

# Real Estate Reflections: The 182nd Ed

## March 2020 – Best Form of Attack is Defence

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In a turbulent month for markets listed property held firm, back just -1.9%, compared with the S&P/NZX50 that was down -3.9%. We had three property results which highlighted strongly performing portfolios, sound balance sheets and free cash flow coverage of dividends. Our preferred LPVs are IPL, KPG (Both OUTPERFORM), ARG and VHP ( both NEUTRAL). We pulled our VHP rating back from OUTPERFORM to NEUTRAL following its strong share price move.

### Little in the way of surprises

PFI, VHP and PCT, all delivered solid rental growth despite being different property sector exposures, and major developments and dividend guidance is on track. There was no major interim revaluations from PCT and VHP, but PFI had a large annual valuation lift that boosted NTA by +16%. WALTs remain strong, lease expiries manageable, balance sheets sound and dividends are better covered by AFFO (adjusted funds from operations), which helps with the defensive profile. See Figures 2 and 3 for a summary.

### Tick up in dividend flagged by Argosy

Late in the month ARG provided a small lift in FY20 dividend of +1.2% with it now guiding to an FY20 dividend of 6.35cps. ARG stated that this reflects a positive outlook for the company and also a desire to move towards changing to an AFFO based dividend policy. Also late in the month VHP released its Notice of special Meeting documentation for unitholders ahead of the meeting on 31 March 2020.

### Defensive qualities

NZ listed property was back -1.9%, compared with the S&P/NZX50 that was down -3.9% providing a gross return for the property sector of +28.6% over the last 12 months. Leading the way in the month were AUG (+3%), VHP (+2.5%) and PFI (+1.4%).

**Figure 1. NZ listed property sector summary**

LPV	Code	Rating	Price 3-Mar	Target price	Gross yield	AFFO yield	P/NAV
Asset Plus	APL	NEUTRAL	\$0.58	\$0.65	8.9%	5.4%	89%
Argosy Property	ARG	NEUTRAL	\$1.38	\$1.38	6.5%	4.5%	105%
Augusta Capital	AUG	NEUTRAL	\$2.10	\$1.38	4.3%	3.4%	151%
Goodman Property	GMT	UNDERPERFORM	\$2.32	\$1.92	4.1%	2.7%	122%
Investore	IPL	OUTPERFORM	\$1.76	\$1.85	6.2%	4.3%	106%
Kiwi Property Group	KPG	OUTPERFORM	\$1.44	\$1.62	7.1%	4.5%	93%
Precinct Properties	PCT	NEUTRAL	\$1.92	\$1.52	4.7%	3.1%	120%
Property for Industry	PFI	NEUTRAL	\$2.44	\$2.15	4.5%	3.2%	118%
Stride Property	SPG	NEUTRAL	\$2.26	\$2.18	6.3%	4.2%	110%
Vital Healthcare	VHP	NEUTRAL	\$2.90	\$2.76	4.4%	3.0%	123%
<b>Core simple average</b>					<b>5.5%</b>	<b>3.7%</b>	<b>112%</b>

1: Core average excludes APL and AUG. Source: Forsyth Barr analysis, Company Reports

## Reporting season wrap up

Figure 2. February Reporting Season Results Summary

	Expected Revenue Growth	Reported Revenue Growth	Var	Expected EBIT growth	Reported EBIT Growth	Var	Expected EPS growth	Reported EPS growth	Var
PCT	8.3%	6.8%	-1.5%	13.5%	10.9%	-2.6%	-2.6%	1.0%	3.6%
PFI	3.9%	4.9%	1.0%	4.1%	4.6%	0.5%	2.4%	1.9%	-0.5%
VHP	3.3%	2.2%	-1.1%	4.7%	1.7%	-3.0%	7.0%	7.0%	0.0%
<b>Average</b>	<b>5.2%</b>	<b>4.6%</b>	<b>-9.5%</b>	<b>7.4%</b>	<b>5.7%</b>	<b>-12.4%</b>	<b>2.3%</b>	<b>3.3%</b>	<b>1.2%</b>

Source: Forsyth Barr analysis, Company Reports

Figure 3. Portfolio Metrics

	WALT			Occupancy			Vacancy + FY1 + FY2 expiry		
	Old	New	Chg %	Old	New	Chg %	Old	New	Chg %
PCT	8.6	8.8	2.3%	99.0%	99.0%	0.0%	11.0%	12.0%	1.0%
PFI	5.7	5.4	-5.6%	99.7%	99.0%	-0.7%	12.3%	14.1%	1.8%
VHP	17.9	17.9	0.0%	99.4%	99.5%	0.1%	4.3%	1.2%	-3.1%
<b>Average</b>	<b>10.7</b>	<b>10.7</b>	<b>-1.1%</b>	<b>99.4%</b>	<b>99.2%</b>	<b>-0.2%</b>	<b>9.2%</b>	<b>7.7%</b>	<b>-0.7%</b>

Source: Forsyth Barr analysis, Company Reports

## NZ listed property research

Property for Industry (PFI) – FY19 – I Guess That's Why They Call it Industrial Property [17 February 2020]

PFI has reported a FY19 result close to expectations, highlighted by a strong NTA lift. There was little in the way of earnings surprise apart from a small boost in AFFO due to lower maintenance capex. PFI is well placed as a defensive yield play with its Auckland industrial assets and track record.

Vital Healthcare Property Trust (VHP) – 1H20 Result – Vital Defensive Play this Season [19 February 2020]

VHP has reported a 1H20 result slightly ahead of our forecasts and it has reaffirmed its steady dividend guidance for FY20. The balance of FY20 will again feature corporate related activity with the Manager's proposal for a capital restructure. Meanwhile, we expect the portfolio to continue to do its job of providing a very defensive property exposure. We have not changed our forecasts but our target price has lifted +2.5% to NZ\$2.76 due to a slight lift in our DCF and NAV valuations. We have pulled our investment rating back from OUTPERFORM to NEUTRAL given the strong share price performance over the last 12 months. VHP remains a key LPV exposure late in the cycle due to the defensive nature and quality of its portfolio.

Precinct Properties (PCT) – 1H20 result – Let's Go Downtown [21 February 2020]

PCT reported a 1H20 result slightly ahead of expectations and is on track for its +5% dividend growth target in FY20 and opening Commercial Bay over the next two months. We have not changed our forecasts, however, our DCF and NAV valuations have lifted slightly and this has increased our target price to NZ\$1.52. PCT is expensive on all metrics; however, we remain with a NEUTRAL rating given the very unique and high quality nature of its major CBD office assets and with arguably the best dirt in NZ with its Commercial Bay downtown precinct.

## Property News for February 2020

### NZ listed property portfolio activity

PCT announced that it has secured leasing for the top two floors of its portfolio crown jewel, Commercial Bay asset. Level 38 and 39 is to be leased to NZ video game start up, RocketWerkz, on a six year term. RocketWerkz is 46% owned by Chinese gaming giant Tencent. [14 February 2020]

## Other NZ listed property news

KPG's director, Mike Steur, who has been with the company since January 2010, advised the board that he will be standing down from his position effective as of late 2020. KPG had previously hired Simon Shakeoff in November 2019 as apart of the board's succession planning process. [11 February 2020]

AUG has advised the market that it will defer the launch of its tourism fund until the 2021 financial year and consequently any revenue which was previously expected to flow into AUG as of the FY20 year will now be recognised in FY21. Subsequently, AUG has revised its expected AFFO downward to be between NZ\$4.2m and NZ\$4.5m. Such developments have been appropriately disclosed to Centuria Capital (CNI), AUG's target acquirer, and is not going to have any impact on CNI's proposed takeover offer outlined to the market on January 29 2020. [17 February 2020]

IPL declared a 3Q20 cash dividend of NZ\$1.90cps with a record date of 27 February, and to be paid on 5 March 2020 whilst it confirmed its guidance for an FY20 dividend of NZ\$7.60cps. [20 February 2020]

GMT announced its 3Q20 distribution of NZ\$1.66cps with a record date of 5 March 2020 and payment date of 19 March 2020. [21 February 2020]

ARG announced its 3Q20 distribution of NZ\$1.62cps with a record date of 11 March 2020 and payment date of 25 March 2020. The company also guided to a FY20 DPS of NZ\$6.35cps; a figure representative of a 1.2% yoy increase on FY19. [26 February 2020]

SPG announced its 3Q20 distribution of NZ\$2.15cps with a record date of 5 March 2020 and payment date of 12 March 2020. [27 February 2020]

VHP has advised investors that it will hold a special meeting to vote on the company's proposed dual listing on the ASX. The meeting will be held at the Pullman Hotel, Auckland on 31 March 2020, commencing at 10am. [28 February 2020]

## Other commercial property news

Tainui Group Holdings, who has ~NZ\$950 million in AUM, has hired Karl Retief to the role of General Manager of property. Ratief previously spent 17 years with KPG as general manager of the retail portfolio. [5 February 2020]

Queenstown based syndicators, Mitchell Mackersy, have launched a new NZ\$215m syndication opportunity for investors. The portfolio of properties include prime industrial, office and retail assets across Hamilton, Mount Maunganui and Tauranga, with the minimum investment requirement set at NZ\$100,000. The syndicator expects a gross return of 6.5% per annum for investors. [7 February 2020]

The former Caughey Preston rest home, located at 17 Upland Road, Remuera, Auckland, has been placed on the market. The property sprawls across 3.1 hectares and has building floor area of 10,087sqm. The buildings are valued at NZ\$27.5m, whilst the land has a valuation of NZ\$72.5m bringing the aggregate value of the property to ~NZ\$100m. Given the property is zoned residential-mixed using housing, Colliers International who is acting as the listing agent has already fielded strong interest from both listed retirement village operators, and luxury residential housing developers. [8 February 2020]

In efforts to bridge the squeezed access to funding for property investors here in NZ, given tighter banking regulations, Colliers International has announced the introduction of a new local debt advisory service. The offering, which will act as an extension onto Colliers debt advisory unit in Sydney, will provide innovative funding solutions to investors looking to acquire a variety of property asset classes at scale. The team will be spearheaded by former ANZ property corporate banker, Chelsea Herbert. [11 February 2020]

The American flexible working space provider, WeWork, has announced its first steps into the NZ market by signing an agreement to lease an 8 floor premises at 131 Queen Street, Auckland. The company will work alongside developer Kruksiener Properties to transform the property to match that of WeWork's flexible, modular office offering replicated in its product in 37 offshore markets. The development is expected to be finished by mid 2021. [13 February 2020]

Waikato's biggest landlord, Tainui Group Holdings, has reached an agreement to construct a 4 storey, 8,500sqm office building in central Hamilton for the state insurance Provider; ACC. The building is likely to cost c.NZ\$50m, and be completed by late 2022, when ACC will assume the lease for an agreed 15 year period. [13 February 2020]

Domestic developers, the Guardian Group, plans to redevelop Remuera's village shopping precinct with the construction of six new buildings on a third of a hectare site between Clobern Road and St Vincent Ave in the central Auckland suburb. The 3,400sqm site will play host to five single level pavilions and a three level block, scheduled to get under way in mid 2020 at a cost of ~NZ\$40m. [17 February 2020]

Telecommunications firm, 2 Degrees, will relocate 600 hundred of its staff from its current Newmarket premise into a new Mansons TCLM developed office block at 136 Fanshawe St, in Aucklands CBD. The 5200sqm lease will be representative of 25% of the ~20,000sqm of NLA in the 6-Green star rated block which is scheduled for completion in mid 2021. [19 February 2020]

Unlisted property syndicator, PMG Property Funds Management, is launching a new fund PMG Generation Fund underpinned by three industrial properties located in Christchurch, Hamilton and Tauranga valued at NZ\$52.9m in the aggregate. PMG aims to generate interest to the order of NZ\$33m to fund the acquisitions, targeting a pre-tax return of 5.8% for investors. With initial contributions welcomed at NZ\$10,000 per investor, PMG hopes to attract a younger cohort of investors for the fund. [27 February 2020]

**Figure 4. Sector total returns (as at 28 February 2020)**

Company	Code	Price 28-Feb	Market Cap	Gr.Div wImp	Month return	Rank	Quarter return	Rank	Year return	Rank	YTD return	Rank
Asset Plus	APL	\$0.575	\$93m	-	-8.0%	10	-8.0%	10	+6.8%	10	-8.0%	10
Argosy Property	ARG	\$1.410	\$1,166m	-	-1.4%	6	+1.3%	7	+21.2%	7	+2.2%	5
Augusta	AUG	\$2.030	\$184m	-	+3.0%	1	+42.2%	1	+98.9%	1	+35.3%	1
CDL Investments	CDI	\$0.880	\$228m	-	-4.3%	n/a	+1.1%	n/a	+14.6%	n/a	-5.4%	n/a
Goodman Prop Trust	GMT	\$2.320	\$3,203m	-	+0.0%	5	+8.7%	2	+47.2%	2	+4.5%	2
Investore	IPL	\$1.760	\$532m	\$0.02	-4.6%	7	-0.9%	8	+19.9%	8	-2.0%	7
Kiwi Property Group	KPG	\$1.450	\$2,275m	-	-7.3%	9	-5.7%	9	+8.7%	9	-7.1%	9
Precinct Properties NZ	PCT	\$1.890	\$2,453m	-	+0.5%	4	+4.1%	5	+30.9%	5	+3.0%	4
Property for Industry	PFI	\$2.500	\$1,247m	\$0.03	+1.4%	3	+7.9%	3	+38.2%	4	+3.7%	3
Stride Property Group	SPG	\$2.250	\$822m	-	-6.3%	8	+2.3%	6	+22.1%	6	-4.7%	8
Vital Healthcare Property Trust	VHP	\$2.850	\$1,274m	-	+2.5%	2	+7.5%	4	+40.4%	3	+1.1%	6
S&P/NZX All Real Estate Cap		1,475.6			-2.0%		+2.2%		+22.3%		+0.3%	
<b>S&amp;P/NZX All Real Estate Gr.</b>		<b>1,820.8</b>			<b>-1.9%</b>		<b>+3.1%</b>		<b>+27.5%</b>		<b>+0.4%</b>	
S&P/NZX All Real Estate Gr. wImp		1,903.1			-1.9%		+3.3%		+28.6%		+0.5%	
<b>S&amp;P/NZX 50 Gross</b>		<b>11,261.2</b>			<b>-3.9%</b>		<b>-0.5%</b>		<b>+20.8%</b>		<b>-2.0%</b>	
S&P/NZX 50 Gross wImp		13,702.6			-3.9%		-0.4%		+21.9%		-2.0%	

Source, Company Reports, Forsyth Barr analysis

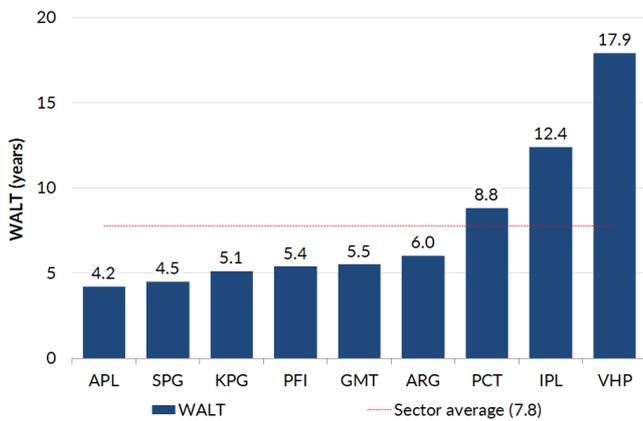
## Portfolio Summary

**Figure 5. Portfolio metrics summary**

Company	Value (NZ \$m)	NLA (000sqm)	No. assets	No. tenants	Market cap rate (%)	Average asset size (NZ\$m)	WALT (years)	Occupancy (%)	Vacancy	FY1 expiry	FY2 expiry	Vacancy + FY1-FY2 expiry
APL	182	96	4	48	6.77%	45	4.2	97.2%	2.8%	8.0%	7.0%	17.8%
ARG	1,690	558	59	nd	6.13%	29	6.0	97.6%	2.4%	5.2%	9.7%	17.3%
GMT	2,878	1,040	10	171	5.30%	288	5.5	99.5%	0.5%	2.0%	11.0%	13.5%
IPL	751	208	40	78	6.24%	19	12.4	99.7%	0.3%	2.1%	2.1%	4.5%
KPG	3,111	440	12	892	5.99%	259	5.1	99.4%	0.6%	9.0%	9.0%	18.6%
PCT	1,861	235	14	nd	5.70%	133	8.8	99.0%	1.0%	7.0%	4.0%	12.0%
PFI	1,462	809	94	144	5.75%	16	5.4	99.0%	1.0%	6.5%	6.6%	14.1%
SPG	999	254	26	391	5.76%	38	4.5	98.2%	1.8%	3.8%	13.4%	19.0%
VHP	1,930	nd	42	178	5.52%	46	17.9	99.5%	0.5%	0.4%	0.3%	1.2%
<b>Total</b>	<b>14,863</b>	<b>3,640</b>	<b>301</b>	<b>1,902</b>								
<b>Average</b>	<b>1,651</b>	<b>455</b>	<b>33</b>	<b>272</b>	<b>5.91%</b>	<b>97</b>	<b>7.8</b>	<b>98.8%</b>	<b>1.2%</b>	<b>4.9%</b>	<b>7.0%</b>	<b>13.1%</b>

