

Investor Update

July 2022

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SECTION 01



Overview



SECTION 02



Construction and urban development



SECTION 03



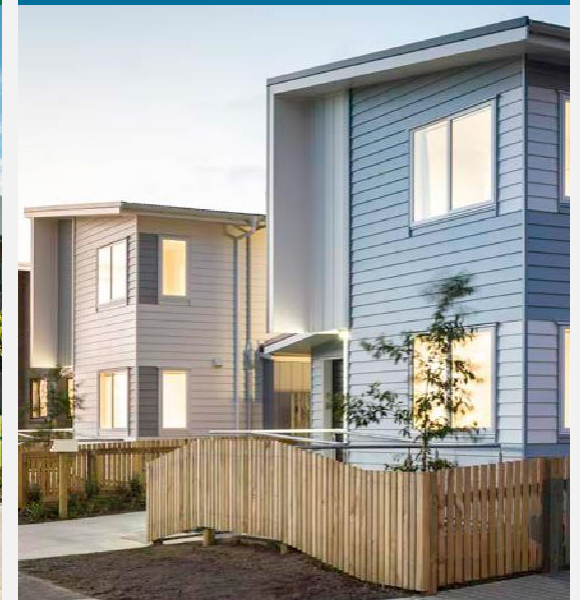
Sustainability



SECTION 04



Financing and financials





Overview

— Our Vision —

**Building better,
brighter homes,
communities and lives.**

**He oranga kāinga,
he oranga hāpori,
he oranga tāngata.**



COVID-19: 2022 update and the recovery

- **Stable and secure rents and income** - over 90% of income directly or indirectly from the Crown
- **\$1,426 million of cash and financial assets available to the business** - as at 30 June 2022
- **Construction work returned to BAU** - while operating under the current Government settings
- **Working closely with our affected customers regarding tenant debt, especially on early intervention and prevention** - the amount of rent owed is around 2.4 percent of the total amount of rent paid in a year
- **Continue to work closely with our stakeholders** - regular contact with build partners via email updates and phone wellbeing checks
- **Supporting the sector as a key economic driver** - more than 100 build partners and contractors supporting the national recovery from the impacts of COVID-19

Customer welfare

Improvements to customer programme on welfare calls and check ins



Supporting the sector

Immediate payment terms for all build partners and suppliers as BAU



New Zealand's largest residential landlord

186,000+

People live in
our houses

Which is 4% of New Zealand's
5m population

4,700

Families placed
into homes*

Around 98%

Occupancy
rate



* As at 30 June 2021

New Zealand's largest developer

\$39.2 billion
Value of
group assets

FY21 – FY24 Urban Development
10,770
In planning



Consenting &
Procurement
3,310



Under construction
2,620



Properties
owned or managed
68,169



Kāinga Ora – established October 2019

The creation of Kāinga Ora brings a more cohesive, joined-up approach to supporting the Government's priorities for housing and urban development.

Kāinga Ora supports people across New Zealand to have good quality, affordable homes, and live in strong, healthy communities.

TWO KEY ROLES



Being a world-class public housing landlord



Partnering to lead and facilitate urban development projects of all sizes



Our outcomes



PUBLIC HOUSING CUSTOMERS

Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible



CREATING CARING COMMUNITIES

We create sustainable, inclusive and thriving communities: supporting good access to jobs, amenities and services



