

THE UK'S ONLY MIDLANDS FOCUSED REIT
Results for the period ended 30 June 2021
Investor and Analyst Presentation

THE MIDLANDS INVESTOR

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Coventry Oldbury Derby Worcest
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REAL ESTATE INVESTORS PLC INTRODUCTION



REI Today

- **UK's only** Midlands focused/ **REIT**
- Gross property assets of **£195.2 million**
- **Internally managed**
- **100+ years** of combined experience
- Board equity alignment – **8.32%** management holding
- **Scalable** property management platform

Diversified Portfolio

- Multi-sector **diversification**, no material reliance on any sector, asset or occupier
- **250** tenants & **47** assets
- **Resilient** subsector neighbourhood convenience, government and out of town offices

Active Asset Management

- **Value creation** rent reviews, lease renewals, lettings, change of use
- **Embedded** permitted development potential
- **Break up** opportunities within assets to satisfy strong private investor demand
- Acquisitions at **high initial yields** - Targets: **8-12%** yield and **£2m-£20m** lot size
- Disposals at/above book value - capital **recycling**

Multi- banked

- Multi-banked across **5** lenders
- Leverage providing certainty and security – **LTV 45.1%** (net of cash)
- Covenant compliant
- Strong market reputation and **access to debt**
- **46%** of debt fixed (84% from 1 January 2022)
- Low cost of debt maintained at **3.4%**

Attractive Returns

- **Progressive** dividend policy
- Fully **covered** dividend
- Dividend paid **quarterly**
- **£39.1 million** declared/paid since commencement of dividend policy (2012)

HIGHLY EXPERIENCED BOARD & PROVEN TRACK RECORD

Non-Executive



William Wyatt
Non-Executive Chairman

- Joined REI Board in 2010, appointed Chairman in 2021
- **0.17% 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
- **0.14% shareholder in REI**
- Consultant for a leading firm of Independent Financial Advisers
- Peter has a lifetime of experience in providing IFA services to HNWI individuals and sold his IFA company to a Swiss Bank in 2007
- Non-Executive Chairman of a number of property related companies



Ian Stringer
Non-Executive Director

- Joined REI Board in 2021
- Chartered surveyor with nearly 40 year's experience
- Previous Regional Managing Director for GVA, serving over 22 years on the Board
- Current Principal of Avison Young following its acquisition of Bilfinger GVA in 2018

Executive



Paul Bassi CBE DL D.UNIV DSC
Chief Executive Officer

- Joined REI Board in 2006
- **6.69% shareholder in REI**
- Non-executive Chairman of Bond Wolfe
- Non-executive Chairman of Likewise Plc (listed)
- Former Non-executive Chairman of CP Bigwood Chartered Surveyors
- Former Regional Chairman & Strategy Advisor to Coutts Bank (West Midlands)
- Awarded a CBE in 2010 for services to business and the community



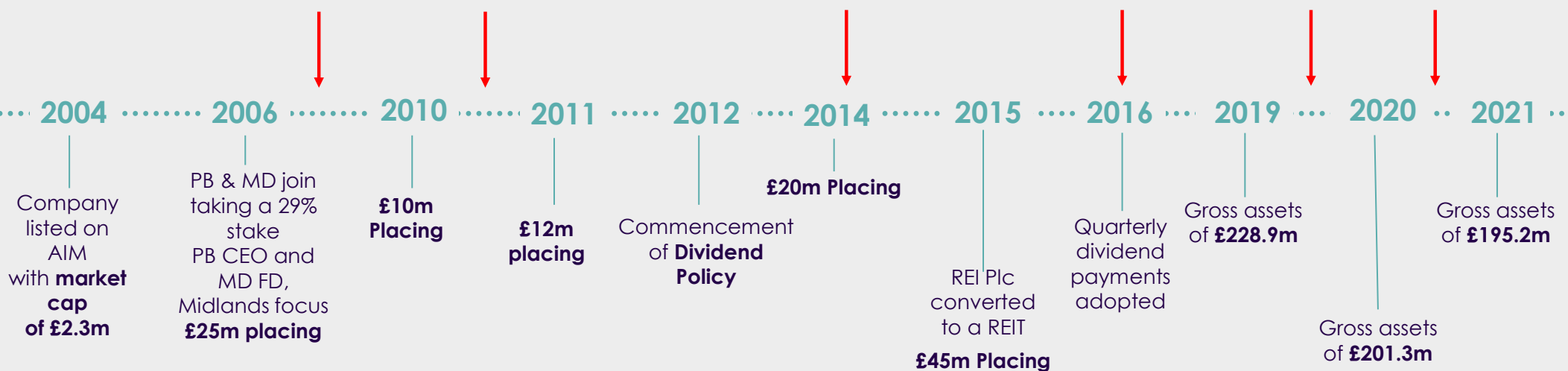
Marcus Daly FCA
Finance Director

- Joined REI Board in 2006
- **1.32% shareholder in REI**
- Chartered Accountant with over 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

REIT RESPONSIBILITY - DIVIDEND MAINTAINED THROUGH CHALLENGING TIMES

**IN LINE WITH THE COMPANY'S PROGRESSIVE DIVIDEND POLICY
SINCE 2012 TOTAL DIVIDENDS DECLARED/PAID TO SHAREHOLDERS = £39.1 MILLION**

