



investore

Managed by Stride Investment
Management Limited

Interim Results

**For the six months ended
30 September 2018**

Agenda and Contents

	Page	
Welcome		
Highlights	3	Philip Littlewood – Chief Executive Officer of the Manager, SIML
Financial Performance	6	
Capital Management	10	Jennifer Whooley – Chief Financial Officer of the Manager, SIML
Portfolio Overview	13	
Governance and Management	19	Philip Littlewood – Chief Executive Officer of the Manager, SIML
Conclusion	21	
Appendices	23	

The image features a white background with four large, overlapping geometric shapes in two shades of teal. Two shapes are light teal and two are dark teal. They are arranged in a cross-like pattern, with the light teal shapes pointing towards the corners and the dark teal shapes pointing towards the center. The word "Highlights" is centered in the white space.

Highlights

Highlights

(HY18 figures in brackets)

Financial Performance

- Net rental income of \$24.0m (\$22.0m), up \$2.1m
- Corporate expenses of \$2.8m (\$2.5m), up \$0.3m
- Profit before other (expense)/income and income tax of \$14.0m (\$13.6m), up \$0.4m
- Profit before income tax of \$13.1m (\$14.7m), down \$1.6m
- Profit after income tax of \$10.0m (\$11.6m), down \$1.7m
- Distributable profit¹ before current income tax of \$13.6m (\$13.1m), up \$0.5m
- Distributable profit after current income tax of \$10.8m (\$10.4m), up \$0.4m
- Annual cash dividend guidance of 7.46cps for FY19
 - 1.865cps cash dividend for quarter ended 30 September 2018

Profit before other
(expense)/income
and income tax

\$14.0m, up \$0.4m

Distributable profit after
current income tax

\$10.8m, up \$0.4m

Annual cash dividend
guidance for FY19

7.46cps

1. Distributable profit is a non-GAAP financial measure adopted by Investore Property Limited (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 5 to the interim report for the six months ended 30 September 2018.

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

Highlights

(As at 31 March 2018 figures in brackets)

Portfolio

- Total investment property portfolio value \$740.4m (\$738.3m), with a net valuation loss of 0.1%
- Occupancy at 99.9% (99.9%)
- Weighted average lease term (WALT) 12.6 years (13.1 years)
- FY19 expiries at 2.3%, FY20 expiries at 1.1%, with 81% of portfolio Contract Rental² > 10 years
- Net Tangible Assets (NTA) backing per share of \$1.64 (\$1.64)

Capital Management

- \$100m six year fixed rate bond issued in April 2018
- \$70m bank debt refinanced, extended to 2022
- Share buyback programme commenced in August 2018, although currently on pause
- Loan to value ratio (LVR) 42.2% (41.6%), policy maximum 48%

Governance and Management

- Gráinne Troute, third Independent Director elected
- Fabio Pagano appointed as Investore Fund Manager, a newly created role in the Stride Investment Management Limited executive team

Investment Property value

\$740.4m

Occupancy

99.9%

NTA per share

\$1.64

Bond issue

\$100m

2. 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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2018, and assuming no default by the tenant.

The background features four large, abstract geometric shapes in two shades of teal: a light teal and a dark teal. Two shapes are positioned in the top right corner, and two are in the bottom left corner, creating a symmetrical, modern aesthetic.

Financial Performance

Financial Performance

	Unaudited 30 Sep 2018 \$m	Unaudited 30 Sep 2017 \$m	Change	
			\$m	%
Net rental income	24.0	22.0	+2.1	+9.5
Corporate expenses	(2.8)	(2.5)	(0.3)	(10.4)
Profit before net finance expense, other (expense)/income and income tax	21.2	19.4	+1.8	+9.4
Net finance expense	(7.2)	(5.9)	(1.4)	(23.9)
Profit before other (expense)/income and income tax	14.0	13.6	+0.4	+3.1
Other (expense)/income ³	(0.9)	1.2	(2.1)	(177.7)
Profit before income tax	13.1	14.7	(1.6)	(11.1)
Income tax expense	(3.1)	(3.1)	(0.0)	(0.5)
Profit after income tax attributable to shareholders	10.0	11.6	(1.7)	(14.2)

