

2023

Annual Meeting:

Building a Better Future

Argosy

20.06.23

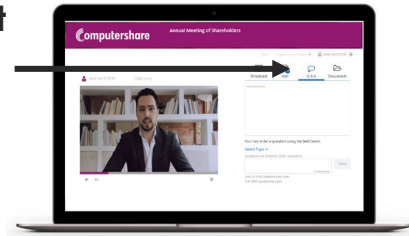


Argosy Property Limited

HYBRID AGM

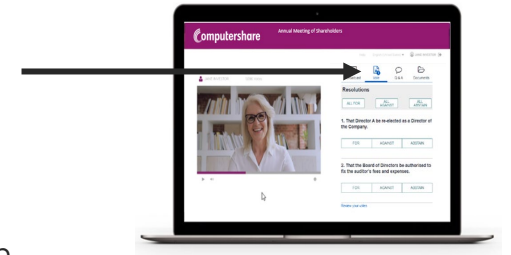
Q&A

- Any shareholder or appointed proxy / representative attending is eligible to ask questions.
- **If you wish to ask a question, select the question icon button on your computer, tablet or mobile phone, and then type and submit your question.**
- The question will then be sent to the Board to answer.
- We will try to get to as many of the questions as possible, but not all questions may be able to be answered during the meeting.
- In this case, questions will be followed up via email after the meeting.



VOTING

- We will open the poll now, to give you plenty of time to vote.
- The ability to vote will appear on your screen as a bar chart icon, and from here, the resolution and voting choices will be displayed on your device.
- **To vote, simply select your voting direction from the options shown on screen.**
- To change your vote, simply select another direction—you can cancel your vote by clicking 'Cancel'.
- You can change your vote at any time up until when the poll is closed.
- Prior to the poll closing, simply select another voting choice to change your vote.



THE BOARD



• Jeff Morrison **Chairman**



• Stuart McLauchlan **Director**



• Chris Gudgeon **Director**



• Mike Pohio **Director**



• Rachel Winder **Director**



• Martin Stearne **Director**

THE EXECUTIVE TEAM



- Peter Mence **Chief Executive Officer**



- Dave Fraser **Chief Financial Officer**

Agenda

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Note: Due to rounding, numbers presented in this presentation may not add up exactly to the totals provided and percentages may not reflect exactly absolute figures.

