



Interim Results Presentation

Argosy Property Limited
23 November 2016

▶ www.argosy.co.nz



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PRESENTED BY:

Peter Mence CEO



Dave Fraser CFO





Argosy is a well diversified company with a portfolio of quality properties. We have an excellent track record of re-leasing vacancies and pending expiries promptly.

Peter Mence
CEO

Highlights

Argosy



Highlights

Positive property
revaluation of
\$35.8 million

Tenant-led
developments on
track

3.82c

Net Distributable
Income per Share

\$53.7m

Net Property Income

\$36.1m

Gross Distributable
Income

97.9%

Occupancy (by rental)

4.44c

Gross Distributable
Income per Share

\$1.04

Net Tangible Assets per
Share

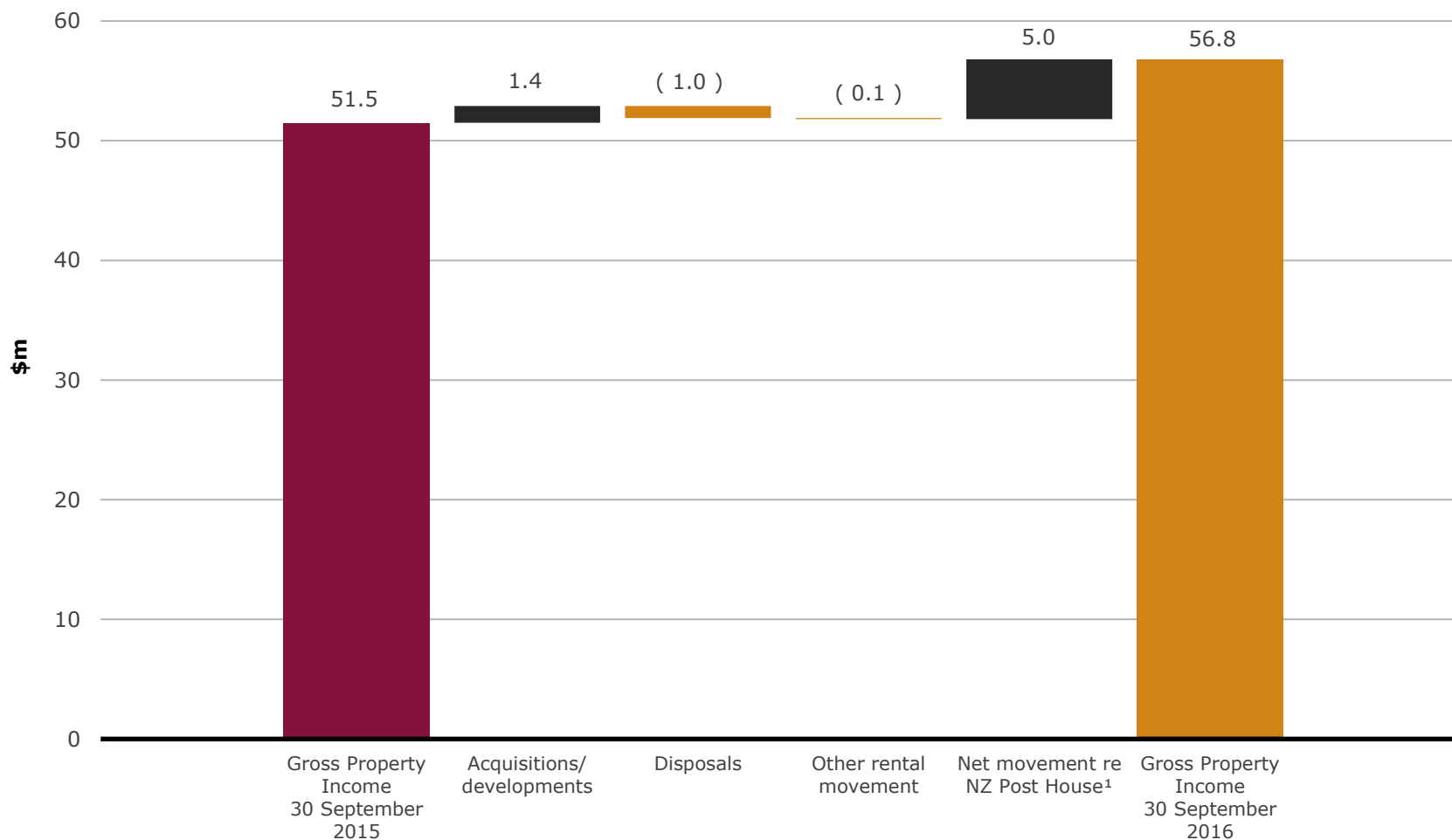
5.26y

Weighted Average
Lease Term

Financials



Income Reconciliation



¹This is the movement relating to the top three floors of NZ Post House, 7-27 Waterloo Quay, Wellington.

