kiwi property 20/19 interim result presentation

# interim result

FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2018



This interim result presentation, for the six months ended 30 September 2018, should be read in conjunction with the NZX announcement and online Interim Report also released on 19 November 2018. Refer to our website **kp.co.nz/interim-result** or nzx.com.

Property statistics within this presentation represent owned assets only; property interests managed on behalf of third parties are excluded.

Unless otherwise indicated, all of the numerical data provided in this presentation is stated as at or for the six months ended 30 September 2018.

All amounts are in New Zealand dollars. Due to rounding, numbers within this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Refer to Appendix 5.01 of this presentation for a glossary of terms.

# our vision and objective

remains consistent

## our vision

to deliver New Zealand's best retail and workplace experiences

## our objective

to provide investors with a reliable investment in New Zealand property through the ownership and active management of a diversified, high-quality portfolio

# our investment strategy

positions us for growth

## our investment strategy

we invest in a diversified portfolio of retail and office assets that are expected to outperform by consistently attracting high levels of tenant demand

## our core portfolio

| | |
|---|---|
| **Auckland** | we have a strong bias to Auckland given its superior prospects for economic, population and employment growth |
| **retail assets** | we target<br>- prominent regional shopping centres, including those offering mixed-use opportunities<br>- large format retail centres<br>that are in<br>- the 'golden triangle', predominantly Auckland (in particular locations favoured by the Auckland Unitary Plan) and the Waikato<br>- regions outside of Auckland with positive growth prospects |
| **office assets** | we target<br>- prime-grade assets in Auckland<br>- Wellington assets that attract long-term government leases |

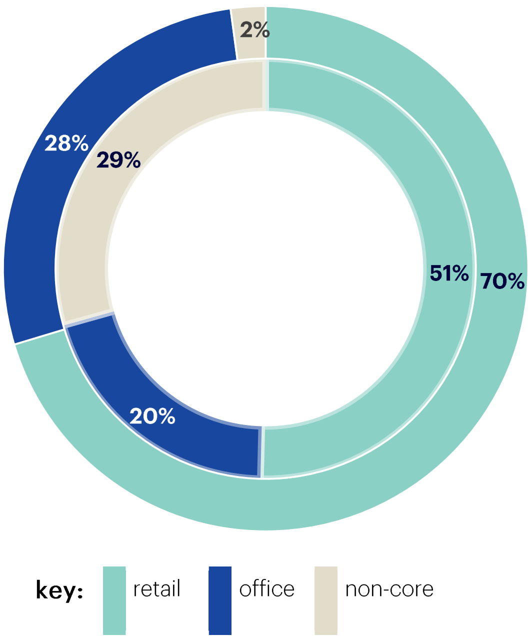
**we increasingly see ourselves as investors in mixed-use assets – comprising a mix of retail, office, service, entertainment, health and wellness, civic and hotel and residential uses, all supported by pedestrian and transport linkages**

# our portfolio rebalancing programme

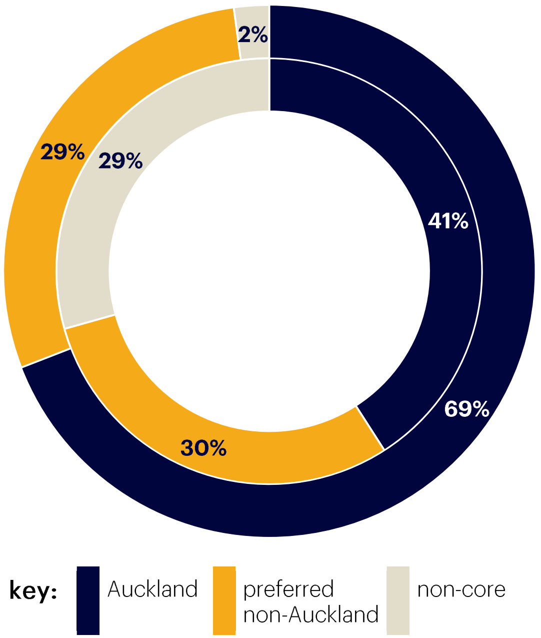
**almost complete**

1.03 portfolio statistics
1.06 geographic diversification

**sector diversification**
Sep-18 (outside ring) versus
Sep-10 (inside ring)




**geographic diversification**
Sep-18 (outside ring) versus
Sep-10 (inside ring)




**property asset value**
Sep-18 $3.0b
Sep-10 $1.9b

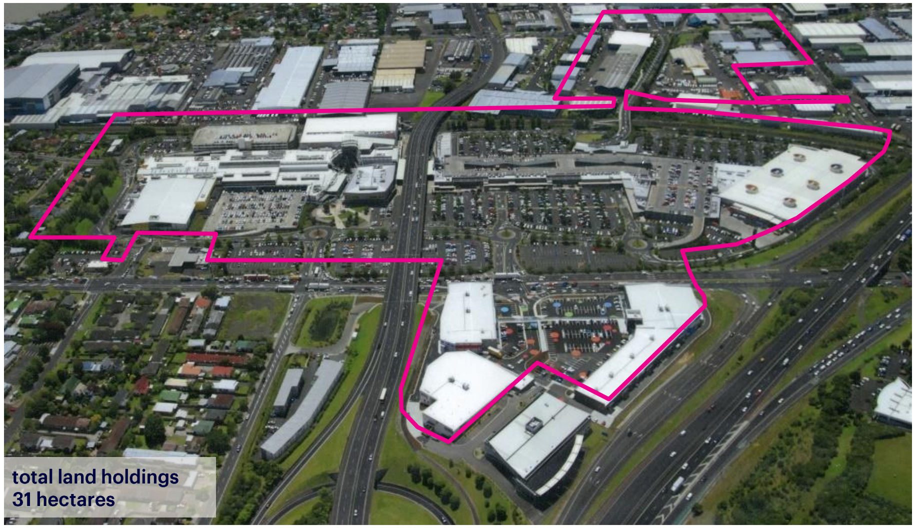
## our strategic asset acquisition and disposal programme has strengthened our portfolio by increasing exposure to regions and sectors identified as 'core'

## our 'non-core' asset disposal programme is almost complete

## our portfolio is positioned to grow as we evolve our mixed-use strategy

# our mixed-use opportunities

### Sylvia Park, Auckland



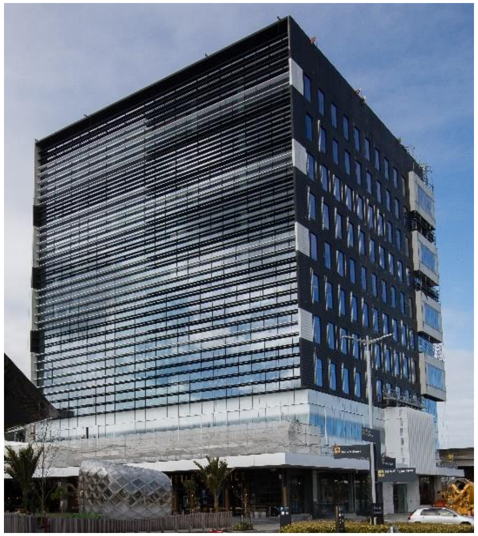

### Drury, Auckland


### The Base, Hamilton


### LynnMall, Auckland

# realising our mixed-use opportunities at Sylvia Park

2.02 – 2.09 Sylvia Park development activity



## No.1 Sylvia Park
*COMPLETE*

- 10-level, $80 million office tower now complete
- IAG in occupation over 2.5 floors (on a 12-year lease)
- ANZ Bank have leased 5.5 floors. Lease commences between Jun-19 and Dec-19 (on a 9-year lease)
- on target to deliver
  - Y1 yield 5.4% increasing to 7.4% in Y3
  - IRR >9.0%

## central carpark
*NEARING COMPLETION*

- on budget and on programme for completion in Nov-18
- will provide ~600 carparks


## galleria and south carpark
*IN PROGRESS*

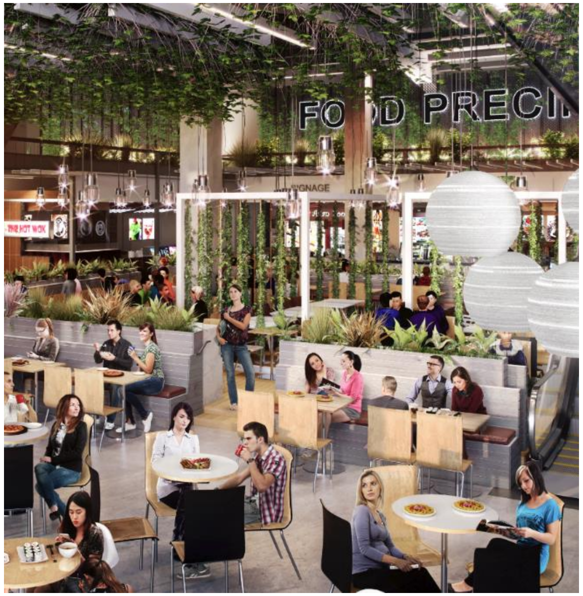
- construction commenced Mar-18 and on schedule for completion mid-2020
- pre-leasing on programme
- on target to deliver investment returns
  - Y1 yield 5.7% increasing to 6.2% in Y3
  - IRR >10%

## Kmart
*IN PROGRESS*

- customer favourite, Kmart, opening mid-2019 at the southern end of the centre
- tenancy works are underway

# development update





**Langdons Quarter, Northlands** *NEARING COMPLETION*

- on programme for new tenancies to open for trading from late Nov-18
- total project cost now $21 million (including $8 million seismic capex)
- on-target to deliver initial yield on non-seismic spend of 6.0%

# sound financial result

**$48.3m**

profit after tax

+$0.4m +0.9%

**$52.3m**

FFO

-$1.9m -3.4%

**$89.9m**

net rental income

-$5.2m -5.4%

**as expected, the current period earnings reflect**

- **the sale of non-core assets, North City (Jul-18) and The Majestic Centre (Dec-17)**
- **vacancy and lease up periods at Vero Centre**
- **exit of Countdown from Sylvia Park**

1.04 rental income
4.01 profit after tax
4.04 FFO

# FFO and AFFO

**3.66 cps**

FFO

-0.16 cps -4.2%

**3.11 cps**

AFFO

+0.07 cps +2.3%

**3.475 cps**

FY19 interim cash dividend

+0.05 cps +1.5%

**95%**

FFO payout ratio

**112%**

AFFO payout ratio

**an interim dividend of 3.475 cents per share will be paid**

- **up 1.5% on the prior comparable period**
- **in-line with guidance**

4.04 FFO
4.05 dividends
4.06 AFFO

# our balance sheet remains strong

**$3.0b**

property assets

-$12.9m -0.4%

**29.4%**

gearing

FY18: 29.7%

**$1.40**

net asset backing per share

FY18: $1.40

**our asset base has reduced due to the sale of North City, offset by value-added expenditure, predominantly at Sylvia Park and Northlands**

**period-end gearing remains within our target band (25%-35%)**

1.03 portfolio statistics
4.07 balance sheet
4.08 investment properties movement
4.09 net finance debt movement
4.14 pro-forma gearing

# we continue to be active in our capital management programme

**4.97%**

weighted average cost of debt

FY18: 4.99%

**3.3 years**

weighted average term to maturity of debt

FY18: 3.6 years

credit ratings

**BBB+** issue rating (fixed-rate bonds)

**BBB (stable)** corporate credit rating

**post the reporting period, we issued our fourth bond series (KPG040)**

- **issue: $100 million**
- **coupon: 4.06%**
- **term: seven-years**
- **credit rating: BBB+**

**proceeds have initially been used to pay down bank debt and cancel bank debt facilities**

- **weighted term to maturity of debt now 3.7 years**

4.07 balance sheet
4.09 net finance debt movement
4.10 finance debt facilities
4.11 capital management metrics
4.12 fixed-rate debt profile
4.13 finance debt facilities

# our property portfolio continues to perform strongly

**3.8%**

rental growth from new leasing and rent reviews

FY18: +3.5%

**99.3%**

occupancy

FY18: 99.6%

**5.4 years**

weighted average lease term

FY18: 5.3 years

## portfolio strength has been maintained through intensive asset management

- rental growth was provided through rental reviews +3.2% and new leasing activity +6.8%
- occupancy and weighted average lease term are at healthy levels


1.03 portfolio statistics
1.04 rental income
1.10 new leasing and rent reviews
1.11 lease expiry profile

# positive retail sales trend

**$1.7b**

total sales

**+2.4%**

total sales growth

**+2.7%**

like-for-like sales growth

**$11,000**

specialty sales ($/sqm)

Sep-17: $10,200

**11.8%**

specialty GOC

Sep-17: 12.8%

**total sales of $1.68 billion have been recorded across our retail centres, with strong growth in experiential and discretionary spend categories**

## like-for-like sales growth

| cinemas | commercial services (incl. mobile phones and travel) | mini-majors | pharmacy and wellbeing (incl. personal services) |
|---|---|---|---|
| +8.8% | +8.6% | +4.8% | +3.3% |

1.13 retail sales by centre
1.14 retail sales by category

Kiwi Property

# we continue to achieve recognition in our sustainability programme

**10,000 plastic bottles recycled to encourage people to follow our lead in recycling**

- Kiwi Property made five sculpture families, 'The Greens', from recycled bottles collected from our shopping centres

**water bottle refilling stations have been installed in each of our shopping centres**

- aimed at reducing consumption of single-use plastic bottles
- the stations have been used more than 17,800 times in the first three months since installation

**A- rating in Carbon Disclosure Project[1]**

- retained A- rating in the Carbon Disclosure Project – the highest rating of any NZX-listed entity

**4.0 (out of 5.0) ESG FTSE4Good Rating[2]**

- ranked second in the international real estate sub-sector

**Be. Accessible rated**

- all our shopping centres have been awarded Gold, Silver or Bronze ratings for accessibility

**Note 1** As at Dec-17. **Note 2** As at Jun-18.

# we have a clear focus

## key priorities for the remainder of 2019

- continue to advance our mixed-use vision at Sylvia Park
  - prepare for ANZ's occupation and lease commencement at No.1 Sylvia Park
  - open the central carpark in November 2018
  - advance construction of the galleria and south carpark development
  - progress leasing of the galleria development
  - prepare for Kmart's occupation and lease commencement
- complete the Langdons Quarter food and entertainment precinct development at Northlands and progress planning for future retail stages
- progress masterplanning for our Drury land
  - advance structure planning towards securing town centre zoning
- pursue asset acquisitions in line with our investment strategy

