



Stride Property Group (NS)
Interim Results
For the six months ended
30 September 2016



17 November 2016

Agenda & Contents

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Highlights

Highlights

Stride Property Group¹ listed on the NZX Main Board on 12 July 2016

Demerger of Investore Property Limited and retention of 19.9% shareholding

Growth of real estate investment management (REIM) business

Restructure of Diversified NZ Property Trust and settlement of two shopping centres

Stride Property
Group

NZX listing

Demerger of
Investore

19.9% shareholding

Growth of REIM
Business

¹ The Stride Property Group comprises Stride Investment Management Limited (SIML) and Stride Property Limited (Stride). A stapled security of the Stride Property Group comprises one share in SIML and one share in Stride. Stapled securities are quoted on the NZX Main Board under the ticker code SPG. Information presented in this presentation is on a combined basis unless otherwise specified.

Highlights

(Prior period to 30 Sep 2015 figures in brackets)

Financial Performance

- Net rental income of \$35.1m (\$28.0m)
- Management fee income of \$2.3m (\$0.9m)
- Corporate expenses of \$9.2m (\$3.7m), including \$3.1m one-off project costs
- Net profit before other income and income tax of \$17.5m (\$18.9m)
- Net profit after income tax of \$27.5m (\$34.1m)
- Distributable profit¹ before income tax of \$22.3m (\$19.5m)
- Distributable profit after income tax of \$18.7m or 5.12cps (\$15.4m or 5.19cps)
- Targeting 8.79cps cash dividend for Stride Property Limited (Stride) for the year ended 31 March 2017 (FY17)
 - 2.02cps cash dividend for Stride for the second quarter
- Targeting 1.17cps cash dividend for Stride Investment Management Limited (SIML) for FY17
 - 0.39cps cash dividend for SIML for the second quarter
- Dividend Reinvestment Plan remains suspended

Distributable
profit after tax up
21.0%

Growth of
REIM
Business

Targeting cash dividend for
FY17 (combined)
9.96cps

¹ Distributable profit is a non-GAAP financial measure adopted by Stride Property Group to assist Stride Property Group and investors in assessing Stride Property Group's profit available for distribution. It is defined as net profit/(loss) before income tax, adjusted for non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information, including the calculation of distributable profit and the adjustments to net profit before income tax, is set out in note 6 of the interim consolidated financial statements for the six months ended 30 September 2016.

Highlights

(Prior period as at 31 Mar 2016 figures in brackets)

Portfolio

- Net 1.4% property portfolio valuation increase¹ (nine properties were independently valued)
- Stride loan to value ratio (LVR) 38.5%² (41.7% as at 31 Mar 2016)
- Net Tangible Assets (NTA) backing per share \$1.62
- 92 lease transactions over 121,656m² for a total annual rental of \$18.7m
- FY17 lease expiries down from 4.78% (31 Mar 2016) to 2.30% of the portfolio contract rental³
- FY18 lease expiries at 9.6% of the portfolio contract rental
- Occupancy at 96.4% (99.6%) reflects vacant office space at NorthWest Two
- Weighted average lease term (WALT) 5.3 years (7.9 years) reflecting the demerger of Investore

Developments and Divestments

- NorthWest Two opened in October 2016
- \$69m divestments completed
 - 650 Great South Road, Auckland
 - 39 Corinthian Drive, Auckland
 - Corner Ward, Bryce & Tristram Streets, Hamilton
 - 20-22 Pollen Street, Auckland
 - 48 Miramar Avenue, Wellington
 - Lots 83 & 85, Tauriko Industrial Estate, Tauranga

Demerger

- Demerged Investore Property Limited on 11 July 2016

Net valuation increase

1.4%

NorthWest Two opened

Oct 2016

Demerger of
Investore Property
Limited

¹ Property portfolio valuation increase excludes \$0.4m arising from the elimination of the development fees charged by SIML to Stride.

² The LVR calculation includes the value of Inventory of \$30.6m in the value of properties and ignores the value of the investments in the managed funds.

³ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Stride by that tenant under the terms of the relevant lease as at 30 September 2016, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2016, and assuming no default by the tenant.

