Argosy

FY24 Annual Results: Building a better future

22 May 2024

Agenda

Peter Mence, CEO

Dave Fraser, CFO

Note: This results presentation should be read in conjunction with the NZX release dated 22 May 2024. 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.

Argosy

"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 economic cycles."

Peter Mence, CEO

Argosy

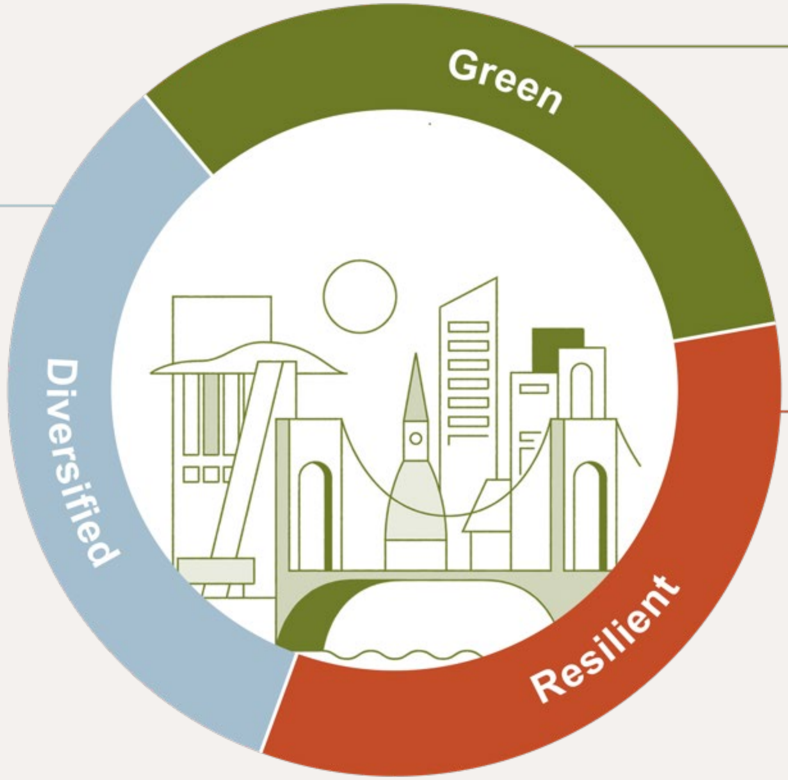
Building a better future

A diversified portfolio by sector and region

A diversified asset allocation across sectors to reduce volatility and widen growth opportunities

Targeting strategic growth opportunities with green potential and a focus on Auckland Industrial

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

Developing 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

Sustainability Commitment

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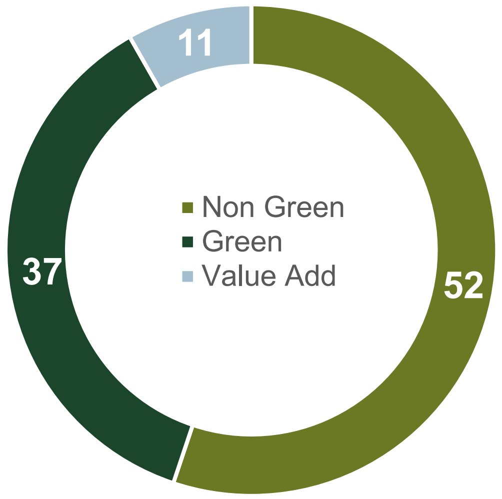
COHESIVE APPROACH ACROSS THE BUSINESS

To reduce our impact on the environment, create vibrant spaces for tenants, engage more with stakeholders and provide transparent and effective governance…

- Targeting >50% of the portfolio to be green by 2031
- Targeting carbon emission reductions of 17.5% by 2031
- Initial XRB climate disclosures completed in FY24
- Health & safety focus (zero harm)
- Ongoing engagement with our community
- Committed to high standards of corporate behaviour

Portfolio by Green Asset Type



Sustainability Reporting

- An important responsibility is to identify and assess the risks presented by climate change, just as we manage other risks facing our business.

GRI Empowering Sustainable Decisions

XRB

Asset Performance Ratings

- Third party verification to validate building performance through a mixture of energy ratings (NABERSNZ) and internationally recognised systems (Green Star) for sustainable design, operational excellence, construction and community impact.

NABERS NEW ZEALAND

greenstar

ESG Ratings

- ESG ratings provide stakeholders with a standardised way to evaluate our sustainability practices and ethical conduct against a global pool of companies. We are currently AA rated by MSCI.

MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

CDP

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Results Summary

$116.5m

Net property income increased 3.3%

6.65c

Full year FY24 dividend

1.6625c

Q4 final dividend declared

$1.45

NTA per share down from $1.58 driven by revaluation decline

-$55.3m

Full year net loss after tax, driven by -$111.7m revaluation decline

36.5%

Gearing comfortably in the middle of the target 30-40% band

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Portfolio Highlights

96.7%
Occupancy

5.2yrs
Weighted Average Lease Term

3.3%
Like for like rental growth

85%
Tenant retention rate

34.4%
Government sector rental income

44%
Weighting to Auckland Industrial

Sector Summary

Industrial

Number of buildings
33

Market value of assets ($m)
$1,014.9

Occupancy (by income)
99.1%

Weighted average lease term (WALT)
5.9 years

Office

Number of buildings
13

Market value of assets ($m)
$763.5

Occupancy (by income)
94.0%

Weighted average lease term (WALT)
5.1 years

Large format retail

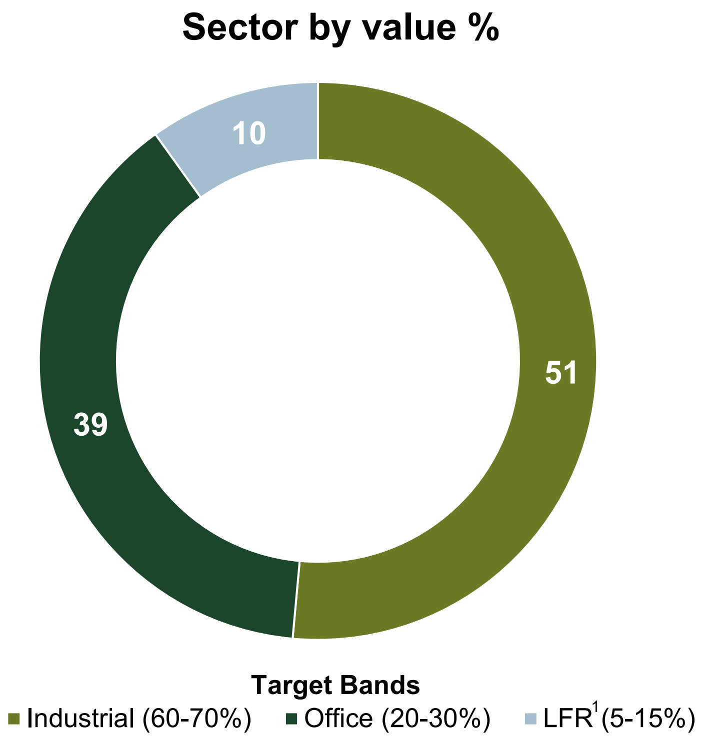
Number of buildings
4

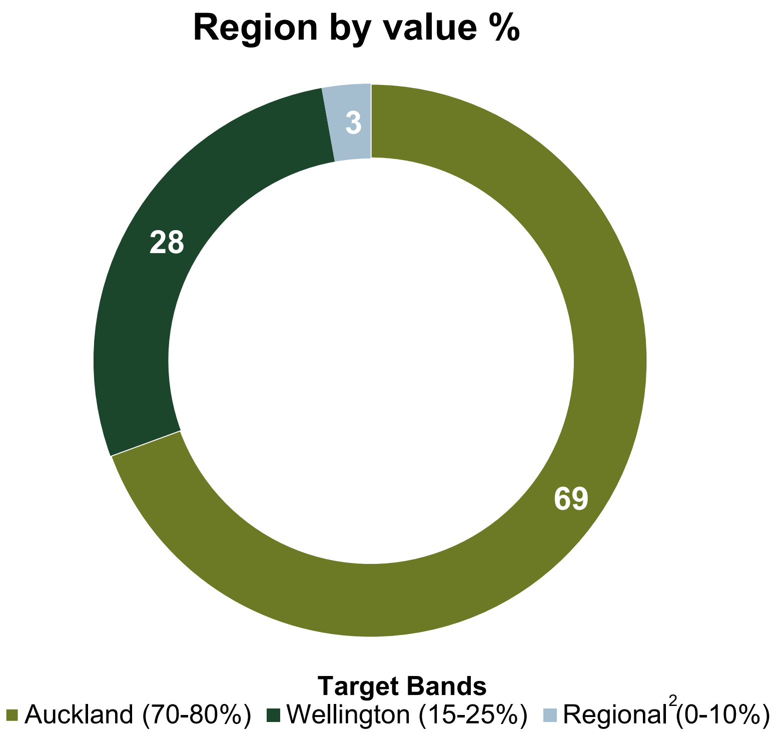
Market value of assets ($m)
$195.5

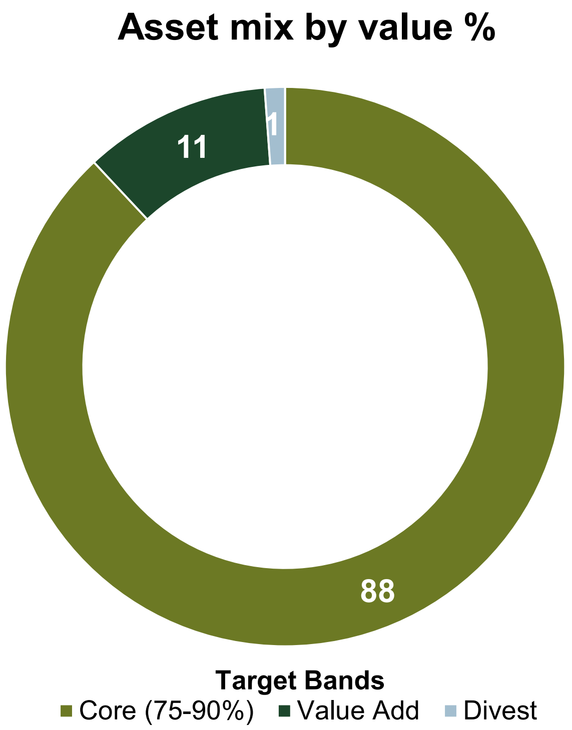
Occupancy (by income)
100%

Weighted average lease term (WALT)
2.5 years

Portfolio at a glance







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

Revaluations

CAP RATE SOFTENING ABATING, RENTAL GROWTH STILL EVIDENT

- Independent valuations as at 31 March were completed on all properties
- $111.7m decline reported, or 5.4% devaluation versus book values
- Four non Core properties divested above book value over the period for $93.1m

6.21%

Weighted average portfolio cap rate

	31 Mar 24 Book Value [1] ($m)	31 Mar 24 Valuation ($m)	△ $m	△ %	Mar 24 Cap rate %	Mar 23 Cap rate %
Auckland	1,439.8	1,369.7	(70.1)	(4.9%)	6.07%	5.66%
Wellington	585.8	548.2	(37.7)	(6.4%)	6.49%	6.25%
North Island Regional & South Island	59.9	56.0	(3.9)	(6.5%)	6.86%	6.25%
Total	**2,085.5**	**1,973.8**	**(111.7)**	**(5.4%)**	**6.21%**	**5.84%**

	31 Mar 24 Book Value [1] ($m)	31 Mar 24 Valuation ($m)	△ $m	△ %	Mar 24 Cap rate %	Mar 23 Cap rate %
Industrial	1,066.1	1,014.9	(51.2)	(4.8%)	5.94%	5.48%
Office	813.3	763.5	(49.9)	(6.1%)	6.45%	6.23%
Large Format Retail	206.0	195.5	(10.6)	(5.1%)	6.67%	6.25%
Total	**2,085.5**	**1,973.8**	**(111.7)**	**(5.4%)**	**6.21%**	**5.84%**

1. Book Value excludes September 2023 revaluation gain/loss

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.

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Value Add & Green Developments

GREEN ASSETS DRIVING DEVELOPMENT PIPELINE

- Value Add properties are a key strategic pillar and will transform the portfolio over the next decade
- 224 Neilson Street development underway with delivery of 5,000m^2 warehouse set for Q1 of 2025. Phase 2 to potentially include a further 12,200m^2 of warehouse for delivery in late 2025.
- Master Planning for Mt Richmond continues, with potential commencement in late 2025.

~$211m

Value Add properties with potential to deliver earnings and capital growth

Property		Sector	Location	Valuation @ 31 Mar 24
32 Bell Avenue, Mt Wellington	future	Industrial	Auckland	15.8
90-104 Springs Road, East Tamaki	future	Industrial	Auckland	8.9
224 Neilson Street, Onehunga	**underway**	**Industrial**	**Auckland**	**39.1**
8-14 Mt Richmond Drive, Mt Wellington	future	Industrial	Auckland	89.5
15 Unity Drive, Albany	future	Industrial	Auckland	8.5
133 Roscommon Road, Wiri	future	Industrial	Auckland	13.7
101 Carlton Gore Road, Newmarket	future	Office	Auckland	26.5
143 Lambton Quay	**future**	**Office**	**Wellington**	**9.0**
TOTAL $m				**211.0**
% of portfolio				10.7%

