

# 12

Specialist primary healthcare  
infrastructure fund  
**2012 interim results presentation**



# Agenda

1. Introduction
2. Portfolio review
3. Key financials
4. Investment opportunity

# Introduction

# MedicX Fund objectives and overview

- Leading investor in modern purpose-built primary healthcare properties leased to doctors and the NHS generating government-funded long term secure cash flow
- FTSE All Share £192 million\* market capitalisation
- Fund not a developer or operator
- External investment adviser
- Guernsey based investment company
- Objective dividend and capital growth

\*As at 23 May 2012

# Highlights\*

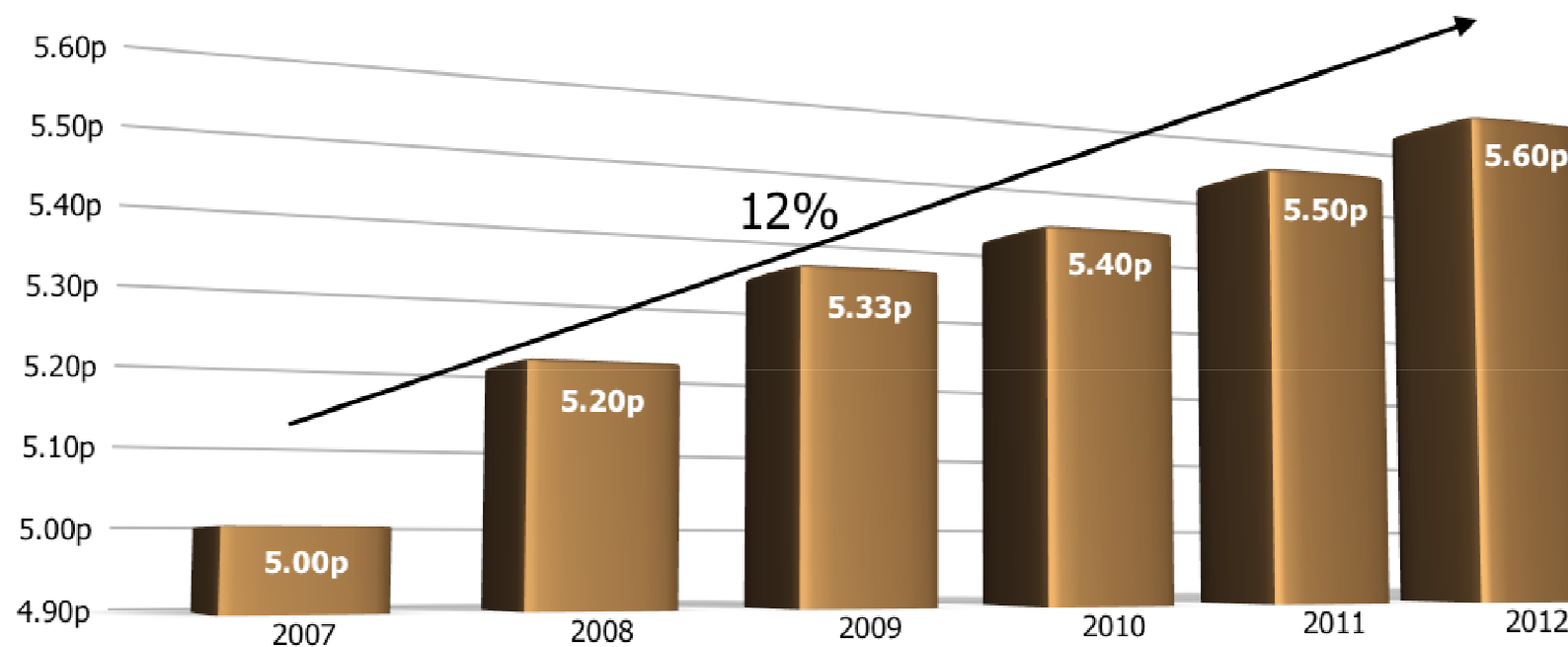
- £294 million committed investment in 73 properties at a valuation net initial yield of 5.87% compared to 20 year Gilt rate of 3.07%
- £46 million committed in last six months at a cash yield of 6.01%
- New £50 million 20 year debt facility secured with Aviva at a fixed all-in interest rate of 4.37%
- £187 million total debt facilities with an all-in fixed rate of 4.5% and an average unexpired term of 18.6 years\*\* vs 18.1 years average unexpired lease term
- EBITDA £5.6 million and adjusted earnings £2.6 million up 27% and 30% year-on-year\*\*\*

