PICTON

Interim Results to September 2020

November 2020

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PICTON

Introduction

Who we are

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

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

September 2020 Interim Results

- **Profit of £3.7m over the period**
- **Outperforming property portfolio**
- **Positive rent collection performance**
- **Increased dividend**

Long-term track record of outperformance

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

£662 million

commercial property portfolio

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

3.9%

Dividend yield*

* Effective Nov dividend & price at 10 Nov 2020

93p

Sept 2020 NAV per share

(March 2020: 93p)

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

Awards

CITYWIRE WINNER INVESTMENT TRUST 2019 UK PROPERTY PICTON PROPERTY INCOME

INVESTMENT WEEK INVESTMENT COMPANY OF THE YEAR AWARDS 2018 WINNER PROPERTY

moneywise Investment Trust awards 2018 WINNER

Money Observer Trust Awards 2018 Best Property Trust Picton Property Income

EPRA BPR GOLD

MSCI MSCI Real Estate Data Quality Awards Winner 2019

Where we invest

Diversified portfolio with industrial and office bias

Our portfolio currently consists of approximately

4.2 million sq ft

across 47 assets in the industrial, office, retail and leisure sectors

Close to

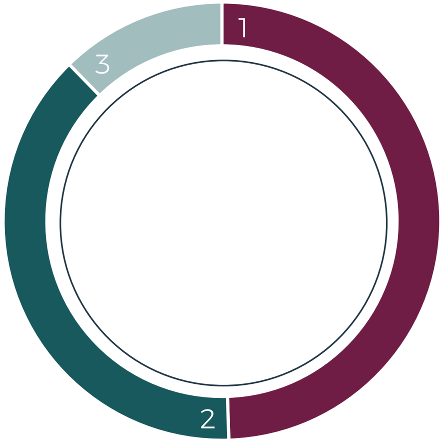
90%

in industrial and office markets

Portfolio

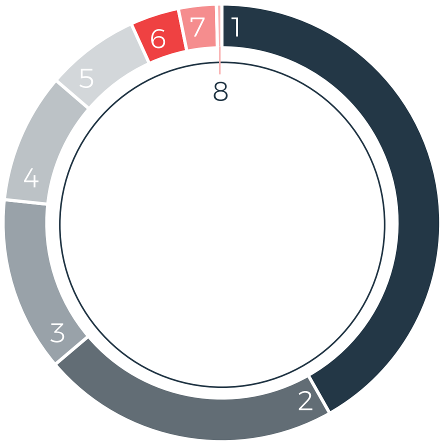
42%	22%	36%
in South East	**in London**	**in regions**

Sector %



1.	Industrial	49.5%
2.	Office	38.2%
3.	Retail & Leisure	12.3%

Geography %



1.	South East	41.8%	5.	South West	6.9%
2.	London	22.0%	6.	Scotland	3.6%
3.	North	12.9%	7.	Wales	2.8%
4.	Midlands	9.6%	8.	Northern Ireland	0.4%

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Portfolio summary

Significant reversionary upside underpins income biased strategy

Actively managed portfolio with diverse income from around

350

occupiers

Top 10 occupiers represent

27%

of income

No occupier

> 5%

of rent roll

Focus on occupiers and working with them to meet needs

	Sept 2020	March 2020
Portfolio valuation	£662 million	£665 million
Number of properties	47	47
Average lot size	£14.1 million	£14.1 million
Net initial yield	5.0%	4.9%
Net reversionary yield	6.5%	6.4%
Annualised rental income	£36.8 million	£36.2 million
Annualised reversionary income	£45.3 million	£45.2 million
Occupancy as a % of ERV	90%	89%
Weighted average unexpired lease term	5.2 years	5.5 years

