

investore

Managed by Stride Investment
Management Limited

**ANNUAL RESULTS
FOR THE YEAR ENDED
31 MARCH 2018**

AGENDA & CONTENTS

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HIGHLIGHTS

HIGHLIGHTS

(Prospective Financial Information forecast figures in brackets)

FINANCIAL PERFORMANCE

- Net rental income of \$44.5m (\$44.0m) up \$0.6m
- Corporate expenses of \$5.8m (\$5.5m) up \$0.3m
- Profit before other income and income tax of \$26.8m (\$25.8m) up \$1.0m
- Profit after income tax of \$46.2m (\$19.2m) up \$27.0m
- Distributable profit¹ before current income tax of \$26.0m (\$25.4m) up \$0.6m
- Distributable profit after current income tax of \$20.5m (\$20.4m) up \$0.1m
- Annual cash dividend 7.46cps for FY18
 - 1.88cps cash dividend for quarter ended 31 March 2018

Profit after income tax
\$46.2m, up \$27.0m on
forecast

**Distributable profit after
current income tax**
\$20.5m, up \$0.1m on
forecast

**Annual cash dividend for
FY18**
7.46cps

1. Distributable profit is a non-GAAP measure and consists of net 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 net profit before income tax, is set out in note 6 to the financial statements for the year ended 31 March 2018 (FY18).

Note: Values above are calculated based on the audited numbers in the financial statements for 2018 and the forecast numbers contained in the Product Disclosure Statement issued by Investore Property Limited (Investore) on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with Investore's initial public offering (IPO) and may not sum accurately due to rounding.

HIGHLIGHTS

(Prior year FY17 figures in brackets)

PORTFOLIO

- Total portfolio value \$738.3m (\$660.4m), a net valuation gain¹ of 3.3%.
- Net Tangible Assets (NTA) backing per share of \$1.64 (\$1.55)
- Weighted average lease term (WALT) 13.1 years (14.3 years)
- FY19 expiries at 2.9%, FY20 expiries at 1.1% of portfolio contract rental²
- Occupancy at 99.9% (99.8%)

TRANSACTIONS

- Acquisition of adjoining properties at 6 & 8 and 12 Heaton Street, Timaru for \$1.4m
- Three Bunnings operated properties in Hamilton, Rotorua and Palmerston North acquired for \$78.5m at an initial yield of 6.13% from Stride Property Limited
- Fresh Choice, Queenstown, and Countdown, Hornby, Christchurch disposed of for \$32.6m (before disposal costs) in aggregate, 11.3% premium to aggregate book value

CAPITAL MANAGEMENT

- Loan to value ratio (LVR) 41.6% (39.5%)
- The Board has reviewed the LVR target and has set a policy of a maximum 48% LVR ratio
- \$100m six year fixed rate bond offer launched March 2018, issued 18 April 2018

GOVERNANCE

- Gráinne Troute, third Independent Director, appointed 19 April 2018

NTA per share

\$1.64

Occupancy

99.9%

FY19 lease expiries

2.9%

Bond issue

\$100m

1. The valuation of all properties disposed of during the 12 months from 1 April 2017 have been disregarded in this calculation. As at 31 March 2017, the portfolio was valued at \$660.4m.

2. 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 31 March 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

DELIVERY OF STRATEGY

2015

2016

2017

2018

2019

Phase 1 Strategy: Portfolio Establishment

Phase 2 Strategy: Portfolio Optimisation & Capital Management

- OCT** Investore established by Stride Property Limited with a specialised large format retail portfolio
- NOV** Acquired 19 large format retail properties

- APR** Acquired 6 large format retail properties
- JUN**
- JUL** Investore listed on NZX, \$185m capital raised
- Acquired 14 further large format retail properties
- SEP**

- FEB** Animates Invercargill development completed
- JUL** Acquired Timaru properties, adjacent to existing property, providing a future development opportunity
- NOV**

- FEB** Acquired three Bunnings operated properties for \$78.5m, with 2.5% p.a. rental uplift for an initial 12 year lease period
- MAR** Sale completed for two supermarket premises (Countdown in Hornby, Christchurch and Fresh Choice in Queenstown) for an aggregate of \$32.6m
- APR** \$100m bonds issued with interest rate of 4.40% p.a.

