NZX announcement – 22 February 2024

Strategic transition advanced and 1H24 result

Performance summary for the six months ended 31 December 2023

Financial summary

- Funds from operations (FFO) from directly held investment portfolio of $63.5 million, up 4.3% (1H23: $60.9 million), contributing to net operating income before tax of $54.3 million, up 3.4%[2] (1H23: $51.3 million).
- Net property income (NPI)[1] of $68.3 million achieved for the first half, up 2.5%[2] (1H23: $65.4 million).
- Total comprehensive income after tax of $12.9 million compared to $0.6 million in 1H23.
- Adjusted funds from operations (AFFO) of 3.26 cps (1H23: 3.42 cps, 2H23: 3.27 cps).
- FY24 dividend guidance remains at 6.75 cps.

Executing strategic initiatives with active capital management supporting growth

- Entered into conditional agreement with Eke Panuku to acquire and redevelop the Downtown Car Park site in Auckland.
- Joint venture formed with Ngāti Whātua Ōrākei, to invest in the regeneration of the Te Tōangaroa precinct in Auckland. Precinct's investment is in partnership with PAG.
- Commenced construction of two new build-to-sell apartment developments on behalf of capital partners.
- Sale of Mason Bros. building located in Auckland for $50.3 million with capital from the sale supporting continued evolution and execution of our strategy.
- $150 million of subordinated convertible notes issued during the period providing Precinct capital management and strategic benefits.

Operational performance

- Portfolio occupancy of 98% with 6.4 year weighted average lease term (WALT).
- First half leasing of 5,585 square metres secured in the period with 16.4% growth in contract rents on new office leases.

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[1] Net property income excludes IFRS 16 rent expense elimination.

[2] Net of straight line rent adjustments, following a change in calculation adopted in the period.

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- Completed redevelopment of Deloitte Centre at One Queen Street including the opening of the new flagship hotel, InterContinental Auckland.
- Willis Lane in Wellington opened with foot traffic and sales performance now stabilised and performing well over the first six months of trading.

Environmental, Social and Governance (ESG) update

- Precinct improved its Global Real Estate Sustainability Benchmark (GRESB) score to 86, well above the current global average of 75 and maintained a public disclosure level of 'A'.
- Precinct voluntarily prepared interim climate-related disclosures in its 2023 Annual Report with Precinct expecting to apply the full CS 1 standard in its upcoming FY24 Annual Report.

Board changes

- Precinct Independent Director, Anne Urlwin appointed as Chair, effective 14 November 2023.
- Appointment of Chris Meads as an Independent Director and Alana Barron as Precinct's first Future Director for a one-year term.

Note: Further information can be found within the 2024 Interim Financial Statements and results presentation. You can find these at http://www.precinct.co.nz/interim-reporting/2024-interim-results

Precinct Properties Group (Precinct) (NZX: PCT) reported its financial results for the six months ended 31 December 2023 today. Funds from operations (FFO) from directly held investment portfolio of $63.5 million, up 4.3% (1H23: $60.9 million) underpinned by strong base rental growth in Auckland. This has contributed to net operating income before tax of $54.3 million, reflecting an increase of 3.4%[2] on the previous comparable period (1H23: $51.3 million) with net property income (NPI)[1] for the six months to 31 December 2023 of $68.3 million up 2.5%[2] on the previous comparable period (1H23: $65.4 million).

Total comprehensive income after tax of $12.9 million compares to $0.6 million for the same period last year, with the difference mainly attributable to the fair value movement across the value of Precinct's properties of $53.6 million recorded in the previous comparable period.

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[1] Net property income excludes IFRS 16 rent expense elimination.

[2] Net of straight line rent adjustments, following a change in calculation adopted in the period.

Independent valuations as at 31 December 2023 were completed across $0.7 billion of Precinct's partnership assets, and for the 61 Molesworth Street development in Wellington. Taking into consideration the metrics assessed by the independent valuers, a corresponding internal valuation review for Precinct's wholly owned assets showed the carrying value at 31 December 2023 reflected fair value of these assets, apart from the Freyberg Building in Wellington which recorded a $6.3 million devaluation for the period.

