



1H18 RESULTS PRESENTATION

19 February 2018

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ASX: IDR



INDUSTRIAREIT

Agenda

01 Highlights

02 Investment Proposition

03 Portfolio performance

04 Outlook

Appendices

01 1H18 Highlights



WestTrac Newcastle

Highlights



FFO 9.1 cents per security

On track for guidance of 18.4 – 18.6 cents per security

2 – 3% growth on FY17



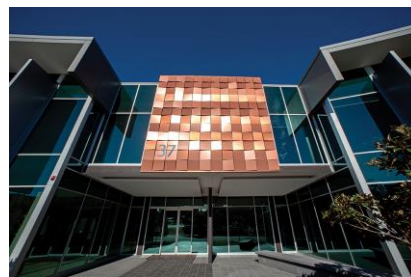
Focus on client engagement generating strong leasing outcomes – completing ~10,400 square metres during the period



De-risked future expiry profile – with early renewals reducing FY18/19 expiries from 10% to 5%



Rapidly innovating – generating ~700kW of solar PV and 15% return



31 December 2017 financials

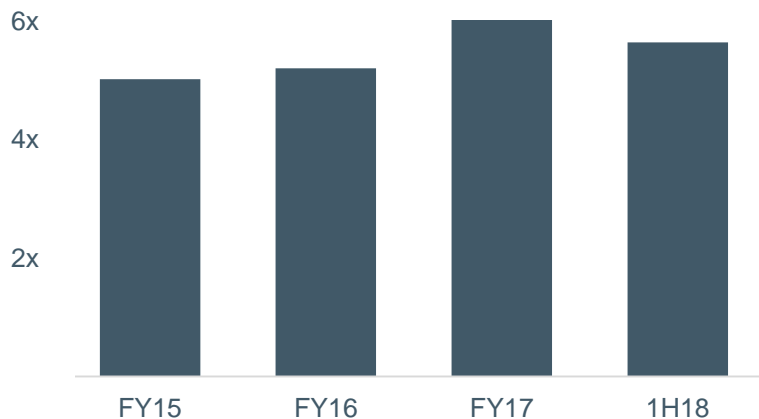
- Statutory net profit \$13.8 million, up \$5.5 million on pcp – key driver being higher stamp duty incurred in 1H17
- FFO up \$0.6 million to \$14.8 million; although on a security basis down from 9.8 to 9.1 cents – largely associated with profit skew to 2H18 and increased securities on issue
- Net Property Income up ~9% to \$18.7 million:
 - Income growth underpinned by fixed rental uplifts across 84% of portfolio
 - Full period contribution from WesTrac Newcastle
 - Partially offset by downtime at selected assets
- Distribution per security increased 2.5% to 8.2 cents
- NTA flat for the period – with no independent valuations undertaken

	1H18	1H17	Change
Statutory net profit (\$m)	\$13.8	\$8.3	▲ 66.3%
FFO (\$m)	\$14.8	\$14.2	▲ 4.2%
FFO (cents per security)	9.1	9.8	▼ 7.1%
Distribution declared (\$m)	\$13.4	\$13.0	▲ 3.1%
Distributions (cents per security)	8.2	8.0	▲ 2.5%
FFO payout ratio (%)	90.4%	91.8%	▼ 1.4%
Tax deferred component of distribution / non assessable income	52.6%	11.5%	▲ 41.1%

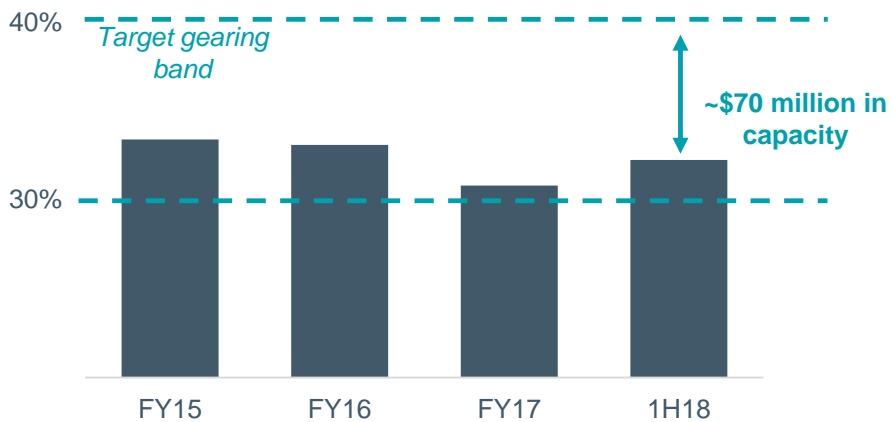
	Dec 2017	Jun 2017	Change
Gearing	32.2%	30.8%	▲ 1.4%
Net Tangible Assets per security	\$2.57	\$2.57	– 0.0%

