

Argosy

2020

Annual Meeting

Looking through


28.07.2020

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.
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The Board



Mike Smith *Chairman*



Peter Brook *Director*



Jeff Morrison *Director*



Stuart McLauchlan *Director*

The Board



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 exactly reflect absolute figures.

Chairman's Review



FY20 Annual Result

3.8%

Net distributable income
increase

2.7%

Annualised rent increase on rents
reviewed

\$1.30

A 6.5% increase driven by a \$60m
revaluation gain

100m

2nd successful 7 year green bond

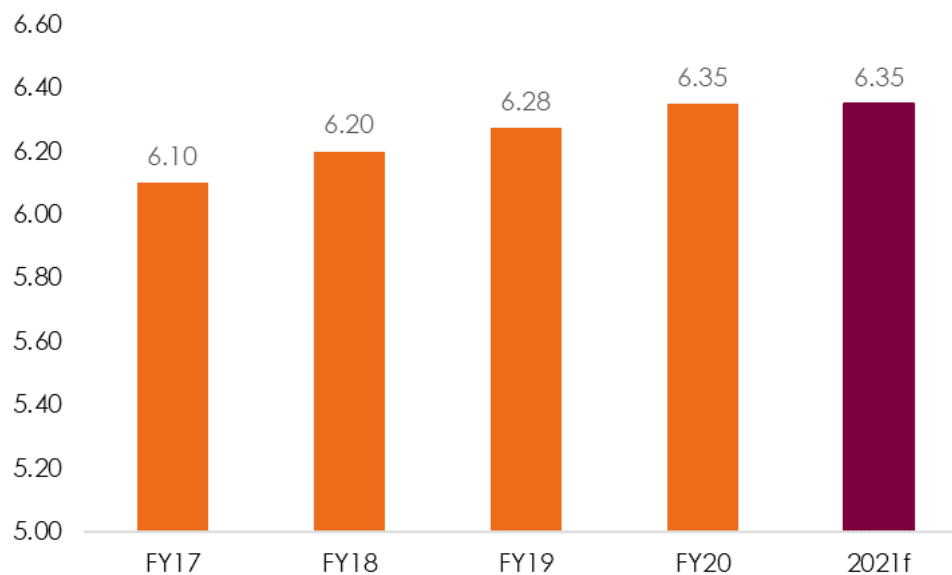
6.35¢

Full year FY20 dividend, an increase
of 1.2% on the prior year

Dividends

RESILIENT AND SUSTAINABLE DIVIDENDS

- ▶ The FY20 dividend was increased 1.2% on the prior year.
- ▶ A 1st quarter cash dividend of 1.5875 cents per share has been declared, with imputation credits of 0.151267 cents per share attached, and will be paid on 30 September 2020.
- ▶ The Dividend Reinvestment Plan remains open and will be available for the 1st quarter dividend with a 3% discount applied.
- ▶ The reaffirmed FY21 dividend guidance of 6.35 cents per share reflects the Board's wish for shareholders to share in the continued solid operating results whilst allowing Argosy to maintain its momentum towards an AFFO based dividend policy over the medium term.



6.35cps

Reaffirmed FY21 full year dividend guidance based on current projections for the portfolio

Governance / Risk Management

COMMITMENT TO THE HIGHEST STANDARDS

- ▶ Your Board is committed to the highest standards of corporate behaviour, accountability and corporate governance best practice;
- ▶ We are guided by our Code of Conduct and Ethics; and
- ▶ We have a well developed risk management policy & framework which manages Argosy's risks within the overall risk appetite set by the Board.

Capital Management

DIVERSIFIED CAPITAL STRUCTURE, GEARING WELL BELOW COVENANT

- ▶ Argosy operates within its Capital Management Framework
- ▶ The Board's policy is for debt to total assets to be between 30% to 40%
- ▶ As at 31 March 2020 Argosy's debt to total assets remained within the target range.
- ▶ We aim to maximise earnings through the property cycle within the following parameters:
- ▶ Properties are acquired when they meet approved Investment Policy criteria, or sold when they are non Core;
- ▶ Argosy is not forced to issue equity at a price that is dilutive to shareholders; and
- ▶ Measured dividend growth is maintained.

\$141m

Of non Core assets at 31 March 2020



Chief Executive Officer's Review



Covid-19 Update

WORKING CLOSELY WITH ALL STAKEHOLDERS

▶ Staff

- ▶ Ensuring safe working conditions at work and at home.
- ▶ Greater use of technology.

