



**Stride Property Group (NS)
Interim Results**

**For the six months ended
30 September 2018**



Agenda and Contents

Page

Welcome

Philip Littlewood – Chief Executive Officer

Highlights

3

Financial Performance

10

Jennifer Whooley – Chief Financial Officer

Capital Management

15

Portfolio Overview

18

Philip Littlewood – Chief Executive Officer

Conclusion

23

Appendices

25

Highlights



PERFORMANCE

(HY18 figures in brackets)

Financial Performance

- Net rental income of \$27.9m (\$29.5m), lower primarily due to the divestment of three Bunnings operated properties to Investore Property Limited (Investore) and the development at Springs Road, Auckland
- Profit before income tax of \$44.1m (\$38.8m), up \$5.2m or 13.5%
- Profit after income tax of \$40.2m (\$33.3m), up \$6.9m or 20.8%
- Distributable profit¹ after current income tax of \$19.6m or 5.37cps (\$19.7m or 5.41cps), down \$0.1m or 0.7%
- Net Tangible Assets (NTA) per share \$1.88 (excludes value of management contracts), up 3.0% from \$1.82 as at 31 March 2018
- Loan to Value Ratio (LVR) of 34.2% remains consistent with 31 March 2018, and below 30 September 2017 LVR of 38.8%
- Targeting a combined 9.91cps cash dividend for Stride Property Group (Stride) for FY19

Profit after income tax
\$40.2m, up \$6.9m

NTA per share
\$1.88
up 3.0% from 31 March 2018

LVR at
34.2%

1. Distributable profit is a non-GAAP financial measure adopted by Stride Property Group (Stride) to assist Stride and investors in assessing Stride's profit available for distribution. It is defined as net 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 net profit before income tax, is set out in note 4 to the consolidated interim financial statements for the six months ended 30 September 2018.

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

(As at 31 March 2018 figures in brackets)

Portfolio – Stride Property Limited (SPL)

- Occupancy at 98.9% (96.7%), up 2.2%
- Weighted average lease term (WALT) maintained at 5.1 years (5.1 years)
- Significantly improved lease expiry profile² for the next two years – reducing from 18.7% at 31 March 2018 to 12.2% at 30 September 2018
- Total leasing transactions, including rent reviews, renewals and new lettings completed across 21% of the portfolio resulted in a total annualised rental increase of 6.3%
 - Market reviews comprised 10% of the total annualised rental and resulted in an increase of 11.5%
- Comparable sales³ for the year ended 30 September 2018 at NorthWest Shopping Centre and Silverdale Centre – up 11.5% and 4.0%⁴ respectively from the prior year
- Property portfolio valuation of \$934.5m⁵ as at 30 September 2018 (\$902.2m), representing a net valuation gain of \$23.6m or 2.7%

Higher occupancy
98.9%, up 2.2%

WALT maintained at
5.1 years

Net investment property
valuation gain
+2.7%

2. 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 2018, as a percentage of Contract Rental as defined in footnote 17 on page 19.

3. Comparable sales include sales from tenancies which have traded for the past 24 months and includes commercial services categories.

4. 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.

5. Includes NorthWest Two, Auckland, which is classified as inventory in the consolidated interim financial statements. The 30 September 2018 amount also includes the work in progress cost for the development at Springs Road, Auckland. Refer notes 7 and 8 to the consolidated interim financial statements on page 37.

Developments, Acquisitions and Divestments - SPL

- 11 Springs Road, Auckland – construction of a new head office for Waste Management, with practical completion expected late calendar year 2019
- \$4.7m expansion for Rebel Sports and Briscoes premises at Bay Central Shopping Centre, Tauranga, with associated new 10 year leases
- Post balance date – \$6m upgrade of Bunnings premises at Carr Road, Auckland, in early stages of development
- Unconditional contract signed to purchase 439 Rosebank Road, Auckland, for \$8m, with completion expected in July 2020
- Post balance date – commenced sale process for ASB, Corinthian Drive, Auckland

