



PALACE CAPITAL plc

THE REGIONAL PROPERTY INVESTMENT COMPANY

Investor presentation – FY17 Annual Results

June 2017



Uniquely positioned
Sector-leading returns



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



1000
COMPANIES TO INSPIRE
BRITAIN 2017

WHO ARE PALACE CAPITAL plc?

LSE: PCA

Palace Capital is a unique AIM-listed UK Real Estate company, focused outside London

- Identified as one of the top 25 property growth companies 2017
- The company has driven and will continue to drive rental income and capital values through active asset management and proven stock selection with a flexible approach to disposals
- Palace Capital has grown its NAV per share by 103% since October 2013 and its dividend per share from 4.5p to 18.5p over the same timeframe



PROGRESSIVE
DIVIDEND
POLICY

INCOME &
CAPITAL
RETURNS

MAXIMISE
SHAREHOLDER
VALUE



RETAIL &
RETAIL
WAREHOUSE

INDUSTRIAL

OFFICE

LEISURE



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



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



HIGHLIGHTS: FY17

ACTIVE ASSET MANAGEMENT

- IFRS profit before tax £12.6m +7% (FY16: £11.8m)
- Portfolio Valuation £183.2m +6% (FY16: £173.4m)
- EPRA NAV per share 443p +7% (FY16: 414p)
- Adjusted PBT £6.7m +20% (FY16: £5.6m)
- Adjusted EPS 22.2p +17% (FY16: 18.9p)

RECYCLE CAPITAL

- 13 sales totalling £12.6m generating £3.2m profit



PALACE CAPITAL plc
THE REGIONAL PROPERTY INVESTMENT COMPANY

Final dividend of 9.5p per share
18.5p full year up 16%

OPPORTUNISTIC ACQUISITIONS

- Acquisition of Boulton House, Central Manchester office building for £10.6m at a NIY 5.5% and reversionary yield of 8.5%
- Total ownership of 44 properties across 1.6m sq ft with over 165 leases

STRATEGIC CAPEX AND DEVELOPMENT

- Application for planning permission at Hudson House, York submitted in March 2017 to include 127 apartments, 34,000 sq ft offices, 5,000 sq ft commercial space and car parking
- £2.1m conversion of the vacant first floor offices at Dartford into 13 self-contained flats, successfully let for 10 years to Dartford Borough Council at rental of £146,500 pa

	FY17	FY16	Movement
BALANCE SHEET			
Property Portfolio	£183.2m	£173.4m	+6%
Net Assets	£109.6m	£106.8m	+3%
EPRA NAV per Share	443p	414p	+7%
Loan to Value	37%	37%	-
INCOME STATEMENT			
IFRS Profit Before Tax	£12.6m	£11.8m	+6%
Adjusted PBT*	£6.7m	£5.6m	+20%
Adjusted EPS	22.2p	18.9p	+17%
Dividend per Share	18.5p	16.0p	+16%
Dividend Cover	1.2x	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



PALACE CAPITAL plc

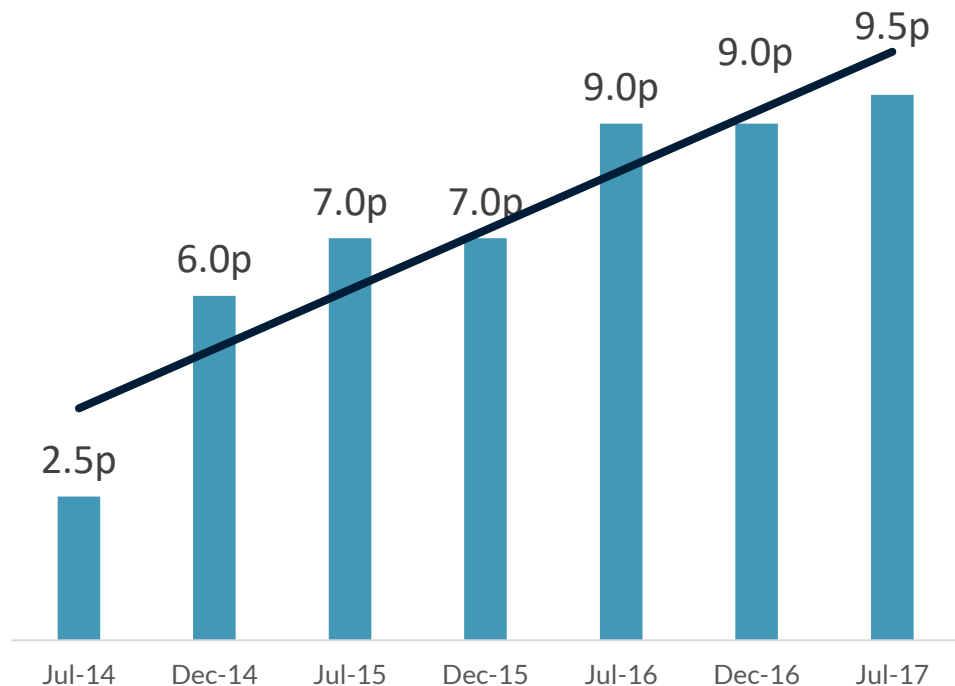
	FY17 £m	FY16 £m	
Net Rental Income	12.2	9.8*	+24%
Administrative Expenses	(2.7)	(1.9)	
Net Finance Costs	(2.8)	(2.3)	
Adjusted Profit Before Tax	6.7	5.6	+20%
Tax Charge	(1.0)	(1.0)	
Adjusted Profit After Tax	5.7	4.6	+24%
Revaluation Gains	3.1	3.6	
Profits on Disposal	3.2	0.3	
Cost of Acquisitions	-	(0.8)	
Surrender Premium	-	3.2	
Deferred Tax movement	(2.2)	-	
Non-recurring net costs	(0.4)	(0.1)	
Profit after tax	9.4	10.8	
Basic EPS	36.6p	43.9p	
Adjusted EPS	22.2p	18.9p	