Financial Crisis / General Election / Scottish Referendum / 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 HNW/private investors/ funds/private equity High quality earnings to support dividend
Offices	12 - 24 months of Asset Management	
Value & convenience retail	Lease renewals	
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

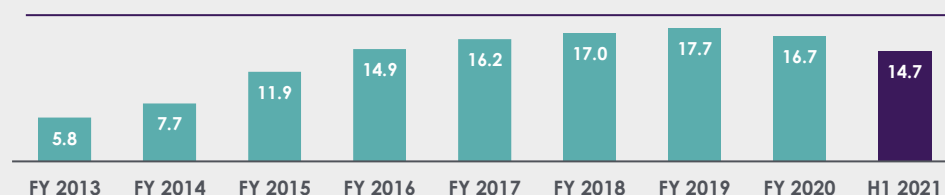


**Birmingham Commonwealth
Games 2022**
Image courtesy of
Birmingham City Council

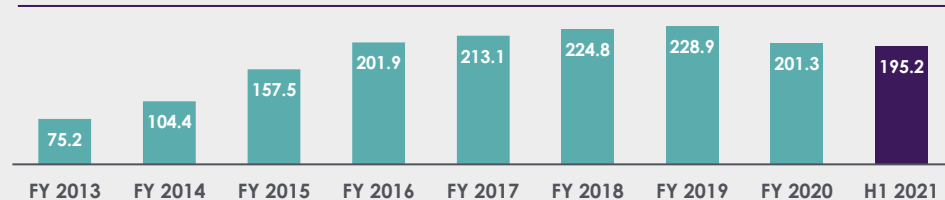
H1 2021 OPERATIONAL HIGHLIGHTS

- Strong overall rent collection for H1 2021 (adjusted for monthly and deferred agreements) of **98.53%** despite pandemic impact
- Contracted rental income: **£14.7 million p.a.** (FY 2020: £17.0 million p.a.)
- Gross property assets: **£195.2 million** (FY 2020: £201.3 million)
- On a like for like basis the portfolio valuation has improved on December 2020 by **1.88%**, (£3.3 million) demonstrating portfolio stability in an extremely challenging marketplace
- Completed 7 portfolio disposals totalling (net of costs) £9.4 million and 1 inventory sale for £1.15 million (aggregate uplift of 10.3% above book value, 14.0 % uplift on portfolio disposals)
- Active asset management with **15** value enhancing lease events during the period including **5** lease renewals
- Occupancy: **83.43%** (FY 2020: 91.60%) – now at **86.07%** post period
- Improved WAULT of **5.01 years** to break and **6.70 years** to expiry (FY 2020: 4.84 years / 6.54 years) – now **5.11 years** to break and **6.77 years** to expiry post period

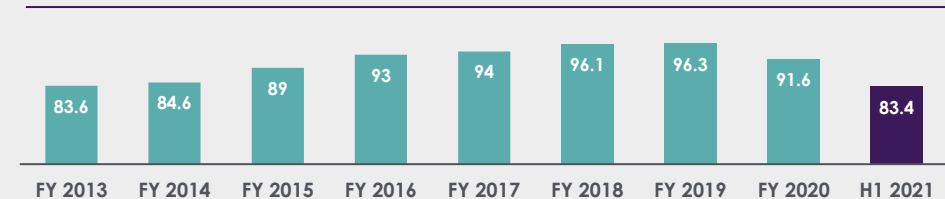
Contracted Rental Income £m



Gross Property Assets £m



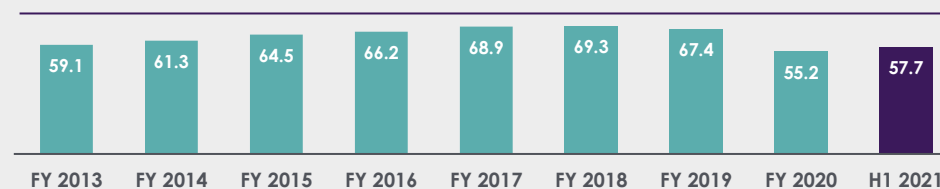
Occupancy %



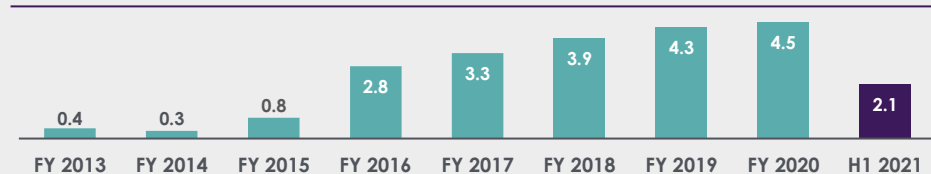
H1 2021 FINANCIAL HIGHLIGHTS

- EPRA NTA per share of **57.7p** (FY 2020: 55.2p) up 4.5%
- Like for like valuation up **1.88%** to **£192.8 million** (FY 2020: £189.3 million)
- EPRA EPS **2.1p** (H1 2020: 2.20p) down 4.5%
- Q2 2021 dividend of **0.75p** per share (Q2 2020: 0.50p)
- Net LTV of **45.1%** (FY 2020: 49.2%)
- Average low cost of debt maintained at **3.4%**
- Like for like rental income **£14.8 million** (H1 2020: £16.4 million)