3. Other (expense)/income 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.

Distributable Profit

	Unaudited 30 Sep 2018 \$m	Unaudited 30 Sep 2017 \$m	Change	
			\$m	%
Profit before income tax	13.1	14.7	(1.6)	(11.1)
Non-recurring and non-cash adjustments:				
- Net change in fair value of investment properties	0.9	(1.2)	+2.1	+179.8
- Spreading of fixed rental increases	(0.7)	(0.5)	(0.1)	(26.6)
- Refinancing cost amortisation	0.3	0.1	+0.2	+167.2
Distributable profit before current income tax	13.6	13.1	+0.5	+3.6
Current tax expense	(2.8)	(2.7)	(0.1)	(2.6)
Distributable profit after current income tax	10.8	10.4	+0.4	+3.9
Adjustments to funds from operations:				
- Maintenance capital expenditure	(0.4)	(0.1)	(0.3)	(355.7)
Adjusted Funds From Operations (AFFO)	10.4	10.3	+0.1	+1.2
Weighted average number of shares (millions)	261.6	261.8		
Basic and diluted distributable profit after current income tax per share - weighted (cents)	4.13	3.97		
AFFO basic and diluted distributable profit after current income tax per share- weighted (cents)	3.99	3.94		

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 5 to the interim report for the six months ended 30 September 2018.

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 As at 30 Sep 2018	Audited As at 31 Mar 2018
Investment Property value (\$m)	740.4	738.3
Drawn debt (\$m)	313.0	307.4
Loan to value ratio	42.2%⁴	41.6%
Equity (\$m)	426.0	429.1
Shares on issue (millions)	260.3	261.8
NTA per share	\$1.64	\$1.64
Adjusted NTA⁵ per share	\$1.64	\$1.64

4. As required by Investore's bank facility agreement, the 42.2% LVR is calculated using the most recent full independent valuations, which value the Investore portfolio at \$740.9m. Three properties were subject to desktop reviews as at 30 September 2018, and the resulting movement in property values has been recognized in the financial statements. Consequently, there is a difference between the total investment property valuation used in the LVR calculation (\$740.9m) and the total investment property value stated in the Statement of Financial Position (\$740.4m). Please refer to note 7 of the financial statements for further detail of the independent valuations and desktop reviews.

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

The image features a white background with four large, abstract geometric shapes in teal and dark teal. Two shapes are located in the top right corner, and two are in the bottom left corner. The top-right shapes are a light teal triangle pointing downwards and a dark teal triangle pointing upwards. The bottom-left shapes are a light teal triangle pointing upwards and a dark teal triangle pointing downwards. The text 'Capital Management' is centered in the middle-right area of the page.

