

# 12

Specialist primary healthcare  
infrastructure fund  
2012 annual results presentation



# Agenda

1. Introduction
2. Portfolio review
3. Key financials
4. Investment opportunity

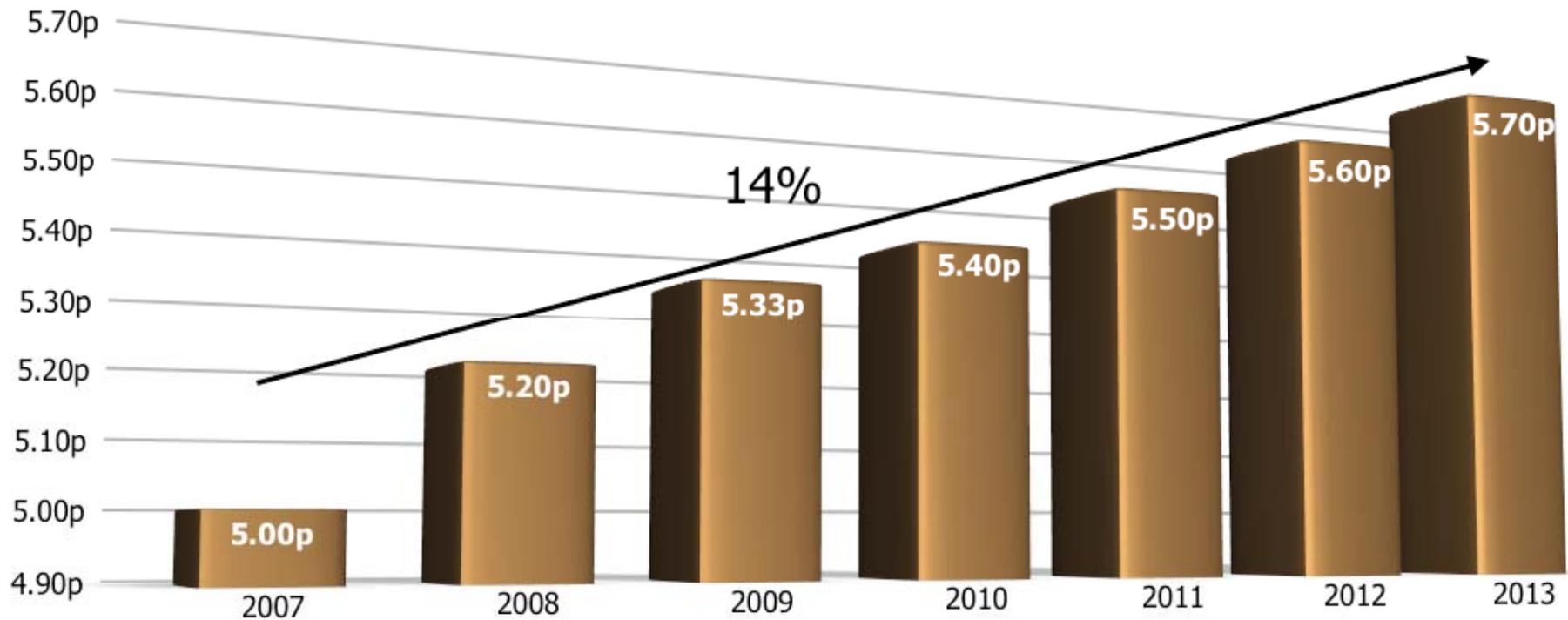
# Introduction

# MedicX Fund objectives and overview

- Leading investor in modern purpose-built primary healthcare properties leased to doctors and the NHS generating government-funded long term secure cash flow
- FTSE All Share £192 million<sup>1</sup> market capitalisation
- Fund not a developer or operator
- External investment adviser
- Guernsey based investment company
- Objective dividend and capital growth

