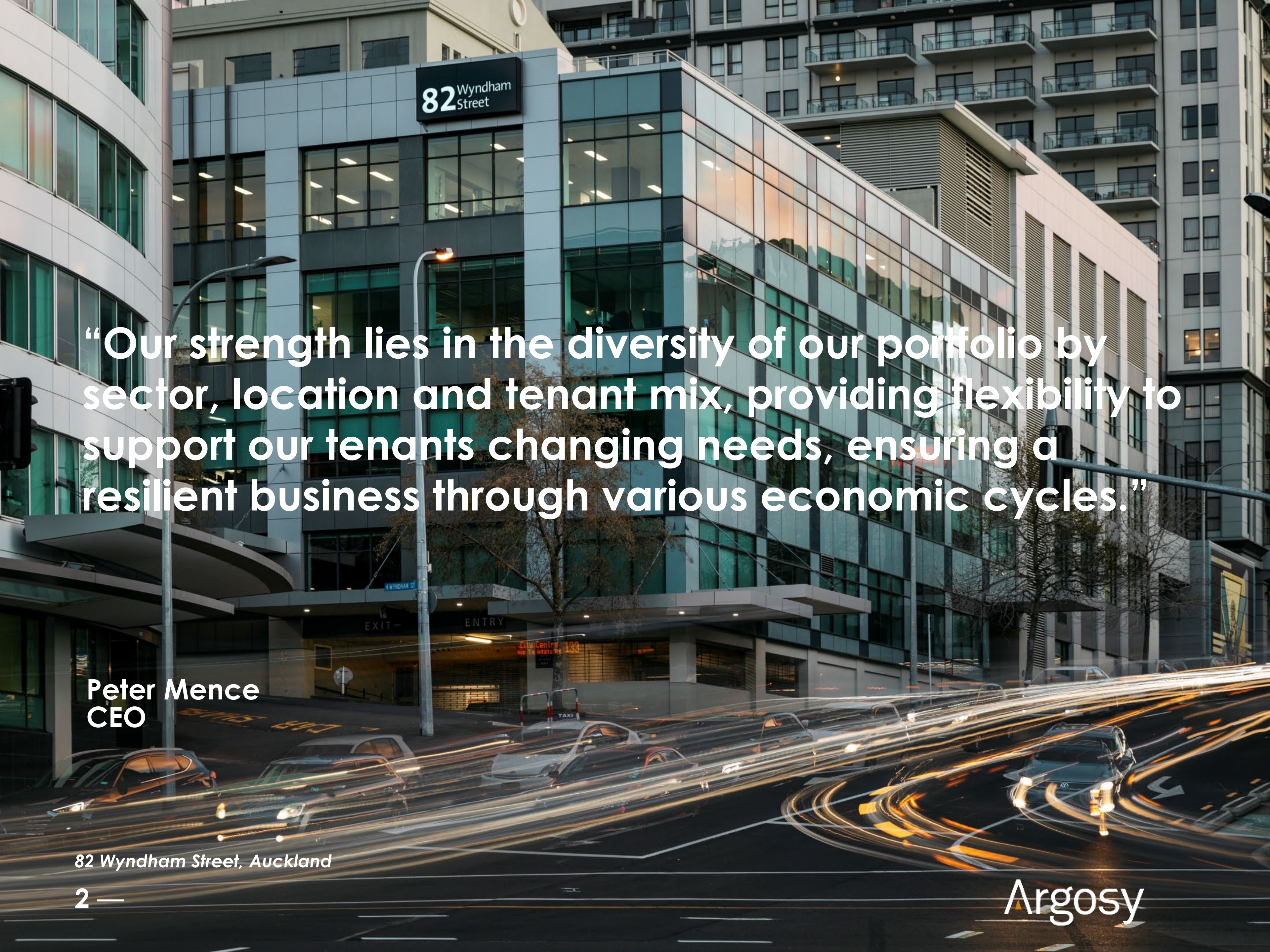
Argosy

2021
Retail Roadshow

Building a better future

2nd July – 22nd July 2021

Argosy Property Limited



"Our strength lies in the diversity of our portfolio by sector, location and tenant mix, providing flexibility to support our tenants changing needs, ensuring a resilient business through various economic cycles."

Peter Mence
CEO

82 Wyndham Street, Auckland

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AGENDA

PRESENTED BY

Peter Mence
CEO

Dave Fraser
CFO

Note: This results presentation should be read in conjunction with the NZX release dated 19 May 2021. Due to rounding, numbers presented in this presentation may not add up exactly to the totals provided and percentages may not reflect exactly absolute figures.

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2021 ANNUAL RESULT HIGHLIGHTS

54-56 Jaimaca Drive, Wellington

KEY HIGHLIGHTS

13.7%

Net distributable income increase

3.3%

Annualised rent increase on rents reviewed

$1.53

NTA up 17.7% from $1.30 driven by a $157.7m revaluation gain

$125m

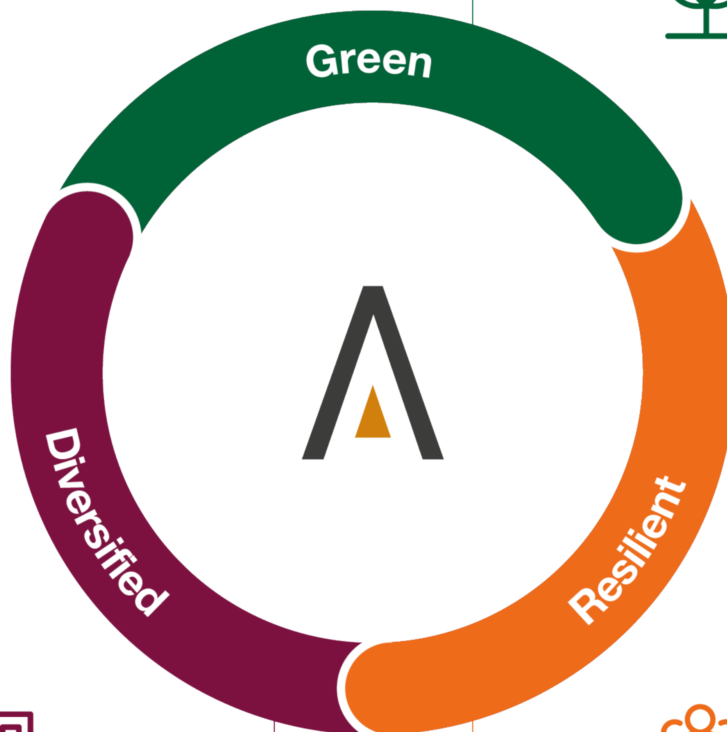
A 3rd successful 7 year green bond issue

