NZX announcement – 12 August 2021

Quality delivers resilience and strong FY21 annual results

Performance summary for the 12 months ended 30 June 2021

Financial summary

- Net property income (NPI) increased 27.9% to $124.4 million (2020: $97.2 million).
- Total comprehensive income after tax of $179.9 million (2020: $35.1 million) following strong revaluation gain of $282.9 million or 9.3% (2020: $66.3 million devaluation).
- Net Asset Value (NAV) per share of $1.52 (2020: $1.45).
- Adjusted Funds from Operations (AFFO) increased 3.0% to 6.48 cps (2020: 6.29 cps).

FY22 dividend guidance

- FY22 dividend guidance of 6.70 cps, representing a YoY increase of 3.1%.

Internalised Management

- In March 2021, the Independent Directors of Precinct reached an agreement with the Manager, AMP Haumi Management Limited (AHML), to terminate the Management Services Agreement and internalise the management of Precinct.
  - Expected benefits for Precinct and its shareholders include cost savings, pro forma accretion to AFFO, increased alignment of interests and retention of key management personnel and staff.

Capital management

- $250 million raised via successful equity raise through an underwritten $220 million placement and non-underwritten $30 million retail offer.
- Issued a six year secured, fixed rate green bond offer of $150 million.
- Continued to progress capital recycling opportunities with the divestment of the remaining 50% of the ANZ Centre in Auckland for $177 million.
- New $250 million bank facilities established.
- Strong balance sheet with gearing of 28.2% (2020: 28.8%), well under PCT borrower covenant level of 50%.

Value-add development pipeline strengthened

- New developments commenced in the year with a total completed value of $0.8 billion and 90% leasing pre-commitment secured.
- Bowen House and Freyberg Building in Wellington purchased. Both settled post-balance date in July 2021, following the equity raise noted above.
  - Bowen House to undertake comprehensive redevelopment of the building including seismic upgrade works to 100% NBS and on-floor refurbishments with completion expected mid-2023.
  - Freyberg building currently used as decant space for Government with holding income pending redevelopment opportunity for the asset.

- Construction at Deloitte Centre (One Queen Street) well underway.
  - Revised scheme remains fully integrated into the Commercial Bay retail precinct
  - Post balance date, Deloitte lease secured across levels 15 to 20 totalling 7,500 square metres for an initial lease term of 20 years.
  - Expected total project cost of around $308 million with yield on cost of around 6.2% once complete.

- Bowen Campus Stage Two continues to advance at 40 and 44 Bowen Street.
  - 44 Bowen Street is 100% leased following lease to Waka Kotahi NZ Transport Agency during the year.
  - Only one and a half floors totalling 2,700 square metres now vacant at 40 Bowen Street with good level of enquiry.
  - Aggregate pre-committed leasing across second stage of Bowen Campus is 87%.
  - Both projects tracking to programme and remain on budget.

- 30 Waring Taylor redevelopment expected to complete in November 2021 providing our first Wellington-based Generator site.

Operating performance

- High occupancy level maintained at 98% (2020: 98%) and a weighted average lease term (WALT) of 7.7 years (2020: 8.0 years).
- Strong leasing momentum with 30 leasing transactions completed, totalling 15,800 square metres.
  - Growth on contract rents was 7.0%.
- Precinct's operating businesses (Generator and Commercial Bay Hospitality) and Commercial Bay Retail income impacted by COVID-19 over the period.
  - Trading performance at Commercial Bay retail centre particularly strong in the second half of the 2021financial year providing positive impetus for FY22 period.
  - Generator occupancy and booking levels continue to improve, with Generator supporting portfolio leasing and Precinct's long-term strategic objectives.

Environmental, Social and Governance (ESG) risks and opportunities

- Precinct achieved a Global Real Estate Sustainability Benchmark (GRESB) score of 83 (last year: 77. Current global average is 70).
- Toitū carbonzero certification validated for second year.
- Precinct published (on a voluntary basis) its own Climate-related Financial Disclosures document based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.
- Inclusion in the Bloomberg 2021 Gender-Equality Index (GEI).

Note: Further information can be found within the 2021 Annual Report and results presentation. You can find these at https://www.precinct.co.nz/annual-reporting/2021-annual-results

Precinct Properties New Zealand Limited (Precinct) (NZX: PCT) reported its financial results for the 12 months ended 30 June 2021 today. The business has delivered a strong result for the FY21 period illustrating the portfolio's resilience in another year navigating the challenges from COVID-19. Total comprehensive income after tax was $179.9 million compared with $35.1 million in the previous period with the movement attributable to a strong revaluation gain of $282.9 million for the full year, offset by the termination payment of Precinct's management services agreement.

Pleasingly, the business has continued to meet market guidance and deliver further growth for our shareholders despite the unusual year with Adjusted Funds from Operations (AFFO), which adjusts for several non-cash items, increasing by 3.1% to $85.3 million (June 2020: $82.7 million) or 6.48cps. This strong result reflects the demand for Precinct's premium grade portfolio, maintaining high occupancy levels during the year and generating income from high quality occupiers.

Full year dividends paid to shareholders and attributed to the 2021 financial year totalled 6.50 cps, representing a year on year increase of 3.2% and an AFFO dividend payout ratio of 100%.

Net property income increased 27.9% to $124.4 million (June 2020: $97.2 million) with the increase primarily driven by the completion of several development projects, namely Commercial Bay, during the year. After adjusting for developments and transactions, like for like net property income growth was 1.2% higher than the previous comparable period.

While Commercial Bay Retail performance has been impacted over the period, foot traffic and sales are showing significant improvement post the last lockdown in March with food & beverage continuing to be the strongest performer, particularly Harbour Eats.

Generator was also impacted by COVID-19 with a reduction in events and lower occupancy leading to a net operating income loss of $0.9 million for the period. Occupancy and events bookings are now showing a solid recovery with Generator continuing to support Precinct's portfolio leasing and long term strategic objectives. The reduction in profitability has led to the independent valuation of Generator recording an impairment of $9.8 million.

As at 30 June 2021 Precinct's portfolio totalled $3.3 billion (June 2020: $3.0 billion). Precinct's net asset value (NAV) per share at balance date was $1.52 (June 2020: $1.45).

Further financial information can be found within the 2021 Annual Report at https://www.precinct.co.nz/annual-reporting/2021-annual-results.

Scott Pritchard Precinct CEO said, "It has been an active year for Precinct. Consistent with our strategy, our investment portfolio and development projects have further advanced in the period and delivered good results. The high quality and resilient nature of our portfolio is driving Precinct's operating and financial performance."

"Internalising the management of Precinct earlier this year and successfully raising $250 million of equity through a Placement and Retail Offer in June 2021 has put our business in a strong position to deliver on the next phase of its strategy. Despite the challenging backdrop of the COVID-19 pandemic, we have been able to capitalise on strong office leasing demand and secure around $800 million of new developments with 90% pre-leasing achieved. This strong demand combined with our pipeline of opportunities and the quality of our portfolio position our business well to continue to deliver growth in shareholder value."

"Following the internalisation and considering the opportunities that Precinct has, it is considering the potential of partnering with third party capital to deliver further shareholder value. This strategic option is increasingly logical following the decision to internalise earlier this year."

Operational and leasing update

Precinct's portfolio continues to benefit from quality occupiers, a long weighted average lease term (WALT), high occupancy levels, and lease review structures that will generate earnings growth. At balance date, overall portfolio occupancy was 98% and Precinct's WALT was 7.7 years.

Precinct has experienced strong leasing demand for well located, quality office buildings. In total, 34 leasing transactions were completed across 35,270 sqm of space for a weighted average lease term of 11.2 years, including post balance date transactions. In Auckland, key leasing includes a 20 year lease to Deloitte over the Deloitte Centre (One Queen Street), and a new 9-year lease to Aon over levels 20 and 21 at the Aon Centre (previously known as AMP Centre). In Wellington, a new 15-year lease was agreed with KPMG at 44 Bowen Street, as well as a 12 year lease with Waka Kotahi New Zealand Transport Agency. At 30 June 2021 Precinct's portfolio is under-rented by 5.9% (June 2020: 2.9% under-rented).

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Development update

Deloitte Centre (One Queen Street)

Following the start of construction of our One Queen Street redevelopment project in May of this year, the project is progressing well.

Leasing all the remaining high rise office space comprising levels 15 to 20 to Deloitte reflects the strong demand for prime inner city office space. This is a significant lease to have concluded ahead of project completion and demonstrates both the quality of the asset and businesses valuing the benefits of being located in the Commercial Bay precinct. With Deloitte also taking naming rights, One Queen Street will now be named Deloitte Centre. This leaves just two low rise floor plates which are not committed, and Precinct anticipates offering these floors as smaller premium office suites ranging in size from 200 to 250 square metres.

