



Annual Results Presentation

Argosy Property Limited
25 May 2017

► www.argosy.co.nz



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PRESENTED BY:

Peter Mence CEO



Dave Fraser CFO





Our strength lies in the diversity of our properties across sectors, grades, sizes and locations allowing us to adapt to the changing needs of our growing family of tenants.

Peter Mence
CEO

Highlights

Argosy



Highlights

Positive property
revaluation of
\$42.3 million

Tenant-led
developments on
track

6.64c

Net Distributable
Income per Share

\$99.5m

Net Property Income

\$65.6m

Gross Distributable
Income

98.6%

Occupancy (by rental)

8.03c

Gross Distributable
Income per Share

\$1.06

Net Tangible Assets per
Share

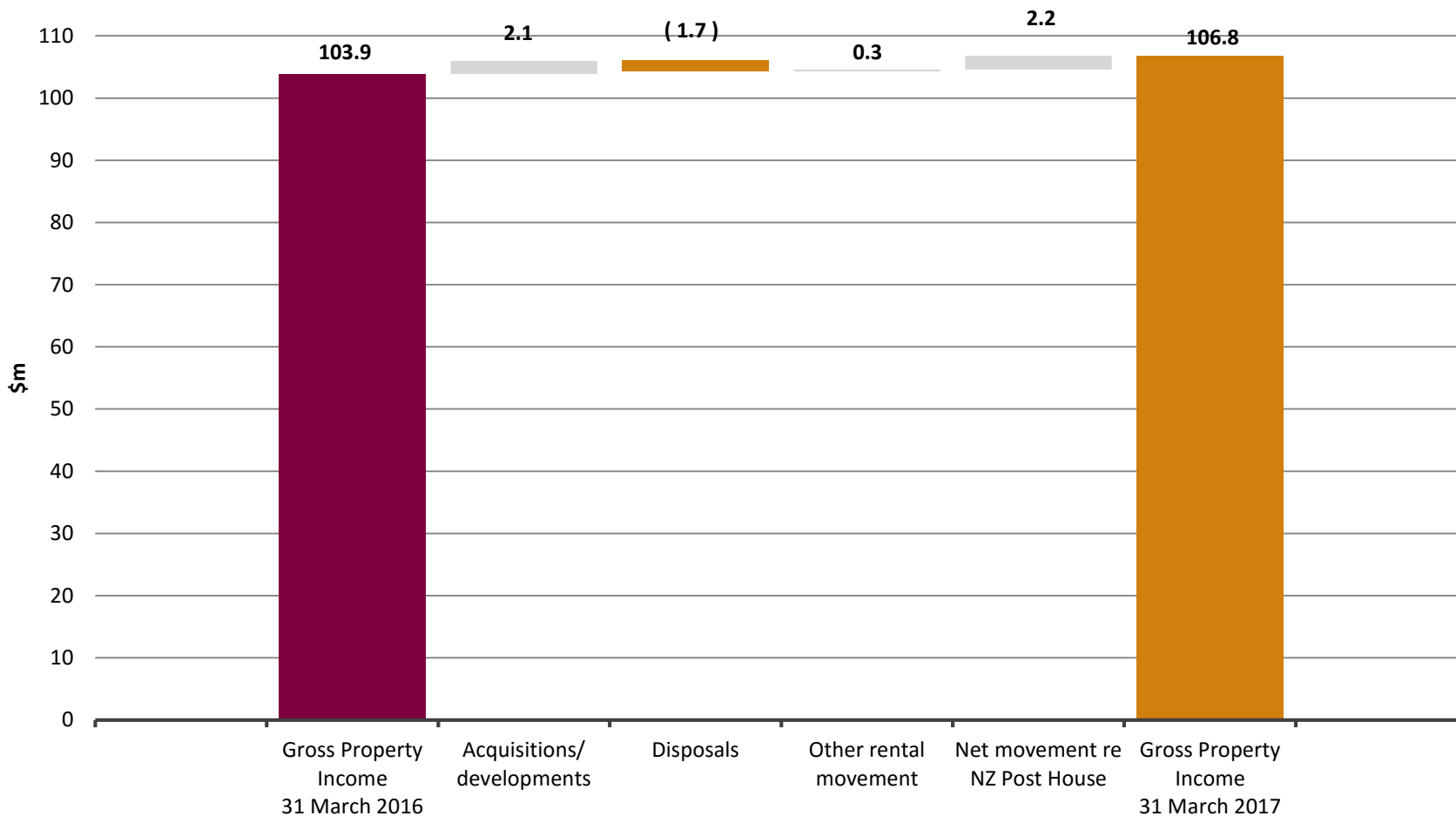
5.59y

Weighted Average
Lease Term

Financials



Income Reconciliation



Financial Performance



	FY17 \$m	FY16 \$m
Net property income	99.5	98.3
Administration expenses	(9.3)	(8.9)
Profit before financial income/(expenses), other gains/(losses) and tax	90.2	89.4
Interest expense	(25.9)	(28.2)
Gain/(loss) on derivatives	11.0	(19.4)
Finance income	0.1	0.1
Revaluation gains	42.3	42.2
Realised gains/(losses) on disposal	2.7	(0.9)
Other	-	0.4
Profit before tax	120.4	83.6
Taxation expense	(16.0)	(4.7)
Profit after tax	104.4	78.9
Basic and diluted earnings per share (cents)	12.78	9.79

