



FY19 RESULTS PRESENTATION

20 AUGUST 2019

www.apngroup.com.au
ASX Code: AQR

APN | Convenience Retail REIT

Agenda

01 Snapshot

02 Financial performance

03 Investment overview

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01 SNAPSHOT



Raceview Convenience Centre, QLD

APN Convenience Retail REIT



Our strategy

- Investing in strategically located services station and convenience retail assets with long term leases to quality tenants
- Providing investors with an attractive, defensive and growing income stream, with the potential for capital growth over time
- Active portfolio management approach to delivering long-term value for investors



The opportunity

- Secure and sustainable long-term income growth with 79% of portfolio income subject to fixed annual increases of 3% or more
- Strong level of income security backed by a long lease portfolio and an attractive lease expiry profile with 99.7% of lease income secured until FY2022 (77% of income expiring in FY2030 and beyond)
- Diversified portfolio supported by a strong, high quality tenant base with the major service station tenants accounting for 97% of portfolio income
- Unique portfolio that is difficult to replicate given limited availability of strategically located land which is not impacted by zoning restrictions
- Tenants businesses built around strong non-discretionary offerings (fuel, food, convenience retail) underpinning the defensive nature of the portfolio
- Healthy balance sheet providing significant capacity to execute acquisition opportunities as and when they arise
- Strong manager alignment with APN Property Group owning a \$30 million co-investment stake

FY2019 snapshot



Financial performance

20.9c

DISTRIBUTION PER SECURITY

▲ 5.8% on FY2018¹

21.5c

FFO PER SECURITY

▲ 6.4% on FY2018¹

\$2.96

NTA PER SECURITY

▲ 3.1% from June 2018



Portfolio performance

11.7 years

WALE

96.9%

OF INCOME FROM MAJOR
SERVICE STATION TENANTS

2.9%

CONTRACTED ANNUAL
RENTAL GROWTH



Capital management

32.3%

GEARING

60.3%

DRAWN DEBT
HEDGED

4.2x

INTEREST COVER

1. Growth is based on FY2018 annualised for the period from IPO (27 July 2017) to 30 June 2018

02 FINANCIAL PERFORMANCE



Puma Rutherford, NSW

FY2019 financial performance

Transparent income streams and capital structure

- FFO for the period of 21.5 cents per security exceeded FY2018 annualised by 6.4%
- Net property income increased due to:
 - Like-for-like portfolio income growth of 2.7%;
 - Full year's contribution from FY2018 property acquisitions; and
 - Acquisition of Mount Larcom in August 2018.
- Increase in operating expenses attributed to portfolio growth and property acquisitions
- Finance costs are similarly higher due to debt funding the property acquisitions

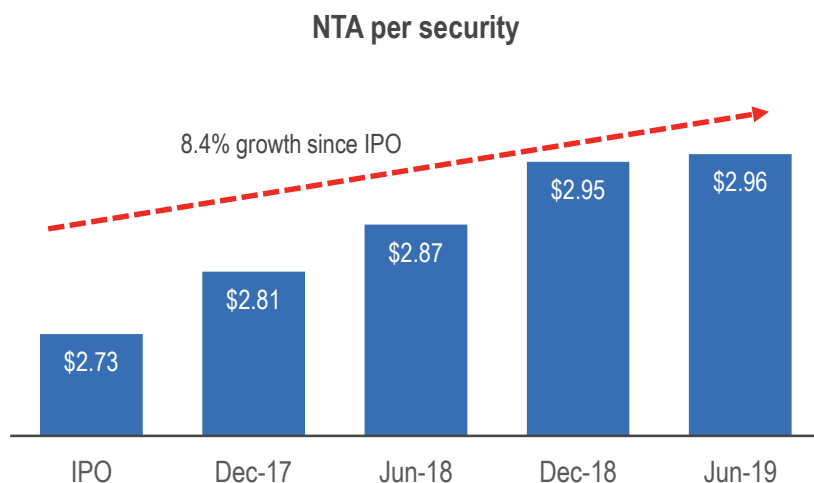
A\$m	FY2019	FY2018 ¹
Net property income	24.7	20.7
Straight lining of rental income	4.5	4.6
Interest income	0.0	0.1
Total income	29.2	25.4
Management fee	(2.3)	(1.9)
Corporate costs	(0.6)	(0.6)
Finance costs	(5.2)	(4.3)
Total expenses	(8.1)	(6.8)
Net profit	21.1	18.6
Adjusted for:		
Straight lining of rental income	(4.5)	(4.6)
Amortisation of upfront debt costs	0.4	0.6
Funds From Operations (FFO)	17.0	14.6
Key performance metrics (cents)		
FFO per security	21.5	18.5
Distribution per security	20.9	18.1
Payout ratio	97%	98%

