EDISON

Target Healthcare REIT

Q422 and portfolio update

Operational progress and positive returns

Real estate

Target Healthcare REIT's Q422 report showed a continuation of consistently positive accounting returns since IPO. Subsequent asset management will significantly improve rent collection and generate recovery gains. For tenants, fee growth and increased occupancy are mitigating the impact of inflation. For Target, indexed rent uplifts, improved rent collection and selective portfolio investments are all positive drivers, but insufficient to offset the impact of higher capital costs. We expect continuing growth, but at a slower pace than previously, with DPS maintained but cover taking longer to achieve.

Year end	Revenue (£m)	Adjusted net earnings* (£m)	Adjusted EPS* (p)	NAV**/ share (p)	DPS (p)	P/NAV (x)	Yield (%)
06/21	50.0	26.0	5.46	110.4	6.72	0.97	6.3
06/22e	59.3	30.2	5.04	112.3	6.76	0.95	6.3
06/23e	69.2	36.4	5.87	115.0	6.76	0.93	6.3
06/24e	75.1	38.8	6.25	117.7	6.76	0.91	6.3

Note: *Adjusted earnings exclude revaluation movements, non-cash IFRS rental income adjustments, and include development interest under forward fund agreements. **NAV is net tangible assets (NTA).

Higher borrowing costs to offset asset management

Q422 accounting total return was 2.0% and the FY22 total 7.8%, driven by accretive acquisitions and indexed rent growth. The tenant of seven homes that had been earmarked for re-tenanting will now remain in place. Rent arrears and current rents have been paid in full, with additional security provided. Rent cover is increased by c 4pp (90% reported for Q422) and we expect Q123 to benefit from c £1m of recoveries. While 76% of end-FY22 borrowing was fixed rate or hedged, market pricing indicates a substantial further rise in the cost of variable rate debt. Our FY22 forecasts are increased slightly with FY22 DPS confirmed and, looking ahead, we still expect earnings to grow. However, we expect Target to be highly selective in terms of acquisitions and, combined with higher debt costs, our FY23 and FY24 adjusted earnings forecasts are reduced by c 10%. Dividend cover will take longer and we now assume unchanged dividends over the next two years.

Sustainably meeting a long-term need

A growing elderly population and the need to improve the existing estate point to continuing demand for new, purpose-built homes with flexible layouts and high-quality residential facilities. With its unwavering focus on asset and tenant quality, these are the homes in which Target invests. They are appealing to residents and support operators in providing better and more effective care. As demonstrated above, Target believes that modern, high-quality, ESG-compliant assets, in areas with strong demand/supply characteristics, and sustainable rent levels will always be attractive to existing or alternative tenants and are key to providing sustainable, long-duration, inflation-linked income.

Valuation: Inflation-protected long income

The FY22 DPS represents an attractive 6.3% yield, well above our chosen peer group. Meanwhile, the shares trade at a small c 5% discount to Q422 NAV compared with an average c 7% premium since IPO and a peak of 11%.

12 September 2022

Price	**107.2p**
Market cap	**£665m**

Net debt (£m) at 31 March 2022	180.0
Gross LTV at 31 March 2022	25.8%
Shares in issue	620.2m
Free float	100%
Code	THRL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(7.8)	(6.0)	(7.8)
Rel (local)	(5.7)	(3.9)	(7.4)
52-week high/low		121.4p	105.6p

Business description

Target Healthcare REIT invests in modern, purpose-built residential care homes in the UK let on long leases to high-quality care providers. It selects assets according to local demographics and intends to pay increasing dividends underpinned by structural growth in demand for care.

Next events

FY22 results	Expected November 2022

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Edison profile page

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Successful asset management; positive for rent cover and earnings

Target recently announced that it had reached an agreement with the incumbent tenant/operator of seven of the nine homes that it had previously indicated it was seeking to re-tenant. Having reaffirmed its long-term commitment to the homes, that tenant, accounting for 6.2% of group total contractual rents at 30 June 2022 (£55.5m), has settled all rent arrears, has pledged additional security from another group company and will remain in place. Reflecting the previous receipt of partial rental payments, the settlement of arrears to end-FY22 results in the group rent collection ratio for the quarter to March 2022 (Q322) increasing to 95% from the originally reported 92%, and for Q422 to 94% from 90%. Furthermore, all rent due in respect of the current quarter to September 2022 (Q123) has been received, as has penalty interest in respect of all overdue rent.