IMPROVING OUTCOMES FOR MĀORI

Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi



ENVIRONMENTAL WELLBEING

Environmental wellbeing is enhanced and preserved for future generations



ENABLING MORE HOUSING

We provide good quality, affordable housing choices that meet diverse needs

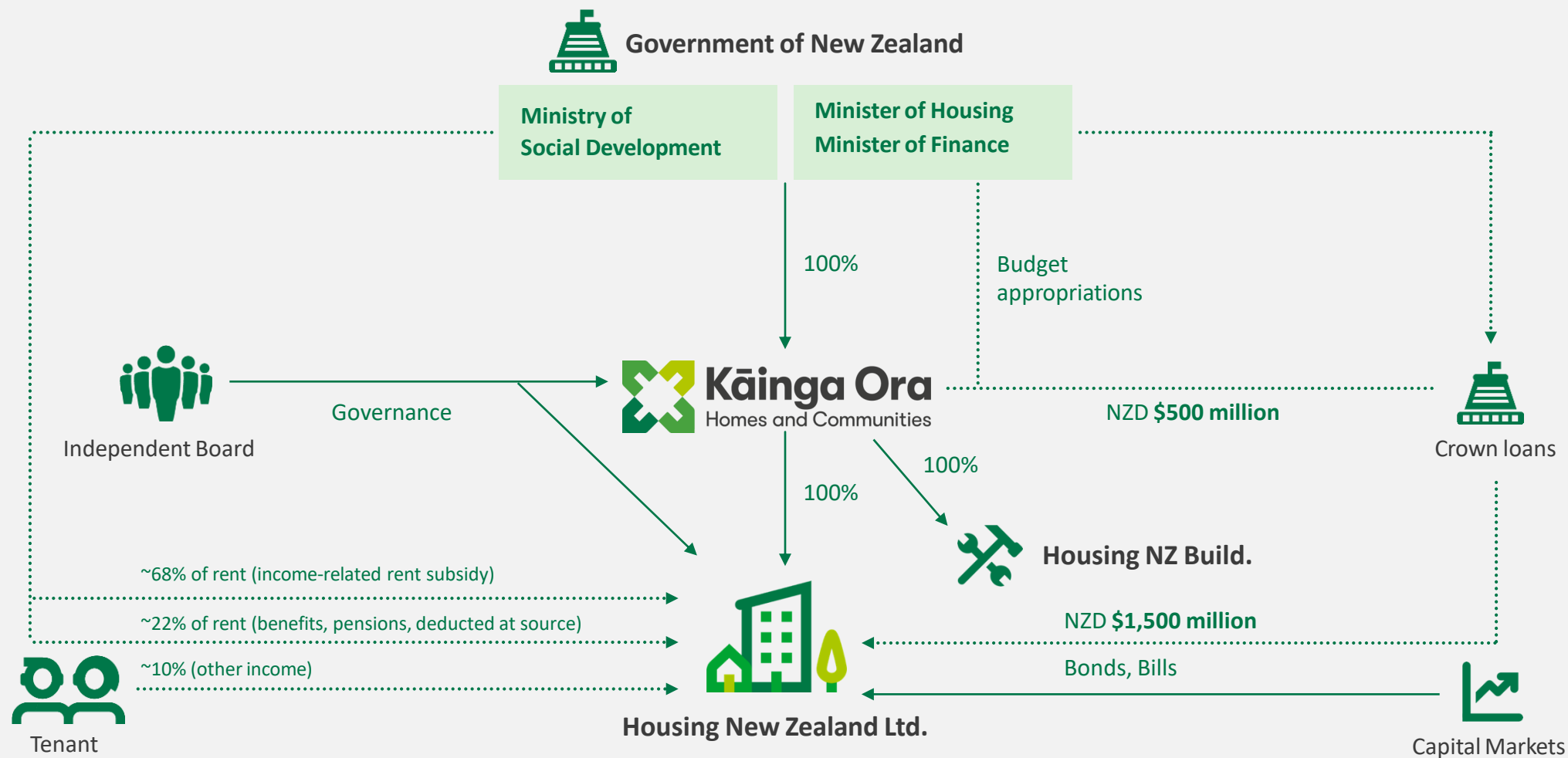


SYSTEM TRANSFORMATION

System transformation is catalysed and delivered



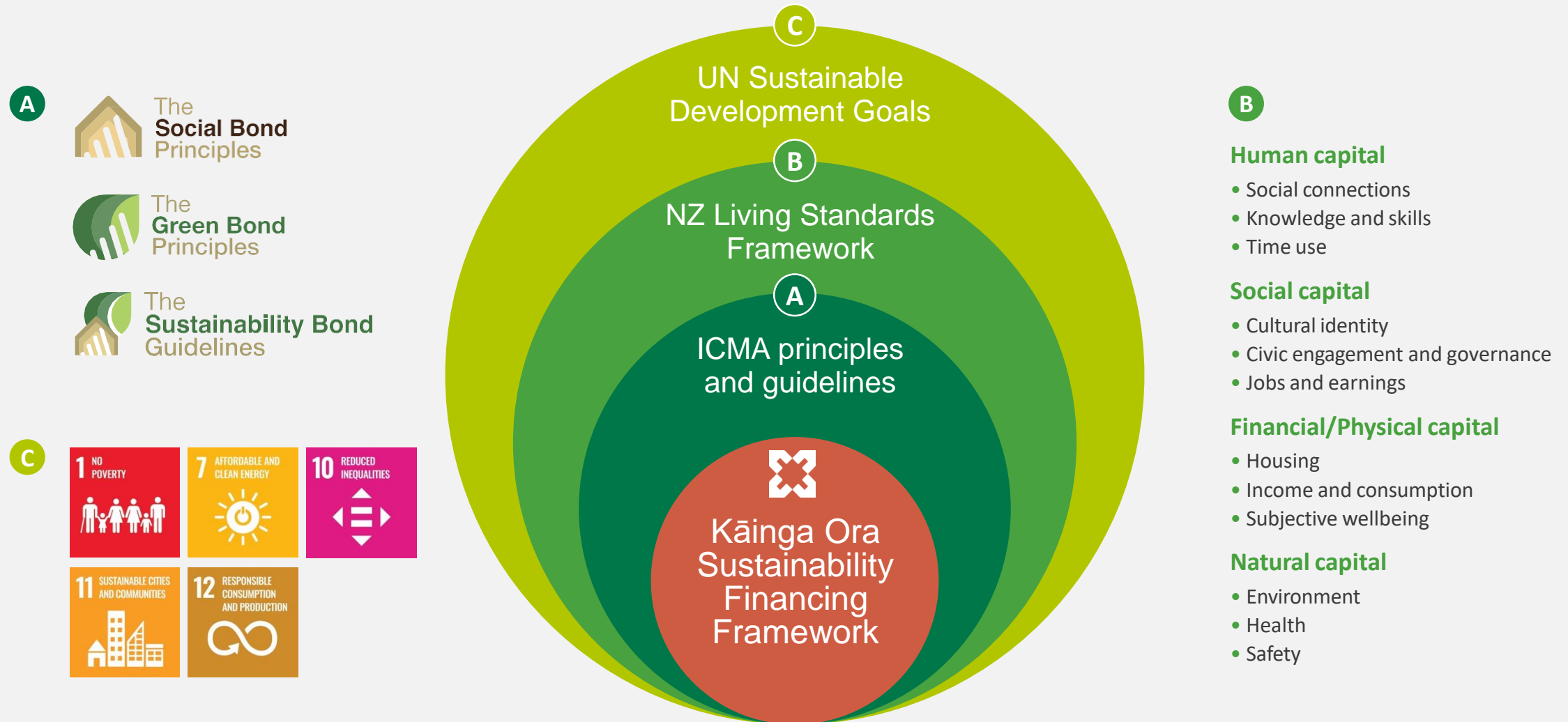
Overview of funding and financing



Source: Moody's Investor Service



Sustainability Financing Framework includes focus on wellbeing





KangaNews New Zealand Issuer of the Year award winners



2017



2016



2015



2014



2013



2012



2011



Construction and urban development





Build programme overview

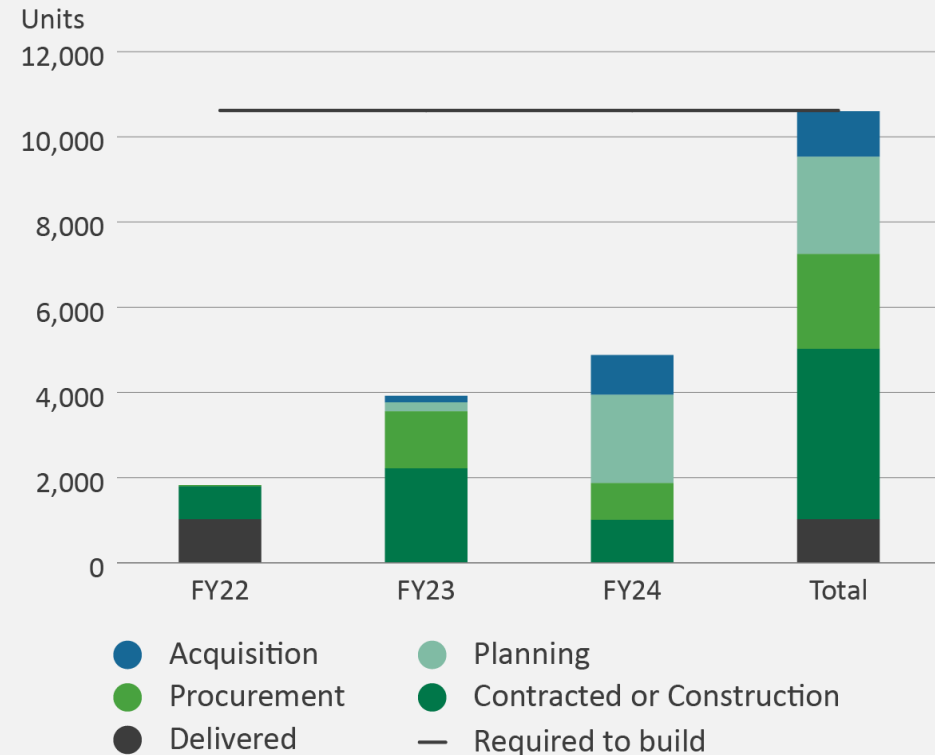
- The Government announced plans to deliver an additional 8,000 new homes as part of May 2020 Budget, made up of 6,000 public houses and 2,000 supported houses
- The 2,000 supported houses are targeted for delivery over the next two years, with the 6,000 new public houses targeted in the following two years
- Kāinga Ora will be responsible for around 70% of these new houses



