



**industrials**  
**REIT**

# Annual Results Presentation

For the year ended  
31 March 2022

## Agenda

-  **01** Highlights from Results
-  **02** Strategy and Performance
-  **03** Financial Results
-  **04** Operational Performance
-  **05** Summary and Thoughts
-  **06** Appendices

## Hosts



**Paul Arenson**  
Chief Executive Officer



**James Beaumont**  
Chief Financial Officer



**Julian Carey**  
Managing Director

# Continued strength and momentum in the MLI market



## Financial Highlights

- > 20.8% Like-for-like MLI valuation growth
- > 20.4% EPRA NTA growth to £1.77 per share
- > 25.6% Loan to value

## Operational Highlights

- > Launch of new integrated finance & operating system
- > £98m of MLI acquisitions and £92m of non-MLI disposals
- > Rent collections returning to normal

Company performance is now driven by MLI income and growth



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## 02 Strategy and Performance

# How we unlock The Power of Space



Growth sector

- > Focused on multi-let industrial sub-sector
- > Purpose built, urban assets serving SME businesses
- > Supply/demand imbalance driven by long term global trends



Specialist Operating Platform

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



Resilient and attractive capital structure

- > REIT structure
- > Internalised management
- > Primary listing on LSE
- > 10%+ Total Accounting Return



Space that matters

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

## The four pillars of Industrials REIT

# Strong asset fundamentals

- 1 Railway station
- 2 Bus stop
- 3 Mixed residential and commercial area
- 4 Restaurant
- 5 HGV access



## Key characteristics

- > Densely populated urban locations
- > Multiple units
- > Diverse customer base
- > Accessible locations via road and public transport
- > Local amenities
- > Low site density

Versatile space in densely populated urban areas

# A sector with long term growth potential

-  A Units capable of combining and sub-division
-  B Simple design and construction
-  C Clear open space suitable for a variety of uses
-  D 5-10% office content
-  E HGV & pedestrian access



## Key characteristics

- > Flexible business space
- > Longstanding design with low obsolescence
- > Low maintenance
- > Typically 1,000 to 10,000 sq ft unit size
- > Solar and EV potential
- > Presentable common parts suitable for customer facing and back office activities
- > Affordable rents of c. 1-3% of turnover

Space which works for a wide range of businesses

## Space which is about more than logistics

- > Demand is driven by eCommerce and technological change
- > Distribution supports our customers' business models

### but

- > Urban locations vs out of town
- > Much more expensive to build
- > Fully diversified occupier base and income stream
- > Greater asset management potential
- > Offers a service proposition
- > Value in the building, not the lease

Metric	Industrial Peer Group*	Industrials REIT
Top 10 tenants as % of rent	37%	11%
Largest tenant	7.0%	1.8%
Pure logistics weighting	21%	3%

\* Peer group: SEGRO, Warehouse REIT, Urban Logistics REIT, London Metric)

**Industrials REIT income is highly diversified by customer number, type and geography**

# How our Platform unlocks The Power of Space

A platform which can:

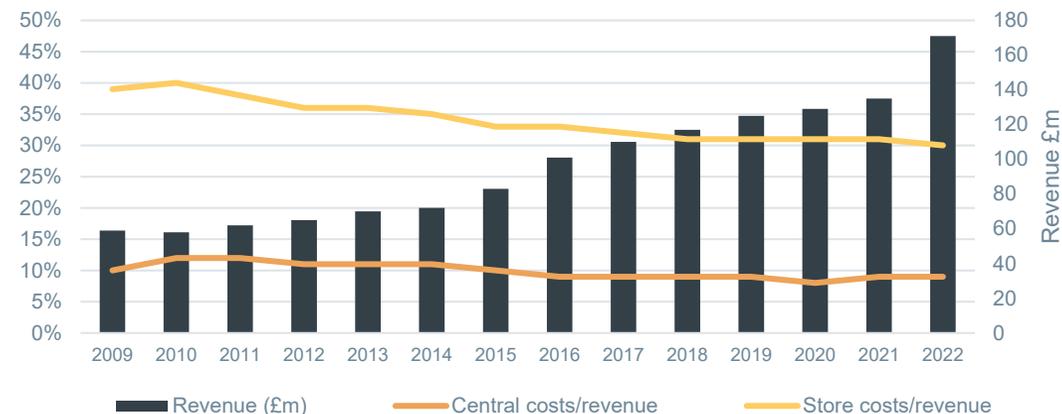
- > Manage a high volume of transactions at a low marginal cost
- > Deliver quality service throughout the customer lifecycle
- > Enable new revenue opportunities
- > Enhance operating efficiency across the business
- > Support business growth and deliver economies of scale
- > Deliver long term competitive advantage

Operational REITs vs UK REIT Sector Returns

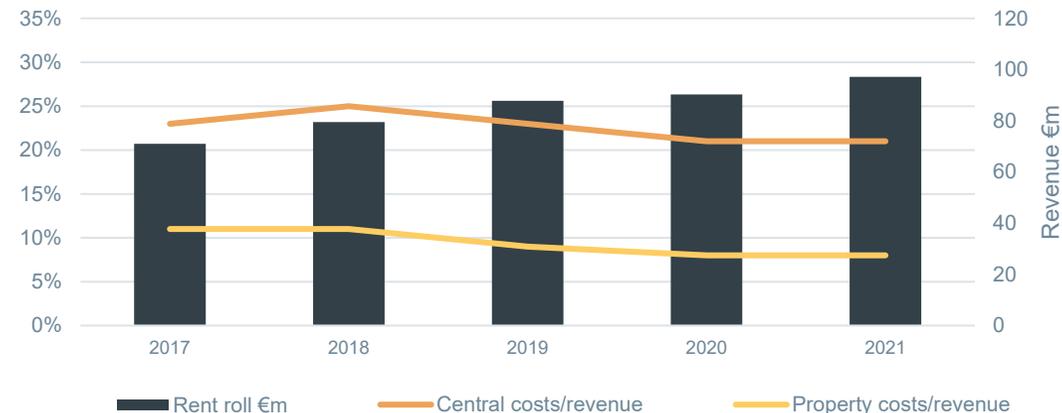


Source: Company data, Panmure Gordon, Datastream. Data as at 6<sup>th</sup> June 2022

Big Yellow reduction in costs/revenue



Sirius reduction in costs/revenue



Source: Company data, Panmure Gordon

Evolving stakeholder requirements are driving the need for real estate platforms

# The right structure

## Key facts:

- > Tax efficient Real Estate Investment Trust
- > Primary listing on the LSE
- > Secondary listing on the JSE
- > Internalised management structure
- > Significant management team alignment
- > Low LTV
- > Fully covered dividend

## What this means:

- > Motivated by shareholder value
- > Ability to raise capital
- > Patient capital with long term investment horizons
- > Index eligibility
- > 10%+ TAR target

A long term, fully aligned approach to investment

# Space that matters



## Key facts:

- > EPRA Bronze
- > TCFD
- > SBTi Net zero target
- > Diversity & inclusion

## What this means:

- > ESG agenda will transform all businesses over the next 20 years
- > What gets measured gets managed
- > 99% of our emissions are Scope 3
- > Focus on building emissions
- > MLI is a sustainable asset class
- > Potential for green energy generation and wide ranging impact

We believe in The Power of Space

# Delivered on FY22 'To Do' list . . .



		Progress
<b>Complete transition</b>	<ul style="list-style-type: none"> <li>&gt; Buy £100m+ of new MLI assets</li> <li>&gt; Disposal of the remaining £127m of non-MLI assets</li> </ul>	<p>£98m of acquisitions £92m of disposals</p>
<b>Change our listing</b>	<ul style="list-style-type: none"> <li>&gt; Move from the Specialist Fund Segment to the Premium Segment of the London Stock Exchange</li> <li>&gt; LSE to become primary listing and JSE to become secondary Stock Exchange</li> </ul>	Complete
<b>Rebrand Stenprop</b>	<ul style="list-style-type: none"> <li>&gt; Enhance alignment between our corporate and trading brands</li> <li>&gt; Improve clarity of purpose for investors</li> <li>&gt; Refurbished office space in London</li> </ul>	Complete
<b>Further development of Industrials Hive Platform</b>	<ul style="list-style-type: none"> <li>&gt; Implement new ERP system</li> <li>&gt; Enable the in-sourcing of several areas of the business to improve customer experience and process</li> <li>&gt; An end-to-end customer management platform</li> </ul>	Complete
<b>Deliver a 10%+ Total Accounting Return</b>	<ul style="list-style-type: none"> <li>&gt; Deliver a 10%+ Total Accounting Return from a combination of earnings and capital growth</li> </ul>	25% TAR for FY22