Mitre 10 Mega Botany premises extension anticipated completion late 2018

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

	2018 Actual \$m	2018 Prospective Base Case \$m	Change	
			\$m	%
Net rental income	44.5	44.0	+0.6	+1.4
Corporate expenses	(5.8)	(5.5)	(0.3)	(5.9)
Profit before net finance expenses, other income/(expenses) and income tax	38.7	38.4	+0.3	+0.7
Net finance expenses	(11.9)	(12.7)	+0.7	+5.7
Profit before other income/(expenses) and income tax	26.8	25.8	+1.0	+3.9
Other income/(expenses)¹	26.1	(0.6)	+26.6	+4,586.7
Profit before income tax	52.9	25.2	+27.6	+109.7
Income tax expense	(6.7)	(6.0)	(0.7)	(10.9)
Profit after income tax attributable to shareholders	46.2	19.2	+27.0	+140.7

1. Other income/(expenses) includes net change in fair value of investment properties; 2018 Actual \$23.1m and 2018 Prospective Base Case (\$0.6m). The 2018 Actual also includes gain on disposal of investment properties of \$2.9m. The 2018 Prospective Base Case had assumed no increase in the portfolio value and no property disposals.

Note: Values in the table above are calculated based on the audited numbers in the financial statements for 2018 and the forecast numbers contained in the Product Disclosure Statement issued by Investore on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with Investore's IPO and may not sum accurately due to rounding.

DISTRIBUTABLE PROFIT¹

	2018 Actual \$m	2018 Prospective Base Case \$m	Change	
			\$m	%
Profit before income tax	52.9	25.2	+27.6	+109.7
Non-recurring and non-cash adjustments:				
- Net change in fair value of investment properties	(23.1)	0.6	(23.7)	(4,081.9)
- Gain on disposal of investment properties	(2.9)	-	(2.9)	(100.0)
- Spreading of fixed rental increases	(1.0)	(0.6)	(0.4)	(73.7)
- Refinancing cost amortisation	0.3	0.2	0.1	+33.0
Distributable profit before current income tax	26.0	25.4	+0.6	+2.5
Current tax expense	(5.5)	(5.0)	(0.5)	(10.1)
Distributable profit after current income tax	20.5	20.4	+0.1	+0.6
Adjustments to funds from operations:				
- Maintenance capital expenditure	(2.0)			
Adjusted Funds From Operations (AFFO)	18.5			
Weighted average number of shares (millions)	261.8			
Basic and diluted distributable profit after current income tax per share				
- weighted (cents)	7.85			
AFFO basic and diluted distributable profit after current income tax per share				
- weighted (cents)	7.07			

1. Distributable profit is a non-GAAP measure and consists of net 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 net profit before income tax, is set out in note 6 to the financial statements for the year ended 31 March 2018.

Note: Values in the table above are calculated based on the audited numbers in the financial statements for 2018 and the forecast numbers contained in the Product Disclosure Statement issued by Investore on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with IPO and may not sum accurately due to rounding.

FINANCIAL SUMMARY

	As at 31 Mar 2018 Actual	As at 31 Mar 2017 Actual
Property value (\$m)	738.3	660.4
Bank debt drawn (\$m)	307.4	261.0
Bank loan to value ratio	41.6%	39.5%
Equity (\$m)	429.1	405.0
Shares on issue (millions)	261.8	261.8
NTA per share	\$1.64	\$1.55
Adjusted NTA ¹ per share	\$1.64	\$1.54

