RDI REIT P.L.C.
("**RDI**" or the "**Company**" or the "**Group**")
(Registered number 010534V)
LSE share code: RDI
JSE share code: RPL
ISIN: IM00BH3JLY32
LEI: 2138006NHZUMMRYQ1745

RDI REIT
Real Estate Diversified Income

SHORT-FORM ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

RDI, the income focused UK REIT, which has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange ("JSE"), today announces its results for the six months to 29 February 2020.

Gavin Tipper, Chairman, comments:

"We are releasing interim results in unprecedented times, but are pleased to report that the strategic actions taken over the last 12 months, including our disposal programme and proactive balance sheet management, have put the Company in a position to weather the extraordinary conditions we face. Our focus during this time has been on the welfare, safety and security of our stakeholders, and on ensuring that asset values are protected, revenues are carefully managed and costs are minimised. In order to preserve liquidity, we have not declared an interim dividend, and will revisit distributions based on the results for the full financial year."

Financial highlights

	Six months ended 29 February 2020	Re-presented [1] Six months ended 28 February 2019	Movement
Income statement			
Net operating income (£m) [1]	**30.1**	38.2	(8.1)
Headline earnings per share (pence)	**5.4**	6.2	(0.8)
Underlying earnings per share (pence)	**5.5**	6.9	(1.4)
Underlying earnings per share – Excl. Aviva Portfolio (pence) [2]	**5.5**	6.0	(0.5)
Basic earnings per share (pence)	**(4.6)**	(1.3)	(3.3)
Interim dividend per share (pence)	**–**	4.0	(4.0)

	29 February 2020	31 August 2019	Movement
Balance sheet			
EPRA NAV per share (pence)	**172.0**	185.5	(13.5)
IFRS NAV (£m)	**639.7**	685.6	(45.9)
Portfolio valuation (incl. JV share) (£m)	**1,336.5**	1,423.3	(86.8)
Loan to value (%) – *pro forma* [3]	**41.8**	42.0	(0.2)

The table above include certain non-IFRS performance measures which are considered Alternative Performance Measures.

(1) *Revenue and Net operating income from continuing operations, excluding the European segment which is classified as a discontinued operation.*

(2) *Further details on the exclusion of the Aviva Portfolio from comparative underlying earnings is outlined in the Financial Review contained within the Annual Report and Accounts for the year ended 31 August 2019.*

(3) *LTV adjusted to reflect transactions between the reporting date and date of announcement.*

Robust H1 2020 operational and asset management performance leaves business well placed to face current challenges

- EPRA occupancy remains high at 96.5 per cent (31 August 2019: 95.9 per cent)
- 69 leasing events completed during the period, 6.1 per cent (£0.7 million) above ERV
- Like-for-like net rental income declined 1.3 per cent reflecting a reduction in income from operational assets and continued CVA activity in the retail sector
- Resilient income returns from the London Serviced Office portfolio with average desk rates maintained despite lower occupancy of 89.6 per cent (31 August 2019: 93.6 per cent)
- Managed hotel portfolio RevPAR declined 10 per cent to £71.4 (31 August 2019: £79.3) following lower occupancy and rates

COVID-19 trading update and financial position

- Approximately £85.0 million of cash providing good levels of liquidity
- Rent collection of 59 per cent for the March 2020 quarter (83.1 per cent excluding RBH managed Hotels and London Serviced Offices)
- Disciplined measures to reduce asset related operating costs
- Committed capital expenditure limited to £1.8 million

Strong progress on strategic disposal programme

- £156.0 million of disposals completed or exchanged during the period at an average premium of 1.7 per cent to market value (including transactions post period end)
- Group Retail exposure reduced to 33.6 per cent (31 August 2019: 35.3 per cent) with a further reduction to 28.1 per cent following the sale of the German DIY portfolio and subject to completion of the Bahnhof Altona shopping centre disposal in Hamburg
- UK Retail exposure limited to 17.7 per cent

Balance sheet and leverage

- EPRA NAV per share declined 7.3 per cent to 172.0 pence per share, largely due to the reduction in the like-for-like portfolio value of 4.1 per cent
- *Pro forma* LTV stable at 41.8 per cent (31 August 2019 *pro forma*: 42.0 per cent)
- Cost of debt remains low 2.9 per cent (31 August 2019: 2.9 per cent)

CHIEF EXECUTIVE'S STATEMENT

This interim results announcement comes at an unprecedented time for the UK and global economies.