224 Neilson Street Development

+8.0%
Forecast IRR on completion

6 Star
Green Built rating being targeted

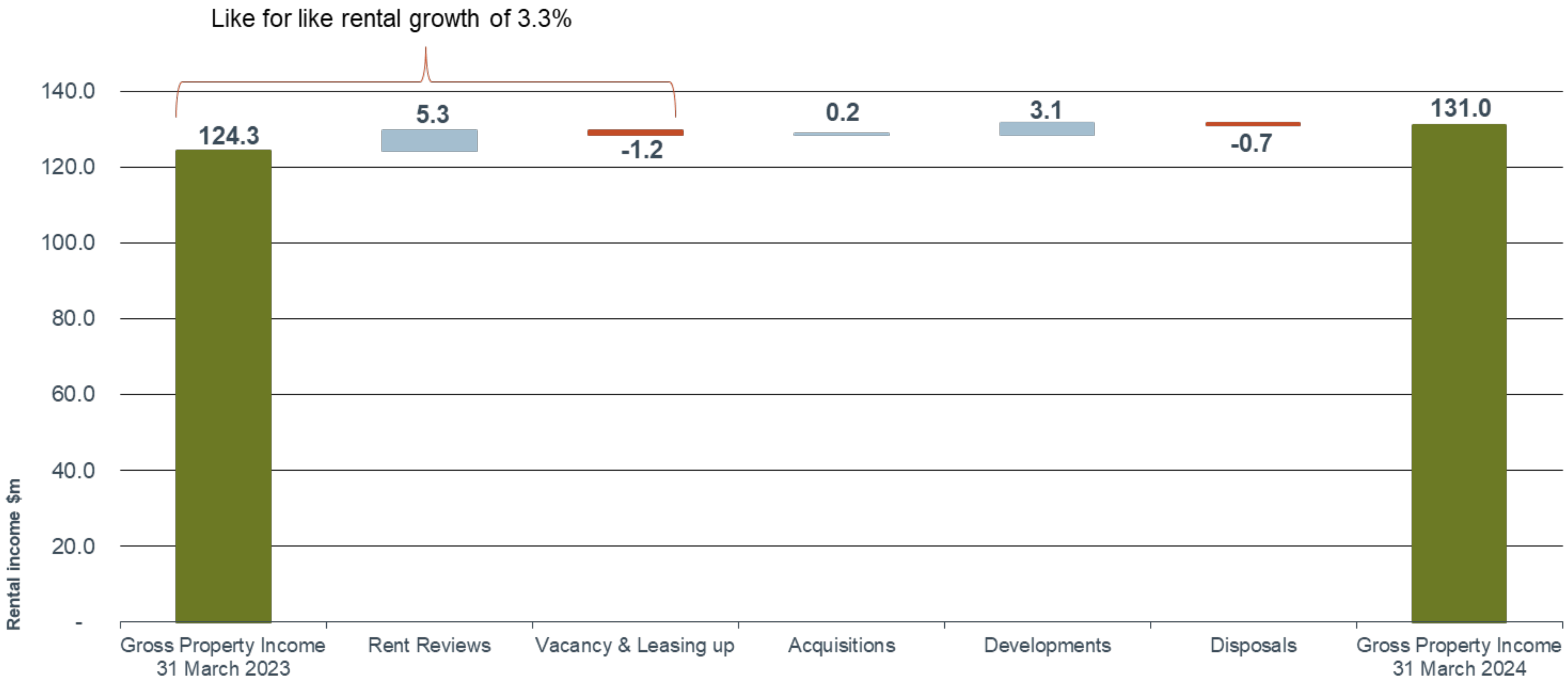
5 Star
NABERSNZ energy rating being targeted

17,200
m^2 of warehouse to be available

Financials

Gross Property Income Waterfall

Rent reviews and developments key drivers of rental growth



Financial Performance

SOLID TOP LINE GROWTH

- The net property income increase for the period was principally driven by solid like-for-like rental growth and development income from completed projects such as 8-14 Willis Street and 105 Carlton Gore Road
- Net interest expense was higher driven by higher floating interest rates, higher average debt and lower capitalised interest
- The full year revaluation decline reflected a 5.4% reduction on book value

$116.5m

NPI for the period, up 3.3%

	FY24 $m	FY23 $m
Net property income	116.5	112.8
Administration expenses	(11.6)	(10.8)
Profit before financial income/(expenses), other gains/(losses) and tax	**104.9**	**102.0**
Net interest expense	(43.7)	(36.3)
Gain/(loss) on derivatives	0.6	7.3
Other gains/(losses)		
Revaluation gains/(losses) on investment property	(111.7)	(146.6)
Realised gains/(losses) on disposal of investment property	(1.0)	(0.4)
Settlement for failed sale of investment property		3.0
Profit/(loss) before income tax attributable to shareholders	**(50.8)**	**(70.9)**
Taxation expense	(4.5)	(9.9)
Profit/(loss) and total comprehensive income/(loss) after tax	**(55.3)**	**(80.8)**
Earnings per share (cents)	(6.53)	(9.55)

Distributable Income

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SOUND RESULT

- Net distributable income for the year was $55.8m compared to $64.2m in the prior comparable period
- The variance from last year was driven primarily due to higher interest costs and higher taxation
- The prior comparable period also benefited from the receipt of a $3.0m settlement for the failed sale of the Albany Lifestyle Centre

$55.8m

Net distributable income

	FY24 $m	FY23 $m
Profit before income tax	**(50.8)**	**(70.9)**
Adjustments:		
Revaluation (gains)/losses on investment property	111.7	146.6
Realised losses/(gains) on disposal	1.0	0.4
Derivative fair value (gain)/loss	(0.6)	(7.3)
Gross distributable income	**61.2**	**68.7**
Depreciation recovered on disposals	0.9	0
Current tax expense	(6.3)	(4.5)
Net distributable income	**55.8**	**64.2**
Weighted average number of ordinary shares (m)	847.1	846.7
Gross distributable income per share (cents)	**7.23**	**8.11**
Net distributable income per share (cents)	**6.58**	**7.58**

Adjusted Funds From Operations (AFFO)

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AFFO COVERED DIVIDENDS

- Higher amortisation of tenant incentives reflect divested assets and lease terminations during the year
- Lower maintenance capex for the year reflects the significant projects undertaken during the prior year
- AFFO was 6.90cps, which is consistent with the prior year

