



# FY2019 HALF YEAR RESULTS

18 FEBRUARY 2019

[www.apngroup.com.au](http://www.apngroup.com.au)  
ASX Code: AQR (formerly CRR)

**APN** | Convenience Retail REIT

# Agenda

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**01** HY2019 snapshot

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**02** Financial performance

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**03** Investment overview

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**04** Market update

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**05** Outlook and guidance

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Appendices

# 01 HY2019 SNAPSHOT



# Snapshot



## Financial performance

**\$2.95**

NTA PER SECURITY

▲ 2.8% since June 2018

**10.72c**

FFO PER SECURITY

▲ 3.7% on PDS forecast

**10.45c**

DISTRIBUTION PER SECURITY

▲ 3.0% on PDS forecast



## Portfolio performance

**12.1 years**

WALE

**100%**

OCCUPANCY

**\$7.5m**

VALUATION UPLIFT



## Capital management

**32.5%**

GEARING

**2.6 years**

WEIGHTED AVERAGE  
DEBT MATURITY

**4.4x**

INTEREST COVER



# 02 FINANCIAL PERFORMANCE



# HY2019 half year financial performance

## Transparent income streams and capital structure

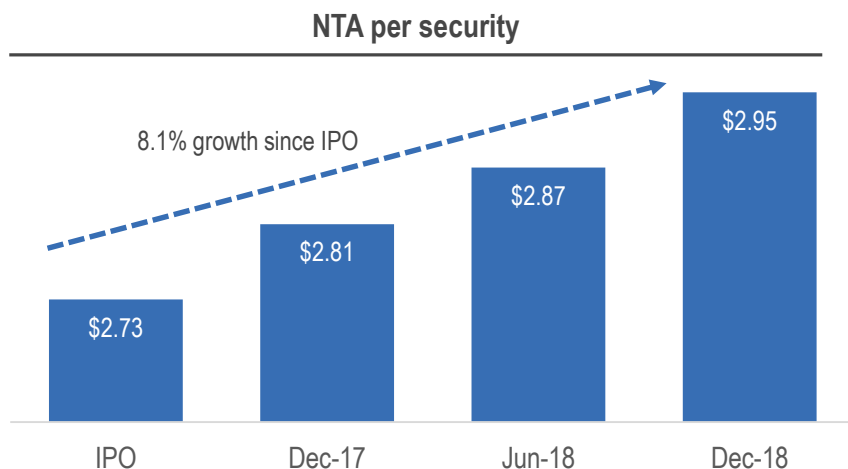
- FFO for the period of 10.7 cents per security exceeded PDS forecast by 3.7%
- Net property income above PDS forecast due to property acquisitions completed since IPO
  - Portfolio income growth of 2.9% on a comparable basis
- Management fee higher than PDS forecast as a result of property acquisitions and revaluation uplift
- Finance costs higher than PDS due to debt funding the property acquisitions

A\$m	1H FY19	PDS	Variance
Net property income	12.3	11.6	▲ 6.0%
Straight lining of rental income	2.3	2.0	▲ 15.0%
Interest income	0.1	-	-
<b>Total income</b>	<b>14.7</b>	<b>13.6</b>	<b>▲ 8.1%</b>
Management fee	(1.1)	(1.0)	▲ 10.0%
Corporate costs	(0.4)	(0.4)	-
Finance costs	(2.6)	(2.1)	▲ 23.8%
<b>Total expenses</b>	<b>(4.1)</b>	<b>(3.5)</b>	<b>▲ 17.1%</b>
<b>Net profit</b>	<b>10.6</b>	<b>10.1</b>	<b>▲ 5.0%</b>
<b>Adjusted for:</b>			
Straight lining of rental income	(2.3)	(2.0)	▲ 15.0%
Amortisation of upfront debt costs	0.2	0.1	▲ 100%
<b>Funds From Operations (FFO)</b>	<b>8.5</b>	<b>8.2</b>	<b>▲ 3.7%</b>
<b>Key performance metrics (cents)</b>			
FFO per security	10.7	10.3	▲ 3.7%
Distribution per security	10.5	10.1	▲ 3.0%
Payout ratio	97.5%	97.5%	-

