PICTON

2022/23 Annual Results

May 2023

PICTON

Contents

Picton

Overview

PICTON

Picton at a glance

Adapting & outperforming

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

£766 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 for ten consecutive years against MSCI UK Quarterly Property Index.

Upper quartile performance over three, five and ten years, and since launch.

Annualised total property return (%)

For year ended March 2023

- Resilient operational performance
- Outperforming property portfolio
- Defensive capital structure
- Further sustainability progress

Business overview

Industrial weighting

57%

London & South East	41%
Rest of UK	16%

Office weighting

32%

Central London	13%
Rest of UK	10%
South East	9%

Retail and Leisure weighting

11%

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

Corporate

£548m
Net assets

£224m
Borrowings

1.0%
Cost ratio

£423m
Market capitalisation*

4.5%
Dividend yield*

27%
Loan to value

Portfolio

£766m
Value

5.0%
Net initial yield

6.7%
Reversionary yield

49
Number of assets

400
Number of occupiers

91%
Occupancy

* As at 23 May 2023

Annual Results

Financial summary

Results for the year

- Net assets of £548 million, or 100 pence per share
- Stable EPRA earnings of £21 million
- Loss of £90 million compared with £147 million profit in 2022
- Dividends paid of £19 million, 4% higher than preceding year
- Dividend cover of 112%

100p

EPRA NTA per share

(2022: **120p**)
(2021: **97p**)

3.9p

EPRA earnings per share

(2022: **3.9p**)
(2021: **3.7p**)

3.5p

Dividends paid per share

(2022: **3.4p**)
(2021: **2.8p**)

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Income statement

Rental income growth counterbalanced by inflationary cost pressures

- Rental income increased as a result of acquisitions and asset management activity
- Other income higher than in prior year
- Property costs impacted by lower occupancy and general inflationary pressures across all areas
- Financing costs reflecting acquisitions and variable RCF - mitigated by 2022 fixed rate refinancing

Please refer to Income Statement on page 36

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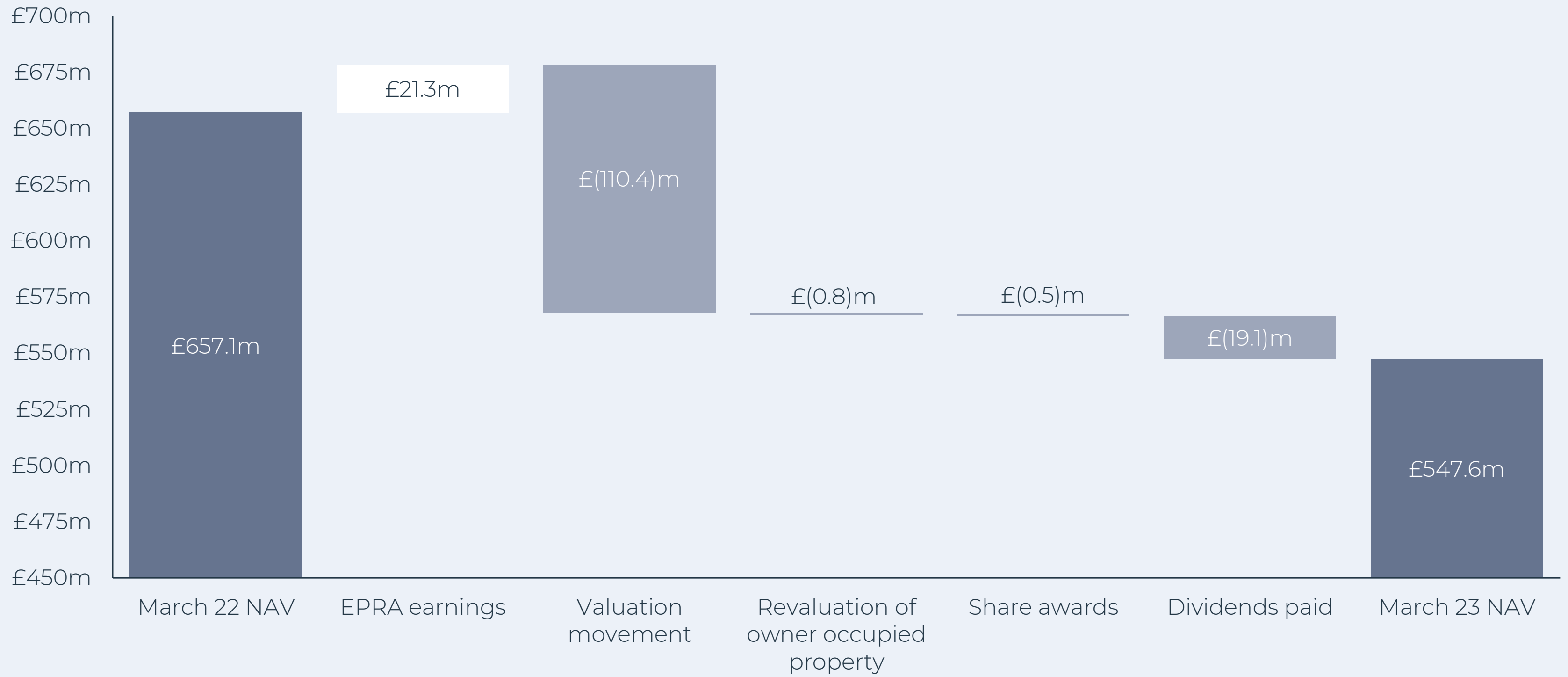
Balance sheet

