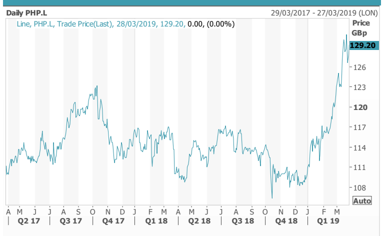
Real Estate



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	**PHP**
Price (p)	127
12m High (p)	127
12m Low (p)	106
Shares (m)	1,110
Mkt Cap (£m)	1,410
EV (£m)	2,558
Market	Premium, LSE

Description

Primary Health Properties (PHP) is a REIT acquiring and owning modern primary medical properties in the UK, and is expanding into the Republic of Ireland (RoI).

Company information

CEO	Harry Hyman
CFO	Richard Howell
Chairman	Steven Owen

+44 20 7451 7050
www.phpgroup.co.uk

Key shareholders

Directors	1.0%
CCLA	5.4%
Blackrock	4.9%
Investec Wealth	3.3%
Vanguard Group	2.8%
Troy Asset	2.3%
Charles Stanley	2.0%

Figures are post merger

Diary

Jun'19	AGM
Jul'19	Interim results

Analyst

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PRIMARY HEALTH PROPERTIES

Step change, with MedicX Fund merger

PHP and MedicX Fund completed an all-share recommended merger on 14 March 2019. The latter is also a UK REIT, investing in assets similar to PHP, focused entirely on UK and Republic of Ireland (RoI) primary medical assets. These are localised hubs providing community-based GP surgeries and other closely related medical services. To date, PHP has expanded its presence strongly in this very specialist asset category. The complementary merger adds to capabilities for sourcing investments and enhances cost (fee- and finance-related) synergies, initially by a stated £4.0m p.a. 91% of PHP income is backed by the UK or RoI government. Occupancy consistently exceeds 99%.

- **Growth in 2019 sees step jump expansion**: PHP's merger with complementary MedicX Fund effectively adds well over £800m of investment assets of as high a quality as PHP's, at nil stamp duty cost, saving £4m p.a. in synergy efficiencies and adding complementary routes to purchase new assets.

- **Strategy:** PHP purchases modern standing stock, and forward-funds repeat development partners. No development risk is taken, on the forward funding, and the strategy is focused tightly on this sector. The PHP-MedicX Fund offer, just completed, was 'all-shares', on the basis of 0.77 new PHP per one MedicX share.

- **Valuation:** The shares trade at a premium to historical EPRA NAV, and, in the time frame of the table below, PHP shares have always traded above NAV and EPRA NAV. At the last balance sheet (30 September), assets were valued at a 4.85% net initial yield (NIY). In this report, we initiate estimates for the merged entity.

- **Risks:** Debt maturity is over eight years, from a wide variety of bank and bond sources. 2018 DPS cash cover was over 100%, and grew that year. Undrawn facilities exceed £200m. PHP states a 2.6% marginal rate of interest, vs. the 3.9% average cost in 2018, so cost continues to trend down (it fell again in 2018).

- **Investment summary: 22 years of unbroken dividend growth.** Expansion into higher cash-generating Irish assets and a falling debt cost enhance EPRA EPS. Incremental management fees are below portfolio averages. Given these items, the enlargement through the merger, and the asset yield, recent acquisitions have been positive to EPS – and the merger even more so.

Financial summary and valuation

Year-end Dec (£m)	2016	2017	2018	2019E	2020E
Income	66.5	71.3	76.4	118.3	135.5
Finance costs	-32.5	-31.6	-29.7	-45.3	-50.7
Declared profit	43.6	91.9	74.3	100.7	112.2
EPRA PBT (operating)	26.7	31.0	36.8	60.7	72.2
EPS reported (p)	7.8	15.3	10.5	9.8	9.8
EPRA EPS (diluted, p)	4.7	5.1	5.2	5.9	6.3
DPS (p)	5.12	5.25	5.40	5.60	5.85
Net debt	-663.2	-726.6	-670.2	-1,212.1	-1,333.3
Dividend yield	4.0%	4.1%	4.3%	4.4%	4.6%
Price/EPRA NAV (x)	1.39	1.26	1.21	1.18	1.14
NAV per share (p)	83.5	94.7	102.5	103.3	107.1
EPRA NAV per share (p)	91.1	100.7	105.1	107.4	111.2

Source: Hardman & Co Research

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Investment case

Growth

The merger is a step jump in growth, including growth in EPRA EPS

Growth in 2019 sees a step function jump as a result of the merger with MedicX Fund. This adds well over £800m of assets of as high quality as PHP's, at nil stamp duty cost.

