



PALACE CAPITAL plc

INVESTOR PRESENTATION
OCTOBER 2016

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



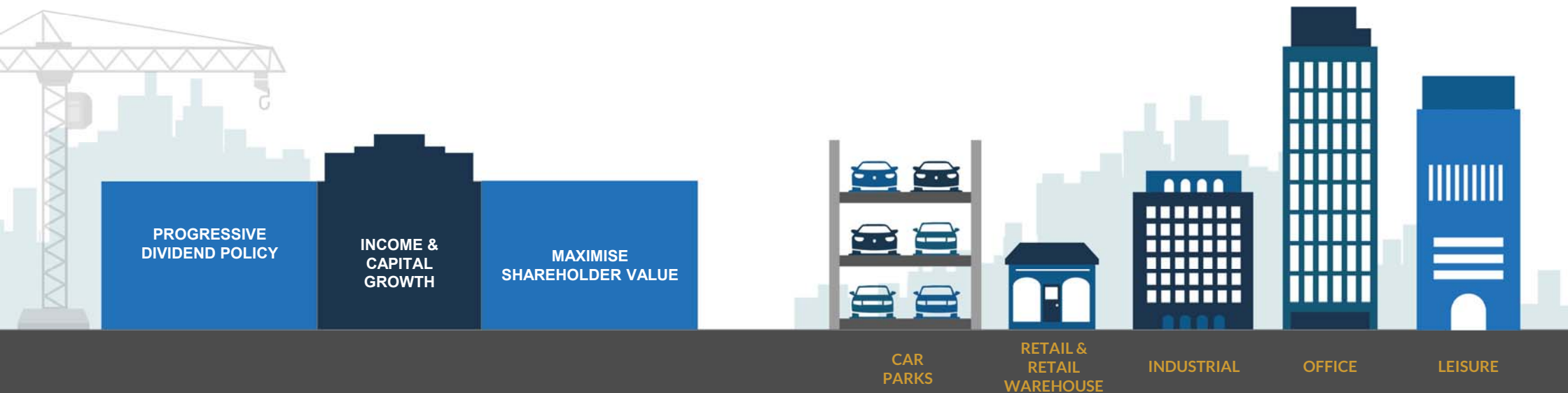
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INTRODUCTION TO PALACE CAPITAL

Our strategy is to invest in commercial properties in key regional UK towns and cities outside of London

- We make corporate and direct property acquisitions
- We enhance income returns and reduce void costs through active asset management
- We look to generate capital returns through refurbishment and development initiatives
- We recycle capital through profitable disposals and release equity for further investment



Our competitive advantage can be highlighted as follows:

Experienced Management Team with a growing reputation.

Established regional presence via 53 properties with a carrying value of £174.5m at 31 Mar-16.

Quality portfolio with considerable potential for growth both from income and capital.

