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NZX RELEASE

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KPG reports 164% profit growth, delivers on strategy

- **Net profit after tax:** $143.2m (+164.1% on the prior comparable period (pcp))
- **Investment property fair value movement:** +$93.6m (+2.8%)
- **Net tangible assets per share:** $1.42 (+6 cents per share (cps))
- **Net rental income:** $94.0m (+11.5% on pcp)
- **Operating profit before tax[1]:** $62.5m (+8.0% on pcp)
- **Adjusted funds from operations[1]:** 3.06cps (+31.6% on pcp)
- **Gearing:** 30.7% (FY21 31.2%)
- **Interim dividend:** 2.75cps

Kiwi Property today announced a robust financial result for the six months ended 30 September 2021, reporting an uplift in all key operating metrics on the prior comparable period, including growth in income, profitability, asset values and interim dividend, despite the impact of COVID-19.

Net profit after tax was $143.2 million, up 164.1% on the same time last year, underpinned by a $93.6 million increase in the fair value of the company's investment properties. Operating profit before tax rose 8.0% to $62.5 million, driven by an increase in net rental income, which grew 11.5% to $94.0 million.

Kiwi Property's mixed-use, office and other properties were worth $3.5 billion as at 30 September 2021, up 2.8%, highlighting the strength of the company's portfolio. Office was once again the highest performing of the asset classes recording a fair value gain of 4.9% to $1.1 billion. Kiwi Property's mixed-use portfolio, including Sylvia Park, LynnMall and The Base, also experienced a valuation uplift, climbing 2.5% to $1.7 billion.

Kiwi Property Chief Executive Officer, Clive Mackenzie said the company's solid half-year performance was particularly pleasing given the financial headwinds caused by the pandemic.

"Kiwi Property's financial position and diversified property portfolio have remained resilient, despite the impact of COVID-19. The opening of the Sylvia Park Level 1 expansion had a positive impact on sales, driving increases in both income and operating profit. We're operating in a challenging market and the full financial impact of recent lockdowns won't be known until the second half of our financial year. We enter that period in good shape though, well placed to tackle whatever comes next."

Resilient tenant portfolio

Recent COVID-19 lockdowns have placed a number of businesses under significant pressure. Kiwi Property is committed to sharing a fair proportion of the financial impact of the pandemic and supporting its small and medium sized tenants, in particular, to successfully navigate the pandemic. A $7.4 million rent relief provision was recorded in the first half of the financial year and a similar cost is expected for the second half[2].

Kiwi Property's customer-centric approach has enabled the company to minimise vacancy, maintain productive shopping centres, and helped safeguard the long-term performance of the company's assets. At the half-year, Kiwi Property's assets were 99.8% occupied, with a robust weighted average lease expiry of 5.2 years and rental growth of approximately 3.0%.

Delivering on strategy

"Over the past six months we've made significant progress on our mixed-use ambition; breaking ground on new developments, launching a new asset class and identifying new funding streams," said Mackenzie.

"Despite the volatile macro-economic climate, our evolution into a creator of integrated retail, office and residential communities has more momentum than ever," he added.

Build-to-rent

Kiwi Property has begun construction of New Zealand's first major build-to-rent development, marking an important milestone in the delivery of the company's mixed-use strategy. The $221 million, 295 apartment complex will be located at Sylvia Park in Auckland, accelerating the site's evolution into an integrated retail, office and residential community. The development has a target stabilised net yield of approximately 4.5% and 10 year property internal rate of return of over 8.0%.

"Build-to-rent is poised to become an important part of our portfolio, further diversifying our asset base, unlocking growth and promoting valuation uplift. With our large mixed-use landholdings, including Sylvia Park and LynnMall, we're in a unique position to deliver build-to-rent at scale in this country. Based on current plans, more than 1,200 residential apartments could potentially be added to Sylvia Park in the next decade," said Mackenzie.

LynnMall

Resource consent has been obtained for a 25 level mixed-use development at LynnMall, which will integrate a compelling combination of ground floor retail, three commercial office levels and a 19 floor build-to-rent tower.

Located on LynnMall's south west corner, the proposed mixed-use development is expected to become the tallest structure in west Auckland, making it a distinctive and iconic landmark. Construction of the development could begin as early as 2022, pending funding and approval.

Sustainability

Kiwi Property continues to make substantive progress on its sustainability journey, with the Global Real Estate Benchmark (GRESB) awarding the company a score of 80 (out of 100) for its Environmental, Social and Governance (ESG) performance in 2021, a strong result for a first time participant. This achievement places Kiwi Property among an impressive group of real estate organisations and sets a solid platform for further progress.

In addition, the company has supported Waikato-Tainui and the Waikato District Health Board to establish the region's largest vaccination centre at Te Awa, The Base. More than 50,000 vaccinations have been administered at the facility since it opened in July.

Dividend and outlook

Kiwi Property will pay an interim dividend of 2.75 cents per share for the period ended 30 September 2021. Despite the expected cost of COVID-19 rental abatements, the company continues to target a total dividend of no less than 5.30 cps[3] for the 2022 financial year, up from 5.15 cps the year before.

Outlook

Kiwi Property Chair, Mark Ford said "Kiwi Property took a number of important steps forward in the delivery of its strategy over the past six months. Our priority is to maintain this pace of execution, while continuing to unlock additional growth and development opportunities. COVID-19 will invariably cause challenges in the months ahead, but we will tackle them head-on, as we continue striving to create long-term value for our shareholders and other stakeholders."

> **ENDS**

Notes:
1: Operating profit before tax and AFFO are alternative non-GAAP performance measures. Refer to the interim presentation accompanying this announcement for definitions.
2: Absent lockdowns beyond 30 November 2021 or adverse impacts arising from the Government's recent changes to the Property Law Act.
3: Contingent on the performance of the company through the second half of the financial year and barring material adverse effects or unforeseen circumstances.

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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