



NZX release
Result for the six months ended 30 September 2022
29 November 2022

- **AFFO materially reduced due to 35 Graham Street vacancy**
- **35 Graham Street exit confirmed with a deferred settlement**
- **Settlement of Eastgate occurred on 29 August 2022**
- **Munroe Lane progressing well, with practical completion expected in late April 2023**
- **Stoddard Road to be marketed for sale in the first quarter of the New Year**
- **Company's debt facilities renewed until 31 March 2025**

Asset Plus Limited (NZX: APL) today announced its interim financial results for the six month period ended 30 September 2022, reporting total comprehensive income after tax of \$0.29 million, down from \$2.52 million in the prior corresponding period.

Adjusted Funds From Operations¹ decreased to \$0.01 million, down from \$2.57 million primarily due to the 100% vacancy at 35 Graham Street and higher funding costs.

Asset Plus Chairman, Bruce Cotterill, said “The last six months have been challenging, but the company did secure the committed but deferred exits of both 35 Graham Street and the land at Kamo, and is now looking to market Stoddard Road for sale in the near term. The deferred settlement at Eastgate was also completed in late August 2022.”

He continued, “Leasing efforts continue at Munroe Lane and while we haven't secured any additional tenant commitments, construction is nearing completion. Prospective tenants have been able to view the campus style floor plates and see the fundamental aspects of the property, its location and sustainability credentials.”

Key points:

- Current portfolio occupancy declined to 42% due to the Eastgate sale.
- The WALE² is now 1.2 years, which has decreased from 2.21 years at 31 March 2022. Anticipated to be 5.3 years once Auckland Council lease commences.
- Loan to value ratio decreased to 23% due to the Eastgate divestment offset against Munroe Lane development drawdowns (25.7% at 31 March 2022).
- Net Tangible Assets (NTA) of 44.0 cents per share as at 30 September 2022 (44.0 cents as at 31 March 2022).
- No independent revaluations were commissioned as at 30 September 2022.
- Munroe Lane development target completion is now late April 2023.
- Active leasing campaign underway at Munroe Lane.

¹Adjusted Funds From Operations (AFFO) is non-GAAP financial information and is a common investor metric, 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. A reconciliation of the net profit after tax to AFFO is included in the interim results presentation on slide 22 which has been independently reviewed by the auditors.

² Weighted average lease expiry. This does not include the Auckland Council lease at Munroe Lane as the property is still under construction.



Centuria NZ CEO Mark Francis commented, “Asset Plus has clear objectives to complete the development of Munroe Lane and lease the balance of that property. Thereafter, and subject to the state of the market, Asset Plus will review its ownership of the property and consider selling on appropriate terms. This will put the Company in a zero debt position with significant cash reserves and ideally positioned to consider its options.”

He continued, “The marketing of Stoddard Road for sale is a further initiative to potentially realise assets at or close to NTA relative to the current share price which is close to a 50% discount to NTA.”

Divestments

Eastgate successfully settled and \$40 million of debt was repaid on 29 August 2022. Shareholders approved the sale of 35 Graham Street at a special meeting in June 2022 for \$65 million with a deferred settlement of December 2023 (with a 12-month extension right available to the purchaser).

The Kamo property has been unconditionally sold, with settlement on 30 November 2022.

Stoddard Road continues to be 100% occupied and has been a dependable asset during the Munroe Lane development window, with a number of renewals and reviews completed in the period. The Board now expects to market the property for sale through an open market campaign in the first quarter of the New Year.

The rationale for divestment is driven by the ability to realise at, or near, NTA given the significant share price discount of around 50% against the NTA, as well as potential earnings accretion given the forecast funding costs are anticipated to be in excess of the carrying yield on the property of 6.29% (as at 30 September 2022). Reducing leverage in the current economic environment, with increasing interest rates, is considered prudent.

Munroe Lane update

Munroe Lane is expected to be complete in late April 2023, at which point Auckland Council will take occupation. Construction is now 80% complete and Level 3 has recently been handed over to the tenant for commencement of their fit-out.

The balance of the leasing is proving challenging in the current climate. However, as the building nears completion, the Company believes it can generate greater traction with prospective tenants given the strong underlying benefits of the property, and its decentralised location in this key Northern Auckland node.

Balance Sheet and Funding Update

Debt of \$48.6 million was drawn as at 30 September 2022, which represents a LVR of 23% (March 2022 25.7%).

The loan facilities have been formally extended to 31 March 2025 post balance date. This is an extension from the 30 September 2023 facility expiry. The key terms are set out in the results presentation.



Net tangible assets (NTA) were 44 cents per share as at 30 September 2022, which is constant for the half year. Independent revaluations were not completed during the period as the Board determined there was no material movement since March 2022.

Dividend

The dividend has been ceased until sufficient operating earnings are restored. The Board will continue to review the dividend quarterly.

Outlook

The Company has the following priorities for the near term:

- a successful completion of the development at Munroe Lane and leasing the balance of that property; and
- marketing Stoddard Road for sale in the New Year, with any sale being subject to achieving an acceptable outcome for shareholders.

Following completion of construction and leasing at Munroe Lane, the Company will consider its ownership of the property subject to market conditions at that time.

Ultimately, the Board anticipates being in the unique position of the Company having zero debt and significant cash reserves with which to consider a range of options.

Conference call

A conference call on the results will be held today at 9.30am NZDT, and can be accessed at:

<https://s1.c-conf.com/diamondpass/10026855-z9hsbu.html>

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