<sup>1</sup>As at 4 December 2012

# Dividend growth year-on-year

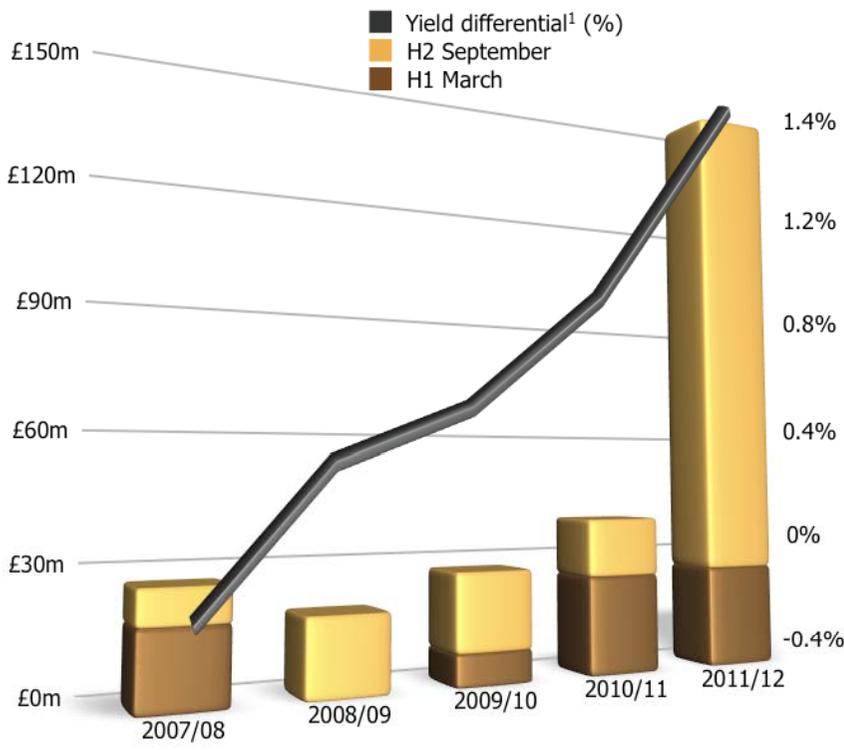


# Continuing to deliver returns

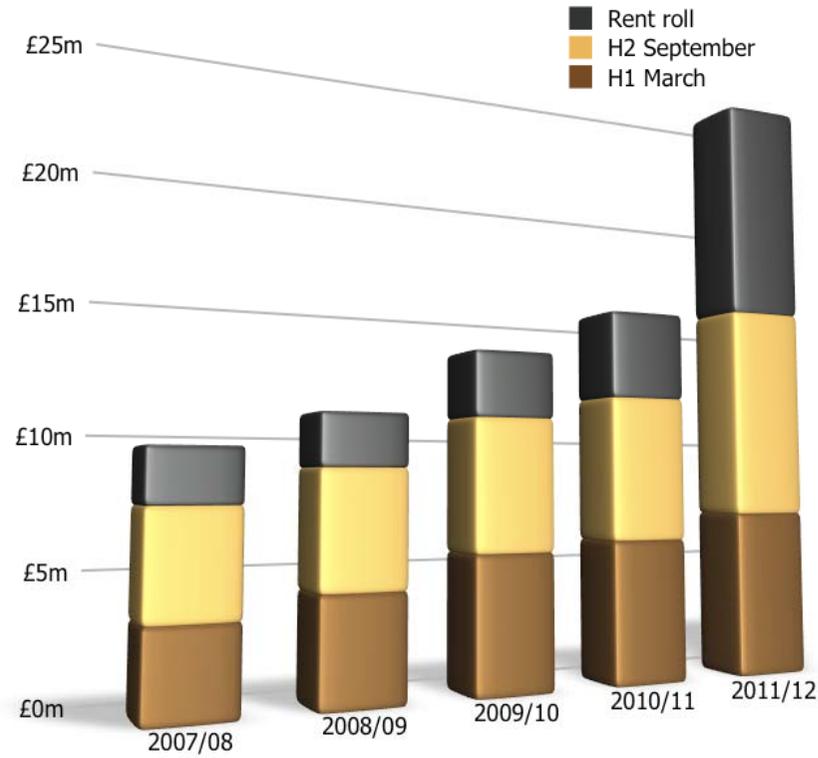
	Sept 2009	Sept 2010	Sept 2011	Sept 2012
Total shareholder return based on share price growth and dividends received in the year	11.4%	8.6%	9.4%	9.0%

Renewed Investment Adviser agreement increased performance hurdle from 8% total shareholder return to 10%

# Accelerating growth



**Committed investment**



**Rental income**

<sup>1</sup>MedicX Fund property valuation yield less cost of long term debt (2028 gilt rate plus margin)

# Highlights of the year<sup>1</sup>

- New committed investments since 1 October 2011 of £146.5 million acquired at a cash yield of 6.03%
- £394.8 million committed investment in 107 primary healthcare properties at a valuation net initial yield of 5.84% compared to 20 year gilt rate of 3.00%
- Adjusted earnings excluding revaluation gain of £5.2 million<sup>2</sup>, an increase of £1.2 million or 29%
- Capital appreciation of the portfolio of £7.0 million with £1.2 million of purchase costs written off generating a revaluation gain for the year of £5.8 million
- Adjusted net asset value and adjusted net asset value plus estimated cost of fixed rate debt 64.4p<sup>3</sup> and 64.3p per share respectively
- Market capitalisation £192 million following £48.7 million net proceeds raised since 1 October 2011 at an average issue price of 73.3p per share
- Total debt facilities now £246.0 million including £137.3 million new facilities with an average all-in fixed rate of 4.45%, an average unexpired term of 16.8 years<sup>4</sup> vs. 17.1 years average unexpired lease term and adjusted gearing 51%

<sup>1</sup>As at 4 December 2012

<sup>2</sup>Period to 30 September 2012 adjusted to exclude revaluation impact, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs

<sup>3</sup>Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, and the post year-end impact of resetting debt interest costs

