

## Investore Property Limited

### FY20 Results

Investore Property Limited (Investore) is pleased to announce its financial results for the twelve months ended 31 March 2020 (FY20).

FY20 was a positive year for Investore, a year in which Investore has been very active in seeking to deliver on its strategy of targeted growth outlined in the FY19 annual report, while also delivering positive underlying financial performance. This strategy supports Investore's objective of managing shareholders' capital and seeking to maximise distributions and total returns over the medium to long term.

During FY20, Investore acquired, or agreed to acquire, five properties with an aggregate purchase price of \$147.7m, consistent with its strategy of targeted growth and acquisitions that enhance geographical and/or tenant portfolio diversification.

Following settlement of the acquisition of the three properties from Stride Property Limited (SPL) on 30 April 2020 and after paying down debt using the net proceeds of the most recent capital raising, Investore has \$148m of undrawn headroom available, and a loan to value ratio of 30.4%, well within the Board's stated maximum of 48%. This positions Investore well to continue its strategy of growing its portfolio through considered acquisitions to enhance Investore's portfolio and support delivery of Investore's overall objective of maximising distributions and total returns to investors over the medium to long term.

Investore's strategy is based on four principles – active portfolio management, targeted growth, continued optimisation of the portfolio, and proactive capital management.

### Highlights for FY20 include

#### Financial Performance Highlights

- Net rental income of \$48.1m (FY19: \$47.4m), up \$0.7m
- Profit before other income/(expense) and income tax of \$26.7m (FY19: \$27.0m), down \$0.2m
- Profit after income tax of \$28.6m (FY19: \$38.6m), down \$9.9m, due primarily to lower revaluation movement as compared to FY19
- Distributable profit (Note 1) after current income tax of \$21.1m (FY19: \$20.9m), up \$0.2m
- Annual cash dividend of 7.60cps (FY19: 7.60cps), in line with guidance. 1.90cps cash dividend for quarter ended 31 March 2020

#### Active Portfolio Management

- Weighted average lease term (WALT) 10.4 years (Note 2)
- 99.7% occupancy by area (Note 2)
- 40 rent reviews completed over 125,000 sqm, resulting in a 4.0% increase to previous rentals
- 71% of leases by Contract Rental (Note 3) expiring in 2030 or beyond (Note 2)

## Targeted Growth

- Five properties acquired or agreed to be acquired during FY20 for an aggregate purchase price of \$147.7m, including:
  - Countdown New Brighton for \$5.75m in September 2019
  - Land adjacent to existing Investore-owned Countdown Papakura acquired in March 2020 for \$1.2m, to enable expansion of carpark and improved customer access
  - Three large format retail properties from SPL acquired for \$140.75m, settled 30 April 2020. Acquisition comprises Bunnings Mt Roskill, Auckland, Mt Wellington Shopping Centre, Auckland, and Bay Central Shopping Centre, Tauranga
- Portfolio market capitalisation rate steady at 6.08% (including post balance date acquisitions)
- Sale of Dunedin South Countdown settled 1 April 2019 for \$19.3m, representing a 5.6% premium to book value

## Portfolio Optimisation

- Continued strong relationship with key national tenants through programme of store refurbishments
- Bunnings has given notice of an intention to undertake capital upgrade works for Bunnings Carr Road (acquired in April 2020) to a value of up to \$6m at Investore's cost, including expansion of the trade sales area, with associated improvements rental and a new ten year lease to commence on completion

## Proactive Capital Management

- \$77.7m capital raised to support the acquisition of the three assets from SPL
- Post balance date a further \$105m raised, providing funding flexibility to continue Investore's strategy to grow its portfolio through considered acquisitions
- \$35m bank debt refinanced
- Post balance date, a new \$50m, 5 year facility secured and \$101m of existing facility extended for three additional years
- Loan to value ratio (LVR) 30.4% (Note 4), down 11.4% from 31 March 2019

## Update on business impacts from COVID-19

- Investore has worked with its tenants to support them through the impact of COVID-19
- Including the three properties acquired from SPL on 30 April 2020, over 80% of Investore's portfolio was classed as 'essential businesses' as defined on the Government's website covid19.govt.nz, including supermarkets and pharmacies
- Investore currently (Note 5) expects the impact of COVID-19 to result in reduced gross rent receivable for FY21 of between \$1m and \$2m. In addition, Investore expects to offer rent deferrals to certain tenants which will be structured to be repaid by 31 March 2021
- Portfolio valuations were impacted by COVID-19, with valuations changing by between 0% and -7.5% from draft valuations received prior to the impact of COVID-19
- Balanced against the reduced gross rent receivable for FY21, Investore will benefit from the reintroduced building depreciation deduction claims for property owners with commercial properties at a level of 2% of diminishing value a year, starting in April 2020. This is estimated to provide a financial benefit to Investore of approximately \$2.2m for FY21

## Year Ahead

- Targeted growth to enhance the portfolio and maximise returns to investors over the medium to long term
- Monitoring the impact of COVID-19, seeking to minimise the impact to Investore's business, while also assisting tenants to maintain profitable, sustainable businesses

- Continue to invest in refurbishment of stores to enhance customer visitation
- Maintain disciplined capital management to support the execution of our strategy
- Dividend guidance for FY21 at 7.60cps, assuming no further deterioration in economic conditions due to COVID-19

#### Notes:

- 1 Distributable profit is a non-GAAP measure adopted by 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 determined 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 after income tax, is set out in note 3.2 to the annual financial statements for the year ended 31 March 2020.
- 2 As at 31 March 2020, as if the acquisition of the three properties from SPL had settled as at that date.
- 3 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, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2020, and assuming no default by the tenant.
- 4 As at 31 March 2020, as if the capital raise announced on 29 April 2020 had been completed and the acquisition of the three properties from SPL had settled as at that date.
- 5 Assuming no further deterioration in economic conditions due to COVID-19 and no further Government intervention.

## Ends

#### Attachments provided to NZX:

- Investore Property Limited – FY20 Annual Report - 030620
- Investore Property Limited – FY20 Annual Results Presentation – 030620
- Investore Property Limited – NZX Results Announcement – 030620
- Investore Property Limited – NZX Distribution Notice – 030620
- Investore Property Limited - Shareholders Communications Notice - 030620
- Investore Property Limited - Bondholders Communications Notice - 030620

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