

RNS Acquisition



Acquisition

SUPERMARKET INCOME REIT PLC

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SUPERMARKET INCOME REIT PLC
 (the "Company")
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ACQUISITION OF A FURTHER STAKE IN THE SAINSBURY'S REVERSION PORTFOLIO

Supermarket Income REIT plc (LSE: SUPR), the real estate investment trust providing secure, inflation-protected, long income from grocery property in the UK, announces the acquisition of a further stake (the "Acquisition") in the beneficial interest in one of the UK's largest portfolios of supermarket properties (the "Portfolio") from an Aviva Investors managed fund.

The 25.5% beneficial interest has been acquired through the Company's existing 50:50 joint venture (the "JV") with British Airways Pension Trustees Limited ("BAPTL"). The purchase price is £115.0 million (excluding acquisition costs) meaning that the Company's contribution to the JV to fund the Acquisition is £57.5 million (excluding acquisition costs).

The JV acquired its initial 25.5% beneficial interest from British Land Plc in May 2020. Following this second acquisition, the JV's ownership in the Portfolio is 51.0%. The remaining 49.0% beneficial interest is held by Sainsbury's plc.

The Directors of the Company (the "Board") reiterate that the strategic rationale remains compelling for this high quality portfolio of predominantly omnichannel supermarkets. The portfolio offers strong property fundamentals and scope for progressive valuation growth in excess of the Company's targeted annualised total shareholder return.

The Portfolio was originally created through two sale and leaseback transactions by Sainsbury's in 2000 and consists of the freehold interest in 26 Sainsbury's supermarkets. It is a geographically diverse portfolio of stores with a London and south east bias. Further details on the Portfolio and transaction structure can be found below and on the Company's website at: <https://www.supermarketincomereit.com/jointventure>

Nick Hewson, Chairman of Supermarket Income REIT, said:

"This acquisition increases the size of our investment in this high-quality Sainsbury's property portfolio through our joint venture with British Airways Pension Trustees Limited. We will work closely with our tenant and co-owner, Sainsbury's, to deliver a long term occupational solution for them."

Further information can be found on the Company's website or by contacting:

FOR FURTHER INFORMATION

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FURTHER INFORMATION:

[The Portfolio](#)

The Portfolio was originally created in 2000 through two sale and leaseback transactions which were funded by bonds issued under two securitisations, Highbury Finance B.V. ("Highbury") and Dragon Finance B.V. ("Dragon"). Highbury and Dragon comprise 16 and 10 Sainsbury's supermarkets respectively.

Out of the 26 stores in the Portfolio, 23 are omnichannel, offering physical shopping, click and collect and online home delivery. The majority of stores incorporate an Argos. The average store net sales area is approximately 61,000 sq.ft. with an average gross internal area of approximately 79,000 sq.ft. The average site size for each store is 7.3 acres. Approximately 60% of the Portfolio is located in London and the south east.

The Occupational Leases

Sainsbury's occupies the stores under the current occupational leases (the "Occupational Leases") and pays 100% of the rents. The Occupational Leases generate an annual rental income of £53 million, with the lease rent subject to fixed annual uplifts of 1% per annum. They expire conterminously with the maturity of the bonds in March 2023 (in relation to Highbury) and July 2023 (in relation to Dragon).

The income from the Occupational Leases services the interest and principal repayments of the bonds. The bonds amortise out of the rental income to a remaining outstanding debt amount of £315 million on expiry in 2023. The debt due on expiry is expected to be funded by way of a re-financing or sale of the Portfolio.

At lease expiry in 2023, Sainsbury's has the option to extend the leases for a further term of 20 years at the higher of passing rent or open market rent, subject to upward-only, five yearly market rent reviews or to vacate the properties.

JV Investment Adviser and fees:

Atrato Halliwell Limited (the "JV Investment Adviser") is the investment adviser to the JV and is an affiliate of Atrato Capital Limited. The JV Investment Adviser receives an annual advisory fee payable by the JV only on the proportion attributable to BAPTL. There will be no additional advisory fee payable by the Company. The JV will also pay the JV Investment Adviser a promote fee based on the financial performance of the JV. The promote fee is a market standard, carry waterfall accruing from an 8% IRR but only payable by the JV if annualised returns to the Company exceed 10% at refinancing or sale.

Full store list:

Alperton, Ealing Road, HA0 4LL	Gloucester, Barnett Way, GL4 3RT
Alton, Draymans Way, GU34 1SS	Guildford, Clay Lane, GU4 7JU
Aylesford, Mills Road, ME20 7NA	Hastings, John Macadam Way, TN37 7SQ
Bromley, Walters Yard, BR1 1TP	Haywards Heath, Bannister Way, RH16 1DG
Chester, Caldly Valley Road, CH3 5QJ	Hemel Hempstead, Apsley Mills, HP3 9QZ
Chichester, Westhampnett Road, PO19 7YR	Kettering, Rockingham Road, NN16 8JY
Coventry, Austin Drive, CV6 7NS	Kidlington, Oxford Road, OX5 2PE
Denton, Oldham Street, M34 3SJ	Knotty Ash, East Prescott Road, L14 5PT
Derby, Wyvern Way, DE21 6NZ	Leamington Spa, Tachbrook Park Drive, CV34 6RH
Doncaster, Thorpe Road, DN2 5PS	Norwich, Queens Road, NR1 3RX
East Grinstead, Brooklands Way, RH19 1DD	Shrewsbury, Hereford Road, SY3 9NB
Eastbourne, Broadwater Way, BN22 9PW	Taplow, Lake End Road, SL6 0QH
Ferndown, Ringwood Road, BH22 9AL	Witney, Witan Way, OX28 6HF

NOTES TO EDITORS:

Supermarket Income REIT plc (LSE: SUPR) is a real estate investment trust dedicated to investing in grocery properties which are an essential part of the UK's feed the nation infrastructure. The Company focuses on grocery stores which are omnichannel, fulfilling online and in-person sales. All of the Company's 53 supermarkets⁽¹⁾ are let to leading UK supermarket operators, diversified by both tenant and geography.

The Company provides investors with attractive, long-dated, secure, inflation-linked, growing income with the potential for capital appreciation over the longer term and targets a 7% to 10% p.a. total shareholder return.⁽²⁾ The Company has increased its dividend target in line with UK RPI inflation each year.

The Company's ordinary shares were admitted to trading on the Main Market of the London Stock Exchange, Specialist Fund Segment, on 21 July 2017.

Atrato Capital Limited is the Company's Investment Adviser.

Further information is available on the Company's website www.supermarketincomereit.com

(1) 27 directly owned supermarkets, plus 26 via joint venture

(2) There is no certainty that these illustrative projections will be achieved

(3) The percentage beneficial interests note above relate to estimated waterfall distributions to the beneficial owners which have been determined based on estimated portfolio values after deducting estimated amounts relating to the repayment of underlying bonds and other fixed and pre-stipulated payments due to the beneficial owners. The percentage allocations may differ depending on changes to the underlying estimates.

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