<sup>4</sup>See slide 21

# Portfolio review

# Portfolio review<sup>1</sup>

## 107 assets

98 projects  
92%



Operational

9 projects  
8%



Under construction

## Contractual certainty of income

100%



Availability risk

0%



Demand risk

## Security of tenure

100%



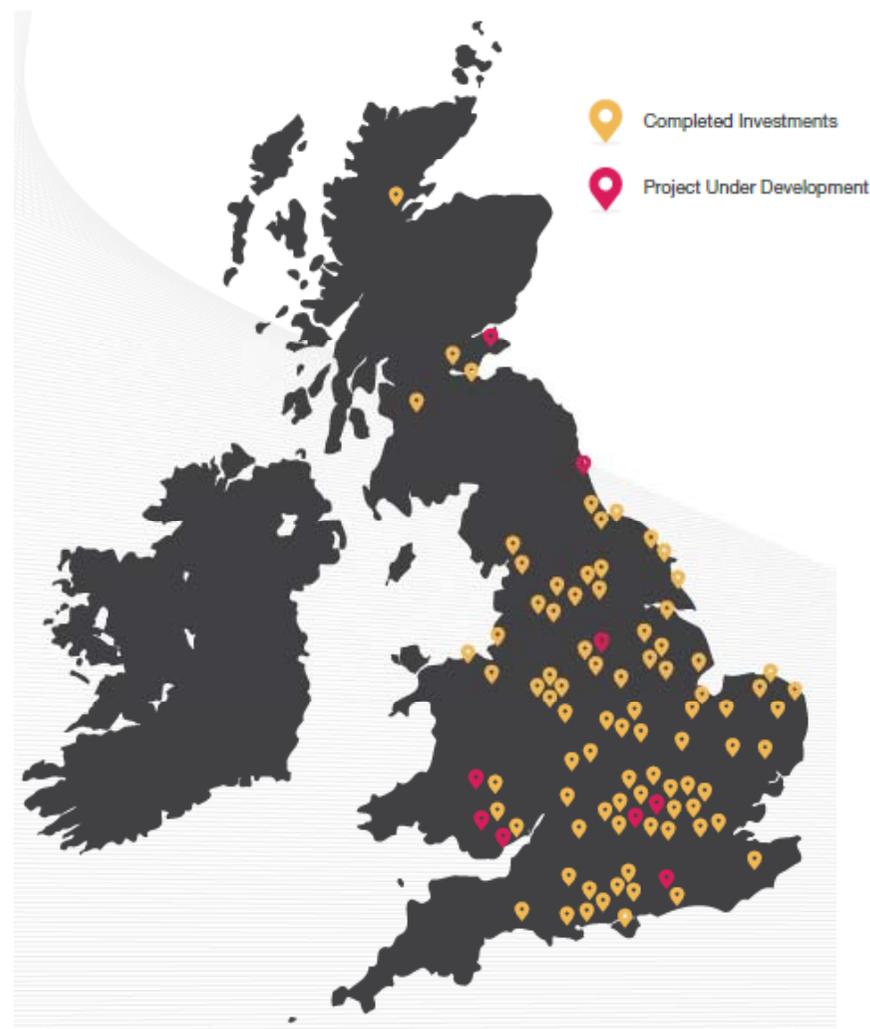
Ownership

100%



Freehold/long leasehold

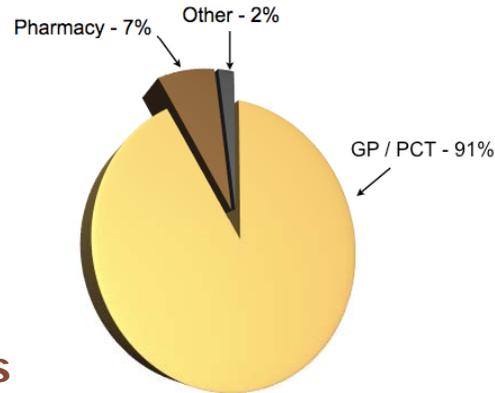
## Portfolio geographical spread



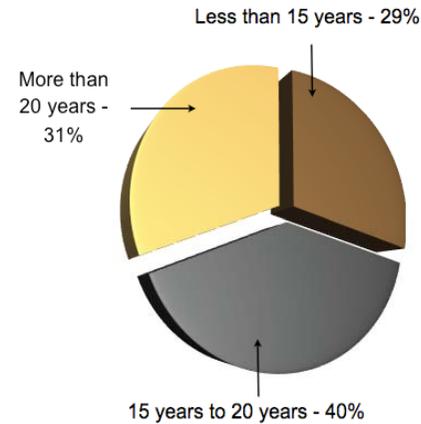
<sup>1</sup>As at 4 December 2012

# Portfolio review<sup>1</sup>

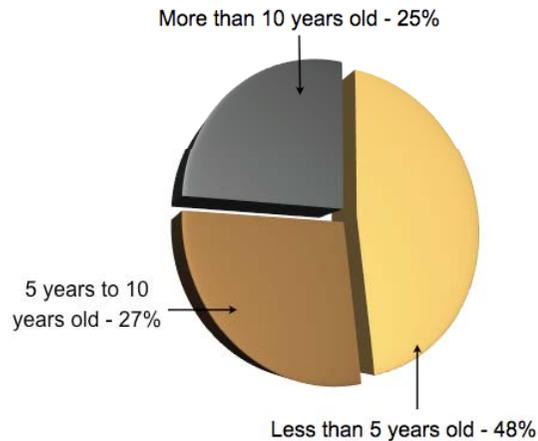
## Security of income by tenant type



## Security of income by lease expiry



## Modernity of assets

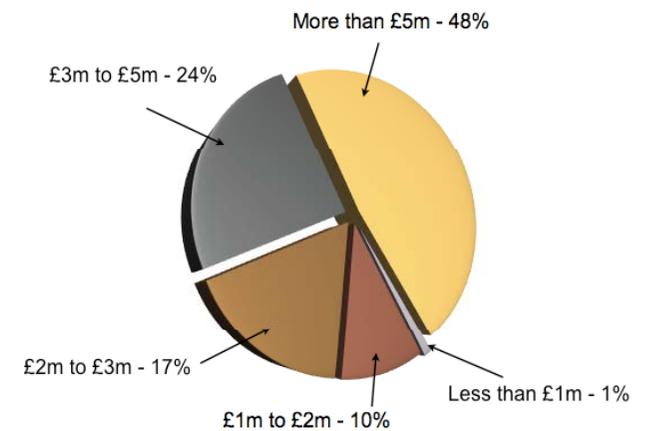


**Average unexpired lease term 17.2 years**

**Average age 6.1 years**

**Average value £3.6 million**

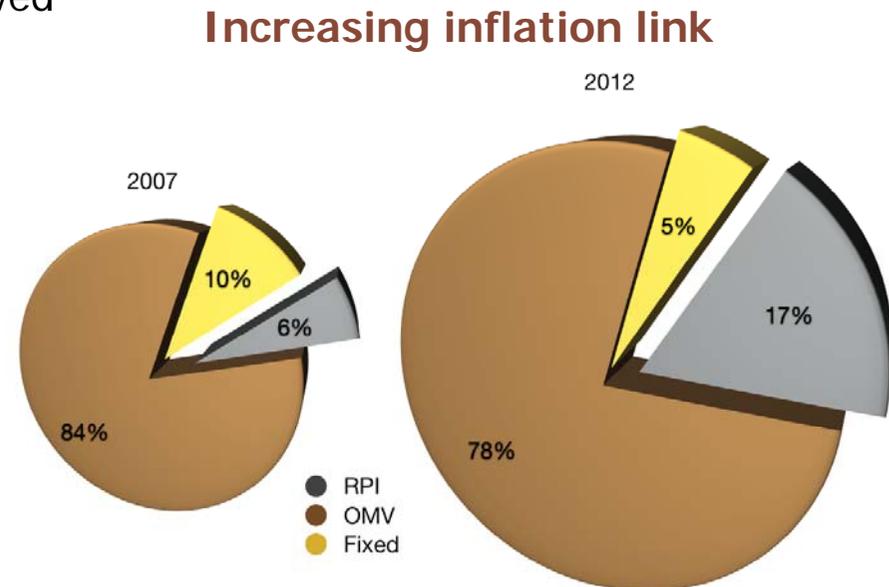
## Value per property



<sup>1</sup>As at 30 September 2012; includes completed value of properties under construction

