

Primary Health Properties

Interim results

Asset and rental growth drive strong performance

Primary Health Properties (PHP) had a strong first half year with EPRA earnings growth benefiting from acquisitions made in 2017 and H118, supported by continued and increasing organic rental growth. Our forecasts for further growth are underpinned by a full period contribution from recent acquisitions, continued deployment of the proceeds of April's equity issue into a strong pipeline of opportunities, an increasingly positive outlook for rental growth, and further opportunities to lower average borrowing costs.

Year end	Net rental income (£m)	EPRA earnings* (£m)	EPS* (p)	DPS (p)	EPRA** NAV/share (p)	P/NAV (x)	Yield (%)
12/16	66.6	26.7	4.7	5.125	91.1	1.25	4.5
12/17	71.3	31.0	5.1	5.250	100.7	1.13	4.6
12/18e	75.9	36.9	5.2	5.400	105.4	1.08	4.7
12/19e	81.4	43.3	5.5	5.500	109.2	1.04	4.8

Note: *Diluted EPRA basis, excludes valuation movements and other exceptional items.

**EPRA basis adjusts for fair value of derivative interest rate contracts and convertible bond.

6.2% NAV total return in H118; estimates lifted

H118 EPRA earnings grew 11% compared with H117. Net rental income grew 7.5%, benefiting from acquisitions, asset management initiatives and an increasing contribution from completed rent reviews. Administrative costs also increased but net finance costs were flat. The post-period end cancellation of relatively expensive swaps reduces the average cost of debt to 3.86% (end-FY17: 4.09%), and other refinancing opportunities point to a further reduction. Net revaluation gains added £21.2m, with EPRA NAV increasing to 104.2p (FY17: 100.7p). Including dividends paid, NAV total return was 6.2%. Around £53m of the c £111m net proceeds of the April equity raise has been committed year to date, and a strong pipeline of potential acquisitions remains, including £37m in solicitors' hands and a further more than £175m at various stages of negotiation. Our forecasts for EPRA EPS, NAV and dividend cover all increase slightly.

Strong growth prospects in the UK and RoI

In both the UK and RoI, there is broad political will to reform healthcare provision, placing more emphasis on primary care to meet the increasing healthcare needs of growing and ageing populations. The requirement for larger, more flexible, higher-quality premises will provide significant investment opportunities for PHP and others in coming years, and there are signs in the UK that NHS new build commissioning is finally beginning to accelerate as new structures and strategies bed down, providing further support for an acceleration in market rents.

Valuation: Secure, dividend growth underpinned

Our revised estimates show DPS, in the 22nd year of unbroken growth, to be fully covered for a yield of 4.7%, while asset management and rental growth provide capital appreciation potential even if yield tightening slows. Revenues are supported by secure, long-term income, substantially subject to upward-only review, with little exposure to the economic cycle, or fluctuations in occupancy.

Real estate

2 August 2018

Price **113.8p**
Market cap **£835m**

Net debt (£m) as at 30 June 2018 631.4

Net LTV as at 30 June 2018 44.6%

Shares in issue 733.4m

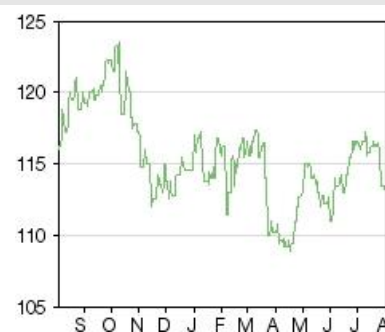
Free float 98%

Code PHP

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(2.1)	0.7	(1.4)
Rel (local)	(3.3)	(1.1)	(4.6)

52-week high/low 123.1p 108.8p

Business description

Primary Health Properties is a long-term investor in primary healthcare property in the UK and, more recently, Ireland. Assets are mainly long-let to GPs and the NHS or HSE, organisations backed by the UK and Irish governments, respectively. The tenant profile and long average lease duration provide an exceptionally secure rental income stream.

