



Annual results presentation
for the period from incorporation to 31 March 2018

LXi REIT plc

Annual results: The Company

LXi REIT plc provides shareholders with regular, attractive income, with the potential to sustainably grow the dividend in absolute terms through upward-only inflation-protected long-term lease agreements, together with capital growth over the medium term.

We selectively invest in UK commercial property assets let on very long (typically 20 to 30 years to first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

We also carefully invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. The Company does not undertake any direct development activity nor assume direct development risk.

The Company is a UK real estate investment trust ('REIT') listed on the premium listing segment of the Official List of the UK Listing Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017.



Company overview: Management team and Board of Directors

Investment Manager and Investment Advisor

- John White and Simon Lee are co-managers
- Over 50 years of experience and transacted £1bn+ of commercial and residential properties
- Realised an average IRR of 20%
- Strong team of support - 150 people dedicated to Real Estate; part of LJ Partnership, multi-family office and asset manager with \$14bn AUM



John White

- 30 years' property industry experience
- Previously Partner at Cushman & Wakefield. Qualified Chartered Surveyor, Fellow of RICS
- Co-founded Osprey in 2011 and LXI in 2017



Simon Lee

- 18 years' property industry experience
- Qualified and practised as a solicitor at City law firm, Slaughter and May
- Co-founded Osprey in 2011 and LXI in 2017



Freddie Brooks

- Head of Finance
- Six years at BDO LLP
- Significant experience working as auditor for both REITs and unlisted real estate funds



Jamie Beale

- Significant transaction management experience in long income and forward funding real estate space
- Previously, five years' experience as City of London commercial property solicitor

Non-Executive Directors

- Governance structure strongly aligned with shareholder interests
- NEDs paid in locked-in shares
- Four highly experienced, independent non-executive directors



Stephen Hubbard – Non-Executive Chairman

- Currently Chairman of CBRE UK, having spent 40 years at the firm
- Chairman of the London Business Network, Chairman's Advisory Board of Redevco
- NED of Workspace Group plc



Colin Smith OBE – Non-Executive Director

- Chairman of Poundland for 10 years and two years as a NED
- Previously at Safeway for 20 years in senior finance roles including Finance Director and for the last 6 years as CEO
- Currently Chairman of Hilton Food Group plc and previously NED of McBride plc
- Chairman of The Challenge Network



Jan Etherden – Non-Executive Director

- Former Investment COO and Fund Manager at Newton IM
- Former Head of UK Equities at Confederation Life / Sun Life of Canada
- NED of TwentyFour Income Ltd and Miton UK MicroCap Trust plc
- Previously NED of Ruffer Investment Company Limited



John Cartwright – Non-Executive Director

- Previously, Head of Retail and Institutional Funds at M&G Real Estate (formally, PRUPIM)
- Chief Executive of the Association of Real Estate Funds (AREF)
- Non-Executive Member of the Investment Committee of Lothbury Property Trust

