

SUPR

SUPERMARKET INCOME REIT

INTERIM RESULTS PRESENTATION

FOR THE SIX MONTHS FROM 1 JULY 2023 TO
31 DECEMBER 2023

13 MARCH 2024



INVESTING IN THE FUTURE OF UK GROCERY

Photo: Tesco, Bradley Stoke

Agenda and Presenting Team



Welcome and introduction

Financial results

Grocery market

Supermarket property

Q&A



Ben Green
Principal



Michael Perkins
Finance Director



Steven Noble
CIO



Robert Abraham
Managing Director



Omnichannel
increasing
market share

Low leverage
providing growth
capacity

Accretive
acquisitions
pipeline

• Photo: Tesco, Bishops Cleeve



Financial Results

Financial highlights

Income statement

Growth in passing rent

Adjusted earnings reconciliation

Balance sheet

Valuation movement

EPRA NTA performance

Covenant and debt facilities

Sustainability




Photo: Tesco, Bradley Stoke

Financial highlights - 6 months to 31 December 2023



£52.6m

Net rental
income

2.9p

Adjusted
EPS

6.06p

FY24 dividend
target

£1.7bn

Portfolio
value

88p

EPRA NTA
per share

33%

Loan to
Value

Past performance is not indicative of future results.

Photo: Tesco, Worcester

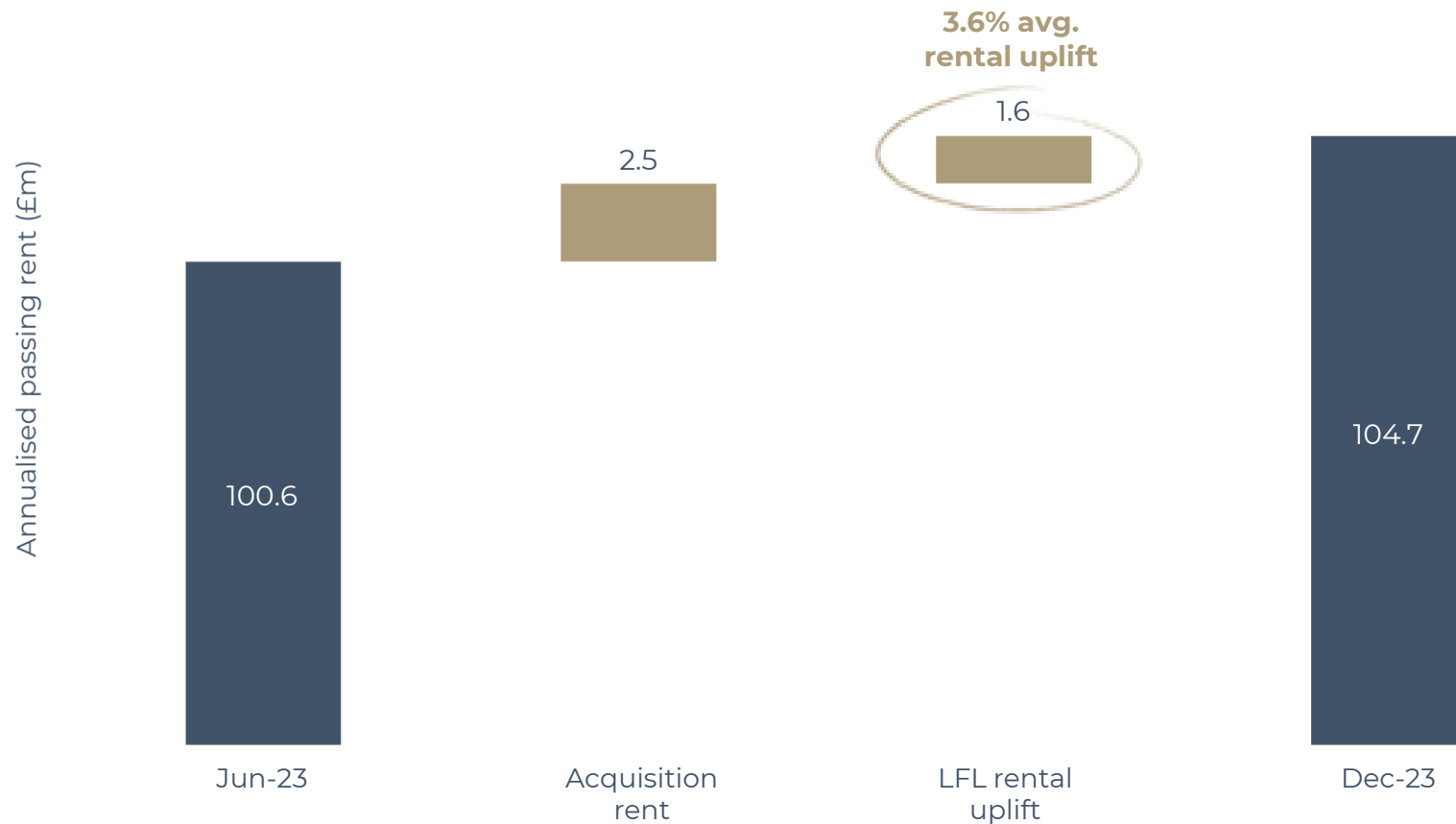
Income statement – rental income



	Six months to 31-Dec-23 £m	Six months to 31-Dec-22 £m	Change
Net rental income	52.6	45.9	+15%
Net income from joint venture (undistributed)	-	7.4	
Administrative & other expenses	(7.6)	(7.9)	
Finance expense	(8.7)	(9.0)	
Adjusted earnings	36.3	36.4	
EPRA cost ratio	15.1%	16.7%	
Adjusted earnings per share	2.9 pence	2.9 pence	
Dividend per share	3.0 pence	3.0 pence	
Dividend cover	0.97x	0.98x	

Past performance is not indicative of future results.

Growth in passing rent



Past performance is not indicative of future results.

Income statement – EPRA cost ratio



	Six months to 31-Dec-23 £m	Six months to 31-Dec-22 £m	Change
Net rental income	52.6	45.9	
Net income from joint venture (undistributed)	-	7.4	
Administrative & other expenses	(7.6)	(7.9)	-4%
Finance expense	(8.7)	(9.0)	
Adjusted earnings	36.3	36.4	
EPRA cost ratio	15.1%	16.7%	-160bps
Adjusted earnings per share	2.9 pence	2.9 pence	
Dividend per share	3.0 pence	3.0 pence	
Dividend cover	0.97x	0.98x	

Past performance is not indicative of future results.

