

THE UK'S ONLY MIDLANDS FOCUSED REIT
Results for the year ended 31 Dec 2022
Investor and Analyst Presentation

THE MIDLANDS INVESTOR

Birmingham Wolverhampton Vvc
Coventry Oldbury Derby Worcester
Acocks Green Tunstall Kingswinford Wy.
Wolverhampton Warwick Leicester We
Oldbury Derk ster Redditch Ki
Green Tunstal brd Wythall T
Wolverhamptc k Leicester We
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Green Tunstall Kingswinford Wythall
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REAL ESTATE INVESTORS PLC INTRODUCTION



REI Today

- **UK's only** Midlands focused **REIT**
- Gross property assets of **£175.4 million**
- **Internally managed**
- **100+ years** of combined experience
- Board equity alignment – **11.6%** management holding
- **Scalable** property management platform

Diversified Portfolio

- Multi-sector **diversification**, no material reliance on any sector, asset or occupier
- **201** tenants & **42** assets
- **Resilient** subsectors neighbourhood convenience, government and out of town offices

Active Asset Management

- **Break up** opportunities within assets to satisfy strong private investor demand
- **Value creation** rent reviews, lease renewals, lettings, change of use
- 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 36.8%**
- Covenant compliant
- Strong market reputation and **access to debt**
- **100%** of debt fixed
- Low cost of debt of **3.7%**

Attractive Returns

- **Covered** dividend policy
- Dividend paid **quarterly**
- **£46.3 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 years' 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
- **9.26% 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



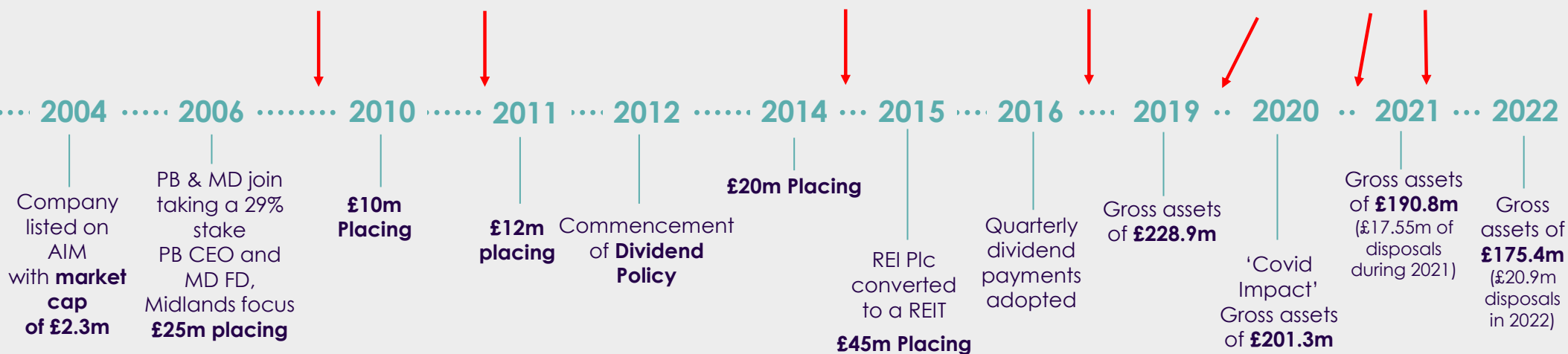
Marcus Daly FCA
Finance Director

- Joined REI Board in 2006
- **2.03% 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

RESILIENT BUSINESS MODEL

IN LINE WITH THE COMPANY'S COVERED DIVIDEND POLICY
SINCE 2012 TOTAL DIVIDENDS DECLARED/PAID TO SHAREHOLDERS = £46.3 MILLION

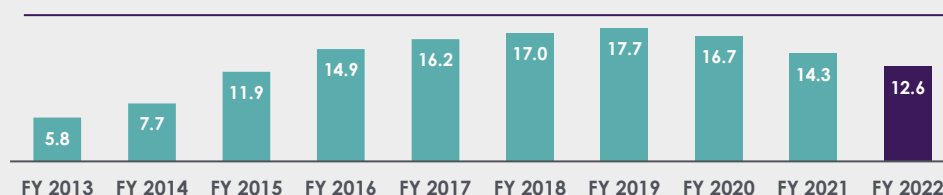
Financial Crisis / General Election / Scottish Referendum / European Referendum / BREXIT / COVID19



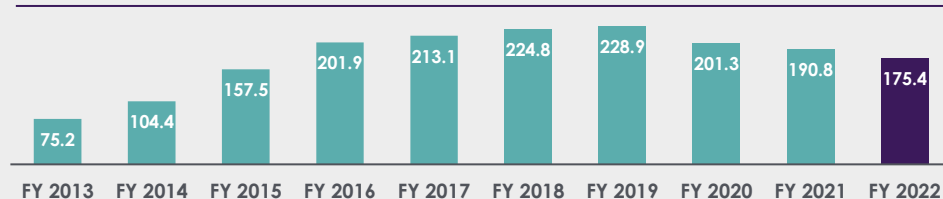
FY 2022 OPERATIONAL HIGHLIGHTS

- Strong overall rent collection for 2022 (adjusted for monthly and deferred agreements) of **99.54%**
- The current quarter (Q1 2022) rent collection to date is **99.80%**
- Contracted rental income: **£12.6 million p.a.** (FY 2021: £14.3 million p.a.) due to sales and known lease events
- Gross property assets: **£175.4 million** (FY 2021: £190.8 million)
- On a like for like basis the portfolio valuation has increased by **1.9%** to **£173.0 million**, (FY 2021: £169.8 million)
- Our like-for-like rental income has remained constant at **£12.6 million** p.a despite sales, due to asset management during the period
- Completed **25** disposals totalling **£20.9 million** (before costs) representing an aggregate uplift of **8.5%** above Dec 21 valuations
- Active asset management with **127** lease events during the period
- Occupancy: **84.54%** (FY 2021: 85.75%)
- WAULT of **4.98 years** to break and **6.29 years** to expiry (FY 2021: 5.03 years / 6.76 years)