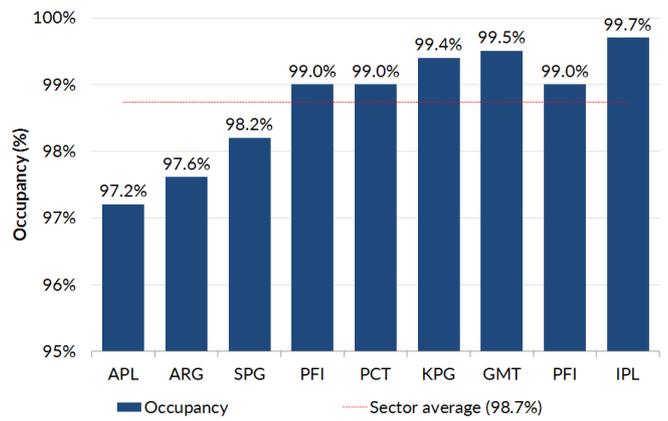
Source: Forsyth Barr analysis, Company Reports

**Figure 6. Sector WALT (weighted average lease term)**



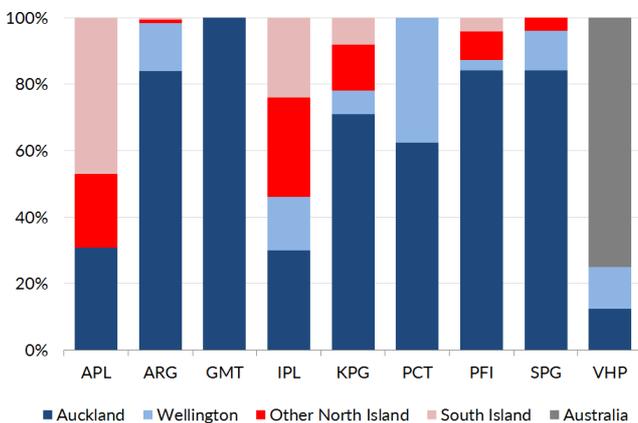
Source: Forsyth Barr analysis, Company Reports

**Figure 7. Sector occupancy**



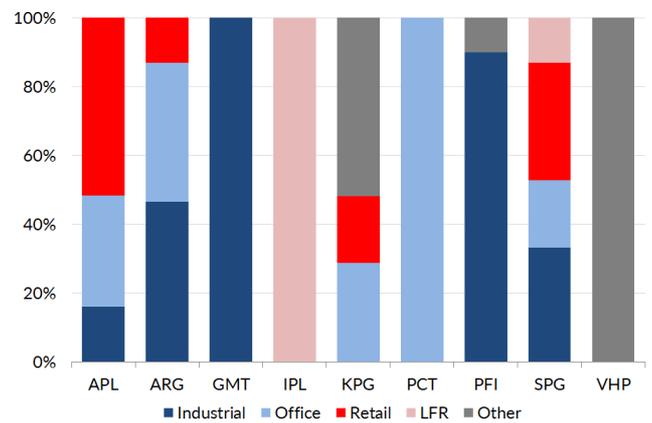
Source: Forsyth Barr analysis, Company Reports

**Figure 8. Geographical diversification**



Source: Forsyth Barr analysis, Company Reports

**Figure 9. Sector diversification**



Source: Forsyth Barr analysis, Company Reports

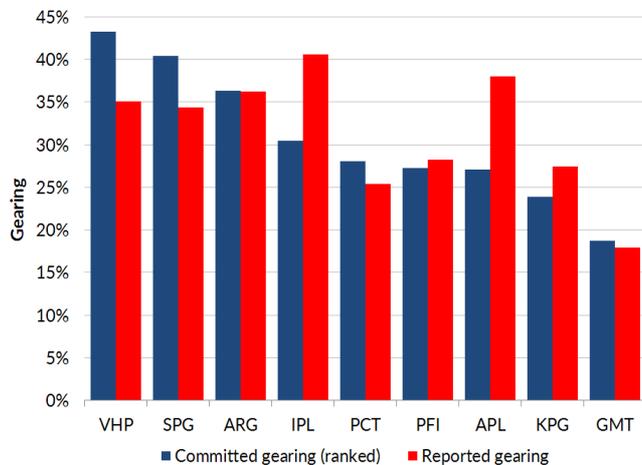
# Balance Sheet summary

Figure 10. Balance Sheet summary

	As at	Reported gearing	Committed gearing	Target gearing	Bank covenant	Bank facilities (NZ\$m)	Issued Bonds (NZ\$m)	Facility capacity (NZ\$m)	Term - bank (years)	Term - bonds (years)	Term - weighted (years)
APL	Sep-19	38.0%	27.1%	35-38%	50%	70	-	-	2.7	-	2.7
ARG	Sep-19	36.2%	36.3%	30-40%	50%	635	200	86	3.0	(56.7)	(11.3)
GMT	Sep-19	17.9%	18.7%	30-35%	50%	400	556	400	3.1	5.1	4.3
IPL	Sep-19	40.6%	30.5%	<48%	65%	270	100	65	2.0	4.6	2.7
KPG	Sep-19	27.4%	23.8%	25-35%	45%	825	475	200	3.3	4.2	3.6
PCT	Dec-19	25.4%	28.1%	<37.5%	50%	610	586	322	2.7	5.2	3.9
PFI	Dec-19	28.2%	27.3%	<40%	50%	300	200	84	3.6	5.6	4.4
SPG	Sep-19	34.4%	40.4%	38-42%	50%	400	-	67	2.3	-	2.3
VHP	Dec-19	35.1%	43.2%	na	50%	955	-	274	2.5	-	2.5
<b>Average/total</b>		<b>31.5%</b>	<b>30.6%</b>		<b>51.1%</b>	<b>4,465</b>	<b>2,117</b>	<b>1,499</b>	<b>2.8</b>	<b>(3.6)</b>	<b>1.7</b>

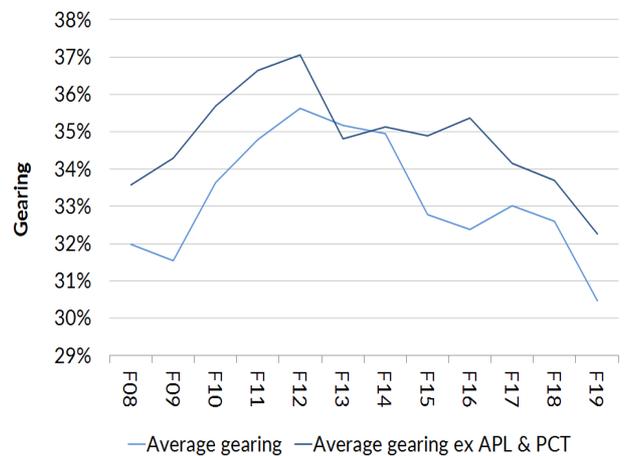
Source: Forsyth Barr analysis, Company Reports

Figure 11. Committed gearing



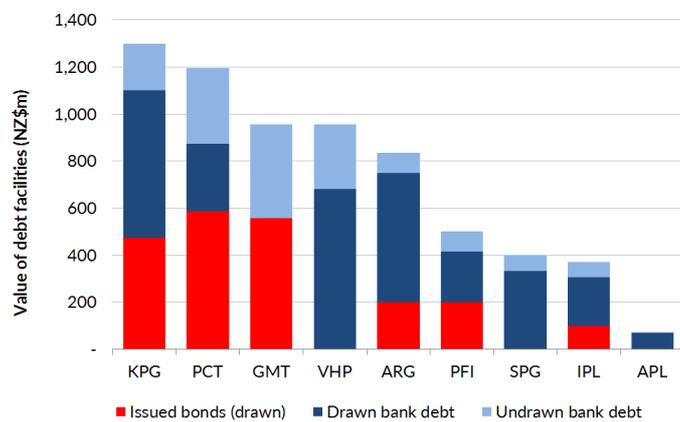
Source: Forsyth Barr analysis, Company Reports

Figure 12. Sector gearing



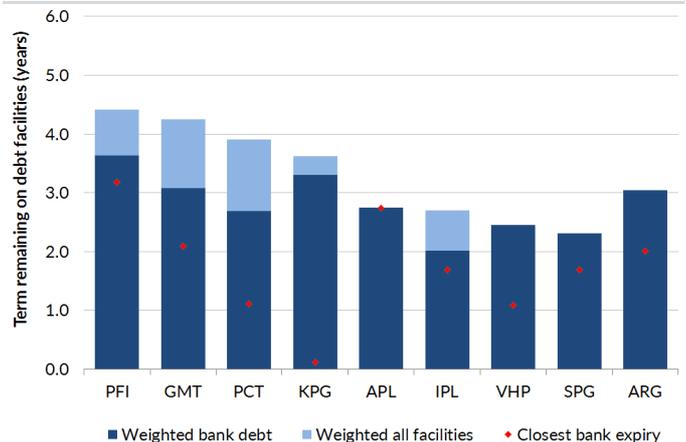
Source: Forsyth Barr analysis, Company Reports

Figure 13. Summary of debt facilities



Source: Forsyth Barr analysis, Company Reports

Figure 14. Funding tenor at 3 March 2020



Source: Forsyth Barr analysis, Company Reports

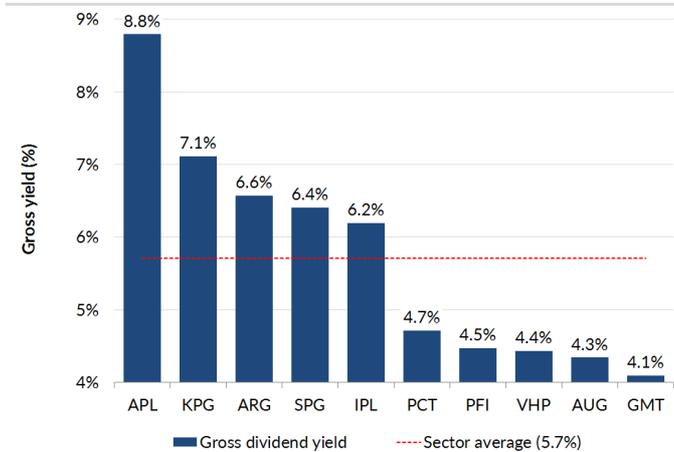
## Relative value summary

Figure 15. Relative valuation metrics – 3 March 2020

Company	Rating	Value 3-Mar	Cash yield	Gross yield	P / NTA <sup>1</sup>	PE	EV/ EBITDA
Asset Plus	NEUTRAL	0.58	6.2%	8.9%	0.82x	16.0x	15.5x
Argosy Property	NEUTRAL	1.38	4.5%	6.5%	1.08x	20.1x	19.2x
Augusta Capital	NEUTRAL	2.1	3.1%	4.3%	2.84x	29.5x	22.6x
Goodman Property	UNDERPERFORM	2.32	2.9%	4.1%	1.34x	33.7x	27.6x
Investore	OUTPERFORM	1.76	4.3%	6.2%	1.04x	21.4x	20.4x
Kiwi Property Group	OUTPERFORM	1.44	5.0%	7.1%	1.01x	20.0x	18.4x
Precinct Properties	NEUTRAL	1.92	3.3%	4.7%	1.30x	28.2x	26.3x
Property for Industry	NEUTRAL	2.44	3.2%	4.5%	1.23x	27.8x	21.7x
Stride Property	NEUTRAL	2.26	4.4%	6.3%	1.15x	20.4x	19.7x
Vital Healthcare	NEUTRAL	2.90	3.1%	4.4%	1.25x	28.4x	23.7x
<b>S&amp;P/NZX Real Estate Gross</b>		<b>1,790</b>	<b>3.7%</b>	<b>5.3%</b>	<b>1.23x</b>	<b>26.6x</b>	<b>23.2x</b>
S&P/NZX50 Gross		11,419	3.3%	4.2%	2.04x	24.5x	13.3x

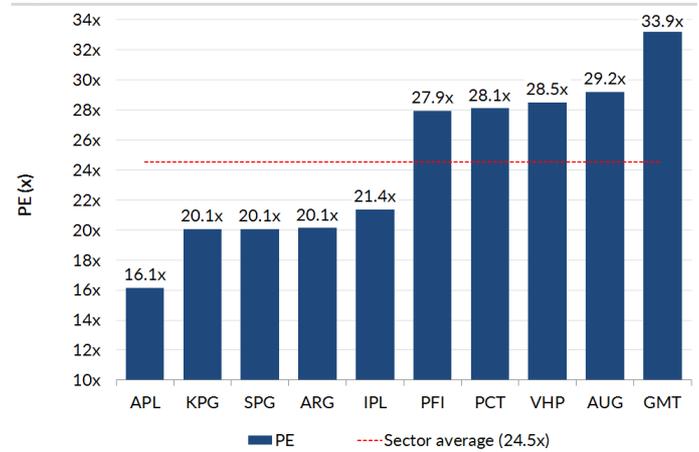
1: NTA is adjusted. 2: Index metrics reflect average constituent metrics weighted by market capitalisation. Source: Forsyth Barr analysis, Company Reports

Figure 16. Gross Yield



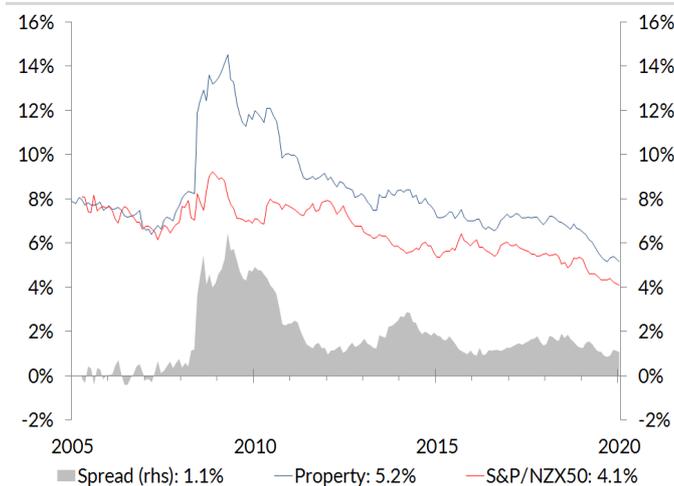
Source: Company reports, Forsyth Barr analysis, Thompson Reuters

Figure 17. PE Ratio



Source: Company reports, Forsyth Barr analysis, Thompson Reuters

Figure 18. Sector gross yield versus S&P/NZX50 gross yield



Source: Company reports, Forsyth Barr analysis, IRESS

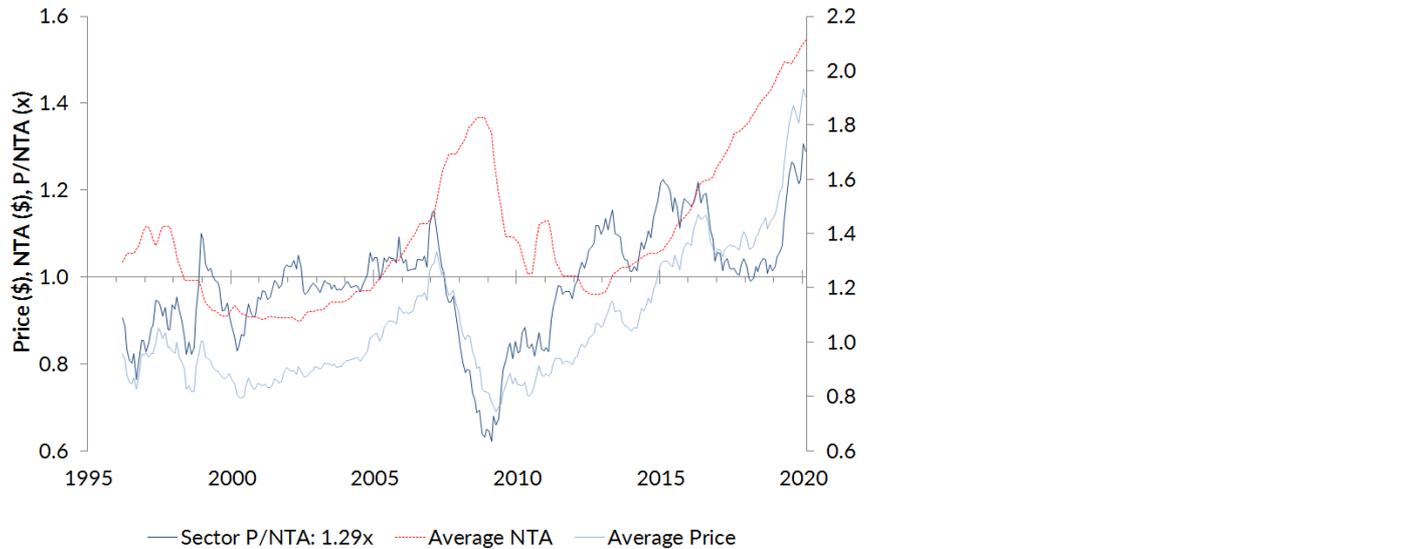
Figure 19. Sector PE versus S&P/NZX50 PE



Source: Forsyth Barr analysis, Company reports, IRESS

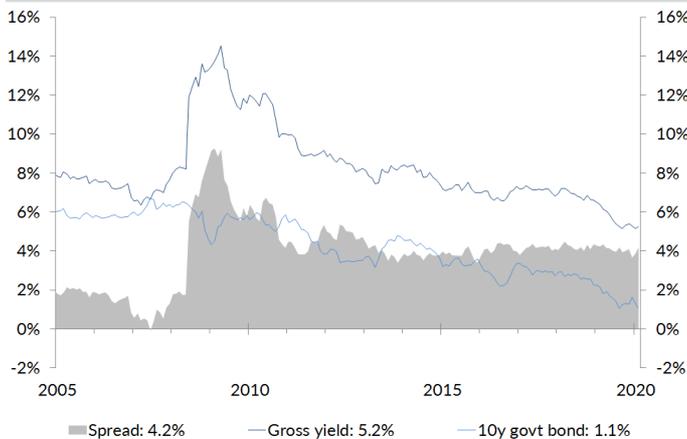
## Key monthly charts and tables

Figure 20. Sector P/NTA, NTA and price



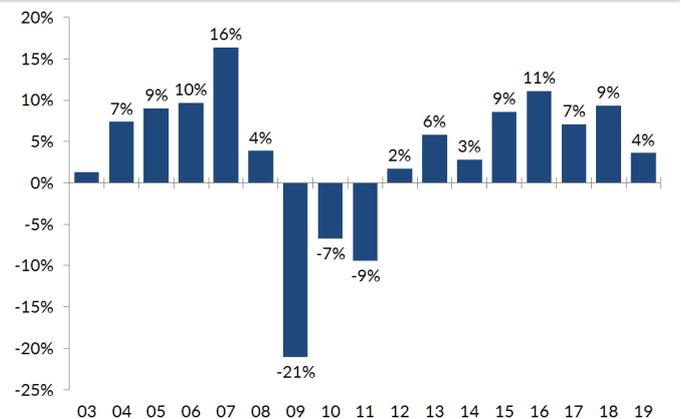
Note: Series represents simple average of price to reported NTA for core LPVs (ARG, GMT, IPL, KPG, PCT, PFI). Source: Forsyth Barr analysis, IRESS, Forsyth Barr analysis.