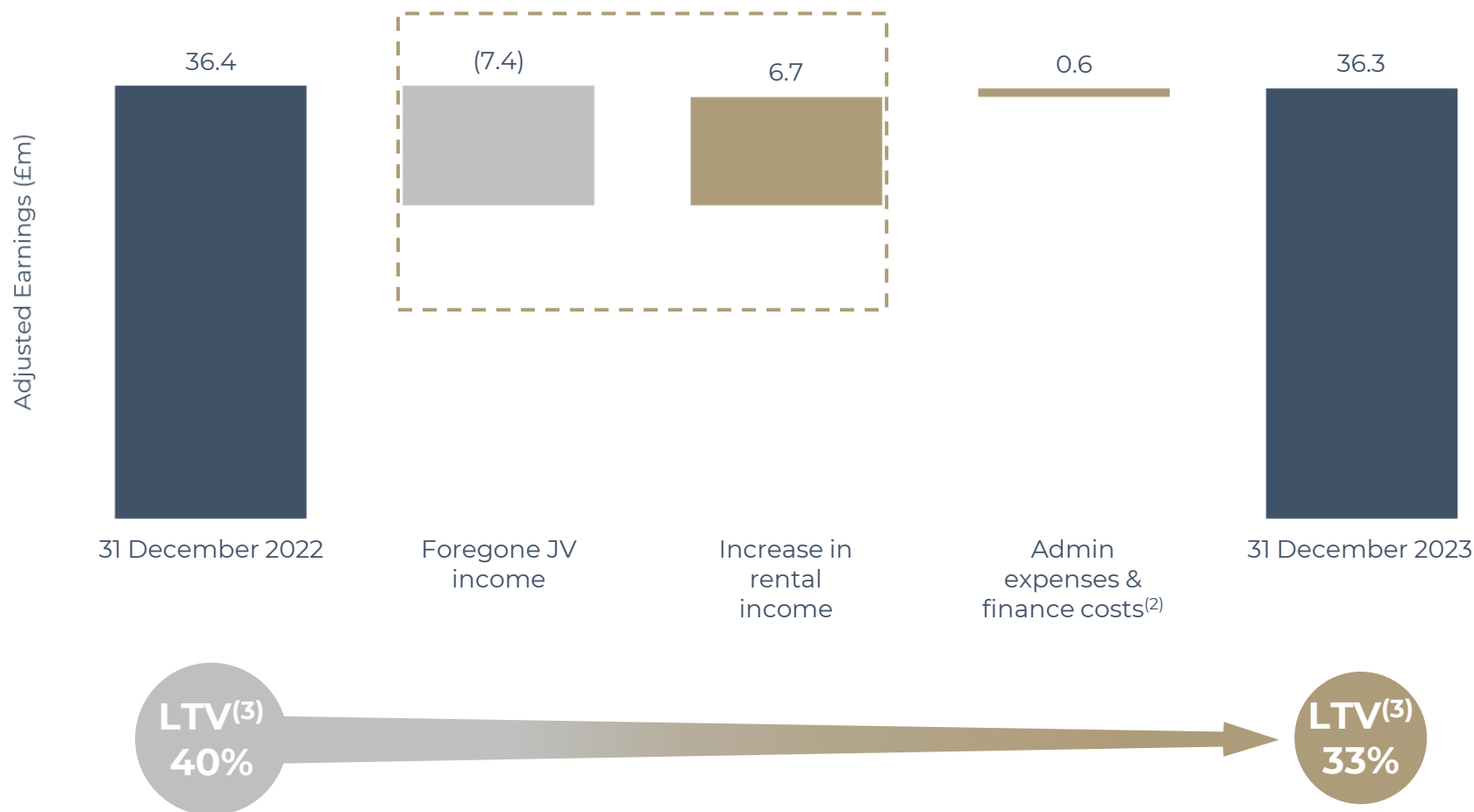
Income statement – finance expense



	Six months to 31-Dec-23 £m	Six months to 31-Dec-22 £m	Change
Net rental income	52.6	45.9	
Net income from joint venture (undistributed)	-	7.4	
Administrative & other expenses	(7.6)	(7.9)	
Finance expense⁽¹⁾	(8.7)	(9.0)	-3%
Adjusted earnings	36.3	36.4	
EPRA cost ratio	15.1%	16.7%	
Adjusted earnings per share	2.9 pence	2.9 pence	
Dividend per share	3.0 pence	3.0 pence	
Dividend cover	0.97x	0.98x	

Past performance is not indicative of future results.

JV earnings replaced with accretive acquisitions⁽¹⁾



Past performance is not indicative of future results.

Income statement – adjusted dividend cover



	Six months to 31-Dec-23 £m	Six months to 31-Dec-22 £m	Change
Net rental income	52.6	45.9	
Net income from joint venture (undistributed)	-	7.4	
Administrative & other expenses	(7.6)	(7.9)	
Finance expense	(8.7)	(9.0)	
Adjusted earnings	36.3	36.4	
EPRA cost ratio	15.1%	16.7%	
Adjusted earnings per share	2.9 pence	2.9 pence	
Dividend per share	3.0 pence	3.0 pence	+1%
Adjusted dividend cover⁽¹⁾	0.97x	0.98x	

