



Stride Property Group (NS)

NZX Announcement

IMMEDIATE – 25 November 2019

## Stride Property Group – HY20 Interim Report and Results

Stride Property Group (note 1) (Stride) is pleased to announce that it has released its Interim Report and Results presentation for the six months ended 30 September 2019 (HY20).

The six months to 30 September 2019 saw a strong result for Stride, which is detailed below. Since 31 March 2019, Stride has announced two important strategic initiatives in order to further develop its investment management business, being:

- The creation of Industrie Property with \$265m of establishment properties, and \$102m of committed developments; and
- Investore Property Limited's (Investore) acquisition of three large format retail properties from Stride Property Limited for \$140.75m.

Stride Investment Management Limited (SIML) and Stride Property Limited (SPL) are also pleased to announce a combined second quarter (1 July 2019 to 30 September 2019) dividend of 2.4775 cents per share to be paid on 10 December 2019 to all shareholders on the register as at the close of business on 3 December 2019, broken down as follows:

- SPL cash dividend for the second quarter of FY20 of 2.1575 cents per share.
- SIML cash dividend for the second quarter of FY20 of 0.32 cents per share.

The Dividend Reinvestment Plan remains suspended for the FY20 second quarter dividends.

### Highlights for HY20 include:

#### Earnings – Stride Property Group (HY19 figures in brackets)

- Net rental income of \$28.4m (\$27.9m), up \$0.4m
- Profit before income tax of \$44.8m (\$44.0m), up \$0.8m
- Profit after income tax of \$37.4m (\$40.2m), down \$2.8m
- Distributable profit (note 2) after current income tax of \$19.3m or 5.27cps (\$19.6m or 5.37cps), in line with HY19

#### Capital Management - SPL

Loan to Value Ratio (LVR) 35.0% as at 30 September 2019 (34.4% as at 31 March 2019)

## Performance Fee – SIML

SIML continues to deliver strong returns for shareholders in Investore, earning SIML \$1m in performance fees for HY20

## Places – SPL (As at 31 March 2019 in brackets)

- \$999.0 million total portfolio value (excluding land lease liability of \$22.5m)
- Net valuation gain of \$25.0m or 2.6% (excluding land lease liability movement), resulting in Net Tangible Assets (NTA) per share of \$1.97 (excludes value of management contracts), up 5 cps from \$1.92 as at 31 March 2019
- Portfolio occupancy 98.2% (97.6%), up 0.6%
- Weighted average lease term (WALT) 4.5 years (4.8 years)
- 127 leasing transactions, including rent reviews, renewals and new lettings completed resulting in a +3.0% increase on previous rentals
- As at 30 September 2019, total sales (note 3) at NorthWest Shopping Centre and NorthWest Two, and Silverdale Centre were up +4.3% and +5.8% (note 4) respectively from the prior year

## Transactions

- SPL has focussed on rationalisation of its office portfolio with the disposal of 33 Corinthian Drive, Auckland, on 1 April 2019, for a gross sale price of \$50.5m, representing an initial yield of 5.9%
- Acquisition of The Concourse, Auckland, completed on 27 June 2019 for \$35m
- On 19 November 2019, Stride announced the conditional sale of its three remaining large format retail assets to Investore for \$140.75m, consistent with its strategy of holding its exposure to large format retail property through Investore

## Developments

Development projects totalling over \$200m currently being managed by SIML. For SPL, these projects include:

### **Industrial:**

- 318 East Tamaki Road, Auckland (previously 11 Springs Road) – construction of a new head office for Waste Management, with practical completion expected late 2019
- The Concourse, Auckland – resource consent granted and construction has commenced to develop 2.2ha of vacant land into an industrial facility for Waste Management, with a pre-committed 25 year lease and anticipated completion late 2020

### **Large format retail:**

- Building extensions for both Rebel Sport and Briscoes at Bay Central Shopping Centre, with new 10 year leases commencing from practical completion, expected late 2019

## People

Board refresh continues with:

- Appointment of Nick Jacobson to the Stride Boards in July 2019. Nick has extensive international real estate advisory and capital markets experience
- David Van Schaardenburg retired as a director on 30 August 2019 after 9 years as a director

People continue to be a key focus for the Stride Boards and executive, as attracting and retaining the best people is seen as essential to the achievement of Stride's strategy

## Products - Existing

### Investore Property Limited (Investore)

- SPL owns a 19.9% shareholding
- Acquisition of Countdown New Brighton, Christchurch, completed in August for \$5.75m, at an initial yield of 7.2%
- Countdown Dunedin South disposal completed on 1 April 2019 for a sale price of \$19.3m representing a +5.6% premium to book value (31 March 2018)
- Share buyback programme concluded at an average cost of \$1.53 per share, compared to the 30 September 2019 share price of \$1.90 and net tangible assets per share of \$1.70
- Investore has a conditional agreement to purchase three large format retail properties from Stride for \$140.75m. At settlement, Investore's portfolio value will grow to \$891m
- FY20 dividend guidance confirmed at 7.60cps

