

**Market data**

EPIC/TKR	PHP
Price (p)	116
12m High (p)	123
12m Low (p)	105
Shares (m)	619
Mkt Cap (£m)	718
EV (£m)	1437
Free Float	97%
Market	Main, LSE

**Description**

PHP is a REIT acquiring and owning modern primary medical properties in the UK; expanding into the Republic of Ireland.

**Company information**

CEO	Harry Hyman
CFO	Richard Howell
Chairman	Alun Jones
	020 7451 7050
	<a href="http://www.phpgroup.co.uk">www.phpgroup.co.uk</a>

**Key shareholders**

Directors	2.6%
Investec Wealth	5.2%
Blackrock	5.0%
Unicorn Asset Mgt.	4.5%
CCLA	3.9%

**Next event**

15 February-18	Final results
Late April 2018	AGM

**Analysts**

Mike Foster	020 7194 7633
	<a href="mailto:mf@hardmanandco.com">mf@hardmanandco.com</a>

## Primary Health Properties

### All the more reason to anticipate stable growth

PHP, a REIT, has served well as a defensive investment proposition, growing its dividend in each of the 21 years of its public quoted existence. 2017 saw two significant achievements, which have been portents for accelerated growth to be delivered in 2018 onwards. It is deploying the proceeds of previous equity raising at a strong pace and securing good acquisition momentum in the newer market of the Republic of Ireland (RoI), where rental yields are higher. It is exposed to a market where the visibility of (modest) acceleration in rates of rental growth is quite strong. Both sets of factors underpin good support for dividend growth.

- ▶ **Strategy:** PHP buys one specific property class – modern primary medical. The unexpired lease term is 13.3 years (last reported) and net initial yield was 5.04% end June, last reported. Its exposure is 97.8% UK, rest RoI.
- ▶ **RoI is a significant growth driver:** In December 2017, PHP acquired its third asset in RoI, increasing its total portfolio to 307, with a gross value of over £1.35bn and rent roll of £73m. 2.2% of the asset value is in RoI. In 2017, €27.5m of asset acquisitions were from RoI, 28% of the total.
- ▶ **Growth:** A year ago the rent roll was £67.9m we estimate, with 295 assets valued at £1.2bn, of which 0.5% RoI. In 2015,6,7, asset growth (ex revaluations) was 3.3%, 9.0%, 6.7%. We anticipate 7.5% in 2018. The recent addition of RoI to the growth matrix is positive. So too is the rise in rents, up 1.6% at the interim stage. That was from 0.9% the year before. There is scope for rises to accelerate.
- ▶ **Risks:** There is no rental-income or void risk. With debt costs low, we understand the policy is to lengthen the debt maturity profile, thereby reducing refinance risk, while also still lowering the cost of debt (and more here in 2018).
- ▶ **Investment summary:** Past five years' Total Shareholder Return (TSR) CAGR is over 10%. In the past ten years, UK primary healthcare assets saw a CAGR just over 7%, (vs all property c.4.5%). PHP has fully kept pace and has managed its financing very well, growing its dividends through the macro-economic difficulties earlier this decade. With the good rental outlook, a strong balance sheet and RoI opportunities: all the more reason to anticipate stable growth.

**Financial summary and valuation**

Year end Dec (£m)	2014	2015	2016	2017E	2018E
Income	60.0	63.1	67.4	72.5	78.8
Finance cost	(35.5)	(33.7)	(32.5)	(31.7)	(34.8)
Declared profit	36.9	56.0	43.7	67.2	54.1
EPRA PBT (adj pre revaluation)	18.2	21.7	26.7	31.2	34.1
EPS reported (p)	8.30	12.57	7.80	11.21	8.74
EPRA EPS (diluted for conv) (p)	4.10	4.77	4.69	5.13	5.34
DPS (p)	4.875	5.000	5.125	5.250	5.400
Net cash (debt)	(658.0)	(694.7)	(663.2)	(722.3)	(815.9)
Dividend yield (%)	4.2	4.3	4.4	4.6	4.7
Price/EPRA NAV	1.46	1.32	1.27	1.19	1.14
NAV (p)	69.6	77.4	83.5	89.9	94.2
EPRA NAV (p)	79.6	87.5	91.1	97.1	101.3