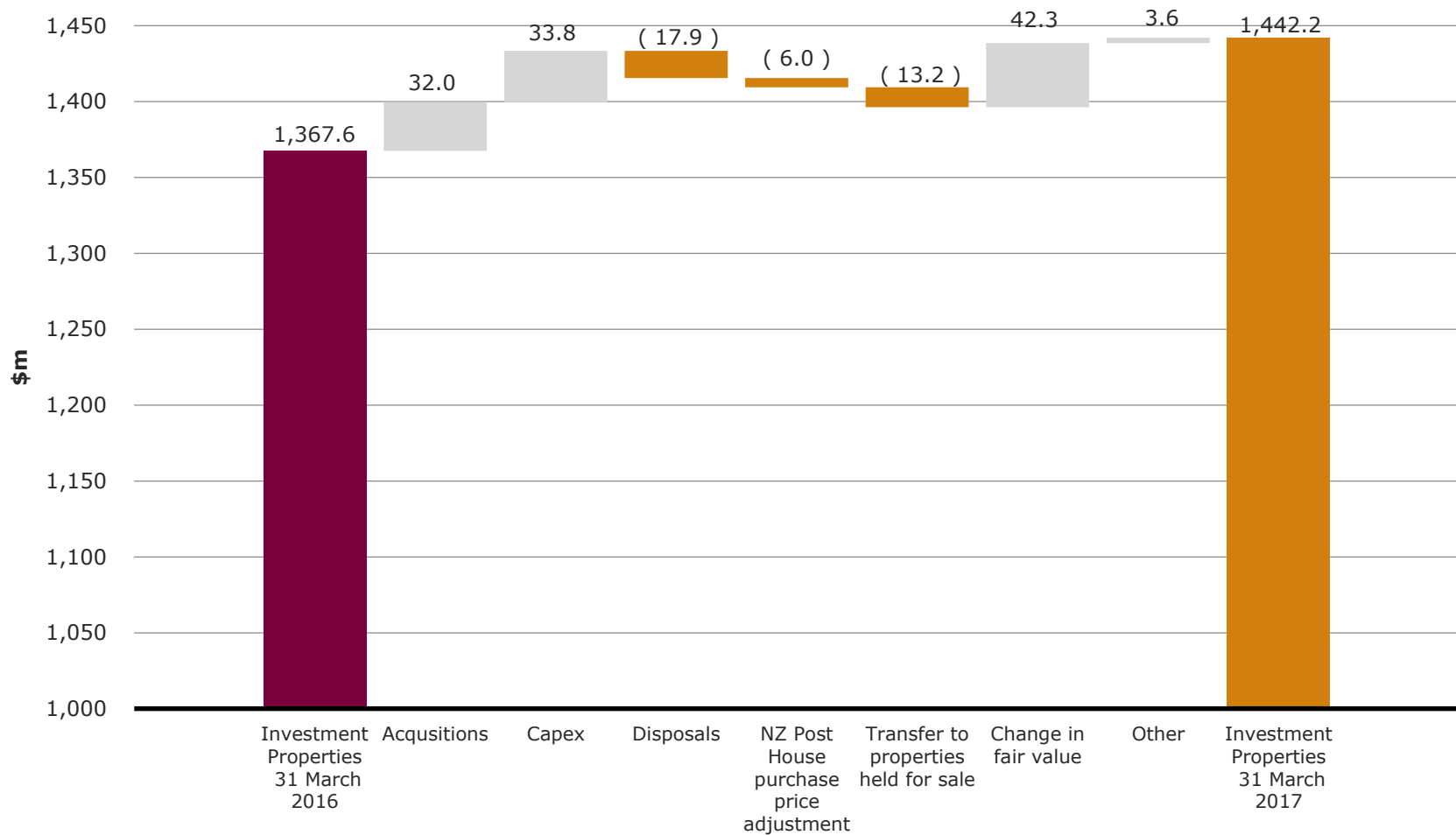
Distributable Income



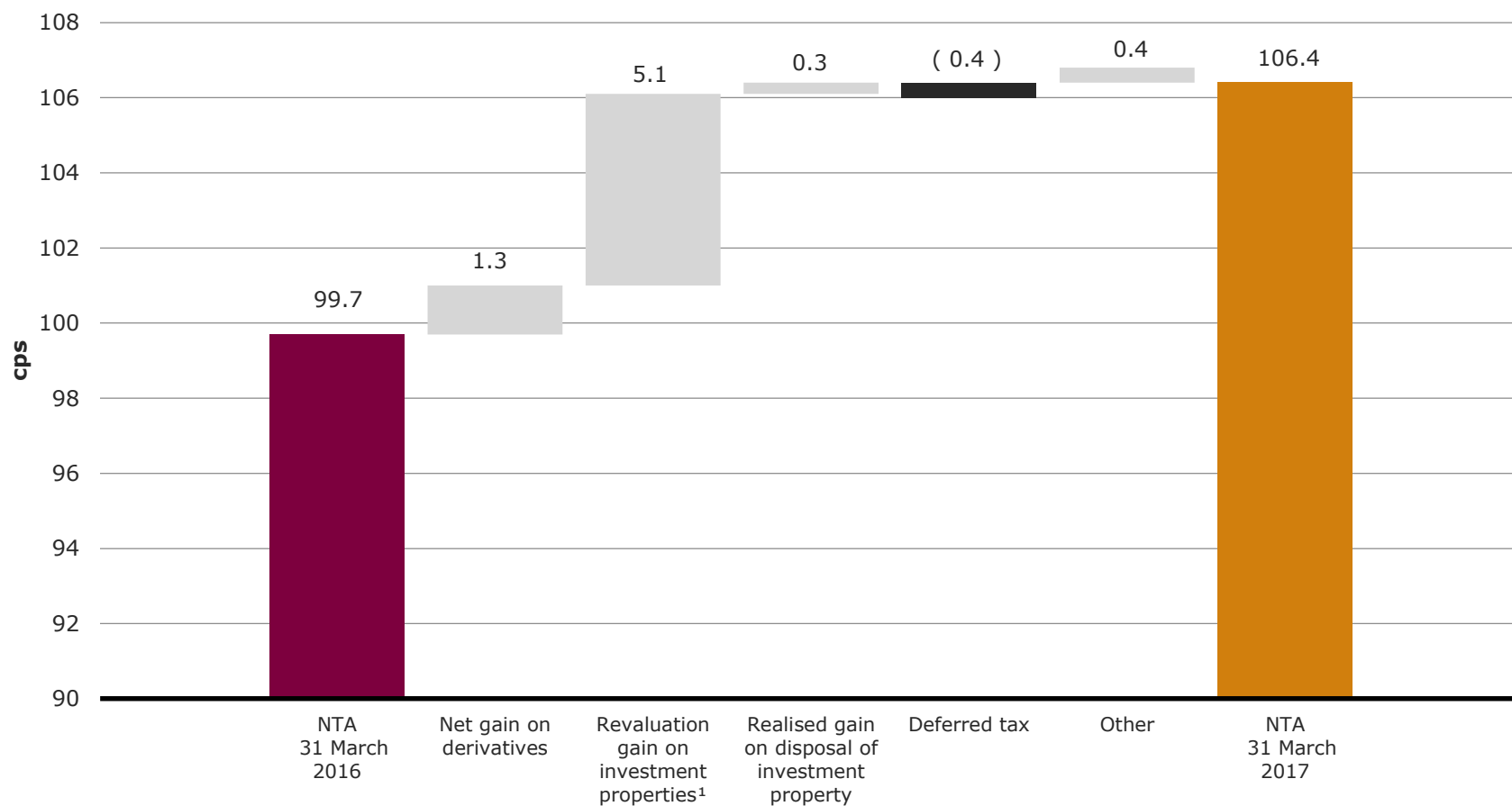
	FY17 \$m	FY16 \$m
Profit before income tax	120.4	83.6
Adjusted for:		
Revaluations gains	(42.3)	(42.2)
Derivative fair value loss/(gain)	(11.0)	19.4
Realised losses/(gains) on disposal	(2.7)	0.9
Other	1.2	(0.4)
Gross distributable income	65.6	61.3
Depreciation recovered	1.1	0.4
Current tax expense ¹	(12.4)	(10.5)
Net distributable income	54.3	51.2
Weighted average number of ordinary shares (m)	816.7	806.2
Gross distributable income per share (cents)	8.03	7.60
Net distributable income per share (cents)	6.64	6.35

¹ Under the amended bank facility agreement, tax paid has changed to current tax expense in line with the rest of the sector.

Investment Properties



Movement in NTA per share



¹ NZ Post House valued on an "as if complete" basis less costs to complete.