Scott Pritchard, Precinct CEO said, "Over the first half of the 2024 financial year, the high quality of our office portfolio has underpinned our business performance as premium assets continue to outperform. We are delighted to have successfully progressed a number of strategic initiatives, supported by an active capital management strategy with both the sale of the Mason Bros. building and $150 million convertible notes issue completed during the period further positioning us to execute on strategy. Precinct's gearing as measured under borrower covenant, which disregards subordinated debt remains around 32%, well under PCT borrower covenant level of 50%".

"Moving to a stapled company structure on 1 July 2023, establishing our residential business and sourcing new development and partnership opportunities is providing continued growth and potential benefits for Precinct which are well aligned with the evolution of our strategy".

"We are extremely pleased to have entered into a conditional agreement with Eke Panuku to acquire and redevelop the Downtown Car Park site in Auckland. We are very excited about securing this development offering and the opportunity to undertake this development alongside capital partners, further supporting our continued approach to growing our capital partnerships. We look forward to advancing the design of this project over the next 12 months in partnership with Ngāti Whātua Ōrākei".

"As we continue to develop our strategic pathway, we will leverage Precinct's people and the platforms we have established. On behalf of our capital partners, we have commenced two new residential projects with a sales value of approximately $300 million and we are completing one additional project currently. We are actively exploring additional value add opportunities with potential capital partners which further extend our real estate offering and are expected to provide strong returns on capital. Illustrating our strategic transition, in 2021 Precinct had a development pipeline valued at $0.8 billion which was 100% owned by Precinct, whereas our current development pipeline of $1 billion is around two thirds funded by capital partners. This positions the business to drive higher returns on capital from development activity".

Operational performance

Precinct's occupancy continues to be strong achieving 98% and a WALT of 6.4 years recorded as at 31 December 2023.

A total of 5,585 square metres of leasing transactions was recorded across our investment portfolio in the first half of the financial year. While this reflects a lower level of leasing when compared to the previous comparable period (1H23: 8,100 square metres), new office leases were secured 16.4% above previous contract rents. Rent reviews were completed across 69,000 square metres during the period, resulting in an average annual uplift of 3.6%.

Demand for premium flexible spaces in desirable locations is a strong theme across the markets in both cities we operate in. Across our Generator business, occupancy was 78% as at 31 December 2023. Pleasingly, the business achieved an increase of 17% in total membership revenue and a 11% increase in Generators Events business revenue on previous periods.

At our Commercial Bay retail precinct, occupancy was 97% as at 31 December 2023. While the retail centre recorded a weaker level of sales in the months of September and October, trading performance was relatively strong in the later months of November and December 2023 with sales being consistent with previous comparable periods.

Development update

Across our current active development projects, we continue to progress our two office projects – the 61 Molesworth Street project in Wellington and Wynyard Quarter Stage 3 in Auckland. Both of these developments remain on programme with target completions of Q3 2025 and Q1 2025, respectively and have a combined total expected value on completion of circa $567 million.

With the completion of the Onehunga Mall Club apartments, there are three further development projects underway. Two of these are in construction, FABRIC Stage 2 and the Domain Collection, with York House procurement underway. The pipeline comprises a total of 224 units and a sales value of $431 million, with Precinct's investment totalling $30 million currently. Equity investment in the existing pipeline is currently provided by capital partners. Precinct continues to consider participation in future opportunities, with a focus on building a pipeline of further future projects.

Dividends payment

Precinct shareholders will receive a second-quarter dividend for Precinct Properties New Zealand Limited ("PPNZ") of 1.497500 cents per share in cash dividends. This dividend has no imputation credits to attach for the quarter and therefore no supplementary dividend to be paid (see note 2).

Precinct shareholders will also receive a second-quarter dividend for Precinct Properties Investments Limited ("PPIL") of 0.234512 cents per share, comprising cash of 0.190000 cents per share, imputation credits of 0.030618 cents per share and a supplementary dividend of 0.013894 cents per share (see note 2).

The record date for both PPNZ and PPIL dividends above is 8 March 2024 and payment will be made on 22 March 2024.

Outlook and guidance

From a macroeconomic perspective, while there are short-term challenges at a local and global level, the long-term outlook across the real estate markets is underpinned by a record level of net migration which will be particularly felt in Auckland.