Next events

Q318 DPS paid 24 August 2018

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Strong first half results with 6.2% total return

The contribution from acquisitions made in 2017 and during H118, supported by continued and increasing organic rental growth, was the main factor driving a strong performance in the half year to 30 June 2018. Dividends per share are in the 22nd year of unbroken growth and grew 3.1% year-on-year. Reflecting the positive impact on property valuations of further tightening in market valuation yields, positive rent reviews and asset management initiatives, EPRA NAV per share grew 3.5% from the end of FY17. EPRA NAV total return during the six-month period was 6.2%. Good progress has been made in deploying the £111.2m (net of expenses) proceeds of the April equity issue, with £48.6m already invested in acquisitions, including post H118 transactions, and a further £4.8m invested in asset management projects. Four further properties are in solicitors' hands, subject to due diligence, for an aggregate £37m, and a wider pipeline of acquisition opportunities, at earlier stages of negotiation, amounts to more than £175m.

Exhibit 1: Summary of H118 results

£m unless otherwise stated	H118	H117	H118/H117	2017
Net rental income	37.4	34.8	7.5%	71.3
Administrative expenses	(4.2)	(3.9)	7.7%	(8.2)
Performance incentive fee	(0.6)	0.0		(0.5)
Operating profit before revaluation gain & financing	32.6	30.9	5.5%	62.6
Net financing costs	(15.5)	(15.5)	0.0%	(31.6)
EPRA basic earnings	17.1	15.4	11.0%	31.0
Net result from property portfolio	21.2	29.9		64.5
Fair value loss on derivatives & convertible bond	0.3	(1.0)		(3.6)
Gain on disposal of land	0.1	0.0		
IFRS PBT	38.7	44.3	-12.6%	91.9
EPRA EPS, diluted for convertible bond (p)	2.5	2.5	-1.3%	5.2
EPRA NAV (p)	104.2	96.1	8.4%	100.7
DPS (p)	2.700	2.620	3.1%	5.250
Investment properties	1,415	1,266		1,362
Net LTV	44.6%	53.0%		52.9%

Source: PHP

The key highlights of the interim results were:

- The portfolio value increased to £1.415bn (FY17: £1.362bn), with a rent roll of £74.4m (FY17: £72.3m). The increase included a £21.2m revaluation surplus, driven by a further tightening in the valuation yields reflected in the external valuation, rent reviews, and asset management. The net initial yield on UK assets reduced by 6bp to 4.85% during the period, and accounted for c 50% of the valuation surplus.
- Net rental income in the period increased by 7.5% or £2.6m to £37.4m. Acquisitions made since the beginning of FY17 contributed £1.7m of increase, developments completed over the same period £0.4m, and completed rent reviews £0.5m. Completed rent reviews showed a blended increase of 1.7% pa (FY17: 1.1%), driven by RPI-linked and fixed reviews. Open-market reviews achieved 0.5% pa, but there are positive indicators for acceleration.
- Administrative costs, excluding the accrual of investment adviser performance incentive fees (PIF), increased 7.7%, reflecting the increased size of the portfolio and additional regulatory costs. The EPRA cost ratio, excluding PIF, increased slightly to 12.6% (FY17: 12.5%, H117: 11.9%), but remains low in a sector context. A PIF of £0.6m was accrued, reflecting the strong EPRA NAV total return performance that has been generated in both 2017 and year to date.
- Net finance costs were unchanged with a lower cost of secured debt, ongoing conversion of some of the convertible bonds, and the near-term repayment of revolving debt from some of the proceeds of the April equity issue all offsetting the impact of debt-funded acquisitions. Post period end, 4.52% fixed interest rate swaps with a nominal value of £70m, effective until 2026,

have been cancelled. This will reduce interest expense by an annualised c £2.5m over the next two years, for a one-off payment of c £5.0m (0.7p per share), and reduces the average cost of debt to 3.86% (end-FY17: 4.09%).

