



FY18 RESULTS PRESENTATION

22 August 2018

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ASX: IDR



Agenda

01 Highlights and outcomes

02 Investment Proposition

03 Portfolio performance

04 Outlook

Appendices

01 FY18 Highlights and outcomes



WestTrac Newcastle

Highlights and outcomes



Result in-line with guidance –
FFO 18.5 cents per security, 2.2% growth



NTA ▲ 5%
Balance sheet well-positioned following \$71 million refinance



~13,600 square metres of leasing – active asset management generating outcomes



Only 2% of income expiring in FY19 - strong income visibility



30 June 2018 financials

- Statutory net profit \$48.2 million - contracted leases with fixed growth boosted by valuation uplifts of \$20.2 million:
 - \$53.4 million lower than pcp – largely due to higher valuation outcomes in prior period
- FFO up \$2.2 million to \$30.1 million:
 - Increased from 18.1 to 18.5 cents per security and in-line with guidance of 2 – 3% growth
- Net Property Income up ~9% to \$37.9 million:
 - 3% fixed rental uplifts across 82% of portfolio
 - Full period contribution from WesTrac Newcastle
 - Partially offset by downtime at selected assets
- Gearing 31.0% at 30 June 2018:
 - Increasing to 32.7% following post-balance date acquisition of 13 Ricky Way and 10 Jersey Dr, Epping

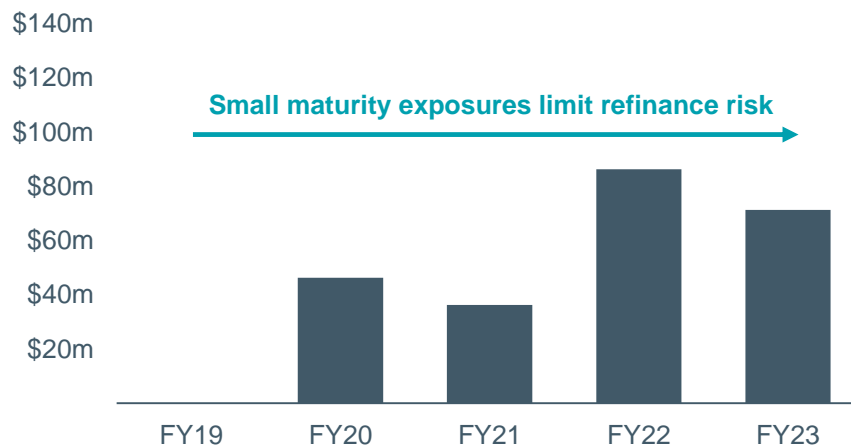
	FY18	FY17	Change
Statutory net profit (\$m)	\$48.2	\$101.6	▼ 52.6%
FFO (\$m)	\$30.1	\$27.9	▲ 7.9%
FFO (cents per security)	18.5	18.1	▲ 2.2%
Distribution declared (\$m)	\$26.9	\$26.1	▲ 3.1%
Distributions (cents per security)	16.5	16.0	▲ 3.1%
FFO payout ratio (%)	89.3%	88.6%	▲ 0.7%
Tax deferred component of distribution / non assessable income	49.9%	41.4%	▲ 8.5%

	Jun 2018	Dec 2017	Change
Gearing	31.0%	32.2%	▼ 1.2%
Net Tangible Assets per security	\$2.70	\$2.57	▲ 5.1%

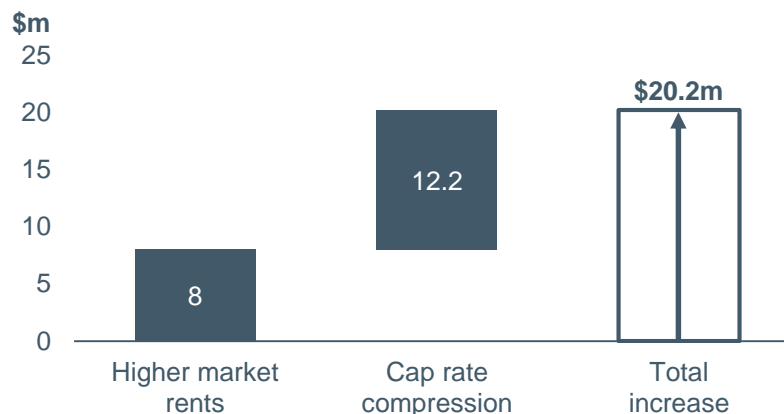
Strong balance sheet post refinance and valuation gains

