Half-year results for the six months ended 31 March 2024

16 May 2024

Presentation transcript

Introduction

<Charles Chalkly>

Good morning and welcome to Tritax EuroBox's half-year results presentation for the 2024 financial year. I am Charles Chalkly, Director of Investor Relations for Tritax EuroBox.

Before Phil Redding, our CEO, and Mehdi Bourassi, our CFO talk us through the results, I will make a few quick points about today's proceedings. First, today's presentation is being recorded. A replay and transcript will be made available on our website. Second, there will be an opportunity for investors and analysts to put questions to the team at the end of the presentation. To do so, please use the text box in the webcast viewer. In the interest of time, we will look to aggregate and answer similar questions together. Should you have any subsequent questions, please do not hesitate to get in touch. Our contact details can be found on our website.

Slide 2: Agenda

Finally, regarding the running order this morning, as usual Phil will begin with a brief overview of the progress made during the period, highlighting the key messages for today. Mehdi will then talk through our financial performance before Phil provides more colour on the market and our portfolio as well as outlining some of the initiatives the team has been working on through the half.

Thank you. I will now hand you over to Phil.

Slide 3: Intro Slide

<Phil Redding>

Thanks, Charles and good morning everyone. I'm glad to say that over the past 6 months we've continued to build on the good progress made with the strategic priorities we outlined 18 months ago. And although conditions have been challenging, we remain focused on capturing the opportunities within the existing portfolio and maintaining our balance sheet strength. We also have good visibility on the delivery of further initiatives in the second half of the year.

Slide 4: Key Messages

And reflecting our focus on these strategic priorities, there are 4 key messages I want to highlight in today's presentation:

Our high-quality portfolio remains well-positioned to benefit from the favourable market dynamics and positive structural drivers that continue to underpin the European logistics sector. But reflecting the uncertain macro environment, the value of our portfolio has moved marginally lower over the last 6 months - although we are seeing signs of investor sentiment improving. We've delivered a solid operational performance and further progress on our strategic priorities, in particular maintaining a fully covered dividend, whilst advancing our disposal programme that has now reached 173 million euros.

And looking forward, we have good visibility on delivering our objectives over the second half of the year – and expect to grow income, maintain a fully covered dividend and complete the disposal programme to maintain our balance sheet strength.

Slide 5: Continued progress on strategic priorities has delivered a solid operational performance, financial metrics impacted by disposals

So first, a quick review of our operational performance.

When I became CEO of EuroBox at the end of 2022, I outlined 4 strategic priorities:

- To grow income
- Manage costs
- Drive earnings to support a fully covered dividend
- And maintain balance sheet strength

And our activities over the past 6 months have remained focused on delivering all these objectives. As I will come on to, I'm really pleased with how busy the team have been across a broad range of activities throughout the portfolio, delivering a number of important initiatives.

One of these has been our disposal programme that has lowered leverage - but as expected, impacted some of our other financial metrics. Reflecting these sales, annualised rental income declined 2.6 per cent to 74.3 million euros during the period. The cost ratio of 24.1 per cent improved slightly and remains within our stated target range of 20 – 25 per cent. Adjusted EPS declined 3 per cent to 2.62 cents, again mainly due to disposals, but with the dividend of 2.5 cents remaining fully covered at 105 per cent. And including the recent sale of Gothenburg gross sale proceeds now total 173 million euros with the pro forma LTV reducing further to 43.3 per cent.

Reflecting this progress and the high-quality nature of our assets, during the period, Fitch re-affirmed our investment grade credit rating and upgraded their outlook to Stable. But before handing over to Mehdi for the Financial Review, it's important to say that the Board and the Manager are acutely aware that the share price continues to trade at a significant discount to its Net Asset Value.

This has been widely discussed by the Board, the Manager and the Company's advisors and there is a clear alignment and focus on delivering value to all shareholders in an effective and efficient manner.

Now, over to Mehdi.

