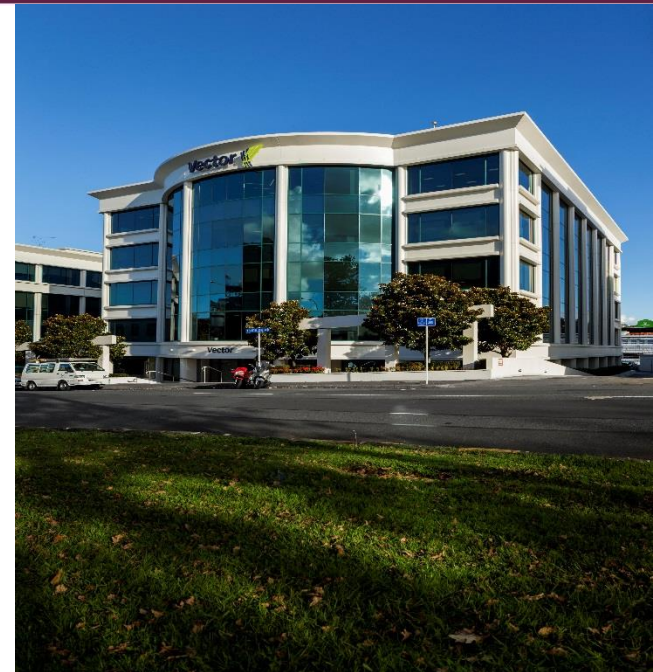




Half Year Results Presentation

Argosy Property Limited | 16 November 2015



Disclaimer



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All values are expressed in New Zealand currency unless otherwise stated.

November 2015

CLEAR

STRATEGY

Highlights



Highlights of 1H16

Argosy

- ▶ Gross distributable income increased to \$30.1 million (increase of 9.3%)
- ▶ Net distributable income increased to 3.10 cents per share (increase of 5.1%)
- ▶ Net property income increased to \$48.6 million (increase of 11.1%)
- ▶ Portfolio revaluation gain of \$27.6 million (increase of 2.1%)
- ▶ Occupancy (by rental) at 99.4%
- ▶ Weighted average lease term at 5.39 years
- ▶ Acquisition of 8 Nugent Street, Grafton for \$42 million
- ▶ Divestment of non Core properties

NET PROPERTY INCOME ▲

\$48.6_m

GROSS DISTRIBUTABLE INCOME ▲

\$30.1_m

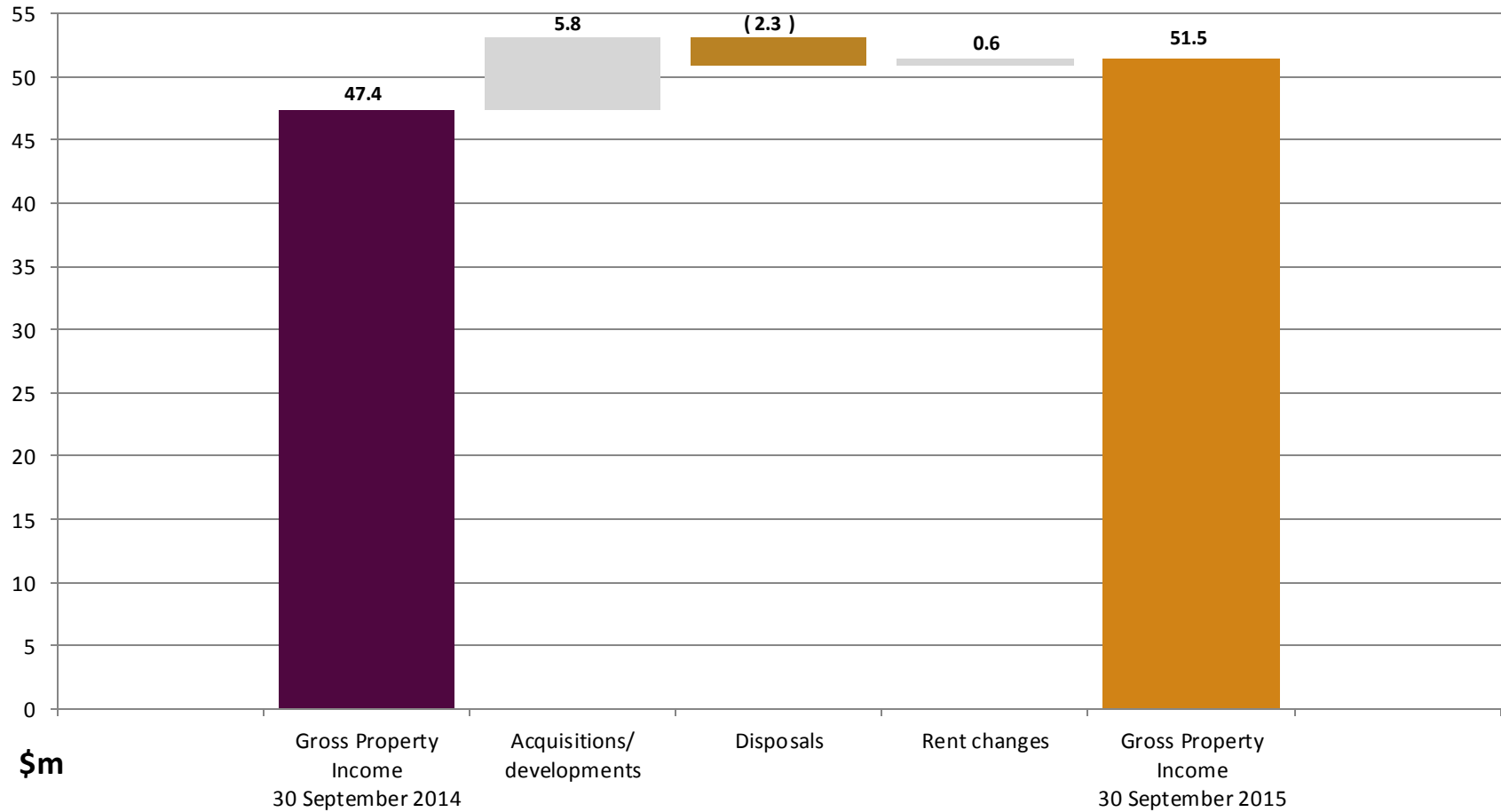
OCCUPANCY (BY RENTAL) ▲

99.4%

Financial Overview



Income Reconciliation



Financial Performance

Argosy

	HY16	HY15
Net property income	\$48.6m	\$43.8m
Administration expenses	\$(4.4m)	\$(3.8m)
Profit before financial income/(expenses) and other gains/(losses)	\$44.2m	\$40.0m
Interest expense	\$(14.2m)	\$(12.6m)
Gain/(loss) on derivatives	\$(7.8m)	\$(9.1m)
Finance income	\$0.1m	\$0.1m
Revaluation gains	\$27.6m	\$24.9m
Realised gains/(losses) on disposal	\$0.8m	\$(0.5m)
Unrealised loss on non-current assets held for sale	\$(0.4m)	-
Profit before tax	\$ 50.3m	\$42.8m
Taxation expense	\$(4.2m)	\$(5.2m)
Profit after tax	\$46.1m	\$37.6m
Basic and diluted earnings per share (cents)	5.74	4.74

