Primary Health Properties

Strong progress in H1

Interim results

Real estate

H117 results for Primary Health Properties (PHP) show strong growth in underlying (EPRA) earnings, driven by higher rental income and lower financing costs. Amid strong competition for assets, PHP is continuing to source acquisitions that meet its criteria and reports a strong pipeline of opportunities. Long-term demographic trends and broad political will for healthcare reform continue to support the outlook for primary care property in both the UK and Ireland, and PHP's long and largely government-backed leases underpin an attractive and fully covered dividend, which we expect to continue its 20-year growth trend.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	Yield (%)	EPRA NAV/ share (p)
12/15	63.1	21.7	4.9	5.000	4.2	87.7
12/16	67.4	26.7	4.8**	5.125	4.4	91.1
12/17e	71.9	31.7	5.3	5.250	4.5	96.3
12/18e	77.9	34.0	5.7	5.360	4.6	99.1

Note: *PBT and EPS are on an underlying EPRA basis, excluding valuation movements and other exceptional items. **Using weighted average shares for the year. The total cash dividend was fully covered by earnings.

Growing rental income and lower finance costs in H1

EPRA earnings grew 22% y-o-y in H117 and with more shares in issue from last April's capital increase, EPRA EPS by 8%. Deployment of the new capital, through 2016 and continuing in H117 (when an additional £18.6m was committed), is the main driver of the 8.1% growth in rental income, although rent growth is also picking up (1.6% in H117 versus 0.9% through 2016). Finance costs were lower y-o-y, benefiting from lower average debt and a lower average cost of debt. Ongoing refinancing efforts should see the latter drop further in H217. With 2.62p of DPS paid ytd and a further 1.31p declared for payment on 25 August, PHP is on track to meet our full-year forecast, fully covered by earnings. In addition, EPRA NAV/share increased 5.5% to 96.1p, including £29.9m of net valuation gains, largely driven by yield contraction. Our updated estimates show no significant change.

Structural growth opportunity

In both the UK and Ireland, there is broad political will to reform healthcare provision, placing more emphasis on primary care to meet the needs of growing and ageing populations with increasing healthcare needs. The requirement for larger, more flexible, higher-quality premises will provide significant investment opportunities for PHP and others in coming years. Tightening yields currently reflect a near-term lack of new supply amid strong investor interest in the secure, long-term income streams (90% of PHP's UK rents and 75% in Ireland are government-backed) such properties offer.

Valuation: Secure and growing income

The prospective 4.5% dividend yield is supported by secure, long-term income in a market that is much less sensitive to economic cycles than other commercial real estate subsectors, and therefore shows less volatility in occupancy, rents and valuation.

7 August 2017

Price	**116.25p**
Market cap	**£696m**
	€1.1173/£
Net debt (£m) at 30 June 2017	670.7
Shares in issue	598.9m
Free float	98%
Code	PHP
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	3.6	1.8	2.4
Rel (local)	1.2	(1.5)	(8.9)
52-week high/low		116.8p	105.2p

Business description

Primary Health Properties is a long-term investor in primary healthcare property in the UK and, more recently, Ireland. Assets are mainly long-let to GPs and the NHS or HSE, organisations backed by the UK and Irish governments, respectively. The tenant profile and long average lease duration provide an exceptionally secure rental income stream.

Next events

Third quarterly dividend payment	25 August 2017
Fourth quarterly dividend declaration	5 October 2017

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Edison profile page

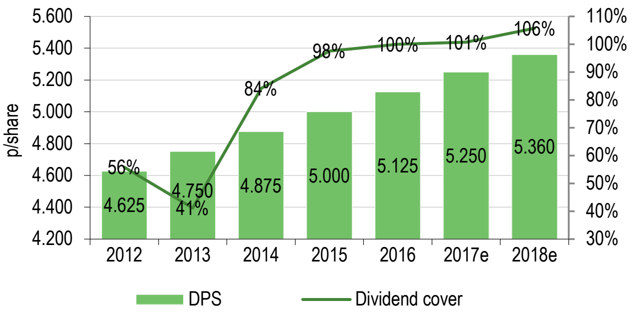
Primary Health Properties is a research client of Edison Investment Research Limited

