



Source: Eikon Thomson Reuters

Market data

EPIC/TKR	PHP
Price (p)	114
12m High (p)	118
12m Low (p)	105
Shares (m)	730
Mkt Cap (£m)	832
EV (£m)	1460
Market	Main, LSE

*As defined by AIM Rule 26

Description

PHP is a REIT acquiring and owning modern primary medical properties in the UK, and is expanding into the Republic of Ireland (RoI).

Company information

CEO	Harry Hyman
CFO	Richard Howell
Chairman	Steven Owen
Telephone number	
www.website.com	

Key shareholders

Directors	2.5%
BlackRock	5.5%
Investec Wealth	4.9%
Charles Stanley	4.5%
Unicorn Asset Mgt.	4.2%
Troy	3.9%

Diary

Feb'19	Full-year results
Apr'19	AGM

Analysts

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PRIMARY HEALTH PROPERTIES

Robust 1H results

PHP's results, reported on 25 July, showed £1.42bn investment assets and a contracted rent roll of £74.4m (+7.4%). The 2018 £115m equity raise is being deployed, thus rebuilding EPS, albeit on greater shares in issue. PHP's continuing stand-out dividend track record is excellent, as is its refusal to fall into the trap of overpaying for assets. The new supply of primary medical properties has been constrained but is starting to rise, so PHP's development partners (PHP undertakes zero development risk) underpin the growing acquisition pipeline. This is stated at £175m, and our model assumes an acquisition rate of £100m p.a.

- ▶ **1H'18 results:** DPS rose 3.1%. Cost of debt fell again (3.86% p.a. vs. 4.09%). Acquisitions are proceeding well, with £48.6m since year-end. Importantly, these are of good 'lot size'. EPRA EPS fell 3.8% as a result of the initial dilution from the oversubscribed £115m March equity raise (total earnings rose 11.0%)
- ▶ **Capital deployment:** 2018 to date, £53m of property has been acquired, with £37m in solicitors' hands vs. 10 properties in 2017 for £71.9m. The pipeline is growing, with PHP investing the new equity raised in March. Our LTV end-2020 estimate is 47.2%, giving scope to acquire more, enhancing EPRA EPS.
- ▶ **Republic of Ireland (RoI) is a growth driver:** RoI is a growing element for PHP, with its portfolio expansion weighted here. 2% of end-June 2018 assets are in RoI. In 2017, 28% of asset acquisitions were in RoI. 1H'18 saw a further €22.3m. Yields are still nearly 100bps higher in RoI vs. Britain, and with lower debt cost.
- ▶ **Risks:** The debt maturity profile has lengthened YoY (5.9 years' avg.), reducing refinance risk YoY, while still lowering cost of debt. Were rent growth to remain subdued, DPS growth should remain at ca.3%. Cover rebuilds to over 100% under any scenario. Indeed, 2018 dividends, cash paid, are fully covered: strong basis.
- ▶ **Investment summary:** PHP is in its 22nd year of stockmarket listing and its 22nd year of dividend rises. Investment, including the now fast-growing higher-yielding market in RoI, added to deployment of equity and ongoing cost optimisation, all underpin good support for dividend growth. On valuation grounds, based on asset and cash flow security, the dividend yield attracts.

Financial summary and valuation

Year-end December (£m)	2016	2017	2018E	2019E	2020E
Income	67.4	72.5	78.0	84.0	91.0
Finance cost	-32.5	-31.6	-29.8	-27.9	-28.5
Declared profit	43.7	91.9	67.2	73.0	80.0
EPRA PBT (adj. pre-revaluation)	26.7	31.0	37.2	44.5	50.0
EPS reported (p)	7.8	15.3	9.6	9.4	10.0
EPRA EPS (fully-diluted) (p)	4.7	5.1	5.3	5.7	6.2
DPS (p)	5.12	5.25	5.40	5.55	5.70
Net debt	-663.2	-726.6	-709.0	-742.7	-837.8
Dividend yield	4.5%	4.7%	4.8%	4.9%	5.0%
Price/EPRA NAV	1.25	1.13	1.09	1.06	1.01
NAV (p)	83.5	94.7	100.2	103.8	108.1
EPRA NAV (p)	91.1	100.7	104.9	108.1	112.5

Source: Hardman & Co Research

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Investment case

What PHP does

98% of assets are invested in modern NHS primary health premises; the remainder are the equivalent in RoI

PHP's assets are modern, public sector primary health premises, with long leases and upwards-only rent reviews. PHP has a buy and hold strategy. Development partners underpin acquisition pipelines. PHP provides forward-funding to these long-established partners. It takes no development risk. PHP also buys standing portfolios of modern assets, but only where value can be found in a competitive market.

