



PALACE CAPITAL plc

INTERIM RESULTS
INVESTOR PRESENTATION - NOV 2016

Chief Executive - Neil Sinclair
Finance Director - Stephen Silvester
Executive Director - Richard Starr

Introduction & Highlights

NEIL SINCLAIR, CHIEF EXECUTIVE

Financial Results

STEPHEN SILVESTER, FINANCE DIRECTOR

Portfolio Review

RICHARD STARR, PROPERTY DIRECTOR

Conclusions

NEIL SINCLAIR, CHIEF EXECUTIVE

Q&A



WHO ARE PALACE CAPITAL plc?

Palace Capital is a listed property investment company that focuses on real estate outside London.

Our Modus Operandi is to generate income & capital returns to deliver a progressive dividend and net asset value growth.





OUR STRATEGY

To invest in regional commercial property outside of London, through corporate & direct property investment, diversified by sector and location.



ACTIVE ASSET MANAGEMENT

We enhance income returns and reduce vacant costs through active asset management



INCOME & CAPITAL GROWTH

We generate income and capital growth through refurbishment and development initiatives



RECYCLE CAPITAL

We recycle capital through disposals to release equity for further investment



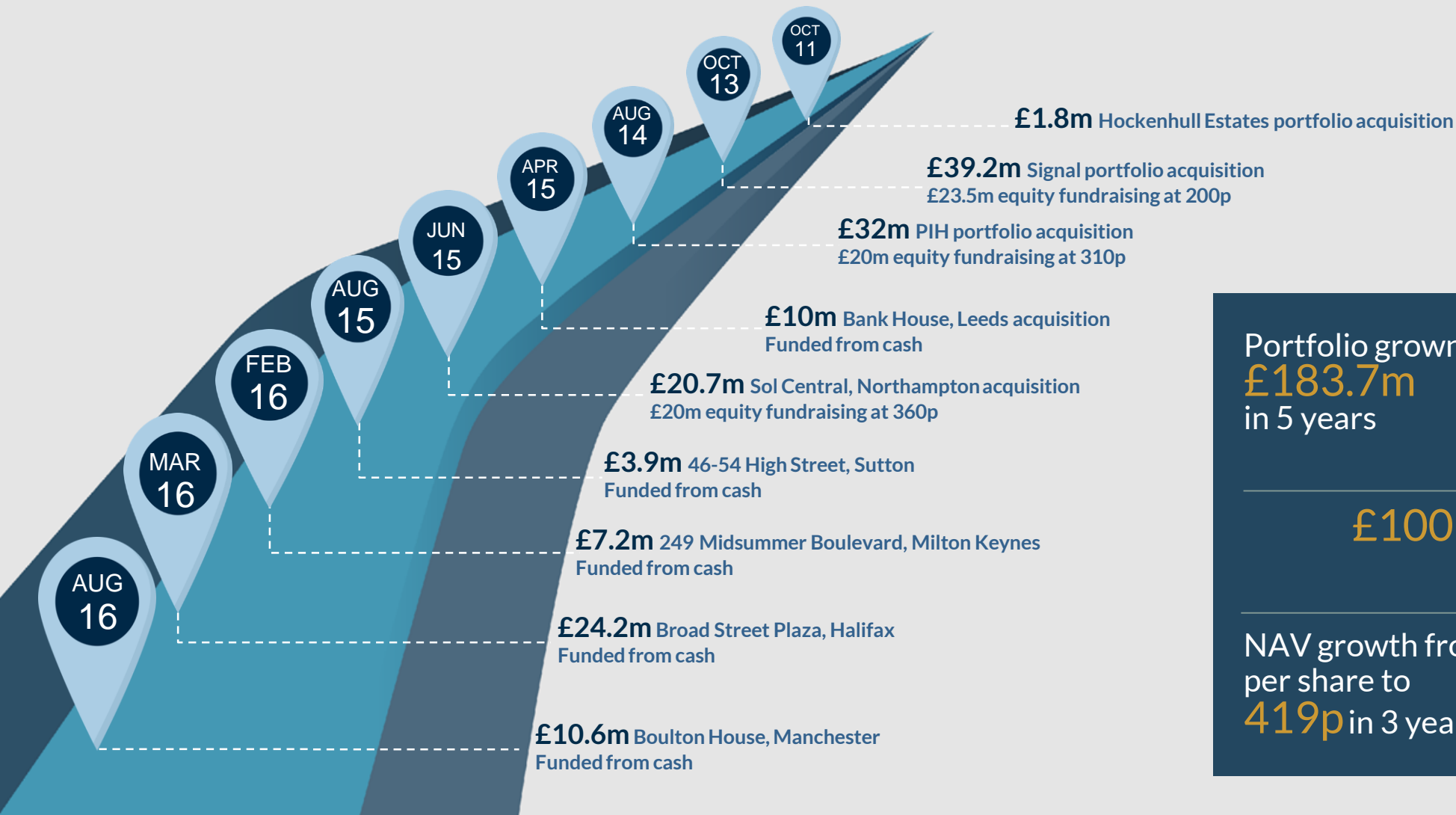
OPPORTUNISTIC ACQUISITIONS

We make corporate and direct property acquisitions

GROWTH STORY



PALACE CAPITAL plc



Portfolio grown to
£183.7m
in 5 years



£100k to over £100m
Net Asset Value

NAV growth from 218p
per share to
419p in 3 years





HIGHLIGHTS: 30 SEP-2016

OPERATIONAL HIGHLIGHTS

- Completion of Boulton House, Manchester acquisition for £10.6m in August 2016
