

IN RETAIL WE TRUST



February 2018

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I. RETAIL ESTATES IN A NUTSHELL

RETAIL ESTATES IN A NUTSHELL

- B-REIT: “geregulementeerde vastgoedvennootschap” (GJV – SIR)
- B-REC: “public regulated real estate company”
- Focus on out-of-town shopping in Belgium
- Portfolio (per 31.12.2017):
 - 809 shops
 - Fair value = EUR 1,329 million
 - Average yield on portfolio = 6.68%
- Track record
 - 19 years listed on Euronext Brussels
 - Market cap on 31 December 2017 = EUR 690.56 million
- Steady growth since 1998: starting from portfolio of EUR 32 million and market cap of EUR 25 million
- Incorporated and managed by former retailers



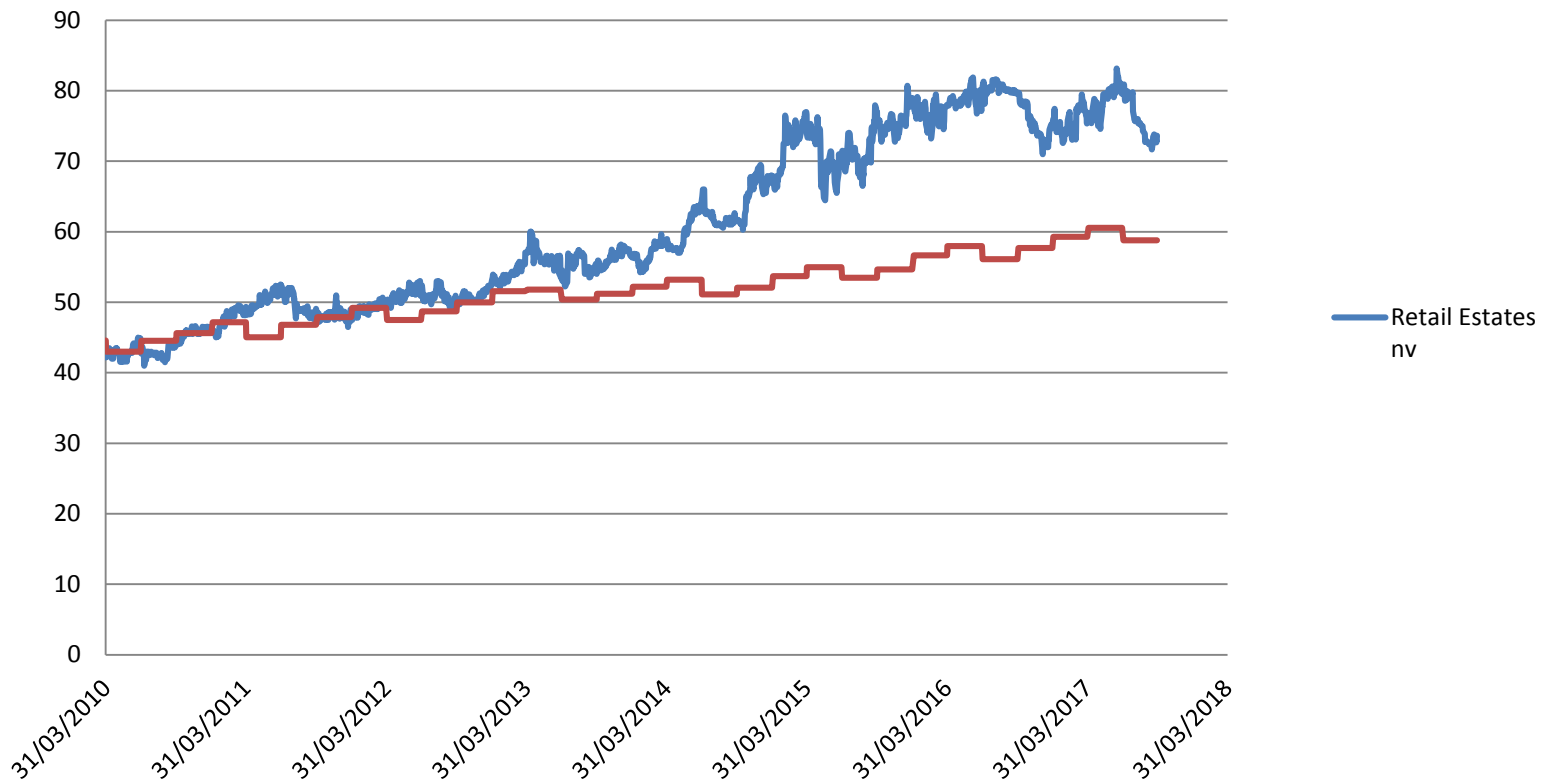
RETAIL ESTATES IN A NUTSHELL

- Strategy
 - Focus:
 - Non food specialty retail
 - Out of town
 - Retail parks – retail clusters – retail strips (N/A in the Netherlands)
 - Risk management
 - Spread over representative sample of locations, tenants and retail branches
 - Hands on management by former retailers
 - Range of action: 200 km
