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31 July 2018

Argosy

Investor Update



The Warehouse – a long term partner



Argosy recently announced the strategic acquisition of 11 Coliseum Drive in Albany (The Warehouse), for \$26.4m.

The acquisition allows Argosy to secure a strategically important property and strengthen its relationship with a long standing and valued partner in The Warehouse Group. Most importantly, the purchase allows Argosy to now consider a range of organic growth options across the entire Albany Mega Centre site. "Longer term, this is where the real value lies and we are excited about the opportunity and value this acquisition can deliver for our shareholders" Argosy CEO, Peter Mence says.

New concept store

The Warehouse Group is using a revamped Albany as a concept store to test shopper preferences and the retail market. The Albany store was chosen because of its large volumes of returning customers. If all goes well, the NZX-listed company will install similar new-look interiors in its network of 92 stores. Some of the new key features of the proposed new concept stores include things like digital price tags, more open spaces, IKEA-esque furniture displays and artificial intelligence-enabled technology. It also features self-serve checkouts and click-and-collect pickup boxes.

WALT

6.5yrs

Warehouse NLA (sqm)

7,600

Office NLA (sqm)

760

No. of car parks

413

Snapshot

People

Joanne Sharpe **Asset Manager**

Argosy Asset Manager Joanne Sharpe recently attended the UCI Gran Fondo World Championships in Varese, Italy. She competed in the 22.5km individual time trial and 130km road race which included 2,000m of elevation. "The individual time trial was a real test of endurance and mental toughness particularly with a climb to contend with which is highly unusual. I was beyond happy to finish 16th with a time of 38.18mins which was the 3rd best NZ performer including the men." Joanne's weekly training sessions leading up to the event included gruelling hours on the bike, yoga and recovery sessions. She managed to work and train by having very long days, typically starting at 4 or 5am. Great result Joanne!

New staff

The Argosy team has undergone a few changes since year end. One of our team is on maternity leave and we have taken on some additional resource to help manage the workloads across the business. We have also reorganised a few roles internally to deliver more efficiency. One of our new staff is Jeremy Koh (Property Manager). Jeremy has joined Argosy from Residential Property Management where he worked for three years. Jeremy went to St Peters College and completed a Bachelor of Commerce and Property (conjoint) at the University of Auckland. His interests include swimming, soccer, martial arts and athletics. Welcome aboard Jeremy!

Business update

Since the full year result there has been a bit of activity. The team have been working hard over the first half of the FY19 financial year to deliver on our focus areas. It's pleasing to be able to report some solid results to date including dealing with some key expiries.

Rent reviews and leasing

For the 4 month period to 31 July we completed 27 rent reviews achieving annualised rental growth of 3.0%. These reviews were achieved on rental income totalling \$10.2m. By sector, we achieved annualised rental growth of 3.8% on industrial rent reviews, 1.7% for office rent reviews and 2.5% for retail rent reviews. Auckland accounted for 91% of all reviews and achieved a 3.0% annualised increase and Wellington a 2.4% increase.

On the leasing front, we completed 25 leasing transactions including 6 renewals and 19 new leases. By income, we now have 7.0% of income expiring in FY19 across 17 leases as at 31 July. As you'd expect, we continue to focus on our remaining expiries. Argosy has achieved some excellent leasing outcomes over the first 4 months including;

- New leases with E Road Limited (9 years) and Peterken Enterprises Limited (6 years) both at the Albany Lifestyle Centre;
- New leases with Storage Box (8 years) and the Chemist Warehouse (6 years) at the Albany Mega Centre;
- A new 6 year lease with McDonalds Restaurants (New Zealand) Limited at 302 Gt South Road;
- Two 6 year leases at 23 Customs Street (both on Level 14), one with Hampton Jones Property Consultancy Limited (345sqm) and the other with Resonant Consulting Limited (255sqm); and
- A new 5 year lease with Super Cheap Autos at 320 Ti Rakau Drive, East Tamaki.

Peter Mence **Chief Executive Officer**

Divestments and acquisitions

Since the full year results announcement, Argosy settled the sale of 7 and 7A Wagener Place, St Lukes in Auckland for \$31.0m at a 13% premium to its book value. We noted at the time that the sale presented an opportunity to reduce our retail exposure in an area where there will be increasing competition. The funds have initially been applied to reducing bank debt and at 31 July Argosy's debt to total assets ratio sat at 35.6%.

The property at 626 Great South Road, Greenlane, has been sold at a price of \$10.6m, 8.2% over the current book value of \$9.8m. The agreement is unconditional with settlement scheduled for 30 November 2018. The property was in Argosy's pool of non Core assets with the funds to initially be applied to reducing bank debt.

We recently announced the strategic acquisition of 11 Coliseum Drive in Albany (The Warehouse), for \$26.4m. You can read more about this important acquisition in this Update.

Development update

Placemakers, 180-202 Hutt Road – Stage 1 (of 3) demolition has been completed and construction of the showroom has commenced. After all 3 stages are finished, the 3,700sqm development is expected to be completed by Mid-2019.

I look forward to updating investors further at our interim results to be announced in November.

Development	Location	Total Cost	Spend to date	Forecast Completion
Placemakers	Wellington	\$10.3m	\$1.72m	Mid 2019
Total		\$10.3m	\$1.72m	

Environmental and Social Update

Through FY18 Argosy has continued to engage on its environmental and social responsibilities. We update some of these below.

