

NAV, DIVIDEND DECLARATION & PORTFOLIO VALUATION

Released : 04 May 2023 15:45

RNS Number : 4775Y
Alternative Income REIT PLC
04 May 2023

4 May 2023

Alternative Income REIT PLC

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

NET ASSET VALUE, DIVIDEND DECLARATION AND PORTFOLIO VALUATION UPDATE TO 31 MARCH 2023

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 March 2023.

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

"The Board is pleased to declare a third interim dividend of 1.375pps for the quarter ended 31 March 2023, which is 110.9% covered by cash 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 is expected to be fully covered and remains subject to continued strong rent collection. The target annual dividend for 2023 represents a 3.6% increase on the 5.5pps annual dividend paid for the prior year.

In the second half of 2022, the UK commercial real estate sector suffered significant repricing as a result of the rapid increase in interest rates as the Bank of England reacted decisively to the sharp rise in inflation.

However, the first quarter of 2023 has been characterised by a more measured approach to valuations with the value of the Group's portfolio falling by just £0.7 million or 0.7% to £106.7 million (31 December 2022: £107.4 million) over the period.

As previously stated, the Group has avoided the worst of the property market downturn due to the composition of its portfolio which has seen consistently strong income growth, with 96% of the rental income inflation linked and 100% of rents due continuing to be collected, which is expected to continue for the March 2023 quarter. In addition, the low exposure to prime industrial and warehouse assets, which have seen the worst of the downward movement in valuations, has also helped to insulate the portfolio.

The wider economic outlook remains uncertain, however, the Group continues to benefit from a well-managed, diversified and resilient portfolio, which remains fully let. Furthermore, all of our debt is fixed at a historically low rate of 3.19% until October 2025. The Board therefore remains confident that the Company will achieve its dividend target for this financial year and that it is well positioned for the future."

Overview of key financials

	At 31 March 2023 (unaudited)	At 31 December 2022 (unaudited)	Change
Net Asset Value ("NAV")	£67.3 million	£67.9 million	-0.9%
NAV per share	83.5p	84.3p	-0.9%

Share price per share	67.2p	66.7p	+0.8%
Share price discount to NAV	19.5%	20.9%	-1.4%
Investment property fair value (based on external valuation)	£106.7 million	£107.4 million	-0.7%
Loan to gross asset value ("GAV") ^{A B}	37.0%	36.8%	

	Quarter ended 31 March 2023 (unaudited)	Quarter ended 31 December 2022 (unaudited)	Change
EPRA earnings per share ^A	1.6p	1.9p	-18.6%
Adjusted earnings per share ^A	1.5p	1.9p	-18.6%
Dividend cover ^A	110.9%	136.2%	-25.3%
Total dividends per share	1.375p	1.375p	0.0%
Dividend yield ^A	2.1%	2.1%	0.0%
Earnings per share	0.6p	-11.3p	+105.3%
Share price total return ^A	+2.8%	+4.3%	
NAV total return ^A	+0.7%	-11.6%	
Annualised passing rent	£7.6 million	£7.5 million	+0.85%
Ongoing charges ^A (annualised)	1.5%	1.4%	+10bps

^A Considered to be an Alternative Performance Measure.

^B The loan facility at 31 March 2023 of £41.0 million (31 December 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 third interim quarterly dividend of 1.375pps for the quarter ended 31 March 2023. This dividend will be distributed as Property Income Distribution ("PID") and will be paid on 26 May 2023 to shareholders on the register on 12 May 2023. The ex-dividend date will be 11 May 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 1.5pps for the quarter (31 December 2022: 1.9pps), reflecting 110.9% dividend cover.

Property Valuation

At 31 March 2023, the Group's property portfolio, comprising 19 assets, had a fair value of £106.7 million, representing a 0.7% decrease from the last quarter (31 December 2022: £107.4 million).

At 31 March 2023, the Net Initial Yield on the Group's portfolio was 6.5% (31 December 2022: 6.4%).

Following the significant mark downs in valuations for most sectors of the commercial property market in 2022, valuations have been more stable in Q1 2023 with some positive and negative revisions to valuations coming through for particular properties and those in specific sectors. Transactional activity remains weak and comparable evidence for valuers is therefore limited, but there is a sense of greater confidence in the value of industrial and warehouse properties, in respect of which rental growth continues to feed through, and in alternatives and prime retail warehouse properties, which in some cases appear undervalued. There is still a weariness around the value of larger lot sizes, regional offices and high street retail, which do not form part of the Group's portfolio. With a further increase in interest rates on the cards for May, we do not expect to see any significant increase in the value of the portfolio in the near term with the outlook for valuations generally benign, save for any unforeseen shocks to the wider commercial property market or the economy.

Net Asset Value

At 31 March 2023, the Group's unaudited NAV was £67.3 million, 83.5pps (31 December 2022: £67.9 million, 84.3pps), representing a 0.9% decrease over the quarter, due to the 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 0.7% (31 December 2022: -11.6%).

Conversely, following a narrowing of the Company's share price discount to its NAV, the share price increased 0.8% to 67.2pps and the share price total return for the quarter was 2.8%. The Company's share price discount to NAV of 19.5% continues to be one of the lower discounts in the UK REIT sector.

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

	Pence per share	£ million
NAV at 31 December 2022	84.3	67.9
Valuation movement in property portfolio	(1.0)	(0.8)
Income earned for the period	2.6	2.1
Expenses for the period	(0.6)	(0.4)
Net finance costs for the period	(0.4)	(0.4)
Interim dividend paid during the quarter ended 31 December 2022	(1.4)	(1.1)
NAV at 31 March 2023	83.5	67.3

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 March 2023 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 March 2023, the Group's assets are fully let (31 December 2022: 100% let). The weighted average unexpired lease term at 31 March 2023 was 16.7 years to the earlier of break and expiry (31 December 2022: 17.0 years) and 18.6 years to expiry (31 December 2022: 18.8 years).

In aggregate, 96% (31 December 2022: 96%) of the portfolio's income stream is reviewed periodically on an upward only basis, in line with inflation (44.9% annually); with 70.0% and 26.1% of the portfolio inflation-linked (subject to floors and caps) to RPI and CPI, respectively. The remaining 3.9% of the portfolio's income stream is subject to fixed uplifts or expiries.

Contracted annualised rent increased by 0.85% 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, 11.5% of the Group's income will be reviewed (three annual index-linked rent reviews and two fixed uplift rent reviews).

Rent Collection

Rent collection remains resilient with 100% expected for the March 2023 quarter. The rents for the March 2023 quarter are split 82.7% payable quarterly in advance and 17.3% 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

Jane Blore

Panmure Gordon (UK) Limited

+44 (0)20 7886 2500

Alex Collins

Tom Scrivens

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 230 employees in 15 countries and territories. The team manages c. 620 assets with a value of circa €6.9 billion (as at 31 December 2022).

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

DIVDZGGKDDMGFZM