9 July 2020

Primary Health Properties PLC

("PHP", the "Group" or the "Company")

H1 2020 Trading Update and Notice of Interim Results

Primary Health Properties PLC, the UK's leading investor in modern primary healthcare facilities, today publishes a trading update for the six months ended 30 June 2020, alongside the announcement released this morning regarding a proposed equity raise.

The Group's operational and financial performance to date remains strong, and its portfolio continues to demonstrate good resilience despite the uncertainty caused by the COVID-19 pandemic. During the pandemic, PHP has been actively working with the NHS, HSE in the Republic of Ireland, and its GP tenants to help them better utilise the Group's properties for deployment in the front line of the current global health crisis.

Highlights of the Group's unaudited results for the six months ended 30 June 2020 are outlined below:

Earnings and dividend growth

- Adjusted EPRA earnings per share increased by 7.1% to 3.0 pence (30 June 2019: 2.8 pence)
- Average uplift of 2.2% per annum on rent reviews completed in the period, continuing the positive trend in rental growth (FY 2019: 1.9%; FY 2018: 1.4%)
- Additional annualised rental income of £0.9 million or 0.7%, on a like-for-like basis, from rent reviews and asset management projects (FY 2019: £1.9 million or 1.5%; FY 2018: £1.3 million or 1.8%)
- Contracted annualised rent roll increased by 4.4% to £133.3 million (31 December 2019: £127.7 million)
- Portfolio of 22 purpose-built medical centres acquired for £54 million with good asset management opportunities
- Four forward funded developments acquired in the period with a net development cost of £27 million at Arklow, Ireland, Banagher, Ireland, Epsom, Surrey and Llanbradach, Wales
- Two quarterly dividends totalling 2.95p per share distributed in the period and third quarterly dividend of 1.475p per share declared, payable on 21 August 2020, equivalent to 5.9p on an annualised basis and a 5.4% increase over the 2019 dividend per share representing the Company's 24th consecutive year of dividend growth
- The Company intends to make a further dividend payment in November 2020 and maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year

Net asset value growth

- Adjusted EPRA Net Asset Value increased by 1.1% to 109.1 pence (31 December 2019: 107.9 pence)
- Property portfolio at 30 June 2020 valued at £2.514 billion (31 December 2019: £2.347 billion) reflecting a net initial yield of 4.86% (31 December 2019: 4.86%). A revaluation surplus was generated in the period of £10.5 million (30 June 2019: £17.7 million), representing growth of 0.4% (30 June 2019: 0.9%)
- Portfolio in Ireland now comprising of 17 assets, valued at £194 million (€214 million), including two forward funded developments currently under construction which, if valued as complete, increases the total asset value to approximately £211 million (€233 million) in Ireland
- The Group completed the forward funded developments at Athy, Bray and Rialto in Ireland during the period and has six developments currently on site with a net development cost of £41 million. All sites in the UK and Ireland remain open and construction continues to progress
- Strong pipeline of targeted acquisitions and asset management projects with a value of approximately £128 million, of which £44 million is currently under offer
- Progression of asset management projects with 12 either completed or currently on-site, investing £4.1 million, creating additional rental income £0.12 million per annum and extending the weighted average unexpired lease term (WAULT) back to 21 years
- The Group has a strong pipeline of over 80 incremental asset management projects which have either been approved by the Board or are in advanced negotiations. The pipeline of projects equates to investing approximately £36 million in 2020 and 2021 generating £1.1 million of additional income and extending the WAULT on those leases back to 21 years
- Only £3.0 million or 2.3% of annualised rent roll expiring in the next three years of which £2.6 million is subject to either a planned asset management initiative or terms having been agreed to renew the lease

- The portfolio's metrics continue to reflect the secure, long-term and predictable income stream with occupancy at 99.5% (31 December 2019: 99.5%) and a WAULT of 12.5 years (31 December 2019: 12.8 years)

Financing

- At 30 June 2020 the Group's net debt stood at £1,150.3 million (31 December 2019: £1,067.3 million) and the Loan to Value ("LTV") ratio was 45.8% (31 December 2019: 44.2%).
- After capital commitments the Group has undrawn loan facilities and cash on deposit totalling £266 million (31 December 2019: £356.6 million) providing significant liquidity headroom. Cash on deposit totals £64.0 million
- Significant headroom in LTV covenants with the Group's portfolio needing to fall in value by around £1.0 billion or 40% for the Group's borrowing arrangements to come under risk of being breached
- The Group's income would need to fall by approximately £76 million or 57% for the interest cover covenants in the Group's borrowing arrangements to come under risk of being breached
- Following the proposed Placing, the Company has lowered the upper range for its LTV ratio from 55% to 50%

Rental collection

- Of PHP's contracted rental income, 90% is paid either directly or indirectly by the UK and Irish governments, with the balance mainly coming from pharmacies co-located at our properties
- Rental collections continue to remain robust and as at 8 July 2020 91% and 88% had been collected in the UK and Ireland respectively for the third quarter of 2020 and ahead of the collection rates experienced for the second quarter of the year which now stand at over 99% for both countries. The balance of rent due for the third quarter of 2020 is expected to be received within the coming fortnight
- The Group has allowed £1.1 million of quarterly rents, predominantly pharmacies, to be paid by monthly instalments, given short-term rent deferrals of £0.3 million and concessions of £0.2 million

Harry Hyman, Managing Director of PHP, commented:

"The COVID-19 pandemic has highlighted the demands on health systems around the world, not least the NHS in the UK and HSE in Ireland, where the underlying demand for healthcare is increasingly driven by growing and ageing populations. The need for modern, integrated, local primary healthcare facilities is becoming ever more acute in order to relieve the pressures being placed on hospitals and A&E departments.

"As a result of the COVID-19 pandemic, we see strong demand for extra space to help alleviate the backlog of consultations that has arisen as a result of the coronavirus, while facilitating the movement of activity out of hospitals and the continued care of patients that have suffered from COVID-19.

"Technology will continue to drive digital consulting and triage in the future and the crisis has highlighted the important role primary healthcare must play in the future provision of health services and continued re-focusing of services away from over-burdened hospital settings. PHP looks forward to contributing to this effort and remains very confident of its future outlook."

Notice of Interim Results

The Company will announce its interim results for the six months ended 30 June 2020 on Wednesday 29 July 2020. A presentation will be given on the morning of the results and will be accessible via a live webcast and conference call facility, details of which will be included in the results announcement. For any questions, please contact Buchanan at php@buchanan.uk.com.

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The person responsible for arranging the release of this information is Nexus Management Services Limited, Company Secretary to the Company.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS DEFINED UNDER THE MARKET ABUSE REGULATION (EU) NO. 596/2014.

This announcement includes (or may include) statements that are, or may be deemed to be, forward-looking statements, including its expectations in relation to the interim financial results for the six months ended 30 June 2020. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ‘anticipates’, ‘believes’, ‘estimates’, ‘expects’, ‘intends’, ‘may’, ‘plans’, ‘projects’, ‘should’ or ‘will’, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding the Company’s and/or Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Group’s results of operations, financial position, prospects, growth, strategies and expectations for the primary healthcare market.

Any forward-looking statements in this announcement reflect the Company’s view as at the date of this announcement with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations and growth strategy. Subject to the requirements of the rules of the FCA, the London Stock Exchange or by law (and in particular the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, MAR and the Listing Rules), the Company does not undertake any obligation publicly to release the result of any revisions to any forward-looking statements in this announcement that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this announcement. Past performance of the Company is not necessarily indicative of future performance. No statement in this announcement is or is intended to be a profit forecast or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company. The price of shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares.