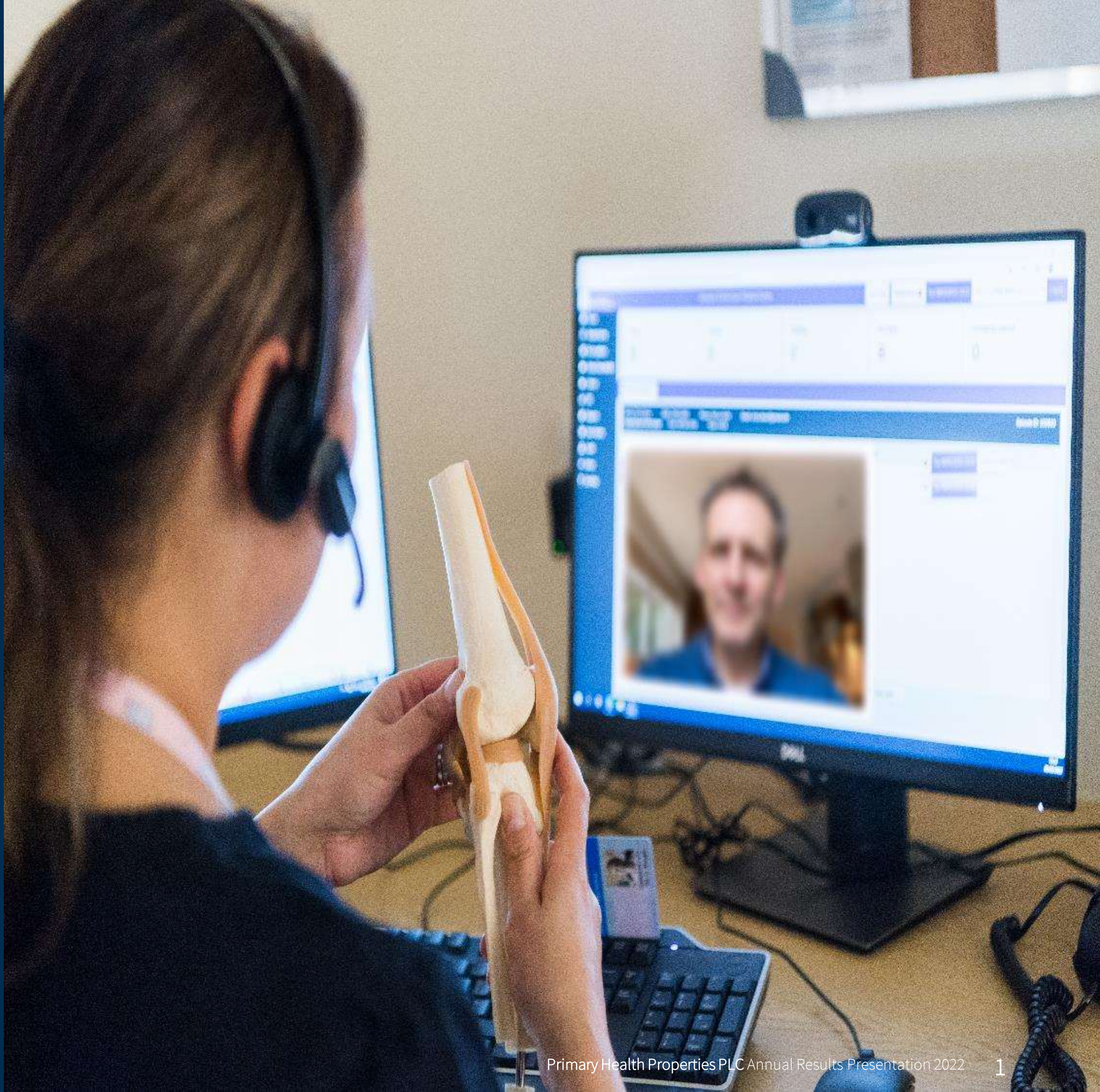
Primary Health Properties

Primary Health Properties PLC
Annual Results Presentation 2022

DELIVERING LONG TERM SUSTAINABLE INCOME

AGENDA



KEY HIGHLIGHTS

RECORD YEAR FOR RENTAL GROWTH DRIVING PERFORMANCE

2022 KEY HIGHLIGHTS

Security and longevity of our income drives our progressive dividend policy

Long-term demographic, macro and political trends supportive across UK and Ireland

- ✓ Populations are growing, ageing and suffering more instances of chronic illness
- ✓ Increasing patient demand for services affecting service provision, patient care and outcomes
- ✓ Obsolete estate (c.40%) and COVID-19 added to increasing strain being put on healthcare systems
- ✓ NHS strategic move of transferring services away from hospital settings to modern primary care premises
- ✓ Impact of digital being outweighed by increasing demand for services (consultations back to 70% F2F post C-19)

Disciplined approach to shareholder returns and capital deployment

- ✓ Entering 27th year of consecutive dividend growth: 6.7p per share +3.1% (2022: 6.5p +4.8%)
- ✓ Dividend cover at 102% (2021: 101%)
- ✓ Total property return +2.8% (2021: +9.5%); valuation declines partially offset by firmer rental growth
- ✓ Strategic acquisition of Axis, post period end, gives permanent presence in Ireland to source new opportunities
- ✓ Limited development exposure and future investment only if accretive to earnings
- ✓ Disciplined pipeline, focused on Ireland, across investment, development and asset management opportunities
- ✓ Disposal of 13 smaller assets for £27.7m, 13% above Dec.21 book values representing 60bps of yield compression

Focus on income growth

- ✓ Firmer tone of rental growth, limited exposure to rising interest rates and strong control on costs
- ✓ L4L rental growth in 2022: £3.3m +2.4% (2021: £2.4m +1.8%)
- ✓ Refinancing's in 2021 and early part of 2022 delivering significant interest cost savings

Entering 27th year of consecutive dividend growth

Portfolio
£2.8 billion (2021: £2.8 billion)

Rent roll
£145 million (2021: £141 million)

Government backed income
89% (2021: 90%)

Index linked income
25% (2021: 25%)

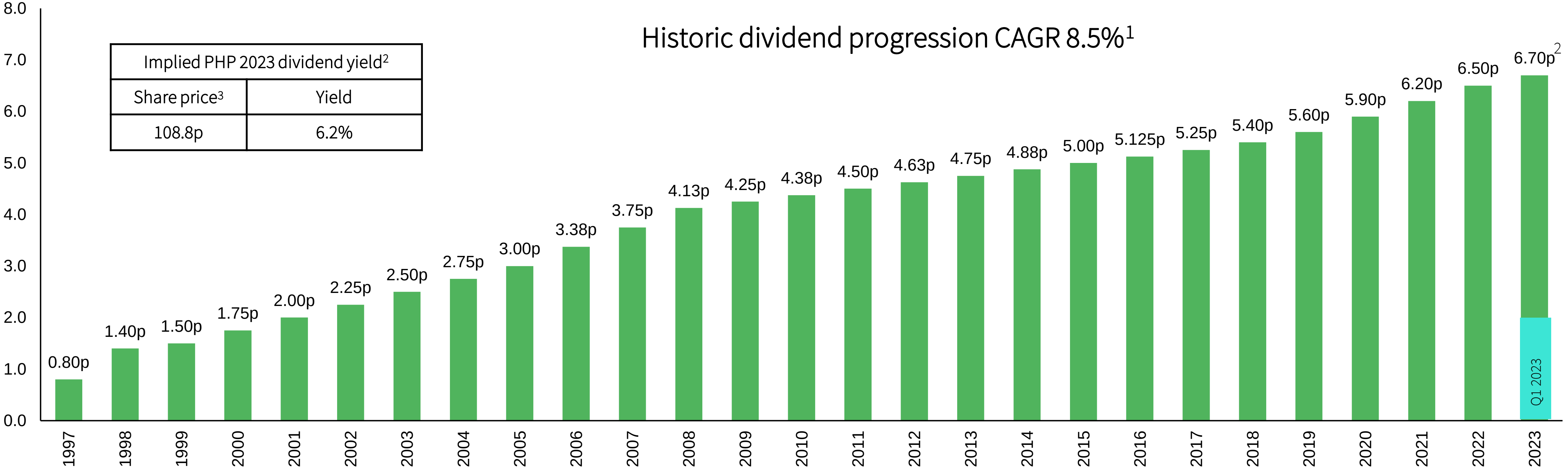
Occupancy
99.7% (2021: 99.7%)

WAULT
11.0 years (2021: 11.6 years)

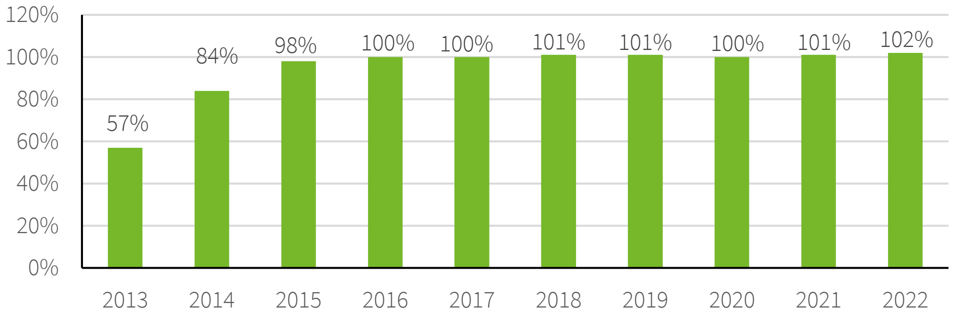
Net debt: fixed or hedged
94% (2021: 100%)

