

## Slide 1 – Annual Meeting of Shareholders

Good morning ladies and gentlemen.

My name is Mike Allen and I am an independent Director and the Chair of Investore Property Limited (Investore).

On behalf of the Board of Directors, it is my great pleasure to welcome you to the Annual Meeting of Investore's Shareholders and thank you for your participation at this meeting.

Before we proceed any further, I would like to cover off a few points of housekeeping and safety. As a matter of courtesy, please turn your mobile phones to silent.

In the event of an emergency or if we need to evacuate the building, the closest fire exit is just out this door to my left, and then please turn left and use the spa exit in front of you. Please follow the directions of staff and make your way out of the building, towards the assembly point on Princes Street, situated behind us. Bathrooms are located through the doors here and at the end of the corridor on your right. In case of a medical emergency, your first point of call is a member of staff.

Before we progress to the order of business for the Annual Shareholder Meeting, I would like to introduce you to your Directors and the Executive representatives, who are seated here:

## Slide 2 – Board of Directors

- Kate Healy - Kate is an independent Director of Investore and is standing for re-election today. I will let Kate tell you about her experience and skill set in the formal part of the meeting.
- Gráinne Troute - Gráinne is our newest Director and an independent Director of Investore, appointed in April 2018, and as required by the NZX listing rules, will be standing for election today. I will let Gráinne provide you with an overview of her professional background and experience later in the meeting.
- Tim Storey - Tim is a Stride Investment Management Limited nominee Director of Investore and is chairman of Stride Property Group. Tim has significant business experience across a range of sectors and has practised as a lawyer in Australia and New Zealand, retiring from the Bell Gully partnership in 2006. Tim currently holds a number of directorships in private, NZX and ASX listed companies.
- John Harvey - John is a Director of the Stride Property Group entities and is also a Stride Investment Management Limited nominee Director of Investore. John practised as a chartered accountant and was a partner in PricewaterhouseCoopers (PwC), where he held a number of management and governance responsibilities. Since retiring from PwC in 2009, John has pursued a career as a professional Director, holding a number of directorships, which are set out in the Annual Report.

Alongside the Directors, we also have representatives of the Manager, Stride Investment Management Limited:

- Philip Littlewood, Chief Executive Officer;
- Jennifer Whooley, Chief Financial Officer; and
- Louise Hill, General Manager Corporate Services and Company Secretary of Investore.

Finally, a little bit about myself; I was appointed Chair of Investore in 2016. I have experience in investment banking and general management in both New Zealand and the United Kingdom, and currently hold directorships across a range of sectors.

I would also like to welcome today:

- Sam Shuttleworth, Investore's audit partner from PwC;
- Chris Goddard, the company's solicitor from Bell Gully; and
- Representatives of Computershare, the share registrar for Investore.

## Slide 3 – Agenda

Moving to the formalities of the meeting, I record that the Notice of the Meeting of Investore was dispatched to shareholders and the auditors on 28 May 2018.

I am pleased to confirm that we have a quorum present and accordingly I declare the Annual Shareholder Meeting open.

The order of events for this morning will be as follows:

- I will provide an overview of the financial and business performance and operations of Investore for the year ended 31 March 2018. This will be followed by a report from Philip Littlewood, representing Investore's Manager.
- Following those addresses, questions and comments from shareholders will be taken in relation to Investore's performance and strategy going forward. There will also be a further opportunity for questions, in general business.
- We will then move to the formal business of the Annual Shareholder Meeting, to consider the three resolutions proposed in the Notice of Meeting.
- Finally, we will then attend to any general business. After the meeting concludes, I invite you to please join us for light refreshments.

## Slide 4 – Chair’s Address – Mike Allen

Welcome to Investore’s Annual Shareholder Meeting for 2018.

I am very pleased to be able to share with you today our financial results for the year ending 31 March 2018. This is the second year that we are able to compare our performance against the Prospective Financial Information or Forecasts which were released to the market prior to our listing on the NZX in 2016<sup>1</sup>.

