



BNZ/NAB
First Look Investor
Conference
Sydney, 30-31st October
2018

Strength in diversity

Argosy Property Limited

▶ www.argosy.co.nz



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. All \$ are NZ\$.

Argosy at a Glance



NUMBER OF BUILDINGS

36

BOOK VALUE OF ASSETS (\$M)

\$643.1

OCCUPANCY (BY INCOME)

100%

WALT (YEARS)

7.0



NUMBER OF BUILDINGS

16

BOOK VALUE OF ASSETS (\$M)

\$578.9

OCCUPANCY (BY INCOME)

96.3%

WALT (YEARS)

4.8



NUMBER OF BUILDINGS

8

BOOK VALUE OF ASSETS (\$M)

\$302.7

OCCUPANCY (BY INCOME)

98.4%

WALT (YEARS)

6.0

NUMBER OF BUILDINGS

60

BOOK VALUE OF ASSETS (\$B)

\$1.525

OCCUPANCY (BY INCOME)

98.3%

WALT (YEARS)

6.0

History

1. 2002 => Listed in Dec-02 as Paramount Property Trust with external management structure.
2. 2003 => Acquires \$280m unlisted MFL property portfolio. Fund Manager ING acquires management company and rebrands to ING Property Trust (ING.NZ).
3. 2005 => Acquired Urbus Properties Group for \$410m with a portfolio of 50 properties.
4. 2010 => ANZ National Bank takeover of ING NZ sees the trust rebranded Argosy Property Trust (ARG.NZ).
5. 2011 => Internalised.
6. 2012 => Converted from Trust structure to Corporate structure.
7. 2012 => Dec-12 a \$100m equity raising (\$80m private placement, \$20m share purchase plan) to support acquisition of 15 Stout Street (\$79.8m) & NZ Post House (\$100m).
8. 2013 => Jul-13 a 1:7 pro rata renounceable rights issue to raise \$86.9m to support acquisition of 80 Favona Rd (\$74m) and 101 Carlton Gore Rd (\$22m).



Investment Strategy/Policy

Argosy



Investment Strategy

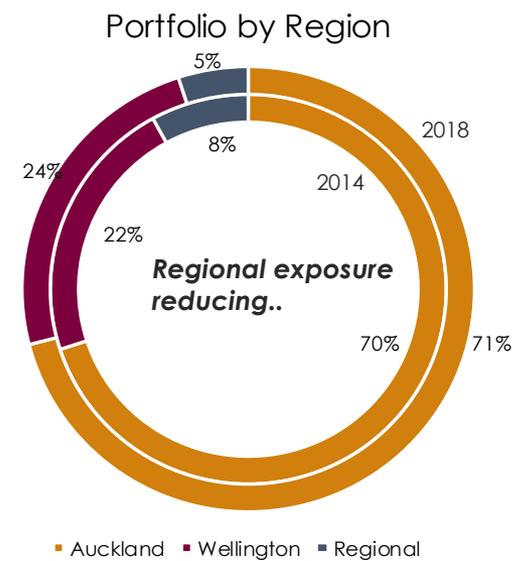
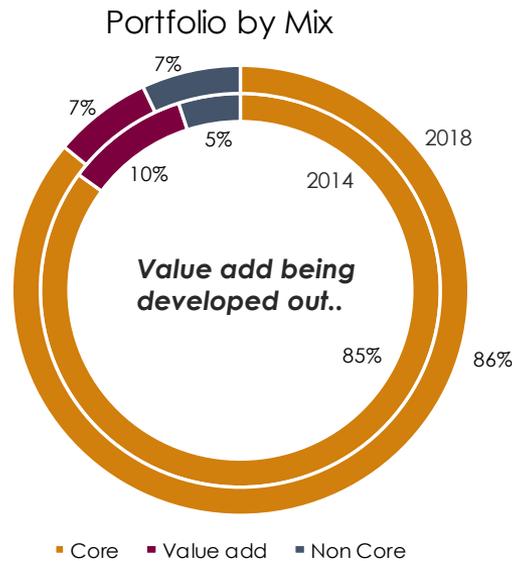
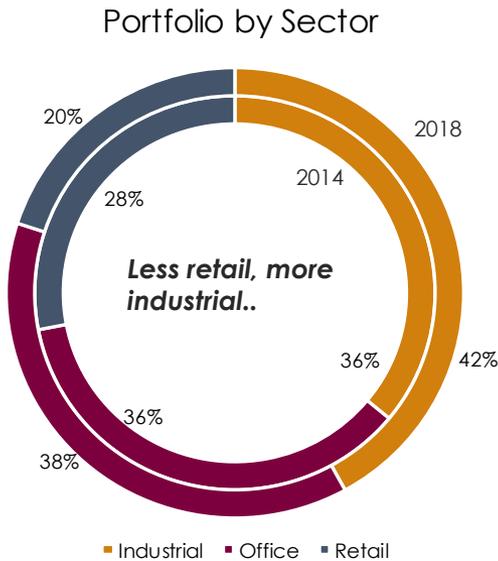
- ▶ Consists primarily of Core and Value Add properties.
- ▶ Core properties to be between 75-90% of the portfolio by value.
- ▶ Value add properties to be between 10-15% of the portfolio by value.

Investment Policy Framework

- ▶ Target sector bands (Industrial 40-50%, Office 30-40%, Retail 15-25%).
- ▶ Preference for acquisitions > \$10m.
- ▶ Undertake developments with partners/tenants where it makes strategic sense.
- ▶ Enter JV's only where appropriate.
- ▶ No international, leasehold properties.

