



Elite UK REIT  
(ELITE SP/MXNU.SI)

Sustained DPU growth supported by accretive acquisitions

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- Continued DPU growth and strong occupancy.** 9M25 distributable income rose 6.2% YoY to £14.8mn, supporting a 9.4% YoY increase in DPU to 2.33 pence. Portfolio occupancy improved to 98.6%, excluding PBSA redevelopment sites, driven by rental reversions at Salford, Billingham and Edinburgh, as well as contributions from the three accretive government-leased acquisitions totalling £9.2mn completed in June 2025.
- Progress on diversification and redevelopment.** The REIT completed planning approval for Lindsay House, Dundee and a positive pre-planning consultation for Cambria House, Cardiff, positioning for a scalable PBSA pipeline of approximately 516 total beds. Redevelopment of Lindsay House is underway with Mys Asset Management, targeting completion by AY 2027.
- Disciplined capital and interest management.** Borrowing costs declined to 4.8% with an interest coverage ratio of 2.7x, aided by prepaid rents and sustainability-linked loan savings. Net gearing stood at 42.5%, with no refinancing until 2027 and 85% of debt hedged.
- We reiterate an OUTPERFORM recommendation with a 12-month target price of £0.407.**

Financials & Key Operating Statistics					
YE Dec (GBP 000')	2023	2024	2025F	2026F	2027F
Revenue	37,637	36,472	36,454	36,751	36,878
PAT	(22,170)	20,495	17,892	18,451	19,024
EPS (Pence)	(4.60)	3.51	2.93	3.03	3.12
EPS growth (%)	20.1%	-176.3%	-16.4%	3.1%	3.1%
DPU (Pence)	3.4	2.9	2.5	2.6	2.7
Div Yield (Y%)	9.5%	8.0%	7.0%	7.2%	7.4%
Net Profit Margin (%)	(53.6%)	56.4%	49.2%	50.3%	51.7%
Net Gearing (%)	40.9%	42.5%	39.1%	38.6%	38.0%
Current P/B (x)	0.84	0.89	0.88	0.88	0.87
ROE (%)	-10.7%	8.5%	7.2%	7.4%	7.5%

Source: Company data, KGI Research

**3Q25 results: Maintaining momentum.** Revenue rose 1.0% YoY to £28.3mn, supported by rental reversions and the £9.2mn acquisition of Priory Court, Custom House and Tŷ Merlin. Net property income declined 0.5% due to repositioning costs, but distributable income rose 6.2% YoY to £14.8mn, driving a 9.4% DPU growth to 2.33 pence. Management highlighted continued discipline in treasury and cost management alongside lease regear discussions for 2028 expiries.

Figure 1: Financial performance as of 9M25

(£'000)	9M24	9M25	YoY Change
Revenue	28,047	28,340	1.0%
Net Property Income	27,542	27,417	(0.5%)
Distributable Income	13,977	14,846	6.2%
Adjusted DPU (pence)	2.20	2.33	5.9%
DPU (pence)	2.13	2.33	9.4%

Source: Company

Outperform - Maintained			
Price as of 18 Nov 25 (GBP)	0.36	<b>Performance (Absolute)</b>	
12M TP (\$)	0.41		1 Month (%) 2.9
Previous TP (\$)	0.37		3 Month (%) -1.4
Upside, incl div (%)	20.2		12 Month (%) 31.9
Trading data			
Mkt Cap (\$mn)	217	<b>Perf. vs STI Index (Red)</b> 	
Issued Shares (mn)	603		
Vol - 3M Daily avg (mn)	0.4		
Val - 3M Daily avg (\$mn)	0.1		
Free Float (%)	77.9%		
Major Shareholders		Previous Recommendations	
Sunway Re Cap Pte Ltd	11.5%	18-Dec-24 OP S\$0.37	
Partner Reinsurance Eu Se	8.5%		
Partner Reinsurance Co Ltd	7.7%		

**Proactive portfolio management.** The total value of portfolio stood at £419.7mn across 148 assets as of 30 Sep 2025. Following the accretive £9.2mn acquisitions and earlier divestments of vacant assets, occupancy reached 98.6%, while WALE was 2.7 years due to upcoming lease expiries. Elite is actively engaging the DWP to regear leases ahead of 2028 maturities alongside the planning application on the Peel Park data-centre development and PBSA pipeline to diversify earnings.

