

ASX ANNOUNCEMENT

11 December 2019

**Chairman and Fund Manager Address**

APN Convenience Retail REIT (**ASX:AQR**) comprising of Convenience Retail REIT No. 1, Convenience Retail REIT No. 2 and Convenience Retail REIT No. 3 together the stapled group, provides a copy of the Chairman and Fund Manager script for the General Meetings to be held today at 10.00am at the offices of APN Property Group Limited, Level 30, 101 Collins Street, Melbourne VIC 3000 as set out in the Notice of Meeting and Explanatory Memorandum to Securityholders issued on 11 November 2019.

This announcement was authorised to be given to the ASX by Chantal Churchill, Company Secretary.

**ENDS**

For further information, please contact:

**Chris Brockett**

Fund Manager

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**About APN Convenience Retail REIT**

APN Convenience Retail REIT (ASX code: AQR) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. The Fund's portfolio of 69 properties valued at approximately \$360 million, is predominantly located on Australia's eastern seaboard and is leased to leading Australian and international convenience retail tenants. The portfolio provides a long lease expiry profile and contracted annual rent increases delivering the Fund a sustainable and strong level of income security. Convenience Retail has a target gearing range of 25 – 40% as part of its conservative approach to capital management.

APN Convenience Retail REIT is governed by an Independent Board of Directors and is managed by APN Property Group, a specialist real estate investment manager established in 1996 with approximately \$2.9 billion in assets under management.

[www.apngroup.com.au](http://www.apngroup.com.au)

Convenience Retail REIT No. 1 ARSN 101 227 614  
Convenience Retail REIT No. 2 ARSN 619 527 829  
Convenience Retail REIT No. 3 ARSN 619 527 856

Responsible Entity:  
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# **APN** | Convenience Retail REIT

**APN Convenience Retail REIT  
General Meetings  
Wednesday 11<sup>th</sup> December 2019  
Commencing 10.00am**

**To be held at  
APN Property Group  
Level 30  
101 Collins Street  
Melbourne Vic 3000**

## **Chairman and Fund Manager Meeting Script**

## General Meetings – Wednesday 11 December 2019 at 10.00am

### Introduction

Good morning Ladies and Gentlemen and welcome to this General Meetings for APN Convenience Retail REIT.

My name is Michael Johnstone and I am an Independent Director of APN Funds Management Limited, the Responsible Entity of the trusts Convenience Retail REIT No. 1, Convenience Retail REIT No. 2 and Convenience Retail REIT No. 3, which together comprise APN Convenience Retail REIT.

I will be your Chairman today. As it is now 10.00am and we have a quorum present, I have pleasure in declaring the meeting open.

### Meeting outline

The meeting today has two principal objectives:

- To consider and, if thought fit, pass a resolution to ratify the issue of securities to various sophisticated and professional investors under ASX Listing Rule 7.1; and
- To give you the opportunity to ask any questions you may have of Directors, Management or Advisors who are present here today.

### Introduce Directors and Management

I would like to begin by introducing my fellow director Howard Brenchley, who is an Independent Director of APN Funds Management Limited.

Mr Geoff Brunsdon and Ms Jennifer Horrigan extend their apologies for not being able to join us today.

I would also like to introduce some key members of the Management team present in the audience:

- Chris Brockett – Fund Manager of APN Convenience Retail REIT
- Joseph De Rango – Chief Financial Officer of APN Property Group
- Chantal Churchill – Company Secretary of APN Property Group

### Introduce Advisors

We are joined today by the Fund's external advisors:

- Craig Semple – from our lawyers, Gilbert & Tobin; and
- Julie Stokes - from our share registry, Link Market Services who will act as Returning Officer in relation to the poll.

I would now like to hand over to the Fund Manager, Chris Brockett who will provide an update on the fund.

### **Fund Manager Address**

*[Mr Brockett to lectern]*

### **APN Convenience Retail REIT**

The strategy for APN Convenience Retail REIT is to grow by investing in well-located service station and convenience retail assets with long term leases to high quality major tenants which delivers an attractive, defensive and growing income stream, with the potential for capital growth.

The opportunity for investors in APN Convenience Retail REIT is benefitting from secure and sustainable long-term income growth through its simple structure and transparent cash flows where 97% of the portfolio income is derived directly from the major service station tenants. We take a great deal of comfort from the fact that the majority of service station operators are global, experienced and well-financially backed organisations, providing strong lease covenants. The strong level of income security is also underpinned by a diversified, long-lease portfolio and an attractive lease expiry profile where 78% of the income expires in FY30 and beyond. The Fund is well positioned to deliver sustainable long-term income growth that outpaces current inflation expectations due to a weighted average portfolio rental growth of 2.9% per annum.