	FY17 \$m	FY16 \$m
Investment properties	1,442.2	1,367.6
Assets held for sale	13.0	-
Other assets	3.4	7.3
Total assets	1,458.6	1,374.9
Bank debt (excl. capitalised borrowing costs)	529.9	503.9
Debt-to-total-assets ratio	36.3%	36.7%

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

36.3%

DEBT-TO-TOTAL ASSETS RATIO

Bank Facility & Interest Rate Management



	FY17	FY16
Weighted average duration of bank facility	2.5 years	3.5 years
Weighted average interest rate (incl. margin & line fees)	4.88%	5.12%
Interest Cover Ratio	3.43X	3.17x
% of fixed rate borrowings	65%	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.
- ▶ Argosy restructured its syndicated bank facility in May 2017. At 31 May 2017 the weighted average debt expiry will be 3.9 years.

- ▶ The final quarter cash dividend of 1.525 cents per share has been declared, with imputation credits of 0.27768 cents per share attached, and will be paid on 29 June 2017.
- ▶ The FY17 dividend is 6.10 cents per share, a 1.2% increase on the prior year.
- ▶ Based on current projections, it is expected that the FY18 dividend will be 6.20 cents per share, fully paid from distributable income.
- ▶ Argosy intends to move to an amended dividend policy, based on AFFO earnings, in the medium term. The Board expects, based on current projections, that the cash dividend will be at least maintained over the transition period.

6.20c

FY18 DIVIDEND GUIDANCE

29 June 2017

4th QTR DIVIDEND PAYMENT DATE

- ▶ Increase in property valuations of \$42.3 million, up 3.0% on book values immediately prior to the revaluation.
- ▶ Valuations were conducted by CBRE and Colliers International, acting as independent valuers.
- ▶ The portfolio is now valued at \$1.44 billion.
- ▶ Post revaluation passing yield (excluding NZ Post House in Wellington and including land) of 7.15% and fully let market yield of 7.31%.
- ▶ NZ Post House valued on an “as if complete” basis less costs to complete. The valuation did not take into consideration any reinstatement proceeds from the insurance claim.

\$42.3M

VALUATION GAIN

+3.0%

INCREASE

 \$1.44B

PORTFOLIO VALUE

Strategy Overview

Argosy



Following an extensive review of Argosy's strategy, considering factors such as sector historical and forecast returns, volatility and supply, the Board has approved slight amendments to our Investment Strategy and Investment Policy.

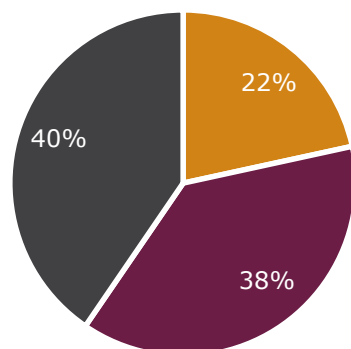
Our Investment Strategy has been amended to take into account tighter conditions at the top of the property cycle. Argosy's portfolio will continue to consist of Core and Value Add properties. We have extended the permitted range of Core properties to between 75-90% of the portfolio by value (increased from 75-85%) so we have the required flexibility to continue to operate the portfolio in the most efficient manner.

Following the review, our Investment Policy has also changed with an amendment to the sector band parameters. Our Industrial target will increase to 40-50% of the total portfolio by value (previously 35-45%) and Office will reduce to 30-40% (previously 35-45%). Retail remains unchanged. As at 31 March 2017, Argosy was operating within the parameters of its Investment Policy.

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.