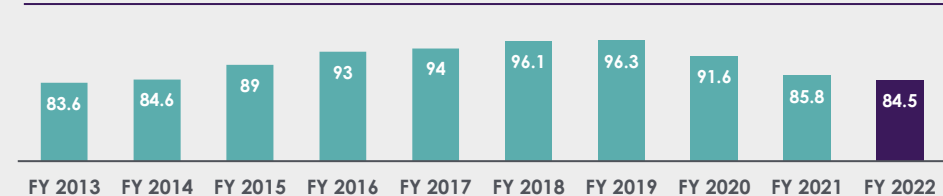
Contracted Rental Income £m



Gross Property Assets £m



Occupancy %

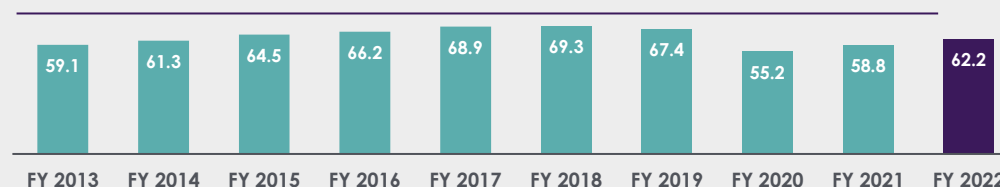


FY 2022 FINANCIAL HIGHLIGHTS

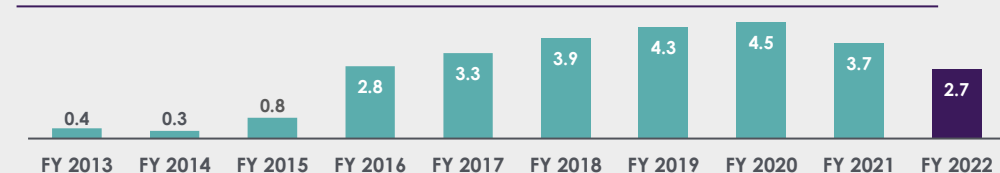
- EPRA NTA per share increased to **62.2p** (FY 2021: 58.8p)
- EPRA EPS of **2.7p** (FY 2021: 3.7p)
- Total dividend per share for 2022 of **2.5p** per share (FY 2021: 3.0625p) (which would be the basis for the dividend for FY 2023, subject to the pace of further disposals)
- Q4 2022 the Company undertook a **£2 million share buyback**, acquiring a total of 7,142,857 shares at an average cost of 28p per share
- As well as reducing debt, the Company is looking to target **£300,000 plus** of savings in FY 2023 by identifying services that are no longer required as the portfolio reduces in size. More than 50% of this target saving has already been actioned

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

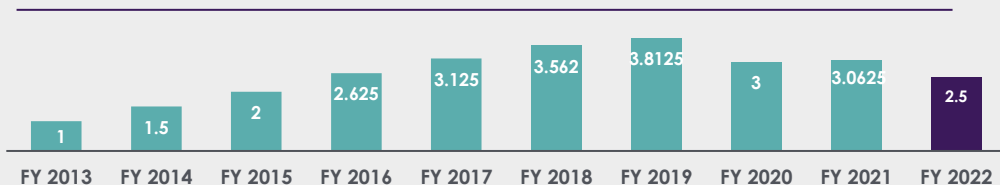
EPRA NTA



EPRA EPS



Dividend P



FY 2022 FINANCIALS

PROFIT & LOSS

- Revenue* of **£13.3 million** (FY 2021: £14.7 million)
- Profit before tax of **£10.9 million** (FY 2021: £13.9 million profit) including:
 - **£3.2 million** gain on property revaluations (FY 2021: £4.9 million gain)
 - a surplus of **£948,000** on the sale of investment property (FY 2021: surplus of £1.2 million)
 - and a rise in the market value of our interest rate hedging instruments of **£2.2 million** (FY 2021: rise of £1.4 million)
- Underlying profit before tax** of **£4.6 million** (FY 2021: £6.4 million)
- EPRA EPS of **2.7p** (FY 2021: 3.7p)

Income Statement	FY 2022 £m	FY 2021 £m
Revenue	13.3	16.0
Cost of sales	(2.5)	(3.3)
Admin expenses	(3.3)	(3.1)
Property revaluation and sales	4.2	6.1
EBIT	11.7	15.7
Underlying profit before tax	4.6	6.4
Profit on ordinary activities before tax	10.9	13.9
EPRA EPS	2.7p	3.7p
DPS	2.5p	3.0625p