Chairmans Review

Argosy



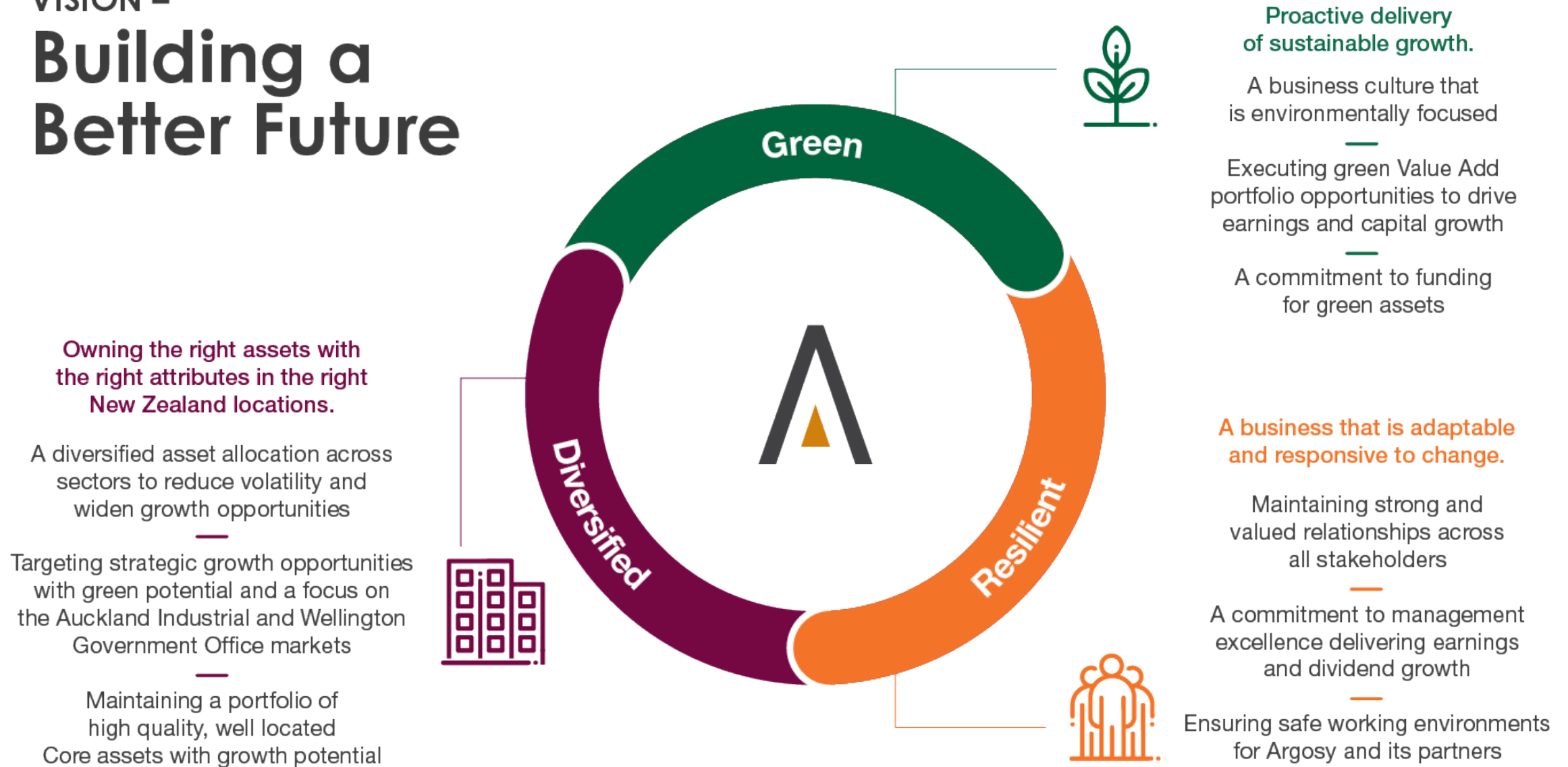
2023 Achievements

- Delivered a solid FY23 result
- Executed asset allocation strategy and portfolio repositioning
- Continued our sustainability and development strategies
- Delivered on key focus areas (key expiries and vacancies)
- Prudent capital management
- Sustained dividend

