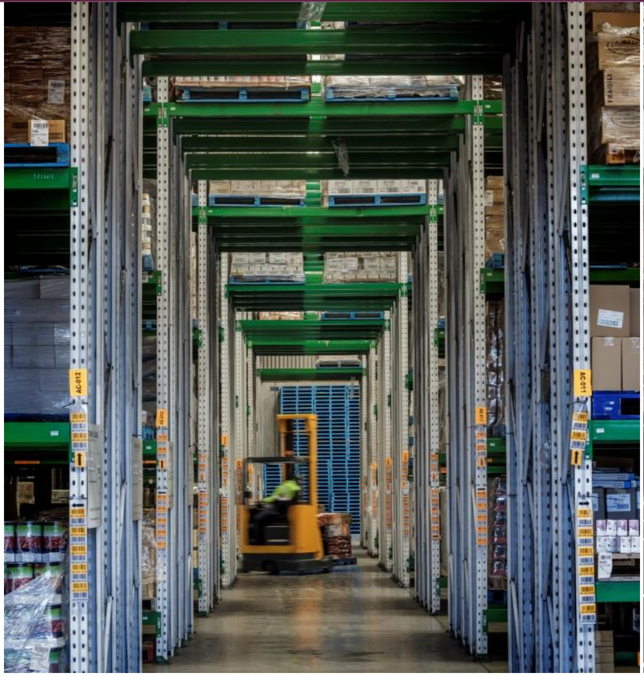
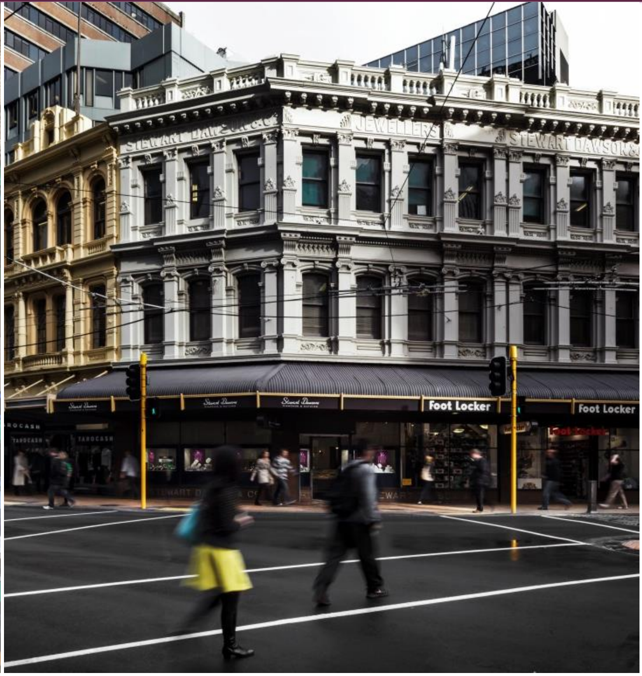
Argosy

Investor Presentation

Argosy Property Limited | February 2014





www.argosy.co.nz

Highlights

Highlights of the year so far

Argosy

- 1H14 Net Property Income increased to $40.3 million (increase of 13.7%)
- 1H14 Distributable Income increased to $23.7 million (increase of 17.8%)
- Weighted average lease term increased to 5.88 years[1]
- Occupancy (by rental) increased to 98.1%[1]
- Successful completion of 1 for 7 renounceable rights issue, raising $86.9 million
- Acquisition of 4 high quality buildings
- Divestment of property at 56 Cawley St, Ellerslie, Auckland

[1] as at 31 December 2013

Analyst Reaction to the half-year result

Argosy

- "Solid and boring – just what we want from an LPV!... ARG has continued to perform well in leasing up its vacant space." ***Chris Byrne – Craigs Investment Partners***

- "1H14 – On a slow and steady track towards new strategy….Portfolio metrics continue to improve: Management continues to do a good job in leasing up the portfolio and extending the WALT. ***Stephen Reid – First NZ Capital***

- "1H14 - Steady as She Goes….A key positive is that WALT (5.9 years) and occupancy (97.3%) have increased since March. ***Jeremy Simpson – Forsyth Barr***

