

Elite UK REIT

(SGX: MXNU)

DPU growth from higher payout and interest savings

- **DPU growth from higher payout and interest savings.** Distribution per unit (DPU) increased by 5.6% year-on-year to 3.03 cents in FY2025. Besides interest savings through capital management, the higher DPU was also due to higher payout ratio of 95% in FY2025, from 92.5% in FY2024. Based on the closing price of £0.355 on 9 February 2026, Elite UK REIT offers a distribution yield of 8.5%.
- **Improved financial performance.** Revenue increased by 1.3% year-on-year to £38.0 million in FY2025 on the back of rental reversions and contributions from new assets. Net property income fell 3.7% year-on-year as lower dilapidation settlements and higher asset repositioning costs weighed on property income. On the other hand, interest savings from capital management and interest rate optimisation, together with tax benefits from tax planning and sustainability related capex, lifted distributable income by 4.6% year-on-year to £19.3m in FY2025.
- **Portfolio management to create value.** Portfolio value rose 2.0% year on year to £424.7m, driven by asset repositioning at Peel Park Blackpool and Lindsay House, Dundee. In addition, there were acquisition of three government-leased properties in June 2025. The expiries of DWP-occupied assets have been addressed with regear that extends the weighted average lease expiry (WALE) to 7.2 years as at 31 December 2025.
- **Active capital management strengthens balance sheet.** The next refinancing will occur only in 2027 on facilities with built-in two-year extension options. Net gearing edged down to 40.7% as at 31 December 2025, from 42.5% as at 31 December 2024, as prepaid rents were used to reduce borrowings, improving cash efficiency and lowering financing costs. All the debt is denominated in GBP and sustainability linked for efficiency. In FY2025, the cost of debt fell by 20 basis point to 4.7%, from 4.9% in the previous year.
- **Updates on DWP lease regear.** Elite UK REIT has achieved significant value creation from the recent lease regear of DWP-occupied assets. The lease renewal ranges from 7 to 10 years, extending the WALE (weighted average lease expiry) to 7.2 years. The zero lease breaks further strengthens its cash-flow visibility. The renewal covered 70% of DWP-occupied assets and negotiations on remaining assets will continue.
- **Maintain BUY and target price at £0.44.** Elite UK REIT is trading at £0.36, implying FY25 distribution yield of 8.4%. Comparing with other commercial REITs, Elite UK REIT offers an attractive distribution yield. We expect the FY2026 distribution per unit to increase, driven by full-year contribution of newly acquired assets and potential of interest savings. Portfolio value in FY2026 will improve to reflect the full impact from the longer lease tenures agreed on DWP-occupied properties.
- **Key risks.** Limited financial flexibility given that gearing is relatively high and a high proportion of secured debt. Cost of debt may increase if the sustainability targets are not met.

Ticker	MXNU
Rating	BUY
Price Target*	£0.44
Price (11 Feb)	£0.36
Upside/Downside:	+22.0%
52-week range	£0.265 – 0.365
Market Cap	£220M

*Target price is for 12 months

Research Analyst

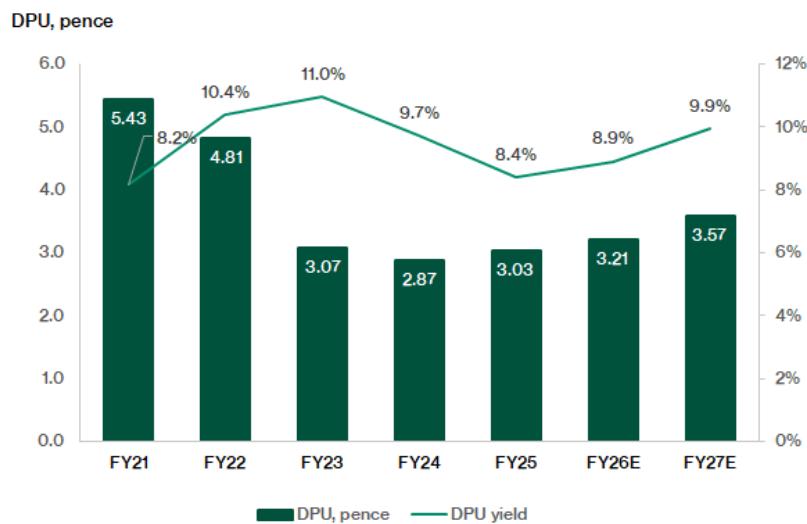
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DPU growth from higher payout and interest savings

Distribution per unit (DPU) increased by 5.6% year-on-year to 3.03 cents in FY2025. Besides interest savings through capital management, the higher DPU was also due to higher payout ratio of 95% in FY2025, from 92.5% in FY2024.