Environmental update

We're pleased to see that 15 Stout St (MBIE) has again been certified with a 5 star NABERSNZ whole building rating, which represents Market Leading performance. NABERSNZ ratings must be certified each year and this result sees 15 Stout Street as the only holder of a current 5 star whole building rating in Wellington.



Retail Roadshow and Annual Meeting recap

Through May and June 2018, the Retail Roadshow was held across 13 cities and was very successful. With over 600 RSVP's received for the roadshow, we had an excellent 90% attendance rate despite some locations being weather affected (Wellington and Auckland particularly). We had a 100% turnout where there was no bad weather. Retail investors remained very well engaged asking CEO Peter Mence plenty of questions. Importantly, we had directors present in 8 of 13 locations to support Peter and provide additional access to the Board



Pillars
Ka Pou Whakahou

Pillars New Zealand Partnership

Pillars New Zealand assists the children of parents who are in prison with a variety of programmes including mentoring, programmes within prison and general assistance to families and whanau.

On any given day more than 20,000 children are affected by having a parent in prison. Without the right support these children are over nine times more likely than other Kiwi kids to end up in prison as adults.

Children of prisoners are among some of the most vulnerable children in our community. Argosy is extremely happy to have partnered with Pillars and for the 2019 financial year it has donated \$5,000 towards supporting this very worthy organisation and its programmes. We hope this contribution can help make a difference to some very needy children in our community.

We hope to work with Pillars more in the future.

Spirit of Adventure Trust

Investors will know of Argosy's commitment to the Auckland based Spirit of Adventure Trust. Argosy sponsors teenagers aged 16-18 to participate in the 10-day development voyage on the Spirit of New Zealand.

For the FY19 financial year Argosy has sponsored two students. For the September and October voyages, the students (one girl and one boy) will come from the Inzone Education Foundation.

The philosophy behind Inzone has been to identify and partner with top academic performing state schools, building the necessary support and pastoral care for Māori and Pacific Island students to attend these schools and succeed academically, extra-curricularly and as leaders.

These students come from families that wouldn't be able afford to join the Spirit of Adventure Youth Programme so this is a great opportunity to develop these students further and set them up for success. We look forward to reporting back to you in our March update.

Governance update

Argosy held its Annual Meeting on 6 August at the Royal NZ Yacht Squadron in Auckland's Westhaven Marina. Argosy's Chairman Mike Smith and Chief Executive Officer Peter Mence both gave addresses on Argosy's performance during the 2018 financial year.

At the meeting, Jeff Morrison was re-elected as an independent director onto the Argosy Board. Subsequently, Stuart McLauchlan was appointed to the Board to replace Chris Hunter who did not stand for re-election. This new appointment will need shareholder approval at next years' Annual Meeting. Stuart is a Director of several companies including Dunedin International Airport Ltd. He is also Chairman of the NZ Sports Hall of Fame, Chairman of Pharmac Ltd, Chairman of Scott Technology Ltd, Chairman of UDC Finance Ltd and a member of the Otago Southland Branch of the Institute of Directors. A full biography on Stuart can be found on our website.

In addition, Amanda Smith completed her 12-month secondment at Argosy as part of the New Zealand Institute of Directors, Future Director's programme. We wish her well in her next endeavours.

Properties

60

Tenants

172

WALT

6.0yrs

Weighted average lease term

Portfolio

\$1.53b

Total portfolio value

Occupancy

98.3%

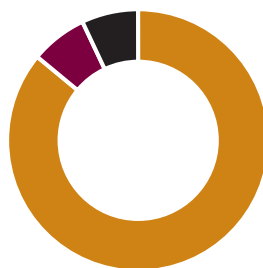
Occupancy (by rent)

Total portfolio update By sector



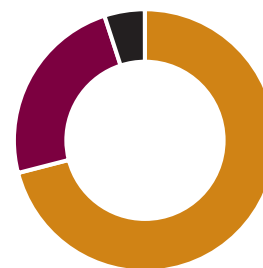
- 42% Industrial
- 38% Office
- 20% Retail

Portfolio mix by asset type



- 86% Core
- 7% Value Add properties
- 7% Properties and land to divest

Total portfolio value by region



- 71% Auckland
- 24% Wellington
- 5% Nth Island regional & Sth Island

Dividend

The **FIRST QUARTER DIVIDEND** for the 2019 financial year of 1.5625 cents per share, with imputation credits of 0.3015 cents per share attached, will be paid on 26 September 2018.

Important dates

FY19 Q1 DIVIDEND PAYMENT

26 September 2018

INTERIM RESULTS ANNOUNCEMENT

20 November 2018

FY19 Q2 DIVIDEND PAYMENT

December 2018

FY19 Q3 DIVIDEND PAYMENT

March 2019

Contact

t/ 0800 653 653 t/ +64 9 304 3400

f/ +64 9 302 0996

39 Market Place, Auckland 1010,
PO Box 90214, Victoria Street West,
Auckland 1142, New Zealand

www.argosy.co.nz

Registrar

To find out about more about your investment, please contact

Computershare:

t/ +64 9 488 8777 f/ +64 9 488 8787

enquiry@computershare.co.nz

www.computershare.com/

InvestorCentre