*Excludes land sale

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

FY 2022 FINANCIALS

STRONG BALANCE SHEET

Gross property assets

£175.4m

Net assets

£109m

EPRA NTA per share

62.2p

Net LTV

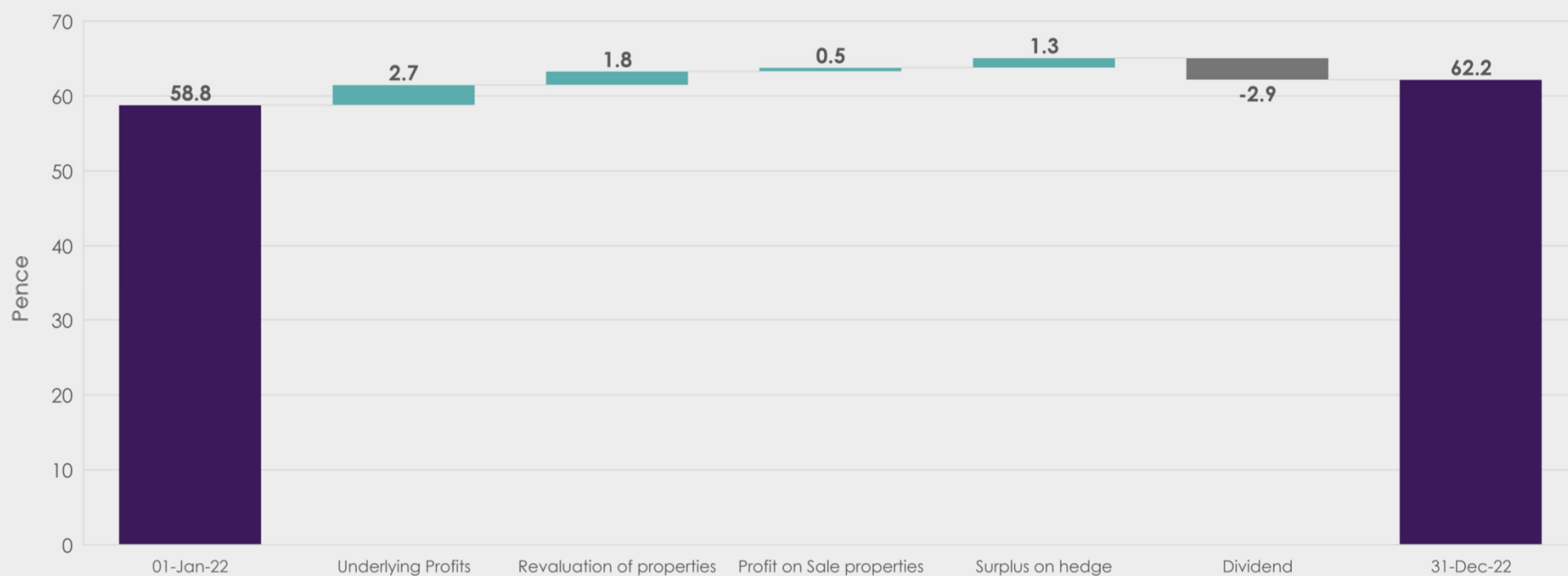
36.8%

Net Debt

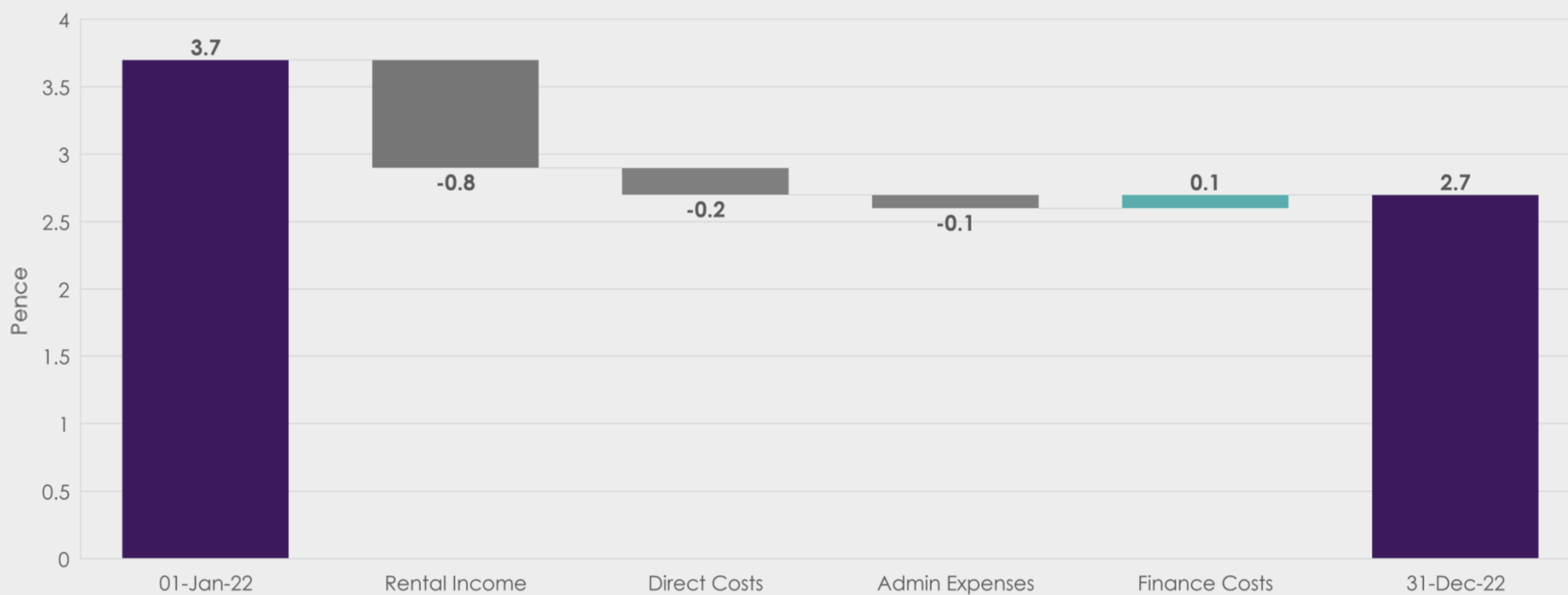
£63.6 m

Balance Sheet	FY 2022 £m	FY 2021 £m
Property	175.4	190.8
Cash	7.8	9.8
Debt	(71.4)	(89.4)
Other	(2.8)	(6.2)
Net assets	109.0	105.0
Adjustments	-	2.1
EPRA NTA	109.0	107.1
EPRA NTA per share	62.2p	58.8p
Net Debt	63.6	79.6
LTV (net of cash)	36.8%	42.2%

MOVEMENT IN EPRA NTA PER SHARE (P)



MOVEMENT IN EPRA EARNINGS PER SHARE (P)



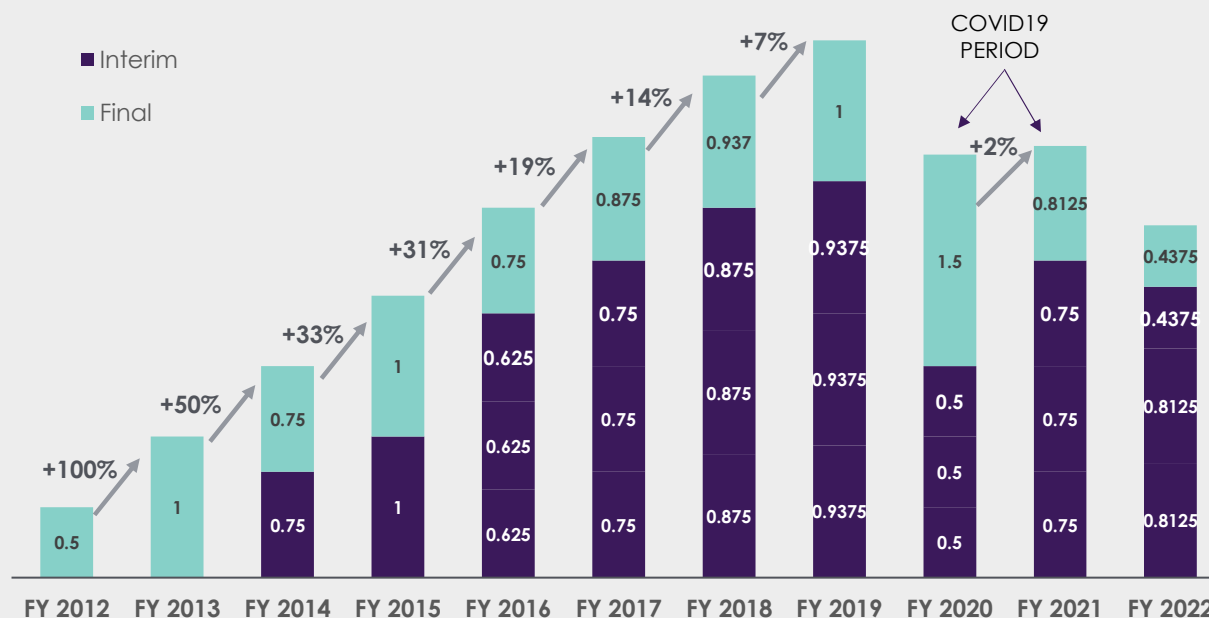
QUARTERLY DIVIDEND PAYMENTS

- ✓ Uninterrupted dividend payments despite disposals
- ✓ **£46.3 million** total dividends declared/paid since 2012
- ✓ Total dividend for 2022 of **2.5p** per share (2021: 3.0625p) (which would be the basis for the dividend for FY2023, subject to the pace of further disposals)
