

## Investore Property Limited

### Interim Results HY21

Investore Property Limited (Investore) is pleased to announce its interim results for the six months ended 30 September 2020 (HY21).

Investore has delivered strong results during this six month period, with profit after income tax of \$91.0m, up \$80.1m from the six months to 30 September 2019 (HY20), largely due to a strong revaluation movement which is testament to Investore's singular focus on large format retail property. This focus on large format retail property has also positioned Investore well to manage the impacts of COVID-19, due to the concentration of the portfolio on nationally recognised tenants focused on "everyday needs", including supermarkets, and the geographical diversification of the portfolio.

#### Highlights for HY21 include:

##### Financial Performance (for six months ended 30 September 2020):

- Profit after income tax of \$91.0m, up \$80.1m from HY20
- Distributable profit (note 1) after current tax of \$13.7m, up \$4.0m on HY20
- Cash dividend guidance for FY21 of 7.60 cents per share, assuming no further deterioration in economic conditions due to COVID-19. 1.90 cents per share cash dividend declared for quarter ended 30 September 2020, to be paid on 2 December 2020
- 6-month shareholder return to 30 September 2020 of 36.2% (or 24.6% in the nine months since 31 December 2019), outperforming gross S&P/NZX 50 and gross All Real Estate index by 16.3% and 15.4% respectively (or 22.3% and 28.3% respectively in the nine months since 31 December 2019)

##### Portfolio (as at 30 September 2020):

- Portfolio valuation (note 2) of \$980.3m, representing a 9.4% net revaluation gain (note 3) from 31 March 2020
- Portfolio market capitalisation rate of 5.53%, representing a 55 basis point compression from 31 March 2020 (note 4)
- Weighted average lease term (WALT) 10.2 years
- 99.7% occupancy by area (note 5)
- 57 lease extensions and renewals completed, including COVID-19 related deals, with a weighted average lease extension of seven months across all COVID-19 deals
- 72% of leases by Contract Rental (note 6) expiring in 2030 or beyond

- Acquired property adjacent to existing Investore-owned Countdown Papakura in March 2020 for \$1.2m, with works now completed on expansion of carpark and improved customer access to the property
- Investore collaborated with Countdown on redevelopment of the Rotorua supermarket, including full internal store refurbishment, parking amenity, and new energy efficient heating and ventilation systems, resulting in an overall improved asset

#### Proactive Capital Management:

- \$105m new equity raised in April and May 2020, with net proceeds used to repay bank debt
- \$125m 7-year listed bonds issued in August 2020 at a 2.4% interest rate
- New \$50m, 5-year facility secured and \$101m existing facility extended for three additional years, with additional 3-year \$30m facility agreed post-balance date, introducing ICBC (note 7) to the banking group
- Loan to Value Ratio (LVR) 28.3% (note 8), compared to 31.3% as at 31 March 2020

#### Update on COVID-19

- Investore has worked with its tenants to support them through the impact of COVID-19 throughout the year
- Investore's approach in assisting tenants has been focussed on providing rental support through a combination of abatements and deferrals, often in return for granting extensions to lease terms, resulting in a weighted average lease extension of seven months being achieved across COVID-19 arrangements
- Investore expects reduced gross rent receivable for FY21 to be approximately \$1m, compared with the previous forecast of \$1m-\$2m
- 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 reduction in current tax of approximately \$2.2m for FY21

Looking forward, Investore's focus will be on targeted growth to enhance the portfolio and maximise returns to investors over the medium to long term. This growth includes potential acquisitions, as well as development of the existing portfolio, including refurbishment of stores.

#### Notes:

1. Distributable profit is a non-GAAP measure and consists of net 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 3.2 to the Interim Financial Statements.

2. Portfolio value excludes: (1) \$7.0m of seismic works to be completed by Stride Property Limited (SPL) on the three large format retail properties acquired from SPL on 30 April 2020, and the balance of the rental guarantee of \$0.4m from SPL; and (2) lease liabilities. The valuation of the property at 35 MacLaggan Street, Dunedin, remains subject to 'material valuation uncertainty' due to the expiry of the tenant lease in July 2021; see note 2.2 to the Interim Financial Statements.
3. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on the purchase price for those three properties excluding (1) the \$7.0m of seismic works to be completed by SPL on the properties, and (2) the rental guarantee of \$0.5m from SPL.
4. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on independent valuations of those three properties obtained in preparation for the acquisition in April 2020.
5. Post balance date The Warehouse has vacated the premises at 91 Johnsonville Road, Johnsonville, upon expiry of the lease, reducing the portfolio occupancy rate by area to 99.1%.
6. 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 30 September 2020, and assuming no default by the tenant.
7. Industrial and Commercial Bank of China Limited, Auckland Branch (ICBC).
8. LVR is calculated based on independent valuations, which include seismic works and rental underwrites to be funded by SPL in relation to the three properties acquired from SPL and settled in April 2020. The independent valuations also exclude lease liabilities.

## Ends

Attachments provided to NZX:

- Investore Property Limited - Interim Results Announcement 171120
- Investore Property Limited - Interim Report HY21 171120
- Investore Property Limited - Interim Results Update HY21 171120
- Investore Property Limited - NZX Results Announcement HY21 171120
- Investore Property Limited - NZX Distribution Notice FY21 Q2 - 171120

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