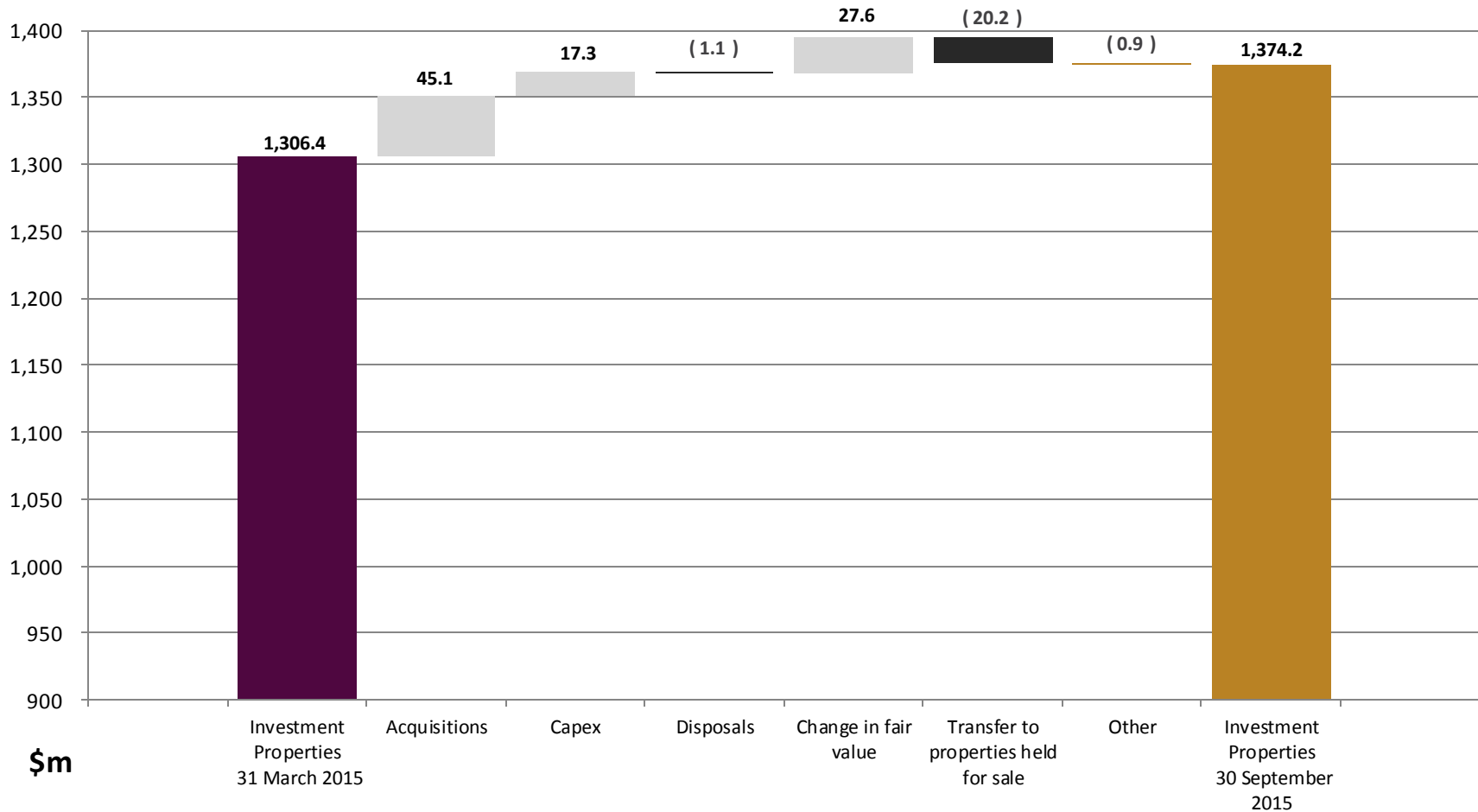
Distributable Income

Argosy

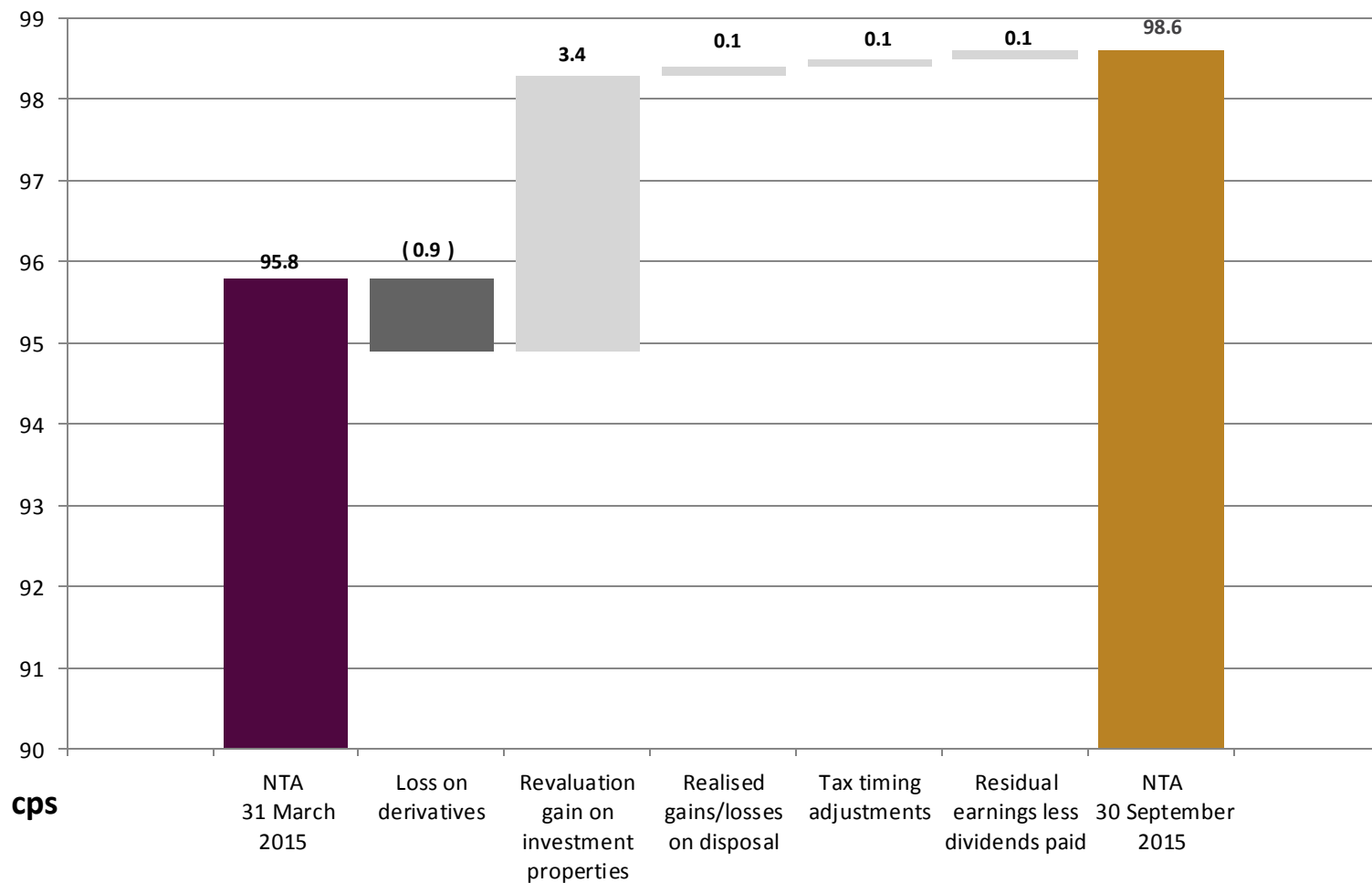
	HY16	HY15
Profit before income tax	\$50.3m	\$42.8m
Adjusted for:		
Revaluation gains	\$(27.6m)	\$(24.9m)
Unrealised loss on non-current assets held for sale	\$0.4m	-
Investment disposal losses	\$(0.8m)	\$0.5m
Derivative fair value adjustment	\$7.8m	\$9.1m
Gross distributable income	\$30.1m	\$27.5m
Depreciation recovered	\$0.1m	\$1.6m
Tax paid	\$(5.3m)	\$(5.7m)
Net distributable income	\$24.9m	\$23.4m
Weighted average number of ordinary shares	803.5m	793.1m
Gross distributable income per share (cents)	3.74	3.47
Net distributable income per share (cents)	3.10	2.95

Investment Properties

Argosy



Movement in NTA per share



	HY16	FY15	HY15
Investment properties	\$1,374.2m	\$1,306.4m	\$1,222.6m
Other assets	\$22.8m	\$6.8m	\$51.7m
Total assets	\$1,397.0m	\$1,313.2m	\$1,274.3m
Bank debt (excl. capitalised borrowing costs)	\$548.4m	\$497.0m	\$474.6m
Debt to total assets ratio	39.3%	37.8%	37.2%

- ▶ Following the settlement of properties held for sale (totalling \$20.3 million), gearing is expected to decrease to approximately 38.3%.
- ▶ The gearing ratio is expected to be in the order of 38.0% as at 31 March 2016.

	HY16	FY15	HY15