- £13.7m contracted gross rental income at 30 Sep-16 (31 Mar-16: £13.5m)
- Sale of 5 small properties for £0.9m above March 2016 book value
- Resolution to grant planning consent on Hudson House, York to convert into 82 apartments and 37,000 sq. ft. of offices

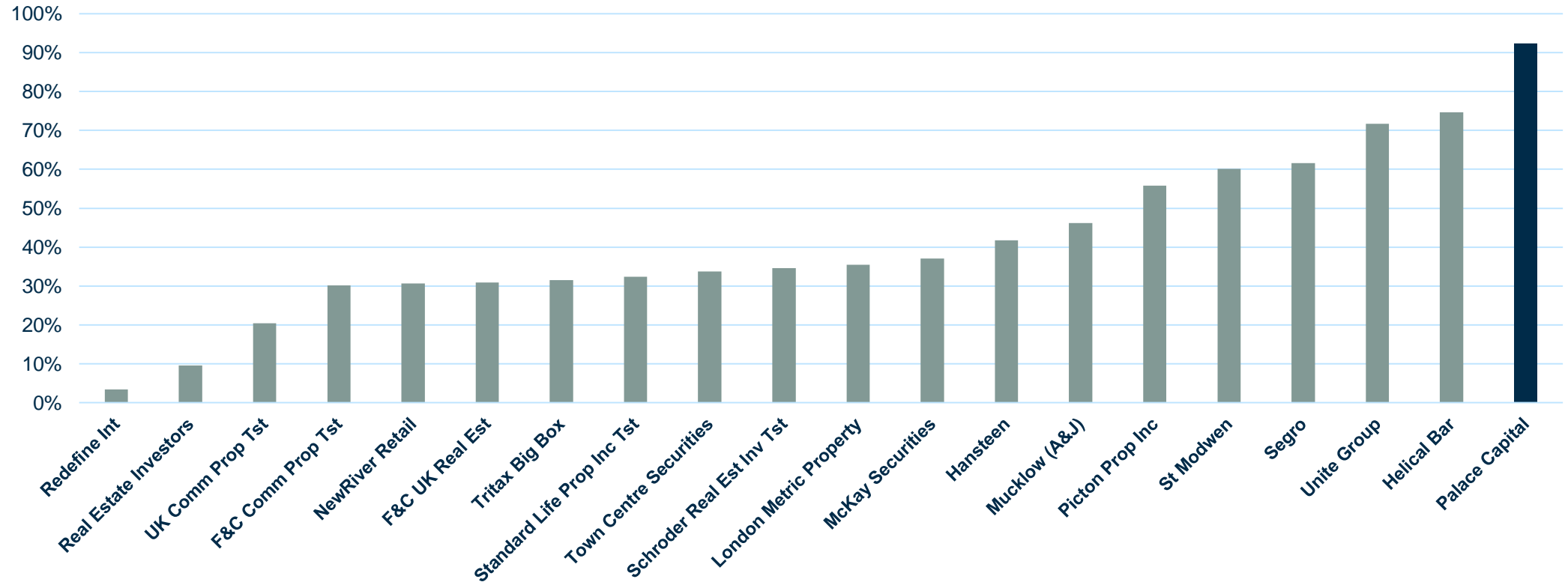
FINANCIAL HIGHLIGHTS

- NAV per share growth +1.2% to 419p
- Profit before tax £3.9m
- Interim dividend of 9p per share (up 29% on HI Sep-15)
- Portfolio valued at £183.7m (+1.2% like-for-like)
- LTV of 39%
- Average cost of debt reduced to 2.9% (Mar-16: 3.1%)
- Broad Street Plaza, Halifax debt refinance completed with Scottish Widows for 10 years fixed at 2.9%



PEER GROUP PERFORMANCE COMPARISON

NAV per share since Sequel transaction (3 years) to 30 Sep-16



Source: Arden Partners plc

Palace Capital have outperformed the above peer group over the past 3 years, when measuring NAV per share growth.



FINANCIAL RESULTS

	H1 Sep-16	H1 Sep-15	FY Mar-16
BALANCE SHEET			
Property Portfolio	£184.8m	£140.4m	£174.5m
Net Assets	£107.5m	£104.9m	£106.8m
EPRA NAV per Share	419p	407p	414p
Loan to Value	39%	23%	37%
INCOME STATEMENT			
Profit Before Tax	£3.9m	£7.6m	£11.8m
Adjusted Earnings After Tax*	£2.8m	£2.1m	£4.6m
Adjusted EPS	10.8p	9.1p	18.9p
Dividend per Share	9p	7p	16p
Dividend Cover	1.2x	1.3x	1.2x

*Excludes non-recurring income and expenditure such as the £3.2 million surrender premium received from Gala in FY 2016 with revaluation gains on properties and realised profit on disposals stripped out.

