Raven Property Group

Attractive outlook for warehouse provider

16 March 2021

A strong FY20 portfolio performance underpins a compelling core investment case. Other initiatives could, by the second half of this year, help refocus attention on the appeal of a well-let warehouse and logistics portfolio, ideally placed to capitalise on emerging trends for Russian businesses and consumers. Yet the equity valuation still contains multiple moving parts. Raven operates mainly in Roubles but reports in Sterling, which makes its results sensitive to Russia's economy and exchange rate, the latter vulnerable to specific macro trends such as oil prices and sanctions. At the current valuation, however, much of the perceived risk already looks priced in, providing some hedge against any adverse future news.

Results to end December 2020

Reported numbers need some clarification. Headline results include unrealised gains or losses from forex movements which don't impact Raven operationally but do, for example, affect headline GBP figures. The underlying result was a 20% increase in underlying earnings to £19.0m, a fairer reflection of both an improving domestic property market, and **increased portfolio occupancy from 90% to 94%.** FY20 produced a £14.2m IFRS loss that includes adverse forex, (FY19: £46.0m profit) and a £45.7m one-off profit from the redesignation of cumulative preference shares. **A £53.1m year-end cash balance** (end FY19: £68.1m) is fully sufficient to cover projected requirements.

Valuation: perceived risks largely priced in

Raven has effectively dealt with some past sources of volatility and is actively addressing others. Operational vulnerability is being reduced by an ongoing switch of debt and leases from USD/EUR into RUB denomination. It also simplified its capital structure via the redesignation of its convertible preference shares, which removed concerns over potential refinancing or dilution at maturity. In May, shareholders are due to vote on a proposed transaction which should, if approved, remove a large stock overhang, via the repurchase of the stake held by its largest single shareholder. **We have temporarily removed our forecasts, and plan to restore them when we have more clarity regarding the transaction terms in the forthcoming circular.**

The performance, despite an inherently resilient and stable portfolio, remains geared to the fortunes of Russia's economy and currency. Although the portfolio (RUB) valuation was broadly in line at RUB112.7bn, diluted NAV/share at end Dec 2020 fell to 41p (end FY19: 75p). That reflects the impact of a weaker Rouble on the back of a sharp fall in oil prices, and uncertainty related to the ongoing threat of further international sanctions. **We see reasons for optimism. Russia's economy has rebounded post lockdown, Raven has seen steady demand from large supermarket and e-commerce players. Hence the shares (and the Rouble) arguably fully discount some of the more pessimistic outlooks.**

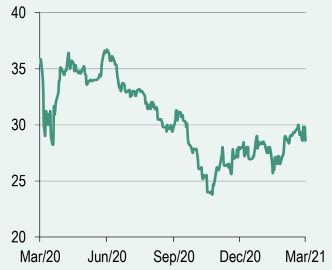
Summary financials				
Year end 31 Dec	**2017A**	**2018A**	**2019A**	**2020A**
Net Operating Income, £m	129.7	118.3	126.5	113.1
Adj. Pre-tax, £m	55.9	23.4	26.3	28.2
Adj. diluted EPS (p)	5.5	4.0	4.4	5.2
Distribution/ord. share (p)*	4.0	3.0	3.5	1.25
Yield*, %	13.5	10.1	11.8	4.2
Net asset value (p)	59	48	75	41

*Source: Group report & accounts and ED estimates, *Distribution paid via tender offer share buy-back*
***Adj. EPS is an underlying calculation, net of non-cash revaluations and forex*

Company Data

EPIC (Ords)	**RAV**
Price (last close)	29.6p
52 weeks Hi/Lo	37.5p / 23p
Market cap	£174m
12% 1p Cum. Pref	**RAVP**
Price (last close)	113.5p
52 week Hi/Lo	127p / 75p
Market cap	£247m
Yield	10.6%

Share Price Ords, p



Source: ADVFN

Description

Raven Property Group Ltd is a Guernsey registered property company specialising in investment and development of high-quality Grade A warehouse complexes in major Russian cities. It leases to both Russian and international tenants.

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Resilient underlying performance, positive trends

From an operational perspective, FY20 was reassuringly solid. The turmoil generated by the Covid-19 pandemic has drawn attention to a number of trends for e-commerce providers, retailers and consumers. It accelerated an ongoing evolution in distribution which generated greater demand for space in the group's long-term portfolio of Grade A Russian logistics warehouses.