Balance sheet well positioned

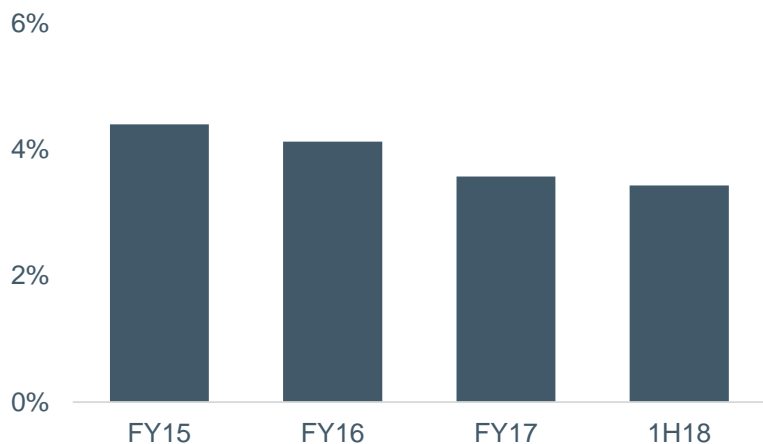
Consistently high interest cover



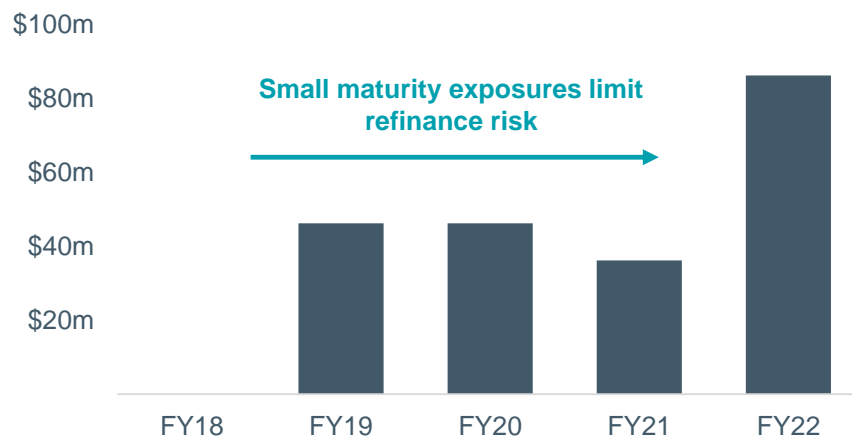
Conservative gearing levels – with capacity to grow



Weighted average cost of debt



Debt maturity profile – limited refinace risk



02 Investment Proposition



Rhodes Building C, Rhodes NSW

At a glance

\$640

MILLION
TOTAL
ASSETS

\$401

MILLION
MARKET
CAPITALISATION¹

S&P/ASX 300

INDEX
MEMBER

6.7%

CASH
DISTRIBUTION
YIELD¹

32.2%

GEARING

7.3

YEAR
WALE

95%

OCCUPANCY

HIGH QUALITY ASSETS DELIVERING STRONG INCOME PROFILE
ALIGNED MANAGEMENT WITH ~\$67 MILLION CO-INVESTED
CONSERVATIVE BALANCE SHEET WITH CAPACITY TO GROW

