



**WARE  
HOUSE  
REIT**

**THE SPECIALIST  
WAREHOUSE INVESTOR**

**HALF YEAR RESULTS  
FOR SIX MONTHS ENDED 30 SEPTEMBER 2020**

**WAREHOUSE REIT PLC**

**TILSTONE**





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- Performance – The performance of the Company would be adversely affected by a downturn in the UK property market in terms of market value or a weakening of rental yields.
- Operational Performance – Both rental income and market value of the properties acquired by the Company will be affected by the operational performance of the properties or the related business being carried on in the property and the general financial performance of the tenants.
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- Competition - The Company may face significant competition from other UK or foreign property investors. The existence of such competition may have a material adverse impact on the Company's ability to acquire properties and to secure tenants for its properties at satisfactory rental rates and on a timely basis.
- Regulatory Compliance - The Company cannot guarantee that the Group will maintain continued compliance with all of the REIT conditions. If the Company fails to maintain its REIT status, its rental income and capital gains may be subject to UK taxation which could have a material impact on the financial condition of the Company.
- Borrowing - The Company intends to use borrowings to acquire further properties and those borrowings may not be available at the appropriate time or on suitable terms. If borrowings are not available on suitable terms or at all this will have a material adverse impact on the returns to Shareholders and in particular the level of dividends paid. Whilst the use of borrowings should enhance the NAV where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Company's portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company.
- Development & Maintenance - Any development or refurbishment works may involve significant costs and may be adversely affected by certain restrictions. This could cause the resulting revenues to be lower than budgeted, and may cause the asset to fail to perform in accordance with the Company's investment projections, consequently impacting on the financial condition of the Company.

## AGENDA

- Introduction 3
  - Andrew Bird
- Financial results 5
  - Peter Greenslade
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  - Paul Makin/Andrew Bird
- Outlook 18
  - Andrew Bird
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Externally managed by an experienced team  
Tilstone Partners – Investment Adviser



Andrew Bird MRICS  
Tilstone Partners  
Managing Director



Peter Greenslade FCA  
Tilstone Partners  
Finance Director



Paul Makin MRICS  
Tilstone Partners  
Investment Director



Simon Hope FRICS  
Tilstone Partners - Chairman  
Warehouse REIT  
Non-Executive Director



## FULL YEAR RESULTS – KEY HIGHLIGHTS

- **Further progress across the business**
  - High rent collection rates at 97.4% for Q2 and 97.1%<sup>(1)</sup> for Q3
  - As at 29 October 2020, 92.6% of rent for Q4 collected to date including 4.4% agreed monthly/deferred payments
  - New lettings 8.5% ahead of March 2020 ERVs
  - Lease renewals 28.2% above previous passing rent
  - Total occupancy increased to 94.3% from 93.4%
  - Acquisitions of £93.1m at blended net initial yield of 5.5%
  - WAULT 5.8 years reflecting asset management and acquisitions
  - Successful £153.0m equity issue in July 2020
- **Strong financial performance**
  - EPRA NTA up 8.1% to 118.4p with like-for-like property valuation uplift of 6.6%
  - Total accounting return of 9.5% in the six months to 30 September 2020 or 10.5% per annum since IPO
  - Adjusted earnings per share 2.6p impacted by equity raise
  - Dividend per share 3.1p in-line with 6.2p target for FY21
  - Disposal of nine smaller non-core assets raising £12.3m in line with March 2020 book values



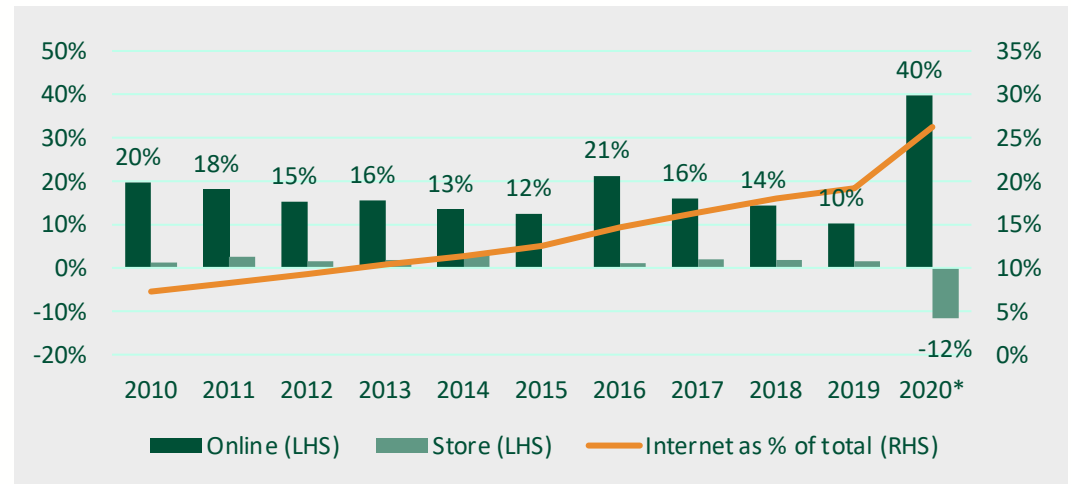
(1) Including 2.4% where stage payments have been agreed but are not yet due



## DELIVERING ON OUR STRATEGY

- **Clear strategy and well positioned**
  - High rent collection
  - Around half of customers have online sales/distribution
  - Focus on e-commerce users and multi-let estates which diversifies risk and provides active management opportunities
  - 100% of assets are within 2.5 miles of a town centre or major transport infrastructure point
  - 37.4% of total rent roll accounted for by top ten tenants
  - Consistent leasing outperformance ahead of ERV since IPO
  
- **Strong position to capitalise on accelerating e-commerce**
  - Strong occupier demand for urban warehousing and multi let industrial units from a variety of sectors
  - Structural not cyclical demand from rise in e-commerce with UK online retail sales up 40% in 2020 year-to-date
  - Online sales have surged since lockdown and were 26.1% of total sales in September compared with 19.0% in February
  - Vacancy rates close to historic lows
  - Investment market remains open with transactions proceeding

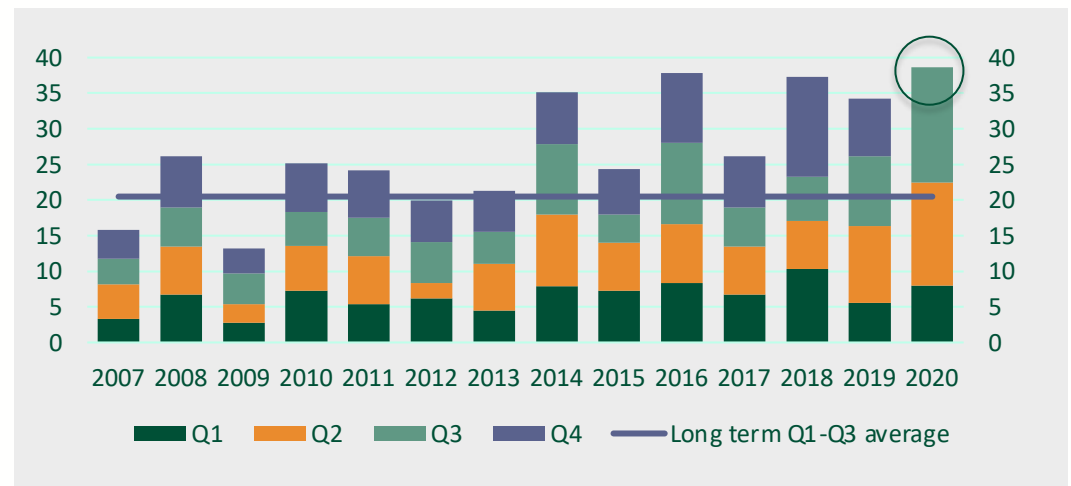
### Online sales vs instore sales growth



Source: ONS

\*year to date to September 2020

### UK industrial take-up



Source: Savills

## FINANCIAL SUMMARY

	30 September 2020	30 September 2019	Change
IFRS profit before tax	£40.4m	£2.8m	+1321%
Adjusted EBIT	£10.8m	£9.7m	+11%
Adjusted earnings	£7.8m	£7.3m	+7%
Adjusted EPS	2.6p	3.0p	-16%
EPRA EPS	2.6p	3.0p	-16%
Dividends per share	3.1p	3.0p	+3%

	30 September 2020	31 March 2020	Change
Portfolio value	£563.2m	£450.5m	+25.0%
Loan-to-value	20.2%	40.2%	-20.0%
EPRA NTA per share	118.4p	109.5p	+8.1%

Past performance is not a reliable indicator of future results

## ADJUSTED EARNINGS

	30 September 2020	30 September 2019	Change
Gross rental income	£15.2m	£13.1m	+16%
Property operating expenses	(£1.7m)	(£1.2m)	+43%
Investment management fee	(£1.8m)	(£1.4m)	+30%
Other administration expenses	(£0.9m)	(£0.8m)	+5%
Adjusted EBIT <sup>(1)</sup>	£10.8m	£9.7m	+11%
Net finance costs	(£3.0m)	(£2.4m)	+26%
Adjusted earnings	£7.8m	£7.3m	+9%
Adjusted EPS	2.6p	3.0p	-16%
Total cost ratio	29.4%	26.5%	+2.9%
Ongoing charges ratio <sup>(2)</sup>	1.5%	2.0%	-0.5%

(1) Operating profit before gains on investment properties

(2) Representing the costs of running the REIT as a percentage of NAV



## BALANCE SHEET

	30 September 2020	31 March 2020	Change
Investment properties	£563.2m	£450.5m	+25%
Net borrowings	(£114.0m)	(£181.0m)	-37%
Other net liabilities	(£0.2m)	(£6.4m)	—
Total equity	£449.0m	£263.1m	+71%
Fair value of interest rate derivatives	-	-	—
EPRA NTA	£449.0m	£263.1m	+71%
Number of shares	379.3m	240.3m	+58%
EPRA NTA per share	118.4p	109.5p	+8.1%
Loan-to-value ratio	20.2%	40.2%	-20.0%

