



Annual Meeting Presentation

Argosy Property Limited
25 July 2017

▶ www.argosy.co.nz



The Board



Chris Hunter DIRECTOR

Peter Brook DIRECTOR

Michael Smith CHAIRMAN

Andrew Evans DIRECTOR

Mark Cross DIRECTOR

Jeff Morrison DIRECTOR



Amanda Smith

- ▶ Amanda Smith will attend Board meetings for 12 months as part of the Institute of Directors Future Directors Programme.



Executive Team



▶ Peter Mence
Chief Executive Officer



▶ Dave Fraser
Chief Financial Officer

- ▶ Introduction
- ▶ Chairman's Address
- ▶ Chief Executive Officer's Review
- ▶ Questions from Shareholders
- ▶ Resolutions
- ▶ General Business
- ▶ Close of Meeting and Refreshments

Chairman's Address

Argosy



- ▶ Argosy is, and will remain, invested in a portfolio that is diversified by sector, grade, location and tenant mix. The portfolio will be in the Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.
- ▶ Following an extensive review, the Board has approved slight amendments to our Investment Strategy and Investment Policy.
 - ▶ Our Investment Strategy has been amended to take into account tighter conditions at the top of the property cycle. We have extended the permitted range of Core properties to between 75% to 90% of the portfolio by value (increased from 75% to 85%).
 - ▶ Our Investment Policy has also changed with an amendment to the sector band parameters. Our Industrial target will increase to 40-50% of the total portfolio by value (previously 35-45%) and Office will reduce to 30-40% (previously 35-45%). Retail remains unchanged at 15-25%.

Highlights



8.03c

Gross Distributable
Income per share

6.64c

Net Distributable
Income per share

99.5m

\$ Net Property Income

5.59y

Weighted Average
Lease Term

98.6%

Occupancy

1.06

\$ Net Tangible Assets
per share



- ▶ The full-year FY17 dividend was 6.10 cents per share, a 1.2% increase on the prior year.
- ▶ Argosy intends to move to an amended dividend policy, based on AFFO earnings, in the medium term. The Board expects, based on current projections, that the cash dividend will be at least maintained over the transition period.
- ▶ The FY18 first quarter cash dividend of 1.55 cents per share has been announced today, with imputation credits of 0.366464 cents per share attached. The dividend will be paid on 28 September 2017.
- ▶ Based on current projections, it is expected that the FY18 full-year dividend will be 6.20 cents per share, fully paid from distributable income.

6.20c

FY18 Dividend Guidance

Sept 17

1st Qtr Dividend Payment Date

- ▶ Your Board is committed to the highest standards of business behaviour and accountability.
- ▶ We are guided by our Code of Conduct and Ethics.
- ▶ We have a medium to low overall risk appetite with a very low risk appetite for health and safety risks.

- ▶ We operate within our Capital Management Framework.
- ▶ The Board's policy is for debt to total assets to be between 35% to 40%.
- ▶ The debt to total assets ratio was 36.3% at 31 March 2017.
- ▶ We also aim to maximise earnings through the property cycle within the following parameters:
 - ▶ Properties are acquired when they meet approved Investment Policy criteria, or sold when they are non Core;
 - ▶ the Company is not forced to issue equity at a price that is dilutive to shareholders; and
 - ▶ measured dividend growth is maintained.

- ▶ Argosy remains in a strong position with a diversified portfolio that has improved in quality.
- ▶ We remain focused on dealing with expiries and looking for Value Add opportunities.

