

Regional REIT

Creating value through asset management

FY18 results

Real estate

Regional REIT (RGL) performed strongly in FY18, generating a 16.6% EPRA NAV total return, including a strong contribution from progressive dividends. Significant transaction activity has refreshed the portfolio for further asset management-driven growth and contributed to reduced gearing, while debt funding has become more flexible and lower cost. We expect reinvestment of disposal proceeds, occupancy and rental growth and lower funding costs to drive growth, with DPS further increased and fully covered by adjusted earnings.

Year end	Net rental income (£m)	Adjusted EPS* (p)	EPRA NAV/ share (p)	DPS (p)	P/EPRA NAV (x)	Yield (%)
12/17	45.8	8.6	105.9	7.85	1.01	7.3
12/18	54.4	7.5	115.5	8.05	0.93	7.5
12/19e	55.2	8.5	116.7	8.25	0.92	7.7
12/20e	55.7	8.6	117.8	8.45	0.91	7.9

Note: *Adjusted EPS excludes revaluation movements, gains/losses on disposal, and other non-recurring items, as well as the performance fees (included in EPRA earnings and EPS).

Strong capital and income returns

Substantial capital recycling in FY18 generated significant capital gains while providing an opportunity to refresh the portfolio for future growth. Disposals at prices well ahead of valuation and at yields well below reinvestment levels generated significant capital gains in FY18. They demonstrate RGL's ability to create value through asset management, with EPRA NAV per share up 9% to 115.5p and DPS increased 2.5% to 8.05p. Earnings growth and dividend cover were temporarily affected by the time lag to reinvestment and additional interest costs related to the issue of retail eligible bonds ahead of repayment of more expensive debt, but we expect the benefits to be seen in FY19.

Outlook and forecasts little changed

RGL says occupational demand in its core regional office and light industrial property markets remains strong and it has yet to see any notable impacts from the continuing Brexit negotiations. Lettings progress has continued into FY19. With end-FY18 LTV reduced to 38.3%, below the target 40%, RGL is well placed to take advantage of market opportunities that may arise. Our forecasts are little changed and we continue to forecast DPS growth broadly in line with inflation, fully covered by adjusted earnings.

Valuation: Strong returns with income focus

RGL shares have performed well, but the prospective yield, approaching 8%, remains among the highest in the sector. Dividend policy is progressive and we expect DPS to be fully covered by adjusted earnings in FY19. The geographic spread of its non-London portfolio, its sector and tenant diversity and high asset yield all mitigate macroeconomic risks.

11 April 2019

Price 106p
Market cap £399m

Net debt (£m) at 31 December 2018	275.5
Net LTV at 31 December 2018	38.3%
Shares in issue	372.8m
Free float	97%
Code	RGL
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



Business description

Regional REIT owns a highly diversified commercial property portfolio of predominantly offices and light industrial units located in the regional centres of the UK. It is actively managed and targets a total shareholder return of at least 10% with a strong focus on income.

Next events

AGM	23 May 2019
Trading update	23 May 2019

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Strong returns and strategic progress in FY18

RGL performed strongly in FY18, generating an EPRA NAV total return of 16.6% including a significant contribution from dividend income, with DPS further increased during the year. It was an active year for portfolio transactions, with substantial capital recycling generating significant capital gains and providing an opportunity to refresh the portfolio for future growth. However, with sales running ahead of reinvestment during the year, portfolio income growth was dampened. RGL was also active in terms of refinancing borrowing facilities, extending and staggering maturity dates, increasing flexibility and reducing the average cost. In August it successfully issued £50m of retail eligible bonds at 4.5% due in 2024. The proceeds have allowed for repayment of more expensive facilities, lowering future interest costs, but incurring some temporary 'double financing costs'. The temporary dampening of income and additional debt-related costs had a noticeable impact on the FY18 adjusted earnings growth and dividend cover but will support future returns. We expect FY19 income and earnings to benefit from reinvestment of disposal proceeds, continued occupancy and rental growth and interest savings from the repayment of higher-cost debt. We expect the FY19 DPS to increase and be fully covered by adjusted earnings.