Slide 6: Financial Review

<Mehdi Bourassi>

Thank you Phil. Good morning everyone.

In the next few minutes, I'll give you an overview of our financial highlights for the period. I'll provide details on our operations first explaining the movements in our income and costs, which result in a fully covered dividend. I'll also show the impact of our successful disposal programme on our income and balance sheet go into more detail on valuations which have seen a further marginal decline since September, impacting NAV and LTV.

Slide 7: High-quality earnings impacted by disposals. Portfolio valuation marginally lower due to outward yield

This slide provides a summary of the key figures. Our IFRS rental income increased 10.1% to €35.9m against H1 last year. This is mainly the result of rental guarantees on development converted into leases with customers, now recognised under IFRS as rental income. And our costs continue to evolve favourably. The investment management fee cut delivered in the prior year as well as (coupled with) the lower NAV and additional efficiencies in the portfolio means the Adjusted EPRA cost ratio is now

24.1%, down from 25.6% in H1 23. Our Adjusted EPS has come down 3%, to 2.62 cents from 2.7 cents in H1 23. This was mainly due to the impact of disposals but despite these sales, the dividend remains well covered.

Moving to the balance sheet on the right, we have seen another expansion of property yields during the period / leading to a 2.9% like for like drop in our valuations. But ERV growth was once again strong at 4% and this helped to mitigate some of the impact of the yield expansion. This move in valuation has led to our EPRA NTA declining from €1.02 in September 23, to €0.96 at the period end.

Let's go through the detail of all these figures, and let's start with the P&L.

Slide 8: Rent growth from indexation and lettings more than offset by rental guarantee expiry and disposals

The chart shows how our rental income has progressed during the half and all these figures are annualised. Moving left to right our annualised rental income at the end of last financial year was 76.3 million. During the period, indexation events grew the income by 0.6 million. We have also been actively working on new asset management initiatives and have signed new leases, which delivered 1.2 million additional income. However, we also had a unit become vacant in our Bremen asset and the rental guarantee at Rosersberg 1 expired which meant reductions of 0.2 and 1.8 million respectively. This is partly compensated by the completion of our fully let Polish extension in Strykow which delivered 0.5 million of additional income.

Finally, the disposals during the period resulted in losing 2.3 million of annualised income. And you can see on the right, this all led to a total annualised income at the end of the period of 74.3 million. On a like for like basis our annualised rental income has decreased 0.3% during the 6 months. Excluding Roserbserg the only non-stabilised asset it has increased by 0.6%. And as usual, indexations are weighted to the second half, hence we can guide to like for like rental growth of the stabilised portfolio of 3 to 5% for the full year.

Let's now have a look at the cost side of the P&L and what this all means for Earnings and Dividend.

Slide 9: Cost ratio remains within target range; dividend cover of 105%

As I said earlier the Adjusted EPRA cost ratio has continued to improve and is well within our target range. Our costs have continued to come down mainly as a result of a lower NAV although this is partly offset by the effect of the lost income from disposals. As we have stated before our aim and expectation is for the cost ratio to remain well within our target range of 20-25% in the full financial year. The disposal programme has reduced income and our Adjusted Earnings has therefore come down slightly from 2.7 cents in H1 23 to 2.62 cents at the end of this period.

We have today announced a steady half-year dividend of 2.50 cents, which means the company's dividend remains well covered at 105%. Looking forward to the end of the financial year we expect the dividend to continue to be covered including the impact of asset sales as we complete the disposal programme.

Slide 10: Higher interest rates leading to value drifting lower. Further ERV growth reflecting supportive market dynamics

Let's now turn to the balance sheet and start with the property valuation movements. As mentioned previously our portfolio valuation has continued to drift in the first 6 months of the year. This is the result of low transaction volumes, reflecting the ongoing higher rate environment.

