



PALACE CAPITAL plc

THE REGIONAL PROPERTY INVESTMENT COMPANY

Investor presentation – Interim Results to 30 Sep 2017

December 2017



Uniquely positioned
Sector-leading



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, EXECUTIVE DIRECTOR

Conclusions

NEIL SINCLAIR, CHIEF EXECUTIVE

Q&A



PRESENTATION TEAM



PALACE CAPITAL plc



NEIL SINCLAIR
CHIEF EXECUTIVE



STEPHEN SILVESTER
FINANCE DIRECTOR



RICHARD STARR
EXECUTIVE DIRECTOR



INTRODUCTION

- Palace Capital is a unique AIM-listed UK commercial real estate investment company, focused outside London.
- It has been identified by the London Stock Exchange as one of the top 25 property growth companies for 2017.
- Palace Capital has grown its NAV per share by 107% since October 2013.

ACTIVE ASSET MANAGEMENT

We enhance income returns and reduce vacant costs

STRATEGIC CAPEX AND DEVELOPMENT

We generate income and capital growth through refurbishment and development initiatives

OPPORTUNISTIC ACQUISITIONS

We make corporate and direct property acquisitions

RECYCLE CAPITAL

We recycle capital through disposals to release equity for further investment



PROGRESSIVE
DIVIDEND
POLICY

INCOME &
CAPITAL
RETURNS

MAXIMISE
SHAREHOLDER
VALUE



RETAIL &
RETAIL WAREHOUSE

INDUSTRIAL

OFFICE

LEISURE



FINANCIAL

- Interim dividend up 5.6% to 9.5p (H1 2017: 9p)
- EPRA NAV per share 451p +1.8% (Mar-17: 443p)
- Portfolio Valuation £202.8m +10.7% (Mar-17: £183.2m) an increase of 1.5% like for like
- IFRS profit before tax £4.9m +25.6% (H1 2017: £3.9m)
- Adjusted EPS* 12.8p +18.5% (H1 2017: 10.8p)
- Average cost of debt 2.9% (Mar-17: 2.9%)

* Adjusted EPS is recurring earnings per share, excluding one-off exceptional items and fair value movements

OPERATIONAL

- Contracts exchanged for the transformational £68m acquisition of RT Warren (Investments)Ltd completed post period-end on 9th October 2017
- Corporate acquisition of St James Gate, Newcastle-upon-Tyne for £20m showing 8.6% net initial yield
- Planning consent secured at 2-acre Hudson House site, Toft Green, York for 127 apartments, 34,000 sq ft offices, 5,000 sq ft retail & car parking
- Annualised contracted rental income now £14.1m, up 11% (Mar-17: £12.7m)
- Refinancing of £27.0m debt facility for 5 years with Santander UK on Boulton House Manchester, Sol Central Northampton & St James Gate Newcastle-upon-Tyne
- Application to join the Official List of the London Stock Exchange expected in 2018
- Overall occupancy (excluding Hudson House) 89% (Mar-17: 91%)
- WAULT of 5.2 years to break (Mar-17: 5.8 years)



POST FUNDRAISE ACTIVITY

- Progress securing JV partner at Hudson House, York
- London Court, Southampton let within six weeks of R.T. Warren ownership
- Two vacant property sales due to complete before Christmas, reducing shortfalls
- Asset management at Farnborough, Kettering, Newbury and East Grinstead increasing income by £147,000 p.a.
- Residential portfolio from R.T. Warren prepared for sale in 2018
- HOTs signed with Barclays to re-finance the £14.5m facility from RT Warren into a new £40m, 5 year facility
- Save the Date - site visit for investors planned for 6th February 2018





FINANCIAL RESULTS

BALANCE SHEET	Sep-17	Mar-17	Movement
Property Portfolio	£202.8m	£183.2m	+11%
Net Assets	£111.6m	£109.6m	+1.8%
EPRA NAV per Share	451p	443p	+1.8%
Loan to Value	42%	37%	-
INCOME STATEMENT	H1 2018	H1 2017	Movement
IFRS Profit Before Tax	£4.9m	£3.9m	+26%
Adjusted PBT*	£3.7m	£3.2m	+16%
Adjusted EPS	12.8p	10.8p	+19%
Dividend per share	9.5p	9.0p	+5.6%
Dividend cover	1.3x	1.2x	-

*Excludes non-recurring income and expenditure, revaluation gains on properties and realised profit on disposals
EPRA is the European Public Real Estate Association.

