



Stride Property Group (NS)

NZX Announcement

IMMEDIATE – 29 May 2019

Stride Property Group - FY19 Annual Report and Results

Stride Property Group (Note 1) is pleased to announce that it has released its Annual Report and Results presentation for the twelve months ended 31 March 2019 (FY19).

Stride has been focused on the future during FY19, undertaking a number of transactions that will establish the foundations for future growth, while ensuring stable and profitable returns to shareholders for the financial year ended 31 March 2019. Highlights for FY19 are set out below.

In addition, Stride Investment Management Limited (SIML) and Stride Property Limited (SPL) are pleased to announce fourth quarter (1 January 2019 to 31 March 2019) dividends to be paid by each company on 21 June 2019 to all shareholders on the register as at the close of business on 14 June 2019, as follows:

- SPL announces a cash dividend for the fourth quarter of FY19 of 2.2075 cents per share.
- SIML announces a cash dividend for the fourth quarter of FY19 of 0.27 cents per share.

The Dividend Reinvestment Plan remains suspended for the FY19 fourth quarter dividends.

Highlights for FY19 include:

Financial Performance – Stride Property Group (FY18 figures in brackets)

- Net rental income of \$57.3m (\$59.1m), lower primarily due to the divestments (down \$4.0m) and property under development (down \$1.8m), offset by completed development (up \$0.8m) and higher underlying portfolio income (up \$2.6m)
- Profit before other income/(expense) and income tax of \$38.0m (\$40.7m), down \$2.8m
- Profit after income tax of \$76.2m (\$95.3m), down \$19.1m, largely reflecting lower revaluation gains when compared to FY18
- Distributable profit (Note 2) after current income tax of \$38.8m or 10.62cps (\$38.8m or 10.63cps), in line with FY18. Combined 9.91cps cash dividend for Stride for FY19
- Net valuation gain of \$36.5m or 4.2%, resulting in Net Tangible Assets (NTA) per share of \$1.92 (excludes value of management contracts), up 10cps from \$1.82 as at 31 March 2018

- Loan to Value Ratio (LVR) 34.4% (34.1% as at 31 March 2018), however LVR average throughout FY19 was lower by 4.8% as compared to FY18. Post balance date LVR reduced to 30.8% providing balance sheet headroom of \$106m to \$177m based on an indicative LVR range of 38% to 42%

Places – Stride Property Limited (As at 31 March 2018 figures in brackets)

- Portfolio (Note 3) occupancy 97.6% (96.7%), up 0.9%
- Portfolio (Note 3) valuation \$966.3m (\$902.2m) representing a net valuation gain of \$36.5m or 4.2%
- Industrial portfolio (Note 4) value \$262.5m following a net valuation gain of \$24.1m or 11.1%. Following the settlement of acquisitions and completion of current development pipeline the industrial portfolio is estimated to be valued (Note 5) in excess of \$345m
- Weighted average lease term (WALT) 4.8 years (5.1 years)
- 270 leasing transactions, including rent reviews, renewals and new lettings completed across 69% of the portfolio resulting in a 4.3% increase on previous rentals
- Comparable sales (Note 6) for FY19 at NorthWest Shopping Centre and NorthWest Two, and Silverdale Centre – up 4.7% and 4.4% (Note 7) respectively from the prior year

Developments

The Development team, formed in FY18, is currently managing over \$200m of development projects on SIML managed properties. For SPL, these projects include:

- 11 Springs Road, Auckland – construction of a new head office for Waste Management, with practical completion expected late December 2019
- \$11m in aggregate of property extensions and upgrades for Rebel Sport and Briscoes at Bay Central Shopping Centre and for Bunnings, Carr Road. New 10 year leases will commence at the completion of each project

Work continues on the proposed redevelopment of the Johnsonville Shopping Centre, owned 50:50 by SPL and Diversified NZ Property Trust

Transactions

- Unconditional contract to acquire The Concourse, Auckland, for \$35m, with completion expected in June 2019. The acquisition includes established buildings and adjacent vacant land of 2.2ha which will be developed, with a pre-committed 25 year lease to Waste Management commencing on completion of the development, anticipated to be in late 2020
- Unconditional contract to acquire 439 Rosebank Road, Auckland, for \$8m, with completion expected in July 2020
- Disposal of 33 Corinthian Drive, Auckland, completed on 1 April 2019 (post balance date) for a sale price of \$50.5m representing an initial yield of 5.9% and +4.7% premium to book value (30 September 2018)

People

- Director refresh continued with appointment of Jacqueline Robertson in March 2019
- Executive team now complete following appointment of:
 - Fabio Pagano as Investore Fund Manager
 - Steve Penney as General Manager Investment

Products

Investore Property Limited (Investore)

- FY19 dividend increased to 7.60cps (up 0.14cps or 1.9% on FY18 dividend)
- \$100m bond issue completed April 2018 and 1.7m shares acquired under buyback programme
- Successful renewal of two key expiries being the Countdown-operated properties in Hamilton and Rotorua, for 5 years and 10 years respectively
- Completed disposal of Countdown Dunedin South on 1 April 2019 (post balance date) for a sale price of \$19.3m representing a +5.6% premium to book value (31 March 2018)

Diversified NZ Property Trust (Diversified)

