

# INVESTING FOR THE FUTURE

Primary Health Properties PLC  
Annual Results Presentation 2021





# AGENDA

KEY HIGHLIGHTS

DIVIDEND TRACK RECORD

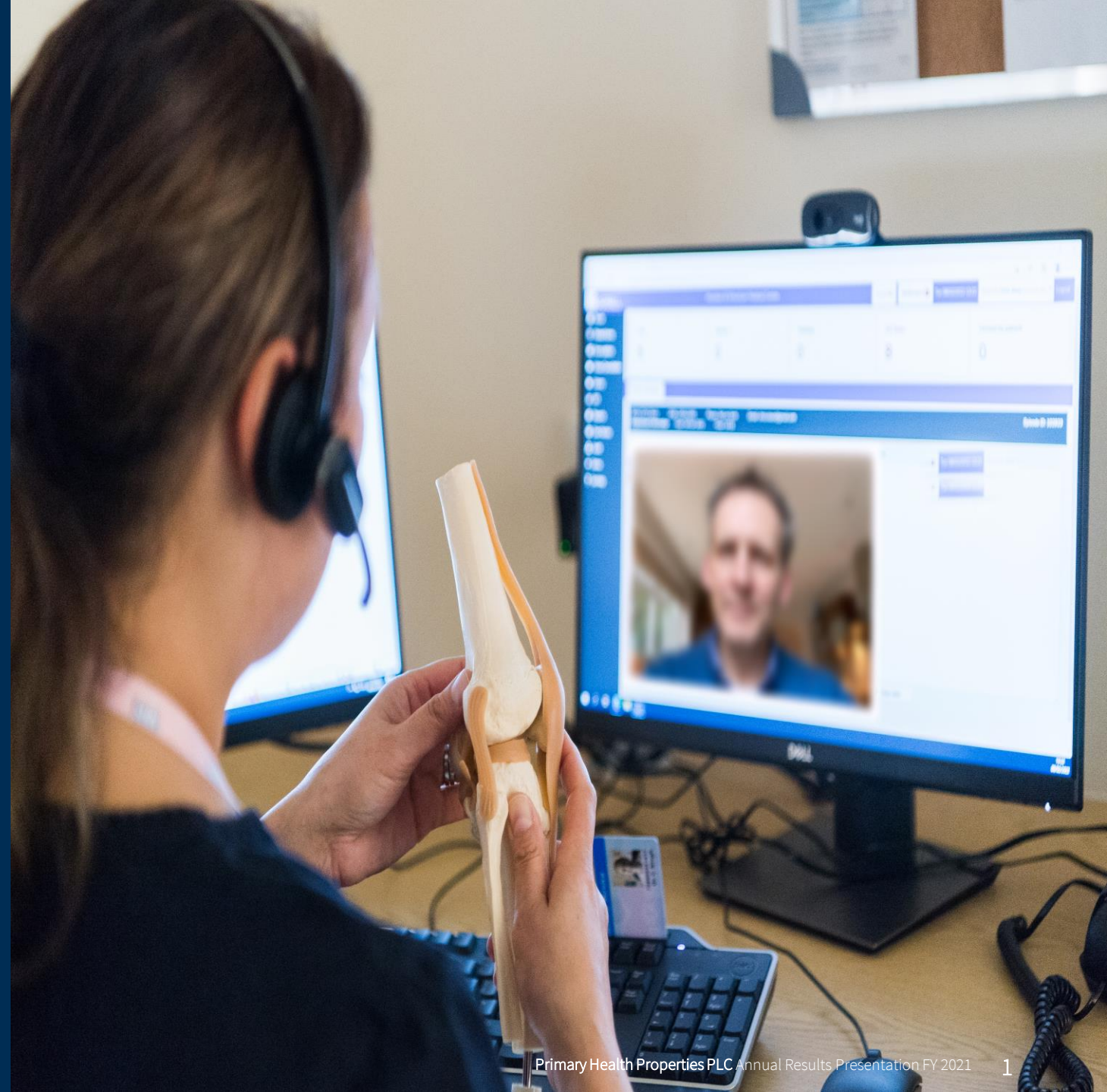
STRONG RELATIVE PERFORMANCE

FINANCIAL REVIEW

PROPERTY REVIEW

PIPELINE AND OUTLOOK

APPENDICES





## KEY HIGHLIGHTS

**Strong sector fundamentals  
and focus on income drive  
earnings and dividend  
growth**



# KEY HIGHLIGHTS

Strong sector fundamentals and focus on income drive earnings and dividend growth

Long-term demographic, macro and political trends supportive across UK and Ireland

- ✓ Populations are growing, ageing and suffering more instances of chronic illness
- ✓ Increasing patient demand for services affecting service provision, patient care and outcomes
- ✓ Obsolete estate (c.40%) and COVID-19 added to increasing strain being put on healthcare systems
- ✓ NHS strategic move of transferring services away from hospital settings to modern primary care premises
- ✓ Impact of digital being outweighed by increasing demand for services

Disciplined approach to shareholder returns and capital deployment

- ✓ 26 years of consecutive dividend growth: 6.5p per share +4.8% (2021: 6.2p +5.1%)
- ✓ 3-year total shareholder return, since MedicX merger, +50% (FTSE EPRA Nareit UK +29%, FTSE All-share +13%)
- ✓ Total property return +9.5% (2020: +7.4%)
- ✓ Total accounting return +8.9% (2020: +10.1%)
- ✓ Disciplined investment: nine hub primary care centres acquired in 2021 for £87m (2020: £93m)
- ✓ Attractive pipeline across investment, development and asset management opportunities to grow portfolio

Focus on income growth

- ✓ Reduction in cost of finance to 2.9% (2020: 3.5%) delivering £5m annualised interest savings
- ✓ Management internalisation delivers £4m annualised cost savings
- ✓ L4L rental growth £2.4m +1.8% (2020: £2.0m +1.6%)
- ✓ EPRA cost ratio reduced to 9.3% (2020: 11.9%) the lowest in the UK REIT sector

