

Investore Property Limited

Annual Shareholder Meeting 2022 Address

Slide 1 – Annual Shareholder Meeting 2022

Good morning, Ladies and Gentlemen, and welcome to the 2022 Annual Shareholder Meeting for Investore Property Limited (**Investore**).

My name is Mike Allen, and I am an independent Director and the Chair of the Board of Investore.

On behalf of the Board of Directors it is my pleasure to welcome you to this meeting and I thank you for your attendance here today.

Before we proceed any further, I would like to address your safety in the event of an emergency, along with other housekeeping matters.

The bathrooms are located at the bottom of the stairs, directly outside the exit to your left.

Disabled access bathrooms are located in the gym in the northwest corner of the lobby. Please exit the door on your left, go up the ramp and take a right to reception who will be able to assist you further.

In the event of an emergency, please exit via the nearest fire exit door, all of which are marked with the fire exit symbol. You can exit the building through the French Press Café located behind me or through the main entrance to The Sofitel. Once outside, the evacuation assembly area is located on Viaduct Harbour Avenue, near the sculpture overlooking the marina.

Finally, as a matter of courtesy, please ensure your mobile phones are switched to silent.

Thank you.

Slide 2 – Board of Directors

Joining me today are the other Investore Directors:

- **Gráinne Troute**, an independent Director and Chair of the Audit and Risk Committee;
- **Adrian Walker**, also an independent Director;
- **Tim Storey**, a SIML-appointed Director of Investore and chairman of Stride Property Group; and
- **Ross Buckley**, also a SIML-appointed Director of Investore.

John Harvey retired from the Investore Board on 31 May 2022, having been a director of Investore since it listed in 2016. John has been instrumental in guiding and supporting Investore to the business it is today, with a \$1.2 billion portfolio, and we wish John all the very best.

Following John's retirement, Ross Buckley was appointed by Investore's manager, Stride Investment Management Limited or SIML, to the Board of Directors on 1 June 2022. As shareholders will be aware, SIML has a constitutional right to appoint up to two directors to the Board of Investore.

Ross Buckley was a partner at KPMG for 26 years and was most recently Executive Chair of KPMG for nearly 10 years. Ross retired from the KPMG partnership in October 2020 and has considerable governance, financial and audit experience. We are very pleased to welcome Ross to the Investore Board.

Today we also farewell Emma McDonald, a future director programme participant. Emma has observed the Investore Board processes for the past two years as part of her development as a potential director of companies in the future.

Investore is very pleased to participate in the Institute of Directors' "future directors" programme, which seeks to encourage directorship by giving talented people the opportunity to observe a company board, while at the same time giving the company exposure to the talent and benefits a different perspective can bring.

The Board intends to continue its involvement in the future directors programme, and is actively seeking another candidate for appointment.

You can view each of the Directors' profiles in more detail and their other directorships on Investore's website or on pages 10 and 11 of the FY22 Investore Annual Report.

Slide 3 – The Manager

Alongside the Directors we are also joined today by representatives of SIML, the Manager of Investore:

- **Philip Littlewood**, Chief Executive Officer;
- **Jennifer Whooley**, Chief Financial Officer;
- **Fabio Pagano**, Investore Fund Manager – Fabio will be presenting on behalf of SIML today; and
- **Louise Hill**, General Manager Corporate Services and Company Secretary of Investore.

Investore's audit partner from PwC, Philip Taylor, is also present to answer any questions on the audit report. In addition, we have with us today a representative from Computershare, the share registrar for Investore.

A representative from Investore's solicitors, Bell Gully, would normally be present at this meeting. Unfortunately due to sickness they are not able to be here in person today, but they are available on the telephone to answer any questions.

Slide 4 – Agenda

I record that the Notice of Meeting was dispatched to Investore's shareholders and auditors on 27 May 2022. I am pleased to confirm that we have a quorum present and accordingly I declare the Investore 2022 Annual Shareholder Meeting open.

