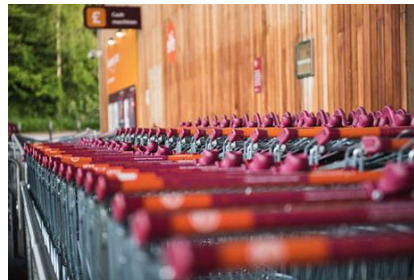


SUPR ○○○

SUPERMARKET INCOME REIT



INVESTING IN THE FUTURE OF UK GROCERY

RESULTS PRESENTATION

FOR THE SIX MONTHS FROM 1 JULY 2019 TO 31 DECEMBER 2019

Agenda

Section	Page
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Board of Directors



Nick Hewson
Chairman



Vince Prior
Senior Independent
Director



Jon Austen
Chair of Audit
Committee



Cathryn Vanderspar
Independent Director

Atrato Senior Management Team



Ben Green
Principal



Steve Windsor
Principal



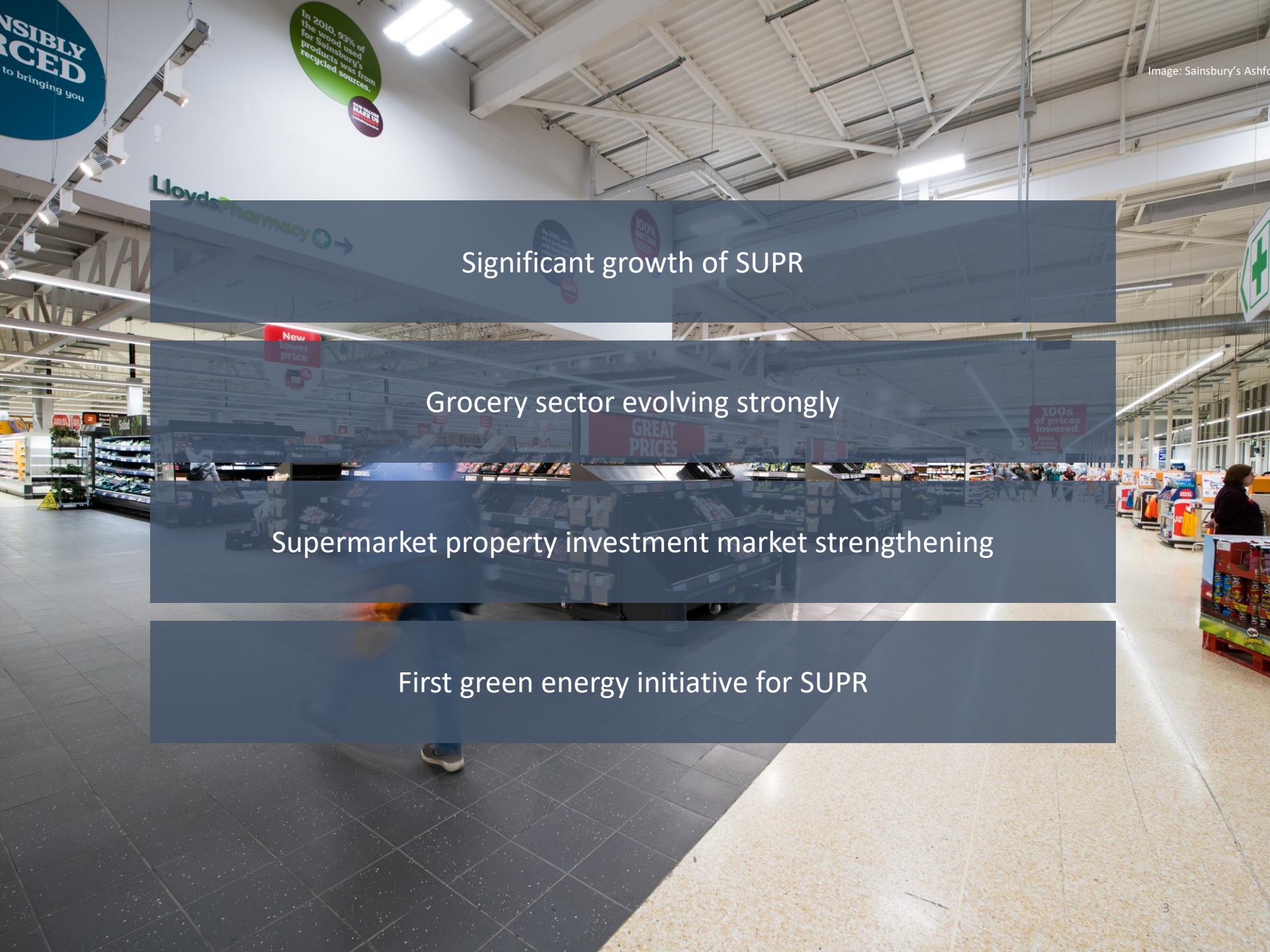
Steven Noble
Partner



Justin King
Senior Adviser



Natalie Markham
CFO



Significant growth of SUPR

Grocery sector evolving strongly

Supermarket property investment market strengthening

First green energy initiative for SUPR

Financial Highlights for the six months ended 31 December 2019

	Six months to 31-Dec-19	Six months to 31-Dec-18	Change
Annualised passing rent	£26.1m	£16.5m	↑ 59%
EPRA Earnings	£7.2m	£4.7m	↑ 53%
EPRA EPS	2.5 pence	2.5 pence	Flat
Quarterly dividend per share	1.46 pence	1.42 pence	↑ 2.9%

	31-Dec-19	30-June-19	Change
EPRA net assets	£329.0m	£231.5m	↑ £97.5m
Loan to value	32.4%	43.0%	-
EPRA NAV per share	97 pence	97 pence	Flat

Total Shareholder Return	
7% for the Period ¹	24% since IPO ²

Business highlights for the six months ended 31 December 2019

£114.8m acquisition of two accretive omnichannel assets

- 5.2% average NIY vs Portfolio average of 4.9%
- Portfolio WAULT maintained at 18 years
- All RPI linked rent reviews

£100m total equity raised and £77m new debt facility

- Issuance upsized from original £50m target due to investor demand
- Oversubscribed issuance at 5% premium to NAV
- New five-year fixed rate debt facility from Deka Bank at 1.9%

Dividends declared for the Period of 2.9 pence per ordinary share

- Quarterly dividends up 2.9%, in line with UK inflation
- On track to deliver full-year target dividend of 5.8 pence per share

Sustainability

- Terms agreed inaugural 370 kw solar rooftop installation
- New strategic partnership with Evo Energy

Portfolio highlights

£490.4m

Independent portfolio valuation

1.6%

Like for like Portfolio valuation growth in the six month period

100%

Upward only, indexed linked rent reviews

2.7%

Average rent increases during the six month period ⁽¹⁾

Highly specific investment strategy



Last mile grocery fulfilment in the UK

Mission critical omnichannel stores with strong trading track record



RPI linked rents

Long leases with no breaks



Large flexible sites

Locations optimised for 15 minute drive times

Full-year target dividend of 5.8 pence per share

Portfolio overview

Portfolio by location

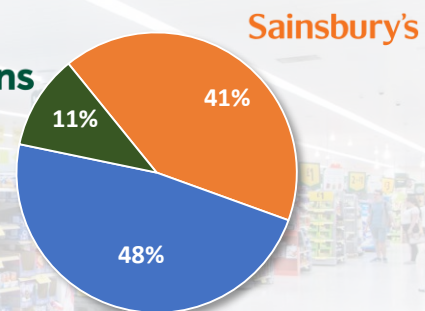


Portfolio key

- | | |
|------------------------|--------------------------|
| 1 Sainsbury's, Ashford | 6 Tesco, Mansfield |
| 2 Morrisons, Sheffield | 7 Tesco, Cumbernauld |
| 3 Tesco, Bristol | 8 Sainsbury's, Preston |
| 4 Tesco, Thetford | 9 Sainsbury's Cheltenham |
| 5 Tesco, Scunthorpe | |

Portfolio by tenant mix by valuation

Morrisons
Since 1899



TESCO

Portfolio valuation: £490.4m

Portfolio valuation yield: 5.0%

Valuations as at 31 Dec 2019

BUTCHER & FISHMONGER

Financial Results

- Income statement
- Statement of financial position
- Movement in EPRA NAV per share
- Debt financing overview
- EPRA metrics

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Income statement

	Six months to 31-Dec-19 £m	Six months to 31-Dec-18 £m
Rental income	11.9	8.3
Administrative and other expenses	(2.3)	(1.5)
Finance costs	(2.5)	(2.1)
EPRA earnings	7.2	4.7
Dividend paid	8.2	5.1
Adjusted EPRA cost ratio ⁽¹⁾	17.7%	17.0%
On going cost ratio ⁽²⁾	1.6%	1.7%

Statement of financial position

	As at 31 Dec 2019 £m	As at 30 June 2019 £m
Investment property	490.4	368.2
Cash and cash equivalents	7.7	9.9
Other assets	6.1	3.5
Gross assets	504.2	381.6
Borrowings	(166.4)	(143.7)
Prepaid rents and other liabilities	(8.8)	(6.4)
EPRA net assets	329.0	231.5
EPRA NAV per share	97 Pence	97 Pence

Movement in EPRA NAV per share

Components of EPRA NAV pence per share



Debt financing overview

Cost of borrowing reduced plus new banking relationships

- New £77m 5-year term loan with Deka Bank at 1.9% fixed rate
- Weighted average finance cost down from 2.4% to 2.2%

Facility	Provider	Running finance cost	Expiry date
£100m	HSBC RCF	2.3%	Aug 2022
£52m	Bayerische Landesbank	2.5%	July 2023
£77m	Dekabank	1.9%	Sep 2024

Refinancing and upsizing RCF to £150m

- Strong interest from multiple lenders
- Same terms as existing RCF but for 5 to 7 year term
- Expected to increase average term of debt from 3 years to between 4 to 6 years