 - Retailer: our client and our partner



RETAIL ESTATES IN A NUTSHELL

Retail Estates nv - EPRA NAW



RETAIL ESTATES IN A NUTSHELL

Retail Estates nv - EPRA Belgium REIT index





II. INVESTING IN BELGIAN RETAIL WAREHOUSING

1. RETAILERS' POINT OF VIEW

❑ Belgian distribution channels

- Center city
 - high streets / historical center
- Suburbs
 - vacancy increasing
- Hypermarket / Supermarket
 - restructuring / downsizing and fragmentation / oversupply?
- Out-of-town shopping
 - from discounters country to retailers paradise
 - strong representation shoes / clothing
- Internet
 - stand-alone versus “clicks and bricks”
- Independent retailers



2. INVESTORS' POINT OF VIEW

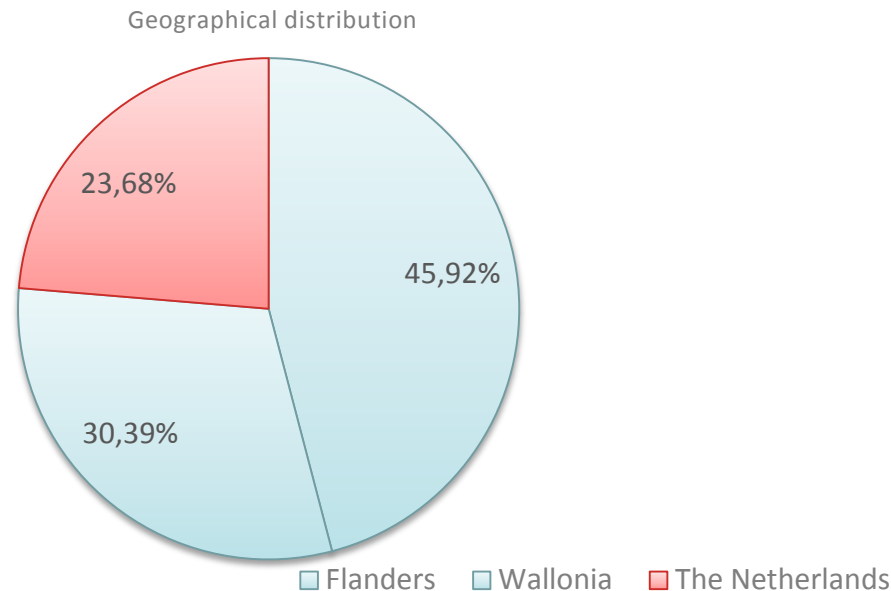
❑ Belgian out-of-town shops

- Offer / Demand
- Low vacancy
- Attractive rental levels
- Evolution solitary shops – retail clusters – retail parks
- Ownership
 - shift from private / retailers to professional investors
- (listed / non-listed)
- Dynamics
 - increasing rents
 - downward pressure on yield but still attractive level