Portfolio Transformation

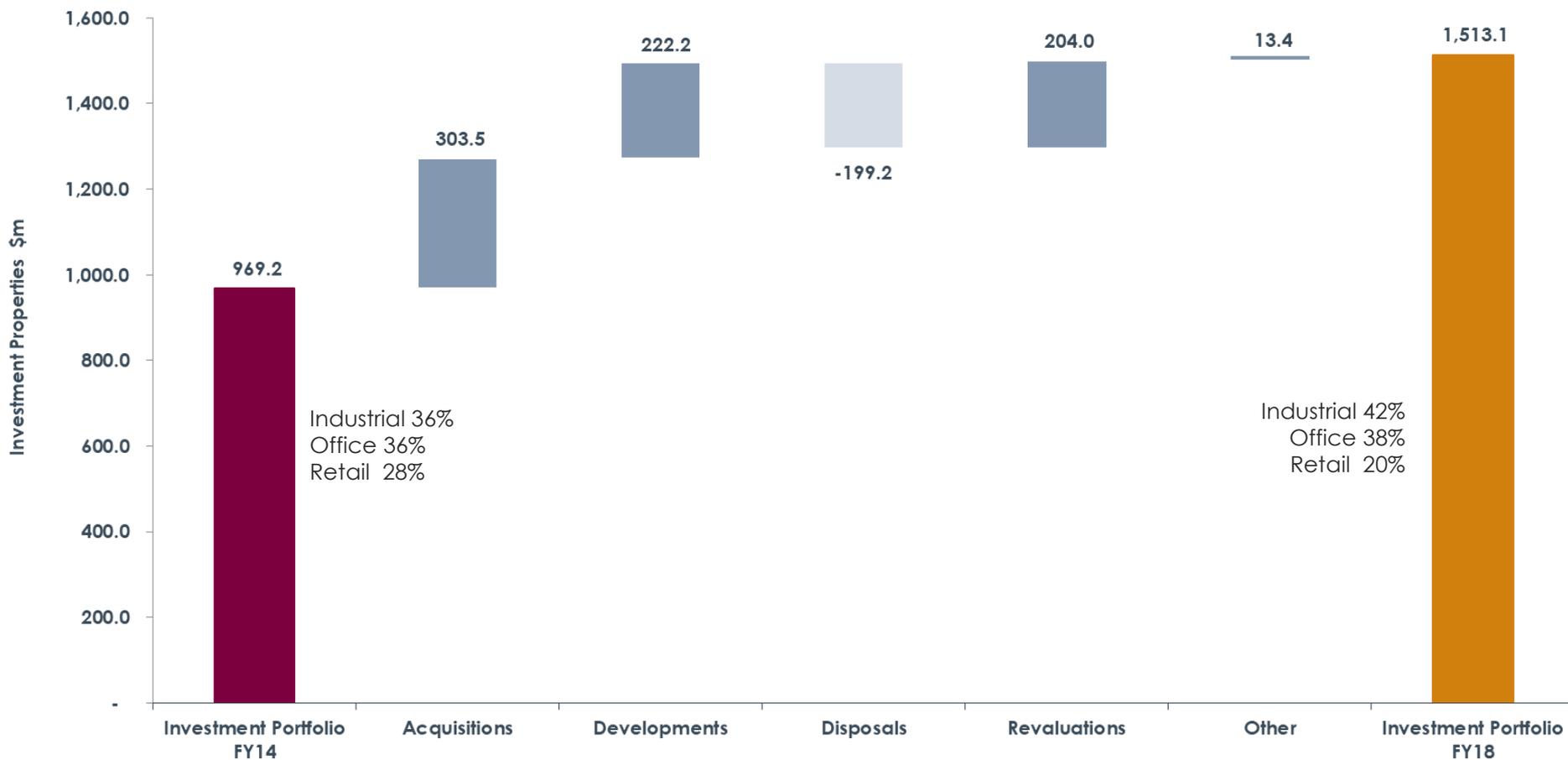
- ▶ Improved portfolio quality.
- ▶ Asset allocation bands adjusted for the environment.
- ▶ Stronger business – 4yr GDI growth of 4.6% p.a.
- ▶ Growing exposure to green assets / sustainability focus (~13% of portfolio by value).



Data as at 31 March financial year end.

Portfolio History

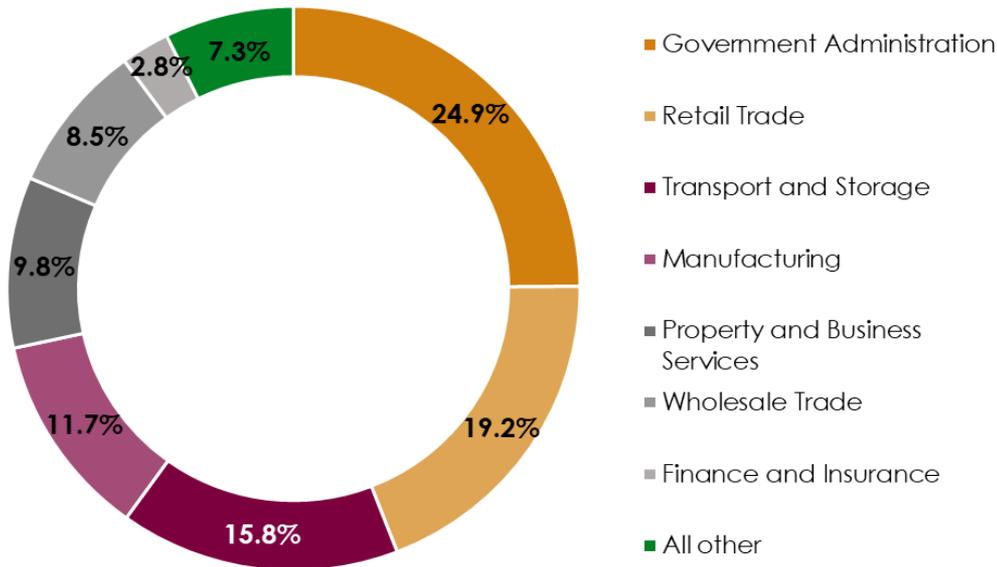
► Acquisitions and developments key drivers of portfolio growth in recent years