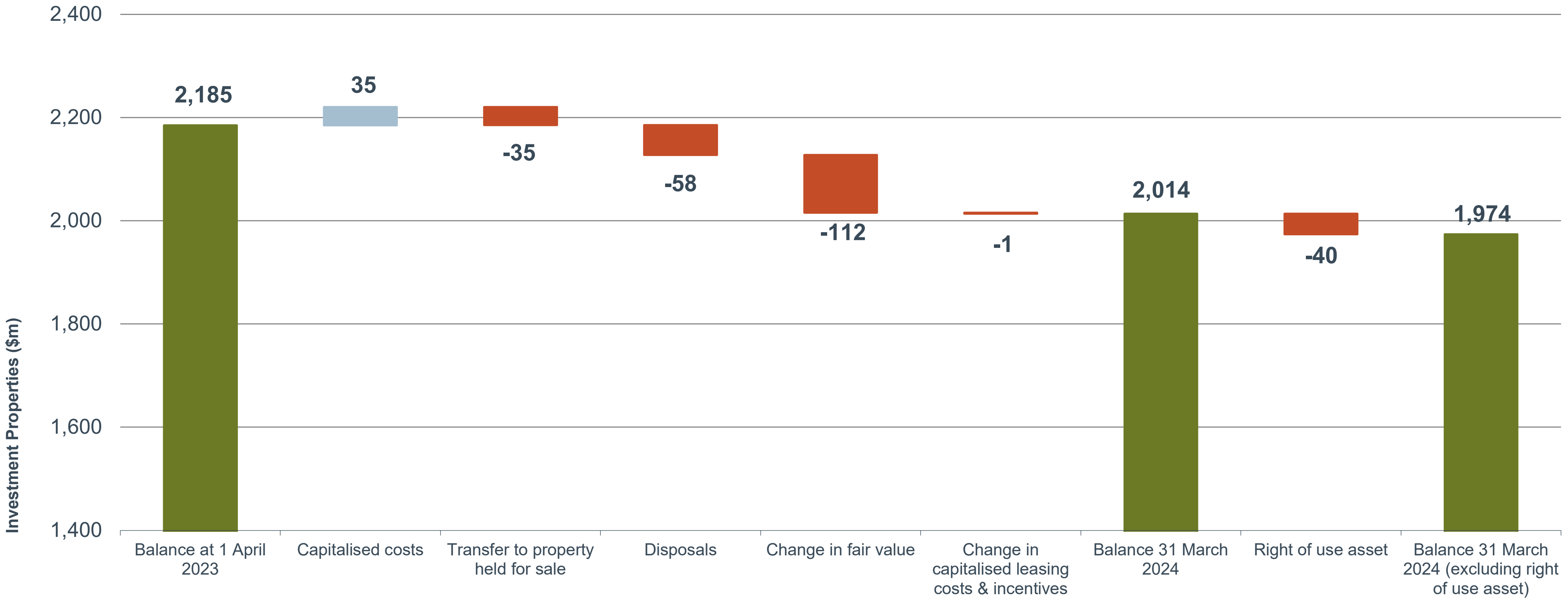
96%

AFFO dividend payout ratio

	FY24 $m	FY23 $m
Net distributable income	**55.8**	**64.2**
Amortisation of tenant incentives and leasing costs	3.5	2.7
Share based payment expense	0.3	-
Funds from operations (FFO)	**59.6**	**66.9**
Capitalisation of tenant incentives and leasing costs	(1.3)	(1.0)
Maintenance capital expenditure	(2.1)	(6.4)
Swap contract termination payment	-	(1.5)
Maintenance capital expenditure recovered through sale	2.3	0.1
Adjusted funds from operations (AFFO)	**58.4**	**58.1**
Weighted average number of ordinary shares (m)	847.1	846.7
FFO cents per share	7.04	7.91
AFFO cents per share	**6.90**	**6.86**
Dividends paid/payable in relation to period	6.65	6.65
Dividend payout ratio to FFO	94%	84%
Dividend payout ratio to AFFO	**96%**	**97%**

Investment Property Waterfall

Revaluation impacts portfolio value decline



Net Tangible Asset

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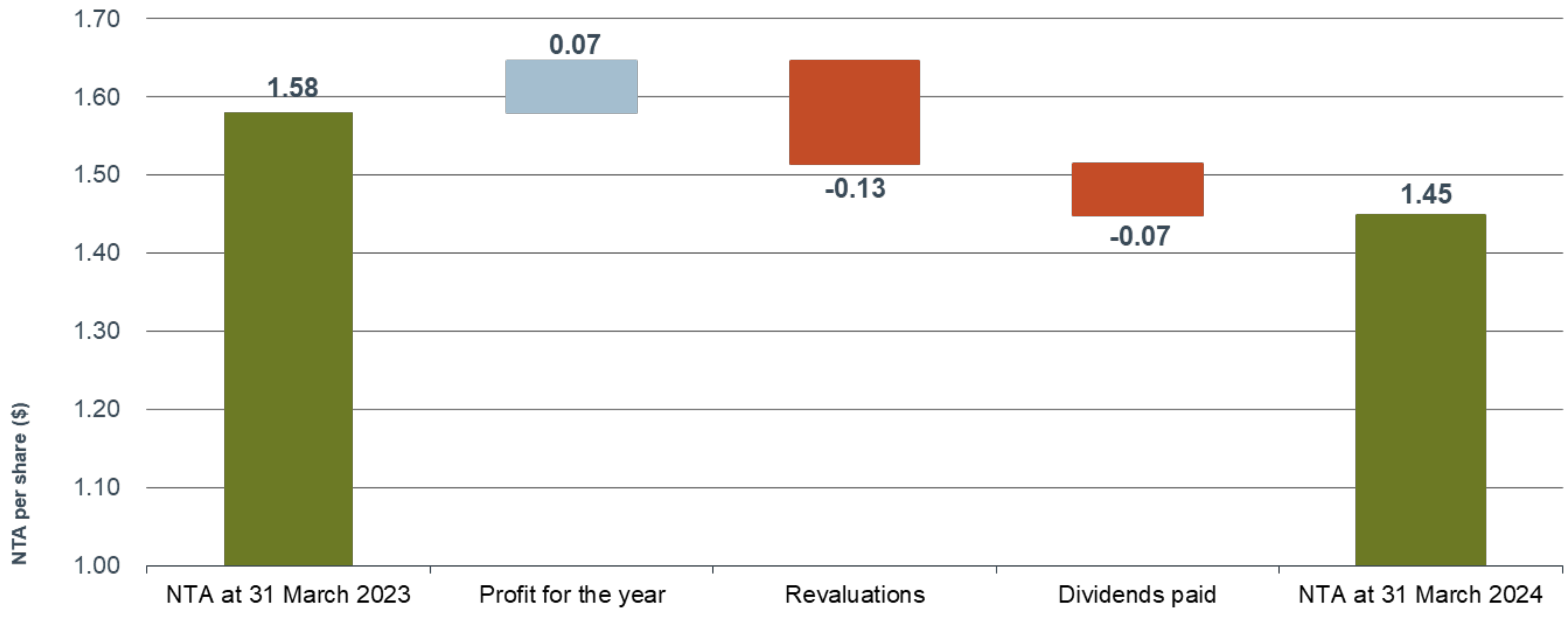
Revaluation key driver of NTA decline



Balance Sheet Management

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GEARING AT THE MID-RANGE OF TARGET BAND

- The balance sheet is in good shape
- Argosy has sufficient facility headroom to complete existing developments and act on any near-term opportunities
- Green projects will continue to be a key focus, particularly 224 Neilson Street
- At 31 March, $23.0m in assets were regarded as non Core
- Four non Core assets divested over the period totalling $93.1m

36.5%

Debt-to-total-assets ratio in the middle of the target 30-40% range

	FY24 $m	FY23 $m
Investment properties	**2,013.8**	2,184.9
Asset held for sale	35.2	-
Other assets	20.0	27.7
Total assets	**2,069.0**	2,212.6
Right of Use Asset	(40.0)	(40.1)
Total assets (net of Right of Use Asset)	**2,029.0**	2,172.6
Fixed Rate Green Bonds	325.0	325.0
Bank debt[1]	415.6	438.2
Total Bank Debt & Bond Funding	**740.6**	763.2
Debt-to-total-assets ratio[2]	**36.5%**	35.1%

1. Excludes capitalised borrowing costs. 2. Excludes Right of Use Asset at 39 Market Place of $40.0 million

Interest Rate Management

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FIXED RATE COVER OF 71%

- Weighted average interest rate increased to 5.6% from 5.4% at 31 March 2023
- Fixed rate cover at 71% of drawdown debt
- $255m in forward rate swaps commencing from 5 March 2025

	FY24	FY23
Weighted average interest rate[1]	5.6%	5.4%
Interest Cover Ratio	2.4x	2.8x
% of fixed rate borrowings	71%	71%
Weighted average duration of active payer swaps	1.1 years	2.0 years
Average rate of active payer swaps	3.43%	3.48%

