

19 March 2020

Market update

In light of the significant financial market volatility and broader disruption arising from the COVID-19 outbreak, APN Funds Management Limited (**APN FM**), as Responsible Entity for APN Industria REIT (**ADI** or the **REIT**), provides the following update to the market.

The Manager of the REIT, APN Property Group (**APN**), has implemented its established business continuity plan, including remote working arrangements, to ensure it continues to operate effectively despite the disruption being experienced across the community. APN's immediate priority is the health and wellbeing of its employees, ADI's tenants and their employees, and other stakeholders.

APN has undertaken a review of the REIT's positioning, including with respect to ADI's income profile, balance sheet and banking arrangements, and an assessment of the potential impact of COVID-19.

ADI remains well placed for the following reasons:

- The portfolio comprises 32 industrial and business park properties leased to a diverse pool of tenants exceeding 120 in number. The REIT's top 10 tenants make up 59% of total portfolio income, and have all been in business for at least 20 years;
- Interest cover at 31 December 2019 was 6.7x; and revenue could fall by more than 50% without triggering a breach of the ICR covenant (2.0x);
- Gearing is low at 28.8% as at 31 December 2019, below the target range of 30% - 40%. Value declines in excess of 45% could be sustained before the gearing covenant would be breached (55%);
- There are no 'active earnings' across the portfolio, such as funds management or development fees, that could cause significant volatility of income.

The Board considers the COVID-19 event to be significant, with circumstances that are changing daily. Based on our view that a rapid economic slow down is occurring, provisions have been taken against FY20 revenue forecasts for the remainder of the FY2020 financial year. After taking into consideration the provisions, the Board is pleased to reaffirm FY20 FFO per security guidance of 19.9 cents and distribution guidance of 17.5 cents.

However should circumstances which we don't currently foresee arise with consequences for this guidance the Board will update the market.

This document has been authorised to be given to the ASX by the Board of APN Funds Management Limited.

ENDS

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About APN Industria REIT

APN Industria REIT ('Industria') (ASX code: ADI) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. Industria's \$824 million portfolio of 32 properties located across the major Australian cities provides sustainable income and capital growth prospects for security holders over the long term. Industria has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to management. Industria is managed by APN Property Group, a specialist real estate investment manager established in 1996, and governed by a majority independent Board.

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