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ASSET PLUS +
AUGUSTA

Asset Plus Limited

Results Presentation for the year ended 31 March 2020

2020 Update

- Net rental income of \$10.47m up \$1.32m or 14% from FY19
- Total loss for the year net of tax of \$14.69m (FY19 profit of \$3.80m)
- AFFO¹ of \$4.74m (\$4.74m in FY19)

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

Net tangible assets (NTA) of 56.7 cents per share (cps) are reduced from 69.4 cps due to an unrealised loss on revaluation of investment property

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

The WALT is 3.16 years which has decreased from 5.5 years at 31 March 2019 due to sale of the Heinz Watties property and purchase of 35 Graham Street

Portfolio occupancy is 98.3% which has increased from 96.7% in March 2019

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 has materially reduced in value by \$19.1m as at 31 March 2020.
- Rental abatements and relief applied to the April – June 2020 quarter are expected to impact operating earnings by \$0.59m (\$0.42m after-tax), equivalent to approximately 4% of the current annualised gross rental income.
- This lost revenue will be partially offset by the reintroduction of building depreciation next financial year.
- The full impact of COVID-19 will not be known for some time.
- Whilst 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)

Number of Tenants



71
 (Mar-19²: 76)

WALE



3.16 years
 (Mar-19²: 5.5)

Occupancy



98.3%
 (Mar-19²: 96.7%)

LVR



34.3%
 (Mar-19²: 8.5%)

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.

Strategic objectives

Objective		Delivering on the Objectives
01	Increase the scale of the portfolio	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.
02	Reduce the share price to NTA gap	The Munroe Lane development (should it proceed), and Graham Street development (if pursued) are expected to reduce the gap by (i) enhancing the quality of the Asset Plus portfolio, (ii) executing on the 'yield plus growth' strategy, and (iii) increasing market capitalisation and liquidity.
03	Set a strong platform for sustainable growth moving forward	Delivery of the Munroe Lane development (should it proceed) is expected to significantly enhance the quality of the portfolio, and re-weight to a higher Auckland exposure as well as office sector weighting of the portfolio by income.
04	Provide an appropriate yield reflective of the value-add, and total return approach adopted	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 lease term over 63% of the building.



Financial Performance

	Year ended Mar-20 \$m	Year ended Mar-19 \$m	Var \$	Var %
Gross Income	14.47	13.35	1.12	8%
Direct Property Operating Expenses	(4.00)	(4.20)	0.20	5%
Net Rental Revenue	10.47	9.15	1.32	14%
Other Income	0.49	-	0.49	-
Total Net Revenue	10.96	9.15	1.81	20%
Administration Expenses	(1.64)	(1.77)	0.13	7%
Net Finance Costs	(1.67)	(1.08)	(0.59)	(55%)
NP Before Tax, Reval & One-Offs	7.65	6.30	1.35	21%
Other Adjustments	(20.84)	(2.78)	(18.06)	(650%)
Profit Before Tax	(13.19)	3.52	(16.71)	(475%)
Tax	(1.50)	0.28	(1.78)	636%
Profit and Other Comprehensive Income for the Period	(14.69)	3.80	(18.49)	(487%)
AFFO*	4.74	4.74	-	-
AFFO CPS	2.93	2.93	-	-

- Net rental revenue up \$1.32m or 14% primarily due to the acquisition of 35 Graham St (June 2019) partly offset by the divestment of Heinz Watties property (Dec 2019).
- Other income is an underwrite fee associated with the sale of the Heinz Watties property.
- Administration expenses down \$0.13m or 7% due to lower professional fees.
- Net Finance Costs increased due to higher average debt levels across the year (primarily 35 Graham St acquisition impact).
- Other adjustments primarily consist of unrealised fair value loss on investment property (\$19.12m) and transaction costs associated with business acquisitions and the withdrawn capital raise (\$1.77m in total).
- Tax includes current tax expense associated with the building depreciation recovery (Heinz Watties) – this was however reflected in the deferred tax liability so does not impact on the NTA.

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Net Rental Performance

	Year ended Mar-20 \$m	Year ended Mar-19 \$m	Var \$m	Var %
Eastgate Shopping Centre	3.48	3.70	(0.22)	(6%)
Stoddard Rd	2.51	2.38	0.13	5%
35 Graham Street	2.95	-	2.95	100%
Current Portfolio	8.94	6.08	2.87	47%
Heinz Watties Distribution Centre	1.53	2.17	(0.65)	(30%)
AA Centre	-	0.90	(0.90)	(100%)
Total Net Rental Income	10.47	9.15	1.32	14%

- Eastgate is \$0.22m / 6% lower due to higher non recoverable operating expenses and lease commissions recognised.
- Stoddard Road net rental is up \$0.13m / 5% due to lower bad debt provisions and lower lease incentives recognised compared to FY19.
- 35 Graham Street was acquired in June 2019.
- Heinz Watties and AA Centre were divested (Dec 2019 and Jul 2018 respectively).
- No rental income recognised to date for Munroe Lane as it is currently not income producing.