## MOVEMENT IN EPRA NTA

Pence per share



Past performance is not a reliable indicator of future results

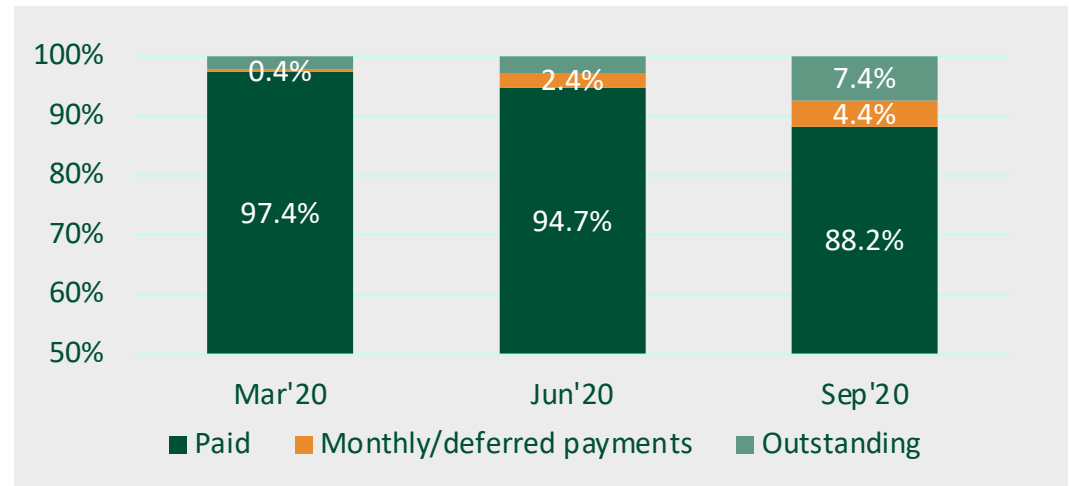


## STRONG FINANCING POSITION

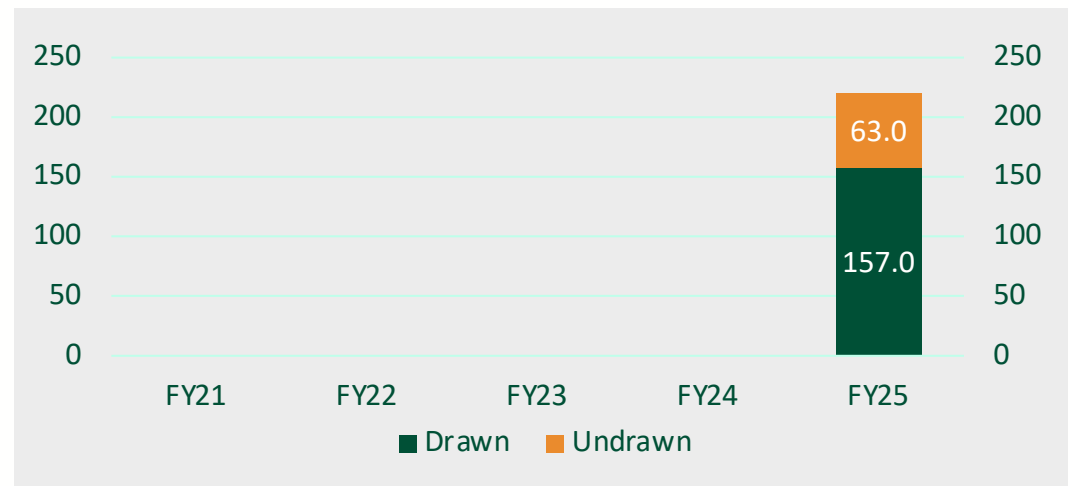
- High rent collection rates
- Interest coverage ratio 3.6x<sup>(1)</sup>
- LTV ratio 20.2% with intention to have LTV no higher than the mid-30s
- Weighted average cost of debt reduced to 2.1% benefited from the reduction in 3-month LIBOR
- No debt maturities until January 2025 with option to extend
- 38.2% of drawn debt fixed/hedged
- Limited capex commitments – will not commit to new projects until there is greater clarity on the outlook
- Cash and available facilities of £106.0m at period end
- Operating well within banking covenants

(1) Adjusted operating profit before interest & tax divided by underlying net interest expense

### Rent collection



### Debt maturity £m





## PORTFOLIO VALUATION SUMMARY

As at 30 September 2020	Valuation £m	% of total portfolio	Occupancy	Average rent £ per sq ft pa	Lease length to expiry years	Net initial yield	Reversionary yield	Capital value £ per sq ft
Southern England	153.0	27.2%	90.4%	6.53	5.8	5.4%	6.2%	101
Midlands	184.6	32.8%	94.9%	5.18	6.2	5.4%	5.8%	86
Northern England	144.5	25.7%	98.4%	5.02	5.4	6.6%	6.8%	70
Rest of UK	61.6	10.9%	92.4%	5.64	5.6	7.2%	7.9%	63
<b>Total investment portfolio</b>	<b>543.7</b>	<b>96.5%</b>	<b>94.3%<sup>(1)</sup></b>	<b>5.49</b>	<b>5.8<sup>(2)</sup></b>	<b>5.9%</b>	<b>6.4%</b>	<b>81</b>
Land and developments	19.5	3.5%						
<b>Total portfolio</b>	<b>563.2</b>	<b>100.0%</b>						

### As at 30 September 2020<sup>(3)</sup>

Portfolio valuation £m	Contracted rent £m per annum	ERV £m per annum
<b>563.2</b>	<b>34.3</b>	<b>37.2</b>
Area m sq ft	Weighted unexpired lease term years	Average capital value £ per sq ft
<b>7.0</b>	<b>5.8</b>	<b>81</b>

### As at 31 March 2020<sup>(3)</sup>

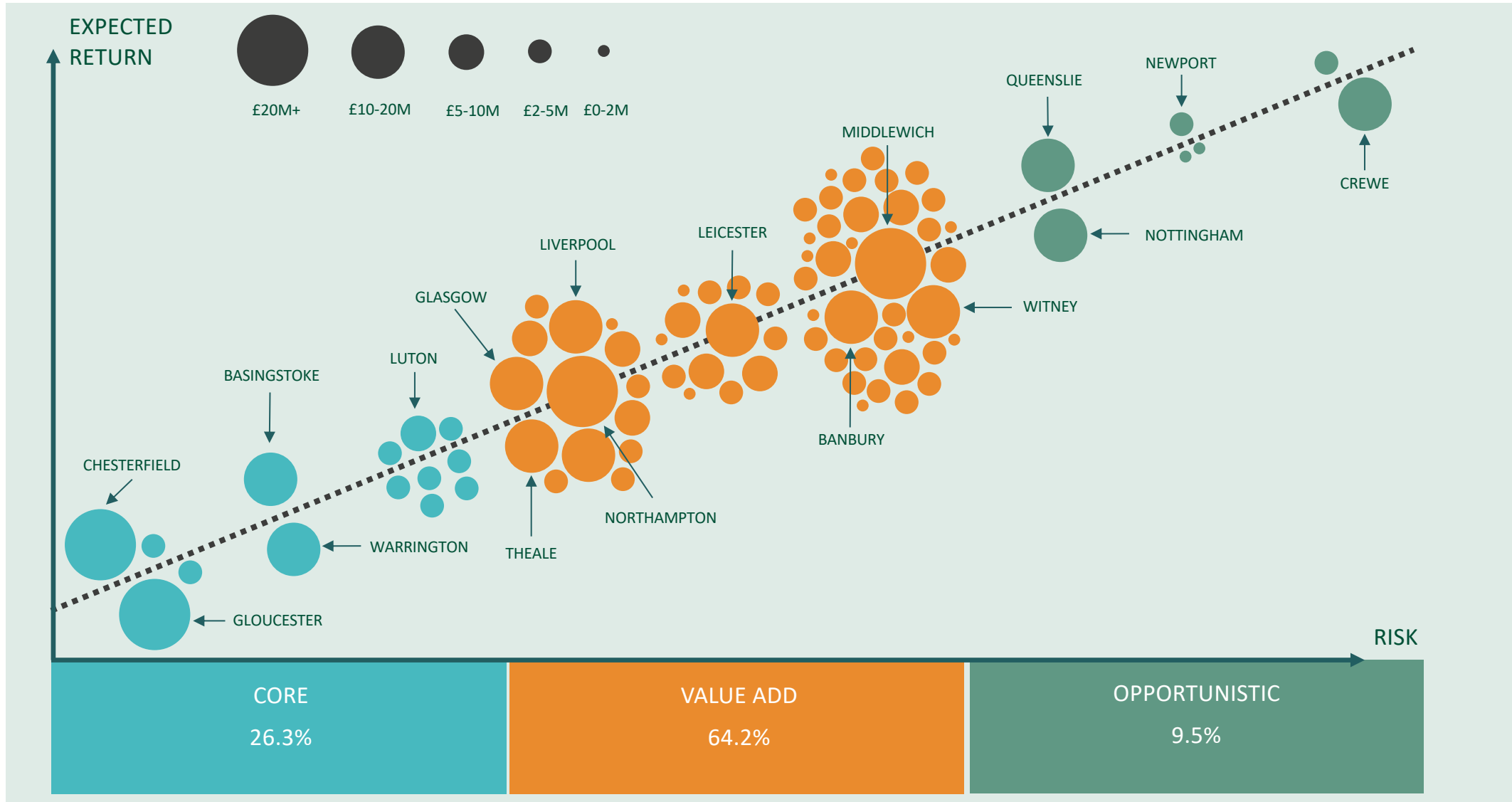
Portfolio valuation £m	Contracted rent £m per annum	ERV £m per annum
<b>450.5</b>	<b>29.7</b>	<b>33.1</b>
Area m sq ft	Weighted unexpired lease term years	Average capital value £ per sq ft
<b>6.2</b>	<b>5.2</b>	<b>73</b>

(1) Effective occupancy, which excludes units under offer to let and units undergoing refurbishment, was 96.6%

(2) Weighted average lease length to first break 4.8 years

(3) Contracted rent, ERV, WAULT and average capital value per sq ft relate only to the investment portfolio of completed assets and exclude land and development property

# FOCUSSED PORTFOLIO WITH STRONG GROWTH POTENTIAL



## CASE STUDY – ACQUISITIONS IMPROVE QUALITY AND DURATION OF INCOME

- Amazon Fulfilment Centre, Chesterfield**
  - Single-let purpose-built warehouse totalling 500,600 sq ft let to Amazon UK with WAULT over 13 years
  - Located within 1 mile of Junction 30 of the M1 motorway
  - Full repairing and insuring lease with five-yearly upward only rent reviews (no breaks) and a low passing rent
  - Amazon now the Group’s largest occupier
  
- Wincanton, Midpoint, Middlewich**
  - Single-let warehouse totalling 373,900 sq ft let to Wincanton Holdings Limited, the UK’s largest third-party logistics operator
  - Located 2 miles from Junction 18 of the M6 motorway
  - Adjacent to Group’s existing Midpoint 18 multi-let estate and increases total ownership in this location to over 550,000 sq ft
  - Low passing rent of c. £5 per sq ft with WAULT of 3.5 years



Amazon, Chesterfield



Wincanton, Middlewich

Combined price  
£82.3m

Total area  
874,500 sq ft

WAULT  
9+ years

Blended NIY  
5.4%

Other acquisition in period was Knowsley Business Park for £7.9m (7.1% NIY)



