FY 2017 Financial Results
(NZX: AUG)
30 May 2017

Strong earnings growth emerging from funds management

Augusta Capital Limited is today pleased to announce its financial results for the year ended 31 March 2017.

The period under review saw the company realise significant gains in its aim to become New Zealand's leading property funds management specialist.

Highlights include:

- 19% growth against the prior year in adjusted funds from operations (Non GAAP) to $6.75 million, equating to operating earnings per share of 7.7 cents compared to 6.5 cents in the prior year.
- Recurring fees from funds management now a substantial growth component in overall earnings.
- Total assets under management of $1.6 billion, 9.5% growth on the prior year – set to become $1.7 billion following settlement of 33 Broadway offering on 30 June 2017.
- Five new syndications completed involving $203 million in new equity raisings to realise $347 million in new deal asset values, involving continued expansion into Australia.
- 10% growth in recurring annualised base management fees against the prior year, now at $5.60 million.
- NPAT of $7.75 million, a decrease of 43% against the prior year – related to lower re-valuation gains and disposal gains as directly-held investment portfolio assets continue to be divested.
- A 4 cent increase in the Net Asset Value per share from 94 to 98 cents.

Augusta Capital Chairman, Paul Duffy, said the result provides the market with a clear picture of how the company's balance sheet and future earnings profile are being transformed.

"This has been a good year. It's a strong result where management continued to deliver to a very high standard against a clearly defined growth strategy. The main takeaway is the strong growth in adjusted funds from operations, being driven by the emerging performance of Augusta's growing funds management business."

Managing Director Mark Francis says the NPAT performance is an anticipated consequence of actively transforming the balance sheet to fund the growth of new funds management initiatives.

"By moving away from a traditional, directly owned investment model to a less capital intensive growth model we are delivering a more diverse and recurring earnings profile, which will better protect and help grow future value for our shareholders.

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Funds Management

Mr Francis said: "This year's increased revenue profile and operating earnings was supported by a number of strategic funds management initiatives.

"Working closely with our strategic partners we are building an innovative and diversified platform for continued growth. Five new deals were completed with $203 million of new equity raised from a range of new and existing investors. This generated $6.87 million of deal fees on a total of $347 million of investment property."

Gross management fees were $7.26 million – a 37% increase on the prior year. This was driven by growth in the portfolio and transactional income.

Investment asset income of $0.66 million was realised from positions taken in the Augusta Value Add Fund No.1 Limited (Value Add Fund) and NPT Limited. "This is a new source of income that will continue to be an important feature of future earnings as we grow our total funds under management," said Mr Francis.

The Value Add Fund investment was revalued upward by $0.78 million or 13% on the original investment of $6.00 million. Augusta paid above the trade price for the later part of its investment in NPT Limited and a write-down as at 31 March 2017 of $2.18 million was recorded.

Balance Sheet Transformation

The Board expects that the balance sheet will transform to greater investment in funds management initiatives, but will retain the necessary capability and flexibility to create and take advantage of new opportunities.

Following the divestment of the Finance Centre, capital will be released to grow the funds management business, and will include:

- Warehoused assets – pipeline for new product
- Underwriting capability in respect to new offers; and
- The ability to invest in new products or investments which are managed by Augusta to create an alignment of interests.

Group gearing was 26.6 % of gross asset value as at 31 March 2017.

Outlook

The Board's expectation for the year ahead is to maintain the improving trend in earnings with a key focus on the management of existing assets to generate increasing returns and value for investors.
The launch of new initiatives, such as the 33 Broadway offer and the potential acquisition of other funds management opportunities, will be a continuing focus.

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Current market conditions remain supportive, with deals continuing to be concluded at compressing yields. The access to and cost of funding may affect yields in the medium to longer term.

Near term strategic operating priorities include:

- Completing proposals to secure the NPT management contract and thereafter options to turn around its current under-performing assets.
- Successfully concluding the 33 Broadway offer (due to settle on 30 June 2017), the settlement of Augusta House and the launch of new investment products that will further diversify offerings.
- Ongoing measured expansion in Australia.
- Maintaining stringent capital management disciplines.
- Maintaining optimal efficiency across how we manage our existing management portfolio.

Dividends

During the year ended 31 March 2017, dividends of 5.375 cents per share were paid, reflecting the period prior to and after the Company's loss of PIE status. Prior to the loss of PIE status, dividends were paid at a rate of 5 cents per share. On 1 July 2016, Augusta announced an increase in its expected annualised distribution level to 5.5 cents per share. The board expects dividends to be maintained at 5.5 cents per share for the 2018 financial year.

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