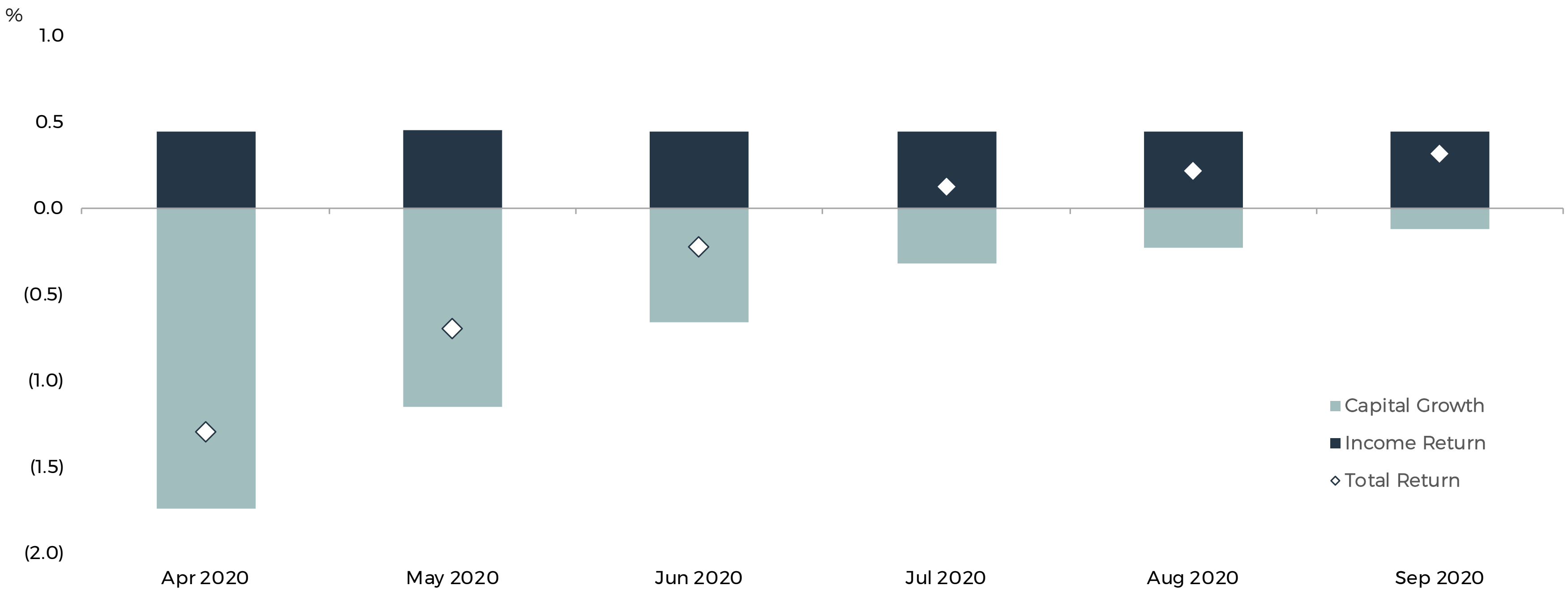
Market update

Overview

Property market returning to new normal

- Material uncertainty clauses removed in most instances
- Valuation declines reducing month-on-month
- Liquidity in investment markets reduced but improving
- Open-ended property funds starting to reopen

MSCI All Property Returns



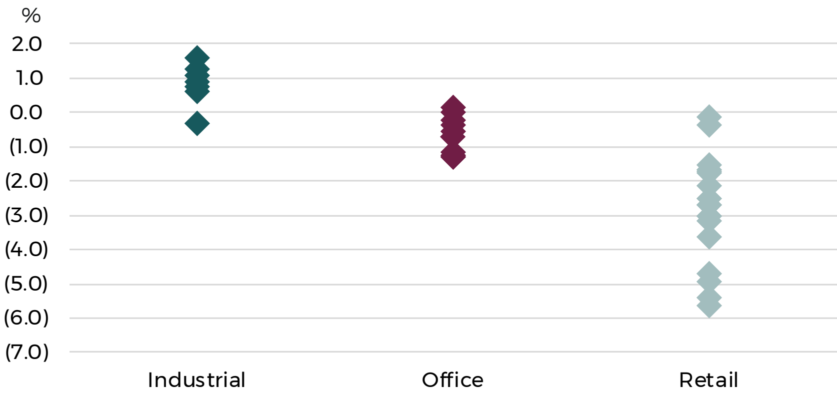
* Source: MSCI UK Monthly Property Index

Market breakdown

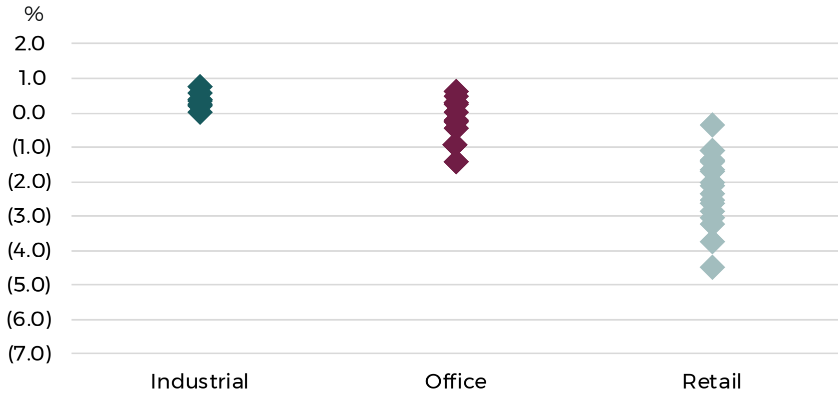
Polarisation across sectors

Capital movements six months to September:	**All property** -4.2%	Industrial -0.7%	Office -3.2%	Retail -9.1%

