

ANNUAL RESULTS PRESENTATION 2018

BUILDING A BRIGHTER FUTURE FOR PRIMARY
HEALTHCARE INVESTMENT

ANALYST AND INVESTOR PRESENTATION



Ionad Cúraim Phríomhúil,
Cill na Manach, Tigh Motháin
Kilnamanagh Tymon
Primary Care Centre

1. OVERVIEW

2. KEY FINANCIALS

3. ACQUISITIONS, DISPOSALS AND PORTFOLIO REVIEW

4. OUTLOOK AND STRATEGY

5. APPENDICES



CHAIRMAN'S INTRODUCTION



Helen Mahy CBE
Non-executive Chairman

- Another year of strong performance – continuing our transformation:
 - Entered into UK REIT regime
 - Continued investment and growth
 - Move to fully covered dividend policy
 - Agreed reduced Investment Adviser fee and performance fee removed
- MedicX continued to execute its strategy of disciplined investment in modern, high-quality medical centres
- Well positioned for sustainable growth with best-in-class portfolio

1. OVERVIEW


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A STRONG YEAR




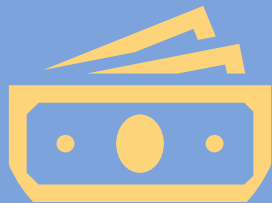
Committed
investment
£80.3m




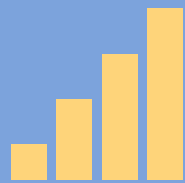
Earnings per share
3.9p (+11.4%) 




EPRA NAV per share
81.8p (+6.9%) 



Rent roll
£44.0m (+10.0%) 

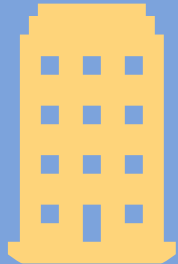


Total return on EPRA
NAV
14.8% (+210bps) 



2018 Debt refinance
£265m refinance

STRATEGIC OBJECTIVES MET



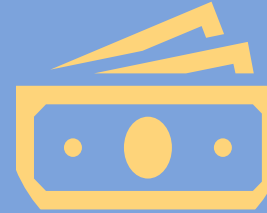
Sector leading average
lot size

£4.8m 



Dividend rebased

Move to covered
dividend




Investment Adviser Fee

New tiers saving £0.5
million per annum
Performance fee
removed



EPRA cost ratio¹

7% year on year
reduction 
to 18.4%

¹ EPRA cost ratio both excludes/includes immaterial vacancy costs

2. KEY FINANCIALS

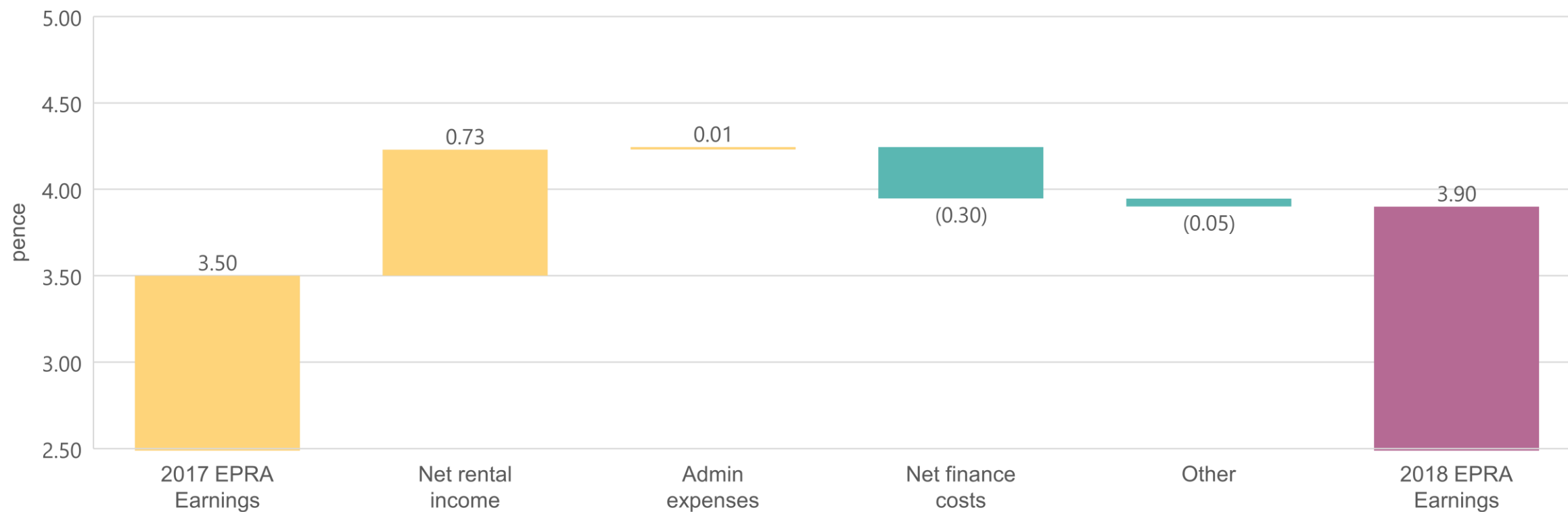
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A LEADING INVESTOR IN MODERN PURPOSE-BUILT PRIMARY HEALTHCARE PROPERTIES IN THE UK AND REPUBLIC OF IRELAND

