



FY19 RESULTS PRESENTATION

21 AUGUST 2019

www.apngroup.com.au
ASX Code: ADI

APN | Industria REIT

Agenda

01 Highlights and Outcomes

02 Investment Proposition

03 Portfolio Performance

04 Outlook

Appendices

01 HIGHLIGHTS AND OUTCOMES



FY19: Continuing to deliver



19.2 cents per security; 3.8% FFO growth



Acquired ~\$65 million of property and reduced gearing to 30%



~13,700 square metres of leasing – strong occupancy of 97%



Affordable rents to a diverse pool of tenants driving growth of 2 – 3% per annum

Significantly ahead of 2 – 3% initial guidance

Opportunities to grow within 30 – 40% target gearing range

Increased from 95% over 12 months

Consistent driver of growth



30 June financials

- Statutory net profit \$29.2 million – with major drivers being revenue \$3.6 million higher than pcp, offset by non-cash fair value adjustments that were \$16.3 million lower than pcp
- FFO up from \$30.1 million to \$31.6 million:
 - Increase of 0.7 cents per security (3.8%) to 19.2 cents – significantly higher than the 2 – 3% guidance provided at the FY18 results
- 17.0 cents per security distribution paid:
 - 88.5% FFO payout ratio
- Net Property Income up ~7% to \$40.5 million
- 30% gearing - the bottom end of the 30 – 40% target band:
 - Provides considerable flexibility to execute on opportunities to grow
- NTA \$2.71 – with valuation uplifts above holding values of \$10.8 million offset by derivatives and acquisition costs
- FFO guidance 2.5 – 3% growth for FY20; 19.7 – 19.8 cents per security

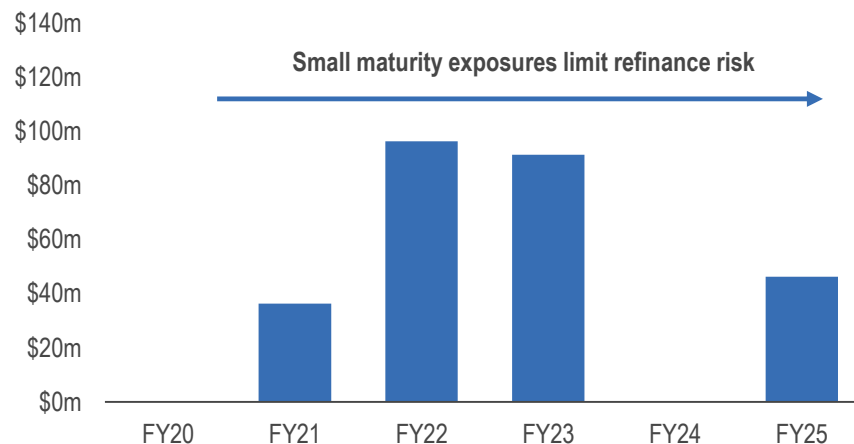
	FY2019	FY2018	Change
Statutory net profit (\$m)	\$29.2	\$48.2	▼ 39.4%
FFO (\$m)	\$31.6	\$30.1	▲ 5.0%
FFO (cents per security)	19.2	18.5	▲ 3.8%
Distribution declared (\$m)	\$28.5	\$26.9	▲ 5.9%
Distributions (cents per security)	17.0	16.5	▲ 3.0%
FFO payout ratio (%)	88.5%	89.3%	▼ 0.8%
Tax deferred component of distribution / non assessable income	42.7%	49.9%	▼ 7.2%

	Jun 2019	June 2018	Change
Gearing	30.0%	31.0%	▼ 1.0%
Net Tangible Assets per security	\$2.71	\$2.70	▲ 0.4%

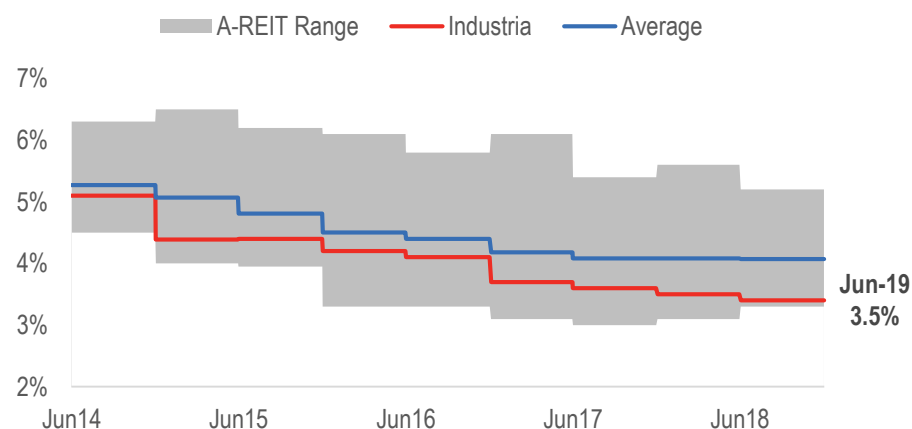
Strong balance sheet, consistently outperforming peers