EPRA is the European Public Real Estate Association.

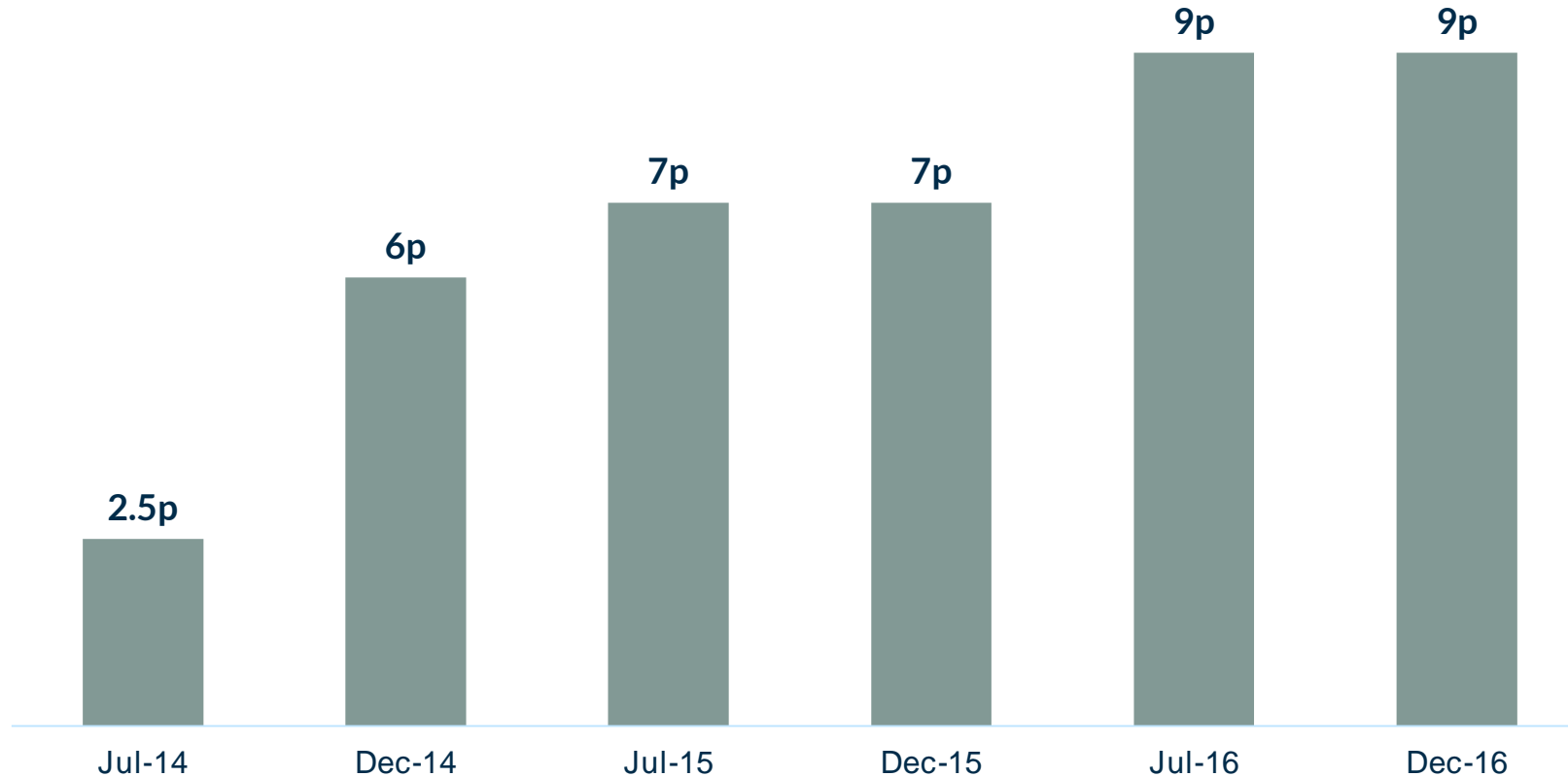


EARNINGS

	H1 Sep-16 £000's	H1 Sep-15 £000's	FY Mar-16 £000's
Net Rental Income	5,936	4,484	9,797
Administrative Expenses	(1,274)	(985)	(1,938)
Net Finance Costs	(1,419)	(983)	(2,264)
Adjusted Earnings Before Tax	3,243	2,516	5,595
Tax Charge	(464)	(396)	(953)
Adjusted Earnings After Tax	2,779	2,120	4,642
Revaluation Gains	521	2,308	3,620
Profits on Disposal	873	208	290
Cost of Acquisitions	(489)	(413)	(815)
Surrender Premium	-	3,000	3,172
Non-recurring net costs	(238)	(50)	(110)
Profit after tax	3,446	7,173	10,799



DIVIDENDS – Track Record of delivering progressive dividend



Proposed interim dividend of 9p , up 29% on December 2015 interim dividend. Ex-dividend date 8 December 2016, record date 9 December 2016, payment date 30 December 2016.