The underlying portfolio of assets is unique in that it is difficult to replicate given the limited availability of strategically located land which is not impacted by zoning restrictions.

The Fund will maintain a healthy balance sheet to ensure we can withstand periods of financial uncertainty, whilst also being able to execute on growth opportunities as and when they arise. This provides certainty to vendors seeking an outcome and improves the ability to secure assets that represent long-term value for APN Convenience Retail REIT investors.

### **Active year of transactions to enhance portfolio quality and diversification**

It has been a very active period of property transactions since June 2019. We have acquired over \$79 million of service station and convenience retail properties at an average yield 6.3% and a weighted average lease expiry of 13.5 years.

These acquisitions predominately comprise newly built properties and enhance the Fund's overall tenant diversification with the introduction of four new, high quality tenants — Liberty, BP, Coles Express and a major independent operator trading as Mobil whose business has received global recognition for their convenience store strategy. The acquisitions also provided the opportunity to enter new markets, being South Australia and Northern Territory, improving the portfolio's geographic diversification.

We have also disposed of three Puma-tenanted sites throughout the period, collectively representing a 3.5% premium to book valuation. These sales assisted in providing further tenant diversification, with the net sale proceeds used to partly fund acquisitions. The acquisitions were also partly funded by the successful institutional placement in October 2019 and the subsequent security purchase plan in November 2019 which collectively raised \$46 million.

We continue to pursue further opportunities to grow and enhance the portfolio including taking an active approach to building longstanding relationships with our tenants and developers to achieve outcomes that benefit all parties. To that extent, the passing of today's resolution will provide the flexibility to undertake future raising to support our pursuit of these potential opportunities.

We reaffirm our FY20 earnings guidance of 22.3 to 22.5 cents per security and FY20 distribution guidance of 21.8 cents per security, subject to market conditions continuing and no unforeseen events.

Thank you for your ongoing support and I will now hand you back to the Chairman.

*[Chairman to lectern]*

### **Formal Business**

#### **Admission Cards**

I will now move to the formal business of the meeting.

You should have received a coloured admission card when you registered at the meeting here today. These cards will be required by those wishing to participate in the formal business of the meeting.

- **Yellow cards** have been issued to all securityholders and proxyholders entitled to speak and vote at this meeting.

- **Blue cards** have been issued to non-voting securityholders entitled to speak.
- **Red cards** have been issued to visitors who are not entitled to speak or vote.

Securityholders attending in their own right who have also been appointed as a proxy will have been issued with more than one yellow card.

If you have been issued with an incorrect card, please see the registration staff now.

**Time for Questions**

You will have an opportunity to ask specific questions on the resolution to be considered. Please hold any general questions you may have until after the formal business is completed.

**Pre-amble to Resolutions**

There is one Resolution to be considered by Securityholders and I propose to keep the process as short as possible by noting in advance, the following items:

- The resolution set out in the Notice of Meeting will be shown on the screen behind me together with a summary of the proxy instructions received by the Company Secretary in respect of each Resolution;
- I intend to vote all open proxies that I hold **in favour** of the resolutions;
- When called upon to vote would you please do so by completing your yellow voting card.
- Voting on the resolution will be conducted by poll and that poll is now **open**.
- All securityholders and proxy holders present are entitled to vote. You may do so by completing the voting section of the relevant admittance card, in accordance with the instructions given on the card.
- Proxyholders will have attached to their admittance cards a summary of the voting instructions of the securityholder they are representing. Proxyholders should vote in accordance with those instructions by completing the voting section of the relevant admittance card. Open instructions can be voted as you determine.
- When you have completed your voting, please lodge the card in one of the ballot boxes.

## Ordinary Resolution 1

### Resolution 1

The purpose of the meeting called today is for Securityholders to consider and vote on the ordinary resolution to ratify the placement to investors under Listing Rule 7.1 as follows:

*“That, for the purpose of Listing Rule 7.4 and for all other purposes, Securityholders ratify the issue of 11,209,871 Securities (at an issue price of \$3.39 per Security) to various sophisticated and professional investors on 18 October 2019 under APN Convenience Retail REIT’s 15% placement capacity under ASX Listing Rule 7.1 on the terms and conditions set out in the Explanatory Memorandum.”*

As you have all received a copy of the notice of meetings and explanatory memorandum, I propose to take this document as read. However, I will touch on a couple of key points as follows:

On 18 October 2019, each of the Trusts issued 11,209,871 Securities (at an issue price of \$3.39 per Security) through an institutional placement to institutional investors. Securityholders are asked to approve the issue of Securities for the purposes of Listing Rule 7.4.

