EDISON

Picton Property Income

FY20 results

Defensively positioned with embedded potential

Real estate

Good results to 31 March 2020 (FY20), with continuing positive returns at the property and group level, have inevitably been overshadowed by COVID-19. Picton entered this challenging environment with a diversified portfolio focused on the industrial and office sectors where fundamentals continue to look strongest, with income and value potential embedded in the portfolio and a strong balance sheet. Current quarterly DPS annualises at 2.5p, a yield of 3.7%, but we believe this has been set prudently.

Year end	Net property income (£m)	EPRA earnings* (£m)	EPRA EPS* (p)	DPS paid (p)	EPRA NAV/ share (p)	P/NAV (x)	Yield (%)
03/18	38.4	22.6	4.2	3.40	90	0.75	5.0
03/19	38.3	22.9	4.3	3.50	93	0.73	5.1
03/20	33.6	19.9	3.7	3.50	93	0.73	5.1

Note: *EPRA earnings excludes revaluation gains/losses and other exceptional items. No Edison forecasts currently provided.

Good FY20 performance

With a diversified portfolio, focused on the office and industrial sectors (more than 80% by value) and significantly underweight in retail and leisure (and no shopping centre exposure) the FY20 total property return of 5.3% again outpaced the MSCI UK Quarterly Property Index (-0.5%) as it has done over one, three, five and 10 years. This supported a positive 4.4% NAV total return (DPS not reinvested). Net rental income and EPRA earnings were lower as a result of disposals (locking in asset management gains in value) and refurbishment projects but the former contributed to a further decline in gearing (LTV below 22% with significant funding headroom) and the latter to significant reversionary potential within the portfolio as the improved properties are re-let (74% of all vacant space).

We see scope for DPS catch up

At the time of reporting FY20 results Picton had collected 82% of quarterly rents billed in March 2020, agreed to defer 6%, 2% to monthly payment, and 9% outstanding. In common with industry trends, we would expect a more challenging Q220 collection performance (for rents billed in June 2020), reflecting the greater impact of the lockdown. We estimate that cash cover of the reduced dividend (an annualised 2.5p per share) requires 85% of start-year rents to be collected, leaving scope for quarterly DPS to be lifted later in the year if collections improve as the lockdown eases and if the company makes progress with capturing the significant reversionary potential embedded in the portfolio. A strong balance sheet with low levels of gearing is a defence against near-term uncertainties and provides scope for opportunistic acquisitions when the outlook become clearer.

Valuation: Yield pick-up with upside potential

The prospective yield of 3.7%, based on the reduced DPS, compares favourably with risk-free alternatives (below 0.2% for 10-year UK government debt) with scope to materially increase as collections normalise. The 0.73x P/NAV (five-year average of 0.97x) is anticipating potential capital value weakness.

10 July 2020

Price	**68p**
Market cap	**£371m**

Net debt (£m) at 31 March 2020	143.9
Net LTV at 31 March 2020	21.7%
Shares in issue	545.5m
Free float	100%
Code	PCTN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(9.2)	(17.1)	(29.0)
Rel (local)	(5.0)	(20.1)	(13.0)
52-week high/low		103.0p	52.0p