- ✓ Dividend paid quarterly
- ✓ Dividend is **fully covered** by EPRA earnings
- ✓ Management are committed to a **covered dividend policy**

Dividend	Total	Announcement	Payment
Q1 2022	0.8125p	June 2022	July 2022
Q2 2022	0.8125p	September 2022	October 2022
Q3 2022	0.4375p	December 2022	January 2023
Q4 2022	0.4375p	March 2023	April 2023

Note: Timings for quarterly payments are indicative only

Shareholder Distribution Year on Year



FY 2022 FINANCIALS

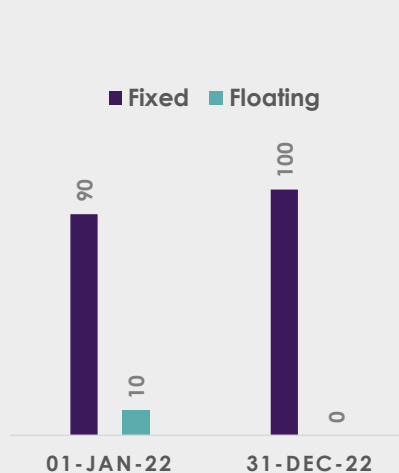
SIMPLIFIED DEBT POSITION

- Cost of debt **3.7%** (FY 2021: 3.5%) and **100%** fixed debt (90% at 1 Jan 2022)
- Net LTV **36.8%** (target LTV - 40% or below) (FY 2021: 42.2%)
- Interest cover of **2.6x** (FY 2021: 3.0x)
- Multi-banked across **4** lenders – all **covenants** continue to be met
- **AIB** loan repaid in full during 2022
- **£18 million** of debt repaid with disposal proceeds in 2022
- **£7.8 million** cash at bank
- Hedge facility improved by **£2.2 million** for the period to 31 Dec 2022

