

The Argosy logo features the word "Argosy" in a white, sans-serif font. A small orange triangle is positioned above the letter 'A'.

Argosy

2018 Annual Meeting

Strength in diversity

Argosy Property Limited
6th August 2018

▶ www.argosy.co.nz



The Board



Mike Smith - Chairman



Peter Brook - Director



Mark Cross - Director



Chris Hunter - Director



Jeff Morrison - Director



Andy Evans - Director

Executive Team



Peter Mence – Chief Executive Officer



Dave Fraser – Chief Financial Officer

Agenda



Chairman's Introduction

Chief Executive Officer's Review

Questions

Resolutions

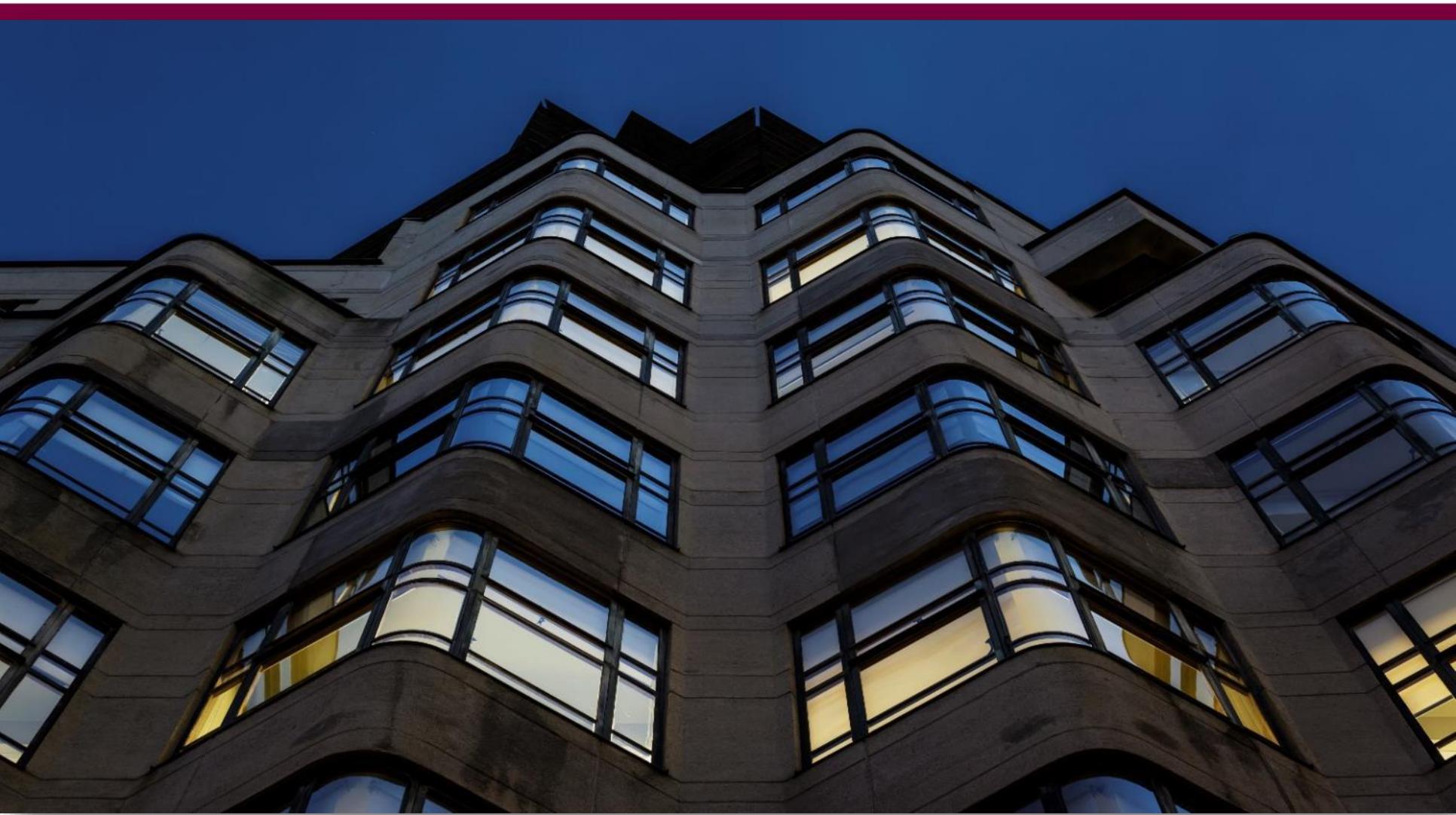
General Business

Close of Meeting

Note: Due to rounding, numbers presented in this presentation may not add up exactly to the totals provided and percentages may not exactly reflect absolute figures.

Chairman's Introduction

Argosy



Diversified approach

- ▶ Continue to invest in a diverse range of properties across sectors, grades, sizes and locations

Investment Strategy underpinned by Core and Value Add properties

