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abrdn European Logistics Income plc

Portfolio Update and Unaudited Net Asset Value as at 31 March 2023

Strategically located, tenant critical assets, leasing transactions and portfolio indexation underpinning valuation resilience

24 May 2023 - abrdn European Logistics Income plc (LSE: ASLI), the Company which invests in a diversified portfolio of European logistics real estate, announces its unaudited quarterly Net Asset Value ("NAV") for the quarter ended 31 March 2023.

Summary

- The portfolio valuation decreased from €758.7 million to €722.7 million, a 4.7% like-for-like valuation decline, reflecting continued market wide outward yield movements related to higher interest rates.
- NAV per Ordinary share decreased by 6.5% to 111.2c (GBP - 97.7p*) (31 December 2022: 118.9c (GBP - 105.4p*)), reflecting a NAV total return, with quarterly distributions reinvested, of -5.3% in Euro terms (-6.2% in sterling) for the 3 months to 31 March 2023.
- EPRA Net Tangible Assets** decreased by 7.3% to 116.4c per Ordinary share (31 December 2022 - 125.5c).
- First interim dividend for 2023 of 1.41c (GBP - 1.23p) declared, payable on 23 June 2023.
- Successful asset management initiatives completed at Avignon, Ede and Niort, across 72,500 sqm of space, securing long-term income and improving the overall portfolio WAULT metrics from 6.7 years to break to 7.7 years and from 8.9 years to expiry to 9.6 years.
- The Company's Loan to Value ("LTV") was 35.6%, with the Investec €70 million facility undrawn at the quarter end. The Company's fixed debt facilities totalled €270.3 million at an average all-in interest rate of 2.0% with the earliest re-financings required in mid-2025. Post the sale of Leon, this falls to €259.5m with an LTV of 34.7%.

* Exchange rate £1 : €1.14 (31 December 2022: £1 : €1.13)

** EPRA Net Tangible Assets focuses on reflecting a company's tangible assets and the calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability

Troels Andersen, Lead Fund Manager, abrdn, commented:

"The portfolio has again demonstrated its resilience despite wider market uncertainty, reflecting the strategic location of our assets, the strength of the occupational market, low vacancy rates, and rents which are underpinned by annual indexation. The recent asset management successes are a demonstration of the competitive advantages of abrdn's asset management and transaction teams across our European offices as well as the ongoing liquidity for good quality logistics."

Performance

The independent unaudited external valuation of the Company's direct property portfolio undertaken by Savills (UK) Limited using in-country expertise across Europe decreased by €36 million in the quarter, or 4.7%. The Netherlands, Spain and France saw slightly greater yield expansion than that witnessed in Germany and Poland.

For the 12 month period to 31 March 2023, the Company's net asset value total return with quarterly distributions reinvested was -11.5% in Euro terms (-8.0% in sterling terms). The Company has delivered 3.9% per annum since launch in Euro terms (3.8% in sterling).

As at 31 March 2023, the Company's share price was 68.3p as the wider concerns around possible recession and interest rates continued to feed through to the share price, despite the Company's singular Continental European exposure. As at the date of this announcement the share price has recovered to 78.9p.

Dividend

The Directors have declared a first interim distribution for the quarter ended 31 March 2023 of 1.41 euro cents (equivalent to 1.23 pence) per Ordinary share, which is unchanged from the previous period. The first interim dividend will be paid in sterling on 23 June 2023 to Ordinary shareholders on the register on 2 June 2023 (ex-dividend date of 1 June 2023).

Asset management

During the quarter, the Company agreed:

- a new 9.5 year lease with Dachser France in La Creche, Niort. The new rent is 3% ahead of previous annual rent payable and significantly ahead of ERV, reflecting the tenant critical nature of the asset, the strategic significance of the location and the continued upward pressure on real rents. Uncapped annual ILAT indexation has been agreed, with the next uplift effective 2025. This will backdate to January 2023 when calculated.
- a new 12 year lease with Biocoop effective 1 March 2023 at its Avignon property, generating annual contracted rent of €2.5 million, equating to €86 per sqm with full annual French ILAT indexation with no cap. The 'HQE Excellent' climate-controlled facility serves as a strategically important location for Biocoop, which operates a unique multi-professional cooperative model, supporting a network of over 570 organic stores promoting local production in order to limit

transportation and support local economies. The property also generates €165,000 per annum of additional income from rooftop solar panels.

