

# investore

Managed by Stride Investment  
Management Limited

## Interim Update

For The Six Months Ended  
30 September 2019

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Investore has been designated as a "Non-Standard" (NS) issuer by NZX Limited (NZX). A copy of the waivers granted by NZX from the NZX Main Board Listing Rules dated 1 October 2017 (specifically, Listing Rules 3.3.5 to 3.3.15 and 3.4.3) in respect of Investore's "NS" designation can be found at [www.nzx.com/companies/IPL/documents](http://www.nzx.com/companies/IPL/documents). Until such time as these waivers are reissued by NZX (or 30 June 2020 if these waivers are not reissued by that date), Investore will continue to rely on them under the NZX Regulation Decision dated 19 November 2018 regarding the continuing application of waivers granted under the previous NZX Main Board Listing Rules.

# Highlights



# HY20 Highlights

(as at 30 September 2019, unless otherwise stated)

**\$750.6m**  
property portfolio  
value<sup>1</sup>

**\$11.0m**  
profit after  
income tax up  
\$1.0m on HY19

**\$1.70 NTA<sup>2</sup> per  
share – compared  
to share price at  
30 September  
2019 of \$1.90**

**99.7%**  
occupancy

**7.60 cps FY20  
cash dividend  
guidance**

**Loan to value  
ratio 40.6%**

**11.9 years  
WALT<sup>3</sup>**

**Acquisition of  
Countdown New  
Brighton for  
\$5.75m**

1. Excludes land lease liability of \$7.6 million.

2. Net Tangible Assets (NTA)

3. Weighted average lease term.



# Strategic Principles – Delivery of Strategy

Investore's strategy is to invest in quality, large format retail properties throughout New Zealand, and actively manage shareholders' capital, to maximise distributions and total returns over the long term

Investore focusses on tenants which meet New Zealand consumers' everyday needs, making it well positioned to provide a secure income stream for investors

## 1. Active Portfolio Management

- 11.9 years WALT<sup>4</sup>
- All major lease expiries for FY20 renewed
- Alignment of Investore's capital expenditure programme with that of its major tenants

## 2. Targeted Growth

- Purchase of a Countdown operated store in the coastal suburb of New Brighton, Christchurch, for \$5.75 million, at an initial yield of 7.2%
- Pipeline of acquisitions under consideration
- Settlement of the divestment of Countdown Dunedin South, delivering 5.6% premium to the book value as at 31 March 2018

## 3. Continued Portfolio Optimisation

- Investore is working with Countdown to develop new customer pickup bays across its portfolio to support Countdown's expanding online operations
- Partnership with Tesla for the installation of supercharger charging stations

## 4. Proactive Capital Management

- \$35 million debt refinanced, extending tenor to June 2021
- No debt maturing until FY22
- Share buyback programme concluded, at an average cost of \$1.53 per share, compared to share price as at 30 September 2019 of \$1.90 and net tangible assets per share as at 30 September 2019 of \$1.70

4. Refer footnote 3 on page 4.



# Portfolio Overview





# Portfolio Overview

## Key activities across portfolio

- Portfolio value down \$10.5 million due to divestment of Countdown Dunedin South (\$19.0 million net sale price after disposal costs), partially offset by the acquisition of Countdown New Brighton (\$5.75 million acquisition price) and gross valuation gain of \$2.3 million (or 0.3%)
- Countdown New Brighton, Christchurch, purchased for \$5.75 million, and lease extended, with maturity in 2028
- The strong underlying rental income and the improvement in fair value of investment properties were driven largely by the Manager's active management of the Investore portfolio

5. 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 2019, annualised for the 12 month period on the basis of occupancy level for the relevant property as at 30 September 2019, and assuming no default by the tenant.

