

## Half Year Results Presentation

Argosy Property Limited | 21 November 2013



# Argosy

## Highlights



# Highlights of 1H14

Argosy

- ▶ Net property income increased to \$40.3 million (increase of 13.7%)
- ▶ Distributable income increased to \$23.7 million (increase of 17.8%)
- ▶ Debt-to-total-assets reduced to 34.2%
- ▶ Weighted average lease term increased to 5.91 years
- ▶ Occupancy (by rental) increased to 97.3%
- ▶ Successful completion of 1 for 7 renounceable rights issue, raising \$86.9 million
- ▶ Acquisition of 4 high quality buildings

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NET PROPERTY INCOME ▲

**\$40.3<sub>m</sub>**

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DEBT TO TOTAL ASSETS ▼

**34.2%**

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OCCUPANCY (RENTAL) ▲

**97.3%**



## Financial Overview

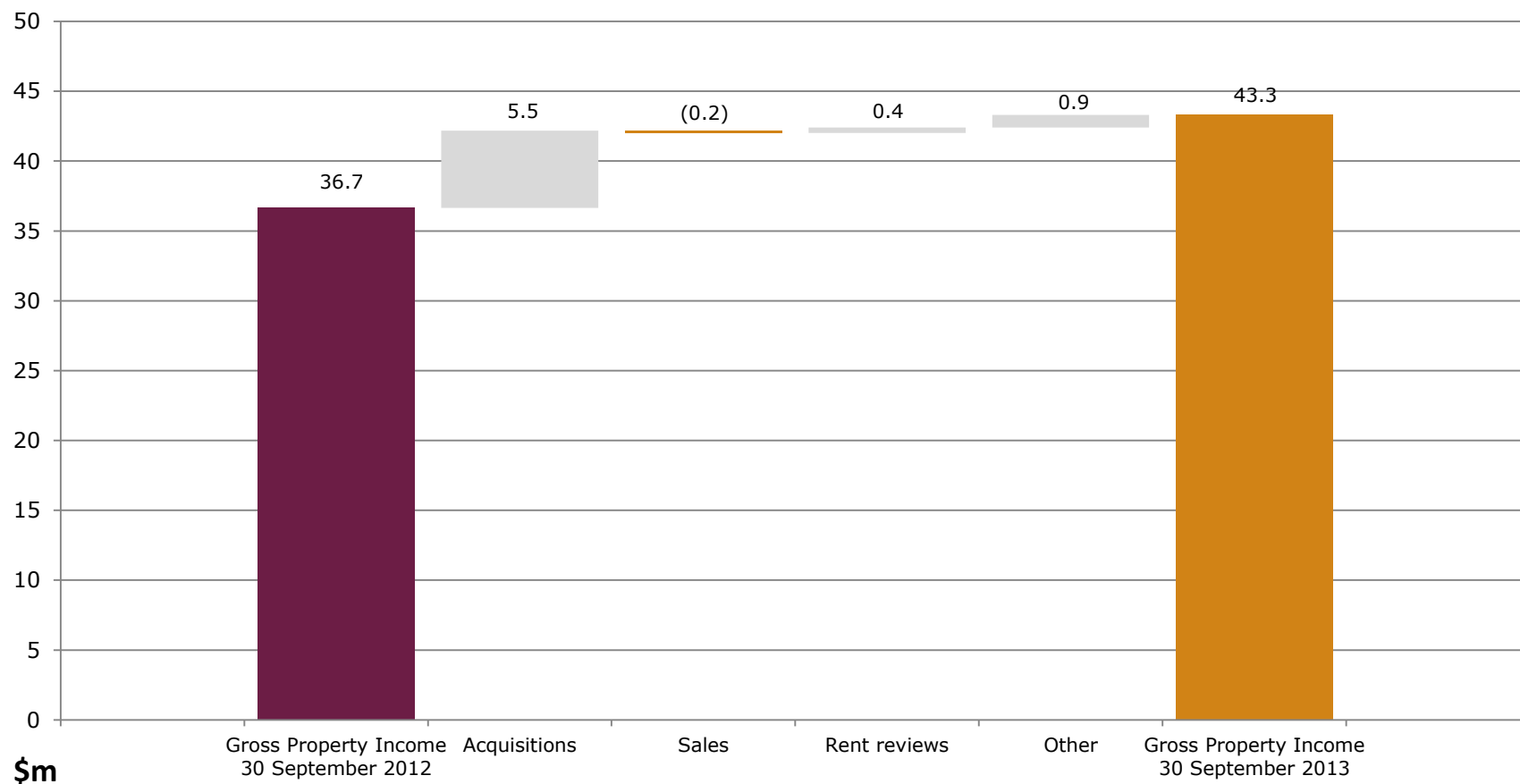


# Financial Performance

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	<b>HY14</b>	<b>HY13</b>
Net property income	\$40.3m	\$35.4m
Interest expense	\$(12.9m)	\$(12.4m)
Gain/(loss) on derivatives	\$16.0m	\$(13.0m)
Administration expenses	\$(3.7m)	\$(2.9m)
Abnormals	\$(0.0m)	\$(0.9m)
Realised losses on disposal	\$(0.1m)	\$(0.8m)
Finance income	\$0.1m	\$0.1m
Profit before tax	\$39.7m	\$5.5m
Taxation expense	\$(9.6m)	\$(1.0m)
Profit after tax	\$30.1m	\$4.5m
Basic and diluted earnings per share (cents)	4.25	0.81

