

RNS Miscellaneous



Profitable income strip sale for £257M, 2.96% NIY

LXI REIT PLC

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LXi REIT plc

(the "Company" or "LXi")

PROFITABLE SALE OF "INCOME STRIP" FOR £257 MILLION AT 2.96% NIY

RESULTING IN EARNINGS ACCRETIVE DEBT REPAYMENT

The Board of LXi REIT plc (ticker: LXI), the specialist inflation-protected very long income REIT, is pleased to announce the following sale and debt repayment which are accretive to the Company's earnings, represent a valuation uplift to book value and reduce the Company's loan-to-value ("LTV") level.

Sale of income strip

The Company has sold a 65 year "income strip" representing 30% of the annual rental income received from the Company's Thorpe Park and Alton Towers assets, operated by Merlin ("**the Properties**"), to a UK institution for £257 million, reflecting an attractive net initial yield of 2.96% (the latest book value of the freehold interest in the Properties is a 4.25% NIY).

The innovative structure comprises of the Company selling the freehold in the Properties to the buyer, with 999-year leases granted back to the Company, pursuant to which the Company pays the buyer an annual aggregate rent of £8.2 million (reflecting a small proportion of the underlying EBITDA generated by Merlin). The Company can acquire the freehold back from the buyer for a nominal price of £1 in year 65, hence the term "income strip".

The Company retains, therefore, both 70% of the rental income for the Properties, along with the freehold and all reversionary value after 65 years. The Properties are let to Merlin with 55 years unexpired until first break, with a 35-year extension option on expiry.

Rental payments due to the Company under the Merlin leases will remain unchanged with annual uplifts of CPI+0.5% (with a floor of 1% and a cap of 4% per annum), with these increases shared between the Company and the buyer during the term of the "income strip" in proportion to their share of the annual rental income.

Debt reduction and earnings accretion

Debt reduction and earnings accretion

The Company will use the sale proceeds to fully repay the £232 million of debt currently secured against Thorpe Park and Alton Towers, as well as Warwick Castle (also operated by Merlin).

The cost of this debt is 4.95% per annum, and thus in repaying it with the sale proceeds which reflect a 2.96% exit yield, the Company has created a material level of earnings accretion.

The debt repayment reduces the Company's pro forma LTV from 37% to 33%, in line with our aim of maintaining a medium-term LTV target of 30%.

Having discussed the sale with the Company's valuer, the Company also expects the transaction will be NAV accretive.

The anticipated earnings and NAV accretion are net of the break costs associated with the debt repayment.

Simon Lee, Fund Manager of LXI REIT, commented:

"We are delighted to have signed this innovative transaction, which materially reduces the Company's debt levels whilst generating significant earnings accretion."

FOR FURTHER INFORMATION, PLEASE CONTACT:

LXI REIT Advisors Limited Simon Lee (Partner, Fund Manager) John White (Partner, Fund Manager) Freddie Brooks (CFO)	Via Maitland/amo
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The Company's LEI is: 2138008YZGXOKAXQVI45

NOTES:

LXI REIT plc invests in UK commercial property assets let, or pre-let, on long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

The Company may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. The Company will not undertake any direct development activity nor assume direct development risk.

The Company is targeting a dividend of 6.3 pence per ordinary share for the year which commenced on 1 April 2022*.

The Company, a real estate investment trust ("REIT") incorporated in England and Wales, is listed on the premium listing segment of the Official List of the UK Financial Conduct Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017.

The Company is a constituent of the FTSE 250, EPRA/NAREIT and MSCI indices.

Further information on the Company is available at www.lxireit.com

* This is a target and not profit forecast.

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