

Augusta Capital

Interim Result

Presentation

For the six months ended
30 September 2016

29 NOVEMBER 2016

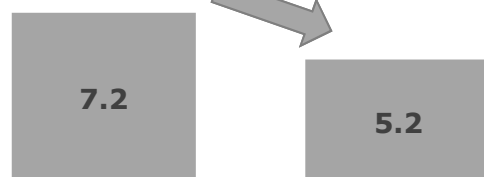




KEY HIGHLIGHTS – FY2016

Net Profit After Tax (\$m)

Down 28%

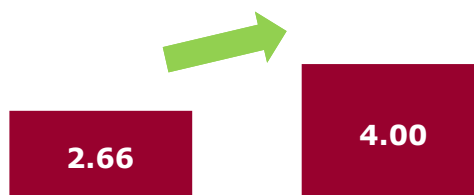


Sep-15

Sep-16

Distributable Profit (\$m)

Up 50%



Sep-15

Sep-16

Finance Centre Value (\$m)¹

Up 4%

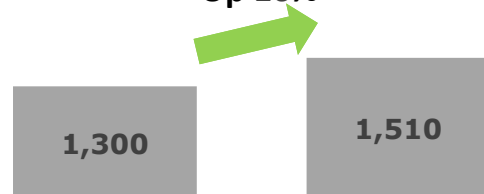


Mar-16

Sep-16

Assets Under Management(\$m)²

Up 16%

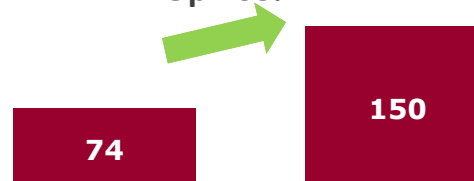


Sep-15

Sep-16

Equity Raised From Deals(\$m)

Up 103%

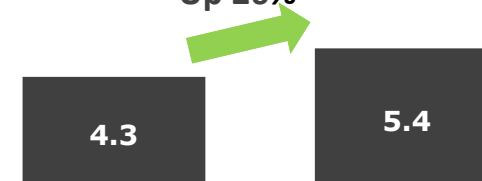


Sep-15

Sep-16

Recurring Management Fee Income - Annualised (\$m)

Up 26%



Sep-15

Sep-16

¹ Future sale price of \$96.0m in total

² Assets under management will increase to \$1.6 billion on the settlement of Building B Graham St on 30 Nov 2016

KEY HIGHLIGHTS – 6 Months Ended 30 Sept 2016



Financial Performance – Augusta continues to deliver on strategy

- Ⓐ **NPAT down 28%** to \$5.2m (\$7.2m in PCP)
- Ⓐ **Normalised distributable profit up 50%** to \$4.00m (\$2.66m in PCP)
- Ⓐ **Funds management performance up 119%** or \$1.52m (after tax)
- Ⓐ **Investment property performance down 13%** or \$0.18m (after tax)
- Ⓐ **Net asset value increased** from 94 cps* to 97 cps

* As at 31 March 2016

KEY HIGHLIGHTS – continued



- ① **Three new syndication deals** and **one new fund** completed during the period generating \$4.8m of upfront revenue
- ① Pipeline for 2H17 - **Building B Graham St** - \$2.1m of upfront revenue
- ① **Finance Centre** now subject to an unconditional sale and purchase agreement for \$96.0m with a phased settlement (through to Apr19)
- ① Stakes in **Value Add Fund No1** (\$6.0m) and **NPT Limited** (\$10.3m)
- ① **Loss of PIE status** from 1 July 2016 as a result of the growth in value of the Funds Management business