Figure 21. Yield spread - gross dividend yields vs 10 year bond



Note: Gross div yield is the PIE from Sep-07. Source: Forsyth Barr analysis, Company reports

Figure 22. Sector NTA growth



Note: Sector average is weighted by market capitalisation. Source: Forsyth Barr analysis

Figure 23. Dividend summary

Company	FY17 DPS	FY18 DPS	FY19 DPS	FY20 DPS	12-mth DPS	Price 3-Mar	Cash yield	Gross yield <sup>1</sup> 10.5% MTR	Gross yield <sup>1</sup> 17.5% MTR	Gross yield <sup>2</sup> 30.0% MTR	Gross yield <sup>3</sup> 33.0% MTR
APL	3.60	3.60	3.60	3.60	3.60	\$0.58	6.2%	7.8%	8.1%	8.9%	9.3%
ARG	6.10	6.20	6.28	6.28	6.28	\$1.38	4.5%	5.7%	5.9%	6.5%	6.8%
AUG	5.50	5.63	6.13	6.50	6.50	\$2.10	3.1%	4.3%	4.3%	4.3%	4.3%
GMT	6.65	6.65	6.65	6.65	6.65	\$2.32	2.9%	3.6%	3.7%	4.1%	4.3%
IPL	0.00	7.46	7.60	7.63	7.63	\$1.76	4.3%	5.4%	5.6%	6.2%	6.5%
KPG	6.72	6.85	6.95	7.05	7.14	\$1.44	5.0%	6.2%	6.4%	7.1%	7.4%
PCT	5.60	5.80	6.00	6.25	6.28	\$1.92	3.3%	4.1%	4.3%	4.7%	4.9%
PFI	7.45	7.55	7.60	7.70	7.72	\$2.44	3.2%	4.0%	4.1%	4.5%	4.7%
SPG	9.96	9.91	9.91	9.91	9.91	\$2.26	4.4%	5.5%	5.7%	6.3%	6.5%
VHP	8.50	8.56	8.75	9.00	9.00	\$2.90	3.1%	3.7%	3.9%	4.4%	4.6%
<b>Avg</b>							<b>4.0%</b>	<b>5.0%</b>	<b>5.2%</b>	<b>5.7%</b>	<b>5.9%</b>
<b>Weighted avg</b>							<b>3.7%</b>	<b>4.6%</b>	<b>4.8%</b>	<b>5.3%</b>	<b>5.5%</b>

Note: AUG is no longer a listed portfolio investment entity (PIE) (as at 1 July 2016). 1: Assumes a 17.5% personal tax rate, 2: Assumes a 30.0% personal tax rate, 3: Assumes a 33.0% personal tax rate. Source: Company reports, Forsyth Barr analysis

**Figure 24. EPS and AFFO summary (Forsyth Barr estimates)**

Company	FY18 EPS	FY19 EPS	FY20 EPS	12-mth fwd EPS	PE	FY18 AFFO	FY19 AFFO	FY20 AFFO	12-mth fwd AFFO	AFFO yield
APL	3.88	3.19	3.87	3.63	16.0x	3.80	2.69	3.29	3.16	+5.44%
ARG	6.62	6.94	6.59	6.85	20.1x	6.04	6.25	5.99	6.20	+4.49%
AUG	6.60	8.85	7.18	7.12	29.5x	6.60	8.85	7.18	7.12	+3.39%
GMT	7.24	7.02	6.75	6.87	33.7x	6.35	6.32	6.08	6.29	+2.72%
IPL	7.85	8.02	8.11	8.24	21.4x	7.07	7.54	7.38	7.50	+4.26%
KPG	7.46	6.99	7.11	7.20	20.0x	6.82	6.41	6.41	6.53	+4.53%
PCT	6.32	6.21	6.60	6.78	28.2x	5.80	6.02	5.95	6.02	+3.14%
PFI	8.38	8.54	8.77	8.77	27.8x	7.46	7.79	7.73	7.73	+3.17%
SPG	10.63	10.62	10.49	11.06	20.4x	9.12	8.87	8.82	9.44	+4.18%
VHP	10.60	9.51	9.80	10.18	28.4x	7.45	5.86	7.60	8.73	+3.02%
<b>Avg</b>					<b>24.6x</b>					<b>+3.83%</b>
<b>Weighted avg</b>					<b>26.6x</b>					<b>+3.51%</b>

Source: Forsyth Barr analysis, Company Reports

**Figure 25. Peer Multiples**

Company	P / NTA	P / NAV	PE	P / AFFO	Cash yield	AFFO yield	Gross yield	AFFO Pay-out
APL	-18.3%	-11.5%	16.0x	18.4x	6.2%	5.4%	8.9%	114%
ARG	+7.6%	+4.5%	20.1x	22.3x	4.5%	4.5%	6.5%	101%
AUG	+183.8%	+51.1%	29.5x	29.5x	3.1%	3.4%	4.3%	91%
GMT	+33.8%	+21.8%	33.7x	36.8x	2.9%	2.7%	4.1%	106%
IPL	+3.5%	+6.0%	21.4x	23.5x	4.3%	4.3%	6.2%	102%
KPG	+1.4%	-6.7%	20.0x	22.1x	5.0%	4.5%	7.1%	109%
PCT	+30.3%	+19.7%	28.2x	31.8x	3.3%	3.1%	4.7%	104%
PFI	+22.6%	+18.4%	27.8x	31.6x	3.2%	3.2%	4.5%	100%
SPG	+14.7%	+10.4%	20.4x	23.9x	4.4%	4.2%	6.3%	105%
VHP	+24.8%	+22.7%	28.4x	33.2x	3.1%	3.0%	4.4%	103%
<b>Average</b>	<b>+30.4%</b>	<b>+13.6%</b>	<b>24.6x</b>	<b>27.3x</b>	<b>4.0%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>104%</b>
<b>Core average<sup>1</sup></b>	<b>+17.3%</b>	<b>+12.1%</b>	<b>25.0x</b>	<b>28.1x</b>	<b>3.8%</b>	<b>3.7%</b>	<b>5.5%</b>	<b>104%</b>

Source: Forsyth Barr analysis, company reports, Eikon 1: Core LPVs are ARG, GMT, IPL, KPG, PCT, and PFI.

# Asset Plus

## External Opportunities

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In 2018 Asset Plus Limited (APL) 1) externalised its management to Augusta Capital [AUG], 2) did significant asset sales, and 3) launched a new brand identity. While APL lacks scale versus peers, its management agreement with AUG provides access to significant expertise. We still see medium-term upside for APL if it can generate scale over time; in the short-term APL doesn't trade at a sufficient discount to warrant a positive recommendation in light of portfolio risks. NEUTRAL.

### Business quality

- **Property fundamentals:** At its 1H20 result APL had a three asset portfolio of around NZ\$150m. 1H20 occupancy was 98%, the WALT 4.2 years.
- **Augusta management deal:** In March 2018, APL sold its management rights to AUG for NZ\$4.5m. Key terms are: 1) a minimum term of five years, 2) base management fees of 0.50% of AUM, falling to 0.40% of AUM < NZ\$500m, and 3) performance fees of 10% of relative outperformance vs NZX property benchmark.

### Earnings and cashflow outlook

- **Acquisition activity:** APL's purchase of 35 Graham St in Auckland for NZ\$58m is an attractive medium term redevelopment opportunity with a robust near-term holding yield.
- **Development activity:** APL is working on a potential major redevelopment at Eastgate which would add an additional major to the centre and repurpose some of the existing space.

### Financial structure

- **Balance sheet:** Gearing (LVR) lifts to ~26% with the Graham St acquisition and Heinz Watties divestment.

### Risk factors

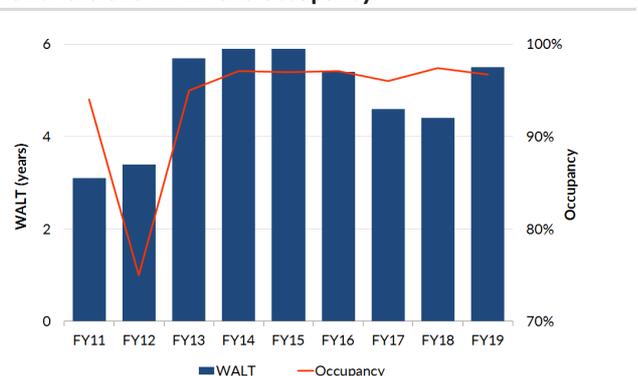
- **E-commerce growth:** APL's retail assets are smaller sub-regional and neighbourhood centres, susceptible to e-commerce risks.
- **Sourcing new assets:** APL will need to source new 'value-add' properties to replace asset sales and utilise its balance sheet.

Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South	Island	Total
Industrial	-	15%	6%		22%
Office	23%	-	-		23%
Retail	21%	-	34%		55%
<b>Total</b>	<b>44%</b>	<b>15%</b>	<b>40%</b>		<b>100%</b>

Source: Forsyth Barr analysis, Company Reports

Figure 2. Portfolio WALT and occupancy



Source: Forsyth Barr analysis, Company Reports

Asset Plus Limited (APL)

Priced as at 05 Mar 2020 (NZ\$)

0.59

**12-month target price (NZ\$)\***

0.65

Expected share price return	10.2%
Net dividend yield	6.1%
Estimated 12-month return	16.3%

**Spot valuations (NZ\$)**

1. DCF	0.63
2. NAV	0.66
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.78
WACC	5.8%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	118
(Net debt)/cash	(10)
Less: Capitalised operating leases	0
Value of equity	108

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	12.3	9.3	11.0	10.4	10.5
<b>Normalised EBITDA</b>	<b>10.1</b>	<b>7.6</b>	<b>9.2</b>	<b>8.6</b>	<b>8.7</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>10.1</b>	<b>7.6</b>	<b>9.2</b>	<b>8.6</b>	<b>8.7</b>
Net interest	(2.8)	(1.1)	(1.8)	(1.5)	(1.9)
Associate income	0	0	0	0	0
Tax	(1.0)	(1.3)	(1.2)	(1.2)	(1.2)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>6.3</b>	<b>5.2</b>	<b>6.3</b>	<b>5.8</b>	<b>5.6</b>
Abnormals/other	(3.2)	(1.4)	0.2	0.8	0.8
<b>Reported NPAT</b>	<b>3.1</b>	<b>3.8</b>	<b>6.5</b>	<b>6.6</b>	<b>6.4</b>
Normalised EPS (cps)	3.9	3.2	3.9	3.6	3.5
DPS (cps)	3.6	3.6	3.6	3.6	3.6

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	14.4	16.1	13.0	15.7	15.6
EV/EBIT (x)	14.4	16.1	13.0	15.7	15.6
PE (x)	15.2	18.5	15.3	16.4	17.0
Price/NTA (x)	0.8	0.9	0.8	0.8	0.8
Free cash flow yield (%)	1.8	3.6	5.6	5.3	5.1
Net dividend yield (%)	6.1	6.1	6.1	6.1	6.1
Gross dividend yield (%)	8.7	8.7	8.7	8.7	8.7

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	3.6	7.0	5.2	5.6	4.6
Interest cover EBITDA (x)	3.6	7.0	5.2	5.6	4.6
Net debt/ND+E (%)	27.8	8.0	25.8	26.0	26.4
Net debt/EBITDA (x)	4.4	1.3	4.2	4.7	4.7

Growth Rates	2018A	2019A	2020A	2021A	2022A
Revenue (%)	0.5	-24.3	18.2	-6.2	1.3
EBITDA (%)	1.6	-25.1	21.9	-7.4	1.3
EBIT (%)	1.6	-25.1	21.9	-7.4	1.3
Normalised NPAT (%)	1.9	-17.7	21.1	-6.7	-3.6
Normalised EPS (%)	1.9	-17.7	21.1	-6.7	-3.6
Ordinary DPS (%)	0.0	0.0	0.0	0.0	0.0

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	6.0	6.0	5.9	5.4	5.4
Return on equity (%)	5.5	4.6	5.5	5.1	4.9
Return on funds employed (%)	5.0	4.2	5.5	4.5	4.5
EBITDA margin (%)	81.9	81.2	83.7	82.6	82.6
EBIT margin (%)	81.9	81.2	83.7	82.6	82.6
Capex to sales (%)	38.4	3.8	8.4	7.2	7.2
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	93	113	93	100	104

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>10.1</b>	<b>7.6</b>	<b>9.2</b>	<b>8.6</b>	<b>8.7</b>
Working capital change	0.3	(1.6)	(0.0)	(0.0)	(0.0)
Interest & tax paid	(3.9)	(2.2)	(3.0)	(2.7)	(3.0)
Other	0	0	0	0	0
<b>Operating cash flow</b>	<b>6.5</b>	<b>3.8</b>	<b>6.2</b>	<b>5.8</b>	<b>5.6</b>
Capital expenditure	(4.7)	(0.4)	(0.9)	(0.8)	(0.8)
(Acquisitions)/divestments	12.7	37.5	(29.0)	0	0
Other	3.8	(0.8)	0	0	0
<b>Funding available/(required)</b>	<b>18.3</b>	<b>40.1</b>	<b>(23.7)</b>	<b>5.1</b>	<b>4.9</b>
Dividends paid	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>12.4</b>	<b>34.3</b>	<b>(29.5)</b>	<b>(0.8)</b>	<b>(1.0)</b>

**Property Statistics**

	2015A	2016A	2017A	2018A	2019A
<b>Key metrics</b>					
No. properties	5	5	5	4	3
Average lease term (years)	5.9	5.4	4.6	4.4	5.5
Occupancy rate (%)	97.0	97.1	96.0	97.4	96.7
Cap rate (%)	8.21	7.91	7.74	7.43	7.40
Portfolio value (NZ\$m)	158.2	169.4	174.4	167.1	123.1
NTA per share (NZ\$)	0.725	0.740	0.723	0.706	0.694

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	(1.5)	0.5	0.5	0.5	0.5
Fixed assets	168.4	123.0	153.1	154.7	156.3
Intangibles	0	0	0	0	0
Right of use asset	0	0	0	0	0
Other assets	0.1	0.5	0.5	0.5	0.5
<b>Total funds employed</b>	<b>166.9</b>	<b>123.9</b>	<b>154.1</b>	<b>155.6</b>	<b>157.2</b>
Net debt/(cash)	44.0	9.7	39.2	40.0	41.0
Lease liability	0	0	0	0	0
Other liabilities	8.5	1.9	1.9	1.9	1.9
Shareholder's funds	114.3	112.3	113.0	113.8	114.4
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>166.9</b>	<b>123.9</b>	<b>154.1</b>	<b>155.6</b>	<b>157.2</b>

**Portfolios values (NZ\$m)**

AA centre	33.8	36.2	40.9	43.8	
Eastgate Shopping Centre	50.4	58.0	59.5	58.0	54.5
Print Place	13.3	13.0	11.0	0	0
Heinz Wattie Warehouse	27.2	27.2	27.0	27.3	29.1
Roskill Centre	33.6	35.0	36.0	38.0	39.5
Portfolio value (NZ\$m)	158.2	169.4	174.4	167.1	123.1

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Argosy Property

## Underpinned by Industrial

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Argosy Property ( ARG) continues to recycle non-core assets and actively work through incremental development opportunities to improve portfolio quality. Fundamentals are improving following leasing success which is reflected in strong portfolio metrics. The outlook for the earthquake impacted 7 Waterloo Quay is clearer with reinstatement works tracking for completion in late 2019, and leasing demand looking robust. NEUTRAL.

### Business quality

- **Revaluation gains:** ARG reported a 1H20 revaluation gain of NZ\$50.8m (+31%), lifting NTA per share +6cps to NZ\$1.28.
- **Industrial assets underpin portfolio:** ARG's portfolio WALT was steady in 1H20 at 6 yrs. ARG's WALT is underpinned by its NZ \$750m+ industrial portfolio (7.2 yrs), which is sector-leading versus industrial peers.

### Earnings and cash flow outlook

- **Rental growth:** ARG achieved robust rental growth of +3.2% (annualised) across rent reviews in 1H20 with the industrial portfolio particularly strong.
- **Development activity:** Developments include office at 107 Carlton Gore Road (12 year lease to Housing NZ) and 8-14 Willis Street (leased to Statistics NZ for 15 years), and retail at Stewart Dawson's corner in Wellington.