Security of long-term income and the 100% unblemished dividend growth record warrant a valuation premium

A deserved NAV premium valuation

Unlike much of the UK real estate sector, PHP operates in a segment favoured by all parties. In addition to the excellent track record, four growth avenues support PHP's income growth and rating:

Four drivers increasing growth

- ▶ Continuing the deployment of the £115m equity raise enhances EPS.
- ▶ The strong yield pick-up on the ongoing RoI acquisitions is accretive to EPS.
- ▶ Rental inflation has been constrained, but shows stronger scope to rise, now.
- ▶ Availability of forward-funding opportunities with trusted partners is rising.

Political 'proofing'

Into 2019 and 2020, political issues are important to assess. All political parties seek to invest in PHP's asset class.

It does not matter who is in power, politically: the GP is gatekeeper to the NHS. Many services provided in hospitals (secondary health) can be provided at better value and greater convenience, locally, to the patient. There appears minimal political risk to this delivery model, and, indeed, all UK political parties are committed to more spending on the NHS. Governments in the RoI have stated their intention to invest €1bn in new primary medical properties, and the commissioning and building is now well under way. As the Eurozone crisis fades for RoI, this strong spending catch-up is likely to prove a reliable source of new building, even maybe more so than in the UK. PHP has indicated an appetite to fund initially 10% of this sum – ca.€100m.

UK has a catch-up need – RoI even more so

These modern assets save the NHS money ('bed blocking', operationally, on drugs, on outcomes), so any reduction in spend here undermines NHS Trust budgets; so too would any politically motivated 'nationalisation' of such real estate development. This is a simple-to-understand model: private sector capital expands the public sector's capacity, efficiency and patient experience, for a simple, long-term rental contract. In order to modernise the 'national portfolio' through new primary health assets, developers need to achieve appropriate rents, to enter the market.

Rental inflation should rise

Rental inflation – all upwards-only leases – has been constrained, but clear rationale to see acceleration, now

Rental inflation has been constrained (in 0% to 1% range), because of lags from the recession in the construction industry since 2009. Primary health assets' rents have continued to be upwards-only, so the fall that took place initially in developers' costs opened up a gap. This was because the rents agreed continued their modest rise. With both materials and labour costs rising for some years now (accelerated by looming Brexit, currency weakness and labour shortages), those underlying construction cost rises have now caught up with, and overtaken, the cumulative rent rises since the 2008-10 period. For this very reason, these rents need to rise usefully now, in order to enhance the currently particularly modest quantum of new build. Evidence on the ground is building that this is starting to come through.

1H'18 results

FTSE 250 entrant

- ▶ We note that PHP shares were elevated to the FTSE 250 and FTSE All-Share indices on the London Stock Exchange in April 2018, post their £115m fund raise. We note also a rising trend in liquidity in the shares.

Results announced on 25 July

11.0% earnings rise – share issue dilutes this to a 3.8% fall

- ▶ These were good results, building on all the positive trends in evidence six months prior. Figures came in as expected, and we would particularly emphasise certain pointers for prospects.

DPS rising consistently above inflation

- ▶ EPRA earnings rose 11.0%, falling 3.8% per share as a function of the £115m (£111.2m net) equity raise in April 2018, at a 7% premium to NAV.
- ▶ The interim dividend rise was 3.1%, with the sterling payout rising more (by 7.0%), given the rise in shares in issue. This underpins our continuing estimate of 5.40p for full-year 2018 (+2.9%), followed by 5.55p and 5.70p for 2019 and 2020, respectively. These represent estimated annual rises, respectively, of 2.8% and 2.7%.

Strengthened investment pipeline, after £48.6m property acquisitions YTD

- ▶ Investment expenditure remains on track for £100m in the 2018 full year. In the UK, £2m property was in solicitors' hands at period-end. The forward pipeline is stated at £155m, a useful increase. NHS reorganisations and Austerity constraints have reduced the funding amounts committed for new builds, but this is now rising. PHP invests in certain standing portfolios, but most is newly developed stock, sourced via long-term development partners for whom PHP provides forward-funding. PHP takes no development risk. We understand that each of the partners now hold a decent pipeline. On page 3, we have given the background to reasons why developers and NHS commissioners are in a more positive forward-looking mode.

