

2023

Retail Roadshow: 21 June to 13 July

Argosy



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

Argosy



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Note: 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.

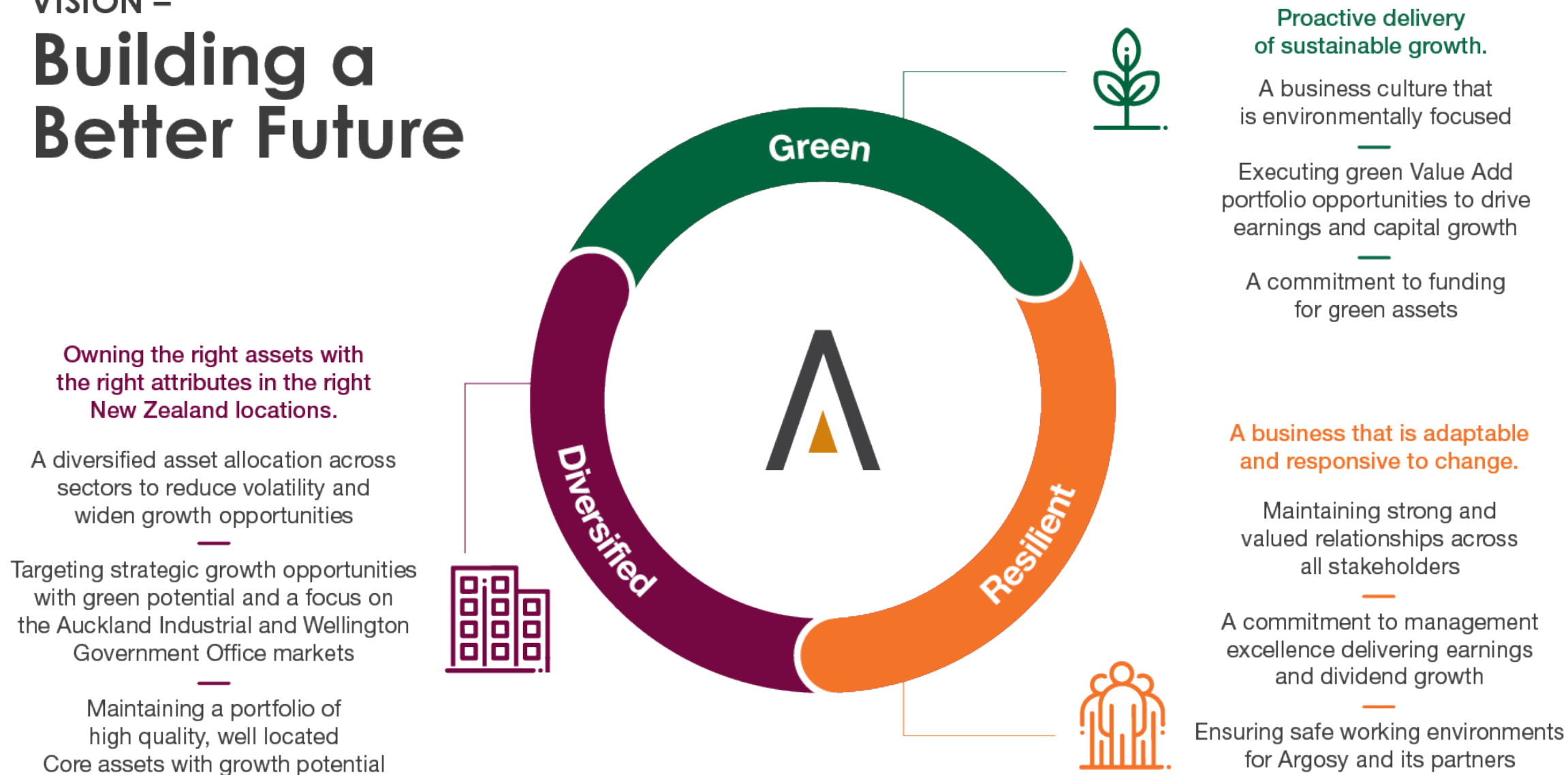
Vision and Strategy

Argosy



VISION –

Building a Better Future



2023 Achievements

- Delivered a solid FY23 result
- Executed asset allocation strategy and portfolio repositioning
- Continued our sustainability and development strategies
- Delivered on key focus areas (key expiries and vacancies)
- Prudent capital management
- Sustained dividend



Results Summary

\$112.8m

• Net property income

\$64.2m

• Net distributable income

35.1%

• Gearing in the mid-point of target range

\$1.58

• NTA per share

(\$146.6)m

• Unrealised revaluation loss to 31 March

Portfolio highlights

99.3%

● Occupancy

5.4yrs

● Weighted average lease term

3.6%

● Annualised rent review increase on rents reviewed

Note: Portfolio value excludes right of use asset at 39 Market Place of \$40.1 million

Sector Summary



Number of buildings	35
Market value of assets (\$m)	\$1,127.8
Occupancy (by income)	100%
Weighted average lease term (WALT)	6.1yrs