# Balance sheet

## NTA per security increased by 8 cents (+2.8%)

- \$14.8 million increase in investment properties from:
  - Acquisition of Mount Larcom for \$7.3m in August 2018
  - \$7.5m revaluation uplift
- Increase in interest bearing liabilities due to funding Mount Larcom acquisition
- Gearing remains comfortably within the target range of 25% – 40%



A\$m	Dec 2018	June 2018	Variance
<b>Assets</b>			
Cash and cash equivalents	1.0	2.8	Large
Investment Properties	355.2	340.4	4.3%
Other assets	0.4	0.2	Large
<b>Total assets</b>	<b>356.6</b>	<b>343.4</b>	<b>3.8%</b>
<b>Liabilities</b>			
Interest bearing liabilities <sup>1</sup>	115.9	109.7	5.7%
Provision for distribution	4.1	3.9	5.1%
Other liabilities	4.1	3.4	Large
<b>Total liabilities</b>	<b>124.1</b>	<b>117.1</b>	<b>6.0%</b>
<b>Net assets</b>	<b>232.5</b>	<b>226.3</b>	<b>2.8%</b>
Stapled Securities on Issue (m)	78.9	78.9	
NTA per Stapled Security (\$)	<b>\$2.95</b>	<b>\$2.87</b>	<b>2.8%</b>
Gearing	32.5%	31.7%	0.8%

1. Represents \$116.7 million of drawn debt net of unamortised borrowing costs of \$0.8 million.



# 03 INVESTMENT OVERVIEW





# Attractive convenience retail portfolio – long leases to quality tenants

**7.2%**

CASH DISTRIBUTION  
YIELD<sup>1</sup>

**79.1%**

FY19 TAX  
DEFERRED  
COMPONENT

**32.5%**

GEARING

**100%**

OCCUPANCY

**70**

PROPERTIES

**\$355m**

PORTFOLIO  
VALUE

**7.0%**

WACR

**12.1**

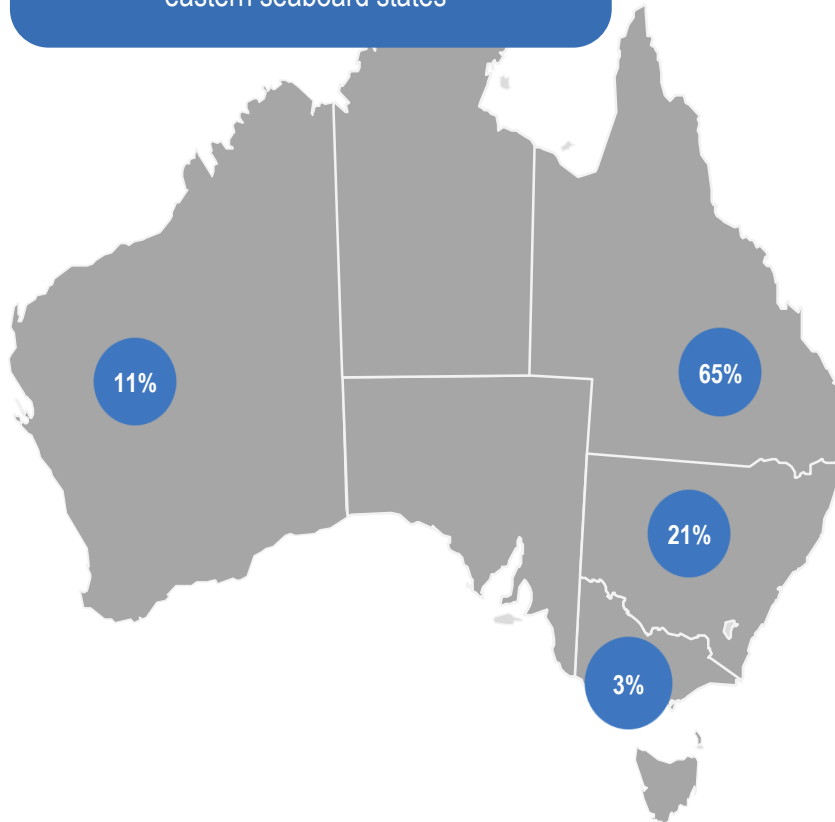
WALE  
(YEARS)

DIVERSIFIED AND DEFENSIVE LONG LEASE PORTFOLIO  
SUSTAINABLE AND GROWING INCOME  
ALIGNED MANAGER WITH \$27 MILLION CO-INVESTED

1. Based on closing share price of \$2.91 on 15 February 2019 and FY19 distributions guidance of 20.9 cents per security.

