EDISON

Picton Property Income

Interim results

Strong H122 with good growth potential

Real estate

The H122 IFRS profit of £53.9m was the highest that Picton Property Income has ever recorded for a six-month period. EPRA earnings and dividends also grew as the property portfolio showed further strong outperformance. Strong reversionary potential and financial flexibility for accretive acquisitions are positive indicators for further growth, while Picton is attuned to the value-creating potential of sector consolidation.

Year end	Net property income (£m)	EPRA earnings* (£m)	EPRA EPS* (p)	DPS (p)**	EPRA NTA/ share (p)	P/NTA (x)	Yield (%)
03/20	33.6	19.9	3.7	3.25	93	1.06	3.3
03/21	33.5	20.1	3.7	2.93	97	1.02	3.0
03/22e	35.0	21.5	3.9	3.45	108	0.92	3.5
03/23e	35.8	21.9	4.0	3.60	114	0.87	3.6

Note: *EPRA earnings excludes revaluation gains/losses and other exceptional items. **Declared basis.

Portfolio performance underpins 10.2% total return

Capital values increased by 7.4% like-for-like in H122. Excluding revaluation gains, EPRA earnings and dividends both increased while rent collection was strong. Occupancy increased to 93% (FY21: 91%), the result of strong tenant retention and new lettings. Quarterly DPS declared has increased by 6.3% since Q421 to 0.85p and represents an annualised rate of 3.4p, almost back to pre-pandemic levels (3.5p). DPS paid was 121% covered by EPRA earnings (up c 8%). At the portfolio level, the total property return (income and capital growth) of 9.0% was above the 7.6% returned by MSCI UK Quarterly Property Index, as it has been over one, three, five and 10 years and since inception. At the company level, the net asset value (NAV) total return was 10.2%, including 8.5% growth in NAV per share to 105p and DPS paid.

Strong growth potential

Financial and operational performance continues to benefit from active asset management, including investment in the portfolio and sector positioning. Capex aims to enhance the quality, sustainability and occupier appeal of assets. The strong overweighting of industrial assets continues to drive performance, although this has begun to broaden across sectors. The organic growth opportunity remains strong, with a c £9m gap between passing rent and estimated rental value (ERV). Low gearing (LTV of 21.9%) and £36m of undrawn low-cost flexible borrowing provides an opportunity for accretive acquisitions, such as the £13.1m industrial acquisition in September. Picton has also expressed its interest in exploiting its strong performance record and scalable internalised structure to engage in sector consolidation where there is an opportunity to create additional value.

Valuation: Good yield with DPS growth potential

The annualised rate of quarterly DPS (3.4p) represents a yield of 3.5% (slightly higher on our forecast DPS). This compares favourably with risk-free alternatives, and we expect further DPS growth in FY22 and FY23. The price/end-H122 EPRA NTA is c 0.94x, below the five-year average of c 0.97x and a peak of c 1.1x.

23 November 2021

Price	**99p**
Market cap	**£542m**

Net debt (£m) at 30 September 2021	162.9
Net LTV at 30 September 2021	21.9%
Shares in issue	547.6m
Free float	100%
Code	PCTN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(0.6)	3.0	32.2
Rel (local)	(1.5)	1.4	14.3
52-week high/low		100.40p	71.30p

Business description

Picton Property Income is an internally managed UK REIT that invests in a diversified portfolio of commercial property across the UK. It is total-return driven with an income focus and aims to generate attractive returns through proactive management of the portfolio.

Next events

Q222 DPS paid	30 November 2021

Analyst

Martyn King +44 (0)20 3077 5745

financials@edisongroup.com

Edison profile page

Picton Property Income is a research client of Edison Investment Research Limited

Strong H122 financial and operating performance

Picton Property Income reported strong results for the six months ended 30 September 2021 (H122). Including strong property revaluation gains, the IFRS profit [1]of £53.9m was the highest that it has ever recorded for a six-month period. Excluding revaluation gains, operational progress, including an increase in occupancy to 93%, supported growth in recurring EPRA earnings and dividends. At the portfolio level, the total property return (income and capital growth) of 9.0% was above the 7.6% returned by MSCI UK Quarterly Property Index, as it has been over one, three, five and 10 years and since inception.[2] Performance has been top quartile in each of the seven years ended 30 September 2021. At the company level, the accounting total return (or NAV total return)[3] was 10.2%. The H122 operational momentum and the recent accretive £13.1m acquisition of a multi-let industrial estate, funded with low-cost flexible debt, will support H222. Reversionary income potential embedded in the portfolio remains significant at c £9m, while a low 21.9% loan to value ration and further undrawn debt of £36m leaves Picton well place for further inorganic growth.

