



Annual Meetings 2022 Chairman and Chief Executive Address

Stride Property Group Annual Shareholder Meetings 2022

Good morning all.

My name is Tim Storey, and I am an Independent Director and Chair of Stride Property Limited (SPL) and Stride Investment Management Limited (SIML), the two companies that comprise Stride Property Group or Stride.

On behalf of the Directors of each Board and the Executive Team, it's my pleasure to welcome you to this year's annual meetings of shareholders. We are very pleased to be able to hold the meetings in person after the disruption of the last few years.

Before we address the business of the meeting, I will cover some housekeeping and safety matters.

Bathrooms are located at the bottom of the stairs, directly outside the exit to your left. Disabled access bathrooms are located in the gym in the northwest corner of the lobby. Please exit the door on your left, go up the ramp and take a right to reception who will be able to assist you further.

In the event of an emergency, please exit via the nearest fire exit door, all of which are marked with the fire exit symbol. You can exit the building through the French Press Café located behind me or through the main entrance to The Sofitel. Once outside, the evacuation assembly area is located on Viaduct Harbour Avenue, near the sculpture overlooking the marina.

Finally, as a matter of courtesy, please ensure your mobile phones are switched to silent.

Thank you.

Slide 2 – Boards of Directors

Joining me today are the other Stride Directors:

- Ross Buckley, who is the Chair of the Audit and Risk Committee;
- Jacqueline Cheyne, who is the Chair of the Sustainability Committee and who is standing for re-election today;
- Michelle Tierney; and
- Nick Jacobson.

Unfortunately, Director Philip Ling is unable to be with us today and sends his apologies.

Annual Meetings 2022

As signalled at last year's meetings, John Harvey retired from the Boards on 31 May 2022. Stride has benefited greatly from John's guidance and particularly his financial knowledge over what has been a transformative period for Stride, from its listing in 2010 to the introduction of the stapled group structure in 2016 and through the growth of Stride's investment management business over the past several years. We are extremely grateful to John for his wise and insightful counsel over this period and we wish John well in his retirement.

As we have indicated previously, the Stride Boards consider that an ongoing process of Board refresh is beneficial as it ensures fresh perspectives are always brought to the consideration of material issues affecting the Group. As part of that, Director Philip Ling has signalled an intention to retire at the 2023 Annual Shareholder Meetings, which is when he is due to retire by rotation. I have also previously stated that, if re-elected today, I plan to retire from the Boards during my next term.

The Boards will continue the refresh process, including identifying appropriate replacements, and will provide updates to shareholders as this proceeds.

Slide 3 – Management

In addition to the Board, we also have members of our Executive present today, including Philip Littlewood, our Chief Executive Officer, Jennifer Whooley, our Chief Financial Officer, and Louise Hill, our Company Secretary and General Manager Corporate Services.

I would again like to take the opportunity to thank all our people for their hard work and commitment to Stride, which is key to the success of our business. People are a core pillar of our business and it is important to recognise the effort our people put in year on year for the benefit of all shareholders.

Stride's audit partner from PwC, Sam Shuttleworth, is also present to answer any questions on the audit report. In addition, we have representatives here today from Stride's solicitors, Bell Gully, and Computershare, the share registrar for Stride Property Group.

Slide 4 – Agenda

I am pleased to confirm that we have a quorum present for each of the meetings and accordingly, I declare the annual meetings open.

The order of events for today will be as follows:

- Shortly Phil Littlewood and I will provide a brief overview of Stride's financial and business performance for the year in review.
- Following this, we will invite questions and comments from shareholders in relation to the Annual Report and consolidated financial statements of Stride Property Group.
- We will then move to consider the resolutions for Stride Property Limited, followed by the resolutions for Stride Investment Management Limited.
- Finally, we will attend to any general business.

Slide 5 – Chair’s Address

FY22 has been another busy year for Stride, focused on growing its real estate investment management business. I will briefly highlight some of our strategic initiatives completed during the year, before Phil takes you through more detail on our financial and portfolio highlights.

Slide 6 – FY22 Strategic Highlights

Stride remains committed to its real estate investment management strategy, and during FY22 Stride continued its focus on growing and developing its assets under management. Our total assets under management, which includes the properties owned directly by SPL, has grown to \$3.6 billion as at 31 March 2022, with external assets under management growing by 20% to \$2.5 billion as at 31 March 2022.