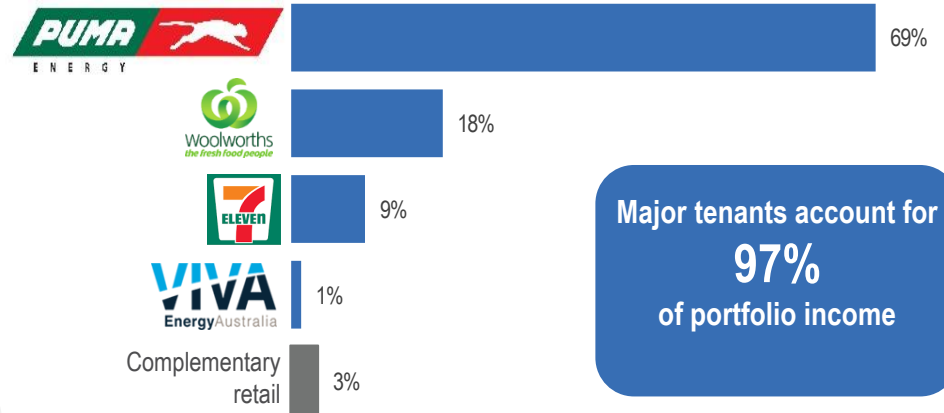
# Diversified portfolio

**89%** of portfolio located in Australia's eastern seaboard states  
 ~78% of Australia's population live in the eastern seaboard states<sup>1</sup>



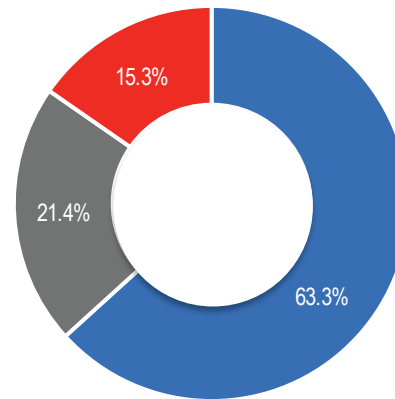
1. ABS 3101.0 - Australian Demographic Statistics, Dec 2017. Eastern seaboard states defined as NSW, VIC, QLD.

## Major tenants



Major tenants account for **97%** of portfolio income

## Portfolio by site classification



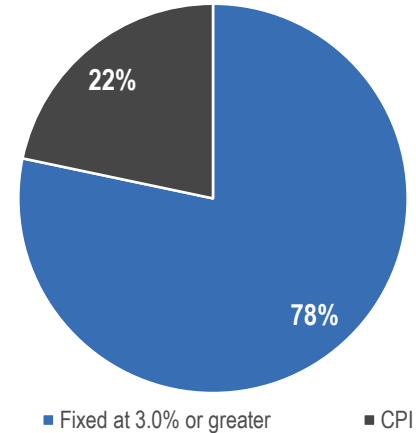
**85%** of the portfolio are Metropolitan or Highway sites

