



Annual Meetings 2024 Chairman and Chief Executive Address

Stride Property Group Annual Shareholder Meetings 2024

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.

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

Bathrooms are located at the bottom of the stairs, directly outside the exit to your left. Accessible 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. 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, all of whom are Independent Directors:

- Ross Buckley, Chair of the Audit and Risk Committee;
- Jacqueline Cheyne, Chair of the Sustainability Committee;
- Nick Jacobson;
- Michelle Tierney; and
- Tracey Jones.

Both Ross Buckley and Nick Jacobson are standing for re-election today.

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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 2024 Annual Report.

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 like to take this opportunity to thank all our people for their hard work and commitment to Stride. Our people are key to the success of our business.

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 sent to Stride's shareholders on 30 May 2024. 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

Economic conditions have continued to remain challenging during FY24, with elevated inflation rates driving higher interest rates which, in turn, impact property capitalisation rates and result in lower portfolio values for SPL and the Stride Products. Despite these conditions, our underlying earnings have remained resilient, and, as with prior years, capital management has been a key focus for the year in review, given the higher interest rate environment that has persisted throughout the financial year.

I will now outline the financial highlights for FY24 in more detail and provide an overview of our capital management activities during the year, before Phil provides more information on particular aspects of our business.

Slide 6 – FY24 financial highlights

During FY24 Stride was pleased to deliver higher net rental income, at \$72.3 million, up 1.7% from FY23, largely as a result of the acquisition of the office property at 110 Carlton Gore Road, Auckland, partially offset by the sale of 22 The Terrace, Wellington. The higher interest rate environment has impacted portfolio capitalisation rates during FY24, thus reducing portfolio values, resulting in SPL having a net reduction in fair value of investment properties for FY24 of \$(75.8) million, lower than for FY23 where SPL experienced a \$(118.5) million net reduction.

This net reduction in fair value of investment properties, combined with a share of loss in equity accounted investments in the Stride Products, has contributed to a loss after income tax of \$(56.1) million, which compares favourably with a loss after income tax of \$(116.7) million for FY23.

Distributable profit, which Stride considers to be more reflective of underlying earnings, remained resilient despite the challenging economic conditions, with distributable profit after current income tax up 2.6% on FY23. On a per share basis, distributable profit was 10.76 cents per share, which is up 0.9% on FY23. This growth in distributable profit is a result of Stride's acquisition and leasing activity, which has delivered favourable results in a challenging environment.

The net reduction in fair value of investment property as a result of the higher interest rate environment has contributed to a reduction in net tangible assets, down 10.1% from 31 March 2023 to \$1.78 per share as at 31 March 2024.

For FY24 Stride paid a combined cash dividend of 8.0 cents per share, consistent with guidance. This dividend reflected a combined payout ratio of 74% of distributable profit, meaning we have been able to reinvest 26% of FY24's distributable profit back into our business.

Slide 7 – Capital management

I turn now to capital management, which has continued to be a focus of the Board and Management during FY24 given the challenging economic environment and higher interest rates. Stride's more conservative dividend policy has enabled it to utilise higher levels of retained earnings to repay bank debt and further strengthen its balance sheet.

Stride has successfully executed a number of capital management initiatives during FY24 to ensure that Stride's balance sheet remains robust:

- The dividend reinvestment plan has continued to be in operation during FY24, with an average participation rate of 45%, resulting in \$20 million being reinvested.
- SPL completed the sale of the office property at 22 The Terrace, Wellington, with the net proceeds of sale used to pay down debt.
- SPL received a distribution from Industrie of \$15 million following the sale by Industrie of two properties during FY24. This evidences the ability of SPL to access sources of capital beyond its direct property investments. The distribution was also used to pay down debt.