We believe that the decision of both parties to continue the tenancy reflects the more positive trading outlook for the homes, following the challenges that had been presented by the COVID-19 pandemic, and the quality of the assets.

In its Q422 NAV and trading update, Target reported that the re-tenanting of one of the two homes operated by a second tenant had already been completed.

Positive impact on earnings as well as cash flow

We estimate that the rent arrears recovered from the seven-home settlement amounts to c £1m and that a similar amount of rent provision write-backs will be reflected within the income statement during Q123. Resolution of the contractual arrears at the additional two homes should further improve rent collection (included in our forecasts) and generate addition provision write-backs (not included). Our forecasts assume a material improvement in FY23 rent collection and provisioning.

Asset management is core to the strategy

Since its initial public offering (IPO), active management of the portfolio and tenants has been an important element of Target's strategy. Most homes in the portfolio are mature, stabilised and capable of sustaining high levels of occupancy under normal trading conditions. However, with its focus on asset quality, Target also invests in completed newly opened homes and commits to acquire pre-let developments at completion, often forward funding the development phase. Under normal trading conditions, newly opened homes typically require up to 36 months to establish occupancy levels and reach mature levels of financial performance. However, the pandemic has increased pressures on home operators across the sector and has lengthened the time required for new homes to reach maturity, especially for homes where private fee-paying occupancy was slower to recover.

Where performance problems arise with a tenant, as an engaged landlord, the investment manager leverages its extensive industry experience to work collaboratively with its partners to support and deliver the best long-term solution. In some cases, the optimal solution is to re-tenant the assets to a stronger operator and, as Target's portfolio has increased in size and diversity, there have been several examples of this being successfully achieved, with no negative impacts on home residents or Target's financial returns.

Attractive assets support income sustainability

At the core of Target's strategy is its unwavering focus on asset quality. Its investment thesis is that best-in-class properties in local areas with positive demand/supply characteristics and prevailing

rental levels that are sustainable will always be attractive to existing or alternative tenants. The quality and appeal of Target's assets contributes significantly to income security. The successful re-tenanting of a minority of Target's assets, the tenant recommitment to seven assets described above, and the firmness of valuation yields all provides tangible evidence of the continuing strong investment demand for care homes as an asset class and for modern, high-quality EPC-compliant assets.

At 31 December 2021 (H122) 88% of Target's portfolio was EPC rated A-B[1] and 100% were rated A-C Non-English homes converted to English equivalent rating. This is well ahead of Minimum Energy Efficiency Standards (MEES) regulations that require all properties to be EPC C rated or better by 2027, increasing further to B or better in 2030.

Also included within the range of indicators that guide Target's investment decisions is full ensuite wet room provision. At end-H122, 96% of portfolio rooms met this standard, with plans in place to upgrade the balance, compared with just 28% of all rooms across the UK[2].

Managing the inflation challenge

Fee growth and occupancy improvements are mitigating tenant cost pressures

The COVID-19 pandemic has presented many operational financial challenges to home operators and although it may not be over, the effects have become considerably more manageable. The key concerns for the sector are now the rapid acceleration in inflation and staff shortages. In this environment, increasing occupancy and strong fee growth are mitigating inflationary cost pressures and the withdrawal of government pandemic financial support. We note the additional factors that we believe will support operators in the current environment:

- The demand for care home places is effectively non-discretionary, at least for anything other than short periods. The pandemic provided an extreme example of this, with admissions highly restricted for a period, but occupancy is now rebuilding.
- UK care operators have a long-term track record of being able to pass through inflationary pressures to fee increases.
- Energy cost pressures are acute for care homes and although these will increase materially, Target estimates these typically account for only c 2% of revenues across its homes.
- We do not expect staff costs to increase as a percentage of revenues, provided operators can maintain their historical pricing power and ability to pass through inflationary pressures.
- Staffing is understandably the key cost across the sector (typically c 50–60% of revenues). A widespread recognition that improvements to staff levels and conditions are generally to be welcomed and care home staff are not typically 'overpaid' has historically made it easier to pass through staffing costs to fee increases.
- While all rents paid to Target are linked to Retail Price Index (RPI) inflation (c 96%) or fixed (c 4%), uplifts are typically capped at c 4% with a floor of c 2%. This means that while RPI inflation is above 4% Target's rental growth will lag in real terms, but it contributes towards rents remaining affordable for tenant operators and enhances the security of Target's income. The company estimates that rent costs represent c 20% of gross revenues for its typical established home.