£4m p.a. synergy savings

The merger saves £4m p.a. in synergy efficiencies.

More routes to an enlarged acquisition pipeline

Importantly for future further expansion, it brings complementary routes to purchase assets, given MedicX Fund's close relationship with developers, including its formerly in-house development team. Both PHP and the former MedicX Fund have strong contacts with specialist developers and commissioners (HM Government) – so, combined, they have a stronger hand in the market. PHP acquisitions are of standing stock and newly developed stock. The company undertakes zero development. The new stock is sourced from trusted developer partners with which PHP, where appropriate, enters into forward-funding arrangements on tight criteria. For contractual and 'trusted partner' reasons, forward-funded acquisitions have always been on budget, adding to the exceptionally high predictability of returns.

Note that, as of its 30 September 2018 balance sheet, MedicX Fund owned £806.7m investment properties. The merger cost £24m in fees, which compares favourably with the ca.£40m of SDLT (stamp duty land tax) savings. Thus, the immediate payback, is strongly positive on cash-running costs alone, with the acquisition cost saving a bonus.

Governmental investment into growing this method of delivery of health services

Both the UK and RoI governments have publicly committed to investing in this sector, via private and public sector delivery, to enhance health service delivery.

Growth benefits EPRA EPS, and hence DPS, because of a positive yield pick-up, a 0.275% (of gross asset) incremental management fee and the scope to modestly re-gear the portfolio (on a notably lower cost of debt than the current group average). See the following section of this report.

PHP's dividend prospects

We estimate an acceleration in dividend per share payouts

The DPS growth is fuelled by an EPRA EPS trend that is rising faster than our model for DPS in the coming years. Cover is building and, at some stage, this should feed through to accelerating DPS growth. Indeed, our DPS growth estimate of 4.5% for 2020 is above the 3.7% we forecast for 2019, which is already flagged by the 3.7% YoY rise in the most recent quarterly dividend paid.

EPRA EPS prospects are underpinned further by the following.

Finance costs set to continue to fall

- ► Scope to reduce the interest cost. This is, in part, from MedicX Fund's slightly more expensive cost, some slightly more expensive debt tranches at PHP, maturing in 2019, a current cost of new debt of ca.3.1%, including a margin of ca.170bps, and 10-year swaps at 140bps.

Market costs of money have continued to reduce

- ► As to new debt, UK 10-year swap rates stand at 1.40%, down from an already modest 1.75% in October 2018.

LTV has scope modestly to rise – which is EPS-enhancing

- ► Current (i.e. post-merger) LTV equates to 47.8%, or 46.9% excluding the convertible bond, which is due to convert into equity in two months' time. We anticipate that LTV will rise, in a measured, conservative fashion.

▶ Net income on acquisitions in the UK is anticipated to be secured at ca.4.85% and, after costs, the income return (i.e. the pick-up in income on an asset funded notionally 100% through debt) is a positive 1.5%. The equivalent figure in RoI stands at ca.3.0%, and we anticipate ca.25% or more of purchases to be from RoI in our model's time frame.

▶ An incremental management fee of 0.275% of gross assets, declining as the portfolio expands, as per the fee agreement.

A growing asset class with a particularly attractive income profile

22 years of growing success, with dividends per share up each year

MedicX Fund accelerates EPRA EPS growth

PHP invests in real estate, which presents one of the best profiles in terms of forward visibility: primary medical assets. It has grown significantly in its 22 years of existence, and the MedicX Fund merger is a highly significant and exciting acceleration. There is a government-initiated and consistently backed (by a cross-party consensus, indeed) structural policy to add capacity in the patient-medical practitioner interface at the local, primary level. This enhances patient experience and outcome (vs secondary i.e. hospitals and accident and emergency), and also saves costs vs. the alternatives. PHP invests in the freeholds in a 'buy and hold' strategy, as the leases are highly attractive, with effective governmental covenant and typical lengths of ca.20 years, with no breaks. Occupancy thus is typically ca.99.8%.

