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2020 Annual Meeting

Agenda

01 Chairman's
Address

02 Manager's
Presentation

03 Strategic
Update

04 Resolutions



1. Chairman's Address



Artist impression of the potential Graham Street Development

2. Manager's Presentation



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2020 Update

No dividend was paid for the fourth quarter due to the impact of COVID-19

Net rental income of \$10.47m up from \$1.32m or 14% from FY19

Loan to value ratio is 34.3% (8.5% as at 31 March 2019)

Unrealised loss on the fair value of investment property of \$19.1m or 11.9% of carrying value

Total loss for the year net of tax of \$14.69m (FY19 profit of \$3.80m)

AFFO¹ of \$4.74m (\$4.74m in FY19)

Purchase of 35 Graham Street for \$58.0m in June 2019

Purchase of land in Albany in December 2019 and signing of a conditional development agreement with Auckland Council for a 15 year lease term

Sale of Heinz Watties property in Hastings for \$29.1m in December 2019

1. AFFO stands for 'Adjusted Funds From Operations', and is non-GAAP financial information, calculated based on guidance issued by the Property Council of Australia. Asset Plus considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities. The calculation of AFFO has not been reviewed by Asset Plus' auditor, Grant Thornton.

Impact of COVID-19

- The COVID-19 pandemic has provided material future uncertainty in the real estate market.
- As a result the investment property portfolio materially reduced in value by \$19.1m as at 31 March 2020.
- Rental abatements and relief applied to the April – June 2020 quarter has impacted operating earnings by \$0.59m (\$0.42m after-tax), equivalent to approximately 4% of the current annualised gross rental income.
- Majority of rental abatements are now agreed and all key tenants are back on full rent. However regular monitoring of smaller retail operator performance continues.
- This lost revenue will be partially offset by the reintroduction of building depreciation in the next financial year.
- The full impact of COVID-19 will not be known for some time.
- While upfront rental abatement and relief has been granted, preservation of long-term value is also a key strategy, which includes ensuring the continuing operations of all retail tenants.



Key Metrics

as at 31 March 2020

Portfolio Value



\$142.1m¹
(Mar-19²: \$122.8m)

Properties



4
(Mar-19²: 3)

WALE



3.16 years
(Mar-19²: 5.5)

LVR



34.3%
(Mar-19²: 8.5%)

Number of Tenants



71
(Mar-19²: 76)

Occupancy



98.3%
(Mar-19²: 96.7%)

NTA







\$0.567
(Mar-19²: \$0.694)

1. Excludes \$1.51m of WIP costs in relation to the development projects at 35 Graham St and Munroe Lane

2. In the year since 31 March 2019, 35 Graham Street was acquired in late June 2019 for \$58m, the Munroe Lane property was acquired on 2 December 2019 for \$7.25m and the Heinz Watties property was sold on 17 December 2019 for \$29.1m.

Portfolio Summary

as at 31 March 2020

	Eastgate, Christchurch	Stoddard Rd, Auckland	Graham Street, Auckland	Munroe Lane, Auckland
				
Valuation (\$m) ¹	\$46.95 (Mar-19: \$54.5)	\$37.5 (Mar-19: \$39.5)	\$50.1 (On acquisition: \$58.0)	\$7.5 (On acquisition: \$7.25)
WALE (years)	4.53 (Mar-19: 5.07)	4.00 (Mar-19: 4.02)	1.24 (On acquisition: 2.0)	-
Occupancy (%)	95.3% (Mar-19: 93%)	100% (Mar-19: 100%)	100% (On acquisition: 100%)	-
Net Rental Income (\$m)*	\$3.66 (Mar-19: \$3.63)	\$2.63 (Mar-19: \$2.57)	\$3.95 (On acquisition: \$3.95)	-
Passing yield (%)	7.80% (Mar-19: 7.30%)	7.03% (Mar-19: 6.5%)	7.93% (On acquisition: 6.9%)	-
Comments	<ul style="list-style-type: none"> Bargain Chemist recently secured as a new tenant on a 6-year lease Ongoing discussions to expand F&B offering Seismic work for The Warehouse completed 	<ul style="list-style-type: none"> The property continues to perform well and provide a steady income stream 100% of expiring leases were renewed by existing tenants during the year 	<ul style="list-style-type: none"> Acquired June 2019 Auckland Council lease has approximately 1 year to run (expiring June 2021) Attractive holding income 	<ul style="list-style-type: none"> Acquired off-market December 2019 Large ~4,200m² corner site with three road frontages
Largest tenant exposures	<ul style="list-style-type: none"> Countdown, The Warehouse 	<ul style="list-style-type: none"> The Warehouse 	<ul style="list-style-type: none"> Auckland Council 	-

*Based on the valuers net rental income assessment



	2020	2019
Valuation (\$m)	46.95	54.50
Net Rental Income (\$m)	3.66	3.63
Passing Initial Yield (%)	7.80%	7.30%
Cap Rate (%)	8.38%	8.13%
Net Market Rental (\$m)	4.09	4.46
WALT (years)	4.53	5.07

- Bargain Chemist committed to a 6 year lease at the Centre from 13 May 2020. Several tenancies have been combined to meet the circa 800m² space requirements for the tenant.
- Seismic upgrade works for “The Warehouse” building were carried out and completed. All buildings at Eastgate are now a minimum of 67% NBS.
- A number of lease expiries in 2020 have been allowed to holdover on a monthly basis to provide flexibility with potential redevelopment options.
- Marketing for both internal and external areas of the Centre continues. Negotiations are well advanced for a standalone fast-food restaurant adjacent to the KFC site. Internally, management continues to focus on sourcing another internal anchor tenant in addition to Bargain Chemist.
- COVID-19 has had a significant impact on the March 2020 valuation. COVID-19 has brought an amount of uncertainty to the retail market which has softened the capitalisation rate, and other valuation inputs.
- Moving Annual Turnover (MAT) was up January-March, however has been down slightly post lockdown. Pedestrian counts have also been slightly subdued post lockdown.

