



NZX announcement - 17 November 2020

Precinct Properties New Zealand Limited Annual General Meeting

11:30am (New Zealand time), Tuesday 17 November 2020

Generator Commercial Bay, Toroa Room, Level 2, PwC Tower 15 Customs St West, Auckland

Chairman's opening address

Good morning and welcome everyone to the Precinct Properties 2020 Annual General Meeting of shareholders. I'm Craig Stobo, Independent Director and Chair. It is a pleasure to welcome you all here today to our 2020 Annual General Meeting.

Given the current restrictions on overseas travel and those imposed on public gatherings in recent months due to the COVID-19 pandemic, today we have adopted a hybrid meeting. So, in addition to the in-person meeting being held, shareholders, proxies and guests can attend the meeting online via the Lumi platform. All attendees can watch a live webcast of the meeting. Furthermore, shareholders and proxies have the ability to ask questions and submit votes virtually.

With some of my fellow Precinct Board members either based or currently overseas, this format also allows them to be present today.

Whilst not everyone is able to be in attendance at today's in-person meeting, it is great to see many of you here, joining us at our Generator Commercial Bay Meeting & Event Suites. We hope those of you who travelled to the new PwC Tower this morning got here with ease and I encourage you all to take a look around and see first-hand what this space has to offer. We have several Precinct and Generator event staff present here today should you need any assistance.

2020 has without a doubt been extremely challenging. The effects of COVID-19 continue to be present at both a local and global level, and like many others, our industry and our business have been inevitably impacted. However, despite these



more challenging times, Precinct has continued to perform well during the last financial year.

Our FY20 results reflect the resilience of our business, premium nature of our assets, high quality client base, and the dedication of our people and partners who support it. Precinct has continued to move forward. Completing the largest development in Precinct's history this year, Commercial Bay in Auckland, has placed our business in a very strong position. Its opening involved a huge effort by all our people and partners and is truly a symbol of New Zealand's road to recovery in a COVID-19 economy. What a transformational project it has been since 2012 when the Downtown Shopping Centre was acquired. Our aspiration was to create a world-class waterfront destination on par with the best gateway cities around the world. We believe Commercial Bay has achieved this.

As a business, we are committed to continuing on our strategic pathway to develop world class assets, enhance our portfolio, and grow value for shareholders.

I would now like to introduce the members of the Board and executive team joining us today: Don Huse, Anne Urlwin, Graeme Wong, Launa Inman, Rob Campbell, Chris Judd, Scott Pritchard, George Crawford and Richard Hilder.

Mohammed Al Nuami is unable to attend this year's meeting and has given his apology.

Board composition and changes

As you are aware, Don Huse is due to retire in the second half of 2020 as part of Precinct's Board succession planning arrangements. He will be consequently stepping down on the 18th of November after serving 10 years on the Board. Don has chaired both the Audit and Risk committee, and due diligence committee. He has made a significant contribution to the audit and risk function over the past 10 years.

As this is Don's last AGM, we would like farewell him at today's setting and thank him again for the significant contribution he has made to Precinct since 2010. All the best, Don.

Today, we welcome Aditya Bhargava to the Board as an alternate Director for Mohammed and replaces Anthony Bertoldi who has recently resigned. On behalf of the Precinct Board and Management team, I would like to thank Anthony for his contribution to the business and being an alternate Director for Mohammed since 2014. Importantly, in accordance with the NZX Code a majority of Independent Directors is maintained.

We also have present with us representatives from our auditors, Ernst & Young, tax advisors, KPMG, legal advisors, Chapman Tripp and our registrar, Computershare, together with Precinct and Generator staff.

Meeting agenda

Now moving to the agenda of today's meeting. We will begin with reviewing the performance and activity of Precinct over the last financial year. Following the conclusion of the presentation, we will then take any questions you may have. We will start with any in-person questions before moving to any online questions received. We welcome any feedback and will consider any other matters that may properly be brought before the meeting today.

The meeting will then proceed to the formal business where we will consider three ordinary resolutions. The first ordinary resolution is to consider my own re-election as a



director. The second ordinary resolution is to consider the re-election of Launa Inman as a director, and the third ordinary resolution is to consider that the directors be authorised to fix the remuneration of Ernst & Young as auditor for the ensuing year.

Due to the hybrid nature of today's meeting, questions can now be submitted through the webcast portal for those attending virtually now that the meeting has started. This can be done by simply clicking on the speech bubble icon. This will open a new screen. At the bottom of that screen there is a section for you to type your question. Once you have finished typing please click the arrow symbol to send.

While you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together.

