



Managed by Stride Investment  
Management Limited

## **Interim Results**

For the six months ended  
30 September 2017

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# Highlights

1. Introduction

2. Methodology

3. Results

4. Discussion

5. Conclusion

# Highlights

(Prior six month period to 30 Sep 2016 figures in brackets)

## Financial Performance

- Net rental income of \$22.2m (\$13.3m)
- Corporate expenses of \$2.7m (\$2.0m)
- Profit before other income and income tax of \$13.6m (\$3.9m)
- Profit after income tax of \$11.6m (\$2.3m), up \$9.3m
- Distributable profit<sup>1</sup> before income tax of \$13.1m (\$8.4m)
- Distributable profit after income tax of \$10.4m (\$7.4m), up \$3m
- Annual cash dividend guidance of 7.46cps for the year ended 31 Mar 2018 (FY18)
  - 1.86cps cash dividend declared for the quarter ended 30 Sep 2017
- Loan to value ratio (LVR) 39.4% (39.5% as at 31 Mar 2017)

## Profit after income tax

**\$11.6m**, up \$9.3m

## Distributable profit<sup>1</sup> after income tax

**\$10.4m**, up \$3m

## Annual cash dividend guidance for FY18

**7.46cps**

<sup>1</sup> Distributable profit is a non-GAAP financial measure adopted by Investore Property Limited (Investore) to assist Investore and its investors in assessing Investore's profit available for distribution. It is defined as profit/(loss) before income tax adjusted for non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 5 to the interim financial statements for the six months ended 30 September 2017.

# Highlights

(As at 31 Mar 2017 figures in brackets)

## Portfolio

- Total portfolio value of \$662.7m (\$660.4m)
- Net Tangible Assets (NTA) backing per share of \$1.55 (\$1.55)
- No lease expiries remaining in FY18
- FY19 lease expiries at 3.0% of the portfolio contract rental<sup>1</sup>
- Occupancy at 99.9% (99.8%)
- Weighted average lease term (WALT) 13.8 years (14.3 years)

## Acquisitions

- 12 Heaton Street, Timaru, for \$0.4m
- **Post 30 Sep 17** - 6 & 8 Heaton Street, Timaru, for \$1.0m
- **Post 30 Sep 17** - Agreement to purchase three Bunnings properties in Hamilton, Rotorua and Palmerston North, for \$78.5m at an initial yield of 6.13% from Stride Property Limited, subject to Investore shareholder approval

**NTA per share**

**\$1.55**

**FY18**

**No lease expiries remaining**

**FY19**

**Lease expiries 3.0%**

<sup>1</sup> Contract rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at 30 September 2017, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2017, and assuming no default by the tenant.

# Financial Performance

# Financial Performance

	Actual 30 Sep 2017 \$m	Actual 30 Sep 2016 \$m	Change	
			\$m	%
Net rental income	22.2	13.3	8.8	66.4
Corporate expenses	(2.7)	(2.0)	(0.8)	(38.6)
Profit before net finance expenses, other income/(expenses) and income tax	19.4	11.3	8.1	71.3
Net finance expenses	(5.9)	(7.5)	1.6	21.8
Profit before other income/(expenses) and income tax	13.6	3.9	9.7	252.1
Other income/(expenses) <sup>1</sup>	1.2	(0.9)	2.1	223.9
Profit before income tax	14.7	2.9	11.8	404.6
Income tax expense	(3.1)	(0.6)	(2.5)	(432.3)
Profit after income tax attributable to shareholders	11.6	2.3	9.3	397.6

<sup>1</sup> Other income/(expenses) includes net change in fair value of investment properties.

Values in the table above are calculated based on the unaudited numbers in the interim financial statements for each respective financial period and may not sum accurately due to rounding.