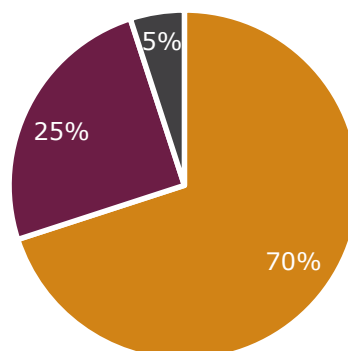
Portfolio Mix

**TOTAL PORTFOLIO VALUE
BY SECTOR**



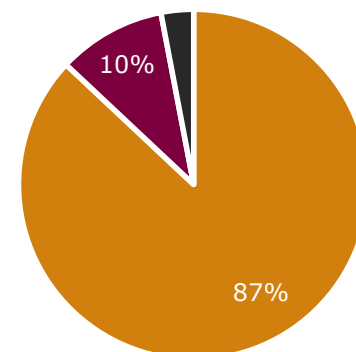
- Retail
- Office
- Industrial

**TOTAL PORTFOLIO VALUE
BY REGION**



- Auckland
- Wellington
- Regional North Island & South Island

PORTFOLIO MIX

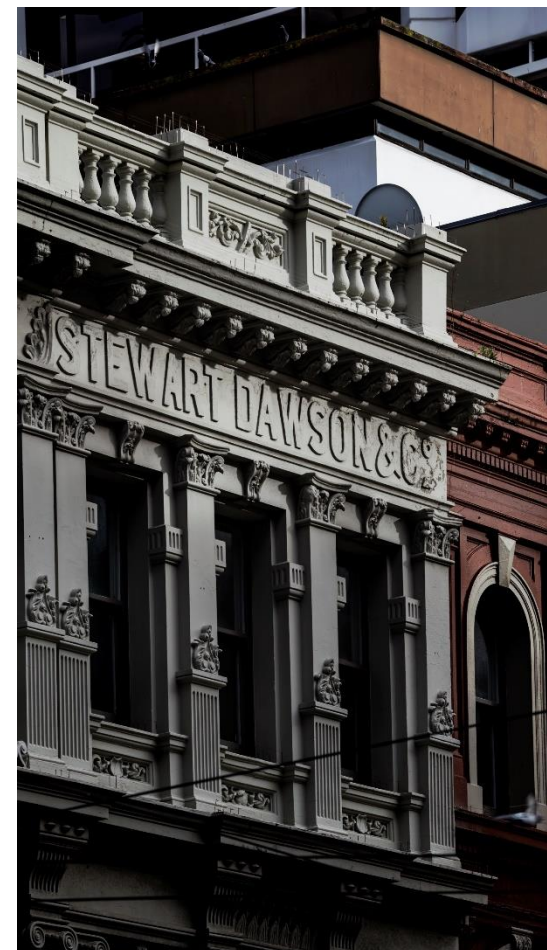


- Core properties
- Value Add properties
- Properties and land to divest

Value Add

The following properties have been designated as Value Add, which make up 10% of the total portfolio:

Property	Sector	Location	Valuation
90 - 104 Springs Road	Industrial	Auckland	\$4.06m
80 Springs Road	Industrial	Auckland	\$8.85m
211 Albany Highway	Industrial	Auckland	\$15.80m
960 Great South Road	Industrial	Auckland	\$6.05m
8 Foundry Drive	Industrial	Christchurch	\$12.30m
99-107 Khyber Pass Road	Office	Auckland	\$8.00m
82 Wyndham Street	Office	Auckland	\$29.20m
8-14 Willis Street	Office	Wellington	\$15.20m
180-202 Hutt Road	Retail	Wellington	\$8.15m
Stewart Dawsons Cnr	Retail	Wellington	\$15.30m
TOTAL (excl. land)			\$122.91m
15 Unity Drive	Land	Auckland	\$4.14m
246 Puhinui Road	Land	Auckland	\$3.13m
Highgate, Silverdale	Land	Auckland	\$12.05m
56 Jamaica Drive	Land	Wellington	\$1.10m
TOTAL			\$143.33m



Industrial

NUMBER OF BUILDINGS

38

MARKET VALUE OF ASSETS (\$M)

\$583.40

OCCUPANCY (BY RENT)

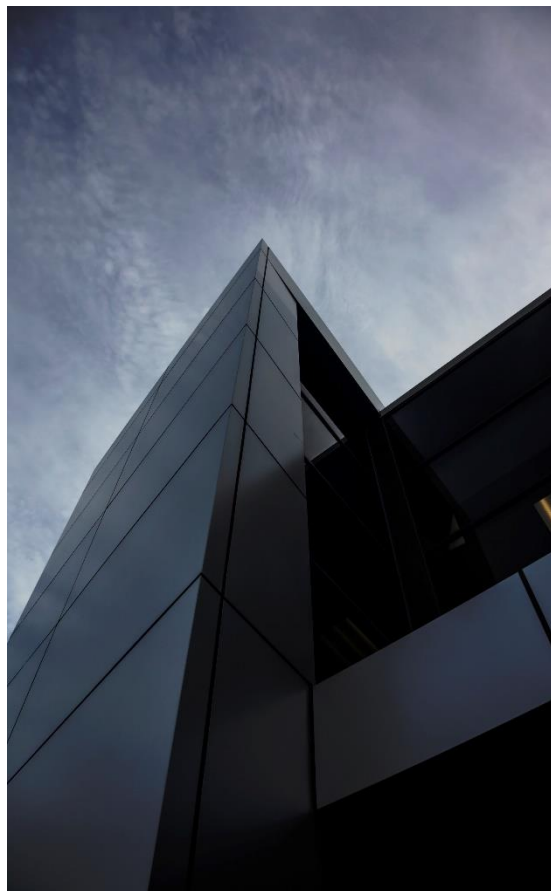
98.3%

WALT (YEARS)

6.40

PASSING YIELD

6.93%



Office

NUMBER OF BUILDINGS

17

MARKET VALUE ASSETS (\$M)

\$547.45

OCCUPANCY (BY RENT)

