

COMPANY RESULTS

Elite UK REIT (ELITE SP)

1Q25: Counter-Cyclical Cash Flows Unaffected By Reciprocal Tariffs

1Q25 DPU grew 9.6% yoy, boosted by dilapidation settlement and lease surrender premium totalling £1.6m, while tax expenses decreased by 13.6% yoy. Management intends to redevelop Lindsay House at Dundee, Scotland and Newport Road in Cardiff, Wales into PBSA. The impending divestment of Peel Park site would further reduce gearing and could lead to a potential special dividend. ELITE is a recession-resistant counter-cyclical yield play. Maintain BUY. Target price: £0.35.

1Q25 RESULTS

Year to 31 Dec (\$m)	1Q25	yoy % chg	Remarks
Gross Revenue	9.3	+0.6	
Net Property Income (NPI)	10.4	+24.4	Boost from dilapidation settlement and lease surrender premium
Adjusted NPI	8.7	+4.9	totalling £1.6m.
Distributable Income	4.8	+10.2	Borrowing costs improved 0.1ppt qoq and 0.4ppt yoy to 4.8%.
DPU (S cents)	0.76	+9.6	Tax expense decreased by 13.6% yoy.

Source: ELITE, UOB Kay Hian

RESULTS

- **ELITE UK REIT (ELITE)** reported DPU of 0.76 pence for 1Q25 (+9.6% yoy), which is in line with our expectation. NPI grew 24.4% yoy due to dilapidation settlement and lease surrender premium totalling £1.6m. Adjusted NPI, which excludes these non-recurrent items, increased by a smaller 4.9% yoy.
- **Good results supported by interest and tax savings.** 100% of ELITE's debt are sustainability-linked loans, which led to lower interest rates with improvement in its assets' energy performance. Borrowing costs improved 0.1ppt qoq and 0.4ppt yoy to 4.8% in 1Q25. Tax expense decreased by 13.6% yoy due to higher capital allowances claims from sustainability enhancement works.
- **Occupancy uplift by divesting vacant properties.** Portfolio occupancy improved 120bp qoq to 93.5% in 1Q25 after ELITE completed the divestment of Crown Buildings, Caerphilly for £710,000, representing an 18% premium to valuation, on 3 Mar 25. Portfolio occupancy should improve further to 95.2% after ELITE completes the divestments previously announced, namely Hilden House at Warrington and St Paul's House at Chippenham.
- **Positive rental reversions.** ELITE benefitted from a full quarter of positive reversionary rent of 30% from Dallas Court, Salford. 24% rental reversion for the medical centre tenant at Ladywell House, Edinburgh. Portfolio WALE was 3.1 years.

KEY FINANCIALS

Year to 31 Dec (£m)	2023	2024	2025F	2026F	2027F
Net turnover	38	36	38	38	38
EBITDA	31	29	31	30	30
Operating profit	31	29	31	30	30
Net profit (rep./act.)	18	14	18	17	17
Net profit (adj.)	18	14	18	17	17
EPU (GBP pence)	3.6	2.4	3.0	2.9	2.9
DPU (GBP pence)	3.1	2.9	3.0	3.0	2.9
PE (x)	8.0	12.3	9.8	9.9	10.0
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	10.6	9.9	10.4	10.2	10.1
Net margin (%)	46.6	37.8	46.7	46.3	45.9
Net debt/(cash) to equity (%)	96.3	73.3	69.9	71.3	72.7
Interest cover (x)	2.5	2.2	2.9	2.9	2.9
ROE (%)	7.7	6.2	7.3	7.2	7.1
Consensus DPU ()	-	-	3.0	3.0	3.3
UOBKH/Consensus (x)	-	-	1.00	0.99	0.89

Source: Elite UK REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	£0.29
Target Price	£0.35
Upside	20.7%

COMPANY DESCRIPTION

ELITE is the first UK-focused S-REIT listed on SGX. It invests in social infrastructure and living assets in the UK.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	ELITE SP
Shares issued (m):	589.2
Market cap (£m):	170.9
Market cap (US\$m):	128.6
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

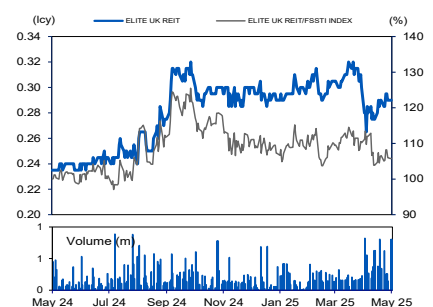
52-week high/low £0.325/£0.23

1mth	3mth	6mth	1yr	YTD
(3.3)	(3.3)	(3.3)	20.8	(1.7)

Major Shareholders

	%
PartnerRe Ltd	22.6%
Sunway RE Capital	11.2%
Ho Lee Group	7.6%
FY25 NAV/Share (£)	0.41
FY25 Net Debt/ Share (£)	0.29

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Conservative capital management.** Aggregate leverage improved 0.3ppt qoq to 42.2% as of Mar 25 due to the divestment of Crown Buildings, Caerphilly. Management has a long-term target of lowering aggregate leverage to below 40%. ELITE has no refinancing until 2027. Debt maturity could be pushed out by two years through built-in two-year extension options. Interest coverage ratio is healthy at 2.6x.