\*As at 23 May 2012

\*\*See slide 20

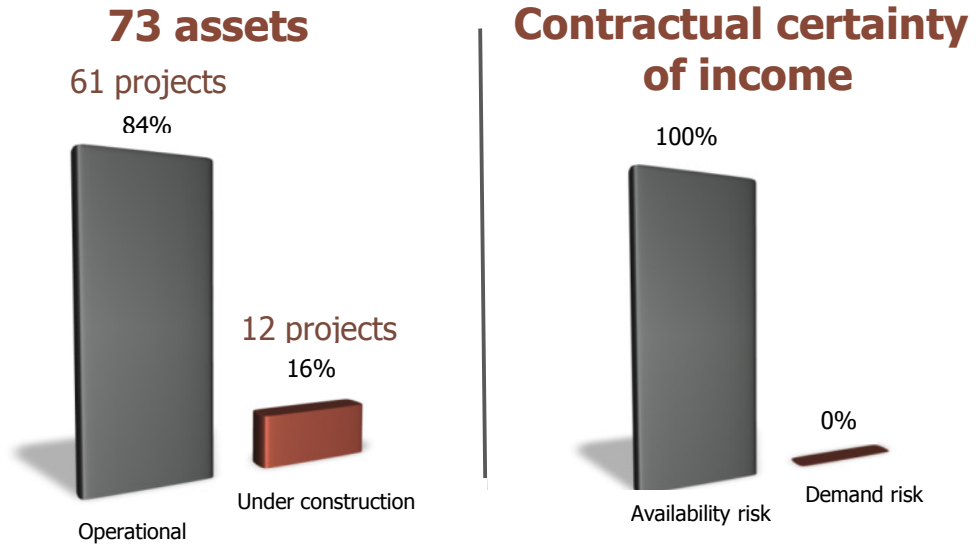
\*\*\*Period to 31 March 2012 adjusted to exclude revaluation impact, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs

# Dividend growth year-on-year

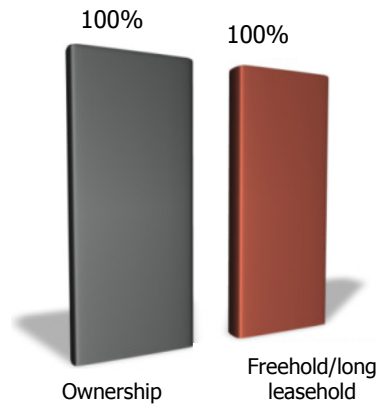


# Portfolio review

# Portfolio review\*



### Security of tenure



## Portfolio geographical spread

- Under construction
- Completed projects

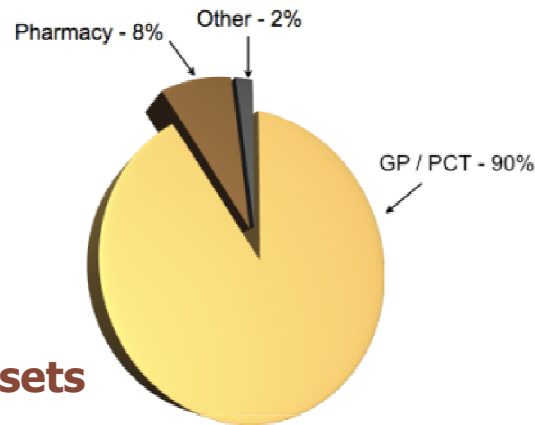


\*As at 23 May 2012

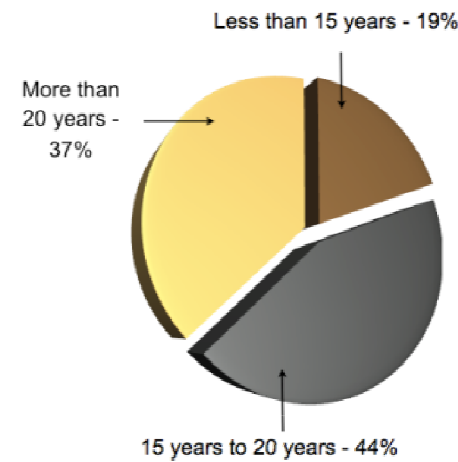


# Portfolio review\*

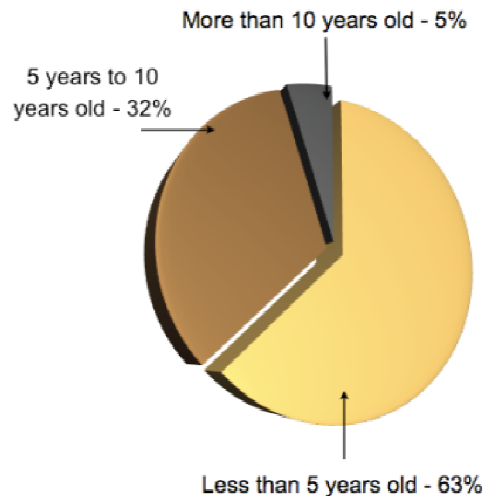
## Security of income by tenant type



## Security of income by lease expiry



## Modernity of assets

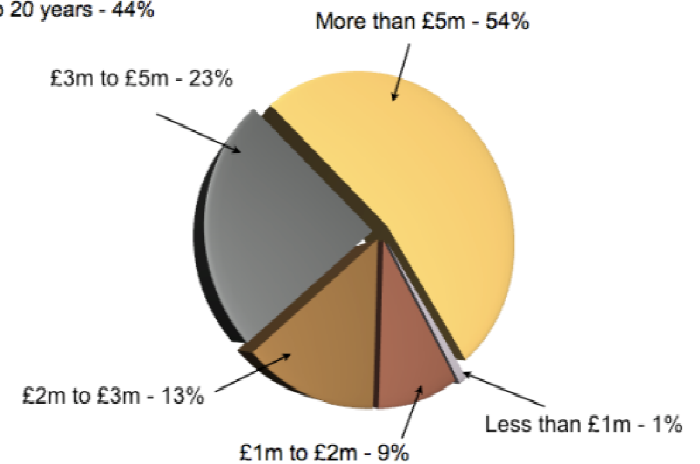


**Average unexpired lease term 18.0 years**

**Average age 4.2 years**

**Average value £3.9 million**

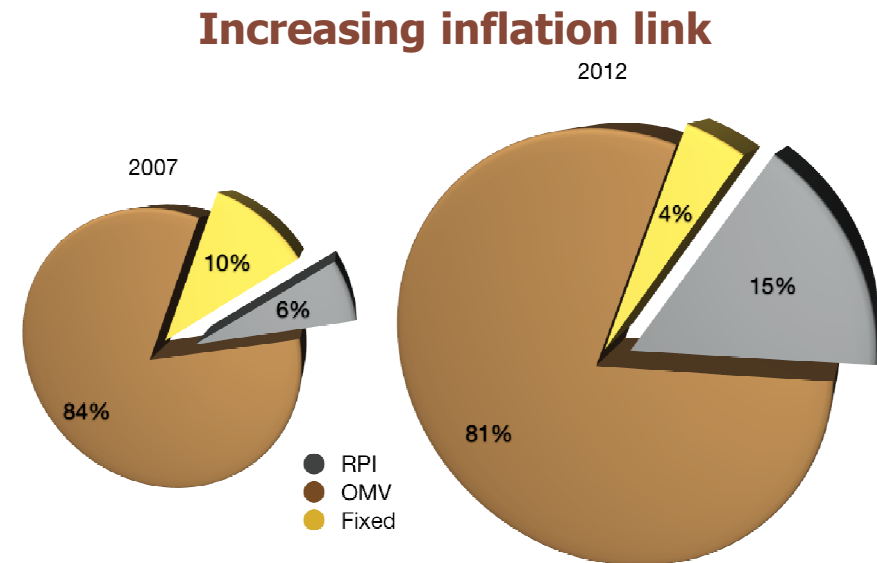
## Value per property



\*As at 31 March 2012; includes completed value of properties under construction

# Rental reviews\*

- Total rent roll £18.3 million
  - £14.8 million completed
  - £3.5 million under construction
- £4.0 million passing rents currently under negotiation
- £2.6 million rent reviews agreed during the period
- Equivalent to 3.2% per annum increase achieved
  - 3.2% open market reviews
  - 2.5% fixed uplifts
  - 3.4% RPI based



\*As at 23 May 2012  
\*\*Period to 30 September

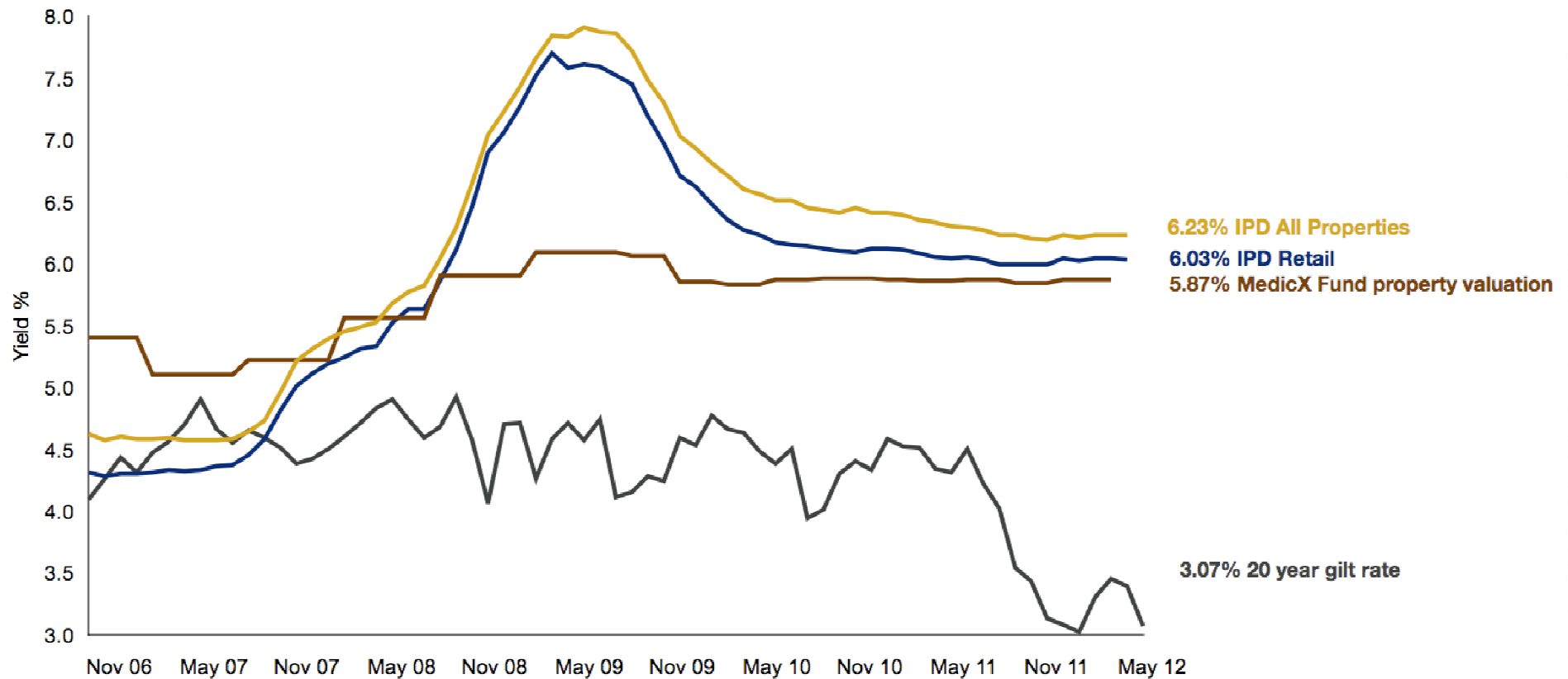
# Rent reviews by period\*

	Year to Sept 07	Year to Sept 08	Year to Sept 09	Year to Sept 10	Year to Sept 11	6 months to Mar 12
Number	20	12	33	29	17	5
Passing rent	£1,814,809	£969,757	£2,917,782	£1,651,714	£1,348,566	£1,097,383
<b>Annualised increase</b>	<b>3.1%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.4%</b>
- Open market reviews	3.0%	2.4%	1.8%	3.2%	2.1%	n/a
- RPI	3.8%	3.9%	1.4%	2.6%	4.6%	3.4%
- Fixed uplifts	n/a	2.5%	2.5%	n/a	2.5%	n/a

