



ASSET PLUS+
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FINANCIAL RESULTS

For the six months ended 30 September 2022

29 November 2022

Overview



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- Result summary



- Key metrics



- Financial Performance



- Funding update



- Portfolio update



- Outlook

Result summary

- **Total profit of \$0.29 million**, down from \$2.52 million in September 2021 – driven by 35 Graham Street vacancy and higher interest rate and debt profile.
- **AFFO* of \$0.01 million**, down from \$2.57 million in September 2021, also due to vacancy and funding. APL signaled a breakeven position ahead of the Munroe Lane completion.
- **Net rental income of \$2.28 million**, reduced from \$4.40 million in the prior period due to vacancy at 35 Graham Street and Eastgate divestment in August 2022.
- **Higher interest costs** as the investment facility was fully drawn over the period prior to the Eastgate divestment.
- **Tax loss** due to breakeven operating earnings before tax depreciation claim and deductible interest costs with respect to the Munroe Lane development.

*Adjusted 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 on slide 22 which has been independently reviewed by the auditors.



Key metrics

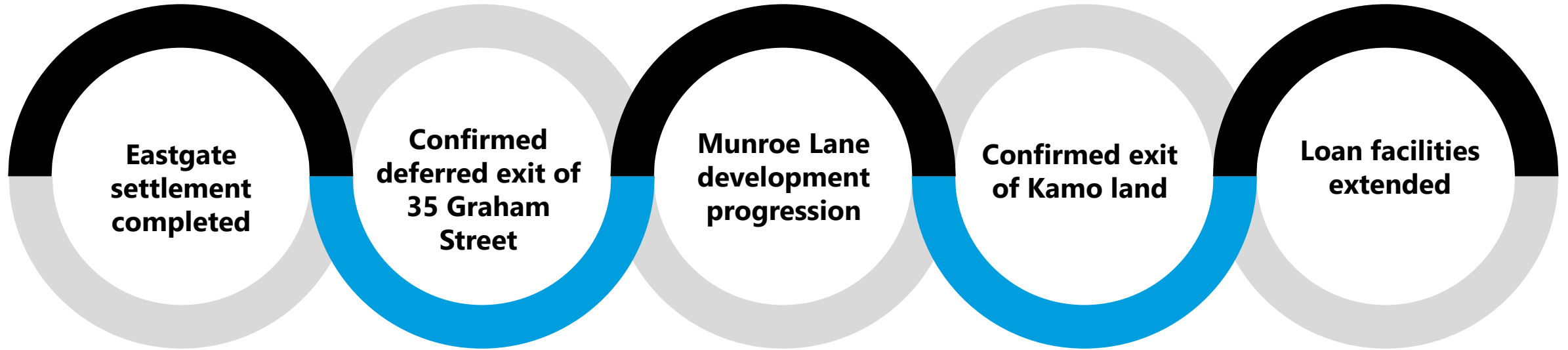
as at 30 September 2022



*Excludes Munroe Lane. When Munroe Lane reaches practical completion the portfolio WALE is expected to increase to 5.3 years (based on just Auckland Council lease at Munroe Lane). Occupancy also increases to ~50% when the Auckland Council lease commences in late April 2023. On pro forma basis the WALE will increase to 7.4 years and the occupancy will increase to ~70% excluding 35 Graham Street.

** Includes Kamo which settles on 30 November 2022.

Key activity for the period



- Eastgate settled on 29 August 2022.
- \$40 million debt repayment.

- On 3 June 2022 shareholders voted to sell with a deferred settlement.

- Munroe Lane is now ~80% complete on a cost basis. Late April 2023 target completion.

- Settlement on 30 November 2022.

- Loan facilities extended to 31 March 2025 (post balance date).



