

18.06.2024

## CHAIRMANS REVIEW – PART 1

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### **ANNUAL MEETING [SLIDE 1]**

Good afternoon everyone. My name is Jeff Morrison, and I am the Chairman of Argosy Property Limited. On behalf of my fellow directors and members of the management team, it is my pleasure to welcome you all to the 2024 annual meeting of shareholders of Argosy. It is my privilege to again chair this meeting at the Royal New Zealand Yacht Squadron.

As usual, before we get things underway there are the usual housekeeping matters. Firstly, can I remind those shareholders or proxy holders attending in person to have your phones on silent please. In the unlikely event of an emergency, please evacuate the building using the blue doors at the eastern exit behind you and assemble in the carpark. The bathrooms are located behind me next to the main reception area.

As per previous years, today's annual meeting is a hybrid annual meeting. Shareholders who are not attending in person can attend virtually and still ask questions and vote, through the Computershare online virtual meeting platform. Shareholders can also follow proceedings via the live webcast.

Today's meeting will focus on our recent annual results to 31 March 2024, our long term strategy for growth and progress around our sustainability goals.

Before we get to that, there are a few procedural differences we need to run through for our hybrid meeting to run smoothly.

## **HYBRID AGM - INSTRUCTIONS FOR WEBCAST PARTICIPANTS [SLIDE 2]**

For shareholders participating through the live webcast, polling on the three resolutions has now opened. Votes can be cast by selecting the polling icon on the instruction screen and following the prompts. Votes can be amended up until the time the poll closes, which is at the conclusion of the meeting.

Now the meeting has started, questions can also be submitted through the webcast portal. We have allocated time to address these at the relevant time in the meeting, but they can be submitted at any stage.

If you experience any technical issues casting your vote or submitting questions, please refer to the instructions provided in the Virtual Annual Meeting Guide that accompanied the Notice of Meeting, or type your query into the “Q&A” tab or you can call Computershare on 0800-650-034.

## **THE BOARD [SLIDE 3]**

With those procedural matters explained, lets get things underway.

I'd like to record that the Notice of the Meeting was duly given on 20 May 2024 and as there are at least five shareholders here today, there is a quorum present. Accordingly, I declare the 2024 Annual Meeting of Argosy Property Limited - open.

Your Board of Directors

There is detailed information about the Board in the 2024 Annual Report, however I will briefly introduce them to you.

To my right is Stuart McLauchlan. Stuart was appointed to the Board in August 2018 and is a prominent businessman and company director. He is Chairman of the NZ Sports Hall of Fame, Scott Technology Limited and Skyline Aviation Limited. He is a director of EBOS Group Limited, Dunedin Casinos and several other companies. Stuart's position as director is up for re-election and we'll hear from him later in the meeting.

Next, we have Chris Gudgeon who joined the Board in November 2018. He has been involved in property investment, development and construction in New Zealand for more than 25 years and is currently a director of Crown Infrastructure Partners and Ngāti Whātua Ōrākei Whai Rawa Limited. He was previously Chief Executive of Kiwi Property Group and Capital Properties NZ Ltd.

Next, to Chris we have Rachel Winder. Rachel was first appointed to the Board in August 2019. Rachel has been involved in the property sector for over 20 years across a variety of senior roles including strategy, portfolio management, financial management, development and leadership.

Next, to Rachel we have Martin Stearne. Martin has over 20 years commercial and capital markets experience, and currently holds appointments to the NZX's NZRegCo Advisory panel, the Takeovers Panel and the Investment Committee of the Impact Enterprise Fund. He is a member of INFINZ and ICEAngels.

Mike Pohio is absent today and sends his apologies.

Finally, I have been a director since July 2013 and have over 40 years of experience as a property lawyer, 29 of them as a commercial property partner at Russell McVeagh. As well as my role as Chairman of Argosy, I also chair the Remuneration & Nominations Committee and sit on the Company's Audit and Risk Committee. My position as director is up for re-election and you will hear from me later in the meeting.