As you can see on this first chart our net equivalent yield has expanded by 26bps; which - as Phil will outline a bit later - is exactly in line with how the market has moved during the period. Combining this with the 102 bps you see during last year and the 31bps in H2 22 our net equivalent yield has expanded by a significant 159bps since the peak which represents a 44% increase in the property yield over 24 months.

Coming back to the past 6 months it means our portfolio valuation has declined by 2.9% on a like for like basis. Combined with the impact of disposals the portfolio total valuation is now 1.47 billion euros, against 1.56 billion euros at the end of September 2023. On the flip side the yield expansion has continued to be partly offset by strong market rental growth. And you can see this on the right. The 6 months to March 24 have seen an increase of 4% in like for like ERV growth leading to a total reversion potential in the portfolio of 21.3%, or 15.9 million significantly up against last year's.

To finish on valuation, it's worth highlighting a couple of points:

First of all, we see some difference across geographies in the valuation movements. Some countries such as the Netherlands and Belgium have seen yield stabilise or compress very slightly. On the other hand our German portfolio was impacted by further yield expansion. This reflected transactions on prime, lower yielding assets in Germany.

And the second point relates to the ERV. As just mentioned the total reversion of the portfolio is 21.3%. With a long weighted average lease length of 9.5 years we can only capture this reversion over a number of years. However, it provides us with great comfort as to the security and quality of our income stream and how it will grow in the future.

Slide 11: Balance sheet supported by low average cost of debt and staggered maturity profile; LTV on track towards preferred level

Turning now to the debt side of the balance sheet, you can see that we continue to maintain a strong position. We have a total of 950 million euros of available debt of which 250 million is currently undrawn. The earliest maturity is the RCF in October 2025 and this is now completely undrawn. Beyond the RCF, the green bond matures in summer 2026. Inevitability we expect the refinancing of that bond to be more costly than our current cost of debt. We have a little over 2 years until that matures but we are already working on a refinancing plan. 100% of drawn debt is fixed and the cost of debt during the period was 1.43% a slight increase against last year. We expect the cost of debt for the entire financial year to be between 1.25 and 1.5%.

Finally, as Phil said earlier Fitch not only reaffirmed our investment grade credit rating earlier this year but also upgraded our outlook to stable from negative. This was mainly the result of the successful disposal programme undertaken in the last 12 months with 139 million sold in line with book value overall. This also improved visibility on our key debt metrics including net debt to EBITDA and the LTV.

Slide 12: Asset sales have now reached €173 million. Completion of planned disposals expected to lower LTV to target range by the end of 2024

And let's spend a bit of time going through how the LTV has continued to fall. As a reminder, we announced 12 months ago a revised LTV target percentage to be in the low 40s. Moving left to right, we started the period with an LTV ratio of 46.4%. The combined disposals of Bochum and Malmo during the period decreased the ratio by 2.7%.

And you can see the favourable working capital movement which reflects the cash inflow from the exceptional receivables in Germany I described at the last year end. This has lowered the LTV by a further 1.1%. On the flip side we are also progressing well on the last development in the pipeline with some capex spent during the period on the Oberhausen building. This has increased the LTV by circa 0.2%. And finally, you can see the impact of the valuation movement, resulting in an LTV of 44.5% at period end. Post period end, we announced the Gothenburg disposal which was broadly at book value and further decreases the proforma LTV to 43.3%. Our objective remains to keep the LTV percentage in the low 40s, with the aim to complete the disposal programme in the second half of the calendar year.

Slide 13: Solid operational performance during the period; continued focus on priorities

So, to summarise, operationally, it has been a good 6 months. A key priority was to manage the balance sheet and I am pleased Fitch not only retained our investment grade rating but also upgraded the outlook to stable. This was achieved thanks to the successful disposal programme around NAV in a market with very low volume given the macro uncertainties. We expect to complete the announced disposal programme in the second half of the year. And while the disposals have inevitably reduced our annualised rental income our dividend remains well covered as a result of the combination of indexations, asset management and further improvement in our adjusted EPRA cost ratio. The quality of assets and income means we remain confident we will deliver a fully covered dividend in the second half of the year.

