FY 2018 Financial Results
(NZX: AUG)
25 May 2018

Increased dividend after year of further transformation

Augusta Capital Limited is pleased to announce its financial results for the year ended 31 March 2018.

The period under review saw the company continue to build momentum in its aim to become New Zealand's leading and most diversified property funds management specialist.

Key points from the last financial year:

- Total assets under management grew 10% or $168 million to $1.85 billion as at 31 March 2018.
- Total comprehensive income for the year, net of tax reduced 59% against the prior year to $3.2 million due to lower investment property revaluation gains and the deferral of the Augusta Industrial Fund launch date.
- 14% reduction in adjusted funds from operations[1] (Non GAAP) to $5.8 million, equating to 6.6 cents per share (7.7 cps in the prior year).
- Exit of two Finance Centre assets – two remaining properties settle on 1 April 2019.
- Three new single asset funds launched raising $125 million of equity.
- 23% growth in recurring annualised base management fees, which are now $6.96 million.
- New funding structure executed which is now aligned to the company's future strategic direction.
- Net assets per share has reduced to $0.96 from $0.98 in the prior year – primarily driven by the write-down in value of NPT shares.
- Increased stake in NPT to 18.85% and then secured the NPT management contract.
- Invested in specialist talent to support business growth and new fund initiatives.
- 4th quarter dividend of 1.5 cents per share which is supported by the increase in recurring earnings.

Augusta Capital Chairman, Paul Duffy, said the result reflects the nature of a business in the late stages of a significant transformation.

"The Total Comprehensive Income After Tax result is also symptomatic of the fact Augusta is progressively selling down all directly held properties from which the company's revenues have historically been derived. The result should reflect the bottom of a transition cycle to establishing a more resilient earnings profile from a greater pool of Australasian based property funds," said Duffy.

"The Board believes this is a tipping point in terms of transitioning Augusta's earnings. The volatility we're seeing here has been well signalled previously, but the recurring annualised earnings continue to grow. Two

[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. Augusta 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 annual report on page **18** which has been independently reviewed by the auditors.*

new funds have also been added to the managed portfolio, as well as three new single asset vehicles," he added.

Managing Director Mark Francis says the Total Comprehensive Income After Tax and AFFO performance was impacted by the deferral of the Augusta Industrial Fund launch as a fourth asset was secured and more time was taken to allow for the capital raising. The income derived from establishing the fund will be recorded on settlement, which is expected to be 15 June 2018.

"The prior year also reflected valuation gains at the Finance Centre based on the contracted sale terms and the remaining assets are held at similar values this year net of transaction costs.

"The long-term growth fundamentals are encouraging. The resilience being built into Augusta's earnings is critical to the future of the business," said Mr Francis.

"Encouragingly, we realised just over 10% growth in funds under management during the period under review. The pipeline has been created and we are actively pursuing a number of investment opportunities in the Australian market too," Mr Francis added.

Rental income reduced due to the sale of Augusta House in July but this was offset by income derived from warehousing the Hub asset for the Augusta Industrial Fund.

Funds Management

Mr Francis said: "The income benefits derived from the progress made this year will be realised in future income years. Momentum has continued with two new funds added to the managed portfolio broadening our product offerings.

"Often in the funds management industry costs are incurred before the wealth is created for both the investor and manager. Corporate costs increased as we sought the necessary capability to grow and source new opportunities.

Investment asset income of $1.77 million was realised from positions taken in the Augusta Value Add Fund No.1 Limited (Value Add Fund) and NPT Limited. "This income replaced the loss of rental income from the Finance Centre divestment. Income derived from capital investments and commitments was stronger in FY18 through active use of the balance sheet, at the same time maintaining capability to facilitate new deals," said Mr Francis.

Balance Sheet Transformation

A new funding structure consisting of three facilities is now in place which is aligned to the new balance sheet, being a property, an investment and a funds management (working capital) facility. Further funding for warehousing of assets or underwriting of offers can also be sourced.

Following the divestment of the Finance Centre, capital will be released to grow the funds management business, and will include:

- Acquisition or launch of new fund management initiatives.
- Warehoused assets – prior to the transfer to a managed fund.
- Underwriting capability in respect to new offerings or capital raises.
- The ability to invest in new products or investments which are managed by Augusta to create an alignment of interests.

Group gearing was 31.2% of gross asset value as at 31 March 2017 (March 2017: 26.6%).

Dividend

The Board has today resolved to pay a fourth quarter cash dividend of 1.5 cents per share, which is an increase from 1.375 cents in the prior quarter. The dividend is fully imputed with imputation credits of 0.583 cents per share attached. Further resident withholding tax will be deducted unless a RWT exemption certificate has been provided. This is equivalent to 0.1042 cents per share. The Company will also pay a supplementary dividend of 0.2426 cents per share in relation to non-resident shareholders.
The record date for the dividend is 11 June 2018 and the payment date is 18 June 2018.

The fourth quarter dividend will take cash dividends for the year to 5.625 cents per share, an increase from 5.50 cents per share over the prior year. The dividend pay-out ratio was 85% (2017: 71%).

The Board expects the dividend for FY19 to be 6 cents per share per annum, subject to quarterly review and unforeseen events. This represents an increase of 9.1% per annum.

Outlook

Future earnings will reflect the strong start to FY19 based on the current pipeline of opportunities. The challenge remains in sourcing compelling product for our investors, but Augusta is as well placed as anyone to do this.

Current market conditions remain buoyant, with deals continuing to be transacted at historically low yields.

Near term strategic operating priorities include:

- Settlement of the Augusta Industrial Fund, which will occur on 15 June 2018.
- Launch of the 96 St Georges Bay Road offer, which will be a single asset vehicle.
- Launch of further investment funds, details of which will be provided at the appropriate stage.
- Identifying further capital sources and distribution channels.
- Further expansion into Australia.
- The sale of the final two assets of the Finance Centre transaction will be complete in April 2019 providing further balance sheet capability.

ENDS

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Augusta Capital Limited
Results for announcement to the market

Reporting period	12 months to 31 March 2018
Previous reporting period	12 months to 31 March 2017

	Amount ($000s)	Percentage change
Revenue from ordinary activities	21,840	(6.3%)
Profit from ordinary activities after tax attributable to shareholders	3,210	(59.9%)
Total comprehensive income attributable to shareholders	3,210	(59.9%)

Interim/final dividend	Amount per security	Imputed amount per security
Final dividend	$0.01500	$0.00583

Record date	11 June 2018
Dividend payment date	18 June 2018

Other Financial Information	31 March 2018	31 March 2017
Net tangible assets per share	0.71	0.81
Basic earnings after tax per share	3.67	9.15
Diluted earning after tax per share	3.67	9.15
Adjusted funds from operations per share [1]	6.63	7.71

Comments:	1. This announcement is extracted from Augusta Capital Limited's audited financial statements for the year ended 31 March 2018. A copy of these audited financial statements is attached to this announcement.

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