### Diversified NZ Property Trust (Diversified)

- SPL owns a 2% interest
- 145 leasing transactions completed, including rent reviews, renewals and new lettings, resulting in a total increase on previous rentals of +2.4%
- Significant development activity underway, including Queensgate Shopping Centre carpark and cinema rebuild and seismic strengthening works. H&M opened at Chartwell Shopping Centre on budget and ahead of schedule in July 2019
- As at 30 September 2019, Diversified's total investment property valuation increased to \$491.4m (\$484.6m as at 31 March 2019) primarily due to the spend on the earthquake rebuild at Queensgate Shopping Centre. If these works were completed the value of the portfolio would be over \$575m. Diversified is making an insurance claim for the costs of the rebuild

## Products – New – Creation of Industrie

Stride's product strategy is to grow its directly-held portfolio of commercial properties that may be used to establish new investment management products, and to support and grow Stride's established products. This was evidenced during the period in review with the establishment of Industrie:

- Industrie will be Stride's sector-specific investment management product focussed on the industrial property sector in New Zealand, with a majority weighting to the Auckland market. The vision for Industrie is to grow a significant portfolio of high-quality New Zealand industrial properties
- Industrie is a joint venture with a group of international institutional investors, through a special purpose vehicle and advised by J.P. Morgan Asset Management (together, JPMAM)
- Initially JPMAM will commit approximately \$70m to the establishment of Industrie and SPL will contribute 12 industrial properties owned by it, as well as the agreement to acquire 439 Rosebank Road, Avondale, which SPL is party to. SPL will initially have an approximately 70% shareholding in Industrie, with JPMAM holding the remainder
- JPMAM has additionally allocated a further \$115m of capital to fund near term growth initiatives, subject to meeting certain investment return and approval thresholds, taking JPMAM's total equity committed to \$185m. This \$115m of JPMAM committed capital will result in Industrie having capacity to fund initial portfolio growth of over \$190m
- Over the long term, the strategy is for JPMAM to fund further portfolio growth until the respective shareholdings in the portfolio are 75% / 25% (JPMAM / SPL)
- The establishment of Industrie is subject to Overseas Investment Office approval

## Conclusion – Looking Ahead

- Stride's strategy for its investment management business is to establish a group of commercial property investment management products to provide growth in our investment management business and continue to review opportunities in markets adjacent to core commercial property sectors
- The recent growth of SPL's industrial portfolio and the establishment of Industrie, together with the growth of Investore, are important steps in our delivery of this strategy
- Stride's FY20 cash dividend guidance remains unchanged at a combined 9.91cps

## 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. Distributable profit is a non-GAAP financial measure adopted by Stride to assist Stride and investors in assessing Stride's profit available for distribution. It is defined as profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.3 to the consolidated interim financial statements for the six months ended 30 September 2019.
3. Total sales is the moving annual turnover (MAT) on a rolling 12-month basis.
4. Sales data is not collected for all tenants at Silverdale Centre. Some tenants are not obliged to provide sales data under the terms of their lease.

Ends

**Attachments provided to NZX:**

- Stride Property Group – HY20 Interim Results Announcement – 251119
- Stride Property Group – HY20 Interim Report – 251119
- Stride Property Group – HY20 Interim Results Presentation – 251119
- Stride Property Group – NZX Results Notice – 251119
- Stride Property Limited – NZX Distribution Notice – 251119
- Stride Investment Management Limited – NZX Distribution Notice – 251119

**For further information please contact:**

Tim Storey, Chairman, Stride Investment Management Limited / Stride Property Limited  
Mobile: 021 633 089 - Email: [tim.storey@strideproperty.co.nz](mailto:tim.storey@strideproperty.co.nz)

Philip Littlewood, Chief Executive, Stride Investment Management Limited  
Mobile: 021 230 3026 - Email: [philip.littlewood@strideproperty.co.nz](mailto:philip.littlewood@strideproperty.co.nz)

Jennifer Whooley, Chief Financial Officer, Stride Investment Management Limited  
Mobile: 021 536 406 - Email: [jennifer.whooley@strideproperty.co.nz](mailto:jennifer.whooley@strideproperty.co.nz)

Louise Hill, General Manager Corporate Services, Stride Investment Management Limited and Company Secretary of Stride Property Group  
Mobile: 0275 580 033 - Email: [louise.hill@strideproperty.co.nz](mailto:louise.hill@strideproperty.co.nz)

*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](http://www.strideproperty.co.nz) or at [www.nzx.com/companies/SPG](http://www.nzx.com/companies/SPG).*