**Waste Management
development completion
expected late 2019**

**Rebel Sports and Briscoes
new 10 year leases**

**Commenced sale process
(post balance date) for ASB,
Corinthian Drive, Auckland**

Board Refresh - Stride

- To be continued over the next 24 months
- Appointment of two new directors expected prior to FY19 Annual Shareholder Meetings

New Executives Appointed – Stride Investment Management Limited (SIML) executive team now complete



Fabio Pagano
Investore Fund Manager
(newly created role, appointed August 2018)



Steve Penney
General Manager Investment
(appointed November 2018)

Our values

Discipline
driven



People
centred



Nimble
performers



Fresh
thinkers



PRODUCTS

Investore

- \$100m bond issue completed April 2018
- Share buyback programme commenced August 2018, 1.47m shares acquired to date
- Eight Countdown stores refurbished during previous eighteen months
- Mitre 10 Botany expansion expected to be completed by the end of the 2018 calendar year
- 10.0% increase in share price over the six months ending 30 September 2018

Diversified NZ Property Trust (Diversified)

- Comparable sales at Queensgate Shopping Centre recently returned to pre-November 2016 Kaikoura earthquake levels
- Development activities increasing, including:
 - Queensgate Shopping Centre rebuild ongoing, as well as seismic strengthening
 - Revised masterplan for Chartwell Shopping Centre completed
 - Johnsonville Shopping Centre redevelopment planning progressing

Investore bond

\$100m, April 2018

Investore share buyback

**1.47m shares
acquired to date**

Total Assets Under Management

**\$2.2b
(including SPL)**

Portfolio Valuation: Owned and Managed Properties

	Value of Investment Properties ⁶	Number of Investment Properties	SPL Investment in Managed Entities
STRIDE.	\$934m ⁷	26 ⁸	—
investore	\$740m	40	19.9%
diversified	\$538m	4 ⁸	2%
Total	\$2,212m	69	—

6. SPL and Investore valuations are as at 30 September 2018. Diversified's valuations are as at 31 March 2018.

7. Refer footnote 5 on page 5.

8. Includes Johnsonville Shopping Centre, Wellington, which is owned 50/50 by SPL and Diversified.

Financial Performance



Financial Performance

Stride Property Group - Consolidated

	Unaudited 30 Sep 2018 \$m	Unaudited 30 Sep 2017 \$m	Change	
			\$m	%
Net rental income	27.9	29.5	(1.6)	(5.4)
Management fee income	7.3	7.7	(0.4)	(5.5)
Corporate expenses	(9.4)	(8.3)	(1.1)	(13.4)
Profit before net finance expense, other income and income tax	25.8	28.9	(3.1)	(10.8)
Net finance expense	(7.8)	(8.2)	+0.4	+4.6
Profit before other income and income tax (refer Appendix 1)	18.0	20.7	(2.7)	(13.2)
Other income ⁹	26.1	18.1	+8.0	+44.0
Profit before income tax	44.1	38.8	+5.2	+13.5
Income tax expense	(3.8)	(5.6)	+1.7	+30.8
Profit after income tax attributable to shareholders	40.2	33.3	+6.9	+20.8

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

9. Other income includes net change in fair value of investment properties of \$23.6m for 30 September 2018 and \$14.4m for 30 September 2017.

Distributable Profit

Stride Property Group - Consolidated

	Unaudited 30 Sep 2018 \$m	Unaudited 30 Sep 2017 \$m	Change	
			\$m	%
Profit before income tax	44.1	38.8	+5.2	+13.5
Non-recurring and non-cash adjustments:				
- Net change in fair value of investment properties	(23.6)	(14.4)	(9.2)	(63.6)
- Gain on disposal of investment properties	(0.3)	-	(0.3)	(100.0)
- Share of profit in associates	(2.2)	(2.5)	+0.3	+11.6
- Dividend income from associates	2.1	2.2	(0.1)	(2.8)
- Net rent free incentives	0.2	(0.2)	+0.4	+214.5
- Net lease contribution incentives	0.1	0.2	(0.1)	(61.9)
- Spreading of fixed rental income amortisation	(0.2)	-	(0.2)	(4,800.0)
- Share based payment expense	0.2	0.2	-	(2.0)
- Depreciation expense	0.1	0.1	-	(18.4)
- Intangible asset amortisation	0.1	-	+0.1	+100.0
- Finance expense – swap break expense	0.7	-	+0.7	+100.0
- Refinancing cost amortisation	0.1	0.1	-	+9.6
- Development fee income	0.3	0.3	-	+12.7
- Other income – insurance recoveries	0.1	(0.5)	+0.6	+125.9
Distributable profit¹⁰ before current income tax	21.9	24.5	(2.6)	(10.7)
Current tax expense	(2.3)	(4.7)	+2.5	+52.2
Distributable profit after current income tax	19.6	19.7	(0.1)	(0.7)
Basic distributable profit after current income tax per share - weighted	5.37cps	5.41cps		
Weighted average number of shares (million)	365.2	364.9		