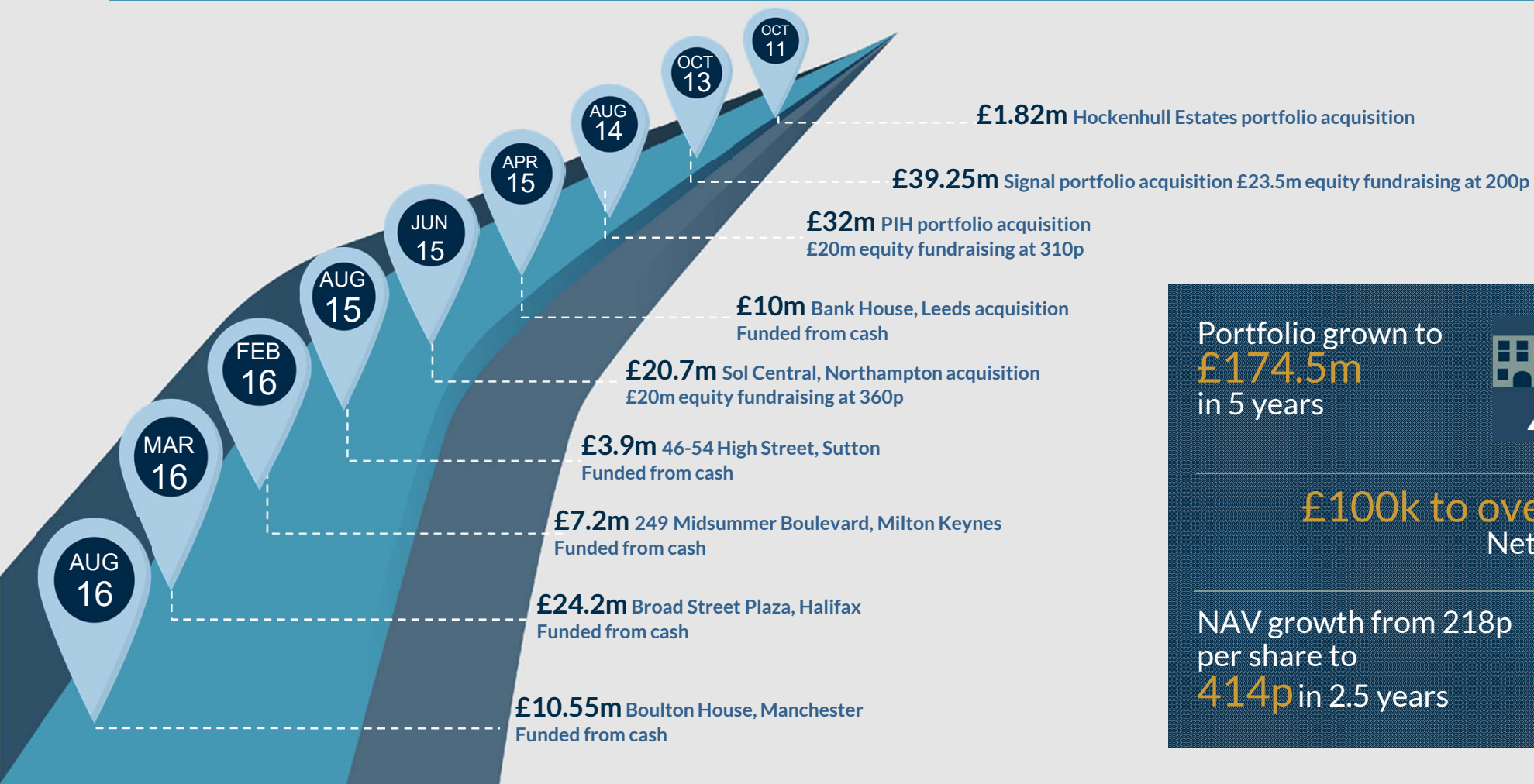
Active approach to asset management, leasing and refurbishment with proven success.

- ❑ There remains a supply/demand imbalance.
- ❑ We believe the regional property market is set to outperform London and prime markets in 2016-2017.
- ❑ Government initiatives including 'Devolution', 'Northern Powerhouse' and the 'Midlands Engine' all strengthen the case for a strategy focused outside of London.