- Continuing to execute on strategy of maintaining a staggered debt maturity profile, reducing concentration risk over any given period:
 - Refinanced \$46 million and increased debt facilities by \$30 million, including introducing a new lender to diversify funding sources
 - New 3 and 5 year debt tenors
 - Weighted average debt maturity 3.2 years
- Weighted average interest rate of 3.5% and 5.4x interest cover
- Consistently outperforming the A-REIT average cost of debt:
 - Credit viewed positively by lenders due to portfolio quality, passive earnings, and proactive and experienced management team
 - Leveraging broader banking relationships and track record of APN Property Group to achieve optimal outcomes for ADI shareholders
 - Remaining disciplined with use of capital – no hedges have been broken

Debt maturity profile – limited refinance risk



APN Industria REIT cost of debt compared to A-REIT sector¹



1. Source: Company information and IRESS

02 INVESTMENT PROPOSITION



The APN 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” (e.g. funds management or development)
- 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 power
- 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

\$739

MILLION
TOTAL ASSETS

~\$522m

MILLION MARKET
CAPITALISATION

S&P/ASX 300

INDEX
MEMBER

6.1%

CASH DISTRIBUTION
YIELD

30%

GEARING

6.1

YEAR WALE

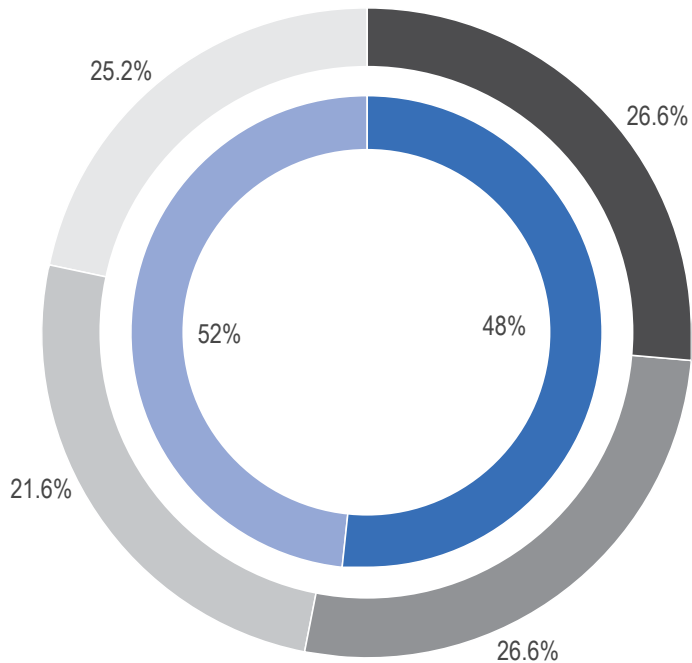
3%

AVG RENT REVIEWS

HIGH QUALITY OFFICE AND INDUSTRIAL ASSETS DELIVERING A STRONG INCOME PROFILE COMBINED WITH A CONSERVATIVE BALANCE SHEET PROVIDING CAPACITY TO GROW

Note: Yield and market capitalisation as at market close 20 August 2019

Diversified portfolio generating consistent and growing income



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
15.2 year WALE



Industrial Melbourne and Adelaide

Key industrial precincts
~\$186 million invested
13 buildings; 4.1 year WALE



Rhodes Corporate Park

Inner west Sydney,
~\$197 million invested
2 buildings; 2.9 year WALE



Brisbane Technology Park

15 minutes south of CBD
~\$160 million invested
12 buildings; 2.7 year WALE

APN Property Group – aligned and experienced manager



Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a ~\$83 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 21 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, 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

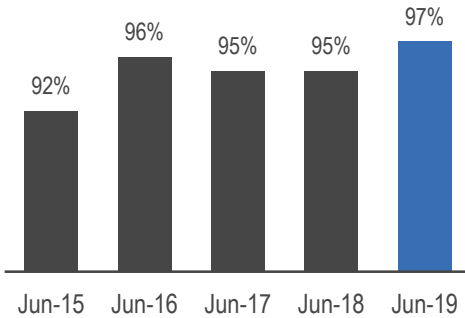
- Relationships generate leasing, investment opportunities and access to multiple capital sources
- Founded in 1996 and grown to \$2.8 billion under management – including direct and listed real estate mandates