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

10. Refer footnote 1 on page 4.

AFFO Distributable Profit

Stride Property Group - Consolidated

	Unaudited 30 Sep 2018 \$m	Unaudited 30 Sep 2017 \$m	Change	
			\$m	%
Distributable profit after current income tax	19.6	19.7	(0.1)	(0.7)
Adjustments to funds from operations:				
- Maintenance capital expenditure	(3.1)	(2.7)	(0.5)	(17.4)
Adjusted Funds From Operations (AFFO)	16.5	17.1	(0.6)	(3.5)
AFFO basic distributable profit after current income tax per share – weighted	4.52cps	4.68cps		

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

Financial Summary

Stride Property Group - Consolidated

	Unaudited 30 Sep 18	Audited 31 Mar 18	Unaudited 30 Sep 17
Portfolio valuation ¹¹ (\$m)	934.5	902.2	918.7
Bank debt drawn (\$m)	318.6	307.7	356.6
Bank loan to value ratio¹² (LVR)	34.2%	34.1%	38.8%
Equity (\$m)	688.3	667.1	622.8
Shares on issue (million)	365.3	365.0	365.0
NTA per share (refer Appendix 2)	\$1.88	\$1.82	\$1.70
Adjusted NTA per share ¹³	\$1.89	\$1.84	\$1.72

11. Refer footnote 7 on page 9.

12. As required by SPL's bank facility agreement, the Loan to Value Ratio (LVR) of 34.2% is calculated using the most recent full independent valuations. Three properties were subject to desktop reviews and 14 were subject to full valuations as at 30 September 2018, and the resulting movement in property values has been recognised in the financial statements. Consequently, there is a difference between the total investment property valuation used in the LVR calculation (\$932.3m) and the total portfolio valuation stated in the consolidated statement of financial position (\$934.5m per above). Please refer to note 6 to the consolidated interim financial statements for further detail of the independent valuations and desktop reviews.

