



PALACE CAPITAL plc

EXPERTS IN REGIONAL PROPERTY

# PALACE CAPITAL PLC INTERIM RESULTS

HALF YEAR ENDED 30 SEPTEMBER 2021

**Palace Capital are experts in regional property investment.**

**Focused on unlocking value to deliver attractive total returns in office and industrial sectors.**

CORPORATE FOCUS

# Neil Sinclair Chief Executive



## OVERVIEW

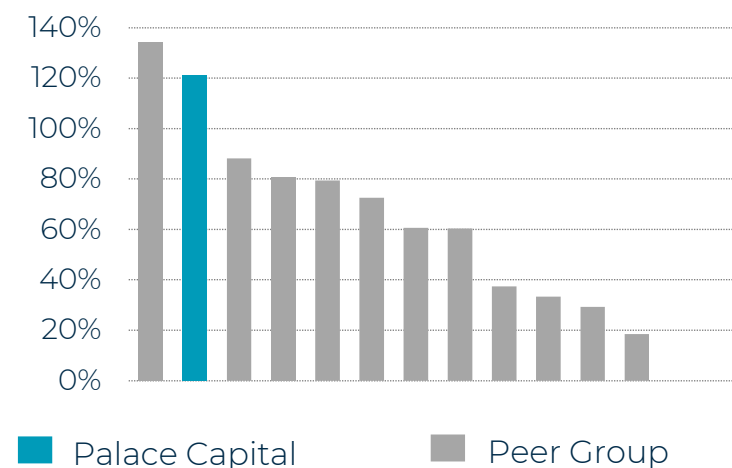


# Highlights

## Positive Hudson Quarter sales and strong rent collection

- 64 apartments completed or exchanged at Hudson Quarter for a total of £21.0m with an additional 8 under offer to the value of £3.0m
- £30m disposal programme on track with £12.0m worth of assets either exchanged or completed to 30 September, with a further £6.9m exchanged or completed since 30 September, all above book value
- 90% of rents due for the September quarter collected, a higher proportion than at the equivalent stage of the September 2020 quarter. This is expected to increase to 95% when the monthly payments for December are received
- Group LTV reduced to 36% at 30 September- £26.5m development facility from Barclays Bank for Hudson Quarter reduced to £1.6m - will be repaid by the end of the month, ahead of schedule
- Proposed interim dividend increased by 8.3% to 3.25p which is expected to be the minimum quarterly level going forward – fully cash covered
- 98% of portfolio already EPC compliant for 2023 regulations
- 29 lease events completed to 30 September providing additional income of £0.6m pa at an average of 3% premium to ERV

### 8.0 Year Total Accounting Return vs peers (EPRA NTA growth + dividends) now at 121%



# Hudson Quarter

## Flagship development completed

- 64 apartments completed or exchanged at Hudson Quarter for a total of £21.0m with an additional 8 under offer to the value of £3.0m, and 55 units remaining to be sold
- Forecast geared IRR of 15%
- £18.8m of the development loan repaid post year end, loan reduced to £1.6m – will be repaid by the end of the month
- Winner of Best Residential Development of the Year for over 50 units at Yorkshire Insider Property Awards. Winner of the Game Changer award at Yorkshire Property Awards
- 30% of office space now under offer leaving 22,939 of Grade A space remaining





# Disposals Strategy

## £30m strategic disposals programme on track

- Sales already completed or exchanged to the value of £12.0m to 30 September, 5% ahead of book value
- £6.4m of equity ready for reinvestment
- Expected to generate a further £10.0m for reinvestment once disposal programme is completed
- Post 30 September, further 3 properties exchanged or completed to the value of £6.9m
- All proceeds to be recycled into accretive opportunities in line with our acquisition strategy



- 33 commercial buildings sold since 2013 to H1 22:
- Total purchase prices: **£43.2m**
- Total income produced: **£15.2m**
- Net sales proceeds: **£49.3m**
- Total cash return: **£20.1m**
- Total return generated: **46%**
- Average ungeared IRR: **16%**

