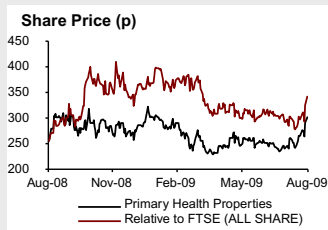


ADD

From Buy

Current Share Price	300p
Target Price	340p
Market Capitalisation	£106m
Shares In Issue	35m
RIC/BLBG	PHPL/PHP LN
Avg. Daily Volume (3M)	31,908
Broker	Yes

Current share price(s) timed at 4:30pm on 17/08/09



Performance %	1M	3M	12M
Absolute	25	22	9
Relative	17	14	27

Source: Datastream

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Primary Health Properties

Half Year Results

Half year results

PHP's interim results are in line with estimates, however in order to take account of a slightly higher passing rent roll and lower finance costs than forecast we are upgrading 2009 estimates slightly. We see PHP as one of the most defensive and predictable companies in the commercial property space, which is paying an attractive dividend underpinned by internally generated cashflow.

- Operating profit rose 21% to £8.5m, including revaluation losses of £8m the loss before tax grew from £0.5m to £1.8m (Numis forecast £1.7m loss). The group is paying an interim dividend of 8.5p. EPRA NAVps (i.e. excluding the non-cash mark to market moves on derivatives) fell from 318p to 290p. We forecast stable property yield in H2. As a result of a slightly higher than expected passing rent roll and lower finance costs we are upgrading 2009 EPS estimates from 17.2p to 18.5p.
- Overall, there are very few surprises in the statement which is not surprising given the group is 100% let with 90% rent roll effectively government backed. The group has an average lease length of 18 years and rental growth continues to feed through at c.4% per annum. The group now has 115 primary care centres, of which 111 are fully complete with the remaining 4 in the course of development and findable within the group's current financing structure.
- We believe that PHP has one of the most secure property portfolios in the UK which should ensure a solid and predictable income stream. On this basis we have chosen to readjust our target price to make it income linked. We base our target price on a 5% yield on our forecast of 17p DPS, implying 340p. This equates to a 1.17x EPRA NAVps.

Year to Dec	EBIT (£m)	EPS (p)	DPS (p)
2007F	15.7	8.2	--
2008F	(3.0)	13.7	16.50
2009F	17.0	18.5	17.00

Source: Primary Health Properties (historical) and Numis Securities Research Department (forecast)

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As from 14 February 2005, the formula is:

Buy	> +20%
Add	> +10% to +19.99%
Hold	0% to +/-9.99%
Reduce	-10% to -19.99%
Sell	> -20%

Distribution of Ratings

	US Requirement 01/07/08 - 30/06/09		UK Requirement 01/04/09 - 30/06/09	
	All Securities	Corporate Clients	All Securities	Corporate Clients
Buy	35.9%	57.1%	34.7%	3.8%
Add	24.4%	28.6%	26.8%	2.2%
Hold	28.6%	14.3%	24.7%	0.0%
Reduce	5.9%	0.0%	7.5%	0.0%
Sell	5.2%	0.0%	6.3%	0.0%
	100%	100%	100%	

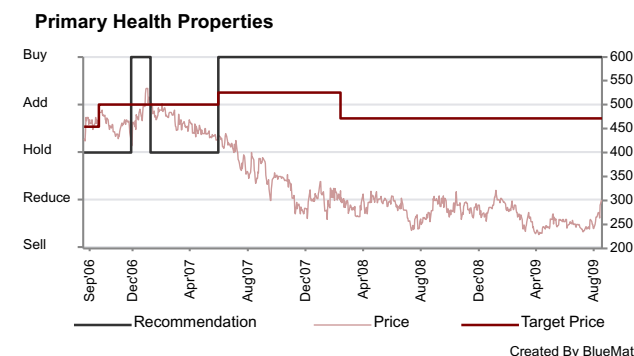
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The above table shows the split of recommendations based on all recommendations during the last calendar quarter.

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Three Year - Recommendation, Target Price, Share History



Source: Numis Securities Research Department