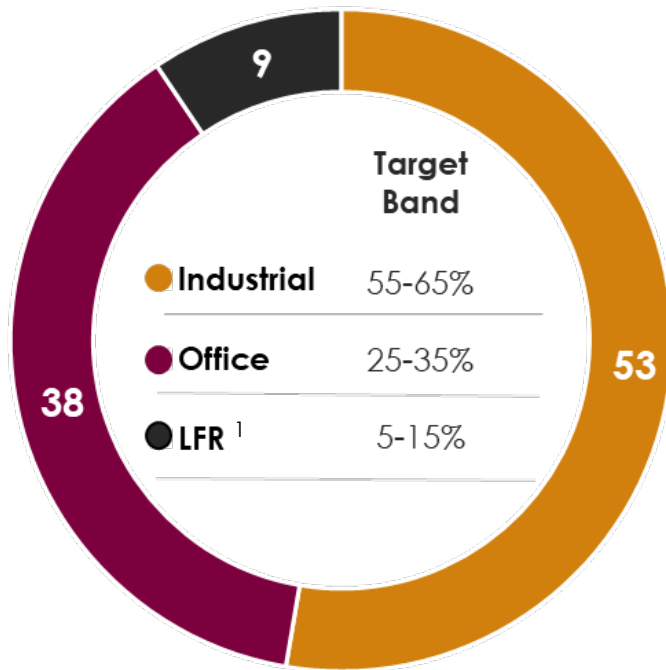
Number of buildings	15
Market value of assets (\$m)	\$811.1
Occupancy (by income)	98.5%
Weighted average lease term (WALT)	5.2yrs



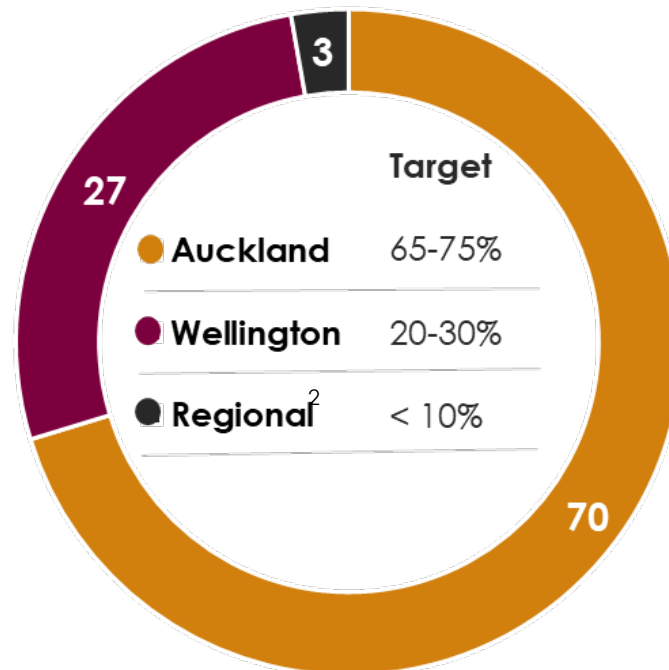
Number of buildings	4
Market value of assets (\$m)	\$206.0
Occupancy (by income)	100%
Weighted average lease term (WALT)	2.9yrs