5,600

4,200 NEW PUBLIC HOUSES
1,400 SUPPORTED HOUSES

Our construction pipeline



The largest build programme in decades has three key drivers

1. Growth in our public housing register

- Public housing register has more than quadrupled since 2017
- Majority of growth in Priority A category (most at risk)

Current waitlist growth

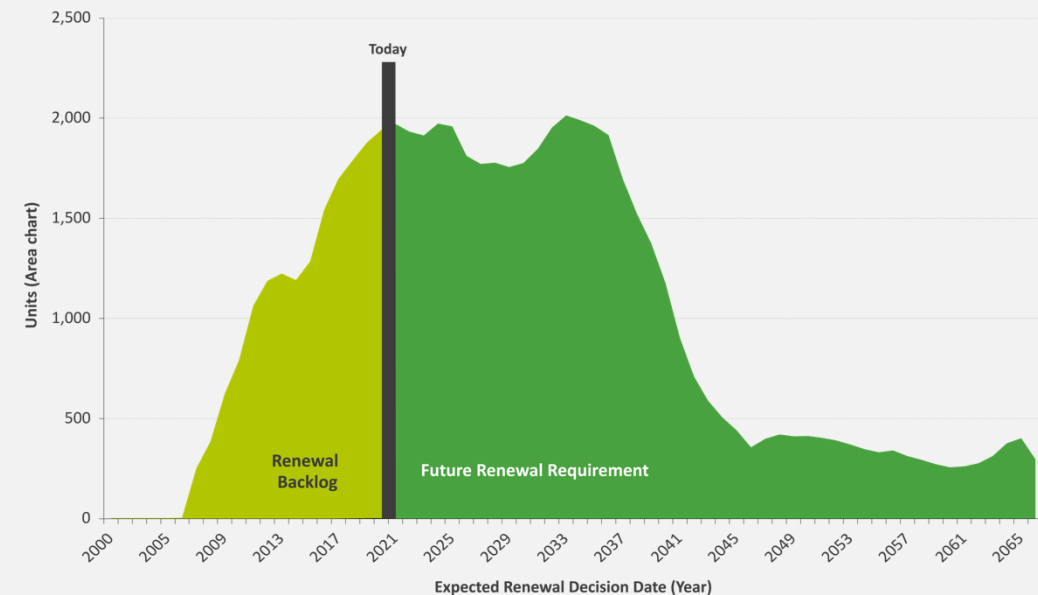


Source: Kāinga Ora

2. Significant renewal and realignment requirement

- Average age of our homes is around 45 years – many are cold and damp
- Some 52,000 homes are due for renewal in the next 30 years

Forecast of dwellings in need of renewal (based on build year life assumption)



Source: Kāinga Ora



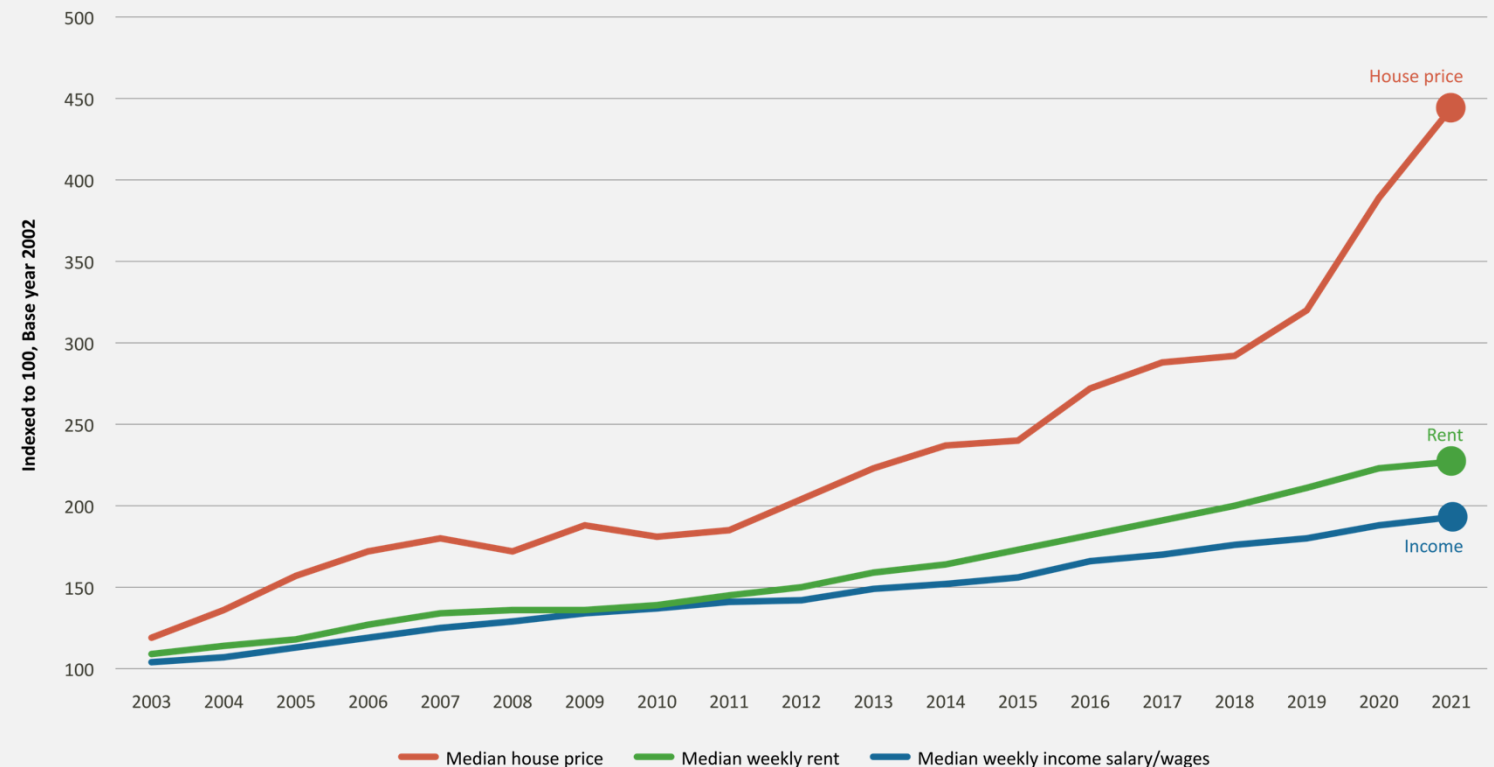
The largest build programme in decades has three key drivers