GROUP PROFIT AND LOSS

	1H17 \$m	1H16 \$m	Var. %	
Gross Rental Income	4.3	4.5	(4%)	↓ Impact 7 City Divestment (Aug15) partly offset by rental growth in the Finance Centre
Funds Management	8.4	5.6	50%	↑ 4 deals completed in 1H17 (3 in 1H16)
Metroclean	0.3	0.3	-	
Operating Costs	(2.3)	(2.5)	8%	↓ Impact 7 City Divestment
Net Revenue	10.7	7.9	35%	
Corporate Costs	(3.9)	(3.4)	(16%)	↑ Driven by Funds Management growth and additional compliance resourcing
EBIT	6.7	4.5	49%	
Finance Costs	(1.2)	(1.5)	20%	↓ Lower funding costs primarily due to lower avg balances and effective interest rates
NP Before Tax & One-Offs	5.5	3.0	50%	
One-offs	1.0	4.7	(78%)	↓ 1H17 includes asset disposal costs and FV loss on investments
Net Profit before tax	6.5	7.7	(16%)	
Tax	(1.3)	(0.5)	(160%)	↑ Driven by strong performance and lower depreciation claim
Net Profit after tax	5.2	7.2	(28%)	
Distributable Profit	4.00	2.66	50%	↑



PROFIT AND LOSS – ONE OFFS

- Ⓐ The movement between distributable profit performance and NPAT primarily driven by accounting entries, recognising the following:
- Gain on disposal of 7 City Road in 1H16
 - Finance Centre valuation and disposal costs
 - Revaluation of listed investments (NPT)

	1H17 \$m	1H16 \$m	Var. %	
Gain on Disposal of Property	0.0	1.0	(100%)	Gain on 7 City Divestment (Aug15)
Investment Property Reval.	3.2	3.8	(16%)	Reval of Finance Centre
Revaluation of investments	(0.7)	-	-	Reval of NPT Investment on acquisition
Disposal transaction costs	(1.4)	-	-	Relating to 4 titles of Finance Centre sale
Other	(0.1)	(0.1)	-	
Total One-offs	1.0	4.7	(78%)	



PROFIT AND LOSS – IMPACT OF FINANCE CENTRE

- 1H16 valuation of the Finance Centre reflects the discounted value of future proceeds from deposits received and settlement transactions of the four titles
- A further \$3.6m of gain in valuation will be recognised (FY17-FY19) as the discount 'unwinds'
- Transactional disposal costs incurred to date total \$1.4m with a further \$1.25m to be incurred through to April 2019 (Total budgeted spend was \$2.6m)
- Committed future capex to be spent of \$1.2m on Finance Centre

	1H17 Val.	Sale Price	Future Expected Gain
	\$m	\$m	\$m
Finance Centre Carpark	28.1	30.0	0.9
Finance Centre Podium	10.3	11.0	0.7
Augusta House	30.0	30.0	-
Retail Title	24.0	25.0	1.0
TOTAL FINANCE CENTRE	92.4	96.0	3.6

NET GAIN ON SALE OF PROPERTY (\$m)

1H17 Gain on Reval	3.2
1H17 Disposal costs	(1.4)
Net gain recognised (1H17)	1.8
Future reval gain	3.6
Future Disposal costs	(1.3)
Committed capex	(1.2)
Net gain to be recognised through to April 2019	1.1

SEGMENT REPORTING



	Investment Property (\$'000)	Funds Management (\$'000)	Cleaning (\$'000)	Total (\$'000)
Total Gross Revenues	4,292	8,319	344	12,955
Total Net Revenues	3,200	7,373	94	10,662
EBIT	2,475	4,202	36	6,713
Net Profit Before Tax	1,666	3,781	36	5,483
Net Profit After Tax (Normalised)	1,188	2,781	26	3,995
NPAT 1H16 (Normalised)	1,372	1,265	19	2,655
Half on Half Var \$	(184)	1,516	7	1,340
Half on Half Var %	(13%)	119%	27%	50%