**26 years of consecutive dividend growth**

**Portfolio**

**£2.8 billion** (2020: £2.6 billion)

**Rent roll**

**£141 million** (2020: £135 million)

**Government backed income**

**90%** (2020: 90%)

**Index linked income**

**25%** (2020: 25%)

**Occupancy**

**99.7%** (2020: 99.6%)

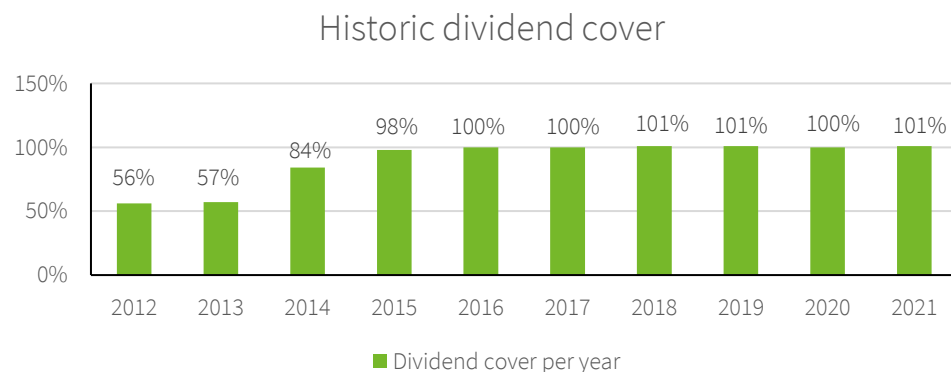
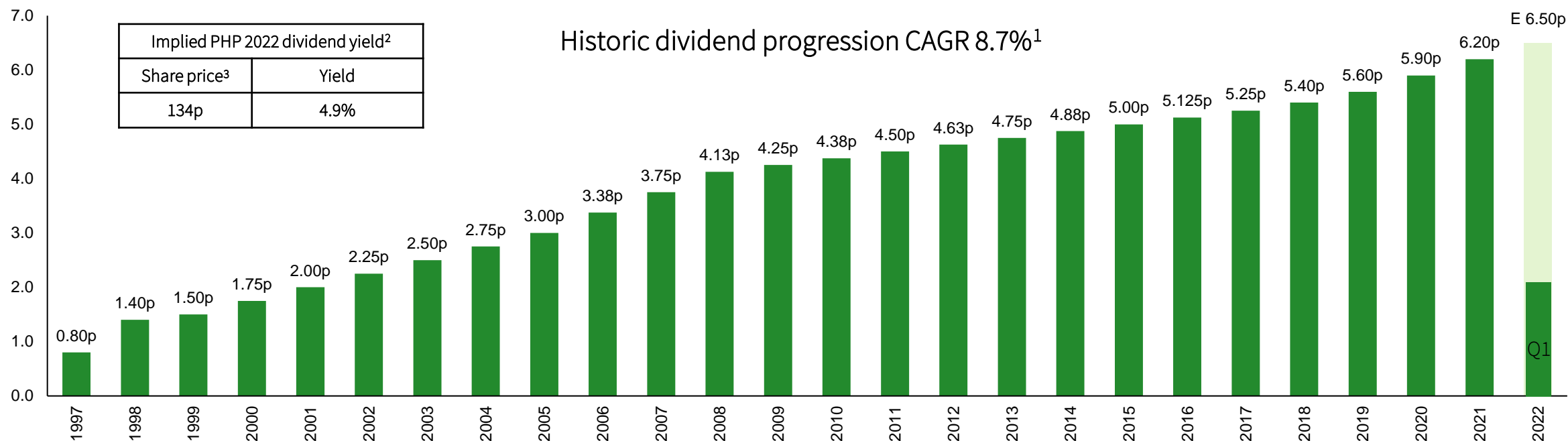
**WAULT**

**11.6 years** (2020: 12.1 years)

**Debt: fixed or hedged**

**100%** (2020: 100%)

## 26 YEARS OF CONSECUTIVE DIVIDEND GROWTH



- ✓ Q1 2022 dividend of 1.625p per quarter declared (equivalent to 6.5p annualised) a 4.8% increase and 26<sup>th</sup> year of growth
- ✓ FY 2021 dividend cover at 101%
- ✓ Total dividends paid increased by 12.4% in 2021

1. CAGR: 1997 to 2022
2. Based on Q1 2022 dividend of 1.625p paid or declared per share annualised and is illustrative only
3. Share price is the closing mid market price on 15 February 2022

# STRONG TRACK RECORD OF RELATIVE PERFORMANCE

✓ IRR over period since inception of 13.1%<sup>1</sup> (Average annual inflation (RPI) over same period: 2.9%)

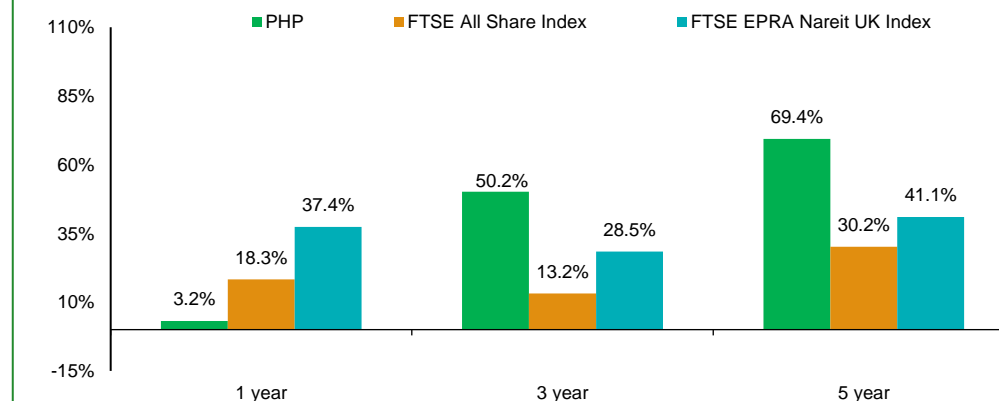
## CAGR total shareholder returns

	PHP	Assura	EPRA UK
1 year	3.2%	(5.4%)	37.4%
3 years	14.5%	11.8%	8.7%
5 years	11.1%	8.6%	7.1%
10 years	12.1%	14.0%	10.7%
20 years	13.2%	-	4.9%

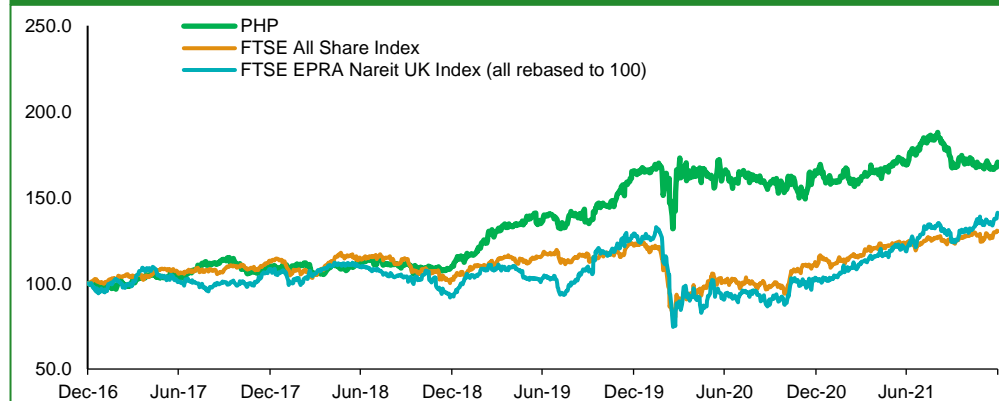
## Total Property Returns<sup>2</sup>

	PHP	Assura	MSCI UK
FY 2021	9.5%	n/a	20.0%
H1 2021	5.2%	3.5%	6.2%
2020/21	7.4%	6.3%	(0.8%)
2019/20	7.7%	5.3%	2.2%
2018/19	8.0%	5.9%	7.3%
2017/18	10.8%	9.7%	11.0%

## PHP TSR (absolute change) over 1, 3 and 5 years



## PHP 5 year relative TSR performance



Source: all data sourced from Thomson Reuters Eikon as at close 31 December 2021; MSCI UK Monthly Property Index

<sup>1</sup> IRR includes total dividends paid or declared to 31 December 2021 of 95.1 pence and assumes the sale of the underlying ordinary shares at 151.4 pence, the closing mid market price as at 31 December 2021, having been issued at 25 pence (dividend and share issue price data adjusted where required to reflect four for one share sub-division in November 2015)

<sup>2</sup> Total property returns for PHP and MSCI UK relate to the years ended 31 December and Assura relate to the years ended 31 March

# THE FUTURE OF PRIMARY CARE IN THE UK

## Case study: Eastbourne

### Rationale

- Failing GP practices unable to cope with increasing patient demand for services have affected service provision, patient care, outcomes and staff retention
- Merged into one super-practice operating as a single Primary Care Network
- Existing premises deemed as inadequate for the current population which is expected to grow with major local population growth
- Nationally and locally the NHS is implementing a strategic move of transferring services away from hospital settings to modern purpose-built space

### New Primary Care Centre

- Flexible building to meet future demand and changing requirements
- The building achieved a BREEAM Excellent rating
- Helps with staff recruitment and retention

### The Future

Let for 25 years to allow patients and the wider Primary Care Network to access a wide range of health and care services including:

- |   |                        |
|---|------------------------|
| • General practice (physical, telephone and video)                | • Physiotherapy        |
| • Minor operations and procedures                                 | • Occupational therapy |
| • Mental health assessments and practitioners                     | • Social prescribing   |
| • Training for GPs, nurses and paramedics                         | • Care co-ordination   |
| • Walk-in centre  | • Clinical pharmacy    |
| • Clinics for a various issues i.e. asthma, diabetes, cryotherapy | • Family planning      |
| • Non-NHS services (medicals, insurance, vaccinations)            |                        |



3 separate GP practices merged into one super-practice, under new management, in purpose-built accommodation





## INTERNALISATION OF MANAGEMENT STRUCTURE AND REFINANCING DELIVER SUBSTANTIAL ANNUAL COST SAVINGS



# KEY FINANCIAL HIGHLIGHTS

Performance	31 December 2021	31 December 2020	Change
Net rental income (£m)	136.7	131.2	+4.2%
Adjusted earnings (£m)	83.2	73.1	+13.8%
Adjusted earnings per share (pence)	6.2p	5.8p	+6.9%
Dividends paid (£m)	82.4	73.3	+12.4%
Dividend cover	101%	100%	-
Dividend per share (pence)	6.2p	5.9p	+5.1%
Revaluation surplus (£m)	110.5	51.4	
Position	31 December 2021	31 December 2020	Change
Investment property (£bn)	2.8	2.6	+4.1%
Adjusted NTA per share (pence)	116.7p	112.9p	+3.4%
Loan to value	42.9%	41.0%	+210 bps
Management	31 December 2021	31 December 2020	Change
L4L rental growth	1.8% p.a.	1.6% p.a.	+20 bps
WAULT	11.6 years	12.1 years	-0.5 years
Occupancy	99.7%	99.6%	+10 bps
EPRA cost ratio	9.3%	11.9%	-260 bps
Average cost of debt	2.9%	3.5%	-60 bps

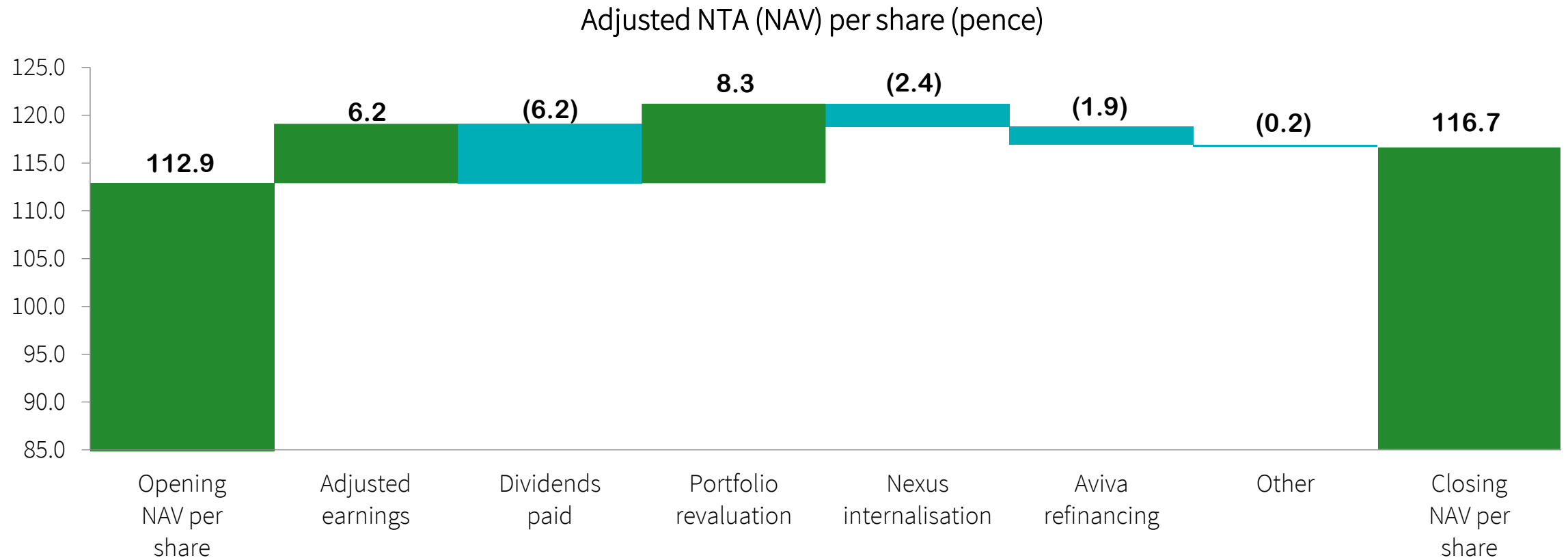


# INCOME STATEMENT

	31 December 2021 £m	31 December 2020 £m	Change
Net rental income	136.7	131.2	+4.2%
Administrative expenses	(10.5)	(13.2)	-20.5%
Operating profit before financing costs	126.2	118.0	6.9%
Net financing costs	(43.0)	(44.9)	
<b>Adjusted earnings</b>	<b>83.2</b>	<b>73.1</b>	<b>+13.8%</b>
Revaluation surplus and profit on sales	110.5	51.4	
<b>Adjusted profit excluding exceptional adjustments</b>	<b>193.7</b>	<b>124.5</b>	<b>+55.6%</b>
Exceptional termination payment and impairment of goodwill on acquisition of Nexus	(35.3)	-	
Exceptional Nexus acquisition costs	(1.7)	-	
Exceptional early termination cost on refinancing of Aviva debt	(24.6)	-	
Fair value profit/(loss) on derivatives and convertible bond	1.6	(15.2)	
Amortisation of MedicX debt MtM at acquisition	7.9	3.1	
<b>IFRS profit before tax</b>	<b>141.6</b>	<b>112.4</b>	<b>+26.0%</b>
<b>Adjusted earnings per share</b>	<b>6.2p</b>	<b>5.8p</b>	<b>+6.9%</b>
<b>IFRS earnings per share</b>	<b>10.5p</b>	<b>8.8p</b>	<b>+19.3%</b>



# BALANCE SHEET STRENGTHENED

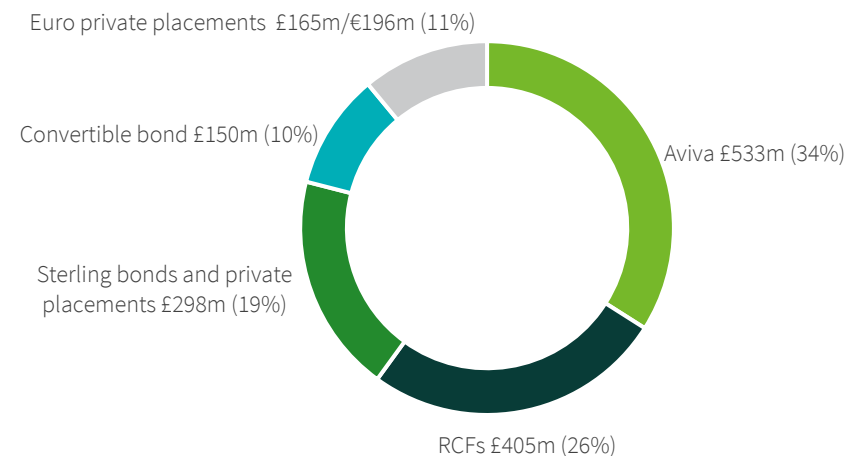


	31 December 2021	31 December 2020	Change
Adjusted net tangible assets	£1,556m	£1,485m	+4.8%
Adjusted net tangible asset value per share	116.7p	112.9p	+3.4%
Increase in Adjusted NTA plus dividends paid	8.9%	10.1%	-120 bps
Total property return	9.5%	7.4%	+210 bps