## ASSET MANAGEMENT HIGHLIGHTS

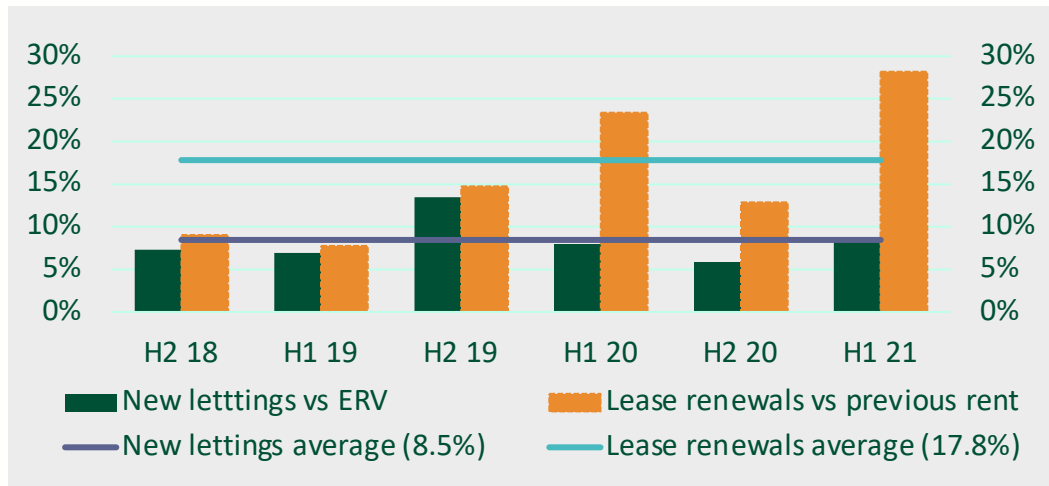
- **Delivering consistent leasing outperformance against projections**
  - 23 new lettings of vacant space generating rent of £0.7m pa, 8.5% ahead of the 31 March 2020 ERV including:
    - five-year lease on a 13,300 sq ft unit at Roseville Business Park at 25.1% above the 31 March 2020 ERV
    - 10-year lease on a 17,600 sq ft unit at Air Cargo Centre, Glasgow at a 9.1% premium to the 31 March 2020 ERV
  - 13 lease renewals securing income of £1.1m, a 28.2% increase over previously contracted rents including:
    - Major lease renewal with Iron Mountain at 1 Stretton Road, Warrington for 10 years at 26.2% ahead of the previous rent
  - Total occupancy increased to 94.3% from 93.4%
- **High retention rates and further space under offer**
  - Effective occupancy excluding units under refurbishment and under offer to let was 96.6%, vs 96.5% as at 31 March 2020
  - 69.2% of occupiers did not vacate at lease expiry in the period



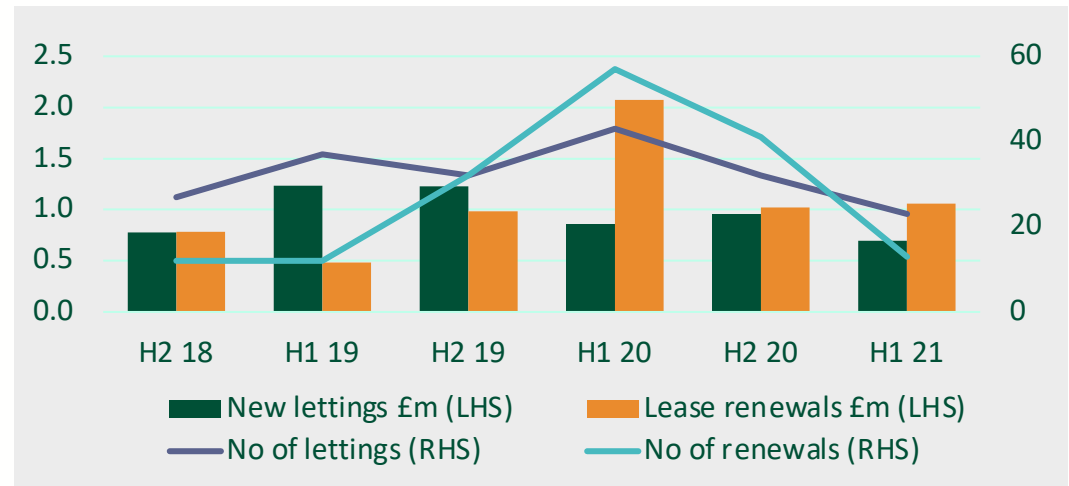


## TRACK RECORD OF CONSISTENT ASSET MANAGEMENT OUTPERFORMANCE

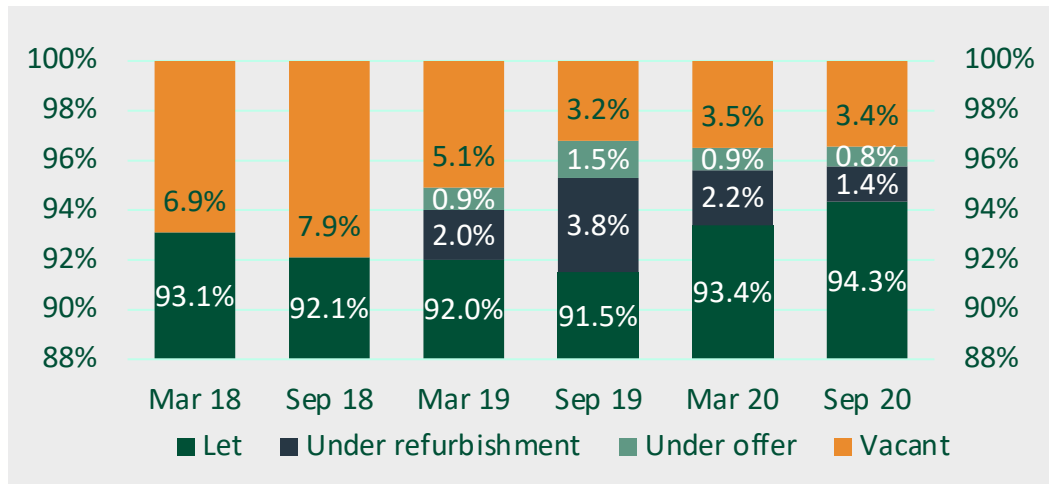
New lettings and lease renewals



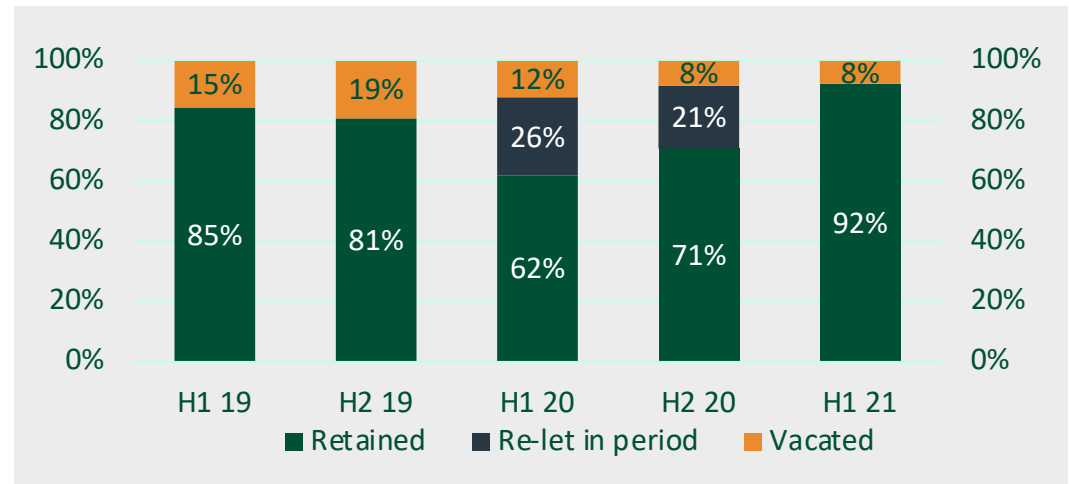
New lettings and renewals - by rental value and number