# Income Reconciliation



# Distributable Income

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	<b>HY14</b>	<b>HY13</b>
Profit before income tax	\$39.7m	\$5.5m
Adjusted for:		
Investment disposal losses	\$0.1	\$0.8m
Derivative fair value adjustment	\$(16.1m)	\$13.0m
Corporatisation costs	-	\$0.1m
Acquisition investigation costs	-	\$0.8m
Gross distributable income	\$23.7m	\$20.2m
Tax paid	-	-
Net distributable income	\$23.7m	\$20.2m
Weighted average number of ordinary shares	708.6m	560.2m
Gross distributable income per share (cents)	3.35	3.60
Net distributable income per share (cents)	3.35	3.60

# Financial Position

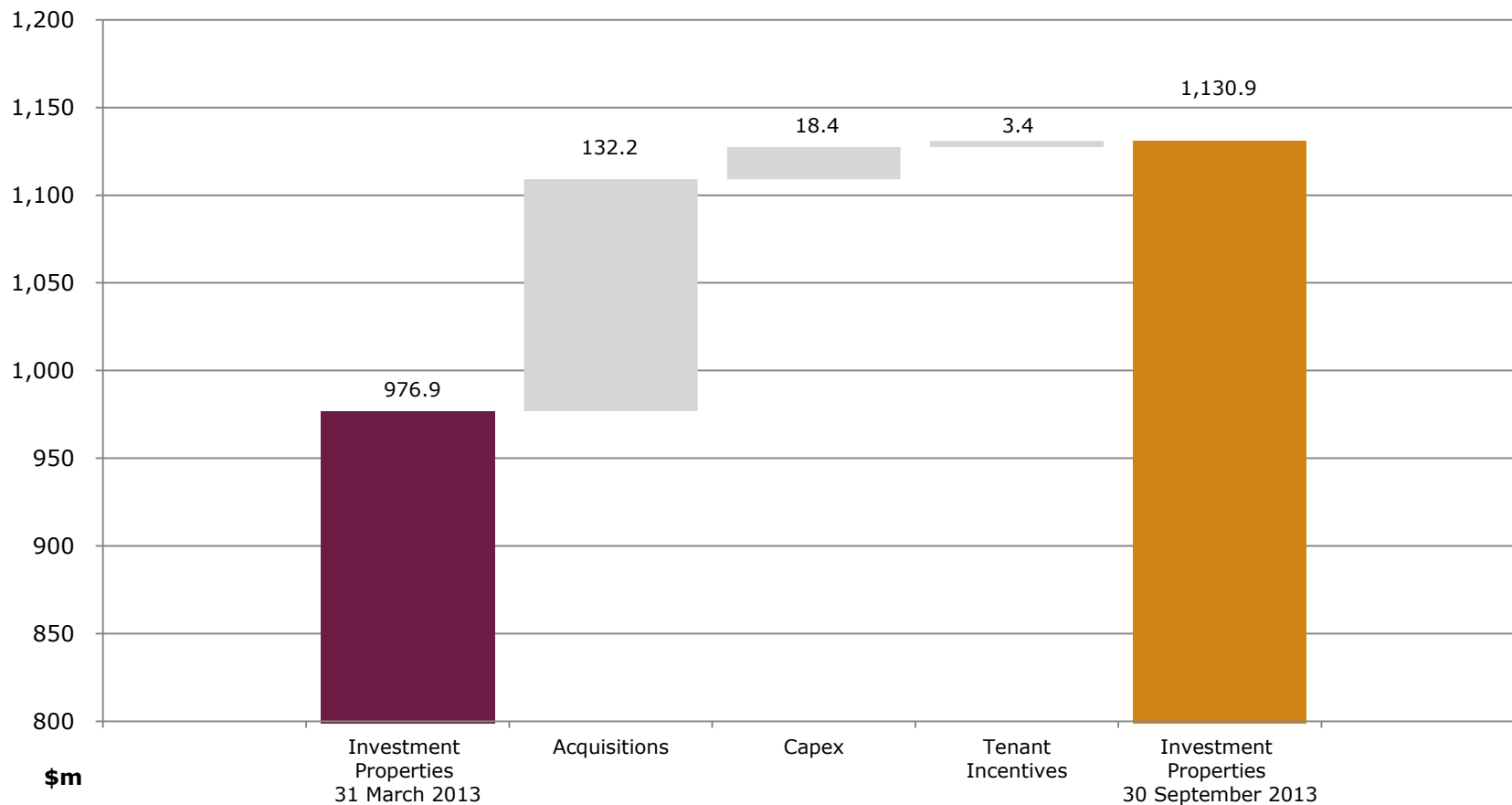


	<b>HY14</b>	<b>FY13</b>	<b>HY13</b>
Shares on issue	783.9m	680.9m	563.6m
Shareholders' funds	\$700.2m	\$601.3m	\$481.8m
Net tangible asset backing per share (cents)	89.3c	88.3c	85.5c

