

abrdn European Logistics Income plc

Unaudited Net Asset Value as at 30 June 2024 and declaration of Second Interim Dividend

23 August 2024 - abrdn European Logistics Income plc (the "Company" or "ASLI"), the Company which is invested in a diversified portfolio of European logistics real estate, announces its unaudited Net Asset Value ("NAV") for the quarter ended 30 June 2024.

Summary

- On 24 June 2024, on recommendation of the Board, shareholders voted against the continuation of the Company and on 23 July 2024 approved a new Investment Policy to implement a managed wind-down of the Company. Following these meetings, the Company no longer prepares its net asset value on the going concern basis of accounting
- NAV per Ordinary share decreased by 4.2% to 87.9c (GBP - 74.4p) (31 March 2024: 91.8c (GBP - 78.5p)) with the decrease largely attributable to the recognition of the estimated costs of realising the portfolio. Excluding these costs, the NAV per Ordinary share decrease was 0.6%
- EPRA Net Tangible Assets decreased by 4.3% to 89.7c per Ordinary share (31 March 2024 - 93.7c)
- The portfolio valuation itself increased 0.17% to €607.35 million (31 March 2024: €606.29 million), as asset values in aggregate stabilised
- Loan to Value ('LTV') is 39.0% - fixed debt facilities totalled €248.5 million at an average all-in interest rate of 2.0%, with no major refinancings until mid-2025
- Following the quarter end, the Company partially repaid €2.9 million of the variable loan with ING Spain and reduced the hedging exposure by the same amount. The repayment reduced the LTV to 38.7% and the all-in interest rate to 1.99%.

Introduction

On 20 May 2024, following a detailed review of the options available to the Company and after consultation with its advisers, as well as taking into account feedback received from a number of larger shareholders, the Board announced its conclusion that it would be in the best interests of shareholders as a whole to put forward a proposal for a managed wind-down of the Company.

As part of the detailed strategic review, the Company's investment manager provided the Board with analysis of, and a proposal involving, a managed disposal of the portfolio in a timely manner. The analysis comprised a range of detailed disposal scenarios for the entire portfolio over an illustrative period of 12-24 months. It also considered the impact of likely disposal costs, local applicable capital gains taxes, the ongoing running costs of the Company and the optimal approach to repaying or maximising the value of the Company's fixed cost debt.

On 24 June 2024, on the recommendation of the Board, shareholders voted against the continuation of the Company and on 23 July 2024 voted overwhelmingly in favour to approve a new Investment Policy to implement a managed wind-down of the Company.

Under the approved managed wind-down process, the Company's new investment objective is 'to realise all existing assets in the Company's portfolio in an orderly manner'.

Sales will be managed with the intention of realising all the assets held in the portfolio in an orderly manner and with a view to repaying borrowings and making timely returns of capital to shareholders whilst aiming to obtain the best achievable value for the Company's assets at the time of their realisations. Realisations may take the form of disposals of single assets, groups of assets or the portfolio as a whole.

The Company will seek to return cash to shareholders in an efficient and fair manner that accounts for, among other things, the UK tax consequences for shareholders and the composition of the Company's shareholder register.

Following shareholder approval in July, the Company is seeking court approval to cancel the full amount standing to the credit of its share premium account. When approved, the amount of £269.5 million may be applied to a special distributable reserve and will be available for capital distributions. An initial return of capital is expected by early 2025 at the latest.

The Manager is in the process of arranging several assets for the sales process and current indications are that there is a good level of interest across the range of quality warehouses that the Company owns.

Following the shareholder vote against continuation and the approval of the managed wind-down process, the Company no longer prepares its net asset value on the going concern basis of accounting.

As a result, the NAV per Ordinary share decreased by 4.2% to 87.9c (GBP - 74.4p) (31 March 2024: 91.8c (GBP - 78.5p)). This decrease was largely attributable to the requirement to recognise estimated costs of realising the portfolio. Excluding these costs and associated deferred tax liability impact, the NAV per Ordinary share decrease was 0.6%.

For Q2 2024, the portfolio valuation itself increased 0.17% to €607.35 million (31 March 2024: €606.29 million), as asset values started to stabilise.

Performance

The independent unaudited external valuation of the Company's property portfolio undertaken by Savills (UK) Limited increased by €1 million, or 0.17%, in the quarter. The Dutch, Spanish and French assets witnessed increases (1.8%, 0.3% and 0.1% respectively) and Poland and Germany saw declines in value (-2.2% and -1.6% respectively).

For the six months ended 30 June 2024, the Company's net asset value total return with quarterly distributions reinvested was -4.3% in Euro terms (-5.9% in sterling terms). Excluding costs associated with realisation of the portfolio, these returns were -0.8% in Euro terms (-2.9% in sterling terms).

