Argosy

2020 ANNUAL MEETING

28 July 2020

CEO's REVIEW

[SLIDE 12] CHIEF EXECUTIVE OFFICERS REVIEW.

Thankyou Mr Chairman. As noted earlier, I'll be covering off a market update, strategy, taking you through a few more elements of the FY20 results in a little more detail before rounding out with an update of the NZ market as we see things.

[SLIDE 13] COVID-19 UPDATE

We have continued to adapt in a post Covid-19 environment. Our agile working environment and business continuity plan was always based on working from home and we have continued to provide the flexibility since Alert level 2 was introduced in May. It remains very successful for our business.

We have continued to see our tenants gradually returning to business as normal. Anecdotally we believe activity levels have returned to somewhere between 75-100% of pre-Covid levels, noting seasonal factors that affect some tenants. To the end of June, Argosy has agreed or provided for $3.3 million in rental abatements for tenants most in need.

Our development projects have recommenced and we have a little more visibility on the delays for Covid-19 which we estimate at around three months.

[SLIDE 14] CREATE. MANAGE. OWN

There has been no change to our Create, Manage, Own strategy. The strategy continues to complement our overall Investment Framework.

[SLIDE 15] DELIVERY ON STRATEGY

We've continued to green the portfolio and transition value add properties over the year. We have a big pipeline of organic opportunities to execute on over time.

We have low vacancy at present and had strong leasing successes during the year, particularly at 7 Waterloo Quay in our Wellington portfolio. We also have a low lease expiry profile over the medium term.

We continued to diversify our capital mix and tenor with a second successful $100 million green bond issue – where we continue to fund the business the way the grow the business.

We remain focused on steady dividend growth with the gradual transition to an AFFO based dividend policy over the medium term.

On the portfolio activity side of things, we've continued to make strategic acquisitions and divestments as required to enhance overall portfolio quality and asset mix.

As Mike mentioned, since Balance Date we have sold two properties that were designated as non Core, with a total sale value of $40 million.

While the non-settlement of the Albany Lifestyle Centre was disappointing, we've got a marketing campaign underway and we have interest from a number of interested parties.

[SLIDE 16] PORTFOLIO SNAPSHOT

Onto our portfolio highlights and things are in really good shape. At 31 March, occupancy was at almost 99% and our weighted average lease term was over six years for the third consecutive year.

We continue to have heavy weightings into both the industrial sector and Auckland market.

[SLIDE 17] PORTFOLIO AT A GLANCE

There have been no material changes to the charts here other than to note there is a slight change to the sector weightings. The industrial band has been increased five percent to 45% - 55% from 40% - 50% and the large format retail band has been reduced five percent to 10% - 20% from 15% - 25%.

[SLIDE 18] DISTRIBUTABLE INCOME

Here we have our distributable income slide. After adjusting for non-cash items including revaluations, realised gains and derivative losses, net distributable income was up by $2.2 million or 3.8 percent on the prior year. On a per share basis, net distributable income was up 3.7 percent – which was really pleasing.

[SLIDE 19] VALUE ADD

We have $219 million in value add opportunities which are generating a 5.8% yield with two already well underway. The big trend we've seen is that tenants are likely to remain in place over the short to medium term and we expect to see renewals feature strongly in our leasing outcomes over the next 6-12 months. Development levels may slow down for a short period as tenants take stock in the post Covid-19 environment. The focus on green developments however remains a priority.

[SLIDE 20] DEVELOPMENT PIPELINE

Looking at the development pipeline, we completed 107 Carlton Gore Road and 180 Hutt Road developments.

7WQ is nearing completion as we get the tenants in place. 54-56 Jamaica drive will be completed next month.

8-14 Willis Street and 360 Lambton Quay will run into late 2021. The delays in that development are not just Covid delays but are also related to agile working environment considerations - these are more around how the tenant wants to use the space that they have - so there are some design changes filtering through.

The potential green developments at 101 and 105 Carlton Gore Road which were early in the design phase with tenants are likely to be pushed out by 12 months.

[SLIDE 21] LEASE EXPIRY

We have retained our weighted average lease expiry above 6 years for the 3rd consecutive year – underpinned by strong leasing outcomes in 2020.

As you know, we like to keep the lease expiry profile under 10 percent each year on average.

Our largest single expiry over next 5 years is 5.5% in March-25 being General Distributors at 80-120 Favona Road, Mangere. Over the first quarter of the FY21 financial year we have achieved some good leasing outcomes and we have continued to field solid interest at 7 Waterloo Quay for the remaining three levels.

[SLIDE 22] 2021 FOCUS

Looking ahead to 2021 we have a number of focus areas under our Create, Manage, Own strategic framework.

We'll continue to green the portfolio at every opportunity and transition the Value Add properties in the portfolio – particularly green developments as you've already seen via the successful 107 Carlton Gore Road project. We do expect to see the timing of some potential development opportunities to be deferred by 12 months.

We will be keeping even closer tabs on the portfolio in this post Covid-19 environment to monitor, manage and mitigate its impact wherever we can. We'll keep tailoring our support and working with our tenants.

Leasing up of the remaining floors at 7WQ is a particular focus as is our transition towards that AFFO based dividend policy over the medium term.

We've been focused on getting our developments back underway and 8-14 Willis Street is the most notable one there.

We have good interest in non Core assets and, as already mentioned, we have made several divestments and are progressing through our capital management plan very nicely.

The team is concentrated on maximising portfolio performance, retaining tenants, resolving vacancies and addressing key lease expiries.

We remain focused on owning the right properties, with the right attributes in the right locations, diversified by sector, location and tenant.

Now, I will hand you back to the Chairman.

– END –

ENQUIRIES

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