The Board and the executive management team thank RDI's stakeholders, including our staff, advisers, occupiers, clients, funders and shareholders for their continued commitment, support and co-operation during what is a challenging period for a huge number of businesses. We endeavour to protect shareholder value in a manner which is responsible and cognisant of the current environment. While the immediate impact of the COVID-19 related shutdown has been exceptionally sharp, we are confident that a return to better economic conditions will see renewed demand for good quality real estate.

We have provided a separate section in this report in relation to the COVID-19 pandemic given that the impact has been most severe after the balance sheet date. While the immediate focus is on current trading conditions, the performance of the business for the reporting period was to a large extent unaffected by the current market conditions. The commentary below relates predominantly to the six month period to 29 February 2020.

Operating performance

The Company delivered a sound set of operating results for the first half of the financial year in the context of the weaker macroeconomic environment and political uncertainty surrounding Brexit and the UK General Election. Occupancy across the portfolio remained high, increasing to 96.5 per cent (31 August 2019: 95.9 per cent) supported by key lettings at Link 9, Bicester and Canbury Park, Kingston. 69 leasing events were concluded totalling £11.4 million of gross rental income, 6.1 per cent ahead of ERV. Overall, the portfolio's annualised like-for-like topped-up triple net rental income increased by 1.2 per cent on a constant currency basis against the position at 31 August 2019.

The underlying operational performance from the London Serviced Office portfolio remained resilient despite Brexit uncertainty, however as previously highlighted, certain regional hotels experienced weaker trading conditions.

Earnings and dividend

RDI was a net seller of assets during the period as part of the Company's strategy of reducing retail exposure and lowering leverage. As has been well flagged to shareholders, the longer term benefits of a higher quality, more streamlined portfolio together with lower levels of leverage will result in lower earnings in the short term.

Underlying earnings decreased by 8.4 per cent to £20.8 million (28 February 2019 (excl. Aviva): £22.7 million). Underlying earnings per share decreased by 8.3 per cent to 5.5 pence per share (28 February 2019 (excl. Aviva): 6.0 pence per share).

The Board has not declared an interim dividend as it feels that it is not appropriate to do so given the current disruption and lack of visibility on future cashflows. The Board is of the opinion that conserving liquidity is critical and in the long-term interest of all stakeholders.

The Board is mindful of the Company's REIT obligation in respect of distributing its UK property rental profits. Such profits represent approximately 85 per cent of this period's underlying earnings, however the Board has until 31 August 2021 to meet its distribution requirements for the current financial year. The Board will re-evaluate the Company's cash and liquidity position with respect to its dividend policy alongside its full year results due in late October 2020.

Balance sheet and financing

EPRA NAV decreased by 7.3 per cent to 172.0 pence per share (31 August 2019: 185.5 pence per share), largely as a result of a like-for-like portfolio value decline of 4.1 per cent for the six months. Valuation movements varied significantly between sub-sectors with the UK Distribution and Industrial portfolio decreasing 1.0 per cent or £1.7 million, while UK Retail declined 7.5 per cent or £18.9 million. The European portfolio declined 3.2 per cent or €6.9 million in local currency and was subject to a 5.7 per cent decline in the Euro relative to Sterling.

The Group's share of net debt reduced by over £40 million to £622.8 million (31 August 2019: £666.6 million). Adjusting for transactions exchanged or completed post period end, *pro-forma* LTV remained broadly unchanged at 41.8 per cent (31 August 2019 *pro forma*: 42.0 per cent) supported by the strategic disposal programme and higher cash balances of £49.1 million (31 August 2019: £33.9 million). Since the balance sheet date, the Group's cash position has improved, following further disposals and the draw down of available headroom from the Group's revolving credit facility, and now stands at approximately £85.0 million.

Disposal programme

Further progress on the strategic disposals programme was made with £49.3 million of disposals completed during the period at an average premium of 2.5 per cent to the last reported values. A further £106.7 million of disposals were exchanged or completed after the balance sheet date.

An additional £141.2 million of assets, not already sold or exchanged for sale, form part of the Company's strategic disposal plan, of which approximately £101.7 million are under offer and at various stages of negotiation. However, given the current unprecedented market conditions, anticipated that the transactions will be delayed and may take longer than initially expected.

2020 Annual General Meeting ("AGM") update statement

As required by Provision 4 of the 2018 UK Corporate Governance Code, the Company wishes to provide its update statement relating to the three resolutions which received substantial votes against at its AGM on 23 January 2020.