- Weighted average interest rate of 3.4% and 5.8x interest cover
- Refinanced to club structure with a Common Terms Deed and bi-lateral Facility Agreements:
 - Weighted average debt maturity increases to 3.3 years with new 5 year facilities
 - Improved terms, conditions and flexibility, including being able to introduce new lenders on pre-agreed terms
 - Nearest debt maturity ~\$46 million in Sept 2019
- Independent valuations across all industrial assets – reporting \$20.2 million of gains:
 - New pricing benchmarks and rental growth resulted in WesTrac Newcastle increasing \$13 million (7%)
 - Adelaide Airport increased valuation by \$1.7 million (14%) following strong leasing outcomes
 - \$5.5 million across remaining properties

Debt maturity profile – limited refinance risk



Leasing and cap rate contributions to valuation uplift



02 Investment Proposition



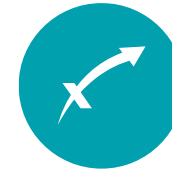
Rhodes Building C, Rhodes NSW

The Industria REIT opportunity



Strategy to grow through investing in office and industrial assets

- Providing businesses with attractively priced and well located workspaces
- Proactively approaching innovation to deliver improved tenant satisfaction and retention
- Producing sustainable income and capital growth returns



The opportunity

- Benefit from a growing rent profile from low-risk portfolio – no potential volatility from “active earnings”
- Leveraging APN’s market knowledge and experience to enhance the product offering and drive occupancy
- Maximising synergies and minimising downtime by engaging with clients to execute initiatives including building efficiency works that reduce operational costs – such as solar PV
- Benefit from supply constraints and significant infrastructure upgrades in close proximity to existing and future investments
- Utilise balance sheet strength and capital market support to grow through portfolio recycling initiatives and acquisitions

At a glance

\$676

MILLION
TOTAL
ASSETS

\$428

MILLION
MARKET
CAPITALISATION

S&P/ASX 300

INDEX
MEMBER

6.5%

CASH
DISTRIBUTION
YIELD

31.0%

GEARING

6.9

YEAR
WALE

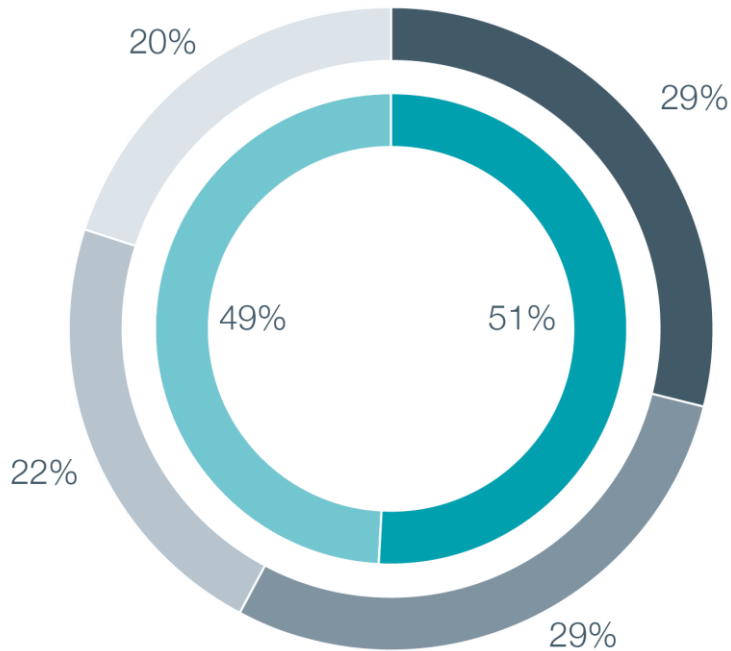
3%

AVG RENT
REVIEWS

HIGH QUALITY ASSETS DELIVERING STRONG INCOME PROFILE
ALIGNED MANAGEMENT WITH ~\$71 MILLION CO-INVESTED
CONSERVATIVE BALANCE SHEET WITH CAPACITY TO GROW

Note: Yield and market capitalisation as at 21 August 2018

Diversified portfolio



Locations

- Industrial WesTrac
- Rhodes Corporate Park
- Brisbane Technology Park
- Industrial Melbourne & Adelaide

Portfolio by type

- Office
- Industrial



WesTrac Newcastle

Located adjacent to M1 motorway
~\$197 million invested
16.2 year WALE



Industrial Melbourne and Adelaide

Key industrial precincts
~\$135 million invested
8 buildings; 4.9 year WALE



Rhodes Corporate Park

Inner west Sydney,
~\$193 million invested
2 buildings; 3.8 year WALE



Brisbane Technology Park

15 minutes south of CBD
~\$152 million invested
12 buildings; 2.9 year WALE

APN Property Group – aligned and experienced manager



Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a \$71 million co-investment stake
- Simple and transparent sliding fee structure – no additional transactional or performance fees



Focused and dedicated management team

- Dedicated Fund Manager and management team
- Leveraging 18 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