STOCK IMPACT

- **Broader mandate encompassing social infrastructure and PBSA.** ELITE has expanded its investment strategy to a wider range of asset classes within the UK. It continues to focus on social infrastructure assets, such as Jobcentres, government infrastructure and workspaces. It plans to diversify into the living sector, including purpose-built student accommodation (PBSA) and build-to-rent residential housing. The S-REIT was aptly renamed as Elite UK REIT since Apr 24 to set a clear focus on the expanded mandate within the geographical boundary of the UK.
- **Expansion into PBSA.** ELITE intends to redevelop Lindsay House at Dundee, Scotland and Newport Road in Cardiff, Wales into PBSA. Lindsay House is near Dundee University and could be redeveloped into a 168-bed PBSA. About one-third of students in Dundee do not reside in Scotland, indicating a healthy estimated student-to-bed ratio of more than 2.5x. Newport Road is near Cardiff University and could be redeveloped into a 298-bed PBSA. Sponsor Sunway RE Capital owns five PBSA assets in four cities, namely Bristol, Manchester, Sheffield and Southampton, which form an acquisition pipeline for PBSA.
- **Repositioning Peel Park site for redevelopment as data centre.** ELITE intends to develop a state-of-the-art data centre campus on the 15.7ha Peel Park site at Blackpool in Oct 24. It secured power supply of 120MVA from an electricity provider in Feb 25 for a hyperscale and AI-enabled data centre. The site is near an offshore windfarm, and will be operational in 2028. It is near a transatlantic submarine cable landing station linked to Europe and North America. The Peel Park site was valued at £32.8m as of Dec 24. Management intends to monetise the site after receiving planning approvals in 2H25. Proceeds from the divestment could be utilised for AIEs at Lindsay House at Dundee and Newport Road in Cardiff. Management would also consider a potential special dividend to reward unitholders.
- **Awaiting planning approvals.** ELITE has submitted planning applications to build a 168-bed PBSA at Lindsay House in Dundee and data centre at Peel Park site in Blackpool. Planning approvals could be forthcoming in 2H25.
- **Early lease renewal with DWP.** Formal discussions on lease renewal have commenced. The objective is to renew the leases expiring in 2028 in advance and to extend, diversify and stagger future lease expiry. Management is optimistic that one quarter of the leases would be renewed in 2025.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of £0.35 is based on DDM (COE: 9.25%, terminal growth: 1.0%).

SHARE PRICE CATALYST

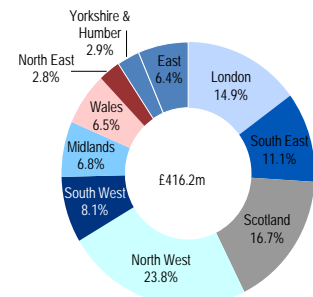
- ELITE is a recession-resistant counter-cyclical yield play that could weather uncertainties created by intensifying trade conflict and the Russia-Ukraine war.
- Accretive acquisitions of government offices and PBSA in the UK.

KEY OPERATING METRICS

		1Q24	2Q24	3Q24	4Q24	1Q25	yoy	qoq
DPU	pence	0.67	0.73	0.73	0.74	0.76	13.4%	2.7%
Occupancy	%	92.3%	92.3%	93.9%	93.9%	93.5%	1.2ppt	-0.4ppt
Aggregate Leverage	%	46.3%	43.4%	45.5%	43.4%	43.0%	-3.3ppt	-0.4ppt
Average Cost of Debt	%	5.2%	5.2%	5.0%	4.9%	4.8%	-0.4ppt	-0.1ppt
Weighted Average Lease Expiry (WALE)	year	4.0	3.8	3.5	3.3	3.1	-0.9yrs	-0.2yrs
% Borrowing In Fixed Rates	%	64%	63%	83%	86%	88%	24.0%	2.0%