GROWTH STORY SINCE 2011



PALACE CAPITAL plc

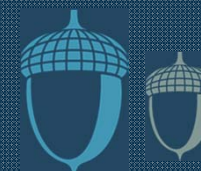


Portfolio grown to
£174.5m
in 5 years



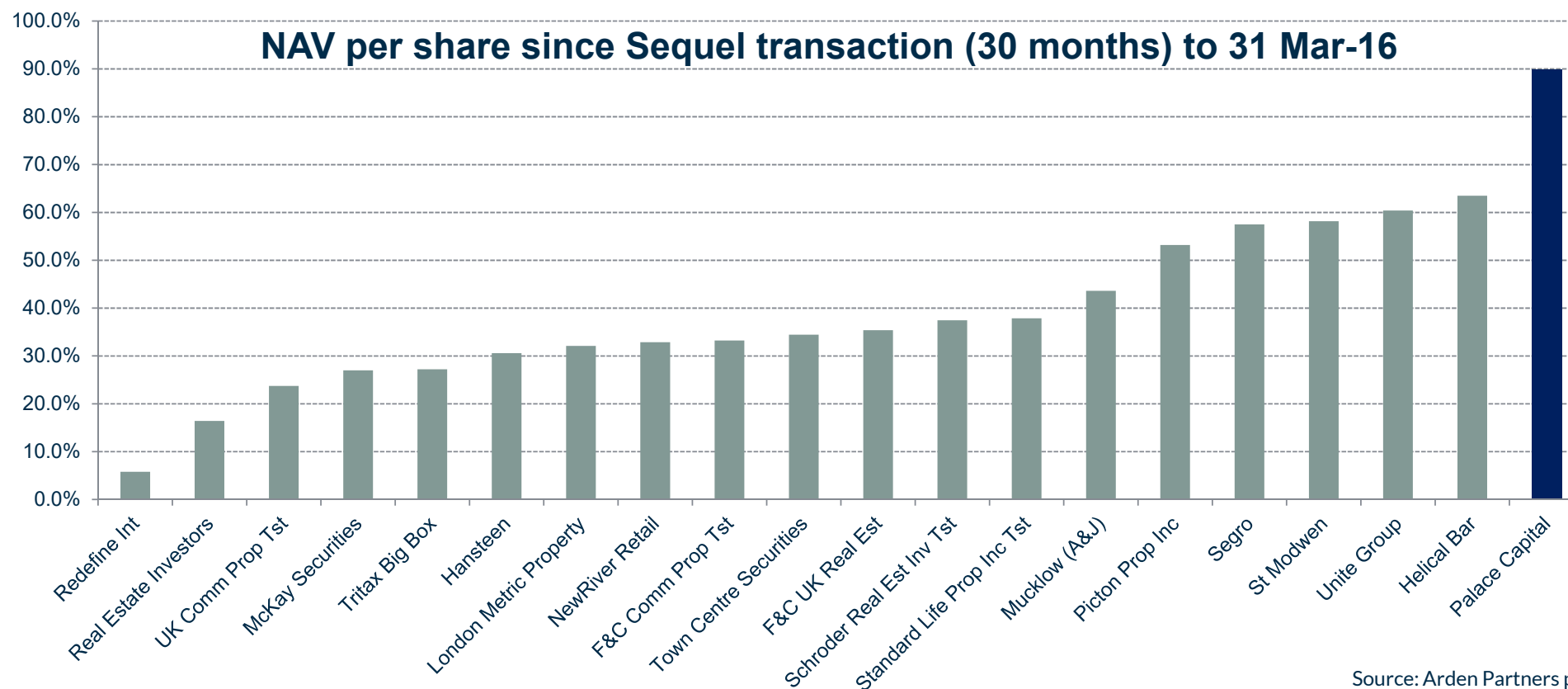
£100k to over £100m
Net Asset Value

NAV growth from 218p
per share to
414p in 2.5 years





PEER GROUP PERFORMANCE COMPARISON



Source: Arden Partners plc

We have raised £63.5m equity since RTO in October 2013 and outperformed the listed real estate sector with faster NAV growth than the above peer group.

FINANCIAL HIGHLIGHTS

YEAR ENDED 31 MAR-16	FY16	FY 15
Profit Before Tax	£11.8m	£13.9m
Net Assets	£106.8m	£80.0m
EPRA NAV per Share	414p	396p
EPRA Earnings	£7.7m	£4.7m
Adjusted Earnings	£4.6m	£4.8m
Basic EPS	44p	82p
EPRA EPS	31p	28p
Dividend per Share*	16p	13p
Dividend Cover	2.0x	2.1x
Loan to Value	37%	23%

EPRA is the European Public Real Estate Association.

*Final Dividend of 9p

Capital Growth of 65% since October 2013. NAV £106.8m from £63.5m equity raised.

