



# Annual Results 2020/21

May 2021



## Overview

Picton at a glance	4
Business overview	5
Our strategy	6
A year dominated by Covid-19	7

## Market update

UK commercial property market	9
Industrial market	10
Office market	11
Retail and Leisure market	12

## Annual Results

Financial summary	14
Income statement	15
Balance sheet	16
Capital structure	17

## Portfolio highlights

Operational performance	19
Our business model in action	21
Vacancy breakdown	22
Responsible stewardship	23

## Outlook & focus

Outlook & focus	25
-----------------	----

## Appendices

Management team	27
Top 10 assets	28
Borrowings summary	30
Consolidated income statement	31
Consolidated balance sheet	32
Disclaimer	33

# Overview

# Picton at a glance

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

**£682 million**

**commercial property portfolio**

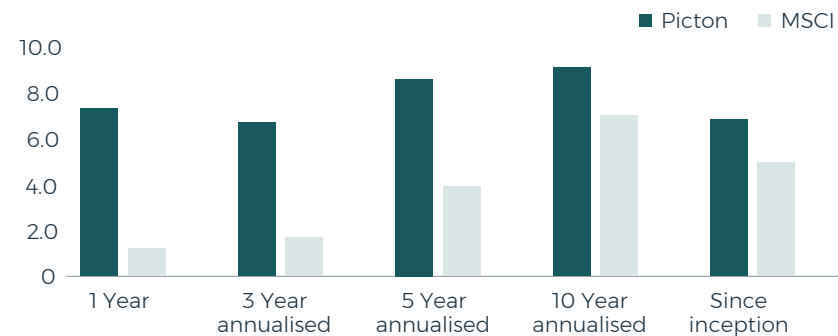
## Our purpose

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).

## Annualised total property return (%)



## For year ended March 2021

- Resilient financial performance
- Outperforming property portfolio
- Improving occupancy through asset management
- Supporting our stakeholders

## Corporate summary

**£528m**

Net assets

**3.7%**

Dividend yield

**£468m**

Market capitalisation

**1.0%**

Cost ratio

**£166m**

Borrowings

**21%**

Loan to value

## Portfolio summary

**£682m**

Value

**4.8%**

Net initial yield

**46**

Number of assets

**6.3%**

Reversionary yield

**350**

Number of occupiers

**91%**

Occupancy



**Industrial weighting**

**53%**

South East **40%**

Rest of UK **13%**



**Office weighting**

**36%**

South East **16%**

Rest of UK **11%**

City and West End **9%**



**Retail and Leisure weighting**

**11%**

Retail Warehouse **7%**

High Street Rest of UK **3%**

Leisure **1%**

In order to deliver on our purpose, we have in place three strategic pillars including a range of priorities which guide the direction of the business:

## Portfolio Performance



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

---

- 2** Growing occupancy and income profile

---

- 3** Enhancing asset quality, providing space that exceeds occupier expectations

---

- 4** Outperforming the MSCI UK Quarterly Property Index

## Operational Excellence



- 1** Maintaining an efficient operating platform, utilising technology as appropriate

---

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

---

- 3** Delivering earnings growth

---

- 4** Having an appropriate capital structure for the market cycle

---

- 5** Growing to deliver economies of scale

## Acting Responsibly



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

---

- 2** Working closely with our occupiers, shareholders and other stakeholders

---

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

# A year dominated by Covid-19

Lockdown restrictions impacted businesses differently

Buildings not properly utilised based on Government restrictions

Businesses focused on short-term, new premises not prioritised during lockdown

## What has this meant for Picton

**92%**

Rent collected over the year, with a further 1% deferred

**£1.6m**

written off during year

**£0.2m**

increase provision at year-end

**£0.6m**

of rent deposits used

**Our occupier focused approach means we have built long-standing relationships with our occupiers enabling us to have conversations and provide support where needed**

## Supported over 90 occupiers

- Monthly payments
- Deferred payments
- 28 concessions led to improvements in income over the long-term - eg rent review / lease extension
- 54 straight concessions - primarily with retail and leisure led occupiers

