

THE UK'S ONLY MIDLANDS FOCUSED REIT
Results for the period ended 30 June 2020
Investor and Analyst Presentation

THE MIDLANDS
INVESTOR

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REAL ESTATE INVESTORS PLC INTRODUCTION



REI Today

- **UK's only** Midlands focused/ Birmingham based **REIT**
- Portfolio of **£221.8 million**
- Multi-sector **diversification**, no material reliance on any sector, asset or occupier – **277** occupiers – **53** assets
- Essential services **24%**

Strong Platform

- **Internally managed**/ proven track record/**100+ years** of combined experience/ equity alignment/**7.47%** management holding
- REI's advantage is its **market insight** from its network and knowledge of the region
- **Scalable** property management platform

Active Asset Management

- **Value creation** through reviews, lease renewals, lettings, change of use and **embedded** Permitted Development to include offices and retail
- Acquisitions at **high initial yields** - Targets: 8-20% yield and £2m-£20m lot size
- Disposals at/above book value post asset management with capital **recycled**

Prudent Finance

- Prudent leverage providing certainty and security – current net **LTV 44.0%**
- Can execute quickly with £9 million cash and strong market reputation and **access to debt**
- **83%** of debt now fixed, with low average cost of debt of **3.4%**

Attractive Returns

- Aim to deliver capital **growth** and income enhancement through **active** asset management
- Fully **covered progressive** dividend paid **quarterly**
- **£31.9 million** paid to shareholders

HIGHLY EXPERIENCED BOARD & PROVEN TRACK RECORD

Non-Executive



John Crabtree OBE D.UNIV
Non-Executive Chairman

- Joined REI Board in 2010
- **0.16% shareholder in REI**
- Chairman of Glenn Howells Architects, White & Black Limited & Brandauer Holdings Limited. Until 2003, Senior Partner of Wragge & Co
- John is Chair of the organising committee for the 2022 Commonwealth Games
- In January 2017, John was appointed Her Majesty's Lord Lieutenant of the West Midlands



William Wyatt
Non-Executive Director

- Joined REI Board in 2010
- **0.12% shareholder in REI**
- Joined Caledonia in 1997 from Close Brothers Group Plc. He was appointed a director in 2005 and Chief Executive in 2010
- Non-executive Director of Cobehold S.A., Chairman of Newmarket Racecourses and a Trustee of The Rank Foundation



Peter London
Non-Executive Director

- Joined REI Board in 2014
- **0.08% shareholder in REI**
- Peter is an Independent Financial Adviser with Ascot Lloyd
- Peter has a lifetime of experience in providing IFA services to HNW individuals and sold his company to a Swiss Bank in 2007
- Non-Executive Chairman of a number of property related companies

Executive



Paul Bassi CBE DL D.UNIV DSC
Chief Executive Officer

- Joined REI Board in 2006
- **5.9% shareholder in REI**
- Non-executive Chairman of Bond Wolfe
- Non-executive Chairman of Likewise Plc
- Former Non-executive Chairman of CP Bigwood Chartered Surveyors
- Former Regional Chairman & Strategy Advisor to Coutts Bank (West Midlands)



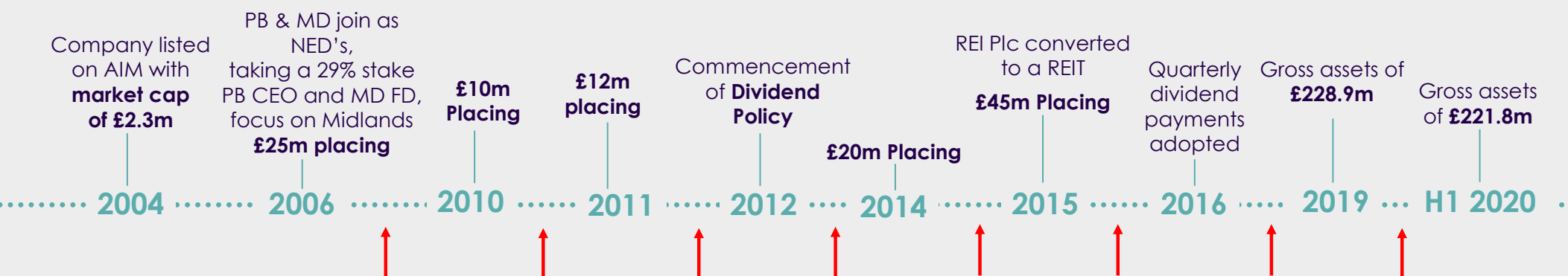
Marcus Daly FCA
Finance Director

- Joined REI Board in 2006
- **1.21% shareholder in REI**
- Chartered Accountant with 30 years experience in advising on strategic matters and corporate planning, particularly in the property sector
- Former non-executive director of CP Bigwood Chartered Surveyors
- Former non-executive Chairman of the Tipton & Coseley Building Society