With this, back to you Phil.

Slide 15: Macro-economic expectations improving and investor sentiment turning more positive, but occupiers remain cautious

<Phil Redding>

Thank you, Mehdi.

Before we take a closer look at the portfolio and some of our recent activity, let me provide a few comments on recent market trends. So first a look at investment markets. As the chart top-left shows, with the outlook for interest rates turning more positive, investment volumes in Continental Europe over the past 2 quarters have increased by 17% from the same period 12 months ago. This improving picture in investment markets can also be seen in the chart bottom-left, which shows the extent, and changing pace, of price adjustments over the last 2 years. The green bars show the different yield changes across our markets over the past 6 months - which have slowed markedly compared to this time last year. And as Mehdi referred to earlier, the overall 26 bips change is exactly in line with the EBOX movement.

Along the top, the chart also shows where yields currently stand, with investors increasingly seeing these rebased levels as attractive entry points - particularly when combined with the strong underlying sector fundamentals that continue to generate rental growth.

Turning now to occupier markets and the chart top-right. As you can see, occupier take-up continues to slow and while part of this is a normalisation from exceptional recent levels, we are seeing the weaker economic outlook leading to some occupier caution and slower decision-making. As a result, as shown in the chart bottom-right, vacancy continues to edge up, but remains at relatively low levels and hides significant differences at a country and local-market level, with availability in core markets, where we are focused, remaining limited.

As a result of this demand and supply dynamic, rental growth continues to be generated, albeit below the exceptional levels of recent years, but still healthy by longer-term standards. So, bringing all this together, over the past 6 months, the higher interest rate environment has translated into continued weakness in investment markets and a degree of caution becoming evident in occupational markets. But with a growing consensus that the interest-rate driven yield-shift is now behind us, the backdrop for logistics markets should be more supportive over the second half of the year and into 2025.

Slide 16: Our attractive portfolio's high-quality assets and strong income characteristics position it well to benefit from the sector's growth drivers

So, with trends in investment and occupier markets being somewhat mixed, it's essential to have a portfolio with the right characteristics. I've outlined before the attractive features of our portfolio, but being a key strength it's worth a quick reminder as it allows us to benefit from the sector's positive growth drivers whilst also providing defensive qualities in tougher market conditions.

Looking at the top half of the slide, as you can see, we operate in well-established, Western European logistics markets with the portfolio made up of modern, predominantly large-scale buildings with excellent ESG credentials. These buildings play an essential role in our customers distribution networks, and with the considerable investment made in automation, IT and staff, it is these types of occupiers that are prepared to make long-term commitments and build long-term relationships.

And this is reflected in the strong income characteristics shown on the lower half of the chart - which demonstrates the strength of our strong customer base, long-term leases, and indexation structure with over 80% of our leases subject to annual inflation uplifts. These attributes combine to generate a robust and predictable source of income, and this is reflected in the 100 per cent rent collection achieved since the inception of the Company and high occupancy rate of around 96 per cent.And as we look ahead, the portfolio remains well-positioned to grow income, both through the regular uplifts from inflation-linked leases and also our proactive approach to capturing new income. And I'll talk a little more on that in the next slide.

Slide 17: Asset management and indexation added €1.8 million of annualised rental income. A potential further €1.9 million to come from development

As I mentioned earlier, I'm really pleased to report another busy period of portfolio activity. Turning first to asset management on the left. During the period we agreed a new lease on the second unit at Settimo Torinese at a rent 9% above the first unit and ERV,the scheme is now fully let and the rental guarantee de-risked. We also agreed a new five-year lease at our two-unit development in Rosersberg, with the rent 20% above the underwrite level and 3% above the September ERV. And post period end at Strykow, we signed a short-term lease with Arvato for an additional 17,000 sqm adding 0.6 million euros of rental income over the 10-month term. The scheme is now fully let, and this reduces portfolio vacancy from 3.9% to 3.1%. We also re-geared the lease of unit B at Bornem and agreed a new lease for unit C, taken together, this secured 1.5 million euros of annualised income until 2032.

