

An aerial photograph of an industrial park featuring several large, grey-roofed warehouse-style buildings and extensive parking areas filled with cars and trucks. The scene is surrounded by green trees. A prominent yellow graphic, consisting of overlapping, rounded rectangular shapes, is overlaid on the right side of the image.

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Interim Results Presentation

For the 6 months ended
30 September 2022

Agenda

- 01 Highlights from Results
- 02 Strategy Overview
- 03 Financial Review
- 04 Industrials Hive Platform Review
- 05 MLI Valuations & Investment Market Review
- 06 In Summary



01 Highlights from results

Paul Arenson

Chief Executive Officer

Resilient occupational market and strong balance sheet

Like-for-like valuations

-4.5%

MLI rental growth

(12 months L4L)

4.0%

Adjusted earnings

per share (+2.6%)

3.54p

Final dividend

fully covered (+3.7%)

3.50p

Per share

EPRA NTA

-7.4%

Loan to value

26.5%

Total accounting return

-5.4%

Dividend Yield

5.2%

at 135p per share

Highlights

- > 197 letting transactions completed (65% uplift on prior year)
- > 12.3% increase in ERVs over last 12 months
- > 4.0% like-for-like MLI rental growth
- > Strong demand for MLI space continuing into next quarter
- > 90% Group hedging in place on existing debt
- > MSCI & FTSE Index inclusions
- > Internalisation of Facilities Management

Lowlights

- > MLI portfolio valuation yield +0.32% to 5.78% NIY
- > EPRA NTA down 7.4% to £1.62 per share
- > Increase in cost of new debt from c. 2% to 6% all-in
- > Inflationary pressures on cost base
- > Recession risk

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02 Strategy overview



How we unlock The Power of Space

Growth sector



- > **Multi-let industrial** focus
- > Purpose built, **urban assets**
- > **Supply/demand imbalance**
- > **Diversified** customer base
- > **Affordable** rents

Specialist operating platform



- > **Industrials Hive** Operating Platform
- > Technology driven for **maximum efficiency**
- > Designed for **scale** to facilitate **growth** and **efficiency**

Resilient & attractive capital structure



- > **REIT structure**
- > **Internalised** management
- > **Alignment** of interests
- > Primary listing on LSE
- > **10%+ TAR target**

Space that matters



- > **Responsible business**
- > **Sustainable assets** and operations
- > Supportive and inclusive culture
- > Working for all stakeholders

The four pillars of Industrials REIT



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03 Financial Review

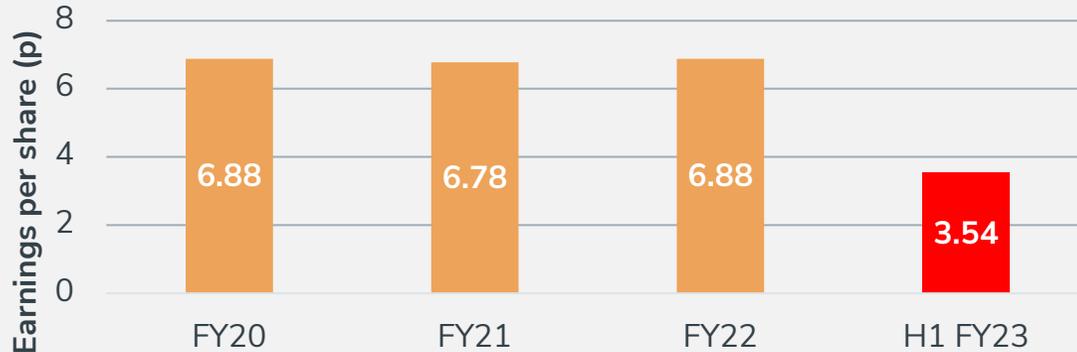
James Beaumont
Chief Financial Officer

Financial KPIs

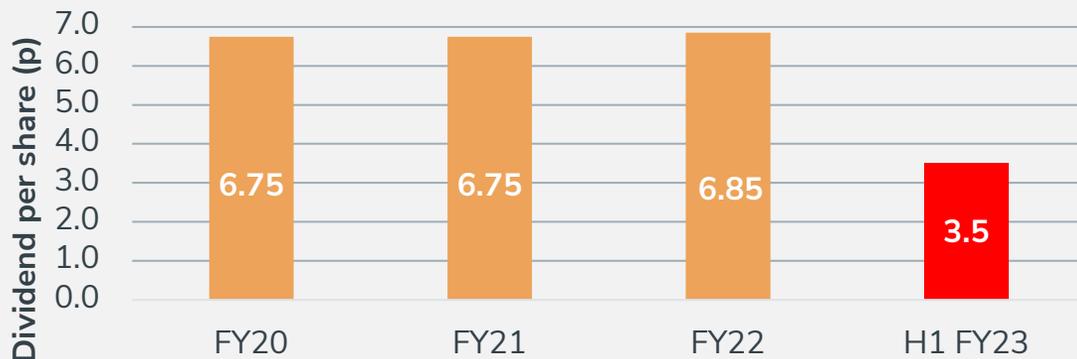
12 months to YE

6 months to 30 Sept. '22

Adjusted earnings per share: +2.6% vs H1 FY21



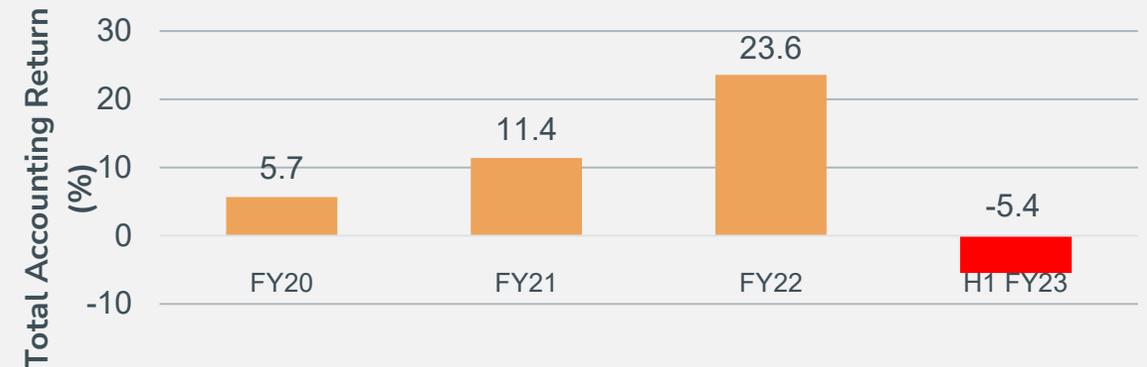
Dividend per share: +3.7% vs H1 FY21



EPRA NTA: (7.4%)