Key Performance Indicators

	30-Sep-18	30-Sep-17	Change %
Portfolio valuation	£806.7m	£680.4m	18.6%
UK Net Initial Yield	4.85%	5.08%	(4.5)%
EPRA NAV / share	81.8p	76.5p	6.9%
DCF NAV / share	101.0p	98.5p	2.5%
EPRA EPS / share	3.9p	3.5p	11.4%
Total debt	£448.9m	£372.8m	20.4%
Average cost of debt	4.26%	4.29%	(0.7)%
Average debt term	12.3yrs	12.7yrs	(3.1)%
Adjusted gearing	52.6%	49.5%	6.3%

11.4% GROWTH IN EPRA EARNINGS PER SHARE



INCOME STATEMENT

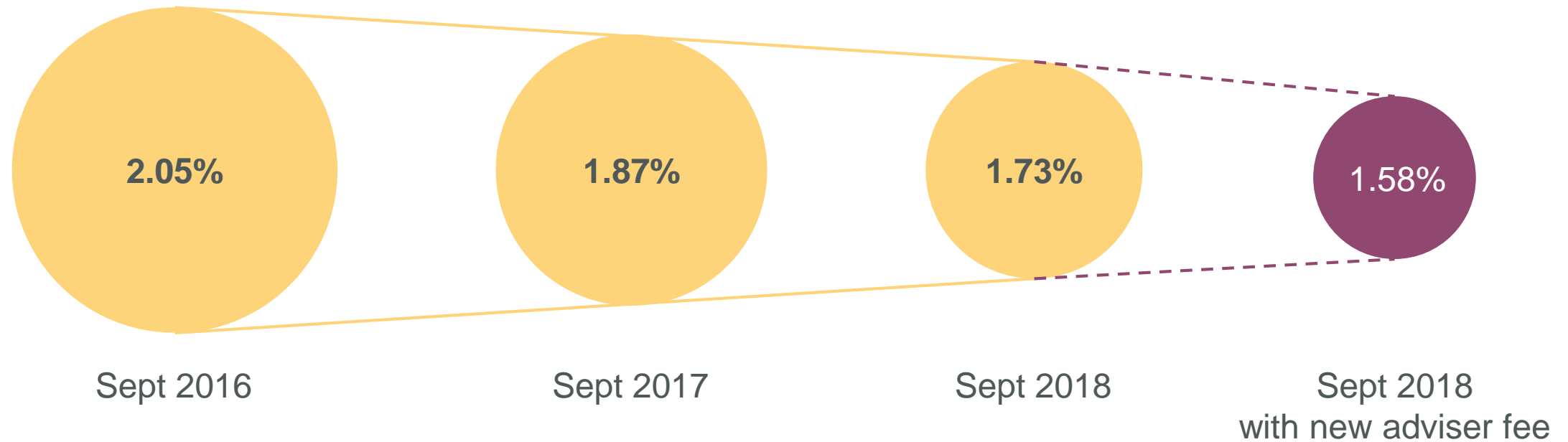
	12 months to 30-Sep-18 £'000	12 months to 30-Sep-17 £'000	Change %
Rent receivable	40,285	37,108	8.6%
Other income ¹	455	141	222.7%
Direct property expenses	(1,471)	(1,354)	8.6%
Net rental income	39,269	35,895	9.4%
Valuation movements	32,250	18,654	72.9%
Investment Adviser fee	(3,903)	(3,867)	0.9%
Property management fee	(969)	(925)	4.8%
Other overheads	(1,154)	(1,296)	(11.0)%
Total expenses	(6,026)	(6,088)	(1.0)%
EBITDA	65,493	48,461	35.1%
Finance income ²	222	432	(48.6)%
Finance costs	(16,660)	(15,581)	6.9%
Profit before tax	49,055	33,312	47.3%
EPS (pps)	3.9	3.6	8.3%
EPRA EPS (pps)	3.9	3.5	11.4%
Ongoing Charges Ratio (%) ³	1.73%	1.87%	(7.5)%

¹ Including profit/loss on disposal of properties

² Including foreign exchange gain/loss

³ Ongoing Charges Ratio (excluding direct property costs relative to average EPRA Net Asset Value) for the 12 months to 30 Sep 2018