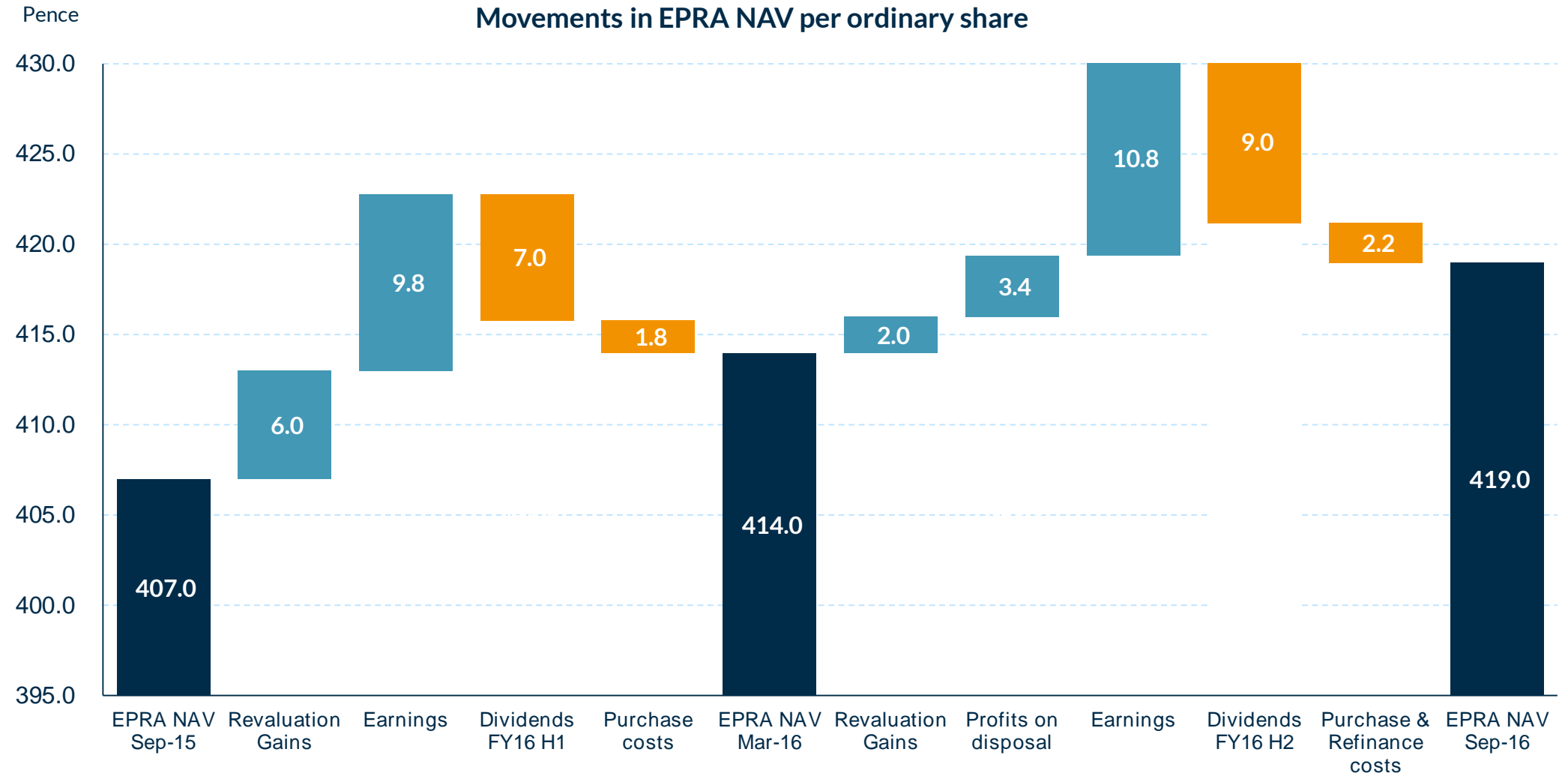


BALANCE SHEET

	30 Sep-16 £000's	31 Mar-16 £000's
Property Portfolio	184,787	174,542
Cash	9,347	8,576
Borrowings	(80,760)	(71,944)
Other Net Assets / (Liabilities)	(5,838)	(4,359)
Net Assets	107,536	106,815
NAV per share	419p	414p
LTV %	39%	37%



EPRA NAV



EPRA is the European Public Real Estate Association.



