

## Investore Property Limited

### Annual Shareholder Meeting 2024 Address

#### Slide 1 – Annual Shareholder Meeting 2024

Good morning all, and welcome to the 2024 Annual Shareholder Meeting for Investore Property Limited (Investore).

My name is Mike Allen, and I am an independent Director and 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 see the staff at the reception desk to assist you further.

In the event of an emergency, please exit via the nearest fire exit door 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 Stride Investment Management Limited or SIML-appointed Director of Investore and chair of Stride Property Group; and
- **Ross Buckley**, also a SIML-appointed Director of Investore.

Investore participates in a future directors programme and Erika McDonald was appointed as a future director pursuant to that programme in 2022. Erika observes the Investore Board processes as part of her development as a potential director of companies in the future.

You can view each of the Director's profiles in more detail and their other directorships on Investore's website or on pages 10 and 11 of the FY24 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;
- **Adam Lilley**, Investore Fund Manager – Adam will be presenting on behalf of SIML today;
- **Jennifer Whooley**, Chief Financial Officer; 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 representatives from Bell Gully, Investore's solicitors, and from Computershare, the share registrar for Investore.

## Slide 4 – Agenda

I record that the Notice of Meeting was dispatched to Investore's shareholders on 24 May 2024. I am pleased to confirm that we have a quorum present for the meeting here today, and accordingly I declare the Investore 2024 Annual Shareholder Meeting open.

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

- Firstly, Adam and I will provide a general overview of Investore's financial and business performance for the year ended 31 March 2024.
- Following that we will address questions and comments from shareholders in relation to the presentation and the annual financial statements of Investore.
- 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 which will be located outside the exit to your left.

## Slide 5 – Chair's address – Mike Allen

I am pleased to be able to share with you today an overview of Investore's financial performance, portfolio metrics and capital management initiatives for the year ended 31 March 2024.

## Slide 6 – Financial overview

Investore's portfolio of high quality, well located large format retail properties continues to deliver resilient operating earnings, with net rental income up \$1.0 million, or 1.6% to \$61.2 million, primarily due to the completion of the Woolworths anchored Waimakariri Junction development and rental increases from rent review transactions completed during FY24.

This has contributed to profit before other expense and income tax of \$35.1 million, broadly in line with FY23 at \$35.2 million.

Distributable profit after current income tax remained in line with FY23 at \$31.0 million. This equated to distributable profit per share of 8.39 cents, which was again broadly in line with FY23 at 8.44 cents per share.

Loss after income tax of \$(67.1) million was primarily due to a net reduction in the fair value of Investore's portfolio, which is a result of the higher interest rate environment negatively impacting capitalisation rates.

However, pleasingly, we saw capitalisation rates start to level out in the second half of FY24, indicating that valuations are stabilising. This loss after income tax compares favourably with FY23, where Investore experienced a loss after income tax of \$(150.2) million, and is the result of a smaller reduction in the fair value of Investore's portfolio.

Rounding out the financial overview, Investore delivered a total cash dividend for FY24 of 7.20 cents per share.

## Slide 7 – Portfolio highlights

Investore's portfolio continues to demonstrate strong metrics, with a weighted average lease term of 7.4 years and occupancy by area across the portfolio above 99%. Occupancy rises to 99.4% when we consider leasing transactions that have been completed post balance date.

Investore's portfolio was valued at \$1.0 billion as at 31 March 2024, reflecting a net reduction in fair value of \$(98.7) million or (9.1)%, which was largely due to the portfolio capitalisation rate softening by 67 basis points to 6.37% over FY24 with the portfolio initial yield now at 6.55%.

Most of this net reduction in the fair value of the portfolio occurred in the first six months of FY24, and we have seen large format retail valuations stabilise over the last six months of FY24.

Investore benefits from turnover rent from Woolworths supermarkets, once they achieve a certain sales threshold, and I'm pleased to report that the proportion of Woolworths' supermarkets above the turnover threshold has increased to 39%, up from 31% as at 31 March 2023, and up from 9% in 2018.

## Slide 8 – Proactive capital management

Turning now to capital management, the Board continues to take a proactive approach to capital management, which has insulated operating earnings from the effects of higher interest rates, and assisted in managing the current challenging macroeconomic environment.