Substantial headroom on financial covenants

- DSCR covenant 200%: current 615%
- LTV covenant 60%: current 32.4%

32.4%

Net loan to value ratio as at 31 Dec 2019

2.2%

Annualised running finance cost ⁽¹⁾

£60m

Debt headroom 31 December 2019

EPRA metrics

	As at 31 Dec 2019	As at 30 June 2019
EPRA NAV Per Share	97 pence	97 pence
EPRA Triple Net Asset Value (NNNAV) Per Share	97 pence	96 pence
	Six months to 31-Dec-19	Six months to 31-Dec-18
EPRA EPS	2.5 pence	2.5 pence
EPRA Net Initial Yield	5.0%	4.9%
EPRA Topped Up Net Initial Yield	5.0%	4.9%
EPRA Vacancy Rate	0%	0%
Adjusted EPRA Cost Ratio ⁽¹⁾	17.7%	17.0%
Ongoing cost Ratio ⁽²⁾	1.6%	1.7%

(1) The Group calculates an Adjusted EPRA Cost Ratio excluding from administrative and other expenses any non-recurring costs to give what the Board considers to be a measure of cost efficiency more directly relevant to its ongoing cost performance. Total non-recurring costs excluded in FY2019 was £143,000 (FY2018: £260,000) (2) Calculated in accordance with the Company's PRIIP Key Information Document which is available on the Company's website www.supermarketincomereit.com

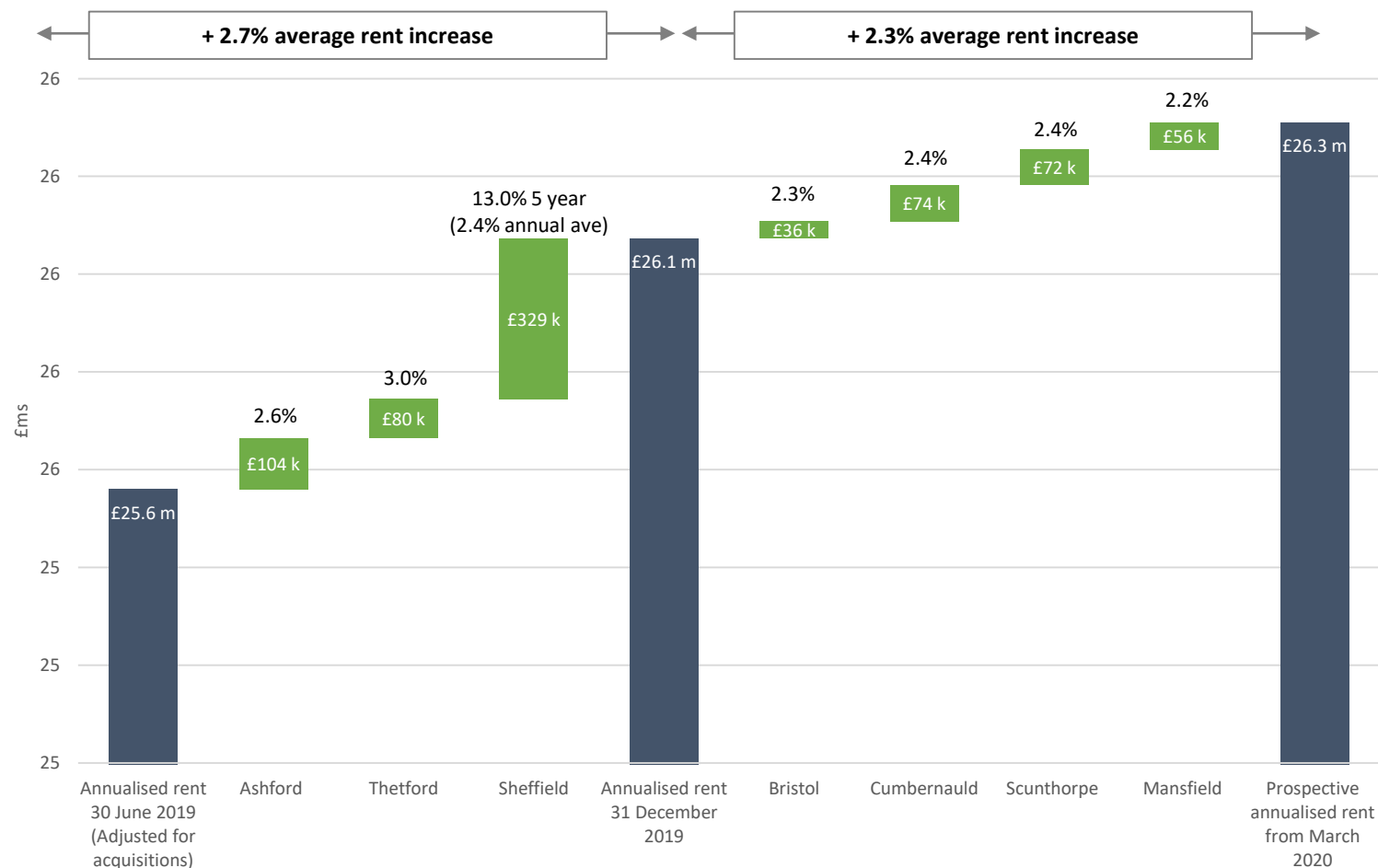
Business Update

- Rent reviews
- Contracted RPI uplifts
- Rooftop solar update
- Sustainability progress
- New sustainability partnership
- ESG update

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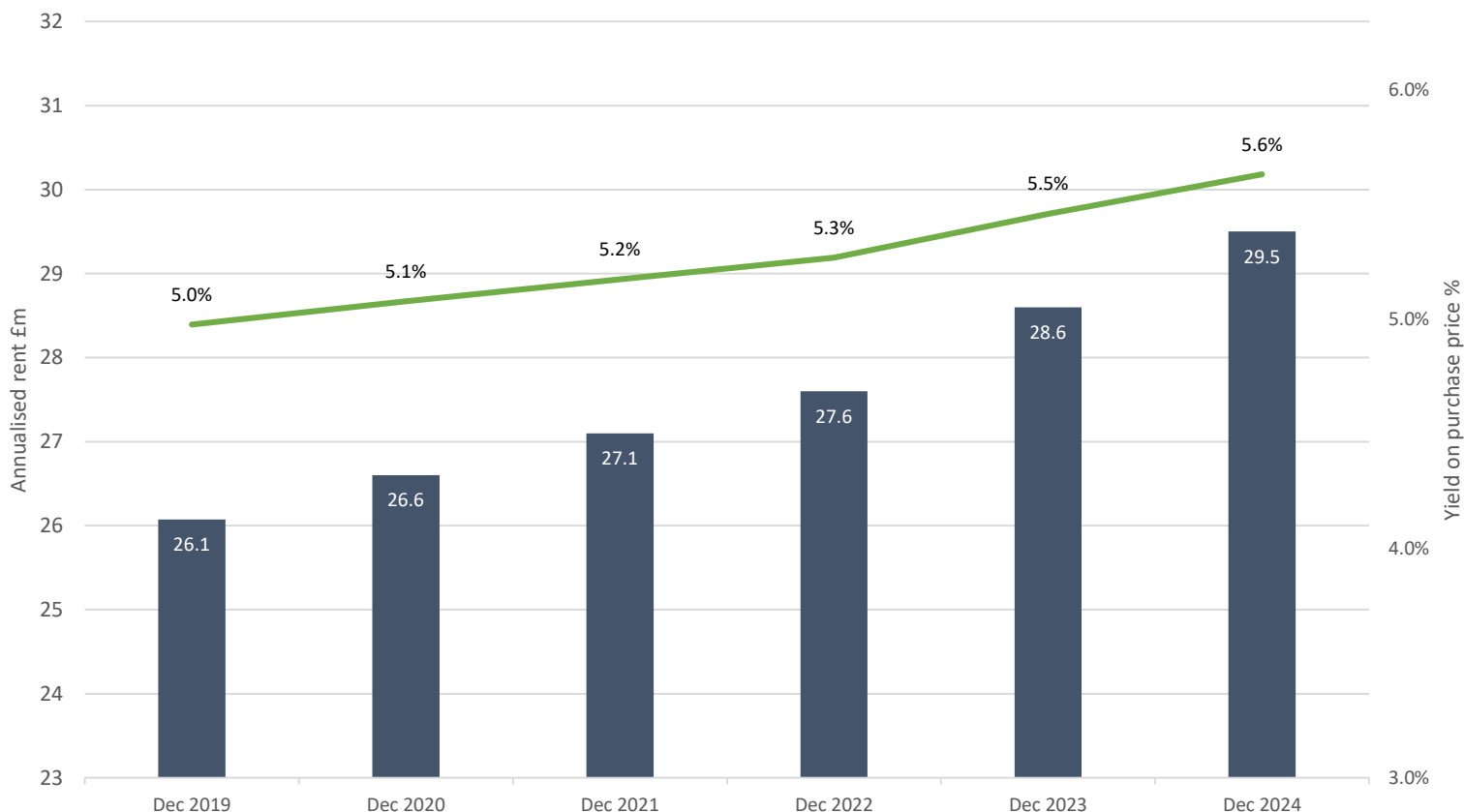
RPI rent reviews impact on annualised rent