DCF rental growth assumption 2.5%

\*Based on review date falling due in the year ending as at 31 March 2012

# Property valuation yields\*



\*MedicX Fund property valuation as at 31 March 2012, IPD data as at 30 April 2012 and Gilt rate data as at 23 May 2012

# Forward funding investments



Methil



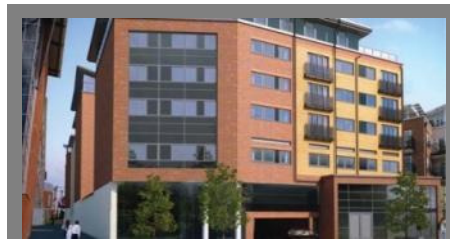
Monkseaton



Caerphilly



Tooting



Kingston



Uckfield

Total investment of £25 million in 6 forward funding properties

# Acquisitions



Total investment of £21 million in 5 completed properties

# Completed investments



Total investment of £15 million in 4 completed properties

# NHS and primary care update

- NHS Bill has finally passed into law
- Clinical Commissioning Groups now involve wider community and only impact on 50% of the NHS budget (originally 80%)
- The new NHS structure is gradually coming into place with the PCTs abolished by 2013-and the NHS Board appointments all made
- The new NHS plan fully underpins further co-location at a local level bring primary care alongside community and secondary healthcare
- No change planned to current reimbursements for premises
- GPs remain the cornerstone of primary care delivery



# Key financials

# Key financials – income statement

	6 months to 31 Mar 2012 £000	6 months to 31 Mar 2011 £000	Change
Rent receivable	6,917	5,890	17%
Other income	455	257	77%
<b>Total income</b>	<b>7,372</b>	<b>6,147</b>	<b>20%</b>
Direct property costs*	326	281	16%
Investment advisory fee**	1,125	1,125	0%
Overheads	341	337	1%
<b>Total expenses*</b>	<b>1,792</b>	<b>1,742</b>	<b>3%</b>
<b>EBITDA</b>	<b>5,580</b>	<b>4,405</b>	<b>27%</b>
Finance income	16	74	(78)%
Finance costs	3,045	2,515	21%
<b>Adjusted earnings***</b>	<b>2,552</b>	<b>1,964</b>	<b>30%</b>
<b>Capital appreciation</b>	<b>1,103</b>	<b>1,479</b>	<b>(25)%</b>
<b>Adjusted earnings including capital appreciation***</b>	<b>3,655</b>	<b>3,443</b>	<b>6%</b>

\*Including property management fees

\*\*Investment advisory fee fixed up to £300 million gross assets excluding cash

\*\*\*Adjusted to exclude revaluation impact, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs

# Historic dividend cover

	6 months to 31 Mar 2012 £000	12 months to 30 Sep 2011 £000	12 months to 30 Sep 2010 £000	12 months to 30 Sep 2009 £000
Dividends paid	5,359	9,131	6,593	6,146
Adjusted earnings excluding capital appreciation	2,552	4,043	2,674	1,383
Dividend cover	48%*	44%	41%	22%
Capital appreciation	1,103	4,085	7,631	(1,453)
Adjusted earnings including capital appreciation	3,655	8,128	10,305	(70)
Dividend cover including capital appreciation	68%	89%	156%	(1)%

	Mar 2012 dividend	Dec 2011 dividend	Sep 2011 dividend	Mar 2011 dividend
Scrip take up	9%	4%	4%	4%

\*Ignoring new Aviva facility dividend cover is 54%, rising to 75% including capital appreciation

# Key financials – balance sheet

	As at 31 Mar 2012 £000	As at 31 Mar 2012 Pence per share
Gross assets excluding cash*	259,303	105.0
Debt	157,323	63.7
Cash	75,404	30.5
Net debt	81,919	33.2
Adjusted NAV**	161,748	65.5
Adjusted NAV plus debt MtM**	169,480	68.6
DCF	222,400	90.1

	As at 31 Mar 2012	Restrictions / covenants
Adjusted gearing**	32%	75%
Debt service interest cover***	197%	140%
Loan to value***	65%	75%

Funding required to complete committed investment £28 million at 31 March 2012 and £14 million approved plus a pipeline of £135 million

\*Investment advisory fee fixed up to £300 million gross assets excluding cash

\*\*Adjusted to exclude goodwill and deferred tax not expected to crystallise.