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

- Firstly, I will provide a general overview of the performance, financial position and capital management initiatives of Investore for the year ended 31 March 2022, after which Fabio, the SIML Investore Fund Manager, will provide more detail on Investore's

portfolio, its performance on delivering on its strategy of targeted growth and the initiatives Investore is undertaking to address the risks of climate change.

- Following that, we will address questions and comments from shareholders in relation to the presentation and the annual financial statements.
- We will then move to the formal business of the Annual Shareholder Meeting, to consider the two resolutions proposed in the Notice of Meeting. Shareholders will be invited to ask questions on each of the resolutions and will have a final opportunity at the end of the meeting for any other general questions.

After the meeting concludes I invite you to please join us for light refreshments. The refreshments will be located outside the exit to your left.

Slide 5 – Chair’s Address – Mike Allen

I am proud to be able to share with you today an overview of Investore’s financial performance, portfolio metrics and Investore’s capital management initiatives for the year ended 31 March 2022.

Slide 6 – Financial Highlights

The Board is pleased with Investore’s financial results for FY22. Investore’s profit before other income / (expense) and income tax was up \$4.3 million to \$34.3 million, primarily due to increased net rental income, including income received from the two acquisitions completed during FY22, being Countdown Petone and the Briscoes and Rebel Sport anchored property at 4 Carr Road, Mt Roskill.

Profit after income tax at \$118.2 million was down \$43.1 million from FY21 due to a lower net change in the fair value of the Investore portfolio. The net revaluation movement for FY21 was impacted substantially by COVID-19 – this is because valuations as at 31 March 2020 were affected by the sudden impact of COVID-19 at that time, and valuations then rebounded, driving a significant revaluation increase for FY21.

The Investore portfolio delivered a strong valuation increase of 8.2% for the 12 months to 31 March 2022, but this was still less than the valuation increase for the Investore portfolio for the 12 months to 31 March 2021 of 15.5%, which I think we would all agree was extraordinary.

Distributable profit after income tax remained strong at \$29.9 million and was \$800,000 higher than FY21.

Rounding out the financial highlights, I am very pleased to report that Investore delivered a total cash dividend for FY22 of 7.90 cents per share, an increase of 0.30 cents per share from FY21. The acquisitions completed by Investore during FY22 enabled the Board to increase its dividend guidance during the year, which demonstrates the benefits of Investore’s strategy of targeted growth.

Slide 7 – Portfolio Highlights

Moving to Investore’s portfolio, the market for large format retail properties has remained strong during this last year. Evidencing this demand, Investore’s portfolio is now independently valued at \$1.2 billion, a net valuation increase of \$91.0 million or 8.2% over the 12 months to 31 March 2022.

This increase has been driven primarily by capitalisation rate compression, evidencing the continued desirability of Investore's large format retail portfolio. The average portfolio capitalisation rate is 4.81% as at 31 March 2022, down from 5.23% at the end of FY21.

Investore's portfolio continues to demonstrate strong metrics with occupancy by area across the portfolio of 99.7% and a continued strong weighted average lease term of 9.1 years. Furthermore, Investore has also benefitted from a 2.9% increase in rentals from rent reviews across 40% of its portfolio during the past financial year.

Investore has also continued to deliver on its strategy of targeted growth during FY22, undertaking a number of acquisitions which Fabio will provide further information on shortly.

Slide 8 - Capital Management

As shareholders will be aware, proactive capital management is a key strategic objective for Investore, as this supports our targeted growth activity, while also ensuring we continue to deliver on our goal of actively managing investors' capital so as to maximise distributions and total returns over the medium to long term.

In February 2022, Investore undertook a successful third bond issue, issuing \$125 million of new 5-year listed bonds at a 4.00% per annum interest rate, reflecting a margin of 1.15% per annum. At the time of issue this was New Zealand's lowest ever issue margin for a non-rated issuer.

The proceeds from this bond issue were used to repay existing bank debt facilities which resulted in lower overall interest costs and extended the weighted average tenor of Investore's debt to 4.0 years.