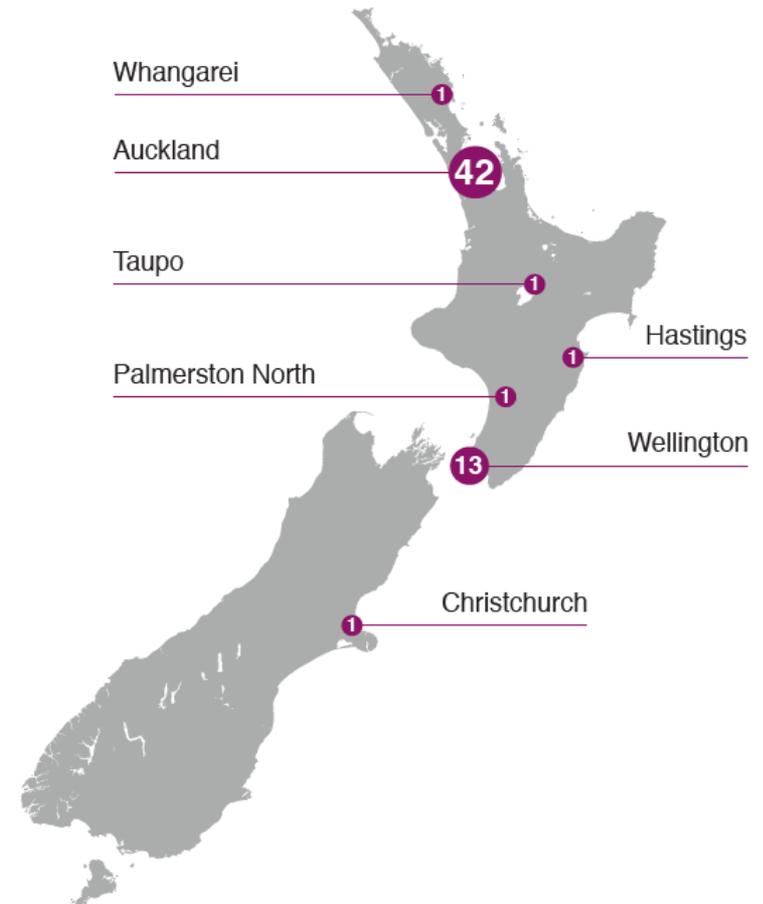
Auckland & Wellington Focus

- ▶ A diversified portfolio of high quality assets and tenants
- ▶ Value add opportunities with existing and potential new tenants