Administration Expenses and Transaction Costs

	Year ended Mar-20 \$m	Year ended Mar-19 \$m	Var \$m	Var %
Management Fees	0.82	0.72	(0.10)	(14%)
Directors Fees	0.30	0.30	-	0%
Audit Fees	0.11	0.13	0.02	15%
Personnel costs	-	0.03	0.03	100%
Professional Fees	0.28	0.37	0.09	24%
Other Administration Costs	0.13	0.22	0.09	41%
Total Administration Expenses	1.64	1.77	0.13	7%
Transaction Costs	1.77	0.22	(1.55)	(692%)

- Administration costs were down \$0.13m or 7% primarily due to lower professional fees and personnel costs.
- Management Fees increased \$0.1m or 14% as a result of the increase in assets under management.
- **Transaction Costs of \$1.77m in total were incurred in FY20 (FY19 \$0.22m).** During the year investigative work was undertaken to acquire two separate property-based businesses. This cost included substantive due diligence, financial investigative and legal costs (\$0.99m in total). In addition \$0.78m of costs were incurred in relation to the rights offer that was withdrawn in March 2020.

Balance Sheet and Funding

	Year ended Mar-20 \$m	Year ended Mar-19 \$m
Cash	0.1	0.8
Investment Properties*	143.6	94.1
Properties Held for Sale	-	28.9
Other Assets	1.4	2.3
Total Assets	145.08	126.10
Bank Debt	49.3	10.5
Other Liabilities	4.0	3.3
Total Liabilities	53.28	13.80
Equity	91.80	112.30
Net Tangible Assets Per Share (\$)	0.57	0.69

- NTA of 56.7 cents per share down 18 cents from 2019 primarily due to the net fair value loss of investment property and transaction costs.
- Drawn bank debt increased to fund acquisition of 35 Graham Street offset by a debt repayment on the sale of the Heinz Watties property.
- Total bank facility limit is \$75m (\$25.75m was undrawn at 31 March 2020).
- Gearing is 34.3% (8.5% in 2019).

*includes work in progress costs associated with the potential future development at 35 Graham St and 6-8 Munroe Lane of \$1.51m in total

Portfolio Summary

as at 31 March 2020

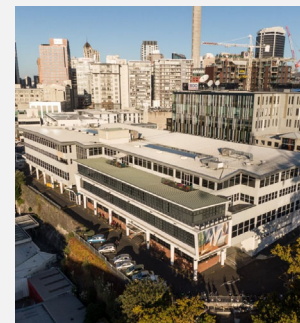
Eastgate, Christchurch



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 			
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"> 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

*Based on the valuers net rental income assessment

Valuation Movements

	Final Valuations	Acquisitions	Capex & Other Mvmts	Fair Value Movement	Draft Valuations (Pre-capital raise)	Fair Value Movement	Final Valuations
	Mar-19 \$m	\$m	\$m	\$m	Mar-20 \$m	\$m	Mar-20 \$m
Eastgate	54.6	-	1.2	(3.6)	52.2	(5.3)	47.0
22 Stoddard Road	39.5	-	(0.0)	3.0	42.5	(5.0)	37.5
35 Graham Street	-	58.6	-	(0.1)	58.5	(8.4)	50.1
6-8 Munroe lane	-	7.3	-	0.2	7.5	-	7.5
TOTAL	94.1	65.9	1.2	(0.5)	160.7	(18.7)	142.1

- In early March 2020 external valuations were completed as part of the capital raise (which was subsequently withdrawn as a result of COVID-19). Draft valuations were broadly in line with carrying values (as noted above).
- In late March 2020, these external valuations were revised to incorporate the uncertainty caused by COVID-19.
- The fair value unrealised loss of the 4 investment properties was \$19.11m – a reduction of 12%.
- To reflect the impact of the pandemic on investment property value, the valuers have generally adopted softer valuation inputs including increased capitalisation and discount rates, lower growth rates across the near term, lower market rental levels, increased vacancy rates, near term rental abatement and increased letting-up allowances.
- Independent valuers have identified a level of material valuation uncertainty and highlight that less certainty and a higher degree of caution should be attached to the valuations, and that values could change quickly and significantly due to subsequent events.