*Excludes £3.2m non-recurring surrender premium received in FY16



DIVIDENDS & PERFORMANCE

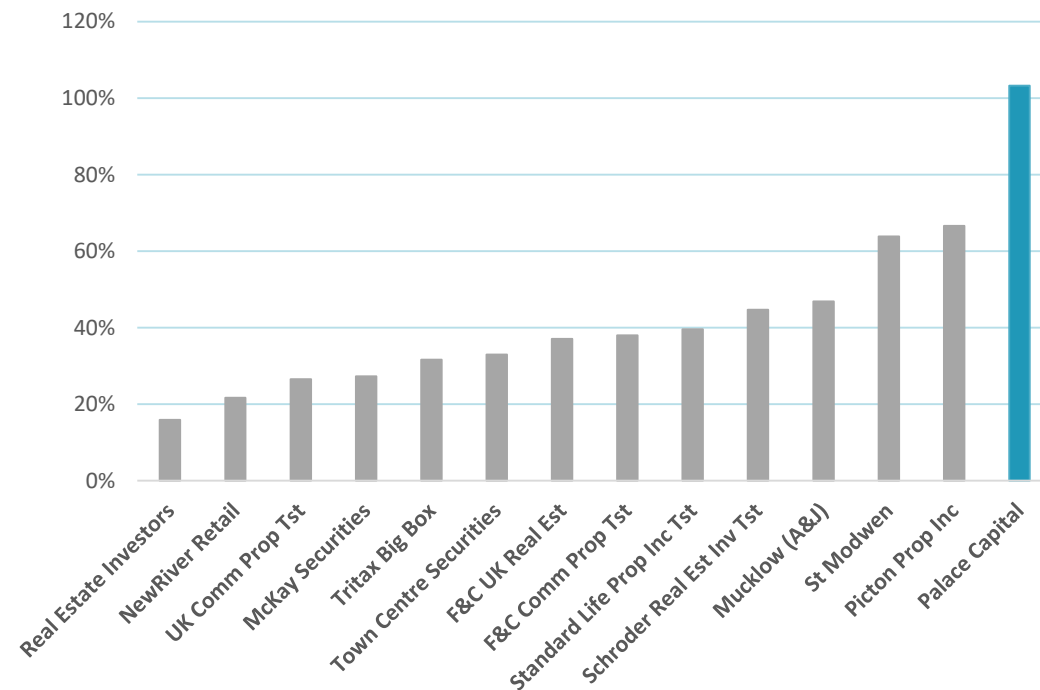
Track Record of delivering progressive dividend



2017 final dividend of 9.5p, increased annual dividend to 18.5p, up 16%
 Ex-div date 6 July 17, record date 7 July 17, payment date 28 July 17

PEER GROUP COMPARISON

NAV per share since the Signal acquisition (3.5 years) to 31 Mar-17



Palace Capital has outperformed its peer group over the past 3.5 years
 growing NAV per share by 103%