¹ As at 16 February 2018

Diversified portfolio



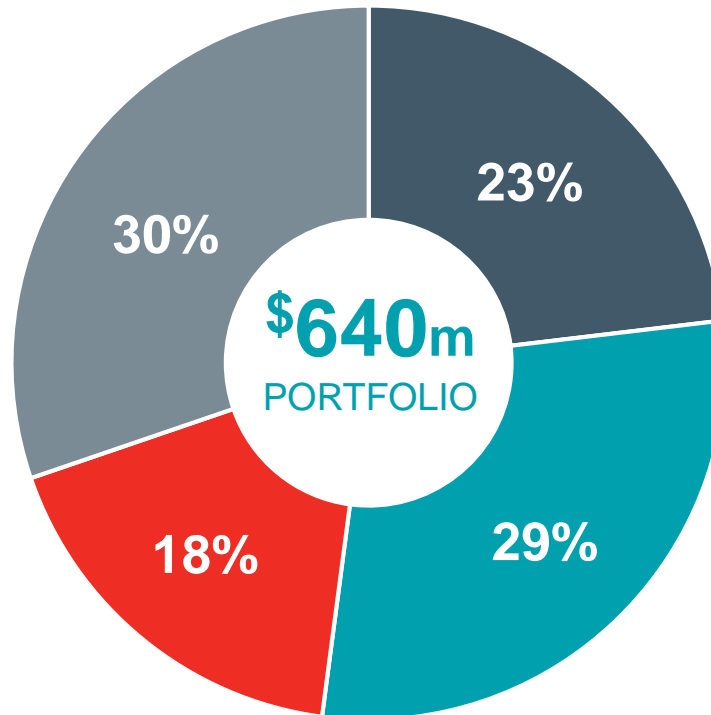
Rhodes Corporate Park

Inner west Sydney,
~\$193 million invested
2 buildings; 4.2 year WALE



Industrial Melbourne and Adelaide

Key industrial precincts
~\$112 million invested
6 buildings; 5.1 year WALE



Brisbane Technology Park

15 minutes south of CBD
~\$151 million invested
12 buildings; 3.1 year WALE



WesTrac Newcastle

Located adjacent to
M1 motorway
~\$184 million invested
16.7 year WALE

APN Property Group – aligned and experienced manager

Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a ~\$67 million co-investment stake in IDR
- Management fees are 55bps of Gross Asset Value – there is no leakage for performance or transactional fees

Focused and dedicated management team

- Dedicated Fund Manager and management team, including on-the-ground resources
- Leveraging 15 average years of experience in real estate

Governance overseen by majority independent Board

- Majority independent Board, ensuring robust governance framework
- 30 years average experience and Director roles on Boards including Sims Metal, MetLife, QV Equities, Folkestone, and the Chairman was a member of the Takeovers Panel for nine years

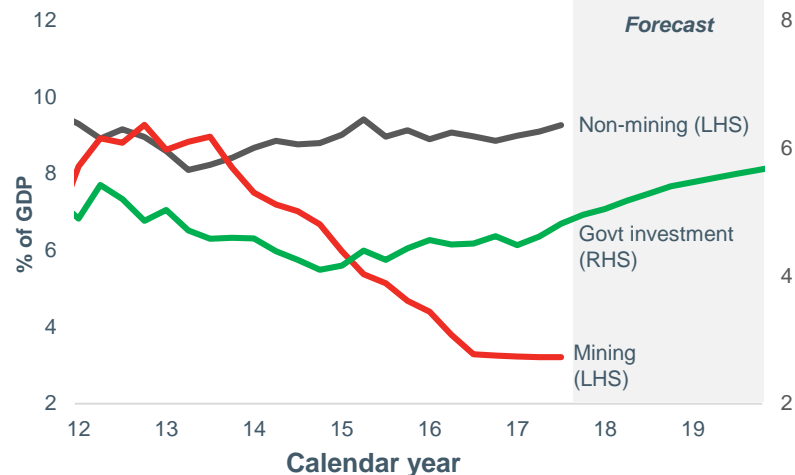
Manager with long track record and deep relationships across capital and investment markets

- Relationships generate leasing, investment opportunities and access to multiple capital sources
- Founded in 1996 and grown to ~\$2.7 billion under management – including direct and listed real estate mandates

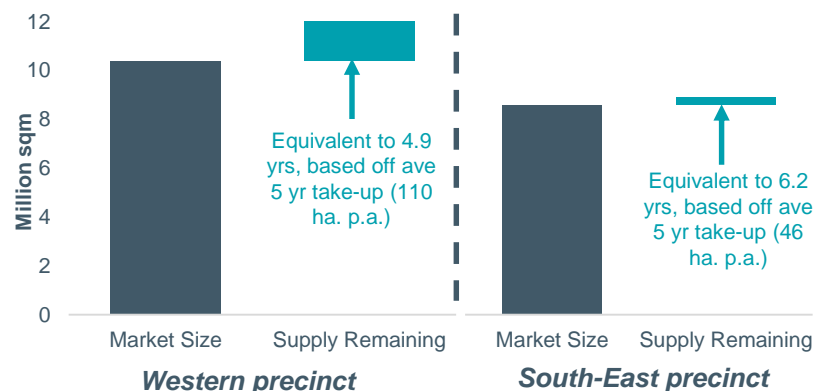
Portfolio exposed to positive structural changes