Vacancy rate



Tenant retention rates at lease break



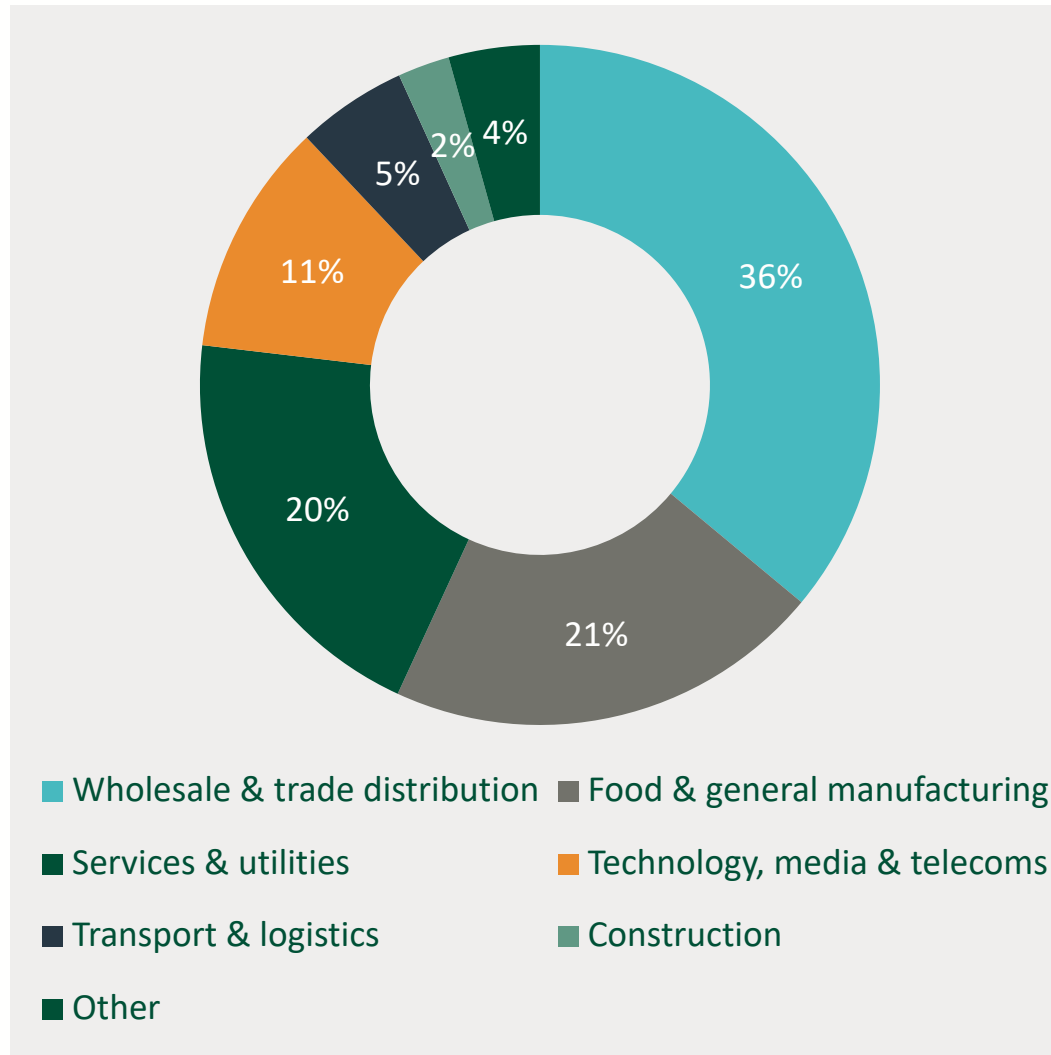
## DIVERSIFIED OCCUPIER BASE

89 assets

514 tenants

37.4% of rent from top 10 occupiers

75.8% of rent from top 100 occupiers



### Wholesale & trade distribution



### Food & general manufacturing



### Services & utilities



### Technology, media & telecoms



### Transport & logistics



IRON MOUNTAIN



### Construction & other

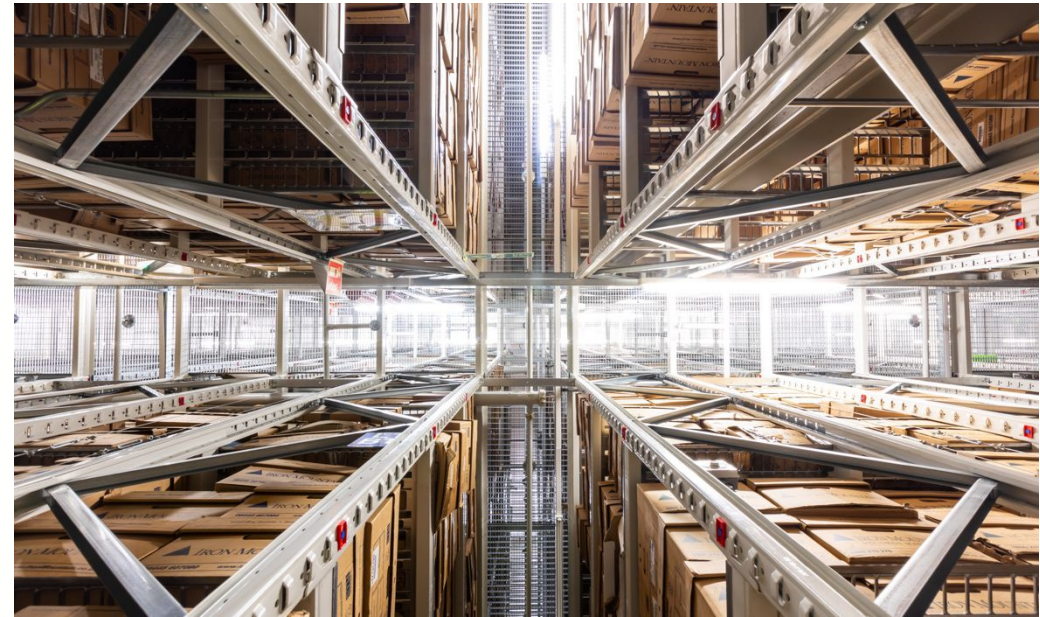




## CASE STUDY – GENERATING VALUE BY ASSET MANAGEMENT

### Iron Mountain, Warrington

- **What is it?**
  - Single-let purpose built high bay warehouse totalling 106,100 sq ft
  - Located two miles from Junction 20 of the M6 and M56 interchange
  - Building stores >2 million document boxes
- **What have we done since purchase?**
  - Acquired in September 2019 as part of Echelon portfolio with a low average rent of £4.59 per sq ft
  - Identified as a key location for occupier – NHS being largest customer
  - In June 2020 agreed a new 10-year lease with no breaks at 26.2% above the previous rent equivalent to £5.80 per sq ft
- **What is the future?**
  - Build occupier relationship to facilitate UK expansion

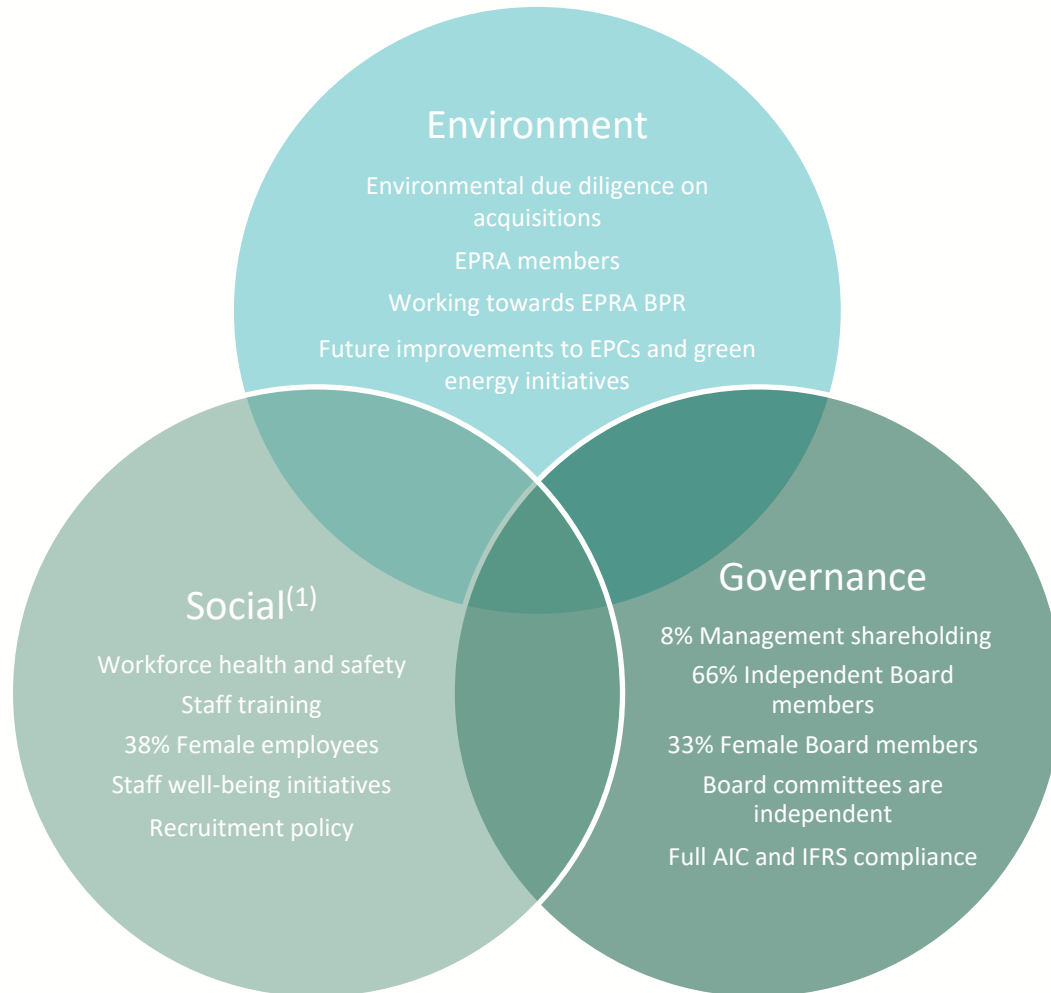


Area	WAULT	Contracted rent (pa)	Average rent
106,100 sq ft	9.7 years	£615,000	£5.80 sq ft
Occupancy	Tenant		
100%	Iron Mountain (UK) plc		

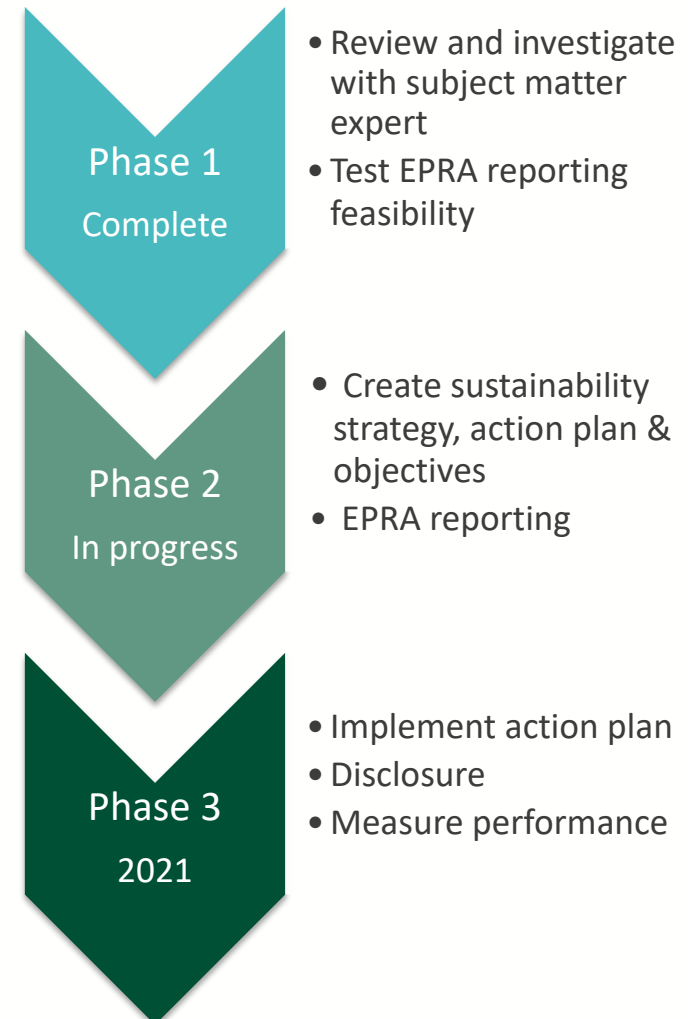
## DEVELOPING ESG STRATEGY IN LINE WITH BEST PRACTICE

Committed to developing an ESG strategy in line with best practice in the industry