# Rental reviews<sup>1</sup>

- Total rent roll £24.8 million
  - £22.2 million completed
  - £2.6 million under construction
- £8.9 million passing rents currently under negotiation
- £3.9 million rent reviews agreed during the period<sup>2</sup>
- Equivalent to 2.9% per annum increase achieved
  - 2.5% open market reviews
  - 2.5% fixed uplifts
  - 3.5% RPI based



<sup>1</sup>As at 4 December 2012  
<sup>2</sup>Period to 30 September

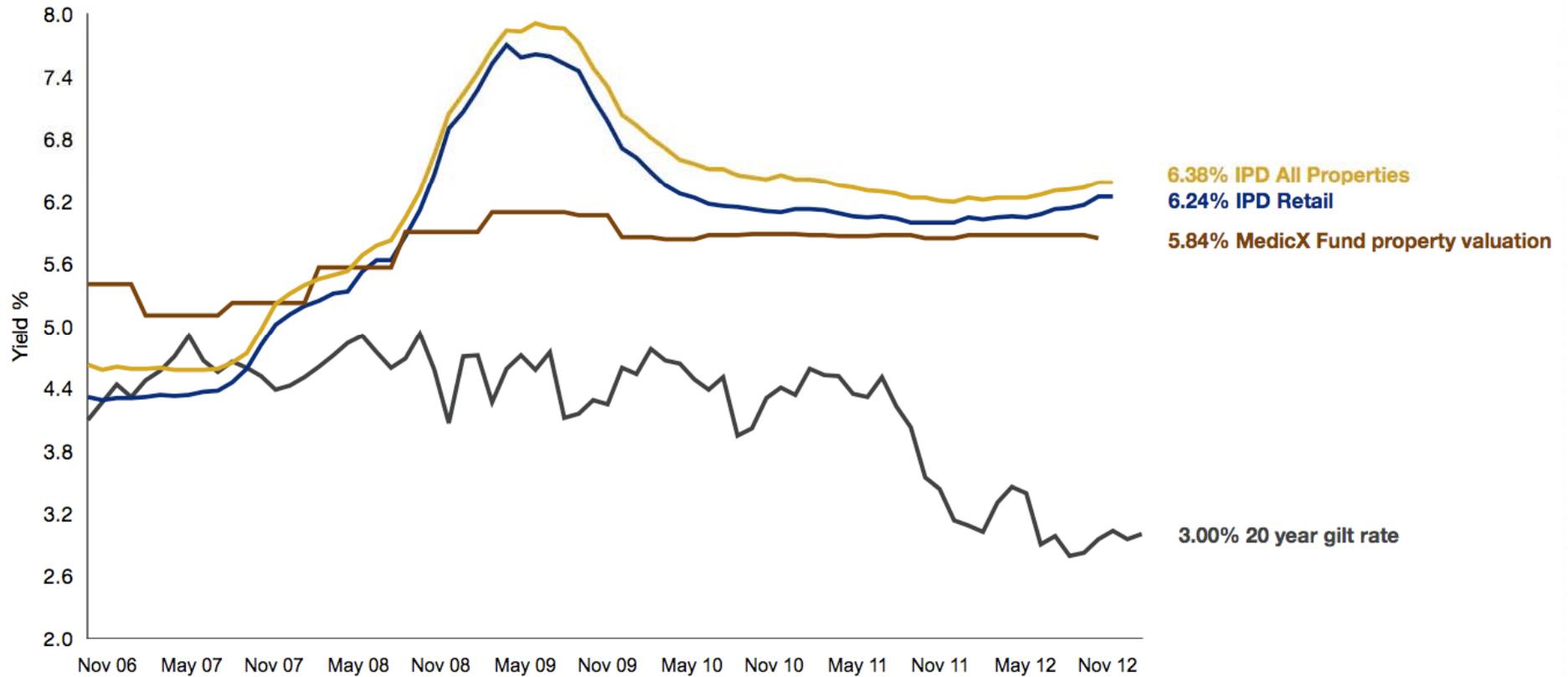
# Rent reviews by period<sup>1</sup>

	Year to Sept 07	Year to Sept 08	Year to Sept 09	Year to Sept 10	Year to Sept 11	Year to Sept 12
Number	20	12	34	20	22	16
Passing rent	£1,814,809	£969,757	£2,917,782	£1,803,714	£2,309,946	£1,804,170
<b>Annualised increase</b>	<b>3.1%</b>	<b>2.8%</b>	<b>1.8%</b>	<b>3.0%</b>	<b>2.5%</b>	<b>3.3%</b>
- Open market reviews	3.0%	2.4%	1.8%	3.1%	1.9%	-
- RPI	3.8%	3.9%	1.4%	2.6%	4.6%	3.5%
- Fixed uplifts	n/a	2.5%	2.5%	n/a	2.5%	2.5%

DCF rental growth assumption 2.5%

<sup>1</sup>Based on review date falling due in the year ending as at 30 September 2012

# Property valuation yields<sup>1</sup>



<sup>1</sup>MedicX Fund property valuation as at 30 September 2012, IPD data as at 31 October 2012 and Gilt rate data as at 4 December 2012