- 290 leasing transactions completed, including rent reviews, renewals and new lettings, resulting in a total increase on previous rentals of +1.9%
- Significant development activity underway, including Queensgate Shopping Centre carpark and cinema rebuild, seismic strengthening works and the introduction of H&M to Chartwell Shopping Centre, due to open in winter 2019

Capital Management – SPL

- \$200m bank facility refinanced, increasing average tenor of debt facilities to 2.8 years; next debt facility maturing is \$200m in June 2021 (FY22)
- Following settlement of the sale of Corinthian Drive, Auckland, and the reclassification and valuation of NorthWest Two (Note 8) to investment property in April 2019, banking headroom increased to \$1 17m and LVR reduced to 30.8%
- \$100m of swaps terminated in April 2018, with an average term of 2.8 years and an average rate of 4.1%, for a cost of \$4.1m
- New \$120m swaps entered into with an average 5.2 years tenor and an average rate of 2.8%

Strategy

Stride is focussed on establishing a group of property funds in specific sectors to provide growth in our investment management business. In terms of our portfolios, this will include:

- Continued focus on delivering strategy and growing our existing products – Investore and Diversified

- Transaction and development activity for SPL will be focussed on building portfolios of assets that can be used for the establishment of new products, with SPL taking a cornerstone interest
- Evaluating opportunities in markets adjacent to core commercial property sectors

Conclusion – Looking Ahead

- Establish a group of commercial property funds to provide growth in our investment management business and continue to review opportunities in markets adjacent to core commercial property sectors
- Development of comprehensive sustainability initiatives
- Board refresh to continue
- Targeting a combined 9.91cps cash dividend for FY20

Notes:

1. Stride Property Group ([Stride](#)) comprises Stride Investment Management Limited ([SIML](#)) and Stride Property Limited ([SPL](#)). A stapled security of the Stride Property Group comprises one share in SIML and one share in SPL. The 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.
2. Distributable profit is a non-GAAP financial measure adopted by Stride to assist Stride and investors in assessing Stride's profit available for distribution. It is defined as profit/(loss) before income tax, adjusted for determined 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 profit before income tax, is set out in note 4.3 to the consolidated financial statements for the year ended 31 March 2019.
3. Includes: Corinthian Drive, Auckland, which was subject to an agreement for sale and subsequently settled on 1 April 2019 and NorthWest Two, Auckland which, as at 31 March 2019, was classified as inventory in the consolidated financial statements for FY19. Refer notes 3.6 and 3.7 to the consolidated financial statements.
4. Industrial portfolio includes 11 Springs Road, Auckland, which is categorised as 'Development' within Investment Properties in the consolidated financial statements for FY19. Refer note 3.3 to the consolidated financial statements.
5. Estimated value calculated as the current value of the industrial portfolio plus purchase price of 439 Rosebank Road, Auckland and The Concourse, Auckland, plus current estimated value on completion of Springs Road and The Concourse developments.
6. Comparable sales include sales from tenancies which have traded for the past 24 months and includes commercial services categories.
7. Sales data is not collected for all tenants at Silverdale Centre. Some tenants are not obliged to provide sales data under the terms of their lease.
8. On 10 April 2019, SPL gave Westgate Town Centre Limited (WTCL) notice to bring the option period held by WTCL to acquire SPL's NorthWest Two development to an end. On 29 April 2019, SPL advised that the option had expired as it had not received notice from WTCL seeking to exercise the option. Under the terms of the ground lease from WTCL to SPL for the land on which NorthWest Two is located, in the event WTCL did not exercise the option to acquire the NorthWest Two development, the agreement permits SPL to obtain freehold title to the land for a nominal amount of \$1. On the expiry of the option in April 2019, SPL has reclassified the property from inventory-development property to investment properties. SPL has undertaken an independent valuation of the property resulting in an increase of \$2.3m in value to \$37.75m.

Ends

Attachments provided to NZX:

- Stride Property Group – FY19 Annual Report – 290519
- Stride Property Group – FY19 Annual Results Presentation – 290519
- Stride Property Group – NZX Appendix 1 – 290519
- Stride Property Limited – NZX Appendix 7 – 290519
- Stride Investment Management Limited – NZX Appendix 7 – 290519
- Stride Property Group – Shareholder Communications Notice - 290519

For further information please contact:

Tim Storey, Chairman, Stride Investment Management Limited / Stride Property Limited

Mobile: 021 633 089 - Email: tim.storey@strideproperty.co.nz

Philip Littlewood, Chief Executive, Stride Investment Management Limited

Mobile: 021 230 3026 - Email: philip.littlewood@strideproperty.co.nz

Jennifer Whooley, Chief Financial Officer, Stride Investment Management Limited

Mobile: 021 536 406 - Email: jennifer.whooley@strideproperty.co.nz

Louise Hill, General Manager Corporate Services, Stride Investment Management Limited and Company Secretary of Stride Property Group

Mobile: 0275 580 033 - Email: louise.hill@strideproperty.co.nz

A Stapled Security of the Stride Property Group comprises one ordinary share in Stride Property Limited and one ordinary share in Stride Investment Management Limited. Under the terms of the constitution of each company, the shares in each can only be transferred if accompanied by a transfer of the same number of shares in the other.

Stapled Securities are quoted on the NZX Main Board under the ticker code SPG. Further information is available at www.strideproperty.co.nz or at www.nzx.com/companies/SPG.