Exhibit 1: Summary of FY18 results

£m unless stated otherwise	2018			2017			2018/2017
	IFRS	Adjustments	Adj. earnings	IFRS	Adjustments	Adj. earnings	Adj. earnings
Rental income	74.0		74.0	61.6		61.6	20.1%
Property costs	(19.6)		(19.6)	(15.8)		(15.8)	24.6%
Net rental income	54.4		54.4	45.8		45.8	18.6%
Administrative & other expenses	(10.5)		(10.5)	(7.8)		(7.8)	34.8%
Performance fee	(7.0)	7.0	0.0	(1.6)	1.6	0.0	
Operating profit before gains/(losses) on property	36.8	7.0	43.8	36.4	1.6	38.0	15.3%
Gain on disposal of investment property	23.1	(23.1)	0.0	1.2	(1.2)	0.0	
Change in fair value of investment property	23.9	(23.9)	0.0	5.9	(5.9)	0.0	
Operating profit	83.8	(40.0)	43.8	43.5	(5.5)	38.0	15.3%
Net finance expense	(15.7)	0.4	(15.3)	(14.5)	2.5	(12.0)	27.3%
Impairment of goodwill/change in fair value of derivatives	(0.1)	0.1	(0.0)	(0.3)	0.2	(0.2)	
Profit before tax	67.9	(39.4)	28.5	28.7	(2.9)	25.8	10.6%
Tax	(0.6)	0.0	(0.6)	(1.6)	1.4	(0.2)	
Net profit	67.4	(39.4)	27.9	27.1	(1.4)	25.6	9.2%
Other data							
Basic IFRS EPS (p)			18.1			9.1	
Diluted EPRA EPS (p)			5.6			8.1	
Diluted adjusted EPS			7.5			8.6	-12.9%
DPS (p)			8.05			7.85	2.5%
Diluted EPRA NAV (p)			115.5			105.9	9.0%
Investment properties			718.4			737.3	-2.6%
Net LTV			38.3%			45.0%	-6.7pp

Source: Regional REIT

The key highlights of the results and more recent activity are:

- Net rental income growth of c 19% reflected a full-year contribution from the significant acquisitions made in FY17. Growth would have been higher but for the asset management driven disposals in FY18, exceeding the impact of reinvestment.
- Occupancy increased during the year, to 89.4% on an EPRA basis (end-FY17: 88.2%) and by portfolio value to 87.3% (end-FY17: 85.0%). The larger increase by value reflects success in letting refurbishment properties, excluded from the EPRA measure.
- Disposals amounted to £149.3m (after costs) during the year, at a weighted average net initial yield (NIY) of c 5.7%, compared with acquisitions amounting to £73.3m (before costs) at an average net initial yield of c 8.7%. The low average yield on disposals partly benefitted from the

sale of some non-income generating assets but nevertheless allowed RGL to lock in a strongly positive yield arbitrage and generated realised gains of £23.1m. The disposals and reinvestment are a clear demonstration of management's ability to generate value through asset management activity and reposition the portfolio for future growth opportunities. As previously reported, since the end of FY18 RGL has acquired Norfolk House in central Birmingham for £20.0m (before costs), with a net initial yield of 7.9%.

- Unrealised property revaluation gains were £23.9m, reflecting a like-for-like gain of 4.5%. Capital values for both the office (76.1% of the end-FY18 portfolio value) and industrial assets (15.5%) are well below management's estimate of replacement value, a positive indicator for future returns.
- Although the portfolio value of investment properties reduced slightly y-o-y driven by net sales, the average portfolio was higher in FY18, reflecting the acquisitions completed late in FY17. This was the main driver of administrative expenses (excluding performance fees) and financing costs. FY17 administrative costs also benefitted from non-recurring VAT recoveries. The performance fee reflects strong EPRA NAV total returns; excluding this, the EPRA cost ratio increased slightly to 28.6% from 26.6% in FY17.
- Adjusted earnings, which exclude revaluation movements and performance fees, increased c 9% to £28.0m and adjusted EPS was 7.5p (FY17: 8.6p), reflecting the higher average number of shares in issue during the year (following issuance for acquisitions in late FY17). We believe that the terms of the end-FY17 acquisitions were accretive to earnings, such that the FY18 EPS decline can best be seen in terms of the temporary income drag from portfolio repositioning and the short-term additional costs incurred during the year.
- Conversely, the benefits of the year's portfolio activity can be best seen in EPRA NAV per share, which increased c 9% to 115.5p after dividends paid. Including dividends paid, the EPRA NAV total return for the year was 16.6%.
- Aggregate quarterly dividends in FY18 increased 2.5% and in the absence of unforeseen circumstances, RGL intends to continue its progressive dividend policy. The Q119 DPS will be declared on 23 May 2019.
- FY18 was also an active year in terms of financing, with facilities extended and increased, the issue of a £50m a retail eligible bond issue at 4.5% due in 2024 in August, and the subsequent repayment of more expensive facilities. Since end-FY18, £39.9m has been paid to the holders of the 6.5% zero dividend preference shares (ZDPs) upon maturity in January. Following the ZDP repayment, the group's cost of borrowing including hedging costs has reduced to c 3.5% with an average remaining term (at 9 January 2019) of 7.1 years. The year-end LTV fell to 38.3%, below the medium-term target of 40%, benefitting from disposals running ahead of reinvestment.