Summary Statistics

Argosy

As at 30 September 2013

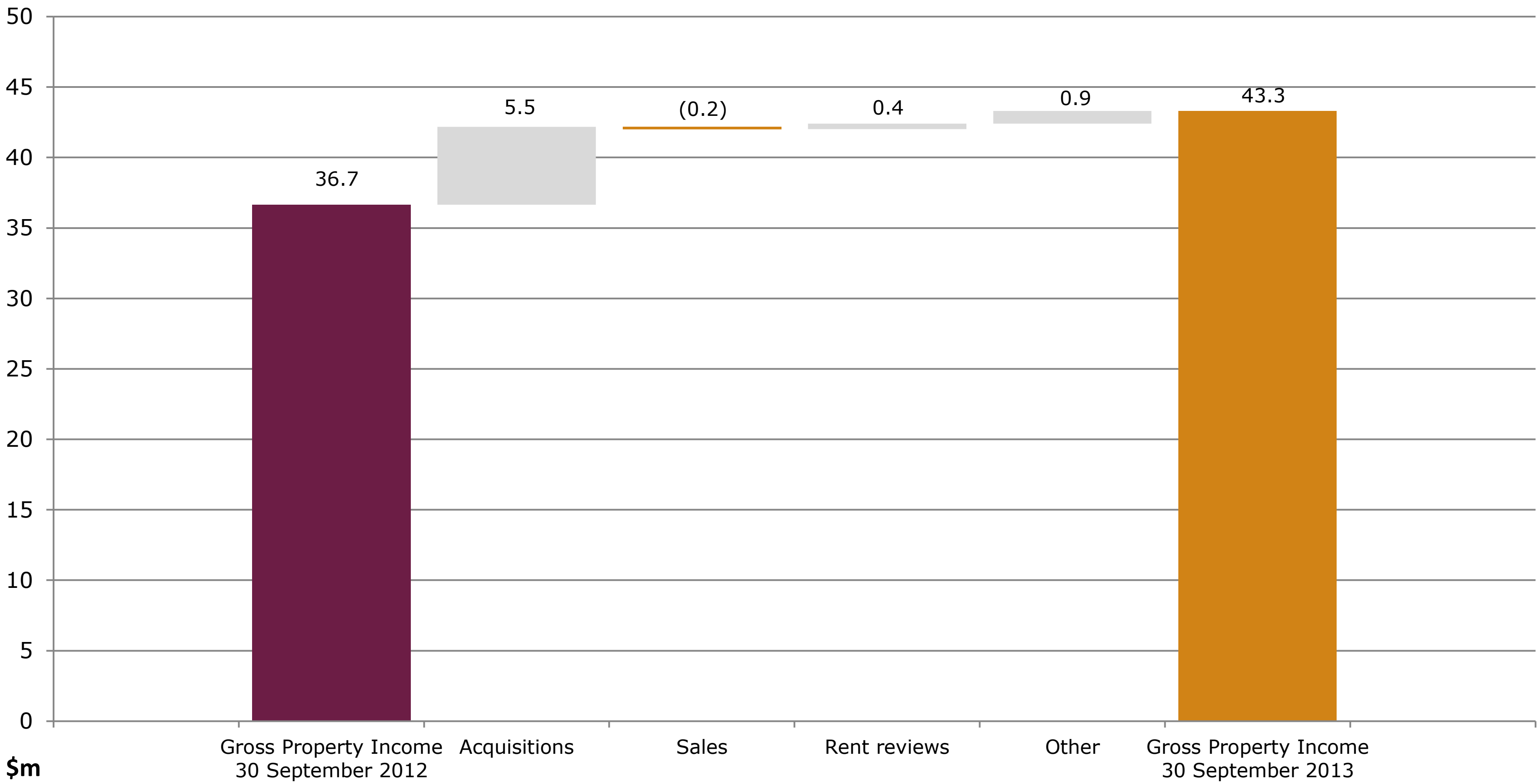
Book value of properties	$1,130.9m
Number of properties	66
Average value of properties	$17.1m
Vacancy by rental	2.7%
Vacancy by area	2.2%
Weighted average lease term	5.91 years
Number of tenants	222

Argosy

Financial Overview

Income Reconciliation

Argosy



Financial Performance

Argosy

	HY14	HY13
Net property income	$40.3m	$35.4m
Interest expense	$(12.9m)	$(12.4m)
Gain/(loss) on derivatives	$16.0m	$(13.0m)
Administration expenses	$(3.7m)	$(2.9m)
Abnormals	$(0.0m)	$(0.9m)
Realised losses on disposal	$(0.1m)	$(0.8m)
Finance income	$0.1m	$0.1m
Profit before tax	$39.7m	$5.5m
Taxation expense	$(9.6m)	$(1.0m)
Profit after tax	$30.1m	$4.5m
Basic and diluted earnings per share (cents)	4.25	0.81

