

# MERGERSPRESSO

## CORPORATE FINANCE - A REIT PROBLEM...

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CORPORATE FINANCE

# TRANSCRIPT

Welcome to Mergerspresso, AG's Corporate finance podcast. I'm Simon Wood and this is all you need to know about the REIT's M&A market and the time it takes to make your coffee.

REIT's are real estate investment trusts, corporate landlords that provide shareholders with their rental income. Some focus on a single asset class and others are generalists across the range of property sub sectors.

The recent economic post COVID climate has not been kind to REIT's, particularly those invested in retail and offices.

Inflationary pressures and interest rate hikes made it harder to service. Their debt REIT's tend to trade at a discount to their net asset value, and property valuations have been falling and low market liquidity makes it harder to break this cycle.

REIT's desperately need the benefit of economies of scale.

But achieving that is hard deals typically found at on mismatch valuation expectations. For cash deals, raising a war chest with an equity issue is to shareholder dilutive.

For all share deals overpay and the buyer's shareholders will veto it. Underpay and the target board won't recommend. The fall back is a managed wind down sell the assets, liquidate and return the proceeds.

We're now at a tipping point. The status quo is clearly unsustainable, and a swathe of deals has announced as the need to transact build. But there is a narrow path to deliverability. Recent vetoed offers highlight the need to tread carefully.

Join us next time on Mergerspresso for close calls and narrow shareholder votes.

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