Exhibit 1: Summary of H122 financial performance

	Sep-21	Sep-20		Mar-21
£m unless stated otherwise	**H122**	**H121**	**H122/H121**	**FY21**
Rental income	19.7	17.6	11.5%	36.6
Other income	0.2	1.3		1.5
Property operating costs	(1.3)	(0.9)		(2.4)
Void costs	(0.9)	(1.5)		(2.2)
Net property income	**17.6**	**16.5**	**6.5%**	**33.5**
Total operating expenses	(2.7)	(2.3)	17.2%	(5.4)
EPRA operating profit	**14.9**	**14.2**	**4.7%**	**28.1**
Net finance expense	(3.9)	(4.1)	-4.2%	(8.0)
Tax	0.0	0.0		0.0
EPRA earnings	**10.9**	**10.1**	**8.4%**	**20.1**
Debt prepayment fees	0.0	0.0		0.0
Profit on disposal of investment property	0.0	0.0		0.9
Investment property valuation movements	43.0	(6.4)		12.9
IFRS net profit	**53.9**	**3.7**		**33.8**
EPRA EPS (p)	**2.0**	**1.8**	**8.3%**	**3.7**
IFRS EPS (p)	10.0	0.7		6.2
DPS declared (p)	**1.70**	**1.33**		**2.93**
DPS paid (p)	1.65	1.25		2.75
Dividend cover	1.21	1.48		1.34
Net assets, IFRS & EPRA (£m)	573.6	505.9		528.2
NAV per share, IFRS & EPRA (p)	**105**	**93**		**97**
NAV total return	10.2%	0.7%		6.6%
Carried value of investment properties	726.0	646.7		665.4
Net LTV	21.9%	22.4%		20.9%

Source: Picton Property Income data, Edison Investment Research

We highlight the key features of the H122 results:

- Net rental income increased 11.5% to £19.7m versus H121 and, despite a reduction in other property income (H121 included £1.2m of non-recurring dilapidation receipts), net property income increased 6.5% to £17.6m.
- Rent collection remains strong, with 96% of rent due for H122 collected and, at the date of reporting, 97% of the September quarter rent either collected or expected to be collected under monthly payment plans.

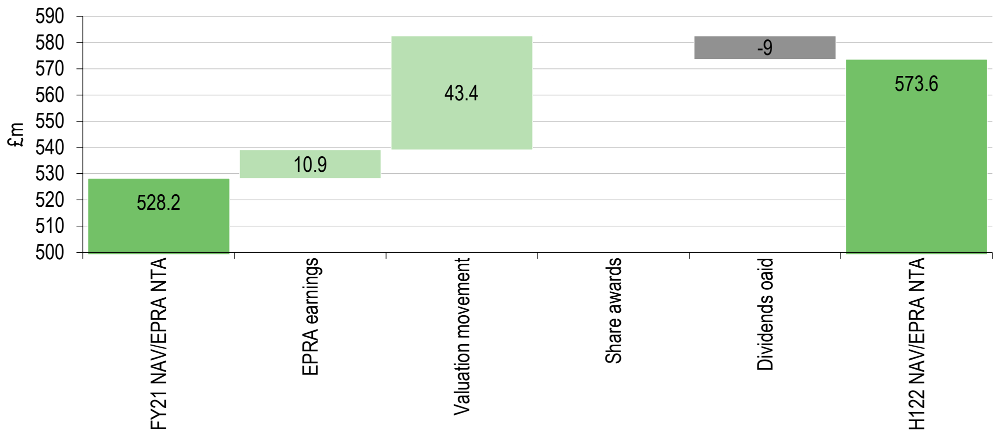
[1] Total comprehensive income of £54.4m included revaluation on owner occupied property.

[2] To 30 September 2021.

[3] The change in net asset value per share plus dividends paid (but not reinvested).

- Operating expenses increased versus H121, although the annualised rate was at a similar level to FY21. The year-on-year increase was largely due to higher employee costs, particularly the variable element of remuneration, linked to the positive share price performance.
- Offsetting the increase operating expenses, finance expenses fell, reflecting a slight reduction in average debt and the average cost of debt.
- EPRA earnings increased 8.4% year on year to £10.9m, with EPRA EPS of 2.0p (H121: 1.8p and H221: 1.9p).
- Dividends per share of 1.70p was 121% covered by EPRA earnings. The Q122 DPS declared of 0.85p was up 6.3% on Q421 and represents an annualised rate of 3.4p, almost back to pre-pandemic levels (3.5p).
- Including £43.0m of property gains (discussed in the next section), IFRS earnings were £53.9m and NAV increased 8.6% to £573.6m. NAV per share/EPRA net tangible assets (NTA) increased to 105p.

