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NZX RELEASE

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Kiwi Property drives robust operating result in 1H23

- **Net rental income: $100.0m (+6.3%)**
- **Operating profit before tax: $65.1m (+4.2%)**
- **Net loss after tax: $151.1m (-205.5%)**
- **Adjusted funds from operations: $65.2m (+35.8%)**
- **Net tangible assets per share: $1.31 (-14 cps)**
- **Q2 dividend: 1.425cps (1H23 dividend: 2.85cps (+3.6%)**

Kiwi Property today released its financial results for the six months ended 30 September 2022, with the company continuing its record of operational delivery, despite the challenging macro-economic conditions. The results highlight the strong performance of the company's property portfolio and the opportunities created by its strategic evolution into a creator of mixed-use communities at key metropolitan centres and transport hubs.

Net rental income rose 6.3% to a record-high $100 million in the first half of the 2023 financial year, driven by sustained revenue growth at Sylvia Park, in particular. Operating profit before tax was also up, increasing 4.2% to $65.1 million, while adjusted funds from operations rose 35.8% to $65.2 million, assisted by the release of COVID-19 rental abatement accruals which were not required.

The company's active leasing and re-mixing programme drove an uplift in both rent reviews and new leasing, which rose 5.2% and 4.1% respectively. Portfolio vacancy remained at just 0.3%, while Kiwi Property's specialty gross occupancy cost ratio (a key measure of tenancy affordability) was a conservative 12.1% at 30 September 2022, providing scope for the company to deliver further rental growth going forward.

The sales performance across Kiwi Property's asset base was robust, increasing 9.6% from the prior comparable period. The number of shoppers visiting the company's mixed-use and retail centres is recovering well from the impact of COVID-19, with year-to-date pedestrian counts at Sylvia Park, for example, now broadly in line with pre-pandemic levels.

In the absence of relevant transactional evidence, valuers have responded to the current high inflation, rising interest rate economic climate by softening property capitalisation rates. As a result, the fair value of Kiwi Property's property portfolio decreased by an unrealised 5.8% or $213.3 million for the six months ended 30 September 2022, leading to a net loss after tax of $151.1 million.

Kiwi Property Chief Executive Officer, Clive Mackenzie, said "while the reduction in the value of our property portfolio and subsequent impact on net profit is disappointing, it's not unexpected given the well documented challenges facing the global economy. By actively managing our properties, tightly managing costs and delivering on our mixed-use strategy, we will help accelerate the recovery of our asset values as the financial climate improves."

"The evolution of our business from a retail and office landlord to the creator of connected communities continues to gain momentum. While this transition will take time, we're well advanced on our goal of becoming a developer, owner and operator of world-class mixed-use assets."

Unlocking value through targeted development

Kiwi Property made good progress on its targeted development programme in the first half of the 2023 financial year. Construction of Sylvia Park's 295 build-to-rent apartment complex is moving forward at pace with the steel superstructure now up to three levels high. This project will help embed Kiwi Property as a leader in the asset class in New Zealand.

Elsewhere at Sylvia Park, the new six-level medical and office development at 3 Te Kehu Way is moving forward with similar momentum. The building's exterior is now complete and internal fitouts are taking place, with the development on track to be completed in the first quarter of 2023. Around two thirds of 3 Te Kehu Way's net lettable area is either committed or subject to advanced negotiations, with an impressive line-up of tenants in place including Tamaki Health, Horizon Radiology, Geneva Finance and co-working operator, IWG.

Kiwi Property recently received approval from the Environment Court for its Drury Private Plan Change application and stage one earthworks are underway, marking the next step in the company's ambition to create a six Green Star, transit-oriented community south of Auckland. The earthworks are expected to take two years, with civil infrastructure such as roads, sewers, water mains and electricity set to follow.

"The improvement of our site has delivered substantial valuation gains, with the landholding now worth more than double the purchase price. This places us in a position to unlock additional value, if we choose to subdivide our residential landholding into super-lots, for example. Drury presents an exciting opportunity however we'll be pragmatic about the rate of development there, moving as fast or slow as the economic climate and funding allow," said Mackenzie.

