

Elite UK REIT

Payout ratio restored to 95%



StocksBnB.com

Singapore | REIT | FY24 RESULT

- Gross revenue for FY24 slid by 1.2% YoY to £37.5mn due to an income vacuum from vacant assets, which was in line with expectations and formed 99% of our FY24e estimates. NPI plunged by 10.3% YoY to £37.3mn, which met our estimates, as lower dilapidation settlements were concluded during the year.
- FY24 DPU rose by 5% YoY to 2.87 pence after adjusting the unit base to the FY24 level, aligning with our forecast, at 103% of full-year estimates. The increment was attributed to raising its payout ratio from 90% to 95% in 2H24 and tax savings.
- We maintain our BUY recommendation with a higher DDM-TP of £0.35 (prev: £0.34), as we lowered the cost of equity to 11.9% (prev: 12.5%) following a reduced benchmark bank rate and an improved payout ratio. We lower our FY25e-26e DPU forecasts by 8%/5% to 2.95/3.05 pence, based on a 95% payout ratio (prev: 100%), as elevated interest costs persist due to a higher proportion of fixed loans (86%) and a further reduction in dilapidation settlements. ELITE is trading at an FY25e dividend yield of 9.7% and 0.73x P/NAV.

Result at a glance

(£ Mn)	FY24	FY23	YoY	Comments
Gross Revenue	36.47	37.64	-3.1%	Divestments
Net Property Income	36.34	41.36	-12.1%	Lower dilapidation
DPU (pence)	2.87	3.07	-6.5%	After adjusting unit base, +5%YoY
Cost of debt	4.9%	5.2%	(0.3ppt)	Higher hedging proportion
Gearing	42.5%	47.5%	(4.6ppt)	£28mn Preferential Offering
Occupancy rate	93.9%	92.3%	1.6ppt	
NAV per share	0.41	0.43	-4.7%	Divestments

Source: Company, PSR

The Positives

+ Valuation uplift. Portfolio valuation rose 1.2% YoY to £416mn, driven by a 36% YoY increase in Peel Park. ELITE successfully divested three assets in FY24, generating total proceeds of £6.2mn at an average contractual price of 15% above book value, showcasing strong monetization capability. However, the deal will only be finalized upon the successful approval of the redevelopment permit. The REIT remains committed to its asset recycling plan, focusing on non-vacant assets in FY25e. We expect Caerphilly (£600k) and Peel Park (£32.7mn) to be divested in FY25e, as the assets have recently secured 120 MVA of power, with the planning application expected to be completed by the end of FY25e. All proceeds from the divestment will be used to pay down debt, potentially lowering gearing to below 40%.

+ Lower financing cost. The cost of borrowing decreased by 30 bps YoY to 4.9%, with the hedging ratio rising by 23ppts to 86% as of Dec 24. While the Bank of England recently cut its benchmark rate by 25bps to 4.5%, we expect minimal immediate impact on ELITE, with the cost of borrowing anticipated to remain at c.4.9% in FY25e. Notably, there are no refinancing obligations until 2027.

The Negatives

-NIL

11 February 2025

BUY (Maintained)

LAST CLOSE PRICE	GBP 0.31
FORECAST DIV	GBP 0.03
TARGET PRICE	GBP 0.35
TOTAL RETURN	21.4%

COMPANY DATA

BLOOMBERG CODE:	ELITE SP Equity
O/S SHARES (MN):	587
MARKET CAP (USD mn / GBP mn):	228 / 176
52 - WK HI/LO (GBP):	0.35 / 0.22
3M Average Daily T/O (mn):	0.22

MAJOR SHAREHOLDERS

Reinsurance EU SE	8.7%
Partner Reinsurance Co Ltd	8.0%
Ho Lee Group Trust	7.6%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(3.2)	24.1	19.0
STTF RETURN	(0.3)	7.3	15.1

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (£m)	37.6	36.5	36.7	37.0
Dist. Inc. (£mn)	14.7	17.6	19.3	19.3
P/NAV (x)	0.70	0.74	0.73	0.72
DPU (cents)	3.07	2.87	2.90	3.05
Dist. Yield (%)	10.23	9.57	9.67	10.17

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity:11.9%; Terminal g: 1%)

LIU MIAOMIAO (+65 6212 1849)

Research Analyst

liumm@phillip.com.sg

Outlook

ELITE plans to maintain its payout ratio at 95% or above in FY25e, supported by a stabilised macroeconomic environment. The REIT is also actively engaging with its largest tenant, DWP, for early lease renewals ahead of 2028, targeting an early renewal rate of c.25% in FY25e. We believe this represents the key share price catalyst for the upcoming financial year, as the current valuation assumes a non-renewal rate of c.25%, significantly higher than the historical average of c.5%–15%.