1. Reflects financial period from IPO (27 July 2017) to 30 June 2018

Balance sheet

NTA per security increased by 9 cents (+3.1%) in FY2019

- \$17.9 million increase in investment properties from:
 - Revaluation uplift of \$10.6m
 - Acquisition of Mount Larcom for \$7.3m in August 2018
- Increase in interest bearing liabilities due to funding Mount Larcom acquisition
- Gearing remains comfortably within the target range of 25% – 40%



A\$m	June 2019	June 2018	Change
Assets			
Cash and cash equivalents	0.3	2.8	Large
Investment Properties	358.3	340.4	5.3%
Other assets	0.1	0.2	Large
Total assets	358.7	343.4	4.5%
Liabilities			
Interest bearing liabilities ¹	115.4	109.7	5.2%
Provision for distribution	4.1	3.9	5.1%
Other liabilities	5.4	3.5	Large
Total liabilities	124.9	117.1	6.7%
Net assets	233.8	226.3	3.3%
Stapled Securities on Issue ('000)	78,910	78,920	
NTA per Stapled Security (\$)	\$2.96	\$2.87	3.1%
Gearing	32.3%	31.7%	0.6%

1. Represents \$116.0 million of drawn debt net of unamortised borrowing costs of \$0.6 million.

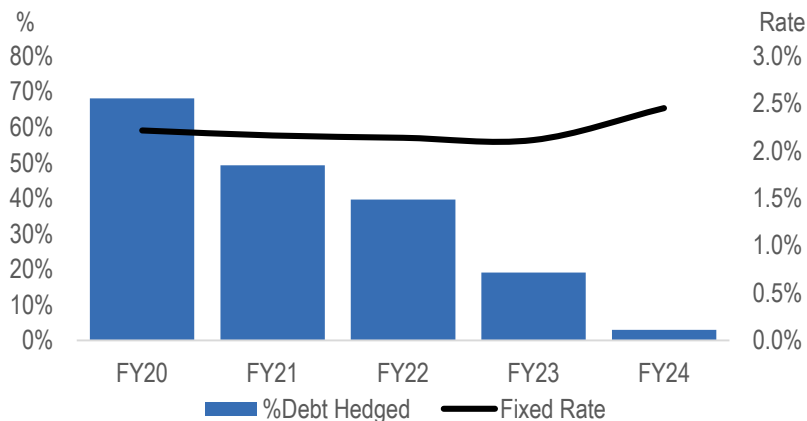
Capital management

Healthy balance sheet position

Key metric	June 2019
Gearing	32.3%
ICR	4.2x
Average all-in cost of debt (including line, margin, establishment fees and hedge costs)	4.3%
Weighted average debt maturity (years)	2.1
Drawn debt hedged	60.3%
Weighted average hedge maturity (years)	3.0

- Expanded finance syndicate following the introduction of a new and third financier
 - Facility limit remains unchanged at \$125 million (undrawn amount of \$9.0 million)
- Gearing within the target range of 25% – 40%
- 60% of drawn debt hedged – additional hedges entered into during the period
- DRP activated for June 2019 quarter distribution