Company description: Attractive income streams

PHP is a UK real estate investment trust (REIT) and a leading long-term investor in modern, flexible, purpose-built, healthcare facilities located across the UK and, more recently, in the Republic of Ireland. The majority of these are leased to general practitioners (GPs), government health service organisations (the UK NHS or Irish HSE) and other associated healthcare providers, such as pharmacies and dentists. Investment is targeted at assets that can generate long-term rental income with scope for capital gains.

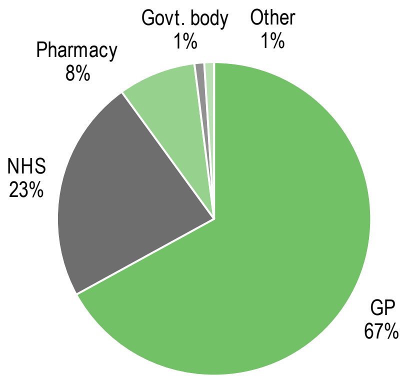
The company was founded by the current managing director, Harry Hyman, in 1995 and began operations with the acquisition of a small portfolio of four GP surgeries. It floated on the AIM market of the London Stock Exchange (LSE) in 1996, moved to the Main Market of the LSE two years later, and converted to REIT status in 2007. PHP has a proven record of successfully investing in the sector. The portfolio has reached 303 properties valued at £1.3bn and PHP has delivered 21 years of unbroken dividend growth since launch.

Exhibit 1: DPS and dividend cover



Source: PHP, Edison Investment Research

Exhibit 2: Rental covenant (contracted rent roll) H117



Source: PHP

The primary healthcare property sector is a specialist sector alongside the broader mainstream commercial property sub-sectors (offices, retail, industrial). As well as having good growth prospects – driven by an ageing population with increasing healthcare needs – that are effectively immune to the economic cycle, the key factors that differentiate it from the broad commercial property sector are:

- Long leases at inception. Typically 20-25 years, with upwards-only rent reviews.
- A strong tenant covenant. The NHS funds c 91% of PHP's UK rental income, either as tenant or through GP cost reimbursement. The HSE will be responsible for 60-75% of Republic of Ireland (RoI) rental income.
- No speculative development and minimal vacancy (typically less than 1% for PHP).

Highlights of the H117 results

H117 saw continuing growth in assets, earnings, NAV and dividends. PHP is on track for full-year dividend cover despite continued growth in dividend per share and a circa one-third increase in the number of shares in the April 2016 capital increase. We comment briefly on the financial highlights and discuss recent operational developments in the next section:

- EPRA earnings increased by 22% to £15.4m (H116: £12.6m; H216: £14.1m), substantially reflecting deployment of the £143.5m net proceeds of the 2016 capital increase. Reflecting the increased number of shares, EPRA EPS grew at 8.3% to 2.6p (H116: 2.4p; H216: 2.4p).
- IFRS earnings before tax were up 74% to £44.3m, benefiting from a net revaluation gain of £29.9m (H116: £15.5m) that is excluded from EPRA earnings along with other fair value movements on the convertible bonds and derivatives.
- The EPRA earnings gain was driven by an increase in rental income and to a lesser extent lower interest costs following the capital increase and refinancing activity that lowered the average cost of debt. Largely reflecting acquisitions but also development completions and rent increases, net rental income increased by 8.1% to £34.8m (H116: £32.2m; H216: £34.4m). Rent reviews agreed during the period added £0.4m to annualised rents; the average annualised uplift of 1.6% was a marked acceleration from the 0.9% achieved in 2016 as a whole.
- The EPRA expense ratio increased slightly from 11.5% throughout 2016 to 11.9% but continues to be among the lowest in the sector. Management indicates that, while operational costs continue to be managed closely and effectively, the 11.4% increase in administrative costs reflects the impact of the increased portfolio value on management fees as well as some additional costs related to the newly established RoI portfolio. Although management fees are levied at a reducing rate as the portfolio grows, creating positive operational gearing from portfolio acquisitions, valuation driven gains in value are not necessarily accompanied by any increase in income.
- 2.62p per share of dividends were distributed during H117 and a third quarterly dividend of 1.31p per share has been declared for payment on 25 August. We estimate 5.25p for the year as a whole, fully covered by earnings.
- EPRA net asset value per share increased 5.5% to 96.1p from 91.1p in December 2016, while on an IFRS basis NAV per share increased by 6.1% to 88.6p. EPRA NAV adjusts for the cumulative revaluation impacts on interest rate derivatives and swaps as well as the convertible bond.

