

THE UK'S ONLY MIDLANDS FOCUSED REIT
Results for the period ended 30 June 2022
Investor and Analyst Presentation

THE MIDLANDS INVESTOR

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REAL ESTATE INVESTORS PLC INTRODUCTION



REI Today

- **UK's only** Midlands focused/ **REIT**
- Gross property assets of **£190.2 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
- **239** tenants & **45** 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 **£4m-£20m** lot size
- Disposals at/above book value - capital **recycling**

Multi- banked

- Multi-banked across **4** lenders
- Leverage providing certainty and security **Net LTV 40.2%**
- Covenant compliant
- Strong market reputation and **access to debt**
- **95.2%** of debt fixed
- Low cost of debt of **3.5%**

Attractive Returns

- **Covered** dividend policy
- Dividend paid **quarterly**
- **£44.8 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 served as Chief Executive from 2010 until becoming non-executive in 2022.
- Non-executive Director of Cobehold, a Trustee of The Rank Foundation and Chairman of Newmarket Racecourses



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

Executive



Paul Bassi CBE
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



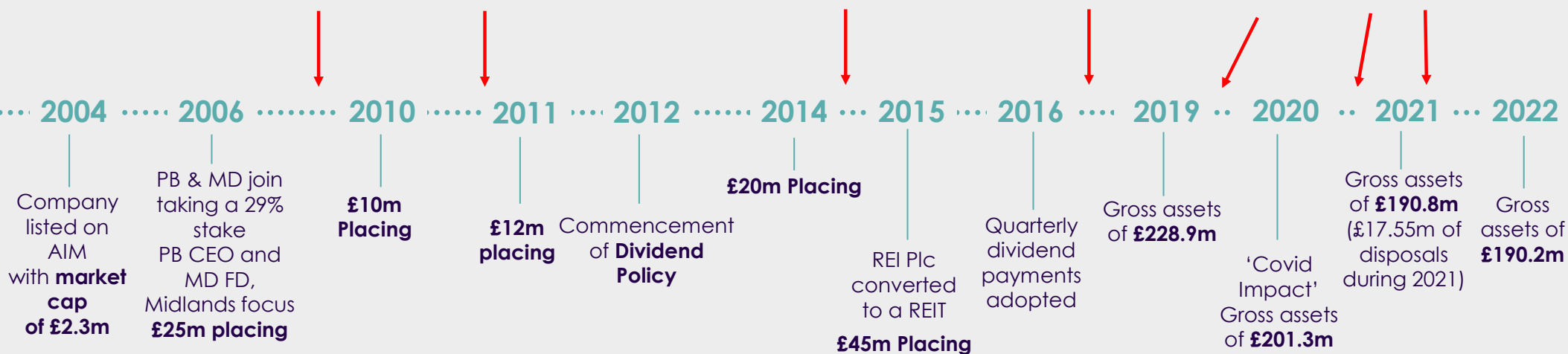
Marcus Daly FCA
Finance Director