Weighted average fixed interest rate (excl. margin & line fees)	4.52%	4.54%	4.53%
Weighted average interest rate	5.12%	5.60%	5.72%

- ▶ The weighted average duration of the bank facility is 3.75 years at 30 September 2015.
- ▶ The weighted average duration of swaps is 8 years at 30 September 2015.
- ▶ ICR is 3.08x at 30 September 2015.
- ▶ Argosy continues to maintain strong relationships with its banking partners, ANZ Bank New Zealand Limited, Bank of New Zealand and The Hongkong and Shanghai Banking Corporation Limited, and remains well within its banking covenants.

- ▶ Based on current projections, the FY16 dividend will be maintained at 6 cents per share, fully payable from net distributable income.
- ▶ Again, based on current projections, it is expected that the dividend will increase in FY17.

Portfolio Overview



Industrial

Argosy

NUMBER OF BUILDINGS

40

BOOK VALUE OF ASSETS (\$M)

\$527.1

VACANCY FACTOR (BY RENT)

0.2%

WALT (YEARS)

5.83

PASSING YIELD

7.49%



Office

Argosy

NUMBER OF BUILDINGS

17

BOOK VALUE OF ASSETS (\$M)

\$540.8

VACANCY FACTOR (BY RENT)

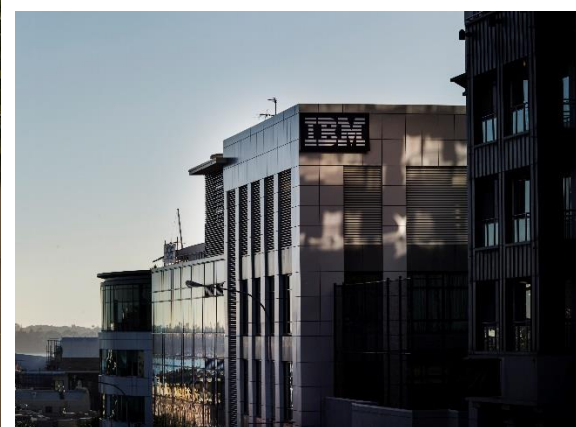
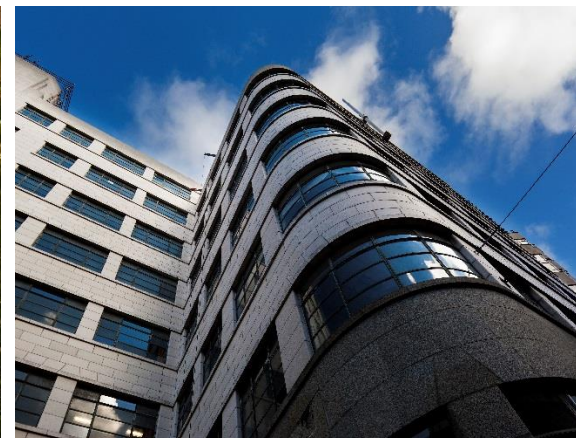
0.9%

WALT (YEARS)

5.25

PASSING YIELD

7.50%



Retail

Argosy

NUMBER OF BUILDINGS

10

BOOK VALUE OF ASSETS (\$M)

