



Stride Property Group (NS)

NZX Announcement

IMMEDIATE — 27 May 2022

Stride Property Group FY22 Annual Results

Stride Property Group (Stride) (Note 1) is pleased to announce that it has released its Annual Report and Results Presentation for the twelve months ended 31 March 2022 (FY22).

FY22 has seen continued growth in Stride's real estate investment management business, with assets under management growing by \$0.6 billion or 20% during FY22, from \$3.0 billion as at 31 March 2021 to \$3.6 billion as at 31 March 2022. This growth in assets under management has contributed to the growth in recurring base management fees earned by Stride Investment Management Limited (SIML), up 18.7% from FY21.

Stride has focused during FY22 on repositioning the Stride Property Limited (SPL) office portfolio to meet changing market demands, through the acquisition of 46 Sale Street, Auckland, and the commitment to acquire 110 Carlton Gore Road, Auckland (Note 2). On a pro forma 31 March 2022 basis, as if the acquisition of 110 Carlton Gore Road and the sale of four non-core office assets had occurred as at that date, the office portfolio demonstrates strong metrics, including 85% Prime and A grade properties, 74% green assets (being assets with a 4 star NABERSNZ or 4 star Green Star rating or better), and weighted average lease term of 7.8 years. Stride considers that the office portfolio is of sufficient quality and scale to support establishment of the next Stride Product, at the appropriate time.

Capital management has also been a key focus for Stride during FY22. As at 31 March 2022, Stride had hedging in place equal to 110% of drawn debt, in anticipation of further drawdowns associated with the committed growth of the office portfolio. This insulates Stride's earnings from increases in interest rates over the medium term.

Stride Property Limited (SPL) and Stride Investment Management Limited (SIML) are also pleased to announce fourth quarter (1 January 2022 to 31 March 2022) dividends to be paid by each company on 14 June 2022 to all shareholders on the register as at the close of business on 7 June 2022, as follows:

- SPL announces a cash dividend for the fourth quarter of FY22 of 1.8455 cents per share.
- SIML announces a cash dividend for the fourth quarter of FY22 of 0.632 cents per share.

This brings the total combined cash dividend for Stride Property Group for FY22 to 9.91cps, in line with guidance. The FY22 combined cash dividend represents a payout of 90.5% of distributable profit (on a weighted average number of shares basis), at the midpoint of Stride's distribution policy to distribute between 80% and 100% of distributable profit.

The Dividend Reinvestment Plan remains suspended for the FY22 fourth quarter dividends.

Highlights for FY22 include:

Financial Performance – Stride Property Group

- Net rental income from continuing operations of \$65.8m, up \$15.1m from FY21 (\$50.7m), due to the acquisitions of new office buildings during FY21 and FY22
- \$24.3m management fee income (Note 3), in line with FY21 (\$24.2m)
- \$46.5m profit before other income/(expense) and income tax from continuing operations, up \$6.1m from FY21 (\$40.4m)
- \$112.3m profit after income tax from continuing operations, down \$19.7m from FY21 (\$132.0m), primarily due to higher income tax expense (FY22: (\$12.4m); FY21: (\$9.4m)) and an impairment to the carrying value of SPL's investment in Investore Property Limited (Investore) of \$18.5m, due in part to the current share price of Investore's shares on NZX. Stride remains confident in the value of Investore and its underlying portfolio of properties which remain in strong demand
- \$54.2m distributable profit (Note 4) after current income tax, up from FY21 (\$46.3m). Distributable profit per share 10.95cps, down from FY21 (11.58cps)
- FY22 combined cash dividend of 9.91cps, in line with guidance
- Net valuation movement of \$30.7m or +2.6% (Note 5)
- Net Tangible Assets (NTA) per share of \$2.28 as at 31 March 2022

Assets Under Management

- SIML's total assets under management have increased by \$0.6bn to \$3.6bn as at 31 March 2022
- Acquisitions, developments and disposals across SPL and the other Stride Products would take SIML's total assets under management to \$3.8bn, with over \$250m of balance sheet capacity across Investore and Industrie to support future growth opportunities where appropriate
- Stride continues to actively support the Stride Products – Investore, Industrie Property Joint Venture (Industrie) and Diversified NZ Property Trust (Diversified)

Stride Property Limited Places

- SPL's directly held portfolio of office and town centre properties (Note 6) has a total value of \$1,063m as at 31 March 2022 (Note 7)

Investore Property Limited

- Investore's portfolio is valued at \$1.2bn (Note 8) as at 31 March 2022, representing a net valuation movement of \$91m or 8.2% for the 12 month period to 31 March 2022
- Investore completed \$73.8m of acquisitions during FY22 in execution of its strategy of targeted growth, and has a further conditional agreement to acquire development land at Waimak Junction, Kaiapoi, for \$10.5m, which provides continued development opportunities
- Investore has completed a number of proactive capital management initiatives during FY22 which have resulted in Investore having a strong capital position in the current rising interest rate environment
- 3.77% weighted average interest rate as at 31 March 2022, down from 4.04% as at 31 March 2021
- 29.5% LVR as at 31 March 2022 (Note 9), with \$120m bank debt facility headroom
- \$125m five year listed bonds issued in February 2022 at a fixed interest rate of 4.0% per annum