- 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

COVERED DIVIDEND

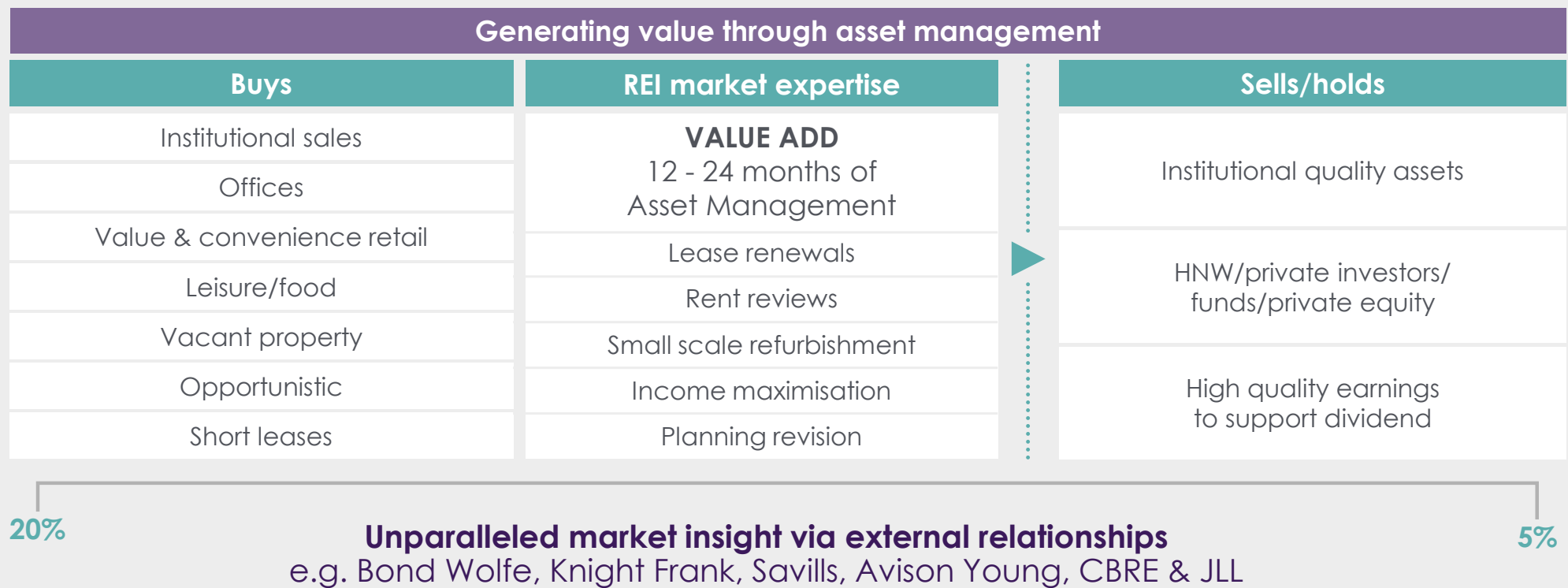
IN LINE WITH THE COMPANY'S COVERED DIVIDEND POLICY
SINCE 2012 TOTAL DIVIDENDS DECLARED/PAID TO SHAREHOLDERS = £44.8 MILLION

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



THE REI BUSINESS MODEL

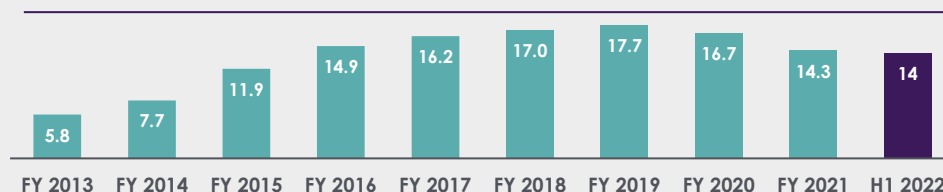
ACTIVE ASSET MANAGEMENT



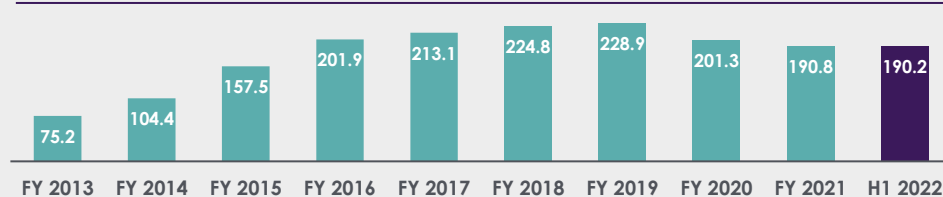
H1 2022 OPERATIONAL HIGHLIGHTS

- Strong overall rent collection for H1 2022 (adjusted for monthly and deferred agreements) of **99.36%**
- The current quarter (Q3 - June 2022 to September 2022) rent collection is **99.86%**
- Contracted rental income: **£14 million p.a.** (FY 2021: £14.3 million p.a.)
- Gross property assets: **£190.2 million** (FY 2021: £190.8 million)
- On a like for like basis the portfolio valuation has improved on December 2021 to **£187.9 million**, (FY 2021: £184.1 million)
- Completed **11** disposals totalling **£5.7 million** (before costs) representing an aggregate uplift of **27.9%** above Dec 21 valuations
- Active asset management with **56** lease events during the period including **7** lease renewals
- Occupancy: **85.88%** (FY 2021: 85.75%) – now at **86.47%** post period
- WAULT of **4.97 years** to break and **6.53 years** to expiry (FY 2021: 5.03 years / 6.76 years)

