

Investore Property Limited

FY23 Results

Investore Property Limited (Investore) is pleased to announce its financial results for the twelve months ended 31 March 2023 (FY23). Investore has delivered strong underlying operating earnings from its quality, large format retail portfolio during FY23, with distributable profit (Note 1) after tax of \$31m, or 8.44cps, which is up 4% on FY22 and Investore's highest distributable profit to date on a per share basis. Investore continues to take a prudent approach to capital management which has insulated operating earnings from the full effects of higher interest rates, and assists in managing the current volatile macroeconomic environment.

Investore's loan to value ratio (LVR) (Note 2) is 36.5%, up from 29.5% as at 31 March 2022. The LVR increases to 38.1% on a committed basis. While Investore's committed LVR is near the upper end of the Board's target gearing range of 30%-40% on a long term basis, there remains significant headroom to the debt covenant of 52.5%.

To prudently position the balance sheet given the higher interest rate environment, Investore today announces a range of capital management initiatives to manage gearing over the near term. These initiatives include:

- An intention to sell select, non-core assets of between \$25 million and \$50 million, provided that appropriate value can be realised for these assets. The net proceeds of any such sales will be used to repay bank debt; and
- Introduction of a Dividend Reinvestment Plan (DRP) allowing eligible shareholders the opportunity to reinvest the net proceeds of their dividends into additional Investore shares. Further information on the DRP will be provided at the annual shareholder meeting due to be held on 28 June 2023.

Investore benefits from a strong hedging position with 92% of drawn debt hedged or subject to a fixed rate of interest. As a consequence, Investore's weighted average cost of debt increased by only 24 basis points over the previous 12 months to 4.0%. More than 50% of Investore's drawn debt as at 31 March 2023 is hedged or subject to a fixed rate of interest through to FY26.

Investore today declares a final cash dividend for the fourth quarter of FY23 of 1.975 cps, bringing the total cash dividend for FY23 to 7.90 cps, consistent with guidance. The total FY23 dividend reflects a payout of 94% of distributable profit (Note 1), within Investore's distribution policy of paying 90- 100% of distributable profit.

FY23 Overview

Financial Performance

- Net rental income of \$60.3m (FY22: \$58.3m), up \$2.0m.
- Profit before other (expense) /income and income tax of \$35.2m (FY22: \$34.3m), up \$0.9m.
- Loss after income tax of \$(150.2)m (FY22: \$118.2m profit after income tax), due to a net investment property devaluation of \$(185.2)m in FY23.
- Distributable profit (Note 1) after current income tax of \$31.0m (FY22: \$29.9m), up \$1.2m.

- Distributable profit (Note 1) per share of 8.44 cents (FY22: \$8.11 cps), up \$0.33 cps.
- NTA per share \$1.84 as at 31 March 2023 (FY22: \$2.32), down \$0.48 from 31 March 2022.

Portfolio Overview

- Portfolio valuation (Note 3) of \$1.1bn, a net valuation movement of (14.9)% or \$(185.2)m over the 12 months to 31 March 2023.
- 5.7% average portfolio (Note 4) market capitalisation rate.
- Weighted average lease term 8.1 years (Note 4).
- 99.5% occupancy rate by area (Note 5).
- 82 rent reviews completed over 130,000 sqm, resulting in a 3.3% increase to previous rentals. 33 of these were CPI-linked rent reviews resulting in a 7.0% uplift to previous rentals.
- 75% of leases by Contract Rental (Note 6) expiring in FY30 and beyond.

Optimising the Portfolio

- Investore completed the acquisition of a 3.3ha parcel of land in Hakarau Road, Kaiapoi, for \$10.1m in September 2022. Construction has now commenced on a new Countdown supermarket on the site, targeting a 5 Green Star rating and expected to deliver a yield on cost of 5.5%.
- Investore acquired the balance of the freehold land at 3 Averill Street, Papakura, Auckland, for \$18.0m in late August 2022, providing Investore with complete control of the landholding at this site, broadening future development opportunities.
- Agreement with Countdown to expand the customer amenity at Countdown Rangiora, including an online room and new pickup bays, delivering a 7.5% per annum return on cost of up to \$1.0m.
- As part of the Countdown Rangiora transaction, agreement has been reached to extend the Countdown Morrinsville lease by a further four years to FY29.