Exhibit 2: NAV bridge

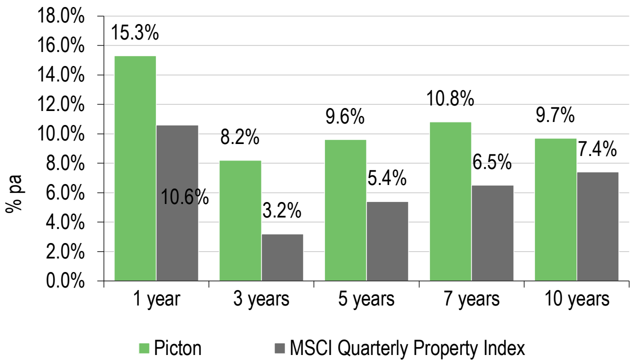


Source: Picton Property Income data

Financial results underpinned by strong track record of portfolio performance

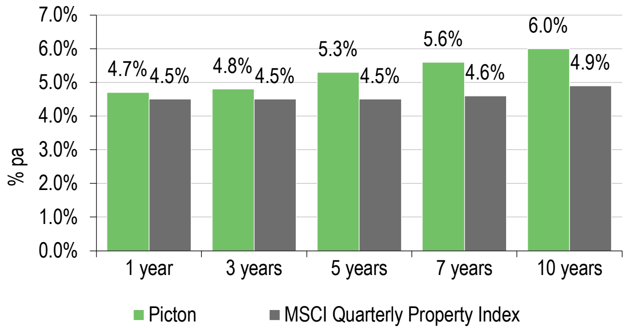
At the portfolio level Picton has built a strong and consistent track record of outperformance versus the MSCI UK Quarterly Property Index ('the index'), generating above index income returns and total property returns on an ungeared basis over the one, three, five, seven and 10 years (to 30 September 2021). Performance has been top quartile compared with the more than 200 portfolios that comprise the benchmark in each of the seven years ended 30 September 2021.

Exhibit 3: Total property return versus index*



Source: Picton Property Income, MSCI. Data to 30 September 2021. Note: *Annualised percentage returns.

Exhibit 4: Property income return versus index*



Source: Picton Property Income, MSCI. Data to 30 September 2021. Note: *Annualised percentage returns.

Among the factors supporting this strong performance, we note:

- Successful asset management underpinned by the group's occupier focus, whereby it seeks to work closely with tenants to understand their needs, enhance occupancy, improve retention and maximise income. Picton continues to invest in its assets, improving the quality of the space and making it more appealing to occupiers and better able to meet their needs.
- Although Picton maintains a diversified portfolio, its unconstrained approach to portfolio construction has enabled it to make strategic adaptations to sector and asset positioning in response to changing market conditions. The significant weighting to the industrial property sector and underweight, highly selective exposure to the retail property continues to benefit performance.

Portfolio and market update

Exhibit 5 shows a summary of Picton's portfolio at 30 September 2021 (end-H122). The c £745m valuation[4] reflected a net initial yield of 4.5% and a reversionary yield of 5.9%. During H122 a non-core retail asset was sold for £0.75m (16% ahead of the end-FY21 valuation) and shortly before the period end the £13.1m (before costs) acquisition of a city centre industrial estate in Gloucester was completed. Adjusted for these transactions and £4.4m of capex the like-for-like gain in valuation was 7.4%, driven by the strength of industrial property combined with leasing and asset management activity. Since end-FY21, occupancy increased from 91% to 93%, the result of strong tenant retention and new lettings. Lease transactions have on average been ahead of the March 2021 ERV[5], while ERV has continued to grow. New lettings added £2.2m pa to contracted rent roll at average 2.2% above ERV. Lease renewals/regears retained £0.3m pa of rents with an average 5.4% uplift over ERV. Completed rent reviews secured a £0.1m pa uplift, 10.8% above ERV. Overall, annualised contracted rent roll increased from £36.5m in March 2021 to £38.3m, including a 3.2% like-for-like increase. Total ERV increased from £45.4 to £47.2, including a 1.9% like-for-like increase.

[4] The carried value of £726m includes adjustment for lease incentives, property used by the company, and assets held under finance leases.

[5] The externally estimated market rental value at full occupancy and without lease incentives.

Exhibit 5: Portfolio summary

	30-Sep-21	31-Mar-21
	H122	FY21
Portfolio valuation	£745m	£682 million
Number of properties	46	46
Average lot size	£16.2m	£14.8 million
Net initial yield	4.5%	4.8%
Net reversionary yield	5.9%	6.3%
Annualised rental income	£38.3m	£36.5 million
Annualised reversionary income	£47.2m	£45.4 million
Occupancy as % ERV	93%	91%
Weighted average unexpired lease term		4.9 years

Source: Picton Property Income

Just before the end of H122, Picton acquired the Madleaze Trading Estate, which is well positioned in central Gloucester, adjacent to the Gloucester Quays Retail Park and the Gloucester and Sharpness canal. It comprises 18 industrial units let to eight occupiers with two units vacant and under refurbishment for re-letting. Rents of £2.74 per sq ft are affordable and the capital value a low £44 per sq ft, well below the estimated reinstatement cost. The rental income of £0.75m pa is included in H122 contracted rent roll (but with no material contribution to H122 income) and reflects a net initial yield of 6.1%. Rental income is expected to increase to £0.86m pa once the estate is fully let, and further still as rents are reset to market levels over the medium term.