CEO's Address

Argosy



Our Focus Areas



OUR TENANTS



OUR SHAREHOLDERS



OUR PEOPLE



HEALTH & SAFETY



ENVIRONMENT & COMMUNITY



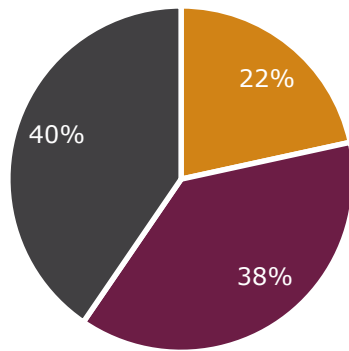
ASSET MANAGEMENT



PORTFOLIO POSITIONING

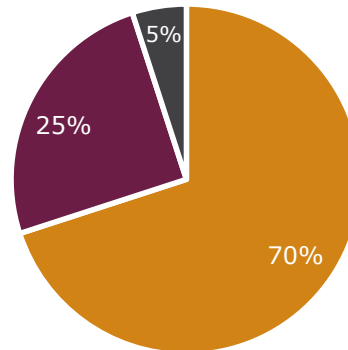
Portfolio Mix

**TOTAL PORTFOLIO VALUE
BY SECTOR**



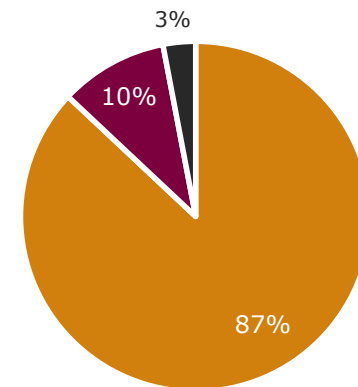
- Retail
- Office
- Industrial

**TOTAL PORTFOLIO VALUE
BY REGION**



- Auckland
- Wellington
- Regional North Island & South Island

PORTFOLIO MIX

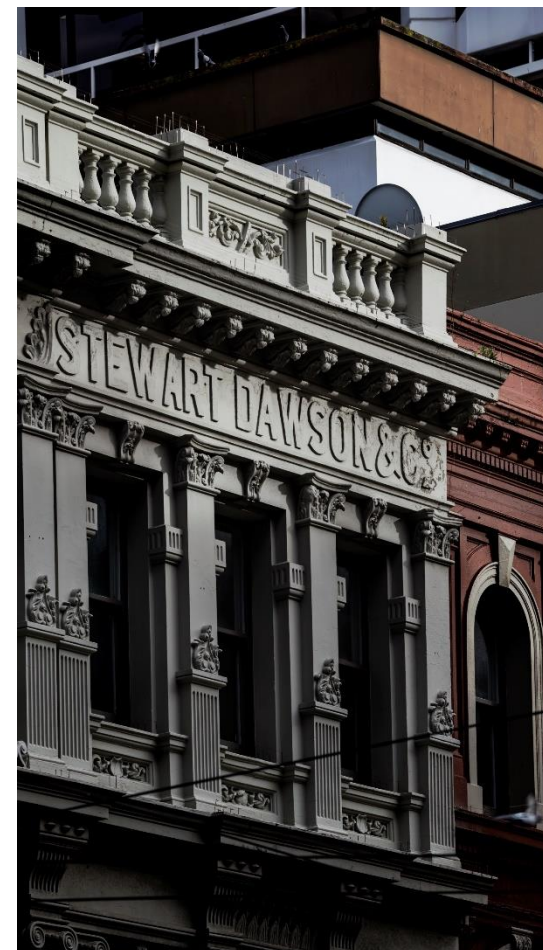


- Core properties
- Value Add properties
- Properties and land to divest

Value Add

The following properties have been designated as Value Add, which make up 10% of the total portfolio:

Property	Sector	Location	Valuation
90 - 104 Springs Road	Industrial	Auckland	\$4.06m
80 Springs Road	Industrial	Auckland	\$8.85m
211 Albany Highway	Industrial	Auckland	\$15.80m
960 Great South Road	Industrial	Auckland	\$6.05m
8 Foundry Drive	Industrial	Christchurch	\$12.30m
99-107 Khyber Pass Road	Office	Auckland	\$8.00m
82 Wyndham Street	Office	Auckland	\$29.20m
8-14 Willis Street	Office	Wellington	\$15.20m
180-202 Hutt Road	Retail	Wellington	\$8.15m
Stewart Dawsons Cnr	Retail	Wellington	\$15.30m
TOTAL (excl. land)			\$122.91m
15 Unity Drive	Land	Auckland	\$4.14m
246 Puhinui Road	Land	Auckland	\$3.13m
Highgate, Silverdale	Land	Auckland	\$12.05m
56 Jamaica Drive	Land	Wellington	\$1.10m
TOTAL			\$143.33m