\$306.3

VACANCY FACTOR (BY RENT)

0.8%

WALT (YEARS)

4.89

PASSING YIELD

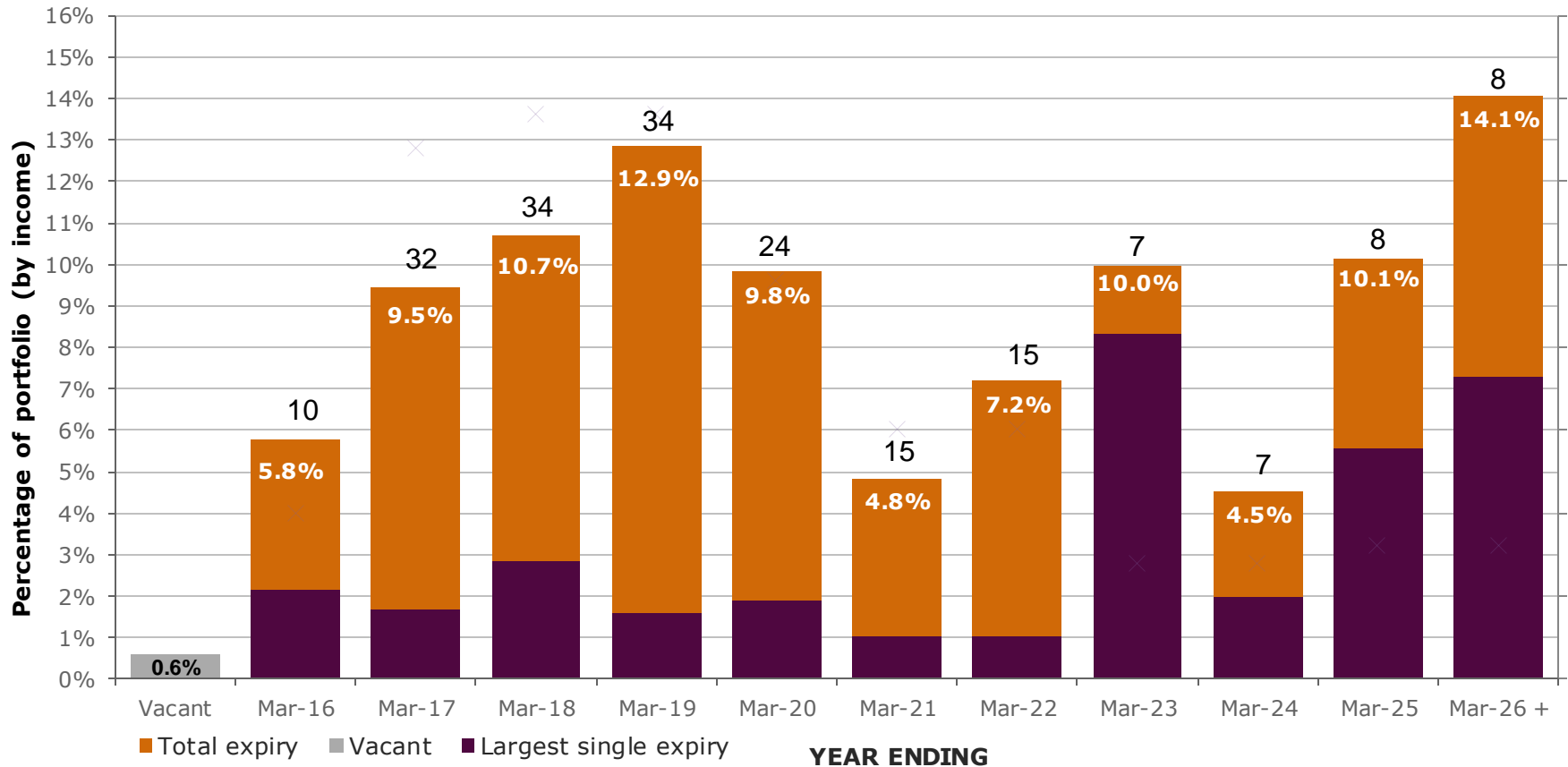
7.48%



- ▶ The global economy still faces uncertainty with moderate growth and volatility in financial markets.
- ▶ The New Zealand economy looks encouraging with stabilising domestic data and consumer confidence on the rise, despite sharp declines in commodity prices and the exchange rate earlier in the year.
- ▶ The Reserve Bank is expected to cut interest rates again in 2015.
- ▶ Strong growth in the prime Auckland office market due to a scarcity of space, secondary office rental growth is exceeding that of prime.
- ▶ Net effective rental growth being driven by further incentive reductions as well as market rental growth.
- ▶ There has been limited rental growth in the industrial sector as the market shows the effects of firming capitalisation rates.
- ▶ The large weight of capital seeking a return continues to compress property yields.
- ▶ Good quality stock that meets modern requirements is relatively more attractive in Wellington, driving up market rents and firming yields for well located, structurally sound CBD properties.

- ▶ Occupancy, tenant retention and lease expiries remain key focus areas for the asset management team.
- ▶ Occupancy (by rental) has remained at a very high level at 99.4% compared to 99.2% at March 2015.
- ▶ Outstanding lease expiries for the period to 31 March 2016 have reduced to 5.8% from 11.8% at 31 March 2015.
- ▶ During the period, 26 lease transactions were completed, including 12 new leases and 14 lease renewals and extensions.
- ▶ The weighted average lease term is 5.39 years, which remains stable from 5.54 years at 31 March 2015.

