



## Annual Meetings 2023 Chairman and Chief Executive Address

### Stride Property Group Annual Shareholder Meetings 2023

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. Shareholders who attended the meetings last year will note we are in a different venue this year, and that is due to the floods in January affecting the Sofitel where we would otherwise have held the meetings.

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

Bathrooms are located through the door to your right, down the hall and beside the elevators. Your nearest fire exit is also near the elevators, through the door to the right of the bathrooms. This exit leads down to the assembly point which is located outside McDonald's on Lower Queen Street. In the event of an emergency, please vacate the building taking this nearest fire exit, and follow the directions of hotel staff.

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;
- Nick Jacobson, an Independent director; and
- our newest Director, Tracey Jones. Tracey was appointed by the Board in April upon the retirement of Director Philip Ling, and is standing for election today. Tracey is a Chartered Accountant with a strong background in funds management, operations and finance, and has considerable experience in property, and is therefore well suited to be a director of Stride.

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Director Michelle Tierney, who is standing for re-election today, is unfortunately unable to be with us due to illness.

You can view each of the Director's profiles in more detail and their other directorships on Stride's website or on pages 10 and 11 of Stride's FY23 Annual Report.

I would like to take this opportunity to acknowledge the contribution of Director Philip Ling during his six years as a director of Stride, and to thank him for his commitment to growing and developing our company during this period. On behalf of the Board, we wish Philip well in his retirement.

## 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 thank all our people for their hard work and commitment to Stride. Our people are key to the success of our business and the Stride Boards thank the SIML team for all of their efforts during FY23.

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 record that the Notice of Meeting was dispatched to Stride's shareholders and auditors on 29 May 2023. 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 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 resolution 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

FY23 has been a mixed year for commercial property in New Zealand, as we have seen strong growth in like-for-like market rentals, balanced by the rapid increase in interest rates which has impacted capitalisation rates. This has in turn resulted in lower valuations, contributing to lower transactional

activity across the group. As a result of portfolio valuation movements and the higher interest rate environment, the Stride Boards have been focused on ensuring we take a proactive and prudent approach to capital management. I will briefly outline the capital management activities we have undertaken during the year, before Phil takes you through more detail on our financial and portfolio highlights.

### Slide 6 – Capital management initiatives

At the time of the announcement of our half year results we announced a number of initiatives designed to protect shareholder value in the current volatile economic environment. These initiatives included establishing a dividend reinvestment plan or DRP, and I am pleased to report that an average of 41% of shares have elected to participate in the DRP over the first two dividends to which the DRP applied. This has enabled Stride to retain additional cash in the business or reduce bank debt.

We also implemented a number of cost management initiatives during FY23, to right-size the business in a time of slower activity, growth and access to capital. These cost management actions, which included cancelling \$75 million of bank facilities to save on fees, have resulted in annualised cost savings of between \$1.0 million and \$1.5 million.

The Boards also refined the dividend policy to be more appropriate for Stride's transition to a maturing real estate investment management business. The refined policy is to target a total cash dividend to shareholders that is between 80% and 100% of SPL's distributable profit and between 25% and 75% of SIML's distributable profit. Consistent with this refined policy, Stride updated its FY23 cash dividend guidance to 8.0 cents per share. At the time of this change, we also provided guidance of distributable profit per share for FY23 of between 10.0 and 10.5 cents per share, and I'm pleased to report we exceeded these forecasts, delivering a result higher than the upper range of that guidance, at 10.66 cents per share.

In November 2022, we also announced an intention to dispose of selected properties with a total value of between \$30 million and \$60 million, provided appropriate value could be achieved. I am pleased to report that we now have an unconditional agreement to sell the office property at 22 The Terrace in Wellington.

As a result of these capital management initiatives, including the expected proceeds from the sale of 22 The Terrace, Stride's loan to value ratio or LVR on a pro forma basis as at 31 March 2023, and including capital expenditure commitments, reduces to approximately 36%. The expected proceeds from the sale of 22 The Terrace have reduced our committed LVR from that announced with our annual results in May. I note that this LVR of around 36% does not include the value of our investments in each of the Stride Products of Investore Property Limited (Investore), Industrie Property Joint Venture (Industrie) and Diversified NZ Property Trust (Diversified). If we included the value of those investments, our committed LVR on a pro forma basis as at 31 March 2023 would reduce to approximately 26%.

Without the initiatives outlined, Stride's LVR would have been around 40%, so you can see the benefit from implementing these projects which have helped to manage the impact of declining portfolio valuations on Stride's LVR. We will continue to take a proactive and prudent approach to capital management in the current economic environment.

## Slide 7 – Capital management

Turning now to more detailed information on our capital management position, as I have noted, at 31 March 2023 on a pro forma basis and including capital expenditure commitments, Stride's LVR was 36%, with approximately 80% of our committed drawn debt subject to a fixed rate of interest.