DELIVERING THROUGH CHALLENGING TIMES



IN LINE WITH THE COMPANY'S PROGRESSIVE DIVIDEND POLICY
SINCE 2012 TOTAL DIVIDENDS PAID TO SHAREHOLDERS = £31.9 MILLION



Financial crisis / General Election / Scottish Referendum / General Election / European Referendum / BREXIT / COVID19

THE REI BUSINESS MODEL

ACTIVE ASSET MANAGEMENT

Generating value through asset management

Buys	REI market expertise	Sells/holds
Institutional sales	VALUE ADD	Institutional quality assets
Offices	12 - 24 months of Asset Management	HNW/investors/pension funds – buyers now active in this segment
Value & convenience retail	Lease renewals	High quality earnings to support dividend
Leisure/food	Rent reviews	
Vacant property	Small scale refurbishment	
Opportunistic	Income maximisation	
Short leases	Planning revision	

20%

Unparalleled market insight via external relationships
e.g. Bond Wolfe, Knight Frank, Savills, Avison Young, CBRE & JLL

5%

HIGHLIGHTS & FINANCIALS

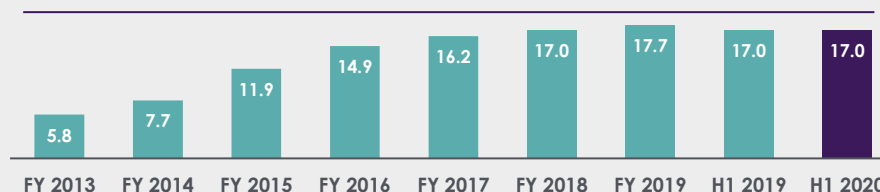


**Birmingham Commonwealth
Games 2022**
Image courtesy of
Birmingham City Council

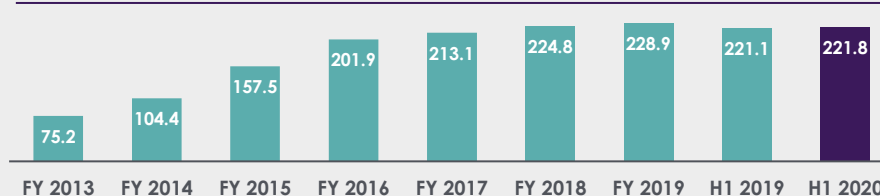
H1 2020 OPERATIONAL HIGHLIGHTS

- Contracted rental income: **£17.0 million p.a.**
(FY 2019: £17.7 million p.a.) (H1 2019: £17.0 million p.a)
- Strong rent collection for March quarter (March to June – adjusted for monthly and deferred agreements) of **90.68%** despite pandemic
- Gross property assets: **£221.8 million**
(FY 2019: £228.9 million) (H1 2019: £221.1 million)
- Post period pipeline sales in legals of **£6.5 million**
- Active asset management with **18** value enhancing lease events during the period
- Improved WAULT of **5.06 years** to break and 6.73 years to expiry (FY 2019: 4.24 years/ 6.24 years)
- 277 tenants** across **53 assets**
- Occupancy: **93.45%** (FY 2019: 96.3%)