Financial highlights: As at 31 March 2018

11.91%

TOTAL RETURN

*Incorporating NAV growth and dividends paid, **49%** above 8%+ target*

107.67p

EPRA NAV PER SHARE

*Increase of **9.87%** from 98p at IPO*

5.50p

DIVIDEND TARGET 2018/19

*Increase of **10%** from IPO target*

4.00p

DIVIDEND FOR 2017/18

*Increase of **33.3%** from IPO target*

5.12p

ADJUSTED EPS

***4.20p** EPRA EPS, both **fully cover** the 4.00p dividend*

1.14%

TOTAL EXPENSE RATIO

Supporting shareholder returns

£278.9m

PORTFOLIO VALUATION

***9.18%** increase against acquisition price of £255.4m*

£138.2m

FUNDS RAISED AT IPO

February 2017

£60.2m

FUNDS RAISED AT SECONDARY ISSUE

October 2017

30%

LTV

*Comfortably below both **35%** medium term maximum and **50%** LTV covenant*

11.3

YEARS AVERAGE DEBT MATURITY

Fixed low debt cost provides good visibility on dividend growth

2.90%

AVERAGE FIXED DEBT COST PA

***313 bps** below average acquisition yield*

Operational highlights: As at 31 March 2018

6.03%

**AVERAGE
ACQUISITION
NIY**

*Against average
valuation yield
of 5.37%*

24.4

**YEAR WAULT
TO FIRST BREAK**

*Long leases yielding
secure and
predictable income*

96%

**INDEX-LINKED/
FIXED UPLIFTS**

*Contracted rental
income with
embedded growth
potential*

£16.98m

**TOTAL
CONTRACTED
RENT ROLL**

52%

**Annual rent
reviews**

48%

**Five yearly rent
reviews**

100%

OCCUPANCY

*Fully let or pre let to
financially strong
tenants*

9

**PROPERTY
SECTORS**

*Assets are broadly
diversified across
defensive and robust
sectors*

25

**STRONG
TENANTS**

*Yielding
diversified income
and secure
returns*

84%

**ACQUISITIONS
OFF MARKET**

*Reducing acquisition
prices and providing
value growth on
purchase*

34

**SEPARATE
ACQUISITIONS**

*Granular, selective
acquisitions*

Post balance sheet highlights: 2018/19

55%

**OF RENTS TO INCREASE IN
2018/19**

*As a result of fixed or
inflation linked uplifts*

3

**PROPERTY ACQUISITIONS
NOT INCLUDED IN VALUATION**

*Forward funding/commitment
properties costing £17.3m exchanged
but not completed at year end,
providing further potential value growth*

2.00p

**FINAL DIVIDEND
FOR 2017/18**

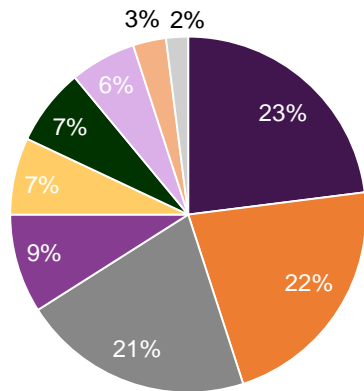
*Declared in respect of the
2017/18 period*

LXi REIT plc

Investment Case

Our secure, diversified, long-let and index-linked portfolio

Multi-sector diversification



- Hotels - 23%
- Care Homes - 22%
- Supported living - 21%
- Industrial - 9%
- Car Parks - 7%
- Student - 7%
- Discount Retail - 6%
- Leisure - 3%
- Automotive - 2%

- Nine diverse and robust property sectors
- Cherry-pick assets to find value

Above pie chart shown by acquisition price

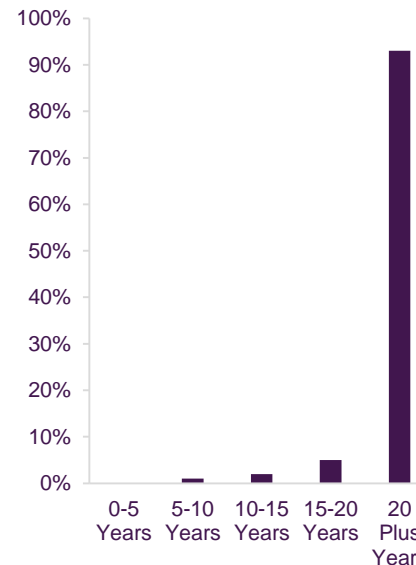
Financially strong and diversified tenant covenants

Tenant group
Aldi
B&M
Costa Coffee
General Electric
Greggs
Home Bargains
KFC
Lidl
Mears plc
Motorpoint
Premier Inn
Prime Life
Priory group
Q Hotels
Q-Park
Regulated Housing Associations
SIG
Starbucks
Stobart Group
Subway
Travelodge

- Rental income secured against 25 individually strong tenants
- Develop collaborative and long term relationships

