29 11 2021

ASSET PLUS+

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FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Overview

Key Activity

Settlement of Eastgate Shopping Centre deferred to 1 April 2022	Munroe Lane progressing well, but completion delayed to March 2023 due to COVID-19 impacts	Lease renewals secured at Stoddard Road, maintaining occupancy at 100%
Continued support of tenants through further COVID-19 lockdowns	Ongoing leasing campaign at 35 Graham Street, with proposals made to prospective tenants	AFFO in line with the prior corresponding period at $2.57m

Key Metrics

as at 30 September 2021

Portfolio Value

$188.2m
(Mar-21: $172.8m)

Properties

5
(Mar-21: 5)

Number of Tenants

68
(Mar-21: 71)

WALE

2.65 years
(Mar-21: 2.75)

Occupancy

79.2%
(Mar-21: 98.0%)

LVR

15%
(Mar-21: 5.4%)

NTA

$0.445
(Mar-21: $0.448)

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COVID–19 impacts

- Rental abatements and relief reduced 1H22 operating income by $0.18m ($0.13m after tax), equivalent to approximately 2.1% of current annualised net rental income.

- The Government has now enacted legislation to effectively add the 'no access' clause into every lease, and back dating to 18 August 2021. Management are assessing the implications of this and working with tenants to identify any potential changes to agreements already in place.

- Collaborative approach adopted to date, providing support to those tenants where required to ensure continuity of existing leases.

- Estimated impact for the full FY22 year of $0.5m. The NPAT impact of this will be partially offset by the additional income from Eastgate as a result of the deferral of the settlement to 1 April 2022.

FINANCIALS

Financial Performance

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	6 months Sep-21 $m	6 months Sep-20 $m	Var $	Var %
Gross Rental Revenue	6.49	6.64	(0.15)	(2%)
Direct Property Operating Expenses	(2.09)	(1.97)	(0.12)	(6%)
Net Rental Revenue	**4.40**	**4.67**	**(0.27)**	**(6%)**
Administration Expenses	(0.77)	(0.69)	(0.08)	(12%)
Net Finance Costs	(0.61)	(0.66)	0.05	8%
Total Operating Income	**3.02**	**3.32**	**(0.30)**	**(9%)**
F.V. Gain of Investment Properties	(0.01)	8.87	(8.88)	100%
Other Adjustments	-	(0.01)	0.01	100%
Profit Before Taxation	**3.01**	**12.18**	**(9.17)**	**(75%)**
Tax	(0.49)	(0.65)	0.16	(25%)
Total Comprehensive Income For the Period	**2.52**	**11.53**	**(9.01)**	**(78%)**
AFFO*	**2.57**	**2.63**	**(0.06)**	**(2%)**
AFFO CPS*	**0.71**	**1.55**	**(0.84)**	**(54%)**

Profit and other comprehensive income net of tax for the period ended 30 September is $2.52m, $9.01m or 78% lower than the prior year, primarily due to property revaluations which took place in September 2020.

Adjusted funds from operations (AFFO) of $2.57m is broadly in line with the prior period ($2.63m).

Net revenues from the property portfolio were down $0.27m as a result of Auckland Council's rent reducing by ~50% at Graham Street in late June 2021. This was offset by lower COVID-19 abatements, primarily driven by Eastgate which had a longer lockdown period in April-May 2020.

