



PALACE CAPITAL plc

Interim results

Investor presentation – November 2015

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Introduction to Palace Capital

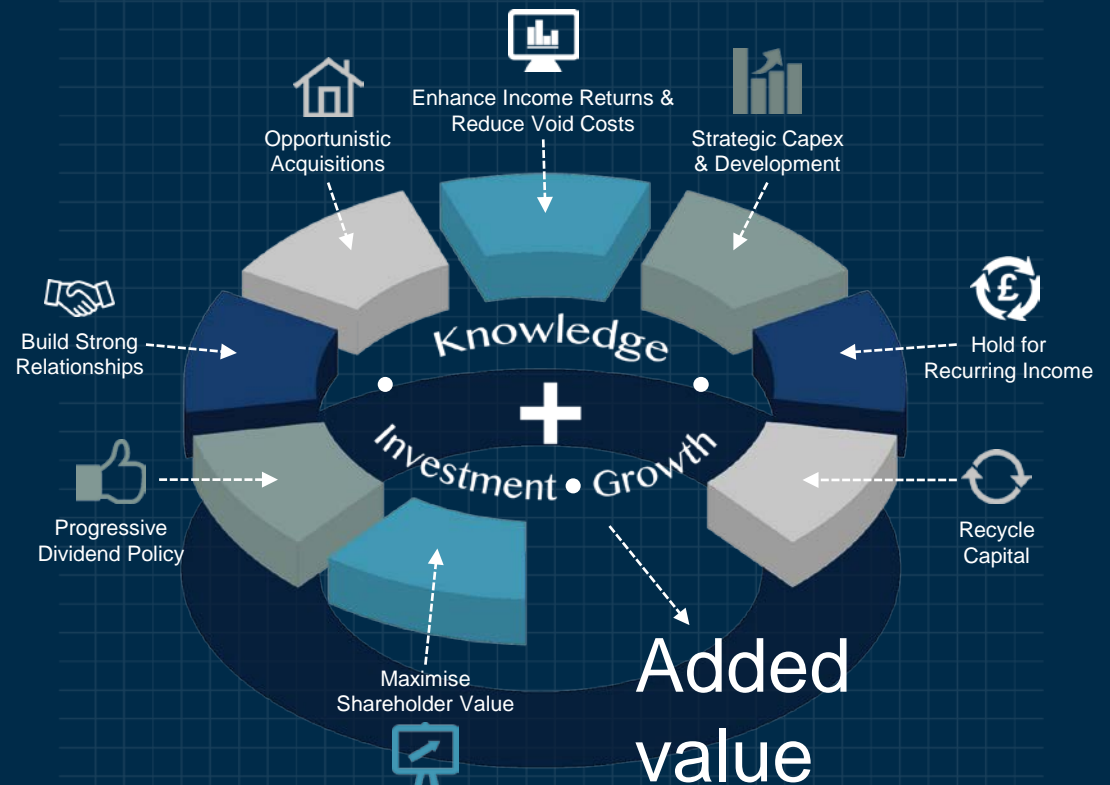


PALACE CAPITAL plc

Our strategy is to invest in commercial properties in key regional UK towns and cities, through astute corporate and direct property acquisitions.

We look for opportunities where we can enhance the recurring rental income through asset management and generate capital growth through refurbishment and development opportunities.