Rol growth – its net rent return is strongly above cost of capital

- ▶ Post period-end, two properties were acquired.
- ▶ In the Rol, €39m assets were in solicitors' hands; the pipeline in negotiation stood at €24m. The government has expressed strong public commitment for short-medium development of €1bn stock. PHP's strong position in this market with this emerging growth is steadily growing further. PHP's Rol pipeline will prove resilient and positive.

Agreed rent reviews blended 1.7% – an ongoing modestly rising trend

- ▶ Net rental income rose 7.5% to £37.4m. The rent roll stands at £74.4m. All leases are contractually on the basis of no rent reductions on any tri-annual review.
- ▶ The average annualised uplift on rent reviews agreed in the period was 1.7%. This continues the positive trend in rental growth over the last two years (year-ended December 2017: 1.1% p.a., year-ended December 2016: 0.9% p.a.). The rises are initially modest, but this is a most important trend for future EPS and DPS progression, which we see continuing in the coming year and beyond.

Cost of debt fell to 3.86%....

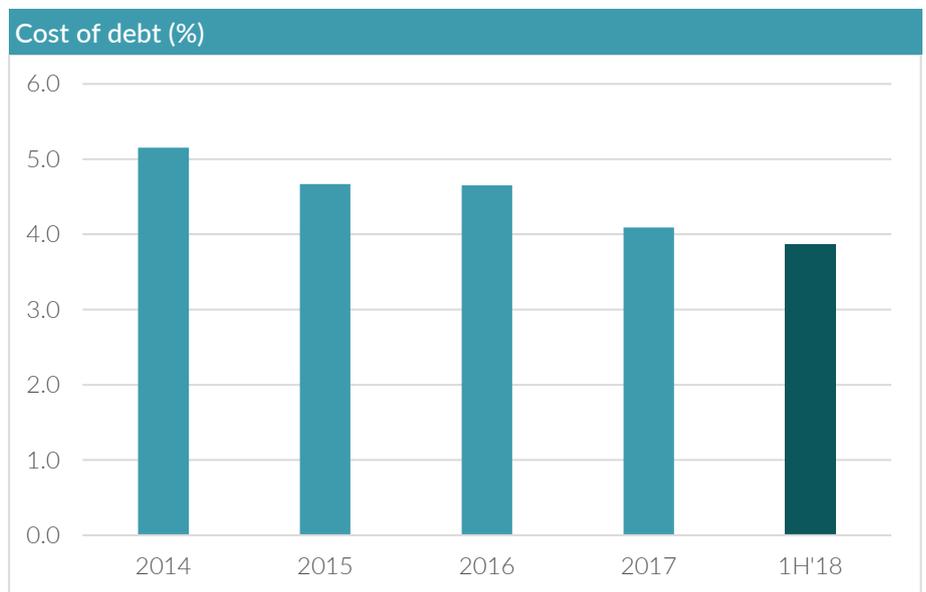
- ▶ Average cost of debt fell again, by 23bps to 3.86%. This includes the impact of £70.0m fixed-rate swaps of 4.52%, cancelled for two years, post period-end. The consideration payable for this totalled a one-off payment of £5.0m. Total interest savings of £2.5m p.a. are achieved.

... with more to come

- ▶ Average cost of debt was 4.65% in 2016 and 4.09% in 2017. Cost of debt is set to fall further, as historical debt lines are set to mature in 2019, with rates

in the range of 4.25% (convertible) to 5.375% (on the retail bond). These rates are well ahead of current cost of funding – typically ca.3%.

- ▶ Further, as PHP expands its investment presence in RoI, it will be able to secure Euro debt finance. With current long Euribor rates ca.0.8% or less, the all-in cost of Euro debt for PHP would be some 2.3%. All pointers are for ongoing debt cost falls, even with PHP lengthening its debt profile. We assess the maturity profile in the Risks section of this research. Furthermore, PHP currently holds ca.£200m undrawn facilities.
- ▶ Loan to Value (LTV) reduced to 44.6% (end-December 2017: 52.9%). On a pro-forma basis, excluding the convertible bond, the ratio falls to 40.5%. We consider it worth noting that Hardman & Co estimates for LTV are 47.2% end-2020 and that, were such a ratio to be registered, there would be further scope for greater volumes of acquisition out of existing equity resources. Acquisitions are immediately EPS-positive, so the balance sheet gearing potential gives scope for further EPS-enhancing acquisitions, above our estimates.