This growth has come from a significant number of transactions completed across Stride and the Stride Products, as well as increases in the valuations of the properties themselves due to strong market conditions, particularly for our large format retail and industrial property owning entities.

Some of these transactions have focussed on repositioning the office portfolio to ensure it meets the demands of the market, as Phil will expand on shortly. This ensures the office portfolio remains an attractive investment, including while it is owned directly by SPL. We will, however, continue to monitor market conditions to assess an appropriate time to establish Fabric as a separate Stride Product, following the withdrawal of the proposed initial public offering during FY22.

Slide 7 – Products

Stride’s business comprises two parts – a real estate investment management business and a property investment business. SIML conducts our real estate investment management business and manages the portfolios of SPL, Investore Property Limited (Investore), Diversified NZ Property Trust (Diversified) and Industrie Property Joint Venture (Industre). Each of the Stride Products that we create is designed to focus on a specific commercial property sector, with SPL continuing to hold an interest in each of the Stride Products, as well as investing directly in property itself.

Each of the Stride Products has a specific team within SIML which manages the business of that Product, and we also have functional teams which provide support across all of the Products, such as the finance and development teams. In this way, we ensure a dedicated focus on each Product while also providing expert support where required, and this has delivered on our objective of growing our real estate investment management business during FY22.

The Investore portfolio of large format retail property has demonstrated continued strong valuation gains during the year, with the portfolio valued at \$1.2 billion as at 31 March 2022, a net valuation gain of \$91 million or 8.2% for the financial year. Investore also completed a number of strategic acquisitions during the year, which has contributed to the strong growth in its portfolio valuation.

Industre is our industrial-focussed Product, and the Industrie portfolio has grown by \$239 million during FY22 to \$849 million. Industrie has a strong pipeline of future growth, with three projects currently committed for development, with each property being built to a targeted minimum 4 star

Annual Meetings 2022

Green Star Design & As Built standard. Taking these developments into consideration, Industrie's portfolio would be worth \$887 million on a pro forma basis as at 31 March 2022.

I would now like to hand over to our CEO, Phil Littlewood, who will take you through some more detail on Stride's financial results and activity during FY22.

Slide 8 – Chief Executive Officer's Address

Thanks very much Tim, and good morning, everyone.

Slide 9 – Management Fee Income

As Tim has indicated, our continued focus over this last year has been on growing our investment management business, and this has resulted in continued strong management fee income for Stride. Stride benefits from growth in the Stride Products through:

- Activity based fees associated with acquisitions and development activity; and
- Higher portfolio values resulting in higher ongoing recurring fees.

We have seen this during FY22, with the growth in assets under management that Tim has outlined contributing to a 19% increase in recurring management fees. The chart you see on this slide demonstrates the growth in SIML's management fees since we commenced this strategy in FY17. We have seen strong growth, with fees growing on average 20% per annum, supported by the growth in our external assets under management of 115%, or 17% per annum, over the same period.

This growth in our management fee income, particularly since the creation of Industrie in 2020, supports our continued strategy of growing our real estate investment management business.

To demonstrate the benefit of this strategy for SIML, SIML had total revenue of \$25.3 million in FY22 compared to total corporate overhead expenses of \$17.5 million, indicating a gross margin of \$7.8 million for the year. These costs, however, include the management of SPL's directly held portfolio, while the management fees exclude fees from SPL. Adjusting for this, we conservatively estimate SIML's gross margin on the external portfolios increases to around \$12 million to \$13 million for FY22, which we think evidences the benefit of Stride's strategy of managing a growing real estate investment portfolio.

Slide 10 – Diversified Income Sources

Sitting alongside our investment management business, we also own commercial property, both directly and indirectly through the interests that Stride owns in the Stride Products. This provides us with diversified income sources, as we obtain income from management fees, as demonstrated on the previous slide, together with direct property income from the property SPL owns itself, and indirect property income from SPL's investment in the Stride Products of Industrie, Investore and Diversified.

For FY22, approximately 22% of Stride's income was derived from management fees, while 35% of income was from office property, all of which is directly owned, 14% from SPL's investment in Industrie, 10% from our interest in Investore, and 19% from town centre and shopping centre properties.

We think this diversification is important because it provides us with a level of resilience in different market conditions.