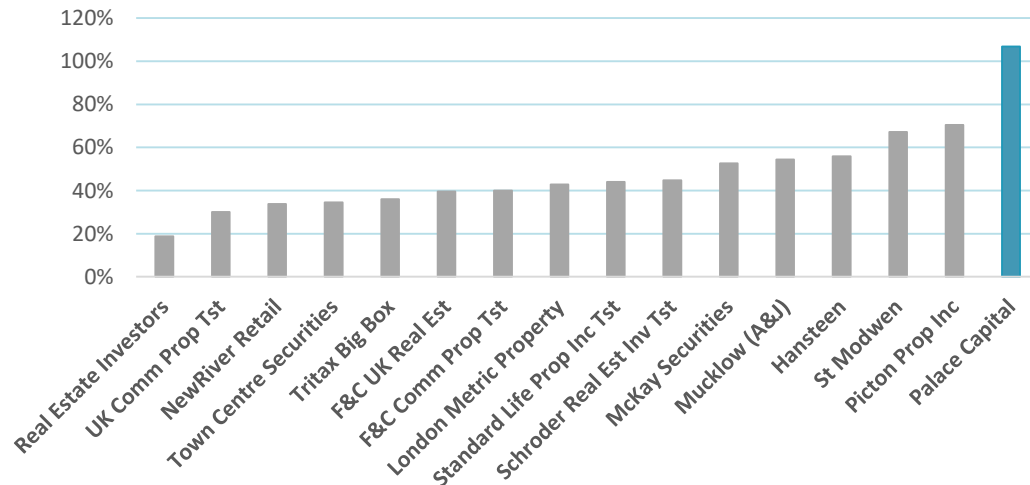
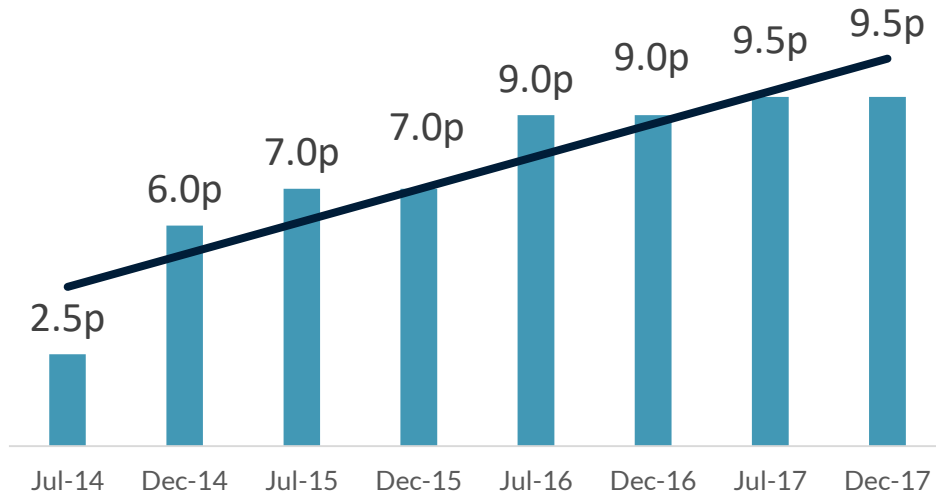


EARNINGS

	H1 2018 £m	H1 2017 £m	Movement
Net Rental Income	6.5	5.9	+10%
Administrative Expenses	(1.4)	(1.3)	
Net Finance Costs	(1.4)	(1.4)	
Adjusted Profit Before Tax	3.7	3.2	+16%
Tax Charge	(0.5)	(0.5)	
Adjusted Profit After Tax	3.2	2.7	+19%
Revaluation Gains	1.4	-	
Profits on Disposal	(0.2)	0.9	
Non-recurring net costs	-	(0.2)	
Profit after tax	4.4	3.4	+29%
Basic EPS	17.3p	13.4p	
Adjusted EPS	12.8p	10.8p	



DIVIDENDS & PERFORMANCE



Track Record of delivering progressive dividend

INCOME

- Interim dividend of 9.5p payable 29th Dec-17 (to all 45.8m shares currently in issue)
- Ex div date 7th Dec-17
- Record date: 8th Dec-17
- Dividend cover: 1.3x for 6 months to 30 Sep-17
- Announced moving to quarterly dividend starting April 2018
- Analysts forecast dividend yield of 7% over next 12 months (based on 5 quarters of dividends and equity raised in Oct-17 at 340p issue price)