1. Excludes the after tax fair value of interest rate derivatives.

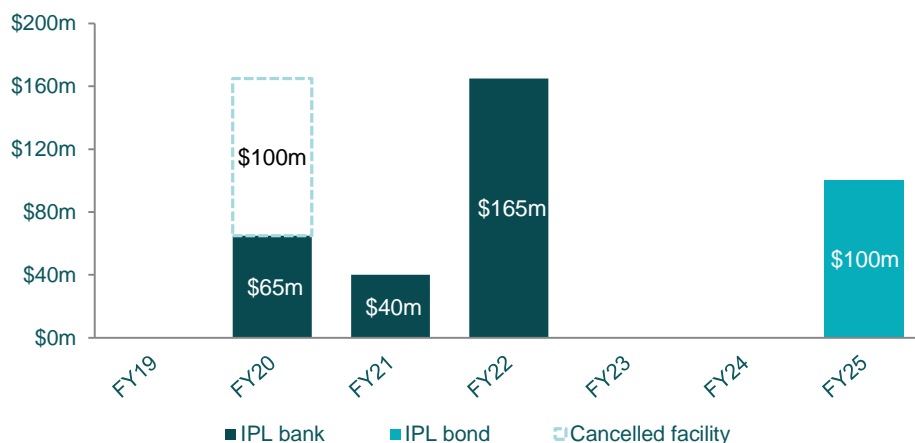
CAPITAL MANAGEMENT

CAPITAL MANAGEMENT – DEBT FACILITIES

Key transactions

- Net debt movement +\$46m resulting from five property acquisitions and two disposals
- Approximately \$63m of banking facility headroom
- Inaugural bond issue - \$100m six year bond, resulting in improved diversification of funding sources – 32.5% of drawn debt from non-bank funding and longer tenor – average debt facility maturity of 3.5 years (2.1 years pre-issuance as at 18 April 2018)
- Further debt refinancing planned to occur during FY19

Debt maturity profile¹



Debt facilities	Post Bond issue ²	As at 31 Mar 2018	As at 31 Mar 2017
Debt facility limit (ANZ, BNZ, CBA, Westpac) plus \$100m bond ¹	\$370m	\$370m	\$370m
Debt facilities drawn ¹	\$309m	\$307m	\$261m

Debt covenants

Loan to Value Ratio (Bank Debt / Property Values) Covenant: ≤ 65%	41.6%	39.5%
Interest Cover Ratio (EBIT / Interest and Financing Costs) Covenant: ≥ 1.75x	3.2x	3.4x
Weighted Average Lease Term ³ Covenant: > 6.0 years	13.1 years	14.3 years

At listing, the Board set a target LVR ratio of approximately 48%. The Board has reviewed this target and has set a policy of a **maximum 48% LVR ratio**

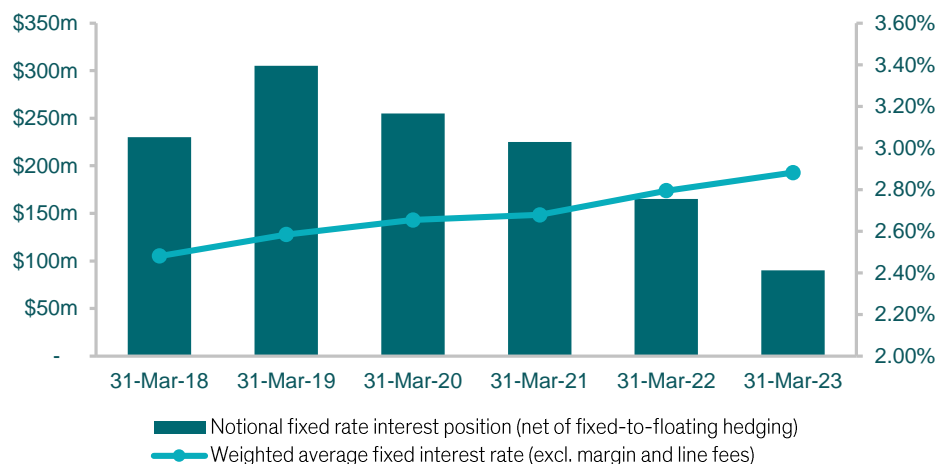
- \$100m of Investore's bank facilities were repaid and cancelled subsequent to the \$100m bond issuance on 18 April 2018.
- Due to the material nature of the transaction, Investore's debt position post issuance of the \$100m bond on 18 April 2018 has also been presented.
- The unexpired leased term 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.

