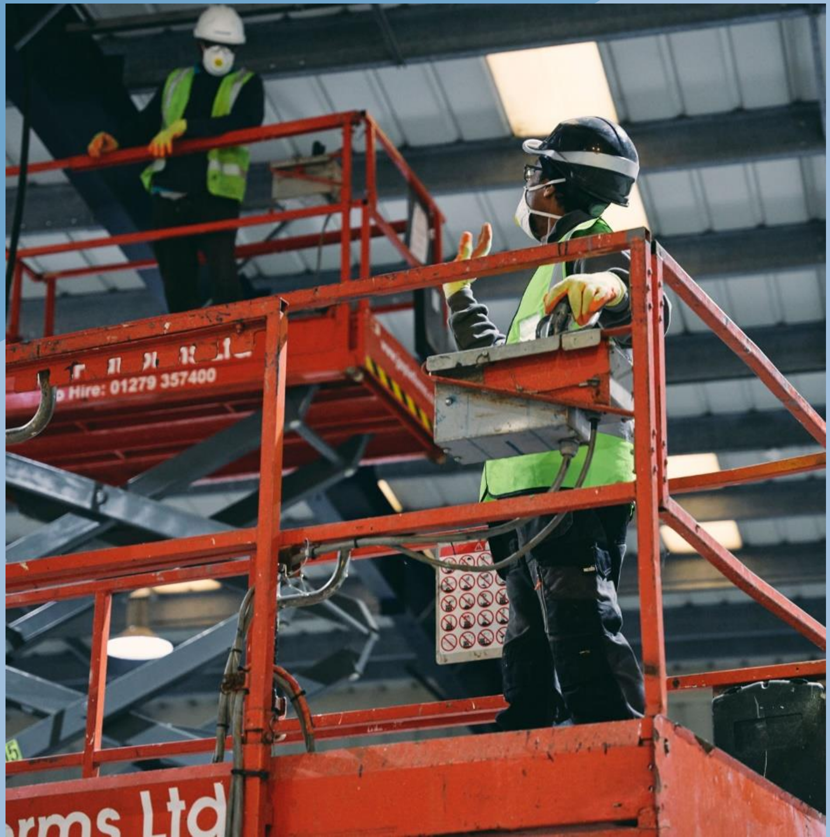
Picton

Picton Property Income Limited

Half Year Results

November 2023



Contents

PICTON

Overview

Picton at a glance

Established in 2005, we are an internally managed diversified UK REIT with a

£757 million

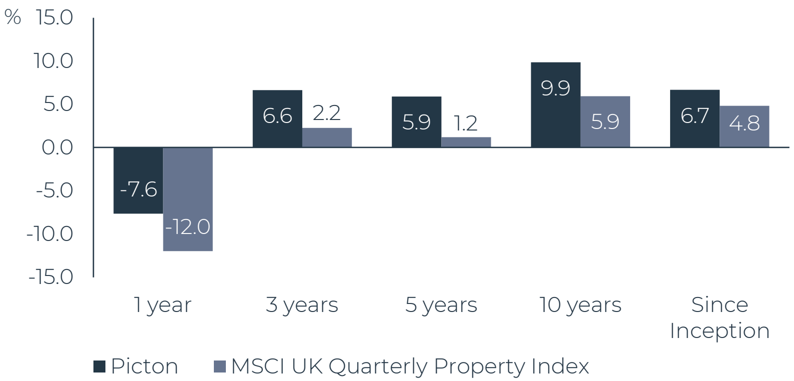
commercial property portfolio

Our purpose

To be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

Portfolio outperformance - Upper quartile performance since launch and outperformance for ten consecutive years against MSCI UK Quarterly Property Index

Annualised total property return (%)



Six months to September 2023

- Resilient financial results
- Supported by long-term fixed rate borrowings
- Active management contributing to MSCI outperformance
- Alternative use strategy to reduce office exposure
- Property portfolio valuation showing positive rental growth and limited capital decline

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Business overview

Industrial weighting

59%

London & South East	42%
Rest of UK	17%

Office weighting

31%

Central London	9%
Rest of UK	9%
South East	8%
Alternative use assets	5%

Retail and Leisure weighting

10%

Retail Warehouse	7%
High Street (Rest of UK)	2%
Leisure	1%

Portfolio

£757m
Value

5.0%
Net initial yield

6.8%
Reversionary yield

49
Assets

400
Occupiers

90%
Occupancy

Corporate

£537m
Net assets

£227m
Borrowings

1.2%
Cost ratio

£350m
Market capitalisation*

5.5%
Dividend yield*

28%
Loan to value

* As at 10 November 2023

Half year results

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Financial summary

Financial results

- EPRA earnings of £10.0 million
- Loss for the period of £1.4 million, driven by portfolio revaluation
- Dividend cover of 105%
- Net assets of £537 million, or 99p per share, a decrease of 1.9%
- EPRA NDV of £571 million, or 105p per share