03 PORTFOLIO PERFORMANCE

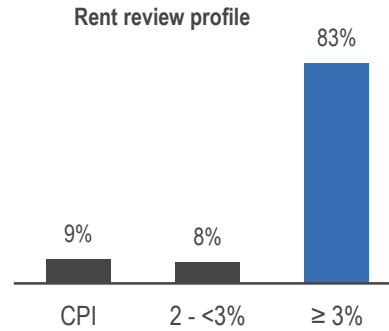


Actively managing Industria's real estate

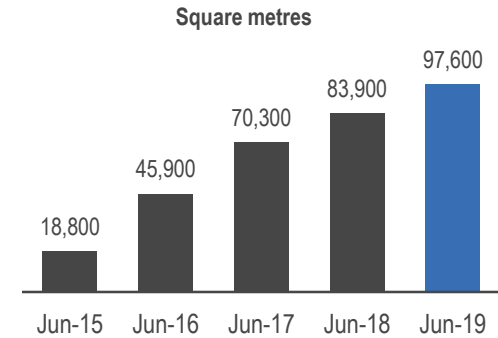
High occupancy



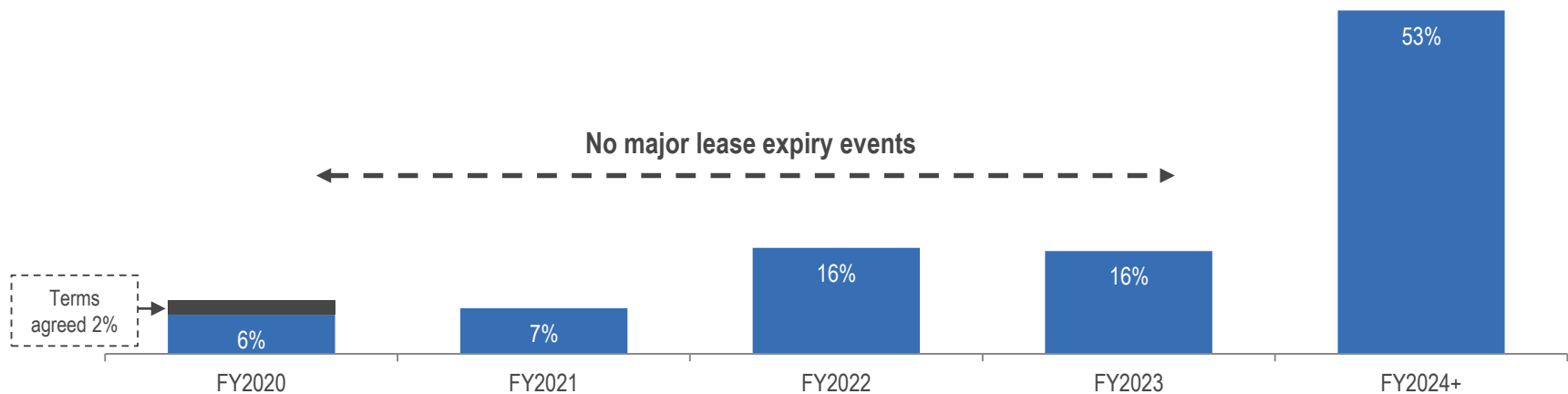
Generating organic growth



Cumulative leasing outcomes



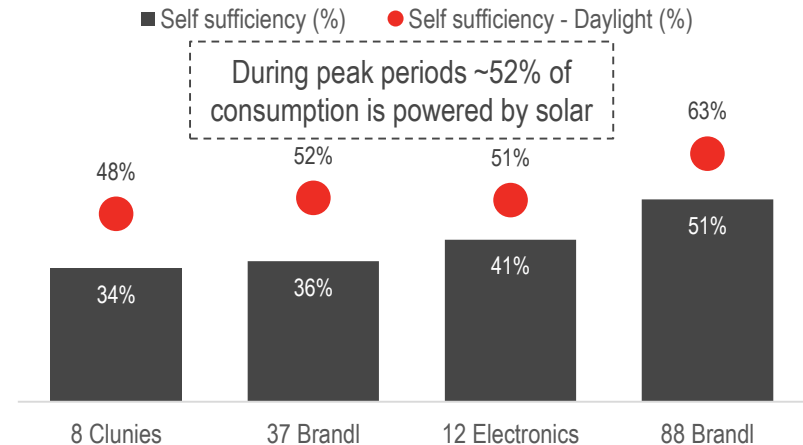
Strong income visibility - expiry profile (by income)



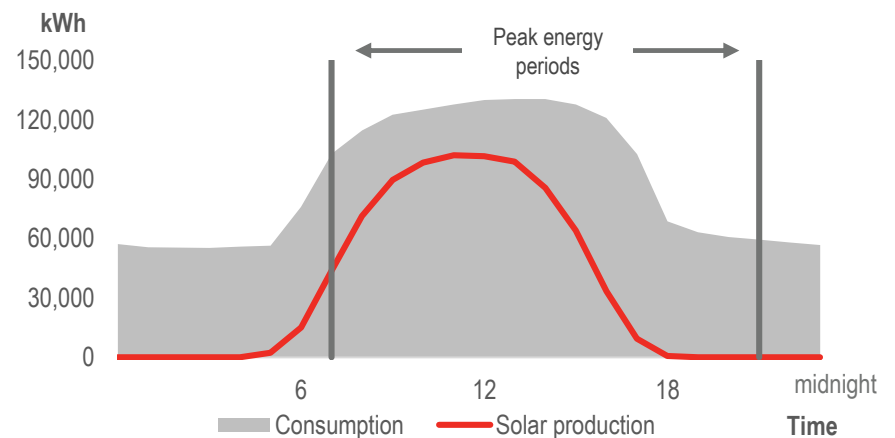
Sustainability and managing for the long term

- Leveraging the built environment by enhancing existing asset performance and driving efficiencies:
 - Delivering >15% yield on cost and reducing reliance on the grid – with over 1 Megawatt of solar PV installed at BTP; and 850 Kilowatts elsewhere across the portfolio
 - On average, 52% of energy consumed across our BTP assets with solar during peak energy periods is self-generated
 - Rolling program of lighting upgrades – typically 2 – 4 year payback periods
 - Modernising air conditioning units that rely on environmentally damaging refrigerant gases – reducing risk of obsolescence and improving tenant comfort
- Our investments have been geared towards actions that are within our control and make an immediate impact