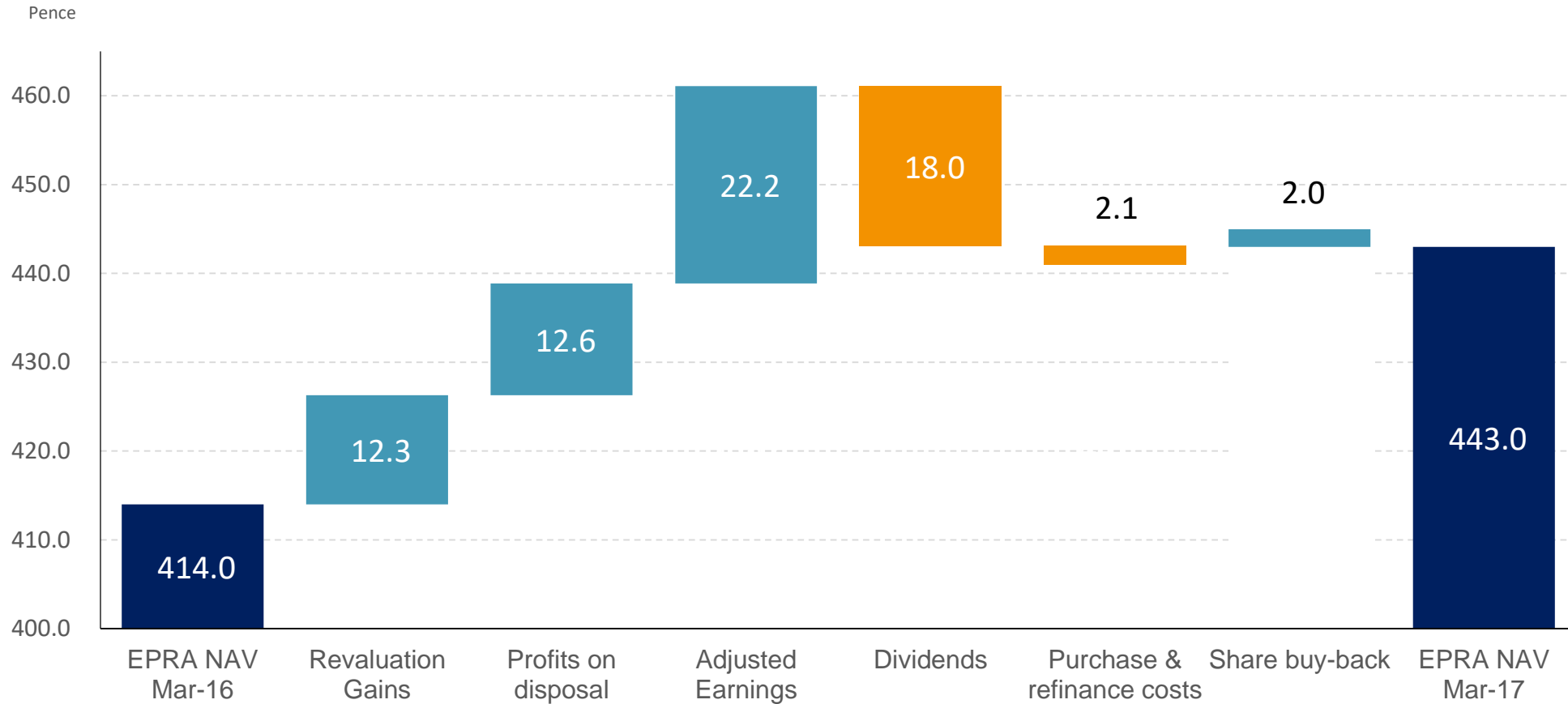


BALANCE SHEET

	FY17 £m	FY16 £m
Property Valuations	183.2	173.4
Cash	11.2	8.6
Borrowings	(77.8)	(71.9)
Other Net Assets / (Liabilities)	(4.8)	(3.3)
EPRA Net Assets	111.8	106.8
Deferred Tax Liability	(2.2)	-
Net Assets	109.6	106.8
NAV per share	436p	414p
EPRA NAV per share	443p	414p
LTV %	37%	37%
CAPITAL GROWTH		
NAV per share Growth	7.0%	4.5%
Accounting return	11.4%	8.1%
Total shareholder return (TSR)	7.4%	-2.3%



Movements in EPRA NAV per share



EPRA is the European Public Real Estate Association.