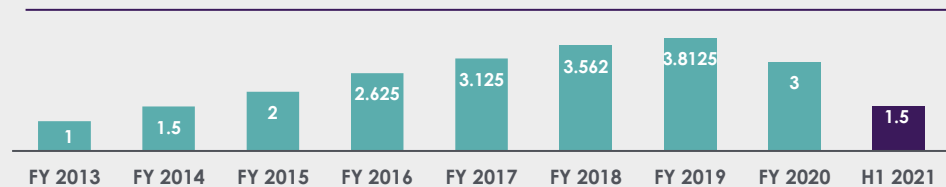
EPRA NTA



EPRA EPS



Dividend P



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

H1 2021 FINANCIALS

GROWING EARNINGS & INCOME

- Revenue of **£7.7 million** (H1 2020: £8.2 million) – down 6%
- Underlying profit before tax* of **£3.8 million** – down 7%
- Pre-tax profit of **£9 million** (FY 2020: £3.8 million loss) after increase in revaluation of interest rate swaps of **£716,000** (FY 2020: £483,000 loss) and property revaluations rise of **£3.3 million** (FY 2020: £27.9 million reduction), both non-cash items and profit on sale of investment properties of £1.2 million (FY 2020: £Nil)
- In H1 the market value on our hedging instruments has recovered by **£716,000**
- EPRA EPS of **2.1p** (H1 2020: 2.20p) – down 4.5%

Income Statement	H1 2021 £m	H1 2020 £m
Revenue	7.7	8.2
Cost of sales	(0.8)	(0.7)
Admin expenses	(1.5)	(1.5)
Property revaluation and sales	4.5	(7.3)
EBIT	9.9	(1.3)
Underlying profit before tax	3.8	4.1
Profit/(loss) on ordinary activities before tax	9.0	(3.8)
Diluted EPS	4.9p	(2.0p)
EPRA EPS	2.1p	2.2p
DPS	1.5p	1.0p