- Basic EPRA earnings (ie before adjustment for the potential impact of bond conversion) increased 11% to £17.1m while basic EPRA EPS declined by 3.8% as a result of the temporary dilutive impact of the equity raising. On a diluted basis (ie adjusting for the potential impact of bond conversion) the reduction was lower (1.3%) with diluted EPRA EPS, rounded to one decimal place, unchanged at 2.5p.
- Diluted EPRA NAV per share increased to 104.2p compared with 100.7p at end-FY17, benefiting from the valuation surplus.
- Reflecting the repayment of revolving debt as well as ongoing bond conversion, outstanding debt reduced to £648.8m from £730.4m at end-FY17, and allowing for cash balances, net loan to value (LTV) reduced to 44.6%.

Asset and rental growth & refinancing opportunities

Looking forward, PHP has the financial flexibility to benefit from further selective asset growth, while the indicators for an acceleration in open-market rent reviews (73% of the total) are positive. Liability management also provides further opportunities to lower the average cost of debt further. The main drivers of growth should thus be:

- a full period contribution from acquisitions already made;
- continuing acquisitions from a strong investment pipeline;
- accelerating rental growth; and
- continuing refinancing benefits.

Year to date investment activity

With strong investor competition for assets, a disciplined approach to selecting investments that have the potential to create long-term returns and not just immediate income is required. It is not easy for investors to assess the quality of the assets in the portfolio, but we would suggest that larger, more modern assets, and assets with the flexibility to adapt and change over time, are more likely to provide superior long-term rental growth. During H118, PHP acquired two large, modern assets for an aggregate £23.8m, contributing to growth in the average portfolio lot size to £4.6m from £4.5m at end-FY17. One of the two assets was the Mallow Primary Healthcare Centre in County Cork, Ireland, one of the country's largest healthcare facilities. In May 2018, PHP also exchanged contracts on the £5.1m (€5.8m) Mountmellick Primary Healthcare Centre, County Laois, which is due to complete imminently and will be accounted for in H218. Also, post the period end, a forward-funded development at Bray, County Wicklow, Ireland was acquired with a net development cost of £19.7m (€22.3m).

Exhibit 2: Year to date acquisition activity

Asset	Type	Area (sqm)	Acquisition price	WAULT	GP patients	Other services
Mallow, County Cork, Ireland	Investment	6,500	£17.7m (€20.0m)	21.9	30,000	HSE, pharmacy, dentist, optician, physiotherapist
Moredon, Swindon	Investment	1,446	£6.1m	27.5	11,500	Pharmacy
Total H118			£23.8m			
Bray, County Wicklow, Ireland	Development	4,805	£19.7m (€22.3m)	25		
Mountmellick Primary Healthcare Centre, County Laois, Ireland*	Investment	1,850	£5.1m (€5.8m)	25		HSE, pharmacy
Total year to date			£48.6m			

Source: PHP. Note: *Contracts exchanged.

In addition to acquisitions, asset management initiatives that enhance and extend the existing assets are a useful way to continue to meet the evolving needs of tenants, increase rents, extend/re-gear leases and increase the property valuation. In H118, nine projects were completed, three are currently on site, and a further seven are approved and are due to commence shortly. The projects require investment of £4.8m, will generate additional rental income of £0.2m, and, crucially, will extend the weighted average unexpired lease term (WAULT) on those assets back to an average of 20 years.

Strong investment pipeline

The pipeline of further acquisition opportunities comprises properties with a value of £37m that are in solicitors' hands, subject to due diligence and more than £175m at various stages of negotiation.

Of the £37m "in legals", £35m (€39m) is in the Republic of Ireland (RoI). A further £20m (€24m) of properties in the RoI is under negotiation. The increasing pace of PHP's investment in the RoI reflects the strong relationships it has built with owners and developers, providing it with access to a broad pool of potential transactions.

In the UK, there is £2m in legals but a very significant £155m broader pipeline at an earlier stage of negotiation, supported by PHP's pipeline agreements with developers and well established links to GP owner-occupiers. The pipeline of asset management opportunities also remains strong with 17 potential projects.

Rental growth is accelerating

The increase in the blended uplift achieved on completed rent reviews, from 1.1% pa in FY17 to 1.7% pa in H118, continues to be driven by RPI-linked uplifts (20% of the total and an average uplift of 2.7% pa) and fixed rent uplifts (7% of the total and an average 2.8% pa uplift). The average uplift on completed open-market reviews was 0.5% pa or 1.6 %pa excluding reviews that concluded with no increase. Encouragingly, this marks an acceleration from recent growth (FY17: 0.3% pa average uplift or 1.3% excluding zero increases) although the absolute level remains modest.

Although open-market reviews aim to set the rent at current market level, defined as what would be paid by a free and willing tenant to a landlord in that area, as a result of the NHS rent reimbursement mechanism, the decision on the appropriate level is that of the district surveyor. Across the market there is evidence that open-market rent reviews have failed to capture the strong rise in land and build costs sufficiently in recent years, in part the result of financial pressures and reorganisation within the NHS that has slowed decision-making on the commissioning of the development of new primary healthcare facilities. This dearth of new developments has restricted the opportunities for increased land and building costs to be adequately reflected in rents on new developments, limiting the evidence to support rent reviews for existing assets, and threatening to restrict the flow of much-needed private investment to support modernisation of the primary healthcare estate. There is a growing optimism that this is beginning to change, with developers reporting that they expect increased levels of activity. MedicX Fund recently reported on the outcome of an independent expert determination of an outstanding disputed rent review for one of its assets, in Clapham, London. The determination was that the contractual rent should increase by 35% from the March 2015 date of the review, equating to a compound 10.5% pa increase over the three-year period. The read-across to other assets in other locations, and to the wider market, is not clear, but the determination does provide tangible evidence of the extent to which rents may have lagged, particularly in high inflation areas such as London.

Refinancing opportunities to further reduce debt costs

Given the continued tightening in market valuation yields, reflecting the higher prices that an increasing range of investors are prepared to pay for the secure, long-term income provided by

primary healthcare property, active liability management as well as selectivity in acquisitions is required to maintain long-term value creation. As noted above, post the swap cancellation, the weighted average cost of debt falls to 3.86%, having fallen by 56bp to 4.09% in FY17.

There are no debt maturities during 2018, but in 2019 the £75m retail bond issue and the outstanding convertible bonds will mature. The unsecured retail bonds pay a coupon of 5.375%, which appears high in current market conditions, providing an opportunity for refinancing at lower cost. The 4.25% convertible bonds may be converted at 97.5p per share, below the EPRA NAV per share and well below the current share price, at any time up to May 2019. Convertible bonds with a nominal value of £60.5m were outstanding at end-H118, since reduced to £57.8m by further conversion, and we assume full conversion in our forecasts.

Market developments

The demographic backdrop in both the UK and RoI is similar and, in combination with strategies for meeting growing healthcare needs, indicates a growing demand for modern, purpose-built primary healthcare facilities. In both countries the populations are growing, are ageing, and present increasingly complicated healthcare needs with a growing incidence of chronic illness. In both countries, there is wide political support for healthcare planning that will see primary healthcare continue to play a critical role in meeting these growing demands while supporting increasing integration of a wider range of healthcare services in local communities, to both improve levels of care and increase efficiencies. To make this happen, the under-invested healthcare estate needs significant resources and requires modern, purpose-built, flexible premises of the type in which PHP invests. The direction of travel has been clear for some time now, but progress in getting needed developments underway has been painfully slow in the UK. Signs of acceleration are apparent, however, and PHP notes that every one of the developers with which it works expects to have more developments on site this year than next.

In January 2018, the government published a response to the Naylor Review that acknowledges the importance of land and property to the transformation of NHS health services and how the NHS will be able to supplement public capital with finance from the private sector, which has provided a source of valuable investment and innovation in primary and community care in the past.