**Quarterly rent collection for March 2021 of 94%, including monthly payments**

# Market update



## All Property monthly total returns positive since July 2020

- Despite challenges UK real estate remarkably resilient
- Lower return environment, with income component supportive in most instances
- Positive capital growth even in recent lockdown
- Retail and Leisure hit hardest

## Income & Capital Growth (%)



## Sector Indexed Capital Growth (%)

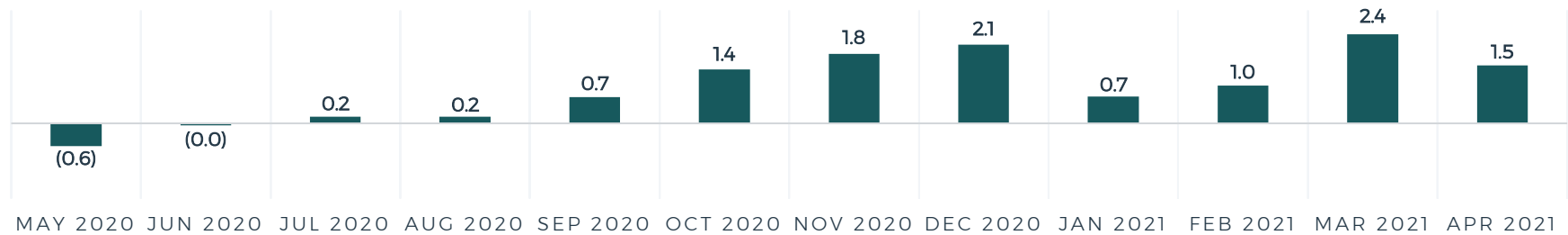


# Industrial market

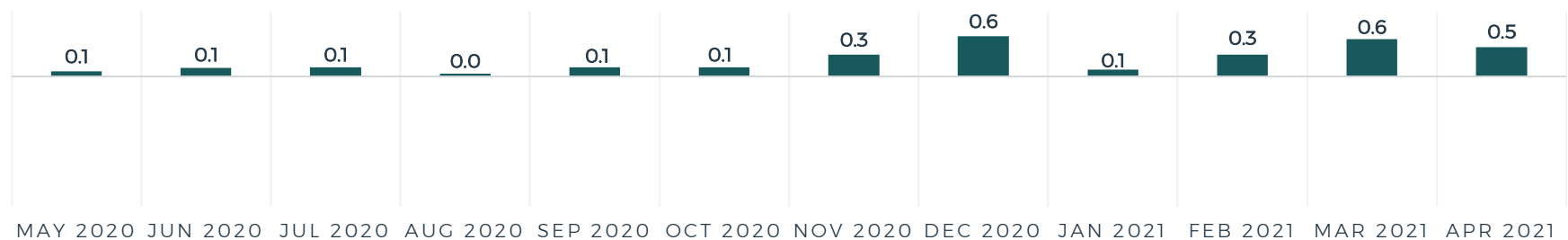
## Demand throughout pandemic, especially online led enquiries

- An element of business as usual in this sector
- Rents continue to grow against a backdrop of constrained supply
- Investor demand continues with step change in pricing in last six months