6.45ps

Full year FY21 dividend increased by 1.6%

VISION & STRATEGY

VISION - BUILDING A BETTER FUTURE



Proactive delivery of sustainable growth.

A business culture that is **environmentally focused**

Executing green Value Add portfolio opportunities to drive earnings and capital growth

A commitment to **green funding**

Owning the right assets with the right attributes in the right New Zealand locations.

A diversified asset allocation across sectors to reduce volatility and widen growth opportunities

Targeting strategic growth opportunities with green potential and a focus on the Auckland Industrial and Wellington Government Office markets

Maintaining a portfolio of high quality, well located core assets with growth potential

A business that is adaptable and responsive to change.

Maintaining strong and valued relationships across all stakeholders

A commitment to management excellence delivering earnings and dividend growth

Ensuring safe working environments for Argosy and its partners

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BIG CORPORATE GOALS - 2031

>50%

Of the portfolio to be green assets

CO_2

Target carbon neutral

>50%

Of total debt finance being green non-bank funding

>$3bn

Portfolio activity will result in increased scale through acquisitions and green developments

-30%

Reduction in carbon emissions by 2031

Greater engagement and bigger contribution to social initiatives. "Changing lives, saving lives."

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FY21 ACHIEVEMENTS

- Carefully managed our way through Covid-19, minimising the financial impact on Argosy ✓
- Resilient operating results reflecting a high quality portfolio of diversified real estate ✓
- Continued to progress green developments despite the Covid-19 impact on construction ✓
- Strong leasing progress at 7WQ, now 89% leased ✓
- Capital management initiatives delivered, recycled capital into green developments ✓
- Executed on strategic industrial Auckland opportunities in line with strategy ✓

Portfolio Snapshot

$2.01B

Note: Portfolio value excludes assets held for sale.

PORTFOLIO HIGHLIGHTS

99.0%

Occupancy

5.5yrs

Weighted average lease term (WALT)

6.3%

Like for like rental growth

$157.7m

Annual revaluation gain 8.5% above 31 March book values

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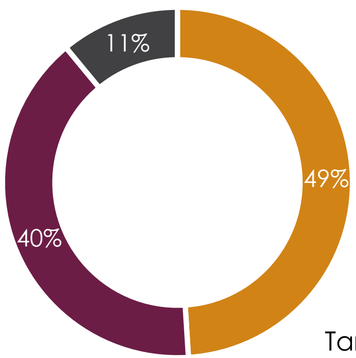
PORTFOLIO AT A GLANCE

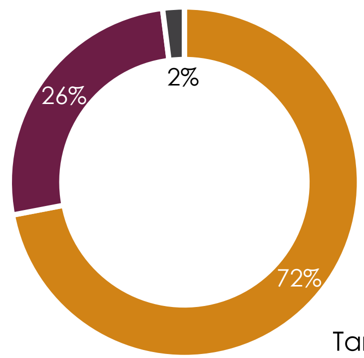
$2.01 BILLION[1] @ 31 MARCH 2021

TOTAL PORTFOLIO VALUE
BY SECTOR



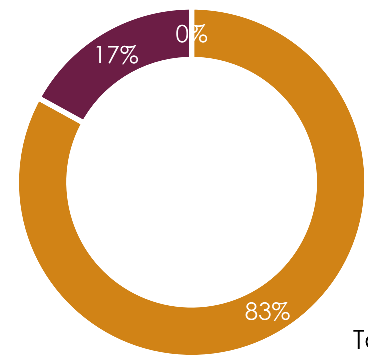
	Target Bands
Industrial	45-55%
Office	30-40%
Large Format Retail	10-20%

TOTAL PORTFOLIO VALUE
BY REGION



	Target Bands
Auckland	65-75%
Wellington	20-30%
Regional North Island & South Island[2]	<10%

TOTAL PORTFOLIO VALUE
BY ASSET MIX



	Target Band
Core	75-90%
Value Add	-
Non Core	-

1. Metrics exclude Held for Sale assets.
2. Includes up to 5% allocation to the Golden Triangle area between Auckland, Tauranga and Hamilton.

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VALUE ADD PROPERTIES

GREEN OPPORTUNITIES WILL DRIVE EARNINGS AND CAPITAL GROWTH

- Value Add properties total ~17% of the portfolio.
- Some Covid-19 deferred projects are likely to be re-initiated in the next 6-9 months.
- Transforming Value Add assets into green developments remains a key focus and aligns with our vision and strategy.
- Value Add Auckland industrial estates will drive earnings and capital growth over the medium to longer term.