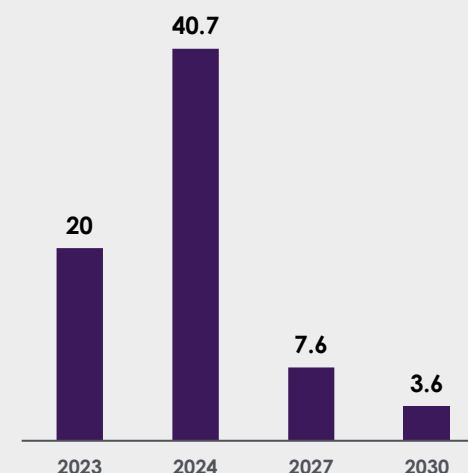
Post period activity:

- Additional significant pipeline sales in legals
- In March 2023, the Group extended the **£20 million** facility with Lloyds for 6 months to 31 May 2024 and the **£31 million** facility with NatWest for 3 months to June 2024

Debt Structure %

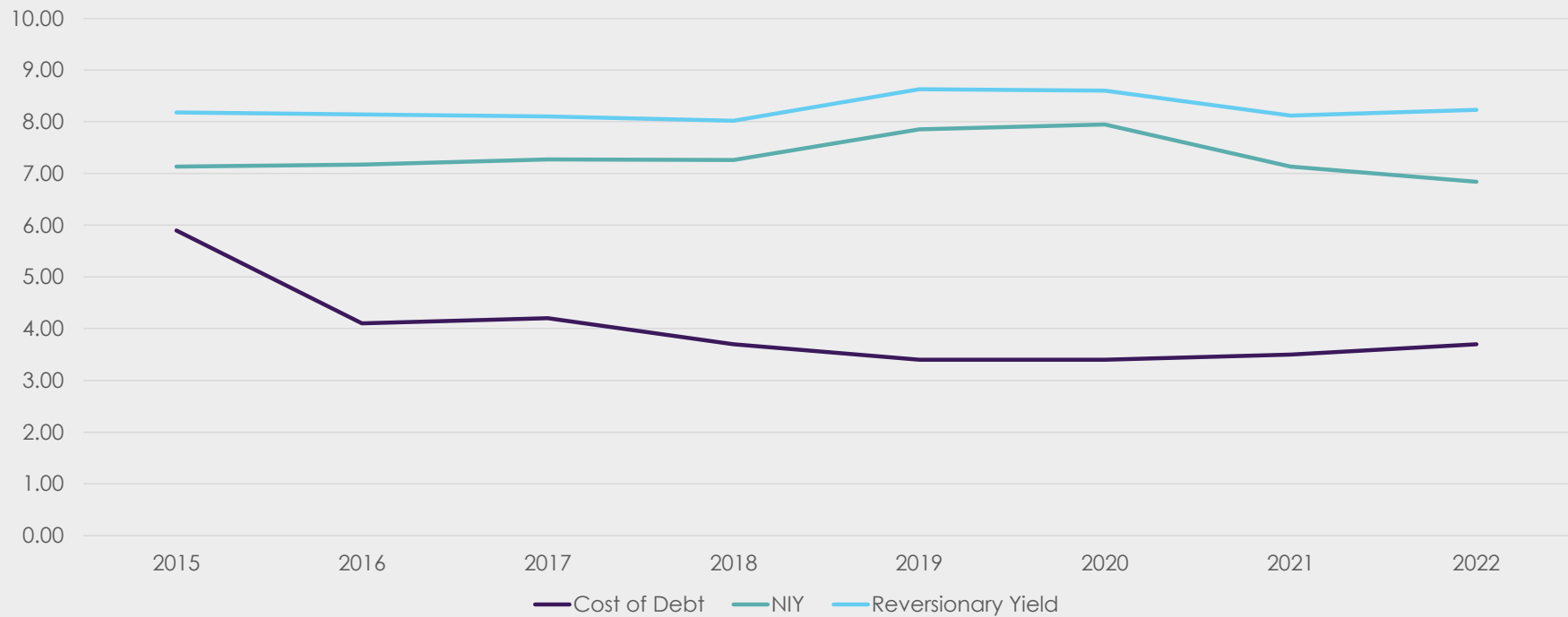


Debt Maturity £m



Net Debt (£m)	31 Dec 2022 £m	31 Dec 2021 £m
Borrowings	71.4	89.4
Cash	(7.8)	(9.8)
	63.6	79.6

ATTRACTIVE SPREAD BETWEEN NIY, REVERSIONARY YIELD & COST OF DEBT



PRIVATE INVESTOR DEMAND CONTINUES FOR SMALLER LOT SIZES

Strong appetite continued throughout 2022 from private investors seeking smaller lot sizes of £200,000 up to £1 million.

We identified several assets that could be broken up into smaller sales to achieve premium values and disposed of several assets via private treaty to private purchasers at levels above book value.

