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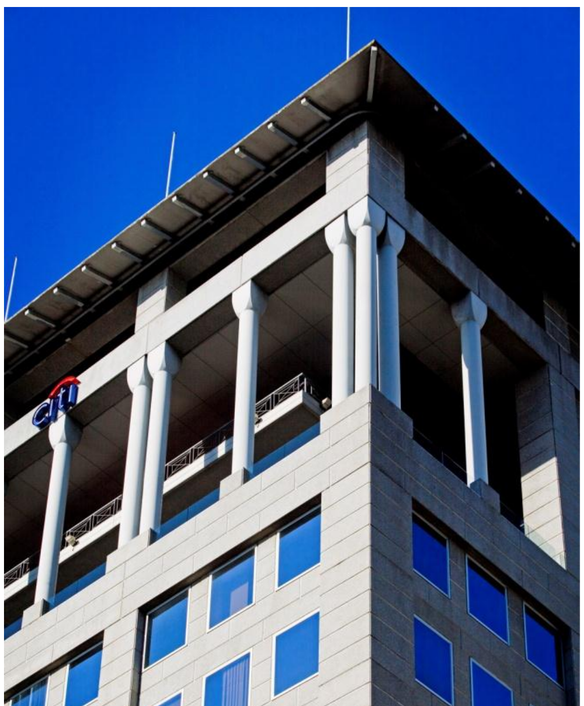
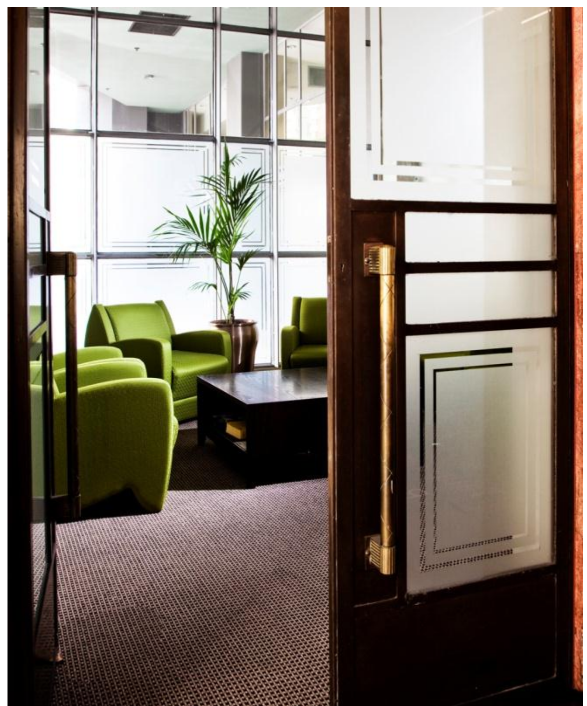
# ARGOSY PROPERTY TRUST

## INVESTOR PRESENTATION ROADSHOW 2012





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# SIGNIFICANT CHANGE SINCE OUR LAST ROADSHOW?

- Last time the Manager of the Trust was owned by ANZ and the Trust paid them a management fee – now Unit Holders control the management company and immediate cost savings are being achieved.
- Net property income has been maintained in the first six months of this financial year despite asset sales and lower occupancy.
- The bank facility has been restructured on improved terms.
- Guidance for the annual distribution this year is 6.0 cents per unit which is less than operating earnings, with expectations that this level will be maintained next year.

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# INTRODUCING….

- Dave Fraser is our new Chief Financial Officer, and he is supported by our Financial Controller, Scott Lunny. Last time we visited, Stuart Harrison was our CFO who also looked after Vital Healthcare.  Stuart now works full time for Vital.
- David Snelling has been appointed as Company Secretary.