Source: PHP

Since 2014, cost of debt has fallen, to 4.09% in 2017 and 3.86% in 1H'18.

Risks

Upward-only rents, 99%+ occupancy, A1 covenant

PHP has achieved, and continues to achieve, what it was designed for, 22 years ago. It has delivered incremental, secure dividend growth and grown its NAV per share over time. There is no rental income or void risk. The average lease length is 12.9 years, with a minimal amount ending within five years. Now that the debt cost is so low (five-year swaps are well under 1%, 10-year swaps are ca.1.2%), the policy is to lengthen the debt profile incrementally, thereby reducing risk, while still lowering cost of debt.

A shrewd call to have started lengthening maturity only recently – excellent timing

Bearing in mind the long leases, clearly, with hindsight, PHP has been entirely correct to wait for market rates to fall, in order to lengthen its fixed-rate exposure, which it is now putting into practice. Its debt maturity profile is generally lengthening (5.9 years' average, vs. 5.1 years at end-June 2017), thereby reducing refinance risk, while also still lowering the cost of debt. Since December 2017, however, the debt maturity has fallen by half a year, as PHP did not close any new financing in 1H'18. In 2019, by contrast, with the maturing retail bond and convertible bond, we anticipate that new debt lines will be secured. We also anticipate PHP completing some new longer-term euro-denominated debt funding.

Good cashflow

£213m debt matures by end-2020 and, with an LTV (assuming the Convertible converts) at a modest 40.5%, debt-funding providers will be available at a competitive cost to PHP. Debt maturing currently typically bears coupons 100-250bps ahead of current refinancing costs. Naturally, there is risk if long-term interest rates move sharply upwards and stay there. It is worth noting that, under such a scenario, PHP would still retain a wide breadth of options to secure incremental debt finance. It has a modest LTV, and assets fully tenanted, with only 4% of leases expiring in under five years. The occupancy of the assets is not driven by macroeconomic factors, so an economic shock would *relatively* benefit PHP.

Plenty of types of debt funding – markets open to PHP

As a function of the £115m equity issue for growth, 2H'18 dividend cover will dip below 100%. PHP invested successfully in exactly the same strategic position post its £150m, oversubscribed, 2016 equity issue. These issues are solely to accelerate growth.

There is a clear and rapid route to return to over 100% cover – DPS keeps growing 3% p.a.

The strong dividend growth story continues

Historical dividend cover has usually been 100% but, with the full effect of the April 2018 share issuance bearing upon 2H, the cover dips to an estimated 98% full-year 2018. We are confident that cash DPS cover for 2018 will be at 100%, with EPRA EPS (taken post an assumed £1.2m performance incentive fee) equating to ca.98% DPS.

There is a clear and rapid route back over 100%, with ongoing and progressive reductions in the average cost of debt. As noted earlier, the current LTV stands at 44.6%, compared with 52.9% in December 2017. With an internally imposed ceiling of ca.60%, PHP can re-gear its balance sheet significantly, while maintaining a conservative LTV. Assets acquired for debt are immediately cashflow-positive. This process is being executed by targeted and conservative purchases. We anticipate a 103% covered dividend for 2019, and 109% for 2020. This may provide an opportunity to potentially grow dividends further than we currently forecast.

PHP's track record demonstrates that it does not feel the need to compromise quality or rental net initial yields (NIYs) when it deploys its capital. We like the fact that the size of the individual assets is high, in the context of the sector. These are of strategic importance to delivery of local health services, irrespective of lease

Primary Health Properties

arrangements. Healthcare assets are in increasing demand due to demographics, and the primary care estate itself is ageing and in need of more, and more modern, facilities.

New supply is limited but forward- funding partners secured PHP's main source of expansion

New supply is limited – as a result of a combination of cautious spending by NHS Trusts and by costs rising faster than rents. For the foreseeable future, oversupply does not appear to be an issue. Although there has been yield compression, it has only been 6bps since 2017. PHP's valuers ascribing a 4.85% NIY indicates to us that valuations of PHP's assets remain realistic. Larger portfolios of such assets may very well find willing purchasers on higher prices.