# Distributable Profit

	Actual 30 Sep 2017 \$m	Actual 30 Sep 2016 \$m	Change	
			\$m	%
<b>Profit before income tax</b>	14.7	2.9	11.8	404.6
<b>Non-recurring and non-cash adjustments:</b>				
- Net change in fair value of investment properties	(1.2)	0.9	(2.1)	(223.9)
- Spreading of fixed rental increases	(0.5)	(0.3)	(0.2)	(77.9)
- Refinancing cost amortisation	0.1	0.3	(0.2)	(58.6)
- Finance expense - swap break expense	0.0	3.7	(3.7)	(100.0)
- One-off transaction costs	0.0	0.9	(0.9)	(100.0)
<b>Distributable profit<sup>1</sup> before income tax</b>	<b>13.1</b>	<b>8.4</b>	<b>4.8</b>	<b>56.9</b>
Current tax expense	(2.7)	(1.0)	(1.8)	(184.2)
<b>Distributable profit after income tax</b>	<b>10.4</b>	<b>7.4</b>	<b>3.0</b>	<b>40.3</b>
<b>Adjustments to funds from operations:</b>				
- Maintenance capital expenditure	(0.1)	(0.5)	0.5	85.4
<b>Adjusted Funds From Operations (AFFO)</b>	<b>10.3</b>	<b>6.9</b>	<b>3.4</b>	<b>50.2</b>
Weighted average number of shares (millions)	<b>261.8</b>	<b>130.9</b>		
<b>Basic and diluted distributable profit after tax per share – weighted (cents)</b>	<b>3.97</b>	<b>5.66</b>		
<b>AFFO basic and diluted distributable profit after tax per share</b>				
<b>- weighted (cents)</b>	<b>3.94</b>	<b>5.25</b>		

<sup>1</sup> Distributable profit is a non-GAAP financial measure adopted by Investore Property Limited (Investore) to assist Investore and its investors in assessing Investore's profit available for distribution. It is defined as profit/(loss) before income tax adjusted for non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 5 to the interim financial statements for the six months ended 30 September 2017.

Values in the table above are calculated based on the unaudited numbers in the interim financial for each respective financial period and may not sum accurately due to rounding.



# Financial Summary

	Unaudited As at 30 Sep 2017	Audited As at 31 Mar 2017
Property value (\$m)	662.7	660.4
Bank debt drawn (\$m)	261.0	261.0
Bank loan to value ratio	39.4%	39.5%
Equity (\$m)	405.1	405.0
Shares on issue (millions)	261.8	261.8
NTA per share	\$1.55	\$1.55
Adjusted NTA <sup>1</sup> per share	\$1.54	\$1.54

<sup>1</sup> Excludes the after tax fair value of interest rate derivatives.

# Capital Management

Capital Management

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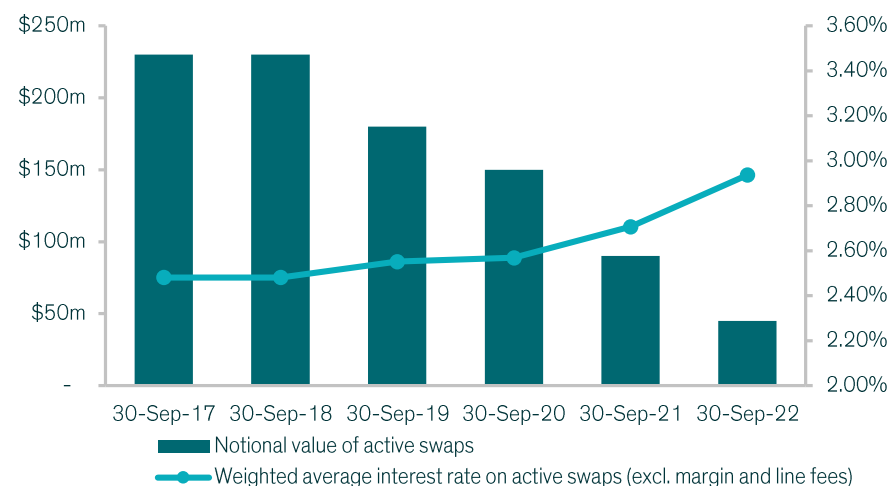
	As at 30 Sep 2017
Bank facility limit (ANZ, BNZ, CBA, Westpac)	\$370m
Bank debt drawn	\$261m
Weighted average cost of debt (incl. margins & line fees)	4.47%
Weighted average interest rate on current swaps (excl. margins & line fees)	2.48%
Weighted maturity of facility	2.7 years
Weighted average hedging duration (incl. forward starting swaps)	3.8 years
% of drawn debt hedged	88%