NB 2018E EPRA EPS Excluding performance fee, diluted: 5.42p

Source: Hardman & Co Research

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## Growth

*Acquisition pace picked up markedly in 2H17, after a relatively quiet first half*

*Republic of Ireland has now three large assets and offers good further opportunities at attractive premiums to UK yields*

*Expansion in new stock coming to market remains 'around the corner' but it will happen*

PHP has acquired £70.7m assets since half year end (note, acquisition and cash spend have some timing differences in part due to the forward funding element of growth). All 2H17 acquisitions have been of standing stock. We would note five points.

- ▶ There is good scope financially to maintain a strong acquisition profile. The balance sheet is being (steadily and incrementally) re-gearred.
- ▶ RoI comprised 25% of the expenditure in 2H17 – albeit in one large acquisition. Net initial yields (NIY) are over 100bps ahead of UK levels, due principally to the fact that this market in modern primary care assets is a relatively new and is a smaller market than the UK. We anticipate further news here, with € lines of credit having recently been secured.
- ▶ In the UK, PHP is finding assets to buy at attractive NIY, at or very near 5.0%, despite market competition. The UK market is witnessing yield tightening (particularly for large portfolios), but not excessively or dangerously so, in our view.
- ▶ While little new stock development is currently being forward funded (by PHP or in the market generally), there is a strong need and financial benefit to the NHS in doing so. We do not anticipate an aggressive new development market arriving in the foreseeable future but we do see this aspect of PHP's growth returning, and importantly, adding to the bolstering of rental growth.
- ▶ We tabulate the rise in RoI, below. Note this includes revaluations to balance sheet date but we model these as all relating to UK properties for 2017 (for modelling purposes). The development of Carrigaline (RoI) was completed in August 2017.

### Investment and development properties (June and December 2017, £m)

	1H17 UK	1H17 RoI	End 17E UK	End 17E RoI	End 17E Total
Investment	1255.5	6.2	1305.6	29.5	1335.1
Development	0.9	3.3	4.0	0.0	4.0
TOTAL	1256.4	9.5	1309.6	29.5	1339.1

Source: PHP (1H17) and Hardman and Co

*Rent roll £16.2m 2007, now £73m*

The annual rent roll is now estimated at £73m. The unexpired lease term was 13.3 years at the 2017 interim stage, and is slightly longer now. Asset management projects offer scope for (modest) extensions and hence growth, usually undertaken on shorter leases which are then lengthened to new 20 or 25 years.

*Asset investment and rental growth acceleration*

### Two significant positives

PHP is deploying the proceeds of £150m, 2016 equity-raising at a strong pace; on blended yields slightly above historic levels despite a tightening of yields in the assets it is buying – quite a feat. This is a function of 2017 having seen around a quarter of its investment going into RoI assets – namely one in Cork and one in County Cork. We understand RoI assets yield at least 100 bps greater NIY than UK acquisitions.

PHP is exposed to a market where the visibility of (modest) acceleration in rates of rental growth is quite strong. Agreed rents grew 1.6% at the interim stage - still a modest figure and there is scope for this to rise.

*NHS Five Year Forward View*

New development has not kept pace with demand or the NHS's Five Year Forward View, and a catch up is anticipated at some stage, with some signs that it may be building now. In March 2017 the new NHS Five Year Forward View highlighted the efficiency of primary care and instigated local plans to try to move forward.

Rental growth has been low (greater analysis in Hardman research of 23<sup>rd</sup> November). It is now accelerating. The rate is to some degree tied in to the quantum of development and to build costs. Build costs have risen to the degree that rents do now need to grow at a faster rate than the 1.6% pa rate registered at the last results announcement. We note that there is growing demand and that many existing properties are obsolescent (with 50% over 30 years-old) so new build costs are particularly relevant.