So, the team has been very active but there's plenty more for us to do, and the bottom-left table shows the leasing priorities, particularly at Rosersberg,which will be our focus in the second half. And moving to the right, following the significant pipeline of new developments funded in the last financial year, we now only have one further project to complete at Oberhausen near Dusseldorf. The 23,000 sqm brownfield redevelopment is currently on time and on budget for completion in Q3 2024, with potential income of 1.9 million euros when built and let. The project is targeting a development yield of around 6.5% and a profit on cost of over 25%. And leasing this space will also be a key priority for the team.

Finally, we have the building extension opportunities at Geiselwind and Wunstorf. Together these could add up to 2.5 million euros – depending on the timing and space requirements of the current occupiers and also on generating appropriate returns.

Slide 18: Advanced four new solar projects in Germany, which will increase portfolio capacity by 109%

Alongside the good progress with our asset management and development activities, we continue to take steps to enhance the portfolio's ESG performance. You will remember back in December I spoke about our 4 ESG pillars – one being Climate and

Carbon. And we've been working with our customers in this area to advance new solar projects at 4 of our assets in Germany. You can see these new projects in the middle, alongside our existing schemes on the left. During the period, we secured a guaranteed long-term floor price for all power entering the grid. And we aim to secure agreements with our customers and start installations towards the end of the year. As you can see from the right-hand box, these new projects build on the increased capacity we delivered in the last financial year, and will more than double the portfolio's installed capacity to 21.5 Mega Watts.

In the near-term, there is a further 6 Mega Watts of capacity which can be installed across 3 more assets in Germany plus an extension to an existing scheme in Italy. Our solar projects provide benefits on multiple levels – including the ability to reduce the environmental impact of our buildings, generate additional income and preserve value - as well as providing opportunities to collaborate with our customers and help them deliver on their own ESG commitments.

Slide 19: Asset sales of €173 million. Completion of disposal programme by end of 2024 to reduce leverage to target range

Let me now expand on the ongoing disposal programme we announced 12 months ago.

When launched, the programme had 2 principle aims:

- To improve balance sheet metrics, particularly our LTV ratio;
- And to fund existing opportunities within the portfolio, subject to the delivery of acceptable returns;

We previously announced the disposal of our Bochum asset, where we had limited opportunity to add further value following the completion of its asset management plan. We also completed the sale of Malmö for data centre use at a level nearly 40% above book value, accelerating the capture of development profits and comparing favourably to the expected returns from undertaking the project ourselves. And post period end, we agreed the sale of our second asset in Sweden at Gothenburg at a price around 34 million euros, 3.8 per cent below the September 2023 valuation.

Bringing all this together, to date gross proceeds from the disposal programme have totalled 173 million euros, with the combined exit price in line with the aggregate book value. The ability to execute these sales during a period when investment markets have been relatively subdued, is a great achievement and demonstrates the value placed by investors on our high-quality assets.

I'm really pleased with the progress we've made and anticipate completing the planned disposal programme by the end of 2024, in line with the previously announced timescale.

Slide 20: Future income growth from embedded portfolio opportunities

Now taking a look forward, this chart shows the future income growth potential of the portfolio The first three buckets show the embedded income opportunities, made up of: Indexation, estimated at 4.8 million euros over the next three years. Lettings and uplifts above rental guarantees on unlet space, adding 1.7 million euros. And portfolio reversion of 12.3 million euros on let space. Out of this reversion, we expect to capture around 1.2 million euros in the next 3 years, but of course we are constantly looking for ways to bring forward and crystalise the later reversions. The next bucket relates to projects with committed capex. First the Oberhausen development, which is expected to add 1.9 million euros when finished and let. And then the 4 solar schemes in Germany I mentioned earlier, that are anticipated to generate around 0.9 million euros when fully installed. The last bucket includes projects where capex has not yet been committed - made up of the extension opportunities at Geiselwind and Wunsdorf, that could add up to 2.5 million euros in the near term.

