

NZX announcement - 20 November 2019

Precinct Properties New Zealand Limited Annual General Meeting

11:30am (New Zealand time), Wednesday 20 November 2019

The Maritime Room, Princes Wharf, Viaduct Harbour, Auckland

Chairman's opening address

Good morning and welcome everyone. I'm Craig Stobo, Independent Director and Chair of Precinct Properties. It is a pleasure to welcome you all here to our 2019 Annual General Meeting. It is wonderful to be back at The Maritime Room today, and we are delighted to have so many of you, our shareholders, joining us.

As you would have noticed there are extensive enhancements underway outside today's venue on Quay Street. With various public transport options available including buses, ferries and trains close to The Maritime Room, we hope you were all able to get here without any trouble. Quay Street is a significant street in Auckland's city centre, and we look forward to a revitalised waterfront street. With many of our Auckland assets in close proximity, our portfolio will directly benefit from the enhanced connections between the city centre and the waterfront, once this project is complete.

2019 has continued to deliver great results for our business. The strong performance achieved in the last financial year has been underpinned by another very active period. We have further enhanced our portfolio with the completion of H&M at Commercial Bay in Auckland and the completion of Bowen Campus Stage One in Wellington. We have also progressed our other active developments including Commercial Bay and Wynyard Quarter Stage 2. In addition, we have sold assets to recycle capital, successfully raised equity and sourced non-bank debt to strengthen the balance sheet. Most importantly, we have continued to grow earnings and dividends for our shareholders.

I would now like to introduce the members of the Board and executive team joining us here today: Scott Pritchard, George Crawford, Richard Hilder, Don Huse, Anne Urlwin, Graeme Wong, Launa Inman, Rob Campbell, Chris Judd and Anthony Bertoldi. Mohammed Al Nuami is unable to attend this year's meeting and has given his apology.

We also have with us representatives from our auditors, Ernst & Young, tax advisors, KPMG, legal advisors, Chapman Tripp and our registrar, Computershare, together with Precinct staff.

Board composition and changes

As you would have noticed, the composition of the Board in front of you today has changed since we met last year. Importantly, in accordance with the NZX Code, a majority of Independent Directors is maintained. The recently updated NZX Listing Rules have also simplified Director rotation requirements. This has effectively changed the frequency at which your Directors stand for election going forward. So, rather than having one third of Precinct Directors required to retire and Independent Directors being re-elected every 2 years, Directors will now stand for re-election every 3 years.

Acknowledging recent Director changes announced, Anne Urlwin joins us as a newly appointed Independent Director. If elected today, Anne will replace Don Huse who will retire in the second half of 2020 after serving 10 years on the Board. She will also succeed Don as Chair of the Audit & Risk Committee. As permitted by our constitution which allows the number of Directors to increase, Don will remain on the Precinct Board and remain as Chair of the Audit & Risk Committee through until late 2020. This will facilitate an orderly director transition and provide for a seamless handover. On behalf of my Board colleagues and the executive team, I would like to formally welcome Anne here today.

We also acknowledge, today, Chris Judd's recent resignation as a director of Precinct and our management company, AMP Haumi Management Limited. Chris will remain on both the Precinct and AHML Boards until early 2020. Given this will be the last Annual General Meeting for Chris, I would like to thank him for his long service and on-going contribution to Precinct.

An announcement regarding Chris's replacement will be made prior to his resignation date. We will of course, farewell Don appropriately next year.

I would also like to note that following an annual review on Director remuneration by the Board, we have decided not to propose any adjustments, to shareholders today. That is, we are holding Director remuneration at the same rates approved at last year's Annual General Meeting. All new Directors joining Precinct during the current year will be paid in line with these rates.

Before I outline the meeting agenda, I'd like to also acknowledge changes in the Management team. We welcome Ed Timmins with us today who is seated in the front row. Ed joined the Precinct team at the beginning of the year as the new General Counsel and Company Secretary. Prior to joining Precinct, Ed was the General Counsel for NZX-listed Fisher & Paykel Healthcare. He has a strong background and extensive legal experience having worked at various corporate law firms in New Zealand and abroad. It is great to have him join our meeting today.