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

H1 2021 FINANCIALS

STRONG BALANCE SHEET

Gross property assets

£195.2m

Net assets

£103m

EPRA NTA per share

57.7p

Net LTV

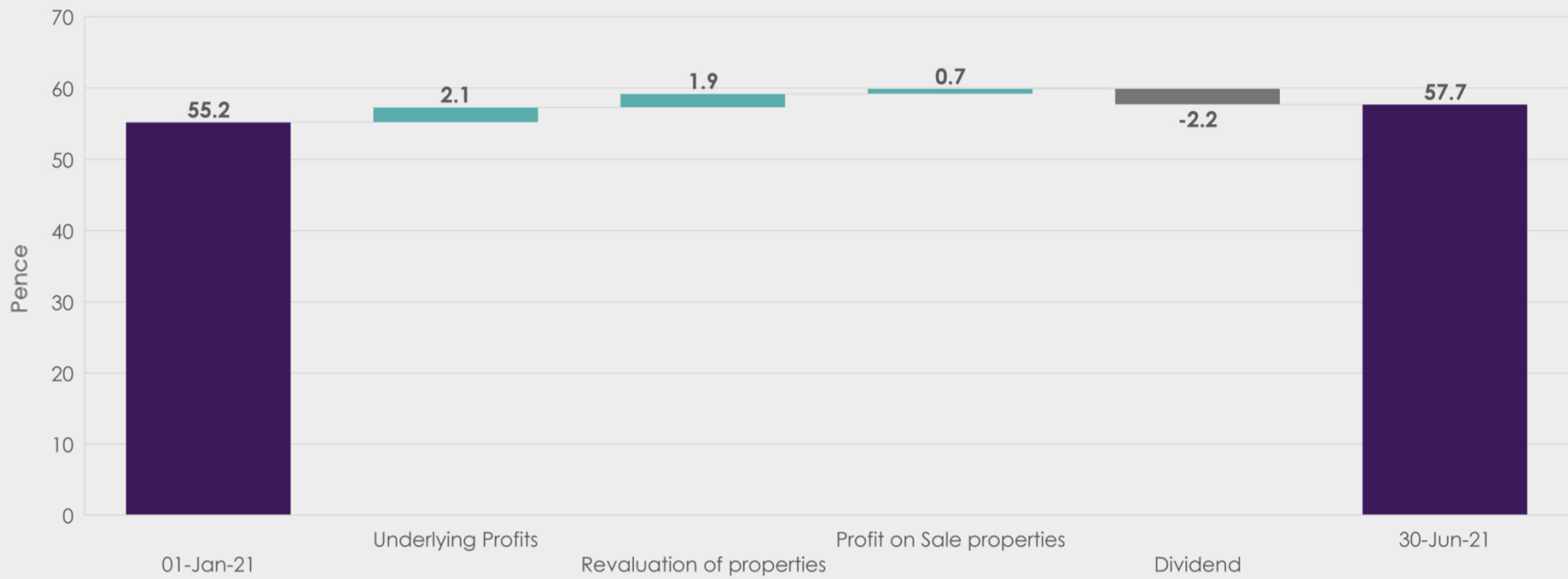
45.1%

Net Debt

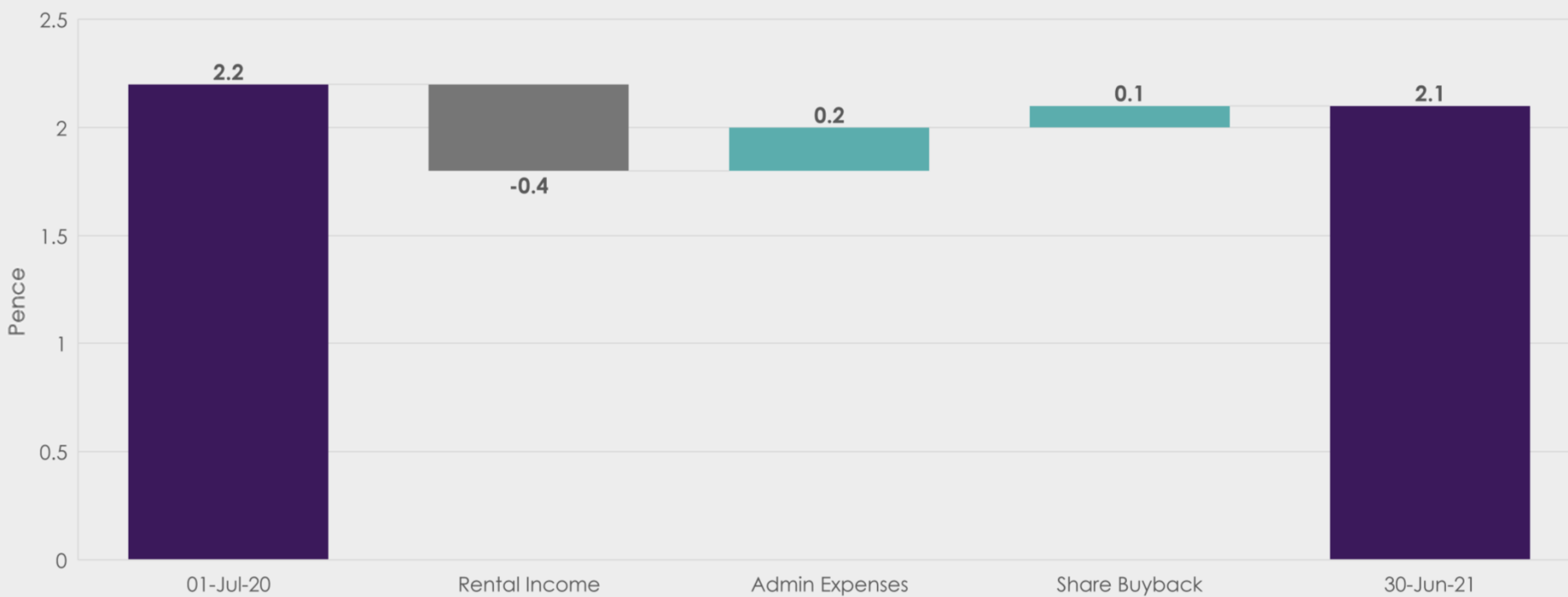
£87 m

Balance Sheet	H1 2021 £m	FY 2020 £m
Property	195.2	201.3
Cash	9.1	4.2
Debt	(96.0)	(101.4)
Other	(5.3)	(6.4)
Net assets	103.0	97.7
Adjustments	2.8	3.5
EPRA NTA	105.8	101.2
EPRA NTA per share	57.7	55.2
Net Debt	87.0	97.2
LTV (net of cash)	45.1%	49.2%

MOVEMENT IN EPRA NTA PER SHARE (P)



MOVEMENT IN EPRA EARNINGS PER SHARE (P)



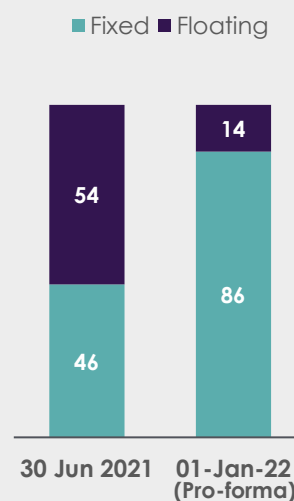
Note: Chart based on 12 months of EPRA EPS from 1 Jul 2020 to 30 Jun 2021

H1 2021 FINANCIALS

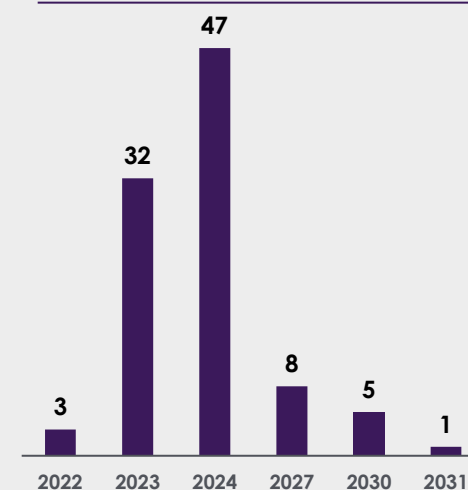
SIMPLIFIED DEBT POSITION

- Cost of debt of **3.4%** at 30 June 2021 (FY 2020: 3.4%)
- Net LTV **45.1%** (target LTV - 40% or below)
- **46%** of debt is fixed (86% from 1 Jan 2022)
- Interest cover of **3.3x** (FY 2020: 3.2x)
- Multi-banked across **5** lenders
- **£9.1 million** cash at bank to fund opportunistic acquisitions
- Continue to meet our facility covenants with our lenders
- Renewed **£51 million** facility with National Westminster Bank plc (following its merger with RBS) in March 2021 for 3 years at 2.25% above LIBOR with **£4.1 million** repaid since March 2021
- Fixing of **£35 million** of £51 million NatWest facility at competitive rates
- Nat West renewal has extended the debt maturity to **3.4** years
- As at 30 June 2021, hedge facility has improved by **£716,000** for half year to 30 June 2021