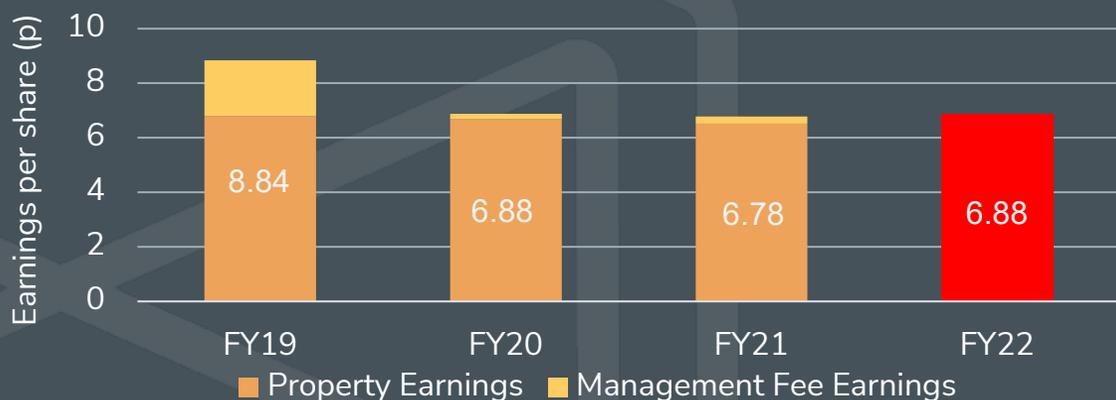


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 03 Financial Results

# Key Financial KPIs

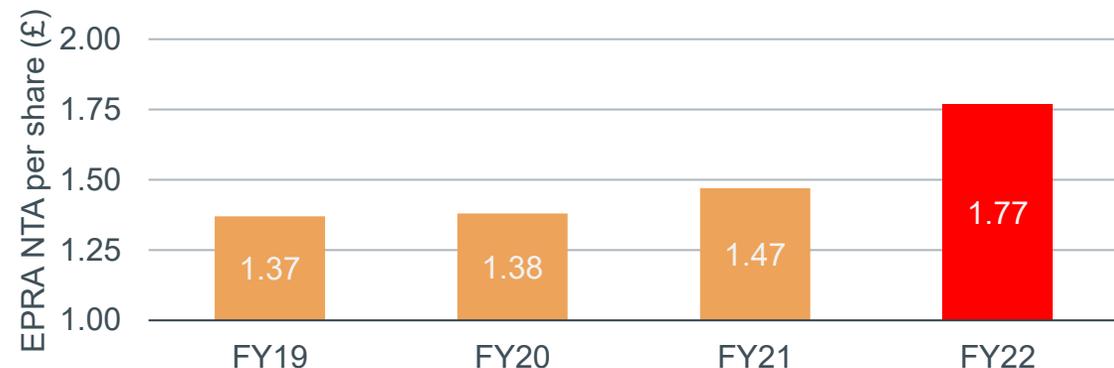
Adjusted earnings per share – 6.88p



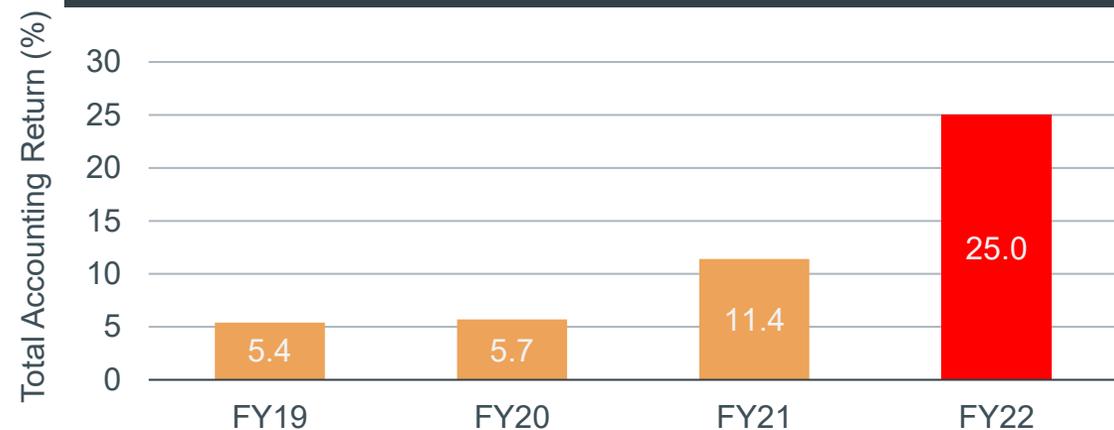
Full Year Dividend per share – 6.85p



EPRA Net Tangible Assets (NTA) per share - £1.77



Total Accounting Return (TAR) – 25.0%



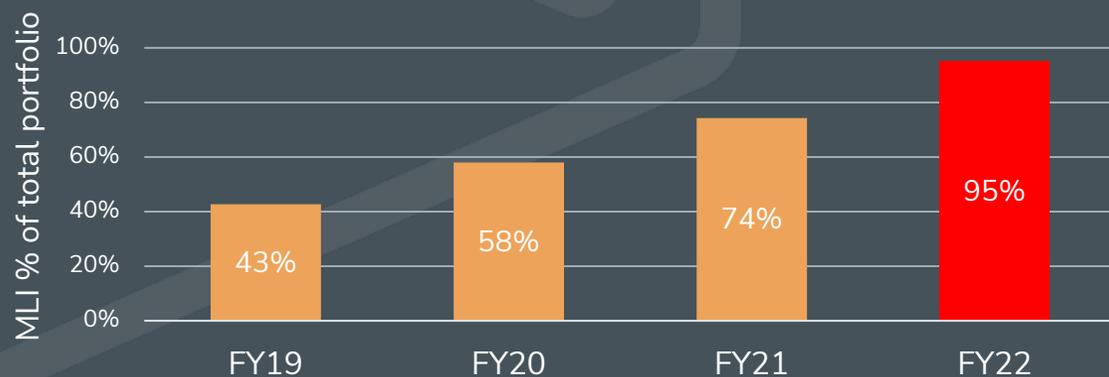
# Operational KPIs

## Rent Collections

Segment	% of portfolio by value (March '22)	Rent collected for FY21 (April '20 – March '21)	Rent collected for FY22 (April '21 – March '22)
UK - MLI	95%	97%	94%
Germany – Carehomes	5%	100%	98%

As at 8 June 2022

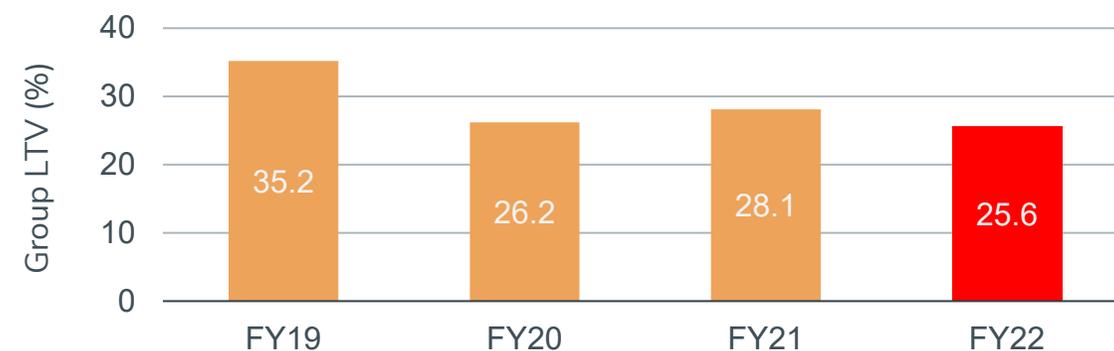
## MLI Portfolio %



## EPRA Cost Ratio %

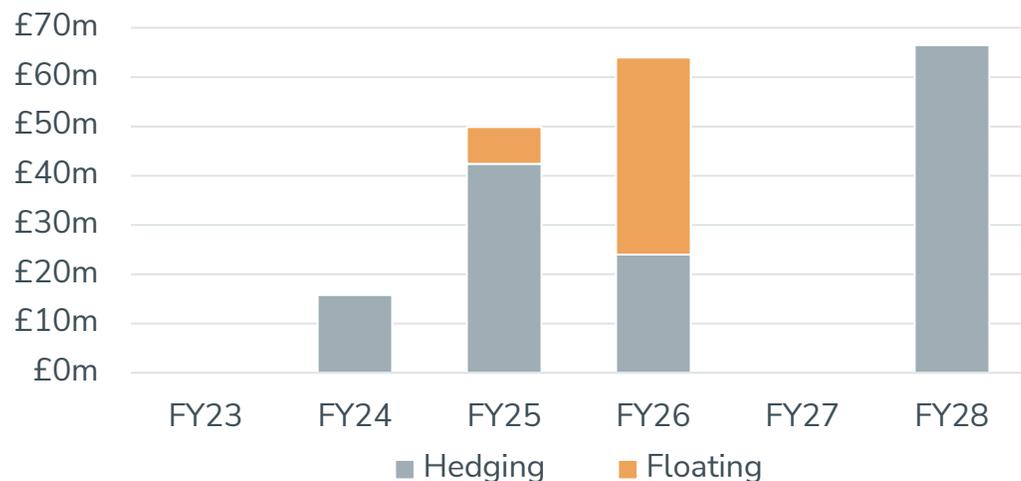


## Group LTV % (incl. unrestricted cash)



# The cost of new debt is rising rapidly

## Loan Maturity and Hedging Profile



**2.16%**

average cost of current debt (including hedging)