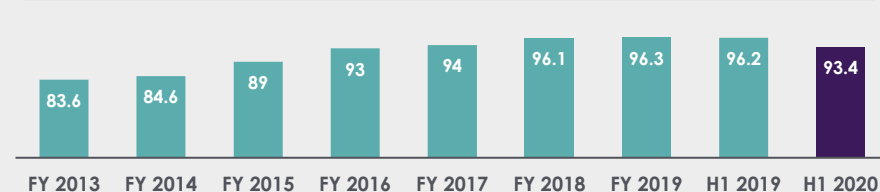
Contracted Rental Income £m



Gross Property Assets £m



Occupancy %

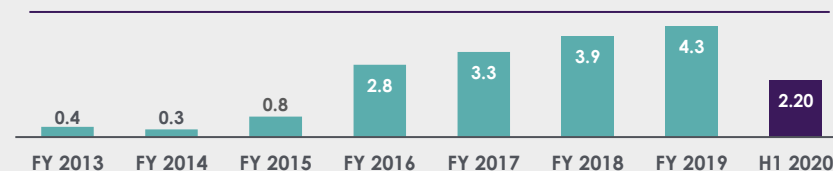


H1 2020 FINANCIAL HIGHLIGHTS

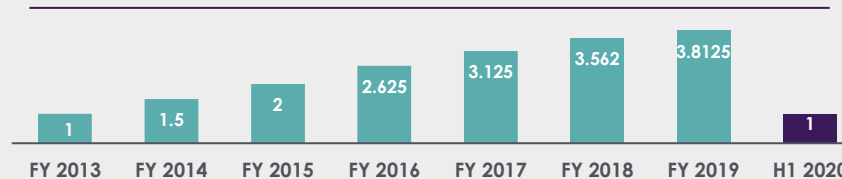
- Underlying profit before tax* of **£4.1 million** (H1 2019: £4.0 million) up 2.4%
- Revenue **£8.2 million** (H1 2019: £8.1 million) up 1.2%
- EPRA EPS **2.20p** (H1 2019: 2.15p) up 2.3%
- Total Dividend per share of **1.0p** (H1 2019: 1.875p)
- Continued to pay a **dividend** throughout pandemic
- EPRA NAV per share of **64.3p** (FY 2019: 67.4p)
- NET LTV of **44.0%** (FY 2019: 42%)
- Average low cost of debt **3.4%** (H1 2019: 3.7%)
- Like for like valuation down 3% to **£221.8 million** (FY 2019: £228.9 million)
- Like for like rental income **£16.5 million** (FY 2019: £17.0 million)

*underlying profit excludes profit/loss on revaluation, sale of properties and interest rate swaps

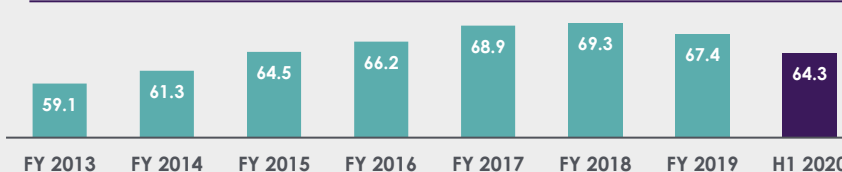
EPRA EPS



Dividend P



EPRA NAV



H1 2020 FINANCIALS: GROWING EARNINGS & INCOME

- Revenue of **£8.2 million** – up 1.2%
- Underlying profit before tax of **£4.1 million** – up 2.4%*
- Pre-tax loss of **£3.8 million** (H1 2019: £1.7 million) after deficit on revaluation of interest rate swaps of £657,000 profit (H1 2019: £212,000) and property revaluations and sales deficit of £7.3 million (H1 2019: £2.1 million), both non-cash items
- EPRA EPS of **2.20p** (H1 2019: 2.15p) up 2.3%

Dividend

- Progressive, covered, dividend policy
- Quarterly dividend payments for 2020:
 - Q1 dividend of 0.5p per share paid in July 2020
 - Q2 dividend of 0.5p per share to be paid in October 2020

Income Statement	H1 2020 £m	H1 2019 £m
Revenue	8.2	8.1
Cost of sales	(0.7)	(0.8)
Admin expenses	(1.5)	(1.5)
Property revaluation and sales	(7.3)	(2.1)
EBIT	(1.3)	3.7
Underlying profit before tax	4.1	4.0
(Loss)/profit on ordinary activities before tax	(3.8)	1.7
Diluted EPS	(2.1p)	0.9p
EPRA EPS	2.2p	2.15p
DPS	1.0p	1.875p