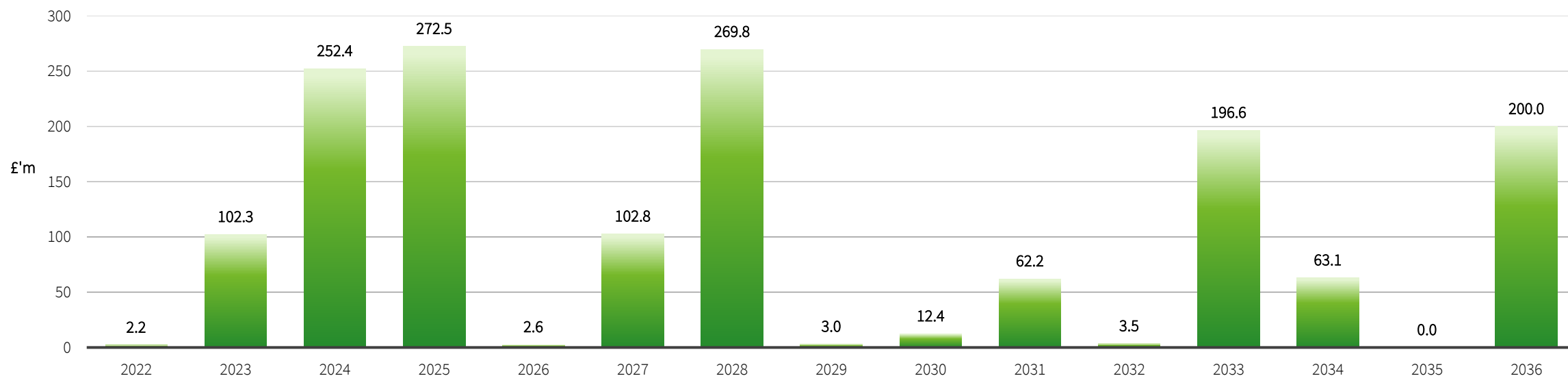


# DEBT SUMMARY

- Total debt facilities of **£1.55bn** (90% secured/10% unsecured)
- Net debt drawn **£1.2bn**
- **100%** of debt fixed or capped with broad and diverse range of lending partners
- Undrawn headroom after capital commitments of **£321m**
- Average cost of debt **2.9%** falling to 2.7% assuming fully drawn
- Group LTV **42.9%** (37.5% excluding £150m convertible bond)
- Long weighted average debt maturity of **8.2** years
- Refinanced or raised **£413m** of debt facilities
- **£386m** of legacy MedicX loan facilities remaining at a blended fixed rate of 4.2%



## Debt Maturity Profile





# DELIVERING FINANCIAL MANAGEMENT

2.9% average cost of debt 60 bps reduction achieved in year

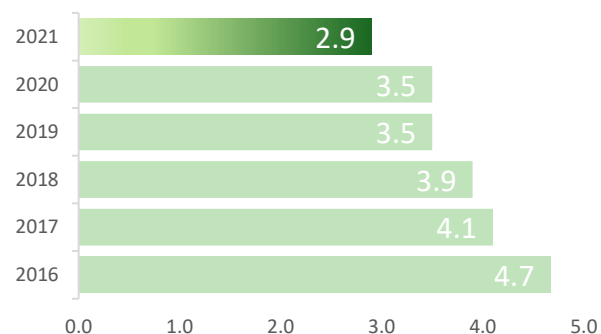
Refinanced or raised **£413m** of debt facilities locking in historically low rates of interest

- ✓ Aviva **£200m** for 15-year term at a fixed rate of 2.52% with sustainability KPIs
- ✓ MetLife **€75m** (£63m) for 12-year term at a fixed rate of 1.64% with option to increase to €150m in next 3-years
- ✓ NatWest **£100m** RCF renewed for a further 3-years with options to extend by a further 2 years with sustainability KPIs
- ✓ Santander **£50m** RCF renewed

Reviewing option on **£386m** of legacy MedicX loan facilities remaining at a blended fixed rate of 4.2%

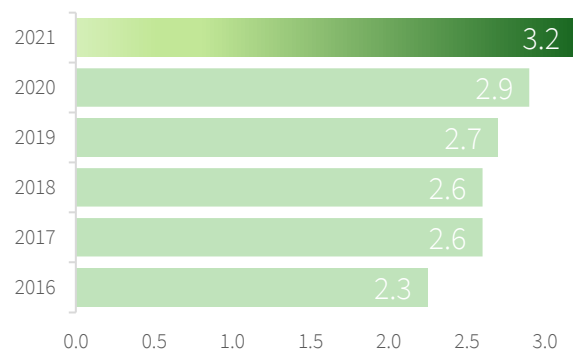
Cost of debt

2.9%



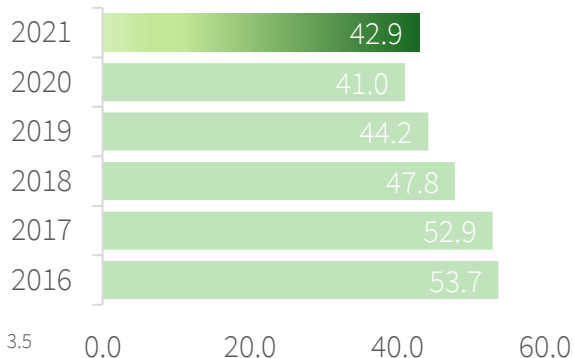
Interest cover ratio

3.2x



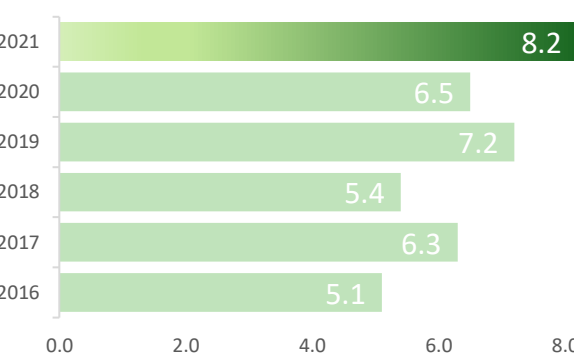
Loan to value ratio

42.9%



Debt maturity

8.2 years



**PROPERTY REVIEW**

**STRONG ORGANIC RENTAL GROWTH  
FROM RENT REVIEWS AND ASSET  
MANAGEMENT PROJECTS**



# PROPERTY PORTFOLIO OVERVIEW

Key Figures <sup>1</sup>	31 December 2021
Total number of properties	521
Including properties in Ireland	20
Investment portfolio value (£bn)	2.8
Floor area (000's sqm)	703
Capital value (£ per sqm)	3,968
Contracted rent roll (£m)	140.7
Net initial yield (NIY)	4.64%
Average lot size (£m)	5.4
Average WAULT (years)	11.6
Occupancy	99.7%
Government backed rent	90%

Income Expiry Profile	£m	%
< 3 years	8.9	6%
4-5 years	9.3	7%
5-10 years	49.4	35%
10-15 years	39.2	28%
15-20 years	17.3	12%
> 20 years	16.6	12%
<b>Total</b>	<b>140.7</b>	<b>100%</b>

70% already agreed terms to renew or planned asset management initiative

Capital Value <sup>1</sup>	Number	Value (£m)	%
> £10m	59	893	32%
£5m - £10m	131	910	33%
£3m - £5m	155	615	22%
£1m - £3m	171	369	13%
< £1m (incl. land £1.5m)	5	4	0%
<b>Total</b>	<b>521</b>	<b>2,791</b>	<b>100%</b>