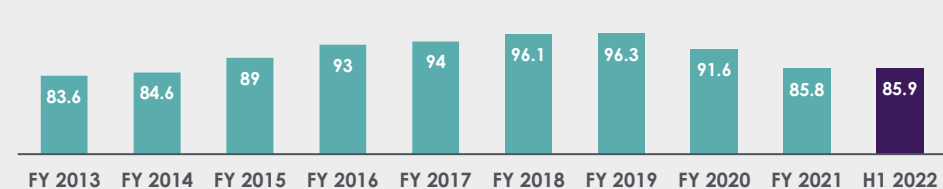
Contracted Rental Income £m



Gross Property Assets £m



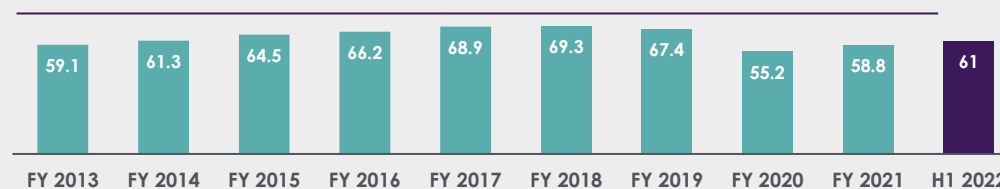
Occupancy %



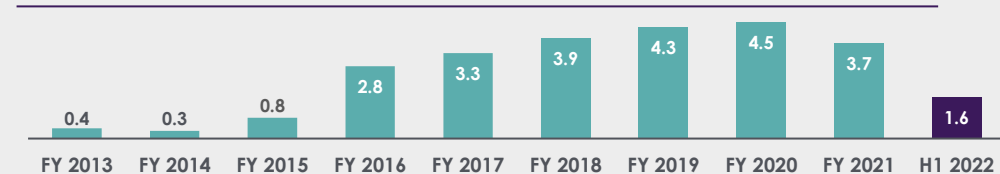
H1 2022 FINANCIAL HIGHLIGHTS

- EPRA NTA per share of **61p** (FY 2021: 58.8p)
- EPRA EPS **1.64p** (H1 2021: 2.13p)
- Q2 2022 dividend per share of **0.8125p** per share (Q2 2021: 0.75p)

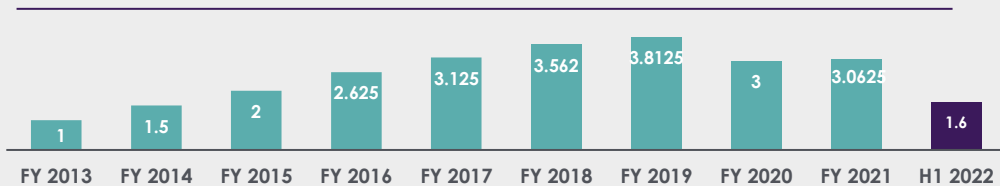
EPRA NTA



EPRA EPS



Dividend P



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

H1 2022 FINANCIALS

- Revenue of **£7.2 million** (H1 2021: £7.8 million)
- Profit before tax of **£8.3 million** (H1 2021: £9 million profit) to include **£3.1 million** gain on property revaluations (H1 2021: £3.3 million gain), **£1 million** profit on sale of investment property (H1 2021: £1.2m profit) and **£1.2 million** surplus on hedge valuation (H1 2021: £716,000 surplus)
- Underlying profit before tax* of **£2.9 million** (H1 2021: £3.8 million)
- Hedge has recovered by a further **£600,000** since 30 Jun 2022 (as at 1 Sep 2022)
- EPRA EPS of **1.64p** (H1 2021: 2.13p)

Income Statement	H1 2022 £m	H1 2021 £m
Revenue	7.2	7.8
Cost of sales	(1.2)	(0.8)
Admin expenses	(1.5)	(1.5)
Property revaluation and sales	4.2	4.4
EBIT	8.7	9.9
Underlying profit before tax	2.9	3.8
Profit on ordinary activities before tax	8.3	9.0
EPRA EPS	1.64p	2.13p
DPS	1.625p	1.5p