*The 2019 Convertible has started to convert and the loan to value overall gives scope to buy more assets for debt*

**Convertible effect: fuel for future and ongoing expansion**

PHP's loan to value offers scope to add a little more gearing (anything above 60% is not anticipated), and we note that the Convertible (which matures in May 2019) saw £10.4m converted (to 10.7m new shares) on 29<sup>th</sup> November and 1<sup>st</sup> December 2017. In addition, a further £8.9m of bonds were converted in late December, creating 9.13m new shares.

*2018 covered dividend PRE the Performance fee*

We anticipate covered 2018 dividends pre Performance Incentive Fee (EPS) whether the Convertible is converted to equity through 2018 or on maturity in May 2019. £63.2m of the Convertible remains. We analysed the Convertible's future impact in more detail in our 23<sup>rd</sup> November 2017 publication. In summary, the full conversion results in £3.51m interest saving, £4.6m additional dividends (in the unlikely event the full conversion happened, triggering full entitlement to all the quarterly dividends in 2018). Full conversion would add 64.8m shares. The terms are one share for 97.5p debt.

Maximum theoretical 3.2% EPS initial dilution occurs upon full conversion. We made the point before and make it again now, that re-investment of the debt reduction resulting from conversion would be accretive to earnings, so the effect of the Convertible is to provide seed-corn / fuel for the next two or three years' expansion.

*Modern primary medical properties save the NHS money*

**Market fundamentals remain strong**

The UK population is ageing, and primary medical properties are ageing too. Many of the converted residential assets are showing not only increasing signs of age and difficulty in keeping pace with demand increases (most doctor visits relate to the over 65s) but are also not appropriate for modern GP practices. GP practices are tending to get larger and to include part-time workers. They also include more minor procedures especially medical tests – which are more economical and quicker to undertake in primary properties (with immediate analysis of results) than via referral to hospital (secondary medical venue). Whilst the cost and hence rent, on a modern purpose-built property may be higher, this is not always the case in the more expensive residential locations.

Whatever the rental case, the cost benefit of reducing hospital visits is clear. Unfortunately, only limited cost-benefit analysis is published privately, but the case studies are growing. The Kings Fund study shows that GP appointments in England are growing at 5% pa. Primary care spending is rising at 4% to 5% pa, and the number of UK inhabitants over 65 years of age is rising 0.8% or more pa.

Switching a proportion of care from hospital to primary properties helps NHS costs.

## Costs

*Average borrowing costs are 4.26%, with some historic loans maturing soon*

### *Borrowing and income 'pick-up'*

PHP assets' net initial yield (NIY) is 5.0%, recent borrowing is at 2.8% and (see below) eleven year money at 3.1%. NIY fell to 5.04% end-June 2017, from 5.18% end-December 2016. We anticipate no change in NIY from here. The yield pick-up on expanding the asset quantum is strong. Added to this, the RoI now represents a significant proportion of 2017 and likely 2018 and future growth by acquisition. RoI assets are acquired at NIY well over 100 basis points over the UK, so the income pick-up is all the greater (especially also if funded in € as a natural hedge, again, see below).

### *Refinancing and new facilities at lower rates*

PHP continues refinancing at lower rates. It weathered the financial markets' crises from 2008 very well (still growing its dividend and its portfolio). While it balances the security of fixing interest rates to give certainty, with the flexibility to benefit from rolling refinancing as rates fall, PHP is now benefitting strongly from the past years' falling market rates.

Notably, two recent transactions have benefited PHP's prospects by extending the average weighted maturity of PHP's debt facilities to 6.3 years (30 June 2017: 5.8 years; 31 December 2016: 5.1 years), while the average cost of debt on its facilities drawn has been reduced to 4.09% (30 June 2017: 4.26%; 31 December 2016: 4.65%). With some historical loans still maturing in the coming year, there thus remain further opportunities to reduce borrowing costs.