Financial Performance

Financial Performance

Stride Property Group - Consolidated

	Actual 30 Sep 2016 (\$ millions)	Actual 30 Sep 2015 (\$ millions)	Change	
			\$ millions	%
Net rental income	35.1	28.0	7.2	25.6
Management fee income	2.3	0.9	1.4	161.2
Corporate expenses	(9.2)	(3.7)	(5.5)	(147.3)
Net profit before net finance expenses, other income and income tax	28.3	25.1	3.1	12.4
Net finance expenses	(10.8)	(6.2)	(4.6)	(73.7)
Net profit before other income and income tax (refer Appendix 1)	17.5	18.9	(1.5)	(7.7)
Other income ¹	12.5	18.5	(6.0)	(32.4)
Net profit before income tax	30.0	37.4	(7.4)	(19.9)
Income tax expense	(2.5)	(3.3)	0.8	25.3
Net profit after income tax attributable to shareholders	27.5	34.1	(6.6)	(19.3)

¹ Actual 30 September 2016, other income includes net change in fair value of investment properties of \$11.6m.
Actual 30 September 2015, other income includes net change in fair value of investment properties of \$18.3m.

Values in the table above are calculated based on the numbers in the financial statements for each respective financial year and may not sum accurately due to rounding.

Distributable Profit

Stride Property Group - Consolidated

	Actual 30 Sep 2016 (\$ millions)	Actual 30 Sep 2015 (\$ millions)	Change	
			\$ millions	%
Net profit before income tax	30.0	37.4	(7.4)	(19.9)
Non-recurring and non-cash adjustments:				
- Net change in fair value of investment properties	(11.6)	(18.3)	6.6	36.3
- Gain on disposal of investment properties	(0.1)	(0.3)	0.2	57.5
- Net change in fair value of other investments	(0.1)	0.1	(0.2)	(208.0)
- Share of profit in associates	(0.6)	-	(0.6)	(100.0)
- One-off project costs	3.1	-	3.1	100.0
- Net rent free incentives	(0.3)	(0.1)	(0.1)	(93.2)
- Net lease contribution incentives	0.2	0.1	0.1	239.2
- Fixed rental income	0.3	0.4	(0.1)	(25.7)
- Other adjustments	1.4	0.2	1.2	515.2
Distributable profit before income tax	22.3	19.5	2.8	14.2
Less: current tax expense	(3.6)	(4.1)	0.5	11.5
Distributable profit after income tax	18.7	15.4	3.2	21.0
Basic distributable profit after income tax per share - weighted	5.12cps	5.19cps		
Weighted average number of shares (millions)	364.4	297.2		

Distributable profit is a non-GAAP financial measure adopted by Stride Property Group to assist Stride Property Group and investors in assessing Stride Property Group's profit available for distribution. It is defined as net profit/(loss) before income tax, adjusted for non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information, including the calculation of distributable profit and the adjustments to net profit before income tax, is set out in note 6 of the interim consolidated financial statements for the six months ended 30 September 2016.

Values in the table above are calculated based on the numbers in the financial statements for each respective financial year and may not sum accurately due to rounding.

AFFO Distributable Profit

Stride Property Group - Consolidated

	Actual 30 Sep 2016 (\$ millions)	Actual 30 Sep 2015 (\$ millions)	Change	
			\$ millions	%
Distributable profit after income tax	18.7	15.4	3.2	21.0
Adjustments to funds from operations:				
- Maintenance capital expenditure	(2.7)	(0.4)	(2.3)	(579.9)
Adjusted Funds From Operations (AFFO)	16.0	15.0	0.9	6.2
AFFO basic distributable profit after income tax per share - weighted	4.38cps	5.06cps		

Values in the table above are calculated based on the numbers in the financial statements for each respective financial year and may not sum accurately due to rounding.

Financial Summary

Stride Property Group - Consolidated

	As at 30 Sep 2016	As at 31 Mar 2016
Property value ¹ (\$ millions)	846.2	1,274.8
Bank debt drawn (\$ millions)	337.7	532.2
Bank loan to value ratio (LVR) ²	38.5%	41.7%
Equity (\$ millions)	590.8	719.4
Shares on issue (millions)	364.4	364.4
NTA per share (refer Appendix 1)	\$1.62	\$1.97
Adjusted NTA per share ³	\$1.65	\$2.00

¹ Asset divestments were completed during the relevant period and are reflected in the property value figures presented in this table.

² The LVR calculation includes the value of Inventory of \$30.6m in the value of properties and ignores the value of the investments in the managed funds.