Lease Maturity

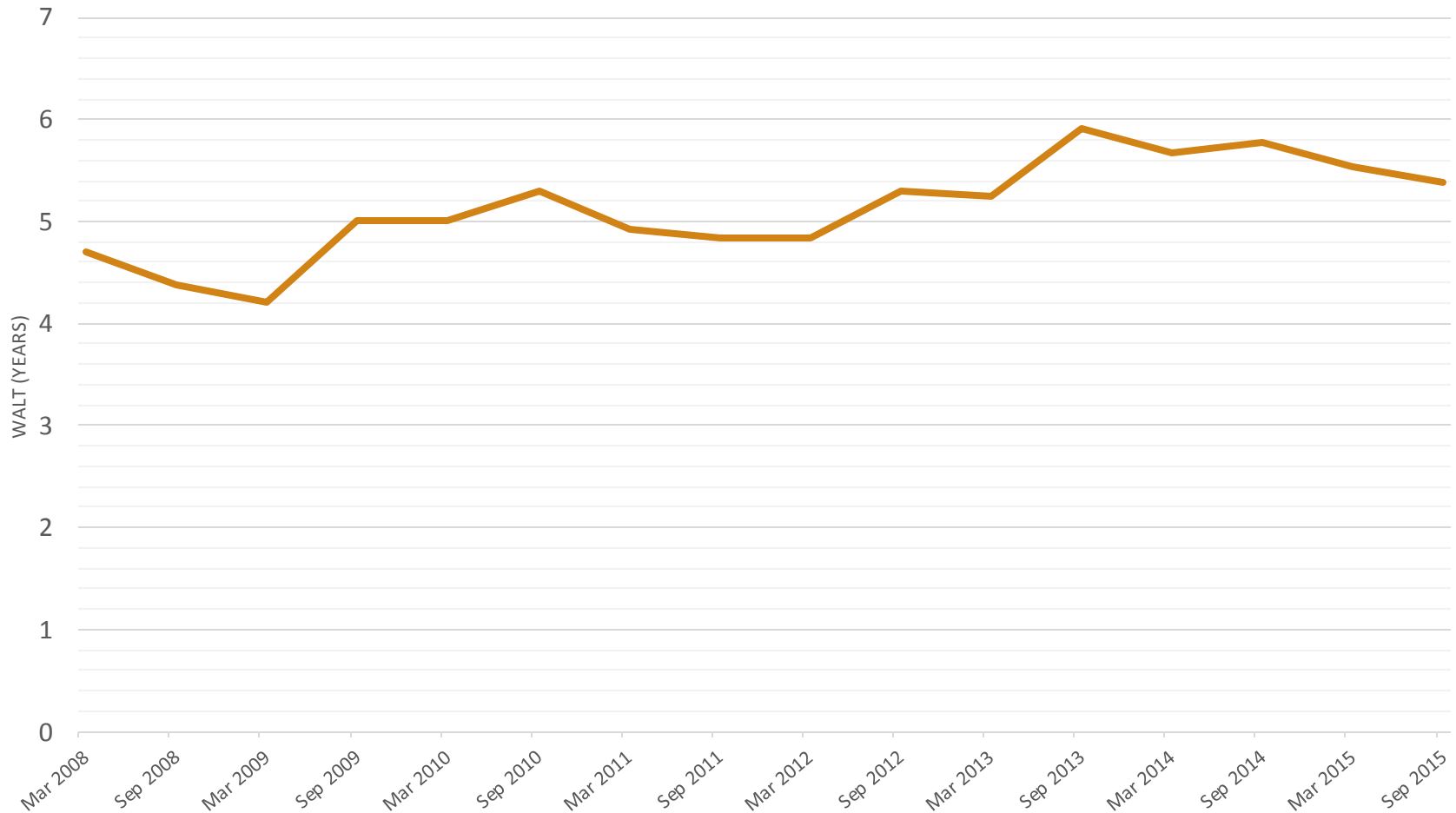


The number above each bar denotes the total tenant expiries per year (excludes monthly car parks, tenants with multiple leases within one property and properties held for sale)

Weighted Average Lease Term

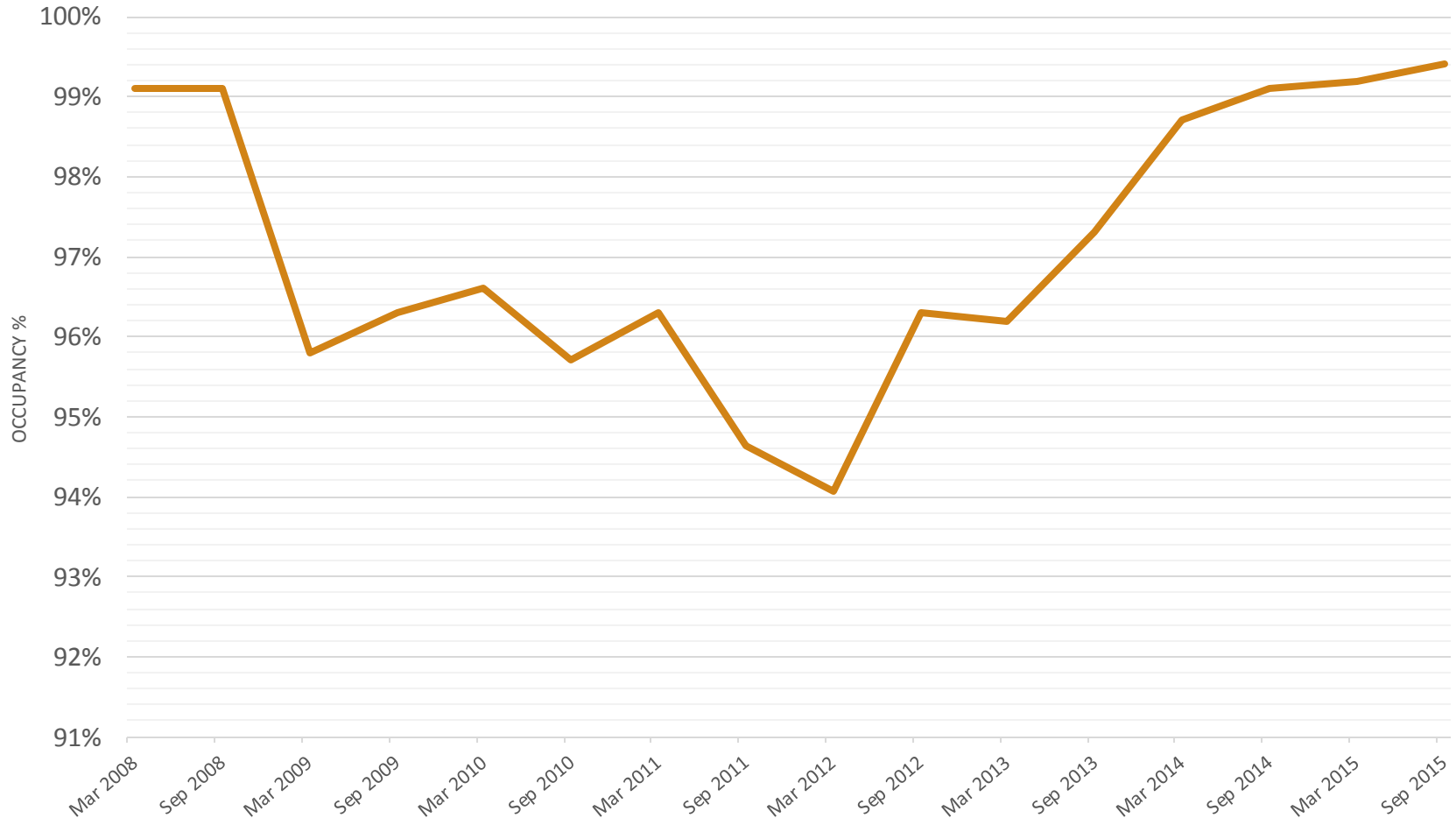


WALT remains in a strong position at 5.39 years



Occupancy (by rental)

Occupancy remains at historically high level at 99.4%



Developments

Argosy has a five-year evergreen lease with NZ Post from the development completion date at 7-27 Waterloo Quay in Wellington. Notwithstanding this lease, the requirements of NZ Post have changed and subsequently progress on the development has slowed as we work with NZ Post to determine their future requirements.