Resolutions 13, 14 and 15, relating to the Directors' authority to issue shares, received in excess of 20% of votes against with Resolution 15 marginally failing to be passed. Although the authority levels were below standard UK recommendations, they exceeded South African guidelines. This position is not uncommon, with most of our dual listed peers receiving similar votes against the authority to issue shares. The Company will continue to liaise with shareholders in advance of the next AGM, to agree authority levels that may be more acceptable to our South African shareholder base.

Pursuant to Provision 4 of the UK Corporate Governance Code, the Company will include a final statement in its Annual Report and in the AGM notice, of the actions taken or changes to the resolutions proposed.

Board Changes

Following the conclusion of the AGM on 23 January 2020, Marc Wainer retired as a Director of RDI and the executives Stephen Oakenfull and Adrian Horsburgh stepped down as members of the Board, but have continued in their roles as Deputy CEO and Property Director, respectively, on the executive committee.

The RDI board now comprises seven directors, which better reflects the current size of the Company. The changes have improved the balance between independent and non-independent directors, aligning the composition of the Board with the requirements of the 2018 UK Corporate Governance Code, whilst also improving Board diversity.

Tribute to Marc Wainer

As stated above, Marc Wainer retired at the AGM in January 2020 after serving on the board for over 8 years. Marc was instrumental in the creation and growth of the Company and the board notes with regret the news of his passing on 20 April 2020. We offer our sincere condolences to Marc's family following this tragic news.

Progressive sustainability performance

During these challenging and unprecedented times, our focus on resilient assets, lower leverage and governance continues to be of the utmost importance and we are pleased to have achieved sound progress implementing the Group's annual CSR objectives. Health, safety and welfare of our staff, contractors and communities has always been at the forefront of the Group's CSR strategy, and we are ensuring that this continues notwithstanding the disruption and challenges related to COVID-19. We will continue to address sustainability risks and opportunities across our assets, whilst prioritising delivery and management of initiatives remotely where feasible in the near term.

Outlook

At the time of writing there is insufficient clarity on the potential duration and impact of COVID-19 to provide any meaningful outlook for the remainder of the 2020 financial year. Notwithstanding this uncertainty, the welfare, safety and security of our staff, our occupiers and the communities which interact with our business and our portfolio is our priority together with ensuring that our short term cash position and liquidity remain as strong as possible.

Our strategic objectives remain as relevant as ever. Progress on improving the quality of the portfolio and the strength of the balance sheet has put the Company on a stronger footing. We are closely monitoring investment and occupational markets and expect that current conditions may accelerate some of the longer term trends that were already in place. Weaker operating models and structurally challenged sectors are likely to be exposed, while better quality assets in stronger economic locations are likely to be the least impacted and experience the fastest recovery.

Despite the challenging near term outlook, we remain confident that the Company can absorb the short term disruption in trading and cashflow. We will continue to work with our occupiers and partners with a view to generating shared long term success.

COVID-19

The following section provides specific commentary with respect to trading and operations for the period post 29 February 2020, which coincides with the uncertainty and disruption due to the COVID-19 outbreak.

Cash, liquidity and financing

At the date of this announcement, the Group's cash balance is approximately £85.0 million, which includes the post period end proceeds from the disposal of the German DIY portfolio and Leipzig properties and the drawdown of £25.0 million from the Group's revolving credit facility. In addition, the Company has £46.4 million of ungeared assets.

The *pro-forma* LTV for the Group, including disposals exchanged by or completed after period end, is 41.8 per cent against a weighted average LTV covenant across the Group's facilities of 66.7 per cent.

We have ongoing and close engagement with all of the Group's lenders and have received supportive responses in dealing with the impact of cashflow disruptions on facility agreements. Of those facilities subject to financial covenants, formal covenant waivers have been signed or are being negotiated on 96 per cent of the Group's facilities by value. In many instances, financial covenant waivers have not been required but have been requested and agreed in any event.

Pro-active refinancing activity over the last two years has resulted in limited near term debt maturities. As at 29 February 2020, two facilities totalling £16.1 million (Group share: £12.8 million) were due for maturity in the second half of the financial year. £3.0 million has subsequently been repaid and terms to extend the remaining £13.1 million (Group share: £9.8 million) facility have been agreed with the existing lender, though remain subject to credit approval.

All of the Group's financing facilities are secured against portfolios or individual assets with no recourse to the wider Group.

Capital expenditure

All non-essential capital expenditure has been postponed until there is more clarity on the operating environment and visibility on future cashflows. Previously committed or essential capital expenditure over the next 12 months is limited to approximately £1.8 million. Ongoing essential maintenance, and in particular expenditure related to security, health and safety requirements, will continue as usual.