	<b>HY14</b>	<b>FY13</b>	<b>HY13</b>
Investment properties	\$1,130.9m	\$976.9m	\$905.7m
Other assets	\$13.0m	\$15.8m	\$15.5m
Total assets	\$1,143.9m	\$992.7m	\$921.2m
Bank debt (excl. capitalised borrowing costs)	\$391.3m	\$328.7m	\$375.0m
Debt to total assets ratio	34.2%	33.1%	40.7%

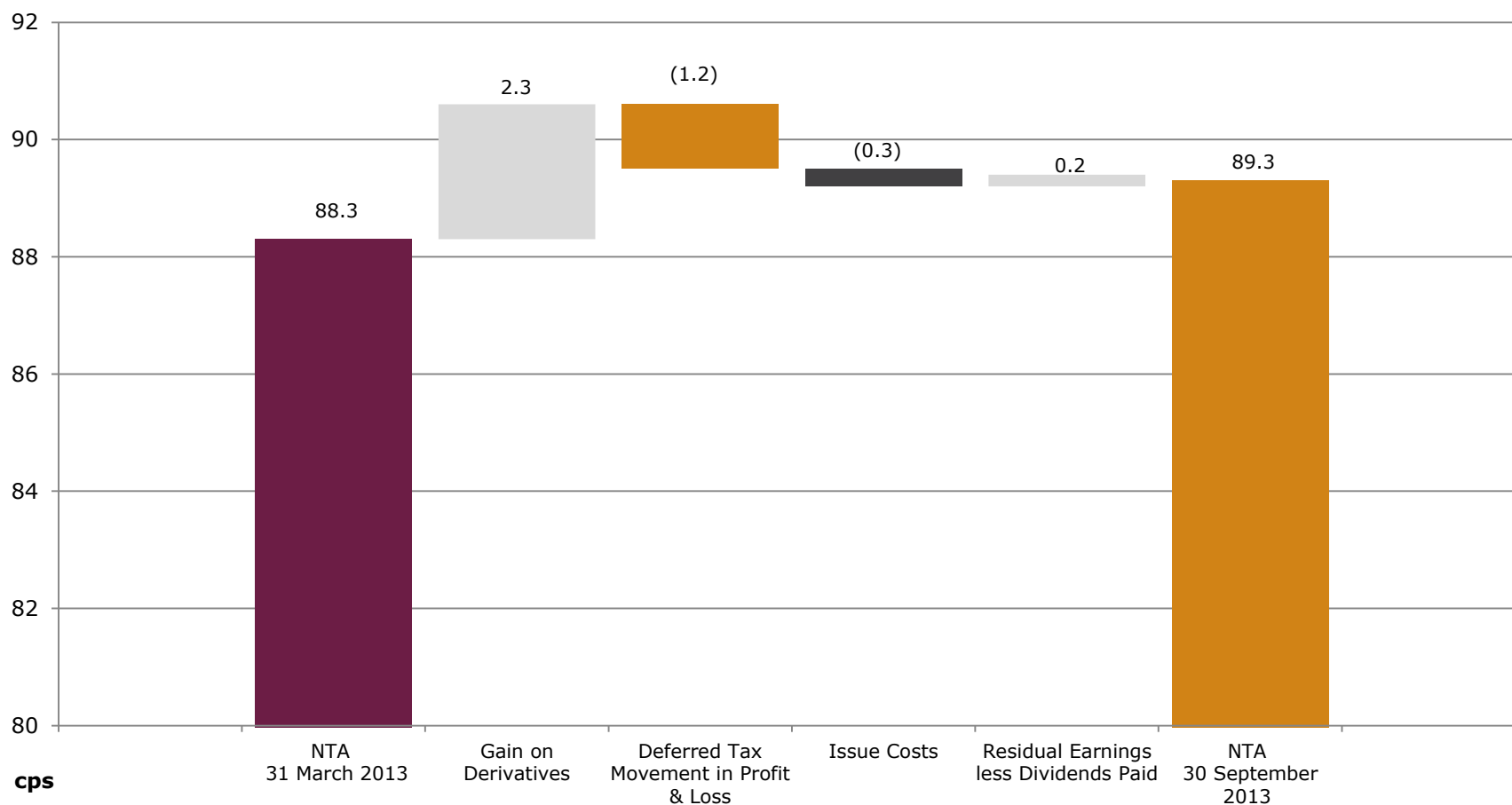


# Investment Properties



# Movement in NTA per share

Argosy





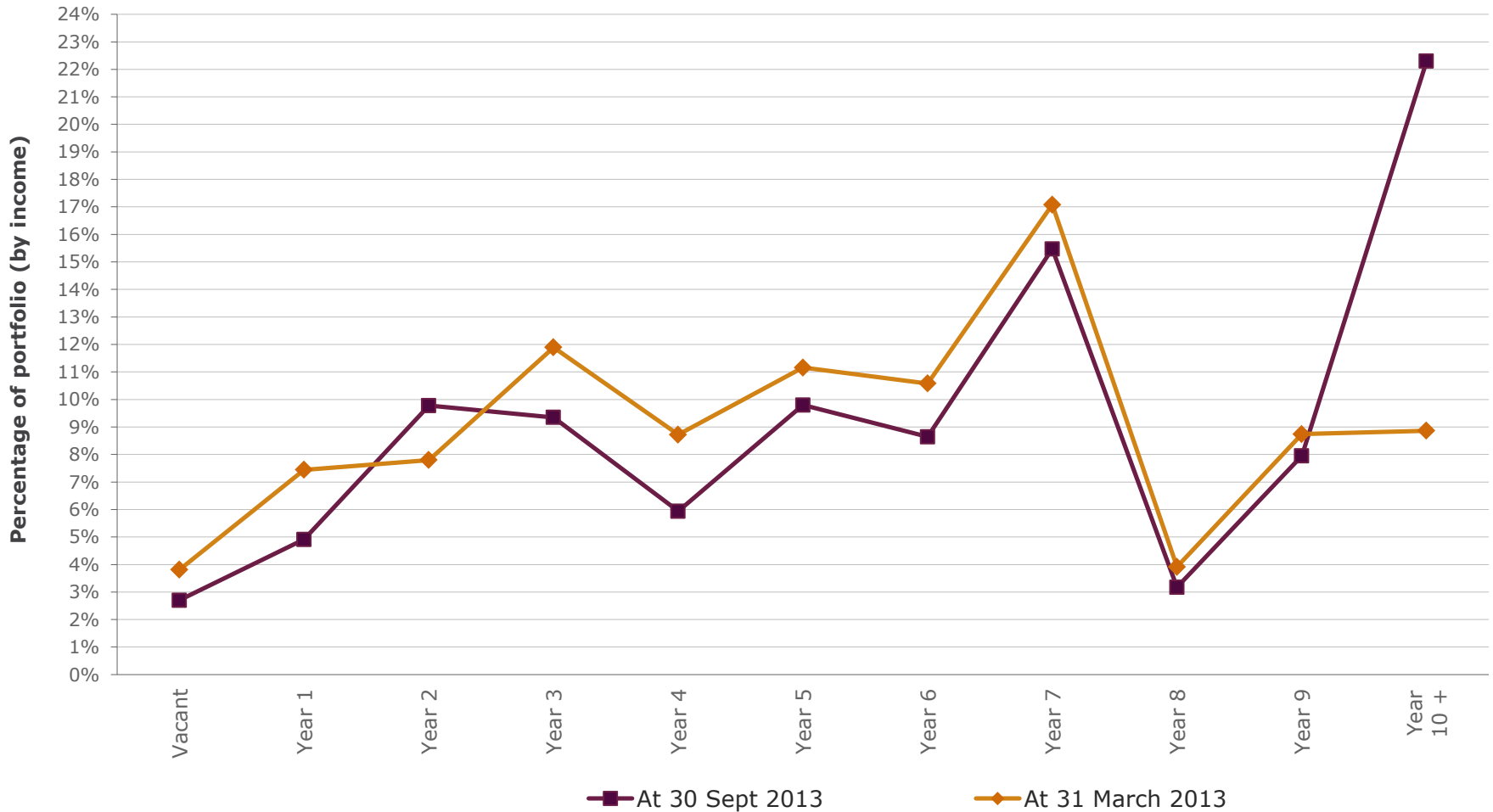
# Portfolio Overview

- ▶ The New Zealand economy showing signs of improvement, despite continuing challenges overseas.
- ▶ Improving consumer and business confidence point to solid GDP growth and a corresponding improvement in underlying property market performance.
- ▶ Increased expectation of growth in net effective rentals. Firmer yields based on rental growth expectation.
- ▶ Positive net absorption aided by population growth.
- ▶ Rental rates remain stable in Wellington as tenants seek buildings with high seismic ratings.
- ▶ Rising interest rates around the corner.
- ▶ We are seeing strong tenant enquiry.

- ▶ Occupancy, tenant retention and lease expiries remain key focus areas for the asset management team.
- ▶ Occupancy (by rental) has improved to 97.3% from 96.2% at March 2013.
- ▶ Outstanding lease expiries for the period to 31 March 2014 have reduced to 4.9% from 7.2% at 31 March 2013. *As at 31 October this has improved to 3.2%.*
- ▶ During the period, 35 lease transactions were completed, including 22 new leases and 13 lease renewals and extensions.
- ▶ The weighted average lease term improved to 5.91 years from 5.24 years at 31 March 2013.