CONTINUED REDUCTION IN ONGOING CHARGES RATIO¹



¹ Ongoing charges excluding direct property costs v EPRA NAV

FINANCIAL POSITION

	30-Sep-18		30-Sep-17		Change %
	£'000	Pence per share	£'000	Pence per share	Pence per share
Investment properties	807,797	182.4	681,390	159.0	14.7%
Debt	448,875	101.3	372,796	87.0	16.5%
Cash	18,888	4.3	32,145	7.5	(43.1)%
Net debt	429,987	97.1	340,651	79.5	22.1%
EPRA NAV	362,219	81.8	327,777	76.5	6.9%
EPRA NNAV	331,793	74.9	284,628	66.4	12.8%
DCF	447,458	101.0	422,424	98.5	2.5%
Adjusted gearing ¹	52.60%		49.5%		6.3%
Purchaser's costs	54,611	12.6	43,109	10.1	25.1%

¹ Adjusted gearing is the ratio of net debt to total assets less cash

£265M REFINANCE OF AVIVA DEBT TO FURTHER HEDGE OUR LONG TERM POSITION

- Combined 46 legacy tranches into 2 new tranches
- Released £25 million of property from charge
- £30.8m of new 10 year interest only debt at low interest rate of 3.05%
- No early repayment fee paid, protecting NAV
- Eliminates uncertainty through long term, fixed interest rate protection
- MedicX weighted average debt term of 12.3 years implies a premium of 52bps¹ relative to five year debt, but eliminates refinancing risk and regular arrangement fees

¹ UKT 2.25% 2023 of 0.87% vs UKT 4.75% 2030 of 1.39% as at 5 Dec 2018

REDUCTION IN INVESTMENT ADVISER FEES

- Effective from 1 Oct 2018
- Performance fee removed
- New fee tiers result in immediate annual savings of £0.5 million
- OCR saving of 15 bps and EPS increase of 3%¹

INVESTMENT ADVISER FEE

Previous tiers	New tiers	Investment Adviser fee
0 - £750 million	0 - £250 million	0.5%
£750 million - £1 billion	£250 million - £1.25 billion	0.4%
£1 billion +	£1.25 billion +	0.3%

¹ Based on AUM as at 30 Sept 2018, and on a like for like basis

FULLY COVERED DIVIDEND POLICY¹

- Rebase communicated to market with interim results in May 2018
- Dividend now targeted to be 95% of EPRA EPS
- First covered dividend payable in March 2019

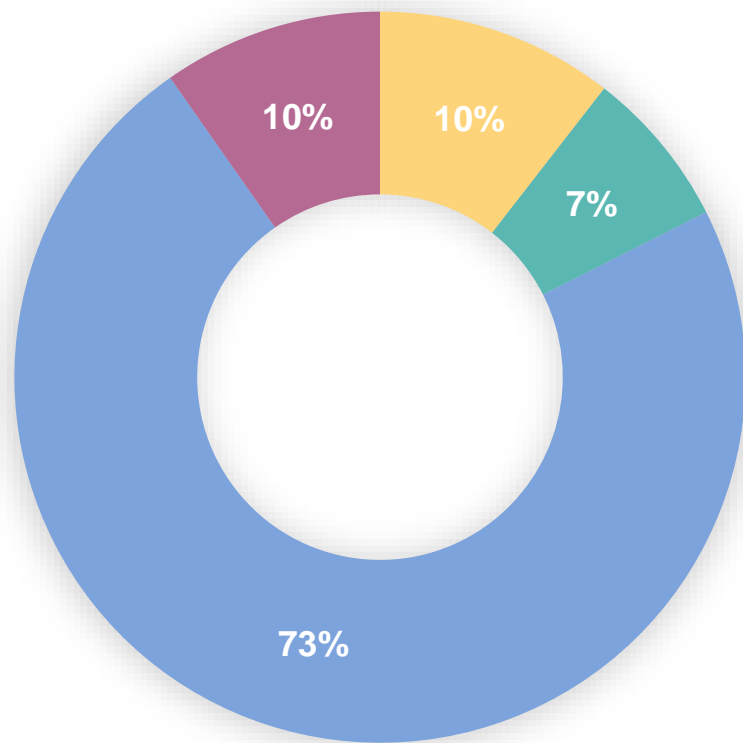
Period	Status	Payable	Amount
Q4'18 (Sep 18)	Declared	31 Dec 18	1.51p
Q1'19 (Dec 18)	Intended	29 Mar 19	0.95p
Q2'19 (Mar 19)	Intended	28 Jun 19	0.95p
Q3'19 (Jun 19)	Intended	30 Sep 19	0.95p
Q4'19 (Sep 19)	Intended	31 Dec 19	0.95p
FY19	Intended		3.80p

¹ The future dividend and return information on this page is a target and is not, nor is it intended to serve as a forecast. Returns depend on a range of factors which may vary in the future and there can be no guarantee that any dividend will be paid at all, nor that there will be any capital growth