3. RETAIL ESTATES' PORTFOLIO: REPRESENTATIVE SAMPLE OF OUT-OF-TOWN RETAILING

- ❑ Present in all relevant locations spread over Flanders (46%) and Wallonia (30%) with focus on golden triangle (Brussels – Antwerp – Ghent) and green axis (Brussels – Luxembourg)
- ❑ Present in the Netherlands since June 2017 (24%)



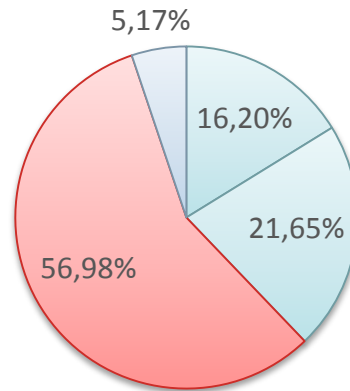
3. RETAIL ESTATES' PORTFOLIO: REPRESENTATIVE SAMPLE OF OUT-OF-TOWN RETAILING

- ❑ Solitary shops – retail clusters – retail parks
- ❑ Risk spread over most dynamic segments of retail market (food and non-food)
 - 76% Belgium
 - 24% The Netherlands
 - Home equipment : 39%
 - Clothes & shoes : 20%
 - Convenience : 30%
 - Food : 11%



4. RETAIL ESTATES' PORTFOLIO: RETAIL PARKS

Type of building



■ Individual peripheral retail properties ■ Retail clusters ■ Retail parks ■ Other

Retail cluster: A collection of peripheral retail properties, located along the same traffic axis and, from the consumer's point of view, they form a self-contained whole, although they do not possess a joint infrastructure other than the traffic axis.

Retail park: Retail properties that form part of an integrated commercial complex and are grouped together with other retail properties. All properties use a central car park with a shared entrance and exit road.



RETAIL PARK: T-FORUM / TONGEREN



RETAIL PARK: CRESCEND'EAU / VERVIERS



RETAIL PARK: Be-MINE BOULEVARD / BERINGEN



RETAIL PARK: THE NETHERLANDS





III. INVESTING IN DUTCH RETAIL WAREHOUSING



IV. INVESTING IN RETAIL ESTATES

Investment considerations The Netherlands

1. **Retail parks**: investor friendly legal framework
2. **Consumer spending** : strong increase in turnover non-food (September FY plus 7% volume plus 8%) and home refurbishing in particular (September FY plus 6 %) driven by consumer confidence and strong residential markets. Up to pre-crisis level 2008/2010.
3. **Retailers** :
 - increasing investments in refurbishment shops
 - low vacancy in A-locations
 - private equity-players move in
 - no fall-out comparable to centre-city : leaner and meaner companies compared to Belgium
 - to be kept under surveillance : DIY (entry in the market of category killer big boxes in big cities versus local markets) and consumer electronics (decrease turnover not in volume but in value due to price decreases)
 - polarisation small versus larger



Investment considerations The Netherlands

4. Investor landscape:

- private/retailers
- developers : surprised by events 2008/2010
- institutional investors : marginal. Lack of bank financing since 2008. Frustrated fund-investors.
- conclusion : consolidation has yet to start

5. Organisation :

- hands-on : action radius 200 Km from Ternat and Leiden
- local property management team on board: commercial and technical
- retailers operating in Benelux as a bridge to market information: Belgians operating in the Netherlands, Dutch operating in Belgium (40 percent of portfolio Retail Estates)



Investment considerations The Netherlands

6. Returns :

- Yields : 6.5 up to 7 for retail parks or exceptional clusters
- More sophisticated buildings
- Slow but certain liberalisation : from PDV to GDV

7. Tax :

- End of FBI-regime announced 2020. Alternative ? Cherry on the cake.
- Corporate tax : drop of rates and elimination withholding tax.
- Necessity SPV per retail park to minimize effect cap on deductible interest payments