CAPITAL MANAGEMENT – COST OF DEBT

Key transactions

- \$100m fixed rate six year bonds issued 18 April 2018 at a rate of 4.40% p.a.
- \$25m six year forward, fixed-to-floating interest rate swap entered into commencing 18 April 2018
- \$30m of floating-to-fixed interest rate swap entered into in FY18. With weighted average interest rate of 2.73% and weighted average tenor of 5.5 years
- \$20m of interest rate swaps expired in FY18, at a weighted average interest rate of 2.18%

Fixed rate interest profile



Cost of debt	Post Bond issue ¹	As at 31 Mar 2018	As at 31 Mar 2017
Weighted average cost of debt (incl. active interest rate hedging, margins & line fees)	4.39%	4.25%	4.40%
Weighted average fixed interest rate (excl. margins & line fees)	2.58%	2.48%	2.42%
Weighted average fixed interest rate maturity (incl. bond, active and forward starting swaps)	4.0 years	3.3 years	3.8 years
% of drawn debt fixed	99%	75%	84%

1. Due to the material nature of the transaction, Investore's debt position post issuance of the \$100m bond on 18 April 2018 has also been presented.

PORTFOLIO OVERVIEW

PORTFOLIO STRATEGY AND OVERVIEW

Portfolio strategy

- ✓ Acquisition of properties adjacent to existing Investore properties to allow opportunities for future development, or development of existing properties at a tenant's request
- ✓ Continued focus on owning properties that have key characteristics of long lease terms, nationally recognised and quality tenants, and have a high occupancy rate
- ✓ Selective acquisitions which enhance geographical and/or tenant diversification, and considered divestments to maintain balance sheet capacity

Overview	As at 31 Mar 2018
Number of properties	40
Number of tenants	78
Net Lettable Area (m ²)	209,980
Occupancy Rate (by area)	99.9%
WALT ¹ (years)	13.1
Portfolio Value (\$m)	738.3m