Recently, average maturity of debt is lengthening, and we consider this trend likely to continue. A significant proportion of the (slightly) expensive debt matures in 2019 and also shortly thereafter. The balance of the Convertible bond matures in May 2019 and the retail bond matures in July 2019.

*£75m secured loan facility to November 2028 at a fixed interest of 3.1%*

Aviva has agreed to renew a £75m secured loan facility to November 2028 at a fixed interest rate of 3.1%. The existing Aviva facility, maturing in November 2018, bears interest at a fixed 4.0%. The renewal will result in interest savings of £675,000 pa for PHP, with a material benefit from 2019.

*New £30m secured revolving credit facility – which may be drawn as € or £*

New facilities continue to be secured. A new £30m secured revolving credit facility has been agreed with Lloyds Bank, for an initial three years, with the option to extend this for two more years, with rates from 155bp to 175bps over LIBOR depending on utilisation. Importantly, the facility may be drawn in either Sterling or Euros at PHP's option. We read into this currency option a desire on the part of PHP to continue to expand its portfolio of assets in RoI, which, we repeat, come at higher net initial yields than the UK (with a concomitant benefit to cash flow and dividend cover) and on a similar (low) risk profile.

### *Operating costs*

*Best in class*

The operating margin (i.e. operating profit after all costs including performance fees) was an efficient 82.9% in 2011. It rose in that year and every year subsequently, reaching 87.8% in 2016. For 2017 we estimate 86.8%, after performance fees (the first year of performance fees post a new regime). This would equate to a margin of 87.5% were performance fees to be excluded.

For 2018E, we estimate a rise in the margin – to 87.4%.

## Risks

### *Upward only rents, 99% occupancy, A1 covenant*

There is no rental income or void risk. The average lease length is 13.3 years with a minimal amount ending within five years. Now that the debt cost is so low (5 year swaps are well under 1%, 10 year swaps are c. 1.2%) the policy is to lengthen the debt profile, we understand, thereby reducing risk while still lowering cost of debt.

### *Modest re-finance risk*

There is market risk with regards to interest rate exposure. Interest rate 'swaps' are in place, which are all risk-reducing, covered positions. The average length of the debt facilities is 5.8 years (as of June 2017 results) and the large majority of this is fixed-rate (including the swaps contracts). Bearing in mind the long leases, clearly, with hindsight, PHP has been entirely correct to wait until market rates fell, in order to lengthen its fixed rate exposure. As facilities mature, they need to be replaced and there is risk as to the cost of funds. This risk relates to fluctuation in market interest rates. With LTV at 54.4% and leases' weighted length to expiry some 13.3 years, we consider the availability of funding at attractive rates to be high.

### *A shrewd call to have started lengthening maturity only recently – excellent timing*

### *Good cash-flow*

The assets' net initial yield (NIY) at end-June 2017 was assessed by LSH (the external valuers) at 5.04% (5.17%, end-2016). NIY on assets are usefully ahead of costs of debt and, with efficient cost base (under 12% EPRA cost ratio), acquisitions are cash-flow-positive, even if fully debt-funded. The current loan to value (LTV) stands at 54.4%, with an internally-imposed ceiling around 60%. PHP can re-gear its balance sheet on a conservative LTV with interest cover at exactly 2.0x being no constraint either.

### *Dividend cover considerations*

Dividend cover has been below 100% recently, but this was a function principally of the dilutive effects of a large (£150m) oversubscribed 2016 equity issue. This issue was solely to accelerate growth.

### *Interest cover considerations*

Interest cover (operating profits as multiple of total finance costs) fell to 1.7x in 2009, illustrating the strength of a business invested in rental streams that are upwards only. The cover fell to a low point of 1.3x in 2012, but this was a function of a 19% expansion in the portfolio that year, funded by debt, itself a function of a well-placed commitment to growth on attractive net initial yields on the assets. Cover is 2.0x 2017E (1.8x 2016). All these figures are cash cover excluding revaluations.