On a smaller scale, a non-core retail asset was sold for £0.75m, 16.3% ahead of the March valuation.

Strong industrial weighting continues to lead returns

Over recent months, the UK commercial property market returns have continued to be driven by the industrial sector. With limited supply and strong demand, encouraged by the accelerated shift to online purchasing and supply chain concerns, capital values and rents continue to grow strongly. The office sector has shown signs of benefitting from the gradual ‘return to the office’ and has shown modest rental growth and relatively flat capital values. The retail and leisure sector has shown a significantly slower decline in rental values while capital values have begun to improve from the previous steep decline, but performance varies markedly across sub-sectors. Leisure assets have benefitted from the removal of lockdown restrictions but within retail, shopping centres and high street locations continue to suffer from excess supply. Retail warehouse assets have seen good growth in capital values, benefiting from restricted supply, generally free parking and the convenience that is complementary to growth in online sales, both for click-and-collect and customer returns.

Picton’s portfolio remains strongly weighted towards industrial property (c 56% by value compared with c 33% for the index[6]) and significantly underweight in retail and leisure (the c 11% weighting is less than half the index weight. Picton’s office exposure of c 33% is slightly higher than the index (c 28%). In line with broad market trends, industrials continued to drive H122 performance, although each of the broad sectors showed positive like for like valuation movements. In retail and leisure, Picton benefitted from strong growth in retail warehouse valuations (c 7% of the portfolio and almost two-thirds of its total retail and leisure exposure).

[6] The MSCI UK Quarterly Property Index.

Exhibit 6: Sector allocation and valuation movements

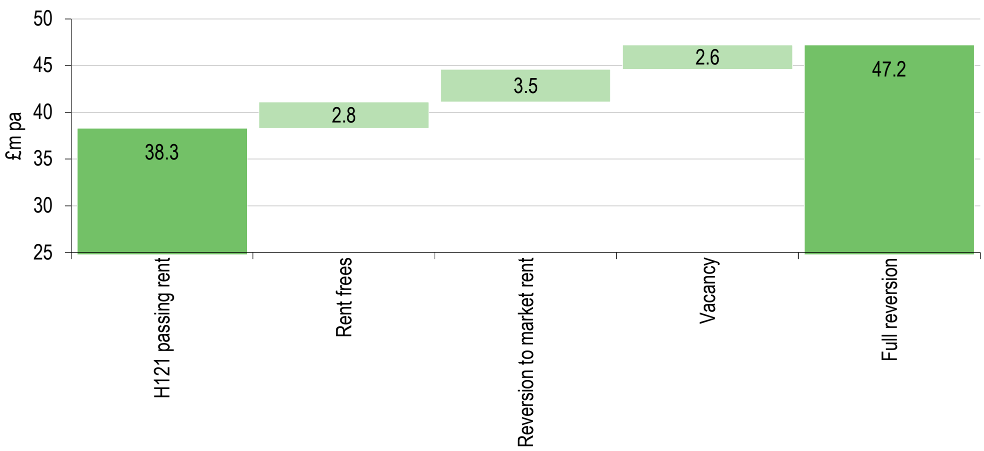
	Portfolio allocation	Valuation	Like-for-like valuation change
Industrial weighting	**55.9%**	**£416.7m**	**11.8%**
o/w South East	41.2%		13.7%
o/w Rest of UK	14.7%		6.4%
Office weighting	**33.1%**	**£246.9m**	**0.6%**
o/w London City and West End	8.0%		2.6%
o/w Inner and Outer London	4.4%		-4.5%
o/w South East	10.2%		2.0%
o/w Rest of UK	10.5%		0.1%
Retail & Leisure weighting	**11.0%**	**£81.6m**	**7.8%**
o/w Retail Warehouse	6.9%		11.4%
o/w High Street Rest of UK	2.6%		-2.3%
o/w Leisure	1.5%		10.9%
Total	**100.0%**	**£745.2m**	**7.4%**

Source: Picton Property Income

Significant potential within the existing portfolio

The end-H122 ERV of £47.2m was £8.9m, or 24%, ahead of the annualised contracted rent roll of £38.3m. Void reduction represents £3.5m of the potential upside, with the balance comprising the upside from lease incentive run-off (c £2.8m) and the potential to increase existing rents to market levels at lease expiry (c £2.6m).