## MSCI Capital Growth (%)



## MSCI Rental Value Growth (%)

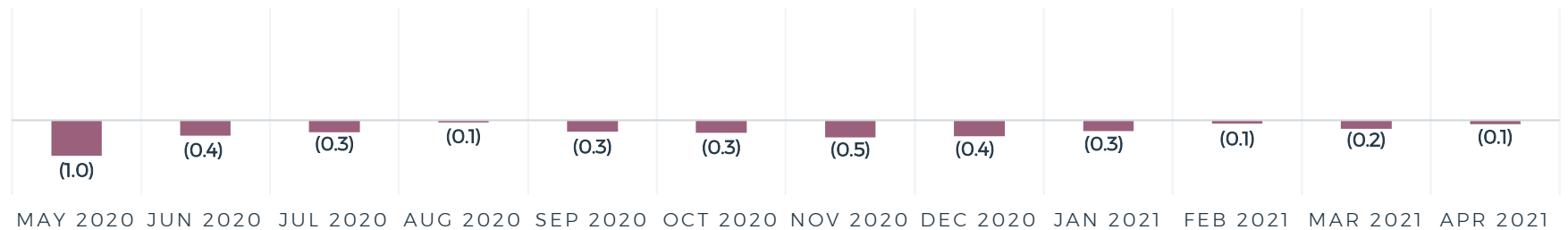


# Office market

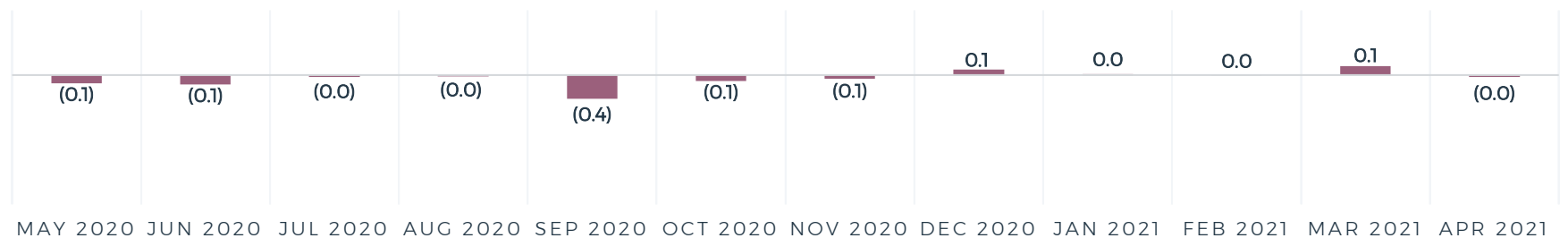
## Unlikely to use offices as we did in 2019

- Government advice to work from home has led to a prolonged change in working practices
- Office demand has been muted and consequently rents have drifted lower over the year
- Capital values also impacted, prompted by concerns over future downsizing
- Flight to quality likely to occur as businesses focus on quality as well as quantity of space
- May take some time for businesses to work out what they need in a new hybrid model

## MSCI Capital Growth (%)



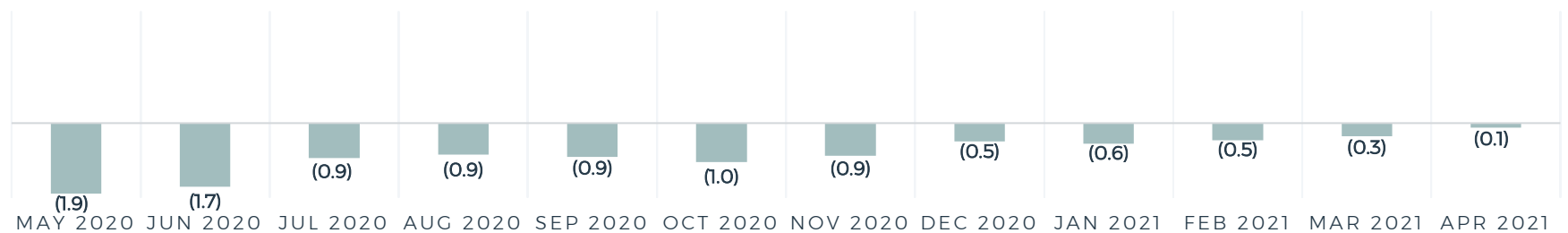
## MSCI Rental Value Growth (%)