### *Stress-test on interest rates and costs*

As with any real estate investment – funded by debt – there is a combination of risks based on levels of financial gearing and due diligence on assets acquired. Even if the average cost of PHP's debt were to rise to 5.0% five years from now, its dividend would be over 100% covered (and this is without re-gearing the balance sheet). With PHP borrowing recently at 2.83%, we consider this risk to be distinctly modest. Note that the trend is still for PHP's specific costs to reduce as older debt matures. PHP's ability to secure finance through a range of different markets (banks, institutions, private placement, retail bonds and others) and its particular attraction in bear markets, reassures us that the right level of risk is being taken on.

Brexit is seen by us, on balance, as a positive for PHP. Any changes to labour availability are likely to be in the nature of tightening. We are seeing a reduction in confidence and a likely construction slowdown, but immigration of skilled labour is a material issue. Currency falls would, on balance, lead to materials and energy cost rises. Construction tender prices are rising. Occupancy (as in GP surgery usage) is not, in any way, GDP or confidence-related and of course the leases are long term. Rental growth rates under these circumstances are unlikely to slow. The attractions of full tenancy occupation on long-term A1 covenant leases are all the stronger.

## Financial Analysis

Revenue account (£m, year-end December)								
	2011	2012	2013	2014	2015	2016	2017E	2018E
Rental income total received	30.3	32.9	41.9	60.0	63.1	67.4	72.5	78.8
Finance lease income	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Total income	30.7	33.2	42.0	60.0	63.1	67.4	72.5	78.8
Direct property expenses	0.4	0.4	0.4	0.7	0.9	0.9	0.9	1.0
Administrative expenses	5.1	5.2	6.1	6.8	6.8	7.3	8.7	8.9
Total expenses	5.5	5.6	6.5	7.5	7.7	8.2	9.6	9.9
Operating Profit	25.1	27.6	35.5	52.5	55.4	59.2	62.9	68.9
Operating margin % [1]	82.9	83.9	84.7	87.5	87.8	87.8	86.8	87.4
Devt loan interest, other income	0.4	0.5	0.2	1.0	0.7	0.5	0.5	0.5
Swap interest paid	-8.8	-6.7	-7.7	-7.6	-6.0	-5.0	-4.0	-4.0
Bank, bond loan interest, fees	-5.8	-14.1	-18.5	-27.7	-28.4	-28.0	-28.2	-31.3
Break fees	-1.3	-1.5	-0.9	-1.2	0.0	0.0	0.0	0.0
Net Finance costs	-15.4	-21.8	-26.9	-35.5	-33.7	-32.5	-31.7	-34.8
EPRA Pre-tax Profit [1]	11.0	7.3	9.5	18.2	21.7	26.7	31.2	34.1
Net revaluation on portfolio	10.6	-1.8	2.9	29.2	39.8	20.7	37.0	20.1
Fair value gain on derivatives	-8.0	-2.9	11.4	-2.5	1.0	-2.2	0.0	0.0
Fair value on Convertible	n.a.	n.a.	n.a.	-4.5	-6.5	-1.5	0.0	0.0
Non recurring expenses	0.3	0.0	-2.7	-2.4	0.0	0.0	0.0	0.0
Reported Pre-tax Profit	11.4	1.1	20.2	36.9	56.0	43.7	67.2	54.1
Tax charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPRA EPS (p) (dil) excludes all reval'n	4.11	2.51	2.67	4.10	4.77	4.69	5.13	5.34
EPRA EPS (p) as above, excluding Convertible [1]	4.11	2.51	2.67	4.10	4.87	4.77	5.22	5.50
Reported EPS (p)	4.75	0.48	5.67	8.30	12.57	7.80	11.21	8.74
Dividend per share (p)	4.500	4.625	4.750	4.875	5.000	5.125	5.250	5.400
Shares in Issue, No., Average	266.9	290.8	356.4	444.4	445.6	560.1	599.2	619.4
Fully diluted shares (convertible)	na	na	na	496.0	530.8	644.7	681.5	682.6