## Key Transactions:

- \$30m additional interest rate hedging entered into, with a weighted average rate of 2.73% and initial weighted average tenor of 5.5 years
- \$20m of interest rate hedging expired in the period, at a weighted average rate of 2.18%

	Covenant	As at 30 Sep 2017
Loan to Value Ratio (Bank Debt / Property Values)	≤ 65%	39.4%
Interest Cover Ratio (EBIT / Interest and Financing Costs)	≥ 1.75x	3.4x
Fully Leased Unexpired Term <sup>1</sup>	> 6.0 years	13.8 years

Hedging profile



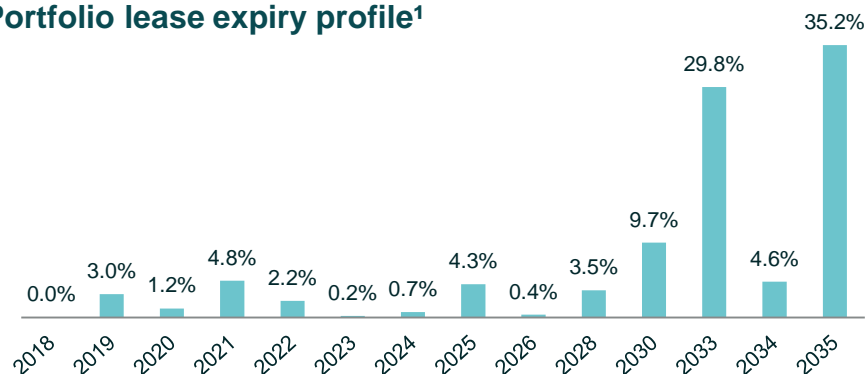
<sup>1</sup> The unexpired leased term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

# Portfolio Overview

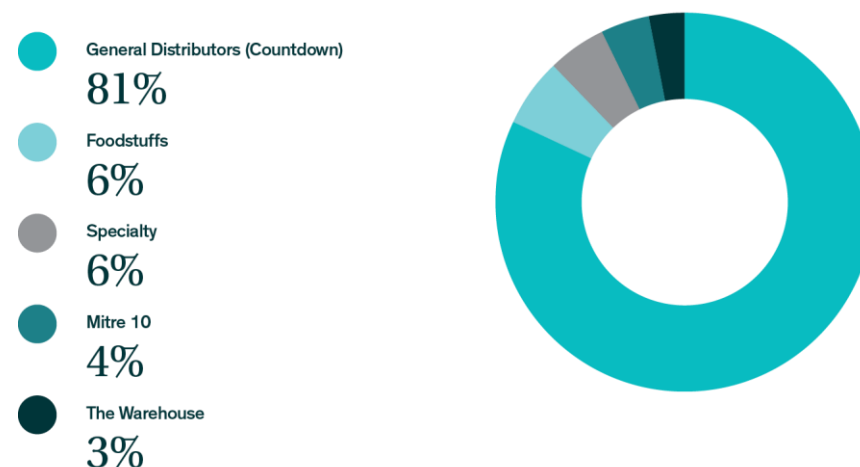
# Portfolio Summary

Overview	As at 30 Sep 2017
Properties	39
Tenants	74
Net Lettable Area (m <sup>2</sup> )	174,702
Occupancy Rate (by area)	99.9%
WALT (years)	13.8
Portfolio Value	\$662.7m

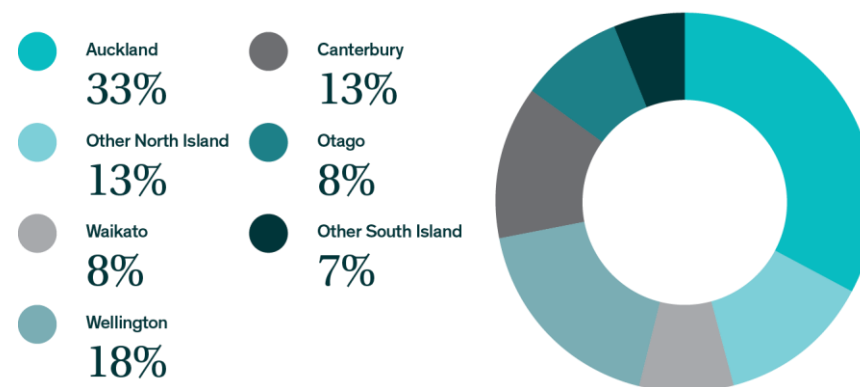
## Portfolio lease expiry profile<sup>1</sup>



## Tenant diversification based on Contract Rental<sup>1</sup> As at 30 Sep 2017



## Geographic diversification based on Contract Rental<sup>1</sup> As at 30 Sep 2017



<sup>1</sup> Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant under the terms of the relevant lease as at 30 September 2017, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2017, and assuming no default by the tenant.