- 1H17 growth in funds management driven by recurring fees and new deals

Note: Corporate and funding costs have been allocated to each business segment

GROUP BALANCE SHEET



	Sept 2016	Sept 2015	March 2016	Half-on-half movements
Total Assets (Tangible Assets \$127.9m. Intangible Assets \$16.4m)	144.3	128.5	136.8	- Finance Centre value increased \$3.4m. Purchase of stakes in VAF and NPT Ltd (\$16.3m in total were offset by sale of 36 Kitchener St - \$16.5m)
Total Liabilities	59.1	50.5	54.8	- Deposits in relation to Finance Centre received (\$9.6m) were offset by debt repayment (\$4.8m net)
Equity	85.2	78.0	82.0	- NPAT (\$5.2m) less Dividends paid (\$2.3m)
Gearing (Group)	31.3%	35.9%	36.5%	- Balance sheet capacity to fund underwrites (circa \$30m of underwrite capability)
Shares on Issue	87.53m	87.42m	87.42m	- Settlement of Augusta House creates further capability
Annual Cash Dividend	5.5cps	5.0cps	5.0cps	- Minimum \$10m of debt to be repaid on settlement of Augusta House
Net Assets Per Share*	\$0.97	\$0.89	\$0.94	
Net Assets Per Share (inc AFM valuation)**	\$1.11- \$1.18			

*Includes tangible and intangible assets

**Including March 2016 valuation of the Funds Management business by PwC

FUNDS MANAGEMENT



- Ⓐ Investor appetite remains strong
- Ⓐ Completion of 3 deals – Building A Graham St and Ashburton Central as well as Quinns Hill Road in Brisbane
- Ⓐ Value Add Fund No.1 fund also established
- Ⓐ \$4.75m of upfront Offeror & Underwriting fees
- Ⓐ Annualised recurring management fees currently stand at \$5.4m with additional \$0.9m of transactional fees YTD (leasing, project mgmt)
- Ⓐ Sale of 8 properties under management during the period – combined directly owned and managed portfolio is now approximately \$1.51b
- Ⓐ Pipeline for 2H17 – Building B Graham St to be completed November 2016