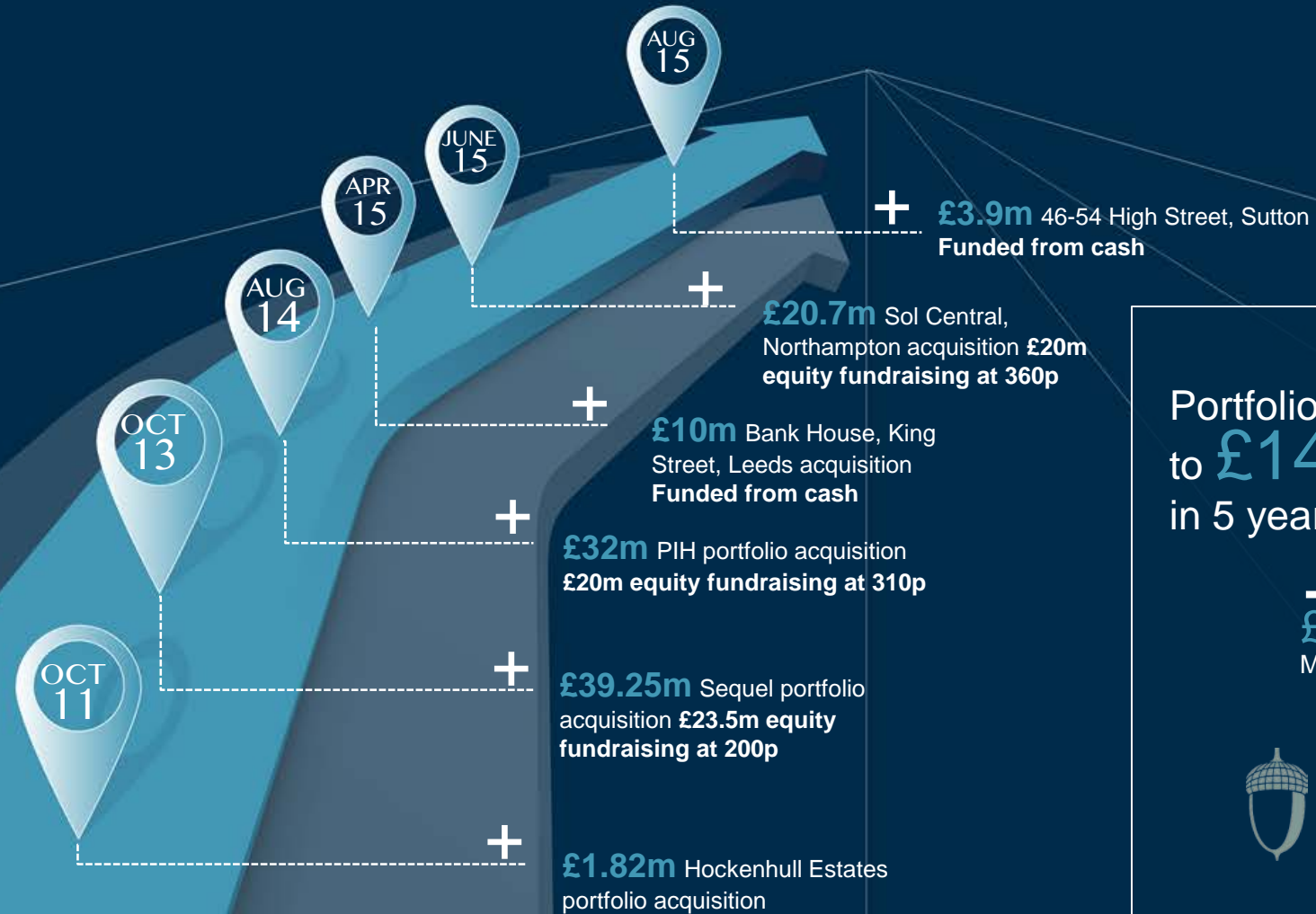
We provide attractive income returns through our progressive dividend policy as well as exposure to capital growth through our value add Business Model.