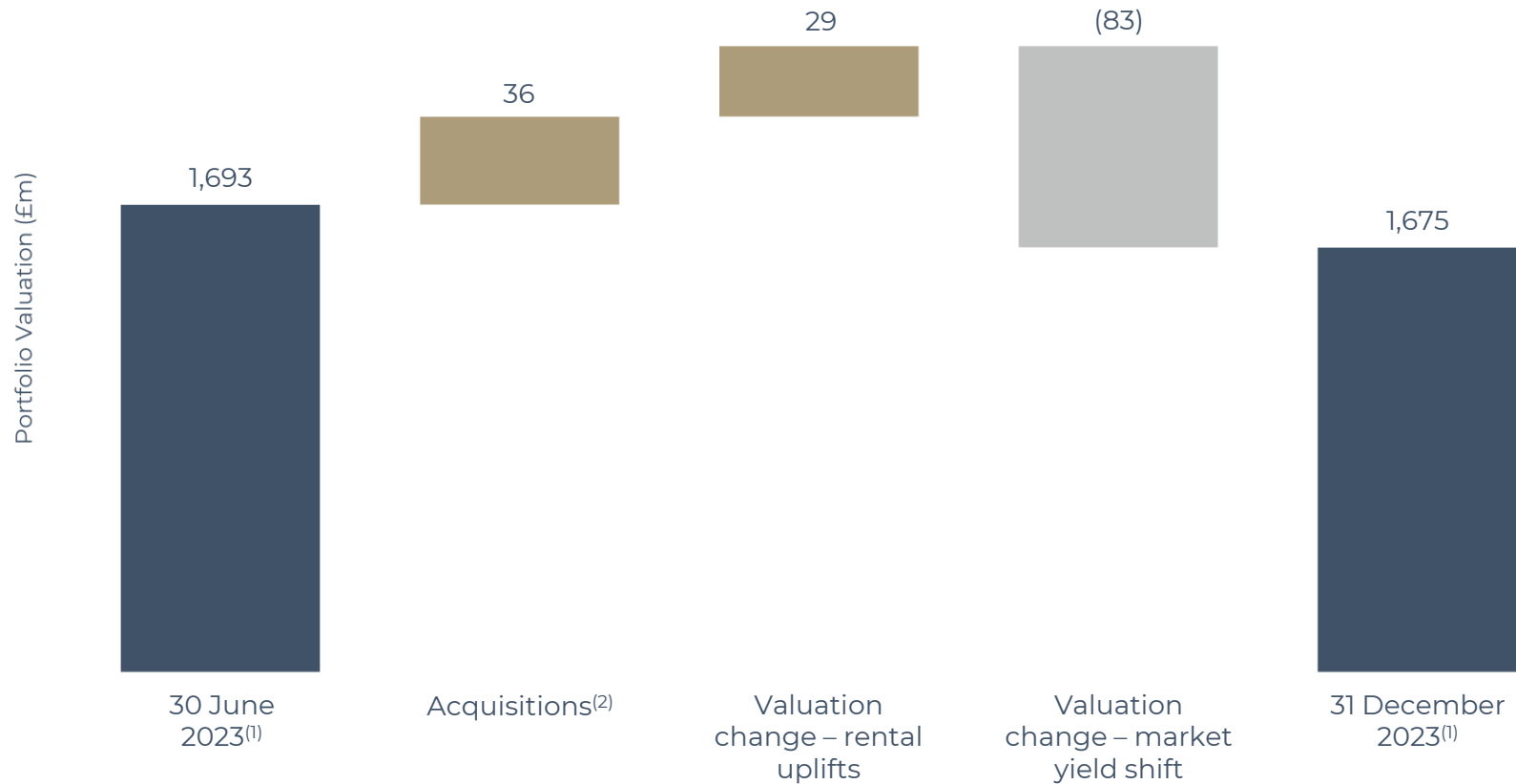
Past performance is not indicative of future results.

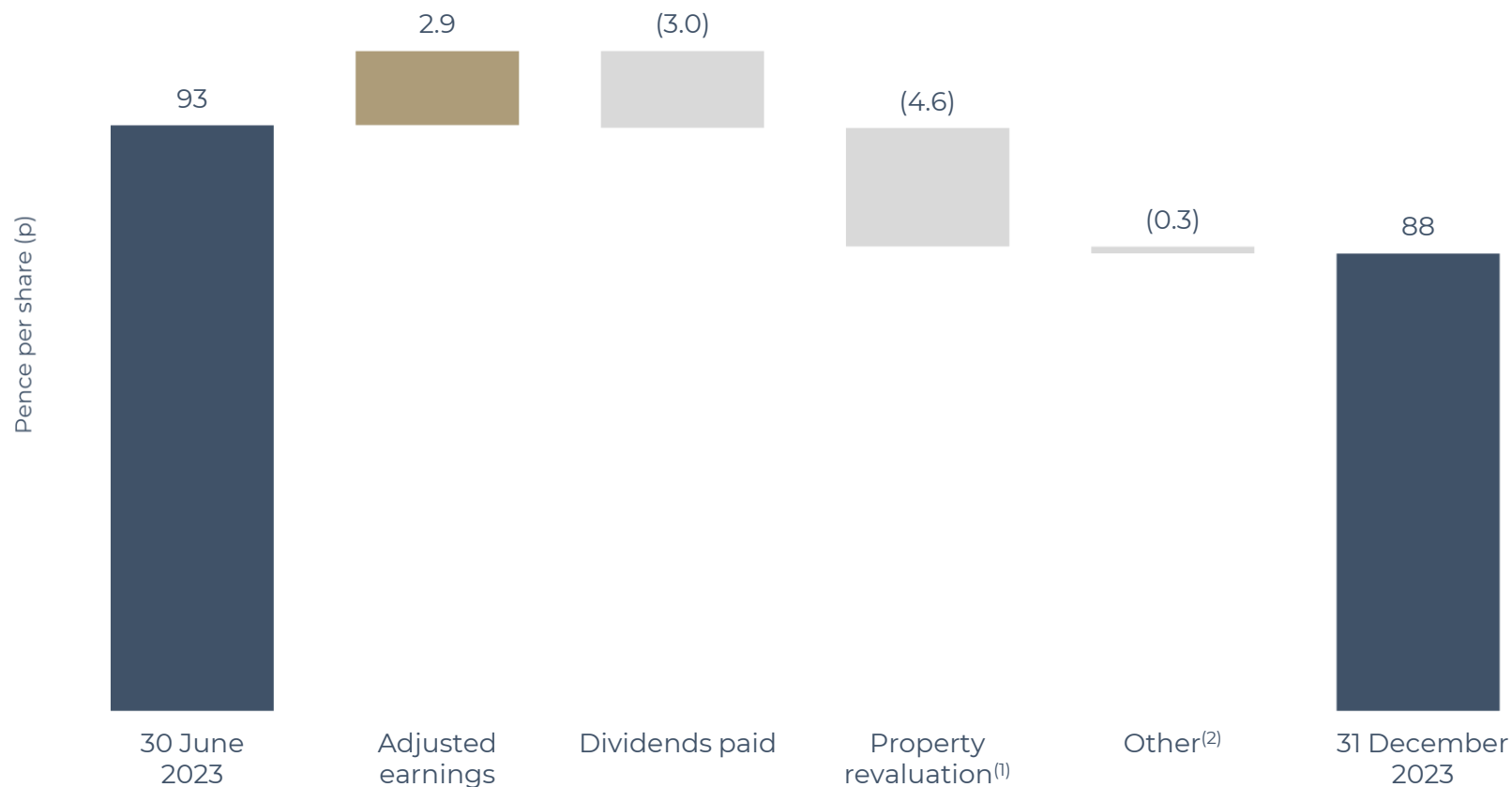
Strong balance sheet



	As at 31-Dec-23 £m	As at 30-Jun-23 £m	Change
Portfolio valuation⁽¹⁾	1,675	1,693	-1.1%⁽²⁾
Cash and cash equivalents	37	37	
Other assets	9	143	
Borrowings	(584)	(668)	
Prepaid rents and other liabilities	(43)	(49)	
EPRA net tangible assets (NTA)	1,094	1,156	-5.4%
EPRA NTA per share	88 pence	93 pence	-5.4%
Loan to value	33%	37%	

