Argosy

8 August 2019

2019 ANNUAL MEETING

CEO'S SPEECH (PART 1)

CHIEF EXECUTIVE OFFICERS REVIEW

Thank you Mr Chairman. As noted earlier, I'll be covering off strategy, taking you through a few more elements of the FY19 results in a little more detail before rounding out with an update of the NZ market as we see things.

CREATE. MANAGE. OWN

This slide is nothing really new to what we fundamentally do, we're just articulating it in a better way.

Our Create, Manage, Own framework, complements our overall Investment Strategy and Investment Policy. Ultimately, Argosy is focused on Creating sustainable growth - a good example of this is our focus on greening the portfolio through organic growth and our Value Add properties. We're passionate about Managing the business for all our stakeholders - that includes our shareholders, staff, tenants and external partners - and we ensure we Own the right assets in the right locations - and you've seen us delivering on this through all our various portfolio activities including strategic acquisitions and divestments.

We think this is a simple strategic message and provides very clear way forward. In terms of our Investment Policy, we have made a small change in that we will now consider management of external portfolios where it is complementary to the strategy of the business.

PORTFOLIO AT A GLANCE

You'll all be used to thee charts illustrating the portfolio composition in various ways.

I will just note the retail weighting in the first chart is towards the lower end of its 15-25% band. This will reduce further with Albany Lifestyle under contract for sale in March 2020. I note that in the other charts, our portfolio weightings by region and mix have not moved materially from the prior year, other than the impact of the sale of an industrial asset in Palmerston North.

DISTRIBUTABLE INCOME

Here we have our distributable income slide, and after adjusting for non-cash items including revaluations, realised gains and derivative losses, gross distributable income was $67.3 million up 2.5 percent on the prior year. Net distributable income was $57.4 million compared to $54.6 million in the prior year, an increase of 5 percent. On a per share basis, net distributable income was up 4.8 percent – so we were very pleased with the result overall.

VALUE ADD

There is solid construction activity on Value Add assets in the portfolio at the moment.

80 Springs Road – which is an upgrade of an existing well located industrial asset, 180-202 Hutt Road where Placemakers have moved into their new building in Wellington.

99-107 Khyber Pass Road is a building upgrade which is one of our Green projects which I'll speak to shortly along with 8-14 Willis Street and Stewart Dawson Corner, representing an exciting redevelopment in the Wellington CBD.

GREEN ASSETS

Here we briefly summarise some of our current list of green assets which currently totals a little over $200 million or around 13 percent by value. These assets underpinned our successful $100 million Green Bond Issue earlier in the year and continues to reflect the congruity between how we grow the business and how we fund the business. I also note the $157 million expected end value of green projects now underway.

LEASE MATURITY

With a weighted average lease expiry of over 6 years, leasing has gone very well for us over 2019. As you know we like to keep the lease expiry profile under 10 percent each year. We're not dealing with an onerous year until around March 2025. Over the first quarter of the FY20 financial year we have achieved some good leasing outcomes with our lease expiry profile reducing 3% to a little over 5%.

We have continued to make strong leasing progress at 7 Waterloo Quay and are in advanced stages with several Crown tenants.

2020 FOCUS

Looking ahead under our Create, Manage, Own framework.

We'll continue to transition the Value Add properties in the portfolio – particularly green developments – and you've seen we have made good progress on this through the 2019 year. We will keep working on strategic acquisitions ensuring they add value to the existing business.

As a result of this work we expect the strong environmental focus to deliver a high proportion of green assets into the portfolio.

We remain focused on maximising portfolio performance and retaining tenants, resolving vacancies and addressing key lease expiries are all part of this. We will ensure our capital position remains solid through the continued diversification of our debt funding and increasing the tenor to provide added certainty.

And lastly, we'll remain focused on our progress towards a sustainable AFFO based dividend policy.

Argosy is about owning the right properties, with the right attributes in the right locations and we will continue to deliver on this by investing in a diverse range of properties by sector, location and asset value. At the same time, we will ensure we leverage attractive market conditions to divest assets where appropriate whilst maintaining our value add approach to the existing portfolio.

Now, I will hand you back to the Chairman.

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