Strategic funding and capital management

Kiwi Property today announced the unconditional sale of 44 The Terrace in Wellington for $48 million (with $2 million retained for seismic costs). The transaction is expected to settle on 15 December 2022 and delivers a property level return of 12.2% since inception. The successful sale builds on the recent disposal of Northlands Shopping Centre for $151 million (net of seismic costs), which is due to settle on 30 November. Together, these transactions reduce the company's pro-forma gearing to approximately 32%, down from 35.7% at the end of the period.

"The sale of our non-core properties and subsequent recycling of capital is a central pillar of our funding strategy. The proceeds from these transactions will be used to repay debt and help fund our development pipeline, unlocking what we believe will be better growth and greater long-term value for shareholders," said Mackenzie.

Kiwi Property's large strategic landholding, including more than 125 hectares across its mixed-use assets at Sylvia Park, LynnMall, The Base and Drury, is an area of strength for the company. This portfolio not only provides a range of development options but also gives Kiwi Property the flexibility to speed up or slow down its construction programme to optimise returns.

Kiwi Property currently has approximately $217 million of development expenditure remaining at 3 Te Kehu Way and Sylvia Park build-to-rent and is proactively managing pricing to help mitigate the risk of potential increases.

"We have some exciting developments already underway, however we'll maintain a cautious approach to the timing of further activity, given the current level of economic volatility. Our priority is to ensure the right financial conditions and suitable funding are in place before any new construction projects begin."

Kiwi Property undertook several capital management initiatives in the first half of the 2023 financial year, including increasing its bank debt facilities by $100 million, with the introduction of MUFG Bank Limited to its panel. Post 30 September 2022, the company increased its facilities by a further $50 million and extended its weighted term of debt from 2.9 years to 4.1 years on a pro-forma basis.

Dividend and full-year guidance

Kiwi Property will pay a cash dividend of 1.425 cents per share for the second quarter on 21 December 2022, having previously distributed a first quarter dividend of 1.425 cents per share on 21 September 2022.

The company today confirmed its dividend guidance at 5.70 cents per share for the 2023 financial year[1], representing an attractive gross dividend yield of 9.3%[2] while simultaneously enabling the company to retain earnings to fund future development and growth opportunities.

Driving returns through FY23 and beyond

Kiwi Property Chair, Mark Ford, said "while we're pleased to have achieved another robust operating performance and strong cashflows, the continued discount of our stock price relative to asset values is disappointing and something we're squarely focussed on.

"As we face the current economic headwinds, we will maintain a strict focus on costs, adopt a pragmatic approach to development, continue to execute our transformational strategy, and work diligently to drive returns for our investors," Ford concluded.

Additional information

Kiwi Property has today also released an Interim Results Presentation and Interim Report, which are available for download on the Company's website kp.co.nz/interim-result or from nzx.com

#ENDS

Notes:

General: Operating profit before tax and adjusted funds from operations are non-GAAP performance measures. Refer to the Interim Results Presentation 2023 for details.
1: Dividend guidance and payments are contingent on the company's financial performance through the financial year and barring material adverse effects or unforeseen circumstances.
2: 9.3% dividend yield is based on Kiwi Property's closing share price on 25 November 2022 and assuming a 33% personal tax rate.

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About us:

Kiwi Property (NZX: KPG) is one of the largest listed property companies on the New Zealand Stock Exchange and is a member of the S&P/NZX 20 Index. We've been around for over 25 years and proudly own and manage a significant real estate portfolio, comprising some of New Zealand's best mixed-use, retail and office buildings. Our objective is to provide investors with a reliable investment in New Zealand property through the ownership and active management of a diversified, high-quality portfolio. S&P Global Ratings has assigned Kiwi Property an issuer credit rating of BBB (stable) and an issue credit rating of BBB+ for each of its fixed rate senior secured bonds. Kiwi Property is the highest rated New Zealand company within CDP (Carbon Disclosure Project) and is a member of FTSE4 Good, a series of benchmark and tradable indices for ESG (Environmental, Social and Governance) investors. Kiwi Property is licensed under the Real Estate Agents Act 2008. To find out more, visit our website kp.co.nz