2.4x

Interest cover ratio banking covenant set at a minimum of 2.0x

1. Including margin and line fees

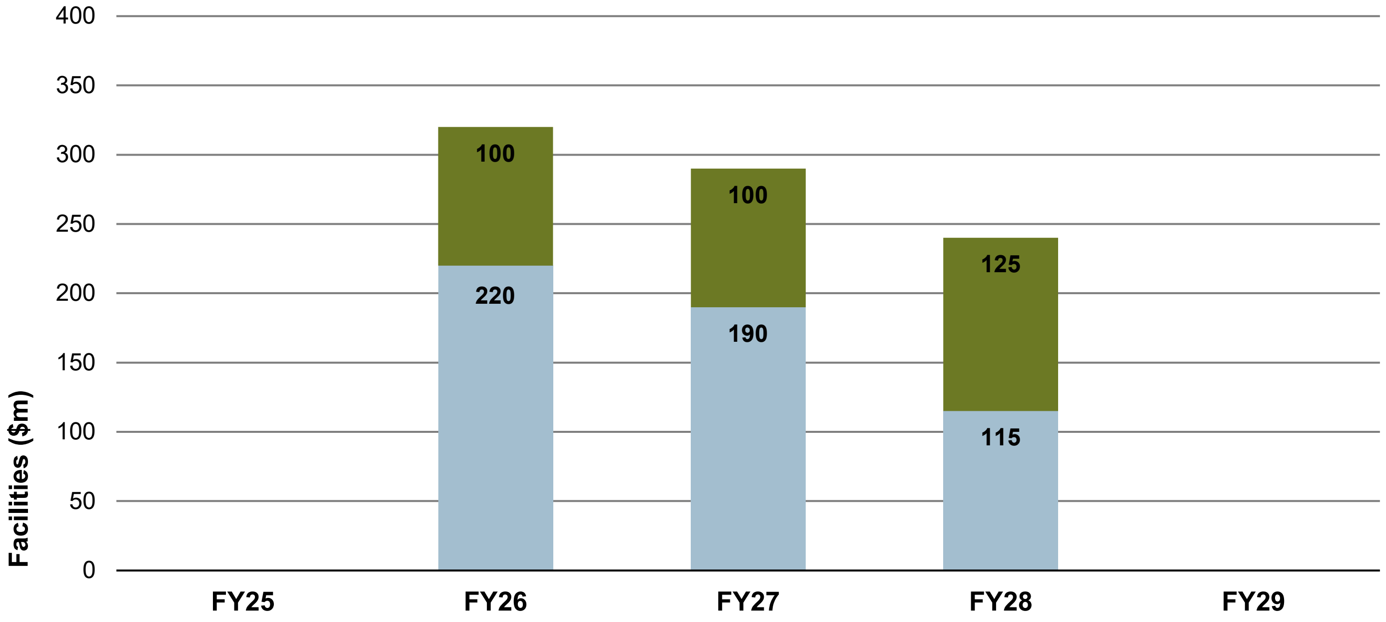
Debt Profile

GREEN BOND DIVERSIFICATION 38%

- The total amount of the bank facility is $525m with the nearest tranche expiring in April 2025 (FY26)
- Argosy's $325m of green bonds continue to provide important diversification and tenor benefits to the business

2.3 years

Weighted average duration of Argosy's debt



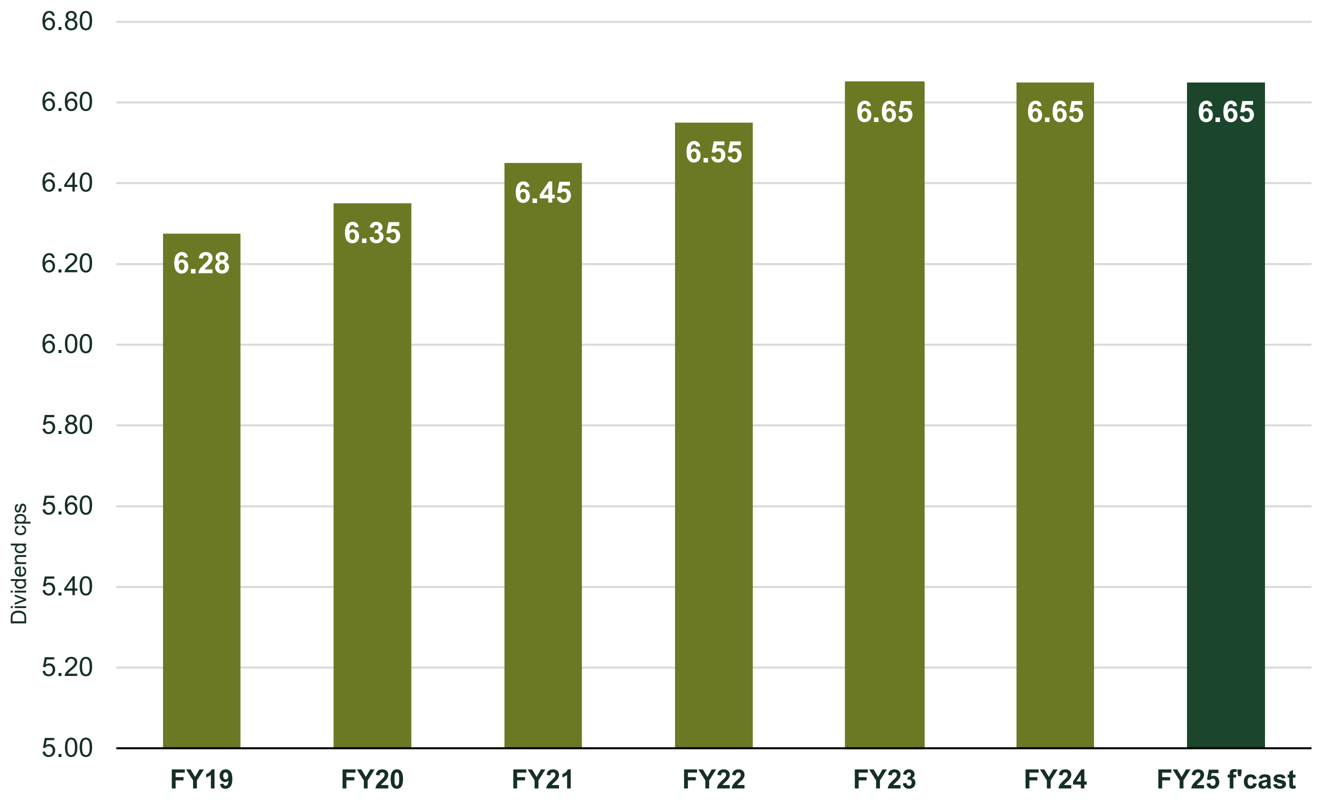
Dividends

STEADY THROUGH TOUGH ECONOMIC CYCLES

- A 4th quarter dividend of 1.6625 cents per share has been declared with 0.1633 cents per share imputation credits attached
- Overseas investors will receive an additional supplementary dividend of 0.0741 cents per share to offset non-resident withholding tax
- The record date is 12 June, and the payment date is 26 June