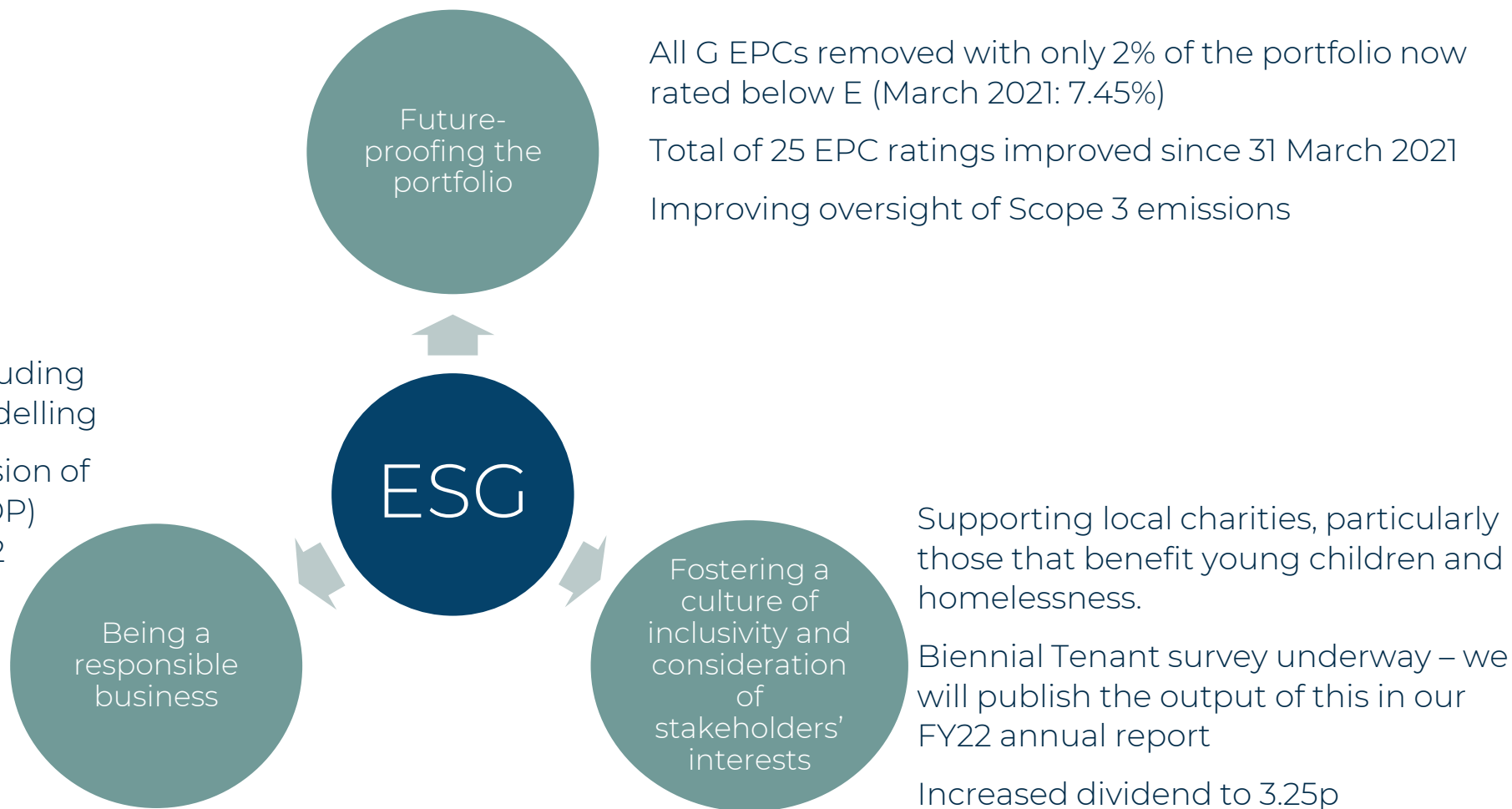
# ESG FOCUS

## Playing our part in being a responsible business

ESG committee in place

TCFD workstream underway, including risk assessment and scenario modelling

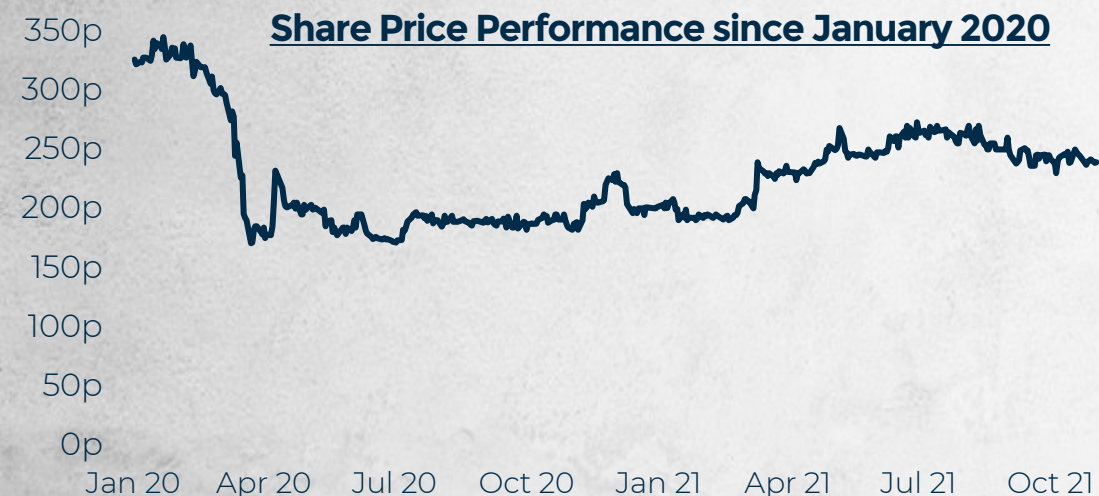
Participated in the minimum version of the climate disclosure project (CDP) targeting full participation in 2022



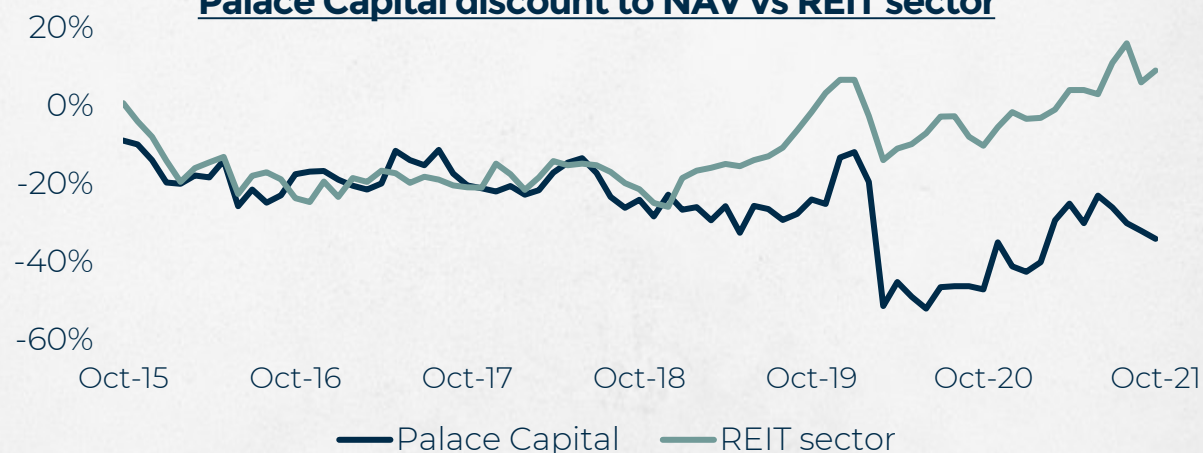
# Recovering share value for investors

Total accounting return of 5.2% with increased interim dividend to 3.25p

Share Price Performance since January 2020



Palace Capital discount to NAV vs REIT sector



Target: £38m of apartment sales at Hudson Quarter by 31 March 2023

H1 22 Progress: **£11.2m** of sales, 55 units now remaining

Target: Letting of **34,000 sq ft** of office space at HQ by 31 March 2023

H1 22 Progress: Terms agreed on **11,280 sq ft**

Target: £30m disposals by 31 March 2022

H1 22 progress: **£12.0m** exchanged or completed to H1 22, further **£6.9m** exchanged or completed since

Target: Reinvestment to generate additional rental income of **£3.0m pa** by 31 March 2023

H1 22 Progress: Acquisition currently in legals





# Matthew Simpson Chief Financial Officer

## FINANCIAL REVIEW

# Key Financial Highlights

Strong first half of the year  
underpinned by the  
resilience of our portfolio

EPRA NTA  
PER SHARE

**362p**  
**+3.4%**

FY21: 350p

NET LTV

**36%**  
**-6.0%**

FY21: 42%

IFRS PROFIT

**£8.0m**  
**+211.1%**

H1 21: (£7.2m)

INTERIM  
DIVIDEND

**3.25p**  
**+8.3%**

Previous dividend: 3.0p

ADJUSTED EPS

**8.7p**  
**+19.2%**

H1 21: 7.3p

NET DEBT

**£93.2m**  
**-21.6%**

FY21: £118.9m

TOTAL ACCOUNTING  
RETURN

**5.2%**  
**+8.5%**

H1 21: (3.3%)

BASIC EPS

**17.4p**  
**+212.3%**

H1 21: (15.5p)

# Rent Collection

Strong rent collection continued in new year

- **90% rent collected for September 2021 quarter - 95% when the monthly payments for December are received**
- **100% of rents secured from top 20 tenants**
- **Strong rent collection throughout the period with YTD collection rate being 96%**
- **£0.1m of concessions/ deferrals granted in H1 22, down from £0.6m in H1 21**
- **Cash-covered dividends paid in the year as a result**

