

Investore Property Limited

Annual Shareholder Meeting 2023 Address

Slide 1 – Annual Shareholder Meeting 2023

Good morning all, and welcome to the 2023 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 through the door to your right, down the hall and beside the elevators.

In the event of an emergency, the nearest fire exit is also located beside the elevators, through the door directly beside the bathroom. This exit leads down to the assembly point which is located outside McDonald's on Lower Queen Street. In the event of an emergency, please vacate the building taking this nearest fire exit, and follow the directions of hotel staff.

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 (SIML)-appointed Director of Investore and chairman of Stride Property Group; and
- **Ross Buckley**, also a SIML-appointed Director of Investore.

Investore was very pleased to welcome Erika McDonald as a future director in 2022. Erika will observe the Investore Board processes over a two year period 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 FY23 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 and auditors on 26 May 2023. I am pleased to confirm that we have a quorum present for the meeting here today, and accordingly I declare the Investore 2023 Annual Shareholder Meeting open.

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

- Firstly, Adam Lilley and I will provide a general overview of Investore's financial and business performance for the year in review.
- 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 three 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 door you came in.

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 2023.

Slide 6 – Financial overview

Firstly, an overview of the financial performance of Investore for FY23. Investore's portfolio of high quality, well located large format retail properties continues to deliver resilient operating earnings. Investore's profit before other expense and income tax was up \$0.9 million to \$35.2 million, primarily due to increased net rental income which was up \$2.0 million to \$60.3 million, driven largely by acquisitions completed during FY22 and FY23 and rent reviews completed during FY23 which delivered higher rental income.

Loss after income tax of \$(150.2) million was primarily due to a net reduction in the fair value of Investore's portfolio of \$(185.2) million, largely due to a movement in capitalisation rates, resulting at least in part, from the higher interest rate environment.

Distributable profit after current income tax remained strong at \$31.0 million and was \$1.2 million higher than FY22. This equates to distributable profit per share of 8.44 cents, up from 8.11 cents per share in FY22.

Rounding out the financial highlights, I am very pleased to report that Investore delivered a total cash dividend for FY23 of 7.90 cents per share.

Slide 7 – Portfolio highlights

Investore's portfolio was valued at \$1.1 billion as at 31 March 2023. Delivering on its strategy of targeted growth, Investore continued to grow its portfolio in FY23, completing \$28.1 million of acquisitions, consisting of the acquisition of development land at Hakarau Road in Kaiapoi and the acquisition of the balance of the freehold land in Averill Street, Papakura, which is tenanted by Countdown.

Investore's portfolio continues to demonstrate strong metrics, with occupancy by area across the portfolio (excluding development properties) of 99.5% and a weighted average lease term of 8.1 years. The average portfolio capitalisation rate was 5.70% as at 31 March 2023.

Investore has also benefitted from a 3.3% increase on previous rentals from rent reviews completed across 53% of its portfolio by net lettable area during the past financial year.

Slide 8 - Capital management

Turning now to capital management, the Board is conscious of the risks posed by the current macroeconomic environment and continues to take a proactive and prudent approach to capital management, which has insulated operating earnings from the full effects of higher interest rates, and assisted in managing the current volatile macroeconomic environment.

Investore's weighted average cost of debt was 4.0% as at 31 March 2023, which is an increase of only 24 basis points over the previous 12 months. This compares favourably to the 375 basis point increase in New Zealand's Official Cash Rate over the same period. The weighted average fixed interest rate maturity of Investore's debt, including bonds and interest rate swaps, was 3.3 years as at 31 March 2023.

92% of Investore's borrowings were hedged or subject to a fixed rate of interest as at 31 March 2023. Having a high proportion of debt that is hedged or subject to a fixed rate of interest helps to protect Investore against interest rate increases over the short to medium term.

The graph on this slide shows the fixed rate interest profile of Investore's debt as at 31 March 2023, demonstrating the benefit of Investore's strong position with respect to hedging and fixed interest debt. 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.

