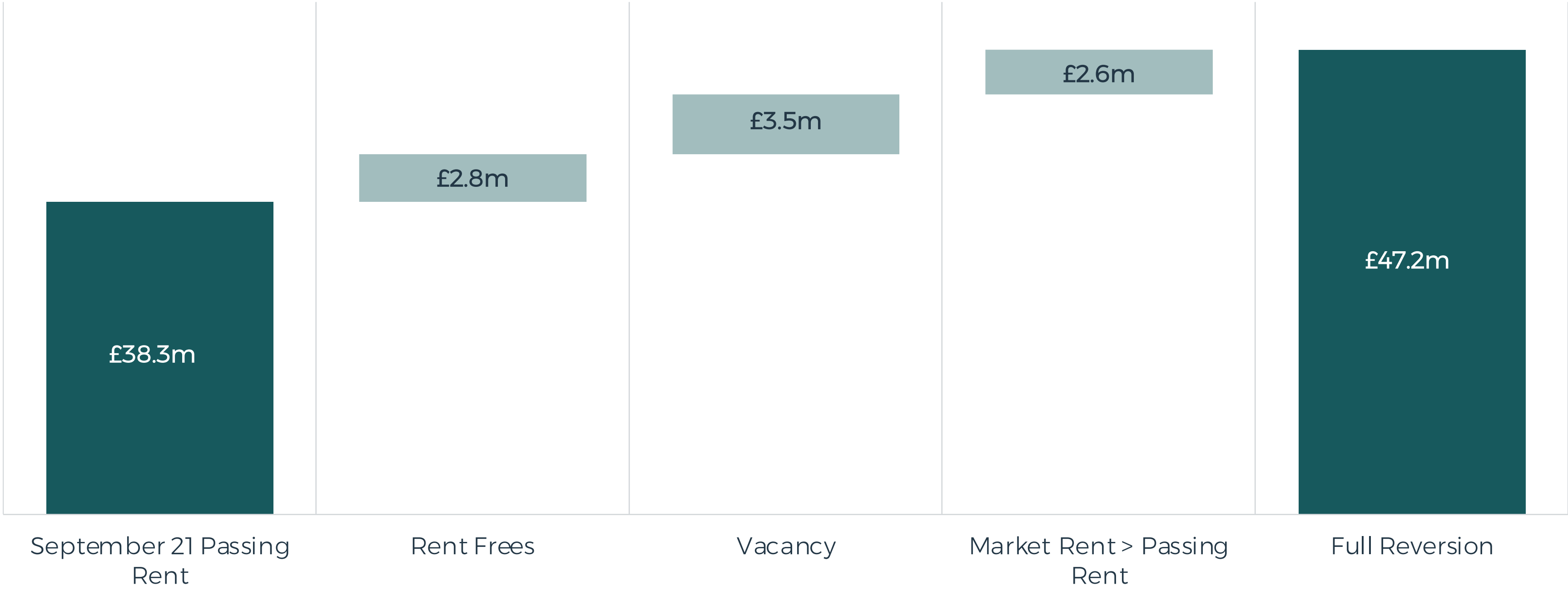
Tower Wharf
Bristol

Two refurbished suites with some occupational interest.

Outlook and focus

Outlook for growth

- More normalised business activity a positive factor
- Rent collection increasingly close to pre-pandemic levels
- Increase in occupancy and valuations gains reflecting improving conditions
- Desire to grow to enhance earnings further
  - With low LTV we will continue to selectively deploy revolving credit facility to fund acquisitions
  - Focus on areas where rental growth will offset inflationary concerns
  - Economies of scale will provide further upside



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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 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 – £60 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 – £60 million +
- Size (sq ft.) 454,800

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

3/

Datapoint Business Park London E16

- Lot size band – between £30m - £40m
- Size (sq ft.) 55,100

- Greater London Industrial Estate
- Multi-let
- Six units
- Close to DLR and A13
- Fully let

4/

Stanford Building Long Acre, London WC2

- Lot size band – between £30m - £40m
- Size (sq ft.) 20,100

- Prime Covent Garden asset
- Grade II listed
- Picton occupy first floor
- All other office space and flat leased
- Flagship retail store available

5/

Angel Gate, City Road London EC1

- Lot size band – between £30m - £40m
- 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
- 20,000 sq ft available

Top 10 assets

6/

**Lyon Business Park
Barking**

- Lot size band – between £30m - £40m
- Size (sq ft.) 99,400

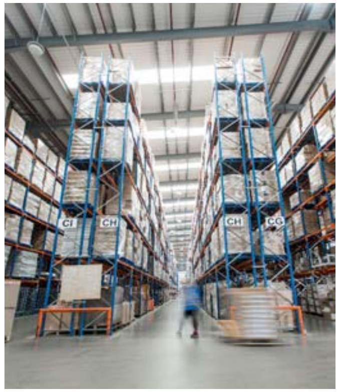
- Greater London industrial estate
- Multi-let
- Ten units
- Adjacent to A13
- Fully let

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/

**Tower Wharf
Cheese Lane, Bristol**

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

- Multi-let Grade A office
- BREEAM Excellent rated
- Reception refurbishment recently completed
- 12,500 sq ft to lease

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 Lawrence Stephens
- Fully let

10/

**30 & 50 Pembroke Court
Chatham, Kent**

- Lot size band – between £20m - £30m
- Size (sq ft.) 86,100

- Two Grade A office buildings
- Principal occupiers include Canterbury CC University, Vanquis Bank and NatWest
- Fully let

Borrowings summary

Long-term fixed rate debt and available revolving credit facility

	Canada Life	Aviva	NatWest
Amount drawn	£80.0 million	£85.6 million	£14.0 million
Undrawn	Fully drawn	Fully drawn	£36.0 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	4.08%	4.38%	3 month libor + 1.5% (currently 1.6%)
Commitment fee	–	–	0.6%
Maturity	2027	2032	2024 (ability to extend by a further year)
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 through annual amortisation	Ability to redraw and repay over term

Consolidated statement of comprehensive income

Increased profit driven by valuation gains

	Sept 2021 (£ million)	Sept 2020 (£ million)
Rental income	19.7	17.6
Other Income	0.1	1.3
Property expenses	(2.3)	(2.4)
Administrative expenses	(2.7)	(2.3)
Finance costs	(3.9)	(4.1)
Tax	-	-
EPRA earnings	10.9	10.1
Unrealised movement on property assets	43.0	(6.4)
Gains on disposal of property assets	-	-
Revaluation on owner occupied property	0.5	-
PROFIT BEFORE DIVIDENDS	54.4	3.7
Dividends paid	9.0	6.8
Dividends paid per share (pence)	1.65	1.25

Consolidated balance sheet

Industrial valuation gains strengthen balance sheet

	Sept 2021 (£ million)	March 2021 (£ million)
Property assets *	730.2	669.2
Cash	16.7	23.4
Other assets	24.7	19.9
TOTAL ASSETS	771.6	712.5
Borrowings	(177.2)	(163.7)
Other liabilities	(20.8)	(20.6)
NET ASSETS	573.6	528.2
Net asset value per share (pence)	105	97

* Including owner occupier property

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