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

H1 2022 FINANCIALS

STRONG BALANCE SHEET

Gross property assets

£190.2m

Net assets

£110.5m

EPRA NTA per share

61p

Net LTV

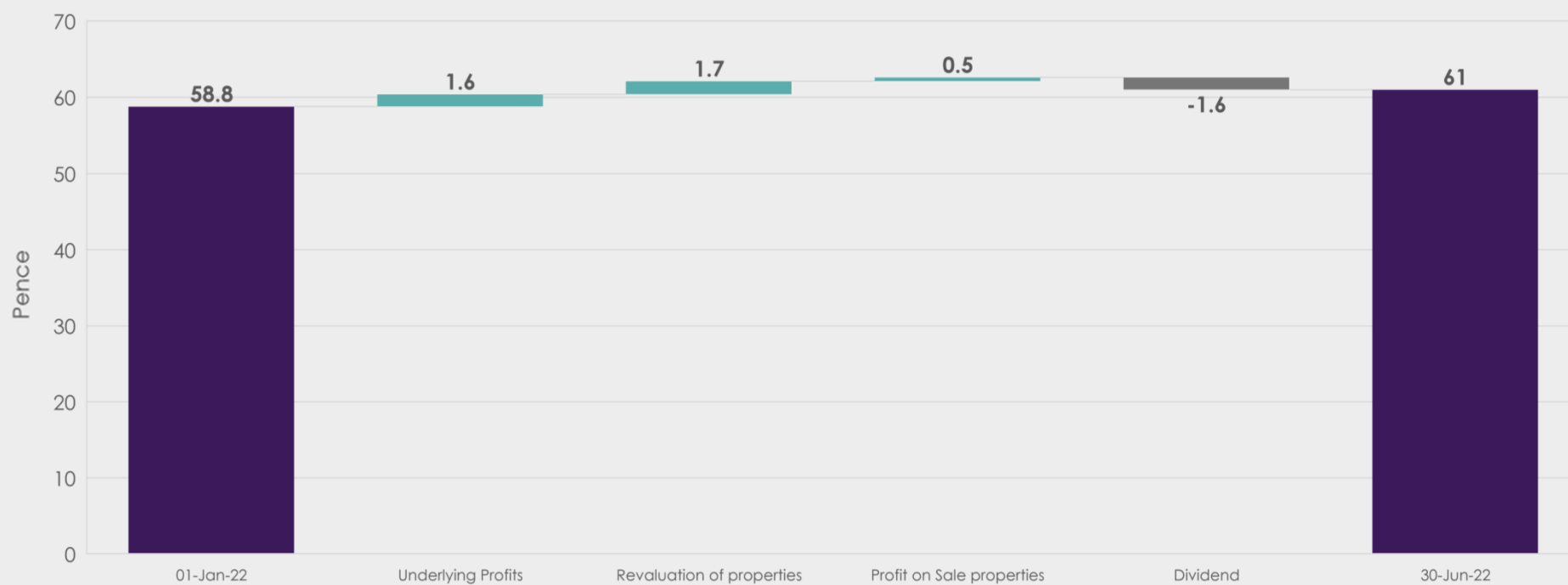
40.2%

Net Debt

£75.5 m

Balance Sheet	H1 2022 £m	H1 2021 £m
Property	190.2	195.2
Cash	8.3	9.1
Debt	(83.8)	(96.0)
Other	(4.2)	(5.3)
Net assets	110.5	103.0
Adjustments	0.9	2.8
EPRA NTA	111.4	105.8
EPRA NTA per share	61p	57.7p
Net Debt	75.5	87.0
LTV (net of cash)	40.2%	45.1%

MOVEMENT IN EPRA NTA PER SHARE (P)



MOVEMENT IN EPRA EARNINGS PER SHARE (P)