Meeting agenda

Moving to the agenda of today's meeting. We will begin with reviewing the performance and activity of Precinct over the last financial year. We will then take any shareholder questions after concluding the presentation. The meeting will then proceed to the formal business where we will consider two ordinary resolutions and one special resolution. The first ordinary resolution is to consider the election of Anne Urlwin as a director. The second ordinary resolution is to consider that the directors be authorised to fix the remuneration of Ernst & Young as auditor for the ensuing year. The third resolution is a special resolution. It will consider that the existing constitution of the Company is revoked, and the constitution presented at the meeting is adopted as the constitution of the Company.

Today's forum provides an opportunity for you all to communicate directly with those responsible for your investment in Precinct. We welcome any feedback you may have and will consider any other matters that may properly be brought before the meeting today.

We hope you will all stay and join us for some refreshments after concluding the meeting.

2019 results highlights

The last financial year has seen Precinct achieve superior performance. We recorded a portfolio revaluation gain of \$161.7 million or 6.1%, demonstrating the high quality of our investment and development portfolio. This resulted in total comprehensive income after tax of \$190.1 million. In line with guidance, net operating income increased by 3.7% to \$79.4 million. Full year dividends paid to shareholders and attributed to the 2019 financial year was 6.00 cents per share, representing a 3.4% increase.

Capital Management

In addition to the strong financial result in FY19, we have also progressed a comprehensive capital management plan. This means we actively managed our capital to ensure a strong balance sheet is maintained and as a business we have enough capital to deliver on our medium-term projects. Completing a \$152 million equity raising and securing \$163 million in non-bank funding through a 100% hedged United States Private Placement both reinforce investor confidence in Precinct's strategy and the overall quality of our business.

In addition, we refinanced bank debt and sold a total of \$191 million of assets.

Dividend policy changes

I would now like to move onto recent dividend policy changes. Recognising a dividend policy should optimise long term sustainable returns for our shareholders, the Board recently reviewed Precinct's dividend policy. As a result, Precinct intends to transition towards paying out approximately 100% of Adjusted Funds From Operations (AFFO) as dividends, with the retained earnings being used to fund the capital expenditure required to maintain the quality of Precinct's property portfolio.

Aligning dividends with AFFO is considered to be best practice in a global context for real estate entities and best reflects the sustainable cash flow produced by our portfolio. It is consistent with the objectives of the current dividend policy and further supports our strategy in the long-term. With a transformed portfolio of new assets and a weighted average lease term of 9 years this bodes well for good growth in our AFFO and dividends.

FY20 dividend

Following another year of strong results for Precinct, I am pleased to confirm a first quarter dividend for the 2020 financial year of 1.575 cents per share. This represents an increase of 5.0%. Precinct is proud that as we advance our 2020 vision, we have been able to offer significant growth in dividends over the past few years.

The updated policy just mentioned has been considered in relation to our full 2020 financial year dividend guidance of 6.30 cents per share. Consistent with our dividend policy, we are delighted to be providing year on year dividend growth to our shareholders. It reflects key

strategic initiatives and demonstrates their well-executed delivery. Payment of the 2020 first quarter dividend will be made on the 12th of December this year.

Integrating sustainability across operations and design

Companies in the real estate sector along with the building and construction sectors have an integral role in improving current and future societies. Precinct's sustainability efforts are therefore focused on incorporating sustainable design across our assets and improving our operational performance.

In the last year, we have continued to focus on understanding and responding to our material Environmental, Social and Governance (ESG) risks and opportunities. Our goal is to create sustainable value through city centre real estate. We have now developed an initial suite of ESG targets which are aligned to our material topics to help us achieve this goal.

As a direct result of our strategy, the environmental performance of our portfolio is improving. We are seeing positive results from our investment in sustainable design. The recently completed Mason Bros. building achieved a 6 Star Green Star rating and won the Green Building award at the 2019 New Zealand Property Council Awards. As well as setting a new benchmark in sustainable design, the Mason Bros. building has delivered measurable environmental improvements as well as social benefits.

We are also pleased to have recorded a reduction in our carbon emission intensity across our operating business. Since 2016 when we began reporting this metric, we have reduced emission intensity by over 20%. While we recognise the good progress made so far, we are currently exploring more options to reduce our carbon footprint. We recognise to maximise the benefits of our efforts in reducing our climate impacts, both measuring and managing emissions is key.