## Slide 5 – FY18 an Active Year

The year to 31 March 2018, or FY18, was Investore’s first complete financial year since listing on 12 July 2016. FY18 was characterised by two themes:

1. Positive activity and performance throughout the Forecast period; and
2. The completion of Investore’s foundational strategic work programme.

At the last Annual Shareholder Meeting, the Investore Board outlined the initial plan for a range of capital management initiatives and portfolio optimisation milestones for the year, and I’m pleased to report that we have executed each one as planned. This is reflected in our performance for the year, and we believe this has also placed us in a good position, looking ahead to the medium term.

## Slide 6 – Financial Performance

FY18 brings to an end the Forecast period for the company.

The Board is pleased to report that in FY18, overall performance exceeded Forecast for FY18, following on from FY17’s performance which was also ahead of Forecast.

Highlights for FY18 are:

- Profit before other income and tax of \$26.8 million. This metric is an indicator of underlying performance of the company and was \$1 million up on Forecast.
- Profit after income tax of \$46.2 million, up \$27 million on Forecast of \$19.2 million. This is a significant increase, driven by a net growth in asset valuations for the year.
- With total portfolio valuation at balance date of \$738.3 million, property values grew by a net valuation gain of 3.3%.
- Accordingly, net tangible assets per share increased to \$1.64, up 9.0 cents per share from 31 March 2017.

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<sup>1</sup> Forecasts contained within the Product Disclosure Statement issued by Investore Property Limited on 10 June 2016 and associated information published in the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with the initial public offering (IPO).

- Distributable Profit<sup>2</sup> after current income tax for FY18 was \$20.5 million, up \$0.1 million on Forecast.
- The Board approved a fourth quarter cash dividend of 1.88 cents per share, taking the full year's cash dividend to 7.46 cents per share, being 95% of distributable profit. This was consistent with market guidance.

## Slide 7 – Non-Financial Performance

There have been a number of non-financial highlights for FY18 which I would like to draw your attention to, in particular:

- Investore's occupancy rate for the portfolio remains very high, at just under 100% occupancy;
- The weighted average lease term or WALT is 13.1 years at financial year end; and
- Our portfolio lease expiry profile has only 19% of Investore's Contract Rental<sup>3</sup> expiring within 10 years, with a significant 81% of leases not expiring until FY29 or later. This is an attractive rental profile.
- We complete the year with a more diversified portfolio than when we started.

## Slide 8 – Proactive Capital Management – Bond

If you were in attendance at last year's shareholder meeting, you will recall the comments around our future focus of enhancing shareholder returns by optimising our capital structure.

This has been a key workstream in FY18 and continues to be so, with two key initiatives a feature of the year in review.

On 5 March 2018, the company announced an offer of \$75 million of senior secured fixed rate bonds, with the ability to accept oversubscriptions of up to \$25 million. The inaugural bond offer for Investore was very successful, with \$100 million of bonds being issued post balance date, on 18 April 2018.

The implications of this from a capital management perspective are three-fold:

1. With the bonds maturing in 6 years, this extends the overall tenor of the company's funding facilities, which currently comprise bank debt and bonds, to 3.5 years (as at the 18 April 2018 issue date). Had the bond issue not occurred, the average tenor of funding at the same date would have been 2.1 years;
2. The longer tenor aligns with Investore's business, which as you have heard has a long WALT of 13.1 years as at 31 March 2018. A priority for the company is to match the long lease terms of Investore's assets with its liabilities;
3. And finally, the bonds provide Investore with important diversification of funding sources, with the proceeds of the bond offer used to repay a portion of Investore's existing bank debt.

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<sup>2</sup> 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.

<sup>3</sup> Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant to Investore 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.

## Slide 9 – Proactive Capital Management - Debt

Continuing with the theme of capital management initiatives, the Board continues to take a conservative position on interest rate risk, with 75% of Investore's drawn debt having a fixed interest rate at year end.

After taking the recent bond issuance into account, the profile of this ratio increases to above 95% in one year's time, 80% in two years' and 70% in three years' time. Overall capital planning resulted in net debt movement of \$46 million, taking total drawn debt to \$307 million at year end.

