



Stride Property Group (NS)

NZX Announcement

IMMEDIATE – 22 November 2018

## Stride Property Group - FY19 Interim Report and Results

Stride Property Group<sup>1</sup> is pleased to announce that it has released its Interim Report and Interim Results presentation for the six months ended 30 September 2018 (HY19).

### Performance (Stride)

#### Our delivery for HY19 (HY18 figures in brackets)

- 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 profit<sup>2</sup> 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%<sup>3</sup> 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

### Places (SPL)

#### Our delivery for HY19 (As at 31 March 2018 figures in brackets)

##### Portfolio

- 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 profile<sup>4</sup> 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 sales<sup>5</sup> for the year ended 30 September 2018 at NorthWest Shopping Centre and Silverdale Centre – up 11.5% and 4.0%<sup>6</sup> respectively from the prior year
- Property portfolio valuation of \$934.5m as at 30 September 2018 (\$902.2m), representing a net valuation gain of \$23.6m or 2.7%<sup>7</sup>

## Developments, Acquisitions and Divestments

- 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

## People

### Our delivery

#### 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 (SIML) – executive team now complete

- Fabio Pagano, Investore Fund Manager (newly created role, appointed August 2018)
- Steve Penney, General Manager Investment (appointed November 2018)

## Products (Stride)

### Our delivery

#### 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

## Financial Performance Highlights (Stride): (HY18 figures in brackets)

- Net rental income of \$27.9m (\$29.5m), down \$1.6m
- Management fee income of \$7.3m (\$7.7m), down \$0.4m
- Corporate expenses of \$9.4m (\$8.3m), up \$1.1m
- Profit before income tax of \$44.1m (\$38.8m), up \$5.2m
- Profit after income tax of \$40.2m (\$33.3m), up \$6.9m
- Distributable profit after current income tax of \$19.6m or 5.37cps (\$19.7m or 5.41cps)
- Targeting a combined 9.91cps cash dividend for Stride Property Group for FY19
- Dividend Reinvestment Plan remains suspended

## Capital Management: (SPL)

### Debt Facilities

- \$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)

### Cost of Debt

- \$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

## 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

### Notes:

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

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 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 of the consolidated financial statements for the six months ended 30 September 2018.
3. 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). Please refer to note 6 to the consolidated interim financial statements for further detail of the independent valuations and desktop reviews.
4. 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. 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 30 September 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2018, and assuming no default by the tenant.
5. Comparable sales includes sales from tenancies which have traded for the past 24 months and includes commercial services categories.
6. 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.
7. 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.

Ends

#### Attachments provided to NZX:

- Stride Property Group – FY19 Interim Report – 221118
- Stride Property Group – FY19 Interim Results Presentation – 221118
- Stride Property Group – NZX Appendix 1 – 221118
- Stride Property Limited – NZX Appendix 7 – 221118
- Stride Investment Management Limited – NZX Appendix 7 – 221118

#### 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](mailto:tim.storey@strideproperty.co.nz)

Philip Littlewood, Chief Executive, Stride Investment Management Limited  
Mobile: 021 230 3026 - Email: [philip.littlewood@strideproperty.co.nz](mailto:philip.littlewood@strideproperty.co.nz)

Jennifer Whooley, Chief Financial Officer, Stride Investment Management Limited  
Mobile: 021 536 406 - Email: [jennifer.whooley@strideproperty.co.nz](mailto: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](mailto: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](http://www.strideproperty.co.nz) or at [www.nzx.com/companies/SPG](http://www.nzx.com/companies/SPG).*