We will try to get through as many questions from the physical floor and those submitted online as possible. We apologise in advance for any questions submitted online that we are unable to answer. In this case, questions will be followed up by email after the meeting.

Voting today will be conducted by way of a poll on all items of business. In order to provide you with enough time to vote, I will shortly open voting for all resolutions.

For those attending virtually, if you are eligible to vote at this meeting, a new polling icon will appear. Selecting this icon will bring up a list of resolutions and present you with voting options. To cast your vote simply select one of the options. There is no submit or send button, as the vote selected is automatically recorded. Votes can however be amended up until the time the poll closes, at the conclusion of the meeting.

I now declare voting open on all items of business. The polling icon will soon appear, please submit your votes at any time.



Should you experience any difficulty casting your vote or asking questions online, please refer to the instructions provided in the Virtual Annual Meeting Guide that accompanied the Notice of Meeting you would have received.

For those physically attending today, we hope you will all stay and join us for some light refreshments after the meeting is concluded this morning.

Board succession planning

Before we review the 2020 highlights for Precinct, I would like to update you all today on our Board succession planning.

This year, Launa and I retire in accordance with NZX Listing Rule 2.7 and, being eligible, stand for re-election by shareholders.

However, Launa has announced her decision to retire from the Board in 2021. The directors wish to thank her very much for her contribution to the Company since 2015, which included the development of Commercial Bay. The Board has commenced a director search process as part of its succession planning. It is expected that a successor to Ms Inman will be announced early in the New Year to enable a smooth transition of responsibilities.

I would also like to confirm that following our annual review on Director remuneration by the Board, we will not be proposing any adjustments to shareholders today. In line with last year, we are holding the rates approved at the 2018 Annual General Meeting. Any new Directors joining Precinct during the current financial year will be paid in line with these rates.

Now moving to the highlights.

2020 highlights

As I mentioned earlier, 2020 has been an extremely challenging year. Despite this, Precinct has achieved a number of highlights for the business. Most notably, achieving further growth in our Adjusted Funds From Operations (AFFO). Pleasingly and in line



with guidance, Precinct's AFFO increased 5.9% to 6.29 cents per share with our full year dividend to shareholders of 6.30 cents per share being paid for the FY20 financial year. This represented a year on year increase of 5.0%.

Our portfolio metrics remain strong. We have a portfolio of properties that is 98% occupied. We also have a weighted average lease term of around 8 years, illustrating the average remaining term for all leases to expire in our portfolio. These metrics reinforce Precinct's earnings security and the stable and secure income our portfolio generates.

We have also progressed our development assets during the year which Scott will take you through later in the presentation.

Business continuity through COVID-19

While the COVID-19 pandemic and its impacts continue to evolve, we strongly believe our strategy will continue to deliver in these more challenging times.

Like many businesses, 2020 required Precinct to focus on business continuity amidst the disruptions caused by COVID-19. For our business, this meant ensuring the right procedures and suitable precautionary measures were in place to help protect the health and wellbeing of all our people. As you know, health and safety is a highly material issue for our business.

This included implementing and adopting additional health and safety requirements at all of Precinct's buildings and at construction sites when construction restarted in April 2020. These protocols included the physical distancing rules for everyone on site, additional Personal Protective Equipment (PPE) gear, and the ability to contact trace if necessary.

I would personally like to commend the Precinct team on the prompt actions taken to plan ahead and adjust our business to operate safely under different COVID-19 alert levels as and when changes were announced. In addition, the outstanding



proactive engagement taken with our clients on implementing a range of initiatives to support those of our occupiers who needed assistance.

Our business continues to actively embed a positive health and safety culture at Precinct, and we are pleased to report that there were no significant injuries during the 2020 financial year. We also completed over 900 principal audit and monitoring inspections during the year and recorded onsite audit scores in excess of our performance targets at both Commercial Bay and Bowen Campus.

FY21 dividend

Successfully executing our long-term strategy has put our business in a strong position. AFFO for the 2021 financial year is expected to be 6.50 cents per share, before performance fees and a total dividend of 6.50 cents per share is expected to be paid. Consistent with our dividend policy, we are delighted to again be providing year on year dividend growth to you, our shareholders.

Payment of the 2021 first quarter dividend will be made on the 10th of December this year.

Sustainability progress

Before I hand over to Scott to give a more detailed overview of Precinct's operational performance, I would like to provide an update on the good progress made across Sustainability at Precinct.

During the year, we improved our Global Real Estate Sustainability Benchmark (GRESB) score from 69 to 77, above the global average of 72. Today, we can also share our most recent 2020 GRESB score. Precinct achieved a benchmark score of 83. Pleasingly, our result was again above the global average which was 70 this year.