Portfolio at a glance @ 31 March

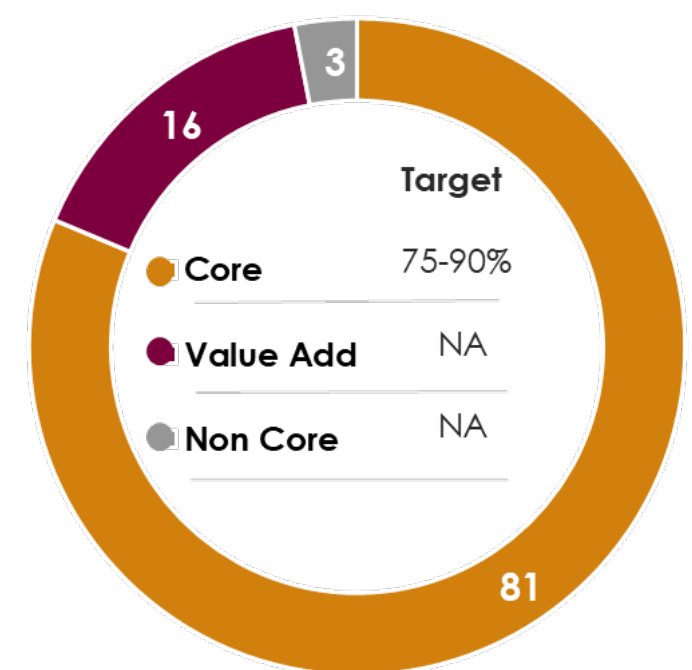
Sector by value %



Region by value %

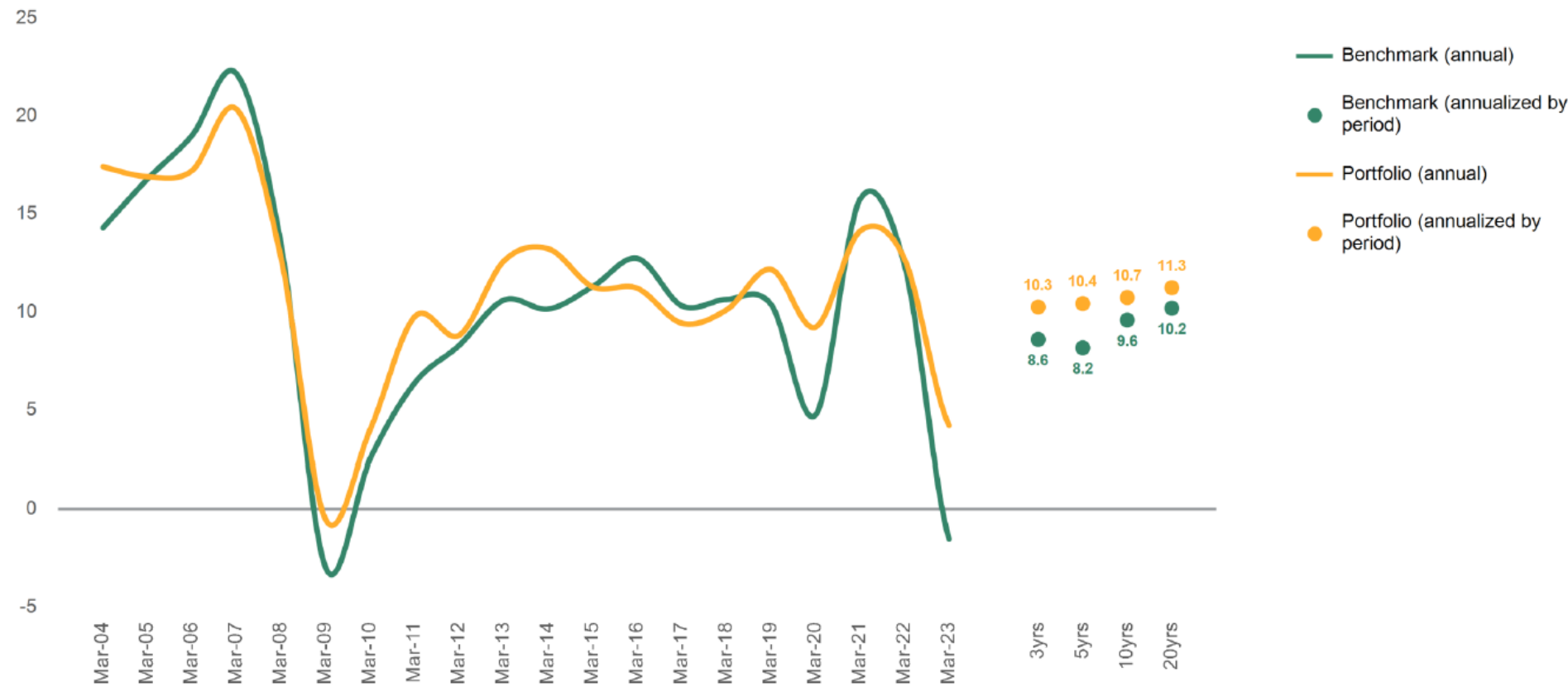



Asset Mix by value %



Argosy Portfolio vs MSCI Benchmark

PORTFOLIO & BENCHMARK HISTORY SINCE INCEPTION
ALL ASSETS - TOTAL RETURNS BY YEAR AND ANNUALIZED BY PERIOD



MSCI  Source: MSCI Portfolio Services

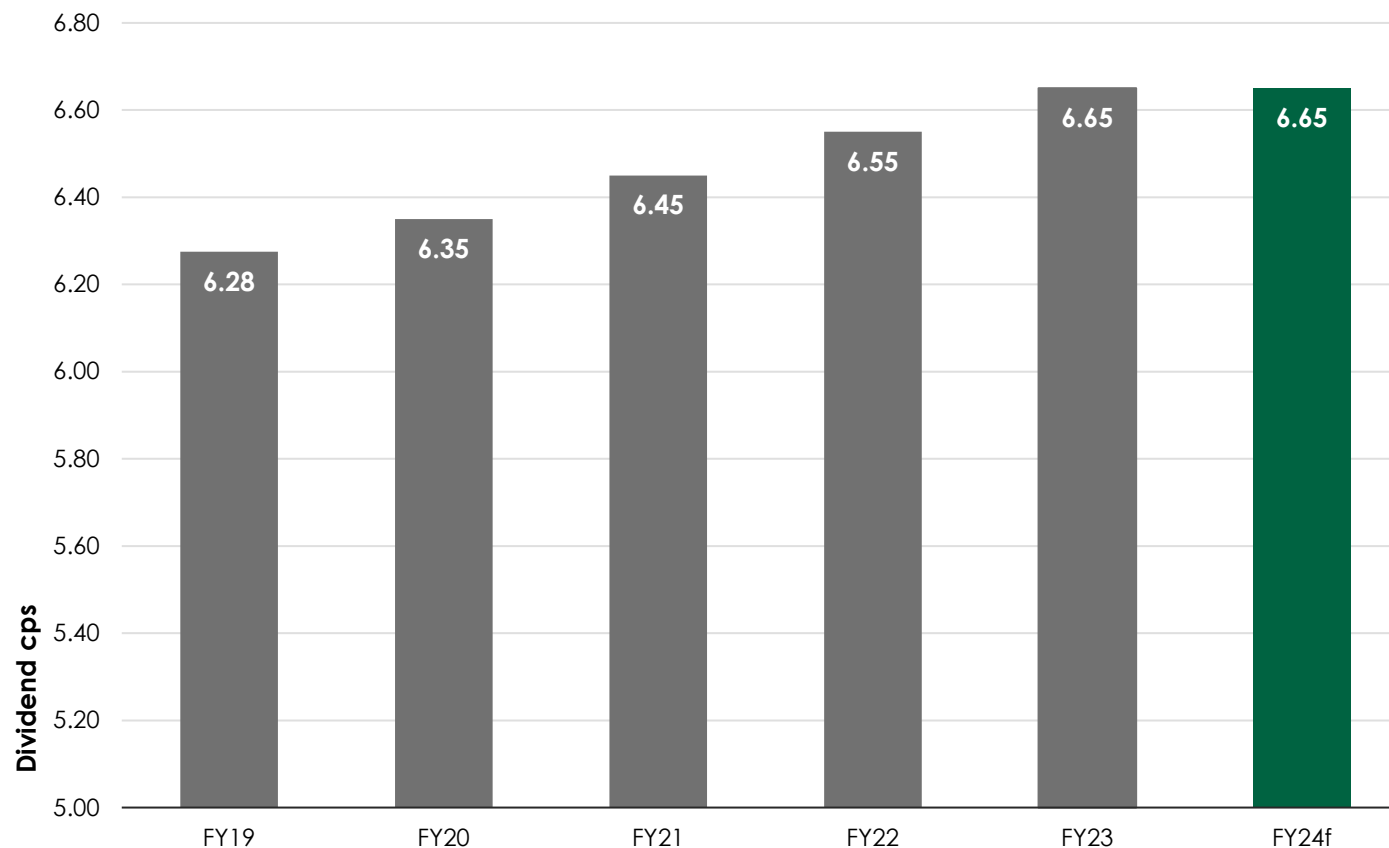
Dividends

Steady and sustainable

- A 4th quarter dividend of 1.6625cps has been declared with 0.01801 cents per share imputation credits attached.
- Overseas investors will receive an additional supplementary dividend of 0.008171 cents per share to offset non-resident withholding tax.
- The record date is 7 June and the payment date is 21 June.

6.65cps

● FY24 dividend guidance



Revaluations

Cap rate headwinds but rental growth delivers

- Independent valuations undertaken at 31 March.
- \$146.6m decline reported, or 6.4% revaluation to book values.
- Cap rate softening has been offset to some extent by market rental growth.
- Continued dearth of transactional evidence during the period.

	31 Mar 23 Book Value (\$m)	31 Mar 23 Valuation (\$m)	△ \$m	△ %
Auckland	1,617.6	1,507.6	(110.0)	(6.8%)