### Financial structure

- **Balance sheet:** Gearing is around sector average levels at ~36% and it pays out around AFFO, providing an attractive dividend yield.
- **Dividends:** ARG has guided to a flat dividend in FY20 as it looks to move close to sustainably covering its dividend by AFFO.

### Risk factors

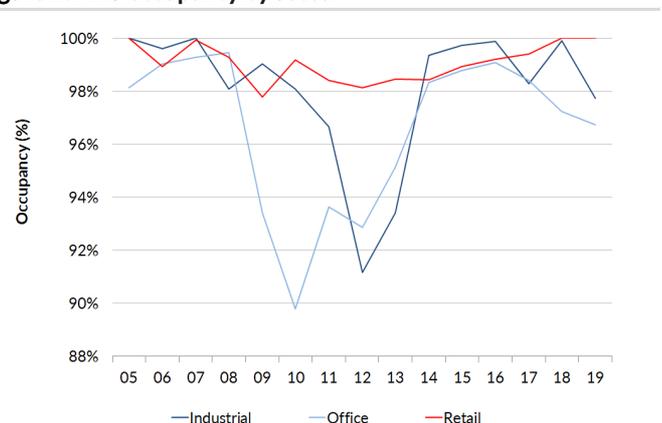
- **Auckland office conditions:** Auckland office is vulnerable from increasing supply and the drive for space efficiency, however, recently this has been offset by assets leaving the market and increased government space.
- **Lease expiry:** ~18% of leases (by rent) are expiring in FY20 and FY21 including 8,100m to MBIE at 147 Lambton Quay.

Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	33%	9%	1%	42%
Office	21%	17%	-	38%
Retail	18%	2%	-	20%
<b>Total</b>	<b>72%</b>	<b>27%</b>	<b>1%</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports. Note: Data is based on reported portfolio as at 31/03/19

Figure 2. ARG occupancy by sector



Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

**1.39**
**12-month target price (NZ\$)\***
**1.38**

Expected share price return	-0.7%
Net dividend yield	4.5%
Estimated 12-month return	3.8%

**Spot valuations (NZ\$)**

1. DCF	1.37
2. NAV	1.32
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.77
WACC	5.5%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	1,818
(Net debt)/cash	(632)
Less: Capitalised operating leases	0
Value of equity	1,186

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	101.0	102.5	100.0	106.7	113.2
<b>Normalised EBITDA</b>	<b>91.1</b>	<b>91.5</b>	<b>89.0</b>	<b>95.3</b>	<b>101.3</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>91.1</b>	<b>91.5</b>	<b>89.0</b>	<b>95.3</b>	<b>101.3</b>
Net interest	(25.5)	(24.2)	(24.8)	(26.4)	(30.5)
Associate income	0	0	0	0	0
Tax	(11.0)	(10.0)	(9.7)	(12.0)	(14.0)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>54.6</b>	<b>57.4</b>	<b>54.5</b>	<b>56.9</b>	<b>56.9</b>
Abnormals/other	(43.6)	(76.3)	(40.5)	(42.0)	(26.7)
<b>Reported NPAT</b>	<b>98.2</b>	<b>133.7</b>	<b>95.1</b>	<b>98.9</b>	<b>83.5</b>
Normalised EPS (cps)	6.6	6.9	6.6	6.9	6.9
DPS (cps)	6.2	6.3	6.3	6.3	6.3

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	18.3	18.7	19.9	19.0	17.9
EV/EBIT (x)	18.3	18.7	19.9	19.0	17.9
PE (x)	21.0	20.0	21.1	20.2	20.2
Price/NTA (x)	1.2	1.1	1.1	1.0	1.0
Free cash flow yield (%)	-0.1	-2.4	-2.9	1.7	4.5
Net dividend yield (%)	4.5	4.5	4.5	4.5	4.5
Gross dividend yield (%)	6.2	6.3	6.3	6.3	6.3

Growth Rates	2018A	2019A	2020A	2021A	2022A
Revenue (%)	0.2	1.5	-2.4	6.7	6.1
EBITDA (%)	-0.4	0.5	-2.7	7.0	6.4
EBIT (%)	-0.4	0.5	-2.7	7.0	6.4
Normalised NPAT (%)	2.0	5.0	-4.9	4.3	0.0
Normalised EPS (%)	1.0	4.8	-4.9	4.3	0.0
Ordinary DPS (%)	1.6	1.2	0.0	0.0	0.0

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	3.6	3.8	3.6	3.6	3.3
Interest cover EBITDA (x)	3.6	3.8	3.6	3.6	3.3
Net debt/ND+E (%)	37.3	37.0	38.6	38.1	37.5
Net debt/EBITDA (x)	6.1	6.5	7.4	7.1	6.7

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>91.1</b>	<b>91.5</b>	<b>89.0</b>	<b>95.3</b>	<b>101.3</b>
Working capital change	6.6	9.2	0	0.0	0
Interest & tax paid	(35.4)	(33.8)	(34.5)	(38.4)	(44.5)
Other	0	0	0	0	0
<b>Operating cash flow</b>	<b>62.3</b>	<b>66.9</b>	<b>54.5</b>	<b>56.9</b>	<b>56.9</b>
Capital expenditure	(63.1)	(94.8)	(88.1)	(37.4)	(5.6)
(Acquisitions)/divestments	24.8	40.7	0	0	0
Other	(0.7)	(1.6)	16.3	16.3	0
<b>Funding available/(required)</b>	<b>23.3</b>	<b>11.3</b>	<b>(17.2)</b>	<b>35.8</b>	<b>51.3</b>
Dividends paid	(47.3)	(52.4)	(51.9)	(51.9)	(51.9)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>(24.0)</b>	<b>(41.1)</b>	<b>(69.1)</b>	<b>(16.1)</b>	<b>(0.6)</b>

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	5.9	5.5	5.0	5.1	5.4
Return on equity (%)	5.9	5.7	5.2	5.2	5.0
Return on funds employed (%)	5.1	4.9	4.4	4.4	4.4
EBITDA margin (%)	90.2	89.3	89.1	89.3	89.5
EBIT margin (%)	90.2	89.3	89.1	89.3	89.5
Capex to sales (%)	62.5	92.5	88.1	35.1	4.9
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	94	90	95	91	91

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	(10.6)	(13.9)	(13.9)	(13.9)	(13.9)
Fixed assets	1,513.1	1,667.0	1,779.3	1,842.4	1,874.7
Intangibles	0	0	0	0	0
Right of use asset	0	0	0	0	0
Other assets	28.8	4.4	4.4	4.4	4.4
<b>Total funds employed</b>	<b>1,531.3</b>	<b>1,657.5</b>	<b>1,769.7</b>	<b>1,832.9</b>	<b>1,865.1</b>
Net debt/(cash)	551.5	591.3	660.5	676.6	677.2
Lease liability	0	0	0	0	0
Other liabilities	52.9	57.1	57.1	57.1	57.1
Shareholder's funds	926.9	1,009.0	1,052.1	1,099.1	1,130.8
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>1,531.3</b>	<b>1,657.5</b>	<b>1,769.7</b>	<b>1,832.9</b>	<b>1,865.1</b>

Property Statistics	2015A	2016A	2017A	2018A	2019A
<b>Industrial</b>					
Value (NZ\$m)	510	507	583	638	738
No. buildings	40	39	38	36	37
WALT (years)	5.72	5.99	6.40	7.35	7.22
Occupancy	99.7%	99.9%	98.3%	99.9%	97.8%
Contract yield	7.6%	7.7%	6.9%	6.7%	6.2%
Market yield	7.6%	7.7%	7.1%	6.7%	6.5%
<b>Office</b>					
Value (NZ\$m)	484	549	548	577	627
No. buildings	17	17	17	17	16
WALT (years)	5.60	4.82	4.87	4.99	4.94
Occupancy	98.8%	99.1%	98.4%	97.2%	96.8%
Contract yield	7.6%	7.6%	7.3%	7.0%	6.9%
Market yield	7.6%	7.6%	7.6%	7.4%	7.1%

Retail	2015A	2016A	2017A	2018A	2019A
Value (NZ\$m)	312	312	311	298	303
No. buildings	11	10	9	8	7
WALT (years)	5.15	4.78	5.46	5.69	5.96
Occupancy	98.9%	99.2%	99.4%	100.0%	100.0%
Contract yield	7.5%	7.4%	7.4%	7.1%	6.2%
Market yield	7.4%	7.1%	7.3%	6.8%	6.3%

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Augusta Capital New Fund Momentum

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NEUTRAL ➔

Augusta Capital (AUG) has transitioned its business from property to funds management. The key focus for AUG is getting its balance sheet utilised so it can replace the rental income lost from property sales. AUG’s funds management business makes it very different from the other listed property vehicles and gives it less capital intensive growth prospects, albeit at higher risk. NEUTRAL.

### Business quality

- **Focus solely on funds management:** AUG’s last directly held asset has been sold. The sale has settled and provides substantial balance sheet capacity for warehousing, co-investment in new funds, and underwriting.

### Earnings and cashflow outlook

- **Takeover offer:** AUG is subject to a takeover offer for 100% of AUG’s shares, via bid implementation agreement. The agreement stipulates that shareholders who chose to accept the offer will be invited to take either a full cash payment of NZ\$2.00/share or shares in the acquirer: Centuria Capital Group Limited (CNI). The deal is subject to shareholder and OIO approval alongside various other conditions
- **Funds management growth:** AUG is building its track record for executing on larger deals. Following the Industrial Fund and St George’s Bay road deals, we expect AUG’s FUM to grow to above NZ\$2bn in FY20E.

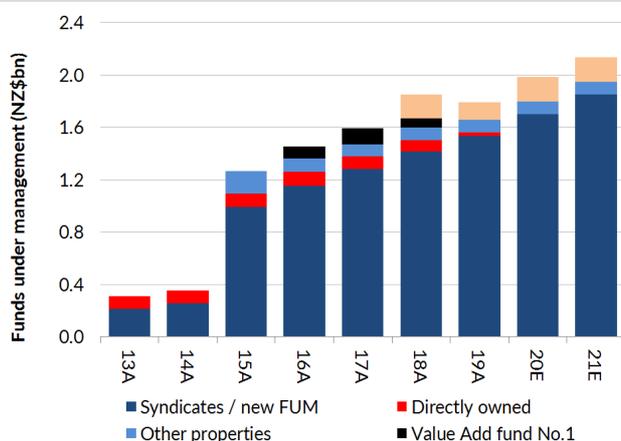
### Financial structure

- **Balance sheet becoming more fluid:** AUG’s funds management activities have resulted in a more unpredictable balance sheet. We assume gearing of ~15–20% over the medium-term, which is ~35–40% on a look-through basis incorporating the underlying gearing in AUG’s co-investments.

### Risk factors

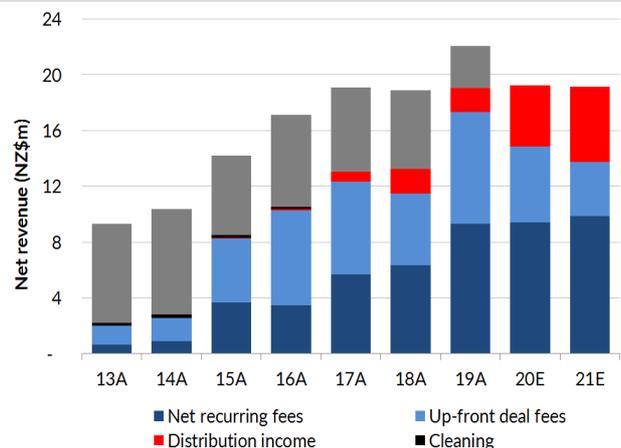
- **Acquiring new stock for investment products:** This is the largest challenge for AUG’s funds management business given a highly competitive property market.

Figure 1. Funds under management (NZ\$bn)



Source: Forsyth Barr analysis, Company Reports  
Augusta Capital Ltd (AUG)

Figure 2. Net Revenue by segment (NZ\$m)



Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

**2.11**
**12-month target price (NZ\$)\***
**1.38**

Expected share price return	-34.6%
Net dividend yield	3.1%
Estimated 12-month return	-31.5%

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.81
WACC	6.6%
Terminal growth	1.5%

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	18.9	22.0	19.2	19.2	17.8
<b>Normalised EBITDA</b>	<b>10.3</b>	<b>11.7</b>	<b>8.7</b>	<b>8.6</b>	<b>7.4</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>10.3</b>	<b>11.7</b>	<b>8.7</b>	<b>8.6</b>	<b>7.4</b>
Net interest	(2.8)	(1.5)	(0.3)	(0.3)	(0.8)
Associate income	0	0	0	0	0
Tax	(1.8)	(2.4)	(2.0)	(2.0)	(1.5)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>5.8</b>	<b>7.7</b>	<b>6.3</b>	<b>6.2</b>	<b>5.1</b>
Abnormals/other	(4.8)	(0.8)	(0.7)	(0.1)	(0.1)
<b>Reported NPAT</b>	<b>1.0</b>	<b>7.0</b>	<b>5.6</b>	<b>6.1</b>	<b>4.9</b>
Normalised EPS (cps)	6.6	8.8	7.2	7.1	5.8
DPS (cps)	5.6	6.1	6.5	6.5	5.5

Growth Rates	2018A	2019A	2020A	2021A	2022A
Revenue (%)	-0.8	16.6	-12.8	-0.3	-7.1
EBITDA (%)	-5.3	13.1	-25.9	-1.1	-13.1
EBIT (%)	-5.3	13.1	-25.9	-1.1	-13.1
Normalised NPAT (%)	-14.4	34.1	-18.9	-0.8	-18.9
Normalised EPS (%)	-14.4	34.1	-18.9	-0.8	-18.9
Ordinary DPS (%)	2.3	8.9	6.1	0.0	-15.6

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>10.3</b>	<b>11.7</b>	<b>8.7</b>	<b>8.6</b>	<b>7.4</b>
Working capital change	(4.3)	0.3	(0.2)	0.0	0.2
Interest & tax paid	(5.2)	(4.8)	(2.4)	(2.3)	(2.4)
Other	0	0	0	0	0
<b>Operating cash flow</b>	<b>0.8</b>	<b>7.2</b>	<b>6.0</b>	<b>6.2</b>	<b>5.2</b>
Capital expenditure	(0.2)	(0.3)	0	0	0
(Acquisitions)/divestments	(3.2)	31.0	14.8	(15.0)	(0.7)
Other	(5.3)	(1.6)	0	0	0
<b>Funding available/(required)</b>	<b>(7.9)</b>	<b>36.3</b>	<b>20.8</b>	<b>(8.8)</b>	<b>4.6</b>
Dividends paid	(4.8)	(5.3)	(5.7)	(5.7)	(5.0)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>(12.7)</b>	<b>31.0</b>	<b>15.1</b>	<b>(14.4)</b>	<b>(0.5)</b>

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	1.5	(0.2)	(0.5)	(0.5)	(0.7)
Fixed assets	85.3	31.5	0.7	0.6	0.5
Intangibles	21.7	20.2	20.2	20.2	20.2
Right of use asset	0	0	0	0	0
Other assets	25.3	42.2	72.2	87.2	87.9
<b>Total funds employed</b>	<b>133.7</b>	<b>93.6</b>	<b>92.7</b>	<b>107.5</b>	<b>107.9</b>
Net debt/(cash)	37.5	6.2	(9.0)	5.4	5.9
Lease liability	0	0	0	0	0
Other liabilities	12.1	1.3	1.3	1.3	1.3
Shareholder's funds	84.2	86.1	100.3	100.7	100.6
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>133.7</b>	<b>93.6</b>	<b>92.7</b>	<b>107.5</b>	<b>107.9</b>

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

**Spot valuations (NZ\$)**

1. DCF	1.39
2. Adj NAV	1.29
3. n/a	n/a

**DCF valuation summary (NZ\$m)**

Total firm value	113.2
(Net debt)/cash	6.2
Less: Capitalised operating leases	0.0
Value of equity	107.0

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	19.3	14.9	14.6	12.1	13.9
EV/EBIT (x)	19.3	14.9	14.6	12.1	13.9
PE (x)	32.0	23.8	29.4	29.6	36.5
Price/NTA (x)	3.0	2.8	2.3	2.3	2.3
Free cash flow yield (%)	0.3	3.7	3.3	3.4	2.8
Net dividend yield (%)	2.7	2.9	3.1	3.1	2.6
Gross dividend yield (%)	3.7	2.9	4.3	4.3	3.6

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	3.7	7.8	25.4	26.6	8.9
Interest cover EBITDA (x)	3.7	7.8	25.4	26.6	8.9
Net debt/ND+E (%)	30.8	6.7	-9.9	5.1	5.5
Net debt/EBITDA (x)	3.6	0.5	n/a	0.6	0.8

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	7.3	11.4	8.6	7.4	6.4
Return on equity (%)	6.9	9.0	6.3	6.2	5.0
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	54.7	53.0	45.0	44.7	41.8
EBIT margin (%)	54.7	53.0	45.0	44.7	41.8
Capex to sales (%)	1.3	1.4	0.0	0.0	0.0
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	98	0	100	100	100
Pay-out ratio (%)	85	69	91	91	95

Operating Performance	2018A	2019A	2020E	2021E	2022E
<b>Net revenue by segment:</b>					
Net rental income	5.7	3.0	0	0	0
Distribution income	1.8	1.8	4.4	5.4	5.5
<b>Total yield income</b>	<b>7.4</b>	<b>4.7</b>	<b>4.4</b>	<b>5.4</b>	<b>5.5</b>
Offeror Fees	3.7	5.9	4.0	2.5	1.5
Underwriting fees	1.5	2.1	1.4	1.4	0.8
<b>Total up-front deal fees</b>	<b>5.2</b>	<b>8.0</b>	<b>5.4</b>	<b>3.9</b>	<b>2.3</b>
Base management fees	4.2	5.2	6.4	7.1	7.7
Transactional income	2.1	4.1	3.1	2.7	2.3
<b>Total recurring fees</b>	<b>6.3</b>	<b>9.3</b>	<b>9.4</b>	<b>9.9</b>	<b>10.0</b>
<b>Total net rental income</b>	<b>18.9</b>	<b>22.0</b>	<b>19.2</b>	<b>19.2</b>	<b>17.8</b>

Funds under management	2018A	2019A	2020E	2021E	2022E
Directly held properties	84	31	0	0	0
Syndications	1,416	1,532	1,699	1,849	1,956
Other properties	96	96	96	96	96
Value Add fund no.1	74	0	0	0	0
Asset Plus	180	133	190	190	190
Industrial Fund	0	0	0	0	0
<b>Total FUM</b>	<b>1,851</b>	<b>1,792</b>	<b>1,985</b>	<b>2,135</b>	<b>2,242</b>

# Goodman Property Trust

## Raising the Stakes

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### UNDERPERFORM

Goodman Property Trust (GMT) owns NZ\$2.2bn of investment property located primarily in Auckland. GMT's portfolio is 99% weighted to industrial-focussed assets, with these mainly comprising prime industrial and business parks. Although Goodman Property Trust (GMT) is struggling to achieve earnings growth, it continues to execute well on its recycling strategy. GMT is currently paying out above AFFO, which is reflected in a flat dividend outlook. UNDERPERFORM.