Industre Property Joint Venture

- \$849m portfolio value as at 31 March 2022
- Industre's portfolio continues to grow strongly, with growth of \$239m since 31 March 2021 and \$450m of growth since Industre commencement on 1 July 2020
- Industre has a strong pipeline of future development opportunities, with \$38m of developments underway across three properties
- 9.3 years WALT

Diversified NZ Property Trust

- \$493m portfolio value as at 31 March 2022
- \$382m portfolio moving annual turnover, up 6.1% from 31 March 2021, or 6.7% on a like for like basis (excluding travel-related retailers)
- Queensgate carpark rebuild complete, cinema due to open in second half of 2022

Capital Management – SPL

- Stride has taken an active and prudent approach to capital management during FY22, designed to ensure it has an appropriate balance sheet for the future
- Existing bank debt facilities refinanced, increasing available facilities to \$600m to facilitate growth, and resulting in a reduction in the weighted average line fees and margin for the facilities
- \$134m capital raise completed December 2021 to provide greater balance sheet flexibility to support continued growth of Stride's funds management business

- Loan to Value Ratio of 28.7% as at 31 March 2022, or 36.8% on a pro forma 31 March 2022 basis including committed acquisitions, developments and disposals
- As at 31 March 2022, Stride had hedging in place equal to 110% of drawn debt, in anticipation of further drawdowns associated with the committed growth of the office portfolio. This has now fallen to 82% in April 2022 following the first payment in relation to the acquisition of 110 Carlton Gore Road
- SPL considers it is sufficiently insulated from changes in interest rates over the short to medium term

Climate-related disclosures

- Stride has delivered significant progress in its approach to sustainability and climate risk during FY22 with a preliminary climate risk assessment completed
- Stride has established a policy regarding minimum green ratings required for acquisitions and developments
- Stride is also publishing its first Greenhouse Gas Inventory Report for FY22 in conjunction with its FY22 Annual Report

Outlook

- Stride remains committed to its funds management strategy and has successfully repositioned its office portfolio during FY22 towards high quality, modern, and green office properties which will benefit from enduring demand
- Stride continues to explore opportunities for establishing Fabric as a separate Stride Product
- Stride is conscious of the volatility in the current macroeconomic environment, and more specifically the current upwards pressure on inflation and interest rates. Stride has high levels of hedging to manage this interest rate volatility over the near term
- The Stride Boards confirm they currently intend to pay a combined cash dividend for SPL and SIML during FY23 of 9.91 cents per share

Notes:

1. Stride Property Group (Stride) comprises Stride Investment Management Limited (SIML) and Stride Property Limited (SPL). A stapled security of the Stride Property Group comprises one share in SIML and one share in SPL. The stapled securities are quoted on the NZX Main Board under the ticker code SPG. Information presented in this presentation is on a combined basis unless otherwise specified.
2. The acquisition of 110 Carlton Gore Road, Auckland, became unconditional on 5 April 2022.
3. Net of management fees received from SPL.
4. Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profit in equity-accounted investments, dividends received from equity-accounted investments and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.2 to the consolidated financial statements for the year ended 31 March 2022.

5. Excludes lease liabilities. Includes SPL's 51.7% interest in the unincorporated component of the Industrie Property Joint Venture as at 31 March 2022 (for more information, see note 3.2 to the consolidated financial statements). Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment. Includes the office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street, which are investment properties classified as held for sale at \$82.8m.
6. Includes SPL's office and retail properties only. Excludes SPL's interest in the Industrie unincorporated portfolio which is reported as part of the assets of SPL in the consolidated interim financial statements (see note 3.2 to the consolidated interim financial statements for further information).
7. Includes the office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street, which are investment properties classified as held for sale at \$82.8m.
8. Portfolio value as at 31 March 2022 excludes: (1) seismic works (\$3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired by Investore from SPL on 30 April 2020; and (2) lease liabilities.
9. Loan to Value Ratio is calculated based on independent valuations, which include seismic works to be funded by SPL in relation to 2 Carr Road, Auckland, acquired by Investore from SPL in April 2020. The independent valuations also exclude lease liabilities.

Ends

Attachments provided to NZX:

- Stride Property Group – FY22 Annual Results Announcement - 270522
- Stride Property Group – FY22 Annual Report – 270522
- Stride Property Group – FY22 Annual Results Presentation – 270522
- Stride Property Group – Greenhouse Gas Inventory Report - 270522
- Stride Property Group – NZX Results Announcement – 270522
- Stride Property Limited – NZX Distribution Notice – 270522
- Stride Investment Management Limited – NZX Distribution Notice – 270522
- Stride Property Group – Shareholder Communications Notice – 270522

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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.