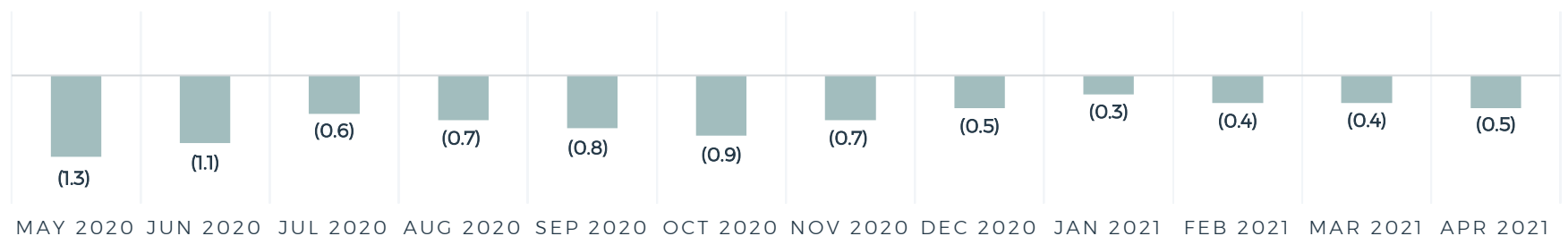
## Annus horribilis for the sector

- Lockdown restrictions accelerate online trend
- Significant supply with retail failures – everywhere
- Rents still falling and investor demand muted
- Rental payments better with essential retailers – supermarkets unaffected
- Retail warehousing values appear to have stabilised

## MSCI Capital Growth (%)



## MSCI Rental Value Growth (%)



# Annual Results

## Resilient financial performance

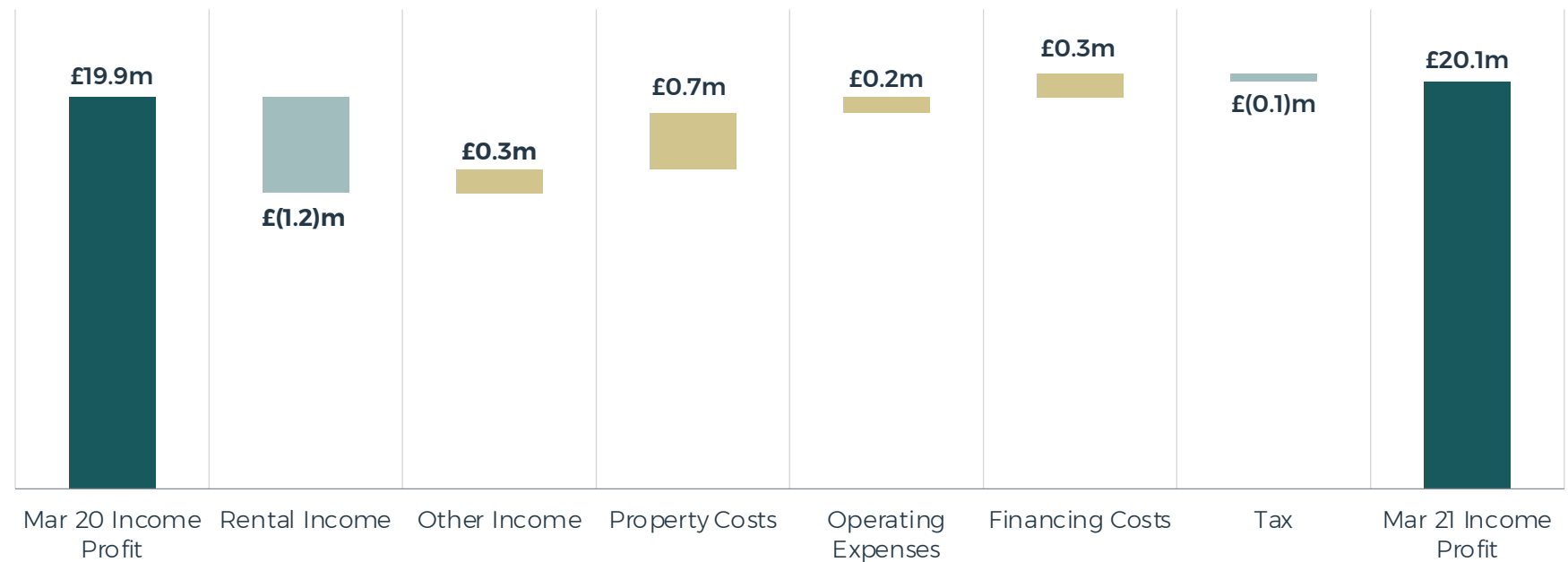
- Profit after tax of £33.8 million, an increase of over 50% on the prior year
- Net assets of £528 million, or 97p per share, an increase of 3.7%
- Total return of 6.6%
- Earnings per share of 6.2p
- Total dividends paid of £15.0 million, with dividend cover of 134%