FINANCIAL RESULTS

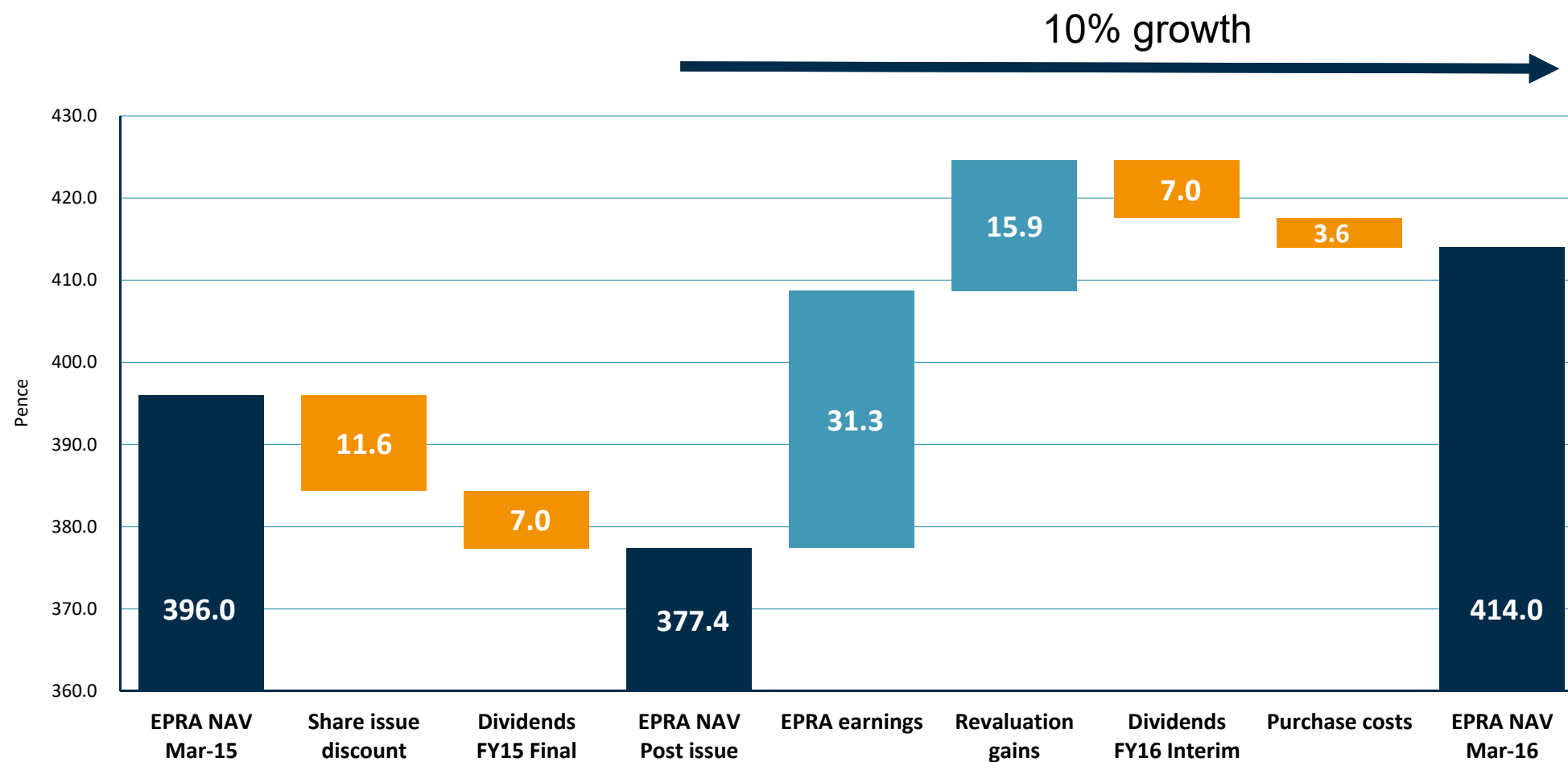
YEAR ENDED 31 MARCH	FY 16 £000's	FY 15 £000's
Net Rental Income	12,969	7,437
Admin Costs	(2,048)	(1,439)
Finance Costs	(2,264)	(1,398)
Earnings before tax	8,657	4,600
Tax charge	(953)	107
EPRA Earnings	7,704	4,707
Revaluation gains	3,620	9,769
Profits on disposal	290	178
Costs of acquisitions	(815)	(639)
Profit after tax	10,799	14,015

BALANCE SHEET

	31 March 2016 £000's	31 March 2015 £000's	31 March 2014 £000's
Property Portfolio	174,542	102,988	59,440
Cash	8,576	12,278	5,123
Borrowings	(71,944)	(35,806)	(18,584)
Other Net Assets / (Liabilities)	(4,359)	556	(1,603)
Net Assets	106,815	80,016	44,376
EPRA Net Assets	106,924	80,125	45,244
EPRA NAV per Share	414p	396p	357p
Basic NAV per Share	414p	396p	357p



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	1.0	30/09/2017
Signal Portfolio	Nationwide	19.2	19.2	4.1	30/09/2020
PIH and Properties Portfolios	NatWest	29.8	26.2	4.4	09/03/2021
Bank House, Leeds	Lloyds	4.2	4.2	2.6	28/04/2019
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
Broad Street Plaza, Halifax	Scottish Widows	15.2	15.2	9.8	04/07/2026
TOTAL		85.5	81.9	5.1	

	31 March 16	31 March 15
Property Values	£174.5m	£103.0m
Gross Debt	£72.7m	£36.2m
Debt net of cash	£64.1m	£23.9m
Loan to Value (LTV)	37%	23%
Weighted average cost of debt	3.1%	3.9%
Interest cover	4.8	4.3