99p

NAV per share

(31 March 2023: **100p**)

1.8p

EPRA earnings per share

(30 Sept 2022: **2.0p**)

1.75p

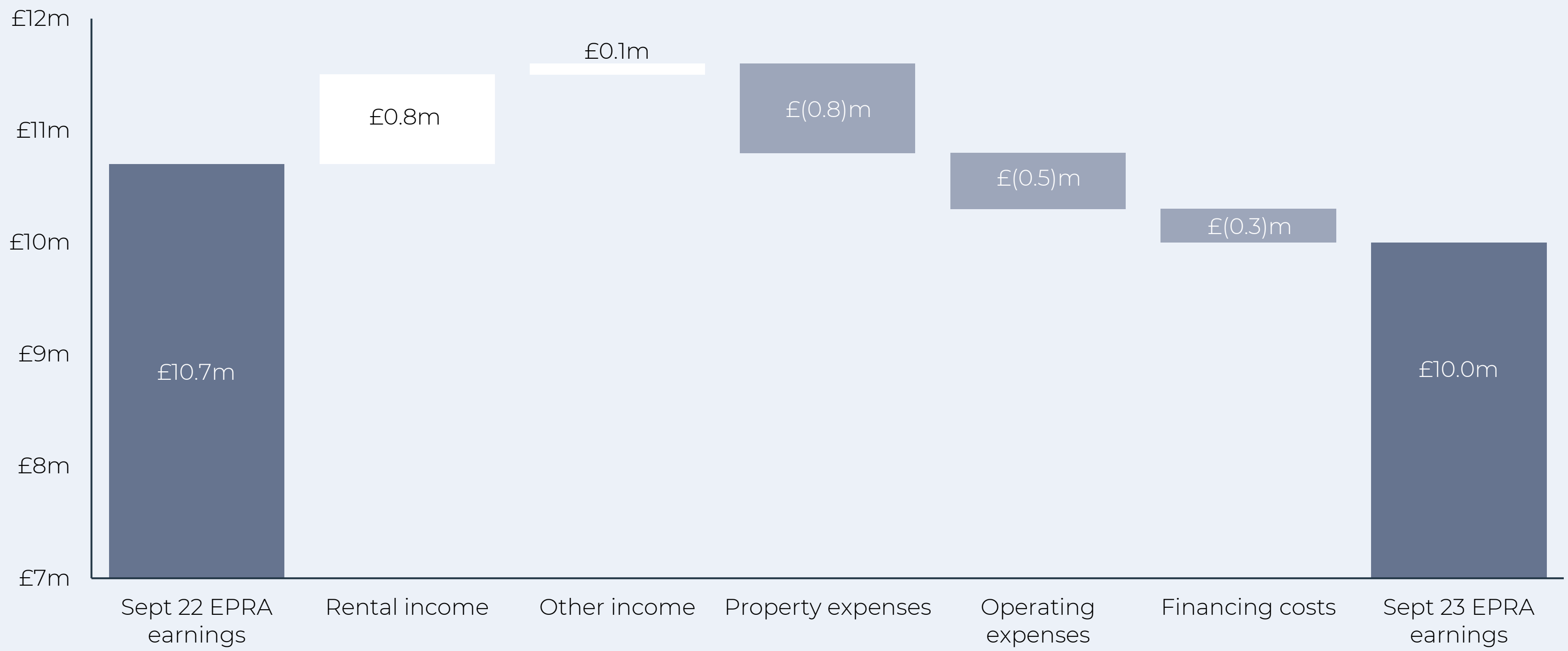
Dividends paid per share

(30 Sept 2022: **1.75p**)

Income statement

Higher income offset by higher costs

- Rental income improved through acquisitions, rental growth and letting activity
- Property costs are higher, impacted by inflationary pressures and increasing void costs
- Finance costs marginally increased due to rising interest rates on revolving credit facility



Please refer to Consolidated income statement on page 30

Balance sheet

Limited NAV decline

- Balance sheet strengthened by positive dividend cover
- Dividends paid of £9.5 million, dividend cover of 105%
- 1.9% decrease in net assets to £537 million
- Like-for-like valuation decrease of 1.2%