³ Excludes the after tax fair value of interest rate derivatives.

Capital Management

Capital Management

Stride Property Limited

	Covenant	As at 30 Sep 2016		As at 30 Sep 2016	As at 31 Mar 2016
Loan to Value Ratio (Bank Debt / Property Values)	≤ 50%	38.5% ¹	Bank facility limit (ANZ, BNZ, CBA, Westpac)	\$400m	\$560m
Interest Cover Ratio (EBIT / Interest and Financing Costs)	≥ 1.75 x	2.78x ²	Bank debt drawn	\$338m	\$532m
Fully Leased Unexpired Term ³	> 3.0 years	5.2 years	Weighted average cost of debt (incl. margins & line fees)	5.06%	4.72%
			Weighted average interest rate on current swaps (excl. margins & line fees)	4.20%	3.86%
			Weighted maturity of facility	3.7 years	2.6 years
			Weighted average hedging duration (incl. forward starting swaps)	2.3 years	3.1 years
			% of drawn debt hedged	70%	65%

Key Transactions:

- Demerged Investore
- Stride retained 19.9% shareholding in Investore
- Refinanced bank facility; \$200m for 3 years and \$200m for 5 years

¹ The LVR calculation includes the value of Inventory of \$30.6m in the value of properties and ignores the value of the investments in the managed funds.

² The interest cover ratio is for the period 12 July 2016 to 30 September 2016.

³ The unexpired leased term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

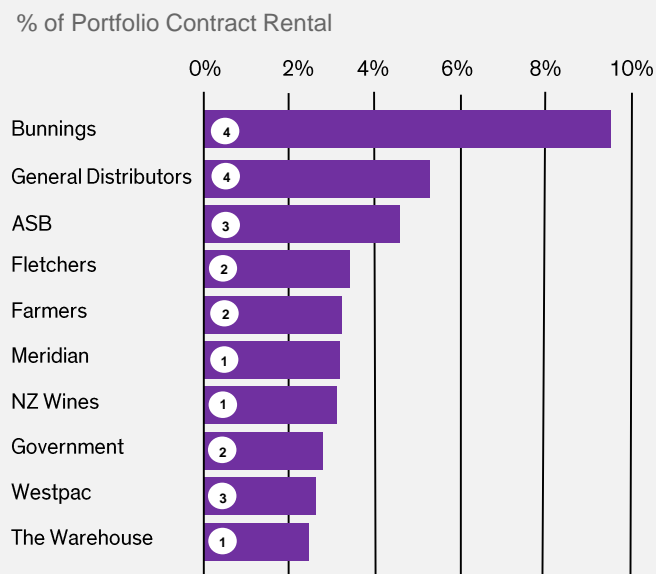
Portfolio Overview

Portfolio Summary

Overview	As at 30 Sep 2016	As at 31 Mar 2016
Properties	29	59
Tenants	382	415
Net Lettable Area (m ²)	304,843	432,337
WALT (years)	5.3	7.9
Occupancy Rate (by area)	96.4%	99.6%
Asset Valuation	\$846.2m	\$1,274.8m

