NZX Release
26 June 2020

Financial result for the year ended 31 March 2020

The financial year ended 31 March 2020 was a challenging year for Augusta. Augusta has reported a net loss of $27.05 million down from a profit of $6.95 million in the prior year, predominantly due to material write downs to Augusta's development property and assets. Reported adjusted funds from operations (AFFO)[1] are $0.23m, down from $7.74 million in the prior year.

The onset of COVID-19 has had a significant impact on Augusta's business resulting in additional strain on our balance sheet as well as the lost offeror and underwriting fees of approximately $7.5 million that were planned in respect to the Augusta Property Fund offer, which was withdrawn, and the inability to launch the Augusta Tourism Fund. Augusta has subsequently taken decisive action to strengthen the balance sheet by raising $45 million of equity post balance date.

Paul Duffy, Augusta Capital Chairman says "Augusta's investment thesis and long-term fundamentals remain strong notwithstanding the short-term impacts of the COVID-19 pandemic. Augusta's core business is to create wealth through property investment by actively managing properties for its fund and scheme investors. While there is a rebuilding period ahead, we remain committed to serving our loyal investors and managing the portfolio through the current environment."

Mark Francis, Augusta Capital Managing Director says "The Augusta team has a history of accessing deals across a range of property sectors, providing management services via the NZX-listed Asset Plus as well as other unlisted funds and single asset vehicles. Augusta has a strong retail investor following across New Zealand. With the financial flexibility provided by the recent equity raise, Augusta will be able to maximise outcomes from the assets on its balance sheet and is ready to access new opportunities as they arise. Investment property is still a fundamentally strong investment class."

The key points from the year are:

- The FY20 financial loss position of $27.05 million was driven by material unrealised fair value losses, the loss of the Albany Lifestyle Centre deposit as well as sunk costs from the withdrawn Augusta Property Fund offer.
- Total assets under management now stand at $1.80 billion (as at 26 June 2020)
- During the year $107.6 million of acquisitions were completed within the managed portfolio.
- Asset Plus completed two acquisitions as part of its growth strategy. The Albany development remains conditional on satisfying the funding condition and shareholder approval.
- No fund offerings were completed during the financial year – multiple fund offerings were unable to be completed leading to a material reduction in operating earnings.
- The two Tourism developments were progressed during the year – works have now been deferred post balance date as a result of COVID-19.

[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 Total Comprehensive Income for the year, Net of Tax to AFFO is included on page 15 of the annual report. The AFFO calculation has not been reviewed by the auditors.*

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- Entry into a joint venture with Ninety Four Feet in respect to Lakeview development in Queenstown.
- Entry into a hotel management agreement with Radisson in respect to Man St asset in Queenstown.
- Net assets are now 62 cents per share as at 31 March 2020 (2019: 98 cents). This has now reduced to 58 cents per share as at 31 May 2020 (post the capital raise).

Impact and response to COVID-19

- Augusta has taken decisive action through the completion of a $45 million equity raise (post balance date) restoring the balance sheet and creating financial flexibility.
- Several proactive cost reduction initiatives have been adopted with overheads now expected to be up to 20% less than original targets for the next financial year.
- All non-essential expenditure and cash out flow has been deferred including the delay in the Tourism asset development works.

Paul Duffy says "The proceeds from the equity raise have been used to repay debt, restoring financial flexibility for future property fund offerings as well as allowing Augusta to defer development activity and retain property assets until market conditions improve. The business has also taken steps to materially reduce overheads and defer non-essential expenditure and cash out flows."

Financial impact

Key aspects of the financial result are set out below:

- Material NPAT loss of $27.05 million for FY20 primarily impacted by fair value reductions to tourism assets (development property) and APL shareholding as well as the loss of deposit at the Albany Lifestyle Centre.
- Adjusted funds from operations (AFFO) represents a profit of $0.23 million in FY20 against a profit of $7.74 million in the prior year.
- Overall net revenue reduction of $10.20 million against the prior financial year
- Net recurring base management fees increased year on year by $0.82 million, primarily driven by the Augusta Industrial Fund.
- Transactional income was reduced by $0.59 million to $3.54 million, noting a $1.10 million performance fee was derived in the year ending 31 March 2019.
- Investment income increased by $0.56 million to $2.31 million driven by the investment in the Augusta Industrial Fund.
- From an operating perspective no capital raises for managed funds were completed during the year in comparison to the prior year where four deals were completed and $7.98 million of deal fees were recognised.
- The planned APF and ATF offerings which did not proceed resulted in an inability to charge potential fees (~$7.5 million).
- Loss of $4.53 million deposit in respect to the Albany Lifestyle Centre[2] – the contract was cancelled post balance date.

[2] *Augusta was not a counterparty to the Albany Lifestyle Centre contract but had funded payment of the deposit. An Augusta managed entity was nominated as the purchaser.*

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- Capital was deployed into tourism assets which are not income producing (while prior financial year included rental income from Finance Centre). Net rental income reduced by $3.00 million accordingly.
- Total costs increased by $3.76 million as material due diligence costs ($0.85 million) and sunk costs from the withdrawn Augusta Property Fund ($2.31 million) were incurred in respect to deals that did not proceed.
- Funding costs are lower by $1.12 million due to the sale of the Finance Centre and all costs associated with funding the developments have been capitalised.

Balance sheet

The balance sheet was constrained as at 31 March 2020 as the Tourism Fund was unable to be established. The fair value of the two Tourism assets (which have been reclassified from held for sale to development property) has been reduced in value by $15.90 million or 36% due to the level of uncertainty in the current environment. Development works have now been deferred until conditions improve.

Investment assets reduced by $6.83 million primarily due to the material reduction in the Asset Plus share price in late March 2020.

Debt was fully drawn at $31 million as at 31 March 2020 and an overdraft facility was utilised at balance date due to the impact of the Augusta Property Fund not being launched. Debt was drawn during the year to fund the development of the two Tourism assets however post balance date $25 million of debt and the overdraft facility has been repaid.

Managed portfolio

The portfolio value now stands at $1.80 billion. The NZ portfolio revaluations were largely in line with the prior year and now reflect the immediate impact of COVID-19. The Augusta team has been heavily focused on managing the impact of the current crisis in both NZ and Brisbane. This includes working with tenants as they seek either rental abatement or relief packages. Many of our tenants have no doubt suffered at this difficult time, and we are focused on securing outcomes that attempt to preserve value in the medium to longer term as well continuing to provide an income stream to our investors.

We look forward to bringing new offerings to the market in the near term and progress is well underway to relaunch the Augusta Property Fund with the Anglesea Medical Centre as the seed asset. This offer is expected to launch in mid July 2020.

ENDS

For further information please contact:

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