Security of covenant and upward-only rents on long leases

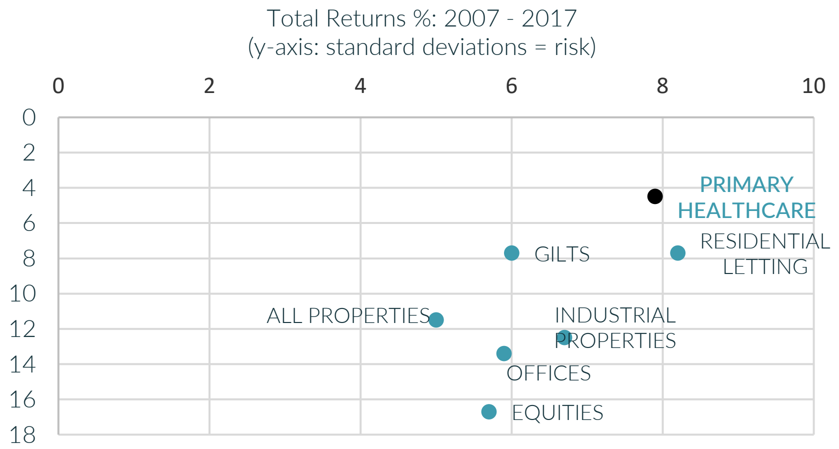
Leases are structured such that there are triennial reviews, and the reviews have either fixed or RPI-/CPI-linked uplifts, or the rent is assessed by a valuer in the open market. The landlord (PHP) has a right to veto any assessment leading to a rent reduction, so no assessments end up in a negative figure. Through the broader UK economic and real estate downturn post-2008, PHP's leases' rents therefore rose each year (and, contractually, they will continue to do so). After the recovery in the broader market, the costs and opportunities in the broader real estate market are putting upward pressure on rents in this asset class.

Demonstrable best-in-class asset sector

This asset class generated greater annual returns, with much less annual volatility through the whole cycle (2007-17), compared with all other major UK asset classes. Even taking returns from the effective market peak of 2007, the total return through the subsequent 10 years averaged 7.9% for primary medical assets in the UK, vs. gilts 6.0%, all-property 4.9% and equities 5.9%. During the last downturn phase of the broader cycle, UK primary medical assets generated a 5.6% annual return (end-2017 to end-2012), vs. 0.5% for (MSCI) UK all-property.

Through the cycle, PHP's primary medical assets have outperformed well

Asset class total returns over the past cycle



Source: PHP presentation

PHP's focus on sustainability and security matches an increasing number of investor requirements

Relative rating attractions

The prospect of a benign UK and global long-term interest rate environment provides support for investments offering secure, sustainably growing income.

Dividend yield similar to the broader sector

The larger component of total returns has been income-driven, and it is noteworthy that the historical dividend yield for the FTSE 350 real estate index (index recorded at 521 on 26 March 2019) is 4.4%. At the current price, PHP's historical dividend yield is 4.3%. We consider we are at a point in the cycle where safety/security of income should be at a premium.

Lower-risk real estate is not being priced too expensively

The rating risk in primary health assets (which we use as a proxy for 'low-risk real estate') appears modest. With a maturing cycle, there would be some justification for a 'low-risk' premium to attach to the assets and the shares. Such a premium does not currently exist. The table below states PHP's NIYs.

The assets in which PHP typically invests are not on measurable premium prices to the average wider market

NIY for PHP portfolio and for MSCI All-property

	PHP* NIY %	MSCI All-property NIY %
Average 2007-18	5.5	5.7
End-2017	4.9	5.1
End-2018	4.8	5.0**

** Data provided by PHP, ** Hardman & Co estimate; Source: PHP, MSCI*

The valuation basis on primary health assets is very similar to the broader market. There is a small premium (i.e. lower NIY) currently attached to the lower-risk assets, but it is no more than the whole-cycle 2007-18 average, which, in any case, is only ca.10bps (or 2%) within the 'margin of error'.

Robust drivers to a sustained, attractive investment case, backed by growing cash-backed profits

We consider PHP to be attractively positioned for those investors seeking:

- significant benefits to EPRA EPS, and hence dividend growth potential from the merger expansion – a recommended merger between two complementary businesses;
- an asset class proven to outperform significantly in the past cycle, with every reason to anticipate a repeat performance;
- security in an uncertain environment, without paying a premium on income streams (regarding both the assets themselves and the dividend yields on shares);
- the prospect of highly 'transparent' secure, growing income streams at a time when investors find such income streams increasingly difficult to source.