Valuation

The asset class trades at a very modest 3% premium to 'all UK property'. This seems conservative.

Asset valuations in PHP's balance sheet are i) not exposed to an unsustainable premium for 'hot money'...

...ii) not reflecting the premium that investors have been shown repeatedly to pay for quality portfolios

Conservative asset values in the balance sheet

Especially given the dividend yield of ca.4.5%, the PHP share price premium to NAV is entirely justifiable, we consider

MXF not dis-similar in terms of assets, but it has announced that the dividend will be cut, and its debt is more expensive than PHP's

PHP balance sheet valuation

PHP is invested in assets offering strong security, allied to contractually guaranteed upwards-only rent reviews. We consider that the PHP balance sheet valuations, while reflecting correct property-by-property values, underplay the true market-benchmarked position. PHP's NIY of 4.85% appears to Hardman & Co to be conservative, as this compares with IPD All-Property UK average yields of 5.0%.

90% of rent is directly government-backed (and, effectively, the entire rent roll benefits from government funding). In this context – allied to the uncertainty for the UK economy, which does not affect PHP – there would be a case for such security of income to attract extreme inflows of funds affecting valuations in such a relatively modest-sized asset class. For example, the currently fashionable investment sector of UK Industrial has gone from a 10% proportion of total UK investment (8% to 12% range 2012-15) to 20% in the past year (Source Savills), and yields in these assets now stand below (i.e. price valuations higher) those in the primary medical sector. PHP's balance sheet has seen yield compression (upward pricing), but this has been only 6bps since 2017, to the 4.85% NIY currently: very steady progress.

In recent years, transactions in attractively packaged primary medical assets have taken place at more expensive levels than the 4.85% NIY of PHP's balance sheet. These comprise larger portfolios of modern, larger premises.

PHP share price valuation

PHP shares trade at a premium to NAV, which we consider justified by the secure, growing dividend yield (in line with the tight range in the peer group), the asset quality and the fact that its balance sheet assets are valued individually, with no premium for having a large portfolio of high-quality, modern, larger assets.

There is ample evidence that larger portfolios of such assets find willing purchasers on higher prices – purchasers matching long-term liabilities with secure, growing income. For this reason, we consider it entirely appropriate that PHP shares should trade at a premium to an NAV, based on the cumulative valuation of individual assets.

On a risk-adjusted basis, considering dividend yield and share price to NAV, we consider PHP's valuation to be appropriate. PHP's dividend yield (prospective) is almost exactly the same as the other two primary health investors, Assura (AGR) and MedicX Fund (MXF). All three focus entirely on primary medical assets and have been expanding their portfolios, although AGR has no presence in Rol, which is an attractive market.

MXF's asset type corresponds reasonably closely to that of PHP, but it has a shorter track record and has announced a dividend cut recently. Its NAV is modestly growing, last valued on 4.86% NIY, much the same as PHP's. MXF's dividends were significantly uncovered in the past. The table below estimates a future MXF dividend ca.95% covered by EPRA EPS. Significantly, MXF's debt is more expensive than PHP's.

Primary Health Properties

REITs with focus on security of income

REIT	Ticker	Main asset class	Share price (p)	Price change past year (%)	Fund/company IPO	EPRA NAV historical (p)	Share price/NAV	Historical/prospective DPS (p)	Historical/prospective DPS yield
Assura	AGR	Primary medical	56	-10	2003	52	107%	2.5	4.4%
MedicX	MXF	Primary medical	80	-12	2006	81	99%	3.6	4.5%
PHP	PHP	Primary medical	114	5	1999	101	113%	5.2	4.7%
Secure Income	SIR	Hospitals and leisure	382	10	2014	370	103%	15.6	4.1%
Tritax Big Box	BBOX	Distribution centres	152	4	2013	142	107%	6.4	4.2%

Source: Company accounts, MXF prospective dividend Hardman & Co estimate, all others historical figures

PHP vs. sector share price performances (since end-2005)



PHP's outperformance of the sector over a long term

Source: Alpha Terminal

We consider four UK stocks to have some element of 'comparability', but we also view PHP as having unique and meaningful positive attributes

AGR

Further background on valuation comparators

AGR invests in primary health assets similar to those in the PHP and MXF portfolios. There are three major differences, however. AGR undertakes an element of development, with the associated risk and reward. It is not managed by an external manager (unlike MXF and PHP). An important differentiator – at the margin – is that AGR, unlike MXF and PHP, is 100% UK-exposed, with no RoI assets. To date, the RoI exposure has enhanced the MXF and PHP yield pick-up (the cash-generative difference between NIY and cost of funding) and also the range of assets and markets they can address in their investment pipelines. Hardman & Co considers RoI to be an important investor-positive for MXF and PHP.

