



Stride Property Group (NS)

NZX Announcement

13 September 2021

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Stride Property Group

New Office Fund – PDS Lodged

Further to the earlier announcement today regarding the establishment of a new office fund, Stride Property Limited (SPL) announces that Fabric Property Limited (Fabric) has now lodged its Product Disclosure Statement in relation to its initial public offering of ordinary shares (Offer Shares) in Fabric (the Offer) with the Registrar of Financial Services Providers in New Zealand. Fabric is expected to commence trading on the NZX Main Board on 6 October 2021. Stride is not an offeror under the Offer.

Fabric, which is currently a wholly owned subsidiary of SPL, will be a listed property company with a focus on owning commercial property in New Zealand which is predominately used for office space. The company currently owns 10 office properties located in Auckland and Wellington and has also entered into a conditional agreement to acquire a property under development at 110 Carlton Gore Road, Auckland.

Establishment and demerger of Fabric

SPL established Fabric as a subsidiary in November 2020 to invest in commercial office property in New Zealand, primarily located in Auckland and Wellington.

SPL proposes to distribute ordinary shares in Fabric to shareholders of Stride Property Group (Stride, comprising SPL and Stride Investment Management Limited (SIML)) on a pro rata basis (based on a 1 for 4 ratio) for no consideration through the demerger so that existing Stride shareholders will hold approximately 24.8% to 25.8% of Fabric upon completion of the Offer.

The demerger will occur at the same time as settlement of the Offer and will result in Fabric becoming a separately listed company on the NZX Main Board and ceasing to be a wholly-owned subsidiary of SPL. Stride will continue its involvement with Fabric through:

- SPL holding an initial cornerstone shareholding of between 25% to 32% in Fabric upon its listing, depending on the final amount raised under the Offer. SPL has confirmed to Fabric that it does not currently intend to sell any shares in Fabric until at least the announcement of Fabric's annual results for FY23 (expected May 2023);
- SIML providing real estate investment management (REIM) services to Fabric under a new Management Agreement.

The demerger and the creation of a new Stride product in the form of a NZX listed office fund is a continuation of Stride's strategy of creating sector specific products managed by SIML to provide a differentiated investment opportunity for investors. Following the IPO and demerger, it is expected that Stride's LVR would reduce, creating headroom for future growth. Stride believes that the demerger will provide shareholders with the ability to elect to invest in an office specific entity, Fabric, and more clearly evaluate the performance and future prospects of each business, Stride and Fabric, on a standalone basis, while allowing each to pursue its own distinct business strategy and capital allocation policy.

Structure of the Offer

The Offer of Offer Shares being made by Fabric comprises:

- The Stride Shareholder Offer, which consists of an offer to eligible Stride shareholders with a registered address in New Zealand as at 5pm on 12 September 2021, and is expected to open on 22 September 2021. Eligible Stride shareholders will also be entitled, if eligible, to participate in the Broker Firm Offer or Institutional Offer, as applicable.
- The Broker Firm Offer, which is only available to New Zealand resident clients of selected NZX Firms who have received a firm allocation from that NZX firm, and is expected to open on 22 September 2021.
- The Institutional Offer, which consists of an invitation to selected NZX Firms and eligible institutional investors in selected jurisdictions to apply for Offer Shares, and is expected to open on 21 September 2021.

The issue of Offer Shares is conditional upon at least NZ\$250 million being raised by Fabric and the demerger from SPL occurring.

There is no general public offer. Members of the public wishing to subscribe for Offer Shares must be allocated Offer Shares by an NZX Firm under the Broker Firm Offer, or must be offered Offer Shares under the Stride Shareholder Offer. No person may apply for Offer Shares (including through a NZX Firm or other approved financial intermediary) unless they have obtained a copy of the Product Disclosure Statement and meet the eligibility criteria to participate in the Offer.

Goldman Sachs New Zealand Limited has been appointed as Arranger and Bookrunner for the Offer. Craigs Investment Partners Limited, Forsyth Barr Limited and Goldman Sachs New Zealand Limited have been appointed as Joint Lead Managers for the Offer.

The Product Disclosure Statement and other important information about the Stride Shareholder Offer is available to view on the website at www.shareoffer.co.nz/fabric.

The table below sets out the indicative price range for the Offer, as well as the number of Offer Shares that would be issued based on the minimum raise size of \$250 million and the maximum raise size of \$290 million.

		Percentage of ownership
Indicative Price Range	\$1.20 - \$1.30	
Number of Offer Shares	192.3m – 241.7m	42.0% - 50.6%
Number of Shares distributed by SPL to Stride shareholders	118.3m	24.8% - 25.8%
Number of Shares held by SPL following the Offer	117.3m – 147.3m	24.6% - 32.2%
Total number of Shares following the Offer (Note 1)	457.9m - 477.3m	100%
Total Offer size (gross proceeds of the Offer)	\$250m - \$290m	

Note:

(1) The total number of Shares following completion of the Offer has been calculated based on the addition of the three categories of Shares immediately above under the minimum raise size of \$250 million, with SPL's holding being at the bottom end of the range if the number of Offer Shares at the top end of the range are issued (and vice-versa). Under the maximum raise of \$290 million, a further \$40 million of Offer Shares are issued, with SPL being paid the net proceeds by Fabric in repayment of part of the intra-group advance made by SPL.