These initiatives have helped to offset the decline in investment property values experienced during FY24 and, as a result, SPL has managed to maintain its loan to value ratio (LVR) at 36.7%, consistent with 31 March 2023, or 37.2% when taking into account commitments. This LVR is calculated based

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on the value of SPL's directly held portfolio and direct debt, and does not include any value for SPL's interests in the Stride Products or the value of SIML's management contracts.

SPL's LVR on a balance sheet basis, which includes the value of SPL's interests in each of the Stride Products as additional assets, is 28.1% including commitments. The composition of Stride's balance sheet is a key point of difference relative to its peers, and as the Industrie distribution highlighted, Stride has access to other sources of capital on its balance sheet beyond its directly held portfolio.

To date Stride's earnings have benefited from the high levels of hedging that were put in place prior to the current interest rate cycle. As at 31 March 2024, 73% of SPL's drawn debt was hedged when taking into account commitments, providing a level of resilience in a higher interest rate environment. As at 31 March 2024, SPL's weighted average cost of debt was 4.22%, an increase of only 26 basis points since 31 March 2023, compared with an increase of 75 basis points in the Official Cash Rate over the same period. While Stride has had a strong hedging position which has benefited it since the onset of the current higher interest rate environment, this hedging is beginning to mature and reprice at prevailing market rates which is expected to impact FY25 earnings. Stride will seek to enter into further hedging when it sees relative value in order to manage the impact of interest rate variability on future earnings.

While the Board is pleased to have seen property valuations stabilising over the second half of FY24, which will assist with managing our LVR, we are conscious of the current higher interest rate environment and a softer economy which are expected to persist for the remainder of this year.

Notwithstanding the challenging environment over the last year or two, Management has remained focussed on evaluating a range of opportunities to grow our business for the benefit of our shareholders, from seeking to list our office portfolio to exploring new product initiatives, but of course the business remains vigilant to ensure only those options that deliver real value are pursued.

On behalf of the Board, I would like to acknowledge the dedication of Management in carefully managing our business in trying times, from debt management to asset management and development, as well as pursuing strategic opportunities – we are proud that we continue to pursue a proactive approach in our business, focussed on protecting and growing shareholder value.

I will now hand over to Phil, our CEO, who will provide further detail on our real estate investment management business and our portfolio.

Slide 8 – Chief Executive Officer's Address

Thanks very much Tim, and good morning, everyone.

Slide 9 – Products

As shareholders will be aware, SIML manages a group of funds that invest in commercial property, which we call the Stride Products. The Stride Products comprise both listed and unlisted funds, providing diversification of opportunities in varying market conditions.

As at 31 March 2024, Stride had \$3.2 billion of assets under management (including commitments). This is slightly down on last year and largely reflects the reduction in asset values across SPL and the Stride Products as a result of current economic conditions.

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Stride's assets under management includes \$2.2 billion of externally held assets including commitments, comprising Investore at \$1.0 billion, Diversified at \$414 million, and Industrie at \$777 million. Stride's direct portfolio of office and town centre assets was valued at \$1.0 billion as at 31 March 2024, including commitments.

Slide 10 – Diversified revenue sources

Stride's exposure to a range of commercial asset classes, together with its real estate investment management business, means that Stride has diversification in its revenue sources, providing a level of resilience across varying market conditions.

For FY24, on a look through basis, 17% of Stride's income was derived from management fees, while 36% of our income was from office property, 16% from industrial property, 11% from large format retail, and 20% from retail shopping centres. We remain confident of the office sector in New Zealand, and in particular our high quality portfolio, and we intend to create a new Product using our directly held office assets when market and economic conditions are conducive. This would be expected to result in our exposure to the four core commercial property sectors becoming more evenly balanced over time.

Slide 11 – Management fee income

As can be seen on this next slide, SIML's management fee income from its investment management business was \$19.9 million for FY24, which is down from \$23.3 million in FY23, due to lower valuations and lower activity fees. These activity fees reflect less development and acquisition activity, due to the subdued commercial real estate market, driven by the challenging economic conditions.