\*\*\*Relate to £100 million Aviva loan only

# Debt funding

	Aviva facility	Deutsche Postbank facility	New Aviva facility
Facility size	£100 million	£37.2 million	£50 million
Committed	December 2006	December 2009	February 2012
Drawn	£100 million	£7.5 million	£50 million
Expiry	December 2036	April 2015	February 2032
Margin	0.9%	2.0%	1.85%
Interest rate	5.0%	3.1%*	4.4%
Hedging activities	n/a	Swap	n/a
Loan to value draw down	65%	62.5%	65%
Repayment terms	Interest only	Interest only	Amortises from year 11 to £30 million at year 20
Interest cover covenant	140%	140%	140%
Loan to value covenant	75%	70% Tested after years 2 and 4	75%

Average weighted cost of debt (including undrawn facilities) of 4.5% with an average unexpired term of 18.6 years  
 Average fixed rate cost of drawn debt facilities 4.7% with an average unexpired term of 21.5 years

\*Based on £7.5 million swapped on 25 November 2012 and balance based on swap rate as at 23 May 2012

# Investment opportunity

# Pipeline

- Investment adviser with proprietary market access and deal flow
- £14 million of investment approved and a strong pipeline of £135 million
- Over £9 million rent roll
- 47 properties including nine properties from investment adviser development arm
- Further completed property acquisition opportunities under review

# Conclusion

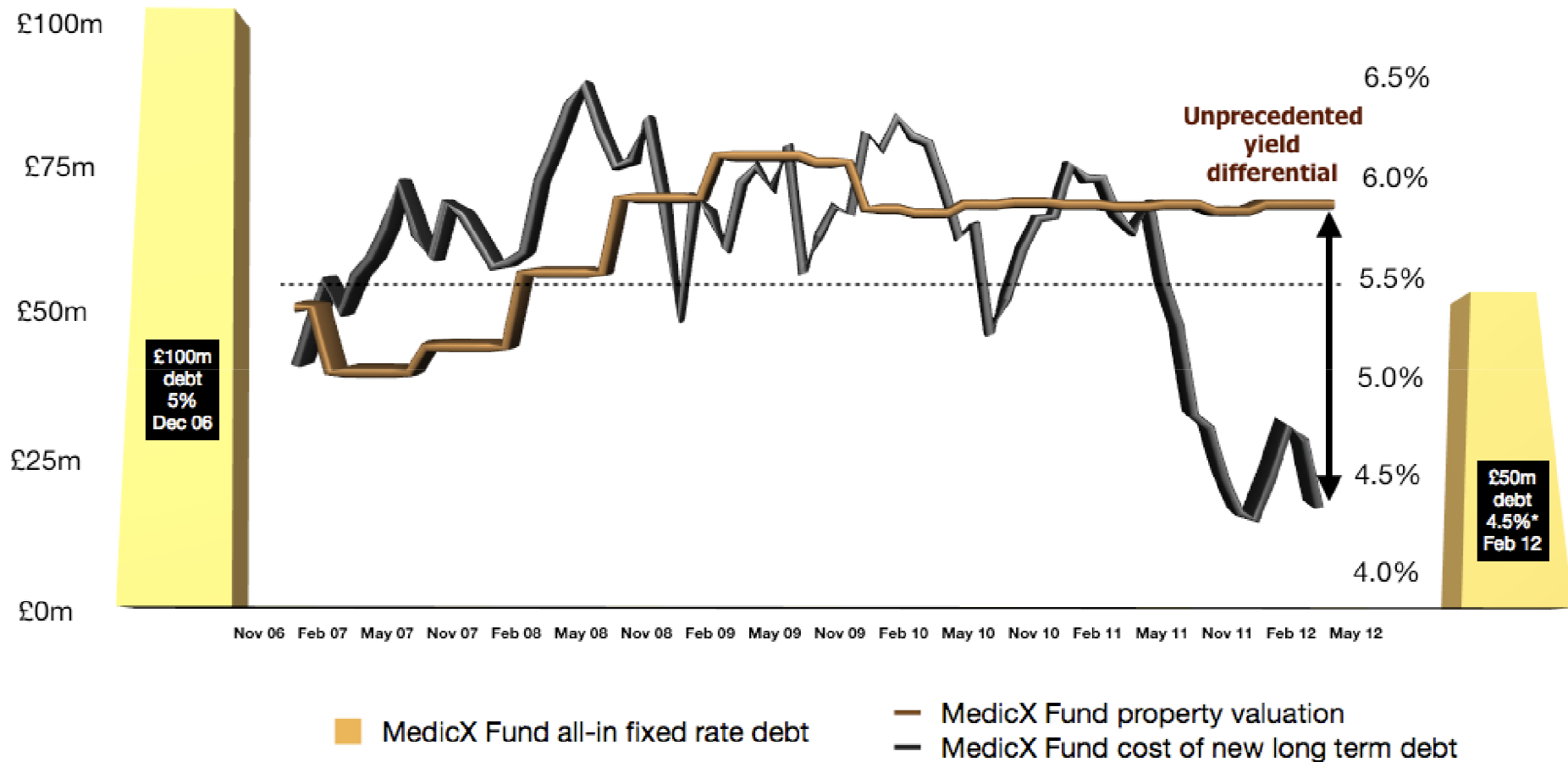
- Able to buy assets at attractive prices
- Lowly geared with long-term low fixed rate debt
- Earnings and dividend cover enhanced as MedicX Fund grows
- Management well placed to take advantage of opportunities
- Attractive total return proposition
  - 7.3% dividend yield at 77.0 pence per share
  - 12.2% p.a. average total shareholder return over last three years\*

\*Share price growth plus dividends paid



# Appendix

# Unprecedented yield differential



\*Credit approved term sheet. Interest rate based on 2028 Gilt rate as at 23 May 2012