In a positive outlook statement, RGL says it has yet to see any notable change in occupier demand for its assets as a result of the continuing Brexit negotiations and lettings have remained strong into FY19. The company expects its continuing asset management strategy and the continued strength of occupational demand in its core regional office and light industrial property markets will continue to deliver attractive income and capital growth opportunities. With substantial net sales in FY18 and increased flexibility in debt facilities, RGL may be able to benefit from a potentially broader array of opportunities that recently increased Brexit and economic uncertainty may create.

Strategy and portfolio update

Capital recycling is an important element investment strategy

Capital recycling is at the heart of RGL's strategy. Supported by its fully integrated in-house asset management platform, it seeks to opportunistically acquire attractively priced, income-producing assets that will benefit from active management and may subsequently be sold to realise the value thereby created. During FY18, RGL took advantage of good investment demand to dispose of properties where its asset management plans were complete and, in some cases, where plans were yet to reach maturity but where it had identified that a better risk-adjusted return was available by selling at prevailing market prices, well above valuations. This included the strategic decision to sell 47% of the firm's industrial portfolio into what it identified as an overheating investment market, particularly in the first half of the year. RGL says it continues to identify attractive asset management opportunities and we would expect capital recycling to continue, although at a slower pace than in FY18. In our forecasting, we assume an unchanged portfolio (other than the early February acquisition of Norfolk House in Birmingham), which implicitly allows for further sales to be matched by acquisitions despite likely short-term timing differences. In FY18, RGL front-loaded disposals, taking advantage of strong investor demand and anticipating the potential for the approach of the Brexit negotiation deadline to introduce some caution into the investment market. In the current year, we would not be surprised to see acquisitions lead disposals, for which existing cash balances and the more flexible borrowing facilities provide headroom. RGL has always been opportunistic in its approach to acquisitions and, should more significant opportunities present themselves in the coming months, we would expect the company to weigh the potential against any possible need for additional capital resources.

Diversification is a key part of portfolio strategy

At end-FY18 the property portfolio was valued at £718.4m (end-FY17: £737.3m), with a contracted rental income of £59.7m (end-FY17: £61.9m). On an EPRA basis (which excludes refurbishment properties) occupancy increased to 89.4% (end-FY17 88.2%). Measured by value, which unlike EPRA includes refurbishment properties, an important part of RGL's strategy, occupancy increased at a slightly faster pace to 87.3% at end-FY18 (end-FY17: 85.0%). The weighted average lease term (WAULT) to first break was 3.4 years and the valuation at that date reflected a net initial yield of 6.5%, unchanged on end-FY17. The estimated rental value (ERV) of £70m reflects a reversionary yield of 8.8%.

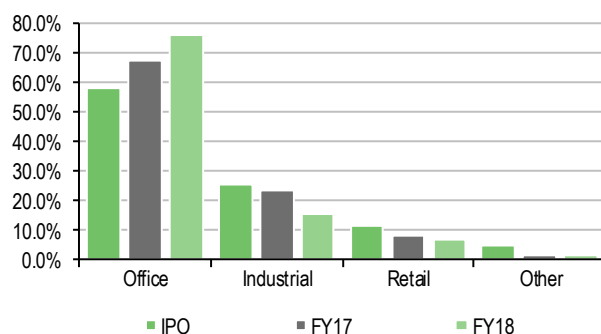
Exhibit 2: Portfolio summary

	FY18	FY17
Valuation (£m)	718.4	737.3
Number of properties	150	164
Number of property units	1,192	1,368
Number of tenants	874	1,026
Contracted rents (£m)	59.7	61.9
WAULT to first break (years)	3.4	3.5
Estimated rental value, ERV (£m)	70	73.8
Occupancy (by value)	87.3%	85.0%
Net initial yield	6.5%	6.5%
Reversionary yield	8.8%	9.2%