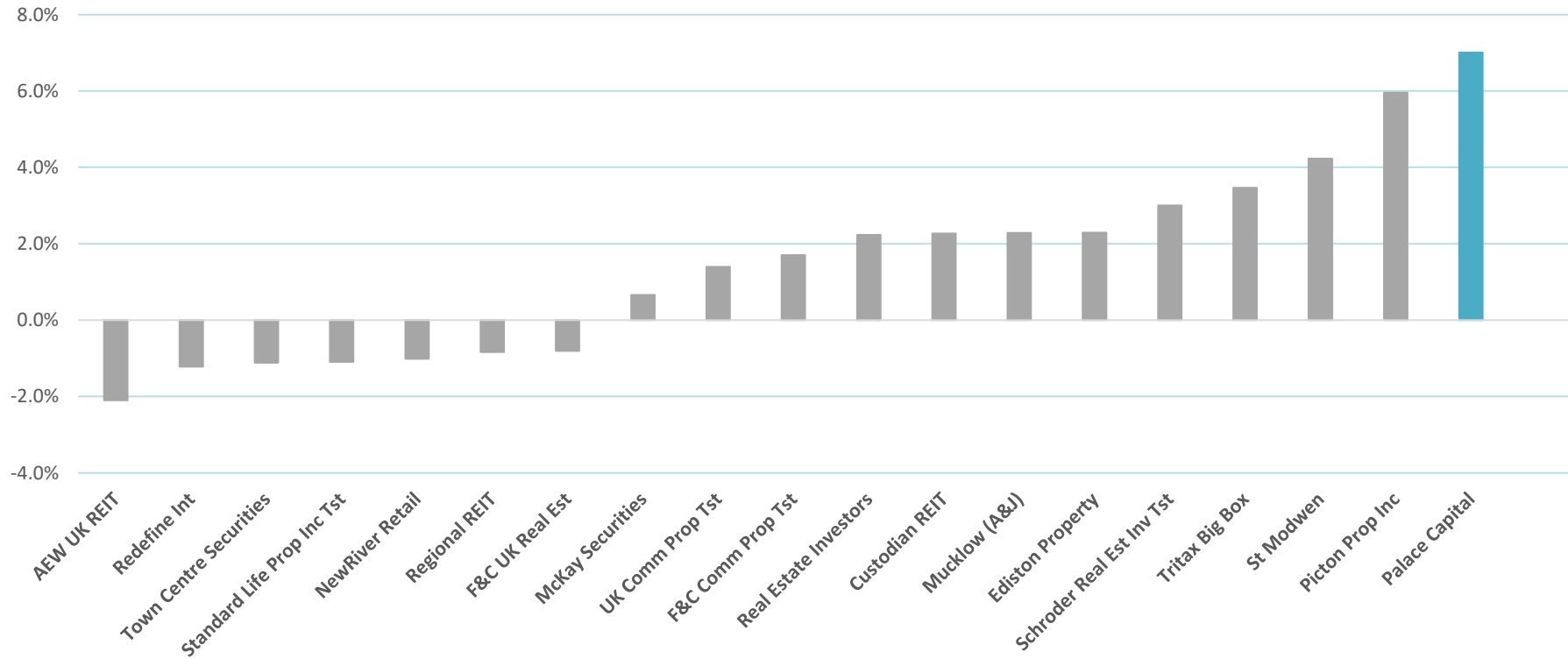
EPRA NAV Growth & Accounting Return



Palace Capital continues to outperform its peer group in the year to 31 March 2017 growing NAV per share 7%.

29p NAV growth + 18p Dividends paid in the year: The Company has generated a strong Accounting Return of 11.4%.

1 yr NAV Growth to 31 Mar 2017





DEBT SUMMARY

Lender	Debt Facility (£m)	Debt Drawn (£m)	Years	Debt Maturity
Scottish Widows	15.0	15.0	9.3	06/07/2026
NatWest	29.3	25.7	3.9	11/03/2021
Nationwide	18.2	18.2	3.6	11/11/2020
Santander	15.7	15.7	3.2	15/06/2020
Lloyds	4.1	4.1	2.1	28/04/2019
	82.3	78.7	4.6	

	FY17	FY16
Property Portfolio	£183.2m	£173.4m
Gross Debt	£78.7m	£72.7m
Debt net of cash	£66.6m	£64.1m
Loan to Value (LTV)	37%	37%
Weighted average cost of debt	2.9%	3.1%
Fixed Debt	32%	0%
Interest cover	3.5x	3.5x