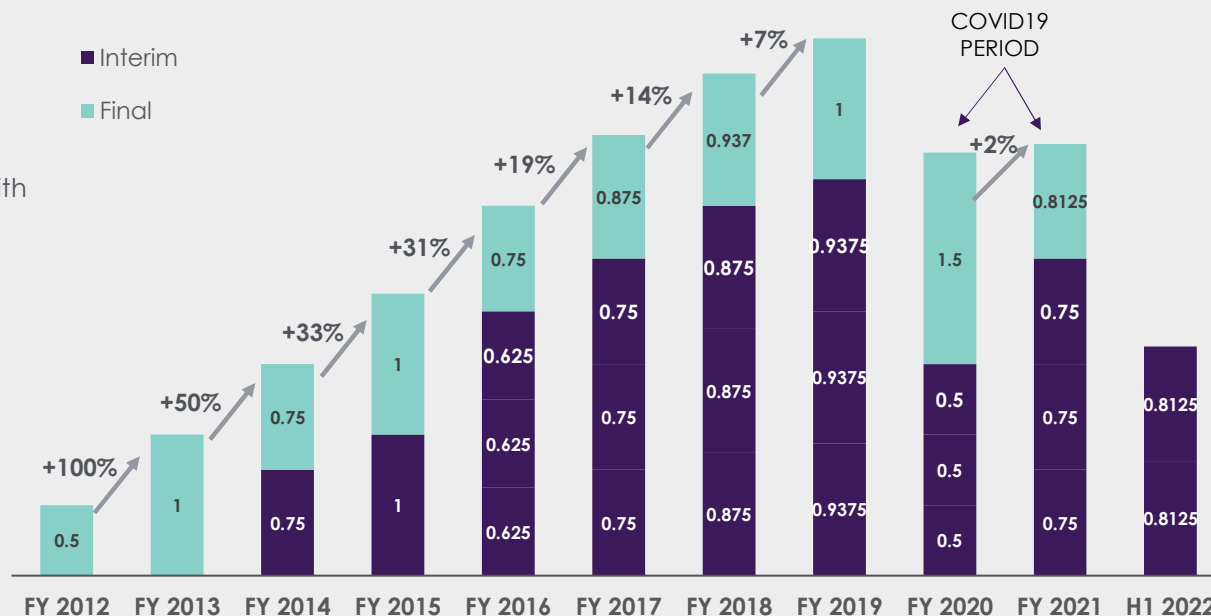
QUARTERLY DIVIDEND PAYMENTS

- ✓ Continued dividend payments in volatile market
- ✓ **£44.8 million** total dividends declared/paid since 2012
- ✓ Q2 Dividend for 2022 of **0.8125p** per share (Q2 2021: 0.75p)
- ✓ Paid quarterly
- ✓ Dividend is fully covered by EPRA earnings
- ✓ Management are committed to a **covered dividend policy** with quarterly payments

Dividend	Total	Announcement	Payment
Q1 2022	0.8125p	June 2022	July 2022
Q2 2022	0.8125p	September 2022	October 2022
Q3 2022	TBC	December 2022	January 2023
Q4 2022	TBC	March 2023	April 2023

Note: Timings for quarterly payments are indicative only

Shareholder Distribution Year on Year



H1 2022 FINANCIALS

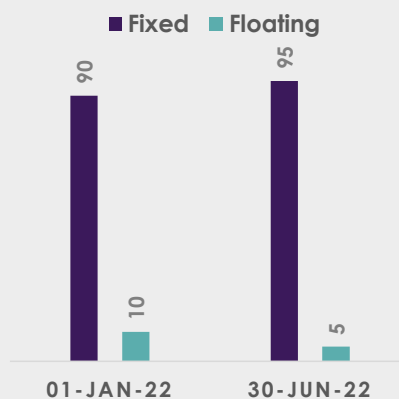
SIMPLIFIED DEBT POSITION

- Cost of debt **3.5%** (FY 2021: 3.5%)
- **95.2%** fixed debt (90% as at 1 Jan 2022)
- Net LTV **40.2%** (target LTV - 40% or below) (FY 2021: 42.2%)
- Interest cover of **2.8x** (FY 2021: 3.0x)
- Multi-banked across **4** lenders
- Continue to meet our facility **covenants** with our lenders
- **£5.7 million** of debt repaid with disposal proceeds in H1 2022
- **£8.3 million** cash at bank
- Hedge facility improved by **£1.2 million** for the period to 30 Jun 2022

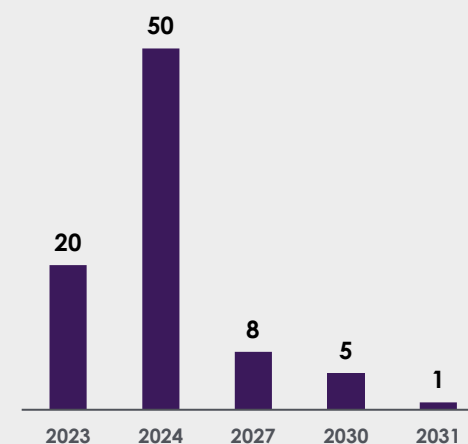
Post period end

- **£2.5 million** additional debt repaid as at 28 Sep 2022
- Hedge has recovered by a further **£600,000** since 30 Jun 2022 (as at 1 Sep 2022)