Portfolio Rent by Industry



Geographic distribution of portfolio



Data as at 31 July 2018

Development Programme



**15-21 Stout Street,
Wellington**



**82 Wyndham Street,
Auckland**



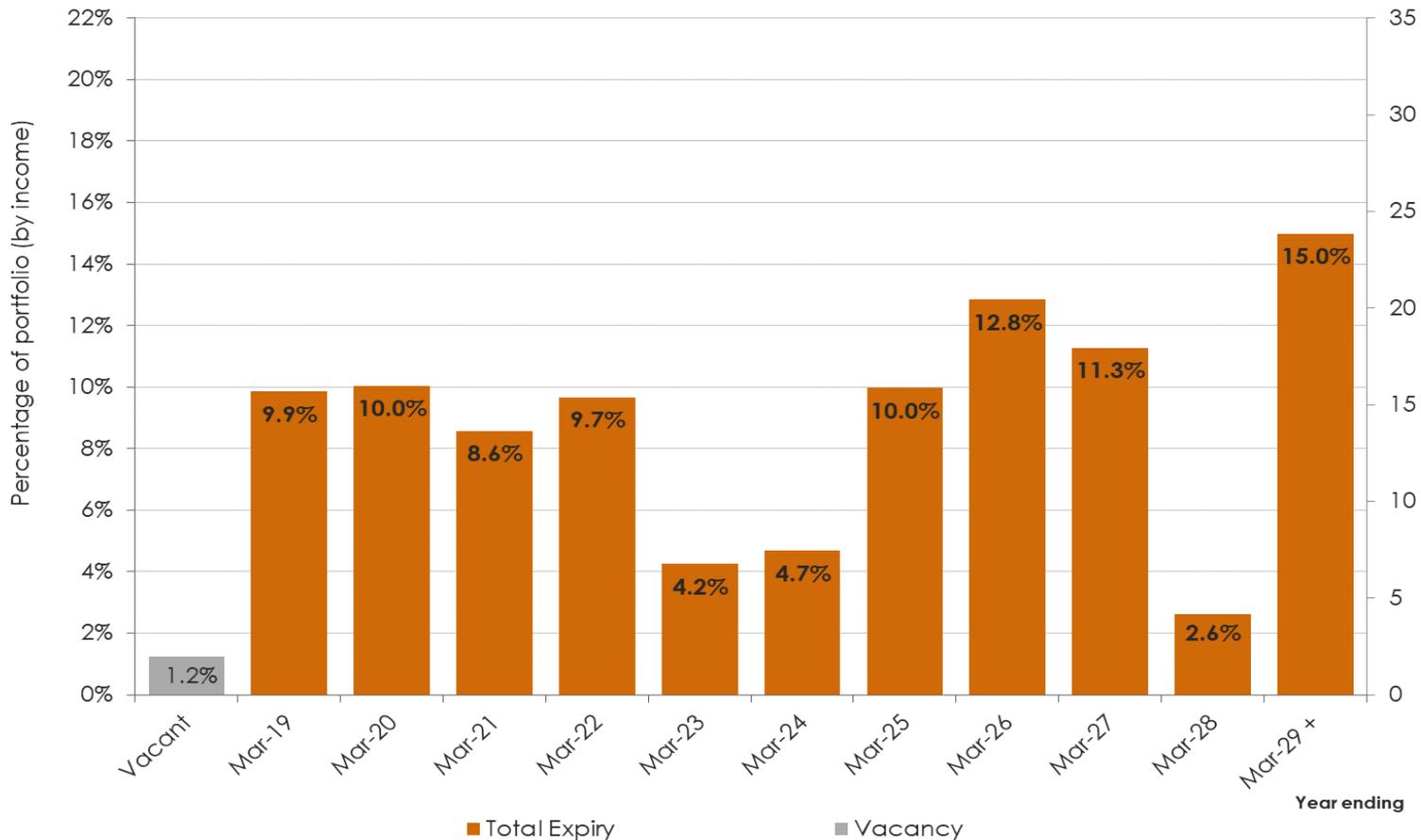
**Highgate Business Park,
Auckland**



▶ Completion:	2014	2017/18	2018
▶ NLA / WALT:	21,000sqm / 7.9yrs	6,000sqm / 7.2yrs	10,600sqm / 9.4yrs
▶ Green rating:	5 Green Star Built	Targeting 5 Star	Targeting 4 Star
▶ NABERSNZ rating:	5 Star	Targeting 5 Star	n/a
▶ Current value:	\$107.1m	\$42.3m	\$28.9m

Lease Maturity

▶ Lease maturity profile relatively stable over the medium term, no material single tenant exposure



FINANCIALS

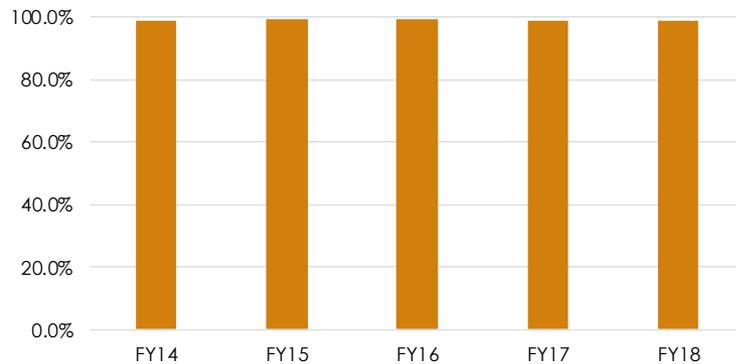


Argosy 5-yr History

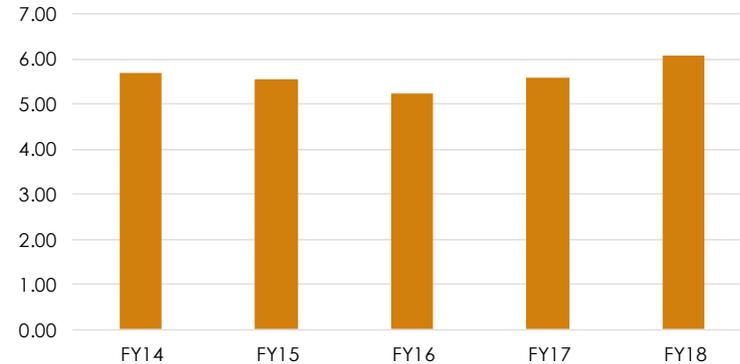


► Our focus is delivering improved portfolio quality and is reflected in our strong portfolio metrics.

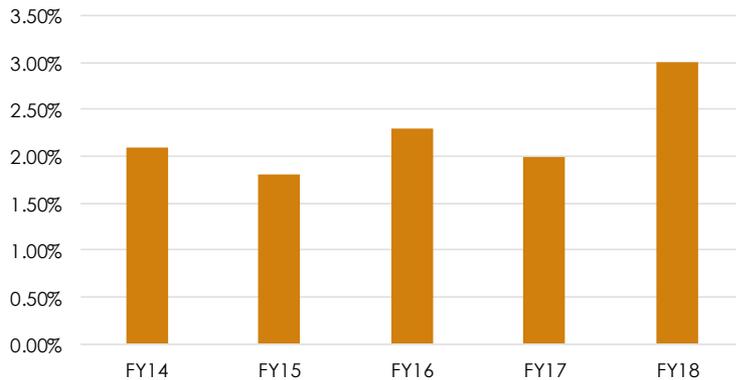
Occupancy



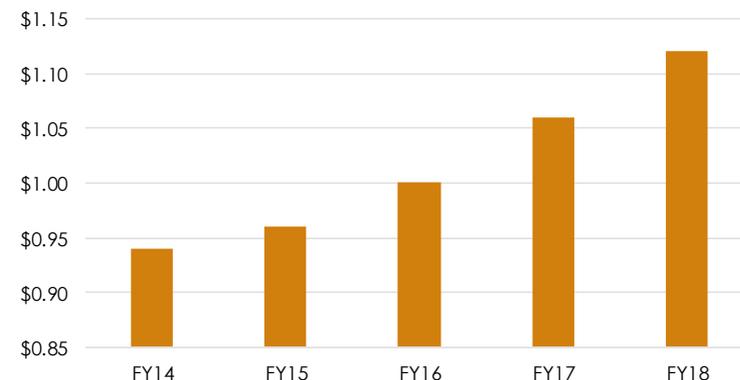
WALT (years)



