

26 January 2012

MedicX Fund

Year end	Rev (£m)	PBT* (£m)	EPS* (p)	Adj. NAV/share (p) ¹	All-in NAV/share (p) ²	DPS (p)	Yield (%)
09/10	11.1	2.7	2.2	65.7	71.4	5.40	7.3
09/11	12.5	4.1	2.4	66.0	68.0	5.50	7.4
09/12e	15.0	6.0	2.8	66.4	66.4	5.60	7.5
09/13e	16.9	6.5	2.7	68.7	68.7	5.70	7.6

Note: *PBT and EPS are normalised, excluding goodwill amortisation, changes in portfolio value and performance fees. ¹ Excluding deferred tax and goodwill. ² Includes mark-to-market adjustment for long-term fixed rate debt.

Investment summary: On track for 2012 growth

Last week's IMS confirmed further investment, with acquisitions and new construction in Q1. The most recent portfolio valuation (end December 2011) was £246.7m, a 5.87% net initial yield and £0.9m underlying increase over the quarter. MedicX is in a strong position to pursue further growth, with £15m of cash and £30m of undrawn debt (Deutsche Postbank facility) at end Q1 and terms agreed on a new £50m 20-year facility with Aviva. There is a £86.5m pipeline of investment opportunities, £29.8m already approved. The statement confirmed the intention referred to at the results in early December, to raise new equity. The broad structure is a c £45m open offer, placing and offer for subscription. Details will be set out in a prospectus published later this month, with dealings likely to start towards the end of February.

New debt and equity to capture portfolio scale benefits

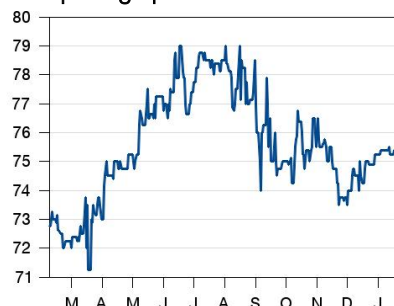
The additional cash raised would enable the group to take advantage of currently, very attractive acquisition terms. New acquisitions generate a c 6% net initial yield, from highly visible, long-term revenues, 90% of which is UK government (NHS) backed. The £7.5m drawn down under the Deutsche Postbank facility is fixed at 3.14% pa for its duration and the group's weighted average fixed debt cost fell to 4.88% as at the end of December 2011, vs 5.01% at end September 2011.

Valuation: Shares underpinned by 89p DCF and 7.6% yield

We have adjusted EPS and NAV forecasts for the Q1 portfolio update and shares issued during Q1 (0.9m at 75p and the 0.142m scrip at 74.6p), and assume c £45-50m of new equity and acquisition projections for the next two years. We will update this after the issue's completion at the end of February, but expect terms to be, as for earlier issues, non-dilutive on an NAV/share basis. At end December NAV/share was 65.8p (30 September 2011: 66p). The all-in figure, including the mark-to-market adjustment for the group's existing £100m fixed rate debt provided by Aviva, was 64.4p/share (30 September 2011: 68p); the drop reflected further falls in market interest rates in Q1. The investment adviser's DCF valuation was 89p/share, vs 88.2p.

Price 74.4p
Market cap £144m

Share price graph



Share details

Code MXF
Listing FULL
Sector Real Estate
Shares in issue 193.7m

Price

52 week High Low
79.50p 71.25p

Balance Sheet as at 30 September 2011

Debt/Equity (%) 65
Net borrowings (£m) 82.3

Business

MedicX Fund is a specialist investor in primary care infrastructure. It holds a portfolio of 65 properties (including nine under construction), let mainly to government-funded (NHS) tenants and pharmacies.

Valuation

	2011	2012e	2013e
P/E relative	297%	251%	286%
P/CF	1.4	1.8	1.2
EV/Sales	16.8	18.9	20.4
ROE	6%	6%	9%

Geography based on revenues (2011)

UK	Europe	US	Other
100%	0%	0%	0%

Analysts

Roger Leboff +44 (0)20 3077 5720
Martyn King +44 (0)20 3077 5745
property@edisoninvestmentresearch.co.uk