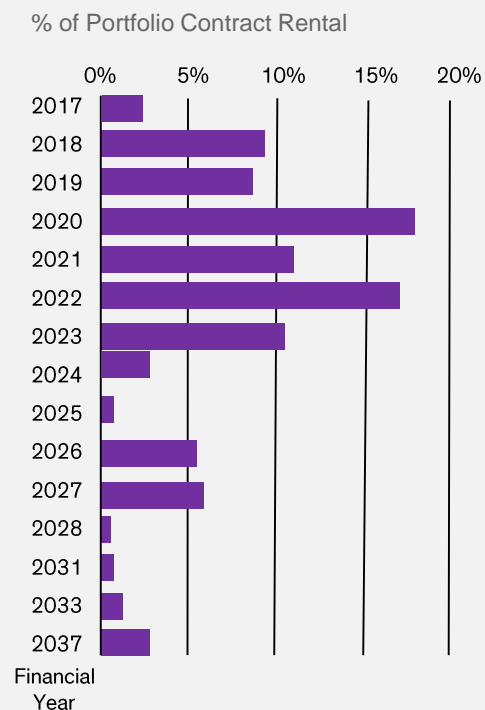
Top Ten Tenants² by Contract Rental¹

As at 30 Sep 2016



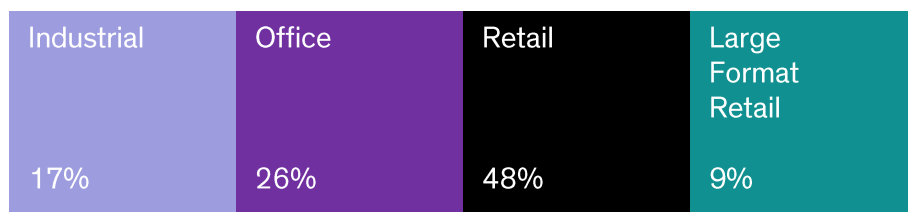
Lease Expiry Profile³ by Contract Rental¹

As at 30 Sep 2016



Portfolio Contract Rental¹ by Sector

As at 30 Sep 2016



¹ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Stride by that tenant under the terms of the relevant lease as at 30 September 2016, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2016, and assuming no default by the tenant.

² Based on Contract Rental for all properties leased to individual tenants and their affiliates as at 30 September 2016. The numbers at the foot of each bar represent the number of properties leased by the tenant.

³ Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the entire portfolio as at 30 September 2016, as a percentage of Contract Rental.

Major Lease Transactions Completed

Tenant	Property	Commencement	Area (m ²)	Term (years)	Annual Contract Rental (\$000)
Freedom Furniture	65 Chapel Street, Tauranga	April 2017	889	3	190 ¹
NZ Merchants	20 Rockridge Avenue, Auckland	April 2017	10,239	3	840 ¹
French Country Collections	460 Rosebank Road, Auckland	May 2016	6,556	8	357
Aeroqual	460 Rosebank Road, Auckland	June 2016	1,361	4	219
Landmark Worldwide	7-9 Fanshawe Street, Auckland	November 2017	687	5	229

Stride completed 92 lease transactions during the six month period ended 30 September 2016:

- 59 rent reviews over 92,045m² for a total annual rental of \$14.5m
- 20 lease renewals over 14,925m² for a total annual rental of \$2.3m
- 13 new lettings completed over 14,686m² for a total annual rental of \$1.9m

¹ Rental still subject to review

Remaining Lease Expiries FY17 & FY18

FY17			
Property	Tenant	Net Lettable Area (m²)	% of Contract Rental
Johnsonville Shopping Centre (50%), Wellington	Various	2,523	1.80
Balance		970	0.50
		3,493	2.30

As at 30 September 2016, 2.30% of Contract Rental expiries remained in FY17 (4.78% as at 31 March 2016).

FY18			
Property	Tenant	Net Lettable Area (m²)	% of Contract Rental
11 Springs Road, Auckland	Lion-Beer, Spirits & Wine	21,349	3.17
Johnsonville Shopping Centre (50%), Wellington	Various	2,409	1.05
15 Ride Way, Auckland	Express Couriers	6,027	0.90
8 Reg Savory Place, Auckland	National Glass	4,025	0.70
Balance		10,735	3.74
		44,545	9.56

As at 30 September 2016, 9.56% of Contract Rental expiries remain in FY18 (9.99% as at 31 March 2016).

Portfolio Occupancy 96.4% (by area)

Property	Occupancy (%) 30 Sep 2016	Vacancy (m ²) 30 Sep 2016	Total Area (m ²) 30 Sep 2016	Occupancy (%) 31 Mar 2016
21-25 Teed Street, Auckland	83.0	691	4,071	100.0
35 Teed Street, Auckland	94.5	159	2,874	100.0
22 The Terrace, Wellington	91.1	425	4,780	91.1
Other	100.0	-	36,920	100.0
Office Total	97.4	1,275	48,646	99.1
460 Rosebank Road, Auckland	45.8	6,639	12,239	100.0
Other	100.0	-	100,944	100.0
Industrial Total	94.1	6,639	113,183	100.0
Corner Mt Wellington Highway & Penrose Road, Auckland	98.9	96	9,011	98.9
Johnsonville Shopping Centre (50%), Wellington	96.3	255	6,965	98.2
61 Silverdale Street, Auckland	99.8	51	22,961	99.8
65 Chapel Street, Tauranga	99.4	102	16,625	99.6
NorthWest Shopping Centre, Auckland	100.0	-	27,529	98.0
NorthWest Two, Auckland	67.8	2,541	7,890	n/a
Retail Total	96.7	3,044	90,981	98.9
Large Format Retail Total	100.0	-	52,034	100.0
Total Investment Properties	96.4	10,959	304,843	96.6

Totals in the table above may not sum accurately due to rounding.