Brisbane Technology Park - self-sufficiency per building




Brisbane Technology Park – average consumption and production



Active year of acquisitions to improve portfolio diversity and scale


- Improved portfolio diversity and exposure to properties that offer high quality and well-located warehouses for tenants:
 - ~\$65 million of acquisitions
 - Average WALE 4.9 and yield 6.6%
- Strong direct engagement with tenants, with multiple efficiency initiatives completed including 265KW of solar installed
- Pursuing additional bolt-on acquisitions of similar sized assets – depth of opportunity is <25,000sqm warehouses, which account for 98.8% of stock¹ in Melbourne

**1 West Park Drive,
Derrimut, VIC**



Valuation: \$10.6m
Initial yield: 6.6%
WALE: 4.6 years

**13 Ricky Way and 10
Jersey Dr, Epping, VIC**




Valuation: \$15.7m
Initial yield: 7.45%
WALE: 6.3 years

**81 Rushdale St
Knoxfield, VIC**




Valuation: \$9.10m
Initial yield: 8.28%
WALE: 1.6 years

**3 Forbes Close
Knoxfield, VIC**




Valuation: \$9.00m
Initial yield: 4.76%
WALE: 6.6 years

**4 Forbes Close
Knoxfield, VIC**



Valuation: \$10.65m
Initial yield: 5.04%
WALE: 6.6 years

**147-153 Canterbury Rd
Kilsyth, VIC**



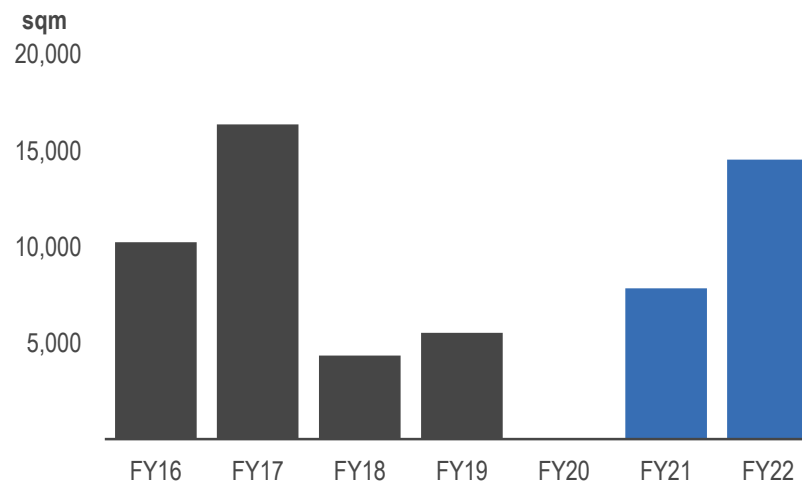
Valuation: \$9.50m
Initial yield: 7.37%
WALE: 2.6 years

1. Urban Development Program – Metropolitan Melbourne Industrial 2017

Continued discipline and active management across industrial assets

- Fully leased across the portfolio, after new leasing at Butler Boulevard, Adelaide Airport:
 - Leased ~1,400 square metres and renewed 4,200sqm (FY20 expiries)
- Industrial warehouse portfolio (excluding WesTrac) has a 4.1 year WALE and is carried at an average cap rate of 6.7%
- Valuations completed across 3 assets:
 - Butler Bv, Adelaide Airport up 5.2% following leasing outcomes
 - 1 West Park Drive and 13 Ricky Way/10 Jersey Dr increased in value by 5.6%, with cap rates tightening 25 bps

Leasing completed and forthcoming expiries (by area)



1 West Park Drive, Derrimut



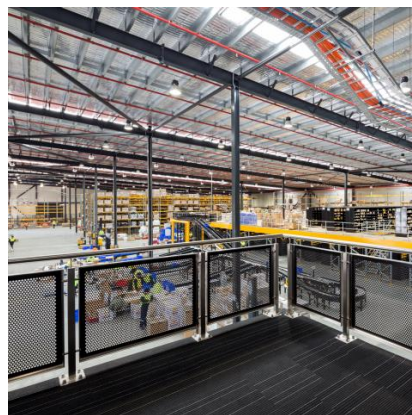
13 Ricky Way, Epping



5 Butler Boulevard, Adelaide

WesTrac Newcastle – world leading real estate

- Leased to WesTrac until 2034 with annual 3% fixed rental uplifts
- The facility is running near or at capacity, driven by record part and support volumes
- 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, parts and support
 - Major competitive advantage is capability to entirely rebuild machines – potentially saving clients >50% on new products
 - Distributes over 1 million parts annually from 24 hour distribution centre
- Strong underlying business with maintenance revenue providing counter-cyclical cash flow
- Long term partner of Caterpillar – relationship extends back to 1929



Parts and Distribution Warehouse



Component Rebuild Centre

Rhodes Corporate Park

- Agreed terms to renew 3 leases and maintained 100% occupancy, with 8% growth on passing rents and average 12% incentives
- September 2021 expiry of Link Market Services provides an opportunity to drive rents:
 - Leasing campaign has >2 year lead-time
 - Existing fit-out is well presented and carries value for future users
- New occupiers to the area have moved from across Sydney – attracted to the high quality offering with excellent access to public transport and arterial roads at an affordable price
- Companies relocating to Rhodes: Bunnings; Super Retail Group; KPMG; Manpower