**76%**

of debt hedged

**1.74%**

average MLI margin

**2.7%-4.3%**

anticipated cost of new debt subject to level of hedging

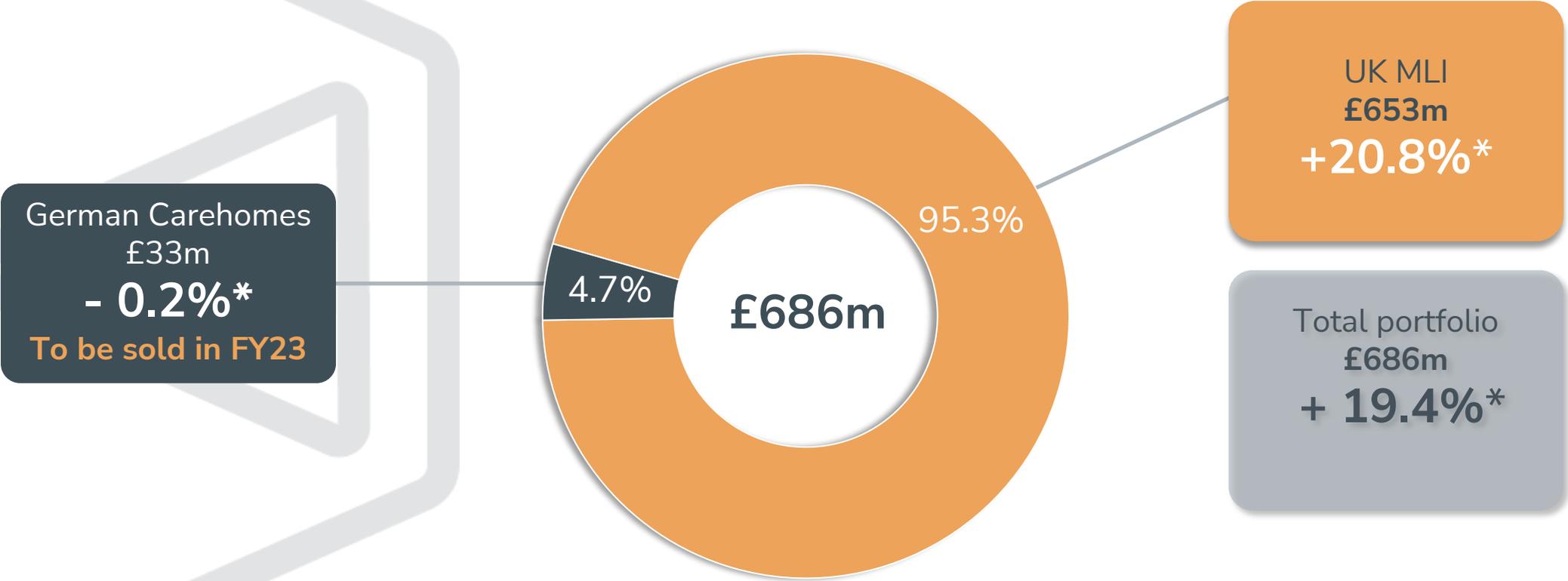
All numbers as at 31 March 2022

## 3-year SONIA Rate (%)



A conservative and resilient debt strategy

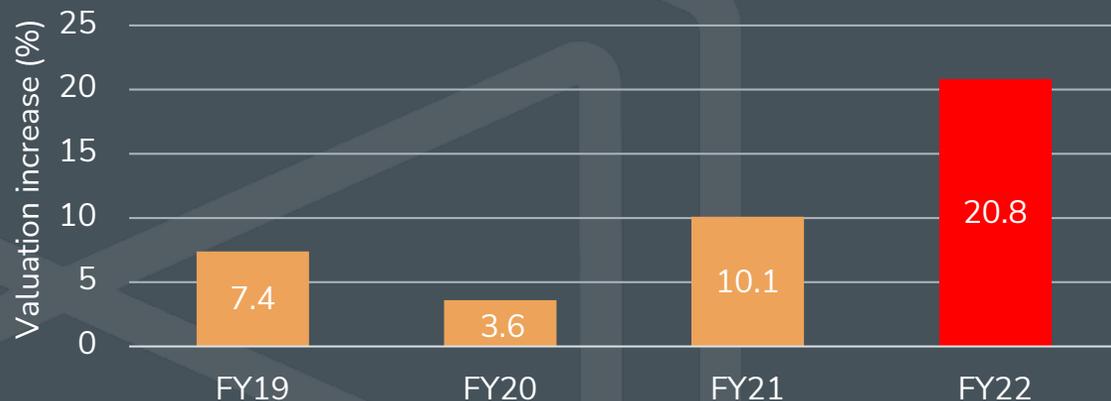
# MLI was 95.3% of total portfolio by value at 31 March '22



\* Like-for-like vs 31 March 2021 valuations

# Strong valuation uplifts driven by yield compression

## Like-for-Like MLI Valuation Increase %



### Top 3 performers by gain

Asset	Valuation gain/loss	Valuation gain %	Reason
Compass Industrials Estate, Speke	+£4.2m	+17.5%	Income growth of 17%
Bradley Hall Trading Estate, Wigan	+£3.6m	+17.2%	Yield compression
Anniesland Business Park, Glasgow	+£3.3m	+22.0%	Yield compression

## UK MLI Valuation Drivers



### Top 3 performers by change

Asset	Valuation gain/loss	Valuation gain %	Reason
Brasenose Road, Liverpool	+£1.7m	+35.4%	29% income growth + occupancy up from 87% to 97% following £800k refurbishment
Clarendon Court, Warrington	+£1.6m	+33.7%	6.2% income growth + yield compression
Phoenix Industrial Estate, West Bromwich	+£0.9m	+29.7%	10% income growth + yield compression



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## 04 Operational Performance

