

Investore Property Limited

Acquisition of Properties and Capital Raise

- Investore is executing its growth strategy, with conditional agreement reached with Stride Property Limited to acquire three large format retail assets for \$140.75 million
- Investore is commencing a capital raise (Offer) of up to \$80 million, comprising a \$65 million underwritten placement and a retail offer for up to \$15 million, with the ability to accept oversubscriptions at Investore's discretion of up to a further \$5 million
- Investore expects the acquisition, combined with the Offer, will be accretive to FY21 distributable profit per share (DPPS) by approximately 2.5% (note 1)
- Guidance of 7.60 cps cash dividend for FY20 remains unchanged

Investore Property Limited (Investore) is pleased to announce that it has entered into a conditional agreement with Stride Property Limited (SPL) to acquire three large format retail assets for a purchase price of \$140.75 million. To support the acquisition, Investore is commencing a capital raising (Offer) to raise up to \$80 million, comprising a \$65 million placement and a \$15 million retail offer with the ability to accept oversubscriptions for the retail offer of up to \$5 million.

Delivering on Strategic Objectives

Investore's strategy is to invest in quality, large format retail properties throughout New Zealand, and it is the only listed property company with this singular focus. This asset class comprises properties anchored by nationally recognised retailers with long lease-terms and high occupancy rates. The Board has been focussed on growing Investore's portfolio of properties within this mandate. Investore believes that the combination of the proposed acquisition with the Offer delivers on this growth strategy, providing benefits to shareholders, as it is expected to increase FY21 DPPS by approximately 2.5% (note 1).

The overall transaction (comprising the acquisition and the Offer) is consistent with Investore's four strategic principles:

- **Active portfolio management:** The acquisition strengthens Investore's longstanding relationships with existing core tenants, including Countdown and Bunnings, while also ensuring

the portfolio retains strong metrics, including occupancy of 99.7% and weighted average lease term (note 2) in excess of 10 years.

- **Targeted growth:** The acquisition increases Investore's total portfolio value, through adding quality large format retail properties. The acquisition also improves tenant diversification, adding new nationally recognised tenants to the portfolio, including Rebel Sports, Briscoes, Hunting and Fishing, and Freedom Furniture.
- **Continued portfolio optimisation:** The acquisition includes properties that have the potential for further development over time through expansion and intensification to meet tenant needs and the surrounding catchment; and increases Investore's exposure to the growing regions of Auckland and Tauranga.
- **Proactive Capital Management:** To support the acquisition, Investore is undertaking a capital raise of up to \$80 million. The proceeds of the Offer will be used initially to pay down debt, prior to settlement of the acquisition, with Investore's loan to value ratio reducing to 30.2% (calculated on the basis of the 30 September 2019 loan to value ratio and assuming the Offer of \$80 million had been completed as at that date and the proceeds net of costs used to pay down debt). Following completion of the acquisition, the loan to value ratio is expected to return to around current levels.

Acquisition Details

Investore is acquiring three large format retail properties from SPL, being:

- Bunnings Mt Roskill, Auckland (hardware category);
- Mt Wellington Shopping Centre, Auckland – which is a centre anchored by a Countdown Supermarket and with 21 specialty tenants (everyday needs category); and
- Bay Central Shopping Centre, Tauranga – a large format shopping centre which includes three anchor tenants (Rebel Sport, Briscoes and NZ Post) and a number of specialty tenants (general merchandise, homewares categories).

The acquisition remains subject to a number of conditions, including the Investore Board's satisfaction with due diligence, approval by the Investore Board, approval of Investore shareholders to the acquisition as a related party transaction, and Overseas Investment Office approval.

Mike Allen and Gráinne Troute, the independent directors of Investore, managed the sale and purchase agreement negotiation with the SPL Board and received independent valuations on each of the properties. The valuations support the \$140.75 million acquisition price.

SPL has committed to pay for certain seismic upgrade works on the properties, and has agreed to provide a rental underwrite at agreed levels in respect of four vacant specialty tenancies for a period of up to two years.

Investore is also considering other acquisition opportunities that are consistent with its investment mandate.

Shareholder Approval Sought at Special Meeting

The acquisition from SPL will be a 'Material Transaction' for the purposes of the related party rules of the NZX Listing Rules, and therefore will be subject to approval by Investore shareholders (excluding SPL and its directors). A special meeting of shareholders will be arranged and details will be provided to shareholders in due course.

Northington Partners has been engaged to prepare an Independent Appraisal Report (IAR) in accordance with the requirements of the NZX Listing Rules, to provide an overall assessment of the fairness of the transaction. The IAR will accompany the notice of meeting to be sent to shareholders.

If the transaction is approved by shareholders, then it will still remain subject to the approval of the Overseas Investment Office, and accordingly, is not expected to settle before 1 April 2020.

Offer

The Offer comprises:

- **Placement:** A placement of \$65 million to eligible investors. SPL has committed to subscribe for shares in the placement with the intention of maintaining its 19.9% shareholding (post placement but prior to allotment of shares under the retail offer). The placement price will be set through a bookbuild process during the course of today, with an underwritten floor price of \$1.75, which represents a discount of 7.5% to the last close ex-dividend (\$1.89) and 5.4% discount to the 5 day VWAP ex-dividend (\$1.85). Any shares not taken up in the placement will be underwritten by Goldman Sachs New Zealand Limited at the underwritten floor price, pursuant to the terms of a placement agreement entered into with Investore today.
- **Retail Offer:** A retail offer to all eligible shareholders with a registered address in New Zealand, under which each eligible shareholder can apply for up to \$50,000 new shares, subject to a \$15 million overall cap with discretion for Investore to accept oversubscriptions of up to a further \$5 million. The issue price will be the same price as paid by investors in the placement. The retail offer has been structured to be as fair as possible to all existing shareholders, and enables almost all shareholders to participate through either the placement or the retail offer (except where restricted due to legal constraints), and should scaling be required, it will be by reference to existing shareholdings and taking into account Investore's maximum placement capacity under the NZX Listing Rules. The retail offer opens on 25 November 2019, with the offer document and application form in respect of the retail offer also being available from that date.

The new shares issued under the Offer will not participate in the 1.90 cents per share dividend payable on 27 November 2019.

The Board looks forward to investors' support for the capital raising.

Notes:

1. DPPS accretion has been calculated by comparing Investore's budgeted FY21 DPPS (calculated assuming that the capital raising and acquisition did not occur) against the expected pro forma FY21 DPPS including the transaction, and excluding any one-off transaction costs. The pro forma FY21 DPPS is based on: (i) Investore's standalone budget for FY21 DPPS; (ii) pro forma earnings impacts of the acquisition assuming the conditional transaction occurs; (iii) estimated pro forma impacts of the acquisition financing, assuming the full amount of the capital raising of \$80 million is raised and debt financing with associated interest costs and interest rate hedging strategies are implemented; and (iv) Investore's pro forma number of shares outstanding post transaction (accounting for both new shares issued under the placement and retail offer).
2. Weighted average lease term as at 30 September 2019, assuming the acquisition had settled as at that date.

Ends

Attachments provided to NZX:

- Investore Property Limited - Acquisition of Properties and Capital Raise 191119
- Investore Property Limited – Acquisition and Capital Raise Presentation 191119
- Investore Property Limited – Corporate Action Notice 191119

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