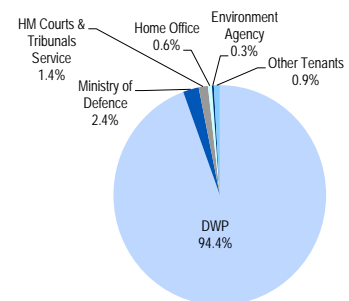
Source: ELITE, UOB Kay Hian

VALUATION BY GEOGRAPHIC REGIONS



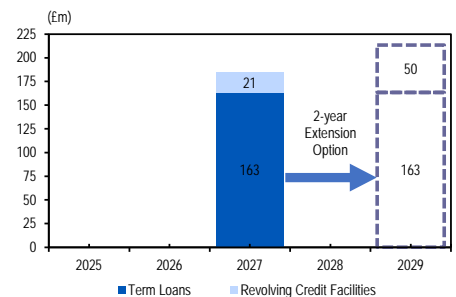
Source: ELITE

GROSS RENTAL INCOME BY TENANTS



Source: ELITE

DEBT MATURITY PROFILE



Source: ELITE

PROPOSED DATA CENTRE CAMPUS LOCATED BESIDE EXISTING DWP BUILDINGS



Source: ELITE

PROFIT & LOSS

Year to 31 Dec (£m)	2024	2025F	2026F	2027F
Net turnover	36.5	37.8	37.7	37.7
EBITDA	29.5	30.6	30.4	30.4
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	29.5	30.6	30.4	30.4
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(13.1)	(10.5)	(10.4)	(10.6)
Pre-tax profit	16.3	20.1	20.0	19.8
Tax	(2.6)	(2.5)	(2.5)	(2.5)
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	13.8	17.6	17.5	17.3
Net profit (adj.)	13.8	17.6	17.5	17.3

CASH FLOW

Year to 31 Dec (£m)	2024	2025F	2026F	2027F
Operating	26.4	32.8	27.9	27.9
Pre-tax profit	23.1	21.8	20.0	19.8
Tax	(1.6)	(2.5)	(2.5)	(2.5)
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(5.3)	3.3	0.0	0.0
Non-cash items	(0.6)	1.9	2.1	2.0
Other operating cashflows	10.8	8.3	8.3	8.6
Investing	(2.4)	2.6	(3.0)	(3.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(3.7)	(3.0)	(3.0)	(3.0)
Proceeds from sale of assets	1.2	5.6	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(32.9)	(33.7)	(25.1)	(24.1)
Distribution to unitholders	(14.0)	(17.8)	(17.7)	(17.5)
Issue of shares	27.5	0.0	0.0	0.0
Proceeds from borrowings	(37.8)	(5.3)	3.0	4.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(8.5)	(10.5)	(10.4)	(10.6)
Net cash inflow (outflow)	(9.0)	1.7	(0.2)	0.8
Beginning cash & cash equivalent	20.8	6.6	8.3	8.1
Changes due to forex impact	(5.2)	0.0	0.0	0.0
Ending cash & cash equivalent	6.6	8.3	8.1	8.9

BALANCE SHEET

Year to 31 Dec (£m)	2024	2025F	2026F	2027F
Fixed assets	412.8	415.2	418.2	421.2
Other LT assets	1.6	1.6	1.6	1.6
Cash/ST investment	6.6	8.3	8.1	8.9
Other current assets	19.3	12.8	12.8	12.8
Total assets	440.3	438.0	440.8	444.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	14.6	16.1	16.1	16.1
LT debt	183.3	178.0	181.0	185.0
Other LT liabilities	1.2	1.2	1.2	1.2
Shareholders' equity	241.2	242.7	242.5	242.3
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	440.3	438.0	440.8	444.6

KEY METRICS

Year to 31 Dec (£m)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	80.8	81.1	80.6	80.7
Pre-tax margin	44.8	53.3	53.0	52.5
Net margin	37.8	46.7	46.3	45.9
ROA	3.1	4.0	4.0	3.9
ROE	6.2	7.3	7.2	7.1
Growth				
Turnover	(3.1)	3.5	(0.2)	0.0
EBITDA	(3.9)	3.9	(0.8)	0.1
Pre-tax profit	(10.8)	23.2	(0.9)	(0.9)
Net profit	(21.3)	27.9	(1.0)	(1.0)
Net profit (adj.)	(21.3)	27.9	(1.0)	(1.0)
EPU	(35.1)	25.7	(1.0)	(1.0)
Leverage				
Debt to total capital	43.2	42.3	42.7	43.3
Debt to equity	76.0	73.4	74.6	76.4
Net debt/(cash) to equity	73.3	69.9	71.3	72.7
Interest cover (x)	2.2	2.9	2.9	2.9

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