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# TRUST BASICS

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# SUMMARY STATISTICS

**As at 30 September 2011**

| | |
|---|---|
| Book value of properties | $931.8m |
| Number of properties | 72 |
| Average value of properties | $12.94m |
| Vacancy by rental | 5.37% |
| Vacancy by area | 6.12% |
| Weighted average lease term | 4.84 years |
| Number of tenants | 250 |

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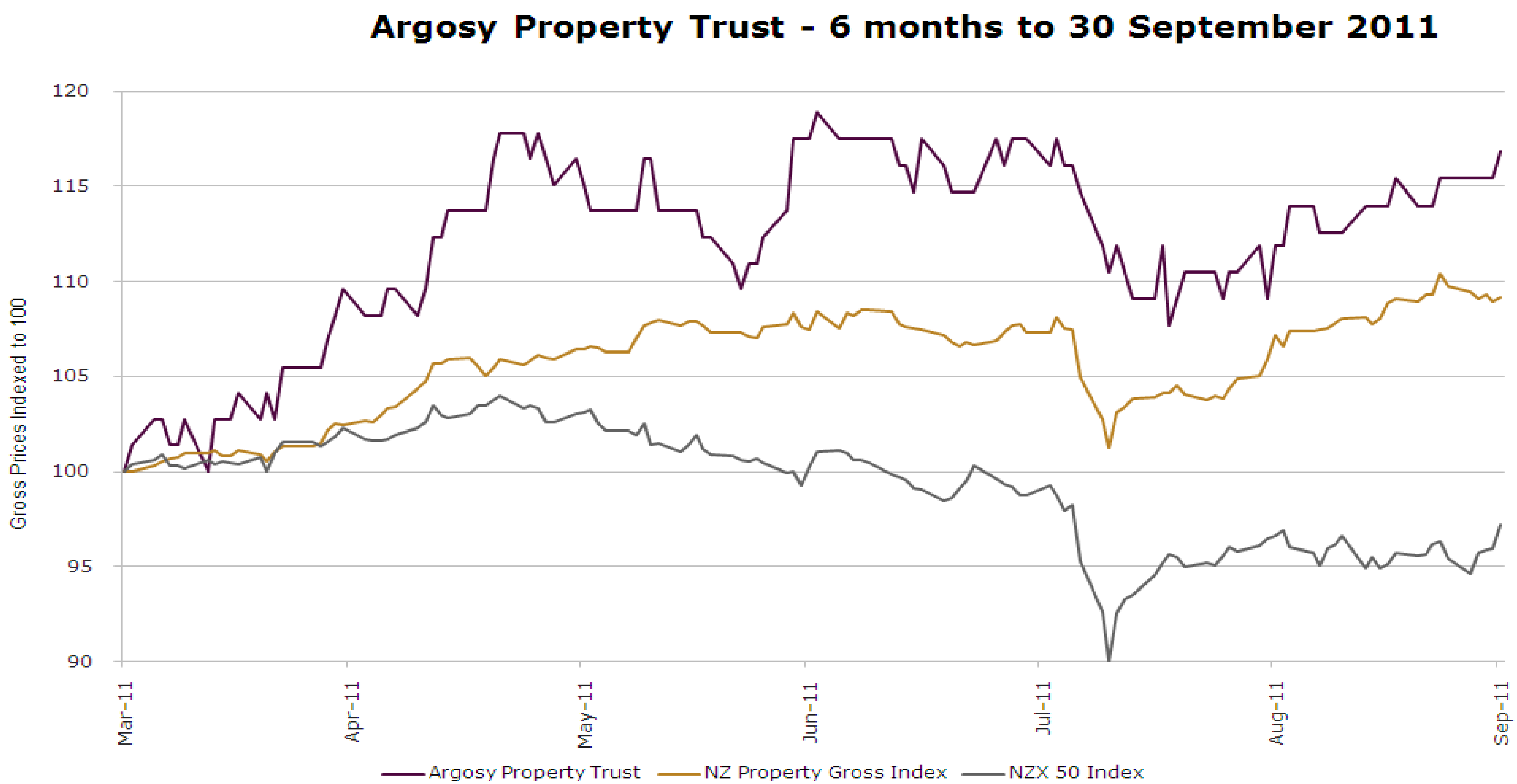
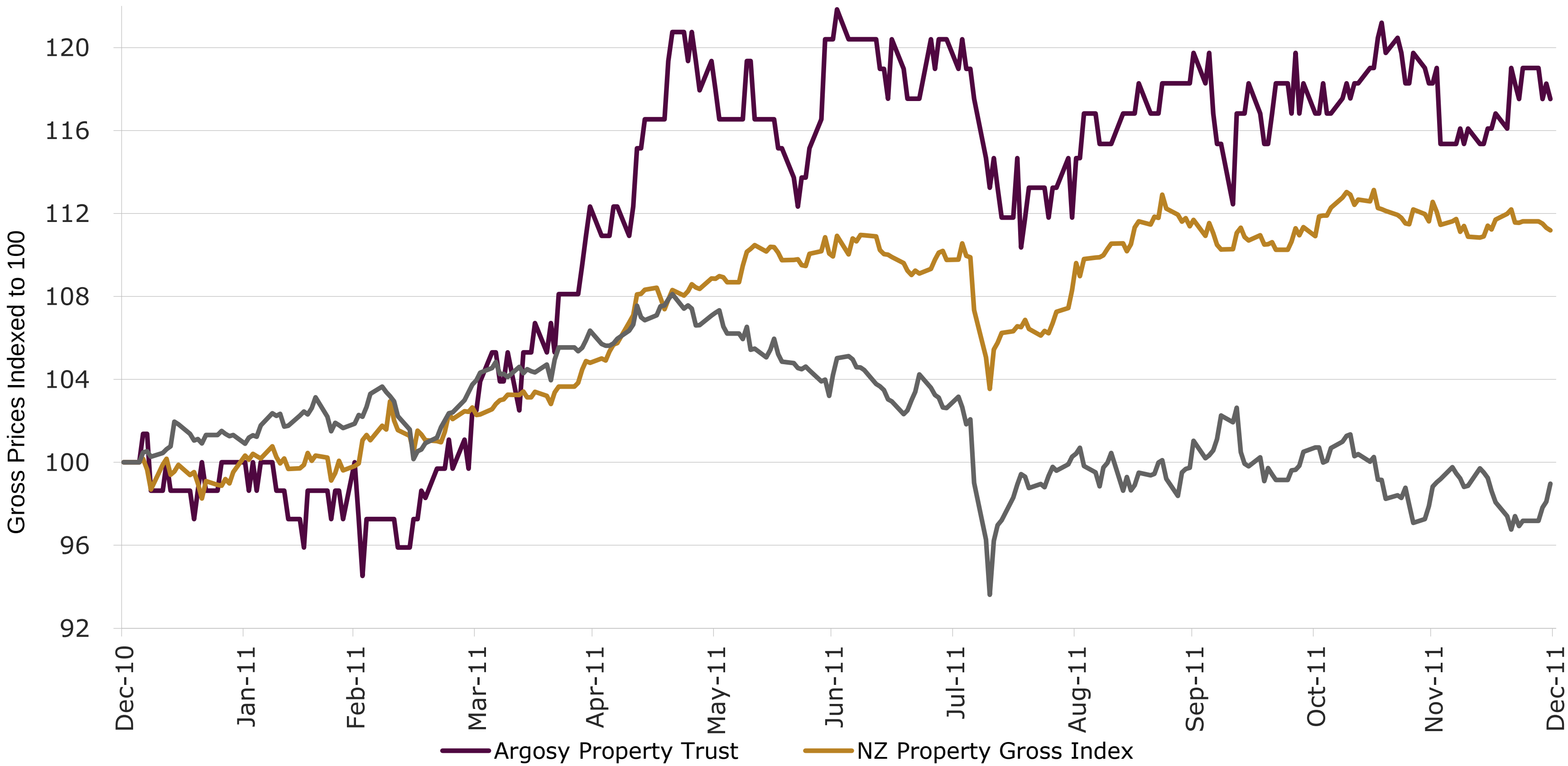
# PERFORMANCE



