Argosy

20.6.2023

CEO'S ADDRESS

CHIEF EXECUTIVE OFFICERS REVIEW [SLIDE 11]

Thank you Mr Chairman. As noted earlier, I'll be taking you through a few more highlights of the FY23 results in a little more detail before rounding out with an update on the market as we see things.

KEY FY23 RESULT HIGHLIGHTS [SLIDE 12]

A summary of results are shown here. The result was dominated by the unrealised revaluation decline of $146.6 million. This was driven by softening cap rates across the board offset by rental growth particularly in the industrial sector and in green buildings. We were very happy with our net property income growth which was pretty resilient. Our gearing is in the mid point of our target 30-40% range and our NTA at year end was $1.58.

PORTFOLIO HIGHLIGHTS [SLIDE 13]

Operationally we had a good year – tenant retention rates are strong and we have very low arrears across the portfolio. Solid occupancy numbers and only one tenant failure at the Albany Mega Centre – who were at the end of their lease – and where we have since released that space at a higher rental rate.

SECTOR SUMMARY [SLIDE 14]

Looking at the Industrial sector – increasing rentals – although inquiry level softening slightly although its very much location dependent. Interestingly, a lot more interest in green and sustainable buildings in the industrial space. In office, there is an increased focus on sustainability from tenants also. In the retail sector, there are pressures in the market. The Albany Mega Centre performance remains strong and releasing space is occurring at higher rental rates.

PORTFOLIO AT A GLANCE [SLIDE 15]

In terms of asset allocation, we're on target with industrial and large format retail, whilst office is slightly over. We expect office to come back within band as current initiatives are completed. By region and asset mix we're within our target bands.

ARGOSY vs MSCI BENCHMARK [SLIDE 16]

This chart really pulls our strategy together and demonstrates our diversified portfolio approach has reduced volatility in returns and delivered outperformance across the short, medium and long term.

REVALUATIONS [SLIDE 17]

There's a common story across the sector – good rental growth coming through, the portfolio is under rented and reversions are well down the track due to rental structures and review cycles. No real issues regarding affordability issues other than in the retail space and some modest further softening since balance date but offset by rental growth to date.

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VALUE ADD OPPORTUNITIES [SLIDE 18]

Turning to the value add properties, We've completed our 12-16 and 18-20 Bell Ave development. 105 CGR is now also completed and leasing of the remaining space is progressing well. 224 Nielson St, the tenant has vacated the site, the building has been demolished and we're working with very good tenant enquiry for that site. On the future opportunities, as expected, Vector has renewed one floor at 101 Carlton Gore Road for three years and we're getting good inquiry for the balance of the building.

8-14 Mt Richmond is still an income earning asset and we have flexibility to see how the market is looking over the next 12-24 months.

DISTRIBUTABLE INCOME [SLIDE 19]

After adjustments, gross distributable income was up $1.0 million to $68.7 million compared to $67.7 million last year and net distributable income was $64.2 million compared to $64.7 million last year. Net distributable income per share was 7.58 cents per share compared with 7.68 cents per share last year.

AFFO [SLIDE 20]

Amortisation of tenant incentives and leasing costs were lower than the prior period which included write-offs and incentives relating to the Albany Lifestyle Centre which was sold.

Maintenance capex was $600k higher in FY23 due to tenant fitout works at Citibank and Albany Mega Centre and roofing works at 39 Randwick Rd in Wellington and 12-16 Bell Ave in Auckland.

Adjusted Funds from Operation or AFFO was $58.1 million for the year compared to $48.31 million in the prior period. The payout ratio was 97% compared to 114% in the prior year.

DEBT PROFILE INCLUDING BONDS [SLIDE 21]

This slide shows our debt profile including bonds. We refinanced our debt during the year pushing out tenor, and increasing the facility by $20 million to $475 million. Our nearest expiry is now April 2025 and our weighted average duration of debt is 3.2 years.

LEASE EXPIRY [SLIDE 22]

Our lease expiry profile remains relatively stable and we continue to target around 10% expiry per annum. Looking at FY24 and FY25 the majority of those expiries are now expected to renew. The large expiry in FY27 is already being addressed.

MARKET INSIGHTS [SLIDE 23]

Looking at the three sectors and what we’re seeing in the market. A lot more focus on sustainability coming through the industrial sector – and we expect this to grow. Especially around staff amenities. With the office sector – its pleasing to see elevated vacancy levels in Auckland are reducing and for us the vast majority of enquiry is for green space. Our view is that the working from home theme is overstated and people are coming back into the office. In the retail space generally, we see the greatest challenges here and some affordability issues for some over the near term. Current activity levels for us indicate that large retailers are positioning themselves in good locations when the economy bounces back.

OUTLOOK / CHALLENGES AHEAD [SLIDE 24]

So, turning to focus on the outlook. We expect to see continued economic weakness in the very near term. The portfolio is well positioned to deal with it with a sound balance sheet and property portfolio in good shape. We'll stay focused on customer satisfaction and retention. We'll see more focus on green and sustainability demand from the market and obligations from regulators. Development timing and flexibility is key – we want to manage economic risk prudently around the timing of this pipeline. And finally, we want to ensure we can continue to deliver sustainable dividends to shareholders.

I will now hand you back to the Chairman.

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