ENTERING 27TH YEAR OF CONSECUTIVE DIVIDEND GROWTH

Implied PHP 2023 dividend yield[2]	
Share price[3]	Yield
108.8p	6.2%



Historic dividend cover



- ✓ Q1 2023 dividend of 1.675p per quarter declared (equivalent to 6.7p annualised) a 3.1% increase and 27th year of growth
- ✓ Improved dividend cover at 102%
- ✓ Total dividends paid increased by 5.2% compared to 2021

1. CAGR: 1997 to 2023
2. Based on Q1 2023 dividend of 1.675p declared per share annualised and is illustrative only
3. Share price is the closing mid market price on 21 February 2023

STRONG TRACK RECORD OF RELATIVE PERFORMANCE

✓ IRR over period since inception of 12.4%[1] (Average annual inflation (RPI) over same period: 3.2%)

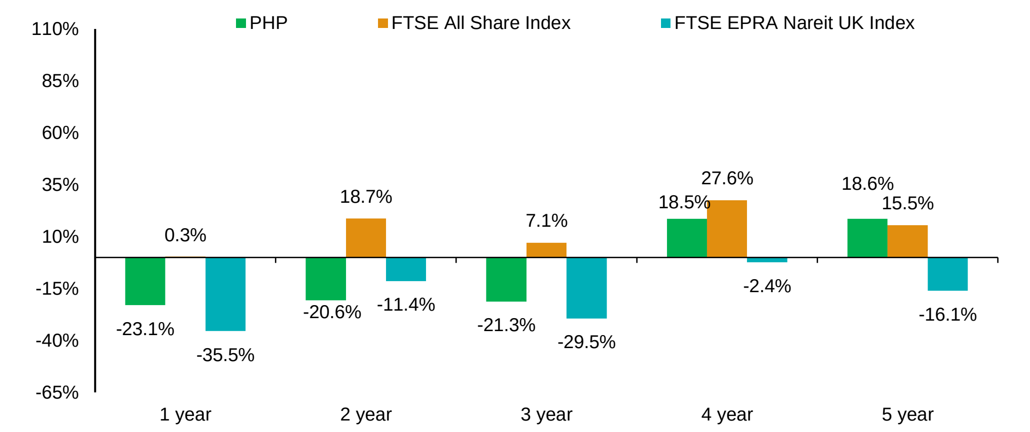
CAGR total shareholder returns

	PHP	Assura	EPRA UK
1 year	(23.1%)	(17.9%)	(35.5%)
3 years	(7.7%)	(7.3%)	(11.0%)
5 years	3.5%	1.1%	(3.4%)
10 years	7.6%	10.0%	2.9%
20 years	11.1%	-	2.9%

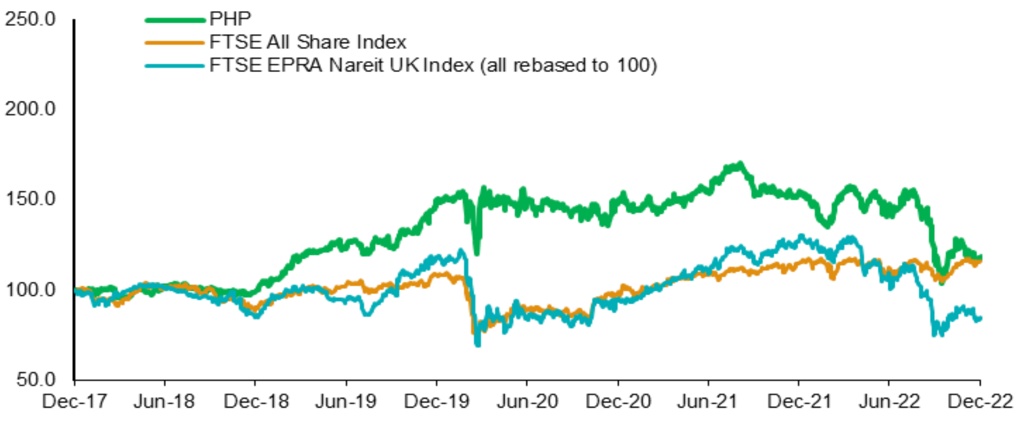
Total Property Returns[2]

	PHP	Assura	MSCI UK
2022	2.8%	n/a	(10.4%)
2021	9.5%	7.1%	20.0%
2020	7.4%	6.4%	(0.8%)
2019	7.7%	5.3%	2.2%
2018	8.0%	5.9%	7.3%
2017	10.8%	9.7%	11.0%

PHP TSR (absolute change) over 1, 3 and 5 years



PHP 5 year relative TSR performance



Source: all data sourced from Thomson Reuters EIKON as at close 31 December 2022; MSCI UK Monthly Property Index

1 IRR includes total dividends paid or declared to 31 December 2022 of 101.55 pence and assumes the sale of the underlying ordinary shares at 110.8 pence, the closing mid market price as at 31 December 2022, having been issued at 25 pence (dividend and share issue price data adjusted where required to reflect four for one share sub-division in November 2015)

2 Total property returns for PHP and MSCI UK relate to the years ended 31 December; Assura relate to the years ended 31 March

FINANCIAL REVIEW

ORGANIC RENTAL GROWTH AND EFFECTIVE COST MANAGEMENT DRIVE EARNINGS

KEY FINANCIAL HIGHLIGHTS

Performance	31 December 2022	31 December 2021	Change
Net rental income (£m)	141.5	136.7	+3.5%
Adjusted earnings (£m)	88.7	83.2	+6.6%
Adjusted earnings per share (pence)	6.6p	6.2p	+6.5%
Dividends paid (£m)	86.7	82.4	+5.2%
Dividend cover	102%	101%	
Dividend per share (pence)	6.5p	6.2p	+4.8%
L4L rental growth (£m)	£3.3m / +2.4%	£2.4m /+1.8%	+37.5%
Revaluation (deficit) / surplus and profit on sales (£m)	(61.5)	110.5	

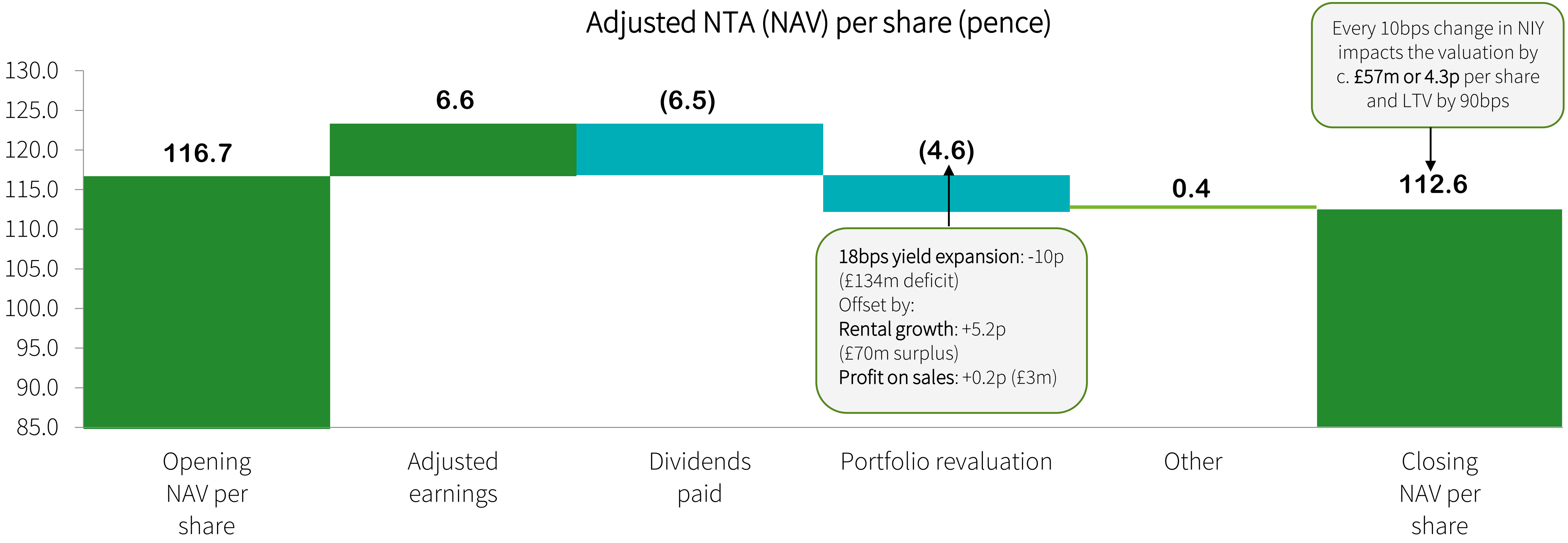
Position	31 December 2022	31 December 2021	Change
Investment property (£bn)	2.8	2.8	-2.4%
Adjusted NTA per share (pence)	112.6p	116.7p	-3.5%
Loan to value	45.1%	42.9%	+220 bps