Wellington	607.8	577.4	(30.5)	(5.0%)
North Island Regional & South Island	65.9	59.9	(6.1)	(9.2%)
Total	2,291.4	2,144.8	(146.6)	(6.4%)
	31 Mar 23 Book Value (\$m)	31 Mar 23 Valuation (\$m)	△ \$m	△ %
Industrial	1,176.9	1,127.8	(49.1)	(4.2%)
Office	890.1	811.1	(79.0)	(8.9%)
Large Format Retail	224.4	206.0	(18.5)	(8.2%)
Total	2,291.4	2,144.8	(146.6)	(6.4%)

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Value Add Properties

Green assets delivering

- Conversion and transformation of Value Add properties remains a key strategic driver over the next decade.
- Green project at 105 Carlton Gore Road nearing completion.
- Master Planning for Mt Richmond and Neilson Street industrial estates progressing – resource consents with Council.
- Value Add properties with potential to deliver future earnings and capital growth

Status & Project

Sector

Location

Completed

12-16 & 18-20 Bell Ave, Mt Wellington

Industrial

Auckland

105 Carlton Gore Road, Newmarket

Office

Auckland

Planning

224 Neilson Street, Onehunga

Industrial

Auckland

Future

101 Carlton Gore Road, Newmarket

Office

Auckland

8-14 Mt Richmond Drive, Mt Wellington

Industrial

Auckland

Currently Leased (6 properties)