Meanwhile, leasing momentum in the UK remains robust, and ELITE has re-let 2 of the non-central London locations at rental reversions of 30% and 5%, respectively, which indicates a picking up in demand.

Maintain BUY with a higher TP of £0.35 (prev: £0.34)

We reiterate our BUY recommendation with an increased DDM-TP of £0.35 (prev: £0.34), reflecting a lower cost of equity of 11.9% (previously 12.5%) driven by a reduced benchmark bank rate and an improved payout ratio. We revise our FY25e-26e DPU forecasts downward by 8%/5% to 2.95/3.05 pence, reflecting a 95% payout ratio (previously 100%), as elevated interest costs persist due to a higher proportion of fixed loans (86%) and a further reduction in dilapidation settlements. ELITE trades at an FY25e dividend yield of 9.7% and 0.73x P/NAV.

Financials

Income Statement

Y/E Dec, (£'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	37.08	37.64	36.47	36.65	37.04
Property Expense	(1.33)	(3.84)	(2.73)	(2.73)	(1.21)
Net Property Income	35.74	33.80	33.74	33.92	35.84
Interest Cost	(7.42)	(12.36)	(13.13)	(11.87)	(11.87)
Total return before before tax	(16.84)	(21.38)	23.05	19.99	19.97
Tax Expense	(1.50)	(0.79)	(2.56)	(2.56)	(2.56)
Net income after Tax	(18.33)	(22.17)	20.50	17.43	17.42
Amount available to unitholders	36.46	28.90	26.34	20.36	20.34
Distribution to unitholders	16.46	24.53	23.10	19.34	19.33

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (\$\$)	0.52	0.43	0.41	0.41	0.42
DPU (£ cents)	4.81	3.07	2.87	2.90	3.05

Cash Flow

Y/E Dec, (£'mn)	FY22	FY23	FY24	FY25e	FY26e
Total return for the period before	(16.84)	(21.38)	23.05	19.99	19.97
Adjustments	48.80	59.75	10.38	14.70	14.70
WC changes	(1.68)	8.93	(5.28)	(5.36)	1.50
Tax paid and interest received	(2.42)	(2.94)	(1.64)	(2.56)	(2.56)
Cash generated from ops	27.86	44.55	26.38	26.77	33.62
CFI					
CAPEX	(7.44)	(3.67)	(3.67)	-	-
Cashflow from investments	(7.44)	(0.46)	(2.45)	-	-
CFF					
Interest Payment	(5.28)	(11.18)	(11.49)	(11.87)	(11.87)
Distributions to unitholders	(22.79)	(18.49)	(14.05)	(19.34)	(19.33)
Cashflow from financing	(33.15)	(33.92)	(32.91)	(31.21)	(31.19)
Net change in cash	(12.73)	10.17	(8.98)	(4.43)	2.42
Cash at the start of the period	18.17	5.44	15.61	6.63	2.19
Ending cash	5.44	15.61	6.63	2.19	4.62

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (£'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and short term deposit	7.44	20.82	6.63	2.19	4.62
Trade Receivables	11.87	2.87	7.99	11.74	11.86
Total current assets	26.75	29.84	25.88	28.78	31.33
Investment properties	459.98	413.72	412.79	413.72	413.72
Total non-current assets	460.04	414.20	414.42	415.35	415.35
Total Assets	486.80	444.04	440.30	444.13	446.67
LIABILITIES					
Trade payables	4.82	4.76	3.14	4.76	4.81
Loans and borrowings	7.20	126.29	-	-	-
Others	10.41	10.51	11.44	10.52	10.52
Total current liabilities	22.43	141.56	14.58	15.29	15.34
Loans and borrowings	213.07	94.02	183.33	183.33	183.33
Deferred tax liabilities	2.17	1.22	1.21	1.21	1.21
Total non-current liabilities	216.47	95.25	184.55	184.55	184.55
Total Liabilities	238.89	236.80	199.13	199.83	199.88
Net assets	247.90	207.24	241.17	244.29	246.79
Represented by:					
Unitholders' funds	247.90	207.24	241.17	244.29	246.79

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.58	0.70	0.74	0.73	0.72
Distribution Yield (%)	16.03	10.23	9.57	9.67	10.17

