Picton / Occupier focused, Opportunity led.

2023/24 Annual Results

May 2024

Introductions

Michael Morris
Chief Executive

Michael has over 25 years of experience in the UK commercial property sector.

He has worked with the Group since launch in 2005 and is the Chief Executive. Within this role, he is responsible for the implementation of all aspects of the Company's strategy. He is Chair of the Executive Committee and Chair of the Transaction and Finance Committee. He was appointed to the Picton Property Income Board on 1 October 2015.

Saira Johnston
Chief Financial Officer

Saira is a Chartered Accountant with over 20 years of experience working in the real estate sector. She has held senior finance positions across the industry, most recently as CFO of Gravis Capital Management Limited.

Saira joined Picton in March and assumed responsibility for the financial strategy and reporting for the group on 1 April 2024. Saira is also Chair of the Responsibility Committee and a member of the Transaction and Finance Committee.

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Contents

All numbers as at 31 March 2024 unless otherwise stated.

Overview

Picton

Future-proofing our portfolio and unlocking value

Robust financial performance delivering EPRA earnings growth

2.2%

EPRA EPS growth

- EPRA earnings 4.0 pence per share
- NAV 96 pence per share

Outperforming property portfolio with improving income and reversionary potential

29%

Reversionary potential
(Above 31 Mar 24 passing rent)

- Continued MSCI outperformance for eleventh consecutive year
- Long-term upper quartile outperformance since launch in 2005
- 3% growth in passing rent, contracted rent and ERV
- Continued sustainability progress towards net zero targets

Valuable long-term debt structure

3.9%

Weighted average interest cost

- LTV 28%
- EPRA NDV of 101 pence per share

Positive activity post year-end

5.7%

Dividend increase

- Reduced void and office exposure
- Repaid RCF
- Encouraging leasing and asset management activity
- Dividend increase effective May 2024

Annual Results

Annual Results

Robust financial performance delivering EPRA earnings growth

- Net assets of £524 million, or 96 pence per share (4% reduction in the year)
- Net assets stable over the final quarter
- EPRA earnings of £21.7 million, or 4.0 pence per share (2% increase in the year)
- Overall loss for the year of £4.8 million as a result of valuation movements (2023: £90 million loss)
- Dividends paid of £19.1 million with dividend cover 114%

96p

EPRA NTA per share

(2023: **100p**)
(2022: **120p**)

4.0p

EPRA earnings per share

(2023: **3.9p**)
(2022: **3.9p**)

3.5p

Dividends paid per share

(2023: **3.5p**)
(2022: **3.4p**)

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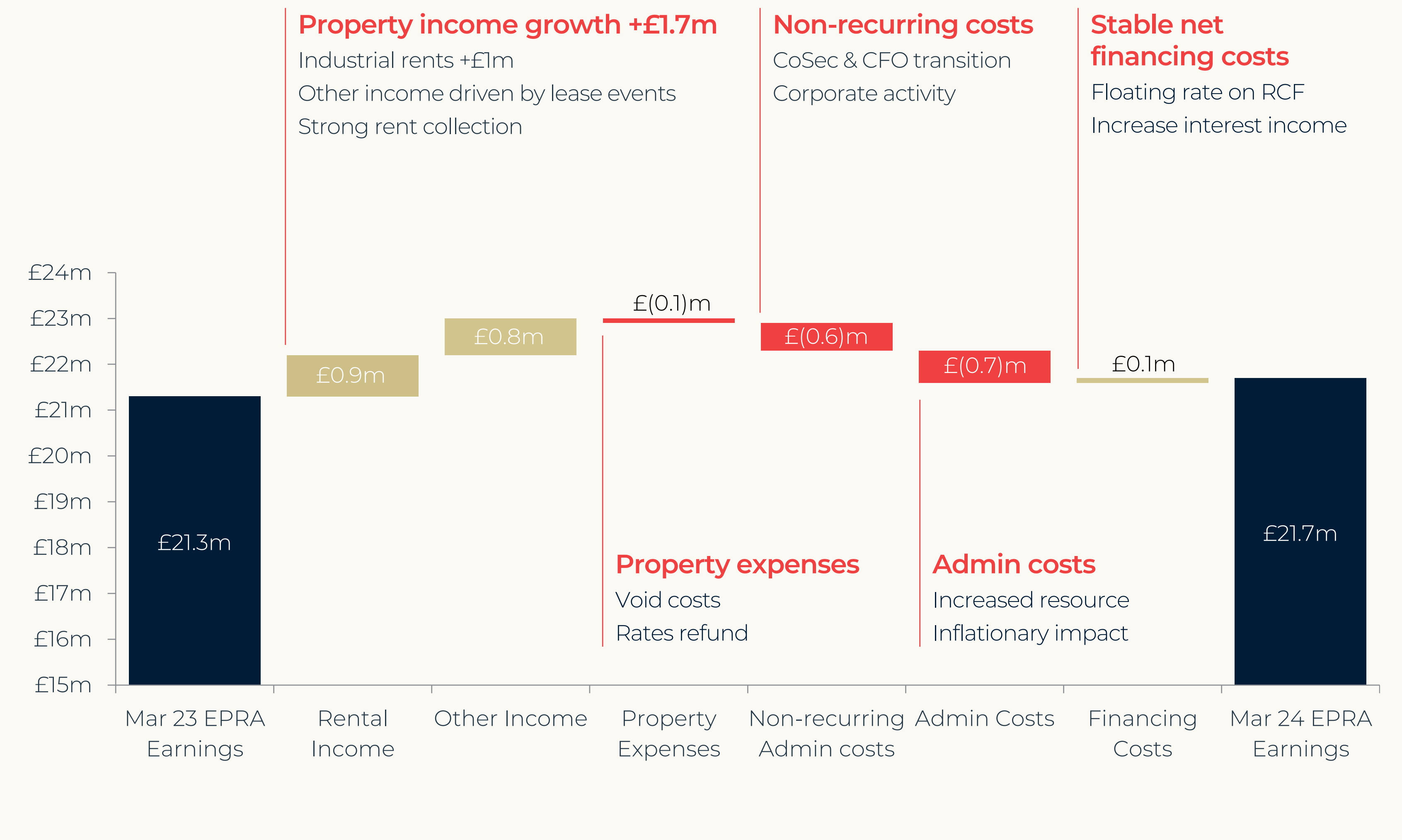
Annual Results – Income Statement