£82.3m
debt facilities

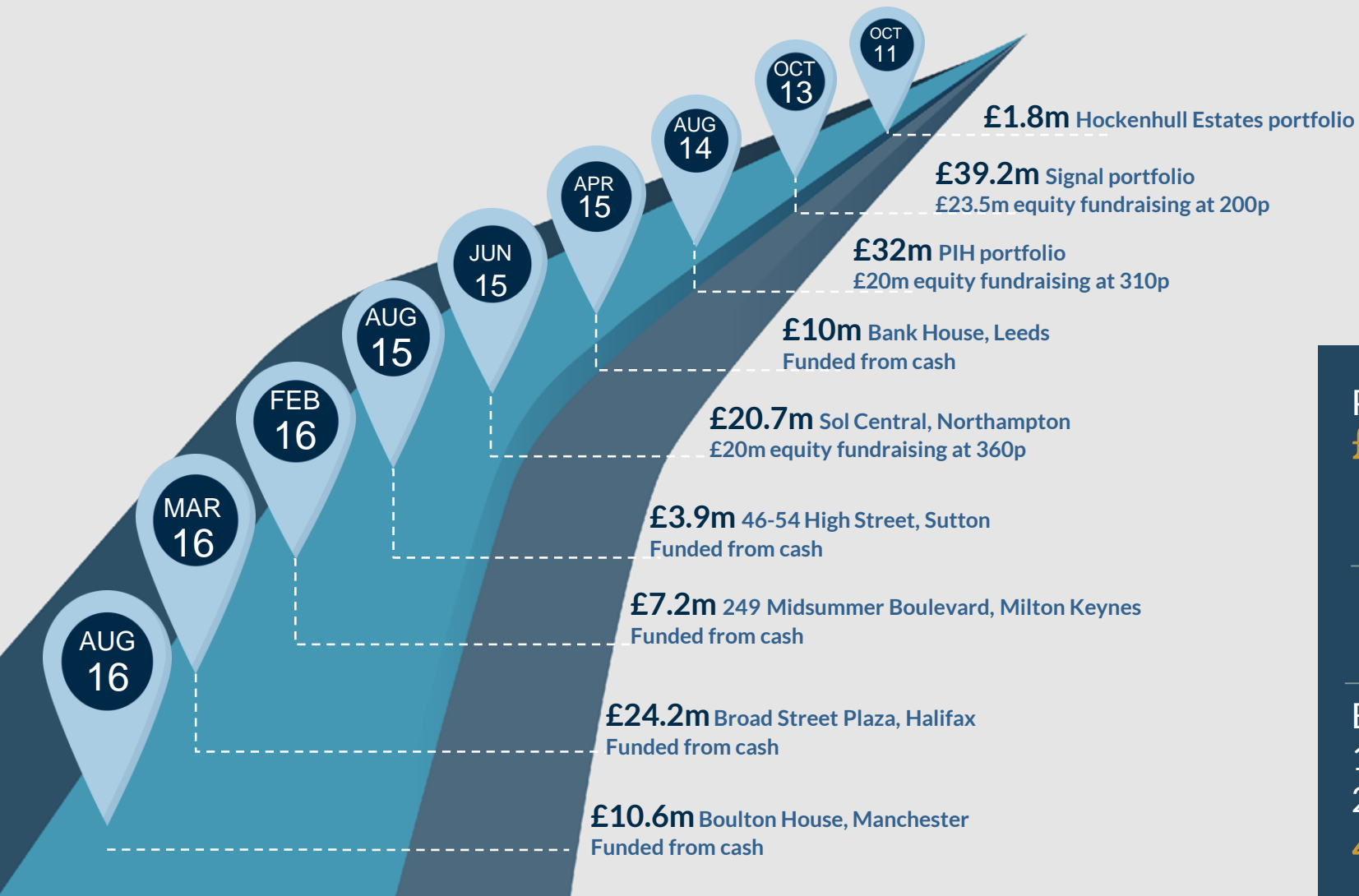
Strong relationship with existing lenders