# Acquisitions



Total investment of £112.7 million in 36 completed properties

# Forward funding investments



Total investment of £33.8 million in 9 forward funding properties

# Completed investments



Total investment of £38.2 million in 10 forward funding properties

# Key financials

# Key financials – income statement

	12 months to 30 Sept 2012 £000	12 months to 30 Sept 2011 £000	Change
Rent receivable	15,642	11,768	33%
Other income <sup>1</sup>	860	694	24%
<b>Total income</b>	<b>16,502</b>	<b>12,462</b>	<b>32%</b>
Direct property costs <sup>2</sup>	719	551	31%
Investment advisory fee	2,383	2,250	6%
Overheads	838	662	27%
<b>Total expenses</b>	<b>3,940</b>	<b>3,463</b>	<b>14%</b>
<b>EBITDA</b>	<b>12,562</b>	<b>8,999</b>	<b>40%</b>
Finance income	127	168	(24)%
Finance costs	7,464	5,125	46%
<b>Adjusted earnings<sup>3</sup></b>	<b>5,225</b>	<b>4,042</b>	<b>29%</b>
<b>Revaluation gain</b>	<b>5,778</b>	<b>3,409</b>	<b>69%</b>
<b>Adjusted earnings including revaluation gain</b>	<b>11,003</b>	<b>7,451</b>	<b>48%</b>

<sup>1</sup>Including loss on disposal of property

<sup>2</sup>Including property management fees

<sup>3</sup>Adjusted to exclude revaluation gain, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs

# Key financials – balance sheet

	As at 30 Sept 2012 £000	As at 30 Sept 2012 Pence per share
Gross assets excluding cash	381,115	146.3
Debt	256,249	98.4
Cash	66,247	25.4
Net debt	190,002	73.0
Adjusted NAV <sup>1</sup>	167,718	64.4
Adjusted NAV plus debt MtM <sup>1</sup>	167,507	64.3
DCF	239,326	91.9
	As at 30 Sept 2012	Restrictions / covenants
Adjusted gearing <sup>1</sup>	51%	75%
Aviva debt service interest cover <sup>2</sup>	197%	140%
Aviva loan to value <sup>2</sup>	64%	75%
DPB debt service interest cover <sup>3</sup>	555% / 379%	140%
DPB loan to value <sup>3</sup>	62.5%	70%

Funding required to complete committed investment £20 million at 30 September 2012 and a strong pipeline of £134 million

<sup>1</sup>Adjusted to exclude goodwill, deferred tax not expected to crystallise, financial derivatives and for post year end debt reset

<sup>2</sup>Relate to £100 million Aviva loan only

<sup>3</sup>Relate to £31.2 million Deutsche Postbank loan only

# Debt funding

	Aviva facility	Deutsche Postbank facility	New Aviva facility	Acquired Aviva facilities
Facility size	£100 million	£31.2 million	£50 million	£63.6 million
Committed	December 2006	December 2009	February 2012	July 2012
Drawn	£100 million	£31.2 million	£50 million	£63.6 million
Expiry	December 2036	April 2015	February 2032	February 2027 <sup>1</sup>
Interest rate (incl. margin)	5.01%	2.75%	4.37%	4.45%
Hedging activities	n/a	Swap	n/a	n/a
Loan to value draw down	65%	62.5%	65%	n/a
Repayment terms	Interest only	Interest only	Amortises from year 11 to £30 million at year 20	Amortising
Interest cover covenant	140%	140%	140%	104% <sup>1</sup>
Loan to value covenant	75%	70% Tested after years 2 & 4	75%	n/a

Average weighted fixed rate cost of debt of 4.45% with an average unexpired term of 16.8 years vs. 17.1 years average unexpired lease term

<sup>1</sup>Based on the major facility acquired

# Historic dividend cover

	12 months to 30 Sept 2012 £000	12 months to 30 Sept 2011 £000	12 months to 30 Sept 2010 £000	12 months to 30 Sept 2009 £000
Dividends paid	12,496	9,131	6,593	6,146
Adjusted earnings excluding revaluation gain	5,225	4,042	2,674	1,383
Dividend cover	42%	44%	41%	22%
Underlying dividend cover before revaluation gain	68%	61%	47%	27%
Revaluation impact	5,778	4,085	7,631	(1,453)
Dividend cover including revaluation gain	88%	89%	156%	(1)%
Underlying dividend cover including revaluation gain	108%	93%	105%	12%
	Sept 2012 dividend	Mar 2012 dividend	Sept 2011 dividend	Mar 2011 dividend
Scrip take up	12%	9%	4%	4%

<sup>1</sup>Underlying dividend cover assumes all projects are complete with associated debt requirement

# Investment opportunity

# NHS and primary care update

- NHS Bill in place from April 2012
- Clinical Commissioning Groups now involve wider community and only impact on 60% of the NHS budget (originally 80%)
- The new NHS includes clustered PCTs across the country (as commissioning support)
- Key political focus on integration and cost reduction by efficiency savings
- No change planned to current reimbursements for premises
- GPs remain the cornerstone of primary care delivery set in communities with increasing co-location of hospital services

# What does this mean for the future?

- Strong role for GPs in fit for purpose premises
- Increasing co-location of additional services
- Commissioning will bring more services to a local level in primary care buildings
- Location and flexibility are increasingly important in new primary care buildings
- Regulation by the Care Quality Commission will bring an increasing need for first class buildings designed to deliver high quality healthcare
- Increased opportunity in healthcare infrastructure assets in a community setting

# Pipeline

- Investment adviser with proprietary market access and deal flow
- Strong pipeline of £134 million
- Circa £8 million rent roll
- 32 properties including 10 from investment adviser development arm
- Further completed property acquisition opportunities under review