Delivering EPRA earnings growth



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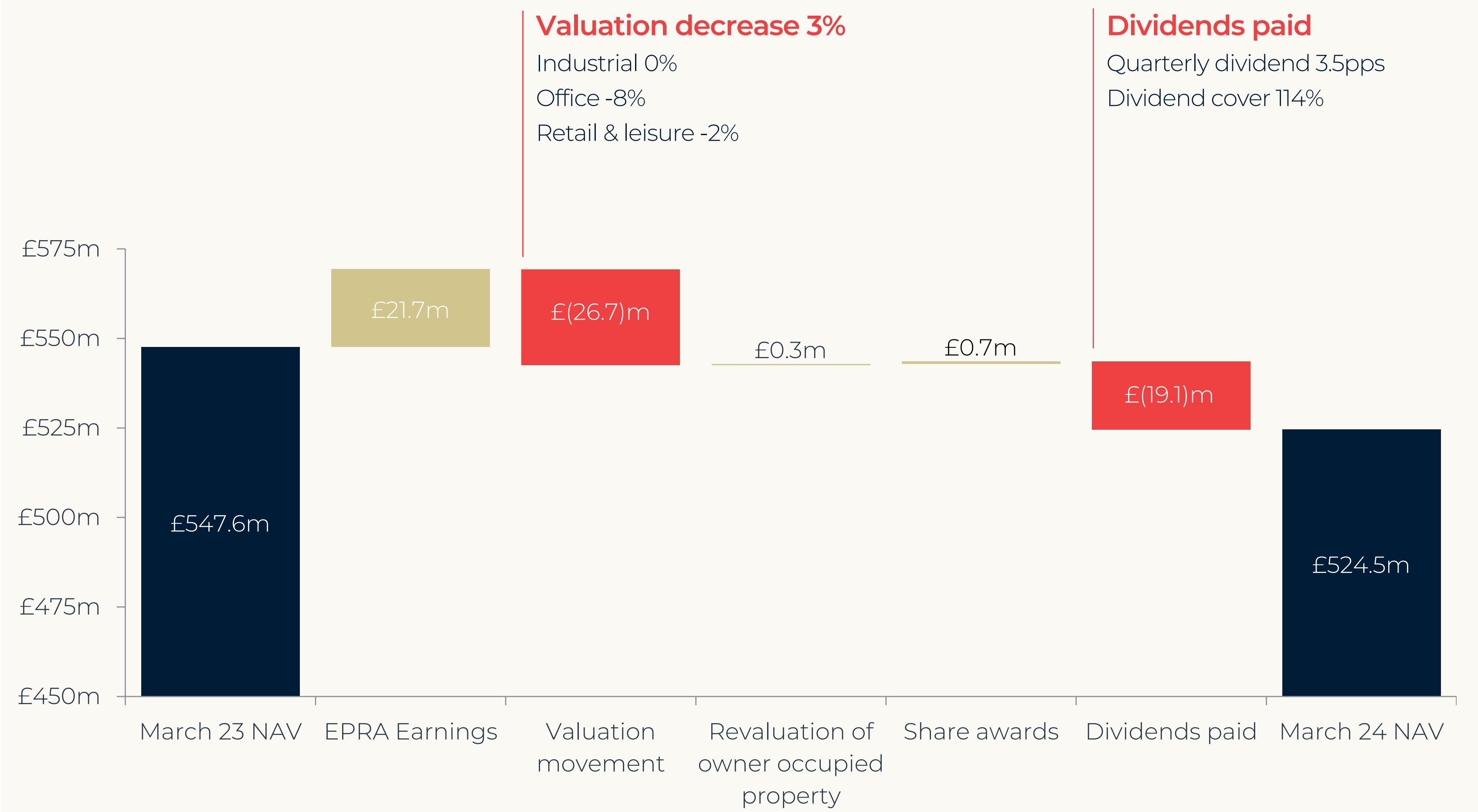
Annual Results – Balance Sheet