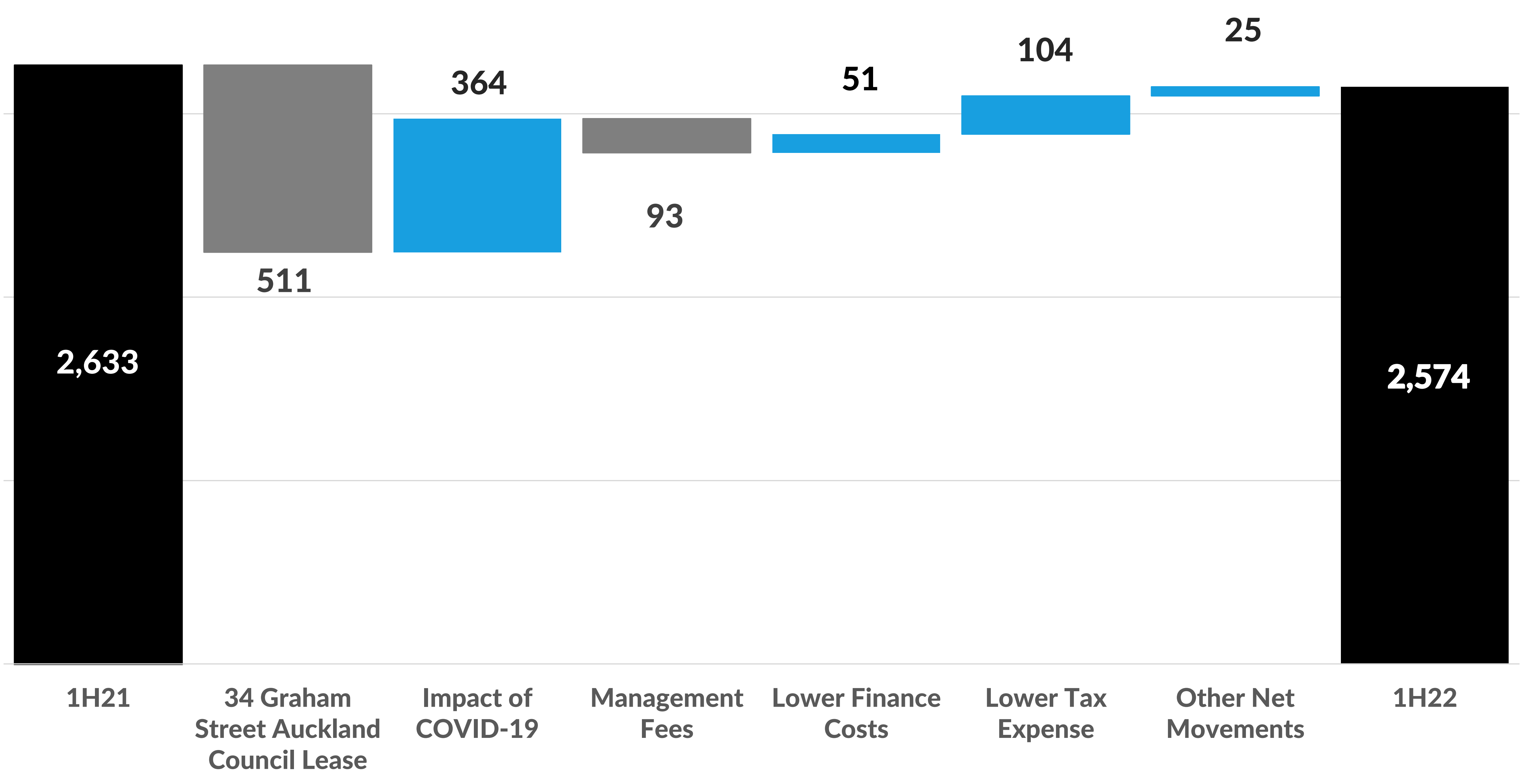
Administration Fees of $0.77m are higher due to management fees charged on a higher valued portfolio, largely as a result of Munroe Lane development spend.

*The number of shares used in the calculation of the AFFO CPS for the six months ended 30 September 2021 is 362,717,801. The number of shares used in the calculation of the AFFO CPS for the six months ended 30 September 2020 is 169,753,921 being the weighted average number of shares issued between 1 April to 30 September 2020.

AFFO stands for 'Adjusted Funds From Operations', and is non-GAAP financial information, calculated based on guidance issued by the Property Council of Australia. Asset Plus considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities. The calculation of AFFO has been reviewed by Asset Plus' auditor Grant Thornton New Zealand Audit Limited. A reconciliation of AFFO to net profit after tax is set out in Appendix 1

AFFO

AFFO Movement (Post Tax) - 1H22 v 1H21 ($'000s)



Adjusted funds from operations* (AFFO) of $2.57m are broadly in line with the prior corresponding period ($2.63m).

This represents a pay out ratio of 127% for the half year.

The small decrease in AFFO was mostly driven by the reduction in rental income at Graham Street, following the Auckland Council lease reducing to ~$2m p.a. from late June 2021.

This was largely offset by $364k lower COVID-19 related rental concessions provided in H122 compared to H121, a result of less time spent in government enforced lockdowns (primarily Eastgate).

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Financial Position

	Sep-21 $m	Mar-21 $m	Var $m	Var %
Cash	2.4	3.1	(0.7)	(23%)
Investment Properties	144.8	130.2	14.6	11%
Properties Held for Sale	43.5	42.6	0.9	2%
Other Assets	4.6	3.1	1.5	48%
Total Assets	**195.3**	**179.0**	**16.3**	**9%**
Bank Debt	28.3	9.4	18.9	201%
Other Liabilities	5.4	7.2	(1.8)	(25%)
Total Liabilities	**33.7**	**16.6**	**17.1**	**103%**
Equity	**161.6**	**162.4**	**(0.8)**	**(1%)**
Net Tangible Assets Per Share ($)*	**0.445**	**0.448**		
LVR Ratio	**15.0%**	**5.4%**		

* The total number of shares used in the calculation of Net Tangible Assets (NTA) Per Share as at 30 September 2021 and as at 31 March 2021 is 362,717,801

Investment property value (incl. held for sale) increased by $15.5m or 9% during the period, primarily due to progress on the Munroe Lane development.

No revaluations were commissioned as at 30 September 2021, as it was determined there was no material change from 31 March 2021.

Drawn debt increased to $28.3m increasing the gearing ratio to 15% from 5.4% during the period, primarily to fund the development at Munroe Lane.

The total bank limit is $130m, with $101.7m undrawn at 30 September 2021.

A deposit of $1.5m has been received for the sale of Eastgate Shopping Centre.

NTA is 44.5cps as at 30 September, remaining constant across the half year – earnings of $2.5 million vs dividends paid of $3.2 million.

CURRENT PORTFOLIO

Portfolio Update

As at 30 September 2021

	Graham Street	Eastgate	Stoddard Road	Munroe Lane	Kamo
Carrying Value ($m)*	**$61.1** (Mar 21: $61.0)	**$43.4** (Mar-21: $42.6)	**$41.5** (Mar-21: $41.5)	**$39.3** (Mar-21: $25.0)	**$2.8** (Mar-21: $2.7)
WALE (years)	**0.25** (Mar-21: 0.50)	**4.61** (Mar-21: 4.15)	**3.76** (Mar-21: 4.18)	-	-
Occupancy (%)	**50%** (Mar-21: 100%)	**95%** (Mar-21: 94%)	**100%** (Mar-21: 100%)	-	-
Net Rental Income ($m)	**$2.00** (Mar-21: $3.98)	**$3.56** (Mar-21: $3.64)	**$2.78** (Mar-21: $2.69)	-	-
Passing Yield (%)	**3.4%** (Mar-21: 6.7%)	**8.2%** (Mar-21: 8.4%)	**6.7%** (Mar-21: 6.5%)	-	-
Largest tenant exposures	Auckland Council	Countdown, The Warehouse	The Warehouse	Auckland Council	

* The carrying value of investment properties represents the most recent independent valuation plus any subsequent capital expenditure over the six-month period to 30 September 2021. Carrying values include work in progress (WIP) relating to costs incurred in relation to current and future development work which were not included in the inputs to the latest independent valuations commissioned at 31 March 2021. The Munroe Lane as if complete valuation on a fully leased basis is $146.85 million.

35 Graham Street, Auckland

- Resource consent for the development option (adding 3 additional floors) was granted in early 2021, with a variation of that consent approved during the period to create additional parking and increase the floor-to-floor heights.
- Colliers are the master leasing agent and are actively pursuing all tenants with expiries or renewals within the forecast completion window for both the preferred development option, as well as the smaller scale refurbishment option.
- The re-emergence of COVID-19 has again subdued leasing activity and business confidence; however management continue to look through the short-term impact of the virus, acknowledging that real estate is a long-term investment and the office plays an integral role in the large majority of companies' accommodation strategies.

Artist's Impression of potential redevelopment at 35 Graham Street

35 Graham Street – cont'd

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- Internal soft strip-out and demolition works are set to commence in January 2022, once Auckland Council and the vaccination centre move out in late December 2021.
- This provides further time to secure leasing commitment before confirming a pathway forward. The preferred major redevelopment option will only be pursued with significant tenant pre-commitment.
- Given market parameters and the recent impacts of COVID-19, it is highly likely that a modest refurbishment of the existing building will be pursued. This will likely be progressed in part, irrespective of any tenant pre-commitment.
- The Council rent has dropped to ~50% of the original rental level from 28 June 2021 for 6 months until the 28 December 2021 lease expiry.