3. Requirement for more affordable housing

- New Zealand housing is among the most unaffordable in the world
- House price to incomes remain very high, particularly in Auckland

National Perspective

Comparison of Median House Price, Median Weekly Income (Salary/Wages) and Median Weekly Rents, New Zealand, to 2021 Indexed from 2002



Source: Rents – MBIE (Tenancy Bonds), House price – REINZ, Income – Statistics NZ

Using scale and innovation to deliver new housing at lower cost

Leveraging the build programme to lower costs

- Scaled-up procurement practices
- Supplier panels
- Standardised designs to speed up consent process
- Multi-year Construction Partnering Agreements

Innovation and new construction methods

- Carbon neutral housing programme
- Innovation partnerships
- Minimum 6 Homestar certification for new builds
- Offsite manufacturing – increasing annual targets
- Use of cross-laminated timber, off-site panel and modular construction
- Bathroom pods with accessibility modifications
- New Building Consent Authority: Consentium



Urban development

Leading the largest urban regeneration ever undertaken in New Zealand, by creating sustainable, inclusive and thriving communities that will transform suburbs by:



Reviewing existing concentrated landholdings for opportunities



Evaluating new land opportunities to deliver large-scale projects



Working in partnership with others (Councils, private developers, Iwi) to enable quality urban development



Urban development Our Pipeline of Construction Starting 2021–2024

All of New Zealand – \$7.0-7.2b Indicative Investment

IN PLANNING	CONSENTING & PROCUREMENT	UNDER CONSTRUCTION
10,770	3,310	2,620

1 Auckland – \$4.2-4.3b Indicative Investment

IN PLANNING				CONSENTING & PROCUREMENT		UNDER CONSTRUCTION	
4,700				2,300		1,600	
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
2,400	3,450	850	250	6,950	1,820	2,400	2,730

2 Hamilton – \$300-325m Indicative Investment

IN PLANNING		CONSENTING & PROCUREMENT		UNDER CONSTRUCTION			
700		50		140			
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
100	200	250	175	725	689	36	–

3 Rest of North Island – \$1.2-1.2b Indicative Investment

IN PLANNING		CONSENTING & PROCUREMENT		UNDER CONSTRUCTION			
2,966		262		256			
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
837	1,278	796	315	3,226	3,122	104	–



The volumes are limited to construction planned to start from January 2021 – December 2024 in redevelopment and Construction on land which we intend to procure.

‘Indicative investment’ is an indicative value of the proportion of our intentions in that region, in construction and is subject to budgets being confirmed in future years, but are shown here for planning purposes.

4 Porirua & Hutt Valley – \$450-500m Indicative Investment

IN PLANNING				CONSENTING & PROCUREMENT		UNDER CONSTRUCTION	
790				143		130	
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
210	310	220	190	930	746	184	–

5 Wellington – \$300–350m Indicative Investment

IN PLANNING				CONSENTING & PROCUREMENT		UNDER CONSTRUCTION	
380				260		115	
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
200	350	50	40	640	315	80	245

6 Christchurch – \$350-400m Indicative Investment

IN PLANNING		CONSENTING & PROCUREMENT		UNDER CONSTRUCTION			
740		250		330			
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
380	260	200	150	990	966	24	–

7 Rest of South Island – \$220–225m Indicative Investment

IN PLANNING		CONSENTING & PROCUREMENT		UNDER CONSTRUCTION			
494		45		49			
CONSTRUCTION STARTING				BUILDING TYPE			
2021	2022	2023	2024	TOTAL	HOUSE	WALKUP	APPT.
158	177	144	60	539	539	–	–