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Financial performance

Financial Performance

	Sep-22 (\$m)	Sep-21 (\$m)	Var (\$)	Var (%)
Gross Rental Revenue	4.32	6.49	(2.17)	(33%)
Direct Property Operating Expenses	(2.04)	(2.09)	0.05	2%
Net Rental Revenue	2.28	4.40	(2.12)	(48%)
Administration Expenses	(1.00)	(0.77)	(0.23)	(30%)
Net Finance Costs	(1.35)	(0.61)	(0.74)	(121%)
Total Operating Income / (Loss)	(0.07)	3.02	(3.09)	(102%)
F.V. Gain of Investment Properties	(0.05)	(0.01)	(0.04)	400%
Profit / (Loss) Before Taxation	(0.12)	3.01	(3.13)	(104%)
Tax Benefit / (Expense)	0.41	(0.49)	0.900	(184%)
Total Comprehensive Income for the Period	0.29	2.52	(2.23)	(88%)
AFFO*	0.01	2.57	(2.56)	(100%)
AFFO CPS*	0.00	0.71	(0.71)	(100%)

- Net rental income reduced by \$2.12 million. The primary driver was the impact of 35 Graham Street now being fully vacant.
- The impact of the Eastgate settlement also reduced net rental income by \$0.42m.
- Management fees were higher due to the impact of the Munroe Lane development, offset against the Eastgate divestment late in the 1H.
- Finance costs were higher due to both higher debt levels (\$0.53 million) and a higher interest rate environment (\$0.21 million) in this half.
- There is a small fair value movement in respect to 35 Graham Street as a higher discount rate of 7.5% was adopted during the period. Kamo was also revalued based on the confirmed exit price.
- There is a tax loss for the period and a deferred tax asset recognised to the extent losses will be utilised over the medium term.
- AFFO reconciliation and waterfall appended.

*The number of shares used in the calculation of the AFFO CPS for the six months ended 30 September 2022 is 362,717,801. The number of shares used in the calculation of the AFFO CPS for the six months ended September 2021 is 362,717,801 being the weight average number of shares issued between 1 April to 30 September 2022.

Net Rental Performance

	Sep-22 (\$m)	Sep-21 (\$m)	Var (\$m)
Eastgate	1.36	1.78	(0.42)
Stoddard Road	1.27	1.26	0.01
35 Graham Street	(0.29)	1.39	(1.68)
Other	(0.06)	(0.03)	(0.03)
Current portfolio	2.28	4.40	

- The Eastgate settlement occurred in August which was the primary reason for the reduction in rental income at Eastgate. While settlement was delayed until 29 August 2022 the rental apportionment was as if settlement occurred on 12 August 2022.
- Stoddard Road net rental was broadly flat. There was no material abatement booked this half and modest rental growth.
- 35 Graham Street was 100% vacant for the period. The prior half included full rental for three months then 50% income for the balance of the half. There is also the added impact of operating costs which were \$0.29 million for the half year.

Administration & Finance Expenses

	Sep-22 (\$m)	Sep-21 (\$m)	Var (\$m)
Management Fees	0.59	0.46	0.13
Directors' Fees	0.15	0.15	-
Audit Fees	0.03	0.03	-
Professional Fees	0.14	0.05	0.09
Other Administration Costs	0.09	0.08	0.01
Total Administration Expenses	1.00	0.77	0.23
Interest & Finance Costs	1.39	0.61	0.78
Interest Revenue	(0.04)	-	(0.04)
Total Net Finance Costs	1.35	0.61	0.74

- Finance costs increased due to higher debt and higher interest rates during the period. Interest on the investment and working capital facilities are not capitalised.
- The investment and working capital facilities were fully drawn across the half year while the prior half were only partially drawn. The investment facility did however reduce by \$40 million on the settlement of Eastgate in August 2022.
- Management fees were higher as the portfolio value increased due to the Munroe Lane development and the Eastgate settlement was late in the half (August 2022).
- Professional fees have increased due to timing of fees and will normalise over a full year period.