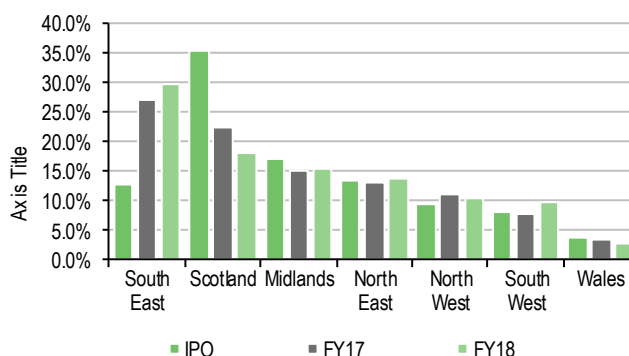
Source: Regional REIT

RGL's strategy is focused on regional offices and light industrial property (91.6%), with relatively small exposure to retail and other assets, likely to be disposed of over time. The strategic sale of industrial assets during FY18 saw the industrial weighting of the portfolio reduce to 15.5% (end-FY17: 23.3%), with a corresponding increase in the office weighting to 76.1% (67.3%). The shift appears well timed, with the investment market for industrial assets showing some recent cooling.

In the office sector, the regional assets are performing well due to the continued demand for space and the potential for rents to increase from relatively low levels. Reinforcing the strategic direction that RGL has taken since IPO, exposure to better-performing areas of the UK such as the south-east increased further, while exposure to Scotland reduced and is approaching the medium-term target of c 15%.

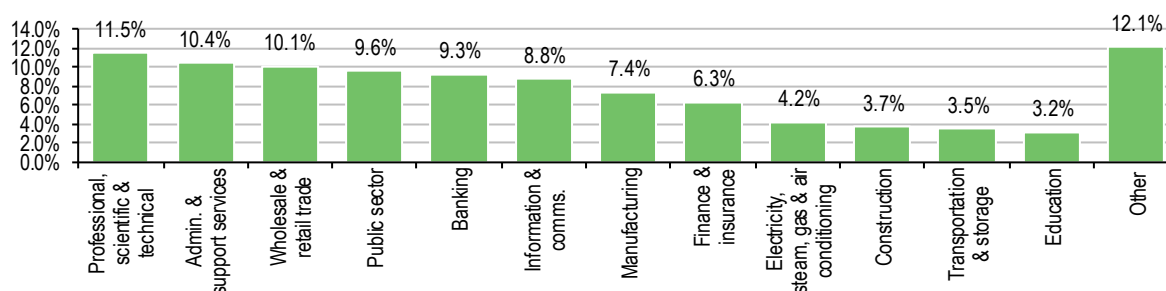
Exhibit 3: Portfolio split by sector


Source: Regional REIT. Note: By value.

Exhibit 4: Portfolio split by region


Source: Regional REIT. Note: By value.

Maintaining a highly diversified tenant base is a key element of mitigating economic and sector risks to income. RGL pays close attention to the business of its tenants, of which there are nearly 900, and the breadth of its exposures can fairly be said to represent the whole UK economy (Exhibit 5).

Exhibit 5: Standard industrial classification of tenants as % gross income


Source: Regional REIT

Financials

Strong performance, slightly ahead of our estimates

FY18 EPRA earnings and EPS were a little ahead of our estimates, driven by net rental income, while DPS had been previously announced. The LTV, similarly pre-announced with RGL's portfolio valuation update in February, was lower than our last published estimates. As explained in our [recent update](#), these estimates had assumed re-investment of disposal proceeds in late in FY18, affecting our forecast end-FY18 LTV, but coming too late in the year to contribute to income. The first re-investment came in early February with the £20m acquisition of Norfolk House.

The changes to our FY19 estimates are modest and we continue to forecast DPS growth broadly in line with inflation, fully covered by adjusted earnings. There is a slight reduction in forecast net rental income, resulting from lower assumed net property acquisitions (see below) and forecast

EPRA NAV per share is slightly affected by our more cautious approach to revaluation movements, as discussed below. We also introduce a FY20 forecast for the first time, anticipating continued growth in fully covered DPS, with modest growth in EPRA NAV per share.