### Current Position



### Plan



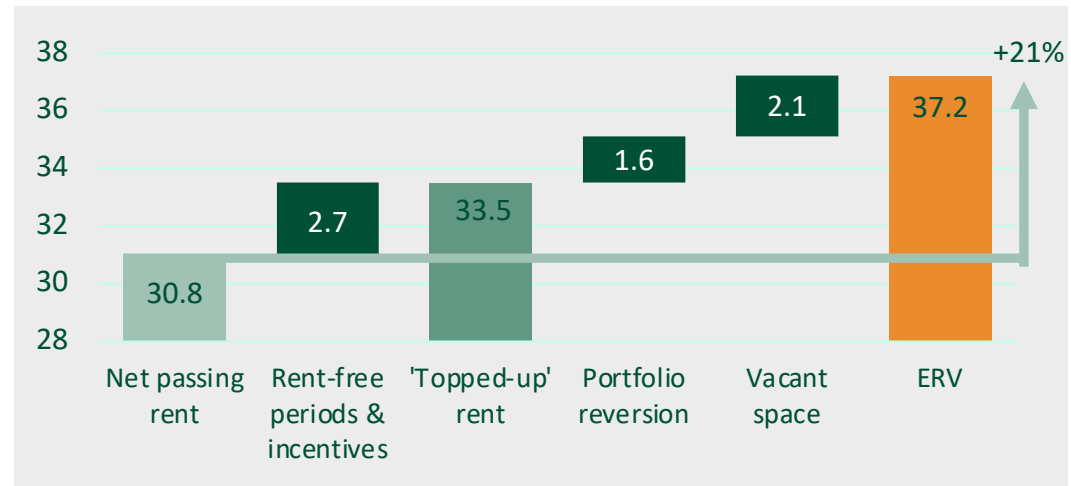
(1) This relates to the Investment Advisor Tilstone Partners Limited



## PORTFOLIO WITH STRONG INCOME AND CAPITAL GROWTH POTENTIAL

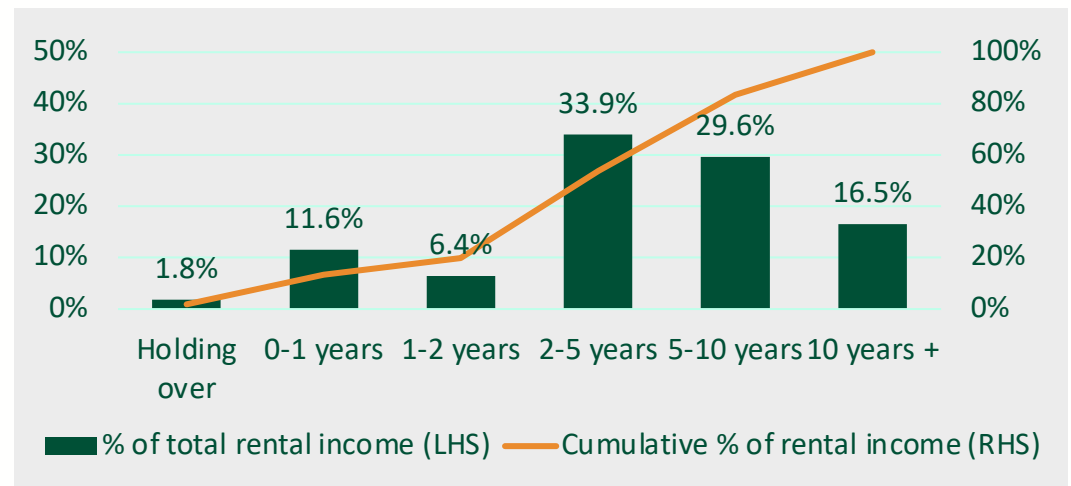
- **National platform of strategically located assets**
  - 100% of assets are within 2.5 miles of a town centre or major transport infrastructure point
  - Highly reversionary portfolio let off low average rent of £5.49 per sq ft
  - Hands-on asset management delivering consistent leasing outperformance with new lettings 8.5% ahead of ERV since IPO
  - Diversified tenant base with 514 occupiers and top 25 tenants accounting for 50.4% of total rental income
  - Only 11.6% of income subject to lease expiry over next year including short-term lettings
  
- **Opportunities to add further value**
  - Current rent roll does not reflect several income and value enhancing projects that will be delivered in the medium term
  - Planning application submitted with neighbouring owner for 803,000 sq ft of warehouse space at Radway Green, Cheshire
  - Optionality at several other sites for redevelopment and/or change of use

Potential additional rent as at 30 September 2020 - £m



Excluding irrecoverable property costs and development property and land

### Summary of WAULT





## CONCLUSIONS AND OUTLOOK

- **Clear strategy and well positioned**
  - Near term economic challenges, but also opportunities as COVID-19 accelerates favorable structural trends
  - Focus and deep knowledge of sector and occupiers
  - Track record of consistent lettings outperformance against projections
  - Highly experienced asset management team – 5.5% shareholding provides shareholder alignment: no performance fee
- **Current trading**
  - Good progress on September 2020 rent collection
  - Further strong leasing performance post period end
- **Outlook**
  - Market fundamentals remain supportive: robust demand from diverse occupier base
  - Investment value less than replacement cost provides economic buffer – constrained supply
  - Affordable average rent and low capital value per sq ft makes portfolio well positioned to outperform the wider market
  - Focus on deploying balance of equity raise and associated debt
  - Target dividend of 6.2p for FY21 maintained

£5.49sq ft

AVERAGE  
RENT

0.6% like-for-like ERV growth in  
six months to 30 Sept 2020

8.5%

LETTINGS  
AHEAD OF ERV

Since IPO, new lettings have  
been 8.5% ahead of ERV

94.3%

TOTAL  
OCCUPANCY

Increase from 93.4%  
at 31 March 2020

118.4p

EPRA NTA  
PER SHARE

Increase of 8.1% from  
109.5p at 31 March 2020



## APPENDIX

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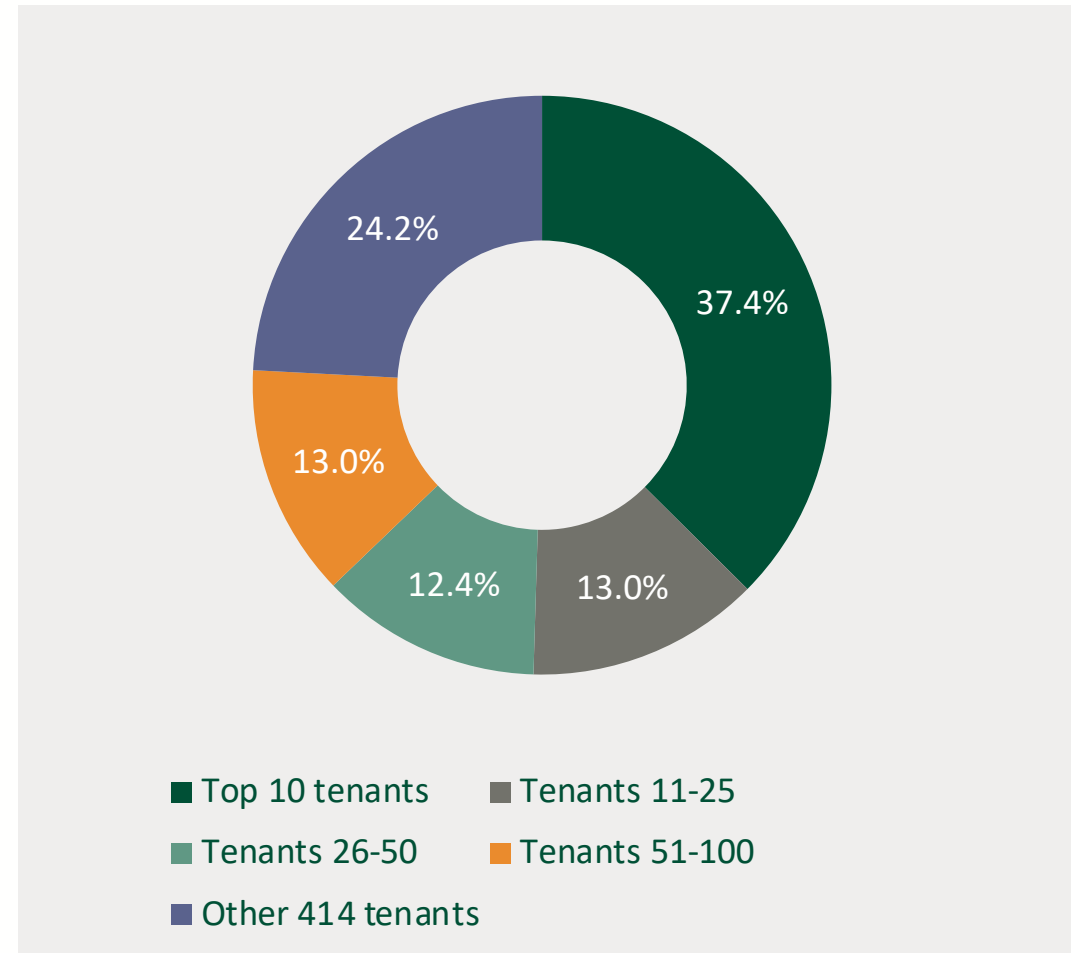


Amazon UK Services, Theale

## TOP TEN TENANTS

Rank	Name	Rent £m pa	% of total
1	Amazon UK <sup>(1)</sup>	£4.0m	11.3%
2	Wincanton	£1.9m	5.3%
3	John Lewis	£1.8m	5.2%
4	DFS	£1.3m	3.7%
5	Direct Wines	£1.2m	3.2%
6	Boots	£0.9m	2.6%
7	Iron Mountain	£0.6m	1.7%
8	Emerson Process Management	£0.6m	1.7%
9	Liberty Aluminum	£0.5m	1.4%
10	Colourmatrix Europe	£0.5m	1.3%
Total - Top Ten		£13.3m	37.4%

(1) Occupying four estates





## ADJUSTED EARNINGS BRIDGE

£m



## CHANGE IN NET DEBT

£m





## EPRA EARNINGS &amp; IFRS PROFIT

	30 September 2020	30 September 2019	Change
Adjusted earnings	£7.8m	£7.3m	+7%
One-off costs	—	—	—
EPRA earnings	£7.8m	£7.3m	+7%
Profit on disposal of properties	£0.0m	£0.0m	—
Fair value movement on properties	£32.7m <sup>(1)</sup>	(£4.3m) <sup>(2)</sup>	—
Fair value of derivatives	£0.0m	(£0.2m)	—
Other items	—	—	—
IFRS profit for period	£40.4m	£2.8m	+1321%
EPRA EPS	2.6p	3.0p	-16%
IFRS EPS	13.2p	1.2p	+1018%

(1) After property acquisition costs of £3.0m

(2) After property acquisition costs of £8.6m

## EPRA PERFORMANCE MEASURES

	30 September 2020	30 September 2019
EPRA EPS	2.6p	3.0p
EPRA cost ratio (including vacant property costs)	29.4%	26.5%
EPRA cost ratio (excluding vacant property costs)	27.6%	22.5%