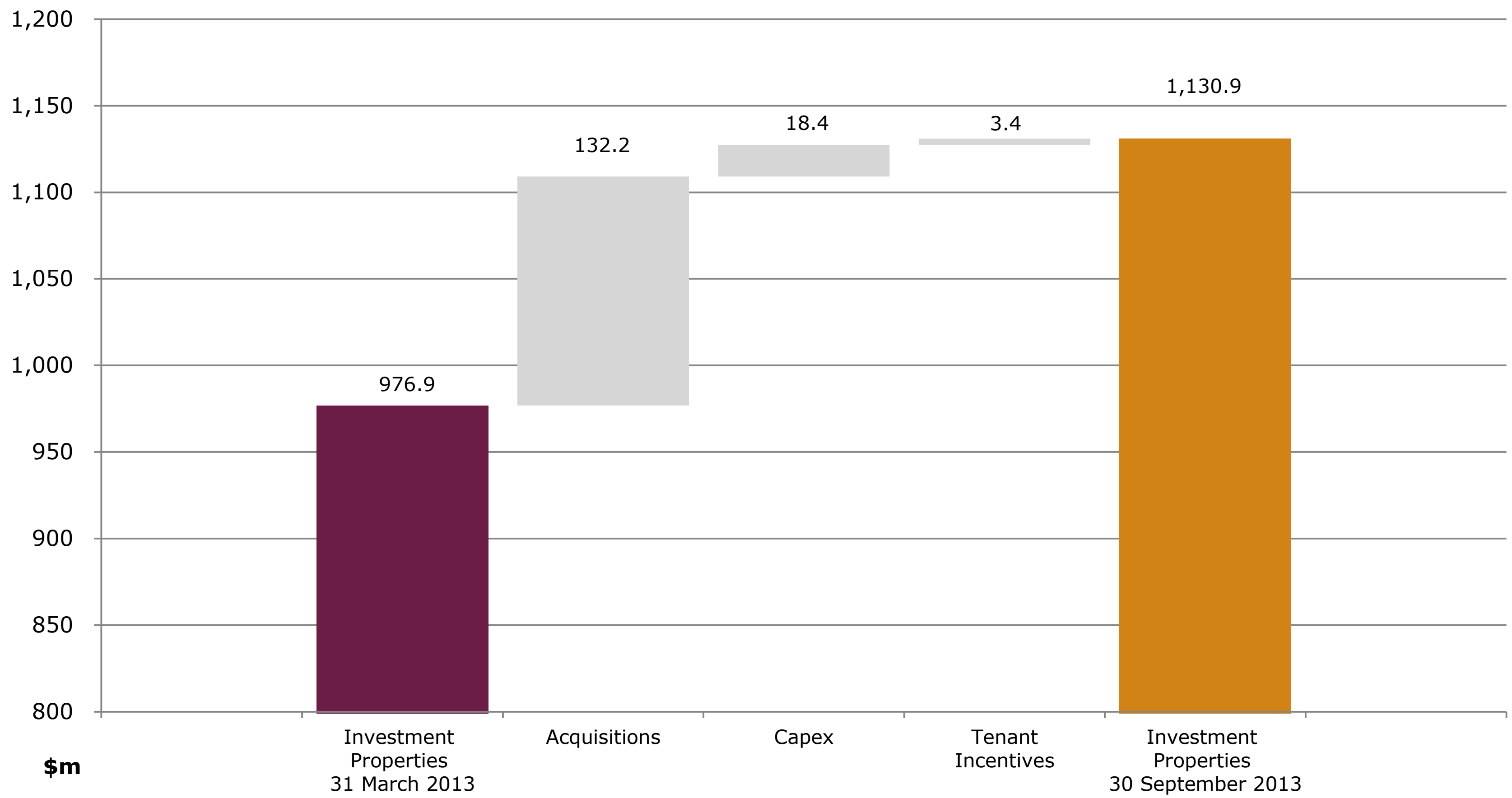
Distributable Income

Argosy

	HY14	HY13
Profit before income tax	$39.7m	$5.5m
Adjusted for:		
Investment disposal losses	$0.1	$0.8m
Derivative fair value adjustment	$(16.1m)	$13.0m
Corporatisation costs	-	$0.1m
Acquisition investigation costs	-	$0.8m
Gross distributable income	$23.7m	$20.2m
Tax paid	-	-
Net distributable income	$23.7m	$20.2m
Weighted average number of ordinary shares	708.6m	560.2m
Gross distributable income per share (cents)	3.35	3.60
Net distributable income per share (cents)	3.35	3.60

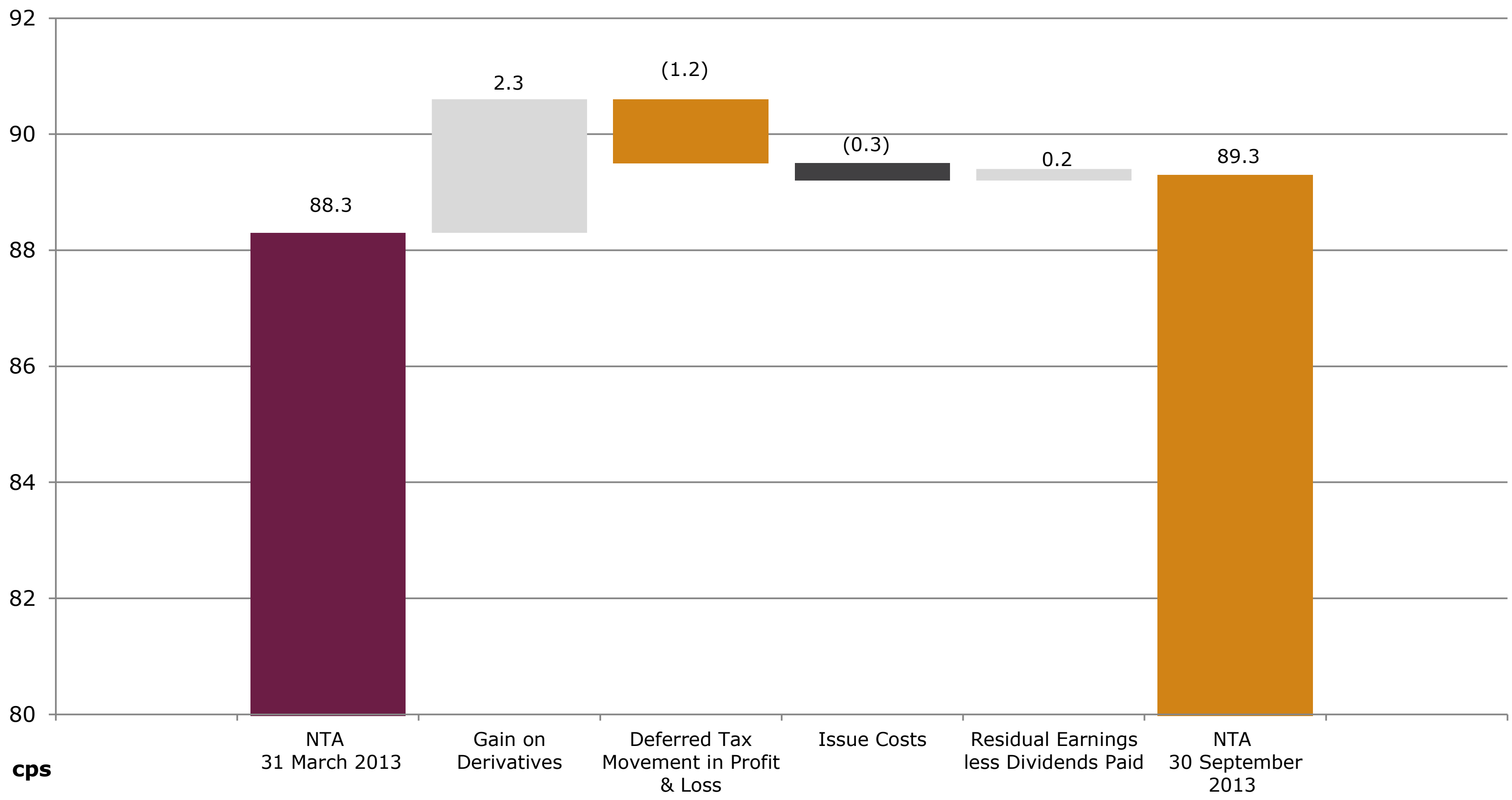
Investment Properties

Argosy



Movement in NTA per share

Argosy



Financial Position

Argosy

	HY14	FY13	HY13
Shares on issue	783.9m	680.9m	563.6m
Shareholders' funds	$700.2m	$601.3m	$481.8m
Net tangible asset backing per share (cents)	89.3c	88.3c	85.5c