Rent collection

The rental collection statistics in the table below reflect the percentage of rents collected against rents or income due and demanded. Across the Group's portfolio, approximately 59.0 per cent of gross rental income was collected for either the March quarter or the month of March, where rents are billed monthly. The figures below have been updated from those previously disclosed on 6 April 2020.

Rent collected across the UK portfolio (excluding RBH managed Hotels and London Serviced Offices) totalled 78.7 per cent of rents demanded, adjusted for tenants paying monthly.

Rents collected across the European portfolio, which are typically due monthly in advance, were 97.9 per cent of rents due for the month of March. Rents collected for the month of April were 53.2 per cent with a significant proportion of the reduced collection rate, when compared to March, attributable to a limited number of large, well capitalised international retail tenants which have unilaterally withheld payment which remains due and payable.

RBH managed hotel rents are paid quarterly in arrears. The full rental payment was received for the second quarter to 29 February 2020, however no rental payments are anticipated for the third quarter ending 31 May 2020.

In respect to the London Serviced Office portfolio, approximately 97 per cent of licence fees and IT service fees, which typically comprise circa 90 per cent of net revenues, have been collected for the month of March. Net revenues derived from ancillary services such as meeting rooms and catering, which typically represent the remaining ten per cent, are assumed to be nominal for March resulting in an overall, estimated, 87.6 per cent collection rate for net revenue. Headline collection rates for April licence fees and IT service fees have remained high at approximately 94.5 per cent, however a temporary licence fee discount of 50 per cent has been agreed with a number of clients for April resulting in a net effective collection rate in April of approximately 50 per cent against the contracted licence fee position.

An operational update giving further details on the UK Retail, UK Hotels and London Serviced Office portfolios is provided below.

Rent collection summary	Annualised gross rental Income £m[1]	% of rent collected – adjusted[2]
Offices	7.1	92.5
Distribution and Industrial	13.8	92.8
Retail	20.2	74.0
UK Hotels (Travelodge)	2.5	–
UK total (excl. UK Hotels (RBH) and LSO)	**43.6**	**78.7**
Europe[3]	13.0	97.9
Total (excl. UK Hotels (RBH) and LSO)	**56.6**	**83.1**
UK Hotels (RBH managed)	22.1	0.3
London Serviced Offices[3]	10.5	87.6
Total	**89.2**	**59.0**

(1) Annualised gross rental income as at 29 February 2020.

(2) Rent collection for March 2020 demands, adjusted for certain tenants which have indicated they are paying monthly and have paid one third of quarterly rent demanded.

(3) Rent collections typically reflects payment monthly in advance for March. April 2020 collection rate was lower at 53 per cent for Europe and 50 per cent for LSO.

Operations and trading

Following government directives in both the UK and Germany, a number of assets or specific units within assets were closed in March – in particular, non-essential retail stores and hotels. The London Serviced Office portfolio has also been closed to observe guidelines on working from home. More recently, certain restrictions have been lifted in Germany to allow retail units of less than 800 sqm to be re-opened and certain retail tenants including some DIY outlets have reopened in the UK subject to government guidelines.

The necessary government restrictions have had the biggest impact on the hospitality, leisure and retail sectors; particularly those related to discretionary consumer spending. We are actively engaging with tenants and clients across the portfolio. Financial assistance in the form of rent free periods or rent deferrals are being prioritised for those occupiers most in need during this challenging period.

UK Retail

The UK Retail portfolio comprises eight assets representing less than 18 per cent of the overall portfolio by market value and weighted toward well located, largely discount and convenience, retail parks. The majority of stores across the retail portfolio have been closed, however all assets remain open to varying degrees to support those essential retailers that continue to trade. At our two UK shopping centres, operating costs will be reduced wherever practical to limit costs.

UK Hotels portfolio

The UK Hotels portfolio comprises 18 assets, including 13 assets managed by the Company's associate, RBH Hotel Group ("RBH"). The remaining five assets are let to Travelodge UK Holdings Limited.

Of the 13 assets managed by RBH, eight have been closed following UK Government guidelines. Five hotels were let to local authorities at discounted rates to be utilised for NHS key workers and the homeless, however this has subsequently been reduced to three due to spare capacity. A significant amount of work has been done to reduce operating and overhead costs while the hotels remain closed. A high proportion of the managed hotels operating costs are variable which, together with the various UK Government support packages, including the 12 month business rates holiday and the Coronavirus Job Retention Scheme, will facilitate a temporary but significantly reduced cost base.