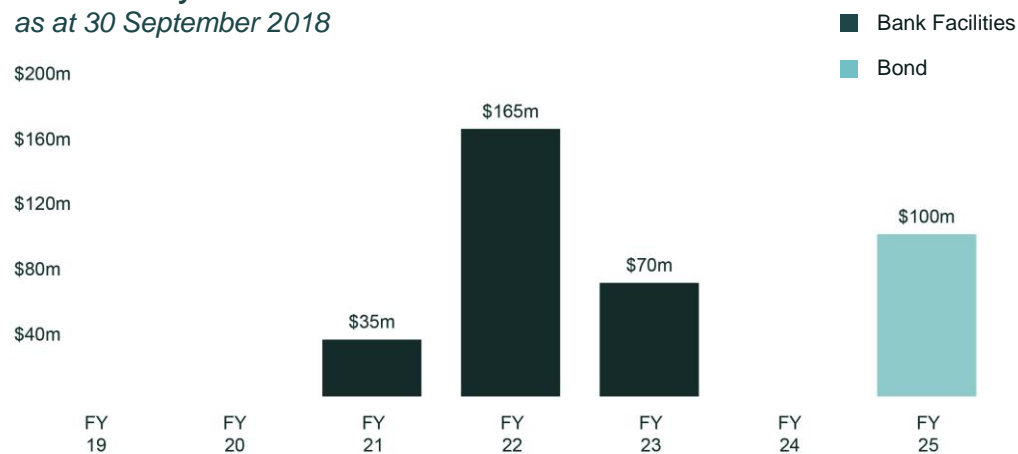
Capital Management

Capital Management

Key transactions

- Inaugural bond issue April 2018 - \$100m six year bond, resulting in increased weighted average tenor of debt facilities and increased diversification of funding sources
- \$70m bank facility refinanced, increasing average tenor of total debt facilities to 3.6 years as at 30 September 2018. Next debt facility maturing is \$35m in June 2020
- \$57m of banking facility headroom available as at 30 September 2018
- Board is considering additional capital management initiatives in the future as market conditions allow, which may include a second bond issue

Debt Maturity Profile
as at 30 September 2018



6. \$100m of Investore's bank facilities were repaid and cancelled subsequent to the \$100m bond issuance on 18 April 2018.

7. The unexpired leased term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

	As at 30 Sep 2018	As at 31 Mar 2018
Debt facilities		
Banking facility limit (ANZ, BNZ, CBA, Westpac), plus \$100m bond ⁶	\$370m	\$370m
Debt facilities drawn	\$313m	\$307m
Weighted maturity of debt facilities	3.6 years	2.2 years
Debt covenants		
Loan to Value Ratio (LVR) (Drawn Debt / Property Values) Covenant: ≤ 65%	42.2%	41.6%
Interest Cover Ratio (EBIT/Interest and Financing Costs) Covenant: ≥ 1.75x	3.0x	3.2x
Weighted Average Lease Term ⁷ Covenant: > 6.0 years	12.6 years	13.1 years

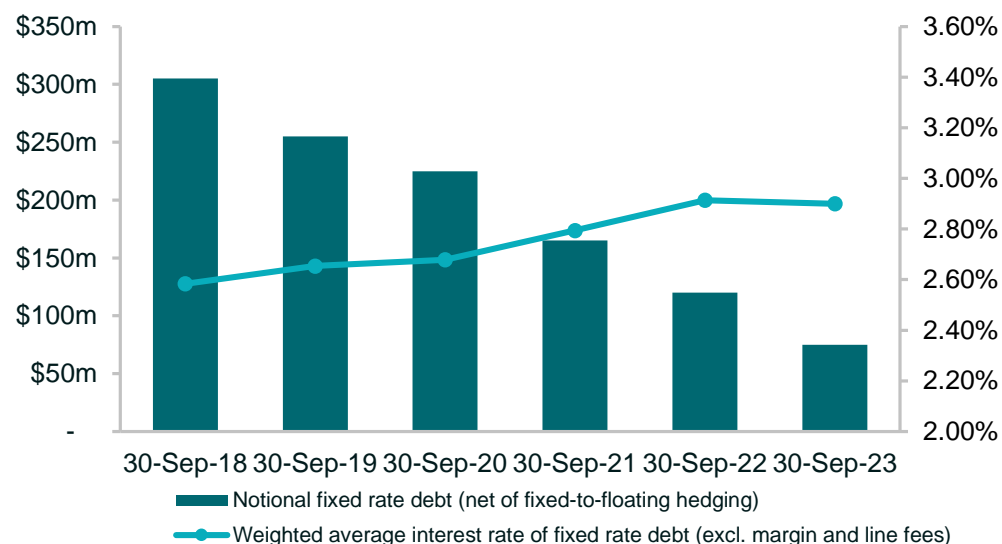
Investore's policy is a maximum LVR of 48%

Capital Management (continued)

Key transactions

- \$100m fixed rate six year bonds with 4.40% coupon rate
- \$25m six year fixed-to-floating interest rate swap entered into, commenced 18 April 2018
- No other swaps entered into or matured during the period

Fixed rate interest profile



	As at 30 Sep 2018	As at 31 Mar 2018
Cost of debt		
Weighted average cost of debt (incl. current interest rate derivatives, bond and bank margins, and line fees)	4.40%	4.25%
Weighted average fixed interest rate (excl. margins)	2.58%	2.48%
Weighted average fixed interest rate maturity (incl. bond, active and forward starting swaps)	3.5 years	3.3 years
% of drawn debt fixed	97%	75%