Debt Structure %

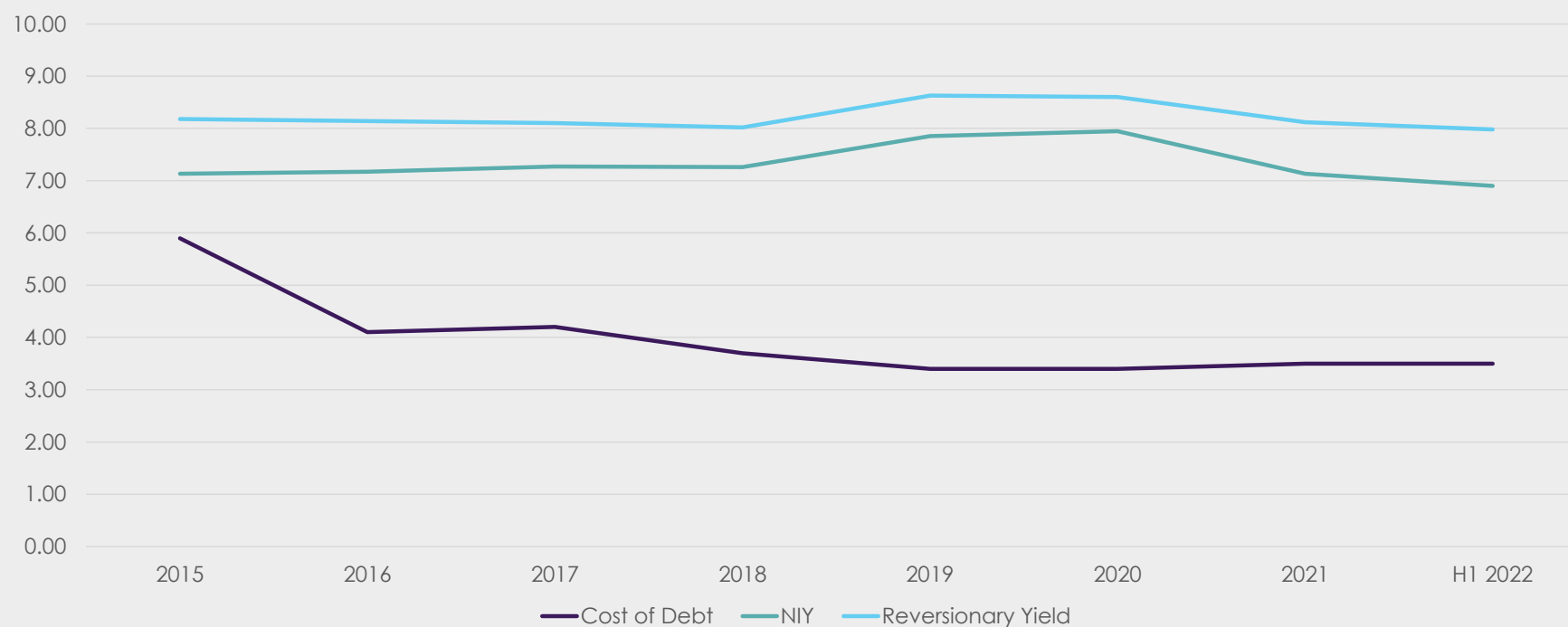


Debt Maturity £m



Net Debt (£m)	30 Jun 2022 £m	30 Jun 2021 £m
Borrowings	83.8	96.1
Cash	(8.3)	(9.1)
	75.5	87.0

ATTRACTIVE SPREAD BETWEEN NIY, REVERSIONARY YIELD & COST OF DEBT



PRIVATE INVESTOR DEMAND AND STRATEGY

- **£5.7 million** of assets sold in H1 2022 at an aggregate uplift of 27.9% on Dec 21 valuations
- A further **£4.5 million** of disposals completed since period end
- Current significant sales in pipeline legals

2022 year to date

- Total disposals of **£10.2 million**
- Associated rental income reduction from disposals **£712,230 p.a.**
- Debt repaid using sales proceeds year to date **£8.2 million**

- **Strong private investor market**
- **Improved overseas interest boosted by Commonwealth Games**
- **Sales providing comparable data**