■ Metropolitan ■ Highway ■ Regional

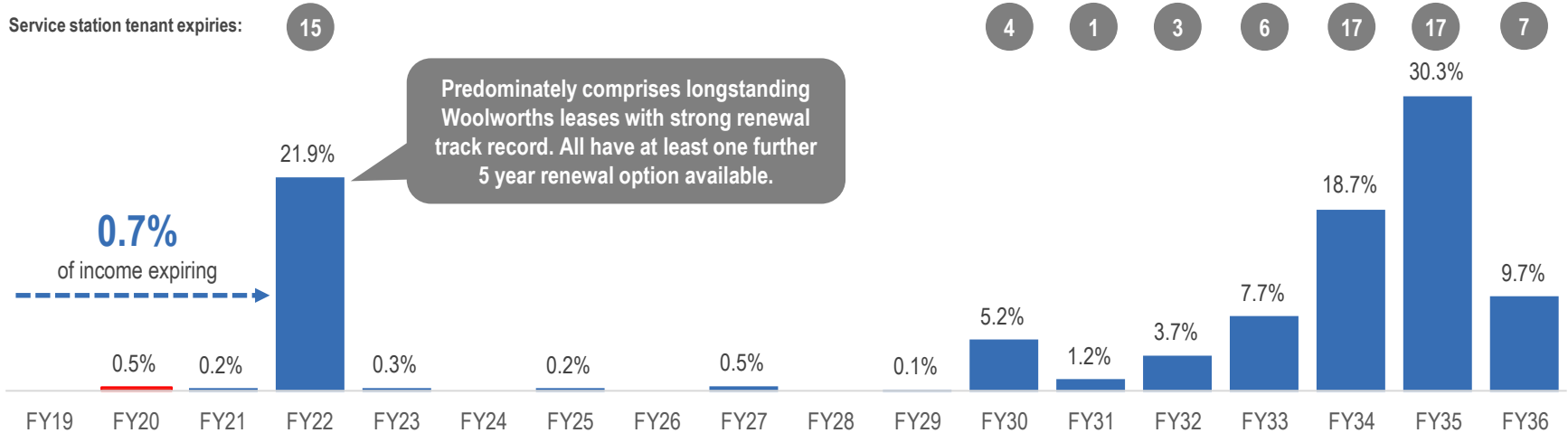
# Sustainable and secure income through long dated leases

- Attractive lease expiry profile
  - Over 76% of lease income expiring FY30 and beyond
  - Only 0.7% of income expiring before FY22
- Contracted average annual rental growth of 2.9% across the portfolio<sup>1</sup>
- 78% of portfolio income subject to fixed annual increases of 3% or more
- Defensive asset class underpinned by the non-discretionary nature of fuel sales

Rent review type by income



## Lease expiry profile (by income)



# APN Property Group – aligned and experienced manager



## Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a \$27 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

- Independent Board, ensuring robust governance framework
- 30 years average experience and Director roles on Boards including Sims Metal, MetLife, QV Equities, 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<sup>1</sup> – including direct and listed real estate mandates

