FY23

Interim Result: Building a Better Future

Argosy

22.11.22

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

Agenda

Note: This results presentation should be read in conjunction with the NZX release dated 22 November 2022. 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.

Peter Mence
CEO

Dave Fraser
CFO

Vision and Strategy

Argosy

VISION –

Building a Better Future

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

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 funding for green assets

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

Key result highlights

$55m

- Net property income

$32.9m

- Net distributable income

32.5%

- Gearing at the bottom end of range

$1.72

- NTA per share

Portfolio highlights

98.9%
- Occupancy

5.5yrs
- Weighted average lease term

2.6%
- Annualised rent review increase on rents reviewed

81%
- Tenant retention rate

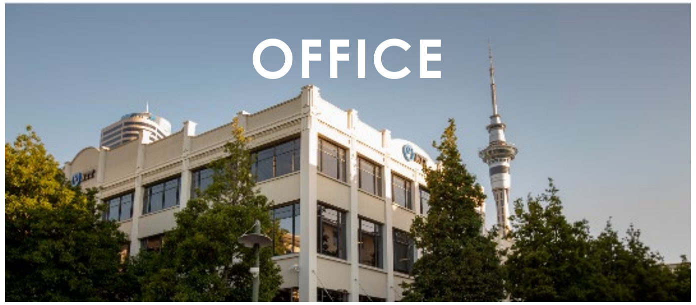
6.3%
- Portfolio under renting

$2.24b
- Portfolio value @ 30 September

Note: Portfolio value excludes right of use asset at 39 Market Place of $40.2 million

Sector Summary

Number of buildings	35
Market value of assets ($m)	$1,146.4
Occupancy (by income)	100%
Weighted average lease term (WALT)	5.8yrs

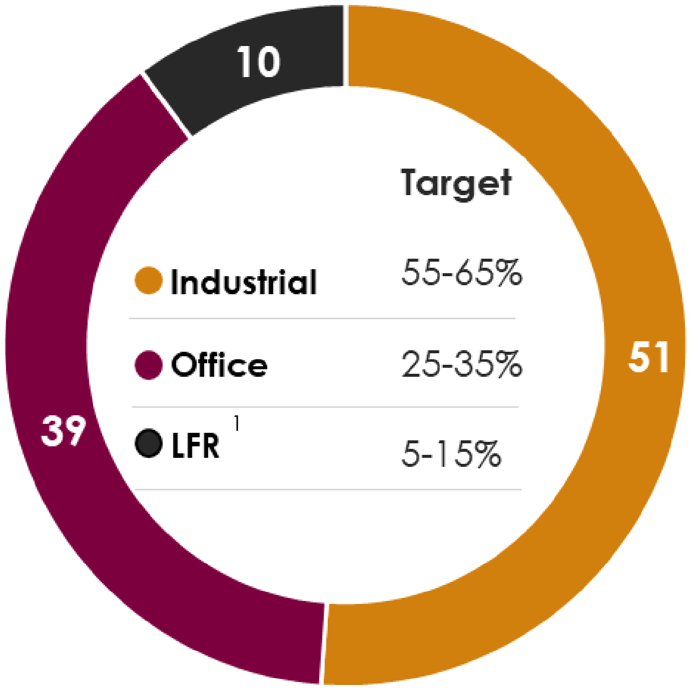


Number of buildings	15
Market value of assets ($m)	$866.1
Occupancy (by income)	97.8%
Weighted average lease term (WALT)	5.9yrs

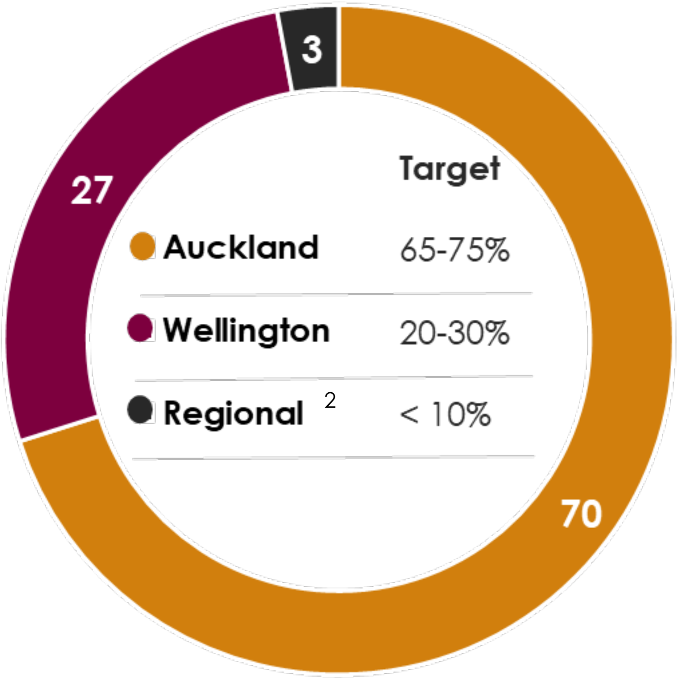
Number of buildings	4
Market value of assets ($m)	$230.9
Occupancy (by income)	100%
Weighted average lease term (WALT)	3.4yrs

Portfolio at a glance @ 30 September

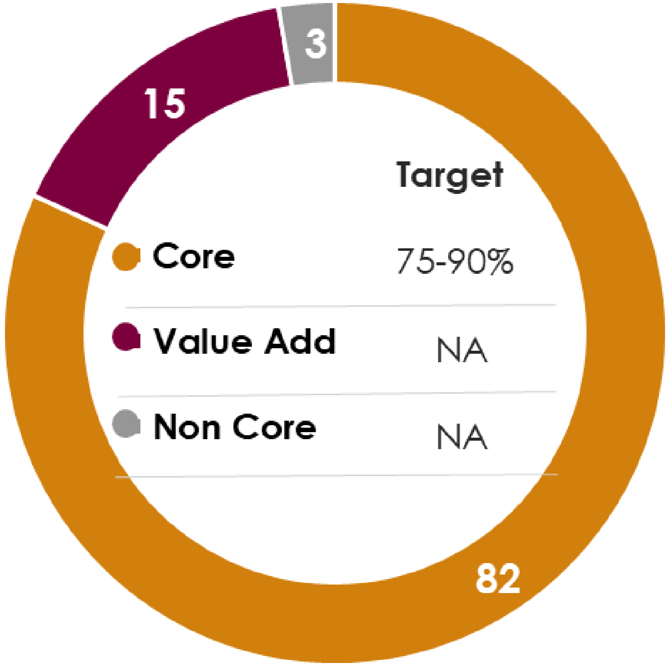
Sector by value %



Region by value %



Asset Mix by value %



1. Large Format Retail. 2. Regional North Island and South Island. This weighting also includes up to 5% allocation to the Golden Triangle area between Auckland, Tauranga and Hamilton.

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Revaluations

Cap rate headwinds but rental growth delivers

- Internal assessment undertaken during the period, reviewed by independent valuer.
- $23.5m loss reported, or -1% revaluation to book values at 30 September 2022.
- Generally, cap rate softening has been offset to some extent by market rental growth.
- Limited transactional evidence during the period.

	30 Sep 22 Book Value ($m)	30 Sep 22 Valuation ($m)	△ $m	△ %
Auckland	1,597.3	1,579.5	(17.9)	-1.1%
Wellington	603.9	598.3	(5.6)	-0.9%
Regional	65.7	65.7	(0.0)	0.0%
Total	**2,266.9**	**2,243.4**	**(23.5)**	**-1.0%**

	30 Sep 22 Book Value ($m)	30 Sep 22 Valuation ($m)	△ $m	△ %
Industrial	1,168.4	1,146.4	(22.0)	-1.9%
Office	875.1	866.1	(9.1)	-1.0%
Large Format Retail	223.3	230.9	7.6	3.4%
Total	**2,266.9**	**2,243.4**	**(23.5)**	**-1.0%**