▶ Tenants

- ▶ Working together to find short term solutions.
- ▶ Those tenants that need assistance have received it primarily via deferral and rental abatement.
- ▶ Argosy has provided for approximately \$3.3 million in rent abatements (including the Albany Lifestyle Centre) to 30 June, for tenants most in need.

▶ Construction activity/projects

- ▶ Projects potentially delayed by 3-4 months for Covid-19.
- ▶ Greater health & safety focus given social distancing requirements.

Create. Manage. Own.

Proactive delivery of sustainable growth



**An environmentally focused
& sustainable business**

Transition value add properties
to drive earnings and
capital growth

**Execution of tenant led
development opportunities**



**A diversified portfolio of
high quality, well located
assets with growth potential**

**Real estate with a primary focus on
Auckland & Wellington markets**

Target off market opportunities
or contiguous properties with potential



*Manage all elements of the business
to deliver the right outcomes
for all our stakeholders.*



Strong and valued relationships
across all key stakeholders

Safe working environments
for Argosy's people and
its partners

**A commitment to
management excellence**

*Own the right assets, with the
right attributes in the right
New Zealand locations.*

2020 Results

STRONG DELIVERY OF STRATEGY

Create

Proactive delivery of sustainable growth.



- ▶ Successfully transitioned Value Add properties to drive earnings and capital growth (107 Carlton Gore Road). ✓
- ▶ Current organic value add development pipeline of over \$200m will add more quality and resilience to the business. ✓

Manage

Manage all elements of our business to deliver the right outcomes for all our stakeholders.



- ▶ Solid leasing outcomes over FY20 finishing with only 1.2% vacancy. Average expiry over the next 5 years of only 9% p.a. ✓
- ▶ Excellent leasing results announced with the Crown for 7WQ space, and the building is now 82% leased. Strong inquiry for remaining floors. Citibank and Khyber Pass vacancies also addressed. ✓
- ▶ 2nd successful 7 year Green Bond issue of \$100m completed improving debt funding diversification and tenor. ✓
- ▶ Transition towards AFFO based dividend policy continues. ✓

Own

Own the right assets, with the right attributes in the right locations.



- ▶ Strategic acquisition opportunities with long term capital growth upside achieved during the year (54 Jamaica Drive and 224 Neilson Street). Other opportunities under consideration. ✓
- ▶ Settled strategic acquisition of 244 Puhinui Road, contiguous to an existing site. ✓
- ▶ Strategic divestments executed (223 Kioreroa Road, Whangarei) and two additional sales announced since balance date. ✓
- ▶ Argosy now fielding interest from several potential new buyers for the Albany Lifestyle Centre. ✓

Portfolio Snapshot

98.8%

► Occupancy

6.1 yr

► Weighted average lease term

71%

► Auckland portfolio weighting

45%

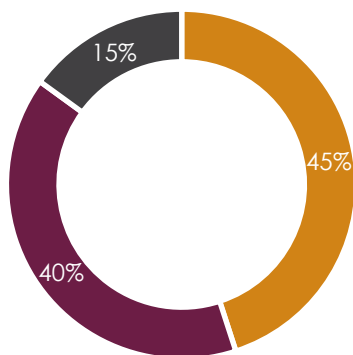
► Industrial portfolio weighting

Figures are as at 31 March 2020

Portfolio at a glance

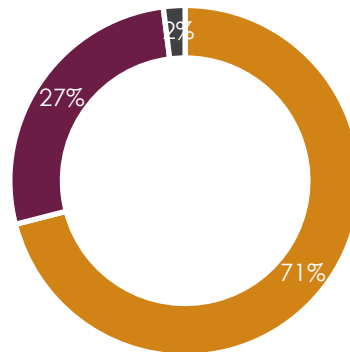
\$1.87 BILLION¹ @ 31 MARCH 2020

**TOTAL PORTFOLIO VALUE
BY SECTOR**



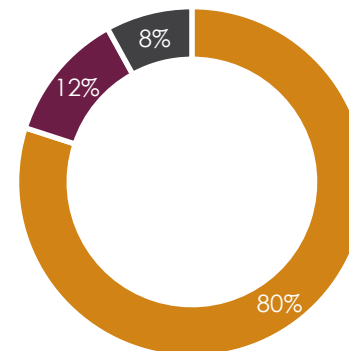
Industrial	Bands 45-55% (was 40-50%)
Office	30-40%
Large Format Retail	10-20% (was 15-25%)

**TOTAL PORTFOLIO VALUE
BY REGION**



Auckland	Bands 65-75%
Wellington	20-30%
Regional North Island & South Island ²	<10%

**TOTAL PORTFOLIO VALUE
BY ASSET MIX**



Core	Bands 75-90%
Value Add	-
Non Core	-

1. Metrics include asset held for sale – Albany Lifestyle Centre

2. Includes up to 5% allocation to the Golden Triangle area between Auckland, Tauranga and Hamilton.

Distributable Income

INCREASE IN NET DISTRIBUTABLE INCOME PER SHARE

- After non-cash adjustments and current tax, net distributable income increased by \$2.2 million or 3.8%.