Financial Position

	Sep-22 (\$m)	Mar-22 (\$m)	Var (\$)	Var (%)
Cash	5.6	4.4	1.2	27%
Investment Properties	149.6	170.0	(20.4)	(12%)
Properties Held For Sale	63.0	46.4	16.6	36%
Other Assets	3.6	3.9	(0.3)	(8%)
Total Assets	221.8	224.7	(2.9)	(1%)
Bank Debt	48.6	55.7	(7.1)	(13%)
Other Liabilities	13.4	9.4	4.0	(43%)
Total Liabilities	62.0	65.1	(3.1)	(5%)
Equity	159.8	159.6	0.2	0%
Net Tangible Assets Per Share (\$)*	0.441	0.440	0.001	0%
LVR Ratio	22.9%	25.7%	(2.8%)	(11%)

- Investment and development properties comprise Stoddard Road (\$43.5 million) and Munroe Lane (\$106.1 million).
- 35 Graham Street and Kamo land are held for sale. 35 Graham St fair value reflects the future settlement proceeds on a discounted basis (applying 7.5% discount)
- Deposits received of \$6.6 million on deferred settlements (recognised under other liabilities).
- \$40 million of bank debt repaid on Eastgate settlement. Total debt facility limits also reduced by \$40 million to \$83.5 million.
- Borrowings are classified as a current liability as the loan was formally extended post balance date.
- NTA constant during the period at 44 cents per share as there were minimal fair value movements as no external valuation were commissioned at Stoddard Road or Munroe Lane and no dividend was paid during the period.
- LVR is currently 23% based on drawn debt – expected to reach 34% on Munroe Lane completion (but prior to 35 Graham Street settlement).
- LVR reduces to ~10% once 35 Graham Street settles.

*The total number of shares used in the calculation of Net Tangible Assets (NTA) Per Share as at 30 September 2022 and as at 31 March 2022 is 362,717,801.



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Funding update

Funding

Loan facilities

	New Limits \$m	Drawn – 30 Sept 2022 \$m	Margin %	Line Fee %	Total %
Working Capital	\$14.1m	\$12.6m	1.98%	1.32%	3.30%
Investment	\$4.7m	\$4.7m	1.98%	1.32%	3.30%
Development	\$66.2m	\$31.3m	2.25%	1.45%	3.70%
Total Facility	\$85.0m	\$48.6m			

Loan covenants

	LVR at all times	ICR	Lockbox
Working Capital & Investment	45%	Not tested	\$5m (EBIT + lockbox = 1.5x ICR)
Development	N/A	N/A	N/A
Total Facility	50%	N/A	

- Extension of loan facilities to 31 March 2025 – previously 30 September 2023. This was completed post balance date. Facility limit also increases from \$83.5 million to \$85 million.
- Removal of ICR covenant. Removal of leasing milestones in respect to Munroe Lane.
- Cash lockbox to be provided as a new covenant. Initially \$5 million but to equate to the actual EBIT shortfall to an ICR of 1.5x. Lockbox can therefore reduce over time once leasing is secured. APL to report EBIT and leasing updates so that lockbox sizing can be tested. Lockbox may also need to be topped up if interest rates are greater than 8% and no leasing is completed.
- Development facility converts to investment facility on Munroe Lane practical completion. LVR covenant reverts to <45% thereafter.
- If 35 Graham Street settlement is deferred, then additional deposit of \$7.1 million will be applied as a debt repayment.
- Pricing has increased to reflect increased margin pressure, the funding structure during the development phase and until operating earnings are restored.
- Lockbox funded by increased facility limit of \$1.5 million, Kamo sale proceeds and working capital.
- No hedging is in place due to the 35 Graham Street exit. The current base rate is 4.32% before margin and line fee.



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Portfolio update

Munroe Lane, Albany

- Development continues to progress well.
- Level 3 handed over to Auckland Council for their fit-out on 23 November 2022 with subsequent floors handed over monthly thereafter.
- Anticipate practical completion and Auckland Council lease commencement by the end of April 2023
- Construction is 80% complete as at 31 October 2022 (83% as at 29 November 2022), with total cost to complete of \$27.8 million.
- The project is progressing in line with the reset budget, taking into account all of the impacts of COVID-19.
- Code Compliance Certificates are being obtained progressively in line with the staged consents for the development.
- The fair value as at 30 September 2022 represents cost.
- Target development margin now 7.2% (fully leased). Target yield on cost now 5.5% (fully leased).
- 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.