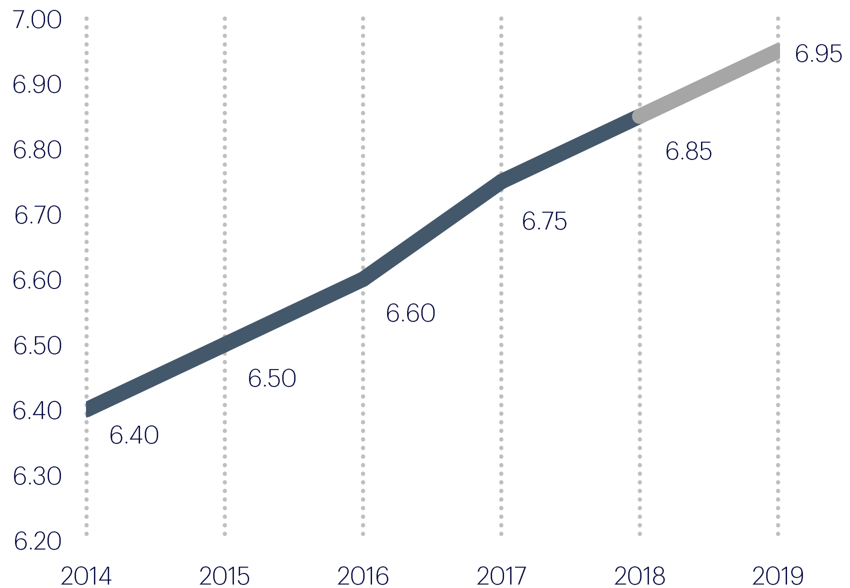
# outlook and dividend guidance

FY19 cash dividend guidance

**6.95**

cents per share[1]

**cash dividend (cents per share)**




**Note 1** Subject to a continuation of reasonable economic conditions.

## Kiwi Property is well positioned for growth

- high-quality portfolio
- strong balance sheet
- pipeline of development opportunities
- exceptional team of committed people

4.04 FFO
4.05 dividends

# property

# property appendices: index

## property portfolio review



## development update



## market update

# our portfolio

1.01

# property portfolio summary

1.02

| | ref | 30-Sep-18 retail | 30-Sep-18 office | 30-Sep-18 total | 31-Mar-18 retail | 31-Mar-18 office | 31-Mar-18 total |
|---|---|---|---|---|---|---|---|
| number of assets | 1.03 | 8 | 4 | **12** | 9 | 4 | **13** |
| value ($m)[1,2] | 1.03 | 2,059.9 | 836.6 | **2,896.5** | 2,080.6 | 831.2 | **2,911.8** |
| proportion of total portfolio by value | 1.07 | 68% | 28% | **96%** | 68% | 27% | **95%** |
| weighted average capitalisation rates[2,3] | 1.03 | not applicable, assets were not independently valued at Sep-18 | | | 6.25% | 5.76% | **6.11%** |
| over/(under) renting | | | | | +0.7% | 0.0% | **+0.6%** |
| net lettable area (sqm) | 1.03 | 331,450 | 95,992 | **427,442** | 355,235 | 95,995 | **451,230** |
| number of tenants | 1.12 | 852 | 61 | **913** | 964 | 59 | **1,023** |
| proportion of investment portfolio by gross income | 1.12 | 74% | 26% | **100%** | 75% | 25% | **100%** |
| occupancy (by area)[4] | 1.03 | 99.9% | 97.6% | **99.3%** | 99.7% | 99.3% | **99.6%** |
| weighted average lease term (by income) | 1.03 | 3.8 years | 10.0 years | **5.4 years** | 3.8 years | 10.1 years | **5.3 years** |

**The following notes apply to all of appendix 1.00 (where applicable):**

**Note 1** At 30-Sep-18, excludes other properties and development land which had a combined value of $142.6 million (4% of total portfolio value). At 31-Mar-18, excludes other properties and development land which had a combined value of $140.2 million (5% of total portfolio value). **Note 2** Assets were not independently valued at 30-Sep-18. Assets are held at their 31-Mar-18 independent valuations (except North City which was held at its net disposal proceeds), adjusted for capital expenditure incurred over the period, with the exception of development land acquired during the period which is carried at cost, including acquisition costs. **Note 3** Due to development activity, the capitalisation rate for Sylvia Park is the 'as if complete' assessed rate. On 11-Apr-18, Kiwi Property entered into an unconditional agreement for the sale of North City, Porirua. The asset was recorded at its net disposal proceeds of $99.2 million and the capitalisation rate is the equivalent rate based on the asset's gross sale price of $100 million. The sale settled Jul-18. **Note 4** Vacant tenancies with current or pending development works are excluded from the occupancy statistics. No adjustments were made at 30-Sep-18. At 31-Mar-18 excluded 671 sqm at Sylvia Park, 2,495 sqm at The Base and 1,356 sqm at Northlands. Tenancies at Westgate Lifestyle subject to vendor rental underwrites are treated as occupied. **General note** Kiwi Property owns 100% of all assets except The Base which is 50% owned.

1.03 portfolio statistics
1.07 sector and income diversification
1.12 tenant diversification

# portfolio statistics

## 1.03

| | adopted value $m | | capitalisation rate % | | NLA sqm | | occupancy % | | WALT years | |
|---|---|---|---|---|---|---|---|---|---|---|
| as at | 30-Sep-18 | 31-Mar-18 | 30-Sep-18 | 31-Mar-18 | 30-Sep-18 | 31-Mar-18 | 30-Sep-18 | 31-Mar-18 | 30-Sep-18 | 31-Mar-18 |
| Sylvia Park | 891.9 | 835.0 | not applicable, assets were not independently valued at Sep-18 | 5.38 | 78,215 | 74,843 | 100.0 | 100.0 | 4.1 | 3.7 |
| Sylvia Park Lifestyle | 74.0 | 74.0 | | 6.25 | 16,536 | 16,536 | 100.0 | 100.0 | 3.0 | 3.5 |
| LynnMall | 279.4 | 274.0 | | 6.25 | 37,694 | 37,570 | 100.0 | 100.0 | 5.0 | 5.0 |
| Westgate Lifestyle | 90.0 | 90.0 | | 6.38 | 25,581 | 25,581 | 100.0 | 100.0 | 5.9 | 6.4 |
| The Base | 203.5 | 202.5 | | 6.25 | 85,549 | 85,552 | 99.9 | 99.9 | 3.0 | 3.1 |
| Centre Place – North | 59.6 | 59.0 | | 8.75 | 15,801 | 15,807 | 98.5 | 96.2 | 3.1 | 3.2 |
| The Plaza | 209.5 | 207.0 | | 7.00 | 32,221 | 32,202 | 100.0 | 100.0 | 3.3 | 3.5 |
| North City (sold Jul-18) | - | 99.1 | | 8.38 | - | 25,514 | - | 100.0 | - | 3.9 |
| Northlands | 252.0 | 240.0 | | 7.13 | 39,853 | 41,632 | 100.0 | 99.6 | 2.9 | 2.8 |
| **retail portfolio** | **2,059.9** | **2,080.6** | | **6.25** | **331,450** | **355,235** | **99.9** | **99.7** | **3.8** | **3.8** |
| Vero Centre | 425.2 | 420.0 | | 5.50 | 39,539 | 39,542 | 94.2 | 98.4 | 7.0 | 6.6 |
| ASB North Wharf | 209.5 | 209.0 | | 5.63 | 21,625 | 21,625 | 100.0 | 100.0 | 12.1 | 12.6 |
| The Aurora Centre | 152.1 | 152.3 | | 6.38 | 24,503 | 24,503 | 100.0 | 100.0 | 15.7 | 16.2 |
| 44 The Terrace | 49.8 | 49.9 | | 6.63 | 10,325 | 10,325 | 100.0 | 100.0 | 8.0 | 8.5 |
| **office portfolio** | **836.6** | **831.2** | | **5.76** | **95,992** | **95,995** | **97.6** | **99.3** | **10.0** | **10.1** |
| **investment portfolio** | **2,896.5** | **2,911.8** | | **6.11** | **427,442** | **451,230** | **99.3** | **99.6** | **5.4** | **5.3** |
| adjoining properties | 94.0 | 93.1 | | | | | | | | |
| development land | 48.6 | 47.1 | | | | | | | | |
| **total portfolio** | **3,039.1** | **3,052.0** | | | | | | | | |

For notes supporting these values and statistics, refer to appendix 1.02.

1.02 property portfolio summary

# rental income



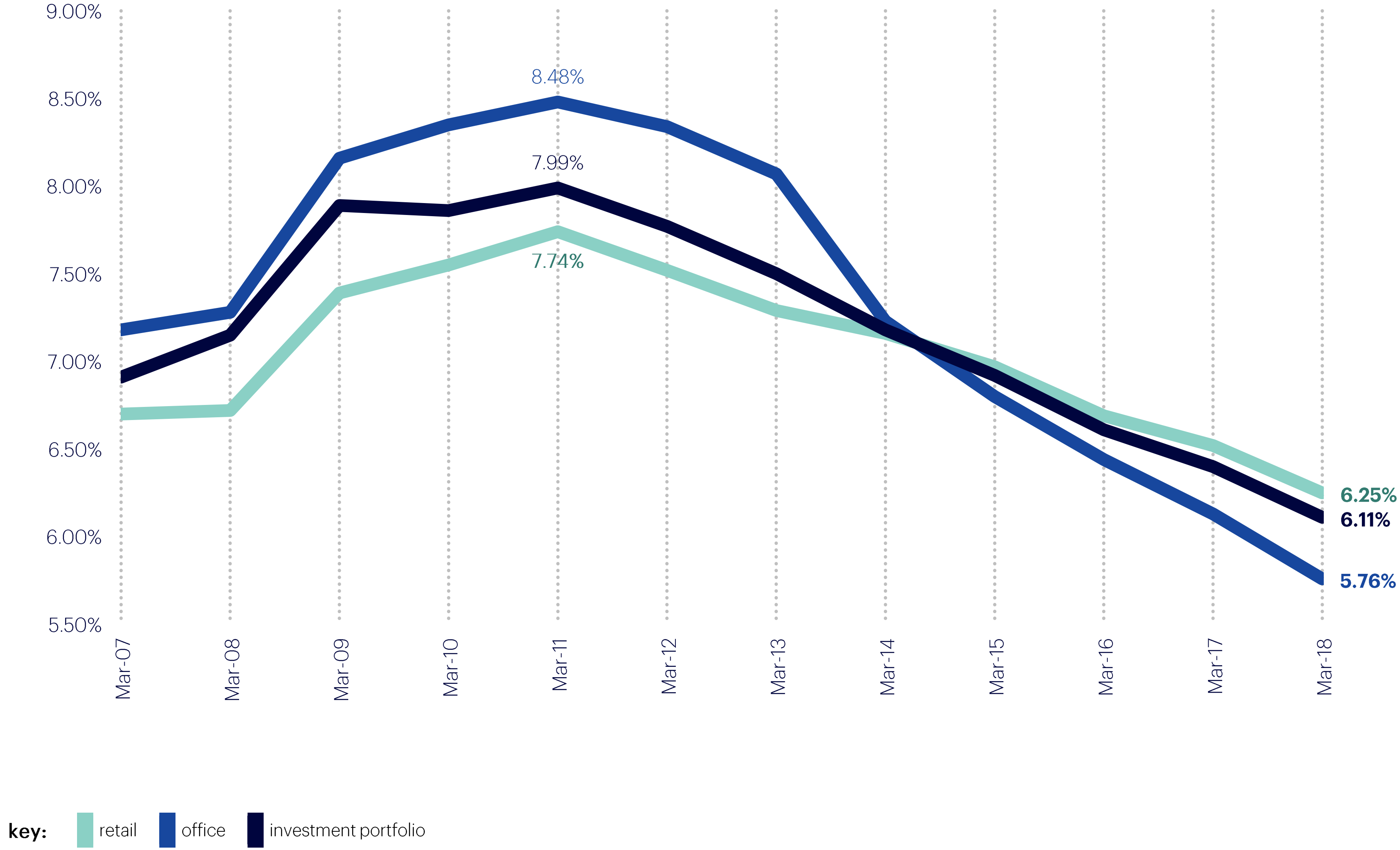
| six months ended | 30-Sep-18 $m | 30-Sep-17 $m | variance $m | variance % | like-for-like variance $m | like-for-like variance % |
|---|---|---|---|---|---|---|
| Sylvia Park | 21.4 | 21.4 | - | - | +0.5 | +2.3 |
| Sylvia Park Lifestyle | 2.5 | 2.4 | +0.1 | +5.2 | +0.1 | +5.2 |
| LynnMall | 9.3 | 9.2 | +0.1 | +1.3 | +0.1 | +1.3 |
| Westgate Lifestyle | 3.0 | 3.0 | - | -1.2 | - | -1.2 |
| The Base | 6.0 | 5.9 | +0.1 | +2.8 | +0.1 | +2.8 |
| Centre Place – North | 3.0 | 2.9 | +0.1 | +2.9 | +0.1 | +2.9 |
| The Plaza | 8.2 | 8.1 | +0.1 | +1.8 | +0.1 | +1.8 |
| North City (sold Jul-18) | 2.7 | 4.7 | -2.0 | -42.3 | | |
| Northlands | 9.3 | 9.4 | -0.1 | -1.4 | +0.1 | +1.0 |
| **retail portfolio** | **65.4** | **67.0** | **-1.6** | **-2.3** | **+1.1** | **+1.9** |
| Vero Centre | 8.9 | 10.2 | -1.3 | -12.8 | -1.3 | -12.8 |
| ASB North Wharf | 6.2 | 6.0 | +0.2 | +2.7 | +0.2 | +2.7 |
| The Majestic Centre (sold Dec-17) | - | 4.3 | -4.3 | -100.0 | | |
| The Aurora Centre | 4.5 | 4.5 | - | +1.3 | - | +1.3 |
| 44 The Terrace | 1.6 | 1.5 | +0.1 | +6.2 | +0.1 | +6.2 |
| **office portfolio** | **21.2** | **26.5** | **-5.3** | **-19.8** | **-1.0** | **-4.5** |
| other properties | 1.9 | 1.3 | +0.6 | +38.8 | +0.1 | +5.3 |
| **net operating income** | **88.5** | **94.8** | **-6.3** | **-6.6** | **+0.2** | **+0.3** |
| straight-lining fixed rental increases | 1.4 | 0.3 | +1.1 | +307.0 | | |
| **net rental income** | **89.9** | **95.1** | **-5.2** | **-5.4** | | |