6.65c

FY25 dividend guidance in line with prior year



Leasing & sector commentary

Leasing Outcomes

151,660

m2 of NLA leased to 31 March

24%

Equivalent of total by NLA

44

Leases executed, 20 new leases, 21 renewals and 3 extensions

14,000

m2 of NLA renewed with Electrix for 4 years

12yr

New lease to Harbour Cancer Centre Limited

115

Rent reviews over the period, annualised rental growth of 3.5%

Lease Expiry & Rent Review Profile

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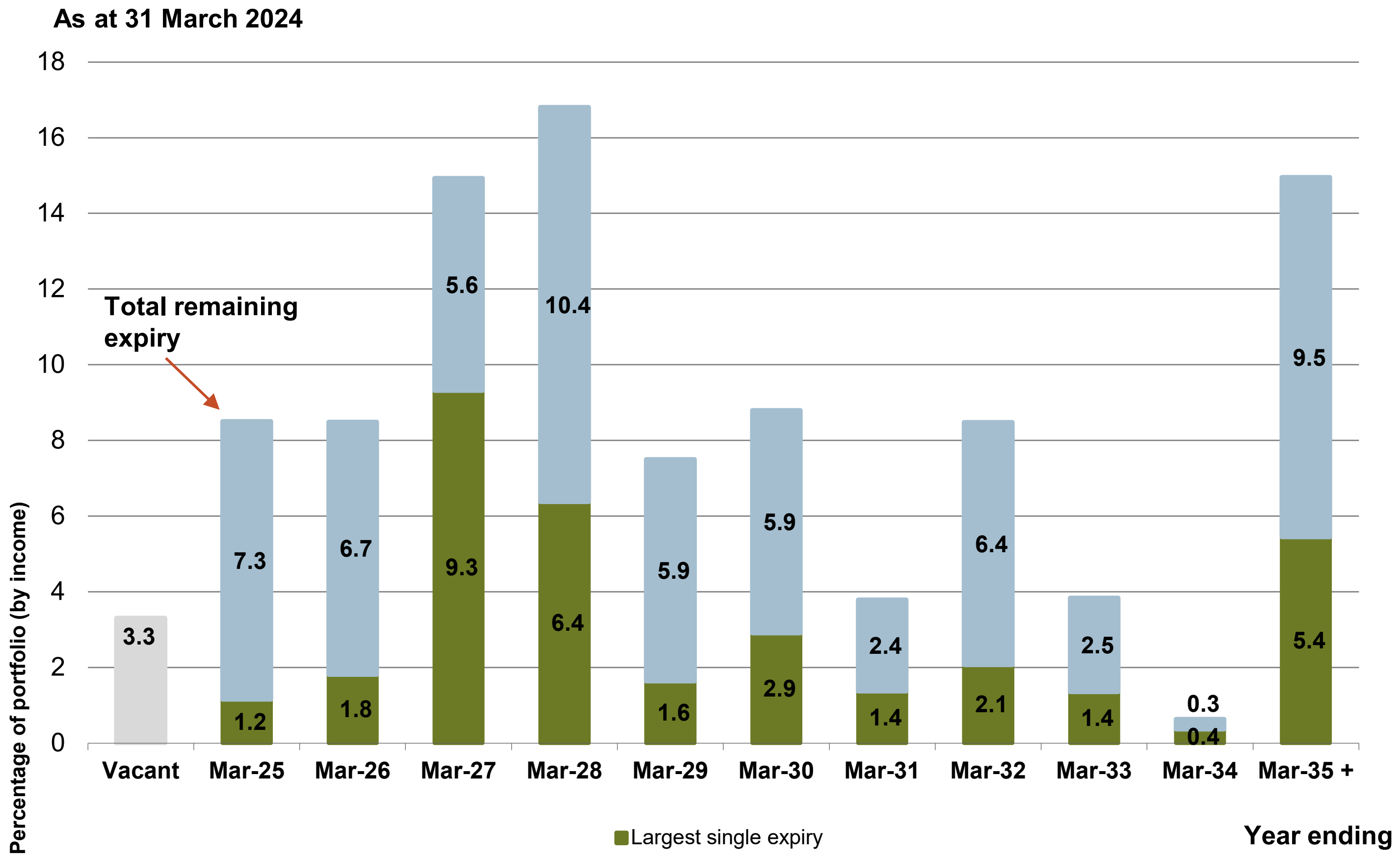
MEDIUM TERM LEASE EXPIRY PROFILE IS WELL MANAGED

- Largest single expiry remains MBIE in 2027
- Average annual expiry over the next three years is ~11%

3.5%

Annualised rent review growth over the year to 31 March



Market Insights

INDUSTRIAL

- Softer period of both supply and demand currently as projected for 2024 as both occupiers and developers struggle
- Limited land supply in Auckland and Wellington continues pressure on land values, with prime sites holding their value
- Rent continues to show some growth in well specified and well located assets
- Vacancy remains very low, with limited speculative supply and with little expansion capacity
- Modest reduction in construction costs reduces rental growth pressure

OFFICE

- Flexible working environments continue but working from home and full-time remote work are declining
- Changes in the way space is used, focusing on the environment, now a staff attraction matter
- Continued focus from tenants on sustainability/green
- Increase in desire for flexibility in lease terms from tenants
- Wellington vacancy levels have increased and are expected to increase further, particularly in secondary locations and for poorer quality stock (seismic issues)

LARGE FORMAT RETAIL

- Retail turnover rates have declined significantly on a per capita basis
- Discretionary lines showing a significant drop in sales
- Online proportion of total sales continues to reduce
- Large Format Retail continues to receive solid demand in prime locations
- "Moving of the deck chairs" as market share changes
- Retailers consolidating to a fewer number of locations
- Increased costs of operation are giving affordability issues

Focus and outlook

OUTLOOK

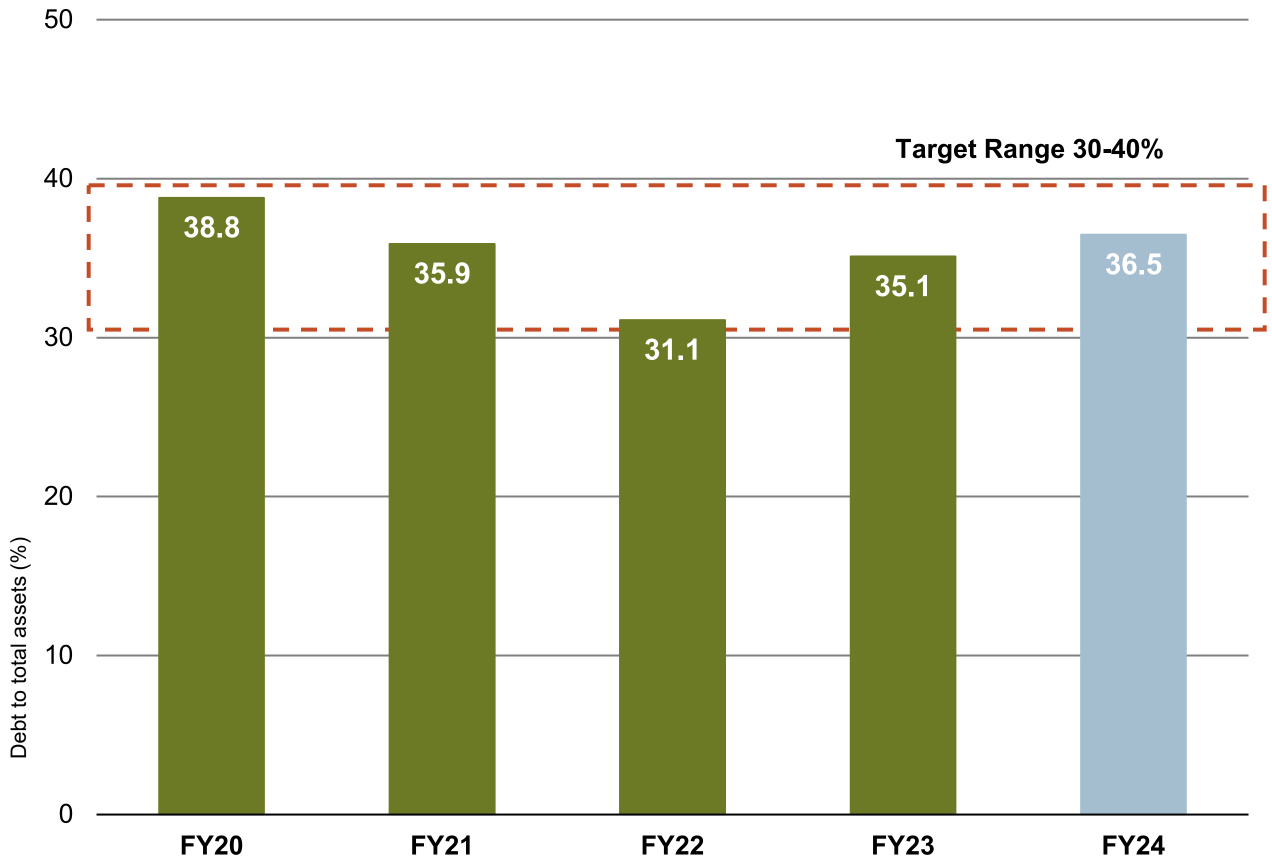
STAYING FOCUSED ON ACHIEVING STRONG OPERATIONAL RESULTS AND EXECUTING ON STRATEGIC GOALS

- New Zealand’s domestic economy continues to experience challenging headwinds from stubborn inflation and restrictive interest rates.
- The diversified portfolio exposure continues to provide a degree of resilience.
- Argosy is well placed, with a solid capital position to continue to transform towards a green & environmentally sustainable business.
- Our key focus areas for 2025 are to:
  1. deliver strong operational results by addressing key expiries, leasing up remaining vacancies and achieving strong rental growth;
  2. deliver on key strategic objectives including green developments and other value add opportunities;
  3. achieve Green Star & NABERSNZ certifications; and
  4. divest low growth assets and reinvest proceeds into green developments.