Raven anticipates that a minimal market pipeline of new unlet space, and relatively limited direct competition specifically invested in logistics assets, is creating **a tighter market, conducive to increased rental values which would benefit underlying earnings over the next 18 months**. If the group gains shareholder approval for proposed initiatives (described on page 10 below) in May, that should enable it to consider a return to progressive distributions.

Results for 12 months to end December 2020

The group's warehouse and logistics focused portfolio has performed resiliently over the last few years and delivered steady underlying returns in FY20, despite a year disrupted by the Covid lockdown inspired economic slowdown.

Occupancy increased from 90% to 94%, and over 99% of rent due was collected.

The group's portfolio is well diversified. No tenant occupied more than 10% (FY19: 9%) of the portfolio's GLA at the period end and the top ten, including Roslogistics, accounted for 42% (FY19: 43%) of GLA and 48% (FY19: 49%) of income.

The results were adversely affected by weaker average Rouble exchange rates. That depressed Sterling equivalent (reported) numbers, but the operational impact has been partly hedged by progress towards a predominately RUB denominated operating and financing base. The £53.7m forex loss (FY19: £27.5m profit) principally relates to translation of outstanding Euro debt at the weaker year end RUB exchange rate. The underlying result, excluding unrealised forex, was a £19.0m profit (FY19: £15.8m).

Underlying Earnings (adjusted, non IFRS measure)

Y/e 31 Dec, £'000s	2020	2019
Net rent and related income	113,090	126,504
Administrative expenses	(23,120)	(23,130)
Share based payments	556	(4,927)
Foreign exchange gains/(losses)	(53,675)	27,462
Share of profits of joint ventures	(127)	792
Operating (loss)/profit	**36,724**	**126,701**
Net finance charge	(62,168)	(72,966)
Underlying profit before tax	**(25,461)**	**53,735**
Tax	(9,247)	(10,510)
Underlying profit after tax	**(34,708)**	**43,225**
Underlying profit before forex (losses)/gains	**18,987**	**15,763**

Source: Group FY20 results

IFRS earnings below also reflect the redesignation of the convertible preference shares, revaluations of investment properties (again affected by a weaker RUB) and the mark to market of interest rate derivatives. The latter figure for 2019 included a large write down on the carrying value of the group's CBR interest rate caps as the underlying benchmark rate fell. The share-based payments charge for FY20 includes a provision for the long-term incentive plan currently in place, offset by release of part of the FY19 provision for bonuses.

IFRS Earnings		
Y/e 31 Dec, £'000s	**2020**	**2019**
Net rental and related income	113,090	126,504
Administrative expenses	(24,695)	(25,433)
Share based payments and other long-term incentives	(1,222)	(5,468)
Foreign exchange (loss)/profits	(53,675)	27,462
Share of (loss)/profit of joint ventures	(127)	792
Profit on disposal of joint ventures		490
Operating profit	**33,371**	**124,347**
Profit/(loss) on revaluation	(5,554)	48,271
Gain on re-designation of convertible preference shares	45,748	
Net finance charge	(72,589)	(107,559)
IFRS (loss)/profit before tax	**976**	**65,059**
Tax	(15,133)	(19,041)
IFRS profit/(loss) after tax	**(14,157)**	**46,018**

Source: Group FY20 results

Administrative expenses included a provision for a what is described as a 'vexatious legal claim', brought by the receiver of a bankrupt tenant at the end of 2020.This relates to a lease signed in 2015, a period when market rental levels collapsed.

This claim, for the equivalent of £2.6m has been upheld by the Russian courts, although the group is pursuing an appeal. Raven believes that this is an isolated case. Since 2015 it has been subject to 116 court cases and 16 ICAC hearings, many of which challenged aspects of older lease agreements subject to currency pegged rents and sought to reduce contracted rental levels. None of those previous cases were successful, and as much of the potential for further challenge has been exhausted. it regards this ruling as an anomaly. The claim has been fully provided for in the FY20 accounts.

Taxation

The group tax charge fell in FY20, with a reduction in the deferred tax charge on asset revaluations and in tax provisions. There has however been a change in the double taxation treaty between Russia and Cyprus which applies from 1 January 2021, and it anticipates higher withholding tax payments in future. We have reflected this in our EPS forecast for the current year.