Capital Growth – MSCI Segments – three months to September



Rental Growth – MSCI Segments – three months to September



Industrial

Highest: London Industrial +1.6%
Lowest: Industrial South West -0.3%

Office

Highest: Offices Outer South East +0.1%
Lowest: Offices Scotland -1.3%

Retail

Highest: Standard Retail North West -0.1%
Lowest: Standard Retail – Yorkshire & Humberside -5.7%

Industrial

Highest: Industrial Inner South East +0.7%
Lowest: Industrial Eastern +0.0%

Office

Highest: Offices Eastern +0.6%
Lowest: Offices Rest of London -1.5%

Retail

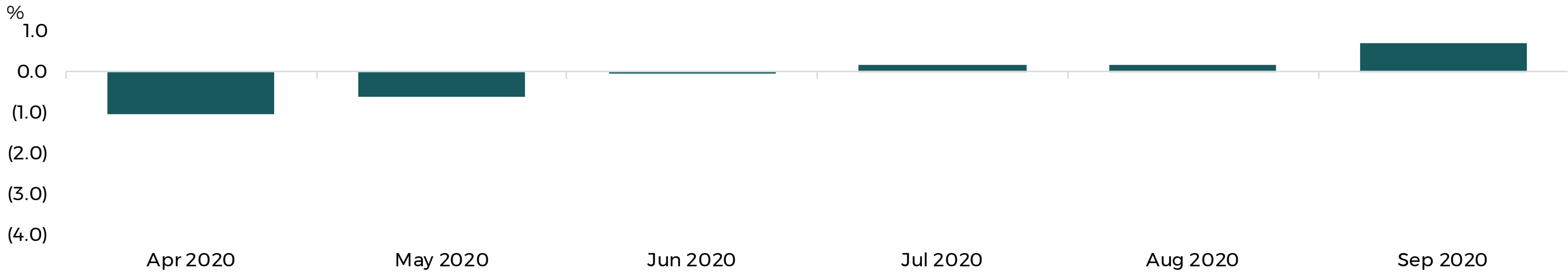
Highest: Retail Warehouses London -0.3%
Lowest: Standard Retail – Inner South East -4.5%

Industrial market

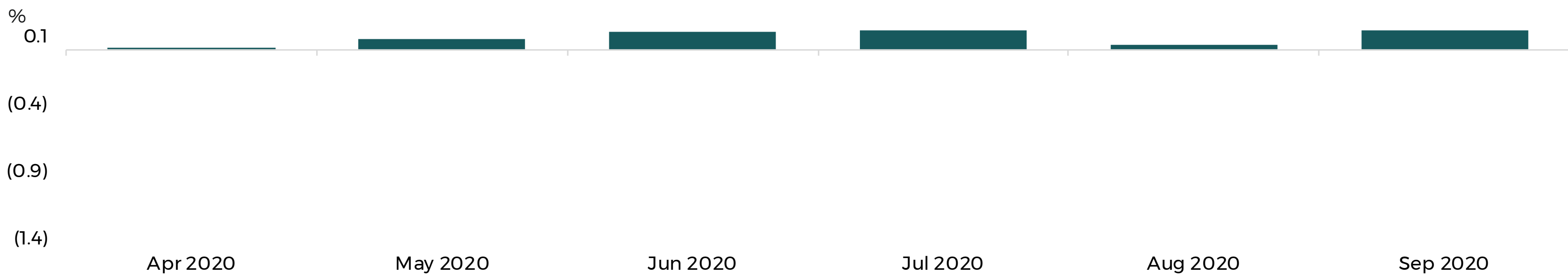
Positive capital growth since July

- Social distancing less problematic
- Demand generally good but occupiers requiring flexibility
- Short-term requirements driven by rise in online sales, demand for larger units
- Some occupiers impacted by retail and leisure supply chain
- Rents stable or growing