Based on the closing price of £0.36 on 11 February 2026, Elite UK REIT offers a distribution yield of 8.4%. Referring to our estimates, Elite UK REIT is trading at FY2026E distribution yield of 9.0%.

Figure 1: Distribution per unit and distribution yield



Source: Company data, Beansprout research.

Note : distribution yield FY21-25 based on end-of-period unit price.

Improved financial performance

Revenue increased by 1.3% year-on-year to £38.0 million in FY2025 on the back of rental reversions and contributions from new assets.

In June 2025, Elite UK REIT completed an acquisition of three properties from the UK government. It brings in a new high-quality tenant in DEFRA (Department for Environment, Food & Rural Affairs). The transaction is 0.6% DPU accretive and lowers the gearing by about 20 basis points.

Net property income fell 3.7% year-on-year as lower dilapidation settlements and higher asset repositioning costs weighed on property income.

Interest savings from interest rate optimisation, together with tax benefits from tax planning and sustainability related capex, lifted distributable income by 4.6% year-on-year to £19.3m in FY2025

Figure 2: Financial highlights

£ '000	FY2025	FY2024	change, % yoy
Revenue	37,973	37,503	1.3%
Property operating expenses	-3,682	-2,734	34.7%
Net property income	36,006	37,373	-3.7%
Finance expenses	-14,103	-13,127	7.4%
Income to be distributed to Unitholders	19,303	18,454	4.6%
Distribution per Unit (pence)	3.03	2.87	5.6%

Source: Company data. Excludes effect of straight-line rent adjustments

Portfolio management targets value creation

Portfolio value rose 2.0% year on year to £424.7m as at 31 December 2025, driven by asset repositioning at Peel Park Blackpool and Lindsay House, Dundee, and the acquisition of three government-leased properties in June 2025.

The portfolio valuation will increase in FY2026 to reflect the new leases signed on 5 February 2026. The valuation uplift from extending lease terms of up to ten years has yet to be reflected.

On a proforma basis, taking in the lease regear on DWP-occupied assets, weighted average lease expiry (WALE) improved to 7.2 years as at 31 December 2025, from 3.3 years as at 31 December 2024.

Separately, the conversion of Lindsay house into a 170-bed PBSA is on track for completion by September 2027. At Peel Park, the application for a data centre development is pending. In the event that Elite UK REIT could not secure a government occupier, it will divest the site to a third-party developer.

Figure 3: Portfolio metrics

Portfolio metrics	31-Dec-25	31-Dec-24	change, %
AUM, £ million	424.7	416.2	2.0%
No. of units outstanding, million	610.3	594.2	2.7%
Net asset value, £ million	241.7	241.2	0.2%
Net asset value per unit, £	0.40	0.41	-2.4%
Occupancy rate	98.6%	93.9%	+4.7 ppt
Porfolio WALE, years (by NLA)	7.20	3.30	3.9

Source: Company data

Updates on lease renewal with UK government for DWP assets

The lease discussions for DWP-occupied properties have concluded for about 70% of the lease expiries.

Announced on 6 February 2026, Elite UK REIT has successfully renewed 70% of the DWP-occupied assets for £24.3 million. The regear has significantly removed the maturity risk in 2028, lowering the expiry exposure to 32.0% of gross rental income.

The lease renewal ranges from 7 to 10 years, extending the portfolio WALE (weighted average lease expiry) to 7.2 years. There are no lease breaks, providing high visibility on the cash flows. The rent will be reviewed in 2033 on a CPI-linked basis. The renewal covered 60 assets out of the 99 assets. Negotiations on remaining assets will continue in 2026 and 2027.