	HY14	FY13	HY13
Investment properties	$1,130.9m	$976.9m	$905.7m
Other assets	$13.0m	$15.8m	$15.5m
Total assets	$1,143.9m	$992.7m	$921.2m
Bank debt (excl. capitalised borrowing costs)	$391.3m	$328.7m	$375.0m
Debt to total assets ratio	34.2%	33.1%	40.7%

Argosy

Portfolio Overview

Leasing Environment

Argosy

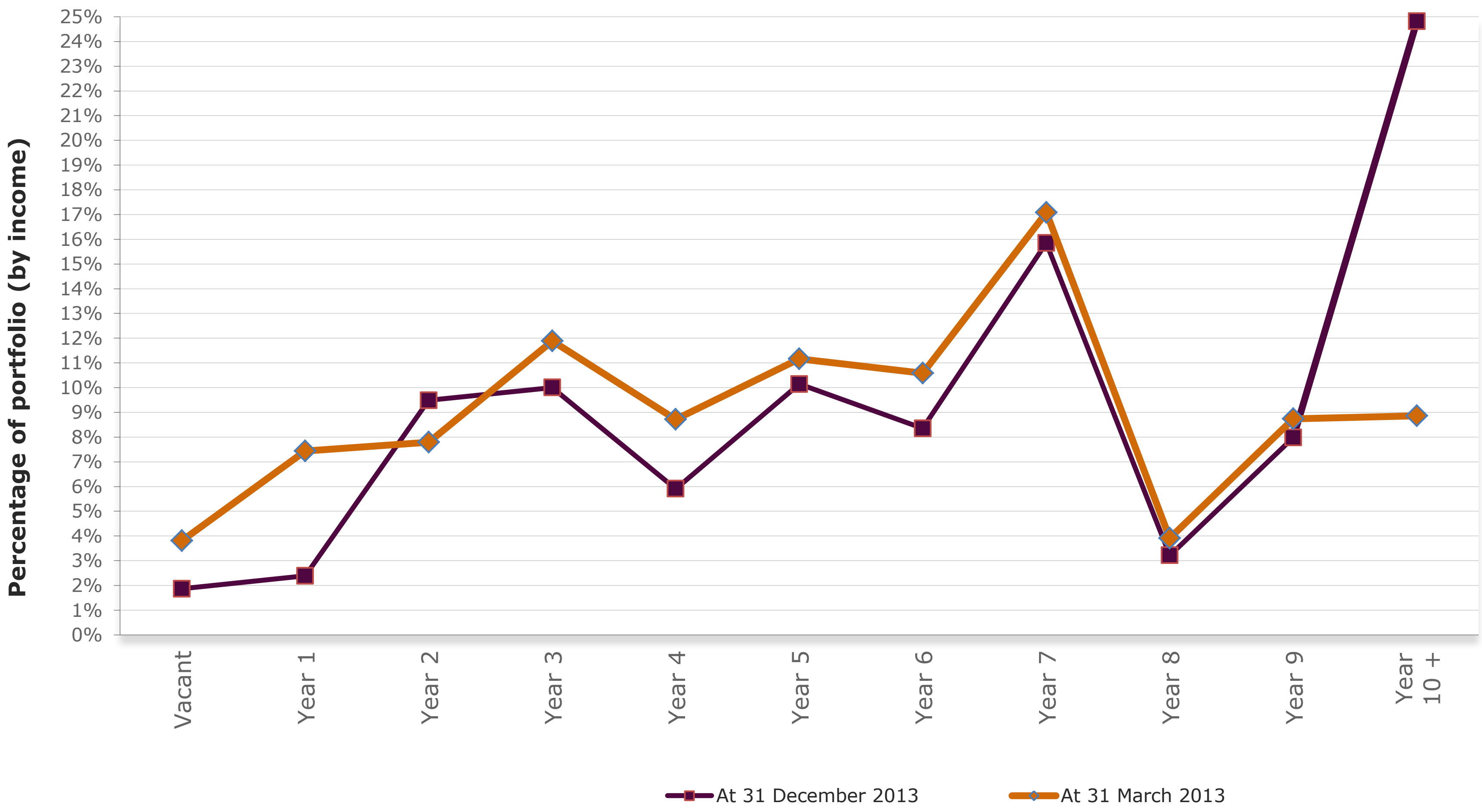
- The New Zealand economy showing strong signs of improvement, despite continuing challenges overseas.
- Improving consumer and business confidence point to solid GDP growth and a corresponding improvement in underlying property market performance.
- Increased expectation of growth in net effective rentals.
- Possibly firmer yields in the near-term and then stabilising as interest rate rises become more entrenched.
- Positive net absorption aided by economic growth. We are seeing strong tenant enquiry currently.
- Rental rates remain stable in Wellington as tenants seek buildings with high seismic ratings. Wellington economy expanding strongly after a dismal 2012.
- In the retail space, two of the best performers over the last two years have been furniture/floor coverings/housewares and hardware/building/garden supplies. This growth profile has implications for retail property performance and Large Format Retail is likely to benefit at the expense of shopping centres.

