

Primary Health Properties PLC

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Primary Health Properties - Winning returns, lowest costs

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Primary Health Properties PLC (LON:PHP) recently announced its full-year results to December 2019. These were in line with our forecast and confirmed a strong year for the company. Earnings per share as measured by the adjusted EPRA EPS (see footnotes to the table) grew by 5.8%, and the dividend (full-year total) was increased to 5.6p.

Following the transformational merger with MedicX (another primary healthcare real estate investment trust, or REIT) in March 2019, the company has fully delivered on the key merger objectives - integrating the companies, a reduction of £4mln in the cost base, and financing cost reduced by half a percentage point to 3.5%. The success of the merger was a significant contributor to the strong share performance in the year, in our view.

Drivers for 2020

With the merger objectives largely complete, we believe that the focus for 2020 returns to the more organic value drivers. The company has six new developments on site for completion in 2020, and a pipeline of property acquisition targets. Furthermore, we expect to see more asset management projects to increase the value of the existing portfolio. In addition, we believe that there will be a continuation of the improved trend in rental uplifts in the UK market. We provide an overview of these drivers on p2.

Positive developments in the last few months

The last 12 months have been another period of strong returns for PHP shareholders; in fact, PHP has outperformed (in total returns) versus the FTSE 350 and versus the EPRA UK REIT index (UK property fund index) over the last one year, three years, and five years. Some factors underpinning this performance include:

- Dividend growth every year since inception — 23 years.
- 90% of rents covered by government national health bodies of the UK and Ireland. This supports 99.5% occupancy rates and minimal tenant defaults or similar unplanned costs.
- The lowest cost ratio (costs / rental income) in the entire UK REIT space.
- Headroom to continue growing the portfolio of health centres in the UK and Ireland.

We believe that the conditions remain in place for continued strong returns to shareholders in the coming years.

Price: 159.4

Market Cap: £1.94 billion

1 Year Share Price Graph



Share Information

Code: PHP

Listing: LSE

52 week High Low
163.4 119.6

Sector: Real Estate

Website: www.phpgroup.co.uk

Company Synopsis:

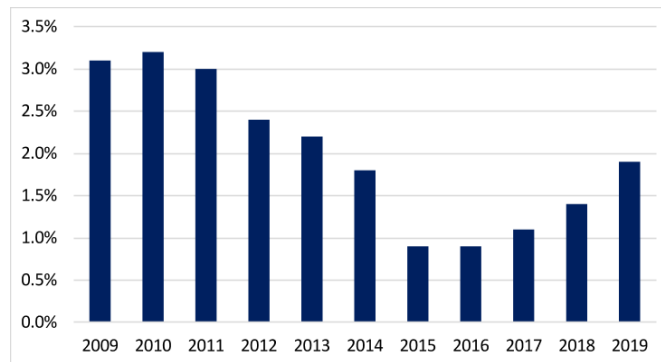
Primary Health Properties PLC ("PHP") is a UK Real Estate Investment Trust ("REIT") and the leading investor in modern primary healthcare premises. The objective of the Group is to create progressive returns to shareholders through a combination of earnings growth and capital appreciation.

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Year end Dec 31 2018	Current 2020	2021	Portfolio value (£mIn)	1,502.9
2,413.0	2,575.0	2,745.0	Net rental income (£mIn)	76.4 115.7 130.5 138.6
EPRA earnings (£mIn)	36.8	59.7	73.5	77.4
EPRA EPS (GBp)	5.2	5.4	5.9	6.2
DPS (GBp)	5.40	5.60	5.90	6.10
EPRA NAV / share (GPp)	105.1	107.9	109.9	
Gearing (LTV%)	44.8	44.2	47.2	49.0

Rents escalations have improved in 2018 and 2019, following a softer period 2015-2017

Rental growth history



Source: Primary Health Properties

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