# Income statement

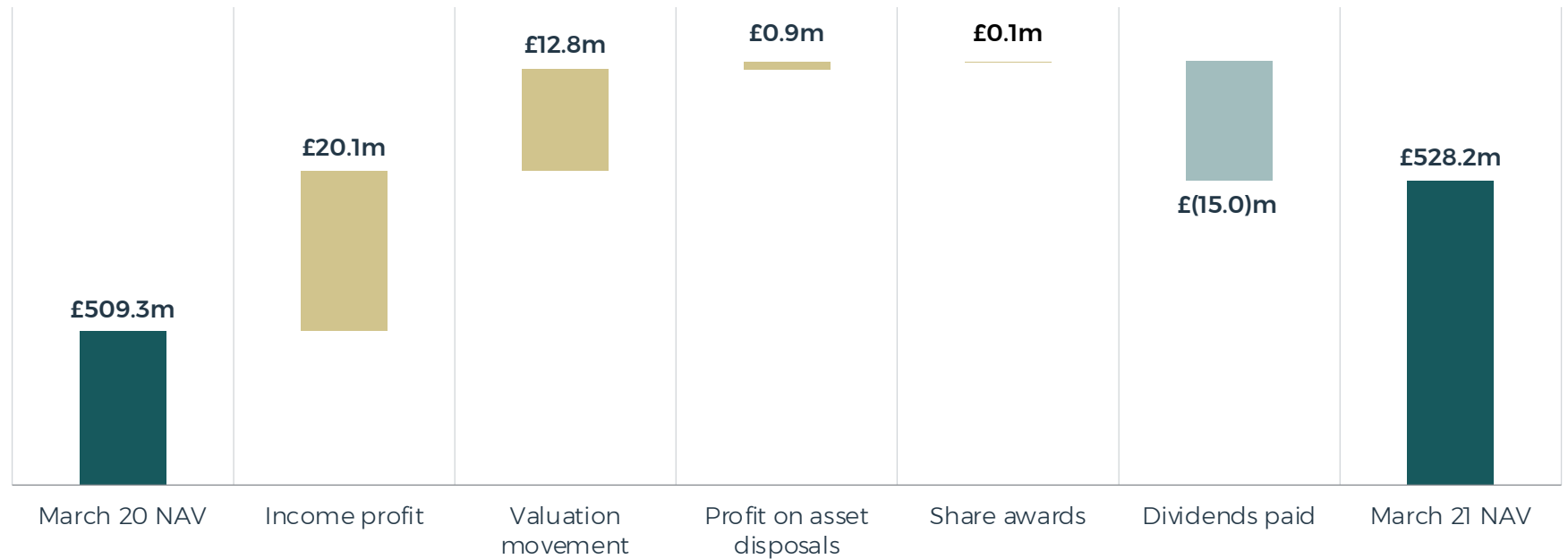
## Lower costs offset against reduction to income

- EPRA earnings of £20.1 million
- Rental income impacted by asset disposals and concessions granted during pandemic
- Property costs reduced, reflecting higher occupancy levels over the year
- Financing costs reduced following debt repayments last financial year



## NAV growth driven by valuation gains in industrial assets

- Increased net assets to £528 million
- Like-for-like valuation increase of 3.2%
- One retail asset disposal for £4 million, 30% ahead of March 20 valuation
- Dividends paid of £15 million, maintaining a covered dividend





## Prudent LTV and operational flexibility

- Further reduction in loan to value ratio to 21%
- Refinancing completed of £50 million revolving credit facility, currently undrawn, at floating rate of 1.6%
- Drawn borrowings at blended fixed rate of 4.2%

# 21%

### Loan to value

(2020: **22%**)  
(2019: **25%**)

# £166m

### Debt outstanding

(2020: **£168m**)  
(2019: **£195m**)

# 8.9yrs

### Debt maturity\*

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

\* Ignoring annual amortisation. Please refer to Borrowings Summary on P30.