The property at Foundry Dr, Christchurch, which was damaged during the earthquakes in 2010 & 2011, is being redeveloped. The total spend is \$7.5 million with completion expected in late 2016.



- ▶ Increase in property valuations of \$27.6 million, up 2.1% on book values immediately prior to the revaluation.
- ▶ The desktop valuation was performed due to evidence of a firming in capitalisation rates over the first six months of this financial year.
- ▶ The portfolio is now valued at \$1.374 billion.
- ▶ Post revaluation Passing Yield of 7.49% and Fully Let Market Yield of 7.36%.

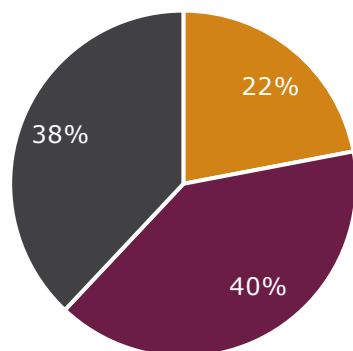
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Strategy



Portfolio Mix as at 30 September 2015

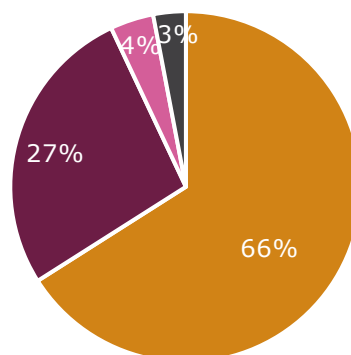
TOTAL PORTFOLIO VALUE BY SECTOR



Target

■ Retail	15 – 25%
■ Office	35 – 45%
■ Industrial	35 – 45%

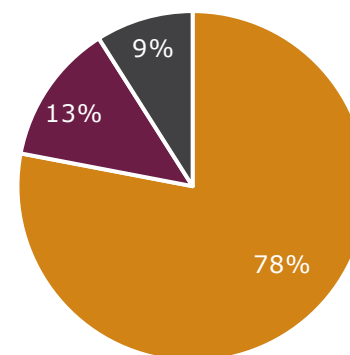
TOTAL PORTFOLIO VALUE BY REGION



Target

■ Auckland	65 – 75%
■ Wellington	20 – 30%
■ Palmerston North	
■ Other regional	

PORTFOLIO MIX



Target

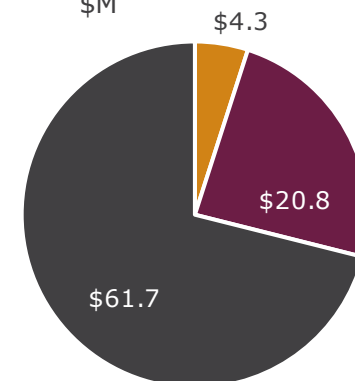
■ Core	75 – 85%
■ Value Add properties	
■ Properties and land to divest	

- ▶ Argosy's strategy has not changed.
- ▶ We have a clear investment strategy marked by a diversified portfolio of desirable properties that attract high-quality, long-term tenants.
- ▶ The Board's policy is for debt to total assets to be between 35 to 40% in the medium term.
- ▶ The debt to total assets ratio was 39.3% as at 30 September 2015. Following the settlement of properties held for sale (totalling \$20.3 million), gearing is expected to decrease to approximately 38.3%.
- ▶ The gearing ratio is expected to be in the order of 38.0% as at 31 March 2016.

Divestments

- ▶ Divestment of vacant land and non-Core assets will continue to be a key strategy for the company. The sale of vacant land at the Manawatu Industrial Park remains a focus.
- ▶ The Porirua Mega Centre, 65 Upper Queen Street, Auckland and 7 El Prado Drive, Palmerston North have all been sold with settlement occurring after 30 September 2015. Porirua has subsequently settled and 65 Upper Queen Street and 7 El Prado Drive will settle in December 2015.
- ▶ 11,000 square metres of vacant land at the Manawatu Industrial Park was also settled in October 2015.

