

NAV, DIVIDEND DECLARATION & PORTFOLIO VALUATION

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Alternative Income REIT PLC

(the "Company" or "Group" or "AIRE")

NET ASSET VALUE, DIVIDEND DECLARATION AND PORTFOLIO VALUATION UPDATE

Remain on track to deliver our target annual dividend of at least 5.7p per share for the financial year ending 30 June 2023

Resilient portfolio providing secure, inflation-linked income

The Board of Directors of Alternative Income REIT PLC (ticker: AIRE), the owner of a diversified portfolio of UK commercial property assets, predominantly let on long leases with inflation-linked rent reviews, provides a trading and business update and declares an interim dividend for the quarter ended 31 December 2022.

Simon Bennett, Non-Executive Chair of Alternative Income REIT plc, comments:

"The Board is pleased to declare a second interim dividend of 1.375pps for the quarter ended 31 December 2022, which is 136.2% covered by earnings. The dividend is in line with the Board's previously announced target of an annual dividend of at least 5.7pps for the financial year ending 30 June 2023, which remains subject to continued strong rent collection. Our target annual dividend represents a 3.6% increase on the 5.5pps annual dividend paid for the prior year.

The wider real estate sector has seen valuations impacted by upward yield movement, resulting primarily from increases in interest rates and inflation during 2022. The Company's property values are inevitably not immune and the Market Value of the portfolio decreased 9.4% for the quarter ended 31 December 2022, however the portfolio materially outperformed benchmark property indices and peers in the main part. The Company's portfolio has avoided the worst of the sector downturn due to its consistently strong income growth, with 96% of the rental income inflation linked, our continuing collection of 100% of rent due, as well as our low exposure to prime assets, which have seen the worst of the downward movement in valuations.

Notwithstanding the ongoing challenging economic environment, the Company continues to benefit from a diversified, well-managed and resilient portfolio that remains 100% let. Investors can be assured that the Company continues to be well-positioned with growing inflation linked rents, together with having 100% of our debt fixed at a favourable rate of 3.19% until October 2025, all helping to underpin the Board's confidence in achieving our dividend target."

Overview of key financials

	At 31 December 2022 (unaudited)	At 30 September 2022 (unaudited)	Change
Net Asset Value ("NAV")	£67.9 million	£78.1 million	-13.0%
NAV per share	84.3p	97.0p	-13.0%
Share price per share	66.7p	65.3p	+2.1%

Share price discount to NAV	20.9%	32.7%	-11.8%
Investment property fair value (based on external valuation)	£107.4 million	£118.6 million	-9.4%
Loan to gross asset value ("GAV") ^{A B}	36.8%	33.6%	

	Quarter ended 31 December 2022 (unaudited)	Quarter ended 30 September 2022 (unaudited)	Change
EPRA earnings per share ^A	1.9p	1.5p	+27.6%
Adjusted earnings per share ^A	1.9p	1.4p	+29.7%
Dividend cover ^A	136.2%	105.1%	+31.1%
Total dividends per share	1.4p	1.4p	0.0%
Dividend yield ^A	2.1%	2.1%	0.0%
Earnings per share	-11.3p	2.2p	-616.3%
Share price total return ^A	+4.3%	-18.5%	
NAV total return ^A	-11.6%	+2.3%	
Annualised passing rent	£7.5 million	£7.2 million	+4.2%
Ongoing charges ^A (annualised)	1.4%	1.5%	-10bps

^A Considered to be an Alternative Performance Measure.

^B The loan facility at 31 December 2022 of £41.0 million (30 September 2022: £41.0 million) with Canada Life Investments, matures on 20 October 2025 and has a weighted average interest cost of 3.19%.

Dividend Declaration, Earnings per share and Dividend Cover

The Board is pleased to declare a second interim quarterly dividend of 1.375pps for the quarter ended 31 December 2022. This dividend will be distributed as Property Income Distribution ("PID") and will be paid on 24 February 2023 to shareholders on the register on 10 February 2023. The ex-dividend date will be 9 February 2023.

Having achieved the Company's target dividend of 5.5pps last year, the Board reconfirms its dividend target of at least 5.7pps for the year ending 30 June 2023. This increase reflects the Board's intention to pay a progressive dividend consistent with the Company's stated aims, subject to continued strong rent collection from the Group's tenants.

The Adjusted EPS was 1.9pps for the quarter (September 2022: 1.4pps), reflecting 136.2% dividend cover.

Property Valuation

At 31 December 2022, the Group's property portfolio, comprising 19 assets, had a fair value of £107.4 million, representing a 9.4% decrease from the last quarter (30 September 2022: £118.6 million).

At 31 December 2022, the Net Initial Yield on the Group's portfolio was 6.4% (30 September 2022: 5.7%).