Eastgate



- 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. Some of these tenants include EB Games, Bed Bath & Beyond, Acquisitions and Unichem.
- 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 in addition to Bargain Chemist.
- COVID-19 has had a significant impact on the March 2020 valuation for Eastgate which decreased materially from the prior year. COVID-19 has brought an amount of uncertainty to the retail market which has softened the capitalisation rate, and other valuation inputs.
- Although customer numbers are up at the Centre, the Moving Annual Turnover (MAT) has remained flat for the year. Passing income was unchanged through the year whilst the WALT has decreased slightly.

	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



Stoddard Road



- A total of 6 lease renewals were completed in 2020 (17% of the total rental income for the Centre).
- WALT increased from 4.02 years in 2019 to 4.12 years as a result of renewals during the year, and 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, or 5.06%.
- The Centre is currently 100% occupied and there are no renewals or expiries due for the remainder of 2020.
- The future leasing focus are the four renewals due in 2021, representing 16% of the total rental income for the Centre.
- Recent tenant retention has remained strong which demonstrates tenant demand for the Centre.

	2020	2019
Valuation (\$m)	37.5	39.5
Net Rental Income (\$m)	2.63	2.57
Passing Initial Yield (%)	7.00%	6.50%
Cap Rate (%)	6.25%	6.13%
Net Market Rental (\$m)	2.37	2.46
WALT (years)	4.12	4.02

35 Graham Street, Auckland CBD

Development update

- On 28 June 2019, Asset Plus purchased 35 Graham Street, Auckland for \$58m from Auckland Council.
- The purchase was in line with Asset Plus' 'Yield plus Growth' investment strategy, providing the benefit of an existing large structure, with potential to upgrade and add additional floors (subject to resource consent).
- Three development options were presented to shareholders in June 2019. A full redevelopment continues to be Asset Plus' preferred development option (subject to market conditions) with the intention of holding this property as a long-term investment.
- Work has progressed on the preferred development option, including the appointment of an architect and leasing agent.
- A final decision on the development of Graham Street has yet to be made by the Asset Plus Board. Consideration is being given to the scale of the proposed redevelopment given vacancy rates, market sentiment, tenant pre-commitment, and the significant capital requirements for the preferred development option. The property provides options for reduced scale redevelopment which may be more acceptable in the current market conditions.
- COVID-19 has materially impacted the March 2020 valuation – the cap rate has softened and the let-up period lengthened resulting in a reduction of \$8.4m or 14.4%.



Artist impression of the Munroe Lane Development

Potential Munroe Lane Development

- On 20 December 2019, Asset Plus announced the development of a 26,500m² (GFA) / 15,100m² (NLA) building in Albany, 63% pre-leased, with a 15-year lease to Auckland Council.
- Resource consent has been granted but **the agreement remains conditional upon satisfaction of the landlord funding condition and shareholder approval.**
- Currently in discussions with Auckland Council to further extend the funding condition from 30 July 2020 until 31 October 2020.
- Asset Plus intends to hold Munroe Lane as a long-term investment on completion.
- Construction is expected to commence in late 2020, with a targeted completion date of December 2022.
- Asset Plus believes the Munroe Lane Development offers attractive risk-adjusted returns having regard to the high-quality tenant and extended lease term secured to date.

Munroe Lane, Albany

Proposed Development Overview

- 6 levels plus basement carparking in the heart of Albany with extensive car parking.
- Large floor plates of ~3,000 m² each.
- ~750m² of expected Café / Food & Beverage / Retail outlets on ground level.
- Excellent daylighting due to three street frontages.
- 63% pre-leased on a 15 year lease to Auckland Council. Targeting August-20 to commence marketing the balance of unleased space (subject to tenant options being exercised by Auckland Council).

Munroe Lane – Indicative Metrics

Gross Floor Area	26,500 m ²
Net Lettable Area	15,100 m ²
Expected yield on cost	5.8%
Indicative development cost	\$115m
Value on Completion (JLL)	\$137m
Return on cost (including land)	12%

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.
- Whilst the capital raise was withdrawn the management team is focused on securing the Munroe Lane development with the Auckland Council and works remain on timetable.
- The Graham Street redevelopment is currently being reassessed given the current economic climate. Consideration is being given to the scale of proposed redevelopment given vacancy rates, market sentiment, tenant pre-commitment, and the significant capital requirements for the preferred development option. The property provides options for reduced scale redevelopment which may be more acceptable given current market conditions and ability to secure leasing pre-commitments.
- We remain committed to securing growth opportunities for Asset Plus to continue to execute the full transformation of the company.
- The dividend remains subject to quarterly review, but it is expected to be reinstated once there is more certainty on future trading conditions.