# Argosy Property Trust - 12 months to 31 December 2011



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# “THE WINNERS AND LOSERS IN A TOUGH YEAR”

- …….The retail sector performed particularly poorly, while the listed property entities performed particularly well. All six property entities in the NZX-50 Gross Index had positive returns, with Argosy Property the best on 8.2% and….

*NZ Herald – Brian Gaynor – The winners and losers in a tough year – December 31, 2011*

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# FINANCIAL OVERVIEW

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# FINANCIAL PERFORMANCE

| | HY12 | HY11 | Change |
|---|---|---|---|
| Net income | $35.6m | $35.6m | - |
| Finance income | $0.1m | $0.4m | ($0.3m) |
| Interest expense | ($15.9m) | ($13.4m) | ($2.5m) |
| Loss on derivatives | ($11.4m) | ($9.7m) | ($1.7m) |
| Other expenses | ($4.1m) | ($3.5m) | ($0.6m) |
| Profit before income tax from normal operating activities | $4.3m | $9.4m | ($5.1m) |
| Management rights buyout | ($20.0m) | - | ($20.0m) |
| Management rights buyout – associated costs | ($1.6m) | - | ($1.6m) |
| Amortisation of management contract cancellation costs | ($6.0m) | ($0.7m) | ($5.3m) |
| Costs related unsolicited merger proposal | ($0.5m) | - | ($0.5m) |
| (Loss)/profit before income tax | ($23.8m) | $8.7m | ($32.5m) |
| Current taxation credit/(expense) | $3.5m | ($1.5m) | $5.0m |
| Deferred taxation | $0.3m | ($1.2m) | $ 1.5m |
| (Loss)/profit for the period | ($20.0m) | $6.0m | ($26.0m) |
| Post tax earnings per units (cents) | (3.62) | 1.11 | |
| Total comprehensive (loss)/profit for the period | ($19.3m) | $ 5.1m | ($24.4m) |

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# DISTRIBUTABLE INCOME

| | HY12 | HY11 |
|---|---|---|
| (Loss)/profit before income tax | ($23.8m) | $8.7m |
| *Add back/(deduct):* | | |
| Investment disposal gains | ($0.1m) | - |
| Loss on derivatives | $11.4m | $9.7m |
| Amortisation of management contract | $6.0m | $ 0.6m |
| Management rights buyout | $20.0m | - |
| Management rights buyout – associated costs | $1.6m | - |
| Costs related to unsolicited merger proposal | $0.5m | - |
| **Gross distributable income** | **$15.6m** | **$19.0m** |
| Tax paid | - | ($1.4m) |
| **Net distributable income** | **$15.6m** | **$17.6m** |
| Number of units on issue | 554.5m | 544.3m |
| Gross distributable income per unit (cents) | 2.81c | 3.49c |
| Net distributable income per unit (cents) | 2.81c | 3.23c |

**Gross distributable income impacted primarily by higher interest expense and incentive payment.**

# FINANCIAL POSITION

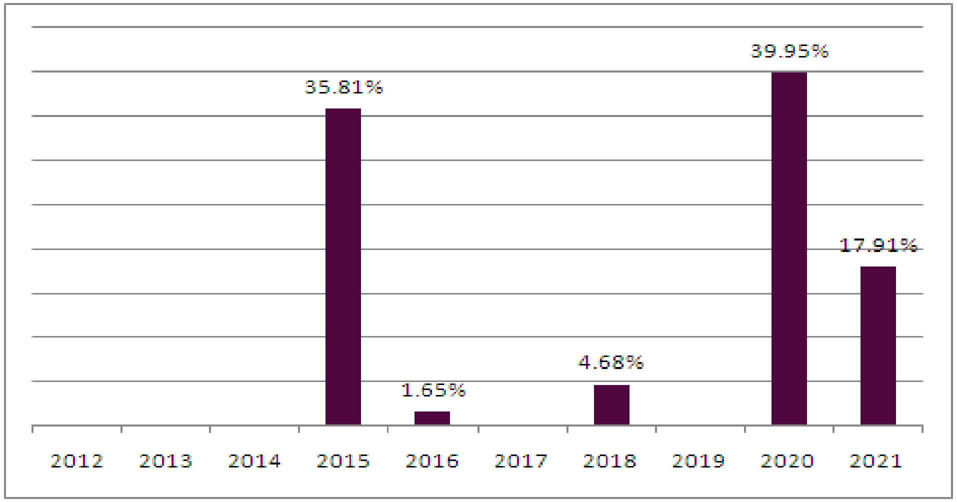
| | September 2011 | March 2011 | Change |
|---|---|---|---|
| Securities on issue | 554.5m | 549.2m | (5.3m) |
| Unitholders' funds | $478.7m | $511.7m | ($33m) |
| Net asset backing per unit (cents) | 86.3c | 93.2c | (6.9c) |

