npt | OPTIMISED PROPERTY INVESTMENTS

NPT FY 2018 Financial Results
(NZX: NPT)
29 May 2018

NPT Limited is pleased to announce its financial results for the year ended 31 March 2018.

The year ended 31 March 2018 represents consistency in operating earnings against the prior corresponding period (pcp) however revaluation adjustments and loss on disposal have resulted in a 2.3% reduction in net tangible assets.

NPT Chairman, Bruce Cotterill says that the last 12 months have been steady whilst we have embedded a new board, negotiated a new management arrangement for NPT, and set the new strategic direction. We are confident that the position of the existing portfolio is now sustainable and positioned for value add related growth moving forward.

"With Augusta, the Board have now identified a defined value add strategy in which the company will seek to acquire properties with the potential to reposition, redevelop and lease; all with the aim of creating future value. The future strategy differentiates NPT from the sector and provides a framework for relative outperformance," said Cotterill.

Highlights include:

- Net profit after tax of $3.095 million ($3.073 million in the prior corresponding period (pcp)).
- Adjusted funds from operations[1] of $6.15 million
- Portfolio occupancy is 97.4% which is increased from 96% due to higher occupancy at Stoddard Rd, Auckland and the sale of Print Place, Christchurch.
- The WALE is 4.4 years which is reduced from 4.6 years (pcp)
- Loan to value ratio is 26.6% (33.1% at 31 March 2017).
- Net tangible assets of 70.6 cents per share reduced from 72.3 cps.
- The sale of both Print Place and the AA Centre creates balance sheet capability to execute future strategy.
- Externalisation of management to Augusta for $4.5 million.

- [1] *Adjusted funds from operations (AFFO) is non-GAAP financial information and is a common investor metric, calculated based on guidance issued by the Property Council of Australia. NPT considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities. A reconciliation of the net profit after tax to AFFO is included in results presentation. The independent auditors have confirmed that the AFFO calculations have been fairly extracted from the audited Group financial statements for the year ended 31 March 2018.*

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Augusta's Managing Director Mark Francis states that Augusta has a strong alignment of interest with respect to its 18.85% shareholding and has the necessary acumen to drive the Company forward. The primary focus is to close the gap between the share price and the NTA by executing the desired strategy with the use of the current balance sheet capacity.

Financial result

The adjusted funds from operations support the current dividend level and represents a pay-out ratio of 95%. Net revenues from the property portfolio have been flat with no material growth rental growth. There were no material lease expiries (aside from the now divested Print Place) during the period, however no new material leases were signed with respect to vacancies at Eastgate.

Administration costs were marginally lower than last year due to a saving on professional fees but before restructuring costs which were incurred as part of the externalisation.

Funding costs reflected a slightly higher debt profile during the year. Material debt repayments were made late in March 2018 and there is now $25.5 million of undrawn debt.

Transaction costs of $0.68 million were incurred with the bulk of these relating to the Kiwi proposal. $0.24 million related to the externalisation of management to Augusta.

A loss on revaluation of investment property of $2.945 million was recorded driven primarily by Eastgate and AA Centre. The stairwell project at AA Centre is now forecast to be materially more than was originally estimated and a full allowance for the expected costs to complete have been recorded this financial year.

Print Place was divested on 29 March 2018 and a $2.97 million loss realised.

The receipt of $4.5 million from Augusta for the management contract rights has been recorded as income.

Balance Sheet

$44.5 million of debt is currently drawn which represents a LVR of 26.6% (33.1% in the prior year).

The NTA is now 70.6 cents per share (down from 72.3 cps in the pcp) driven by the unrealised revaluation loss as well as the realised loss on disposal of Print Place offset against the sale of the management rights.

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Dividend

A final quarter dividend of 0.9 cents per share has been declared, with the record date set for 13 June 2018 and payment on 20 June 2018.

Total dividends paid for the year are 3.60 cents per share which is consistent with guidance.

Outlook

Post the exit of the AA Centre, which is expected to settle in July 2018, there is further balance sheet capacity to acquire investment property which is in line with the future strategy.

The Board is confident that Augusta has the necessary capability and track record in the sector to source such opportunities. The primary focus is to close the share price gap to NTA through active management and prudent investment selection.

The Board will commit to a rebrand of the company and this will be announced in the near term.

ENDS

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