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

Capital Management



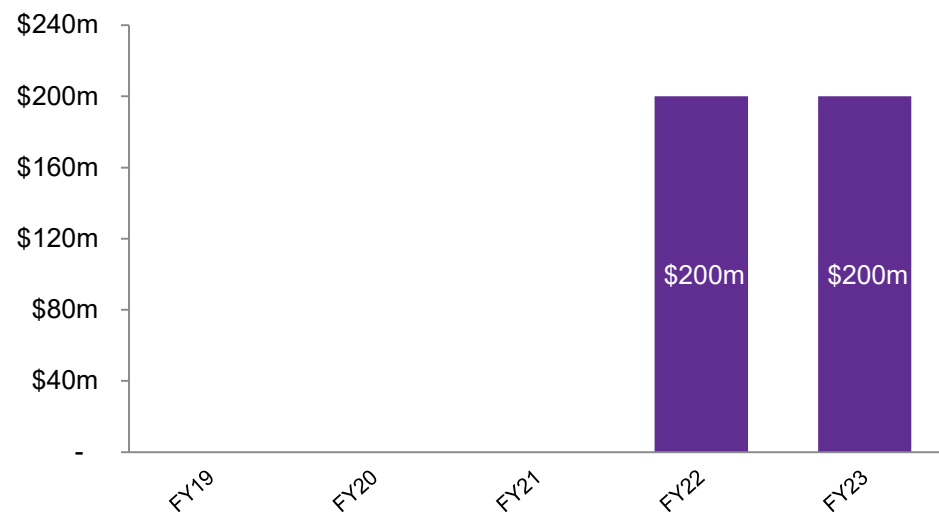
Capital Management – Debt Facilities

Stride Property Limited

Highlights

- \$81m of banking facility headroom available
- Drawn facilities increased by \$11m, largely relating to the Waste Management development at 11 Springs Road, Auckland
- \$200m bank facility refinanced, increasing average tenor of debt facilities to 3.3 years
- Next debt facility maturing is \$200m in June 2021 (FY22)

Debt maturity profile



14. Refer footnote 12 on page 14.

15. The unexpired lease 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.

Debt facilities	As at 30 Sep 2018	As at 31 Mar 2018
Banking facility limit (ANZ, BNZ, CBA, Westpac)	\$400m	\$400m
Debt facilities drawn	\$319m	\$308m
Weighted maturity of debt facilities	3.3 years	2.2 years

Debt covenants

Loan to Value Ratio ¹⁴ (Drawn Debt / Property Values) Covenant: ≤ 50%	34.2%	34.1%
Interest Cover Ratio (EBIT/Interest and Financing Costs) Covenant: ≥ 1.75x	3.0x	3.1x
Weighted Average Lease Term ¹⁵ Covenant: > 3.0 years	5.0 years	5.1 years

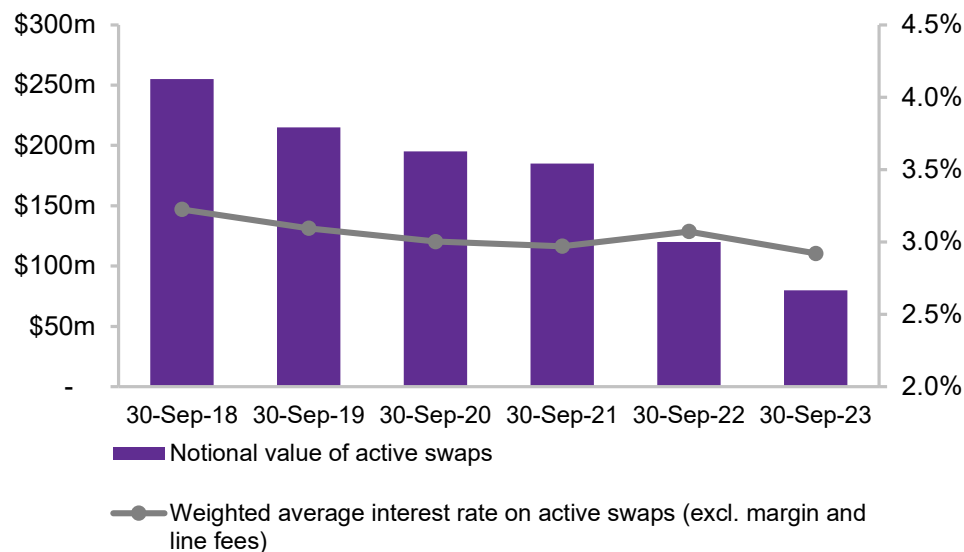
Capital Management – Cost of Debt

Stride Property Limited

Key transactions

- \$100m swaps terminated in April 2018, with average 2.8 years duration and an average rate of 4.1%, for a cost of \$4.0m
- New \$120m swaps entered into with average 5.2 years duration and an average rate of 2.8%
- \$20m of swaps at 4.25% matured in May 2018

Hedging profile



Cost of debt	As at 30 Sep 2018	As at 31 Mar 2018
Weighted average cost of debt (incl. margins & line fees)	4.66%	5.04%
Weighted average interest rate on current swaps (excl. margins & line fees)	3.22%	3.84%
Weighted average hedging duration (incl. forward starting swaps)	3.6 years	2.7 years
% of drawn debt hedged	80%	83%