In most sectors of the market, property investment values have experienced significant mark downs for the quarter ended 31 December 2022. Yields have moved out further, and in some cases, this has resulted in a bigger valuation correction than was expected. Across the board, valuers have faced a tough job to accurately assess values in a market where bond yields are fluctuating and on the basis of limited transactional evidence. The Group's portfolio has demonstrated some resilience, with a single digit fall in capital values. Indices and wider peer group performance has predominantly been materially worse. The portfolio has avoided the worst of the downturn due to its consistently strong income growth, with 96% of the rental income inflation linked, 100% collection of rent due, as well as low exposure to prime assets, which have seen the worst of the downward movement in valuations. Inflation-linked reviews continue to drive rental growth with the portfolio, with the December 2022 annualised passing rent rising to £7.5 million per annum, an increase of 4.2% quarter on quarter, helping to partially offset valuation movements in the period.

Industrial, car showroom and retail warehouse properties within the portfolio have seen valuations fall by circa 13-15% over the quarter, which is, on average, a fall of 75 to 100 basis points. Pocket Nook Industrial Estate, St Helens (-6%) performed better, demonstrating the impact of the forthcoming uncapped index-linked rent reviews in 2023. Further resilience has been demonstrated with valuation falls of 3-8% in the Company's assets in the energy generation, care homes, hotels and gym sectors.

Net Asset Value

At 31 December 2022, the Company's unaudited NAV was £67.9 million, 84.3pps (30 September 2022: £78.1 million, 97.0pps) representing a 13.0% decrease over the quarter, due to decrease in the portfolio valuation.

When combined with the 1.375pps dividend paid for the quarter, this produces an unaudited NAV total return for the

quarter of -11.6% (30 September 2022: +2.3%).

Conversely, following a significant narrowing of the Company's share price discount to its NAV, the share price increased 2.1% to 66.7pps and the share price total return for the quarter was +4.3%. The Company's discount continues to be one of the lowest in the UK REIT sector.

The table below sets out the movement in NAV during the quarter.

	Pence per share	£ million
NAV at 30 September 2022	97.0	78.1
Valuation movement in property portfolio	(13.2)	(10.6)
Income earned for the period	2.9	2.3
Expenses for the period	(0.5)	(0.4)
Net finance costs for the period	(0.4)	(0.4)
Interim dividend paid during the quarter ended 30 September 2022	(1.5)	(1.1)
NAV at 31 December 2022	84.3	67.9

The NAV attributable to the ordinary shares has been calculated under International Financial Reporting Standards as adopted by the United Kingdom and incorporates both the Group's property portfolio individually valued on a 'Red Book' basis at 31 December 2022 and net income for the quarter but does not include a provision for the interim dividend declared today (see above).

The income earned for the period includes an accrual for the minimum contractual uplifts contained in the index-linked leases. In the event that inflation is greater than these minimum contractual uplifts, the actual income will be greater than the income currently accrued.

Portfolio Update

At 31 December 2022, the Group's assets are 100% let (30 September 2022: 100%). The weighted average unexpired lease term at 31 December 2022 was 17.0 years to the earlier of break and expiry (30 September 2022: 17.3 years) and 18.8 years to expiry (30 September 2022: 19.1 years).

In aggregate, 96% (30 September 2022: 96%) of the portfolio's income stream is reviewed periodically on an upward only basis, in line with inflation (52% annually); with 70% and 26% of the portfolio inflation-linked (subject to floors and caps) to RPI and CPI, respectively. The remaining 4% of the portfolio's income stream is subject to fixed uplifts or expiries.

Contracted annualised rent increased by 2.5% this quarter, due to annual RPI rent reviews at Brough & Solihull (+3.5%), Dudley (+4%), Glasgow (+11.9%) and a 5 yearly RPI rent review of the Pure Gym, London (+21.7%).

Over the period to 30 June 2023, 26% of the Group's income will be reviewed (five annual index-linked rent reviews and three periodic index-linked rent reviews (5 years since the previous reviews)).

Rent Collection

Rent collection remains resilient with 100% expected for the December 2022 quarter. The rents for the December 2022 quarter are split 83% payable quarterly in advance and 17% payable monthly in advance.

ENQUIRIES

Alternative Income REIT PLC

Simon Bennett - Chairman

via H/Advisors Maitland below

M7 Real Estate Ltd

+44 (0)20 3657 5500

Richard Croft

Panmure Gordon (UK) Limited

+44 (0)20 7886 2500

Alex Collins

Tom Scrivens

Chloe Ponsonby

H/Advisors Maitland (Communications Advisor)

+44(0) 7747 113 930

James Benjamin

aire-maitland@h-advisors.global

The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT PLC is available at www.alternativeincomereit.com¹.

¹ Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

NOTES

Alternative Income REIT PLC aims to generate a sustainable, secure and attractive income return for shareholders from a diversified portfolio of UK property investments, predominately in alternative and specialist sectors. The majority of the assets in the Group's portfolio are let on long leases which contain index linked rent review provisions.

The Company's asset manager is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 220 employees in 15 countries and territories. The team manages almost 600 assets with a value of circa €5.9 billion.



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