Exhibit 7: Reversion potential



Source: Picton Property Income

By sector, the greatest potential is within the industrial and office sectors. With occupancy close to full in the industrial sector, the upside is from reversion to market rents (which continue to increase) while in the office sector there is considerable upside from void reduction. In retail and leisure there is scope to increase occupancy, although on average contracted rents are above ERV. Which is likely to put pressure on average rent levels.

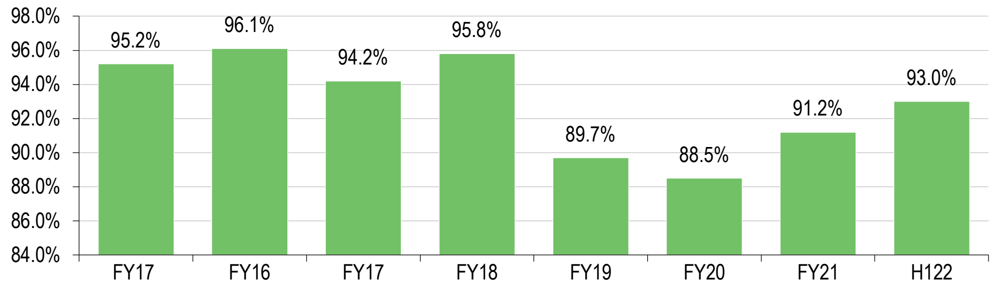
Exhibit 8: ERV by sector at end-FY21

£m unless stated otherwise	Contracted rent roll	ERV	Occupancy	Reversion		
				Total	Void reduction	Other*
Industrial	17.5	20.9	100%	3.5	0.3	3.2
Office	14.0	19.2	86%	5.1	2.7	2.4
Retail and leisure	6.8	7.1	93%	0.3	0.5	(0.2)
Portfolio total	**38.3**	**47.2**	**93%**	**8.9**	**3.5**	**5.4**

Source: Picton Property Income data and Edison Investment Research. Note: *Run-off of lease incentives and reversion to market-level rents.

Although occupancy continued to increase during H122, it remains below the longer-term trend. In part this reflects asset management and a deliberate refurbishment in recent years, but the pandemic has slowed letting, particularly in the office sector. The top five voids within the portfolio account for more than 70% of the total, most of which represents current or recently completed office refurbishments.

Exhibit 9: Portfolio occupancy trend



Source: Picton Property Income data

Financial flexibility for acquisitions

Funding for the recent industrial estate purchase was provided from Picton's revolving credit facility (RCF) with a cost of 1.5% pa plus Libor (c 1.6% in total). The spread between funding costs and the net initial yield of 6.1% makes the acquisition clearly accretive to earnings. With a low c 22% loan to value (LTV) ratio and a further £36m available under the RCF, Picton is well positioned for further accretive acquisitions. Its approach to acquisitions is typically opportunistic within the goal of maintaining a diversified structure and management indicates that assets from any of the main sectors will be considered based on their attractiveness, especially in areas where rental growth will offset inflationary concerns.

External growth

The UK commercial real estate sector saw considerable share price weakness at the start of the pandemic and although the market has substantially recovered since, many UK listed commercial property companies have continued to trade at a material discount NAV (Exhibit 15 below). In combination with well-publicised issues in unlisted property funds,[7] Picton identifies an opportunity for the market consolidation, to generate economies of scale through the removal of duplicated management costs, improved liquidity and greater overall efficiency. With its strong track record of property performance and a scalable internalised cost structure, Picton appears well paced to create additional shareholder value by increasing the size of its portfolio. Although it is often difficult for all parties involved to reach agreement on such transactions, we note that Drum Income Fund was recently agreed acquired by Custodian REIT in an agreed transaction and Yew Grove REIT has recently agreed to an acquisition by Slate Office REIT.

Forecasts increased

We have increased our forecasts for EPRA earnings (particularly for FY22) and NAV/EPRA NTA, with the recovery in occupancy and property values coming through faster than we had assumed. Quarterly DPS has increased once during FY22 but is running below the level we had previously

[7] Given the relative illiquidity of real estate assets some open-ended funds have struggled to meet investor redemptions when markets are volatile and/or have found it necessary to hold significant, and often inefficient, precautionary cash balances to meet potential redemptions. Asset sales forced by redemption requests have in some cases also acted as a drag on performance.

assumed, despite earnings being higher. We continue to forecast further increases in H222 and again in FY23, with the FY23e DPS representing a new high level.

Exhibit 10: Summary of forecast revisions

	Net property income (£m)			EPRA earnings (£m)			EPRA EPS (p)			EPRA NAV/share (p)			DPS declared (p)		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg	Old	New	% chg	Old	New	% chg
FY22e	33.9	35.1	3.4	20.4	21.5	5.5	3.7	3.9	5.5	103	108	5.2	3.50	3.45	(1.4)
FY23e	35.2	35.8	1.9	21.4	21.9	2.1	3.9	4.0	2.2	107	114	6.9	3.58	3.60	0.6

Source: Edison Investment Research

Our forecasts, shown in detail in Exhibit 15, are based on an unchanged portfolio (but include an impact from the late H122 industrial estate acquisition). The company continues to monitor potential accretive acquisition opportunities and with modest gearing and undrawn borrowing facilities is well placed to fund these, a potential uplift to our forecasts.