Management	31 December 2022	31 December 2021	Change
WAULT	11.0 years	11.6 years	-0.6 years
Occupancy	99.7%	99.7%	-
EPRA cost ratio	9.9%	9.3%	+60 bps
Average cost of debt	3.2%	2.9%	+30 bps

INCOME STATEMENT

	31 December 2022 £m	31 December 2021 £m	Change
Net rental income	141.5	136.7	+3.5%
Administrative expenses	(9.6)	(10.5)	-8.6%
Operating profit before financing costs	131.9	126.2	+4.5%
Net financing costs	(43.2)	(43.0)	
Adjusted earnings	88.7	83.2	+6.6%
Revaluation (deficit) / surplus and profit on sales	(61.5)	110.5	
Adjusted profit excluding exceptional adjustments	27.2	193.7	-86.0%
Fair value profit on derivatives and convertible bond	26.8	1.6	-
Amortisation of MedicX debt MtM at acquisition	2.9	7.9	-
Termination payment and impairment of goodwill on acquisition of Nexus	-	(35.3)	-
Nexus acquisition costs	-	(1.7)	-
Early termination cost of refinancing Aviva debt	-	(24.6)	-
IFRS profit before tax	56.9	141.6	-59.8%
Adjusted earnings per share	6.6p	6.2p	+6.5%
IFRS earnings per share	4.2p	10.5p	-60.0%

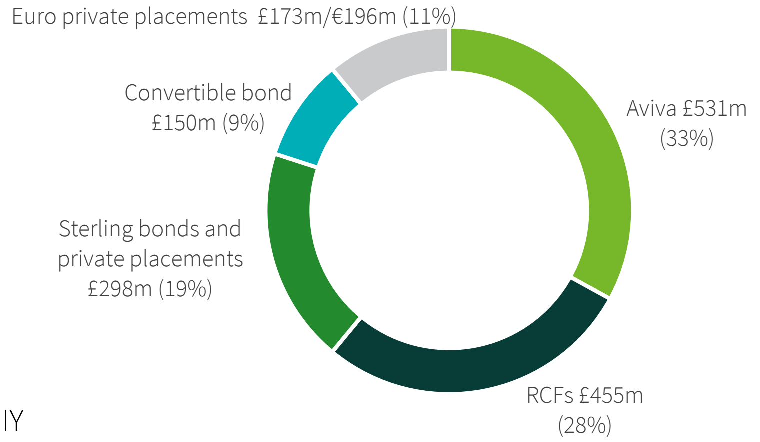
VALUATION DECLINE: YIELD EXPANSION PARTIALLY OFFSET BY RENTAL GROWTH



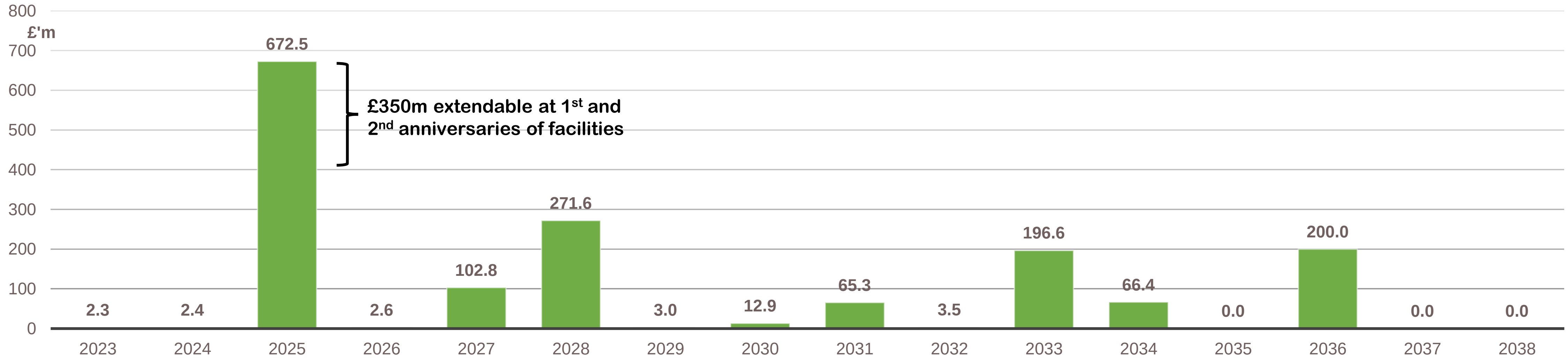
	31 December 2022	31 December 2021	Change
Adjusted net tangible assets	£1,505m	£1,556m	-3.3%
Adjusted net tangible asset value per share	112.6p	116.7p	-3.5%
Net initial yield	4.82%	4.64%	+18bps
L4L ERV growth	2.2%	1.9%	+30bps

DEBT SUMMARY

- Total debt facilities of **£1.61bn** (91% secured/9% unsecured)
- Net debt drawn **£1.26bn**
- **£326m** undrawn headroom after capital commitments and post period end transactions
- **94%** of net debt fixed or capped with broad and diverse range of lending partners
- Group LTV **45.1%** (39.7% excluding £150m convertible bond)
- Long weighted average debt maturity of **7.3** years
- Average cost of debt **3.2%**
- Every 50bps increase in SONIA interest rates increases current average cost of debt by just **4bps**
- Loan to value covenant headroom of **£1.2bn or 42%** decline in values across Group and 8.5% implied NIY



Debt Maturity Profile



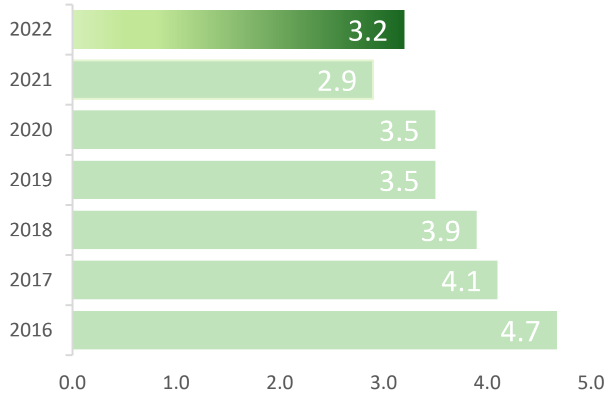
DELIVERING FINANCIAL MANAGEMENT

Refinanced or raised **£516m** of debt facilities locking in historically low rates and eliminating any short-term refinancing risk

- ✓ MetLife **€75m** (£66m) for 12-year term at a fixed rate of 1.64% with option to increase to €150m in next 3-years
- ✓ Santander RCF increased to **£50m** and renewed for 3 years, extendable by 1 year at both first and second anniversary
- ✓ Lloyds RCF increased to **£100m** and renewed for 3 years
- ✓ Barclays **£100m** RCF renewed for 3 years, extendable by 1 year at both first and second anniversary
- ✓ HSBC **£100m** RCF renewed for 3 years, extendable by 1 year at both first and second anniversary
- ✓ RBS **£100m** RCF extended by one year to 2025 and extendable by another year at next anniversary of facility

