

Primary Health Properties PLC

(Incorporated in the United Kingdom)

Company Number: 3033634

LSE Share Code: PHP

JSE Share Code: PHP

ISIN Code: GB00BYRJ5J14

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("PHP" or the "Company" or "Group")



Q3 2023 Trading Update and Completion of Secondary Listing

Rental growth continuing to drive performance and dividend growth

Primary Health Properties PLC, one of the UK's leading investors in modern primary healthcare facilities, today publishes a trading update for the third quarter of the year to 30 September 2023 ("Q3 2023") and announces the completion of its secondary Listing on the Johannesburg Stock Exchange ("JSE").

Secondary Listing

The Company is pleased to announce that the listing of PHP on the JSE is effective as of 8.00am today. The Board of PHP believes that the secondary listing will contribute to liquidity in the Group's shares as a result of the growing interest in the Company and its increased profile in the South African market, where a number of investors have already shown strong interest in the unique healthcare property investment opportunity.

Rental growth

In the nine months to 30 September 2023 the Company generated an additional £3.3 million (Q3 2022: £2.4 million) of extra rental income from its rent review and asset management activities, both in the UK and in Ireland.

The Company continues to see an improving rental growth outlook, in particular from rent reviews. An extra £3.1 million (Q3 2022: £2.3 million) of income was generated in the nine months from 243 reviews that have been settled, representing a 9.6% increase over the previous passing rent, equivalent to 4.4% (2022: 3.4%) on an annualised basis.

PHP remains on course to generate in excess of £4.0 million (2022: £3.0 million) of extra income from rent reviews in 2023 driven by the impact of inflation on both indexed-linked and open market value ("OMV") reviews.

A further £0.2 million (Q3 2022: £0.1 million) has been generated from asset management activities where the Company has exchanged on five new projects, completed six lease regears and three new lettings. There is a strong pipeline of a further 26 asset management projects which, in addition to extending lease lengths and increasing rents, will improve the environmental performance of the buildings.

Investment and development

As previously announced, the Group has agreed to acquire one of Ireland's first Enhanced Community Care ("ECC") facilities at Ballincollig, near Cork, Ireland, for a total consideration of €29.6 million with

completion expected imminently. The property is fully let to the Health Service Executive ("HSE") on a 25-year lease and benefits from five yearly, compounded annually, Irish CPI indexed rent reviews.

The property will be managed by Axis Technical Services, PHP's recently acquired Irish property management business, and the acquisition will increase PHP's portfolio to 514 assets, of which 21 are in Ireland, with a contracted rent roll of just under £150 million.

The Group continues to adopt a very disciplined approach to further investment and development activity, which will only take place if accretive to earnings. The future pipeline of opportunities continues to be focused predominantly in Ireland and PHP's existing portfolio through asset management projects.

Currently there is limited exposure to development risk with just one scheme on-site. The Group is in the process of renegotiating rental values with several Integrated Care Boards across the UK to maximise the financial viability of schemes in our pipeline, given the current economic and interest rate environment.

Financing

As at 30 September 2023 the Group's net debt stood at £1,277.1 million (30 June 2023: £1,269.8 million) and on a pro-forma basis the Loan to Value ("LTV") ratio was 45.8% (30 June 2023: 45.6%). The Group has £282 million (30 June 2023: £314 million) of undrawn loan facilities available, net of capital commitments. 97% of the Group's debt is fixed or hedged at a weighted average cost of 3.3%.

Dividend

On 5 October 2023, the Company declared its fourth quarterly interim dividend of 1.675p per Ordinary Share which will be paid on 24 November 2023 to shareholders who were on the share register at the close of business on 13 October 2023. The dividend will be paid by way of a property income distribution of 1.34 pence and a normal dividend of 0.335 pence. The dividend is equivalent to 6.7p on an annualised basis and represents a 3.1% increase over the 6.5p paid in 2022.

MSCI's Highest 10-Year Risk Adjusted Total Return Award

During the period, PHP was announced as the winner of MSCI's Highest 10-Year Risk Adjusted Total Return Award for the UK in 2022; the second year in succession having also received the award in 2021. The award reflects the Group's continued operational resilience and security of its predictable income stream which underpins its progressive dividend policy as PHP completes its 27th year of continued dividend growth.

Board succession and changes

As previously announced, Mark Davies will succeed Harry Hyman as Chief Executive Officer of the Group at the conclusion of the next Annual General Meeting ("AGM") in April 2024. As part of the handover process Mark will work alongside Harry from the start of next year.

Harry Hyman, Chief Executive Officer of Primary Health Properties, commented:

"We continue to focus on income growth from our existing portfolio and are encouraged by the growth already seen in the year to date. Furthermore, with 97% of PHP's debt either fixed or hedged, a strong control on costs, a disciplined approach to capital deployment and just one development on site we have limited exposure to further cost increases and development risk.

"The increasingly firmer tone of rental growth is positive and we believe in the medium term that PHP will be a beneficiary of the current inflationary environment both through open market and index-linked reviews.

“Future rental growth will be key to underpinning both the operational performance and valuation of the Group’s portfolio in the ongoing turbulent economic and interest rate outlook caused by both global and domestic events.

“We are delighted that PHP’s shares have started trading on the South African JSE today and are pleased by the positive reception from the investors we have met so far. This is a significant milestone that demonstrates the international attraction of PHP’s equity story as we grow and become a global healthcare investment opportunity. The resulting impact on Group’s liquidity will benefit all of our stakeholders as we continue to deliver sustainable long term income growth.”

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Notes to Editors

Primary Health Properties (LSE and JSE: PHP) is a leading investor in modern primary healthcare properties across the UK and Ireland. Since listing on the London Stock Exchange (“LSE”) in 1998, it has created progressive returns for shareholders through a combination of rental growth and capital appreciation, generating 27 years of consecutive dividend growth.

Its primary listing is on the Premium Segment of the LSE and is included on the FTSE 250 Index. It has a secondary listing on the South African JSE LIMITED (“JSE”).

The Group owns and manages a £2.8 billion portfolio of healthcare assets that generate strong, high quality rent roll of just under £150 million. Its internal management team delivers sector leading financial management, with the lowest peer cost ratios. In particular, PHP is positioned for growth in the emerging Irish market following its 2023 acquisition of Axis Technical Services, the Irish property management business.

PHP’s long-term leases offer unique security with c.90% of rental income directly or indirectly backed by the government, via the NHS in the UK or HSE in Ireland. Growing and ageing patient populations are placing increasing and significant pressure on the government’s under-invested healthcare systems; the provision of better front line primary care offers a proven solution. The Board has a strong commitment to responsible growth and has set out a clear plan to transition operational, development and asset management activities to Net Zero Carbon by 2030.

Further information about PHP can be found here: <https://www.phpgroup.co.uk/>

United Kingdom

24 October 2023

Sponsor: PSG Capital



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