Appendices

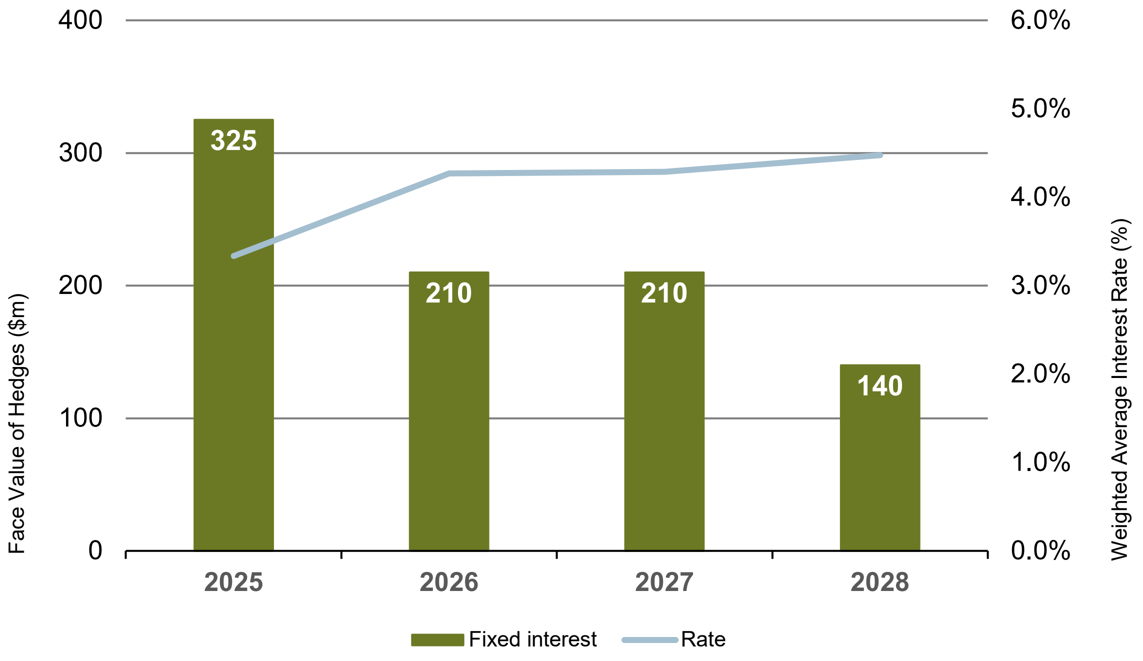
Balance Sheet Management

Gearing remains comfortably within the mid-range of the band

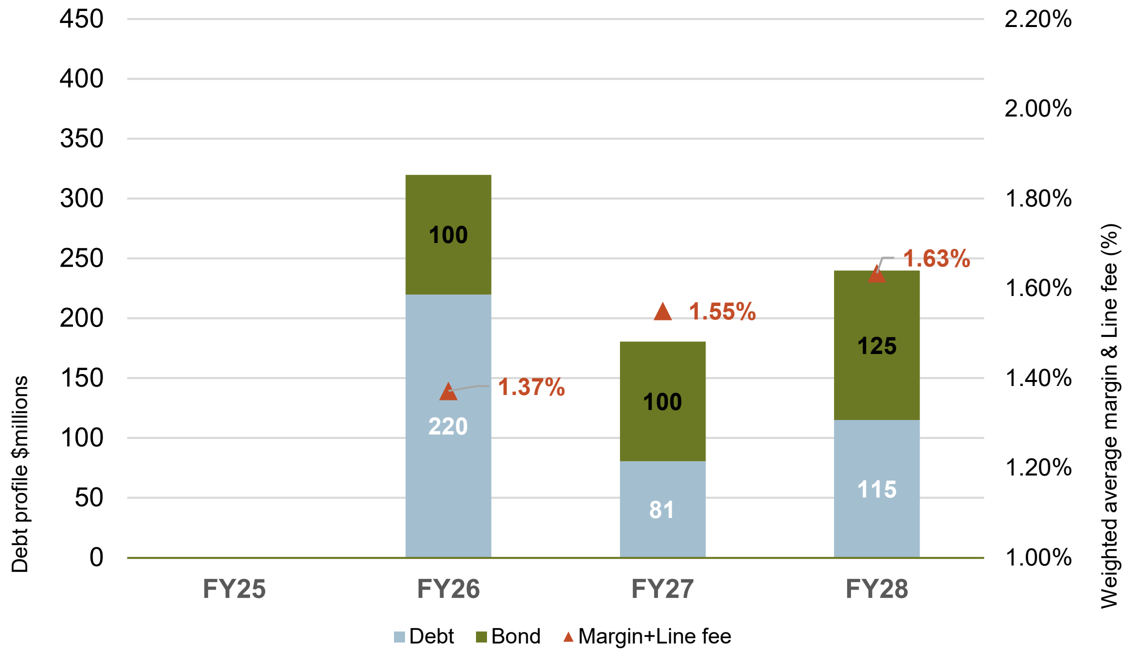


Hedges, Interest Rates & Debt Maturity

Hedges & Weighted Average Interest Rates (March)



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



Rent review summary – by type, sector and location

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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	**115**	**93,038**	**100%**	**98,581**	**5,543**	**6.0%**	**3,274**	**100%**	**3.5%**
By review type									
Fixed	86	60,853	65%	62,620	1,767	2.9%	1,767	54%	2.9%
Market	13	25,671	28%	29,094	3,423	13.3%	1,186	36%	4.6%
CPI	16	6,514	7%	6,867	353	5.4%	322	10%	4.9%
By sector									
Industrial	40	44,688	48%	46,785	2,097	4.7%	1,534	47%	3.4%
Office	53	42,382	46%	45,557	3,175	7.5%	1,500	46%	3.5%
LFR	22	5,968	6%	6,239	271	4.5%	239	7%	4.0%
By location									
Auckland	94	63,421	68%	66,112	2,690	4.2%	2,096	64%	3.3%
Wellington	19	26,846	29%	29,627	2,781	10.4%	1,106	34%	4.1%
Other	2	2,771	3%	2,843	72	2.6%	72	2%	2.6%