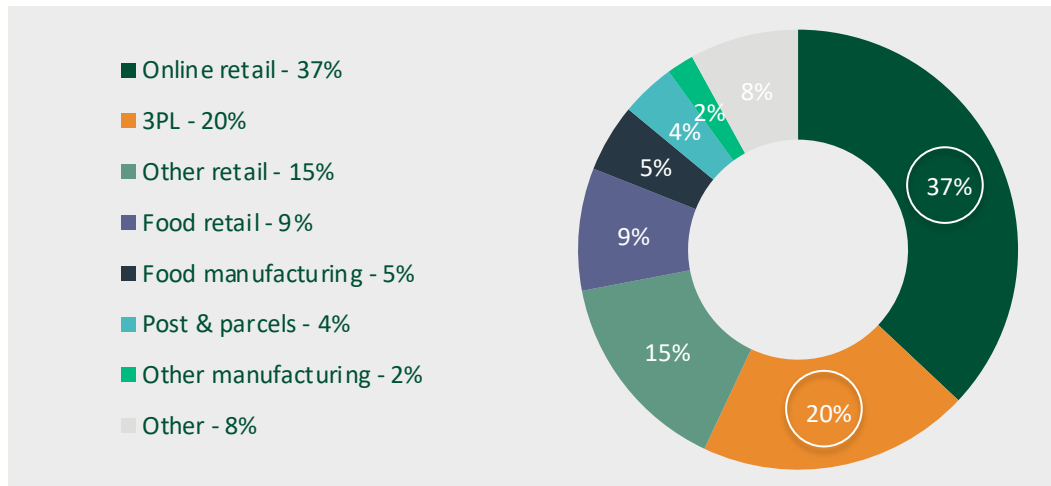
	30 September 2020	31 March 2020
EPRA NTA	118.4p	109.5p
EPRA NRV	128.5p	122.3p
EPRA NDV	118.4p	109.5p
EPRA net initial yield	5.3%	5.9%
EPRA 'topped-up' net initial yield	5.8%	6.3%
EPRA vacancy rate	5.7%	6.6%

Past performance is not a reliable indicator of future results



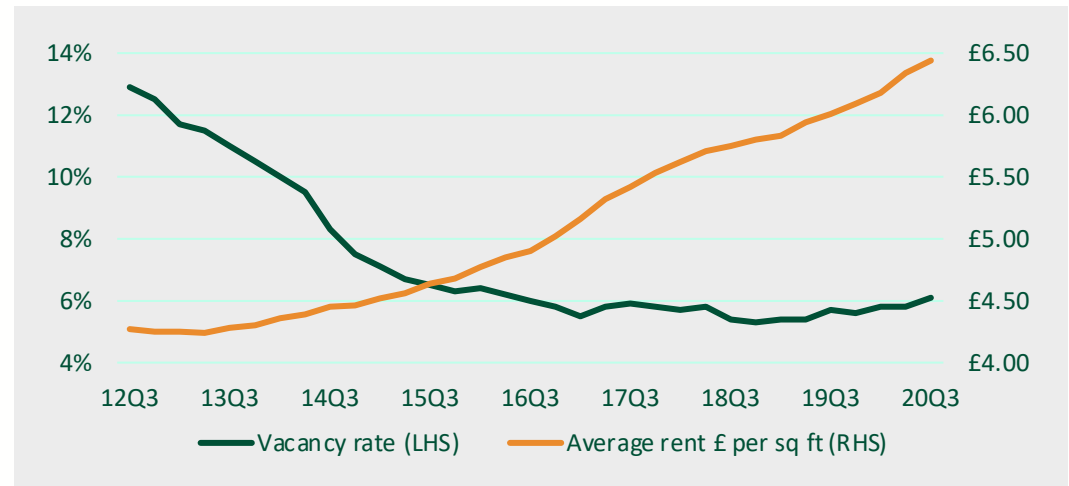
# SUSTAINED OCCUPATIONAL DEMAND THROUGHOUT COVID-19 PANDEMIC

## UK logistics take-up by sector YTD 2020



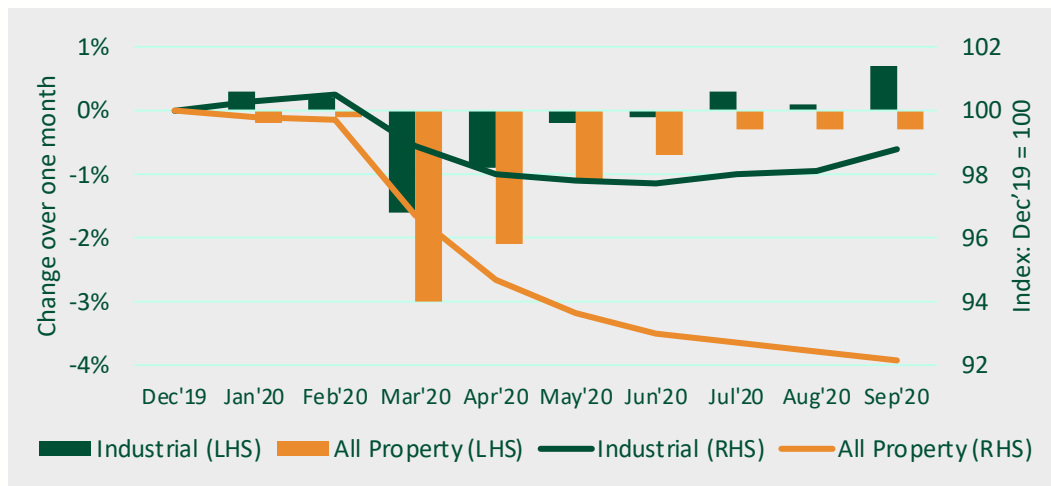
Source: CBRE

## UK industrial vacancy rate vs average rent



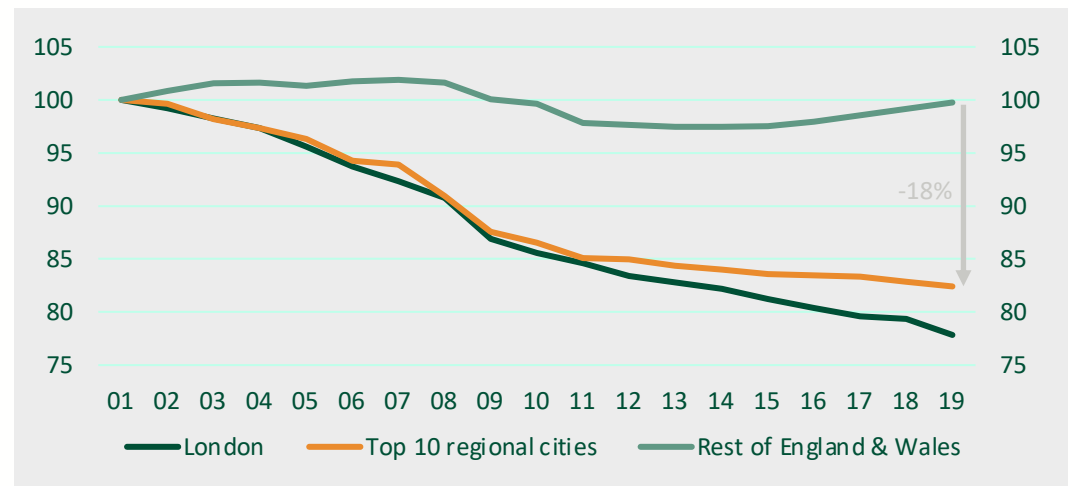
Source: CoStar/Savills

## Industrial versus All Property capital values year-to-date



Source: CBRE

## England & Wales industrial stock – major cities vs rest



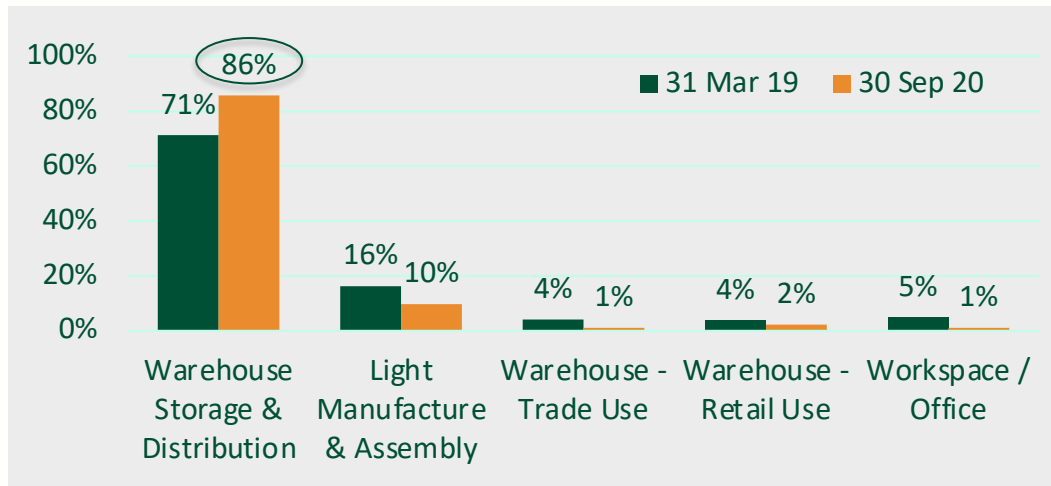
Source: VOA

Index: 2001 = 100



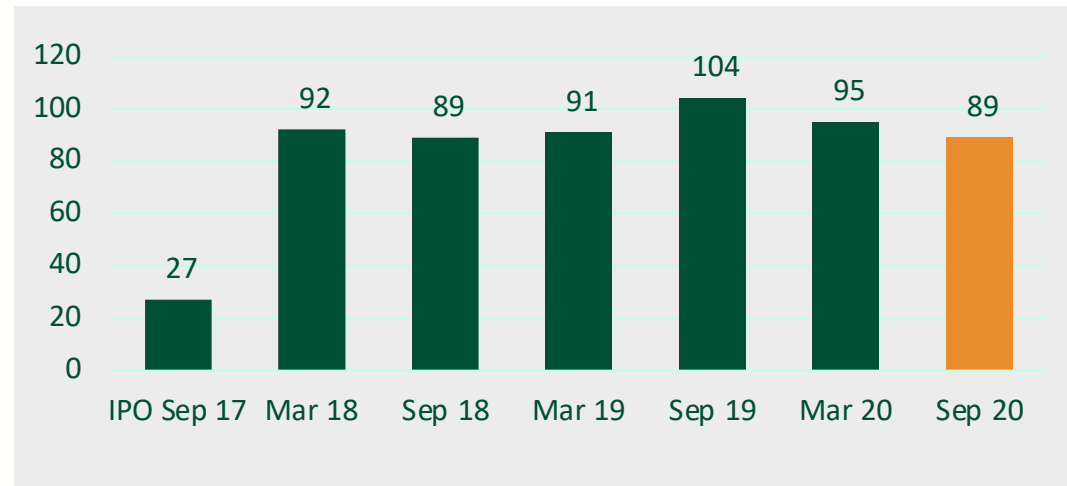
# PORTFOLIO STRUCTURE – INCREASED WEIGHTING TO STORAGE/DISTRIBUTION AND LARGER UNITS

