

ASX ANNOUNCEMENT

20 May 2020

Market update and stapled security buyback

APN Funds Management Limited (**APN FM**), as Responsible Entity for APN Industria REIT (**ADI** or the **REIT**), today announces the following market update and buyback of its stapled securities.

Balance sheet

The balance sheet position remains strong:

- Low gearing of 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%);
- Interest cover at 31 December 2019 was 6.7x; revenue could fall by more than 50% without triggering a breach of the ICR covenant (2.0x); and
- ~\$44 million of undrawn facilities; no refinancing events until September 2021.

Revenue impacts from COVID19

Approximately 10 – 15% of tenants are eligible for relief under the Code of Conduct. APN has continued to work with impacted tenants to provide an appropriate level of rental relief. Rent collection has been pleasing – and APN collected ~95% of billings for April, and a similar outcome is expected for May. The Board intends on paying a distribution for this quarter and will confirm the amount in due course.

Valuations for 30 June 2020

ADI's portfolio comprises 17 industrial properties (56% by value), and 15 low-rise business park properties (44% by value) leased to cost-conscious occupiers. The weighted average cap rates are 6.2% and 6.7% respectively.

Since COVID19 began to impact the economy there has been limited transactional activity to indicate material movements in valuation metrics. As a result, the valuation movements for 30 June 2020 are anticipated to be largely attributable to near-term income impacts and lower growth rates (as opposed to a material movement in cap rates).

Stapled security buyback

The Board believes the share price does not reflect the underlying value of the ADI portfolio nor the strength of the balance sheet. Buying back ADI securities is an attractive capital management initiative that will enhance value without compromising the financial strength of the REIT.

The Appendix 3D allows for 9,607,390 securities (approximately 5% securities on issue) to be purchased.

Commenting on the security buyback, Alex Abell, Fund Manager of APN Industria REIT said: "Over the past few months our team has worked collaboratively with our tenants to ensure we find equitable and balanced outcomes to this challenging situation. As a result of this work, and the balance sheet strength and portfolio quality, we are in the unique position of having the confidence to allocate capital to a buyback and capitalise on an exceptional value opportunity."

This document has been authorised to be given to the ASX by the Board of APN Funds Management Limited and the Board of Industria Company No. 1 Limited.

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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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