Leasing

- Occupancy, tenant retention and lease expiries remain key focus areas for the asset management team.
- Occupancy (by rental) has improved to *98.1% (31 December 2013)* from 96.2% at March 2013.
- Outstanding lease expiries for the period to 31 March 2014 have reduced to *2.4% (at 31 December 2013)* from 7.2% at 31 March 2013.
- The weighted average lease term improved to *5.88 years (31 December 2013)* from 5.24 years at 31 March 2013.

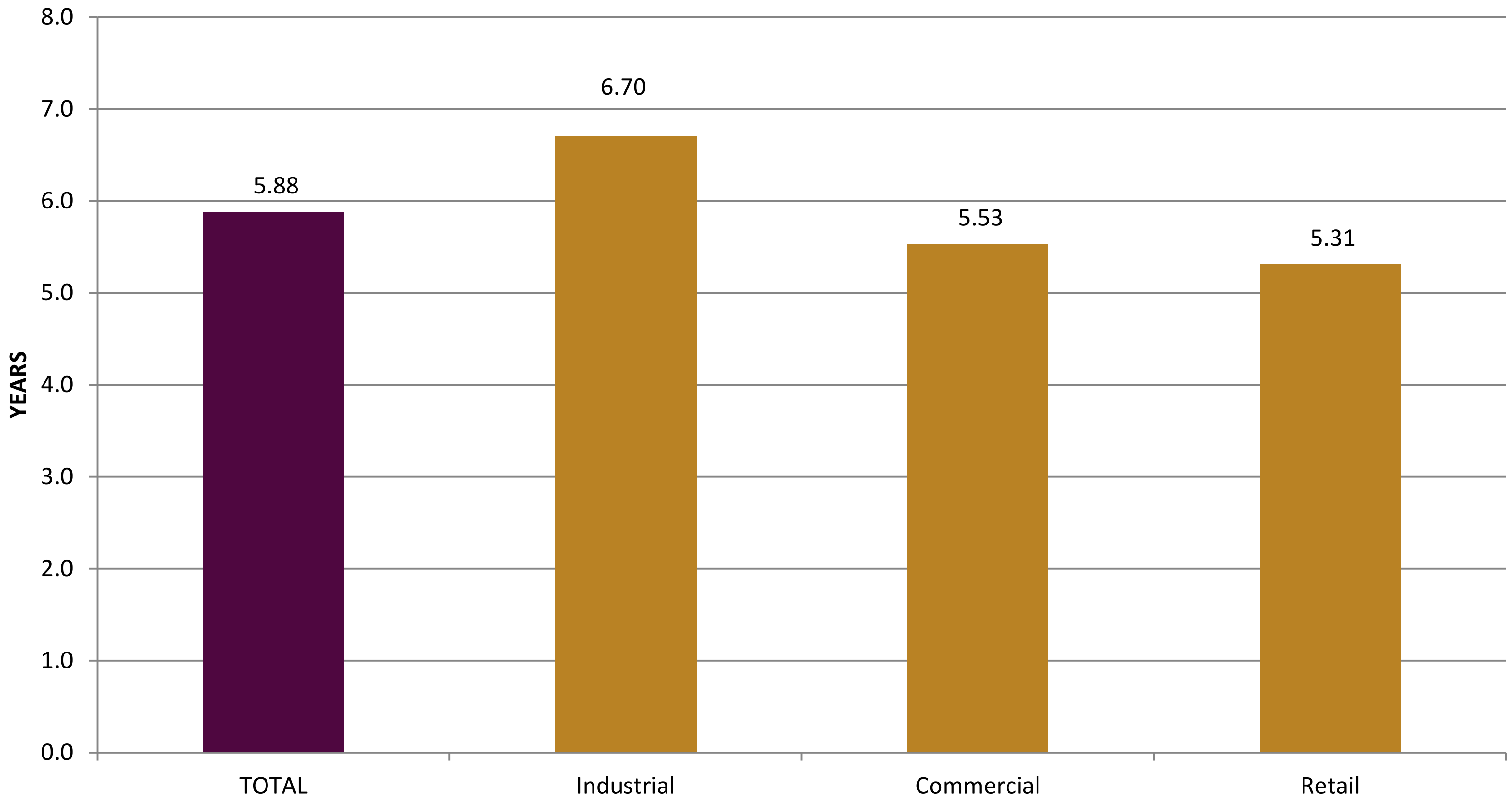
Lease Maturity

Argosy



Weighted Average Lease Term as at 31 December 2013

Argosy



Acquisitions

Argosy

80 Favona Rd, Mangere, Auckland

The property comprises a large integrated distribution centre and head office complex on a large level industrial lot in the Auckland suburb of Mangere.

Property type	Industrial
Net lettable area	65,273 sqm
Acquisition date	June 2013
Lease term at acquisition	11.2 Years
Initial passing yield	8.2%
Purchase price	$74.0 million
Major tenant	Progressive Enterprises

Acquisitions

Argosy

101 Carlton Gore Rd, Newmarket, Auckland

A single tenanted, modern office building located in Newmarket, surrounded by quality commercial office blocks with great views of the Auckland Domain.
The property has five levels of office space with carparking over two levels.

Property type	Commercial
Net lettable area	4,821 sqm
Acquisition date	September 2013
Lease term at acquisition[1]	7.5 Years
Initial passing yield	8.0%
Purchase price	$22.25 million
Major tenant	Vector Limited

[1] assuming leases are not terminated in year 4 or year 6.

19 Nesdale Ave, Wiri, Auckland

The property is a modern, purpose-built warehouse storage facility located approximately 3 kilometres west of Manukau CBD and has good access to the South Western motorway, allowing direct connection to Auckland International Airport.