Like for like rent reviews (£m) ⁽¹⁾



Contracted RPI uplifts drive rental growth

Estimated future annualised rent receipts and future yield on purchase price ⁽¹⁾



There is no certainty that these illustrative projections will be achieved

Rooftop solar commercial terms agreed

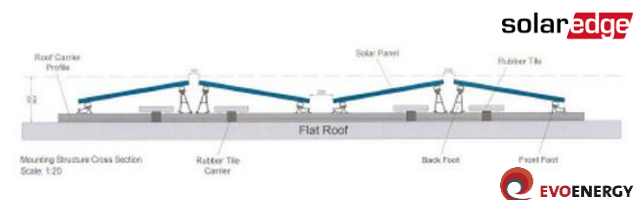
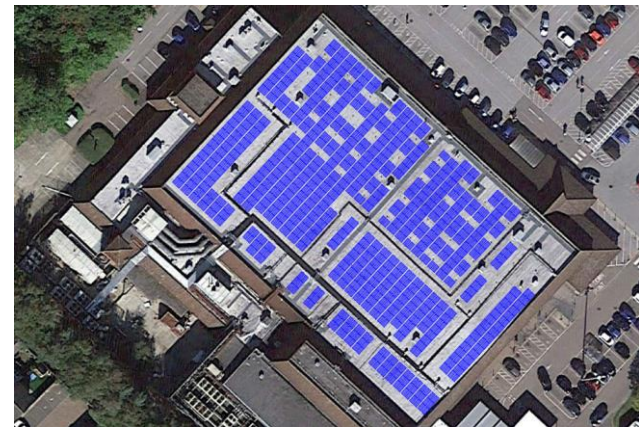
Thetford store - inaugural rooftop solar array installation

- 370 kW rooftop solar array
- Generate 310 MWh of decarbonised electricity per annum
- Generated energy sold to Tesco under long term power purchase agreement
- 7-8% expected return

Enhanced site sustainability

- 85,370 KG of CO2 Reduction Per Year
- Supply 80-90% of store need at peak generation
- Utilising advanced Solar Edge technology

Indicative Thetford scheme visuals



Sustainability progress

Rooftop solar progression

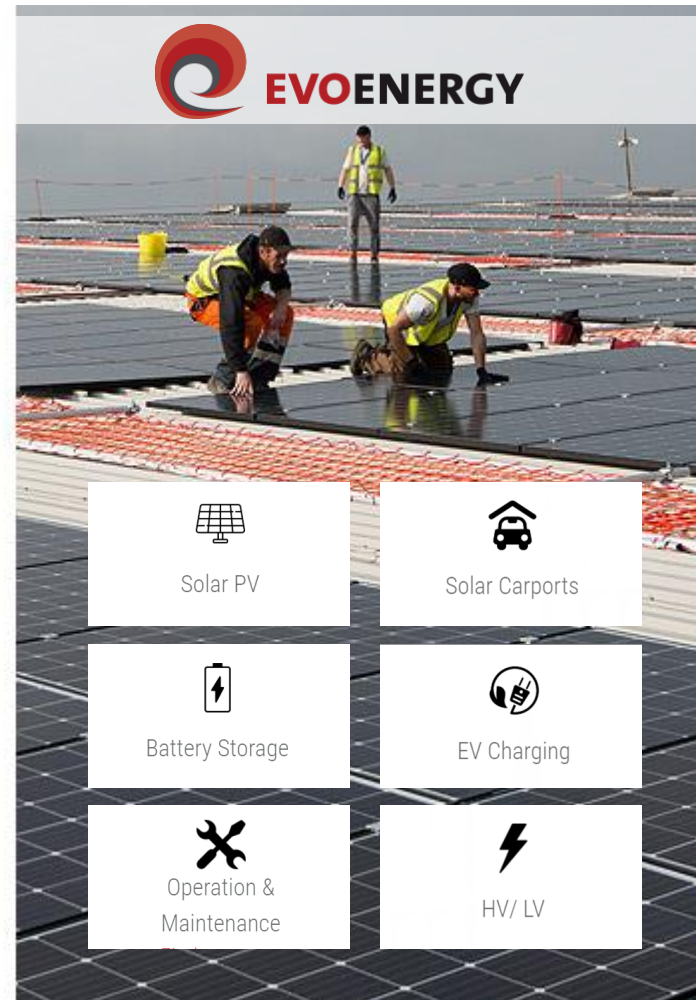
Store	Operator	Initial evaluation	Plans developed	DNO Approved	Structural & technical survey	Installation terms agreed with operator
Thetford	Tesco	✓	✓	✓	✓	✓
Bristol	Tesco	✓	✓	✓	✓	-
Cumbernauld	Tesco	✓	✓	✓	✓	-
Scunthorpe	Tesco	✓	✓	✓	✓	-
Mansfield	Tesco	✓	✓	✓	✓	-
Ashford	Sainsbury's	✓	✓	-	-	-
Sheffield	Morrisons	✓	✓	-	-	-
Preston	Sainsbury's	✓	-	-	-	-
Cheltenham	Sainsbury's	✓	-	-	-	-

New sustainability partnership

Investment Adviser has formed strategic sustainability partnership

- With EVO Energy UK's leading commercial renewable energy company
- Execute and manage sustainability projects across our Portfolio

Comprehensive rooftop solar power investment plan across our Portfolio



Environmental, social and corporate governance

ENVIRONMENTAL INITIATIVES		SOCIAL INITIATIVES		GOVERNANCE	
Assets with detailed environmental plan	100%	Nominated Charity ⁽²⁾	Into University	Independent Board members	100%
Percentage of estate GIA capable of solar energy ⁽²⁾	71%			Female Board members	25%
Our approved Thetford solar array:	370,000 kw	Women in senior leadership roles ⁽²⁾	40%	Independence of Audit and Remuneration Committee	100%
Thetford estimated CO2 saving to Tesco (pa)	85,000 kg	Code of conduct training ⁽²⁾	Yes	Voting rights for shareholders	Equal
Workplace electricity supplied from renewable sources ⁽²⁾	100%	Anti corruption training ⁽²⁾	Yes	Management investment ⁽¹⁾	£3m
Work place operational waste recycling rate ⁽²⁾	100%			Percentage of management fee paid in shares	25%

OUR TENANTS ENVIRONMENTAL INITIATIVES

TESCO		Sainsbury's		Morrisons <small>Since 1899</small>	
Carbon neutrality by 2050:	100%	Carbon neutrality by 2040:	100%	Carbon neutrality by 2050:	97%
Packaging fully recyclable by 2025:	100%	Plastic packaging to be recyclable, reusable or compostable by 2025:	100%	Plastic packaging to be recyclable, reusable or compostable by 2025:	100%

Grocery Sector

- The future model of grocery
- Capital investment in last mile innovation
- Omnichannel stores fulfil online
- Last mile grocery fulfilment in the UK
- Global convergence
- Improving store profitability
- Grocery forecasts
- Strong tenant covenants

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The future model of grocery

*“Capital investment and **innovation in last mile logistics** continues to be directed toward leveraging our grocers’ **existing store networks**. As a result, growth in e-commerce sales is **driving value creation** in these locations that is not yet obvious to market participants”*

Fred Boehler, CEO Americold Logistics LLC
Global leader in temperature-controlled warehousing and logistics.

Capital investment in store innovation

Operator in store last mile fulfilment investment initiatives

West Bromwich– Urban Fulfilment Centres (UFC)



- 20,000 square-foot facility
- Tesco Extra West Bromwich
- Operational Summer 2020

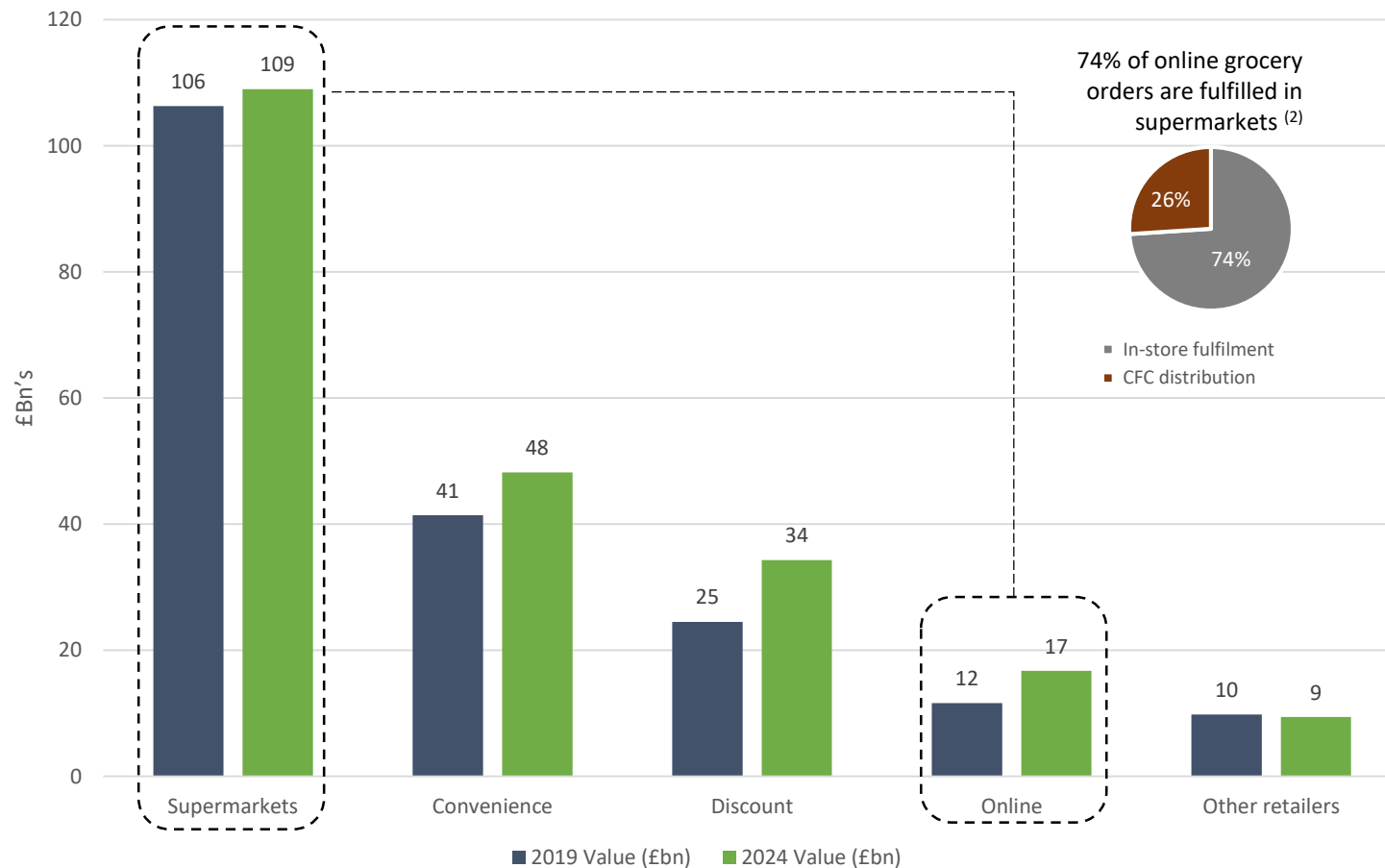
New Hampshire - Urban Fulfilment Centres (UFC)