Rent Reviews - annualised increase



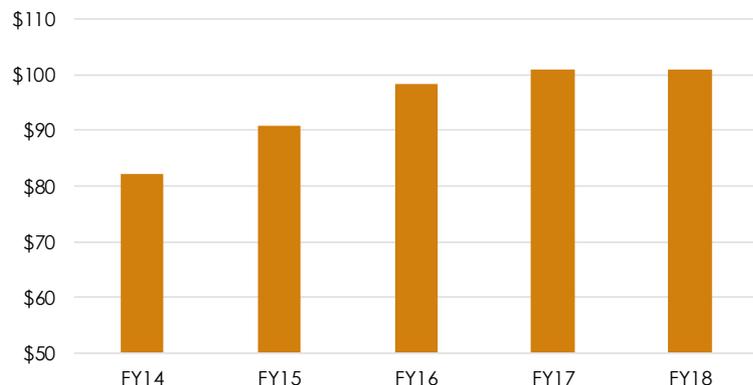
Net Tangible Assets



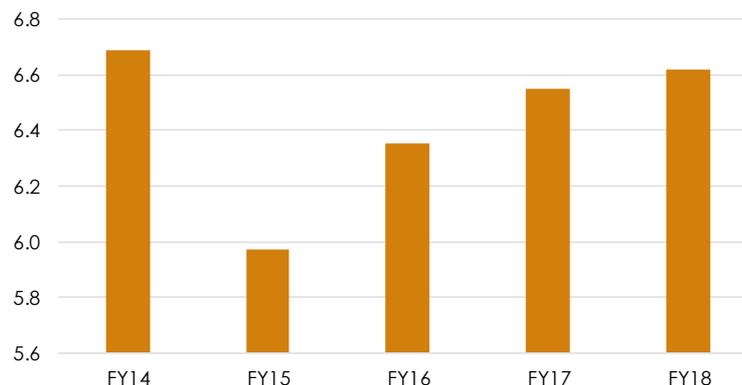
Argosy 5-yr history

► Our portfolio transformation has delivered stronger earnings allowing steady dividend growth to shareholders.

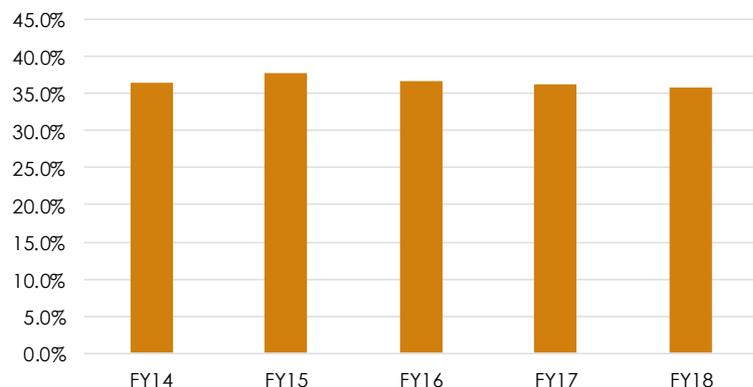
Net Property Income



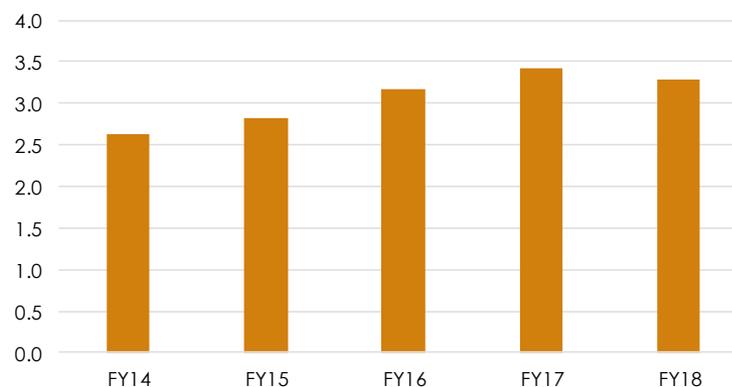
Net Distributable Income (cps)



Debt-to-total-assets



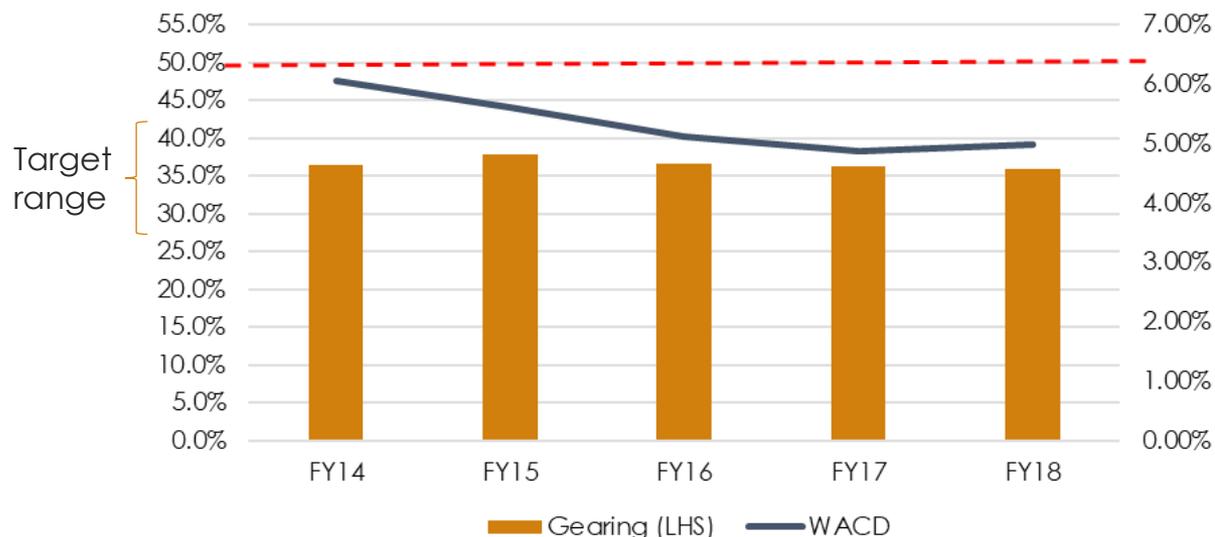
Interest Cover Ratio (times)