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Value Add Properties

Green assets delivering

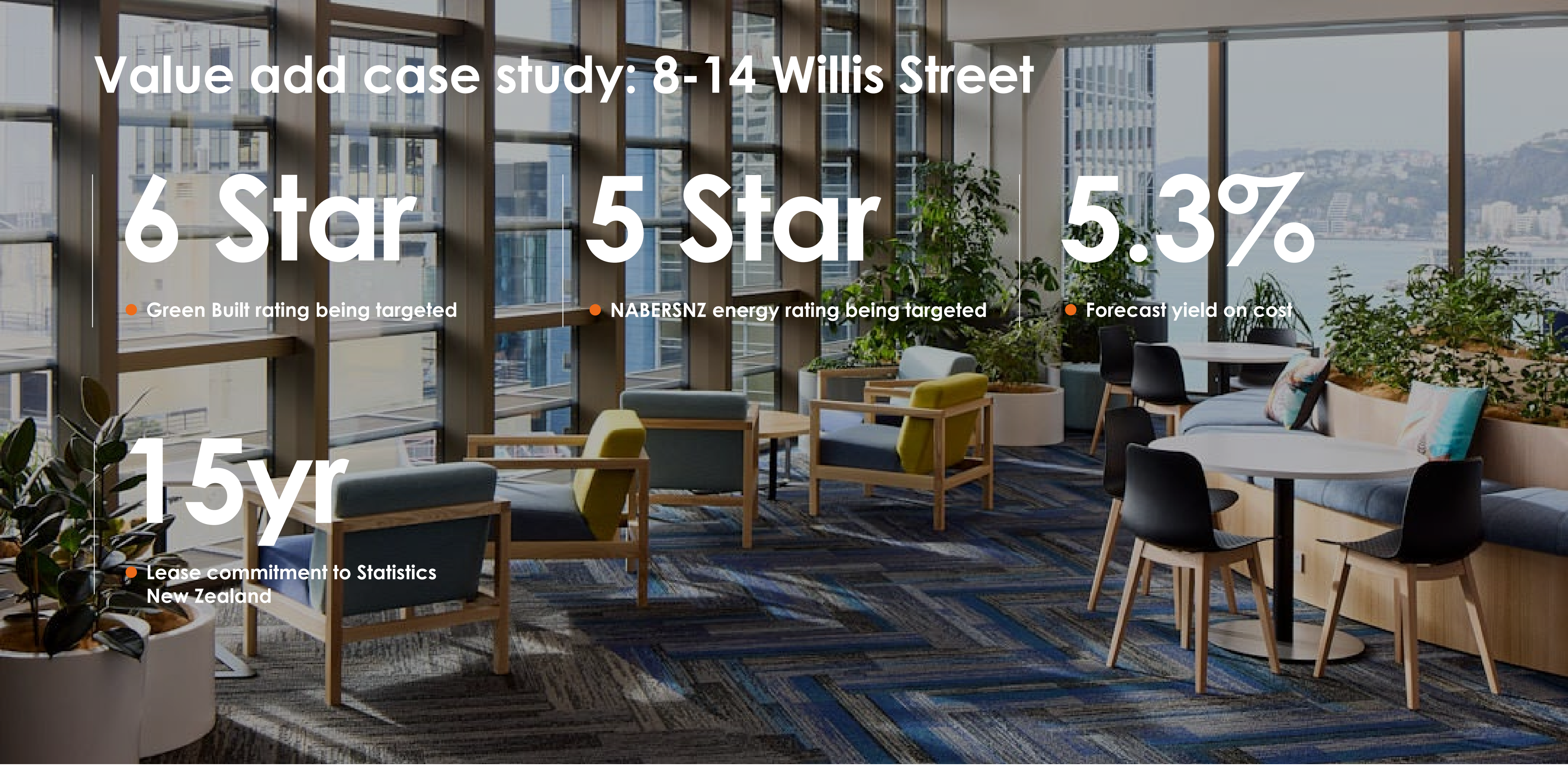
- Transformation of Value Add properties remains key to delivering on our strategy.
- Strong industrial sector fundamentals supportive.
- 8-14 Willis Street completed in July-22 and Statistics New Zealand occupying on a 15 year lease. Targeting a 6 Star Green Rating.
- Bell Ave and 105 Carlton Gore Road green projects well underway.
- Master Planning for Mt Richmond and Neilson Street industrial estates progressing – resource consent lodged for Mt Richmond.

+$340m

- Of Value Add properties with potential to deliver earnings and capital growth

Status & Project	Sector	Location
Underway		
12-20 Bell Avenue, Mt Wellington	Industrial	Auckland
105 Carlton Gore Road, Newmarket	Office	Auckland
1-3 Unity Drive, Albany	Industrial	Auckland
5 Allens Road, East Tamaki	Industrial	Auckland
Planning		
224 Neilson Street, Onehunga	Industrial	Auckland
8-14 Mt Richmond Drive, Mt Wellington	Industrial	Auckland
Future		
101 Carlton Gore Road, Newmarket	Office	Auckland
Currently Leased (7 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

