



Acquisition of PPP

Landlord to the NHS

November 2013



Primary Health Properties PLC
A dedicated healthcare REIT

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Transaction highlights

A high quality portfolio...

- Scarcity of portfolios available of this size and quality
- Portfolio of 54 purpose built medical centres spread across the UK
- An aggregate valuation of £233m, representing an average lot size of £4.3m
- Passing rent of £14.3m and a WAULT of 17 years – enhancing the longevity of the Group's rental income

...presenting numerous strategic benefits...

- Substantial upscaling of Group's portfolio
- Opportunity to deliver value enhancing asset management projects across the acquired portfolio
- Access a broader range of debt financing options to facilitate future growth
- Increased operating efficiency attributable to the incremental advisory fee structure
- 5 year development pipeline agreement will provide PHP with the opportunity to secure future medical centre developments

...and strong financial rationale

- Expected to be earnings enhancing in the first full year following acquisition
- Opportunity to increase this further through asset management and debt refinancing opportunities
- Expected to accelerate the return to full dividend cover
- LTV increases but within the Board's target range

Key transaction terms

- > PHP plc to acquire 100% of Prime Public Partnerships (Holdings) Limited (“PPP”) for c.£41.1m¹
- > The acquisition price is based on the following:
 - Property portfolio valued at £233.0m
 - PHP will assume £178.4m of PPP debt
 - PHP benefits from a mark-to-market adjustment of £13.7m in respect of the PPP debt
- > Consideration to be satisfied in full by the issue of PHP shares:
 - 13.3m shares at 320p, of which:
 - 12.6m issued at completion, and
 - up to 0.7m following preparation of completion accounts and if revised rental terms are agreed on a certain property within 12 months
- > Class 1 transaction requiring shareholder approval
 - EGM to be held on 2 December 2013
 - Directors’ 4.8% of issued share capital committed
- > PPP vendors are locked-in for 18 months post completion²



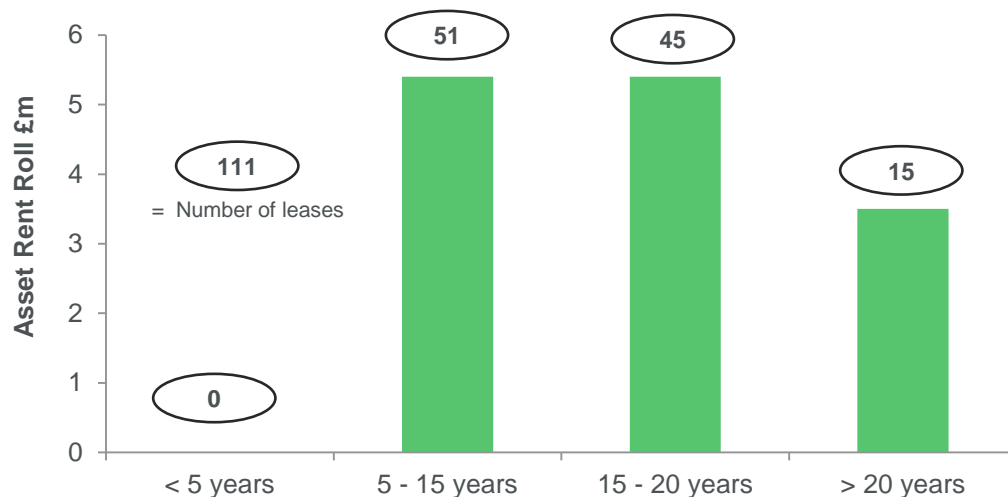
(1) subject to adjustment up to a maximum of c.£42.6m, based on final net asset value determination for working capital movements to Completion and amendment to a specific PPP property lease post Completion

(2) With the exception of one vendor, who is entitled to sell £1m of consideration shares in this period