PHP, like all of the main investors, continues to work closely with GPs, stakeholders and key influencers in the NHS, HSE and governments in both the UK and Ireland, to demonstrate the benefits of the third-party development model and its differences to private finance initiatives.

Swap cancellation lifts earnings forecasts

The main change to our recurring earnings estimates is to incorporate the c £2.5m pa interest saving that will be generated by the post-H118 interest rate swap cancellation, which is partly offset by the assumption of higher administration costs to reflect the increased size of the company. The net effect is to lift FY19e EPRA EPS by 3.6% and improve dividend cover to 105%. The further market-driven yield tightening seen in H118 generated higher net revaluation gains than we had allowed for (we include only the increases that we expect to be generated by rent growth, with no assumption of yield changes). Along with higher retained earnings, this offsets the £5.0m one-off impact on EPRA NAV from the swap cancellation (crystallising a cash payment of the outstanding mark-to-market liability) and lifts our forecasts for EPRA NAV for both FY18 and FY19.

Exhibit 3: Estimate revisions

	Net rental income (£m)			EPRA earnings (£m)			Diluted EPRA EPS (p)			DPS (p)			Dividend cover			EPRA NAVPS (p)		
	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff
12/18e	75.9	75.9	0.0%	36.4	36.9	1.3%	5.1	5.2	1.5%	5.400	5.400	0.0%	99%	101%	2.6%	105.0	105.4	0.4%
12/19e	81.4	81.4	0.0%	42.2	43.3	2.6%	5.4	5.5	3.6%	5.500	5.500	0.0%	101%	105%	4.1%	108.4	109.2	0.8%

Source: Edison Investment Research

They key forecasting assumptions that we make relate to assets growth and funding:

- New investment commitments of c £70m in H218, making an FY18 total of c £94m, and c £100m in FY19, a mix of fully let completed assets and forward funding commitments. Some of the acquisitions that we had allowed for in H118 have been pushed into H218, with a slight reduction in the annual total (from £100m).
- We assume a blended cash yield on investment of 5.2-5.4%, with c 50% of the total commitment through to end FY19 in the Republic of Ireland, a mix of completed assets and forward funding commitments, at cash yields c 75bp above the UK equivalents.
- Given that cash is deployed to forward funding agreements over time, the cash investment reflected in our estimates to end-FY19 is lower than the committed investment, at £151m. This is assumed to be funded by £140m of net new debt (at a marginal cost of c 3.0%) and cash resources. We allow for repayment of the outstanding 5.375% retail bonds in 2019, refinanced by new secured bank debt.
- We also allow for the full conversion of the outstanding convertible bonds by end of H119, given the conversion price of 97.5p. This lifts our forecast share count by almost 60m shares by end FY19, and we also assume scrip dividends at 5% of dividends paid. Otherwise, we assume no equity issuance, such that the assumed debt funding lifts end-FY19 LTV to 45.0%.

In addition, our forecasts suggest that PIF payments to the investment adviser will continue through FY19 and we have allowed for total PIF expenses of £1.2m in both FY18 and FY19.

Valuation

In an environment of continuing low interest rates and in a sector where income returns represent a substantial share of long-term total return, the security and length of PHP's lease portfolio are attractive to investors. Our forecast FY18 dividend of 5.40p represents a 4.7% dividend yield on the current share price, with growth potential, and is covered by forecast cash earnings off a secure, long-term income stream. With c 90% of the rent roll funded directly or indirectly by the NHS in the UK or HSE in Ireland, it is tempting to draw comparison with the generic yield on 10-year gilts at little more than 1.3%. This secure and growing dividend return on PHP shares provides support for a continuing valuation premium to EPRA NAV.

In Exhibit 4 we show the key valuation and performance metrics for PHP and a group of peers with similarly long lease exposure to primary healthcare property and, in the case of Target, care homes. As a whole, the group has de-rated slightly over the past 12 months, with historical P/NAVs reducing slightly and prospective dividend yields increasing slightly. One possible trigger for this is the increase in long-term interest rate expectations in late 2017/early 2018 (the generic 10-year UK gilt yield was close to 1.7% in February 2018) although the positive share price reaction to yields subsequently declining has been relatively modest. Other factors may include equity issuance (including significant cash calls from Assura, PHP and Target) and the continuing increase in the valuation of (and cost to acquire) assets. We note that PHP has outperformed the peer group median over the past 12 months, yet has a valuation that is similar.