Rents & financing moving onto a RUB denominated basis

Leases

The majority of the group's operating business is now RUB denominated, a result of a deliberate strategy to limit operational exposure to forex shifts. Only 11% of the Gross Lettable Area (GLA) of the group's warehouse portfolio was still let on US Dollar and Euro leases at the end of 2020 (FY19: 19%). The majority are 'triple net' leases i.e., all property operating expenses are recharged to tenants, with the only leakage relating to vacant space.

Debt

At end FY20 60.3% of the group's secured banking facilities were Rouble denominated (End FY19: 57.6%) and 39.7% Euro denominated (FY19: 42.4%). The higher proportion of Rouble denominated debt facilities and parallel increase in RUB cost had a beneficial effect upon translation into Sterling. Russia's central bank has cut its key interest rate from 7.75% (1 January 2019) to 4.25% currently, which has reduced Raven's underlying RUB cost.

Debt amortisation is weighted towards the group's Euro facilities, which will continue to gradually reduce its forex exposure. There was some reduction in the group's exposure to Sterling debt instruments post the redesignation of its convertible preference shares to a mixture of ordinary and preference shares.

Total asset specific secured debt at end FY20 was equivalent to 56.1% loan to value (end FY19: 50.2%), although the increase is related to forex rate shifts rather than additional debt. The weighted average cost of aggregate debt fell from 6.52% to 5.48% during FY20, in line with a fall in market rates during the year.

That compares with an investment portfolio typically acquired at yields between 11% and 14%.

Bank Debt

£m	2020	2019
Fixed rate debt	5	0
Debt hedged with caps	579	545
Unhedged debt	48	145
	632	**690**
Unamortised loan origination costs and accrued interest	(5)	(7)
Total debt	**627**	**683**
Weighted average cost of debt	5.48%	6.52%
Weighted average term to maturity	4.1 yrs.	4.7 yrs.

Source: Group FY20 results

Asset values stable / outlook positive as market tightens

The statement reported no significant change in the underlying, RUB valuation of its investment properties year on year. Capital expenditure in FY20 was £12.2m and after accounting for lease incentives and head leases, it took a £5.6m revaluation loss to the income statement (FY19: £48.3m gain). Forex shifts resulted in a £263m loss on translation of the aggregate investment portfolio into Sterling (FY19: £108.8m gain). That is recognised in the group's translation reserve.

Cashflow: sustainable underlying position

The relatively large swings in reported profitability are not representative of underlying cashflows. Indeed, the continued switch to RUB based rents and financing, increased portfolio occupancy rates and the potential for elevated market ERVs over the course of the next 12-18 months creates what we regard as a relatively stable outlook.

The summary cashflow below provides an overview of the group's core report cashflows. There remain forex effects, although the group seeks to balance the pace at which it progressively shifts the denomination of both its rental income and underlying debt into RUB, which will limit operational risks as this is achieved.

Cash flow summary

£m	2020	2019
Net cash generated from operating activities	77,649	93,100
Net cash used in investing activities	(9,909)	(16,196)
Net cash used in financing activities	(70,087)	(80,062)
Net decrease in cash and cash equivalents	**(2,347)**	**(3,158)**
Effect of forex rate changes	(12,669)	(2,154)
Decrease in cash	(15,016)	(5,312)
Closing cash and cash equivalents	**53,122**	**68,138**

Source: Group FY20 results

The stability of ongoing cashflows is further supported by an examination of the group's cost ratios, set out below. These declined during the period and net revenues cover the cost of ongoing investment to maintain the existing portfolio at a standard suitable for existing and prospective new tenants, and to finance outstanding and proposed new debt in respect of the share repurchase.

Cost analysis

£'000s, 12 months to	**31-Dec-20**	**31-Dec-19**
Costs		
Property Costs	32,768	38,367
Administration costs	25,917	30,901
Less:		
Roslogistics and Raven Mount admin costs	(2,251)	(2,768)
Management fee, service charge income and other costs recovered through rents	(32,560)	(36,147)
Total Costs	**23,874**	**30,353**
Share Based Payments	(1,222)	(5,468)
Total Costs excl. share-based payments	22,652	24,885
Income		
Gross Rental Income	**140,530**	**158,547**
Less:		
Management fee, service charge income and other costs recovered through rents	(32,560)	(36,147)
Total Rental Income	**107,970**	**122,400**
Total Costs	23,874	30,353
Vacant property costs	(1,775)	(2,523)
EPRA total costs excluding vacant property costs	**22,099**	**27,830**
Cost Ratios		
Total EPRA cost ratio (including vacant property costs)	22.1%	24.8%
Total EPRA cost ratio (excluding vacant property costs)	20.5%	22.7%
Total EPRA cost ratio (excluding share-based payments)	21.0%	20.3%