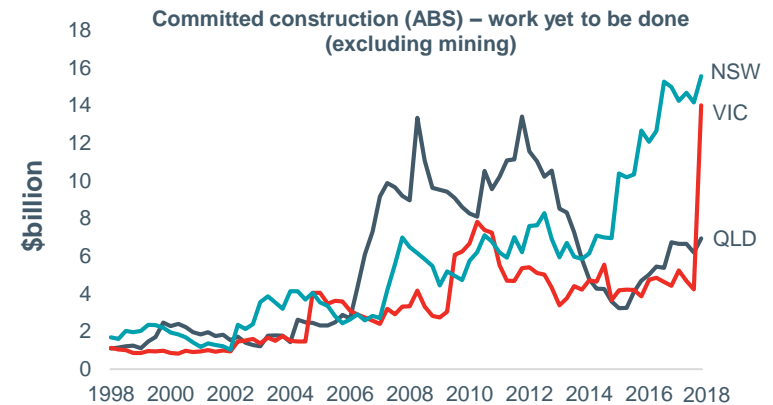
Manager with long track record and deep relationships across capital and investment markets

- Relationships generate leasing, investment opportunities and access to multiple capital sources
- Founded in 1996 and grown to \$2.8 billion under management – including direct and listed real estate mandates

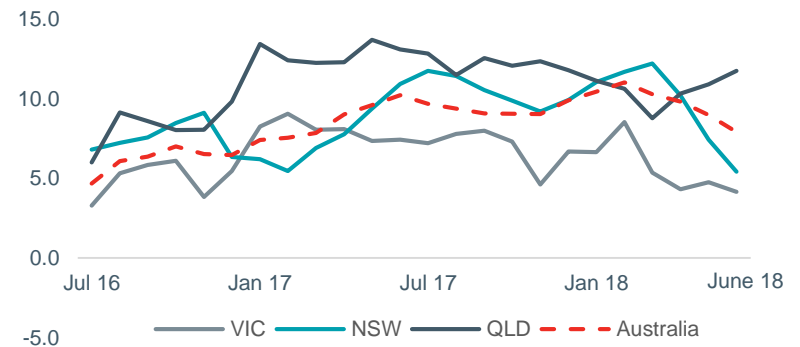
Qld and Vic set to benefit from infrastructure investment growth

- Infrastructure pipeline growing – particularly in Melbourne:
 - West Gate Tunnel - \$5.5bn
 - Metro Trains Project - \$2.3bn
- NSW has a long investment pipeline that will benefit Industria's largest tenant - WesTrac
- Investment in Brisbane will increase rapidly – with Cross River Rail and Metro to add \$6.3bn – double the current projects underway
- Business conditions and confidence building in Queensland:
 - Commodity prices have risen and productivity has improved with greater built capacity
 - Infrastructure pipeline boosting employment growth as the private sector gears up to bid for work and undertake construction
- Brisbane Technology Park is a knowledge hub for engineering and is positioned to benefit strongly

Investment improving across the economy



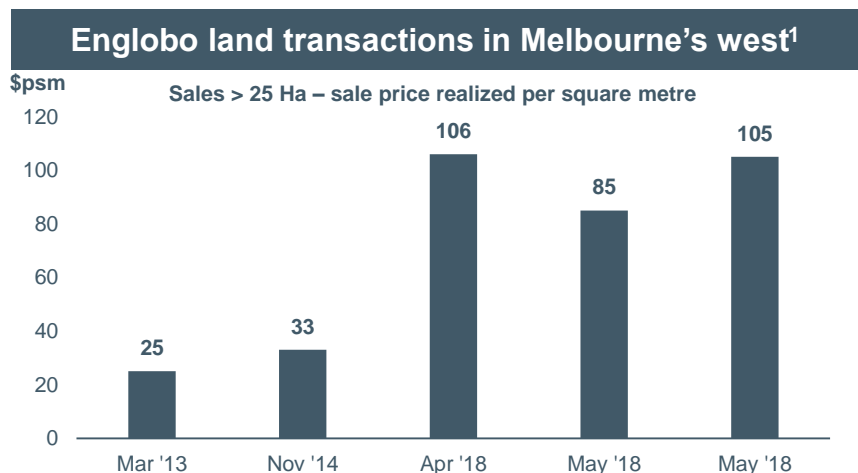
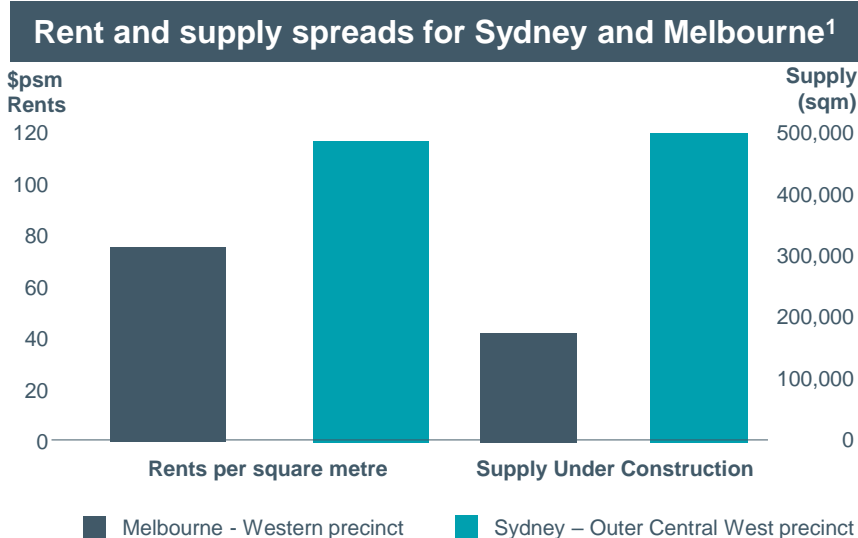
NAB Business confidence by state (net balance)¹