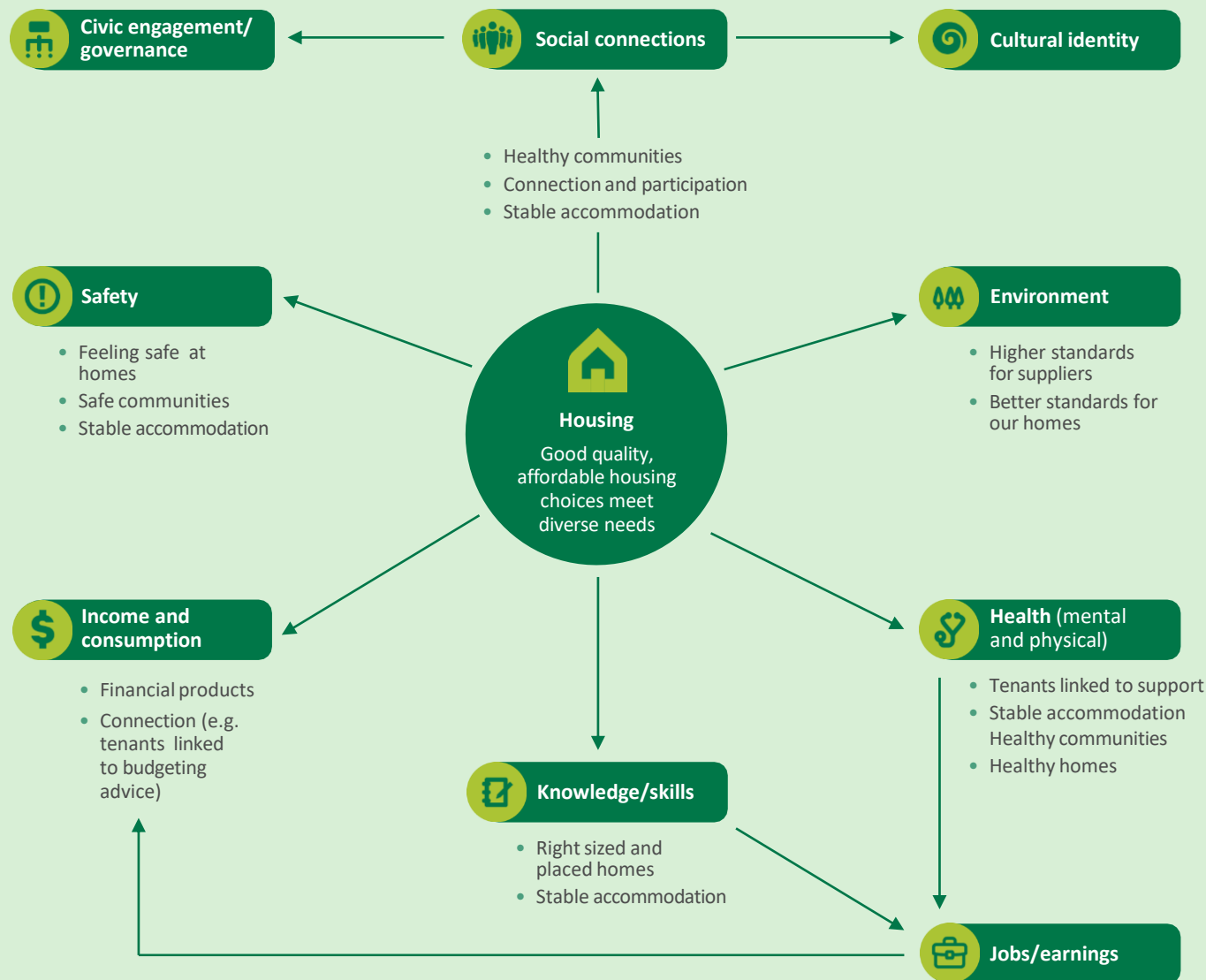




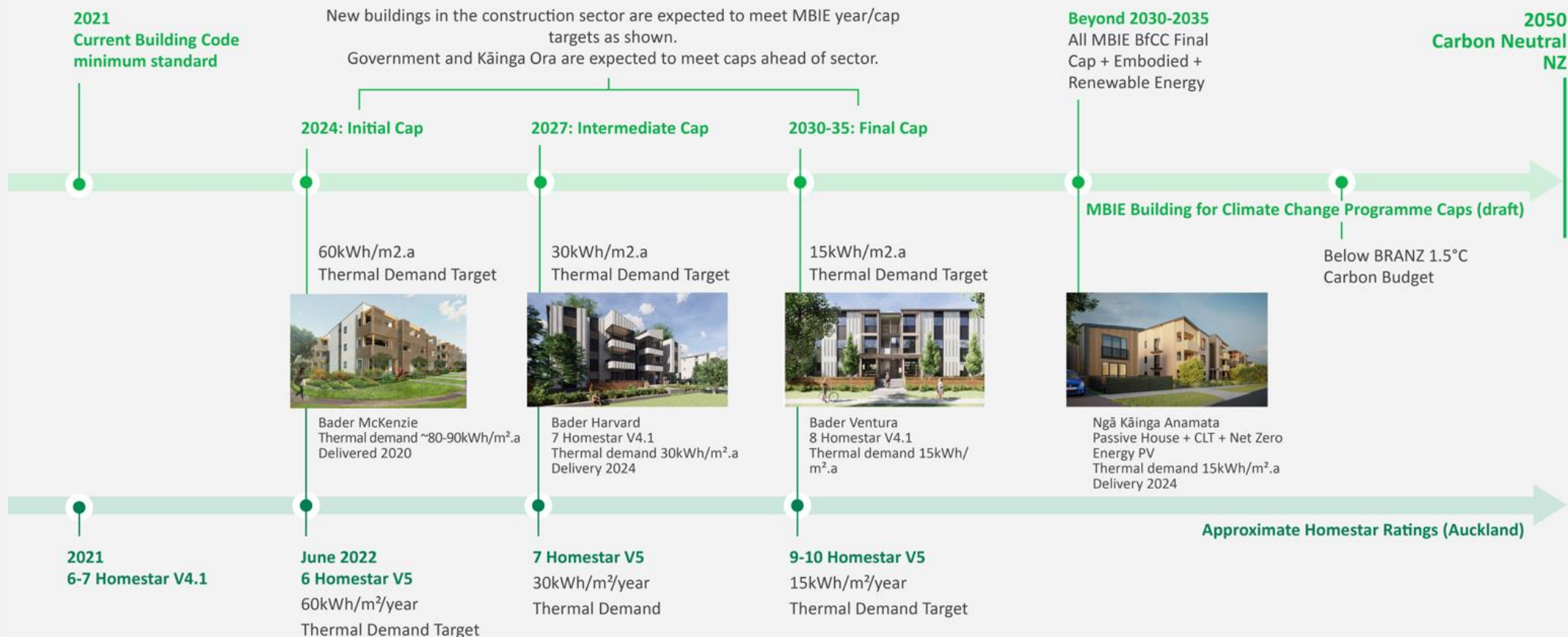
Sustainability



Wellbeing domains



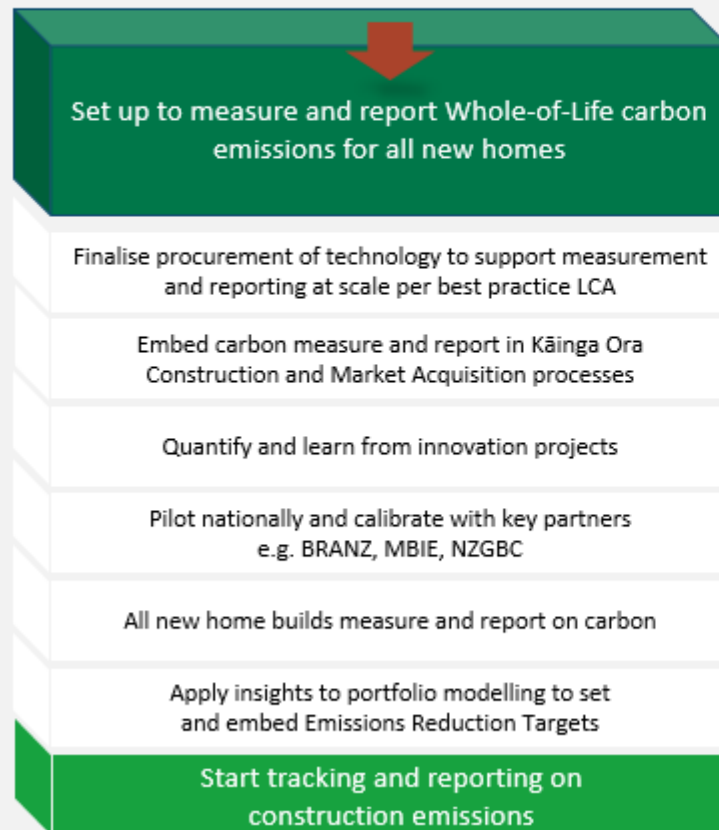
Kāinga Ora carbon continuum



- The MBIE Building for Climate Change Operational Efficiency Framework has six components. Kāinga Ora is focusing on achieving the thermal demand component of the framework.
- All MBIE Building for Climate Change caps are currently in draft (at August 2021).
- Homes cannot achieve final Homestar ratings and Passive House certification until built, standards listed are our intended achievements.

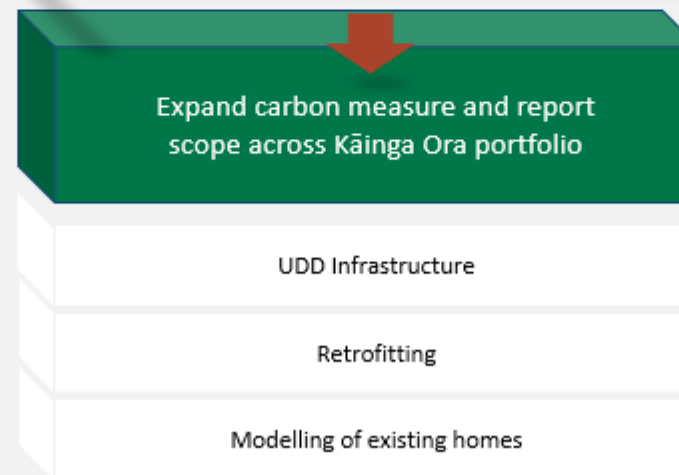
Measuring, reporting and tracking our journey to decarbonising construction

Now - Set up to lead decarbonisation of public housing building programme



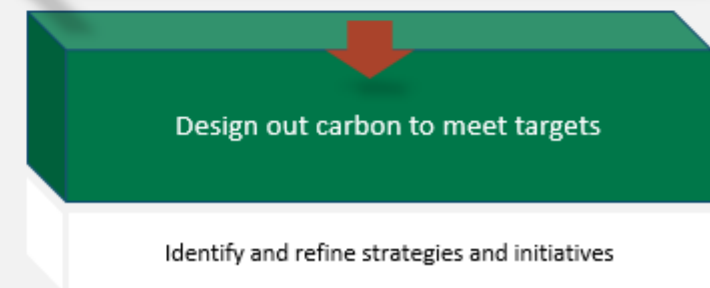
Future - Broaden approach

Track and report on reductions



Outcome - Realise reductions

Track and report on reductions





Financing and financials



Credit ratings of Kāinga Ora and HNZL equalised with New Zealand Sovereign

MOODY'S
INVESTORS SERVICE

Aaa (stable)

Domestic currency

Aaa (stable)

Foreign currency



“Because of its public policy mandate, Kāinga Ora’s and HNZL’s key role in the New Zealand social housing sector and strong oversight by the Crown, there is no significant distinction between Kāinga Ora, HNZL and the Crown from a credit perspective.”

Last updated: 01.10.21

S&P Global
Ratings

AAA (stable)

Domestic currency

AA+ (stable)

Foreign currency



“The stable outlook on HNZL reflects that on Kāinga Ora – Homes and Communities and the New Zealand sovereign, along with our expectations that it will remain a core subsidiary of Kāinga Ora and its role will remain critical and its link to the New Zealand government will remain integral.”

Last updated: 24.02.22

Note, there is no explicit government guarantee

Our debt programmes

Bonds

Notes offered are:

- Unsecured & unsubordinated
- Repo-eligible with the RBNZ
- Approved Issuer Levy paid by HNZN



Bills

- \$1.5 billion programme limit
- Regular fortnightly tenders
- Private placements as required