*Adjusted for movement on property revaluations, sales and hedge revaluation

H1 2020 FINANCIALS: STRONG BALANCE SHEET

Gross property assets of

£221.8m

Net assets of

£118.7m

EPRA NAV per share of

64.3p

Well capitalised with
net LTV of

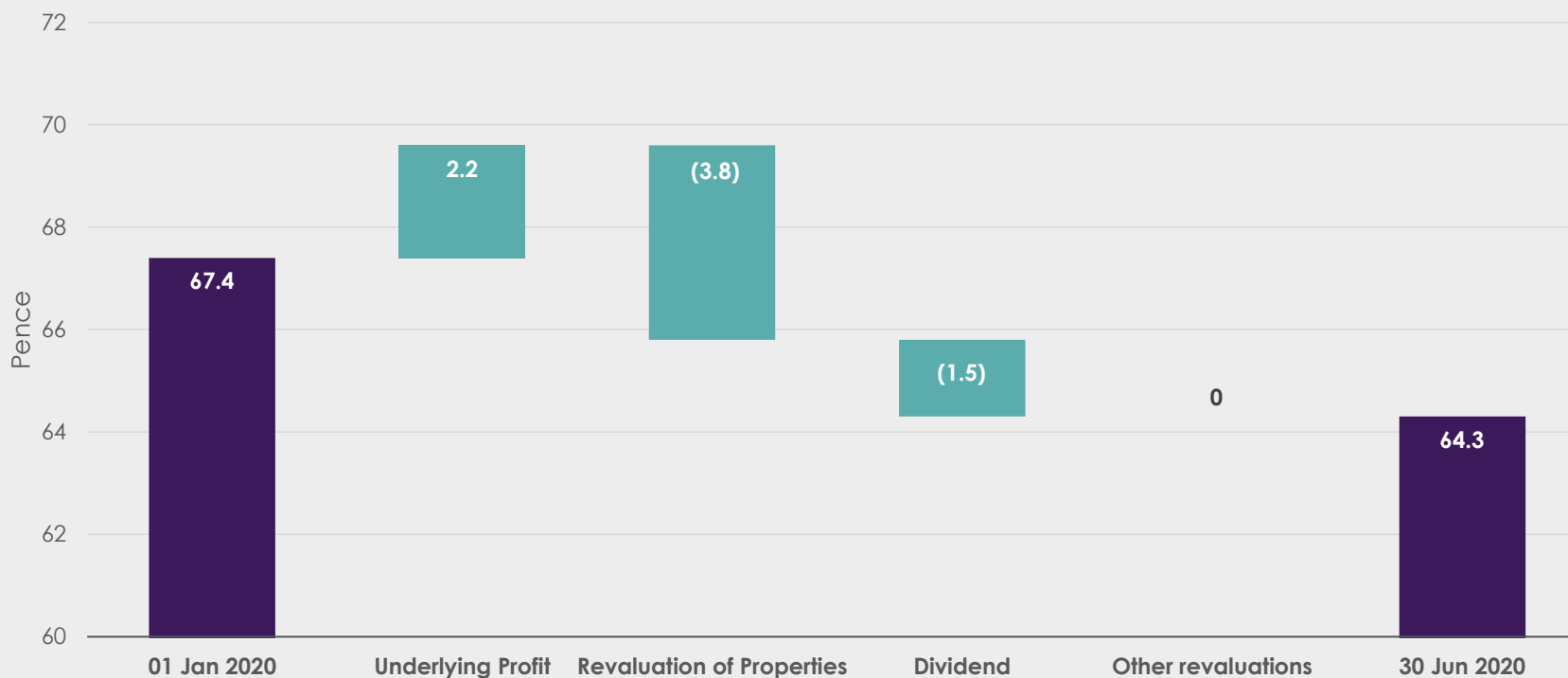
44.0%

and net debt of

£96.0 m

Balance Sheet	H1 2020 £m	FY 2019 £m
Property	221.8	228.9
Cash	9.0	10.1
Debt	(105.0)	(105.2)
Other	(7.1)	(8.4)
Net assets	118.7	125.4
Adjustments	3.2	2.7
EPRA NAV	121.9	128.1
EPRA NAV per share	64.3p	67.4p
Net Debt	96.0	95.1
LTV (net of cash)	44.0%	42.2%

MOVEMENT IN EPRA NAV PER SHARE



“The overall reduction in valuations was circa 3% and was spread broadly across the portfolio. The downward sentiment was offset by 18 value enhancing lease renewals during the period. Void presents opportunity to re-let and improve income and capital values.”

PAUL BASSI, CEO

MOVEMENT IN EPRA EARNINGS PER SHARE



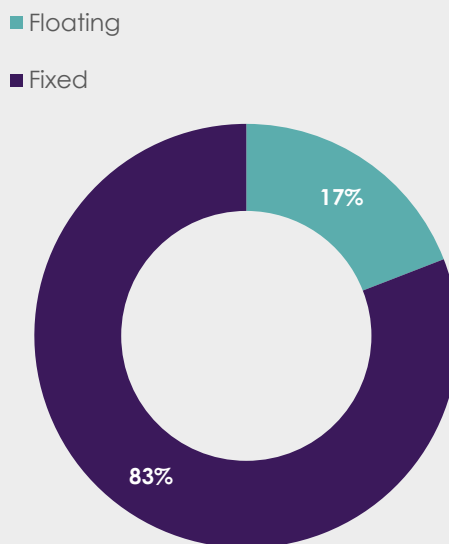
Note: Chart based on 12 months of EPRA EPS from 1 Jul 2019 to 30 Jun 2020

H1 2020 FINANCIALS: SIMPLIFIED DEBT POSITION

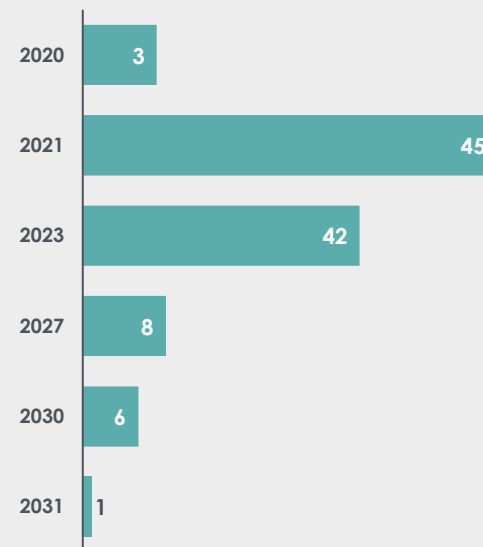
- Cost of debt of **3.4%** at 30 Jun 2020 (FY 2019: 3.4%)
- Property net LTV **44.0%**
- **83%** of debt is fixed
- Interest cover of **3.2x** (FY 2019: **3.3x**)
- Multi-banked across **6** lenders
- In compliance with all **covenants**
- In discussions with RBS and AIB on **£45m** of facilities due for renewal in 2021