Precinct's core business performance over the last six months has delivered pleasing results with the strength of our office markets and the demand for premium-grade space in Auckland and Wellington remaining robust. Our balance sheet is in a very good position, and we are committed to maintaining this to enable the business to successfully execute on its strategy.

Precinct continues to transition to a capital partnering regime, focusing on meeting the demands of its partners and targeting higher returns on capital. Consequently, we see a greater focus on residential led developments over the next 24 months. While the residential build-to-sell market remains subdued, these conditions provide significant opportunity to establish a long-term development pipeline.

The Board expects total combined cash dividends for Precinct Properties New Zealand Limited and Precinct Properties Investment Limited for the 2024 financial year to be 6.75 cents per stapled security to be paid to shareholders.

Further information can be found within Precinct's 2024 Interim Financial Statements and results presentation. You can find this at:

http://www.precinct.co.nz/interim-reporting/2024-interim-results

Ends

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About Precinct (PCT)

Listed on the NZX Main Board under the ticker code PCT and ranked in the NZX top 30, Precinct is the largest owner, manager and developer of premium inner-city real estate in Auckland and Wellington. Precinct is predominantly invested in office buildings and also includes investment in Generator, Commercial Bay retail, third party capital partnerships, and a multi-unit residential development business. For information visit: www.precinct.co.nz

On 1 July 2023, Precinct effected a restructuring to create a stapled group structure. A stapled group comprises two listed parent companies whose shares are held by the same shareholders in equal proportions. The shares in each parent company can only be transferred or dealt with together.

Shareholders in Precinct Properties Group ("Precinct") hold an equal number of shares in Precinct Properties New Zealand Limited ("PPNZ") and Precinct Properties Investments Limited ("PPIL") and these shares can only be dealt with together. The stapled issuers are described as "Precinct Properties NZ Ltd & Precinct Properties Investments Ltd (NS)" on NZX systems and the ticker code for the stapled shares remains PCT.

Note 1

AFFO is a non-GAAP financial measure that shows the organisation's underlying and recurring earnings from its operations and is considered industry best practice for a REIT. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items. AFFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

Reconciliation of net profit after tax to adjusted funds from operations (AFFO)

Amounts in $ millions unless otherwise stated	Unaudited six months ended 31 December 2023	Unaudited six months ended 31 December 2022
Net profit after taxation	**15.3**	(1.8)
Adjust for non-cash items		
Unrealised net (gain) / loss in value of investment and development properties	**5.5**	53.6
Unrealised net (gain) / loss on financial instruments	**11.1**	(11.8)
Depreciation - property, plant and equipment	**2.3**	1.5
Deferred tax (benefit) / expense	**1.1**	3.3
IFRS 16 lease adjustments	**(0.3)**	0.7
Share-based payments scheme	**0.3**	0.7
Amortisations	**7.0**	6.9
Straightline rents	**(2.5)**	(1.2)
Adjust for equity-accounted investments		
Share of (profit) / loss in equity-accounted investments	**3.1**	0.7
Distributions attributable to the period	**1.6**	-
Adjust for disposals and acquisitions		
Net realised (gain) / loss on sale of investment and development properties	**10.3**	-
Depreciation recovered on sale	**0.5**	5.4
Funds from operations (FFO)	**55.3**	58.0
Funds from operations per share (cents)	**3.48**	3.66
Maintenance capex	**(1.9)**	(1.3)
Incentives and leasing costs	**(1.7)**	(2.5)
Adjusted funds from operations (AFFO)	**51.7**	54.2
Weighted average number of shares for net operating income per share (millions)	**1,586.3**	1,585.8
Adjusted funds from operations per share (cents)	**3.26**	3.42

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

Note 2

A supplementary dividend is paid to non-resident shareholders to offset the amount of non-resident withholding tax ("NRWT") that New Zealand companies are required to deduct from dividends paid to non-resident shareholders. A supplementary dividend is paid to ensure equitable treatment between non-resident shareholders and resident shareholders (whose dividends are not subject to NRWT).

Note 3

All portfolio metrics are as at 31 December 2023 and reflect Precinct's direct ownership in assets, unless otherwise stated.