Exhibit 4: Peer comparison

	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
					1 month	3 months	12 months	From 12M high
Assura	57	1354	1.08	4.7	-3%	-7%	-12%	-17%
PHP	113	829	1.09	4.7	-3%	0%	-2%	-8%
MedicX Fund	80	348	1.00	4.9	-1%	0%	-11%	-13%
Target Healthcare	111	377	1.05	5.8	1%	1%	-6%	-9%
Median			1.07	4.8	-2%	0%	-8%	-11%
UK property index	1,824			3.9	-1%	-2%	3%	-3%
FTSE All-Share Index	4,253			4.0	1%	2%	4%	-3%

Source: Company data, Edison Investment Research, Bloomberg data as at 31 July 2018

Between the end of 2012 and the end of 2017, PHP generated an EPRA NAV total return of 64.8% or a compound 13.3% pa. Dividends paid have accounted for 50% of the return, with capital values benefiting from yield tightening and modest rental growth.

Exhibit 5: Five-year NAV total return of 13.3% pa compound

(p)	2013	2014	2015	2016	2017	2013-17
Opening EPRA NAV	76.3	74.9	79.7	87.7	91.1	76.3
Closing EPRA NAV	74.9	79.7	87.7	91.1	100.7	100.7
Dividends paid in period	4.75	4.88	5.00	5.13	5.25	25.00
NAV total return (%)	4.4	12.9	16.4	9.7	16.4	64.8

Source: Edison Investment Research

At some point we are likely to enter a market environment in which valuation yields stop tightening, and may even increase again, although this is only likely in the context of a broad property market yield shift. This would have no impact on the rental income from existing assets and would have no material impact on existing debt costs. It would increase the cash yield available on acquisitions, but whether this would be a net benefit would depend on marginal funding costs at the time. However, with the prospects for rental growth improving, it seems likely that in such an environment, the balance of total return contribution would shift further in favour of income returns and away from capital returns. In our near-term estimates, by assuming capital value growth in line with 2.0% assumed rent growth over the next two years, our forecast EPRA NAV total returns are 10.1% and 8.8% respectively, with dividends contributing 5.1% and 5.0% respectively, or c 55%.