# Fully diversified and growing income

**7,120,135**  
sq ft

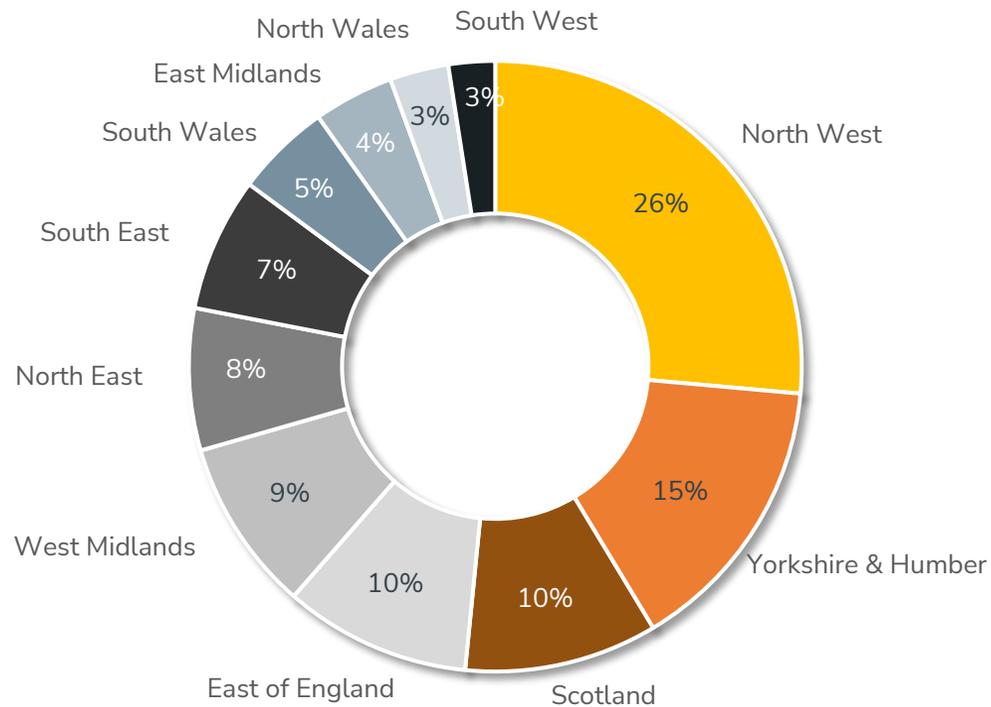
**1,801**  
Units

**104**  
Assets

**1512**  
Customers

Note: Excludes long-leasehold units and yard areas

## Geographic breakdown by area



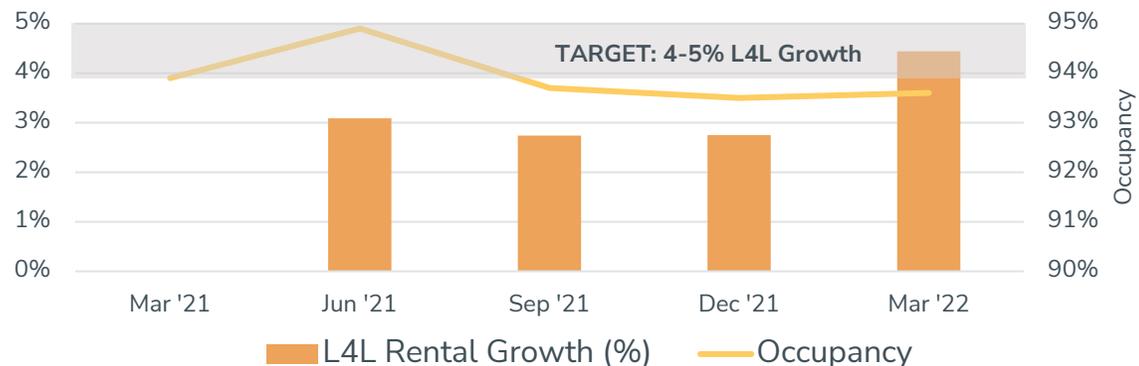
## Highly diversified portfolio

### Top 10 customers breakdown by sector

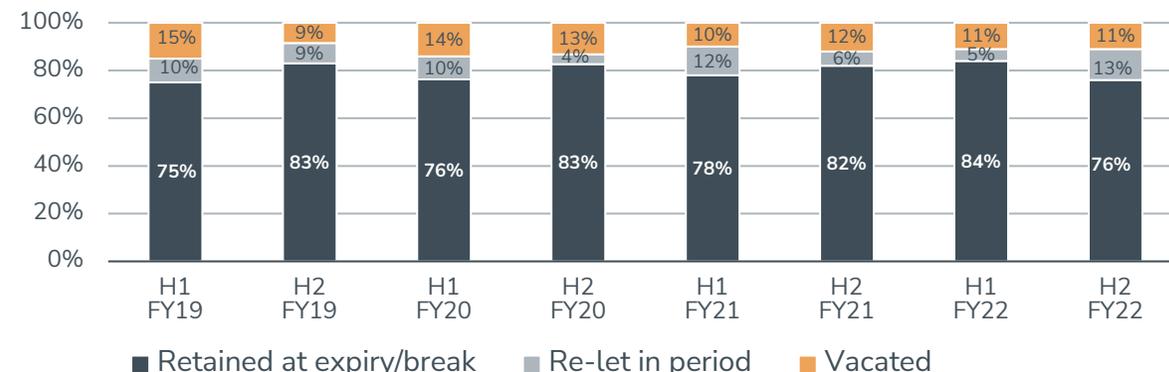
%	Company	Classification	Industry
1.8%	Thames Water	Water supply	Utilities
1.6%	Restore Plc	Administrative & Support Services	Archiving
1.3%	Pharmapac (U.K.)	Manufacturing	Healthcare
1.1%	JD Sports Gyms	Leisure	Gym
1.0%	Siemens	Manufacturing	Railways
0.9%	Rexel UK	Wholesale & Retail Trade	Building materials
0.9%	Booker	Wholesale & Retail Trade	Cash'n'carry
0.8%	Unifrax Emission Control Europe	Manufacturing	Building Materials
0.7%	Kerry Ingredients (UK)	Manufacturing	Food
0.7%	Jigsaw Foods	Manufacturing	Food

# MLI Operational KPIs

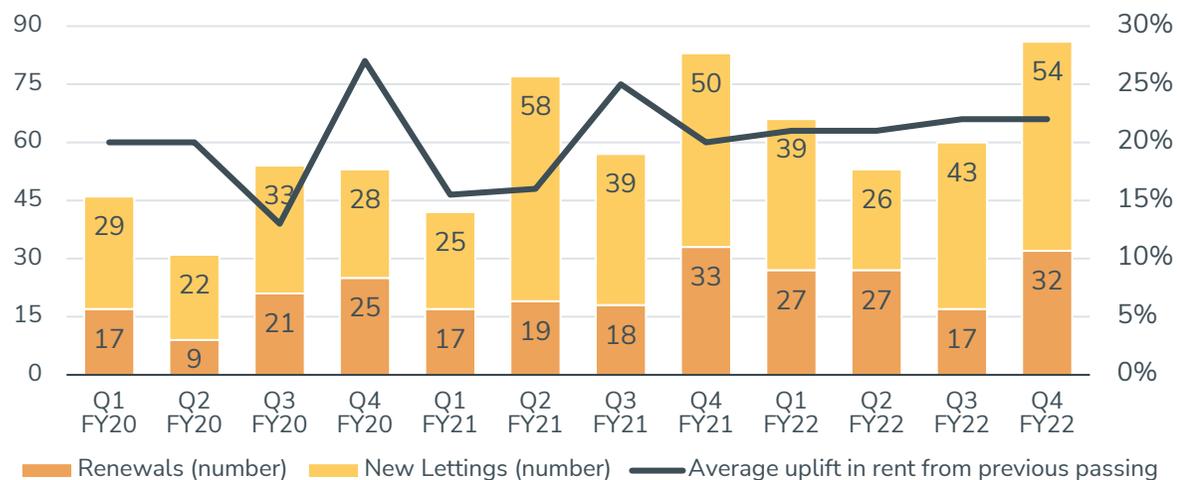
## L4L cumulative passing rental growth and occupancy



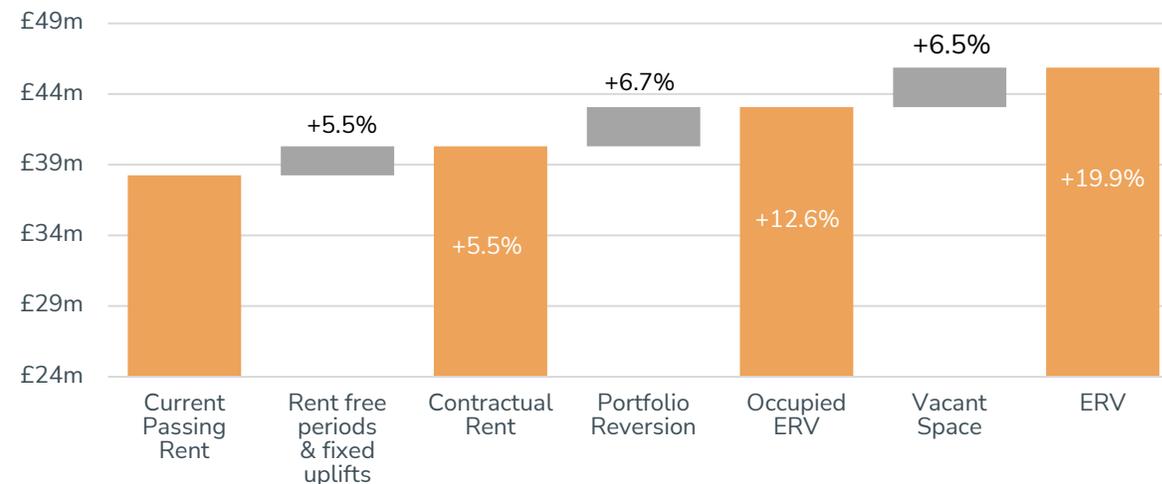
## Tenant Retention



## Lettings and Renewals and average uplift from passing rent



## Rent Bridge as at 31 March 2022



# Executing on strong pipeline of MLI opportunities

	Acquisitions 12 months to 31 Mar '22	Remaining portfolio (at 31 March '22)
Number of assets	16	88
Value at March '22	£104 million	£550 million
Capital value psf (excl. yards and land)	£77	£86
Passing Rent	£6.5 million	£32.0 million
ERV Reversion (% uplift from passing)	19%	11%
Vacancy	1.5%	6.4%
Net Initial Yield	6.4%	5.5%