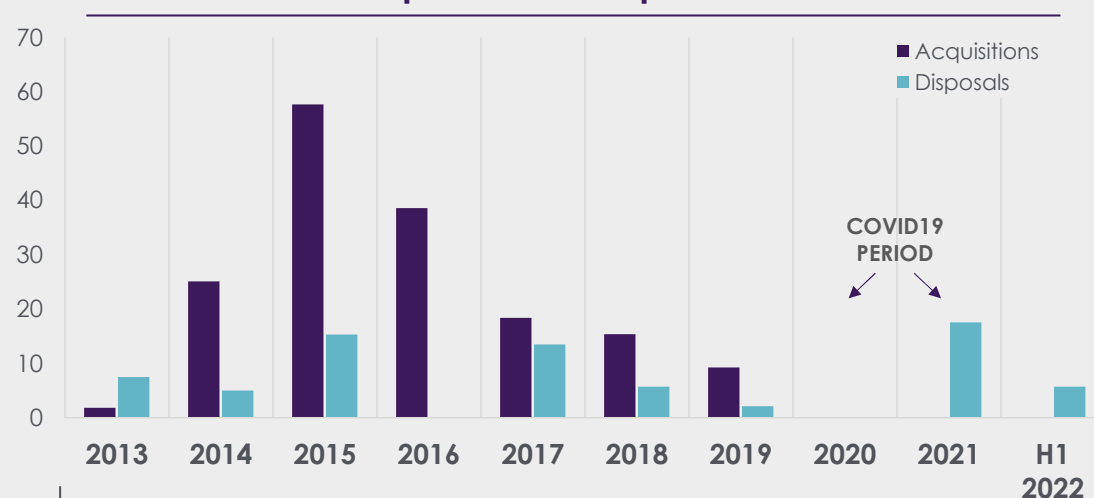
Strategy Update

We remain focused on delivering maximum value to our shareholders and subject to the ongoing success of the disposals programme and market conditions, in particular the impact of economic headwinds on the real estate sector and with due consideration being given to any downturn, the Board will consider how best to allocate surplus capital including a capital return to our shareholders. Alternatively, if the environment for acquisitions changes markedly by the year end and opportunities offering significant value start to arise, then we may look to make opportunistic acquisitions where there is scope to capture material upside through asset management.

In the meantime, we continue to be alert to market consolidation within the real estate sector. Management remains open to evaluating any corporate transaction that is in the best interests of shareholders.

ACTIVE CAPITAL RECYCLING ACQUISITIONS & DISPOSALS

Acquisitions & Disposals



Contracted
Rental
Income

£5.8m £7.7m £11.9m £14.9m £16.2m £17.0m £17.7m £16.7m £14.3m £14m

Portfolio
Value

£75.2m £104.4m £157.5m £201.9m £213.1m £224.8m £228.9m £201.3m £190.8m £190.2m

Active Capital Recycling

2022

- Completed 11 disposals totalling (before costs) **£5.7 million** (aggregate uplift of 27.9% above book value)
- Post period - completions of **£4.5 million**
- Significant sales in pipeline legals
- Total disposals to date in 2022 - **£10.2 million**
- Further sales identified to satisfy investor demand and further reduce company loan to value ratio

IMPROVING OCCUPANCY

Contracted rental income as at 30 June 2022 - **£14m**

Post period contracted rental income (allowing for sales) - **£13.7m**

Should 'key' lettings in pipeline of £685,000 p.a. complete they would translate into:

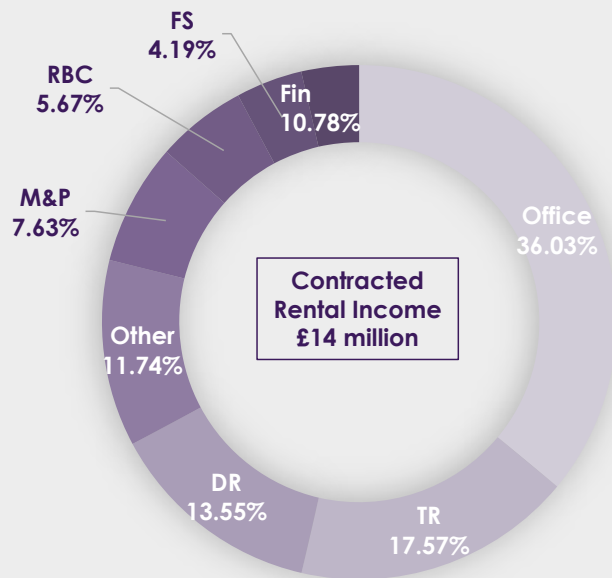
- Improved contracted rental income of **£14.3***
- Improved occupancy of **89.70%***
- Potential upside in capital valuations