8. Lease-agreements :

- Reference : 5/10 years plus options 5 years
- Standard lease agreement covers 95 percent issues



1. SOLID TRACK RECORD IN OUT-OF-TOWN SHOPS

- Team with strong roots in retail (+/- 24 FTE in Belgium – 3 FTE in the Netherlands)
- Hands-on management: self-managed portfolio and acquisition / arbitration team
- High occupancy rate: more than 98% since 19 years
- Valuation LFL of shops: increasing since 19 years, no dips except for local exceptions
- Average rent price: upward potential



2. RETAIL ESTATES: KPI'S

☐ Occupancy rate

30.09.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
98.21%	98.13%	98.22%	98.78%	98.17%	98.13%

☐ Average rent/m²

30.09.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
93.91	95.45	95.86	92.48	90.78	87.16

☐ Yield on portfolio

30.09.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
6.68%	6.60%	6.64%	6.80%	6.93%	6.99%



2. RETAIL ESTATES: KPI'S

☐ Pay-out ratio (consolidated)

31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
75.49%	77.11%	81.15%	86.55%	80.84%

☐ Market cap (EUR million)

30.09.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
690.65	692.73	691.57	579.36	429.55	337.04

☐ Debt ratio

30.09.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13
52.43%	50.26%	49.95%	51.54%	49.10%	55.75%