Financial Performance



	HY2017	HY2016
Net property income ¹	\$53.7m	\$48.6m
Administration expenses	\$(4.6m)	\$(4.4m)
Profit before financial income/(expenses), other gains/(losses) and tax	\$49.1m	\$44.2m
Interest expense	\$(13.0m)	\$(14.2m)
Gain/(loss) on derivatives	\$(9.7m)	\$(7.8m)
Finance income	-	\$0.1m
Revaluation gains	\$35.8m	\$27.6m
Realised gains/(losses) on disposal	-	\$0.8m
Unrealised loss on non-current assets held for sale	-	\$(0.4m)
Profit before tax	\$62.2m	\$50.3m
Taxation expense	\$(6.0m)	\$(4.2m)
Profit after tax	\$56.2m	\$46.1m

¹ Argosy received a surrender payment from NZ Post in respect of the lease at 7 Waterloo Quay, Wellington in 1H17. Net property income from this property in 1H17 will be \$5.4 million higher than 2H17.

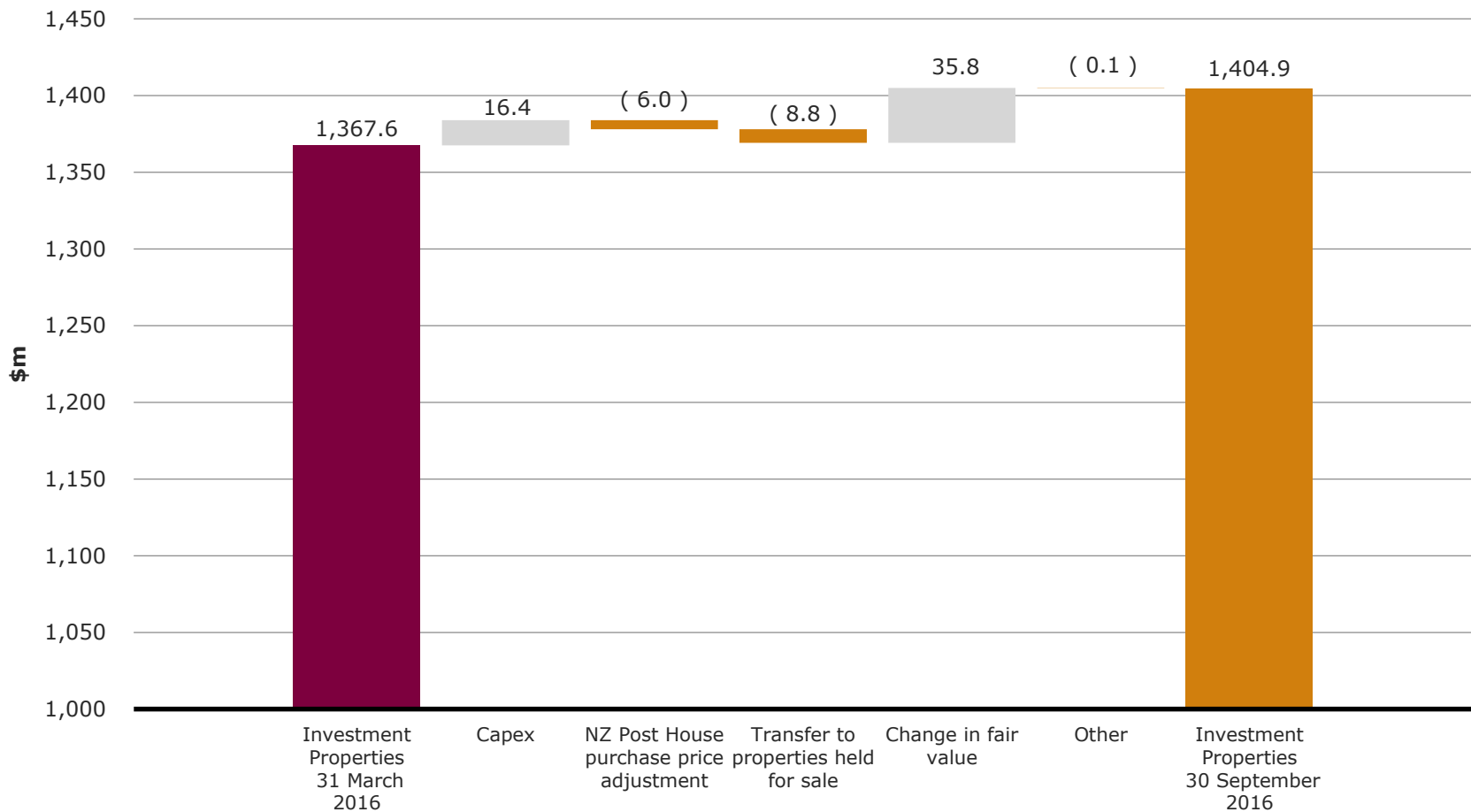
Distributable Income