Operational and market developments

Market developments

We have previously written at length (see our note from August 2016) about the strong medium- to long-term growth outlook for investment in primary care health facilities in both the UK and RoI as governments and health authorities strive to meet the challenge of ageing populations with growing healthcare needs. In both, there is a general acceptance of the need for more integrated primary care services in the community, to upgrade under-invested estates, and to improve levels of care and efficiency. Both require modern, purpose-built, flexible premises of the type in which PHP invests. Rather than repeat this in detail in this note, we focus on recent progress in implementing these plans and, crucially, indicators that the much-awaited acceleration in new premises commissioning is drawing nearer, bringing new investment opportunities, perhaps relieving yield pressure by better satisfying strong investor demand, and providing rent benchmarks that may support overall market rental growth (see below).

NHS plans for primary care provision were set out in broad terms in the NHS Five-Year Forward View (FYFV) in late 2014. In late 2016, sustainability and transformation plans (STPs), which include plans for the primary care premises that will be required to deliver care objectives, were published by all 44 STP areas in England. This was followed in March 2017 by publication of the independent report on NHS Property and Estates by Sir Robert Naylor. The report highlighted the importance of primary care premises and of the recently created NHS Property Board in supporting the visions of the FYFV and STPs, and in helping to create affordable and efficient estates, as well as the role of the private sector in delivering these objectives.

The STPs are not standardised in their format and in most cases do not lay out specific plans for the primary care estate. Most of them do set out a timetable for reassessing the healthcare estate in their area of responsibility and a time by when firm plans are to have been made. In some areas more detailed plans do exist; for instance, the South West London STP envisages £138m of spending on the primary care estate (c 10% of all available funding for the STP) between now and 2021. So, while detail is not available for all parts of England, there is a clear direction of travel and there will be more clarity in the next year as STPs are implemented.

Portfolio developments

PHP continued to grow its portfolio during H117, with four previously announced property acquisitions representing a total commitment of £18.6m and adding £1.1m to the contracted rent roll. The properties included two let standing modern purpose-built health centres and two development assets, both currently on-site. The latter includes a second investment in the RoI. Since the half-year end, three further properties have been acquired, in two separate transactions, for £35.5m and adding a further £1.7m to the contracted rent roll. These most recent acquisitions increased PHP's portfolio to a total of 303 assets with a gross value of more than £1.3bn and a contracted rent roll of c £71m. They come with lease terms that are accretive to the overall weighted average unexpired lease term (WAULT), which was 13.3 years at the half-year end. Of the 303 assets in total, there are two on-site developments. A substantial £10m forward-funded development in Swindon was completed on time during H117 and opened to patients in May.

Primary healthcare continues to be viewed favourably by investors in the real estate sector and relatively immune from ongoing political and economic uncertainty. Management describes market conditions as “heated”, necessitating a disciplined approach to acquisitions. The extent of investor interest can be seen in the further decline in the valuation yield during the six-month period (see below). In terms of acquisition discipline, management points to a preference for off-market transactions, which are typically less competitive, and a focus on larger lot sizes. Larger properties are typically newer and more flexible with greater potential to adapt to changing needs over time. We note that while the cash yield on the three recent acquisitions appears to be c 4.8% (below the existing portfolio net initial yield of 5.04%), the average lot size is c £11.8m compared with a portfolio average of £4.2m at mid-year.