- reduced income reflects the disposal of The Majestic Centre (Dec-17) and North City (Jul-18)
- Sylvia Park
  - impacted by development activity and the exit of Countdown from the centre
- Vero Centre
  - impacted by vacant floors. Space previously used as decant space for Russell McVeagh and Suncorp fitouts were available for lease from Apr-18 (details of leasing progress are provided at appendix 1.11)

1.11 lease expiry profile
4.01 profit after tax

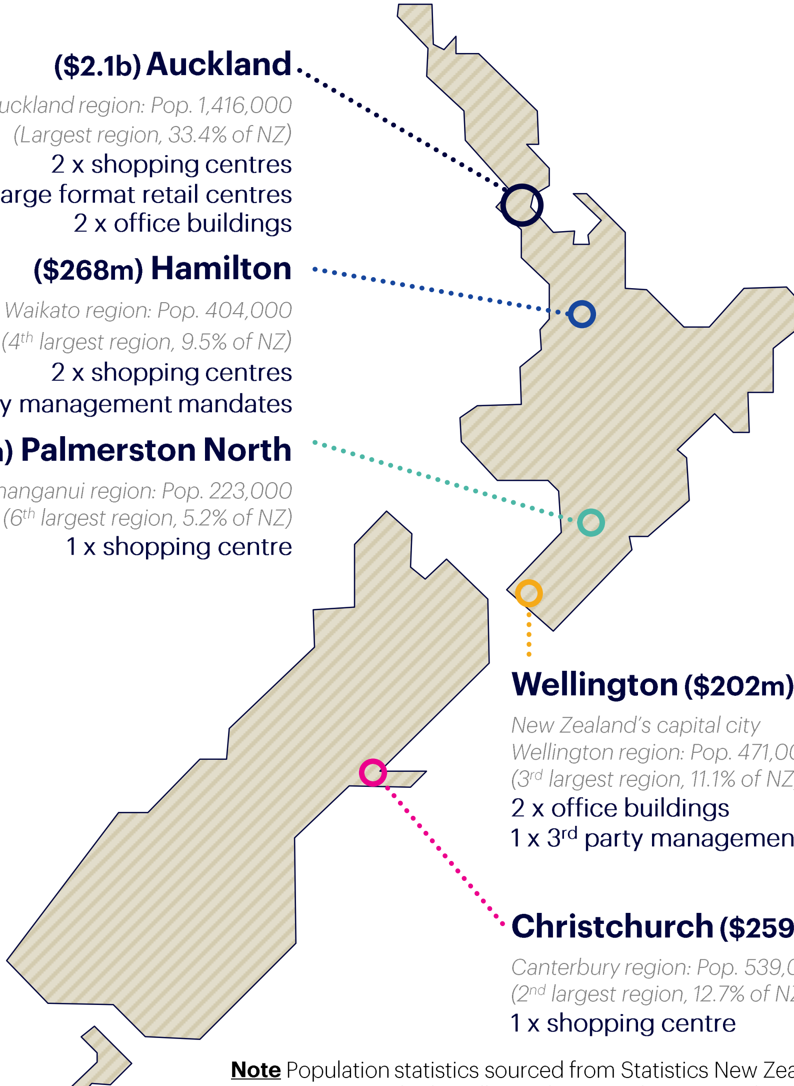
# capitalisation rate history

1.05



# geographic diversification

1.06



**($2.1b) Auckland**

*Auckland region: Pop. 1,416,000*
*(Largest region, 33.4% of NZ)*
2 x shopping centres
2 x large format retail centres
2 x office buildings

**($268m) Hamilton**

*Waikato region: Pop. 404,000*
*(4th largest region, 9.5% of NZ)*
2 x shopping centres
2 x 3rd party management mandates

**($209m) Palmerston North**

*Manawatu-Whanganui region: Pop. 223,000*
*(6th largest region, 5.2% of NZ)*
1 x shopping centre

**Wellington ($202m)**

*New Zealand's capital city*
*Wellington region: Pop. 471,000*
*(3rd largest region, 11.1% of NZ)*
2 x office buildings
1 x 3rd party management mandate

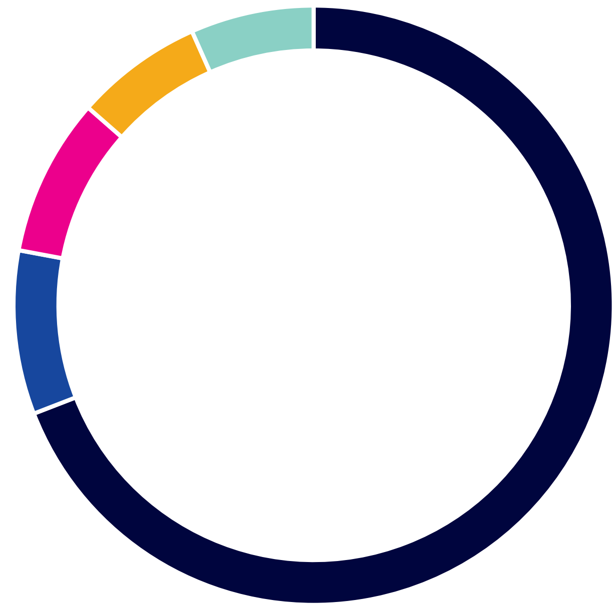
**Christchurch ($259m)**

*Canterbury region: Pop. 539,000*
*(2nd largest region, 12.7% of NZ)*
1 x shopping centre

**Note** Population statistics sourced from Statistics New Zealand, 2013 Census results (usually resident population count).

## geographic diversification

by portfolio value



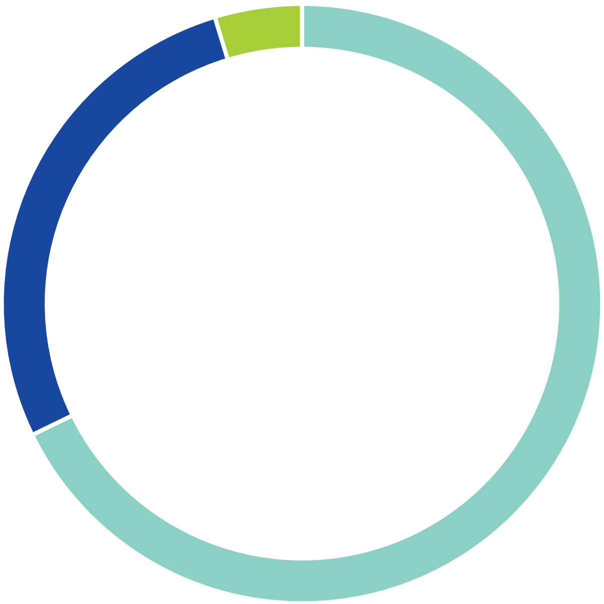
| | |
|---|---|
| Auckland | **69%** |
| Hamilton | **9%** |
| Christchurch | **8%** |
| Wellington | **7%** |
| Palmerston North | **7%** |

Kiwi Property

# sector and income diversification

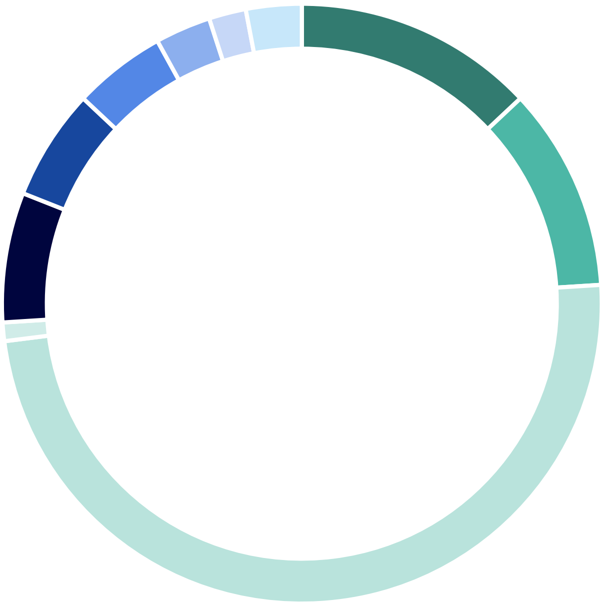
1.07

## sector diversification
by portfolio value



| | |
|---|---|
| retail | 68% |
| office | 28% |
| other | 4% |

## income diversification
by investment portfolio gross income



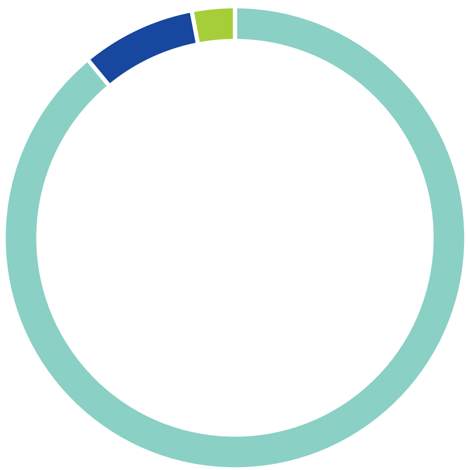
| | |
|---|---|
| government | 7% |
| banking | 6% |
| legal | 5% |
| financial services | 3% |
| insurance | 2% |
| other | 3% |
| **office** | **26%** |

| | |
|---|---|
| majors | 13% |
| mini-majors | 13% |
| specialty | 47% |
| office tenants | 1% |
| **retail** | **74%** |

# retail portfolio diversification

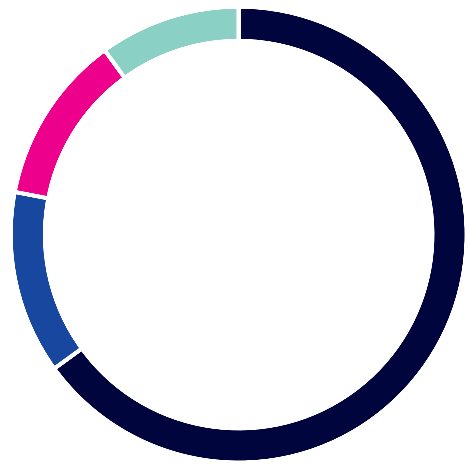
1.08

## property type
by retail portfolio value



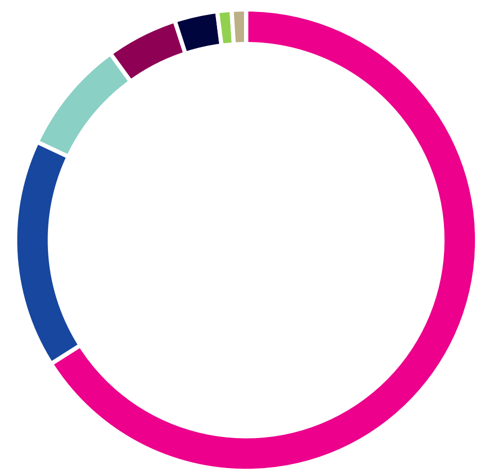
| | |
|---|---|
| regional centres | 89% |
| large format centres | 8% |
| sub-regional centres | 3% |

## geographic diversification
by retail portfolio value



| | |
|---|---|
| Auckland | 65% |
| Hamilton | 13% |
| Christchurch | 12% |
| Palmerston North | 10% |

## tenant diversification
by retail portfolio gross income

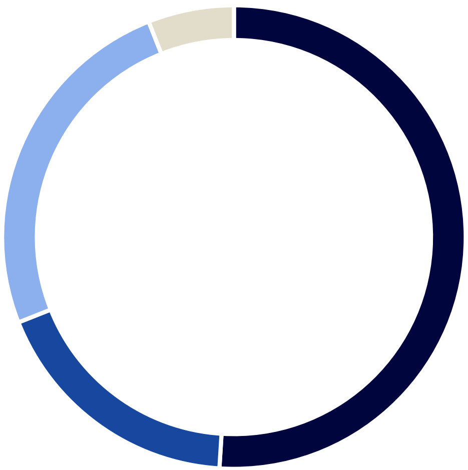


| | |
|---|---|
| specialty | 64% |
| mini-majors | 18% |
| department stores and DDS | 8% |
| supermarkets | 5% |
| cinemas | 3% |
| home and living majors | 1% |
| office | 1% |

# office portfolio diversification

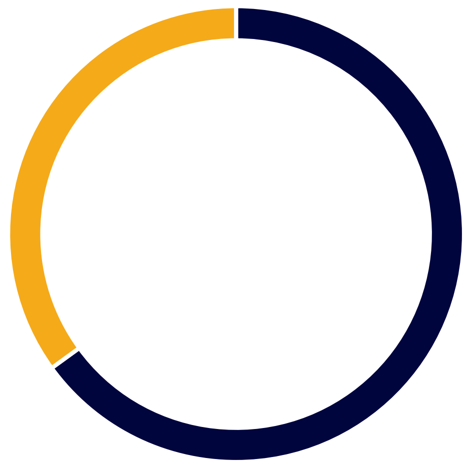
1.09

## property type
by office portfolio value



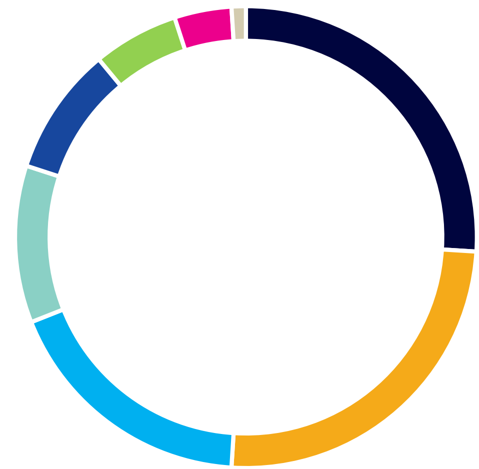
| | |
|---|---|
| Premium | 51% |
| A-grade | 18% |
| A-grade campus | 25% |
| B-grade | 6% |

## geographic diversification
by office portfolio value



| | |
|---|---|
| Auckland | 76% |
| Wellington | 24% |

## tenant diversification
by office portfolio gross income



| | |
|---|---|
| government | 26% |
| banking | 25% |
| legal | 18% |
| financial services | 11% |
| insurance | 9% |
| other | 6% |
| retail | 4% |
| consultancy | 1% |