Industrial

Auckland

Value Add case study: 8-14 Willis Street

6 Star

- Green Built rating being targeted

5 Star

- NABERSNZ energy rating being targeted

15yr

- Lease commitment to Statistics New Zealand

\$150m

- Book Value @ 31 March

4.8%

- Final yield on cost

Value Add case study: 105 Carlton Gore Road

6 Star

- Green Built rating being targeted

5 Star

- NABERSNZ energy rating being targeted

5.3%

- Forecast yield on cost

50%

- Leased by net lettable area

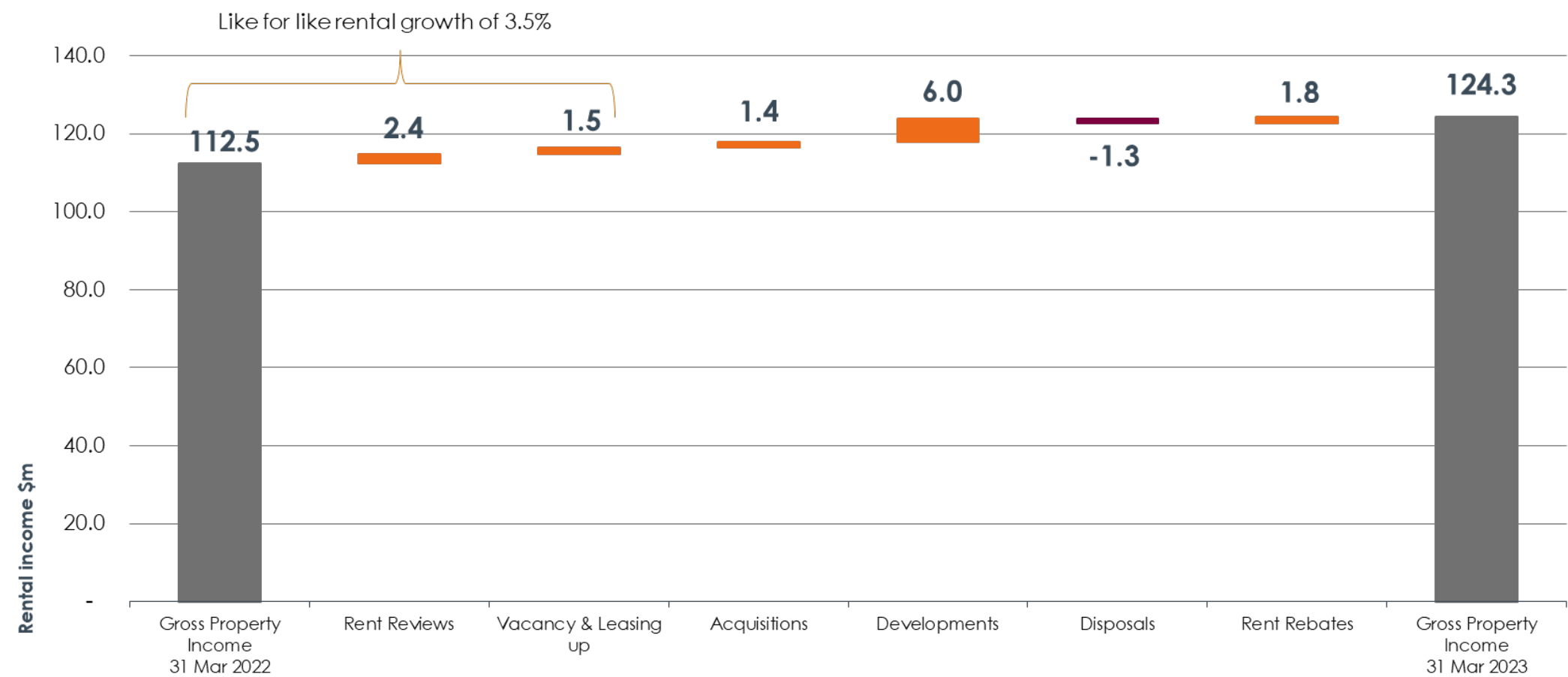
Financials

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Gross Property Income Waterfall

All areas of business contributing to rental growth



Financial Performance

Top line growth maintained

- The net property income increase was driven by a range of factors including strong like-for-like rental growth, leasing up activity, the acquisition of Maui St and developments.
- Corporate expenses were down due to the combination of lower acquisition investigation costs and development salaries capitalised to projects.
- Net interest expense was higher driven by higher volume of debt, higher floating interest rates and lower capitalised interest.
- The unrealised revaluation loss of \$146.6m was driven by cap rate softening, offset by market rental growth.

\$112.8m

• Net property income

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	FY23 \$m	FY22 \$m
Net property income	112.8	105.1
Administration expenses	(10.8)	(11.8)
Profit before financial income/(expenses), other gains/(losses) and tax	102.0	93.3
Net interest expense	(36.3)	(25.6)
Gain/(loss) on derivatives	7.3	12.4
Other gains/(losses)		
Revaluation gains/(losses) on investment property	(146.6)	163.7
Realised gains/(losses) on disposal	(0.4)	(2.6)
Settlement for failed sale of property	3.0	
Profit/(loss) before income tax attributable to shareholders	(70.9)	241.2
Taxation expense	9.9	5.0
Profit/(loss) and total comprehensive income/(loss) after tax	(80.8)	236.2
Earnings per share (cents)	(9.5)	28.0

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Distributable Income

Stability key in a challenging market

- Net distributable income for the year was \$64.2m compared to \$64.7m in the prior comparable period.
- Current tax expense (after depreciation recovered adjustments) was due to higher repairs and maintenance deductibles in the prior comparable period.

\$64.2m

- Net distributable income

	FY23 \$m	FY22 \$m
Profit before income tax	(70.9)	241.2
Adjustments:		
Revaluation (gains)/losses on investment property	146.6	(163.7)
Realised losses/(gains) on disposal	0.4	2.6
Derivative fair value (gain)/loss	(7.3)	(12.4)
Gross distributable income	68.7	67.7
Depreciation recovered	0.0	1.2
Current tax expense	(4.5)	(4.2)
Net distributable income	64.2	64.7
Weighted average number of ordinary shares (m)	846.7	843.2
Gross distributable income per share (cents)	8.11	8.03
Net distributable income per share (cents)	7.58	7.68

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Adjusted Funds From Operations (AFFO)

AFFO covered dividends key

- 7WQ façade works completed in FY22
- AFFO payout ratio was 97% for the period.

\$58.1m

- AFFO for the year to 31 March

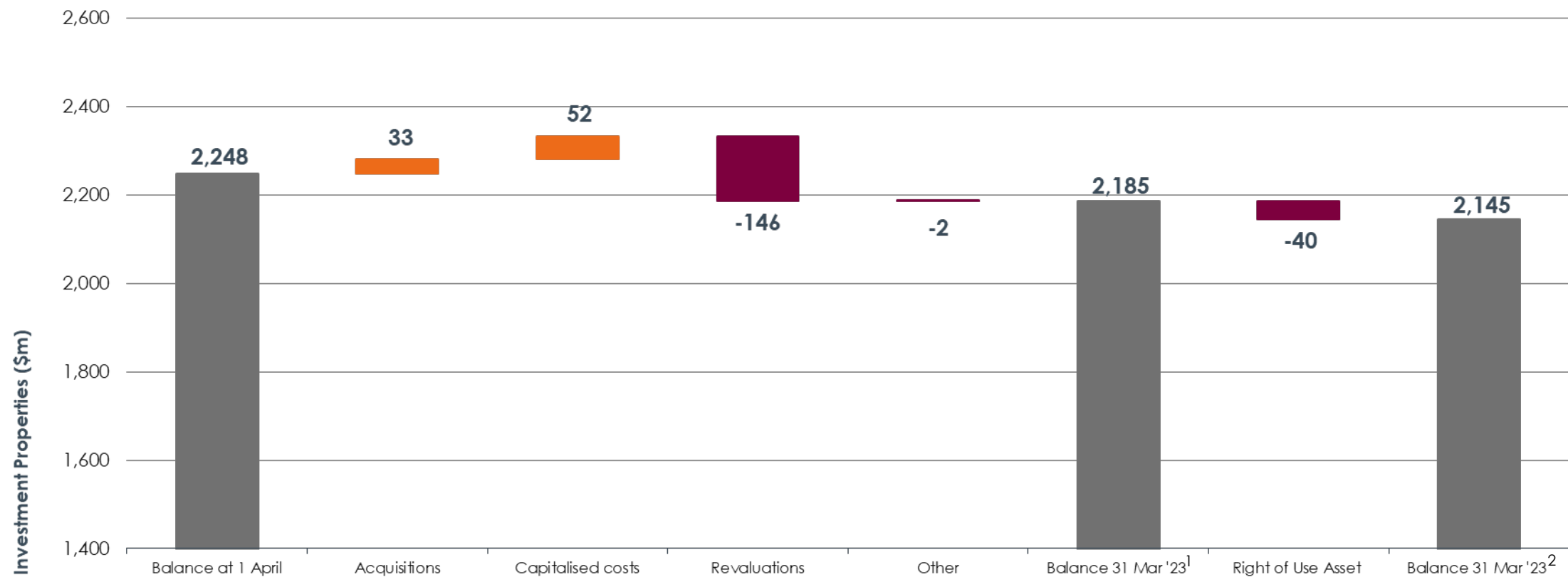
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	FY23 \$m	FY22 \$m
Net distributable income	64.2	64.7
Amortisation of tenant incentives and leasing costs	2.7	4.6
Funds from operations (FFO)	66.9	69.4
Capitalisation of tenant incentives and leasing costs	(1.0)	(1.1)
Maintenance capital expenditure	(6.4)	(5.8)
7 Waterloo Quay façade repairs	-	(14.5)
Swap contract termination payment	(1.5)	-
Maintenance capital expenditure recovered through sale	0.1	0.4
Adjusted funds from operations (AFFO)	58.1	48.3
Weighted average number of ordinary shares (m)	846.7	843.2
FFO cents per share	7.91	8.23
AFFO cents per share	6.86	5.73
Dividends paid/payable in relation to period	6.65	6.55
Dividend payout ratio to FFO	84%	80%
Dividend payout ratio to AFFO	97%	114%