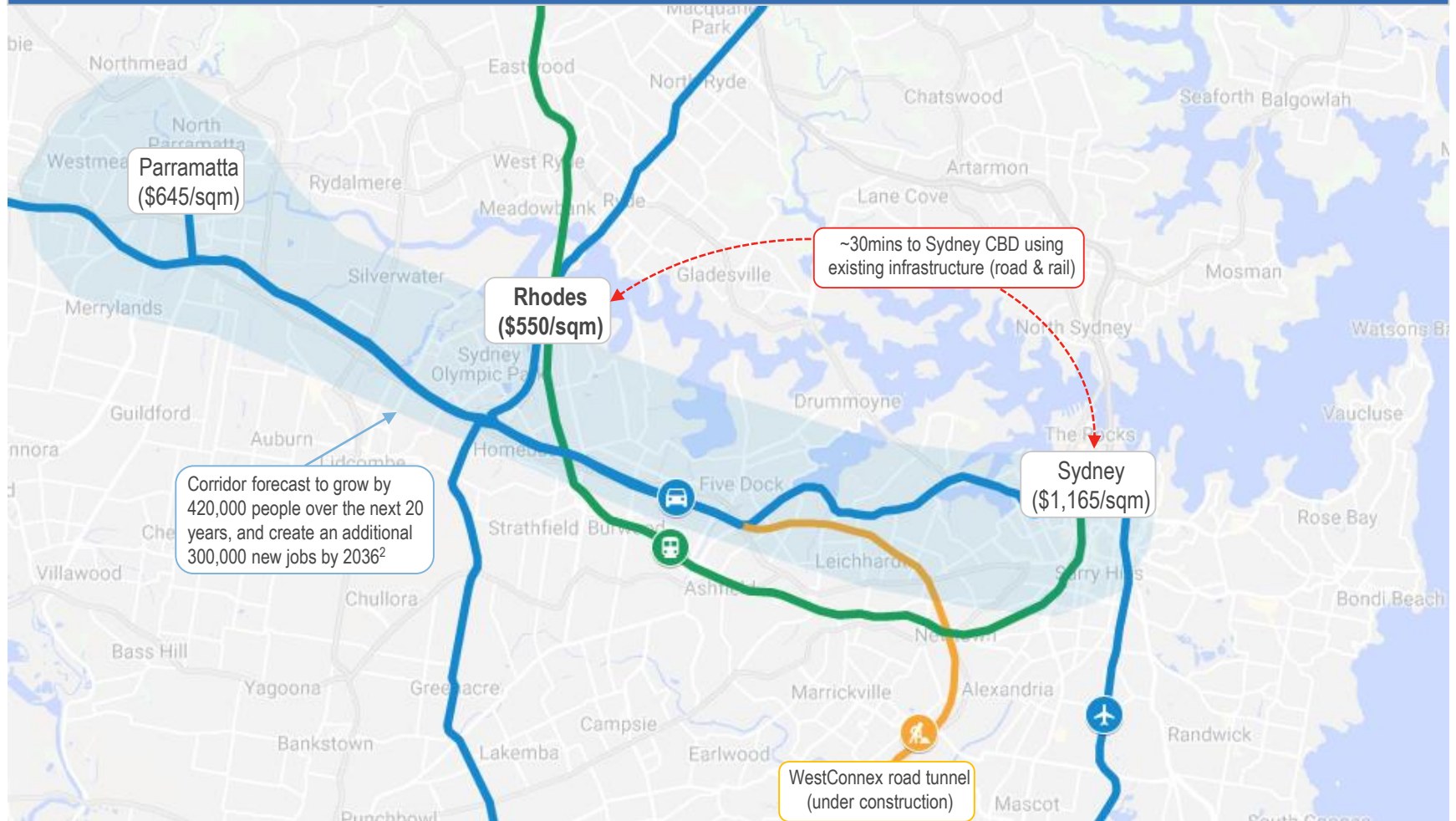
Rhodes Corporate Park – aerial view and green spaces

Number of recent relocations to Rhodes

Original location	Tenants
Homebush	4
Parramatta	3
Parramatta industrial	3
Epping	1
Sydney CBD and North Sydney	2

Rhodes Corporate Park

Rhodes offers outstanding transport linkages in all directions, close proximity to growing population, and affordable rent profiles¹



1. Savills Research, APN Property Group
2. www.sydneymetro.info/west/project-overview

Brisbane Technology Park

- Another very active period:
 - 47 deals completed across 6,800sqm
 - Agreed terms over 1,400 square metres of FY20 renewals
 - 87% retention
- On-site management team have established relationships, enhanced tenant amenity and driven considerable improvements in tenant engagement
- Delivering on our strategy to drive occupancy and cash-on-cash yield by being the preferred workspace provider for small business:
 - Key competitive advantage is the ability to offer flexibility across our 12 properties
 - 38 leases less than 200 square metres
- Typical lease is 6 – 36 months over private office suites – our clients value a workspace that does not create distractions, and provides a secure and peaceful environment