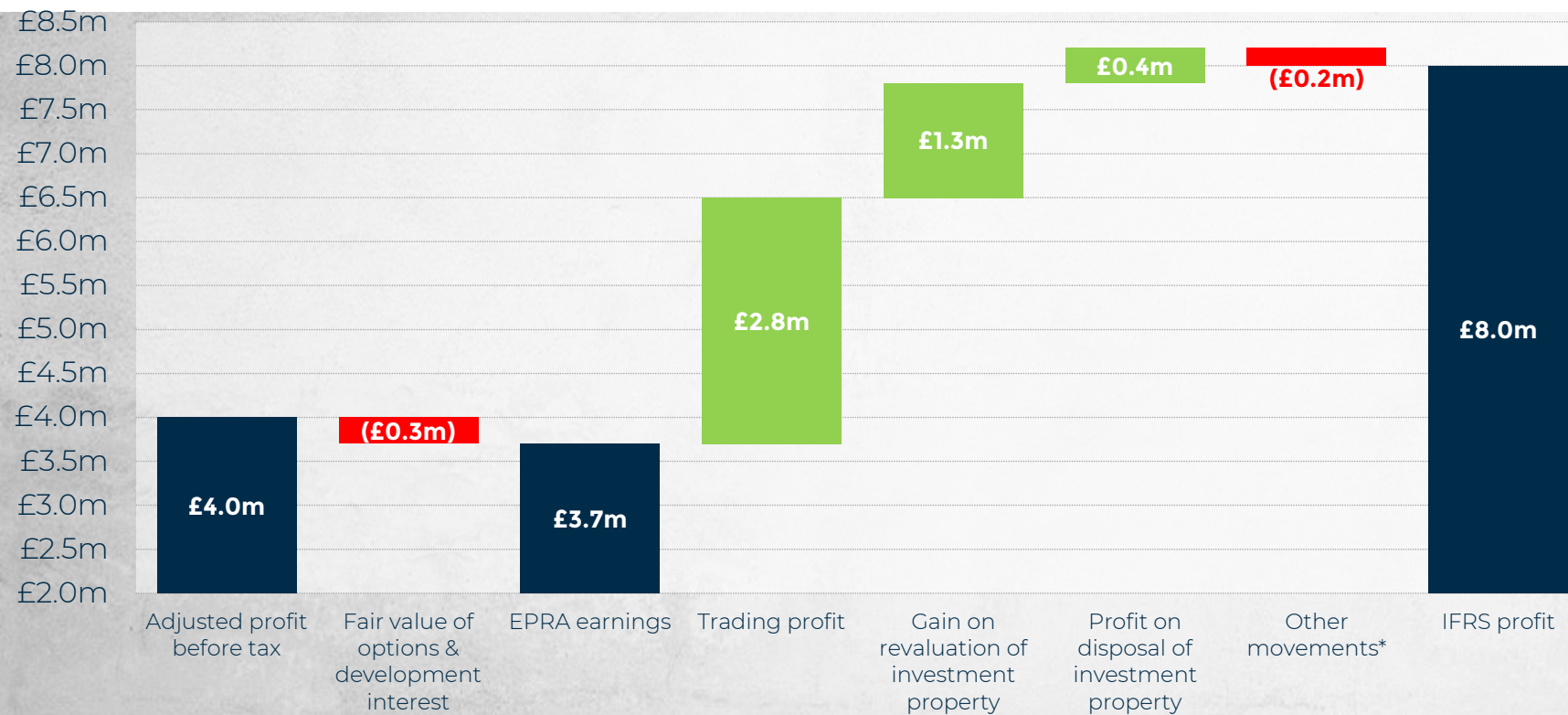
| September 2021 Quarter | Rent Demanded | Cash Collected* | Collection rate | Collection rate for H1 22 |
|------------------------|---------------|-----------------|-----------------|---------------------------|
| Office                 | £2.08m        | £2.05m          | <b>98%</b>      | 98%                       |
| Industrial             | £0.64m        | £0.55m          | <b>87%</b>      | 94%                       |
| Leisure                | £0.83m        | £0.76m          | <b>92%</b>      | 94%                       |
| Retail Warehouse       | £0.15m        | £0.15m          | <b>100%</b>     | 100%                      |
| Retail                 | £0.42m        | £0.39m          | <b>93%</b>      | 96%                       |
| <b>TOTAL</b>           | <b>£4.12m</b> | <b>£3.90m</b>   | <b>95%</b>      | 96%                       |

\* Rent collection is defined as cash collected in full and rent being collected monthly as per the payment plan agreed with the tenant



# Income Statement Review

## Half year ended 30 September 2021



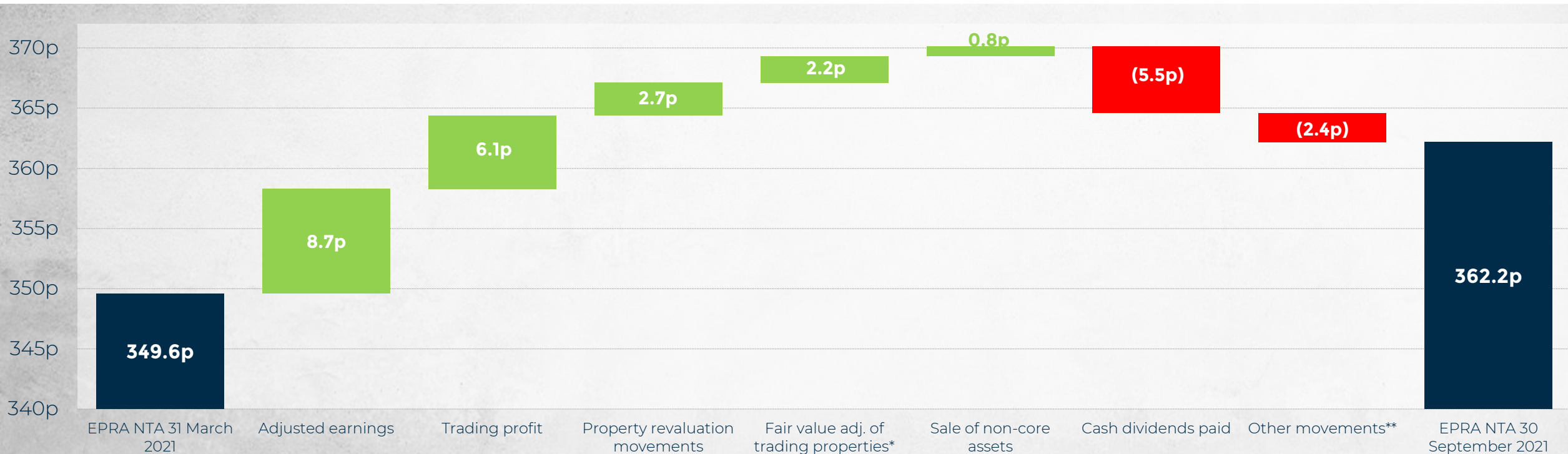
IFRS profit increased to £8.0m, up £15.2m from £7.2m prior period loss as a result of:

- £2.8m trading profit
- Like for like increase in our valuations of £1.3m
- £0.4m profit from our disposals programme
- Strong letting activity

\*Other movements includes loss on disposal of equity investments and debt termination costs

# EPRA NTA Movement per share

EPRA NTA per share up 3.6% in the first half of the year



\*Hudson Quarter York residential development is carried in the books at lower of cost and net realisable value (NRV) and as the NRV was higher than the cost at half year, EPRA NTA adjusts for the variance

\*\*Other movements includes movement in treasury shares, cost of derivatives, debt termination costs, disposal of listed equity investments and the effect of increased number of shares in the year

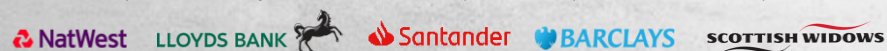
# Capital Structure

**£123.1m debt facilities**

| Lender                           | Debt Facility (£m) | Debt Drawn (£m) | Debt Maturity    | Hedging          |
|----------------------------------|--------------------|-----------------|------------------|------------------|
| Barclays                         | 37.5               | 37.5            | Jun-2024         | £34.1m fixed     |
| NatWest (RCF)                    | 40.0               | 23.8            | Aug-2024         | 100% floating    |
| Santander                        | 25.0               | 25.0            | Aug-2022         | £18.8m fixed     |
| Lloyds                           | 6.8                | 6.8             | Mar-2023         | 100% floating    |
| Scottish Widows                  | 9.2                | 9.2             | Jul-2026         | 100% fixed       |
| Barclays (development facility)* | 4.6                | 4.6             | Jul-2022         | 100% floating    |
|                                  | <b>123.1</b>       | <b>106.9</b>    | <b>2.3 years</b> | <b>58% fixed</b> |