Bowen Campus Stage Two

The projects at 40 and 44 Bowen Street continue to advance well. Both buildings at the Bowen Campus Stage Two development are tracking to programme and are on budget. Practical completion of 40 Bowen and 44 Bowen Street is expected in September 2022 and May 2023, respectively. The total project cost for the development remains around $195 million with a yield of 6.5% once fully leased.

Dividend payment

Precinct shareholders will receive a fourth-quarter dividend of 1.625 cps. Due to Precinct's current tax position, there are no imputation credits to attach for the quarter and therefore no supplementary dividend to be paid (see note 2). The record date is 10 September 2021 and payment will be made on 24 September 2021.

Outlook and guidance

Precinct has demonstrated remarkable resilience during the 2021 financial year. Our business continues to benefit from a well-established and clear strategy.

Our portfolio is well positioned benefiting from some of the highest quality occupiers in New Zealand, a long weighted average lease term, very little expiry risk, and a high degree of structured growth. We have successfully completed $1.5 billion of development projects over the past 6 years. Across our developments, we have created significant shareholder value. It is this track record in capability that we are now looking to leverage with future transactions. These portfolio characteristics give us confidence in our earnings outlook and the potential for further dividend growth.

The Board expects Precinct's dividend for the 2022 financial year of 6.70 cps to be paid. This represents 3.1% year-on-year growth in total cash dividends to shareholders.

Further information can be found within the 2021 Annual Report and results presentation. You can find this at: https://www.precinct.co.nz/annual-reporting/2021-annual-results.

Ends

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About Precinct (PCT)

Precinct is New Zealand's only listed city centre specialist investing predominantly in premium and A-grade commercial office property. Listed on the NZX Main Board, PCT currently owns Auckland's HSBC Tower, AMP Centre, Jarden House, Deloitte Centre, 204 Quay Street, Mason Bros. Building, 12 Madden Street, 10 Madden Street, PwC Tower and Commercial Bay Retail; and Wellington's AON Centre, NTT Tower, Central on Midland Park, No. 1 and No. 3 The Terrace, Mayfair House, Charles Fergusson Building, Defence House, Bowen House and Freyberg Building.

Precinct owns Generator NZ, New Zealand's premier flexible office space provider. Generator currently offers 13,600 square metres of space across eight locations in Auckland.

Note 1

AFFO is a non-GAAP financial measure that shows the organisation's underlying and recurring earnings from its operations and is considered industry best practice for a REIT. This is determined by adjusting statutory net profit (under IFRS) for certain non-cash and other items. AFFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance.

Reconciliation of adjusted funds from operations

(Amounts in $ millions)	2021	2020
Operating income before indirect expenses	**127.7**	105.8
Indirect expenses	**(44.7)**	(18.3)
Operating income before income tax	**83.0**	**87.5**
Current tax expense	**67.8**	(5.0)
Operating profit after tax	**150.8**	**82.5**
Non operating income / (expenses)	**63.0**	(54.3)
Deferred tax and depreciation recovered on sale	**(26.1)**	2.0
Net profit / (loss) after taxation attributable to equity holders	**187.7**	**30.2**
Operating profit after tax adjusted for		
Generator rent expense	**(7.0)**	(7.0)
Tax impact from MSA termination payment and liquidated damages	**(60.8)**	7.5
Swap closeout	**3.0**	-
One off item - project initialisation costs	**0.7**	-
Amortisations	**13.8**	7.9
Straightline rents	**(4.0)**	(0.5)
FFO	**96.6**	**90.5**
Maintenance capex	**(4.0)**	(5.0)
Incentives and leasing costs	**(7.3)**	(2.8)
AFFO	**85.3**	**82.7**

This additional performance measure is provided to assist shareholders in assessing their returns for the period.

Note 2

A supplementary dividend is paid to non-resident shareholders to offset the amount of non-resident withholding tax ("NRWT") that New Zealand companies are required to deduct from dividends paid to non-resident shareholders. A supplementary dividend is paid to ensure equitable treatment between non-resident shareholders and resident shareholders (whose dividends are not subject to NRWT).

There's no disadvantage to Precinct or our shareholders, and non-resident shareholders don't get a larger cash dividend than an equivalent New Zealand resident shareholder.