NAV impacted by valuation decline in H2

- Net assets of £547.6 million, a movement of £109.5 million over the year
- Like-for-like valuation decrease of 12.0%
- Dividends paid of £19.1 million, maintaining a well covered dividend



Occupier focused, Opportunity led.

Capital structure

Significant value in long-term debt structure

- Total debt drawn of £224 million with the loan to value ratio of 27%
- 95% of debt fixed with only £12 million of debt drawn under revolving credit facility at a floating rate
- EPRA NDV of 105 pence per share, reflecting value of debt financing
- £38 million undrawn under revolving credit facility with maturity in May 2025

27%

Loan to value

(2022: **21%**)
(2021: **21%**)

3.8%

Weighted average interest rate

(2022: **3.7%**)
(2021: **4.2%**)

8.4yrs

Debt maturity*

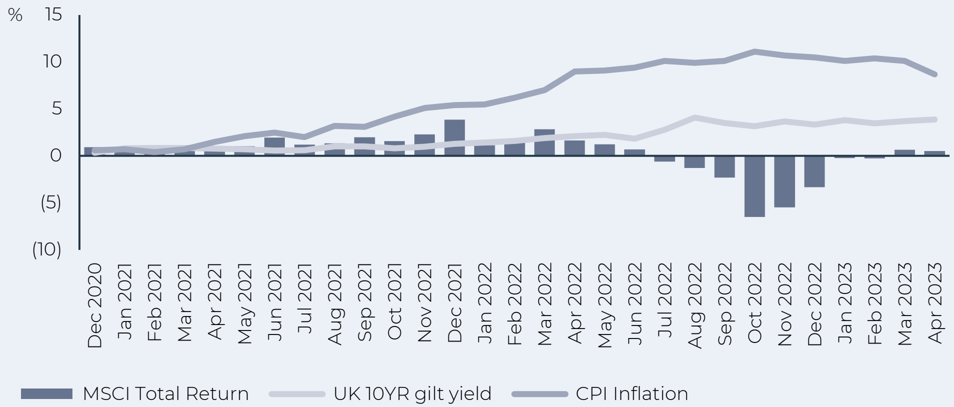
(2031 maturity: **£129.0m**)
(2032 maturity: **£67.0m**)

* Ignoring annual amortisation and RCF. Please refer to Borrowings Summary on page 35

Market update

UK commercial property market

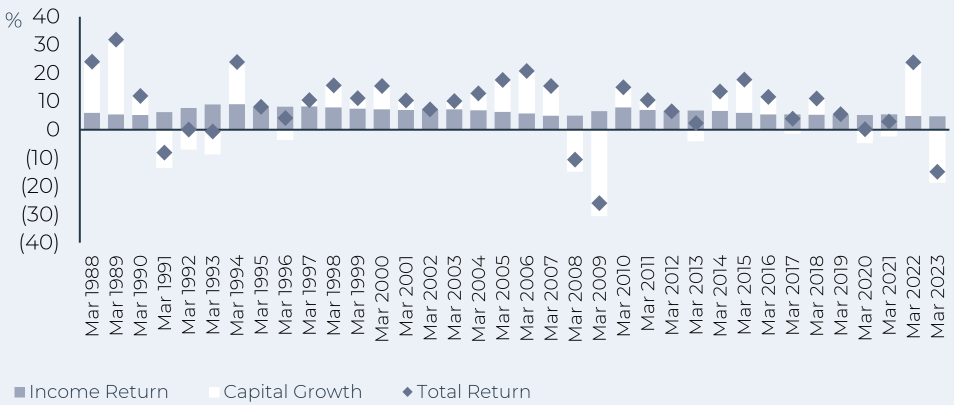
Rising interest rates impact property returns



- Elevated inflation
- Political instability
- Rising interest rates
- Rising gilt yields
- Rising property yields leading to lower valuations

Source: MSCI UK Monthly Property Index, ONS, Investing.com

2022/23 in context



- Sharp correction
- Worst year since 2009
- Fastest monthly correction on record in October 2022
- All sectors impacted
- Capital markets correction – not occupational markets

Source: MSCI UK Monthly Property Index

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Rental growth despite a marked capital correction in H2

