

DUKEMOUNT, A LONG-DATED INCOME YIELD FEEDER

Dukemount Capital Plc (“DKE”), the developer and manager of real estate portfolios in the UK supported living and hotel sector has announced that it has signed a 50-year lease term with Larch Housing Association Limited. The 50-year lease will provide a rental income of £234,000. The site being developed will include 17 apartments and 3,200 square feet of retail space. We are confident that there is institutional demand for long-dated income and an offer of around £5m is highly possible, which will provide a net return of at least £1m to DKE.

SPECULATIVE BUY

Target Price: 2.3p

Stock Data

Price: 0.615p
Mkt Cap: £2.1m
Share Out: 338.3m

Ticker: DKE.L

Key Management

Geoffrey G Dart (Chairman)
Paul Gazzard (Director)
Timothy Le Druillenec (Director)

Notifiable Shareholders

Continental Natural Resources Limited 57m shares (17%)
Martin Gallagher 49m shares (4%)

Demonstrating execution and near-term profitability: This is exciting news from DKE because they are a step closer to delivering profits of at least c.£1m from their first transaction. This demonstrates excellent execution from the management. It is important to highlight that DKE could own the properties on a freehold basis thereby strengthening their balance sheet and underpinning the value of company.

Favourable Market Dynamics: There is an imbalance between demand and supply for long-dated income. The demand for long-dated income could be in the magnitude of £1.6 trillion, which is almost 5 times the current market value and the supply is expected to lag demand for long-dated income. Therefore, we are confident that there will be institutional appetite for these types of properties because the majority continue to seek alternative inflation linked investments in a low yield environment.

Valuation: DKE benefits from a flat expenditure structure and if we assume a conservative P/E multiple of 8x, with net earnings of £1m, it will imply a market value of at least £8m or 2.3p target price over the next 12 months.

Dukemount Capital Plc has a highly-experienced team with more than 70 years of combined experience in the property market: Geoffrey Dart, Chairman of DKE is a merchant banker with an established track record in hotel development. Geoffrey intends to leverage off his institutional relationships to execute long-dated income transactions.

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Optiva Securities Limited, 2 Mill Street, Mayfair, London W1S 2AT

T: +44(0)203 137 1902

F: +44(0)870 130 1571

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