While the activity fee component of our management fees is cyclical, indicators suggest that we are approaching the bottom of the current economic cycle, with interest rate cuts expected in 2025. We are taking steps to position our business for the next phase of the cycle when market conditions begin to improve, which we expect will lead to increased activity fee income.

Slide 12 – Investore and Diversified

As we have mentioned, SIML manages a number of listed and unlisted commercial property funds, which we call the Stride Products. We are proud to manage the portfolios of the Stride Products, and we remain a committed and active real estate investment manager.

Investore is a listed entity which owns a portfolio of large format retail properties with a value of \$1.0 billion as at 31 March 2024. Investore's large format retail portfolio continued to deliver resilient operating earnings during FY24, with rental reviews delivering an increase of 3.1% on prior rentals, although the value of the portfolio was impacted by the higher interest rate environment placing upwards pressure on property capitalisation rates.

SIML, on behalf of Investore, has continued to implement its core strategic pillars of targeted growth, portfolio optimisation and active portfolio management during FY24 to strengthen and enhance the Investore portfolio. Examples of this include the development of Woolworths Waimakariri Junction, delivered on time and within budget, and the expansion of the online fulfilment facilities at Woolworths Greenlane.

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The Diversified shopping centre portfolio saw strong sales growth through the early part of FY24, although we note this has weakened towards the end of the financial year as general economic activity has slowed. The strong sales growth in the early part of the financial year resulted in specialty moving annual turnover for the stabilised investment portfolio increasing during FY24, up 3.4% on FY23, helping to drive a 5.9% increase in rentals for all reviews completed during the year.

SIML's focus on cost management, together with higher sales, has resulted in the average specialty occupancy cost ratio for the stabilised investment portfolio remaining constant at 12.9% for FY24. The portfolio has also seen improved market rents, which has partially offset a slight softening in capitalisation rates, resulting in a total portfolio valuation of \$4.14 billion as at 31 March 2024.

Slide 13 – Industrie

I turn now to Industrie, our industrial property joint venture between SPL and a number of international institutional investors advised by JP Morgan Asset Management. The industrial sector remains a focus for our group, and we continue to see growth opportunities in the sector, and with our investment partner. Industrie has continued its focus on new developments and acquisitions, and is seeing strong growth in rentals across its portfolio of industrial properties.

During FY24, we completed the development of a new industrial building at 34 Airpark Drive, Auckland. This development, now tenanted by DHL on a 10 year lease, incorporates a number of sustainability initiatives, targeted to achieve a 5 Green Star As Built rating, which is currently in progress. This project delivered a development margin of 15% on completion.

Industrie has also agreed to construct a new development at its property at 16A Wickham Street, Hamilton, which has been pre-let to an existing Industrie tenant. The total cost of the new development, excluding land, is expected to be approximately \$31 million, and will provide a yield on cost (including land) of between 6.0% and 6.75%.

In addition, post balance date, Industrie has acquired 7.9 hectares of land at Hamilton, which provides future development opportunities for Industrie, consistent with its strategy of targeted acquisitions providing development opportunities.

During FY24 Industrie also sold two properties, at 22 Ha Crescent and 15 Ride Way, both in Auckland, at an aggregate sale price of \$43.5 million, 10% above the combined book value for the assets, a strong outcome for the fund.

Net market rental for the Industrie portfolio increased by 6.7% over the 12 months to 31 March 2024, which offset some of the capitalisation rate movement, resulting in a total portfolio value of \$726 million as at 31 March 2024, or \$777 million including commitments.

Slide 14 – SPL office and town centre portfolio

Now to SPL's directly owned portfolio, which comprises office and town centre properties with a total value of \$1.0 billion as at 31 March 2024.

SPL has continued to transform its office portfolio to meet market demand for high quality, sustainable buildings, including the completion of the acquisition of the new, 6 Green Star Design rated office property at 110 Carlton Gore Road, Auckland. During FY24, SPL also progressed a number of

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upgrade works at its property at 34 Shortland Street, Auckland, which are described in more detail on the next slide.