1. NAB Monthly Business Survey, June 2018

Melbourne industrial – positioned for long-term growth

- Melbourne industrial underpinned by strong fundamentals and is supported by:
 - Lowest rents – 36% lower than Sydney
 - Lowest supply pipeline – 65% lower than Sydney
 - Population forecast to exceed Sydney
- Rents have significant scope for growth from a low base of \$70 - \$80 per square metre
- Land values in the west have increased more than three-fold in five years – and over this period:
 - Land supply has reduced by ~500 hectares – and there is ~500 hectares remaining
 - Take-up has averaged ~250,000 sqm per annum
- Considerable drivers of rental growth are building:
 - New supply will carry meaningfully higher cost bases for land and construction
 - Demand is underpinned by Victorian population growth – driving ~500k sqm of annual demand, compounding structural trends such as e-commerce
 - Actively considering acquisitions below replacement cost



1. JLL, Q2 2018. Land values based on net developable area

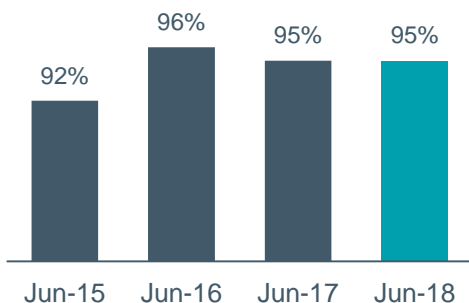
03 Portfolio performance



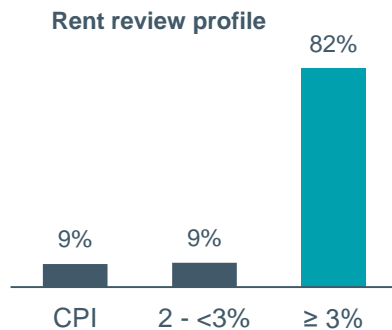
StarTrack Express, 140 Sharps Rd, Tullamarine