DEBT SUMMARY

Portfolio/Asset	Lender	Debt Facility (£m)	Debt Drawn (£m)	Years	Debt Maturity
Broad Street Plaza, Halifax	Scottish Widows	15.2	15.2	9.8	04/07/2026
PIH and Properties Portfolios	NatWest	29.8	26.2	4.4	09/03/2021
Signal Portfolio	Nationwide	19.2	19.2	4.1	30/09/2020
Sol Central, Northampton	Santander	9.9	9.9	3.7	15/06/2020
Boulton House, Manchester	Santander	6.0	6.0	3.7	15/06/2020
Bank House, Leeds	Lloyds	4.2	4.2	2.6	28/04/2019
Hockenhull Portfolio	Close Brothers	1.2	1.2	1.0	30/09/2017
TOTAL		85.5	81.9	5.1	

	30 Sep-16	31 Mar-16
Property Portfolio	£184.8m	£174.5m
Gross Debt	£81.9m	£72.7m
Debt net of cash	£72.6m	£64.1m
Loan to Value (LTV)	39%	37%
Weighted average cost of debt	2.9%	3.1%
Interest cover	3.0x	3.5x

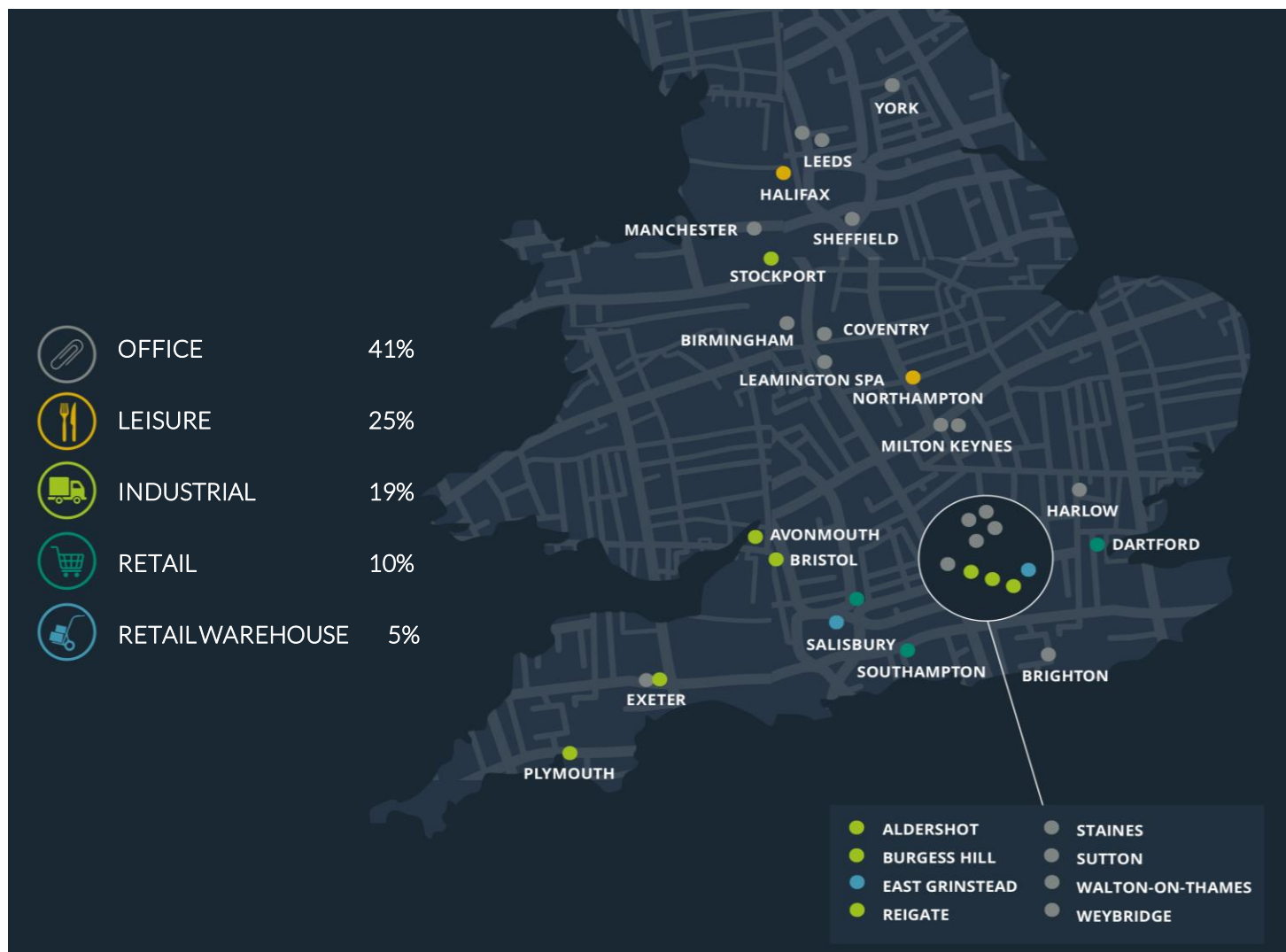
£85.5m
debt facilities



PROPERTY PORTFOLIO



PALACE CAPITAL plc



PROPERTY VALUATION	£183.7m
CONTRACTUAL RENTAL INCOME	£13.7m
NET RENTAL INCOME	£11.7m
OCCUPANCY	89%
WALT (to break)	5.8 years













PORTFOLIO METRICS

The portfolio is diversified by both sector and geographically and has no exposure to Central London.

The top 10 tenants contribute 32.6% of all contractual income, providing security of income streams on the basis of strong credit ratings and low risk of default.