- 20,000 square-foot facility
- Walmart Supercenter Salem, New Hampshire
- Operational January 2020

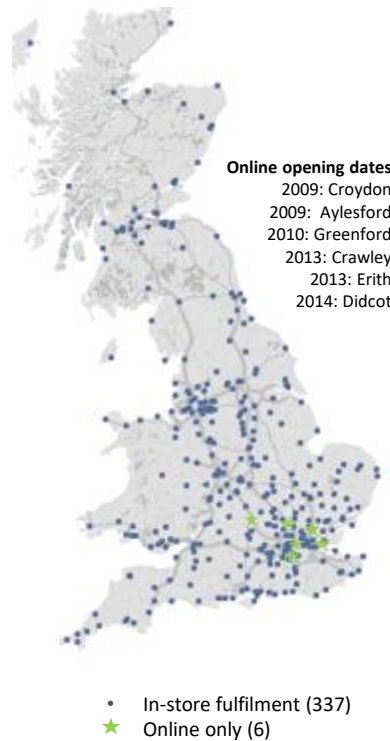
Omnichannel stores fulfil online

IGD Channel forecasts 2019 - 2024 ⁽¹⁾



Last mile grocery fulfilment in the UK

Tesco's online distribution network ⁽¹⁾



Sainsbury's online distribution network ⁽¹⁾



Omnichannel stores have optimal characteristics for last mile fulfilment

- Larger full range stores - urban warehouse
- Situated in population centres – key for last mile logistics
- Modern flexible buildings operating multiple models – instore, home delivery and click and collect

Online only fulfilment focused on M25 area

- London is poorly served by supermarkets – floorspace is 30% below national average ⁽²⁾
- Population density required for online only stores - 5.6 million people within 60 mins of Tesco Croydon online only facility ⁽¹⁾

90% of Tesco, Sainsbury's, Asda and Waitrose online grocery orders are fulfilled in-store ⁽²⁾

Global convergence on the future model of grocery

2007

amazonfresh

Amazon launch Fresh, selling and delivering grocery through its fulfilment centres

Move to omnichannel

2011

Walmart

Walmart commences testing on home delivery service, not until 2014 is click and collect launched

Move to omnichannel

2012

Alibaba Tmall.com

Alibaba launches Tmall Supermarket selling grocery via its network of distribution centres

Move to omnichannel

2017

M&S
EST. 1884

Marks and Spencer trial online food delivery service in London and Reading

Move to omnichannel

2017



Amazon moves from clicks to bricks with \$13.7 billion Whole Foods acquisition

2019

amazonfresh **Morrisons**
Since 1899

Morrisons and Amazon expand same day, instore pick offering to further 5 UK cities

2019

Walmart announces \$11bn US store investment:

- 20+ new 125,000 sq ft stores
- Online grocery pickup expanded to 1,000 further stores
- Self service pick up towers expanded to 500 stores



2015

Alibaba



Alibaba Launches physical supermarket Hema, combining online and offline shopping

2019

88 Hema stores opened in 2018 - plans to open a branch in every Chinese city with over 1 million residents



2019

M&S
EST. 1884



ocado

M&S acquires 50% of Ocado UK grocery business for £750m

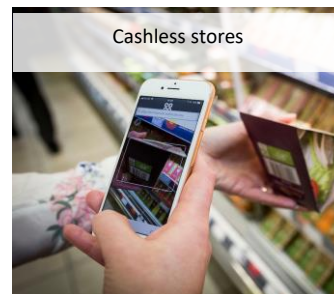
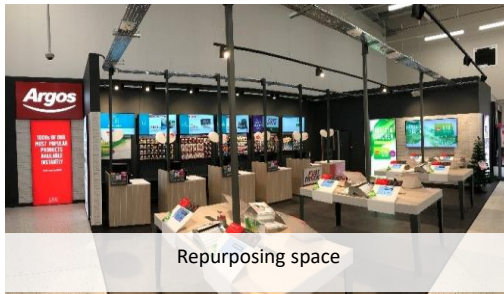


Improving store profitability

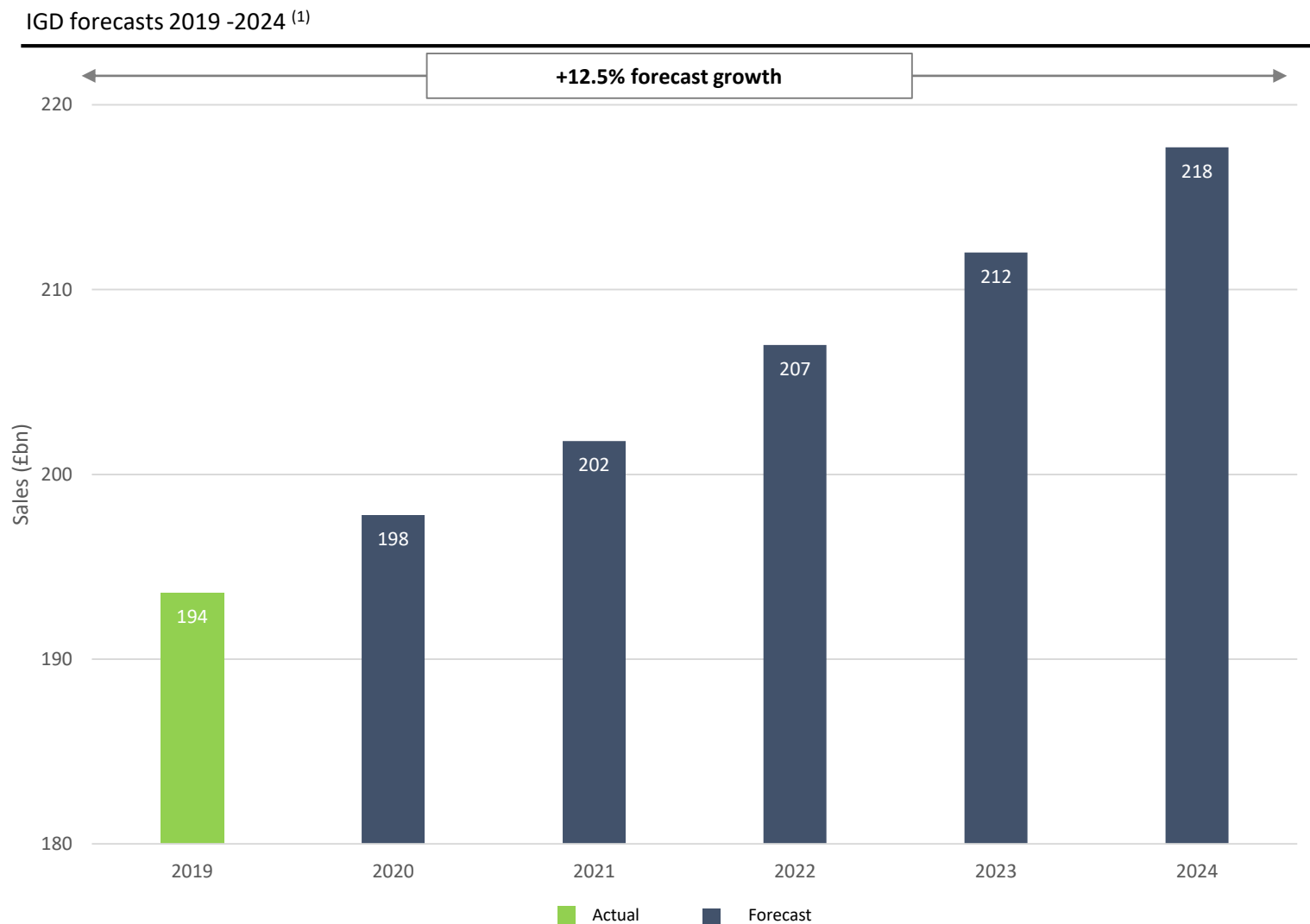
Operator investment initiatives ⁽¹⁾



- 20% – 30% supermarket productivity opportunity ⁽¹⁾
- £2.2bn combined capital expenditure allocated by Big 4 to supermarkets in 2020



UK food and grocery sales forecast



(1) Source IGD 2019

Strong FTSE100 tenants

Improving covenant strength ⁽¹⁾

- £11bn debt reduction since 2015
- Tesco upgraded by Standard & Poor's November 2019
- Sainsbury's investment grade debt target by 2022

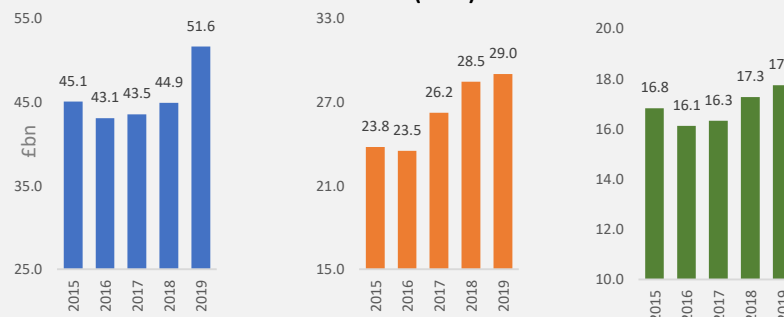
Balance sheet lease adjusted debt (£bns) ⁽¹⁾