Growth Story



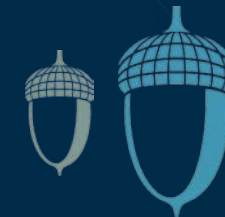
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Portfolio grown to **£140m** in 5 years



£100k to c.£100m
Market Cap in 5 years



NAV growth from 218p per share to **404p** in 2 years

Financial Highlights



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	HY 15/16	HY 14/15	FY 15
Profit After Tax	£7.2m	£8.4m	£14.0m
Net Assets	£104.9m	£75.0m	£80.0m
EPRA NAV per Share	404p	371p	393p
EPRA Earnings	£5.1m	£1.8m	£4.7m
Adjusted Earnings	£2.1m	£1.8m	£4.8m
Valuation movement & surrender premiums	£5.4m	£7.3m	£9.8m
Basic EPS	31p	60p	82p
EPRA EPS	22p	13p	28p
Adjusted EPS	9p	13p	28p
Dividend per Share*	7p	6p	13p
Dividend Cover	1.3x	2.1x	2.1x
Loan to Value	23%	22%	23%
Gearing	30%	29%	29%

EPRA is the European Public Real Estate Association.

*Interim Dividend of 7p: Ex-dividend date: 10 Dec 15. Payment date: 30 Dec 15.

Financial Results



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	HY 15/16 £000's	HY 14/15 £000's	FY 15 £000's
Net Rental Income	7,484	2,963	7,437
Admin Costs	(1,035)	(591)	(1,439)
Finance Costs	(983)	(589)	(1,398)
Tax charge	(396)	(10)	107
EPRA Earnings	5,070	1,773	4,707
Revaluation gains	2,308	7,292	9,769
Non-recurring net costs	(205)	(639)	(461)
Profit after tax	7,173	8,426	14,015