# Remaining Lease Expiries FY18 & FY19

<b>FY18 Property</b>	<b>Tenant</b>	<b>Net Lettable Area (m<sup>2</sup>)</b>	<b>% of Contract Rental</b>
Nil			

<b>FY19 Property</b>	<b>Tenant</b>	<b>Net Lettable Area (m<sup>2</sup>)</b>	<b>% of Contract Rental</b>
Corner Anglesea & Liverpool Streets	Countdown	5,265	2.0
Balance		1,294	1.0
		<b>6,559</b>	<b>3.0</b>

As at 30 September 2017, 1.16% of contract rental expiries remain in FY20.

# Portfolio Occupancy<sup>1</sup> 99.9%

Property	As at 30 Sep 2017		
	Occupancy (%)	Vacancy (m <sup>2</sup> )	Total area (m <sup>2</sup> )
3 - 7 Mill Lane, Warkworth	98.0	76	3,815
Corner Hanson Street, John Street & Adelaide Road, Wellington	98.7	64	4,881
Corner Fernlea Avenue & Roberts Line	97.6	88	3,611
Other	100.0	-	162,395
<b>Total Investment Properties</b>	<b>99.9</b>	<b>228</b>	<b>174,702</b>

Totals in the table above may not sum accurately due to rounding.

<sup>1</sup>- Leased area as a proportion of the total net lettable area.

# Development Project



# Development Project

## Mitre 10, Corner Te Irirangi Drive & Bishop Dunn Place, Auckland

- \$3m premises extension to be completed in July 2018
- 1,300m<sup>2</sup> development consisting of an extension to the trade warehouse, new inwards goods area and canopy



