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NZX RELEASE

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Kiwi Property announces half-year results and dividend

Kiwi Property today announced its financial results for the six months ended 30 September 2020, reporting operating profit before tax[1] of $55.2 million, down 8.4% on the same period last year. Net profit after tax[2] rose 47.5% to $54.2 million, assisted by a fair value gain on investment properties.

Kiwi Property Chief Executive Officer, Clive Mackenzie, said the proactive steps taken early in the financial year had enabled the Company to navigate the financial impacts of COVID-19.

"While operating profit fell for the period, it's important to consider the result within the context of the lockdowns that took place in the first half. Looking ahead, we're focused on delivering a solid performance through the remainder of the 2021 financial year, capitalising on our diversified property portfolio and the successful opening of Sylvia Park Level 1," said Mackenzie.

Property valuations

As at 30 September 2020, the Company's mixed use, office, retail and other investment properties were worth $3.2 billion[3], following an $11.8 million fair value uplift. Net tangible assets per share also increased marginally to $1.29. Kiwi Property's office assets proved most resistant to the economic impact of the pandemic, increasing in value by 4.3% to $950 million. In contrast, the Company's mixed-use and retail portfolios declined in value by 0.9% (to $1.55 billion) and 3.3% (to $469 million) respectively.

"While the uncertainty caused by COVID-19 continues to impact property values, it's encouraging to see a firming of capitalisation rates and a general stabilisation of asset pricing across our portfolio," said Mackenzie.

Rent relief

The cost of the rent relief measures introduced to support tenants post-lockdowns contributed to a 5.3% reduction in net rental income to $84.9 million. Adjusted Funds from Operations[1] (AFFO) were similarly affected, declining 21.1% to $36.5 million.

The cash cost of the tenant support package remains within the $20 million provision previously outlined by the Company (equivalent to $14 million after tax for the full-year) and will have a first half pre-tax accounting impact of approximately $8.1 million. These rent relief costs will be partially offset by the reintroduction of depreciation allowances for commercial buildings, expected to increase Kiwi Property's full year after-tax earnings by approximately $4.5 million.

"COVID-19 and the ensuing lockdowns placed a number of our tenants under significant pressure. While the costs associated with abating and deferring rent for our tenants has impacted Kiwi Property's financial performance, by supporting our retailers and SMEs we have maintained productive shopping centres, and helped safeguard the long-term performance of our assets," said Mackenzie.

Resilient tenant portfolio

At the half year, Kiwi Property's assets were 99.1% occupied, with a robust weighted average lease expiry of 4.7 years. In parallel, income from new leases and rent reviews rose 1.5% overall, led by office (+3.6%).

Kiwi Property's tenant portfolio is increasingly resilient to the impact of future COVID-19 related lockdowns. Around 50% of the Company's tenants are designated as either essential services or everyday essentials, many of which are able to operate at more restrictive alert levels. With only two of Kiwi Property's tenants contributing over five percent of gross income, the Company also benefits from a diversified rental stream.

Sylvia Park Level 1

Kiwi Property opened the 20,000 square metre Sylvia Park Level 1 expansion on 15 October 2020. The $277 million development features an extensive lineup of local and international brands, including a two-level Farmers flagship store and 'The Terrace at Sylvia Park' dining precinct. Following the launch of the new addition, Sylvia Park is now home to 10 of New Zealand's 11 favourite retailers[4], as well as more than 250 stores and over 5,000 free carparks, the most of any shopping centre in the country.

Moving forward on strategy

Kiwi Property continued to progress its mixed-use strategy through the first half of the 2021 financial year, with a focus on diversifying its asset base. Design of Sylvia Park Tower 2 is ongoing, with resource consent granted for the 15-floor development. Planning is also underway for Sylvia Park Tower 3, a smaller six-floor office and medical building, as well as a build-to-rent residential development at Sylvia Park.

In October 2020, the Company began marketing for sale The Plaza shopping centre in Palmerston North. The potential disposal of this asset forms part of Kiwi Property's portfolio rebalancing strategy and will unlock capital to help fund its mixed-use development pipeline.

Dividend and guidance update

An interim dividend will be paid for the six month period ended 30 September 2020. In line with Kiwi Property's new dividend policy, the payout of 2.20 cents per share is set at 95% of the Company's AFFO. Payment will be made on 18 December 2020. Acknowledging that trading conditions remain uncertain for the remainder of the year, the board expects full-year AFFO to be in the range of 4.90 to 5.15 cents per share[5].

Kiwi Property Chair, Mark Ford, said the reinstatement of the dividend reflected a relative stabilisation of trading conditions over recent months.

"COVID-19 has had a significant impact on Kiwi Property, however despite the challenges the business has faced, we have remained resilient. We're pleased to be in a position to pay an interim dividend and encouragingly, provide guidance for the full year.

"While the pandemic may create more uncertainty in the months ahead, as always, we are committed to delivering for our shareholders and other stakeholders," Ford concluded.

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Notes:
1. Operating profit before tax and AFFO are alternative non-GAAP performance measures. Refer to the 2021 half-year result presentation accompanying this announcement for definitions.
2. The reported profit has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP).
3. Kiwi Property's independent valuers have included either 'material valuation uncertainty' or 'market volatility and uncertainty' clauses, consistent with market practice following COVID-19.
4. NZ's top retailers survey, September 2020, Colmar Brunton.
5. The final dividend payment is contingent on the financial performance of the Company through the remainder of the 2021 financial year, barring material adverse effects or unforeseen circumstances.

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About us:
Kiwi Property (NZX: KPG) is one of the largest listed property companies 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 proudly own, and manage a significant real estate portfolio, 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 an issuer credit rating of BBB (stable) and an issue credit rating of BBB+ for each of its fixed rate senior secured bonds. Kiwi Property is the highest rated New Zealand company within CDP (Carbon Disclosure Project) and is a member of FTSE4 Good, a series of benchmark 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**