Brisbane Technology Park

Supporting growing businesses

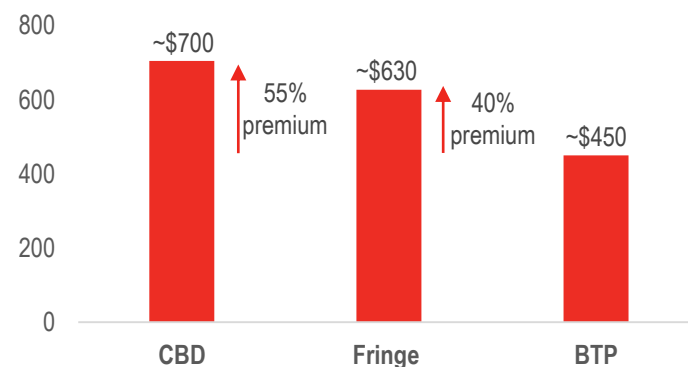
	2017	2019
Client A	202	791
Client B	166	2,312
Client C	509	1,309
Client D	70	305

Brisbane Technology Park

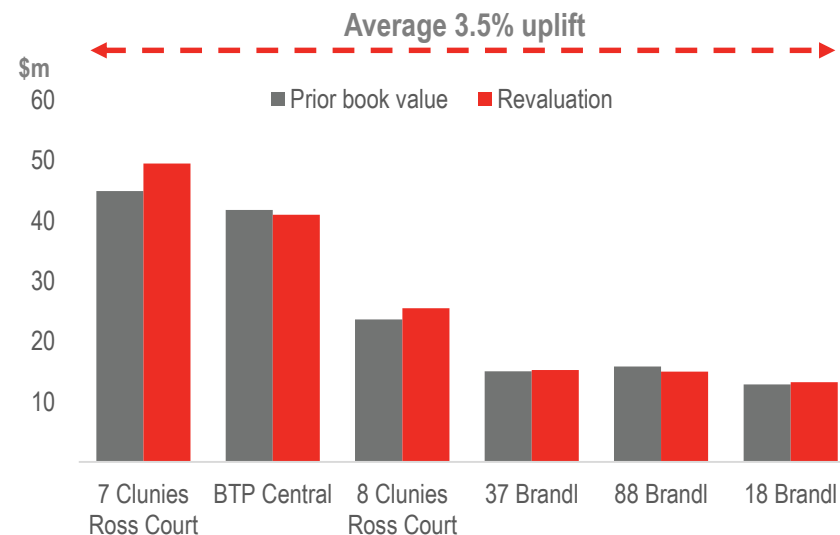
- BTP remains an attractive occupancy proposition:
 - CBD rents 55% and fringe rents 40% higher than BTP
 - Highly accessible – 15 minutes from CBD; 20 minutes from airport; 8 minute walk from public transport
 - Solid and improving amenity – variety of food and beverage options; Anytime Fitness gym; end of trip facilities; new childcare to open in early-mid 2020
 - >1,100 businesses in the immediate precinct – largely from medical, education, technology and engineering sectors
- Valuation across the precinct up by \$9.7 million, or \$5.4m above prior book value:
 - Average cap rate 7.5%
 - Occupancy improvement to 82%²
- Opportunity to drive valuation growth in future periods by continuing to deliver high retention and maintaining consistent occupancy:
 - Strategy of catering to small business to drive cash-on-cash yield and occupancy has held back WALE – which has remained ~3 years