Low cost of debt maintained with flexibility for refinancing





PROPERTY ACQUISITION STORY



Portfolio grown to
£183.2m



£0.1m to over £111m
EPRA Net Asset Value

EPRA NAV per share up
103% in 3.5 years from
218p to
443p

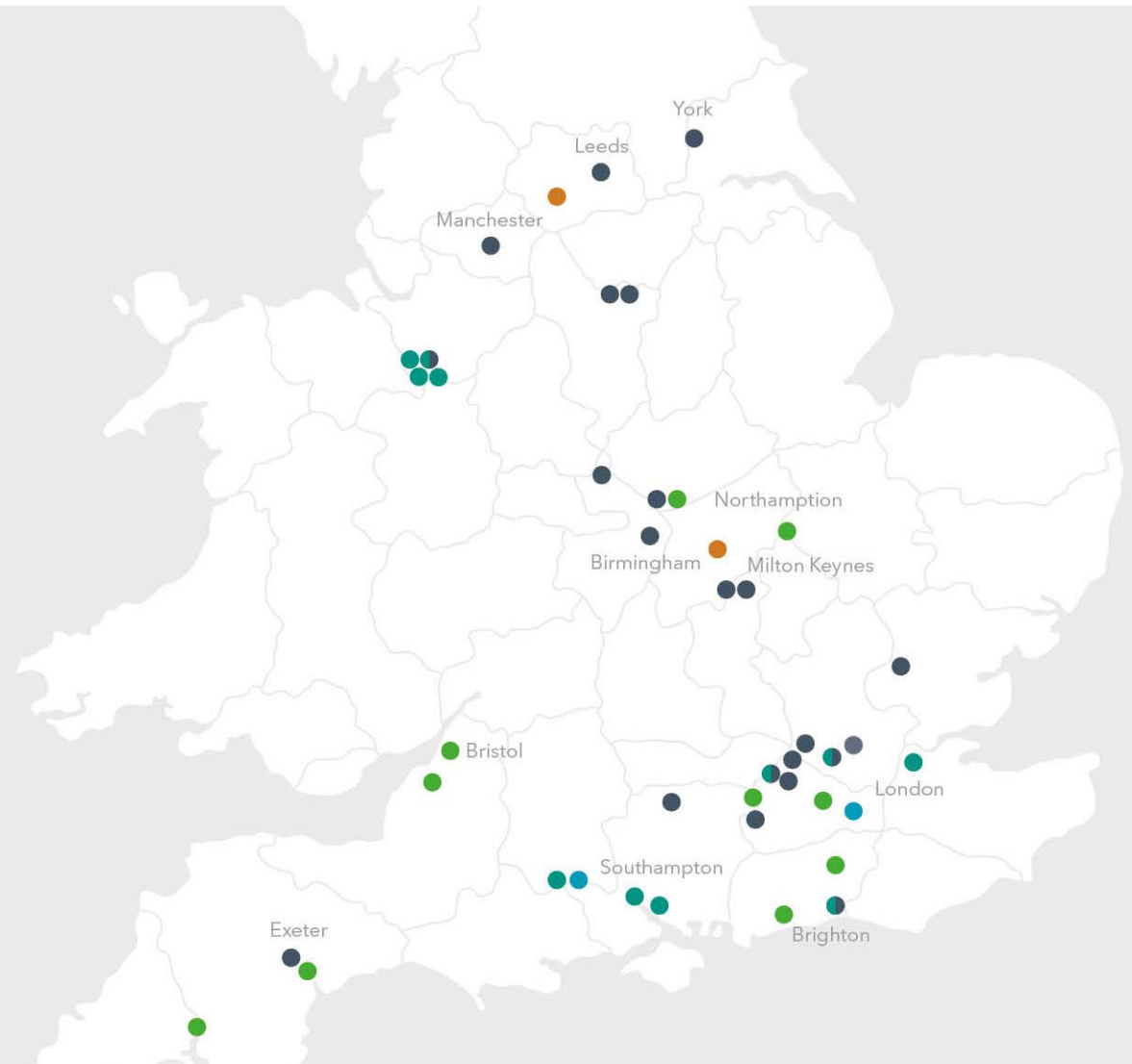


PROPERTY PORTFOLIO



PALACE CAPITAL plc

PROPERTY VALUATION	£183.2m
CONTRACTUAL RENTAL INCOME	£12.7m
NET RENTAL INCOME	£11.0m
OCCUPANCY	91%
WAULT (to break)	5.8 years



OFFICE

42%



LEISURE

24%



INDUSTRIAL

20%



RETAIL

10%



RETAIL
WAREHOUSE

4%













PORTFOLIO METRICS

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

The top 10 tenants contribute 31.5% 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	6.7%
 WALKER MORRIS	Legal	578	4.4%
 ACCOR HOTELS	Hotels	510	3.9%
 Rockwell Automation	Auto	399	3.1%
 Wickes	Retail	355	2.7%
 brose <small>Technik für Automobile</small>	Auto	325	2.5%
 BRAVISSIMO	Retail	284	2.2%
 NHS	Health	262	2.0%
 The Forensic Science Service	Research & Development	260	2.0%
 APCOA PARKING	Car Parking	250	2.0%
TOTAL		4,088	31.5%

GEOGRAPHY

Sector	Exposure
East	2%
North West	7%
South West	10%
South	8%
South East	18%
Yorkshire	28%
Midlands	27%

Source: Cushman & Wakefield Independent Valuation Reports 31 March 2017

HUDSON HOUSE, YORK



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HUDSON HOUSE, YORK

- 103,000 sq ft
- One minute's walk from York station
- Fast, 110 minute non-stop train service into London
- Approval secured for change of use to 139 residential apartments in February 2016
- Planning permission was granted by City of York Council in Dec 2016 to convert building to 82 apartments and 37,000 sq ft of offices
- Plans to redevelop entire site submitted in March 2017 for 127 apartments, 34,000 sq ft office space, 5,000 sq ft commercial space plus car parking
- The Board continues to evaluate options to maximise value on this strategic site