Very long, index-linked leases

Secure Lease Term Maturity Lease Term to First Break



- Very long WAULT to first break of 24.4 years
- 96% containing index-linked or fixed uplift rent reviews

Strong residual value

- Strong underlying trading performance
- Strategic importance to tenant
- Low starting rents
- Alternative use potential

LXI REIT plc

Investment Case

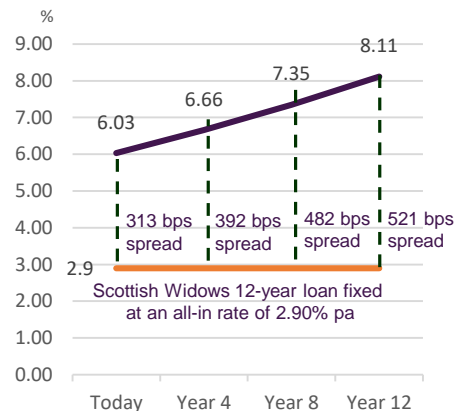
Delivering attractive, stable income and growth

Capital Growth

- Forward funding pre-let developments at material discount to built values, especially in smaller lot sizes
- Multi-sector approach across large universe to find value
- Acquire vast majority of assets off-market (84%) via extensive relationships
- Yield compression in long-lease sector

Free Cashflow Generation

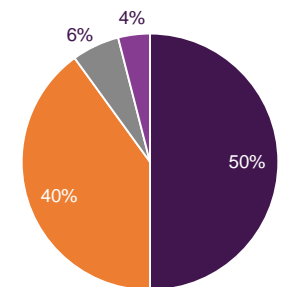
- **313 bps** spread between triple-net rental income (6.03% average NIY) and low fixed cost of debt (2.90% pa)
- Spread rising to c. **521 bps** by expiry of the 12-year loan facility
- No property cost leakage – all leases triple net, full repairing and insuring



*Assumes 2.5% pa rental growth

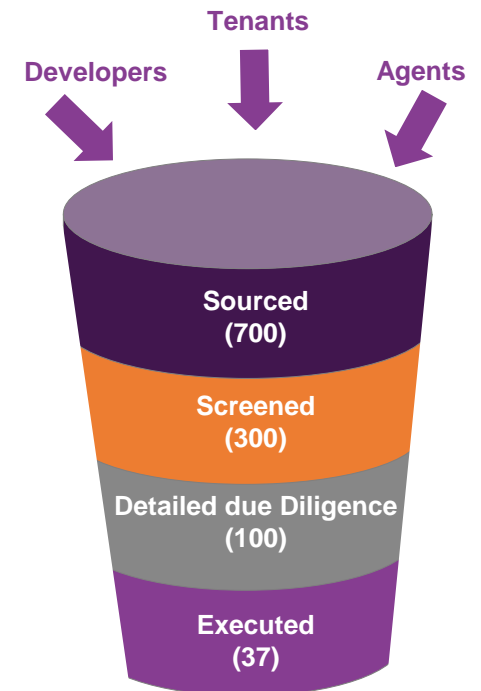
Rental Growth

- Over **96%** income linked to RPI or CPI inflation (or a fixed annual growth rate) providing embedded income growth
- Inflation growth forecast materially higher than open market rental growth forecast:
 - RPI growth to average **3.14%** pa and CPI **2.18%** pa from 2018 to 2022 (source: HM Treasury Forecasts for the Economy – Feb 2018)
 - Open market rental growth average **1.24%** pa from 2018 to 2024 (source: IPF UK Consensus Forecasts – Winter 2017/18)