Security – acceleration in EPS due to merger – a 'transparent' structure and investment stream

Investment objective and structure

Investing in primary healthcare real estate let on long-term leases

The REIT objective is to generate progressive dividends through investing in primary healthcare real estate let on long-term leases, backed by a secure underlying covenant, where the majority of rental income is funded directly or indirectly by a government body. PHP's portfolio is in the UK and RoI, with a current ceiling of 10% in RoI. PHP's investment objective is stated on its website:

https://www.phpgroup.co.uk/investors/investment-case.

Sector

The group leases medical centres to GPs, NHS organisations, the HSE in RoI and other healthcare users (e.g. pharmacies and family agencies). By definition, therefore, PHP undertakes no investment in hospitals; nor does it undertake developments.

Capital structure and fees

All equity is ordinary shares. There is an outstanding convertible bond, with maturity in May 2019. The fair value outstanding at end-2018 was £26.6m (post £45.7m bond conversions in 2018), the nominal value was £23.2m, and the conversion price 96.16p. Nearly all the remining bond was converted during this 1Q'19. Nexus (the group's investment adviser) is entitled to a performance fee equal to 11.25% of any performance in excess of 8% p.a., with a £2.0m cap. There are no rent-related fees.

Incremental acquisitions bear annual fees of 0.2% – an efficient structure

Fees* – Investment Advisor

PHP gross assets	Annual % gross assets
£0 to £250m	0.500
£250m to £1.5bn	Various, from 0.475 to 0.300
£1.5bn to £1.75bn	0.275
£1.75bn to £2.0bn	0.250
£2.0bn to £2.25bn	0.225
£2.25bn-plus	0.200

**There is also a (capped) performance fee; Source: PHP report and accounts*

Other details

- Listing and index: LSE Main Market Premium Listing, FTSE 250 Index.
- Dividend: 22 years' unbroken rises. 2018 cash cover 101% (on £36.6m dividends paid).
- 2018 EPRA EPS: 5.2p.
- 2018 DPS: 5.4p (+2.9%). 1Q'19 DPS: 1.4p (+3.7%), equating to annual 5.6p.
- 2018 EPRA NAV: £808.6m (£623.6m 2017); 105.1p per share end-2018 (100.7p end-2017).
- 2018 NAV £788.0m (post £17.2m derivative interest swap liability and £3.4m convertible bond fair value movement).

Summary of ratios

Investment property portfolio exceeds £2.3bn

- PHP's investment property portfolio now exceeds £2.3bn. PHP's pre-merger investment property assets, as per its balance sheet, comprised an independent market valuation of £1,502.9m. For MedicX Fund (now part of the enlarged PHP), investment properties as of the 30 September 2018 balance sheet stood at £806.7m, including £18.4m under construction (forward-funded, with no development risk).

- Total portfolio of 479 properties. As of end-2018, PHP's portfolio comprised 305 UK properties and eight RoI properties. In addition, as of 30 September 2018, MedicX Fund stated that it owned 166 properties, of which five are in RoI.
- Annualised rent roll of £125m; at December 2018, this was £79.4m. In addition, for MedicX Fund (now part of the enlarged PHP), the last stated annualised rent roll (for 30 September 2018 financial results) stood at £44.0m.
- NIY on assets 4.85%.
- LTV 47.8%.
- Debt length over eight years – cost 4.0%.
- WAULT 13.5 years.
- Occupancy 99.5% (a figure consistently at around this level each year).

Rents

Effectively upwards-only

2018 outcome was 1.8%

31% leases are index-linked or fixed uplifts

Rents are all 'effectively upwards-only' (see PHP 2018 year-end presentation), https://www.phpgroup.co.uk/investors/results-centre bar the RoI portfolio, which includes leases linked to RoI CPI upwards or downwards. RoI is denominated in €. Like-for-like rental growth (inflation) was 1.8% in 2018. Rent reviews were 1.4% up. Assets are typically on long-term occupational leases. Rents are 91% funded by government bodies (Source: PHP audited results). The remainder are index-linked (23% of the total), fixed uplift (8% of the total) and 69% open market. The open market is determined by district assessors referencing comparators. These will thus be influenced progressively, as new (modern specification) primary medical assets are developed and completed.