Interest rate hedge profile



03 INVESTMENT OVERVIEW



Caltex Woolworths Capalaba, QLD

Attractive convenience retail portfolio – long leases to quality tenants

6.5%

CASH DISTRIBUTION
YIELD¹

75.6%

TAX
DEFERRED

32.3%

GEARING

100%

OCCUPANCY

70

PROPERTIES

\$358m

PORTFOLIO
VALUE

7.0%

WACR

11.7

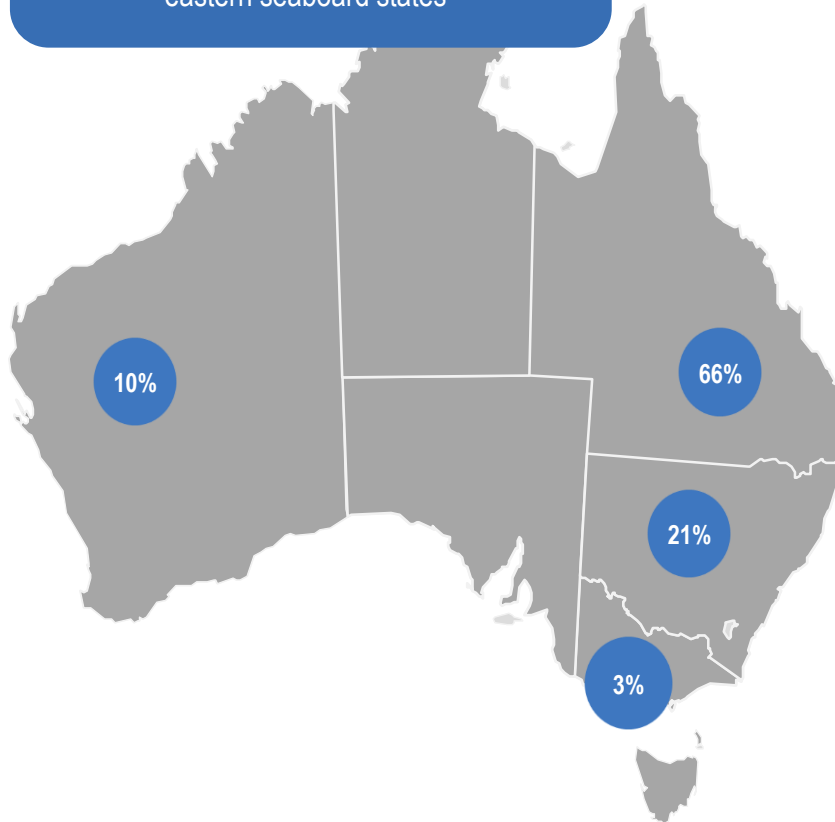
WALE
(YEARS)

DIVERSIFIED AND DEFENSIVE LONG LEASE PORTFOLIO
SUSTAINABLE AND GROWING INCOME
ALIGNED MANAGER WITH \$30 MILLION CO-INVESTED

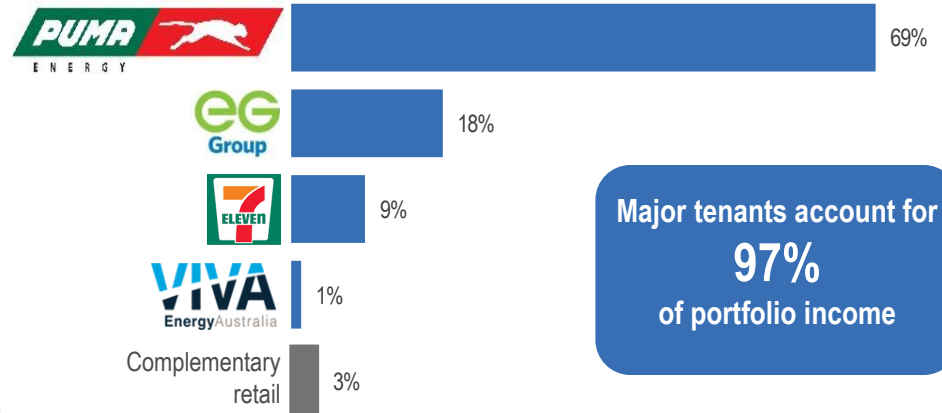
1. Based on closing share price of \$3.34 on 19 August 2019 and FY20 distributions guidance of 21.8 cents per security.