At the time of the release of Investore's Interim Results in November 2023, the Board announced key capital management initiatives to manage Investore's balance sheet. Investore widened its dividend policy to pay between 80- 100% of distributable profit, which was previously 90- 100%, and revised its full year cash dividend guidance for FY24 to 7.20 cents per share, a reduction from the previous full year cash dividend guidance of 7.90 cents per share.

During FY24, Investore also implemented a Dividend Reinvestment Plan (DRP), providing all eligible investors the opportunity to reinvest some or all of their dividends to acquire shares in Investore

without paying brokerage fees. The introduction of the DRP resulted in \$6.9 million being reinvested from the first three dividends in FY24, with an average participation rate of 34%.

Taking the amount reinvested through the DRP, together with the additional cash retained as a result of the reduced third and fourth quarter FY24 dividends, this provided \$9.5 million of capital which was used to manage leverage.

Investore's weighted average cost of debt was 4.3% as at 31 March 2024, which increased to 4.8% following the maturity of the IPL010 bonds of \$100 million in April 2024, which were repaid using bank debt facilities.

These are favourable metrics when compared to wholesale market interest rates and a result of Investore's high level of debt that is hedged or subject to a fixed rate of interest, which protects Investore against interest rate increases over the short to medium term. As at 31 March 2024, 88% of Investore's debt was subject to a fixed rate of interest, reducing to 70% on a pro forma basis as if the IPL010 bonds had been repaid as at 31 March 2024.

The graph on this slide shows the fixed rate interest profile of Investore's debt as at 31 March 2024, demonstrating the benefit of Investore's strong position with respect to hedging and fixed interest debt.

## Slide 9 – Proactive capital management (cont)

The weighted average maturity of Investore's debt, including bonds, was 2.1 years as at 31 March 2024, which increased to 2.5 years on a pro forma basis as if the IPL010 bonds had been repaid as at 31 March 2024. Following the maturity of the IPL010 bonds, Investore now has no debt maturing until FY26.

During FY24, Investore also renegotiated its loan to value ratio covenant with its banking syndicate, increasing the covenant to a maximum of 55%, from a maximum of 52.5%.

The Woolworths anchored Waimakariri Junction development was funded from Investore's available debt facilities and this, coupled with the portfolio net reduction in fair value, has resulted in Investore's loan to value ratio increasing to 40.8%, or 41.4% on a committed basis, as at 31 March 2024. This is well within the loan to value ratio banking covenant of 55%.

I will now invite Adam Lilley, the SIML Investore Fund Manager, to speak.

## Slide 10 – Manager's review

Thank you, Mike, and good morning everyone.

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

## Slide 11 – Portfolio optimisation

Investore enjoys a strong relationship with Woolworths, which fosters collaboration across the portfolio. During FY24, Investore undertook a number of improvement projects in collaboration with Woolworths to improve customer amenities and the overall customer visitation experience, enhancing the Investore portfolio and designed to increase store turnover which can benefit Investore through turnover rent, as Mike has previously outlined.

These projects included providing a \$1.9 million capital contribution towards an expanded online fulfilment room and eight drive-through pick up bays at Woolworths Greenlane. These improvement works will deliver additional rent at 7.5% per annum on cost over the life of the lease, and are also expected to generate additional sales at the store, which will support the turnover rent outlook for this store over the longer term.

As part of this negotiation process, an agreement was also reached to extend the lease of Woolworths Hamilton for an additional 6 years. This lease extension drove a \$1.5 million or 23% increase in the valuation of Woolworths Hamilton as at 31 March 2024, when compared to the prior year. This demonstrates the benefit that Investore obtains from owning 36 Woolworths supermarkets, enabling us to leverage benefits across different sites from one transaction.

Construction is also underway to expand the customer amenity at Woolworths Rangiora and Woolworths Highland Park for the addition of new online fulfilment areas. These improvements will deliver Investore 7.5% and 5.5% per annum respectively on Investore's contributions to the cost of the works.

Collaborating with tenants and funding online expansion works provides mutually beneficial outcomes for both Investore and the tenant. Investore benefits specifically through an enhanced portfolio and increased rental return on the investment, increased turnover rent, and/or an increase in the lease tenure. Investore intends to continue to support store refurbishments and improvements where this is beneficial to Investore and its portfolio.