- Well positioned to take advantage of sectors experiencing positive momentum – with government and non-mining business investment increasing
- Business park properties present an attractive value proposition in a cost conscious environment:
 - Experiencing demand from industry including infrastructure services, healthcare and technology
- Melbourne industrial land supply is constrained by encroachment from residential, environmental conservation lands, and challenges related to establishing key infrastructure – such as water
- Key industrial precincts have ~5.6 years remaining supply – and this is being reflected in land values:
 - Englobo land values have risen >40%² in 3 years – increasing economic rents for development
 - Demand is underpinned by Victorian population growth – driving ~500k sqm of annual demand, compounding structural trends such as online
- Industria's portfolio well placed – and with average remaining lease terms of 5.4 years

Investment improving across the economy¹



Land supply outlook – Melbourne industrial²



1. Source: ABS, Macquarie Research, January 2018

2. Source: Dept of Environment, Land, Water and Planning, Urbis, APN Property Group. South East supply excludes Hastings

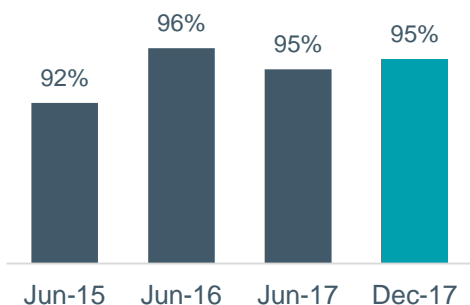
03 Portfolio performance



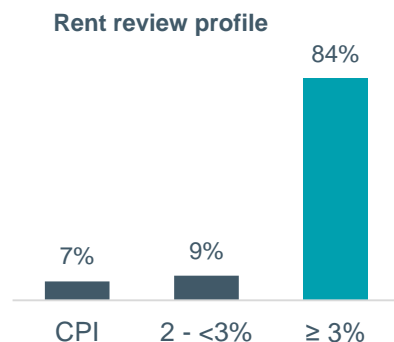
StarTrack Express, 140 Sharps Rd, Tullamarine

Actively managing the real estate

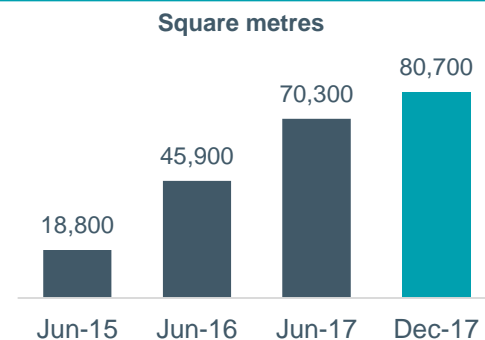
High occupancy



Generating organic growth



Cumulative leasing outcomes

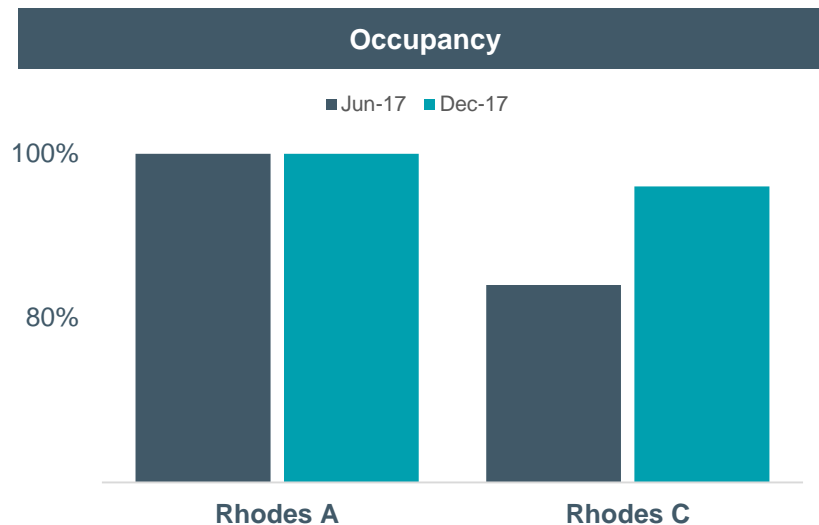


Strong income visibility - expiry profile (by income)