- ▶ Core properties between 75-90% of the portfolio by value
- ▶ Investment Policy sector bands well established. Industrial 40-50%, Office 30-40%, Retail 15-25%

Shareholder return focus

- ▶ Argosy strives to deliver reliable and sustainable returns to shareholders
- ▶ Focus on AFFO based dividend policy by 2021

Ongoing commitment to corporate governance best practice

- ▶ Experienced Board with a proven track record

2018 Highlights



\$101m

Net property income

6.62c

NDI per share +1.1%

98.8%

Occupancy (by rental)

\$1.12

NTA +5.5% on prior year

6.1 years

WALT

**\$33.8m of
green
projects**

Value Add Activities



Dividends

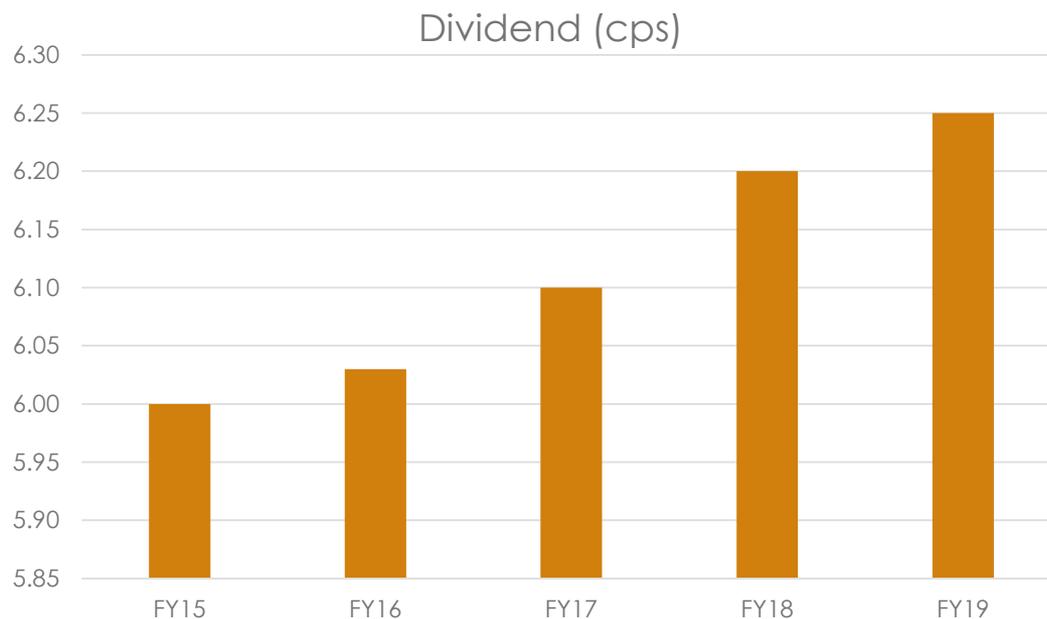
- ▶ FY19 dividend guidance of 6.25 cents per share is an increase of ~1.0% on FY18
- ▶ The FY19 dividend reflects the Boards wish for shareholders to share in the continued strong results whilst allowing Argosy to maintain its momentum towards an AFFO based dividend policy over the medium term
- ▶ Q1 FY19 cash distribution of 1.5625 cps