Sector Summary

▶ Industrial

NUMBER OF BUILDINGS

38

MARKET VALUE OF ASSETS (\$M)

\$583.40

OCCUPANCY (BY RENT)

98.3%

WALT (YEARS)

6.40

PASSING YIELD

6.93%

▶ Office

NUMBER OF BUILDINGS

17

MARKET VALUE OF ASSETS (\$M)

\$547.45

OCCUPANCY (BY RENT)

98.4%

WALT (YEARS)

4.87

PASSING YIELD

7.26%

▶ Retail

NUMBER OF BUILDINGS

9

MARKET VALUE OF ASSETS (\$M)

\$311.30

OCCUPANCY (BY RENT)

99.4%

WALT (YEARS)

5.46

PASSING YIELD

7.38%

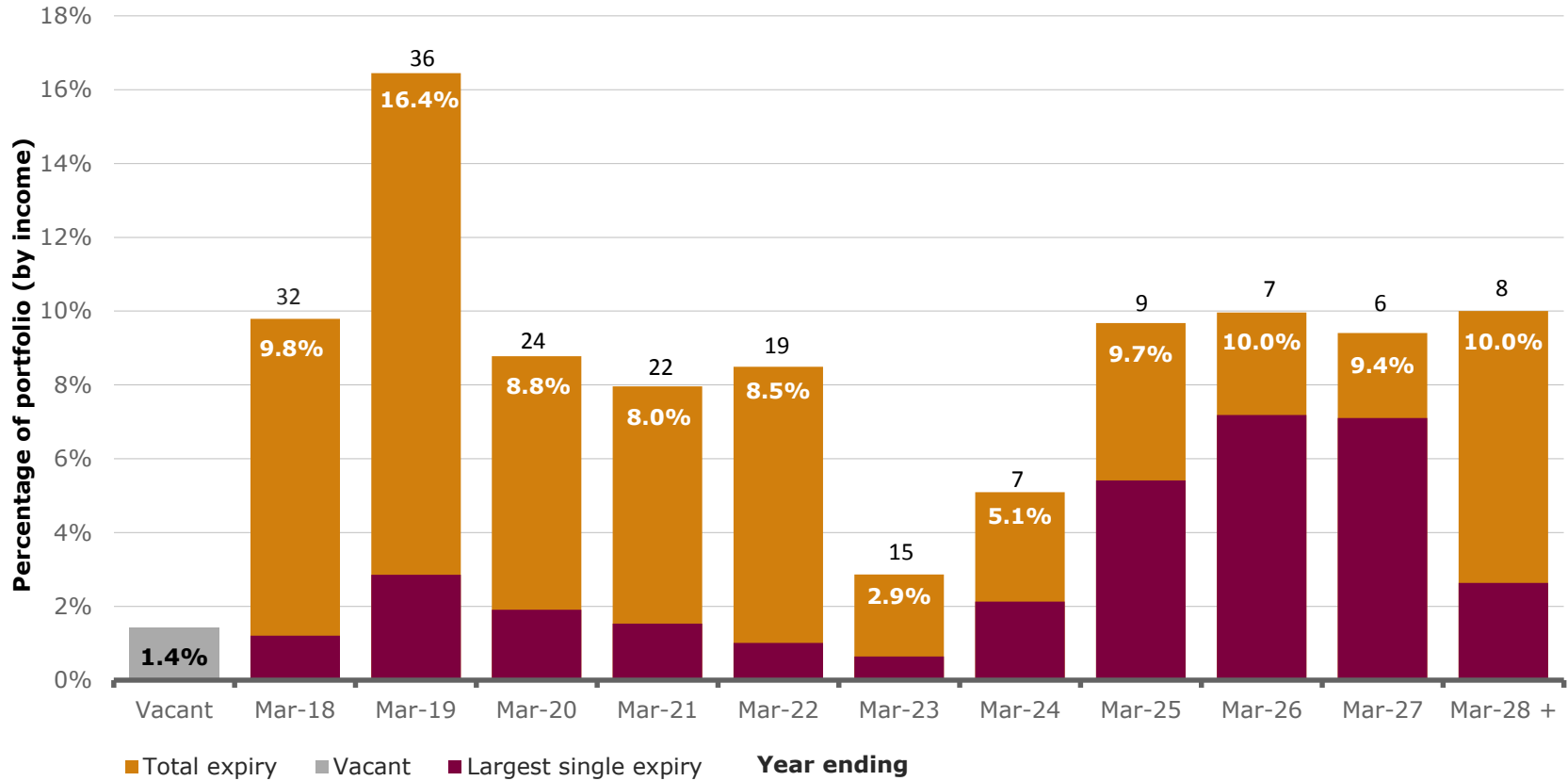
Tenant-led Portfolio Activity

Argosy has the following tenant-led development and acquisition pipeline:

Development	Location	Total cost	Completion
Foundry Drive	Christchurch	\$7.5m	Substantially Complete
Mighty Ape ¹	Silverdale, Auckland	\$22.3m	Dec 2017
Placemakers	Kaiwharawhara, Wellington	\$9.4m	Mid 2018
82 Wyndham Street	Auckland	\$9.0m	Aug 2017
Snickel Lane	Citibank Centre, Auckland	\$7.5m	Mid 2017
Puhinui Road	Wiri	\$23.9m	Dec 2016

¹ Includes purchase of land for \$8.1m in Dec 2016.

Lease Maturity



The number above each bar denotes the total tenant expiries per year (excluding monthly carparks and tenants with multiple leases within one property)

Financial Overview



Financial Performance	FY17 \$m	FY16 \$m
Net property income	99.5	98.3
Profit before income tax	120.4	83.6

Distributable Income	FY17 \$m	FY16 \$m
Profit before income tax	120.4	83.6
Adjustments	(54.8)	(22.3)
Gross distributable income	65.6	61.3
Depreciation recovered	1.1	0.4
Current tax expense	(12.4)	(10.5)
Net distributable income	54.3	51.2
Weighted average number of ordinary shares (m)	816.7	806.2
Gross distributable income per share (cents)	8.03	7.60
Net distributable income per share (cents)	6.64	6.35

- ▶ In New Zealand, net absorption driven primarily by economic growth and modest excess capacity provides a level of confidence. There remains difficulty seeing any realistic catalysts for any short term change.
- ▶ Uncertainty from international events has the potential to solidify NZ's position as a destination.