£85.5m
debt facilities



PORTFOLIO HIGHLIGHTS



PALACE CAPITAL plc

	MARCH 2015		MARCH 2016
PORTFOLIO VALUATION	£103m	69%	£174.5m
CONTRACTUAL RENTAL INCOME	£8.6m	57%	£13.5m
NET RENTAL INCOME	£7.5m	57%	£11.8m
OCCUPANCY	90%	-1%	89%
WAVLT	4.5 years	14%	6.3 years

PROPERTY PORTFOLIO

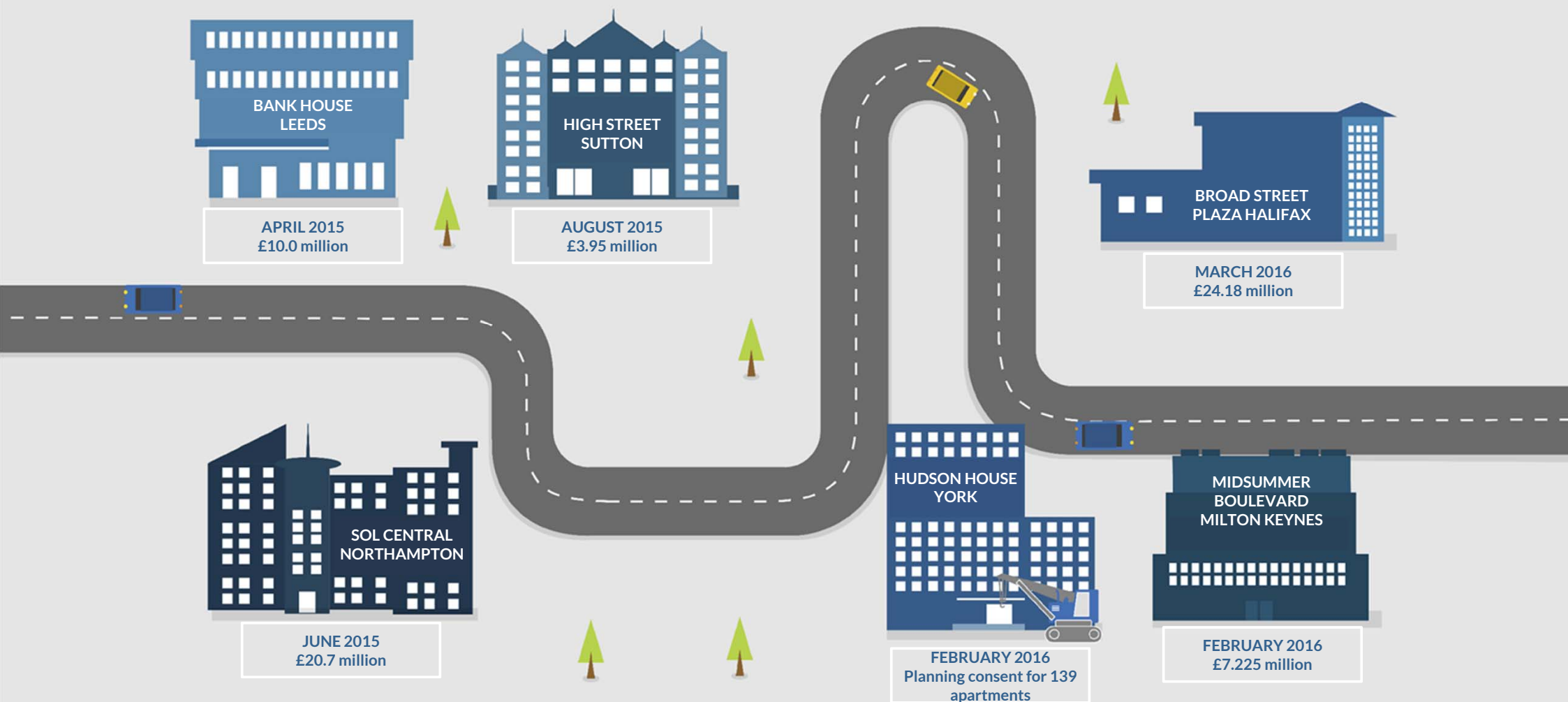
	OFFICE	43%
	LEISURE	21%
	INDUSTRIAL	18%
	RETAIL	8%
	RETAIL WAREHOUSE	6%
	CAR PARK	4%



THE YEARS JOURNEY



PALACE CAPITAL plc



POST YEAR-END ACQUISITION



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 | OFFICE

BOULTON HOUSE, MANCHESTER

- Purchased for £10.55m in August 2016.
- 76,918 sq. ft.
- Key tenants: Learn Direct, Trillium, Northern Rail
- NIY: 5.5% , Reversionary: 9.27%
- WAULT: 1.84 years
- Occupancy: 82.5%
- Multi-let office building in the heart of Manchester.
- Refurbish vacant offices. Medium term development potential.