Post quarter end, on 5 May 2023, the Company announced the completion of the sale of its 32,645 sqm warehouse, in Leon, Northern Spain, to SCPI Iroko Zen, for €18.5 million. The disposal price reflected a small premium to the 31 March 2023 valuation and crystallised a 20% gross profit. The Company acquired the asset in 2018 for €15.3 million.

On 16 May 2023, the Company announced that it had agreed a 5-year lease extension at its single-tenant warehouse in Ede, the Netherlands. The new deal extends the lease expiry from 2028 to July 2033 and will generate additional income 4% above the previous passing rent. It provides for future upward-only indexation capped at 4% per annum.

Debt Financing

At the end of the quarter, the Company's fixed debt facilities totalled €270.3 million with an average all-in interest rate of 2% and with a loan to value of 35.6%. Following the sale of Leon in May and associated debt repayment this falls to €259.5m and a LTV of 34.7%, within the Company's stated target. The Company's low secured fixed rate debt provides support to its investment objective with the earliest re-financing of debt required in mid-2025.

Breakdown of NAV movement

Set out below is a breakdown of the change to the unaudited net asset value per Ordinary Share over the period from 1 January 2023 to 31 March 2023. The unaudited net asset value has been prepared under International Financial Reporting Standards ("IFRS").

	Per Share (€cents)	Attributable Assets (€m)	Comment
Net assets as at 31 December 2022	118.9	490.0	
Unrealised decrease in valuation of property portfolio	(8.7)	(36.0)	Portfolio of 27 assets - capital values decreased by 4.7% over the quarter
Acquisition costs incurred during the period	0.0	0.1	
Income earned for the period	2.2	8.9	Income from the property portfolio and associated running costs
Expenses for the period	(1.2)	(4.9)	
Deferred tax liability	1.4	5.9	Net deferred tax liability on the difference between book cost and fair value of the portfolio
FX hedge mark to market revaluation	0.1	0.2	Movement in the mark to market value of a dividend hedge
Interest rate swaps and caps/floors mark to market revaluation	(0.1)	(0.3)	Movement in the mark to market value of interest rate swap and options hedge maturing in 2025 to fix interest rates of bank loans drawn by Spanish SPV's
Fourth quarterly distribution for 2022 paid on 24 March 2023	(1.4)	(5.8)	Distribution of 1.20 pence (1.41 euro cents) per Ordinary share
Foreign currency gain / (loss)	0.0	0.1	Foreign currency loss incurred in the period
Net assets as at 31 March 2023	111.2	458.2	

EPRA Net Tangible Assets per share is 116.4 euro cents, which excludes deferred tax liability.

Net Asset Value analysis as at 31 March 2023 (unaudited)

	€m	% of net assets
Fair value of Property Portfolio	718.1	156.7%
Cash	18.1	4.0%
Other Assets	22.9	5.0%
Total Assets	759.1	165.7%
External Debt	(265.9)	-58.0%
Other Liabilities	(16.0)	-3.5%
Deferred tax liability	(19.0)	-4.2%
Total Net Assets	458.2	100.0%

The NAV per share at 31 March 2023 is based on 412,174,356 shares of 1 pence each, being the total number of Ordinary shares in issue at that time. As at the date of this announcement, the Company's share capital consists of 412,174,356 Ordinary shares with voting rights.

The Board is not aware of any other significant events or transactions which have occurred between 31 March 2023 and the date of publication of this statement which would have a material impact on the financial position of the Company.

Details of the Company and its property portfolio may be found on the Company's website at: <http://www.eurologisticsincome.co.uk>

For further information please contact:
abrdn Fund Managers Limited

+44 (0) 20 7463 6000

Luke Mason
Gary Jones

Investec Bank plc
David Yovichic
Denis Flanagan

+44 (0) 20 7597 4000

FTI Consulting

FTI Consulting
Dido Laurimore
Richard Gotla
James McEwan

+44 (0) 20 3727 1000

The above information is unaudited

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