Stride's weighted average cost of debt was 3.96% as at 31 March 2023, which is an increase of 41 basis points since 31 March 2022, a reflection of Stride's active approach to interest rate risk management. This compares favourably with the increase in New Zealand's Official Cash Rate, which increased 375 basis points over the year to 31 March 2023, rising to 4.75% at March and is now 5.5%. Approximately 80% of Stride's committed drawn debt on a pro forma basis as at 31 March 2023 is subject to a fixed interest rate, providing a level of protection against rising interest rates over the short to medium term.

The Board will continue to closely monitor and manage our capital management position given the high interest rate environment.

Consistent with the Board's focus on sustainability, which you will hear more about shortly, \$400 million of Stride's debt is classified as green loans, which are loans governed by a Green Finance Framework that has been put in place to be consistent with recognised green loan principles and are secured by assets having a minimum green rating of at least 4 star NABERSNZ or 5 Green Star.

I would now like to hand over to our CEO, Phil Littlewood, who will provide more detail on Stride's financial results and activity during FY23.

## Slide 8 – Chief Executive Officer's Address

Thanks very much Tim, and good morning, everyone.

## Slide 9 – FY23 highlights

I'll begin with some highlights from the last year.

In summary, the macroeconomic background, and in particular the high inflationary environment, has provided the dominant theme for our market, and for the composition of our FY23 results. On the one hand, high inflation has helped drive growth in rentals that was a record in Stride's history. Our leasing spreads for our office and town centre portfolio, which is growth from the combination of rental reviews, renewals and new lettings, were up 4.9% on previous rentals. In addition, market rentals for the year were up 7.1%. This growth helped contribute to strong underlying earnings, with profit before other expense and income tax at \$53.5 million, up \$7.0 million or 15% on the prior year.

The high inflationary environment has also led to higher interest rates, and consequently to higher capitalisation rates for valuations, and to higher costs of debt servicing. The widening in capitalisation rates has been the major driver of the net portfolio valuation reduction of \$(118) million for FY23, with the 12 month capitalisation rate movement of 77 basis points resulting in a 7.9% decline in value, although I do note that without the contract and market rental growth we experienced, this decline would have been closer to around 14%.

Overall therefore, Stride delivered strong distributable profit growth for FY23 of 6.4% to \$58 million, however the reduction in portfolio valuations across Stride and the Stride Products contributed to a loss of \$(1 17) million for FY23.

### Slide 10 – Products

This next slide shows that Stride had \$3.4 billion of assets under management after commitments as at 31 March 2023. The striped boxes on this chart are the commitments for each sector or Stride Product. Stride's assets under management includes \$2.3 billion of external assets under management, including Investore at \$1.1 billion, Diversified at \$412 million and Industrie at \$798 million, all figures as at 31 March 2023 after commitments. Stride's direct portfolio currently comprises office and town centre assets with a valuation of \$1.2 billion as at 31 March when including commitments.

While our total assets under management were down on the prior year, around a quarter of the net change was attributed to the sale of Remarkables Park Town Centre, which was part of the Diversified portfolio. This property was sold at \$56 million, a premium to its book value.

### Slide 11 – Diversified revenue sources

The combination of Stride's real estate investment management business and property ownership business provides us with diversified income sources, as we obtain income from management fees, together with property income from SPL's investments.

For FY23, on a look through basis, 21% of Stride's income was derived from management fees, while 31% of our income was from office property, 16% from industrial property, 11% from large format retail, and 21% from retail shopping centres. We think this diversification is valuable because it provides us with a level of resilience in different market conditions.

### Slide 12 – SIML management fee income

Turning now to our management fee income, for FY23 Stride's management fee income was \$23.3 million, which was approximately \$1 million lower than FY22. This was due to economic conditions impacting market activity and lower performance fees. However, we are pleased to report that our recurring management fees continue to increase, and at \$17.6 million for FY23, were 9.5% higher than FY22, contributing to 59% growth in total management fees over the past four years.

### Slide 13 – Active portfolio manager

We are proud to manage the portfolios of the Stride Products, and we remain a committed and active real estate investment manager, continuing to improve and grow the portfolios of each of the Stride Products.

One example of this is the purchase of the property at 110 Carlton Gore Road, Auckland, which settled on 31 May 2023. This important acquisition has been part of our strategy to transform our office

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portfolio to focus on newer, high quality and sustainable properties. Aligned with this strategy, during FY23 we sold four non-core office properties. Combined, these transactions contributed to Stride's office portfolio (excluding properties that are for development or sale) having a committed value as at 31 March 2023 of \$748 million, a weighted average age of 10 years, 84% of the portfolio by value categorised as Prime or Grade A, and 74% of the portfolio by value having a minimum sustainability rating of at least 4 stars.

We are also very pleased to report that Stride's town centre portfolio delivered sales growth of 16% during FY23 – again a record number in our company history. This sales growth has also helped to make tenancies within the Stride centres more affordable, with gross occupancy costs for specialty tenants reducing from 13% in FY19 (pre Covid-19) to 11% in FY23. We believe this will ensure that the centres remain attractive to tenants and provide an opportunity for more rental growth in the future.