# Revised investment adviser fee structure

Gross assets	Investment adviser previous fee case	
First £300 million (min £2.25 million)	0.75%	
Greater than £300 million	0.75%	

Gross assets	Investment adviser revised fee case	Saving
First £300 million (min £2.25 million)	0.75%	0.00%
Between £300 million and £500 million	0.65%	0.10%
Between £500 million and £750 million	0.50%	0.25%
Greater than £750 million	0.40%	0.35%

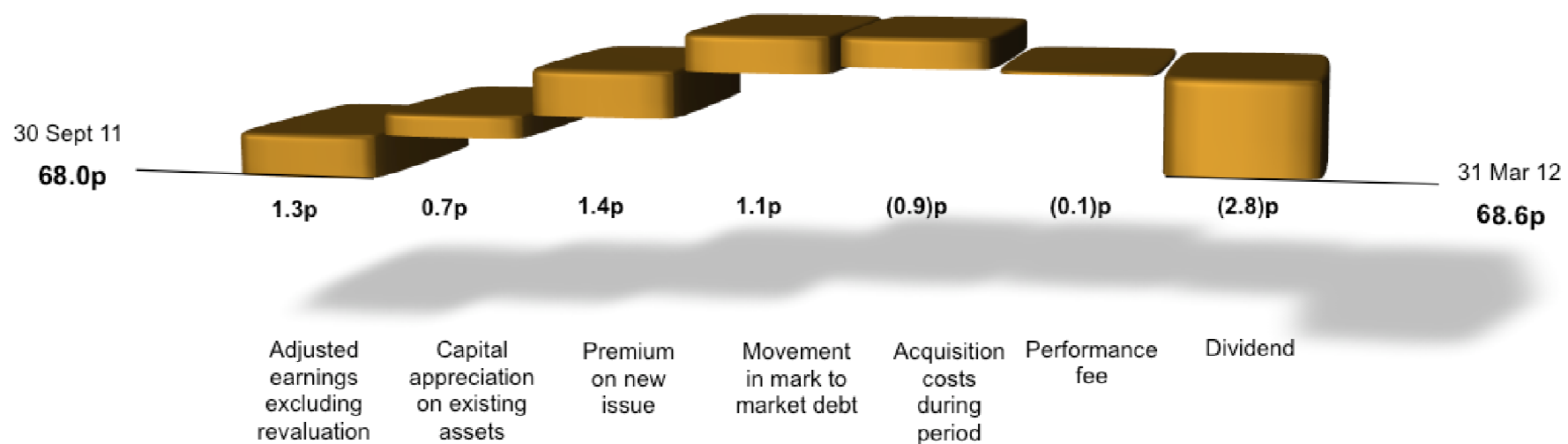
Earnings enhanced as MedicX Fund grows

# Disposals in the period

Churchside Medical Centre sold  
April 2012 for £1.2 million



# Adjusted NAV plus debt benefit



# DCF NAV sensitivity\*

	DCF	Share price
Pence per share	90.1p	76.5p
Weighted discount rate	7.2%	9.9%
Risk premium to 20 year gilt rate	3.7%	n/a
Rental growth per annum	2.5%	(0.6)%
Capital appreciation per annum	1.0%	(1.5)%

	DCF reconciliation
Adjusted NAV plus debt benefit	68.6p
Purchasers costs at 5.80%	+6.5p
Implied yield shift to 5.17%**	+15.0p
DCF NAV	90.1p

\*As at 31 March 2012

\*\*Implied yield shift as at 31 March 2012 is to 5.17% assuming debt benefit of 3.1p

# DCF NAV sensitivities\*

## Discount rate

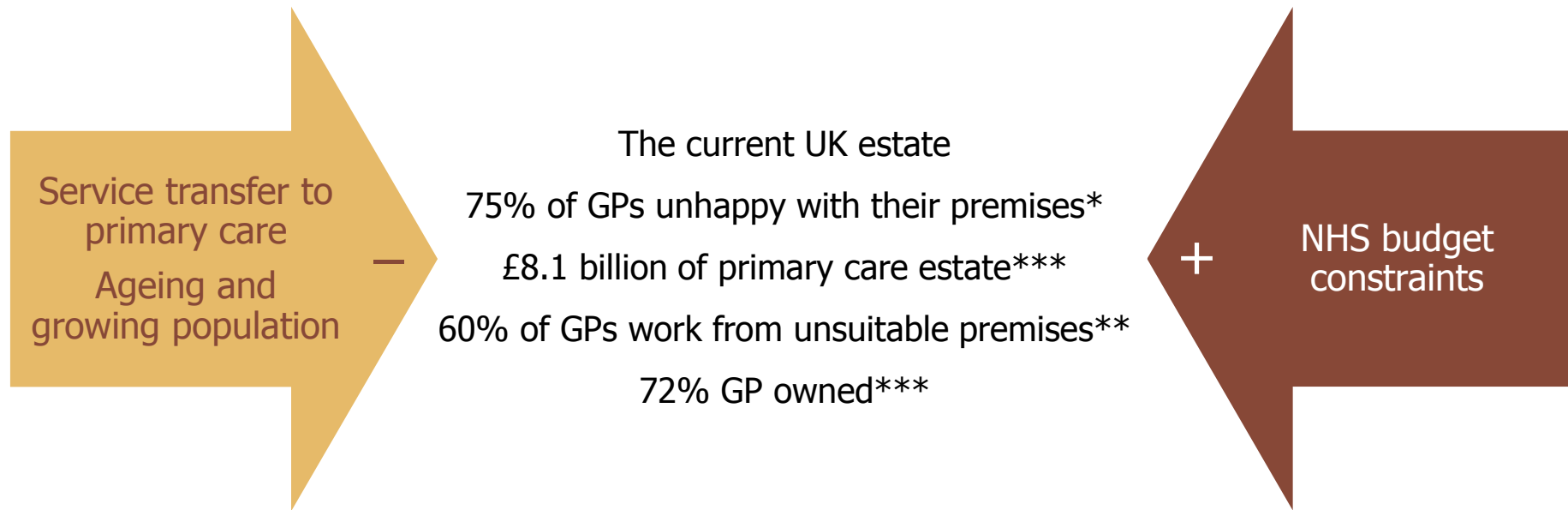
NAV pence per share	Completed					
Under construction	%	6.0	6.5	7.0	7.5	8.0
	6.0	98	95	92	90	87
	7.0	97	94	91	89	86
	8.0	96	93	90	88	85
	9.0	95	92	89	87	84
	10.0	94	91	88	86	84