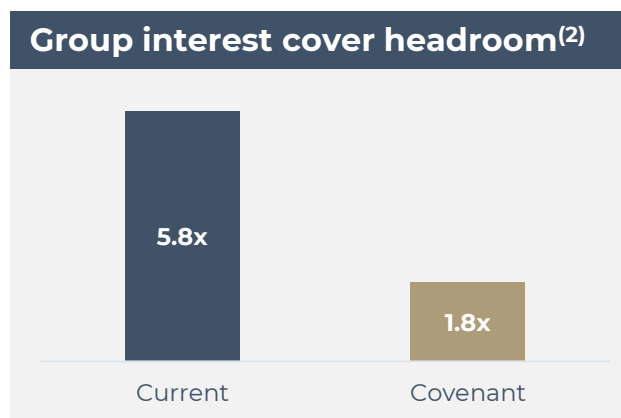
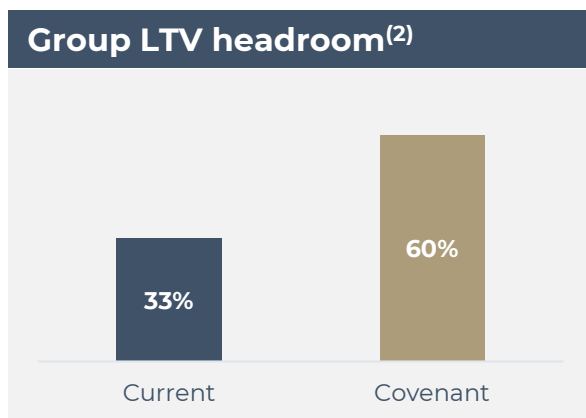
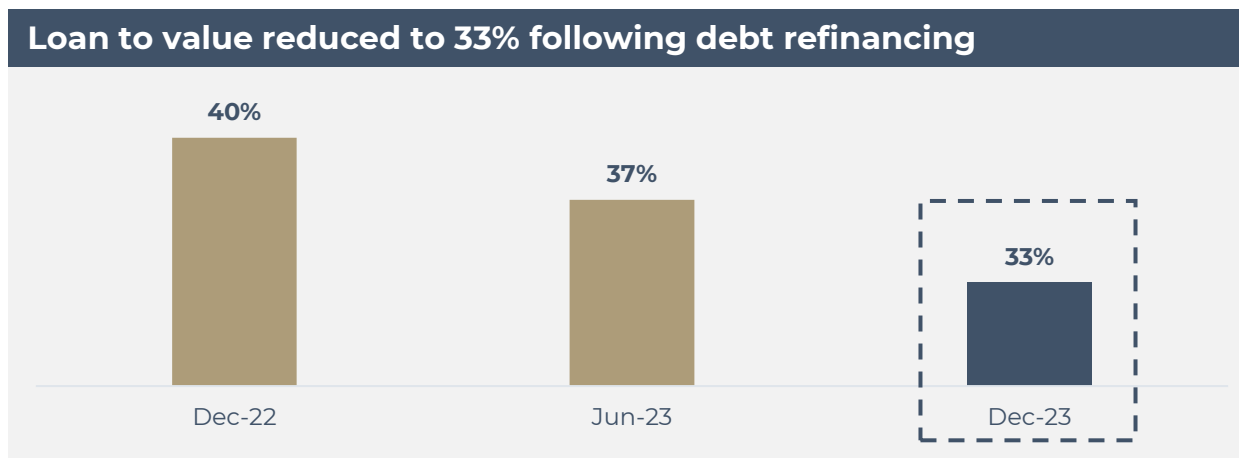
Yield expansion partially offset by rental growth





Past performance is not indicative of future results.