Balance Sheet

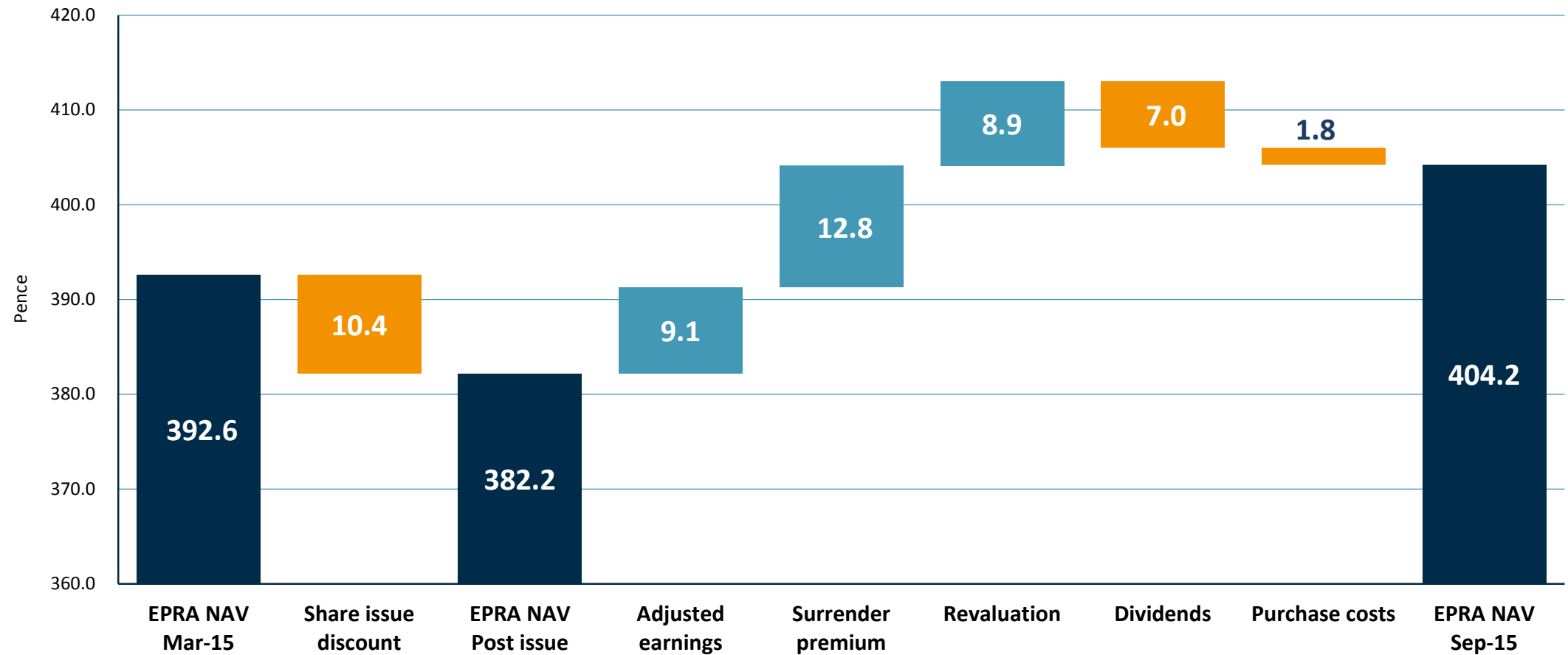


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	30 Sept 2015 £000's	31 March 2015 £000's
Property Portfolio	140,350	102,988
Cash	18,689	12,279
Borrowings	(50,528)	(35,807)
Other Net Assets / (Liabilities)	(3,573)	556
Net Assets	104,938	80,016
EPRA Net Assets	105,047	80,125
EPRA NAV per Share	404p	393p
Basic NAV per Share	407p	396p



Movement in EPRA NAV per ordinary share



Debt Summary

Portfolio/Asset	Lender	Debt Facility (£m)	Debt Drawn (£m)	Years	Debt Maturity
Hockenhull Portfolio	Close	1.2	1.2	2.0	30/09/2017
Signal Portfolio	Nationwide	20.0	19.6	5.0	30/09/2020
PIH Portfolio	NatWest	14.5	14.5	3.9	26/08/2019
Leeds – Bank House	Lloyds	4.4	4.4	3.6	28/04/2020
Northampton – Sol Central	Santander	11.3	11.3	4.7	15/06/2020
TOTAL		51.5	51.1	4.4	

	30 Sept 15	31 March 15
Property Values	£140.4m	£103.0m
Gross Debt	£51.1m	£36.2m
Debt net of cash	£32.4m	£23.9m
Loan to Value (LTV)	23%	23%
Weighted average cost of debt	3.1%	3.9%
Interest cover	3.6	4.3