| | | | |
|---|---|---|---|
| Investment properties | $924.9m | $948.7m | ($23.8m) |
| Properties held for sale | $6.9m | $11.9m | ($5.0m) |
| Total assets | $948.5m | $975.2m | ($26.7m) |
| Bank debt | $410.6m | $410.9m | $0.3m |
| Debt-to-total-assets ratio | 43.3% | 42.1% | (1.2%) |

# INTEREST RATE MANAGEMENT

- The Trust current interest rate hedge is 90% of debt
- Margin and line fee savings of 30bps under new facility from 31 August (approx $1.2m).
- Five blend and extend transactions saving $1.15 million per annum from prior rates.
- 130 million in new swaps from December roll at between 2.89% and 2.95%
- The current weighted average interest cost of the swap portfolio is now 5.22%, pre margin and line fees (6.99% at 31 March 2011) after blend and extend transactions and new swaps

**Hedge expiry by year**



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# BANK COVENANTS

| | HY12 | FY11 |
|---|---|---|
| **Loan to valuation ratio** | | |
| Fair market value of properties (incl. held for sale) | $ 931.8m | $ 960.6m |
| Total borrowings | $ 413.5m | $ 412.4m |
| Not to exceed 50% | 44.4% | 42.9% |
| | | |
| **Interest cover ratio** - equal or exceed 1.80 times (March 2011: 2.00 times) | 2.01x | 2.15 x |
| | | |
| **Weighted Average Lease Term** – greater or equal to 3.00 years (March 2011: 3.50 years) | 4.84 years | 4.92 years |