Figure 2: Recent portfolio activities

Completion Date	Transaction	Property	Price
7 Oct 2024	Divestment	Sidlaw House, Dundee	£1,275,000
27 Nov 2024	Divestment	Hilden House, Warrington	£3,281,500
20 Dec 2024	Divestment	St Paul's House, Chippenham	£1,600,000
28 Feb 2025	Divestment	Crown Buildings, Caerphilly	£710,000
20 Jun 2025	Acquisition	Priory Court, Dover	£9,200,000
20 Jun 2025	Acquisition	Custom House, Felixstowe	
20 Jun 2025	Acquisition	Tŷ Merlin, Carmarthen	

Source: Company

**Gradual rate easing path confirmed.** In November, the BOE held the policy rate at 4.0%, as inflation held steady at 3.8%. The Bank judged that inflation has peaked and signalled that borrowing costs are likely to continue a gradual downward path. Against this backdrop, Elite UK REIT's sovereign-backed rental portfolio offers defensive income resilience and potential upside as rates gradually ease into 2026.

**Valuation & Action:** We reiterate our **OUTPERFORM** rating of Elite UK REIT with a raised target price of **£0.407**. Our DDM valuation uses 2.0% terminal growth rate and an 8.5% cost of equity. Elite UK REIT's government-anchored leases, prudent capital management and pipeline diversification underpin sustainable returns and NAV resilience.

**Risks:** Lease renewal uncertainty, high-interest rate environment and construction and planning risks.

**Resilient and counter-cyclical government-backed cash flows.** Elite's 148-asset portfolio remains anchored by government tenancy, with 99.1% of gross rental income derived from UK Government departments such as the DWP, Home Office and DEFRA. Quarterly advance rental payments and long-term leases continue to deliver high-visibility cash flows. In 9M25, DPU expanded 9.4% YoY despite a high-interest-rate environment, demonstrating Elite's counter-cyclical resilience and position as a defensive yield vehicle during macroeconomic uncertainty.

**Disciplined asset recycling and accretive acquisitions.** Elite maintained its focus on capital recycling and value creation. The three accretive acquisitions in June 2025, Priory Court (Dover), Custom House (Felixstowe) and Tŷ Merlin (Carmarthen), totalled £9.2mn and were acquired at a 9.2% GRI yield, providing approximately 0.6% DPU accretion and enhancing diversification through new tenants such as the Home Office and DEFRA. These acquisitions also extended the portfolio WALE beyond 2028, balancing the lease maturity profile. Proceeds from earlier divestments and an oversubscribed placement funded the purchases while maintaining gearing within a conservative 42%-43% range, underscoring the Manager's disciplined approach to growth and capital management.

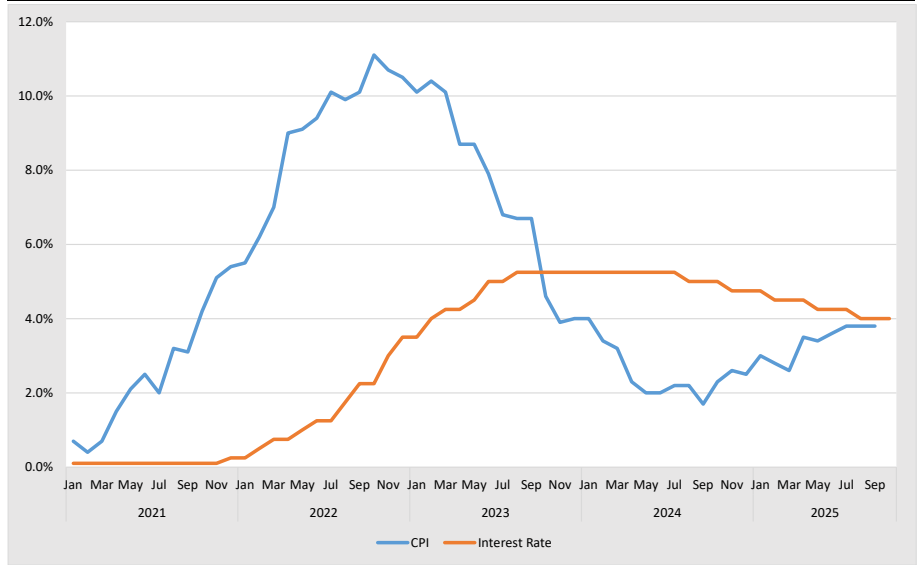
**Strategic expansion into PBSA.** Elite's entry into student housing is progressing steadily:

- **Lindsay House, Dundee (168 beds):** Planning approved, redevelopment ongoing, completion targeted for AY 2027.
- **Cambria House, Cardiff (~348 beds):** Pre-planning consultation completed with positive feedback.

The UK PBSA sector remains structurally undersupplied, with student-to-bed ratios of 3.5x in Dundee and 6.5x in Cardiff. Furthermore, its partnership with Mys Asset Management, which has been awarded B Corp status, brings operational expertise and sustainability integration to its Dundee redevelopment project.

**Treasury discipline and sustainability-linked financing.** Borrowing costs fell to 4.8%, with 85% of debt hedged and an interest-coverage ratio of 2.7x. All loans are GBP-denominated, eliminating FX exposure. Elite's 100% sustainability-linked debt enables interest margin step-downs via energy efficiency improvements, aligning ESG goals with DPU resilience.

**Long-term growth optionality.** The Peel Park data centre project, with 120 MVA secured and expansion into the living sector provide structural tailwinds from digitalisation and housing demand. Together with the PBSA pipeline, these initiatives build NAV-accretive growth beyond the government-office base.

**Figure 3: United Kingdom inflation and interest rates**


Source: Bank of England, Office for National Statistic, KGI Research

### Macro Environment

The Bank of England recently decided to maintain the policy rate at 4.0%, with inflation holding steady at 3.8% in September, below earlier forecasts. The central bank noted that inflation has likely peaked and indicated that borrowing costs are expected to trend gradually lower over time. However, policymakers opted to wait for more sustained evidence of disinflation before cutting rates, reflecting a cautious approach to monetary easing.

The decision comes ahead of the upcoming national budget later in November, where discussions of potential fiscal tightening have intensified. Updated projections suggest inflation may decline faster than previously expected, although near-term policy uncertainty remains. Overall, the macro landscape signals the beginning of a gradual rate normalisation cycle through 2026, which should support yield compression and real estate valuations, even as short-term fiscal risks persist.

### Company Outlook

Elite UK REIT remains well positioned to navigate this evolving environment. Occupancy stands at 98.6%, with a WALE of 2.7 years, underscoring portfolio stability anchored by long-term government leases. The REIT’s fully GBP-denominated debt structure, no refinancing requirements until 2027 and substantial headroom under sustainability-linked loans provide both protection and flexibility. The central bank’s signal of an easing bias enhances prospects for future refinancing savings, while ongoing lease regearing for 2028 maturities will further strengthen income visibility.

Looking ahead, growth will be driven by the successful redevelopment of PBSA assets and the data-centre initiative, both of which offer structural demand support and potential NAV uplift. With disciplined execution and conservative capital management, Elite continues to deliver stable income and incremental diversification, positioning it as a defensively oriented REIT in the UK market.

## Valuation

We reiterate our **OUTPERFORM** recommendation and a raised price target of **£0.407**. Our valuation is based on a Dividend Discount Model (DDM), which better reflects Elite UK REIT's consistent and visible cash distribution profile. The model assumes a lower cost of equity by 50 bps to 8.5%, a long-term DPU growth rate of 2.0%, and a forward DPU of 2.6 pence.

The combination of sovereign-backed income, disciplined leverage, and prudent diversification into PBSA and digital infrastructure supports sustainable dividend growth. We continue to view Elite UK REIT as a defensive income play with emerging structural growth catalysts that underpin long-term valuation resilience and investor appeal.

Our price target of £0.407 implies a potential upside of 13.2% from the current share price.