# new leasing and rent reviews



| rent reviews | retail | office | total |
|---|---|---|---|
| no. | 297 | 28 | 325 |
| NLA (sqm) | 77,200 | 36,200 | 113,400 |
| % investment portfolio NLA | 18 | 9 | 27 |
| **rental movement (%)** | **+2.6** | **+4.2** | **+3.2** |
| compound annual growth (%) | +2.5 | +2.8 | +2.6 |
| structured increases (% portfolio) | 92 | 80 | 88 |
| **new leases and renewals** | | | |
| no. | 71 | 10 | 81 |
| NLA (sqm) | 14,100 | 5,000 | 19,100 |
| % investment portfolio NLA | 3 | 1 | 4 |
| **rental movement (%)** | **+6.6** | **+7.7** | **+6.8** |
| WALT (years) | 5.7 | 7.6 | 6.1 |
| **total (static, excl development)** | | | |
| no. | 368 | 38 | 406 |
| NLA (sqm) | 91,300 | 41,200 | 132,500 |
| % investment portfolio NLA | 21 | 10 | 31 |
| **rental movement (%)** | **+3.5** | **+4.6** | **+3.8** |
| **development new leases** | | | |
| new leases | 12 | 1 | 13 |

**Note** Statistics in this table exclude North City which was sold during the period.

## retail

- rental performance supported by high percentage (92%) of structured rent reviews
- good leasing uplift reported from a number of centres
  - Sylvia Park +9.9%
  - Northlands +6.3%
  - LynnMall +4.1%

## office

- leasing activity has focused on vacant and pending expiries within the Vero Centre (refer to appendix 1.11 for further details of leasing activity)

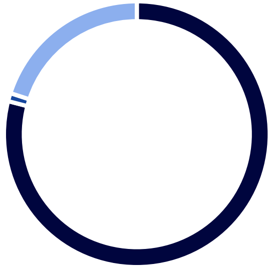
### retail rent reviews

% of gross retail portfolio income

| | |
|---|---|
| fixed | **59%** |
| CPI-based | **33%** |
| market and other | **8%** |

### office rent reviews

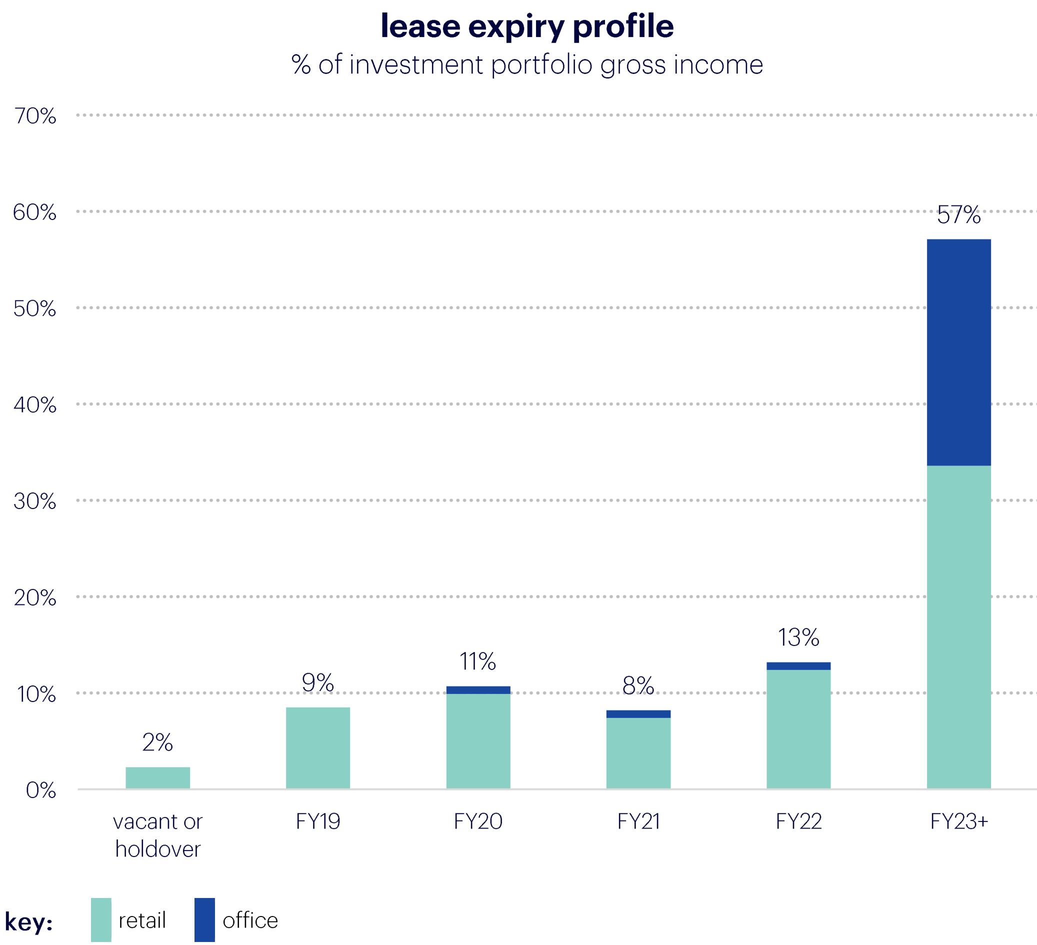
% of gross office portfolio income



| | |
|---|---|
| fixed | **79%** |
| CPI-based | **1%** |
| market and other | **20%** |

# lease expiry profile

1.11




## retail

- our focus for the remainder of FY19 is on the cyclical expiry peak which occurs at Sylvia Park, coinciding with our Galleria retail expansion

## office

- our focus for the remainder of FY19 will be to continue leasing momentum at Vero Centre and conclude leases for our current vacancy and pending expiry
  - current vacancy: 2,200 sqm
  - FY20 expiry: 1,400 sqm
- leasing progress at Vero Centre is as follows

| vacancy and leasing summary | sqm |
|---|---|
| vacancy at 31-Mar-18 | 630 |
| + leases expiring during FY19 | 4,975 |
| = total forecast vacancy (as reported 31-Mar-18) | 5,605 |
| - vacant/pending expiry space leased during 1HFY19 | 3,356 |
| **= vacancy remaining at 30-Sep-18** | **2,249** |

| 1H FY19 leasing summary | sqm |
|---|---|
| vacant/pending expiry space leased | 3,356 |
| + other leasing completed | 1,608 |
| **= total leased during 1H FY19** | **4,964** |

# tenant diversification



## tenant diversification
% of investment portfolio gross income

| | | |
|---|---|---|
| majors | supermarkets | 4 |
| majors | department stores | 3 |
| majors | discount department stores (DDS) | 3 |
| majors | cinemas | 2 |
| majors | home and living | 1 |
| mini-majors | mini-majors | 13 |
| specialty | fashion | 17 |
| specialty | food | 9 |
| specialty | general | 7 |
| specialty | pharmacy and wellbeing | 6 |
| specialty | home and living | 2 |
| specialty | other | 6 |
| | office | 1 |
| | **retail (852 tenants)** | **74** |
| | government | 7 |
| | banking | 6 |
| | legal | 5 |
| | financial services | 3 |
| | insurance | 2 |
| | other | 3 |
| | **office (61 tenants)** | **26** |

**key:** majors mini-majors specialty

## top 20 tenants
% of investment portfolio gross income

| | | |
|---|---|---|
| retail portfolio tenant / office portfolio tenant | ASB Bank | 7.1 |
| office portfolio tenant | Ministry of Social Development | 4.9 |
| retail portfolio tenant | Farmers[1] | 2.7 |
| retail portfolio tenant | Progressive Enterprises | 2.3 |
| retail portfolio tenant | Cotton On Clothing | 2.0 |
| office portfolio tenant | Bell Gully | 1.9 |
| retail portfolio tenant | Foodstuffs | 1.9 |
| office portfolio tenant | Suncorp | 1.9 |
| retail portfolio tenant | The Warehouse | 1.8 |
| retail portfolio tenant | Just Group | 1.7 |
| retail portfolio tenant | Kmart | 1.5 |
| office portfolio tenant | Russell McVeagh | 1.5 |
| retail portfolio tenant | HOYTS Cinemas | 1.5 |
| retail portfolio tenant | Hallenstein/Glasson | 1.4 |
| retail portfolio tenant | ANZ Bank | 1.1 |
| office portfolio tenant | Craigs Investment Partners | 1.0 |
| retail portfolio tenant | Whitcoulls[1] | 0.9 |
| retail portfolio tenant | BNZ | 0.9 |
| retail portfolio tenant | IAG | 0.8 |
| office portfolio tenant | Tertiary Education Commission | 0.8 |

**Note 1** Controlled by the James Pascoe Group.

**key:** retail portfolio tenant office portfolio tenant

## our top 20 tenants



have a weighted average lease term of

**7.9 years**

# retail sales by centre

1.13

| twelve months ended | MAT $m 30-Sep-18 | % var. from Sep-17 total | like-for-like | shopping centre specialty sales[1] $/sqm | GOC% | pedestrian count millions per annum 30-Sep-18 |
|---|---|---|---|---|---|---|
| **shopping centres** | | | | | | |
| Sylvia Park | 553.2 | +0.9 | +3.8 | 13,600 | 11.7 | 15.2 |
| LynnMall | 247.9 | +4.0 | +2.5 | 10,200 | 10.9 | 8.1 |
| The Base – Te Awa | 148.3 | +5.6 | +7.0 | 10,600 | 11.6 | 4.7 |
| Centre Place – North | 72.1 | +11.2 | +2.8 | 8,600 | 11.0 | 5.1 |
| The Plaza | 197.3 | +5.5 | +3.9 | 9,600 | 13.6 | 6.4 |
| Northlands | 286.0 | -1.9 | -1.3 | 11,200 | 12.3 | 8.1 |
| **total** | **1,504.8** | **+2.3** | **+2.8** | **11,000** | **11.8** | **47.6** |
| **large format retail** | | | | | | |
| Sylvia Park Lifestyle[2] | 12.3 | - | - | | | |
| Westgate Lifestyle[2] | 22.3 | - | - | | | |
| The Base – LFR | 137.1 | +1.5 | +2.3 | | | |
| **total** | **171.7** | **+2.7** | **+2.0** | | | |
| **retail portfolio** | | | | | | |
| **total** | **1,676.5** | **+2.4** | **+2.7** | | | |

**Note 1** Specialty sales $/sqm and GOC% include commercial services categories. **Note 2** Sales data is being requested, however most tenants are not obliged to provide under current leases. Total sales reported are shown, but due to the changing composition of those who do report, comparable statistics are not meaningful.

- overall, shopping centre sales grew by +2.3%
- strong performances from
  - Centre Place – North (+11.2%) due to a larger and improved cinema offer and a number of new retailers to the centre
  - The Base – Te Awa (+5.6%) and The Plaza (+5.5%) with solid performances across all categories
- softer performances from
  - Sylvia Park (+0.9%) impacted by development activity (closed entries) and the exit of Countdown from June 2018
  - Northlands (-1.9%) impacted by development activity (closed stores) and increase in retail floor space across the city

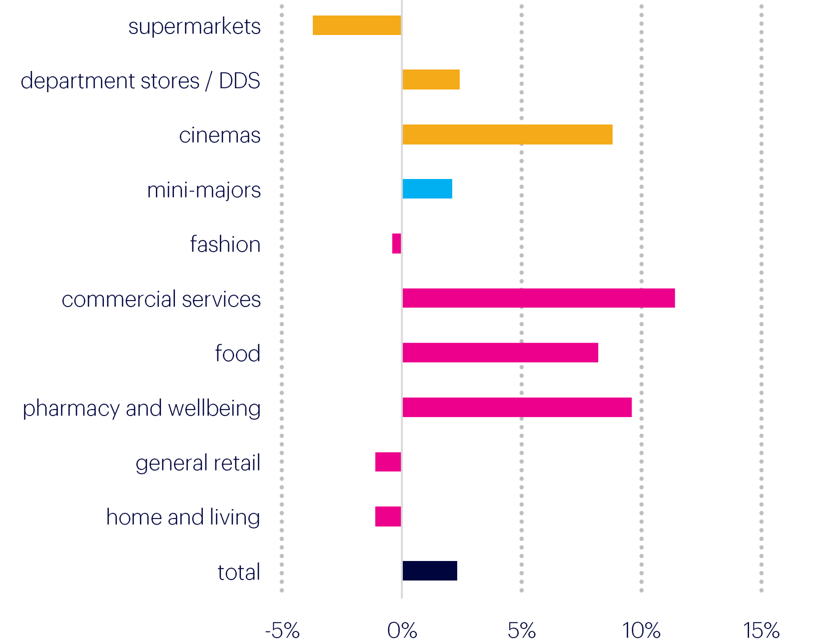
# retail sales by category

1.14

| twelve months ended | MAT $m<br>31-Sep-18 | % var. from Sep-17<br>total | like-for-like |
|---|---|---|---|
| **shopping centres** | | | |
| supermarkets | 302.0 | -3.7 | +0.5 |
| department stores / DDS | 175.7 | +2.4 | +2.4 |
| cinemas | 36.1 | +8.8 | +8.8 |
| mini-majors | 234.3 | +2.1 | +4.8 |
| fashion | 260.3 | -0.4 | +0.9 |
| commercial services | 176.5 | +11.4 | +8.6 |
| food | 131.6 | +8.2 | +1.5 |
| pharmacy and wellbeing | 92.1 | +9.6 | +3.3 |
| general retail | 75.5 | -1.1 | +3.0 |
| home and living | 20.7 | -1.1 | -1.7 |
| **total** | **1,504.8** | **+2.3** | **+2.8** |