Diversified portfolio

90% of portfolio located in Australia's eastern seaboard states
 ~78% of Australia's population live in the eastern seaboard states¹

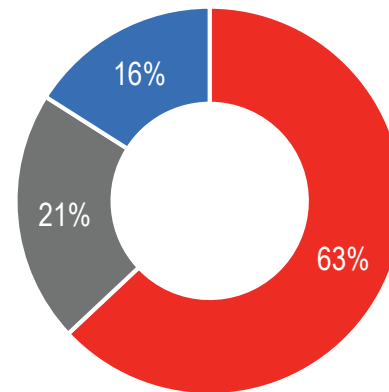


Major tenants



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

Portfolio by site classification



84% of the portfolio are Metropolitan or Highway sites

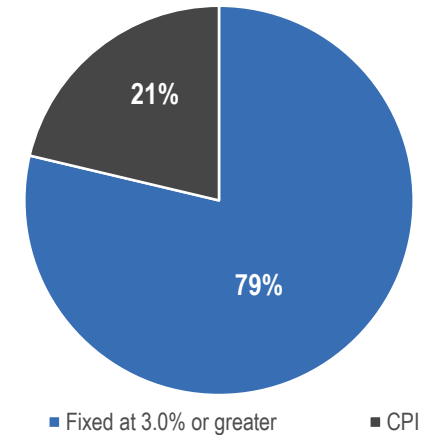
■ Metropolitan ■ Highway ■ Regional

1. ABS 3101.0 - Australian Demographic Statistics, Dec 2018. Eastern seaboard states defined as NSW, VIC, QLD.

Sustainable and secure income through long dated leases

- Attractive lease expiry profile – 77% of lease income expiring FY2030 and beyond
- 79% of portfolio income subject to fixed annual increases of 3% or more
- Forecast average annual rental growth of 2.9% across the portfolio¹
- Defensive asset class underpinned by the non-discretionary nature of fuel sales

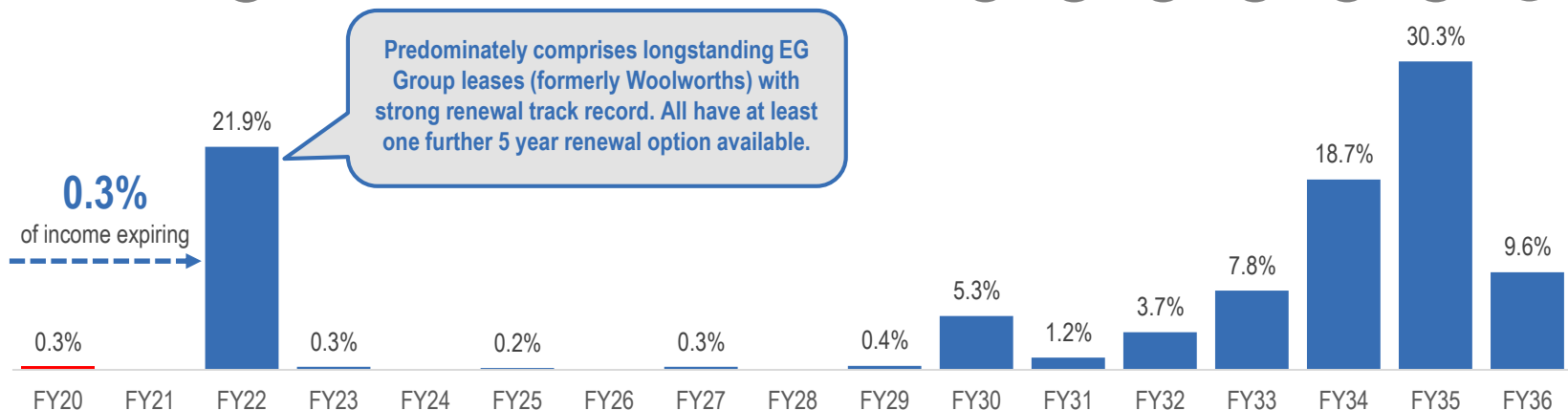
Rent review type by income



Lease expiry profile (by income)

Service station tenant expiries:

15



1. Assuming CPI of 2.0%.

Acquisition strategy

Maintaining patience and a disciplined approach

- AQR continues to actively review acquisition opportunities while maintaining a patient and focused approach, ensuring that they are attractively priced and they meet our strict investment criteria including:
 - Further portfolio diversification;
 - Strong lease characteristics;
 - Strategically located; and
 - Enhances the overall portfolio and creates long-term sustainable value for securityholders.
- Availability of acquisition opportunities which display compelling long-term value characteristics is emerging through a continued focus on developing partnerships with developers and retailers to expand their networks
- AQR does not intend to take on material development risk but will consider fund-through opportunities where these risks have been appropriately mitigated and contracted out