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: 13.2 years
- Fixed rental increases driving 17% ROE for FY18
- 10 year debt facility with Scottish Widows fixed at 2.9%
- Significant capital allowances available to offset taxable profits
- Marketing strategy implemented, increasing footfall



BOULTON HOUSE, MANCHESTER



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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 refurbishment completed and currently being marketed to let
- Entrance refurbishment underway
- Medium term development potential



COPPERFIELDS, DARTFORD



COPPERFIELDS, DARTFORD

- 24,000 sq. ft. mixed-used scheme
- Purchased as part of the Signal portfolio
- Following the office tenant vacating, we obtained permission to convert the office space to 13 residential flats in a £2.1m scheme which was completed in December 2016
- Dartford Council subsequently signed a 10-year lease without break at an initial annual rent of £146,500 rising at a fixed rate of 2.5% a year.
- The value of the asset has grown from £0.7m as a tertiary retail/office property to £4.5m as at March 2017.




RETAIL/RESIDENTIAL

SOL CENTRAL, NORTHAMPTON

- Purchased for £20.7m in June 2015
- 189,000 sq. ft.
- Key tenants: Vue Cinema, Accor Hotels
- WAULT: 8.9 years
- Rental income uplift from car park expected and additional turnover rent of £90,000 received from Accor in the last financial year
- Planning approval granted in October 2016 to convert Gala space to restaurants/cafes
- Architect appointed for reconfiguration and new tenants sought
- New roof and major lighting scheme – works to commence Summer 2017



 | OFFICE

MALDON DISPOSAL

- Purchased for £2.0m in October 2013
- 75,000 sq. ft.
- Investigated potential for residential conversion
- Ten year lease incorporating minimum rental increases was agreed with existing tenant, Rockwell Automation, with a mutual break at years 3 and 7
- Limited rental growth potential
- Sold for £3.9m in March 2017 to realise maximum value

VALUATIONS



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	Market Value FY17 £m	Market Value FY16 £m	Surplus/ (deficit) £m	Movement %
Offices	£65.4	£61.9	£3.5	5.7%
Industrial	£36.6	£33.6	£3.0	8.9%
Leisure	£43.0	£42.6	£0.4	1.0%
Retail	£18.4	£16.3	£2.1	12.9%
Retail Warehouse	£7.7	£7.8	-£0.1	-1.3%
Like-for-like	£171.1	£163.6	£8.9	4.5%
Acquisitions	£12.1			
Disposals		£9.8		
Total property portfolio	£183.2	£173.4		