Actively managing the real estate

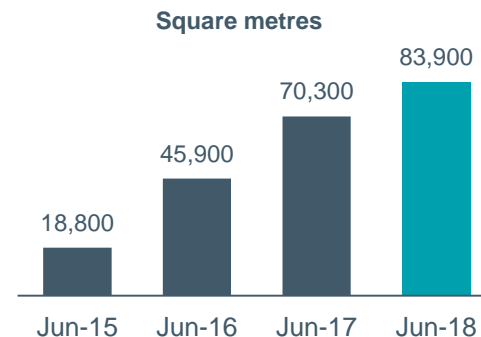
High occupancy



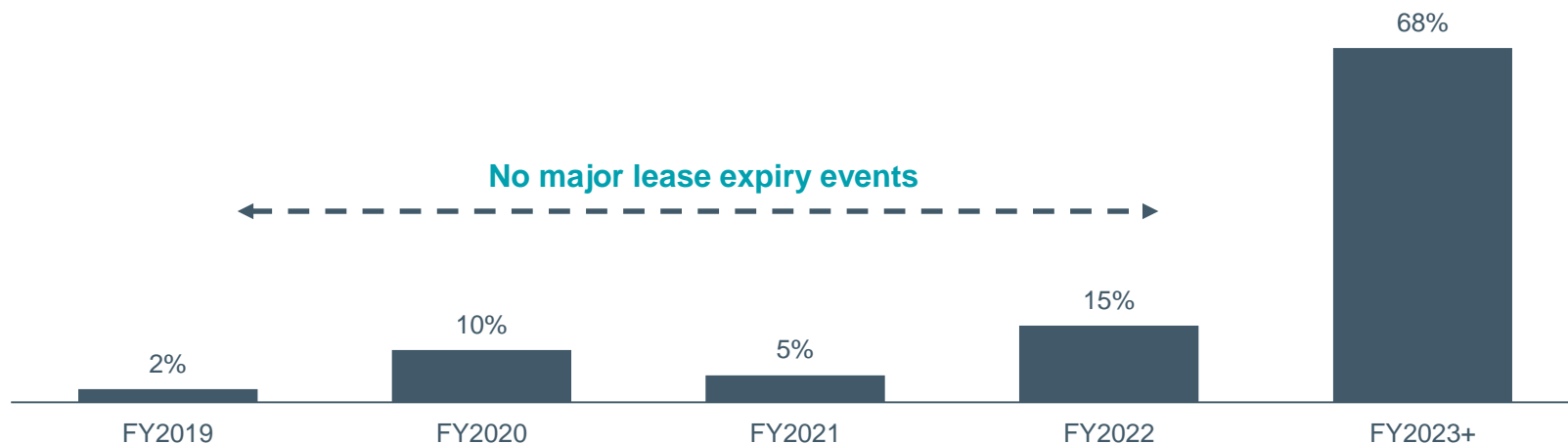
Generating organic growth



Cumulative leasing outcomes



Strong income visibility - expiry profile (by income)



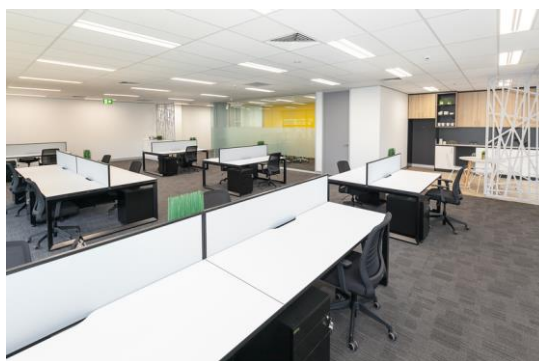
Rhodes – fully leased

- Fully leased following implementation of spec suite strategy – with demand from smaller businesses ahead of expectations
- Deals completed during period:
 - Rhodes C – leased 1,660 sqm of vacancy
 - Rhodes A – 725 sqm of renewals
- Installing 180 Kilowatts of solar to future-proof our assets and improve net rents

Leasing deals	
Building	Area (sqm)
Rhodes C	780
Rhodes C	245
Rhodes C	200
Rhodes A	400
Rhodes A	325



Building A, Rhodes



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

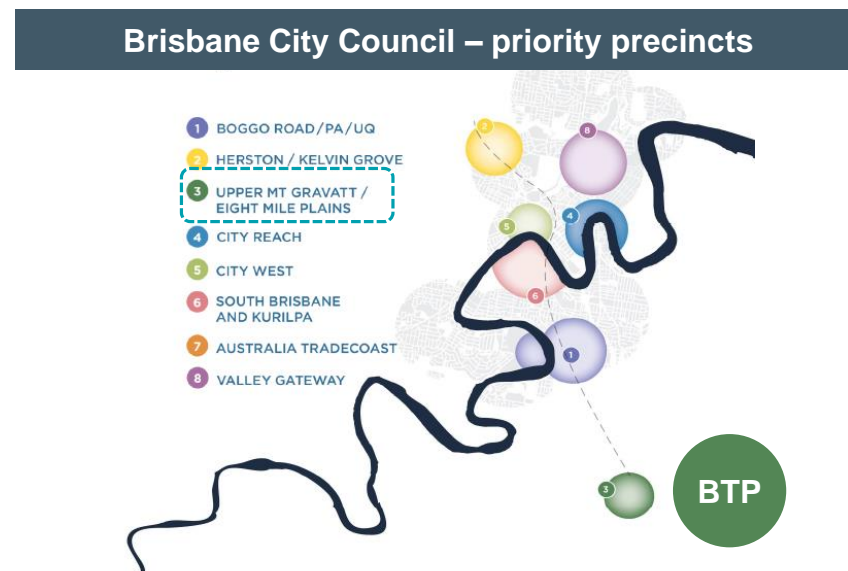


Solar installation
(Building A, Rhodes)

BTP – engagement with business driving leasing

- Leasing activity continues with 21 deals completed over 6,800 sqm
- Variety of product appealing to broad range of occupiers:
 - Terms agreed over 900 sqm since June
 - Ongoing discussions with multiple new occupiers seeking to be at BTP – a knowledge hub for growth areas including healthcare, IT and engineering
- Most significant business park outside Brisbane CBD and top 3 priority precinct – as identified by Brisbane City Council
- Meaningful public support to create a globally significant precinct that leverages from improved public transport connections – including metro departing every 3 minutes to CBD
- Location, affordable rent profile, and potential for increased density will underpin long term value creation for investors

Leasing deals	
Building	Area (sqm)
8 Clunies Ross Court	1,600
37 Brandl Street	1,200
18 Brandl Street	1,100
33 McKechnie Drive	1,000
88 Brandl Street	900