## Slide 12 – Delivering rental growth

Investore focusses on improving portfolio performance and overall investor returns through maximising rental growth in its existing portfolio. This rental growth comes from acquisitions, developments, rent review transactions, and turnover rental from the Woolworths-tenanted properties.

65 rent reviews over 96,000sqm of the portfolio were completed during FY24, which resulted in a 3.1% increase on previous rentals. Of these 65 rent reviews, 57 were structured reviews, meaning they were either subject to a fixed rate of increase or linked to CPI. The CPI-linked reviews delivered a 6.2% increase on prior rentals.

Net Contract Rental has continued to increase year on year for the established portfolio, as shown by the lighter coloured bars in the chart. The darker bars show the net Contract Rental for acquisitions or developments only, increasing year on year, with this growth supportive of Investore's strategy of targeted growth. Investing in properties with structured rental growth remains a key strategic priority for Investore.

## Slide 13 – Long lease expiry profile by Contract Rental

Turning now to some of the key characteristics of the Investore large format retail portfolio.

One of these key characteristics is the relatively long lease expiry profile. The portfolio (excluding properties classified as 'development and other') has a weighted average lease term of 7.4 years as at 31 March 2024, with 78% of Contract Rental expiring in FY30 and beyond.

This long weighted average lease term provides Investore with income certainty over the medium to long term, and a manageable set of lease expiries over the coming years.

I would note that while this graph indicates 1.0% vacancy by Contract Rental, this has reduced to 0.6% when considering transactions completed after 31 March 2024, taking total occupancy to 99.4%.

## Slide 14 – Key tenants meeting daily needs

Investore's focus on large format retail means its properties are occupied by quality, nationally recognised tenants such as Woolworths, Bunnings, Foodstuffs, Mitre 10, and Briscoes Group. These key tenants represent a high proportion of Investore's total Contract Rental income, attracting repeat visitation from customers, and providing Investore with security of income across varying market conditions.

The portfolio has a number of specialty tenants which are often located adjacent to supermarkets or other anchor tenants, and the regular, repeat visitation to these anchor tenants supports patronage for the specialty tenants, which assists to drive demand for Investore's portfolio.

71% of Investore's portfolio consists of tenants that are classified as providing everyday needs. This focus means that Investore's tenants are resilient in challenging macroeconomic conditions, due to their products comprising non-discretionary categories of expenditure for consumers.

## Slide 15 – Woolworths Waimakariri Junction

Investore was very proud to have completed the development of a new Woolworths anchored supermarket at Waimakariri Junction in late 2023. This development was completed within budget and on time, and is New Zealand's first newly constructed Woolworths-branded supermarket. Woolworths has taken a lease of the property for 12 years, with rights of renewal for a further 23 years if all rights are exercised.

The remainder of the Waimakariri Junction site, being approximately 1.8 hectares, will provide future large format retail development opportunities for Investore when market conditions are more conducive for development.

## Slide 16 – Woolworths Waimakariri Junction (cont)

This new Woolworths at Waimakariri Junction is a highly sustainable new building, and has achieved a 5 Green Star Design rating and is targeting a 5 Green Star As Built rating.

The construction process focussed on lowering the environmental impact from the development through the reduction of construction waste to landfill and the use of low toxicity, low environmental impact materials to reduce emissions. 82% of waste by weight was diverted from landfill through construction waste being reused, recycled or aided by low waste construction methods.

In addition, a number of initiatives were implemented during the development with the aim of facilitating a reduction in the consumption of energy and water for the life of the building, including the installation of solar panels, energy efficient refrigerant systems, thermal insulation, double glazing, LED lighting and low water use plumbing fittings.

The development also included the installation of end of trip facilities including bicycle parking, electric vehicle chargers and the designation of specific parking spaces for fuel-efficient vehicles. This supports a reduction in carbon emissions from those persons working at or visiting the store.

Woolworths Waimakariri Junction is the first Investore property to have solar panels installed and this development provides a prime example of Investore partnering with its tenants to seek to reduce the impact of our properties on the environment.