Exhibit 1: Financials

Year end 30 September	£'000s	2008 IFRS	2009 IFRS	2010 IFRS	2011 IFRS	2012e IFRS	2013e IFRS
PROFIT & LOSS							
Revenue	8,236	9,437	11,075	12,474	15,000	16,925	
Cost of Sales	(313)	(168)	(190)	(214)	(275)	(325)	
Gross Profit	7,923	9,269	10,885	12,260	14,725	16,600	
EBITDA	4,306	6,129	7,656	9,011	11,425	14,000	
Operating Profit (before GW and except.)	4,306	6,129	7,656	9,011	11,425	14,000	
Intangible Amortisation	(1,961)	(169)	(605)	(514)	(650)	(650)	
Revaluation of investment properties	(17,888)	(2,211)	6,180	3,409	4,000	5,000	
Investment advisory performance fee / loss on disposal of property	0	(869)	(89)	(294)	0	0	
Operating Profit	(15,543)	2,880	13,142	11,612	14,775	18,350	
Net Interest	(3,171)	(4,748)	(4,981)	(4,957)	(5,400)	(7,500)	
Profit Before Tax (norm)	1,135	1,381	2,675	4,054	6,025	6,500	
Profit Before Tax (FRS 3)	(18,714)	(1,868)	8,161	6,655	9,375	10,860	
Deferred tax on fair value movements in property values	2,880	403	(186)	665	(400)	(500)	
Profit After Tax (norm)	1,129	1,381	2,675	4,054	6,025	6,500	
Profit After Tax (FRS 3)	(15,834)	(1,465)	7,975	7,320	8,975	10,350	
Average Number of Shares Outstanding (m)	79.6	90.4	124.0	171.8	213.9	237.7	
EPS - normalised (p)	1.4	1.5	2.2	2.4	2.8	2.7	
EPS - normalised fully diluted (p)	1.4	1.5	2.2	2.4	2.8	2.7	
EPS - FRS 3 (p)	(19.9)	(1.6)	6.4	4.3	4.2	4.4	
Dividend per share (p)	5.20	5.33	5.40	5.50	5.60	5.70	
Gross Margin (%)	96.2	98.2	98.3	98.3	98.2	98.1	
EBITDA Margin (%)	52.3	64.9	69.1	72.2	76.2	82.7	
Operating Margin (before GW and except.) (%)	52.3	64.9	69.1	72.2	76.2	82.7	
BALANCE SHEET							
Fixed Assets	144,855	170,432	187,371	220,013	284,100	350,850	
Intangible Assets	7,698	7,529	6,924	6,410	6,100	5,850	
Tangible Assets	126,937	153,069	180,447	195,589	260,000	330,000	
Properties under construction	10,220	9,834	0	18,014	18,000	15,000	
Current Assets	27,109	9,111	19,764	23,237	26,300	19,500	
Stocks	0	0	0	0	0	0	
Debtors	3,048	1,939	2,475	5,125	6,300	6,500	
Cash	24,061	7,172	17,289	18,112	20,000	13,000	
Current Liabilities	(7,234)	(6,318)	(6,492)	(9,316)	(8,000)	(8,500)	
Creditors	(7,190)	(6,318)	(6,492)	(9,316)	(8,000)	(8,500)	
Short term borrowings	(44)	0	0	0	0	0	
Long Term Liabilities	(107,842)	(107,250)	(107,438)	(106,357)	(150,296)	(187,898)	
Long term borrowings	(101,046)	(100,857)	(100,859)	(100,443)	(144,000)	(181,000)	
Other long term liabilities	(6,796)	(6,393)	(6,579)	(5,914)	(6,296)	(6,898)	
Net Assets	56,888	65,975	93,205	127,577	152,104	173,952	
Net Assets excluding goodwill and deferred tax	55,986	64,839	92,860	127,081	152,300	175,000	
NAV/share (p)	71.4	63.1	66.0	66.2	66.4	68.3	
NAV/share excluding goodwill and deferred tax (p)	70.3	62.0	65.7	66.0	66.4	68.7	
Est. value/share of Fund's long-term fixed rate debt (p)	20.5	10.5	5.7	2.0	0.0	0.0	
NAV/share including benefit of long-term debt (p)	90.8	72.5	71.4	68.0	66.4	68.7	
CASH FLOW							
Operating Cash Flow	2,402	5,499	7,116	8,879	8,934	14,300	
Net Interest	0	(4,794)	(5,021)	(5,166)	(5,400)	(7,500)	
Tax	0	0	0	0	0	0	
Capex	0	0	0	0	0	0	
Acquisitions/disposals	(22,992)	(27,957)	(11,364)	(29,453)	(60,750)	(62,300)	
Financing	0	16,699	25,848	35,779	27,000	23,000	
Dividends	(4,061)	(6,147)	(6,408)	(8,727)	(11,448)	(11,502)	
Net Cash Flow	(24,651)	(16,700)	10,171	1,312	(44,664)	(44,002)	
Opening net debt/(cash)	52,378	77,029	93,685	83,570	82,331	124,000	
HP finance leases initiated	0	0	0	0	0	0	
Other	0	44	(56)	(73)	(5)	2	
Closing net debt/(cash)	77,029	93,685	83,570	82,331	124,000	168,000	

Source: Edison Investment Research, company accounts

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