6. Refer footnote 1 on page 4.

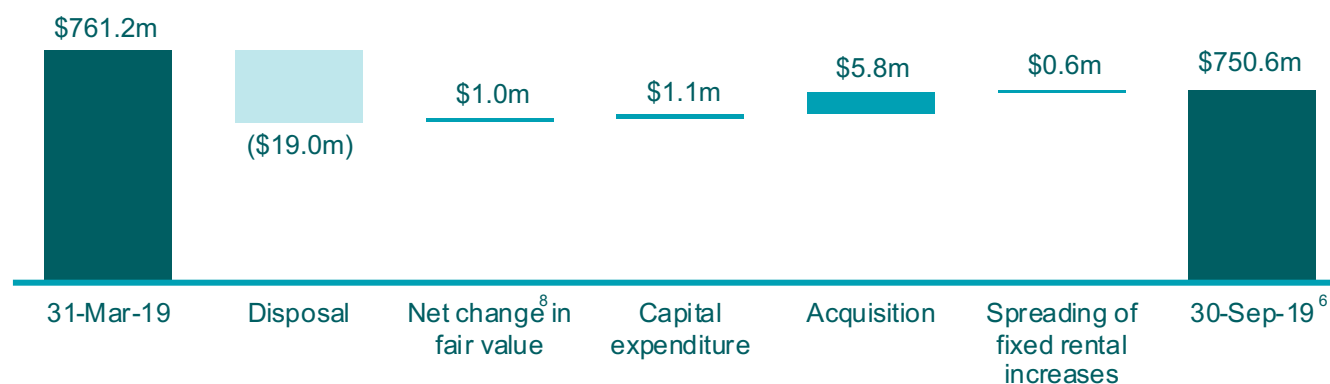
7. Refer footnote 3 on page 4.

8. Excludes land lease liability movement in investment properties of \$138,000.

## Total property portfolio

	30 Sept 19	31 Mar 19
Number of properties	40	40
Number of tenants	78	78
Net Contract Rental <sup>5</sup> (\$m)	46.8	47.6
Portfolio value <sup>6</sup> (\$m)	750.6	761.2
Net Lettable Area (NLA) (sqm)	208,116	209,980
Total land area (sqm)	507,411	512,705
Occupancy rate (% by area)	99.7	99.9
WALT <sup>7</sup> (years)	11.9	12.4
Market capitalisation rate (%)	6.04	6.05
Car parking ratio (bays per 100sqm of NLA)	3.9	3.9

## Property portfolio valuation movement



Numbers in the charts may not add due to rounding.

# Portfolio Profile

SIML has been actively managing the Investore portfolio, with no major expiries remaining in FY20

Total of four specialty tenant leases and one mini-major lease were renewed in the six months to 30 September 2019, providing 0.9% increase in net contract rental over average 5.6 year term

**82% of portfolio Contract Rental<sup>9</sup> has an expiry of 10 years or greater**

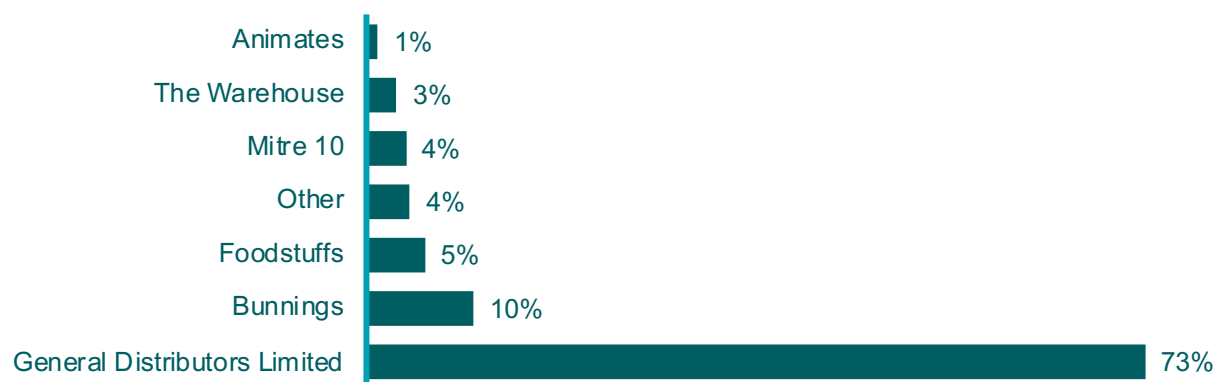
99.7% occupancy across the portfolio with only one vacancy of less than 1% (670 sqm or 0.3%) of total net lettable area

The Warehouse lease at Dunedin is due to expire in July 2021 with early indication that this lease will not be renewed.

