

# Alternative Income REIT PLC

## 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 TO 30 SEPTEMBER 2023

**Resilient portfolio well placed to continue to provide secure, index-linked income with the potential for capital growth**

**New target annual dividend of at least 5.9 pence per share, a 3.5% increase on the prior year target of 5.7 pence per share**

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 index-linked rent reviews, provides a trading and business update and declares an interim dividend for the quarter ended 30 September 2023.

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

"AIRE completed the disposal of its hotel in Glasgow for £7.5 million in August 2023 at a 7.9% premium to its book value. The Board has considered a number of attractive potential investment opportunities and now expects to reinvest the net proceeds into two alternative investments, with one of the acquisitions at an advanced stage with completion expected prior to 31 December 2023.

The Company achieved its target dividend of 5.7 pence per share ("pps") last year, and subject to the reinvestment of the Glasgow sale proceeds as anticipated and the continued collection of rent from the Group's property portfolio as it falls due, the Board has set a new dividend target of at least 5.9pps for the year ending 30 June 2024. This represents an increase of at least 3.5% over the previous year and reflects the Board's intention to pay a progressive dividend.

The Group's portfolio has delivered income growth for the quarter ended September 2023 of 2.5% (after discounting for the conclusion of the rent-free period on Pets at Home) as a result of its 96% index-linked rent review profile, with 40% of this rental income reviewed annually. Contracted annualised rent increased by 4.2% this quarter. The portfolio continues to be actively managed and during the quarter, three rent reviews were successfully completed and re-gearing discussions have started with three tenants, combining lease extensions with ESG initiatives and EPC improvements.

During the quarter, the Group's portfolio valuation, portfolio net initial yield and unaudited NAV remained broadly stable. The Company delivered an unaudited NAV total return for the quarter of 1.6%.

The Group's portfolio is relatively insulated from market fluctuations, benefiting from being 100% let, with 100% collection of rent due and 96% index-linked rent review profile, and low borrowing costs fixed at a weighted average

interest rate of 3.19% until October 2025, which together continue to provide a secure and growing rental income stream.

The Board remains confident that the Company is well-positioned to continue to deliver value to shareholders through a progressive dividend policy and with a portfolio that has the potential for capital growth."

## Overview of Key Financials

	At 30 September 2023 (unaudited)	At 30 June 2023 (audited)	Change
Net Asset Value ("NAV")	£67.3million	£67.8 million	-0.7%
NAV per share	83.6p	84.2p	-0.7%
Share price per share	59.6p	64.7p	-7.9%
Share price discount to NAV	28.7%	23.1%	+5.6%
Investment property fair value (based on external valuation)	£99.6 million	£107.0 million <sup>C</sup>	-6.9%
Loan to gross asset value ("GAV") <sup>A B</sup>	37.1%	36.8%	

	Quarter ended 30 September 2023 (unaudited)	Quarter ended 30 June 2023 (audited)	Change
EPRA earnings per share <sup>A</sup>	1.3p	1.7p	-23.5%
Adjusted earnings per share <sup>A</sup>	1.5p	1.6p	-6.3%
Dividend cover <sup>A</sup>	104.9%	81.8%	23.1%
Total dividends per share	1.425p	1.92p	-25.8%
Dividend yield <sup>A</sup>	9.9%	9.3%	0.6%
Earnings per share	1.3p	2.0p	-35.0%
Share price total return <sup>A</sup>	-4.9%	-1.7%	
NAV total return <sup>A</sup>	1.6%	+2.4%	
Annualised passing rent	£7.1 million	£7.6 million	-6.6%
Ongoing charges <sup>A</sup> (annualised)	1.5%	1.4%	10bps

<sup>A</sup> Considered to be an Alternative Performance Measure.

<sup>B</sup> The loan facility at 30 September 2023 of £41.0 million (30 June 2023: £41.0 million) with Canada Life Investments, matures on 20 October 2025 and has a weighted average interest cost of 3.19%.

<sup>C</sup> On a like-for-like basis the remaining 18 properties were valued at £100.1 million at 30 June 2023, a valuation decrease of £0.5 million or 0.5%.

## Property Portfolio

AIRE completed the disposal of the Group's hotel in Glasgow for £7.5 million in August 2023 at a 7.9% premium to its book value. Since then, the Board has looked at a number of attractive investment opportunities to reinvest the proceeds, and expects to reinvest the net proceeds into two alternative investments, with one of the acquisitions at an advanced stage with completion expected prior to 31 December 2023.

The value of the Group's remaining portfolio of 18 assets has been relatively stable over the quarter to September 2023, decreasing by £0.5 million or 0.5% to £99.6 million (30 June 2023: £107.0 million across 19 assets; on a like-for-like basis £100.1 million across 18 assets) and the portfolio's net initial yield remains almost unchanged at 6.7% (30 June 2023: 6.6%). This quarter's marginal valuation decrease arose from the Healthcare sector where capitalisation rates have weakened slightly.

At 30 September 2023, the Net Initial Yield on the Group's portfolio remained stable at 6.7% (30 June 2023: 6.6%).