- ▶ New supply in Auckland offices is yet to cause concern, however increased vacancy around 2020 is projected.
- ▶ Wellington office vacancy has reduced post the Kaikoura earthquake and rental growth is resulting.
- ▶ Internet sales continue to grow, limiting retail sales growth.
- ▶ Higher lending conditions have reduced the number of potential developers in the domestic market. This will create potential opportunities.
- ▶ An end to the yield firming, increased construction costs, solid net absorption and decreased developers are all factors which are expected to benefit the environment for rental growth.

- ▶ We see an end in the yield firming cycle
- ▶ We are still faced with globally uncertain times, however the economy, and thus the property market, in New Zealand remains solid with good economic growth expected to continue.
- ▶ There is potential for rental growth to be stronger than recent years.
- ▶ The improved quality of our diversified portfolio will allow us to make the most of the current market conditions.
- ▶ We will remain focused on addressing near term expiries within the portfolio and ensuring that the tenant retention rate remains high and the fundamentals of the portfolio remain strong.

Questions from Shareholders

Argosy



Resolutions

Argosy



Resolution 1

- ▶ That Andrew Evans be re-elected as a Director.



Resolution 2

- ▶ That Mark Cross be re-elected as a Director.



Resolution 3

- ▶ That, for the purposes of NZX Main Board Listing Rule 3.5.1(a), the maximum aggregate amount of remuneration payable by the Company to Directors (in their capacity as Directors) be increased by \$81,500 per annum, from \$665,000 per annum to \$746,500 per annum, with effect on and from 25 July 2017.

Resolution 4

- ▶ That the Board be authorised to fix the auditor's fees and expenses.

General Business

Argosy



Close of Meeting & Refreshments



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

July 2017