1. Savills Research, APN Property Group
 2. Includes Heads of Terms

Brisbane Gross Rent comparisons¹



Valuation update



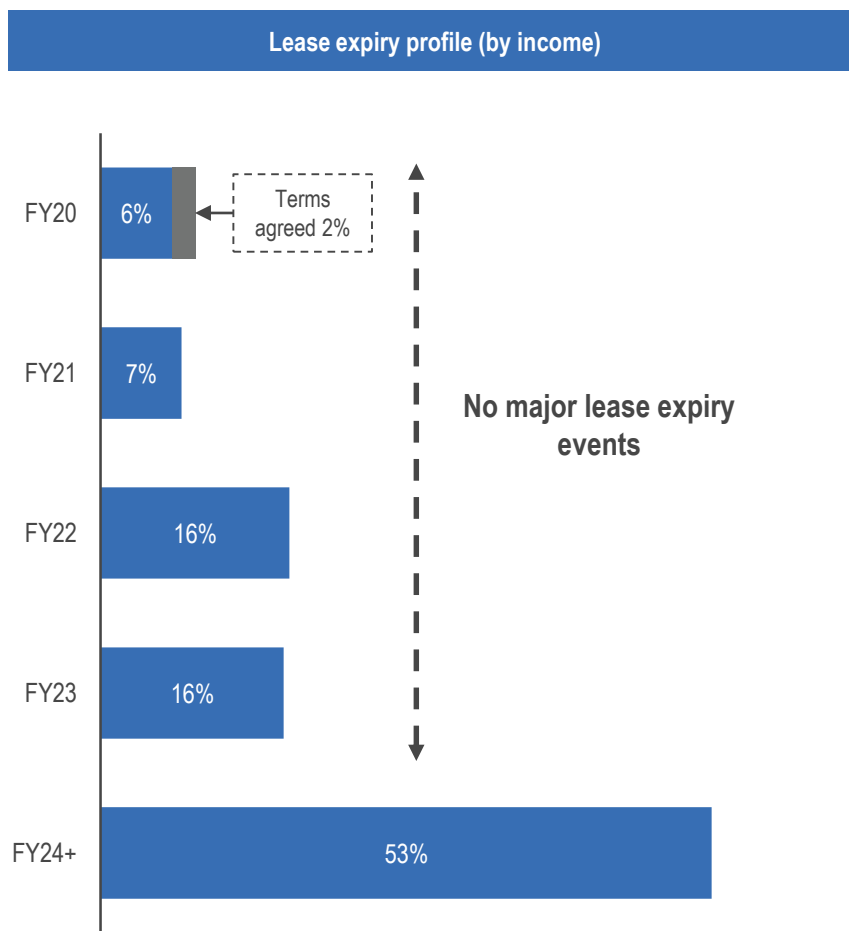
04 OUTLOOK



Outlook

Sustainable returns underpinned by quality and affordable workspaces

- Industria is well positioned:
 - High quality portfolio with annual fixed growth from rent reviews
 - No potential volatility from active earnings that may rely on development or fund management fees/profits
 - Focused and financially aligned management team that is highly engaged with tenant base to drive long-term consistent earnings growth
 - Demonstrated patience and ability to be disciplined when allocating capital
- Reiterating FY19 FFO guidance of 19.7 – 19.8 cps – reflecting 2.5 - 3% growth:
 - DPS guidance of 17.5 cps – 3% growth
 - Subject to current market conditions continuing and no unforeseen events



APPENDICES



Appendix A

Property portfolio

APN Industria REIT portfolio as at 30 June 2019

Property	State	Ownership	Sector	Age (years)	Book Value (\$m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by income)
APN Industria REIT Portfolio									
Industrial Portfolio					383.4	6.33%	193,426	100%	9.2
Office Portfolio					356.0	6.66%	57,564	88%	2.8
Portfolio					739.4	6.5%	250,991	97%	6.1
Industrial Portfolio									
1-3 WesTrac Drive, Newcastle	NSW	100%	Industrial	6.9	197.0	6.00%	45,474	100%	15.2
140 Sharps Road, Tullamarine	VIC	100%	Industrial	11.8	13.5	8.25%	10,508	100%	3.3
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	11.7	18.3	6.50%	10,647	100%	5.5
34 Australis Drive, Derrimut	VIC	100%	Industrial	11.6	29.3	6.50%	25,243	100%	3.4
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	12.6	23.5	6.75%	20,245	100%	4.6
1 West Park Drive, Derrimut	VIC	100%	Industrial	10.8	11.3	6.50%	10,078	100%	3.8
89 West Park Drive, Derrimut	VIC	100%	Industrial	11.9	21.0	6.00%	17,024	100%	3.2
13 Ricky Way, Epping	VIC	100%	Industrial	7.1	16.5	6.25%	11,211	100%	5.3
147-153 Canterbury Road, Kilsyth	VIC	100%	Industrial	47.0	9.5	7.25%	11,882	100%	2.5
81 Rushdale Street, Knoxfield	VIC	100%	Industrial	31.0	9.1	6.50%	6,106	100%	1.5
3 Forbes Close and 4 Forbes Close, Knoxfield	VIC	100%	Industrial	33.0	19.7	5.75%	12,674	100%	6.5
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	12.2	14.8	8.25%	12,334	100%	4.2

APN Industria REIT portfolio as at 30 June 2019

Property	State	Ownership	Sector	Age (years)	Book Value (\$m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by income)
Office Portfolio									
Building A, 1 Homebush Bay Drive, Rhodes	NSW	100%	Office	11.8	110.5	6.00%	14,642	100%	2.4
Building C, 1 Homebush Bay Drive, Rhodes	NSW	100%	Office	18.0	86.0	6.00%	10,544	100%	3.7
18 Brandl Street, BTP	QLD	100%	Office	15.5	13.3	8.00%	4,180	85%	1.4
37 Brandl Street, BTP	QLD	100%	Office	7.1	15.3	7.50%	3,329	46%	1.3
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Office	11.6	49.5	7.25%	8,483	92%	5.4
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Office	10.5	25.5	7.50%	5,704	70%	2.5
88 Brandl Street, BTP	QLD	100%	Office	8.2	15.0	7.75%	2,886	90%	2.1
BTP Central, BTP	QLD	100%	Office	5.0	41.0	7.50%	7,797	77%	1.0

Tenancy mix

Tenant	% portfolio income
WesTrac	25%
Link Market Services	13%
AAE Retail	4%
Frasers Property	4%
Mitre 10	4%
Interactive	4%
Queensland Health	3%
RFS	3%
Dempsey Group	3%
Edlyn Foods	2%
Top 10 Tenants	65%
Other	35%
Total	100%

Appendix B

Financial information

Consolidated Statement of Financial Position

As at	Jun 2019	Jun 2018
	\$'000	\$'000
Assets		
Cash and cash equivalents	2,435	1,659
Trade and other receivables	1,007	1,134
Other assets	764	462
Total current assets	4,206	3,255
Investment properties	739,378	660,732
Total non-current assets	739,378	660,732
Total assets	743,584	663,987
Liabilities		
Payables	(6,633)	(3,904)
Derivative financial instruments	(1,631)	(418)
Distributions payable	(7,698)	(6,839)
Borrowings	-	-
Total current liabilities	(15,962)	(11,161)
Payables	(614)	(390)
Derivative financial instruments	(4,575)	(1,267)
Borrowings ¹	(224,251)	(205,871)
Deferred tax liability	(8,160)	(5,344)
Total non-current liabilities	(237,600)	(212,872)
Total liabilities	(253,562)	(224,033)
Net assets	490,022	439,954
Number of Securities (millions)	181,153.0	162,840.0
NTA per Security (\$)	2.71	2.70