Growth through acquisitions ⁽¹⁾

- Tesco & Booker + £5.8bn sales with £80m cost synergy
- Sainsbury's & Argos + £4.2bn sales with £160m cost synergy
- Morrisons Wholesale + £700m sales with £1bn 2020 target

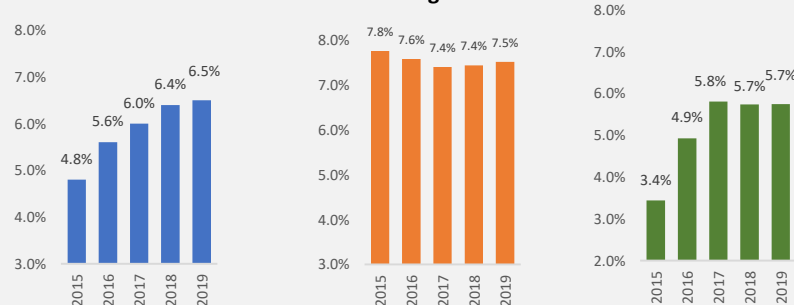
Revenue (£bns) ⁽¹⁾



6-7% EBITDAR margin targets across sector

- Focused on margin growth vs sale growth
- Investment in technology + 20-30% productivity

EBITDAR margins ⁽¹⁾

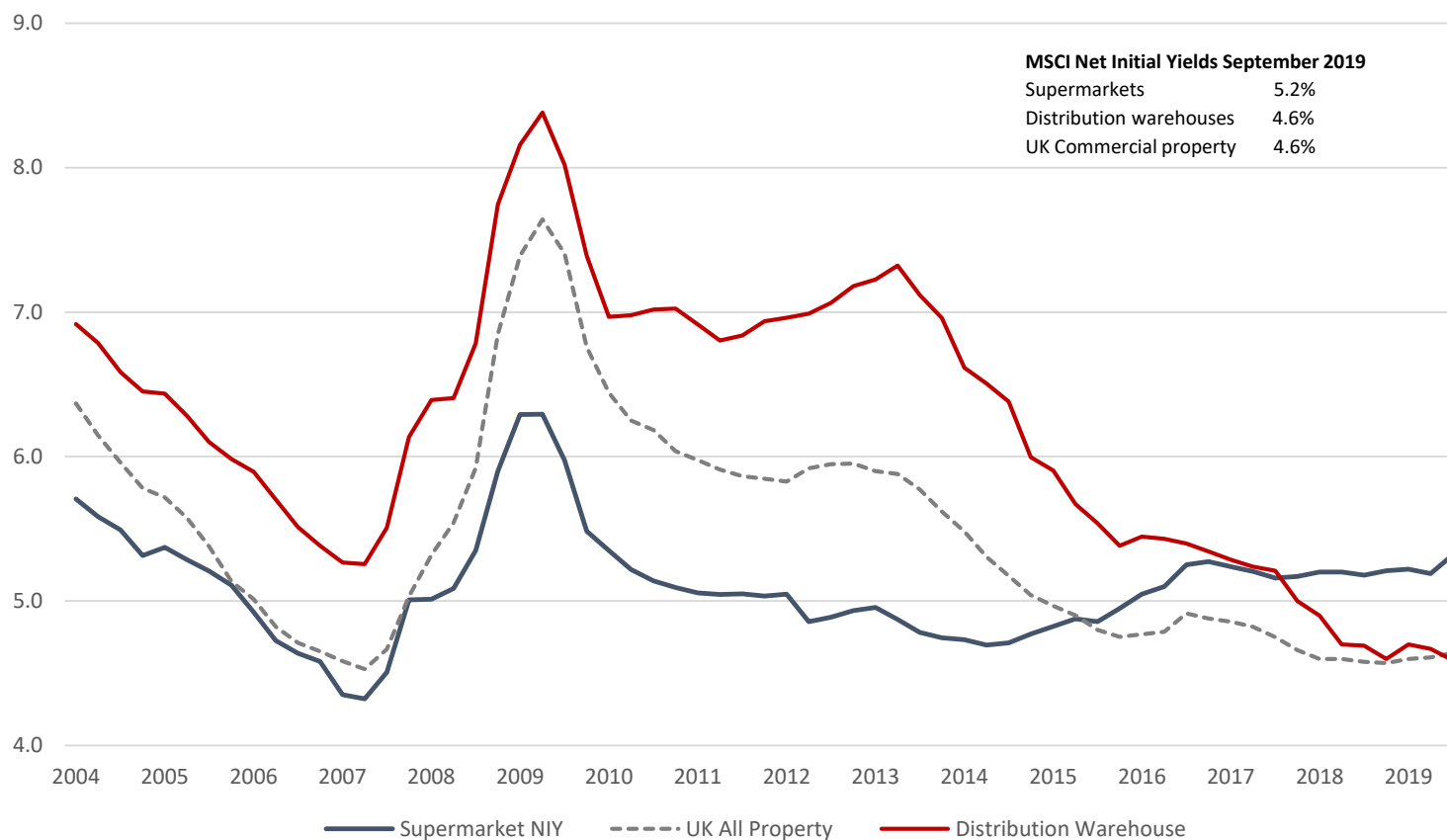


Investment Market

- Supermarket property yields
- Supermarket property yields have decoupled from bonds
- Supermarket property yields source of RPI
- Investment volumes
- Transactional evidence
- Lease re-gear evidence
- Outlook