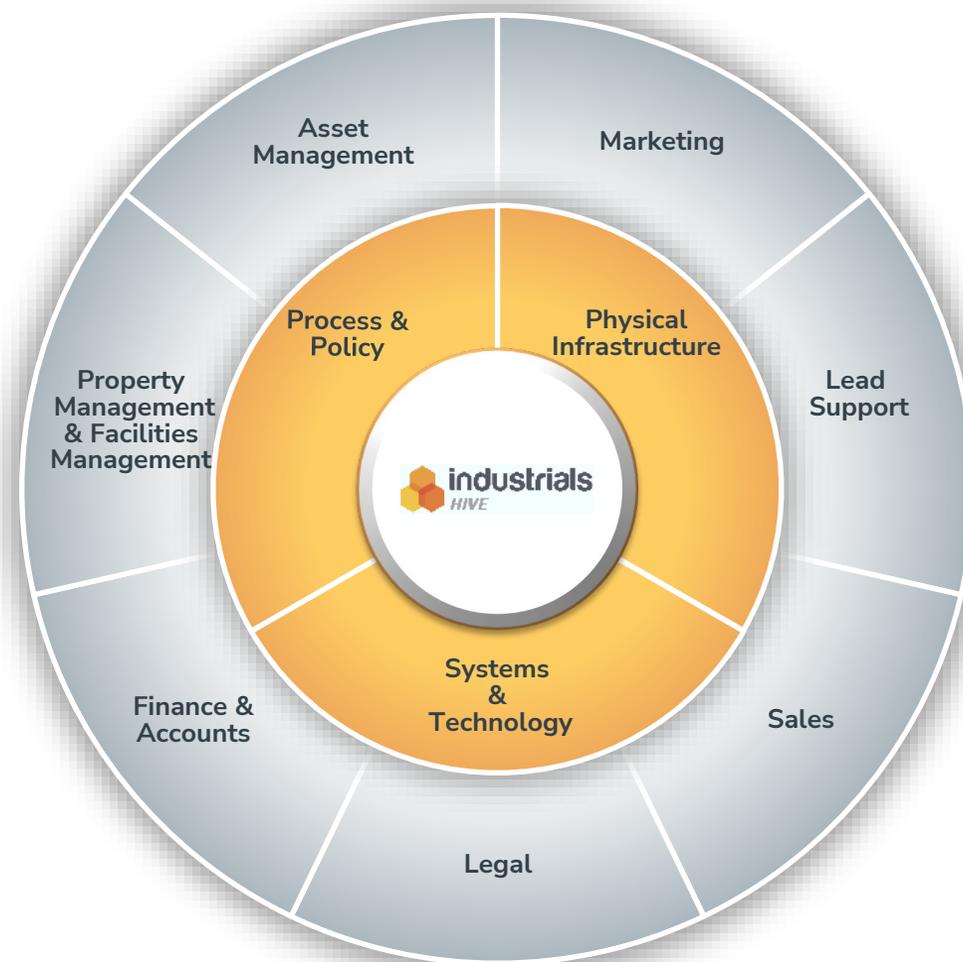
# Industrials Hive Constant (R)evolution

## Changes this year:

- > Launch of integrated finance & operating system
- > Internalisation of property accounting
- > Evolution of digital marketing & customer lifecycle marketing
- > 16 new hires in FY22, including a Senior Development Manager, BI & Data Engineer, Head of Facilities Management and Inbound Lead Support.

## Plans for next year:

- > Internalisation of facilities management;
- > Process optimisation and enhancements in operational efficiency;
- > Further evolution of customer lifecycle marketing;
- > Data enhancements to aid reporting, decision making and process management.





1

### Marketing

- > Digital and online media management ('The Vault')
- > Industrials.co.uk website
- > Property Portals (Realla, Zoopla etc.)
- > Social media



2

### Enquiry

- > Live chat
- > Enquiries collation
- > Lead qualification
- > Waitlist management
- > SMS confirmations
- > Viewings



3

### Viewing

- > Block bookings
- > Customer Engagement Manager team
- > Comparable evidence
- > Customer feedback and reviews



4

### Offer

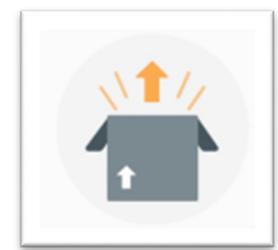
- > Smart Lease
- > Traditional lease
- > Fixed price leasing



5

### The legal bit

- > KYC Checks
- > Online lease generation
- > Digital signing
- > Cash management



6

### Welcome!

- > Welcome packs
- > Email marketing
- > Automated lease set-up
- > Ongoing customer management

**The Industrials Hive delivers the right product at the right time by supporting our people with cutting-edge technology**

# The Power of Space for impact

## Direction

- > SBTi path to net zero
- > Setting out short & medium term targets

## Reporting

- > SECR and TCFD disclosures
- > TCFD Roadmap Report
- > EPRA Bronze & Most improved awards

## Performance

- > Integration of ESG targets across our business
- > EPC assessment complete with greater focus on targeted works
- > 100% green electricity on all landlord supplies
- > Sustainable development targets



## Governance

- > ESG Steering Group
- > ESG Risk register
- > ESG linked remuneration
- > ESG clause within leases

## Data

- > Using the Hive to measure a wider array of data;
- > Identifying and measuring our carbon footprint
- > Modelling the impact of different initiatives

## Engagement

- > Employee satisfaction surveys
- > Customer engagement surveys
- > Enhanced Materiality Assessment
- > Focused action on matters to our stakeholders

# EPC Improvement Assessment

## What

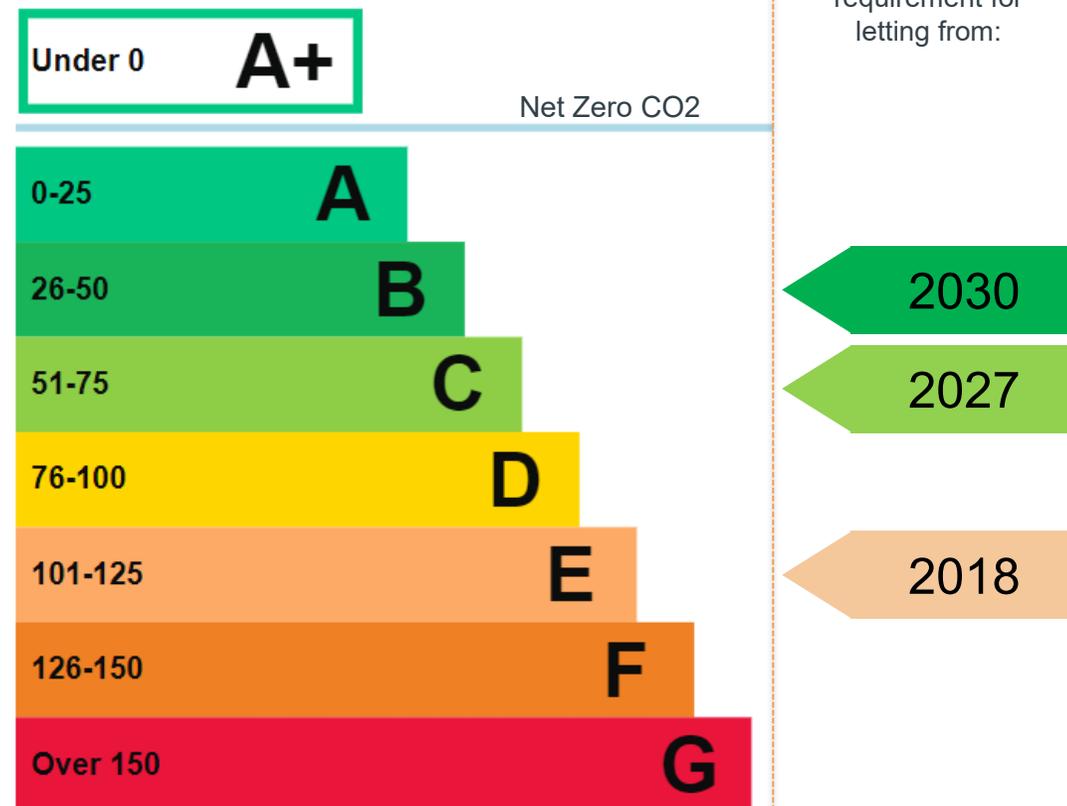
A project to assess the likely cost of meeting (or exceeding) the compliance levels for EPCs on new lettings and renewals in England and Wales.

## Why

Since 2018 it has been necessary to have an EPC score of and E or better when completing a letting in England and Wales.

By April 2027 it will be necessary to have an EPC score of a C or better to complete a letting, increasing to no less than a B by April 2030.

This is part of wide reaching legislation to force improvements to the UK building stock with a view to reducing carbon emissions.



EPC regulations are tightening at the point of letting

## EPC Improvement Assessment

### How

Desk based assessment of 136 units with a current average EPC grade of D. Using a limited set of plausible improvement works, an assessment was carried out to see what works were required to improve the EPC rating to a minimum grade of B.