Building A Graham Street



Ashburton Central



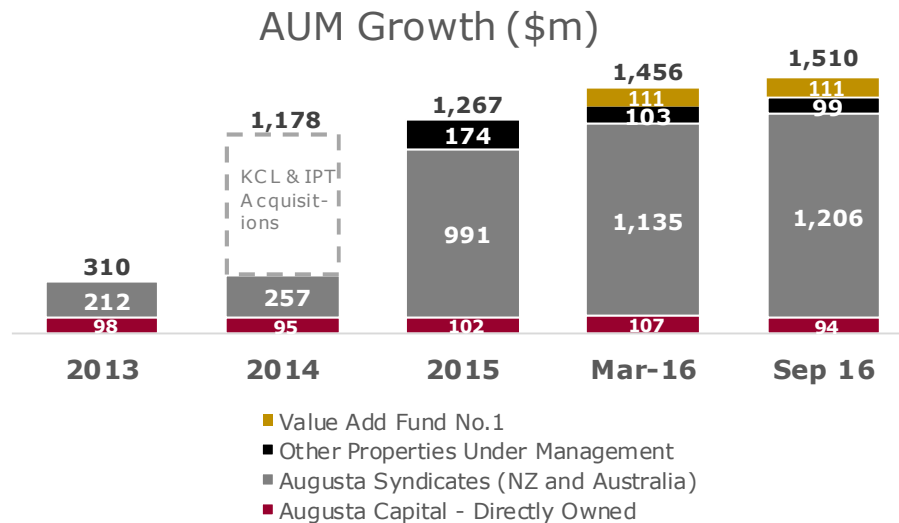
Quinns Hill Road

FY17 DEAL HISTORY

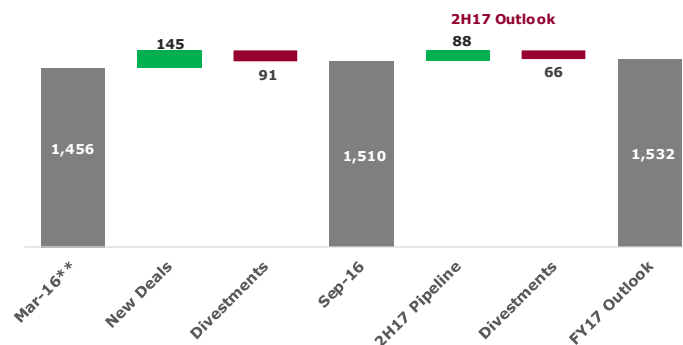


	Value Add Fund No1	Ashburton Central	Quinns Hill Rd (Aust)	Building A, Graham St	Total YTD (NZD)	Building B, Graham St
Category	Value-add	Bulk Retail	Industrial	Office		Office
Location	Auckland	Ashburton	Brisbane	Auckland		Auckland
Tenant	Various	Various	Various	NZME, Meredith Connell, Pernod Ricard		NZME, Meredith Connell, Maersk
Settlement	Apr-16	May-16	Jul-16	Aug-16		Nov-16
Purchase Price	\$109.3m	\$8.4m	A\$23.0m	\$115.8m	\$259m	\$88.4m
Capital Raise	\$60.0m	\$5.3m	A\$14m	\$70.0m	\$150m	\$52.5m
Total Fees	\$1.4m	\$0.2m	A\$0.6m	\$2.9m	\$5.16m	\$2.1m
Offeror Fee /Purchase Price	0.73%	1.8%	2.61%	1.90%		1.98%
Underwrite Fee /Equity Raise	4.00%	-	-	3.00%		3.00%

AUGUSTA – ASSETS UNDER MANAGEMENT



Assets Under Management FY16 to FY17 Outlook - Analysis*



*FY17 outlook for AUM excludes the impact of valuations (to be completed early-2017) as well as any new fund initiatives

**Reported March 2016 AUM numbers include the Value Add No 1 assets (\$111m)

- ⬆ Assets under management (AUM) have increased strongly in the past 5 years to \$1.51bn
- ⬆ AUM grew \$243m / 19% in the past 18 months due to new deals and revaluations partly offset by asset divestment
- ⬆ Remaining FY2017 pipeline of deals will increase AUM to in excess of \$1.53b* – set to increase recurring income to \$5.6m

RECURRING FEES



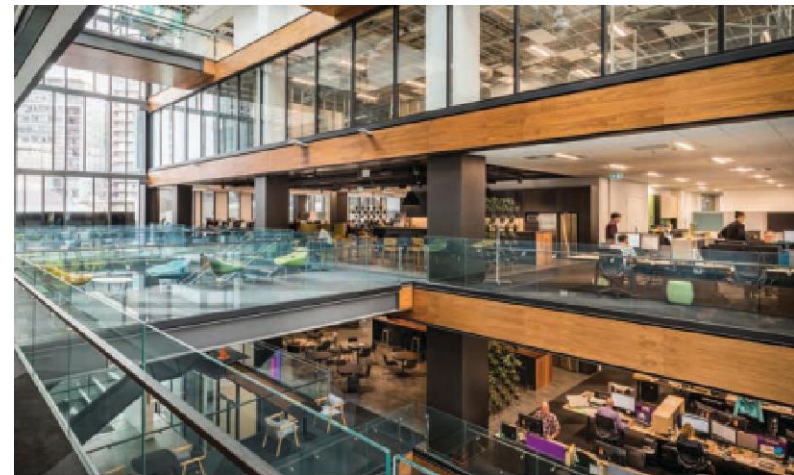
	\$000
Fees as at 1 April 2016	4,330
Value Add Fund No 1	750
	5,080
1H17 New Deals	417
<u>Less</u> Asset Divestment	(160)
Other growth	111
30 Sept 16 Management Fees	5,448
2H17 Pipeline	275
<u>Less</u> Asset Divestment (estimated)	(100)
Recurring Fees - Outlook	5,623

- ⬆ Recurring fees continue to grow through new deals and the creation of new revenue streams (eg value add)
- ⬆ Property rationalisation has impacted impact total fees – albeit more than offset by the generation one-off sales fees (transactional income)
- ⬆ In addition to recurring managing fees - transactional income is expected to be ~\$1.60m in FY2017