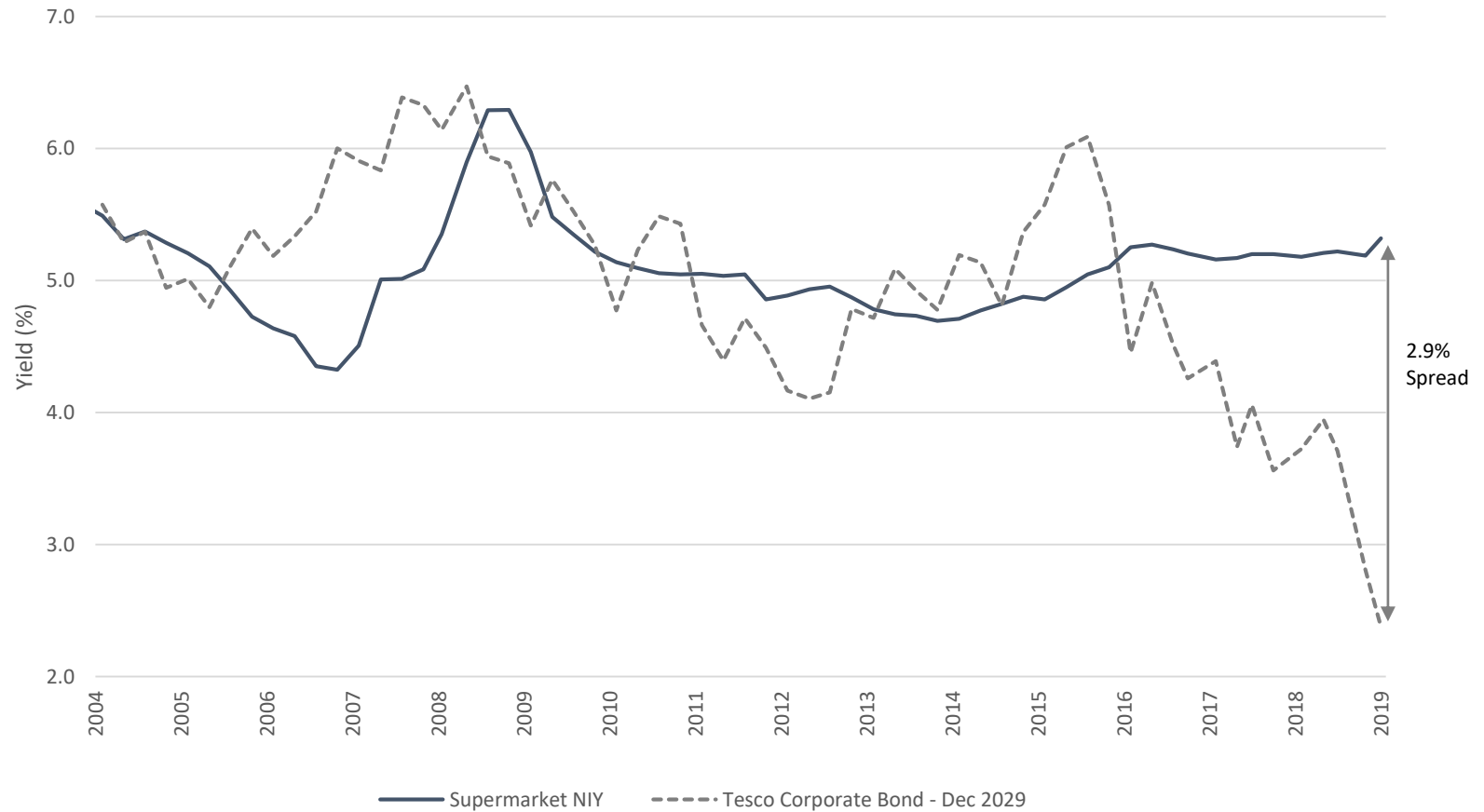
Supermarket property yields offer value

MSCI Yields 2004 -2019 ⁽¹⁾



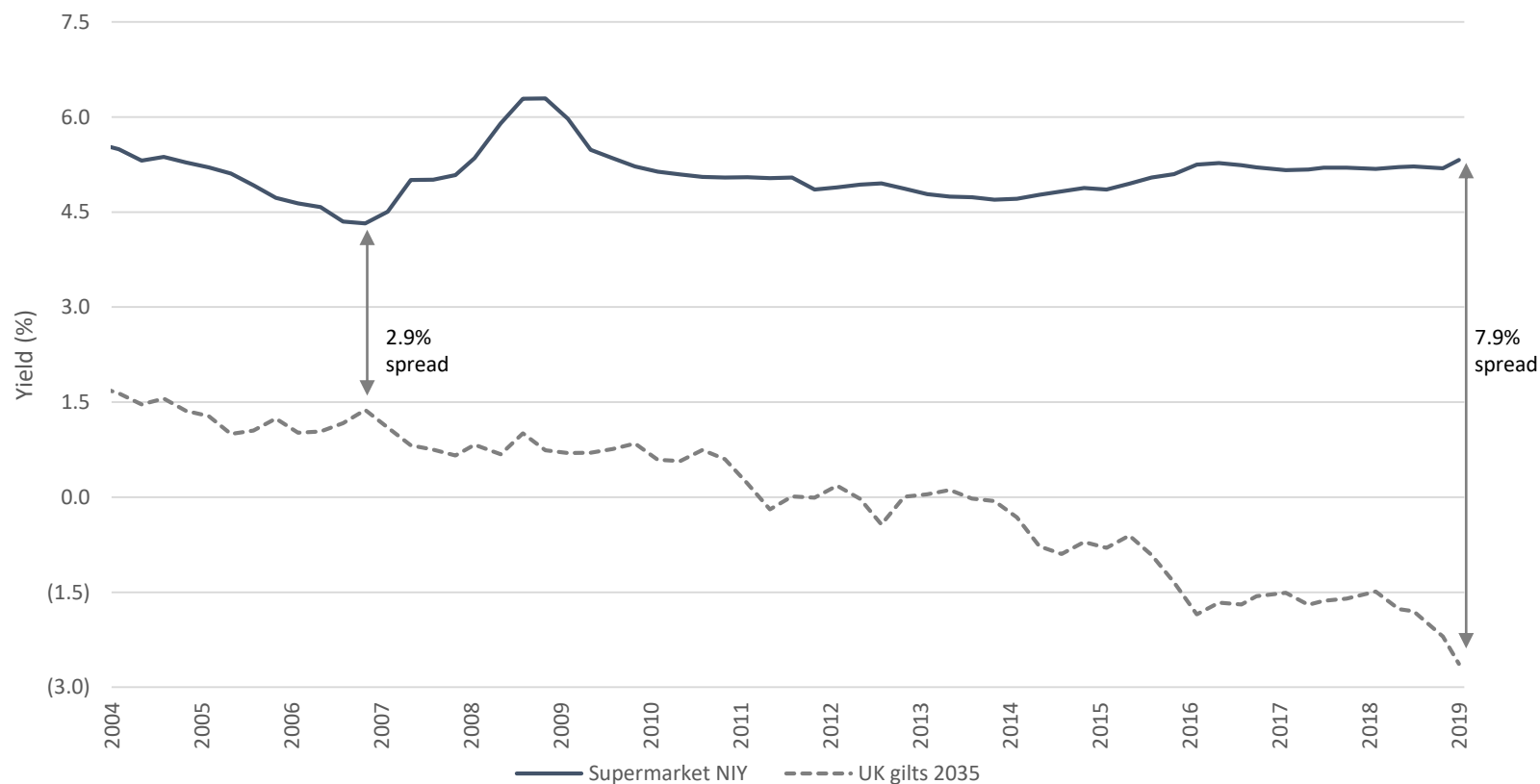
Supermarket property yields have decoupled from bonds

Historical performance of supermarket property yields and Tesco corporate bonds (2029) ⁽¹⁾



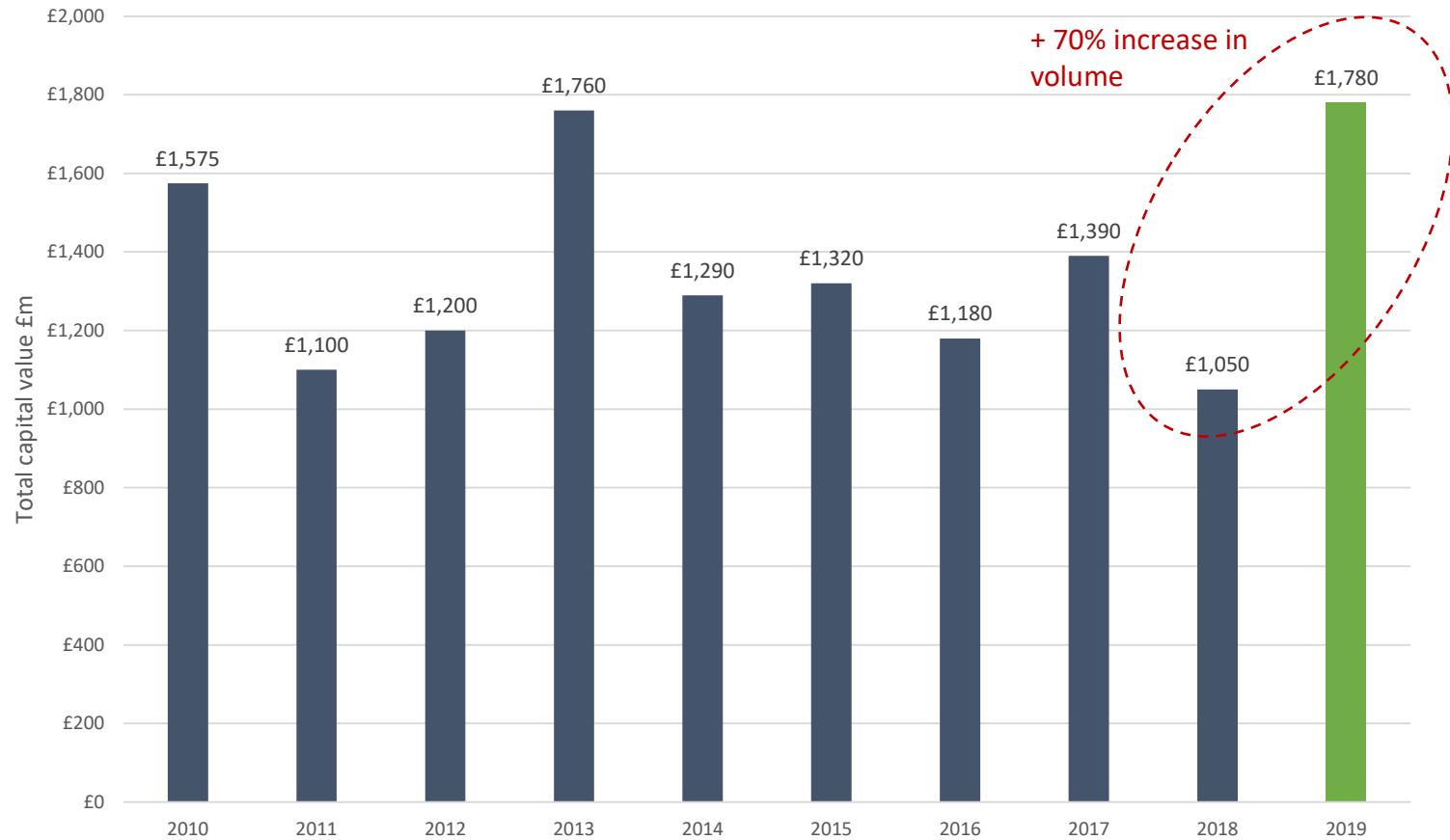
Supermarket leases offer one of the cheapest sources of RPI

Historical performance of supermarket yields and UK index linked gilts (2035) ⁽¹⁾



Supermarket Property Investment volume

Supermarket transactions 2010 - 2019 ⁽¹⁾



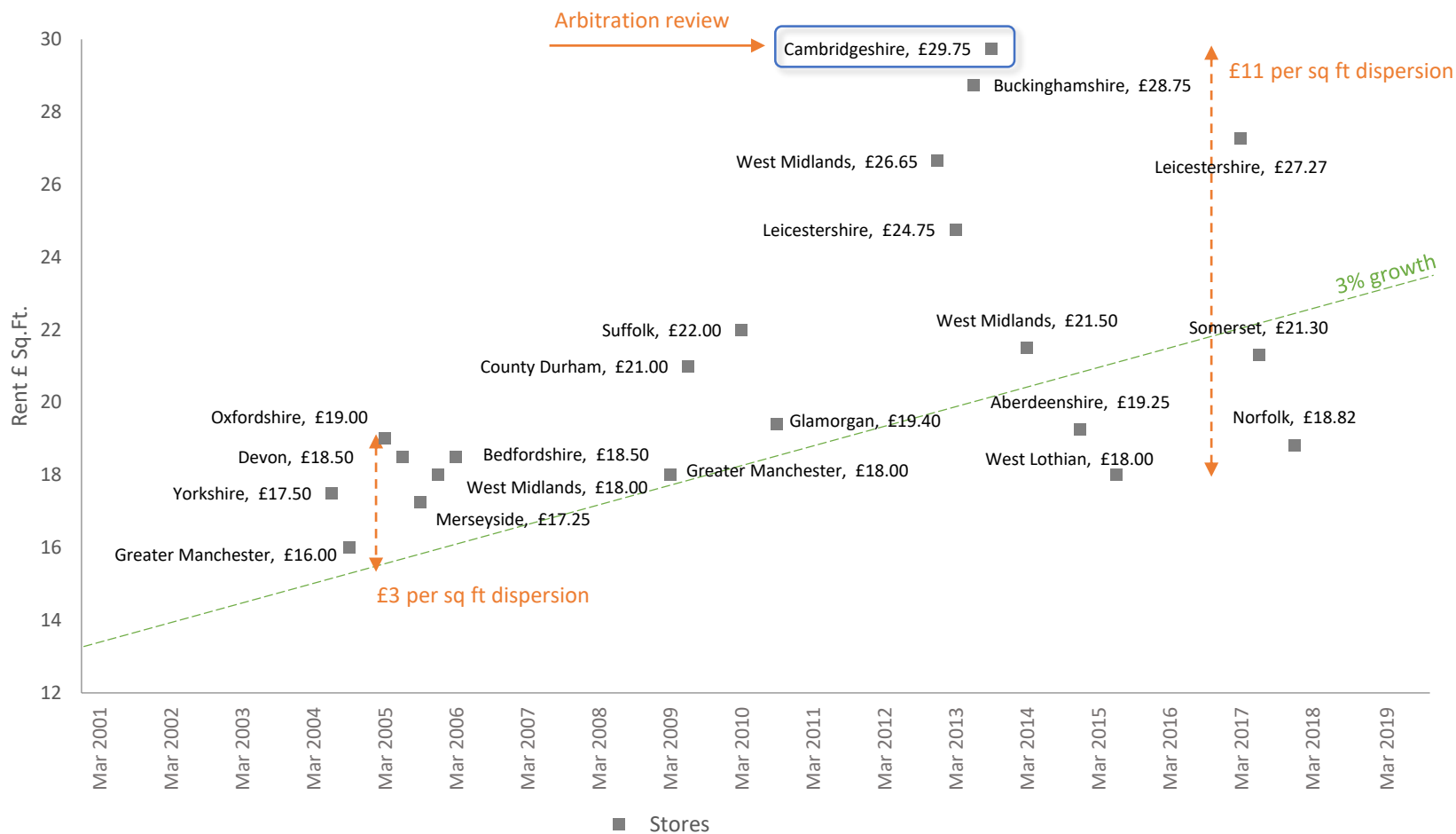
Valuations supported by transaction evidence