As at 30 June 2024, the Company's share price was 60.0p, and as at the date of this announcement the share price was 62.0p.

Rent Collection

As at the date of this announcement, 93% of the expected rental income for the quarter ended 30 June 2024 has been collected.

Overall tenants remain stable and arrears are expected to be collected in due course as new leases are agreed and signed.

Debt Financing

At the end of the quarter, the Company's fixed rate debt facilities totalled €248.5 million at an average all-in interest rate of 2.0%, with the earliest refinancing of debt in mid-2025. The loan-to-value was 39.0%. The increase in LTV is largely attributable to the reduction in portfolio value due to the recognition of estimated disposal costs. Excluding these provisions, the LTV was 38.2%.

Subsequent to the end of the quarter, the Company partially repaid €2.9 million of the variable loan with ING Spain in July 2024 and reduced the hedging exposure by the same amount. The repayment reduced the LTV to 38.7% (38.0% excluding costs associated with realisation of the portfolio) and the all-in interest rate to 1.99%.

Interim Dividend

A first interim distribution in respect of the year ending 31 December 2024 of 1.41c was paid to shareholders on 5 July 2024.

In line with previous communications, the distributions made to date have been materially uncovered by ongoing earnings and this in part led to the strategic review that was undertaken by the Board. In addition, as the asset disposal programme commences, the rental income generated by the Company's portfolio will diminish further. As a result, the Company's ability to maintain the level and frequency of distributions will also decrease as the sale programme progresses. Distributions will still be required, however, to ensure that the Company's investment trust status is maintained through the process and may take the form of either dividend income or "qualifying interest income" which may be designated as an interest distribution for UK tax purposes and therefore subject to the interest streaming regime applicable to investments trusts.

With this in mind, the Board has moved to paying a distribution covered by income earned and expenses paid or accrued (excluding accounting provisions in relation to liquidation costs under the non-going concern basis) for the relevant quarter and has today declared a second interim distribution of 0.90 euro cents (equivalent to 0.77 pence) per Ordinary share, in respect of the year ending 31 December 2024 (2023: 1.41 euro cents), payable in sterling on 27 September 2024 to Ordinary shareholders on the register on 6 September 2024 (ex-dividend date of 5 September 2024).

Of this second interim distribution declared of 0.77 pence per Ordinary share, 0.67 pence (equivalent to 0.78 euro cents) is declared as dividend income with 0.10 pence (equivalent to 0.12 euro cents) treated as qualifying interest income.

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 April 2024 to 30 June 2024. *The unaudited net asset value has been prepared on a break-up basis, under International Financial Reporting Standards ("IFRS").*

EPRA Net Tangible Assets per share is 89.7 euro cents, which excludes deferred tax liability.

	Per Share (€ cents)	Attributable Assets (€m)	Comment
Net assets as at 31 March 2024	91.8	378.4	
Unrealised decrease in valuation of property portfolio.	(2.7)	(11.2)	Portfolio of 25 assets - capital values increased by 0.17% over the quarter. The loss recognised in the NAV is related to the provision for disposal costs of €12.5m
Income earned for the period	1.9	8.0	Income from the property portfolio and associated running costs. Includes adjustments related to the non-going concern basis of accounting namely, liquidation of the structure and early repayment of debt of €1.1m and accounting adjustment for reversal of unamortised financing cost of €2.1m
Expenses for the period	(1.7)	(7.2)	
Deferred tax liability	0.3	1.1	Net deferred tax liability on the difference between book cost and net realisable value of the portfolio
Interest rate swaps and caps/floors mark to market revaluation	(0.1)	(0.3)	Movement in the mark to market value of interest rate swaps and options hedge.
Dividend declared 23 May 2024 and paid 5 July 2024	(1.4)	(5.8)	First interim dividend for 2024 of 1.41 euro cents per Ordinary share.
Other movements in reserves	(0.2)	(0.6)	FX translation
Net assets as at 30 June 2024	87.9	362.4	

Net Asset Value analysis as at 30 June 2024 (unaudited)

	€m	% of net assets
Net realisable value of Property Portfolio*	591.6	163.2%

Cash	26.6	7.3%
Other Assets	19.3	5.3%
Total Assets	637.5	175.8%
External Debt	(248.5)	-68.6%
Other Liabilities	(17.3)	-4.7%
Deferred tax liability	(9.3)	-2.5%
Total Net Assets	362.4	100.0%

*After lease incentive adjustment and deduction of disposal costs.

The NAV per share as at 30 June 2024 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 30 June 2024 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>

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