Property type	Industrial
Net lettable area	21,370 sqm
Acquisition date	December 2013
Lease term at acquisition	15 Years
Initial passing yield	7.5%
Purchase price	$38.0 million
Major tenant	Cardinal Freight

Development

Argosy

15-21 Stout Street, Wellington

The redevelopment is progressing well, is on budget and is expected to be completed by mid-2014.

Net lettable area	19,630 sqm
Lease commencement	July 2014
Lease term	12 years
Passing yield on end cost	8.11%

Purchase price	$33.2 million
Upgrade cost	$46.6 million
End cost	$79.8 million

Upgrade

Argosy

NZ Post House, Wellington

The contract to complete the NZ Post House upgrade was awarded at the end of 2013 with development now commenced.

Net lettable area	24,977 sqm
Lease commencement	March 2013
Lease term	7 years
Passing yield on end cost	8.50%

Purchase price	$60.0 million
Upgrade cost	$40.0 million
End cost	$100.0 million

Argosy

Strategy

Argosy

We have a clear investment strategy marked by a diversified portfolio of desirable properties that attract high-quality, long-term tenants.

Portfolio Investment Strategy

Argosy

Argosy is and will remain invested in a portfolio that is diversified by primary sector, grade, location and tenant mix. The portfolio will be in the primary Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.

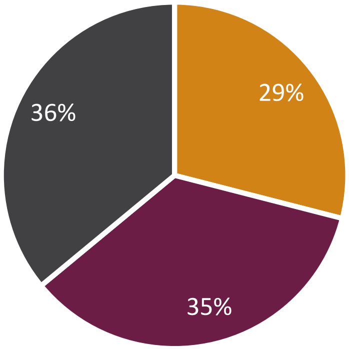
Argosy's portfolio consists of "Core" and "Value Add" properties. Core properties are well constructed, well located assets which are intended to be long-term investments (>10years). Core properties will make up 75-85% of the portfolio by value.

Core + *Value Add*

Portfolio Mix as at 31 December 2013

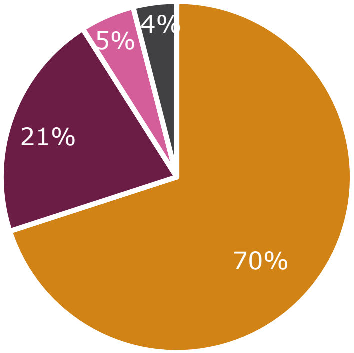
Argosy

TOTAL PORTFOLIO VALUE
BY SECTOR



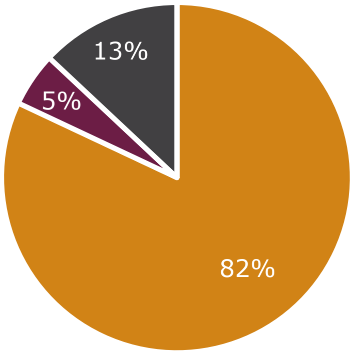
	Target
Retail	15 – 25%
Commercial	35 – 45%
Industrial	35 – 45%

TOTAL PORTFOLIO VALUE
BY REGION



	Target
Auckland	65 – 75%
Wellington	20 – 30%
Palmerston North	
Other regional	

PORTFOLIO MIX



	Target
Core	75 – 85%
Value Add properties	
Properties and land to divest	

Capital Management

Argosy

- The Board's policy is for debt to total assets to be between 35 to 40% in the medium term.
- Divestment of vacant land and under-yielding assets will continue to be a key strategy for the company. The sale of vacant land at Manawatu Business Park remains a focus.
- 4 high quality buildings were purchased in the first nine months of the financial year.
- In June 2013, the bank facility was restructured and extended on favourable terms.

Bank Covenants

Argosy

Loan to valuation ratio (LVR) – based on:	HY14	FY13	HY13
Total borrowings	$391.3m	$328.7m	$375.0m
Fair market value of properties	$1,119.5m[1]	$983.6m	$895.4m[2]
Not to exceed 50%	35.0%	33.4%	41.9%

