



Stride Property Group (NS)

NZX Announcement

IMMEDIATE – 27 May 2021

## Stride Property Group FY21 Annual Results

Stride Property Group (Stride) (Note 1) is pleased to announce that it has released its Annual Report and Results Presentation for the twelve months ended 31 March 2021 (FY21).

Stride Property Group has delivered very positive financial results for FY21, in a year that was significantly disrupted due to COVID-19. Stride has managed the impacts of COVID-19 while also delivering on its strategic objectives, positioning Stride to take the next step in growing its real estate investment management business.

Stride is pleased to report profit after income tax from continuing operations for FY21 of \$132.0m, compared with \$(0.1m) for FY20. Stride's total portfolio is valued at \$1.1bn as at 31 March 2021 (Note 2), representing a net valuation increase of \$43.6m or 4.2% since 31 March 2020. Distributable profit per share (Note 3) for FY21 is 11.58 cents, a significant increase on FY20 (10.32cps).

In addition, Stride Property Limited (SPL) is pleased to announce that it has entered into an unconditional agreement to acquire an office property at 46 Sale Street, Auckland, for \$152m. The initial passing yield on acquisition is 5.2%, with the major tenant, AA Insurance, comprising 46% of net income. This building is a premium grade building, constructed in 2017, and has a weighted average lease term (WALT) of 7.4 years. The building contributes to SPL's sustainability objectives, and is rated 4.5 star NABERSNZ and 5 star Green Star - Design and As-Built.

The acquisition of the property at 46 Sale Street, Auckland, takes the value of SPL's office portfolio to \$732m (on a pro forma 31 March 2021 basis), representing growth of \$546m since 31 March 2020. This growth of SPL's office portfolio positions Stride to establish a new office property fund, which is expected to occur in FY22, subject to market conditions.

SPL and Stride Investment Management Limited (SIML) are also pleased to announce fourth quarter (1 January 2021 to 31 March 2021) dividends to be paid by each company on 14 June 2021 to all shareholders on the register as at the close of business on 4 June 2021, as follows:

- SPL announces a cash dividend for the fourth quarter of FY21 of 1.6075 cents per share.

- SIML announces a cash dividend for the fourth quarter of FY21 of 0.87 cents per share.

This brings the total combined cash dividend for Stride Property Group for FY21 to 9.91cps, in line with guidance.

The FY21 combined cash dividend represents a payout of 86% of distributable profit. Given Stride's evolution into becoming a diversified investor and investment manager and given the significant growth in the financial results for FY21, the SPL and SIML Boards have taken the opportunity to increase the range of Stride's distribution policy to distributing between 80% and 100% of distributable profit (previously 95% to 100%). This larger range will provide Stride with the scope to continue to pay investors consistent returns, while allowing flexibility to reinvest capital into Stride's growing businesses.

The Dividend Reinvestment Plan remains suspended for the FY21 fourth quarter dividends.

## Highlights for FY21 include:

### Financial Performance – Stride Property Group

- Net rental income from continuing operations of \$49.9m, down from FY20 (\$50.4m), due to transfer of properties to Industrie and Investore, partially offset by acquisition of new office buildings
- \$25.1m management fee income (Note 4), up from FY20 (\$18.3m)
- \$40.4m profit before other income/(expense) and income tax from continuing operations, up from FY20 (\$29.8m)
- \$132.0m profit after income tax from continuing operations, up from FY20 (-\$0.1m)
- \$46.3m distributable profit (Note 3) after current income tax, up from FY20 (\$37.7m). Distributable profit per share 11.58cps, up from 10.32cps from FY20
- FY21 combined cash dividend of 9.91cps, in line with guidance
- Net valuation movement \$43.6m or +4.2%
- Net Tangible Assets (NTA) per share of \$2.15 as at 31 March 2021
- LVR (Note 5) as at 31 March 2021 29.3%

### Products and Places

- SIML's total assets under management have increased to \$3.0bn as at 31 March 2021
- Committed acquisitions and developments across SPL and the other Stride Products takes SIML's total assets under management to \$3.3bn, with additional debt and equity of \$380m available across the Stride Products for further growth

### Investore Property Limited (Investore)

- Investore's portfolio is valued at \$1.04bn (Note 6) as at 31 March 2021, representing a net valuation gain of 15.5% for the 12 month period to 31 March 2021 (Note 7)
- Strong portfolio metrics with 99.1% occupancy and 9.8 years WALT

- 26.8% LVR (Note 8)
- \$105m equity capital raised in April and May 2020, with net proceeds used to pay down debt and provide funding flexibility for Investore to continue its targeted growth strategy
- \$125m listed bonds issued in August 2020 at a fixed interest rate of 2.4%
- Following balance date Investore has acquired Countdown Petone for \$37.3m and has a conditional agreement to acquire development land at Waimak Junction, Kaiapoi, for \$10.5m. Investore has agreed in principle to develop a new Countdown supermarket on stage 1 of the site, for a total expected capital commitment of \$31m (including land cost)

#### Diversified NZ Property Trust (Diversified)

- \$466m portfolio value as at 31 March 2021, a net valuation decline of 0.6% for FY21
- 10 months weighted average lease extension from COVID-19 negotiations
- Moving annual turnover was resilient despite COVID-19 lockdowns, with moving annual turnover down 5.3% from FY20 (on a like for like basis and excluding travel-related retailers)
- Queensgate rebuild continues, targeting cinema opening for Easter 2022