# Lease Maturity

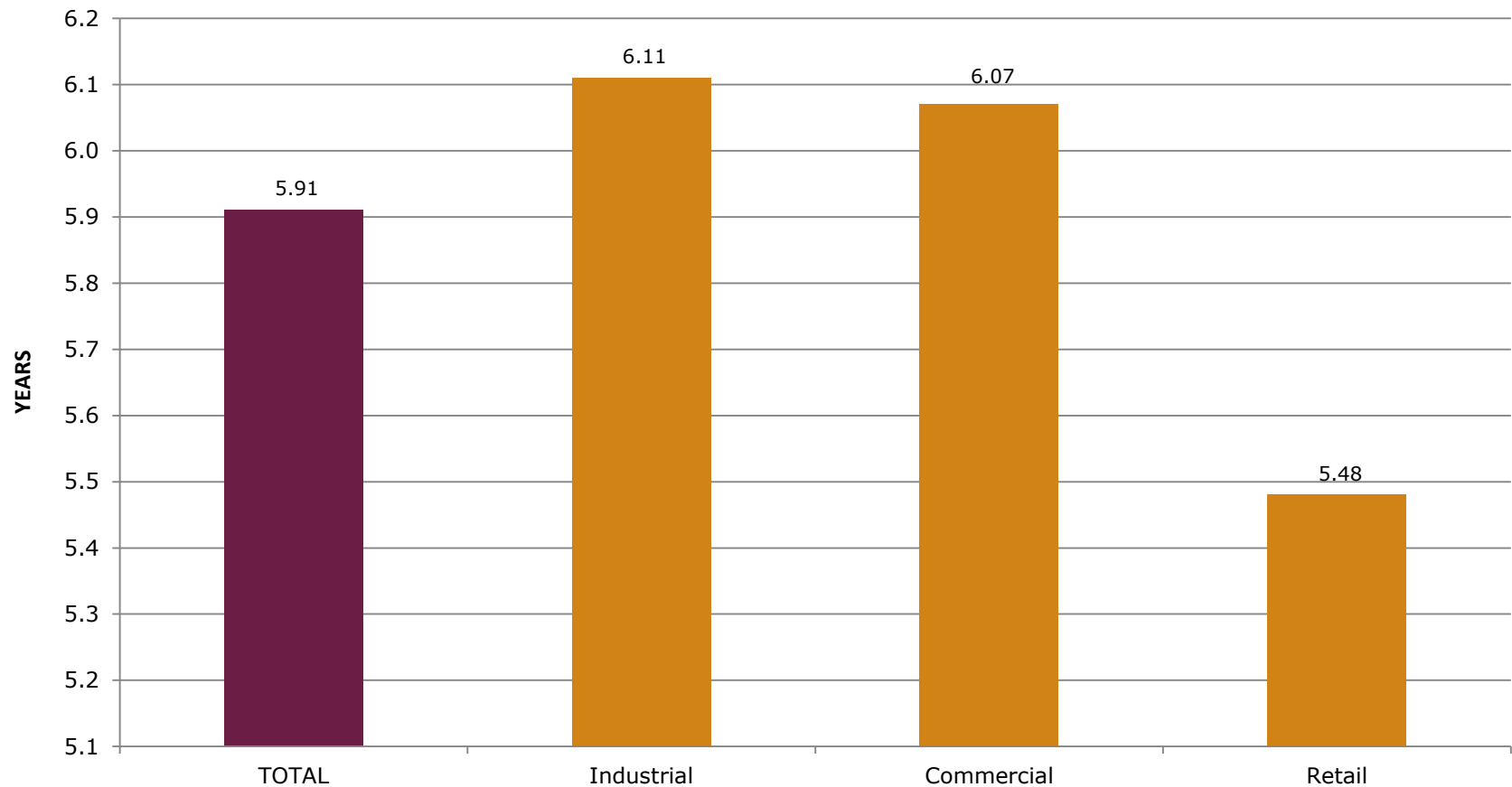


# Top 10 FY14 expiries remaining as at 31 October 2013



Tenant	Building	NLA (sqm)	Current Rent	Expiry Date
Polarcold Stores Limited	8 Foundry Drive, Christchurch	4,305	\$480,000	Monthly
Linfox	32 Bell Avenue, Auckland	5,272	\$407,005	31/03/2014
Noel Leeming Group Limited	Albany Mega Centre, Auckland	1,465	\$382,843	31/03/2014
2 Degrees Mobile	65 Upper Queen St, Auckland	1,309	\$307,392	31/12/2013
Peter Lahood Limited	25 Nugent St, Auckland	1,091	\$250,000	13/12/2013
Localist	65 Upper Queen Street, Auckland	805	\$229,620	Three monthly
Pagani Clothing Limited	8-14 Willis St, Wellington	691	\$180,000	Monthly
Linen for Less	Albany Mega Centre, Auckland	529	\$171,792	Monthly
Reynolds Group Ltd	4 Henderson Place, Auckland	715	\$120,752	Monthly
Snaphire NZ Limited	23 Customs St East, Auckland	383	\$110,000	30/11/2013

## Weighted Average Lease Term as at 30 September 2013



## 15-21 Stout Street

The redevelopment is progressing well, is on budget and is expected to be completed by mid-2014.

Net lettable area	19,630 sqm
Lease commencement	July 2014
Lease term	12 years
Passing yield on end cost	8.11%
<hr/>	
Purchase price	\$33.2 million
Upgrade cost	\$46.6 million
End cost	\$79.8 million



## NZ Post House

The contract to complete the redevelopment is due to be awarded at the end of November with development due to commence in early 2014.