Business description

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

Next events

Q121 DPS payment	August 2020
H121 results announcement	November 2020

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Edison profile page

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

Investment summary

Actively managed for total return with an income focus

Picton's diversified portfolio of commercial property across the UK is actively managed for total returns but with a strong income focus. Through its occupier-focused, opportunity-led approach, the company aims to be one of the consistently best-performing diversified UK REITs. A strong weighting to industrial and regional office assets, together more than 80% of the portfolio by value, and significant underweighting of retail and leisure assets (no shopping centre exposure) continues to support property returns relative to the market. With an ungeared property total return of 5.3% compared with the MSCI UK Quarterly Property Index return of -0.5% in the year to March 2020, Picton maintained its long-term track record of outperformance over one, three, five and 10 years to 31 March 2020. The COVID-19 pandemic punctuated a strong performance through much of FY20, creating highly uncertain economic and market conditions. Although a cyclical sector, income returns have historically been much more stable than capital values, delivering c 70% of long-term total returns. At the time of reporting FY20 results (23 June 2020) Picton had collected 82% of quarterly rents billed in March 2020, had agreed to defer 6% and had moved 2% to monthly payment. 1% of rent was the subject of rent free agreements accompanied by lease extensions and 9% remained outstanding. In common with industry trends we would expect a more challenging Q220 collection performance (for rents billed in June 2020), reflecting the greater impact of the lockdown. We estimate that cash cover of the reduced dividend (an annualised 2.5p per share) requires 85% of start-year rents to be collected leaving scope for quarterly DPS to be lifted later in the year if collections improve as the lockdown eases and if the company makes progress with capturing the significant reversionary potential embedded in the portfolio. Meanwhile, a strong balance sheet with low levels of gearing is a defence against near-term uncertainties and provides scope for opportunistic acquisitions when the outlook become clearer. Before reviewing the FY20 results we first provide an update on the impacts of COVID-19, Picton's preparedness and the near-term outlook for income and dividends.

Diversified portfolio with a focus on industrial and office sectors

Portfolio diversification provides a mitigation to risk in uncertain times such as these. Picton's portfolio consists of 47 assets across the main industrial, office and retail and leisure sectors, generating income from around 350 occupiers across a wide range of businesses. The top 10 occupiers account for just 27% of total contracted income and the largest tenant for less than 5%.

At c £665m the overall portfolio reduced during FY20, including two property disposals (no acquisitions) at an average 15% premium to the c £30m aggregate March 2019 book value. Disposals also affected rent roll, which at £36.2m was reflected in an end-FY20 net initial yield of 4.9%. At 89% occupancy is below the trend of recent years (c 95%) and reflects a material amount of refurbishment activity, much of which is now complete or close to completion.

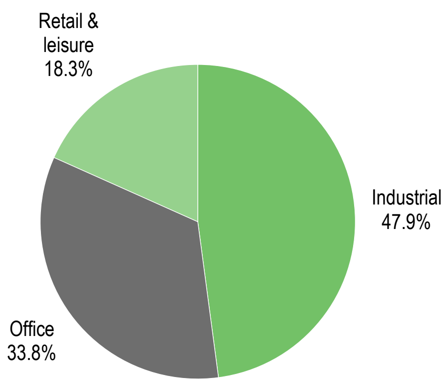
Exhibit 1: Portfolio summary

	FY20	FY19
Portfolio valuation	£665m	£685m
Number of properties	47	49
Average lot size	£14.1m	£14.0m
Net initial yield	4.9%	5.0%
Net reversionary yield	6.4%	6.3%
Annualised rental income	£36.2m	£37.7m
Annualised reversionary income (ERV)	£45.2m	£46.8m
Occupancy as % estimated rental value (ERV)	89%	90%
Weighted average unexpired lease term	5.5 years	5.1 years

Source: Picton

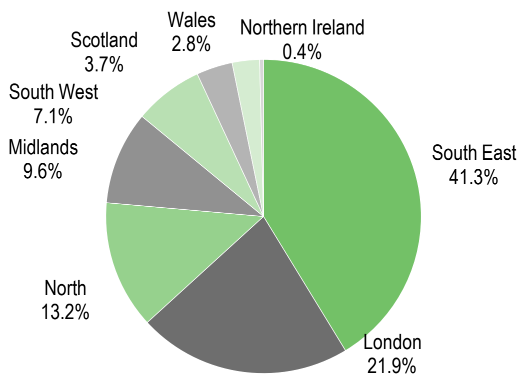
Although diversified, the portfolio's active sector and regional positioning underline the company's unconstrained approach to asset selection. This flexibility allows Picton to adjust the portfolio towards the sectors that are expected to offer the best returns while maintaining the balance to avoid the volatility that can from time to time arise in more focused, specialist portfolios. Compared with the MSCI Quarterly Property Index, the portfolio has around double the weighting to the industrial sector (with a high South-East share positive for performance) and around half the weighting in retail/leisure sectors (no exposure to shopping centres). Office exposure is tilted towards the regions and broader London market rather than central London. During FY20 the like-for-like property revaluation movement was 1.4%, comprising a 6% gain in industrial, a 3% gain in offices and a 12% decline in retail and leisure. This compares with a 4.8% decline for the MSCI UK Quarterly Property Index.