Munroe Lane, Albany, Auckland

Munroe Lane leasing update

- Heads of Agreement signed for Kiosk with reputable Auckland-wide F&B operator.
- Targeting prospective tenants through direct marketing initiatives.
- Advocating directly with a number of Government agencies who have pending lease renewals and expiries in 2023 and 2024. There are synergies in co-location with Local Government.

Floor	Area
Ground	151m ² of office or F&B
Level 1	240m ² of F&B/retail/office
Level 2	1,951m ² of office
Level 6	2,737m ² of office



Artist's impression of the interior of 6-8 Munroe Lane

Stoddard Road, Auckland

- WALE for the Centre is currently 3.1 years with occupancy remaining at 100%.
- 5-year lease extension secured with the Coffee Club, representing 3.7% of the total net rental income for the Centre.
- Lease renewal agreed with ASB from early 2023, represents 3.7% of the Centre's income.
- Market rent review with The Warehouse from February 2022 now settled at a 1.3% increase.
- Occupier demand for this strategically located Centre remains strong with continued retailer enquiry via leasing agents.
- Property to be marketed for sale in the first quarter of the next calendar year.



Stoddard Road, Auckland

Divestment of 35 Graham Street

- Shareholders voted to sell 35 Graham Street for \$65 million on 3 June 2022.
- Deferred settlement of December 2023.
- Purchaser has a right to defer settlement for a further 12 months, subject to additional consideration of \$3.0 million and a further deposit of 10% (taking total to 20%).
- As the settlement is deferred, the current net present value is \$60.4 million (based on the discounted forecast settlement cash flows).
- The inability to secure prior lease commitments under either development scenario, the lack of balance sheet capacity and the inability to hold vacant for an extended period of time were the key drivers for the divestment.
- The forecast margins associated with either development scenario were no longer sufficient relative to the risk profile for delivery.



35 Graham Street, Auckland

Other recent divestments

Eastgate

- Sale price of \$43.45 million
- Settled on 29 August 2022 after title issue was rectified by management
- \$40 million debt repayment with the balance of sale proceeds retained as working capital



Kamo

- Sale price of \$2.7 million
- Scheduled for settlement on 30 November 2022
- Funds from the divestment will be applied to the cash lockbox of \$5 million





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Outlook

Outlook

- Dividend remains suspended and subject to quarterly review.
- Company forecast to still be in an operating loss position post Munroe Lane completion, absent further leasing and/or sale of Stoddard Road.
- Stoddard Road property to be marketed for sale in the first quarter of the 2023 calendar year.
- Focus on the successful delivery and leasing of the balance of the Munroe Lane development.
- 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.