Please refer to Consolidated balance sheet on page 31

Capital structure

Conservative, predominantly long-term, fixed rate borrowings

- Loan to value ratio of 28%
- £227 million of debt with 93% fixed
- Drawn borrowings at blended rate of 3.9%
- Undrawn revolving credit facility of £35 million available
- Reported net assets exclude positive debt fair value adjustment of £34 million, or 6p per share
- Significant loan covenant headroom and flexibility with uncharged assets

28%

Loan to value

(31 March 2023: **27%**)

£227m

Debt outstanding

(31 March 2023: **£225m**)

7.8yrs

Debt maturity*

(2025 maturity: **£15m**)
(2031 maturity: **£129m**)
(2032 maturity: **£67m**)

* Ignoring annual amortisation. Please refer to Borrowings Summary on page 29

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Market update

Loungers, Carlisle

Half Year Results 2023

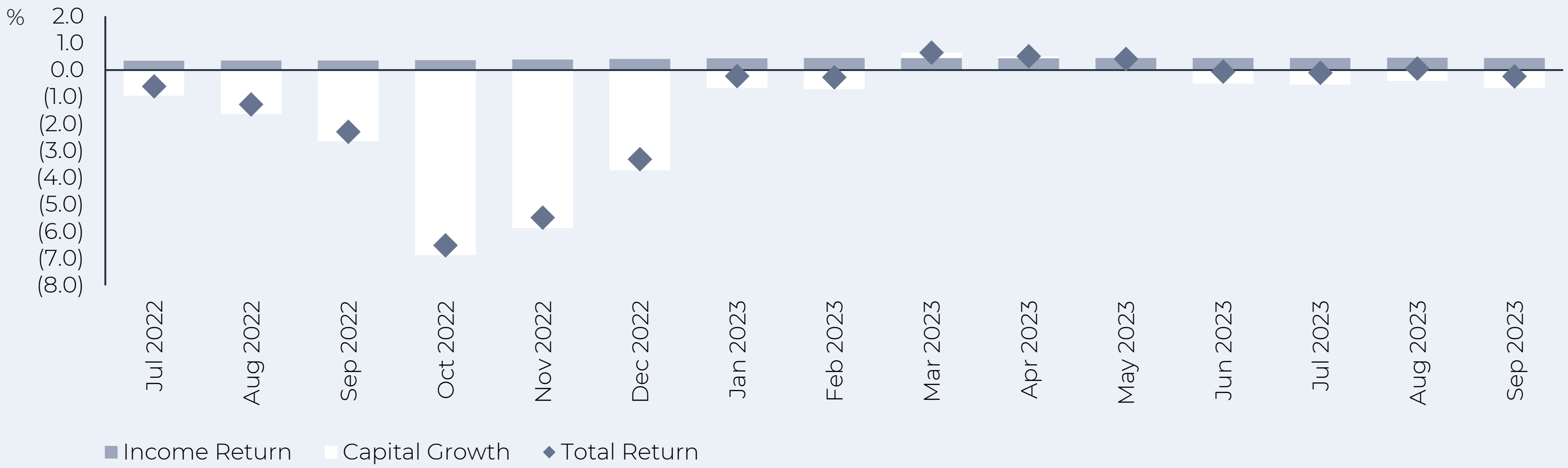
www.picton.co.uk

Property market overview

Macroeconomic environment showing signs of stabilisation

- Inflation on a downward trajectory but cost of living issues persist
- Bank of England base rate flat since August
- Consumer confidence affected by rising debt costs and lower house prices
- Reduced investment volumes across the property market but sentiment varies by sector
- Open-ended property fund redemptions and closures
- However, growing volume of opportunities