APN Property Group – aligned and experienced manager



Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a \$30 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 19 average years of experience in real estate



Governance overseen by an 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 funds under management – including direct and listed real estate mandates

04 MARKET UPDATE



Puma Kempsey South, NSW

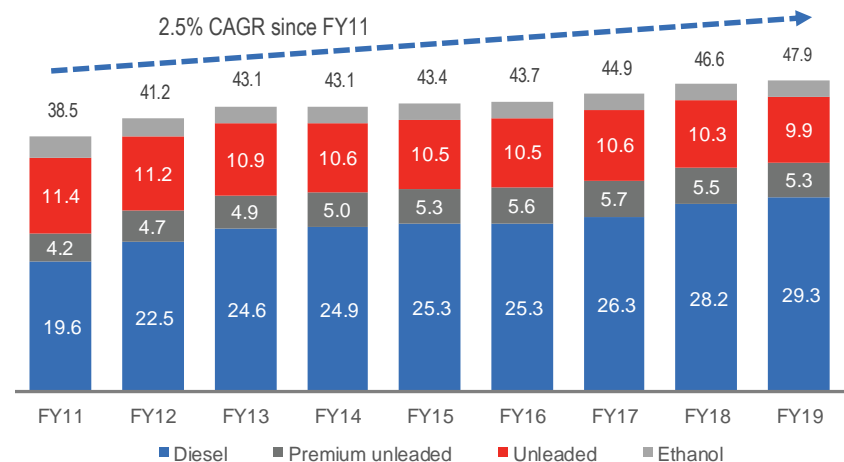
Market overview

Consumer demand for a broader range of convenience products is as important as the fuel offering

- Convenience retail sales (excluding fuel) grew by 2.4% to \$8.6 billion in 2018¹.
 - Hot Beverages remain the fastest growing category, up 14.6%
 - Take Home Food category up 10.1%
 - On-the-go food category up 9.9%
- Investment in technology, digital connections with consumers and improved store experiences offer further avenues for growth
 - Frictionless / touchless checkout
 - Mobile apps that offer favourite products or promotions
 - At-pump digital media screens with facial recognition
 - Integration with in-car infotainment systems
- Australian automotive fuel sales recorded a CAGR of 2.5% from July 2010 to June 2019
 - Increasing demand for diesel (which carries a higher margin), which made up 61% of total fuel sales in FY19
 - Demand for specific fuels will continue to change over time due to improved fuel efficiency and new fuel technology
- EVs expected to be part of the energy mix at service stations but adoption is much slower than many forecasts
 - 10,600 registered EVs in Australia making up ~0.06% of the total registered passenger vehicles