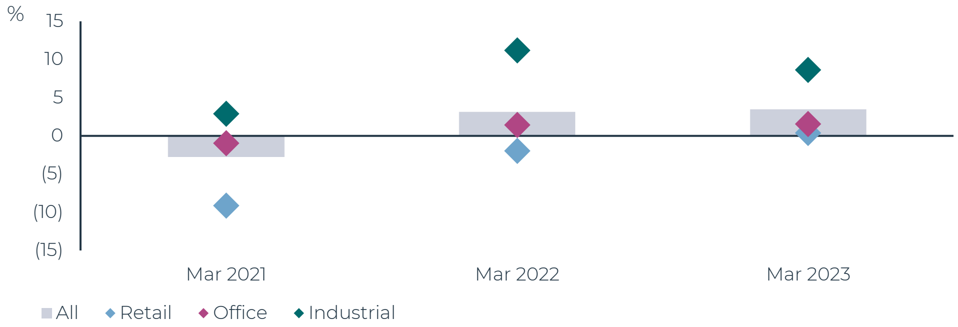
MSCI Total Return year to 31 March 2023

All property	Industrial	Office	Retail
-12.6%	-20.4%	-12.3%	-7.9%

- Rental growth positive for all sectors
- Industrial sector retains strong rental growth, with healthy occupier demand and limited supply
- Office rental growth positive but concentrated at prime end
- Retail annual rental growth positive for the first time since 2018

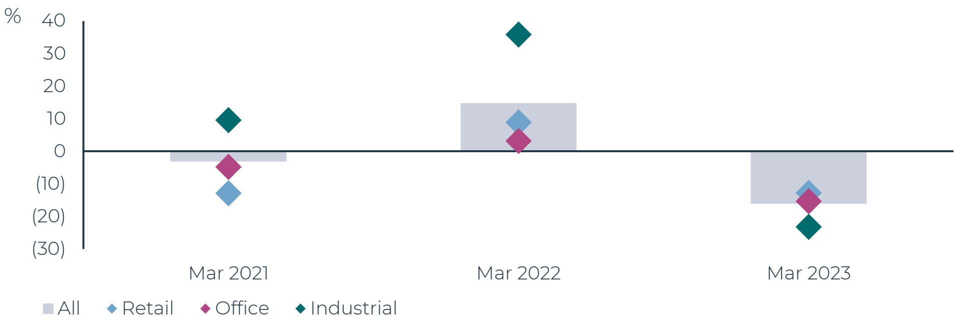
- Low yielding industrial sector most impacted by the recent market correction
- Offices still undergoing structural change reflecting post-pandemic working patterns and ESG related costs
- Retail suffered less following earlier prolonged repricing

Annual Rental Value Growth



Source: MSCI UK Quarterly Property Index

Annual Capital Growth



Source: MSCI UK Quarterly Property Index

Industrial market

- Rental growth continues across all sub-sectors
- Demand lower than previous two years
- Rising construction costs may limit speculative development and lead to higher rents

The market continues to show its resilience despite continuous challenges for occupiers.

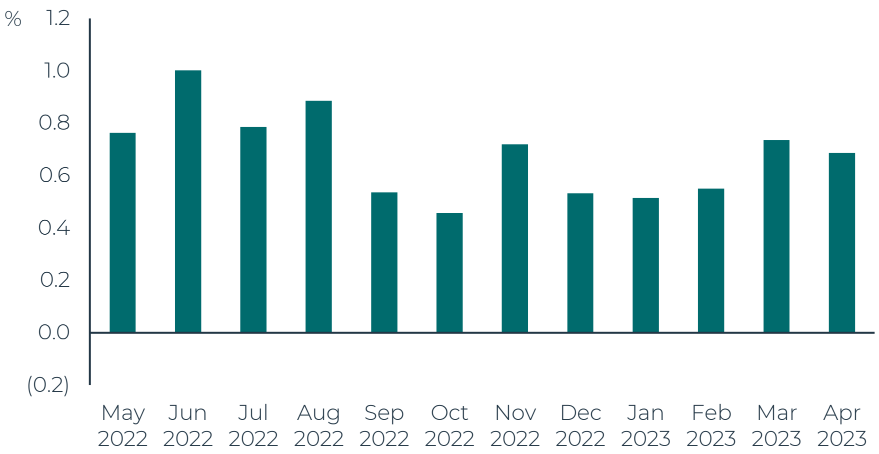
Cushman & Wakefield, UK Logistics & Industrial Outlook, Q1 2023

- Rapid repricing has attracted investors back into the market
- Long-term fundamentals remain compelling
- Positive capital growth in March and April

Following a tumultuous 2022, the UK investment market for multi-let and mid box industrial and warehouse assets has stabilised.