SIR

The Secure Income (SIR) track record is strong, its assets are invested in a range of sectors, including leisure assets, but the focus is on lease security and visibility.

BBOX

Tritax Big Box (BBOX) is focused on mega distribution centres. The NIY of its assets is 4.9% historical.

MXF

MXF has announced a cut in its prospective dividend. Once MXF provides more clarity on its dividend prospects, the strength of its underlying assets should restore it to the better risk-adjusted real estate income stocks but, pending clarification on future dividends, we consider MXF's prospects to be less clear. Its assets are – we consider – of good quality, however.

Financial analysis

Revenue account							
Revenues, December year-end (£m)	2014	2015	2016	2017	2018E	2019E	2020E
Rental income total received	60.0	63.1	67.4	72.5	78.0	84.0	91.0
Finance lease income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total income	60.0	63.1	67.4	72.5	78.0	84.0	91.0
Direct property expenses	0.7	0.9	0.9	1.2	1.3	1.4	1.5
Administrative expenses	6.8	6.8	7.3	8.7	9.7	10.2	11.0
Total expenses	7.5	7.7	8.2	9.9	11.0	11.6	12.5
Operating profit	52.5	55.4	59.2	62.6	67.0	72.4	78.5
<i>Operating margin %</i>	87.5	87.8	87.8	86.3	85.9	86.1	86.3
Devt. loan interest, other income	1.0	0.7	0.5	0.3	0.2	0.1	0.1
Swap interest paid	-7.6	-6.0	-5.1	-3.4	-2.1	-0.7	-0.7
Bank, bond loan interest, fees	-27.7	-28.4	-27.9	-28.5	-27.9	-27.3	-27.9
Break fees (excluded from adj. EPS fig.)	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Net finance costs	-35.5	-33.7	-32.5	-31.6	-29.8	-27.9	-28.5
EPRA pre-tax profit	18.2	21.7	26.7	31.0	37.2	44.5	50.0
Net revaluation on portfolio	29.2	39.8	20.7	64.5	30.0	28.5	30.0
Fair value gain on derivatives	-2.5	1.0	-2.2	-0.3	0.0	0.0	0.0
Fair value on Convertible	-4.5	-6.5	-1.6	-3.3	0.0	0.0	0.0
Non-recurring expenses	-2.4	0.0	0.0	0.0	0.0	0.0	0.0
Reported pre-tax profit	36.9	56.0	43.6	91.9	67.2	73.0	80.0
Tax charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EPRA EPS (p) as above & excl. Convertible	4.10	4.87	4.77	5.17	5.32	5.74	6.22
EPRA EPS (p) (dil) excludes all reval'n.	4.10	4.77	4.69	5.07	5.25	5.73	6.22
EPRA EPS (p) (dil) pre performance fee	4.10	4.77	4.69	5.15	5.42	5.89	6.37
Reported basic EPS (p)	8.30	12.57	7.78	15.30	9.60	9.43	9.96
Dividend per share (p)	4.875	5.000	5.125	5.250	5.400	5.550	5.700
<i>DPS cover</i>	84%	95%	91%	97%	97%	103%	109%
<i>DPS cover, excl. PIF</i>	84%	95%	91%	98%	100%	106%	112%
Shares in issue (m), avg.	444.4	445.6	560.1	600.7	699.7	773.9	803.5
Fully-diluted shares (m) (convertible)	496.0	530.8	644.7	665.5	760.0	798.5	803.5