### Result

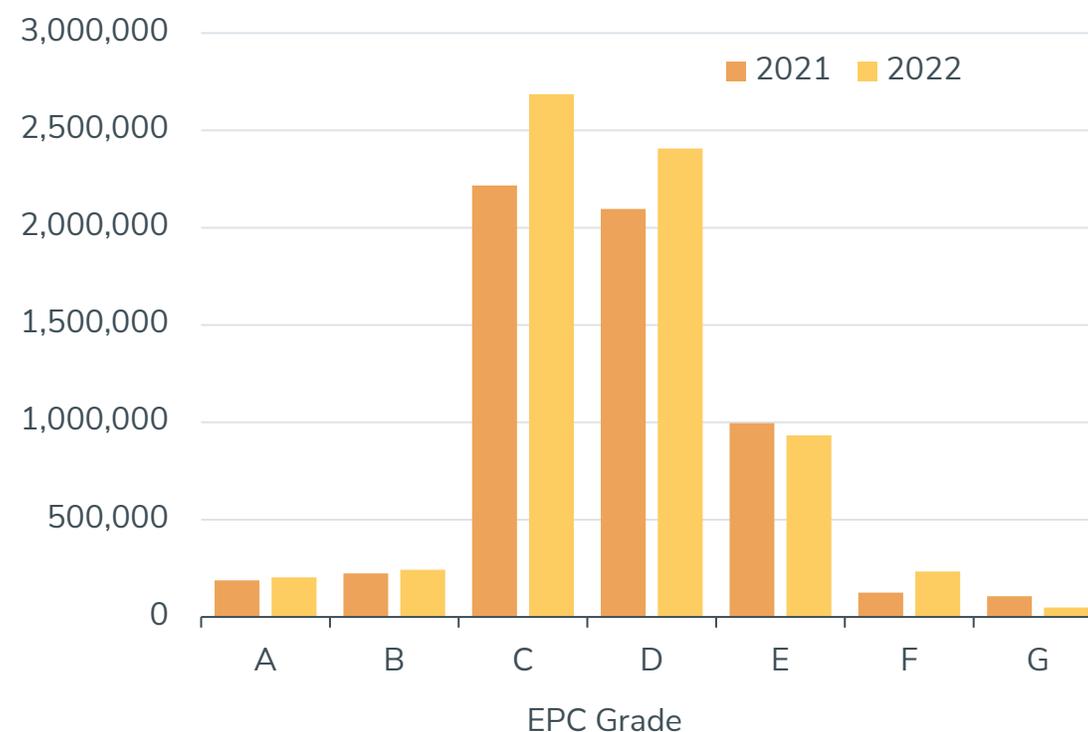
It was possible to improve all units appraised to a minimum of B, with some even reaching A+ (zero carbon). The average score improved from 94 (low Grade D) to 36 (mid Grade B).

The most impactful works were upgrading lighting, removing warehouse heaters and installing solar panels.

Average expenditure was estimated at £6 psf, reducing to £2.70 psf when excluding the cost of solar panels (which would be revenue generating).

Excluding solar installations, this extrapolates to a **capital** investment of c. £22m across our portfolio by 2030 (c. £3m per annum).

Current Portfolio EPC Grade by Area (sq ft)



MLI assets are sustainable and can be significantly upgraded with moderate capital investment



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 05 Summary and Thoughts

# Summary

- > 25.0% Total Accounting Return
- > 20.4% EPRA NTA growth
- > 6.88p Adjusted EPS
- > 6.85p fully covered dividend

## Strong Financial Performance

- > 4.4% like-for-like rental growth
- > 4.3% like-for-life ERV growth
- > 22%+ average uplift in passing rent at renewal or letting
- > 20.8% L4L valuation growth

## MLI Growth

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## Goals for FY23

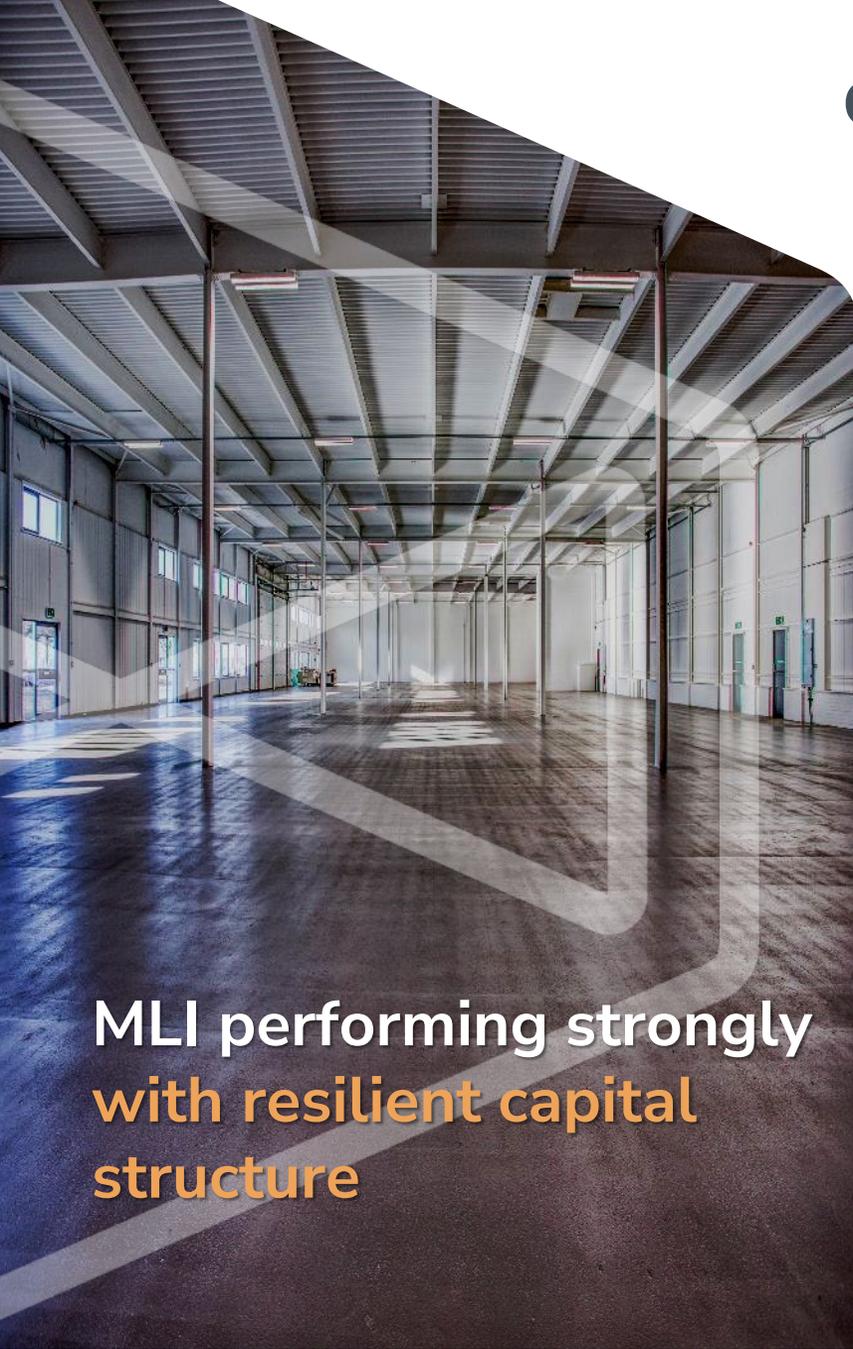
- > Continue to capture MLI growth
- > Streamlining operational processes
- > Seek to exploit scale opportunity
- > Advance ESG policies and reduce carbon emissions

## Resilient Fundamentals

- > 25.6% Loan to Value
- > <11% of income from Top 10 tenants
- > Inelastic supply with low vacancy
- > Industrials Hive driving efficiencies and revenue

Target dividend of 6.85p+ for the year ending March 2023

# Closing thoughts



MLI performing strongly  
with resilient capital  
structure

1. Rents continue to grow and remain affordable
2. We have a strong balance sheet with conservative leverage
3. Investment yields have hardened significantly whilst debt costs have doubled. Is this sustainable?
4. Labour shortages and rising interest rates and inflation are a concern, but MLI offers protection due to low supply, diversified income and the ability to pass on rising costs
5. Operating businesses tend to out-perform in challenging conditions
6. Our assets are emerging as highly sustainable investments
7. Scaling the business can provide significant upside