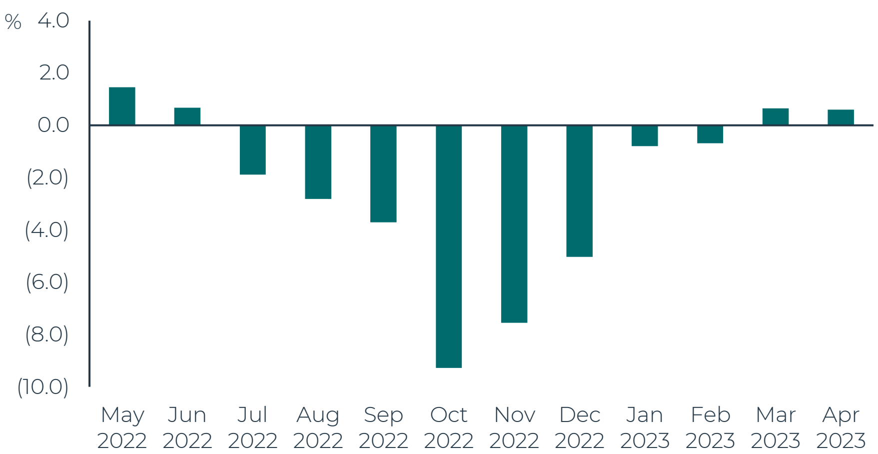
JLL, Multi-let and mid box industrial market overview, April 2023

Monthly Rental Growth



Source: MSCI UK Monthly Property Index

Monthly Capital Growth



Source: MSCI UK Monthly Property Index

Office market

– Polarised market
– The uplift in vacancy has largely been driven by secondary space coming on to the market
– Occupiers still reassessing post-Covid requirements

From a rental perspective, the continuing flight to quality and falling availability of prime space is likely to put further upward rental pressure across the regions.

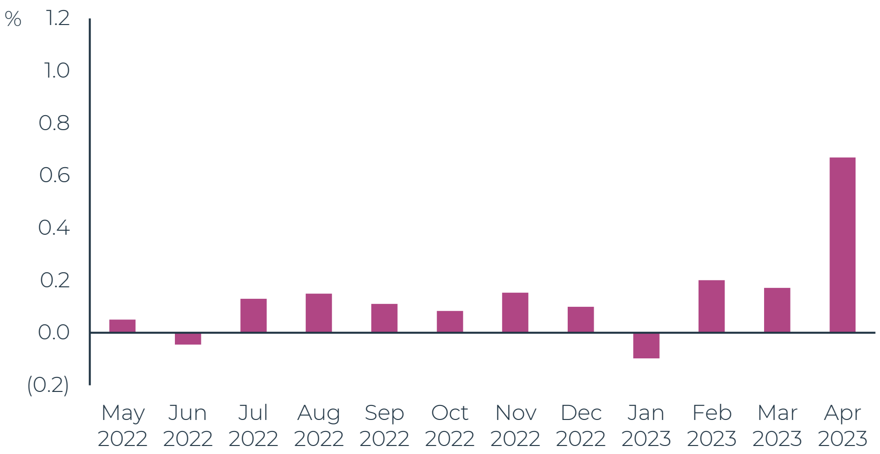
Savills, Regional Office Spotlight, Spring 2023

– Sustainability credentials increasingly important
– Capital expenditure costs required, impacting pricing
– Alternative use can underpin values in some markets

Many owners in smaller towns and city suburbs have been taking advantage of permitted development rights over the past decade and have converted empty secondary office buildings into alternative uses.

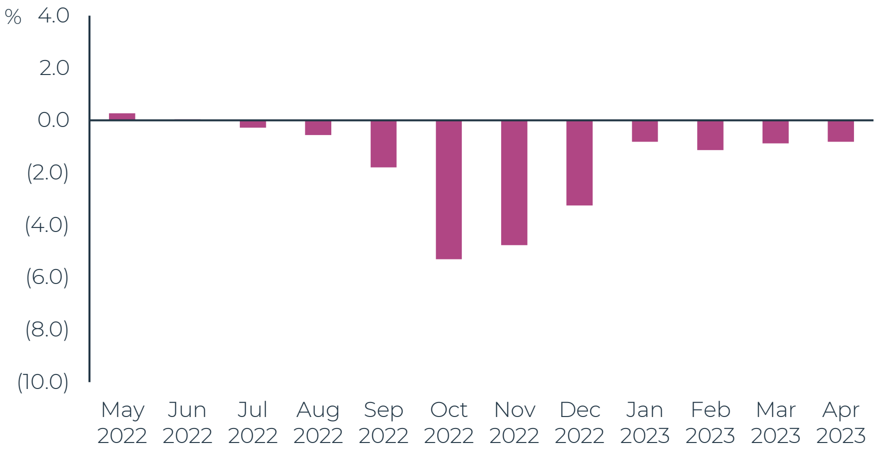
Cartas Jonas, Commercial Market Outlook, April 2023

Monthly Rental Growth



Source: MSCI UK Monthly Property Index

Monthly Capital Growth



Source: MSCI UK Monthly Property Index

Retail market

- Business rates reduced and rental values stabilised
- Vacancy moderated, with fewer retailer CVAs and store closures
- Share of online retail stabilising at c. 25%, down from pandemic peak

Despite severe headwinds and tough trading conditions, pessimism has somewhat abated by a better than expected Christmas trading period which has seen some retailers detailing renewed expansion plans.