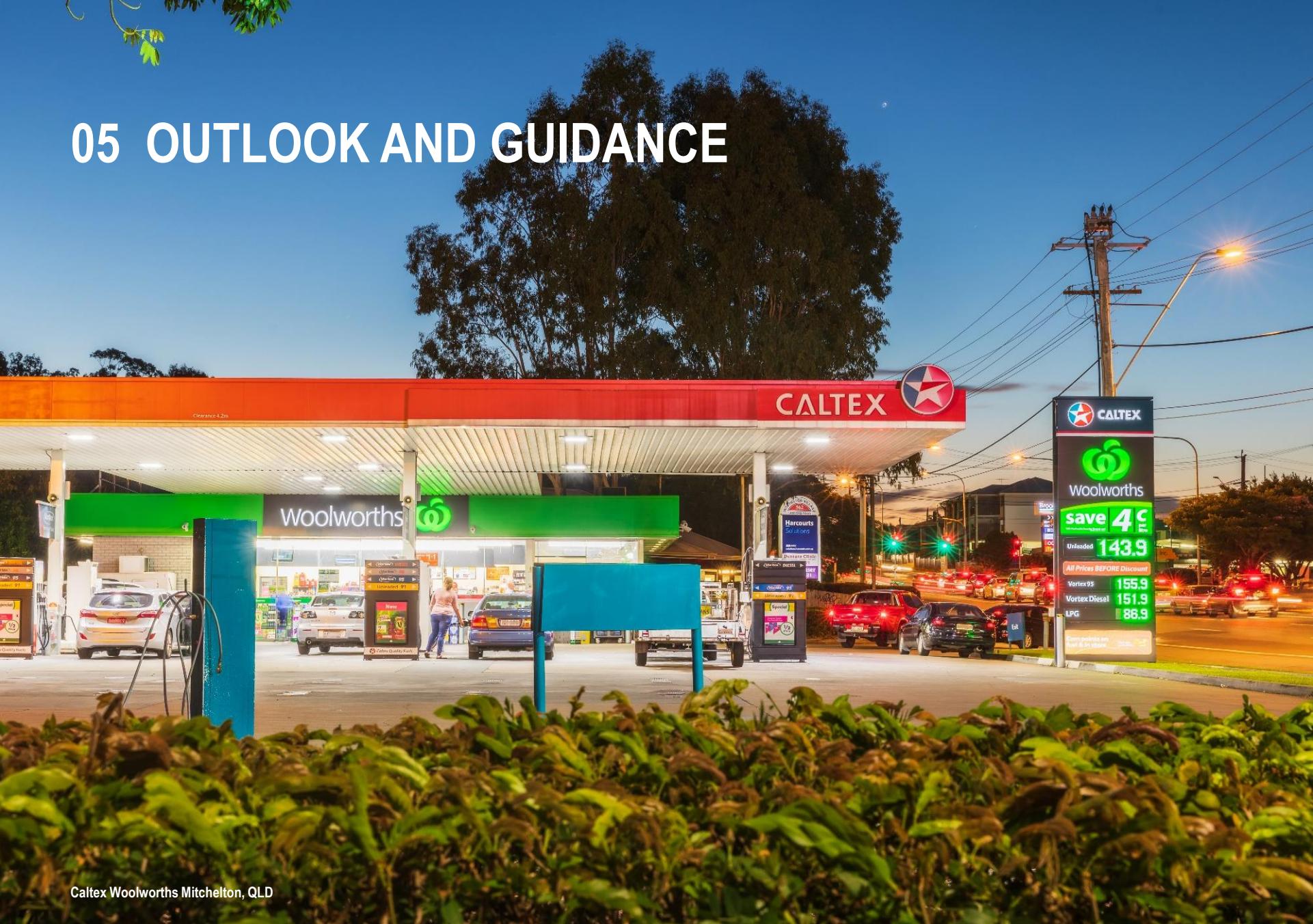


Australian automotive fuel sales ('000 ML by type)²



1. Australasian Association of Convenience Stores State of the Industry Report 2018.
 2. Department of the Environment and Energy, Australian Petroleum Statistics Issue 274, May 2019 (annualised for FY2019).

05 OUTLOOK AND GUIDANCE



Caltex Woolworths Mitchelton, QLD

FY2020 earnings guidance

Ideally positioned to deliver sustainable long-term income growth for securityholders



DPS guidance¹
of 21.8 cps
▲ 4.3% on FY2019



FFO guidance¹
of 22.3 – 22.5 cps
▲ 4.0% – 4.8% on FY2019



~98% payout ratio
of FFO



Raceview Convenience Centre, QLD

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

APPENDICES

Profit and Loss statement

	FY2019	FY2018 ¹
	\$'000	\$'000
Income		
Net property income	24,732	20,721
Straight lining of rental income	4,473	4,612
Interest income	22	55
Total income	29,227	25,388
Expenses		
Management fees	(2,295)	(1,876)
Corporate costs	(684)	(644)
Finance costs	(5,186)	(4,223)
Total expenses	(8,165)	(6,743)
Net profit	21,062	18,645
Transaction costs on IPO and liquidity offer	0	(4,017)
Fair value loss on derivatives	(2,402)	(142)
Fair value gain on investment properties	5,341	951
Statutory net profit	24,001	15,437

1. Reflects financial period from IPO (27 July 2017) to 30 June 2018

Reconciliation to FFO

	FY2019	FY2018 ¹
	\$'000	\$'000
Statutory net profit	24,001	15,437
Adjusted for:		
Straight line lease revenue recognition	(4,473)	(4,612)
Fair value gain on investment properties	(5,341)	(951)
Fair value loss on derivatives	2,402	142
Add back IPO and liquidity offer transaction costs expensed	-	4,017
Amortisation of borrowing costs	385	540
Amortisation of leasing costs and rent-free adjustments	25	35
FFO	16,999	14,608
Distributions	16,494	14,309
Weighted average securities on issue (thousands)	78,918	78,920
Payout ratio (Distribution / FFO)	97%	98%
Distribution (cents per security)	20.9	18.1
FFO (cents per security)	21.5	18.5