#### Business quality

- **Strong property fundamentals:** The Auckland industrial market continues to perform strongly with record low vacancies. GMT has solid portfolio metrics with WALT and occupancy of 5.5 years and 99.5% respectively.
- **Recycling non-core assets:** GMT has successfully recycled its suburban office and Christchurch assets into new industrial developments in Auckland.

#### Earnings and cashflow outlook

- **Unlocking its brownfield land bank:** GMT is becoming increasingly focussed on newly acquired brownfield sites and developing its substantial land bank within its existing portfolio.
- **Developments:** GMT is working through its land bank with new committed/uncommitted developments.

#### Financial structure

- **Balance sheet capacity:** Gearing remains at the low end of the sector range at ~18% and with recent acquisitions and equity issue committed gearing is a low 21%.

#### Risk factors

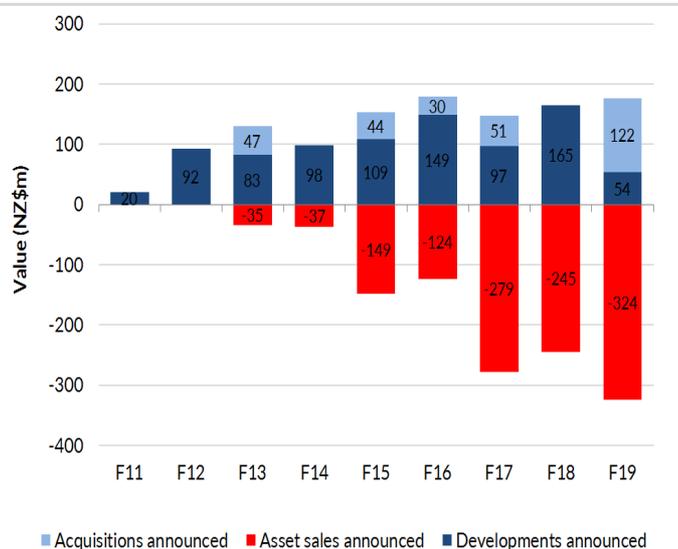
- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.

Figure 1. Portfolio exposures

	Auckland	Other North Island	South Island	Total
Business park	66%	-	-	66%
Industrial estate	32%	-	-	32%
Office park	-	-	1%	1%
<b>Total</b>	<b>99%</b>	<b>-</b>	<b>1%</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports

Figure 2. Asset recycling



Note: JV assets included at 51% of total value. Source: Forsyth Barr analysis, company reports

Priced as at 05 Mar 2020 (NZ\$)

2.51

**12-month target price (NZ\$)\***

1.92

Expected share price return	-23.5%
Net dividend yield	2.6%
Estimated 12-month return	-20.9%

**Spot valuations (NZ\$)**

1. DCF	1.87
2. NAV	1.90
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.62
WACC	5.1%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	3,043
(Net debt)/cash	(582)
Less: Capitalised operating leases	0
Value of equity	2,461

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Valuation Ratios	2018A	2019A	2020E	2021E	2022E
Sales revenue	148.5	141.1	141.4	154.7	163.6	EV/EBITDA (x)	29.2	30.4	30.0	27.3	25.9
<b>Normalised EBITDA</b>	<b>137.5</b>	<b>129.8</b>	<b>127.9</b>	<b>140.3</b>	<b>148.2</b>	EV/EBIT (x)	29.2	30.4	30.0	27.3	25.9
Depreciation and amortisation	0	0	0	0	0	PE (x)	34.6	35.8	37.2	36.5	35.1
<b>Normalised EBIT</b>	<b>137.5</b>	<b>129.8</b>	<b>127.9</b>	<b>140.3</b>	<b>148.2</b>	Price/NTA (x)	1.8	1.6	1.5	1.4	1.4
Net interest	(26.7)	(21.4)	(17.9)	(22.1)	(23.5)	Free cash flow yield (%)	-0.4	-2.0	-0.9	0.9	1.4
Associate income	0	0	0	0	0	Net dividend yield (%)	2.6	2.6	2.6	2.6	2.6
Tax	(17.5)	(17.5)	(19.7)	(23.1)	(26.0)	Gross dividend yield (%)	3.8	3.8	3.8	3.8	3.8
Minority interests	0	0	0	0	0						
<b>Normalised NPAT</b>	<b>93.3</b>	<b>90.9</b>	<b>90.3</b>	<b>95.1</b>	<b>98.7</b>	<b>Capital Structure</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Abnormals/other	(100.7)	(228.6)	(181.6)	(60.3)	(62.7)	Interest cover EBIT (x)	5.1	6.1	7.1	6.3	6.3
<b>Reported NPAT</b>	<b>194.0</b>	<b>319.5</b>	<b>271.9</b>	<b>155.3</b>	<b>161.4</b>	Interest cover EBITDA (x)	5.1	6.1	7.1	6.3	6.3
Normalised EPS (cps)	7.2	7.0	6.7	6.9	7.1	Net debt/ND+E (%)	31.3	22.1	19.8	20.6	20.9
DPS (cps)	6.7	6.7	6.7	6.7	6.7	Net debt/EBITDA (x)	6.0	4.5	4.6	4.5	4.5

Growth Rates	2018A	2019A	2020A	2021A	2022A	Key Ratios	2018A	2019A	2020E	2021E	2022E
Revenue (%)	0.9	-5.0	0.2	9.4	5.7	Return on assets (%)	5.1	4.8	4.2	4.4	4.5
EBITDA (%)	0.7	-5.6	-1.4	9.6	5.7	Return on equity (%)	5.2	4.4	3.8	3.9	3.9
EBIT (%)	0.7	-5.6	-1.4	9.6	5.7	Return on funds employed (%)	4.4	3.9	3.6	3.6	3.7
Normalised NPAT (%)	-5.1	-2.6	-0.7	5.3	3.8	EBITDA margin (%)	92.6	92.0	90.4	90.6	90.6
Normalised EPS (%)	-5.6	-3.1	-3.9	2.0	3.8	EBIT margin (%)	92.6	92.0	90.4	90.6	90.6
Ordinary DPS (%)	0.0	0.0	0.0	0.0	0.0	Capex to sales (%)	68.7	102.2	85.1	42.3	33.2

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Operating Performance	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>137.5</b>	<b>129.8</b>	<b>127.9</b>	<b>140.3</b>	<b>148.2</b>	<b>Property portfolio (consolidated)</b>					
Working capital change	(21.9)	(18.1)	(0.0)	0.0	(0.0)	Stabalised assets	2,026	2,044	2,465	2,849	3,019
Interest & tax paid	(25.9)	(32.5)	(37.6)	(45.2)	(49.5)	Developments	49	68	78	79	59
Other	0	0	0	0	0	Land	175	120	96	72	48
<b>Operating cash flow</b>	<b>89.7</b>	<b>79.2</b>	<b>90.3</b>	<b>95.1</b>	<b>98.7</b>	Held for sale	8	239	0	0	0
Capital expenditure	(102.0)	(144.2)	(120.3)	(65.4)	(54.4)	JV assets (51%)	165	277	0	0	0
(Acquisitions)/divestments	(4.8)	134.2	(59.7)	0	0	<b>Total</b>	<b>2,422</b>	<b>2,747</b>	<b>2,639</b>	<b>3,000</b>	<b>3,126</b>
Other	(27.6)	254.8	0	0	0	<b>Property portfolio (movement)</b>					
<b>Funding available/(required)</b>	<b>(44.7)</b>	<b>324.0</b>	<b>(89.7)</b>	<b>29.6</b>	<b>44.3</b>	Opening value	2,481	2,422	2,747	2,639	3,000
Dividends paid	(85.5)	(86.0)	(89.0)	(91.8)	(91.8)	Acquisitions / transfers in	(3)	74	93	94	(0)
Equity raised/(returned)	10.0	10.4	176.4	12.1	12.8	Net expenditure	139	120	129	120	65
<b>(Increase)/decrease in net debt</b>	<b>(120.2)</b>	<b>248.4</b>	<b>(2.2)</b>	<b>(50.1)</b>	<b>(34.8)</b>	Disposals / transfers out	(297)	(10)	(516)	(34)	0

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Property Statistics	2015A	2016A	2017A	2018A	2019A
Working capital	(39.9)	(34.0)	(34.0)	(34.0)	(34.0)	Walt (years)	5.1	5.7	5.8	6.1	5.2
Fixed assets	2,231.0	2,633.4	3,000.2	3,125.9	3,243.0	Occupancy (%)	96%	97%	98%	98%	98%
Intangibles	0	0	0	0	0	Cap rate (%)	7.50%	6.95%	6.50%	6.20%	5.80%
Right of use asset	0	0	0	0	0	NLA (000sqm)	983	1,041	989	1,111	1,000
Other assets	474.5	70.4	26.9	26.9	26.9	Portfolio leasing (000sqm)	100	159	154	202	97
<b>Total funds employed</b>	<b>2,665.6</b>	<b>2,669.8</b>	<b>2,993.1</b>	<b>3,118.8</b>	<b>3,235.9</b>	Development commitments (000sqm)	51	65	33	64	58
Net debt/(cash)	818.9	582.0	584.2	634.3	669.1	Customers (no)	251	281	240	264	264
Lease liability	0	0	0	0	0						
Other liabilities	53.0	41.6	41.6	41.6	41.6						
Shareholder's funds	1,793.7	2,046.2	2,367.2	2,442.8	2,525.1						
Minority interests	0	0	0	0	0						
<b>Total funding sources</b>	<b>2,665.6</b>	<b>2,669.8</b>	<b>2,993.1</b>	<b>3,118.8</b>	<b>3,235.9</b>						

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Investore

## Unique Defensive Bulk Retail Exposure

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### OUTPERFORM

Investore (IPL) is a listed property company which owns NZ\$740m of large format retail properties throughout New Zealand. Its 40-asset portfolio comprises mostly of supermarkets with its key tenant General Distributors (operator of Countdown) accounting for 72% of contracted rent. We are cautious on the medium-term outlook for rental growth with the majority of IPL’s rent reviews linked to turnover, but include hard-ratchets and defensive. OUTPERFORM.

#### Business quality

- **Long lease terms and high occupancy:** IPL’s WALT of 11.9 years is significantly higher than the sector average of 6.8 years (ex VHP) and its occupancy of 99.7% is also sector leading. FY20 expiries have all been renewed and only 4.7% of rental income expires over the next three years.

#### Earnings and cashflow outlook

- **Bunnings acquisition:** IPL has recently acquired three Bunnings properties for NZ\$78.5m which was ~4% accretive to EPS.
- **Externally managed:** IPL is managed by Stride Investment Management Limited (SIML), the management arm of Stride Property (SPG).

#### Financial structure

- **Balance sheet:** IPL has a target maximum gearing ratio of 48% and is currently geared at 41% (1H20).

#### Risk factors

- **Retail exposure:** IPL is the only listed property vehicle with a 100% weighting to retail assets.
- **Interest rates:** IPL’s relatively high gearing means it is more sensitive to interest rate movements versus its listed peers but is appropriate given the low risk nature of its portfolio.

Figure 1. Funds under management (NZ\$bn)

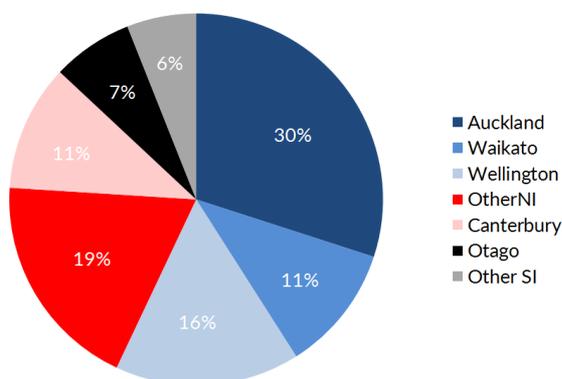
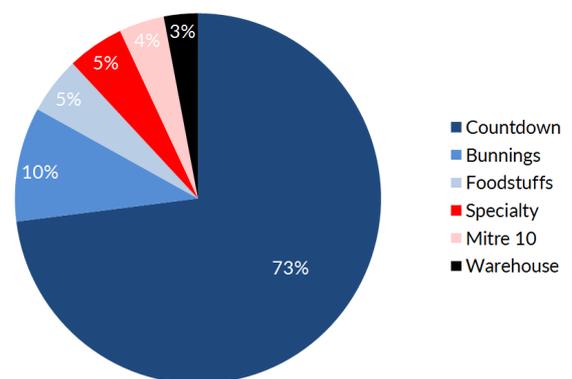


Figure 2. Net Revenue by segment (NZ\$m)



Source: Forsyth Barr analysis, Company Reports  
Investore (IPL)

Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

1.77

**12-month target price (NZ\$)\***

1.85

Expected share price return	4.5%
Net dividend yield	4.3%
Estimated 12-month return	8.8%

**Spot valuations (NZ\$)**

1. DCF	1.95
2. NAV	1.66
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.70
WACC	4.9%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	846
(Net debt)/cash	(312)
Less: Capitalised operating leases	0
Value of equity	531

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Valuation Ratios	2018A	2019A	2020E	2021E	2022E
Sales revenue	43.1	46.1	46.3	46.9	47.4	EV/EBITDA (x)	19.6	19.2	18.9	18.5	18.4
<b>Normalised EBITDA</b>	<b>37.7</b>	<b>40.1</b>	<b>40.5</b>	<b>41.0</b>	<b>41.4</b>	EV/EBIT (x)	19.6	19.2	18.9	18.5	18.4
Depreciation and amortisation	0	0	0	0	0	PE (x)	22.5	22.1	21.8	21.5	21.1
<b>Normalised EBIT</b>	<b>37.7</b>	<b>40.1</b>	<b>40.5</b>	<b>41.0</b>	<b>41.4</b>	Price/NTA (x)	1.1	1.0	1.0	1.0	1.0
Net interest	(11.7)	(13.8)	(13.7)	(13.5)	(13.3)	Free cash flow yield (%)	4.2	3.4	4.2	4.2	4.3
Associate income	0	0	0	0	0	Net dividend yield (%)	4.2	4.3	4.3	4.3	4.3
Tax	(5.5)	(5.3)	(5.6)	(6.0)	(6.3)	Gross dividend yield (%)	6.0	6.1	6.2	6.2	6.2
Minority interests	0	0	0	0	0						
<b>Normalised NPAT</b>	<b>20.5</b>	<b>20.9</b>	<b>21.1</b>	<b>21.4</b>	<b>21.8</b>	<b>Capital Structure</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Abnormals/other	(25.6)	(17.7)	(10.4)	(9.4)	(6.1)	Interest cover EBIT (x)	3.2	2.9	2.9	3.0	3.1
<b>Reported NPAT</b>	<b>46.2</b>	<b>38.6</b>	<b>31.5</b>	<b>30.8</b>	<b>27.9</b>	Interest cover EBITDA (x)	3.2	2.9	2.9	3.0	3.1
Normalised EPS (cps)	7.9	8.0	8.1	8.2	8.4	Net debt/ND+E (%)	41.5	41.3	39.6	39.1	38.7
DPS (cps)	7.5	7.6	7.6	7.6	7.6	Net debt/EBITDA (x)	8.1	7.8	7.4	7.3	7.2

Growth Rates	2018A	2019A	2020A	2021A	2022A	Key Ratios	2018A	2019A	2020E	2021E	2022E
Revenue (%)	27.4	6.9	0.4	1.4	0.9	Return on assets (%)	5.1	5.2	5.3	5.3	5.2
EBITDA (%)	24.1	6.3	0.9	1.3	0.9	Return on equity (%)	4.8	4.7	4.6	4.6	4.6
EBIT (%)	24.1	6.3	0.9	1.3	0.9	Return on funds employed (%)	4.2	4.1	4.1	4.1	4.1
Normalised NPAT (%)	16.5	1.8	0.8	1.8	1.6	EBITDA margin (%)	87.4	86.9	87.4	87.4	87.3
Normalised EPS (%)	n/a	2.1	1.1	1.8	1.6	EBIT margin (%)	87.4	86.9	87.4	87.4	87.3
Ordinary DPS (%)	n/a	1.9	0.3	0.0	0.0	Capex to sales (%)	5.1	12.0	4.1	4.1	4.1