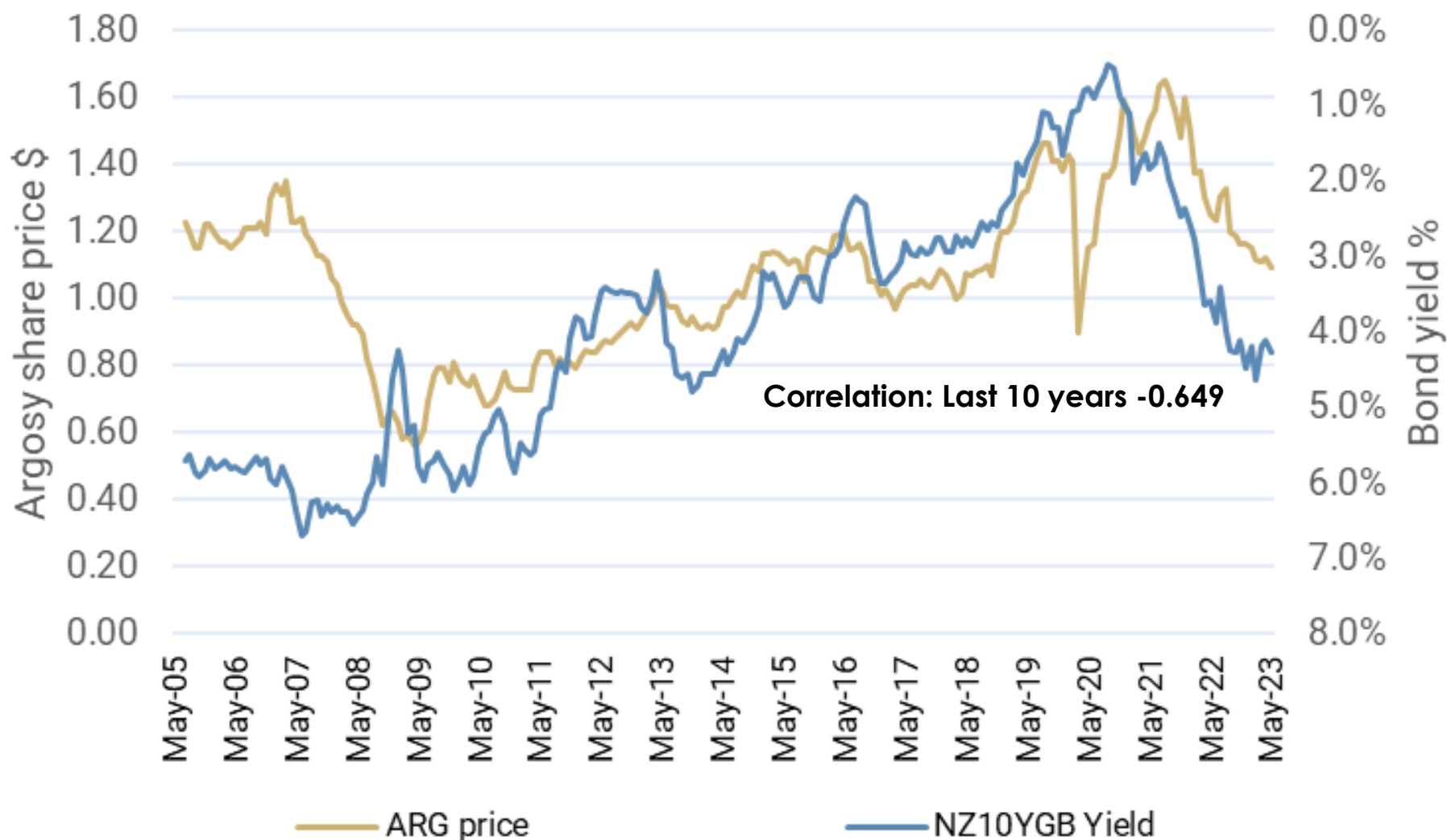


VISION –

Building a Better Future



Share Price vs 10yr Government Bonds



Source: Jarden

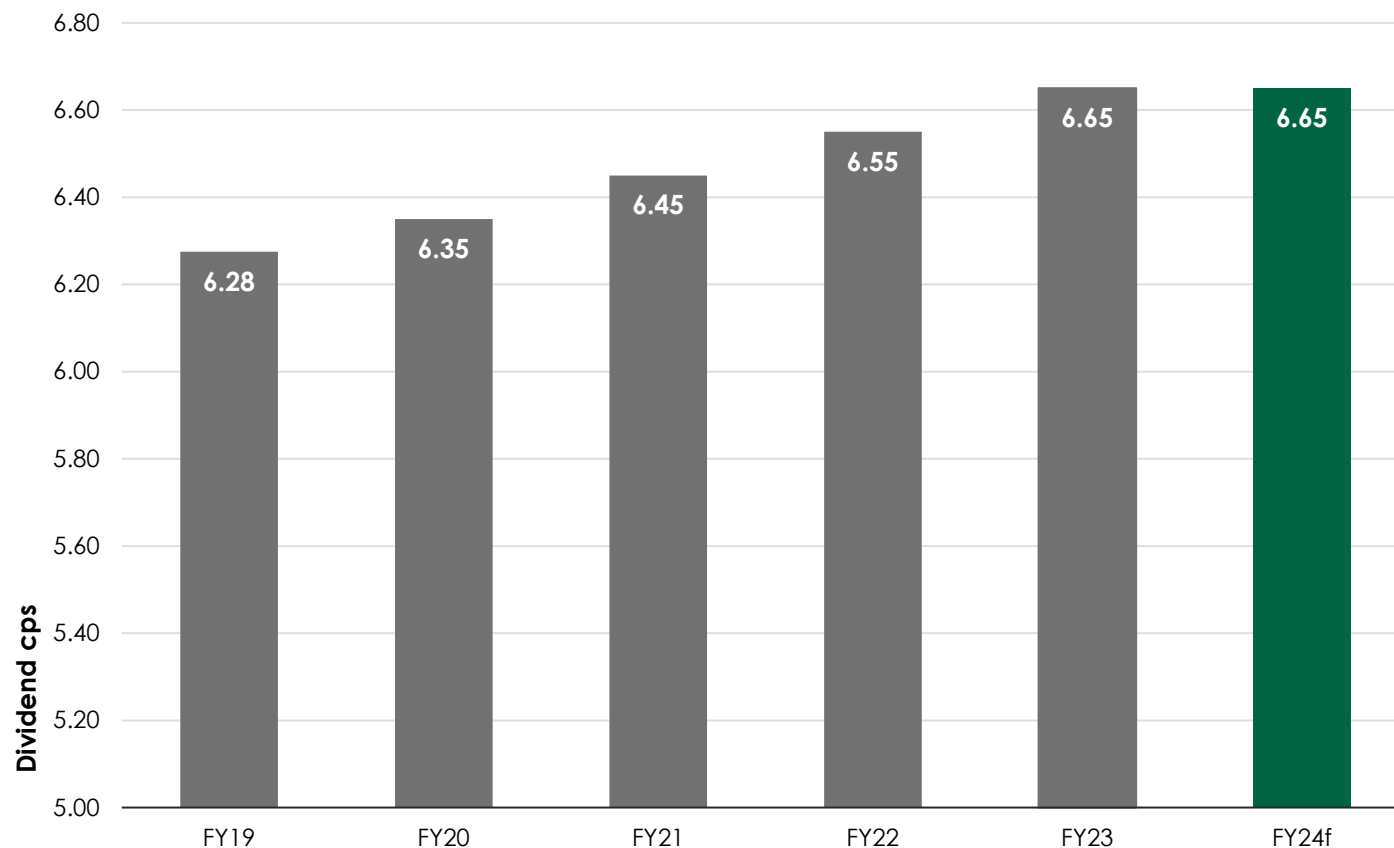
Dividends

Steady and sustainable

- A 4th quarter dividend of 1.6625cps has been declared with 0.01801 cents per share imputation credits attached.
- Overseas investors will receive an additional supplementary dividend of 0.008171 cents per share to offset non-resident withholding tax.
- The record date was 7 June and the payment date is 21 June.