It is worth noting here that new swaps entered into in FY17 were secured at a more favourable interest rate than Forecast, and assisted net finance expenses being \$700,000 lower, at \$11.9 million.

During the year in review, the Board has considered the company's loan to value ratio (LVR) within the context of its capital management strategy. As you will recall, at the time of listing, the Board set a target loan to value ratio of approximately 48%. The Board has since reviewed this LVR target and adopted a more moderate position, setting a maximum LVR of 48%. This is well below Investore's banking and bond covenants, which have a maximum 65% LVR requirement.

While this appears to be a subtle change, it demonstrates the Board's approach to recognising and responding to changes in both the property and debt funding markets, and to ensure that Investore is well placed for any changes that could occur in the future.

Investore's loan to value ratio as at 31 March 2018 was 41.6%.

## Slide 10 – Delivery of Phase 1 and 2 Strategy

As highlighted earlier, the Board and SIML management have worked together to execute the balance of Investore's foundational strategic programme, positioning the company for the next chapter in its evolution.

FY18 saw a number of transformative transactions completed by Investore, under SIML's management, which completed the two foundational phases for Investore, which are:

- Phase 1 - Portfolio Establishment; and
- Phase 2 - Portfolio Optimisation and Capital Management.

Philip Littlewood, Stride Investment Management's CEO, will talk to this in more detail shortly.

Investore is now well positioned for the next phase in its development, which is to maintain stable income streams and to consider growth opportunities, with a focus on building accretive value to investors.

## Slide 11 – Investment Strategy Recap

The Board looks forward to this next stage, as Investore builds on its unique position in the NZX listed property is market.

Investore's focus is to invest in standalone large format retail property throughout both main centres and regional New Zealand, providing attractive and differentiating investment characteristics for investors, which include:

- Long lease terms;
- A high and sustainable occupancy rate; and
- Quality tenants.

With a portfolio value of \$738.3 million as at balance date, Investore operates exclusively in the standalone large format retail segment of the commercial property sector. Returns for this sector are typically highly resilient across a wide range of market conditions, enabling Investore to maximise distributions and total returns to shareholders over the medium to long term.

Our FY18 results and performance since listing in July 2016 are strong indicators of the value of this investment strategy.

Looking forward, the Board confirms annual cash dividend guidance of 7.46 cents per share to shareholders for FY19.

## Slide 12 - Looking Ahead

As you have heard today, Investore has a strong platform from which to grow. Going forward, the Board is focused on three areas:

1. Managing and repositioning the existing portfolio to ensure we achieve the greatest value, which could include the acquisition and development of adjoining and adjacent properties.
2. Continuing to source transactions that incrementally provide value to the portfolio, and ultimately value to investors over the long term, which may include possible brownfields redevelopment options to large format retail.
3. Continuing with the theme of tight management of capital with the overall outcome to increase shareholder returns and close the gap between Net Tangible Assets per share and share price, and as previously signalled, this may include the implementation of a share buy-back scheme.

## Slide 13 – Relationship with the Manager

Before I hand over to Philip Littlewood, it's a good time to make a few comments about the Manager.

As you are all aware, the Investore model is to outsource the management of our assets and day to day operations to Stride Investment Management Limited – SIML – and its experienced management team, who provide a full range of real estate management services.

During the year in review, the Board, and in particular the independent Directors, have been pleased with the Manager's performance in assisting Investore to execute a number of important initiatives. We are pleased to report that the relationship has developed well and we feel well-resourced and supported. In total \$4.9 million of management fees were incurred to SIML as Manager for FY18, which is \$0.4 million higher than Forecast, but reflects the activity of SIML in managing the asset disposals during the year and the bond initiative. Total fees for FY18 equate to two thirds of 1% of the value of Investore's assets under management as at 31 March 2018.

Having traded through the Forecast period, the Board and particularly the independent Directors of Investore, will look to undertake a review of the Manager's performance post July 2018, in accordance with the requirements of the Management Agreement.

## Slide 14 – Directors and Governance

Associated with SIML's role as Manager of Investore, is the ability of SIML to appoint two nominee directors under the Management Agreement.