During FY23, \$75 million of bank facilities were refinanced and extended for a further two years to November 2025. As part of this refinancing, Investore also renegotiated its banking covenants with its banking syndicate, removing the covenant relating to the weighted average lease term of

Investore's portfolio, and reducing the loan to value ratio (LVR) covenant from a maximum of 65% to a maximum of 52.5%.

Slide 9 – Capital management (cont)

Following the refinancing of \$75 million of bank facilities, Investore now has no bank debt expiring until FY26. In addition, Investore has secured a \$100 million three-year bank facility to provide liquidity for refinancing the upcoming maturity of IPL010 fixed rate bonds in April next year.

As shareholders will be aware, during FY23 Investore undertook a share buyback programme of up to 5% of shares on issue, acquiring and cancelling 632,398 shares for a total cost of \$1.1 million. As previously announced, the Board has now resolved to cancel this share buyback programme.

Investore's FY23 acquisitions and developments were funded from its available debt facilities. This, coupled with the portfolio devaluation, has resulted in Investore's LVR increasing to 36.5% as at 31 March 2023.

On a committed basis, which includes the development of the Kaiapoi Countdown supermarket and other committed projects, the LVR is forecast to increase to 38.1%, within the Board's long-term target of between 30-40%. However, we remain focused on continuing our prudent approach to capital management, and have recently announced some initiatives designed to reduce the LVR, given the risks posed by the current macroeconomic environment. I will provide more information on those initiatives later, when we discuss the FY24 outlook for Investore.

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 completed a number of strategic acquisitions during FY23, together with progressing initiatives to enhance the existing portfolio. In particular:

- Investore acquired the balance of the freehold land at Averill Street in Papakura for \$18.0 million. Investore previously only owned the two portions of land which are shaded in green on this slide, and leased the balance from a third party landlord. The acquisition of the balance of the freehold land at this site delivers Investore control and unlocks future development options. The property is fully occupied by Countdown and a hospitality venue and has a weighted average lease term (WALT) as at 31 March 2023 of 11.4 years.
- In September 2022, Investore acquired the development land at Hakarau Road, Kaiapoi, for \$10.1 million. Construction is underway on a new Countdown supermarket on the site, targeting a 5 Green Star rating, with completion expected at the end of 2023. The development has an expected yield on cost of 5.5%, with the balance of the land being held for future development, providing ongoing growth opportunities for Investore.

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

By way of example, Investore has agreed with Countdown to expand the customer amenity at Countdown Rangiora, including the addition of an online fulfilment area and five new covered pickup bays. These improvements will deliver Investore a 7.5% per annum return on cost of up to \$1.0 million over the remaining term of the lease. As part of this arrangement, Investore has also secured a four-year lease extension at Countdown Morrinsville, extending the final expiry date for this lease to FY29.

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 either increased rental return on the investment, increased turnover rent, and/or 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 12 – Increased rental income

SIML was pleased to complete 82 rent reviews during FY23, delivering an overall rental increase of 3.3% on prior rentals. 40% of these were reviews linked to CPI which resulted in a 7.0% uplift on prior rentals. In total 68% of the rent reviews completed over FY23 were structured reviews, meaning they were either subject to a fixed rate of increase or linked to CPI.

Net contract rental has continued to increase year on year for the established portfolio, as shown by the bars in the lighter teal colour in the graph. The darker teal coloured blocks on the top of each bar show the net contract rental for acquisitions only, increasing year on year, and supporting Investore's strategy of targeted growth.

Slide 13 – Long lease expiry profile by Contract Rental

One of the characteristics of Investore's large format retail property portfolio is the relatively long lease expiry profile. The portfolio (excluding development properties) has a WALT of 8.1 years as at 31 March 2023, with over 75% of Contract Rental expiring in FY30 and beyond.