GRESB is considered the global standard for Environmental, Social and Governance (ESG) benchmarking and reporting for real estate and remains our core ESG indices performance benchmark.



Carbonzero certification

During FY20, an area of focus has been on the risks and opportunities presented by climate change. By partnering with Toitū Envirocare, Precinct has verified our carbon footprint and as a result received Toitū carbonzero certification. This means we have been able to accurately measure our greenhouse gas emissions and put in place strategies to manage and reduce impacts.

We are also reducing the portfolios carbon intensity. Our goal is to ensure all our office buildings have a minimum NABERSNZ rating greater than 3. Currently four buildings in Precinct's investment portfolio have a certified NABERSNZ building energy efficiency rating of 3.5 star or above,

While we have made good progress in this space, we will continue to strive to improve our reporting and reduce our emissions further. We have recently submitted to the Carbon Disclosure Product (CDP) and have now published our own Climate-related Financial Disclosures document. This document identifies Precinct's risks related to both physical climate impacts and transitional climate impacts resulting from the transition to a low carbon economy based on the TCFD (or Task Force on Climate-related Financial Disclosures) recommendations. This can be found on the Precinct website under our sustainability section.

A comprehensive response to all Precinct's ESG factors material to our business can be found in Precinct's 2020 annual report. I encourage you all to read this if you haven't already.

On behalf of my Board colleagues, Management and wider Precinct team, I would like to thank you all for joining us today and to our shareholders, thank you all for your continued investment in Precinct during what can only be described as an extraordinary year.

We look forward to advancing our opportunities and delivering sustainable returns in the year ahead. I will now hand over to Scott. Thank you.



Scott Pritchard, Chief Executive Portfolio

Successful strategy

E ngā mana

E ngā waka

E nga reo

E rau Rangatira mā

Tena koutou

Tena koutou

Tena Tātoua Katoa

Thank you, Craig, and good morning everyone. I am Scott Pritchard, Precinct's Chief Executive Officer.

As Craig mentioned, 2020 has been an extremely challenging year. However, we have benefited from having a clear strategy. We have continued to refine our approach as we have progressed and now completed our 2020 vision. Our business is in a strong position and we have delivered consistent results amidst the COVID-19 pandemic. We have a sustainable dividend policy supported by AFFO which is now delivering the benefits of our strategy. This is notably reflected in the uplift in Precinct's FY21 dividend guidance.

While our investment and development portfolio are underpinned by our high-quality client base, strong metrics and strategic locations, asset values have been unfortunately impacted by COVID-19. Precinct's total comprehensive income after tax was \$35.1 million which was down on the previous year due to a 2.2% decline in property valuations.

From a balance sheet perspective, Precinct's gearing as measured under borrower covenants, which disregards the subordinated convertible note was 28.8% at 30 June 2020. This is substantially below our covenant of 50%. In addition, following the \$150



million bank debt facility which was refinanced in February 2020, Precinct's next debt maturity is not due until December 2021.

Quality portfolio

In driving our business transformation, we have significantly improved the quality and the resilience of our portfolio. We have successfully divested B grade assets to invest into new premium grade assets. As a result, we have attracted and retained long term leases with high quality occupiers. Our portfolio is well leased with occupancy of 98% and an 8-year weighted average lease term and provides a high degree of certainty that the rent will therefore be paid. This has been illustrated by Precinct receiving over 90% of its income during the New Zealand Level 3 and 4 lockdown periods earlier this year.

Precinct's high-quality client base includes government entities which currently account for around 30% of Precinct's total office revenue. As well as, corporate investment grade occupiers, leading legal, and professional services firms.

ANZ Centre Sale

A quick update on the ANZ Centre Sale. The remaining 50% share in the property is progressing well. Consistent with our strategy, this is another capital recycling initiative which allows Precinct to invest our capital into higher yielding development assets.

Key trends – our markets

You may have heard a lot around the recent increase in the working from home trend and how this may impact the office market. Our view is that the role of the office remains as important as ever. We also believe the city centre is as important as ever. We do not see a material change in the demand for office space in New Zealand.

To illustrate this, just 2.5% of our office occupiers which Precinct has within its portfolio, have indicated that they will look to sublease some of their space for a total area of around 6,000 square metres. The majority of our occupiers have recognised that office space remains critical to the success of their business, is a key driver in attracting



talent, and a key driver in fostering talent. Our expectation is that prime grade office in central cities will remain a core aspect of any successful business.

Our occupier markets remain relatively resilient. In Auckland, while more volatility in demand from occupiers is expected, most new supply is already leased. In Wellington, we see this market as continuing to remain strong and being underpinned by the solid demand from central government.

