



Stride Property Group (NS)

NZX Announcement

IMMEDIATE — 19 November 2019

Stride Property Group

Divestment of Large Format Retail Assets

Stride Property Limited (SPL) is pleased to announce that it has today entered into a conditional agreement to sell three large format retail properties to Investore Property Limited (Investore) for \$140.75 million.

The three assets the subject of the transaction are:

- Bunnings, Mt Roskill, Auckland;
- Mt Wellington Shopping Centre; and
- Bay Central Shopping Centre.

At the time that Investore was established by Stride Property Group (Stride), Stride stated that it intended to hold its exposure to large format retail assets through its 19.9% holding in Investore. This transaction furthers that intention, completing the transfer of SPL's remaining large format retail assets to Investore.

As part of the sale, SPL has agreed to complete certain seismic strengthening work on the properties, as well as to provide a rental underwrite for a period of up to two years in respect of four specific specialty tenancies. That underwrite will fall away if the relevant premises are leased to a new tenant.

The purchase price is in line with the valuation of these assets as at 30 September 2019 of \$131.2 million, which will be included in the Stride interim financial statements as at 30 September 2019, to be released on 25 November 2019. SPL's valuations include allowances for the remaining costs to be incurred on the Briscoes/Rebel expansion at Bay Central Shopping Centre, as well as certain seismic upgrade works. After allowing for the capital works SPL has committed to Investore to undertake on the properties, and including the estimated maximum cost of the rental underwrite described above, it is anticipated that the net sales price will be equivalent to SPL's 30 September 2019 valuations.

The transaction remains conditional on Investore completing due diligence to its satisfaction, the Investore Board of Directors approving the transaction, Investore shareholders (other than SPL and its directors) approving the acquisition (as the transaction is a material transaction with a related party for Investore) and receipt of approval to the transaction from the Overseas

Investment Office. Although the timing of settlement remains subject to satisfaction of these conditions, at this stage SPL expects the transaction to settle during April 2020.

Investore has announced a capital raise to be undertaken to support the acquisition. That capital raise includes a placement, and SPL has agreed to subscribe for its proportionate share of the total amount to be raised in the placement, with the intention of maintaining its 19.9% shareholding in Investore immediately after the issuance of shares under the placement but before allotment under the retail offer.

Based on SPL's committed transactions, including the sale of these three assets, SPL's participation in Investore's capital raise and taking into account the establishment of Industrie Property, SPL is expected to have a loan to value ratio of less than 15%, providing significant balance sheet capacity for Stride to pursue its strategy to grow its directly-held portfolio of commercial properties that may be used to establish new investment management products, and to support and grow Stride's established products.

At settlement of the sale of the three properties, Investore's total assets will grow to \$891 million. At that time, based on current values and assuming Industrie Property has commenced, Stride's aggregate external assets under management, including Investore, Industrie Property and Diversified NZ Property Trust, will be in excess of \$1.7 billion, representing growth in excess of \$450 million since 31 March 2019.

Tim Storey, Chairman of Stride, said "The sale of these assets completes Stride's stated strategy of holding its exposure to large format retail assets through Investore, and furthers our strategy of creating and growing sector-specific property funds. The Board of Stride believes that the sale is in the best interests of Stride's shareholders and represents a positive outcome for Stride and its shareholders".

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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.