Low leverage and significant covenant headroom⁽¹⁾

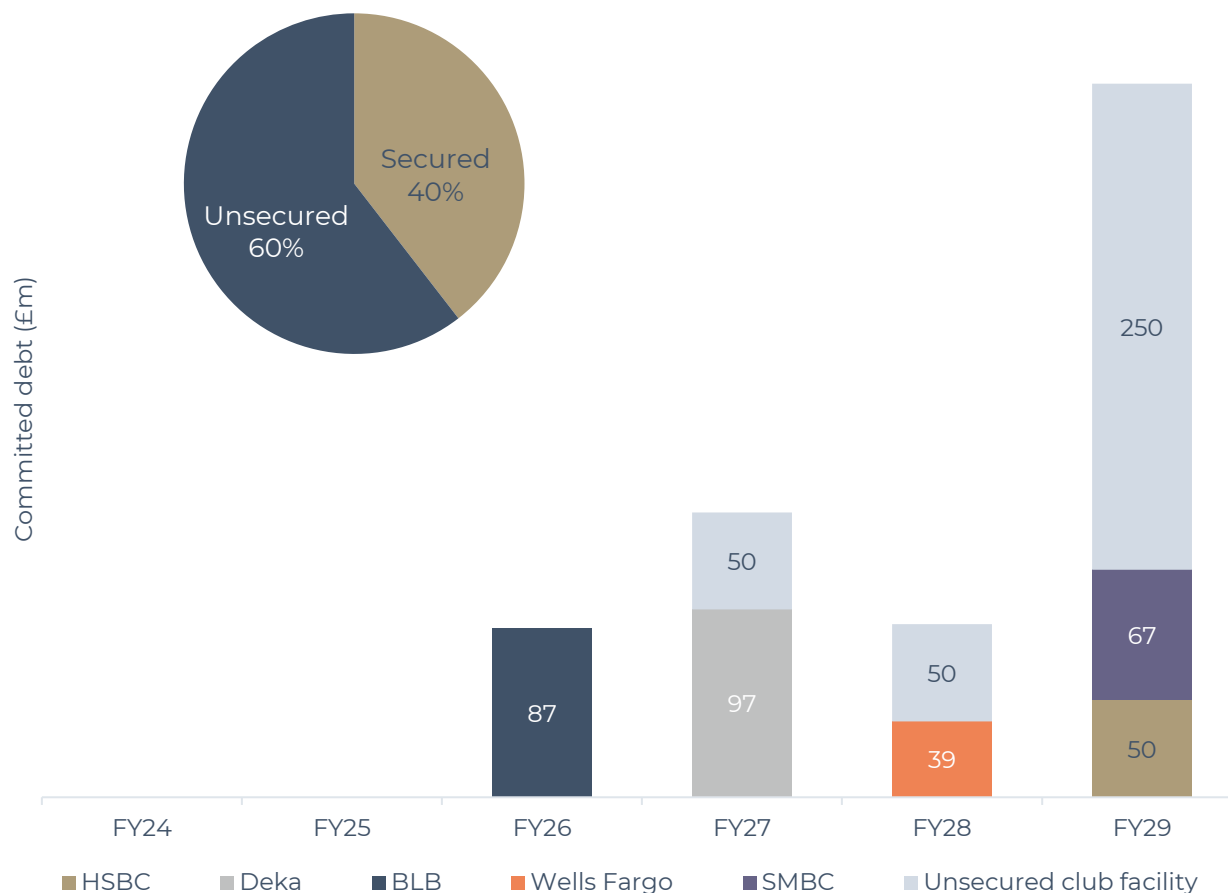


6.1x
Net debt/
EBITDA

3.1%
Average
debt cost

BBB+
Fitch rating

Diversified banking group



£177m
Undrawn⁽¹⁾

4.1 years
Average maturity⁽²⁾

100%
Fixed/hedged

Three Pillars of our Sustainability Strategy



Climate and Environment

Achieve a net zero carbon portfolio, mitigating the environmental impacts of our assets

Tenant and Community Engagement

Ensure our assets enhance the communities in which they are located

Responsible Business

Strengthen ESG performance and uphold responsible business practices to deliver long-term value

Aligned to United Nations Sustainable Development Goals (SDGs)