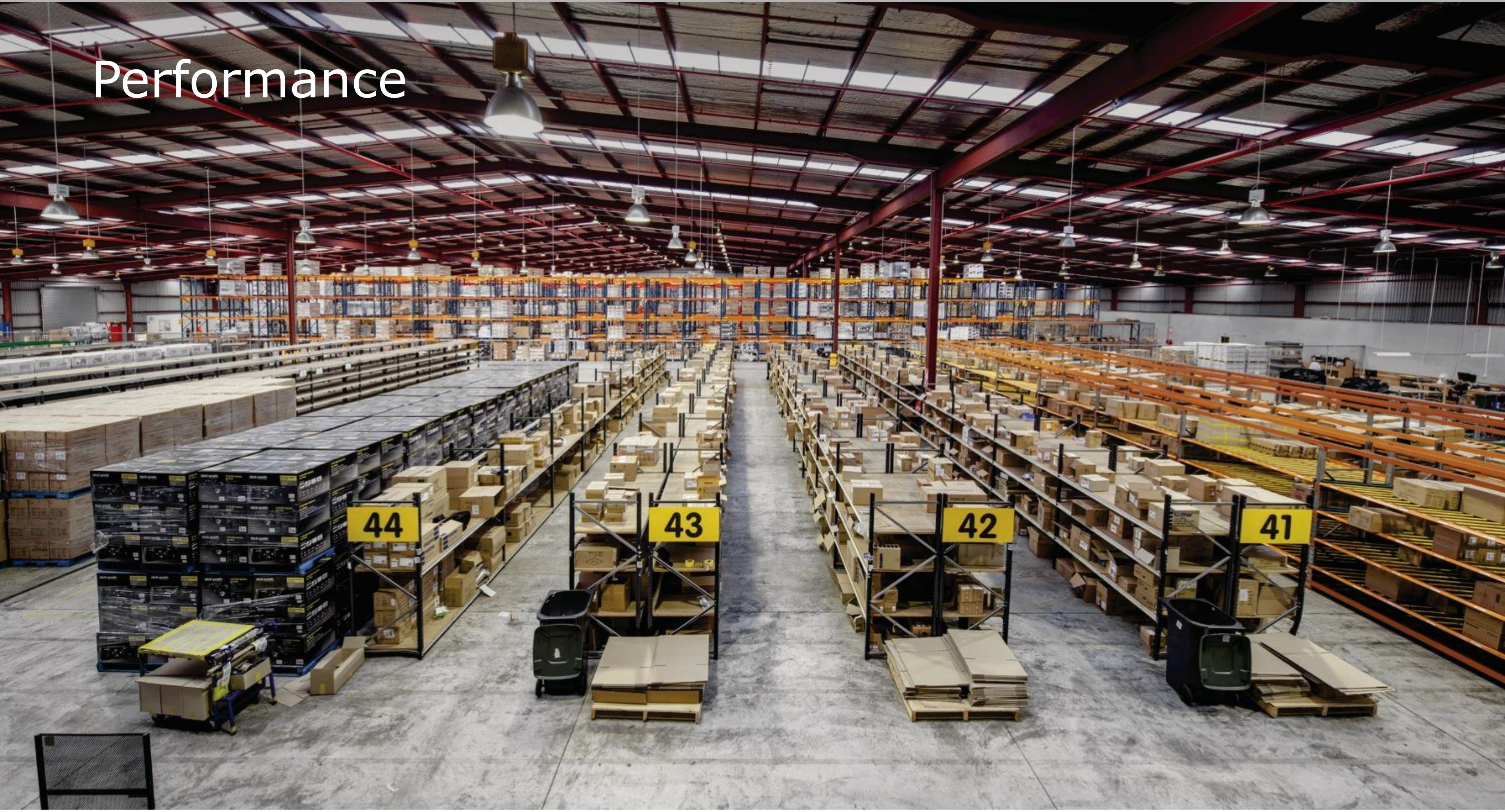
Interest cover ratio – based on EBIT/Interest and Financing Costs:	HY14	FY13	HY13
Must exceed 2:00x	2.57x	2.33x	2.24x

[1] Based on 31 March 2013 valuations, adjusted for properties acquired and divested, plus actual costs on property not ready for occupation (up to the original budget limit).

[2] Based on 31 March 2012 valuation, less properties sold ($11.4m), plus actual costs on property not ready for occupation (up to the original budget limit).