TOP 10 TENANTS

Tenant	Industry	Contracted Rent £'000	% of total rent roll
 Vue	Leisure	865	6.3%
 Rockwell Automation	Auto	774	5.7%
 WALKER MORRIS	Legal	573	4.2%
 ACCOR HOTELS	Hotels	510	3.7%
 Wickes	Retail	355	2.6%
 brose Technik für Automobile	Auto	325	2.4%
 BRAVISSIMO	Retail	284	2.1%
 NHS	Health	262	1.9%
 The Forensic Science Service	Research & Development	260	1.9%
 APCOA PARKING	Car Parking	250	1.8%
TOTAL		4,458	32.6%

GEOGRAPHY

Sector	Exposure
East	3.0%
North West	8.0%
South West	9.8%
South	7.5%
South East	17.4%
Yorkshire	28.3%
Midlands	26.0%

Source: Cushman & Wakefield Independent Valuation Reports 30 September 2016



HUDSON HOUSE, YORK



| OFFICE

HUDSON HOUSE, YORK

- 102,000 sq ft
- Well located in the heart of York
- Fast non-stop train service into London
- Approval secured for change of use to 139 residential apartments in February 2016
- Resolution to grant permission in April 2016 from City of York Council to convert building to 82 apartments and 37,000 sq ft of offices
- Plans to redevelop entire site due to be submitted by Spring 2017
- The Board continues to evaluate options to maximise value on this strategic site





