

NewRiver REIT plc First Quarter Company Update

18 July 2018

Convenience & community focus delivers robust performance and growing dividend

Allan Lockhart, Chief Executive commented: “This has been an active period for NewRiver, in which our continued focus on convenience & community retail and leisure assets, characterised by frequent spend on everyday essential goods and services, has enabled us to continue to deliver robust operational performance despite wider sector headwinds. Our portfolio is focused on the fastest growing and most sustainable sub-sectors of the UK retail market, with grocery, convenience stores, value clothing, health & beauty and discounters forming the core of our retail portfolio, and a deliberately limited exposure to department stores of just 0.1% of our total rent roll.

Since the start of this financial year we have invested over £140 million across our core sectors of community shopping centres, retail parks and community pubs at a blended initial yield of 13%, demonstrating our disciplined approach to capital allocation and the diversified nature of our assets. The integration of Hawthorn Leisure, which we acquired in May 2018, is progressing well and is on track for completion in early 2019.

Across our portfolio we are progressing a number of opportunities to unlock further value, having identified the potential to develop an additional 1,300 residential units across our retail portfolio and commenced a review of the Hawthorn Leisure portfolio to identify convenience store development sites. In addition, we continue to recycle capital profitably, with £25 million of disposals completed or under offer, and over £30 million in the market. The 3% increase in our first quarter dividend to 5.4 pence reflects our continued commitment to deliver growing and sustainable cash returns to shareholders.”

Acquisitions completed in core sectors at attractive entry prices with opportunities for further value creation

- Hawthorn Leisure acquired in May 2018 for £106.8 million, representing a NIY of 13.6%; acquisition included a portfolio of 298 high quality community pubs and an established pub management platform which is expected to generate at least £3 million of annualised operating synergies; integration of the business is progressing well, with a dedicated committee established to involve all stakeholders in the process; integration completion expected in Q4 FY19
- Grays Shopping Centre acquired in June 2018 for £20.2 million, representing a NIY of 9.4% on the shopping centre element and a capital value across the whole site of just £40 per sq ft; well-located with the City of London accessible by train in under 35 minutes; now pursuing opportunities to meet demand for a budget hotel, budget gym and discount food retailer, and to secure planning permission to build up to 300 residential units
- Hollywood Retail & Leisure Park, Barrow-in-Furness, acquired in July 2018 for £15.3 million, representing a NIY of 8.7%; conversion of two existing units to introduce Aldi to the asset to commence imminently
- Acquisitions and the strength of our underlying cash flows supported first quarter ordinary dividend increase of 3% to 5.4 pence (Q1 FY18: 5.25 pence)

Convenience & community focus continues to deliver robust operating metrics

- High level of retail occupancy sustained at 96.2% (March 2018: 96.5%); pub occupancy of 99.0% including Hawthorn Leisure (March 2018: 99.0%); pub portfolio trading performance has benefitted from World Cup
- Shopping centre footfall outperformed the UK benchmark by 50 bps, down 2.5% on a like-for-like basis
- Average retail rent remains affordable and sustainable at £12.35 per sq ft (March 2018: £12.36 per sq ft)
- Over 99% of Q1 rents already collected; retention rate of 94% based on lease expiries and breaks during Q1

Portfolio contains in-built value creating opportunities

- 50 leasing events across 160,800 sq ft securing annual rent of £1.4 million; includes the letting of a 12,900 sq ft unit formerly used for storage at The Broadway Shopping Centre, Bexleyheath, to low cost gym operator The Gym on a 15 year lease unlocking £162,500 of annualised incremental income; long term deals on average +2.4% vs March 2018 ERV with an average lease length of 7.9 years
- Progress made on strategy to extract value from market leading asset management platform; selected as asset manager by local authority shopping centre owner subject to final agreement
- During Q1 completed a strategic review of entire portfolio, identifying the potential to deliver up to 1,300 residential units adjacent to or above our retail assets over the next 5-10 years, in addition to the 1,100 units already included within our 1.9 million sq ft risk-controlled development pipeline; residential opportunity has potential to deliver up to £140 million of development profit
- On-site phase of Canvey Island Retail Park development progressing well, with practical completion scheduled for Q3 FY19; on completion, activates an annualised rent roll of £1 million and a projected yield on cost of 9%
- Continued progress with convenience store ('c-store') development programme for The Co-operative: on-site with three further c-stores, which on completion would bring our total number delivered to 23; The Co-operative is currently reviewing sites across the Hawthorn Leisure portfolio for c-store development potential

Strong balance sheet underpins growth plans

- Following acquisition activity, LTV of 35% (based on March 2018 valuations), increased from 28% in March 2018; LTV within stated guidance of <40%; community pubs now account for 19% of £1.4 billion portfolio following Hawthorn Leisure acquisition
- Completed £2.2 million of profitable capital recycling on terms 11% ahead of March 2018 valuation with a further £22.8 million of disposals under offer and £32.2 million in the market

For further information

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About NewRiver

NewRiver REIT plc ('NewRiver') is a leading Real Estate Investment Trust specialising in buying, managing, developing and recycling convenience-led, community-focused retail and leisure assets throughout the UK.

Our £1.4 billion portfolio covers over 8 million sq ft and comprises 34 community shopping centres, 21 conveniently located retail parks and over 600 community pubs. Having hand-picked our assets since NewRiver was founded in 2009, we have deliberately focused on the fastest growing and most sustainable sub-sectors of the UK retail market, with grocery, convenience stores, value clothing, health & beauty and discounters forming the core of our retail portfolio. This focus, combined with our affordable rents and desirable locations, delivers sustainable and growing returns for our shareholders, while our active approach to asset management and in-built 1.9 million sq ft development pipeline provide further opportunities to extract value from our portfolio.

NewRiver has a Premium Listing on the Main Market of the London Stock Exchange (ticker: NRR) and is a constituent of the FTSE 250 and EPRA indices. Visit www.nrr.co.uk for further information.

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Forward-looking statements

The information in this announcement may include forward-looking statements, which are based on current projections about future events. These forward-looking statements reflect the directors' beliefs and expectations and are subject to risks, uncertainties and assumptions about NewRiver REIT plc (the 'Company'), including, amongst other things, the development of its business, trends in its operating industry, returns on investment and future capital expenditure and acquisitions, that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements.

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