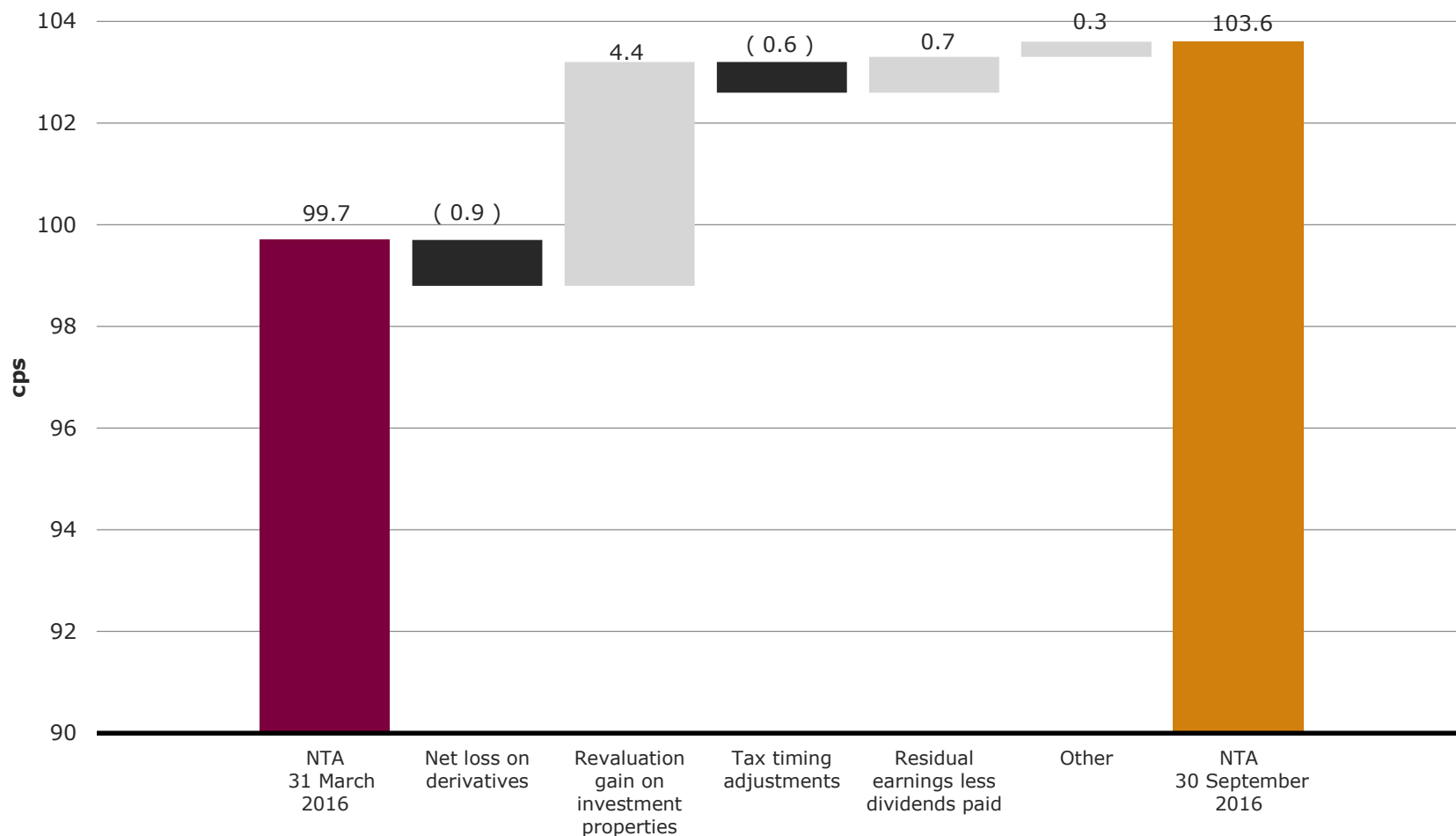
	HY2017	HY2016
Profit before income tax	\$62.2m	\$50.3m
Adjusted for:		
Revaluations gains	\$(35.8m)	\$(27.6m)
Derivative fair value loss/(gain)	\$9.7m	\$7.8m
Realised losses/(gains) on disposal	-	\$(0.8m)
Unrealised loss on non-current assets held for sale	-	\$0.4m
Gross distributable income	\$36.1m	\$30.1m
Depreciation recovered	-	\$0.1m
Tax paid	\$(5.0m)	\$(5.3m)
Net distributable income	\$31.1m	\$24.9m
Weighted average number of shares on issue	813.8m	803.5m
Gross distributable income per share (cents)	4.44	3.74
Net distributable income per share (cents)	3.82	3.10

The net incremental after tax impact of the surrender payment for the full year is expected to be approximately 0.39 cents per share.
Full year tax paid is expected to be 16-17% of gross distributable income.