Source: Raven Property

Portfolio Performance

Raven actively manages its physical assets, lease, tenant relationships, and its balance sheet. During FY20 it renegotiated and extended leases for 310,000 sqm of its portfolio and signed another 289,000 sqm of new leases. Demand for logistics real estate has matched that in other developed economies so, despite rapid recent development Russian e-commerce activity, it still has a long way to go.

Portfolio occupancy increased from 90% to 94% in FY20. This was a combination of both short and long term lets, as the logistics sector benefited from Covid-driven changes to client needs. A total of 211,400 sqm was vacated on maturity, where breaks were exercised and early terminations.

There was 120,000 sqm of vacant warehouse space at the year end and just 1,200sqm in the office portfolio. There are 200,000 sqm of potential breaks of in 2021, 109,000 sqm in 2022. Raven does not expect any of these tenants to exercise their breaks in either year.

Occupancy has dipped slightly to 92% post the year end as large short-term leases have expired, but **Raven confirms that it holds signed letters of intent for lease of another 2% of its portfolio.**

The group's leasing strategy balances high occupancy and long-term lettings to high quality tenants with the preference for a diversified tenant mix across sectors and business types. It will agree short term lets to minimise voids. It also target tenants that require significant upgrade to their premises and uses this to create an enhanced return, adjusting rents over the duration of the lease to reflect capital investment. Growth in tenants' e-commerce activities have provided a number of opportunities to improve property specifications, which will be reflected in asset values in due course.

As an active asset manager, the group's team worked closely with its tenants during the early weeks of the Covid crisis to ensure operations could continue in a safe and secure manner and comply with local regulations. It received numerous requests from occupiers with cash flow difficulties and negotiated client specific concessions, including discounts and deferrals, which helped those worst affected.

The benefit of a diverse client base and methodical leasing approach is reflected in collection rate above 99% of rent due during the year.

Currency exposure moving towards RUB

The distribution of preferred RUB vs legacy USD and EUR leases at end FY20 is set out below. The proportion of total warehouse space occupied under USD denominated leases fell from 16% to 8% during the period, and RUB increased to 83% from 71% at the start of the year.

This is in line with the strategy to progressively move both rental income and predominantly, group funding in RUB denominations.

Currency exposure of leases (FY20)

	Sqm	NOI	Weighted Average Term to Maturity
RUB	83%	77%	4.1 years
USD	8%	18%	2.1 years
EUR	3%	5%	0.4 years
Vacant	6%		

Source: Group FY20 results

The percentage leased to e-commerce companies grew to 8% by the year end, while other tenants also utilise space to service online demand. e-commerce's influence on the letting market remains small vs other European markets and is growing significantly.

Tenant Mix						
Warehouse Tenant Type	**Distribution**	**Retail**	**Manufacturing**	**3rd Party Logistics operators**	**e-Commerce**	**Other**
Space ('000sqm)	313 (18%)	550 (31%)	306 (17%)	460 (26%)	140 (8%)	6 ()%)

Source: Group FY20 results

A total of 309,500sqm of existing leases were renegotiated and extended in FY20 and 288,800sqm of new leases were signed. There were significant new lettings and number of major tenants increased the space they occupy. It has signed another 100,800sqm of deals since the year end; 90,100sqm new lettings, 10,700sqm renewals or extensions. It currently has LOIs in respect of 29,000sqm of renewals, extensions, or expansions and 29,800sqm of new lettings.

Portfolio maturity profile						
'000sqm	**2020**	**2021**	**2022**	**2023**	**2024-32**	**Total**
Maturity profile (at 1 Jan 2020)	**239**	**317**	**269**	**270**	**650**	**1,745**
Renegotiated and extended	(101)	(135)	(27)	(9)	(38)	(310)
Maturity profile of lease extensions	7	33	9	21	240	310
Vacated/break exercised	(170)	27	(33)	(6)	(29)	(211)
New lettings	25	117	2	1	144	289
Maturity profile (at 31 Dec 2020)		**359**	**220**	**277**	**967**	**1,823**

Source: Group FY20 results

Moscow

The group operates ten warehouse projects in Moscow, which comprise 1.3m sqm in total. Occupancy in Moscow improved to 92% during the period (87%) despite some tenant exits.