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

Slide 14 – Anchor tenants underpin income

Investore's focus on large format retail means its properties are occupied by quality, nationally recognised tenants such as Countdown, Bunnings, Foodstuffs, Mitre 10, and Briscoes Group. Anchor tenants represent a high proportion of Investore's total contract rental income, providing Investore with security of income across varying market conditions.

This focus on large format retail exposes Investore to tenants that specialise in everyday needs, which 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 – National portfolio

Investore's portfolio has a broad geographical spread, with 84% of the portfolio by contract rental located in the North Island and 16% of the portfolio located in the South Island. Investore's portfolio is focused on areas that are highly populated, urban areas, such as Auckland, which has 37% of the portfolio by contract rental, or those areas which have strong population growth potential.

Slide 16 - Sustainability

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 the past year we have undertaken a number of activities focussed 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 FY23, Investore completed its first standalone sustainability report which can be found on Investore's website.

Given the nature of Investore's portfolio and the fact that it has outsourced its management to SIML, Investore has very low scope 1 and 2 greenhouse gas emissions. These primarily come from air conditioning systems and electricity for common areas. Investore is working towards reducing these emissions and is currently developing a plan to replace harmful refrigerants across its portfolio. We also intend to explore the feasibility of installing solar panels on one or more properties.

We believe we can have the most effective impact on transitioning to a low carbon future through working with our tenants on improving their energy efficiency. Consistent with this approach, Investore has recently obtained Green Star Performance ratings for 16 of its properties, comprising hardware stores and standalone supermarkets. These ratings will enable Investore to work with its tenants to develop opportunities for energy and water improvement initiatives to improve ratings.

Investore will also look to incorporate sustainability initiatives into new developments and major refurbishments where practicable. As we have mentioned, Investore has commenced construction of a new Countdown supermarket at Hakarau Road, Kaiapoi, targeting a 5 Green Star Design and As Built rating. Investore is working closely with Countdown, as tenant, to incorporate sustainability initiatives into this development, including electric vehicle charging stations, bicycle storage for workers and customers, energy efficient heating and cooling systems, and energy efficient LED lighting. This development is also a good example of how Investore partners with its tenants to seek to reduce the impact of our properties on the environment.

I will now hand you back to Mike to take you through the outlook for FY24.

Slide 17 – Looking ahead

Thank you, Adam.

Investore has delivered strong operating performance for FY23, with operating earnings insulated from the full effects of higher interest rates by Investore's strong hedging position as a result of Investore's prudent approach to capital management. However, negative valuation movements as a result of capitalisation rate movements are due in part to the high interest rate environment and have impacted Investore's overall reported financial performance.

While Investore's balance sheet and portfolio are well positioned, the ongoing higher interest rate environment means the Board will continue to be focused on prudently managing capital. Accordingly, the Board announced capital management initiatives with the release of Investore's FY23 Annual Results, designed to manage gearing over the near term. These included an intention to sell select, non-core assets of approximately \$25 million - \$50 million, provided appropriate value can be realised for the assets. The net proceeds received from these divestments, if they proceed, will be used to repay existing bank debt.

Investore is also pleased to announce the adoption of a Dividend Reinvestment Plan which will allow eligible shareholders to reinvest dividends into additional Investore shares. Stride Property Limited, Investore's largest shareholder, has signaled its intention to support the Dividend Reinvestment Plan on a pro-rata basis to maintain its shareholding.

The purpose of these initiatives is to ensure Investore is well placed to withstand further potential valuation headwinds in case they eventuate, as well as preserve balance sheet headroom to pursue further strategic initiatives across its portfolio.

The Board currently expects to pay an annual cash dividend for FY24 of 7.90 cents per share, in accordance with Investore's policy of paying out between 90% and 100% of distributable profit. The Board will continue to monitor progress on asset sales and market conditions throughout the year.

This brings to an end the presentation addressing Investore's performance for FY23 and our priorities for FY24.

Now to the formal business of the meeting.

Ends

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