Source: Hardman & Co Research

Note: break fees are excluded, but PIF is included in Hardman adjusted EPS figures

- ▶ Note [1], the EPS numbers (including EPRA EPS) are stated post a Performance Incentive Fee in 2017 and 2018. We make allowance for the 2017 revised Performance Incentive Fee. This stands at 11.25% of the EPRA NAV total return over a hurdle of 8%. This estimate currently at £0.5m for both 2017 and 2018 is included within the administration expenses line.
- ▶ NB 2017E EPRA EPS **EX**cluding performance fee, diluted: 5.21p, vs 5.13p, as stated in table above, which is post the performance fee.
- ▶ Estimates now take into account the November and December 2017 partial conversion of the May 2019 4.25% Convertible loan stock. We make no assumption about further conversion in 2018 albeit such an event is realistic to expect.
- ▶ We plan to initiate 2019 estimates post the reporting of 2017 financials but anticipate growth in EPRA EPS and dividend per share in 2019.

Balance sheet (£m, end-December)								
	2011	2012	2013	2014	2015	2016	2017E	2018E
Investment properties - Start of period	469.3	525.6	622.4	941.5	1026.2	1100.6	1220.1	1339.1
Currency translation effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions to portfolio	45.7	98.6	316.2	55.5	34.6	98.8	82.0	100.0
Revaluations	10.6	-1.8	2.9	29.2	39.8	20.7	37.0	20.1
<b>Non current assets</b>								
Investment properties - End of period	525.6	622.4	941.5	1026.2	1100.6	1220.1	1339.1	1459.2
Finance leases	3.0	3.1	0.5	0.0	0.0	0.0	0.0	0.0
Interest rate swaps	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub total: Non-current assets	528.7	625.5	942.0	1026.2	1100.6	1220.1	1339.1	1459.2
<b>Current assets</b>								
Receivables	2.6	2.9	4.8	5.7	4.1	3.3	4.5	4.5
Finance leases etc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash + short term investments	0.1	25.1	5.5	12.1	2.9	5.1	23.1	25.5
Sub total: current assets	2.7	28.0	10.3	17.8	7.0	8.4	27.7	30.0
<b>Total assets</b>	531.4	653.5	952.3	1044.0	1107.6	1228.5	1366.8	1489.2
<b>Current liabilities</b>								
Deferred rental income	6.6	7.8	11.9	12.3	13.2	14.1	15.0	15.0
Trade and other payables	5.8	12.3	16.3	14.2	16.1	13.6	16.0	16.0
Term loans	0.6	79.9	1.9	0.7	0.9	0.8	1.0	1.0
Interest rate swaps	24.0	7.5	7.6	5.8	4.7	3.8	3.8	3.8
Sub total: current liabilities	37.0	107.5	37.7	33.0	34.9	32.3	35.8	35.8
<b>Non current liabilities</b>								
Term loan over 1 year, incl. bond	300.7	323.1	592.6	666.6	696.7	667.5	744.4	840.5
Interest rate swaps	25.6	45.3	21.5	35.2	30.6	29.5	29.5	29.5
Sub total: Non-current liabilities	326.3	368.4	614.1	701.8	727.3	697.0	773.9	869.9
<b>Total liabilities</b>	363.3	475.9	651.8	734.8	762.2	729.3	809.7	905.7
<b>Shareholders' funds</b>	168.0	177.6	300.5	309.2	345.4	499.2	557.0	583.4
<b>EPRA Shareholders' funds</b>	217.5	230.4	329.1	354.2	391.6	545.0	601.3	627.7
Shares in Issue at period end, No, m.	273.2	304.4	444.4	445.1	446.3	598.2	619.4	619.4
NAV per share pence	61.5	59.4	69.6	69.5	77.4	83.5	89.9	94.2
EPRA NAV per share pence	79.6	75.7	76.1	79.6	87.5	91.1	97.1	101.3
Net debt	301.2	377.9	589.0	655.2	694.7	663.2	722.3	815.9
Debt % NAV	179.2	212.7	196.0	211.9	201.1	132.8	129.7	139.8
Change in term loan	31.8	53.1	269.5	74.0	30.1	-29.2	76.9	96.0
Loan to Value ratio	56.7%	57.8%	61.8%	62.8%	62.7%	53.7%	52.8%	54.8%
Net debt [1]	301.2	377.9	579.7	658.0	694.7	663.2	722.3	815.9

