NZX Release

Augusta Capital reports its interim result for the period ended 30 September 2019

Investing in the pipeline

27 November 2019 - Augusta Capital Limited ("Augusta") has today announced its interim financial results for the six-month period ended 30 September 2019.

Over the past six months, significant progress has been made on the strategic objectives communicated in May 2019, with activity for the period centred around creating multiple pipelines for long-term growth, including investment into the development of new fund initiatives and the acquisition of key assets.

Material updates during the period included:

- Profit and total comprehensive income after tax of $1.63 million, down 68% from $5.10 million against the prior corresponding period (pcp).
- Adjusted funds from operations[1] decreased by 92% to $0.37 million as no capital raisings were completed (two in the pcp).
- Investment income increased by 57% to $1.19 million due to an increase in investment assets.
- Net management fees increased by 16% to $2.98 million due to growth in managed funds – with total assets under management of $2 billion.
- Acquisition activity within the Augusta Industrial Fund with $42 million of properties acquired resulting in increased management fees payable to Augusta.
- Acquisition of 35 Graham Street by Asset Plus Limited for $58 million resulted in increased management fees and potential future development opportunity.
- Secured Radisson Hotel Group as the operator for Man St hotel under construction in Queenstown.
- Strategic partnership with Ninety-Four Feet in respect to future Lakeview development in Queenstown over more than ten years.
- Appointment of two new independent Directors to the Board.

As communicated in October's trading update, a materially lower result against the previously communicated period has been delivered, with Augusta reporting profit and total comprehensive income after tax of $1.63 million, down from $5.10 million in the same period last year.

This lower result is due to a number of factors, most notably deal timing and investment into new funds and assets, as well as the divestment of the Finance Centre and corporate costs relating to ongoing investment to expand Augusta's corporate and development teams, in line with the company's growth strategy.

[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 results presentation on page **16** which has not been independently reviewed by the auditors**.**

New Plymouth Office
335 Devon St East, New Plymouth 4312
PO Box 44, New Plymouth 4340 | +64 (6) 759 1520

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010
PO Box 37953, Parnell, Auckland 1151 | +64 (9) 300 6161

Christchurch Office
Level 1, 40 Welles Street, Christchurch CBD 8011
PO Box 16739, Hornby, Christchurch 8441 | +64 (9) 300 6161

Augusta Capital's Managing Director, Mark Francis, says: "Augusta is the manager of a $2 billion portfolio of diversified assets, but we're also a transactional company. Launching new fund initiatives involves considerable work in order to ensure they can deliver the target investment fundamentals and this requires ongoing investment in people and the use of the balance sheet."

"Furthermore, as our focus is on delivering the best results for our investors, Augusta has a robust and rigorous due diligence process. It takes a significant amount of time to get the right deals on the table, and our investment criteria means we decline significantly more deals than we accept."

Financial performance

Contributing to the profit and comprehensive income after tax result for the period of $1.63 million was an increase in the fair value of the Asset Plus investment.

Net management fees increased by 16% to $2.98 million due to growth in managed funds, primarily Asset Plus and Augusta Industrial Fund.

No capital raisings were completed, compared to two capital raisings in the prior corresponding period, which resulted in a material reduction in deal origination fees by $4.45 million.

Transactional income was lower by $0.67 million or 42% due to a reduction in divestment activity in the managed portfolio relative to the pcp.

Capital was redeployed from the Finance Centre to the Cook Street, Auckland and Man Street, Queenstown assets which will seed the Augusta Tourism Fund. Income will not be drawn until these properties are divested to funds, resulting in a reduction in net rental of $1.81 million for the period.

Corporate costs increased by $0.68 million during the period to $5.70 million driven by the level of investment required to set-up and manage the new fund initiatives.

Dividend

The Board has today resolved to pay a quarterly cash dividend of 1.625 cents per share. The dividend is fully imputed with imputation credits of 0.632 cents per share attached. Further Resident Withholding Tax will be deducted unless a Resident Withholding Tax exemption certificate has been provided. This is equivalent to 0.1128 cents per share.

The Company will also pay a supplementary dividend of 0.2868 cents per share in relation to non-resident shareholders. The record date for the dividend is 6 December 2019 and the payment date will be 13 December 2019.

The Board expects the dividend for FY20 to be 6.5 cents per share per annum, subject to quarterly review and unforeseen events.

Appointment of two new independent directors

In October 2019, Augusta announced the appointment of two new independent directors to its Board, Fiona Oliver and Jonathan Ross. Augusta Chair, Paul Duffy, says: "The appointments reflect the Board's move to add

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further commercial, legal, financial and capital market governance experience – aligned to the ongoing growth and development of Augusta's business."

"With the substantial structural transformation of Augusta's business model now complete, the Board has focused on adding a greater depth and diversity of capability and we are delighted to have appointed directors of Fiona's and Jonathan's calibre in support of our strategy to be New Zealand's most diverse and respected institutional grade property funds management business across multiple sectors in both listed and unlisted platforms.

Outlook

At this point in time, the Board expects earnings for the 12 months ended 31 March 2020 to be materially similar to the prior year, however, these numbers are contingent on deal flow.

"The pipeline for long-term growth is in good shape with a busy period ahead as we gear-up to launch the previously signalled Augusta Tourism Fund and Augusta Diversified Fund. We have the right expertise in place and are focused on continuing to progress developments prior to these funds launching – as well as on looking at additional tourism-based opportunities," Mr Francis concludes.

Near term strategic operating priorities include:

- On track to launch the Tourism and Augusta Diversified Funds by the end of March 2020
- Asset Plus – pursuing ongoing acquisition opportunities
- Active management – several growth opportunities within the managed portfolio including Asset Plus and the Industrial Fund
- Building further strategic partners as we broaden our product offerings

ENDS

For further information please contact:

Mark Francis
Managing Director
Augusta Capital
(09) 300 6161

Simon Woollams
Chief Financial Officer
Augusta Capital
(09) 300 6161

Paul Duffy
Chairman
Augusta Capital