<sup>1</sup> All data as at 31 December 2021

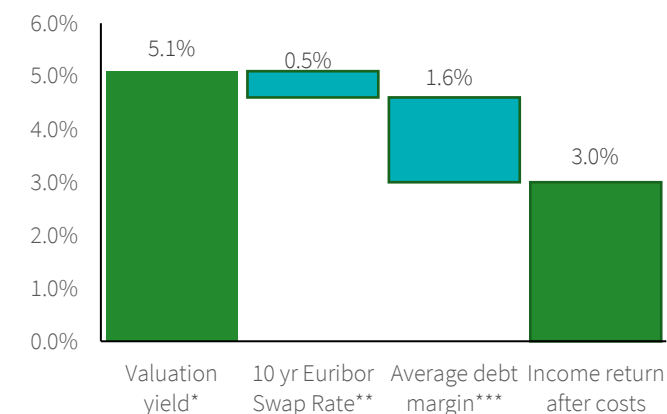
# IRELAND – CONTINUED STRATEGIC EXPANSION

- ✓ Growing and aging population: 5 million people growing to 6 million by 2050
- ✓ Government support: programme to modernise healthcare in Ireland and establish a network of 200 purpose-built Primary Care Centres with healthcare budgets and demand for services under pressure.
- ✓ PHP largest investor in Ireland: portfolio comprises 20 assets, valued at £213m (€253m) with a large average lot size of £11m (€13m).
- ✓ Advanced pipeline £107m (€127m) : nine forward funded developments with GDV of £89m (€105m) and three standing investments £18m (€22m)
- ✓ Target: grow portfolio to around €500m or c.15% of total Group portfolio
- ✓ Irish rent roll €14.6m with 75% let directly to Health Service Executive or government agencies with long leases (WAULT: 21 years). All rents linked to Irish CPI forecast to grow to c.2% in 2022

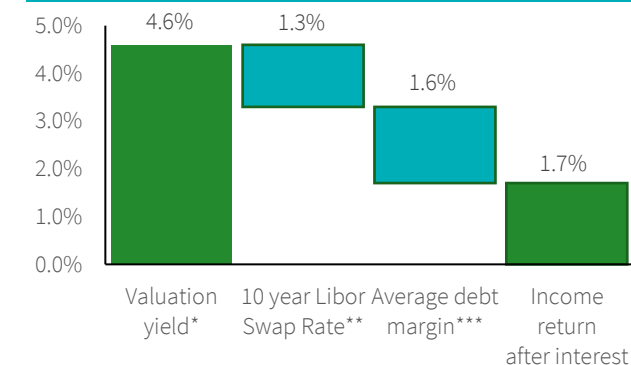


Strong income accretion

## Ireland acquisitions



## UK acquisitions



\* PHP portfolio valuation yield 31 December 2021 (used as proxy for market purchases)  
 \*\* Sourced from Chatham Financial – 3 February 2022  
 \*\*\* Company incremental margin on debt facilities



# DEVELOPMENT ACTIVITY

- ✓ Short-cycle and de-risked development activity adding high quality assets, capturing attractive development margins and supporting ESG commitments
- ✓ Direct developments: 21 projects with GDV of £163m. Two due to start imminently and a further five significantly advanced with total GDV of £52m
- ✓ Forward funded developments: advanced pipeline of nine projects in Ireland with GDV of £89m (€105m) and 3 in UK with GDV of £20m

## Direct Development

### Spilsby Primary Care Centre, Lincolnshire



- Tenants
- ✓ NHS Trust
  - ✓ GP Practice

Start on site: Q1 2022  
 PC date: Q2 2023  
 GDV: £4.1m  
 YOC: **4.8%**  
 Size: 905 sqm  
 No. of GPs: 4  
 Patients: 7,500 rising to 10,000  
 WAULT: **25 years**  
 Rent review: OMV  
 BREEAM rating: Excellent  
 Net Zero Carbon Yes

## Direct Development

### Croft Primary Care Centre, West Sussex



- Tenants
- ✓ GP Practice
  - ✓ Pharmacy

Start on site: Q1 2022  
 PC date: Q2 2023  
 GDV: £6.7m  
 YOC: **4.5%**  
 Size: 1,447 sqm  
 Number of GPs: 8  
 Patients: 12,000 rising to 22,000  
 WAULT: **25 years**  
 Rent review: OMV  
 BREEAM rating: Excellent  
 Net Zero Carbon Yes

## Forward Funded Development

### Enniscorthy, Co. Wexford, Ireland



- Tenants
- ✓ Health Service Executive (HSE)
  - ✓ GP Practice
  - ✓ Pharmacy
  - ✓ TUSLA (Irish government)

PC date: Q2 2022  
 GDV: €13.0m  
 YOC: **5.3%**  
 Size: 4,633 sqm  
 WAULT: **24.4 years**  
 Rent review: Irish CPI  
 BER rating: A3  
 nZEB: Yes

## Forward Funded Development

### Arklow, Co. Wicklow, Ireland



- Tenants
- ✓ Health Service Executive (HSE)
  - ✓ GP Practice
  - ✓ Pharmacy
  - ✓ TUSLA (Irish government)

PC date: Q2 2022  
 GDV: €18.0m  
 YOC: **5.5%**  
 Size: 5,333 sqm  
 WAULT: **28.8 years**  
 Rent review: Irish CPI  
 BER rating: A3  
 nZEB: Yes

## THE FUTURE OF PRIMARY CARE IN THE UK

### Case study: Spilsby, Lincolnshire PHP's first NZC development

#### Rationale

- Patient demand in Spilsby is at an all-time high, increasing demand for services have affected service provision, patient care and outcomes
- Existing premises deemed as inadequate for the current population which is expected to grow by one-third with major c. 600 home local residential development under construction
- Nationally and locally the NHS is implementing a strategic move of transferring services away from hospital settings to modern purpose-built primary and community space

#### Net Zero Carbon Primary Care Centre

- The new building will be PHP's first NZC building and one of the first health care buildings to achieve this in the UK
- NZC achieved by measuring, minimising and offsetting embodied carbon from materials as well as enabling occupiers to operate the building with NZC emissions
- The building will also target BREEAM Excellent standards, with high levels of health and wellbeing, low waste and water, responsibly sourced and sustainable materials and bring enhanced ecological features
- Building will be flexible over its lifetime to meet future demand and changing requirements

#### The Future

Let for 25 years to both the local NHS Trust and GP partnership allowing patients and the wider Primary Care Network to access a wide range of health and care services including:

- General practice (physical, telephone, video and minor operations)
- Physiotherapy
- Mental health assessments and practitioners
- Occupational therapy
- Social prescribing
- Care co-ordination
- Clinical pharmacy
- Training for GPs, nurses and paramedics





# INVESTMENT ACTIVITY

- ✓ Disciplined approach to investment in a competitive UK market with a lack of suitable product
- ✓ Nine hub primary care centres acquired in year for £87m, seven in UK and two in Ireland
- ✓ Advanced pipeline totaling £105m across UK (8/£87m) and Ireland (3/£18m or €22m)
- ✓ One secondary asset sold above book value for £2m

## Investment

### Townside Primary Care Centre, Bury



#### Tenants

- ✓ NHS Trust
- ✓ 3 GP Practices
- ✓ Bury Borough Council
- ✓ Pharmacy
- ✓ Virgin Care

Purchased: Q2 2021  
 Cost: **£40.0m**  
 Size: 8,625 sqm  
 No. of GPs: 17  
 Patients: 22,000  
 WAULT: 12.1 years  
 Rent review: OMV