Investment Properties



Movement in NTA per share



	HY2017	FY2016
Investment properties	\$1,404.9m	\$1,367.6m
Assets held for sale	\$8.8m	-
Other assets	\$6.6m	\$7.3m
Total assets	\$1,420.3m	\$1,374.9m
Bank debt (excl. capitalised borrowing costs)	\$504.0m	\$503.9m
Debt-to-total-assets ratio	35.5%	36.7%

- The Board's policy is for debt to total assets to be between 35 to 40% in the medium term

35.5%

DEBT-TO-TOTAL ASSETS RATIO

	HY2017	FY2016
Weighted average duration of bank facility	3.0 years	3.5 years
Weighted average interest rate (incl. margin & line fees)	5.04%	5.12%
Interest Cover Ratio	3.46x	3.17x
% of fixed rate borrowings	68%	66%
Weighted average fixed interest rate	4.56%	4.52%

- ▶ Argosy maintains 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.

5.04%

WEIGHTED AVERAGE INTEREST RATE

- ▶ The second quarter cash dividend of 1.525 cents per share has been declared, with imputation credits of 0.4291 cents per share attached, and will be paid on 21 December 2016.
- ▶ Based on current projections, it is expected that the FY17 dividend will be 6.10 cents per share, fully paid from distributable income.
- ▶ While projections beyond FY17 are heavily dependent on market conditions and the economic environment, based on current conditions, it is expected that the dividend will again modestly increase in the 2018 financial year.

6.10c

FY17 DIVIDEND GUIDANCE

21 Dec 2016

2nd QTR DIVIDEND PAYMENT DATE

- ▶ Increase in property valuations of \$35.8 million, up 2.6% on book values immediately prior to the revaluation.
- ▶ Valuation review was conducted by Colliers International, acting as independent valuer.
- ▶ The portfolio is now valued at \$1.4 billion.
- ▶ Post revaluation passing yield of 7.25% and fully let market yield of 7.30%.

\$35.8M

VALUATION GAIN

+2.6%

INCREASE

 **\$1.4B**

PORTFOLIO VALUE

Strategy Overview

Argosy



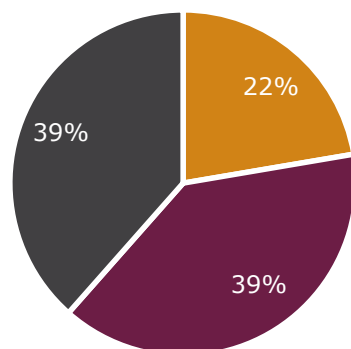
Argosy is and will remain invested in a portfolio that is diversified by sector, grade, location and tenant mix. The portfolio will be in the Auckland and Wellington markets with modest tenant-driven exposure to other markets.

Argosy's portfolio consists of "Core" and "Value Add" properties. Core properties are well constructed, well located assets with good leasing profiles that are intended to be long-term investments (>10 years). Core properties will make up 75-85% of the portfolio by value. Value add properties are well located with the potential for strong long-term tenant demand.

Argosy strives to deliver reliable and sustainable returns to shareholders. We take a considered approach to acquisition, divestment, development, leasing and capital management decisions, reflecting our proposition to shareholders as a dividend stock, with all the advantages of the PIE Regime.