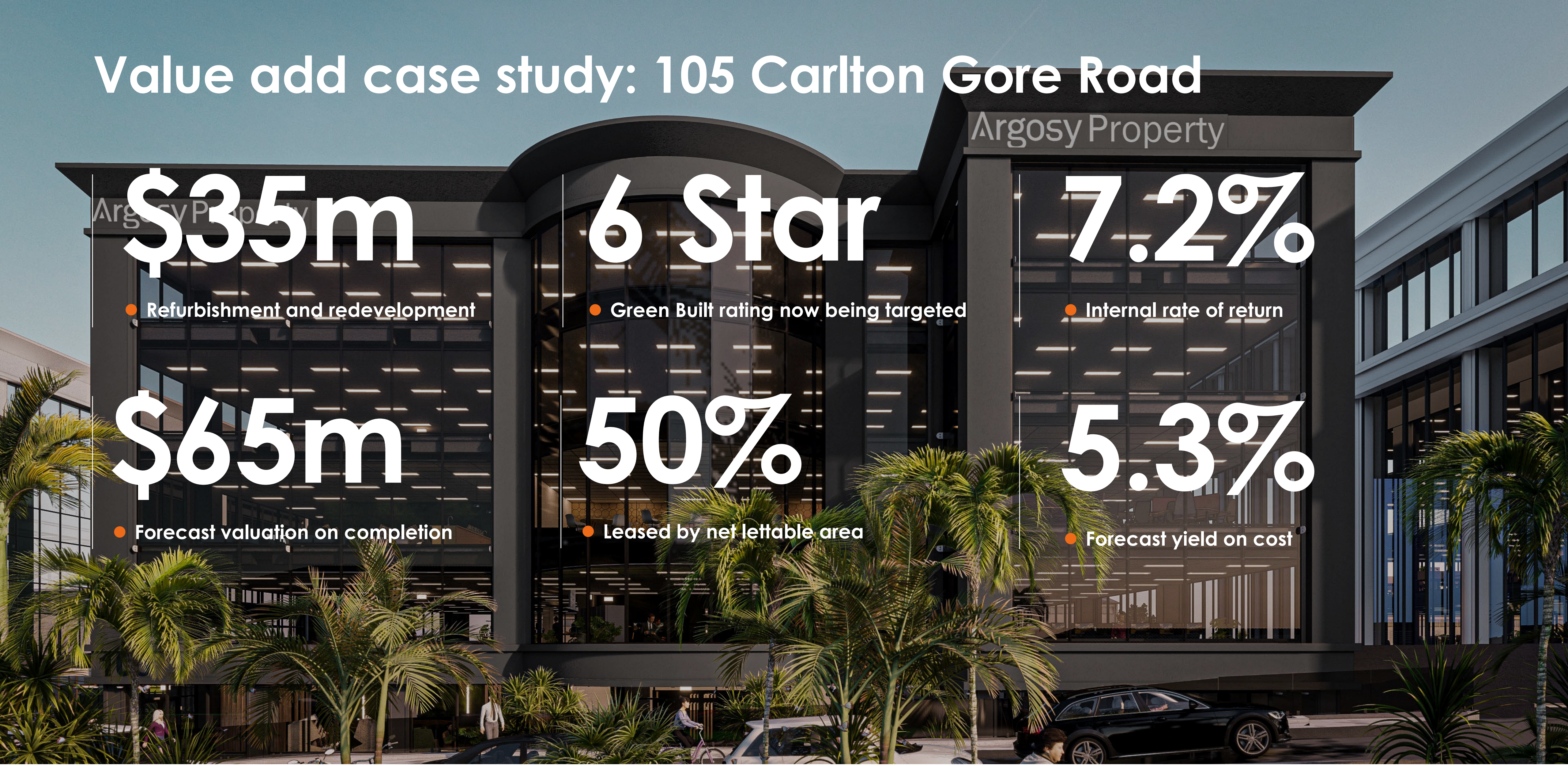
5.3%

- Forecast yield on cost

15yr

- Lease commitment to Statistics New Zealand

Value add case study: 105 Carlton Gore Road



$35m
- Refurbishment and redevelopment

6 Star
- Green Built rating now being targeted

7.2%
- Internal rate of return

$65m
- Forecast valuation on completion

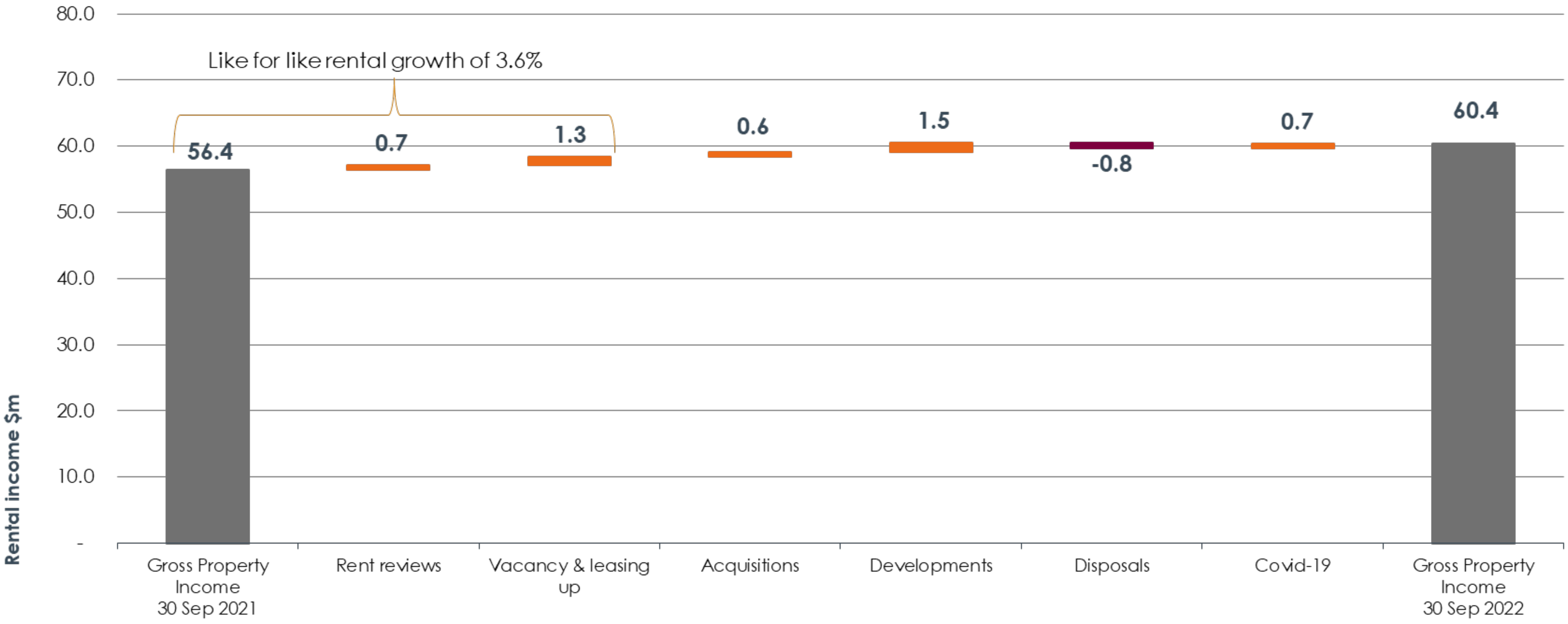
50%
- Leased by net lettable area

5.3%
- Forecast yield on cost

Financials

Gross Property Income Waterfall

All areas of business contributing to rental growth



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Financial Performance

Solid top line growth

- The net property income increase was driven by a range of factors including acquisitions, like for like rental growth, and developments.
- Interest expense was higher driven by higher volume of debt and higher floating interest rates.
- Argosy received a settlement for the failed sale of an investment property of $3.0m.

$55.0m

● Net property income

	1H23 $m	1H22 $m
Net property income	55.0	53.1
Administration expenses	(5.2)	(5.8)
Profit before financial income/(expenses), other gains/(losses) and tax	**49.8**	47.2
Net interest expense	(16.3)	(13.1)
Gain/(loss) on derivatives	4.6	7.0
Other gains/(losses)		
Revaluation gains	(23.5)	91.7
Realised gains/(losses) on disposal	(0.4)	(1.9)
Settlement for failed sale of investment property	3.0	
Profit before tax	**17.1**	130.9
Taxation expense	6.5	3.9
Profit after tax	**10.7**	127.0
Earnings per share (cents)	1.26	15.10
Corporate expense / net property income	9.4%	11.0%

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Distributable Income

Stability critical in tough market conditions

- Net distributable income for the six months was $32.9m compared to $33.0m in the prior comparable period.
- Current tax expense higher due to higher deductible repairs & maintenance expenditure in the prior period.

$32.9m

Net distributable income

	1H23 $m	1H22 $m
Profit before income tax	**17.1**	**130.9**
Adjustments:		
Revaluations (losses)/gains	23.5	(91.7)
Realised losses/(gains) on disposal	0.4	1.9
Derivative fair value (gain)/loss	(4.5)	(7.0)
Gross distributable income	**36.5**	34.1
Depreciation recovered	0.0	1.2
Current tax expense	(3.6)	(2.4)
Net distributable income	**32.9**	33.0
Weighted average number of ordinary shares (m)	846.7	841.3
Gross distributable income per share (cents)	**4.31**	4.06
Net distributable income per share (cents)	**3.88**	3.92

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Adjusted Funds From Operations (AFFO)

Clean AFFO for the period

- Maintenance capex lower.
- AFFO payout ratio was 88% for the period as façade repairs at 7WQ concluded in the previous period.

$32.0m

- AFFO for the six months to 30 September

	1H23 $m	1H22 $m
Net distributable income	**32.9**	**33.0**
Amortisation of tenant incentives and leasing costs	1.4	3.8
Funds from operations (FFO)	**34.3**	**36.8**
Capitalisation of tenant incentives and leasing costs	(0.4)	(0.9)
Maintenance capital expenditure	(2.0)	(3.5)
7 Waterloo Quay façade repairs	-	(7.2)
Maintenance capital expenditure recovered through sale	0.1	0.4
Adjusted funds from operations (AFFO)	**32.0**	**25.5**
Weighted average number of ordinary shares (m)	846.7	841.3
FFO cents per share	4.05	4.37
AFFO cents per share	**3.79**	**3.03**
Dividends paid/payable in relation to period	3.33	3.28
Dividend payout ratio to FFO	82%	75%
Dividend payout ratio to AFFO	**88%**	**108%**

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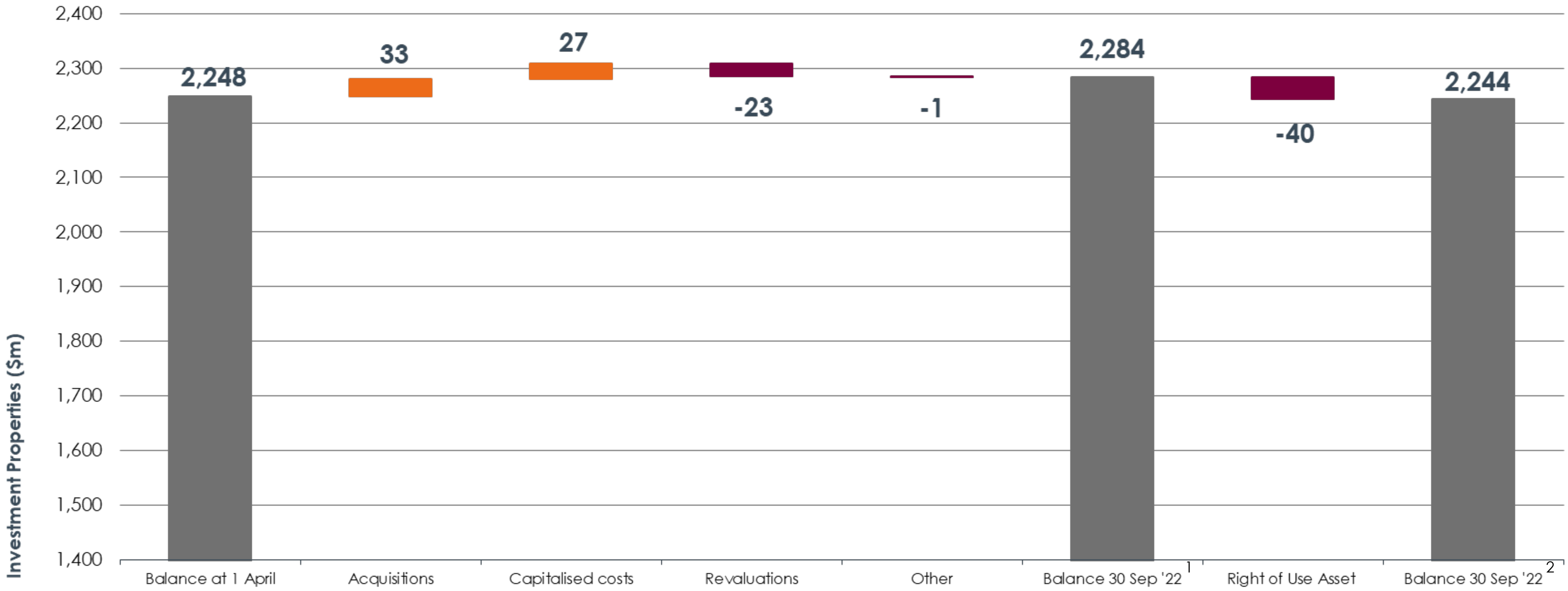
Investment Properties

