



RNS Acquisition

Acquires accretive £34M of nursery schools

LXI REIT PLC

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LXI REIT plc

(the "Company", the "Group" or "LXI REIT")

ACCRETIVE £34 MILLION ACQUISITION OF 30-YEAR LET NURSERY SCHOOL PORTFOLIO

The Board of LXI REIT (ticker: LXI), the specialist inflation-protected long income REIT, is pleased to announce the off-market sale and leaseback acquisition of a portfolio of 23 nursery schools in England ("the Nurseries") for a total cost of £34 million, reflecting an accretive 5.5% net initial yield (versus a current portfolio value of 4.7%).

The Nurseries have been acquired from and leased back to KidsFoundation, one of Europe's leading providers of education and care services for children, with over 900 educational facilities across the UK and northern Europe.

Each property benefits from a new, unbroken 30-year lease to the top entity within the KidsFoundation group. The rent increases on an annual basis in line with RPI inflation until 2030, from which date the reviews convert to CPIH inflation plus 0.83% pa (to reflect the change in RPI from that date). The reviews contain a collar of 1% pa and a cap of 4% pa.

The Nurseries are well located across England, with strong and affluent catchment populations and the rent has been set at a sustainable level to produce a high rent cover of 2.75X (EBITDAR of 2.75 times the rent) on an individual asset basis. This ensures the rent remains affordable for the tenant whilst the investment is also underpinned by vacant possession value.

The transaction reflects the tenant's ambition to further grow and invest in its UK business, with a continued drive to provide the highest quality early childhood education and care.

This acquisition represents the Company's first transaction in the nursery school sector, the attractions of which include:

- Income supported by a significant element of Government funding: 15 hours per week for all and 30 hours per week for lower income households;
- A robust performance during the pandemic: all of the Nurseries remained open, aside from at the start of the first lockdown;
- Demographic and societal changes resulting in more single parent households, fewer multi-generational households and a greater number of households where both parents work full time; and
- Small individual lot sizes providing liquidity and optionality on potential exit on an individual asset or portfolio basis.

The acquisition deploys the balance of the equity proceeds of the Company's £100 million placing in July this year. The Company is also in solicitors' hands on a range of pre-let forward fundings, which will be funded through the Company's revolving credit facility.

John White, Partner, LXI REIT Advisors commented:

"We are delighted to have made this first, substantial sale and leaseback acquisition for the Company in the robust nursery school sector. The portfolio provides LXI with highly secure, inflation-linked and diversified 30-year cashflows, supported by sustainable rents and strong residual values."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is: 2138008YZGXOKAXQVI45

NOTES:

LXI REIT plc invests in UK commercial property assets let, or pre-let, on long-term, triple-net, inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

The Company aims to provide shareholders with an attractive return, in the form of quarterly income distributions and with the potential for capital and income growth from key strategies which include indexed rental uplifts, pre-let forward fundings, sale and leasebacks, and off-market, value driven acquisitions and sales.

The Company is targeting an annual dividend of 6.0 pence per ordinary share for the 12-months commencing 1 April 2021* and its medium-term total return target is a minimum of 8% pa.

The Company, a real estate investment trust ("REIT") incorporated in England and Wales, is 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.

The Company is a constituent of the FTSE 250, FTSE EPRA/NAREIT and MSCI indices.

Further information on the Company is available at www.lxireit.com

* These are guidance levels or targets only and not a profit forecast and there can be no assurance that they will be met.

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