[1] Energy Performance Certificate. Non-English homes converted by Target to the English equivalent.

[2] Sourced from Target/LaingBuisson

With the H122 results, Target reported that rent cover[3] had remained at c 1.4x for mature homes (those that have had the same operator for a three-year period or more, therefore excluding newly developed homes not yet stabilised). While occupancy and fee increases should continue to support operator profitability and rent cover in the second half of the year, the net impact of inflationary cost pressure remains uncertain.

Most current borrowings are fixed but marginal cost of new borrowing has increased materially

To fund portfolio growth since IPO, Target has steadily increased its capital resources, both equity and debt capital, sufficient to take advantage of opportunities in the market while avoiding excessive gearing and mitigating any drag on returns. The company targets moderate gearing within a range of 25–35%. Target last issued equity in September 2021, raising £125m (gross) through the issue of c 109m new shares (c 21% of the previous total outstanding) at 117p. End-FY22 borrowings amounted to £235m from total facilities of £320m, c 77% or £180m of which was fixed (inclusive of interest rate swaps). Total facilities also include £140m of flexible variable rate debt, of which £55m was drawn at end-FY22. The gross loan to value (LTV) was 25.8% and adjusting for cash held, the net LTV was 22.0%.

Exhibit 1: Summary of debt facilities

Lender	Facility type	Facility	Maturity	Margin
RBS	Term loan	£30m	Nov-25	Fixed with swap at 2.48%
	Revolving credit facility	£40m	Nov-25	SONIA + 2.33%
HSBC	Revolving credit facility	£100m	Nov-23*	SONIA + 2.17%
Phoenix/Reassure	Term loan	£50m	Jan-32	Fixed 3.28%
Phoenix/Reassure	Term loan	£37m	Jan-32	Fixed 3.13%
Phoenix/Reassure	Term loan	£63m	Jan-37	Fixed 3.14%

Source: Target Healthcare REIT data. Note: *The HSBC facility has two one-year extension options subject to lender approval.

At end FY22 the blended average running cost (excluding the interest rate swap) of the £180m of fixed rate debt (including swaps) was c 3.0% with an average maturity of 11.6 years. The blended margin (over the SONIA benchmark rate) on the £55m of drawn variable rate debt facilities was c 3.4%. The 30 June SONIA rate of c 1.2% did not capture the August 0.5% increase to 1.75% in the Bank of England base rate, closely tracked by the SONIA benchmark rate, while the market is pricing in expectations that rates will increase further by c 2.5% before trending downwards again. Target is exposed to this anticipated increase, although the impact is mitigated by a moderate level of gearing. Our forecasts are based on a SONIA rate of 4.0% throughout FY23 and FY24.

Allowing for all outstanding capital commitments, the company said that it had £49m of available investible resources (cash and undrawn debt) fully allocated but not yet contractually committed to pipeline acquisitions. With a prospective marginal borrowing cost of c 6.2%, we expect the company to be highly selective in acquisitions until anticipated borrowing rates decline and/or acquisition yields widen, although there is yet no sign of the latter. The end-FY22 portfolio topped-up net initial yield of Target's existing portfolio was 5.82%. With a focus on the most strategically attractive assets, especially where this reflects growth alongside existing tenants, we assume further acquisitions of £30m, a reduction of c £25m on our previous forecasts. Including existing capital commitments (mostly forward funding commitments), we expect debt to increase by a further c £55m by end-FY24. We assume this to be variable rate debt from existing tactical revolving credit facilities, although we would expect the company to consider fixing the cost of a proportion of this through refinancing into longer-term fixed rate debt or interest rate hedging.

[3] Rent cover is a key measure of the underlying profitability of tenants and the sustainability of rents. The ratio tracks operational cash earnings at the home level (before rent) with the agreed rent and is presented on a rolling 12-month basis.