BROAD STREET PLAZA, HALIFAX

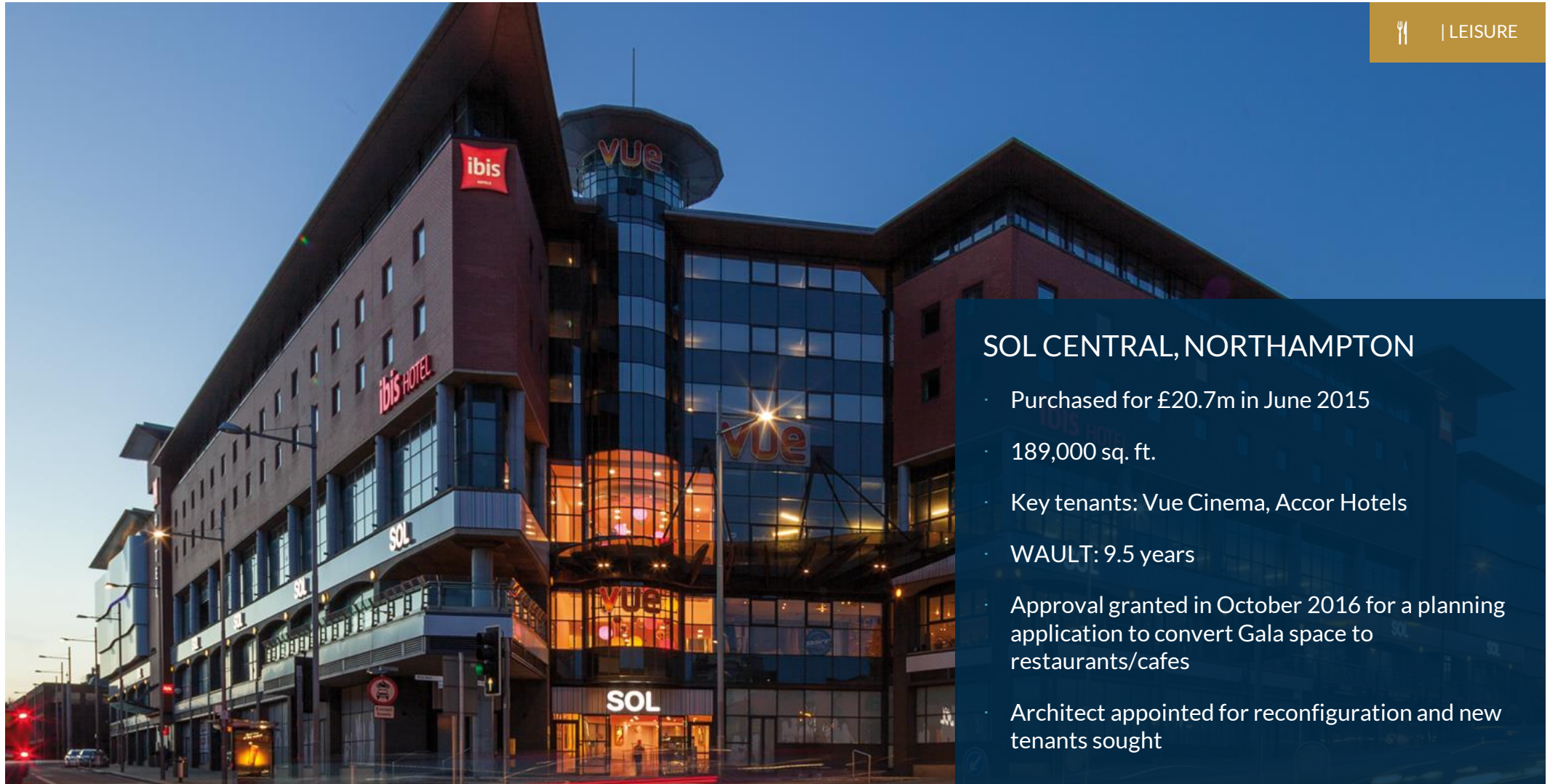


| LEISURE

BROAD STREET PLAZA, HALIFAX

- Purchased for £24.2m in March 2016.
- 118,000 sq. ft.
- Key tenants: Vue Cinema, Pizza Express, JD Wetherspoon, Apcoa, NHS, Mitchells & Butlers, TGI Fridays
- WAULT: 13.5 years
- ROE: 16% in 2017
- New 10 year debt facility £15.2m , 2.9% fixed
- Significant capital allowances available to offset taxable profits





SOL CENTRAL, NORTHAMPTON

- Purchased for £20.7m in June 2015
- 189,000 sq. ft.
- Key tenants: Vue Cinema, Accor Hotels
- WAULT: 9.5 years
- Approval granted in October 2016 for a planning application to convert Gala space to restaurants/cafes
- Architect appointed for reconfiguration and new tenants sought

BOULTON HOUSE, MANCHESTER



PALACE CAPITAL plc

| OFFICE

BOULTON HOUSE, MANCHESTER

- Purchased for £10.6m in August 2016
- 75,000 sq. ft.
- Key tenants: Learn Direct, Trillium, Northern Rail
- WAULT: 1.8 years
- Vacant space and entrance refurbishment underway
- Medium term development potential

BANK HOUSE, KING STREET, LEEDS

- Purchased for £10m in April 2015
- 88,000 sq. ft.
- Key tenants: Bank of England, Walker Morris Solicitors
- WAULT: 3.0 years
- Occupancy: 75%
- Vacant space refurbishment underway to make 17,000 sq ft available early 2017



SOLARIS HOUSE, MILTON KEYNES

| OFFICE

SOLARIS HOUSE, MILTON KEYNES

- Adjoining units refurbished and let to Rockwell on 12 year lease to Dec 2026
- Vacant unit currently being refurbished to same specification
- Available for letting early 2017



	Market Value 30 Sep-16 £m	Market Value 31 Mar-16 £m	Surplus/ (deficit) £m	Movement %
Offices	£66.0	£66.0	£0.0	0.02%
Industrial	£37.4	£36.7	£0.7	1.71%
Leisure	£42.8	£42.6	£0.2	0.58%
Retail	£18.9	£17.4	£1.5	7.64%
Retail Warehouse	£7.5	£7.8	-£0.3	-4.01%
Like-for-like	£172.6	£170.5	£2.1	1.23%
Acquisitions	£11.1			
Disposals		£2.9		
Total property portfolio	£183.7	£173.4		