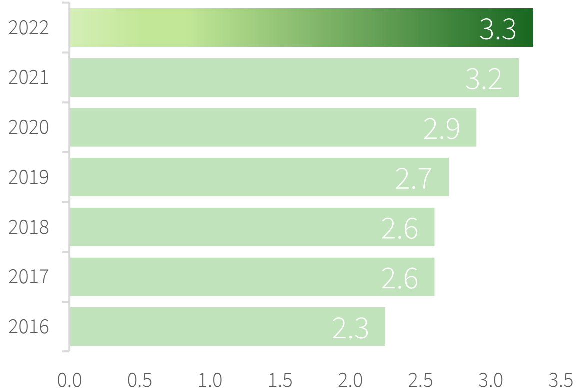
Cost of debt

3.2%



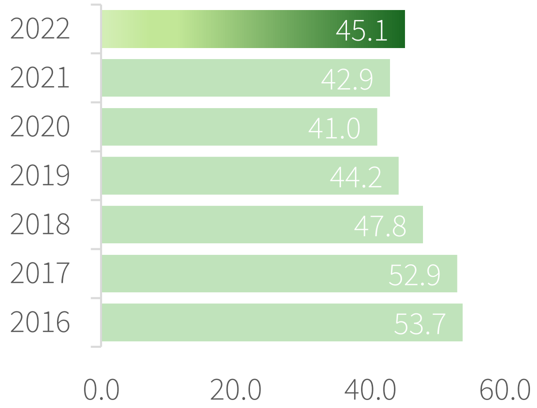
Interest cover ratio

3.3x



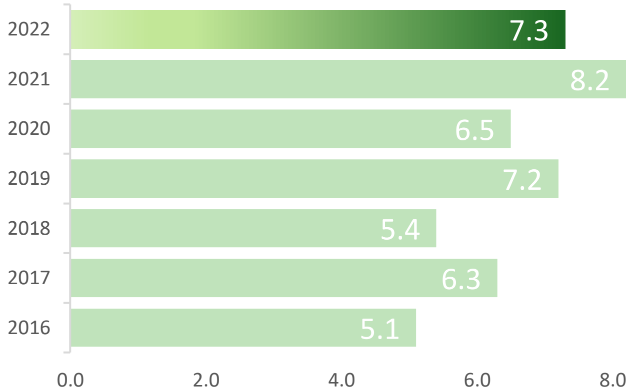
Loan to value ratio

45.1%



Debt maturity

7.3 years



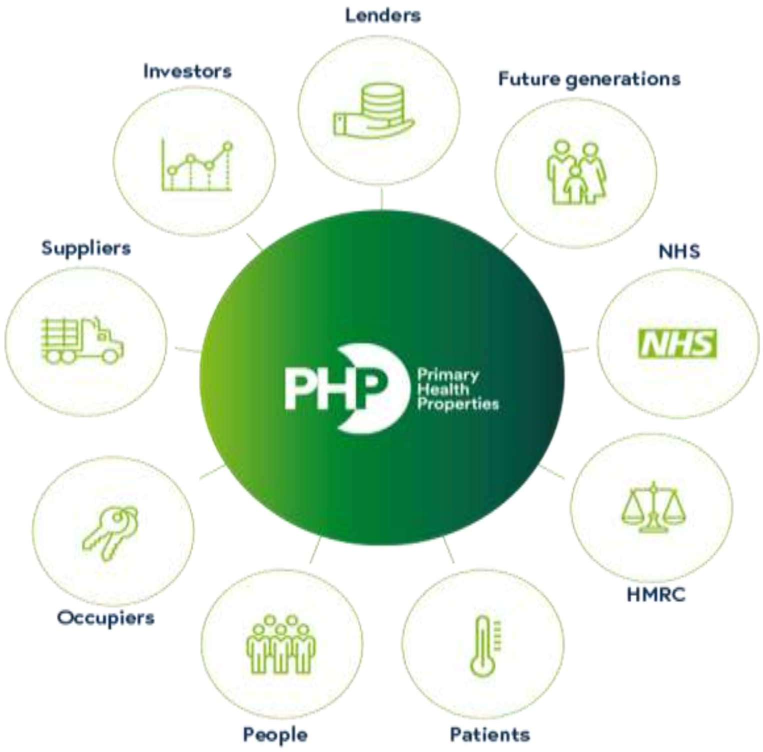
PHP'S APPROACH TO ESG

- ✓ **Environmental** - committed to transitioning to net zero carbon (NZC) by 2030 for all operational, development and asset management activities
- ✓ **Social** - activities result in better patient experiences and have a positive impact on health and wellbeing in our communities
- ✓ **Governance** - strong commitment to acting responsibly with integrity and transparency

Our NZC targets:

All operational, development and asset management activities to be NZC by 2030 and to help our occupiers achieve NZC by 2040

- ✓ 2023 – Operations to be NZC with offsetting – Achieved 2022
- ✓ 2025 – All new developments to be NZC
- ✓ 2030 – All asset management activities to be NZC and properties to have an EPC of B or better
- ✓ 2035 – All buildings to achieve an 80% reduction in carbon footprint
- ✓ 2040 – all buildings are NZC across the portfolio



PHP'S APPROACH TO ESG

HIGHLIGHTS 2022

Development
On site with our first NZC development building (operational and embodied carbon)

Investment
All-electric net zero ready refurbishment acquired in Newcastle upon Tyne

Asset management
EPC A and B refurbishments and agreement for first net zero ready project

Tenants and operations
100% renewable energy and 300% increase in portfolio energy data

Projects
Assessed six sites for solar PV roll-out with potential for 400 MWh of generation

Strategy supports a low carbon approach

- ✓ Operations (ALREADY NZC), developments and asset management activities to be NZC by 2030
- ✓ Operationally light portfolio, assets with low carbon intensity
- ✓ Asset management activity supporting carbon reduction of existing portfolio
- ✓ Supporting occupiers to be NZC by 2040, 5 years ahead of NHS's 2045 target

Strong stewards of underinvested, key social infrastructure assets

- ✓ Experience and capital to improve and extend buildings
- ✓ Six million patients or 9% of UK population registered at PHP's buildings
- ✓ Committed to play a key role in UK's Levelling-Up agenda focused around good health and wellbeing
- ✓ Community Impact Program promoting social prescribing and charitable activities linked to our buildings

Cost effective improvements through lease regears

- ✓ Upgrades to building fabric and systems improving energy consuming features and technologies
- ✓ LED Lights, heat pumps, insulation, solar, EV charging
- ✓ Estimated cost to bring portfolio to EPC rating of B: £15m to £20m, where economically viable, increasing to £35m to £40m for the whole portfolio and will be incurred as part of planned asset management program

Net Zero Carbon by 2030

Portfolio EPC ratings A-C 81%
2021: 80%

Projects EPC B or better 100%
2021: 100%

nZEB Standard (Ireland) 100%
2021: 100%

Development BREEAM Excellent or Very Good 100%
2021: 100%

UKCOMMUNITY FOUNDATIONS
GIVING FOR LOCAL GOOD

PROPERTY REVIEW

DISCIPLINED APPROACH TO INVESTMENT, DEVELOPMENT AND ASSET MANAGEMENT

DISCPLINED APPROACH TO PIPELINE

Total funding requirement of c. £86m over the next 1-2 years to fund a mix of future acquisition pipeline, direct developments and asset management projects

Funding requirement

1 Pipeline

Pipeline of active opportunities, include:

Region	In legals		Advanced pipeline		Total Cost
	Number	Est. cost	Number	Est. cost	
Ireland	1	£13.1m (€14.8m)	2	£40.1m (€45.3m)	£53.2m (€60.1m)
UK - Direct Developments	1	£3.5m	2	£11.0m	£14.5m
UK - Investment	-	-	-	-	-

Irish pipeline of £53.2m (€60.1m)

UK pipeline of £14.5m

2 Asset management projects

Active management of existing assets to create additional value

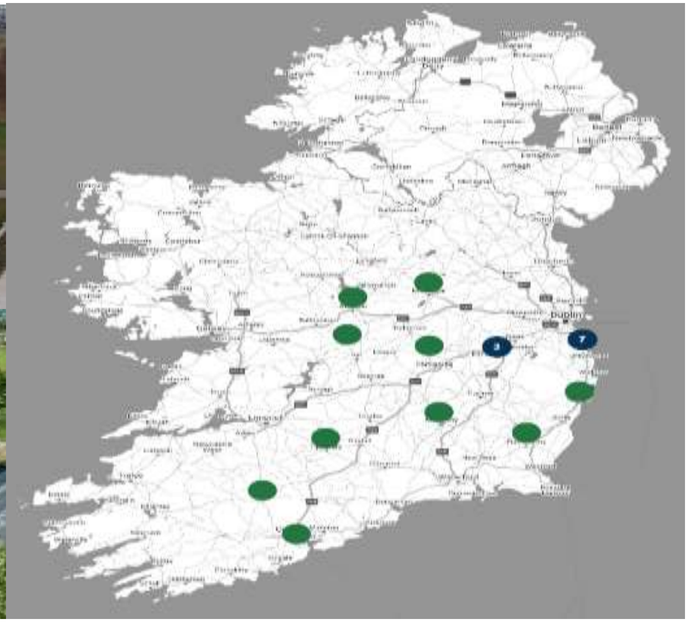
In legals		Advanced pipeline		Total Cost
Number	Est. cost	Number	Est. cost	
15	£12.7m	7	£5.3m	£18.0m

Estimated capex on projects over next 1 - 2 years of £18.0m

- Further medium-term pipeline opportunities being monitored

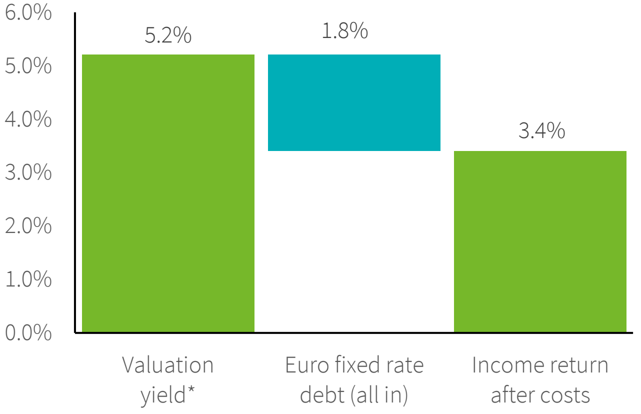
IRELAND OPPORTUNITY – CONTINUED STRATEGIC EXPANSION

- ✓ **Growing and ageing population:** 5 million people growing to 6 million by 2050
- ✓ **Government support:** programme to modernise healthcare in Ireland and establish a network of **200** purpose-built Primary Care Centres with healthcare budgets and demand for services under pressure
- ✓ **PHP one of the largest investors in Ireland:** portfolio comprises 20 assets, valued at £231m (€261m) with a large average lot size of £12m (€13m)
- ✓ **Target:** grow portfolio to around **€500m or c.15%** of total Group portfolio
- ✓ **Strategic acquisition of Axis** gives permanent presence in Ireland to source new opportunities
- ✓ **Pipeline £53m (€60m)** across 3 forward funded developments one expected to be onsite in 2023
- ✓ **Irish rent roll** €14.7m with 75% let directly to Health Service Executive or government agencies with long leases (WAULT: 20.4 years). All rents linked to Irish CPI (+8.2% December 2022) capped at 25% over 5-years