Stabilising Net Asset Value in last quarter



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Capital structure

Significant value in long-term debt structure

28%

Loan to value

(2023: 27%)
(2022: 21%)

3.9%

Weighted average interest rate

(2023: 3.8%)
(2022: 3.7%)

7.2yrs

Debt maturity

(2023: 8.4yrs)
(2022: 9.6yrs)

- EPRA NDV 5 pence per share higher than EPRA NTA reflecting value of debt financing
- Total debt drawn of £228 million, with RCF fully repaid April 2024

Lender	Type	Amount	Maturity	Interest Rate
Canada Life	Long-term fixed	£129m	July 31	3.25%
Aviva	Long-term fixed	£82m	July 32	4.38%
NatWest	RCF floating	£16m	May 25	6.8% (150bps + SONIA)

Market update

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Key factors impacting UK property market

Common themes

- Macroeconomic and geopolitical risks impacting sentiment
- A peak in the interest rate cycle is cause for optimism
- Real estate repricing has significantly reduced development activity
- Resilient occupier markets
- In many markets values below replacement cost
- Demographics, technology, sustainability likely to influence markets

Industrial

Sector specific themes:

- Values stabilising
- Construction costs limiting new supply, occupier demand providing rental growth
- London and South East underpinned by land values
- Standard Industrial better supply / demand dynamic than distribution warehouses

Office

Sector specific themes:

- Values impacted by higher capital expenditure
- Demand for prime / green buildings driving rental growth
- Evolving occupier requirements - flexible leases, staff engagement (WFH), and sustainability
- Significant reduction in regional office supply over the last ten years
- Repurposing - primarily residential, student and hotels

Retail and Leisure

Sector specific themes:

- Values stabilising – high income component
- Cost of living pressures persist
- Online retail share remains above pre-pandemic levels
- Micro-location and asset occupier mix is key