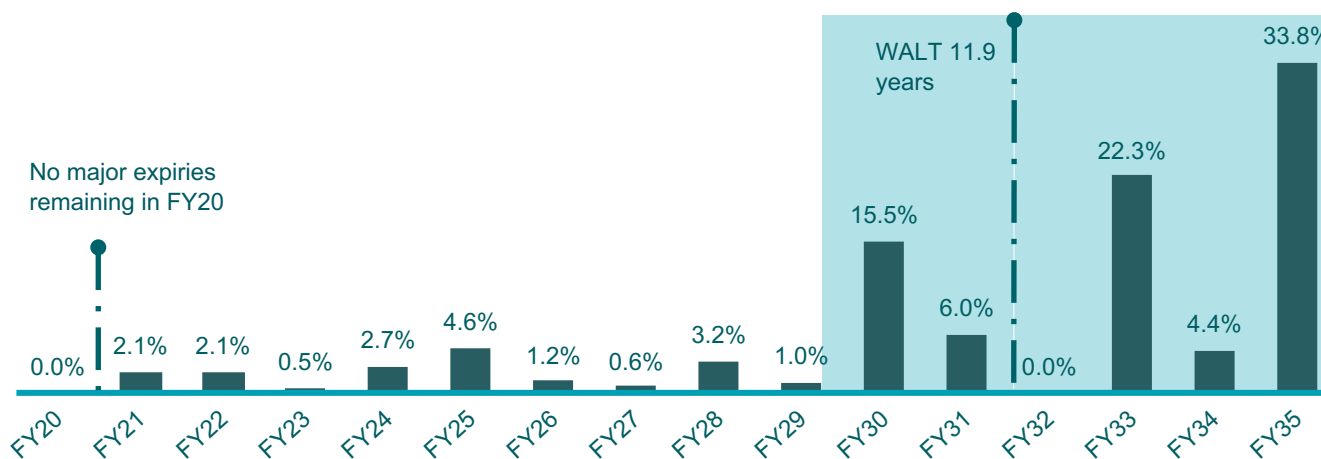
9. Refer footnote 5 on page 7.

10. 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 30 September 2019, as a percentage of Contract Rental.

## Tenant Profile by Contract Rental<sup>9</sup>



## Lease Expiry Profile<sup>10</sup> by Contract Rental<sup>9</sup>



Numbers in the charts may not sum due to rounding.



# Portfolio Diversification

Diversification by Contract Rental<sup>11</sup> as at 30 September 2019

## **Everyday Needs (80%)**

Countdown  
New World  
Pak'nSave  
Animates  
Pet Essentials  
Anytime Fitness  
Snap Fitness

