

## **CUSTODIAN PROPERTY INCOME REIT PLC: UPDATE ON RECOMMENDED ALL-SHARE MERGER WITH ABRDN PROPERTY INCOME TRUST LIMITED**

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Custodian Property Income REIT plc (CREI)

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22 February 2024

#### **Custodian Property Income REIT plc (the "Company" or "CREI")**

#### **Update on recommended all-share merger with abrdn Property Income Trust Limited including withdrawal of certain letters of intent**

The board of directors of CREI (the "CREI Board") notes the announcements by abrdn Property Income Trust Limited ("API") on 20 February 2024 regarding an indicative all-share offer for API from Urban Logistics REIT plc ("ULR") (the "ULR Offer") and on 22 February 2024 regarding API's intention to adjourn the API Court Meeting and API General Meeting so as to be reconvened and held on 20 March 2024.

David MacLellan, Chairman of CREI, commented:

"We acknowledge the API board's requirement for time to assess the potential options. We firmly believe that the rational conclusion of this assessment would be to maintain its recommendation for the all-share merger with CREI. This will benefit both sets of shareholders by creating a well-positioned REIT of enhanced scale, with the opportunity to participate in the returns from the two complementary portfolios, with a fully covered and sustainable dividend."

#### **Compelling rationale for the Recommended Merger**

The CREI Board reaffirms its belief in the compelling strategic and financial rationale for the recommended all-share merger of CREI and API (the "Recommended Merger") for CREI and API shareholders, including:

- *Income focus* – CREI and API share an income-focused investment strategy with an emphasis on regional, below-institutional sized assets that are well-positioned to capture the rental growth and yield advantage available in order to generate higher income returns and capital growth for shareholders. Following the Recommended Merger, CREI will continue its commitment to paying a fully covered dividend in line with CREI's existing policy and practice since IPO, which is expected to result in a 7.3% uplift in annual dividends payable to API Shareholders<sup>(1)</sup>.
- *Diversification* – The Recommended Merger would bring together two complementary portfolios to create a differentiated REIT with enhanced diversification by sector, asset, geography and tenant. The Combined Group is expected to have a suitable balance between the main commercial property sectors and the CREI Board confirms that diversification will remain a central component of the ongoing strategy.

The CREI Board highlights the following in respect of the potential alternatives to the Recommended Merger:

- *Mandate* – the API strategy and portfolio is highly complementary to CREI's focus on income and diversification. ULR provides investors a 'pure play' on exposure to logistics real estate, acquiring only 'last mile' assets which are well located close to urban areas<sup>(2)</sup> and the ULR Offer states the combined group would "focus on the last-mile / last-touch mid-box area of UK logistics". The API portfolio is highly diverse across Industrial (48%), Offices (25%), Retail warehousing (11%), High street retail (4%) and Other (12%) (% of API's portfolio by income as at 31 December 2023)<sup>(3)</sup>. The CREI Board notes that 52% of the API portfolio (as a % of API's portfolio by income as at 31 December 2023) does not represent industrial properties;
- *Disposals* – CREI expects to continue each company's ongoing programme of asset disposals, subject to prevailing sector specific market conditions at the time of such disposals. In contrast the ULR Offer is stated to involve a "value optimisation approach for all of the assets outside Logistics and Retail Warehouses", such assets represented 41% of API's portfolio by income as at 31 December 2023. The CREI Board believes that such an approach would be unlikely to maximise value for API Shareholders, particularly by reference to the office sector which comprised c.25% of API's portfolio by income as at 31 December 2023; and
- *Offer values* – the share prices of both CREI and ULR have moved significantly since the ULR Offer. While it is acknowledged that the ULR Offer is indicative, as at market close on 21 February 2024 the Recommended Merger represented a premium to the ULR Offer<sup>(4)</sup>.

#### **CREI General Meeting**

Consistent with the adjournment of the API shareholder meetings, the CREI Board intends to adjourn the CREI General Meeting so as to be reconvened and held on 19 March 2024 at 9.30 a.m. at the offices of Deutsche Numis, 45 Gresham Street, London EC2V 7BF. As required pursuant to CREI's articles of association, at least seven clear days' notice of the adjourned meeting will be sent to CREI Shareholders, confirming the time, location and business of the meeting. Further details of the revised timetable will be set out by the CREI Board in due course.

#### **Disclosure under Rule 2.10(c) of the Code**

The CREI Board discloses under Rule 2.10(c) of the Code that CREI has been notified of the withdrawal of the letters of intent to vote in favour of the Scheme at the API Court Meeting and the API Resolution at the API General Meeting given to CREI by Brooks Macdonald Asset Management and Wise Funds Limited. In aggregate these letters of intent related to 17,260,381 API Shares representing approximately 4.53% of the issued share capital of API as at 21 February 2024 (being the last practicable date prior to the date of this announcement)<sup>(5)</sup>.