Property - Value Add	Sector	Location	Valuation[1] $m
5 Allens Road, East Tamaki	Industrial	Auckland	5.6
1-3 Unity Drive, Albany	Industrial	Auckland	14.9
5 Unity Drive, Albany	Industrial	Auckland	7.8
15 Unity Drive, Albany	Industrial	Auckland	5.8
133 Roscommon Road, Wiri	Industrial	Auckland	11.5
25 Nugent Street, Grafton (office portion)	Office	Auckland	15.8
224 Neilson Street, Onehunga (planned)	**Industrial**	**Auckland**	**32.8**
8-14 Mt Richmond Drive, Mt Wellington (planned)	**Industrial**	**Auckland**	**78.0**
101 Carlton Gore Road, Newmarket (deferred)	**Office**	**Auckland**	**29.5**
105 Carlton Gore Road, Newmarket (deferred)	**Office**	**Auckland**	**29.0**
8-14 Willis Street/ 360 Lambton Quay (underway)	**Office**	**Wellington**	**106.6**
TOTAL $m			**337.3**

+$337m

In Value Add properties with potential to deliver earnings and capital growth

1. Valuations as at 31 March 2021.

CURRENT DEVELOPMENT PROJECT

FOCUS ON COMPLETING 6 STAR GREEN DEVELOPMENT

Development	Major Tenant	Type	Location	Cost to complete	Forecast completion	FY 2021		FY 2022	
						Sep-20	Mar-21	Sep-21	Mar-22
Underway									
8-14 Willis Street	Statistics New Zealand	OFF/RET	WTN	37.9	Feb-22				
TOTAL				**37.9**					

- **8-14 Willis Street/360 Lambton Quay:** Argosy continues to progress with an expected completion date in February 2022. As noted at the interim result, the addition of an 11th floor to the initial plans will cost $6.8 million and deliver incremental income of $0.7 million. 360 Lambton Quay is in the process of being repurposed into a combination of retail and office space. This, along with increased costs caused by delays to the project have increased the expected total spend (including land) to $140.1 million. The net rental for the combined building is now expected to be $7.4 million. The IRR on the combined development is expected to be 7.2%, with an initial yield on cost of 5.3%. The development margin is 7.6%.
- **Other green developments:** The 101 Carlton Gore Road and 105 Carlton Gore Road green projects have been deferred.

7.2%

Expected IRR on 8-14 Willis Street/360 Lambton Quay development

7WQ UPDATE

STRONG LEASING PROGRESS AND INSURANCE CLAIM SETTLED

Leasing

- The building is now 89% leased with a WALT of 8.8 years.
- Argosy is in advanced discussions with the Crown for the remaining 2,436m^2 of space on Levels 9 and 12.

Insurance Claim

- Argosy settled its insurance claim with its insurers, receiving a further $23.5 million plus GST as full and final settlement. The total payout was 80% of the claim.

Façade

- The additional work on the exterior façade of the building, expected to cost $15.5 million, is progressing and should be completed in FY22.

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ANNUAL REVALUATIONS

CAP RATE FIRMING AND RENTAL GROWTH KEY DRIVERS OF INCREASE

- For the year to 31 March, the portfolio recorded a revaluation gain of $157.7m or 8.5%. The portfolio market yield firmed 63bps.
- By location, Auckland was the largest contributor to the revaluation gain with $150.2m of the total portfolio gain.
- By sector, Industrial experienced solid cap rate firming and market rental growth in the period, and provided the greatest contribution at $129.9 million, up 15.2%.
- The Office portfolio revaluation was weighed down by additional capital required for the façade repairs at 7 Waterloo Quay and increased development costs at 8-14 Willis Street/360 Lambton Quay.

	31 Mar 21 Book Value ($m)	31 Mar 21 Valuation ($m)	△ $m	△ %	Market Yield[1] 31 Mar 21	Market Yield[1] 31 Mar 20
Auckland	1,296.3	1,446.5	150.2	11.6%	5.59%	6.22%
Wellington	519.8	523.4	3.5	0.7%	6.62%	7.19%
North Island Regional & South Island	37.0	41.0	3.9	10.7%	6.41%	6.98%
Total	**1,853.1**	**2,010.8**	**157.7**	**8.5%**	**5.78%**	**6.41%**

	31 Mar 21 Book Value ($m)[1]	31 Mar 21 Valuation ($m)	△ $m	△ %	Market Yield[1] 31 Mar 21	Market Yield[1] 31 Mar 20
Industrial	855.0	985.0	129.9	15.2%	5.42%	6.17%
Office	814.2	812.7	(1.5)	-0.2%	6.43%	6.83%
Large Format Retail	183.9	213.2	29.3	15.9%	5.65%	6.23%
Total	**1,853.1**	**2,010.8**	**157.7**	**8.5%**	**5.78%**	**6.41%**

1. Market Yield 31 March 2021 excludes 7 Waterloo Quay, 8-14 Willis Street/360 Lambton Quay. Market Yield 31 March 2020 excludes 7 Waterloo Quay and 8-14 Willis Street/360 Lambton Quay & 54-56 Jamaica Drive.

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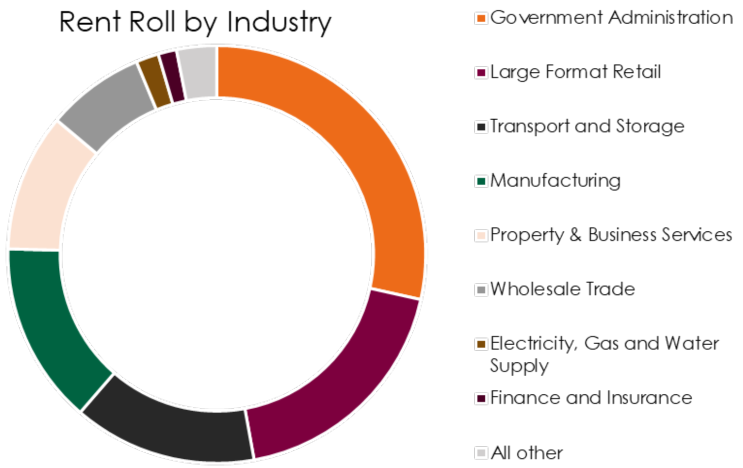
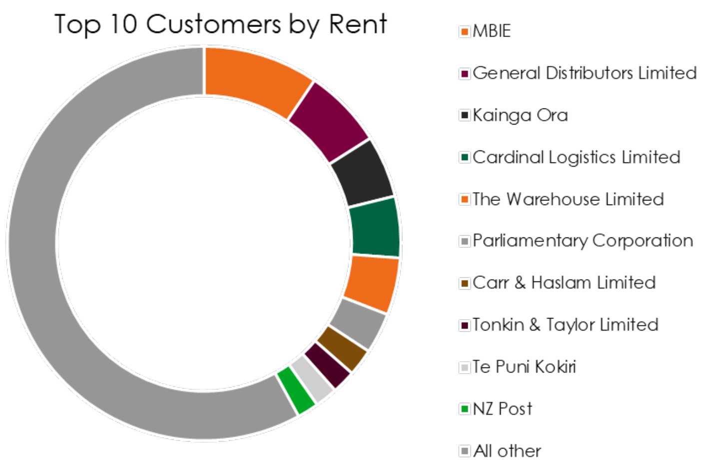
PORTFOLIO METRICS

