



Lost in translation



In public equity markets, we speak a common language: when a share goes ex-dividend, the buyer doesn't receive the next dividend. They weren't there when the profits were generated. They didn't take the risk. End of story. But private equity appears to be working from a different phrasebook altogether.

Matthew Norris, Fund Manager and Managing Director of Real Estate Securities at Gravis, takes a closer look at the market disconnect.

Key takeouts:

- Dividends Already Paid \neq Offer Value
- Mismatch Between Public and Private Equity Logic
- Shareholders should continue to receive dividends while their capital remains at risk

In recent REIT takeover bids, private equity buyers have begun to claim credit for dividends that have already been paid — and, in some cases, for those where shares have recently gone ex-dividend — as a component of the value of their offers to shareholders. The logic simply doesn't hold up.

Shares trade on a daily basis, and those dividends may well have been received by entirely different investors who have since exited.

Take the current bid for **Assura plc**. Any investor who bought shares on or after the ex-dividend date in early June will not receive the July dividend — and millions of Assura shares have changed hands since then. Should the private equity consortium's offer succeed, these new shareholders will only receive the consortium's final offer of 50.42p per share in cash. That's it.

That's how buying a share ex-dividend works — and it is well understood by those in public markets.

This distinction matters, because the 50.42p offer — announced after the ex-date — merely reflects **Assura plc's** net tangible asset value. It fails to recognise the broader value created over two decades.

That includes platform value, in the form of an experienced management team and an emerging fee-earning third-party capital management business; portfolio value, through a carefully curated and resilient collection of healthcare assets; and balance sheet value, underpinned by low-cost, long-term financing. Value created using long-term shareholder capital.

The debt adjustment alone creates meaningful balance sheet value. In its interim results, **Assura plc** estimated that adjusting for the fair value of debt increased the net disposal value to 54.9p per share — significantly higher than the consortium's final offer.

In a sector where rental income is collected quarterly in advance, and deal timelines can stretch into months, shareholders should continue to receive dividends while their capital remains at risk. Anything less effectively transfers earned income to the bidder — income the bidder did not generate and shouldn't be trying to claim.

The competing offer from **Primary Health Properties PLC (PHP)** speaks more clearly. It offers shareholders a combination of cash and equity, while also permitting an additional dividend



“in lieu of” the October payment — without reducing the stated value of the deal. That’s how an offer should be constructed — and how it should work.

So why are private equity bidders implying that previously paid dividends — especially those received by former shareholders — should be included in their calculation of offer value?

It risks misleading shareholders to suggest that dividends already paid — or soon to be — form part of a takeover offer. These are past entitlements; naturally, those who held the shares when they went ex-dividend retain them, come what may.

What matters to shareholders in a takeover isn’t what’s been paid — it’s the future value of the business.

It would do much for market credibility — and investor confidence — if private equity made a more concerted effort to speak the language of public equity.

Until then, shareholders risk seeing past dividends repackaged by private equity as if they’re part of the offer — when they’re simply payments already made by the company to its owners — and mistranslated to fit the takeover narrative.

Important information

Disclosure: the VT Gravis UK Listed Property Fund is an investor in **Assura plc** and **Primary Health Properties PLC (PHP)**.

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