## Expected Timetable<sup>(6)</sup>

The CREI Board's current expectation for the timetable of principal events in connection with the Recommended Merger in light of API's intention to adjourn the API Court Meeting and API General Meeting is as follows:

CREI General Meeting	19 March 2024
API Court Meeting	10.00 a.m. on 20 March 2024
API General Meeting	10.15 a.m. on 20 March 2024 <sup>(7)</sup>
Sanction Hearing	Late March 2024
Effective Date	Early April 2024
New CREI Shares issued to API Shareholders, listed and commencement of dealings in the New CREI Shares on the London Stock Exchange	Early April 2024

## Notes

(1) Based on the Exchange Ratio and CREI's target dividend of 5.5 pence per share compared to API's current annual dividend of 4.0 pence per share. The dividends referred to above are not intended as a profit forecast or estimate for CREI or API for any period and no statement in this document should be interpreted to mean that earnings or earnings per CREI Share or per API Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per CREI Share or per API Share.

(2) Source: <https://www.urbanlogisticsreit.com/about-us/our-unique-business-model/>.

(3) Data as per the Scheme Document in relation to the Recommended Merger published by API on 1 February 2024. Income relates to aggregate of passing rent for occupied assets and estimated rental value for vacant assets. 'Other' sectors include: leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

(4)

	CREI	ULR
Issued share capital as at 21 February 2024	440,850,398	471,975,411
Closing price as at 21 February 2024	72.7p	118.6p
ULR special dividend		(2.45p)
Exchange ratio	0.78	0.47
Implied offer value per share	56.7p	54.5p
<b>Premium of Recommended Merger to ULR Offer</b>	<b>+4.1%</b>	

Source: All closing prices sourced from Bloomberg.

(5) The total number of API Shares which remain subject to irrevocable undertakings received by CREI from API Directors and letters of intent received by CREI from other API Shareholders is 9,532,864 API Shares, representing approximately 2.50% of the issued share capital of API as at 21 February 2024 (being the last business day prior to the date of this announcement).

(6) References to times are to London time. These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and the date on which the Conditions are satisfied or, if capable of waiver, waived. If any of the dates and/or times in this expected timetable change, the revised dates and/or times will be notified by announcement through an RIS.

(7) The API General Meeting will commence at 10.15 a.m. on the day of the API Court Meeting or as soon thereafter as the API Court Meeting has been concluded or adjourned.

Capitalised terms used in this announcement, unless otherwise defined, shall have the meanings given to them in the Scheme Document in relation to the Recommended Merger published by API on 1 February 2024.

## Enquiries

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## Important Notices

*Numis Securities Limited (which is trading for these purposes as Deutsche Numis) ("Deutsche Numis"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for CREI and for no one else in connection with the Recommended Merger and/or any other matter referred to in this announcement and will neither regard any other person as its client nor be responsible to anyone other than CREI for providing the protections afforded to its clients or for providing advice in connection with the Recommended Merger, the contents of this announcement, or any other matters referred to in this announcement. Neither Deutsche Numis nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct, indirect, consequential, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Deutsche Numis in connection with this announcement, any statement or other matter or arrangement referred to herein or otherwise.*

## Further information

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#### **Forward-looking statements**

This announcement, oral statements made regarding the Recommended Merger, and other information published by CREI and API contain statements about CREI, API and/or the Combined Group that are or may be deemed to be "forward-looking statements". All statements other than statements of historical facts included in this announcement, may be forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of CREI and API about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this announcement include statements relating to the expected effects of the Recommended Merger on CREI and API, the expected timing and scope of the Recommended Merger and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (ii) business and management strategies and the expansion and growth of CREI's or API's or the Combined Group's operations and potential synergies resulting from the Recommended Merger.

Although CREI and API believe that the expectations reflected in such forward-looking statements are reasonable, neither CREI nor API can give assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: the ability to complete the Recommended Merger; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms; changes in the global political, economic, business and competitive environments and in market and regulatory forces; changes in future exchange and interest rates; changes in tax rates; future business combinations or disposals; changes in general economic and business conditions; changes in the behaviour of other market participants; the anticipated benefits from the Recommended Merger not being realised as a result of changes in general economic and market conditions in the countries in which CREI and API operate; weak, volatile or illiquid capital and/or credit markets; changes in the degree of competition in the geographic and business areas in which CREI and API operate; and changes in laws or in supervisory expectations or requirements. Other unknown or unpredictable factors could cause actual results to differ materially from those expected, estimated or projected in the forward-looking statements. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions proves incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors.

Neither CREI nor API, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Given the risks and uncertainties, you are cautioned not to place any reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations, neither CREI nor API is under any obligation, and each of CREI and API expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Disclosure Requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Code applies must be made by no later than 3.30 p.m. (London time) on the 10th business day (as defined in the Code) following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day (as defined in the Code) following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8 of the Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Code applies must be made by no later than 3.30 p.m. (London time) on the business day (as defined in the Code) following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

#### **Publication on Website**

In accordance with Rule 26.1 of the Code, a copy of this announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on CREI's website at <https://custodianreit.com/proposed-all-share-merger-with-abrdn-property-income-trust-limited/> by no later than 12 noon (London time) on the first Business Day following the date of this announcement.

#### **Rounding**

Certain figures included in this announcement have been subjected to rounding adjustments.

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