

NZX RELEASE

20 November 2017

Kiwi Property posts strong interim result

Kiwi Property today reported a strong result for the six months ended 30 September 2017, with after tax profit¹ increasing 5% to \$47.9 million, underpinned by another record operating result. Funds from operations (FFO)² grew by 13.6% to \$54.2 million.

The result was driven by the Company's disciplined investment strategy and focus on value creation, leading to strong rental growth, increased retail sales and high portfolio occupancy. Highlights include:

- > 9.4% growth in rental income to \$95.1 million
- > 6.7% growth in annual sales from our retail portfolio to \$1.75 billion
- > portfolio occupancy of 99.4% and weighted average lease term of 5.3 years, and
- > total returns to shareholders since inception of 9.4% per annum.

Chair, Mark Ford, said: "Our retail and office assets are in high demand and performing strongly, which tells us that our strategy of focusing on creating exceptional tenant and customer experiences is working well."

Focused execution

Our construction projects at Sylvia Park are progressing on time and on budget:

- > We are delighted to have secured a range of accomplished restaurant operators committed to delivering an inspiring range of dining experiences at the \$8.9 million 'The Grove' dining precinct, which will open from December 2017.
- > The \$80.2 million 'No. 1 Sylvia Park' office building is 50% leased by income, with strong interest in the remaining space.
- > The \$36.3 million central carpark, due to complete in November 2018, will deliver ~600 additional parking spaces for our customers.

We have locked in long-term opportunities:

- > We settled our acquisition of land at Drury, South Auckland, and we are participating in the Auckland Council-led structure plan for the broader Drury/Opapeke precinct as a precursor to securing a town centre zoning for commercial, retail and residential uses.
- > Post the period, we purchased further land adjoining Sylvia Park for \$27.1 million as a long-term strategic holding.
- > We today announce that we are proceeding with the development of a vibrant new dining and entertainment precinct, to be named 'Langdons Quarter', at Northlands in Christchurch. The project will cost \$18.8 million (including seismic strengthening costs of \$6.8 million) and will yield 6% (excluding seismic strengthening costs) in the first year post completion.

We continue to recycle capital:

- > Post the period, we secured an unconditional agreement for the sale of The Majestic Centre for \$123.2 million, and a marketing and sales process for North City is underway and ongoing.



Sylvia Park galleria and south carpark update

Good progress has been made with our second level galleria expansion proposal at Sylvia Park, securing a lease agreement with Farmers³ for a new 8,000 sqm, two-level flagship department store as part of the proposed development.

Chief Executive, Chris Gudgeon, said: "Before proceeding with the development, we are committed to securing construction cost certainty for our investors."

'For construction' design documentation will be completed this year and we expect to secure construction cost pricing from the market by the first quarter of 2018. Subject to satisfactory pricing outcomes, we expect to be able to seek board approval for the development by mid-2018.

Robust balance sheet

We maintain a robust balance sheet to reduce financial risk, with conservative gearing and diversified sources of debt. During the period we:

- > increased the value of our property portfolio to \$3.1 billion through our development and acquisition activity
- > raised \$161 million of new equity through an underwritten pro-rata entitlement offer, applied to reduce bank debt
- > reduced our overall gearing ratio to 31.2%⁴, down from 34.5%, and
- > maintained a healthy 3.5-year weighted average term to maturity and low weighted average cost of debt of 4.84%.

Post the period, Kiwi Property has been assigned a corporate credit rating of BBB (stable) from S&P Global Ratings⁵ and an issue credit rating of BBB+ in respect of the Company's existing fixed-rate senior secured bonds.

The Company currently has two bonds on issue and we are assessing the merits of undertaking a further issue.

Outlook and guidance

The New Zealand economy continues to perform strongly, creating supportive property market fundamentals. The Auckland office market in particular is experiencing high tenant demand and low levels of new supply, which is contributing to future rental growth expectations and the retail sector continues to record positive sales growth nationally.

Chief Executive, Chris Gudgeon, said: "We remain confident that we have the right strategy in place for our shopping centres – one which focuses on the social and experiential benefits we can offer our customers. By curating a vibrant, contemporary and relevant retail mix in each of our centres we will continue to build portfolio resilience and maintain investment performance. We are also equally confident that our property diversification strategy provides our investors with through-cycle resilience."

"We have a strategy that favours property exposures expected to outperform, a healthy balance sheet, a pipeline of future development opportunities, and a well-tenanted portfolio with a long weighted average lease term – all aimed at securing superior, risk-adjusted returns for our shareholders. We also have an experienced, dedicated management team focused on delivering our strategy, and a culture which is built on excellence," said Mr Gudgeon.

Shareholders will receive an interim cash dividend of 3.425 cents per share for the six months ended 30 September 2017, up 1.5% from the prior period and in line with guidance. The board has confirmed that the Dividend Reinvestment Plan will be available to eligible shareholders for the period. No discount will be applied to the price at which the shares are issued.

We continue to project the cash dividend for the year ending 31 March 2018 to be 6.85 cents per share, absent material adverse events or unforeseen circumstances.



Additional information

Kiwi Property has today also released an interim result presentation and interim report which are available for download on the Company's website kp.co.nz or from nzx.com.

Notes+

1. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice (GAAP) and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the interim financial statements which have been the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410.
2. FFO is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is a measure commonly used by real estate entities to describe their underlying and recurring earnings from operations. FFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. FFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia. The reported FFO information has been extracted from the Company's interim financial statements which have been the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410.
3. Subject to final approval by the board of Kiwi Property.
4. Pro-forma gearing, post the sale of The Majestic Centre, is 28.3%.
5. Further information about S&P Global Ratings' credit rating scale is available at www.standardandpoors.com. A rating is not a recommendation by any rating organisation to buy, sell, or hold Kiwi Property securities. The rating is current as at the date of this NZX release and may be subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

> Ends

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About us

Kiwi Property (NZX: KPG) is the largest listed property company on the New Zealand Stock Exchange and is a member of the NZX15 Index. We've been around for more than 20 years and we proudly own and manage a \$3.1 billion portfolio of real estate, comprising some of New Zealand's best shopping centres and prime office buildings. Our objective is to provide investors with a reliable investment in New Zealand property by targeting superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio. S&P Global Ratings has assigned Kiwi Property a corporate credit rating of BBB (stable) and an issue credit rating of BBB+ for each of its existing fixed-rate senior secured bonds. Kiwi Property is licensed under the Real Estate Agents Act 2008. To find out more, visit our website kp.co.nz