Exhibit 6: Performance versus estimates and estimate revisions

	Net rental income (£m)			Adjusted EPS* (p)			EPRA NAV (p)			DPS (p)			Net LTV		
	Actual	Est.	% diff.	Actual	Est.	% diff.	Actual	Est.	% diff.	Actual	Est.	% diff.	Actual	Est.	% diff.
12/18a	54.4	53.5	2%	7.5	7.3	3%	115.5	114.8	1%	8.05	8.05	0%	38.3%	39.5%	-1.2pp
	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.	New	Old	% chg.	New	Old	Diff.
12/19e	55.2	56.0	-1%	8.5	8.6	-1%	116.7	118.3	-1%	8.25	8.25	0%	40.4%	39.1%	1.3pp
12/20e	55.7	N/A	N/A	8.6	N/A	N/A	117.8	N/A	N/A	8.45	N/A	N/A	40.5%	N/A	N/A

Source: Edison Investment Research

FY19 growth from re-investment, leasing and interest savings

The c 14% growth in adjusted earnings that we forecast for FY19 is driven by reinvestment, occupancy and rental growth and interest savings from the repayment of higher-cost debt. We have assumed aggregate dividends per share will grow by c 2.5% to 8.25p and expect these to be fully covered by adjusted earnings per share of 8.5p. Our main forecasting assumptions are:

- We have included the £20m acquisition of Norfolk House, adding an annualised c £1.7m to net rental income, but otherwise assume an unchanged portfolio. Compared with our previous forecast of £40m in acquisitions in late FY18, this represents a c £20m reduction in acquisition-led growth. In reality we would expect RGL to continue to be active, but with disposals and reinvestment more closely balanced than in FY18. Although balanced, this activity has the potential to generate realised gains that are not reflected in forecasts as well as providing further asset management opportunities.
- We have assumed a continuing reduction in voids, with portfolio occupancy (by value) increasing to 88.0% by end-FY19 and 89.0% by end-FY20 (end-FY18: 87.3%), and c 0.5% pa rental growth.
- We assume gross revaluation gains in line with rental growth (0.5% pa), reduced at the net level in FY19 by acquisition costs for Norfolk House (we assume £300k). Given general market uncertainties, this is a slightly more conservative assumption than previously (revaluation equal to c 1.5% of the opening value), which had also allowed for a positive impact from void reduction. Our estimates imply a broadly unchanged 6.5% NIY and we estimate that a 0.25% increase in market yields would reduce FY19e EPRA NAV per share by 7.1p, while a 0.25% reduction would increase it by 8.0p per share.
- Our cash flow analysis allows for payment of the cumulative performance fees of £8.9m from IPO to end-FY18 to be paid in cash during H119. We had previously assumed that 50% of this would be settled by share issuance, but while the share price remains below EPRA NAV this will not be the case.
- Including settlement of the performance fee and the acquisition of Norfolk House, we expect LTV to pick up slightly from the end-FY18 level, but to remain at c 40%, in line with RGL's target.

Valuation

RGL targets a medium-term annual total return of more than 10% and the strong 16.6% EPRA NAV total return in FY18 takes the total return generated since IPO in November 2015 to 37.5%, or a compound average annual return of 10.6%. The strong income focus is clear, with growing dividends per share contributing 59% of the total return over the period.

Exhibit 7: NAV total return

	2015*	2016	2017	2018	Since IPO
Opening EPRA NAV per share (p)	100.0	107.8	106.9	105.9	100.0
Closing EPRA NAV per share (p)	107.8	106.9	105.9	115.5	115.5
Dividends per share paid (p)	0.00	6.25	7.80	8.00	22.05
NAV total return (%)	7.8%	5.0%	6.4%	16.6%	37.5%
Compound return (%)					10.6%

Source: Regional REIT. Note: *55-day period from 6 November 2015.

RGL's high dividend yield continues to be at the very top end of the broad UK property sector. For FY19 we forecast the DPS to be both higher and fully covered by adjusted earnings, representing a prospective yield approaching 8%.