6.65cps

● FY24 dividend guidance



CEO's Review

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Results Summary

\$112.8m

• Net property income

\$64.2m

• Net distributable income

35.1%

• Gearing in the mid-point of target range

\$1.58

• NTA per share

(\$146.6)m

• Unrealised revaluation loss to 31 March

Portfolio highlights

99.3%

● Occupancy

5.4yrs

● Weighted average lease term

3.6%

● Annualised rent review increase on rents reviewed

Note: Portfolio value excludes right of use asset at 39 Market Place of \$40.1 million

Sector Summary



Number of buildings	35
Market value of assets (\$m)	\$1,127.8
Occupancy (by income)	100%
Weighted average lease term (WALT)	6.1yrs



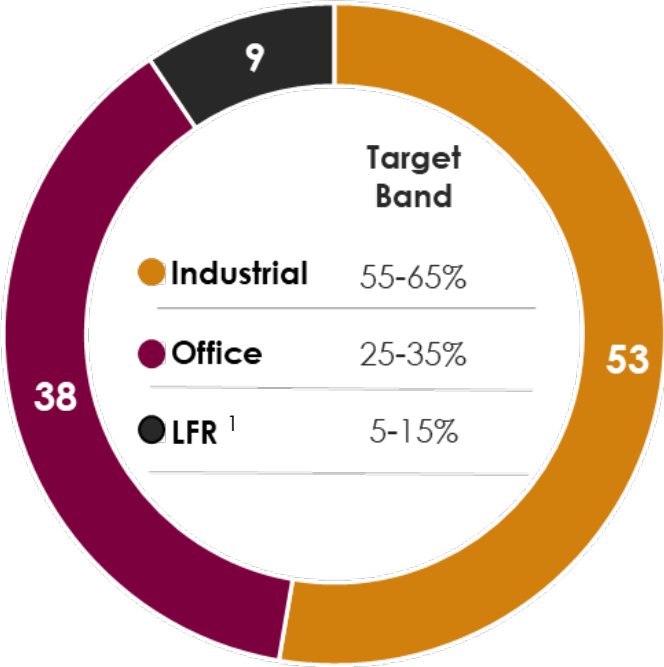
Number of buildings	15
Market value of assets (\$m)	\$811.1
Occupancy (by income)	98.5%
Weighted average lease term (WALT)	5.2yrs



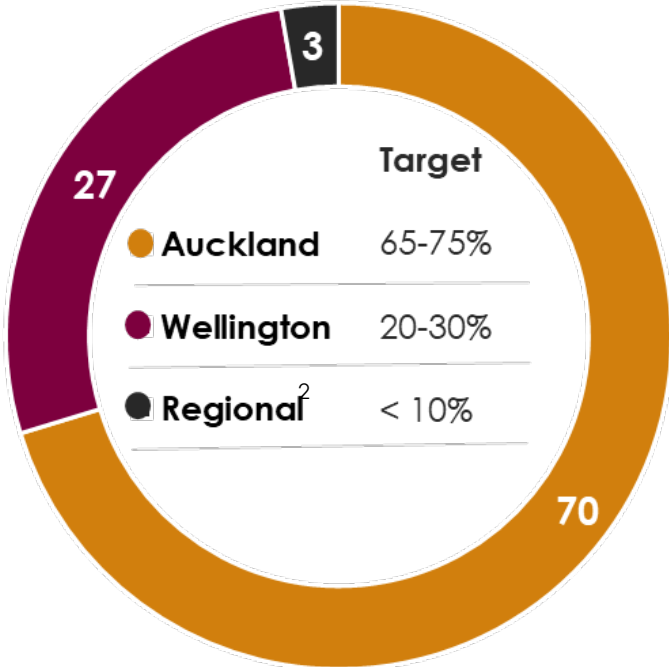
Number of buildings	4
Market value of assets (\$m)	\$206.0
Occupancy (by income)	100%
Weighted average lease term (WALT)	2.9yrs