New debt sourced from the market, legacy Crown loans rolled over

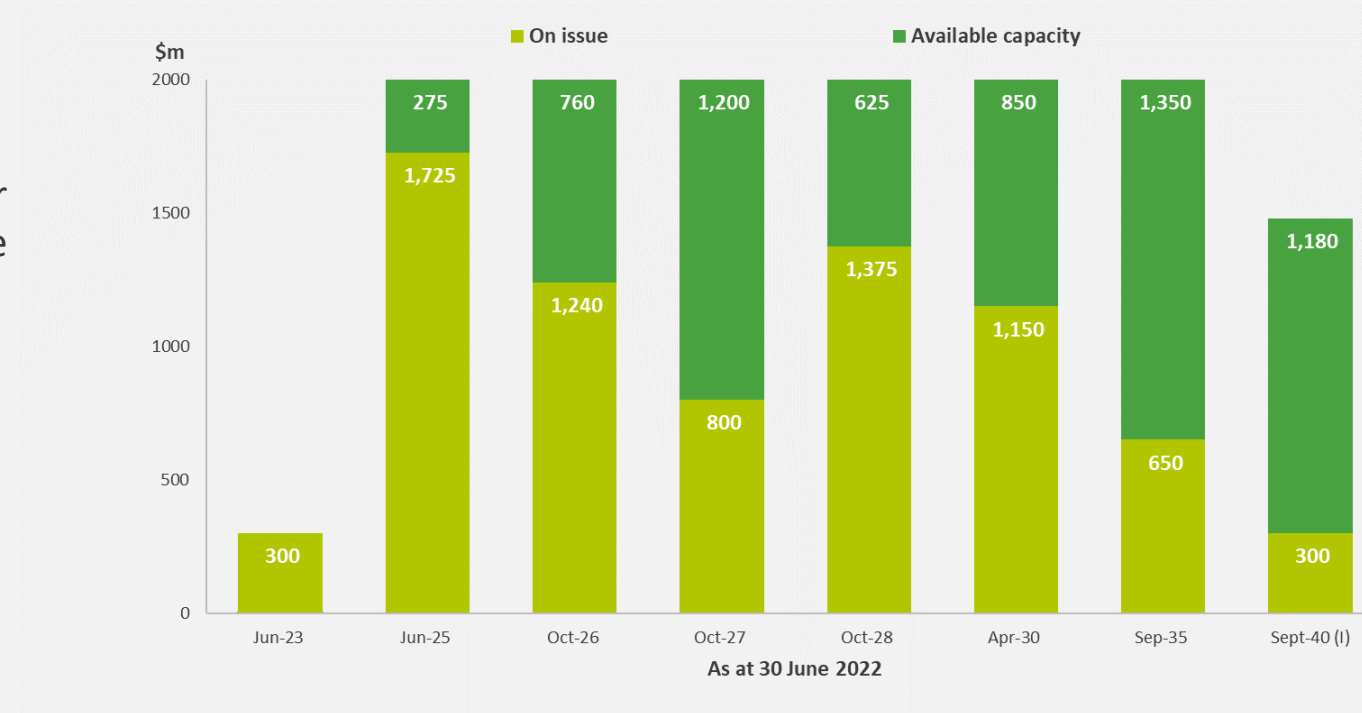
Crown loans

- Legacy loans of around \$2.0 billion
- Annual appropriation allows for refinancing

Market debt

- \$8.3 billion of debt can be sourced from the market under the Kāinga Ora Borrowing Protocol – expected to increase over time
- Annual programme around \$2.3 billion, subject to Government decisions and market conditions
- Total market debt on issue \$7.710 billion:
 - \$7,240 million nominal bonds
 - \$300 million inflation-indexed bonds
 - \$170 million bills

HNZL bonds on issue

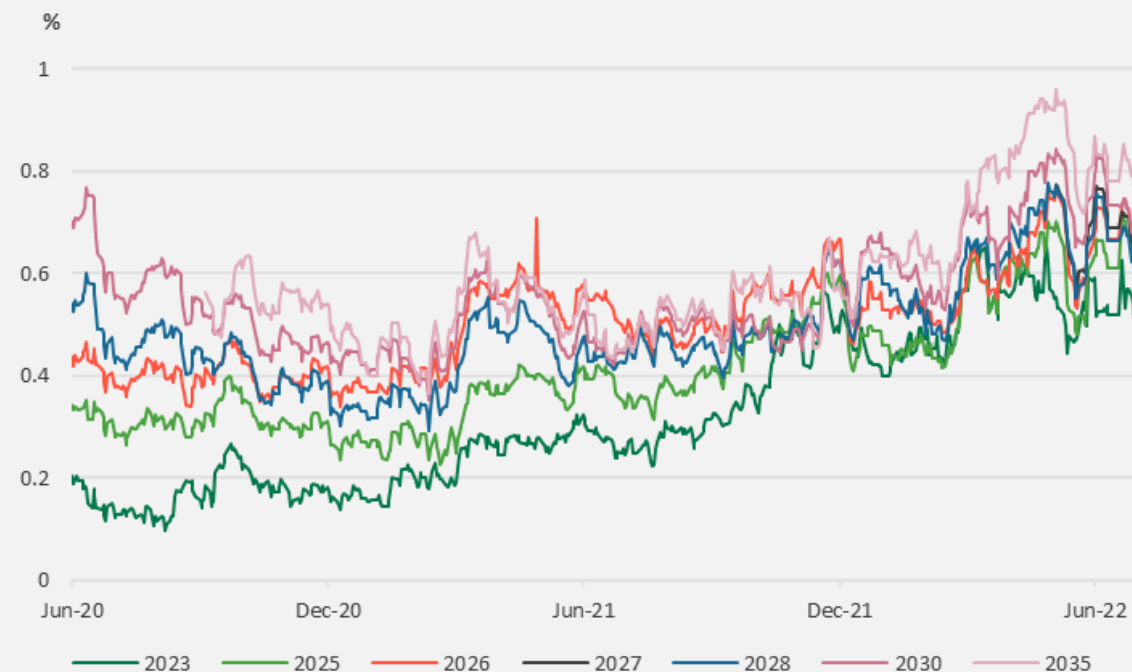


Market conditions

HNZL yield to maturity



HNZL spread to NZGB (interpolated)



Source: Bloomberg



Bond tender programme

Overview

- Monthly bond tender operated through the Yieldbroker Auction System, to complement the use of syndicated issues
- Expected to account for around half of annual issuance on an ongoing basis
- Volumes up to aggregate \$100 million per tender
- Up to three bonds offered, existing maturities only
- No reallocations across maturities if undersubscribed
- Retain option to cancel tenders


FY2021/22

Bond tender schedule to 30 June 2022

Announcement	Tender	Settlement	Volume offered (\$m)	Volume issued (\$m)
17-Jan-22	19-Jan-22	25-Jan-22	100	100
14-Feb-22	16-Feb-22	21-Feb-22	100	*Cancelled* syndicated issue
21-Mar-22	23-Mar-22	28-Mar-22	100	90
14-Apr-22	20-Apr-22	26-Apr-22	100	100
16-May-22	18-May-22	23-May-22	100	*Cancelled* syndicated issue
20-Jun-22	22-Jun-22	28-Jun-22	100	100

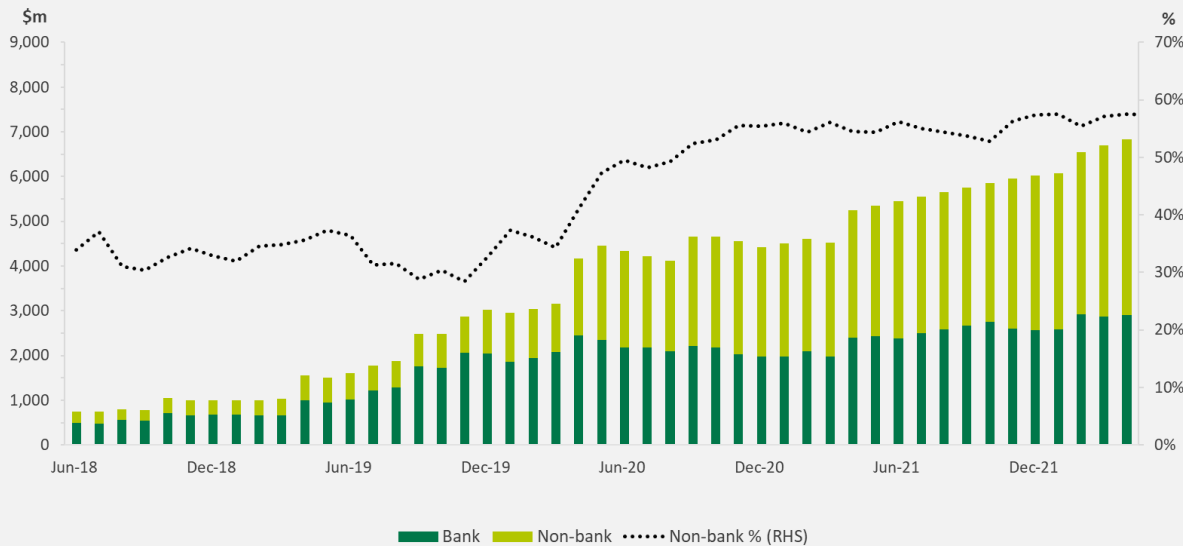
Tender announcement and results published via Bloomberg landing page <HNZL>