## **Hardware (14%)**

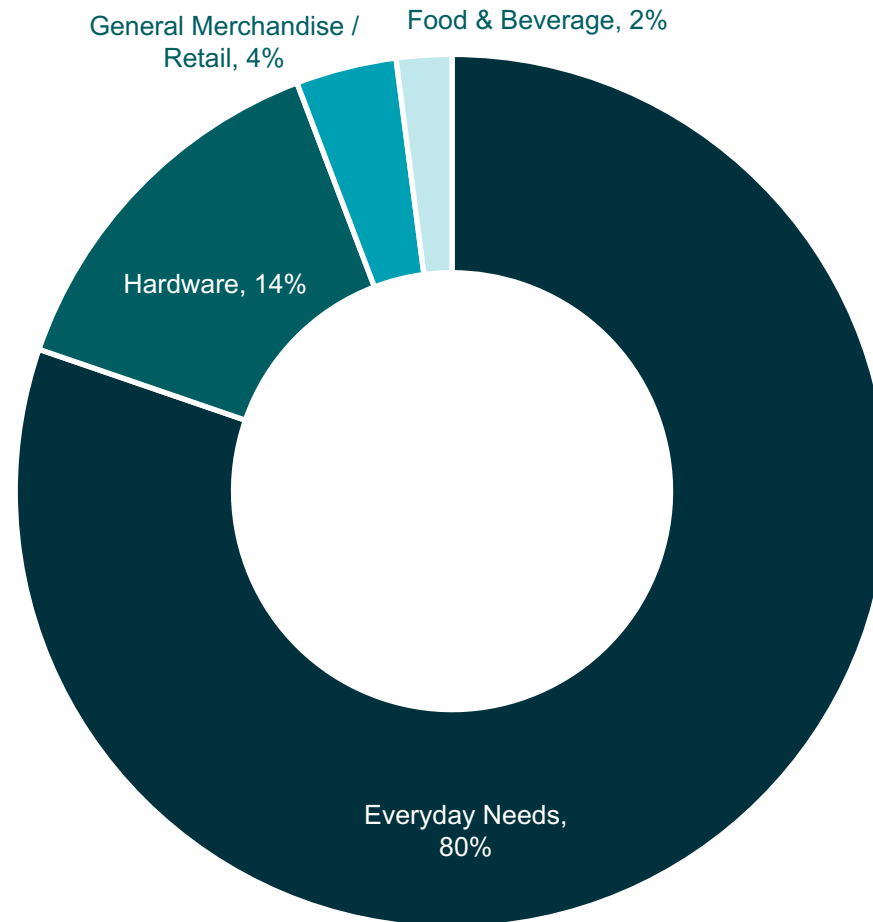
Bunnings  
Resene  
Mitre 10

## **General Merchandise / Retail (4%)**

The Warehouse

## **Food / Beverage (2%)**

McDonald's  
St Pierre's Sushi  
Domino's  
Columbus Coffee  
Pita Pit



Not all tenants are reflected in the above.

11. Refer footnote 5 on page 7.

# Acquisition – New Brighton, Christchurch

Investore continues to partner with its key tenants on a variety of projects. This successful formula of working alongside our tenants has been a particular feature of Investore's approach which has continued to deliver growth for our investors.

During the six months in review, Investore acquired the Countdown occupied property in New Brighton, one of Christchurch's eastern beachside suburbs. The site is located adjacent to the main street and the beachside amenity with easily accessible car parking.

The site has potential for future development with Investore reviewing number of options for the site with its tenant.

## Countdown New Brighton 24 Brighton Mall, New Brighton

Tenant	Countdown
Occupancy	100%
NLA	2,206 sqm
Land area	5,004 sqm
Car parking ratio (bays per 100sqm of NLA)	4.0
WALT	9 years
Valuation	\$6.2m
Val./ NLA (Per Sqm)	\$2,810
Market cap rate	6.6%





# Interim Results





# Financial Performance

	Unaudited 30 Sep 19 \$m	Unaudited 30 Sep 18 \$m	Change	
			\$m	%
Net rental income	24.1	24.0	0.1	+0.2
Corporate expenses	(4.0)	(2.8)	(1.2)	(43.5)
<b>Profit before net finance expense, other income/(expense) and income tax</b>	<b>20.1</b>	<b>21.2</b>	<b>(1.2)</b>	<b>(5.5)</b>
Net finance expense	(7.2)	(7.2)	0.1	+0.7
<b>Profit before other income/(expense) and income tax</b>	<b>12.9</b>	<b>14.0</b>	<b>(1.1)</b>	<b>(8.0)</b>
Other income/(expense) <sup>12</sup>	0.9	(0.9)	1.8	+199.4
<b>Profit before income tax</b>	<b>13.8</b>	<b>13.1</b>	<b>0.7</b>	<b>+5.2</b>
Income tax expense	(2.8)	(3.1)	0.3	+10.5
<b>Profit after income tax attributable to shareholders</b>	<b>11.0</b>	<b>10.0</b>	<b>1.0</b>	<b>+10.1</b>