DEFENSIVE AND RESILIENT TENANTS, HIGH ESSENTIAL SERVICE EXPOSURE





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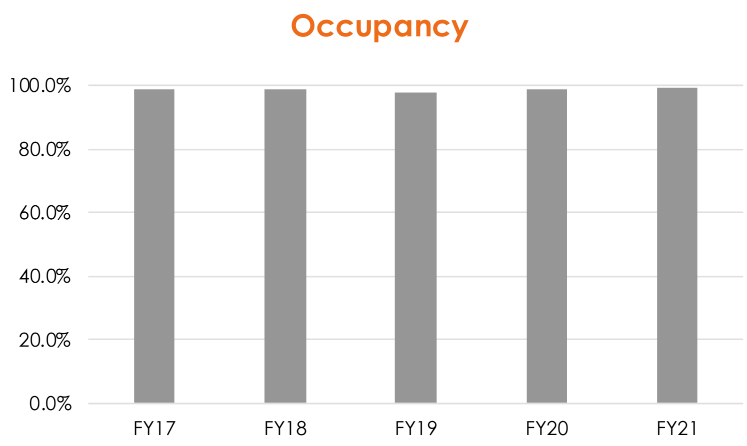
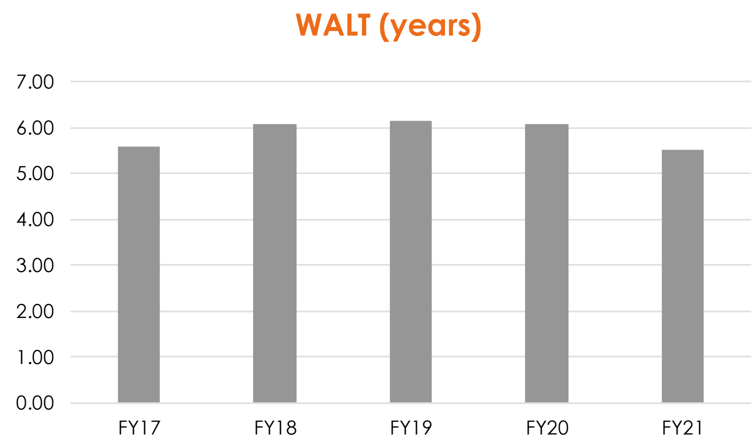
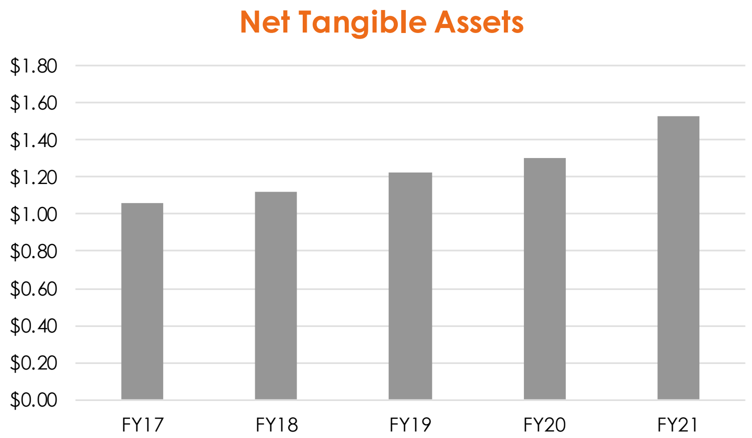
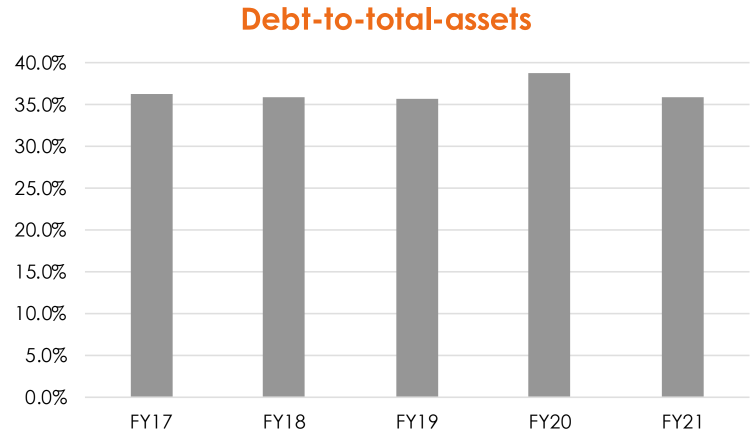
PORTFOLIO SNAPSHOT