7.2cps

FY20 Net Distributable Income per share, a 3.7% increase on the prior period

	FY20 \$m	FY19 \$m
Profit before income tax	123.9	143.3
Adjusted for:		
Revaluations gains	(59.9)	(70.5)
Impairment (loss) on held for sale	3.0	-
Realised losses/(gains) on disposal	0.1	(6.1)
Derivative fair value (gain)/loss	(2.1)	7.4
Earthquake expense net of recoveries	0.5	(6.8)
Gross distributable income	65.4	67.3
Depreciation recovered	0.0	1.7
Current tax expense	(5.9)	(11.7)
Net distributable income	59.6	57.4
Weighted average number of ordinary shares (m)	827.2	827.0
Gross distributable income per share (cents)	7.91	8.14
Net distributable income per share (cents)	7.20	6.94

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Value Add

OPPORTUNITIES TO DRIVE CAPITAL GROWTH AND EARNINGS

- ▶ Value Add properties total 12% of the portfolio.
- ▶ Several major development projects underway within the group to transition them to Core properties, driving long term capital growth and earnings.
- ▶ The focus remains on transforming Value Add assets into green developments where possible.
- ▶ Some Value Add opportunities which were due to commence shortly have been deferred for the time being due to Covid-19.

Property	Sector	Location	Valuation ¹ \$m
5 Unity Drive, Albany	Industrial	Auckland	7.4
960 Great South Road, Penrose	Industrial	Auckland	7.3
15 Unity Drive, Albany	Industrial	Auckland	5.2
133 Roscommon Road, Wiri	Industrial	Auckland	9.5
224 Neilson Street, Onehunga	Industrial	Auckland	32.0
101 Carlton Gore Road, Newmarket (deferred)	Office	Auckland	28.1
105 Carlton Gore Road, Newmarket (deferred)	Office	Auckland	32.8
54-56 Jamaica Drive, Wellington (underway)	Industrial	Wellington	7.2
8-14 Willis Street/360 Lambton Quay (underway)	Office	Wellington	89.8
TOTAL \$m			219.3

+\$200m



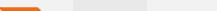
In Value Add properties with potential to deliver earnings and capital growth

1. Independent valuations as at 31 March 2020.

Development Pipeline

GREEN DEVELOPMENTS REMAIN THE KEY FOCUS

- ▶ **107 Carlton Gore Road:** completed December-19.
- ▶ **180-202 Hutt Road:** completed March-20.
- ▶ **7WQ:** Residual seismic and reinstatement works nearing completion.
- ▶ **54-56 Jamaica Drive:** On track pre Covid-19 but now expected to complete August-20.
- ▶ **8-14 Willis Street/360 Lambton Quay:** Construction progress suspended due to Covid-19. Was due for completion in April-21 but now delayed to Late-21.

Development	Major Tenant	Type	Location	Cost to complete	\$m ¹	Forecast completion	FY 2021		FY 2022		
							Sep-20	Mar-21	Sep-21	Mar-22	
Underway / commenced											
7WQ	Various Crown tenants	OFF	WTN	10.2	128.0	Aug-20					
54-56 Jamaica Drive	Big Chill ²	IND	WTN	3.0	10.3	Aug-20					
8-14 Willis Street ³	Statistics New Zealand	OFF/RET	WTN	48.2	138.0	Late-21					
TOTAL				61.4	276.3						
Green Developments				Standard Developments							

Green Developments ■

Standard Developments ■

\$276m

Expected value on completion of development projects

- ▶ **Green developments** at 101 Carlton Gore Road and 105 Carlton Gore Road have been deferred due to Covid-19.

1. Expected value on completion based on 'as if complete' (less cost to complete) valuations performed by independent valuers as at 31 March 2020.