Source: Cushman & Wakefield Independent Valuation Reports 30 September 2016



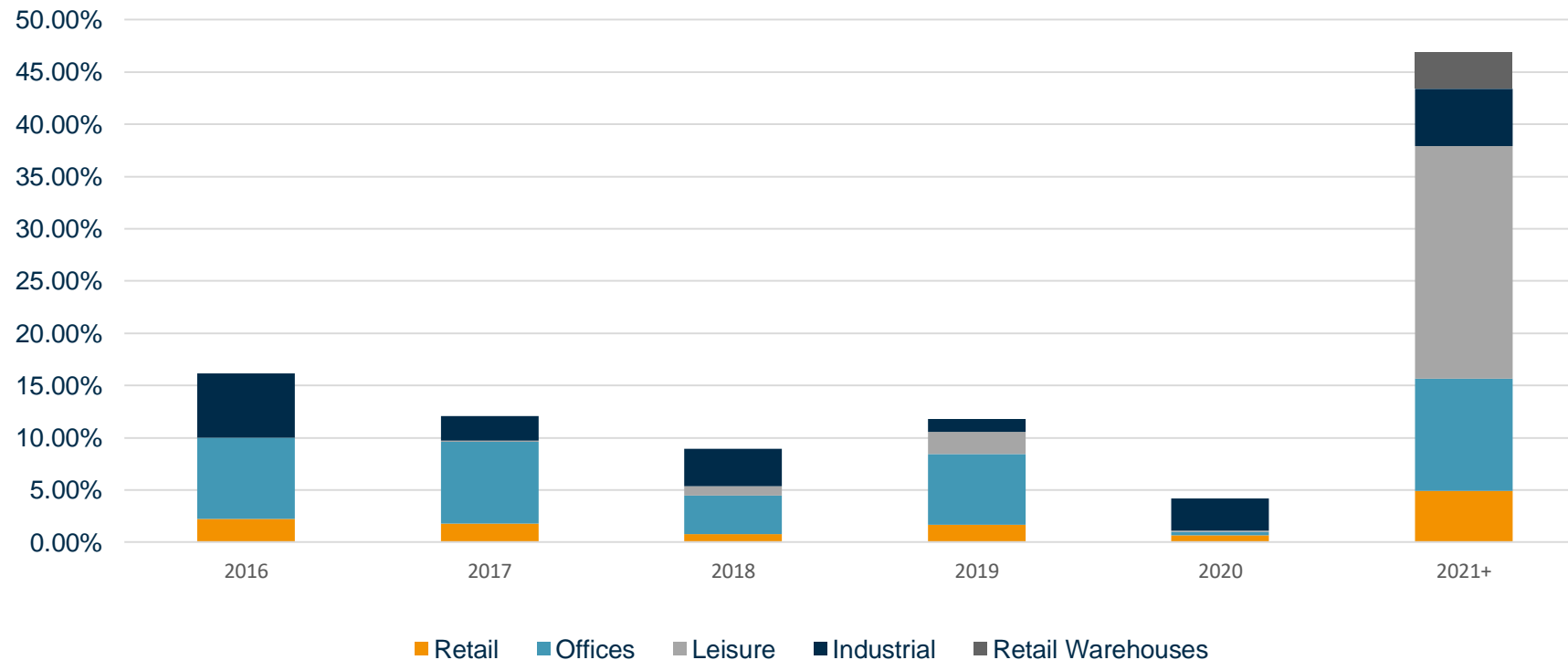
PORTFOLIO ANALYSIS

	Market Value (£)	% of Portfolio by Market Value	No. Properties	No. Leases	Area (sq. ft.)	Gross Rental Income (£ p.a.)	ERV (£ p.a.)	WAULT To Break (yrs)
Retail	18,880,000	10.28%	13	51	109,860	£1,647,412	£1,657,940	3.6
Offices	77,125,000	42.00%	18	94	685,624	£5,051,883	£7,404,506	3.6
Leisure	42,800,000	23.31%	2	26	247,470	£3,466,916	£3,393,975	12.3
Industrial	37,355,000	20.34%	16	37	668,334	£2,985,410	£3,324,174	4.7
Retail Warehouse	7,490,000	4.07%	1	2	30,672	£467,363	£490,400	9.6
TOTAL:	183,650,000		50	210	1,741,960	£13,618,984	£16,270,995	5.8

Source: Cushman & Wakefield Independent Valuation Reports 30 September 2016

Weighted average unexpired lease term of 5.8 years at 30 September 2016

Lease Expiries by gross rental income (%)





TOP 10 ASSETS

TOP 10 ASSETS MAKE UP 60% OF OUR TOTAL PORTFOLIO

	% of Portfolio by Market Value	Market Value 30 Sep-16	Area (Sq. ft.)	Gross Rental Income (£ p.a.)	WAULT To Break (yrs)
Broad Street Plaza, Halifax	13%	£24.25m	117,767	£1,785,285	13.5
Sol Central, Northampton	10%	£18.55m	129,703	£1,741,131	9.5
Hudson House, York	8%	£14.90m	101,686	£318,192	1.3
Boulton House, Manchester	6%	£11.10m	75,333	£725,912	1.8
Bank House, Leeds	5%	£10.00m	88,036	£690,298	3.0
Units A&B, Imberthorne Lane, East Grinstead	4%	£7.49m	30,672	£467,363	9.6
249 Midsummer Blvd, Milton Keynes	4%	£7.425m	49,814	£460,984	3.1
2-4 Pitfield Farm, Milton Keynes	4%	£6.65m	52,818	£398,916	10.2
Imperial Court, Imperial House & 16 Cross Street , Leamington Spa	3%	£5.95m	40,617	£526,700	4.8
Point Four Industrial Estate, Avonmouth	3%	£5.69m	84,748	£346,213	4.1
TOTAL	60%	£112.00m	771,194	£7,460,994	



CONCLUSIONS

- Palace Capital has consistently out-performed the market – NAV up 92% in 3 years
- Property valuations are up 1.2% like for like in the 6 months despite the shock of the Brexit vote
- We have established a top class team and platform with a scalable business model and ambition to match
- Continue to source and execute off-market transactions
- Confident in our ability to deliver resilient and growing income and capital returns
- Recycling of capital from low-growth assets into selective new opportunities
- Supply/demand imbalance for regional commercial properties and historically low interest rate environment
- Aspiration to join the official List of LSE



HIGHLIGHTS: 30 SEP-2016

FINANCIAL HIGHLIGHTS - HI SEPT 2016

- Market cap of c. £90m
- Profit before tax £3.9m
- Dividend per share of 9p (+29%)
- Annualised dividend yield 5%
- NAV per share 419p (+1.2%)
- LTV of 39%
- Cost of debt 2.9%

LSE: PCA



INVESTMENT PORTFOLIO

- £183.7m property portfolio across the UK
- Portfolio valuation increased 1.2% like-for-like
- Net Equivalent Yield: 8.0%
- Occupancy: 89%
- Weighted average lease length: 5.8 years
- Diversified both geographically & by sector



SELECTION FROM THE PORTFOLIO



SELECTION FROM THE PORTFOLIO





NEIL SINCLAIR
CHIEF EXECUTIVE



RICHARD STARR
PROPERTY DIRECTOR



STEPHEN SILVESTER
FINANCE DIRECTOR