MSCI Capital Growth



MSCI Rental Value Growth



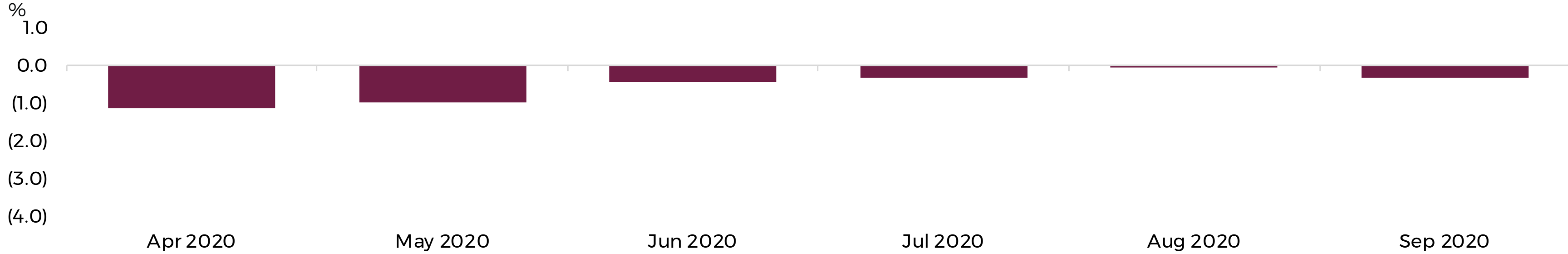
* Source: MSCI UK Monthly Property Index

Office market

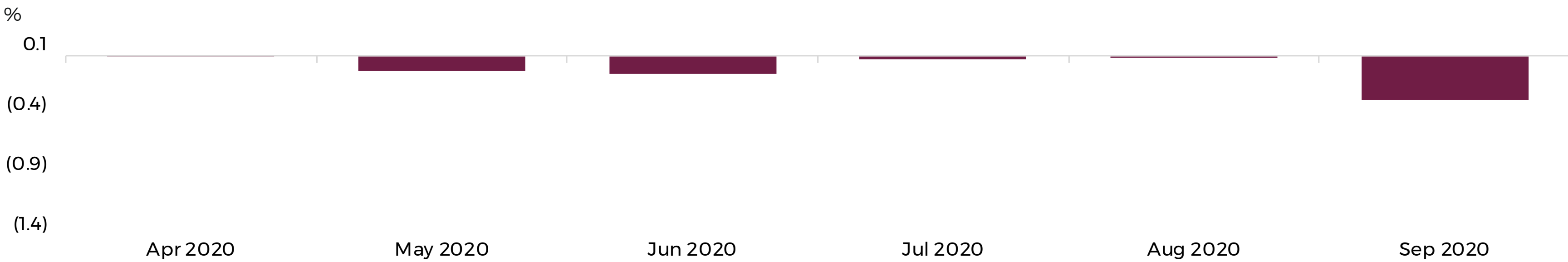
Offices - still needed but upsizing unlikely

- Many office occupiers have adapted their business models to include working from home
- Generally running at 20% to 40% capacity but keeping businesses operational
- Easiest in non-urban locations with good car parking; London undoubtedly impacted more than other parts of UK
- Limited demand currently; flexibility key whilst wider outlook so uncertain, likely to impact rental values short term
- Many employees miss the interaction of the office - the ability to on-board, collaborate, socialise and progress career is harder in a virtual world
- Demand still for quality space, second lockdown unhelpful

MSCI Capital Growth



MSCI Rental Value Growth



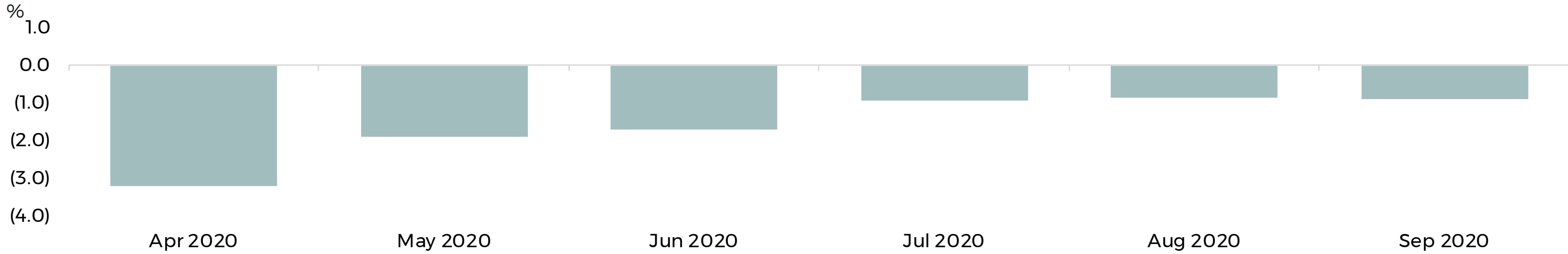
* Source: MSCI UK Monthly Property Index