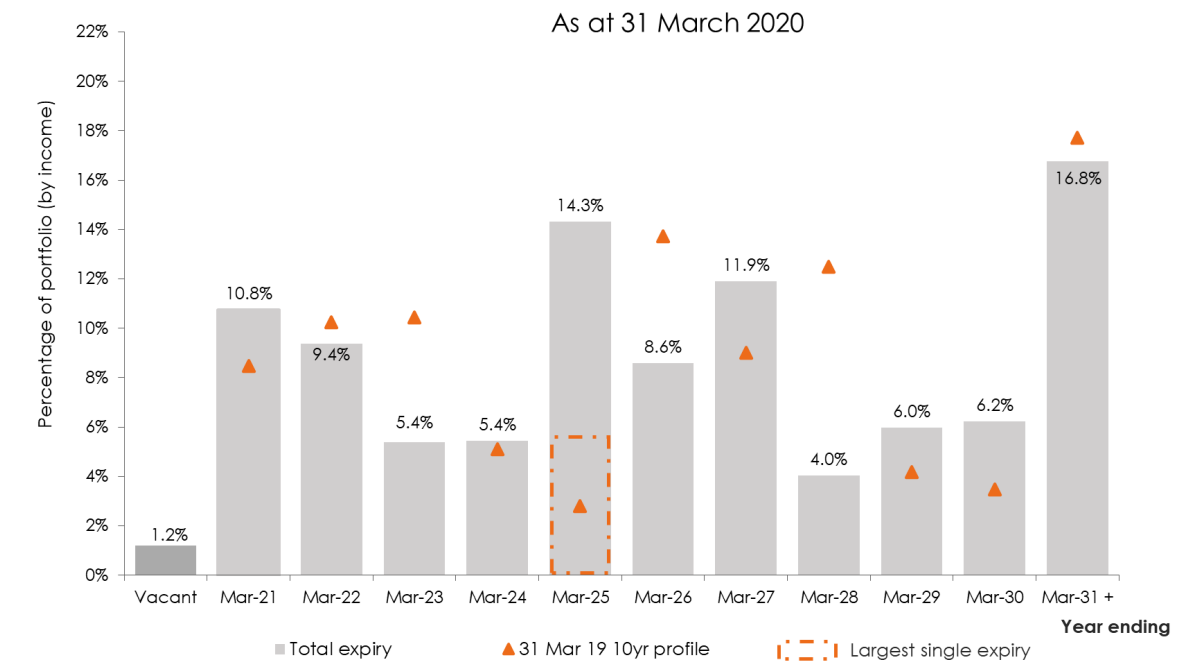
2. Acquired by Freightways 1 April 2020

3. Includes 360 Lambton Quay (formerly Stewart Dawson Corner).

Lease Expiry

STABLE PROFILE OVER THE MEDIUM TERM

- ▶ 5yr average income percentage expiring in any year ~9%.
- ▶ Largest single expiry over next 5 years is 5.5% in March-25 being General Distributors at 80-120 Favona Road, Mangere.
- ▶ Key lease expiries being focused on over the first six months of FY21 include:
 - ▶ MBIE at 147 Lambton Quay, Wellington
 - ▶ Gough Gough & Hammer, 960 Great South Road, Auckland
 - ▶ Viridian Glass, 39 Randwick Road, Wellington
 - ▶ Holmes Consulting Group, 39 Market Place, Auckland



2021 Focus

Create

Proactive delivery of sustainable growth.



- ▶ Maintain our green / sustainable focus on all acquisition and development opportunities.
- ▶ Continue transitioning Value Add opportunities to drive earnings and capital growth.
- ▶ Make appropriate risk / reward decisions, with pre-commitments preferred on all developments.

Manage

Manage all elements of our business to deliver the right outcomes for all our stakeholders.



- ▶ Carefully manage our way through Covid-19 to minimise the financial impact.
- ▶ Work closely with our tenants to ensure high retention rates and that key expiries/vacancies are addressed early.
- ▶ Lease up the balance of 7 Waterloo Quay.

Own

Own the right assets, with the right attributes in the right locations.



- ▶ Ensure all existing developments in progress recommence swiftly and safely.
- ▶ Divest all non Core assets to reduce gearing and provide more flexibility for other opportunities.
- ▶ Continue to invest in a diverse range of properties across sectors, locations and tenants.
- ▶ Investment activity focused on existing portfolio – with an emphasis on green developments.

Questions



Resolutions



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Resolution 1

- ▶ That Rachel Winder be elected as a Director.

Resolution 2

- ▶ That Martin Stearne be elected as a Director.

Resolution 3

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

General Business



CEO additional comments



Close of Meeting



▼
Thank you.



Disclaimer

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

28 July 2020