Debt Structure %

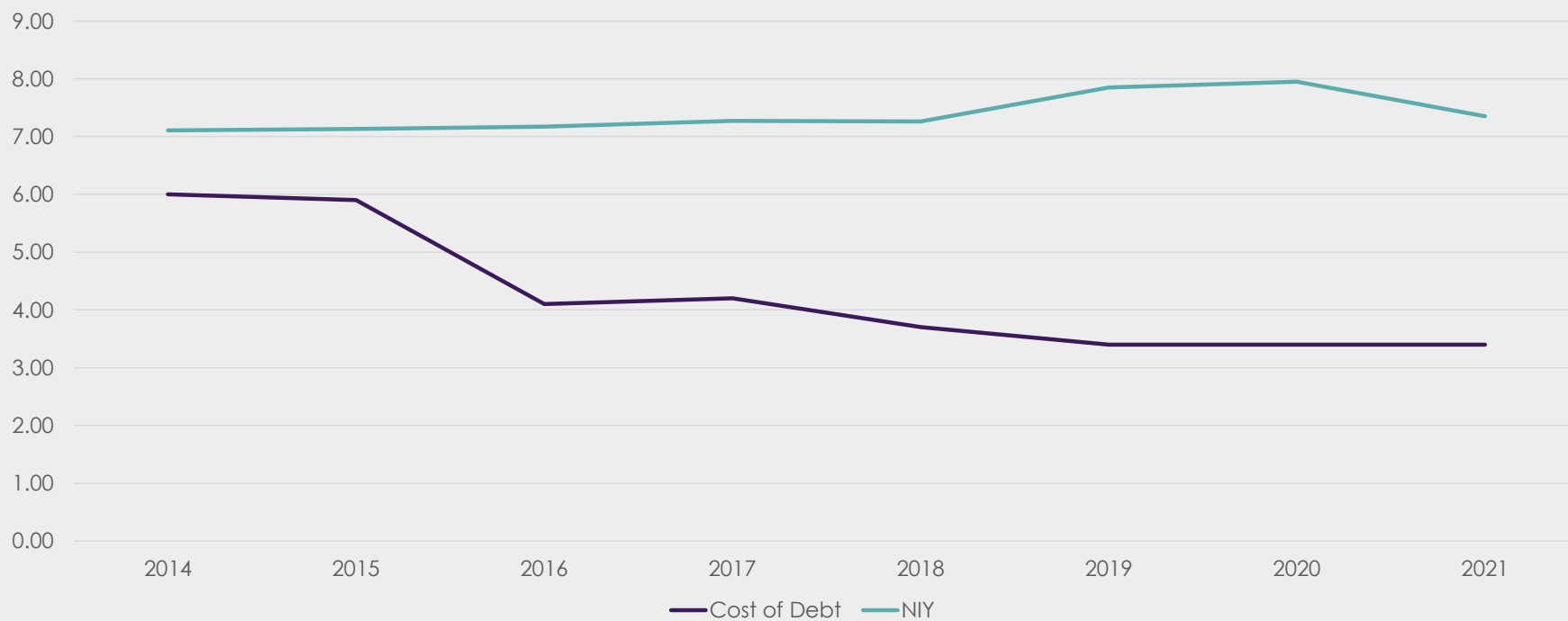


Debt Maturity £m



	30 Jun 2021 £m	31 Dec 2020 £m
Net Debt (£m)		
Borrowings	96.1	101.4
Cash	(9.1)	(4.2)
	87.0	97.2

ATTRACTIVE SPREAD BETWEEN NIY & COST OF DEBT



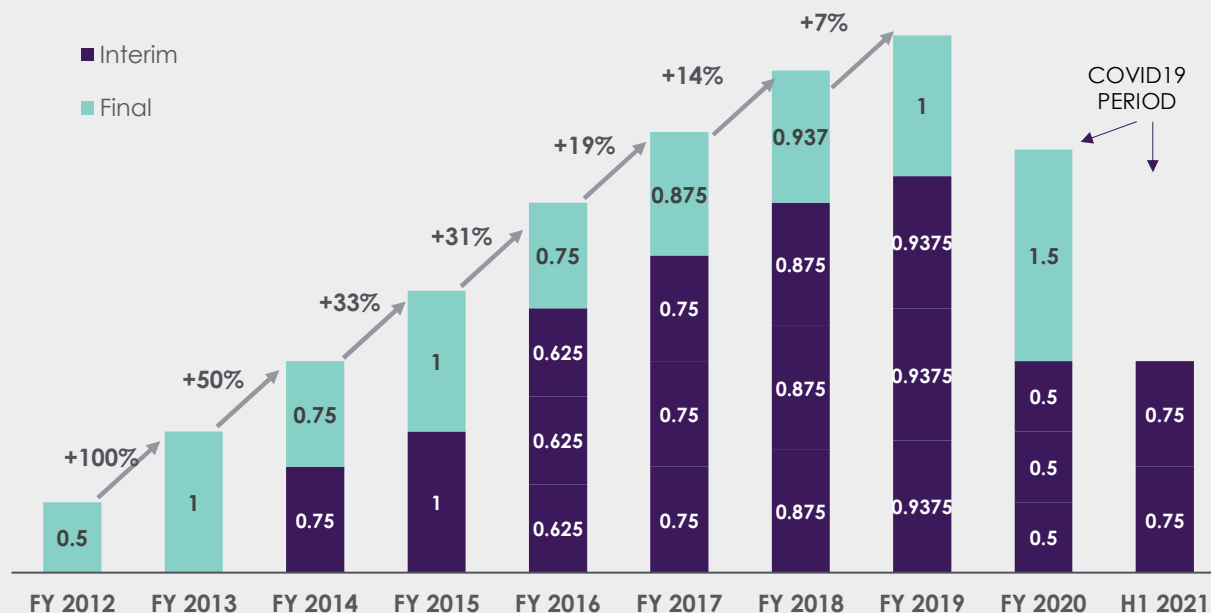
QUARTERLY DIVIDEND PAYMENTS CONTINUED DESPITE PANDEMIC

- ✓ Continued dividend payments despite pandemic
- ✓ **£39.1 million** total dividends declared/paid since 2012
- ✓ Q2 Dividend for 2021 of **0.75p** per share (Q2 2020: 0.50p)
- ✓ Paid quarterly
- ✓ Dividend is **fully covered** by EPRA earnings
- ✓ Management remain committed to a **progressive dividend policy** with quarterly payments

Dividend	Total	Announcement	Payment
Q1 2021	0.75p	June 2021	July 2021
Q2 2021	0.75p	September 2021	October 2021
Q3 2021	TBC	December 2021	January 2022
Q4 2021	TBC	March 2022	April 2022

Note: Timings for quarterly payments are indicative only

Shareholder Distribution Year on Year



RENT COLLECTION ROBUST DESPITE COVID19 BACKDROP

- We are pleased to report **97.43%** rental collection for H1 2021 (adjusted for monthly and deferred agreements) improved from 97.22% reported in our 5 July trading update.
- The current quarter (June to September 2021) rent collection so far is **96.58%** (adjusted for monthly and deferred agreements), up from 90.20% reported in our 5 July trading update.
- The overall collection level for 2020, taking into account recently received income that has been secured following negotiations and in line with agreements made with tenants, has risen to **98.82%** (adjusted for monthly and deferred agreements) up from 98.75% reported in our July 5 trading update.
- There has been a small number of tenants who have the ability to pay but have continued to take advantage of government legislation on overdue rents. In these cases, we have taken permitted measures towards enforcing rent collection, which has resulted in overdue rents being collected and further rents expected over time.

VALUATION RECOVERY CAPITAL UPSIDE

- External valuations by JLL/Cushman & Wakefield/Colliers
- Ongoing return to work - **occupier decisions** - improve occupancy/capital value gain
- **Pent up demand** from new occupiers
- Strong private investor market with significant access to **low cost of debt** and new equity