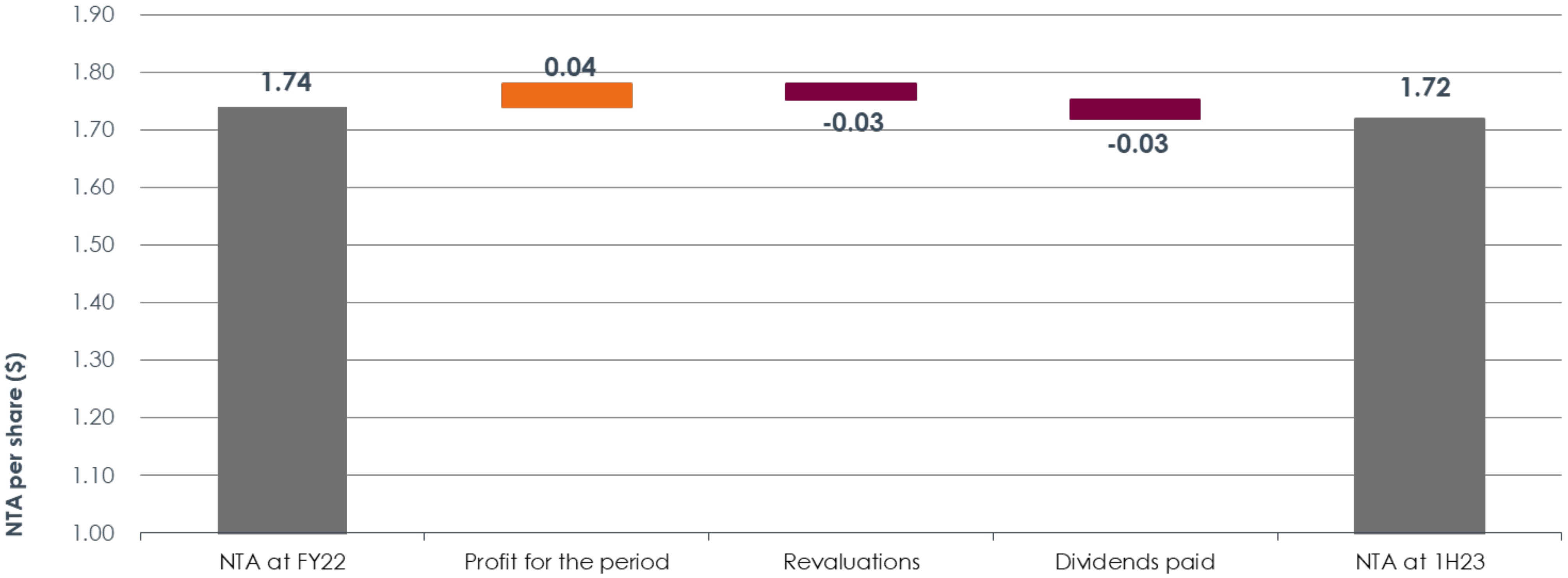
Portfolio value stable over the period



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. 1. Including NZ IFRS16 adjustment. 2. Excluding NZ IFRS16 adjustment.

NTA Per Share

NTA flat over the first six months



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Balance Sheet Management

Investment portfolio stable, development pushes debt slightly higher

- The balance sheet is in good shape.
- Argosy has sufficient facility headroom to complete existing developments and any near-term opportunities.

32.5%

- Debt to total assets ratio at the bottom end of the target 30-40% range

	1H23 $m	FY22 $m
Investment properties	**2,283.6**	2,247.7
Asset held for sale	-	22.0
Other assets	24.0	21.8
Total assets	**2,307.6**	2,291.5
Right of use asset	(40.2)	(40.2)
Total assets (net of right of use asset)	**2,267.4**	2,251.3
Fixed rate green bonds	325.0	325.0
Bank debt[1]	411.6	375.1
Total bank debt & bond funding	**736.6**	700.1
Debt-to-total-assets ratio[2]	**32.5%**	31.1%

1. Excludes capitalised borrowing costs. 2. Excludes Right of Use Asset at 39 Market Place of $40.2 million

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Interest Rate Management

Exposure to floating creating short term headwinds

- Weighted average interest rate has increased over the period driven by floating rate increases.
- The interest cover ratio remains sound.

	1H23	FY22
Weighted average interest rate[1]	5.00%	4.14%
Interest Cover Ratio	3.1x	3.1x
% of fixed rate borrowings	51%	57%
Weighted average duration of active payer swaps	3.0 years	2.8 years
Average rate of active payer swaps	3.59%	3.71%

3.1x

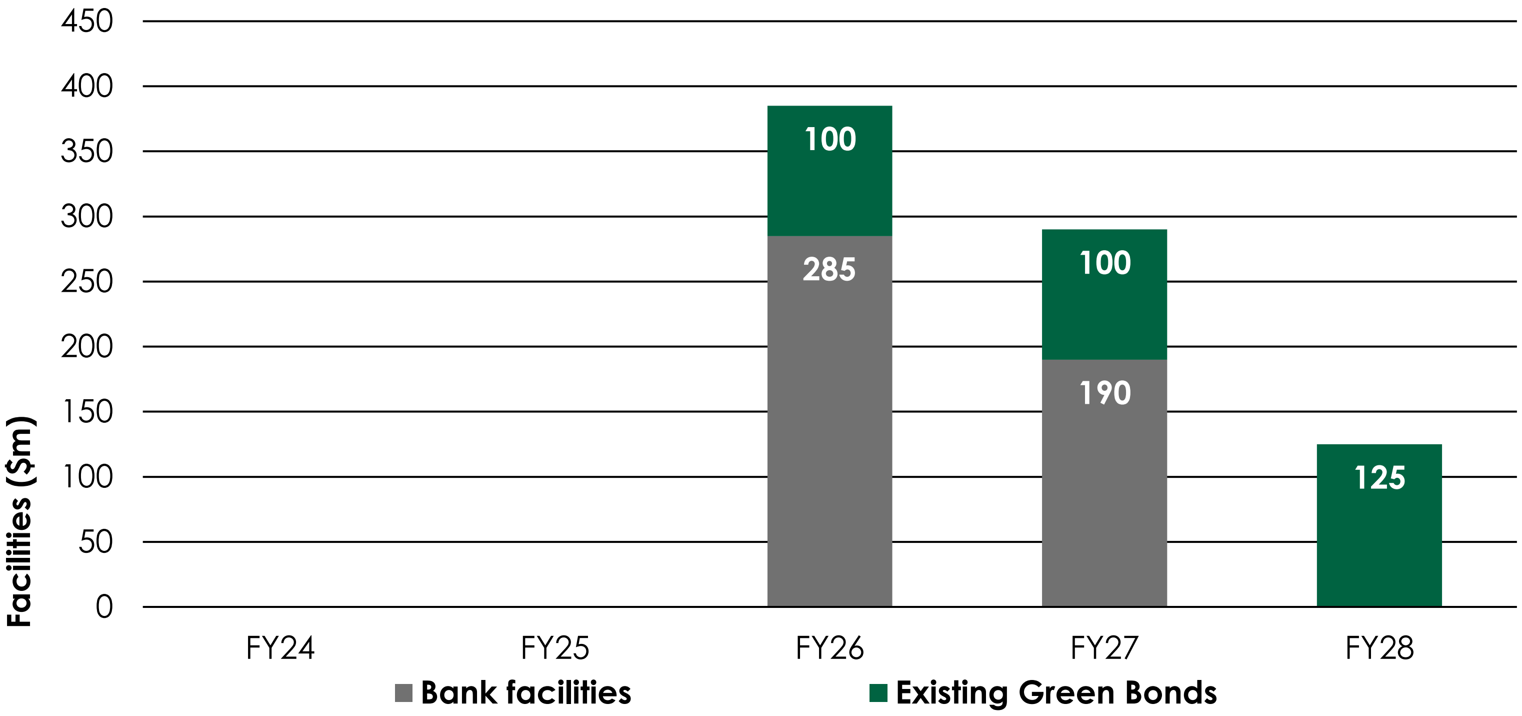
- Strong interest cover ratio vs. banking covenant of 2.0x

1. Including line and margin fees

Debt Profile

Green bonds provide diversification and tenor

- During the year Argosy extended its existing syndicated bank facilities with its banking group.
- The total amount of the bank facility has increased by $20m and is now $475m. The nearest tranche expires in April 2025.
- Industrial and Commercial Bank of China Limited (ICBC) has joined the syndicate.
- Argosy's $325m of green bonds continue to provide diversification and tenor benefits to the business.