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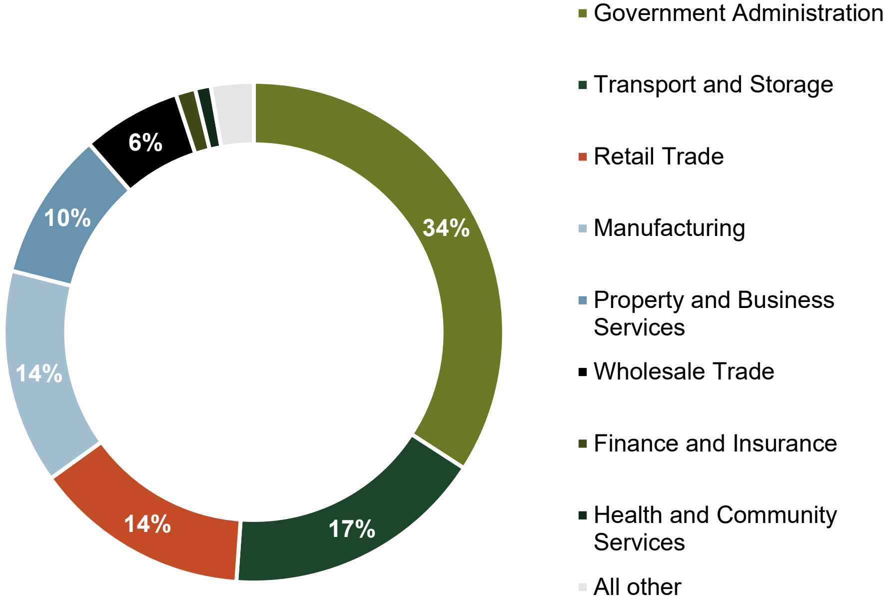
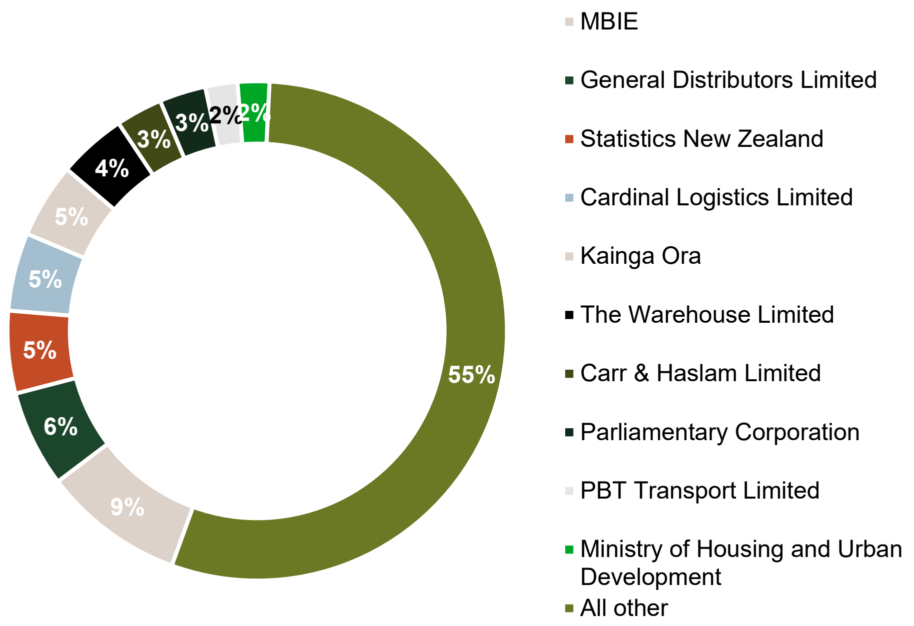
Portfolio metrics

Rent Roll by Industry



Top 10 Customers by Rent



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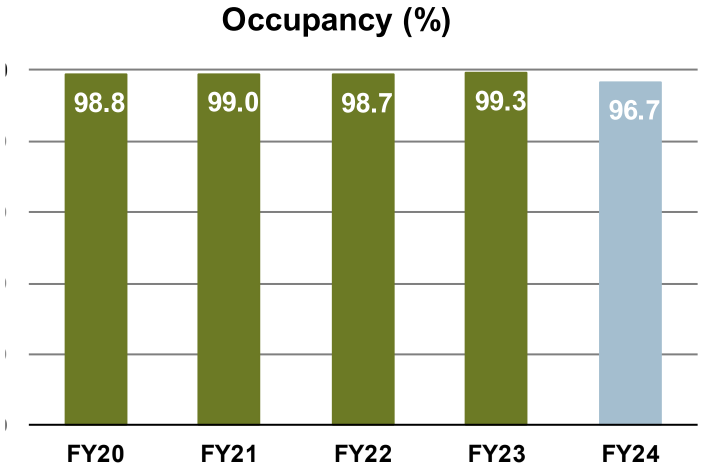
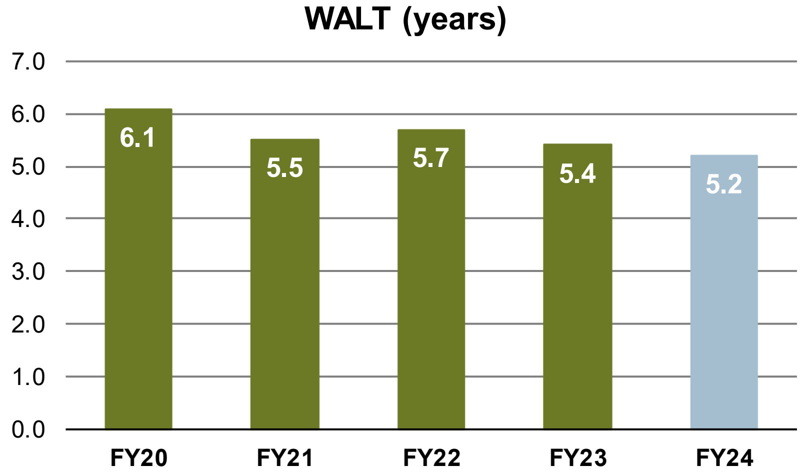
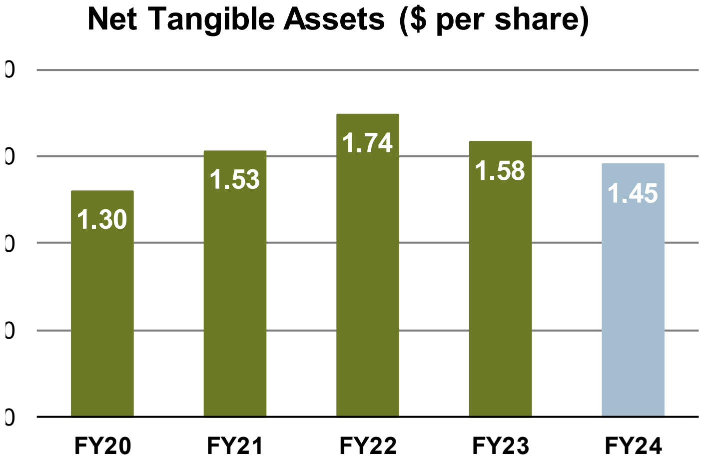
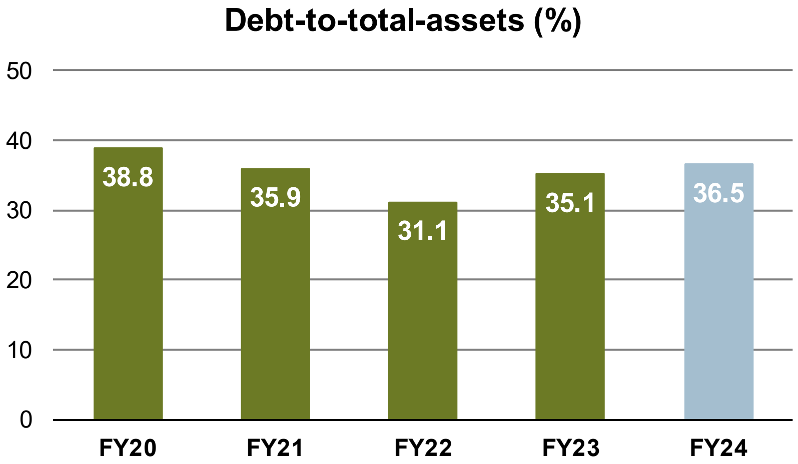
Portfolio snapshot









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Thank you

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22 May 2024