26 Sept

Q1 dividend payment date

6.25c

FY19 dividend guidance



- ▶ Your Board is committed to the highest standards of business behaviour and accountability
- ▶ We are guided by our Code of Conduct and Ethics
- ▶ New Environmental Policy recognises the impact our business has on the natural environment is a consideration for investors
- ▶ We have a well developed risk management policy & framework which manages Argosy's risks within the overall risk appetite set by the Board

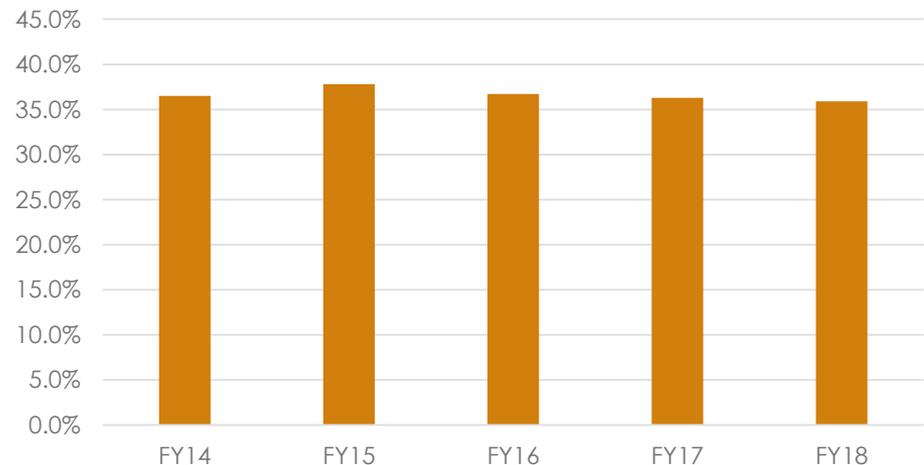
Capital Management

- ▶ We operate within our Capital Management Framework
- ▶ The Board's policy is for debt to total assets to be between 30% to 40%
- ▶ The debt to total assets ratio was 35.9% at 31 March 2018
- ▶ We 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;
 - ▶ Argosy is not forced to issue equity at a price that is dilutive to shareholders; and
 - ▶ measured dividend growth is maintained