Leasing and maturities			
	Moscow	**St Petersburg**	**Regions**
Warehouse			
Space ('000sqm)	1,335 (70%)	273 (15%)	287 (15%)
NOI (£m)	75.8 (76%)	10.3 (10%)	14.2 (14%)
Office			
Space ('000sqm)		49 (100%)	
NOI (£m)		5.6 (100%)	

Source: Group FY20 results

New lettings include almost 72,700sqm of newly vacated space Wildberries, the largest e-commerce operator in Russia, on a number of short-term leases which provided income through the first phase of the pandemic. Wildberries has recently relocated into a newly constructed, purpose-built warehouse. X5, the group's largest tenant and Russia's biggest food retailer in Russia, renewed its lease on 75,700sqm at Noginsk until 2031 and took another 30,700sqm at the same property.

Approximately RUB460m was invested to enhance the specification, in return for a higher rent, which will benefit assets valuation. Makita renewed its lease on 27,200sqm for a further five years, Azbuka renewed and extended its commitment (30,300sqm) until 2031.

St Petersburg and Regions

Warehouse occupancy in the group's regional markets (St Petersburg, Rostov, and Novosibirsk) was solid and demand helped push rents up in specific instances. The group expanded letting to Mars in Rostov by 4,000sqm with enhanced specification and rent.

Property market outlook

The group reported a busy start to 2021, with continued strong, steady tenant demand. The 119,000 sqm of leases which have this year are offset by 90,100 sqm of new lettings. Despite Covid, its vacancy rate in Moscow has reduced by c 3%.

Raven estimates that after c 2m sqm of take up of Grade A warehouse space in 2020 (approx..15m sqm total market) **total current vacancy represents only three to four months' supply**. Rents have not grown as fast as it had anticipated so far. Valuations have thus been relatively static, despite lower key CBR interest rates and greater interest from local investors.

Approx. 800,000 sqm of warehouse space was delivered in 2020. That was c 30% below the figure for 2019 (source: JLL) and over 80% of the new supply was either build to suit or pre-leased prior to completion. Strongest demand came from retail (25% of the total), distribution (12%) and manufacturing (16%) sectors. e-commerce companies continue to expand, and absorbed 36% of new space, driven by a few exceptionally large build to suit deals.

Another 1.4m sqm is due for delivery and c 1.3m sqm of take-up this year, which would hold down vacancy rates. Around 60% of all space under construction is already pre committed (built to suit for lease or sale). Cost inflation is limiting new construction, caused by a reduction in the labour force due to Covid and an estimated 40% hike in steel prices in the last 12 months.

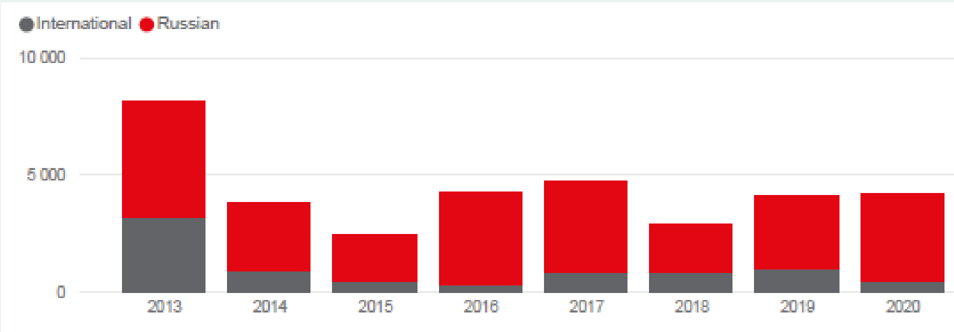
These factors, coupled with Rouble weakness driving up costs of imported materials, delivery of a new Grade A warehouse has become at least 15% more expensive over the past year. **That makes speculative development relatively unattractive, especially without a material increase in rental rates.**

Low vacancy rates, the lack of new supply and higher construction costs are a classic set of conditions for rental growth. Economic factors may affect this, but the sector is attractively set to benefit as an accelerated e-commerce driven structural shift pushes up demand from major retailers.