Net Debt (£m)	30 Jun 2020 £m	31 Dec 2019 £m
Borrowings	105.0	105.2
Cash	(9.0)	(10.1)
	96.0	95.1

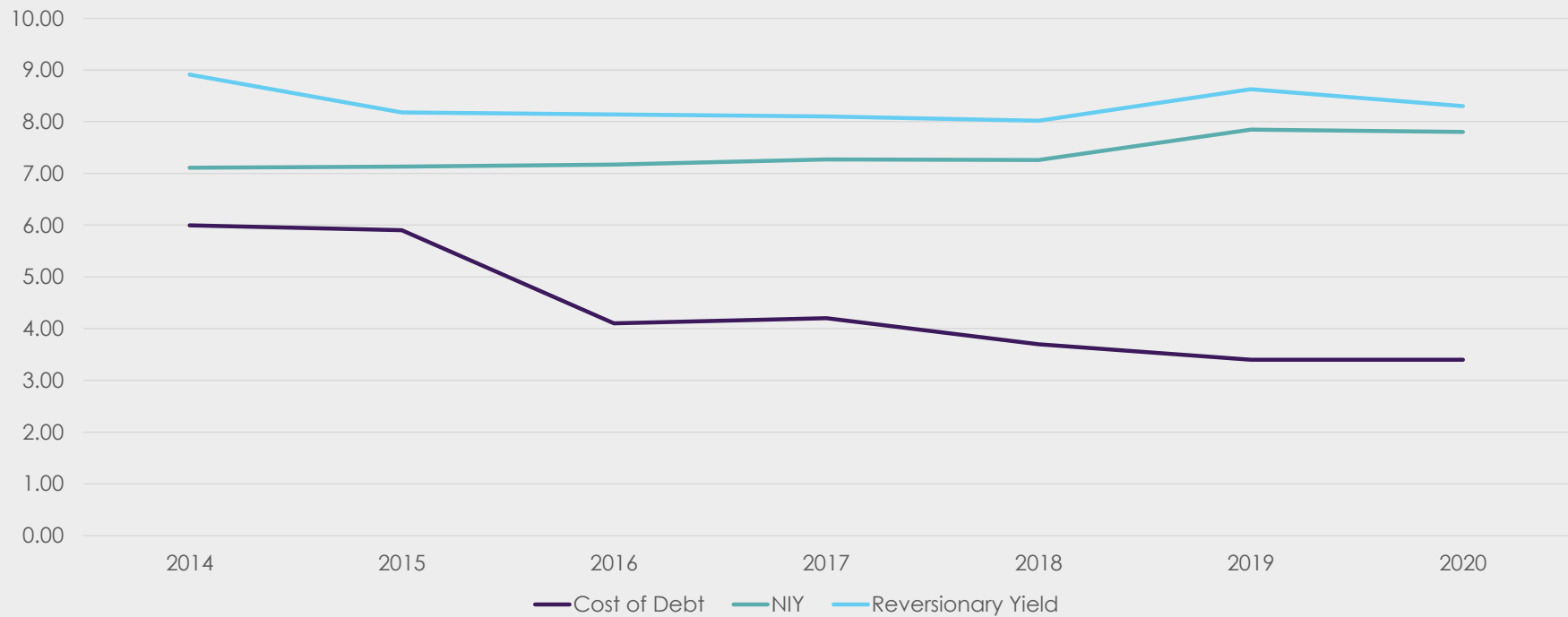
**Debt Structure %
at 30 Jun 2020**



**Debt Maturity £m
at 30 Jun 2020**



ATTRACTIVE SPREAD BETWEEN NIY & COST OF DEBT



QUARTERLY DIVIDEND PAYMENTS: CONTINUED DESPITE PANDEMIC

✓ AS A RESULT OF COVID19 AND THE UNCERTAINTY OF THE MARKETS IN WHICH WE OPERATE, THE BOARD TOOK THE DECISION TO REDUCE THE QUARTERLY DIVIDEND PAYMENTS WITH A VIEW TO PRESERVING CASH AND RETAIN THE OPTION TO PAY A LARGER FINAL DIVIDEND ONCE THE FINANCIAL YEAR HAS BEEN COMPLETED