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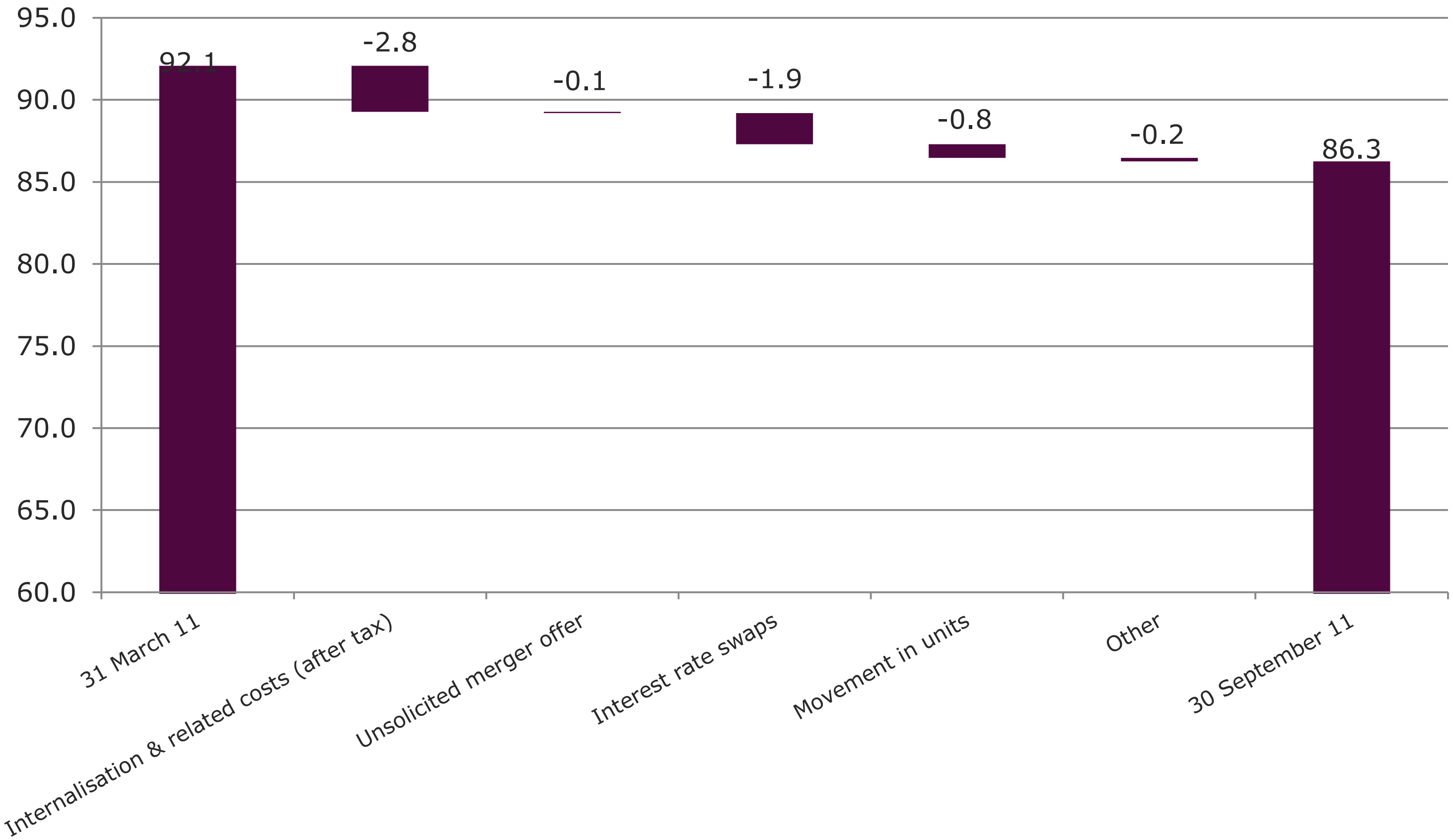
# NET TANGIBLE ASSETS




NTA at 31 March 2011 excludes opening management fee buyout intangible.