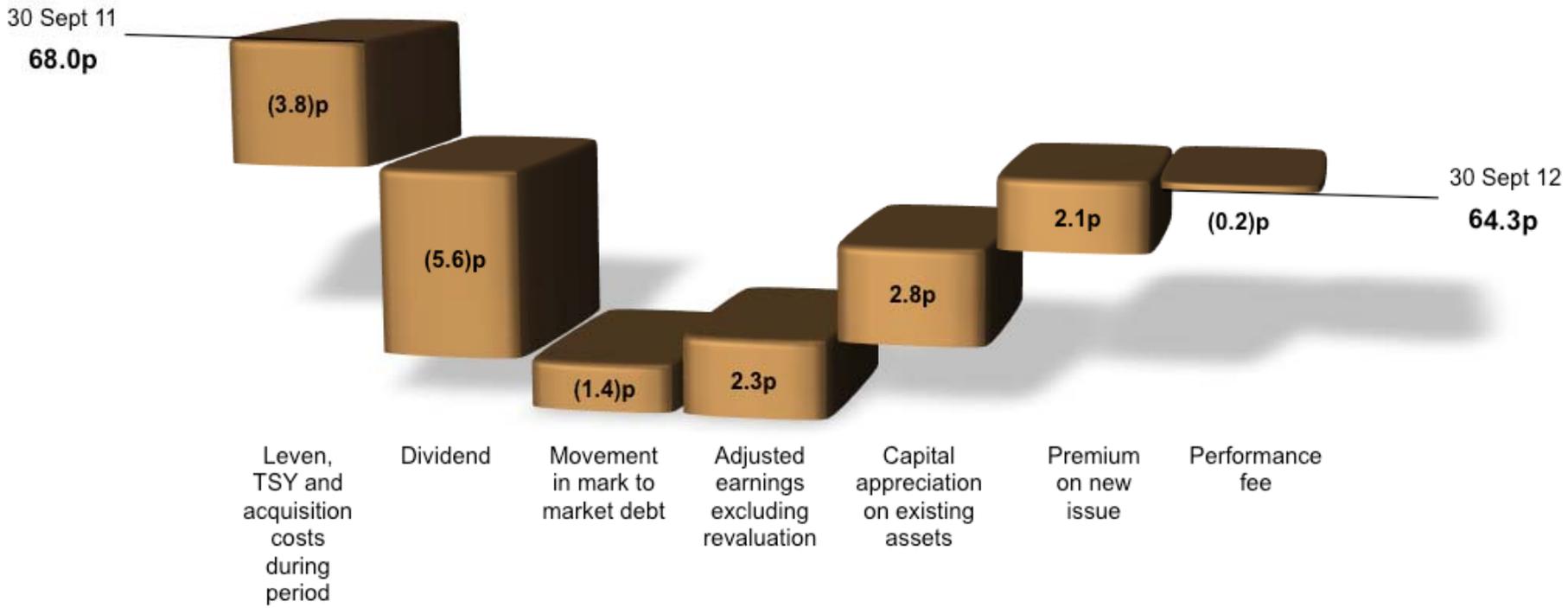
# Conclusion

- Able to buy assets at attractive prices
- Plus lock into long-term low fixed rate debt
- Earnings and dividend cover enhanced as MedicX Fund grows
- Management well placed to take advantage of opportunities
- Attractive total return proposition
  - 7.6% dividend yield at 73.63 pence per share
  - 9.6% p.a. average total shareholder return over last four years<sup>1</sup>
- Considering equity capital raising in the New Year

<sup>1</sup>Share price growth plus dividends paid. 2008/09 11.4%, 2009/10 8.6%, 2010/11 9.4% and 2011/12 9.0%.

# Appendix

# Adjusted NAV plus debt benefit



# DCF NAV sensitivity<sup>1</sup>

	DCF	Share price
Pence per share	91.9p	76.0p
Weighted discount rate	7.1%	9.3%
Risk premium to 20 year gilt rate	4.2%	n/a
Rental growth per annum	2.5%	(0.3)%
Capital appreciation per annum	1.0%	(1.2)%

	DCF reconciliation
Adjusted NAV plus debt benefit	64.3p
Purchasers costs at 5.80%	+8.6p
Implied yield shift to 5.18% <sup>2</sup>	+19.0p
DCF NAV	91.9p

<sup>1</sup>As at 30 September 2012

<sup>2</sup>Implied yield shift as at 30 September 2012 is to 5.18% assuming debt benefit of (0.1)p

# DCF NAV sensitivities<sup>1</sup>

## Discount rate

NAV pence per share	Completed					
Under construction	%	6.0	6.5	7.0	7.5	8.0
	6.0	103	98	95	91	88
	7.0	101	97	93	89	86
	8.0	100	96	92	88	85
	9.0	99	95	91	87	84
	10.0	98	94	90	86	83

## Rental and capital value increases per annum

NAV pence per share	Rental					
Capital	%	0.5	1.5	2.5	3.5	4.5
	-1.0	65	71	77	84	92
	0.0	72	78	84	91	98
	1.0	80	86	92	99	106
	2.0	89	95	101	108	115
	3.0	99	105	111	118	125

<sup>1</sup>As at 30 September 2012

# Investment adviser fee structure

Gross assets	Investment Adviser fee
First £300 million (min £2.25 million)	0.75%
Between £300 million and £500 million	0.65%
Between £500 million and £750 million	0.50%
Greater than £750 million	0.40%