Portfolio Overview

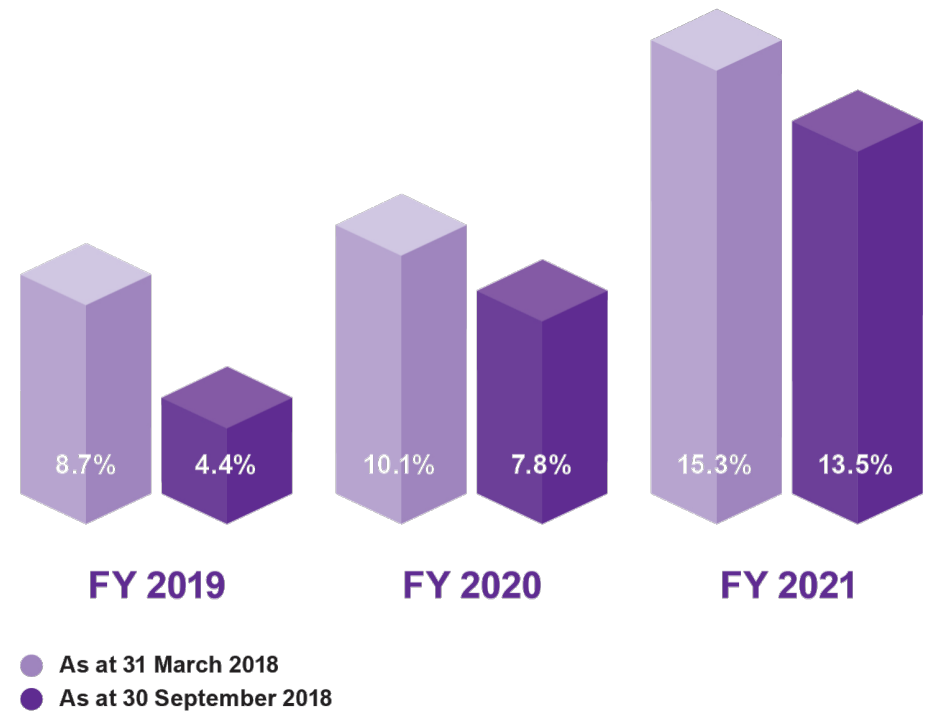


Portfolio Overview

Stride Property Limited

Overview	As at 30 Sep 18	As at 31 Mar 18	As at 30 Sep 17
Properties (no.)	26	26	29
Tenants (no.)	377	379	382
Net Lettable Area (sqm)	252,038	251,953	304,850
WALT (years)	5.1	5.1	4.9
Occupancy Rate (% by area)	98.9	96.7	98.2
Portfolio Valuation ¹⁸ (\$m)	934.5	902.2	918.7

Lease Expiry Profile¹⁶ by Contract Rental¹⁷



16. Refer footnote 2 on page 5.

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

18. Refer footnote 7 on page 9.

Major Lease Transactions Completed

Stride Property Limited

SIML completed 82 lease transactions for SPL during the six months to 30 September 2018:

- 43 rent renewals over 44,793sqm for a total annual rental of \$9.0m;
- 20 lease renewals over 20,897sqm for a total annual rental of \$3.2m; and
- 19 new lettings completed over 15,424sqm for a total annual rental of \$3.5m

Tenant	Property	Lease Commencement	Net Lettable Area (sqm)	Term (years)	Transaction Type
DHL Supply (NZ) ¹⁹	30 Airpark Drive, Auckland	December 2019	13,733	5	Renewal
Briscoes ²⁰	65 Chapel Street, Tauranga	August 2019	2,930	10	New letting
Rebel Sport ²⁰	65 Chapel Street, Tauranga	August 2019	1,962	10	New letting
Figured	7-9 Fanshawe Street, Auckland	August 2018	667	6	New letting
Nokia (New Zealand)	1 Grey Street, Wellington	August 2018	1,586	3	New letting
Bascik Transport	15 Rockridge Avenue, Auckland	July 2018	3,580	5	New letting
New Zealand Healthcare	15 Rockridge Avenue, Auckland	May 2018	1,980	6	New letting
Coffey Services (NZ)	25 Teed Street, Auckland	July 2018	901	6	New letting
AA Insurance ²¹	25 O'Rorke Road, Auckland	October 2019	1,702	3	Renewal
Capital S.M.A.R.T Repairs NZ ²⁰	25 O'Rorke Road, Auckland	November 2020	1,833	10	Renewal