Global Real Estate Sustainability Benchmark (GRESB)

We are pleased to share with you today our 2019 Global Real Estate Sustainability Benchmark (GRESB) results. For any of you unfamiliar with GRESB, it assesses a company's performance against environmental, social and corporate governance. GRESB is the overarching measure for Precinct to benchmark its sustainability performance.

Results were released in September with Precinct receiving a 2019 GRESB score of 77. We are very pleased to have increased this from a score of 69 last year. We are now trending ahead of the global average of 72 and we rate a public disclosure level B against the global average of C. This year GRESB included 964 participants globally, representing USD 4.5 trillion in gross asset value. As a team and business, we are extremely proud to have lifted our score and to have recorded improvements in every area against our 2018 submission.

GRESB continues to help our business make improvements in public disclosure, measurement, building design and how we approach Sustainability at Precinct. We are committed to progressing all areas we can improve in. For those of you who have not yet reviewed our latest annual report, we welcome you to do so and read more about Precinct's sustainability efforts over the last year.

Health and safety

Before I hand over to Scott to take you through Precinct's operational performance in more detail, I would like to touch briefly on Health and Safety. It is a highly material issue for our business. During the 2019 financial year, we are pleased to again report that there were no significant injuries in the period. Precinct continue to undertake principal audit and monitoring inspections which are in addition to regular internal contractor health and safety monitoring practices. Completing over 250 of these inspections in FY19 has proven to be highly effective.

We are also working on our performance targets and on understanding developments in health and safety management in our industry, which includes addressing suicide risk in the construction sector. Sadly, each year approximately 600 New Zealanders die from suicide, of which 75% are men, with construction workers having the highest rate by occupation of suicide.

Precinct has recently partnered with Mates in Construction, a charity established to reduce the high level of suicide in the construction industry. Originally set up in Australia, Precinct has been a key member of the steering group established locally. Working together with Mates in Construction and alongside other corporates in the industry, the initiative was formally launched in New Zealand on 30 October 2019. Mates in Construction recognises the importance of raising the general awareness of mental health, wellbeing and suicide risk of

workers on site. It is about creating a pathway to professional help for those who are most vulnerable. As a team, Precinct is committed to supporting this initiative.

Together with my Board colleagues, Management and wider Precinct team, I would like to again thank you all for joining us today and for your continued investment in Precinct. We look forward to delivering on another successful year in 2020. I will now pass over to Scott,

Thank you.

Scott Pritchard, Chief Executive Portfolio

Supporting our strategy

Thank you Craig, and good morning everyone. As Craig mentioned, 2019 has produced great results for our business. It has certainly been another active year.

With a portfolio value of \$2.8 billion, we have continued to advance our business transformation and strategic execution. Precinct has a well-defined strategy which is focused on our people and partners, operational excellence and developing the future. Our 2019 results demonstrate that our strategy is working well. It is driving meaningful growth in our cash earnings and a strong growth profile for our adjusted funds from operations.

Achieving an overall portfolio occupancy of 99% and increasing Precinct's weighted average lease term to 9 years at year end reflects the strong demand for our assets. It reinforces the high-quality of our portfolio and the strong market position Precinct holds in meeting the needs of our clients.

Our markets

The markets we are invested in continue to perform well. Demand drivers for city centre real estate across the office, retail and hotel markets remain positive. We are committed to investing in New Zealand's two major city centres, Auckland and Wellington, and their long-term prosperity.

The Auckland city centre market is particularly strong. It is achieving higher growth compared to the wider Auckland region. With office employment expected to grow by around 11,000 city workers by 2023 and 30,000 additional inner-city residents over the next 10 years, activity levels in the Auckland city centre will be underpinned by these drivers.



Auckland is New Zealand's gateway city, it is moving ahead at an increasingly fast pace and we recognise the value of being located here. It is a hub for ideas, productivity, social development and much more.

Moving to Wellington. Regionally, the Wellington city centre is performing well. With office space in the city centre remaining limited after a reduction in total supply and demand pressures increasing, especially for high quality office space. In addition, an increase in demand for city centre office space is being driven by considerable growth in the government employment base. We expect to see the increased activity levels within Central Government translate to a number of Crown entities requiring additional space, further supporting the Wellington office market we invest in.

