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NZX RELEASE

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Record sales and robust rents underpin KPG's FY23 result

- **Net rental income: $203.7m (+13.9%)**
- **Operating profit before tax: $129.6m (+11.3%)**
- **Net loss after tax: -$227.7m (-201.5%)**
- **Adjusted funds from operations: $116.5m (+16.1%)**
- **Net tangible assets per share: $1.23 (-14.9%)**
- **Final dividend: 5.70 cps (+1.8%)**

Kiwi Property released its annual results for the year ended 31 March 2023 (FY23) today, announcing record sales across its mixed-use property portfolio. The company recorded more than $1.7 billion in sales at Sylvia Park, LynnMall and The Base, up 28.5% on FY22 and 34.8% on FY19. Sylvia Park's performance was particularly strong with sales of $889 million across the precinct, reinforcing its standing as New Zealand's favourite shopping centre[1].

Kiwi Property's net rental income continued its recent growth, rising 13.9% to $203.7 million in FY23, partially assisted by the final release of COVID-19 rental abatement accruals. Operating profit before tax increased 11.3% to $129.6 million, while adjusted funds from operations rose 16.1% to $116.5 million.

Kiwi Property Chief Executive Officer, Clive Mackenzie, said: "Our evolution from a retail and office landlord to a creator of connected communities continues to gain momentum. While this transition will take time, we achieved a robust operating performance over the past year, while simultaneously reshaping our portfolio and moving the business closer to our goal of becoming a developer, owner and operator of mixed-use assets at metropolitan town centres."

The company's property portfolio was almost entirely leased on 31 March 2023, with occupancy sitting at 99.3%, reflecting the strong tenant demand for space in Kiwi Property's mixed-use and office assets. Rental uplift was similarly robust, with leasing spreads on rent reviews and new leasing up 5.3% and 4.4% respectively, despite the challenging economic environment. Kiwi Property's occupancy cost ratio (a key measure of specialty retail affordability) decreased to 12.9%, providing substantial scope to drive growth.

Further to the announcement made by Kiwi Property on 6 March 2023, the fair value of the company's investment portfolio decreased by 4.2% or $139.3 million[2] in the second half of FY23, driven by rising interest and capitalisation rates. The reduction in asset values contributed to a full year net loss after tax of $227.7 million.

The Sylvia Park Precinct[3] and The Base proved the most resistant of the company's assets to the downward macroeconomic pressure, with fair value decreases of just 1.0%

and 2.0%, respectively, over the six months ended 31 March 2023. Capitalisation rate softening across office assets such as the Vero Centre and ASB North Wharf led to a 6.1% decline in the fair value of the company's office portfolio during the same period.

"The relative resilience of our key mixed-use assets highlights the strength of these flagship properties and the merits of our mixed-use strategy overall," said Mackenzie. "While the decline in the value of our investment portfolio is disappointing, it is not unexpected given the stage of the property cycle and current economic headwinds. By continuing to drive sales, grow rents and diversify our income streams, we will help mitigate further valuation decreases and encourage a faster recovery as the market improves."

Proactive capital management
Kiwi Property continued to progress on its capital recycling programme in FY23, executing the sale of Northlands Shopping Centre and 44 The Terrace in the second half of the financial year. Post-balance date, the company also sold the Westgate Lifestyle Shopping Centre for $85.7 million, with settlement taking place on 1 May 2023. Kiwi Property's gearing was 35.0% at the end of FY23, however this figure decreased to 33.3% on a pro-forma basis following the Westgate Lifestyle transaction.

In March, the company overcame a volatile period in the debt capital markets to complete a successful $125 million Green Bond issue. The heavily oversubscribed offer enjoyed particularly strong support from retail investors nationwide, highlighting the breadth and depth of support for Kiwi Property, its mixed-use strategy and strong sustainability credentials.

"The sale of our non-core properties and recycling of proceeds is a central pillar of our funding strategy," said Mackenzie. "Not only do these asset sales provide a low cost of capital, they also help create a newer, higher quality and lower risk property portfolio. Strict capital management and ensuring a healthy balance sheet will be a priority in FY24 as we navigate the tough current operating environment and resulting decline in property values."

A disciplined approach to development
Kiwi Property continued to execute on its development roadmap in FY23, completing the 3 Te Kehu Way office development in March 2023. The distinctive six-level building has been designed to cater to the requirements of both medical and office tenants and has attracted interest from a wide range of businesses keen to establish a presence at Sylvia Park's growing commercial hub. The previously announced tenants of Tamaki Health, Horizon Radiology and Regus co-working will also be joined by Geneva Finance, government agency, Rau Paenga, and CLC Consulting.