1. Non-current borrowings are net of capitalised debt establishment costs of \$749k (Jun-18: \$829k)

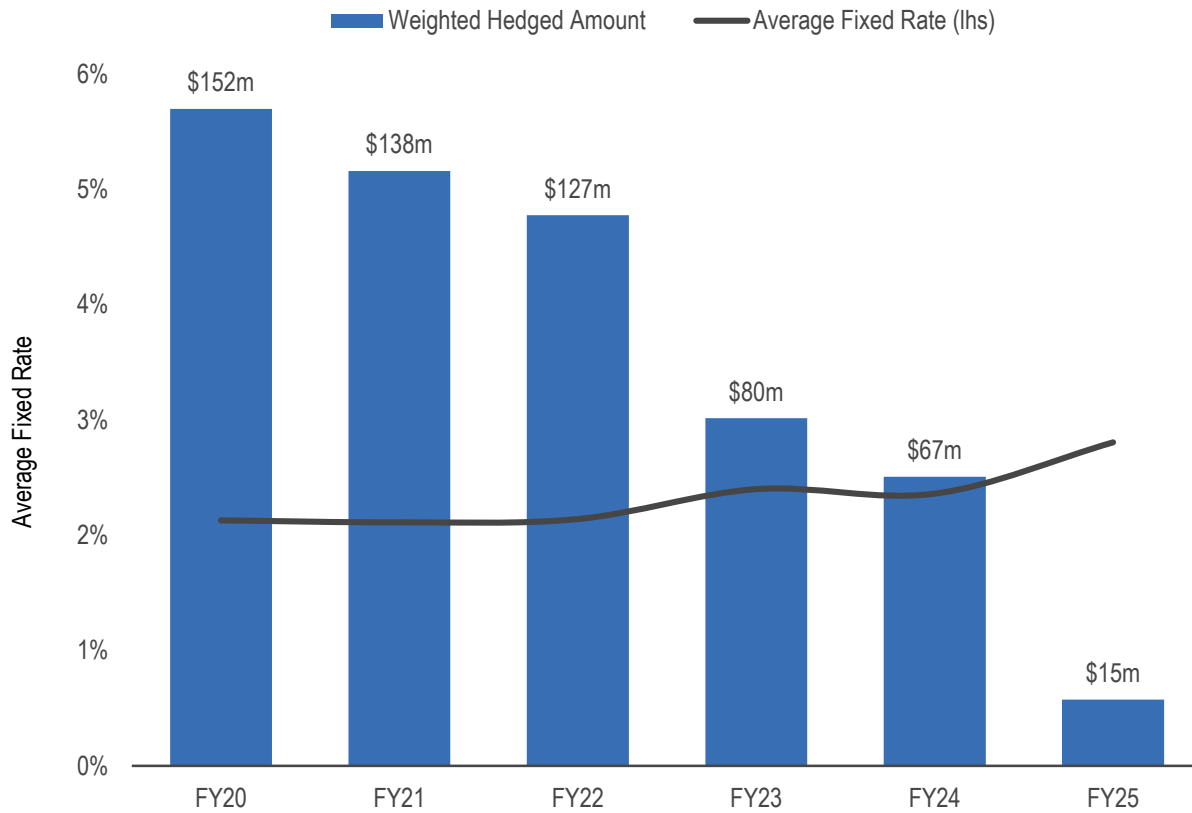
Consolidated Statement of Profit or Loss and other comprehensive income

Financial period ended	Jun 2019	Jun 2018
	\$'000	\$'000
Income		
Net rental income	52,153	47,771
Straight line rental income recognition	3,149	3,906
Total revenue	55,302	51,677
Expenses		
Property costs	(11,700)	(9,919)
Trust management fees	(3,837)	(3,542)
Other expenses	(867)	(710)
Total expenses	(16,404)	(14,171)
Net operating income (EBIT)	38,898	37,506
Net fair value gain (loss) on investment properties	5,934	17,341
Fair value gain (loss) on derivatives	(4,521)	395
Net interest expense	(8,221)	(7,037)
Net income before tax	32,090	48,205
Income tax expense	(2,847)	(47)
Net profit after tax	29,243	48,158

Reconciliation to FFO

Financial period ended	Jun 2019	Jun 2018
	\$'000	\$'000
Net profit after tax	29,243	48,158
Adjusted for:		
Reverse straight lining adjustments included in net rental income	(3,149)	(3,906)
Add back / (deduct) income tax expense / (benefit)	2,847	47
Add back amortised borrowing costs	306	334
Add back amortised leasing costs and rent free adjustments	3,751	3,202
Reverse fair value gain (loss) on investment properties	(5,934)	(17,341)
Reverse fair value gain (loss) on derivatives	4,521	(395)
FFO	31,585	30,099
Distribution	28,461	26,880
Weighted securities on issue (thousands)	164,405	162,913
Payout ratio (Distribution / FFO)	88.5%	89.3%
Distribution (cents per Security)	17.0	16.5
FFO (cents per Security)	19.2	18.5

Interest rate hedging profile



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