Exhibit 6: Financial summary

	£m	2015	2016	2017	2018e	2019e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Net rental income		62.3	66.6	71.3	75.9	81.4
Administrative expenses		(6.8)	(7.3)	(8.7)	(9.8)	(10.2)
EBITDA		55.5	59.2	62.6	66.0	71.2
Other income and expenses		0.0	0.0	0.0	0.0	0.0
Non-recurring items		0.0	0.0	0.0	0.0	0.0
Net valuation gain on property portfolio		39.8	20.7	64.5	31.2	24.1
Operating profit before financing costs		95.2	79.9	127.1	97.2	95.3
Net Interest		(33.7)	(32.5)	(31.6)	(29.2)	(27.8)
Non-recurring finance income/expense		0.0	0.0	0.0	0.0	0.0
Early loan repayment fees		0.0	(0.0)	0.0	0.0	0.0
Fair value gain/(loss) on interest rate derivatives and convertible bond, and swap amortisation		(5.5)	(3.7)	(3.6)	0.3	0.0
Profit Before Tax		56.0	43.7	91.9	68.3	67.4
Tax		0.0	0.0	0.0	0.0	0.0
Profit After Tax (FRS 3)		56.0	43.7	91.9	68.3	67.4
Adjusted for the following:						
Net gain/(loss) on revaluation		(39.8)	(20.7)	(64.5)	(31.2)	(24.1)
Fair value gain/(loss) on derivatives & convertible bond		5.5	3.7	3.6	(0.3)	0.0
Profit on termination of finance lease		0.0	0.0	0.0	0.0	0.0
Early loan repayment fees		0.0	0.0	0.0	0.0	0.0
Issue costs of convertible bond		0.0	0.0	0.0	0.0	0.0
EPRA basic earnings		21.7	26.7	31.0	36.9	43.3
Period end number of shares (m)		446.3	598.2	619.4	762.9	794.4
Average Number of Shares Outstanding (m)		445.6	560.0	600.7	707.2	781.0
Fully diluted average number of shares outstanding (m)		530.2	644.6	665.5	759.1	793.4
EPS - fully diluted (p)		11.2	7.3	14.7	9.3	8.7
EPRA EPS (p)		4.9	4.8	5.2	5.2	5.5
Diluted EPRA EPS (p)		4.8	4.7	5.1	5.2	5.5
Dividend per share (p)		5.000	5.125	5.250	5.400	5.500
Dividend cover		97.6%	100.0%	98.7%	101.3%	105.3%
BALANCE SHEET						
Non-current assets		1,100.6	1,220.2	1,361.9	1,473.5	1,600.9
Investment properties		1,100.6	1,220.2	1,361.9	1,472.8	1,600.2
Other non-current assets		0.0	0.0	0.0	0.7	0.7
Current Assets		7.0	8.4	10.5	6.5	10.8
Cash & equivalents		2.9	5.1	3.8	1.7	5.7
Other current assets		4.2	3.3	6.7	4.8	5.2
Current Liabilities		(34.9)	(32.3)	(33.9)	(67.1)	(33.9)
Current borrowing		(0.9)	(0.8)	(0.8)	(0.9)	(0.9)
Other current liabilities		(34.0)	(31.5)	(33.1)	(66.2)	(33.0)
Non-current liabilities		(727.4)	(697.1)	(751.7)	(636.8)	(739.0)
Non-current borrowings		(696.9)	(667.6)	(729.6)	(620.0)	(722.2)
Other non-current liabilities		(30.6)	(29.5)	(22.1)	(16.8)	(16.8)
Net Assets		345.4	499.2	586.8	776.0	838.9
Derivative interest rate swaps		35.3	33.3	24.5	16.1	16.1
Change in fair value of convertible bond		10.9	12.5	12.3	12.3	12.3
EPRA net assets		391.6	545.0	623.6	804.4	867.3
IFRS NAV per share (p)		77.4	83.5	94.7	101.7	105.6
EPRA NAV per share (p)		87.7	91.1	100.7	105.4	109.2
CASH FLOW						
Operating Cash Flow		57.1	56.8	60.1	68.1	72.0
Net Interest & other financing charges		(35.6)	(45.9)	(37.8)	(32.8)	(25.6)
Tax		0.0	(0.1)	0.0	0.0	0.0
Acquisitions/disposals		(29.5)	(97.4)	(75.4)	(78.7)	(103.4)
Net proceeds from issue of shares		(0.1)	145.2	(0.1)	111.1	0.0
Debt drawn/(repaid)		20.0	(31.8)	82.3	(35.0)	100.0
Equity dividends paid (net of scrip)		(21.1)	(24.7)	(29.8)	(34.6)	(39.1)
Other		0.0	0.0	(0.6)	(0.1)	0.0
Net change in cash		(9.2)	2.2	(1.3)	(2.0)	3.9
Opening cash & equivalents		12.1	2.9	5.1	3.8	1.8
Closing net cash & equivalents		2.9	5.1	3.8	1.8	5.8
Debt as per balance sheet		(697.7)	(668.4)	(730.4)	(620.9)	(723.1)
Unamortised borrowing costs		(5.8)	(4.8)	(5.5)	(4.2)	(2.0)
Net debt		(700.7)	(668.2)	(732.1)	(623.3)	(719.3)
Net LTV		62.7%	53.7%	52.9%	44.3%	45.0%

Source: PHP, Edison Investment Research

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