*Subject to sales and other lease activity that cannot be foreseen

TITAN HOUSE, TELFORD



DIVERSE AND ATTRACTIVE PORTFOLIO



Sector	£ per annum	% by Income
Office	5,039,442	36.03
Traditional Retail	2,457,794	17.57
Discount Retail - Poundland/B&M etc	1,895,350	13.55
Other - Hotels (Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,641,784	11.74
Medical and Pharmaceutical - Boots/Holland & Barrett etc	1,066,599	7.63
Restaurant/Bar/Coffee - Costa Coffee, Loungers etc	793,250	5.67
Food Stores - M&S, Aldi, Co-op, Iceland etc	585,690	4.19
Financial/Licences/Agency - Lloyds TSB, Santander UK Plc, Bank of Scotland etc	507,000	3.62
	13,986,909	100.00

80.47% of our offices are 'non Birmingham City centre'

5.04% of our office income is government income

38.56% of our portfolio is neighbourhood, convenience and essential

TOP 10 TENANTS BY INCOME NO MATERIAL EXPOSURE

Rank	Tenant	Rent £'000	%	Sector	Property
1		572	4.09	Discount Retail	Crewe Shopping Centre, Acocks Green & Kings Heath
2		450	3.22	Discount Retail	Jasper, Tunstall
3		420	3.00	Office	Molineux House, Wolverhampton & Titan House, Telford
4		420	3.00	Discount Retail	Bearwood, Tunstall & Nuneaton
5		396	2.83	Office	Avon House, Bromsgrove
6/7		300	2.14	Discount Retail	Park Street, Walsall
6/7		300	2.14	Hotel	West Plaza, West Bromwich
8		288	2.06	Office	Castlegate House, Dudley
9		286	2.04	Office	Westgate House, Warwick
10		282	2.01	Retail	Kingswinford, Dudley
		3,714	26.53		

26.53%

Top 10 tenants represent only 26.53% of REI's contracted income

5.04%

Of our income is government income

10%

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

ESG & THE REI PORTFOLIO

EPC – ENSURING THE PORTFOLIO IS COMPLIANT

- **From April 2023** all assets require an EPC rating of 'E' or above
- Currently **0.24%** of the portfolio is below an 'E'. Some of our non-compliant assets have been/are being sold.
- The remainder of these assets are in the programme of EPC renewals/works **ahead of April 2023** that need to be undertaken to ensure assets will be compliant.

EPC (By rating)	% of portfolio (by sq ft)
A	0.00%
B	12.72%
C	36.60%
D	37.31%
E	7.91%
F	0.15%
G	0.09%
Listed	5.22%
Total	100.00%

ONGOING ESG STRATEGY IN 2022

- Continued meetings of ESG committee – Ian Stringer/Ian Clark/Anna Durnford/Jack Sears
- Continual assessment of our approach to ESG and framework
- Working closely with Measurabl to collect and report Data
- Portfolio EPC programme of works to ensure compliance
- Continuous review of legislation and peer group ESG strategies
- Expansion of charitable work
- Wellness programme for employees
- Tenant satisfaction internal feedback survey
- Liaison with experts and advisers on ESG
- Greater understanding of market benchmarks and accreditations

WHY REI? OUTLOOK

Outlook

- **Execute stated strategy** – Subject to market conditions
- **Sales** – Satisfy strong private and overseas investor demand through asset break up
- **Strong occupier demand** – Capitalise on renewed occupier demand to reduce voids, improve income/WAULT/capital values
- **Reduce gearing (target 40% or below)/improve NAV** – Via asset management
- **Dividend** – Committed to maintaining a covered dividend policy
- **ESG** – We remain committed to acting responsibly and ensuring the business is compliant with EPC regulations in 2023
- **Market consolidation** – Management remain open to UK real estate sector consolidation that are in best interests of shareholders

OPERATIONAL TEAM



Anna Durnford
Director, Investor Relations

- Joined REI in 2007
- Provides executive assistance to the Board & oversees investor relations and operations within the business
- Over 21 years experience within the legal, financial, accountancy and property sectors
- Previously worked for Ernst & Young & Independent HNW IFA's



Ian Clark
BSc (Hons) MRICS
Director, Asset Manager

- Joined REI in 2011
- Responsible for the coordinating portfolio asset management strategy across the portfolio
- Qualified chartered surveyor with over 25 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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