Earnings enhanced as MedicX Fund grows

# Disposals in the period

Churchside Medical Centre

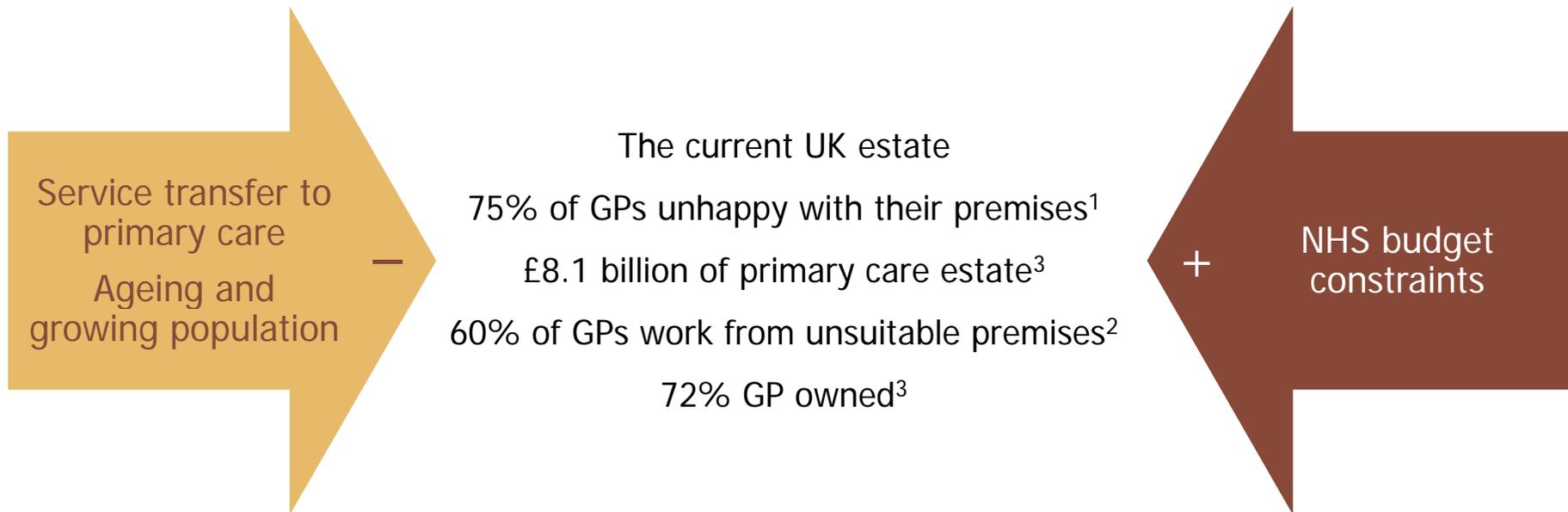
April 2012

£1.2 million



Churchside Medical Centre

# Pressure on primary care estate



<sup>1</sup>NHS The Information Centre, General and Personnel Medical Services Report 30 September 2009

<sup>2</sup>BMA Survey of GP practice premises 30 March 2010

<sup>3</sup>RCGP UK Annual Survey of GP 2010

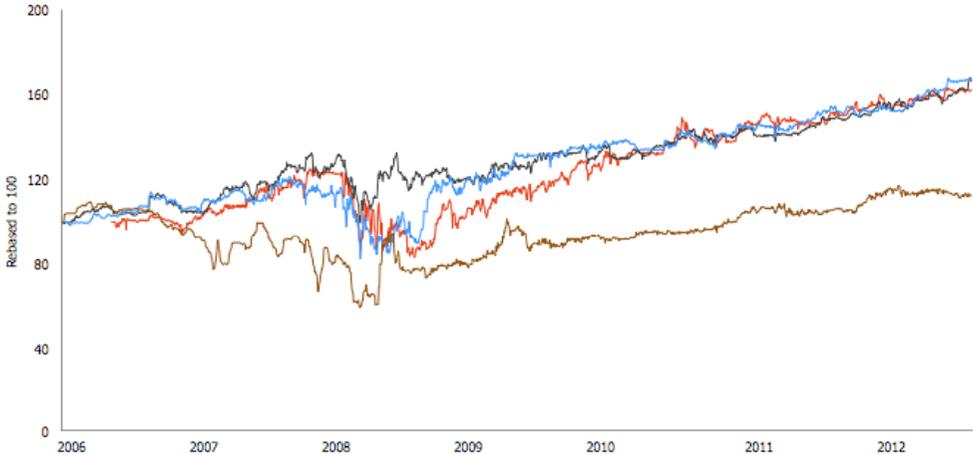
# General medical statistics in England<sup>1</sup>

	<b>2011</b>	<b>1995</b>	<b>Change</b>
• Number of practices	8,316	9,188	-9%
• Single-handed practices	1,147	2,919	-61%
• Number of GPs	35,415	27,465	+29%
• Number of part-time GPs	31% <sup>2</sup>	14%	+17%
• GPs aged 60 and over	10%	6%	+4%
• Contracted GPs (GMS)	51%	98%	-47%
• Salaried GPs (PMS)	44%	n/a	-
• % Female	61% <sup>2</sup>	n/a	-