Strong sales performance was also a feature of the Diversified portfolio for FY23, with moving annual turnover up \$61 million or 14% compared with FY19. Again, these higher sales have helped to drive higher rentals across the portfolio (excluding development properties and those held for sale), with rent reviews during FY23 across the stabilised portfolio resulting in an 8% increase on previous rentals.

During FY23 SIML, on behalf of Diversified, completed the rebuild of part of the Queensgate Shopping Centre that was damaged during the 2016 Kaikoura earthquake, with EVENT Cinemas reopening prior to Christmas 2022. This development received an excellence award in the retail property category in last week's Property Council New Zealand Awards, reflecting the quality of this development. With the carpark and cinemas opened, the centre has benefited from increased visitation, with total sales for the FY23 year up 18% on FY19.

## Slide 14 – Active portfolio manager (cont)

Turning now to our other two Stride Products of Industrie and Investore, Industrie continues to develop a portfolio of quality industrial properties. Since its inception, Industrie has developed, or is in the process of developing, 5 properties, including 439 Rosebank Road, Auckland, which was recently completed, and 34 Airpark Drive, Auckland, due to be completed this month. Industrie has 10 further properties with development potential, providing a significant development pipeline for the future. We are very pleased with the growth to date in our Industrie product, with portfolio value up by almost \$400 million since commencement. The low vacancy rates in this sector, particularly in the Auckland market, have also resulted in under renting in the portfolio, with market rentals assessed to be approximately 15% higher than current passing rentals, providing the opportunity for further growth.

And finally, Stride has also sought to optimise the Investore portfolio during FY23. This included completing \$28 million of acquisitions, including the acquisition of land at Hakarau Road, Kaiapoi, where Stride is now managing the construction of a new Countdown supermarket, due for completion in late 2023. Stride has also, on behalf of Investore, negotiated an agreement with Countdown, Investore's largest tenant, to expand the customer amenity at Countdown Rangiora, delivering a 7.5% per annum return on cost of up to \$1.0 million.

We note that Investore announced the implementation of a dividend reinvestment plan yesterday, and, as Investore's major shareholder, we are pleased to support that plan and have committed to participating in the dividend reinvestment plan so as to maintain our 18.8% shareholding.



## Slide 15 – Sustainability

Finally, I wanted to provide more detail on our sustainability performance for FY23 before handing back to Tim to take you through our outlook for FY24. Across Stride there has been a dedicated focus on improving our sustainability performance and this has culminated in some important milestones during FY23.

For the first time, we presented a separate sustainability report for FY23 and I encourage shareholders to review that report to understand in more detail how Stride approaches the sustainability of its business and the properties it owns and manages.

We are pleased to report that we have set clear sustainability targets, which demonstrate our commitment to a low carbon future. These include reducing our scope 1 and 2 greenhouse gas emissions by 42% by 2030 from our FY20 baseline year and achieving net zero in our scope 1 and 2 emissions by that date. We have already commenced work intended to ensure we achieve this target, working with Beca to develop a decarbonisation plan for all SIML-managed office and shopping centre assets. This plan will identify how we can achieve our emissions reduction targets, which, based on an initial review of assets and emissions reduction options, are readily achievable.

During FY23 we also continued to progress obtaining green ratings for the properties we own and manage, with our office portfolio now demonstrating strong sustainability credentials. We have also continued to focus on our people and community strategy, including our support for community initiatives and programmes.

I will now hand back to Tim to describe the outlook for Stride for FY24 before we move to the formal business of the meetings.

## Slide 16 – Outlook

Thank you, Phil. Turning now to what shareholders can expect for FY24.

As a business that is focussed on investment management, we are building a sustainable, long term investment management business to grow and protect shareholder value. Property cycles are a natural part of the business environment, and we believe we have and will continue to endeavour to manage the current cycle. That includes remaining focussed on seeking to ensure we maintain the momentum in rental growth arising from the economic environment, while also managing the risks caused by the inflationary environment, particularly higher interest rates. We are very pleased that our capital management initiatives are well progressed, and will continue to focus on maintaining a prudent approach to capital management. We believe that we are well positioned to manage the risks associated with the challenging economic conditions, given our diversified business, resilient portfolio and prudent capital management position. We expect to pay a dividend of 8.00 cents per share for FY24, and will monitor market conditions as the year progresses.

We think our portfolio has been significantly transformed into a better quality portfolio over the last few years, and we remain confident that this higher quality should convert to income growth and growth for our investment management business going forwards.

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We will continue to seek to optimise the portfolios of the Stride Products, consistent with our performance during FY23. As an active portfolio manager, we constantly consider opportunities for the Stride Products but will only seek to execute opportunities that improve the portfolios and businesses of the Products.

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