Monthly returns – All Property



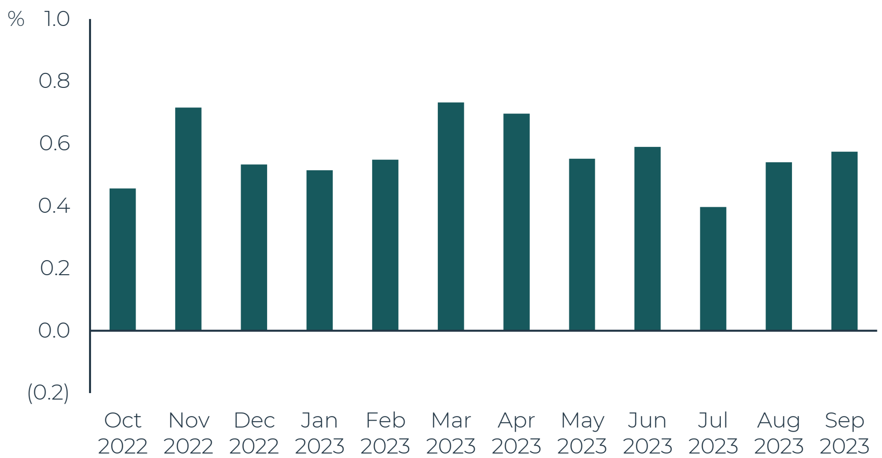
Source: MSCI UK Monthly Property Index

Industrial market

Occupational markets and rental growth supporting valuations

- Industrial occupational demand continues with rents rising in all sub-sectors
- Limited supply of space likely to underpin further rental growth
- Elevated construction costs may limit speculative development
- Rental value growth six-months to September 3.4%

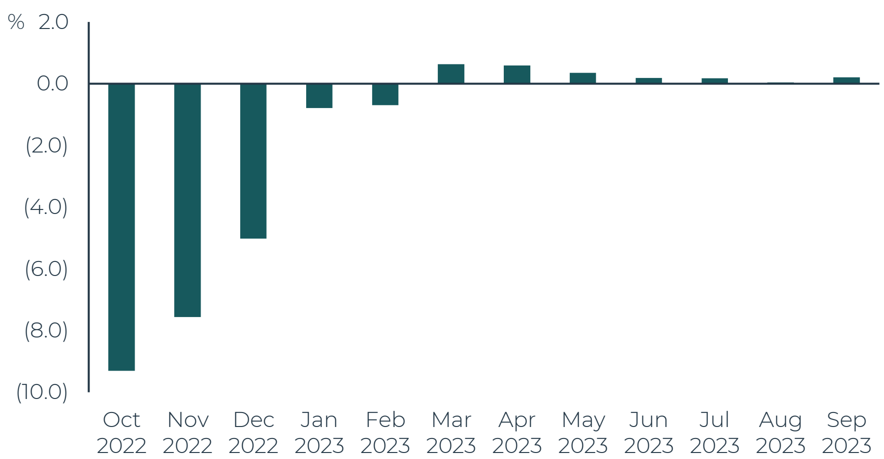
MSCI rental growth



Source: MSCI UK Monthly Property Index

- Strength of occupational market supporting capital values
- Fastest sector to recover – positive monthly capital growth since March
- Capital growth six-months to September 1.6%

MSCI capital growth



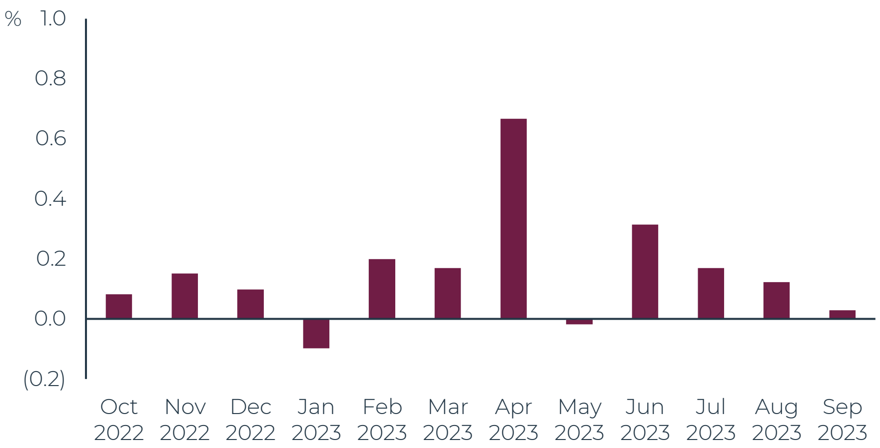
Source: MSCI UK Monthly Property Index

Office market

Increased focus on obsolescence impacting pricing

- Occupational markets stronger in London
- Limited supply of new space supporting rental growth at the top end of market
- Greater interest for buildings with strong occupier wellbeing and ESG credentials
- Rental value growth six-months to September 1.3%