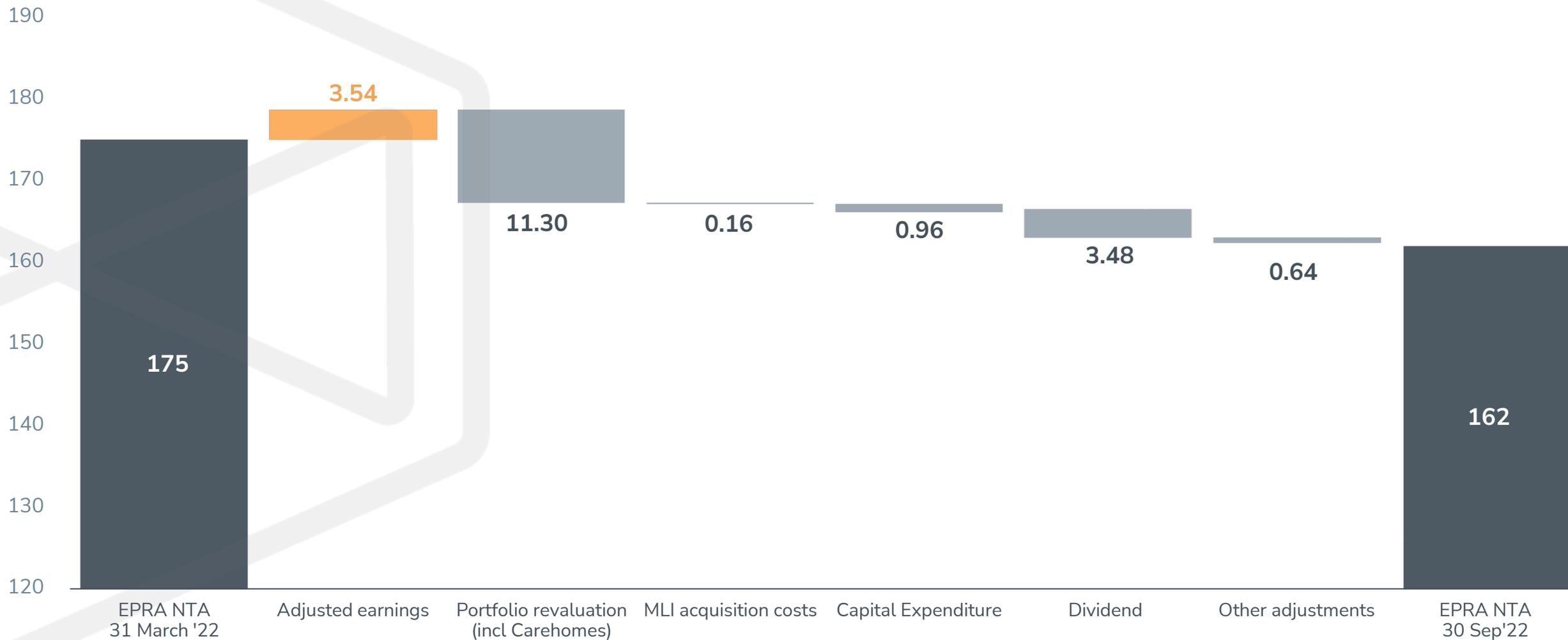


Total Accounting Return (TAR): (5.4%)



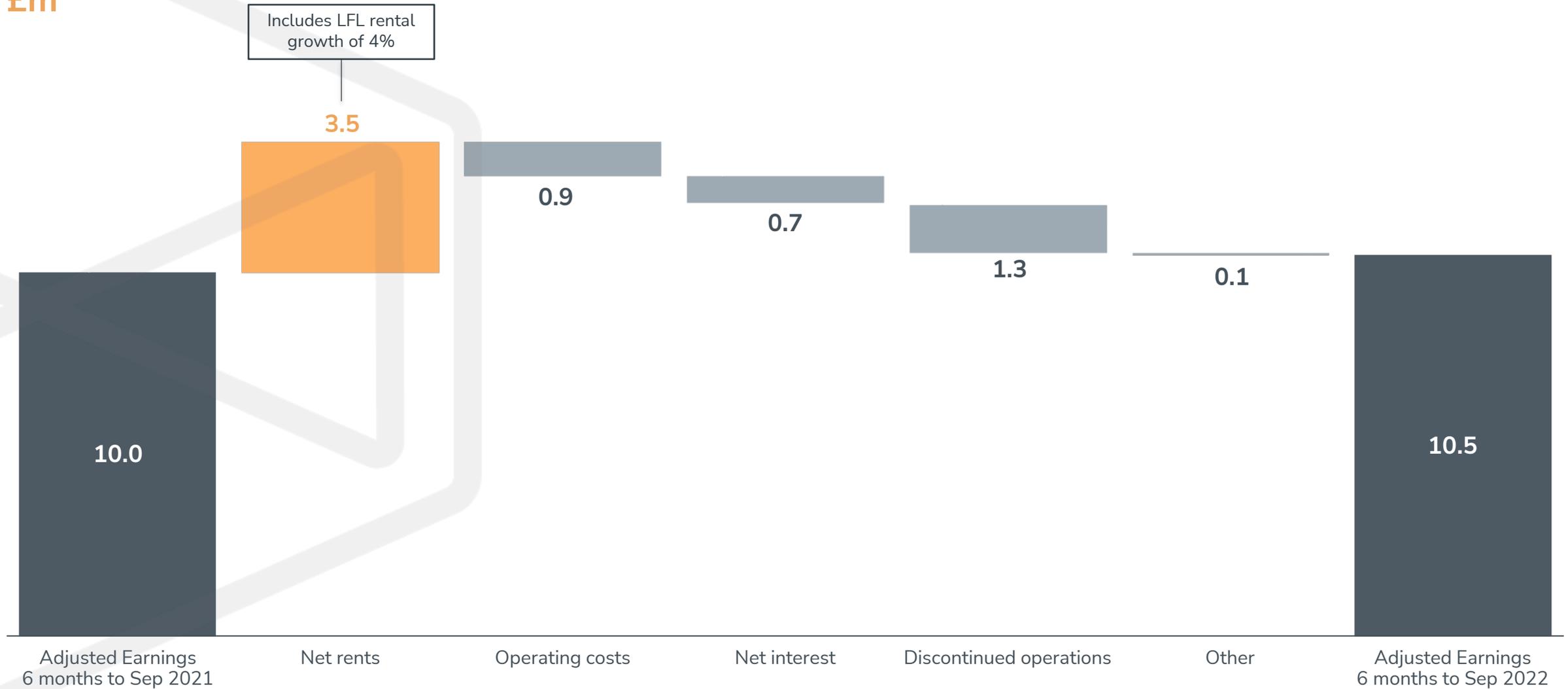
NAV movement 31 March 2022 to 30 September 2022

Pence per share



Earnings bridge

£m



Prudent debt management

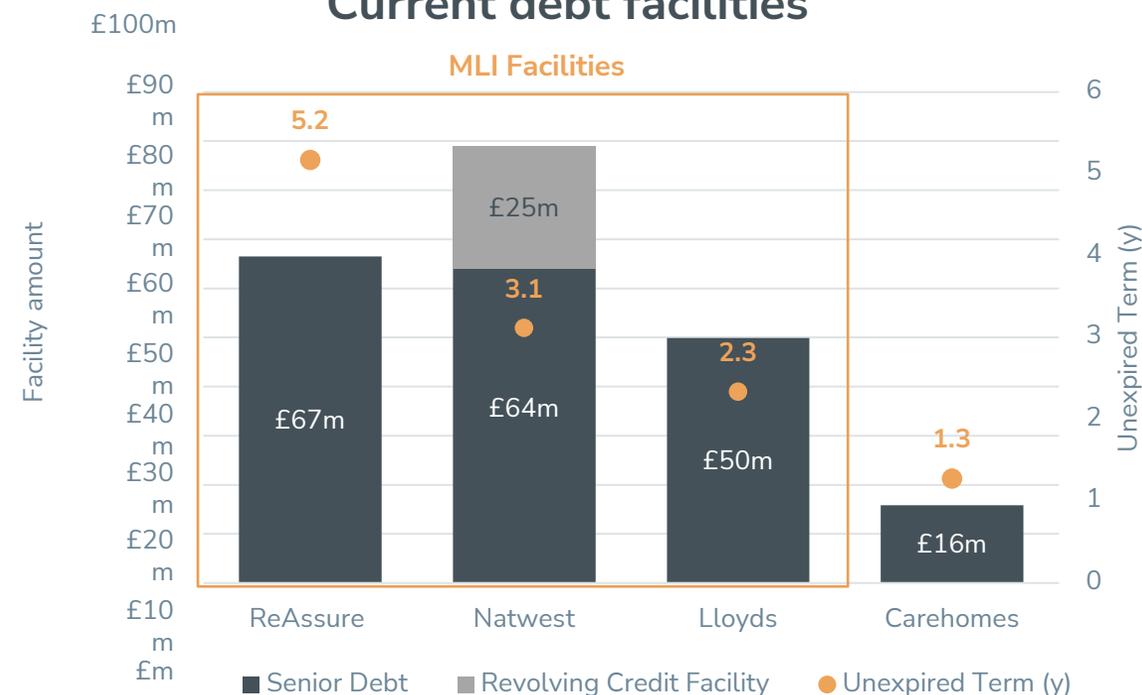
£197m senior secured debt, across 4 facilities, with a group LTV of 26.5%