3. ACQUISITIONS, DISPOSALS AND PORTFOLIO REVIEW

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PORTFOLIO UPDATE



■ London

■ Rest of England

■ Ireland

■ Wales & Scotland

Portfolio fundamentals

- Property portfolio 166
- Average lot size £4.8m
- Average property age 9.3yrs

Low risk investment

- Average WAULT 14.2yrs
- Average unexpired debt 12.3yrs
- Government backed 89.4%

CONTINUED INVESTMENT

	Site		Cost	Scheme	Developer
UK	Vale of Neath	<i>Under construction</i>	£4.8 million	Forward funding	HPC Framework
	Peterborough	<i>Under construction</i>	£3.4 million	Forward funding	PCP
	One Medical	<i>Portfolio acquisition</i>	£65.3 million	Income producing	Private vendor
			£73.5 million		
Ireland	Kilkenny	<i>Acquisition</i>	£6.8 million	Income producing	Private vendor
			£80.3 million		



High quality
acquisitions in line
with strategy

Framework
agreements
delivering

ONE MEDICAL PORTFOLIO ACQUISITION

- Off-market corporate acquisition in June 2018
- High quality portfolio, 10 out of 12 modern purpose-built properties with:
 - Average lot size £5.3m
 - Average age of 5.5 years
 - Average WAULT of 14.2 years
- 25% of the rental income is subject to RPI reviews

CLEETHORPES



HARROGATE



PROPERTIES UNDER CONSTRUCTION

- 4 properties completed in the year, Cromer, Brynmawr, Crumlin and Tallaght with rent roll of £1.9 million and blended yield of 6.5%
- 3 properties under construction
 - Peterborough and Vale of Neath in the UK (Q2 FY19)
 - Rialto in Ireland (Q3 FY19)
- Phase III Mullingar due on site Q1 2019

VALE OF NEATH



ATTRACTIVE PIPELINE OF OPPORTUNITIES¹

- Opportunities in solicitors' hands of £46 million in UK and £23 million prime asset in the Republic of Ireland
- Mixture of standing and forward funding opportunities (mainly with framework developers)
- A further £75 million of the pipeline is active opportunities at pre legal due diligence stage across both UK and Republic of Ireland

EASTBOURNE



- ✓ £8.7 million asset
- ✓ 25 year lease, 100% GMS reimbursed

12 month development



¹ The pipeline represents opportunities identified by the Investment Adviser that are at different stages and subject to negotiation, due diligence and contract. There can be no certainty that the Company will acquire these properties

DISPOSALS – IMPROVING THE PORTFOLIO METRICS

- Total sales during the year of £5.6 million plus £0.6 million post year end (above book value)
- Ongoing active management strategic plan for further asset sales that do not meet MedicX's current investment criteria