Capital Management

- Investore's LVR (Note 2) was 36.5% as at 31 March 2023, rising to 38.1% taking into account current commitments, including the development of the Countdown at Hakarau Road, Kaiapoi, and other capital expenditure commitments.
- Investore utilises a diversified funding mix of bank facilities and retail bonds to optimise the balance between funding costs and liquidity risk. The weighted average maturity of Investore's debt facilities is 3 years as at 31 March 2023. The next facility due to mature is the \$100m IPL010 bond in April 2024, and Investore has secured commitment from its lenders for a new 3 year bank facility to provide liquidity to refinance this bond.
- Investore's weighted average cost of debt (including margin and line fees) per annum is 4.0% as at 31 March 2023, representing an increase of only 24bps since 31 March 2022, compared with a 360bps increase in floating rates over the same period.
- Investore benefits from a strong hedging position with 92% of drawn debt hedged or subject to a fixed rate of interest, or 85% on a committed basis. More than 50% of Investore's drawn debt as at 31 March 2023 is hedged or subject to a fixed rate of interest through to FY26.
- Investore confirms that the share buyback programme, previously paused at close of trading on 8 September 2022, has now been cancelled.

Capital Management Initiatives

- Investore will explore the sale of select, non-core assets of between \$25m and \$50m.
- The objective of the asset sales is to manage gearing while also optimising shareholder value, and accordingly divestments will only be undertaken if appropriate value can be realised.
- Net proceeds of any sales will be used to repay bank debt.
- Investore confirms that it plans to adopt a DRP, which will provide eligible shareholders with the opportunity to invest the net proceeds of any cash dividends payable on their shares in additional fully paid ordinary shares in Investore, without incurring brokerage fees. Participation in the plan will be entirely optional for eligible shareholders.
- Further information on the introduction of the DRP will be provided at the annual shareholder meeting due to be held on 28 June 2023.

Outlook

- Investore remains committed to prudent capital management in the current economic environment.
- Investore will explore the following capital management initiatives to manage its gearing position over the near term:
 - An intention to sell select, non-core assets of \$25m to \$50m, provided appropriate value can be realised; and
 - DRP is intended to be introduced. Further information will be provided at the annual shareholder meeting to be held on 28 June 2022.
- The Investore Board confirms it currently intends to pay a cash dividend of 7.90 cents per share for FY24, with the Board continuing to monitor progress on asset sales, and market conditions throughout the year.

Notes:

1. Distributable profit is a non-GAAP measure and consists of (loss)/profit 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 (loss)/profit before income tax, is set out in note 3.2 to the consolidated financial statements.
2. Calculated based on independent valuations, which exclude lease liabilities.
3. Portfolio value excludes lease liabilities.
4. Excludes properties categorised as "Development and Other" in note 2.2 to the consolidated financial statements.
5. Vacant tenancies with current or pending development works are excluded from occupancy statistics. At 31 March 2023, figures excluded 2,947 sqm at Bay Central, Tauranga.
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 of the relevant property as at 31 March 2023, and assuming no default by the tenant.

Ends

Attachments provided to NZX:

- Investore Property Limited – FY23 Results Announcement - 190523
- Investore Property Limited – FY23 Annual Report - 190523

- Investore Property Limited – FY23 Annual Results Presentation – 190523
- Investore Property Limited – FY23 Sustainability Report - 190523
- Investore Property Limited – NZX Results Announcement – 190523
- Investore Property Limited – NZX Distribution Notice – 190523
- Investore Property Limited - Shareholders Communications Notice - 190523
- Investore Property Limited - Bondholders Communications Notice - 190523

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