CAPITAL

- NAV growth: 107% to 451p (Sep-13: 218p)



BALANCE SHEET

	Sep-17 £m	Mar-17 £m
Property Valuations	202.8	183.2
Cash	8.7	11.2
Borrowings	(92.7)	(77.8)
Other Net Assets / (Liabilities)	(4.7)	(4.8)
EPRA Net Assets	114.1	111.8
Deferred Tax Liability	(2.5)	(2.2)
Net Assets	111.6	109.6
NAV per share	442p	436p
EPRA NAV per share	451p	443p
LTV %	42%	37%
CAPITAL GROWTH	6 months	12 months
NAV per share Growth	1.8%	7.0%
Accounting return	3.8%	11.4%
Total shareholder return (TSR)	4.0%	7.4%



DEBT SUMMARY

Lender	Debt Facility (£m)	Debt Drawn (£m)	Years	Debt Maturity	
Scottish Widows	14.8	14.8	8.8	06/07/2026	100% fixed
NatWest	31.3	31.3	3.4	11/03/2021	Includes £20m RCF
Nationwide	16.8	16.8	3.1	11/11/2020	To be refinanced in 2018
Santander	27.0	27.0	4.8	03/08/2022	Refinanced in this period
Lloyds	3.9	3.9	1.6	28/04/2019	100% floating
	93.8	93.8	4.6		

	Sep-17	Mar-17
Property Portfolio	£202.8m	£183.2m
Gross Debt	£93.8m	£78.7m
Debt net of cash	£85.1m	£66.6m
Loan to Value (LTV)	42%	37%
Weighted average cost of debt	2.9%	2.9%
Fixed Debt	26%	32%
Interest cover	3.5x	3.5x

£93.8m
debt facilities

Strong relationship with existing lenders

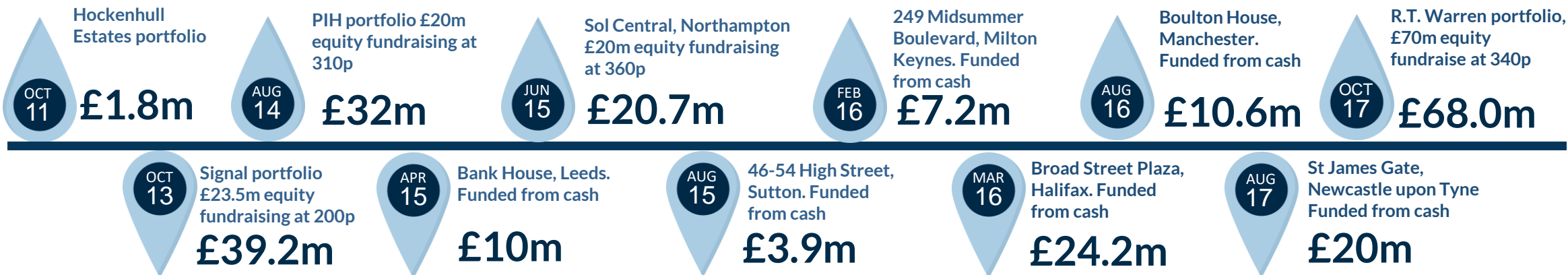
Low cost of debt maintained with flexibility for refinancing

New £14.5m Barclays facility post period end from RT
Warren acquisition to be refinanced for 5 years in 2018

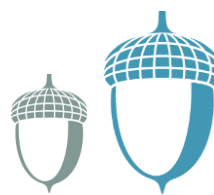




PROPERTY ACQUISITION STORY



Since October 2011



Total equity raised

(inc. £70m post period end):