Our MLI debt facilities

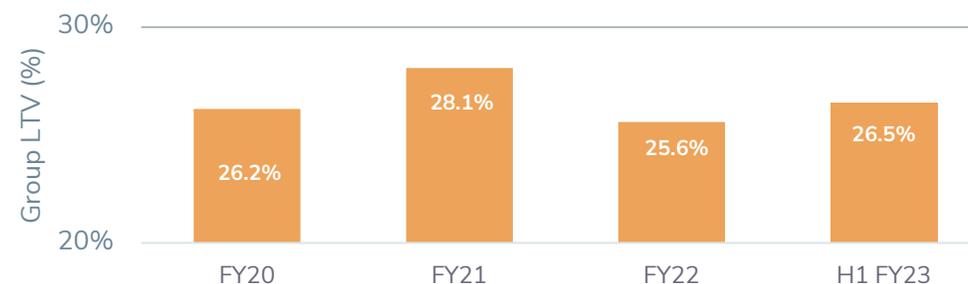
-  £180m senior debt currently across 3 facilities drawn on a bilateral basis (with a further £25m undrawn Revolving Credit Facility)
-  89% currently hedged against our drawn debt.
-  The weighted average cost of debt on the MLI portfolio is currently 2.58%¹
-  3.7 years weighted average debt maturity (4.4 years with existing extension options increasing to 4.9 years post ongoing discussions)
-  No major refinancing until February 2025
-  Strong covenant headroom

1. SONIA at 30 September 2022 of 2.19% on unhedged debt

Current debt facilities



Group LTV % (incl. unrestricted cash)



Our hedging protects us against future rate rises

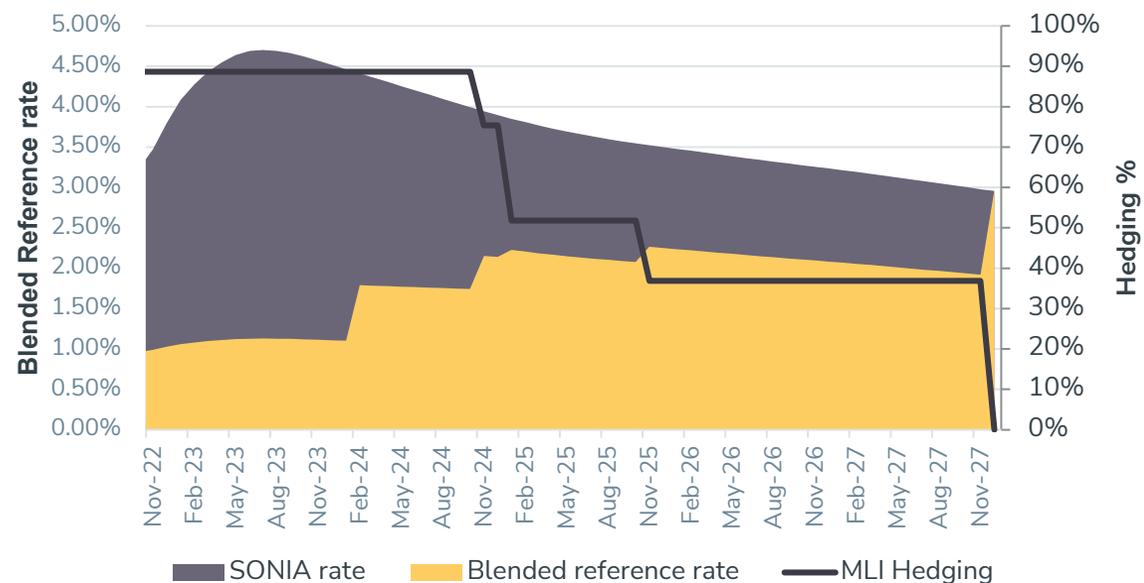
89% currently hedged against our MLI drawn debt (Group policy minimum 75%)

As our facilities expire and are refinanced or extended we will be seeking to maintain hedging in line with group policy

Current total cost of MLI debt is 2.58%, inclusive of an average current margin 175bps

Stable total cost of debt until February '24.

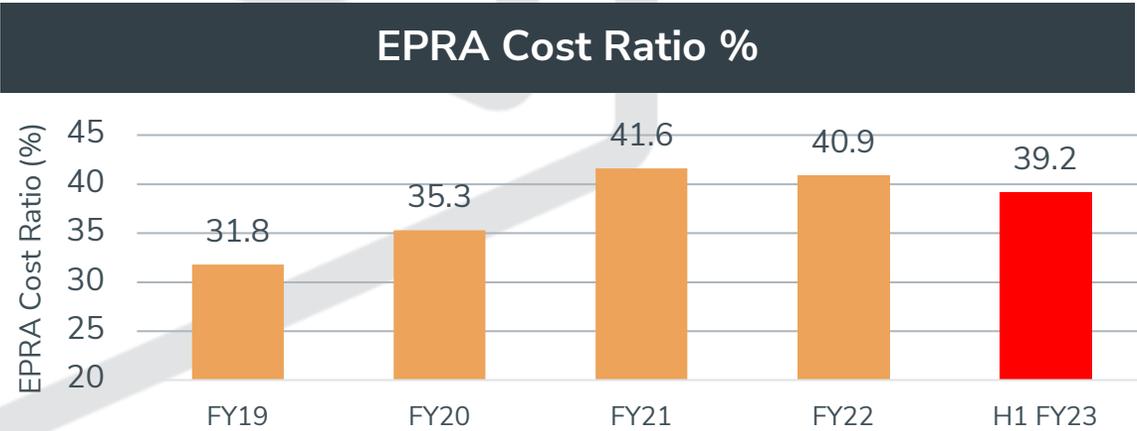
MLI Blended interest costs (excl. margin)



SONIA Curve as at 28 November 2022

Built for scale efficiency

- Industrials REIT now manage all key operational roles and customer touch-points following the internalisation of facilities management
- Working hard to improve efficiencies across the Platform
- New assets can be added at c. 20% EPRA Cost Ratio versus 39.2% on existing portfolio



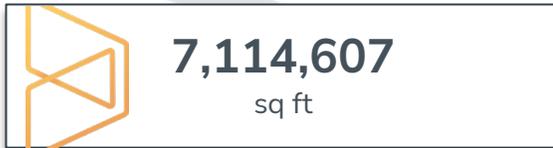
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**04 Industrials Hive
Platform**