majors   mini-majors   specialty

**total sales growth by category**

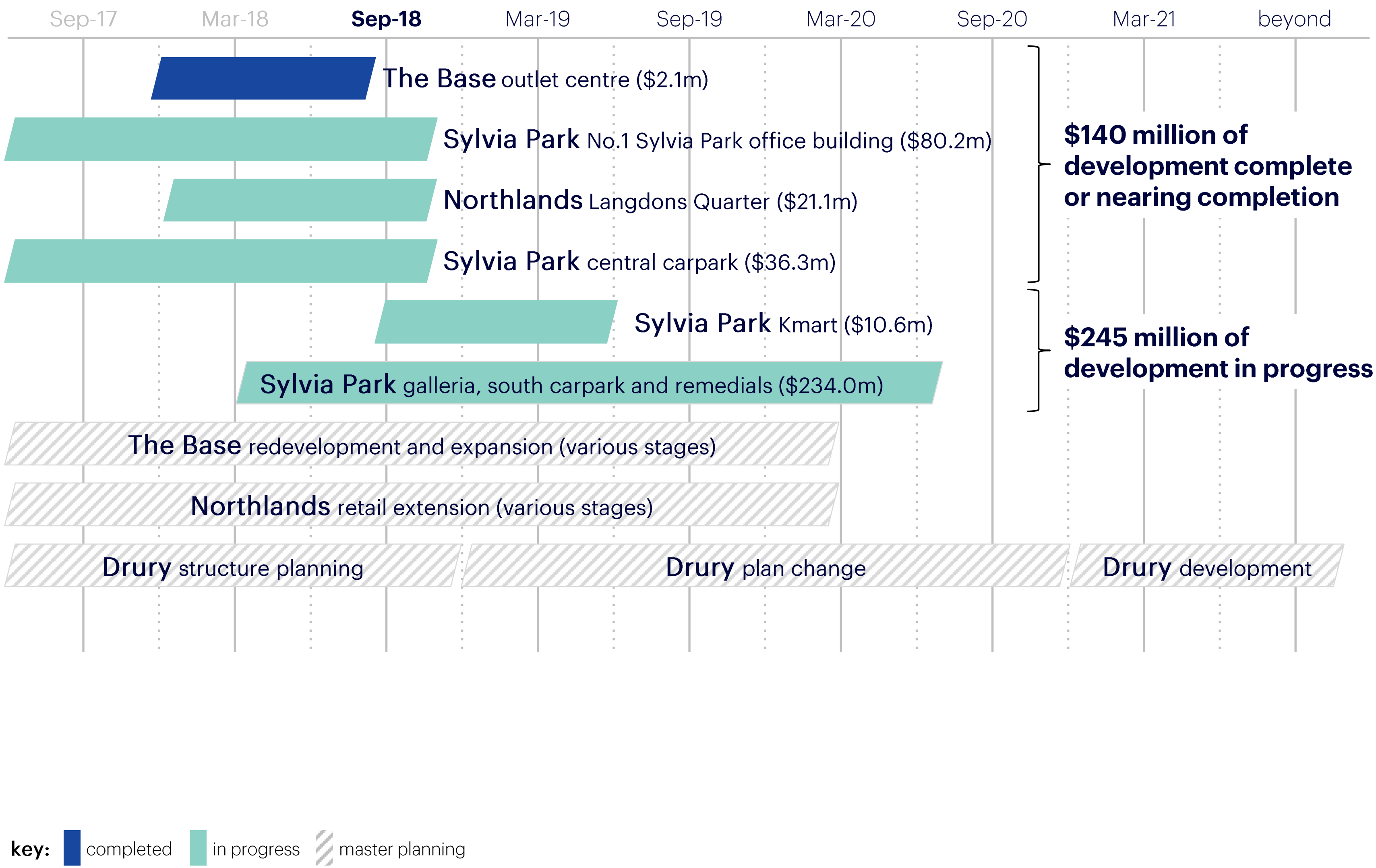



**total sales growth**

- positive growth has been recorded across most categories, with particularly good uplifts from
  - experiential categories such as cinemas and food
  - commercial services (travel and mobile phones)
  - pharmacy and wellbeing
- the supermarket category has been impacted by Countdown exiting Sylvia Park
- while sales is one measure of performance, many retailers are increasingly focusing on margins and profitability rather than driving sales through discounting

# development pipeline

2.01



# Sylvia Park

## ground floor redevelopment




**The Grove Dining District**

COMPLETED DEC-17

contemporary, landscaped alfresco dining experience and upgrade of the existing dining lane

**No.1 Sylvia Park**

COMPLETED OCT-18

11,400 sqm of office space over nine levels, together with ground floor restaurants

**central carpark**

NEARING COMPLETION

a five-level carpark structure providing ~600 parking spaces

**Kmart**

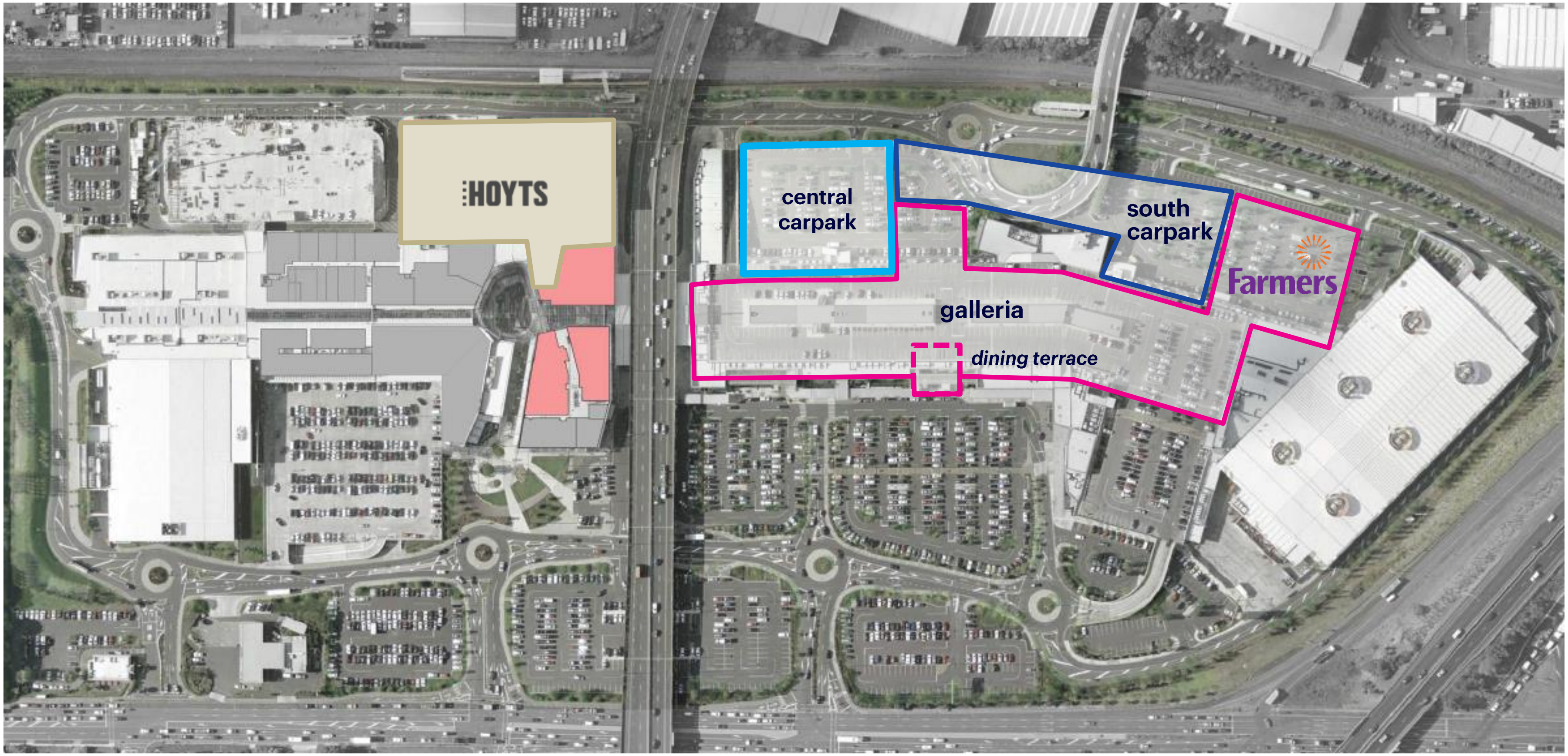
IN PROGRESS

new 5,000 sqm Kmart store

# Sylvia Park

first floor – galleria expansion






**galleria and south carpark**

IN PROGRESS

a new galleria level providing a Farmers department store, a next generation casual dining experience, an expanded retail offer including international brands new to New Zealand along with a new ~900 space carpark building

# Sylvia Park
site photo

2.04


Actual image as at 4 October 2018.

# No.1 Sylvia Park
office building

2.05

## project status

- building completed Oct-18
- IAG in occupation over 2.5 floors (on a 12-year lease)
- ANZ Bank have leased 5.5 floors (on a 9-year lease)
  - lease commences between Jun-19 and Dec-19

## financial metrics

| | |
|---|---|
| total project cost | $80.2m |
| projected Y1 yield | 5.4% |
| projected Y3 yield (on full ANZ occupation) | 7.4% |
| projected 10-year IRR | >9.0% |

## timetable

| | |
|---|---|
| construction commenced | Aug-16 |
| construction completion | Oct-18 |

| | spent to | | to spend | |
|---|---|---|---|---|
| **cost profile ($m)** | FY18 | 1H FY19 | 2H FY19 | FY20 |
| incl letting up allowances | 48.8 | 16.4 | 15.0 | - |


Actual image as at 4 October 2018.

# Sylvia Park

## central carpark

2.06

### project status

- new five-level carpark building
  - ~600 carparks
  - vehicle management system
  - well located between Zara and H&M
  - enhanced customer amenity

### financial metrics

| | |
|---|---|
| total project cost | $36.3m |

### timetable

| | |
|---|---|
| construction commenced | Apr-17 |
| construction completion | Nov-18 |

| | spent to | | to spend | |
|---|---|---|---|---|
| **cost profile ($m)** | FY18 | 1H FY19 | 2H FY19 | FY20 |
| incl letting up allowances | 20.0 | 12.1 | 4.2 | - |


Actual image as at 25 October 2018.

# Sylvia Park

## Kmart

2.07

**project overview**

- conversion of the store previously occupied by Countdown
- 5,000 sqm of retail premises
- initial 10-year lease
- trading to commence mid-2019

| **financial metrics** | |
|---|---|
| total project cost | $10.6m |

| **timetable** | |
|---|---|
| construction commenced | Oct-18 |
| target construction completion | mid-19 |

| | spent to | | to spend | |
|---|---|---|---|---|
| **cost profile ($m)** | FY18 | 1H FY19 | 2H FY19 | FY20 |
| incl letting up allowances | - | 0.7 | 8.2 | 1.7 |

# Sylvia Park

## galleria and south carpark

### project overview

- new galleria retail level
  - ~18,000 sqm with ~60 new retailers
  - two-level Farmers department store
  - next generation casual dining experience
  - new international brands and concept stores and selected specialty tenants
- additional multi-deck providing ~900 spaces

### financial metrics

| | |
|---|---|
| total project cost (excl. existing centre remedials)[1] | $223m |
| target Y1 yield on project cost (FY22) | 5.7% |
| target Y3 yield on project cost (FY24) | 6.2% |
| target 10-year IRR | >10% |
| target development margin | $20m |

### timetable

| | |
|---|---|
| construction commenced | Mar-18 |
| target construction completion | mid-20 |

| | spent to | | | to spend | |
|---|---|---|---|---|---|
| **cost profile ($m)**[2] | FY18 | 1H FY19 | 2H FY19 | FY20 | FY21 |
| incl letting up allowances | 16.8 | 26.4 | 49.3 | 103.9 | 26.6 |

**Note 1** Concurrently, an additional $11 million is being spent on existing centre remedial works. **Note 2** FY19 to FY21 cost profile projected and subject to change.

2.08


Artist's impression. Concept only. Subject to change.

# Sylvia Park

## galleria and south carpark

2.09

| | existing centre | other projects[1] | galleria (lost) | galleria (new) | completed centre |
|---|---|---|---|---|---|
| **net lettable area (sqm)** | | | | | |
| majors | 30,600 | - | - | 8,100 | 38,700 |
| mini-majors | 17,600 | - | - | 2,200 | 19,800 |
| specialty/other | 26,800 | - | (400) | 7,700 | 34,100 |
| offices | - | 11,400 | - | - | 11,400 |
| total centre | 75,000 | 11,400 | (400) | 18,000 | **104,000** |
| **tenancies (no.)** | | | | | |
| majors | 4 | - | - | 1 | 5 |
| mini-majors | 16 | - | - | 3 | 19 |
| specialty/other | 200 | - | (6) | 59 | 253 |
| offices (levels) | - | 9 | - | - | 9 |
| total centre | 220 | 9 | (6) | 63 | **286** |
| **carparks** | | | | | |
| number | 3,937 | 825 | (662) | 900 | 5,000 |
| ratio[2] (overall) | 5.3 | | | | **4.8** |
| ratio[2] (retail) | 5.3 | | | | **5.4** |

**Note 1** Other projects include No.1 Sylvia Park, the central carpark and Carbine Road staff parking. **Note 2** Carpark ratios are stated per 100 sqm of NLA. The 'retail' measure excludes office and storage.


Artist's impression. Concept only. Subject to change.

# Langdons Quarter, Northlands


Artist's impression. Concept only. Subject to change.