## Investment

### Parkside Medical Centre, Lincolnshire



#### Tenants

- ✓ GP Practice
- ✓ Pharmacy

Purchased: Q4 2021  
 Cost: **£6.8m**  
 Size: 1,772 sqm  
 Number of GPs: 8  
 Patients: 15,000  
 WAULT: 13.5 years  
 Rent review: OMV

## Investment

### Athlone, Co. Westmeath, Ireland



#### Tenants

- ✓ Health Service Executive (HSE)
- ✓ GP Practice
- ✓ Pharmacy

Purchased: Q3 2021  
 Cost: **€10.1m**  
 Size: 4,088 sqm  
 WAULT: 17.5 years  
 Rent review: Irish CPI

## Investment

### Shankill, Dublin, Ireland



#### Tenants

- ✓ Health Service Executive (HSE)
- ✓ GP Practice

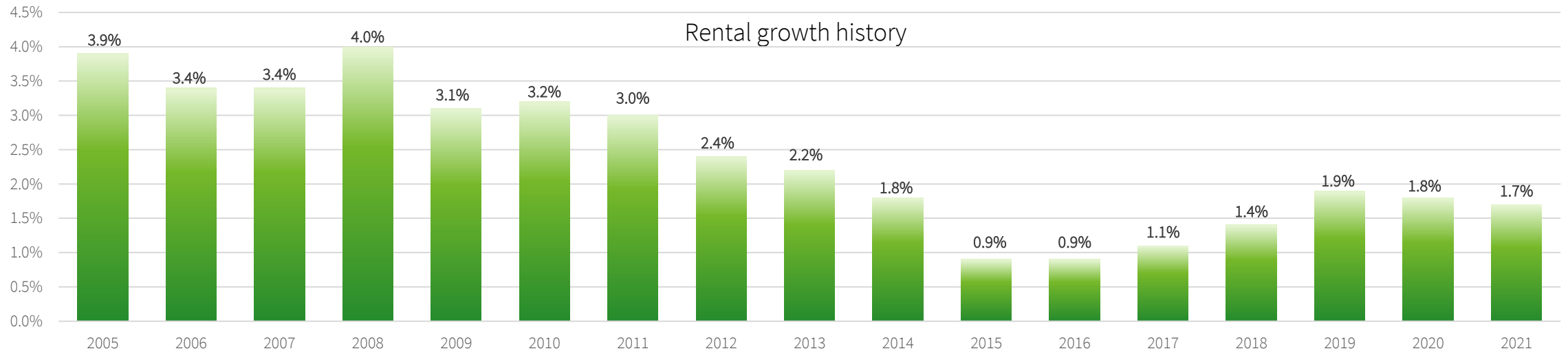
Purchased: Q1 2021  
 Cost: **€3.8m**  
 Size: 1,138 sqm  
 WAULT: 22.9 years  
 Rent review: Irish CPI

# LONG LEASES WITH RENTAL GROWTH POTENTIAL

- Effectively upward only rent roll in UK
- Rents in Ireland linked to Irish CPI
- Total weighted average rental growth **1.7% p.a.**
  - ✓ 69% reviewed to open market (ave. **1.1% p.a.**)
  - ✓ 25% index linked (ave. **2.8% p.a.**)
  - ✓ 6% on fixed uplift (ave. **2.7% p.a.**)

## Drivers of rental growth

- Completion of historic rent reviews – increased momentum
- Increased development activity
- Building cost inflation
- Reducing the NHS carbon footprint
- Building regulations and specification creep
- Replacement cost





# ASSET MANAGEMENT – UPDATING OUR CURRENT PORTFOLIO

- ✓ Limited lease expiry risk, £8.9m or 6% of income expiring in next 3 years, 70% already agreed to renew or subject to a planned asset management project
- ✓ 30 projects completed in year and further nine currently on site, investing £15m, £0.4m additional rent and extending leases back to 20 years
- ✓ Advanced pipeline of 100+ projects over next three years, investing £67m, £1.3m additional rent and extending leases back to 20 years on average

## Extension and refurbishment

### Waterside Medical Centre, Leamington Spa



**Description:** 345 sqm 2 storey extension, to largest GP practice in the area, creating 10 new clinical rooms, remote consulting space and administration/staff space creating more flexible and efficient space reducing work load.

**Services:** The new accommodation will house a significantly wider range of services, including additional clinics for diabetes, family planning and phlebotomy.

Tenants:	GP Practice and Pharmacy
Cost:	£1.8m
Additional rent:	<b>£76k (YOC: 4.3%)</b>
Return on capital:	18%
Number of GPs:	<b>6</b>
Patients:	<b>13,000</b>
WAULT:	24 years
ESG:	Solar, LED lights, boilers, EV
BREEAM/EPC:	Very Good / B

## Refurbishment

### St Stephen's Gate Medical Centre, Norwich



**Description:** Reconfiguration of the existing space, creating 2 new clinical rooms, enhanced treatment and operations suite, flexible accommodation and built to latest NHS/infection control standards.

**Services:** Refurbishment allows a number of services to be transferred from local hospital, including: cataract, hernia, musculoskeletal surgery and a training practice for new doctors

Tenants:	GP Practice and dispensary
Cost:	£0.6m
Additional rent:	<b>£19k (YOC: 3.1%)</b>
Return on capital:	42%
Number of GPs:	<b>8</b>
Patients:	<b>19,000</b>
WAULT:	20 years
ESG:	LED lights, boilers
EPC:	B

## Extension and refurbishment

### Holt Medical Practice, Norfolk



**Description:** 283 sqm extension, to create largest hub facility for local PCN to cope with the growing population, creating new clinical rooms, remote consulting space, training facilities and flexible administration/staff space to reduce work load.

**Services:** allows for a number of services to be transferred from local hospital, including health visitors, therapists, mental health, social prescribing and a training practice for new doctors.

Tenants:	GP Practice and dispensary
Cost:	£0.9m
Additional rent:	<b>£26k (YOC: 2.7%)</b>
Return on capital:	50%
Number of GPs:	<b>10</b>
Patients:	<b>14,000</b>
WAULT:	21 years
ESG:	LED lights, boilers
BREEAM/EPC:	Very Good / B

## Refurbishment

### Kingsway Medical Centre, Luton



**Description:** Reconfiguration of the existing space, creating additional space, remote consulting rooms, flexible accommodation and built to latest NHS/infection control standards.

**Services:** Refurbishment allows for another GP practice to relocate from a non-compliant converted house and existing practice to increase the range of services offered to growing local population becoming the hub facility for local PCN.

Tenants:	NHS and 2x GP Practice
Cost:	£1.7m
Additional rent:	<b>£43k (YOC: 2.6%)</b>
Return on capital:	15%
Number of GPs:	<b>9</b>
Patients:	<b>17,000</b>
WAULT:	21 years
ESG:	LED lights, boilers, eco-cell lift
BREEAM/EPC:	Very Good / B

# PHP'S APPROACH TO ESG

- **Environmental** - committed to transitioning to net zero carbon (NZC) by 2030 for all operational, development and asset management activities
- **Social** - activities result in better patient experiences and have a positive impact on health and wellbeing in our communities
- **Governance** - strong commitment to acting responsibly with integrity and transparency

## Our NZC targets:

All operational, development and asset management activities to be NZC by 2030 and to help our occupiers achieve NZC by 2040

- 2023 – Operations to be NZC with offsetting
- 2025 – All new developments to be NZC
- 2030 – All asset management activities to be NZC and properties to have an EPC of B or better
- 2035 – All buildings to achieve an 80% reduction in carbon footprint
- 2040 – all buildings are NZC across the portfolio