## Rental and capital value increases per annum

NAV pence per share	Rental					
Capital	%	0.5	1.5	2.5	3.5	4.5
	1.0	70	74	79	84	90
	0.0	75	79	84	89	95
	1.0	81	85	90	95	101
	2.0	88	92	97	102	108
	3.0	96	100	105	110	116

\*As at 31 March 2012

# Pressure on primary care estate



\*NHS The Information Centre, General and Personnel Medical Services Report 30 September 2009

\*\*BMA Survey of GP practice premises 30 March 2010

\*\*\*RCGP UK Annual Survey of GP 2010



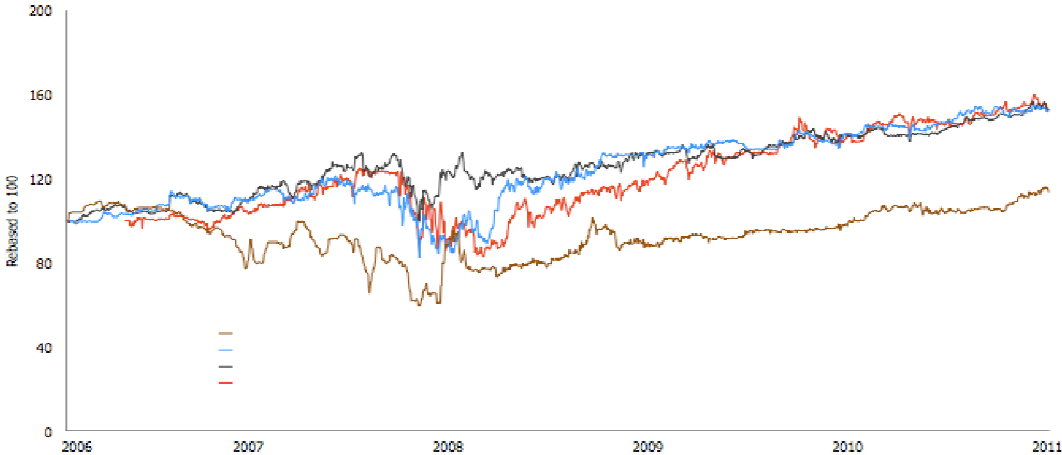
# General medical statistics in England\*

	<b>2011</b>	<b>1995</b>	<b>Change</b>
• Number of practices	8,316	9,188	-9%
• Single-handed practices	1,147	2,919	-61%
• Number of GPs	35,415	27,465	+29%
• Number of part-time GPs	31%**	14%	+17%
• GPs aged 60 and over	10%	6%	+4%
• Contracted GPs (GMS)	51%	98%	-47%
• Salaried GPs (PMS)	44%	n/a	-
• % Female	61%**	n/a	-

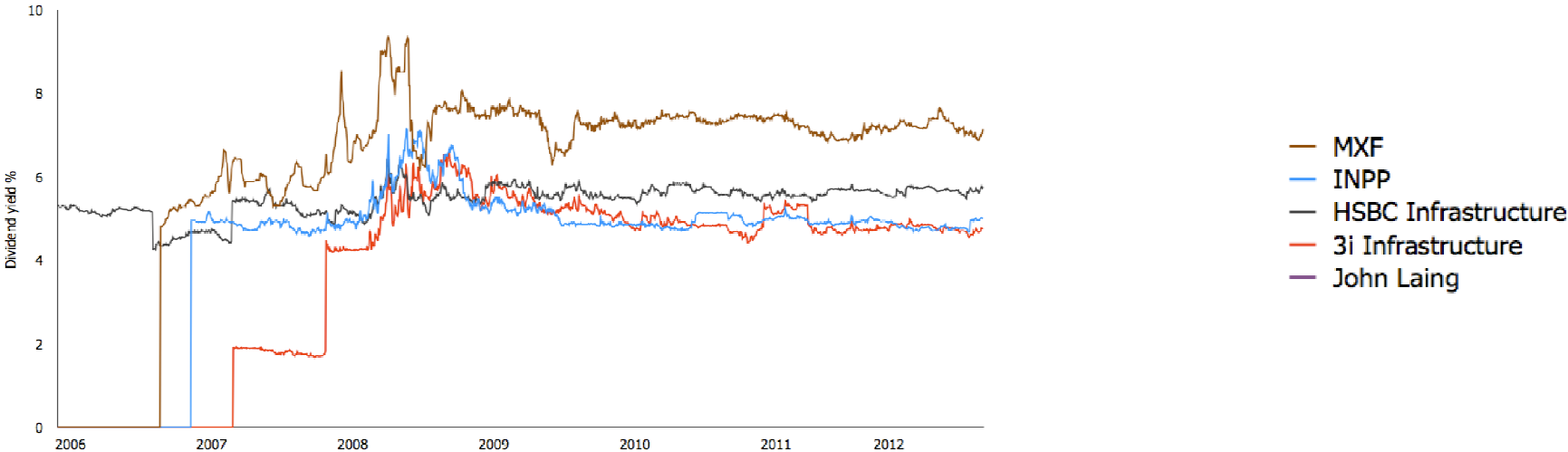
\*NHS The Information Centre, General and Personnel Medical Services Report 21 March 2012  
\*\*RCGP UK Annual Survey of GP 2010