If you were at last year's meeting, you will recall the resolution presented to shareholders to amend Investore's constitution to increase the independent representation of the Board for the benefit of shareholders and the company. This change was overwhelmingly supported by shareholders, and has been actioned with the appointment of our third independent Director, Gráinne Troute, in April 2018. We are pleased to have secured the services of Gráinne and are recommending her for formal appointment by shareholders today. The Board now comprises a majority of independent Directors.

The Board has also recently completed a self-review of its performance and its strengths and weaknesses. This has been a positive exercise and has highlighted that we feel that we are working well together as a group. Areas of focus for the current year include timetable management and ensuring a shift in our focus to more heavily weighted growth opportunities. Our review highlighted that we feel we have a balanced Board with a good mix of financial, management and property experience. To comment briefly on changing stakeholder expectations for governance and responsibility - I am very happy with the range of views and discussions brought to the Board. We also continue to work with SIML to identify improvements in our responsible governance, for example the recent exercise to benchmark and align governance practices to the new NZX Code and its eight principles.

As Chair, and on behalf of the Board, I can state that the Investore Board strives to govern your company well.



As a Board, we believe that a high standard of corporate governance by a skilled, qualified and diverse team of Directors is essential for sustaining the long-term performance of the company and ultimately providing value for our investors.

With that I will now hand over to Philip Littlewood, Chief Executive Officer of Stride Investment Management Limited, to take you through last year's activities in more detail on behalf of the Manager.

## Slide 15 – Manager's Address – Philip Littlewood

Thank you, Mike, and good morning ladies and gentlemen.

Mike has set the scene for my commentary on behalf of the Manager and has highlighted what has been a significant period for Investore over the 20 or so months since its listing on the NZX in July 2016 to the end of the FY18 financial year.

Investore has grown from a strong beginning, with its emergence from the strategic divestment of the large format retail property portfolio of Stride Property Limited in July 2016, recognising the potential of this market segment.

With diverse property investment goals and an investment management arm, staffed by professionals with considerable experience in the property sector, SIML has proudly and actively supported the establishment and growth of Investore over this foundational period.

## Slide 16 – Active Management

Mike reflected on FY18 being an active year for Investore and for SIML, as Manager.

During FY18, SIML has focused on:

- Actively managing Investore's portfolio to increase value and income growth prospects;
- Actively seeking future quality development and investment opportunities through SIML's investment pipeline, which fit the company's investment profile and mandate, with the goal of growing the portfolio and its returns for investors; and
- Executing a programme of capital management initiatives.



## Slide 17 – Operational Activity and Highlights

As we have touched on previously, FY18 saw a number of transactions completed which have optimised Investore's portfolio for long term growth.

I will now go through some of these in more detail: `

### Acquisitions

- The acquisitions during FY18 can be categorised into two initiatives, being firstly the Bunnings Transaction, and secondly, investment in properties adjacent to the Timaru Countdown, which provide future development opportunities.

#### Bunnings Transaction

- Dealing with the more-high profile acquisition first... The Bunnings Transaction was the acquisition by Investore of three Bunnings properties from Stride Property Limited (SPL) for \$78.5 million. This transaction required shareholder approval, which was obtained in February 2018, with shareholders overwhelmingly supporting the transaction, with 99.9%<sup>4</sup> of shareholder votes in support of the transaction. This transaction was a key milestone in completing the foundational strategic programme for Investore.

As signalled in Investore's Product Disclosure Statement, it was SPL's intention to transfer its remaining large format retail properties to Investore prior to listing on 12 July 2016, but ownership of the assets was retained as the timing of the transfer could not be aligned with the IPO.

On introducing these three assets into Investore's portfolio on 28 February 2018, the company acquired high-quality assets and tenants, with a weighted average lease term of 11.75 years, attractive fixed growth of 2.5% per annum over the term of the leases, at a weighted initial yield of 6.13%.

#### Acquisition of Adjacent Sites

- Investore's growth strategy also includes a focus on creating vibrant, multiservice local centres for the benefit of customers and tenants, through the acquisition of properties adjacent to Investore's current portfolio of anchor stores.