19. Rental still subject to review.

20. Subject to completion of landlord works.

21. Tenant's lease included a break option at year 6, which was not exercised.

Remaining Lease Expiries FY19 & FY20

Stride Property Limited

FY19 Tenant	Property	Net Lettable Area (sqm)	% of Contract Rental²²
Various	Johnsonville Shopping Centre (50%), Wellington	2,737	1.48
DHL Express (New Zealand)	460 Rosebank Road, Auckland	2,617	0.34
North Beach	Silverdale Centre, Auckland	629	0.32
	Balance	4,045	2.22
Total		10,028	4.36

- As at 30 September 2018, 4.36% of Contract Rental expiries remain in FY19 (8.68% as at 31 March 2018)
- Post interim balance date, an Agreement to Lease has been executed with Elite Fitness Equipment for the DHL space at 460 Rosebank Road, Auckland. North Beach at Silverdale Centre has also confirmed its renewal. These transactions reduce the lease expiry profile to 3.70% for FY19

FY20 Tenant	Property	Net Lettable Area (sqm)	% of Contract Rental²²
DDB New Zealand	80 Greys Avenue, Auckland	3,653	1.75
Various	Johnsonville Shopping Centre (50%), Wellington	1,936	1.03
Davanti Consulting	33 Customhouse Quay, Wellington	510	0.38
WNZ Wellington (Wagamama)	33 Customhouse Quay, Wellington	320	0.36
	Balance	7,197	4.28
Total		13,616	7.80

- As at 30 September 2018, 7.80% of Contract Rental expiries remain in FY20 (10.05% as at 31 March 2018)

22. Refer footnote 17 on page 19.

Portfolio Occupancy (by area)

Stride Property Limited

Property	Occupancy (%) 30 Sep 18	Vacancy (sqm) 30 Sep 18	Net Lettable Area (sqm) 30 Sep 18	Occupancy (%) 31 Mar 18
21-25 Teed Street, Auckland	100.0	-	4,088	97.9
Other	100.0	-	44,518	100.0
Office Total	100.0	-	48,606	99.8
15 Rockridge Avenue, Auckland	100.0	-	9,113	39.0
Other	100.0	-	91,818	100.0
Industrial Total	100.0	-	100,932	94.6
Corner Mt Wellington Highway & Penrose Road, Auckland	96.1	352	9,011	97.1
Johnsonville Shopping Centre (50%), Wellington	93.2	473	6,924	90.3
Silverdale Centre, Auckland	98.9	244	22,951	98.9
65 Chapel Street, Tauranga	100.0	-	16,592	100.0
NorthWest Shopping Centre, Auckland	96.9	859	27,521	96.2
NorthWest Two, Auckland	88.2	934	7,900	92.0
Retail Total	96.9	2,862	90,899	96.9
Large Format Retail Total	100.0	-	11,601	100.0
Total	98.9	2,862	252,038	96.7

Table may not sum accurately due to rounding.

Conclusion



Conclusion

Performance

- Completed asset disposals and higher valuations have contributed to lower bank LVR of 34.2% as at 30 September 2018, down from 38.8% as at 30 September 2017, and higher NTA of \$1.88, up six cents from \$1.82 as at 31 March 2018
- Management fee income expected to be higher over the second half of FY19 as development activity on committed projects increases
- Targeting a combined 9.91cps cash dividend for Stride Property Group for FY19

Places

- Significant leasing transactions across all sectors resulting in an improved lease expiry profile for the next two years
- Higher rentals from leasing activity, together with strong market demand, has contributed to an uplift in valuations
- Continued activity in development and acquisition opportunities to add value to the portfolio and considered divestments to maintain balance sheet capacity

People

- Executive team completed – Investore Fund Manager and General Manager Investment to support Stride's strategy for growth
- Board refresh to be continued over next 24 months