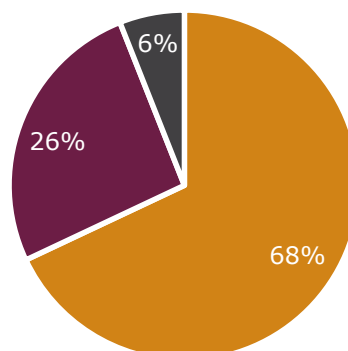
Portfolio Mix

**TOTAL PORTFOLIO VALUE
BY SECTOR**



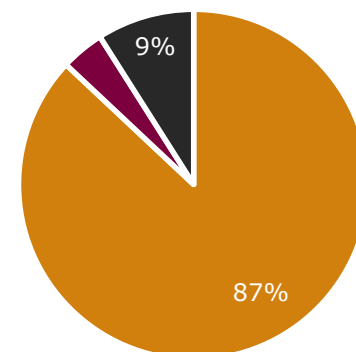
- Retail
- Office
- Industrial

**TOTAL PORTFOLIO VALUE
BY REGION**



- Auckland
- Wellington
- Regional North Island & South Island

PORTFOLIO MIX

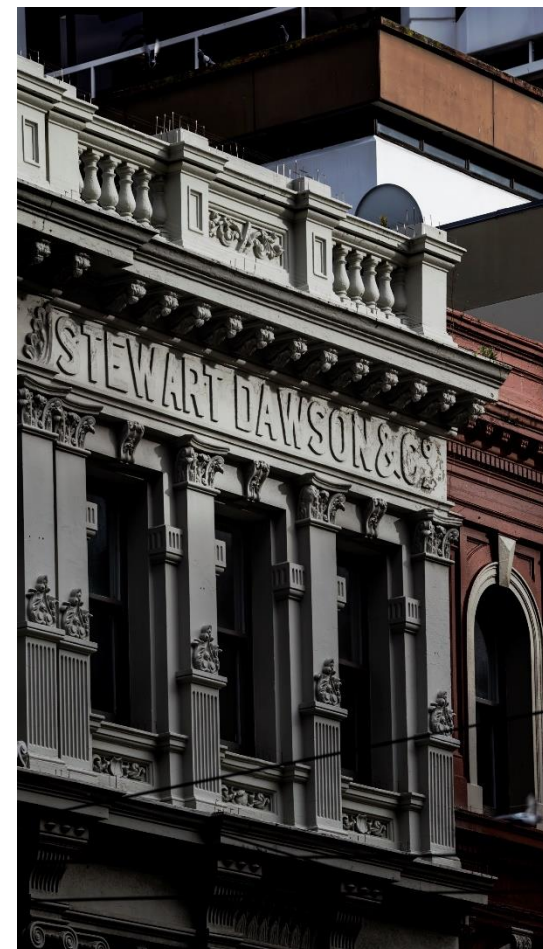


- Core properties
- Properties and land to divest
- Value Add properties

Value Add

The following properties have been designated as Value Add, which make up 9% of the total portfolio:

Property	Sector	Total cost	Book Value as at 30 Sep 16
90 - 104 Springs Road	Industrial	Auckland	\$3.94m
80 Springs Road	Industrial	Auckland	\$8.70m
211 Albany Highway	Industrial	Auckland	\$16.00m
960 Great South Road	Industrial	Auckland	\$5.65m
1 Pandora Road	Industrial	Napier	\$8.00m
8 Foundry Drive	Industrial	Christchurch	\$10.55m
99-107 Khyber Pass Road	Office	Auckland	\$7.00m
82 Wyndham Street	Office	Auckland	\$28.00m
8-14 Willis Street	Office	Wellington	\$14.45m
180-202 Hutt Road	Retail	Wellington	\$7.70m
Stewart Dawsons Cnr	Retail	Wellington	\$15.28m
TOTAL (excl. land)			\$125.27m
15 Unity Drive	Land	Auckland	\$4.16m
246 Puhinui Road	Land	Auckland	\$2.85m
56 Jamaica Drive	Land	Auckland	\$1.10m
TOTAL			\$133.38m



Industrial



NUMBER OF BUILDINGS

38

MARKET VALUE OF ASSETS (\$M)

\$540.69

OCCUPANCY (BY RENT)

97.7%

WALT (YEARS)

6.04

PASSING YIELD

7.08%



Office

NUMBER OF BUILDINGS

17

MARKET VALUE ASSETS (\$M)

\$550.60

OCCUPANCY (BY RENT)

97.6%

WALT (YEARS)

4.87

PASSING YIELD

7.36%



Retail

NUMBER OF BUILDINGS

9

MARKET VALUE OF ASSETS (\$M)

\$313.63

OCCUPANCY (BY RENT)

99.0%

WALT (YEARS)

4.67

PASSING YIELD

7.35%



Tenant-led Developments

Argosy has the following tenant-led development and acquisition pipeline:

Development	Location	Total cost	Completion	To Complete as at 30 Sept 2016
Mighty Ape ¹	Silverdale, Auckland	\$22.3m	Oct 2017	\$22.0m
New Zealand Post House	Wellington	\$13.0m	Jan 2017	\$8.6m
Placemakers	Hutt Road, Kaiwharawhara	\$9.4m	Mid 2018	\$9.4m
Foundry Drive	Christchurch	\$7.5m	Dec 2016	\$2.6m
Snickel Lane	Citibank Centre, Auckland	\$7.5m	April 2017	\$4.9m
Acquisition	Location	Total Cost	Settlement	
240 Puhinui Road	Auckland	\$22.6m	Dec 2016	\$22.6m

¹ Includes purchase of land for \$8.1m in Dec 2016.

Leasing Update



Leasing Success

- ▶ Argosy has a demonstrable track record of managing lease expiries promptly.
- ▶ Since 31 March 2016, Argosy has completed 29 leasing transactions totalling 41,416m² of net lettable area or \$7.7 million in contract rent.
- ▶ Expiries to 31 March 2017 have reduced to 7.3% of the portfolio, down from 10.1% as at 31 March 2016.
- ▶ Some of Argosy's 1H17 notable leasing successes include:

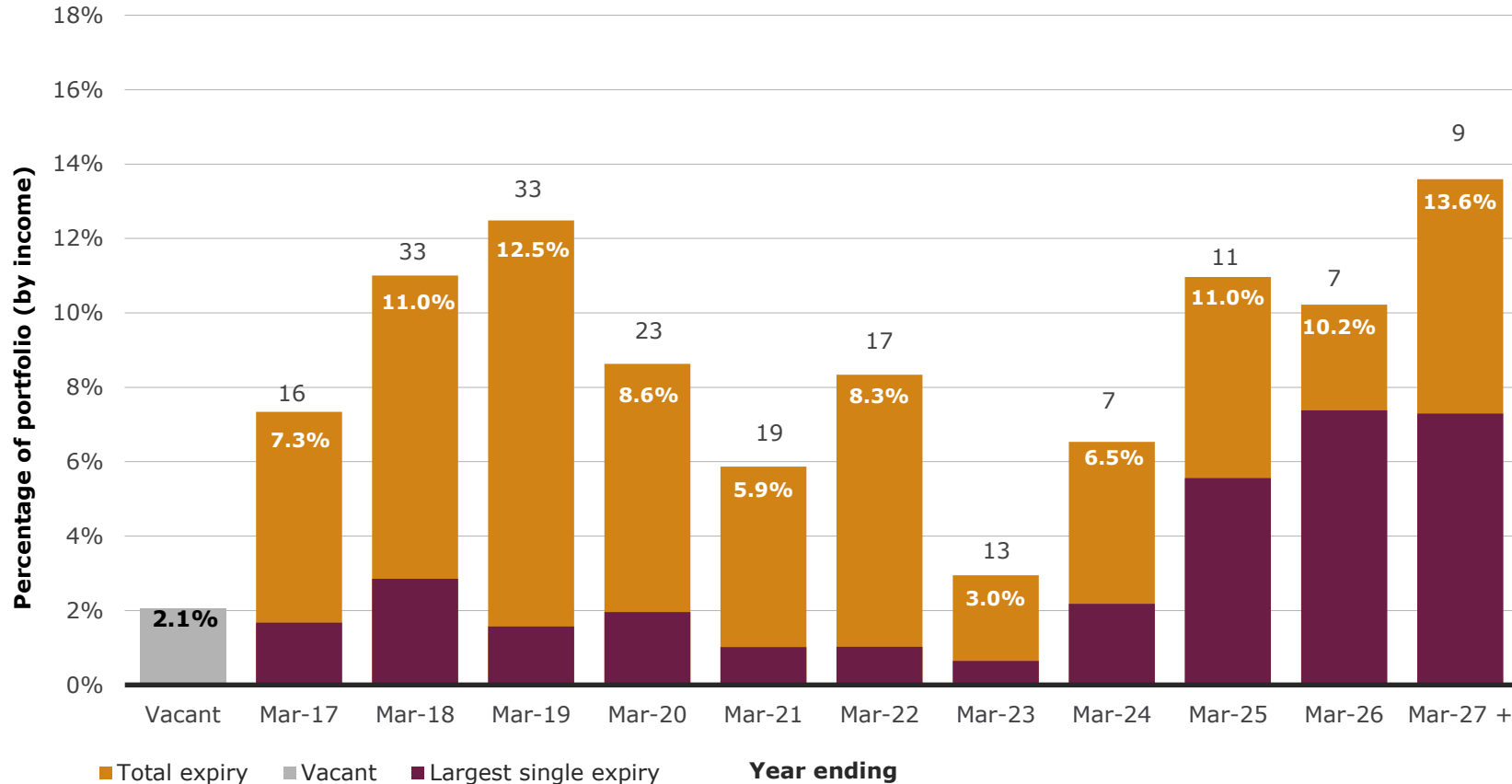
Property	Tenant	NLA (sqm)	Lease Term
17 Mayo Road	The Warehouse	13,350	10 years
Citibank Centre	Fronde	655	6 years
Albany Mega Centre	Adairs	519	8 years
Albany Mega Centre	Pricewise	606	9.75 years
Albany Mega Centre	Animates	573	6 years
1 Rothwell Ave	Mighty Ape	6,562	2 years ¹

¹ Lease renewed while Argosy's development of larger premises for Mighty Ape in Silverdale takes place.

- ▶ Some of Argosy's larger FY17 remaining lease expiries include:

Property	Tenant	NLA (sqm)	Status
320 Ti Rakau Drive	Bunnings	11,668	Good enquiry for the space
147 Gracefield Road	Linfox Logistics	8,018	Currently being marketed for lease
82 Wyndham Street	IBM NZ Limited	4,154	Good enquiry for the space