## **THE EXECUTIVE TEAM [SLIDE 4]**

Seated next to the Board of directors is the Chief Executive, Peter Mence and the Chief Financial Officer, Dave Fraser. We also have several other members of the management team here today.

I would also like to welcome our auditors, Deloitte, our solicitors, Harnos Horton Lusk, our Registrar, Computershare and our tax advisors, KPMG, to the meeting.

## **AGENDA [SLIDE 5]**

The agenda for this afternoon's meeting will be as follows:

- As Chairman, I will deliver a brief review of Argosy's 2024 results and strategy;
- This will be followed by a more detailed review of Argosy's performance by our Chief Executive, Peter Mence;
- Following Peter's review, we will take questions from Shareholders;
- We will then move to the formal resolutions of the Meeting;
- And finally, we will then attend to any general business.

After the meeting has been formally closed, please stay for refreshments where the Directors and Executives of Argosy will be available to discuss any queries you may have.

## PROXIES

Proxies have been received in respect of 377,085,300 shares and these have been audited by Deloitte. There are 847,168,744 shares on issue.

## **CHAIRMAN'S INTRODUCTION [SLIDE 6]**

I am pleased to now present to you a summary of the Company's performance for the year ended 31 March 2024. You will have received the 2024 Annual Report and financial statements, either by post or electronically, depending on your preference.

## **FY24 ACHIEVEMENTS [SLIDE 7]**

The Board was pleased with the way the business, management team and staff have performed during the year despite continued weak operating conditions.

Inflation remained sticky and consequently interest rates stayed high and clearly had a negative influence on property values at year end.

Despite these cyclical factors, as a Board we were very happy by the progress we made towards our sustainability goals as evidenced by the green buildings completed during the year and certifications achieved. During the year we achieved a 6 Green Star Built certification for 8-14 Willis Street – which was Wellington's first 6

Star office development and Argosy's first too. Well done to Management and staff for a great achievement.

For the year to 31 March 2024, we again achieved Toitu Net Carbonzero certification, maintained or improved our NABERSNZ ratings across rated assets and retained our MSCI ESG Green Rating at AA – which is a great result.

The diversified portfolio remains resilient and the 34% weighting to the Government sector provides a measure of earnings defensiveness in our view. Whilst portfolio metrics remain sound, we acknowledge the coming year will certainly bring more challenges.

The Board is comfortable with the company's capital position and balance sheet strength and we were pleased management achieved several strategic asset divestments through the year. Balance sheet gearing is sitting at middle of our target 30-40% band.

As part of its strategic asset allocation strategy review during the year, the Board chose to adjust policy targets, with an increased weighting in Auckland Industrial and a reduced weighting in Wellington Office. Whilst Peter will talk more to the exact weightings shortly, the decision was made with a view to where we see the best long term returns to support earnings and dividend growth for the company.

Shareholders will also be pleased we delivered a dividend in line with guidance of 6.65 cents per share for 2024 and importantly, have maintained it at 6.65 cents per share for FY25.

Looking ahead, I do believe the company's sound financial and portfolio position sees the business well placed to manage the near term economic weakness.

## **VISION – BUILDING A BETTER FUTURE [SLIDE 8]**

Many of you here will be quite familiar with this slide. Our vision of building a better future continues to be underpinned by our three core pillars of being a green, resilient business owning a quality portfolio diversified by sector, tenant and location.

Our focus on greening the portfolio is unchanged as we target 50% of our portfolio being green assets by 2031. Our current developed green asset weighting of 35% sees us well placed to deliver on this target.

Peter will touch on this in his review but there is growing evidence around rental premiums between green and non green buildings. Furthermore, with increasing climate change reporting and analysis companies are being required to disclose – we expect to see growing valuation differentials between green assets built with more climate resilience than those without. As I have said previously - this all underpins the sustainability and stability of earnings and dividends over the long term.

Argosy's portfolio remains diversified by sector, tenant and location. We believe this approach will continue to reduce volatility in returns and widen growth opportunities over the longer term.