Raven consequently expects rents to rise to R4,500 per sqm (from RUB4,2000/sqm currently) this year, and anticipates further growth thereafter.

Investment volumes increased to $4.2bn in FY20, 75% of which was in Moscow, and c 20% of the total into the warehouse sector. JLL predicts a 50bps reduction in prime yields for Moscow warehouses this year.

Investment volume, USD m



Source: JLL Russia real estate investment review Q4 2020

The group remains interested in acquisition ideas in its preferred sector (Grade A warehouses) and confirmed that it would have added to its portfolio in 2020, had the opportunity to complete the purchase of Invesco's shares not arisen.

Valuation

Raven announced a 1.25p/share final distribution, paid as in previous years via a tender offer buy back of 1 in 32 ordinary shares at 40p/share, equivalent to a 4.4% FY20 yield. The reduced distribution reflects management's caution regarding its preference to preserve cash until it completes the repurchase of the IAM stake. The cost of that transaction will, however, be covered by a €60m loan provided by VTB.

We expect Raven to resume a progressive distribution policy. It pays covered dividends, assessed in terms of (a) underlying earnings before unrealised foreign exchange movements and (b) operating cash flows after interest.

At 29.6p the shares are currently at a 29% discount to fully diluted EPRA NDV NAV/share. That calculation was particularly vulnerable to the impact of a weak RUB/GBP at end FY20.

EPRA Net Asset Value

	NAV	Shares 31 Dec 20	NAV/share	NAV	Shares 31 Dec 19	NAV/share
	£'000	No. '000		£'000	No. '000	
NAV per financial statements	233,690	583,046	40.1p	365,798	480,828	76.1p
Dilutive effect of convertible pref. shares				217,482	297,225	
Fair value of preference shares and debt	9,458			(30,112)		
Fully diluted EPRA NAV per share*	243,148	583,046	41.7p	553,168	778,053	71.1p

*Source: Group FY20 results   *EPRA Net Disposal Value, excludes FV derivative adjustments and deferred tax*

We currently see three key elements to the investment case:

Strong domestic warehouse real estate market and portfolio positioning

The core is a **continuing strong property story**, backed by a near ideally placed warehouse and logistics portfolio in a market characterised by high demand, supply shortages, and falling domestic interest rates, all of which contribute to arguments for growth in rental and capital values over the next few years. This is set out in more detail in the portfolio review.

Potential for further currency volatility, but risks largely in the price

That positive scenario needs to be put in context against the potential for further market jolts which might result from ongoing Covid-19 pandemic, and forex rates volatility related to key commodity prices (notably oil) and the threat of further US sanctions.

The macroeconomic outlook is reasonably positive. The Russian government forecasts a strong economic rebound this year and GDP growth of between 2.0% and 3.0% in 2022 and 2023. Some of this depends upon the success of the vaccine rollout and its efficacy, but lower 2020 comparatives are helpful.

Commentators have referred to the government's focus on stability rather than growth. That points to low debt, rising financial reserves and modest stimulus spending. Although this has disappointed some observers, a period of stability and predictability is not unhelpful for Raven's ongoing strategy and repositioning of its leases and balance sheet.

Government forecasts for budgeting purposes incorporate relatively modest oil price forecast assumptions for 2021-23, below the expectations of independent forecasters, which provides some cushion against unexpected dips in crude prices.

Sanctions are arguably the major imponderable. The most severe, worst case scenario would justify government hesitancy, but also potentially reduce spending. RUB/USD arguably already incorporates considerable uncertainty regarding the extent of the next round of sanctions and their negative impact.

Completion of plans to repurchase IAML stake

The last component is completion of Raven's plan to address an overhang on its equity, represented by the need for its biggest shareholder, Invesco Asset Management Limited (IAML), to achieve an exit.

A conditional agreement is in place which could potentially sort this issue, subject to a shareholder vote expected to take place in May. To recap, in 2019 Raven negotiated a conditional agreement to acquire all of IAML's holdings which was due to take place in H1 2020. This agreement lapsed at the end of July 2020 as a result of the Covid related market turmoil, but Raven remained in negotiation with IAML and has contracted a new agreement, together with its existing shareholders, to acquire its stake.