The average lot size of our disposals during the period was £836,000 comprising the following:

- **Acocks Green Shopping Centre**, comprising twelve separate units, with a combined sale value of £7.03m – sold at an aggregate uplift of 17% above book value
- **120-138 High Street, Kings Heath** for £4.7m – sold at 8% above book value
- **Bearwood Shopping Centre**, comprising eight separate units, with a combined sale of £3.7m – sold at an aggregate uplift of 4% above book value
- **37a Waterloo Street**, Birmingham at £3.17m, to a China based private investor – sold at 9.41% below book value
- **McDonalds Unit Leamington** for £1.55m – sold at 43% above book value
- **Eastleigh / Hanover retail units**, non-core assets to a private property company for £735,000 – no uplift on combined sales

Some of our assets were sold on an opportunistic basis, others, where asset management initiatives had been completed, were identified as ready for disposal as our knowledge of the local market meant it was the correct time to be disposing of them.

Summary of 2022:

- **25** assets/units successful disposed of
- Sales of **£20.9 million**
- **8.5%** (before costs) above 2021 year end book values
- **£18 million** debt repaid using proceeds
- **1.9%** gain in like for like portfolio outperforming the UK average which saw a 14.2% decline in UK investment property values (MCSI's Index)



DELIVERING ON STRATEGY

Capital Return Strategy & Buyback Programme

The Board is committed to delivering value to its shareholders and believes that the share price discount to the net tangible assets ("NTA") continues to be unwarranted.

Following successful sales of £20.9 million and subsequent debt repayment of £18 million in 2022, the Company undertook a share buyback, acquiring a total of 7,142,857 shares at an average cost of 28p per share during Q4 2022.

During 2023, the Board intends to maintain 'maximum flexibility' in our approach towards our capital return strategy and will consider a special dividend, further share buyback or other form of capital return to shareholders, the structure and timing of which is yet to be decided and subject to the ongoing sales programme.

The Board continues to be alert to market consolidation within the real estate sector and remain open to evaluating any corporate transaction that is in the best interests of shareholders.

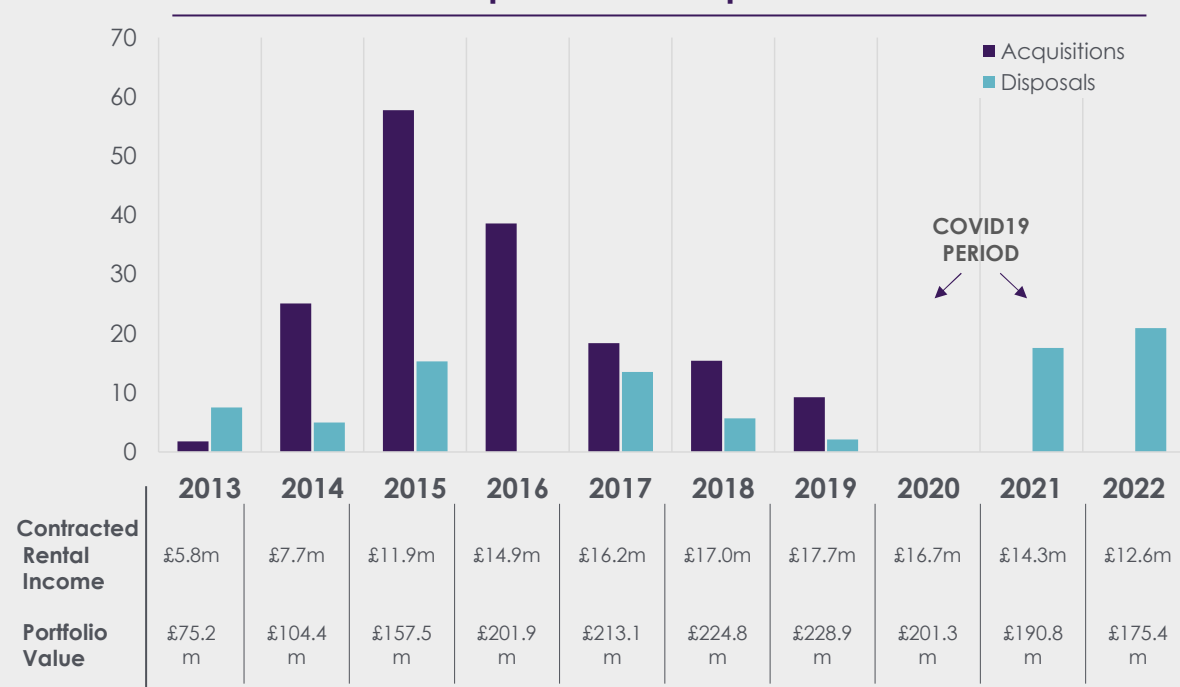
The Board remains committed to paying a covered dividend, subject to business performance and the pace of further disposals.

EXECUTING STRATEGY

- Disposals totalling **£20.9 million** in 2022 at an aggregate uplift of **8.5%** before costs on Dec 2021 valuations
- **£18 million** debt repaid using sales proceeds in 2022
- LTV (net of cash) reduced to **36.8%** in 2022
- Share buyback of **£2 million** undertaken in Q4 2022
- Uninterrupted dividend of **2.5p per share** in respect of FY2022
- **Significant** sales in pipeline legals

ONGOING DISPOSALS AT A PREMIUM OR BOOK VALUE

Acquisitions & Disposals



2022 - A YEAR OF DISPOSALS

- Completed 25 disposals totalling **£20.9 million** (aggregate uplift of **8.5%** before costs above book value)
- Significant sales in pipeline legals
- Further sales identified to satisfy investor demand and reduce company loan to value ratio

In the event of a change in market conditions, we will also consider opportunistic acquisitions that will provide significant value via income and capital enhancement to our portfolio.