Sector funding and social impact

Both the UK and RoI governments have publicly committed to investing in this sector, supported by demographics, and the lesser cost and greater flexibility of primary versus secondary (hospital-based) for certain common types of service delivery.

NHS five-year forward review points to an expansion in provision via this asset class

The sole financial interaction from governments with PHP is through rental payments on lease contracts, obviating any complexity and giving full transparency as to flow of funding. The private sector has always had a role in the NHS. 40% of GPs are self-employed (they are part of the private sector). The NHS is a co-operative between the public and private sectors. See https://www.england.nhs.uk/five-year-forward-view/next-steps-on-the-nhs-five-year-forward-view/primary-care/

Advisors

- Investment Adviser: The Nexus Group, 66-68 Haymarket, London SW1Y 4RF.
- Stockbrokers: Numis Securities Ltd; Peel Hunt Ltd.
- Auditor: Deloitte LLP, London.
- Solicitors: CMS Cameron McKenna Nabarro Olswang LLP; Shepherd and Wedderburn LLP; Gowling WLG (UK) LLP; McCann FitzGerald Solicitors.
- Property valuers: Lambert Smith Hampton.

Recommended merger with MedicX Fund completed

Post the recent completion of this merger, MedicX Fund shareholders have converted to PHP shares (on the basis of 0.77 new PHP shares per one MedicX Fund share).

Complementary property portfolios

Highly complementary…

MedicX Fund acquires primary medical assets, which are localised hubs providing community-based GP surgeries and other closely-related medical services, primarily in the UK, but also with a presence in RoI. The asset spread, average lot size and strategic positioning are entirely complementary to those of PHP. MedicX Fund brings its own range of developer contacts, but neither entity in the merger has ever taken development risk. This is strictly not part of the model. Both PHP and the former MedicX Fund have high-level contact with the NHS in the UK and the HSE in RoI. The strategic alignment and fee-structure cost savings, plus the greater presence regarding developer contacts, capital providers, tenants and the ultimate funders of the leases, all commend the success of the enlarged entity in the future. Of note, MedicX Fund's Investment Adviser includes its own development pipeline, and this relationship continues in the enlarged group.

…modern…

…and good lot size

Complementary property portfolios with attractive characteristics

Properties	PHP, 31.12.18	MedicX Fund, 30.09.18	Pro-forma
Total number	313	166	479
Included in RoI	8	5	13
Investment portfolio value (£bn)	1.5	0.8	2.3
Contracted rent roll (£m)	79	44	123
NIY	4.85%	4.85%	4.85%
Average lot (individual asset) size (£m)	4.8	4.8	4.8
Average weighted unexpired lease (years)	13.1	14.2	13.5
Occupancy	99.8%	99.0%	99.5%
Rent government-backed*	91%	90%	91%

**These MedicX Fund data relate to end-March 2018*
Source: PHP and MedicX Fund report and accounts

The current position is a £125m annualised rent roll, with both entities having secured purchases since their respective latest balance sheet dates.

Drivers of PHP EPRA profits

Rental growth

Primary medical assets' rent growth history and prospects are diametrically opposed to the broader market. Growth has been held down in recent years and is starting to accelerate. On top of this dynamic, the leases are effectively upwards-only.

1.8% rental growth in 2018, but only a modest rise in the open market segment

The outcome of rental growth was 1.8% in 2018 (PHP pre-merger, very similar outcome for MedicX Fund), including 2.7% on the 31% leases that are index-linked or fixed uplifts.

This is accelerating for a number of reasons

We anticipate that this will rise at a slightly faster rate in 2019 and that the rise will accelerate in 2020. This is in stark contrast to the broader UK real estate market, where consensus is for a 1.8% fall this year (IPF) and a decline of 1.6% in 2020.

All underpinned by focus on modern assets of good sizes and well-located

It is most important that these assets are of an appropriate size to form a mainstay local 'hub' for services in their community. With demographics, such local-site specific demand should prove significant for the long term, well beyond the scope of these long leases.

Drivers for primary medical include:

- increased development activity after a lull, due to several factors, including a historical one-off, disruptive restructure of NHS procurement chains;
- developers' financial requirement of a certain level of rent to secure appropriate returns (PHP never has been, nor ever will be, a developer);
- build (and land) cost inflation;
- 'creep' in building regulations, carbon footprint and specification.