BROAD STREET PLAZA, HALIFAX

- Purchased for £24.2m in March 2016.
- 113,000 sq. ft.
- Key tenants: Vue Cinema, Pizza Express, JD Wetherspoon, Apcoa, NHS, Mitchells & Butlers, TGI Fridays
- NIY: 7.25%
- WAULT: 14 years
- ROE: 16% in 2017
- New 10 year facility. £15.2m , 2.9%





MIDSUMMER BOULEVARD, MILTON KEYNES

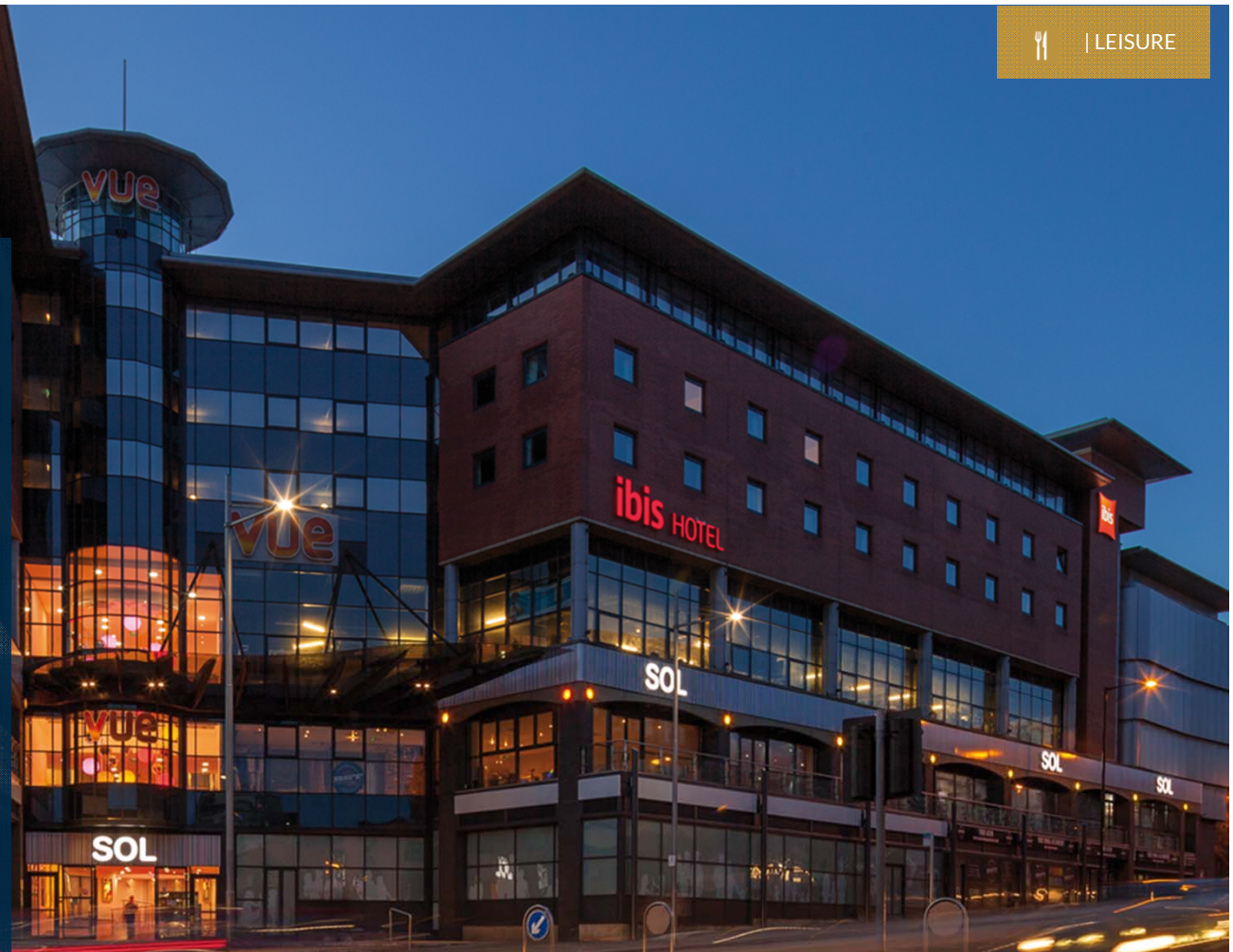
- Purchased for £7.2m in February 2016
- 49,000 sq. ft.
- Occupancy: 100%
- Key tenants: DHL and Crawford & Co Loss Adjusters
- NIY: 7.2%
- WAULT: 2.45 years