Share buyback

- 12 month on-market share buyback programme commenced August 2018 to purchase up to 5% of Investore's shares
- Board views this as an efficient use of balance sheet capacity
- To 27 September 2018, 1,471,124 shares acquired, representing 0.6% of the shares on issue immediately prior to the commencement of the share buyback, at a weighted average price of \$1.53, below 30 September 2018 NTA of \$1.64 per share
- Share buyback programme currently on pause

The background features four large, overlapping geometric shapes in two shades of teal: a light teal and a dark teal. Two shapes are in the top-right corner, and two are in the bottom-left corner, creating a symmetrical, abstract design.

Portfolio Overview

Portfolio Strategy and Overview

Portfolio Strategy

- ✓ Continued focus on owning properties that have key characteristics of long lease terms (12.6 years portfolio WALT⁹), nationally recognised and quality tenants (Countdown, Bunnings, The Warehouse, Mitre 10, Animates) and high occupancy rates (99.9%)
 - Post balance date - Countdown Rotorua lease extended for a further 10 years from expiry of current term in FY21.
- ✓ Acquiring properties adjacent to existing Investore properties to provide opportunities for future development, or further development of existing premises, to meet tenants' requirements
 - Refurbishment works at Countdown Greenlane, Auckland, completed April 2018. This is the eighth completed refurbishment for Investore owned GDL (Countdown) sites in the last 18 months.
 - Extension of Mitre 10 Mega Botany, Auckland, to be completed late 2018.
- ✓ Selective acquisitions which enhance geographical and/or tenant diversification, and considered divestments to maintain balance sheet capacity

	As at 30 Sep 2018	As at 31 Mar 2018
Number of properties	40	40
Number of tenants	78	78
Net Contract Rental ⁸ (\$m)	47.2	46.9
Net lettable area (sqm)	209,980	209,980
Occupancy rate (% by area)	99.9	99.9
WALT ⁹ (years)	12.6	13.1
Portfolio value (\$m)	740.4	738.3

8. Contract Rental – refer footnote 2 on page 5 for definition.

9. Weighted Average Lease Term (WALT).

Lease Expiry Profile

✓ 81% of portfolio Contract Rental > 10 years expiry as at 30 September 2018, increasing to 83% following major renewal at Countdown Rotorua (post balance date)

FY19

- 2.3% of Contract Rental expiring in remainder of FY19
- 1.8% of this relates to Countdown, Anglesea Street, Hamilton. This expiry remains under negotiation