BTP – driving value through innovation



**43% energy met
by solar PV**



**\$1.0m investment
delivering 15%
return on cost¹**



**Lowers volatility of
energy costs for
Industria's tenants**



**Equivalent of planting
1,600 trees p.a.**

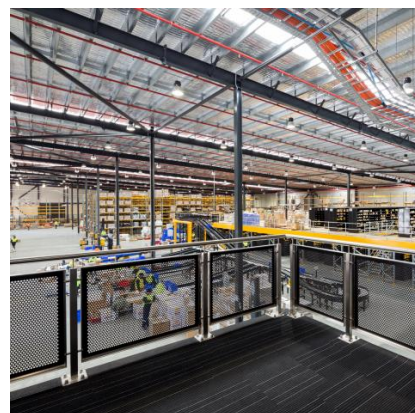


ACTING SWIFTLY TO CAPITALISE ON OPPORTUNITIES TO ADD VALUE

¹ Additional ~220 Kilowatt installation to be completed in FY19

WesTrac Newcastle – world leading real estate

- 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
- Strong underlying business with maintenance revenue providing counter-cyclical cash flow
- Leveraged to growth in infrastructure investment
- Long term partner of Caterpillar – relationship extends back to 1929



Parts and Distribution Warehouse

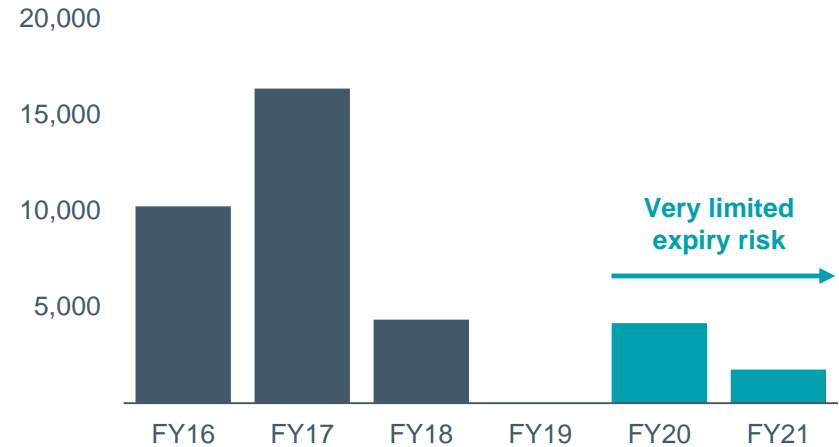


Component Rebuild Centre

Industrial portfolio – well positioned and capturing value

- Leasing at Adelaide Airport continued, completed 4,300 sqm of activity:
 - Location and quality of product underpinned leasing outcomes
- One vacancy (1,400 sqm) across entire portfolio
- Engagement with our tenants has directly resulted in 100 kW of solar being installed and a further 1 MW under consideration:
 - Initiatives reduce gross occupancy costs and demonstrate our ability to work collaboratively for win-win outcomes