PORTFOLIO QUALITY AND RESILIENCE REFLECTED IN METRICS









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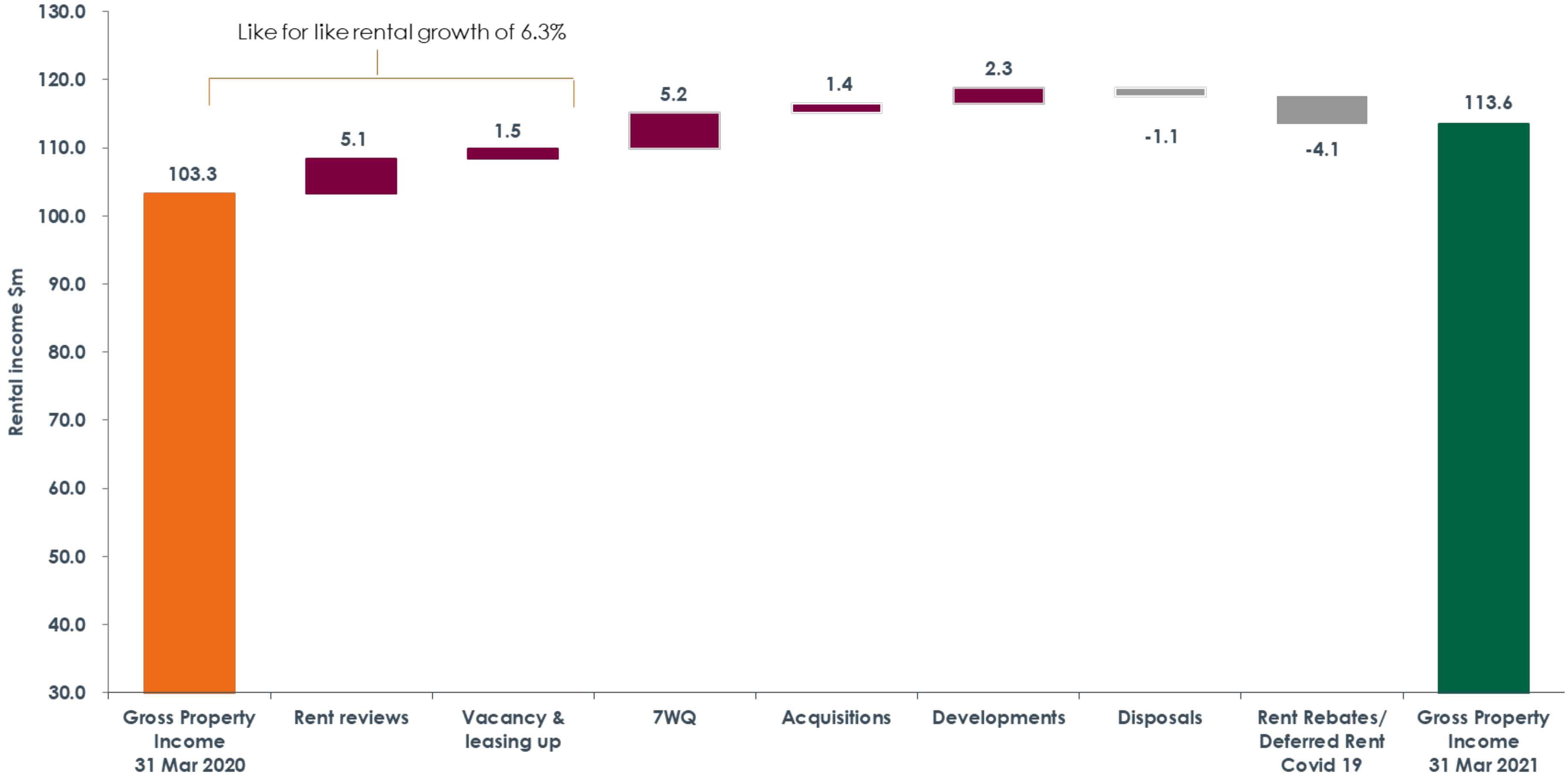
FINANCIALS

GROSS PROPERTY INCOME WATERFALL

VERY STRONG OPERATIONAL RESULTS DESPITE COVID-19 IMPACTS



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FINANCIAL PERFORMANCE

RESILIENT OPERATIONAL PERFORMANCE

- Like-for-like gross rental growth of 6.3% for the financial year.
- Additional income from 7WQ, acquisitions & recently completed developments were partially offset by disposals and rental abatements for Covid-19.
- Interest expense rose primarily due to lower capitalised interest as developments completed.
- Forfeited deposit of $4.5m from the incomplete sale of Albany Lifestyle Centre.
- Insurance settlement proceeds were received in FY21.
- Strong annual revaluation gain, equating to an 8.5% increase above book value.

	FY21 $m	FY20 $m
Net property income	107.7	99.7
Administration expenses	(12.1)	(11.4)
Profit before financial income/(expenses), other gains/(losses) and tax	**95.6**	**88.2**
Net interest expense	(28.5)	(22.8)
Gain/(loss) on derivatives	(4.2)	2.1
Revaluation gains	157.7	59.9
Impairment loss held for sale		(3.0)
Forfeited deposit on sale of property	4.5	-
Realised gains/(losses) on disposal	2.0	(0.1)
Insurance proceeds - reinstatement	19.9	-
Earthquake expenses	1.4	(0.5)
Profit before tax	**248.4**	**123.9**
Taxation expense	(6.7)	(4.7)
Profit after tax	**241.7**	**119.1**
Earnings per share (cents)	29.04	14.40

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DISTRIBUTABLE INCOME

STRONG PERFORMANCE ON PER SHARE BASIS

- After non-cash adjustments and current tax, net distributable income increased by $8.2 million or 13.7%.
- Tax expense was lower due to increased depreciation on buildings, additional 7WQ depreciation and the non-assessable forfeited deposit for Albany Lifestyle Centre.