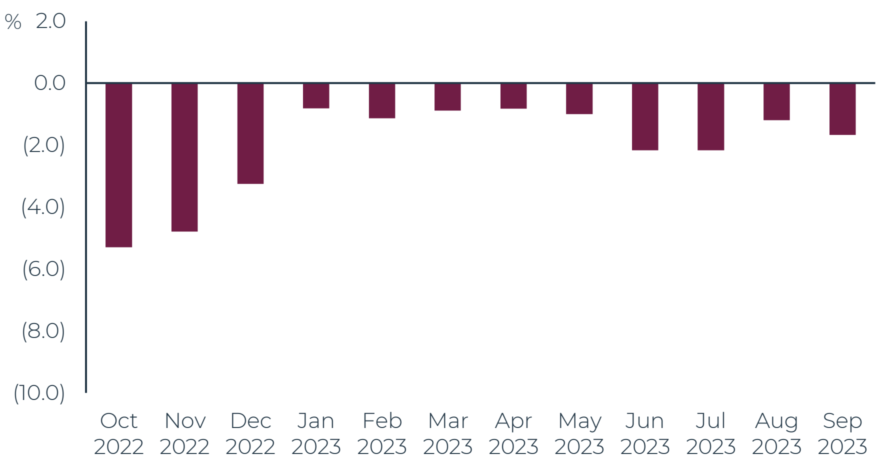
MSCI rental growth



Source: MSCI UK Monthly Property Index

- Recent downward shift in sentiment
- High capex requirements for ESG initiatives impacting performance
- Potential for alternative uses to support values
- Capital growth six-months to September -8.7%

MSCI capital growth



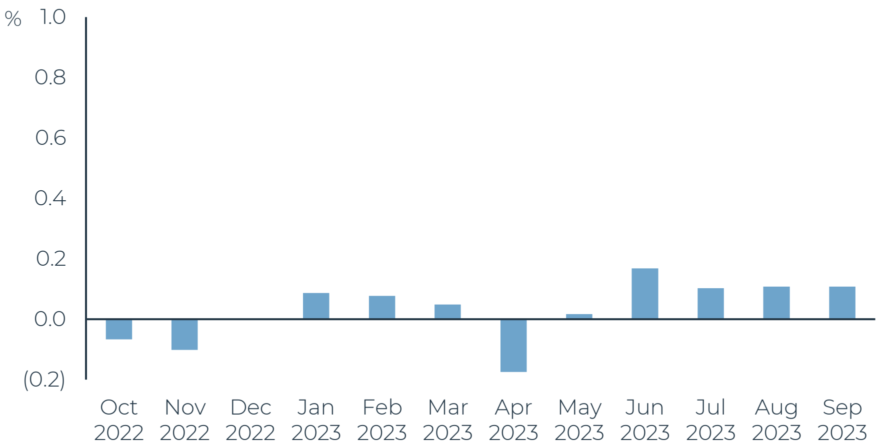
Source: MSCI UK Monthly Property Index

Retail market

Retail values stabilising

- After long period of correction, rental values appear to be stabilising on average, but variation across sub-sectors
- Right locations, right units likely to see occupational demand
- Interest rates and cost of living pressures likely to reduce disposable income
- Rental value growth six-months to September 0.3%

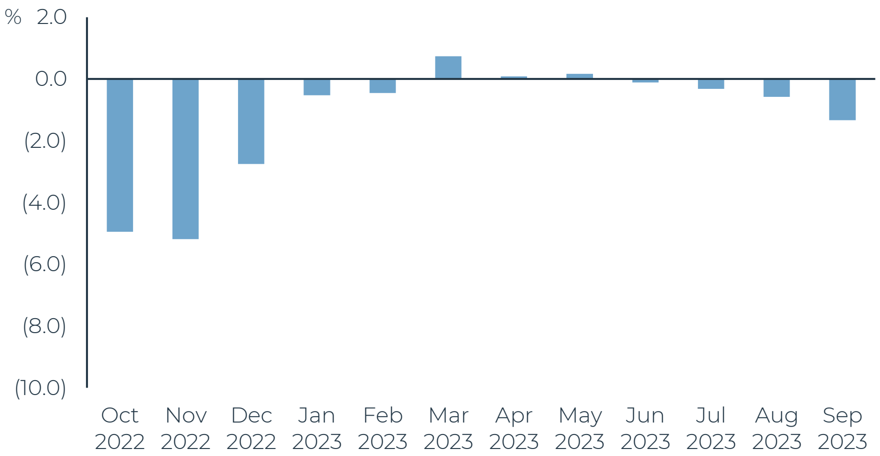
MSCI rental growth



Source: MSCI UK Monthly Property Index

- Higher yielding sector least affected during recent downturn
- Structural challenges remain, with heightened risk of occupier default
- Capital growth six-months to September -2.1%