Leasing completed and forthcoming expiries



34 West Park Drive, Derrimut – 100kW solar installation



13 Ricky Way, Epping

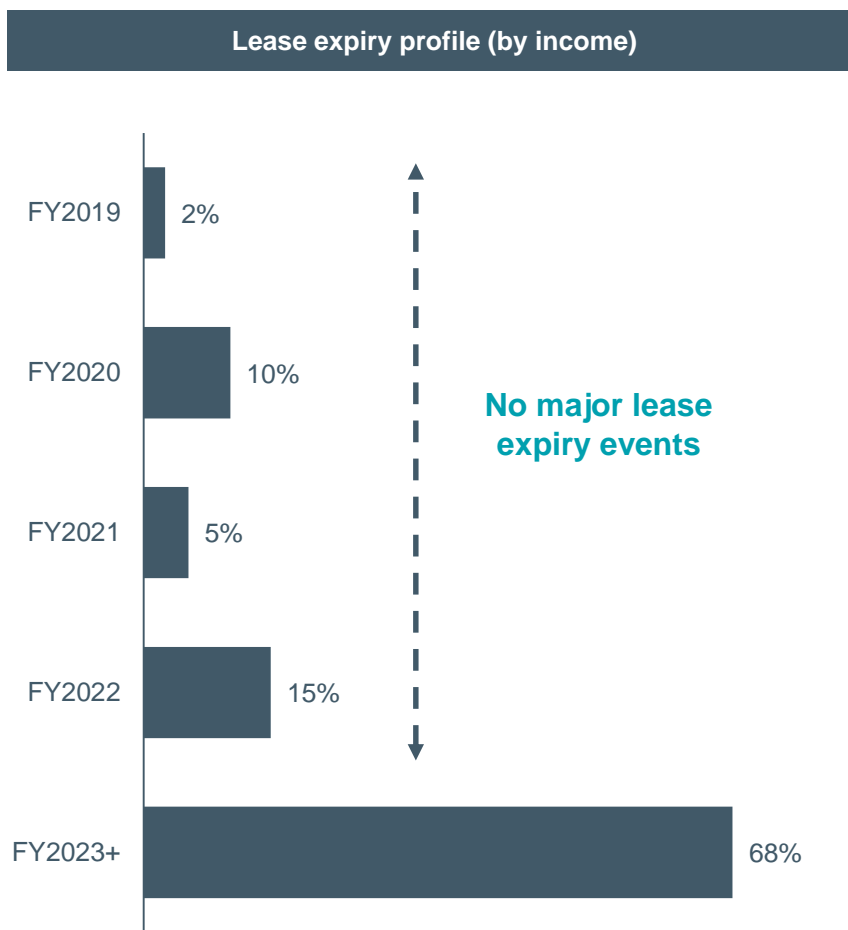
04 Outlook



Outlook

Sustainable returns underpinned by quality and affordable workspaces

- Industria is well positioned:
 - Desirable and well leased portfolio with potential for further income and value upside
 - Passive income stream with organic rental increases providing growth – no potential volatility from active earnings that may rely on development or fund management fees
 - Only 2% of income expiring in FY19
 - Management aligned to long term performance
- FY19 FFO guidance of 18.95 – 19.15 cps reflecting 2.5 – 3.5% growth:
 - DPS guidance of 17.0 cps – 3% growth
 - Subject to current market conditions continuing and no unforeseen events



Appendices



Appendix A

Property portfolio

Portfolio details as at 30 June 2018

Property	State	Ownership	Sector	Book Value (\$m)	Cap Rate	NLA (sqm)	Occupancy (by area)	WALE (by area)
Building A, Rhodes	NSW	100%	Office	110.0	6.25%	14,641	100%	3.2
Building C, Rhodes	NSW	100%	Office	82.6	6.00%	10,544	100%	4.5
18 Brandl Street, BTP	QLD	100%	Office	12.7	8.00%	4,174	69%	1.8
37 Brandl Street, BTP	QLD	100%	Office	15.0	7.38%	3,329	46%	1.2
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Office	44.1	7.50%	8,877	100%	5.8
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Office	23.4	8.00%	5,704	50%	1.9
88 Brandl Street, BTP	QLD	100%	Office	14.9	7.75%	2,915	66%	1.5
BTP Central, BTP	QLD	100%	Office	41.4	7.50%	7,796	81%	2.0
1-3 Westrac Drive, Newcastle	NSW	100%	Industrial	197.0	6.00%	45,474	100%	16.2
140 Sharps Rd, Tullamarine	VIC	100%	Industrial	13.5	8.25%	10,508	100%	4.3
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	18.3	6.50%	10,647	100%	6.5
34 Australis Drive, Derrimut	VIC	100%	Industrial	29.3	6.50%	25,243	100%	4.4
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	23.5	6.75%	20,245	100%	5.6
89 West Park Drive, Derrimut	VIC	100%	Industrial	21.0	6.00%	17,024	100%	4.2
13 Ricky Way, Epping	VIC	100%	Industrial	15.7	6.50%	11,211	100%	6.5
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	14.0	8.61%	12,334	89%	3.4
Portfolio				676.4	6.58%	210,666	95%	6.9

Tenancy mix

Tenant	% portfolio income
WesTrac	27%
Link Market Services	14%
Interactive	4%
AAE Retail	4%
Mitre 10	4%
Frasers Property	4%
QLD Health	4%
RFS	3%
Dempsey Group	3%
Edlyn Foods	3%
Top 10 Tenants	70%
Other	30%
Total	100%

Appendix B

Financial information

Balance Sheet

Financial year ended	30 June 2018	30 June 2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	1,659	1,037
Trade and other receivables	1,134	510
Other assets	462	389
Total current assets	3,255	1,936
Investment properties	660,732	638,000
Total non-current assets	660,732	638,000
Assets	663,987	639,936
Liabilities		
Payables	(3,958)	(3,562)
Derivative financial instruments	(809)	(916)
Distributions payable	(6,839)	(13,049)
Total current liabilities	(11,606)	(17,527)
Payables	(336)	(257)
Derivative financial instruments	(876)	(1,163)
Borrowings ¹	(205,871)	(196,332)
Deferred tax liability	(5,606)	(5,297)
Total non-current liabilities	(212,689)	(203,049)
Total liabilities	(224,295)	(220,576)
Net assets	439,692	419,360
Number of Securities (millions)	162.8	163.1
NTA per Security (\$)	2.70	2.57

Note: excludes 13 Ricky Way and 10 Jersey Dr, Epping = post balance date acquisition of \$15.7 million