TOTAL DISPOSALS
FY2016
\$M



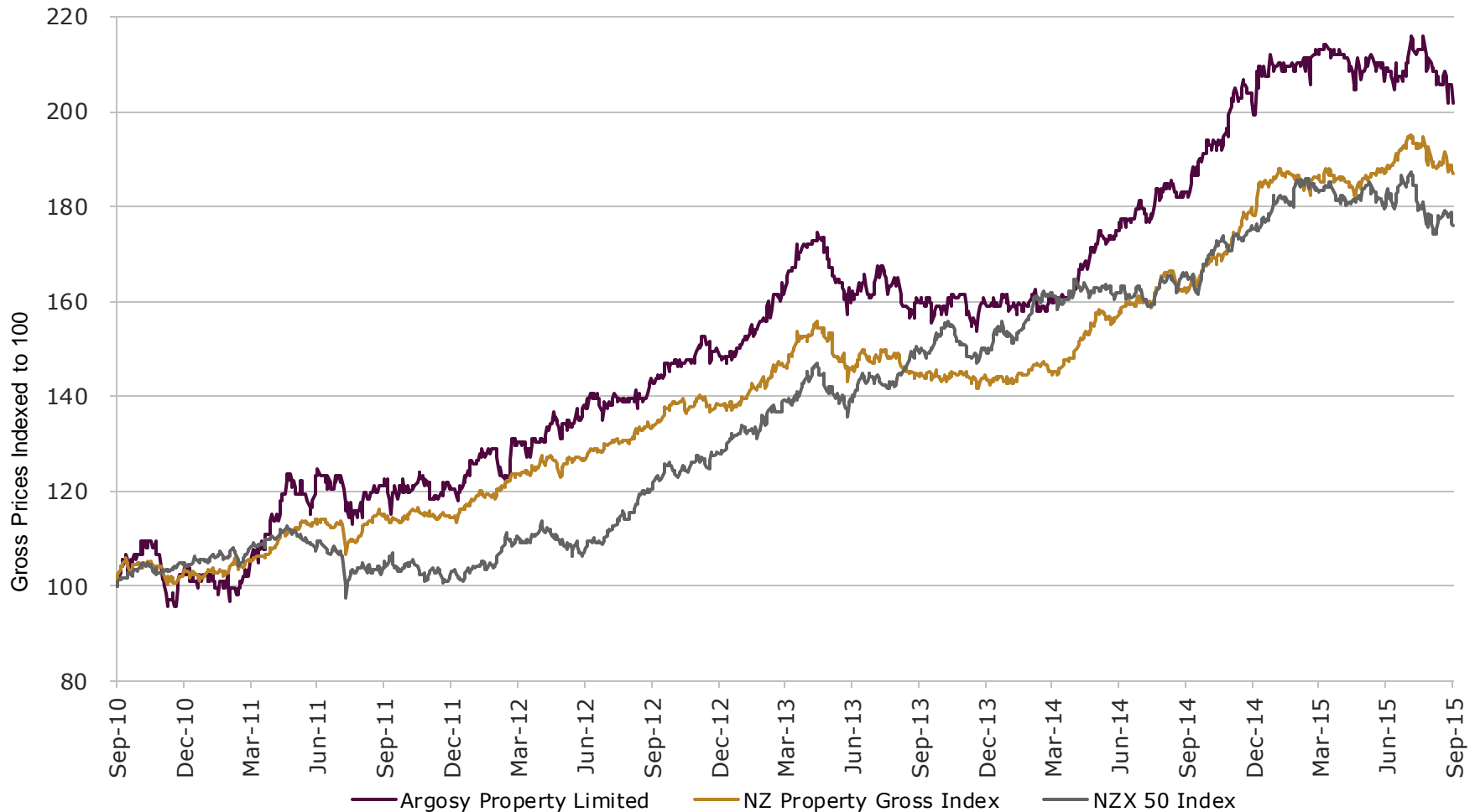
- Settled
- Unconditional
- On the Market (book value)

Property	Sale price (net of disposal costs)	Book Value	Status
1 Allens Road, East Tamaki	\$3.27m	\$3.00m	Settled
Manawatu Business Park	\$1.05m	\$0.51m	Settled
Porirua Mega Centre	\$11.25m ¹	\$11.25m ²	Settled Oct 15
Manawatu Business Park	\$1.35m	\$0.78m	Settled Oct 15
65 Upper Queen Street, Auckland	\$6.41m	\$6.41m ²	To settle in Dec 15
7 El Prado Drive, Palmerston North	\$1.76m	\$1.76m	To settle in Dec 15
Wagener Place, St Lukes		\$10.50m	On the market
Stewart Dawson's Corner, Wellington		\$15.17m	On the market
8-14 Willis Street, Wellington		\$14.24m	On the market
Manawatu Business Park		\$21.80m	On the market

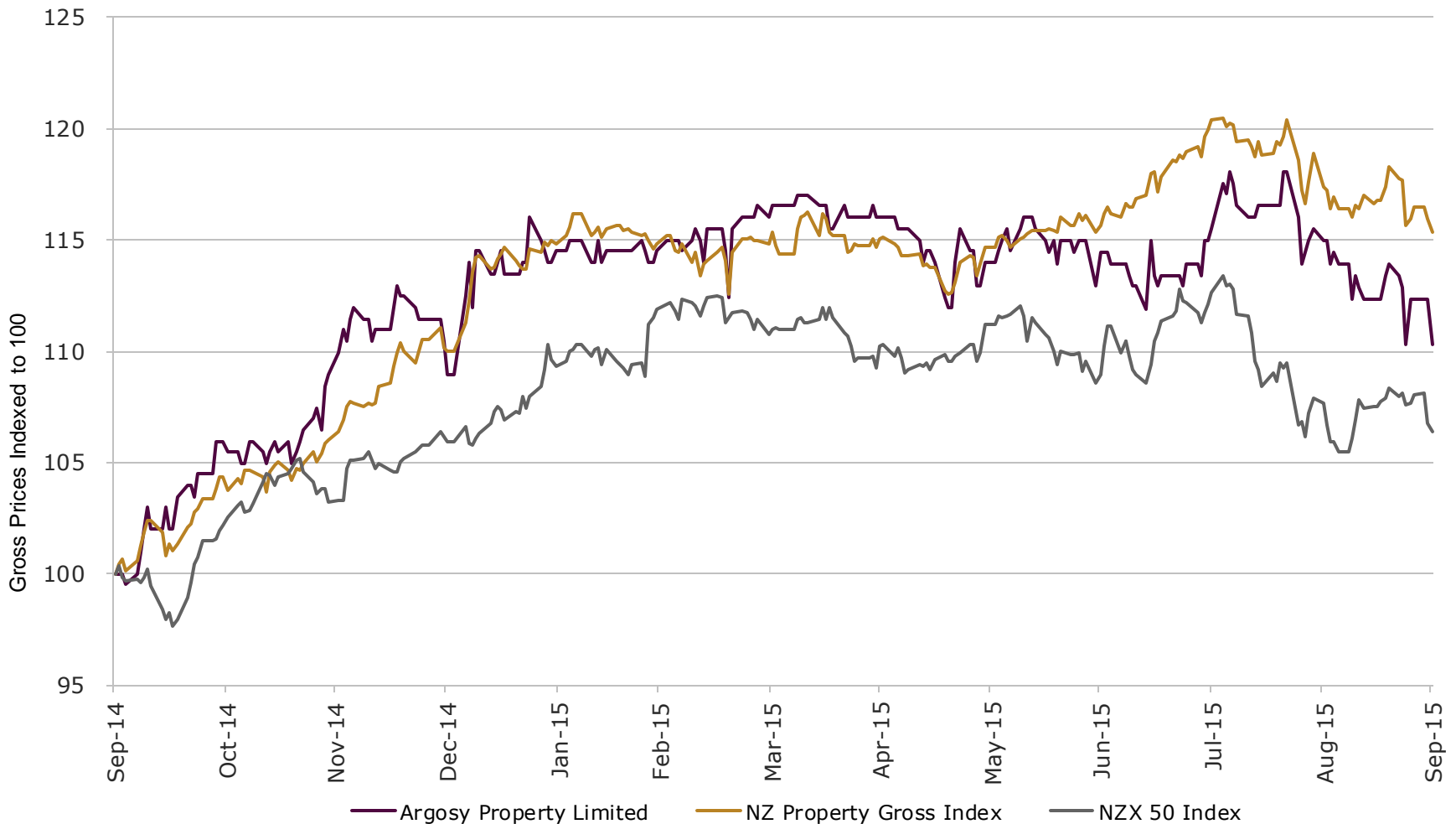
The background of the slide is a photograph of a modern, multi-story office building. The building has a curved facade on the left side and is constructed with light-colored stone or concrete panels. It features numerous windows, some of which are large and curved. The sky is a clear, bright blue. In the foreground, there are some utility poles and wires.