Exhibit 3: Portfolio lot size analysis as at 30 June 2017

Capital value	Number of properties	Value (£m)	% of total portfolio
£10m+	18	275.6	21.8%
£5-10m	50	332.9	26.3%
£3-5m	93	358.1	28.3%
£1-3m	136	297.1	23.4%
£0-1m	3	2.2	0.2%
Total portfolio	**300**	**1,265.9**	**100.0%**

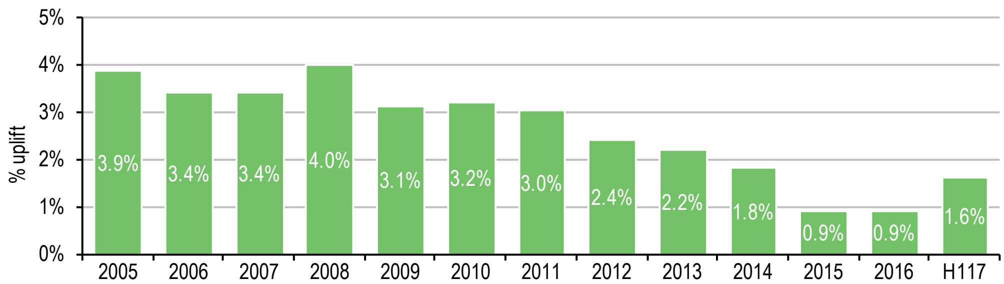
Source: PHP

Management indicates a strong pipeline of further acquisition opportunities in both the UK and in the RoI, and reiterated a medium-term ambition to add at least £100m pa to the portfolio.

Alongside portfolio additions, work continues to enhance and extend existing assets. These projects support long-term tenant retention and will typically allow for lease term extension and will often also generate additional rental income with benefits to earnings and capital values. Four new asset management projects were committed in H117, requiring £1.3m in investment. The incremental rental income is relatively modest at c £34k but crucially the projects will extend the WAULT back to c 20 years with a positive impact on capital values. A further seven projects, representing £3.6m in investment, have been approved by the NHS and are close to being contracted. These will similarly extend the WAULT (to 19 years) and modestly improve income. PHP has also been supporting tenants in applications for funding to the NHS Estates & Technology Transfer Fund and eight projects have so far been approved and are progressing.

As noted in the H117 results summary above, the average annualised rent uplift on rent reviews agreed in H117 was 1.6%, an increase from 0.9% throughout 2016. During the period, 107 rent reviews were agreed with a combined rental value of £13.0m (a little under 20% of total rent roll) resulting in an uplift of £0.4m. Rent reviews are effectively upwards only but rental growth has declined in recent years due to the impact of low inflation on RPI-linked growth, and due to muted growth of open market rents (c 75% of the total) despite significant land and construction price increases. Management is optimistic that open market rental growth will continue to gather pace although notes the complicated process whereby agreement must be reached with both the NHS and the district valuer in addition to the tenant. An expected acceleration in new development activity is likely to provide evidence of the level of rents required to provide satisfactory returns on investment, and meanwhile PHP is selectively willing to appeal the decisions of district valuers where it feels this is appropriate.

Exhibit 4: Average annualised rent uplift on agreed reviews



Source: PHP, Edison Investment Research

The external valuers, Lambert Smith Hampton, assessed the value of the portfolio at 30 June 2017 (300 assets at the time) at £1.266bn with a net initial yield of 5.04% (31 December 2016: 5.17%). A net valuation surplus of £29.9m was recorded (2.4% like-for-like growth) with c 90% attributable to yield contraction and c 10% attributable to asset management initiatives.

A summary of the mid-year portfolio, not yet including the three recent acquisitions, is shown in Exhibit 5. In addition, capital commitments of £8.8m have been entered into, including £7.5m in respect of future development spending on the two development assets in addition to asset management commitments.