£35.8m new debt facilities completed this period



Portfolio Highlights



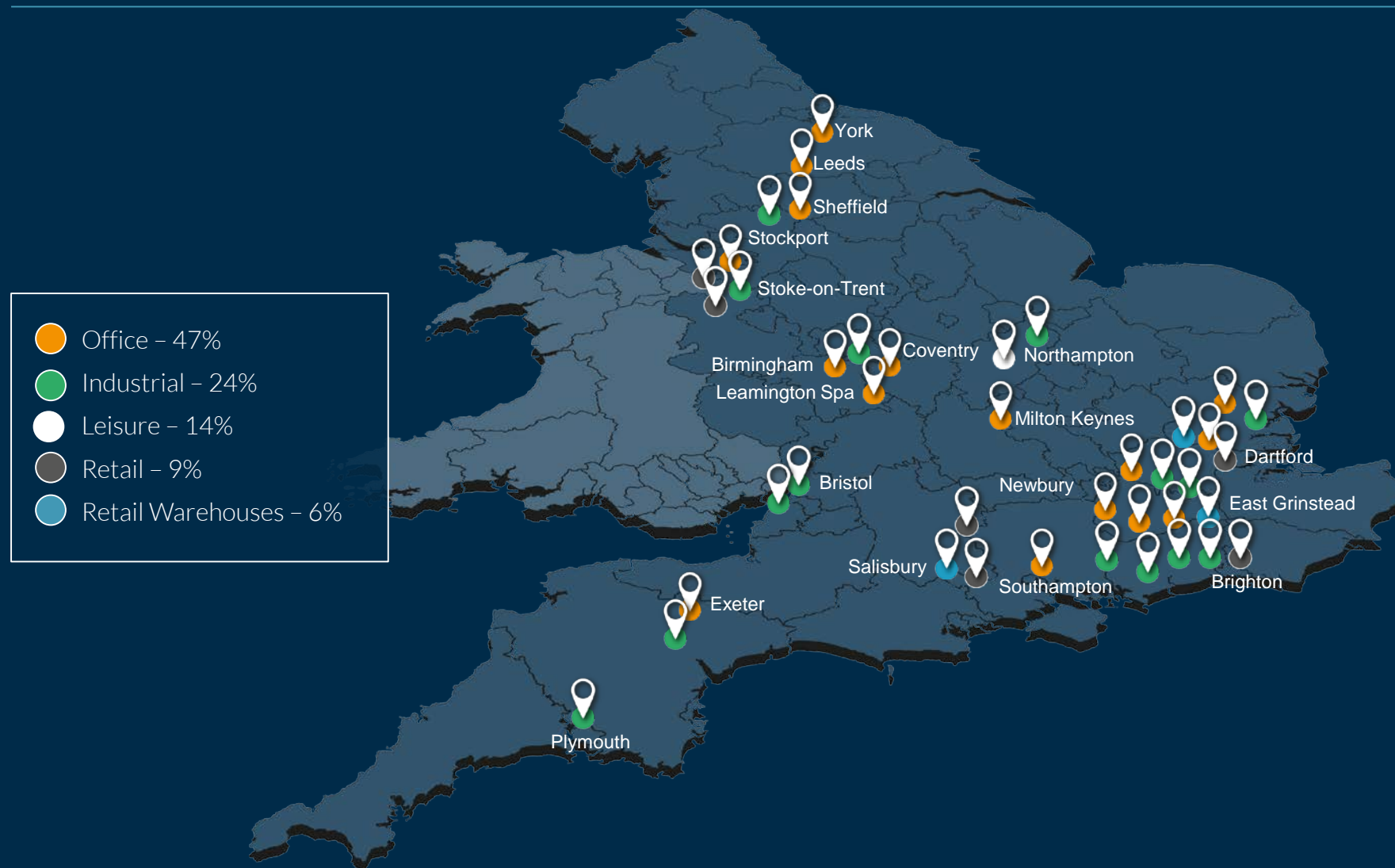
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	March 2015		September 2015
PORTFOLIO VALUATION	£103m	▶	£140m
CONTRACTUAL RENTAL INCOME	£8.6m	▶	£11.6m
OCCUPANCY	90%	▶	91%
WALT	4.5 years	▶	5.4 years