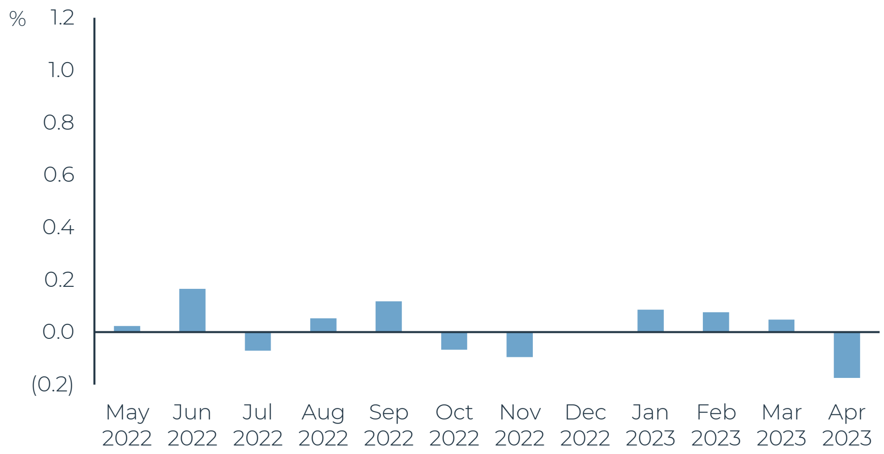
Cushman & Wakefield, Marketbeat, April 2023

- Less affected by 2022 repricing
- Defensive higher yield component
- Positive capital growth in March and April

Retail investment volumes rose from a very weak £50m in February to £1bn in March which is almost double the five-year monthly average.

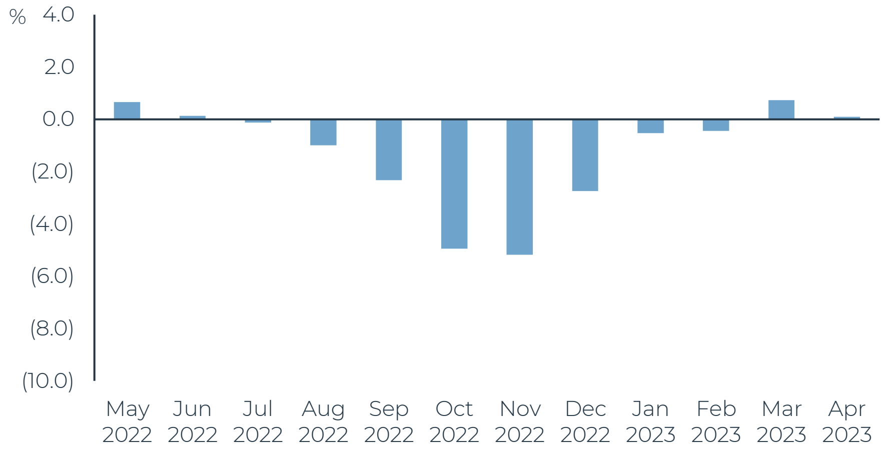
Colliers, UK Property Snapshot, April 2023

Monthly Rental Growth



Source: MSCI UK Monthly Property Index

Monthly Capital Growth



Source: MSCI UK Monthly Property Index

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Portfolio highlights

Portfolio overview

Outperforming property portfolio

-8.7% Total property return — VS — -12.6% MSCI UK Quarterly Property Index

12.0%
Like-for-like valuation decrease

8.8%
Like-for-like estimated rental value increase

2.6%
Like-for-like increase in contracted rent

9.7%
Like-for-like increase in passing rent

91%
Occupancy decreased from 93%

£21m
industrial/retail/office acquisitions

Operational performance

Occupier focused asset management

39 lettings / agreements to lease	37 lease renewals / regears	20 rent reviews	Asset upgrades	Rent collection
Securing £2.3 million per annum, 25% above the March 2022 ERV	Retaining £0.7 million per annum, 6% above the March 2022 ERV	Securing an uplift of £0.7 million per annum, 7% above the March 2022 ERV	£6 million invested into refurbishment, repositioning and sustainability upgrading projects	Over 99%

Occupier focused, Opportunity led.