Julian Carey
Managing Director



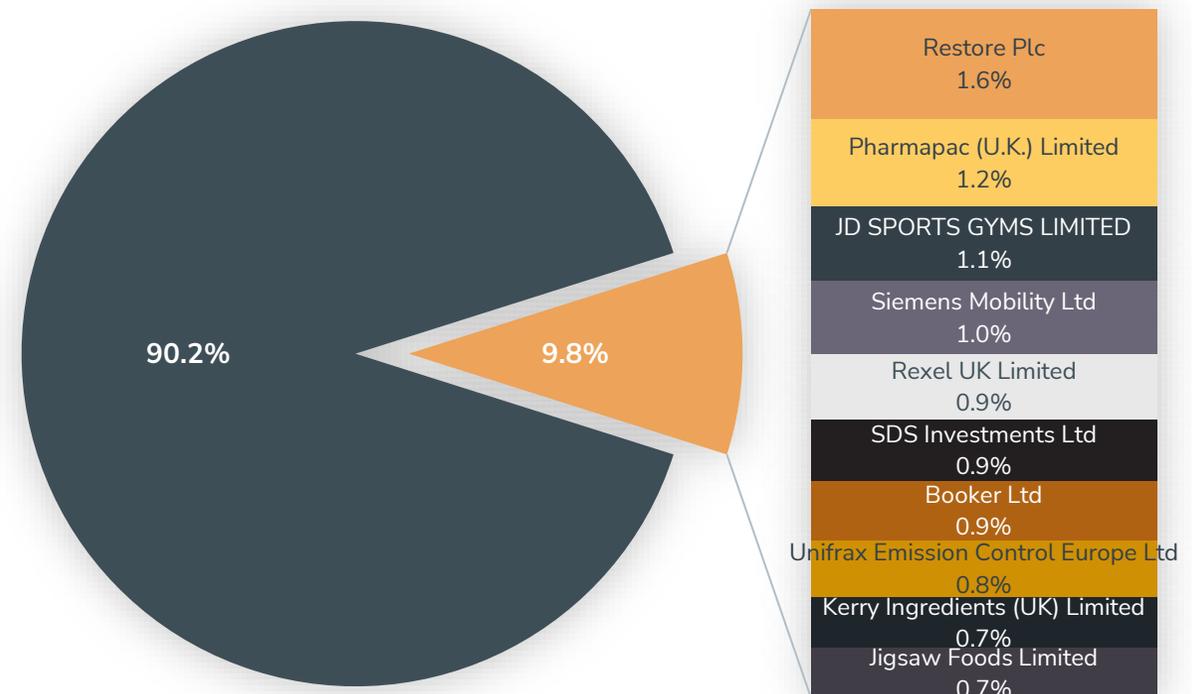
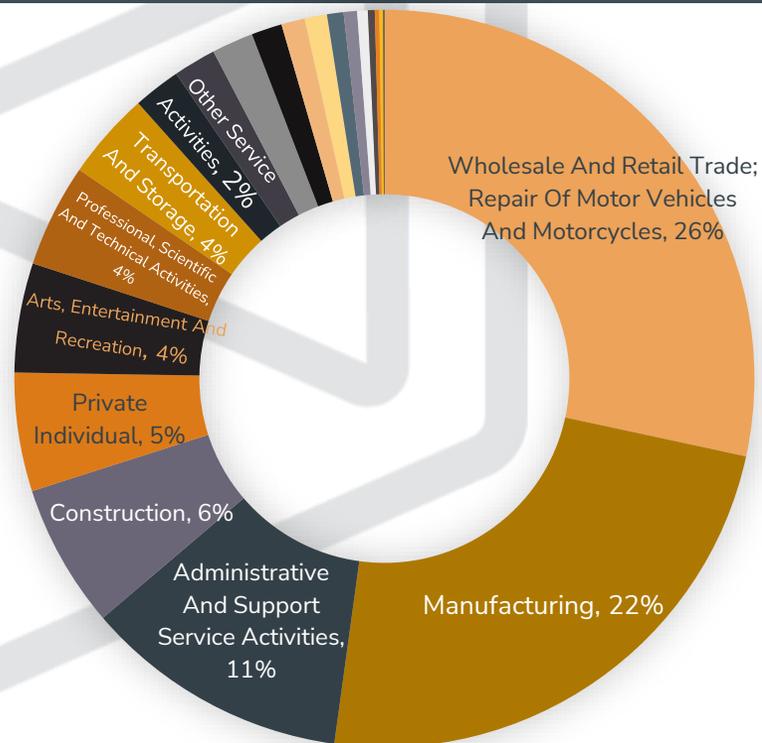
MLI Portfolio Overview as at 30 September 2022



Note: Excludes long-leasehold and non-building units e.g. yard areas

Highly diversified customer base

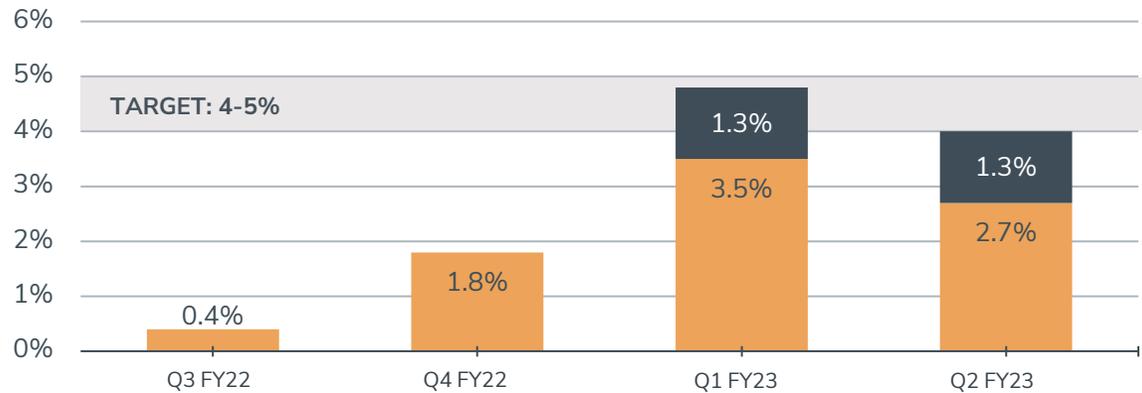
Top 10 customers <10% of total rent roll



Growth in rental reversion

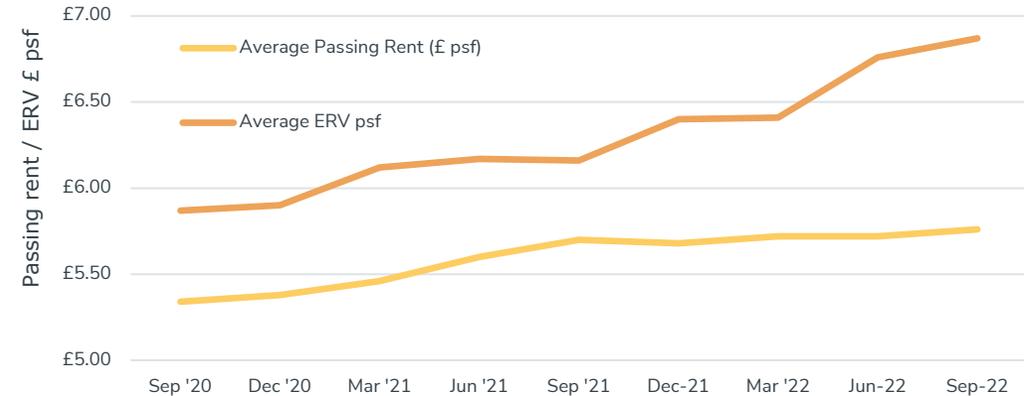
On track to deliver target growth of 4-5% p.a. by year end

Like-for-like Cumulative Rental Growth



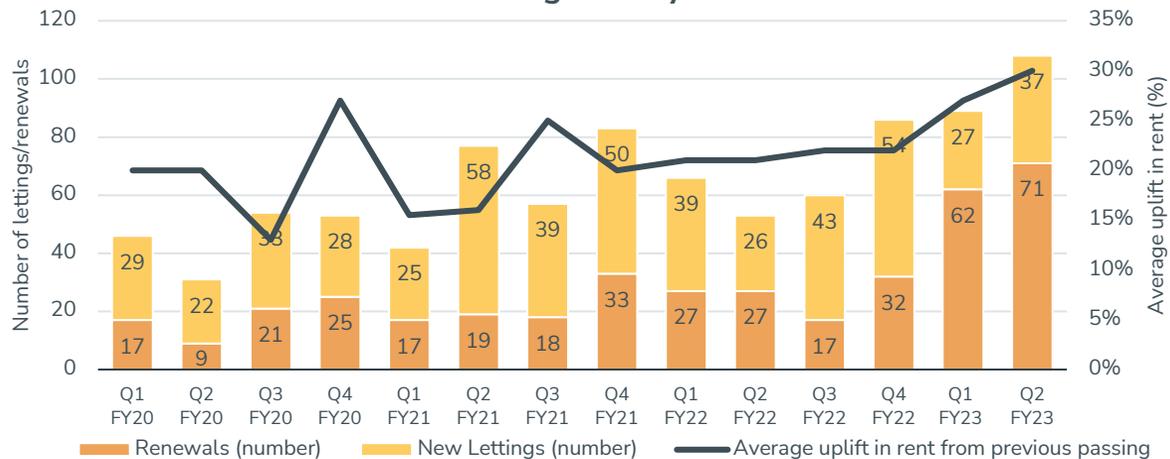
Passing rent & ERV gap widening due to strong market rental growth