# Portfolio highlights



## Outperforming property portfolio

**7.3%** — VS — **1.2%**  
 Total property return      MSCI UK Quarterly Property Index

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

**3.2%**  
**Like-for-like valuation increase**

**1.9%**  
**Like-for-like increase in passing rent**

**1.1%**  
**Like-for-like estimated rental value increase**

**91%**  
**Occupancy increased by 2% over the year**

## Significant asset management activity

**90** asset management transactions completed including:

- **17 rent reviews** completed, securing £0.7 million per annum of additional income, 7% ahead of March 2020 ERV
- **30 lease renewals or regears** completed, securing £3.5 million per annum, 10% ahead of March 2020 ERV
- **25 lettings or agreements to lease** completed, securing £2.4 million per annum, 3% ahead of March 2020 ERV

One asset disposal for

**£4.0m**

30% ahead of March 2020 valuation

**£5m**

invested into refurbishment projects

**88%**

occupier retention



## Office

### Stanford Building London

- Refurbishment completed
- First floor converted from ancillary retail to office, which Picton has occupied
- Second floor letting completed
- All remaining offices and residential flat under offer
- Vacant flagship retail unit; expect increased occupational interest later in the year



## Industrial

### Parkbury Industrial Estate Radlett

- Two rent reviews settled securing 25% uplift in rent
- Existing occupier's lease extended by five years to 2031 securing £0.3 million per annum
- Lease renewed securing 35% uplift in rent
- Estate fully let



## Retail and Leisure

### Parc Tawe North Retail Park Swansea

- Refurbished and updated in 2020
- Two occupiers became subject to insolvency; we re-let these units to JD Gyms and Deichmann
- One vacant unit under offer via Agreement for Lease to the Government



# Vacancy breakdown

Top five voids account for over 70% of total void

<h2>£1.0m</h2>	<h2>£0.8m</h2>	<h2>£0.4m</h2>	<h2>£0.4m</h2>	<h2>£0.3m</h2>
<p><b>Stanford Building Covent Garden</b></p>	<p><b>Angel Gate London</b></p>	<p><b>Regency Wharf Birmingham</b></p>	<p><b>Tower Wharf Bristol</b></p>	<p><b>Longcross Cardiff</b></p>
<p>Refurbishment completed. Office space increased / retail reduced. All office space let or under offer.</p>	<p>Refurbished office village with car parking and Cat A+ space available. Space has come back over the year.</p>	<p>Restaurant scheme located adjacent to the iconic Gas Street Basin. Vacant space being converted to office use.</p>	<p>Grade A office, available in two small suites which have recently been refurbished. Let one suite during the year but another became vacant.</p>	<p>Refurbishment onsite to include occupier amenity space and showers. Due to complete end of summer.</p>



## Focusing on the environment

- 2016 GHG emissions reductions targets met / exceeded
- Improved scoring in annual GRESB survey
- Pathway to net zero carbon to be in place by March 2022

## Ensuring buildings exceed expectations

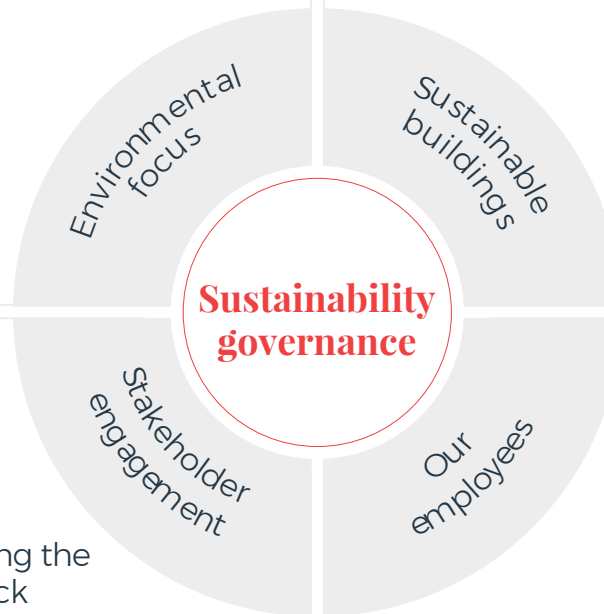
- Improved 20 EPC ratings
- Created a new Health and Safety committee and provided Covid-19 compliant guidance for office re-occupation