■ CPI Inflation ■ RPI Inflation
■ Fixed Uplifts ■ Open Market

Prudent Approach to Investment Review



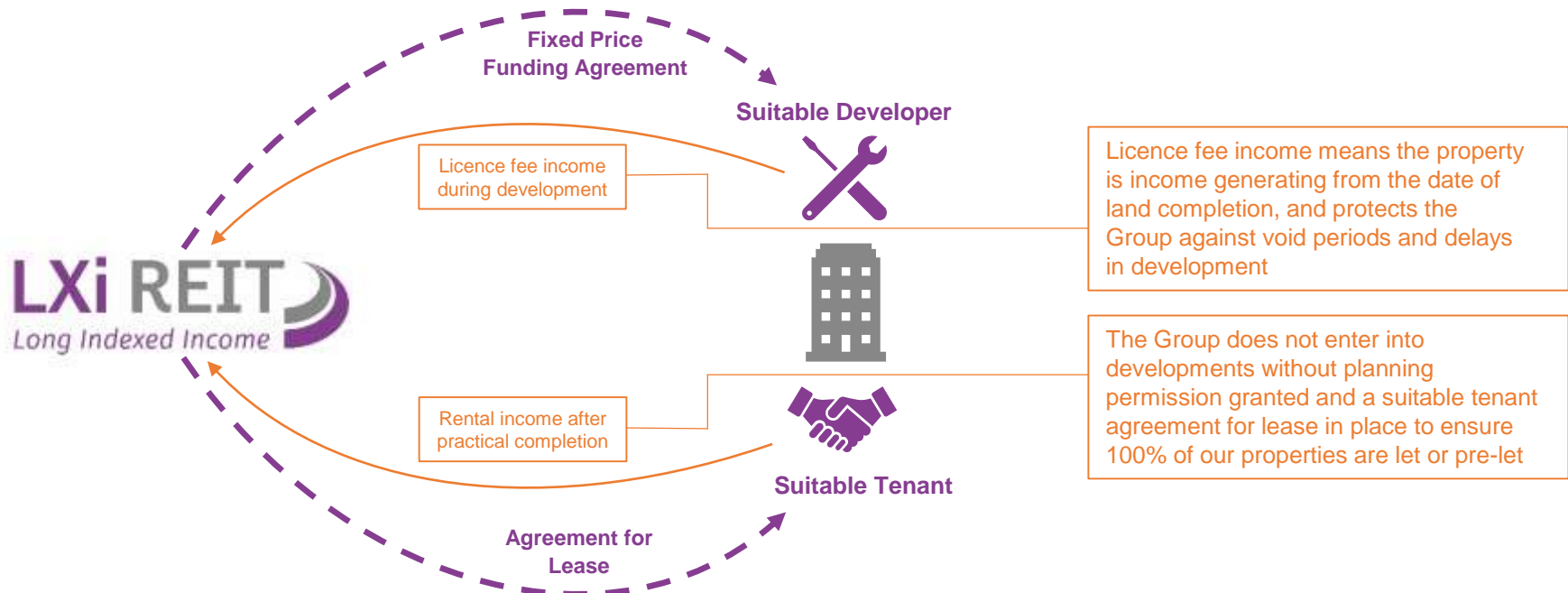
Forward Funding: Opportunities And Benefits

Benefits of forward funding include:

- Discount to investment values (typically, 50 bps to 100 bps)
 - *Less competitive market for smaller developments*
- Materially lower purchase costs - only pay stamp duty on land price, not construction costs
 - *c. 2%, rather than 6.8%*
- Full unexpired lease term
- Ability to source brand new, high quality and state of art buildings

Risk mitigation:

- Licence fee charged to developer during construction phase (cash-backed) protecting against development delays and voids
- No speculative developments – all pre-let
- Full planning consent in place prior to purchase
- Fixed price paid to the developer
- Developer receives majority of profit when building achieves practical completion