Occupational markets

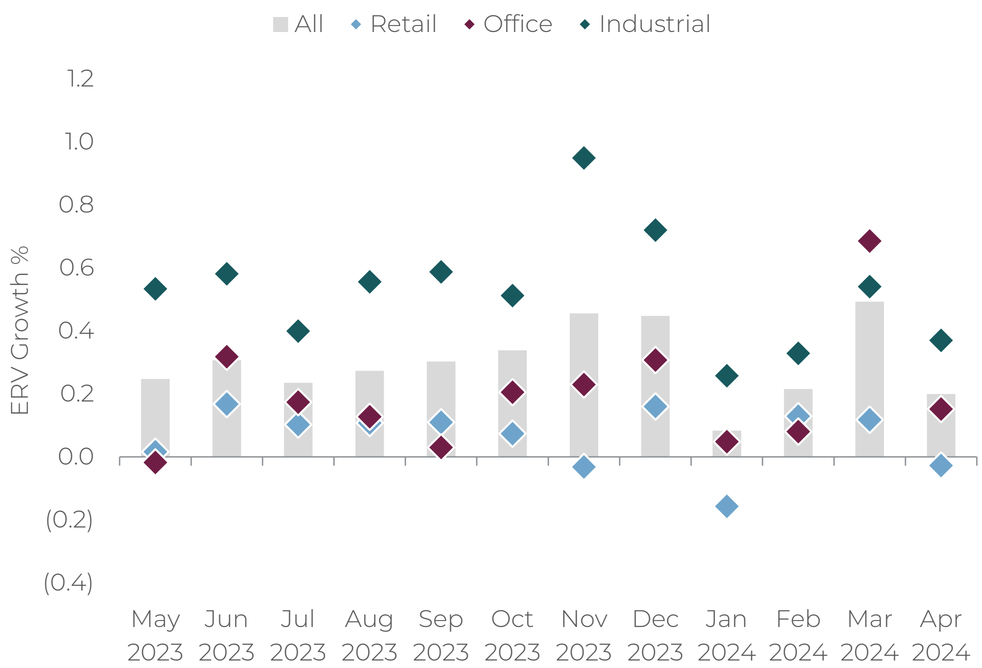
Positive rental growth in all sectors

MSCI Rental Growth year to 31 March 2024

All property	Industrial	Office	Retail
3.7%	6.5%	2.8%	1.0%

- Annual rental growth positive for all sectors
- Industrial sector remains strongest with healthy occupier demand and limited supply
- Office rental growth driven by best-in-class space
- Retail rents are stabilising

MSCI Monthly Rental Growth (%)



Source: MSCI UK Quarterly and Monthly Property Indices

Investment markets

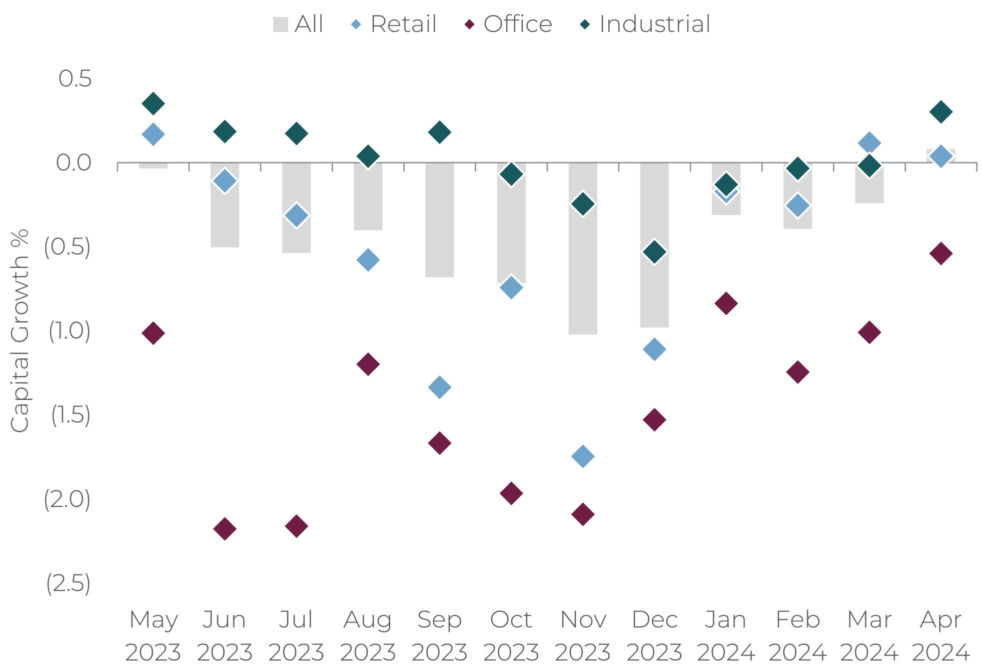
Capital values stabilising

MSCI Capital Growth year to 31 March 2024

All property	Industrial	Office	Retail
-5.5%	0.0%	-13.1%	-5.9%

- Monthly All Property Capital Growth turned positive in April
- Sector averages mask sub-sector nuances
- Industrial best performing sector
- Offices still impacted by working patterns and ESG related costs of upgrading
- Retail sector starting to show stability

MSCI Monthly Index Capital Growth (%)



Source: MSCI UK Quarterly and Monthly Property Indices

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Portfolio highlights

Annual Results 2023/24

www.picton.co.uk

Portfolio snapshot

Diversified portfolio with strong industrial bias

£745m Property valuation

91% Occupancy*

5.2% Net initial yield

49 Number of assets

400 Number of occupiers

7.0% Revisionary yield

Industrial

59%

London & South East	42%
Rest of UK	17%

- Occupancy 98%
- 81% multi-let industrial and 19% single let distribution

Office

30%

Rest of UK	9%
South East	8%
Central London	7%
Alternative use	6%

- Occupancy 80%
- 22% of office portfolio being repurposed for alternative uses

Retail and Leisure

11%

Retail Warehouse	7%
High Street (Rest of UK)	2%
Leisure	2%

- Occupancy 98%
- 62% is retail warehousing

* Rises to 93% excluding assets held for sale at 31 March 2024

Portfolio performance

Outperforming property portfolio in 2024

- Continuing our long-term track record of MSCI upper quartile outperformance since launch
- Capturing reversionary potential
- Repositioning office assets with £36 million of disposals agreed, to reduce vacancy and improve net property income

