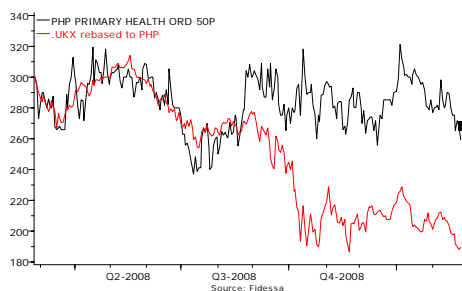


**Primary Health Properties 267p**  
FLASH NOTE: Management Puts Safety First

27 February 2009

**Share Price: 267p**



**12m High:** 340p

**12m Low:** 246p

**Market Cap:** £90m

**Shares in Issue:** 33.59m Fully Diluted

**NAV/Share:** 320p at 31.12.2008 on EPRA basis.

**Gearing:** LTV 65%

**Interest Cover:** 1.7X on operating profit, 2.1X on rental income

**EPIC Code:** PHP

**Sector:** Real Estate

**Market:** London Full List

**Joint Brokers:** Numis Securities

KBC Peel Hunt

**PR:** Bell Pottinger +44 (0)20 7861 3232

**Website:** www.phpgroup.co.uk

**Description:** PHP lets out GP surgeries to GP partnerships on 18+ year leases, which have their rent reimbursed by the public sector.

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Primary Health Properties has met all the key points it indicated in its January Trading Update and produced a solid performance. Management is clearly not in a risk taking mood - then it never has been. The word 'prudence' is used several times in the Statement. Otherwise, key points in this morning's results announcement are:

- A Loan to Value borrowing ratio of 65% compared to the current covenant of 75%, which reduces to 70% from October 2009.
- Current values based on a 6.16% reversionary yield for the portfolio, placing the valuation on a more conservative basis and arguably placing the group in a position where little if any further worsening of valuation yields should be seen.
- Interest cover of 2.2X on rental income vs the covenanted 1.3X.
- 16.5p of dividends paid for calendar year 2008, and an indication from the size of the final (8.5p/share) that 17p/share is likely for 2009 – giving a yield at the current share price of 6.3%.
- Passing rents of £19.6m at the year end, an increase of 21% over the twelve months.
- Rent increases averaging 3.96% p.a., higher than last year's 3.39% but surely about as high as it can get.
- 80% of the portfolio having unexpired least terms of 15 years or more.
- 91% of the rent roll is from GPs, PCTs or the Government directly. We continue to view the risk of voids or rental default as somewhere between minimal and non-existent.

The 'prudent' aspect of the company's management style over the coming year will almost certainly take the form of a significant reduction in new additions to the portfolio in the coming year. £53m of new properties were added to the portfolio last year; the 2009 figure is likely to be nearer £35m, as Primary Health Properties watches its borrowing facilities and the headroom over its covenants.

Y/E	Group Revenue	Adjusted Profit*	Adjusted EPS*	P/E ratio	Divi	Yield
December	£m	£m	p.		p.	%
2007A	15.7	4.2	13.8	19.3	15.75	5.9
2008A	19.7	6.3	18.8	14.2	16.50	6.2
2009E	20.8	6.3	18.5	14.4	17.00	6.3
2010E	22.2	7.0	20.0	13.3	17.50	6.6

\* EPRA basis

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Management	Major Shareholders																
<p><b>Chairman:</b> Graeme Elliott</p> <p><b>Managing Director:</b> Harry Hyman</p> <p><b>Property Director:</b> Tim Walker-Arnott</p> <p><b>Property Management:</b> A team of six based in Woking.</p>	<table> <tr> <td>Aberdeen Asset Management</td> <td>7.7%*</td> </tr> <tr> <td>Nexus Group (Harry Hyman)</td> <td>6.5%*</td> </tr> <tr> <td>James Hambro</td> <td>6.5%</td> </tr> <tr> <td>AXA Framlington</td> <td>4.9%</td> </tr> <tr> <td>Montanaro Fund Managers</td> <td>4.7%</td> </tr> <tr> <td>UBS Global Asset Management</td> <td>3.1%</td> </tr> </table>	Aberdeen Asset Management	7.7%*	Nexus Group (Harry Hyman)	6.5%*	James Hambro	6.5%	AXA Framlington	4.9%	Montanaro Fund Managers	4.7%	UBS Global Asset Management	3.1%				
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Key Dates	Key Milestones																
<p><b>Annual Meeting:</b> April 2009</p> <p><b>Interim Results:</b> late August/early September 2009</p>	<table> <tr> <td>1994</td> <td>Business Model put forward by Harry Hyman</td> </tr> <tr> <td>1995</td> <td>Purchase of small portfolio and incorporation</td> </tr> <tr> <td>1996</td> <td>Floated on AIM</td> </tr> <tr> <td>1997</td> <td>Full Listing on the London Stock Exchange</td> </tr> <tr> <td>2002</td> <td>Wanless Review proposing reforms in the NHS</td> </tr> <tr> <td>2007</td> <td>Darzi Interim Report launching the reform of public primary care</td> </tr> <tr> <td>2008</td> <td>(May) Largest acquisition, Port Talbot (£15.6m)</td> </tr> <tr> <td>2008</td> <td>(June) Darzi Review expanding on initial reform</td> </tr> </table>	1994	Business Model put forward by Harry Hyman	1995	Purchase of small portfolio and incorporation	1996	Floated on AIM	1997	Full Listing on the London Stock Exchange	2002	Wanless Review proposing reforms in the NHS	2007	Darzi Interim Report launching the reform of public primary care	2008	(May) Largest acquisition, Port Talbot (£15.6m)	2008	(June) Darzi Review expanding on initial reform
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## Primary Health Properties

27 February 2009

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