3.7yrs

Weighted average duration of Argosy's debt

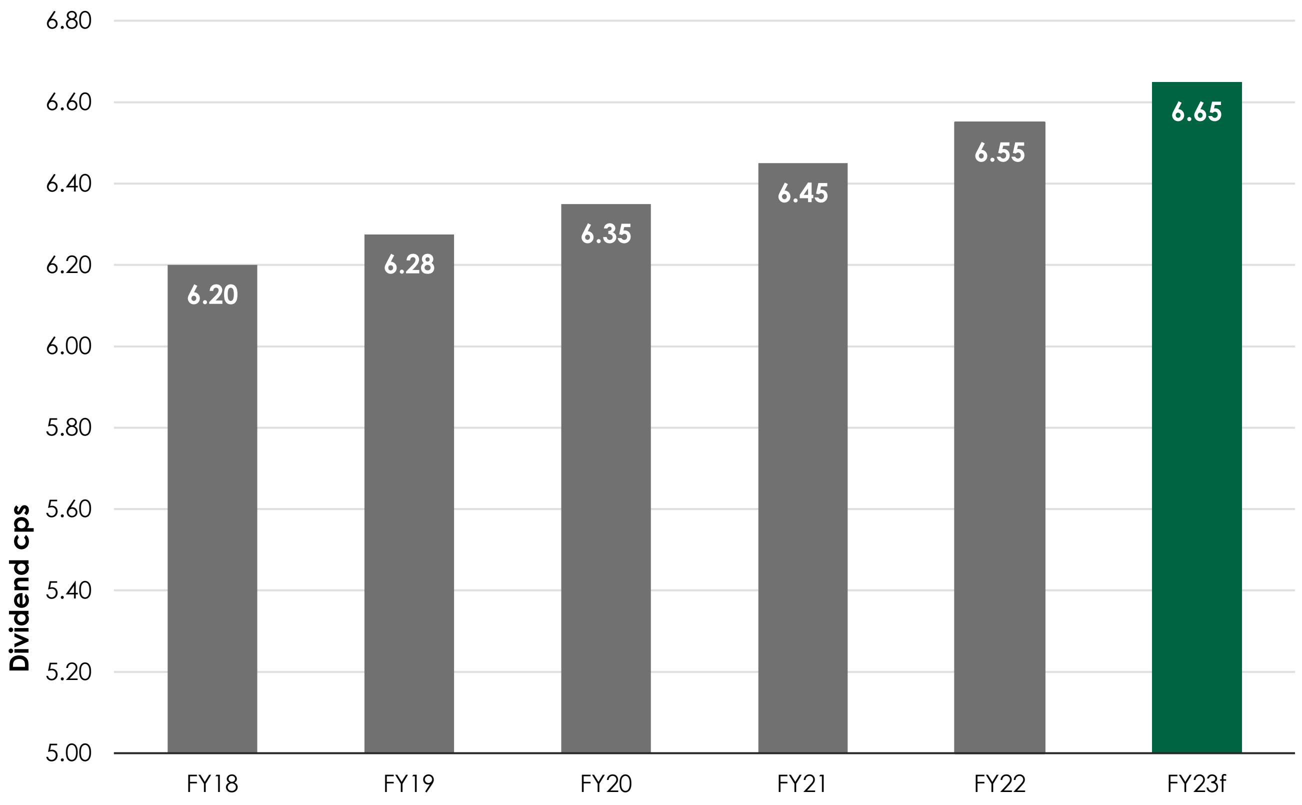
Dividends

Steady and sustainable

- A 2nd quarter dividend of 1.6625cps has been declared with 0.159398 cents per share imputation credits attached.
- Overseas investors will receive an additional supplementary dividend of 0.072332 cents per share to offset non-resident withholding tax.
- The record date is 7 December and the payment date is 21 December.

6.65cps

- Unchanged FY23 dividend guidance, a 1.5% increase on the prior year



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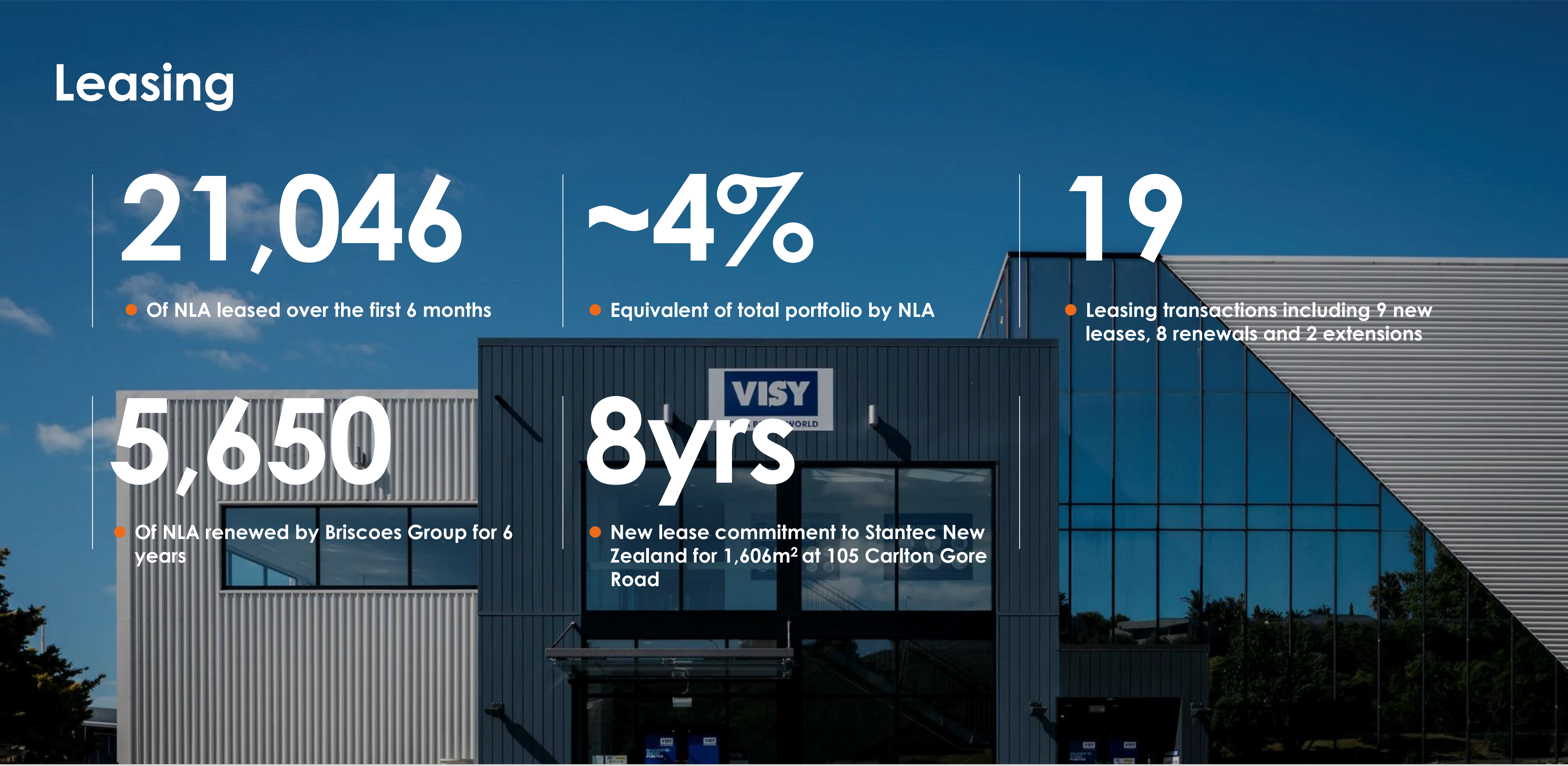
Leasing



Leasing

21,046

- Of NLA leased over the first 6 months

~4%

- Equivalent of total portfolio by NLA

19

- Leasing transactions including 9 new leases, 8 renewals and 2 extensions

5,650

- Of NLA renewed by Briscoes Group for 6 years

8yrs

- New lease commitment to Stantec New Zealand for 1,606m² at 105 Carlton Gore Road