Difference between passing rent and ERV



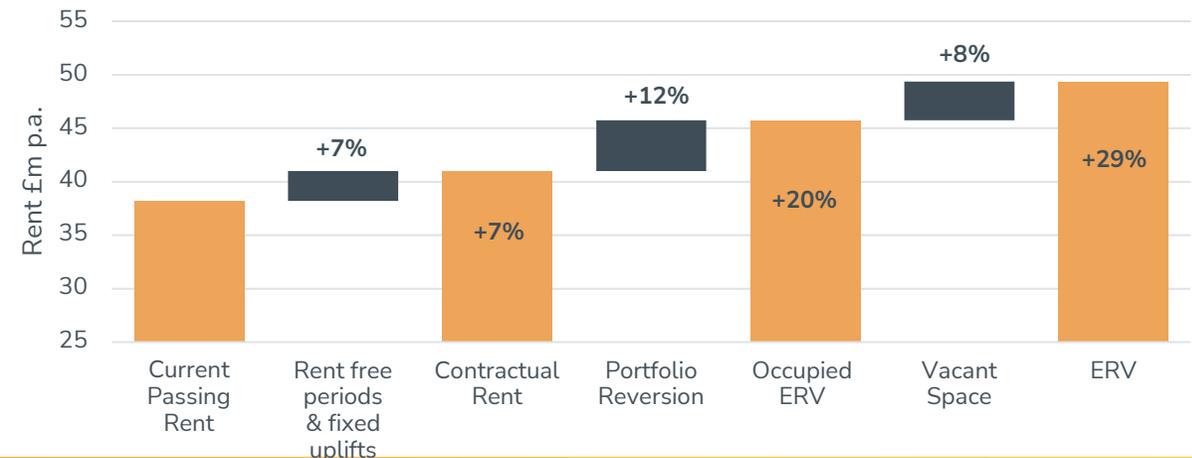
Securing record number of renewals over H1 FY23

Leasing Activity FY22



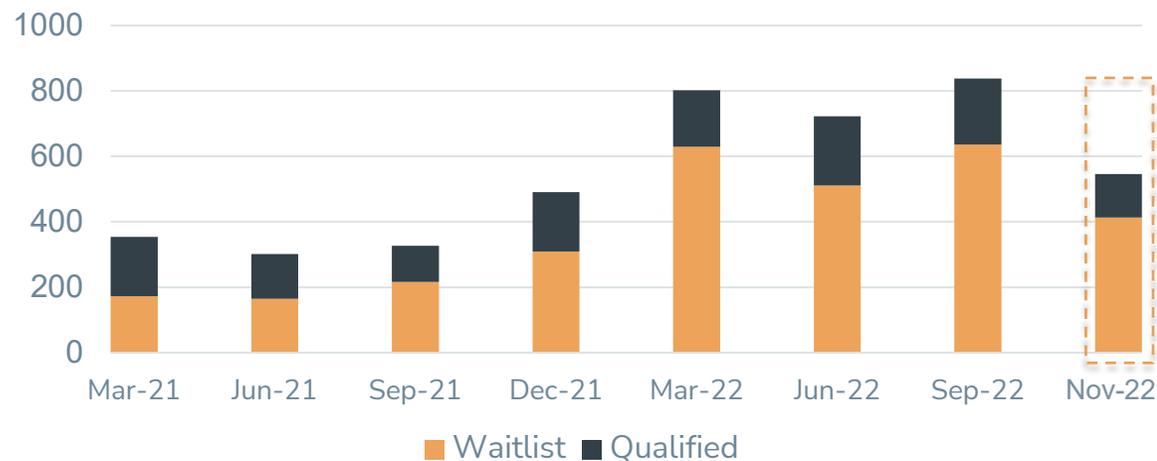
Rent growth expected to continue over next 4-5 years

Rent Bridge as at 30 September 2022

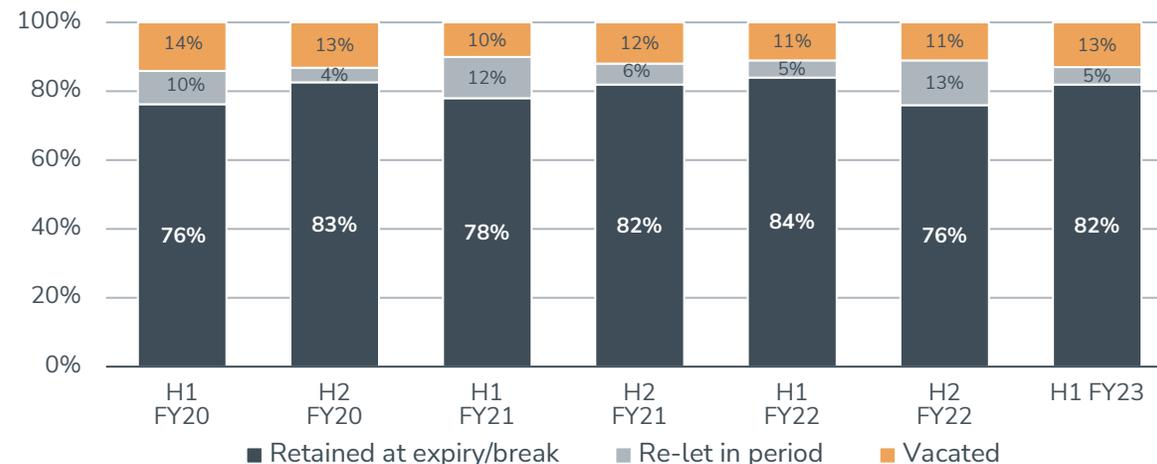


Demand remains strong

Strong demand for available space



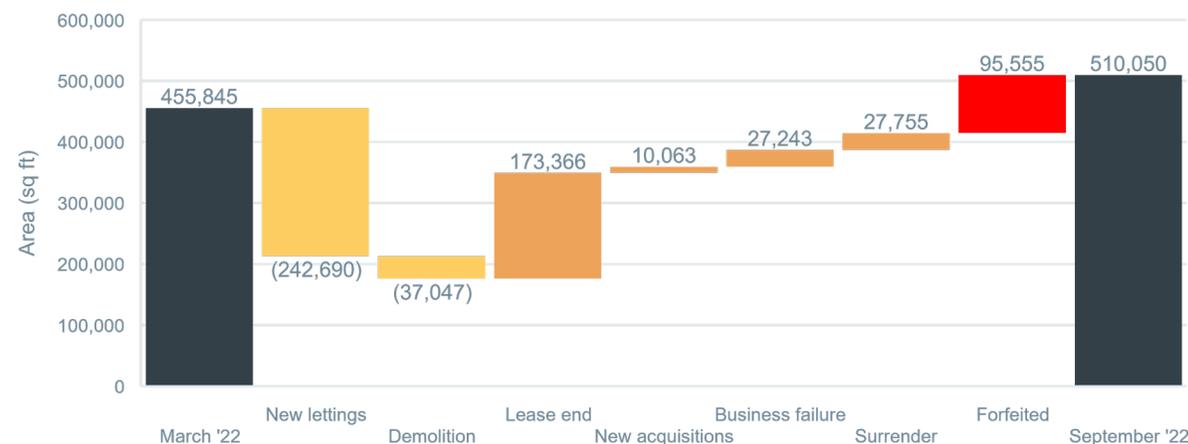
Tenant retention remains high



Rent collection on target (98%+)

County / Sector	2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
UK MLI	98%	98%	98%	96%	94%	91%	89%
Germany	83%	98%	100%	100%	100%	100%	100%
Weighted average	95%	98%	98%	97%	95%	92%	90%