Forecast growth in gross rent roll is driven by reversionary capture in industrial and void reduction in offices, partly offset by rent pressure in retail, where for some properties, current rents are above market levels. At the group level we look for annualised rent roll to increase from £36.5m at end-FY21 to £38.2m (previously £37.7m) at end-FY22 and £40.5m (previously £39.3m) at end-FY23. We estimate this implies an increase in portfolio occupancy from 93% at H122 to 95% by end-FY23.

We forecast an increase in Q422 DPS from 0.85p per share to 0.9p per share and for this to be maintained throughout FY23. At 3.6p the aggregate FY23e DPS would be above the pre-pandemic level of 3.5p. We forecast FY23 dividend cover of c 1.1x.

For Picton and across the market, to varying degrees, each of the main sectors showed positive capital value movements in the six months to end-September 2021.[8] We forecast further growth in capital values for Picton, driven by increased occupancy and contracted rents. The H122 like-for-like gain in values was 7.4% and net of capex and acquisition costs the gain per share was c 8p. Our forecasts include like-for-like gains of 2.3% in H222 (a net 2.5p per share) and 5.1% in FY23 (5.6p).

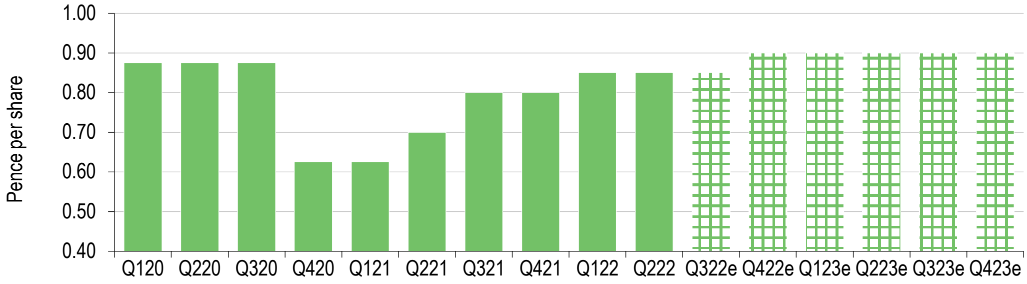
We estimate that each 1% increase/decrease in the total portfolio value is equivalent to an increase/decrease in EPRA NTA per share of c 1.5p.

Valuation and performance

Although total-return driven, Picton puts a strong focus on sustainable dividends, fully covered by earnings, at a level that provides the financial flexibility to pursue asset management initiatives. These are aimed at enhancing asset quality, occupancy, rental income and capital values, and medium-term value creation. Quarterly dividend payments were consistently maintained at the height of the pandemic and during lockdown, but at a reduced level. As uncertainty about rent collection eased, increased quarterly DPS payments were declared in Q221 and Q221 and increased again in Q122. The current annualised rate of 3.4p has almost returned to the pre-pandemic level of 3.5p. With 121% cover by EPRA earnings in H122 and improving prospects, we forecast further increases.

8 Based on the MSCI UK Monthly Property Index for the market.

Exhibit 11: Quarterly DPS per share



Source: Picton Property Income historical DPS declared, Edison Investment Research

Combining growth in EPRA NTA per share with DPS paid over the past five and a half years (to 30 September 2021/end-H122),[9] Picton has generated an aggregate NAV/EPRA NTA total return[10] of 59.4% or a compound annual average return of 8.8% (without assuming reinvestment of dividends paid). Our forecasts imply a total return of 8.1% in FY22 and 7.4% in FY23.

Exhibit 12: Accounting total return*

Year ending 31 March	FY17	FY18	FY19	FY20	FY21	H122	Cumulative FY17–H122
Opening EPRA NTA per share (p)	77	82	90	93	93	97	77
Closing EPRA NTA per share (p)	82	90	93	93	97	105	105
DPS paid (p)	3.30	3.40	3.50	3.50	2.75	1.65	18.1
EPRA NTA total return	10.2%	14.7%	6.4%	4.4%	6.6%	10.2%	59.4%
Compound annual total return							8.8%

Source: Picton Property Income data, Edison Investment Research. Note: *Change in EPRA NTA per share plus dividends paid but not reinvested.

The current quarterly run rate of DPS (3.4p) represents a 3.5% FY22e yield. While the current P/EPRA NTA per share (H122: 105p) of 0.94x shows a significant recovery from early 2020, as pandemic uncertainty was at a high, and is now in line with the five-year average of c 0.94x, it remains below the high of c 1.1x.