Development Project

NorthWest Two

- Opened in October 2016
- Comprises four separate buildings with an additional 7,700m² of office, dining and retail space



REIM Business

Owned and managed properties

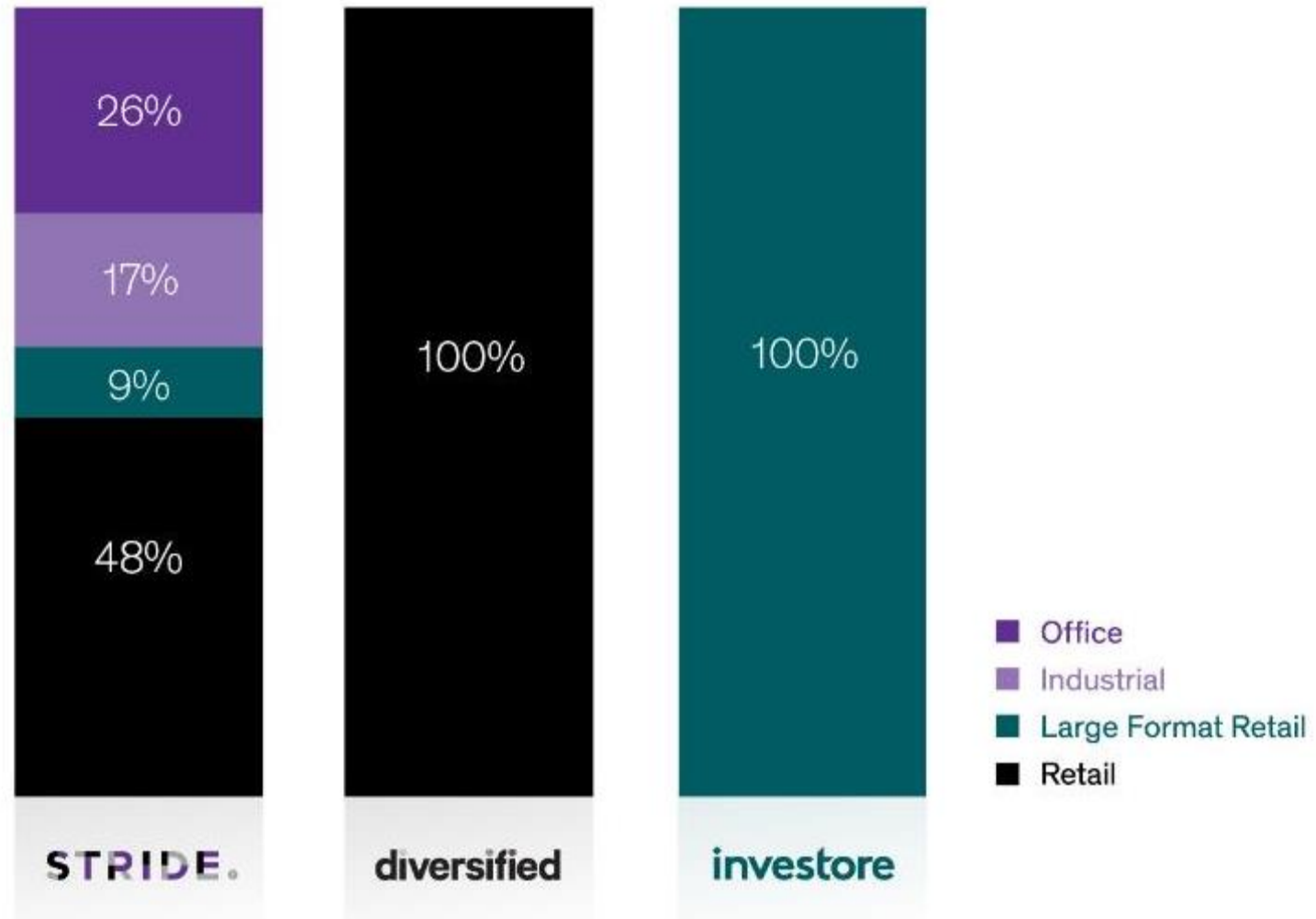
	Value of Investment Properties ¹	Number of Investment Properties	Investment in managed entities
STRIDE.	\$846 million	29 ²	—
investore	\$643 million	39	19.9% held by Stride
diversified	\$578 million	4 ^{2,3}	2% held by Stride
Total	\$2,067 million	71 ²	—

¹ Valuations as at 30 September 2016.