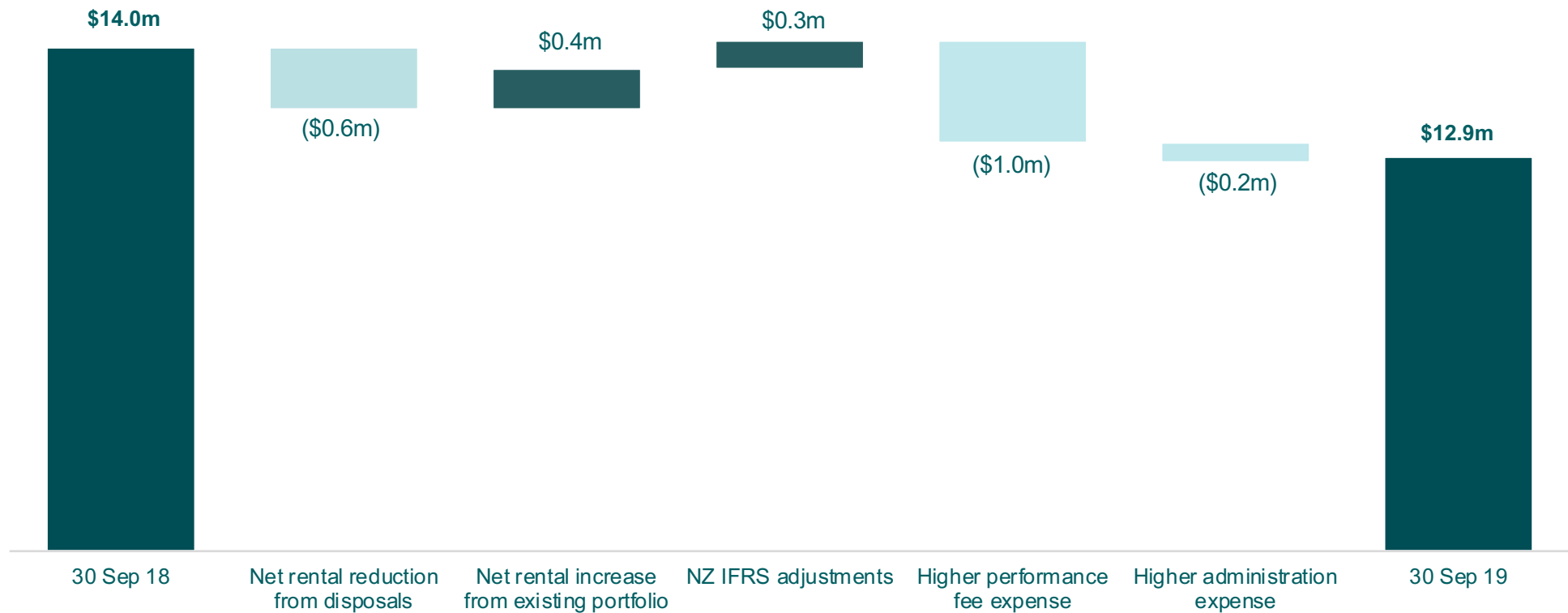
12. Other income/(expense) includes net change in fair value of investment properties.

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



# Financial Performance

## Profit before other income and income tax



Numbers in the chart may not sum due to rounding.