## Working with our stakeholders

- Provided assistance to over 90 occupiers during the Covid-19 pandemic
- Increased dividends twice during the year, with payments almost back to pre-pandemic levels
- Reduction in property running costs to assist our occupiers
- Marked fifteenth anniversary with community initiative fund award of £15,000

## Focusing on our employees

- Moved office, upgraded workspace amenities
- Improved our employee satisfaction score

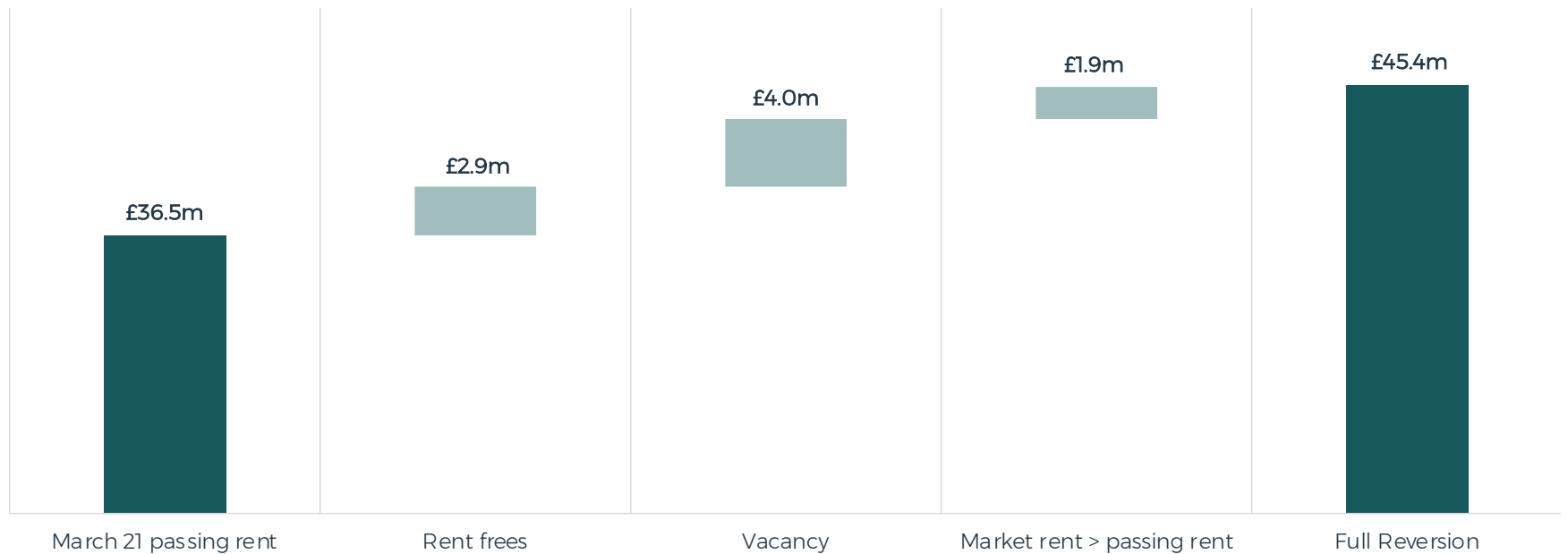


# Outlook & focus



# Outlook and focus

- Improvement in economic growth likely to be positive across all sectors
- Occupational demand likely to increase when lockdown ends:-
  - Owning space occupiers want and need will be key
  - We will continue to invest into the portfolio to grow occupancy, income and value
- Investment market liquidity to improve:-
  - We have low LTV and £50 million to capitalize on emerging opportunities
- Focus remains on growing earnings, increasing the dividend further and narrowing discount to NAV



# Appendices



**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.

## 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 - between £50m - £60m
- 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.) 64,600