**ADJACENT PROPERTY ACQUISITION
AND DEVELOPMENTS**

**HIGH OCCUPANCY, NATIONALLY
RECOGNISED RETAILERS AND
LONG LEASE TERMS**

**CONTINUED PORTFOLIO
OPTIMISATION THROUGH SELECTED
TRANSACTIONS**

1. Weighted Average Lease Term (WALT).

LEASE EXPIRY PROFILE

PORTFOLIO LEASE EXPIRY PROFILE¹ BY CONTRACT RENTAL²

As at 31 March 2018

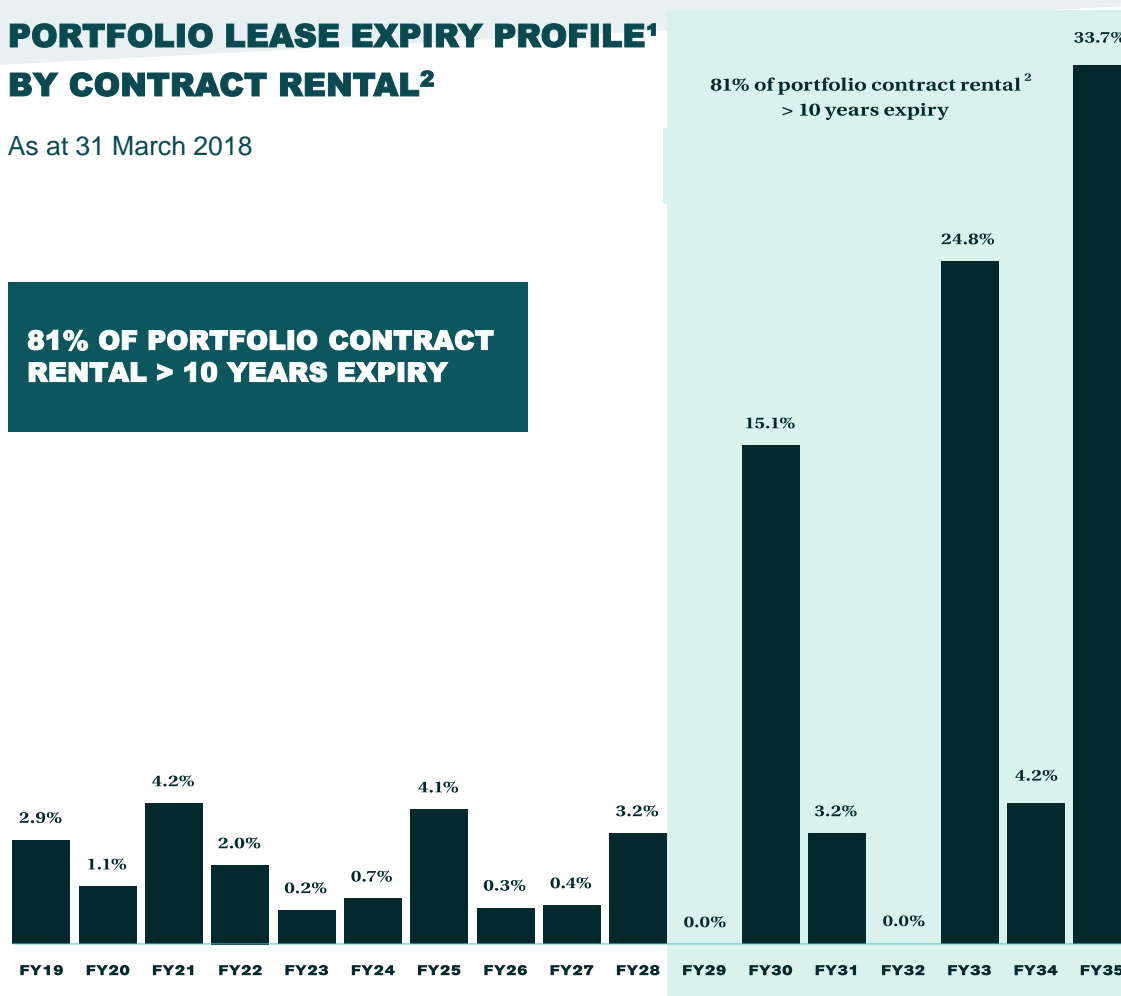
FY19

- 2.9% of contract rental expiring in FY19
- Major expiry - Countdown, corner Anglesea & Liverpool Streets, Hamilton, equating to 1.8% of contract rental

FY20

- 1.1% of contract rental expiring in FY20
- Major expiry - Animates, 226 Great South Road, Auckland equating to 0.7% of contract rental

81% OF PORTFOLIO CONTRACT RENTAL > 10 YEARS EXPIRY



1. Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the entire portfolio as at 31 March 2018, as a percentage of contract rental.

2. 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 31 March 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

Note: Numbers in the above chart may not sum accurately due to rounding.

PORTFOLIO OCCUPANCY¹ 99.9%

Property	As at 31 Mar 2018		
	Occupancy (%)	Vacancy (m ²)	Total area (m ²)
3 - 7 Mill Lane, Warkworth	98.0	76	3,815
Corner Hanson Street, John Street & Adelaide Road, Wellington	98.7	64	4,881
Other	100.0	0	201,284
Total	99.9	140	209,980

1. Calculated as the leased area as a proportion of the total net lettable area.

PORTFOLIO DIVERSIFICATION

DIVERSIFICATION IMPROVING WITH ACTIVE MANAGEMENT

Tenant diversification

- Acquisition of three Bunnings operated properties and divestment of two supermarkets enabled Investore to improve its tenant diversification
- Countdown reduced from 82% of contract rental to 73% as at 31 March 2018

Geographic diversification

- 56% of contract rental from main centres versus 44% from regional centres
- 77% North Island and 23% South Island

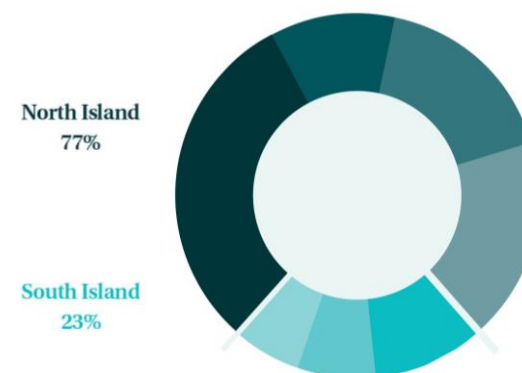
Tenant diversification by Contract Rental¹ As at 31 March 2018