13 CLIMATE ACTION



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



11 SUSTAINABLE CITIES AND COMMUNITIES



8 DECENT WORK AND ECONOMIC GROWTH



Photo: Tesco, Bristol

Our ESG initiatives



Additional sustainability reporting

Transition Plan

Quantitative TCFD scenario analysis



New projects

Nature-related strategy

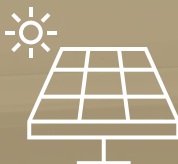
Proactive tenant engagement



EV charging

30% of portfolio installed

Three target sites identified



Solar installation

20% of portfolio energised

Future-proofing our store estate

Photo: Tesco, Bradley Stoke



Grocery market

UK grocery sector growth

Discounter store openings

Omnichannel- sales and market share growth

Value proposition and core growth platform

Last mile logistics



Photo: Sainsbury's, Gloucester

UK grocery experiencing strong growth⁽¹⁾



Photo: Tesco, Sheffield

Omnichannel stores largest growth channel



Omnichannel stores largest growth channel



Discounter new store openings are slowing



Rising development costs

Lack of available sites

Lower ROC profile⁽²⁾

Photo: Aldi, Failssworth

Large format stores driving grocery growth



6-month sales growth⁽¹⁾

Sainsbury's

+9.4%

+10.8%

UK

Large format
stores

TESCO

+8.7%

+9.3%

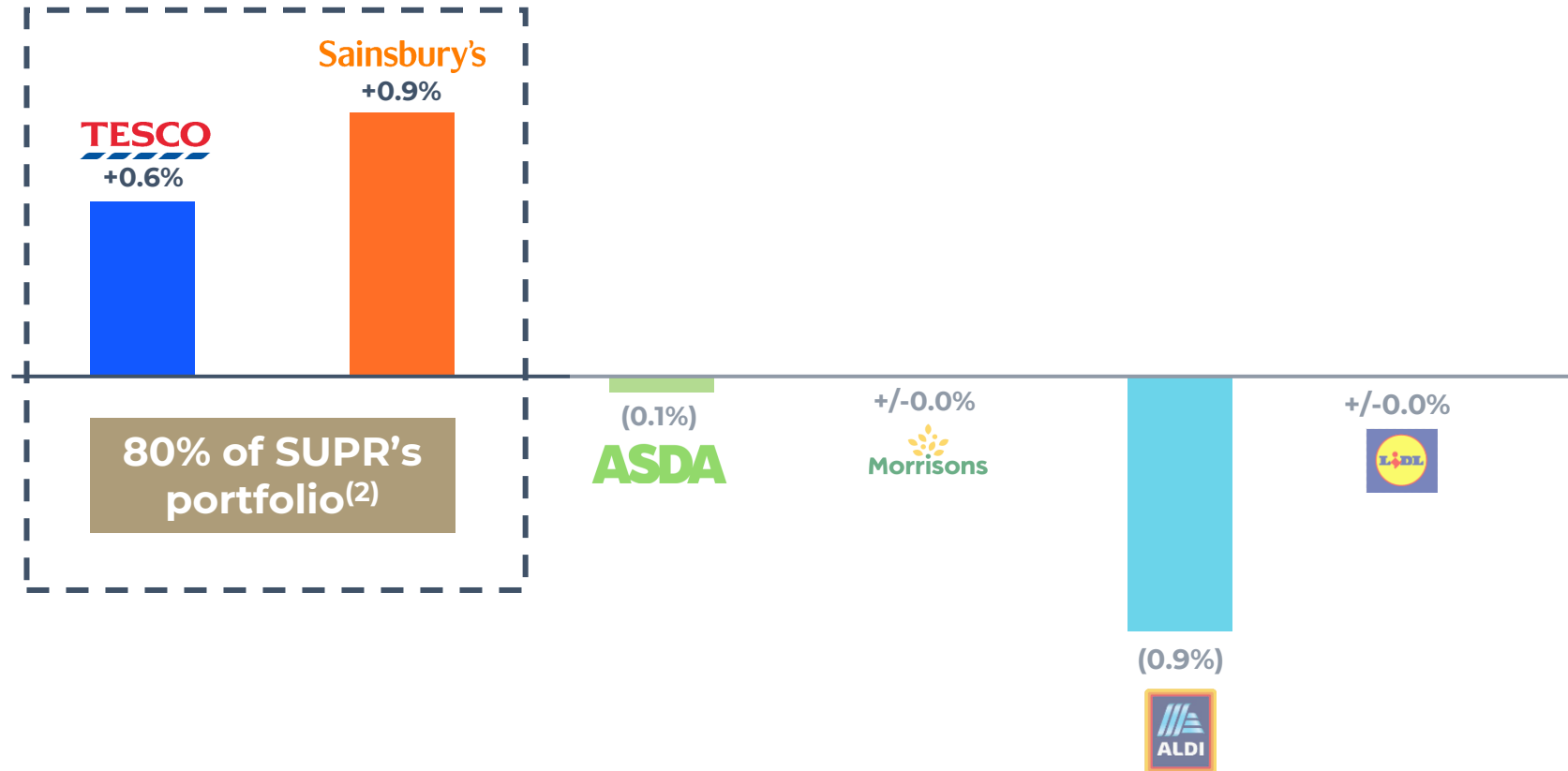
UK

Large format
stores

Omnichannel strategy generating market share gains



6-month UK grocery market share change⁽¹⁾



Omnichannel stores - core platform for growth



£100m+

Sales revenue⁽¹⁾



Photo: Sainsbury's, Ashford

Omnichannel stores - core platform for growth



60%
In-store
sales

**Value, range
and choice**



Photo: Sainsbury's, Ashford

Omnichannel stores - core platform for growth



60%

In-store
sales

**Value, range
and choice**



10%

Essentials

**Enhanced
customer
offer**



Photo: Sainsbury's, Ashford

Omnichannel stores - core platform for growth



60%

In-store
sales

**Value, range
and choice**



10%

Essentials

**Enhanced
customer
offer**



30%

Online
sales

**Strong location
for last mile
logistics**



Photo: Sainsbury's, Ashford

Growing value of the last mile logistics platform



+90%

of UK population
<35 mins from
omnichannel
stores⁽¹⁾

+80%

of the £19bn⁽²⁾
online market
fulfilled in store

Argos

+70%

sales collected in
Sainsbury's
supermarket⁽³⁾

Sainsbury's

#1

click and collect
platform in UK

Whoosh.