Property Portfolio



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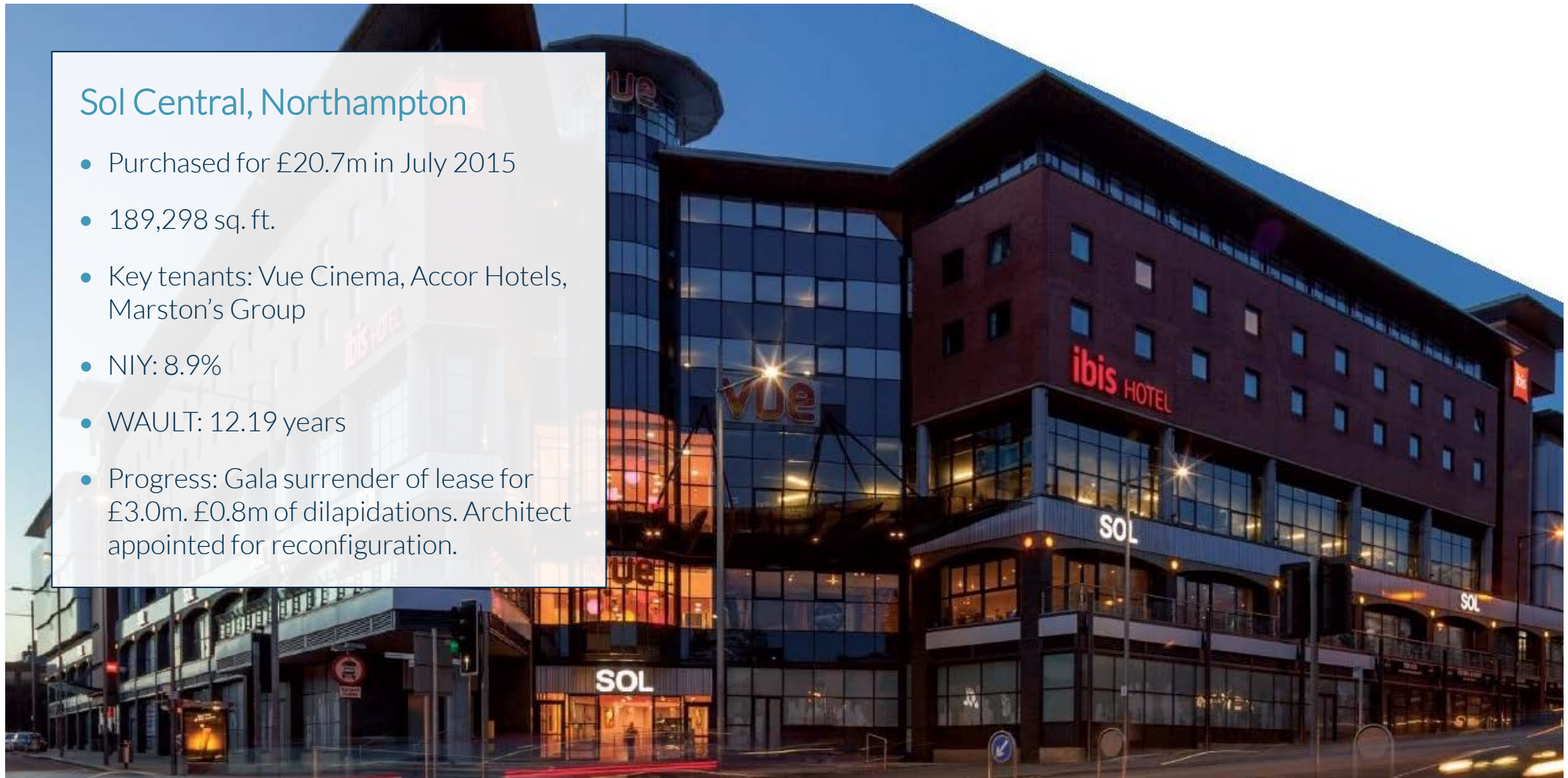
Recent Acquisitions



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Sol Central, Northampton

- Purchased for £20.7m in July 2015
- 189,298 sq. ft.
- Key tenants: Vue Cinema, Accor Hotels, Marston's Group
- NIY: 8.9%
- WAULT: 12.19 years
- Progress: Gala surrender of lease for £3.0m. £0.8m of dilapidations. Architect appointed for reconfiguration.



Bank House, King Street, Leeds

- Purchased for £10.0m in April 2015
- 88,036 sq. ft.
- Key tenants: Bank of England, Walker Morris Solicitors
- NIY: 8.1%
- WAULT: 2.4 years
- Occupancy: 75%
- Progress: Minor refurbishment works to vacant space. Currently being marketed to let.