Purchasers of supermarkets 2019 ⁽¹⁾

	Transaction value £m
Realty Income	539
Tesco	181
SUPR	159
Blackrock	93
DTZ	70
BAE Pension Scheme	48
Aviva	45
Alpha Real Estate	35
Other	610
Total	1,780

Lease re-gear evidence

Supermarket lease and re-gears rates per sq ft ⁽¹⁾



Sector outlook

The fundamentals of the UK grocery market remain favourable

- UK grocery spending to increase 12.5% in the next 5 years ⁽¹⁾
- Operator credit covenants continue to improve
- Increasing digitisation to improve margins and improve customer experience
- Capital investment and innovation in last mile logistics continues to be directed toward leveraging existing store networks

Investment demand driven by improving operator margin and credit strength

- Growing investment volumes in supermarket sector
- Sustained appetite from major international buyers is likely to continue
- Increasing operator buybacks expected

The Company has a strong pipeline of attractive investment opportunities

Appendix

- UK Grocery Sector credit strength analysis
- Credit strength vs CVA use
- Portfolio metrics
- Long unexpired lease terms
- Outline rental profile
- Outline returns profile
- Share price performance
- Key terms

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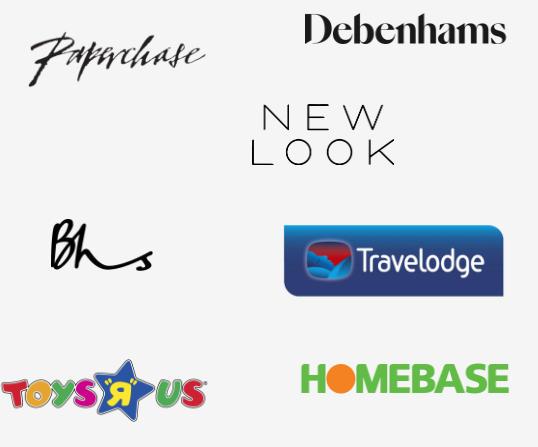
Appendix: UK Grocery Sector credit strength analysis

Balance Sheet analysis ⁽¹⁾

£bn	Market Cap. ⁽²⁾	Revenue	EBITDAR	EBITDAR Margin	Lease Adjusted Net Debt	Operating Cash Flow (2019)	Net Debt/ EBITDAR (2019)	Net Debt/ EBITDAR (2022) Target	Credit Rating
Tesco	21.0	51.6	4.3	6.5%	12.2	2.0	3.7x	2x - 3x	Baa3
Sainsbury's	4.1	29.0	2.2	7.5%	7.5	0.8	3.5x	2x - 3x	Unrated
Morrison's	4.4	17.7	1.0	5.7%	2.1	0.8	2.9x	2x - 3x	Baa2
ASDA	7.3 ⁽³⁾	22.0	0.8	3.7%	2.4	1.3	2.9x	2x - 3 x	Private
Moody's Baa Industry Average Range	-	-	-	6.0%-6.5%	-	-	2.6%-3.7%	-	-

Appendix: Credit strength vs CVA use

High profile company voluntary agreements ⁽¹⁾



Predominantly private equity backed with very weak balance sheets

- Predominantly private equity ownership
- Employing high leverage to achieve required PE returns
- Low barriers to entry for online competition

Investment grade grocery retailers



Public companies with investment grade balance sheets

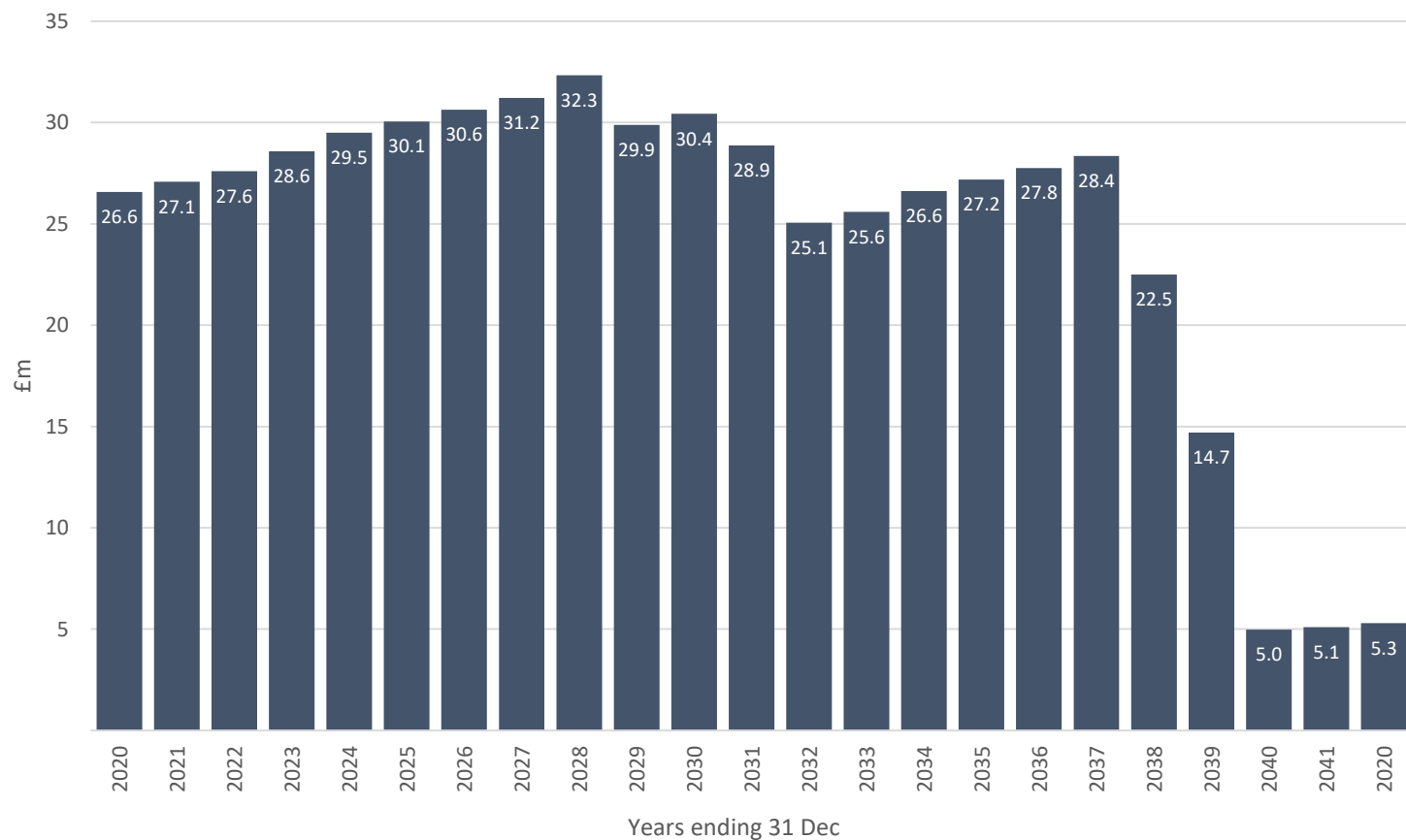
- Publicly traded FTSE 100 or S&P 100 companies
- Reducing debt as part of overall strategy
- Well placed for online growth due to omni-channel strategy

Appendix: Portfolio metrics

Property	Tenant	Valuation (£m)	Passing Rent (£m)	Valuation yield (%)	WAULT (Yrs)	Rent Review	Rent Review Floor – Cap	Store Size GIA 000, (Sqft)	Store Size NSA 000, (Sqft)	Site Size (acres)
Scunthorpe	Tesco	57.1	3.0	4.9	21	Annual RPI	0% - 5%	98	65	8.3
Cumbernauld	Tesco	57.8	3.0	5.0	21	Annual RPI	0% - 5%	117	70	9.5
Ashford	Sainsbury's	86.5	4.0	4.4	19	Annual RPI	1% - 3%	125	72	17.0
Bristol	Tesco	28.8	1.6	5.0	11	Annual RPI	0% - 4%	55	31	5.7
Thetford	Tesco	42.8	2.7	6.0	10	Annual RPI	0% - 4%	78	48	10.4
Sheffield	Morrisons	53.5	2.9	5.0	20	5 Yearly RPI	0% - 4%	112	58	8.4
Mansfield	Tesco	47.5	2.5	5.0	19	Annual RPI	0% - 4%	91	64	8.6
Preston	Sainsbury's	56.0	3.0	4.9	22	Annual RPI	1%-4%	105	78	9.9
Cheltenham	Sainsbury's	60.4	3.4	5.3	12	5 Yearly RPI	0% - 4%	98	62	6.0
Total	-	490.4	26.1	5.0	18	-	0.3% - 4.1% Ave	879	548	83.8