1. As at 30 June 2018.



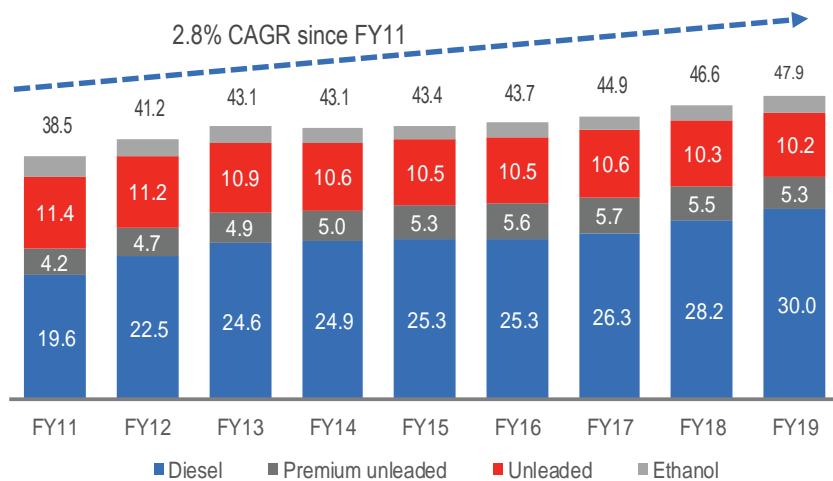
# 04 MARKET UPDATE



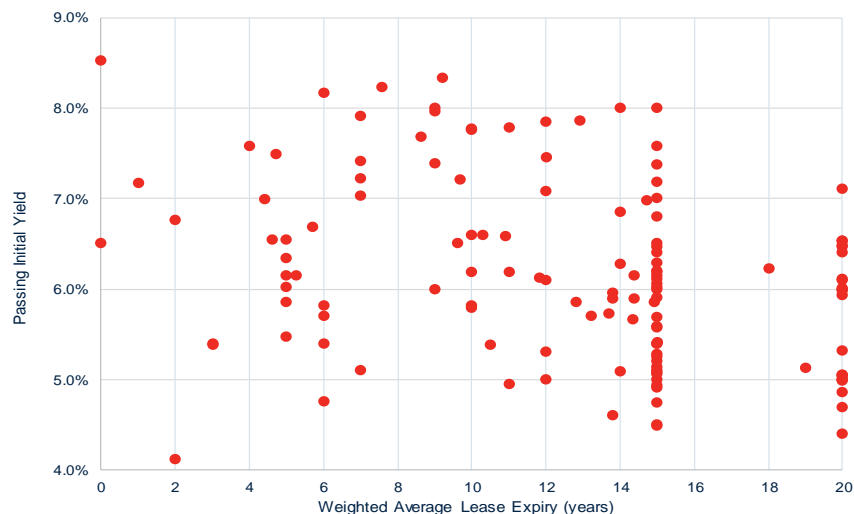
# Market update

- On average, there are 770 vehicles per 1,000 people in Australia, with 98% of vehicles on the road powered by either petrol or diesel<sup>1</sup>, ensuring that the market for these energy sources continues long into the future
- Demand for Diesel continues to increase, reporting a 5.5% CAGR since FY11
- 73% of current fuel sales is diesel and premium unleaded
- Advancements in new fuel technologies continues. CSIRO has developed a technology that may allow hydrogen to be safely transported and used as an energy source. This has opened the door to one day seeing hydrogen refuelling pumps sit on the forecourt of a service station, similar to LPG in the past
- The investment market remains relatively buoyant for this asset class on both an individual and portfolio basis, with a distinct correlation between the lease expiry and passing initial yield

Australian automotive fuel sales ('000 ML by type)<sup>2</sup>



Investment sales – 3 years to 31 December 2018



1. Australian Bureau of Statistics – Motor Vehicle Census, Australia, 31 Jan 2018

2. Department of the Environment and Energy, Australian Petroleum Statistics Issue 268, November 2018 (annualised for FY19).

# Sale of Woolworths fuel business



- On 9 November 2018, Woolworths Ltd announced that it had entered into a binding agreement to sell its fuel business to EG Group for \$1.725 billion, after the sale to BP for \$1.8 billion was rejected by the ACCC
- EG Group, founded in 2001, is a global leader in fuel and convenience retailing, operating ~4,700 sites across Europe and North America
- EG Group has a strong track record of investing in their portfolio and actively responding to convenience consumer trends and demands by drawing on their relationships with international retail brands to provide a range of services and conveniences
- Convenience Retail has 13 leases with Woolworths Ltd (representing 18% of lease income) which will be assigned to EG Group on sale completion
  - **Woolworths Ltd will continue to guarantee the leases until the end of the current term and any exercised option periods**



# 05 OUTLOOK AND GUIDANCE





# Outlook

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## Secure and growing income profile backed by long term leases to quality tenants



### Passive income stream

with organic rental increases providing sustainable income growth



### Long-term leases

with 97% of income derived directly from the major service station tenants



### Healthy balance sheet

with low level of debt and prudent hedging



### 7.0% WACR

potential for further capital upside



### Strategically located

convenience retail portfolio that is difficult to replicate



### Continual focus

on active portfolio and capital management

# Guidance

## FY19 guidance remains unchanged



### FFO guidance<sup>1</sup>

of 21.3 – 21.7 cps

- ▲ 5.4 – 7.4% on FY18 annualised
- ▲ 3.4 – 5.3% on PDS forecast



### DPS guidance<sup>1</sup>

of 20.9 cps – above PDS  
forecast of 20.3



### 97.5% payout ratio

of FFO



Raceview Convenience Centre, QLD

1. Subject to current market conditions continuing and no unforeseen events

# APPENDICES





## Profit and Loss statement

Financial period ended	HY2019
	\$'000
<b>Income</b>	
Net property income	12,318
Straight lining of rental income	2,340
Interest income	14
<b>Total income</b>	<b>14,672</b>
<b>Expenses</b>	
Management fees	(1,143)
Corporate costs	(348)
Finance costs	(2,594)
<b>Total expenses</b>	<b>(4,085)</b>
<b>Net profit</b>	<b>10,587</b>
Fair value loss on derivatives	(578)
Fair value gain on investment properties	4,452
<b>Statutory net profit</b>	<b>14,461</b>



