



Market Release

2 April 2020

Market Update and FY20 Dividend Guidance

Argosy Property Limited (Argosy or the Company) wishes to update investors given the continued volatility in relation to Covid-19, the rise to alert Level 4 and the state of the market as we see it today. In particular:

- **Diversification and strong portfolio metrics.** Having executed a clear strategy to improve the quality and resilience of the portfolio before Covid-19, Argosy's business is strong. The Company has a diversified portfolio of properties by location, type and tenant. As at 29 February, the portfolio (including the Albany Lifestyle Centre) was weighted 45% to Industrial, 38% to Office and 17% to Large Format Retail. By location, 72% of the portfolio was located in Auckland and 26% in Wellington. Argosy has maintained high occupancy at 98.4% and has a weighted average lease term of 6.1 years.
- **Exposure to Government.** Government accounts for approximately 26% of Argosy's current rental income, providing a high degree of future revenue certainty (note 69% of this rental income is from Government agencies providing essential services).
- **Exposure to essential services:** Outside Argosy's Government tenants, a further 42% of tenants by rental income are categorised as being involved in the provision of essential services and are operating at various capacity levels during the lockdown period.
- **Short term rental income risk:** Argosy has completed initial rental income risk assessments across the entire portfolio. The Covid-19 risks are fluid and ongoing but it is clear there will be some negative impact on rental income in FY21. Our initial short term assessment, which excludes the expected positive impact on rental income from the inclusion of the Albany Lifestyle Centre noted below, indicates a potential reduction in net distributable income in FY21 in the order of \$5 million to \$8 million.
- **Developments:** All of Argosy's construction sites have been locked down and safely secured. As a result of these closures, there will be delays in completion.
- **Re-introduction of depreciation allowances.** As part of the assistance package offered by the Government on 17 March 2020, depreciation allowances have been re-introduced which will be positive for Argosy's FY21 earnings. We estimate the impact of this will be to increase net distributable income in FY21 by approximately \$2.7 million.
- **Lower floating interest rates.** The reduction in the OCR by 75bps to 25bpts for at least 12 months will immediately reduce interest costs to Argosy's business for the FY21 financial period, as Argosy has a high proportion of floating debt to total debt. We estimate the

impact of this interest saving will be to increase net distributable income in FY21 by approximately \$1.6 million.

- **Albany Lifestyle Centre.** Cook Property Group Limited, who nominated APF Nominee Limited as custodian for Augusta Property Fund, failed to settle the sale of this property on 30 March 2020. This means the Albany Lifestyle Centre will provide additional unplanned rental income in FY21. Argosy has received a \$4.5 million non-refundable deposit from Cook Property Group Limited.
- **Dividend maintained:** The ongoing impact of Covid-19 is unknown. However, Argosy remains comfortable with the business overall and can reaffirm its FY20 guidance of 6.35 cents per share. The fourth quarter dividend will be paid in June 2020.

CEO Peter Mence said, "Whilst there is a lot of volatility and uncertainty in the market, we are confident in the resilience of our business and the quality of our diversified portfolio. We acknowledge that the effect of Covid-19 will be negative for the economy generally, however we will be working hard to minimise the impact on Argosy's business. We have strong relationships with tenants and continue to work closely with them. We remain focused on ensuring the sustainability of dividends to shareholders and will continue to monitor this unprecedented situation closely. We will update the market as the ongoing impact from Covid-19 unfolds."

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ENQUIRIES

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