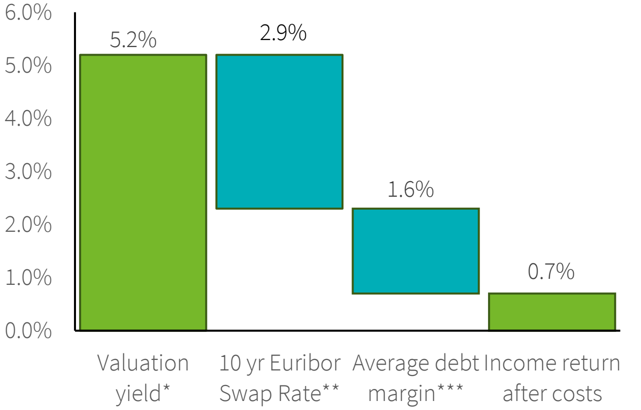


Attractive income accretion

Existing portfolio



Current volatile interest rate environment

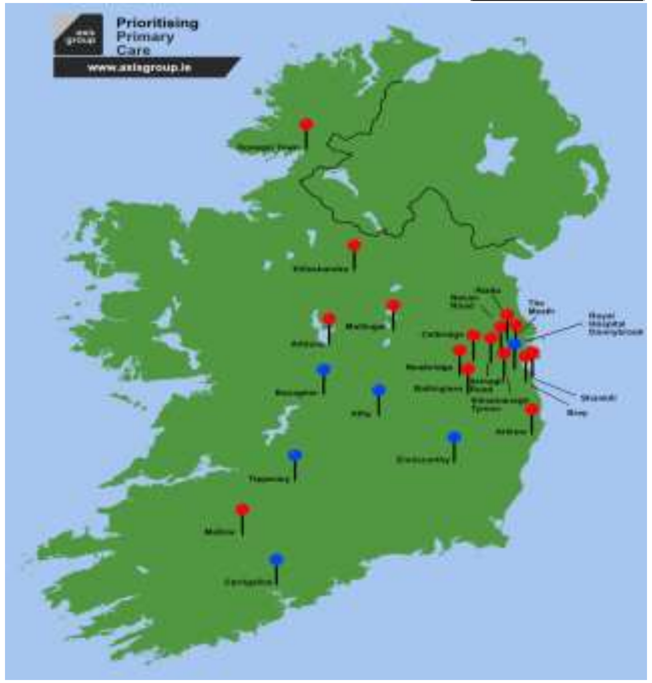


* PHP portfolio valuation yield 31 December 2022 (used as proxy for market purchases)
** Sourced from Chatham Financial – 16 February 2023
*** Company incremental margin on debt facilities

STRATEGIC ACQUISITION OF AXIS TECHNICAL SERVICES AND LONG-TERM DEVELOPMENT AGREEMENT

Axis Technical Services Limited

- ✓ Provides a permanent presence on the ground in Ireland, further strengthening our position as we seek out new investment, development and asset management opportunities
- ✓ Property manager looking after 30 commercial properties located across Ireland focused on healthcare, pharmaceuticals and distribution; providing facilities management and fit-out services
- ✓ Strong, long-term partner with all their clients, including the Health Service Executive ("HSE")
- ✓ Extensive healthcare relationships through understanding of issues, compliance and reporting requirements
- ✓ 27 people providing national coverage, mobile technicians, helpdesk, digitalised maintenance management systems and extensive reliable subcontractor network



Long-term development pipeline agreement

- ✓ Leading developer of modern primary care centres in Ireland with a strong track-record
- ✓ Option to acquire development pipeline over the next 5 years with an estimated value of £44m (€50m)
- ✓ Important source of further medium-term opportunities using extensive knowledge and market relationships in Ireland

DEVELOPMENT ACTIVITY

- ✓ **Short-cycle and de-risked development activity** adding high quality assets, capturing attractive development margins and supporting ESG commitments
- ✓ **Direct developments:** significantly advanced pipeline across three projects expected on site during 2023, with an estimated cost of £14.5m. Medium-term pipeline of two further projects being progressed with an estimated cost of £20m
- ✓ **Irish Forward funded developments:** 3 projects with a total cost of £53.2m/€60.1m, including one in legals and expected to be on site in Q3 2023

Direct Development

Croft Primary Care Centre, West Sussex

Tenants
- ✓ GP Practice
- ✓ Pharmacy

Start on site:	On site
PC date:	Q3 2023
Cost:	£6.2m
YOC:	**4.5%**
Size:	1,456 sqm
Number of GPs:	8
Patients:	12,000 rising to 22,000
WAULT:	**25 years**
Rent review:	OMV
BREEAM rating:	Excellent
Net Zero Carbon:	Yes

Direct Development

Spilsby Primary Care Centre, Lincolnshire

Tenants
- ✓ NHS Trust
- ✓ GP Practice

Start on site:	Q2 2023
PC date:	Q2 2024
Cost:	£3.5m
YOC:	**4.9%**
Size:	905 sqm
No. of GPs:	4
Patients:	7,500 rising to 10,000
WAULT:	**25 years**
Rent review:	OMV
BREEAM rating :	Excellent
Net Zero Carbon	Yes

Direct Development

Colliers Wood Primary Care Centre, Merton

Tenants
- ✓ GP Practice

Start on site:	Q2 2023
PC date:	Q3 2024
Cost:	£6.8m
YOC:	**4.4%**
Size:	1,679 sqm
Number of GPs:	5
Patients:	12,000
WAULT:	**25 years**
Rent review:	OMV
BREEAM rating:	Excellent
Net Zero Carbon:	Yes

Forward Funded Development

Birr, Co. Offaly, Ireland

Tenants
- ✓ Health Service Executive (HSE)
- ✓ GP Practice
- ✓ Pharmacy

Start on site:	Q3 2023
PC date:	Q4 2024
Cost:	€14.8m
YOC:	**5.3%**
Size:	4,641 sqm
WAULT:	**23.8 years**
Rent review:	Irish CPI
BER rating :	A3
nZEB:	Yes

THE FUTURE OF PRIMARY CARE IN THE UK

Case study: Croft, West Sussex, PHP's first NZC development

Rationale

- Patient demand in Croft is at an all-time high, increasing demand for services has affected service provision, patient care and outcomes
- Existing premises deemed inadequate for the current patient population which is expected to nearly double through the development of c. 3,000 new homes in the wider locality.
- Nationally and locally the NHS is implementing a strategic move of transferring services away from hospital settings to modern purpose-built primary and community space

The Future

Let for 25 years to both the local GP partnership and pharmacy allowing patients and the wider Primary Care Network to access a wide range of health and care services including:

- General practice (physical, telephone, video and minor operations)
- Mental health assessments and practitioners
- Pharmacy and Clinical pharmacy
- Training for GPs, nurses and paramedics
- Physiotherapy
- Occupational therapy
- Social prescribing
- Care co-ordination

Net Zero Carbon Primary Care Centre

- Consolidation of three inadequate properties into one purpose-built building which will be PHP's first NZC development and one of the first health care buildings to achieve this in the UK
- The building will also target an EPC A rating and BREEAM Excellent standards, with high levels of health and wellbeing, low waste and water, responsibly sourced and sustainable materials and bring enhanced ecological features

INVESTMENT ACTIVITY

- ✓ **Disciplined approach** to investment and future activity will only take place if accretive to earnings
- ✓ **4 assets selectively acquired** in H1 2022 for £53m
- ✓ **13 smaller assets** sold for £27.7m, 13% above Dec.21 book value representing 60 bps of yield compression, taking advantage of the strong pricing in the first half of 2022
- ✓ **Continue to monitor** a wide number of opportunities in the current market with a focus on Ireland

Investment

Chiswick Medical Centre, London

Tenants / services
- ✓ HCA International Limited
- ✓ State-of-the-art diagnostic centre
- ✓ Private medical facility

Purchased:	Q2 2022
Cost:	**£34.5m**
Size:	2,441 sqm
WAULT:	20.0 years
Rent review:	RPI (4% cap and 2% collar)

Investment

Two Bridges, Chertsey, Surrey

Tenants / services
- ✓ NHS Foundation Trust
- ✓ Drug and alcohol rehabilitation centre

Purchased:	Q2 2022
Cost:	**£6.95m**
Size:	959 sqm
WAULT:	20.0 years
Rent review:	RPI (3% cap)