Diversifying our investor base

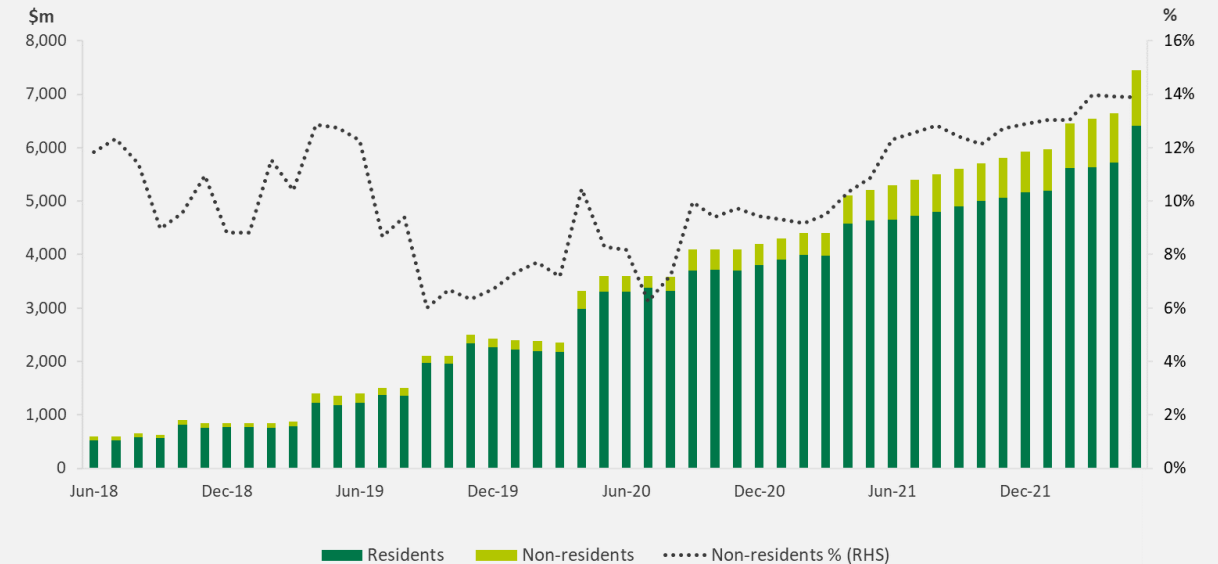
- Primary issues supported by both Bank and Fund Manager accounts
- Fund Manager  from 34% (2019) to 57%

- Offshore (non-resident) holdings on average represent ~14% of total bonds outstanding
- Noticeable offshore investor enquiry

Bank / Non-bank holdings of HNZN bonds



Domestic / Offshore holdings of HNZN bonds



Source: The Reserve Bank of New Zealand



Demonstrating strong ability to service financing requirements

Expenses

	2021		2020	
	\$m	% Total	\$m	% Total
Repairs and maintenance	412	24%	359	24%
Depreciation and amortisation	337	20%	301	20%
Personnel	201	12%	176	12%
Rates	182	11%	171	12%
Interest expenses	162	10%	135	9%
Grants	80	5%	78	5%
Third-party rental leases	70	4%	67	4%
Other expenses	243	14%	206	14%
Total	1,687	100%	1,493	100%

Revenue

	2021		2020	
	\$m	% Total	\$m	% Total
Rental revenue - income-related rent subsidy (IRRS)	1,044	60%	959	59%
Rental revenue - tenants receiving IRRS	390	23%	390	24%
Crown appropriation revenue	115	7%	103	6%
Other	172	10%	162	11%
Total	1,721	100%	1,614	100%



90% of revenue from Crown



Strong, stable and consistent financial performance

Financial Performance

Year ended (NZ\$m)	Jun-21	Jun-20	Jun-19
Revenue	1,721	1,614	1,464
Expenses	1,188	1,057	959
EBITDA	533	557	505
Depreciation and amortisation	337	301	287
EBIT	196	256	218
Net Interest expense	162	135	106
Tax	52	32	(24)
Gains/(losses)	(134)	(147)	(76)
Net profit after tax	(152)	(58)	60

Cash Flow

Year ended (NZ\$m)	Jun-21	Jun-20	Jun-19
Operating cash flow	231	184	294
Investing cash flow	(1,610)	(2,968)	(1,404)
Financing cash flow	1,191	2,909	883

Financial Position

As at (NZ\$m)	Jun-21	Jun-20	Jun-19
Total assets	40,905	32,934	28,996
Total liabilities	10,556	8,964	6,072
Total equity	30,349	23,970	22,924
Total debt	7,627	6,439	3,536

Credit Metrics

As at (NZ\$m)	Jun-21	Jun-20	Jun-19
Liabilities / Assets	25.8%	27.2%	20.9%
Debt / Assets	18.6%	19.6%	12.2%
Debt / EBITDA	14.3	11.6	7.0
EBITDA / net interest expense	3.3	4.1	4.8



Retain strong standalone credit metrics on gearing & serviceability

Strong and stable credit

Largest
residential property
owner and developer
in New Zealand

Critical
to the delivery
of Government's
urban development
programmes



Domestic currency
credit ratings
AAA / Aaa



90% of income
received from
the Crown



Conservative
Treasury policies





Investor relations

News, credit ratings, borrowing programmes, Sustainability Financing Framework, and more

<https://kaingaora.govt.nz/investor-centre>

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