Quarterly update to 30 June 2022 (Q422) showed continuation of consistently positive returns

At end-FY22 Target's portfolio was valued at £911.6m and comprised 97 operational care homes and four pre-let sites, which are being developed through capped forward-funding commitments with established development partners. The portfolio value increased 2.8% in Q422, including acquisitions, development investment and a 0.9% like-for-like increase driven by indexed rental growth. Contractual rent increased 2.6% to £55.5m, including the effect of acquisitions, development completion and 1.0% from 23 inflation-linked rent reviews concluded at an average 3.8%.

The 2.0% unaudited Q422 NAV total return[4] took the FY22 total to 7.8%. Adjusting for the Q222 property acquisition costs incurred, we estimate the Q222 total return would have been 2.2%. Consistently positive returns since IPO in January 2013, on both a quarterly and annual basis, reflect the resilience of the sector and of Target's strategy. The average annual compound return over this period has been 6.0%, of which c 80% reflects dividends paid.

Exhibit 2: NAV total return*

	FY14**	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY14 to FY22
Opening NAV per share (p)***	98.0	94.7	97.9	100.6	101.9	105.7	107.5	108.1	110.4	98.0
Closing NAV per share (p)	94.7	97.9	100.6	101.9	105.7	107.5	108.1	110.4	112.3	112.3
DPS paid (p)	6.5	6.1	6.2	6.3	6.4	6.5	6.7	6.7	6.8	58.1
Income return	6.6%	6.4%	6.3%	6.2%	6.3%	6.2%	6.2%	6.2%	6.1%	59.3%
Capital return	-3.3%	3.3%	2.7%	1.3%	3.8%	1.6%	0.6%	2.2%	1.7%	14.6%
Total return %	3.3%	9.7%	9.0%	7.5%	10.1%	7.8%	6.8%	8.4%	7.8%	73.9%
Average annual return										6.0%

Source: Target Healthcare REIT data, Edison Investment Research. Note: *NAV is EPRA Net tangible assets (NTA) per share. **22 January 2013 to 30 June 2014. ***Adjusted for IPO costs.

An aggregation of the unaudited quarterly data provides an indication of the full-year change in FY22 NAV, subject to rounding and allocation differences on a line basis. The annual change in NAV reflects a positive revaluation movement, partly offset by acquisition costs, with dividends paid exceeding the movement in revenue reserves. The movement in the revenue reserves is equivalent to EPRA earnings excluding non-cash IFRS smoothing adjustments. Adjusted earnings additionally include licence fee income earned in respect of development assets.[5]

Exhibit 3: Estimated reconciliation of FY22 NAV movement based on quarterly data

Pence per share	FY22	Comment
Opening EPRA NAV	**110.4**	
Revaluation gains	4.7	
Acquisition costs & other capital items	(1.5)	
Net revaluation	**3.2**	
Equity issuance	0.4	
Movement in revenue reserve	4.8	Equivalent to EPRA earnings excluding IFRS rent smoothing
Dividend paid	(6.5)	
Other/rounding	0.0	
Closing EPRA NAV	**112.3**	

Source: Target Healthcare REIT data, Edison Investment Research

[4] Change in net asset value plus dividends paid. Unlike the company's measure of returns, we do not assume reinvestment of dividends. Consequently, the returns quoted by Target are higher.

[5] Licence fee income is earned in respect of funds advanced to developers. It is non-cash but the economic benefit to Target is reflected in a discount, relating to the licence fee earned, to the acquisition price of the asset at completion.

Forecasts and valuation

Based on the quarterly data above, we have made modest uplifts to our forecasts for FY22 adjusted earnings and NAV (Exhibit 4). Included within this is a reduction in net interest expense despite rising interest rates, due to lower capital deployment than we had assumed and lower overall borrowings.

Our reduced capital deployment assumptions have a negative impact on rental income but the effect of lower borrowing provides some offset to increased borrowing costs.

Our forecasts for EPRA earnings and adjusted earnings are reduced by c 10% for both FY23 and FY24, slowing the path to dividend cover. However, we do expect earnings to grow as a result of inflation-indexed rent uplifts, further capital deployment (albeit at a reduced level) and development completions, a reduction in rent provisions as a result of the asset management discussed above, and a general improvement in market operating conditions. We now assume unchanged DPS for both years compared with FY22, 0.92x covered by adjusted earnings in FY24.

