

RNS    Trading Statement



## TRADING UPDATE AND NOTICE OF HALF YEAR RESULTS

### [LXI REIT PLC](#)

Released 07:00:05 10 October 2022

RNS Number : 2453C  
LXI REIT PLC  
10 October 2022

**10 October 2022**

**LXI REIT PLC**

**("LXI REIT" or the "Company")**

### **TRADING UPDATE AND NOTICE OF HALF YEAR RESULTS**

The Board of LXI REIT (ticker: LXI), the specialist inflation-protected very long income REIT, announces an update ahead of its results for the half year ended 30 September 2022 ("the Period"), which will be released on Thursday, 24 November 2022.

#### **Cyrus Ardalan, Chairman of LXI, commented:**

"Against the challenging macroeconomic backdrop, investors can take comfort in LXI's resilient, highly diversified, triple-net portfolio of secure, long-dated and inflation-protected real estate assets. Our growing income, robust 100% fixed or capped debt position and the Board and management team's strong alignment with shareholders further supports our confidence in continuing to deliver on our fully covered and progressive dividend."

#### **Operational metrics**

Following the merger with Secure Income REIT which completed in July, the Company owns a substantial, highly diversified, triple-net portfolio of secure, long-dated, inflation-protected real estate assets.

The portfolio is 100% let on very long-term leases averaging 26 years to first break to a wide range of strong tenant covenants across a diverse range of robust property sectors. 98% of the rent is inflation-protected or contains fixed uplifts.

The Company's strategy focuses on relationship driven forward fundings and sale and leasebacks in structurally supported sub-sectors, with strong underlying property fundamentals and low starting rents.

Aggressive capital recycling, inflation-protected income and a conservative, fully hedged debt pool further supports the

Accretive capital recycling, inflation-protected income and a conservative, fully hedged debt pool further supports the Company's fully covered and progressive dividend. The Company has delivered a compounded dividend growth rate of 5% per annum on a fully covered basis and an average total NAV return of 10.5% per annum since IPO in 2017.\*

There is strong alignment with shareholders via the largest Board and Management stake of any major UK REIT, totalling £140 million, and low management fees averaging less than 65 bps and payable on market capitalisation.

### **Rent collection and rental growth**

The Company has collected 100% of rents due in respect of the Period.

The Company carried out 97 index linked rent reviews during the Period with an average annualised rental growth rate of 3.7% on the rents reviewed. This resulted in like for like rental growth across the portfolio of £4.8 million over the six month period and takes total annual rent to £201.2 million.

### **LTV and debt facilities**

As at 30 September, the Company's pro-forma LTV was 33%. 100% of the Company's debt cost is fixed or capped, with a maximum weighted average cost of debt of 4.2% per annum.

Each of the Company's debt facilities has significant headroom to any default covenants. The average net initial yield on valuations that would breach the Group's LTV covenants is 9.2%, with the tightest being 6.7%, significantly above the current valuation yield.

The Company also benefits from £538 million of unsecured assets and cash.

### **Disposals**

In September, the Company exchanged unconditionally on an earnings accretive £257 million 'income strip' sale at a low 2.96% exit yield. Upon completion of the sale on 19 October 2022, the Company will repay in full the £232 million of debt secured against the Alton Towers, Thorpe Park and Warwick Castle properties (which carried a 4.95% per annum interest cost).

In so doing, the Company will also release a surplus interest rate cap, which is anticipated to provide a material mark-to-market cash gain for the Company (with a current value of approximately £26 million), which will be used to pay down the Company's Revolving Credit Facility. The capital is then available to be redrawn in due to course if needed to fund new hedging or to reduce leverage longer term.

During the Period, the Company also sold a Premier Inn anchored property in Saffron Walden with a WAULT to first break of 14 years for £19.3 million, reflecting a 4.6% exit yield and delivering a 19% per annum IRR.

### **Acquisitions**

In addition to the Secure Income REIT merger, which added £2.3 billion of high quality, long income assets to the Company's portfolio, the Company also acquired during the Period four long, index-linked assets with a WAULT to first break of 25 years for a total price of £68 million, reflecting an accretive 5.3% average net initial yield. These acquisitions comprised the pre-let forward funding of a drive-through coffee unit in Kendal, the pre-let forward funding of a garden centre in Reading, the pre-let forward purchase of a pre-school nursery in Surrey and the investment purchase of a foodstore in the West Midlands.

### **Portfolio valuation and net asset value**

Knight Frank, the Company's valuer, has valued the portfolio at £3.65 billion as at 30 September 2022. The valuation equates to a net initial yield of 4.9% (31 March 2022: 4.6%), which is estimated to rise to 5.6% in five years' time by virtue of the portfolio's index linked rent reviews.\*\*

The like for like valuation change over the Period is -1.4%, with the outward yield shift countered, in large part, by the index linked rental growth mentioned above. The Company continues to believe that long index linked assets provide strong downside protection, as demonstrated by returns in respect of the reporting period where the capitalisation of index linked rental growth provided an element of counterbalance to some market yield softening.\*\*\*

In addition, the compounding effect of long index-linked income should remain attractive to investors for its ability to grow the current rental yield. The attraction of long inflation-linked income is further evidenced by the fact that the 20-year index-linked gilt rate remains low at 0.63% which provides a significant spread to the Company's current

year, interest rates remain low at 0.5%, which provides a significant spread to the Company's current portfolio yield.

The estimated, unaudited EPRA NTA as at 30 September 2022 is expected to be not less than 139 pence per share.

*\* Average total NAV return from IPO to July 2022*

*\*\* Based on the latest RPI and CPI forecasts by Oxford Economics, as modelled through the Company's specific, individual rent review provisions, and assuming all other things being equal*

*\*\*\* The like for like change in valuation compares the independent valuation of assets that were owned at 31 March 2022 (both by Secure Income REIT plc and LXI) and at 30 September 2022*

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

<b>LXI REIT Advisors Limited</b> Simon Lee (Partner, Fund Manager) John White (Partner, Fund Manager) Freddie Brooks (CFO)	Via H/Advisors Maitland
<b>Peel Hunt LLP</b> Luke Simpson / Liz Yong / Huw Jeremy	020 7418 8900
<b>Jefferies International</b> Tom Yeadon / Ed Matthews / Rishi Bhuchar	020 7029 8000
<b>Alvarium Securities Limited</b> Mark Thompson / Eddie Nissen / Oliver Kenyon	020 7016 6700
<b>H/Advisors Maitland (Communications Advisor)</b> James Benjamin / Alistair de Kare-Silver	07747 113 930 / 020 7379 5151 lxireit-maitland@h-advisors.global

The Company's LEI is: 2138008YZGXOKAXQVI45

**NOTES**

LXI REIT plc invests in commercial property assets predominantly in the UK, 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, MSCI and STOXX Europe 600 indices.

Further information on the Company is available at [www.lxireit.com](http://www.lxireit.com)

\* This is a target and not profit forecast.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact [rns@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this

communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTUPGACUUPPGQM

---

**London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.**

---

© 2022 London Stock Exchange plc. All rights reserved.