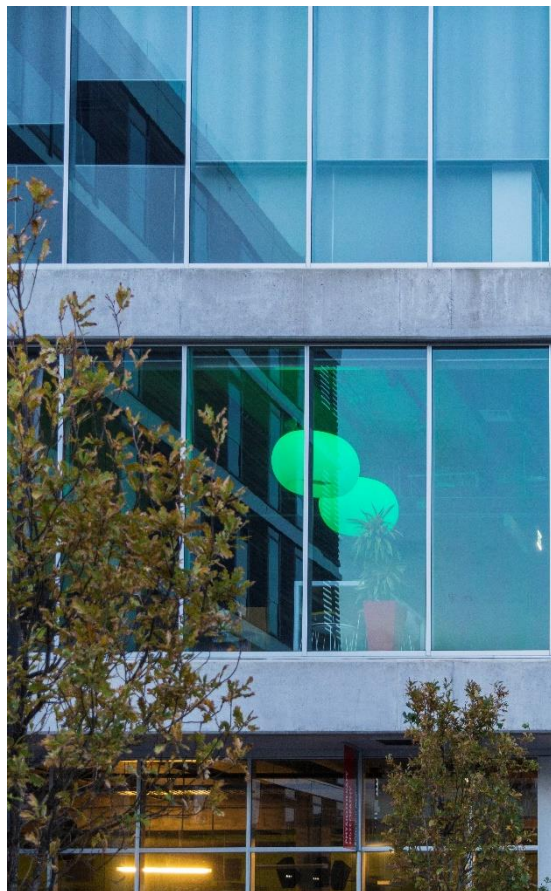
98.4%

WALT (YEARS)

4.87

PASSING YIELD

7.26%



Retail

NUMBER OF BUILDINGS

9

MARKET VALUE OF ASSETS (\$M)

\$311.30

OCCUPANCY (BY RENT)

99.4%

WALT (YEARS)

5.46

PASSING YIELD

7.38%



Tenant-led Developments

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

Development	Location	Total cost	Completion
Foundry Drive	Christchurch	\$7.5m	Substantially Complete
Mighty Ape ¹	Silverdale, Auckland	\$22.3m	Dec 2017
Placemakers	Kaiwharawhara, Wellington	\$9.4m	Mid 2018
82 Wyndham Street	Auckland	\$9.0m	Aug 2017
Snickel Lane	Citibank Centre, Auckland	\$7.5m	Mid 2017

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

Puhinui Road Acquisition

- ▶ Settled in December 2016 for \$23.9m.
- ▶ Brand new A-Grade design/build property.
- ▶ Occupied by Cardinal Logistics.
- ▶ 15-year lease term.
- ▶ Cardinal Logistics now occupy more than 38,000 square metres of NLA.



Green Star Upgrade

82 Wyndham Street, Auckland

- ▶ 4-levels, 6,199m² of Net Lettable Area.
- ▶ Complete refurbishment of the buildings services.
- ▶ Upgrading to a minimum 4 Green Star built rating, with a 4 Star NABERSNZ energy efficiency rating being sought.
- ▶ 3 levels have been leased with the final level currently being marketed.



Leasing Update

Argosy



Leasing Success

- ▶ Argosy has a demonstrable track record of managing lease expiries promptly.
- ▶ During the 2017 financial year, Argosy has completed 50 leasing transactions totalling 113,995m² of net lettable area.
- ▶ Some of Argosy's FY17 notable leasing successes during the year included:

Property	Tenant	NLA (sqm)	Lease Term
82 Wyndham Street	Panuku Development Limited	2,657	9 years ¹
17 Mayo Road	The Warehouse Limited	13,351	10 years
320 Ti Rakau Drive	Target International NZ Limited	6,567	10 years
320 Ti Rakau Drive	Gunnensen Limited	5,108	10 years
1 Rothwell Ave	Mighty Ape	6,562	2 years ²