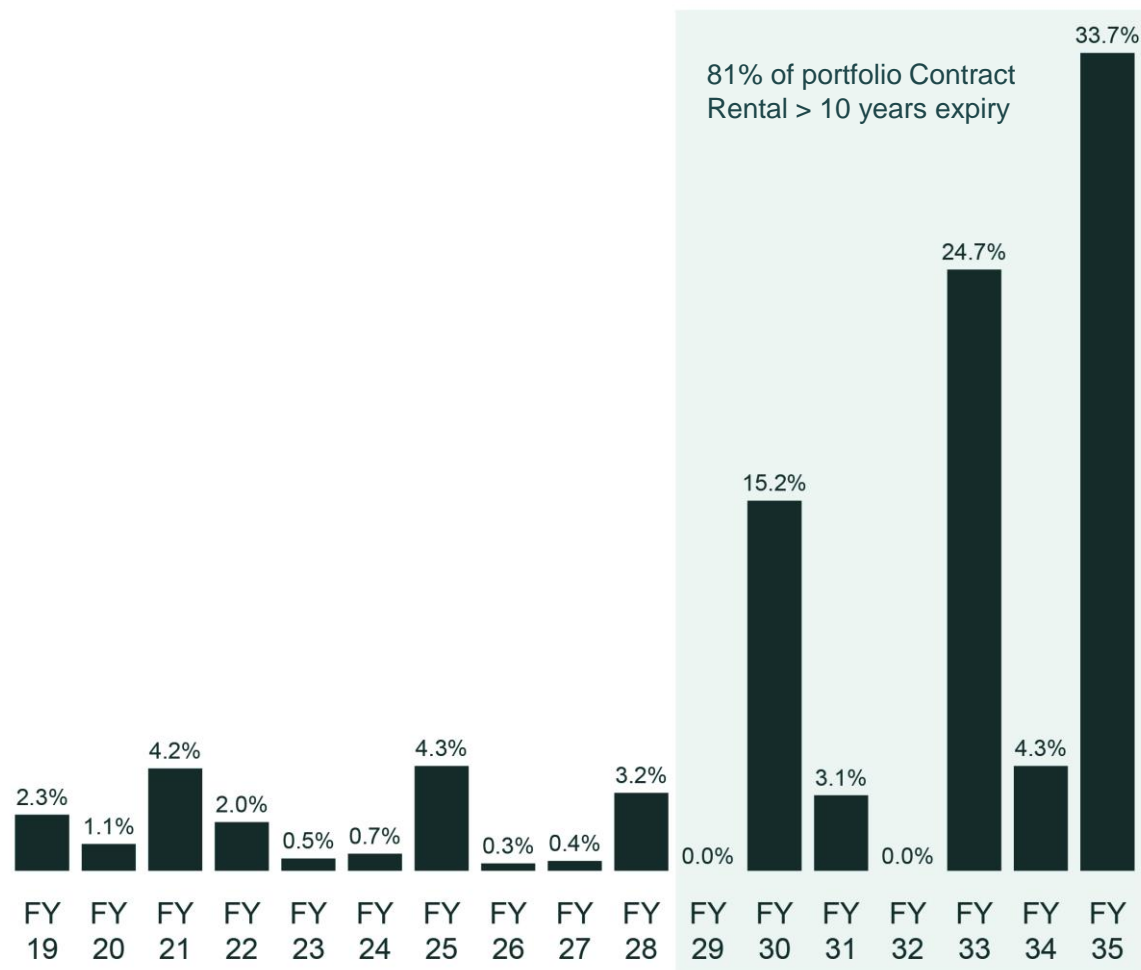
FY20

- 1.1% of Contract Rental expiring
- Major expiry - Animates at 226 Great South Road, Auckland, equating to 0.7% of Contract Rental

FY21

- 4.2% of Contract Rental expiring
- 2.2% of this renewed post HY19 (Countdown, Fenton Street, Rotorua)

Lease Expiry Profile¹¹ by Contract Rental¹⁰ as at 30 September 2018



10. Contract Rental – refer footnote 2 on page 5 for definition.

11. 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 2018, as a percentage of Contract Rental.

Note: Numbers may not add due to rounding.

Portfolio Occupancy

As at 30 September 2018

Property	Occupancy ¹² (%)	Vacancy (sqm)	Total area (sqm)
3 - 7 Mill Lane, Warkworth	98.0	76	3,815
Corner Hanson Street, John Street, & Adelaide Road, Wellington	98.7	64	4,881
Other	100.0	-	201,284
Total	99.9	140	209,980

12. Calculated as the leased area as a portion of the lettable area.

Portfolio Diversification

Tenant Diversification by Contract Rental¹³

As at 30 September 2018

■ General Distributors (Countdown)	73%
■ Bunnings	10%
■ Foodstuffs	6%
■ Specialty	5%
■ Mitre 10	3%
■ The Warehouse	73%



Geographic Diversification by Contract Rental¹³

As at 30 September 2018

■ Auckland	31%	North Island 77%
■ Waikato	11%	
■ Wellington	17%	
■ Other North Island	18%	
■ Canterbury	10%	South Island 23%
■ Otago	7%	
■ Other South Island	6%	



13. Contract Rental – refer footnote 2 page 5 for definition.

Countdown Greenlane, Auckland

Investore partners with tenants like GDL in refurbishment projects. HY19 saw the refurbishment of Countdown Greenlane, with Investore participating by:

- Repainting the entire exterior of the premises
- Re-asphalting the existing 7,750 sqm carpark, and undertaking external landscaping
- Installing new energy efficient HVAC systems, to support a reduction in the store's overall carbon footprint

The background features four large, overlapping geometric shapes in two shades of teal: a light teal and a dark teal. Two shapes are positioned in the top right corner, and two are in the bottom left corner, creating a symmetrical, abstract design.