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Adapting to emerging market trends

Rising costs, net zero and increased occupier focus on energy use

- Inflationary pressure on most cost lines – service charges, security, utilities and construction costs
- Also leading to increased void hold costs
- Asset refurbishments – removal of gas, increased use of solar, LED lighting, insulation
- Recruited Head of Building Surveying to coordinate refurbishment projects, sustainability and EPC improvements across portfolio

Rental growth in industrial sector in particular

- Picton has seen 18% growth per annum
- Driven by proven leasing and regearing activity, for example over the year:
  - Radlett, rents up from c £13 per sq ft to c. £19 per sq ft
  - Warrington, rents up from c £7 per sq ft to c. £9 per sq ft
- Industrial assets most suited to solar roll out and therefore additional revenue
- Also lower energy intensity and lower capital expenditure relative to other sectors

Office sector demand inconsistent

- Occupiers still focused on flexibility and best space
- SwiftSpace introduced and accounts for nearly 25%, by number, of all lettings,
- Valuation impact with rising refurbishment and void costs and shorter leases
- Exploring value creation through alternative uses, including:
  - Angel Gate EC1 – permitted development rights used on vacant space to secure 26 residential units, a further 11 units being progressed
  - Charlotte Terrace, W14 – planning applied for 6 units
  - Cardiff – exploring residential and PBSA options

Industrial portfolio

Delivering strong rental growth

- Demand has reduced slightly but remains good
- Significant reversionary potential of £7.6 million per annum
- Increasing build costs and yields likely to reduce development viability

£1.0m p.a.
leased during the year

95%
Occupancy

71%
EPC rated A-C

Key asset management in:

Radlett
Nine transactions
19% ahead of ERV

Harlow
Five transactions
7% ahead of ERV

Gloucester
18 transactions
34% ahead of ERV

	Distribution	Standard Industrial	
Capital value	19%	81%	
	Within M25	**South East**	**Rest UK**
Capital value %	44%	28%	28%
Average capital value psf	£363	£167	£63
Equivalent yield	4.9%	5.4%	7.1%
Average contracted rent psf	£13	£8	£4
Average ERV psf	£19	£10	£5

Office portfolio

Improving, adapting and repurposing assets

Focus on:

- Providing high quality space with occupier amenities and improving environmental credentials
- Higher value alterative uses being considered
- Promoting SwiftSpace at our smaller properties

Key asset management in:

50 Farringdon Road
Four transactions, 9% ahead of ERV

Colchester Business Park
Five transactions, 6% ahead of ERV

Queens House Glasgow
Five transactions, 5% ahead of ERV

£1.0m p.a.
leased during the year

83%
Occupancy

80%
EPC rated A-C

	Single let	Multi-let	
Capital value	3%	97%	
	London	**South East**	**Rest UK**
Capital value %	41%	27%	32%
Average capital value psf	£686	£179	£216
Equivalent yield	5.7%	9.2%	8.7%
Average contracted rent psf	£32	£17	£17
Average ERV psf	£44	£20	£21

Retail and Leisure portfolio

Higher income driven returns

- Rental values stabilising
- Occupier demand improving for right locations
- Only two vacancies – one of which is now an office element of leisure scheme

£0.1m p.a.
leased during the year

94%
Occupancy

86%
EPC rated A-C

Key asset management in:

Cheltenham
Purchased for £5.3 million. Surrender and new letting 6% ahead of previous rent

Birmingham, Carlisle & Hanley
Four High Street lettings
4% ahead of ERV

Gloucester Retail Park
Two rent reviews 36% ahead of ERV (one RPI linked)

	Retail Warehouse	High Street	Leisure
Capital value %	63%	22%	15%
Average capital value psf	£125	£114	£98
Equivalent yield	7.5%	10.4%	8.0%
Average contracted rent psf	£11	£16	£8
Average ERV psf	£10	£12	£9