**Figure 4: DDM Model**

DDM	2025F	2026F	2027F	2028F	2029F
Discount Factor	0.923	0.838	0.761	0.692	0.628
Dividend Paid	0.025	0.026	0.027	0.030	0.031
Terminal Value					0.481
Discounted Dividend and Terminal Value	0.023	0.022	0.020	0.021	0.322
<b>Target Price*</b>	<b>0.407</b>				
Current Share Price (as of 26 August 2025)	0.360				
Upside	13.2%				

\*Full dilution after the issuance of 153,044 new units at GBP 0.34 per new Unit on 18 September 2025.

Source: KGI Research

**Financials**

FYE 31 December					
<b>INCOME STATEMENT (£ '000)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
<b>Revenue</b>	<b>37,637.0</b>	<b>36,472.0</b>	<b>36,454.1</b>	<b>36,750.7</b>	<b>36,878.2</b>
Other property income	7,569.0	2,604.0	3,379.3	3,379.3	3,379.3
Property operating expenses	(3,842.0)	(2,734.0)	(3,458.2)	(3,458.2)	(3,458.2)
<b>Net property income</b>	<b>41,364.0</b>	<b>36,342.0</b>	<b>36,375.2</b>	<b>36,671.7</b>	<b>36,799.2</b>
Manager's management fee	(1,804.0)	(1,845.0)	(2,109.4)	(2,109.4)	(2,109.4)
Trustee's fee	(109.0)	(106.0)	(104.9)	(104.9)	(104.9)
Other trust expenses	(1,205.0)	(2,313.0)	(1,727.6)	(1,727.6)	(1,727.6)
Net finance costs	(11,925.0)	(11,789.0)	(11,384.0)	(9,666.5)	(9,078.0)
Gain on disposal of investment properties	124.0	321.0	–	–	–
Net change in fair value of investment property	(47,827.0)	2,442.0	–	–	–
<b>Profit / (Loss) before tax</b>	<b>(21,382.0)</b>	<b>23,052.0</b>	<b>21,049.3</b>	<b>23,063.4</b>	<b>23,779.4</b>
Tax expense	(788.0)	(2,557.0)	(3,157.4)	(4,612.7)	(4,755.9)
<b>Profit / (Loss) for the year</b>	<b>(22,170.0)</b>	<b>20,495.0</b>	<b>17,891.9</b>	<b>18,450.7</b>	<b>19,023.5</b>
<b>BALANCE SHEET (£ '000)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Investment properties	413,719.0	412,791.0	421,332.0	421,332.0	421,332.0
Financial derivatives	483.0	1,629.0	1,629.0	1,629.0	1,629.0
<b>Total NCA</b>	<b>414,202.0</b>	<b>414,420.0</b>	<b>422,961.0</b>	<b>422,961.0</b>	<b>422,961.0</b>
Prepayment for capital expenditure	6,152.0	6,609.0	6,609.0	6,609.0	6,609.0
Trade and other receivables	2,873.0	7,993.0	7,939.4	8,004.0	8,031.7
Cash and cash equivalents	20,816.0	6,626.0	41,024.9	43,200.5	45,931.2
Tax recoverable	–	–	–	–	–
<b>Total CA</b>	<b>29,841.0</b>	<b>21,228.0</b>	<b>55,573.3</b>	<b>57,813.5</b>	<b>60,571.9</b>
<b>Total assets</b>	<b>444,043.0</b>	<b>435,648.0</b>	<b>478,534.3</b>	<b>480,774.5</b>	<b>483,532.9</b>
Loans and borrowings	94,024.0	183,334.0	211,800.0	211,800.0	211,800.0
Lease liabilities	1,221.0	1,213.0	1,213.0	1,213.0	1,213.0
<b>Total NCL</b>	<b>95,245.0</b>	<b>184,547.0</b>	<b>213,013.0</b>	<b>213,013.0</b>	<b>213,013.0</b>
Loans and borrowings	126,288.0	–	–	–	–
Lease liabilities	8.0	8.0	8.0	8.0	8.0
Trade and other payables	4,758.0	3,143.0	4,691.9	4,256.7	4,256.7
Deferred income	8,860.0	8,874.0	10,036.0	10,036.0	10,036.0
Current tax liabilities	1,642.0	2,555.0	2,555.0	2,555.0	2,555.0