✓ DIVIDEND IS FULLY COVERED BY EPRA EARNINGS

✓ PROGRESSIVE DIVIDEND POLICY IN LINE WITH EARNINGS

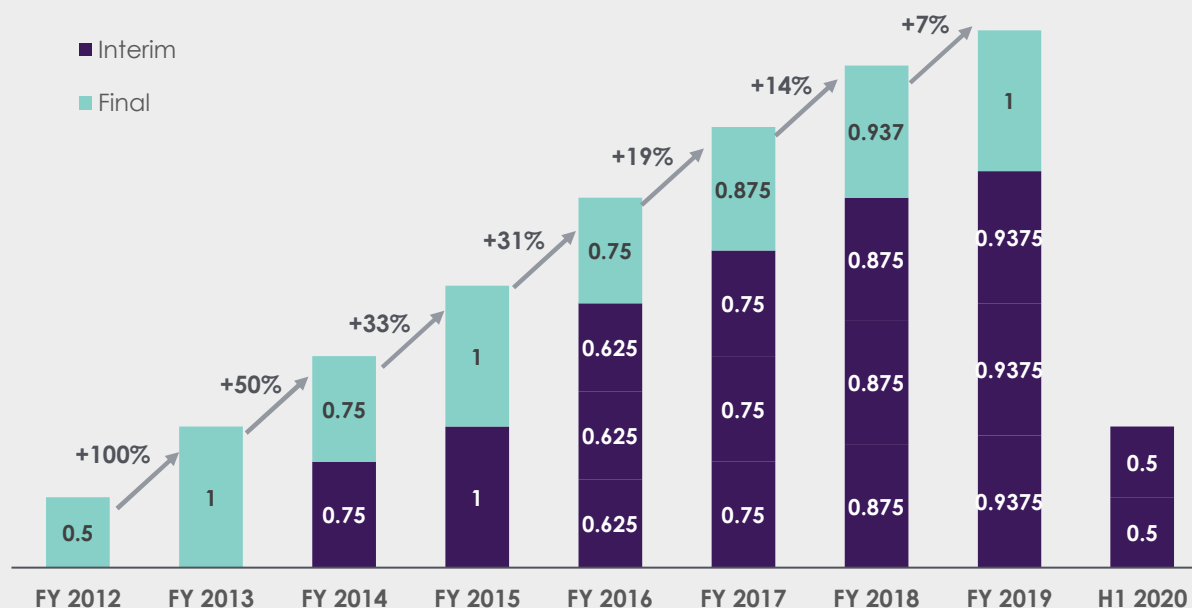
✓ PAID QUARTERLY

✓ £31.9 MILLION TOTAL DIVIDENDS PAID SINCE 2012

Dividend	Total	Announcement	Payment
Q1 2020	0.5p	June 2020	July 2020
Q2 2020	0.5p	September 2020	October 2020
Q3 2020	TBC	December 2020	January 2021
Q4 2020	TBC	March 2021	April 2021

Note: Timings for quarterly payments are indicative only

Increasing Shareholder Distribution Year on Year



REBIRTH OF A REGION



Big Wins.....

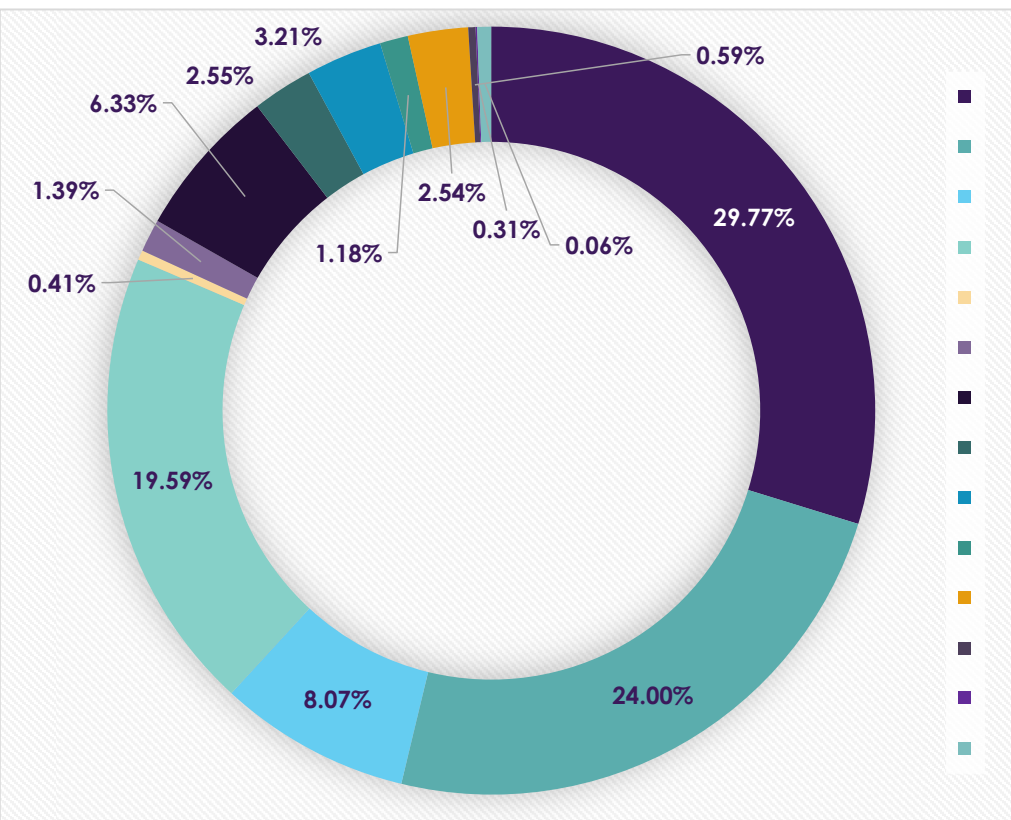
- HS2 Confirmed
- 2021 Coventry City of Culture
- 2022 Commonwealth Games