Products

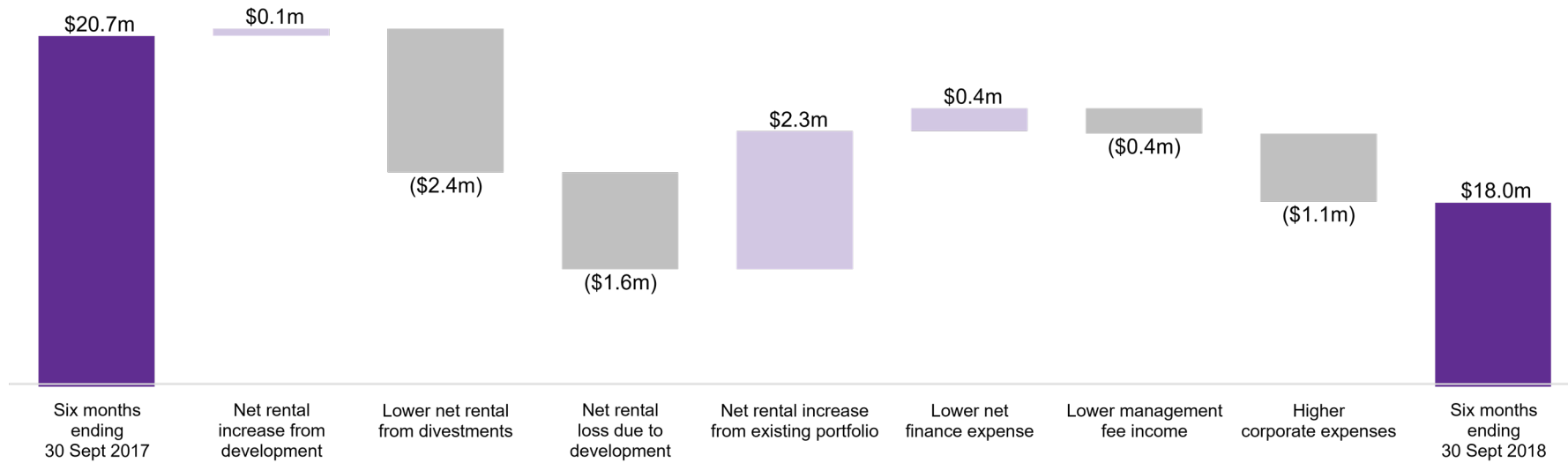
- Stride's strategy is to establish a group of commercial property funds to provide growth in our investment management business
- Investore and Diversified are performing well and both have further opportunities for growth