Exhibit 4: Forecast revisions

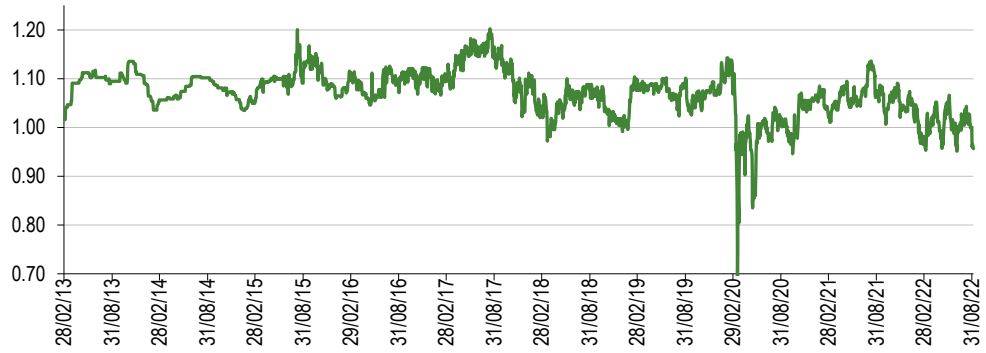
	New forecast			Previous forecast			Change			Change (%)		
£m unless stated otherwise	**FY22e**	**FY23e**	**FY24e**	**FY22e**	**FY23e**	**FY24e**	**FY22**	**FY23**	**FY24**	**FY22**	**FY23**	**FY24**
Cash rental income	49.3	58.0	63.4	49.6	61.4	65.5	(0.3)	(3.4)	(2.1)	-0.7%	-5.5%	-3.2%
Non-cash IFRS adjustments*	10.0	11.2	11.8	10.0	11.9	12.1	0.0	(0.7)	(0.4)	0.3%	-5.5%	-3.2%
Expenses	(13.7)	(12.1)	(12.1)	(13.8)	(11.8)	(12.3)	0.1	(0.3)	0.2	-0.8%	2.7%	-1.7%
Net finance costs	(6.1)	(10.4)	(12.6)	(6.6)	(9.8)	(10.4)	0.5	(0.6)	(2.3)	-7.3%	5.6%	21.9%
Tax	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0			
EPRA earnings	**39.5**	**46.7**	**50.5**	**39.2**	**51.6**	**55.0**	**0.3**	**(4.9)**	**(4.6)**	**0.8%**	**-9.5%**	**-8.3%**
Non-cash IFRS adjustments	(10.0)	(11.2)	(11.8)	(10.0)	(11.9)	(12.1)	(0.0)	0.7	0.4	0.3%	-5.5%	-3.2%
EPRA earnings ex IFRS adjustments	29.4	35.5	38.7	29.2	39.8	42.9	0.3	(4.2)	(4.2)	0.9%	-10.7%	-9.7%
Development interest**	0.8	0.9	0.1	0.7	0.6	0.0	0.0	0.2	0.0			
Adjusted earnings	**30.2**	**36.4**	**38.8**	**29.9**	**40.4**	**42.9**	**0.6**	**(8.2)**	**(8.3)**	**1.0%**	**-9.9%**	**-9.6%**
EPRA EPS (p)	6.6	7.5	8.1	6.5	8.3	8.9	0.05	(0.79)	(0.73)	0.8%	-9.5%	-8.3%
Adjusted EPS (p)	5.0	5.9	6.3	5.0	6.5	6.9	0.05	(0.64)	(0.66)	1.0%	-9.9%	-9.6%
DPS declared (p)	6.8	6.8	6.8	6.8	6.9	7.0	0.00	(0.10)	(0.20)	0.0%	-1.5%	-2.9%
EPRA DPS cover (x)	0.94	1.11	1.20	0.93	1.21	1.27						
Adjusted DPS cover (x)	0.72	0.87	0.92	0.71	0.95	0.99						
EPRA NTA ('NAV') per share (p)	**112.3**	**115.0**	**117.7**	**111.4**	**115.7**	**119.0**	**1.0**	**(0.7)**	**(1.3)**	**0.9%**	**-0.6%**	**-1.1%**
NAV total return	7.8%	8.4%	8.2%	6.9%	10.0%	8.9%						

Source: Edison Investment Research. Note: *In respect of movement in lease incentives and fixed rent review adjustments. **In respect of advances on forward funded developments.