Artist's Impression of potential redevelopment at 35 Graham Street

Eastgate, Christchurch

- Unconditionally sold with settlement now to occur 1 April 2022, as opposed to the previous floating settlement date.
- Proceeds from the sale will initially be applied towards debt repayment, and the sale creates balance sheet capability to fund initiatives at 35 Graham Street.
- Taco Bell development completed in June 2021, their first South Island store – fifth largest opening week for Taco Bell globally, and largest trading week ever in APAC region.
- Customer numbers relatively flat at the Centre, however Moving Annual Turnover (MAT) has increased in the year to date.
- Passing income has dropped due to vacancies and unrecovered OPEX increases, however the WALT has increased slightly given renewals secured.
- Carrying value represents the sale price of $43.45 million.

Stoddard Road, Auckland

- WALT of 3.76 years as at 30 September 2021
- Rental increased slightly as a result of reviews completed during the period.
- COVID-19 impacted the period with the majority of retailers having to close during the 35 days of the Level 4 Auckland lockdown.
- The Centre remains 100% occupied.
- The one lease renewal due in 2022 has been completed, representing 5.9% of total rental income for the Centre.
- The Warehouse tenancy is a focus in the medium term, with an expiry in 2025.

Munroe Lane, Albany

- The development is well underway with a Target Completion Date (TCD) under the ADL of March 2023 (originally 16 December 2022 but delayed through extension of time claims).
- Practical completion date forecast to occur prior to TCD– therefore no liquidated damages are anticipated.
- Impact of August-September 2021 Level 4 lockdowns was 25 working days, back-to-backed as a delay event under the ADL. Actual costs of the shutdown totalled $372k and will be funded from the project's contingency.
- Icon Construction and subcontractors operating at approximately 75-80% capacity under Level 3 restrictions, which will delay the project further, but again back-to-backed as a delay event under the ADL.
- Project progressing in line with budget.
- Registered with NZ Green Building Council to obtain Green Star Design and As-Built rating.

6 – 8 Munroe Lane, Albany – November 2021 construction update

Munroe Lane, Albany
November 2021 construction update

Click [here] to watch video

Munroe Lane, Albany

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- 9,900m^2 across G, L3, 4 & 5 leased to Auckland Council on 15-year term from completion.
- ~750m^2 of café, food & beverage, retail & office outlets on ground level available for lease.
- ~2,700m^2 office tenancy on L6 available for lease.
- Two office tenancies of ~950m^2 each available on L2 for lease.
- Albany is key growth node for North Auckland, and being promoted as "hub and spoke" model, with Asset Plus able to offer potential occupier space here and at 35 Graham Street.
- There is now substantial competing office space available on the North Shore totalling approximately 20,000m^2.
- Ongoing COVID-19 lockdowns likely to further delay leasing commitment.

Kamo, Whangarei

- This well located 38,000m^2 of industrial land adjacent to State Highway 1 was purchased in July 2020 for \$55/m^2.
- Negotiation underway with anchor tenants to occupy the site.
- Design and consenting progressing with a view towards obtaining resource consent for a commercial development on site.
- A key consideration is the potential for an adjacent roundabout on State Highway 1, which management are working through with stakeholders, and investigating funding sources.

Outlook

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- Key objectives remain the successful delivery of the development at Munroe Lane, leasing the balance of that property, and securing leasing commitments at 35 Graham Street.

- The ongoing impacts of COVID-19 have hampered leasing efforts in recent times, and will likely further delay the securing of commitments.

- Focus will be on managing these impacts on the existing portfolio, the effects of the new legislation, and ensuring support is provided to those tenants where necessary to ensure the company's passive income stream is maintained going forward.

Appendix 1 – AFFO reconciliation

	6 months Sep-21 $m	6 months Sep-20 $m
Comprehensive Income Net of Tax	**2.52**	**11.53**
Add Back		
Fair value movement on Investment Property	0.01	(8.87)
Non-FFO Deferred Tax Expenses	0.09	0.15
Net Operating Income After Tax	**2.62**	**2.81**
Amortisation of Lease Incentives and Leasing Costs	0.11	0.05
Amortisation of Rent Relief due to COVID-19	0.04	0.02
Funds From Operations (FFO)	**2.77**	**2.88**
Incentives and Leasing Costs Paid	(0.11)	(0.04)
Rent Relief Due to COVID-19	(0.04)	(0.21)
Maintenance CAPEX	(0.05)	-
Adjusted Funds From Operations	**2.57**	**2.63**
AFFO (CPS)*	**0.71**	**1.55**

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