## Q&A?

**Register to join:**  
**Industrials REIT Trading Update FY23 Q1**  
(quarter ending 30<sup>th</sup> June 2022)

**Date:** Friday 29<sup>th</sup> July 2022  
**Time:** 9:00am – 9:30am BST  
[Register here.](#)

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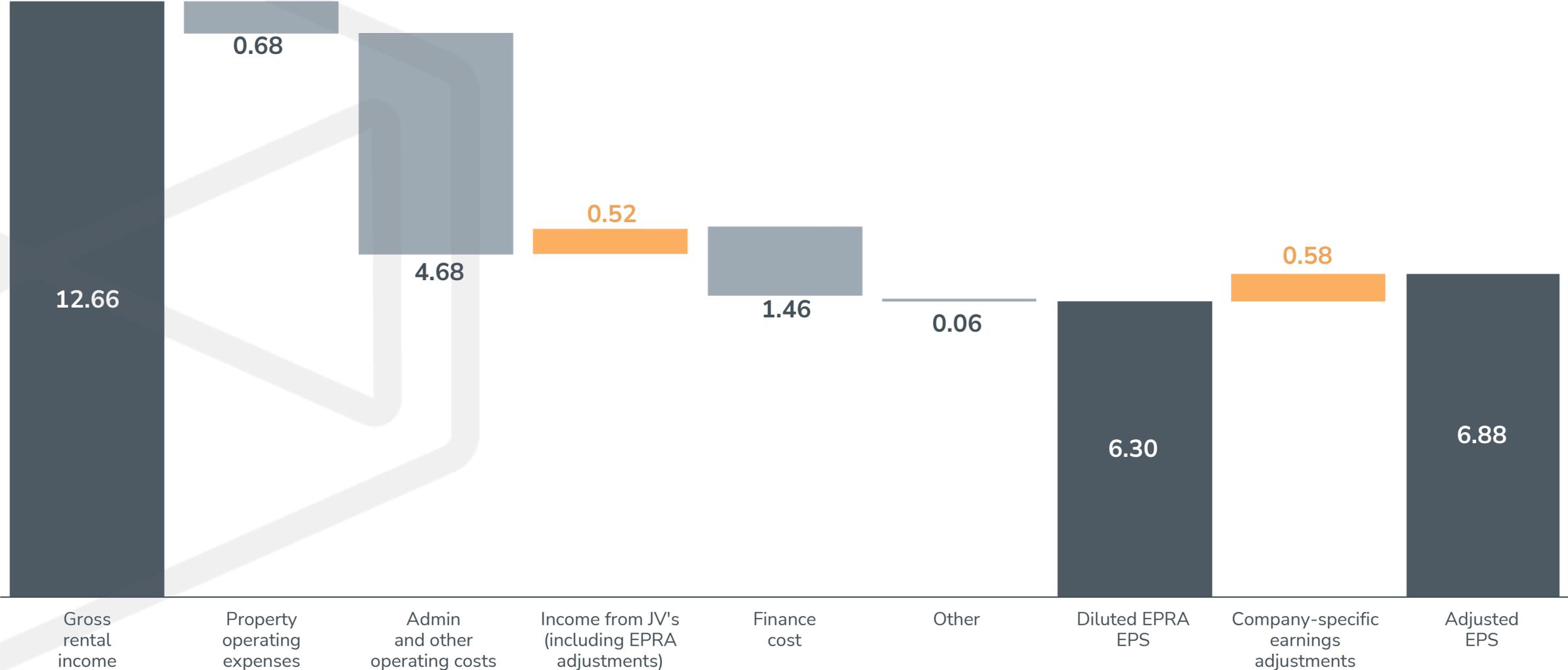
## REIT

### Appendix 1

## Financial Returns

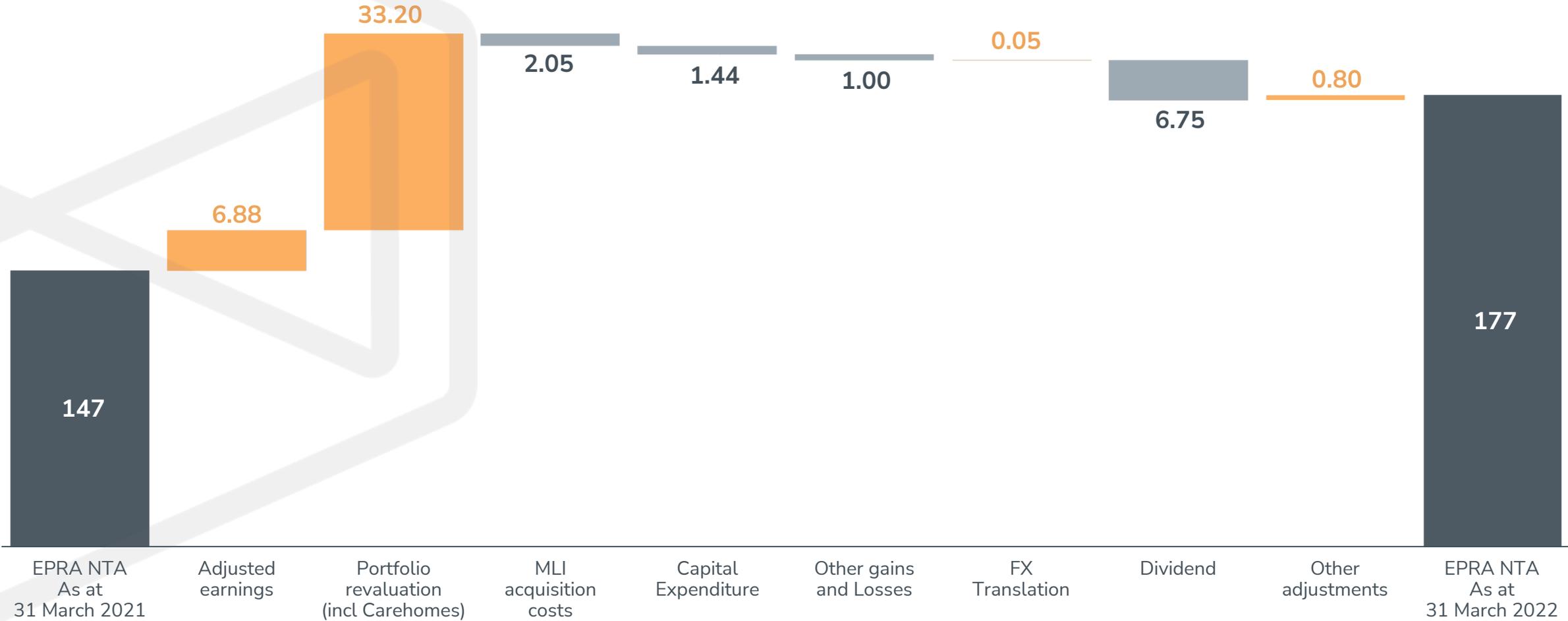
# EPRA earnings per share

Pence per share



# NAV movement 31 March 2021 to 31 March 2022

Pence per share



# Income Statement and Earnings

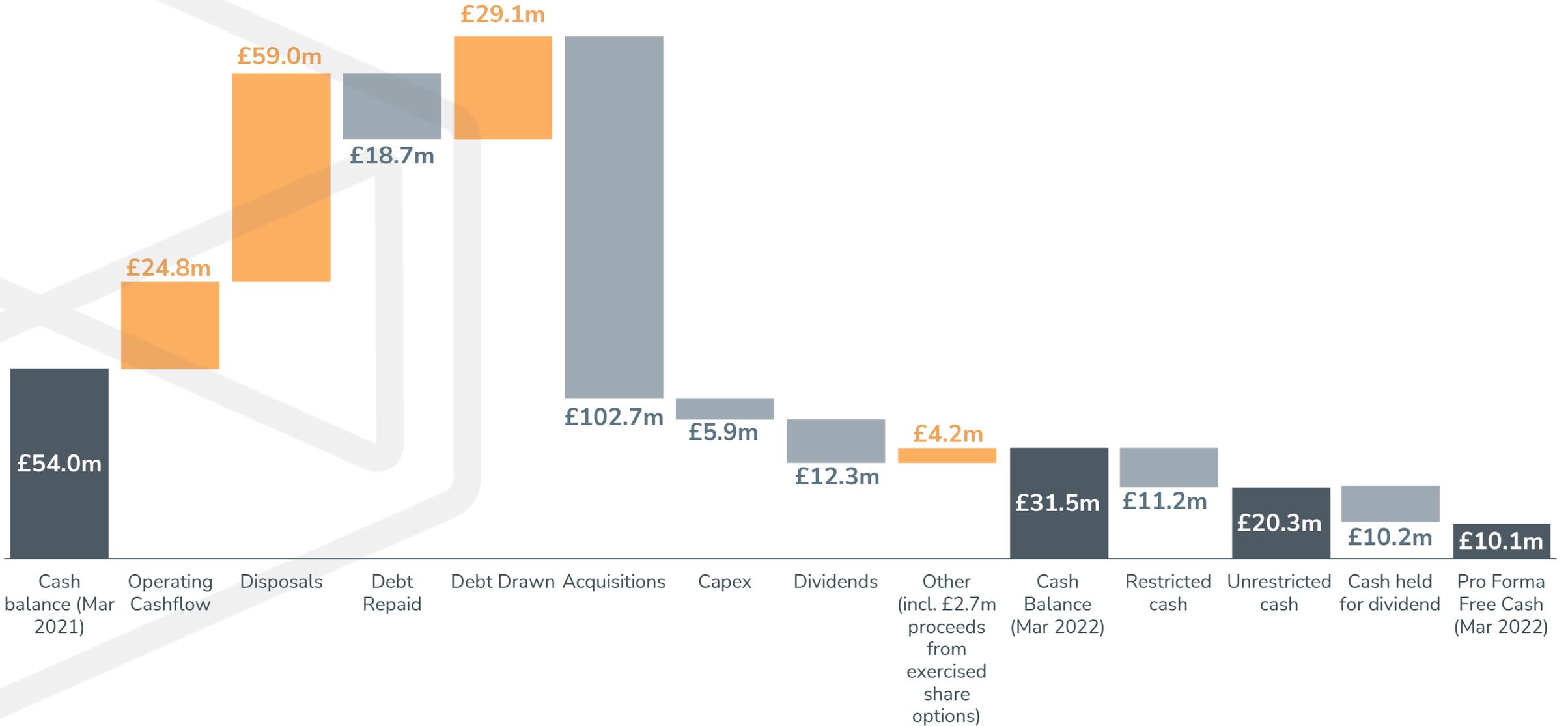
	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Net rental income*	35.1	32.4
Management fee income	0.0	0.7
Operating costs*	(13.7)	(10.6)
<b>Net operating income</b>	<b>21.4</b>	<b>22.5</b>
Income from Investment in associates/joint ventures (excl. fair value gains)	1.5	1.4
Net finance costs*	(4.3)	(5.9)
EPRA adjustments and other items*	1.5	1.4
<b>Adjusted earnings</b>	<b>20.1</b>	<b>19.4</b>
Adjusted EPS	6.88 pence	6.78 pence