Exhibit 2: Portfolio by sector: Overweight industrial and office



Source: Picton 31 March 2020

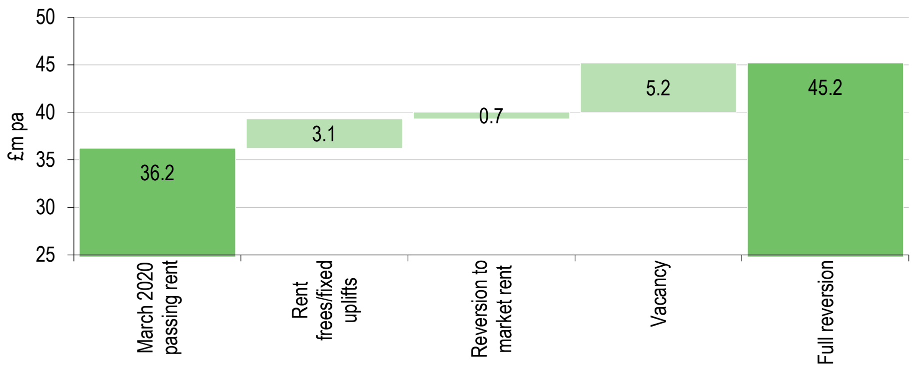
Exhibit 3: Portfolio by geography: Diversified regional bias



Source: Picton 31 March 2020.

The end-FY20 estimated market rental value (ERV) at full occupancy was £45.2m compared with the annualised passing rent of £36.2m. Closing this gap, particularly in respect of refurbishment projects (74% of all vacant space) has the potential to significantly support income and capital values through these more challenging times. That would remain the case even if void space were to be let below current ERV. Five key properties alone represent 65% of the vacant ERV or more than £3m of annual rent.

Exhibit 4: Rent reversion bridge



Source: Picton

COVID-19 impacts

Rental collection

Picton is working closely with its occupiers to optimise rent collection and provide support where this is appropriate to assist them through the current uncertainties, while minimising the impact on the company's cash flows and capital values. Exhibit 1 summarises the March quarterly rent collection status at 23 June 2020. Unsurprisingly the retail and leisure sector was the weakest area both for collections and outstanding rents where no agreement on contractually due unpaid rent had been reached.

Exhibit 5: March rent collection status

	Total	Industrial	Office	Retail and leisure
Received	82%	84%	89%	67%
Deferred	6%	6%	5%	8%
Active management	1%	0%	0%	4%
Rent concession	0%	0%	1%	0%
Moved from quarterly to monthly payment	2%	1%	1%	8%
Outstanding	9%	9%	4%	13%
Total	**100%**	**100%**	**100%**	**100%**

Source: Picton

Picton is yet to update on the June collections but we expect the collection rate to be weaker than for March; the lockdown was in place for longer and the suspension until the end of September of the right of landlords to serve notice to quit weakened the incentive for tenants to pay rent even when they are able to do so.

We expect the easing of the lockdown to lead to a gradual improvement in quarterly collection rates. Rents that have been deferred by agreement are expected to be collected in instalments (we estimate starting in H221 and mostly completed by end-FY22). Over the same period, the position with respect to tenants with outstanding rents, for which no deferral agreement has yet been reached, should also become clearer. In some cases, particularly in the challenged retail and leisure sector, it may be necessary to agree lower rents although we would expect Picton to seek improvements to other lease terms, including extensions or the removal of break options, to mitigate the valuation impact.

During the quarter ending 31 March 2020 (Q420) the pandemic was largely responsible for valuation write-downs of 2.9% in retail and leisure, 0.3% in industrial and 0.2% in office.