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Being responsible

Annual Results 2022/23
www.picton.co.uk

Sustainable thinking, responsible business

Environmental focus

Reduced GHG emissions by 24% compared to 2019 baseline

Removed gas supplies from three assets

Installed five solar arrays, with a further three under construction

Undertook five net zero carbon audits

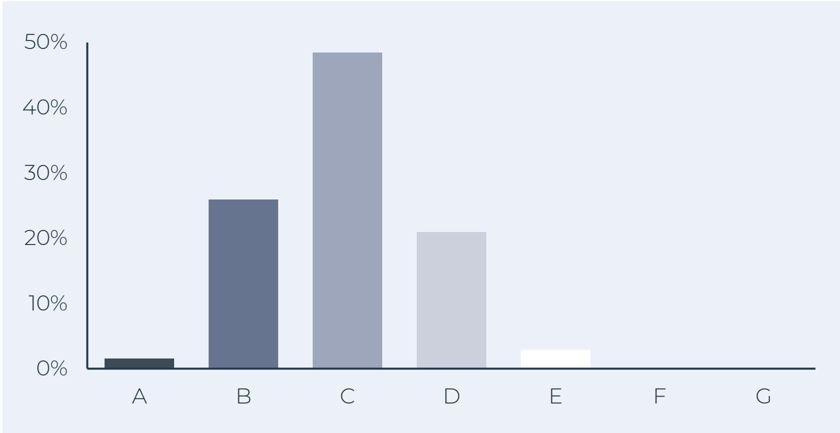
76%

Improved portfolio EPCs rated A-C

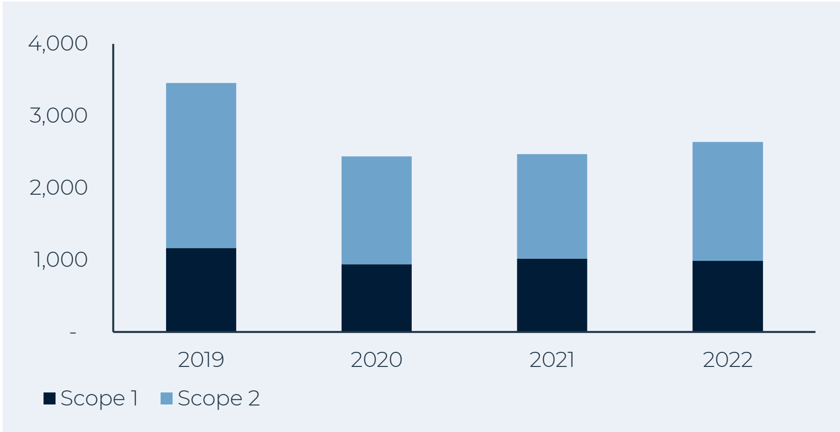
97%

Of leases signed contained green clauses

EPC ratings as a percentage of portfolio ERV



Absolute GHG emissions (tCO2e)



Sustainable thinking, responsible business

Stakeholder engagement

Carried out occupier surveys at office and industrial properties

Hosted sustainability webinars for investors and occupiers

Continued roll out of new supplier clauses addressing modern slavery

Helped develop new Better Buildings Partnership Training Modules

Carried out our annual employee engagement survey

Provided further sustainability training for the team

85%

Occupiers surveyed would recommend us

Governance

Climate Action Working Group established to oversee net zero progress

Completed assessment of climate-related risks to the business and reported in line with Task Force on Climate-related Financial Disclosures

Third party assurance of GRESB submission data

Improved GRESB rating to three green star status

Maintained EPRA Gold awards for both Annual Report and Sustainability Report

85%

Energy data coverage

Outlook

Outlook

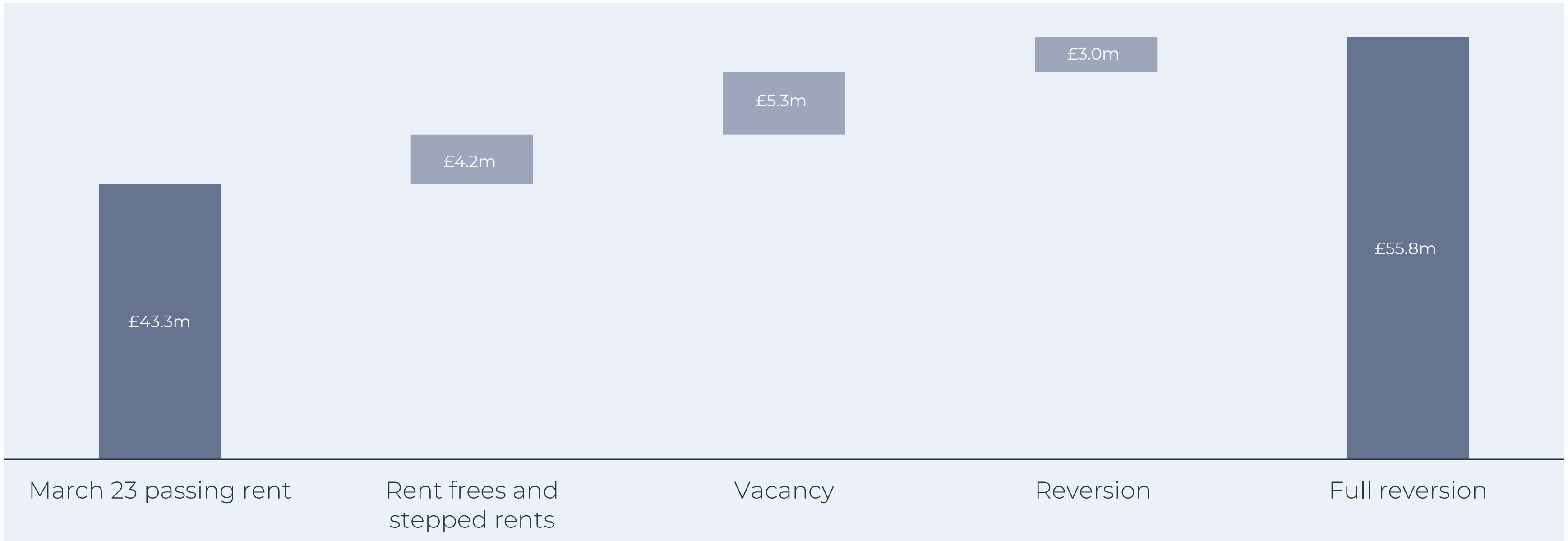
Focus on income growth in more stable market