2.10

**project overview**

- new food and entertainment precinct below the existing cinema complex
  - 14 new tenancies to open for trade from November 2018
  - refurbished HOYTS Cinema complex opened in May 2018
- following Langdons Quarter, a reconfiguration and remix of former foodcourt to complete by Apr-19

| **financial metrics** | seismic | non-seismic | total |
|---|---|---|---|
| total project cost ($m) | 8.4 | 12.7 | 21.1 |
| target initial yield on non-seismic project cost | | 6.0% | |
| target 10-year IRR | | 8.0% | |

| **timetable** | |
|---|---|
| construction commences | Jan-18 |
| target construction completion | Nov-18 |

| | spent to | | to spend | |
|---|---|---|---|---|
| **cost profile ($m)** | FY18 | 1H FY19 | 2H FY19 | FY20 |
| incl letting up allowances | 3.2 | 9.1 | 8.8 | - |

# New Zealand economic overview



**gross domestic product (GDP)**[1]

| | | |
|---|---|---|
| GDP growth pa (Sep-18 estimate) | | 2.7% |
| GDP (2019 estimate) | | $291 billion |
| GDP per capita (2019 estimate) | | $59,404 |

**inflation**[2]

| | | |
|---|---|---|
| annual inflation (Sep-18) | | 1.9% |

**labour market**[2]

| | | |
|---|---|---|
| unemployment rate (Sep-18) | | 3.9% |

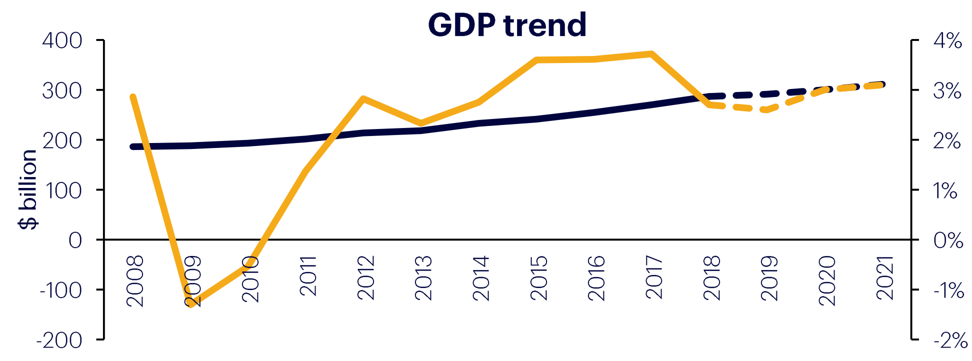
**currency**

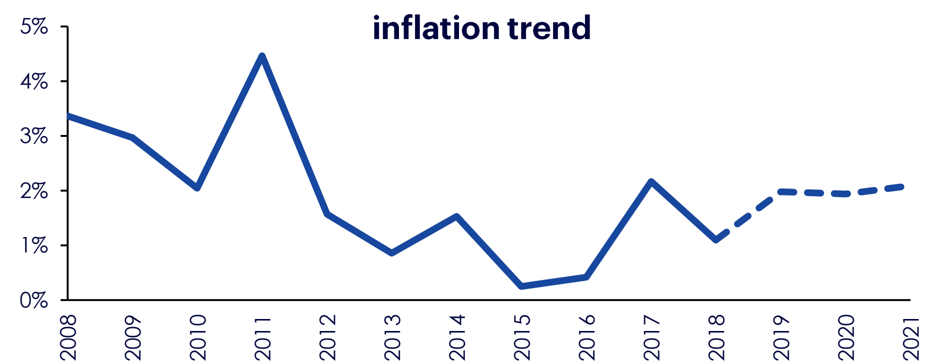
| | |
|---|---|
| currency (as at 7-Nov-18) | US $1.00 = NZ $1.48 |
| | JPY100 = NZ $1.31 |

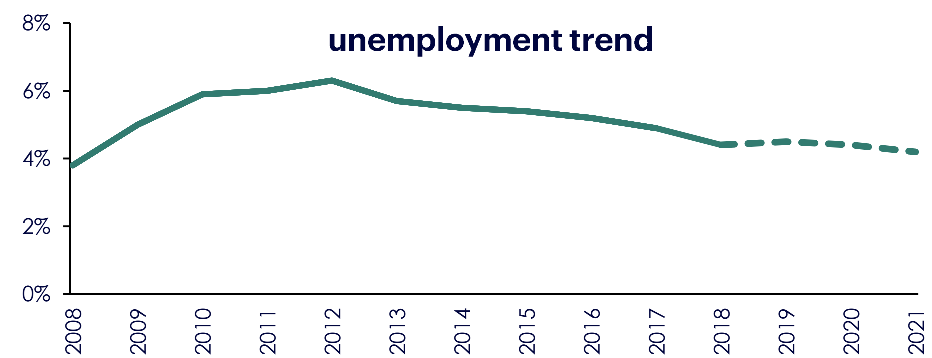
**household economic information**[2]

| | |
|---|---|
| annual wages growth rate (Sep-18) | 1.8% |

**Note 1** Sourced from New Zealand Institute of Economic Research Quarterly Predictions (Sep-18). **Note 2** Sourced from Statistics New Zealand (statistics as at Sep-18).



# Auckland CBD office market



| outlook | key points (Premium and A-grade accommodation) | |
|---|---|---|
| ▶ | supply | - no change to Premium-grade stock until the 2019 completion of the 39,000 sqm PwC Tower<br>- ~5,000 sqm increase to A-grade supply is forecast over 2018, predominantly due to the addition of 34 Sale Street. A decrease of over 14,000 sqm is forecast in 2019 following the removal of 1 Queen Street from supply for conversion |
| ▲ | absorption | - solid tenant demand environment is expected to result in positive overall absorption across Prime grades in the short-term as new supply comes on-board and landlords backfill remaining space |
| ▲ | vacancy | - Premium-grade vacancy is forecast to be 1.2% for 2018. This is expected to increase to just under 10% following completion of the PwC Tower before again decreasing to 5.1% by 2021<br>- A-grade vacancy is forecast to be 5.6% for 2018, primarily as a result of 125 Queen Street returning to supply, and is forecast to remain between 5% and 8% between 2019 and 2022 |
| ▶ | rents ($/sqm/net effective) | - Premium and A-grade net effective rents are forecast to average $469/sqm and $358/sqm respectively for 2018<br>- for both grades, a slight softening is expected in 2019 as new supply comes on-board followed by slow growth thereafter |
| ▲ | yield | - for both Premium and A-grade space, yields are forecast to firm 20 basis points over this year and are expected to hold steady before softening moderately from 2020 |

**Note** Sourced from CBRE Research: Auckland Property Market Outlook (Jun-18).

## our Auckland office exposure


| | Premium | A-grade |
|---|---|---|
| buildings | Vero Centre | ASB North Wharf |
| value $m | 425.2 | 209.5 |
| office portfolio % by value | 50.8 | 25.0 |
| total portfolio % by value | 14.0 | 6.9 |
| WALT years | 7.0 | 12.1 |
| occupancy % | 94.2 | 100.0 |
| expectations | With high Premium-grade occupancy and no new supply until 2019, Vero Centre has benefited from rental growth and strong investment interest in the asset class | ASB North Wharf has excellent investment qualities; an unparalleled and improving location, new, high-quality building and a long-term lease in place to a secure tenant. Its value should continue to benefit from high investor demand for these attributes |

# Wellington CBD office market



| outlook | key points (A-grade and B-grade accommodation) | |
|---|---|---|
| ▲ | supply | - in 2019, over 50,000 sqm of A-grade space is expected to re-enter supply, predominantly the return of buildings withdrawn for repair post the 2016 earthquake and the completion of WAP2 projects, including the 38,000 sqm Bowen Campus<br>- ~19,000 sqm of B-grade space is expected to be removed in 2018 with over 70,000 sqm coming back on stream over the next two years |
| ▶ | absorption | - both A and B grade are expected to have positive net absorption from 2019 as new supply comes on-board |
| ▶ | vacancy | - A-grade vacancy is forecast to be 0.5% for 2018. It is expected to fluctuate, but remain below 2.0%, through to 2022<br>- B-grade vacancy is forecast to be 0.3% for 2018, then fluctuate between 3.0% and 6.0% over the next four years as refurbished stock enters the market |
| ▲ | rents ($/sqm/net effective) | - net effective rents are forecast to average $289/sqm and $225/sqm for A and B-grade respectively for 2018<br>- A-grade rentals are expected to experience compound annual growth of 4% per annum over the next four years while B-grade is expected to grow by 2% per annum over the same period |
| ▼ | yield | - some further yield firming is expected over the next one to two years after which yields are expected to soften moderately |

**Note** Sourced from CBRE Research: Wellington Property Market Outlook (Jun-18).

## our Wellington office exposure

| | A-grade | B-grade |
|---|---|---|
| **buildings** | The Aurora Centre | 44 The Terrace |
| **value** $m | 152.1 | 49.8 |
| **office portfolio %** by value | 18.2 | 6.0 |
| **total portfolio %** by value | 5.0 | 1.6 |
| **WALT** years | 15.7 | 8.0 |
| **occupancy** % | 100.0 | 100.0 |
| **expectations** | The Aurora Centre and 44 The Terrace both present as solid investment-grade assets. Both have been strengthened and refurbished to an excellent standard within the last three years and benefit from long-term government leases over all office space | |

# group

# group appendices: index

## financial review



## other information

# profit after tax



| six months ended | | 30-Sep-18 $m | 30-Sep-17 $m | variance $m | % |
|---|---|---|---|---|---|
| property revenue | 1.04 | 116.9 | 123.1 | -6.2 | -5.0 |
| property management income | | 1.0 | 0.8 | +0.2 | +19.0 |
| interest and other income | | 0.1 | 0.2 | -0.1 | -35.4 |
| gain on disposal of investment properties | | 0.6 | - | +0.6 | +100.0 |
| **total income** | | **118.6** | **124.1** | **-5.5** | **-4.4** |
| direct property expenses | 1.04 | -27.0 | -28.0 | +1.0 | +3.5 |
| interest and finance charges | 4.02 | -18.4 | -22.4 | +4.0 | +17.8 |
| employment and administration expenses | 4.03 | -11.1 | -10.1 | -1.0 | -9.6 |
| net fair value loss on interest rate derivatives | | -2.9 | -1.9 | -1.0 | -54.9 |
| **total expenses** | | **59.4** | **-62.4** | **+3.0** | **+4.7** |
| **profit before tax** | | **59.2** | **61.7** | **-2.5** | **-4.0** |
| current tax | | -15.6 | -12.1 | -3.5 | -29.0 |
| deferred tax | | +4.7 | -1.7 | +6.4 | +378.9 |
| **profit after tax**[1] (GAAP[2] measure) | | **48.3** | **47.9** | **+0.4** | **+0.9** |

**Note 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. **Note 2** Generally Accepted Accounting Practice (GAAP) is a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. Kiwi Property's financial statements comply with New Zealand Equivalents to International Financial Reporting Standards and other guidance as issued by the External Reporting Board, as appropriate for profit-oriented entities, and with International Financial Reporting Standards.

**rental income**

- reduced following
  - disposal of The Majestic Centre (Dec-17) and North City (Jul-18)
  - vacancy at Vero Centre
  - exit of Countdown at Sylvia Park

**interest and finance charges**

- reduced due to lower debt levels

**employment and administration expenses**

- increased due to one-off Chief Executive transition costs

**current tax**

- includes $4.5 million of depreciation recovered, offset by the reversal of deferred tax provided on depreciation recovered, following the sale of North City

1.04 rental income
4.02 interest and finance charges
4.03 management expense ratio
4.04 FFO

# interest and finance charges

4.02

| six months ended | | 30-Sep-18 $m | 30-Sep-17 $m | variance $m | variance % |
|---|---|---|---|---|---|
| interest on bank debt | | -13.2 | -16.9 | +3.7 | +21.9 |
| interest on bonds | | -9.4 | -6.6 | -2.8 | -42.4 |
| **interest expense incurred** | | **-22.6** | **-23.5** | **+0.9** | **+3.8** |
| interest capitalised to | | | | | |
| Sylvia Park | | 2.9 | 0.7 | +2.2 | +314.3 |
| Drury land | | 1.1 | 0.2 | +0.9 | +450.0 |
| other properties under development | | 0.2 | 0.2 | - | - |
| **total capitalised interest** | | **4.2** | **1.1** | **+3.1** | **+281.8** |
| **interest and finance charges** | 4.01 | **-18.4** | **-22.4** | **+4.0** | **+17.8** |

**interest on bank debt**

- reduced due to lower debt levels following the disposal of The Majestic Centre (Dec-17) and North City (Jul-18)

**interest on bonds**

- increased following the issuance of our third bond series in Dec-17

**capitalised interest**

- increased due to full-period interest capitalisation
  - for three active development projects at Sylvia Park – No.1 Sylvia Park, the central carpark and the Galleria
  - on our landholdings at Drury

4.01 profit after tax
4.09 net finance debt movement
4.10 finance debt facilities

# management expense ratio (MER)



| twelve months ended | 30-Sep-18 $m | 31-Mar-18 $m |
|---|---|---|
| employment and administration expenses | 21.5 | 20.5 |
| less recovered through property management fees | -8.2 | -8.1 |
| **net expenses** | **13.3** | **12.4** |
| **weighted average assets** | **3,039.9** | **3,011.8** |
| **management expense ratio**[1] (non-GAAP measure) | **44 bps** | **41 bps** |

**Note 1** MER is an alternative non-GAAP measure used by Kiwi Property to assist investors in assessing the Company's underlying operating costs. MER is a measure commonly used by real estate entities. MER does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. Kiwi Property determines MER through an annualised calculation, where employment and administration expenses, net of expenses recovered from tenants, is divided by the weighted average value of its property assets. The reported MER 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.

- 30-Sep-18 costs include one-off Chief Executive transition costs
  - the MER, adjusting for these one-off costs, is 41 bps
- asset growth due to
  - new acquisitions
  - completed developments

4.01 profit after tax

# FFO

4.04

| six months ended | | 30-Sep-18 $m | 30-Sep-17 $m | variance $m | variance % |
|---|---|---|---|---|---|
| profit after tax | 4.01 | 48.3 | 47.9 | +0.4 | +0.9 |
| adjusted for | | | | | |
| gain on disposal of investment properties | 4.01 | -0.6 | - | -0.6 | -100.0 |
| net fair value loss on interest rate derivatives | 4.01 | 2.9 | 1.9 | +1.0 | +54.9 |
| straight-lining of fixed rental increases | | -1.4 | -0.3 | -1.1 | -307.0 |
| amortisation of tenant incentives and leasing fees | | 3.3 | 3.0 | +0.3 | +8.6 |
| depreciation recovered on disposal of investment property | | 4.5 | - | +4.5 | +100.0 |
| deferred tax expense | 4.01 | -4.7 | 1.7 | -6.4 | -378.9 |
| **funds from operations (FFO)[1]** (non-GAAP measure) | 4.05 | **52.3** | **54.2** | **-1.9** | **-3.4** |

**Note 1** 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 Guidelines). During the Company's 2018 financial year, the Guidelines amended the method used to derive FFO and Adjusted Funds from Operations (AFFO) to include the amortisation of leasing fees and gross leasing fees paid. Kiwi Property has amended its current period FFO and AFFO calculation to reflect this change. The reported FFO information has been extracted from the Company's interim financial statements which have been the subject of a the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410.