## Earnings Yield Dividend Yield

Share price (£1.80) <small>6 June 2022</small>	3.8%	3.8%
EPRA NTA (£1.77)	3.9%	3.9%

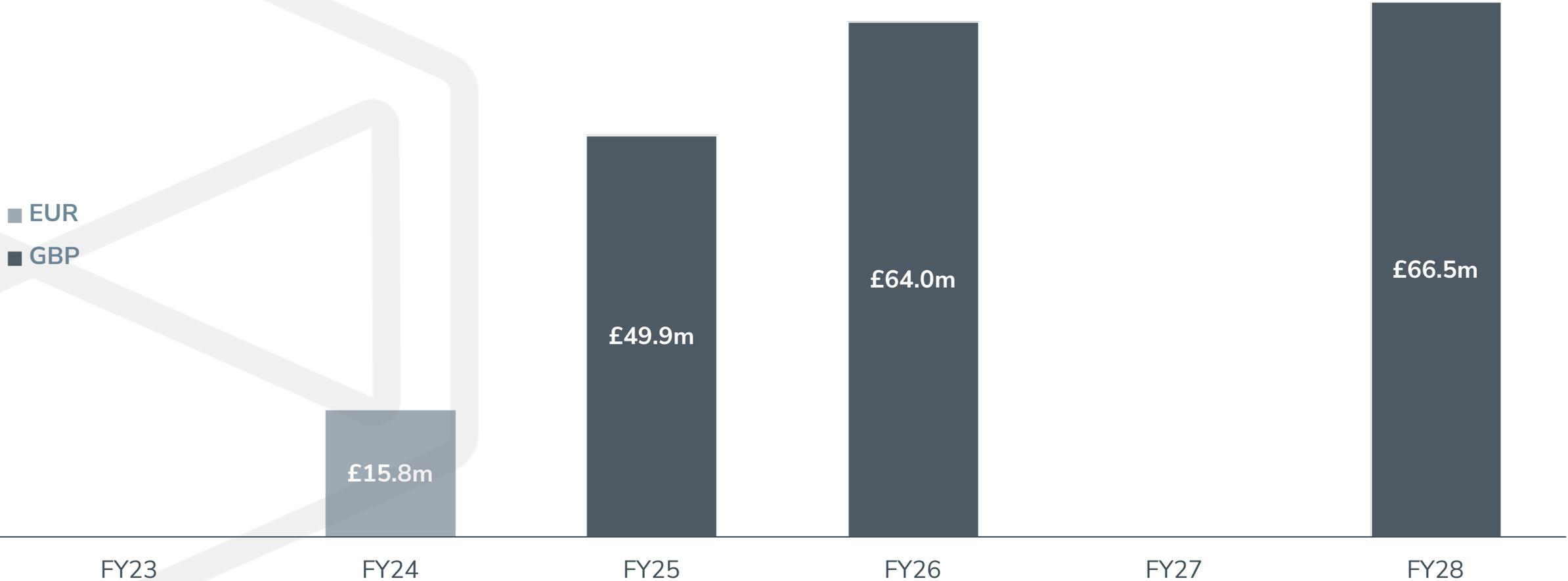
\* Includes assets held for sale and discontinued operations

# Cashflows



# Debt maturity (£m)

■ EUR  
■ GBP



# Financial summary

Property/Portfolio	Ownership	Loan Value (£m)	Property Value (£m)	Gearing (LTV)	Contractual Rent <sup>1</sup> (£m)	Net initial yield
<b>UK</b>						
UK MLI	100%	(180.4)	653.5	28%	38.2	5.5%
<b>Joint ventures</b>						
Care Homes Portfolio	98%	(15.8)	32.3	49%	2.5	7.2%
<b>Portfolio Total</b>		<b>(196.2)</b>	<b>685.8</b>	<b>29%</b>	<b>40.7</b>	<b>5.6%</b>

GBP:EUR exchange rate of 1.1816

<sup>1</sup>. Excludes potential rent on vacant space

# 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
<b>UK - £m</b>									
UK MLI - £m	653.5	(180.4)	28%	1.70%	0.24% <sup>1</sup>	2.19%	(3.9)	-	1 Feb '25 <sup>2</sup>
<b>Germany - €m</b>									
Care Homes Portfolio	38.1	(18.7)	49%	1.25%	0.63% <sup>3</sup>	1.82%	(0.3)	(0.7)	30 Dec '23
Care Homes Portfolio - £m	32.3	(15.8)					(0.3)	(0.6)	
<b>Total (£m)</b>	<b>685.8</b>	<b>(196.2)</b>	<b>29%</b>			<b>2.16%</b>	<b>(4.2)</b>	<b>(0.6)</b>	

1. £47m of the Industrials debt is floating.

2. £50m matures in February 2025, £64m in November 2025, and £67m in December 2027

3. 0.52% to 0.63%



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## Appendix 3 Shareholder Profile

# Share Information

## Current share metrics

Diluted EPRA NTA / share

**177p**

(as at 31 March 2022)

Current share price

**180p**

(as at 6 June 2022)

Dividend yield  
on share price

**3.8%**

Dividend yield  
on EPRA NTA

**3.9%**

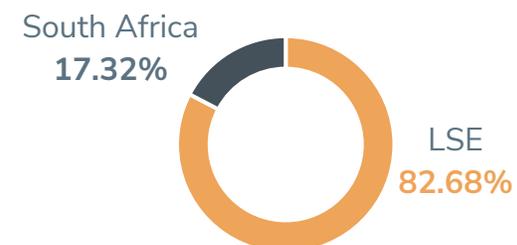
Top 10 Shareholders holding  
as at 27 May 2022

	% Holding
Thames River Capital	9.69
Individuals	7.57
Trusts	7.41
abrdrn	7.24
Directors	7.19
Lombard Odier Darier Hentsch	5.13
Investec Wealth & Investment	5.04
Public Investment Corporation (PIC)	4.49
Private Companies	4.39
Credo Capital	2.69
<b>Total</b>	<b>60.84</b>

## Share Price High/Low

	12 month high	12 month low
LSE	204.00p	144.00p
JSE	R44.00	R28.81

## Stock Exchange Split



## Shareholders by region



No. of shareholders: 2,184



# industrials

## REIT

### Appendix 4

### Organisation Structure

# Organisation Chart

## Board of Directors

### Executive Directors

<p><b>Paul Arenson</b> Chief Executive Officer</p>	<p><b>James Beaumont</b> Chief Financial Officer</p>	<p><b>Julian Carey</b> Managing Director</p>

### Non-Executive Directors

<p><b>Richard Grant</b> Independent Non-Executive Chairman</p>	<p><b>Phil Holland</b> Independent Non-Executive Director</p>	<p><b>Patsy Watson</b> Non-Executive Director</p>	<p><b>Paul Miller</b> Senior Independent Director</p>	<p><b>Richard Smith</b> Independent Non-Executive Director</p>	<p><b>Louisa Bell</b> Independent Non-Executive Director</p>
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### Committees

<ul style="list-style-type: none"> <li>&gt; Nominations (chair)</li> <li>&gt; Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Audit &amp; Risk (chair)</li> <li>&gt; Nominations</li> <li>&gt; Remuneration</li> <li>&gt; Social &amp; Ethics (chair)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Nominations</li> <li>&gt; Social &amp; Ethics</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Audit &amp; Risk</li> <li>&gt; Nominations</li> <li>&gt; Remuneration (chair)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Audit &amp; Risk</li> <li>&gt; Remuneration</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit &amp; Risk</li> <li>▶ Remuneration</li> <li>▶ Social &amp; Ethics</li> </ul>
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## Senior Managers

<p>Asset Management</p> <p><b>Simon Ross</b> Department Head</p>	<p>Investments</p> <p><b>Will Lutton</b> Department Head</p>	<p>Finance and Analysis</p> <p><b>Mike Handley</b> Department Head</p>	<p>Debt and Special Projects</p> <p><b>James Wakelin</b> Department Head</p>	<p>Legal, Compliance and HR</p> <p><b>Sarah Bellilchi</b> Department Head</p>	<p>Sales &amp; Marketing</p> <p><b>John Whitley</b> Department Head</p>
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