RECOVERING INCOME AND VOID POTENTIAL

INCOME LOSS DUE TO DISPOSALS

Contracted rental income as at 31 Dec 2022 - **£12.6 million p.a.**

Contracted rental income as at 31 Dec 2021 – **£14.3 million p.a.**

Breakdown of rental loss since 31 December 2021:

Rent lost to sales: £1,695,030 p.a.

Rent lost to tenants vacating:
(due to known lease events) £748,033 p.a.

Rent lost to lease renewals/other: £175,559 p.a.

Total rental loss in 2022: **£2,618,622 p.a.**

New income to portfolio in 2022: **£917,099 p.a.**

Overall rent lost in 2022: **£1,701,523 p.a.**

UNLOCKING VOID POTENTIAL (as at results date)

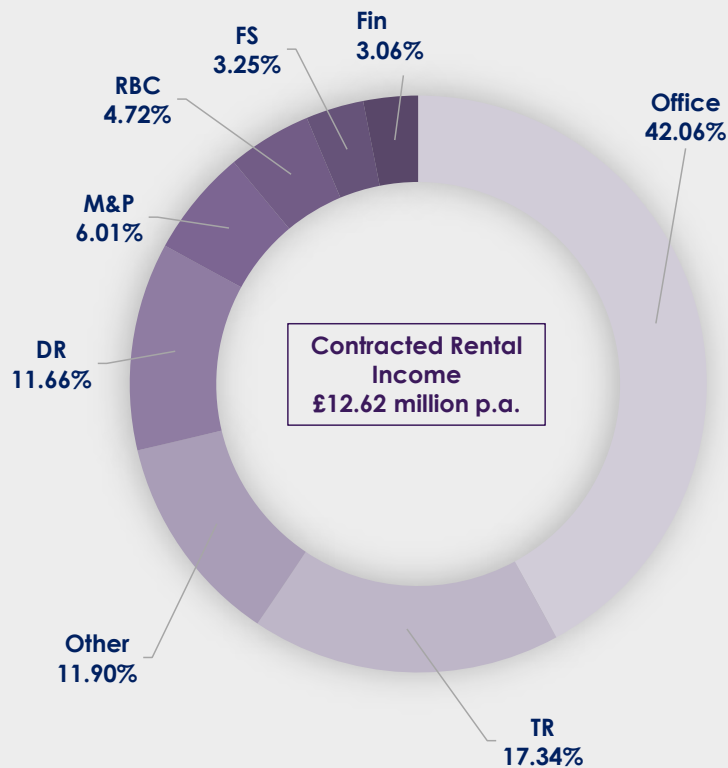
Of the **15.46%** vacancy within the portfolio, over half of this (8.01%) can be attributed to spaces at **4 properties** (Barracks Road, Newcastle-under-Lyme; Crewe Shopping Centre; Kingston House and Birch House)

Should 'key' lettings in pipeline of **£0.8 million p.a.** complete they would translate into:

- Improved contracted rental income of **£13.7 million p.a.***
- Improved occupancy of **89.30%***
- Potential upside in capital valuations

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

DIVERSE AND ATTRACTIVE PORTFOLIO



	Sector	£ Income by sector	% Income by sector
Office	Office	5,310,138	42.06
TR	Traditional Retail	2,189,615	17.34
Other	Other - Hotels (Travelodge), Leisure (The Gym Group, Luxury Leisure), Car parking, AST	1,502,058	11.90
DR	Discount Retail - Poundland/B&M etc	1,472,350	11.66
M&P	Medical and Pharmaceutical - Boots/Holland & Barrett etc	759,049	6.01
RBC	Restaurant/Bar/Coffee - Wetherspoons, Dominos etc	595,750	4.72
FS	Food Stores - Co-op, Iceland etc	409,545	3.25
FIN	Financial/Licences/Agency - Clydesdale Bank Plc, Santander UK Plc, Bank of Scotland etc	386,125	3.06
	Total	12,624,630	100.00











82.01% of our offices are 'non Birmingham City centre'

5.59% of our office income is government income

32.74% of our portfolio is neighbourhood, convenience and essential

TOP 10 TENANTS BY INCOME

NO MATERIAL EXPOSURE

Rank	Tenant	Rent £'000	%	Sector	Property
1		450	3.56	Discount Retail	Jasper, Tunstall
2		420	3.33	Office	Molineux House, Wolverhampton & Titan House, Telford
3		396	3.14	Office	Avon House, Bromsgrove
4		300	2.38	Hotel	West Plaza, West Bromwich
5		288	2.28	Office	Castlegate House, Dudley
6/7		286	2.26	Office	Westgate House, Warwick
6/7		282	2.23	Retail	Kingswinford, Dudley
8		274	2.17	Office	Birchfield House, Oldbury
9		262	2.07	Discount Retail	Crewe Shopping Centre
10		260	2.06	Office	Boundary House, Wythall
		3,218	25.48		