Exhibit 5: Portfolio summary as at 30 June 2017

	Number of properties	UK (£m)	Ireland (£m)	Total (£m)
Investments	298	1255.5	6.2	1261.7
Developments	2	0.9	3.3	4.2
Total	**300**	**1256.4**	**9.5**	**1265.9**

Source: PHP

Financing developments

As previously announced, the key financing initiative in H117 was PHP's first private placement of £100m in 10-year senior secured notes at an attractive fixed coupon of 2.83% in March 2017. The proceeds were partially used to refinance drawings on its £115m revolving 'club facility' with RBS and Santander, which was due to mature in August 2017. The club facility itself has been replaced with a bilateral loan for £50m from RBS, initially on a four-year term, which may be extended by a further year and to £100m with the approval of RBS. The refinancing adds further diversity to PHP's debt funding and extended the average debt maturity by about a year.

Exhibit 6: Key debt indicators

	30 June 2017	31 December 2016
Loan to value	53.0%	53.7%
Interest cover	2.25 times	2.05 times
Weighted average debt maturity	5.8 years	5.1 years
Total drawn debt	£678.8m	£660.8m
O/w secured	77%	76%
O/w unsecured	23%	24%
Total undrawn facilities*	£96.5m	£90.5m

Source: PHP. Note: *After deducting outstanding development and asset management commitments and excluding RBS option to increase loan facility from £50m to £100m.

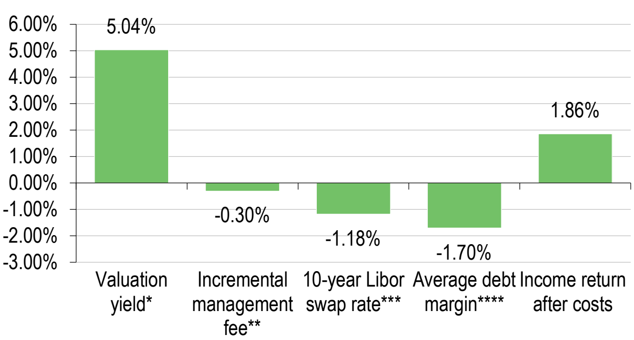
Since mid-year 2017, a 4.76% fixed rate swap with a nominal value of £20m has been cancelled. The swap would have been effective from H217 until July 2027 and the cancellation for a one-off payment of £6.2m will result in interest savings of c £800k pa, reducing the average cost of debt by 13bp to 4.26% from 4.39% at 30 June 2017. The cancellation payment will have no material impact on IFRS NAV with the cash outflow being offset by a reduced mark-to-market swap liability. The reduced swap liability added back in the EPRA NAV calculation will reduce EPRA NAV by c 1p and is allowed for in our forecasts.

The recent acquisitions will reduce the undrawn facilities of £96.5m at 30 June 2017 as shown in Exhibit 6 by c £35m, but we expect PHP to exercise its option to increase the new RBS facility of £50m to £100m before year end. As discussed in the financials section, the possible conversion of outstanding convertible bonds has the potential to create significant additional room for growth beyond that implied by the group's internal target of a maximum LTV of 60%.

Low borrowing rates maintaining positive yield gap

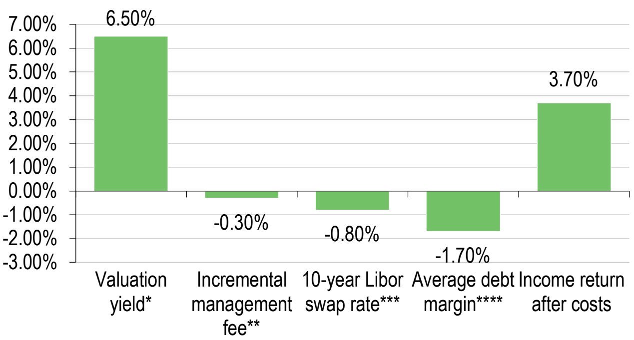
A combination of the continued shortage of new supply and strong investor demand for secure income is likely to see yields compress further in management's view. While this is a positive in terms of NAV development, it makes it more expensive to acquire properties. For now, continuing favourable borrowing conditions are maintaining a healthy spread between marginal income less costs and marginal borrowing costs, while over the medium term the potential for accelerating rental growth should mitigate the impacts of a turn in the interest rate cycle.