Portfolio value by use

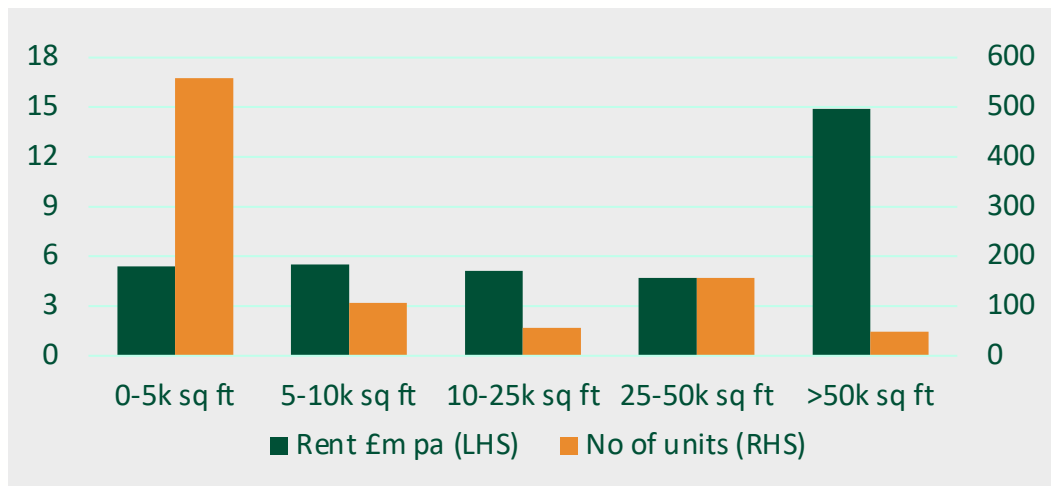


Excluding development property and land

Number of assets

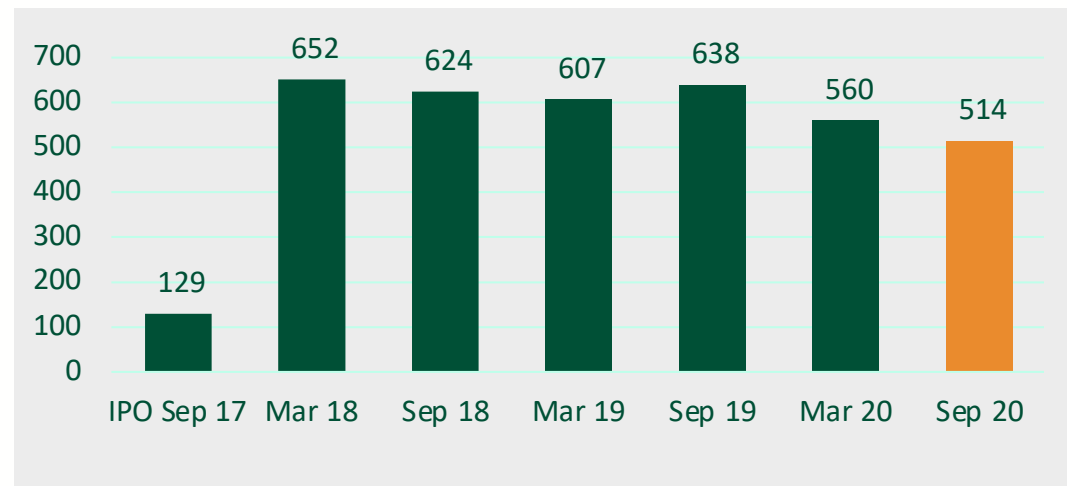


Portfolio unit size distribution



Including development property and land

Number of tenants





## CASE STUDY – ACTIVE ASSET MANAGEMENT UNDERPINNING FUTURE INCOME GROWTH

### Witan Park, Witney

- **What is it?**
  - Multi-let warehouse estate of 12 units totalling 112,200 sq ft on six acres
  - Adjacent to the A40 located 14 miles from Oxford
- **What have we done since purchase?**
  - Acquired at IPO with low average rents of £5.20 per sq ft
  - Received a surrender premium and dilapidations payment of £0.8m in April 2019 providing income cover to early 2020
  - Comprehensive refurbishment of eight units at cost of approximately £0.7m with work almost complete
- **What is the future?**
  - Notable interest in units at rents between £7.25 and £7.75 per sq ft a significant uplift on previous rents of £5.40 per sq ft
  - Discussions ongoing to relocate existing tenants within the estate to unlock refurbishment potential
  - Underutilised car parking throughout the site with development potential