Vacancy change: March '22 to September '22



Industrials Hive Constant (R)evolution

6 months of significant change

- Internalisation of Facilities Management
- Bedding down of new Property Accounts team and associated ERP platform
- Customer service enhancements
- Efficiency gains across leasing process
- Data enhancement – new dashboards and improved data collection and quality



Making consistent progress towards ESG goals

Recent initiatives and recognition

Path to Net Zero

- > Intention to announce a **Carbon reduction target** in 2023 in line with Science Based Target Initiative (SBTi) framework;
- > Preparatory work on targets underway using 2022 base line

Solar

- > Currently installed on just 2% of roofs
- > Planning a **significant roll out** in coming years
- > Attractive economic returns available

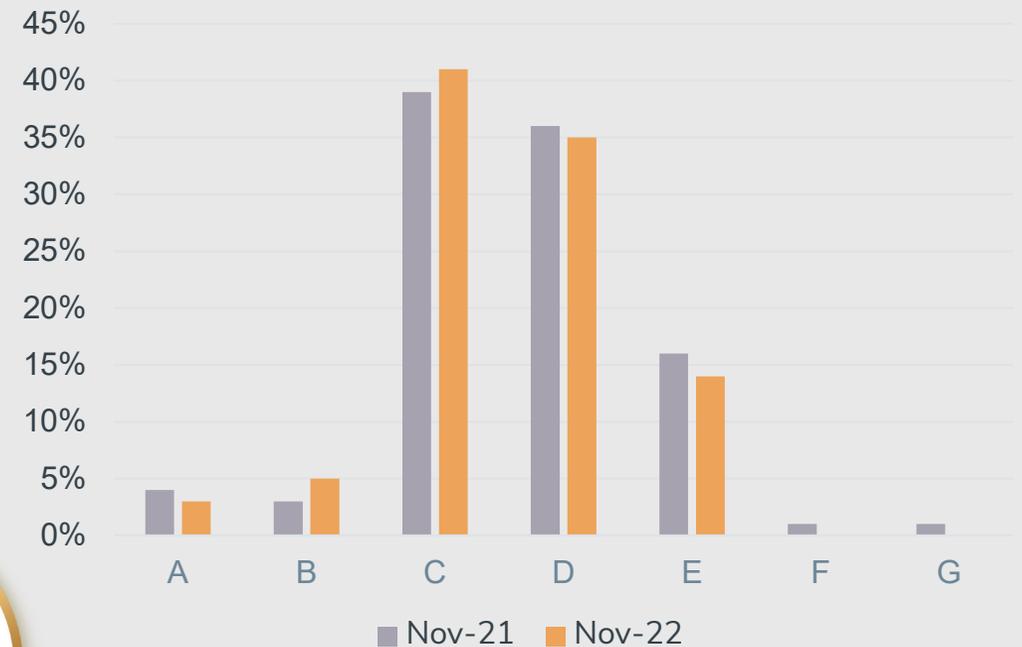
Other projects

- > Supporting **The Wellspring Charity** in Stockport
- > Employee feedback and engagement
- > New supplier onboarding with **enhanced ESG criteria**



EPC Grade by Area (% by area, England & Wales only)

Portfolio EPC ratings (England & Wales)



50% of the portfolio is rated A-C

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05 MLI Valuations & Investment Market Review

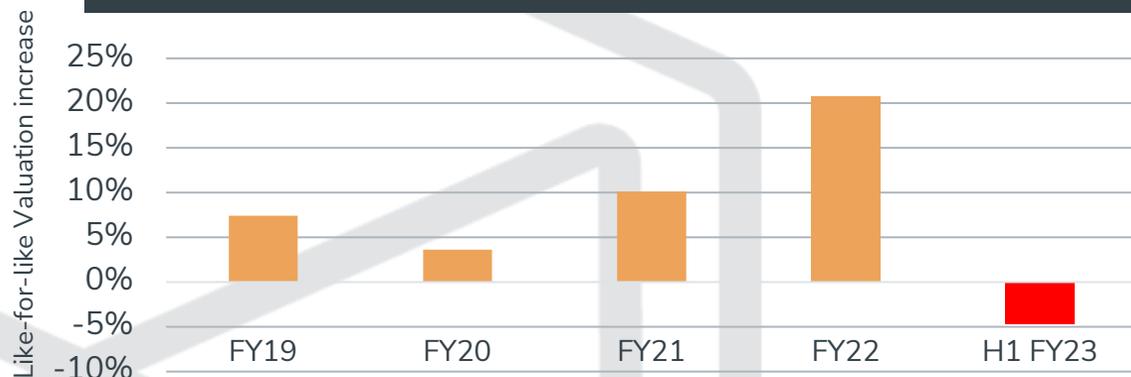


Like-for-Like MLI valuation movement

12 months to YE

6 months to 30 Sept. '22

Like-for-Like MLI Valuation Change %



Like-for-like Valuation Movements (UK MLI only)

Income growth	0.7%
Capital growth	(5.4%)
L4L change	(4.7%)
Portfolio NIY:	5.78% (+ 0.32%)
Capital Value psf:	£81 (-£4 psf)

Top 3 performers

Asset	Valuation gain/loss	Valuation gain %	Reason
The Link at Huyton Business Park, Liverpool	+£1.6m	+31%	+122% increase in passing rent following significant letting and ERV increase of 40%.
St Peter's Industrial Park, Huntingdon	+£0.3	+8%	Uplift in valuation following asset management improvement works
Queensway Industrial Estate, Stoke-on-Trent	+£0.3m	+6%	Increase in passing rent

Bottom 3 performers

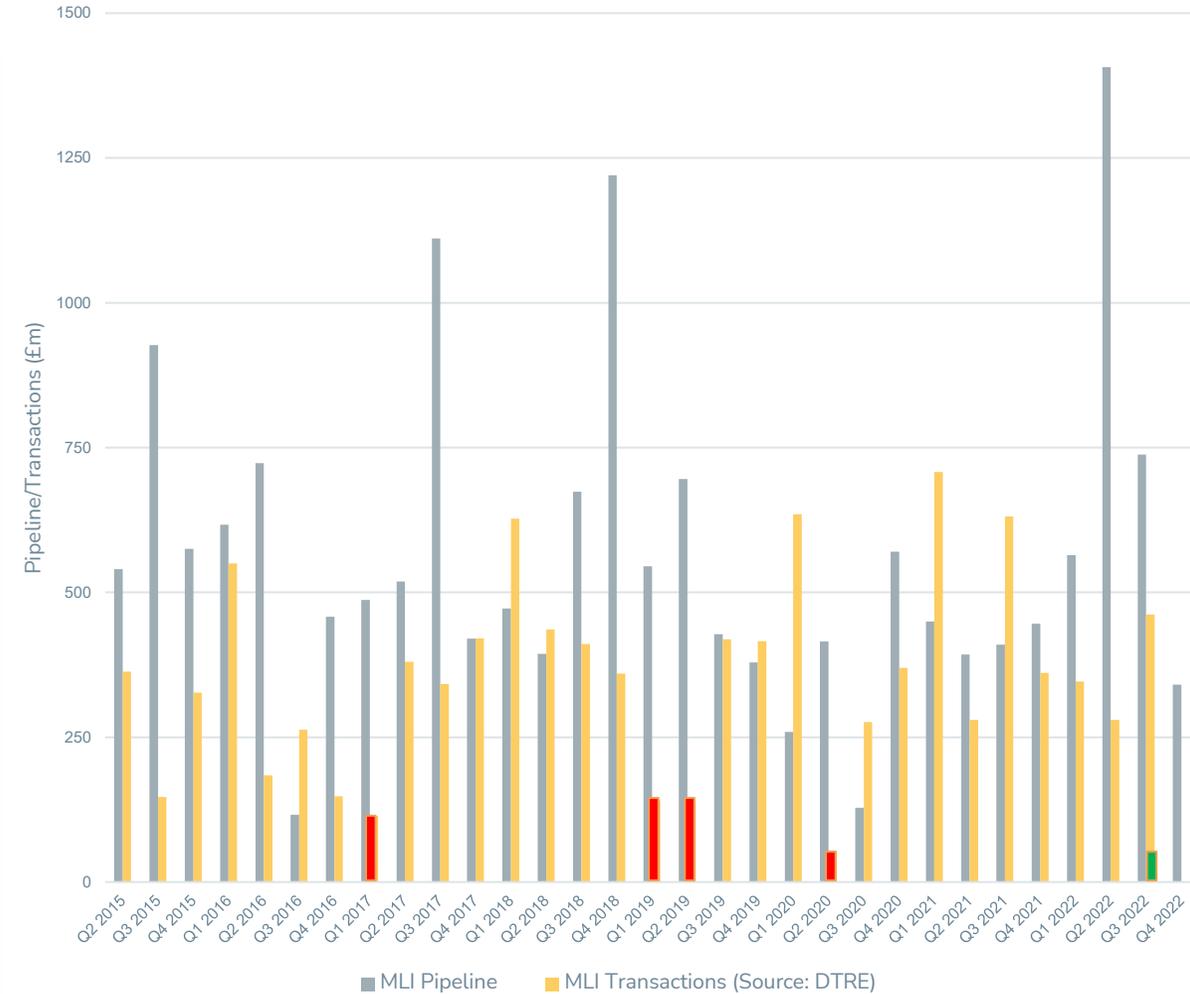
Asset	Valuation gain/loss	Valuation loss %	Reason
Otterwood Square, Wigan	-£0.4m	-17%	Yield softening of 90bps
Whitacre Industrial Park, Huddersfield	-£0.3m	-14%	Increased vacancy and yield softening of 70 bps
Mandale Business Park, Durham	-£1.5m	-12%	Increase vacancy and yield softening of 75 bps