Exhibit 7: Indicative net margin over funding cost (UK)



Source: PHP. Note: *30 June 2017 valuation yield. **Per management contract. ***Source: JC Rathbone. ****PHP estimate.

Exhibit 8: Indicative net margin over funding cost (RoI)



Source: PHP. Note: *PHP est. based on pipeline. **Per management contract. ***Source: JC Rathbone. ****PHP estimate.

Financials and estimate revisions

The changes to our earnings estimates are relatively minor, while positive valuation movements have a clearly positive impact on EPRA NAV per share with our estimates increasing by c 4%.

Our forecast revenues for FY17 and FY18 reduce very slightly. Although we continue to assume £82.5m in new investment commitments (a combination of acquisitions and funding commitments) in FY17 and £110m in FY18, the FY17 total is tilted more towards H2 than we had previously allowed for, very slightly delaying rent contribution, while continuing strong competition for quality assets suggests some downwards pressure on acquisition yields. These effects are largely offset by the pick-up in rent growth and we now assume 1.5% pa through FY17 and FY18 compared with 1.0% previously.

The growth of the portfolio value, partly ongoing additions but with an additional strong H117 valuation gain, puts some slight upwards pressure on the management fees (levied as a percentage of property assets), even though the marginal management fee rate reduces with portfolio size. The positive scale effect on average management fees has been increased by the new fee scale agreed in April 2017 that reduces the marginal management fee to be levied on portfolio growth above £1.5bn.

We expect reduced net interest expense as a result of financing activity including the March 2017 bond issue and the cancellation of the swap contract to substantially offset the EBITDA reduction in FY17 and, with a full-year impact, more than offset it in FY18. Like management, we expect the FY17 dividend payments to be fully covered by EPRA earnings and we look for both the dividend and dividend cover to increase in FY18.

Exhibit 9: Estimate changes

	Revenue (£m)			EBITDA (£m)			EPRA EPS (p)			DPS (p)			Dividend cover			EPRA NAV/share (p)		
	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff	Old	New	% diff
12/17e	72.6	71.9	(0.9%)	64.0	63.1	(1.4%)	5.4	5.3	(1.6%)	5.250	5.250	0.0%	102%	101%	(1.4%)	92.9	96.3	3.7%
12/18e	78.5	77.9	(0.7%)	69.5	68.8	(1.0%)	5.6	5.7	1.0%	5.360	5.360	0.0%	105%	106%	1.0%	95.3	99.1	4.0%

