



Stride Property Group (NS)

NZX Announcement

27 March 2020

Stride Property Group

Covid-19 Business Update

Following the announcement from the New Zealand Government that New Zealand will move to Covid-19 Alert Level 4, Stride Property Group (Stride) is providing the market with an update on a range of issues, as follows:

Committed sales

Stride has two committed portfolio sales currently in process:

- The sale of the three large format retail assets to Investore Property Limited (Investore) for \$140.75 million; and
- The completion of the establishment of Industrie Property Joint Venture (Industre), a joint venture between Stride and a group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management.

These two transactions are both subject to conditions which were set out in previous announcements, including Overseas Investment Office approval. The Overseas Investment Office has advised that its operations will continue during the Covid-19 response. Stride expects both transactions to complete in the next quarter.

Financing

As at 30 September 2019, Stride Property Limited's (SPL) Loan to Value Ratio (LVR) was 35.0%. On the completion of these two portfolio sales, SPL's LVR is expected to fall to approximately 20% based on current valuations, well within banking covenant levels of 50%. After completion of the two transactions, SPL expects to have approximately \$110 million of drawn facilities and total available facilities of \$340 million, leaving approximately \$240 million of undrawn banking facilities available. SPL has no banking facilities expiring within the next financial year.

Diversified revenue sources

Also following completion of these sales, Stride's diversified business will continue to provide investors with revenues from a variety of sources. On a "look-through" basis which includes Stride's holdings in its investment management products (Investore, Diversified NZ Property Trust (Diversified) and Industrie), the composition of Stride's revenue¹ sources comprise:

¹ Stride's revenue comprises Stride Investment Management Limited (SIML) management fees and SPL income, being income received from its direct property investments and investments in its managed products. SIML management fees are calculated as the fees for the six months ended 30 September 2019 (HY20) on an annualised basis. SPL income is calculated based on Net Contract Rental (as defined in Stride's Interim Financial Report for HY20) as at 30 September 2019, calculated on a committed, weighted look through basis and on the assumptions set out on page 29 of Stride's Interim Results Presentation for HY20, including assuming that the Industrie Property Joint Venture is completed and the committed developments at

17% from office property, 17% from industrial, 14% from large format retail, 29% from retail, and 23% from SIML management fee income.

Contractual rental abatement position resulting from Alert Level 4

Similar to other property owners, Stride has reviewed its current directly-held portfolio of leases to understand the implications of the unprecedented decision by the Government to move the country to Alert Level 4. Based on the New Zealand Government's current guidelines, approximately 28% of Stride's gross rental income of its directly-held portfolio can be classified as "Essential Businesses" under Alert Level 4. Excluding these Essential Businesses leases, across SPL's directly-held portfolio of retail, large format retail, industrial and office tenants, only a small number of leases provide a contractual right to suspend rental payments if the premises are inaccessible, including because of the Government order. Over the four-week close shutdown period, this would amount to a loss of gross rental income of \$0.4 million, which represents approximately 0.5% of gross rental income. Annualised, these leases represent approximately \$4.7 million or approximately 5.8% of gross rental income. These figures exclude any lease expiries over the period.

Stride's directly-held portfolio had a WALT of 5.7 years as at 29 February 2020.

In addition to this, for Investore, in which Stride owns a 19.4% stake, approximately 90% of tenants by gross rental income can be classified as Essential Businesses.

Stride owns a 2% interest in Diversified and therefore any impact from investment returns from Diversified is expected to be minimal.

Management fee income and valuations

With regards to management fee income, it is expected Stride will continue to receive recurring fees, such as asset and building management fees. Activity based fees, such as leasing, development and performance fees, may be impacted by the shutdown. In this case, it is expected that receipt of most activity fees would be delayed, rather than lost.

Stride (as well as other property investors) is working with its valuers and auditors to finalise property valuations as at 31 March 2020 for inclusion in its annual financial statements and will advise the market further when this matter has been finalised.

Conclusion

Stride and its investment management products, Investore and Diversified, will continue to operate a number of properties across New Zealand with tenants that are Essential Businesses under the Alert Level 4 guidelines. Stride continues to implement its Business Continuity Plan to protect the health and wellbeing of its people, and to ensure the continued critical service of these properties to the communities of New Zealand.

While the negative impacts from the Covid-19 pandemic on Stride's business are not yet clear, Stride's diversified business and significant headroom to covenant levels provide Stride with a strong balance sheet position.

Stride expects FY20 earnings to be materially in line with previous guidance.

End

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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.