Argosy

21.6.2022

CEO'S ADDRESS

CHIEF EXECUTIVE OFFICERS REVIEW [SLIDE 11]

Thankyou Mr Chairman. As noted earlier, I'll be taking you through a few more highlights of the FY22 results in a little more detail before rounding out with an update of the NZ market as we see things.

KEY FY22 RESULT HIGHLIGHTS [SLIDE 12]

The key highlights are shown here. Net property income was very pleasing in a challenging year. A good revaluation increase in the second half of the year. Net profit after tax again was really solid and our NTA was up solidly driven by annual revaluation gains to $1.74. And finally, we maintained our FY22 dividend of 6.55cps.

PORTFOLIO HIGHLIGHTS [SLIDE 13]

Portfolio remains almost 100% full. Our WALT of 5.7yrs but excludes the Maui Street acquisition in Hamilton which would add around 0.2 years to that – so the portfolio WALT is looking good. Annualised rental growth was solid again and we see additional growth in the Industrial sector and the Albany Mega Centre.

SECTOR SUMMARY [SLIDE 14]

There are some changes across the sectors. Industrial land prices are rising given scarcity of land. Strong industrial fundamentals means this sector is forecast to be the best performer over the next five years and there is a potential return of domestic manufacturing sector. In the office space we have activity at Willis Street – handed over to Stats NZ. We are targeting a 6 Green Star rating for this high quality Core asset. The Wellington office market continues to exhibit strong fundamentals and our ongoing exposure to Government rental streams continues to provide resilience. 360 Lambton Quay t is now 100% leased, with the recent signing a Crown tenant. 105 Carlton Gore Road underway and tenant inquiry is strong. The retail sector in our portfolio has gone reasonably well with solid occupancy.

PORTFOLIO AT A GLANCE [SLIDE 15]

The driver here is the strategic change to the weightings where the Industrial weighting will increase over the medium term. This will occur as we execute on strategy and our development programme. This increase comes at the expense of office and retail bands which are adjusted down slightly to reflect the upweight to Industrial. By region and asset mix we're largely within our target bands.

VALUE ADD OPPORTUNITIES [SLIDE 16]

The Bell Ave re-development opportunity is underway. 5 Allens Road in planning phase and Unity Drive developments largely complete. Mt Richmond and Neilson Street planning and design phase are progressing well and we're getting a lot of interest. These are both to be redeveloped into green industrial estates.

101 Carlton Gore Road will follow on from 105 Carlton Gore Road which is underway and we're fielding good tenant enquiry there. Supply chain issues and forward ordering remains something we need to keep a close eye on and is the new normal for the time being.

CASE STUDY SLIDES [SLIDE 17]

A value add case study slide here with the Mt Richmond project and as I said before we have a lot of interest in the site. But really, its a type of project which really embodies our vision of building a better future for our tenants, their staff, the environment and of course our stakeholders.

REVALUATIONS [SLIDE 18]

Revaluations were encouraging over the full year, the overall star being Auckland Industrial. Wellington office also featured with solid demand for seismically sound property and the projections on the Willis Street development will be under rented on completion.

By location, Auckland was the largest contributor to the total year end valuation result with an unrealised revaluation increase of $142.1 million or 87% of the total portfolio uplift. By sector, and at 51% of Argosy's portfolio by value Industrial was the key driver of the overall gain at $144.7 million, up 14.7% on book value.

DISTRIBUTABLE INCOME [SLIDE 19]

After adjustments, gross distributable income was $67.7 million compared to $71.6 million last year and Net distributable Income was $64.7 million compared to $67.7 million last year. Net distributable income per share was 7.68 cents per share compared with 8.14 cents per share last year. I would remind shareholders that last year included the forfeited deposit of $4.5 million from the sale of the Albany Lifestyle Centre.

AFFO [SLIDE 20]

Adjusted Funds from Operation or AFFO was $48.3 million for the year. Capitalised leasing costs were lower than last year which included leasing costs for 7WQ and 107 Carlton Gore Road. Maintenance capex was higher due to 7WQ façade which is now largely complete, and reduced AFFO by $10 million net of tax. Our audited AFFO payout ratio for the year was 114% but if you adjust for the 7WQ façade maintenance works net of tax, AFFO was 94%.

DEBT PROFILE INCLUDING BONDS [SLIDE 21]

This slide shows our debt profile including bonds. We refinanced our $455 million facility during the period, pushing out our tenor and improving our margins. We will be looking to extend the $80 million tranche which needs to be refinanced by the end of September. You can also see the benefits our green bonds provide the business in terms of diversification and tenor. This slide shows our debt to total assets over the last 5 years – which you can see has been broadly stable and reflects the timing of asset sales, acquisitions and developments. The weighted average duration of debt is 3.5 years.

LEASING [SLIDE 22]

Leasing during the year was very positive.

LEASE EXPIRY [SLIDE 23]

Lease expiries for the coming year is about 10% which is pretty normal. The biggest expiry of these is Parliamentary Services at 147 Lambton Quay. We're working on with them on some options.

OUTLOOK / CHALLENGES AHEAD [SLIDE 24]

So, 2023 has its own challenges.

Local and global economies are experiencing rising interest rates and inflation headwinds. There is construction cost tension together with ongoing global supply chain pressure. Geopolitically challenges are adding to global economic and market volatility. Key focus areas for FY23 are simple: delivering strong operational results, addressing key expiries, leasing up remaining vacancies, completion of key green developments and commencing new ones as planned. Master planning across key green Value Add developments at Mt Richmond and Neilson Street continues and there is healthy market interest. Attractive property fundamentals in key markets (Auckland industrial and Wellington office) continue to present attractive dynamics of low supply, high demand and steady rental growth. Structural changes in the way property is used will provide opportunities and challenges. We are keeping a watching brief.

Now, I will hand you back to the Chairman.

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