Gearing, Funding & Interest Rate Management

- ▶ Further divestment of non Core assets will see the portfolio repositioned to the lower end of its retail band (15-25%) and higher end of industrial band (40-50%) over next 12-18 months.
- ▶ Target policy gearing range of between 30-40%.
- ▶ 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, February 2018 and October 2018.

Debt-to-total-assets



3.1 years¹

Weighted avg. bank facility term

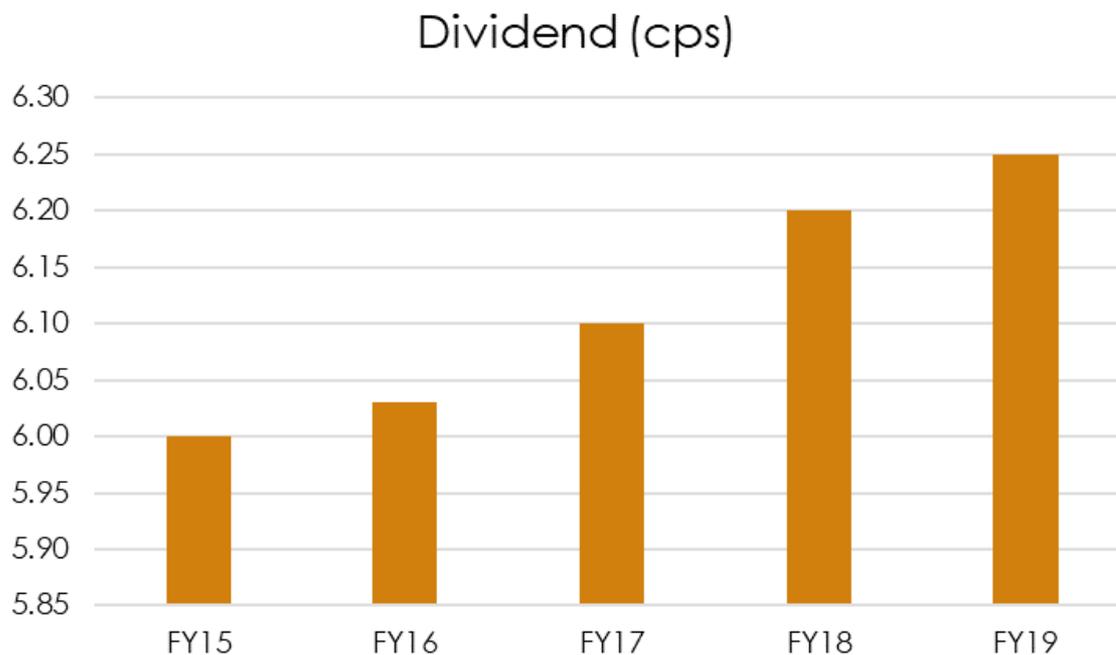
3.3 times¹

Interest Cover Ratio

1. Data as at 31 March 2018. Chart data as at 31 March financial year end.

Dividends

- ▶ FY19 dividend guidance of 6.25 cents per share, an increase of ~1.0% on the previous year.
- ▶ The FY19 dividend reflects the Boards wish for shareholders to share in the continued strong results whilst allowing Argosy to maintain its momentum towards an AFFO based dividend policy by 2021.



6.25c

FY19 dividend guidance

Market Update

Argosy



▶ Office

- ▶ Flexible working environments driving disconnect between employment growth and net absorption. Structural trend is occupiers relocating taking ~10% less space per person than they had previously.
- ▶ Rental growth impacted by new supply and there has been an increase in incentives to reflect this.
- ▶ The 2016 earthquake created structural change in the Wellington market, strong demand, low vacancy and stock levels. There is a shortage of large floor plate/high quality stock with upward rental growth pressure as a result. Prime vacancy is minimal given pending new supply. Market vacancy is mostly C grade stock.