Rhodes – continuing to outperform

- Leasing activity continued, with leasing at or ahead of June 2017 valuation assumptions:
 - Rhodes C – leased 1,220 sqm of vacancy
 - Rhodes A – 400 sqm leased, with FY18/19 expiry risk removed
- Nearing full occupancy – 98% - with only 2 small suites available to lease
- Pursuing investment in solar to future-proof our assets – whilst improving net rents and creating value



Building C, Rhodes



Plug'n'play fitted out suites
(Rhodes C)



DHL Supply Chain
(Rhodes C)



DHL's innovation centre
(Rhodes C)

BTP – localised asset management driving engagement and service

- Proven leasing capability:
 - ~32,000 sqm – equivalent of almost the entire BTP portfolio – has been leased or renewed since 2014
 - 16 deals completed over 5,700 sqm
 - ~6,000 square metres expiring in next 24 months across 22 leases – the majority of expiries are <100 sqm
- Demand from industry including infrastructure services, healthcare and IT
- On-going leasing demonstrates attraction of Industria’s wide offering at one of Brisbane’s leading suburban business parks
- Alternative uses remain a focus – and will improve amenity across the precinct in addition to generating revenue

Leasing deals

Building	Area (sqm)
37 Brandl Street	1,160
8 Clunies Ross Court	1,160
18 Brandl Street	1,070
33 McKechnie Drive	980
88 Brandl Street	720
24 HiTech Court	360
7 Clunies Ross Court	260

On-the-ground presence and focus matters

Recent client feedback....

“The end of trip facilities are great – and were behind our decision to move here”

“The process was seamless and has allowed us to lock down our future without wavering from our core focus”

“BTP Workspaces identified our requirement and were able to find us something that suited quickly and cost effectively”

BTP – driving value through innovation



40% energy met
by solar PV



\$1.3m investment;
15% return on cost



Lowers volatility of
energy costs for
Industria's tenants



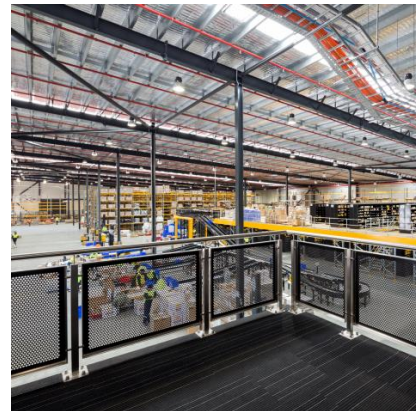
Equivalent of planting
2,100 trees p.a.



ACTING SWIFTLY TO CAPITALISE ON OPPORTUNITIES TO ADD VALUE

WesTrac Newcastle – world leading infrastructure asset

- Leased to WesTrac until 2034 with annual 3% fixed rental uplifts
- Property completed in 2012 – and is regarded as best-in-class by Caterpillar dealers globally:
 - Very high quality facility catering for all aspects of WesTrac business – although focused on maintenance
 - Major competitive advantage is capability to rebuild engines with the benefit of a Caterpillar factory warranty
 - Distributes over 1 million parts annually from 24 hour distribution centre
- High-performing underlying business – 21% growth in parts revenue in F17, driven by increased maintenance
- Leveraged to growth in infrastructure investment
- Long term partner of Caterpillar – relationship extends back to 1929