The Investore Board has also been keenly aware of the rising interest rate environment and accordingly has taken a conservative position in relation to hedging. As at 31 March 2022, 100% of Investore's debt was either hedged or subject to a fixed rate of interest, with a weighted average interest rate of 3.77%, down 27 basis points from 31 March 2021. Accordingly, the Board believes that Investore is well placed to manage current interest rate volatility.

Investore's loan to value ratio as at 31 March 2022 was 29.5%. If the acquisition of Waimakariri, Kaiapoi, and the Stage 1 development of the Countdown anchored supermarket, together with other capital commitments are included, then on a pro forma basis, the loan to value ratio would be 32.6%, which remains at the lower end of the Board's target loan to value ratio of between 30% and 40% on a long term basis.

This leaves significant debt facilities available and affords Investore the capacity to continue its growth strategy through either redeveloping the existing portfolio or completing acquisitions that enhance the existing portfolio and maximise returns to investors over the medium to long term.

I will now invite Fabio Pagano, the SIML Investore Fund Manager, to speak.

Slide 9 – Manager's Review

Thank you, Mike, and good morning everyone.

SIML is proud to be the Manager of Investore, and to support Investore in achieving its objectives. I am pleased to represent SIML here today.

Slide 10 – Targeted Growth – Acquisitions & Developments

Investore completed a number of strategic acquisitions during FY22. In particular:

- Investore acquired Countdown Petone in Wellington for \$37.3 million in May 2021. This property complements the Investore portfolio well, with a long weighted average lease term at the time of acquisition of 11 years.
- In August 2021 Investore acquired the property at 4 Carr Road, Mt Roskill, Auckland, for \$36.0 million, with a long weighted average lease term at the time of acquisition of 10 years. This property is located adjacent to an existing Investore-owned asset at 2 Carr Road and takes the aggregate landholding at Carr Road to 3.85 hectares. This will enable Investore to maximise site efficiency and also provides future development opportunities given the large land size in a central location.

Investore also has a conditional agreement to acquire development land at Waimakariri, Kaiapoi, for \$10.5 million. This acquisition remains subject to receipt of final resource consent. Investore plans to develop a Countdown supermarket as Stage 1 of this development. The remainder of the site, being approximately 1.6 hectares, will be held for future development in Stage 2, providing ongoing growth opportunity for Investore.

In growing its portfolio, Investore focuses on properties that are earnings accretive, provide secure income for shareholders, increase Investore's exposure to high quality, resilient tenants, and are located in highly populated, urban areas.

In addition to the acquisition of new properties, growth is also delivered through investment in Investore's existing portfolio. Investore seeks opportunities to optimise and add value to its existing portfolio, often in conjunction with tenants, through improving customer accessibility, efficiency and visitation experience.

By way of example, Investore completed a number of property upgrades during FY22, including a roof replacement and store expansion at Countdown, Invercargill, to deliver a dedicated online operation, as well as new drive-through customer pick up bays.

Investore also undertook capital upgrade works at Bunnings, Rotorua, including LED lighting upgrades, installation of a trade office, refresh of existing amenities and construction of canopies over external areas such as the building materials and landscape area and timber trade store entry. These improvement works will deliver a 6.25% per annum return over the term of the lease and a long term lease commitment.

Investore has agreed with Countdown to expand the customer amenity at Countdown, Highland Park, Auckland. This expansion will include new parking areas, improved customer access ways and a dedicated online pick up area. Investore expects to receive a rental return of 5.5% per annum on the cost of the upgrade works.

As can be seen, these investments benefit Investore through rental return on the investment, increased turnover rent, or by an increase in the lease tenure. Investore intends to continue to progress existing store refurbishments and improvements where this is beneficial to Investore and its portfolio.

Slide 11 – Portfolio Growth Since IPO

As outlined on the previous slide, Investore is focused on improving its portfolio through acquisitions and developments. Investore is proud to have delivered compound annual growth of 12% per annum in portfolio value over the six years since listing in 2016.