Portfolio at a glance @ 31 March

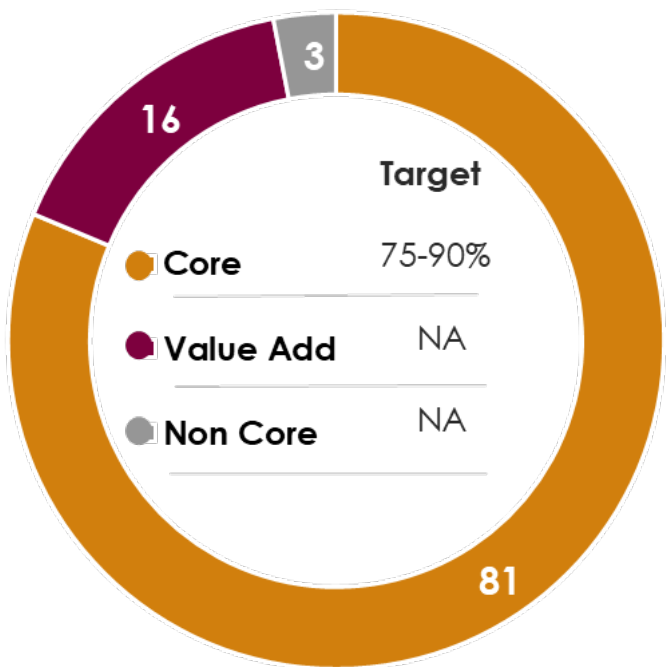
Sector by value %



Region by value %



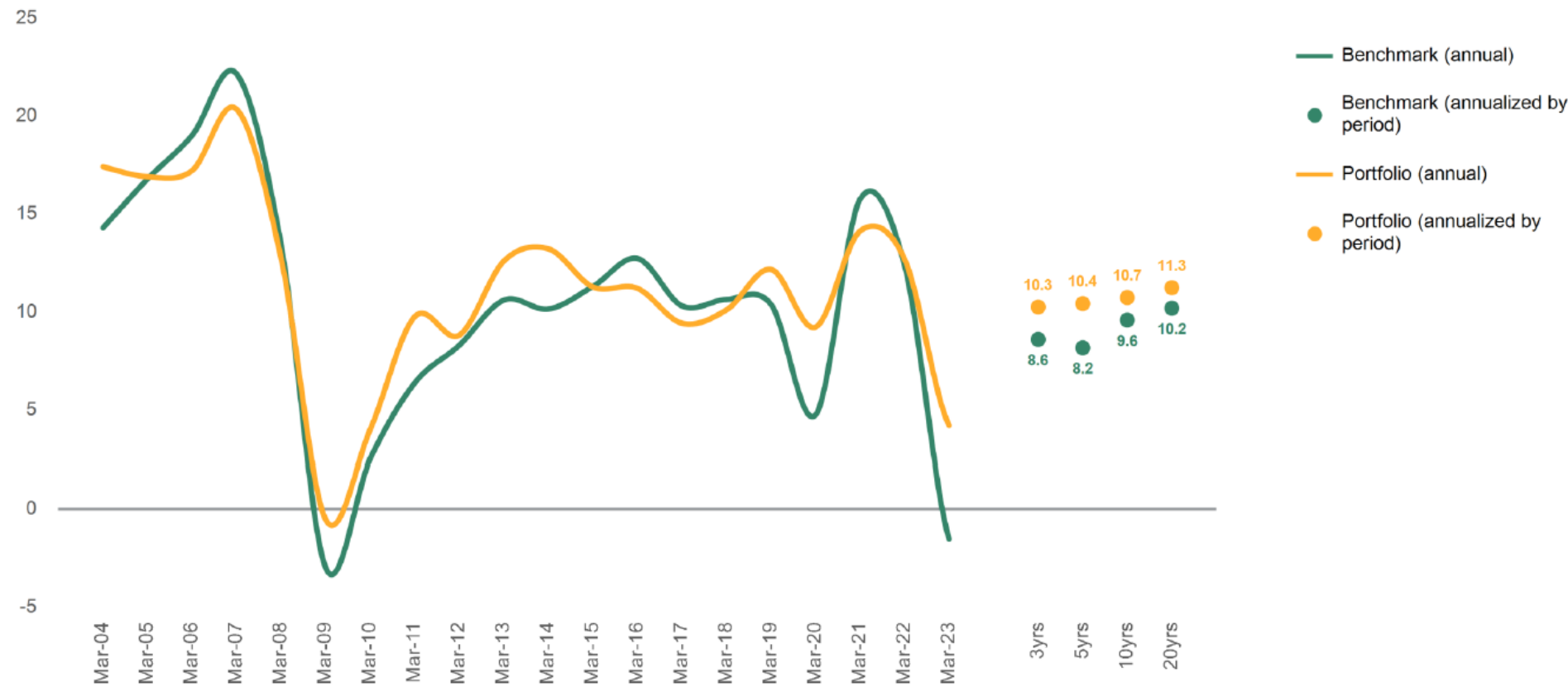
Asset Mix by value %



1. Large Format Retail.
2. Regional North Island and South Island. This weighting also includes up to 5% allocation to the Golden Triangle area between Auckland, Tauranga and Hamilton.

Argosy Portfolio vs MSCI Benchmark

PORTFOLIO & BENCHMARK HISTORY SINCE INCEPTION
ALL ASSETS - TOTAL RETURNS BY YEAR AND ANNUALIZED BY PERIOD



MSCI  Source: MSCI Portfolio Services

Information Classification: GENERAL

Revaluations

Cap rate headwinds but rental growth delivers

- Independent valuations undertaken at 31 March.
- \$146.6m decline reported, or 6.4% revaluation to book values.
- Cap rate softening has been offset to some extent by market rental growth.
- Continued dearth of transactional evidence during the period.