PPP portfolio analysis



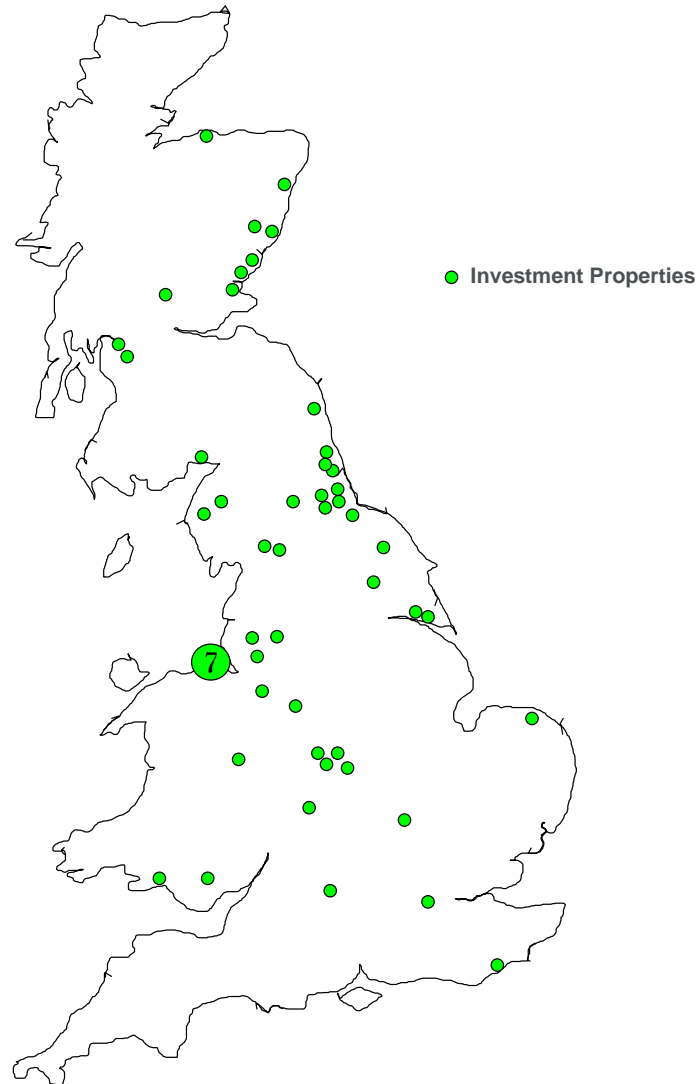
- > Strong presence in the North and Scotland diversifies PHP portfolio further
- > Average lot size in portfolio of £4.3m



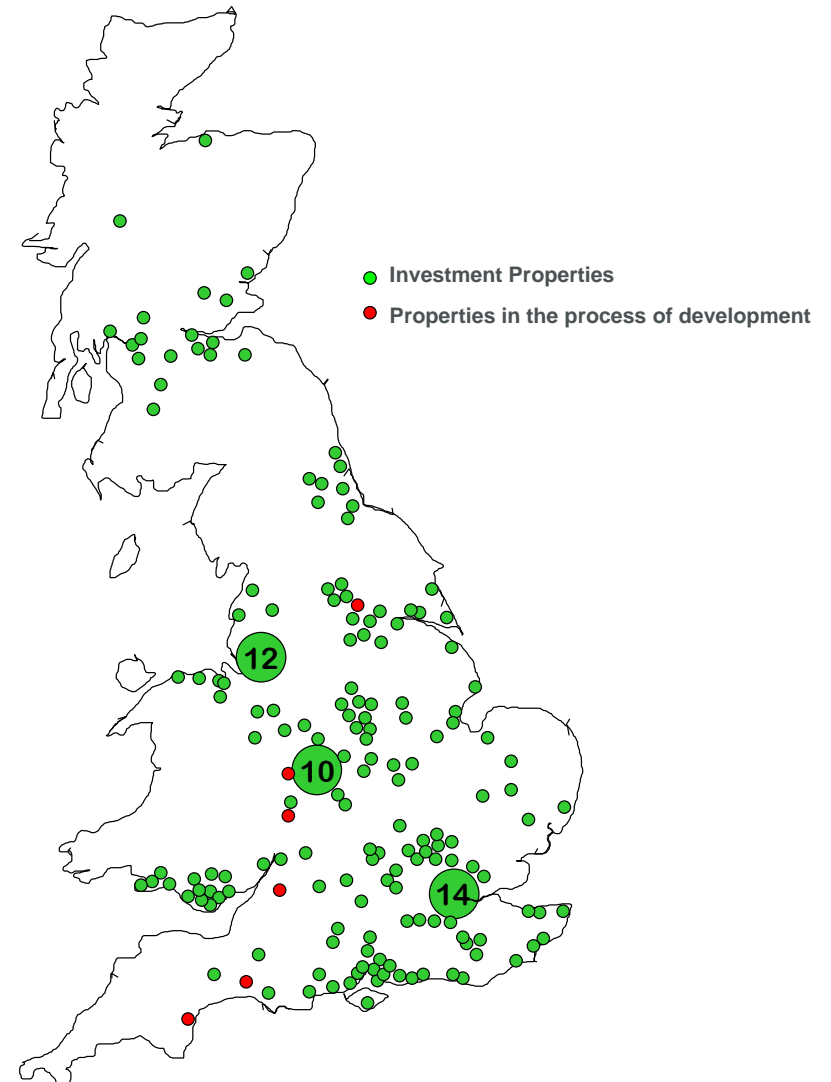
- > Weighted average unexpired lease term of 17 years
- > 94% of rent roll paid for directly/indirectly by the NHS