Selected investment metrics for the Offer (Note 1)

	Statutory Forecast FY23 (FY23F) (Note 2)	Pro Forma Forecast FY23 (Pro Forma FY23F) (Note 3)
Implied cash dividend yield (Note 4)	4.0% - 4.2%	4.2% - 4.4%
NTA per Share (NZ\$) (Note 5)	\$1.26 - \$1.30	\$1.26 - \$1.30
Price / NTA per Share (Note 6)	0.95x - 1.00x	0.96x - 1.00x

Notes: The selected investment metrics, along with additional key investment metrics are set out in section 7.6 of the Product Disclosure Statement, together with accompanying notes which explain those metrics. Capitalised terms used in this section but not defined have the meanings set out in the Product Disclosure Statement. For further detail, please refer to the Product Disclosure Statement.

- (1) Ranges in the Offer statistics above, prepared in accordance with the Financial Information Basis (as described in section 7.3 of the Product Disclosure Statement) are calculated based on the number of Offer Shares that would be issued at each end of the Indicative Price Range, assuming a raise size of \$250 million.
- (2) FY23F represents the first financial period where the current Fabric portfolio is held for a full 12-month period, however, it does not represent a full year of ownership of the whole Fabric portfolio due to the timing of the acquisition of the property at 110 Carlton Gore Road.

- (3) Pro Forma FY23F represents the statutory FY23F financials adjusted as if the 110 Carlton Gore Road property had settled as at 1 April 2022. Pro Forma FY23F assumes that the CGR Loan is extinguished on settlement. Pro Forma FY23F is included to provide an indication of the full year impact of the acquisition, which would otherwise only have a partial impact during FY23F.
- (4) Implied cash dividend yield is the Dividend per Share divided by the Indicative Price Range.
- (5) NTA per Share is calculated on NTA at the close of the relevant financial period divided by the total Shares on issue which are derived from the Indicative Price Range.
- (6) Price / NTA per Share is calculated by dividing the Indicative Price Range by NTA per Share.

Ends

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A Stapled Security of the Stride Property Group comprises one ordinary share in Stride Property Limited and one ordinary share in Stride Investment Management Limited. Under the terms of the constitution of each company, the shares in each can only be transferred if accompanied by a transfer of the same number of shares in the other.

Stapled Securities are quoted on the NZX Main Board under the ticker code SPG. Further information is available at www.strideproperty.co.nz or at www.nzx.com/companies/SPG.

Important Notice

Fabric has lodged a product disclosure statement dated 13 September 2021 (PDS) with the Registrar of Financial Service Providers in New Zealand (the **Registrar**) and made available the information on the register of offers of financial products administered by the Registrar (the Register Entry) (the PDS and the Register Entry, together the **Offer Materials**) in respect of its proposed initial public offering of shares (**IPO**). Fabric is the issuer of the shares to be issued under the IPO. The Offer Materials can be obtained from www.business.govt.nz/disclose, offer number (OFR13166).

The Offer Materials should be read before any investment decision is made. Eligible investors should not subscribe for any shares under the IPO except on the basis of information in the Offer

Materials and should consult their own financial, tax and other advisors before making any investment in Fabric. No person guarantees the shares the subject of the IPO nor warrants or guarantees their performance.

Application has been made to NZX Limited (**NZX**) for permission to list Fabric and to quote its shares on the NZX Main Board. It is expected that Fabric will be granted a Non-Standard designation. However, NZX accepts no responsibility for any statement in this announcement. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator, regulated under the Financial Markets Conduct Act 2013.

No information set out in this announcement will form the basis of any contract. This announcement is not a product disclosure statement, prospectus or other offering document and is for information and reference only. This announcement does not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any shares, securities or financial products in any jurisdiction. This announcement has not been and will not be filed with or approved by any regulatory authority in New Zealand or any other jurisdiction.

The Offer Shares to be offered and sold by Fabric pursuant to the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States and, accordingly, the Offer Shares may only be offered and sold in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act in reliance on Regulation S under the U.S. Securities Act.

The distribution or publication of any Offer Materials referred to herein and the offer of Fabric's shares may be restricted by law in certain jurisdictions. Persons who are accessing this announcement from outside New Zealand must inform themselves about and observe all such restrictions. You should refer to the specific selling restrictions in respect of the offer of Fabric's shares as part of the IPO on the Register Entry for the Offer for details.

None of Fabric, Stride Property Limited, Stride Investment Management Limited, the Joint Lead Managers, their respective affiliates and advisers, and each of their respective directors, shareholders, employees and representatives make any representation, warranty or undertaking, express or implied, as to the fairness, accuracy, reliability or completeness of, and to the maximum extent permitted by law, hereby disclaim and shall have no liability for any loss arising from the contents of this announcement.