Cost of debt

Cost of debt will inevitably fall, unless there is a significant market rise in medium/long interest rates

The historical cost of debt averaged 3.9%. As to new debt, UK 10-year swap rates stand at 1.40%, down from an already modest 1.75% in October 2018. Adding a lenders' margin, the cost of UK debt to PHP is anticipated at ca.3.1%. Recent debt has been secured at below this level. PHP has a wide range of debt-funding options, not simply bank lending. € debt rates are below £ rates, and PHP acquires €-based, as well as £-based, assets. Note that undrawn debt exceeds £200m.

Some debt costing over 5% matures shortly

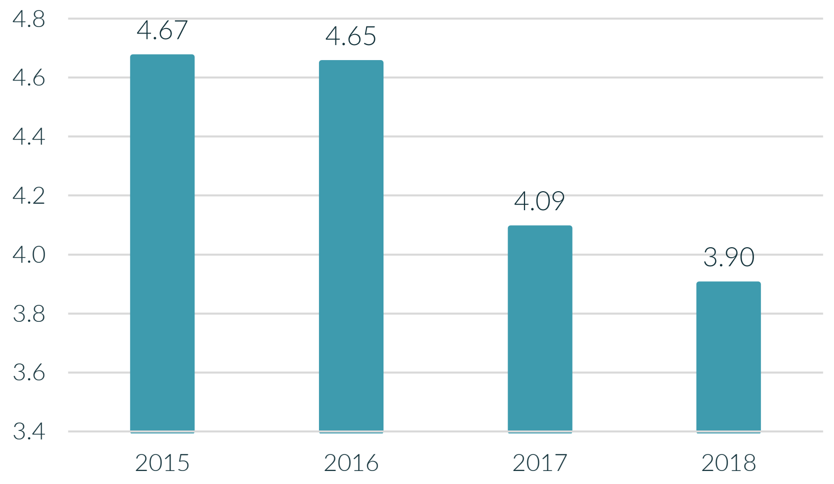
It should be noted that, in mid-2019, a £75m retail bond will expire, and we anticipate that it will be refinanced. The interest rate on the bond is 5.375%. In recent years, the drivers to the reducing interest rate have included the following.

- The proactive management and refinancing of debt as it matures, with significant amounts of debt maturing each year, historically.
- The ability and desire, on the part of PHP and also lenders, selectively to cancel swaps (interest-fixing derivatives).
- Post the merger with MedicX Fund, the current period is in excess of eight years. The weighted maturity period, prior to this, stood at 5.4 years. The debt is readily refinanced, given the conservative gearing and asset quality (added to the management track record and, not least, 22 years of unbroken dividend growth). The conclusion is that debt rolled over will be on reduced rates.

- The current average cost of debt is 4.0%, with former MedicX Fund's average interest cost having been above PHP's.
- We estimate that the enlarged PHP's cost of debt in 2019 will be below the 2018 average, before resuming a more rapid downward trajectory post the MedicX Fund effect.

ca.3.1% current cost of incremental 10-year £ debt

Historical average cost of debt (%)



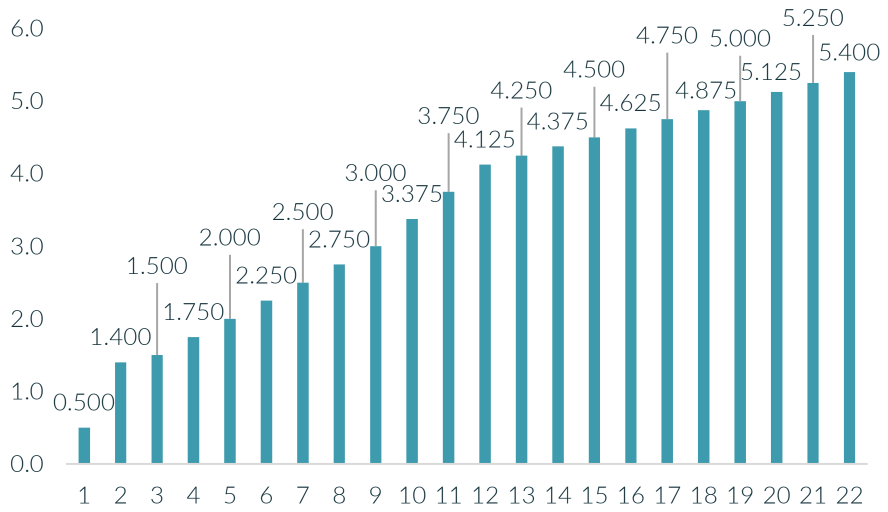
Source: PHP report and accounts

Dividend per share

PHP has seen 22 years of straight dividend growth. Two payments were made p.a. until 2016, after which dividends were announced and paid quarterly.