MSCI capital growth



Source: MSCI UK Monthly Property Index

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Portfolio highlights

Swiftbox, Rugby

Operational performance

Positive asset management - stabilising valuations and rental growth

- Like-for-like increase in contracted rent of 0.4%
- Like-for-like increase in estimated rental value of 0.7%
- 13 lettings or agreements to lease, in-line with the March ERV and securing a new contracted rent of £0.9 million
- 20 lease renewals or regears, 2% ahead of the March ERV, securing an uplift in contracted rent of £0.2 million or 12%
- Five rent reviews, 1% ahead of ERV, securing an uplift in passing rent of £0.2 million or 15%
- £1.9 million invested into asset upgrading and repositioning projects

1.0%
Total property return (vs MSCI -0.5%)

40
Active management transactions

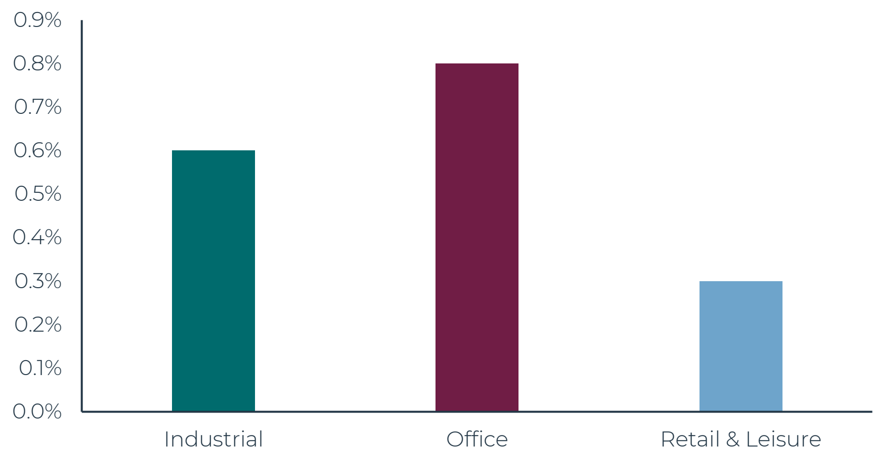
92%
Occupancy
(Excluding alternative use assets)

Portfolio valuation movements and ERV growth

Positive ERV growth across all sectors and asset management mitigating valuation declines

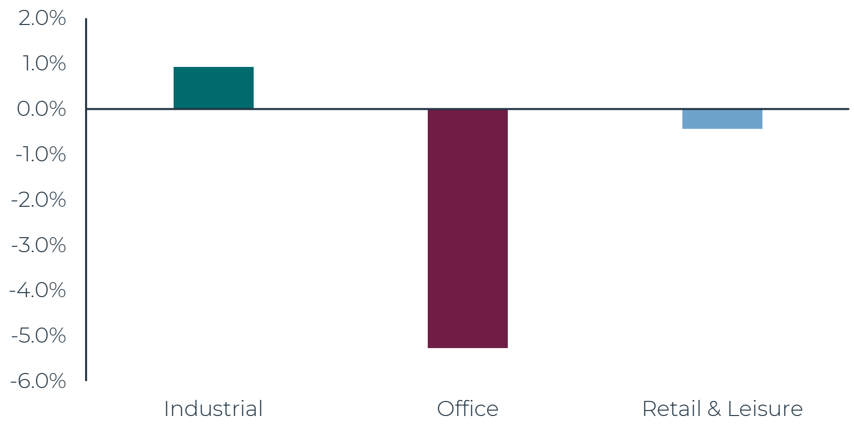
- Increase in ERVs across all sectors
- Industrial ERVs grew by 0.6%, Office ERVs grew by 0.8%, and Retail and Leisure ERVs grew by 0.3%

ERV growth six-months to September 2023



- Overall, the valuation declined by 1.2% in the six months to September
- The industrial portfolio value rose by 1%, offices declined by 5% and Retail and Leisure declined by 0.4%

Valuation movement six-months to September 2023



Leasing activity and occupancy

Industrial – 96% occupancy
Leasing activity in Gloucester, Radlett and Warrington

Office – 80% occupancy
Leasing activity in Glasgow, Birmingham, St Albans and Colchester

Retail & Leisure – 96% occupancy
Leasing activity in Carlisle and Covent Garden, WC2


Easter Court
Warrington


180 WGS
Glasgow


Stanford Building
London

Top five voids account for over 60% of total void

£0.9m
Office
Angel Gate
London

Pursuing alternative use strategy.

£0.8m
Office & Industrial
Colchester Business Park
Colchester

Over 60% of the vacancy became available at the end of September. 33% of the void is under offer.

£0.7m
Office
Longcross
Cardiff

Pursuing alternative use strategy.

£0.7m
Office
Tower Wharf
Bristol

Over 60% of the vacancy became available in August and will be refurbished.