Net lettable area	24,977 sqm
Lease commencement	March 2013
Lease term	7 years
Passing yield on end cost	8.50%
Purchase price	\$60.0 million
Upgrade cost	\$40.0 million
End cost	\$100.0 million





# Argosy

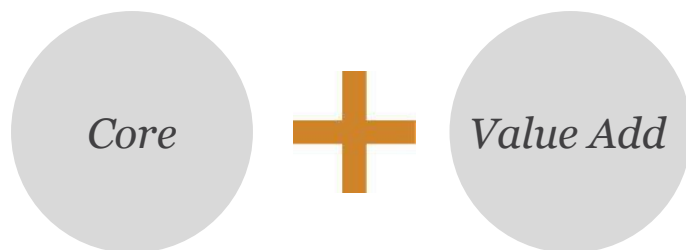
## Strategy



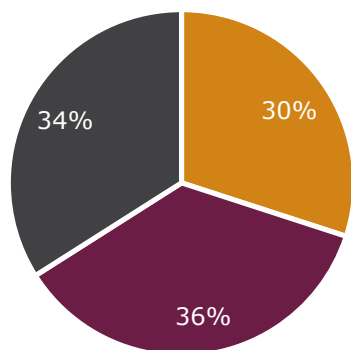
We have a clear investment strategy marked by a diversified portfolio of desirable properties that attract high-quality, long-term tenants.

Argosy is and will remain invested in a portfolio that is diversified by primary sector, grade, location and tenant mix. The portfolio will be in the primary Auckland and Wellington markets with modest tenant-driven exposure to provincial markets.

Argosy's portfolio consists of "Core" and "Value Add" properties. Core properties are well constructed, well located assets which are intended to be long-term investments (>10years). Core properties will make up 75-85% of the portfolio by value.



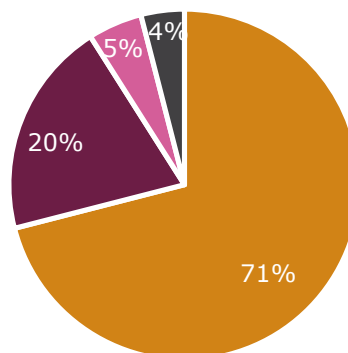
**TOTAL PORTFOLIO VALUE  
BY SECTOR**



**Target**

■ Retail	15 – 25%
■ Commercial	35 – 45%
■ Industrial	35 – 45%

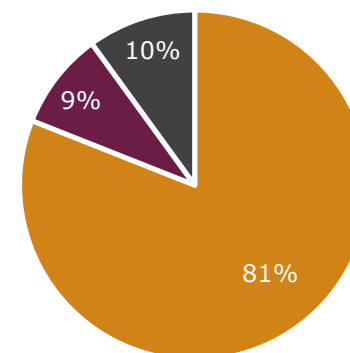
**TOTAL PORTFOLIO VALUE  
BY REGION**



**Target**

■ Auckland	65 – 75%
■ Wellington	20 – 30%
■ Palmerston North	
■ Other regional	

**PORTFOLIO MIX**



**Target**

■ Core	75 – 85%
■ Value Add properties	
■ Properties and land to divest	

- ▶ The Board's policy is for debt to total assets to be between 35 to 40% in the medium term.
- ▶ Divestment of vacant land and under-yielding assets will continue to be a key strategy for the company. The sale of vacant land at Manawatu Business Park remains a focus.
- ▶ During the period, 4 high quality buildings were purchased. The property at 19 Nesdale Avenue, Wiri, will settle in mid-December.
- ▶ In June 2013, the bank facility was restructured and extended on favourable terms.
- ▶ Following an internal assessment no interim valuation was conducted, but a full valuation will be completed at year end.



# Bank Covenants



<b>Loan to valuation ratio (LVR) – based on:</b>	<b>HY14</b>	<b>FY13</b>	<b>HY13</b>
Total borrowings	\$391.3m	\$328.7m	\$375.0m
Fair market value of properties	\$1,119.5m <sup>1</sup>	\$983.6m	\$895.4m
Not to exceed 50%	35.0%	33.4%	41.9%