The renewal stipulates that Elite UK REIT will contribute a one-time capital incentive of £9.5m over 2026 to 2028. The capital incentive will be deployed towards asset enhancement initiatives.

Figure 4: DWP (Department for Work & Pensions) assets lease regear

Key outcomes from DWP lease regear

- ✓ DWP-occupied assets with £24.3m in rent regeared in advance of 2028 lease expiries
 - Majority of assets are regeared to 7–10 years
- ✓ Lease expiry profile smoothed and extended
- ✓ Income visibility with portfolio WALE of 7.2 years
- ✓ Capital incentive of £9.5m⁽¹⁾



Overview of lease regear

Lease Maturity	WALE as at 31 Dec 2025	Option Lease after Expiry	Net Internal Area (sq ft)	Aggregate Annual Rent	CPI-linked Rent Review
April 2038	12.25 years	5 years	1,092,133	£13.6m	Minimum of 1% and a maximum of 5% on 1 April 2033 and upon exercise of lease option
April 2035	9.25 years		410,834	£3.5m	
April 2031	5.25 years	3 years	671,852	£7.1m	CPI-linked rent review upon exercise of Option Lease
December 2029	4.00 years	3 years	12,949	£0.1m	

Source: Company data

Note 1 : Elite UK REIT to contribute a one-time capital incentive of £9.5m over 2026 to 2028 to DWP-led asset enhancement initiatives.

Strengthens balance sheet

Figure 5: Debt maturity profile

Debt maturity profile (£m)



Source: Company data

The next refinancing will occur only in 2027 on facilities with built-in two-year extension options. This provides additional runway till 2029.

Net gearing edged down to 40.7% as at 31 December 2025, from 42.5% as at 31 December 2024, as prepaid rents were used to reduce borrowings, improving cash efficiency and lowering financing costs.

All the debt is denominated in GBP, creating a natural hedge and removing effect of foreign currency volatility on the balance sheet. As the entire debt is sustainability linked, this presents opportunity for potential margin savings tied to improved energy performance. In FY2025, the cost of debt fell by 20 basis point to 4.7%, from 4.9% in the previous year.

Going forward, the management plans to reduce the proportion of secured debt which accounts for 97.6% of total debt as at 31 December 2025.

Figure 6: Financial ratios

As of end of period	31-Dec-25	31-Dec-24	change
Total debt, £ mil	189.6	190.5	-0.5%
Aggregate leverage	42.8%	43.4%	-60 bps
Average cost of debt	4.7%	4.9%	-20 bps
Fixed rate borrowings	85.0%	86.0%	-1.0 ppt
Interest coverage ratio	2.6x	2.5x	0.1
Secured debt, £ mil	185.0	183.3	0.9%
% of secured debt	97.6%	96.2%	+1.4 ppt

Source: Company data

Maintain BUY and target price at £0.44

Elite UK REIT is trading at £0.36, implying FY25 distribution yield of 8.4%. Comparing with other commercial REITs, Elite UK REIT offers an attractive distribution yield. We expect the FY2026 distribution per unit to increase, driven by full-year contribution of newly acquired assets and interest savings. At the current price, Elite UK REIT offers FY2026E distribution yield of 8.9%, significantly higher than other REITs in the industrial and living sectors.

Figure 7: Valuation comparison

Name	Symbol	Market cap \$ mil	Last price \$	Dividend yield FY2025	Dividend yield FY2026E	PB ratio	Aggregate leverage
Elite UK REIT	MXNU.SI	380.1	£0.36	8.4%	8.9%	0.86	42.8%
Stoneweg European REIT	SEB.SI	1,357.1	2.42	8.2%	8.6%	0.79	43.2%
Centurion Accommodation REIT	8C8U.SI	293.6	1.12	4.9%	6.0%	1.31	42.8%
CapitaLand Ascott Trust	HMN.SI	3,754.5	0.98	6.3%	6.2%	0.83	37.7%
Mapletree Industrial Trust	ME8U.SI	5,820.8	2.04	6.3%	6.1%	1.22	40.1%
Mapletree Logistics Trust	M44U.SI	6,735.4	1.32	5.4%	5.5%	1.00	40.7%
		Average		6.6%	6.9%	1.0	