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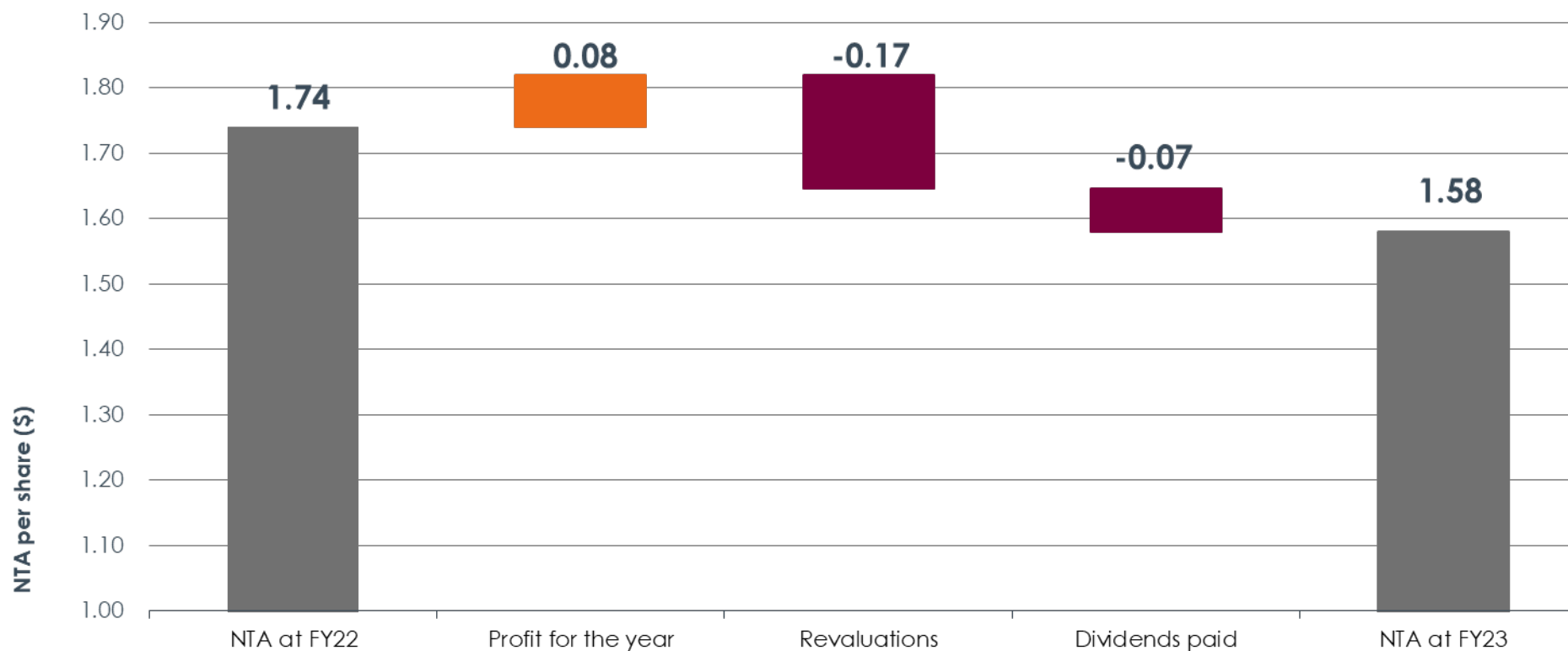
Investment Properties

Portfolio value down slightly over the period



NTA Per Share

NTA movement driven by unrealised revaluations



Balance Sheet Management

Balance sheet sound, green Value Add developments and acquisition drives debt movement

- Acquisition of Maui St and completion of developments pushes debt higher
- Argosy has sufficient facility headroom to complete existing developments and any near-term opportunities.
- \$66m of assets regarded as non Core