4.01 profit after tax
4.05 dividends
5.01 glossary

# dividends



| six months ended | | 30-Sep-18 $m | 30-Sep-17 $m | 30-Sep-18 cps[2] | 30-Sep-17 cps[2] |
|---|---|---|---|---|---|
| **funds from operations (FFO)**[1] | 4.04 | **52.3** | **54.2** | **3.661** | **3.821** |
| amount retained | | -2.6 | -5.6 | -0.186 | -0.396 |
| **cash dividend** | | **49.7** | **48.6** | **3.475** | **3.425** |
| imputation credits | | 13.3 | 13.0 | 0.930 | 0.920 |
| **gross dividend** | | **63.0** | **61.6** | **4.405** | **4.345** |
| cash dividend payout ratio to FFO | | 95% | 90% | | |

**Note 1** 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 Guidelines). During the Company's 2018 financial year, the Guidelines amended the method used to derive FFO and AFFO to include the amortisation of leasing fees and gross leasing fees paid. Kiwi Property has amended its current period FFO and AFFO calculation to reflect this change. The reported FFO information has been extracted from the Company's interim financial statements which have been the subject of a the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410. **Note 2** Calculated using the number of shares entitled to the relevant dividend (Sep-18: 1,429,409,795 shares, Sep-17: 1,417,584,261 shares). **General note** The Dividend Reinvestment Plan is operational for eligible shareholders in respect of the FY19 interim dividend. No discount will be applied to the price at which shares will be issued.

***dividend policy***

*Kiwi Property's dividend policy is to pay out up to 100% of FFO as cash dividends. To provide sufficient flexibility for dividends to be maintained despite variations in economic conditions or volatility of earnings arising from property-specific matters such as a development or redevelopment, income is retained from time to time and used to normalise future dividends.*

*In fixing a dividend for any period, consideration will be given to, amongst other things, current and forecast earnings and operating cash flows, capital requirements, the Company's gearing position, general business and financial conditions, and the solvency requirements of the Companies Act.*

*The payment of dividends is not guaranteed by Kiwi Property and Kiwi Property's dividend policy may change from time to time.*

***payout ratio target range***

*Kiwi Property's target payout ratio is typically between 85% and 95% of FFO.*

***AFFO***

*For some investors, Adjusted Funds From Operations (AFFO) represents an important measure of dividend sustainability. The use of dividend policies that reference AFFO is an increasing trend in New Zealand and becoming prevalent amongst Australian entities.*

*Therefore, over the next few years, the Board will be looking to balance the competing priorities of maintaining and gradually increasing cash dividends, while at the same time seeking to grow AFFO earnings to cover those dividends.*

4.04 FFO
5.01 glossary

# AFFO

4.06

| six months ended | | 30-Sep-18 $m | 30-Sep-17 $m | variance $m | variance % |
|---|---|---|---|---|---|
| **funds from operations (FFO)**[1] | 4.04 | **52.3** | **54.2** | **-1.9** | **-3.4** |
| adjusted for | | | | | |
| maintenance capital expenditure | | -2.9 | -2.6 | -0.3 | -15.4 |
| tenant incentives and leasing fees | | -5.0 | -8.5 | +3.5 | +42.1 |
| **adjusted funds from operations (AFFO)**[2] (non-GAAP measure) | | **44.4** | **43.1** | **+1.3** | **+3.2** |
| AFFO (cents per share)[3] | | 3.11 | 3.04 | | |
| cash dividend payout ratio to AFFO | | 112% | 113% | | |

**Note 1** 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 Guidelines). During the Company's 2018 financial year, the Guidelines amended the method used to derive FFO and AFFO to include the amortisation of leasing fees and gross leasing fees paid. Kiwi Property has amended its current period FFO and AFFO calculation to reflect this change. The reported FFO information has been extracted from the Company's interim financial statements which have been the subject of a the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410. **Note 2** AFFO is an alternative non-GAAP performance measure used by Kiwi Property. AFFO is a measure used by real estate entities to describe their underlying and recurring cash flows from operations. Broadly, AFFO adjusts FFO by deducting the cost of lease incentives provided to tenants, leasing fees and annual maintenance capital expenditure. AFFO does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. AFFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia.
**Note 3** Calculated using the number of shares entitled to the relevant dividend.

4.04 FFO
4.05 dividends
5.01 glossary

# balance sheet

4.07

| as at | | 30-Sep-18 $m | 31-Mar-18 $m | movement $m | movement % |
|---|---|---|---|---|---|
| investment properties | 4.08 | 3,039.1 | 3,052.0 | -12.9 | -0.4 |
| cash | 4.09 | 11.2 | 10.7 | +0.5 | +4.7 |
| deferred tax assets | | 4.6 | 4.1 | +0.5 | +12.2 |
| other assets | | 20.1 | 18.7 | +1.4 | +7.5 |
| **total assets** | | **3,075.0** | **3,085.5** | **-10.5** | **-0.3** |
| finance debt | 4.09 | 900.9 | 913.5 | -12.6 | -1.4 |
| deferred tax liabilities | | 91.6 | 95.8 | -4.2 | -4.4 |
| other liabilities | | 76.8 | 82.1 | -5.3 | -6.5 |
| total liabilities | | 1,069.3 | 1,091.4 | -22.1 | -2.0 |
| total equity | | 2,005.7 | 1,994.1 | +11.6 | +0.6 |
| **total equity and liabilities** | | **3,075.0** | **3,085.5** | **-10.5** | **-0.3** |
| | | | | | |
| *gearing ratio (requirement <45%)* | 4.11 | *29.4%* | *29.7%* | *-30 bps* | |
| *net asset backing per share (NTA)* | | *$1.40* | *$1.40* | - | |

**investment properties**

- decreased due to the disposal of North City

  offset by

- capital expenditure, predominantly at Sylvia Park and Northlands

**gearing**

- stable following repayment of debt from
  - disposal of North City
    - sold: July 2018
    - net proceeds: $99.2 million

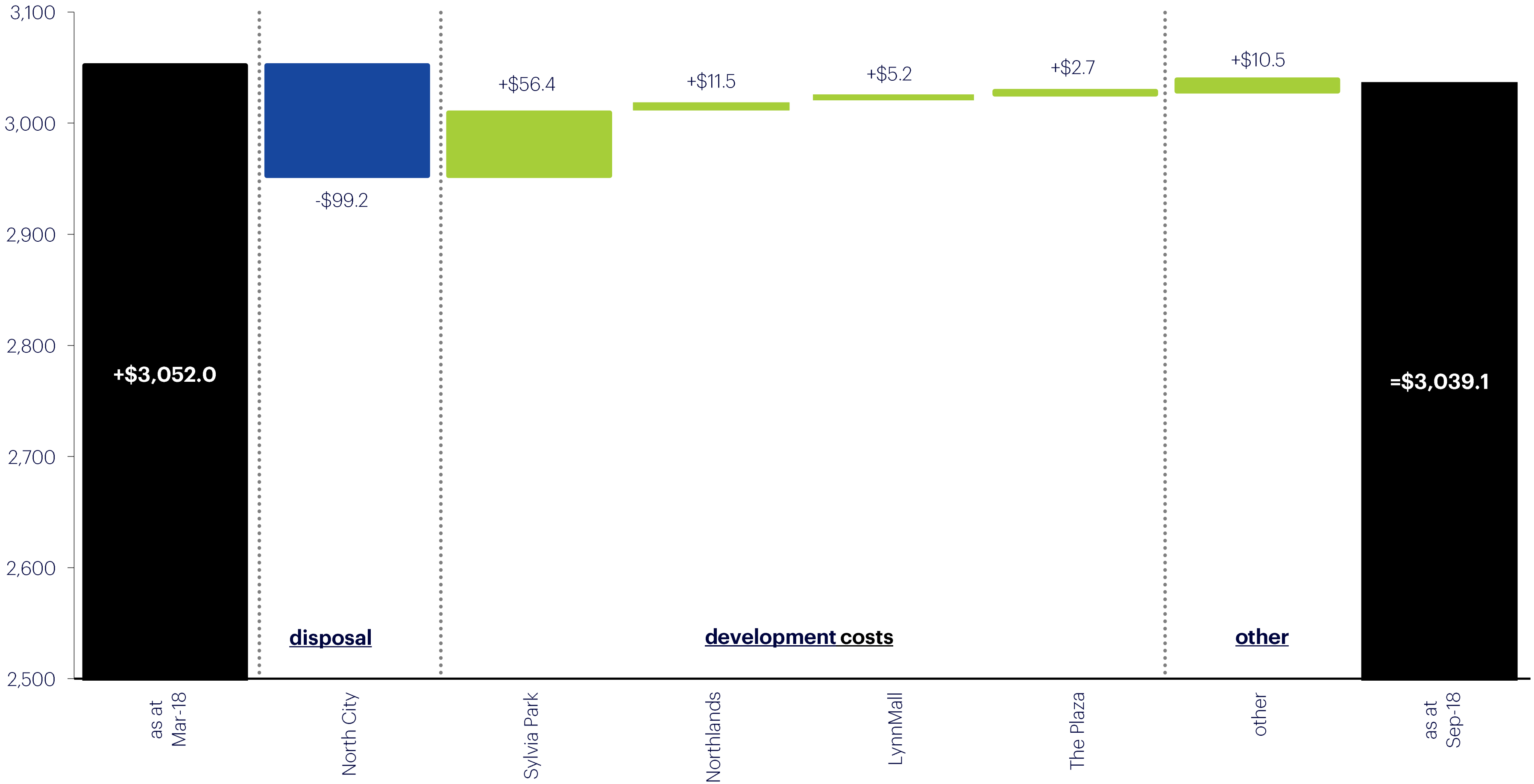
  offset by

  - capital expenditure

4.08 investment property mvmt
4.09 net finance debt mvmt
4.11 capital management metrics

# investment properties movement ($m)

4.08

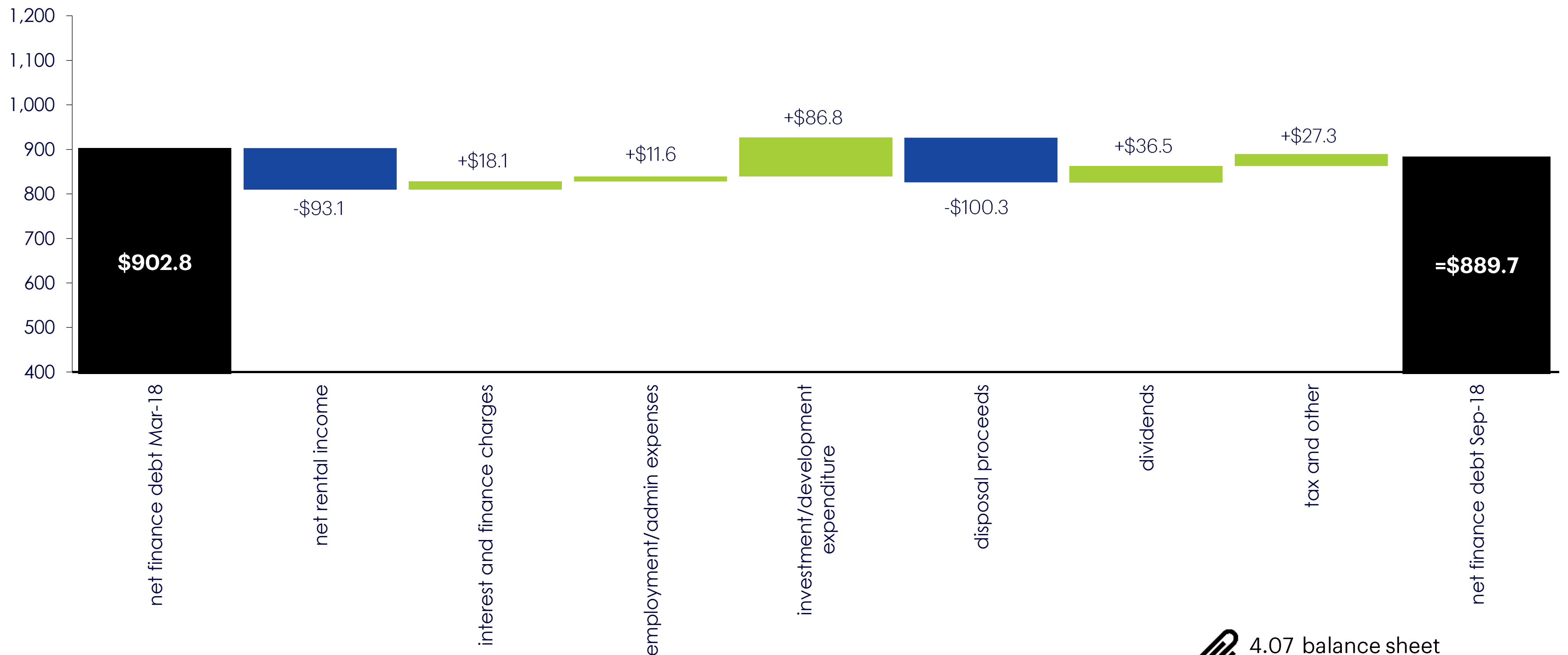



4.07 balance sheet

# net finance debt movement ($m)

4.09

| as at | 30-Sep-18 | 31-Mar-18 |
|---|---|---|
| bank debt | 527.0 | 540.0 |
| bonds | 373.9 | 373.5 |
| cash on deposit | -11.2 | -10.7 |
| **net finance debt** | **889.7** | **902.8** |




4.07 balance sheet
4.10 finance debt facilities

Kiwi Property

# finance debt facilities ($m)



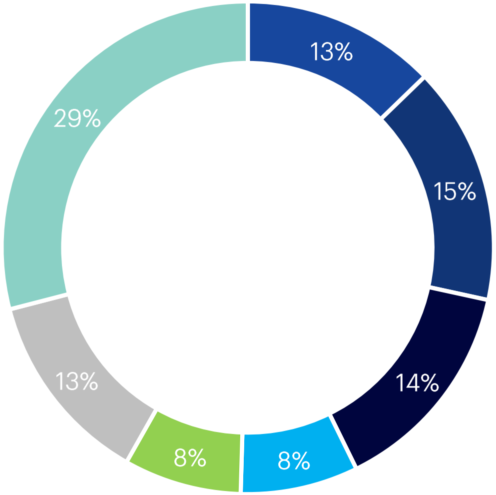
## debt maturity profile

as at 30-Sep-18

| | | $m | % |
|---|---|---|---|
| FY19 | | - | - |
| FY20 | $52.5 \| $73.0 \| $80.0 \| $52.5 | 258 | 20 |
| FY21 | $52.5 \| $74.0 \| $80.0 \| $52.5 \| $33.0 | 292 | 23 |
| FY22 | $35.0 \| $125.0 \| $34.0 | 194 | 15 |
| FY23 | $32.5 \| $25.0 \| $32.5 \| $33.0 | 123 | 9 |
| FY24 | $27.5 \| $20 \| $27.5 \| $125.0 \| $100.0 | 300 | 23 |
| FY25 | $125.0 | 125 | 10 |
| **total facilities** | | **1,292** | **100** |
| facilities drawn | | 902 | 70 |
| undrawn facilities | | 390 | 30 |

