

## Investore Property Limited

### FY24 Results

Investore Property Limited (Investore) is pleased to announce its financial results for the year ended 31 March 2024 (FY24). Investore continued to deliver resilient operating earnings during FY24 due to its quality large format retail portfolio that serves everyday needs and attracts repeat visitation, with distributable profit (Note 1) for FY24 of \$31.0 million or 8.39 cents per share, in line with FY23 (\$31.0 million or 8.44 cents per share).

The Investore portfolio is valued (Note 2) at \$1.0 billion as at 31 March 2024, representing a net reduction in fair value of \$(99) million or (9.1)% from 31 March 2023. This reduction is primarily due to the higher interest rate environment which has resulted in the average portfolio (Note 3) market capitalisation rate increasing to 6.37%, up 0.67% from 31 March 2023. Of this fair value change, the net reduction for the six months to 31 March 2024 was \$(16) million or (1.6)%, illustrating that property valuations are starting to stabilise. The portfolio (Note 3) initial yield as at 31 March 2024 is 6.55%.

Investore remains committed to a proactive approach to capital management, which during FY24 included the adoption of a dividend reinvestment plan (DRP), and the revision of its dividend policy to balance income returns for investors while retaining additional capital to improve balance sheet resilience. These initiatives resulted in a total of \$8.2 million being retained during FY24, which was used to fund maintenance capital expenditure and manage leverage.

Consistent with Investore's revised FY24 dividend guidance announced with Investore's interim results for the six months ended 30 September 2023, in November 2023, Investore today declares a final cash dividend for the fourth quarter of FY24 of 1.625 cents per share, bringing the total cash dividend for FY24 to 7.20 cents per share. The total FY24 dividend reflects a payout of 86% of distributable profit (Note 1), consistent with Investore's revised distribution policy of paying 80 – 100% of distributable profit, as announced with Investore's interim results in November 2023. This dividend will carry imputation credits of 0.354547 cents per share. A supplementary dividend of 0.160887 cents per share will be paid to non-resident shareholders. The Investore Board has resolved to suspend the DRP for the fourth quarter dividend declared today.

### FY24 Highlights

#### Financial Performance

- Net rental income of \$61.2m, up \$1.0m (FY23: \$60.3m)
- Profit before other expense and income tax of \$35.1m, broadly in line with FY23 at \$35.2m
- Loss after income tax of \$(67.1)m, due to a net reduction in fair value of investment properties of \$(98.7)m, which compares with FY23 loss after income tax of \$(150.2)m
- Distributable profit (Note 1) after current income tax of \$31.0m, consistent with FY23 (FY23: \$31.0m)
- Distributable profit per share of 8.39 cents per share (FY23: 8.44 cents per share)
- FY24 cash dividend of 7.20 cents per share

- Net Tangible Assets (NTA) per share as at 31 March 2024 of \$1.57, down from 31 March 2023 of \$1.84, due primarily to the portfolio valuation movement

## Portfolio Overview

- Portfolio value (Note 2) of \$1.0bn, a net reduction in fair value of (9.1)% or \$(99)m over the 12 months to 31 March 2024
- 6.37% average portfolio (Note 3) market capitalisation rate, up 0.67% from 31 March 2023, due primarily to the higher interest rate environment impacting portfolio capitalisation rates
- Weighted average lease term of 7.4 years (Note 3)
- 78% of leases by Contract Rental (Note 4) expiring in FY30 and beyond
- 99.1% occupancy rate by area, increasing to 99.4% when including lease agreements reached post balance date (Note 3)
- 6.55% initial yield as at 31 March 2024 (Note 3)
- 65 rent reviews completed over 96,000 sqm, resulting in a 3.1% increase on previous rentals. 57 of the rent reviews completed were structured reviews (CPI-linked or fixed rent reviews). The CPI rent reviews completed delivered 6.2% increase on prior rentals

## Optimising the Portfolio

- Investore benefits from owning 36 Woolworths supermarkets, resulting in a strong relationship which fosters collaboration across the portfolio. During FY24, Investore undertook a number of improvement projects in collaboration with Woolworths to enhance the overall portfolio, including:
  - Agreement to provide \$1.9m capital contribution towards online expansion works at Woolworths Greenlane, including a new online extension and 8 drive-through pick up bays, delivering a 7.5% per annum yield on cost
  - In connection with the Greenlane arrangement, Woolworths has agreed to extend its lease at Woolworths Hamilton (Anglesea Street) for 6 years, with a further 6 year right of renewal. As a result, the valuation of Woolworths Hamilton (Anglesea Street) increased by \$1.5m / +23%, when compared to the 31 March 2023 valuation
  - Investore has also agreed to provide capital contributions in respect of works underway at Woolworths Rangiora and Woolworths Highland Park, to improve online pick up facilities. Woolworths will pay increased rental equivalent to 7.5% and 5.5% per annum (respectively) on the landlord's contributions to cost of the works
- Woolworths leases (which make up 64% of the Investore portfolio's Contract Rental (Note 4)), include a turnover rent component, where additional rent is paid once Moving Annual Turnover (MAT) (Note 5) exceeds a specified threshold
- There has been a continued increase in stores paying turnover rent, with 39% of stores (weighted by MAT) now paying turnover rent, up from 9% as at 31 March 2018
- Turnover rent has also continued to increase across the portfolio on a like-for-like basis (Note 6), to \$1.4m for FY24, up from \$0.3m in FY18. Over the past 3 years, turnover rent has grown at a 13% cumulative annual growth rate