Investment

Strawberry Hill Medical Centre, Newbury

Tenants / services
- ✓ GP Practice
- ✓ Social prescribing
- ✓ Clinical Pharmacy
- ✓ District nurses and healthcare assistants
- ✓ Phlebotomy

Purchased:	Q3 2022
Cost:	**£7.25m**
Size:	1,415 sqm
Number of GPs:	10
Patients:	22,000
WAULT:	18.8 years
Rent Review:	OMV

PROPERTY REVIEW

IMPROVING RENTAL GROWTH OUTLOOK FROM RENT REVIEWS AND ASSET MANAGEMENT PROJECTS

PROPERTY PORTFOLIO OVERVIEW

Key Figures[1]	31 December 2022
Total number of properties	513
Including properties in Ireland	20
Investment portfolio value (£bn)	2.8
Floor area (000's sqm / 000's sq. ft.)	706 / 7,596
Capital value (£ per sqm / £ per sq. ft.)	3,958 / 368
Contracted rent roll (£m)	145.3
Average rent (£ per sqm / £ per sq. ft.)	206 / 19
Net initial yield (NIY) – UK / Ireland	4.79% / 5.2%
Average lot size (£m)	5.4
Average WAULT (years)	11.0
Occupancy	99.7%
Government backed rent	89%

75% agreed terms or advanced discussions to renew

Income Expiry Profile	£m	%
< 3 years	11.0	8%
4-5 years	13.7	9%
5-10 years	54.1	37%
10-15 years	31.4	22%
15-20 years	22.4	15%
> 20 years	12.7	9%
Total	145.3	100%

Capital Value[1]	Number	Value (£m)	%
> £10m	55	870	31%
£5m - £10m	138	949	34%
£3m - £5m	158	628	23%
£1m - £3m	157	341	12%
< £1m (incl. land £1.3m)	5	5	0%
Total	513	2,793	100%

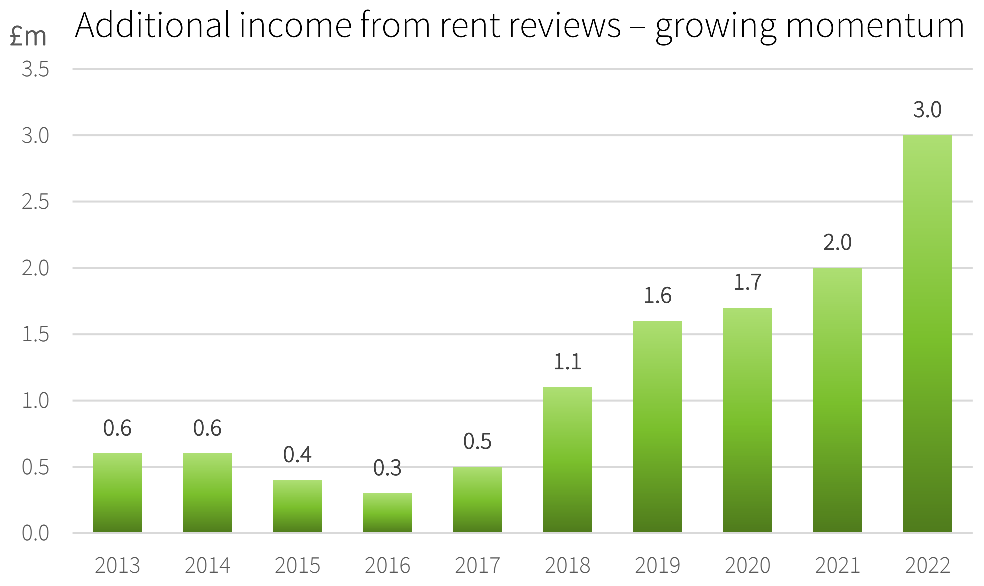
[1.] All data as at 31 December 2022

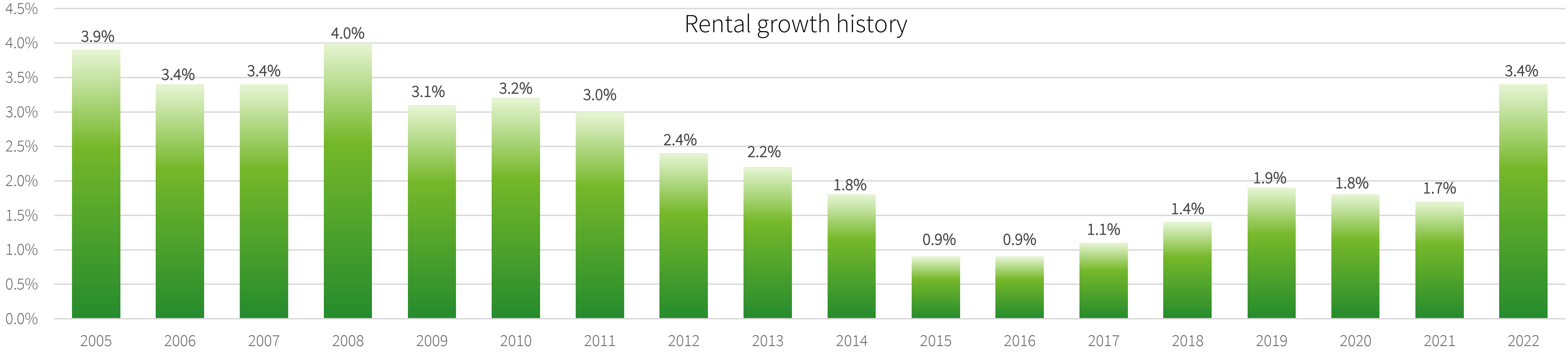
RENT REVIEWS - LONG LEASES WITH IMPROVING RENTAL GROWTH OUTLOOK

- ✓ Effectively upward only rent roll in UK
- ✓ Rents in Ireland linked to Irish CPI
- ✓ **£3.0m** additional rent in year from rent reviews a **6.8%** increase over previous passing rent
- ✓ Total weighted average rental growth: **3.4%** p.a.
- ✓ 69% reviewed to open market (ave. **1.5%** p.a.)
- ✓ 25% index linked (ave. **7.4%** p.a.)
- ✓ 6% on fixed uplift (ave. **3.1%** p.a.)
- ✓ Ireland – 100% index linked (ave. **2.6%**. p.a.)
- ✓ Most reviews settled relate to 2018 – 2020
- ✓ 25% of UK indexed reviews include caps and collars, typically between 12% and 6% over a three year review cycle

Drivers of rental growth

- ✓ Typically 3-yearly review cycle
- ✓ Building cost inflation
- ✓ Completion of historic rent reviews
- ✓ Increased development activity
- ✓ Replacement cost
- ✓ Building regulations and specification creep
- ✓ Reducing the NHS carbon footprint





ASSET MANAGEMENT – UPDATING OUR CURRENT PORTFOLIO

- ✓ **Limited lease expiry risk,** £11m or 8% of income expiring in next 3 years, 75% are engaged/agreed to renew
- ✓ **10 projects completed to-date and further 10 currently on site,** investing £17.5m, £0.5m additional rent and extending leases back to 19 years on average
- ✓ **23 lease regears** completed in year
- ✓ **Advanced Pipeline** of 22 projects, investing £18m capex , creating c.900 sqm of new space and £0.9m of additional income (5.0% YOC)

Extension and refurbishment

Waterside Medical Centre, Leamington Spa

Description: 355 sqm 2 storey extension, creating 10 new clinical rooms, administration space and e-consult facilities for patient self assessment. Project completed in 2022 and achieved an improved EPC A rating.

Services: The new accommodation will house a significantly wider range of services, including additional clinics for diabetes, family planning and social prescribing.

Tenants:	GP Practice and Pharmacy
Cost:	£1.8m
Additional rent:	£76k (YOC: 4.1%)
Return on capital:	17%
Number of GPs:	6
Patients:	13,000
WAULT:	24 years
ESG:	PV, LED lights, EV
BREEAM/EPC:	Very Good / A

Refurbishment

Ramsbury Medical Centre, Ramsbury

Description: Internal refurbishment to improve space efficiency and create additional clinical accommodation. Introduction of roof mounted PV panels for sustainable power generation. Due to complete February 2023.

Services: The practice will continue to offer their rural community a wide range of services, including phlebotomy from the newly refurbished accommodation.

Tenants:	GP Practice and Dispensary
Cost:	£0.6m
Additional rent:	£20k (YOC: 3.3%)
Return on capital:	142%
Number of GPs:	7
Patients:	9,500
WAULT:	19 years
ESG:	Solar PV, LED lights
BREEAM/EPC:	Very Good / B

Refurbishment

The Lyng, West Bromwich

Description: Internal refurbishment of ex-council accommodation to provide 330 sqm of clinical space for Linkway Medical, allowing them to relocate their branch site to the building. On site and due to complete in May 2023.

Services: The relocation of the branch surgery means all extended and PCN based services will now be delivered from the Lyng, including social prescribing and mental health clinics.