So, we continue to have good visibility on rental income growth, which underpins our confidence in delivering our strategic priorities in the second half.

Slide 21: Good momentum in our sales programme; gross sales of €139m signed so far

So, to conclude. The higher interest rate environment continues to frame investor behaviour, but with a growing consensus that the rate-hiking-cycle is now behind us, this should lead to a more supportive backdrop for asset values for the remainder of the year and into 2025. Our portfolio of high-quality assets with strong income characteristics continues to be well-placed to benefit from the sector's positive growth drivers, with its defensive qualities also providing income security through the market cycle.

And although market conditions have been challenging over the last 6 months, we've made great progress in the delivering our strategic priorities, as you can see here: We've worked hard to capture new income from within the existing portfolio and we expect like-for-like rental growth to move up to between 3 and 5 per cent on the stabilised portfolio in the second half. We continue to manage our cost base and expect to maintain the cost ratio within our target range of 20 – 25 per cent for the full year. The dividend has now been covered for 7 consecutive quarters and we expect it to remain fully covered for the financial year 2024, including the impact of asset sales. And we are on course to complete the planned disposal programme by the end of 2024 - as originally outlined – and expect the LTV ratio to move to our target percentage of low 40's to maintain balance sheet strength.

However, as I said at the start of today's presentation, despite our high-quality portfolio and the good progress made on our strategic priorities, the Board and the Manager are acutely aware that the share price continues to trade at a significant discount, and there is complete alignment and a clear focus on delivering value to all our shareholders in an effective and efficient manner. And so, to close, a reminder of today's key messages: our high-quality portfolio remains well-positioned, we've delivered a solid operational performance, made progress on the strategic priorities set out 18 months ago and have good visibility on driving performance in the second half.

With that, I will now hand over to Charles to co-ordinate the Q&A

Questions

<Charles Chalkly>

Good morning everyone. I'm Charles Chalkly, Investor Relations Director at Tritax EuroBox. I'll help manage the questions this morning. Just as a reminder, if you'd like to ask a question, please submit it via the text box in the webcast platform. And as far as we can, we will look to answer similar questions together. We've had a few questions come in already, so I was going to wait before we make a start, but I think let's crack on. And Phil, I'm going to come to you first. There's a question here from Mike Prew at Jeffreys. So, with the portfolio value stabilising, is the de-gearing process complete having delivered 43% LTV, or are more asset sales anticipated?

<Phil Redding>

Thank you, Charles, and good morning everyone. Yeah, just a quick recap. So, 12 months ago, I outlined the intention to undertake disposal of at least 150 million by the end of 2024, and that was aimed at reducing the LTV to a percentage in the low 40s. We've made really good progress here. We've now got the sales up to 174 million euros and the LTV has reduced pro forma to 43.3, including that last sale in Gothenberg. So we're making good progress, but I would anticipate we would look to do one more sale over the remaining course of 2024 so we can get the LTV into our target range of low forties.

<Charles Chalkly>

Thank you. And we've got a follow on from that actually, and this one's for you, Mehdi. So can you talk about the remaining disposal pipeline in terms of the impact on earnings and dividend cover? So what's the impact on our forecasts there?

<Mehdi Bourassi>
Sure. Good morning everyone. On the future dividend, and as I've said in the presentation, we are confident that the dividend will remain covered for the full year '24, and we have good visibility for the full year '25 as well.

<Charles Chalkly>
Excellent, thank you. And then, Mehdi, sticking with you here. So your question along the lines of development costs, so your forward-funded developments, what risk is there on construction cost inflation, please?