## Completion of Woolworths Waimakariri Junction Development

- Investore completed the development of the new Woolworths-anchored supermarket at Waimakariri Junction in Kaiapoi, for \$26.1m (including land) in November 2023
- The development incorporates a number of sustainability initiatives, including solar panels, low energy LED lighting, low water use plumbing fittings, and heat generated from store fridges recycled to regulate the overall store temperature
- The building achieved a 5 Green Star Design rating and is targeting a 5 Green Star As Built rating
- Remainder of land (1.8 hectares) provides further large format retail development opportunities

## Capital Management

- 40.8% loan to value ratio (LVR) (Note 7) as at 31 March 2024, or 41.4% on a committed basis (Note 8)
- Bank LVR covenant increased to 55.0%, providing additional balance sheet headroom
- \$100m increase in bank facilities to provide liquidity for maturity of IPL010 bond in April 2024
- Following maturity of IPL010 bond in April 2024, no debt now maturing until FY26
- 4.34% weighted average cost of debt as at 31 March 2024, increasing to 4.76% on a pro forma basis as if the IPL010 bond had matured and been repaid as at 31 March 2024
- 88% debt hedged or subject to a fixed rate of interest as at 31 March 2024, reducing to 70% on a pro forma basis
- Weighted average maturity of debt facilities of 2.1 years as at 31 March 2024, increasing to 2.5 years on a pro forma basis
- \$8.2m cash retained from the DRP and reduced dividend (Note 9)

## Sustainability and Climate Disclosures

- Investore considers that it has very low scope 1 and 2 emissions, primarily from refrigerants used in air conditioning systems and electricity for lighting. To reduce refrigerant emissions, Investore has developed a programme to replace air conditioning units that use R22 refrigerant with a low global warming potential alternative. 14 units have been replaced to date, with a further 38 planned for replacement over FY25 and FY26
- Investore also completed a solar feasibility for a standalone supermarket during FY24. Investore intends to engage with major tenants to progress this initiative
- Investore will release a separate Sustainability Report, including climate disclosures in accordance with the Aotearoa New Zealand Climate Standards, expected to be released on 28 May 2024, which will be available on Investore's website [www.investoreproperty.co.nz/investor-centre](http://www.investoreproperty.co.nz/investor-centre), when released

## Outlook

- Current macroeconomic conditions remain soft and higher interest rates have impacted property transaction volumes. However, valuations are stabilising and interest rate cuts are forecast to start occurring later this financial year which creates opportunities
- Recent changes to rules surrounding tax depreciation on commercial buildings has resulted in an additional earnings headwind

- However, underlying portfolio metrics remain resilient, with a defensive rental income stream from non-discretionary, everyday needs retail tenants supported by proactive capital management and a strong hedging outlook
- The Board intends to pursue its strategy for targeted growth if appropriate acquisition and development opportunities present themselves and will also consider strategic divestments, provided appropriate value can be realised
- The Investore Board confirms it currently intends to pay a cash dividend of 6.50 cents per share for FY25, which is expected to be near the mid-point of Investore's revised dividend policy

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. Portfolio value excludes lease liabilities.
3. Metrics refer to the stabilised portfolio, which excludes properties classified as 'Development and Other' in note 2.2 to the consolidated financial statements.
4. 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 2024, and assuming no default by the tenant.
5. Moving Annual Turnover (MAT) is determined by calculating the net sales over a 12 month period from April to March, the calculation being completed on a rolling basis.
6. Investore's Woolworths supermarket portfolio on a like-for-like basis between 31 March 2018 and 31 March 2024.
7. LVR is calculated based on independent valuations, which exclude lease liabilities and 507 Pakuranga Road, Auckland, Development asset. See note 2.2 to the consolidated financial statements.
8. Taking into account the reduced Q4 FY24 dividend and capital commitments as at 31 March 2024 (see note 2.4 to the consolidated financial statements).
9. Reflects dividends reinvested for Q1 to Q3 of FY24 under the DRP, and reduced dividend for Q3 of FY24.

## Ends

Attachments provided to NZX:

- Investore Property Limited – FY24 Results Announcement – 170524
- Investore Property Limited – FY24 Annual Report – 170524
- Investore Property Limited – FY24 Annual Results Presentation – 170524
- Investore Property Limited – NZX Results Announcement – 170524
- Investore Property Limited – NZX Distribution Notice – 170524

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