Market update

MSCI UK Property Index monthly return data show that across the UK commercial property sector as a whole, positive total returns were recorded until March 2020, with a positive performance from the industrial and office sectors offsetting weakness in retail and leisure, which continues to undergo structural change due to evolving shopping habits, resulting in excess supply and falling rents. From March through May, due to the pandemic and lockdown, all main sectors experienced weakening capital values and negative total returns, while the weakness of retail and leisure accelerated; there is a broad consensus this will continue. Data for June from CBRE suggests that industrial and office values may be in the process of stabilising (-0.1% and -0.2% respectively) while the decline in retail values continued (-1.4%).

The industrial sector should continue to find support from a general tightness of supply relative to demand and has continued to see rental growth through May. Office rental value growth was broadly stable through May but capital values weakened and there is much debate as to whether the pandemic and remote working will have a negative long-term impact on the demand for office space. Home working has probably received an enduring boost but the case for full-time office working is less clear. When in the office, it is likely each worker will require an increased amount of space. Well-appointed offices, with good transport links, good IT infrastructure and environmental credentials are likely to retain a premium.

The investment market saw reduced volumes, especially after March 2020 when transactions effectively dried up, causing the Royal Institute of Chartered Surveyors to introduce a material uncertainty clause in respect of external valuations across most sub-sectors. The clause was not intended to signify that valuations were unreliable but rather that there was limited transactional evidence against which they could be benchmarked. As investment volumes begin to increase once again, the material uncertainty clause has been lifted from an increasing number of subsectors, including most recently industrial and logistics properties.

Strong balance sheet with low gearing

Using the proceeds of disposals, Picton had repaid all drawings under its flexible revolving credit facilities (RCF) by end-FY20. The remaining drawn debt of £167.5m comprised the two long-term (first maturity 2027) fixed-rate loan notes with Aviva and Canada Life. In June 2020, a new £50m RCF replaced the existing facilities, extending duration and reducing cost. For now, it too remains undrawn. If the RCF is fully utilised, the combined debt maturity would be 8.3 years and the weighted average interest rate would reduce from 4.2% to 3.7% pa. Allowing for £23.6m of end-FY20 cash the LTV was 21.7%.

The borrowing covenants provide a good level of headroom and Picton estimates that, on average, rental income or asset values would need to fall by more than 40% for there to be any impact. In any case it is in constant dialogue with its lenders, who remain fully supportive of the company. With none of the RCF drawn, Picton has access to £50.0m of undrawn borrowing facilities in addition to the positive cash balance.

Most current capital projects were suspended or slowed during the lockdown. At end-FY20 there were outstanding contracts for the refurbishment of 11 properties with an aggregate commitment of c £4.5m. The most significant of these is the Stanford Building in Covent Garden where the refurbishment is nearing completion (ERV £1.6m).

Exhibit 6: Summary of debt portfolio (at 23 June 2020)

	Canada Life	Aviva	RCF
Amount drawn	£80.0m	£87.5m	nil
Undrawn	Fully drawn	Fully drawn	£50.0m
Maturity	Jul-27	Jul-32	01/05/2023**
Interest rate	4.08%	4.38%	LIBOR +1.5%
Commitment fee	N/A	N/A	0.60%
LTV covenant	65%	65%	55%
Interest cover covenant	1.75x	N/A	2.5x
Debt service cover ratio covenant	N/A	1.4x	N/A
Value of collateral pool*	£307.5m	£189.0m	£131.8m

Source: Picton. Note: *31 March 2020 property values. ** Two one-year extension options subject to lender approval.

Financials and DPS outlook

Strong FY20 performance punctuated by COVID-19

FY20 showed a solid financial performance with positive property and accounting returns and a further strengthening in the balance sheet. COVID-19 had a limited impact in the year but resulted in a prudential c £0.5m non-cash provision against March quarter rent collections and a negative impact on year-end valuations and NAV. Excluding the rent provision, the FY20 EPRA earnings were in line with our expectations and so too diluted EPRA NAV where we had anticipated some year-end weakness in valuations. On a like-for-like basis, rental income increased 1.2%, driven by rent reviews, lease renewals, re-gears and new lettings ahead of ERV. ERV also increased by 1.3% like for like.