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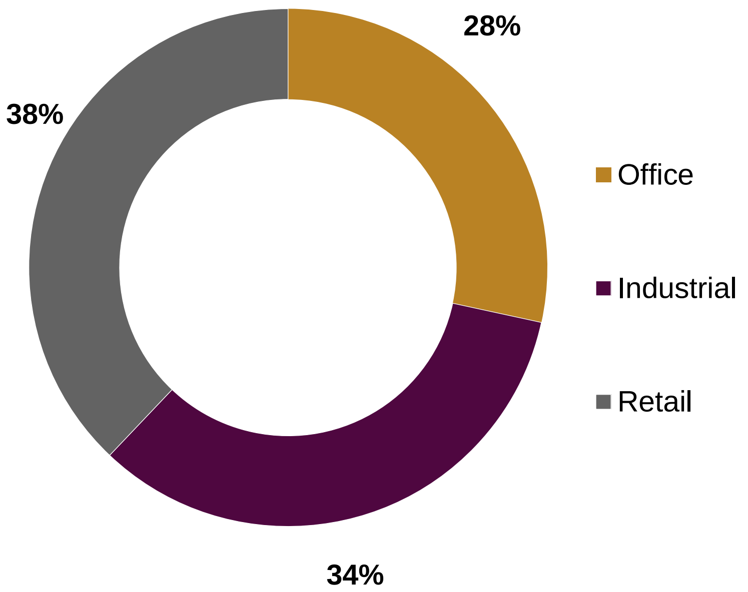
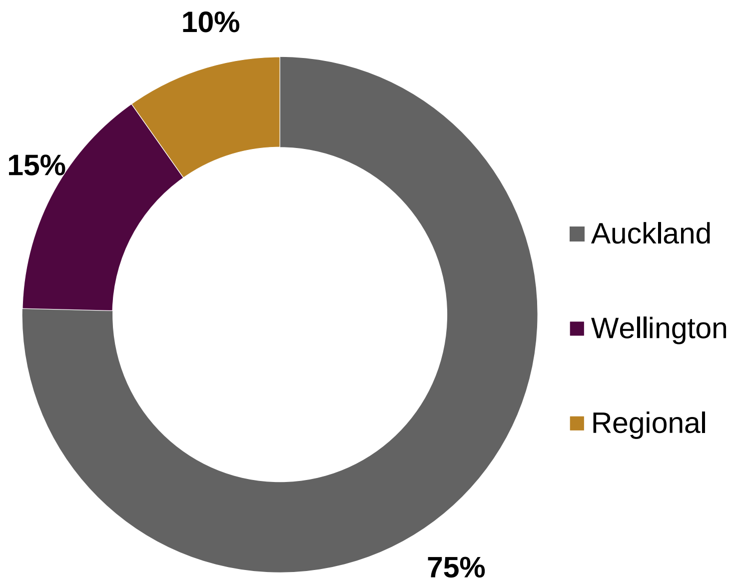
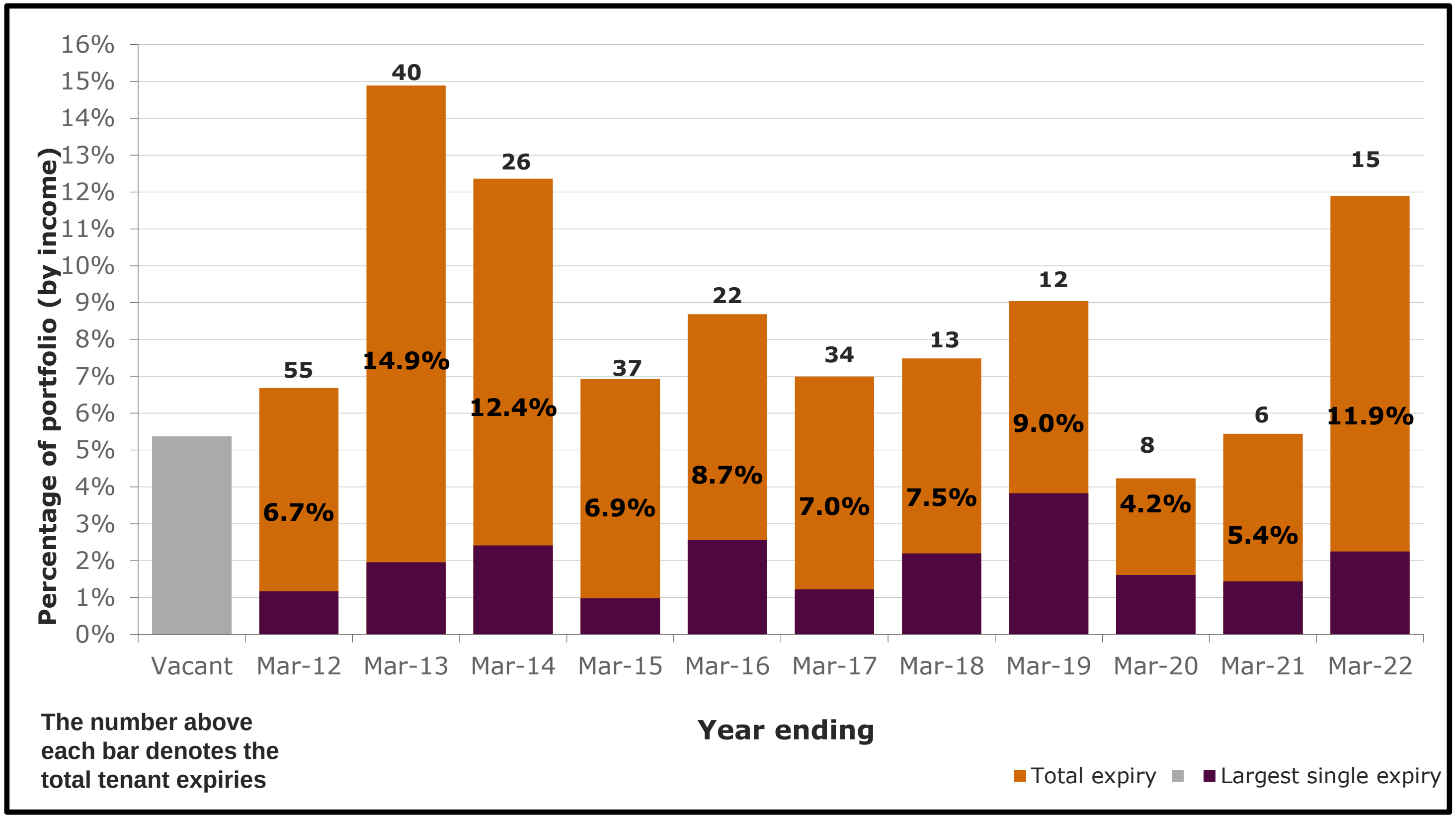
# PORTFOLIO OVERVIEW