35.1%

- Debt to total assets ratio in the middle of the target 30-40% range

	FY23 \$m	FY22 \$m
Investment properties	2,184.9	2,247.7
Asset held for sale		22.0
Other assets	27.7	21.8
Total assets	2,212.6	2,291.5
Right of Use Asset	(40.1)	(40.2)
Total assets (net of Right of Use Asset)	2,172.6	2,251.4
Fixed Rate Green Bonds	325.0	325.0
Bank debt ¹	438.2	375.1
Total Bank Debt & Bond Funding	763.2	700.1
Debt-to-total-assets ratio²	35.1%	31.1%

1. Excludes capitalised borrowing costs. 2. Excludes Right of Use Asset at 39 Market Place of \$40.1 million

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Debt Profile including Bonds

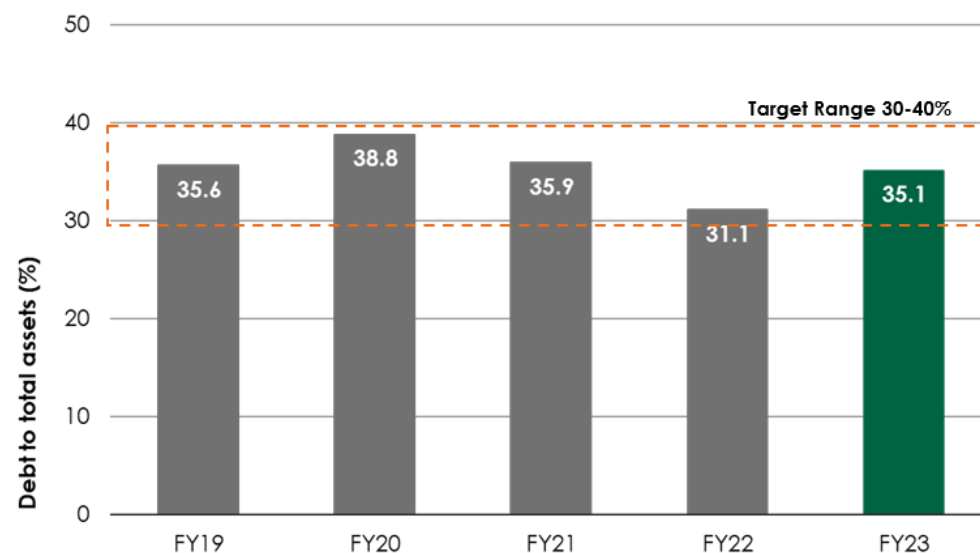
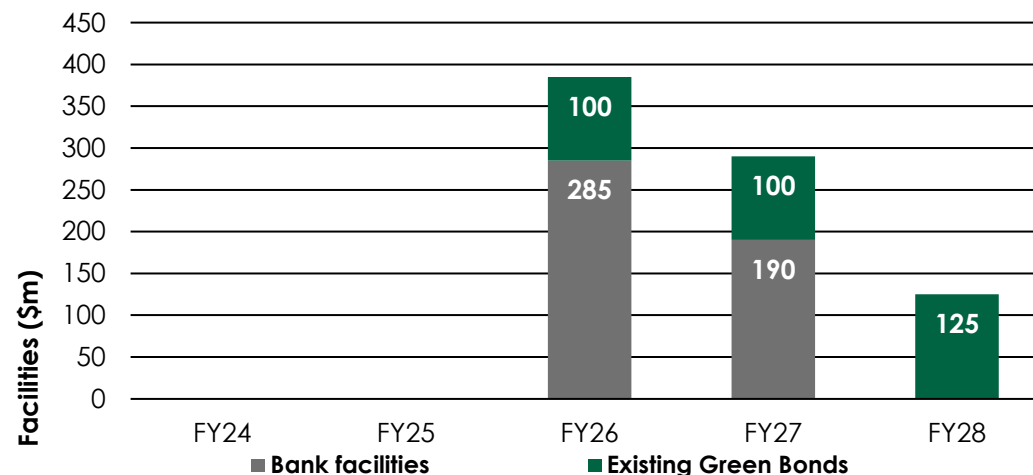
Green bonds provide diversification and tenor

- During the year Argosy extended its existing syndicated bank facilities with its banking group.
- Industrial and Commercial Bank of China Limited (ICBC) has joined the syndicate.
- The total amount of the bank facility is \$475m with the nearest tranche expiring in April 2025.
- Argosy's \$325m of green bonds continue to provide important diversification and tenor benefits to the business.