Source: Factset, Beansprout research, prices as at 11 February 2026

Financial summary

Y/E Dec (£m)	FY23A	FY24A	FY25A	FY26E	FY27E	Y/E Dec (£m)	FY23A	FY24E	FY25A	FY26E	FY27E
Income Statement						Cash Flow					
						Operating cash flow					
Revenue	45	39	38	40	42	Pretax profit	-21	23	16	33	25
Property expenses	-4	-3	-4	-4	-4	Adjustments	60	10	16	11	10
Net property income	41	36	35	37	38	Working capital changes	9	-5	6	-0	0
Other income	0	0	-0	0	0	Others	-14	-13	-15	-14	-13
Manager's fees	-2	-2	-2	-2	-2	Cash flow from operations	33	15	23	30	22
Other expenses	-1	-2	-2	-1	-1						
Share of results of associates & JV	0	0	0	0	0	Investing cash flow					
Change in value of investment properties	-48	2	-0	0	0	CAPEX	-4	-4	0	-3	-3
EBIT	-9	35	30	33	35	Others	3	0	0	0	0
Net finance expenses	-12	-12	-14	-11	-10	Cash flow from investments	-0	-4	0	-3	-3
Profit before tax	-21	23	16	33	25						
Tax	-1	-3	-2	-3	-3	Financing cash flow					
Minority interests	0	0	0	0	0	Dividends paid	-18	-14	-17	-20	-22
Profit attributable to owners	-22	20	14	14	21	Proceeds from borrowings	-4	-35	-1	0	0
						Others	0	27	0	0	0
Balance sheet						Cash flow from financing	-23	-21	-18	-20	-22
Assets											
PPE	414	413	426	429	433	Net change in cash	10	-10	4	7	-3
Others	0	2	0	0	0	Beginning cash	5	16	7	7	3
Total non-current assets	414	414	426	429	433	Currency translation	0	0	0	0	0
						Restricted cash	5	0	0	0	0
Cash & cash equivalents	21	7	16	3	-0	Ending cash	21	5	11	14	-0
Trade & other receivables	3	8	2	2	2						
Others	6	11	0	0	0	Per share data (pence)					
Total current assets	30	26	18	5	2	Book value per unit	42.91	40.59	39.63	39.54	39.46
Total assets	444	440	444	435	435	Distribution per unit	3.07	2.87	3.03	3.21	3.57
						Earnings per unit	(4.59)	3.45	2.27	2.27	3.49
Liabilities						Valuation					
ST borrowings	126	0	0	0	0	P/E (x)	-	8.6	15.8	15.8	10.3
Trade & other payables	5	3	3	3	3	P/B (x)	0.7	0.7	0.9	0.9	0.9
Others	11	11	12	12	12	EV/NPI (x)	(15.7)	15.3	24.3	12.1	16.5
Total current liabilities	142	15	15	15	16	Dividend yield (%)	11.0	9.7	8.4	8.9	9.9
LT borrowings	94	183	185	185	185						
Others	1	1	2	1	1	Ratios					
Total non-current liabilities	95	185	187	186	186	ROE (%)	(10.7)	8.5	5.7	5.8	8.8
Total liabilities	237	199	202	201	202	ROA (%)	(5.0)	4.7	3.1	3.2	4.9
						Net gearing	0.96	0.73	0.70	0.75	0.77
EQUITY						Aggregate leverage (%)	50.0	43.4	42.7	42.6	42.5
Share Capital	308	338	343	343	343						
Unit issue cost	-6	-6	-7	-7	-7	Margins (%)					
Accumulated profits	-95	-91	-95	-95	-96	EBIT margin	(20.9)	89.2	78.2	82.0	82.4
Total equity	207	241	242	241	241	Net margin	(49.0)	52.4	36.2	34.4	50.5
Minority interests	0	0	0	0	0						
Total equity and liabilities	444	440	444	442	442						

Disclosure Appendix

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