## Reconciliation to FFO

Financial period ended	HY2019
	\$'000
<b>Statutory net profit</b>	<b>14,461</b>
Adjusted for:	
Straight line lease revenue recognition	(2,340)
Fair value gain on investment properties	(4,452)
Fair value loss on derivatives	578
Amortisation of borrowing costs	208
Amortisation of leasing costs and rent-free adjustments	6
<b>FFO</b>	<b>8,461</b>
<b>Distributions</b>	<b>8,247</b>
Weighted average securities on issue (thousands)	78,920
Payout ratio (Distribution / FFO)	97.5%
Distribution (cents per security)	10.45
FFO (cents per security)	10.72

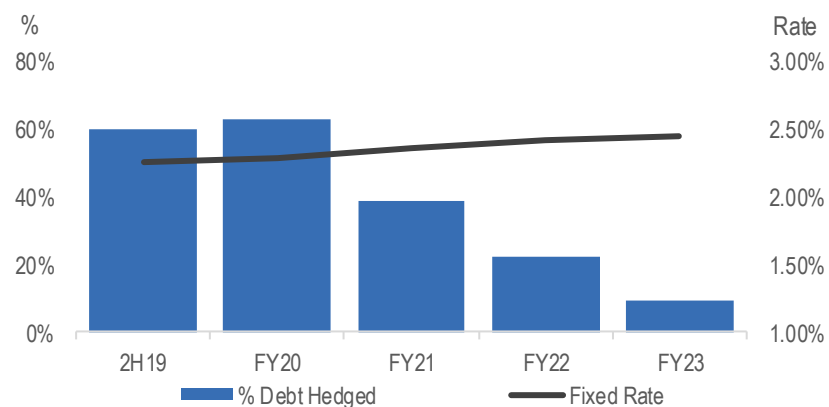
# Capital management

## Healthy balance sheet position

Key metric	Dec 2018
Gearing	32.5%
ICR	4.4x
Average all-in cost of debt (including line, margin, establishment fees and hedge costs)	4.3%
Weighted average debt maturity (years)	2.6
Drawn debt hedged	60.0%
Weighted average hedge maturity (years)	2.9

- Expanded finance syndicate following the introduction of a new and third financier
  - Facility limit remains unchanged at \$125 million (undrawn amount of \$8.3 million)
- Gearing within the target range of 25% – 40%
- 60% of drawn debt hedged – additional hedges entered into during the period
- Re-establishment of the securities buyback program for up to 5% of securities on issue maintains flexibility

## Interest rate hedge profile



Puma Citiswich Service Centre, QLD

# Portfolio revaluations

## 2.2% revaluation uplift

Site type	No. of properties	Valuation (\$m)	Cap rate	Valuation change	
				(\$m)	%
Metropolitan	50	\$224.7	6.9%	\$4.2	+1.9%
Regional	14	\$54.5	7.6%	\$1.6	+2.9%
Highway	6	\$76.0	6.9%	\$1.7	+2.3%
<b>Portfolio</b>	<b>70</b>	<b>\$355.2</b>	<b>7.0%</b>	<b>\$7.5</b>	<b>+2.2%</b>

- \$7.5 million or 2.2% revaluation uplift versus unchanged portfolio weighted average cap rate of 7.0%
- Valuation gains driven by annual rent increases
- All properties were the subject of Directors' valuations as at 31 December 2018 and reviewed by an independent valuer for reasonableness