1.6% — vs — **-1.0%**

Total property return — MSCI UK Quarterly Property Index

3.3%

Increase in passing rent

3.2%

Estimated rental value increase

Underpinned by our occupier focused approach

> Jay, Andy and the team were a pleasure to work with from day one, and whilst a lot of landlords talk of co-operation, being proactive and building relationships, Picton is already embodying all of this.
>
> **Ellen Peters**
> Property Director, Lush

Portfolio activity

Rental growth created through over 60 active management transactions

26 lettings / agreements to lease	31 lease renewals / regears	13 rent reviews	Asset upgrades	Rent collection
Securing £2.4 million per annum, 3% above the March 2023 ERV	Retaining £2.8 million per annum, 2% above the March 2023 ERV	Securing an uplift of £0.8 million per annum, 2% above the March 2023 ERV	£4.5 million invested into refurbishment, repositioning and sustainability upgrading projects	Over 99%

Key activity

Industrial

- Lettings: Barking (1% ahead of ERV), Colchester (2% ahead of ERV)
- Rent reviews/regears: Grantham (8% ahead of ERV), York (3% below ERV)

Office

- Lettings: Birmingham (11% ahead of ERV), Glasgow (2% ahead of ERV) and Colchester (2% below ERV).
- Rent reviews/regears: Bristol (5% ahead of ERV), Fleet (4% ahead of ERV) and Colchester (9% ahead of ERV).

Retail and Leisure

- Lettings: Carlisle (4% below ERV)
- Rent reviews/regears: Swansea (24% ahead of ERV), Gloucester (22% ahead of ERV), Bury (in line with ERV)
- Assignment: Covent Garden

Industrial portfolio

Capturing reversionary potential

- Increased contracted rent by 11% and ERV by 3%
- £1.1 million per annum of lettings (3% ahead of March 2023 ERV)
- £0.8 million through uplifts at rent review (4% ahead of preceding ERV)
- £0.5 million through uplifts at lease renewals / regears (1% ahead of March 2023 ERV)

Case studies

Grantham

- Rent review settled with book distributor
- Discussions during the period to extend the lease and undertake sustainability improvements which completed post year-end

38%
Rent increase to £1.6m pa

Harlow

- New letting and lease extension to existing occupier
- Ten-year lease at a rent of £0.7 million per annum
- EPC rating improvement from D to A

47%
Increase in passing rent

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Portfolio repositioning

Why offices aren't the next retail

- Best quality office space showing rental growth in many markets
- Travel data suggests office use increasing relative to 2022/2023
- Values generally below rebuild cost so new supply likely to be highly constrained
- Alternative uses will support residual values
- Easier to repurpose office buildings for alternative uses than retail - natural light, parking, access etc

Picton response

- SwiftSpace and asset upgrades to capture demand
- Repurposing assets for higher value alternative uses and recycling capital
- Increased occupier engagement and events

85%
Office occupancy

86%
Office rated EPC A-C

57%
Office void being upgraded

23%
Office void being repurposed

(Percentages exclude assets held for sale)

Portfolio repositioning

Unlocking value with alternative use strategies

Angel Gate, EC1 – Residential — Completed

- Successfully secured removal of Article 4 restrictions
- Secured planning consent for residential uses
- Exchanged contracts for sale in March 2024, completed sale in April 2024
- Sale price £29.6 million

Longcross, Cardiff – Student — Exchanged

- Exchanged contracts for sale in October 2023, subject to planning permission
- Due to be submitted June 2024
- Picton to obtain vacant possession in 2024
- Sale price includes overage clause based on number of rooms secured

Colchester Business Park, Colchester – Medical — Completed

- Obtained planning permission for non-office use at building 100
- Letting completed September 2023
- Rental £0.1 million per annum
- No capital expenditure required prior to letting

Charlotte Terrace, London – Residential — In planning

- Active management to secure vacant possession of part
- Planning permission submitted for six residential units in 2023
- Awaiting planning decision; expected in summer 2024

Future-proofing our portfolio

Continued sustainability progress towards net zero targets

- £4.5 million invested into the portfolio across more than 20 assets
- Improving the environmental performance of our buildings, including removal of gas, installation of on-site solar energy (capacity +184%), improving roofs and insulation
- EPC ratings now 80% rated A-C by ERV
- Embracing the circular economy principles to reuse, repurpose, recycle
- 99% of leases completed included green lease clauses
- 16% reduction in Scope 1 and 2 emissions vs our 2019 baseline; focus on occupier engagement and data collection for Scope 3