Parts and Distribution Warehouse

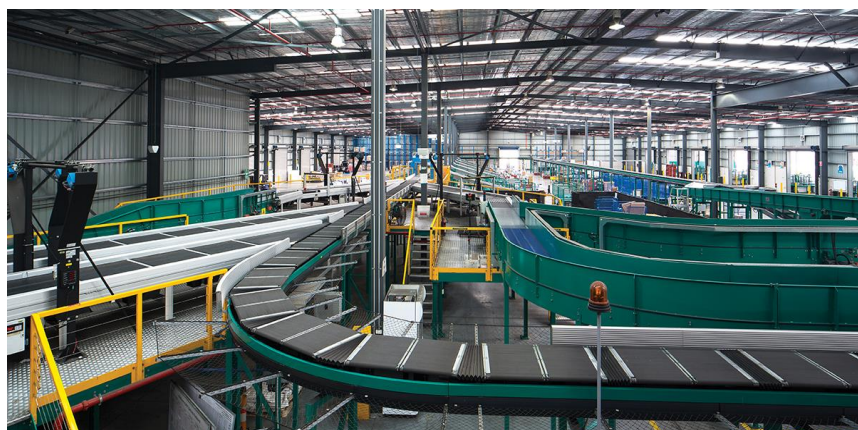
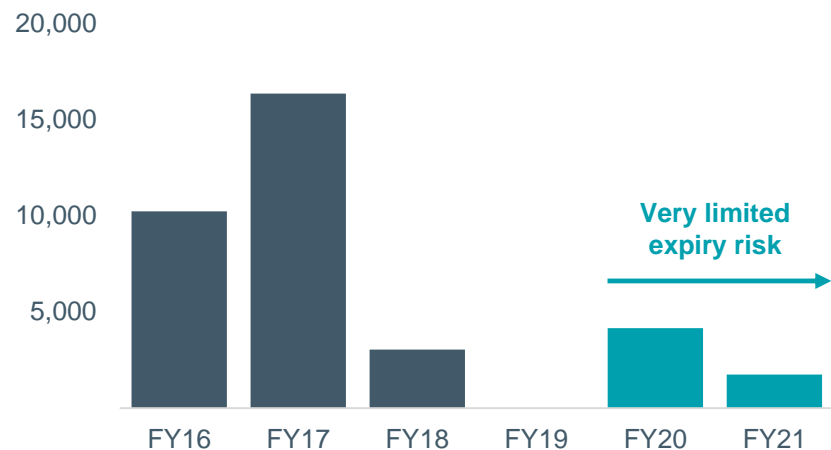


Component Rebuild Centre

Industrial portfolio – well positioned and capturing value

- Limited lease expiries – ~4,200 sqm across 140,000 sqm portfolio in the next 24 months
- Another active period at Adelaide Airport with terms agreed over ~3,000 sqm:
 - Underpinned by high quality location and inferior competing stock
- 1,400 sqm vacant across entire portfolio
- Active engagement with our tenants – regardless of lease expiry – to seek out opportunities to add value to their business and Industria’s assets

Leasing completed to date and forthcoming expiries



140 Sharps Road, Tullamarine

Industrial properties – recent comparable sales

Property	Sale price	Cap rate	WALE (years)
26-38 Harcourt Road & 47-67 Westgate Drive, Altona	\$65.5m	6.30%	7.7
6-8 & 11 Siddons Way, Hallam	\$22.0m	5.89%	7.8
60 Terra Cotta Drive, Nunawading	\$14.25m	5.26%	13.9
215 – 221 Sunshine Rd, Tottenham	\$16.75m	6.25%	5.9