Governance and Management

Key Appointments During the Period



Gráinne Troute
Independent Director

Gráinne was appointed by the Board in April 2018 and elected by the shareholders in June 2018 as Investore's third Independent Director. The Board now comprises a majority of independent representation.

Gráinne brings over 30 years of experience in retail and property through her roles as an executive at McDonald's and SKYCITY Entertainment Group, and as a director at Tourism Holdings, Evolve Education and Summerset Holdings.



Fabio Pagano
Investore Fund Manager, SIML

The Investore Fund Manager role is a new executive position, created to support SIML in its provision of market leading and specialist real estate investment management services to Investore, and to support Investore's growth initiatives.

Fabio brings extensive experience to SIML and to Investore, including five years with Coles Australia Group, providing a concentrated executive focus on large format retail.

Fabio is due to start in early December 2018.

The image features a white background with four large, abstract geometric shapes in teal and dark teal. Two shapes are in the top right corner, and two are in the bottom left corner. The word "Conclusion" is centered in the middle of the page.

Conclusion

Conclusion

Delivery of Performance

- 1.865cps cash dividend for quarter ended 30 September 2018
- Strong portfolio metrics including 99.9% occupancy and 12.6 years WALT as at 30 September 2018

Capital management initiatives reduce risk and enhance returns

- Retail bond issue improves debt maturity profile and diversifies funding sources
- Proactive bank refinancing to manage refinancing risk
- Share buyback programme is an efficient use of balance sheet capacity

Outlook

- Board is considering additional capital management initiatives in the future which may include a second bond issue
- Continued focus on development and refurbishment programme
- Fabio Pagano, SIML appointed Investore Fund Manager, to commence December 2018
- Annual cash dividend guidance of 7.46cps for FY19