- Planning changes – improved demand and repurposing of retail property that will **positively impact** rental tone and capital values
- H1 sales & buyer approaches for existing properties at **pre-Covid19 levels**
- **Market investment values** showing signs of improving yields / strong auction results

VALUATION RECOVERY BREAK UP VALUE



REI - STRONG RETAIL STOCK

From our retail portfolio, we have **171** properties that could be potentially sold off individually to secure a higher break-up value than they could achieve as a collective parade/asset. These assets represent **£8.4 million p.a.** rental income across the portfolio and are ideal assets to satisfy private investor demand.

Example - Bearwood High Street:

Prominent suburban parade purchased in **2015** for **£8.650 million** comprising a large food store, nine retail units and 120 vehicle surface car park.

2020 – Exchanged contracts to sell Aldi food store to the operator for **£5.35m** (completion due in Sep 2021)

2021 – Greggs – in legal to sell for **£380,000** – Dec 20 valuation - £280,000

2021 – Alan Warwick Butchers – in legal to sell for **£400,000** – Dec 20 valuation - £290,000

DIVERSIFICATION PROACTIVE MANAGEMENT – 15 LEASE EVENTS

15 key lease events have been completed including 5 lease renewals and numerous matters now ongoing.

As a result of initiatives during the period, our WAULT has improved to **5.01** years to break and **6.70** years to expiry (YE 2020: 4.84 years to break and 6.54 years to expiry).

Examples of the lease event activity across the portfolio during the period are as follows:

- **Acocks Green** – 15-year lease secured with Merkur Slots (t/a Cashino)
- **Barracks Road**, Newcastle under Lyme - JD Sports Gyms Limited has taken a 15-year lease, taking the unit on from Xercise4Less which was in administration
- **Commodore Court**, Nottingham - Community Health and Eyecare Limited has taken a 10-year lease replacing Sainsburys
- **Crewe** - A number of existing operators with lease ends/breaks have chosen to remain at the scheme; Superdrug, Bank of Scotland being key examples
- **Park Street**, Walsall – Superdrug and Waterstones have all committed to their respective units
- **Leamington Spa** - Warwickshire - TUI have committed to their unit

Post Period Example:

- **West Plaza** – let to a well-established hotel operator – leading to a post period increase in occupancy levels, contracted rental income and WAULT

ENHANCED OCCUPIER DEMAND POST COVID19

- Increase in occupier demand from roadside/fast food and drive thru occupiers
- We have identified sites that have previously been either unoccupied or redundant land
- Growing appetite from occupiers – competitive terms to good covenants - increase in value
- We anticipate building units from existing cash, as they offer an attractive return on capital – no requirement to purchase land
- There is good investor appetite to acquire such propositions by way of forward funded development agreements and we are exploring the prospects of this as an attractive option

Case Study 1 - Crewe Retail Park

- Planning consent obtained
- New drive thru unit
- Let to Burger King
- Repurposing an area of the site
- Completion due in Spring 2022
- Will attract visitors to remaining site
- Improvement in overall site value
- Costs - £850k
- Value - £1.3 million
- Profit - £450k

Case Study 2 - Tunstall

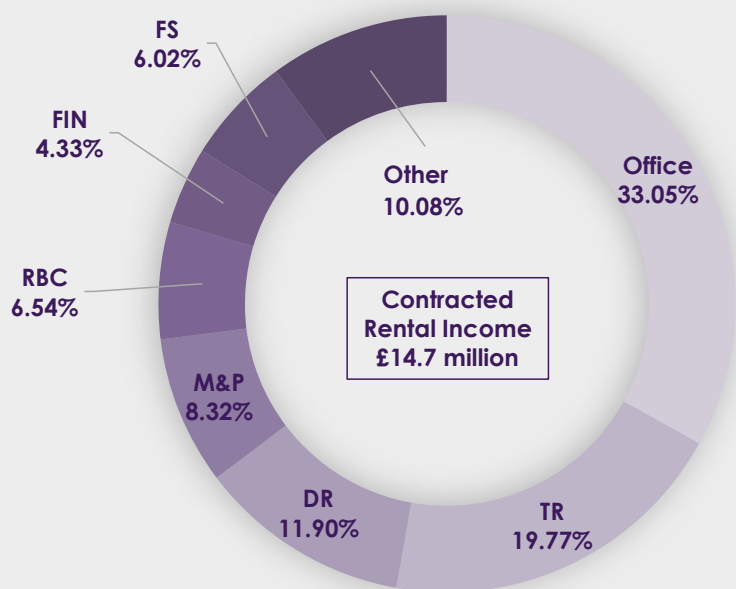
- Terms agreed subject to planning
- New drive thru unit
- Very competitive terms
- Parent company guarantee
- Repurposing an area of the site
- Will attract visitors to remaining site
- Improvement in overall site value
- Costs - £750k
- Value £1.7 million
- Profit - £950k

THE TIMES

Fast-food joints spring up as pandemic recedes

“Fast-food outlets, barbers and greengrocers are among the post-lockdown high street winners, while clothing and department stores are fading. Takeaway shops were the fastest growing type of store in the first half of the year, according to a Local Data Company report out this week, with a net 462 units launched in the six months to June. A further 103 food-to-go shops such as sandwich bars opened their doors.”

DIVERSE AND ATTRACTIVE PORTFOLIO












Sector	£ per annum	% by Income
Office	4,865,051	33.05
Traditional Retail	2,911,048	19.77
Discount Retail - Poundland/B&M etc	1,751,402	11.90
Medical and Pharmaceutical - Boots/Holland & Barrett etc	1,225,049	8.32
Restaurant/Bar/Coffee - Costa Coffee, Loungers etc	963,400	6.54
Financial/Licences/Agency - Lloyds TSB, Santander UK Plc, Bank of Scotland etc	637,250	4.33
Food Stores - M&S, Aldi, Co-op, Iceland etc	885,690	6.02
Other - Hotels (Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,483,363	10.08
	14,722,254	100

74.33% of our offices are 'out of town'

6.50% of our office income is government income

41% of our portfolio is neighbourhood, convenience and essential

TOP 10 TENANTS BY INCOME NO MATERIAL EXPOSURE

Rank	Tenant	Rent £'000	%	Sector	Property
1		572	3.89	Discount Retail	Crewe Shopping Centre, Acocks Green & Kings Heath
2		536	3.64	Office	Westgate House & Kingston House
3		450	3.06	Discount Retail	Jasper, Tunstall
4		420	2.85	Office	Molineux House, Wolverhampton
5		396	2.69	Office	Avon House, Bromsgrove
6		325	2.21	M&P	Crewe Shopping Centre & Walsall
7		300	2.04	Discount Retail	Park Street, Walsall
7		300	2.04	Food Stores	Bearwood, Birmingham
9		288	1.96	Office	Castlegate House, Dudley
10		260	1.77	Office	Boundary House, Wythall
		3,847	26.13		