Mitre 10, Corner Te Irirangi Drive & Bishop Dunn Place, Auckland

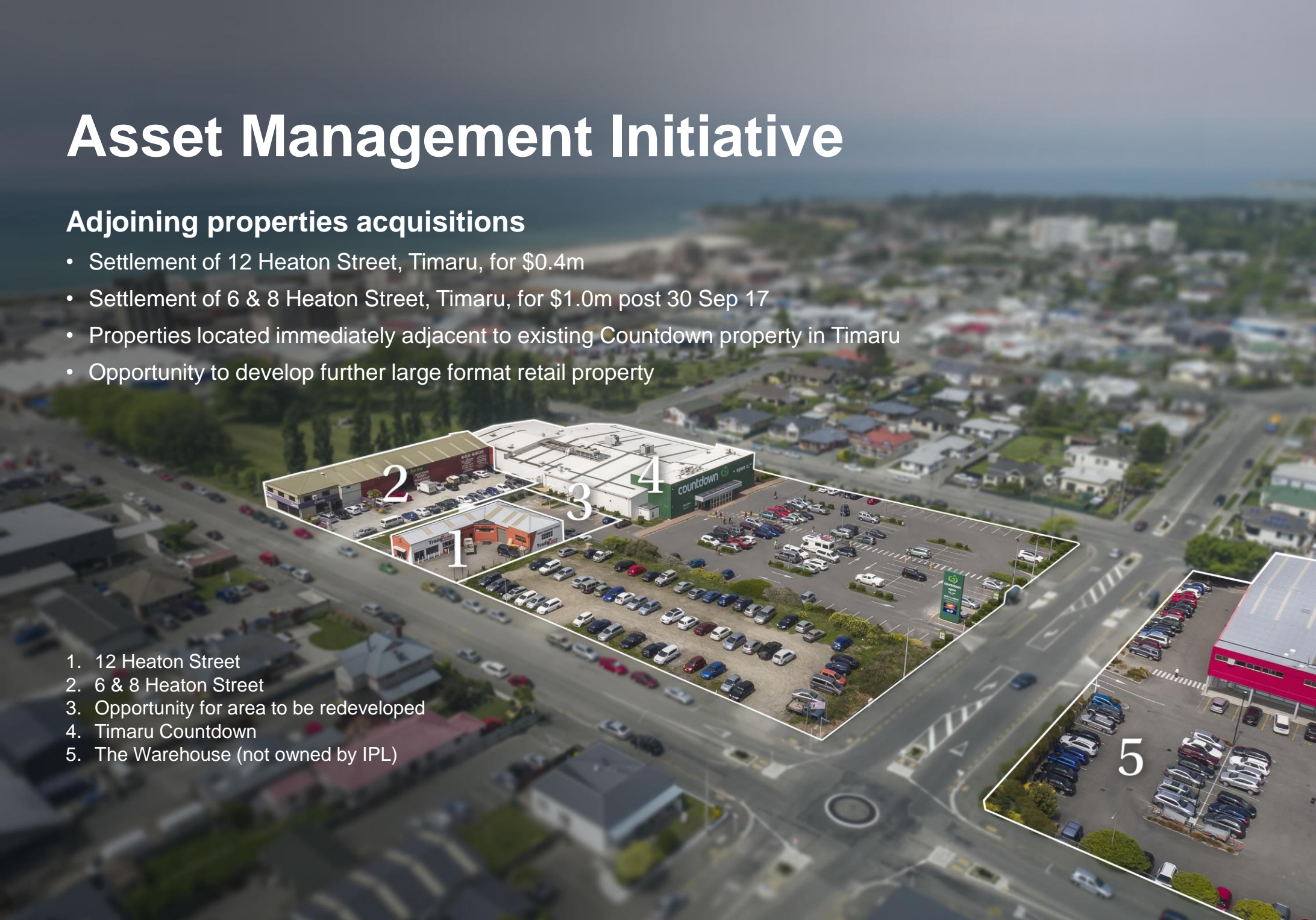
# Asset Management Initiative

# Asset Management Initiative

## Adjoining properties acquisitions

- Settlement of 12 Heaton Street, Timaru, for \$0.4m
- Settlement of 6 & 8 Heaton Street, Timaru, for \$1.0m post 30 Sep 17
- Properties located immediately adjacent to existing Countdown property in Timaru
- Opportunity to develop further large format retail property

1. 12 Heaton Street
2. 6 & 8 Heaton Street
3. Opportunity for area to be redeveloped
4. Timaru Countdown
5. The Warehouse (not owned by IPL)



# Acquisitions



# Acquisitions

## Bunnings properties – subject to shareholder approval

- Agreement to purchase three Bunnings properties in Hamilton, Rotorua and Palmerston North, for \$78.5m at an initial yield of 6.13%
- 100.0% occupancy
- Long WALT of 11.75 years
- Dependable income streams, with net rental of \$4.81m p.a. with a fixed 2.5% p.a. rental uplift
- Provides a further retail format and tenant mix to the portfolio
- Settlement scheduled for 28 February 2018



Bunnings, Corner Tremaine Avenue and Railway Road, Palmerston North

# Conclusion

# Conclusion

## Execution of Strategy

- Agreement to purchase three Bunnings properties in Hamilton, Rotorua and Palmerston North for \$78.5m subject to shareholder approval
- Planning to dispose up to three properties to provide balance sheet capacity for future activities
- Board exploring capital management initiatives, which include possible share buy-back and bond offering
- Acquisition of adjoining properties at 12 Heaton Street and 6 & 8 Heaton Street, Timaru
- Mitre 10, corner Te Irirangi Drive & Bishop Dunn Place, Auckland, development commenced
- Annual cash dividend guidance for FY18 of 7.46cps