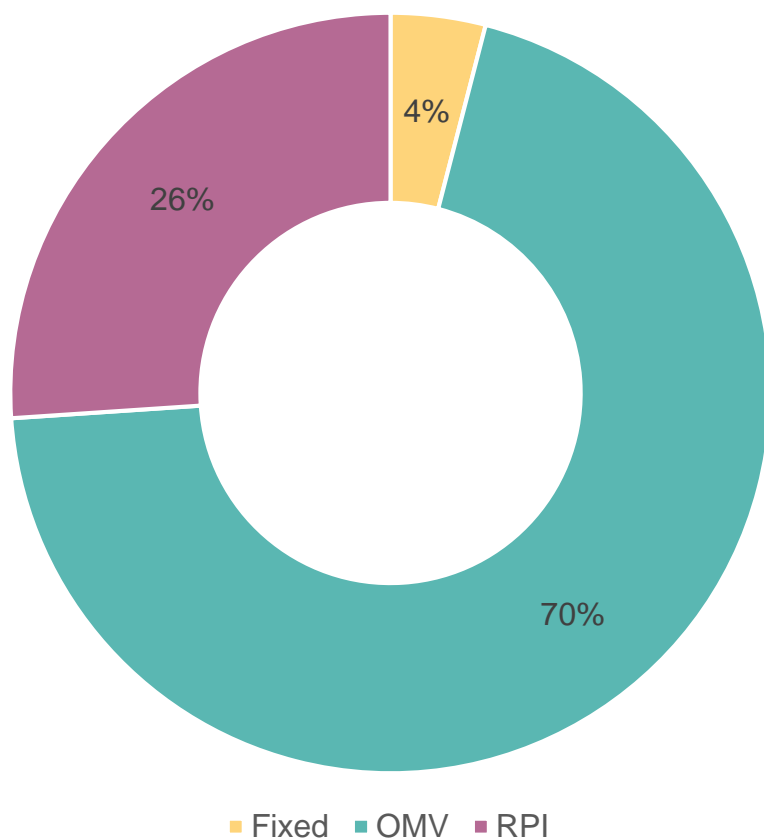
HARPENDEN



LEICESTER



RENT REVIEWS PROFILE¹


¹ As at 30 Sep 2018

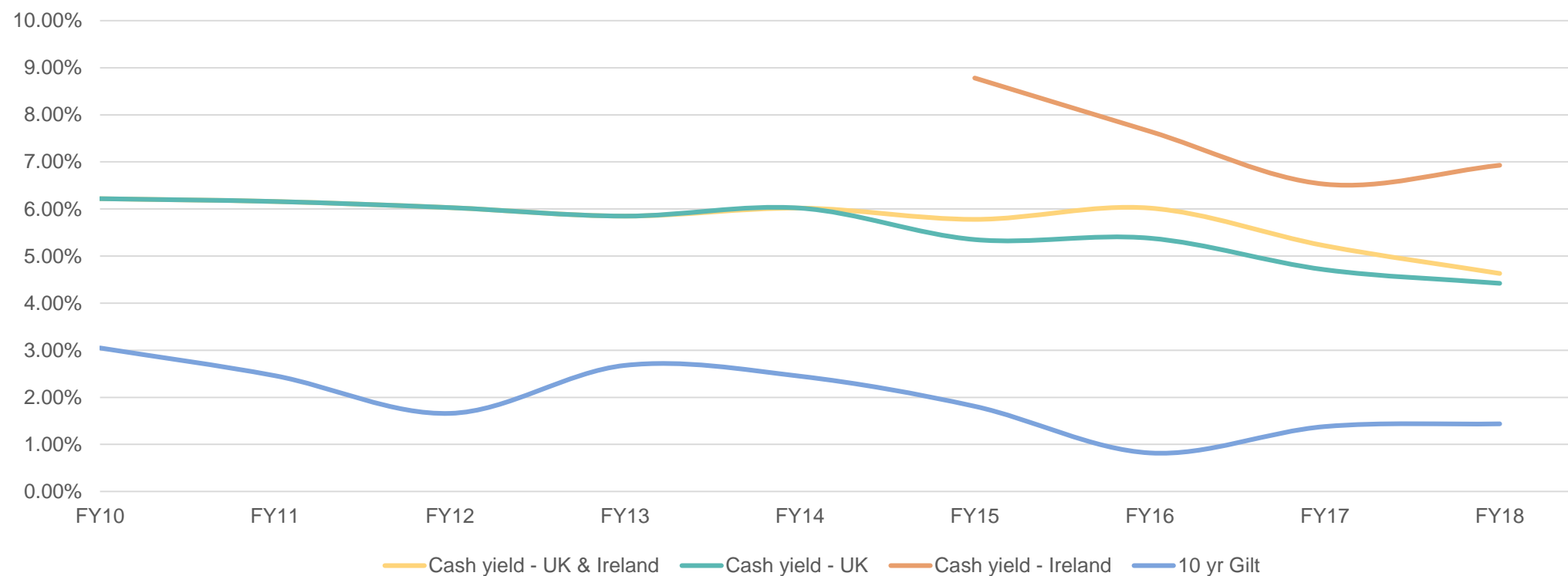
² Index linked consists of 72% UK RPI and 28% Irish CPI

- Total rent roll £44.0 million²
 - £43.2 million completed
 - £0.8 million under construction
- £25.0 million passing rents under negotiation
- £11.5 million rent reviews agreed during the period
- Clapham Independent expert determination still to be ratified by NHS but forecast to deliver 10%+ per annum increase

	Current year	Prior year	Percentage point change
Open market	0.79%	0.52%	+ 0.27
RPI	2.35%	1.70%	+ 0.65
Fixed	3.74%	2.38%	+ 1.36
Weighted average	1.64%	1.07%	+ 0.57

COMPETITIVE LANDSCAPE

Consistent attractive returns driving yield compression



ASSET MANAGEMENT

- 425 leases across portfolio
- 80% of leases >10 years remaining, with 92% >5 years
- Key focus for asset management team
- Strong relationships built up with commissioners
- Strategy underway for all leases <10 years
- 2 projects underway for FY19 and 1 in advanced discussions



- ✓ New 21 year lease
- ✓ Property valuation uplift £0.7 million

Completion May 2019

- ✓ New 20 year lease
- ✓ Property valuation uplift £0.7 million

Completion May 2019



4. OUTLOOK AND STRATEGY

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CONCLUSION

- Continued selective acquisitions of high quality assets
- Ongoing active management disposal strategy of non-core properties to further differentiate MedicX
- Continual focus to enhance fundamental portfolio metrics
- Increased earnings and capital appreciation through rent reviews and asset management opportunities
- Our current debt funding eliminates uncertainty in the current market
- Primary care supported by all political parties
- Green shoots of commissioners approving new primary care centres