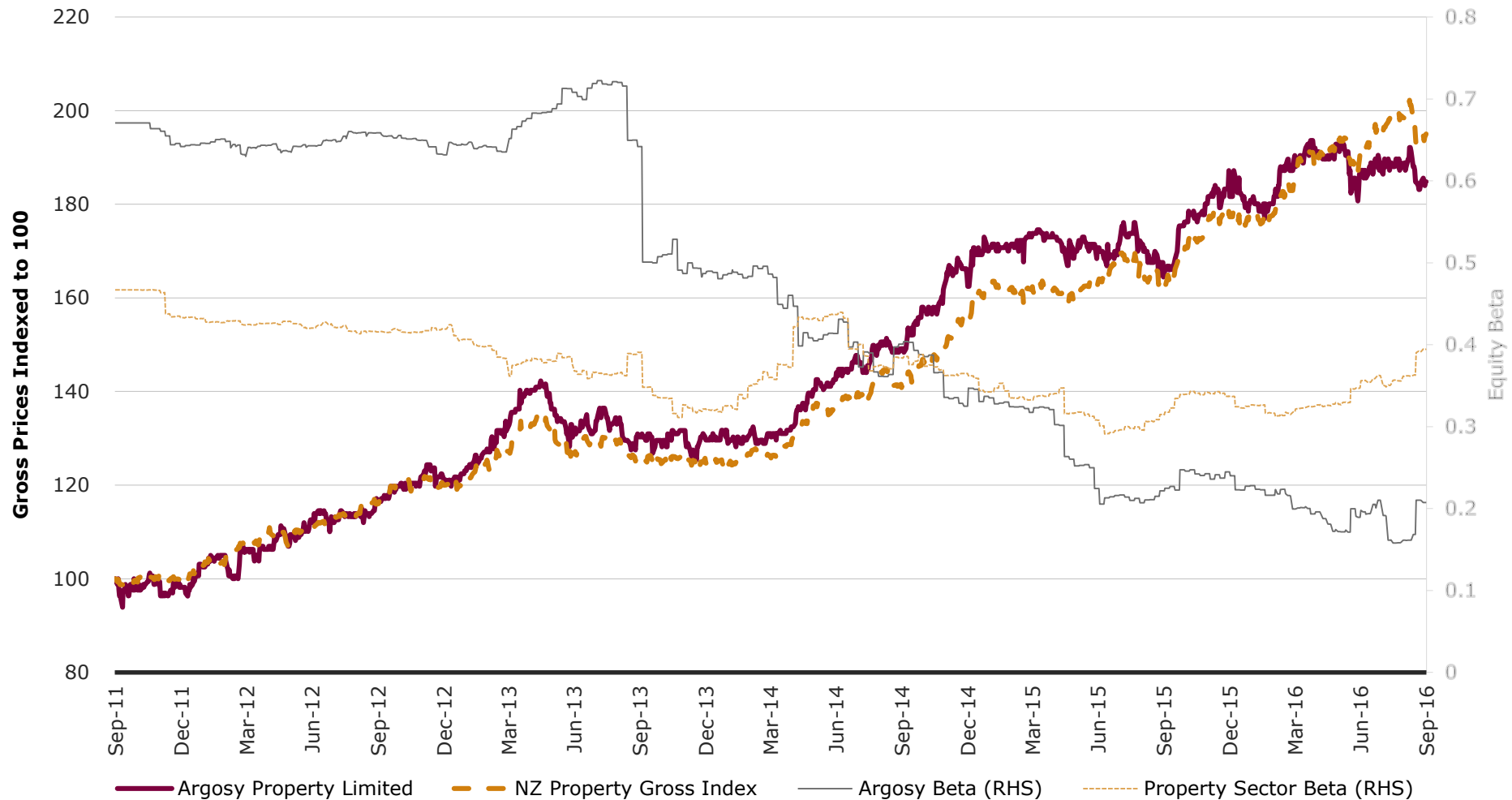
Lease Maturity



The number above each bar denotes the total tenant expiries per year (excluding monthly carparks and tenants with multiple leases within one property)

- ▶ New Zealand continues to be dominated by rising asset prices accompanying a critically imbalanced housing market. The dairy industry is gradually improving and there has been a confirmation of the boom in tourist numbers and revenues, along with promising returns from other primary sector exports.
- ▶ The low interest rate cycle in New Zealand is replicated around the globe with low, and in some countries negative, bond rates continuing to place upward pressure on asset pricing of income generating assets, which has resulted in a continuation of the trend of firming yields on property assets.
- ▶ In New Zealand, net absorption driven primarily by economic growth and modest excess capacity provide a level of confidence in the short term. There remains difficulty seeing any realistic catalysts for any short term change.
- ▶ Uncertainty from international events has the potential to solidify NZ's position as a destination.
- ▶ New supply in Auckland offices is yet to cause concern, however increased vacancy around FY2020 is projected.
- ▶ Wellington office vacancy is expected to increase and may make the city relatively attractive to businesses when house pricing is considered.
- ▶ Internet sales continue to grow. As a result, shipping companies have not benefited from the annual pre-Christmas period freight peak.
- ▶ Higher lending conditions have reduced the number of potential developers in the domestic market. This will create potential opportunities.

Total Shareholder Return/Risk



Outlook

Argosy



- ▶ We continue to operate in a low interest rate and low inflation environment, although the possibility of rising interest rates has caused nervousness around the world's stock markets.
- ▶ The economy, and thus the property market, in New Zealand however remains solid with good economic growth expected to continue.
- ▶ We remain focused as ever to addressing near term expiries within the portfolio and ensuring that the tenant retention rate remains high and the fundamentals of the portfolio remain strong.
- ▶ We will continue to take steps towards improving the quality of the portfolio.