In Exhibit 8 we show a comparison with a narrow group of peers that are similarly focused on regional commercial property. To ease comparison, this data is based on 12-month trailing DPS declared and last published NAV. Compared with this narrower group, RGL's yield is also well above the average. Its c 8% share price discount to the end-FY18 EPRA NAV per share is lower than the average for the narrower group of peers and is lower than the average for the broad UK property market (we estimate at 10% discount). Within the group, those companies with an income focus, like RGL, and covered dividends tend to have the higher P/NAV ratings.

Exhibit 8: Peer comparison

	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
					1 month	3 months	12 months	From 12M high
Circle Property	197	56	0.71	2.8	8%	2%	26%	-23%
Custodian REIT	114	454	1.05	5.7	-1%	-2%	0%	-7%
Mucklow	505	320	0.88	4.6	-1%	2%	-3%	-12%
Picton	92	496	0.99	3.8	4%	6%	5%	-1%
Real Est Inv	55	102	0.79	6.5	11%	4%	-2%	-12%
Schroder REIT	58	300	0.84	4.4	1%	2%	-3%	-14%
Palace Capital	284	130	0.67	6.7	-6%	-9%	-13%	-23%
UK Commercial Property Trust	88	1137	0.94	4.2	1%	-1%	-2%	-4%
F&C Com Prop	119	953	0.85	5.0	-4%	-10%	-15%	-23%
F&C UK Real Est Inv	92	220	0.86	5.5	2%	-7%	-11%	-16%
Average			0.86	4.9	1%	-1%	-2%	-13%
Regional REIT	107	399	0.94	7.5	5%	14%	7%	0%
UK property index	1,725			4.5	0%	7%	-4%	-8%
FTSE All-Share Index	4,065			4.5	4%	8%	3%	-6%

Source: Company data, Edison Investment Research. Note: *Last reported EPRA NAV per share and trailing 12-month DPS declared. Prices as at 8 April 2019.

RGL shares have performed more strongly than the narrow peer group, the broad UK property sector, and the FTSE All-Share Index on a one, three and 12-month basis, which we attribute to its ability to demonstrate strong asset management returns, commitment to a progressive dividend policy and reduced LTV. Given the high prospective yield, the prospect of a return to fully covered dividends in FY19 has the potential to support a further re-rating of the shares.

