

Picton Property Income

FY22 results

Strong FY22 builds on long-term record

Picton Property Income's FY22 earnings were the strongest since launch in 2005. Strong revaluation gains mirrored market trends but further reflected leasing progress and occupancy growth. Recurring EPRA earnings made good progress, together with strong rent collection, supporting a restoration of annualised DPS to pre-pandemic levels. NAV per share of 120p was significantly ahead of our expectations and we will review our existing forecasts, shown below, in the coming days.

Year end	Net property income (£m)	EPRA earnings** (£m)	EPRA EPS** (p)	DPS (p)***	NAV****/share (p)	P/NAV*** (x)	Yield (%)
03/20	33.6	19.9	3.7	3.25	93	1.01	3.4
03/21	33.5	20.1	3.7	2.93	97	0.98	3.1
03/22e*	35.0	21.5	3.9	3.45	114	0.83	3.6
03/23e	35.8	21.9	4.0	3.60	117	0.81	3.8

Note: *As previously published. **EPRA earnings exclude revaluation gains/losses and other exceptional items. ***Declared basis. ****NAV measure is net tangible assets (NTA).

Picton's financial strategy is total return led with a strong income focus, reflected in the FY22 results. FY22 accounting total return of 28.3% was well ahead of our last published forecast of 21.7%. The ungeared property portfolio total return of 24.3% versus 19.6% for the MSCI UK Quarterly Property Index built on a long track record of outperformance over all periods since inception, with upper quartile outperformance over three, five and 10 years. The key driver of accounting returns, and the outperformance versus our forecast, was capital growth. Like-for-like property valuation gains of 21% were driven by industrial and retail warehouse assets (60% and 7% of portfolio value respectively), where strong performance reflected especially positive market fundamentals and significant leasing progress. NAV per share increased from 97p to 120p, well ahead of our expected 114p, with momentum sustained in H222. Recurring EPRA earnings made good progress with 5.5% growth to £21.2m or 3.9p per share, broadly in line with our expectations, benefiting from underlying rental growth, increased occupancy (93% versus 91% at end-FY21), acquisitions and lower rent provisions. New lettings, lease renewals and rent reviews were all at an average premium to the March 2021 estimated rental value. Further supported by a normalisation of rent collection, quarterly DPS increased twice during the year with the current run rate of 0.875p/3.5p per year restored to pre-pandemic levels.

Despite new global economic and political challenges, Picton retains a positive outlook although a repeat of the FY22 returns is unlikely. Much of the portfolio continues to experience rent growth, there remains significant potential from letting available space and moving current rents towards market levels, and investment demand remains strong. Structural debt is mostly long-term fixed-rate and flexible borrowing headroom is available for accretive inorganic expansion.

Real estate

27 May 2022

Price **96p**
Market cap **£524m**

Net debt (£m) at 31 March 2022 180.3

Net LTV at 31 March 2022 21.3%

Shares in issue 545.6m

Free float 100%

Code PCTN

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Picton Property Income is an internally managed UK REIT that invests in a diversified portfolio of commercial property across the UK. It is total return driven with an income focus and aims to generate attractive returns through proactive management of the portfolio.

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