

26 July 2023

Palace Capital plc
("Palace Capital" or the "Company")

AGM Trading Update

Palace Capital provides a trading update ahead of its Annual General Meeting to be held later today.

Disposals

- Since 1 April 2023, the Company has disposed of eleven investment properties for £57.9 million, 6.4% ahead of the 31 March 2023 book value. Following the Preliminary Announcement on 15 June 2023, three properties have been sold for £16.8 million, the largest being a top five asset at 1 Derby Square, Liverpool, a city centre office and retail property which was sold to one of its tenants, Medicash Health Benefits Ltd, for £12.0m, 10.1% ahead of the March 2023 book value.
- At Hudson Quarter, York, the Company has completed on five apartments for a total of £2.2 million since 1 April 2023. Currently, one apartment is under offer with 18 units remaining.

Portfolio update

- Since 1 April 2023, three new lettings, three lease renewals and two rent reviews have been completed across 45,000 sq ft of space generating £0.5 million of additional annualised contracted rent, 2% ahead of 31 March 2023 ERV, which demonstrates the strong reversionary potential within the portfolio.
- The key letting during the period was at 2 St James' Gate, Newcastle where Orega, a premium, flexible, serviced office workspace provider, has entered into a 15 year management agreement to take the second and third floors totalling 22,500 sq ft of the seven-storey, 82,500 sq ft building. Following a comprehensive refurbishment to be undertaken over this Summer the operation will open in the Autumn, providing c.400 workstations. This letting significantly increases the occupancy at the property from 64.8% as at 31 March 2023 to 87.5% and, together with the letting to Softcat plc in December 2022, are the first two major lettings at St James' Gate since the property was acquired in 2017.
- The Company achieved 99% rent collection for the 3 months to 30 June 2023.

Debt position

- As at 24 July 2023, gross debt was £24.0 million and cash reserves totalled £16.9 million, resulting in net debt of £7.1 million: equating to a proforma LTV of 5.2%.
- The weighted average maturity of debt facilities is 2.1 years (March 2023 2.0 years) with the earliest facility not due to expire until June 2024.

Shareholder distributions

- The Company acquired 2.6 million shares for £6.7 million under its share buyback programme in the year ended 31 March 2023 contributing 8 pence to EPRA NTA. Since the year end, the Company has purchased a further 1.9 million shares for £4.4 million contributing an additional 2.8 pence to EPRA NTA. Since July 2022, cash returned to shareholders from the share buyback programmes to date totals £11.1 million.
- The Company announced on 3 July 2023 an extension to the share buyback programme and intends, subject to shareholder approval at the AGM, to further extend the buyback programme to return cash to shareholders.
- The Company is reviewing its options for returning further cash to shareholders later in the year. The timing of this will depend on completion of future sales. A further update will be provided on cash and net debt as major disposals are completed.

Commenting on today's update, Steven Owen, Interim Executive Chairman said:

"The disposals in the current financial year to date, including the majority of the Company's industrial portfolio and one of the top five assets by value at Derby Square, Liverpool, are a significant step forward in further reducing debt and leverage and demonstrate continuing progress in our strategy of maximising cash returns to shareholders. The Company is in a strong financial position and its low leverage provides it with the flexibility and optionality regarding the timing of further disposals and other strategic initiatives. The combination of the surpluses realised on the disposal of properties together with the accretion from share buybacks in the financial year to date totals c.8 pence per share equating to a proforma EPRA NTA of 304 pence per share.

"At an operational level, the Company continues to make good progress with its asset management activities notwithstanding the difficult and uncertain conditions in financial and property markets. We remain focused on maximising returns to shareholders through active asset management and the orderly, selective, and timely disposal of properties."

Palace Capital plc

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