

BUY

PALACE CAPITAL PLC (PCA)

Acquisition boost for Palace Capital

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Palace Capital (PCA) attracted some criticism over the dilutive effect of a £65.7m share placing to fund the cost of acquiring property investment group RT Warren. Even so, over the past four years the group's adjusted net asset value has more than doubled to 451p a share, although that was at the September half-year, and will be lower after factoring in the placing.

Developments included securing planning consent at Hudson House in York to redevelop the site into 127 flats, 5,000 sq ft of retail space and a

34,000 sq ft office block. With demolition pencilled in to start in February 2018, this will save around £500,000 in rates and service charges.

Disposals generated £3.29m with the sale of a vacant industrial property in Exeter at a premium to book value, while Whittle House in Coventry was sold at book value.

The RT Warren acquisition brings in 21 commercial assets and 65 residential properties, and the previously vacant London Court in Southampton has already been let on a 10-year lease. Annualised contracted rental income rose by 11 per cent to £14.1m.

Analysts at Arden Partners are forecasting adjusted net asset value at the March 2018 year-end of 395p a share, from 443p in 2017.

► **Dividends will be paid quarterly in 2018, and there are plans to place the shares on the main London listing. Net asset value per share is set to be down at the March year-end from a year earlier because of the placing, although RT Warren was bought at a 5.3 per cent discount, which will provide some uplift. Trading at a 14 per cent discount to forecast NAV, and with an attractive dividend, we're still buyers (370p, 27 Aug 2015).**

Last IC View: [Buy, 364p, 20 Sep 2017](#)

BULL POINTS

BEAR POINTS

IC TIP RATING

TIP STYLE: VALUE
 RISK RATING: MEDIUM
 TIMESCALE: LONG TERM

PALACE CAPITAL (PCA)				
ORD PRICE:	340p	MARKET VALUE:	£156m	
TOUCH:	335-345p	12-MONTH HIGH:	391p	LOW: 330p
DIVIDEND YIELD:	5.6%	DEVELOPMENT PROP:	nil	
DISCOUNT TO NAV:	23%			
INVESTMENT PROP:	£203m	NET DEBT:	75%	

Half-year to 30 Sep	Net asset value (p)	Pre-tax profit (£m)	Earnings per share (p)	Dividend per share (p)
2016	419	3.9	13.4	9.0
2017	442	4.9	17.3	9.5
% change	+5	+24	+29	+6
Ex-div:	07 Dec			
Payment:	29 Dec			