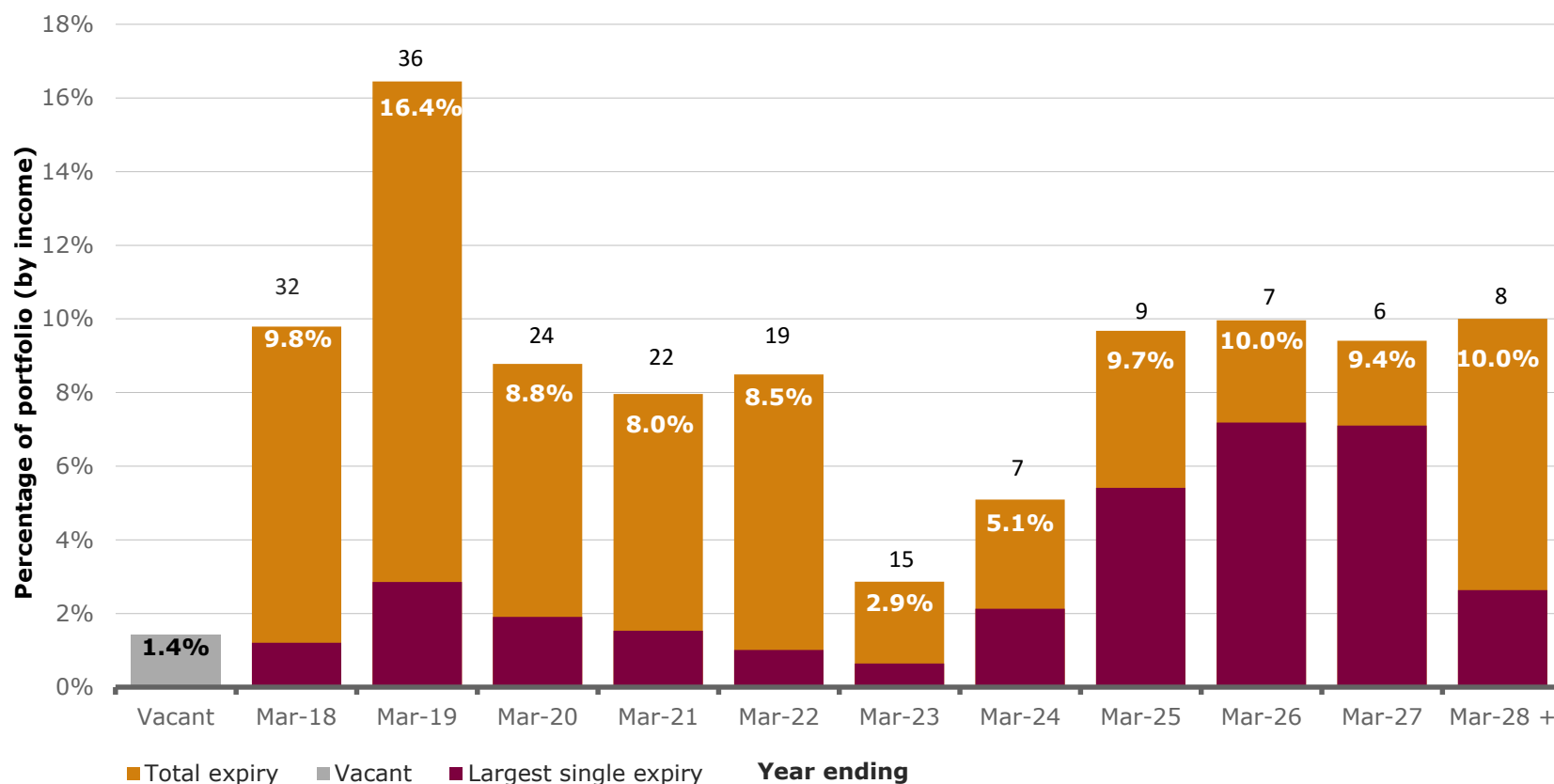
¹ The lease with Panuku Development Limited has a break clause, with penalty, after 6 years.

² Lease renewed while Argosy's development of larger premises for Mighty Ape in Silverdale takes place.

- ▶ The top 5 FY18 lease expiries at 31 March 2017 were:

Property	Tenant	Lease Expiry	% of Total Portfolio Rent
9 Ride Way, Albany	Amcor Flexibles (New Zealand) Limited	Sep-2017	1.2%
211 Albany Highway, Albany	Visypet (NZ) Limited	Jan-2018	1.2%
80 Springs Road, East Tamaki	Fisher & Paykel Appliances Limited	Apr-2017	0.7%
1 Rothwell Avenue, Albany	TWP No 3 Limited	Mar-2017	0.7%
Citibank Centre, Auckland	Transdev Auckland Limited	Jun-2017	0.4%

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)

- ▶ In New Zealand, net absorption driven primarily by economic growth and modest excess capacity provides a level of confidence. 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 2020 is projected.
- ▶ Wellington office vacancy has reduced post the Kaikoura earthquake and rental growth is resulting.
- ▶ Internet sales continue to grow, limiting retail sales growth.
- ▶ Higher lending conditions have reduced the number of potential developers in the domestic market. This will create potential opportunities.
- ▶ An end to the yield firming, increased construction costs, solid net absorption and decreased developers are all factors which are expected to benefit the environment for rental growth.

Outlook



- ▶ We live in globally uncertain times, however the economy, and thus the property market, in New Zealand remains solid with good economic growth expected to continue.
- ▶ The improved nature of our diversified portfolio allows us to make the most of the current market conditions.
- ▶ We remain focused on 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 adhere to the strategy with the aim of delivering sustainable and attractive returns to our shareholders.

Appendices



Adjusted Funds from Operations (AFFO)

	FY17 \$m	FY16 \$m
Profit before income tax	120.4	\$83.6
Revaluation gains	(42.3)	\$(42.2)
Derivative fair value (gain)/loss	(11.0)	\$19.4
Realised losses/(gains) on disposal	(2.7)	\$0.9
Other	1.2	\$(0.4)
Gross distributable income	65.6	\$61.3
Depreciation recovered	1.1	\$0.4
Current tax expense	(12.4)	\$(10.5)
Net distributable income	54.3	\$51.2
Net movement in tenant incentives and leasing costs	(3.6)	\$2.1
Maintenance capital expenditure	(4.2)	\$(4.7)
Tax effected maintenance capital expenditure recovered through sale (from 1/4/15)	-	-
Adjusted funds from operations (AFFO)	46.5	\$48.6
Weighted average number of shares on issue (m)	816.7	806.2
AFFO per share (cents)	5.70	6.03
Dividends paid in period	6.10	6.03
Dividend payout ratio (to AFFO)	107%	100%

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

This reconciliation is based on guidelines for disclosing AFFO as provided by the Property Council of Australia.