Sustainable refurbishments, investing in our assets

Sentinel House, Fleet

- Leased to a serviced office provider, we extended their lease by five further years to 2030.
- A small rental uplift to £0.5 million (4% ahead of ERV)
- The reversionary lease included our standard green lease clauses and we installed solar panels
- EPC is now rated A after also refurbishing the windows and adding insulation

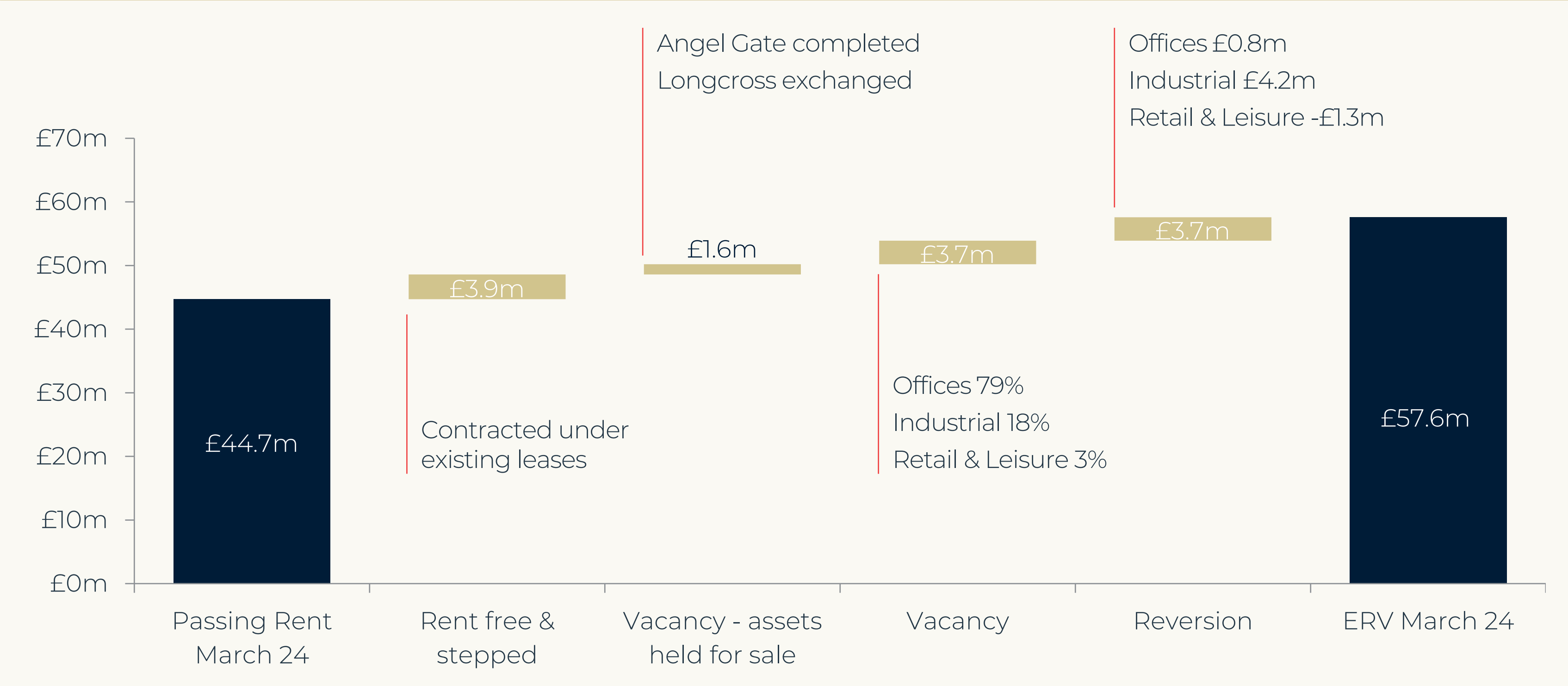
Easter Court, Warrington

- Gas removed as part of a full refurbishment of Unit 1
- All areas have been fitted with LED lights and solar panels were installed
- Improved the EPC rating to an A
- Leased the unit to a national car dealership at £0.1 million per annum, in line with ERV