- Net Debt: £93.2m (FY21: £118.9m)
- LTV: 36% (FY21: 42%)
- Average Cost of Debt: 3.0% (FY21: 3.0%)
- Interest Cover: 2.7x (FY21: 2.7x)
- Hedging: 58% (FY21: 49%)

\*HQ development facility reduced to £1.6m post 30 September 2021 – expected to be fully repaid by the end of this month





PROPERTY REVIEW



# Richard Starr Executive Property Director

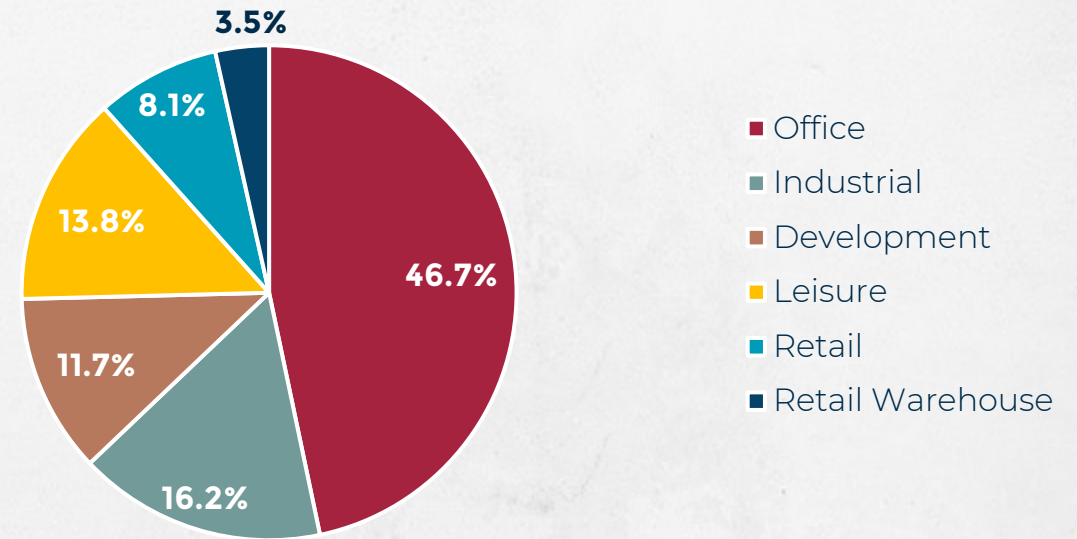
## PROPERTY REVIEW

# Property Portfolio – Overview

## Portfolio repositioning underway

|                                     | March 2021 | September 2021   |
|-------------------------------------|------------|------------------|
| Portfolio value                     | £282.8m    | <b>£262.0m</b>   |
| Net initial yield                   | 5.6%       | <b>6.1%</b>      |
| Reversionary yield                  | 7.3%       | <b>7.2%</b>      |
| Contractual rental income           | £16.4m     | <b>£16.9m</b>    |
| Estimated rental value              | £20.6m     | <b>£20.0m</b>    |
| WAULT to break                      | 4.8 years  | <b>4.9 years</b> |
| Like for like vacant space by ERV** | 13.6%      | <b>12.1%</b>     |

|                      | March 2021   | September 2021 | Looking forward* |
|----------------------|--------------|----------------|------------------|
| Office weighting     | 41.1%        | 46.7%          | 52.3%            |
| Industrial weighting | 14.4%        | 16.2%          | 17.8%            |
| <b>Sector focus</b>  | <b>55.5%</b> | <b>62.9%</b>   | <b>70.1%</b>     |

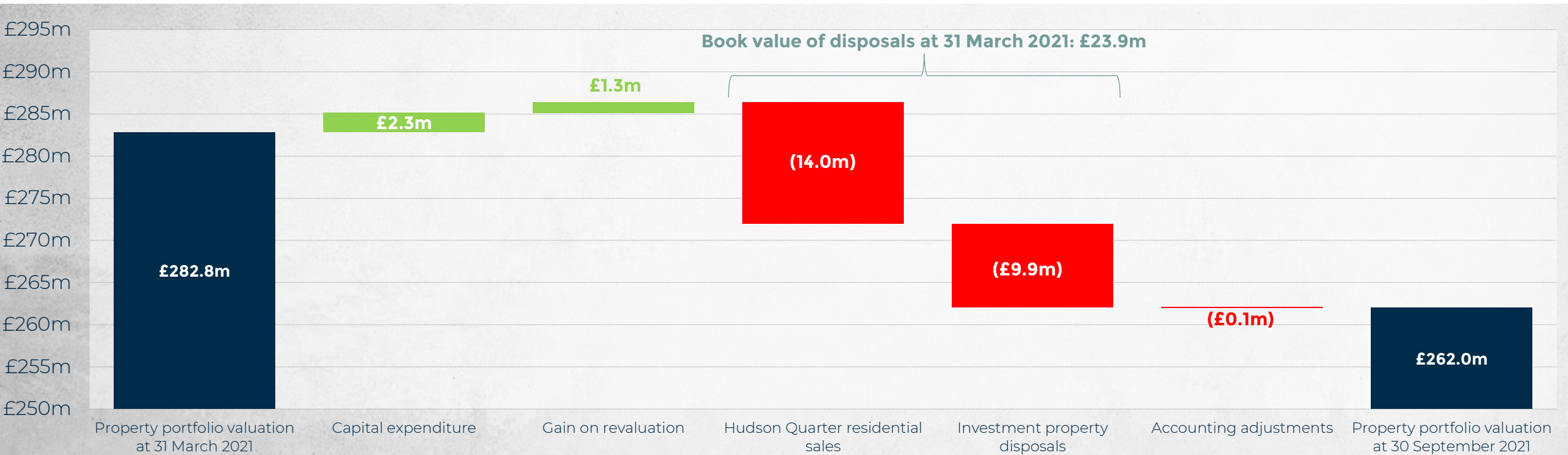


\*Assumed weighting once all the Hudson Quarter residential units are sold, and the £30m disposals programme completed

\*\*Like for like vacant space by ERV, excluding Hudson Quarter office space as this was classified as development in the prior period

# Valuation bridge

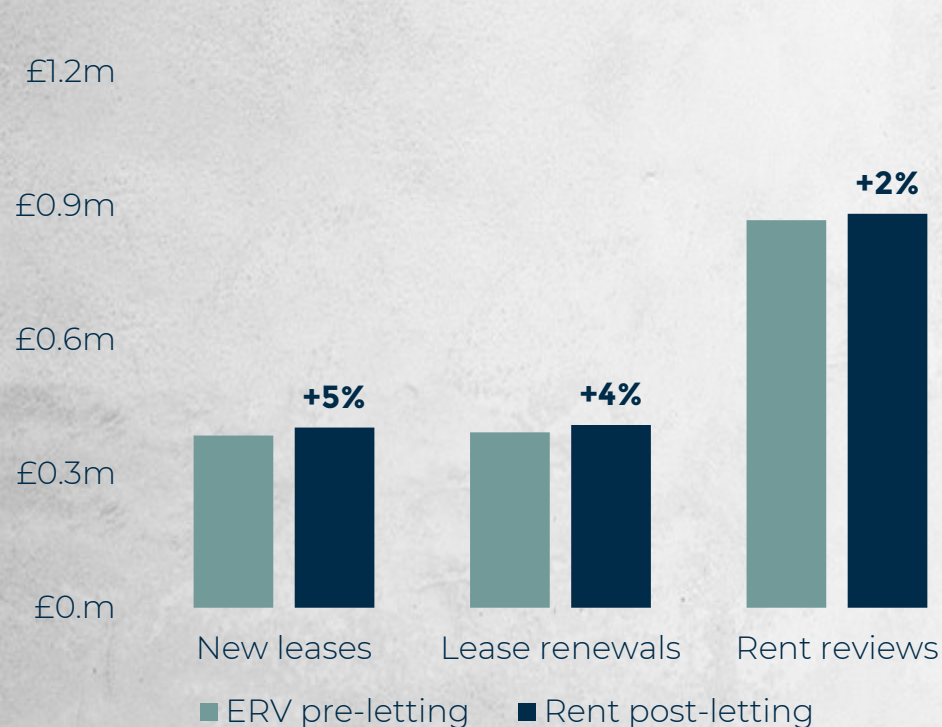
Like for like valuations up 0.5% net of capital expenditure