35.9%

Debt-to-total assets ratio

Debt-to-total-assets



Looking ahead

Income and earnings sustainability

- ▶ Earnings per share growth
- ▶ AFFO based dividend policy in medium term

Sound capital position

- ▶ Liquid, flexible and diverse capital base

Improve portfolio metrics and quality

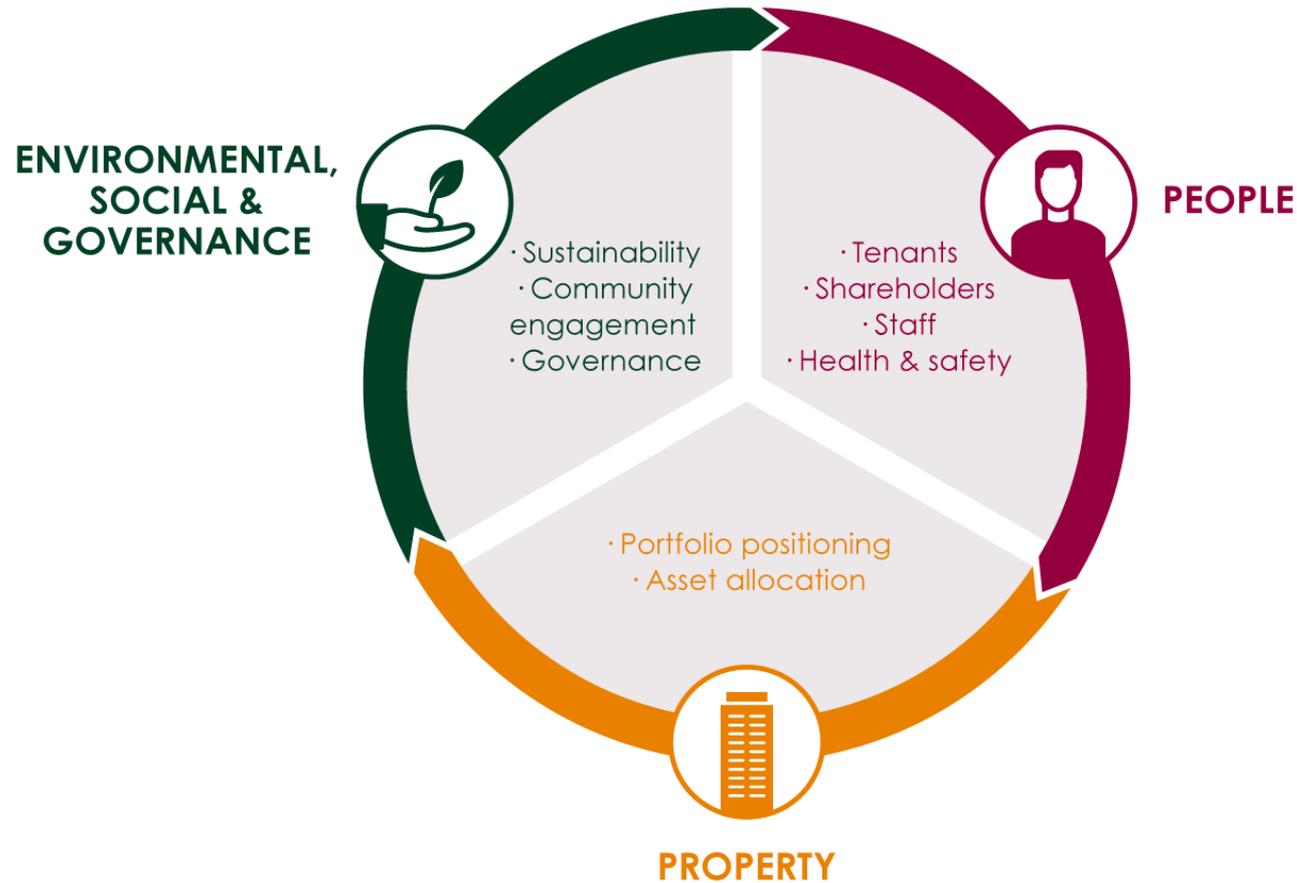
- ▶ Reduce key vacancies and proactive management of expiry profile
- ▶ Undertake Value Add projects to enhance portfolio quality

Corporate governance

- ▶ Maintain appropriate Board composition to deliver strategy
- ▶ Ongoing commitment to corporate governance best practice

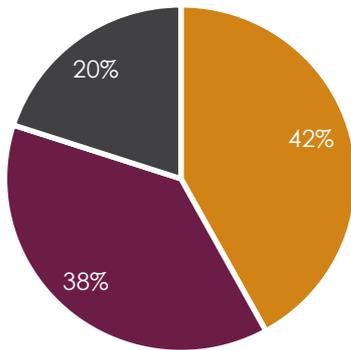
Chief Executive Officer's Review





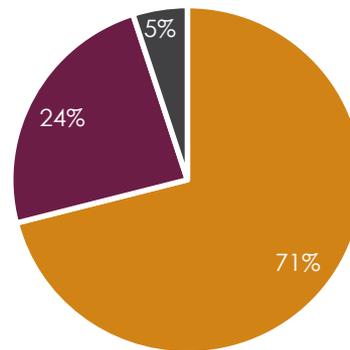
Portfolio at a Glance

**TOTAL PORTFOLIO VALUE
BY SECTOR**



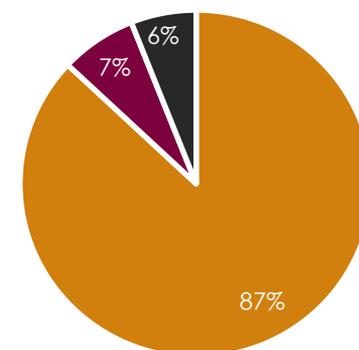
- Industrial
- Office
- Retail

**TOTAL PORTFOLIO VALUE
BY REGION**



- Auckland
- Wellington
- Regional North Island & South Island

**PORTFOLIO MIX
BY VALUE**



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

- ▶ Focus on continuing the divestment programme of non Core assets
- ▶ Expect to move towards the higher end of the industrial band and lower end of the retail band over the medium term