**Three Bunnings assets due for acquisition**

**\$78.5m**

**Exploring possible share buy-back and bond offering**

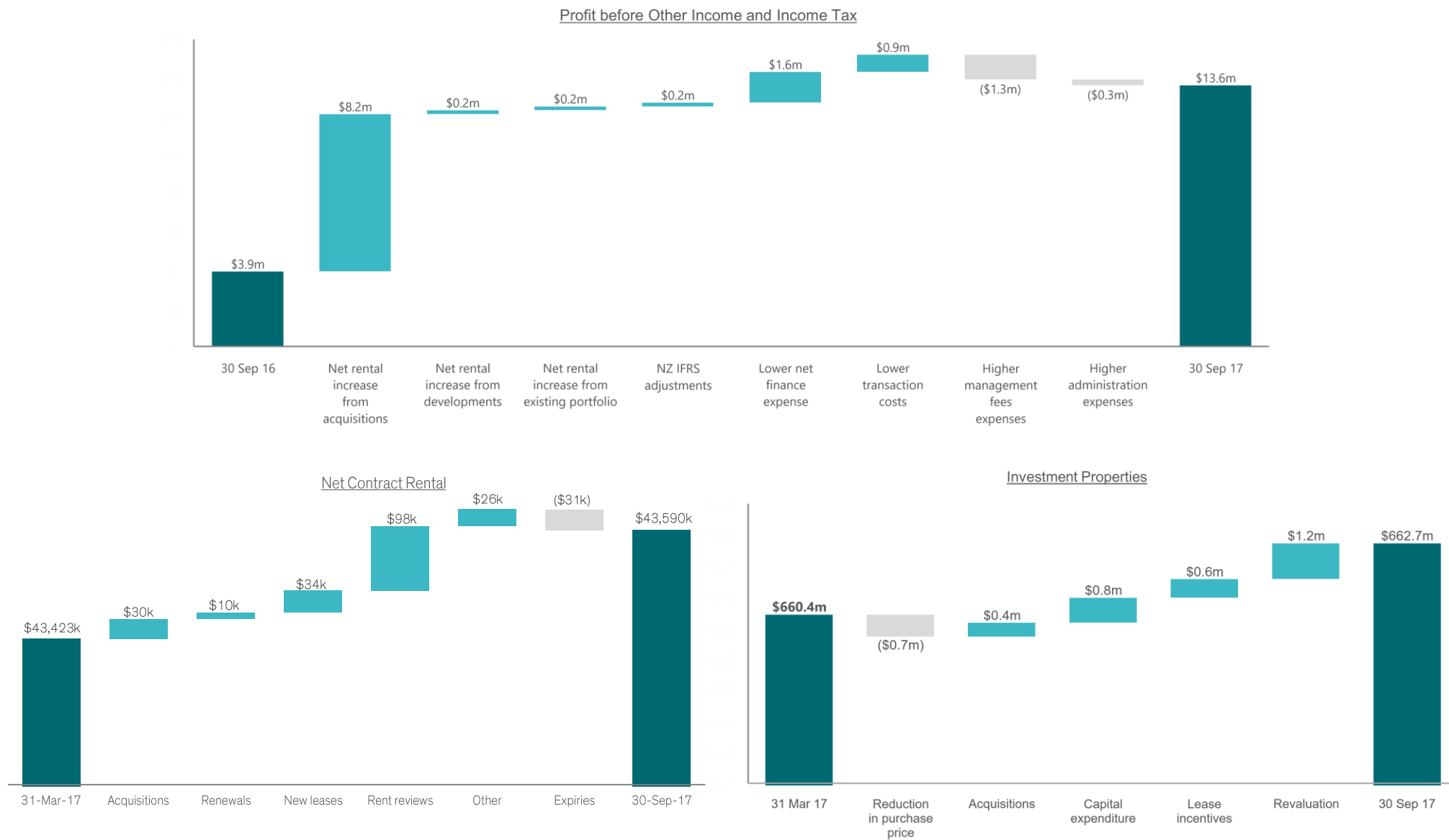
**Annual cash dividend guidance for FY18**

**7.46cps**

# Appendix



# Appendix 1



# investore

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Management Limited

Important Notice: The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Investore for the six months ended 30 September 2017. Please refer to Investore's Interim Report 2017 for further information in relation to the six months ended 30 September 2017. The information in this presentation does not purport to be a complete description of Investore. In making an investment decision, investors must rely on their own examination of Investore, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

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# Thank you

Level 12, 34 Shortland Street  
Auckland 1010, New Zealand

PO Box 6320, Wellesley Street  
Auckland 1141, New Zealand

P +64 9 912 2690  
W [investoreproperty.co.nz](http://investoreproperty.co.nz)