On 26 January 2021 the announced a new agreement, whereby it will enter into a joint venture (Raven Holdings Limited) with its executive directors and certain senior management. The group and this JV have reached conditional agreements with Invesco Asset Management (IAM) to buy its holdings of RAV ordinary and preference shares.

Under these new agreements it will pay 21.6p for each ordinary share, and 90.8p for each preference shares.

- The group will buy back and cancel 9,850,350 ordinary shares.
- The JV will acquire 100,000,000 ordinary shares and 32,500,000 preference shares.
- The remaining 46,824,074 ordinary shares and 31,071,616 preference shares held by IAM have been conditionally placed with existing and new investors.

These agreements with IAM are subject to shareholder approval and have a long stop date of 10 May 2021.

The group's Cypriot holding company entered into a €60m corporate loan provided by VTB Bank earlier this month to finance the acquisition of Invesco's holdings. The facility has a five-year term and bears interest at 5.65% over EURIBOR. This loan will have limited recourse across the property portfolio.

Although the outcome of this appears hypothetically positive for the equity rating (the circular is due to be published shortly), we plan to produce an update after completion of the transaction, to reflect shares in issue, cost of new debt and any further group or market related newsflow.

Simplified capital structure and streamlined shareholder register

Although the two are not connected, this is in a second phase of pragmatic moves which have simplified the group's capital structure and could materially streamline its shareholder register.

The 'first phase', in July 2020, saw the group obtain shareholder approval for the re-designation of its convertible preference shares into a ratio of new ordinary and preference shares. In September 2020, c 121.1m new ordinary shares and c 115.9m new preference shares were admitted to trading, and the convertible preference shares cancelled.

That addressed potential concerns over potential refinancing or equity dilution upon the convertible's maturity in 2021. A £45.8m one-off profit in FY20 represented the difference between the carrying value of the convertible prefs. on the group balance sheet and the fair value of the new shares issued.

Income statement

12 months to end December, £m	2017	2018	2019	2020
Net rent and related income	**129.7**	**118.3**	**126.5**	**113.1**
Administrative expenses	(19.7)	(25.2)	(25.4)	(24.7)
	110.0	**93.1**	**101.1**	**88.4**
Long term incentives	(3.5)	(2.9)	(5.5)	(1.2)
Share of profit of JVs	1.6	1.6	1.3	(0.1)
Adj. Operating profit (excl. revaluations)	108.1	91.9	96.9	87.0
Net finance charge	(71.7)	(83.3)	(107.6)	(72.6)
Profit on redesignation of convertible prefs.				45.7
Underlying PBT	**36.4**	**8.6**	**(10.7)**	**14.4**
Adj. PBT	**41.4**	**25.8**	**26.2**	**26.6**
Tax	(25.2)	(5.8)	(19.0)	(15.1)
Underlying profit after tax	11.2	2.8	(29.7)	(0.7)
Forex (losses)/gains	(2.5)	(2.5)	27.5	(53.7)
Unrealised profit/(loss) on revaluation	28.2	(121.0)	48.3	(5.6)
IFRS Reported pre-tax profit	**68.3**	**(114.9)**	**65.1**	**1.0**
Tax	(25.2)	(5.8)	(19.0)	(15.1)
Reported profit after tax	**43.1**	**(120.7)**	**46.0**	**(14.2)**
Adjusted EPS (p)	**6.2**	**4.0**	**4.7**	**5.2**
Distribution per share (p)	4.0	3.0	3.5	1.25

Source: Raven Financial Statements

Balance sheet

As at end December, £m	2017	2018	2019	2020
Non-current assets				
Investment property	1,159	1,175	1,338	1,090
Investment property under construction	29	31	34	27
Other - incl. JVs	11	32	9	7
Other receivables	4	16	3	3
	1,202	**1,254**	**1,384**	**1,127**
Net cash/(debt)	(429)	(570)	(615)	(571)
Pref/Conv. Pref	(307)	(315)	(328)	(252)
	(736)	**(885)**	**(943)**	**(823)**
Deferred tax	(34)	(33)	(47)	(44)
Other adjustments - incl. net payables	(40)	(39)	(28)	(28)
	(811)	**(957)**	**(1,018)**	**(895)**
Net equity	**392**	**296**	**366**	**232**
NAV/share (p)	**59**	**48**	**75**	**41**

Source: Raven Financial Statements

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