+13.1%

Increase in net distributable income cents per share to 8.14 vs. 7.20

	FY21 $m	FY20 $m
Profit before income tax	**248.4**	**123.9**
Adjusted for:		
Revaluations gains	(157.7)	(59.9)
Impairment loss on held for sale	-	3.0
Realised losses/(gains) on disposal	(2.0)	0.1
Derivative fair value (gain)/loss	4.2	(2.1)
Insurance proceeds - reinstatement	(19.9)	-
Earthquake expense net of recoveries	(1.4)	0.5
Gross distributable income	**71.6**	**65.4**
Depreciation recovered	0.0	0.0
Current tax expense	(3.9)	(5.9)
Net distributable income	**67.7**	**59.6**
Weighted average number of ordinary shares (m)	832.3	827.2
Gross distributable income per share (cents)	8.61	7.91
Net distributable income per share (cents)	8.14	7.20

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ADJUSTED FUNDS FROM OPERATIONS (AFFO)

A FOCUS ON SUSTAINABLE DISTRIBUTIONS

- Higher capitalised incentives reflects large leasing deals with government departments ($3.6m at 7WQ)
- Lower maintenance capex reflects impact of Covid-19.

89%

AFFO dividend payout ratio for FY21

	FY21 $m	FY20 $m
Net distributable income	**67.7**	**59.6**
Amortisation of tenant incentives and leasing costs	5.1	3.5
Funds from operations (FFO)	**72.9**	**63.0**
Capitalisation of tenant incentives and leasing costs	(8.2)	(5.5)
Maintenance capital expenditure	(3.9)	(6.0)
7 Waterloo Quay façade repairs	(1.0)	(0.0)
Maintenance capital expenditure recovered through sale	0.7	0.3
Adjusted funds from operations (AFFO)[1]	**60.4**	**51.8**
Weighted average number of ordinary shares (m)	832.3	827.2
FFO per share (cents)	8.75	7.62
AFFO per share (cents)	7.26	6.27
Dividends paid/payable in relation to period	6.45	6.35
Dividend payout ratio (to FFO)	74%	83%
Dividend payout ratio (to AFFO)	89%	101%
Dividend payout ratio (to AFFO)[2]	95%	101%

1. Audited 2. Excluding ALC deposit and 7WQ façade works net of tax

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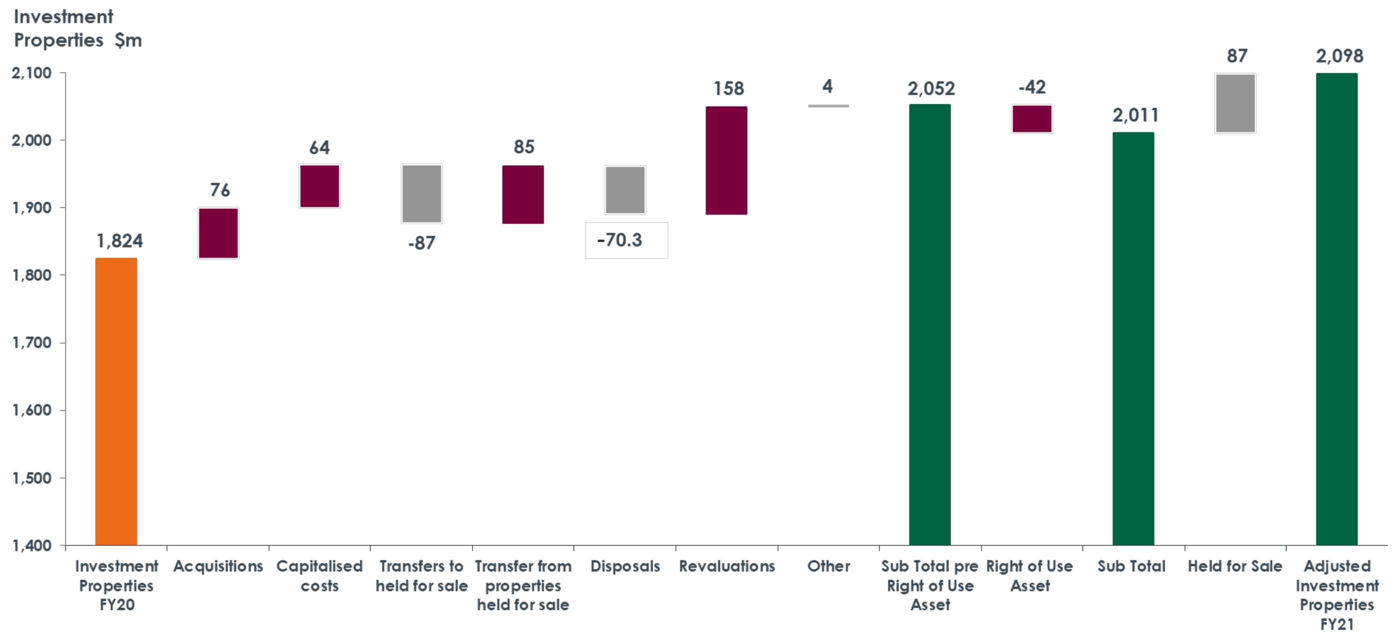
INVESTMENT PROPERTIES

FY21 GROWTH UNDERPINNED BY A COMBINATION OF FACTORS

- Acquisitions: Mt Richmond Properties for $76m in October.
- Capitalised costs: Driven by large developments including 8-14 Willis Street/360 Lambton Quay, 7WQ and completion of 54 Jamaica Drive development.
- Disposals: Corner of Wakefield, Taranaki and Cable Street & 180-202 Hutt Road (both Wellington), 960 Great South Road & 80 Springs Rd (both Auckland).
- Revaluation gain +8.5% above book value.
- Held for sale: Albany Lifestyle Centre, subsequently settled 30 April 2021.



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NTA PER SHARE WATERFALL

REVALUATION GAIN KEY DRIVER OF ~18% NTA INCREASE

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BALANCE SHEET MANAGEMENT

CAPITAL MANAGEMENT INITIATIVES ENHANCE YEAR END POSITION

- The balance sheet position is sound.
- During the period Argosy recycled $73.5 million of non Core assets which no longer met Argosy's Investment Criteria.
- Target policy gearing range remains between 30-40% and following strong strategy delivery on capital management initiatives, Argosy is currently sitting in the middle of the band.
- Since reporting date Argosy has received $85.5 million of settlement funds from the sale of the Albany Lifestyle Centre, which will reduce pro forma gearing by ~2.7% to 33.2%.