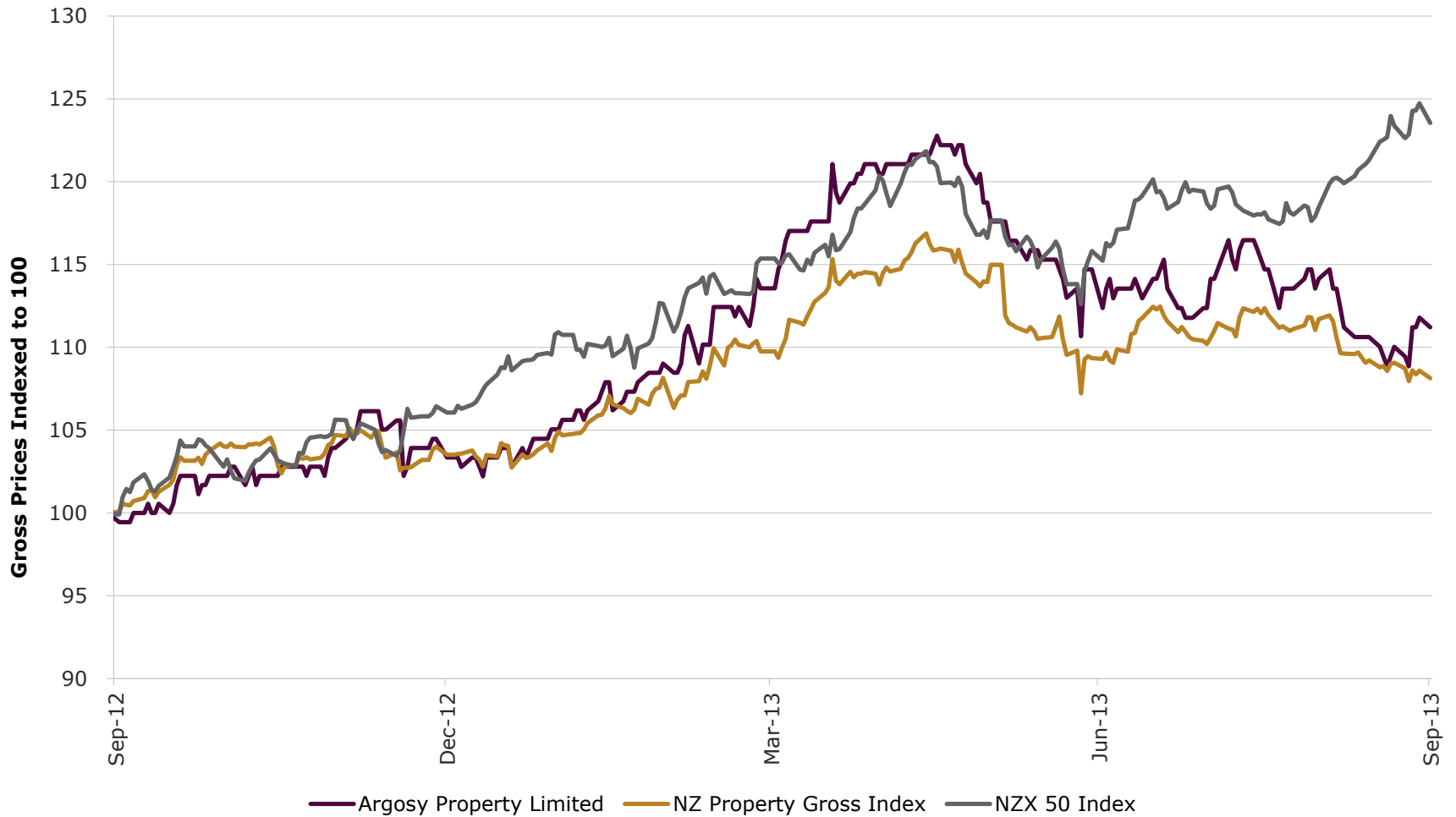
<b>Interest cover ratio – based on EBIT/Interest and Financing Costs:</b>	<b>HY14</b>	<b>FY13</b>	<b>HY13</b>
Must exceed 2:00x	2.57x	2.33x	2.24x

<sup>1</sup> Based on 31 March 2013 valuations, adjusted for properties acquired and divested, plus actual costs on property not ready for occupation (up to the original budget limit).