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
<b>EBITDA</b>	<b>37.7</b>	<b>40.1</b>	<b>40.5</b>	<b>41.0</b>	<b>41.4</b>	Imputation (%)	100	100	100	100	100
Working capital change	1.0	0.1	(0.0)	0.0	0.0	Pay-out ratio (%)	95	95	94	92	91
Interest & tax paid	(17.2)	(19.0)	(19.4)	(19.5)	(19.6)						
Other	0	0	0	0	0	<b>Portfolio Summary</b>					
<b>Operating cash flow</b>	<b>21.4</b>	<b>21.2</b>	<b>21.1</b>	<b>21.4</b>	<b>21.8</b>			<b>*2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>
Capital expenditure	(2.2)	(5.5)	(1.9)	(1.9)	(1.9)	Investment properties (NZ\$m)		641.4	660.4	738.3	761.2
(Acquisitions)/divestments	(47.8)	0	13.6	0	0	Weighted average lease term (yrs)		14.8	14.3	13.1	12.4
Other	0	98.5	0	0	0	Occupancy rate (%)		99.7	99.8	99.9	99.9
<b>Funding available/(required)</b>	<b>(28.6)</b>	<b>114.1</b>	<b>32.8</b>	<b>19.5</b>	<b>19.9</b>	M'ment/Admin cost % of assets (%)		n/a	0.6	0.8	0.8
Dividends paid	(20.0)	(19.7)	(19.8)	(19.8)	(19.8)	NTA per share (NZ\$)		1.46	1.55	1.64	1.70
Equity raised/(returned)	0	(2.6)	0	0	0	Portfolio cap rate (%)		6.44	6.36	6.19	6.05
<b>(Increase)/decrease in net debt</b>	<b>(48.6)</b>	<b>91.8</b>	<b>12.9</b>	<b>(0.3)</b>	<b>0.0</b>	Portfolio initial yield (%)		6.68	6.57	6.36	

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E	*metrics shown on a pro-forma basis as at March 2016
Working capital	(4.6)	(3.8)	(3.8)	(3.8)	(3.8)	
Fixed assets	738.3	742.1	759.9	771.2	779.2	
Intangibles	0	0	0	0	0	
Right of use asset	0	0	0	0	0	
Other assets	2.1	22.2	3.2	3.2	3.2	
<b>Total funds employed</b>	<b>735.9</b>	<b>760.6</b>	<b>759.3</b>	<b>770.6</b>	<b>778.6</b>	
Net debt/(cash)	304.7	311.5	298.6	298.9	298.8	
Lease liability	0	0	0	0	0	
Other liabilities	2.1	5.8	5.8	5.8	5.8	
Shareholder's funds	429.1	443.2	454.9	465.9	473.9	
Minority interests	0	0	0	0	0	
<b>Total funding sources</b>	<b>735.9</b>	<b>760.6</b>	<b>759.3</b>	<b>770.6</b>	<b>778.6</b>	

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Precinct Properties NZ Development Milestones

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NEUTRAL 

Precinct Properties (PCT) NZ\$1.5bn development pipeline is both improving the quality of its portfolio and growing EPS. We are positive on the value PCT is creating through its developments. Its portfolio is also in very good shape with occupancy of 99%. Conditions for the Auckland CBD office market are firm which is helpful for dealing with increasing supply and the drive for space efficiency by corporate occupiers. NEUTRAL.

## Business quality

- **Portfolio fundamentals:** PCT has 99% occupancy and a high portfolio WALT of 9 years including developments as at 30 June 2019.
- **Prime location:** PCT is well positioned given its key precincts in Auckland and Wellington. We are positive about rental upside in Auckland and rental diversification from its retail, hotel, and Generator business, plus stable cash flow from its Wellington government leases. PCT is well placed to leverage Auckland's growth and is in a stronger position than last cycle.

## Earnings and cashflow outlook

- **Development milestones:** Commercial Bay retail component is set to open fully leased in March and the office tower will open in April and is currently leased in late March and the office tower will open in April and is currently 92% pre-leased, ahead of PCT's 90% target. One Queen Street project is on track to commence mid-2020, Wynyard Quarter stage 2 is 100% leased and Bowen Campus stage 2 is about to commence.
- **Development margins:** Commercial Bay and Bowen Campus are expected to generate a yield on cost of 7.5% and ~7.0% respectively, as well as substantial development margins.
- **Revaluation gains:** PCT posted a revaluation gain of NZ\$162m fro FY19 which boosted NTA per share +11cps from NZ\$1.38 to NZ\$1.49

## Financial structure

- **Balance sheet:** 1H20 gearing is 22% and committed gearing is ~32% when the sale of Pastoral House in Wellington for NZ\$77m, settles in 2H20.

## Risk factors

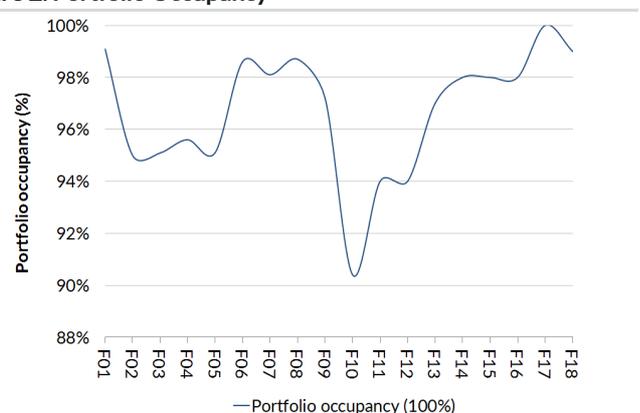
- **CBD office supply:** Auckland and Wellington have office supply planned in coming years, which could impact vacancy and rents.

Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South	Island	Total
Industrial	-	-	-	-	-
Office	74%	26%	-	-	100%
Mixed use	-	-	-	-	-
<b>Total</b>	<b>74%</b>	<b>26%</b>	<b>-</b>	<b>-</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports. Note: Data is based on reported portfolio as at 30/06/2018

Figure 2. Portfolio Occupancy



Source: Forsyth Barr analysis, Company Reports

**Precinct Properties NZ Limited (PCT)**

Priced as at 05 Mar 2020 (NZ\$)

**1.94**
**12-month target price (NZ\$)\***
**1.52**

Expected share price return	-21.5%
Net dividend yield	3.2%
Estimated 12-month return	-18.2%

**Spot valuations (NZ\$)**

1. DCF	1.35
2. NAV	1.60
3. n/a	n/a

**Key WACC assumptions**

Risk free rate	2.75%
Equity beta	0.69
WACC	5.8%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	2,419
(Net debt)/cash	(752)
Less: Capitalised operating leases	0
Value of equity	1,644

**Profit and Loss Account (NZ\$m)**

	2018A	2019A	2020E	2021E	2022E
Sales revenue	95.3	95.0	139.1	151.7	164.9
<b>Normalised EBITDA</b>	<b>85.1</b>	<b>79.2</b>	<b>126.3</b>	<b>135.5</b>	<b>148.0</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>85.1</b>	<b>79.2</b>	<b>126.3</b>	<b>135.5</b>	<b>148.0</b>
Net interest	(2.2)	(1.8)	(32.8)	(35.0)	(37.9)
Associate income	0	0	0	0	0
Tax	(6.3)	0	(6.7)	(10.2)	(14.9)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>76.6</b>	<b>77.4</b>	<b>86.7</b>	<b>90.2</b>	<b>95.2</b>
Abnormals/other	178.3	110.5	86.0	53.0	78.9
<b>Reported NPAT</b>	<b>254.9</b>	<b>187.9</b>	<b>172.8</b>	<b>143.3</b>	<b>174.1</b>
Normalised EPS (cps)	6.3	6.2	6.6	6.9	6.6
DPS (cps)	5.8	6.0	6.3	6.3	6.3

**Growth Rates**

	2018A	2019A	2020A	2021A	2022A
Revenue (%)	5.4	-0.3	46.4	9.1	8.7
EBITDA (%)	5.6	-6.9	59.5	7.3	9.3
EBIT (%)	5.6	-6.9	59.5	7.3	9.3
Normalised NPAT (%)	2.5	1.0	12.1	4.0	5.5
Normalised EPS (%)	2.5	-1.8	6.4	4.0	-3.9
Ordinary DPS (%)	3.6	3.4	4.2	0.8	0.0

**Cash Flow (NZ\$m)**

	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>85.1</b>	<b>79.2</b>	<b>126.3</b>	<b>135.5</b>	<b>148.0</b>
Working capital change	(2.6)	(7.8)	15.4	4.4	4.6
Interest & tax paid	(7.6)	(7.3)	(39.5)	(45.2)	(52.8)
Other	0	0	0	0	0
<b>Operating cash flow</b>	<b>74.9</b>	<b>64.1</b>	<b>102.1</b>	<b>94.6</b>	<b>99.9</b>
Capital expenditure	(294.4)	(271.9)	(160.6)	(128.5)	(62.9)
(Acquisitions)/divestments	0	180.8	0	0	0
Other	(11.5)	(2.4)	0	0	0
<b>Funding available/(required)</b>	<b>(231.0)</b>	<b>(29.4)</b>	<b>(58.5)</b>	<b>(33.9)</b>	<b>36.9</b>
Dividends paid	(69.6)	(75.1)	(81.3)	(82.6)	(90.9)
Equity raised/(returned)	0	149.3	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>(300.6)</b>	<b>44.8</b>	<b>(139.7)</b>	<b>(116.5)</b>	<b>(54.0)</b>

**Balance Sheet (NZ\$m)**

	2018A	2019A	2020E	2021E	2022E
Working capital	(6.0)	(33.2)	(48.6)	(53.0)	(57.6)
Fixed assets	2,325.7	2,793.7	3,040.3	3,221.9	3,363.7
Intangibles	0	0	0	0	0
Right of use asset	0	0	0	0	0
Other assets	225.7	44.2	44.2	44.2	44.2
<b>Total funds employed</b>	<b>2,545.4</b>	<b>2,804.7</b>	<b>3,035.9</b>	<b>3,213.1</b>	<b>3,350.3</b>
Net debt/(cash)	758.8	751.5	891.2	1,007.7	908.7
Lease liability	0	0	0	0	0
Other liabilities	95.9	129.4	129.4	129.4	129.4
Shareholder's funds	1,690.7	1,923.8	2,015.3	2,076.0	2,312.2
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>2,545.4</b>	<b>2,804.7</b>	<b>3,035.9</b>	<b>3,213.1</b>	<b>3,350.3</b>

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

**Valuation Ratios**

	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	34.6	39.1	25.1	23.9	21.9
EV/EBIT (x)	34.6	39.1	25.1	23.9	21.9
PE (x)	30.7	31.2	29.4	28.2	29.4
Price/NTA (x)	1.4	1.3	1.3	1.2	1.2
Free cash flow yield (%)	-9.3	-8.8	-2.5	-1.4	1.6
Net dividend yield (%)	3.0	3.1	3.2	3.2	3.2
Gross dividend yield (%)	4.3	4.4	4.6	4.6	4.6

**Capital Structure**

	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	38.7	44.0	3.8	3.9	3.9
Interest cover EBITDA (x)	38.7	44.0	3.8	3.9	3.9
Net debt/ND+E (%)	31.0	28.1	30.7	32.7	28.2
Net debt/EBITDA (x)	8.9	9.5	7.1	7.4	6.1

**Key Ratios**

	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	3.3	2.8	4.1	4.1	4.3
Return on equity (%)	4.5	4.0	4.3	4.3	4.1
Return on funds employed (%)	3.1	2.7	3.9	3.8	3.8
EBITDA margin (%)	89.3	83.4	90.8	89.3	89.7
EBIT margin (%)	89.3	83.4	90.8	89.3	89.7
Capex to sales (%)	308.9	286.2	115.5	84.7	38.2
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	92	97	95	92	95

**Property Statistics**

	2014A	2015A	2016A	2017A	2018A
<b>Key metrics</b>					
No. properties	17	15	13	12	12
Net lettable area (000sqm)	322	304	226	224	225
Average lease term (years)	5.4	5.0	6.3	8.7	6.9
Occupancy rate (%)	98	98	98	100	99
Cap rate (%)	7.3	7.0	6.5	6.2	5.8
Initial yield (%)	7.5	7.0	6.7	6.5	5.8
Over / (under) renting (%)	0	(1.8)	(3.6)	(4.7)	(6.4)

**Total portfolio (NZ\$m)**

	2018A	2019A	2020E	2021E	2022E
Investment properties	1,633	1,612	1,514	1,535	1,488
Properties held for sale	96	76	0	0	191
Development properties	0	0	190	509	838
<b>Total</b>	<b>1,728</b>	<b>1,688</b>	<b>1,704</b>	<b>2,045</b>	<b>2,517</b>
NTA per share (NZ\$)	1.04	1.11	1.17	1.24	1.40

# Property For Industry

## Industrious

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NEUTRAL 

Property for Industry (PFI) has continued its track record of reliable and steady performance underpinned by a clear, low risk strategy. PFI's large industrial portfolio is centred on the key precincts in Auckland, and it is well positioned to continue to deliver its defensive attributes. Revaluation gains have been strong, driven by significant cap rate firming. NEUTRAL.

### Business quality

- **Property fundamentals:** PFI has occupancy of 99% and a WALT of 5.4 years. A deep occupier market and change of use optionality over the medium term provides defensive attributes for the industrial market.
- **Defensive qualities:** Industrial property has a very stable earnings profile and has been resilient through the cycle. Over 80% of PFI's portfolio is weighted to Auckland with record low vacancy and strong tenant demand.

### Earnings and cashflow outlook

- **Transactional activity:** PFI has ~NZ\$80m of uncommitted debt capacity. We expect PFI will continue to be opportunistic with respect to acquisitions.
- **Development activity:** PFI's NZ\$7m spec development on surplus land at 212 Cavendish Drive has now been leased to Kiwi Steel on a 15-year term.

### Financial structure

- **Balance sheet capacity plus an intention to recycle more assets:** Balance sheet is solid at 28% geared, well below the 50% banking covenant limit and its self-imposed 40% maximum. PFI has a well diversified debt book with four banks in its syndicate and two issued bonds, and continues to divest non-core property.

### Risk factors

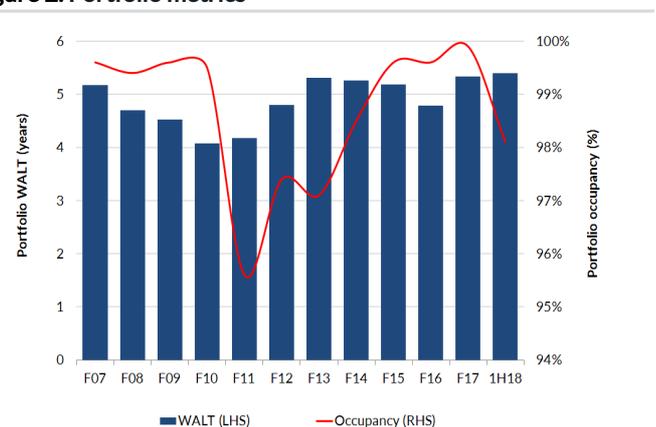
- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.

Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	70%	12%	5%	<b>87%</b>
Office	7%	0%	0%	<b>7%</b>
Mixed use	5%	1%	0%	<b>6%</b>
<b>Total</b>	<b>83%</b>	<b>13%</b>	<b>5%</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports

Figure 2. Portfolio metrics



Source: Forsyth Barr analysis, Company Reports

Property for Industry Ltd (PFI)

Priced as at 05 Mar 2020 (NZ\$)

2.51

**12-month target price (NZ\$)\***

2.15

Expected share price return	-14.3%
Net dividend yield	3.1%
Estimated 12-month return	-11.3%

**Spot valuations (NZ\$)**

1. DCF	1.99
2. NAV	2.06
3. n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.70
WACC	5.3%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	1,476
(Net debt)/cash	(412)
Less: Capitalised operating leases	0
Value of equity	1,057

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Valuation Ratios	2018A	2019A	2020E	2021E	2022E
Sales revenue	76.1	79.8	80.4	81.5	82.9	EV/EBITDA (x)	22.9	22.2	22.2	22.1	21.7
<b>Normalised EBITDA</b>	<b>71.4</b>	<b>74.7</b>	<b>74.8</b>	<b>75.3</b>	<b>76.6</b>	EV/EBIT (x)	22.9	22.2	22.2	22.1	21.7
Depreciation and amortisation	0	0	0	0	0	PE (x)	30.0	29.4	28.6	28.6	28.1
<b>Normalised EBIT</b>	<b>71.4</b>	<b>74.7</b>	<b>74.8</b>	<b>75.3</b>	<b>76.6</b>	Price/NTA (x)	1.4	1.2	1.2	1.2	1.2
Net interest	(18.8)	(19.0)	(19.0)	(19.4)	(19.4)	Free cash flow yield (%)	3.1	2.6	3.1	3.1	3.2
Associate income	0	0	0	0	0	Net dividend yield (%)	3.0	3.0	3.1	3.1	3.1
Tax	(10.9)	(13.1)	(12.1)	(12.2)	(12.7)	Gross dividend yield (%)	4.3	4.3	4.4	4.4	4.5
Minority interests	0	0	0	0	0						
<b>Normalised NPAT</b>	<b>41.8</b>	<b>42.6</b>	<b>43.8</b>	<b>43.7</b>	<b>44.5</b>	<b>Capital Structure</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Abnormals/other	68.3	133.7	20.4	18.5	18.8	Interest cover EBIT (x)	3.8	3.9	3.9	3.9	4.0
<b>Reported NPAT</b>	<b>110.1</b>	<b>176.3</b>	<b>64.2</b>	<b>62.3</b>	<b>63.4</b>	Interest cover EBITDA (x)	3.8	3.9	3.9	3.9	4.0
Normalised EPS (cps)	8.4	8.5	8.8	8.8	8.9	Net debt/ND+E (%)	30.3	28.2	27.8	27.4	26.9
DPS (cps)	7.6	7.6	7.7	7.8	7.9	Net debt/EBITDA (x)	5.6	5.5	5.5	5.5	5.4

Growth Rates	2018A	2019A	2020A	2021A	2022A	Key Ratios	2018A	2019A	2020E	2021E	2022E
Revenue (%)	7.7	4.9	0.8	1.3	1.7	Return on assets (%)	5.3	4.9	4.9	4.8	4.8
EBITDA (%)	10.1	4.6	0.2	0.7	1.8	Return on equity (%)	4.6	4.1	4.1	4.0	4.0
EBIT (%)	10.1	4.6	0.2	0.7	1.8	Return on funds employed (%)	4.4	4.1	3.9	3.9	3.9
Normalised NPAT (%)	12.5	1.9	2.8	-0.1	1.9	EBITDA margin (%)	93.9	93.6	93.0	92.5	92.5
Normalised EPS (%)	3.7	1.9	2.8	-0.1	1.9	EBIT margin (%)	93.9	93.6	93.0	92.5	92.5
Ordinary DPS (%)	1.3	0.7	1.3	1.3	0.6	Capex to sales (%)	19.5	20.1	6.5	6.5	6.5

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
<b>EBITDA</b>	<b>71.4</b>	<b>74.7</b>	<b>74.8</b>	<b>75.3</b>	<b>76.6</b>	Imputation (%)	100	100	100	100	100
Working capital change	1.6	1.7	0.2	0.3	0.4	Pay-out ratio (%)	90	89	88	89	88
Interest & tax paid	(19.2)	(28.1)	(31.1)	(31.6)	(32.1)						
Other	0	0	0	0	0	<b>Property Statistics</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>
<b>Operating cash flow</b>	<b>53.7</b>	<b>48.4</b>	<b>43.9</b>	<b>44.0</b>	<b>44.9</b>	<b>Major Prop. Values - PFI (NZ\$m)</b>					
Capital expenditure	(14.8)	(16.1)	(5.2)	(5.3)	(5.4)	7-9 Niall Burgess Rd, Mt Wellington	27.3	28.9	31.0	32.0	43.5
(Acquisitions)/divestments	(28.3)	(10.3)	0	0	0	54 Carbine Rd, Mt Wellington	22.4	25.8	26.4	28.6	33.0
Other	(0.1)	0.7	0	0	0	6 Donner Place, Mt Wellington	14.5	15.0	15.1	15.1	24.8
<b>Funding available/(required)</b>	<b>10.6</b>	<b>22.8</b>	<b>38.7</b>	<b>38.7</b>	<b>39.5</b>	686 Rosebank Rd, Avondale	32.2	33.4	35.0	40.0	44.5
Dividends paid	(37.9)	(37.7)	(38.2)	(38.7)	(38.9)	212 Cavendish Drive, Manukau	17.1	19.1	22.4	29.7	29.7
Equity raised/(returned)	0	0	0	0	0	3-5 Niall Burgess Rd, Mt Wellington	15.7	17.3	17.7	20.0	21.0
<b>(Increase)/decrease in net debt</b>	<b>(27.3)</b>	<b>(14.9)</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	30-32 Bowden Rd, Mt Wellington	20.7	21.4	25.4	27.0	27.8

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Major Prop. Values - DPF (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	(9.2)	(7.2)	(7.2)	(7.3)	(7.5)	Carlaw Commerical, Parnell	60.8	61.8	62.1	63.8	72.0
Fixed assets	1,318.7	1,469.3	1,489.0	1,512.9	1,537.1	Carlaw Gateway, Parnell	33.8	35.0	35.0	35.5	34.4
Intangibles	29.1	29.1	29.1	29.1	29.1	78 Springs Road, East Tamaki	72.0	78.5	82.8	83.0	95.0
Right of use asset	0	0	0	0	0	229 Dairy Flat Highway, Albany	22.9	24.7	27.0	28.0	
Other assets	5.0	13.8	13.8	13.8	13.8	15 Jomac Place, Avondale	21.0	23.6	24.0	24.5	25.1
<b>Total funds employed</b>	<b>1,343.5</b>	<b>1,505.0</b>	<b>1,524.7</b>	<b>1,548.4</b>	<b>1,572.5</b>	<b>Portfolio Summary</b>					
Net debt/(cash)	396.6	411.8	411.2	411.2	410.5	Investment properties (NZ\$m)	987	1,083	1,211	1,322	1,476
Lease liability	0	0	0	0	0	Weighted average lease term (yrs)	5.2	4.8	5.3	5.4	5.4
Other liabilities	35.1	46.1	46.2	46.4	46.6	Occupancy rate (%)	99.6	99.6	99.9	99.3	99.0
Shareholder's funds	911.8	1,047.1	1,067.3	1,090.9	1,115.4	Number of properties	84	83	92	94	94
Minority interests	0	0	0	0	0	NTA per share (NZ\$)	1.41	1.61	1.63	1.78	2.06
<b>Total funding sources</b>	<b>1,343.5</b>	<b>1,505.0</b>	<b>1,524.7</b>	<b>1,548.4</b>	<b>1,572.5</b>						

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Stride Property Group

## Striding out Industrial Legs

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NEUTRAL 

Stride Property Group (SPG) continues to execute well on portfolio initiatives and repositioning assets. However, we remain bearish on the growth outlook for shopping centres with structural and cyclical headwinds increasing for the retail sector. Additionally, SPG’s funds management platform is scalable but near-term cost pressures are impacting margins. NEUTRAL.

### Business quality

- **Improving portfolio metrics:** SPG continues to deliver good leasing outcomes with 98.2% occupancy and near-term lease expiry manageable.
- **Restructure:** In 2016 SPG separated its funds management business, Stride Investment Management Limited (SIML), and Stride Group, its direct portfolio. The ‘stapled’ entities trade as one security.
- **Position in IPL:** SPG owns 19.9% of Investore, which will represent all of SPG’s large format retail (LFR) after planned asset sales.

### Earnings and cashflow outlook

- **Funds management income:** SPG has grown its external funds under management to NZ\$1.24bn, reflecting growth from Investore and Diversified. SPG intends to grow both funds over time and announced the establishment of industrial fund, Industrie.
- **Brownfield development:** SPG is looking at opportunities to unlock value across its older assets.

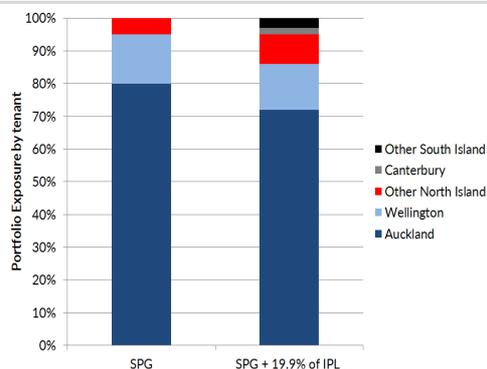
### Financial structure

- **Balance sheet:** SPG’s gearing is around average sector levels at ~35% but drops significantly to ~15% post the sale of its remains large format retail properties to IPL.

### Risk factors

- **E-commerce growth:** SPG has a 47% weighting to retail assets (including its position in IPL), making it exposed to growing risks from e-commerce.

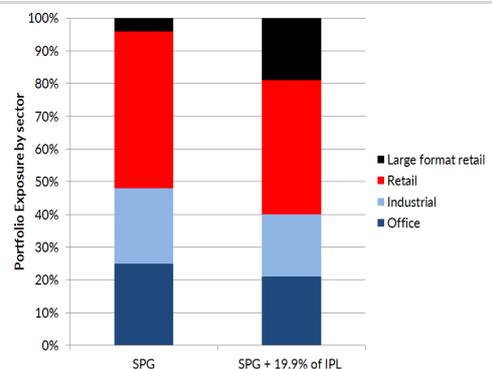
Figure 1. Geographical exposure



Source: Forsyth Barr analysis, Company Reports

Stride Property Group (SPG)

Figure 2. Sector diversification



Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

**2.22**
**12-month target price (NZ\$)\***
**2.18**

Expected share price return	-1.8%
Net dividend yield	4.5%
Estimated 12-month return	2.7%

**Spot valuations (NZ\$)**

1. SOTP	2.20
2. NAV	2.05
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.80
WACC	5.6%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	1,091
(Net debt)/cash	(327)
Less: Capitalised operating leases	0
Value of equity	764

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	77.1	74.0	75.1	81.1	82.9
<b>Normalised EBITDA</b>	<b>60.2</b>	<b>55.7</b>	<b>56.3</b>	<b>61.8</b>	<b>63.2</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>60.2</b>	<b>55.7</b>	<b>56.3</b>	<b>61.8</b>	<b>63.2</b>
Net interest	(16.2)	(14.1)	(14.7)	(16.4)	(16.3)
Associate income	4.3	4.2	4.2	4.2	4.2
Tax	(9.6)	(7.0)	(7.5)	(9.1)	(9.8)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>38.8</b>	<b>38.8</b>	<b>38.3</b>	<b>40.6</b>	<b>41.3</b>
Abnormals/other	(8.1)	2.5	0	0	0
<b>Reported NPAT</b>	<b>95.3</b>	<b>72.8</b>	<b>47.0</b>	<b>49.6</b>	<b>50.5</b>
Normalised EPS (cps)	10.6	10.6	10.5	11.1	11.3
DPS (cps)	9.9	9.9	9.9	9.9	10.7

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	17.3	18.5	19.0	17.6	17.2
EV/EBIT (x)	17.3	18.5	19.0	17.6	17.2
PE (x)	20.9	20.9	21.2	20.0	19.7
Price/NTA (x)	1.2	1.2	1.1	1.1	1.1
Free cash flow yield (%)	-0.5	1.1	-7.0	2.2	4.2
Net dividend yield (%)	4.5	4.5	4.5	4.5	4.8
Gross dividend yield (%)	6.4	6.4	6.4	6.4	6.9

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	3.7	3.9	3.8	3.8	3.9
Interest cover EBITDA (x)	3.7	3.9	3.8	3.8	3.9
Net debt/ND+E (%)	30.8	31.7	34.1	34.9	34.9
Net debt/EBITDA (x)	4.9	5.9	6.6	6.3	6.2

Growth Rates	2018A	2019A	2020A	2021A	2022A
Revenue (%)	14.0	-4.0	1.4	8.0	2.3
EBITDA (%)	6.8	-7.5	1.1	9.8	2.2
EBIT (%)	6.8	-7.5	1.1	9.8	2.2
Normalised NPAT (%)	10.9	0.0	-1.3	5.9	1.7
Normalised EPS (%)	10.8	-0.1	-1.3	5.9	1.7
Ordinary DPS (%)	-0.5	0.0	0.0	0.0	8.3

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	6.0	5.2	5.0	5.3	5.4
Return on equity (%)	5.8	5.5	5.4	5.6	5.6
Return on funds employed (%)	n/a	4.5	4.2	4.4	4.4
EBITDA margin (%)	78.1	75.3	75.0	76.3	76.2
EBIT margin (%)	78.1	75.3	75.0	76.3	76.2
Capex to sales (%)	53.8	33.1	69.7	17.1	7.1
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	93	93	95	89	95

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>60.2</b>	<b>55.7</b>	<b>56.3</b>	<b>61.8</b>	<b>63.2</b>
Working capital change	(0.9)	(2.5)	2.1	(0.1)	(0.0)
Interest & tax paid	(23.7)	(20.7)	(20.0)	(22.8)	(23.2)
Other	2.1	0.6	0	0	0
<b>Operating cash flow</b>	<b>37.8</b>	<b>33.2</b>	<b>38.4</b>	<b>39.0</b>	<b>40.0</b>
Capital expenditure	(41.5)	(24.5)	(52.3)	(13.9)	(5.8)
(Acquisitions)/divestments	78.0	0	7.4	(7.5)	0
Other	4.3	2.1	0	0	0
<b>Funding available/(required)</b>	<b>78.6</b>	<b>10.7</b>	<b>(6.5)</b>	<b>17.6</b>	<b>34.1</b>
Dividends paid	(36.0)	(36.2)	(36.2)	(36.2)	(39.2)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>42.6</b>	<b>(25.4)</b>	<b>(42.7)</b>	<b>(18.6)</b>	<b>(5.1)</b>

**Operating Performance**

	2015A	2016A	2017A	2018A	2019A
<b>Major Property Values (NZ\$m)</b>					
1 Grey Street, WLG	48.8	49.8	49.8	52.8	57.2
Jville Shopping Centre, WLG (50%)	34.1	32.9	30.5	30.7	30.1
25 O'Rorke Rd, Penrose	47.7	57.2	61.3	64.0	66.6
33 Corinthian Drive, AKL (ASB)	34.0	40.8	46.1	47.4	-
Meridian Energy Building, WLG	33.4	34.0	32.7	33.9	35.8
65 Chapel St, Tauranga	35.2	38.7	40.5	41.5	45.1
Mt Wellington Shopping Ctr, AKL	36.3	37.2	35.1	36.3	36.5
Silverdale Centre	82.5	85.5	90.0	98.4	100.5
2 Carr Road, Mt Roskill	29.7	31.5	36.9	42.8	47.3

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	(12.6)	(14.9)	(17.0)	(16.9)	(16.9)
Fixed assets	867.9	882.8	936.4	966.8	981.8
Intangibles	0	0	0	0	0
Right of use asset	0	0	0	0	0
Other assets	132.0	135.1	135.1	135.1	135.1
<b>Total funds employed</b>	<b>987.3</b>	<b>1,003.0</b>	<b>1,054.5</b>	<b>1,085.0</b>	<b>1,100.1</b>
Net debt/(cash)	297.4	327.0	369.7	388.3	393.4
Lease liability	0	0	0	0	0
Other liabilities	22.8	21.9	21.9	21.9	21.9
Shareholder's funds	667.1	704.2	713.0	724.9	734.9
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>987.3</b>	<b>1,053.1</b>	<b>1,104.6</b>	<b>1,135.1</b>	<b>1,150.2</b>

**Portfolio Summary**

	2018A	2019A	2020E	2021E	2022E
Investment properties (NZ\$m)	872.4	1,274.8	895.3	902.2	966.3
Weighted average lease term (yrs)	5.1	7.9	4.9	5.1	4.8
Occupancy rate (%)	96.6	99.6	96.8	96.7	97.6
NTA per share (NZ\$)	1.81	1.97	1.67	1.82	1.92
Average portfolio cap rate (%)	7.7	7.0	7.0	6.6	6.4

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

# Kiwi Property Group

## Changing the Retail Mix

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### OUTPERFORM

Kiwi Property Group (KPG) is the largest listed property vehicle in the NZ market. Its diversified asset base of NZ\$3.1bn comprises of 68% retail assets and 32% office assets. Recent sales of non-core assets have improved portfolio quality and made KPG more defensive to softening property market fundamentals. KPG is not immune to the structural headwinds for retail property, with e-commerce growth impacting; however, we expect KPG's catchment-dominant malls to outperform. OUTPERFORM.

#### Business quality

- **Property fundamentals strong, reflecting strength of assets:** Portfolio metrics remain strong with WALT and occupancy at 5.1 years and 99.4% respectively. The office portfolio has an impressive WALT of 9.1 years.

#### Earnings and cashflow outlook

- **Rental growth:** KPG achieved solid +4.6% 1H20 rental growth driven by strong rent reviews and new leases in the Office and Mixed-use portfolio.
- **Sylvia Park Galleria expansion:** KPG has committed to an NZ\$223m expansion of Sylvia Park with an additional 18,000sqm of retail space, a new café court, and 900 additional car parks. KPG has also announced an additional NZ\$35m for "design enhancements and additional space to accommodate key retailers". The total cost of the project is NZ\$258m with a development margin of ~NZ \$30m.

#### Risk factors

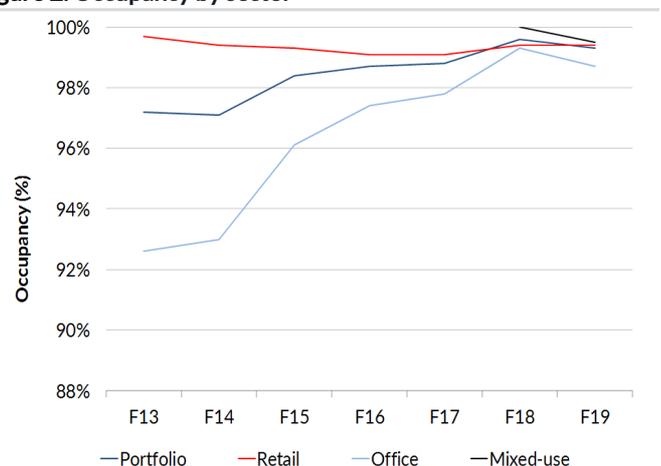
- **Retail exposure:** Competitive pressures from e-commerce growth coupled with the significant amount of Auckland retail development coming online at Commercial Bay and Westfield, Newmarket, are likely to impact KPG's Auckland based malls.
- **CBD office asset volatility:** Rental growth expectations have improved recently with tight supply but remain volatile through the cycle.
- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.