SOL CENTRAL, NORTHAMPTON

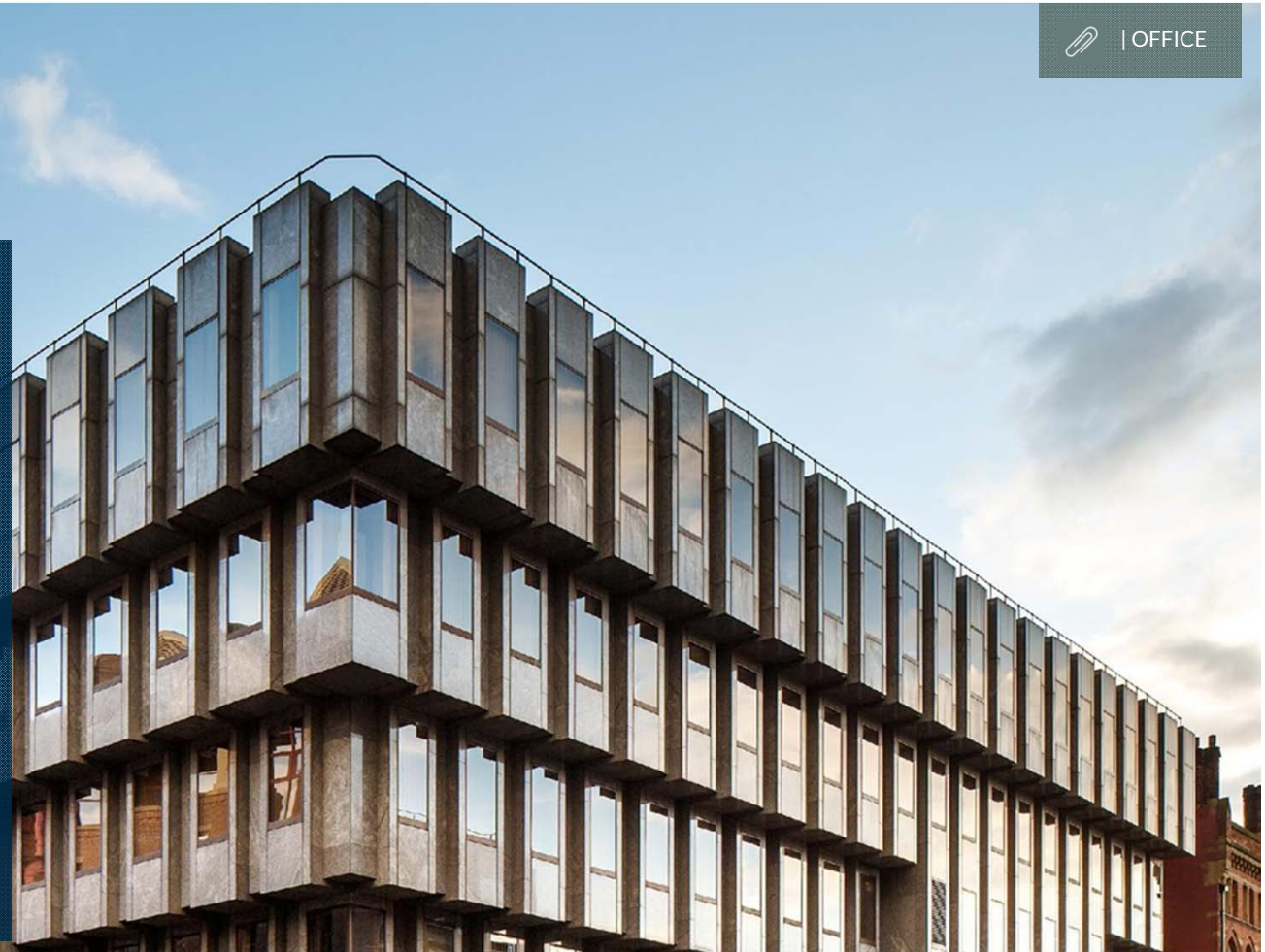
- Purchased for £20.7m in June 2015
- 189,298 sq. ft.
- Key tenants: Vue Cinema, Accor Hotels
- NIY: 8.9%
- WAULT: 12.19 years
- Progress: Gala surrender of lease for £3.8m and £0.2m rates refund.
- Strip out of Gala space completed.
- Architect appointed for reconfiguration with planned commencement in 2017.
- Planning application submitted