² Includes Johnsonville Shopping Centre which is a 50/50 joint venture between Stride and Diversified NZ Property Trust.

³ Includes Queensgate Shopping Centre and Chartwell Shopping Centre which settled on 22 August 2016.

Portfolio composition (by Contract Rental¹)



¹ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Stride by that tenant under the terms of the relevant lease as at 30 September 2016, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2016, and assuming no default by the tenant.

Conclusion

Conclusion

Execution of Strategy

- Stride Property Group listed on the NZX Main Board on 12 July 2016
- Stapled structure of Stride Property Group provides ability to grow REIM business
- Demerged Investore, the specialist large format retail property investment company, and SIML remains the manager of Investore
- Restructured Diversified Trust, which settled on the acquisition of Queensgate Shopping Centre and Chartwell Shopping Centre. SIML was appointed manager of Diversified Trust
- \$69m divestments completed
- NorthWest Two opened in October 2016, and revenue is expected to increase earnings in the second half of FY17
- New resource consent for Johnsonville Shopping Centre redevelopment filed with Council
- Targeting combined annual cash dividend for FY17 of 9.96cps
- Targeting combined annual cash dividend for FY18 of 9.91cps

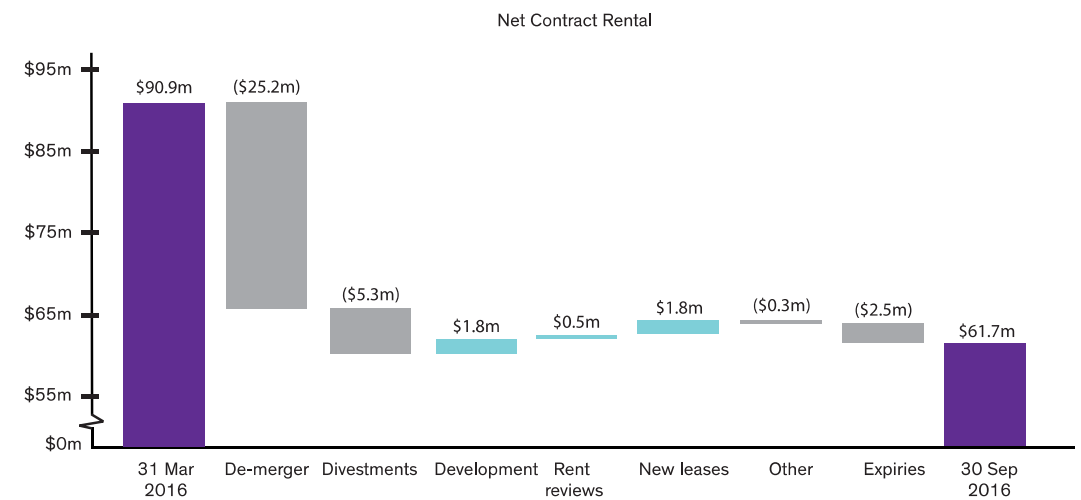
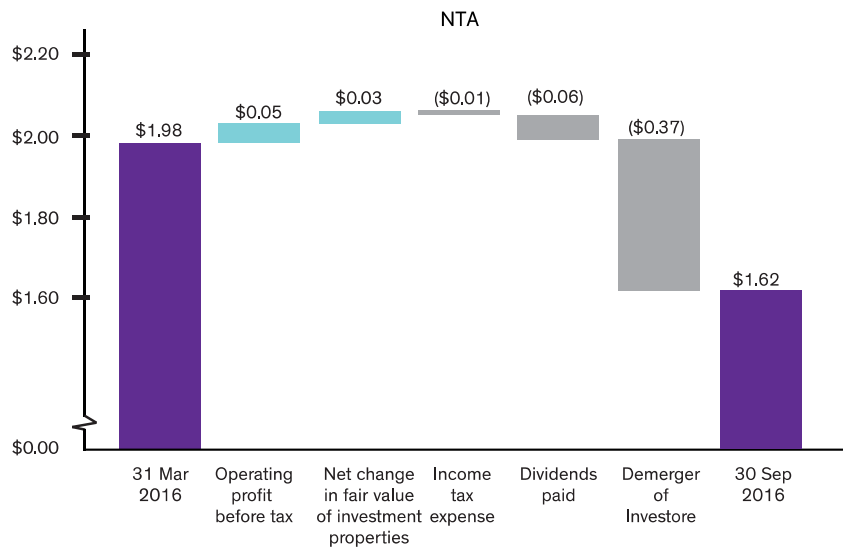
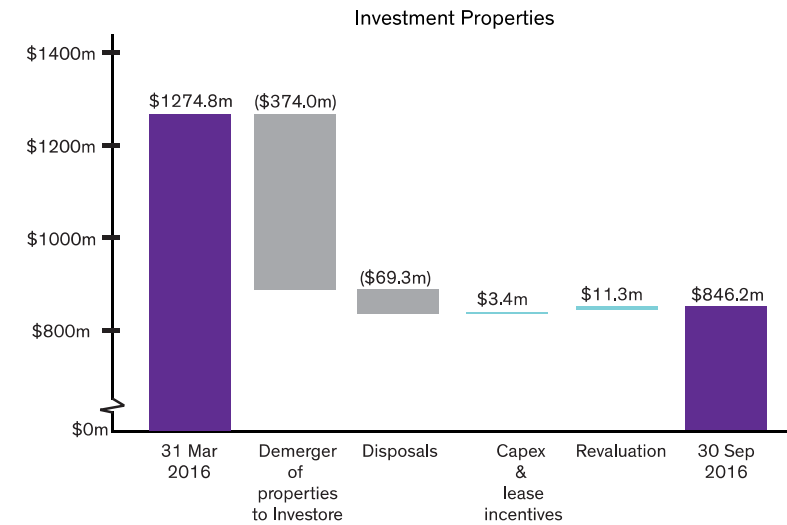
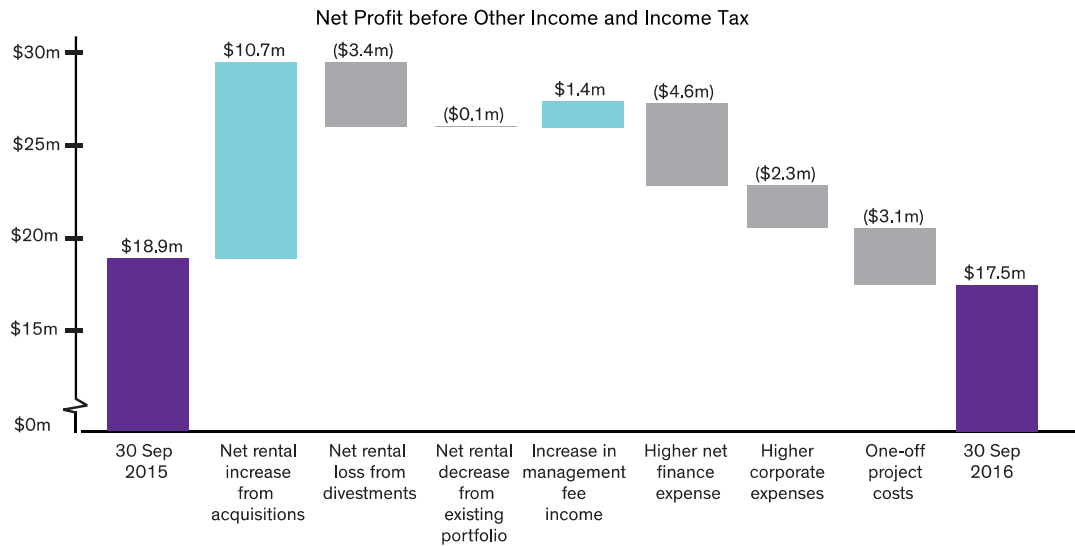
Demerger of
Investore Property
Limited

Restructured
Diversified
Trust

REIM
platform
established

Appendix

Appendix 1



Thank you

Important Notice: The information in this presentation is an overview and does not contain all information necessary to make an investment decision. It is intended to constitute a summary of certain information relating to the performance of Stride Property Group for the six months ended 30 September 2016. The information in this presentation does not purport to be a complete description of Stride Property Group. In making an investment decision, investors must rely on their own examination of Stride Property Group, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

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