£0.6m
Office
Charlotte Terrace
London

Pursuing alternative use strategy.

Offices – Unlocking value through alternative uses

Repositioning offices

- Following the period end, exchanged contracts to sell part vacant Cardiff office asset, for student accommodation, subject to planning
- Secured further planning consents at Angel Gate, EC1 to convert over 30,000 sq ft of office space to residential, creating 34 dwellings
- Following the period end, we succeeded in having the Article 4 restriction removed on Angel Gate enabling future residential use across the entire holding
- Office exposure reduces from 31% to 26% if Angel Gate, EC1 and Cardiff are reclassified as alternative use assets
- Submitted planning application for partial residential conversion at Charlotte Terrace, W14 (Awaiting decision)

15%

Of office assets repositioned for alternative uses

Making our assets greener and more efficient

Focus on reducing Scope 1, 2 & 3 emissions

- Climate Action Working Group progressing pathway to net zero
- Reduction in systems using gas across the portfolio
- Increased use of solar
- Targeting increased occupier energy data collection

Improving asset quality

- Ongoing EPC improvements (77% A-C rated EPCs by ERV)
- Fully compliant with MEES introduced in April 2023 (0% F or G rated EPCs)

Recognition

- Maintained EPRA Gold awards for financial and sustainability reporting
- GRESB 3 green star rating

Summary

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Summary

Positive portfolio progress despite headwinds

Property market

- Reduced investment activity
- Resilient occupational market
- Valuations stabilising
- Continued growth potential, especially industrial
- Increased opportunities

Operational strength

- Continued MSCI quarterly property index outperformance
- Actively pursuing alternative uses on appropriate office assets
- Scope to grow rental income through vacancy of £5.9 million per annum and capturing rental growth of £2.8 million per annum
- Current pipeline of £0.9 million per annum of lettings

Outlook

- Well positioned for the future
- Increased scope for outperformance from operational approach
- Strong balance sheet with predominantly long-term fixed rate debt
- Fully covered dividend

Appendices

Management team

Michael Morris
Chief Executive

Michael has over 25 years' experience in the UK commercial property sector and was appointed to the Picton Board on 1 October 2015. He has worked with the Group since launch in 2005 and is the Chief Executive. Within this role he is responsible for the implementation of all aspects of the Company's strategy.

Andrew Dewhirst
Finance Director

Andrew joined the Group in March 2011 and became its Finance Director in 2018. He has over 30 years' experience in the real estate and financial services sector. Andrew is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Investment Property Forum. He is the Chair of the Responsibility Committee.

Jay Cable
Head of Asset Management

Jay is Head of Asset Management and in this role, he is responsible for overseeing all asset management activities in respect of the Group's property portfolio. He has over 20 years of real estate experience and is a member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum. He sits on the Executive Committee and the Transaction and Finance Committee.

Our strategy

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs.

We have in place three strategic pillars including a range of priorities which guide the direction of the business:

Portfolio Performance

1. Creating and owning a portfolio which provides income and capital growth
2. Growing occupancy and income profile
3. Enhancing asset quality, providing space that exceeds occupier expectations
4. Outperforming the MSCI UK Quarterly Property Index

Operational Excellence

1. Maintaining an efficient operating platform, utilising technology as appropriate
2. Having an agile and flexible business model, adaptable to market trends
3. Delivering earnings growth
4. Having an appropriate capital structure for the market cycle
5. Growing to deliver economies of scale

Acting Responsibly

1. Progressing our environmental focus and reducing our emissions to become carbon net zero by 2040
2. Working closely and engaging with our occupiers, shareholders, communities and other stakeholders
3. Ensuring we maintain our company values, positive working culture and alignment of the team
4. Having strong governance and transparent reporting to ensure the long-term success of the business

Top 10 assets

1/

Parkbury Industrial Estate Radlett, Herts

- Lot size band – £100 million +
- Size (sq ft) 343,700

- Multi-let industrial estate within M25
- 24 units
- Principal occupiers include Blanco, Franke Coffee and XMA
- Fully let

2/

River Way Industrial Estate Harlow, Essex

- Lot size band – between £50m - £80m
- Size (sq ft) 454,800

- Multi-let industrial estate 20 miles from London
- 11 units
- Principal occupiers include 4 Aces, BOC, DHL and Argyll Stores
- Fully let

3/

Stanford Building Long Acre, London WC2

- Lot size band – between £30m - £40m
- Size (sq ft) 20,100

- Prime Covent Garden asset
- Grade II listed with retail office and residential
- Picton occupies first floor
- Fully let