**key:** ANZ BNZ CBA CCB HSBC Westpac Bonds

## debt sources




4.09 net finance debt mvmt
4.11 capital management metrics

# capital management metrics

4.11

| finance debt metrics<br>as at | 30-Sep-18 | 31-Mar-18 |
|---|---|---|
| weighted average term to maturity | **3.3 years** | 3.6 years |
| weighted average interest rate<br>(incl. of bonds, active interest rate derivatives, margins and line fees) | **4.97%** | 4.99% |

| covenants – gearing<br>as at | 30-Sep-18 | 31-Mar-18 |
|---|---|---|
| gearing (must be <45%, target 25%-35%)<br>calculated as finance debt / total tangible assets | **29.4%** | 29.7% |

| covenants – interest cover ratio<br>for the year ended | 30-Sep-18 | 31-Mar-18 |
|---|---|---|
| interest cover ratio (must be >2.25 times)<br>calculated as net rental income / net interest expense | **4.12** | 4.17 |

| credit ratings – S&P Global Ratings[1] | |
|---|---|
| corporate | BBB (stable) |
| fixed-rate bonds | BBB+ |

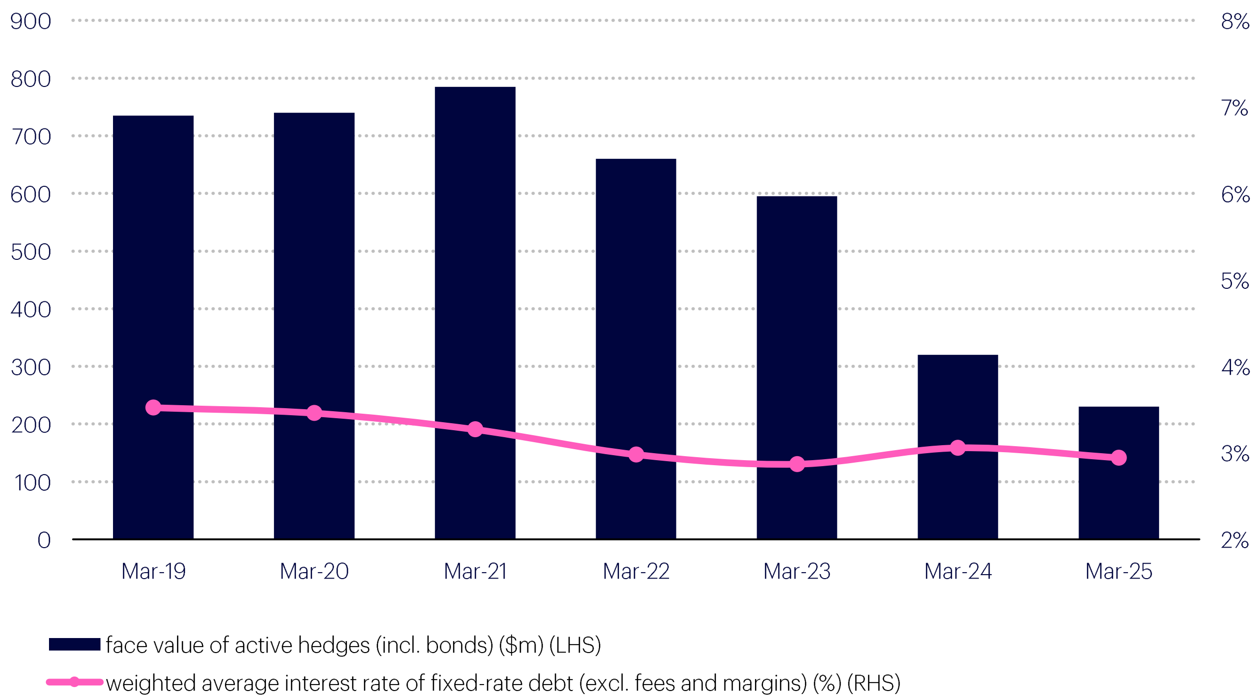
**Note 1** Further information about S&P Global Ratings' credit rating scale is available at www.standardandpoors.com. A rating is not a recommendation by any rating organisation to buy, sell or hold Kiwi Property securities. The rating is current as at the date of this presentation and may be subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

# fixed-rate debt profile

4.12

| **fixed-rate profile** (inclusive of bonds on issue (Sep-18: $375 million, Mar-18: $375 million)) | 30-Sep-18 | 31-Mar-18 |
|---|---|---|
| percentage of drawn finance debt at fixed rates | **81%** | 83% |
| weighted average interest rate of active fixed-rate debt (excl. fees and margins) | **3.52%** | 3.55% |
| weighted average term to maturity of active fixed-rate debt | **4.0 years** | 3.7 years |

## fixed-rate debt maturity profile



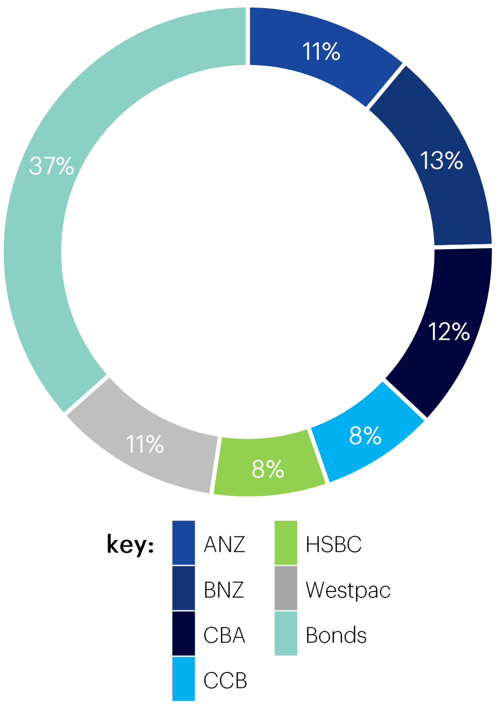
# finance debt facilities ($m)

## pro-forma debt maturity profile[1]

as at 30-Sep-18

| | | $m | % |
|---|---|---|---|
| FY19 | | - | - |
| FY20 | $31.5 / $47.0 / $56.0 / $31.5 | 166 | 13 |
| FY21 | $52.5 / $74.0 / $80.0 / $52.5 / $33.0 | 292 | 22 |
| FY22 | $35.0 / $125.0 / $34.0 | 194 | 15 |
| FY23 | $32.5 / $25.0 / $32.5 / $33.0 | 123 | 9 |
| FY24 | $27.5 / $20 / $27.5 / $125.0 / $100.0 | 300 | 23 |
| FY25 | $125.0 | 125 | 10 |
| FY26 | $100.0 | 100 | 8 |
| **total facilities** | | **1,300** | **100** |

## debt sources

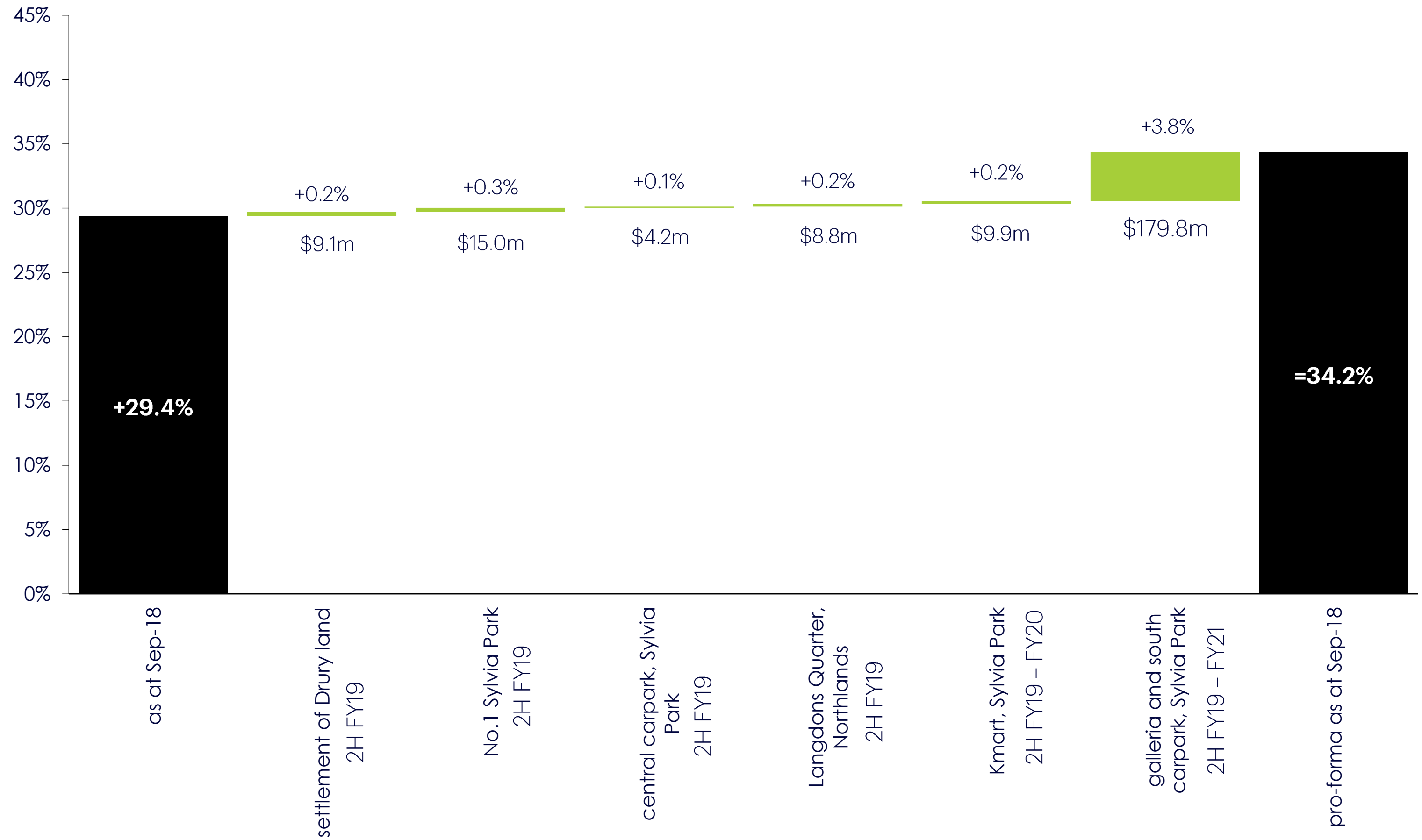



- completed our fourth bond offer on 12 November 2018
  - proceeds: $100 million
  - term: 7-years
  - coupon: 4.06% per annum
- the bonds have further diversified our sources of funding and extended the weighted average duration of our funding base
  - pre-bond offer: 3.3 years (at 30-Sep-18)
  - post-bond offer: 3.7 years[1]
- the proceeds have initially been used to repay bank debt and for general corporate purposes, including future investment and development opportunities

**Note 1** As at 30-Sep-18, adjusted for the $100 million bond issue and the repayment/cancellation of $92 million of FY20 dated bank debt facilities.

# pro-forma gearing

4.14




4.07 balance sheet

# glossary

| | |
|---|---|
| **adjusted funds from operations (AFFO)** | AFFO is an alternative non-GAAP performance measure used by Kiwi Property. AFFO is a measure commonly used by real estate entities to describe their underlying and recurring cash flows from operations. Broadly, AFFO adjusts FFO by deducting the cost of lease incentives provided to tenants, leasing fees and annual maintenance capital expenditure. AFFO does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. AFFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia. The reported AFFO 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. |
| **discount department store (DDS)** | includes Kmart and The Warehouse. |
| **funds from operations (FFO)** | 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. |
| **gearing ratio** | calculated as finance debt (which includes secured bank debt and the face value of bonds) over total tangible assets (which excludes interest rate derivatives and deferred tax assets). |
| **generally accepted accounting practice (GAAP)** | a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. Kiwi Property's financial statements comply with New Zealand Equivalents to International Financial Reporting Standards and other guidance as issued by the External Reporting Board, as appropriate for profit-oriented entities, and with International Financial Reporting Standards. |

# glossary
continued



| | |
|---|---|
| **gross occupancy cost (GOC)** | total gross occupancy costs expressed as a percentage of moving annual turnover (excluding GST). |
| **like-for-like rental income** | excludes rental income from assets or portions of assets purchased, disposed of or undergoing development in either year of comparison. |
| **like-for-like retail sales** | only includes sales from those tenancies who have traded for the past 24 months. |
| **management expense ratio (MER)** | MER is an alternative non-GAAP measure used by Kiwi Property to assist investors in assessing the Company's underlying operating costs. MER is a measure commonly used by real estate entities. MER does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. Kiwi Property determines MER through an annualised calculation, where employment and administration expenses, net of expenses recovered from tenants, is divided by the weighted average value of its property assets. The reported MER 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. |
| **moving annual turnover (MAT)** | annual sales on a rolling 12-month basis (excluding GST). |
| **net operating income (NOI)** | excludes income resulting from straight-lining of fixed rental increases and includes the amortisation of lease incentives and property management fee income. |
| **net rental income (NRI)** | NOI, including rental income resulting from straight-lining of fixed rental increases. |
| **profit after tax** | the reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit 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. |

# calendar of key dates



| | |
|---|---|
| interim dividend payment (for the six months ended 30 September 2018) | |
| • ex date | 3 December 2018 |
| • record date | 4 December 2018 |
| • payment date | 19 December 2018 |
| KPG030 bond interest payment (2024 maturity) | 19 December 2018 |
| KPG010 bond interest payment (2021 maturity) | 20 February 2019 |
| KPG020 bond interest payment (2023 maturity) | 7 March 2019 |
| KPG040 bond interest payment (2025 maturity) | 12 May 2019 |
| FY19 annual result announcement | 20 May 2019 |
| KPG030 bond interest payment (2024 maturity) | 19 June 2019 |
| final dividend payment (for the six months ending 31 March 2019) | |
| • ex date | 4 June 2019 |
| • record date | 5 June 2019 |
| • payment date | 20 June 2019 |
| annual meeting of shareholders | 20 June 2019 |

**Note** Dates are subject to change.

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