

## NewRiver REIT plc Third Quarter Company Update

17 January 2019

## Active approach delivering resilient performance from convenience-led community assets

Allan Lockhart, Chief Executive commented: “NewRiver has had a solid third quarter as evidenced by the robust operating metrics across our retail and pub portfolios. Pleasingly, we completed the construction of our largest pre-let retail development to date at Canvey Island Retail Park in Essex and continued our programme of capital recycling on terms 2% ahead of March 2018 valuations. The integration of Hawthorn Leisure is on track to complete later this month, and we have made excellent progress towards realising the £3 million of synergies identified at the time of acquisition, as well as leveraging Hawthorn Leisure’s pub operating expertise across our wider retail portfolio. NewRiver’s portfolio of wet-led community pubs now accounts for over 20% of our total assets, adding further diversification to our income streams.

Looking ahead, we expect the retail sector to continue to face headwinds in the near-term, particularly in the department store and mid-market fashion sub-sectors which we have consistently avoided. We are confident that our focus on the resilient sub-sectors of food and grocery, discounters, value fashion, health and beauty, and community pubs is the right strategy as evidenced by the solid Christmas trading performance recently reported by our key occupiers.”

Focus on Convenience & Community sub-sectors of the retail market continues to deliver robust operating metrics

- High level of retail occupancy sustained at 95.5% (Sep 2018: 96.2%); decrease due predominantly to a vacancy created by the upsize of JD Sports at Priory Meadow, Hastings, to a larger unit within the centre, and modest impact of retailer CVAs and administrations, where the expected FY19 FFO impact has reduced to £1.4 million, from £1.6 million announced in November 2018, due to good progress in re-letting former Poundworld units
- Average retail rents remained affordable at £12.37 per sq ft (Sep 2018: £12.48); 99.6% of Q3 rents collected to date
- Signed 119 leasing deals across 378,100 sq ft; long term deals at an average rent per sq ft of £14.61 (increased from previous rent of £13.14) and in-line with September 2018 ERV; highlights included two lettings to B&M, including a unit formerly occupied by Next at South Lakeland Retail Park, Kendal, where we secured an 11% improvement on previous passing rent; and the letting of three vacant units at The Ridings shopping centre, Wakefield, to community cinema operator Reel Cinemas
- Like-for-like footfall across the shopping centre portfolio declined 1.8% outperforming the UK benchmark by 180 bps, reflecting the essential nature of the day to day spend at our centres

Community pub operating metrics remain strong and Hawthorn Leisure integration to complete on schedule

- Pub occupancy remained high at 98.9% (Sep 2018: 98.6%); 671 pubs now account for 22% of total portfolio
- Hawthorn Leisure integration to complete by the end of January 2019; FFO will then benefit from £2 million of the £3 million synergies identified at the time of acquisition: includes £1.7 million announced in H1 secured through supply contract renegotiations and further £0.3 million unlocked in Q3; remaining £1 million to follow in FY20
- Hawthorn Leisure portfolio trading well; like-for-like EBITDA per pub up 0.8% in Q3, and up 4.3% in the two weeks to 31 December 2018; beer volumes up 10.2% in two weeks to 31 December 2018
- Opened first community pub in a NewRiver shopping centre, with the launch of the Keg & Kitchen at The Ridings shopping centre, Wakefield, operated by Hawthorn Leisure; early trading performance has been encouraging and other opportunities across the wider portfolio are under review

Continued programme of profitable capital recycling and disciplined acquisitions

- Completed asset disposals totalling £23.9 million (at NewRiver share), representing a 2% premium to March 2018 valuation and an average NIY of 5.2%, and completed £12.0 million of acquisitions at a NIY of 17.1%
- In October 2018, disposed of 22 community pubs let on 15-year leases to Marston’s for £14.8 million, representing a NIY of 5.6%; in December 2018 recycled part of the proceeds into the acquisition of 76 community pubs from Star Pubs & Bars for £12.0 million, representing a NIY of 17.1%
- In November 2018 disposed of a supermarket in East Ham, London, for £7.7 million (NewRiver share: £3.8 million), representing a NIY of 4.9%
- In December 2018 and January 2019 disposed of four Co-op c-stores for total proceeds of £4.8 million, representing a NIY of 5.0%

Risk-controlled development pipeline delivering additional cash returns

- Reached practical completion on the 62,000 sq ft Canvey Island Retail Park in November 2018; M&S Foodhall due to open at the site next week; fully-let annualised rent roll of £1 million and projected yield on cost of 9%
- Convenience store (‘c-store’) development programme for The Co-op saw completion of two further c-stores since the start of Q3 with a rent roll of £0.1 million; on track to deliver a total of 25 by the end of FY19 (currently 23)

Performance underpinned by a fully unsecured balance sheet with all assets unencumbered

- Third quarter ordinary dividend up 3% to 5.4 pence per share (Q3 FY18: 5.25 pence); dividend for the financial year to date up 3% to 16.2 pence per share (FY18 YTD 15.75 pence)
- LTV of 35% (based on Sep 2018 valuations), well within our stated guidance of less than 40%, and with capacity to deploy with discipline

For further information

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This announcement contains inside information as defined in Article 7 of the EU Market Abuse Regulation No 596/2014 and has been announced in accordance with the Company's obligations under Article 17 of that Regulation. This announcement has been authorised for release by the Board of Directors.

#### 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 9 million sq ft and comprises 34 community shopping centres, 21 conveniently located retail parks and over 650 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 inbuilt 1.8 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](http://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.

None of the future projections, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise. The information and opinions contained in this announcement are provided as at the date of this document and are subject to change without notice. No one undertakes to update publicly or revise any such forward looking statements. No statement in this document is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company.