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

SHORT FORM ANNOUNCEMENT

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 AUGUST 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 year ended 31 August 2020.

These results reflect the success the Company has achieved in progressing its strategic initiatives set out approximately 18 months ago, namely a substantial reduction in retail exposure, a lower leverage capital structure and a more focussed allocation of capital. Despite the significant impact on valuations and earnings, particularly with respect to our operating assets as a result of COVID-19, the Company is now in a far stronger position with retail exposure limited to 10.1 per cent of the pro forma portfolio and pro forma leverage reduced to 32.6 per cent.

Separately, the Company has today announced that Mike Watters will be retiring in December 2020.
Stephen Oakenfull, Deputy CEO will take over as CEO and will join the Board later today.

Financial highlights

	Year ended 31 August 2020	**Year ended 31 August 2019**	**Movement**
Income statement			
Net operating income (£m) (1)	**42.2**	70.3	(28.1)
IFRS earnings per share (pence)	**(27.3)**	(20.4)	(6.9)
Headline earnings per share (pence)	**5.8**	9.9	(4.1)
Underlying earnings per share (pence)	**6.9**	13.0	(6.1)
Underlying earnings per share – excl. Aviva Portfolio (pence) (2)	**6.9**	11.8	(4.9)
Dividend per share (full year) (pence)	**5.0**	10.0	(5.0)

	31 August 2020	**31 August 2019**	**Movement**
Balance sheet			
EPRA NAV per share (pence)	**151.5**	185.5	(34.0)
IFRS NAV (£m)	**557.2**	685.6	(128.4)
Portfolio valuation (incl. JV share) (£m)	**1,166.7**	1,423.3	(256.6)
Loan to value (%) – pro forma (3)	**32.6**	42.0	(9.4)

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

(1) Net operating income from continuing operations, excluding the Europe 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 2020.

(3) LTV of 46.7 per cent, adjusted to reflect transactions between 31 August and the date of the announcement (31 August 2019: 46.8 per cent).

Material progress on strategic repositioning

- £371.4 million of largely retail disposals exchanged or completed at an average 3.5 per cent discount to the last reported value
- Pro forma retail exposure reduced to 10.1 per cent (31 August 2019: 28.1 per cent)
- Pro forma LTV reduced to 32.6 per cent (31 August 2019: 42.0 per cent)
- High quality Distribution, Industrial and Office portfolios now comprise 56.5 per cent of portfolio on a pro forma basis
- Cash and available facilities has increased to approximately £240.0 million post year end
- Dividend reinstated at 5.0 pence per share, with dividend cover of 1.4 times

Robust operational performance

- EPRA occupancy increased to 98.8 per cent (31 August 2019: 95.9 per cent)
- 121 leasing events completed during the year, 5.1 per cent (£0.8 million) above ERV
- Like-for-like net rental income declined 23.5 per cent reflecting a reduction in income from operational assets, continued CVA activity in the retail sector and a deterioration in collection rates
- Like-for-like net rental income excluding operational assets declined 5.3 per cent
- All properties including Hotels and London Serviced Offices reopened
- London Serviced Office portfolio delivered a resilient performance despite the COVID-19 restrictions with EBITDA of £8.5 million
- Early signs of a moderate recovery in Hotel portfolio occupancy and room rates, prior to new lockdown measures

COVID-19 trading update and financial position

- Like-for-like valuation decline of 9.8 per cent, weighted toward the second half of the financial year
- Average rent collection rate of 91.9 per cent, of rents demanded between March and September
- Disciplined measures to reduce asset related operating costs
- Committed capital expenditure limited to £2.3 million

CEO Succession

- Mike Watters will retire and step down from the Board as an Executive Director during December 2020
- Stephen Oakenfull to succeed Mike Watters as CEO and will join the Board later today

Gavin Tipper, Chairman, commented:

"The substantial efforts that have been successfully undertaken over the past 18 months, against an extremely challenging background, have delivered a streamlined, higher quality portfolio together with a strong balance sheet. While there is work to be done in shaping the future trajectory of the portfolio, the Company is well positioned for growth and we are pleased, therefore, to be able to reinstate the dividend."

CHIEF EXECUTIVE'S REPORT

2020 is a year which will not be easily forgotten. The full impact of the COVID-19 pandemic is yet to be determined but has already had profound social and economic impacts. We have seen pre-existing consumer and occupational trends being accelerated, highlighting the importance of capital allocation and alignment to the structural changes taking place across our markets.