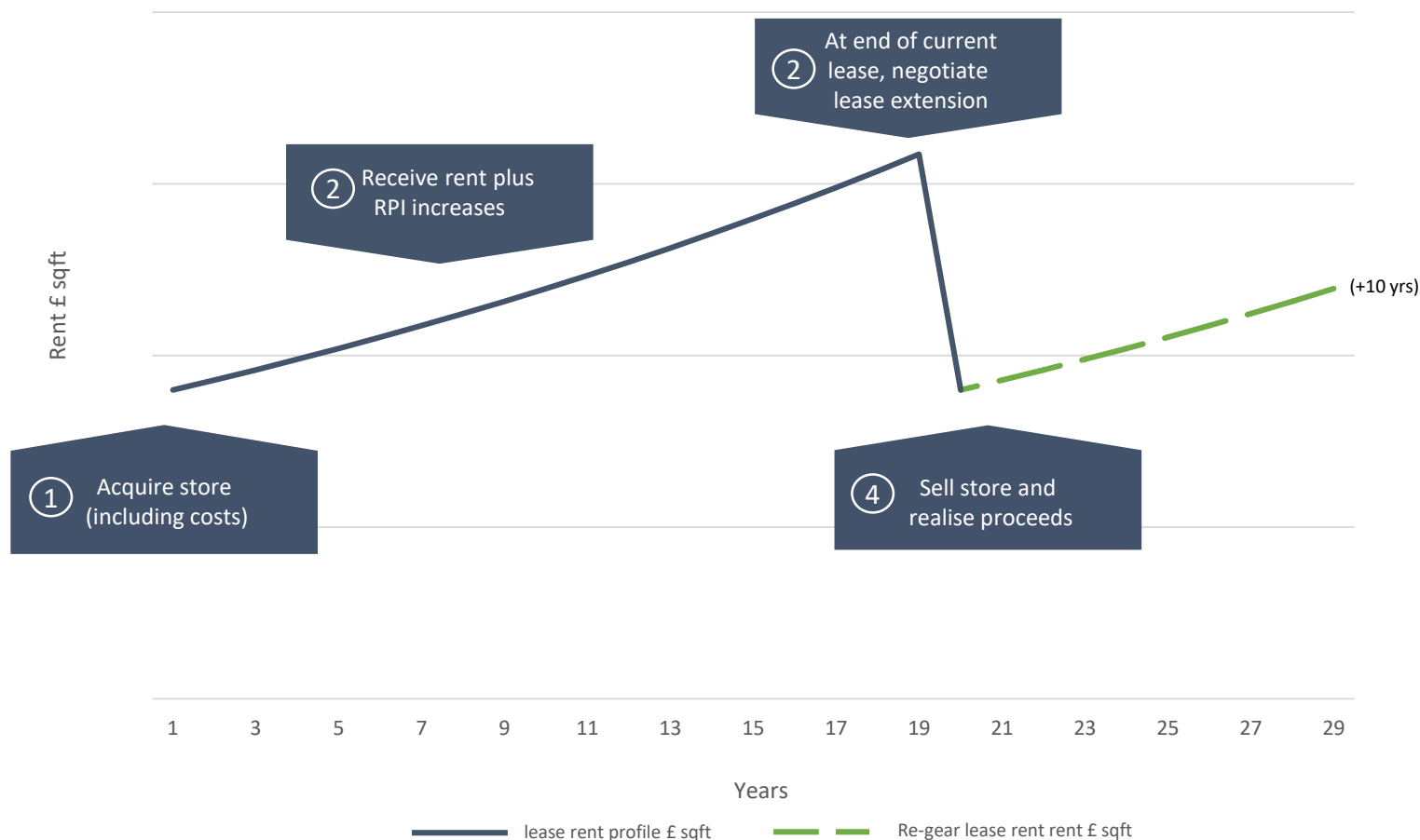
Appendix: Long unexpired lease terms

Portfolio maturity profile by annualised rental income £m ⁽¹⁾



Appendix: Outline rental profile

Illustrative rent profile per sq ft (Passing + Re-gear) ⁽¹⁾



Appendix: Outline returns profile

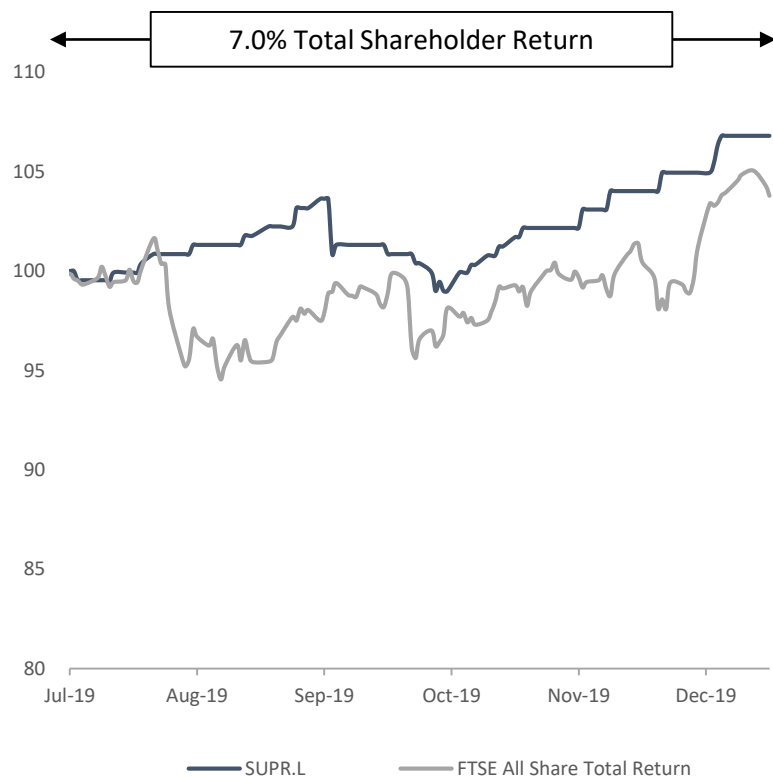
Illustrative IRR profile from contracted rents plus different re-gear rent assumptions ⁽¹⁾



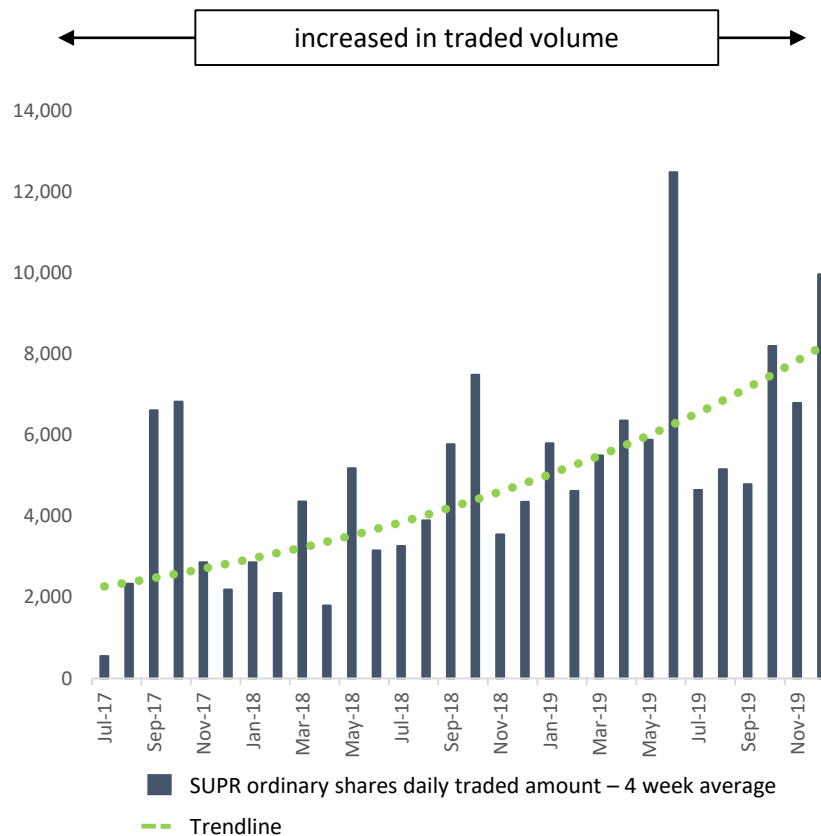
There is no certainty that these illustrative projections will be achieved

Appendix: Share price performance

Relative share price performance for the Period



Trading volume – 4 week rolling daily average since IPO



Appendix: SUPR Key terms

The Company	<ul style="list-style-type: none"> • UK listed REIT • London Stock Exchange Main Market, Specialist Fund Segment
Investment policy	<ul style="list-style-type: none"> • Target assets with long unexpired lease terms • No individual property will represent more than 40% of the prevailing Gross Asset Value • At least 80% of its Gross Asset Value in properties let to UK supermarket operators
Gearing	<ul style="list-style-type: none"> • Targeted average leverage of 30-40% through the cycle
IRR	<ul style="list-style-type: none"> • Target IRR of 7 to 10% ⁽¹⁾
Governance	<ul style="list-style-type: none"> • An independent board of directors; compliant with the AIC Corporate Governance Code
Management	<ul style="list-style-type: none"> • Atrato Capital as Investment Adviser • JTC Group as AIFM
Investment Adviser fee	<ul style="list-style-type: none"> • Management fee based on NAV less uninvested cash based on the following tiers: <ul style="list-style-type: none"> • 0.95% up to £500 million; • 0.75% between £500 million to £1 billion; • 0.65% between £1 billion to £1.5 billion; • 0.45% above £1.5 billion • 25% of the management fee will be received in shares
Management investment	<ul style="list-style-type: none"> • £3.0 million
KIID Ratios ⁽²⁾	<ul style="list-style-type: none"> • Ongoing costs: 1.5% - Management fees (0.95% of NAV) Group's service providers (0.25%) Administration (0.30%). • Transaction costs 4.75% - consisting of 5.5% acquisition costs less historical off-market valuation increase on acquisition

IMPORTANT NOTICE

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