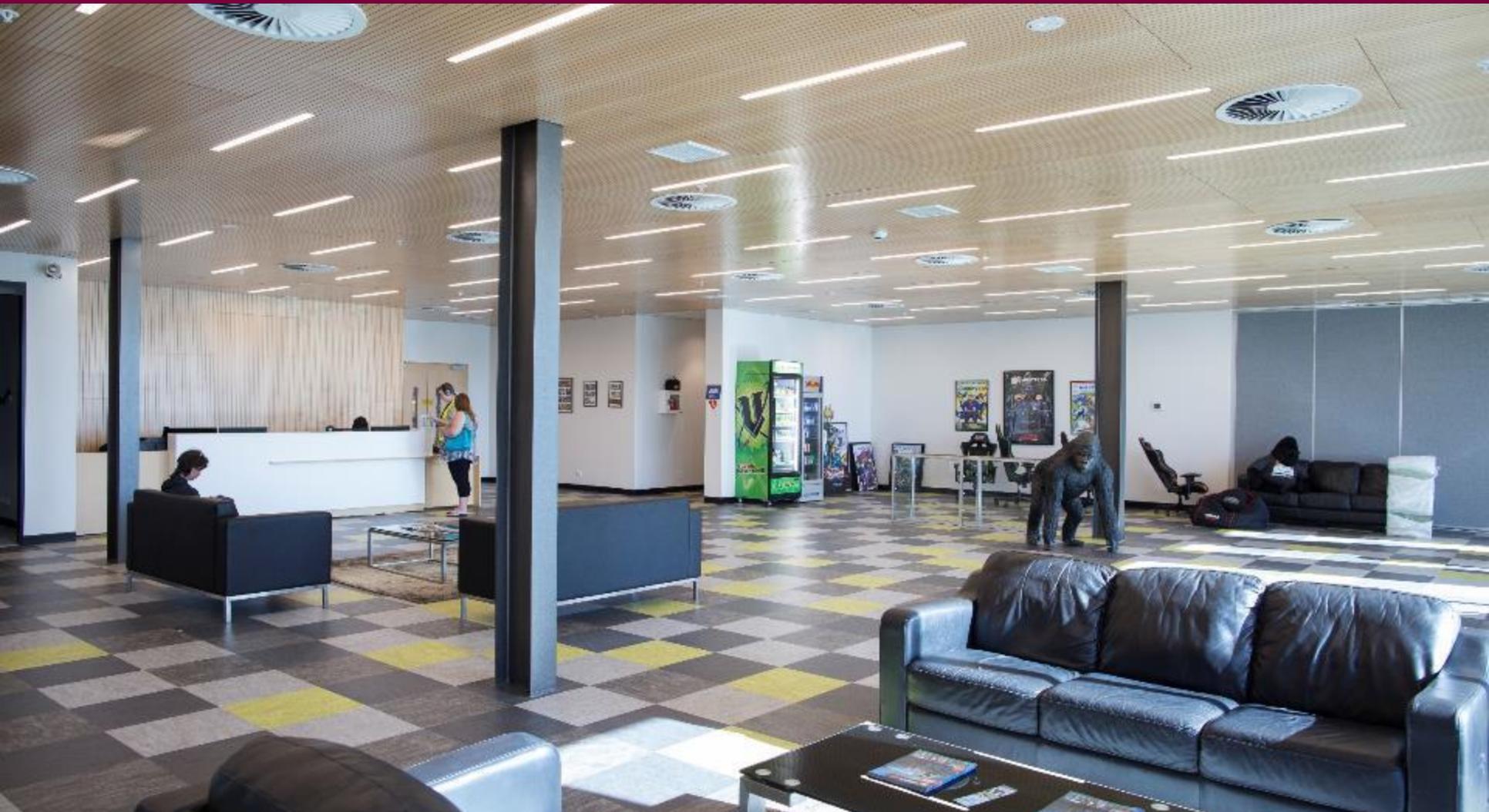
▶ Industrial

- ▶ Steady economic growth driving occupier demand. Offshore capital flows driving yields/cap rates lower.
- ▶ Continued low supply forecast with 1.4% new supply expected per annum between 2018-2022.
- ▶ Land values are at historic highs.
- ▶ New rental benchmarks being set with ~\$130-140m² for prime warehouse.
- ▶ Vacancy at historic lows for both prime and secondary (< 2%).

▶ Retail

- ▶ Generally a more negative retail spending outlook. Waning migration, increasing fuel prices and flat housing prices are providing headwinds.
- ▶ However, some offset from rising minimum wage and a booming tourism sector.
- ▶ Approximately 200,000m² of retail space to be added by 2022.
- ▶ Continued increase in online retailing.
- ▶ Large format retail expected to see biggest rental growth.

- ▶ New Zealand economic outlook is still positive with economic growth forecast. Global volatility heightened, some flow through to local market.
- ▶ Interest rates expected to remain supportive over the next few years.
- ▶ Rental growth to continue.
- ▶ Green assets will continue to see increase in demand from tenants.
- ▶ Vendor conditions remain favourable. Continued focus for Argosy on divestment of non Core assets to reinvest elsewhere or to strengthen the balance sheet.
- ▶ Acquisition environment challenging.
- ▶ We will continue to focus on value add opportunities with a green overlay.



Board of Directors



Mike Smith - Chairman

- ▶ Extensive management and corporate governance experience in New Zealand
- ▶ Previous directorships with Fonterra, Auckland Airport, Fisher & Paykel Healthcare
- ▶ Current directorships include:
 - ▶ Greymouth Petroleum Limited
 - ▶ Maui Capital Aqua Fund Limited
 - ▶ Maui Capital Indigo Fund Limited



Peter Brook - Director

- ▶ Extensive management experience in New Zealand including 20 years with Merrill Lynch (Managing Director)
- ▶ Trustee of Melanesian Mission Trust Board
- ▶ Current directorships include:
 - ▶ Burger Fuel Worldwide Limited, *Chairman*
 - ▶ Generate Investment Management Limited, *Chairman*



Mark Cross - Director

- ▶ Over 20 years of management experience across UK, Australia and New Zealand
- ▶ Current directorships include:
 - ▶ Milford Asset Management Limited *Chairman*
 - ▶ Chorus Limited
 - ▶ Genesis Energy Limited
 - ▶ Z Energy Limited