1. Reflects financial period from IPO (27 July 2017) to 30 June 2018

Portfolio revaluations

3.0% revaluation uplift in FY2019

Site type	No. of properties	Valuation (\$m)	Cap rate	Valuation change	
				(\$m)	%
Metropolitan	50	\$227.0	6.9%	\$6.5	+3.0%
Regional	14	\$55.0	7.6%	\$2.1	+3.9%
Highway	6	\$76.3	6.9%	\$2.0	+2.7%
Portfolio	70	\$358.3	7.0%	\$10.6	+3.0%

- \$10.6 million or 3.0% revaluation uplift
- Valuation gains driven by a combination of annual rent increases and cap rate compression
- 35 properties were the subject of independent valuations during the period
- Balance of portfolio being Directors' valuations – reviewed by an independent valuer for reasonableness



7-Eleven Woodridge, QLD



Caltex Woolworths Murrarie, QLD

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%	15.1	100%	11,372
Aeroglen	QLD	Puma	Metropolitan	\$3.7	7.00%	14.5	100%	3,224
Atherton	QLD	Puma	Metropolitan	\$1.9	7.25%	15.5	100%	1,619
Banana	QLD	Puma	Regional	\$3.6	7.50%	16.2	100%	10,100
Bayswater North	VIC	EG Australia	Metropolitan	\$4.3	6.50%	3.7	100%	4,286
Belmont North	NSW	EG Australia	Metropolitan	\$6.1	6.50%	2.7	100%	2,953
Bentley Park	QLD	Puma	Metropolitan	\$6.0	6.50%	13.5	100%	3,251
Bli Bli	QLD	Puma	Metropolitan	\$3.4	7.25%	14.1	100%	3,500
Bohle	QLD	Puma	Metropolitan	\$6.3	7.00%	14.5	100%	7,733
Bowen	QLD	Puma	Regional	\$3.8	7.00%	15.5	100%	10,806
Bray Park	QLD	7-Eleven	Metropolitan	\$4.2	6.25%	10.1	100%	1,967
Browns Plains	QLD	7-Eleven	Metropolitan	\$5.8	6.25%	9.9	100%	2,776
Bundaberg West	QLD	Puma	Metropolitan	\$1.8	7.00%	15.5	100%	898
Caboolture	QLD	Puma	Metropolitan	\$6.4	6.75%	11.4	100%	4,947
Canning Vale	WA	EG Australia	Metropolitan	\$6.2	7.50%	2.9	100%	2,912
Capalaba	QLD	EG Australia	Metropolitan	\$4.7	7.25%	2.3	100%	3,369
Charters Towers	QLD	Puma	Regional	\$5.9	8.00%	15.5	100%	28,800
Citiswich Service Centre	QLD	Puma	Highway	\$17.7	6.75%	15.5	100%	18,190
Cluden	QLD	Puma	Highway	\$12.5	7.25%	15.1	100%	10,001
D'Aguilar	QLD	Puma	Regional	\$1.9	8.25%	14.1	100%	16,250
Dakabin	QLD	7-Eleven	Metropolitan	\$4.7	6.50%	12.2	100%	3,324
Durack	QLD	7-Eleven	Metropolitan	\$5.7	6.75%	10.2	100%	5,929
Enoggera	QLD	Puma	Metropolitan	\$1.9	7.00%	14.1	100%	1,093
Garbutt	QLD	Puma	Metropolitan	\$2.4	7.50%	15.5	100%	5,100
Geelong North	VIC	EG Australia	Metropolitan	\$4.4	6.75%	2.3	100%	3,441
Gin Gin	QLD	Puma	Regional	\$4.0	7.50%	12.7	100%	20,380
Glasshouse Mountains	QLD	Puma	Regional	\$5.0	7.25%	15.1	100%	5,133
Gwelup	WA	Puma	Metropolitan	\$3.7	7.00%	14.1	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%	14.1	100%	1,998