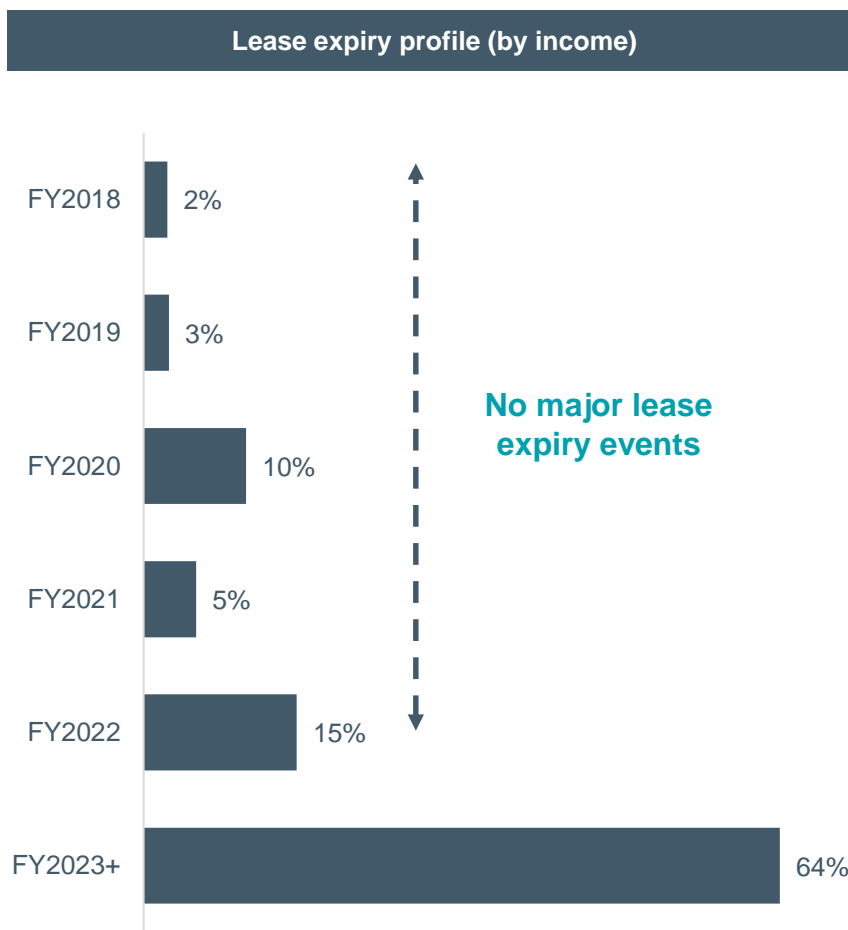
04 Outlook



Outlook

Sustainable returns underpinned by quality and affordable workspaces

- Industria is well positioned:
 - Desirable and well leased portfolio underpinning value and growth
 - Low-risk balance sheet provides ability to be opportunistic and flexible – with buyback or potential acquisitions likely to generate immediate accretion to earnings
 - Management is aligned to long term performance
- FY18 FFO guidance of 18.4 – 18.6 cps – reflecting 2 to 3% growth on FY17:
 - FY18 DPS guidance of 16.5 cps – 3.1% growth
 - Subject to current market conditions continuing and no unforeseen events



Appendices



Appendix A

Property portfolio

Portfolio details as at 31 December 2017

Property	State	Ownership	Sector	Book Value (\$m)	Cap Rate	NLA (sqm)	Occupancy (by area)	WALE (by area)
Building A, Rhodes	NSW	100%	Office	110.5	6.25%	14,641	100%	3.7
Building C, Rhodes	NSW	100%	Office	82.3	6.00%	10,544	96%	4.9
18 Brandl Street, BTP	QLD	100%	Office	12.6	8.00%	4,174	76%	2.2
37 Brandl Street, BTP	QLD	100%	Office	15.0	7.38%	3,329	86%	1.5
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Office	44.1	7.50%	8,877	100%	6.2
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Office	23.1	8.00%	5,704	46%	1.8
88 Brandl Street, BTP	QLD	100%	Office	14.9	7.75%	3,006	63%	1.7
BTP Central, BTP	QLD	100%	Office	41.2	7.50%	7,796	76%	2.2
1-3 Westrac Drive, Newcastle	NSW	100%	Industrial	184.0	6.25%	45,474	100%	16.7
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	4.7
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	17.0	7.00%	10,647	100%	7.0
34 Australis Drive, Derrimut	VIC	100%	Industrial	28.0	6.50%	25,243	100%	4.9
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	22.0	7.00%	20,245	100%	6.1
89 West Park Drive, Derrimut	VIC	100%	Industrial	19.5	6.50%	17,024	100%	4.7
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.3	8.84%	12,335	89%	3.0
Portfolio				640.0	6.70%	199,547	95%	7.3

Tenancy mix

Tenant	% portfolio income
WesTrac	25%
Link Market Services	13%
Interactive Pty Ltd	4%
AAE Retail	4%
Mitre 10	4%
Frasers Property	4%
QLD Health DHP	4%
RFS	3%
Dempsey Group	3%
NAB	2%
Top 10 Tenants	66%
Other	34%
Total	100%

Appendix B

Financial information

Balance Sheet

Half year ended	31 December 2017	30 June 2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	2,483	435
Trade and other receivables	2,681	1,112
Other assets	428	389
Total current assets	5,592	1,936
Investment properties	639,960	638,000
Total non-current assets	639,960	638,000
Assets	645,552	639,936
Liabilities		
Payables	(3,814)	(3,562)
Derivative financial instruments	(940)	(916)
Borrowings ¹	(46,250)	-
Distributions payable	(6,676)	(13,049)
Total current liabilities	(57,680)	(17,527)
Payables	(326)	(257)
Derivative financial instruments	(800)	(1,163)
Borrowings ¹	(162,037)	(196,332)
Deferred tax liability	(5,606)	(5,297)
Total non-current liabilities	(168,769)	(203,049)
Total liabilities	(226,449)	(220,576)
Net assets	419,103	419,360
Number of Securities (millions)	162.8	163.1
NTA per Security (\$)	2.57	2.57