	31 Mar 23 Book Value (\$m)	31 Mar 23 Valuation (\$m)	△ \$m	△ %
Auckland	1,617.6	1,507.6	(110.0)	(6.8%)
Wellington	607.8	577.4	(30.5)	(5.0%)
North Island Regional & South Island	65.9	59.9	(6.1)	(9.2%)
Total	2,291.4	2,144.8	(146.6)	(6.4%)
	31 Mar 23 Book Value (\$m)	31 Mar 23 Valuation (\$m)	△ \$m	△ %
Industrial	1,176.9	1,127.8	(49.1)	(4.2%)
Office	890.1	811.1	(79.0)	(8.9%)
Large Format Retail	224.4	206.0	(18.5)	(8.2%)
Total	2,291.4	2,144.8	(146.6)	(6.4%)

Note: Due to rounding, numbers presented in this presentation may not add up exactly to the totals provided and percentages may not reflect exactly absolute figures.

Value Add Properties

Green assets delivering

- Conversion and transformation of Value Add properties remains a key strategic driver over the next decade.
- Green project at 105 Carlton Gore Road nearing completion.
- Master Planning for Mt Richmond and Neilson Street industrial estates progressing – resource consents with Council.

Status & Project

Sector

Location

Completed

12-16 & 18-20 Bell Ave, Mt Wellington

Industrial

Auckland

105 Carlton Gore Road, Newmarket

Office

Auckland

Planning

224 Neilson Street, Onehunga

Industrial

Auckland

Future

101 Carlton Gore Road, Newmarket

Office

Auckland

8-14 Mt Richmond Drive, Mt Wellington

Industrial

Auckland

Currently Leased (6 properties)

Industrial

Auckland

Distributable Income

Stability key in a challenging market

- Net distributable income for the year was \$64.2m compared to \$64.7m in the prior comparable period.
- Current tax expense (after depreciation recovered adjustments) was due to higher repairs and maintenance deductibles in the prior comparable period.

\$64.2m

- Net distributable income

	FY23 \$m	FY22 \$m
Profit before income tax	(70.9)	241.2
Adjustments:		
Revaluation (gains)/losses on investment property	146.6	(163.7)
Realised losses/(gains) on disposal	0.4	2.6
Derivative fair value (gain)/loss	(7.3)	(12.4)
Gross distributable income	68.7	67.7
Depreciation recovered	0.0	1.2
Current tax expense	(4.5)	(4.2)
Net distributable income	64.2	64.7
Weighted average number of ordinary shares (m)	846.7	843.2
Gross distributable income per share (cents)	8.11	8.03
Net distributable income per share (cents)	7.58	7.68

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Adjusted Funds From Operations (AFFO)

AFFO covered dividends key

- 7WQ façade works completed in FY22
- AFFO payout ratio was 97% for the period.

\$58.1m

- AFFO for the year to 31 March

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	FY23 \$m	FY22 \$m
Net distributable income	64.2	64.7
Amortisation of tenant incentives and leasing costs	2.7	4.6
Funds from operations (FFO)	66.9	69.4
Capitalisation of tenant incentives and leasing costs	(1.0)	(1.1)
Maintenance capital expenditure	(6.4)	(5.8)
7 Waterloo Quay façade repairs	-	(14.5)
Swap contract termination payment	(1.5)	-
Maintenance capital expenditure recovered through sale	0.1	0.4
Adjusted funds from operations (AFFO)	58.1	48.3
Weighted average number of ordinary shares (m)	846.7	843.2
FFO cents per share	7.91	8.23
AFFO cents per share	6.86	5.73
Dividends paid/payable in relation to period	6.65	6.55
Dividend payout ratio to FFO	84%	80%
Dividend payout ratio to AFFO	97%	114%