Investment market review

A rapidly evolving marketplace

- > Investor demand for MLI assets appears robust
- > High cost of debt is dampening pricing
- > Overseas investors are benefiting from weaker sterling, but are broadly cautious about UK
- > Some 'distress', but most buyers are struggling to find sellers with matched expectations
- > National commercial investment was 48.4% down compared to same period in 2021 (Source: Allsop)
- > Abortive transactions have increased

Quarterly MLI investment pipeline and transaction volumes



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06 In summary



Industrials REIT: Well positioned in current environment

Strong sector fundamentals



- > **Constrained supply** of new MLI assets
- > Growing occupier based driven by structural and societal changes
- > **12% growth in ERVs** over last 12 months
- > 4.0% increase in like-for-like rents
- > **Affordable rents and resilient occupier base**
- > **Sustainable** asset class

Platform and portfolio



- > Market leading **Hive operating platform**
- > Vertically integrated platform driven by technology and high quality data
- > High quality MLI portfolio with **diversified occupier base**
- > **20% reversion** in passing rents to ERV

Scaling and income growth potential



- > Potential to **generate additional revenue through 3rd party management and solar energy**
- > **Efficient operating platform** which benefits from economies of scale
- > **Strong medium/long term asset fundamentals** will continue to drive value
- > More attractive entry pricing & lower prospects for new supply

Resilient P&L and balance sheet



- > Low 26% LTV with 90% hedging in place
- > 50% LTV and 67% ICR debt covenant headroom
- > £23m of unrestricted cash + £25m revolving credit facility
- > Our largest single tenant accounts for 1.6% of rent roll
- > Aligned management team with 6.3% shareholding

Q&A

Register to join:

Industrials REIT Trading Update FY22 Q3

(quarter ending 31st December 2022)

Date: Friday 27th January 2022

Time: 9:00am – 9:30am GMT

[Register here to join presentation.](#)

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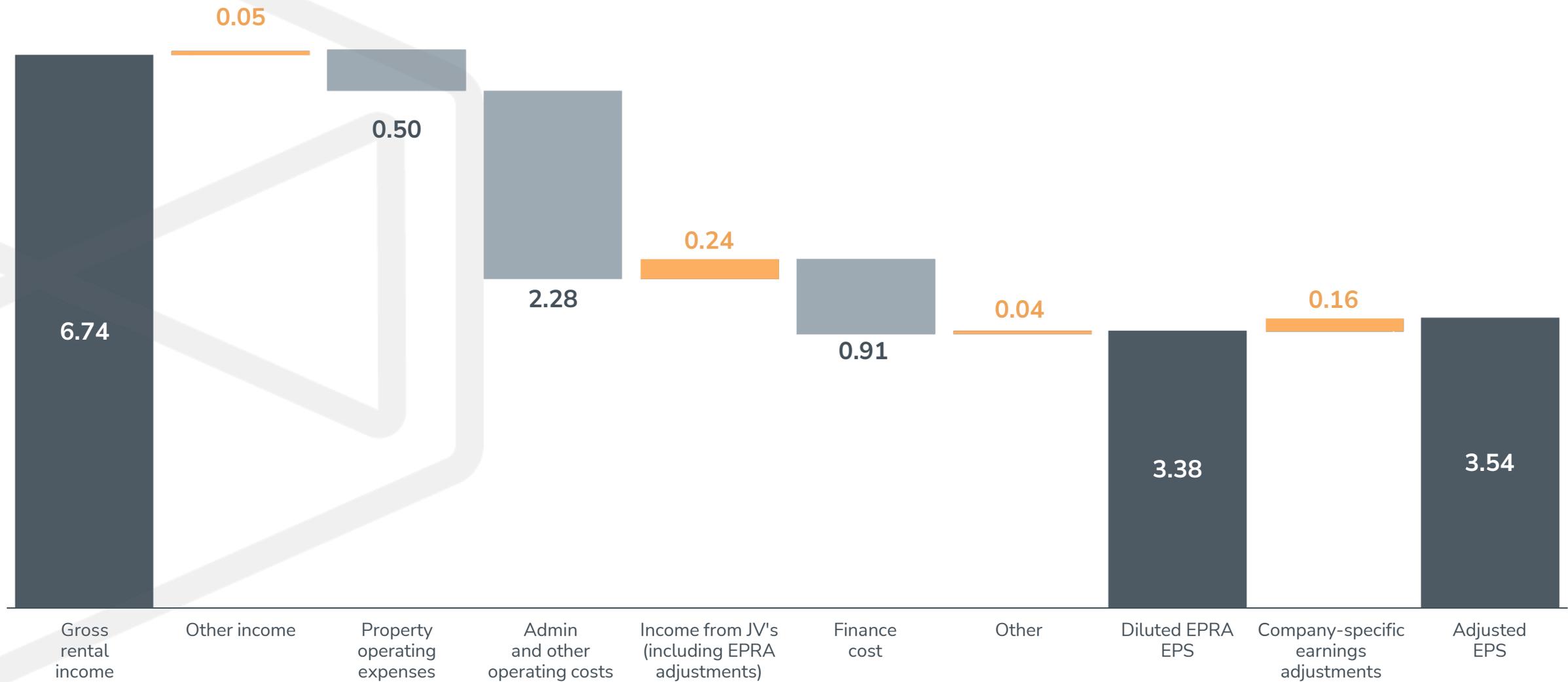


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Appendix 1 Financial Returns