Exhibit 13: Share price/NAV history

Source: Company data, Refinitiv prices as at 17 November 2021

Exhibit 14 shows a summary performance and valuation comparison of Picton and what we consider to be its closest diversified income-oriented peers. Over 12 months, Picton's share price performance is ahead of the group average, which shows a wide spread of performances, and the

9 The strong performance in H122 lifted the annualised total return from 8.0% in the five complete years to end-FY21.

10 There is no difference currently between Picton's IFRS NAV and EPRA NTA.

broad UK property sector and UK equity market. Picton shares trade on a lower yield than the group average while its P/NTA is above average. The factors that support this valuation include the company's strong track record of property level performance, the future income and valuation growth potential embedded in its portfolio and its strong balance sheet with relatively modest gearing.

Exhibit 14: Peer valuation and price performance comparison

	Price (p)	Market cap (£m)	P/NAV (x)*	Trailing yield (%)**	Share price performance			
					1 month	3 months	12 months	From 12M high
AEW REIT	114	181	1.04	7.0	5%	10%	48%	0%
BMO Real Estate Investments	85	204	0.77	4.2	0%	14%	41%	-4%
BMO Commercial Property Trust	102	812	0.78	4.1	2%	2%	43%	-3%
Circle Property	212	61	0.77	3.1	3%	6%	23%	-8%
Custodian	94	396	0.89	5.3	-3%	-5%	6%	-12%
Ediston Property	80	168	0.89	5.7	4%	11%	22%	-1%
LondonMetric	275	2503	1.29	3.2	7%	7%	20%	-2%
McKay Securities	221	207	0.72	3.8	2%	-3%	5%	-10%
Palace Capital	262	121	0.72	4.5	8%	3%	27%	-7%
Regional REIT	91	392	0.92	6.9	4%	4%	10%	-3%
Schroder REIT	52	253	0.78	5.2	2%	1%	36%	-3%
Standard Life Investment Property	73	296	0.79	5.2	0%	-1%	23%	-5%
Average			**0.86**	**4.8**	**3%**	**4%**	**25%**	**-5%**
Picton	**99**	**540**	**0.94**	**3.3**	**-1%**	**4%**	**30%**	**-2%**
UK property sector index	1,958				5%	1%	25%	-1%
UK equity market index	4,147				1%	1%	16%	-2%

Source: Company data, Refinitiv prices as at 23 November 2021. Note: *Based on last reported EPRA NAV/NTA. **Based on trailing 12-month DPS declared.