RENT COLLECTION COVID19-RESILIENT THROUGH DIVERSIFICATION

- **Rent collection** for the March quarter (March to June - adjusted for monthly and deferred agreements) is **90.68%** and improved from 90.16% as reported in our 15 July trading update and 81% reported in our June trading update
- **June quarter** (June to September) rent collection so far is **86.87%** (adjusted for monthly and deferred agreements), up from 81.94% reported in our July trading update
- The outstanding rents are predominantly larger, corporate tenants, who are not engaging in discussions and continue to hide behind the **Government 'shield'** on the enforcement of bad debts. These debts will be collected in due course.
- **Next quarter** date rent collection is due 29 Sep 2020, and is anticipated to be a healthy collection. We intend to provide the market with a trading update in October

	March Quarter %	June Quarter %
Rents Collected	78.54%	83.56%
Deferred arrangement	12.14%	3.31%
Total	90.68%	86.87%
Debtors	9.32%	13.13%

DIVERSE AND ATTRACTIVE PORTFOLIO



Sector	Rent £	30 Jun 2020 % by Income
Office	5,061,985	29.77%
Essential/key services/food stores etc	4,080,940	24.00%
Government	1,373,057	8.07%
Traditional Retail	3,332,047	19.59%
Discount Retail	68,902	0.41%
Medical and Pharmaceutical	237,050	1.39%
Restaurant/Bar/Coffee	1,077,150	6.33%
Financial/Licences/Agency	434,252	2.55%
Leisure	545,596	3.21%
Hotel	201,000	1.18%
Car Park	432,213	2.54%
Industrial	52,500	0.31%
Assured Shorthold Tenancies	9,500	0.06%
Charity	100,000	0.59%
TOTAL	17,006,192	100.00%

TOP 10 TENANTS BY INCOME NO MATERIAL EXPOSURE

Rank	Tenant	Rent £'000	%	Sector	Property
1		580	3.41	Office	Westgate House & Kingston House
2		572	3.36	Discount Retail	Crewe Shopping Centre, Acocks Green & Kings Heath
3		518	3.05	Office	Birch House, Oldbury
4		481	2.82	Office	Molineux House, Wolverhampton & Citygate House, Leicester
5		450	2.65	Discount Retail	Jasper, Tunstall
6		396	2.33	Office	Avon House, Bromsgrove
7		310	1.82	Hotel	West Plaza, West Bromwich
8		300	1.76	Food Stores	Bearwood, Birmingham
9		290	1.71	Office	Titan House, Telford
10		288	1.69	Office	Castlegate House, Dudley
		4,185	24.60		

24.60%
Top 10 tenants represent only 24.60% of REI's contracted income

5%
Aside from government income, no tenant is more than 5% of income

10%
No asset to represent more than 10% of group portfolio value

DIVERSIFICATION IMPROVEMENT IN WAULT – 18 LEASE EVENTS



Leamington

McDonalds at Leamington had a lease end in June 2022. Discussions took place around a new deal and a new Reversionary lease was entered into, adding a further ten years to the Term. The rent-free offered has allowed the tenant to invest in the unit.



Southgate Retail Park

The Gym Group at Southgate Retail Park used the opportunity to remove the Break in March 2021 and also extend the Lease by a further five years. In return, they were offered 12 months rent-free, that they amortised over the next two years



Bearwood High Street

Greggs entered into a Deed of Variation at Bearwood High Street to remove the Break in August 2021, opting to secure the rent-free incentive at the current time to assist with cash-flow.