RDI is actively engaging with RBH as the tenant and manager to provide support and, where appropriate, financial assistance to bridge any short term cashflow requirements.

The five assets let to Travelodge have a current passing rent of £2.5 million p.a. (Group share: £2.1 million p.a.). Travelodge has indicated it will not pay rent for the March 2020 quarter. Discussions with Travelodge are ongoing, however all terms under the leases remain in force.

London Serviced Office portfolio

The London Serviced Office portfolio comprises four assets managed by Office Space in Town ("OSIT"). All four assets are closed following UK Government guidelines.

The London Serviced Office portfolio typically has an EBITDA margin to total revenue of approximately 60 per cent. The anticipated net EBITDA (before head rents) for the current financial year was approximately £10.5 million (Group share: £8.4 million) prior to the onset of the COVID-19 pandemic. The most significant underlying operating costs are *inter alia*, business rates, staff costs, utilities, sales and marketing and management fees. As with the hotel portfolio, a high proportion of these costs are variable which, when combined with the UK Government support packages including the Coronavirus Job Retention Scheme, will allow a material reduction in the underlying operating costs while the offices remain closed.

Clients have been offered a 50 per cent reduction in licence fees for April and May, subject to certain conditions. These measures, which are temporary, are to support clients when many businesses are experiencing cashflow disruptions.

Longer term, we remain confident in the quality of our operational assets which have a strong track record of income resilience.

The Board believes the strategic actions over the last 12 months, including our disposal programme, decreased retail exposure and leverage reduction, have put the Company in a better position to withstand these extraordinary conditions.

About this announcement

This short-form announcement is the responsibility of the Directors of the Company. It is only a summary of the information contained in the full interim results announcement for the six months ended 29 February 2020 and does not contain full or complete details.

Any investment decision by investors and/or shareholders should be based on consideration of the full results announcement available on the Company's website at:

https://www.rdireit.com/investors/results-centre

Alternatively, the full results announcement is also available via the JSE at:

https://senspdf.jse.co.za/documents/2020/jse/isse/RPL/HY2020.pdf

Copies of the full results announcement can also be obtained from, or inspected at, our Corporate Head Office, at no charge, during normal business hours (once the government restrictions imposed by COVID-19 have been lifted, or in the meantime, electronic copies may be obtained by request to ir@rdireit.com):

Address: RDI REIT P.L.C.
33 Regent Street
London
SW1Y 4NB

Email: info@rdireit.com

Tel: +44 (0) 20 7811 0100

In addition, copies of the full results announcement can be obtained from, or inspected at, our sponsor's office, at no charge, during normal business hours (once the government restrictions imposed by COVID-19 have been lifted):

Address: Java Capital
6A Sandown Valley Crescent
Sandown
Sandton
South Africa
2196

Tel: +27 (0) 11 722 3050

Use of Alternative Performance Measures (APMs):

The Board uses a number of financial measures to assess and monitor its performance and position, most notable of which are Underlying earnings, EPRA earnings and EPRA net asset value. Although a number of these are industry standard metrics, they are not defined under IFRS and therefore considered alternative performance measures (APMs). APMs are presented to provide a balanced view and useful information to the readers of the Group's results. Detailed disclosures of alternative performance measures including, where applicable reconciliation to IFRS, are presented in the full interim results announcement.

The Group has considered the European Securities and Markets Authority (ESMA) 'Guidelines on Alternative Performance Measures' in disclosing additional information on its APMs.

By order of the Board

Mike Watters
Chief Executive Officer

Donald Grant
Chief Financial Officer

11 May 2020

About RDI

RDI is an income focused UK-REIT with a diversified portfolio invested principally in the UK. The investment approach is driven by an in depth understanding of occupational demand including the impact of technology, transport and infrastructure investment. The portfolio has been repositioned in recent years to increase its weighting to London and the South East and to provide greater exposure to our leading hotel and serviced office operating platforms.

RDI is committed to delivering attractive income led total returns across the real estate cycle. The current strategic objectives of a lower leverage capital structure and more focused allocation of capital are targeted at delivering an industry leading and sustainable income return.

RDI is a UK Real Estate Investment Trust (UK REIT) and holds a primary listing on the London Stock Exchange and a secondary listing on the JSE. The Company is included within the EPRA, GPR, JSE All Property and JSE Tradeable Property indices.

For more information on RDI, please refer to the Company's website www.rdireit.com

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