Strong portfolio metrics

99.9% Occupancy

12.6 years WALT

Capital management initiatives reduce risk & enhance returns

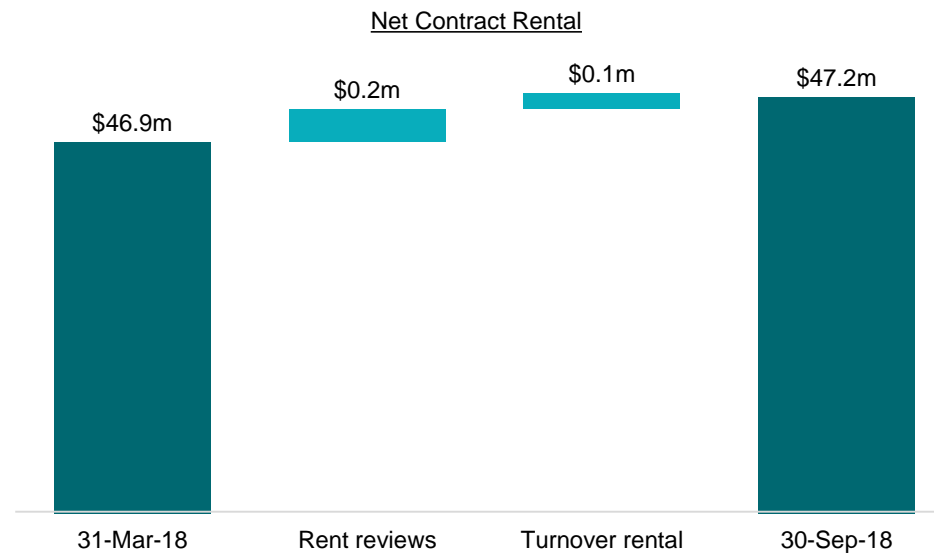
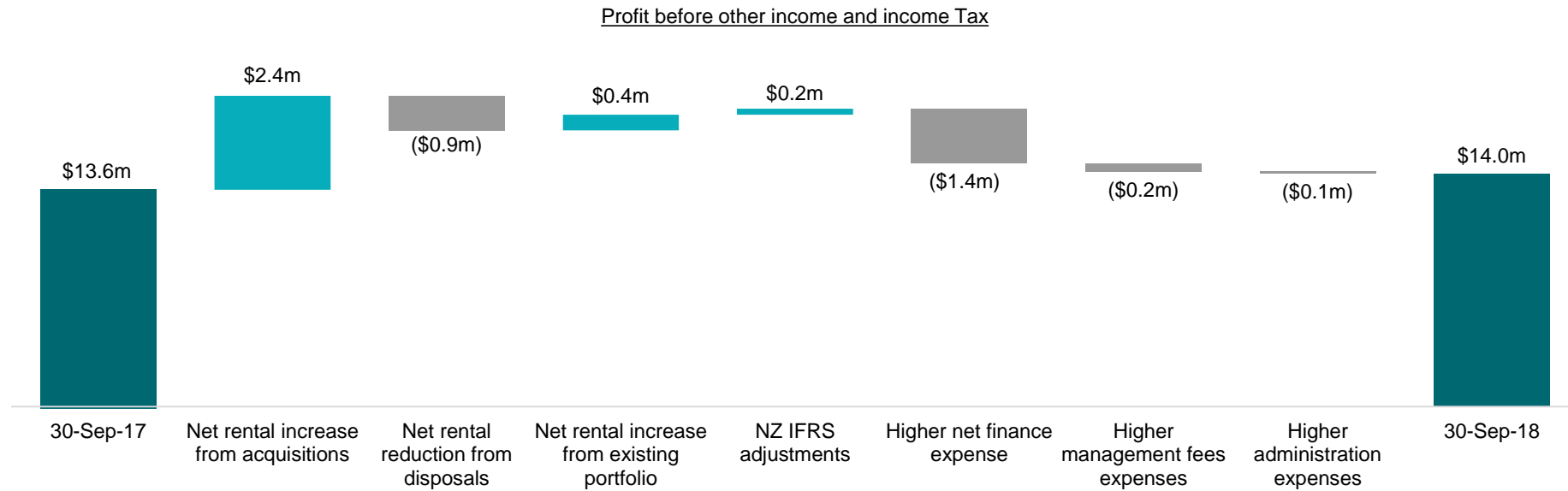
Annual cash dividend guidance for FY19