Roughly 18 months ago, we set out a number of strategic initiatives to reposition the Company. Despite the challenging economic backdrop, through this repositioning the Company is in a substantially stronger position as a result of the progress made in the following areas:

- **Reduction in retail exposure**: At the end of the 2018 financial year, retail assets represented 45 per cent of the Group's portfolio. A reduction in retail exposure to 20 per cent was targeted through the disposal of the German retail portfolio and certain smaller UK assets. The majority of the German portfolio has been sold or contracted for sale during the course of the 2020 financial year. In addition, the recent disposal of the UK Retail Parks portfolio has reduced retail exposure on a pro forma basis to 10.1 per cent of the portfolio. A full exit from all retail assets is now being targeted;

- **Lower leverage capital structure**: An LTV ratio of between 30 – 40 per cent was targeted to strengthen the balance sheet, provide greater financial flexibility and more consistent shareholder returns across real estate cycles. The success of the disposals programme has supported a significant reduction in debt and an increase in cash and available facilities. Notwithstanding the impact of lower valuations, pro forma LTV has been reduced from 47.3 per cent in 2018 to 32.6 per cent; and

- **Focused capital allocation**: In order to deliver a simplified investor proposition, a more strategic approach to capital allocation was set out with a focus on fewer sectors backed by occupational demand. Over a two year period, £389.2 million of largely retail disposals have been realised or exchanged, delivering wholesale change to the composition of the portfolio. The reduction in retail and the ongoing exit from Germany have enhanced the quality of the portfolio and simplified the business. Looking forward, we will capitalise on the strength of the existing Distribution, Industrial and Office portfolios and review options on the hotel portfolio, including the potential to realise value from the portfolio once economic and trading conditions improve.

COVID-19

The significant progress achieved during such an extraordinary period required rapid decision making and support from our stakeholders. I would like to take the opportunity to thank all our stakeholders, including my RDI colleagues, advisers, occupiers, clients, lenders and shareholders for their continued commitment, support and co-operation. Our response to COVID-19 has been wide ranging and is covered in more detail throughout this report. New restrictions announced for November 2020 will likely delay the timeline for recover further.

Capital allocation

While there are clearly a number of macro-economic and political risks ahead, the Company is now well positioned to be both defensive in the short term and to take advantage of opportunities should they arise from this period of uncertainty. Following a period of significant portfolio rationalisation, future capital allocation will be disciplined and target occupier-led strategies that can be clearly communicated to our shareholders.

Further to our recent retail disposals, we will now target a full exit from the limited number of remaining retail assets. The Hotel portfolio has increased to 26.5 per cent of the Group portfolio as a result of disposal activity rather than a strategic decision to increase absolute exposure to the sector. As part of the ongoing repositioning of the portfolio, strategic options are being actively considered for the Hotel portfolio in medium term. Given the quality of the portfolio and our expectation of a recovery in the trading performance, a near term exit is not expected to deliver best value to shareholders.

Earnings and dividend

We were net sellers of assets during the year as part of our strategy to reduce our retail exposure and strengthen the balance sheet. As has been communicated 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.

COVID-19 had a material impact on underlying earnings which decreased by 41.5 per cent to £26.2 million (31 August 2019 (excl. Aviva): £44.8 million). Underlying earnings per share decreased to 6.9 pence per share (31 August 2019 (excl. Aviva): 11.8 pence per share).

Following the decision not to declare an interim dividend, the Board has declared a dividend in respect of the full year of 5.0 pence per share (31 August 2019: 10.0 pence per share). The dividend reflects a 72.5 per cent pay-out ratio on underlying earnings and in line with the Company's UK REIT distribution obligations. The decision to reinstate dividend payments follows the significant improvement in the Group's cash, liquidity and leverage position.

Balance sheet and financing

EPRA NAV decreased by 18.3 per cent to 151.5 pence per share (31 August 2019: 185.5 pence per share), largely as a result of a like-for-like portfolio valuation decline of 9.8 per cent for the full year.