26.13%

Top 10 tenants represent only 26.13% of REI's contracted income

6.50%

Of our income is government income

5%

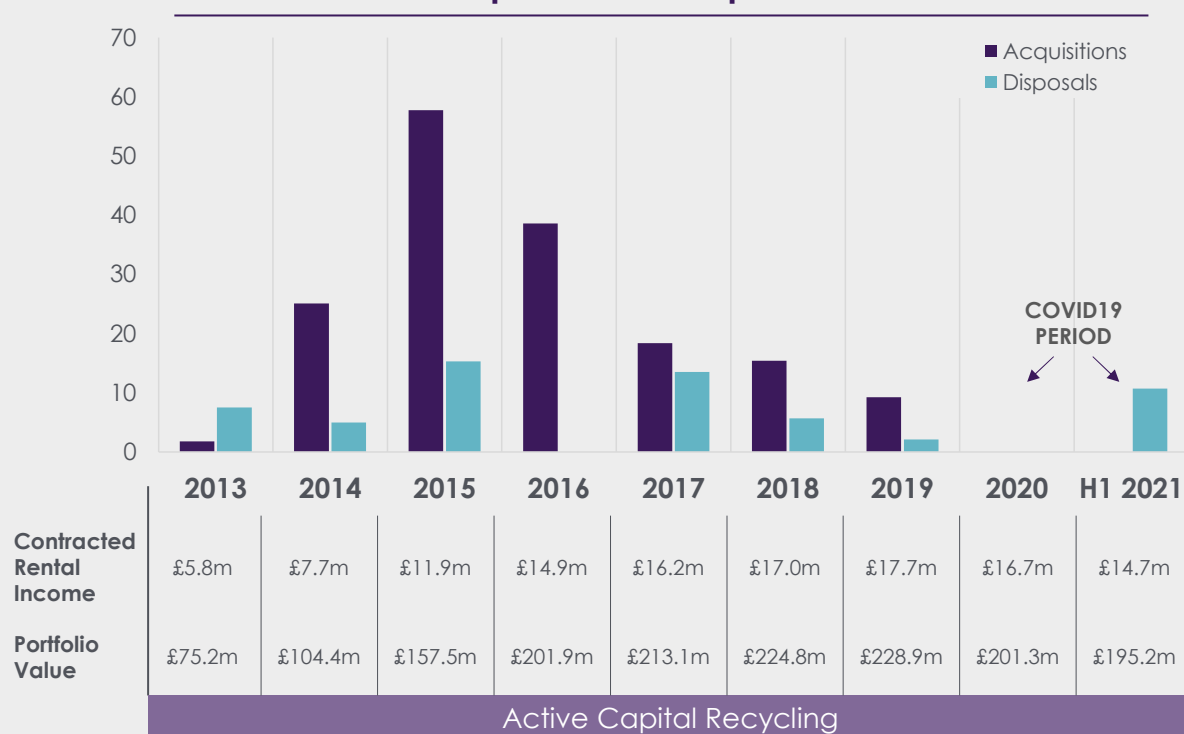
Aside from government income, no tenant is more than 5% of income

10%

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

ACTIVE CAPITAL RECYCLING ACQUISITIONS & DISPOSALS

Acquisitions & Disposals



2021 TO DATE

- Completed 7 portfolio disposals in H1 totalling (net of costs) **£9.4 million** and 1 inventory sale for **£1.15 million** (aggregate uplift of 10.3% above book value, 14.0 % uplift on portfolio disposals excluding inventory sale)
- Post period completions of **£987,500**
- Sales awaiting completion of **£5.83 million**
- New pipeline sales of **£780,000** in legals
- Further sales identified to satisfy investor demand and further reduce company loan to value ratio

WHY REI? OUTLOOK & OPPORTUNITIES

Outlook

- **Stability** – Normalise income frequency post COVID-19
- **Dividend** – Maintain progressive dividend policy
- **Opportunities** – To re-let lease expiries to improve income/WAULT/capital values to secure valuation recovery
- **Strong occupier demand** – Capitalise on drive thru/coffee shops/takeaway
- **Sales** – Satisfy strong private investor demand through individual break-up sales
- **Reduce gearing (target 40% or below)/improve NAV** – Via asset management, value add, cash generation, valuation/hedge recovery
- **Acquisitions** – Opportunistic acquisitions by recycling capital from sales
- **ESG** - We remain committed to operating a sustainable business and are working to create an ESG framework. We will report our progress in this area at the appropriate time
- **Market consolidation** – UK REIT market consolidation opportunities

POISED FOR TAKE OFF... THE REGION WITH A HEAD START

Commonwealth Games

2022:

- Birmingham host city for 2022 Commonwealth Games
- Global spotlight on the region
- 2nd-largest sporting event in the UK after 2012 Olympics
- Captivating up to 1.5 billion people across the world
- £72.4million scheme is on budget and on schedule
- Anticipated to generate a £526 million regional boost

High Speed Rail 2:

- Enhanced national/international connectivity
- Creation of more than 175,000 new jobs
- Europe's largest infrastructure project
- Expected to deliver additional £20bn GVA
- New City centre terminal at Curzon Street
- New Interchange Station at Birmingham Airport
- Region's population to grow by 400,000 by 2043



The people of Birmingham and the West Midlands know what a first-class region this is, with a young, vibrant society truly representative of the nations of the world, but perhaps in our modesty, we have allowed others to write our story. Next year, the combination of the Commonwealth Games and the Creative Programme preceding it, which will follow on immediately after a fabulous City of Culture year in Coventry, will more than showcase this reality.



John Crabtree
Chairman of the Board of Directors
of the 2022 Commonwealth Games
Non-Executive Chairman of REI PLC



Coventry City of Culture 2021

- Kickstarts in May 2021 to coincide with easing of restrictions
- A vibrant programme of events and experiences
- The most recent City of Culture, Hull, has seen £1 billion of investment

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 24 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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