

BUY

PRIMARY HEALTH PROPERTIES PLC (PHP)

## PHP promoted and recapitalised

MARK ROBINSON



The long-term reform of localised health services – specifically the unrelenting demand for purpose-built healthcare centres – supports the investment case for **Primary Health Properties (PHP)**. So while earnings per share in the first half of the year pulled back due to April's rights issue, the underlying picture remains solid. Net rental income increased by 75 per cent to £34.7m, and almost half of the £115m of new capital already raised has been committed. A further four properties, worth £37m, have been agreed but not yet completed. To top it off, PHP is now in the FTSE 250 index.

Reported profits pulled back from the 2017 comparator, but this was due to a lower revaluation surplus this time around, after accounting for costs associated with acquisitions and capital expenditure. The property portfolio now comprises 308 assets, worth £1.42bn and with a contracted rent roll of £74.4m. That's compared with £1.36bn and £72.3m, respectively, at the end of 2017.

We've pitched PHP as a lower risk option in the property space, and aside from the structural driver outlined above and the predictability of "government-backed income", the business's dependability is reflected in a utilisation rate of 99.7 per cent. The weighted average unexpired lease term now stands at a still lengthy 12.9 years, with only £1.0m (or 1.3 per cent) of contracted income expiring over the next

three years.

Peel Hunt expects adjusted net asset value (NAV) of 104.8p a share for the December year-end, rising to 108.9p in 2019.

PRIMARY HEALTHCARE PROPERTIES (PHP)				
ORD PRICE:	116p	MARKET VALUE:	£850m	
TOUCH:	116-116.2p	12-MONTH HIGH:	123p	LOW: 109p
DIVIDEND YIELD:	4.6%	TRADING PROPERTIES:	nil	
PREMIUM TO NAV:	16.2%	NET DEBT:	86%	
INVESTMENT PROPERTIES:	£1.42bn			

Half-year to 30 Jun	Net asset value (p)	Pre-tax profit (£m)	Earnings per share (p)	Dividend per share (p)
2017	88.6	44.3	7.4	2.62
2018	99.8	38.7	5.7	2.70
% change	+13	-13	-23	+3
Ex-div:	*			
Payment:	*			

\*Quarterly dividends of 1.35p were paid in Feb and May 2018. A third-quarter dividend of 1.35p will be paid on 24 Aug 2018 (ex-date 12 July 2018).

🔴 With the shares trading at an undemanding 6.5 per cent premium to 2019 NAV and carrying a forward yield approaching 5 per cent, we reiterate our pre-fundraising buy call ([115p, 11 Jan 2018](#)). Buy.

Last IC View: [Buy, 110p, 23 Mar 2018](#)