Figure 1. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	-	-	-	-
Office	22%	7%	-	30%
Retail	45%	17%	9%	70%
<b>Total</b>	<b>68%</b>	<b>24%</b>	<b>9%</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports

Figure 2. Occupancy by sector



Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

1.46

**12-month target price (NZ\$)\***

1.62

Expected share price return	11.0%
Net dividend yield	4.9%
Estimated 12-month return	15.9%

**Spot valuations (NZ\$)**

1. DCF	1.67
2. NAV	1.54
n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.67
WACC	5.1%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	3,489
(Net debt)/cash	(992)
Less: Capitalised operating leases	0
Value of equity	2,472

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	191.7	180.8	185.6	197.8	205.2
<b>Normalised EBITDA</b>	<b>171.2</b>	<b>160.0</b>	<b>164.7</b>	<b>176.4</b>	<b>183.4</b>
Depreciation and amortisation	0	0	0	0	0
<b>Normalised EBIT</b>	<b>171.2</b>	<b>160.0</b>	<b>164.7</b>	<b>176.4</b>	<b>183.4</b>
Net interest	(42.4)	(37.5)	(36.3)	(35.7)	(38.2)
Associate income	0	0	0	0	0
Tax	(25.4)	(22.6)	(24.4)	(27.8)	(30.8)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>103.4</b>	<b>99.9</b>	<b>104.0</b>	<b>112.9</b>	<b>114.3</b>
Abnormals/other	(16.7)	(38.2)	(46.0)	(46.1)	(48.9)
<b>Reported NPAT</b>	<b>120.1</b>	<b>138.1</b>	<b>150.0</b>	<b>159.0</b>	<b>163.2</b>
Normalised EPS (cps)	7.5	7.0	7.1	7.2	7.2
DPS (cps)	6.9	7.0	7.1	7.1	7.2

Growth Rates	2018A	2019A	2020A	2021A	2022A
Revenue (%)	5.4	-5.7	2.6	6.6	3.7
EBITDA (%)	4.4	-6.5	3.0	7.1	4.0
EBIT (%)	4.4	-6.5	3.0	7.1	4.0
Normalised NPAT (%)	7.6	-3.4	4.2	8.5	1.2
Normalised EPS (%)	0.4	-6.2	1.6	1.5	0.5
Ordinary DPS (%)	1.9	1.5	1.4	1.4	1.4

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>171.2</b>	<b>160.0</b>	<b>164.7</b>	<b>176.4</b>	<b>183.4</b>
Working capital change	2.1	3.4	3.0	4.7	3.1
Interest & tax paid	(65.1)	(63.4)	(60.7)	(63.5)	(69.1)
Other	0	0	0	0	0
<b>Operating cash flow</b>	<b>108.2</b>	<b>100.0</b>	<b>107.0</b>	<b>117.6</b>	<b>117.4</b>
Capital expenditure	(112.6)	(169.8)	(164.6)	(53.3)	(17.3)
(Acquisitions)/divestments	62.3	67.3	0	0	0
Other	(6.4)	(2.6)	0	0	0
<b>Funding available/(required)</b>	<b>51.4</b>	<b>(5.1)</b>	<b>(57.7)</b>	<b>64.2</b>	<b>100.1</b>
Dividends paid	(88.5)	(81.5)	(76.9)	(83.4)	(113.6)
Equity raised/(returned)	157.0	0	180.0	0	0
<b>(Increase)/decrease in net debt</b>	<b>119.9</b>	<b>(86.6)</b>	<b>45.5</b>	<b>(19.2)</b>	<b>(13.5)</b>

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E
Working capital	(43.2)	(47.1)	(48.4)	(51.6)	(53.5)
Fixed assets	3,052.0	3,207.4	3,416.3	3,514.3	3,579.3
Intangibles	0	0	0	0	0
Right of use asset	0	0	0	0	0
Other assets	4.4	5.9	5.9	5.9	5.9
<b>Total funds employed</b>	<b>3,013.2</b>	<b>3,166.2</b>	<b>3,373.9</b>	<b>3,468.6</b>	<b>3,531.8</b>
Net debt/(cash)	902.8	991.8	946.3	965.4	978.9
Lease liability	0	0	0	0	0
Other liabilities	116.3	123.5	123.5	123.5	123.5
Shareholder's funds	1,994.1	2,050.9	2,304.0	2,379.7	2,429.3
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>3,013.2</b>	<b>3,166.2</b>	<b>3,373.9</b>	<b>3,468.6</b>	<b>3,531.8</b>

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	17.8	19.0	18.6	17.2	16.6
EV/EBIT (x)	17.8	19.0	18.6	17.2	16.6
PE (x)	19.6	20.9	20.5	20.3	20.2
Price/NTA (x)	1.0	1.0	1.0	1.0	0.9
Free cash flow yield (%)	-0.2	-3.3	-2.8	3.1	4.8
Net dividend yield (%)	4.7	4.8	4.8	4.9	5.0
Gross dividend yield (%)	6.7	6.8	6.9	7.0	7.1

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	4.0	4.3	4.5	4.9	4.8
Interest cover EBITDA (x)	4.0	4.3	4.5	4.9	4.8
Net debt/ND+E (%)	31.2	32.6	29.1	28.9	28.7
Net debt/EBITDA (x)	5.3	6.2	5.7	5.5	5.3

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	5.6	4.9	4.8	5.0	5.1
Return on equity (%)	5.2	4.9	4.5	4.7	4.7
Return on funds employed (%)	4.7	4.3	4.1	4.2	4.2
EBITDA margin (%)	89.3	88.5	88.7	89.2	89.4
EBIT margin (%)	89.3	88.5	88.7	89.2	89.4
Capex to sales (%)	58.7	93.9	88.7	27.0	8.4
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	92	99	99	99	100

Property Statistics	2015A	2016A	2017A	2018A	2019A
<b>Retail portfolio</b>					
No. properties	7	9	9	4	4
WALT (years)	3.4	3.9	3.8	3.6	3.3
Occupancy rate (%)	99.3%	99.1%	99.1%	99.4%	99.4%
Cap rate (%)	6.97%	6.69%	6.52%	6.25%	7.53%
<b>Office portfolio</b>					
No. properties	5	5	5	4	4
WALT (years)	7.6	8.2	10.1	10.1	9.3
Occupancy rate (%)	96.1%	97.4%	97.8%	99.3%	98.7%
Cap rate (%)	6.80%	6.44%	6.13%	5.76%	5.45%
<b>Mixed-use portfolio</b>					
No. properties				4	4
WALT (years)				4.0	4.1
Occupancy rate (%)				100.0%	99.5%
Cap rate (%)				5.72%	5.71%

Total portfolio	2018A	2019A	2020E	2021E	2022E
WALT (years)	4.5	5.1	5.6	5.3	5.2
Occupancy rate (%)	98.4%	98.7%	98.8%	99.6%	99.3%
Cap rate (%)	6.92%	6.61%	6.40%	6.11%	5.99%
NTA per share (NZ\$)	1.214	1.345	1.390	1.392	1.431

# Vital Healthcare

## Major Work in Progress

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**NEUTRAL** ➔

Vital Healthcare’s (VHP) portfolio of medical properties has strong defensive characteristics such as long lease terms, inflation linked rental growth, and exposure to the structural growth in demand for healthcare services. While there is some evidence that the Australian operating environment for tenants is slowing VHP’s lease structures mean this will have little impact on rents in the near-to-medium term. VHP has outperformed its peers over the past 12 months and we have pulled our rating back from OUTPERFORM to NEUTRAL. VHP is a key LPV exposure given its defensive qualities.

**Business quality**

- **Property fundamentals:** VHP has sector leading portfolio metrics which continue to underpin the defensive qualities of the stock. VHP has a very long WALT of 17.9 years and strong portfolio occupancy of 99.5%.

**Earnings and cashflow outlook**

- **Increasing healthcare demand:** A growing and ageing population in Australia and New Zealand is driving demand for healthcare services.
- **Development activity:** VHP currently has over NZ\$200m of committed brownfield developments underway. Key developments include Wakefield, Bowen and Royston Hospitals’, as well as the Epworth Eastern expansion in Melbourne.
- **Acquisitions:** VHP’s portfolio has expanded dramatically in recent periods with acquisitions totalling ~NZ\$350m over FY17 and FY18; albeit, we note acquisition activity has slowed over the past six months.

**Risk factors**

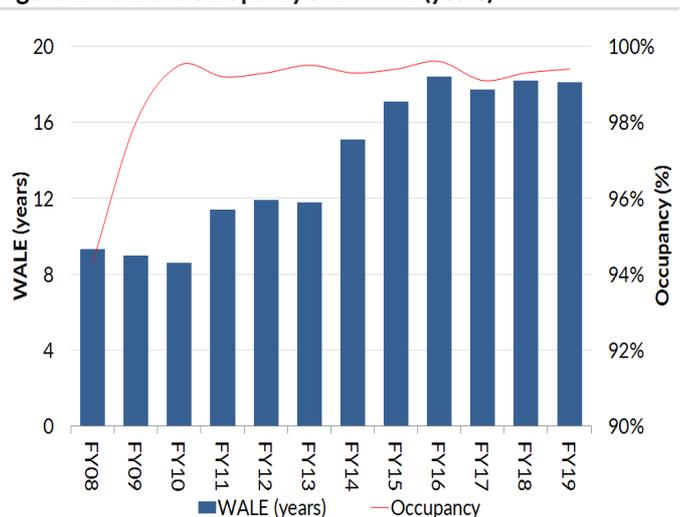
- **Rising interest rates:** Interest is VHP’s largest expense. Changes to wholesale rates or margins can have a material impact on earnings.
- **Currency:** ~75% of VHP’s assets are located in Australia, thus, currency movements can impact VHP’s earnings and the value of its AUD assets. This is mitigated by hedging policies.

**Figure 1. Sector and regional portfolio exposure**

	Hospitals	MOBs	Aged care	Total
NSW	28%	2%	3%	<b>33%</b>
NZ	17%	5%	0%	<b>22%</b>
QLD	13%	1%	0%	<b>14%</b>
VIC	15%	4%	0%	<b>20%</b>
Other AU	8%	3%	1%	<b>12%</b>
<b>Total</b>	<b>82%</b>	<b>15%</b>	<b>4%</b>	<b>100%</b>

Source: Forsyth Barr analysis, Company Reports

**Figure 2. Portfolio occupancy and WALE (years)**



Source: Forsyth Barr analysis, Company Reports

Priced as at 05 Mar 2020 (NZ\$)

2.91

**12-month target price (NZ\$)\***

2.76

Expected share price return	-5.2%
Net dividend yield	3.1%
Estimated 12-month return	-2.1%

**Spot valuations (NZ\$)**

1. DCF	2.99
2. NAV	2.36
3. n/a	n/a

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.68
WACC	5.1%
Terminal growth	1.5%

**DCF valuation summary (NZ\$m)**

Total firm value	2,134
(Net debt)/cash	(728)
Less: Capitalised operating leases	0
Value of equity	1,356

Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Valuation Ratios	2018A	2019A	2020E	2021E	2022E
Sales revenue	90.7	97.7	99.8	106.5	115.1	EV/EBITDA (x)	24.1	24.5	24.3	22.6	20.8
<b>Normalised EBITDA</b>	<b>76.0</b>	<b>81.3</b>	<b>83.2</b>	<b>89.0</b>	<b>96.9</b>	EV/EBIT (x)	24.1	24.5	24.3	22.6	20.8
Depreciation and amortisation	0	0	0	0	0	PE (x)	27.4	30.6	29.7	28.1	27.6
<b>Normalised EBIT</b>	<b>76.0</b>	<b>81.3</b>	<b>83.2</b>	<b>89.0</b>	<b>96.9</b>	Price/NTA (x)	1.3	1.3	1.2	1.2	1.2
Net interest	(22.8)	(29.9)	(30.3)	(31.7)	(37.6)	Free cash flow yield (%)	1.5	0.4	-3.3	-2.2	-2.2
Associate income	0	0	0	0	0	Net dividend yield (%)	2.9	3.0	3.1	3.1	3.1
Tax	(7.2)	(9.3)	(8.6)	(9.5)	(10.0)	Gross dividend yield (%)	4.2	4.3	4.4	4.4	4.4
Minority interests	0	0	0	0	0	<b>Capital Structure</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
<b>Normalised NPAT</b>	<b>46.0</b>	<b>42.2</b>	<b>44.3</b>	<b>47.8</b>	<b>49.3</b>	Interest cover EBIT (x)	3.3	2.7	2.7	2.8	2.6
Abnormals/other	54.0	51.3	22.2	29.6	31.2	Interest cover EBITDA (x)	3.3	2.7	2.7	2.8	2.6
<b>Reported NPAT</b>	<b>100.1</b>	<b>93.4</b>	<b>66.4</b>	<b>77.3</b>	<b>80.5</b>	Net debt/ND+E (%)	40.2	41.4	39.9	41.1	42.3
Normalised EPS (cps)	10.6	9.5	9.8	10.4	10.5	Net debt/EBITDA (x)	8.7	9.0	8.6	8.7	8.7
DPS (cps)	8.6	8.8	9.0	9.0	9.0						

Growth Rates	2018A	2019A	2020A	2021A	2022A	Key Ratios	2018A	2019A	2020E	2021E	2022E
Revenue (%)	19.5	7.7	2.2	6.7	8.2	Return on assets (%)	4.3	4.2	4.2	4.3	4.5
EBITDA (%)	15.1	6.9	2.3	6.9	8.9	Return on equity (%)	4.7	4.1	4.1	4.3	4.3
EBIT (%)	15.1	6.9	2.3	6.9	8.9	Return on funds employed (%)	4.4	3.9	3.9	4.0	4.1
Normalised NPAT (%)	3.3	-8.4	5.0	7.9	3.2	EBITDA margin (%)	83.9	83.2	83.3	83.6	84.1
Normalised EPS (%)	0.2	-10.3	3.0	5.8	1.6	EBIT margin (%)	83.9	83.2	83.3	83.6	84.1
Ordinary DPS (%)	0.7	2.2	2.9	0.0	0.0	Capex to sales (%)	28.8	36.3	85.8	72.2	67.5

Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a
<b>EBITDA</b>	<b>76.0</b>	<b>81.3</b>	<b>83.2</b>	<b>89.0</b>	<b>96.9</b>	Imputation (%)	100	100	100	100	100
Working capital change	(2.0)	(2.9)	(3.4)	0.4	0.4	Pay-out ratio (%)	81	92	92	87	86
Interest & tax paid	(28.4)	(37.8)	(37.3)	(41.6)	(47.9)						
Other	0	0	0	0	0						
<b>Operating cash flow</b>	<b>45.7</b>	<b>40.6</b>	<b>42.5</b>	<b>47.8</b>	<b>49.3</b>						
Capital expenditure	(26.1)	(35.5)	(85.7)	(76.9)	(77.7)						
(Acquisitions)/divestments	(187.7)	(23.5)	0	0	0						
Other	(46.8)	(37.3)	86.4	0	0						
<b>Funding available/(required)</b>	<b>(214.9)</b>	<b>(55.7)</b>	<b>43.2</b>	<b>(29.1)</b>	<b>(28.4)</b>						
Dividends paid	(31.1)	(32.7)	(28.3)	(34.3)	(42.2)						
Equity raised/(returned)	0	0	0	0	0						
<b>(Increase)/decrease in net debt</b>	<b>(246.0)</b>	<b>(88.3)</b>	<b>14.9</b>	<b>(63.4)</b>	<b>(70.6)</b>						

Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Property Statistics	2014A	2015A	2016A	2017A	2018A
Working capital	(15.8)	(12.5)	(12.5)	(12.5)	(12.5)	<b>Major Property Values (NZ\$m)</b>					
Fixed assets	1,731.2	1,836.4	1,947.0	2,053.5	2,162.4	Ascot Hospital & Clinics	0	0	0	0	0
Intangibles	0	0	0	0	0	Ascot Central	608.2	769.0	929.6	1,372.6	1,729.7
Right of use asset	0	0	0	0	0	Epworth Eastern	0	0	0	33.9	35.5
Other assets	49.0	87.7	4.7	4.7	4.7	Southport Private Hospital	15.5	18.3	19.8	30.5	38.2
<b>Total funds employed</b>	<b>1,764.5</b>	<b>1,911.7</b>	<b>1,939.2</b>	<b>2,045.7</b>	<b>2,154.6</b>	Lingard Private Hospital	47.4	46.6	45.1	42.6	47.6
Net debt/(cash)	663.3	728.1	713.3	776.7	847.2	Maitland Private Hospital	15.5	18.3	19.8	30.5	38.2
Lease liability	0	0	0	0	0	SportsMed Hospital and Clinic	0	0	0	33.0	35.3
Other liabilities	113.2	153.8	153.8	153.8	153.8	Hurstville Private Hospital	0	0	3.6	3.8	4.3
Shareholder's funds	988.0	1,029.7	1,072.2	1,115.2	1,153.6	Total portfolio	613.0	0	0	0	0
Minority interests	0	0	0	0	0						
<b>Total funding sources</b>	<b>1,764.5</b>	<b>1,911.7</b>	<b>1,939.2</b>	<b>2,045.7</b>	<b>2,154.6</b>						

Portfolio Summary	Investment properties (NZ\$m)	613.0	0	0	0	0
Number of properties - yielding only	(5)	(0)	2	12	0	0
Weighted average lease term (yrs)	59.5	60.8	70.3	94.8	0	0
Occupancy rate (%)	0	0	0	0	0	0
M'ment/Admin cost % of assets (%)	0	0	0	0	0	0
NTA per share (NZ\$)	0	0	0	0	0	0
Average portfolio cap rate (%)	0	0	0	0	0	0

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

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