# Asset Management

Letting activity in the year and strong recovery continuing post year end

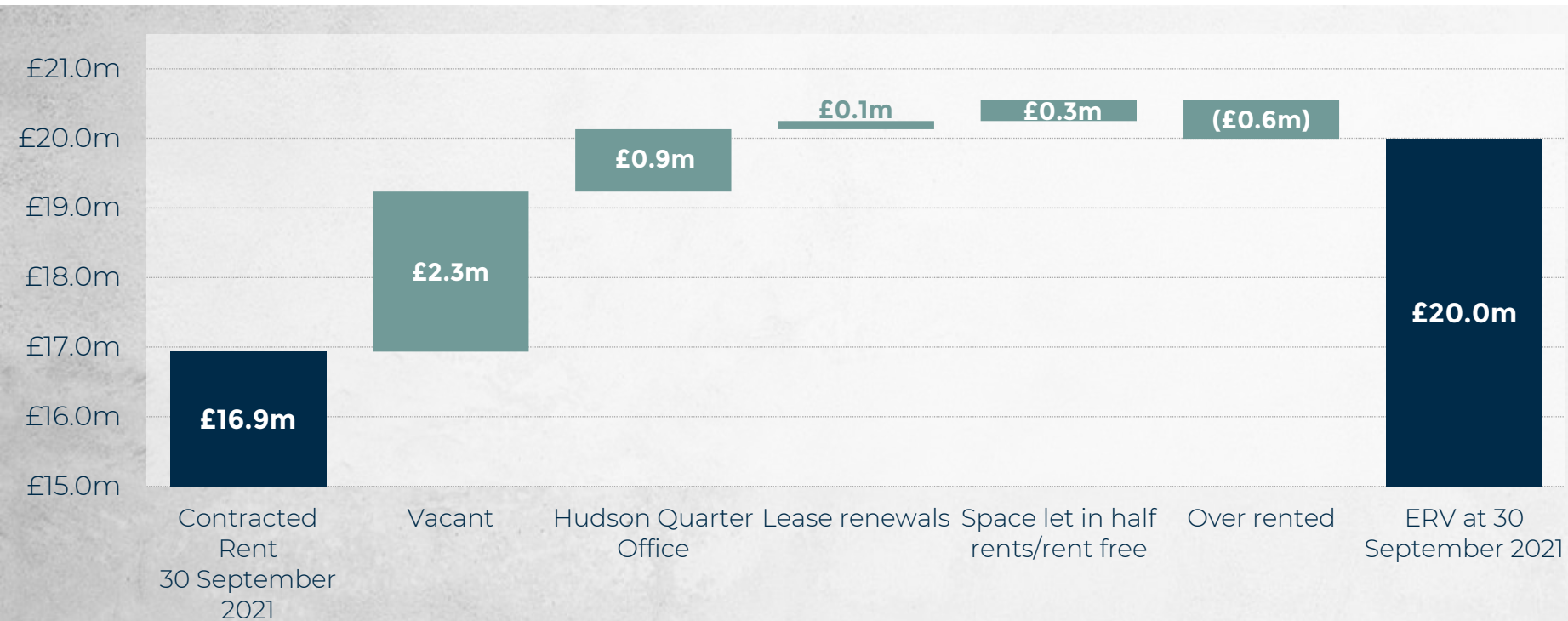


- **29** lease events to 30 September, providing additional income of **£0.6m** pa made up of:
  - **9** new leases: **5%** ahead of ERV, providing additional income of **£0.4m** pa
  - **10** lease renewals: **4%** ahead of ERV, providing additional income of **£0.1m** pa
  - **10** rent reviews: **2%** ahead of ERV, providing additional income of **£0.1m** pa
- Strong letting activity post 30 September, **8** lease events agreed providing additional income of **£0.2m**

**Adding value  
to our  
portfolio  
through  
active asset  
management**

# Impact of Letting Vacant Space

## +18% potential uplift



- Majority of reversion is through letting vacant space
- Dedicated resource in the team focused on letting vacant units
- 35,000 sq ft of new lettings since the start of the current financial year
- Increase in new lettings in H1 22 vs H1 21



# Investment Case

## Future of the office and industrial sectors

### Future of the regional office market

- Expectation of growing return to the office. “Working from Home” is an option not a replacement
- Collaboration is key in any industry and offices will remain vital to increasing productivity
- Quality of office space and location will determine outperformance as ESG agenda increases
- “Occupier confidence across the Big Nine office markets has reached its highest level since the pandemic started with the strongest take up for two years. Increasing confidence has released pent up demand and requirements that have been on hold during the past 18 months” – Avison Young Q3 Quarterly Update
- Supply of office space constrained – Savills report the regions have lost a significant 45% of Grade B & C space since 2015 with limited speculative development replacing it

### Future of the regional industrial market

- Accelerated trend towards e-commerce and distribution
- Customers want their products delivered quickly and this is leading many suppliers to seek distribution close to city centers
- Income and capital growth continuing in regional markets as a result of major infrastructure investment and population growth





# Acquisitions

## Strategy to recycle capital and create value

**Strong cash position and recycling of capital will provide over £50m firepower for future acquisitions on a geared basis**

### OBJECTIVES

- Recycle capital into accretive opportunities, in line with our regional strategy focusing on the office and industrial sectors
- Replace lost income from disposals
- Increase the weighting of our core portfolio

|             | 31 March 2021 | 30 Sept 2021 | TARGET     |
|-------------|---------------|--------------|------------|
| CORE        | 28%           | 30%          | <b>50%</b> |
| VALUE ADD   | 51%           | 58%          | <b>40%</b> |
| DEVELOPMENT | 21%           | 12%          | <b>10%</b> |

### STRATEGY IMPLEMENTATION

- Non-institutional grade real estate (£5m to £20m)
- Office and Industrial sectors
- Regional university towns and city centres throughout England
- Ensure due consideration of ESG and EPC value drivers
- Exit strategy - identify the optimal point to crystallise profit including alternative uses to limit any downside

# Example

## Proforma impact of potential acquisitions

### CASE STUDY 1

- **Sector:** Industrial
- **Location:** Midlands
- **Size (sq ft):** 200,000
- **Price:** £11,000,000
- **Yield:** 5.5%
- **Lease term:** 10 years
- **Current EPC:** D and B

Impact on Company post purchase:

- Net income pa:** +4.0%
- Occupancy:** +0.6%
- Group LTV:** +2.0%
- Admin cost ratio:** -1.2%
- Sector focus:** +1.5%

### CASE STUDY 2

- **Sector:** Office
- **Location:** South East
- **Size (sq ft):** 25,000
- **Price:** £10,000,000
- **Yield:** 6.5%
- **Lease term:** 5 years
- **Current EPC:** B