FY24 also saw the sale of the property at 22 The Terrace, Wellington, which Stride had redeveloped. Stride is developing expertise in taking older buildings, such as 22 The Terrace and 34 Shortland Street, and transforming them into modern, high quality, energy efficient and sustainable buildings. We believe this expertise will be valuable given the need to transition to a low carbon future. As at 31 March 2024, 92% of SPL's stabilised office investment portfolio by value is green rated, with 73% by value rated 5 Green Star or higher. 83% of the stabilised office investment portfolio by value are Prime or A grade assets, with 51% of the portfolio by value located in Auckland, and the remainder in Wellington.

SPL's town centre portfolio continues to benefit from strong growth in the catchment areas of the centres, with moving annual turnover increasing, contributing to higher rents across the portfolio. SPL's town centre assets are located at NorthWest and Silverdale, both Auckland suburbs which are growing strongly, and forecast to have continued population growth.

The SPL town centres have seen strong rent reviews as a result of this sales performance, with rent reviews and renewals completed across the town centre portfolio during FY24 delivering a 5.8% increase on prior rentals. While we have seen an increase in certain operating costs during FY24, in particular council rates and insurance, SIML's management of costs, together with increased sales, has resulted in specialty gross occupancy cost across the portfolio remaining steady at 11.0% for FY24.

Over the stabilised office and town centre investment portfolio, we completed 166 rent reviews and lease renewals during FY24, delivering a 4.9% uplift on prior rentals.

Slide 15 – 34 Shortland Street, Auckland

As mentioned, during FY24 SPL has focussed on upgrading and improving its office property at 34 Shortland Street, in Auckland. SPL acquired this property in 2020 and since then we have worked to improve the building to ensure that it continues to have enduring demand. Works have included the upgrade of the lobby to a modern, inviting space, installation of end of trip facilities to encourage active forms of transport for those employed within the building, and the upgrade of the lifts and escalators. The next phase of the upgrade involves mechanical improvements designed to enable the building to achieve a minimum 4 star NABERSNZ rating.

As a result of these projects, this building is being transformed into a modern, bright, welcoming and sustainable space where people want to be, which is consistent with our strategy of owning and developing places with enduring demand.

Aligned with the upgrade of the common spaces, Stride is also modernising the on-floor lobbies and developing turnkey leasing suites. We are confident that these repositioning works meet current occupier demands and this is being reflected in the net rentals which have increased by 15% since September 2022 (prior to the works commencing).

I also note that we are commencing a similar project for the office property at 215 Lambton Quay in Wellington, which will include carpark, end of trip facilities, lobby works, lift replacements, energy efficiency upgrades and office floor refurbishments. Similar to 34 Shortland Street, this will be progressively completed over the coming years, and will, in our view, reposition the building for its next lifecycle.

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I will now hand back to Tim to outline our sustainability initiatives and achievements for FY24 and provide commentary on the outlook for Stride for FY25 before we move to the formal business of the meetings.

Slide 16 – Sustainability

Thank you, Phil. FY24 has seen a continued focus on our sustainability performance and delivering on our sustainability commitments.

Slide 17 – Progress against targets

Turning first to progress against our sustainability targets. As shareholders will be familiar, during FY23 Stride set a number of challenging sustainability targets, as we recognise the need to ensure that our business remains sustainable into the future, with properties that continue to demonstrate enduring demand across tenants and investors.

Overall, we have made good progress on our sustainability targets. Our scope 1 and 2 emissions, which are the emissions that we generate from our direct business, including electricity from common areas, reduced 18.7% from our FY20 baseline year. I would note that our baseline year was recalculated during FY24 to reflect changes in our portfolio since FY20, consistent with our recalculation policy.