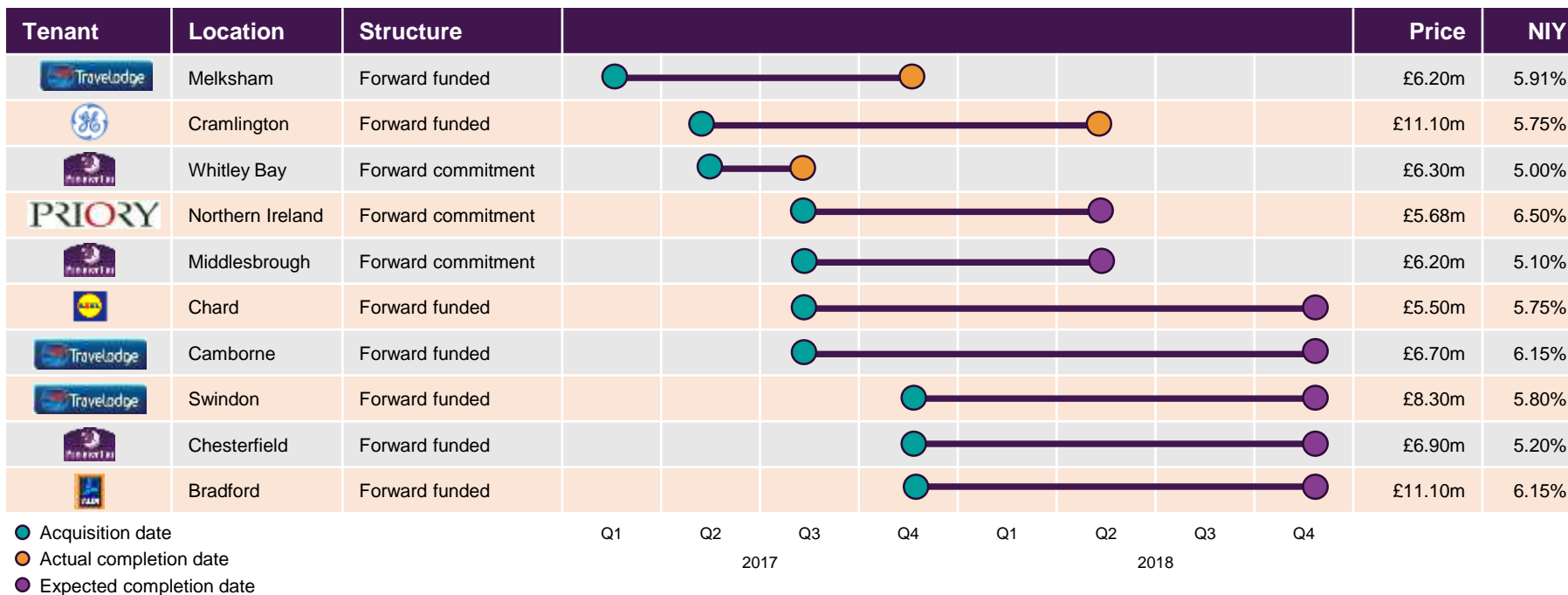
Forward Funding: Implementation

Implementation to date:

- During the period we have entered into 10 forward funded/forward committed acquisitions
- Completion reached on one forward funded and one forward committed deal in the period both of which completed on time
- Average valuation gain of **13.52%** on forward funded developments compared with portfolio average of 9.18%

Post balance sheet:

- A further two forward acquisitions have reached completion since 31 March 2018
- Remaining 6 forward acquisitions are on course and expected to reach practical completion in Q2 to Q4 2018
- All ongoing developments are pre-let and income generative from day one of completing land acquisition

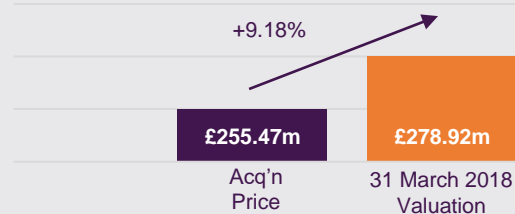


Results: Summary 31 March 2018

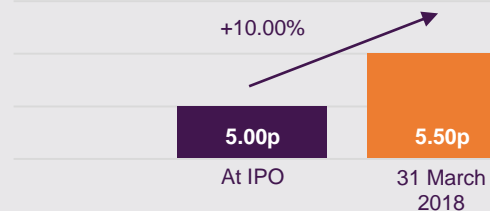
Financial position	31 March 2018	Comment
Investment property valuation	£278.92m	Against acquisition price of £255.47m
EPRA NAV	£211.98m	Reflecting NAV growth of 9.87% since IPO
LTV	30%	Below our maximum LTV target of 35%

