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convenience RETAIL REIT

ASX ANNOUNCEMENT (ASX code: CRR)

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Inaugural results for period to 30 June 2018 exceed IPO forecasts

Convenience Retail REIT (**CRR** or the **Fund**) is pleased to announce its results for the period from listing on 27 July 2017 to 30 June 2018.

Key highlights

- FY18 Funds From Operations (FFO) of $14.6 million (18.5 cps), up 1.6% on PDS FY18 forecast
- FY18 Distributions of 18.1 cps, above PDS forecast for FY18 of 17.9 cps
- Net Tangible Assets (NTA) growth of 14 cents per security to $2.87, representing a 5.1% increase on $2.73 at IPO
- Balance sheet gearing of 31.7%, within 25% – 40% target range
- Sustainable earnings growth – FY19 FFO guidance of 21.3 – 21.7 cps
- FY19 Distribution guidance of 20.9 cps[1] (7.6% annual cash distribution yield[2])
- Active capital management – establishment of on market securities buy-back program
- Acquired or committed to acquire properties valued at $27.4 million (earnings accretive) since listing
- 100% occupancy, following the lease up the portfolio's sole vacancy
- $12.8 million or 3.9% increase in portfolio value at June 2018
- Valuation gains driven by a combination of market rent increases and capitalisation rate compression

Chris Brockett, Convenience Retail REIT Fund Manager, commented "We are pleased to announce that we have exceeded PDS forecasts, with the Fund delivering Funds From Operations of 18.5 cents per security compared to the PDS forecast of 18.2 cents per security. As a result, we have been able to increase distributions to investors, with FY18 distributions increasing to 18.1 cents per security compared to the PDS forecast of 17.9 cents.

Since listing in July 2017, we have demonstrated our ability to grow the portfolio in a disciplined and prudent manner having acquired or committed to acquire $27.4 million in additional properties which have enhanced the portfolio and delivered earnings growth. In addition, 44 properties have been independently valued during the period, resulting in a 14 cent, or 5.1% increase in NTA to $2.87 per security.

The FY18 results are proof that we are delivering on what we said we were going to do. The Fund currently offers investors a cash distribution yield of 7.6%[2] with ongoing growth, a prudent level of gearing and a 12.6 year WALE. This is underpinned by a defensive, transparent and growing income stream with long term leases to quality retailers. We are also actively managing the Fund's

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[1] Includes the acquisition of Mount Larcom, which is due to settle in September 2018.

[2] Based on closing share price of $2.76 on 20 August 2018.

capital to create long term value for securityholders and I am pleased to announce the establishment of an on-market securities buy-back program".

Accretive acquisitions and revaluation uplift

During the period, CRR successfully completed the acquisitions of Durack, Dakabin and Moree, collectively for $20.1 million, reflecting a weighted average capitalisation rate of 6.9% and an average WALE of 13.7 years.

In addition to the above, today CRR announced that it has contracted to acquire Mount Larcom for $7.3 million, reflecting a capitalisation rate of 6.8%. Leased to Puma Energy on a brand new 15 year lease with fixed 3% annual increases, construction of Mount Larcom was completed and opened for trade in May 2018. The site is situated on the Bruce Highway between Gladstone and Rockhampton and offers two separate refuelling courts (one for cars and the other for trucks). The retail offering is designed and configured to meet the specifications of Puma's "7th Street" café concept which includes a sit-down eatery and a fresh-served food offer. Settlement of Mount Larcom is expected to occur in September 2018 and will be funded from existing debt facilities. Proforma gearing including the Mount Larcom acquisition will be 33.2% and the FY19 FFO and distributions guidance includes this acquisition.

"The acquisition of Mount Larcom enhances the quality of CRR's portfolio. It is a brand new site that offers the most modern of facilities. It is a strategically located site that provides direct highway linkage with the fuel network chain and so will remain a key asset for all major fuel and energy companies.

These acquisitions announced to date demonstrate our disciplined approach to growing CRR's property portfolio, delivering on our strategy of seeking opportunities that will enhance portfolio and securityholder returns over the longer term", added Mr Brockett.

As at 30 June 2018, the portfolio comprised 69 properties valued at $340.4 million with a weighted average capitalisation rate of 7.03%. This represents an increase of $32.8 million or 10.7%, on the portfolio value at IPO. The portfolio has a WALE of 12.6 years and is 100% occupied after successfully leasing the portfolio's sole vacancy in April 2018.

Capital management

Total drawn debt at 30 June 2018 was $110.6 million resulting in a gearing ratio of 31.7%, within our target range of 25 to 40% and the weighted average debt maturity was 2.6 years, with 54% of debt hedged. The Fund's gearing ratio will increase to 33.2% following settlement of Mount Larcom.

We continue to take an active approach to managing the Fund's capital to create value for securityholders. In this regard, the Board has reviewed opportunities to source and apply capital including selective property acquisitions and divestments, opportunities to invest across the portfolio to enhance value at the property level, as well as the opportunity to acquire the Fund's own securities. As part of these considerations the Board has considered the current valuation of the Fund's property portfolio, its gearing position and debt capacity as well as the liquidity and trading price of the Fund's securities on the ASX. As a result, the Board has approved the establishment of an on-market securities buy-back program for up to 5.0% of CRR's securities on issue. The establishment of this program permits the opportunistic acquisition of securities if considered to be in the best interests of securityholders.

Outlook

CRR will continue to actively manage its portfolio and capital to deliver attractive and sustainable returns to securityholders.

The Fund is well positioned to do this. It has sustainable income growth which is underpinned by long term leases with contracted annual rent increases and a prudent level of gearing.

FY19 FFO guidance is 21.3 – 21.7 cents per security, representing an increase of 5.4 – 7.4% on FY18 (annualised) and an increase of 3.4 – 5.3% on the PDS FY19 forecast. Distributions guidance is 20.9 cents per security, which is 3% above the PDS forecast for FY19.

This guidance includes the acquisition of Mount Larcom and is subject to current market conditions continuing and no unforeseen events and assumes no further acquisitions.

ENDS

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About Convenience Retail REIT

Convenience Retail REIT ('CRR') is a listed Australian Real Estate Investment Trust (REIT) listed on the ASX (ASX code: CRR) which owns high quality Australian service stations and convenience retail assets. CRR's portfolio of 69 properties valued at approximately $340 million, is predominantly located on Australia's eastern seaboard and is leased to leading Australian and international convenience retail tenants. The portfolio offers a long weighted average lease expiry and contracted annual rent increases providing the REIT with a strong level of income security. CRR has a target gearing range of 25 – 40% as part of its conservative approach to capital management.

CRR is managed by APN Property Group Limited, an ASX listed company (ASX Code: APD) that has been managing real estate and real estate securities on behalf of institutional and retail investors since 1996. The REIT is governed by a majority independent Board.

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