<Mehdi Bourassi>
So let me start by saying we have one development outstanding. That's in Oberhausen in Germany, and that development will complete over the summer. Typically, when we fund developments, we enter fixed price contracts with the developer, which means the construction cost risk is mitigated or removed from the start of the development.

<Charles Chalkly>
Thank you. One here from Paul May. Outside of Rosersberg 2, are there any other rent guarantees due at Oberhausen? If so, when are these due to expire? And Phil, I think that's one for you, if you can.

<Phil Redding>
So further rental guarantees?

<Charles Chalkly>
That's right, yeah.

<Phil Redding>
Yeah. Well, so the only rental guarantee running at the moment is at Rosersberg, obviously Rosersberg 1, the rental guarantee expired. We've got another rental guarantee in Rosersberg which will expire in July of this year. Oberhausen, it does have a rental guarantee. It's only very short, so it is just a couple of months. It's more to cover fit-out periods rather than a rental guarantee.

<Mehdi Bourassi>
And it hasn't started. It will start from practical completion of the building.

<Charles Chalkly>
Thank you. Yeah. One here for you, Mehdi, on rent growth expectations. So of the 3 to 5% that we mentioned in the statement, is that for H2 '24 or for the full year? That's from Rob Jones at BNP Paribas.

<Mehdi Bourassi>
It is for the full year. As I mentioned in the presentation, our indexation events are triggered on the anniversary of each lease and the timing is weighted in the second half, which provides us good visibility for the full year on the stabilised portfolio. I, excluding Rosersberg, expect 3 to 5%.

<Charles Chalkly>
Okay. And then a couple here I'm going to combine actually. One, have you looked at ASLI? And there's one more question along those lines. So Phil, I think this is for you and this is about Abrdn European Logistics Income.

<Phil Redding>
Yep. Yep. I've mentioned this before. In terms of ASLI, firstly, as you say, that the board and the manager are always open to assessing opportunities that can maximise shareholder value. And I think I said before, we did engage in the formal sale process ASLI is currently progressing. But we approach this as we would approach any capital investment. And what we said previously is we'll look at this in a disciplined way and we'd look at it only if it made sense for shareholders. What I can say now is we are not involved in that process.

<Charles Chalkly>

Very clear. Thank you. And Mehdi, one here for you about the Fitch announcement that we came out with earlier this year and we've reiterated today. Can you say a bit more about the rationale for Fitch reaffirming the company's investment grade status and upgrading the outlook? So this is I guess along the process and the background behind that.

<Mehdi Bourassi>

Yeah, sure. First of all, we are very committed to our investment grade rating. At Fitch, they recognise the high-quality nature of the portfolio and the resilience of the income stream. They recognise the company made significant progress on the leveraging, which improved a number of key debt metrics. And in particular for Fitch, the net debt EBITDA metric is quite important, and we're on track to be between 10 and a half and 11 on that particular KPI.

<Charles Chalkly>

Okay. Thank you. And then Phil, back to you. A question here, it's about the geographies and markets. So have you seen any difference in performance across geographies?

<Phil Redding>

Yeah, well I think Mehdi touched on this, didn't he, in the presentation, on the valuation slide there. So yes, we have. We saw a better performance in terms of the valuation movements in Belgium and Netherlands, probably reflecting the very tight market conditions that are in those geographies. But I think Mehdi also mentioned in the German portfolio we took more outward yieldship there, and I think that's a reflection of Germany being slightly slower to adjust than some of the other geographies, so yields there are relatively low. That does reflect the sought-after nature of that market, but recent market evidence I think led to the slight softening there.

In terms of just other differences, if you like. Vacant buildings obviously were valued down a little bit and the larger lot sizes saw a little bit more of a movement, but that was the sort of valid. So it is a little bit more country specific and asset specific than the sector-wide moves than we've seen before. And looking forward, I think we'll see more of that, in terms of differentials between the core geographies and the core markets and the high-quality assets with good ESG credentials performing better.