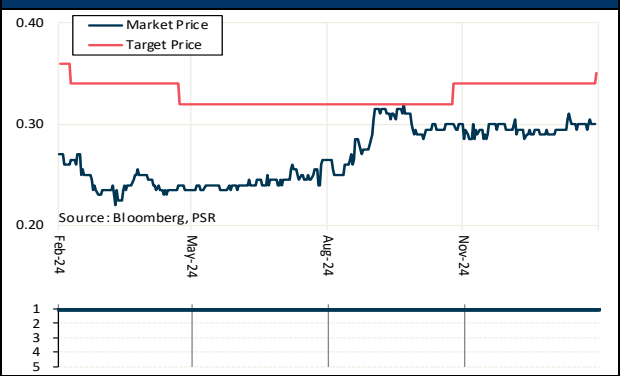
Growth & Margins

Growth					
Revenue		1.52%	-3.10%	0.50%	1.06%
Distributable income		48.99%	-5.83%	-16.26%	-0.07%
DPU		-36.17%	-6.51%	1.05%	5.17%

Key Ratios

ROE	-2.01%	-2.47%	2.11%	1.77%	1.77%
Gearing	0.45	0.41	0.41	0.41	0.41

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Contact Information (Singapore Research Team)		
Head of Research Paul Chew – paulchewkl@phillip.com.sg		Research Admin Qystina Azli - qystina@phillip.com.sg
Technical Analyst Zane Aw – zaneawyx@phillip.com.sg	Property REITs Darren Chan – darrenchanrx@phillip.com.sg	Property REITs Liu Miaomiao – liumm@phillip.com.sg
Banking & Finance Glenn Thum – glennthumic@phillip.com.sg	US Tech Analyst (Hardware/E-commerce/ETF) Helena Wang – helenawang@phillip.com.sg	Construction Yik Ban Chong (Ben) – chongyb@phillip.com.sg
Contact Information (Regional Member Companies)		
SINGAPORE Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel +65 6533 6001 Fax +65 6535 6631 Website: www.poems.com.sg	MALAYSIA Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel +603 2162 8841 Fax +603 2166 5099 Website: www.poems.com.my	HONG KONG Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway Hong Kong Tel +852 2277 6600 Fax +852 2868 5307 Websites: www.phillip.com.hk
JAPAN Phillip Securities Japan, Ltd. 4-2 Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-0026 Tel +81-3 3666 2101 Fax +81-3 3666 6090 Website: www.phillip.co.jp	INDONESIA PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel +62-21 5790 0800 Fax +62-21 5790 0809 Website: www.phillip.co.id	CHINA Phillip Financial Advisory (Shanghai) Co Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel +86-21 5169 9200 Fax +86-21 6351 2940 Website: www.phillip.com.cn
THAILAND Phillip Securities (Thailand) Public Co. Ltd 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel +66-2 6351700 / 22680999 Fax +66-2 22680921 Website www.phillip.co.th	FRANCE King & Shaxson Capital Limited 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel +33-1 45633100 Fax +33-1 45636017 Website: www.kingandshaxson.com	UNITED KINGDOM King & Shaxson Capital Limited 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel +44-20 7426 5950 Fax +44-20 7626 1757 Website: www.kingandshaxson.com
UNITED STATES Phillip Capital Inc 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building Chicago, IL 60604 USA Tel +1-312 356 9000 Fax +1-312 356 9005 Website: www.phillipusa.com	AUSTRALIA Phillip Capital Limited Level 10, 330 Collins Street Melbourne, Victoria 3000, Australia Tel +61-03 8633 9803 Fax +61-03 8633 9899 Website: www.phillipcapital.com.au	CAMBODIA Phillip Bank Plc Ground Floor of B-Office Centre, #61-64, Norodom Blvd Corner Street 306, Sangkat Boeung Keng Kang 1, Khan Chamkamorn, Phnom Penh, Cambodia Tel: 855 (0) 7796 6151/855 (0) 1620 0769 Website: www.phillipbank.com.kh
INDIA PhillipCapital (India) Private Limited No.1, 18th Floor, Urmi Estate 95, Ganpatrao Kadam Marg Lower Parel West, Mumbai 400-013 Maharashtra, India Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969 Website: www.phillipcapital.in	TURKEY PhillipCapital Menkul Degerler Esentepe Mah. Harman 1 Sk. Nida Kule Kat 3-12 Levent-Şişli 34394, İstanbul Turkey Tel: +90 (212) 239 10 00 Fax: 0212 233 69 29 Website: www.phillipcapital.com.tr	DUBAI Phillip Futures DMCC Member of the Dubai Gold and Commodities Exchange (DGEX) Unit No 601, Plot No 58, White Crown Bldg, Sheikh Zayed Road, P.O.Box 212291 Dubai-UAE Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.