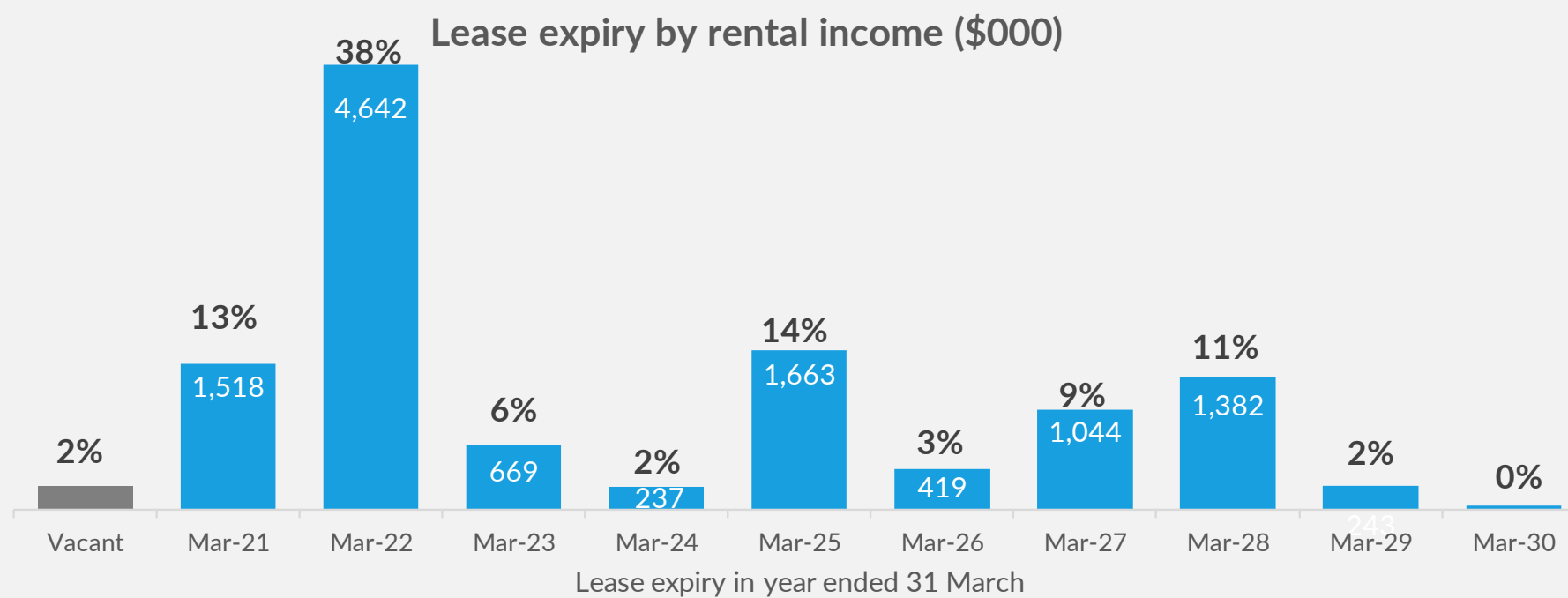


Appendix 1: Reconciliation of forecast net profit after tax to AFFO

	Year ended Mar-20 \$m	Year ended Mar-19 \$m	Var \$m	Var %
Total Comprehensive Income Net of Tax	(14.69)	3.80	(18.49)	(487%)
Add Back				
Loss/ (Gain) From Sales of Investment Property	(0.05)	0.92	(0.97)	(105%)
Fair value (gain) / loss on investment property	19.12	1.77	17.35	980%
One-off income (undewriting)	(0.49)	-	(0.49)	(100%)
Depreciation on Owner Occupied PP&E	0.06	-	0.06	0%
Fair value gain on the mark to market of derivatives	-	(0.13)	0.13	100%
Non-FFO Deferred Tax Expenses	(0.52)	(0.66)	0.14	21%
Non-operating current tax expense	0.53	-	0.53	0%
Net Operating Income After Tax	3.96	5.70	(1.74)	(31%)
Net Loss on Sale of Plant and Equipment	-	0.01	(0.01)	(100%)
Transaction Costs	0.78	0.22	0.56	255%
Amortisation of Lease Incentives	0.29	0.19	0.10	53%
Funds From Operations (FFO)	5.03	6.12	(1.09)	(18%)
Maintenance CAPEX	(0.08)	(0.15)	0.07	47%
Incentives Granted/Commissions Paid	(0.21)	(0.28)	0.07	25%
Other Adjustments	-	(0.95)	0.95	100%
Adjusted Funds From Operations	4.74	4.74	0.00	0%
AFFO (CPS)	2.93	2.93	-	

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Appendix 2 : Lease Expiries



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