4/

Shipton Way, Rushden, Northants

- Lot size band – between £30m - £40m
- Size (sq ft) 312,900

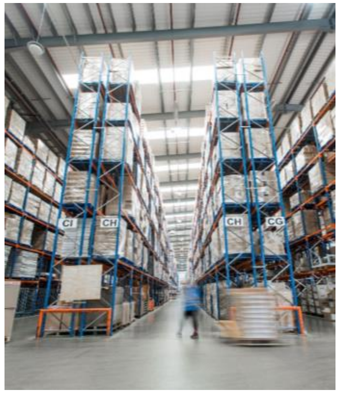
- Single-let
- Centrally located within the UK's distribution heartland
- Modern distribution warehouse on a 14 acre site
- Good road connectivity adjacent to the A45

5/

Datapoint Business Park London E16

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

- Greater London industrial estate
- Multi-let
- Six units
- Principal occupiers include NHS and MGN
- Close to DLR and A13
- Fully let



Top 10 assets

6/

Lyon Business Park
Barking

- Lot size band – between £20m - £30m
- Size (sq ft) 99,400

- Greater London industrial estate
- Multi-let
- Ten units
- Principal occupier is Jones Hire
- Adjacent to A13
- 26,000 sq ft available

7/

Angel Gate, City Road
London EC1

- Lot size band – between £20m - £30m
- Size (sq ft) 64,600

- Multi-let courtyard office development
- Offering a mix of self-contained units and individual floors
- Alternative use strategy in place

8/

Sundon Business Park,
Luton, Beds

- Lot size band – between £20m - £30m
- Size (sq ft) 127,800

- South East industrial estate
- Multi-let
- 13 units
- Close to J11A M1
- 16,600 sq ft available

9/

Tower Wharf
Cheese Lane, Bristol

- Lot size band – between £20m - £30m
- Size (sq ft) 70,600

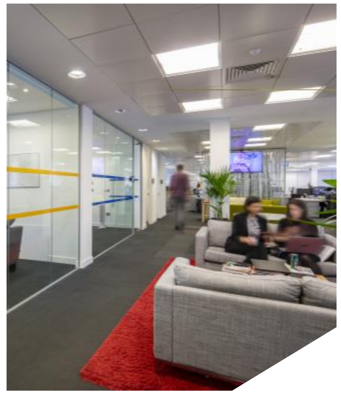
- Multi-let Grade A office
- BREEAM Excellent rated
- Principal occupiers include Ashfords and McCann
- 20,600 sq ft available

10/

50 Farringdon Road
London EC1

- Lot size band – between £20m - £30m
- Size (sq ft) 31,300

- Multi-let office
- Located adjacent to Farringdon Crossrail station
- Principal occupiers include Volker Wessels, PA Consulting and Reed
- Fully let



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Borrowings summary

	Canada Life	Aviva	NatWest
Amount drawn	£129.0 million	£82.8 million	£14.9 million
Undrawn	Fully drawn	Fully drawn	£35.1 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	3.25%	4.38%	SONIA + 1.5% (currently 6.8%)
Commitment fee	–	–	0.6%
Maturity	2031	2032	2025
Covenant LTV	65%	65%	55%
Covenant ICR	1.75x	N/A	2.5x
Covenant DSCR	N/A	1.4x	N/A
Repayment	Full balance due in 2031	£67 million repayable on maturity. Remainder repayable through annual amortisation	Ability to redraw and repay over term

Consolidated statement of comprehensive income

	September 2023 (£ million)	September 2022 (£ million)
Rental income	21.6	20.9
Other income	0.4	0.2
Property expenses	(3.8)	(3.0)
Administrative expenses	(3.4)	(2.9)
Finance costs	(4.8)	(4.5)
Tax	-	-
INCOME PROFIT AFTER TAX	10.0	10.7
Unrealised movement on property assets	(11.6)	(21.1)
Revaluation of owner-occupied property	0.2	-
LOSS BEFORE DIVIDENDS	(1.4)	(10.4)
Dividends paid	9.5	9.5
Dividends paid per share (pence)	1.75	1.75

Consolidated balance sheet

	September 2023 (£ million)	March 2023 (£ million)
Property assets	736.6	746.3
Cash	17.2	20.0
Other assets	29.6	26.2
TOTAL ASSETS	**783.4**	**792.5**
Borrowings	(225.2)	(222.8)
Other liabilities	(21.1)	(22.1)
NET ASSETS	**537.1**	**547.6**
Net asset value per share (pence)	99	100

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