As expected, valuation movements varied significantly between sectors. The overall like-for-like valuation decline was heavily impacted by the retail sector and the Group's operating assets in the second half of the year. With pro forma retail exposure now 10.1 per cent, exposure to the structural risks in this sector have been significantly reduced. The valuation impact on the Hotels and London Serviced Office portfolios is temporary, in our view, with a recovery largely linked to a return to economic growth. Distribution and Industrial values were broadly flat with the sector remaining well supported. The portfolio repositioning has increased the pro forma weighting to this sector to 26.6 per cent.

The Group's share of net debt reduced by £122.0 million to £544.6 million (31 August 2019: £666.6 million). Adjusting for transactions exchanged or completed post year end, pro forma LTV reduced to 32.6 per cent (31 August 2019 pro forma: 42.0 per cent) supported by the strategic disposal programme and higher cash balances of £70.2 million (31 August 2019: £33.9 million). Since the balance sheet date, the Group's cash position has been significantly enhanced following disposals exchanged or completed post year end and now stands at approximately £131 million. In addition, the Group's revolving credit facility has headroom of £114 million which, subject to financial covenants, provides total cash and available facilities of approximately £240 million.

Progressive sustainability and social responsibility performance

As a Company we have made significant progress in implementing our Sustainability & Social Responsibility objectives. A Gold rating was achieved for the second year running from EPRA sBPR and we improved our GRESB Real Estate assessment score, highlighting our commitment to our environmental, social and governance ("ESG") agenda.

The health, safety and welfare of our staff, contractors and communities remains at the forefront of the Group's Sustainability & Social Responsibility strategy, and we are ensuring that this continues, notwithstanding the disruption and challenges related to COVID-19.

Looking forward, ESG will be embedded in our overall investment and capital allocation decisions as it becomes increasingly important in attracting and retaining successful occupiers. Commitment to the Company's Sustainability & Social Responsibility objectives has also now been included in the performance objectives of the executive management team, creating a link to remuneration.

Changes to the Board

During the year, the size of the Board reduced from eleven to seven directors.

Robert Orr, an independent non-executive, resigned in October 2019, due to external work commitments. Marc Wainer retired at the January 2020 AGM, leaving Pieter Prinsloo as the sole representative of Redefine Properties. Stephen Oakenfull and Adrian Horsburgh, the Deputy CEO and Property Director respectively, stepped down from the Board at the AGM, but retained all of their executive responsibilities.

These changes restored the balance of independent and non-independent Directors, aligned the composition of the Board with the requirements of the 2018 UK Corporate Governance Code (the "Code") and improved the level of female representation.

In June 2020, our longstanding major shareholder, Redefine Properties, agreed the sale of its 29.4 per cent shareholding in the Company to controlled affiliates of the Starwood Capital Group ("Starwood"). Following completion of the sale, Pieter Prinsloo of Redefine Properties stepped down from the Board, and was replaced by Matthew Parrott of Starwood, on 22 July 2020. The Board looks forward to a productive relationship with Starwood.

Following todays' announcement, I will retire in December 2020 at which point Stephen Oakenfull will take over the role of CEO. He will re-join the Board later today.

Outlook and strategy

The actions we have taken over the last 18 months have repositioned the Company entirely. There is further work to be done, including rebuilding income returns across our operating assets, but the strength of the balance sheet and significant cash resources on hand have created a strong platform from which to focus on the future and growth opportunities. In a world with ever increasing complexity, we look forward to getting back to basics - a simplified business backed by a strong balance sheet and disciplined capital allocation.

While there are many obvious uncertainties related to the economic impacts from COVID-19 and the UK's exit from the European Union, the risks and opportunities related to structural changes in consumer habits, environmental change and technology are likely to have a far more significant and lasting impact on real estate markets. The wholesale repositioning of our portfolio has delivered a significant realignment toward sectors and assets that are likely to benefit from these changes.

Our immediate focus remains on completing the disposal of the residual retail assets in the UK and Germany and the ongoing streamlining of the business to focus both capital and management time.

Longer term, the Company's balance sheet and cash position provide a strong platform to capitalise on opportunities that may arise. Following a period of consolidation, the strength of the repositioned portfolio, the ultimate recovery of our operating assets and the £240 million of firepower available, provide a strong platform upon which to rebuild income on a sustainable basis.

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 results announcement for the year ended 31 August 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/FY2020.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 guidance on 'work from home' to slow the spread 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 guidance on 'work from home' to slow the spread COVID-19 have been lifted):

Address: Java Capital
6th Floor, 1 Park Lane
Wierda Valley
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

5 November 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