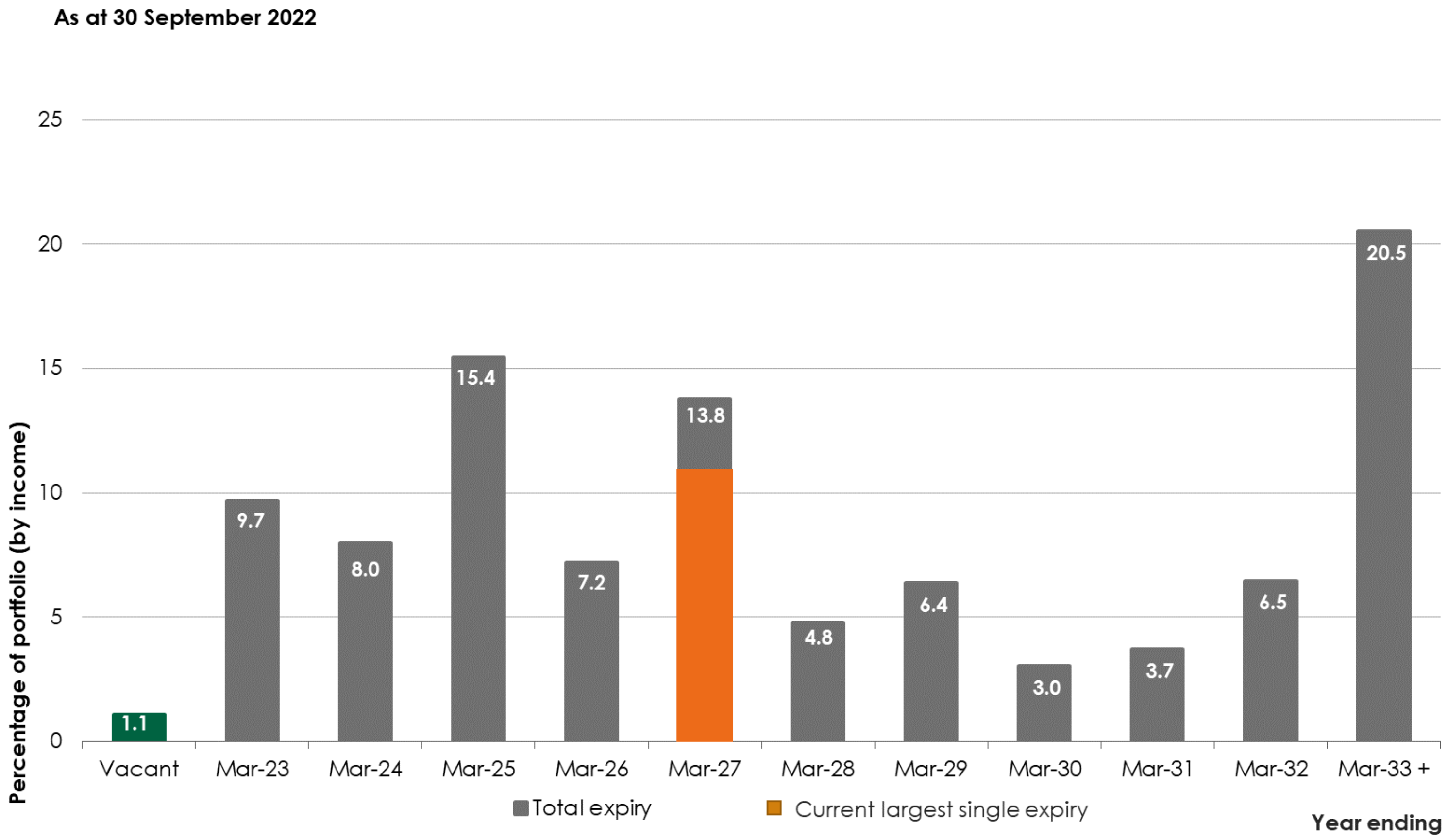
Lease Expiry & Rent Review Profile

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.
- FY23 sees $83m of portfolio income subject to rent reviews. Of these, $47m is subject to fixed reviews, $27m to market review and $9m to CPI.

2.6%

Annualised rent review



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MARKET INSIGHTS

INDUSTRIAL

- Strong demand continues to drive additional supply.
- Limited land supply in Auckland and Wellington puts pressure on land values, rentals and encourages non-traditional locations.
- Return of domestic manufacturing as a result of the supply chain issues and carbon footprint of distribution from offshore.
- Rental growth continues.
- Vacancy remains very low, with limited speculative supply.
- Covid-19 pandemic and supply chain constraints have seen average size demand increase.

OFFICE

- Flexible working environments continue.
- Changes in the way space is used, focusing on the environment, becoming a reason to be in the office.
- Increased focus from tenants on sustainability/green as an appeal to younger staff.
- Impact 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.
- Auckland rental growth impacted by sublease vacancy and new supply.
- Wellington continues to see solid demand, with low vacancy for good quality, well located space.

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.
- Large format retail expected to be most secure.
- Retailers looking to consolidate to a fewer number of locations.

Focus & Outlook

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FY23 remains challenging, but the business is well positioned

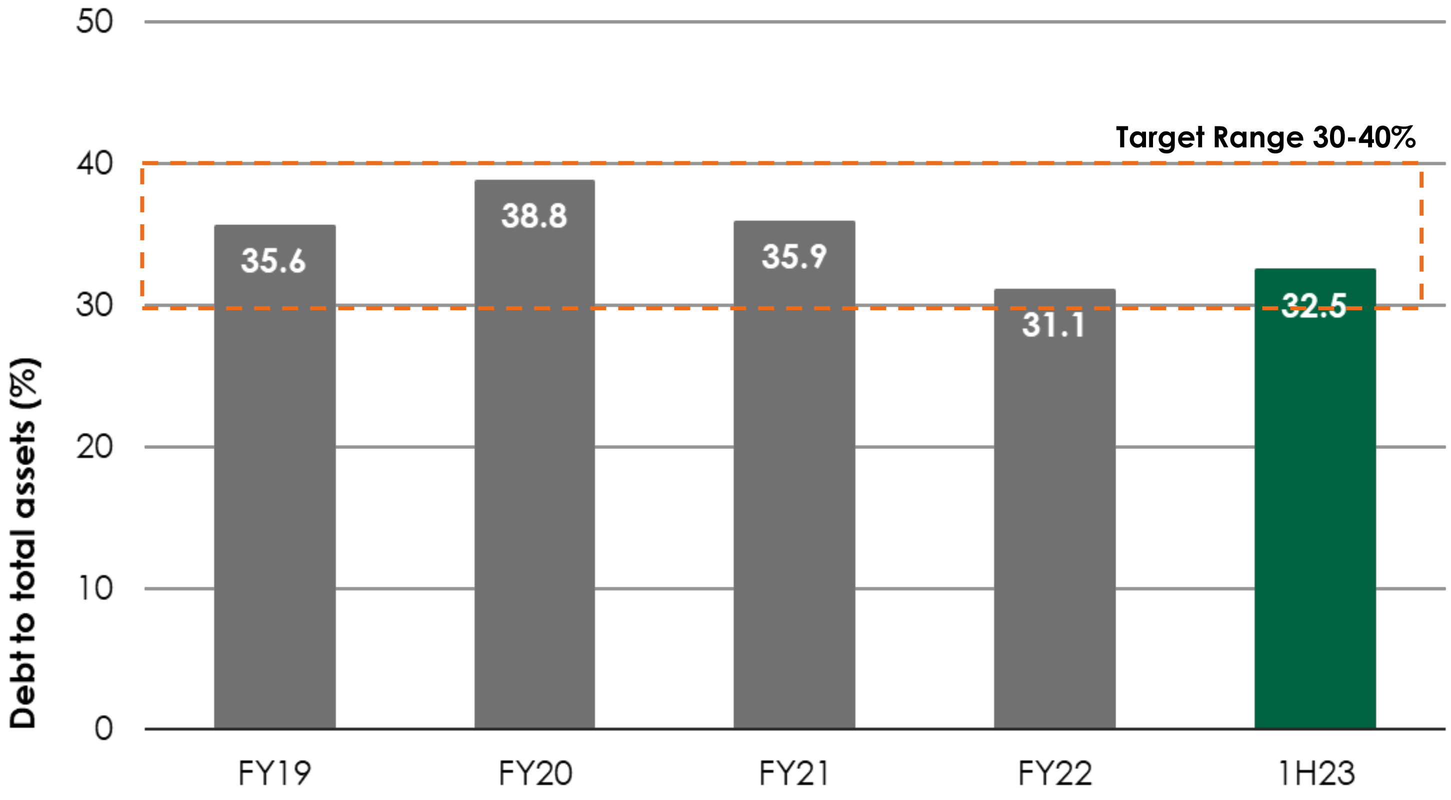
We will stay focused on delivering on Strategy

- Local and global economy continues to experience significant volatility driven by a range of factors including rising interest rates (tightening), inflation headwinds and geopolitical risks (although easing).
- Argosy is well positioned to manage its way through with a sound capital position and quality portfolio of diversified properties by type and location. Our diversification remains a strength.
- Key focus areas for FY23 are simple and remain unchanged from year end: 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 Mt Richmond and Neilson Street where we continue to receive strong market interest.
- 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 on dividend guidance to shareholders.