Generator

Before I provide an update on our recently completed developments and those which are still under construction, I would like to give an update on our Generator business.

Generator has returned a solid and profitable performance for the year. This has been driven by a 13% lift in revenue, despite the impacts of COVID-19 which essentially closed the events business for the fourth quarter of the FY20 financial year.

Our strategy of investing in the coworking and flexible space is now proving its benefits across the portfolio. This is evident as our Precinct leasing is now having some Generator element to it. Similarly, we also have clients who are growing out of Generator sites and moving into the Precinct portfolio.

During the year, Precinct announced the expansion of Generator's offering into Wellington. Centrally located at 30 Waring Taylor Street, the redevelopment is currently underway. This will be the first Generator site in Wellington and comprise private offices, coworking and event spaces. The property is well positioned to drive value from the Wellington market where we continue to see an increased demand for flexible space.



Opening of Commercial Bay

Now moving to our recently completed development project, Commercial Bay. Precinct officially opened the retail centre to the public on 11 June this year. This marked a significant milestone for both our business and Auckland's city centre.

Despite Commercial Bay opening under difficult circumstances from the impacts of COVID, Precinct was delighted to welcome everyone to a new and exciting part of Auckland's city centre. We are immensely proud to have opened Commercial Bay. It is an outstanding retail precinct that will redefine Auckland's city centre and play an integral role in its ongoing revitalisation while also being part of New Zealand's road to economic recovery.

Pleasingly, there has been strong trading levels over the last four months at the centre with sales performance being consistent with valuation assumptions. Food and beverage have been a key out performer reinforcing the high quality and best-in-market offering which is critical to the success of Commercial Bay.

There were a handful of restaurants and international retailers who were not able to open on time due to COVID, they have all since been able to open successfully. Now that we are at Alert Level 1, Commercial Bay will continue to be well supported by Aucklanders and others visiting the centre.

The new PwC Tower which we are in today had its first clients, PwC and Jarden move in during July. The Tower is now 97% leased with strong enquiry over the remaining vacant office space.

Wynyard Quarter

We are also pleased with the progress made at the second stage of Wynyard Quarter. Construction has moved well ahead despite the impacts of COVID and we remain on program which is a great result and a real credit to the main contractor, Hawkins. Leasing has also progressed, and we are delighted to have the office space 100%



pre-leased. This is particularly pleasing given that when we committed to this project, there was no leasing in late 2018.

Bowen Campus Stage Two

Now a brief update on our Wellington development project at 40 Bowen Street. It is the first of a pair of buildings planned for the Bowen Campus Stage Two site. We are delighted with the ongoing level of enquiries from occupiers for Stage Two since the beginning of the year. Pre-committed leasing currently represents 72% of the building's office net lettable area with leasing to quality occupiers EY, Fujitsu and our own Generator.

With construction now well underway, completion remains on schedule for late 2022. Being able to advance one of the two new office buildings at Bowen Campus has been particularly encouraging for our business amidst a challenging economic environment. This reinforces how strong and well positioned locally the prime office market in Wellington remains.

One Queen Street

As you know in May this year, we made the prudent decision to put the redevelopment of One Queen Street on hold. While this was disappointing, the deferral period has enabled us to more reliably assess the long-term impacts on the tourism market and New Zealand economy and ensure the eventual redevelopment maximises returns. Minor physical works have continued throughout the deferral period in relation to demolition and strip out works positioning the asset for redevelopment. We are tracking well and making good progress on the options for the asset and remain hopeful of commencing works on site in 2021.



Conclusion and outlook

While the outlook ahead will likely continue to present us with some uncertainty and challenges, Precinct is looking forward to progressing our opportunities. This includes our pipeline of development projects which I have touched on today.

We are also committed to growing our market position in the coworking and flexible space market and taking a prudent approach in securing value add opportunities to grow value for you, our shareholders.

Before I hand back to Craig to take us through the formal business of the meeting, I want to reiterate; our business is in a strong position. This is well supported by Precinct's high occupancy levels, long weighted average lease term, minimal portfolio expiry risk and the high-quality occupiers we are fortunate to have as our clients.

Being able to lift our dividend guidance for the FY21 period further demonstrates the successful execution of our long-term strategy in recent years and we are confident that we will continue to deliver strong results into the future.

I'd like to thank both the Precinct Board and Precinct team for their support and hard work during this extraordinary year. I'd also like to personally thank Don for his contribution to the business over the past 10 years. And finally, to you our Precinct shareholders for your continued investment. Thanks everyone for joining us today.

Huri noa i te whare

Tēnā Koutou

Tēnā Koutou

Tēnā Tātou Katoa

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