EPRA earnings per share

Pence per share



Income Statement and Earnings

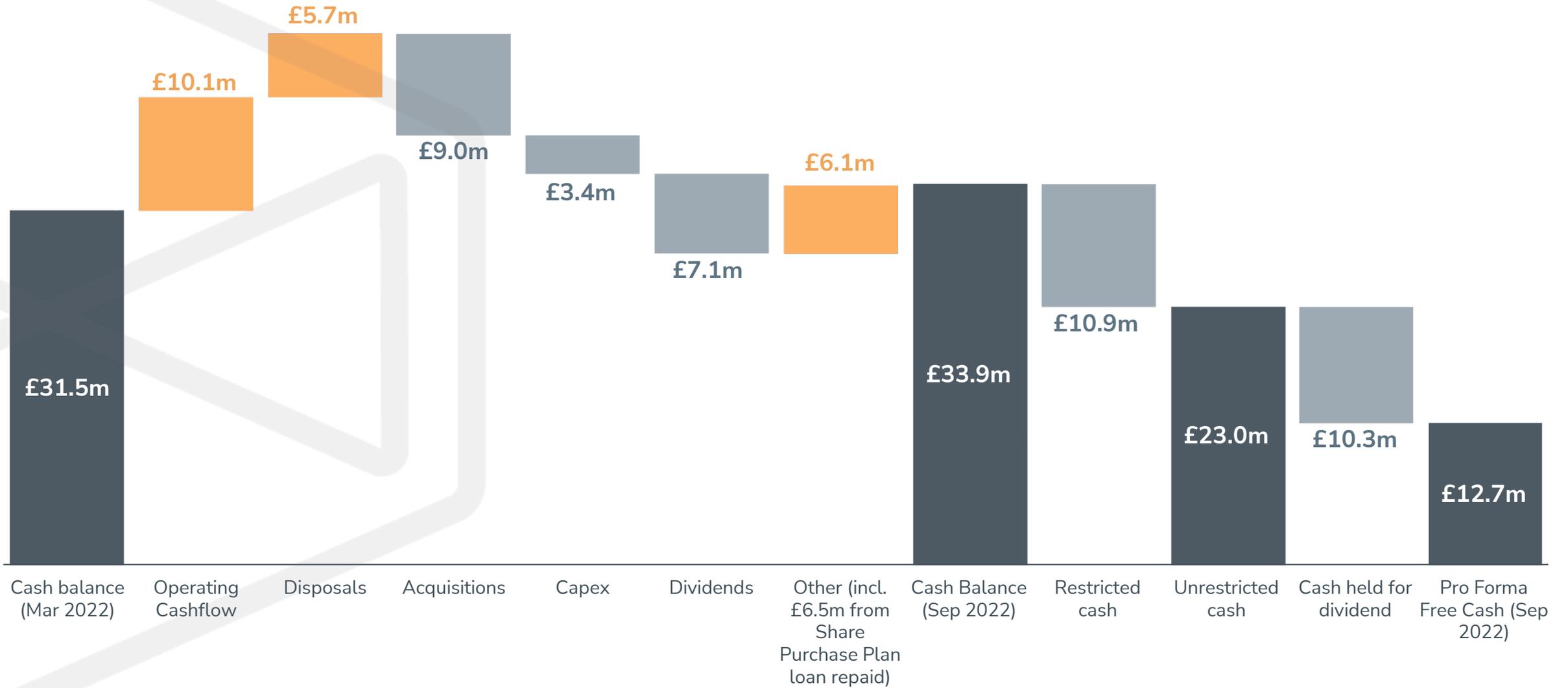
	6 months to 30 September 2022 £m	6 months to 30 September 2021 £m
Net rental income*	18.7	17.4
Management fee income	0.0	0.0
Operating costs*	(6.8)	(5.8)
Net operating income	11.9	11.6
Income from Investment in associates/joint ventures (excl. fair value gains)	0.7	0.8
Net finance costs*	(2.6)	(2.3)
EPRA adjustments and other items*	0.5	(0.1)
Adjusted earnings	10.5	10.0
Adjusted EPS	3.54 pence	3.45 pence

Earnings Yield Dividend Yield

Share price (£1.35) <small>29 November 2022</small>	5.2%	5.2%
EPRA NTA (£1.62)	4.4%	4.3%

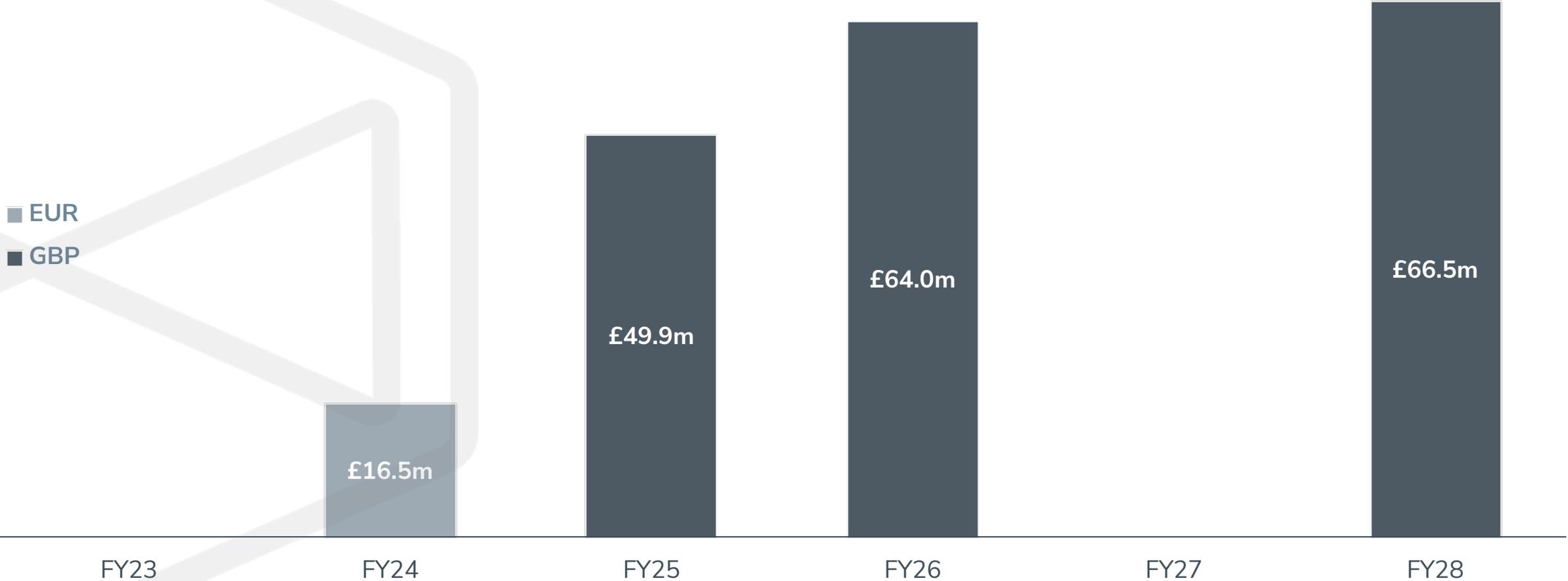
* Includes assets held for sale and discontinued operations

Cashflows



Debt maturity (£m)

■ EUR
■ GBP



Financial summary

Property/Portfolio	Ownership	Loan Value (£m)	Property Value (£m)	Gearing (LTV)	Annualised Passing Rental Income (£m)	Net initial yield
UK						
UK MLI	100%	(180.4)	623.4	29%	38.2	5.8%
Joint ventures						
Care Homes Portfolio	100%	(16.5)	33.1	50%	2.7	7.5%
Portfolio Total		(196.9)	656.5	30%	40.9	5.9%

GBP:EUR exchange rate of 1.1364

Debt summary

Property/ Portfolio	Property Value (Local currency)	Loan Value (Local Currency)	Gearing (LTV)	Margin	Swap (fixed rate)	All in rate	Annual interest expense	Amortisa- tion per annum	Loan Maturity
UK - £m									
UK MLI - £m	623.4	(180.4)	29%	1.74%	0.85% ¹	2.58% ⁴	(4.7)	-	1 Feb '25 ²
Germany - €m									
Care Homes Portfolio	37.6	(18.7)	50%	1.25%	0.63% ³	1.82%	(0.3)	(0.8)	30 Dec '23
Care Homes Portfolio - £m	33.1	(16.5)					(0.3)	(0.7)	
Total (£m)	656.5	(196.9)	30%			2.52%	(5.0)	(0.7)	

1. £20m of the Industrials debt is floating.

2. £50m matures in February 2025, £64m in November 2025 (+ two one-year extension options), and £67m in December 2027

3. 0.52% to 0.63%

4. Based on SONIA rate of 2.19%



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