Woolworths Caltex Bayswater North, VIC

# Property portfolio

Property	State	Major Tenant	Site Type	Book value (\$m)	Cap rate	WALE (years)	Occupancy (by income)	Land Area (sqm)
440 Roadhouse	WA	Puma	Regional	\$4.7	8.25%	15.6	100%	11,372
Aeroglen	QLD	Puma	Metropolitan	\$3.7	7.00%	15.0	100%	3,224
Atherton	QLD	Puma	Metropolitan	\$1.9	7.25%	16.0	100%	1,619
Banana	QLD	Puma	Regional	\$3.6	7.50%	16.6	100%	10,100
Bayswater North	VIC	Woolworths	Metropolitan	\$4.3	6.50%	4.2	100%	4,286
Belmont North	NSW	Woolworths	Metropolitan	\$6.0	6.50%	3.2	100%	2,953
Bentley Park	QLD	Puma	Metropolitan	\$6.0	6.50%	14.0	100%	3,251
Bli Bli	QLD	Puma	Metropolitan	\$3.3	7.50%	14.6	100%	3,500
Bohle	QLD	Puma	Metropolitan	\$6.3	7.00%	15.0	100%	7,733
Bowen	QLD	Puma	Regional	\$3.8	7.00%	16.0	100%	10,806
Bray Park	QLD	7-Eleven	Metropolitan	\$4.2	6.25%	10.6	100%	1,967
Browns Plains	QLD	7-Eleven	Metropolitan	\$5.7	6.25%	10.4	100%	2,776
Bundaberg West	QLD	Puma	Metropolitan	\$1.8	7.00%	16.0	100%	898
Caboolture	QLD	Puma	Metropolitan	\$5.8	6.75%	11.5	100%	4,947
Canning Vale	WA	Woolworths	Metropolitan	\$6.1	7.50%	3.0	100%	2,912
Capalaba	QLD	Woolworths	Metropolitan	\$4.7	7.25%	2.8	100%	3,369
Charters Towers	QLD	Puma	Regional	\$5.9	8.00%	16.0	100%	28,800
Citistwch Service Centre	QLD	Puma	Highway	\$17.7	6.75%	16.0	100%	18,190
Cluden	QLD	Puma	Highway	\$12.5	7.25%	15.6	100%	10,001
D'Aguilar	QLD	Puma	Regional	\$1.9	8.25%	14.6	100%	16,250
Dakabin	QLD	7-Eleven	Metropolitan	\$4.5	6.75%	12.7	100%	3,324
Durack	QLD	7-Eleven	Metropolitan	\$5.5	6.75%	10.6	100%	5,929
Enoggera	QLD	Puma	Metropolitan	\$1.9	7.00%	14.6	100%	1,093
Garbutt	QLD	Puma	Metropolitan	\$2.4	7.50%	16.0	100%	5,100
Geelong North	VIC	Woolworths	Metropolitan	\$4.4	6.75%	2.8	100%	3,441
Gin Gin	QLD	Puma	Regional	\$3.8	7.50%	13.2	100%	20,380
Glasshouse Mountains	QLD	Puma	Regional	\$5.0	7.25%	15.6	100%	5,133
Gwelup	WA	Puma	Metropolitan	\$3.7	7.00%	14.6	100%	1,089