Retail and Leisure market

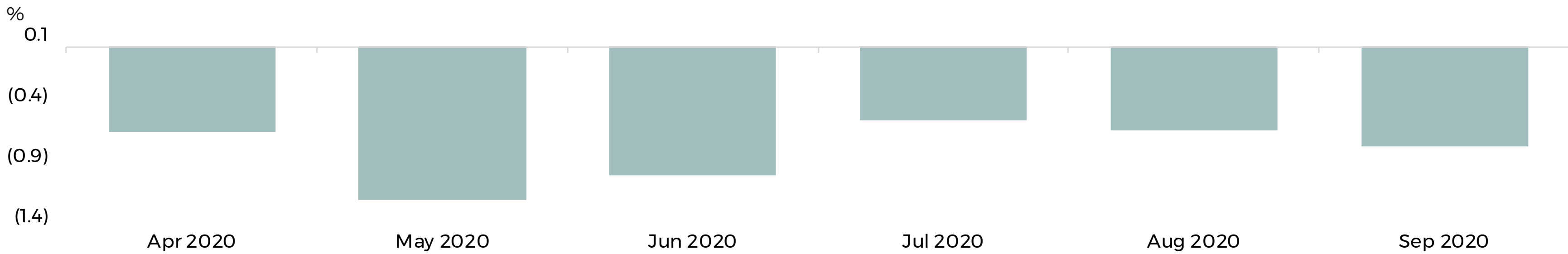
Further lockdown accelerates online trend but convenience and locality important

- Sector hugely disrupted initially with online taking greater market share
- Retail parks fairing better than High Streets
- Community retailing less impacted and with some work from home footfall benefits
- Second lockdown bad for Christmas trade
- More store closures expected which will impact supply
- Alternative uses increasingly being sought – Change in planning regulations – Class E helpful

MSCI Capital Growth



MSCI Rental Value Growth



* Source: MSCI UK Monthly Property Index

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Financial summary

Profit generated in challenging market

- EPRA earnings of £10.1 million
- Profit of £3.7 million
- Earnings per share of 0.7p
- Total return of 0.7%
- Dividend cover of 148%

93p

EPRA NAV per share

(Sept 2019: **94p**)
(Sept 2018: **92p**)

1.8p

EPRA earnings per share

(Sept 2019: **1.9p**)
(Sept 2018: **2.2p**)