During the year, disposals and the refurbishment programme acted as a drag on net rental income and EPRA earnings, although this was partly offset by lower interest expense (less debt at a lower average cost following the FY19 refinancing). Underlying administrative costs were well contained (and non-recurring REIT conversion costs dropped away).

Aggregate quarterly dividends paid during the year of 3.5p were 1.05x covered by EPRA EPS of 3.7p. The Q420 DPS paid in May 2020 was reduced to 0.625p (an annualised 2.5p) to reflect the impact of COVID-19 on near-term rent collections and maintain financial flexibility.

The increase in net assets to £509.3m from £499.4m at end-FY19 included £7m in new equity, invested back into the portfolio via refurbishment projects. Capex spending, primarily on refurbishment, was £9.0m, with little or no benefit to valuation in the period. However, we would anticipate a positive impact as all projects complete and are let. The like-for-like property revaluation movement was 1.4%. EPRA NAV per share was flat at 93p and including dividend paid in the year the EPRA NAV total return was 4.4%.

Total debt reduced by 14% to £167.5m and the net loan to value ratio fell below 22%.

Exhibit 7: Summary of FY20 financials

£m unless stated otherwise	FY20	FY19	FY20/FY19
Revenue from properties	45.7	47.7	-4.3%
Property expenses	(12.0)	(9.4)	27.5%
Net property income	**33.6**	**38.3**	**-12.2%**
Total operating expenses	(5.6)	(5.8)	-4.8%
Underlying operating profit	28.1	32.5	-13.5%
Net finance expense	**(8.3)**	**(9.1)**	**-8.8%**
Tax	0.1	(0.5)	
EPRA earnings	**19.9**	**22.9**	**-13.1%**
Debt prepayment fees	0.0	(3.2)	
Profit on disposal of investment property	3.5	0.4	
Investment property valuation movements	(0.9)	10.9	
IFRS net profit	**22.5**	**31.0**	**-27.3%**
EPRA EPS (p)	**3.7**	**4.3**	**-14.0%**
IFRS EPS (p)	4.1	5.7	
DPS paid (p)	**3.50**	**3.50**	**0.0%**
Dividend cover	**1.05**	**1.21**	
Net assets, IFRS & EPRA (£m)	509.3	499.4	
NAV per share, IFRS & EPRA (p)	93	93	0.9%
NAV total return	4.4%	6.4%	
Investment property assets (IFRS)	654.5	676.1	-3.2%
Net LTV	21.7%	24.7%	

Source: Picton data, Edison Investment Research

Dividend outlook

In April 2020, Picton's board decided to reduce the level of quarterly dividends until the longer-term impact of the pandemic on cash rental income can be better assessed and market conditions become clearer. We believe the 30% reduction allows for the likelihood that Q221 rent collections (June 2020 collections) will be below the level reported in Q121 (March 2020 collections) followed by a recovery in collection rates as the lockdown eases. We estimate that 85% cash collection during the year of the annualised rent roll in place at the beginning of FY21 is sufficient to fully cover annualised DPS of 2.5p with cash earnings. This does not include rents where a payment plan has been agreed but collection carries over into FY22.

Exhibit 8: We estimate 85% rent collection required to cover revised DPS

£m unless stated otherwise	
DPS (p)	2.5
Number of shares (m)	545.5
Total dividends paid	13.6
Edison estimated administrative expenses	(5.0)
Edison estimated net finance expense	(7.9)
Edison estimated other income	1.0
Edison estimated property operating costs	(2.3)
Edison estimated property void costs	(3.0)
Required gross cash rental income	30.8
Opening contracted rent roll	36.2
Required "rental income" as % opening contracted rent roll	85%

Source: Edison Investment Research

There are a number of factors likely to impact the full-year level of cash rents and the potential for a recovery in the quarterly level of DPS, as well as the likely divergence between cash-collected rents and the level of IFRS rental income (including much of any deferred rents during the year) in the income statement. These include:

- Ongoing collection rates. We would expect these to improve from the September rent quarter onwards.
- The speed with which deferred rents and outstanding rents are settled. Picton expects collection of currently agreed rent deferrals to continue through FY21 and FY22.