5. APPENDICES

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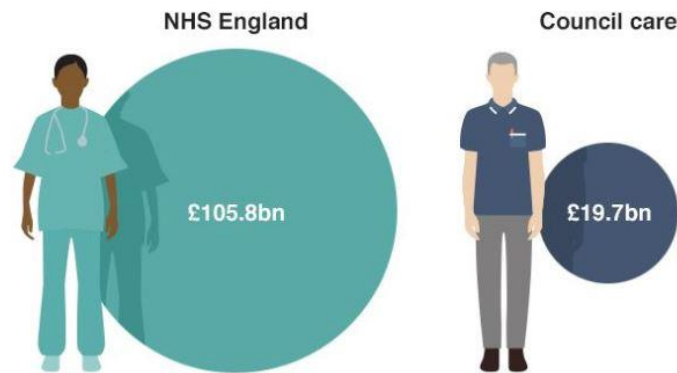
NHS AND PRIMARY CARE UPDATE

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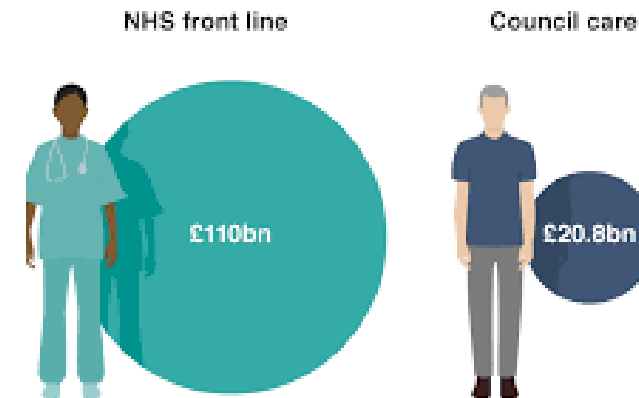
NHS AND PRIMARY CARE UPDATE

- 2018 Autumn Budget - extra £20.5bn for the NHS over the next five years
- The 44 Sustainability and Transformation Partnership (STP) areas continue to be the focus of the Department of Health's transformation agenda in England.
- Latest £963m round of STP capital funding announced December 2018 – Government has now allocated £2bn of £3.5bn announced in 2017 Budget.

2016-2017



2017-2018



DEMAND DRIVERS INCREASING

Macro/Demographic

- Demand for GP services continues to rise as population ages with multiple long term conditions

Government Funding

- Primary care funding increasing both nominally and as percentage of NHS budget

NHS Policy

- Consistent approach of encouraging GPs to operate at greater scale in modern, fit-for-purpose settings with services 7 days per week 8am – 8pm

GP Practices

- Average list size increasing – general movement towards fewer, larger premises
- GP ‘super-practices’ continuing to gain momentum – patient list sizes now in the 100,000’s
- Increased use of video consultations by leading practices

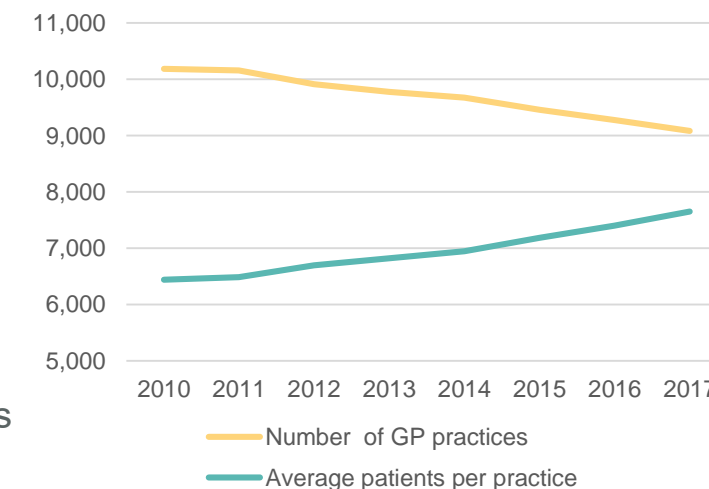
NHS PRIMARY
CARE FUNDING

£2.4bn

Extra per year
by 2021

250

GP PRACTICE
CLOSURES AND
MERGERS IN LAST
12 MONTHS



A low-angle, upward-looking photograph of a modern building's exterior. The building features a grid of large glass windows and doors, some of which are tinted a vibrant green. The glass reflects the bright blue sky and scattered white clouds. On the right side of the building, there are several rectangular concrete balconies or overhangs. The overall composition is dynamic, with strong geometric lines and a sense of height.