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior Securityholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. Resolution 1 seeks ratification under Listing Rule 7.4 of the issue of 11,209,871 Securities made on 18 October 2019 in order to restore the ability of APN Convenience Retail REIT to issue further Securities within the 15% limit during the next 12 months. The approval of the issue of stapled securities to institutional investors, by passing Resolution 1, will exclude the issue for the purposes of calculating the number of Securities that may be issued in a 12 month period as set by the Listing Rules.

The approval will provide flexibility for APN Convenience Retail REIT to undertake fundraising in the future, as opportunities arise, by maximising the number of Securities that can be issued over the next 12 months without further approval from Securityholders.

For these reasons, the board of the Responsible Entity recommend that Securityholders vote in favour of this resolution.

The Resolution will be passed as an ordinary resolution if more than 50% of the votes cast by Securityholders entitled

to vote on the Resolution are cast in favour of the Resolution.

Does any securityholder wish to speak in relation to the resolution or ask any questions?  
Thank you.

Would you please complete your yellow voting card in relation to Resolution 1.

When you have completed your voting, please lodge the card in the ballot box.

## **General Business**

### **Questions**

Ladies and Gentlemen, this completes the formal business of the meeting. However, as indicated earlier, I would be happy to take any general questions you may have, and I will invite Mr Brockett to assist me in answering these questions.

### **Meeting closure and thank you**

If there are no further questions, I will close the meeting.

The poll will be open for a further 5 minutes to allow for those who have not marked their voting cards to do so, and place in the poll box at the registration desk.

The results of the poll will be published later today on the ASX.

Thank you for your attendance today and to those securityholders who participated by proxy.

The Directors and Management would be pleased if you would join them for light refreshments and an opportunity to ask additional questions.



# GENERAL MEETINGS

11 DECEMBER 2019

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

**APN** | Convenience Retail REIT



# Agenda

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**01** Fund Manager Address

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**02** Formal Business

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**03** Questions

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# Directors and Management

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**Michael Johnstone**  
Independent  
Director



**Howard Brenchley**  
Independent  
Director



**Joseph De Rango**  
Chief Financial  
Officer



**Chantal Churchill**  
Company Secretary



**Chris Brockett**  
Fund Manager

# 01 FUND MANAGER ADDRESS



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 and growth 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 (78% 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

# Active year of transactions to enhance portfolio quality and diversification

- Enhanced geographic and tenant diversification achieved through acquisition of 14 properties year to date
  - ~\$79.3 million
  - Average yield of 6.3% and WALE of 13.5 years
  - Introduction of 4 new high quality tenants (i.e. Coles Express, Liberty, BP and Mobil X Convenience)
  - 11 brand new strategically located sites, in predominantly metro locations, plus 3 established sites with a longstanding trading record
- Sold three Puma-tenanted sites
  - ~\$9.8 million
  - 3.5% premium to book value
  - Reduced exposure to Puma Energy
- Successfully completed a \$38 million institutional placement and \$8 million Security Purchase Plan
- Active approach to building relationships with major tenants and developers to achieve beneficial outcomes for all parties and to deliver an ongoing pipeline of acquisition opportunities for AQR
  - Resetting the Fund's placement capacity will provide the flexibility to actively pursue future acquisition opportunities as and when they arise
- FY2020 guidance reaffirmed<sup>(1)</sup>:
  - Funds From Operations (FFO) of 22.3 – 22.5 cents per security
  - Distributions per Security (DPS) of 21.8 cents per security

(1) Guidance statements subject to current market conditions continuing and no unforeseen events



BP Rockhampton, QLD



Liberty Perth, WA (artist's impression)



Shell Orana, WA

# 02 FORMAL BUSINESS



Puma Rutherford, NSW



## Ordinary Resolution 1

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*“That, for the purpose of Listing Rule 7.4 and for all other purposes, Securityholders ratify the issue of 11,209,871 Securities (at an issue price of \$3.39 per Security) to various sophisticated and professional investors on 18 October 2019 under APN Convenience Retail REIT’s 15% placement capacity under ASX Listing Rule 7.1 on the terms and conditions set out in the Explanatory Memorandum.”*

### Summary of Proxy instructions

	For	Open	Against	Abstain
Votes	12,735,983	557,894	79,234	56,050
Percentage	95.24%	4.17%	0.59%	0.00%



# 03 QUESTIONS



Caltex Woolworths Capalaba, QLD



# MEETING CLOSURE



Caltex Woolworths Mitchelton, QLD

# Disclaimer

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# Contact

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## ASX Code: AQR

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