£134m



Portfolio grown

£1.8m to £275m

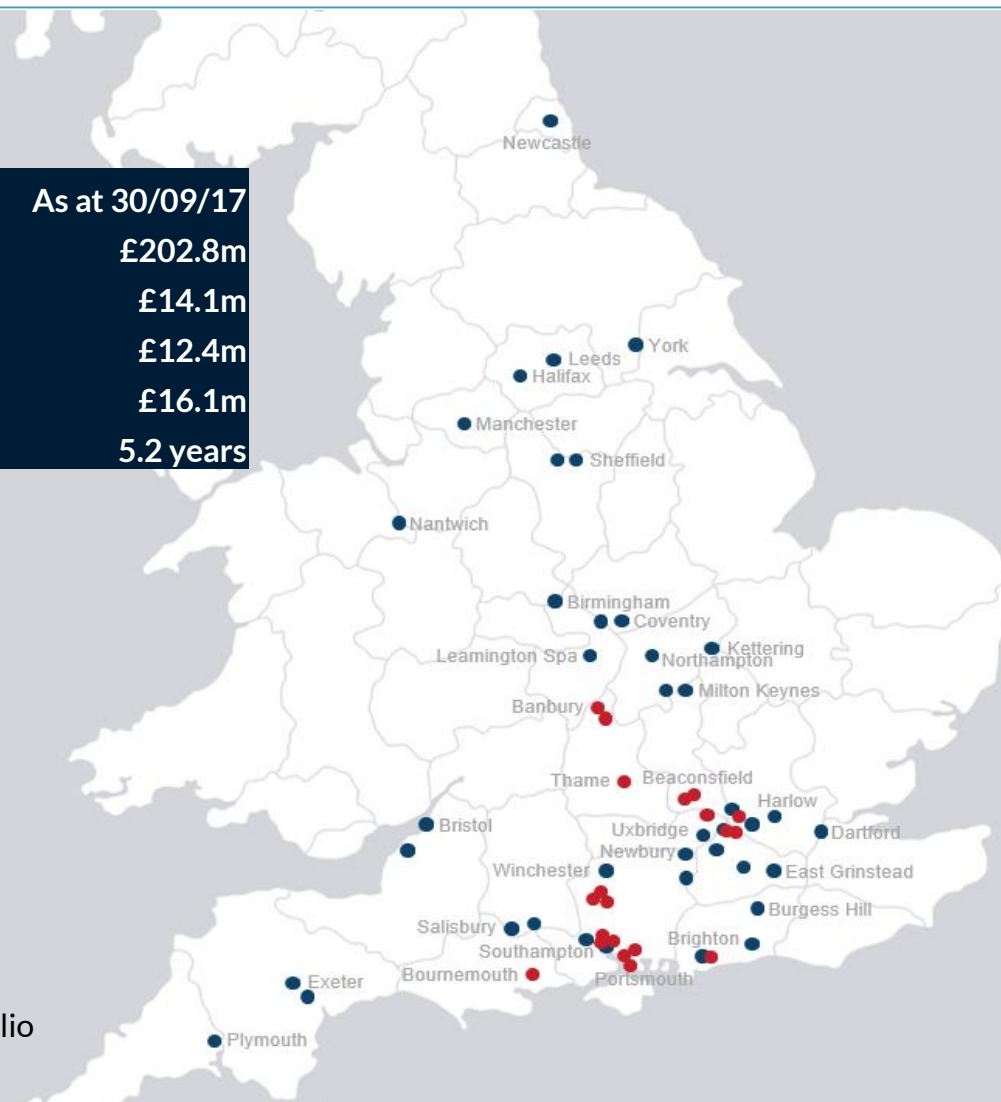
(inc. RT Warren acquisition post period end)



PROPERTY PORTFOLIO

	Including RT Warren	As at 30/09/17
PROPERTY VALUATION	£274.6m	£202.8m
CONTRACTUAL RENTAL INCOME	£17.8m	£14.1m
NET RENTAL INCOME	£15.8m	£12.4m
ERV (excluding Hudson House)	£20.7m	£16.1m
WAULT (to break)	4.8 years	5.2 years

- RT Warren portfolio
- Existing portfolio















PORTFOLIO METRICS

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

The top 10 tenants contribute 34% 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
	Leisure	913	6.5%
	Hotels	599	4.2%
	Charity	595	4.2%
	Legal	568	4.2%
	Insurance	402	2.8%
	Retail	401	2.8%
	Auto	399	2.8%
	Car Parking	345	2.4%
	Auto	325	2.3%
	Health	262	1.9%
TOTAL		4,809	34.1%

GEOGRAPHY

Sector	Exposure
East	1%
North West	5%
North East	7%
South West	6%
South	29%
South East	13%
Yorkshire	21%
Midlands	18%

Source: Cushman & Wakefield Independent Valuation Reports 30 September 2017
Excludes RT Warren portfolio



York – Lendal

Negotiating to let vacant retail space

Awaiting advice on office refurbishment



Southampton - London Court

Letting of 11,638 sq ft @ £150,000 per annum for 10 years with 5 year break

Now yielding 9.4% on purchase price



Winchester - Hyde Abbey House

Progress on outstanding dilapidations.

