

Primary Health Properties PLC
("PHP", "Group" or the "Company")

Q1 2020 Trading Update

Investor Q&A

Primary Health Properties PLC, the UK's leading investor in modern primary healthcare facilities, today publishes a trading update for the period 1 January 2020 to 31 March 2020.

During the Covid-19 pandemic we are actively working with the NHS, HSE and our GP tenants to help them better utilise our properties for deployment in the front line of the current global crisis.

Rental collection

90% of the Group's contracted rental income is either paid directly or indirectly by the UK and Irish governments, with the balance mainly coming from pharmacies co-located at our properties. Rental collection continues to remain robust and as at 31 March 2020 79% of the Q1 FY20 rent (Q4 FY19: 73%) had been received, in-line with the Q1 FY19 collection rate and the balance is expected to be received over the next two weeks.

Financing

As at 31 March 2020 the Group's net debt stood at £1,086.0m (31 December 2019: £1,067.3m) and on a pro-forma basis the Loan to Value ("LTV") ratio was 44.8% (31 December: 44.2%).

After capital commitments the Group has undrawn loan facilities and cash on deposit totalling £341.1m (31 December 2019: £356.6m) providing significant liquidity headroom. Cash on deposit totals £137.0m. In addition, on a pro-forma basis the Group's portfolio would need to fall in value by around £1.0bn or 42% for the LTV covenants in the Group's borrowing arrangements to come under risk of being breached.

| Debt metrics | 31 March 2020 | 31 December 2019 |
|---|----------------------|-------------------------|
| Average cost of debt | 3.5% | 3.5% |
| Loan to value | 44.8% | 44.2% |
| Interest cover | 2.8 times | 2.7 times |
| Weighted average debt maturity | 6.9 years | 7.2 years |
| Total drawn secured debt | £1,062.5m | £1,060.4m |
| Total drawn unsecured debt | £150.0m | £150.0m |
| Total undrawn facilities and cash available to the Group ¹ | £341.1m | £356.6m |
| Unfettered assets | £41.9m | £32.3m |

¹ – After deducting capital commitments.

Dividend

On 24 March 2020 the Company declared its second quarterly interim dividend of 1.475p per Ordinary Share which will be paid on 22 May 2020 to shareholders who are on the share register at the close of business on 3 April 2020. The dividend will comprise a Property Income Distribution ("PID") of 1.275p and an ordinary dividend of 0.20p per share. The dividend is equivalent to 5.9p on an annualised basis and represents a 5.4% increase over dividends per share paid in 2019.

The Company intends to maintain its strategy of paying a progressive dividend, in equal quarterly instalments, covered by underlying earnings in each financial year. Further dividend payments are planned to be made in August and November 2020.

Investment and development pipeline

Contracts for the acquisition of two forward funded developments at Llanbradach, South Wales (£2.8m) and Epsom, Surrey (£4.1m) were exchanged in February and March 2020 respectively.

PHP continues to have a strong active pipeline of potential acquisitions both in the UK and Ireland totalling approximately £124.0m including £58.0m in legal due diligence but we will continue to have regard to the current market before committing to these.

Developments

The Group completed the forward funded development at Athy, County Kildare, Ireland in the period, on time and within budget at a net development cost of £11.4m (€12.9m) and has a further seven developments currently on site with a net development cost of £56.0m.

Developments on site:

| Asset | Anticipated PC date | Area (sqm) | Net development cost | Cost to complete |
|-------------------------|---------------------|---------------|----------------------|------------------|
| Ireland | | | | |
| Bray, County Wicklow | April 2020 | 4,822 | £19.8m (€22.4m) | £6.5m (€7.4m) |
| Rialto, Dublin | April 2020 | 3,232 | £11.5m (€13.0m) | £0.9m (€1.0m) |
| Banagher, County Offaly | Q4 2020 | 1,628 | £4.5m (€5.1m) | £3.2m (€3.6m) |
| UK | | | | |
| Mountain Ash, Wales | Q4 2020 | 1,253 | £4.9m | £3.9m |
| Eastbourne, East Sussex | Q2 2021 | 1,976 | £8.4m | £6.3m |
| Llanbradach, Wales | Q1 2021 | 831 | £2.8m | £2.4m |
| Epsom, Surrey | Q1 2021 | 667 | £4.1m | £3.1m |
| Total | | 14,409 | £56.0m | £26.3m |

With the exception of Banagher, closed due to Irish Government guidelines, and Epsom, which has not yet commenced, all development sites in the UK and Ireland remain open and construction continues to progress. The Irish HSE is keen for the sites at Bray and Rialto to be completed as soon as possible and a dispensation has been provided to allow them to remain open and completion is due imminently. The Group will continue to adopt a policy of not undertaking any developments on a speculative basis.

Rental income increases

PHP has continued to enhance and grow the rental income of its existing portfolio with 56 rent reviews settled in the first quarter, increasing rent by £0.4m, with a weighted average annualised increase of 2.4%. In addition, a further five asset management projects have been completed, investing £0.9m to enhance and extend existing assets within PHP's portfolio and a strong pipeline of similar projects is being progressed to further increase rental income and extend unexpired occupational lease terms.

Outlook

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 more acute in order to relieve the pressures being placed on hospitals and A&E departments. We anticipate that the crisis will highlight the important role primary healthcare will play in the future provision of health services and the continuing movement of services away from over-burdened hospital settings.

Investor Q&A

In lieu of the Q&A which would have taken place at the 2020 AGM, a pre-registered Q&A session will be held as a separate audiocast at 15.00 BST today, Wednesday 1 April. All shareholders and other interested parties are welcome to join the event.

To take part, please register any questions management by emailing them to php@buchanan.uk.com by 11.00 am today. These will be collated and addressed by the Executive management team during this afternoon's audiocast.

In order to access the audiocast, please dial in shortly before 15.00 via the following details:

Dial in number

UK Toll: 0333 300 0804

UK Toll-Free: 0800 358 9473

PIN: 94041314#

URL for international dial in numbers

http://events.arkadin.com/ev/docs/NE_W2_TF_Events_International_Access_List.pdf

A recording of the event will be made available for replay at the Company's website www.phpgroup.co.uk

Harry Hyman, Managing Director of Primary Health Properties, commented:

"Despite the uncertainty created around the world by the COVID-19 pandemic, our portfolio of properties stands on the front-line of delivering vital services for the NHS and HSE in the UK and Ireland and we are working closely with our occupiers to help them better utilise our assets during this global time of need.

"Whilst it is too early to understand in full the financial implications of the crisis, we remain in a very strong and robust position, with a well-funded balance sheet and excellent portfolio of assets, which will help underpin our strategy of paying a progressive dividend to shareholders which is fully covered by earnings."

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