Total Shareholder Return

Total Shareholder return – 5 Years



Total Shareholder Return – 1 Year



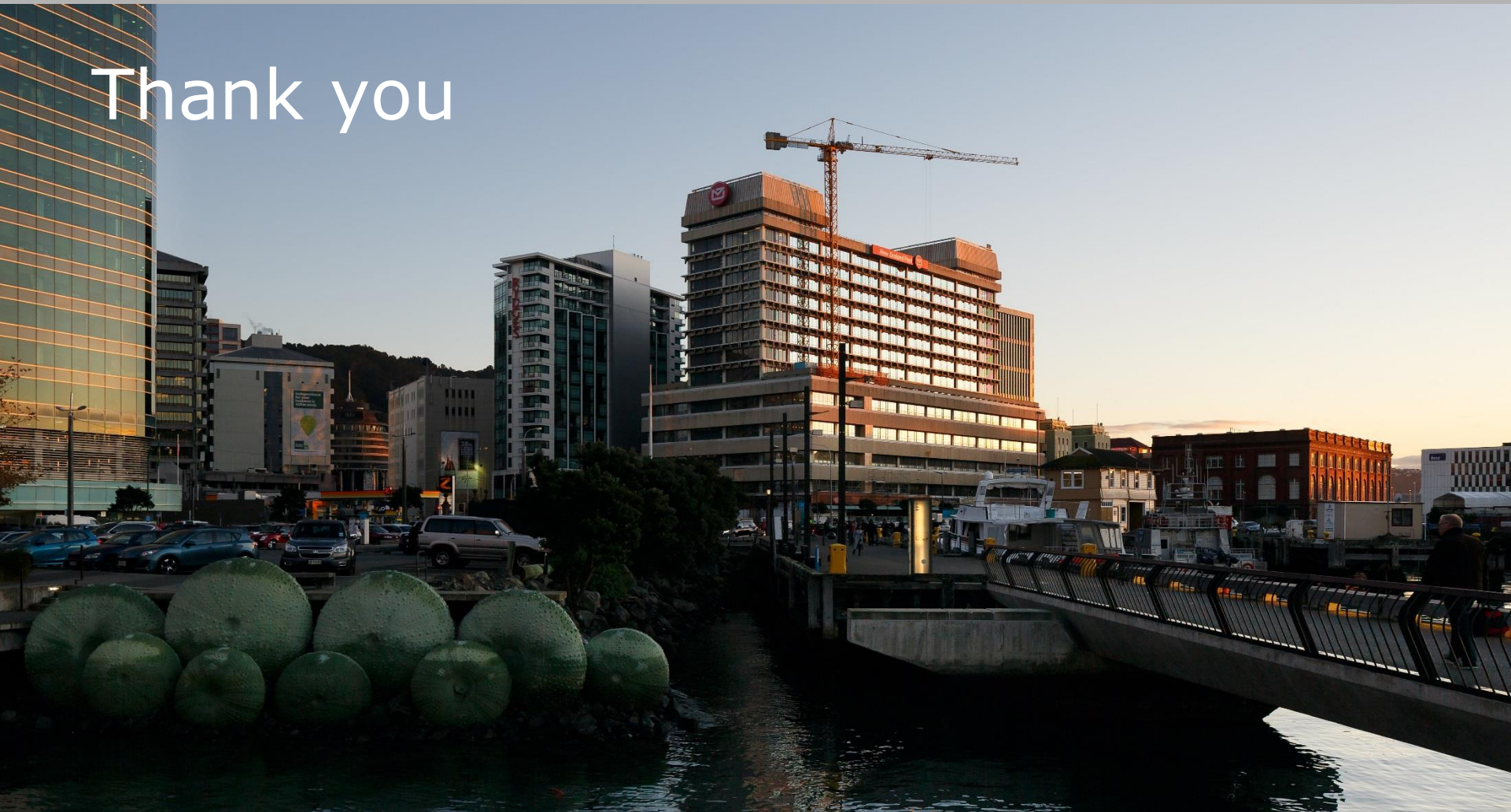
Concluding comments

Concluding comments

- ▶ Our focus remains on adhering to the strategy, maintaining the portfolio's high level of occupancy, reducing near term lease expiries and improving tenant retention rates.
- ▶ We are closely monitoring the property cycle so as to not be overexposed in the event of a downturn.
- ▶ We will also continue to look for opportunities to develop the portfolio in line with our strategy.

Argosy

Thank you



Argosy

Appendix



recall™

Portfolio Interim Valuation



By location

	31 Mar 15 Valuation	1H2016 Movement	Book value	30 Sep 15 Valuation	Δ \$	Δ %	Market Yield	
							31 Mar 15	30 Sep 15
Auckland	\$841.4m	\$42.8m	\$884.2m	\$901.9m	\$17.7m	2.0%	7.58%	7.44%
Wellington	\$365.8m	-	\$365.8m	\$376.2m	\$10.4m	2.8%	7.71%	7.33%
Palmerston North	\$55.3m	(\$2.8m)	\$52.5m	\$51.8m	(\$0.7m)	(1.4%)	5.21%	4.95%
Other regional	\$43.9m	\$0.2m	\$44.1m	\$44.3m	\$0.2m	0.5%	8.72%	8.89%
Total	\$1,306.4m	\$40.2m	\$1,346.6m	\$1,374.2m	\$27.6m	2.1%	7.55%	7.36%

By sector

	31 Mar 15 Valuation	1H2016 Movement	Book value	30 Sep 15 Valuation	Δ \$	Δ %	Market Yield	
							31 Mar 15	30 Sep 15
Industrial	\$510.4m	\$2.3m	\$512.7m	\$527.1m	\$14.4m	2.8%	7.60%	7.45%
Office	\$483.6m	\$48.7m	\$532.3m	\$540.8m	\$8.5m	1.6%	7.59%	7.37%
Retail	\$312.4m	(\$10.8m)	\$301.6m	\$306.3m	\$4.7m	1.6%	7.43%	7.20%
Total	\$1,306.4m	\$40.2m	\$1,346.6m	\$1,374.2m	\$27.6m	2.1%	7.55%	7.36%