Board of Directors



Stuart McLaughlan - Director

- ▶ More than 25 years experience across corporate New Zealand.
- ▶ Chairman of the NZ Sports Hall of Fame, Scott Technology Ltd and UDC Finance Ltd.
- ▶ Past President of NZ Institute of Directors.
- ▶ Current directorships include:
 - ▶ Scenic Circle Hotels Ltd
 - ▶ Dunedin International Airport Ltd
 - ▶ Ngai Tahu Tourism Ltd



Jeff Morrison - Director

- ▶ More than 35 years as a property lawyer, 29 of these as a partner at Russell McVeagh
- ▶ Trustee of the Spirit of Adventure Trust and other charitable trusts
- ▶ Holds a number of private company directorships



Andrew Evans - Director

- ▶ Over 25 years commercial real estate and asset management experience
- ▶ Current directorships include:
 - ▶ Vital Healthcare Property Trust
 - ▶ Trust Investment Management Limited
 - ▶ Holmes Group Limited

Management



Peter Mence - CEO

- ▶ An engineer by background, Peter has 35 years of experience in the property industry working with Progressive Enterprises, Challenge Properties, Richard Ellis and Green and McCahill.
- ▶ Peter has been with Argosy since 1994 and was appointed Chief Executive in 2009.
- ▶ He is a Fellow of the Property Institute and is a past lecturer in Advanced Property Management at The University of Auckland and has just retired as President of the Property Council of New Zealand.



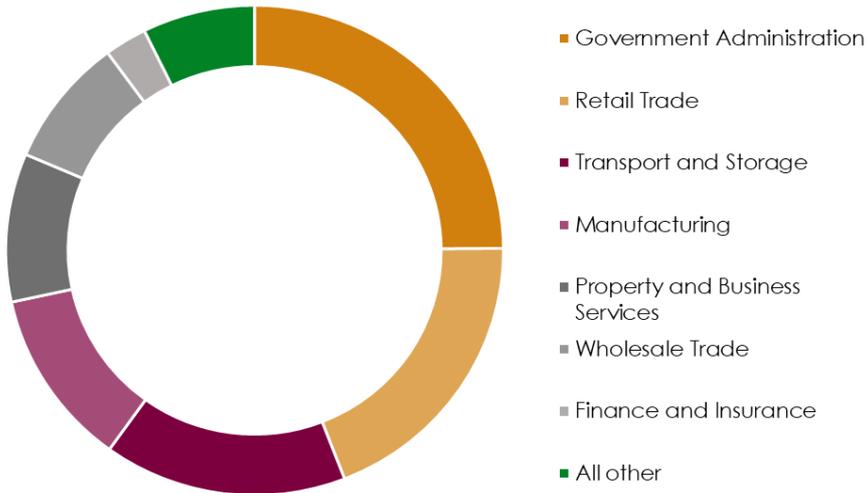
Dave Fraser – CFO

- ▶ Has over 28 years in senior financial and general management roles both in New Zealand and overseas, including a period in Japan as a senior vice president with the Jupiter Group.
- ▶ Joining in 2011 he was responsible for Argosy's internalisation and corporatisation transformation. He now oversees the financial and corporate activities of Argosy.
- ▶ Dave is a qualified Chartered Accountant, and holds a Bachelor of Commerce and MBA from The University of Auckland.

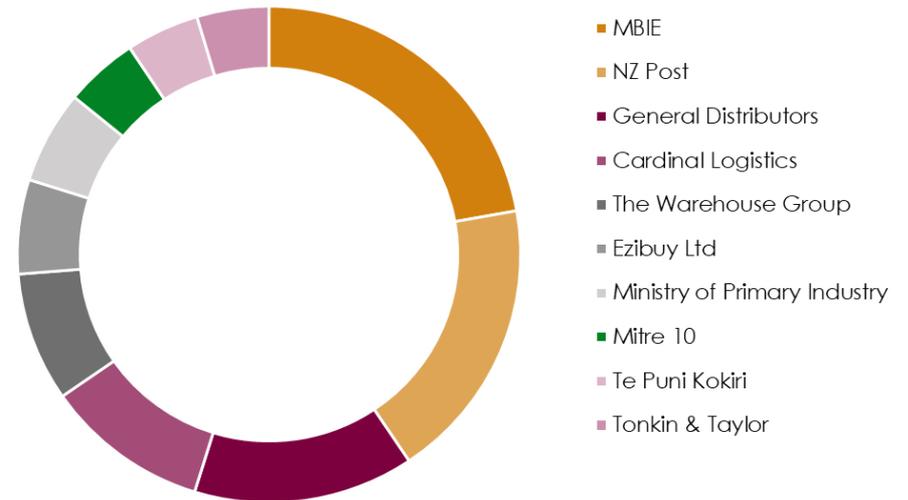
Portfolio Metrics

▶ The strength of our diversified portfolio is in the breadth and depth of our tenant base and sectors they represent.

Portfolio Rent by Industry



Top 10 Tenants



Data as at 31 July 2018

Argosy at a glance



\$1.52b

Investment Portfolio

\$0.91b

Market capitalisation

+170

Property partners

60

No. of Properties

5yr average*

99%

Occupancy (by rental)

5yr average*

5.6yr

WALT

5yr average*

36.6%

Debt to total assets

12.5%

10yr total return p.a¹

19.1%

5yr NTA growth



Data as at 31 July 2018. * average = measured as at 31 March financial year end. 1. Total shareholder return on annualised basis. Return as at 30 September 2018.

Disclaimer

Argosy



Disclaimer



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

30 October 2018