<Charles Chalkly>

Okay, thank you. And Mehdi, one on our solar progress. What return do we get from the solar portfolio and what impact does it have on the value of the building? So a two-parter for you, if you're happy to tackle that.

<Mehdi Bourassi>

Yeah. It depends on an asset by asset basis, and the range goes from mid-single digit returns to mid-teens, depending on each asset and how much the tenant is actually consuming from that energy. In terms of value, which is the second part of the question, I would say it provides the additional income, so that gets valued. But we see it more as a protection of the value of the building and future-proofing it in a time where ESG is becoming increasingly more important.

<Charles Chalkly>

Thank you. And a question that's come through here, and this one, I'm going to go to Phil. How you deal with the share price discount in Nav? And then a follow-up on that. Will you use your facility to buy shares back and cancel them, so share buybacks and then the share price discount?

<Phil Redding>

Well, there were a few comments in my presentation there at the start and the end, wasn't there? So I should kick off by saying that the board and the manager still fundamentally believe in the strategy of the business and also the opportunity that we see in the European logistics market. But we have to acknowledge that shares have continued to trade at a persistent discount, a meaningful discount, and we do need to address this. So clearly, there are a number of options available. I'm not going to go into any detail of these at this time. What I can say is the board and the manager are quite clear on what we're going to do on the way forward, and we'll be open to exploring all avenues.

<Charles Chalkly>
Thank you very much. And two I'm going to combine here about income growth. Was the like-for-like rental income decline a disappointment or is that disappointing? And then another one come in that's along the lines of the good visibility we mentioned in the statement. Please will you provide a bit more color about income growth being weighted to the second half of the year? And Mehdi, I think these are both for you, so disappointment in the rental decline and color on the second half.

<Mehdi Bourassi>
Cool. Let me run you through a number of the figures. So the headline like-for-like is indeed negative 0.3%, and that's mainly due to the rental guarantee expiring at our Rosersberg 1 assets. Now, if we look just at the stabilised portfolio, so excluding that Rosersberg 1 asset, the like-for-like rental growth for the period was 0.6%. Now, some of you might still be disappointed by 0.6% for the six months, and that's why we've provided guidance for the full year. We know we have a number of indexation events happening in the second half. We have a number of catch-ups happening on some leases in the second half, which provides us comfort that we'll be achieving a 3 to 5% like-for-like income growth for the full year on this stabilised portfolio.

<Charles Chalkly>
Very helpful, thank you. And Phil, we might need to dust off your crystal ball here if you've got one. One here about values. How do you think values are going to move in 2024? Are we at the bottom?

<Phil Redding>
Well, I don't have a crystal ball is my first comment. I think as I said in the presentation, I think with the outlook for interest rates turned a bit more positive, we're seeing a bit more positive mood in terms of investor sentiment. I said this in the presentation. The backdrop for the logistics markets in the second half and into '25 should be more supportive in that environment. So in terms of where we are, our valuation, the yields have moved quite a lot. I think we're there or thereabouts in terms of yield shift, but there may be some more modest moves, but I think this will be more asset-specific or market or submarket-specific even, rather than any significant movements from here.

<Charles Chalkly>
Very clear. Thank you. One for you, Mehdi, here. So Mehdi mentioned that a refinance plan for the green bond was being worked on. Can you elaborate on what options you are considering and what impact it can have on your debt cost, that's from Matt at Peel Hunt.

<Mehdi Bourassi>
Sure. Well, as I said, we work on the plan. I cannot comment at this stage because it's work in progress in terms of what the plan is. What I can say is you should not expect any announcement before Q1 2025 at the earliest. Inevitably, as I said in the presentation, the refinancing would be more expensive than our current cost of debt.

<Charles Chalkly>
Thank you. Okay. As there are no further questions on the webcast, we'll bring things to a close there. Please get in touch if you have any subsequent questions. And all that remains is for me to thank everyone for joining today, and to wish you all a good morning.

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