● Bunnings	10%
● Foodstuffs	5%
● Specialty	6%
● Mitre 10	3%
● The Warehouse	3%
● General Distributors (Countdown)	73%



Geographic diversification by Contract Rental¹ As at 31 March 2018

● Auckland	31%
● Waikato	11%
● Wellington	17%
● Other North Island	18%
● Canterbury	10%
● Otago	7%
● Other South Island	6%



1. 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 31 March 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

DEVELOPMENT AND ACQUISITIONS

DEVELOPMENT PROJECT

MITRE 10 MEGA, CORNER TE IRIRANGI DRIVE & BISHOP DUNN PLACE, AUCKLAND

- \$2.76m premises extension for tenant Mitre 10 Mega, with anticipated completion late 2018
- Additional 1,300m² of net lettable area consisting of an extension to the trade warehouse, new inwards goods area and canopy
- 12 year lease agreed with Mitre 10 Mega which will commence on completion
- Estimated valuation on completion of \$33.6m, equating to a gross valuation increase of +\$16.4m when compared to 31 March 2016 valuation of \$17.2m (valuation prior to transaction being agreed with Mitre 10 Mega)



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

ACQUISITIONS

BUNNINGS HAMILTON, ROTORUA AND PALMERSTON NORTH, PURCHASED FOR \$78.5M AT AN INITIAL YIELD OF 6.13%

- 100% occupancy
- Long WALT of 11.7 years as at 31 March 2018
- Dependable income streams, with net rental of \$4.81m pa with a fixed 2.5% p.a. rental uplift
- Provides a further retail format and tenant mix to the portfolio

Corner Tremaine Avenue
and Railway Road,
Palmerston North



ASSET MANAGEMENT INITIATIVE

ADJOINING PROPERTIES ACQUISITIONS

- 12 Heaton Street, Timaru, for \$0.4m
- 6 & 8 Heaton Street, Timaru, for \$1.0m
- Properties located immediately adjacent to existing Countdown property
- Opportunity to develop further complementary retailers, increasing overall customer demand

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)



CONCLUSION

CONCLUSION

EXECUTION OF STRATEGY

Completion of Investore's foundational phases

1. Portfolio establishment

- Investore listed on NZX as a specialised large format retail portfolio, \$185m capital raised

2. Portfolio optimisation and capital management

- Acquisition of three Bunnings operated properties in Hamilton, Rotorua and Palmerston North for \$78.5m
- Acquisition of adjoining properties at 6 & 8 and 12 Heaton Street, Timaru
- Disposal of two properties provides balance sheet capacity for future initiatives
- Mitre 10 Mega, corner Te Irirangi Drive & Bishop Dunn Place, Auckland, development commenced subsequent to balance date
- Bond issuance programme increases tenor of financing and diversifies funding sources

DELIVERY OF PERFORMANCE

- Aggregate distributable profit after current tax for FY17 and FY18 +1.5% higher than forecast
- Net Tangible Assets up \$45.6m on forecast

OUTLOOK

- Acquisition and development of adjacent properties for complementary services
- Selective transactions to enhance portfolio returns and diversification
- Targeting annual cash dividend for FY19 of 7.46cps