Source: Edison Investment Research

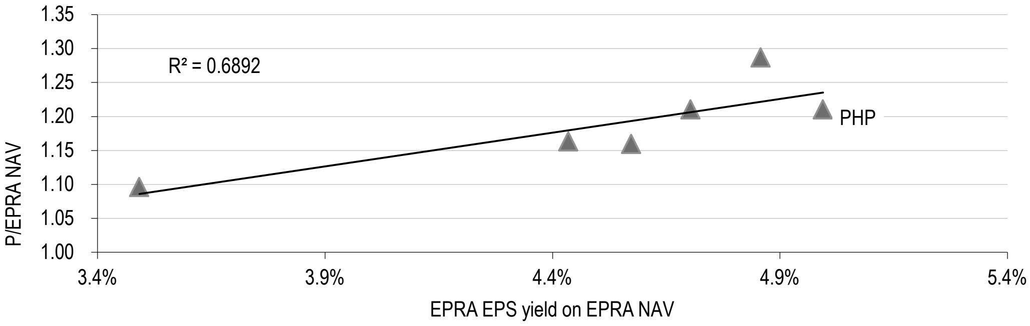
We note that our forecasts do not assume any exercise of conversion rights on the £82.5m of five-year convertible bonds issued in May 2014 at a 4.25% coupon. Under the terms of the issue, since May 2017 the company has had the option to redeem the bonds at par as long as their parity value exceeds £130,000. At mid-year 2017, the bond had a fair value of £96.4m and if the whole bond were converted and PHP chose to settle the conversion rights wholly in shares, it would issue c 85m new shares, or c 14% of the existing share capital. Conversion would eliminate the fair value adjustment recorded in the balance sheet (£13.9m at H117) with a corresponding income statement gain. There would be no impact on EPRA earnings or NAV. The saving on debt costs (c £3.5m pa) would substantially offset the increase in dividend costs (£4.3m if based on full entitlement to our forecast 2018 DPS). Assuming full conversion at 1 January 2018, this would reduce 2018 dividend cover from 1.06 to 1.03 before any benefit from accretive additional investment. Additional investment seems highly likely as conversion as described above would reduce our end-2018 forecast net debt/investment property ratio from 58.2% to 51.5%, providing additional headroom for debt financed growth.

Valuation: Secure and attractive dividends

In an environment of continuing low interest rates and in a sector where income returns represent a substantial share of long-term total returns, the security and length of PHP's lease portfolio are attractive to investors. Our forecast FY17 dividend of 5.25p represents a 4.5% yield on the current share price, and is fully covered by forecast cash earnings off a secure income stream. 91% of the rents are backed by the UK or Irish governments with a WAULT of more than 13 years and because healthcare property is less economically sensitive than other commercial sectors, has effectively full occupancy and no speculative development, its returns have historically been less volatile. PHP's yield compares with 1.15% yield on 10-year gilts, 4.05% on the FTSE 100 and 3.74% on the FTSE EPRA NAREIT Index.

The secure and growing dividend return on PHP shares provides support for the c 20% premium to the H117 EPRA NAV. As we show in Exhibit 10, there would appear to be a relationship between the earnings yield on NAV and the price/NAV among UK REITs with strong income characteristics, although we note the relatively small size of the group. PHP's premium to NAV is at the higher end of the group but so too is its yield on NAV.

Exhibit 10: Price/EPRA NAV vs EPRA EPS yield on EPRA NAV



Source: Bloomberg, Edison Investment Research. Note: Companies: Primary Heath Properties (PHP), Assura Group (AGR), MedicX Fund (MXF), Secure Income REIT (SIR) and Target Healthcare REIT (THRL). Prices as at 4 August 2017.