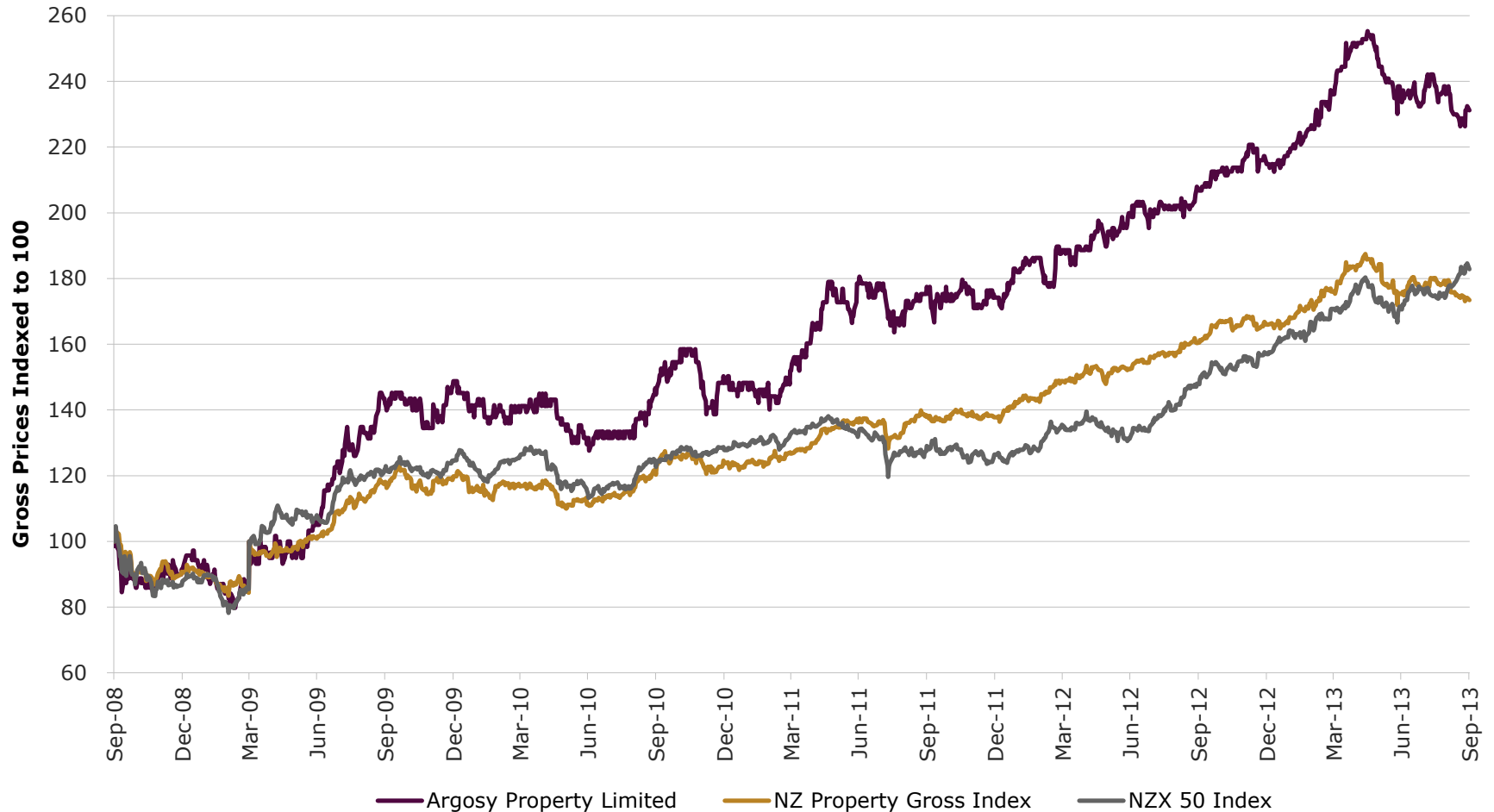
## Share Price Performance



# Share price performance – 1 year



# Share price performance – 5 years





## Concluding comments



# Concluding comments

- ▶ The first six months of the year have been a busy and exciting time for Argosy.
- ▶ Our focus remains on adhering to the strategy, increasing the portfolio's occupancy, lease expiry and tenant retention rates.
- ▶ We will also continue to look for opportunities to develop the portfolio in line with our strategy.



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Thank you



# Commercial

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NUMBER OF BUILDINGS

19

BOOK VALUE OF ASSETS (\$M)

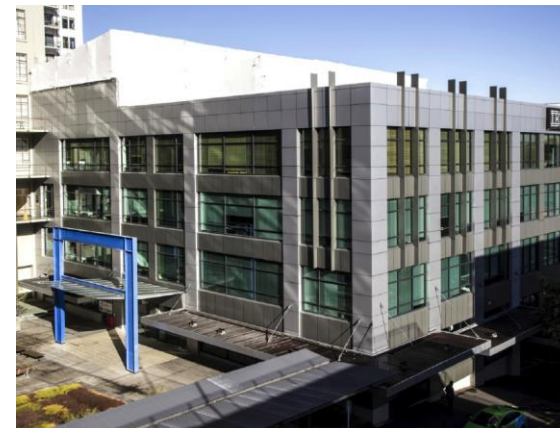
\$408.22

VACANCY FACTOR (BY RENT)

4.63%

WALT (YEARS)

6.07



# Industrial

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NUMBER OF BUILDINGS

34

BOOK VALUE OF ASSETS (\$M)

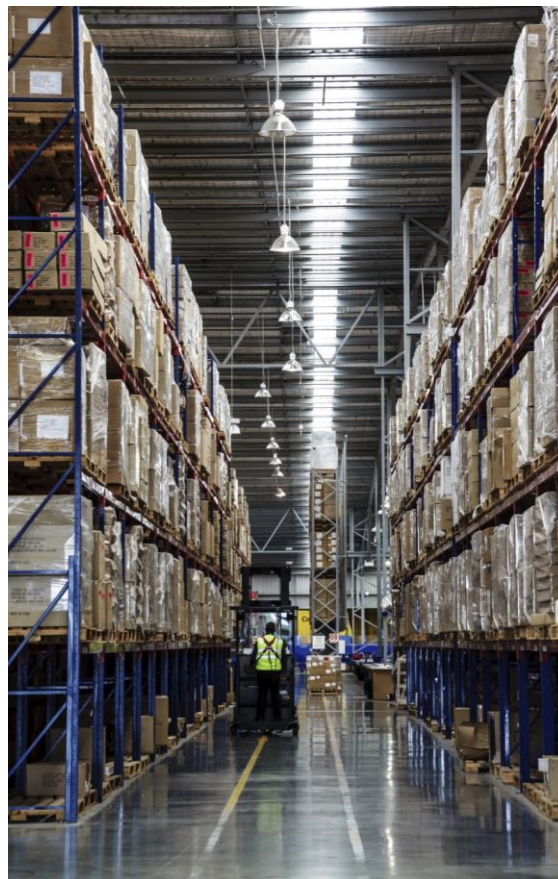
\$388.22

VACANCY FACTOR (BY RENT)

0.64%

WALT (YEARS)

6.11





# Retail

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NUMBER OF BUILDINGS

13

BOOK VALUE OF ASSETS (\$M)

\$334.45

VACANCY FACTOR (BY RENT)

2.01%

WALT (YEARS)

5.48



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

November 2013