- The rate of impairment on deferred and outstanding rents. We would expect some of the deferred rents to eventually become impaired and a potentially larger share of the outstanding rents.
- Impairment of deferred/outstanding rents should be accompanied by increasing voids, but other changes to the void rate should be expected including, positively, the potential for reversionary capture.
- Acquisitions. We do not expect any immediate activity but as market conditions become clearer this is possible and we estimate that an increase in LTV to 25% would provide room for c £27m in acquisitions, adding perhaps £1.5m to annualised rent roll.

We have not made a specific forecast at this stage but believe the reduced DPS level has been set prudently with upside potential from an improving collection environment and capturing of some of the reversionary potential in the portfolio. Including all of the variables above, if the total cash rent collected in FY21 were equal to 90% of the start year annualised rent roll then dividend-paying capacity increases to 2.82p and at 95% it is 3.15p. Continuing collection of FY21 rent deferrals through FY22 would indicate a further improvement in cash flow in FY22, all other things being equal.

For the current year, the IFRS rental income reported in the income statement is likely to exceed the level of cash rents collected, as much of the rent deferred will still be recorded as income. For now, we expect the company to base dividend decisions on the cash figure. In FY22 it may be the case that cash rents exceed IFRS rental income as deferrals fall away and collection of FY21 rent continues.

If accounting income exceeds cash rental income in the current year and dividends are based on the latter, the retained earnings should support NAV.

NAV

We have similarly not made an estimate of capital value movements but note that based on the end-FY20 balance sheet to close the current P/NAV discount, allowing for the impact of gearing, would require a decline in portfolio value of slightly more than 20%.

Each 1% increase/decrease in the value of the end-FY20 portfolio value increases/reduces EPRA NAV by 1.2p.

We would expect a positive impact on property valuations from any progress with letting refurbished space, offset by some general downward pressure on market-wide property valuations, although less so in the industrial and office sectors, as well as from weaker rent collection.

Valuation

In the five-year period ending 31 March 2020 (end-FY20) Picton generated a cumulative NAV total return (change in NAV plus dividends paid) of 60.2% (without assuming reinvestment of dividends) or a compound annual average return of 9.9%. Dividends are an important source of the return (just over 40%) but so too is reinvestment in the portfolio to improve assets and enhance longer-term total return.

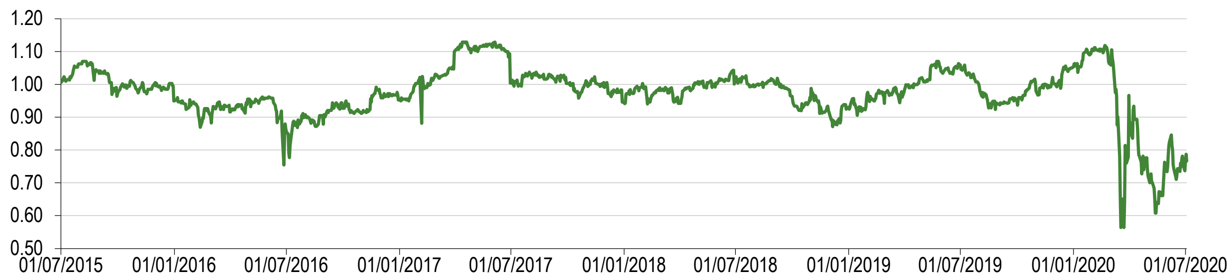
Exhibit 9: Five-year EPRA NAV total return history

Year ending 31 March	FY16	FY17	FY18	FY19	FY20	Cumulative end-FY15 to end-FY20
Opening EPRA NAV per share (p)	69	77	82	90	93	69
Closing EPRA NAV per share (p)	77	82	90	93	93	93
DPS paid (p)	3.30	3.30	3.40	3.50	3.50	17
EPRA NAV total return	17.6%	10.2%	14.7%	6.4%	4.4%	60.2%
Compound annual total return						9.9%

Source: Picton data, Edison Investment Research

At the currently reduced annualised rate of quarterly dividends of 2.5p, the prospective yield is c 3.7% and the P/NAV ratio is 0.73x. This compares with an average of 0.97x over the past five years.