#### Industre Property Joint Venture (Industre)

- Industre commenced operations 1 July 2020, and since commencement Industre's portfolio has grown \$212m to \$610m as at 31 March 2021
- 7 properties acquired since commencement for a total purchase price of \$118m, including one property acquired post balance date for \$10m
- 9.7 years WALT
- Joint venture partner JPMAM (a group of institutional investors, through a special purpose company and advised by JP Morgan Asset Management) has contributed all of the equity for the acquisitions since commencement, in accordance with the intentions of both JPMAM and SPL at commencement, resulting in SPL's interest in Industre reducing to 56.3% as at 31 March 2021

#### Stride Property Limited Places

- Following establishment of Industre on 1 July 2020 and the sale of SPL's remaining large format retail properties to Investore in April 2020, SPL directly owns office and town centre properties with a value of \$890m (Note 9)
- SPL's portfolio has a WALT of 5.5 years, increasing to 6.5 years when including the property at 46 Sale Street, Auckland (on a pro forma 31 March 2021 basis), which SPL has an unconditional agreement to acquire

#### SPL Portfolio

- When SPL's directly-held investment properties are combined with SPL's look-through holdings in the other SIML-managed products, SPL's look-through portfolio has a value of \$1.4bn, with a WALT of 6.8 years and 97.7% occupancy

## People

- Despite the challenges of COVID-19, Stride undertook a review of employee benefits in order to retain and attract the best calibre people, increasing annual leave by one week, increasing KiwiSaver employer contributions to 5% of gross earnings when employee contribution is at least 4%, and increasing long service leave and paid paternity leave
- New GM Investment, Adam Lilley, appointed in February 2021

## COVID-19 Update

- Stride delivered a better than expected outcome following the financial impact of COVID-19
- The financial impact of COVID-19 for FY21 was a \$0.3m increase in distributable profit (Note 3). This compares favourably to the initial estimated impact of a decrease of \$2.9m to \$5.1m in June 2020. The difference is primarily due to higher investment management income and better than expected rent relief arrangements
- SIML completed 771 COVID-19 related transactions across all Stride Products, with a weighted average lease extension of 8.5 months achieved

## Capital Management – SPL

- Stride has taken an active and prudent approach to capital management during FY21, given the uncertainties created by COVID-19
- \$135m of debt refinanced for a further three years to June 2024
- Additional \$150m of facility committed in December 2020 to support growth initiatives
- Equity capital raising announced in November 2020 to raise additional equity to support the acquisition of two office properties, which was oversubscribed and raised \$230m
- Next debt facility maturing is \$170m in August 2022 (FY23)
- Available undrawn facility \$194m at 31 March 2021
- LVR (Note 5) of 29.3% as at 31 March 2021
- LVR increasing to 39.7% following acquisition of 46 Sale Street, Auckland (on a 31 March 2021 pro forma basis)

## Conclusion

- Stride has demonstrated its commitment to pursue growth in its investment management business over FY21, and this will continue in FY22
- SPL has grown its office portfolio during FY21 and has entered into an unconditional agreement to acquire 46 Sale Street, Auckland post-balance date
- This positions Stride to create a new listed Product focused on the commercial office property sector, which is planned to occur during FY22, subject to market conditions
- The Stride Boards confirm they currently intend to pay a combined cash dividend for SPL and SIML during FY22 of 9.91 cents per share. The Stride Boards will continue to review dividend guidance if and when a new Product is established and will keep the market informed as appropriate

## Notes:

1. Stride Property Group (Stride) comprises Stride Investment Management Limited (SIML) and Stride Property Limited (SPL). A stapled security of the Stride Property Group comprises one share in SIML and one share in SPL. The stapled securities are quoted on the NZX Main Board under the ticker code SPG. Information presented in this presentation is on a combined basis unless otherwise specified.
2. Excludes lease liabilities. Includes SPL's 56.3% interest in the unincorporated component of the Industrie Property Joint Venture. For more information, see note 3.2 to the consolidated financial statements. Includes value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment.
3. Distributable profit is a non-GAAP financial measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.2 to the consolidated financial statements for the year ended 31 March 2021.
4. Net of management fees received from SPL.
5. Includes SPL's office and retail properties only. Excludes SPL's interest in the Industrie unincorporated portfolio which is reported as part of the assets of SPL in the consolidated interim financial statements (see note 3.2 to the consolidated interim financial statements for further information).
6. As at 31 March 2021. Portfolio value excludes (1) seismic works of \$7.0m to be completed by SPL on the three large format retail properties acquired from SPL on 30 April 2020, and the balance of the rental guarantee of \$0.1m; and (2) lease liabilities. Portfolio value includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in the Investore financial statements.
7. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on independent valuations of those three properties obtained in preparation for the acquisition in April 2020.
8. LVR is calculated based on independent valuations, which include seismic works and rental underwrites to be funded by SPL in relation to the three properties acquired from SPL and settled in April 2020.
9. Excludes SPL's 56.3% interest in the Industrie unincorporated portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information).

## Ends

### Attachments provided to NZX:

- Stride Property Group – FY21 Annual Results Announcement - 270521
- Stride Property Group – FY21 Annual Report – 270521
- Stride Property Group – FY21 Annual Results Presentation – 270521
- Stride Property Group – NZX Results Announcement – 270521
- Stride Property Limited – NZX Distribution Notice – 270521
- Stride Investment Management Limited – NZX Distribution Notice – 270521
- Stride Property Group – Shareholder Communications Notice – 270521

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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).*