OTHER INFORMATION

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DCF NAV

DCF NAV sensitivity¹

	DCF	Share price
Pence per share	101.0p	82.0p
Weighted discount rate	7.0%	9.8% ²
Risk premium to 20 year gilt rate	5.3%	n/a
Rental growth per annum	2.0%	(1.8)% ²
Capital appreciation per annum	1.0%	(1.1)% ²

	DCF reconciliation
EPRA NAV	81.8p
Purchasers costs at 6.8%	+12.6p
Implied yield shift to 4.85%	+6.6p
DCF NAV	101.0p

¹ As at 30 Sep 2018

² Assumption required to result in DCF of 82.0 pps

DCF NAV

Sensitivities¹

DISCOUNT RATE

NAV pence per share	Completed					
	%	6.0	6.5	7.0	7.5	8.0
Under construction	6.0	111	106	102	97	93
	7.0	111	106	101	97	93
	8.0	110	106	101	97	93
	9.0	110	105	101	97	93
	10.0	110	105	101	96	92

RENTAL AND CAPITAL VALUE INCREASES

NAV pence per share	Rental growth					
	% pa	1.0	1.5	2.0	2.5	3.0
Capital growth	-1.0	77	80	83	86	89
	0.0	86	88	91	94	97
	1.0	95	98	101	104	107
	2.0	107	109	112	115	118
	3.0	119	122	125	128	131

¹ As at 30 Sep 2018

DEBT PORTFOLIO¹

	Aviva £264.5m facility			Private placement	Private placement	Bank of Ireland	Private placement	Aviva – One Medical	Santander – One Medical
Facility size	£193.7 million	£40 million	£30.8 million	£50.0 million	£50.0 million	€34.0 million	£27.5 million	£26.2 million	£3.5 million
Committed	Dec 2006 – May 2013	Dec 2006 – May 2013	Sep 2018	Aug 2014	Apr 2015	Mar 2017	July 2017	June 2018	June 2018
Drawn	£193.7 million	£40.0 million	£30.8 million	£50.0 million	£50.0 million	€27.6 million	£27.5million	£26.2 million	£3.5 million
Expiry	Sep 2033	Sep 2033	Sep 2028	Dec 2028	Sep 2028	Sep 2024	Sep 2028	Dec 2027 – June 2040	Dec 2019 – June 2022
Interest rate (inc. margin)	4.69%	4.69%	3.08%	3.99%	3.84%	3.00% ²	3.00%	5.84% ³	2.92% ⁴
LTV draw down	63.8%			56.2%	57.9%	50.0%	64.8%	51.7%	43.8%
Repayment terms	Interest only	Amortises over 15 years	Interest only	Interest only	Interest only	Amortises €1m pa for final 5 yrs	Interest only	Amortises over life	Amortises over life
Debt service cover covenant	140%			115%	115%	165%	115%	100% - 110%	175% - 200%
LTV covenant	75%			74%	74%	65%	74%	n/a	65%

In addition, there is a Revolving Credit Facility with the Royal Bank of Scotland of £20 million committed and a £10 million accordion

A non-utilisation fee of 1.10% - 0.75% is applied and the margin on amounts drawn is 2% over LIBOR

¹ As at 30 Sep 2018

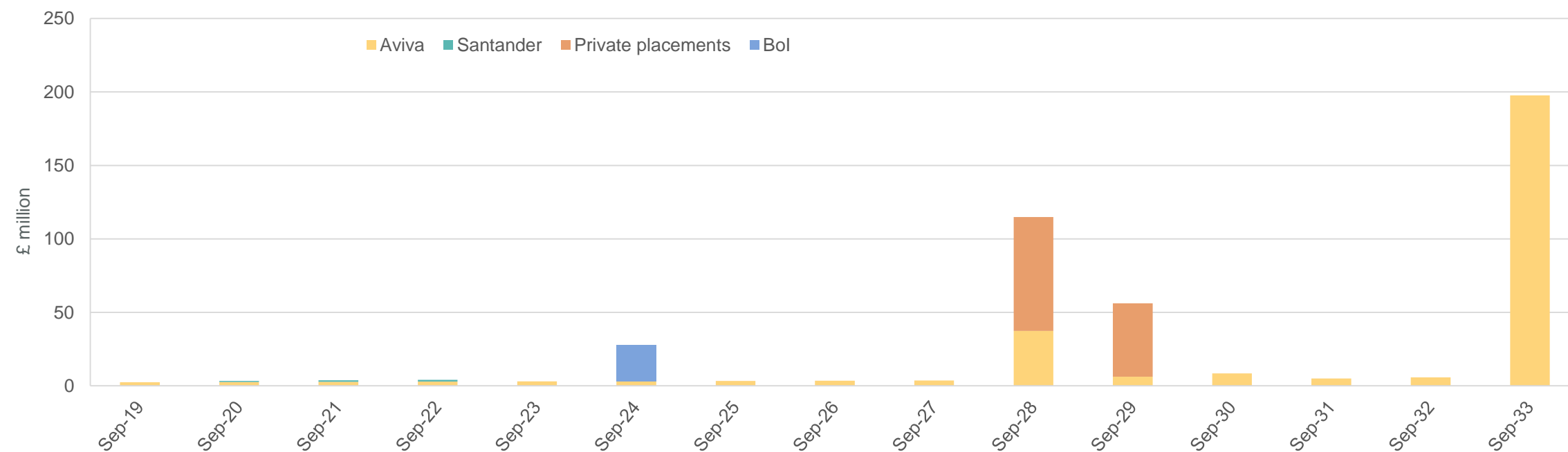
² 4% over EURIBOR until secured property achieves PC when margin steps down to 3% for the remaining term