Source: Hardman & Co Research

Note [1] Measure of net debt including fair value, carrying value, unamortised borrowing costs

- ▶ With LTV of 52.8% (2017E), there is scope to purchase further assets entirely for debt. LTV of over 60% is not anticipated but a rise towards that level is likely. NB our LTV ratio includes total assets i.e. includes cash held.
- ▶ Rent roll, at £16.2m 2007, is now estimated at £73m.

Cash flow (£m, year-end December)								
	2011	2012	2013	2014	2015	2016	2017E	2018E
Operating activities								
Profit before taxation (adj for fair value)	20.6	5.6	6.0	38.2	49.9	43.1	67.2	54.1
Adjustments for:								
Net valuation changes on investment property	-10.6	1.8	-2.9	-29.2	-39.8	-20.7	-37.0	-20.1
Early repayment fees and bond issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit on disposal of investment property	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial income receivable	-0.4	-0.5	0.0	-1.0	0.0	0.0	0.0	0.0
Finance costs payable	15.8	20.8	23.3	35.3	33.7	32.5	31.7	34.8
<b>Sub-total</b>	<b>25.1</b>	<b>27.7</b>	<b>26.4</b>	<b>46.9</b>	<b>43.8</b>	<b>54.9</b>	<b>61.9</b>	<b>68.9</b>
Increase in trade and other receivables	-0.2	-0.1	4.4	-0.5	1.0	0.6	0.8	0.8
Increase in trade and other payables	1.1	7.9	0.4	-2.0	2.1	-1.5	0.0	0.0
Interest, fees paid	-19.0	-20.7	-26.9	-35.9	-37.0	-46.0	-31.7	-34.8
Interest received	0.3	0.4	0.0	0.5	1.3	0.5	0.0	0.0
Taxation (& REIT) paid	-2.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
<b>Net cash inflow from operating activities</b>	<b>5.4</b>	<b>15.2</b>	<b>4.3</b>	<b>9.0</b>	<b>11.2</b>	<b>8.4</b>	<b>31.0</b>	<b>34.8</b>
Investing activities								
Acquisitions net of cash acquired, other	0.0	-55.5	-232.5	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of investment properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions to investment properties	-45.0	-45.3	-58.6	-54.5	-29.5	-97.4	-82.0	-100.0
<b>Net cash flow operating and investing</b>	<b>-39.6</b>	<b>-85.6</b>	<b>-286.8</b>	<b>-45.5</b>	<b>-18.3</b>	<b>-89.0</b>	<b>-51.0</b>	<b>-65.3</b>
Financing activities								
Net proceeds from issue of share capital	15.6	21.0	91.8	0.0	-0.1	145.2	19.3	0.0
Dividends paid	-11.2	-12.2	-16.1	-20.7	-21.1	-24.7	-27.4	-28.4
<b>Net cash flow (change in debt)</b>	<b>-35.2</b>	<b>-76.8</b>	<b>-211.1</b>	<b>-66.2</b>	<b>-39.5</b>	<b>31.5</b>	<b>-59.1</b>	<b>-93.7</b>
Net proceeds of long-term borrowings	35.0	49.3	-16.3	69.0	30.3	-29.3	77.1	96.1
<b>Net cash inflow from financing activities</b>	<b>39.4</b>	<b>58.1</b>	<b>59.4</b>	<b>48.3</b>	<b>9.1</b>	<b>91.2</b>	<b>69.0</b>	<b>67.6</b>
<b>Net debt</b>	<b>301.2</b>	<b>377.9</b>	<b>589.0</b>	<b>655.2</b>	<b>694.7</b>	<b>663.2</b>	<b>722.3</b>	<b>815.9</b>
Increase in cash and cash equivalents	-0.3	25.0	-15.8	1.6	-9.4	2.2	18.0	2.4
Opening cash and cash equivalents	0.4	0.1	25.1	9.3	12.1	2.9	5.1	23.1
<b>Closing cash and cash equivalents</b>	<b>0.1</b>	<b>25.1</b>	<b>9.3</b>	<b>12.1</b>	<b>2.9</b>	<b>5.1</b>	<b>23.1</b>	<b>25.5</b>