1. Borrowings are net of capitalised debt establishment costs of \$507,000 (Jun-17: \$675,000)

Profit and Loss Statement

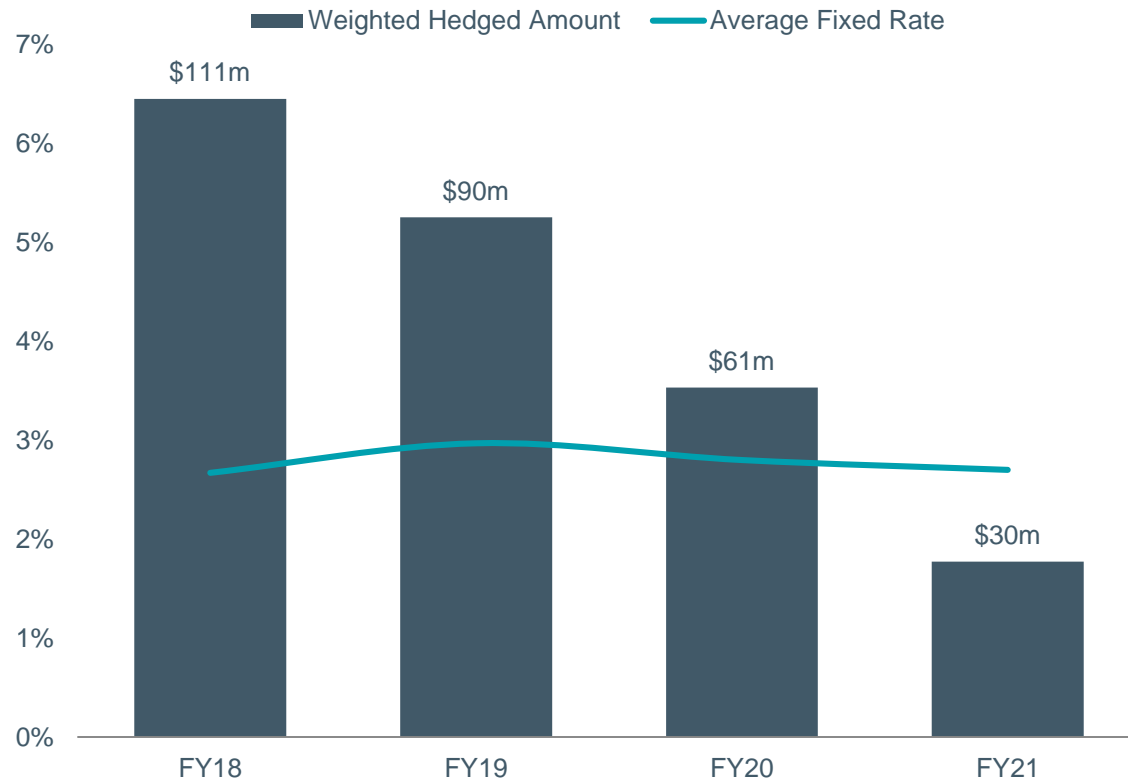
Half year ended	31 December 2017	31 December 2016
	\$'000	\$'000
Income		
Net rental income (including straight lining adjustments)	25,431	22,468
Other income	1	-
Total revenue	25,432	22,468
Expenses		
Property costs	(4,696)	(4,688)
Trust management fees	(1,780)	(1,339)
Other expenses	(354)	(343)
Total expenses	(6,830)	(6,370)
Net operating income (EBIT)	18,602	16,098
Net loss in fair value adjustments on investment properties	(1,357)	(5,800)
Unrealised gain on mark to market of interest rate swaps	340	1,929
Net interest expense	(3,488)	(3,053)
Net income before tax	14,097	9,174
Income tax – current	-	-
Income tax – deferred	(309)	(870)
Net profit after tax	13,788	8,304

Distribution reconciliation

Half year ended	31 December 2017	31 December 2016
	\$'000	\$'000
Net profit after tax	13,788	8,304
Adjusted for:		
Reverse straight lining adjustments included in net rental income	(2,027)	(574)
Add back deferred tax expense	309	870
Add back amortised borrowing costs	168	159
Reverse loss on investment property	1,357	5,800
Add back amortised leasing costs and rent free adjustments	1,525	1,584 ¹
Reverse fair value loss on derivatives	(340)	(1,929)
FFO	14,780	14,214
Distribution	13,364	13,049
Weighted securities on issue (thousands)	163.0	145.7
Payout ratio (Distribution / FFO)	90.4%	91.8%
Distribution (cents per Security)	8.2	8.0
FFO (cents per Security)	9.1	9.8

1. Includes a lease incentive amortisation expense of \$0.2 million arising as a result of the expected early exercise of a tenant lease break option. This amount is one-off in nature, reducing comprehensive income and therefore increased the amortised leasing incentives and costs during the period.

Interest rate hedging profile



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