On statutory basis, the pay-out ratio for 31.03.17 is 85.02%



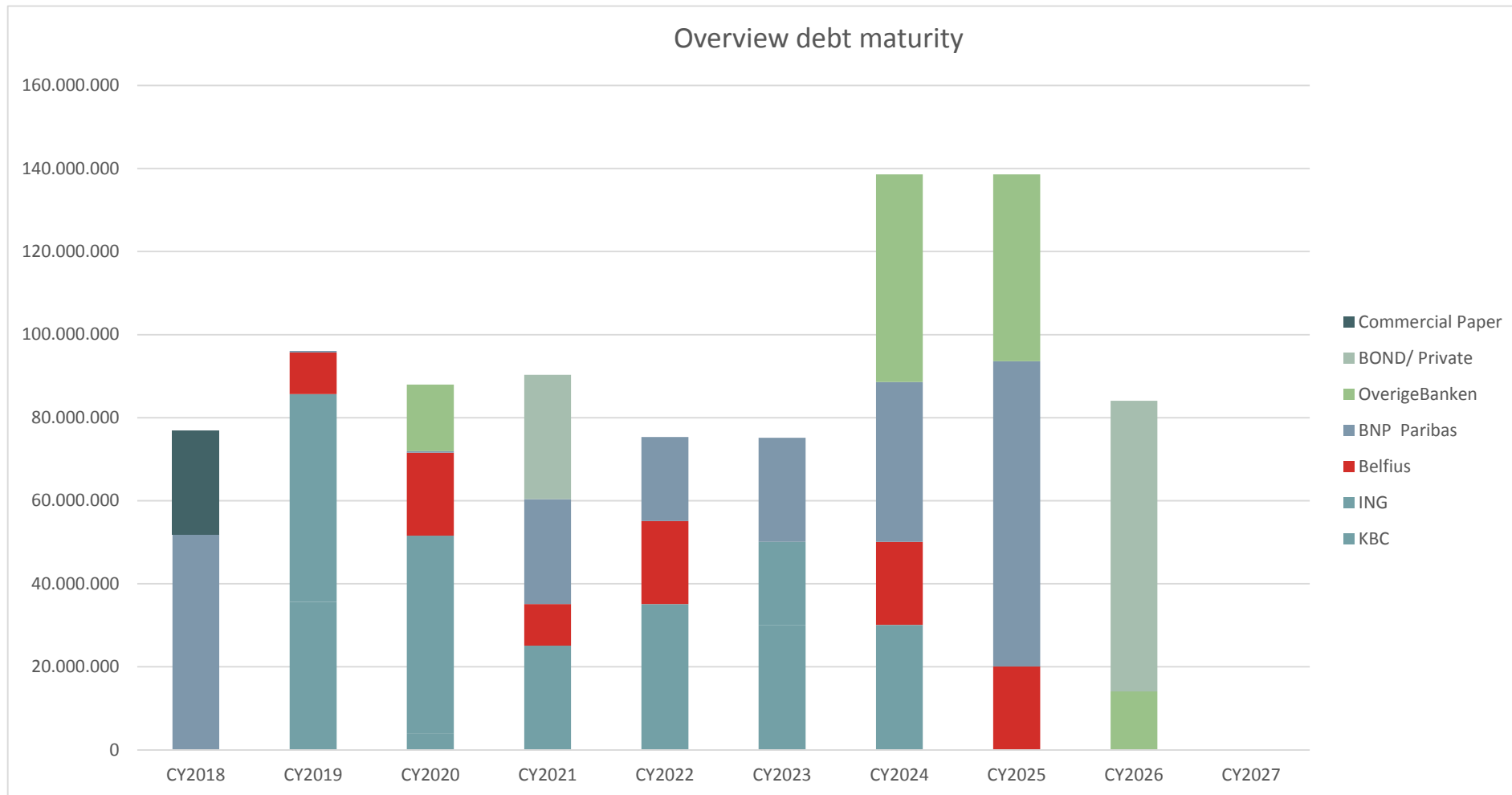
3. RETAIL ESTATES: FINANCIAL DEBTS

- ❑ Average maturity 31.12.2017 = 62 months
- ❑ Average interest rate 31.12.17 = 2,78% (2.86% per 30.09.17)
- ❑ Banks
 - KBC / BNP Paribas / ING / Belfius / outsiders



3. RETAIL ESTATES: FINANCIAL DEBTS

☐ Maturity outstanding financial debts (31.12.2017)