1.25p

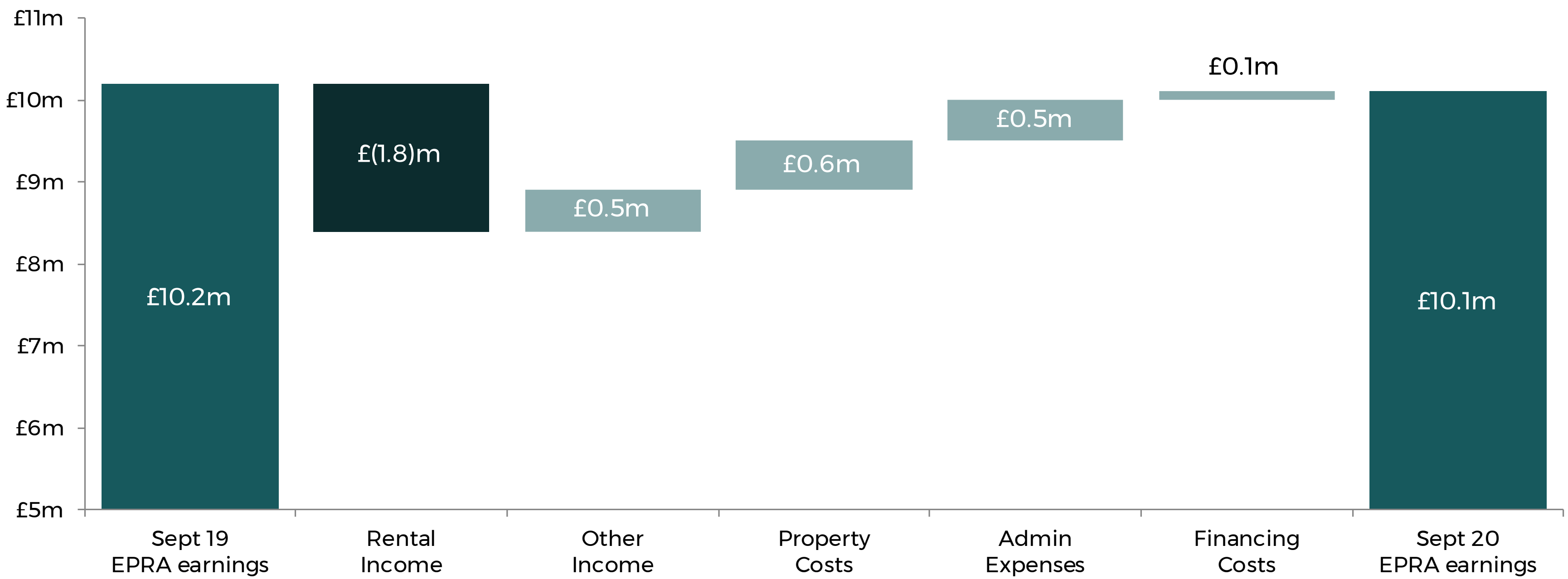
Dividends paid per share

(Sept 2019: **1.75p**)
(Sept 2018: **1.75p**)

Income statement

Lower rent offset by one-off income and reduced costs

- EPRA earnings of £10.1 million, consistent with prior year
- Rental income impacted by asset disposals and provision of £1.4 million against outstanding debtors
- Other income generated from active asset management
- Lower property costs, reflecting activity over the period
- Reduced administrative expenses
- Financing cost saving following debt repayments in prior year

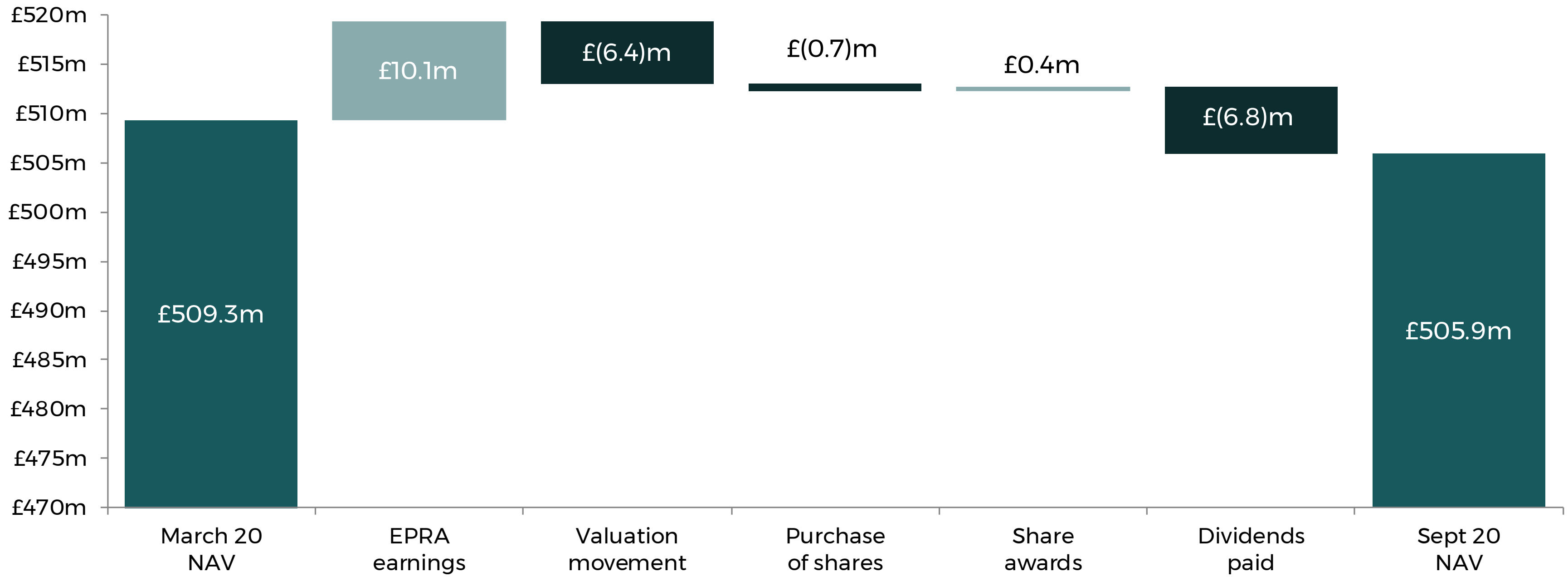


* Income statement on page 31

Balance sheet

Stable balance sheet and covered dividend

- Small reduction in net assets to £506 million
- NAV per share maintained at 93p
- Like-for-like valuation decrease of (0.5)%, with a valuation movement of £(6.4) million after capital expenditure
- £0.7 million of shares purchased by Employee Benefit Trust
- Dividends paid of £6.8 million, at reduced rate of 2.5p per share