## Slide 17 - Sustainability

Investore is cognisant of the importance of ensuring the portfolio remains sustainable for the future, and is focussed on investing in and developing high quality and sustainable properties, as we have seen with the new Woolworths Waimakariri Junction.

Investore considers that it has very low scope 1 and 2 greenhouse gas emissions, which are the emissions that directly relate to Investore's business, including those from electricity that Investore consumes. Investore's scope 1 and 2 emissions are considered to be very low because Investore's portfolio consists of large format retail properties, many of which are single tenanted, and the management of this portfolio has been outsourced to SIML.

While we do have low scope 1 and 2 emissions, we still recognise the need to ensure that these are as low as possible and to seek to reduce them further, where practicable. Investore's scope 1 and 2 greenhouse gas emissions are primarily from air conditioning systems and electricity for lighting.

During FY24 we implemented a plan to replace air conditioning units across the portfolio which use R22 refrigerant with units that use a refrigerant with lower global warming potential, and this is intended to help with reducing our emissions related to air conditioning.

Investore believes it can have the most effective impact on transitioning to a low carbon future through working with its tenants on improving their energy efficiency. As a consequence, during FY24 Investore investigated the feasibility of installing solar panels on some of our existing properties and we are now looking to engage with our major tenants to progress this initiative.

Investore prepared a separate Sustainability Report for FY24 which includes reporting against the Aotearoa New Zealand Climate Standards and this can be found on Investore's website.

I would now like to hand you back to Mike who will provide an overview of Investore's strategic focus and what shareholders can expect for FY25 and beyond.

## Slide 18 – Strategic focus

Thanks Adam.

As shareholders will know, Investore's strength lies in its resilient operating earnings which is underpinned by its exposure to properties with long weighted average lease term (or WALT), occupied by tenants which provide non-discretionary "everyday needs" to customers. This exposure to long-WALT properties provides surety of income but also means that Investore's rental income has been slower to react to market changes than other commercial property sectors which can pose challenges in a high inflationary environment.

While achieving market rental reversion is ultimately a matter of timing, increased exposure to a variety of tenants and rent review mechanisms would help deliver Investore more consistent structured rental growth. Therefore, a key strategic focus for Investore is to increase the portfolio's tenant diversification to complement its strong core of Woolworths' anchored supermarkets.

To enable Investore to execute on this strategic focus, asset recycling is an important source of capital, although we note the current challenging macroeconomic conditions and elevated interest rates have impacted investor activity levels in the direct property market.

We have seen large format retail valuations stabilise over the second half of FY24, and with market pricing suggesting interest rate cuts may start occurring later this financial year, we think there is improving investor sentiment as we approach the end of this cycle. As a result, this could provide improved conditions for disposals and investment opportunities for Investore as liquidity improves in the market.

At the same time, we will continue to focus on identifying and delivering value accretive initiatives for our assets, and continue collaborating with our tenants to optimise and add value to our portfolio.

## Slide 19 - Looking ahead

Turning to what investors can expect for FY25.

As you have heard, Investore has delivered resilient operating earnings for FY24, supported by Investore's strong underlying portfolio metrics which provide Investore with a defensive rental income stream from non-discretionary everyday needs tenants. Investore's strong fixed debt position, as a result of Investore's proactive approach to capital management, has meant Investore's operating earnings have been insulated from the full effects of higher interest rates.

However, the net reduction in the fair value of investment properties as a result of capitalisation rate movements, due in part to the high interest rate environment, have impacted Investore's overall reported financial performance.

Recent changes to tax depreciation on commercial buildings have resulted in an additional earnings headwind heading into FY25 and beyond.

The Board will remain focussed on proactive capital management initiatives that actively manage Investore's leverage position to ensure balance sheet capacity and optionality, and ensure Investore is well positioned to manage this stage of the economic cycle.

The Board also remains committed to ensuring the Investore portfolio remains sustainable into the future, which includes the transition to a lower carbon future and the continued pursuit of Investore's sustainability targets and objectives.

The Investore Board currently expects to pay an annual cash dividend for FY25 of 6.50 cents per share, which is expected to be near the midpoint of the revised distribution policy range of paying between 80 to 100% of distributable profit.

This brings to an end the presentation addressing Investore's performance for FY24 and our priorities for FY25.

Now to the formal business of the meeting.

**Ends**



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