BANK HOUSE, KING STREET, LEEDS

- Purchased for £10m in April 2015
- 88,036 sq. ft.
- Key tenants: Bank of England, Walker Morris Solicitors
- NIY: 8.1%
- WAULT: 2.9 years
- Occupancy: 78%
- Progress: Minor refurbishment works to vacant space. Ready for letting in Autumn 2016.



46-54 HIGH STREET, SUTTON

- Purchased for £3.95m in August 2015.
- 21,056 sq. ft.
- Key tenants: London Borough of Sutton, Foxtons
- NIY: 8.0%
- WAULT: 6.5years
- Occupancy: 100%



OPERATIONAL HIGHLIGHTS



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INVESTMENT



Acquisitions

£76.5 million

Boulton House, Manchester	£10.55m, 5.5% NIY
Broad Street Plaza, Halifax	£24.2m, 7.25% NIY
Midsummer Blvd, Milton Keynes	£7.2m, 7.2% NIY
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

£4.126 million

54 Albert Road, Reigate	£0.45m
Unit 1, Clayton Manor, Burgess Hill	£1.25m
Unit F, 61 Albert Road	£0.31m
Vitoria Road, Stoke on Trent	£1.086m
Hall Road, Maldon (part sale)	£1.03m

ASSET MANAGEMENT

- Ovest House, Brighton: Refurbishment works completed following dilapidation settlement. Leases exchanged for all upper floors to Quarto Publishing plc.
- Copperfields, Dartford: Works underway to convert vacant offices to 14 residential apartments with completion estimated in August 2016.
- Bank House, Leeds: Lease extension agreed with Bank of England for additional 3 years, with rent more than doubling in 2020.
- Unit 3, Clayton Manor, Burgess Hill: Let for 15 years to Polar Audio Ltd at £120,000 per annum initial rent.
- Stratton House, Bristol: New 15-year lease to Wincanton Holdings Ltd at a headline rent of £190,000 per annum.
- Point 4 Industrial Estate, Avonmouth: New letting on three units to Eurocarb Products Ltd for 10 years with a minimum increase after 5 years.

HUDSON HOUSE, YORK



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| OFFICE

HUDSON HOUSE, YORK

- 103,000 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
- The Board continues to evaluate options to maximise value on this strategic site



PORTFOLIO UPDATE



PORTFOLIO UPDATE



DARTFORD

Convert vacant offices to 13 residential flats.
To complete during October 2015.



STOCKPORT

Surrender of lease completed.
Under offer for sale.



EXETER

3rd floor on market to let.



COVENTRY

Refurbished vacant office building
on market for sale/let.



BRIGHTON

Refurbished vacant office space
& common areas.
Now Let.



STAINES

Letting to Tornier UK Ltd for 10 years
with a 5 year break.

PORTFOLIO UPDATE



MALDON

Part sold.



LEAMINGTON SPA

Refurbished vacant suite.
On market to let.



STOKE ON TRENT

Sold.



SOUTHAMPTON

Negotiate with council and adjoining owners for potential mixed use development.



FARNBOROUGH

Medium term development opportunity.



AVONMOUTH

Letting of vacant units and rent review negotiations



POSITIVE OUTLOOK

We consider total returns from UK commercial property outside of London will continue to be generated from a combination of capital and 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 and knowledge of the regional property 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

Palace Capital has made excellent progress in the past 18 months:

- ❑ Profit before tax for the year ended 31 Mar-16 of £11.8m
- ❑ EPRA NAV per share growth of 5% to 414 pence at 31 Mar-16, 10% post Jun-15 equity raise
- ❑ £20m equity raised and £80m new debt facilities completed in the year
- ❑ 5 acquisitions completed during FY16 and 1 since year end, totalling £76.5m
- ❑ Portfolio valued at £174.5m at 31 Mar-16

Palace Capital continue with growth plans:

- ❑ Establishing a top class team and platform to support future growth
- ❑ Aspiration to join the Official List of the LSE