Appendices

Balance Sheet Management

Gearing comfortably at the bottom end of target range



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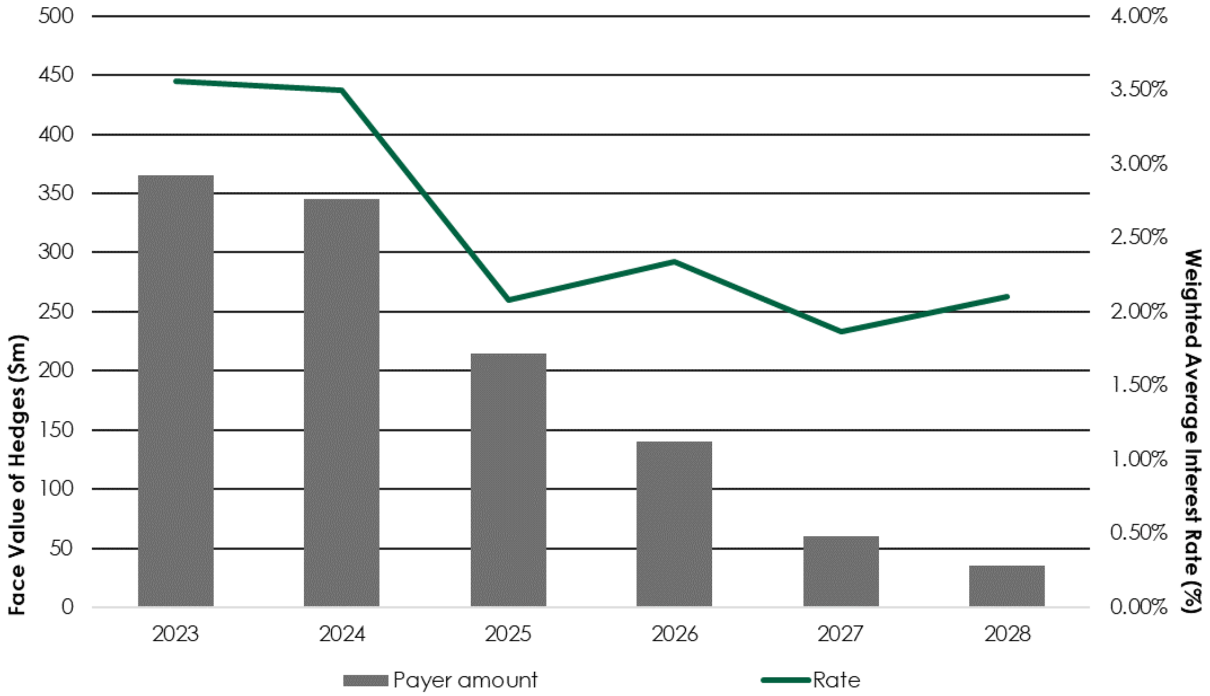
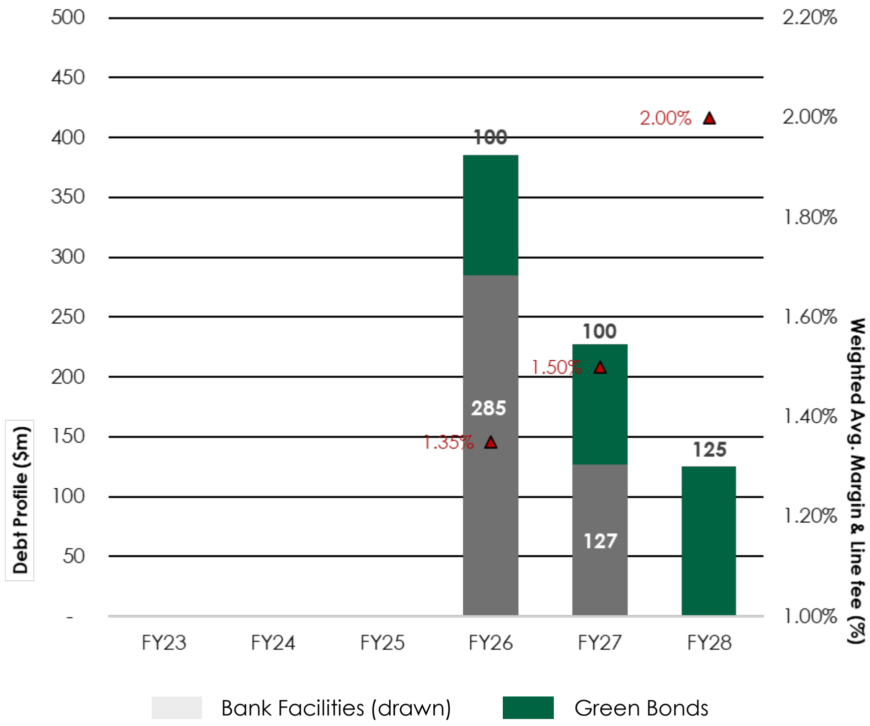
Hedges, Interest Rates & Debt Maturity Profile

Hedges & Weighted Average Interest Rates



Note: All payer data as at 31 March year end

Debt Maturity Profile (drawn) & Weighted Average Margin and Line fee



Rent Review Summary

Type	#	Previous Rent ($000's)	% of rent reviewed	New Rent ($000's)	Increase ($000's)	% Increase	Annualised Increase ($000's)	% of Total Annualised Increase	Annualised % Increase
Total	**53**	**26,961**	**100%**	**27,770**	**808**	**3.0%**	**712**	**100%**	**2.6%**
By review type									
Fixed	45	23,552	87%	24,169	616	2.6%	616	87%	2.6%
Market	5	3,156	12%	3,337	181	5.7%	85	12%	2.7%
CPI	3	253	1%	264	11	4.2%	11	1%	4.2%
By sector									
Industrial	16	16,745	62%	17,148	403	2.4%	403	57%	2.4%
Office	26	6,483	24%	6,680	197	3.0%	179	25%	2.8%
LFR	11	3,733	14%	3,942	208	5.6%	130	18%	3.5%
By location									
Auckland	48	24,708	92%	25,473	765	3.1%	668	94%	2.7%
Wellington	5	2,253	8%	2,297	44	1.9%	44	6%	1.9%
Other	0	0	0%	0	0	0.0%	0	0%	0.0%

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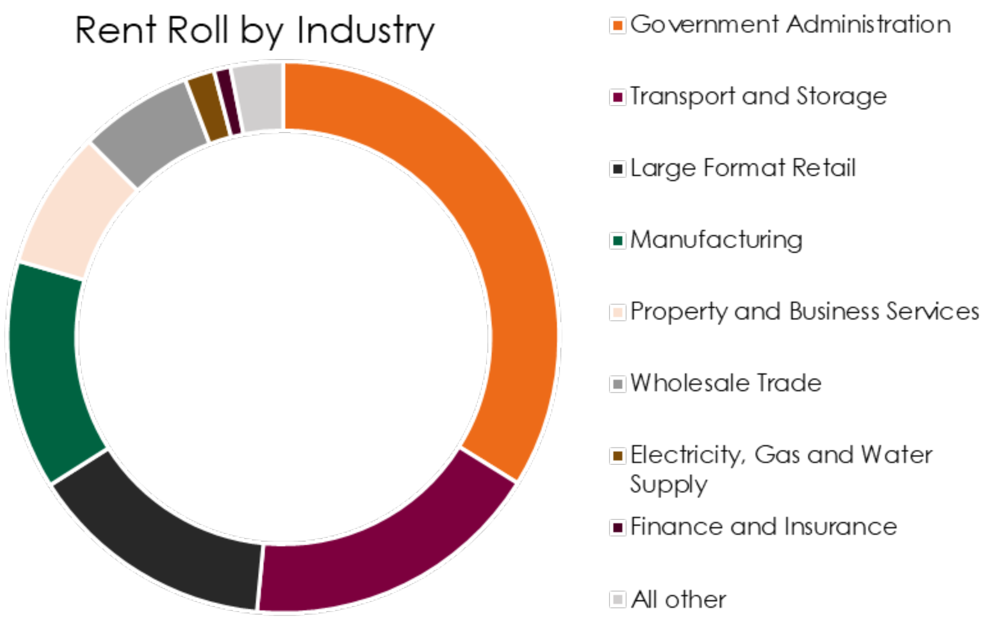
Rent Review Summary – Auckland & Wellington