Tenants:	GP Practice
Cost:	£1.3m
Additional rent:	£81k (YOC: 6.3%)
Return on capital:	76%
Number of GPs:	10
Patients:	14,500
WAULT:	20 years
ESG:	Replacement VRF System
BREEAM/EPC:	Not applicable / B

Extension and Refurbishment

Chafford Hundred Medical Centre, Grays

Description: 129 sqm first floor extension, creating 5 new clinical rooms. The primary care facility will be modernised to meet the evolving requirements of health service delivery and infection control standards. Legally committed and works due to start on site in 2023.

Services: The works will enable the GP practice to meet the demands of their growing patient list and to provide a wider range of primary care services.

Tenants:	GP Practice
Cost:	£1.4m
Additional rent:	£69k (YOC: 4.7%)
Return on capital:	56%
Number of GPs:	5
Patients:	14,700
WAULT:	20 years
ESG:	Solar PV, LED lights
BREEAM/EPC:	Very Good / B

OUTLOOK

- ✓ Long-term demographic, macro and political trends supportive across UK and Ireland
- ✓ Strong stewards of underinvested, key social infrastructure assets with c.40% of all assets in the UK considered unfit for purpose and in need of modernisation
- ✓ Impact of digital being outweighed by increasing demand for modern primary care accommodation and transfer of services out of hospitals
- ✓ Improving rental growth outlook will be principal driver to maintaining and increasing future values in an uncertain economic environment
- ✓ Construction cost inflation and historically suppressed levels of rental growth will be significant pull factors to future growth
- ✓ Disciplined approach to shareholder returns and capital deployment
- ✓ Strategic acquisition of Axis gives permanent presence in Ireland to source new opportunities
- ✓ Continued focus on income and dividend growth
- ✓ Strategy supports a low carbon approach with positive social impact

Entering 27th year of consecutive dividend growth

Portfolio
£2.8 billion (2021: £2.8 billion)

Rent roll
£145 million (2021: £141 million)

Government backed income
89% (2021: 90%)

Index linked income
25% (2021: 25%)

Occupancy
99.7% (2021: 99.6%)

WAULT
11.0 years (2021: 11.6 years)

Net debt: fixed or hedged
94% (2021: 100%)

FURTHER BACKGROUND ON PHP

RENT REVIEW RESULTS

- **£3.0m or 6.8%** (3.4% p.a.) increase over previous passing rent increase from 331 rent reviews completed in UK and Ireland
- **£2.0m or 2.4%** uplift expected on 618 open market value reviews outstanding with ERV £86.1m
- **1.5%** p.a. achieved on 186 open market value reviews, including 33 nil increases
- **7.4%** p.a. achieved on 118 indexed linked reviews in UK
- **2.6%** p.a. achieved on 13 indexed linked reviews in Ireland
- **3.1%** p.a. achieved on 14 fixed reviews in UK

Outstanding reviews focused by region	
North	26%
London and South East	27%
Midlands	18%
Wales	11%
Eastern	6%
South West	6%
Scotland	6%
Ireland	0%
	100%

Year to 31 December 2022	OMV Rent reviews completed		Number of outstanding reviews (current rent)	
Reviews relating to calendar years:	No	%	No	£m
2013	2	0.3%	-	-
2014	-	-	-	-
2015	1	1.5%	1	0.1
2016	14	1.7%	9	1.8
2017	5	1.6%	18	2.7
2018	30	2.0%	35	3.6
2019	31	1.3%	52	8.0
2020	39	1.7%	83	12.4
2021	29	1.9%	193	25.0
2022	2	2.9%	227	30.5
	153	1.7%	618	84.1
Nil increases	33	0.0%		
Total OMV reviews	**186**	**1.5%**		

THE FUTURE OF PRIMARY CARE IN THE UK

Case study: Eastbourne

Rationale

- ✓ Failing GP practices unable to cope with increasing patient demand which has affected service provision, patient care, outcomes and staff retention
- ✓ Merged into one super-practice operating as a single Primary Care Network
- ✓ Existing premises deemed inadequate for the current population which is expected to grow with major local population growth
- ✓ Nationally and locally the NHS is implementing a strategic move of transferring services away from hospital settings to modern purpose-built space

New Primary Care Centre

- ✓ Flexible building to meet future demand and changing requirements
- ✓ The building achieved a BREEAM Excellent rating
- ✓ Helps with staff recruitment and retention

The Future

Let for 25 years to allow patients and the wider Primary Care Network to access a wide range of health and care services including:

- ✓ General practice (physical, telephone and video)
- ✓ Minor operations and procedures
- ✓ Mental health assessments and practitioners
- ✓ Training for GPs, nurses and paramedics
- ✓ Walk-in centre
- ✓ Clinics for a various issues i.e. asthma, diabetes, cryotherapy
- ✓ Non-NHS services (medicals, insurance, vaccinations)
- ✓ Physiotherapy
- ✓ Occupational therapy
- ✓ Social prescribing
- ✓ Care co-ordination
- ✓ Clinical pharmacy
- ✓ Family planning

3 separate GP practices merged into one super-practice, under new management, in purpose-built accommodation

PRIMARY HEALTH CARE OPPORTUNITY IN THE UK

- ✓ The UK population has been steadily getting older and this trend is projected to continue in the future.
- ✓ By 2066, it is estimated there will be a further 8.6 million UK residents aged 65 years and over, an increase broadly equivalent to the size of the population of London today, taking the total number in this group to 20.4 million and making up 26% of the total population.
- ✓ In the immediate short term, NHS waiting lists are currently estimated to now stand at c. 6m procedures following the Covid pandemic, with estimates that this could peak at 13m before the backlog is cleared.
- ✓ Meanwhile, the NHS is adopting a new service model where, amongst other targets, patients get joined-up care, including the right to online digital GP consultations.
- ✓ Creation of Integrated Care Systems (“ICS”) in 2022 will focus on ‘collaboration rather than competition’ and bring together budgets that were previously ‘siloed’ to better serve the overall healthcare needs of a local population.
- ✓ At the same time, GP practices have been encouraged to form Primary Care Networks (“PCN’s”), typically covering 30-50,000 people, to deliver integrated services at scale.
- ✓ To encourage this, Practices will be funded to work together and create genuinely integrated teams of GPs, community health and social care staff.
- ✓ Over the current five-year period, investment in primary medical and community services will grow faster (excluding the impact of the pandemic) than the overall NHS budget, with a ringfenced local fund worth at least an extra £4.5 billion a year in real terms by 2023/24. This includes a target to recruit an additional 26,000 Allied Health Professionals.

PRIMARY HEALTH CARE OPPORTUNITY IN THE UK

- ✓ However, many GP Premises in the UK remain unfit for their current purpose, let alone this expanded role. Common challenges include lack of space in waiting rooms, consultation rooms and administration space together with growing list sizes and lack of disabled access.
- ✓ In England, the number of consultations being delivered in primary care is now higher at c. 27m, including delivery of around 1m COVID-19 vaccines, per month in 2022. Around 70% of all consultations are carried out face to face, with approximately half by GPs, 20% by nurses and 30% by other healthcare professionals.
- ✓ PHP believes that primary health premises have a vital role to play in the immediate short term in alleviating some of the immediate consequences of COVID-19, including the delivery of some of the backlog of treatments as well as new challenges, such as treating 'long-COVID' and increase in mental health issues.
- ✓ Over the medium to longer term, PHP believes its modern, purpose-built premises and its program of active asset management, means its assets are well placed to benefit under the new ICS arrangements shift of services away from acute hospitals into the community setting.
- ✓ This could particularly be the case in the provision of services to an ageing population, living for longer, with higher incidence of chronic illnesses.
- ✓ PHP also believes that modern, purpose-built premises can aid staff retention and recruitment, support the NHS in its drive to become a net zero health care system and have a valuable role to play in the Governments levelling up agenda, where health inequalities continue to exist across the UK.
- ✓ This is in line with fundamental demographic trends and NHS plans, including funding, for primary care to deliver integrated services and 'operate at scale'.