BDO CENTRE - BUILDING A AND B GRAHAM STREET



- Ⓐ Total combined asset size of \$204.2m
- Ⓐ Two separate limited partnership schemes created raising \$122.5m (Building A \$70m and Building B \$52.5m)
- Ⓐ Building A was completed in August 2016 and Building B to settle on 30 Nov 2016
- Ⓐ Investor demand has been strong – focusing on sustainability of returns and quality assets



DIRECTLY OWNED PORTFOLIO



	Valuation	Valuation	Occupancy Sep 16	WALE	Future Sale Price	Date of Sale
Property	Sep16	Mar16	Sep 16	Sep 16		
	\$'000	\$'000	%	Years	\$'000	
Finance Centre Carpark	28,086	28,700	100.0	11.3	30,000	Apr-19
Finance Centre Podium	10,298	9,900	95.0	4.3	11,000	Apr-19
19 Victoria Street West	29,927	28,800	94.0	3.3	30,000	TBA
Retail Title	24,005	21,500	100.0	5.7	25,000	Apr-18
Finance Centre	92,316	88,900	97.0	6.3	96,000	
18 Hibiscus Highway	1,400	1,400			1,400	Mar-17
TOTAL	93,716	90,300			97,400	



CORPORATE COSTS

	1H17 \$000	1H16 \$000	Var \$000
Personnel costs	(2,728)	(2,052)	(676)
Director fees	(162)	(137)	(25)
Professional fees	(282)	(450)	168
Other administration costs	(777)	(766)	(11)
Total Corporate Costs	(3,949)	(3,405)	(544)
Expense to Income Ratio	37%	43%	



**Total corporate costs
up \$544k / 16% in
FY2016**

1H17 cost growth driven by:

- Additional resourcing to support growth in funds management business primarily due to compliance, legal and project development. FTE has increased from 23 (Mar-15) to 28 (Sep-16)

Offset by:

- Professional fees – lower primarily due to creation of in-house legal team. Professional fees were higher in 1H16 due to the result of securing FMCA licence as well as higher cost of deals that did not proceed.



FUNDING

Loan Balance (\$m)	Facility Term	Swap Expiry**	Swap Rate	Current Floating Rate	Margin	'All Up' Interest Rate
\$13.6	Mar-18			2.18%	1.50%	3.68%
\$8.5	Mar-18	Nov-16	3.85%		1.50%	5.35%
\$8.5	Mar-18	Nov-20	5.35%		1.50%	6.85%
\$5.5	Mar-18	Apr-21	5.00%		1.50%	6.50%
\$8.0	Dec-16			2.18%	1.50%	3.68%
\$44.1*					average	4.96%

Group gearing level at 31.3% on balance date

- \$8m debt to be repaid post settlement of Building B Graham St
- At a minimum \$10m of debt will be prepaid on the settlement of Augusta House
- Future margin is expected to increase 35bps to 1.85% (to be renewed before 31 March 2017)

*A further \$2.0 million remained undrawn at 30 Sep 2016

**A 'forward start' swap agreement has been entered into from Nov-16 for 3 years on \$8.5m at 3.8% (expiry November 2019)

FUTURE BALANCE SHEET



- ① The divestment of the Finance Centre is transformational for Augusta and will create further balance sheet capability
 - To warehouse assets creating a larger pipeline
 - Greater underwriting capability – Building A & B Graham St
 - Direct investment in funds – Value Add Fund No. 1 Limited and NPT Limited
- ① Potential change in constitutional gearing to incorporate market value of funds management business

LOOKING AHEAD



FUNDS MANAGEMENT

- ① Strong demand for Building B Graham St – settling 30 Nov 16
- ① Development of new fund initiatives
- ① Secure co-investing opportunities
- ① Further active management of the portfolio
- ① Competition for quality products
- ① Full compliance with the Financial Markets Conduct Act from 1 Dec 16

DIRECTLY OWNED PORTFOLIO

- ① Sale of Finance Centre to be phased (through to Apr 19)



Λ U G U S T Λ

C A P I T A L

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