1. Borrowings are net of capitalised debt establishment costs of \$829k (Jun-17: \$675k)

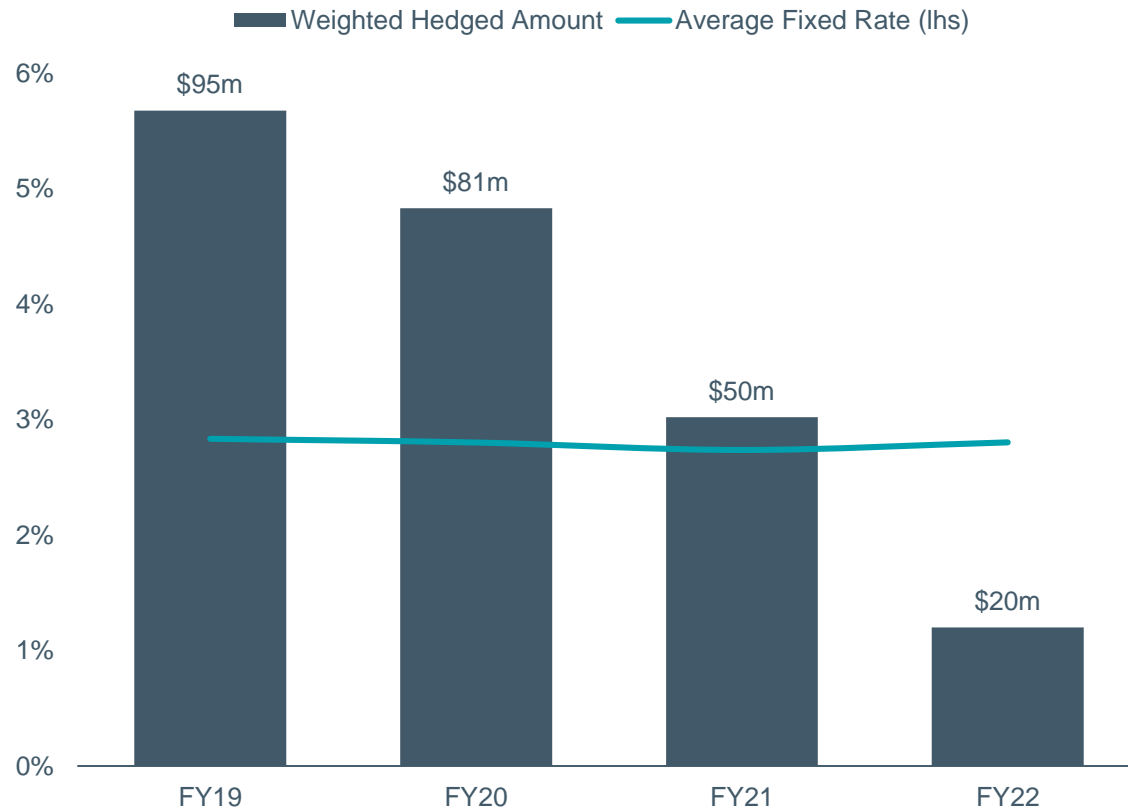
Profit and Loss Statement

Financial year ended	30 June 2018	30 June 2017
	\$'000	\$'000
Income		
Net rental income (including straight lining adjustments)	51,677	48,483
Total revenue	51,677	48,483
Expenses		
Property costs	(9,919)	(10,445)
Trust management fees	(3,542)	(2,875)
Other expenses	(710)	(872)
Total expenses	(14,171)	(14,192)
Net operating income (EBIT)	37,506	34,291
Net fair value gain on investment properties	17,341	75,194
Fair value gain on derivatives	395	2,229
Net interest expense	(7,037)	(6,737)
Net income before tax	48,205	104,977
Income tax expense	(309)	(3,334)
Net profit after tax	47,896	101,643

Reconciliation to FFO

Financial year ended	30 June 2018	30 June 2017
	\$'000	\$'000
Net profit after tax	47,896	101,643
Adjusted for:		
Reverse straight lining adjustments included in net rental income	(3,906)	(3,221)
Add back deferred tax expense	309	3,334
Add back amortised borrowing costs	334	324
Add back amortised leasing costs and rent free adjustments	3,202	3,212
Reverse fair value gain on investment properties	(17,341)	(75,194)
Reverse fair value gain on derivatives	(395)	(2,229)
FFO	30,099	27,869
Distribution	26,880	26,098
Weighted securities on issue (thousands)	162,913	154,320
Payout ratio (Distribution / FFO)	89.3%	88.6%
Distribution (cents per Security)	16.5	16.0
FFO (cents per Security)	18.5	18.1

Interest rate hedging profile



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Contact

Alex Abell

Fund Manager

Ph: (03) 8656 1070

✉ aabell@industriareit.com.au

Industria REIT

Level 30, 101 Collins Street,
Melbourne, Vic 3000

industriareit.com.au