Sector Summary



NUMBER OF BUILDINGS

36

MARKET VALUE OF ASSETS (\$M)

\$637.6

OCCUPANCY (BY INCOME)

99.9%

WALT (YEARS)

7.4

PASSING YIELD

6.7%



NUMBER OF BUILDINGS

17

MARKET VALUE OF ASSETS (\$M)

\$577.3

OCCUPANCY (BY INCOME)

97.3%

WALT (YEARS)

5.0

PASSING YIELD

7.0%



NUMBER OF BUILDINGS

8

MARKET VALUE OF ASSETS (\$M)

\$298.3

OCCUPANCY (BY INCOME)

100%

WALT (YEARS)

5.7

PASSING YIELD

7.1%

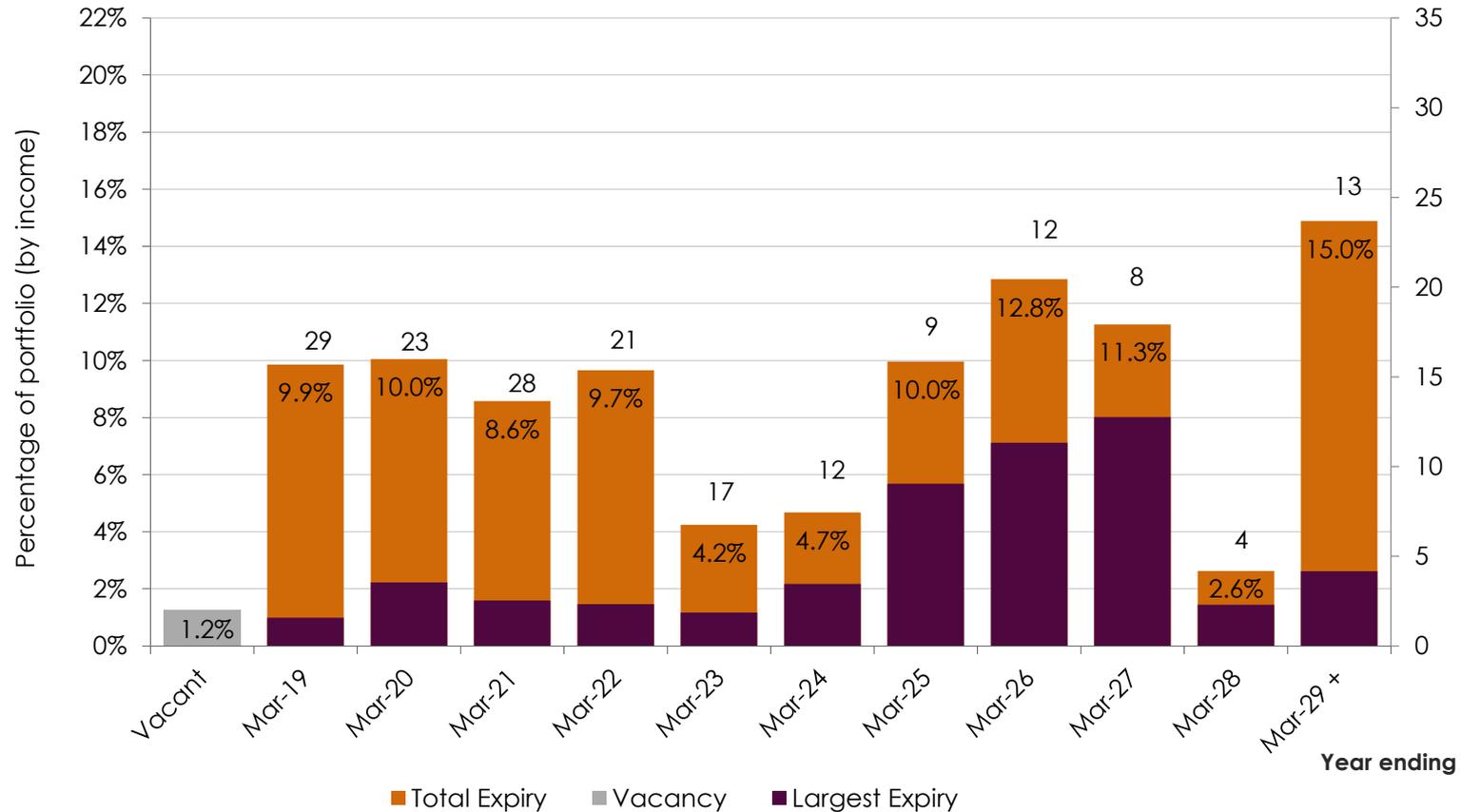
Completed Developments

Development	Major Tenant	Type	Location	Total Cost \$m
Highgate Business Park	Mighty Ape	IND	AKL	24.7
82 Wyndham	Panuku	OFF	AKL	9.1
Foundry Drive	Polarcold Stores Ltd	IND	CHC	7.5
Snickel Lane	Various	OFF	AKL	7.5
TOTAL				48.8

- ▶ Argosy completed two green developments totalling \$33.8m during the period. Highgate Business Park (targeting a 4 Green Star Industrial Built Rating) and 82 Wyndham Street (targeting a 5 Green Star Office Built Rating).
- ▶ 82 Wyndham will also be targeting a 4 Star NabersNZ energy efficient rating now the building is fully occupied.

Lease Maturity

▶ Lease maturity profile relatively stable over the medium term, no material single tenant exposure



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

Financial Summary



► NDI per share increased 1.1% on FY17

	FY18 \$m	FY17 \$m
Net property income	101.0	100.8
Distributable Income	FY18 \$m	FY17 \$m
Profit before income tax	109.3	120.4
Adjusted for:		
Revaluations gains	(47.3)	(42.3)
Realised losses/(gains) on disposal	(0.3)	(2.7)
Derivative fair value loss/(gain)	4.1	(11.0)
Earthquake expense net of recoveries	-0.2	1.2
Gross distributable income	65.6	65.6
Depreciation recovered	0.6	1.0
Current tax expense	(11.6)	(13.1)
Net distributable income	54.6	53.5
Weighted average number of ordinary shares (m)	825.1	816.7
Gross distributable income per share (cents)	7.95	8.03
Net distributable income per share (cents)	6.62	6.55

- ▶ Modest economic growth still forecast which will drive steady net absorption