# Distributable Profit<sup>13</sup>

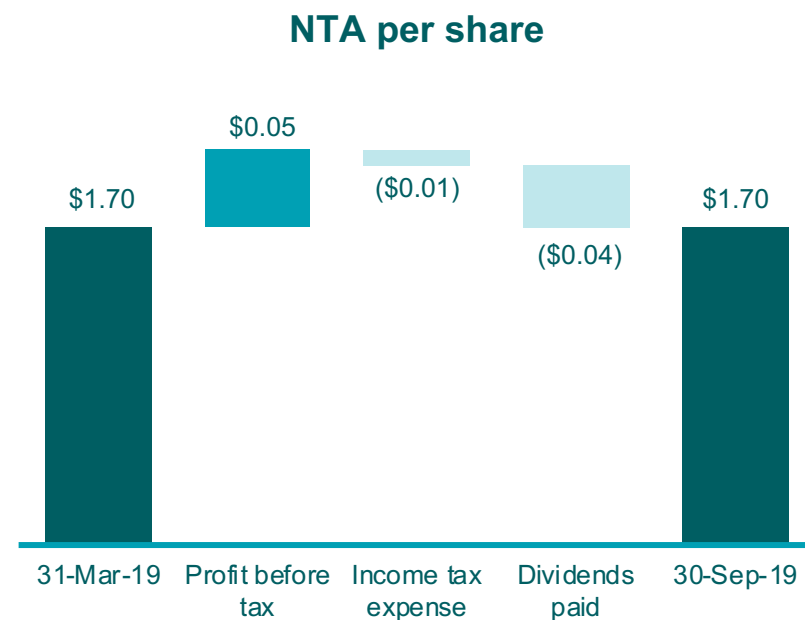
	Unaudited 30 Sep 19 \$m	Unaudited 30 Sep 18 \$m	Change	
			\$m	%
<b>Profit before income tax</b>	13.8	13.1	0.7	+5.2
<b>Non-recurring and/or non-cash adjustments:</b>				
- Net change in fair value of investment properties	(0.9)	0.9	(1.8)	(196.0)
- Reversal of the land lease liability movement in investment properties	(0.1)	-	(0.1)	(100.0)
- Spreading of fixed rental increases	(0.6)	(0.7)	0.1	+12.4
- Borrowings establishment costs amortisation	0.3	0.3	(0.1)	(24.3)
<b>Distributable profit before current income tax</b>	<b>12.4</b>	<b>13.6</b>	<b>(1.2)</b>	<b>(9.0)</b>
Current tax expense	(2.7)	(2.8)	0.2	+5.6
<b>Distributable profit after current income tax</b>	<b>9.7</b>	<b>10.8</b>	<b>(1.1)</b>	<b>(9.9)</b>
<b>Adjustments to funds from operations:</b>				
- Maintenance capital expenditure	(0.9)	(0.4)	(0.5)	(144.2)
<b>Adjusted Funds From Operations (AFFO)</b>	<b>8.9</b>	<b>10.4</b>	<b>(1.6)</b>	<b>(15.2)</b>
Weighted average number of shares (millions)	260.1	261.6		
<b>Basic and diluted distributable profit after current income tax per share – weighted (cents)</b>	<b>3.74</b>	<b>4.13</b>		
<b>AFFO basic and diluted distributable profit after current income tax per share – weighted (cents)</b>	<b>3.40</b>	<b>3.99</b>		

13. Distributable profit is a non-GAAP financial 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 before income tax, is set out in note 3.3 to the Interim Report for the six months ended 30 September 2019.

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

# Financial Summary

	Unaudited 30 Sep 19 \$m	Audited 31 Mar 19 \$m
Investment property value <sup>14</sup>	750.6	761.2
Drawn debt	304.7	318.5
<b>Loan to value ratio (LVR)</b>	<b>40.6%</b>	<b>41.8%</b>
Equity	443.1	443.2
Shares on issue (millions)	260.1	260.1
<b>Net Tangible Assets (NTA) per share</b>	<b>1.70</b>	<b>1.70</b>
<b>Adjusted NTA<sup>15</sup> per share</b>	<b>1.72</b>	<b>1.71</b>