³ Weighted average calculated. Individual rates between 5.03% and 6.45% fixed across 8 individual loan tranches

⁴ Weighted average calculated. Individual rates between 2.0% and 2.5% over 3 month LIBOR across 4 individual loan tranches

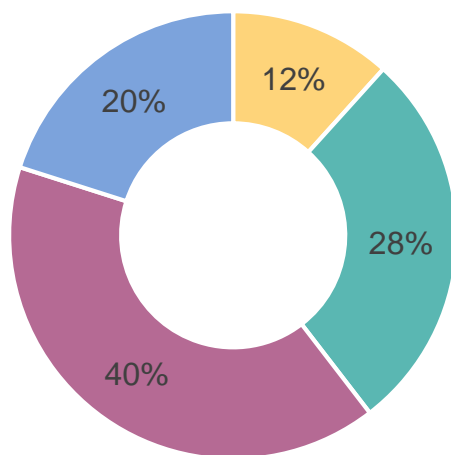
PROTECTION FROM FIXED RATE LONG TERM DEBT

	September 2018	March 2018	September 2017
Debt	£446.1 million	£380.1 million	£373.5 million
Weighted average maturity	12.3 years	12.1 years	12.7 years
Weighted average cost of debt	4.26%	4.27%	4.29%



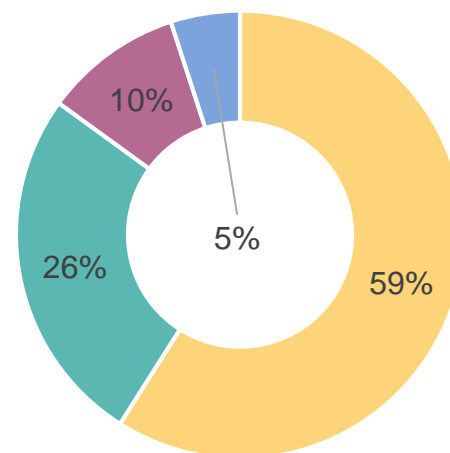
PORTFOLIO OF MODERN PURPOSE-BUILT ASSETS¹

SECURITY OF INCOME BY LEASE EXPIRY



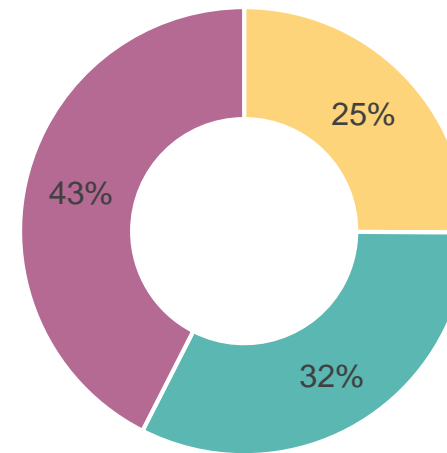
- Over 20 years
- 15 - 20 years
- 10 - 15 years
- Less than 10 years

PORTFOLIO VALUATION PROFILE



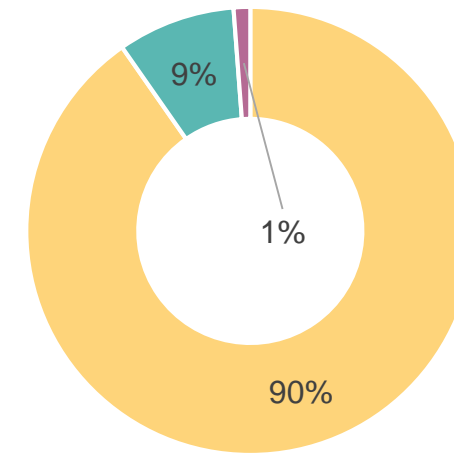
- More than £5m
- £3m - £5m
- £2m - £3m
- Less than £2m

PROPERTY AGE



- Less than 5 yrs
- 5-10 years
- More than 10

SECURITY OF INCOME BY TENANT



- GPs
- Pharm
- Other

¹ As at 30 Sep 2018

THE MARKET

- Modern purpose-built primary healthcare premises remains a priority for the UK and the Irish health systems to support ageing populations with increasingly complex care needs
- GPs and other health providers are encouraged to work together at scale, in delivering cost effective services seven days a week
- The Sir Robert Naylor report highlights the potential benefits of private sector partnering
- Third party development (“3PD”) procurement model provides value for money
- The maturing asset class has led to strong investor competition with yields likely to remain relatively stable; yield contraction has enabled rents to lag behind inflation with a low number of new schemes
- We see a change in the market with yield contraction replaced by rental uplift to drive capital growth. We believe owning best in class, highest value assets and remaining very selective to new investment is fundamental to future growth
- Rent review – Current Independent Expert review at Clapham highlights potential market traction for further growth

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