25.48%

Top 10 tenants represent only 25.48% of REI's contracted income

5.59%

Of our income is government income

ESG & THE REI PORTFOLIO

Portfolio Energy Performance Certification

- In accordance with government guidelines, REI has undertaken a programme to ensure our assets meet the UK statutory time frame for EPCs
- **From April 2023** all assets require an EPC rating of 'E' or above
- **None** of the portfolio is currently below an 'E'
- It remains our intention to upgrade assets when required
- An overview of the asset EPC ratings across the portfolio is noted below, showing the progress since 31 December 2021:

	% of portfolio (by sq ft)							
EPC Rating	A	B	C	D	E	F	G	Total
31 Dec 2021	0.00	9.48	37.18	43.15	9.35	0.54	0.30	100.00
31 Dec 2022	1.36	22.99	31.18	37.49	6.98	0	0	100.00

Carbon Emissions Reporting

- REI has continued to work alongside Measurabl to collect, track and report carbon emissions data across REI's landlord-controlled areas
- The reduction of the portfolio's carbon footprint is a priority for the business
- We have detailed below our emissions for Jan-Dec 2019 and 2020 (carbon emissions data for 2021 and 2022 will be supplied in due course as we complete the historical data collection):

Carbon Emissions	2020	2019
Scope 1 Emissions*	10,930 MTCO ₂ e	17,574 MTCO ₂ e
Scope 2 Emissions *	904.28 MTCO ₂ e	1,236 MTCO ₂ e
Total Scope 1 and Scope 2 Emissions*	11,834 MTCO ₂ e	18,810 MTCO ₂ e

*Calculations apply to landlord-controlled gas and electricity consumption only

What does ESG look like in 2023 for REI Plc?

- Continued meetings of ESG committee & assessment of our approach & framework
- Portfolio EPC programme of works to ensure compliance
- Continuing to collect and report carbon emissions data
- Continuous review of legislation and peer group ESG strategies
- Wellness programme for employees

OUTLOOK & SUMMARY

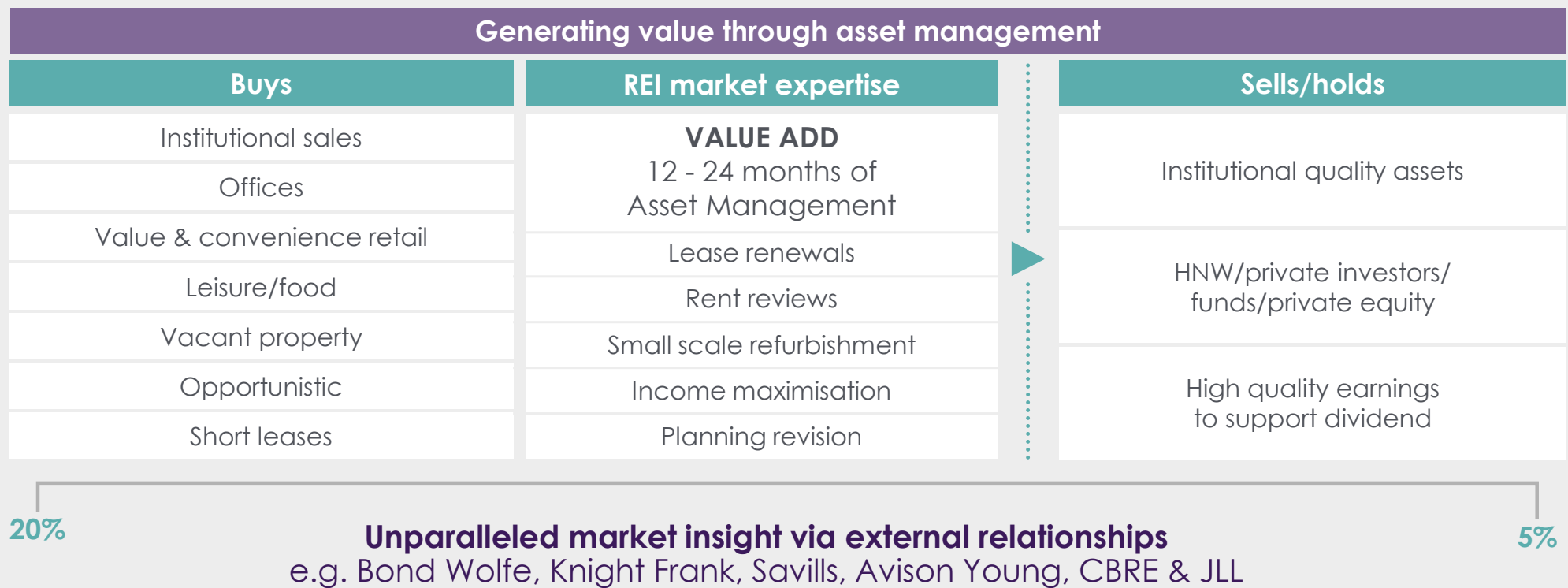
- **Execute stated strategy** – We anticipate continued sales to a strong private investor market, which will allow us to execute our stated strategy and reduce our debt further – if the share price discount to NTA persists, we will consider a further share buyback, special dividend or other method of capital return. In the event of a change in market conditions, we will also consider opportunistic acquisitions
- **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 (maintain 40% or below)/improve NAV** – Via asset management, sales and valuation gains
- **Dividend** – Committed to maintaining a covered dividend policy
- **ESG** – We remain committed to acting responsibly and ensuring the business is compliant with EPC regulations
- **Market consolidation** – Management remain open to UK real estate sector consolidation that are in best interests of shareholders

APPENDICES



THE REI BUSINESS MODEL

ACTIVE ASSET MANAGEMENT



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 22 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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