Exhibit 10: Five-year P/NAV history



Source: Refinitiv data at 3 July 2020

In Exhibit 11 we show a summary performance and valuation comparison of Picton and what we consider to be its closest diversified income-oriented peers. Picton shares have declined over 12 months but by less than the peer average. However, the peer group performance is below that of the broad UK property sector where some of the long-income focused specialist REITs and industrial-focused REITs have been outperformers. In terms of valuation we show the trailing yield based on aggregate declared DPS over the past 12 months as well as the forward-looking yield based on the most recently declared DPS annualised. Neither is entirely satisfactory as the sector remains in a state of flux, with some companies having indicated a reduced DPS pay-out for the time being and some postponing DPS payments altogether until later in the year. It will take some time before the full-year prospective DPS outlook becomes clearer and a true comparison can be made. We believe the outperformance of Picton shares versus the peer group and its slightly higher P/NAV reflects the company's strong track record of property level performance, the future income and valuation growth potential embedded in its portfolio, and its strong balance sheet with relatively modest gearing.

Exhibit 11: Peer group valuation and performance comparison

	Price (p)	Market cap (£m)	P/NAV (x)*	Trailing yield (%)**	Annualised yield (%)***	Share price performance			
						1 month	3 months	12 months	From 12M high
Ediston Property	53	112	0.49	10.8	7.5	8%	8%	-45%	-46%
BMO Real Estate Investments	59	143	0.60	7.4	4.2	-4%	19%	-27%	-34%
BMO Commercial Property Trust	59	474	0.48	7.6	0.0	-24%	-26%	-49%	-52%
Custodian	87	367	0.86	7.6	3.4	-5%	-10%	-26%	-27%
Regional REIT	73	315	0.65	11.3	10.4	-7%	-15%	-32%	-40%
Schroder REIT	33	172	0.55	6.3	0.0	-13%	-5%	-42%	-43%
Standard Life Investment Property	58	236	0.64	8.2	0.0	-18%	-24%	-39%	-41%
Average			**0.61**	**8.4**	**3.7**	**-9%**	**-8%**	**-37%**	**-40%**
Picton	68	373	0.73	4.8	3.7	-9%	-17%	-29%	-37%
	Index level				**Prospective yield (%)**				
UK property index	1,458				3.1	-5%	-4%	-14%	-26%
FTSE All-Share Index	3,352				3.6	-4%	4%	-18%	-21%

Source: Company data. Refinitiv prices at 9 July 2020. Note: *Based on last reported EPRA NAV; **based on DPS declared in past 12 months; ***based on last declared DPS annualised.