Exhibit 11: Financial summary

Year end 31 December	2014	2015	2016	2017e	2018e
£000s	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	59,985	63,115	67,439	71,883	77,909
Cost of sales	(723)	(852)	(868)	(1,018)	(1,104)
Gross profit	59,262	62,263	66,571	70,865	76,805
Administrative expenses	(6,782)	(6,807)	(7,332)	(7,774)	(8,026)
EBITDA	52,480	55,456	59,239	63,091	68,779
Other income and expenses	0	0	0	0	0
Non-recurring items	(2,426)	0	0	0	0
Net valuation gain on property portfolio	29,204	39,767	20,686	37,021	14,402
Operating profit before financing costs	79,258	95,223	79,925	100,112	83,181
Net Interest	(34,275)	(33,727)	(32,490)	(31,436)	(34,773)
Non-recurring finance income/expense	0	0	0	0	0
Early loan repayment fees	(1,187)	0	(24)	0	0
Fair value gain/(loss) on interest rate derivatives and convertible bond, and swap amortisation	(6,916)	(5,464)	(3,710)	(1,000)	0
Profit before tax	36,880	56,032	43,701	67,675	48,408
Tax	0	0	0	0	0
Profit after tax (FRS 3)	36,880	56,032	43,701	67,675	48,408
Adjusted for the following:					
Net gain/(loss) on revaluation	(29,204)	(39,767)	(20,686)	(37,021)	(14,402)
Fair value gain/(loss) on derivatives and convertible bond	6,916	5,464	3,710	1,000	0
Profit on termination of finance lease	0	0	0	0	0
Early loan repayment fees	1,187	0	24	0	0
Issue costs of convertible bond	2,426	0	0	0	0
EPRA basic earnings	**18,205**	**21,729**	**26,749**	**31,655**	**34,006**
Period end number of shares (m)	445.1	446.3	598.2	599.6	601.1
Average Number of Shares Outstanding (m)	444.2	445.5	560.0	598.8	600.5
Fully diluted average number of shares outstanding (m)	496.6	530.2	644.6	683.5	685.1
EPS – fully diluted (p)	7.9	11.2	7.3	10.4	7.6
EPRA EPS (p)	**4.1**	**4.9**	**4.8**	**5.3**	**5.7**
Dividend per share (p)	**4.875**	**5.000**	**5.125**	**5.250**	**5.360**
Dividend cover	**84%**	**98%**	**100%**	**101%**	**106%**
BALANCE SHEET					
Fixed assets	1,026,232	1,100,621	1,220,155	1,329,987	1,453,656
Investment properties	1,026,207	1,100,612	1,220,155	1,329,787	1,453,456
Net investment in finance leases	0	0	0	0	0
Derivative interest rate swaps	25	9	0	200	200
Current assets	17,740	7,034	8,442	6,315	6,839
Trade and other receivables	5,668	4,153	3,343	4,390	4,773
Net investment in finance leases	0	0	0	0	0
Cash and equivalents	12,072	2,881	5,099	1,896	2,037
Current liabilities	(33,065)	(34,864)	(32,260)	(34,838)	(36,176)
Term loans	(711)	(862)	(803)	(800)	(800)
Trade and other payables	(14,244)	(16,099)	(13,600)	(15,338)	(16,676)
Derivative interest rate swaps	(5,802)	(4,734)	(3,795)	(4,100)	(4,100)
Deferred rental income	(12,308)	(13,169)	(14,062)	(14,600)	(14,600)
Other	0	0	0	0	0
Long-term liabilities	(701,777)	(727,431)	(697,141)	(762,400)	(867,400)
Term loans	(437,022)	(460,550)	(429,433)	(403,000)	(508,000)
Bonds	(229,543)	(236,328)	(238,197)	(338,600)	(338,600)
Derivative interest rate swaps	(35,212)	(30,553)	(29,511)	(20,800)	(20,800)
Net assets	309,130	345,360	499,196	539,035	556,890
Derivative interest rate swaps	40,989	35,278	33,306	24,700	24,700
Change in fair value of convertible bond	4,462	10,931	12,456	13,900	13,900
EPRA net assets	354,581	391,569	544,958	577,635	595,490
IFRS NAV per share (p)	69.5	77.4	83.5	89.9	92.6
EPRA NAV per share (p)	**79.7**	**87.7**	**91.1**	**96.3**	**99.1**
CASH FLOW					
Operating cash flow	49,020	57,145	56,838	63,239	69,734
Net Interest and other financing charges	(49,633)	(32,337)	(31,374)	(30,336)	(34,773)
Tax	(23)	0	(51)	0	0
Acquisitions/disposals	(54,396)	(29,477)	(97,359)	(71,967)	(109,267)
Net proceeds from issue of shares	17	(139)	145,232	0	0
Equity dividends paid (net of scrip)	(20,688)	(21,083)	(24,734)	(29,840)	(30,553)
Other (including debt assumed on acquisition)	7,647	(13,764)	(17,027)	(8,267)	0
Net cash flow	(68,056)	(39,655)	31,525	(77,142)	(104,859)
Opening net (debt)/cash	(587,148)	(655,204)	(694,859)	(663,334)	(740,505)
Closing net (debt)/cash	(655,204)	(694,859)	(663,334)	(740,505)	(845,364)

Source: PHP, Edison Investment Research

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