RETAIL ESTATES



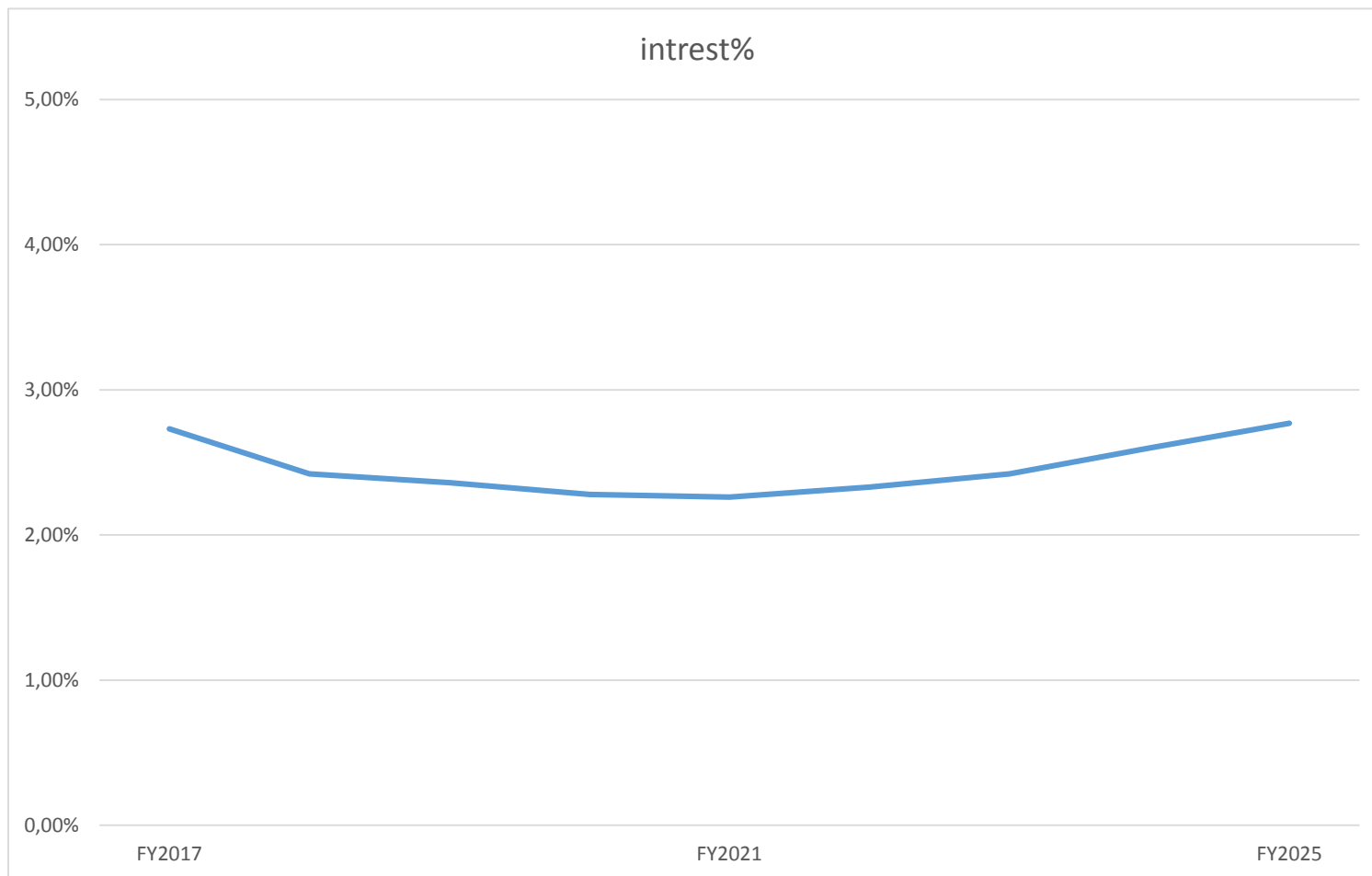
3. RETAIL ESTATES: FINANCIAL DEBTS

❑ Hedging – policy

- 70.10% (on 31 December 2017) of all outstanding loans are covered by interest rate swaps (against fixed interest rates) or have a fixed interest rate
- Advantage: long-term investment / long-term finance
- Downside: market valuation swaps
- Forward swap contracts