Exhibit 9: Financial summary

Year end 31 December (£000's)	2015	2016	2017	2018	2019e	2020e
PROFIT & LOSS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Rental income	5,361	42,994	61,610	74,019	74,034	74,637
Property costs	(754)	(4,866)	(15,763)	(19,644)	(18,822)	(18,976)
Net rental income	4,608	38,128	45,847	54,375	55,212	55,662
Administrative expenses (excluding performance fees)	(1,353)	(7,968)	(7,819)	(10,540)	(10,309)	(10,385)
Performance fees	0	(249)	(1,610)	(7,046)	(36)	(344)
EBITDA	3,255	29,911	36,418	36,789	44,867	44,933
EPRA cost ratio	N/A	N/A	29.7%	40.1%	27.7%	28.2%
EPRA cost ratio excluding performance fee	N/A	N/A	26.6%	28.6%	27.7%	27.7%
Gain on disposal of investment properties	87	518	1,234	23,127	0	0
Change in fair value of investment properties	23,784	(6,751)	5,893	23,881	3,356	3,762
Operating profit before financing costs	27,126	23,678	43,545	83,797	48,224	48,695
Exceptional items	(5,296)	0	0	0	0	0
Net finance expense	(820)	(8,629)	(14,513)	(15,715)	(13,176)	(13,176)
Net movement in the fair value of derivative financial investments and impairment of goodwill	115	(1,654)	(340)	(142)	0	0
Profit Before Tax	21,124	13,395	28,692	67,940	35,048	35,519
Tax	0	23	(1,632)	(567)	0	0
Profit After Tax (FRS 3)	21,124	13,418	27,060	67,373	35,048	35,519
Adjusted for the following:						
Net gain/(loss) on revaluation/disposal of investment properties	(23,870)	6,233	(7,127)	(47,008)	(3,356)	(3,762)
Net movement in the fair value of derivative financial investments	(180)	865	(407)	(459)	0	0
Other EPRA adjustments including deferred tax adjustment	0	557	4,488	987	0	0
EPRA earnings	(-2,926)	21,073	24,014	20,893	31,691	31,757
Performance fees & exceptional items	5,296	249	1,610	7,046	36	344
Adjusted earnings	2,371	21,322	25,624	27,939	31,727	32,100
Period end number of shares (m)	274.2	274.2	372.8	372.8	372.8	372.8
Fully diluted average number of shares outstanding (m)	274.2	274.3	297.7	372.8	372.8	372.8
IFRS EPS - fully diluted (p)	7.7	4.9	9.1	18.1	9.4	9.5
Adjusted EPS, fully diluted (p)	0.9	7.8	8.6	7.5	8.5	8.6
EPRA EPS, fully diluted (p)	(1.1)	7.7	8.1	5.6	8.5	8.5
Dividend per share, declared basis (p)	1.00	7.65	7.85	8.05	8.25	8.45
Dividend cover	N/A	101.6%	109.7%	93.1%	103.2%	101.9%
BALANCE SHEET						
Non-current assets	407,492	506,401	740,928	720,886	752,542	762,305
Investment properties	403,703	502,425	737,330	718,375	750,031	759,794
Other non-current assets	3,790	3,976	3,598	2,511	2,511	2,511
Current Assets	35,803	27,574	66,587	126,986	59,347	55,098
Other current assets	11,848	11,375	21,947	22,163	22,137	22,482
Cash and equivalents	23,954	16,199	44,640	104,823	37,210	32,616
Current Liabilities	(21,485)	(23,285)	(42,644)	(83,685)	(42,286)	(43,057)
Bank and loan borrowings - current	(200)	0	(400)	(40,216)	0	0
Other current liabilities	(21,285)	(23,285)	(42,244)	(43,469)	(42,286)	(43,057)
Non-current liabilities	(126,469)	(218,955)	(371,972)	(334,672)	(335,612)	(336,152)
Bank and loan borrowings - non-current	(126,469)	(217,442)	(371,220)	(334,335)	(335,275)	(335,815)
Other non-current liabilities	0	(1,513)	(752)	(337)	(337)	(337)
Net Assets	295,341	291,735	392,899	429,515	433,991	438,193
Derivative interest rate swaps & deferred tax liability	416	1,513	2,802	971	971	971
EPRA net assets	295,757	293,248	395,701	430,486	434,962	439,164
IFRS NAV per share (p)	107.7	106.4	105.4	115.2	116.4	117.5
Fully diluted EPRA NAV per share (p)	107.8	106.9	105.9	115.5	116.7	117.8
CASH FLOW						
Cash (used in)/generated from operations	(2,232)	31,434	40,251	38,817	43,711	45,358
Net finance expense	(424)	(6,626)	(9,167)	(11,923)	(11,636)	(11,636)
Tax paid	0	(1,715)	(236)	(1,467)	0	0
Net cash flow from operations	(2,656)	23,093	30,848	25,427	32,074	33,722
Net investment in investment properties	1,157	(99,286)	(8,267)	100,601	(28,300)	(6,000)
Acquisition of subsidiaries, net of cash acquired	26,659	(5,573)	(51,866)	(32,629)	0	0
Other investing activity	13	60	25	220	0	0
Net cash flow from investing activities	27,828	(104,799)	(60,108)	68,192	(28,300)	(6,000)
Equity dividends paid	0	(15,723)	(23,321)	(29,429)	(30,571)	(31,317)
Debt drawn/(repaid) - inc bonds and ZDP	(1,217)	91,417	13,921	(547)	(39,816)	0
Other financing activity	0	(1,744)	67,101	(3,460)	(1,000)	(1,000)
Net cash flow from financing activity	(1,217)	73,950	57,701	(33,436)	(71,387)	(32,317)
Net Cash Flow	23,955	(7,756)	28,441	60,183	(67,613)	(4,595)
Opening cash	0	23,955	16,199	44,640	104,823	37,210
Closing cash	23,955	16,199	44,640	104,823	37,210	32,616
Balance sheet debt	(126,669)	(217,442)	(371,620)	(374,551)	(335,275)	(335,815)
Unamortised debt costs	(1,875)	(2,618)	(4,843)	(5,752)	(5,212)	(4,672)
Closing net debt	(104,588)	(203,861)	(331,823)	(275,480)	(303,277)	(307,871)
LTV	25.9%	40.6%	45.0%	38.3%	40.4%	40.5%

Source: Regional REIT, Edison Investment Research

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