Source: PHP accounts; estimates Hardman & Co Research

Balance sheet (£m)							
@ Year-end December	2014	2015	2016	2017	2018E	2019E	2020E
Investment properties, start of period	941.5	1026.2	1100.6	1220.1	1361.9	1491.9	1620.4
Currency translation effect	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions to portfolio	55.5	34.6	98.8	77.3	100.0	100.0	100.0
Revaluations	29.2	39.8	20.7	64.5	30.0	28.5	30.0
Non-current assets							
Investment properties, end of period	1026.2	1100.6	1220.1	1361.9	1491.9	1620.4	1750.4
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub-total: non-current assets	1026.2	1100.6	1220.1	1361.9	1491.9	1620.4	1750.4
Current assets							
Receivables	5.7	4.1	3.3	6.4	3.0	4.4	4.4
Other	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Net cash + short-term investments	12.1	2.9	5.0	3.8	21.3	12.3	20.0
Sub-total: current assets	17.8	7.0	8.3	10.5	24.3	16.8	24.4
Total assets	1044.0	1107.6	1228.4	1372.4	1516.2	1637.2	1774.8
Current liabilities							
Deferred rental income	12.3	13.2	14.1	15.0	15.0	15.0	15.0
Trade and other payables	14.2	16.1	13.6	15.4	16.0	16.0	16.0
Term loans	0.7	0.9	0.8	0.8	1.0	1.0	1.0
Interest rate swaps	5.8	4.7	3.8	2.7	2.7	2.7	2.7
Sub-total: current liabilities	33.0	34.9	32.3	33.9	34.7	34.7	34.7
Non-current liabilities							
Term loan over 1 year, bond	666.6	696.7	667.4	729.6	729.4	754.3	856.8
Interest rate swaps	35.2	30.6	29.5	22.1	20.0	20.0	20.0
Sub-total: non-current liabilities	701.8	727.3	696.9	751.7	749.4	774.3	876.8
Total liabilities	734.8	762.2	729.2	785.6	784.1	809.0	911.5
Shareholders' funds	309.2	345.4	499.2	586.8	732.1	828.5	863.4
EPRA shareholders' funds	354.2	391.6	545.0	623.6	766.8	863.2	898.1
Shares in Issue at period-end, No. (m)	445.1	446.3	598.2	619.4	731.0	798.5	798.5
NAV per share (p)	69.5	77.4	83.5	94.7	100.2	103.8	108.1
EPRA NAV per share (p)	79.6	87.5	91.1	100.7	104.9	108.1	112.5
Net debt	655.2	694.7	663.2	726.6	709.1	742.7	837.8
Loan to value ratio	62.8%	62.7%	53.7%	52.9%	46.8%	45.4%	47.2%

Source: PHP historical figures, Hardman & Co Research estimates

Cashflow (£m)							
Year-end December	2014	2015	2016	2017	2018E	2019E	2020E
Operating activities							
Profit before taxation (adj. for fair value)	38.2	49.9	43.0	91.9	67.2	73.0	80.0
Adjustments for:							
Net valuation changes on investment property	-29.2	-39.8	-20.7	-64.5	-30.0	-28.5	-30.0
Early repayment fees and bond issue	3.6	0.0	0.0	0.0	0.0	0.0	0.0
Finance costs payable	34.3	33.7	32.5	32.2	29.8	27.9	28.5
Sub-total	46.9	43.8	54.8	59.6	67.0	72.4	78.5
Net (post finance) cash inflow from operating activities	9.0	11.2	8.3	22.6	37.1	44.4	49.9
Investing activities							
Additions to investment properties	-54.5	-29.5	-97.4	-75.4	-100.0	-100.0	-100.0
Net cashflow operating and investing	-45.5	-18.3	-89.1	-52.8	-62.9	-55.6	-50.1
Financing activities							
Net proceeds from issue of share capital/ conversion	0.0	-0.1	145.2	19.3	114.0	63.2	0.0
Dividends paid	-20.7	-21.1	-24.7	-29.8	-33.6	-41.2	-45.0
Net cashflow (change in debt)	-66.2	-39.5	31.4	-63.3	17.5	-33.6	-95.1
Net proceeds of long-term borrowings	69.0	30.3	-29.3	62.1	0.0	25.0	98.0
Net cash inflow from financing activities	48.3	9.1	91.2	51.6	80.4	47.0	53.0
Net debt	655.2	694.7	663.3	726.6	709.1	742.7	837.8
Increase in cash and cash equivalents	1.6	-9.4	2.1	-1.2	17.5	-8.6	2.9
Opening cash and cash equivalents	9.3	12.1	2.9	5.0	3.8	21.3	12.6
Closing cash and cash equivalents	12.1	2.9	5.0	3.8	21.3	12.6	15.5

Source: PHP historical figures, Hardman & Co Research estimates

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