FINANCIAL DEBTS - EVOLUTION DEBTS

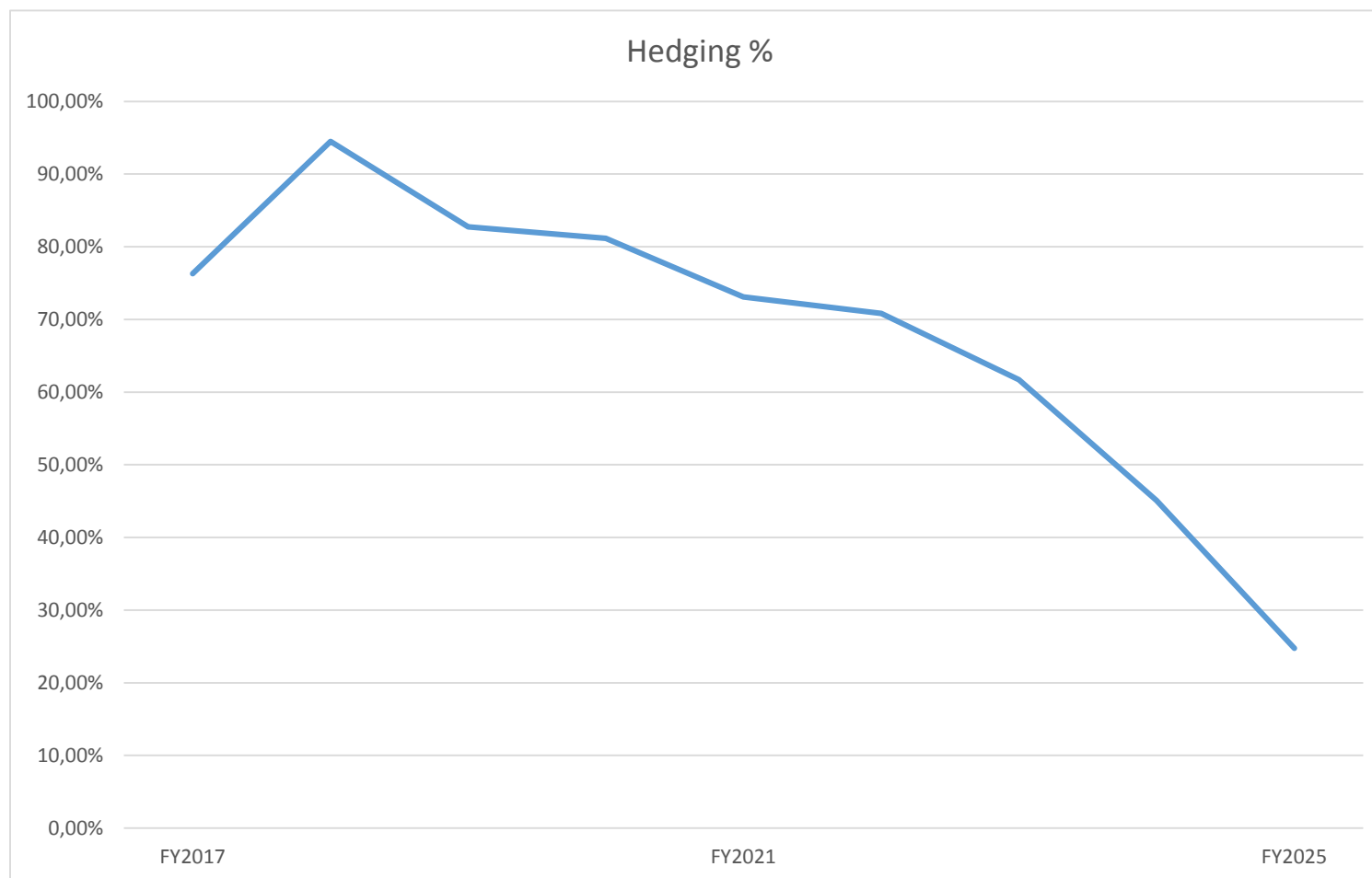


FINANCIAL DEBTS :

	Based on forward euribor 3m dd 09/02/18	
Period	Coverage%	Average interest rate
FY2017Q4TD	76,31%	2,73%
FY2018Q1TD	84,92%	2,53%
FY2018Q2TD	82,84%	2,44%
FY2018Q3TD	92,52%	2,41%
FY2018Q4TD	94,50%	2,42%
FY2019Q4TD	82,76%	2,36%
FY2020Q4TD	81,18%	2,28%
FY2021Q4TD	73,10%	2,26%
FY2022Q4TD	70,81%	2,33%
FY2023Q4TD	61,71%	2,42%
FY2024Q4TD	45,11%	2,60%
FY2025Q4TD	24,76%	2,77%