Recent Acquisitions



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46-54 High Street, Sutton

- Purchased for £3.9m in August 2015.
- 21,056 sq. ft.
- Key tenants: The Local Authority, Foxtons
- NIY: 8.0%
- WAULT: 6.5 years
- Occupancy: 100%



Investment



Acquisitions ► £35 million

Sol Central, Northampton: £20.7m, 8.9% NIY

Bank House, King Street, Leeds: £10.0m, 8.1% NIY

46-54 High Street, Sutton: £3.9m, 8.0% NIY



Disposals ► £1.70 million

54 Albert Road, Reigate: £0.45m

Unit 1, Clayton Manor, Burgess Hill: £1.25m

Asset Management/Development

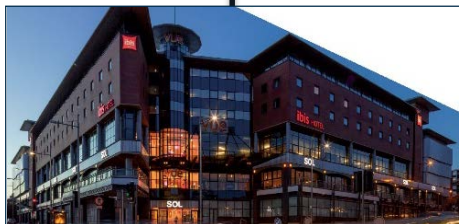
- Planning application submitted to the City of York Council for 82 apartments and 37,000 sq ft of offices at Hudson House, York
- Secured surrender of a lease held by Gala Casinos at Sol Central, Northampton, for £3.0m and £0.8m dilapidations
- Unit 3, Clayton Manor, Burgess Hill let for 15 years to Polar Audio Ltd at £120,000 pa initial rent
- Extension of lease with the Bank of England at Bank House, Leeds until 2023. Minimum increase to £223,000 pa in 2020
- Work has started on office-to-residential conversion of 14 apartments at Dartford, Kent
- Stratton House, Bristol – new 15-year lease with Wincanton Holdings at a headline rent of £190,000 pa

Portfolio Update



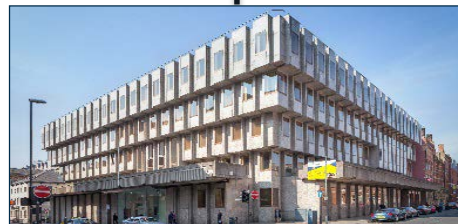
NORTHAMPTON SOL CENTRAL

Architect instructed on repositioning scheme following surrender of lease from Gala Casinos.



LEEDS – BANK HOUSE

Extended lease to Bank of England. Vacant space marketed to let.



DARTFORD

Convert vacant offices to 14 residential flats - underway



MALDON

Potential for refurbishment or sale to owner occupier



COVENTRY

Refurbished vacant office building being marketed to let.



SOUTHAMPTON

Negotiate with council for mixed use development.

STOKE ON TRENT

On market to let following lease expiry

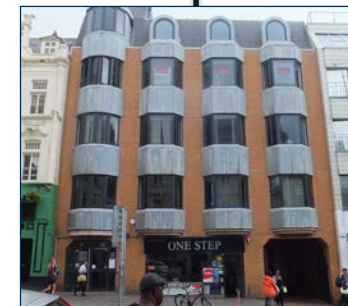
STOCKPORT

Surrender of lease completed. On market for sale/let.



BRIGHTON

Let refurbished vacant space and common areas.



Positive Outlook

We consider total returns from UK commercial property in the regions will continue to be generated from a combination of capital growth and income rental growth.

- Demand for space in good quality regional towns is increasing, improving terms for landlords and resulting in reduction in tenant incentives
- Supply of office space is decreasing as a result of the permitted development policy enabling the conversion of commercial space to residential
- Growing investor demand for regional property as returns become more attractive against record low yields in the London market

Palace Positioning

With the backdrop of a real estate market where there is increased competition for acquisitions, we are taking full advantage of our team's experience to make sure that we can move quickly and have the resources available when an appropriate opportunity presents itself.

- We remain very much in the market
- We continue to be very selective
- We continue to vigorously pursue opportunities that match our criteria
- We are constantly meeting property owners & viewing properties first hand



Summary

Palace Capital has made excellent progress in the past 6 months:

- PBT of £7.6m in the 6 months
- EPRA NAV per share growth of 5% to 404 pence (since June 2015 equity raise)
- £20m equity raised in the period and £35.8m new debt facilities
- 3 acquisitions completed this period totalling £35m
- Portfolio now valued at £140m

Palace Capital continue with growth plans:

- Ambition in the near term to grow portfolio to £300m
- Establishing a top class team and platform to support future growth
- Intention to join the Official List of the LSE at the appropriate time