Appendix

Argosy



Adjusted Funds from Operations (AFFO)

	HY2017	HY2016
Profit before income tax	\$62.2m	\$50.3m
Revaluations gains	\$(35.8m)	\$(27.6m)
Derivative fair value loss/(gain)	\$9.7m	\$7.8m
Realised losses/(gains) on disposal	-	\$(0.8m)
Unrealised loss on non-current assets held for sale	-	\$0.4m
Gross distributable income	\$36.1m	\$30.1m
Depreciation recovered	-	\$0.1m
Tax paid	\$(5.0m)	\$(5.3m)
Net distributable income	\$31.1m	\$24.9m
Difference between current tax expense and tax paid	\$(1.8m)	\$(1.3m)
Amortisation of tenant incentives and leasing costs	\$1.8m	\$1.9m
Funds from Operations (FFO)	\$31.1m	\$25.5m
Capitalisation of tenant incentives and leasing costs	\$(1.8m)	\$(1.8m)
Maintenance capital expenditure	\$(2.7m)	\$(2.8m)
Tax effected maintenance capital expenditure recovered through sale (from 1/4/15)	-	-
Adjusted Funds from Operations (AFFO)	\$26.6m	\$20.9m
Weighted average number of shares on issue	813.8m	803.5m
AFFO per share (cents)	3.27	2.60
Dividends paid in period	3.05	3.00
Dividend payout ratio (to AFFO)	93%	115%

AFFO is an alternative performance measure used to assist investors in assessing the Company's underlying performance and to determine income available for distribution.

Rent Reviews



Review Type	#	Previous Rent (000)	New Rent (000)	\$ Increase (000)	% Increase	Annualised \$ Increase (000)	Annualised % Increase	% of rent reviewed
TOTAL REVIEWS	52	\$24,526.7	\$25,223.2	\$696.5	2.8%	\$490.1	2.0%	-
By review type								
Market	13	\$10,108.8	\$10,316.2	\$207.4	2.1%	\$126.3	1.2%	40.9%
CPI / CPI+	13	\$6,024.9	\$6,140.8	\$115.9	1.9%	\$73.9	1.2%	24.3%
Fixed	26	\$8,393.0	\$8,766.2	\$373.2	4.4%	\$289.9	3.5%	34.8%
By sector								
Office	19	\$6,936.7	\$7,178.2	\$241.5	3.5%	\$194.4	2.8%	28.5%
Industrial	13	\$9,589.4	\$9,855.2	\$265.8	2.8%	\$151.5	1.6%	39.1%
Retail	20	\$8,000.6	\$8,189.8	\$189.2	2.4%	\$144.2	1.8%	32.4%
By location								
Auckland	43	\$20,565.0	\$21,105.0	\$540.0	2.6%	\$373.5	1.8%	83.7%
Wellington	8	\$3,761.7	\$3,888.2	\$126.5	3.4%	\$86.6	2.3%	15.4%
Regional North Island & South Island	1	\$200.0	\$230.0	\$30.0	15.0%	\$30.0	15.0%	0.9%

Rent Reviews



Review Type	#	Previous Rent (000)	New Rent (000)	\$ Increase (000)	% Increase	Annualised \$ Increase (000)	Annualised % Increase	% of rent reviewed
Auckland								
Office	15	\$4,381.6	\$4,543.8	\$162.2	3.7%	\$155.0	3.5%	18.0%
Industrial	9	\$8,530.8	\$8,731.7	\$200.9	2.4%	\$86.5	1.0%	34.7%
Retail	19	\$7,652.6	\$7,829.5	\$176.9	2.3%	\$132.0	1.7%	31.0%
	43	\$20,565.0	\$21,105.0	\$540.0	2.6%	\$373.5	1.8%	83.7%
Wellington								
Office	4	\$2,555.1	\$2,634.4	\$79.3	3.1%	\$39.4	1.5%	10.5%
Industrial	3	\$858.6	\$893.5	\$34.9	4.1%	\$35.0	4.1%	3.5%
Retail	1	\$348.0	\$360.3	\$12.3	3.5%	\$12.2	3.5%	1.4%
	8	\$3,761.7	\$3,888.2	\$126.5	3.4%	\$86.6	2.3%	15.4%
Regional North Island & South Island								
Office	-	-	-	-	-	-	-	-
Industrial	1	\$200.0	\$230.0	\$30.0	15.0%	\$30.0	15.0%	0.9%
Retail	-	-	-	-	-	-	-	-
	1	\$200.0	\$230.0	\$30.0	15.0%	\$30.0	15.0%	0.9%

Valuations



	31 Mar 16 Valuation	Movement to 30 Sep	Book Value	30 Sep 16 Valuation	Change		Market Yield	
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	%	31 Mar 16	30 Sep 16
TOTAL	1,367.6	1.5	1,369.1	1,404.9	35.8	2.61%	7.53%	7.30%
<i>By location</i>								
Auckland	920.4	0.4	920.8	954.8	34.0	3.69%	7.38%	7.12%
Wellington	372.4	0.3	372.7	371.9	(0.8)	-0.22%	7.65%	7.58%
North Island Regional & South Island	74.8	0.8	75.6	78.2	2.6	3.47%	8.71%	8.10%
<i>By sector</i>								
Industrial	507.1	3.7	510.8	540.7	29.9	5.86%	7.69%	7.26%
Office	548.6	2.5	551.1	550.6	(0.5)	-0.10%	7.62%	7.55%
Retail	311.9	(4.7)	307.2	313.6	6.4	2.08%	7.09%	6.92%

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

November 2016