We target 90% diversion of waste from landfill for our development activities, with a minimum of 75%. During FY24, we achieved 82% diversion of waste by weight from landfill, which is greater than our minimum, although not quite at the level of our target. Recycling of waste can be harder in some areas that do not provide recycling facilities, but we will continue to work towards our overall goal.

We recognise that gas usage at our properties contributes materially to our greenhouse gas emissions, particularly at our office buildings, and we have a strategy to remove gas from all of our properties over time. To support this strategy, we have been working with Beca to develop a carbon transition plan, which sets out a number of steps to be taken at each office and shopping centre property owned and managed by Stride, to reduce our greenhouse gas emissions and this includes removal of gas in accordance with Stride's targets.

We are also in the process of removing harmful refrigerants from our properties. We have set a strategy of removing air conditioning units that use R22 refrigerant, which is a refrigerant with a high global warming potential, and replacing these with a lower global warming potential refrigerant. During FY24, we removed a number of units with this refrigerant at large format retail and industrial properties managed by SIML, and we will continue to work through the remainder of the portfolio over the coming years.

Finally, we have a target of reducing waste to landfill. The waste that we report is primarily tenant waste, and waste to landfill increased for FY24, although overall total waste decreased from FY23. We plan to develop strategies to assist tenants to reduce their waste being sent to landfill during FY25, as waste to landfill is a contributor to greenhouse gas emissions.

Further information on our targets and our work in achieving these targets can be found in our FY24 Sustainability Report and Climate-Related Disclosures, available on Stride's website.

Slide 18 – Transitioning to a low carbon future

During FY24 we commenced the development of our climate transition plan, which outlines how we will respond to a changing climate – to ensure that our business is sustainable in the face of a changing climate.

Stride's transition plan is aligned with its strategy of owning and managing properties that have enduring demand, and is based on four key pillars, which align with the different focus areas of our business:

- **Upgrades to existing buildings:** During FY24 we progressed the development of our carbon transition plan with the help of Beca. This plan sets out a roadmap to transition our current office and shopping centre assets to low carbon, energy efficient assets.
- **Developments:** Sustainability initiatives are incorporated into assets that are developed by Stride, with new developments or major refurbishments targeting a 5 Green Star rating. This strategy has been evident during FY24 with the development of Woolworths Waimakariri Junction for Investore and the new industrial warehouse at 34 Airpark Drive, Auckland, for Industrie. Both of these developments incorporate a number of sustainability initiatives and both are targeting a 5 Green Star As Built rating.
- **Acquisitions:** When Stride acquires a new property, it considers physical and transition climate-related risks associated with the property, and will target properties that are 5 Green Star rated, or can achieve this rating, where appropriate, taking into account the type and age of the property, noting that limited ratings exist for some categories of asset.
- **SIML and employee emissions:** SIML employee commuting and business travel emissions are contributors to Stride's emissions. We will seek to reduce these emissions where practicable, following which we will focus on other operational level emissions for our property management business.

Slide 19 – Outlook

Turning now to what shareholders can expect for FY25.

The commercial property sector continues to face economic headwinds, primarily driven by the higher interest rate and elevated inflationary backdrop, unaided by the removal of tax depreciation on commercial buildings. As the market responds to these challenges in the economy, interest rate cuts are expected to follow, although we accept that the timing of this may be later in the financial year as implied by the current interest rate curve.

These challenging economic conditions have the potential to create opportunities for our investment management business, and we are therefore working on positioning the business and the Stride Products for the next cycle, to deliver new investment management and development initiatives as conditions improve.

For the current portfolios, the key initiatives for the next 12 months are the delivery of Industrie's development pipeline and working to further progress the repositioning of SPL's office assets at 34 Shortland Street and 215 Lambton Quay.

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Finally, I'm pleased to confirm the Boards intend to pay a combined cash dividend for SPL and SIML during FY25 of 8.0 cents per share, consistent with FY24 and in line with our distribution policy, subject to market conditions.

Now to the formal business of the meetings.

End

For further information please contact:

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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.