* Balance sheet on page 32

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Capital structure

Continued low gearing with operational flexibility

- Loan to value ratio maintained*
- Entered crisis in strong position having reduced debt
- Covenant compliant and significant headroom
- New £50 million revolving credit facility completed in period
- Low rate of interest of 1.5% currently available on new facility

22.4%

Loan to value

(Sept 2019: **24.5%**)
(Sept 2018: **25.5%**)

£167m

Debt outstanding

(Sept 2019: **£187m**)
(Sept 2018: **£194m**)

9.4yrs

Debt maturity

(2027 maturity: **£80m**)
(2032 maturity: **£67m**)

* Please refer to Borrowings summary on page 30

Rent collection

Strong collection rate

- Collected 90% of rent for both March and June quarters
- Will increase further on receipt of deferred payments
- September collection rate currently 93% including agreed monthly payment plans
- Only 1% of rent concessions agreed to date
- Provisions of £2.2 million made against these three quarters
- Continue to work with occupiers to recover outstanding sums

	Sept 2020	June 2020	March 2020
Collected	86%	90%	90%
Moved to monthly	7%	-	-
Deferred	-	3%	6%
Concessions agreed	1%	1%	1%
Outstanding	6%	6%	3%

Portfolio highlights

Operational performance

Outperforming property portfolio

1.5%
Total property return

VS

-1.6%
MSCI UK Quarterly Property Index

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

-0.5%
Like-for-like valuation decrease

1.7%
Like-for-like increase in passing rent

0.2%
Like-for-like estimated rental value increase

90%
Occupancy increased

Operational performance

Significant asset management activity

- 40 asset management transactions completed including:
  - Nine lettings completed, securing £1.2 million per annum, 2.8% ahead of March 2020 ERV
  - 16 lease renewals / regears completed, retaining £2.3 million per annum, 14.3% above March 2020 ERV
  - Five rent reviews completed, securing an uplift of £0.3 million per annum, 16.3% above March 2020 ERV
- Additional income of £1.3 million secured through active management
- Reduced retail exposure
- £2.5 million invested into refurbishment projects
- Only £0.1 million pa lost through occupiers vacating

Our business model in action

Office

Stanford Building
London, WC2

- Refurbishment practically complete
- Application made to convert 1st floor from retail to office
- 2nd floor let post period end for £0. 3 million, 3% ahead of ERV
- Interest in the retail unit and remaining office floors

Industrial

Swiftbox
Rugby

- Let to UPS within six months of refurbishment completing
- Short-term 12-month lease with option to extend up to six months
- Immediately generates £0.6 million, 4% ahead of ERV

Retail and Leisure

Bridge Street
Peterborough

- Exchanged contracts to sell part vacant asset
- Sale price £4 million, 30% ahead of March valuation
- Disposal to Council follows planning application for change of use

Occupier focused, Opportunity led.

Vacancy breakdown

Total void ERV of £4.4 million with top five accounting for over 70%*

£1.6m

Stanford Building, London, WC2

Building refurbishment practically complete. Landmark retail unit and Grade A offices with concierge and amenities. One office floor let post period end.

£0.6m

Angel Gate, London, EC1

Refurbished office village with car parking and Cat A+ space available.

£0.3m

Tower Wharf, Bristol

Grade A office, available in two suites, one of which is being refurbished. The other suite is under offer.

£0.3m

50 Pembroke Court, Chatham

Refurbished ground floor office, 25% let to the Government post period end at £0.1 million p.a. Remaining space under offer.