<b>Total CL</b>	<b>141,556.0</b>	<b>14,580.0</b>	<b>17,291.0</b>	<b>16,855.8</b>	<b>16,855.8</b>
<b>Total liabilities</b>	<b>236,801.0</b>	<b>199,127.0</b>	<b>230,304.0</b>	<b>229,868.8</b>	<b>229,868.8</b>
Unitholders' funds and reserves	207,242.0	241,171.0	248,230.3	250,905.7	253,664.1
<b>Total liabilities and equities</b>	<b>444,043.0</b>	<b>440,298.0</b>	<b>478,534.3</b>	<b>480,774.5</b>	<b>483,532.9</b>
<b>CASH FLOW STATEMENT (£ '000)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
<b>Profit / (Loss) before tax</b>	<b>(21,382.0)</b>	<b>23,052.0</b>	<b>21,049.3</b>	<b>23,063.4</b>	<b>23,779.4</b>
Adjustments	59,946.0	10,057.0	16,829.0	9,666.5	9,078.0
<b>Operating income before working capital changes</b>	<b>38,564.0</b>	<b>33,109.0</b>	<b>37,878.3</b>	<b>32,729.9</b>	<b>32,857.4</b>
Change in working capital	8,929.0	(5,282.0)	2,764.6	(499.8)	(27.8)
Tax paid	(2,941.0)	(1,644.0)	(3,157.4)	(4,612.7)	(4,755.9)
Interest received	–	192.0	–	–	–
<b>Net cash generated from operating activities</b>	<b>44,552.0</b>	<b>26,375.0</b>	<b>37,485.5</b>	<b>27,617.4</b>	<b>28,073.7</b>
Proceeds /(prepayment) on properties	(479.0)	(2,447.0)	–	–	–
Others	16.0	–	(8,276.0)	1,558.9	1,512.0
<b>Net cash used in investing activities</b>	<b>(463.0)</b>	<b>(2,447.0)</b>	<b>(8,276.0)</b>	<b>1,558.9</b>	<b>1,512.0</b>
Net proceeds from units issued	–	27,479.0	3,670.0	–	–
Interest paid	(11,182.0)	(11,489.0)	(11,649.0)	(11,225.4)	(10,590.0)
Distribution to unitholders	(18,489.0)	(14,045.0)	(15,297.6)	(15,775.4)	(16,265.1)
Other financing cashflow	(4,252.0)	(34,857.0)	28,466.0	–	–
<b>Net cash used in financing activities</b>	<b>(33,923.0)</b>	<b>(32,912.0)</b>	<b>5,189.4</b>	<b>(27,000.8)</b>	<b>(26,855.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,166.0</b>	<b>(8,984.0)</b>	<b>34,398.9</b>	<b>2,175.6</b>	<b>2,730.6</b>
Cash and cash equivalents at 1 January	5,444.0	15,610.0	6,626.0	41,024.9	43,200.5
<b>Cash and cash equivalents at 31 December</b>	<b>15,610.0</b>	<b>6,626.0</b>	<b>41,024.9</b>	<b>43,200.5</b>	<b>45,931.2</b>
<b>KEY RATIOS</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
DPU (GBP Pence)	3.42	2.87	2.51	2.59	2.67
Dividend yield (%)	9.5%	8.0%	7.0%	7.2%	7.4%
NAV per unit (GBP Pence)	42.9	40.6	40.7	41.1	41.6
Price/NAV (x)	0.8	0.9	0.9	0.9	0.9
<b>Profitability</b>					
EBT Margin (%)	(51.7%)	63.4%	57.9%	62.9%	64.6%
Net Margin (%)	(53.6%)	56.4%	49.2%	50.3%	51.7%
ROE (ex. Property FV gain) (%)	(10.7%)	8.5%	7.2%	7.4%	7.5%
ROA (ex. Property FV gain) (%)	(5.0%)	4.7%	3.7%	3.8%	3.9%
<b>Financial Structure</b>					
Interest Coverage Ratio (x)	3.1	2.5	2.8	2.9	3.1
Gearing Ratio (%)	40.9%	42.5%	39.1%	38.6%	38.0%

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<b>Outperform (OP)</b>	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
<b>Neutral (N)</b>	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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