Summary & Outlook

Drivers of earnings growth

Reversionary potential to support future net property income growth



- Assets held for sale: prioritised divestment of low income producing office assets and reducing void costs
- Reduced financing costs: repaid RCF in full post quarter end and now 100% fixed long-term debt
- Vacancy: pipeline of leasing activity, agreed subject to contract, for a combined rent of £0.9 million per annum
- Reversion: completed lease for a combined rent of £2.5 million per annum (+14% passing rent)
- Dividend increase of 5.7% effective May 2024

Occupier focused, opportunity led

Our portfolio

Proactive management to capture reversion and drive income and capital growth

- Unlocking reversion across the portfolio
- Investing in our portfolio to enhance value and ensure assets remain relevant and well leased
- Further progressing alternative use strategies enabling capital recycling

Our business

Occupier focused, opportunity led approach has never been more relevant across all sectors

- Internally managed and aligned platform
- Attractive long-term debt in place
- Delivered upper quartile property outperformance since 2005
- Market constantly evolving as demand for real estate changes
- Our UK focused diversified approach is well suited to adapt

Listed market

Significant corporate activity over the last twelve months – diversified peer group is reducing

- Share price ratings well below NAV leading to consolidation, strategic reviews and wind downs
- Scale – investor relevance and economies of scale are a key benefit of consolidation
- Disappointed we were not able to put our UKCM proposals in the public domain
- Continue to explore options that are in shareholder interests
- Mindful of capital priorities and share price rating

Appendices

Picton at a glance

Future-proofing our portfolio and unlocking value

Our purpose

To be a responsible owner of commercial real estate, helping our occupiers succeed and being valued by all our stakeholders.

- Established in 2005, Picton is listed on the main market of the London Stock Exchange and is a constituent of the EPRA Nareit Global Index
- Picton owns and actively manages a diversified portfolio currently weighted towards the industrial sector
- With an occupier focused, opportunity led approach, Picton aims to be one of the consistently best performing diversified UK REITs, delivering outperformance and a consistently higher income return than the MSCI UK Quarterly Property Index
- The portfolio is strategically positioned to capture income and capital growth

Commercial property portfolio

£745m

- 11th consecutive year of outperformance vs MSCI UK Quarterly Property Index
- Upper quartile outperformance since launch in 2005
- Long-term fixed rate financing
- Fully aligned internalised management structure
- Occupier focused approach - Picton Promise
- Net zero carbon commitment by 2040

PICTON

Our strategy

Through our occupier focused, opportunity led approach, we aim to be one of the consistently best performing diversified UK REITs, creating value for our shareholders.

Our strategic priorities guide the direction of our business and are reviewed annually.

1 Portfolio Performance

1 Manage the portfolio to provide income and capital growth

2 Grow occupancy and income profile

3 Enhance asset quality and create space that meets evolving occupier expectations

4 Outperform the MSCI UK Quarterly Property Index

2 Operational Excellence

1 Run an efficient and innovative operating platform

2 Adapt to market trends with an agile and flexible business model

3 Deliver earnings growth

4 Maintain appropriate capital structure for the market cycle

5 Pursue opportunities for growth to deliver economies of scale

3 Acting Responsibly

1 Reduce our emissions to become net zero carbon by 2040

2 Actively engage with our occupiers, shareholders, communities and other stakeholders

3 Promote our company values, nurture a positive working culture and alignment of the team

4 Ensure the long-term success of the business with strong governance and transparent reporting

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Top 10 assets

1/

Parkbury Industrial Estate Radlett, Herts

- Lot size band – £100 million +
- Size (sq ft) 340,900

- Multi-let industrial estate within M25
- 24 units
- Principal occupiers include Blanco, Franke Coffee and XMA
- 7,300 sq ft available

2/

River Way Industrial Estate Harlow, Essex

- Lot size band – between £50m - £75m
- Size (sq ft) 454,800

- Multi-let industrial estate 20 miles from London
- 11 units
- Principal occupiers include BOC, DHL and Argyll Stores
- Fully let

3/

Stanford Building Long Acre, London WC2

- Lot size band – between £30m - £50m
- Size (sq ft) 20,100

- Prime Covent Garden asset
- Grade II listed with retail office and residential
- Picton occupies first floor
- Fully let

4/

Datapoint Business Park, London E16

- Lot size band – between £20m - £30m
- Size (sq ft) 55,100

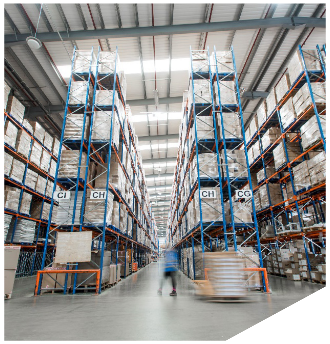
- Greater London industrial estate
- Multi-let
- Six units
- Principal occupiers include NHS and MGN
- Close to DLR and A13
- Fully let