- ▶ The mixture of a stable economy and continued technology change is driving demand for industrial assets
- ▶ Growth in Auckland office supply is yet to cause concern, projections for increased vacancy around 2020 are unchanged
- ▶ Wellington office vacancy continues to reduce with rental growth resulting
- ▶ Tougher funding environment will continue to impact developers. This will create potential opportunities for Argosy
- ▶ Increasing construction costs and slowing of cap rate compression positives for rental growth if net absorption continues
- ▶ Land values easing
- ▶ Focus on green assets, seismic performance and hazard management

- ▶ Fundamental real estate drivers remain sound
- ▶ Whilst global volatility is still present, the New Zealand economic outlook is still positive with economic growth forecast and resilient local equity markets
- ▶ Argosy's diversified portfolio provides balance across sectors allowing it to make the most of market conditions
- ▶ Argosy will continue to focus on resolving near term expiries, maintaining high tenant retention rates and ensuring core portfolio metrics remain strong
- ▶ Given the market appears to be firmly valued, divesting non Core assets to reinvest elsewhere or to the balance sheet is more attractive versus acquiring
- ▶ We will continue to focus on our existing portfolio of value add properties in the context of sustainability given the environmental and business benefits they can bring
- ▶ We remain focused on creating value and delivering sustainable and attractive risk adjusted returns to shareholders
- ▶ Rental growth to continue
- ▶ Green assets will continue to see increase in demand

Questions



Resolutions



Resolution 1

- ▶ That Jeff Morrison be re-elected as a Director



Resolution 2

- ▶ That the Board be authorised to fix the Auditor's Fees and Expenses



Close of Meeting



Thank you

Argosy



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

6 August 2018