The property investment market has been subdued for much of 2023 with ongoing economic uncertainty leaving investors cautious. Despite concerns over rising interest rates and high levels of inflation, there are some positive signs for the market with pockets of strong occupational demand, particularly in the industrial and logistics sector and growing demand for sustainable properties. The Group's portfolio is relatively insulated from market fluctuations,

benefiting from being 100% let, with 100% collection of rent due and 96% index-linked rent review profile, which continue to provide a secure and growing rental income stream.

Over the past year, the value of the Group's portfolio has fallen by a total of £12 million or 10.75%. AIRE continues to outperform relative to most other commercial real estate companies, as demonstrated by CBRE which reported a fall in their Monthly (All-Property) Index of 14.2% over the same period.

The Group's portfolio has delivered income growth for the quarter ended September 2023 of 2.5% (after discounting for the conclusion of the rent-free period on Pets at Home) as a result of its 96% index-linked rent review profile, with 40% of this rental income reviewed annually. Contracted annualised rent increased by 4.2% this quarter. The portfolio continues to be actively managed and during the quarter, three rent reviews were successfully completed and re-gearing discussions have started with three tenants combining lease extensions with ESG initiatives and EPC improvements. During the quarter to 31 December 2023, 10% of the Group's income will be reviewed with two annual index-linked rent reviews.

#### **Dividend Declaration, Earnings Per Share and Dividend Cover**

The Company achieved its target dividend of 5.7pps last year, and subject to the reinvestment of the Glasgow sale net proceeds as anticipated and the continued collection of rent from the Group's property portfolio as it falls due, the Board has set a new dividend target of 5.9pps for the year ending 30 June 2024. This represents an increase of 3.5% over the previous year and reflects the Board's intention to pay a progressive dividend.

The Board is pleased to declare an interim quarterly dividend of 1.425pps for the quarter ended 30 September 2023. This dividend will be distributed as Property Income Distribution ("PID") and will be paid on 24 November 2023 to shareholders on the register on 10 November 2023. The ex-dividend date will be 9 November 2023.

The Adjusted EPS of 1.49pps marginally decreased over the quarter (30 June 2023: 1.57pps). The dividend cover for the quarter was 104.9% (30 June 2023: 81.8%).

#### **Net Asset Value, Share Price and Share Price discount to NAV**

At 30 September 2023, the Group's unaudited NAV was £67.3 million, 83.6pps (30 June 2023: £67.8 million, 84.2pps), representing a marginal 0.7% decrease over the previous quarter.

When combined with the 1.92pps dividend paid in the quarter, this produces an unaudited NAV total return for the quarter of 1.6% (30 June 2023: 2.4%).

The share price decreased by 7.9% to 59.6pps and reflects the increase in the discount from 23.1% to 28.7%. In general, discounts in the sector have widened considerably in the quarter, although AIRE's discount remains at less than the sector average.

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

	<b>Pence per share</b>	<b>£ million</b>
<b>NAV at 30 June 2023</b>	84.2	67.8
Valuation movement in property portfolio	(0.7)	(0.6)
Income earned for the period	2.2	1.8
Expenses for the period	(0.5)	(0.4)
Net finance costs for the period	(0.4)	(0.4)
Gain on sale of property	0.7	0.6
Interim dividend paid during the quarter ended 30 June 2023	(1.9)	(1.5)
<b>NAV at 30 September 2023</b>	<b>83.6</b>	<b>67.3</b>

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 30 September 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 30 September 2023, the Group's assets were 100% let (30 June 2023: 100%). The weighted average unexpired lease term at 30 September 2023 was 17.1 years to the earlier of break and expiry (30 June 2023: 17.0 years) and 19.2 years to expiry (30 June 2023: 18.9 years).

In aggregate 96% (30 June 2023: 97.0%) of the portfolio's income stream is reviewed periodically on an upward-only basis and in line with inflation, subject to floors and caps, 40.0% being annual reviews. The majority of the portfolio's income stream, being 67.0%, is linked to RPI and 29.0% to CPI, with the remaining 4.0% being subject to fixed uplifts or expiries.

Contracted annualised rent increased by 4.2% this quarter, due to annual RPI rent reviews at Salford (+8.0%), income following the rent free period on the Pets at Home lease of £112,500 per annum and 5 yearly rent reviews in Birmingham (+13.6%) and Sittingbourne (+17.3%)

Over the quarter to 31 December 2023, 10% of the Group's income will be reviewed (two annual index-linked rent reviews).

### Rent Collection

Rent collection remains resilient with 100% expected for the September 2023 quarter. The rents for the September 2023 quarter are split 90.4% payable quarterly in advance and 9.6% payable monthly in advance.

### ENQUIRIES

#### Alternative Income REIT PLC

Simon Bennett - Chairman via H/Advisors Maitland below

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Jane Blore

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The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT PLC is available at [www.alternativeincomereit.com](http://www.alternativeincomereit.com)<sup>1</sup>.

<sup>1</sup> 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 14 countries and territories. The team manages over 610 assets with a value of circa €6.9 billion (at 30 September 2023).

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