7.46cps

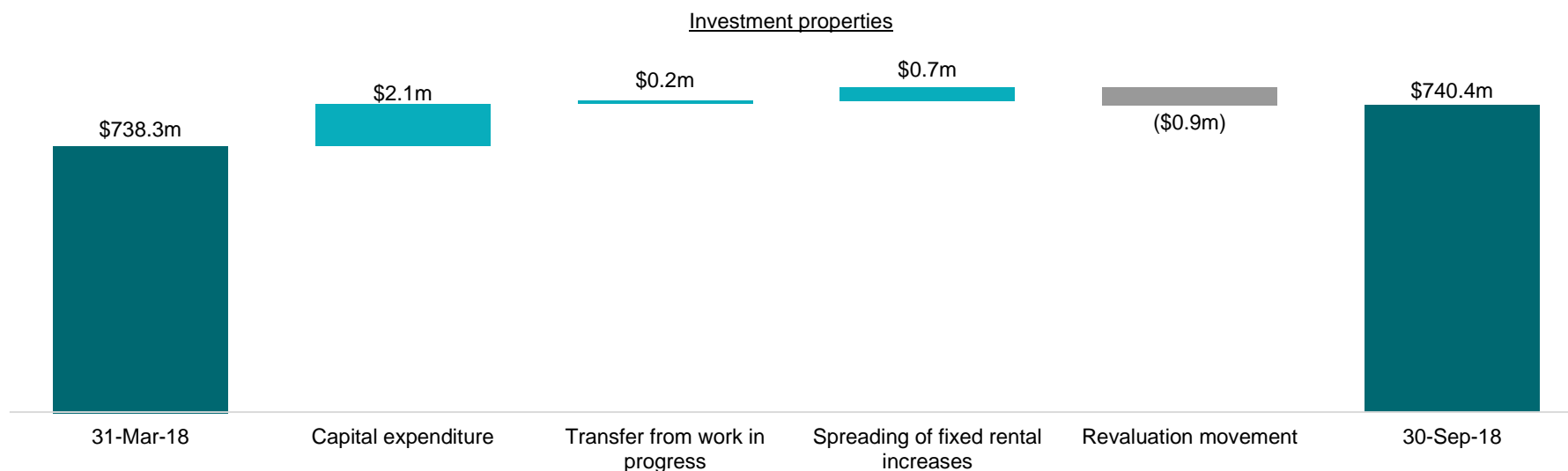
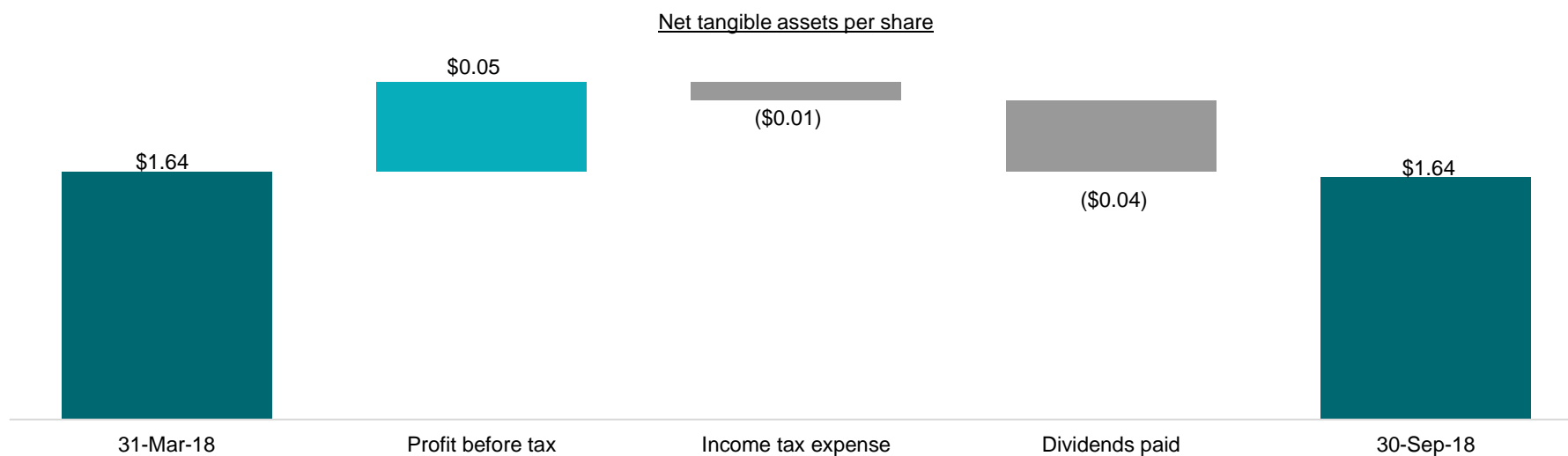
The page features a minimalist design with four large, overlapping geometric shapes in two shades of teal: a light teal and a dark teal. Two shapes are positioned in the top right corner, and two are in the bottom left corner, creating a sense of balance and depth. The central text is rendered in a bold, dark teal font.

Appendices

Appendix 1



Appendix 2



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 2018. Please refer to Investore's Interim Report 2018 for further information in relation to the six months ended 30 September 2018. 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.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation, any of which may change without notice. To the maximum extent permitted by law, Investore, Stride Investment Management Limited and their respective directors, officers, employees, agents and advisers disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of Investore, Stride Investment Management Limited and their respective directors, officers, employees, agents and advisers) for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in, or omitted from, this presentation.

This presentation is not a product disclosure statement or other disclosure document.

Thank you

Level 12, 34 Shortland Street
Auckland 1010, New Zealand

PO Box 6320, Wellesley Street
Auckland 1141, New Zealand

P +64 9 912 2690
W investoreproperty.co.nz