Elsewhere at Sylvia Park, the sale of 3.2 hectares of land to IKEA is now unconditional, while in parallel, work is ongoing on the precinct's 295 apartment build-to-rent (BTR) complex. The development's superstructure is now up to nine floors high and on track for completion in early FY25. BTR continues to proliferate in markets such as Australia, where quality BTR apartments attract impressive rents. Kiwi Property expects similar trends to flow to the New Zealand market, positioning BTR to deliver attractive returns over time.

The company is making significant progress at Drury, where stage one earthworks are underway and the site's 13 residential super-lots are now formed, and at grade. Kiwi Property has a range of options available to fund the development, including the introduction of capital partners, the sell-down of one or more of the site's super-lots or even potentially the release of large format retail sites.

"We are focussed on ensuring a disciplined approach to property development, with a targeted pipeline of projects underway. Our 125-hectare mixed-use landholding allows us to dictate the timing of future activity in line with demand, funding and the cost of capital. Decisions of when, where and how to proceed will always be dictated by the site's highest and best use and its ability to create value for our stakeholders," added Mackenzie.

Changes to the Kiwi Property Board

Kiwi Property Chair, Mark Ford, will retire as a director of the company at its annual meeting of shareholders, scheduled for 28 June 2023, when he will be succeeded by current director, Simon Shakesheff. Mark Powell has also recently resigned as member of the Kiwi Property Board, effective 19 May 2023.

Mr Ford and Mr Powell will be replaced by Carlie Eve and Peter Alexander. The new directors will bring a wealth of property and investment experience to the company and will play a pivotal role in overseeing its ongoing transformation into a creator and curator of world-class mixed-use communities.

"It has been a pleasure serving on the Kiwi Property Board and I would like to thank our shareholders for their trust and support. I am extremely pleased that a director of Simon's calibre will take over as Chair. His knowledge of the business, intellectual rigour, and commitment to driving performance will be invaluable as the company enters its next chapter. He will be ably supported by a highly capable Board that will be made even stronger by Carlie and Peter's appointments," added Ford.

Dividend and guidance

Kiwi Property will pay a cash dividend of 1.425 cents per share for the fourth quarter of FY23 on 21 June 2023, taking the full-year cash dividend payment to 5.70 cents per share. The company will also reinstate its Dividend Reinvestment Plan (DRP) for the fourth quarter of FY23. The terms were modified on 19 May 2023 and pricing for this dividend will now be based on the volume weighted average price for the five trading days to 12 June 2023. The reintroduction of the DRP will contribute to the organisation's multi-faceted capital management programme and enable shareholders to grow their Kiwi Property holdings at a 2% discount, and without transaction costs.

The company today also confirmed its dividend guidance at 5.70 cents per share for the 2024 financial year[4], which Kiwi Property expects to be within its target payout range of 90-100% of adjusted funds from operations, while still delivering shareholders an attractive gross dividend yield of 9.5%[5].

FY24 Outlook

Ford said the company was focused on delivering for stakeholders today while taking steps to drive the company's success and returns in the future.

"Given the well-documented interest rate and inflation related headwinds facing New Zealand, maintaining strict financial and operational discipline will be vital to Kiwi Property's ongoing performance," said Ford. "Managing our balance sheet will be an ongoing priority as we navigate the volatile economic environment and the downward pressure it is placing on commercial property values.

"We are clear on our way forward and confident of our ability to turn our strategy into reality. By doing so, we will drive the company's operational results, promote growth in our share price and help create greater recognition within the market of Kiwi Property's value," Ford concluded.

Additional information
Kiwi Property has today also released an Annual Results Presentation, Annual Report, Property Compendium, Sustainability Report and Sustainable Debt Framework, which are available for download on the company's website kp.co.nz/annual-result or from nzx.com

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Notes:

General: Net rental income, operating profit before tax and adjusted funds from operations are non-GAAP performance measures. Refer to the Kiwi Property Annual Results Presentation 2023 for details.
1. "The Heart of Kiwi Property 2022" NielsenIQ.
2. Excluding the gross up of lease liabilities required by NZ IFRS 16 Leases.
3. Sylvia Park Precinct includes Sylvia Park Shopping Centre, ANZ Raranga, Sylvia Park Lifestyle and adjoining properties.
4: Dividend guidance and payments are contingent on the company's financial performance through the financial year and barring material adverse effects or unforeseen circumstances.
5: 9.5% dividend yield is based on Kiwi Property's closing share price on 19 May 2023 and assuming a 33% personal tax rate.

Contact us for further information:

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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 have 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 licensed under the Real Estate Agents Act 2008. To find out more, visit our website kp.co.nz