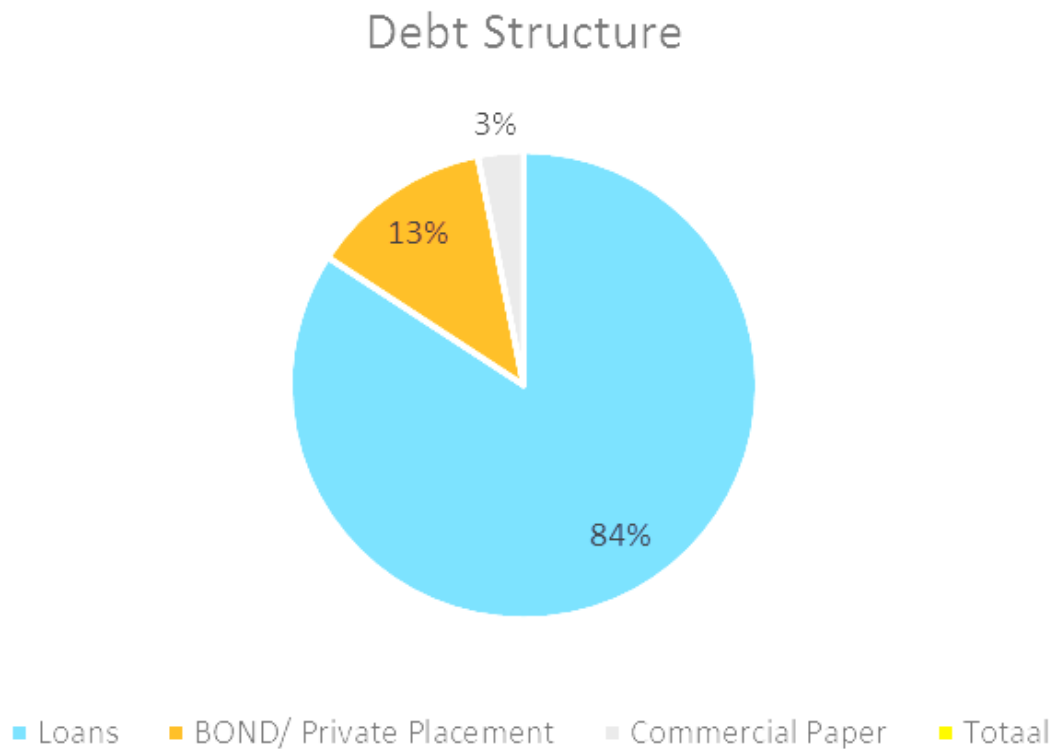


FINANCIAL DEBTS - EVOLUTION HEDGING RATE



3. RETAIL ESTATES: FINANCIAL DEBTS

- Debt Structure



4. DIVIDEND / SHARE / NAV

NAV per share	31.12.17 Ex dividend	30.09.17 Ex dividend	30.06.17 Ex dividend	31.03.17 Ex dividend	31.03.16 Ex dividend	31.03.15 Ex dividend	31.03.14 Ex dividend
NAV per share (fair value) – ex dividend	55.38	55.45	54.62	53.87	50.28	47.33	45.90
Cancellation IAS 39 (swaps)	1.55	1.65	1.77	2.13	3.18	3.25	3.28
NAV per share (fair value excl. Changes in fair value of financial assets and liabilities)	56.93	57.10	56.39	55.99	53.46	50.58	49.18
Cancellation provision 2.5% transaction costs	4.88	3.40	3.32	2.96	2.81	2.76	2.52
NAV per share (investment value)	61.81	60.50	59.71	58.96	56.27	53.34	51.70
EPRA NAV	59.48	58.80	60.54	59.29	56.66	53.68	52.18

*The NAV per share EPRA (fair value) is calculated as follows: shareholders' equity (excluding changes in the fair value of financial instruments (IAS 39) divided by the number of shares.



4. DIVIDEND / SHARE / NAV

	31.12.17	31.03.17	31.03.16	31.03.15	31.03.14	31.03.13	31.03.12
Gross dividend	3.60*	3.30	3.20	3.10	3.00	2.90	2.80
Net dividend	2.52	2.310	2.336	2.325	2.25	2.175	2.212
Share price on closing date	73	76.90	78.00	76.64	58.92	57.98	49.21

* Forecast 31.03.18



5. KEY INVESTMENT HIGHLIGHTS

- ❑ Strong business model
- ❑ Legal framework GVV/SIR status
- ❑ Earnings resilience (long term visibility over cash flows/stable capital structure & solid credit metrics)
- ❑ Conservative funding strategy (unencumbered assets)



“Thank you all for
your attention.”



RETAIL ESTATES