Impact on Company post purchase:

- Net income pa:** +4.4%
- Occupancy:** +0.6%
- Group LTV:** +2.0%
- Admin cost ratio:** -1.2%
- Sector focus:** +1.5%

# Outlook

- ✓ On-going disposal strategy to recycle capital, £18.9m of £30m target already completed or exchanged to date
- ✓ £3.2m ERV per annum to be captured through letting of vacant space
- ✓ Further sales to generate equity for reinvestment from Hudson Quarter residential sales
- ✓ +£50m firepower to be generated for future acquisitions to grow earnings by 31 March 2023
- ✓ ESG agenda central to asset management strategy across the portfolio





PALACE CAPITAL plc

EXPERTS IN REGIONAL PROPERTY

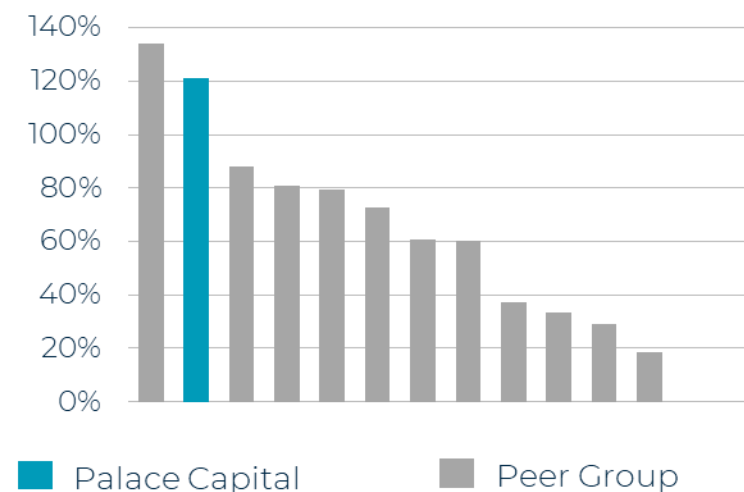
# APPENDICES

# Our story so far

- November 2010** Management taking Board control of the Company valued at £0.1m with a vision to invest in regional property
- October 2011** Hockenhull Estates portfolio acquired for £1.8m consisting of nine properties
- October 2013** Sequel portfolio consisting of 24 properties across office, industrial and retail sectors acquired for £39.25m
- August 2014** Property Investment Holdings portfolio acquired for £32m consisting of 17 commercial properties across office, industrial and retail sectors
- 2015-2017** Seven individual property acquisitions at values ranging between £4m and £24m focused in the office and leisure sectors.
- October 2017** Acquisition of the R.T. Warren Portfolio for £68m consisting of 21 commercial and 65 residential properties
- March 2018** Completed move from AIM to a Premium Listing on the Main Market of the London Stock Exchange
- May 2018** Joined FTSE Small Cap and All Share indices
- December 2018** One Derby Square, Liverpool acquired for £14.0m
- August 2019** Converted to a UK REIT on 1<sup>st</sup> August 2019
- April 2021** Hudson Quarter development in York complete 20 April 2021

|   | 31-03-2013 | 30-09-2021     |
|---|------------|----------------|
| Net asset value                               | £0.6m      | <b>£163.6m</b> |
| Property portfolio                            | £2.0m      | <b>£262.0m</b> |
| Contractual rental income                     | £0.2m      | <b>£16.9m</b>  |
| <b>Total Accounting Return over 8.0 years</b> |            | <b>121%</b>    |

## 8.0 Year Total Accounting Return vs peers (EPRA NTA growth + dividends) now at 121%



Source: Arden Partners plc  
Peer Group UK small/medium sized diversified REITs

# Regional portfolio

## Focused on office & industrial growth sectors

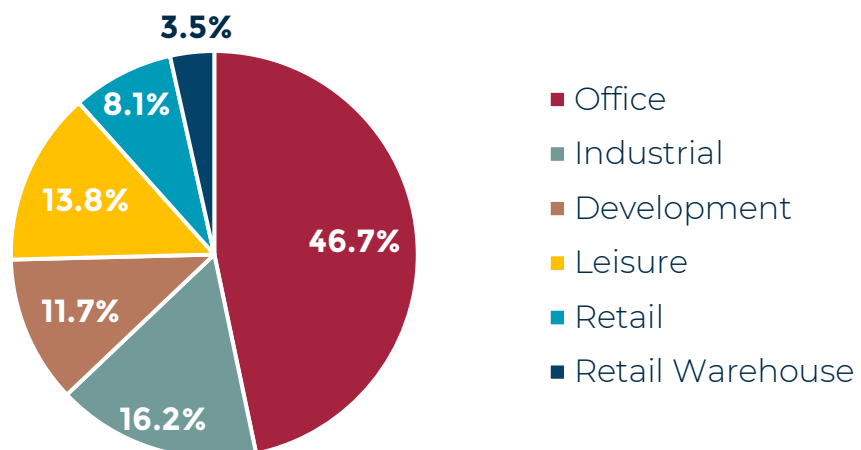
- Balanced portfolio of **45** properties
- Diversified granular income

**186** tenants in the portfolio

Top 20 tenants represent **43%** of portfolio

WAULT to break of **4.9 years**

- Low risk & defensive characteristics
- Located close to transport hubs





# Sector splits

## Regional Office and Industrial focus

|                   | Market value<br>30 September<br>2021 (£) | % of Portfolio<br>by market<br>value | No.<br>properties | No.<br>leases | Area (sq ft)     | Contractual rental<br>income p.a. (£) | ERV (£)*          | WAULT<br>to break<br>(yrs) | Total ERV<br>of void (£) |
|-------------------|--|--------------------------------------|-------------------|---------------|------------------|---------------------------------------|-------------------|----------------------------|--------------------------|
| Offices           | 122,465,000                              | 46.7%                                | 25                | 98            | 655,874          | 8,086,819                             | 11,200,306        | 3.2                        | 2,773,257                |
| Industrial        | 42,330,000                               | 16.2%                                | 9                 | 37            | 396,542          | 2,754,036                             | 2,886,040         | 3.2                        | 4,600                    |
| Leisure           | 36,075,000                               | 13.8%                                | 2                 | 22            | 303,993          | 3,504,465                             | 3,209,735         | 10.4                       | 179,213                  |
| Development       | 30,525,000                               | 11.7%                                | -                 | -             | -                | -                                     | -                 | -                          | -                        |
| Retail            | 21,310,000                               | 8.1%                                 | 7                 | 44            | 125,206          | 1,829,591                             | 2,101,956         | 8.0                        | 178,590                  |
| Retail Warehouses | 9,300,000                                | 3.5%                                 | 2                 | 3             | 53,870           | 759,964                               | 595,700           | 5.2                        | -                        |
| <b>Total</b>      | <b>262,005,000</b>                       | <b>100%</b>                          | <b>45</b>         | <b>204</b>    | <b>1,535,485</b> | <b>16,934,875</b>                     | <b>19,993,737</b> | <b>4.9</b>                 | <b>3,135,660</b>         |