In summary, the future of our business is still green and we'll continue to support our tenants who are on this journey as well. We will remain focused on being the market leader in retro-fitting existing buildings to create modern, attractive working

environments for our tenants and their people. We'll continue to target strategic growth opportunities with green potential – with Auckland Industrial being the focus.

Our strategy of creating a green, resilient and diversified business continues to be based around creating value in the business to deliver measurable and sustainable dividend growth to shareholders.

On the subject of strategy, the Board is very focused on the current and future success of the business. A key part of this is ensuring there is appropriate succession planning in place at both the Board and Executive levels. The Board is developing a longer term succession plan for Directors and Senior Management that will position the business well to continue to deliver solid and reliable results for shareholders.

## **DIVIDEND SLIDE [SLIDE 9]**

The Board was pleased to announce a FY24 full-year cash dividend of 6.65 cents per share, in line with the prior year. Looking ahead, it is clear that the New Zealand economy will face challenges during the remainder of FY25 as inflation and interest rates remain high. However, the Board believes it is appropriate to look through short term cyclical headwinds to provide certainty for investors.

With this in mind, the Board has decided to maintain this FY25 year dividend at the current level of 6.65 cents per share, which we expect to be more than 100% of AFFO.

I'll now hand over to Peter who will take you through a brief review of the business.



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## CEO's REVIEW

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### **CEO REVIEW SLIDE [10]**

Thank you Mr Chairman. As noted earlier by the Chairman, I'll be taking you through the FY24 results in a little more detail before rounding out with an outlook on the year ahead and areas of focus.

### **RESULTS SUMMARY SLIDE [11]**

A few of the key result metrics are shown here. Net property income was up 3.3%, NTA was down due to the unrealised negative revaluations, we have held the dividend flat and recognise that the economy will continue to be challenging over the next 12 months. Gearing remains comfortably around the middle of the 30-40% band and well below our 50% covenant.

### **PORTFOLIO HIGHLIGHTS SLIDE [12]**

Occupancy is less than we would like and has been affected by recent expiries, however we continue to see leasing interest albeit conversion times are longer. The portfolio metrics are solid and we continue to have high retention rates.

### **SUSTAINABILITY COMMITMENT SLIDE [13]**

Sustainability initiatives have been very much a key plank of our strategy over the last 10 years. We continue to target 50% of our portfolio being green rated by 2031 and we're well on our way to achieving that. Climate disclosures are an iterative process with reporting obligations likely to expand further.

## **PORTFOLIO AT A GLANCE SLIDE [14]**

The portfolio at a glance shows that we are 51% industrial and around 40% office. Our exposure to Auckland is just under 70% and we note that our Value Add exposure is income generating – an important point.

## **REVALUATIONS SLIDE [15]**

Revaluations clearly affected the overall result. Latest data suggests that cap rate expansion has stopped – the last 3 months data indicates no change – other than retail which appears to have a little bit of softness still. Construction costs are falling, however there may be short term pressure on land values with the drop in development activity. Overall, green assets performed better in the valuations and in leasing transactions.

## **FINANCIAL PERFORMANCE SLIDE [16]**

Net property income was up 3.3% or \$3.7m on the prior period driven by like for like rent reviews and completed developments over the year such as 8 Willis Street and 105 Carlton Gore Road. Administration expenses were up due to the interim valuation undertaken during the year, additional Health & Safety audit and ESG costs and set up costs related to our insurance captive established during the year. The management expense ratio for the year is 54bps and the corporate expenses to net property income is 9.9% which is relatively stable on last year.

With the higher OCR the interest expense was up by \$7.5m, the rate variance was \$4.7m, the volume variance was \$1.3m and we had lower capitalised

interest of \$1.5m this year. The revaluation loss we have covered earlier which contributed to the reported bottom line loss of \$55.3m for the year.

## **DISTRIBUTABLE INCOME SLIDE [17]**

After the usual fair value adjustments, net distributable income was \$55.8m versus \$64.2m last year. The prior year benefitted from a receipt of \$3.0m from the failed settlement of Albany Lifestyle. Higher interest and tax also weighed on the result. On a per share basis NDI was 6.58cps versus 7.58cps last year.