PPP locations

PPP – 54 assets



PHP – 186 assets¹



(1) As at 30 June 2013, 17 further assets acquired in period up to 4 November 2013

PPP financials

Summary historic financials

Profit & Loss, £'000		31 Dec 2012
Rental and related income		13,867
Direct property expenses		(14)
Administrative expenses		(1,132)
Operating profit before revaluation		12,721
Portfolio revaluation gain		5,180
Operating profit before financing costs		17,901
Finance income		46
Finance costs		(10,270)
Profit on ordinary activities before taxation		7,677
Taxation expense		(838)
Profit for the year		6,839
Balance Sheet, £'000		31 Dec 2012
Non current assets		
Property, plant and equipment		4,129
Investment properties		220,655
		224,784
Current assets		
Trade and other receivables		2,866
Cash and cash equivalents		2,966
		5,832
Total assets		230,616
Current liabilities		
Term loans		(1,538)
Trade and other payables		(2,387)
Deferred rental income		(3,280)
		(7,205)
Non-current liabilities		
Term loans		(181,211)
Deferred income tax liabilities		(8,445)
Total liabilities		(196,861)
Net assets		33,755

Source: Prospectus

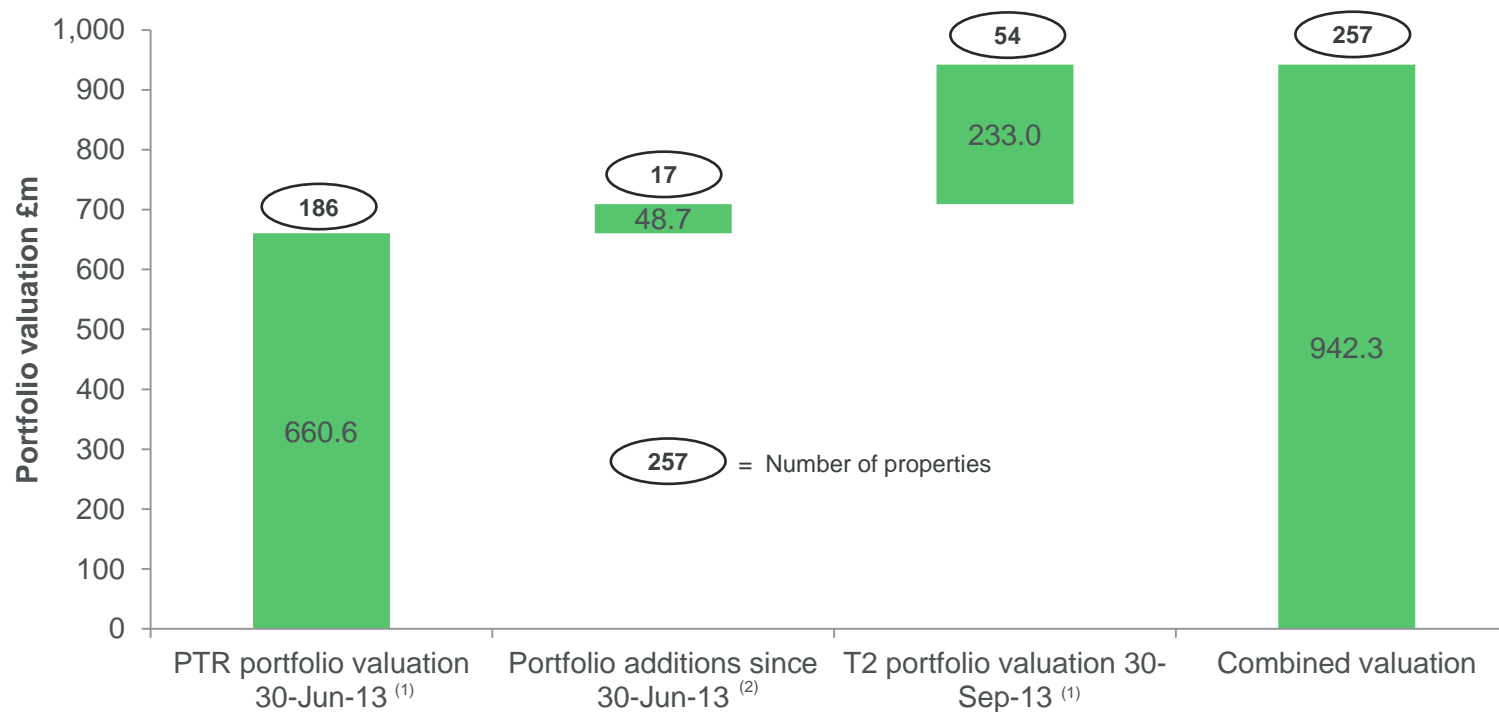


Assumed debt facility details

- > PHP will assume £178.4m of PPP borrowings secured against specific PPP property assets
- > Long term, fixed rate facilities with Aviva
- > Terms ranging from 22 years to 30 years from inception of the loan
- > Current contracted interest rates ranging from 5.33% to 6.09%
- > Refinancing opportunity

Combined portfolio

The following chart illustrates the scale of the enlarged group portfolio if PHP acquisitions since 30 June 2013 are incorporated:

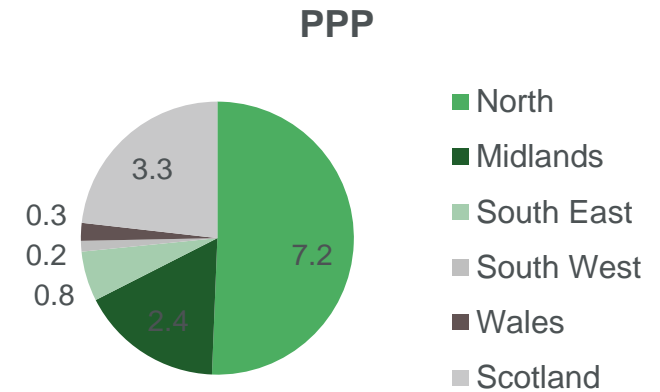
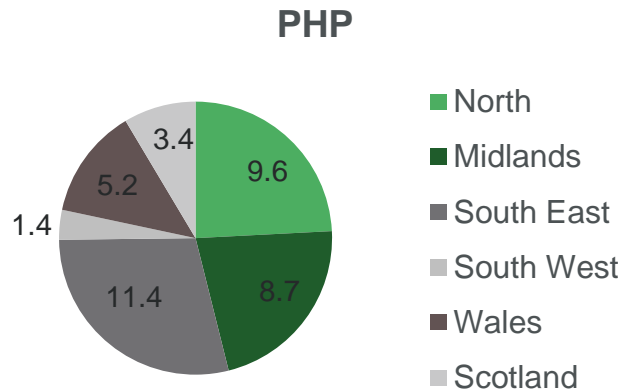


(1) As per LSH valuation reports disclosed in Prospectus

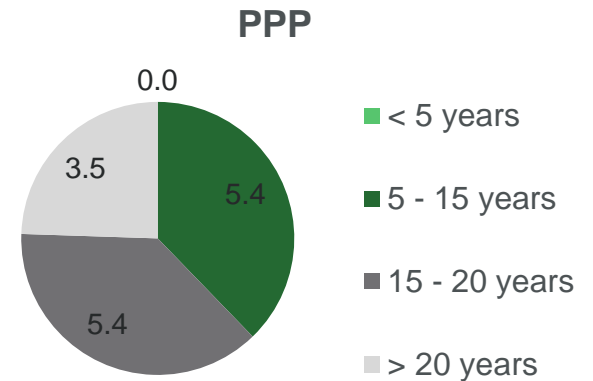
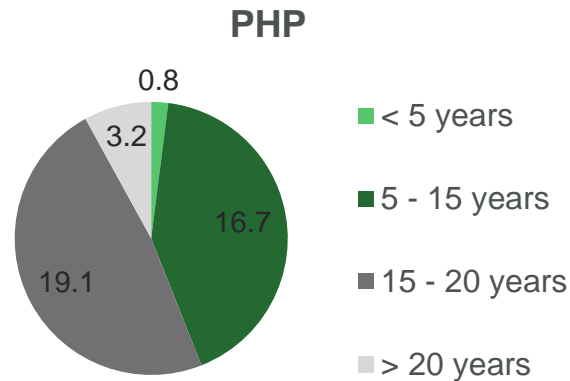
(2) As per IMS dated 5 November 2013

Summary of enlarged Group portfolio

Location
(Rent roll, £m)



WAVLT
(Rent roll, £m)



Source: Prospectus