Stoddard Road



	2020	2019
Valuation (\$m)	37.5	39.5
Net Rental Income (\$m)	2.63	2.57
Passing Initial Yield (%)	7.03%	6.50%
Cap Rate (%)	6.25%	6.13%
Net Market Rental (\$m)	2.37	2.46
WALT (years)	4.00	4.02

- A total of 6 lease renewals were completed in 2020 (17% of the total rental income for the Centre).
- WALT remained at 4.00 years in 2020 (4.02 years in 2019). Net contract income has increased by \$70,369 p.a. as a result of rent reviews.
- COVID-19 uncertainty has impacted retail market rents and softened capitalisation rates. As a result, the valuation has decreased from \$39.5m to \$37.5m.
- The Centre is currently 100% occupied.
- The future leasing focus are the four renewals due in FY21, representing 16% of the total rental income for the Centre.

3. Strategic Update

- The underwritten \$100m capital raise launched in March 2020 was withdrawn as a result of the impacts of COVID-19.
- The funding and shareholder approval condition in the Agreement to Develop and Lease with Auckland Council has been extended from 31 July to 30 October 2020.
- The Board continues to consider all pathways and options to fulfil the funding condition. The development continues to be progressed in accordance with the agreed milestone schedule and is funded from existing undrawn debt facilities.
- Bare land at Kamo, Whangarei has been acquired for \$2.125m which settles on 30 July 2020.



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Strategic objectives

Objective	Delivering on the Objectives
01 Increase the scale of the portfolio	<p>The Graham Street and Munroe Lane developments (should they proceed) are expected to increase the value of the portfolio, reducing the Management Expense Ratio due to increased scale.</p>
02 Reduce the share price to NTA gap	<p>The Munroe Lane development (should it proceed), and Graham Street development (if pursued) are expected to reduce the gap in the long term by (i) enhancing the quality of the Asset Plus portfolio, (ii) executing on the 'yield plus growth' strategy, (iii) increasing market capitalisation and liquidity, and (iv) realising forecast development margins.</p> <p>In the short-medium term targeting further positive leasing activity at Eastgate, pre-leasing the balance of Munroe Lane, and securing tenant pre-commitment at Graham Street.</p>
03 Set a strong platform for sustainable growth moving forward	<p>Delivery of the Munroe Lane development (should it proceed) is expected to significantly enhance the quality of the portfolio, and re-weight the portfolio to a higher Auckland exposure, as well as increase office sector weighting of the portfolio by income.</p>
04 Provide an appropriate yield reflective of the value-add, and total return approach adopted	<p>The Munroe Lane development (should it proceed) is expected to provide attractive risk-adjusted returns having regard to the high quality tenant covenant, and extended pre-committed lease term over 63% of the building.</p>

35 Graham Street, Auckland CBD

Development update

- Resource Consent for full scale redevelopment being lodged in the first week of August and is expected to be received in late 2020.
- Marketing will commence in August 2020 led by Colliers
- Conditional 6 month lease over basement and ground floors agreed with Council from June 2021 for \$1m plus GST & OPEX
- The property provides options for reduced scale redevelopment / refurbishment which will be pursued should sufficient tenant pre-commitment for the full scale development not be secured.
- Early research indicates no fundamental changes in office space requirements as a result of COVID-19, and increasing flexible work arrangements. (Colliers June 2020 research report indicates 75% of respondent intentions to retain or increase their footprint moving forward).



Potential Munroe Lane Development

- Resource consent has been granted but **the agreement remains conditional upon satisfaction of the landlord funding condition and shareholder approval.**
- Condition date has been extended from the end of July until 30 October 2020.
- Icon Construction appointed as ECI contractor.
- Construction is expected to commence in late 2020, with a targeted completion date of December 2022.
- 63% pre-leased on a 15 year lease to Auckland Council. Targeting September 2020 to commence marketing the balance of unleased space (subject to tenant options being exercised by Auckland Council).

Artist impression of the Munroe Lane Development



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Kamo, Whangarei

- Bare industrial land of 38,000m² located adjacent to SH1.
- Pipeline opportunity to re-zone or obtain Resource Consent for higher and better commercial use.
- Development opportunity intended to be held as investment property on completion.
- Settlement is 30 July 2020.
- Total consideration of \$2.125m, or \$56/m².



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Outlook

- The impact of COVID-19 further reinforces the adopted approach towards a diversified, value-add strategy that ultimately will increase the portfolio size.
- The Manager continues to focus on working with retail tenants to navigate these uncertain times and preserve value in the longer term for shareholders.
- The proposed full scale Graham Street redevelopment is subject to obtaining sufficient tenant pre-commitment.
- Pathway to fulfilment of the funding and shareholder approval condition in the Munroe Lane Agreement to Develop and Lease is being progressed and will be announced in due course.
- We remain committed to securing growth opportunities for Asset Plus to continue to execute the full transformation of the company.
- First quarter dividend payment announced today which reflects the impact of COVID-19 and the levels of rental abatement. The Board expects to maintain dividends at this level, but will continue to review quarterly dividend payments with reference to activities and earnings of the business.



4. Resolutions



Resolution 1.

Election of Director – Carol Campbell

**“That Carol Anne
Campbell be re-elected
as a Director of the
Company.”**

Resolution 2.

Re-appointment of Auditors

“That the Board be authorised to fix the auditors’ fees and expenses from time to time.”

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