3.2yrs

- Weighted average duration of Argosy's debt

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Leasing

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Leasing

97,500

- Of NLA leased over the year,

~15%

- Equivalent of total portfolio by NLA

36

- Leasing transactions including 16 new leases, 16 renewals and 4 extensions

59,386

- Of NLA renewed by General Distributors for 10 years

5yrs

- Renewed lease commitment by Visypet for 15,191m² at 211 Albany Highway

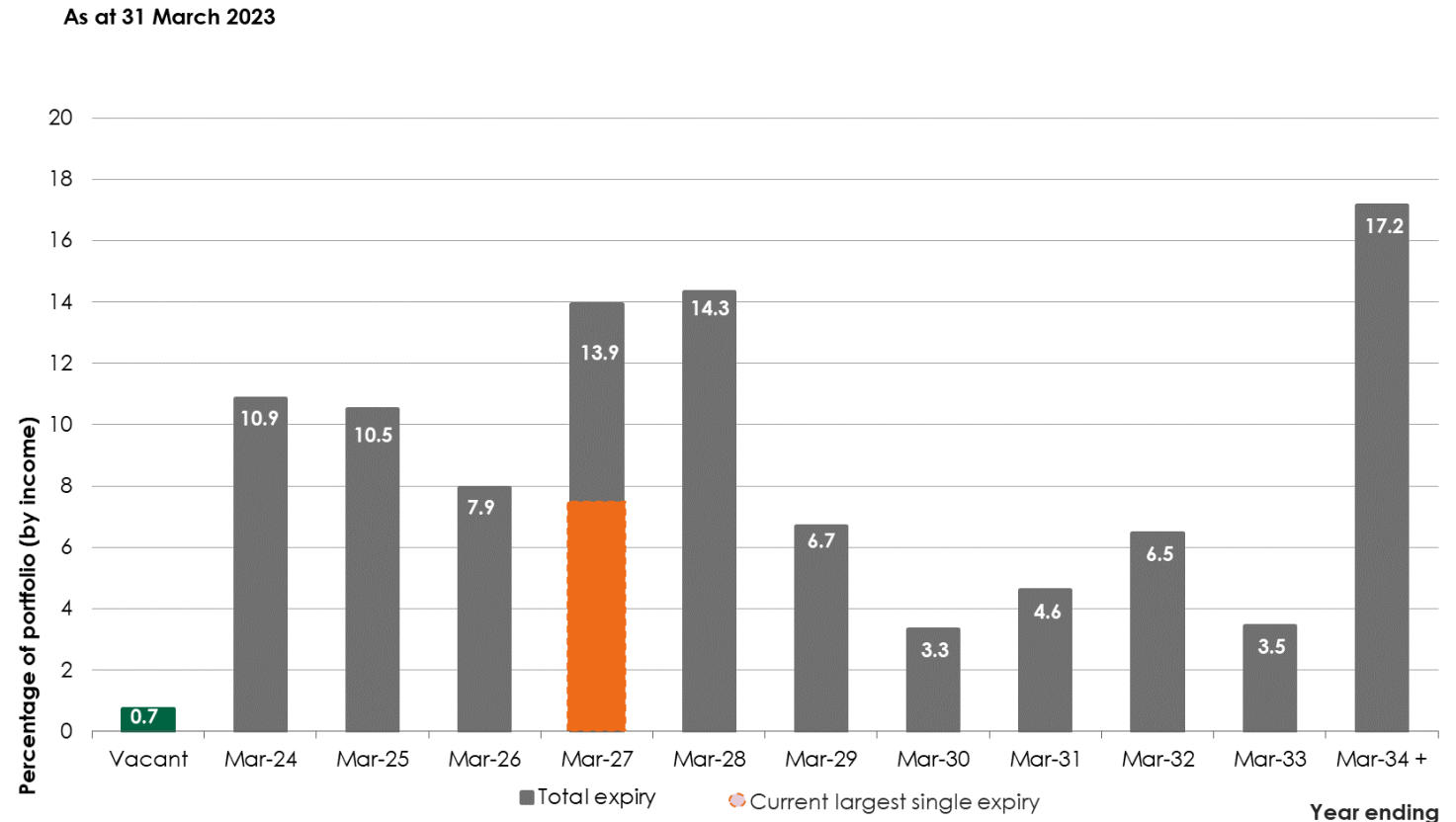
Lease Expiry & Rent Review Profile

Expiry profile remains well managed

- The largest single expiry remains the 9.4% expiry in Mar-27 to Ministry for Business, Innovation and Employment, at 15-21 Stout Street.
- FY24 sees \$91.4m of portfolio income subject to rent reviews. Of these, \$61.8m is subject to fixed reviews, \$21.8m to market review and \$7.8m to CPI.

3.6%

- Annualised rent review for FY23



MARKET INSIGHTS



- Strong demand continues to drive additional supply but quieter period in 2024 is projected.
- Limited land supply in Auckland and Wellington continues pressure on land values with prime sites holding their value.
- Rentals continue to show solid growth in well located assets.
- “Reshoring” return of domestic manufacturing.
- Vacancy remains very low, with limited speculative supply.
- Supply chain issues largely resolved but Just-in-time challenges remain.



- Flexible working environments continue but full-time remote work is declining.
- Changes in the way space is used, focusing on the environment, now a staff attraction matter.
- Increased focus from tenants on sustainability/green.
- Decrease in space available for sub-lease following pandemic.
- Wellington has low vacancy, and demand continues for good quality, green well located space.
- Auckland office still exhibits elevated (but reducing) vacancy with occupancy demand focused on green assets.



- Online proportion of total sales has reduced post pandemic.
- Large Format Retail continues to receive solid demand in prime locations.
- Retailers consolidating to a fewer number of locations.

Focus & Outlook

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FY24 brings fresh challenges, but we're well placed

Strategy delivery is our key focus

- New Zealand domestic economy continues to experience headwinds from high interest rates and inflation.
- Argosy's diversified portfolio exposure to attractive sectors provides resilience in turbulent times. Diversification remains a strength.
- The company remains well positioned to navigate through near term economic volatility, underpinned by its sound capital position and growing portfolio of green and environmentally centred buildings.
- Our key objectives for FY24 remain clear and unchanged from what has delivered success previously: keep delivering strong operational results, address key expiries, lease up remaining vacancies, complete key green developments and commence new ones as planned.
- Progress Master planning across key green Value Add developments at Neilson Street and Mt Richmond where we continue to receive strong market interest in these opportunities.
- Strong bottom up property fundamentals in key markets (Auckland Industrial and Wellington Office) continue to present attractive dynamics of low supply, high demand and steady rental growth. Rising demand by the market for green buildings remains very encouraging and Argosy is well placed to benefit.
- Deliver sustainable dividends to shareholders.

Thank you.

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

21 June – 13 July 2023