Financial performance	31 March 2018	Comment
Rental income	£9.34m	Our headline turnover for the period
Total annual rent roll	£16.98m	Providing future earnings growth
Total expense ratio	1.14%	Overheads and mgmt fees over NAV reflecting low cost base
EPRA Earnings per share	4.20p	A key measure of results from operations, fully covers dividend
Adjusted Earnings per share	5.12p	Fully covers dividend (includes developer licence fees on forward fundings)
Dividend per share	4.00p	33.3% ahead of our dividend target at IPO

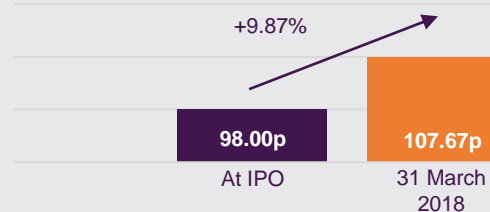
Portfolio valuation



Dividend target 2018/19



Net asset value



Results: Property valuation

Valuation

The Group's investment properties were independently valued as at 31 March 2018 by Knight Frank LLP at £278.92 million including forward funded commitments. The properties have been valued on an individual basis. No portfolio premium has been applied.

The valuation movement represents:

- a 5.37% blended valuation yield compared with average acquisition NIY of 6.03%
- an increase of 9.18% above the aggregate acquisition price (excluding acquisition costs)

31 March 2018	£m
Gross valuation	278.92
Less: Forward funded commitments	(21.51)
Less: Licence fees receivable	(1.13)
Less: Rent free discounts on purchase	(0.96)
IFRS fair value	255.32

Driving growth

The value growth in the period reflects, inter alia:

- Discount achieved on forward funding and committing to pre-let developments in smaller lot sizes
 - *Average gain on the forward funded/committed assets of 13.52%, compared with an average portfolio gain of 9.18%*
- 84% of transactions sourced off market
- Early mover advantage in growth sectors where yields have compressed
- Yield compression in the wider long-lease sector in recent months, resulting from increased demand

Future growth

- Three forward funded/committed assets with acquisition price of £17.33m exchanged but not completed and therefore not included in the valuation, providing further potential value growth
- 55% of the properties, by rental value, with fixed or inflation-linked rent reviews in 2018/19
- Expiry of construction and rent free period will result in reversal of these adjustments above

Results: Debt finance

Strength of debt metrics

Lender: Scottish Widows Limited, in partnership with Lloyds Bank plc

Quantum: £95m across two facilities

Term: 12 years to expiry July 2029

All-in fixed rate: 2.90% pa fixed for 12 years

Spread: All-in fixed rate 313 bps lower than 6.03% average net initial yield on acquisitions

Repayment status: Interest only

LTV: 30%
Material headroom to the 50% loan covenant and below maximum target ratio of 35%

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Asset case studies

GE Manufacturing Facility *Cramlington, Newcastle*



Description
Headquarters office and manufacturing facility

Purchase price
£11.08 million

Acquisition NIY
5.75%

Size
74,110 sq ft

Acquisition Structure
Pre-let forward funding

Date Acquired
March 2017

Rent Review
Retail Price Inflation (RPI)

Tenant/Guarantor
GE UK Group

Lease Term
20 years, without break, from completion of construction works

Description
Three modern, purpose built care homes

Purchase Price
£28.5 million

Acquisition NIY
6.5%

Acquisition Structure
Built

Date Acquired
November 2017

Rent Review
Retail Prices Inflation (RPI)