Generator

The way in which people are working is changing and we are responding to this. The most recent example would be our purchase of the remaining 50% of coworking company, Generator. Generator allows us to provide flexible office space and meeting and events solutions to a broader range of New Zealand businesses. Generator is the leading flexible space provider in the Auckland City Centre and its business is highly complementary to Precinct's strategy.

As well as accessing a wider client base, Precinct's existing clients can also access Generator's meeting and event spaces providing increased levels of amenity. Precinct clients are also using Generator space to manage certain growth and office space requirements for project teams. Over the last few months, we have also secured occupiers into the Precinct portfolio from previously occupied Generator space through extending our offering and providing office space solutions to occupiers we wouldn't otherwise have had access to.

With a clear strategy for the Generator business, we expect to see continued growth in demand from the coworking and flexible space market in Auckland and Wellington city centres.

Bowen Campus Stage One

Moving to our development assets, I will begin with an update on Bowen Campus Stage One. Acquired in 2012 and adjacent to the Beehive and Parliament Buildings in Wellington, the first stage of the Bowen Campus redevelopment is now complete. This is a major achievement for our business and all those who have been involved in transforming the government precinct.

The Charles Ferguson Building reached practical completion in December 2018 and is now occupied by Ministry of Primary Industries. At Defence House (previously Bowen State Building), New Zealand Defence Force is now in occupation following the conclusion of their fitout works in October 2019. We are pleased to have completed these projects with return metrics that have been ahead of our feasibility due to increased rent, lower capitalisation rates and higher occupancy. Here are some photos showing the official opening of Defence House. The Hon Dame Patsy Reddy and The Hon Ron Mark joined the New Zealand Defence Force and the Ministry of Defence to formally open their new home and headquarters.

Commercial Bay

Now moving to an update on Commercial Bay. With 98% of the retail space now leased, we have achieved significant leasing over the last year. We are delighted with the composition and mix of retailers, and excited to bring some new entrants to the New Zealand market.

Total office commitments are around 82% with a number of leases under negotiation. The office tower continues to attract good interest from the market where occupiers are looking to locate in a world class modern workspace with remarkable views across the harbour. As outlined in August of this year, our opening dates are March 2020 for the retail centre and April 2020 for the PwC Tower.

Wynyard Quarter

Since announcing to you last year the commencement of Stage Two at Wynyard Quarter, the development has progressed well over the last 12 months. We committed to this project on an uncommitted basis meaning there was no leasing secured at the time. Now a year on and a year ahead of practical completion, we are delighted to have fully leased the office space. This reinforces the quality of 10 Madden Street and our ability to attract occupiers to this prime location. As you can see from the slide, construction is progressing very well with the

6th floor slab complete and roof structure now being installed. Pleasingly, we remain on budget and have advanced works slightly ahead of program.

Future developments

Now looking to our future developments, the current slide shows the latest renders of One Queen Street and the next stages at Wynyard Quarter and Bowen Campus. Located close to our venue today, One Queen Street is now in the detailed design phase. Construction remains on schedule to commence midway through next year and we are excited about introducing a hotel into the Commercial Bay Precinct.

At Wynyard, we have now progressed our design for a further 19,000 square metres of space for Stage's 3 and 4. Having recently lodged for resource consent, these buildings are receiving good levels of enquiry. We hope to progress these projects and start construction during the next 12 months.

In Wellington, the remaining land at Bowen Campus will allow development of 21,000 square metres of office space and we are excited about what this land and the latest designs will offer both the corporate market and government occupiers. Additional stages at Bowen Campus will also offer significant opportunity for Precinct to drive further value for shareholders.

Conclusion and outlook

Before I hand back to Craig to take us through the formal business of the meeting, in terms of outlook we believe that Precinct is well positioned to create further shareholder value and develop high quality real estate in strategic locations. We have a strong balance sheet to pursue future opportunities and we are especially pleased to lift our dividends to shareholders for the FY20 year by 5%. This is a direct result of key strategic decisions and their well-executed delivery.

I would like to thank the Precinct Board for their support, the Precinct team for their on-going commitment during another busy year, and you, our shareholders, for your continued investment in Precinct. I will now hand you back to Craig. Thank you.

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