Three Bunnings operated properties acquired

\$78.5m

Disposal of two properties for

\$32.6m

Bond issue

\$100m

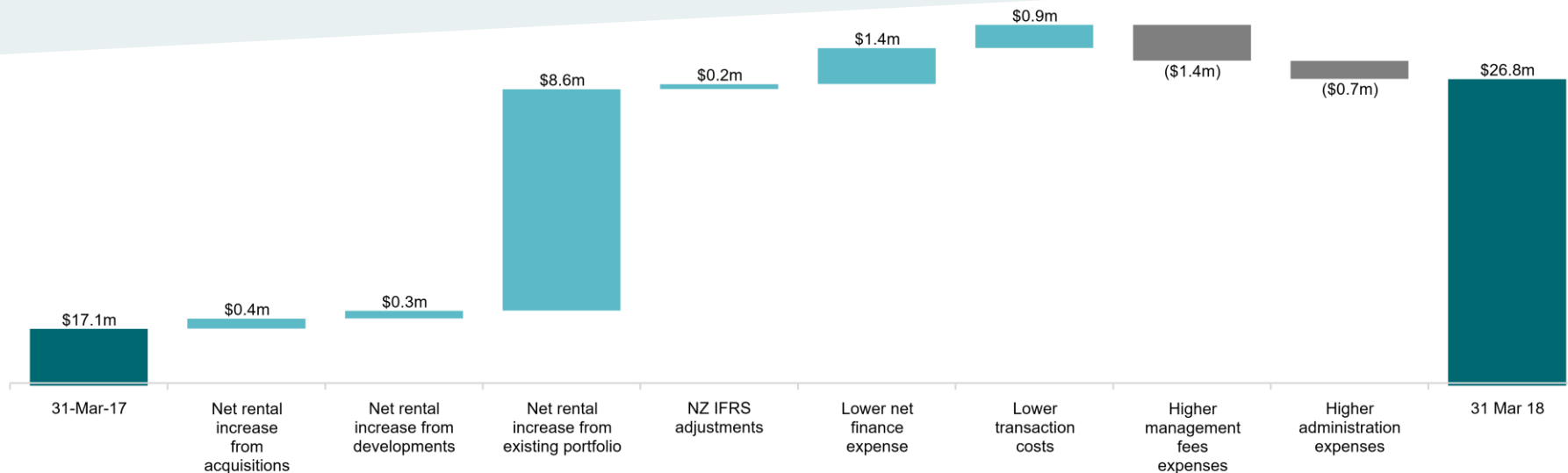
Targeting annual cash dividend for FY19

7.46cps

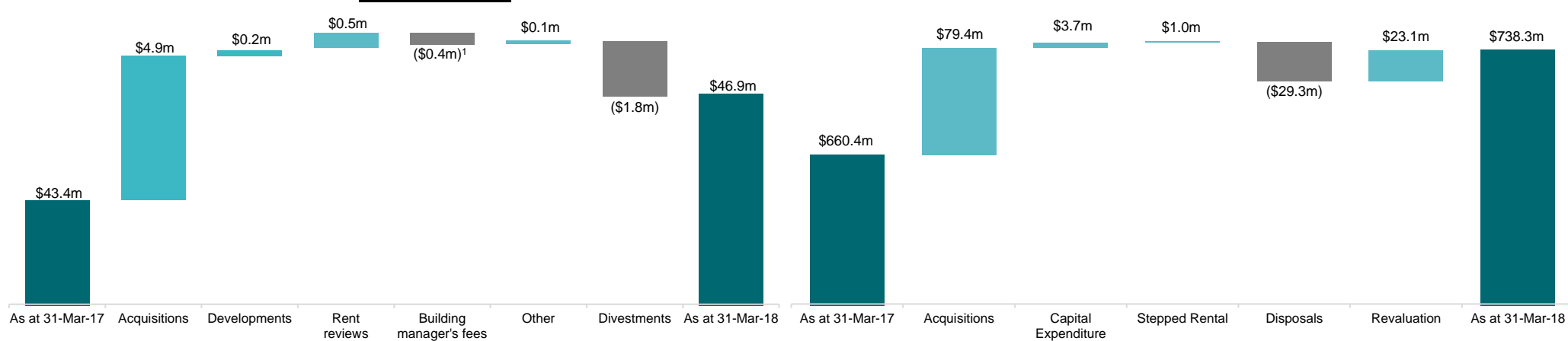
APPENDIX

APPENDIX

Profit Before Other Income and Income Tax



Net Contract Rental



1. Net Contract Rental has been adjusted to include building manager's fees of \$0.4m. In the financial statements these costs have been disclosed within the management fees expense in the Statement of Comprehensive Income.

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 year ended 31 March 2018. Please refer to Investore's Annual Report 2018 for further information in relation to the year ended 31 March 2018. 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

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