	FY21 $m	FY20 $m
Investment properties	2,010.8	1,782.3
Asset held for sale	87.5	84.6
Right of Use Asset	41.7	41.8
Other assets	17.0	21.0
Total assets	**2,156.8**	**1,929.6**
Right of Use Asset	(41.7)	(41.8)
Total assets (net of Right of Use Asset)	**2,115.1**	**1,887.8**
Fixed Rate Green Bonds	325.0	200.0
Bank debt[1]	433.9	533.2
Total Debt & Bond Funding	**758.9**	**733.2**
Debt-to-total-assets ratio[2]	**35.9%**	**38.8%**

1. *Excludes capitalised borrowing costs. 2. Excludes Right of Use Asset at 39 Market Place*

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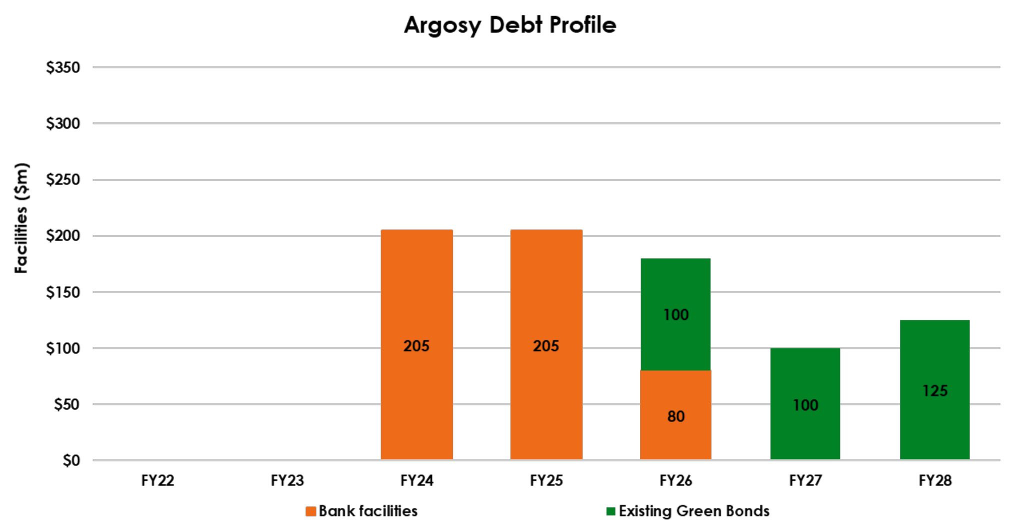
DEBT PROFILE

GREEN FINANCING ATTRACTIVE DIVERSIFICATION TOOL, INCREASES TENOR

- Issued $125m of senior secured fixed rate 7-year green bonds in October 2020 at a coupon of 2.20% (1.95% margin).
- Green bonds support Argosy's overall debt capital funding programme, diversifying its bond-to-bank debt funding mix to 40:60.
- Refinanced $240 million in March at attractive rates and increased term.



4.2yrs

Weighted average debt tenor at 31 March 2021

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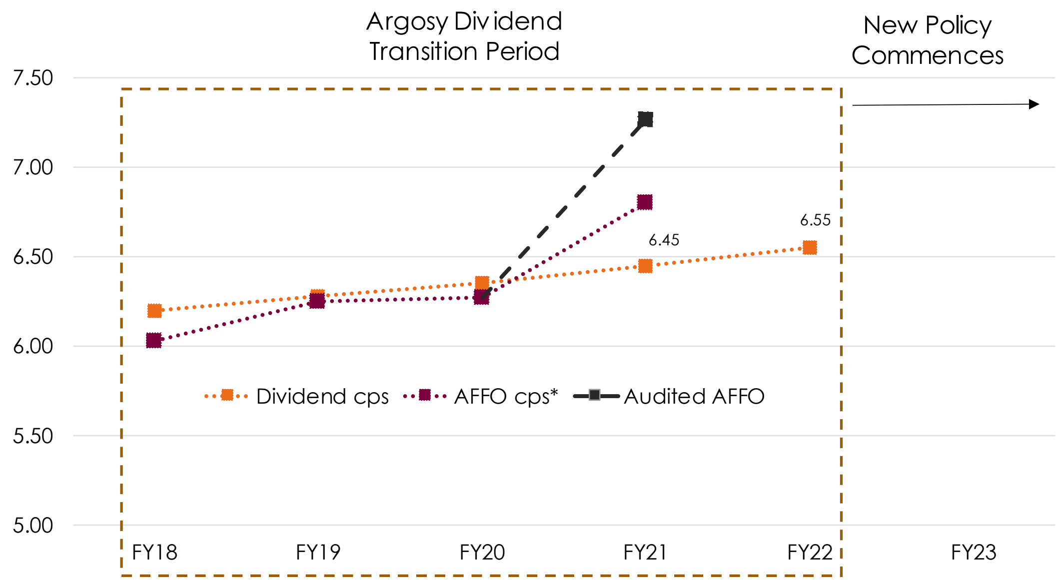
FY22 & NEW DIVIDEND POLICY

TRANSITIONING INTO AFFO DIVIDEND POLICY FRAMEWORK FROM FY23

- In 2017, Argosy's Board advised of its intention to move (in the medium term) to an amended dividend policy, based on AFFO earnings.
- Commensurate with this commitment, commencing **1 April 2022, Argosy's policy will be to pay dividends between 85-100% of AFFO.**
- In formulating the dividend policy, the Board was focused on Argosy's ability to grow sustainable dividends to shareholders.



** Adjusted for forfeited deposit at Albany Lifestyle Centre and 7WQ façade works (net of tax)*

6.55cps

FY22 full year dividend guidance is based on current projections for the business

85-100%

AFFO dividend payout ratio from 1 April 2022

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LEASING & EXPIRY PROFILE

LEASING SUCCESS

STRONG LEASING OUTCOMES OVER FY21

- Argosy leased 97,391m^2 across the portfolio in FY21, or 15% of the portfolios total net lettable area. There were 38 transactions over the period, with 17 renewals, 10 extensions and 11 new leases.

