NZX release
Building on a new strategy
29 November 2019

Asset Plus Limited today announced its interim financial results for the six month period ended 30 September 2019, reporting profit and total comprehensive income after tax of $2.01 million, down from $3.20 million in the prior corresponding period (pcp).

Adjusted funds from operations[1] reduced by $0.76 million to $2.02 million as a result of due diligence costs incurred. Operating performance over the period was steady on a like for like basis for the three existing assets. The partial impact of the Graham Street acquisition offset the AA Centre divestment in the pcp which resulted in an increase in total operating income to $3.56 million from $3.15 million.

Asset Plus Chairman, Bruce Cotterill said "The last six months has been a period of active due diligence with a focus to secure acquisitions with future value-add potential. The 35 Graham St acquisition was the first step, but other opportunities continue to be sought."

Other key points from the period are:

- An interim net dividend of 0.9 cents per share has been declared
- Portfolio occupancy is 98.0% which increased from 96.7% over the six months due to the Graham Street acquisition
- The WALE[2] is 4.2 years which is decreased from 5.5 years at 31 March 2019 due to the acquisition of 35 Graham Street[3].
- Loan to value ratio is 38.2% (8.5% at 31 March 2019).
- Net tangible assets (**NTA**) of 69 cents per share was maintained over the period.
- $59.2 million of debt was drawn to fund the 35 Graham Street acquisition.

Strategic update

The Board is committed to growing the portfolio in a disciplined manner, with a primary focus to close the gap between the share price and NTA.

The 35 Graham Street acquisition fits within the Asset Plus "value-add" investment strategy as not only does the purchase price represent a strong initial yield of 6.85% in the near term, the property has considerable potential for a re-positioning at the end of the two-year lease term. The future development feasibility and scope of works is well underway, and a leasing agent has been appointed to pursue pre-leasing opportunities.

The divestment of the Heinz warehouse in Hastings settles on 17 December 2019 and will provide debt headroom to facilitate further acquisitions. This asset was identified as non-core as it no longer fits the company strategy.

[1] Adjusted funds from operations (AFFO) is non-GAAP financial information and is a common investor metric, 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. A reconciliation of the net profit after tax to AFFO is included in the interim results presentation on slide 14 which has not been independently reviewed by the auditors.

[2] Weighted average lease expiry

[3] On the divestment of the Heinz Watties distribution warehouse in December 2019 WALE will reduce to ~3.5 years

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During the period management undertook significant due diligence on material opportunities.

Bruce Cotterill says "Value-add opportunities require significant due diligence. The size and complexity of these transactions require a thorough and robust programme of diligence. To date no transaction has been secured but the management team remain focused on potential opportunities."

Portfolio update

Steady progress has been made at Eastgate in Christchurch and Stoddard Road in Mt Roskill. Both assets provide a running yield in the near to medium term. Occupancy has been maintained at 100% at Stoddard Rd.

The search for a further anchor tenant at Eastgate remains a focus and in recent times there have been some promising leads in attracting prospective tenants.

Financial result

Profit and total comprehensive income after tax for the period ended 30 September is $2.01 million ($3.21 million in the prior corresponding period (pcp)).

Adjusted funds from operations of $2.02 million were recorded ($2.78 million in the pcp). The current period was impacted by $0.83 million of due diligence and transaction related costs.

Net rental revenue from the property portfolio was up $0.21 million to $5.03 million. Higher net rental income was due primarily to the acquisition of 35 Graham Street in June 2019, was offset by the sale of the AA Centre in June 2018.

The reported tax expense is $1.08 million higher as in the pcp there was a release of the deferred tax liability of $1.0 million relating to AA Centre.

Balance Sheet

$69.7 million of debt is currently drawn which represents an LVR of 38% (March 2019 8.5%).

NTA is 69 cents per share which is unchanged during the period.

No independent revaluations were completed during the period as the Directors determined there was no material movement over the 6 months.

Dividend

A quarterly dividend of 0.9 cents per share has been declared, with the record date set for 11 December 2019 and payment on 18 December 2019.

The dividend is maintained at the current level but is subject to quarterly review and ongoing assessment considering potential future transactions.

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While this equates to a pay-out ratio of 144% of AFFO, the dividend level was retained as the Board considers the due diligence costs incurred to be part of the Company's growth ambitions. The pay-out ratio is reduced to 102% if these costs were not incurred during the period.

The dividend is expected to be maintained at the current level but is subject to quarterly review and ongoing assessment considering potential future acquisitions.

Outlook

Mark Francis, Managing Director of Augusta commented "Augusta is now focused on the 35 Graham Street redevelopment opportunity. Pre-leasing is a critical element to this process."

"The search for new opportunities continues and Augusta is confident in being able to secure these in the near term as the Company requires scale to set a stronger platform for growth."

The Board is pleased with Augusta's performance as manager and the progress they have made on formulating and executing a new strategy for the Company which it hopes to provide for sustainable growth over the longer term.

ENDS

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