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Debt Profile

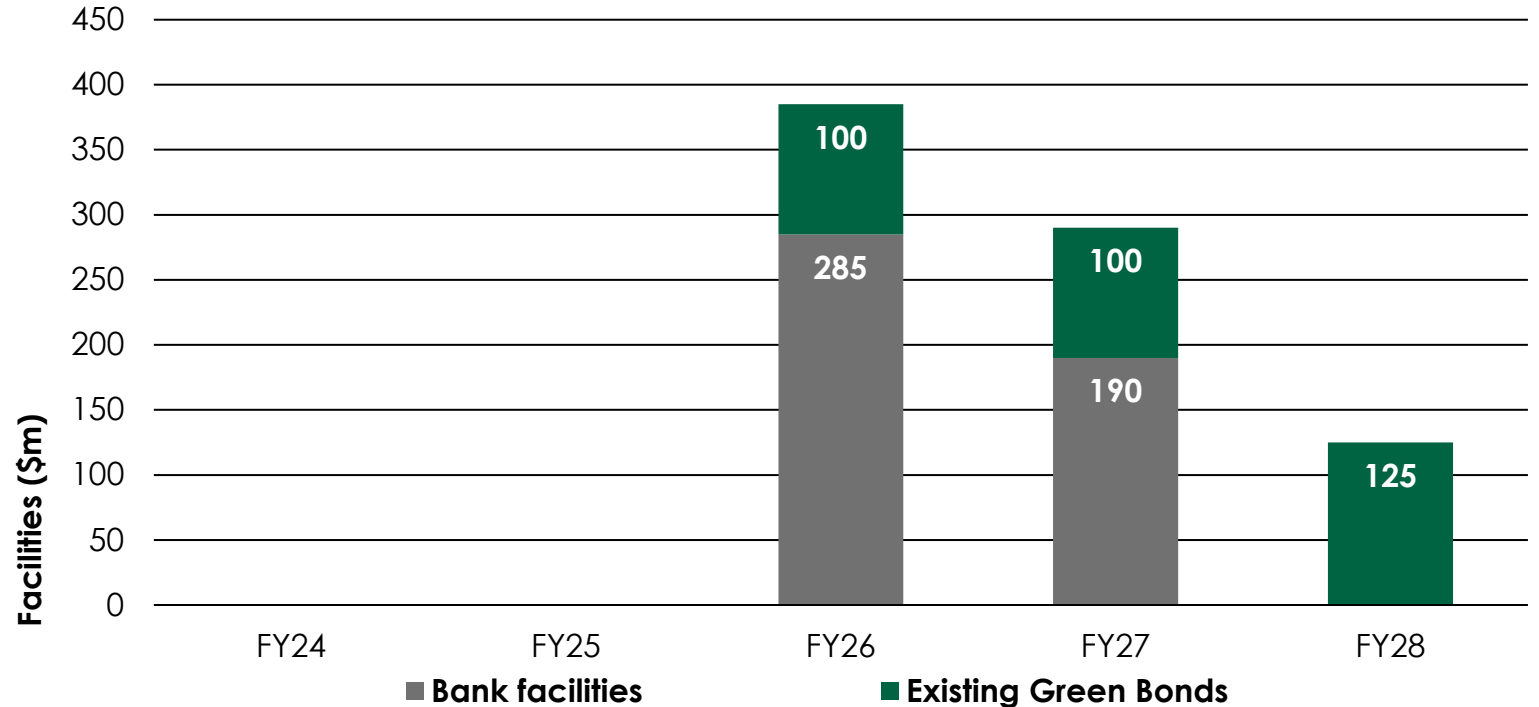
Green bonds provide diversification and tenor

- During the year Argosy extended its existing syndicated bank facilities with its banking group.
- Industrial and Commercial Bank of China Limited (ICBC) has joined the syndicate.
- The total amount of the bank facility is \$475m with the nearest tranche expiring in April 2025.
- Argosy's \$325m of green bonds continue to provide important diversification and tenor benefits to the business.

3.2yrs

- Weighted average duration of Argosy's debt

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Lease Expiry & Rent Review Profile