£0.3m

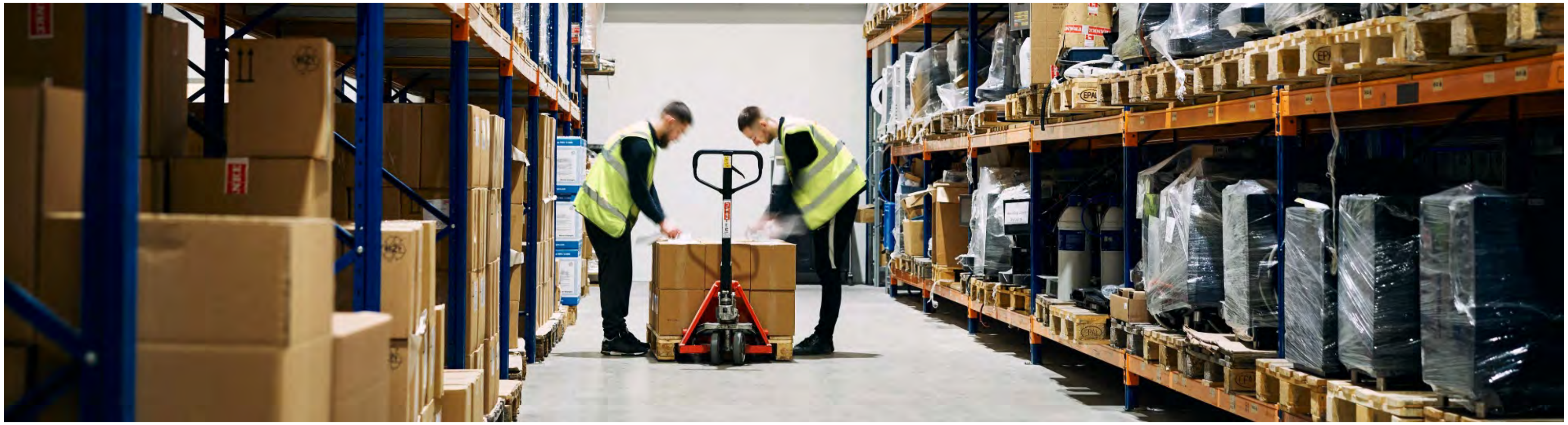
Longcross Court, Cardiff

Refurbishment worked up and to be instructed post lockdown.

* £0.4 million pa of lettings post period end

Summary

Outlook



Positive portfolio progress

Capital value declines moderating, already positive in industrial

Investment markets returning and uncertainty clauses removed from valuations

Occupational interest returning

- Almost 90% of portfolio invested in industrial and office sectors
- Considerable income upside with occupancy at 90%
- Rent collection above 90% for March, June and September & to increase further over time

- Low LTV with significant flexibility and £50 million undrawn facility
- Actively looking for acquisition opportunities / properties where vendor distress
- Strong dividend cover enabled increase

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

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

2/

River Way Industrial Estate Harlow, Essex

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

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

3/

Angel Gate, City Road London EC1

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

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

4/

Stanford Building, Long Acre, London WC2

- Lot size band – between £30m-£40m
- Size (sq ft.) 19,700

- Prime Covent Garden asset
- Grade II listed
- Comprehensive refurbishment practically complete

5/

Tower Wharf, Cheese Lane, Bristol

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

- Multi-let Grade A office
- BREEAM excellent rated
- Reception refurbishment recently completed
- 12,000 sq ft to lease, part under offer

Top 10 assets

6/

50 Farringdon Road London EC1

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

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

7/

Shipton Way, Express Park, Rushden, Northants

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

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

8/

Datapoint Business Park, London E16

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

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

9/

Lyon Business Park, Barking

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

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

10/

Colchester Business Park, Colchester

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

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

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Borrowings summary

Long-term fixed rate debt and undrawn revolving credit facility

	Canada Life	Aviva	NatWest
Amount drawn	£80.0 million	£86.8 million	£0.0 million
Undrawn	Fully drawn	Fully drawn	£50.0 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	4.08%	4.38%	3 month libor + 1.5% (currently 1.5%)
Commitment fee	–	–	0.6%
Maturity	2027	2032	2023 (ability to extend a further 2 years)
Covenant LTV	65%	65%	55%
Covenant ICR	1.75x	N/A	2.5x
Covenant DSCR	N/A	1.4x	N/A
Repayment	Full balance due in 2027	£67 million repayable on maturity. Remainder repayable through annual amortisation	Ability to redraw and repay over term

Consolidated statement of comprehensive income

Income profit maintained

	Sept 2020 (£ million)	Sept 2019 (£ million)
Rental income	17.6	19.4
Other Income	1.3	0.8
Property expenses	(2.4)	(3.0)
Administrative expenses	(2.3)	(2.9)
Finance costs	(4.1)	(4.2)
Tax	-	0.1
INCOME PROFIT AFTER TAX	**10.1**	**10.2**
Unrealised movement on property assets	(6.4)	4.3
PROFIT BEFORE DIVIDENDS	**3.7**	**14.5**
Dividends paid	6.8	9.5
Dividends paid per share (pence)	1.25	1.75

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Consolidated balance sheet

Net Asset Value maintained during uncertain period

	Sept 2020 (£ million)	March 2020 (£ million)
Property assets	646.7	654.5
Cash	18.9	23.6
Other assets	24.5	17.6
TOTAL ASSETS	690.1	695.7
Borrowings	(164.1)	(165.1)
Other liabilities	(20.1)	(21.3)
NET ASSETS	505.9	509.3
Net asset value per share (pence)	93	93

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