\* Based on Cushman & Wakefield estimated rental values

# Valuations

## Improved valuations following Covid recovery

|                            | Market value<br>31 March 2021<br>(£) | Market value<br>30 Sept 2021<br>(£) | Gain/(loss)<br>% | EPRA<br>topped-up<br>NIY<br>% |
|----------------------------|--------------------------------------|-------------------------------------|------------------|-------------------------------|
| Offices*                   | 121,939,133                          | 122,465,000                         | 0.4%             | 5.7%                          |
| Industrial*                | 39,890,000                           | 42,330,000                          | 6.1%             | 5.8%                          |
| Leisure                    | 35,455,000                           | 36,075,000                          | 1.7%             | 8.4%                          |
| Retail                     | 21,520,000                           | 21,310,000                          | (1.0%)           | 7.7%                          |
| Retail Warehouses          | 9,200,000                            | 9,300,000                           | 1.1%             | 7.6%                          |
| <b>Total market value</b>  | <b>228,004,133</b>                   | <b>231,480,000</b>                  | <b>1.5%</b>      |                               |
| Capital expenditure**      |                                      | (2,363,018)                         |                  |                               |
| <b>Total like for like</b> | <b>228,004,133</b>                   | <b>229,116,982</b>                  | <b>0.5%</b>      |                               |

- Like for like valuations up 0.5%
- Office and Industrial valuations increased at 30 September 2021
- Leisure and retail warehouse sectors in recovery

\*Excludes properties disposed in H1 FY22

\*\*Includes all capital expenditure on developments, refurbishments, and capitalised legal and letting fees incurred in H1 FY22

# Top 10 assets by value

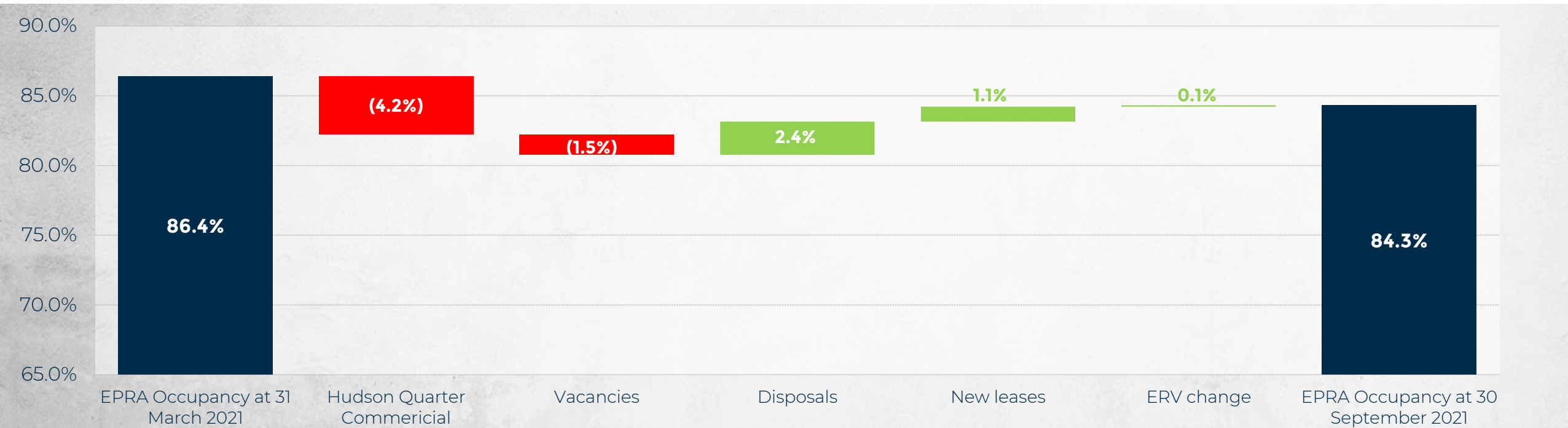
59% of total portfolio

| Property Name                                    | Sector      | Area (sq ft)   | Gross rental income p.a. (£) | Reversionary yield* | WAULT to break (yrs) |
|--|-------------|----------------|------------------------------|---------------------|----------------------|
| Hudson Quarter, York Residential                 | Development | n/a            | n/a                          | n/a                 | n/a                  |
| 2 & 3 St James Gate, Newcastle                   | Offices     | 99,125         | 1,398,608                    | 8.71%               | 3.1                  |
| Broad Street Plaza, Halifax                      | Leisure     | 117,767        | 1,819,618                    | 7.47%               | 10.5                 |
| Sol, Northampton                                 | Leisure     | 186,226        | 1,684,847                    | 9.02%               | 10.2                 |
| Boulton House, 17-21 Chorlton Street, Manchester | Offices     | 74,648         | 978,264                      | 8.22%               | 1.9                  |
| One Derby Square, Liverpool                      | Offices     | 70,161         | 1,096,653                    | 7.96%               | 2.7                  |
| HQ, York Commercial                              | Offices     | 38,587         | 81,762                       | 7.92%               | 9.5                  |
| Kiln Farm, 2-4 Pitfield, Milton Keynes           | Offices     | 52,818         | 783,617                      | 7.67%               | 5.7                  |
| Bank House, 27 King Street, Leeds                | Offices     | 85,926         | 700,212                      | 7.84%               | 1.9                  |
| 25 & 27 Black Moor Road, Verwood                 | Industrial  | 65,765         | 403,043                      | 5.32%               | 2.2                  |
| <b>Total</b>                                     |             | <b>791,023</b> | <b>8,946,624</b>             |                     |                      |

\* Based on Cushman & Wakefield estimated rental values



# EPRA Occupancy



# Financial Performance

## Half year ended 30 September 2021

|                                 | H1 22         | H1 21   | Change |
|---------------------------------|---------------|---------|--------|
| <b>INCOME STATEMENT</b>         |               |         |        |
| Underlying rental income        | <b>£8.5m</b>  | £8.6m   | -1.2%  |
| Trading property revenue        | <b>£19.2m</b> | -       |        |
| Other income                    | <b>£0.1m</b>  | -       |        |
| Total income                    | <b>£27.8m</b> | £8.6m   |        |
| Bad debt provision              | -             | (£0.3m) |        |
| IFRS profit/(loss) for the year | <b>£8.0m</b>  | (£7.2m) |        |
| EPRA earnings                   | <b>£3.7m</b>  | £3.2m   |        |
| Adjusted profit before tax      | <b>£4.0m</b>  | £3.4m   | +17.6% |
| Basic EPS                       | <b>17.4p</b>  | (15.5p) |        |
| EPRA EPS                        | <b>8.0p</b>   | 7.0p    |        |
| Adjusted EPS                    | <b>8.7p</b>   | 7.3p    | +19.2% |
| Dividend per share              | <b>6.25p</b>  | 5.0p    |        |
| Dividend cover                  | <b>1.4x</b>   | 1.5x    |        |

## Resilient performance despite Covid-19 disruption

|                      | H1 22          | FY21    | H1 21   |
|----------------------|----------------|---------|---------|
| <b>BALANCE SHEET</b> |                |         |         |
| Portfolio value      | <b>£262.0m</b> | £282.8m | £281.6m |
| Cash                 | <b>£13.7m</b>  | £9.4m   | £14.3m  |
| Drawn debt           | <b>£106.9m</b> | £128.3m | £132.7m |
| Net debt             | <b>£93.2m</b>  | £118.9m | £118.4m |
| IFRS net assets      | <b>£163.6m</b> | £157.8m | £158.4m |
| Basic NAV per share  | <b>353p</b>    | 343p    | 344p    |
| EPRA NTA per share   | <b>362p</b>    | 350p    | 347p    |
| Loan to value        | <b>36%</b>     | 42%     | 42%     |
| NAV gearing          | <b>56%</b>     | 74%     | 74%     |

