

Investore Property Limited

Covid-19 Business Update

Following the announcement from the New Zealand Government that New Zealand will move to Covid-19 Alert Level 4, Investore Property Limited (Investore) is providing the market with an update on its current position and impact of moving to Alert Level 4 on its operations.

Large Format Retail Focus

Investore occupies a unique position in the New Zealand publicly listed property sector, with its investment strategy focussed on large format retail properties. Almost all of Investore's tenants are "Essential Businesses", based on the current advice from the New Zealand Government. These tenants include supermarkets, hardware stores, pet stores and pharmacies. Investore has reviewed its portfolio for the impact of the Government moving the country to Alert Level 4 and advises that:

- Around 90% of Investore's portfolio by gross contract rental is categorised as Essential Businesses, and accordingly are permitted to remain open and trading during the Alert Level 4 shutdown. Some of these tenants may choose to operate reduced hours or have restricted access, but are permitted to remain open and operational.
- A small number of leases provide a contractual right to suspend rental payments in the situation where their premises are inaccessible, including because of the Government shutdown order. Excluding Essential Businesses, which are permitted to remain open, those leases where the tenant has a contractual right to suspend rental payments would represent a loss of rental income of \$0.02 million over the four week shutdown period, representing approximately 0.03% of gross rental income. Annualised, these tenants comprise only \$0.2 million, or approximately 0.4%, of gross rental income.

The Investore portfolio had a WALT of 11.5 years as at 29 February 2020.

Acquisitions

As announced to the market in November 2019, Investore has agreed to acquire three large format retail assets from Stride Property Limited (SPL) and its wholly owned subsidiary, Stride Holdings Limited, for an acquisition price of \$140.75 million. This transaction remains conditional on the consent of the Overseas Investment Office, with all other conditions having been satisfied. The Overseas Investment Office has advised that its operations will continue during the Covid-19 response, and Investore expects to complete the acquisition of these properties during the next quarter.

Financing

As at 30 September 2019, Investore's Loan to Value Ratio (LVR) was 40.6%. On the completion of the acquisition of the three large format retail assets from SPL described above, Investore's LVR is expected to be approximately 42%¹ (prior to any valuation adjustment as at 31 March 2020), which is well within

¹ Calculated taking current drawn facilities of \$240 million plus the amount required to settle the SPL acquisition; the 30 September 2019 portfolio valuation of \$750.6 million (excluding land lease liability of \$7.6 million) has been adjusted for the purchase price of the three SPL properties and the purchase price (\$1.2 million) of land acquired during the period since 30 September 2019.

the Board's stated maximum of 48% and Investore's bank and bond covenant limits of 65%. Investore currently has \$370 million of debt facilities available, including bank facilities and bonds, with \$240 million drawn, leaving \$130 million of undrawn headroom available. In addition to this, Investore has a committed credit-approved \$50 million, 5 year facility and is currently finalising documentation for this facility with its banking group. Investore has no indications that the term facility will not proceed as expected. This will take Investore's total available debt facilities to \$420 million, leaving approximately \$40 million of available headroom following settlement of the acquisition from SPL. Investore has a weighted debt maturity of 2.5 years, including the additional 5 year facility, with no banking facilities expiring in the next financial year.

Valuations

Investore is working with its valuers and auditors to finalise property valuations at 31 March 2020 for inclusion in its annual financial statements and will advise the market further when this matter has been finalised.

Conclusion

Investore continues to operate a number of properties across New Zealand that are Essential Businesses under the Alert Level 4 guidelines, and is well placed to continue operations during the shutdown. Investore is in regular contact with all of its tenants, and is providing additional support as required to those tenants that continue to operate during the shutdown, particularly supermarkets.

Based on the current situation and the proportion of Investore's portfolio that are Essential Businesses, Investore does not currently consider that the Covid-19 pandemic will have a materially negative impact on its business, although the Board will continue to monitor the situation closely.

Investore expects FY20 earnings to be materially in line with previous guidance.

Ends

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