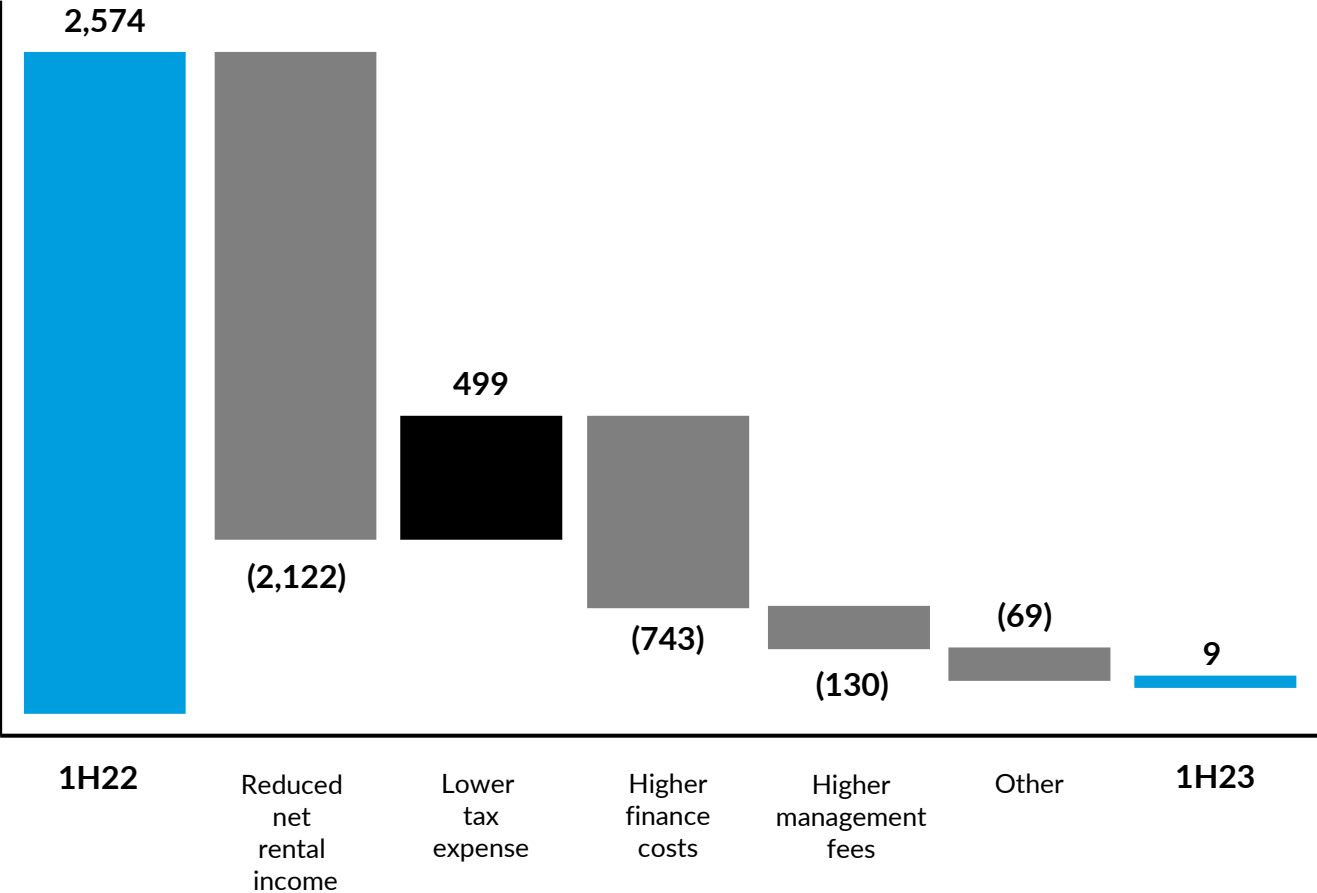
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Appendices

Appendix 1 – AFFO reconciliation

	6 months to Sep 22 (\$m)	6 months to Sep 21 (\$m)
Comprehensive Income Net of Tax	0.29	2.52
<i>Add back</i>		
Fair value movement on Investment Property	0.06	0.01
Non-FFO Deferred Tax Expenses	(0.41)	0.09
Net Operating Income After Tax	(0.06)	2.62
Amortisation of Lease Incentives and Leasing Costs	0.12	0.11
Amortisation of Rent Relief due to COVID-19	0.03	0.04
Funds From Operations (FFO)	0.09	2.77
Incentives and Leasing Costs Paid	(0.02)	(0.11)
Rent Relief Due to COVID-19	-	(0.04)
Maintenance CAPEX	(0.06)	(0.05)
Adjusted Funds from Operations	0.01	2.57
AFFO (CPS)	0.00	0.71

Appendix 2 - Adjusted Funds From Operations (AFFO)



- \$2.1 million due to the 35 Graham Street vacancy and Eastgate divestment in late August 2022
- No tax payable due to tax loss position this half
- Higher finance costs due to higher drawn debt on the investment facility and higher interest rates (development facility interest is capitalised)
- Higher management fees due to the Munroe Lane development

The above graph is represented in \$'000s.