14. Refer footnote 1 on page 4.

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



# Capital Management



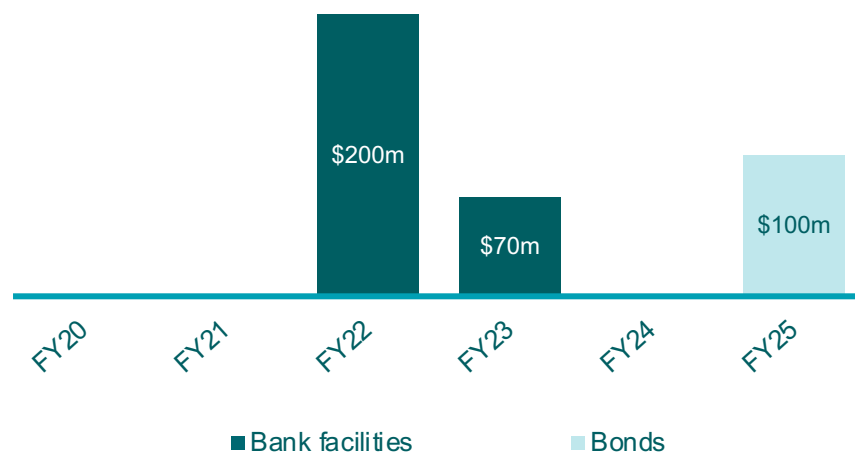


# Capital Management – Debt Profile

## Key transactions

- \$20m swaps cancelled 2 April 2019
- \$35m bank facility refinanced September 2019
- Weighted maturity of debt facilities 2.7 years, with no debt facilities expiring until June 2021
- Board policy is 48% maximum LVR

## Debt maturity profile



## Debt facilities

	As at 30 Sep 19	As at 31 Mar 19
Banking facility limit (ANZ, BNZ, CBA, Westpac), plus \$100m bond	\$370m	\$370m
Debt facilities drawn	\$305m	\$319m
Weighted maturity of debt facilities (years)	2.7	3.1

## Debt covenants

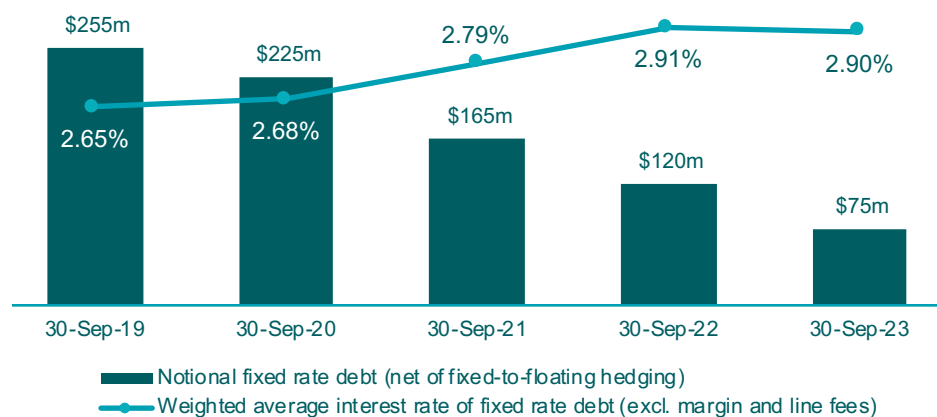
LVR (Drawn Debt / Property Values) Covenant: ≤ 65%	40.6%	41.8%
Interest Cover Ratio (EBIT/Interest and Financing Costs) Covenant: ≥ 1.75x	2.8x	2.9x
WALT Covenant: > 6.0 years	11.9 years	12.4 years

# Capital Management – Cost of Debt

(continued)

Cost of debt	As at 30 Sep 19	As at 31 Mar 19
Weighted average interest rate for debt (incl. current interest rate derivatives, bond and bank margins, and line fees)	4.31%	4.38%
Weighted average fixed interest rate (excl. margins)	2.65%	2.58%
Weighted average fixed interest rate maturity (incl. bond, active and forward starting swaps)	3.0 years	3.0 years
% of drawn debt fixed	84%	96%

## Fixed rate interest profile





# Conclusion





# Conclusion

**Proactive debt  
refinancing**

**\$35m**

**Strong portfolio  
metrics**

**99.7%**  
occupancy

**11.9 years**  
WALT

**Annual cash  
dividend guidance  
for FY20**

**7.60cps**

## Capital initiatives reduce risk and enhance returns

- Proactive bank refinancing to manage refinancing risk, with no debt maturing until June 2021
- Share buyback programme was an efficient use of balance sheet capacity

## Active portfolio management

- Investore's strategy is to continue to grow, and the acquisition of Countdown New Brighton demonstrates this. Investore will continue to assess other acquisition opportunities as they arise
- Net rental income steady from solid portfolio activity
- Active leasing renewals across key properties and securing long term tenants
- Strong portfolio metrics, including 99.7% occupancy and 11.9 years WALT
- FY20 annual cash dividend guidance 7.60 cps



# Thank you

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## **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 2019. Please refer to Investore's Interim Report for the six months ended 30 September 2019 for further information. 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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