We expect a continuation of positive total returns

Aggregate FY22 DPS of 6.76p (up 0.6% versus FY21) represents an attractive yield of 6.3%. Although DPS was not fully covered (we estimate 0.72x), a lower DPS (or higher) would have had no impact on the NAV total return of 7.8%. The shares now trade at a c 5% discount to the unaudited end-FY22 22 NAV per share of 112.3p, compared with an average premium since IPO of 7% and a high of c 11%.

Exhibit 5: Price/NAV history



Source: Refinitiv price data as at 6 September 2022. Note: Company NAV data.

In Exhibit 6, we show a summary of the performance and valuation of a group of real estate investment trusts that we consider to be Target's closest peers within the broad and diverse commercial property sector. The group is invested in the primary healthcare, supported housing and care home sectors, all targeting stable, long-term income growth derived from long lease exposures.

Exhibit 6: Peer valuation and performance summary

	WAULT* (years)	Price (p)	Market cap (£m)	P/NAV** (x)	Yield*** (%)	Share price performance				
						1 month	3 months	ytd	12 months	3 years
Assura	12	64	1895	1.06	4.7	-9%	-8%	-17%	-17%	-9%
Civitas Social Housing	22	73	447	0.65	7.6	-15%	-11%	-30%	-27%	-14%
Home REIT	24	270	904	1.03	4.8	-5%	-1%	9%	2%	N/A
Impact Healthcare	20	118	476	1.01	5.5	-3%	-4%	8%	-1%	6%
Primary Health Properties	11	138	1840	1.18	4.7	-6%	-4%	-10%	-16%	1%
Residential Secure Income	N/A	114	210	1.08	4.5	2%	9%	27%	6%	23%
Triple Point Social Housing	26	85	343	0.77	6.2	-9%	-2%	-24%	-18%	-3%
Average	**19**			**0.97**	**5.4**	**-6%**	**-3%**	**-5%**	**-10%**	**1%**
Target Healthcare	**27**	**107**	**665**	**0.95**	**6.3**	**-5%**	**-6%**	**-6%**	**-9%**	**-4%**
UK property sector index		1,517				-12%	-11%	-5%	-20%	-10%
UK equity market index		4,041				-3%	0%	10%	0%	0%

Source: company data, Refinitiv pricing at 20 May 2022. Note: *Weighted average unexpired lease term. **Based on last reported NAV/NTA. ***Based on trailing 12-month DPS declared.

Target's dividend yield is clearly above the group average, while its P/NAV is slightly below the average. There are several positive indicators for future share price performance including a combination of the long WAULT (with no break clauses) and upward-only, triple net rents, mostly linked to RPI. These provide considerable visibility over a growing stream of contracted rental income, in turn supported by the resilience of most tenants through the pandemic, a long-term trend for operator fee growth to at least keep pace with inflation, and a proven ability to re-tenant properties where this is appropriate.

