

## NZX RELEASE

18 November 2019

# Kiwi Property announces 1H financial result, featuring solid rental growth

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Kiwi Property today reported its financial result for the six months ended 30 September 2019, including an uplift in rental performance through the half-year. Total rental growth was 4.6%, maintaining the previous period's solid momentum.

Kiwi Property CEO, Clive Mackenzie, said: "The demand for space at leading mixed-use and retail locations, as well as premium-grade office buildings, is driving solid rental growth. New leases and renewals were particularly pleasing, with mixed-use up 14.1%, office up 8.5% and retail up 0.8%," Mackenzie added.

Net rental income was down marginally from last year to \$89.6m, due to the sale of North City in the comparative period. When viewed on a like-for-like<sup>1</sup> basis however, this metric grew \$1.8m or 2.1%.

### Portfolio continues to perform

Retail sales across Kiwi Property's portfolio were \$1.71b, up 2.1% on the previous year, with traditional shopping centre sales climbing 2.3% to \$1.54b. Specialty sales productivity improved to \$11,400 per square metre, up from \$11,000 in March.

At the half-year, Kiwi Property's property portfolio was 99.4% occupied, with a healthy weighted average lease expiry of 5.1 years.

### Profit impacted by one-offs and interest rates

Funds from Operations (FFO)<sup>2</sup>, Kiwi Property's measure of operating performance, was \$51.9m for the period. As expected, this figure was down slightly on the year before, again reflecting the impact of one-off disposals in the 2019 financial year.

Net profit after tax also declined to \$36.8m due to a fair value loss of \$12.9m in the value of Kiwi Property's interest rate swaps, following successive interest rates cuts. In contrast, these same cuts are having a favourable impact on the Company's weighted average cost of debt.

### Robust balance sheet

Kiwi Property maintained its robust balance sheet through the first half of the 2020 financial year, increasing the value of its portfolio to \$3.3b, off the back of significant development activity at Sylvia Park.

In addition, the company made strategic acquisitions at 51-53 Carbine Road and 7-10 Arthur Brown Place, at a combined cost of \$25.5m. The properties are adjacent to the Sylvia Park train station, giving Kiwi Property access to both sides of the railway line and creating significant scope for future mixed-use development.

### Strong progress at Sylvia Park

Construction of the gallery and south carpark remains on track, with stores set to open from August 2020, in line with the spring fashion season. Retailers have now committed to two-thirds of available space at the 60-store gallery, with strong demand from a variety of top local and international brands for the remaining area.



ANZ Raranga, the first office building at Sylvia Park, is now fully occupied, with good demand already received for space in a second tower. In parallel, Kiwi Property has continued its analysis of build to rent accommodation through the first half of the year, with initial designs now underway for a potential residential apartment complex.

### **Active capital management**

Kiwi Property undertook a successful equity raise after the half-year balance date, raising gross proceeds of \$180m. The placement was strongly supported by a broad range of new and existing investors from both local and offshore markets. Kiwi Property is also targeting a \$20m retail offer, with the ability to accept oversubscriptions of up to \$10 million.

Mr Mackenzie said: "The new equity will enable us to reduce pro-forma gearing below 30% and create additional capacity to fund our development pipeline, and pursue new acquisition opportunities."

### **Embedding strategy**

The sound financial result caps a busy six months for Kiwi Property, following the launch of its new strategy, which focusses on optimising the company's performance, intensifying its mixed-use assets and developing a funds management business.

Kiwi Property also undertook a company-wide realignment, with the aim of creating a business that is more closely mapped to strategy. This process resulted in a recalibration of resources and a stronger focus on mixed-use leasing, asset management, and funds management.

Kiwi Property Chair, Mark Ford, said: "Our goal is to create modern mixed-use communities, where Kiwis want to shop, work, play and stay. Our refreshed strategy will help position the company for future growth by aligning the organisation to key opportunities in the market. We see significant scope to create additional value for our shareholders by integrating a range of complementary uses at our significant landholdings."

### **Outlook for the second half of the 2020 financial year**

Kiwi Property will pay a half-year cash dividend of 3.525 cents per share, up 1.4% on last year. The company also confirmed its intention to hold its full year cash dividend at 7.05 cents per share<sup>3</sup>.

### **Additional information**

Kiwi Property has today also released its half-year financial statements for the six months ended 30 September 2019, which are available for download on the Company's website [kp.co.nz/half-year-result](http://kp.co.nz/half-year-result) or from [nzx.com](http://nzx.com).

Kiwi Property will publish a distribution notice within the next five days once all applications under its retail share offer have been processed and the final number of shares is confirmed.

### **Notes**

1. Like-for-like net rental income excludes the sale of North City, the impact of Sylvia Park galleria and new rental income from ANZ Raranga.
2. FFO is an alternative non-GAAP performance measure. Refer to the 2020 half-year result presentation for definitions.
3. Full year dividend guidance is subject to the absence of material adverse effects or unforeseen circumstances.

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### Contact us for further information

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### About us

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Kiwi Property (NZX: KPG) is the largest listed property company on the New Zealand Stock Exchange and is a member of the S&P/NZX 20 Index. We've been around for over 25 years and we proudly own and manage a \$3.3 billion portfolio of real estate, comprising some of New Zealand's best mixed-use, retail and office buildings. Our objective is to provide investors with a reliable investment in New Zealand property through the ownership and active management of a diversified, high-quality portfolio. S&P Global Ratings has assigned Kiwi Property a corporate credit rating of BBB (stable) and an issue credit rating of BBB+ for each of its fixed rate senior secured bonds. Kiwi Property is one of the highest rated New Zealand companies within CDP (Carbon Disclosure Project) and is a member of FTSE4 Good, a series of benchmarks and tradable indices for ESG (Environmental, Social and Governance) investors. Kiwi Property is licensed under the Real Estate Agents Act 2008. To find out more, visit our website [kp.co.nz](http://kp.co.nz)