Slide 11 – FY22 Financial Highlights

Turning now to the financial highlights for FY22, Stride delivered strong distributable profit of \$54.2 million, up \$7.9 million from FY21. Stride considers that distributable profit more closely aligns with Stride's underlying and recurring earnings from its operations, and was pleased to deliver a positive result in this area. This equated to 10.95 cents per share, and SPL and SIML paid a combined cash dividend of 9.91 cents per share, equating to a payout ratio of 90.5% of distributable profit. This is in the middle of the Stride Boards' policy of paying out between 80% and 100% of distributable profit.

Profit before other income / (expense) and income tax from continuing operations for FY22 was \$46.5 million, \$6.1 million higher than FY21. However, profit after income tax from continuing operations at \$112.3 million, while still very positive, was \$19.7 million lower than FY21. This was primarily driven by the carrying value of SPL's investment in Investore being impaired by \$18.5 million at year end, due to the share price of Investore's shares on the NZX trading at levels below its published net tangible assets. Stride remains confident in the value of Investore and its underlying portfolio of properties which remain in strong demand.

Stride's net tangible assets rose 6% during FY22 to \$2.28 per share, which is at least partly due to the continued investment by Stride in acquiring and developing its office portfolio, which I will outline on the next slide.

Before that, I would like to comment on Stride's share price, as compared to its net tangible assets per share. Stride's share price has, like most shares in New Zealand and around the world, been impacted recently by investor concerns regarding the current economic climate, particularly rising inflation, interest rates, and the risk of recession. We are highly conscious of the risks posed by the macro-economic environment, and as you will see shortly when we outline our capital management position, we have taken a prudent approach over recent time to interest rate risk and capital management, which has placed Stride in a strong position to manage this near term volatility. Stride also has very strong portfolio fundamentals, with a weighted average lease term of 6.6 years and occupancy of 98%, both on a look-through basis. While this places Stride in a good position to manage some of the risks associated with the current market uncertainty, we are of course continuing to closely monitor market conditions and will prudently manage our capital position.

Slide 12 – Fabric Portfolio Repositioned

Part of these strong portfolio fundamentals are as a result of our continued focus on developing and significantly improving the office portfolio owned by SPL's wholly owned subsidiary, Fabric, to support the establishment of Fabric as a new Stride Product.

In refining and improving the Fabric portfolio, we have over the past year acquired or agreed to acquire two new properties, being 46 Sale Street and 110 Carlton Gore Road, both located in Auckland. Both of these properties have very strong sustainability credentials and are new or relatively new, high quality office properties.

Annual Meetings 2022

In addition, on 5 April, we announced that we had agreed to sell four B Grade office properties, which enabled us to commit to the acquisition of 110 Carlton Gore Road while also maintaining a prudent level of gearing on our balance sheet.

Stride has studied the office market carefully, and we consider that market demand is trending towards properties that are high quality, with good amenities, and strong sustainability ratings. Accordingly, our recent activity has positioned the office portfolio to meet these criteria.

Assuming acquisitions and divestments had completed, we believe the Fabric office portfolio meets the requirements of the market, being strongly green rated, 74% by value, and of good quality, with 85% being prime or A Grade properties. Accordingly, we believe this portfolio represents an attractive investment, whether within Stride or as a separate Stride Product. However, it remains our intention to establish Fabric as a separate Stride Product when conditions are appropriate.

Slide 13 – Developments

Finally, before handing back to Tim, I wanted to comment on our development activity. The Stride team has been kept busy during FY22 with a number of developments across our business. Several projects have been completed during the year, including the refurbishment and seismic strengthening of the office building at 22 The Terrace, Wellington, and the rebuild of the cinema and carpark complex at Queensgate Shopping Centre, owned by Diversified, which was demolished following the Kaikoura earthquake.

We also have a strong pipeline of over \$130 million of committed development projects across Stride and the Stride Products, and future potential projects of more than \$375 million. Development projects benefit Stride through activity based fees during the course of the project, and the completed asset contributes to growth in our assets under management. Stride has a strong track record of delivering on time and on budget, and we are proud of the accomplishments of our development team.

When designing projects, we always keep our sustainability objectives in mind, and seek to incorporate sustainability initiatives in each project where this is practicable. We think this is important for Stride's commercial objectives, for our commitment to building a sustainable business, and for contributing to a sustainable environment.