Exhibit 7: Financial summary

Year to 30 June (£m)	2020	2021	2022e	2023e	2024e
INCOME STATEMENT					
Rent revenue	36.0	41.2	49.2	58.0	63.4
Movement in lease incentive/fixed rent review adjustment	8.2	8.7	10.0	11.2	11.8
Rental income	44.2	49.9	59.2	69.2	75.1
Other income	0.0	0.1	0.1	0.0	0.0
Total revenue	44.3	50.0	59.3	69.2	75.1
Gains/(losses) on revaluation	1.7	9.4	9.8	12.1	8.2
Realised gains/(losses) on disposal	0.6	1.3	0.0	0.0	0.0
Management fee	(5.3)	(5.8)	(7.4)	(7.8)	(8.0)
Other expenses	(4.3)	(5.3)	(6.3)	(4.3)	(4.1)
Operating profit	37.0	49.6	55.4	69.2	71.3
Net finance cost	(5.4)	(5.7)	(6.1)	(10.4)	(12.6)
Profit before taxation	31.6	43.9	49.3	58.8	58.6
Tax	0.0	0.0	(0.0)	0.0	0.0
IFRS net result	31.6	43.9	49.3	58.8	58.6
Adjust for:					
Gains/(losses) on revaluation	(0.2)	(9.5)	(9.8)	(12.1)	(8.2)
Other EPRA adjustments	(1.0)	(0.3)	0.0	0.0	0.0
EPRA earnings	30.5	34.0	39.5	46.7	50.5
Adjust for fixed/guaranteed rent reviews	(8.2)	(8.7)	(10.0)	(11.2)	(11.8)
Adjust for development interest under forward fund agreements	1.0	0.6	0.8	0.9	0.1
Adjust for performance fee	0.0	0.0	0.0	0.0	0.0
Group adjusted earnings	23.2	26.0	30.2	36.4	38.8
Average number of shares in issue (m)	440.3	475.4	599.3	620.2	620.2
IFRS EPS (p)	7.18	9.23	8.23	9.48	9.45
EPRA EPS (p)	6.92	7.16	6.59	7.53	8.14
Adjusted EPS (p)	5.27	5.46	5.04	5.87	6.25
Dividend per share (declared) (p)	6.68	6.72	6.76	6.76	6.76
Dividend cover (EPRA earnings)	1.00	1.05	0.94	1.11	1.20
Dividend cover (Adjusted earnings)	0.76	0.80	0.72	0.87	0.92
BALANCE SHEET					
Investment properties	570.1	629.6	851.2	911.2	933.1
Other non-current assets	46.0	54.8	67.5	78.7	90.4
Non-current assets	616.1	684.4	918.7	989.9	1,023.6
Cash and equivalents	36.4	21.1	31.1	30.5	14.4
Other current assets	11.2	12.9	15.2	14.4	14.9
Current assets	47.6	34.0	46.3	44.9	29.4
Bank loan	(150.1)	(127.9)	(230.9)	(285.4)	(284.9)
Other non-current liabilities	(6.4)	(6.8)	(9.3)	(10.3)	(11.0)
Non-current liabilities	(156.5)	(134.7)	(240.2)	(295.7)	(295.8)
Trade and other payables	(13.1)	(18.5)	(26.0)	(23.5)	(24.8)
Current Liabilities	(13.1)	(18.5)	(26.0)	(23.5)	(24.8)
Net assets	494.1	565.2	698.7	715.6	732.3
Adjust for derivative financial liability	0.2	(0.3)	(2.0)	(2.0)	(2.0)
EPRA net assets	494.3	564.9	696.7	713.6	730.3
Period end shares (m)	457.5	511.5	620.2	620.2	620.2
IFRS NAV per ordinary share (p)	108.0	110.5	112.6	115.4	118.1
EPRA NTA per share (p)	108.1	110.4	112.3	115.0	117.7
EPRA NTA total return	6.8%	8.4%	7.8%	8.4%	8.2%
CASH FLOW					
Cash flow from operations	25.6	29.2	43.9	45.2	52.8
Net interest paid	(4.1)	(4.2)	(6.0)	(10.9)	(13.1)
Tax paid	(0.1)	(0.0)	(0.0)	0.0	0.0
Net cash flow from operating activities	21.5	25.0	37.9	34.3	39.6
Purchase of investment properties	(117.5)	(51.4)	(213.8)	(48.0)	(13.8)
Disposal of investment properties	14.1	7.8	0.0	0.0	0.0
Net cash flow from investing activities	(103.4)	(43.6)	(213.8)	(48.0)	(13.8)
Issue of ordinary share capital (net of expenses)	78.2	58.3	122.5	0.0	0.0
(Repayment)/drawdown of loans	44.0	(22.0)	104.8	55.0	0.0
Dividends paid	(29.2)	(31.5)	(39.8)	(41.9)	(41.9)
Other	(1.6)	(1.5)	(1.5)	0.0	0.0
Net cash flow from financing activities	91.4	3.3	185.9	13.1	(41.9)
Net change in cash and equivalents	9.5	(15.3)	10.0	(0.6)	(16.0)
Opening cash and equivalents	26.9	36.4	21.1	31.1	30.5
Closing cash and equivalents	36.4	21.1	31.1	30.5	14.4
Balance sheet debt	(150.1)	(127.9)	(230.9)	(285.4)	(284.9)
Unamortised loan arrangement costs	(1.9)	(2.1)	(3.9)	(4.4)	(4.9)
Net cash/(debt)	(115.6)	(108.9)	(203.7)	(259.3)	(275.3)
Gross LTV	24.9%	19.2%	25.8%	29.5%	28.6%
Net LTV	18.9%	16.1%	22.4%	26.4%	27.1%

Source: company accounts, Edison Investment Research

EDISON

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