A good example of this strategy in action was the acquisition of two properties in Timaru in July and November 2017, adjacent to the current Countdown property owned by Investore, for a combined purchase price of \$1.4 million. These properties provide Investore with a future development opportunity, to create a destinational retail hub that is complementary to the anchor tenant, Countdown.

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<sup>4</sup> This is 99.88% of shareholders who participated in the Special Meeting of Shareholders on 8 February 2018.

## Divestments

- Investore also undertook two divestments during FY18 to ensure that the key portfolio characteristics that underpin Investore's strategy are maintained. The Countdown property in Hornby, Christchurch, and a Fresh Choice in Queenstown were sold, with the transactions both settling in March 2018.

These properties were forecast to provide a relatively lower growth profile when compared to the balance of the portfolio. The aggregate sales price of \$32.6 million represented a weighted average initial yield of 5.78%. The sales values for these properties were on average 11.3% above Investore's book values and shows the strong demand in the market for these types of assets.

The combined activity of the two divestments, coupled with the Bunnings acquisitions, demonstrates Investore's portfolio optimisation strategy of selective transactions to enhance portfolio returns and diversification. We believe this strategy has been a key part of the success for FY18 and the benefits will continue to be felt in the coming years.

## Mitre 10 Mega

The last key activity I would like to mention is the extension of the Mitre 10 Mega at Botany, Auckland, which is expected to be completed in late 2018.

This development follows on from the Animates development in FY17. In both cases, as with other Countdown refurbishments that have been undertaken by Investore, we work closely with Investore's tenants to expand and refurbish their premises.

Investore will receive capital improvements rent from the Mitre 10 Mega development, and it also ensures the premises meet the tenant's overall business needs. These types of asset management initiatives have incremental benefits to the underlying properties and are highly accretive, relative to direct investment.

## Slide 18 – Portfolio as at 31 March 2018

Turning to the portfolio as a whole...

At 31 March 2018, Investore's portfolio comprised 40 properties and 78 tenants.

The acquisition of the Bunnings operated properties and the divestment of the two supermarkets enabled Investore to improve its tenant diversification, with General Distributors Limited (which operates Countdown branded supermarkets) reducing from 82% of Contract Rental at the start of FY18 to 73% at the end, and Bunnings now representing 10% of Contract Rental.

Investore's portfolio extends throughout New Zealand into 14 cities and regional areas. Investore's portfolio has a higher weighting to the North Island, with 77% of Contract Rental from the North Island, and 23% from South Island locations as at 31 March 2018 – a fairly close reflection of New Zealand's population spread.

As we have touched on earlier, Investore's portfolio consists of a number of properties that have development potential. The total portfolio amounts to 48.3 hectares of land zoned for commercial use, and the current buildings occupy less than half of this at 43% site coverage.

So, while these properties are currently leased with 99.9% occupancy, underpinning Investore's income is a significant commercial property portfolio that can respond to possible future changes in our tenants' requirements and the retail landscape. Investore's portfolio is optimised to provide flexibility and long-term opportunities.

While Mike has given you a brief overview of the key characteristics that make investment in large format retail attractive, I would also like to note that from a portfolio investment perspective:

- The average asset value in Investore's portfolio is very low, at \$18.5 million per property, providing high asset liquidity if required;
- Standalone large format retail assets have lower maintenance costs over the long term, when compared to other property classes. Lifecycle costs are on average 0.35% of total property values per annum, approximately half the costs of retail and industrial properties and one third the cost of office properties. These savings directly impact the returns on investment.
- There is security of returns, with base rental being a key feature of lease structures providing steady growth on growth, in what is a very stable underlying portfolio.

Finally, as Mike mentioned earlier, we will continue to support Investore's Board to focus on its three main strategic initiatives by building growth for the portfolio around adjacent and brownfields properties, by enhancing and optimising the portfolio as market conditions permit, and by applying tight capital management. We think that these three initiatives will result in growing total returns for shareholders in the future.

I will now hand back to Mike for the formal part of the meeting.

Ends.

For further information please contact:

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