Rent Reviews



Review Type	#	Previous Rent (000)	New Rent (000)	\$ Increase (000)	% Increase	Annualised \$ Increase (000)	Annualised % Increase	% of rent reviewed
TOTAL REVIEWS	90	\$42,071.1	\$43,271.5	\$1,200.4	2.9%	\$845.2	2.0%	
By review type								
Market	21	\$16,531.5	\$16,904.8	\$373.3	2.3%	\$185.9	1.1%	39.3%
CPI / CPI+	22	\$8,562.9	\$8,712.8	\$149.9	1.8%	\$105.9	1.2%	20.4%
Fixed	47	\$16,976.7	\$17,653.9	\$677.2	4.0%	\$553.4	3.3%	40.3%
By sector								
Industrial	20	\$14,320.4	\$14,749.5	\$429.1	3.0%	\$281.1	2.0%	34.0%
Office	35	\$16,018.9	\$16,519.2	\$500.3	3.1%	\$349.9	2.2%	38.1%
Retail	35	\$11,731.8	\$12,002.8	\$271.0	2.3%	\$214.2	1.8%	27.9%
By location								
Auckland	72	\$31,214.4	\$32,048.7	\$834.3	2.7%	\$606.0	1.9%	74.2%
Wellington	15	\$8,826.2	\$9,133.2	\$307.0	3.5%	\$180.1	2.0%	21.0%
Regional North Island & South Island	3	\$2,030.5	\$2,089.6	\$59.1	2.9%	\$59.1	2.9%	4.8%

Rent Reviews



	#	Previous Rent (000)	New Rent (000)	\$ Increase (000)	% Increase	Annualised \$ Increase (000)	Annualised % Increase	% of rent reviewed
Auckland								
Industrial	13	\$10,935.9	\$11,208.8	\$272.9	2.5%	\$158.6	1.5%	35.0%
Office	28	\$10,298.8	\$10,639.6	\$340.8	3.3%	\$283.7	2.8%	33.0%
Retail	31	\$9,979.7	\$10,200.3	\$220.6	2.2%	\$163.7	1.6%	32.0%
	72	\$31,214.4	\$32,048.7	\$834.3	2.7%	\$606.0	1.9%	100.0%
Wellington								
Industrial	5	\$2,061.8	\$2,173.0	\$111.2	5.4%	\$77.5	3.8%	23.4%
Office	7	\$5,720.1	\$5,879.6	\$159.5	2.8%	\$66.2	1.2%	64.8%
Retail	3	\$1,044.3	\$1,080.6	\$36.3	3.5%	\$36.4	3.5%	11.8%
	15	\$8,826.2	\$9,133.2	\$307.0	3.5%	\$180.1	2.0%	100.0%
Regional North Island & South Island								
Industrial	2	\$1,322.6	\$1,367.6	\$45.0	3.4%	\$45.0	3.4%	65.1%
Office	-	-	-	-	-	-	-	-
Retail	1	\$707.9	\$722.0	\$14.1	2.0%	\$14.1	2.0%	34.9%
	3	\$2,030.5	\$2,089.6	\$59.1	2.9%	\$59.1	2.9%	100.0%

Valuations



	31 Mar 16 Valuation	FY17 Movement	Book Value	31 Mar 17 Valuation	Change		Market Yield	
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	%	31 Mar 16	31 Mar 17 ¹
TOTAL	1,367.6	32.3	1,399.9	1,442.2	42.3	3.02%	7.53%	7.31%
<i>By location</i>								
Auckland	920.4	23.5	943.9	1,008.5	64.6	6.84%	7.38%	7.14%
Wellington	372.4	5.6	378.0	355.3	(22.7)	(6.01%)	7.65%	7.53% ¹
North Island Regional & South Island	74.8	3.2	78.0	78.4	0.4	0.51%	8.71%	8.70%
<i>By sector</i>								
Industrial	507.1	32.2	539.3	583.4	44.1	8.18%	7.69%	7.12%
Office	548.6	10.8	559.4	547.5	(11.9)	(2.13%)	7.62%	7.58% ¹
Retail	311.9	(10.7)	301.2	311.3	10.1	3.35%	7.09%	7.27%

¹ 31 March 2017 market yield excludes NZ Post House which was valued on an "as if complete" basis, with costs to complete deducted from final valuation.

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

May 2017