5/

Shipton Way, Rushden, Northants

- Lot size band – between £20m - £30m
- Size (sq ft) 312,900

- Single-let
- Centrally located within the UK's distribution heartland
- Modern distribution warehouse on a 14 acre site
- Good road connectivity adjacent to the A45



Top 10 assets

6/

Angel Gate, City Road, London EC1

- Lot size band – between £20m - £30m
- Size (sq ft) 64,600

- Multi-let courtyard office development
- Offering a mix of self-contained units and individual floors
- Using permitted development rights to secure residential use
- Sold post year end

7/

Lyon Business Park, Barking

- Lot size band – between £20m - £30m
- Size (sq ft) 99,400

- Greater London industrial estate
- Multi-let
- Ten units
- Principal occupier is Jones Hire
- Adjacent to A13
- Fully let

8/

Sundon Business Park, Luton, Beds

- Lot size band – between £20m - £30m
- Size (sq ft) 127,800

- South East industrial estate
- Multi-let
- 13 units
- Close to J11a M1
- Fully let

9/

Tower Wharf Cheese Lane, Bristol

- Lot size band – between £20m - £30m
- Size (sq ft) 70,600

- Multi-let Grade A office
- BREEAM Excellent rated
- Principal occupiers include Ashfords and McCann
- 20,600 sq ft available

10/

50 Farringdon Road, London EC1

- Lot size band – between £20m - £30m
- Size (sq ft) 31,300

- Multi-let office
- Located adjacent to Farringdon Crossrail station
- Principal occupiers include Volker Wessels, PA Consulting and Reed
- Fully let

Vacancy breakdown – £5.3 million p.a. of upside
Exploring alternative uses to reduce void

Top ten voids account for over 90% of total void

Sector	Asset	Void ERV	Progress
Office	Angel Gate, London	£1.0m	Sale completed - post period end
Office	Tower Wharf, Bristol	£0.7m	Being refurbished and 40% under offer
Office	Charlotte Terrace, London	£0.7m	Planning application submitted
Office	Longcross, Cardiff	£0.6m	Exchanged – sale subject to planning
Office	Colchester Business Park, Colchester	£0.6m	Being refurbished
Office	Metro, Manchester	£0.4m	Available
Industrial	Downmill Road, Bracknell	£0.3m	Under offer
Office	401 Grafton Gate, Milton Keynes	£0.2m	Being refurbished
Office	Atlas House, Marlow	£0.2m	Being refurbished
Industrial	Parkbury Industrial Estate, Radlett	£0.2m	Being refurbished

Borrowings summary

	Canada Life	Aviva	NatWest
Amount drawn	£129.0 million	£82.1 million	£16.4 million*
Undrawn	Fully drawn	Fully drawn	£33.6 million*
Fixed/floating rate	Fixed	Fixed	Floating
Type	Secured	Secured	Secured
Interest rate	3.25%	4.38%	SONIA + 1.5% (currently 6.8%)
Commitment fee	–	–	0.6%
Maturity	2031	2032	2025
Covenant LTV	65%	65%	55%
Covenant ICR	1.75x	N/A	2.5x
Covenant DSCR	N/A	1.4x	N/A
Repayment	Full balance due in 2031	£67 million repayable on maturity. Remainder repayable through annual amortisation	Ability to redraw and repay over term

*Fully repaid April 2024. Total facility £50 million

Consolidated statement of comprehensive income

	March 2024 (£ million)	March 2023 (£ million)
Rental income	43.9	43.0
Other income	1.2	0.4
Property expenses	(7.2)	(7.1)
Administrative expenses	(7.2)	(6.0)
Finance costs	(9.0)	(9.0)
Tax	-	-
INCOME PROFIT AFTER TAX	**21.7**	**21.3**
Unrealised movement on property assets	(26.7)	(110.4)
Revaluation of owner-occupied property	0.2	(0.8)
LOSS BEFORE DIVIDENDS	**(4.8)**	**(89.9)**
Dividends paid	19.1	19.1
Dividends paid per share (pence)	3.5	3.5

Consolidated balance sheet

	March 2024 (£ million)	March 2023 (£ million)
Property assets	724.0	746.3
Cash	19.8	20.0
Other assets	30.1	26.2
TOTAL ASSETS	773.9	792.5
Borrowings	(226.1)	(222.8)
Other liabilities	(23.3)	(22.1)
NET ASSETS	524.5	547.6
Net asset value per share (pence)	96	100

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