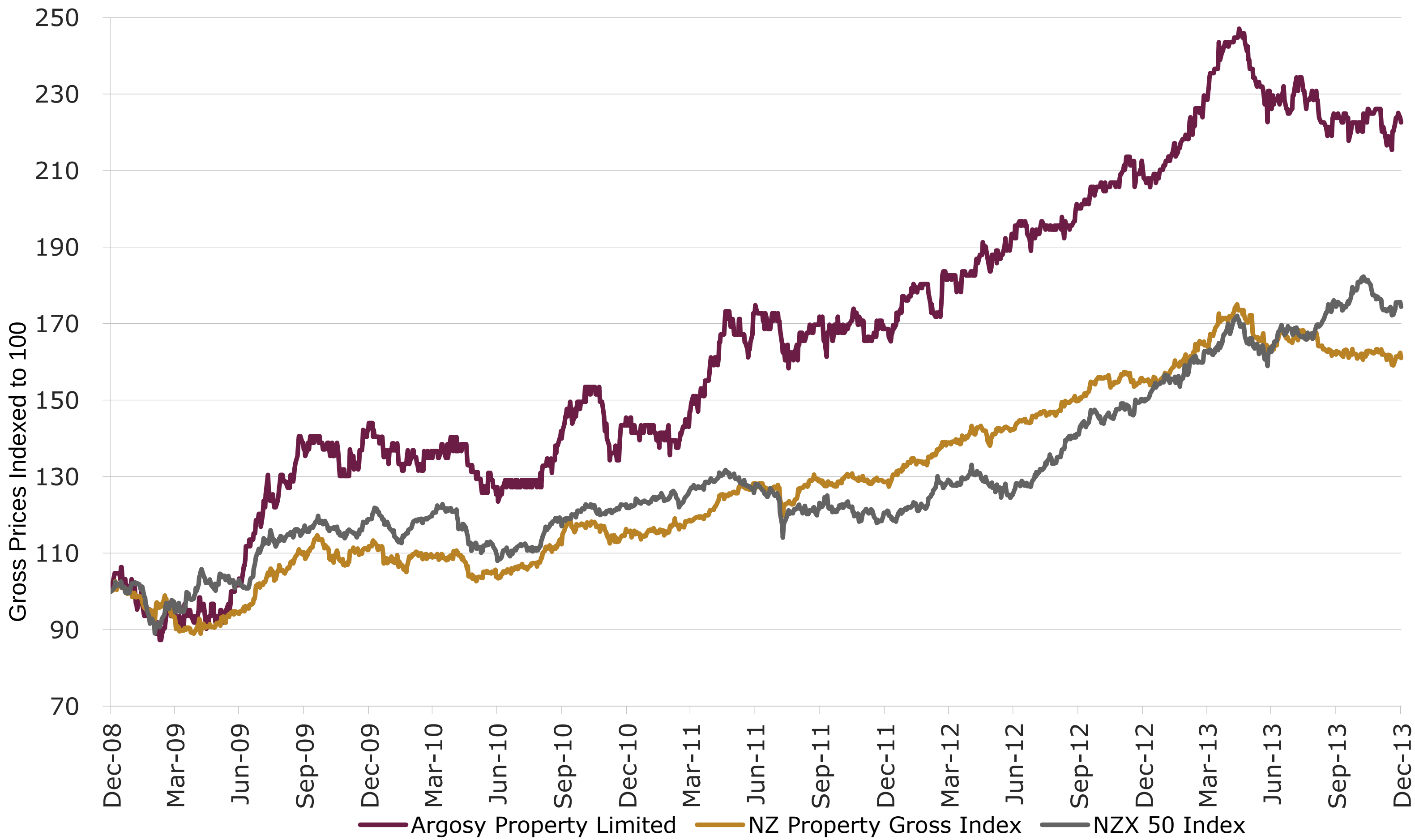
Argosy

Performance



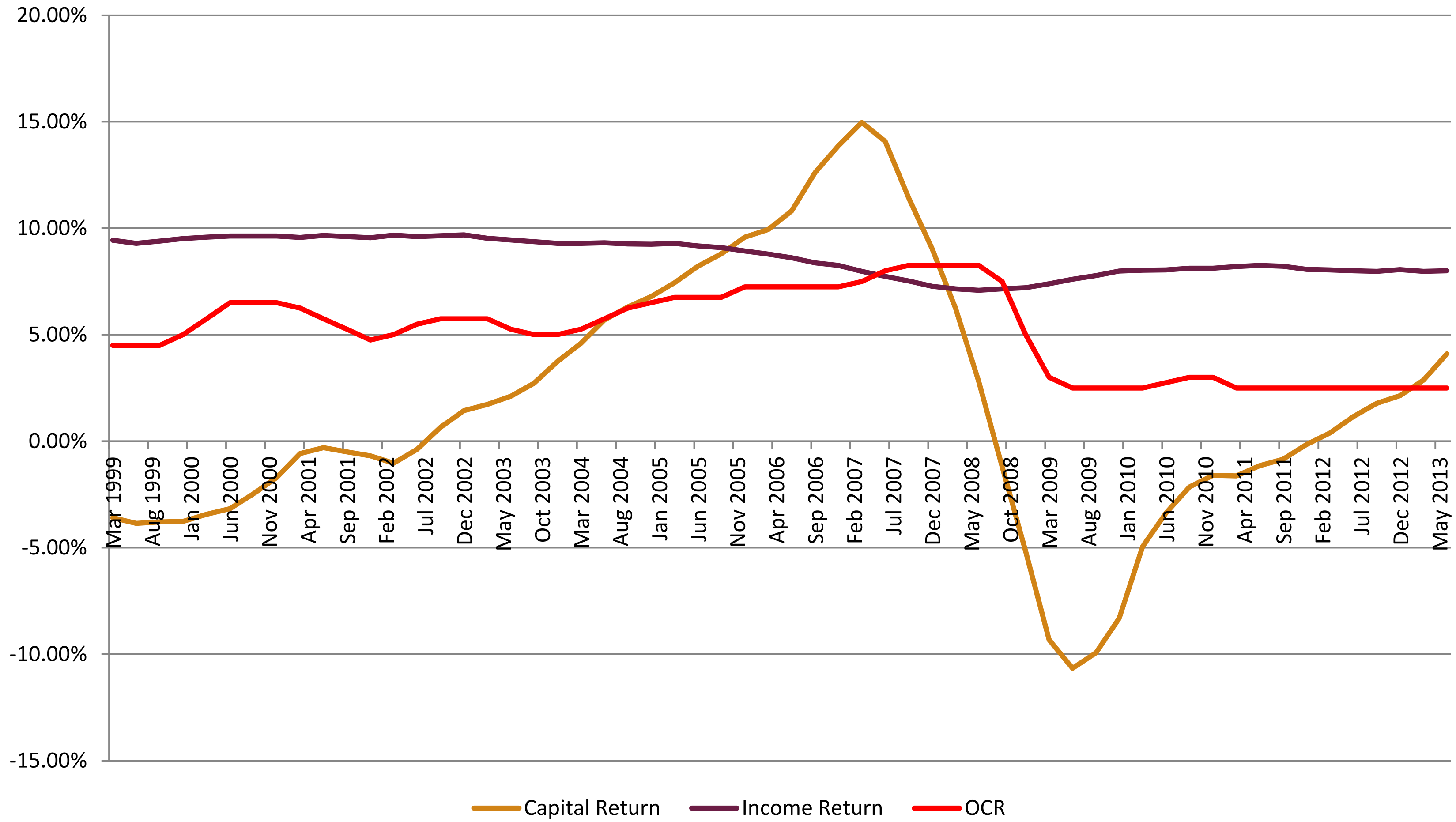
5 Year Return Performance

Argosy



Interest rate changes

Argosy



Capital and income returns include all New Zealand properties included in the IPD quarterly survey

Argosy

Concluding comments

Concluding comments

Argosy

- The first nine months of the year have been a busy and exciting time for Argosy.
- Our focus strongly remains on improving the portfolio's occupancy, lease expiry and tenant retention rates.
- We will also continue to look for opportunities to develop the portfolio in line with our overall investment strategy.

Thank you

www.argosy.co.nz

Disclaimer

Argosy

This presentation has been prepared by Argosy Property Limited. The details in this presentation provide general information only. It is not intended as investment or financial advice and must not be relied upon as such. You should obtain independent professional advice prior to making any decision relating to your investment or financial needs. This presentation is not an offer or invitation for subscription or purchase of securities or other financial products. Past performance is no indication of future performance.

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

February 2014