## **LEASE EXPIRY SLIDE [18]**

The lease expiry profile is pretty modest over the next couple of years. In 2027 and 2028 we have expiries which we're already working on as you'd expect. Our portfolio review indicates a pretty good retention rate so going forward over the next 12-24 months we don't expect to see many surprises. It's a delicate balance in a quiet market where tenants are more likely to retain existing premises, but wanting sufficient room to meet their future growth.

## **MARKET INSIGHT SLIDE [19]**

Turning to the market and what we're seeing, there's a low supply of industrial property and low demand at present. However, 2025 is expected to be quite a bit busier and there's an increased focus on sustainability and demand for green buildings. Our timing for the 224 Neilson Street first building looks pretty good in Q1 2025.

In office, there's a lot of commentary in the market about the loss of public sector jobs and what impact that might have on the market, but we're really only giving up some of the growth in the last 6 months versus the last 6 years. The negativity in the sector may be overdone.

Working from home is diminishing, particularly in Wellington where we're seeing increased inbound inquiry for space as more people return to the office. In Auckland office, we have launched Footprint which is our co-working / shared office space offering based out of the Citibank building. It has just launched but the early signs are good with interest levels rising every week. Strategically, we elected to establish our own brand and product in this space rather than contracting an outside party.

In the retail space, the sector still has challenges with turnover figures continuing to fall but large format retail is still performing pretty well. Tenants considered to be at risk remain very modest and where we have had vacancies we've had strong demand for the space to date.

## **OUTLOOK SLIDE [20]**

Finally, as we look ahead over the coming year there's a number of focus areas we really need to keep working on in an economy which we've noted is still challenged. We have to pay for the increased taxation relating to building depreciation, however ill-founded we think those policies might be.

From a capital perspective we remain well placed and our early move into the green space is paying off with our delivery to tenants. Our experience and intellectual property we've developed in the space is becoming more valuable over time.

We'll continue to focus on delivering strong operational outcomes around expiries, leasing and driving rental growth. We will deliver on our strategic objectives including our green developments and divest low growth assets to recycle that capital into green developments. All of these factors will ensure we can continue to create a green, diversified and resilient business to deliver sustainable dividends to shareholders.

## **SUPREME AWARD [SLIDE 21]**

I'll now hand back to the Chairman.

**END.**

18.06.2024

## CHAIRMANS REVIEW – PART 2

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### **QUESTIONS [SLIDE 22]**

Thank you Peter.

I will now open the meeting for questions about the Company's performance generally. Other issues can be addressed as General Business later in the meeting.

I would like to remind you that only Shareholders, proxy holders or Shareholder company representatives have a right to speak.

In addressing the Chair with questions would you please clearly state your name and advise whether you are a Shareholder, a proxy holder or a Shareholder company representative.

If you have a question, there are people here with cordless microphones in the aisles, please use these so we can all hear your question.

**Do I have any questions from the floor or virtual audience?**

QUESTIONS

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As there are no further questions at this time, we will now consider the formal resolutions for the Meeting.

## **RESOLUTIONS [SLIDE 23]**

The resolutions for consideration today may only be voted on by Shareholders, either in person or virtually or by proxy, and proxy holders and Shareholder company representatives present.

As noted earlier I have been provided with a record of the valid proxies received. Proxies have been received in respect of 377,085,300 shares and these have been audited by Deloitte. There are 847,168,744 shares on issue.

CHANGE OF PRESENTER – MARTIN STEARNE SWITCH WITH JEFF

## **RESOLUTION 1 [SLIDE 24]**

Resolution 1 proposes that Jeff Morrison be elected as a Director.

Pursuant to Clause 24.6 of the Company's constitution and NZX Main Board Listing Rule 3.3.11, Jeff retires by rotation. The Board confirms that Jeff is an independent director and Jeff has confirmed that he is available for election.

The Board supports Jeff's election and believes Argosy benefits from his extensive property market and governance expertise and experience he brings to the Company.

*I will now ask Jeff to say a few words (Jeff approaches lecturn to speak – once finished - Jeff returns to seat)*

**Are there any questions on this resolution? [pause for any questions]**

I now put to vote the resolution that Jeff Morrison is elected as a director of the Company.

Voting on this resolution will be by poll. For those shareholders and proxy holders physically in attendance here, please tick the relevant box on your voting form.

For those shareholders and proxy holders attending virtually, please simply select your voting choice from the options shown on your screen.

**Note: Pause for people to complete voting papers.**

Thank you, we will now move to the next resolution.

MARTIN RESUMES HIS SEAT - JEFF CAN RESUME AT THE LECTURN

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## **RESOLUTION 2 [SLIDE 25]**

Resolution 2 proposes that Stuart McLauchlan be elected as a Director.

Pursuant to Clause 24.6 of the Company's constitution and NZX Main Board Listing Rule 3.3.11, Stuart retires by rotation. The Board confirms that Stuart is an independent director and Stuart has confirmed that he is available for election.

The Board supports Stuart's election and believes Argosy benefits from his extensive financial expertise and experience he brings to the Company.

**Are there any questions on this resolution? [pause for any questions]**

I now put to vote the resolution that Stuart McLauchlan is elected as a director of the Company.



Voting on this resolution will be by poll. For those shareholders and proxy holders physically in attendance here, please tick the relevant box on your voting form.

For those shareholders and proxy holders attending virtually, please simply select your voting choice from the options shown on your screen.

**Note: Pause for people to complete voting papers.**

Thank you, we will now move to the next resolution.

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## **RESOLUTION 3 [SLIDE 26]**

Resolution 3 seeks to increase the Directors remuneration pool by \$25,000 to \$853,000 per annum.

**Is there any discussion on this resolution? [pause for any questions]**

Voting on this resolution will be by poll. For those shareholders and proxy holders physically in attendance here, please tick the relevant box on your voting form.

For those shareholders and proxy holders attending virtually, please simply select your voting choice from the options shown on your screen.

**Note: Pause for people to complete voting papers.**

Thank you, we will now move to the fourth and final resolution.

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## **RESOLUTION 4 [SLIDE 27]**

Resolution 4 seeks to authorise the Board to fix the auditor's fees and expenses.

Is there any discussion on this resolution?

Voting on this resolution will be by poll. For those shareholders and proxy holders physically in attendance here, please tick the relevant box on your voting form.

For those shareholders and proxy holders attending virtually, please simply select your voting choice from the options shown on your screen.

**As this is the final resolution, the online voting system will close in approximately 30 seconds. Please ensure that you have cast a vote on all resolutions.**

Note: Pause for people to complete voting papers.

That completes voting on all resolutions, **online voting will now be closed** and I will now ask for the voting papers to be collected in the boxes being circulated.

**Note: Pause for voting papers to be collected.**

Due to the number of votes to be counted, the votes collected at this meeting and online will be added to the proxies already received and the results will be compiled by the registrar and scrutinised by the auditor. The results, once available, will be published on the Argosy website and provided to the NZX.

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## **GENERAL BUSINESS [SLIDE 28]**

I now move on to the general business of the meeting and open the floor for questions or comments.

Again, I ask that in addressing the Chair with questions would you please clearly state your name and advise whether you are a Shareholder, a proxy holder or a Shareholder company representative.

For those shareholders online, if you wish to ask a question, select the question icon button on your computer, tablet or mobile phone, and then type and submit your question.

The question will then be sent to the Board to answer.

As I noted at the beginning of this meeting, we will try to get to as many of the questions as possible, but not all questions may be able to be answered during the meeting.

In this case, questions will be followed up via email after the meeting.

I would like to remind you that only Shareholders, proxy holders or Shareholder company representatives have a right to speak or ask questions.

Note: General business discussion - if any.

## **CHAIRMAN'S CLOSING / THANK YOU [SLIDE 29]**

That completes the formal business of the meeting.

Thank you everyone for your attendance and participation this afternoon.

**I formally declare this meeting closed.**

Please join us for some refreshments.

**END.**