Tenant/Guarantor
Prime Life

Lease Term
31 years unexpired, with no tenant break



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Asset case studies



Cambridge Belfry Hotel *Cambourne, Cambridge*

Description
4 star, full service hotel
Purchase price
£18.53 million
Acquisition NIY
6.10%
Size
120 bedrooms
Acquisition Structure
Built asset
Date Acquired
April 2017
Rent Review
Consumer Price Inflation (CPI)
Tenant/Guarantor
QHotels Holdings Limited
Lease Term
22 years unexpired, with no break

Description
Discount retail park pre-let to Aldi, Home Bargains, Starbucks, Greggs and Heron Foods
Purchase price
£11.00 million
Acquisition NIY
6.15%
Size
46,000 sq ft
Acquisition Structure
Pre-let forward funding
Date Acquired
May 2017
Rent Review
Aldi, Starbucks and Greggs - Retail Price Inflation (RPI); Home Bargains and Heron Food – Open market value (OMV)
Tenant/Guarantor
Aldi Stores Limited, TJ Morris Limited (t/a Home Bargains) Starbucks Coffee Company (UK) Limited, Greggs plc and Heron Food Group
Lease Term
Aldi - 20 years, with no break; Home Bargains – 15 years, with no break; Starbucks – 15 years, with no break; Greggs – 10 years with no break



Aldi – Anchored Retail Park *Bradford, Yorkshire*

Outlook: Growth in 2018/19

Capital

- 8 assets to reach practical completion in the year
- Reversal of adjustments to Valuation in respect of rent free periods and licence fees
- Three assets that have exchanged to reach completion providing further value growth, see table below

Rental

- Over 96% contain rent reviews linked to RPI or CPI inflation (or a fixed annual growth rate) providing embedded income growth
- Total contracted rent of £16.92m pa compared with the £9.34m in the Period
- 55% of rent to experience review in the year to 31 March 2019

Low cost base

- The Group's return to investors is underpinned by a low cost base with a 1.14% TER
- The Group's investment advisory agreement starts at 0.75% of market cap rather than 1% which is industry standard
- The Group has fixed debt costs at 2.90% for 11.3 years

Exchanged but not completed as at 31 March 2018

Tenant	Location	Rent Review	Price	Yield	Lease term
Premier Inn	Middlesbrough	CPI	£6.20m	5.10%	20 years
Lidl	Chard	RPI	£5.50m	5.75%	15 years
Priority Group	Northern Ireland	Fixed 2.5%	£5.68m	6.50%	30 years

Year	RPI pa	CPI pa
2018	3.5%	2.6%
2019	3.0%	2.1%
2020	3.0%	2.1%
2021	3.1%	2.0%
2022	3.1%	2.1%
Average growth forecast pa	3.1%	2.2%

Source: HM Treasury Forecasts for the Economy (February 2018)

Year	Open market rental growth pa
2018	0.8%
2019	0.8%
2020	1.2%
2021	1.6%
2022	1.8%
Average rental growth pa	1.2%

Source: Source: IPF UK Consensus Forecasts Report (Winter 2017/18)

Outlook: Summary

- Well-placed for continuing strong income and growth performance in 2018/19 and for the long term
- Very resilient, diversified portfolio, 100% let/pre-let to secure tenants, with strong residual value
- Long-term lease structure – 24.4 years WAULT to first break
- 96% of rent index-linked/fixed uplifts, combined with 2.9% pa long dated fixed cost debt, delivers attractive and secure dividend growth (55% of rents to increase in 2018/19)
- Low, transparent cost base with total expense ratio expected to reduce further
- Benefits of forward funding pre-let investments to continue
- Off-market investments deliver value at point of purchase
- Yield compression in the wider long-lease sector
- Strong identified pipeline of assets – prudent and selective approach to potential investments



QUESTIONS

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