I will now hand back to Tim to provide further information on our sustainability activities and an overview of our capital management position, as well as describing our outlook for FY23, before we turn to the resolutions to be put to the meetings today.

Slide 14 – Climate-Related Disclosures

Thank you, Phil.

As you have heard, Stride is very focused on delivering sustainable spaces, and this has been seen in the repositioning of our office portfolio to a highly green rated portfolio, as well as our strong focus on sustainability or green ratings for our developments.

We have established a green rating policy in relation to properties that we acquire or develop, which requires properties to achieve, or be able to achieve, a minimum 4 star Green Star rating, and we are targeting a 5 star Green Star rating, or equivalent

Annual Meetings 2022

This activity is designed to ensure we both meet the expectations of the market and our tenants, and that we play our part in transitioning to a low carbon future.

As shareholders will be aware, Stride has a Sustainability Committee which has a sole focus on ensuring that our activities are aligned with a sustainable future for Stride and a commitment to addressing the impacts of climate change. This Committee is chaired by Director Jacqueline Cheyne who has significant experience in corporate responsibility and sustainability issues.

During FY22 Stride completed a preliminary climate risk assessment based on two scenarios - a Paris-aligned transition and a more “hot house” scenario. More detail on the risks can be found in our FY22 annual report. We will be building on this work during FY23 to further refine our risk assessment and develop our strategies to address climate risks, as well as considering climate-related opportunities. As part of this work, we plan to establish more specific KPIs and targets regarding climate risks and opportunities.

One of the targets that we will work on is setting our greenhouse gas emissions reduction targets. As a first step in this regard, during FY22 we calculated our Scope 1 and Scope 2 greenhouse gas emissions and published our first greenhouse gas inventory report, which can be found on our website.

We look forward to continuing to report on our progress in relation to sustainability and climate risk in the coming years.

Slide 15 – Capital Management

Turning now to our capital management position. The Stride Boards remain very conscious of the current volatile macro-economic environment, and particularly rising interest rates. We have taken a conservative approach to our capital position, and as part of this, we undertook a capital raise during November and December 2021, which resulted in Stride raising \$134 million of new equity. This capital raise was undertaken by way of a placement and a retail offer, with both aspects of the capital raise oversubscribed. I would like to take this opportunity to thank investors for their continued strong support of Stride through the capital raise process.

The net proceeds of the capital raise were used to pay down debt, providing flexibility for Stride to continue to progress its strategic initiatives, and subsequently enabling us to confirm the acquisition of the property at 110 Carlton Gore Road, Auckland, which, as you have heard, has contributed to the repositioning of the Fabric office portfolio.

Stride has also ensured it has high levels of hedging, given the rising interest rate environment. We were 110% hedged as at 31 March 2022, insulating Stride from changes in interest rates over the short to medium term. Stride has no debt maturing until FY25, and accordingly we consider this puts us in a relatively strong position in relation to our capital management.

As at 31 March 2022, Stride’s loan to value ratio was 28.7%, and this would rise to 36.8% taking into account current commitments, such as the acquisition of the property at 110 Carlton Gore Road, and the divestment of the four office properties noted previously.

The Stride Boards will continue to focus on prudent capital management initiatives over the coming year, and we will take a conservative position given the risks posed by rising interest rates and the volatile macro-economic climate.

Slide 16 – Outlook

Turning now to what else shareholders can expect for FY23, Stride remains committed to its funds management strategy, and to that end we will continue to focus on growing our assets under management. We currently have \$232 million of planned growth across Stride and the Stride Products, with over \$250 million of balance sheet capacity across Investore and Industrie to support future growth opportunities where appropriate.

Having successfully repositioned the office portfolio during FY22 towards high quality, modern, and green office properties which will benefit from enduring demand, we consider that this portfolio is well positioned to form the next Stride Product and accordingly we will monitor market conditions to assess the right time to establish Fabric as a new, separate Stride Product, focussed on the office sector.

As noted in relation to the previous slide, we have high levels of interest rate hedging in place, and will continue to take a prudent approach to our capital management position.

Finally, we are conscious of the current macro-economic environment and will continue to keep a keen focus on market volatility and the impacts on our business.

Now to the formal business of the meetings.

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.