BALANCE SHEET

£m	31 Dec. 22	31 Dec. 21
Investment properties	2,796.3	2,795.9
Cash	29.1	33.4
Debt	(1,290.4)	(1,232.9)
Net debt	(1,261.3)	(1,199.5)
Other net current liabilities	(30.2)	(40.5)
Adjusted net tangible assets (NAV)	1,504.8	1,555.9
Convertible bond fair value adjustment	7.1	(21.6)
Fixed rate debt and swap MtM	(24.3)	(30.0)
Deferred tax	(5.4)	(4.4)
IFRS net assets	1,482.2	1,499.9
Fixed rate debt and swap MtM adjustment	165.6	(24.5)
EPRA NDV (NNNAV)	1,647.8	1,475.4
Loan to value	*45.1%*	*42.9%*
Adjusted NTA per share (pence)	*112.6p*	*116.7p*
IFRS NAV per share (pence)	*110.9p*	*112.5p*
EPRA NDV per share (pence)	*123.3p*	*110.7p*
Number of shares (millions)	*1,336.5*	*1,332.9*

SPREAD OF FUNDING SOURCES

	Unsecured facilities[1]	Secured facilities [3]							
Provider	Convertible bond	Santander	Barclays	RBS[1]	HSBC	Lloyds	Secured bond	Secured bond	Standard Life
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet
Expiry	Jul-2025	Jan-2025	Sept-2025	Oct-2025	Nov-2025	Dec-2025	Dec-2025	Mar-2027	Sept-2028
Facility	£150m	£50m	£100m	£100m	£100m	£100m	£70m	£100m	£78m
Drawn	£150m	£39m	£nil	£42m	£25m	£32m	£70m	£100m	£78m
Collateral[2]	-	£102m	£208m	£202m	£184m	£186m	£119m	£174m	£124m
Contracted rent	-	£5m	£10m	£11m	£9m	£9m	£7m	£9m	£6m
LTV Max	-	60%	60%	55%	67.5%	65%	74%	70%	74%
LTV actual	-	38%	n/a	21%	14%	18%	59%	58%	63%
ICR Min	-	1.75x	1.5x	1.5x	2.0x	1.75x	1.15x	1.15x	1.15x
ICR actual	-	3.1x	n/a	5.7x	8.3x	6.4x	1.8x	3.1x	2.2x
Valuation fall to breach	-	£37m	£208m	£126m	£146m	£136m	£25m	£31m	£19m
Income fall to breach	-	£2m	£10m	£8m	£7m	£7m	£2m	£6m	£3m

1. Excludes unsecured £5m overdraft facility
2. Includes only assets mortgaged to the applicable facility
3. All data proforma as at 31 December 2022

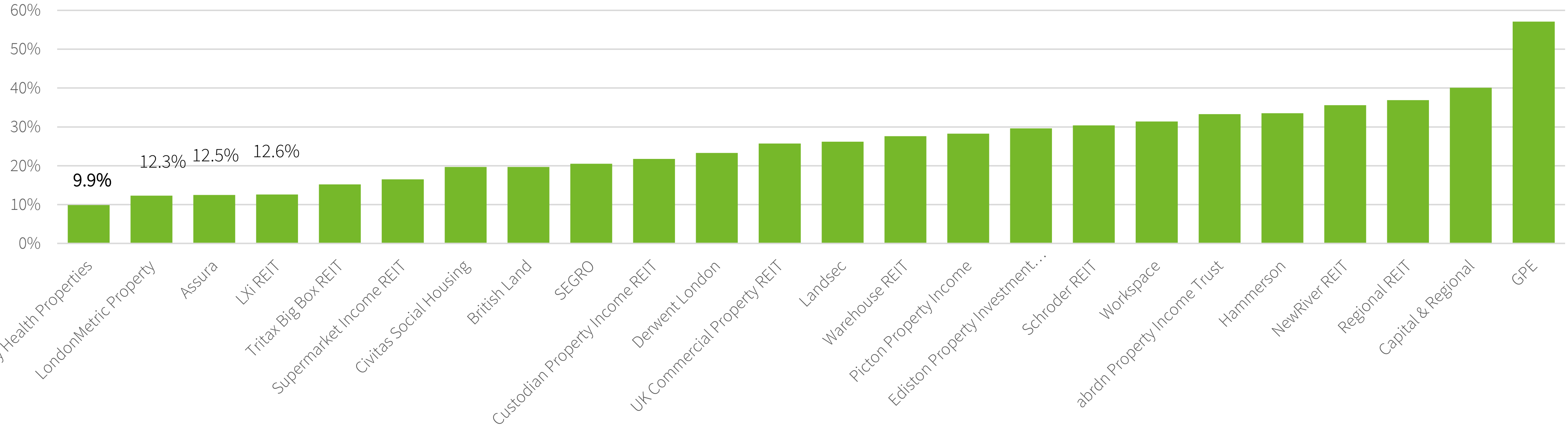
SPREAD OF FUNDING SOURCES (CONTINUED)

		Secured facilities[3]						Cash/ Unfettered assets	Total
Provider	Aviva	Ignis	Euro PP	Euro PP	Aviva	MetLife Euro PP	Aviva		
Tenor	Bullet	Bullet	Bullet	Bullet	Amortising	Bullet	Bullet		
Expiry	Nov-2028	Dec-2028	Dec-2028 Dec-2030	Sept-2031	Sept-2033	Feb-2034	Oct-2036		
Facility	£75m	£50m	£45m (€51m)	£62m (€70m)	£256m	£66m (€75m)	£200m	-	£1,602m
Drawn	£75m	£50m	£45m (€51m)	£62m (€70m)	£256m	£66m (€75m)	£200m	(£29m)	£1,261m
Collateral[2]	£152m	£84m	£77m	£108m	£466m	£122m	£398m	£90m	£2,796m
Contracted rent	£8m	£5m	£4m (€5m)	£6m (€7m)	£25m	£6m	£20m	£5m	£145m
LTV Max	70%	74%	70%	70%	75%	70%	65%	-	
LTV actual	49%	59%	58%	57%	55%	55%	50%	-	
ICR Min	1.6x	1.15x	1.15x	1.15x	1.4x	1.15x	2.25x	-	
ICR actual	3.3x	2.4x	4.1x	6.4x	2.1x	5.6x	4.0x	-	
Valuation fall to breach	£45m	£17m	£13m	£20m	£125m	£27m	£90m	£119m	£1,184
Income fall to breach	£4m	£3m	£3m	£5m	£9m	£5m	£9m	£5m	£88m

1. Excludes unsecured £5m overdraft facility
2. Includes only assets mortgaged to the applicable facility
3. All data proforma as at 31 December 2022

EPRA COST RATIO

	31 December 2022 £m	31 December 2021 £m
Gross rent less ground rent, service charge and other income	147.0	139.6
Direct property expense	12.6	8.9
Less: service charge costs recovered	(7.0)	(5.8)
Non-recoverable property costs	5.6	3.1
Administrative expenses	9.6	10.5
Less: ground rent	(0.2)	(0.2)
Less: other operating income	(0.4)	(0.4)
EPRA costs (including direct vacancy costs)	14.6	13.0
EPRA cost ratio	9.9%	9.3%
Administrative expenses as a percentage of gross asset value	0.3%	0.4%



CONTACT DETAILS

Harry Hyman
Chief Executive Officer
harry.hyman@phpgroup.co.uk

Richard Howell
Chief Financial Officer
richard.howell@phpgroup.co.uk

David Bateman
Chief Investment Officer
david.bateman@phpgroup.co.uk

DISCLAIMER

This document comprises the slides for a presentation in respect of Primary Health Properties PLC (the "**Company**") and its 2022 annual results presentation (the "**Presentation**").

No reliance may be placed for any purposes whatsoever on the information in this Presentation or on its completeness. The Presentation is intended to provide a general overview of the Company's business and does not purport to deal with all aspects and details regarding the Company. Accordingly, neither the Company nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, express or implied, as to, and accordingly no reliance may be placed on, the fairness, accuracy or completeness of the information contained in the Presentation or the views given or implied. Neither the Company nor any of its directors, officers, employees or advisers nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

This Presentation is not a prospectus or prospectus equivalent document and does not constitute, or form part of, nor is it intended to communicate, any offer, invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company, nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract for any such sale, issue, purchase or subscription. This Presentation does not constitute a recommendation regarding the Company's securities.

Certain statements in this Presentation regarding the Company are, or may be deemed to be, forward-looking statements (including such words as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). These forward-looking statements are neither historical facts nor guarantees of future performance. Such statements are based on current expectations and belief and, by their nature, are subject to a number of known and unknown risks, uncertainties and assumptions which may cause the actual results, events, prospects and developments of the Company and its subsidiaries to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements contained in this Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by applicable law or regulation, neither the Company nor its members, directors, officers, employees, agents or representatives undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The contents of the Presentation have not been examined or approved by the Financial Conduct Authority ("FCA") or London Stock Exchange plc (the "London Stock Exchange"), nor is it intended that the Presentation will be so examined or approved. The information and opinions contained in the Presentation are subject to updating, completion, revision, further verification and amendment in any way without liability or notice to any party. The contents of this Presentation have not been independently verified and accordingly, no reliance may be placed for any purpose whatsoever on the information or opinions contained or expressed in the Presentation or on the completeness, accuracy or fairness of such information and opinions. No undertaking, representation or warranty or other assurance, express or implied, is made or given as to the accuracy, completeness or fairness of the information or opinions contained or expressed in the Presentation and, save in the case of fraud, no responsibility or liability is accepted by any person for any loss, cost or damage suffered or incurred as a result of the reliance on such information or opinions. In addition, no duty of care or otherwise is owed by any such person to recipients of the Presentation or any other person in relation to the Presentation. The material contained in this Presentation reflects current legislation and the business and financial affairs of the Company, which are subject to change without notice.

This Presentation summarises information contained in the 2022 annual results. No statement in this Presentation is intended to be a profit forecast and no statement in this Presentation should be interpreted to mean that earnings per Company share for current or future financial years would necessarily match or exceed the historical published earnings per Company share. Past share performance cannot be relied on as a guide to future performance.

February 2023