# PREMISES, HEALTH AND PEOPLE: INVESTING IN THE HEALTH AND WELLBEING OF OUR COMMUNITIES

Strategy supports a low carbon approach

- ✓ Operations, developments and asset management activities to be NZC by 2030
- ✓ Operationally light portfolio, assets with low carbon intensity
- ✓ Asset management activity supporting carbon reduction of existing portfolio
- ✓ Supporting occupiers to be NZC by 2040, 5 years ahead of NHS's 2045 target

Strong stewards of underinvested, key social infrastructure assets

- ✓ Experience and capital to improve and extend buildings
- ✓ Six million patients or 9% of UK population registered at PHP's buildings
- ✓ Committed to play a key role in UK's Levelling-Up agenda focused around good health and wellbeing
- ✓ Community Impact Program promoting social prescribing and charitable activities linked to our buildings

Cost effective improvements through lease regears

- ✓ Upgrades to building fabric and systems improving energy consuming features and technologies
- ✓ LED Lights, heat pumps, insulation, solar, EV charging
- ✓ Estimated cost to bring portfolio to EPC rating of B: £15m to £20m, where economically viable, increasing to £35m to £40m for the whole portfolio and will be incurred as part of planned asset management program

Responsible business

- ✓ ESG Committee comprising Board of Directors and Senior Executives
- ✓ Member of Real Estate Balance to address gender and diversity inequality in real estate

**Net Zero Carbon  
by 2030**

**Portfolio EPC ratings A-C  
82%**

2020: 81%

**Projects EPC B or better  
100%**

2020: 100%

**nZEB Standard (Ireland)  
100%**

2020: 100%

**Development BREEAM  
Excellent or Very Good  
100%**

2020: 100%



PIPELINE AND OUTLOOK

ATTRACTIVE TARGETED PIPELINE  
AND POSITIVE OUTLOOK



# FOUNDATIONS FOR FUTURE GROWTH - STRONG PIPELINE OF ACQUISITIONS, DEVELOPMENTS AND ASSET MANAGEMENT PROJECTS

*Total funding requirement of c. £444m over the next 2-3 years to fund a mix of future acquisition pipeline, direct developments and asset management projects*

*Funding requirement*

1

Pipeline	Pipeline of active opportunities, include:	UK	11	£107m
		Ireland	12	£107m (€127m)
		Direct Developments	21	£163m

UK pipeline of c.£270m  
(including 4 / £20m under offer)

Irish pipeline of c.£107m (€127m)  
(including 7 / £80m (€95m) under offer)

2

Asset management projects

Active management of existing assets to create additional value

Property	Number	Asset Management cost
Board approved	24	£17m
Advanced pipeline	80+	£50m

Estimated capex on projects over next 3 years of c. £67m

- Further medium-term pipeline opportunities

# OUTLOOK

- ✓ Long-term demographic, macro and political trends supportive across UK and Ireland
- ✓ Strong stewards of underinvested, key social infrastructure assets with c.40% of all assets in the UK considered unfit for purpose and in need of modernisation
- ✓ Impact of digital being outweighed by increasing demand for modern primary care accommodation and transfer of services out of hospitals
- ✓ Disciplined approach to shareholder returns and capital deployment
- ✓ Continued focus on income and dividend growth
- ✓ Strategy supports a low carbon approach with positive social impact

**26 years of consecutive dividend growth**

**Portfolio**  
**£2.8 billion** (2020: £2.6 billion)

**Rent roll**  
**£141 million** (2020: £135 million)

**Government backed income**  
**90%** (2020: 90%)

**Index linked income**  
**25%** (2020: 25%)

**Occupancy**  
**99.7%** (2020: 99.6%)

**WAULT**  
**11.6 years** (2020: 12.1 years)

**Debt: fixed or hedged**  
**100%** (2020: 100%)



# Further background on PHP



# RENT REVIEW RESULTS

- ✓ £2.0m (1.7% p.a.) increase from 375 rent reviews completed
- ✓ 1.1% p.a. achieved on 235 open market value reviews, including 74 nil increases
- ✓ 2.8% p.a. achieved on 125 indexed linked reviews
- ✓ 2.7% achieved on 15 fixed reviews
- ✓ 635 open market value reviews outstanding with ERV £87.0m or uplift of **£2.1m** equivalent to 0.8% p.a.

Outstanding reviews focused by region	
London and South East	37%
North	26%
Midlands	18%
South West	6%
Wales	10%
Scotland	3%
Ireland	0%
	100%

Year to 31 December 2021	OMV Rent reviews completed		Number of outstanding reviews (current rent)	
	No	%	No	£m
Reviews relating to calendar years:				
2012	1	0.8%	-	-
2013	-	-	2	0.2
2014	1	0.3%	1	0.1
2015	14	1.6%	5	0.7
2016	12	1.4%	24	3.8
2017	16	2.0%	26	3.4
2018	42	1.9%	71	8.9
2019	47	1.2%	93	12.8
2020	26	1.1%	150	22.1
2021	2	0.6%	263	32.9
	161	1.5%	635	84.9
Nil increases	74	0.0%		
Total OMV reviews	235	1.1%		



# PRIMARY HEALTH CARE OPPORTUNITY IN THE UK

- ✓ The UK population has been steadily getting older and this trend is projected to continue in the future.
- ✓ By 2066, it is estimated there will be a further 8.6 million UK residents aged 65 years and over, an increase broadly equivalent to the size of the population of London today, taking the total number in this group to 20.4 million and making up 26% of the total population.
- ✓ In the immediate short term, NHS waiting lists are currently estimated to now stand at c. 6m procedures following the Covid pandemic, with estimates that this could peak at 13m before the backlog is cleared.
- ✓ Meanwhile, the NHS is adopting a new service model where, amongst other targets, patients get joined-up care, including the right to online digital GP consultations.
- ✓ This includes the creation of Integrated Care Systems (“ICS”), schedules to commence on 1<sup>st</sup> July 2022, that will focus on ‘collaboration rather than competition’ and bring together budgets that were previously ‘siloes’ to better serve the overall healthcare needs of a local population.
- ✓ At the same time, GP practices have been encouraged to form Primary Care Networks (“PCN’s”), typically covering 30-50,000 people, to deliver integrated services at scale.
- ✓ To encourage this, Practices will be funded to work together and create genuinely integrated teams of GPs, community health and social care staff.
- ✓ Over the current five-year period, investment in primary medical and community services will grow faster (excluding the impact of the pandemic) than the overall NHS budget, with a ringfenced local fund worth at least an extra £4.5 billion a year in real terms by 2023/24. This includes a target to recruit an additional 26,000 Allied Health Professionals.

# PRIMARY HEALTH CARE OPPORTUNITY IN THE UK

- ✓ However, many GP Premises in the UK remain unfit for their current purpose, let alone this expanded role. Common challenges include lack of space in waiting rooms, consultation rooms and administration space together with growing list sizes and lack of disabled access.
- ✓ In addition, the number of consultations being delivered in primary care is now higher (30.3m appointments in Q4 2021) than it was pre-pandemic (26.8m appointments in Q4 2019).
- ✓ PHP believes that primary health premises have a vital role to play in the immediate short term in alleviating some of the immediate consequences of COVID-19, including the delivery of some of the backlog of treatments as well as new challenges, such as treating 'long-COVID'.
- ✓ Over the medium to longer term, PHP believes its modern, purpose-built premises and its program of active asset management, means its assets are well placed to benefit under the new ICS from the shift of services away from acute hospitals into the community setting.
- ✓ This could particularly be the case for in the provision of services to an ageing population, living for longer, with more incidence of chronic illnesses.
- ✓ PHP also believes that modern, purpose built premises can aid staff retention and recruitment, support the NHS in its drive to become a net zero health care system and have a valuable role to play in the Governments levelling up agenda, where health inequalities continue to exist across the UK.
- ✓ This is in line with fundamental demographic trends and NHS plans, including funding, for primary care to deliver integrated services and 'operate at scale'.