- 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



## 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 let or under offer
- Flagship retail store available



## 5/

### Datapoint Business Park London E16

- Lot size band - between £20m - £30m
- Size (sq ft.) 55,100

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



# Top 10 assets

## 6/

### 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



## 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/

### 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



## 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
- 97% let



## Long-term fixed rate debt and available revolving credit facility

	<b>Canada Life</b>	<b>Aviva</b>	<b>RCF</b>
<b>Amount drawn</b>	£80.0 million	£86.2 million	£0.0 million
<b>Undrawn</b>	Fully drawn	Fully drawn	£50.0 million
<b>Fixed/floating rate</b>	Fixed	Fixed	Floating
<b>Type</b>	Secured	Secured	Secured
<b>Interest rate</b>	4.08%	4.38%	3 month libor + 1.5% (currently 1.6%)
<b>Commitment fee</b>	-	-	0.6%
<b>Maturity</b>	2027	2032	2024 (ability to extend by a further year)
<b>Covenant LTV</b>	65%	65%	55%
<b>Covenant ICR</b>	1.75x	N/A	2.5x
<b>Covenant DSCR</b>	N/A	1.4x	N/A
<b>Repayment</b>	Full balance due in 2027	£67 million repayable on maturity. Remainder repayable through annual amortisation	Ability to redraw and repay over term

Profit reflects Covid-19 impacts offset by lower costs

	March 2021 (£ million)	March 2020 (£ million)
<b>Rental income</b>	36.6	37.8
<b>Other Income</b>	1.5	1.2
<b>Property expenses</b>	(4.6)	(5.3)
<b>Administrative expenses</b>	(5.4)	(5.6)
<b>Finance costs</b>	(8.0)	(8.3)
<b>Tax</b>	-	0.1
<b>INCOME PROFIT AFTER TAX</b>	20.1	19.9
<b>Unrealised movement on property assets</b>	12.8	(0.9)
<b>Gains on disposal of property assets</b>	0.9	3.5
<b>PROFIT BEFORE DIVIDENDS</b>	33.8	22.5
<b>Dividends paid</b>	15.0	19.0
<b>Dividends paid per share (pence)</b>	2.75	3.5

## Industrial valuation gains strengthen balance sheet

	March 2021 (£ million)	March 2020 (£ million)
<b>Property assets</b>	665.4	654.5
<b>Cash</b>	23.4	23.6
<b>Other assets</b>	23.7	17.6
<b>TOTAL ASSETS</b>	712.5	695.7
<b>Borrowings</b>	(163.7)	(165.1)
<b>Other liabilities</b>	(20.6)	(21.3)
<b>NET ASSETS</b>	528.2	509.3
<b>Net asset value per share (pence)</b>	97	93



This presentation is for information purposes only and does not constitute an offering document or an offer of transferable securities to the public in the UK.

This presentation is not intended to provide the basis for any credit or other evaluation of any securities of the Company and should not be considered as a recommendation, invitation or inducement that any investor should subscribe for, dispose of or purchase any such securities or enter into any other transaction with the Company or any other person.

The merits and suitability of any investment action in relation to securities should be considered carefully and involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of such securities.

This presentation contains certain statements that are neither financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed or implied by these statements.

Certain information contained in this presentation has been obtained from published sources prepared by other parties. Certain other information has been

extracted from unpublished sources prepared by other parties which have been made available to Picton, Picton has not carried out an independent investigation to verify the accuracy and completeness of such third party information. No responsibility is accepted by Picton or any of associates, directors, officers, employees or advisers for the accuracy or completeness of such information.

The distribution of this presentation in jurisdictions other than the UK may be restricted by law and regulation and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. This presentation has been prepared for the purpose of complying with English law and regulation and the information disclosed may not be the same as that which would have been disclosed if this presentation had been prepared in accordance with the laws of the jurisdictions outside the UK.

Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

If you require any further  
information please contact

**Michael Morris**

Picton Property Income Limited  
Stanford Building, 27A Floral Street  
WC2E 9EZ  
+44 (0) 781 015 6117

[www.picton.co.uk](http://www.picton.co.uk)