60%

of UK population
covered⁽⁴⁾

TESCO



Supermarket property

Supermarkets offer attractive relative value

Investment property volumes

SUPR's UK investment opportunities

Unique portfolio of supermarkets

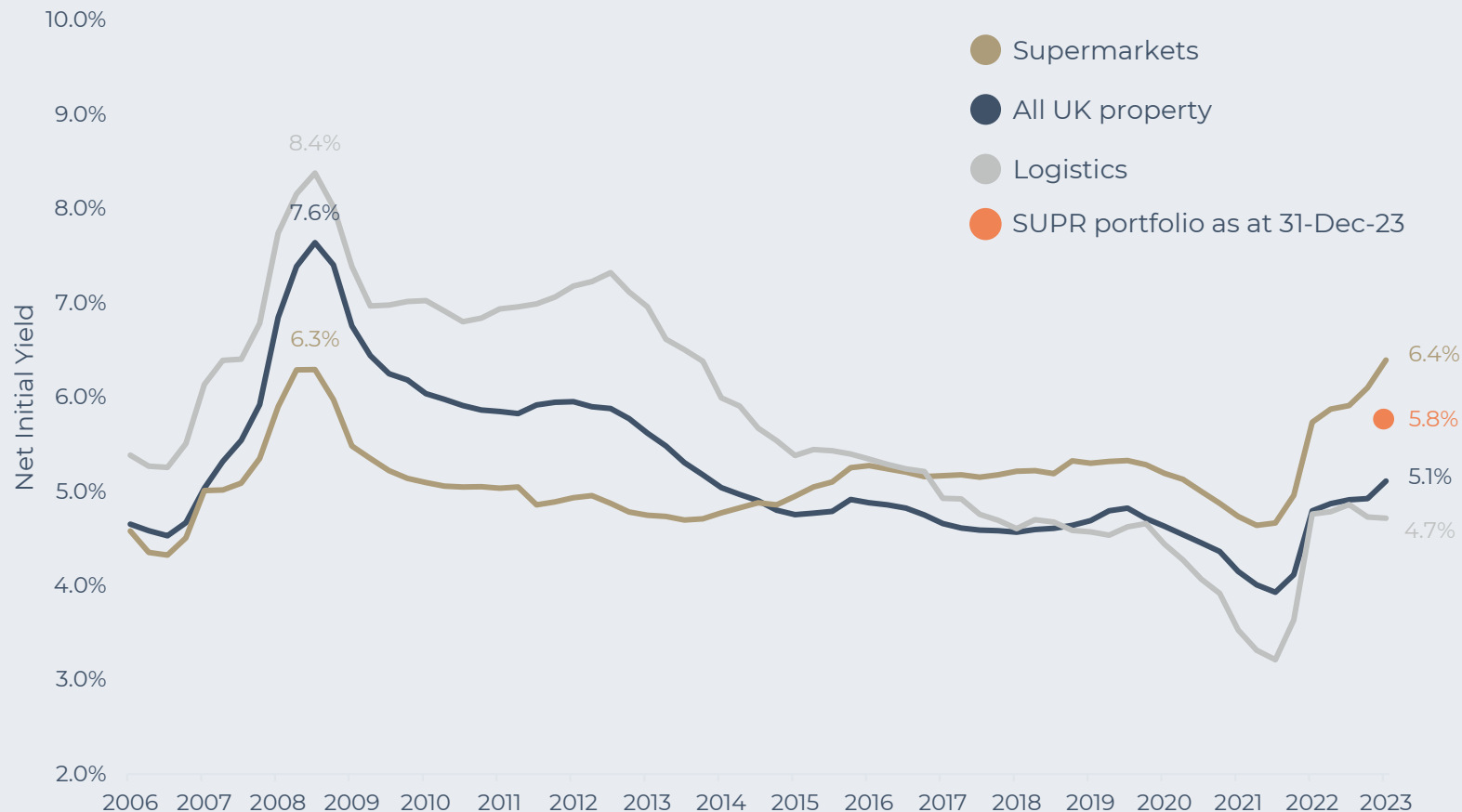
Regear evidence

Relative value



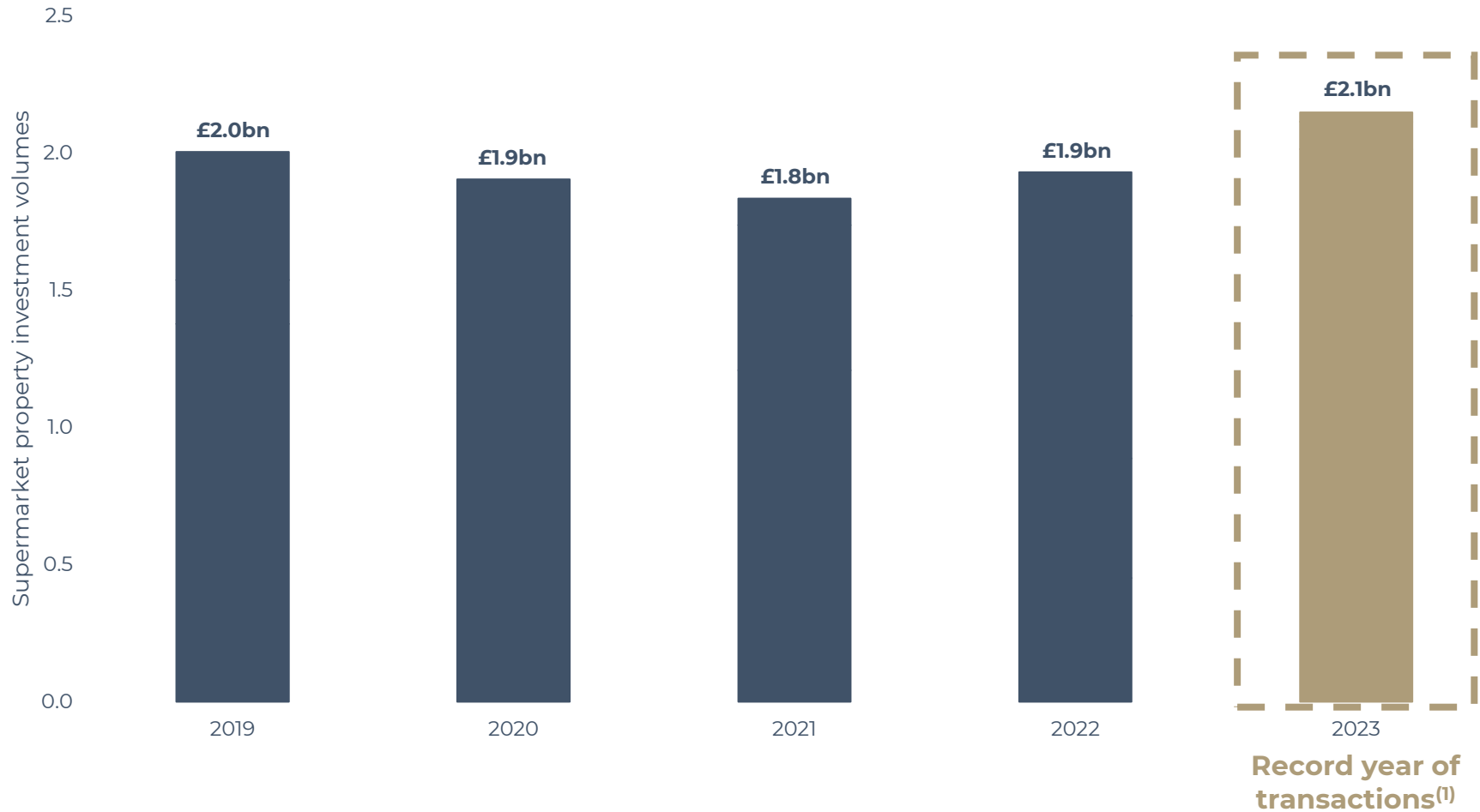
Photo: Tesco, Bracknell

Supermarkets offer attractive relative value















Past performance is not indicative of future results.

Supermarket property investment remains strong



Keen yields on long leased supermarkets



Strategy	Long lease	Regear opportunity	New sale and leaseback	Secondary market
Operators	    	 	  	 
Example buyers	Unlevered investors	Operators and sector specialists	UK institutions and Investment Trusts	Opportunistic investors
Pricing (NIY)	5.25%	7.0%+	6.5%	8.0%+

Long lease, rack rented – Chadwell Heath



Sainsbury's



Purchase price
£18m



Net Initial Yield
5.25%



WAULT
15 years



Rent review
5 yearly, CPI

Vendor





Pension fund

Purchaser

abrdn

Shorter lease stores provide attractive yields



Strategy	Long lease	Regear opportunity	New sale and leaseback	Secondary market
Operators				
Example buyers	Unlevered investors	Operators and sector specialists	UK institutions and Investment Trusts	Opportunistic investors
Pricing (NIY)	5.25%	7.0%+	6.5%	8.0%+

Regear opportunity – Edinburgh



TESCO



Purchase price
£44m



Net Initial Yield
7.6%



WAULT
7 years



Rent review
Annual, RPI

Vendor


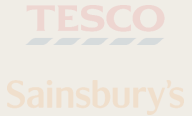


LOTHBURY

Purchaser

iCG

Sale and leasebacks to weaker covenants



Strategy	Long lease	Regear opportunity	New sale and leaseback	Secondary market
Operators				
Example buyers	Unlevered investors	Operators and sector specialists	UK and overseas institutional investors	Opportunistic investors
Pricing (NIY)	5.25%	7.0%+	6.5%	8.0%+

New sale and leasebacks – Asda portfolio



ASDA



Purchase price
£650m



Net Initial Yield
6.5%



WAULT
20 years



Rent review
Annual, RPI

Vendor





ASDA

Purchaser

REALTY  INCOME

Market requires risk premium on secondary assets



Strategy	Long lease	Regear opportunity	New sale and leaseback	Secondary market
Operators				
Example buyers	Unlevered investors	Operators and sector specialists	UK institutions and Investment Trusts	Opportunistic investors
Pricing (NIY)	5.25%	7.0%+	6.5%	8.0%+