Interest from potential tenants



ST JAMES GATE, NEWCASTLE-UPON-TYNE

| OFFICE

- £20m corporate acquisition
- Freehold multi let office building of 82,500 sq ft and 16,500 sq ft of retail space
- City centre location, close to the Railway Station
- Passing rental of £1.765m per annum reflecting a net initial yield of 8.6%
- WAULT: 4.3 years
- Long term rental growth potential



BOULTON HOUSE, MANCHESTER



BOULTON HOUSE, MANCHESTER

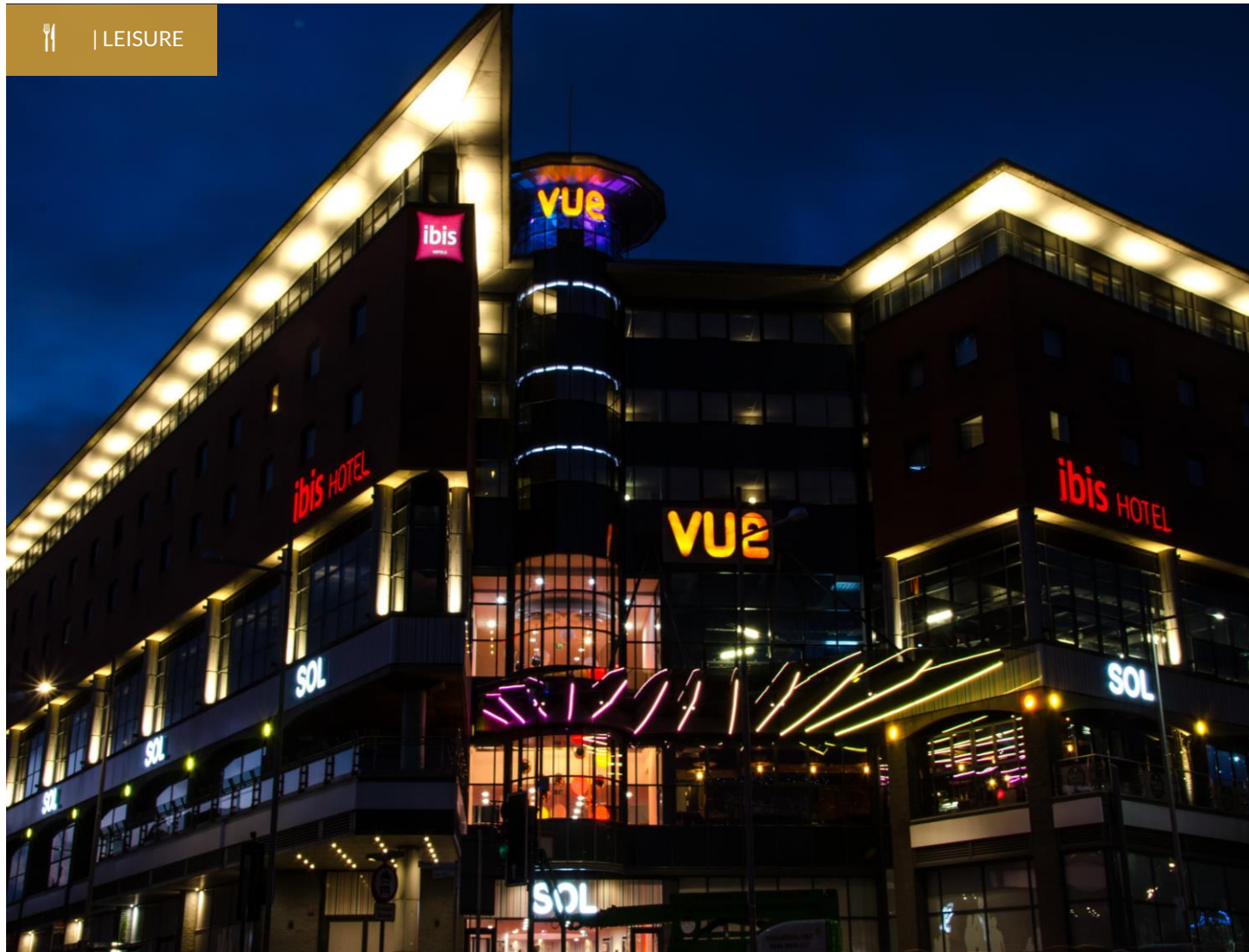
- Purchased for £10.6m in August 2016
- 75,000 sq. ft.
- Key tenants: Learn Direct, Trillium, Northern Rail
- WAULT: 1.4 years
- Vacant space and ground floor reception refurbished
- 30% of the space vacant at purchase now let @ £17.25psf