The most recently announced quarterly dividend is 1.4p, a 3.70% increase on the equivalent quarter a year prior. The 1.4p equates to an annualised 5.6p dividend per share.

DPS, commencing 1997*



** Adjusted for scrip (stock split)*
Please note that the 1997 dividend declared and paid (column one on the table above) represents the final dividend only.
Source: PHP report and accounts

Financial analysis

Revenue account							
Year-end Dec (£m)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**
Rental income total received	60.0	63.1	67.4	72.5	79.6	121.0	138.5
Direct property expenses	0.7	0.9	0.9	1.2	3.2	2.7	3.0
Total income	59.3	62.2	66.5	71.3	76.4	118.3	135.5
Administrative expenses	6.8	6.8	7.3	8.2	8.6	10.9	11.1
PIF	0.0	0.0	0.0	0.5	1.3	1.4	1.5
Total expenses	6.8	6.8	7.3	8.7	9.9	12.3	12.6
Operating profit	52.5	55.4	59.2	62.6	66.5	106.0	122.9
Operating margin	87.5%	87.8%	87.8%	86.3%	83.5%	87.6%	88.7%
Developer loan interest, other income	1.0	0.7	0.5	0.3	0.1	0.1	0.1
Swap interest paid	-7.6	-6.0	-5.1	-3.4	-1.9	-0.7	-1.2
Bank, bond loan interest, fees	-27.7	-28.4	-27.9	-28.5	-27.9	-44.7	-49.6
Break fees (excluded from adjusted EPS figure)	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Net finance costs	-35.5	-33.7	-32.5	-31.6	-29.7	-45.3	-50.7
EPRA PBT	18.2	21.7	26.7	31.0	36.8	60.7	72.2
Net revaluation on portfolio	29.2	39.8	20.7	64.5	36.0	40.0	40.0
Gain on disposal	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Fair value gain on derivatives	-2.5	1.0	-2.2	-0.3	-1.8	0.0	0.0
Fair value on Convertible	-4.5	-6.5	-1.6	-3.3	3.2	0.0	0.0
Non-recurring expenses	-2.4	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	36.9	56.0	43.6	91.9	74.3	100.7	112.2
Tax charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPRA EPS (p, as above and excluding Convertible)	4.10	4.87	4.77	5.17	5.19	5.89	6.31
EPRA EPS (p, diluted)	4.10	4.77	4.69	5.07	5.16	5.87	6.31
EPRA EPS (p, diluted and pre-performance fee)	4.10	4.77	4.69	5.15	5.34	6.01	6.44
Reported basic EPS (p)	8.30	12.57	7.78	15.30	10.48	9.77	9.80
DPS (p)	4.875	5.000	5.125	5.250	5.400	5.600	5.850
DPS cash cover	86%	97%	97%	97%	101%	106%	109%
Shares in issue (m), average	444.4	445.6	560.1	600.7	708.6	1031.0	1145.0