# Profit reconciliation & sustainable dividend

## Half year ended 30 September 2021

|  | H1 22<br>(£'m) | H1 21<br>(£'m) |
|--|----------------|----------------|
| <b>INCOME STATEMENT</b>                      |                |                |
| <b>Adjusted profit after tax</b>             | <b>4.0</b>     | 3.4            |
| Fair value of options & development interest | <b>(0.3)</b>   | (0.2)          |
| <b>EPRA earnings</b>                         | <b>3.7</b>     | 3.2            |
| Trading property profit                      | <b>2.8</b>     | -              |
| Revaluation gains/(losses)                   | <b>1.3</b>     | (10.0)         |
| Profit on disposals                          | <b>0.4</b>     | 0.2            |
| Disposal of equity investment                | <b>(0.1)</b>   | -              |
| Debt termination costs                       | <b>(0.1)</b>   | -              |
| Equity investment revaluation                | -              | (0.2)          |
| Hedging and derivative losses                | -              | (0.4)          |
| <b>IFRS profit/(loss) for the year</b>       | <b>8.0</b>     | (7.2)          |

|                | H1 18       | H1 19       | H1 20       | H1 21       | H1 22        |
|----------------|-------------|-------------|-------------|-------------|--------------|
| Adjusted EPS   | 12.8p       | 8.0p        | 8.5p        | 7.3p        | 8.7p         |
| <b>DPS</b>     | <b>9.5p</b> | <b>9.5p</b> | <b>9.5p</b> | <b>5.0p</b> | <b>6.25p</b> |
| Dividend cover | 1.3x        | 0.8x        | 0.9x        | 1.5x        | 1.4x         |
| Dividends paid | £2.4m       | £4.4m       | £4.4m       | £2.3m       | £2.5m        |

**Cash covered dividends at a sustainable level, 1.4x covered**











**Proposed interim dividend of 3.25p per share supported by continued strong rent collection**






# Top 20 Tenant Rent Collection

Sustainable income: 43% of passing rents from top 20 tenants

100% of rent secured from Top 20 Tenants

| Tenant   | Industry    | Contracted Rent pa (£'000) | Q1 rent collection | Q2 rent collection* |
|--|-------------|----------------------------|--------------------|---------------------|
|  <b>vue</b>   | Leisure     | <b>913</b>                 | 100%               | 100%                |
|  <b>Rockwell Automation</b>                         | Auto        | <b>544</b>                 | 100%               | 100%                |
|  <b>ACCOR HOTELS</b>                                | Hotel       | <b>510</b>                 | 100%               | 100%                |
|  <b>LOTTERY FUNDED</b>                              | Charity     | <b>487</b>                 | 100%               | 100%                |
|  <b>brose</b><br>Technik für Automobile             | Auto        | <b>432</b>                 | 100%               | 100%                |
|  <b>SOMERSET BRIDGE</b>                             | Insurance   | <b>409</b>                 | 100%               | 100%                |
|  <b>Wickes</b>                                    | Retail      | <b>401</b>                 | 100%               | 100%                |
|  <b>exela</b><br>TECHNOLOGIES                     | Technology  | <b>355</b>                 | 100%               | 100%                |
|  <b>APCOA PARKING</b>                             | Car Parking | <b>345</b>                 | 100%               | 100%                |
|  <b>D YOUNG &amp; CO</b><br>INTELLECTUAL PROPERTY | Legal       | <b>310</b>                 | 100%               | 100%                |

| Tenant  | Industry          | Contracted Rent pa (£'000) | Q1 rent collection | Q2 rent collection* |
|---|-------------------|----------------------------|--------------------|---------------------|
|  <b>BRAVISSIMO</b>   | Retail            | <b>294</b>                 | 100%               | 100%                |
|  <b>ALDI</b>   | Retail            | <b>291</b>                 | 100%               | 100%                |
|  <b>Sutton</b>   | Local Authority   | <b>283</b>                 | 100%               | 100%                |
|  <b>QUADRANT SYSTEMS</b>   | Aviation          | <b>280</b>                 | 100%               | 100%                |
|  <b>NHS</b><br>Calderdale and Huddersfield<br>Hills Foundation Trust | Health            | <b>262</b>                 | 100%               | 100%                |
|  <b>BOOKER</b>   | Retail            | <b>246</b>                 | 100%               | 100%                |
|  <b>serco</b>  | Public Services   | <b>246</b>                 | 100%               | 100%                |
|  <b>Redland</b>  | Construction      | <b>240</b>                 | 100%               | 100%                |
|  <b>BANK OF ENGLAND</b>  | Central Bank      | <b>232</b>                 | 100%               | 100%                |
|    | Automobile Repair | <b>227</b>                 | 100%               | 100%                |

\* Rent collection is defined as cash collected in full and rent being collected monthly as per the payment plan agreed with the tenant

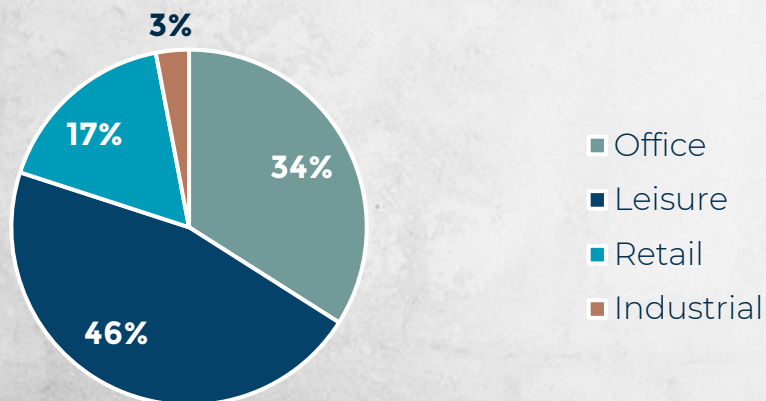
# Analysis of bad debt provisions

Period ending 30 September 2021

## BY ACTIVITY

|  |              |
|--|--------------|
| CVA/administration                               | £0.5m        |
| Other leisure and retail                         | £0.5m        |
| Other provisions                                 | £0.3m        |
| <b>Bad debt provisions held on Balance Sheet</b> | <b>£1.3m</b> |

## Bad debt provision by sector



- Conservative approach taken against recoverability of debtors
- 63% of the provision relates to the leisure and retail sector
- We are confident there will be scope to recover a percentage of the arrears we have provided for

# Biographies



**NEIL SINCLAIR**  
Chief Executive

**Chartered Surveyor FRICS**

Neil co-founded Palace Capital and has over 50 years' experience in the property sector. He was a founder of Sinclair Goldsmith Chartered Surveyors which was admitted to the Official List in 1987 and subsequently merged with Conrad Ritblat.



**MATTHEW SIMPSON**  
Chief Financial Officer

**Chartered Certified Accountant FCCA**

Matthew is a Chartered Certified Accountant, with 15 years of experience and has been with the Company since 2016. Previously holding the position of Head of Finance and Operations, Matthew was appointed Finance Director Designate on 13 August 2021, and subsequently Chief Financial Officer on 11 November 2021.



**RICHARD STARR**  
Executive Property Director

**Chartered Surveyor MRICS**

Richard joined Palace Capital in 2013 on the back of the Sequel acquisition and related equity raise. He has extensive experience sourcing and managing commercial investments from his previous role running his own successful boutique property consultancy and before that, four Central London property firms.



**STANLEY DAVIS**  
Chairman

Stanley is a successful entrepreneur who has been involved in financial services and property businesses since 1977. His founding Company was company registration agents Stanley Davis Company Services which he sold in 1988. Until recently he was the Chairman of Stanley Davis Group Limited specialising in Company formations, property and Company searches.





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