Aldi break clause taken out, new unexpired lease term of 10.25 years

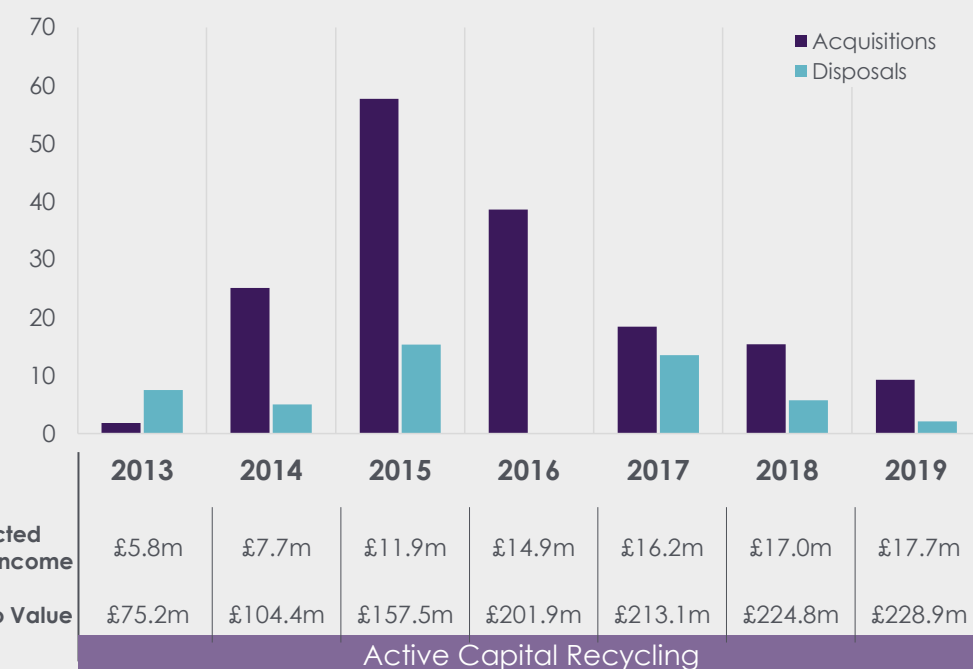


Alcester Road, Kings Heath

At Kings Heath, Bon Marche entered into a new five-year lease, taking the unit out of Administration to re-open. Both parties benefitted from working together to structure a deal that retained the presence on the High Street, whilst securing a further five years for REI

ACTIVE CAPITAL RECYCLING ACQUISITIONS & DISPOSALS

Acquisitions & Disposals



2020

- No acquisitions made during period due to **pandemic** with priority being to protect the **balance sheet** – high levels of uncertainty
- **Under offer** or exchanged - **£9.1 million**
- Further **sales** anticipated to satisfy investor demand

WHY REI? 12 MONTH OUTLOOK & OPPORTUNITIES

Outlook

- **Stability** – Normalise income frequency post COVID-19
- **Dividend** – 0.50p for each of Q1 and Q2 – upside potential for final dividend
- **Opportunities** – To re-let lease expiries to improve income/WAULT/capital values
- **Sales** – Strong investor demand for certain assets – capitalise on improved WAULT and asset management - £6.5m under offer
- **Acquisitions** – Use cash to acquire any distressed assets or assets management opportunities
- **Share buy back** – Subject to other opportunities – existing share price represents excellent value relative to NAV
- **Reduce gearing** – Through value enhancement and sales above book value

OPERATIONAL TEAM



Anna Durnford
Head of Investor Relations

- Joined REI in 2007
- Provides executive assistance to the Board & oversees investor relations and operations within the business
- Over 20 years experience within the legal, financial, accountancy and property sectors
- Previously worked for Ernst & Young & Independent HNW IFA's



Ian Clark
BSc (Hons) MRICS
Senior Asset Manager

- Joined REI in 2011
- Responsible for the coordinating portfolio asset management strategy across the portfolio
- Qualified chartered surveyor with over 23 years experience in the property market
- Previously worked for GVA and Argent Estates Limited as Asset Manager where he was responsible for the asset management of the 1.5 million sq ft Brindleyplace Estate



Andrew Osborne
BSc (Hons)
Investment Manager

- Joined REI in 2014
- Responsible for coordinating investment strategy, specialising in investment acquisition and disposals of commercial properties
- He began his career as an Investment surveyor at CBRE and is a previous Senior Asset Manager at Square Metre Properties, on behalf of Goldman Sachs and Property Fund Manager at Canada Life and Regional Director of Highcross in Birmingham



Jack Sears
BSc (Hons) MRICS
Asset Management

- Joined REI in 2016
- Responsible for the management of portfolio assets, liaising with agents
- Qualified Chartered Surveyor with a decade of experience in the property market
- Previously worked at Bilfinger GVA and BNP Paribas Real Estate as a property manager, assisting corporate clients with the management of their residual properties



Donna Mooney
Receptionist/Administrator

- Joined REI in 2016
- Provides Front of House support and administrative support to the Executive team and operations function
- Donna has had a long and varied career as a Personal Assistant most recently supporting members of the UK&I Leadership team within Corporate Finance and Tax at Ernst & Young LLP



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