Source: PHP report and accounts; estimates: Hardman & Co Research

Balance sheet							
@ 31 Dec (£m)	2014	2015	2016	2017	2018	2019E	2020E
Investment properties, start of period	941.5	1026.2	1100.6	1220.1	1361.9	1503.5	2470.0
Currency translation effect	0.0	0.0	0.0	1.8	3.7	0.0	0.0
Additions to portfolio	55.5	34.6	98.8	75.5	101.9	926.5*	130.0
Revaluations	29.2	39.8	20.7	64.5	36.0	40.0	40.0
Non-current assets							
Investment properties, end of period	1026.2	1100.6	1220.1	1361.9	1503.5	2470.0	2640.0
Finance leases	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Sub-total: non-current assets	1026.2	1100.6	1220.1	1361.9	1503.8	2470.0	2640.0
Current assets							
Receivables	5.7	4.1	3.3	6.4	4.6	4.4	4.4
Other	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Net cash + short-term investments	12.1	2.9	5.0	3.8	5.9	-15.9	20.0
Sub-total: current assets	17.8	7.0	8.3	10.5	10.4	-11.5	24.4
Total assets	1044.0	1107.6	1228.4	1372.4	1514.2	2458.5	2664.4
Current liabilities							
Deferred rental income	12.3	13.2	14.1	15.0	16.0	15.0	15.0
Trade and other payables	14.2	16.1	13.6	15.4	16.1	20.0	20.0
Term loans	0.7	0.9	0.8	0.8	0.9	1.0	1.0
Interest rate swaps	5.8	4.7	3.8	2.7	0.0	0.0	0.0
Bond	0.0	0.0	0.0	0.0	101.5	0.0	0.0
Sub-total: current liabilities	33.0	34.9	32.3	33.9	134.5	36.0	36.0
Non-current liabilities							
Term loan over 1 year, bond	666.6	696.7	667.4	729.6	573.7	1195.2	1352.3
Interest rate swaps	35.2	30.6	29.5	22.1	18.2	47.0	47.0
Sub-total: non-current liabilities	701.8	727.3	696.9	751.7	591.9	1242.2	1399.3
Total liabilities	734.8	762.2	729.2	785.6	726.4	1278.2	1435.3
Shareholders' funds	309.2	345.4	499.2	586.8	787.8	1180.3	1229.1
EPRA shareholders' funds	354.2	391.6	545.0	623.6	808.8	1227.3	1276.1
Shares in issue at period-end, No. (m)	445.1	446.3	598.2	619.4	769.1	1142.5	1147.5
NAV per share (p)	69.5	77.4	83.5	94.7	102.5	103.3	107.1
EPRA NAV per share (p)	79.6	87.5	91.1	100.7	105.1	107.4	111.2
Net debt	655.2	694.7	663.2	726.6	670.2	1,212.1	1,333.3
LTV ratio	62.8%	62.7%	53.7%	52.9%	44.8%	49.3%	50.0%

**Includes MedicX Fund and other acquisitions of assets*

Source: PHP report and accounts; estimates: Hardman & Co Research

Cashflow							
Year-end Dec (£m)	2014	2015	2016	2017	2018	2019E	2020E
Operating activities							
Profit before taxation (adjusted for fair value)	38.2	49.9	43.0	91.9	74.3	100.7	112.2
Adjustments for:							
Net valuation changes on investment property	-29.2	-39.8	-20.7	-64.5	-36.0	-40.0	-40.0
Early repayment fees and bond issue	3.6	0.0	0.0	0.0	0.0	0.0	0.0
Finance costs payable	34.3	33.7	32.5	32.2	29.7	45.3	50.7
Sub-total	46.9	43.8	54.8	59.6	68.0	106.0	122.9
Net (post-finance) cash inflow from operating activities	9.0	11.2	8.3	22.6	36.4	60.6	73.6
Investing activities							
Additions to investment assets	-54.5	-29.5	-97.4	-75.4	-102.0	-100.0	-130.0
Debt acquired	0.0	0.0	0.0	0.0	0.0	-450.0	0.0
Corporate transaction costs	0.0	0.0	0.0	0.0	0.0	-24.0	0.0
Net cashflow, operating and investing	-45.5	-18.3	-89.1	-52.8	-65.6	-513.4	-56.4
Financing activities							
Net proceeds from issue of share capital/conversion	0.0	-0.1	145.2	0.0	108.1	0.0	0.0
Dividends paid	-20.7	-21.1	-24.7	-29.8	-34.7	-55.0	-65.0
Net cashflow (change in debt)	-66.2	-39.5	31.4	-82.6	7.8	-568.4	-121.4
Net proceeds of long-term borrowings	69.0	30.3	-29.3	62.1	-55.3	100.0	129.2
Convertible redemption for shares	0.0	0.0	0.0	19.3	48.9	26.6	0.0
Net cash inflow from financing activities	48.3	9.1	91.2	52.1	67.7	521.6	64.2
Net debt	655.2	694.7	663.3	726.6	670.2	1,212.0	1,333.3
Increase in cash and cash equivalents	1.6	-9.4	2.1	-1.2	2.1	8.2	7.8
Opening cash and cash equivalents	9.3	12.1	2.9	5.0	3.8	5.9	-15.9
Closing cash and cash equivalents	12.1	2.9	5.0	3.8	5.9	14.1	21.9

Source: PHP report and accounts; estimates: Hardman & Co Research

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