Source: Cushman & Wakefield Independent Valuation Reports 31 March 2017

PORTFOLIO ANALYSIS



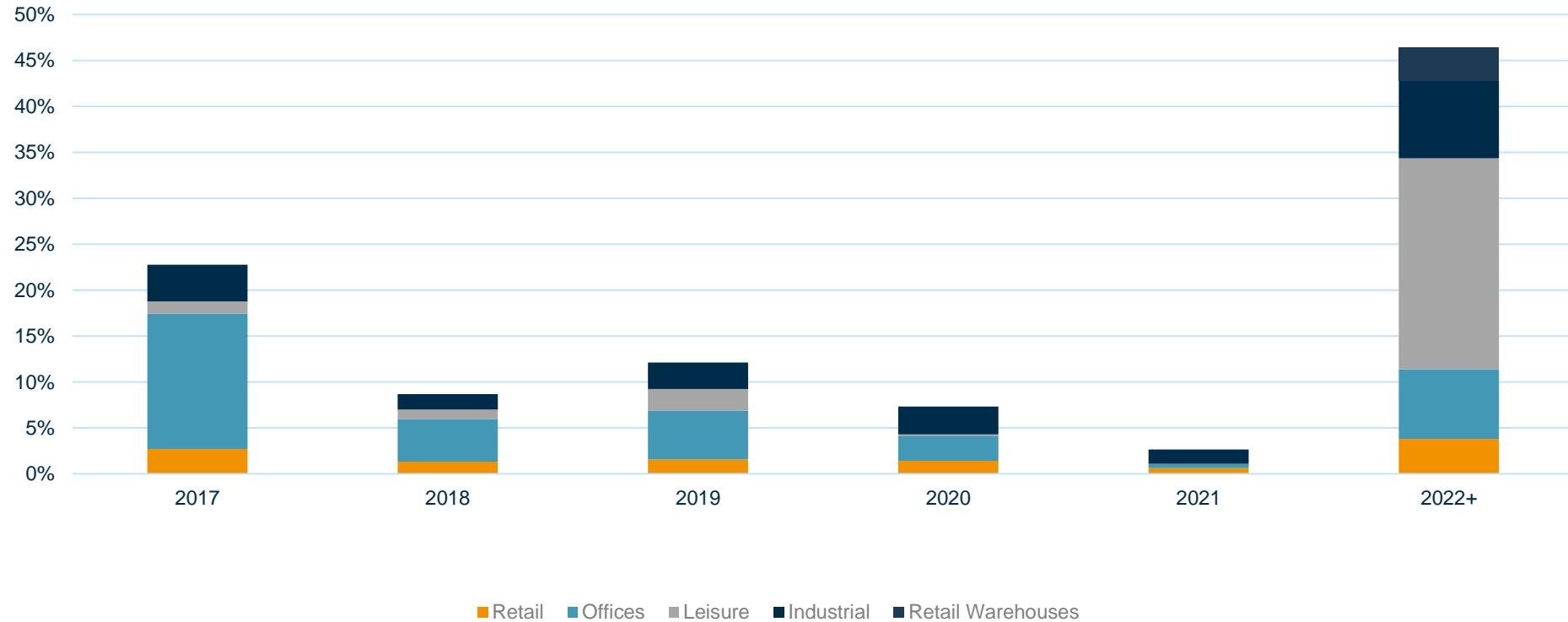
PALACE CAPITAL plc

	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	18,435,000	10.1%	10	36	105,222	£1,463,519	£1,726,940	5.1
Offices	77,495,000	42.3%	16	70	594,363	£4,534,500	£7,050,986	3.5
Leisure	42,950,000	23.4%	2	25	247,472	£3,550,124	£3,436,175	11.6
Industrial	36,595,000	20.0%	15	32	598,490	£2,707,777	£3,174,034	5.1
Retail Warehouse	7,700,000	4.2%	1	2	30,672	£467,363	£504,300	9.1
TOTAL:	183,175,000		44	165	1,576,219	£12,723,283	£15,892,435	5.8

Source: Cushman & Wakefield Independent Valuation Reports 31 March 2017

Weighted average unexpired lease term of 5.8 years at 31 March 2017

Lease Expiries by gross rental income (%)



The portfolio is diversified across the regional markets and has no exposure to Central London assets.



TOP 10 ASSETS

TOP 10 ASSETS MAKE UP 61% OF OUR TOTAL PORTFOLIO

	% of Portfolio by Market Value	Market Value 31 Mar-17	Area (Sq. ft.)	Gross Rental Income (£ p.a.)	WAULT To Break (yrs)
Broad Street Plaza, Halifax	13.2%	£24.3m	117,768	£1,785,285	13.2
Sol Central, Northampton	10.1%	£18.6m	129,703	£1,764,839	8.9
Hudson House, York	8.1%	£14.9m	101,686	£257,862	0.1
Boulton House, Manchester	6.1%	£12.1m	75,333	£710,688	1.4
Bank House, Leeds	5.5%	£10.7m	88,036	£690,298	3.3
Kiln Farm, 2-4 Pitfield, Milton Keynes	4.1%	£7.9m	52,818	398,916	9.7
Units A & B, Imberhorne Lane, East Grinstead	4.1%	£7.7m	30,672	£467,363	9.1
249 Midsummer Blvd, Milton Keynes	3.6%	£7.4m	49,814	£444,493	2.5
Point Four Industrial Estate, Avonmouth	3.2%	£6.5m	84,748	£372,995	4.4
Imperial Court & Imperial House , Holly Walk, Leamington Spa	3.1%	£6.0m	40,617	£265,923	2.5
TOTAL	61.1%	£116.1m	771,195	£7,158,662	



LOOKING TO THE FUTURE

- Palace Capital is uniquely positioned in the market to deliver sector-leading income & capital returns (NAV up 103% in 3.5 years)
- Regional diversified portfolio outside London continues to outperform peer group (NAV up 7% for FY17)
- Strong cash generation at modest rents in growth locations provide protection during Brexit negotiations
- 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 (Dividends up 16% to 18.5p)
- Established a top class team and platform with a scalable business model and ambition to match
- Target main market listing to provide greater liquidity and scale to investors

SELECTION FROM THE PORTFOLIO



PALACE CAPITAL plc



A&B, BRIDGE RETAIL PARK, EAST GRINSTEAD



WINCHESTER STREET, SALISBURY



SANDRINGHAM HOUSE, HARLOW



249 MIDSUMMER BOULEVARD, MILTON KEYNES



POINT 4 INDUSTRIAL ESTATE, AVONMOUTH



THE FORUM, EXETER

SELECTION FROM THE PORTFOLIO



PALACE CAPITAL plc





1000
COMPANIES TO INSPIRE
BRITAIN 2017

Uniquely positioned
Sector-leading returns



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