# DIVERSIFICATION BY SECTOR AND LOCATION



# LEASE MATURITY (30 SEPT)



# COMMERCIAL/OFFICE

- Reduction in proposed new supply in Auckland
- Net absorption is positive but remains weak
- Activity is typically "shifting the deck chairs"
- Fringe demand remains relatively soft
- Tenants remain conservative
- Beginning to see increase in demand for increased areas
- Demand is increasingly discerning of premises quality levels

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# RETAIL

- Enquiry levels improved
- Tenant rental expectations soft
- Tenant quality focus
- Block E Albany Lifestyle Centre leases have been restructured
- Waitakere MegaCentre now fully let and performing well
- Albany MegaCentre demand exceeds supply
- Investor demand has improved
- Turnover levels remain challenging, but Christmas was good and the Boxing Day sales were better.

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# INDUSTRIAL

- Solid net absorption in Auckland market
- Owner occupier activity increasing
- Investor demand for well leased property is strong
- Manufacturing enquiry remains light
- New supply proposals in the market
- Has shown some growth but this appears to have flattened.

# VALUATIONS

- No evidence of significant movement in values
- Following assessment of markets and property details no interim valuations were commissioned
- Revaluations will be completed by 31 March 2012 for year-end results as normal
- Capitalisation rate and rate of return largely flat
- Management consider values to be reasonable
- Sales focused on normal asset management activity for the remainder of FY12

# STRATEGY

- Risk mitigation
- Debt reduction (medium term target of under 40% debt to total assets ratio)
- Portfolio positioning for the future
  - 38 lease transactions
  - 14 lease renewals and extensions
  - 24 new leases
  - Sales of vacant property
  - Sale of higher risk property
  - New 6-year leases for both of the Trust's major Wellington Office towers from Te Puni Kokiri and the Department of Internal Affairs

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# ISSUES FOR FOCUS

- Occupancy remains a key focus as values are fundamentally affected by weighted average lease term and projected incentive levels
- Rental reviews – ensuring that the Trust is well positioned to gain rental increases when these become available.
- Stock selection - increased focus on new phase of tenant requirements and trends
- Growth potential - investigation and securing of growth potential with existing assets
- Asset allocation – sector weighting to preserve diversification but allow tactical weighting to growth areas

# INTERNALISATION – PROGRESS UPDATE

- Transaction completed on 30 August
- 15 staff transferred on 31 August. Three new staff hired since including CFO and Company Secretary
- Moved to 39 Market Place in December (Trust building)
- IT systems outsourced
- Significant savings achieved through internalisation

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# MANAWATU BUSINESS PARK

- Asset remains sound
- Joint venture partner has been removed in swap of debt and obligations for equity
- $25.7m under either contract for sale or option($9.9m settles 2012 with the remainder progressively over three years)
- Subdivision works complete – titles expected before mid year
- Amalgamated into portfolio

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# THANK YOU

# DISCLAIMER

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

January 2012