Secondary market – Gloucester



Purchase price
£21m



Net Initial Yield
8.8%



WAULT
15 years



Rent review
5 yearly, RPI

Vendor














Purchaser

Private investor

SUPR's UK investment opportunities



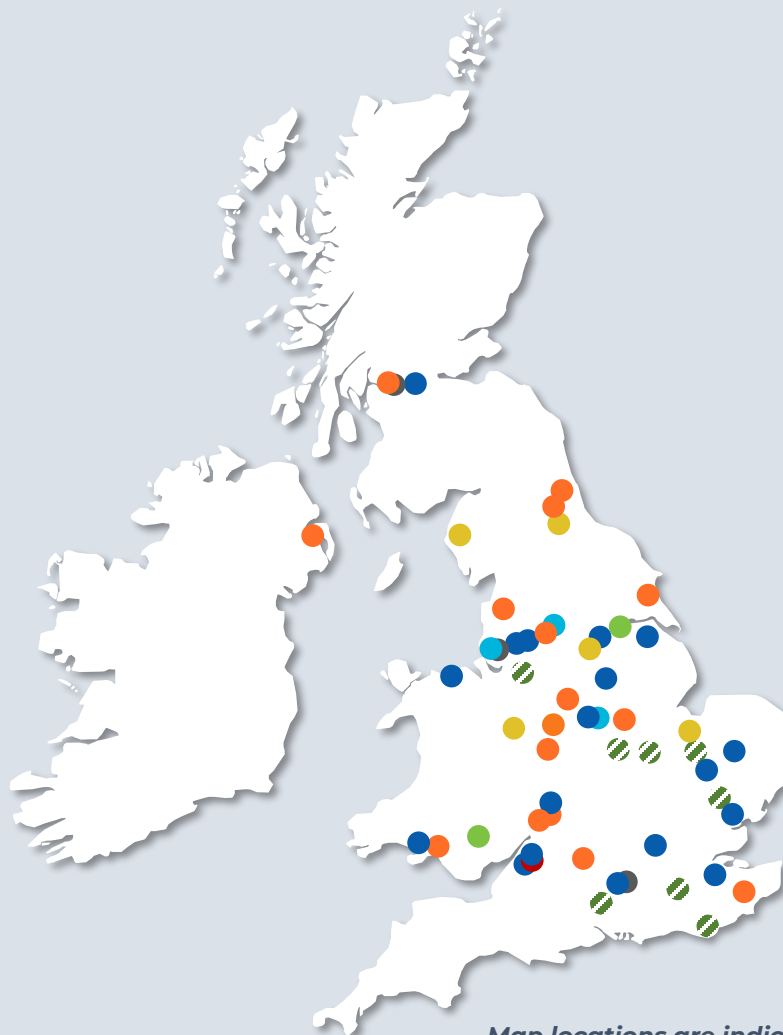
Strategy	Long lease	Regear opportunity	New sale and leaseback	Secondary market
Operators	    	 	  	 
Example buyers	Unlevered investors	Operators and sector specialists	UK institutions and Investment Trusts	Opportunistic Investors
Pricing (NIY)	5.25%	7.0%+	6.5%	8.0%+
Earnings accretive	✗	✓	✓	✓
Tenant covenant strength	✓	✓	✗	✗

Portfolio weighted towards the strongest covenants



Map key and supermarket exposure by value⁽¹⁾

- Tesco 49%
- Sainsbury's 31%
- Morrisons 5%
- Waitrose 5%
- Asda 2%
- Aldi 1%
- M&S 1%
- Iceland <1%



Map locations are indicative only.

55

Supermarkets

93%

Omnichannel stores⁽¹⁾

3.8%

Average rent to turnover⁽²⁾

Regear evidence⁽¹⁾



Psf = per square foot

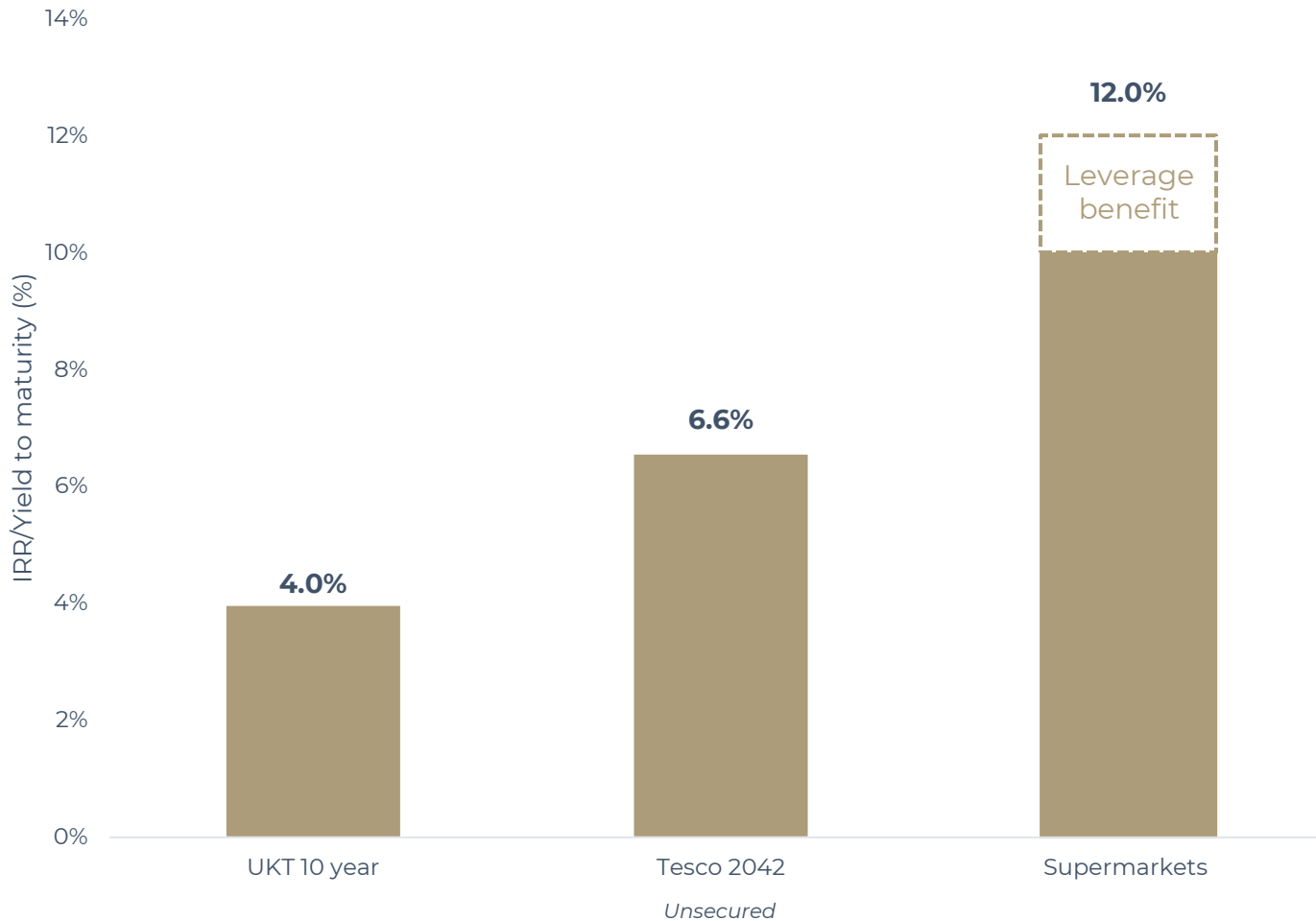
1) Regear rents shown for each store are from various sources including CoStar, React News, MSCI Real Capital Analytics and discussions with valuers and property agents

Regear evidence⁽¹⁾



SUPR portfolio average⁽³⁾

Supermarkets strong relative value⁽¹⁾



78%
Index-linked
rent reviews⁽²⁾

80%
Let to Tesco and
Sainsbury's⁽³⁾

100%
Occupancy and
rent collection
since IPO



1

Investment strategy underpinned by growth sector

2

Strong balance sheet with highly visible cashflows

3

Accretive acquisitions to deliver earnings growth

4

Secure income, attractive total returns

Photo: Tesco, Bristol



Questions?



Photo: Sainsbury's, Washington



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