# BALANCE SHEET

£m	31 Dec. 21	31 Dec.20
Investment properties	2,795.9	2,576.1
Cash	33.4	103.6
Debt	(1,232.9)	(1,159.3)
Net debt	(1,199.5)	(1,055.7)
Other net current liabilities	(40.5)	(35.1)
<b>Adjusted net tangible assets (NAV)</b>	<b>1,555.9</b>	<b>1,485.3</b>
Convertible bond fair value adjustment	(21.6)	(25.0)
Fixed rate debt and swap MtM	(30.0)	(42.4)
Deferred tax	(4.4)	(3.5)
IFRS net assets	1,499.9	1,414.4
Fixed rate debt and swap MtM adjustment	(24.5)	(87.9)
EPRA NDV (NNNAV)	1,475.4	1,326.5
<i>Loan to value</i>	<i>42.9%</i>	<i>41.0%</i>
<b>Adjusted NTA per share (pence)</b>	<b>116.7p</b>	<b>112.9p</b>
<i>IFRS NAV per share (pence)</i>	<i>112.5p</i>	<i>107.5p</i>
<i>EPRA NDV per share (pence)</i>	<i>110.7p</i>	<i>100.8p</i>
<i>Number of shares (millions)</i>	<i>1,332.9</i>	<i>1,315.6</i>

# SPREAD OF FUNDING SOURCES

	Secured facilities <sup>3</sup>								
Provider	Barclays	RBS <sup>1</sup>	HSBC	Lloyds	Santander	Secured bond	Aviva	Secured bond	Aviva
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet	Bullet
Expiry	Dec-2023	Oct-2024	Nov-2024	Dec-2024	Jan-2025	Dec-2025	Oct-2036	Mar-2027	Nov-2028
Facility	£100m	£100m	£100m	£50m	£50m	£70m	£200m	£100m	£75m
Drawn	£nil	£86m	£25m	£39m	£nil	£70m	£200m	£100m	£75m
Collateral <sup>2</sup>	£215m	£204m	£197m	£104m	£104m	£126m	£409m	£183m	£151m
Contracted rent	£10m	£10m	£9m	£5m	£5m	£7m	£20m	£9m	£8m
LTV Max	60%	55%	67.5%	65%	60%	74%	65%	70%	70%
LTV actual	n/a	42%	13%	37%	n/a	56%	49%	55%	50%
ICR Min	1.5x	1.5x	2.0x	1.75x	1.75x	1.15x	2.25x	1.15x	1.6x
ICR actual	n/a	4.6x	26.7x	7.1x	n/a	3.75x	4.0x	3.1x	3.3x
Valuation fall to breach	£215m	£47m	£159m	£45m	£104m	£43m	£101m	£6m	£44m
Income fall to breach	£10m	£7m	£8m	£4m	£5m	£5m	£9m	£7m	£4m

1. Excludes unsecured £5m overdraft facility
2. Includes only assets mortgaged to the applicable facility
3. All data proforma as at 31 December 2021



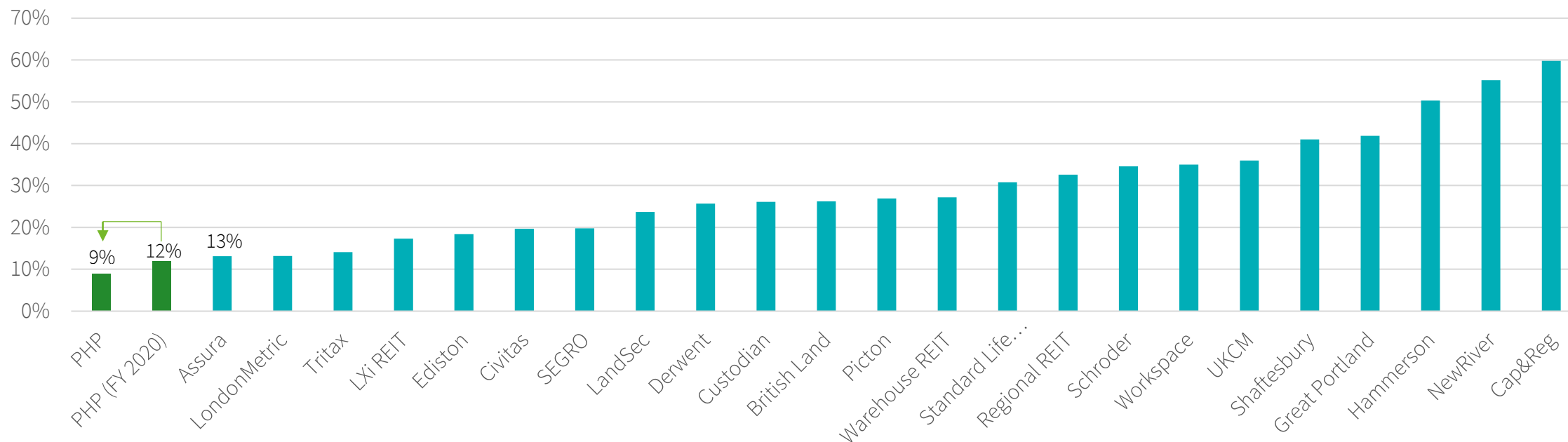
# SPREAD OF FUNDING SOURCES (CONTINUED)

	Secured facilities <sup>3</sup>						Unsecured facilities <sup>1</sup>	Cash/Unfettered assets	Total
Provider	Ignis	Standard Life	Euro PP	Euro PP	MetLife Euro PP	Aviva	Convertible bond		
Tenor	Bullet	Bullet	Bullet	Bullet	Bullet	Amortising	Bullet		
Expiry	Dec-2028	Sept-2028	Dec-2028 Dec-2030	Sept-2031	Feb-2034	Sept-2033	Jul-2025		
Facility	£50m	£78m	£43m (€51m)	£59m (€70m)	£63m (€75m)	£258m	£150m	-	£1,546m
Drawn	£50m	£78m	£43m (€51m)	£59m (€70m)	£63m (€75m)	£258m	£150m	(£96m)	£1,200m
Collateral <sup>2</sup>	£84m	£126m	£75m	£103m	£136m	£470m	-	£109m	£2,796m
Contracted rent	£5m	£6m	£4m (€5m)	£6m (€7m)	£6m	£24m	-	£7m	£141m
LTV Max	74%	74%	70%	70%	50%	75%	-	-	
LTV actual	60%	61%	57%	57%	46%	55%	-	-	
ICR Min	1.15x	1.15x	1.15x	1.15x	1.5x	1.4x	-	-	
ICR actual	2.4x	2.2x	4.0x	6.3x	6.4x	2.0x	-	-	
Valuation fall to breach	£16m	£21m	£14m	£22m	£10m	£126m	-	£109m	£1,082
Income fall to breach	£2m	£3m	£3m	£4m	£5m	£7m	-	£7m	£90m

1. Excludes unsecured £5m overdraft facility
2. Includes only assets mortgaged to the applicable facility
3. All data proforma as at 31 December 2021

# EPRA COST RATIO

	31 December 2021 £m	31 December 2020 £m
Gross rent less ground rent, service charge and other income	139.6	134.6
Direct property expense	8.9	7.8
Less: service charge costs recovered	(5.8)	(4.3)
Non-recoverable property costs	3.1	3.5
Administrative expenses	10.5	13.2
Less: ground rent	(0.2)	(0.2)
Less: other operating income	(0.4)	(0.4)
EPRA costs (including direct vacancy costs)	13.0	16.1
EPRA cost ratio	9.3%	11.9%
Administrative expenses as a percentage of gross asset value	0.4%	0.5%





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February 2022