Before refurbishment



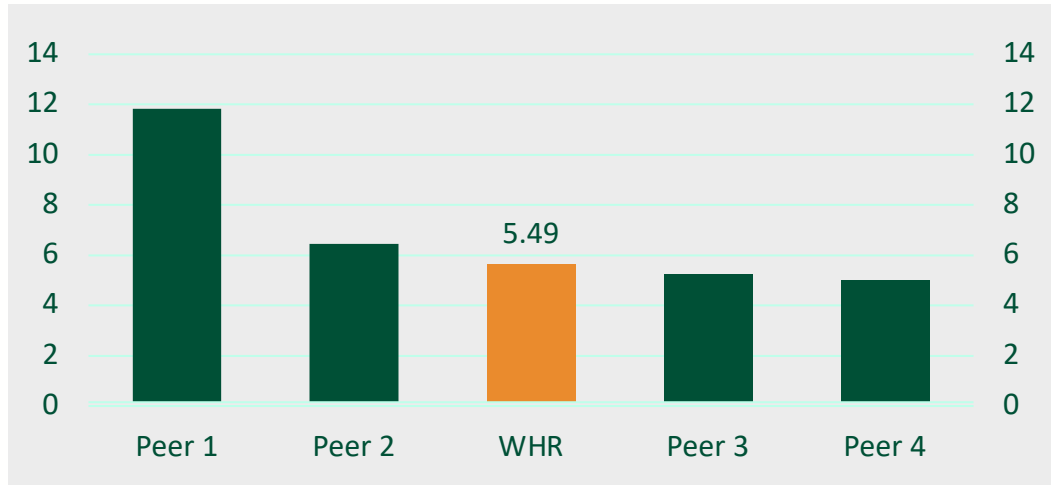
After refurbishment





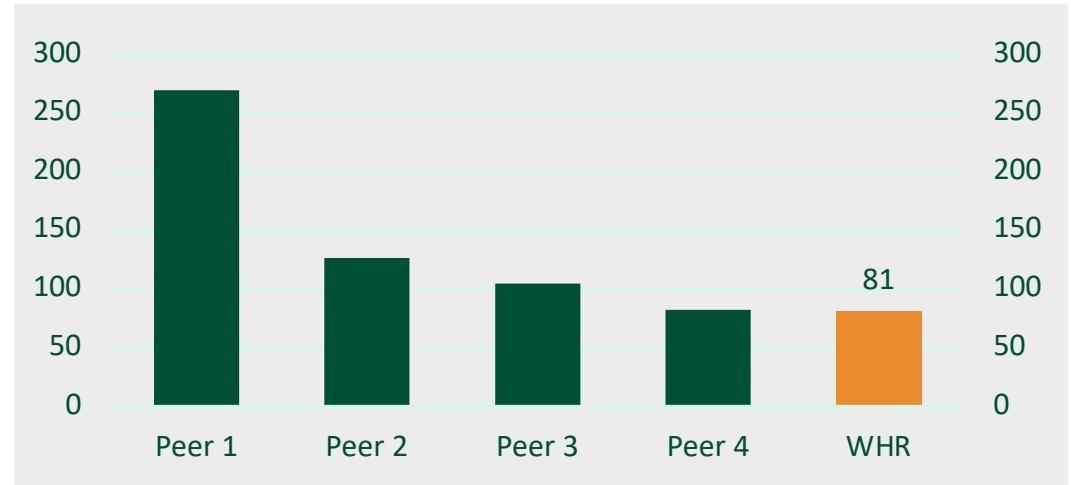
## WAREHOUSE REIT VS PEERS

UK industrial/distribution average rent - £ per sq ft pa



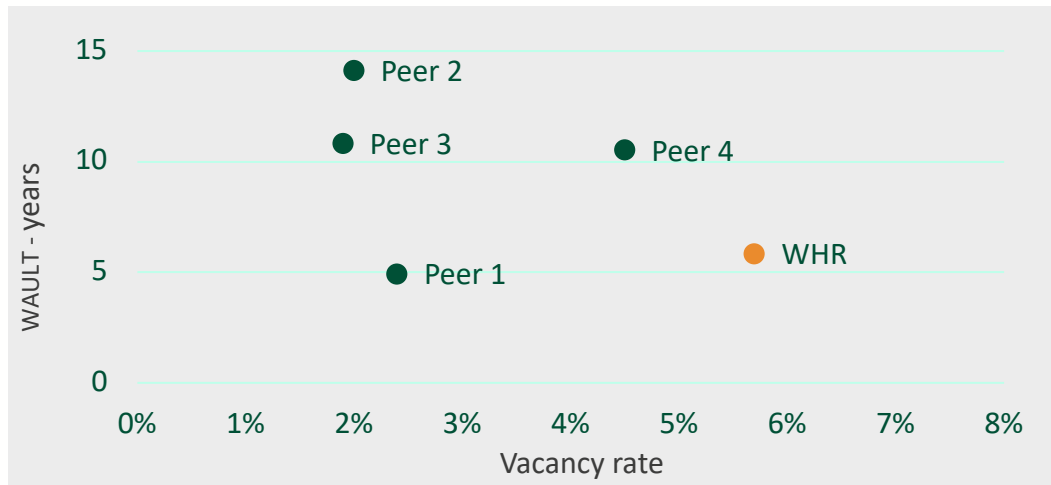
Source: Company reports

UK industrial/distribution capital value - £ per sq ft



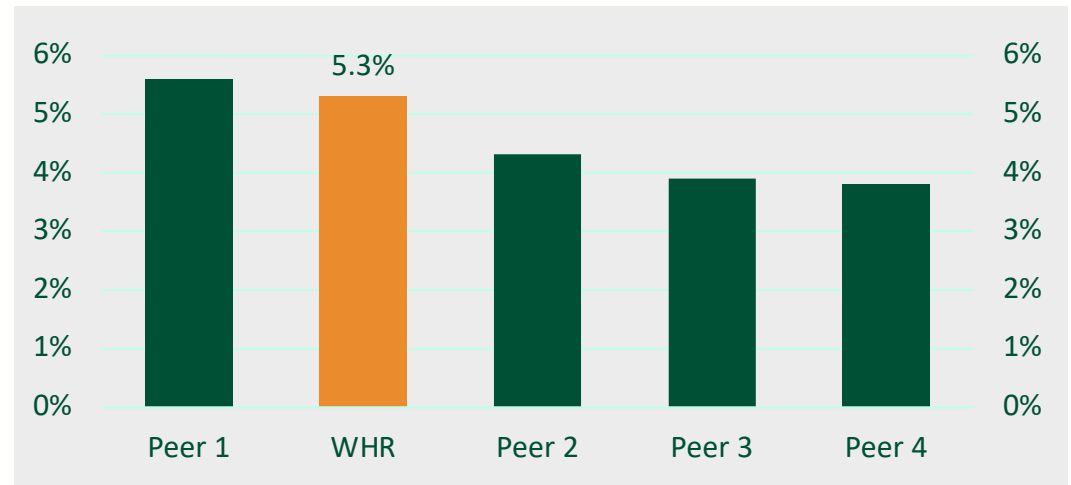
Source: Company reports

UK industrial/distribution WAULT & vacancy rate



Source: Company reports

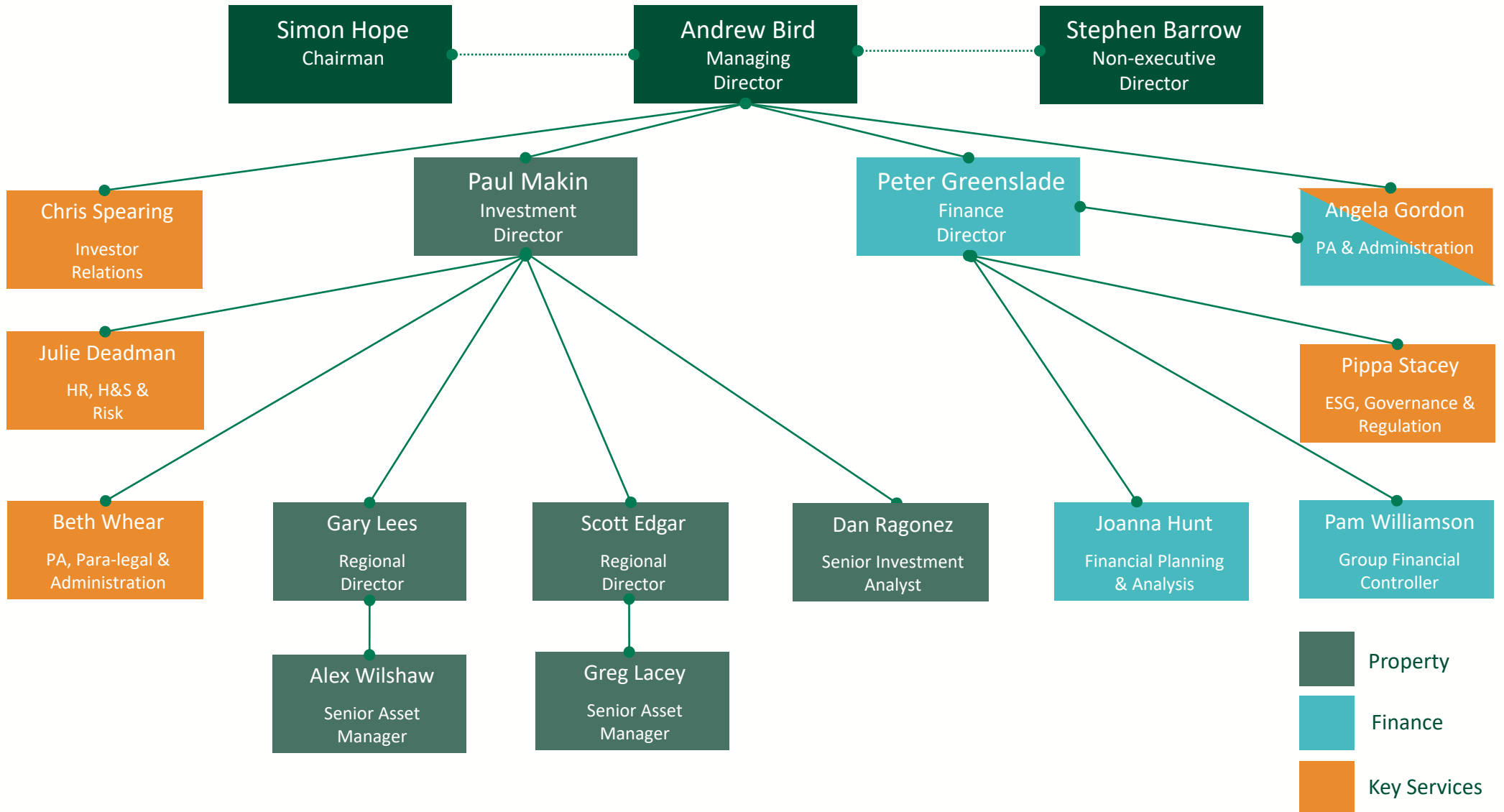
UK industrial/distribution EPRA net initial yield



Source: Company reports



# TILSTONE PARTNERS MANAGEMENT TEAM



## MANAGEMENT AGREEMENT & ARRANGEMENTS

Investment adviser	Tilstone Partners Limited
Fees	1.1.% of NAV up to £500m and 0.9% thereafter with no performance fee
Term	Rolling two-year notice period <sup>(1)</sup>
Board/Independent directors	Neil Kirton (Chairman), Lynette Lackey, Martin Meech and Aimee Pitman
Listing	Investment company on the AIM Market of the London Stock Exchange <sup>(2)</sup>
Tax status	UK REIT regime
AIFM	G10 Capital Ltd
Strategy	Policy to invest in a diversified portfolio of small and medium sized urban warehouses in the UK
Target total return	10%+ (dividends plus NAV growth)
Target dividend	REIT policy to distribute at least 90% of property income
Dividend frequency	Paid quarterly
NAV	EPRA NTA £449.0m or 118.4p per share as at 30 September 2020
Borrowings	£157m term loan & £63m RCF with a club of lenders at blended rate of 2.00% above LIBOR expiring 22/01/25
Hedging	£60.0m interest rate caps at blended rate of 1.625% with 27.3% of total borrowings being fixed/hedged
Loan to value	20.2% as at 30 September 2020
Cost ratio	29.4% in six months to 30 September 2020 (ongoing charge ratio 1.5%)
Market capitalisation	£407.8m as at 2 November 2020

(1) Following the third anniversary of the IPO in August 2020

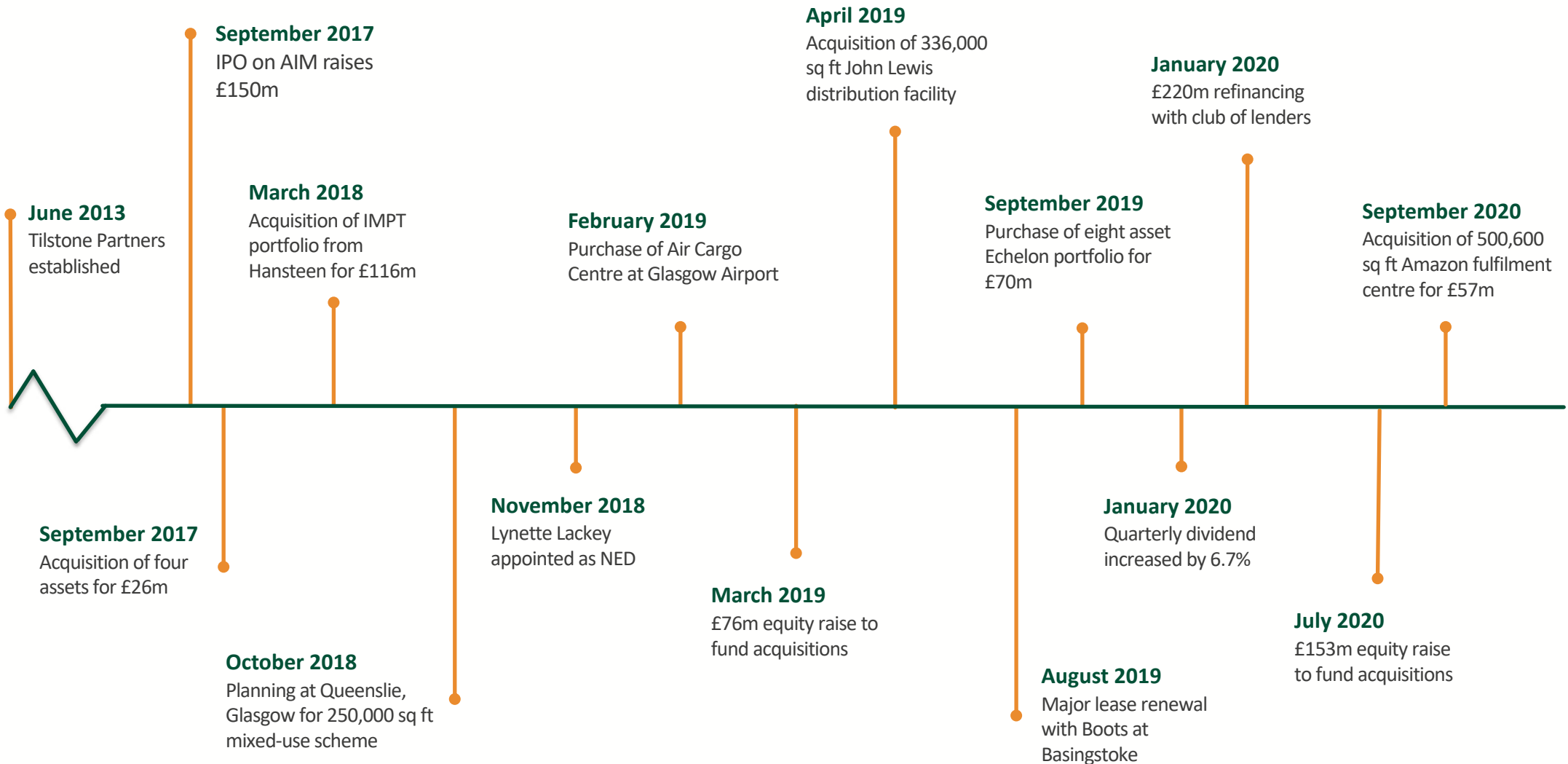
(2) The Company intends to move up to the main market





# HISTORY OF WAREHOUSE REIT

## Timeline of key events





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