Exhibit 12: Financial summary

Year end 31 March	£'000s	2016	2017	2018	2019	2020
		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Rents receivable, adjusted for lease incentives		39,663	40,555	41,412	40,942	37,780
Other income		1,107	7,356	1,443	1,073	1,155
Service charge income		5,153	6,487	5,927	5,718	6,729
Revenue from properties		45,923	54,398	48,782	47,733	45,664
Property operating costs		(3,308)	(3,501)	(2,578)	(2,342)	(2,293)
Property void costs		(1,540)	(2,023)	(1,830)	(1,373)	(3,005)
Recoverable service charge costs		(5,153)	(6,487)	(5,927)	(5,718)	(6,729)
Property expenses		(10,001)	(12,011)	(10,335)	(9,433)	(12,027)
Net property income		35,922	42,387	38,447	38,300	33,637
Administrative expenses		(4,411)	(5,249)	(5,566)	(5,842)	(5,563)
Operating Profit before revaluations		31,511	37,138	32,881	32,458	28,074
Revaluation of investment properties		44,171	15,087	38,920	10,909	(-882)
Profit on disposals		799	1,847	2,623	379	3,479
Operating Profit		76,481	54,072	74,424	43,746	30,671
Net finance expense		(11,417)	(10,823)	(9,747)	(9,088)	(8,286)
Debt repayment fee					(3,245)	
Profit Before Tax		65,064	43,249	64,677	31,413	22,385
Taxation		(216)	(499)	(509)	(458)	124
Profit After Tax (IFRS)		64,848	42,750	64,168	30,955	22,509
Adjust for:						
Investment property valuation movement		(44,171)	(15,087)	(38,920)	(10,909)	882
Profit on disposal of investment properties		(799)	(1,847)	(2,623)	(379)	(3,479)
Exceptional income /expenses		0	(5,250)	0	3,245	0
Profit After Tax (EPRA)		19,878	20,566	22,625	22,912	19,912
Fully diluted average Number of Shares Outstanding (m)		540.1	540.1	539.7	541.0	546.2
EPS (p)		12.01	7.92	11.89	5.75	4.14
EPRA EPS (p)		3.68	3.81	4.19	4.25	3.66
Dividends paid per share (p)		3.300	3.300	3.400	3.500	3.500
Dividend cover (x)		112%	115%	122%	121%	105%
EPRA cost ratio including direct vacancy costs)		22.8%	26.1%	23.7%	22.9%	28.3%
BALANCE SHEET						
Fixed Assets		649,406	615,187	670,679	676,127	654,506
Investment properties		646,018	615,170	670,674	676,102	654,486
Other non-current assets		3,388	17	5	25	20
Current Assets		37,408	49,424	50,633	39,477	41,168
Debtors		14,649	15,541	19,123	14,309	17,601
Cash		22,759	33,883	31,510	25,168	23,567
Current Liabilities		(47,521)	(20,635)	(22,292)	(23,342)	(20,434)
Creditors/Deferred income		(18,430)	(20,067)	(21,580)	(22,509)	(19,546)
Short term borrowings		(29,091)	(568)	(712)	(833)	(888)
Long Term Liabilities		(222,161)	(202,051)	(211,665)	(192,847)	(165,957)
Long term borrowings		(220,444)	(200,336)	(209,952)	(191,136)	(164,248)
Other lon -term liabilities		(1,717)	(1,715)	(1,713)	(1,711)	(1,709)
Net Assets		417,132	441,925	487,355	499,415	509,283
Net Assets excluding goodwill and deferred tax		417,132	441,925	487,355	499,415	509,283
NAV/share (p)		77	82	90	93	93
Fully diluted EPRA NAV/share (p)		77	82	90	93	93
CASH FLOW						
Operating Cash Flow		33,283	36,283	35,088	34,756	21,361
Net Interest		(8,836)	(9,211)	(9,125)	(8,630)	(7,943)
Tax		(426)	(232)	(328)	(845)	123
Net cash from investing activities		(68,123)	48,691	(17,811)	10,251	24,994
Ordinary dividends paid		(17,822)	(17,957)	(18,487)	(18,860)	(19,039)
Debt drawn/(repaid)		14,591	(46,450)	9,183	(22,616)	(27,204)
Net proceeds from shares issued/repurchased		0	0	(893)	(398)	6,107
Other cash flow from financing activities						
Net Cash Flow		(47,333)	11,124	(2,373)	(6,342)	(1,601)
Opening cash		70,092	22,759	33,883	31,510	25,168
Closing cash		22,759	33,883	31,510	25,168	23,567
Debt as per balance sheet		(249,535)	(200,904)	(210,664)	(191,969)	(165,136)
Un-amortised loan arrangement fees		0	(3,740)	(3,376)	(2,700)	(2,329)
Closing net (debt)/cash		(226,776)	(170,761)	(182,530)	(169,501)	(143,898)
Net LTV		34.6%	27.3%	26.7%	24.7%	21.7%

Source: Picton Property Income data, Edison Investment Research

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