

Elite UK REIT

Cost of borrowing trending downward



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Singapore | REIT | 1Q25 UPDATE

2 May 2025

- 1Q25 DPU climbed by 9.6%YoY to 0.76 pence, in line with our expectation and forming 26% of our FY25e estimates. The improvements were underpinned by a 24.4% YoY surge in NPI and several one-off items, including dilapidation settlements.
- Adjusted NPI improved by 4.9%YoY to £8.7mn, in line with our forecast and forming 24% of our FY25e estimates. We expect the NPI margin to stabilize at the c.94% level with no dilapidation settlements scheduled for the remainder of FY25e.
- We maintain our BUY recommendation with an unchanged DDM-TP of £0.35 and FY25e–26e DPU of 2.90–3.05 pence, based on a 95% payout ratio. We expect FY25e DPU upside to be supported by lower financing costs and higher tax benefits from sustainability CAPEX deployed previously. ELITE is trading at a FY25e dividend yield of 9.7% and 0.73 times P/NAV.

Result at a glance

(£ Mn)	1Q25	1Q24	YoY	Comments
Gross Revenue	9.31	9.25	0.6%	Positive rent escalations
Net Property Income	10.37	8.34	24.4%	One offs and dilapidation
DPU (pence)	0.76	0.67	13.4%	
Cost of debt	4.8%	5.2%	(0.4ppts)	
Gearing	42.2%	41.5%	0.7ppts	
Occupancy rate	93.5%	92.3%	1.2ppts	
NAV per share	0.40	0.39	2.6%	

Source: Company, PSR

The Positives

+ Sound operating metrics. ELITE achieved positive rental reversions across three assets in 1Q25 (Dallas Court: +30%, Theatre Buildings: +5%, Ladywell House: +24%). The REIT is also in negotiations for an early renewal of c. 25% of space with its largest tenant, DWP (Mar25 GRI: 94.4%), ahead of the lease expiry in 2028. Given that the property is currently under-rented compared to market rates, we forecast a potential rental reversion of c.20–30% upon successful renewal.

+ Portfolio rejuvenation. ELITE has placed Peel Park (valued at £32.7mn) on the market, pending regulatory approval for 120 MVA of power, and is currently evaluating bids. We expect the divestment to be completed by FY25e at a price at least 50% above its latest valuation, underpinned by ELITE's proven track record and robust demand for data centres in the UK. Assuming proceeds from the sale will be allocated entirely to debt reduction, gearing is projected to decline to below 40% by the end of FY25e. Additionally, the REIT is converting Lindsay House into a Purpose-Built Student Accommodation (construction timeline: 9–12 months), with cash flow generation anticipated from 2H26 onwards. ELITE targets a high-teens ROI, supported by £40–50m capex to be debt-funded.

+ Lower financing cost. Borrowing costs declined by 40bps YoY to 4.8%, and ELITE expects a further 30–60bps in interest savings in FY25e. We project FY25e cost of debt to be c.4.7%.

The Negatives

-NIL

BUY (Maintained)

LAST CLOSE PRICE	GBP 0.30
FORECAST DIV	GBP 0.03
TARGET PRICE	GBP 0.35
TOTAL RETURN	27.6%

COMPANY DATA

BLOOMBERG CODE:	ELITE SP Equity
O/S SHARES (MN):	589
MARKET CAP (USD mn / GBP mn):	232 / 174
52 - WK HI/LO (GBP):	0.33 / 0.23
3M Average Daily T/O (mn):	0.21

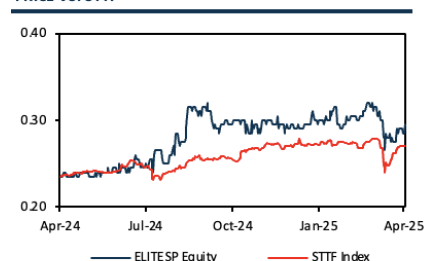
MAJOR SHAREHOLDERS

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(9.5)	(0.3)	1.4
STTF RETURN	(3.2)	1.7	2.5

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (£mn)	37.6	36.5	36.7	37.0
Dist. Inc. (£mn)	24.5	23.1	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%)

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Outlook

We expect valuations to remain resilient, with a positive uplift in FY25e, supported by ELITE's active lease renewal negotiations with DWP. Additionally, Bank of England (BOE) Governor Andrew Bailey signalled the potential for up to four 25bps rate cuts in 2025, contingent on sustained inflation moderation, provides further support.

Due to recent market volatility surrounding US tariffs, we do not anticipate any near-term acquisition plans from ELITE. As a result, gearing is expected to trend to below 40% following the successful divestment of Peel Park (1Q25:42.2%).

Maintain BUY with an unchanged TP of £0.35

We reiterate our BUY recommendation with an unchanged DDM-TP of £0.35, with FY25e–26e DPU forecasts of 2.90–3.05 pence anchored by a 95% payout ratio. FY25e DPU is expected to benefit from reduced financing costs and elevated tax incentives tied to prior sustainability CAPEX allocations. ELITE currently trades at a 9.7% FY25e dividend yield 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

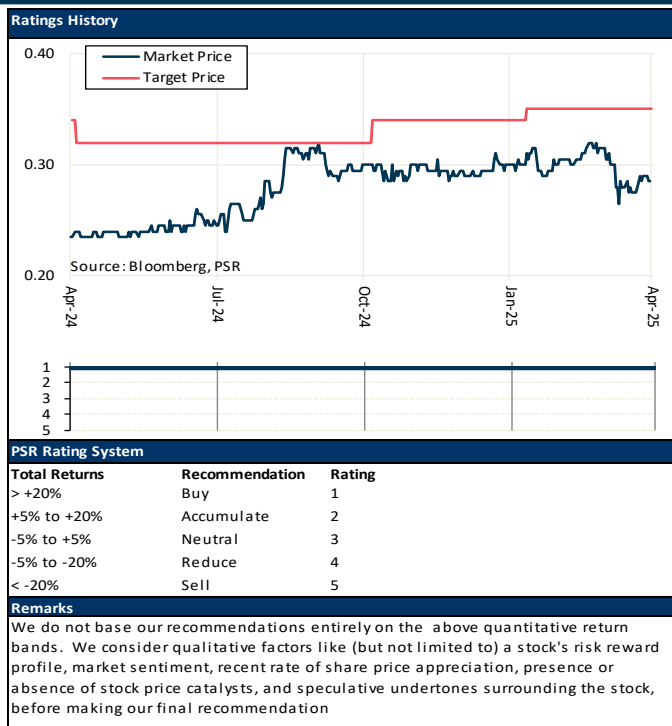
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.58	0.70	0.74	0.73	0.72
Distribution Yield (%)	16.03	10.23	9.57	9.67	10.17

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



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