Exhibit 15: Financial summary

Year end 31 March (£m)	2017	2018	2019	2020	2021	2022e	2023e
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Rents receivable, adjusted for lease incentives	40.6	41.4	40.9	37.8	36.6	39.2	40.2
Other income	7.4	1.4	1.1	1.2	1.5	0.3	0.3
Service charge income	6.5	5.9	5.7	6.7	5.3	5.5	5.6
Revenue from properties	54.4	48.8	47.7	45.7	43.3	45.0	46.1
Property operating costs	(3.5)	(2.6)	(2.3)	(2.3)	(2.4)	(2.5)	(2.7)
Property void costs	(2.0)	(1.8)	(1.4)	(3.0)	(2.2)	(1.9)	(2.0)
Recoverable service charge costs	(6.5)	(5.9)	(5.7)	(6.7)	(5.3)	(5.5)	(5.6)
Property expenses	(12.0)	(10.3)	(9.4)	(12.0)	(9.9)	(10.0)	(10.3)
Net property income	42.4	38.4	38.3	33.6	33.5	35.0	35.8
Administrative expenses	(5.2)	(5.6)	(5.8)	(5.6)	(5.4)	(5.6)	(6.0)
Operating Profit before revaluations	37.1	32.9	32.5	28.1	28.1	29.4	29.9
Revaluation of investment properties	15.1	38.9	10.9	(0.9)	12.9	56.7	30.3
Profit on disposals	1.8	2.6	0.4	3.5	0.9	0.0	0.0
Operating Profit	54.1	74.4	43.7	30.7	41.8	86.1	60.2
Net finance expense	(10.8)	(9.7)	(9.1)	(8.3)	(8.0)	(8.0)	(8.0)
Debt repayment fee	0.0	0.0	(3.2)				
Profit Before Tax	43.2	64.7	31.4	22.4	33.8	78.2	52.2
Taxation	(0.5)	(0.5)	(0.5)	0.1	0.0	0.0	0.0
Profit After Tax (IFRS)	42.8	64.2	31.0	22.5	33.8	78.2	52.2
Adjust for:							
Investment property valuation movement	(15.1)	(38.9)	(10.9)	0.9	(12.9)	(56.7)	(30.3)
Profit on disposal of investment properties	(1.8)	(2.6)	(0.4)	(3.5)	(0.9)	(0.0)	0.0
Exceptional income /expenses	(5.3)	0.0	3.2	0.0	0.0	0.0	0.0
Profit After Tax (EPRA)	20.6	22.6	22.9	19.9	20.1	21.5	21.9
Fully diluted average Number of Shares Outstanding (m)	540.1	539.7	541.0	546.2	546.8	546.8	546.3
EPS (p)	7.92	11.89	5.75	4.14	6.20	14.33	9.58
EPRA EPS (p)	3.81	4.19	4.25	3.66	3.68	3.94	4.01
Dividend declared per share (p)	3.33	3.43	3.50	3.25	2.93	3.45	3.60
Dividends paid per share (p)	3.300	3.400	3.500	3.500	2.750	3.350	3.600
Dividend cover (x) EPRA EPS/DPS declared	115%	122%	121%	113%	126%	114%	111%
Dividend cover (x) - paid dividends	115%	122%	121%	105%	134%	117%	111%
EPRA cost ratio including direct vacancy costs)	26.1%	23.7%	22.9%	28.3%	26.9%	25.3%	26.0%
BALANCE SHEET							
Fixed Assets	615.2	670.7	676.1	654.5	669.5	747.1	785.0
Investment properties	615.2	670.7	676.1	654.5	665.4	742.6	780.5
Other non-current assets	0.0	0.0	0.0	0.0	4.1	4.5	4.5
Current Assets	49.4	50.6	39.5	41.2	42.9	39.7	35.5
Debtors	15.5	19.1	14.3	17.6	19.6	19.0	18.0
Cash	33.9	31.5	25.2	23.6	23.4	20.7	17.5
Current Liabilities	(20.6)	(22.3)	(23.3)	(20.4)	(19.9)	(20.0)	(20.0)
Creditors/Deferred income	(20.1)	(21.6)	(22.5)	(19.5)	(18.9)	(19.1)	(19.1)
Short term borrowings	(0.6)	(0.7)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)
Long Term Liabilities	(202.1)	(211.7)	(192.8)	(166.0)	(164.4)	(178.1)	(178.5)
Long term borrowings	(200.3)	(210.0)	(191.1)	(164.2)	(162.7)	(176.4)	(176.8)
Other long term liabilities	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Net Assets	441.9	487.4	499.4	509.3	528.2	588.7	622.0
NAV/share (p)	82	90	93	93	97	108	114
Fully diluted EPRA NTA/share (p)	82	90	93	93	97	108	114
CASH FLOW							
Operating Cash Flow	36.3	35.1	34.8	21.4	26.0	30.9	31.6
Net Interest	(9.2)	(9.1)	(8.6)	(7.9)	(7.5)	(7.5)	(7.6)
Tax	(0.2)	(0.3)	(0.8)	0.1	0.1	0.0	0.0
Net cash from investing activities	48.7	(17.8)	10.3	25.0	(1.3)	(20.5)	(7.5)
Ordinary dividends paid	(18.0)	(18.5)	(18.9)	(19.0)	(15.0)	(18.3)	(19.6)
Debt drawn/(repaid)	(46.5)	9.2	(22.6)	(27.2)	(1.8)	13.3	0.0
Net proceeds from shares issued/repurchased	0.0	(0.9)	(0.4)	6.1	(0.6)	(0.5)	0.0
Other cash flow from financing activities							
Net Cash Flow	11.1	(2.4)	(6.3)	(1.6)	(0.2)	(2.6)	(3.2)
Opening cash	22.8	33.9	31.5	25.2	23.6	23.4	20.7
Closing cash	33.9	31.5	25.2	23.6	23.4	20.7	17.5
Debt as per balance sheet	(200.9)	(210.7)	(192.0)	(165.1)	(163.7)	(177.4)	(177.7)
Un-amortised loan arrangement fees	(3.7)	(3.4)	(2.7)	(2.3)	(2.6)	(2.2)	(1.8)
Closing net (debt)/cash	(170.8)	(182.5)	(169.5)	(143.9)	(142.8)	(158.8)	(162.1)
Net LTV	27.3%	26.7%	24.7%	21.7%	20.9%	21.0%	20.4%

Source: Picton Property Income historical data, Edison Investment Research forecasts

Frankfurt +49 (0)69 78 8076 960	London +44 (0)20 3077 5700	New York +1 646 653 7026	Sydney +61 (0)2 8249 8342
Schumannstrasse 34b	280 High Holborn	1185 Avenue of the Americas	Level 4, Office 1205
60325 Frankfurt	London, WC1V 7EE	3rd Floor, New York, NY 10036	95 Pitt Street, Sydney
Germany	United Kingdom	United States of America	NSW 2000, Australia