Market

– Capital values recovering after Q4 2022 economic shock and repricing
– Occupational markets resilient in light of economic challenges
– Convergence of returns across sectors – asset selection and management key

PCTN

– Low leverage, predominately long-term fixed rate debt - earnings stability
– Continue to capture reversion through vacancy and lease events and portfolio upgrading
– Growing income and narrowing discount is a key focus
– Maintain diversified approach, seek to continue long-term MSCI outperformance track record



Appendices

Management team

Michael Morris
Chief Executive

Michael has over 25 years of experience in the UK commercial property sector and was appointed to the Picton Property Income 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. He is Chair of the Executive Committee and Chair of the Transaction and Finance Committee.

Andrew Dewhirst
Finance Director

Andrew joined the Group in March 2011 and became its Finance Director in 2018. He has over 30 years of experience in the real estate and financial services sectors.

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 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 - £75m
- Size (sq ft) 454,800

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

3/
Angel Gate, City Road London EC1

- Lot size band – between £30m - £50m
- Size (sq ft) 64,600

- Multi-let courtyard office development
- Offering a mix of self-contained units and individual floors
- Using permitted development rights to secure residential use
- 26,800 sq ft available

4/
Stanford Building Long Acre, London WC2

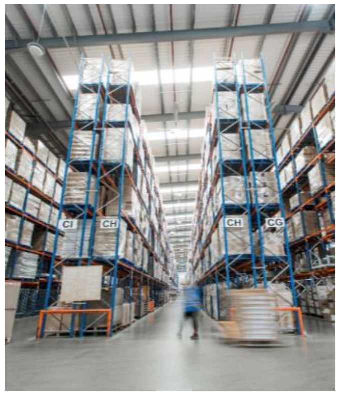
- Lot size band – between £30m - £50m
- Size (sq ft) 20,100

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

5/
Shipton Way, Rushden, Northants

- Lot size band – between £30m - £50m
- 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



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Top 10 assets

6/

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

7/

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

8/

Tower Wharf Cheese Lane, Bristol

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

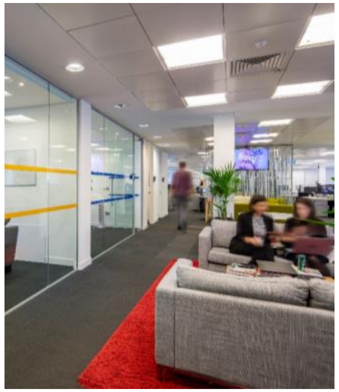
- Multi-let Grade A office
- BREEAM Excellent rated
- Principal occupiers include Ashfords and McCann
- 7,000 sq ft available

9/

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



10/

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
- 9,200 sq ft available

Vacancy breakdown – £5.3 million p.a. of upside
Exploring alternative uses to reduce void

Top five voids account for over 50% of total void

£1.0m

Office

Angel Gate
London

Intentionally holding void as we work through change of use to higher value residential.

£0.6m

Office & industrial

Charlotte Terrace
London

Four buildings – relocating occupiers so two are full and application for change of use to residential submitted on part.

£0.5m

Office

Longcross
Cardiff

Considering change of use strategy.

£0.5m

Office

Colchester Business Park
Colchester

£0.2 million leased during the year and over 85% of the vacant space is under offer.

£0.4m

Office

Metro
Salford

One suite - recently launched. The finished product offers arguably the best floorplate of its size in the local market.

Borrowings summary

	Canada Life	Aviva	NatWest
Amount drawn	£129.0 million	£83.5 million	£11.9 million
Undrawn	Fully drawn	Fully drawn	£38.1 million
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	3.25%	4.38%	SONIA + 1.5% (currently 5.8%)
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

	March 2023 (£ million)	March 2022 (£ million)
Rental income	43.0	40.1
Other income	0.4	0.2
Property expenses	(7.1)	(4.9)
Administrative expenses	(6.0)	(5.7)
Finance costs	(9.0)	(8.5)
Tax	-	-
INCOME PROFIT AFTER TAX	21.3	21.2
Unrealised movement on property assets	(110.4)	129.8
Revaluation of owner-occupied property	(0.8)	0.4
Debt prepayment fees	-	(4.0)
(LOSS)/ PROFIT BEFORE DIVIDENDS	(89.9)	147.4
Dividends paid	19.1	18.4
Dividends paid per share (pence)	3.5	3.375

Consolidated balance sheet

	March 2023 (£ million)	March 2022 (£ million)
Property assets	746.3	830.0
Cash	20.0	38.5
Other assets	26.2	27.3
TOTAL ASSETS	**792.5**	**895.8**
Borrowings	(222.8)	(216.8)
Other liabilities	(22.1)	(21.9)
NET ASSETS	**547.6**	**657.1**
Net asset value per share (pence)	100	120

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