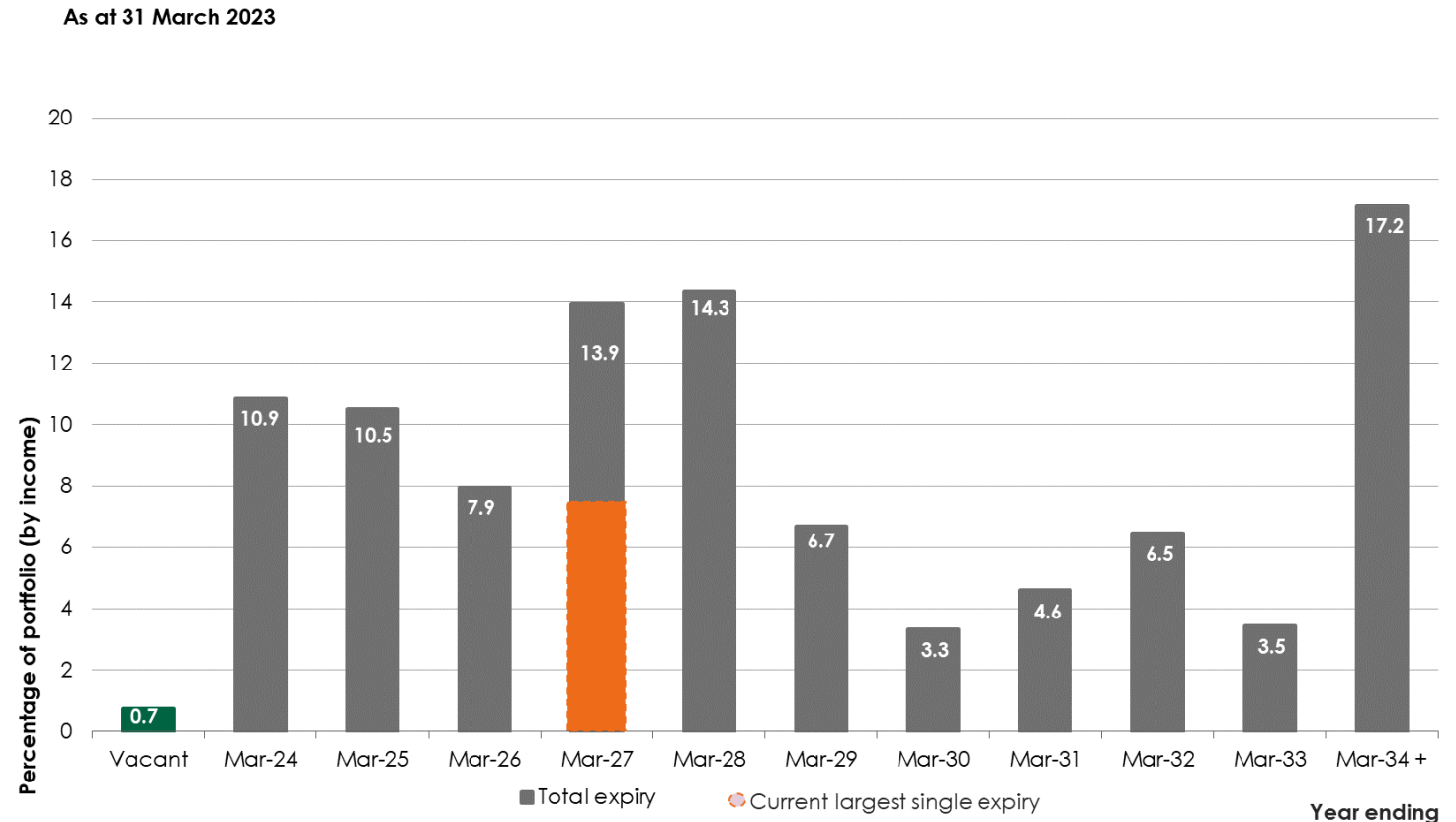
Expiry profile remains well managed

- The largest single expiry remains the 9.4% expiry in Mar-27 to Ministry for Business, Innovation and Employment, at 15-21 Stout Street.
- FY24 sees \$91.4m of portfolio income subject to rent reviews. Of these, \$61.8m is subject to fixed reviews, \$21.8m to market review and \$7.8m to CPI.

3.6%

- Annualised rent review for FY23

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MARKET INSIGHTS



- Strong demand continues to drive additional supply but quieter period in 2024 is projected.
- Limited land supply in Auckland and Wellington continues pressure on land values with prime sites holding their value.
- Rentals continue to show solid growth in well located assets.
- “Reshoring” return of domestic manufacturing.
- Vacancy remains very low, with limited speculative supply.
- Supply chain issues largely resolved but Just-in-time challenges remain.



- Flexible working environments continue but full-time remote work is declining.
- Changes in the way space is used, focusing on the environment, now a staff attraction matter.
- Increased focus from tenants on sustainability/green.
- Decrease in space available for sub-lease following pandemic.
- Wellington has low vacancy, and demand continues for good quality, green well located space.
- Auckland office still exhibits elevated (but reducing) vacancy with occupancy demand focused on green assets.



- Online proportion of total sales has reduced post pandemic.
- Large Format Retail continues to receive solid demand in prime locations.
- Retailers consolidating to a fewer number of locations.

FY24 brings fresh challenges, but we're well placed

Strategy delivery is our key focus

- New Zealand domestic economy continues to experience headwinds from high interest rates and inflation.
- Argosy's diversified portfolio exposure to attractive sectors provides resilience in turbulent times. Diversification remains a strength.
- The company remains well positioned to navigate through near term economic volatility, underpinned by its sound capital position and growing portfolio of green and environmentally centred buildings.
- Our key objectives for FY24 remain clear and unchanged from what has delivered success previously: keep delivering strong operational results, address key expiries, lease up remaining vacancies, complete key green developments and commence new ones as planned.
- Progress Master planning across key green Value Add developments at Neilson Street and Mt Richmond where we continue to receive strong market interest in these opportunities.
- Strong bottom up property fundamentals in key markets (Auckland Industrial and Wellington Office) continue to present attractive dynamics of low supply, high demand and steady rental growth. Rising demand by the market for green buildings remains very encouraging and Argosy is well placed to benefit.
- Deliver sustainable dividends to shareholders.

Questions

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Resolutions

RESOLUTION 1

- That Martin Stearne be elected as a Director.

RESOLUTION 2

- That Rachel Winder be elected as a Director.

RESOLUTION 3

- That the Board be authorised to fix the Auditor's Fees and Expenses.

General Business

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**Close of
Meeting.
Thank you.**

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

20 June 2023