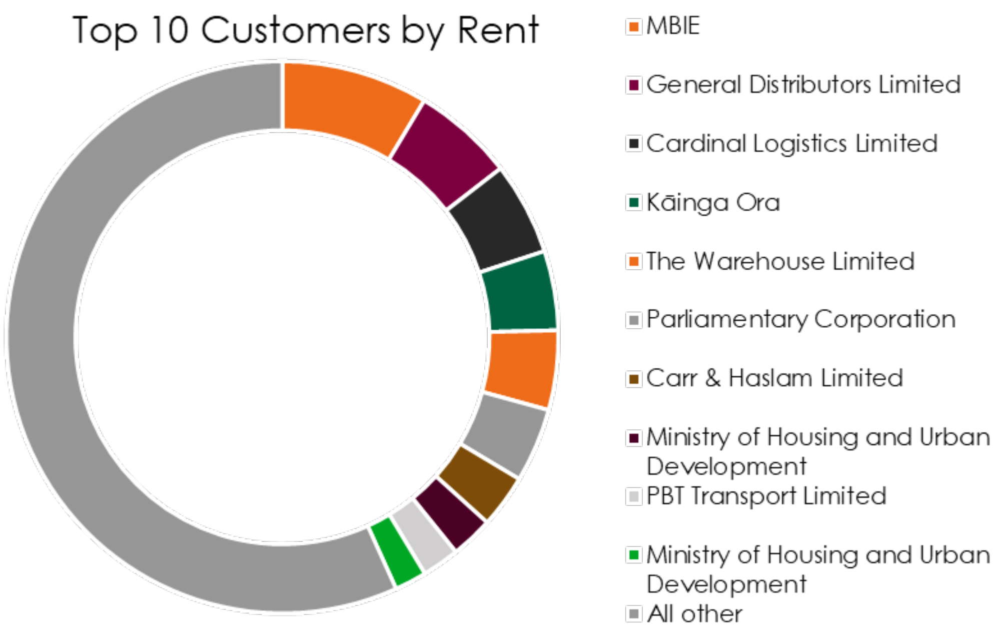
Location	#	Previous Rent ($000's)	% of rent reviewed	New Rent ($000's)	Increase ($000's)	% Increase	Annualised Increase ($000's)	% of Total Annualised Increase	Annualised % Increase
Auckland									
Industrial	12	14,501	59%	14,861	360	2.5%	360	50.6%	2.5%
Office	25	6,474	26%	6,670	197	3.0%	178	25.0%	2.7%
Retail	11	3,733	15%	3,942	208	5.6%	130	18.3%	3.5%
	48	**24,708**	**100%**	**25,473**	**765**	**3.1%**	**668**	**93.9%**	**2.7%**
Wellington									
Industrial	4	2,244	100%	2,287	43	1.9%	43	6.0%	1.9%
Office	1	9	0%	10	1	7.3%	1	0.1%	7.3%
Retail	0	0	0%	0	0	0.0%	0	0.0%	0.0%
	5	**2,253**	**100%**	**2,297**	**44**	**1.9%**	**44**	**6.1%**	**1.9%**

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.

Portfolio Metrics

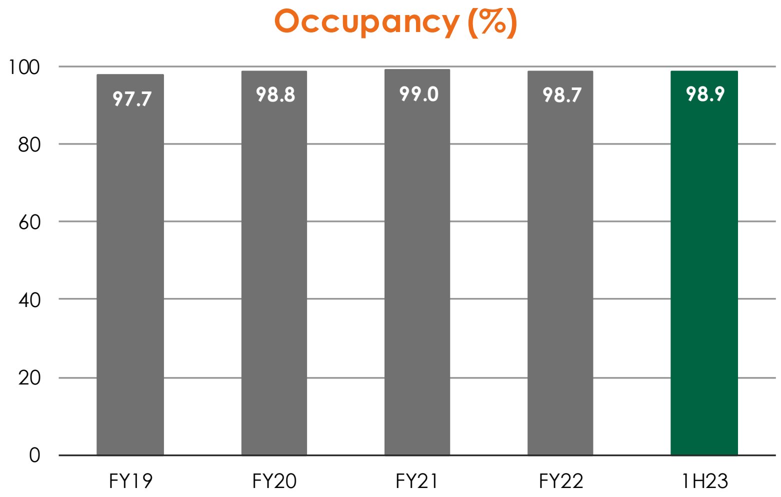
Defensive & resilient tenant, high essential service exposure

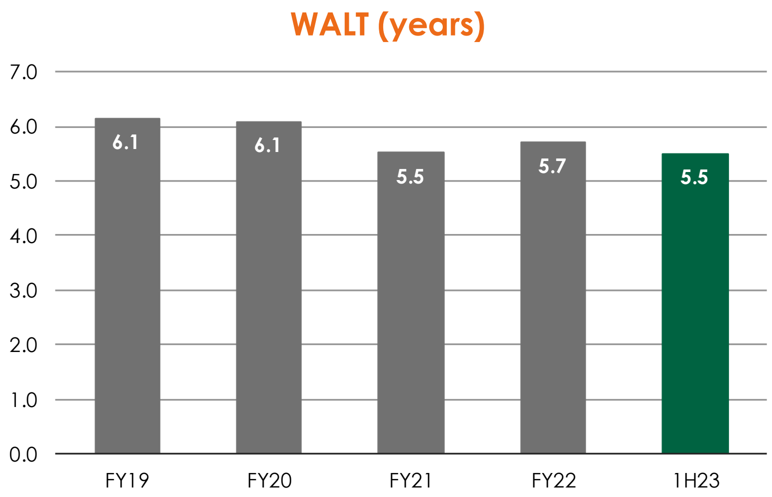


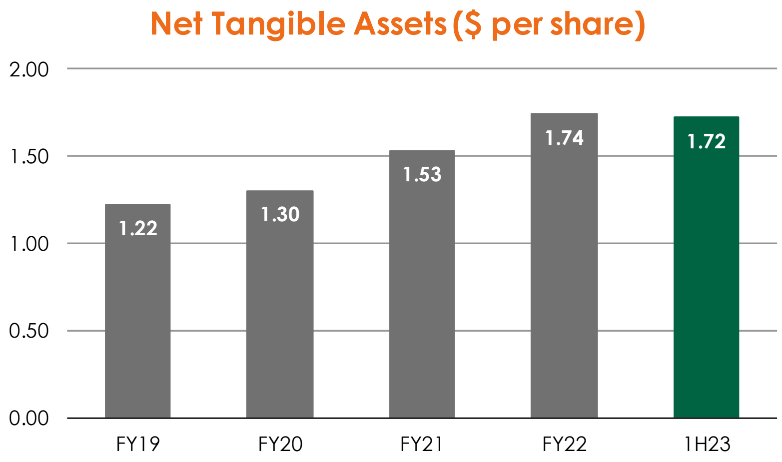


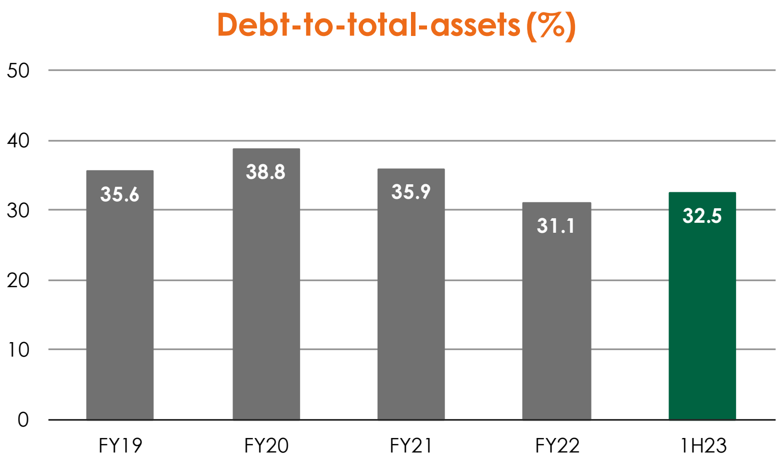
Portfolio Snapshot

Portfolio quality and resilience reflected in key metrics









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22 November 2022