# Property portfolio

Property	State	Major Tenant	Site Type	Book value (\$m)	Cap rate	WALE (years)	Occupancy (by income)	Land Area (sqm)
Hamilton Hill	WA	Puma	Metropolitan	\$4.6	7.00%	14.6	100%	1,998
Kedron	QLD	Puma	Metropolitan	\$3.2	7.00%	16.6	100%	1,604
Kempsey South Service Centre	NSW	Puma	Highway	\$19.3	7.00%	16.0	100%	49,530
Koongal	QLD	Puma	Metropolitan	\$2.1	7.00%	15.0	100%	736
Kurri Kurri	NSW	Puma	Highway	\$8.8	6.75%	16.0	100%	41,650
Lawnton	QLD	Viva Energy	Metropolitan	\$4.2	7.25%	3.1	100%	5,553
Mango Hill	QLD	Woolworths	Metropolitan	\$3.2	7.00%	2.7	100%	4,317
Marayong	NSW	Woolworths	Metropolitan	\$7.9	6.75%	2.9	100%	4,874
Maryborough	QLD	Puma	Metropolitan	\$2.1	7.75%	16.6	100%	1,618
Midtown	QLD	Puma	Metropolitan	\$5.6	6.50%	16.6	100%	2,073
Mitchelton	QLD	Woolworths	Metropolitan	\$4.1	7.25%	2.8	100%	3,188
Monto	QLD	Puma	Regional	\$1.3	7.25%	15.0	100%	1,604
Moranbah	QLD	Puma	Regional	\$6.0	7.00%	14.0	100%	5,067
Moree	NSW	Puma	Highway	\$10.4	7.00%	14.2	100%	30,500
Mount Larcom	QLD	Puma	Highway	\$7.3	6.75%	14.6	100%	12,482
Mt Cotton	QLD	Woolworths	Metropolitan	\$4.0	7.25%	2.8	100%	4,021
Murrarie	QLD	Woolworths	Metropolitan	\$5.4	7.25%	2.3	100%	3,625
Nambour	QLD	Puma	Metropolitan	\$1.3	7.75%	15.6	100%	2,097
Northgate	QLD	Woolworths	Metropolitan	\$3.9	7.25%	2.8	100%	2,969
Peregian Beach	QLD	Puma	Metropolitan	\$3.4	7.00%	15.0	100%	1,016
Portsmith	QLD	Puma	Metropolitan	\$5.7	7.25%	16.0	100%	6,032
Puma Mango Hill	QLD	Puma	Metropolitan	\$3.7	7.50%	15.6	100%	4,366
Puma Woodridge	QLD	Puma	Metropolitan	\$4.7	7.00%	14.6	100%	5,000
Raceview	QLD	7-Eleven	Metropolitan	\$9.7	6.75%	3.0	100%	3,085
Redbank Plains	QLD	7-Eleven	Metropolitan	\$5.6	6.25%	10.6	100%	4,231
Reid River	QLD	Puma	Regional	\$2.7	8.50%	15.0	100%	21,800
Roseneath	QLD	Puma	Regional	\$7.0	7.50%	16.6	100%	13,501
Rosslea	QLD	Puma	Metropolitan	\$2.6	6.75%	14.0	100%	2,474

# Property portfolio

Property	State	Major Tenant	Site Type	Book value (\$m)	Cap rate	WALE (years)	Occupancy (by income)	Land Area (sqm)
Rutherford	NSW	Puma	Metropolitan	\$5.4	6.75%	16.0	100%	2,609
Sarina	QLD	Puma	Regional	\$1.9	7.50%	16.0	100%	1,679
Slacks Creek	QLD	Woolworths	Metropolitan	\$4.0	7.25%	2.8	100%	2,799
South Hedland	WA	Puma	Regional	\$5.3	8.00%	14.8	100%	4,027
South Lake	WA	Woolworths	Metropolitan	\$6.2	7.75%	3.1	100%	4,287
The Gap	QLD	Puma	Metropolitan	\$3.2	7.00%	14.6	100%	2,294
Thornton	NSW	Puma	Metropolitan	\$8.9	6.50%	14.6	100%	8,550
Wacol	QLD	Puma	Metropolitan	\$5.4	7.25%	15.6	100%	3,019
Wetherill Park	NSW	Puma	Metropolitan	\$7.9	6.50%	16.6	100%	7,024
Woodridge	QLD	7-Eleven	Metropolitan	\$5.6	6.25%	10.9	100%	1,609
Woree	QLD	Puma	Metropolitan	\$1.5	7.00%	14.0	100%	1,376
Wynnum	QLD	Puma	Metropolitan	\$2.2	7.25%	14.6	100%	2,303
Yanchep	WA	Puma	Metropolitan	\$5.5	7.25%	16.7	100%	3,068
Zilzie	QLD	Puma	Regional	\$1.6	7.00%	14.0	100%	1,300
<b>Total / weighted average</b>				<b>\$355.2</b>	<b>7.03%</b>	<b>12.1</b>	<b>100%</b>	<b>481,398</b>

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