Investore has also delivered like-for-like portfolio rental growth of 1.7% per annum over this period.

Acquisitions have been focused on growth with a 2.7% annual rental growth rate across assets acquired since listing and held for a complete financial year. By way of contrast, Investore has disposed of properties with lower rental growth profiles, with a rental growth rate across assets divested of 0.6% per annum.

Slide 12 – Long Lease Expiry Profile

One of the characteristics of large format retail properties is the relatively long lease expiry profile of Investore's portfolio, as the chart on this slide demonstrates. The Investore portfolio has a weighted average lease expiry of 9.1 years as at 31 March 2022, with over 73% of Contract Rental expiring in FY30 and beyond.

The long WALT in Investore's portfolio provides Investore with certainty of income over the medium to long term, and a manageable set of lease expiries over the next 10 years.

Slide 13 – Climate-Related Disclosures

Finally, before handing back to Mike, I would like to provide an overview of Investore's sustainability activities.

Investore is keenly aware of the impacts of climate change, and in this past year we have undertaken a number of activities focused on understanding our risks from climate change and seeking to ensure we manage those risks and have a portfolio that is fit for the future.

During FY22 Investore, with the assistance of SIML, its manager, completed its first climate risk assessment. This has given us an understanding of where Investore and its portfolio is exposed to risks from climate change.

Investore has also completed an inventory of its greenhouse gas emissions, for FY20, FY21 and FY22. This inventory has been subject to a limited assurance review by Deloitte, to give both ourselves, and you as investors, confidence in the numbers being reported. FY20 has been chosen as the base year for our greenhouse gas emissions and during FY23 we plan to begin the process of establishing emissions reduction targets.

As an initial step in reducing our emissions and ensuring our buildings are sustainable for the future, Investore is currently in the process of undertaking a Green Star performance rating assessment across two portfolios of properties – one being supermarkets and the other hardware stores, in collaboration with our key national tenants. This rating process will enable us to understand how these properties perform from a sustainability perspective, and will also provide indications for improvements in the performance of these buildings.

As we have indicated, Investore is planning to construct a new Countdown supermarket on the development land that is planned to be acquired at Waimakariri, Kaiapoi. To make this supermarket

sustainable, we are targeting a minimum four star Green Star Design and As Built rating for this supermarket, and we are exploring options to achieve a five star rating.

I will now hand you back to Mike to take you through the outlook for FY23.

Slide 14 – Looking Ahead

Thank you Fabio.

Looking forward to FY23, Investore is well-placed to continue its focus on targeted growth to enhance its portfolio. Investore will continue to focus on those investment opportunities that fit its strategic investment profile and mandate, with the goal to maximise returns for investors over the medium to long term. We are, however, conscious of the current volatile economic conditions and accordingly will take a conservative approach to acquisitions and developments.

We will also continue to deliver on improving and adding value to the existing portfolio through developments and capital upgrade works, such as improving customer accessibility and site efficiency and improving the overall visitation experience. These initiatives often generate additional income for Investore through a rentalised return on its investment, increased turnover rent or by an increase in the lease tenure.

The Board is focused on prudently managing capital, and as you have seen, Investore is well placed to manage rising interest rates over the short to medium term, and we have available debt capacity headroom. Given that the Investore share price has recently traded well below our net tangible asset value, the Board has determined to undertake a share buyback programme of up to 5% of Investore's shares on issue over the next 12 months, as we believe utilising some debt headroom to buy back shares at the current share price is a good use of funds. We expect to announce more details regarding the buyback, including its commencement date, over the coming weeks.

The Board currently expects to pay an annual cash dividend for FY23 of 7.90 cents per share, in accordance with Investore's policy of paying out between 90 and 100% of distributable profit.

This brings to an end the presentation addressing Investore's performance for FY22 and our priorities for FY23.

Now to the formal business of the meeting.

Ends

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