# Infrastructure comparison\*

Share price total return



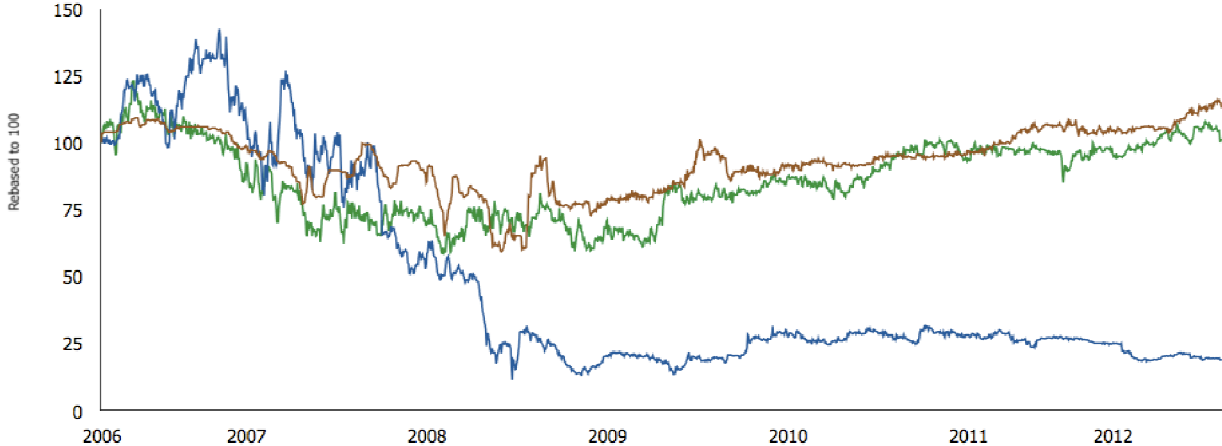
Dividend yield



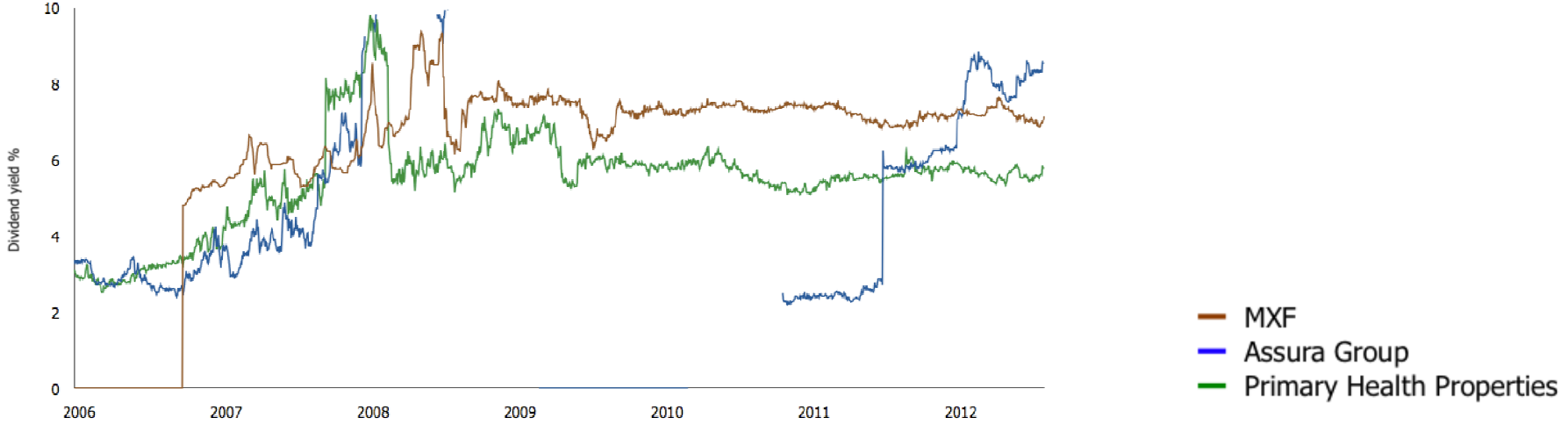
\*As at 23 May 2012 – Canaccord Genuity / DataStream

# Sector comparison\*

Share price total return



Dividend yield



\*As at 23 May 2012 – Canaccord Genuity / DataStream

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Guernsey based quoted Fund Director (FCA, CTA)
- **John Hearle, Director**  
Chairman and Head of Healthcare Division of Aitchison Raffety (FRICS)
- **Shelagh Mason, Director**  
Guernsey based Commercial Property Lawyer and quoted Fund Director
- **Christopher Bennett, Director**  
Jersey based Real Estate Financier and quoted Fund Director (MRICS)

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