Augusta Capital realises material uplift in earnings during first six months of FY19

Auckland, 29 November 2018 - Augusta Capital Limited ('Augusta') is pleased to announce the company's financial and operating results for the six month period ended 30 September 2018.

Material updates during the period include:

- Net profit and total comprehensive income increased 122% to $5.10 million from $2.30 million against the prior corresponding period (pcp)
- Adjusted funds from operations[1] increased 16% to $4.56 million
- Two new investment offerings were completed oversubscribed, raising ~$143.5 million of new equity
- Transition of the Asset Plus management contract complete
- Net Asset Value (NAV) per share increased to $0.99 due to retained earnings
- All assets within the Augusta Value Add Fund now unconditionally sold generating an 11.7% internal rate of return
- Increase in corporate costs as Augusta continues to invest in people to support the growth strategy

Augusta Capital Chairman, Paul Duffy, says: "The material improvement in the FY19 interim result reflects the early benefits of Augusta's transition to a funds management earnings model, which is being actively supported by improved balance sheet capability.

"Improved earnings came from Asset Plus and the launch of the Augusta Industrial Fund. The launch and expansion of investor funds, including fees from assets under management are now core to the company's growth story."

"The Board and management were particularly pleased to see investor applications oversubscribed for both offers launched during the period, including capital from a pool of new investors," said Mr Duffy.

"A number of existing investors also re-invested capital from previous Augusta managed scheme investments, which was a strong show of faith in the business. We are grateful for the strong support received and look forward to bringing our investors new opportunities over the coming years," he added.

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[1] *Adjusted funds from operations (AFFO) is non-GAAP financial information and is a common investor metric, calculated based on guidance issued by the Property Council of Australia. Augusta considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities. A reconciliation of the net profit after tax to AFFO is included in the interim report on page **7.***

Financial summary

Net profit and total comprehensive income for the period of $5.10 million, up from $2.30 million in the pcp, was driven primarily by higher operating earnings and revaluation impacts. The pcp included other comprehensive expenses associated with fair value adjustments of listed investments.

Adjusted Funds from Operations (AFFO* - a Non-GAAP disclosure, which represents the underlying financial performance) of $4.56 million was up 16% from $3.94 million in the pcp.

The company successfully completed two new offers, which generated $5.03 million of net offeror and underwriting fees, as well as creating a further $0.95 million of ongoing gross annual management fees.

Net management fee income was $4.17 million against $3.15 million in the pcp. An increase of 32% driven by strong transactional income and new assets under management.

Net rental income decreased by $0.84 million as a result of the divestment of Augusta House (19 Victoria St West) in July 2017 and the retail title in March 2018, offset against income from the Hub asset in Wellington for the period it was held until 15 June 2018.

Corporate costs increased by $0.62 million during the period to $5.02 million, driven by the level of investment required to support the launch of new fund initiatives.

Capital from the sale of directly held investments saw net funding costs decrease by $0.57 million to $0.89 million. A total of $32 million was undrawn on the Company's lending facility at reporting date, which will continue to provide capability to support new initiatives.

Total assets reduced by $36 million to $105.3 million during the period, primarily as a result of the sale of the Hub asset in Wellington to the Industrial Fund for $44.9 million. The bulk of these proceeds ($35.9 million) was applied as a debt repayment with the balance held as working capital.

Group gearing based on drawn debt was 6.3% of gross asset value as at 30 September 2018 based on the reported balance sheet. Intangible assets and goodwill are held at cost net of impairment driven by asset sales in the managed portfolio. Investment assets will however continue to be revalued at each reporting date to fair value.

Dividend

The Board has today resolved to pay a second quarter cash dividend of 1.5 cents per share. The dividend is fully imputed with imputation credits of 0.583 cents per share attached. Further resident withholding tax will be deducted unless a RWT exemption certificate has been provided. This is equivalent to 0.1042 cents per share. The Company will also pay a supplementary dividend of 0.2647 cents per share in relation to non-resident shareholders. The record date for the dividend is 13 December 2018 and the payment date is 20 December 2018. The Board expects the dividend for FY19 to be maintained at 6 cents per share per annum, subject to quarterly review.

Outlook

Augusta Capital's Managing Director, Mark Francis, says: "The medium to long-term focus remains to materially grow assets under management. The team will continue to be selective in seeking to secure the right acquisitions to further diversify our portfolio and product offerings.

"The tourism sector remains a key focus for Augusta's next new multi-asset fund offering, and we have previously signalled our intentions as to the future growth of the Industrial Fund. The acquisition of the Queenstown Views property is a further asset secured for the Tourism fund initiative and we are also pursuing further opportunities in both Queenstown and Auckland.

"We will also continue to invest in human resources to grow Augusta's own capability in support of our core strategy to create a truly diversified portfolio of assets under management. There are a lot of opportunities out there right now, but as always we will be prudent in sourcing and structuring the right acquisitions for our growing family of investors," Francis says.

Augusta's near term strategic operating priorities include:

- Exit of the final two Finance Centre assets, which will create further balance sheet capability
- Launch of sector specific funds to further diversify product offerings
- Growth in existing assets under management, specifically Asset Plus and the Augusta Industrial Fund
- Leverage balance sheet to support underwriting and broader business objectives
- Investment in further IT infrastructure to support growth
- Active asset management in New Zealand and Australia in terms of acquisition, divestment and development opportunities.

ENDS

For further information please contact:
Simon Woollams
Chief Financial Officer
Augusta Capital
09 300 6161

For media enquiries please contact:
Hugo Shanahan
0275 111 561