Source: Hardman &amp; Co Research

## Notes

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*Hardman & Co Research Limited (trading as Hardman & Co)  
35 New Broad Street  
London  
EC2M 1NH  
T +44 (0) 207 194 7622*

*Follow us on Twitter @HardmanandCo*

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## Hardman Team

### Management Team

+44 (0)20 7194 7622

John Holmes	jh@hardmanandco.com	+44 (0)207 194 7629	Chairman
Keith Hiscock	kh@hardmanandco.com	+44 (0)207 194 7630	CEO

### Marketing / Investor Engagement

+44 (0)20 7194 7622

Richard Angus	ra@hardmanandco.com	+44 (0)207 194 7635
Max Davey	md@hardmanandco.com	+44 (0)207 194 7622
Antony Gifford	ag@hardmanandco.com	+44 (0)207 194 7622
Vilma Pabilionyte	vp@hardmanandco.com	+44 (0)207 194 7637
Gavin Laidlaw	gl@hardmanandco.com	+44 (0)207 194 7627
Ann Hall	ah@hardmanandco.com	+44 (0)207 194 7622

### Analysts

+44 (0)20 7194 7622

#### Agriculture

Doug Hawkins	dh@hardmanandco.com
Yingheng Chen	yc@hardmanandco.com
Thomas Wigglesworth	tcw@hardmanandco.com

#### Bonds

Brian Moretta	bm@hardmanandco.com
Mark Thomas	mt@hardmanandco.com

#### Building & Construction

Tony Williams	tw@hardmanandco.com
Mike Foster	mf@hardmanandco.com

#### Consumer & Leisure

Mike Foster	mf@hardmanandco.com
Steve Clapham	sc@hardmanandco.com
Jason Streets	js@hardmanandco.com

#### Financials

Brian Moretta	bm@hardmanandco.com
Mark Thomas	mt@hardmanandco.com

#### Life Sciences

Martin Hall	mh@hardmanandco.com
Gregoire Pave	gp@hardmanandco.com
Dorothea Hill	dmh@hardmanandco.com

#### Media

Derek Terrington	dt@hardmanandco.com
------------------	---------------------

#### Mining

Paul Singer	if@hardmanandco.com
-------------	---------------------

#### Oil & Gas

Angus McPhail	am@hardmanandco.com
---------------	---------------------

#### Property

Mike Foster	mf@hardmanandco.com
-------------	---------------------

#### Services

Mike Foster	mf@hardmanandco.com
-------------	---------------------

#### Special Situations

Steve Clapham	sc@hardmanandco.com
Paul Singer	ps@hardmanandco.com

#### Tax Enhanced Services

Brian Moretta	bm@hardmanandco.com
Chris Magennis	cm@hardmanandco.com

#### Utilities

Nigel Hawkins	nh@hardmanandco.com
---------------	---------------------

#### Hardman & Co

35 New Broad Street  
London  
EC2M 1NH

Tel: +44(0)20 7194 7622

www.hardmanandco.com