SOL CENTRAL, NORTHAMPTON



| LEISURE



SOL CENTRAL, NORTHAMPTON

- Purchased for £20.7m in June 2015
- 189,000 sq. ft.
- Key tenants: Vue Cinema, Accor Hotels
- WAULT: 8.6 years
- Rental income uplift from car park expected and additional turnover rent of £90,000 received from Accor in the last financial year
- New ANPR system for car park expected to increase income
- New tenants sought following architect designed reconfiguration
- Planning approval granted in October 2016 to convert Gala space to restaurants/cafes
- New roof and major lighting scheme now complete



PORTFOLIO ANALYSIS (30 Sep 17)

	Market Value (£)	% of Portfolio by Market Value	No. Properties	No. Leases	Gross Rental Income (£ p.a.)	ERV (£ p.a.)
Retail	14,205,000	7.0	6	39	1,372,925	1,531,855
Offices	103,975,000	51.3	17	91	6,476,684	8,977,388
Leisure	42,325,000	20.9	4	22	3,776,732	3,457,225
Industrial	31,285,000	15.4	12	32	1,901,213	2,749,824
Retail Warehouse	11,050,000	5.4	2	3	759,964	673,400
TOTAL:	202,840,000	100%	41	187	14,287,518	17,389,692

Source: Cushman & Wakefield Independent Valuation Reports 30 September 2017
Excludes RT Warren portfolio



TOP 10 ASSETS

TOP 10 ASSETS MAKE UP 65% OF OUR TOTAL PORTFOLIO

	% of Portfolio by Market Value	Market Value 30 Sep-17	Area (Sq. ft.)	Gross Rental Income (£ p.a.)	WAULT To Break (yrs)
Broad Street Plaza, Halifax	11.8	£24.0m	117,768	1,948,979	12.9
2&3 St James Gate, Newcastle upon Tyne	9.9	£20.0m	99,066	1,765,067	4.3
Sol Central, Northampton	9.0	£18.3m	189,298	1,616,562	8.6
Hudson House, York	7.9	£16.0m	101,135	222,803	0.8
Boulton House, Manchester	6.4	£12.9m	74,707	774,549	1.4
Bank House, Leeds	5.3	£10.7m	88,036	697,094	2.9
Solaris House & 2-4 Pitfield, Kiln Farm, Milton Keynes	3.8	£7.8m	52,819	398,916	9.2
Units A & B, Imberhorne Lane, East Grinstead	3.8	£7.6m	26,564	514,018	8.7
249 Midsummer Blvd, Milton Keynes	3.7	£7.4m	45,448	525,143	2.1
Point Four Industrial Estate, Avonmouth	3.3	£6.7m	81,310	352,851	4.7
TOTAL	64.9%	£131.4m	876,151	8,815,982	



Source: Cushman & Wakefield Independent Valuation Reports 30 September 2017

Excludes RT Warren portfolio

INTERIM RESULTS – LOOKING TO THE FUTURE

- Palace Capital is uniquely positioned in the market to deliver sector-leading income & capital returns
- Regional diversified portfolio outside London continues to outperform peer group
- Continue to source and execute off-market transactions
- Recycling of capital from low-growth assets into selective new opportunities
- Confident in our continuing ability to deliver resilient and growing income and capital returns
- Established a top class team and platform with a scalable business model and ambition to match
- Progressing with a main market listing which will provide greater liquidity and scale to investors



Uniquely positioned 
Sector-leading returns 



SELECTION FROM THE PORTFOLIO



SELECTION FROM THE PORTFOLIO





Warren House, Thame



Millbarn Medical, Beaconsfield



Aldi, Gosport



Westminster House, Gerrards Cross



High Street, Uxbridge



Black Moor Road, Verwood



Harbour Court, Portsmouth



Pelham Square, Brighton