Appendices



Appendix 1

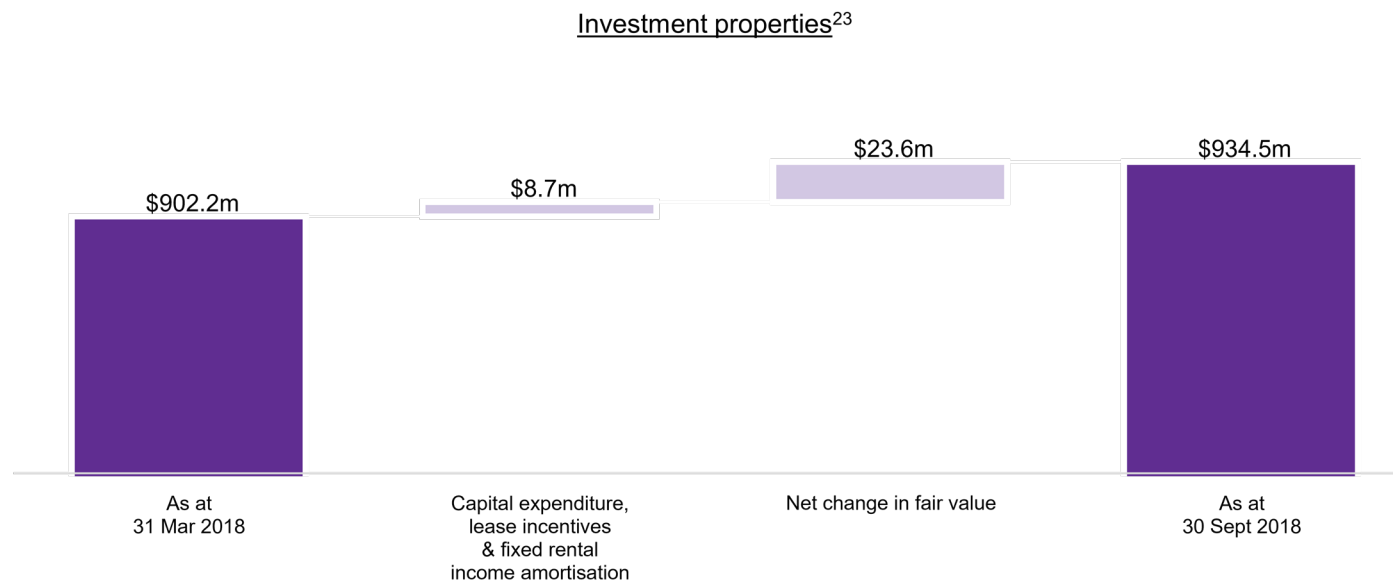
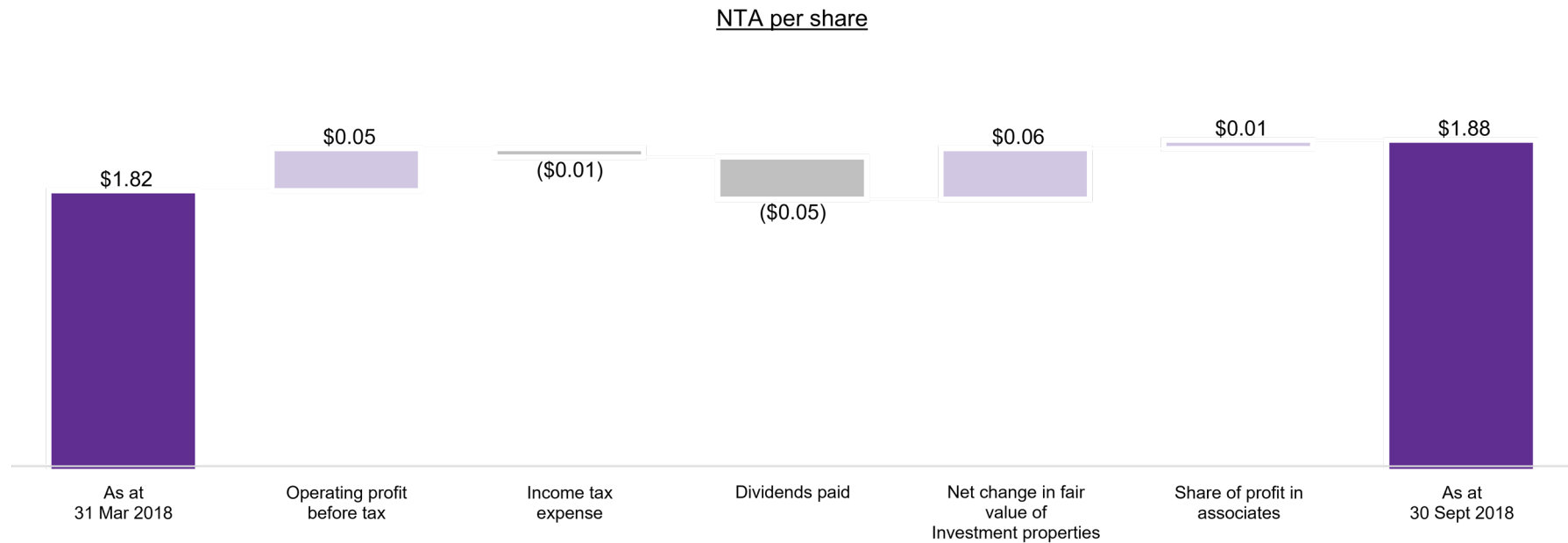
Profit before other income and income tax



Net Contract Rental



Appendix 2



23. Refer footnote 7 page 9.

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 2018. Please refer to Stride Property Group's Interim Report 2018 for further information in relation to the six months ended 30 September 2018. 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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