Kedron	QLD	Puma	Metropolitan	\$3.4	6.75%	16.1	100%	1,604
Kempsey South Service Centre	NSW	Puma	Highway	\$19.3	7.00%	15.5	100%	49,530
Koongal	QLD	Puma	Metropolitan	\$2.1	7.00%	14.5	100%	736
Kurri Kurri	NSW	Puma	Highway	\$8.8	6.75%	15.5	100%	41,650
Lawnton	QLD	Viva Energy	Metropolitan	\$4.4	7.25%	2.6	100%	5,553
Mango Hill	QLD	EG Australia	Metropolitan	\$3.2	7.00%	2.2	100%	4,317
Marayong	NSW	EG Australia	Metropolitan	\$7.9	6.75%	3.5	100%	4,874
Maryborough	QLD	Puma	Metropolitan	\$2.1	7.75%	16.1	100%	1,618
Midtown	QLD	Puma	Metropolitan	\$5.6	6.50%	16.1	100%	2,073
Mitchelton	QLD	EG Australia	Metropolitan	\$4.1	7.25%	2.4	100%	3,188
Monto	QLD	Puma	Regional	\$1.3	7.25%	14.5	100%	1,604
Moranbah	QLD	Puma	Regional	\$6.0	7.00%	13.5	100%	5,067
Moree	NSW	Puma	Highway	\$10.7	7.00%	13.7	100%	30,500
Mt Cotton	QLD	EG Australia	Metropolitan	\$4.0	7.25%	2.3	100%	4,021
Mt Larcom	QLD	Puma	Highway	\$7.3	6.75%	14.1	100%	12,482
Murrarie	QLD	EG Australia	Metropolitan	\$5.4	7.25%	2.1	100%	3,625
Nambour	QLD	Puma	Metropolitan	\$1.3	7.75%	15.1	100%	2,097
Northgate	QLD	EG Australia	Metropolitan	\$3.9	7.25%	2.3	100%	2,969
Peregian Beach	QLD	Puma	Metropolitan	\$3.4	7.00%	14.5	100%	1,016
Portsmith	QLD	Puma	Metropolitan	\$5.7	7.25%	15.5	100%	6,032
Puma Mango Hill	QLD	Puma	Metropolitan	\$4.0	7.00%	15.1	100%	4,366
Puma Woodridge	QLD	Puma	Metropolitan	\$4.7	7.00%	14.1	100%	5,000
Raceview	QLD	7-Eleven	Metropolitan	\$9.7	6.75%	2.5	100%	3,085
Redbank Plains	QLD	7-Eleven	Metropolitan	\$5.6	6.25%	10.1	100%	4,231
Reid River	QLD	Puma	Regional	\$2.7	8.50%	14.5	100%	21,800
Roseneath	QLD	Puma	Regional	\$7.3	7.25%	16.1	100%	13,501
Rosslea	QLD	Puma	Metropolitan	\$2.6	6.75%	13.5	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%	15.5	100%	2,609
Sarina	QLD	Puma	Regional	\$1.9	7.50%	15.5	100%	1,679
Slacks Creek	QLD	EG Australia	Metropolitan	\$4.0	7.25%	2.3	100%	2,799
South Hedland	WA	Puma	Regional	\$5.3	8.00%	14.3	100%	4,027
South Lake	WA	EG Australia	Metropolitan	\$6.3	7.75%	2.6	100%	4,287
The Gap	QLD	Puma	Metropolitan	\$3.2	7.00%	14.1	100%	2,294
Thornton	NSW	Puma	Metropolitan	\$8.9	6.50%	14.1	100%	8,550
Wacol	QLD	Puma	Metropolitan	\$5.4	7.25%	15.1	100%	3,019
Wetherill Park	NSW	Puma	Metropolitan	\$7.9	6.50%	16.1	100%	7,024
Woodridge	QLD	7-Eleven	Metropolitan	\$5.6	6.25%	10.4	100%	1,609
Woree	QLD	Puma	Metropolitan	\$1.5	7.00%	13.5	100%	1,376
Wynnum	QLD	Puma	Metropolitan	\$2.2	7.25%	14.1	100%	2,303
Yanchep	WA	Puma	Metropolitan	\$5.5	7.25%	16.2	100%	3,068
Zilzie	QLD	Puma	Regional	\$1.6	7.00%	13.5	100%	1,300
				\$358.3	7.01%	11.7	100%	481,398

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