Appendix 3 – Portfolio Summary

	Investment and Development Properties		Properties Held for Sale	
	Stoddard Road, Auckland	Munroe Lane, Albany	35 Graham Street, Auckland	Kamo, Whangarei
Valuation/ Carrying Value (\$m)	\$43.5 (Mar-22: \$43.5)	\$106.1 ² (Mar-22: \$67.5)	\$60.4 ¹ (Mar-22: \$59.0)	\$2.6 (Mar-22: \$2.9)
WALE (years)	3.10 (Mar-22: 3.50)	0.0 years as at 30 September 2022. 9.5 year WALE from PC (Auckland Council lease only)	0.00 (Mar-22: 0.00)	-
Occupancy (%)	100% (Mar-22: 100%)	-	0% (Mar-22: 0%)	-
Net Rental Income (\$m)	\$2.74 (Mar-22: \$2.77)	-	\$nil but OPEX of \$0.55m (Mar-22: \$nil but OPEX of \$0.55m)	-
Passing yield (%)	6.29% (Mar-22: 6.37%)	-	N/A (Mar-22: N/A)	-
Comments	<ul style="list-style-type: none"> The property continues to perform well and provide a stable income stream. Strategy is to now divest this asset over the near to medium term. 	<ul style="list-style-type: none"> Acquired in December 2019, under development with 63% pre-leased to Auckland Council on 15-year term. Development progressing well, albeit delayed from COVID impacts. Completion now expected in quarter ending 30 June 2023. 	<ul style="list-style-type: none"> Sold for \$65.0m, unconditionally on 3 June 2022. 1 December 2023 settlement date, but Purchaser can defer settlement by 12 months for additional consideration of \$3.0m and further 10% deposit. Fair value of \$60.4m reflects the \$65.0m sale price discounted to reflect the future settlement and time value of money. 	<ul style="list-style-type: none"> Large 38,000 sqm industrial site located adjacent to SH1. Expected settlement on 30 November 2022.
Largest tenant exposures	The Warehouse	Auckland Council	Vacant	Vacant

1. 35 Graham Street fair value reflects the net present value of future settlement cash flows

2. Munroe Lane is carried at the fair value of land plus cost.

Appendix 4 – Portfolio Movements

	Opening balance Mar 22 (\$m)	Transfer to properties held for sale (\$m)	Capex & Other movements (\$m)	Fair Value movement (\$m)	Sale of Property (\$m)	Carrying Value Sep 22 (\$m)	WIP (\$m)	Carrying Value Sep 22 incl. WIP (\$m)
<u>Properties held for sale</u>								
Eastgate	43.5	-	(0.1)	-	(43.4)	-	-	-
Kamo – bare land	2.9	-	-	(0.3)	-	2.6	-	2.6
35 Graham Street ¹	-	59.0	1.2	0.2	-	60.4	-	60.4
<u>Investment properties</u>								
22 Stoddard Road	43.5	-	-	-	-	43.5	-	43.5
35 Graham Street	59.0	(59.0)	-	-	-	-	-	-
<u>Development properties</u>								
6-8 Munroe Lane ²	7.8	-	-	-	-	7.8	98.3	106.1
Total	156.7	-	1.1	(0.1)	(43.4)	114.3	98.3	212.6

- 35 Graham Street was transferred from Investment Properties to Properties held for sale during the period as a result of the shareholder vote on 3 June 2022 to sell with a deferred settlement.
- The Munroe Lane development is now ~77% complete on a cost basis as at 30 September 2022. Cost to complete is \$31.5 million as at 30 September 2022. Late April 2023 target completion.
- Eastgate settled in August 2022.
- Kamo revalued based on confirmed exit price.

1. 35 Graham Street fair value reflects the net present value of future settlement cash flows
 2. Munroe Lane is carried at the fair value of land plus cost.

Important notice



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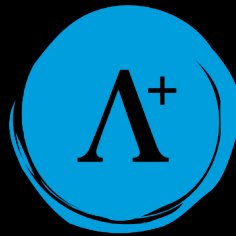
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