Notable transactions over the financial year include:

7WQ	Teachers Council, new 9yr lease for 1,221m^2
68 Jamaica Drive	Iron Mountain, 7yr renewal for 9,609m^2
39 Market Place	NIWA, 6yr renewal for 2,788m^2
147 Lambton Quay	Parliamentary Services new 3yr lease for 8,139m^2
19 Barnes Street	NZ Van Lines, 3yr renewal for 6,857m^2
Peter Baker Transport[1]	extension for a further 1 year, 18,703m^2.

5.5yrs

Portfolio WALT at 31 March

1. Across two properties

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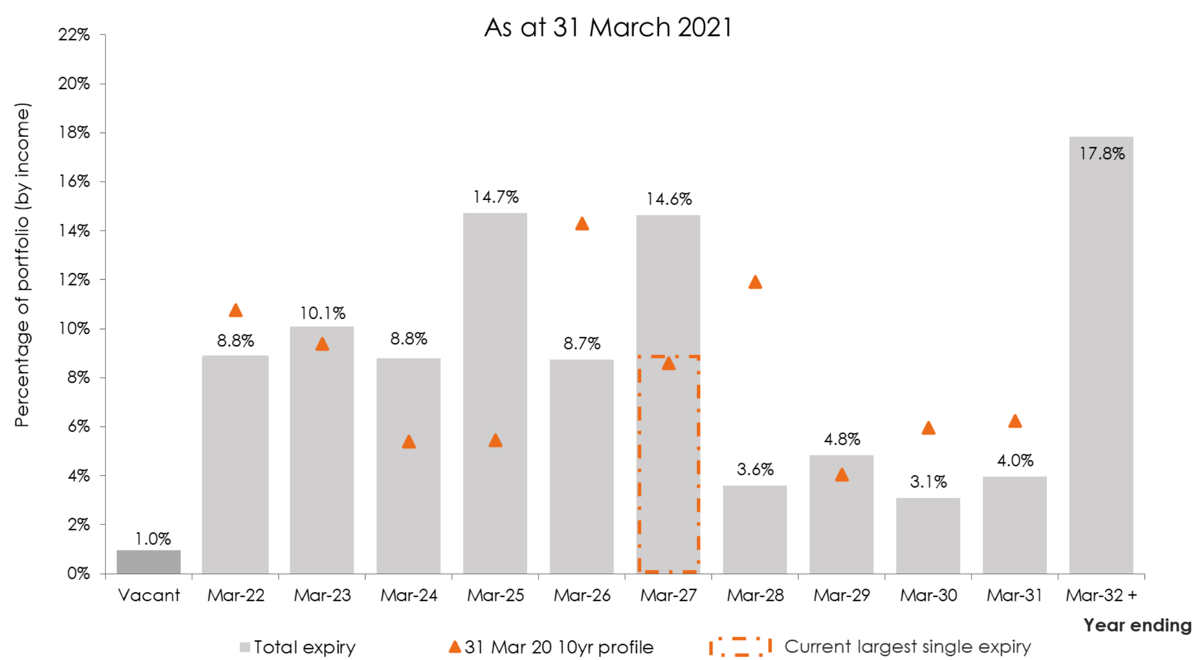
LEASE EXPIRY PROFILE

RELATIVELY STABLE PROFILE OVER THE MEDIUM TERM

- Low year end portfolio vacancy.
- 5yr average income percentage expiring in any year ~10%.
- Largest single expiry over the next 10 years is Ministry for Business, Innovation and Employment, in 15-21 Stout Street (9.4% in Mar-27).



1.0%

Very low portfolio vacancy at 31 March

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MARKET UPDATE

INDUSTRIAL

- Net absorption continues to drive additional supply.
- Limited land supply in Auckland and Wellington puts pressure on land values and encourages non-traditional locations.
- Rental growth continues.
- Vacancy remains very low, with limited speculative supply.
- Effects of Covid-19 recession have been muted.

OFFICE

- Flexible working environments continue to drive a disconnect between employment growth and net absorption.
- Net absorption effect of Covid-19 has resulted in a significant increase in space available for sub-lease in A grade and prime buildings in the Auckland market
- Rental growth impacted by new supply – softer in Auckland, and firmer in Wellington.
- The Wellington market continues to show solid demand, with low vacancy for good quality seismically sound space that is well located. There is a shortage of large floor plate/high quality stock with upward rental growth pressure as a result. Premium and Grade A vacancy is minimal.

LARGE FORMAT RETAIL

- Many retailers' systems have been shown to be inadequate to cope with higher online sales volumes.
- Structural change in retail property will show increased focus on showroom and semi-industrial facilities.
- Impact of additional development will be felt particularly in secondary locations.
- Large format, and entertainment retail expected to be most secure
- Rental growth has been negative over the last 6 months.

FOCUS & OUTLOOK

2022 OUTLOOK

- The current domestic and global economic outlook still remains challenging. Vaccination rollouts globally are accelerating. Countries will open up again for tourism in the near term.

- However, central banks globally are dealing with the conflicting forces of transitory inflationary pressures driven by Covid supply chain issues rather than economic growth. NZ is not immune. Our low monetary policy settings could rise in the medium term which could create an unintended headwind for business confidence and growth.

- Key focus areas for FY22 include an operational focus on addressing key expiries, leasing up remaining vacancies and continuation of the green development programme.

- New Zealand monetary policy settings should remain stimulatory for the economy over the short term but the medium term could see risk of tightening policy settings.

- Property fundamentals in key metropolitan markets are still robust and some segments (e.g. Wellington office, Auckland industrial) continue to present attractive dynamics of low supply, high demand and steady rental growth.

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THANK YOU

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

2 July 2021