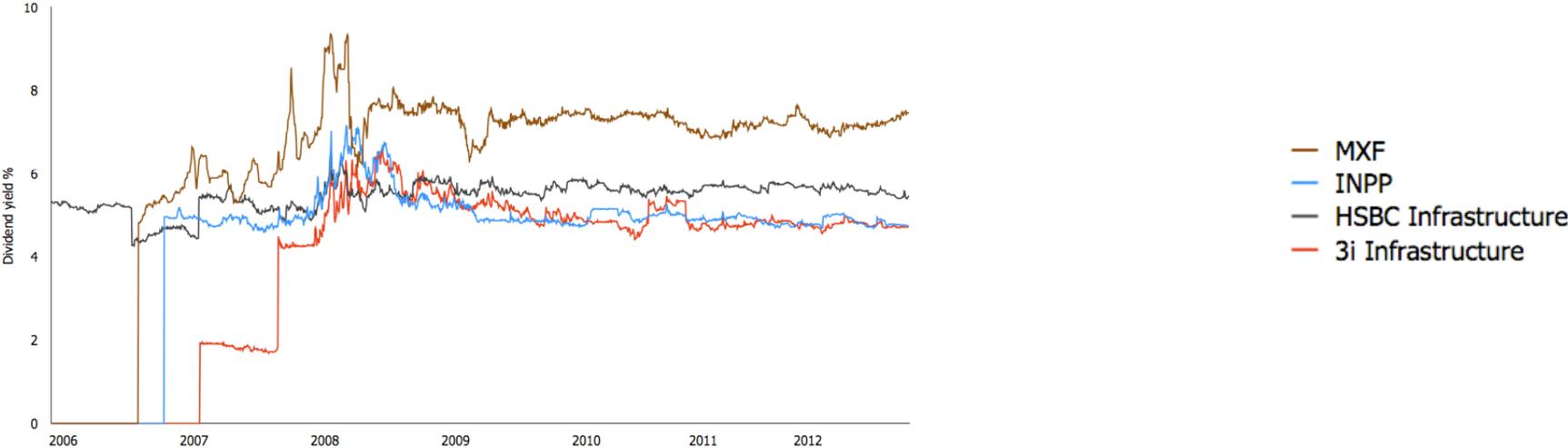
<sup>1</sup>NHS The Information Centre, General and Personnel Medical Services Report 21 March 2012  
<sup>2</sup>RCGP UK Annual Survey of GP 2010

# Infrastructure comparison<sup>1</sup>

Share price total return



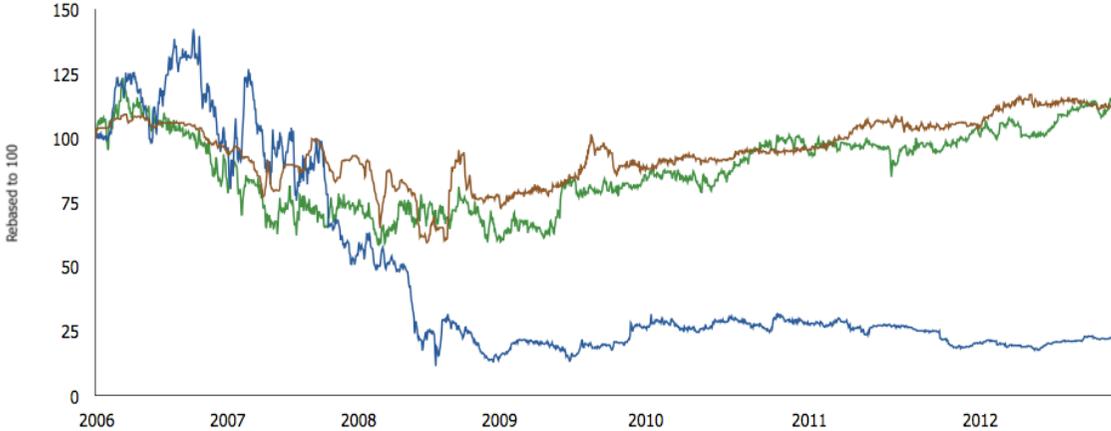
Dividend yield



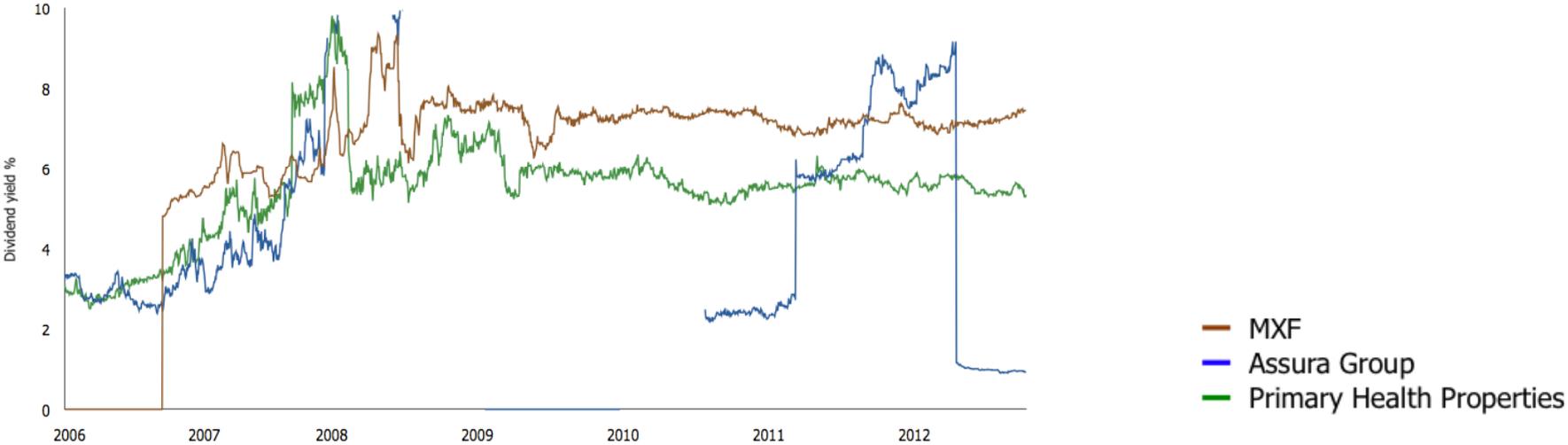
<sup>1</sup>As at 4 December 2012 – Canaccord Genuity / DataStream

# Sector comparison<sup>1</sup>

Share price total return



Dividend yield



<sup>1</sup>As at 4 December 2012 – Canaccord Genuity / DataStream

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Guernsey based quoted Fund Director (FCA, CTA)
- **John Hearle, Director**  
Chairman and Head of Healthcare Division of Aitchison Raffety (FRICS)
- **Shelagh Mason, Director**  
Guernsey based Commercial Property Lawyer and quoted Fund Director
- **Christopher Bennett, Director**  
Jersey based Real Estate Financier and quoted Fund Director (MRICS)

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