

ASX ANNOUNCEMENT

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16 June 2020

Equity raising

APN Convenience Retail REIT (**AQR** or the **Fund**) is pleased to announce it is undertaking a fully underwritten A\$50 million institutional placement (**Placement**) at an issue price of \$3.20 per new security (**New Securities**).

AQR will also offer a non-underwritten Security Purchase Plan (**SPP**) to eligible securityholders¹ targeted to raise up to A\$5 million.²

AQR reaffirms its FY20 FFO guidance of 21.5 - 21.8 cps and FY20 distribution guidance of 21.8 cps (subject to market conditions and no unforeseen events). AQR's FY21 distribution is not expected to be less than AQR's FY20 distribution (subject to market conditions and no unforeseen events).

Rationale

The proceeds from the Placement will be used to strengthen AQR's balance sheet by repaying debt, including debt incurred recently to complete the acquisitions of Coles Express Gatton and Coles Express Inverell, and to fund the associated transaction costs incurred in connection with the Placement and SPP.

With pro forma gearing of approximately 23% and \$63 million in cash and undrawn debt facilities³, AQR will have funding capacity to continue to deliver on the Fund's strategy of investing in strategically located convenience retail assets while maintaining a prudent balance sheet. The Fund is currently conducting exclusive due diligence on four sites⁴ which meet AQR's strategic and financial criteria and would provide further portfolio diversification.

Commenting on the transaction, Chris Brockett, APN Convenience Retail REIT Fund Manager, said: "AQR is further strengthening its balance sheet in light of current market conditions."

"However, we do see the COVID-19 pandemic creating off-market acquisition and development fund-through opportunities with vendors and developers targeting buyers that can provide cash certainty and speed of execution. This Placement and SPP puts AQR in a strong position to capitalise on these opportunities as they arise."

Portfolio Update

The impact of COVID-19 on AQR's existing portfolio has so far been minimal with all sites remaining open and trading. Importantly, service stations are classified as an essential service and were allowed to stay

¹ Eligible securityholders are holders of existing AQR securities as at 7.00pm (Sydney time) on 15 June 2020, with a registered address in Australia and New Zealand and are not in the United States and are not acting for the account or benefit of a person in the United States (**Eligible Securityholders**).

² The Offer structure balances the need for certainty of proceeds received through the Placement with AQR's desire to provide its retail securityholders with the opportunity to participate through the SPP. The \$5 million SPP cap is considered appropriate to provide the opportunity for the majority of AQR's retail securityholders to achieve a pro rata allocation having regard to the total Offer size, AQR's register and take-up rates in previous security purchase plans. Where total demand exceeds \$5 million, AQR may (in its absolute discretion), increase the amount raised under the SPP to reduce or eliminate the need for scale back. To the extent any scale back is required, it will be undertaken on a pro rata basis (based on participants' security holdings as at the SPP record date).

³ Pro forma 31 Dec 2019 balance sheet adjusted for the Placement, December 2019 DRP, debt facility refinancing and increase in February 2020, acquisitions and fund-through developments completed post-balance date and remaining fund-through development commitments. Excludes any proceeds from the non-underwritten SPP.

⁴ There is no certainty that any or all of these transactions will proceed, but if all were to be completed the aggregate amount payable by AQR for all such acquisitions would be ~\$40m.

open throughout the lockdown period. As such, AQR's rent collection has largely been unaffected, with only six small non-fuel tenants (circa 1.2% of portfolio rental income) applying for rent relief.

On 19 December 2019, Puma Energy announced that it had entered into a conditional Share Sale Agreement to sell its Australian fuel business to Chevron. The Fund has formally provided its consent to the change of control pursuant to its leases with Puma Energy (46 sites representing 58% of rental income) and understands that both parties are targeting a transaction completion date of 30 June 2020.

Placement

AQR will undertake an approximately \$50 million Placement of New Securities fully underwritten by Moelis Australia.

The New Securities to be issued under the Placement will be issued at a fixed price of \$3.20 per New Security, which represents a:

- 4.8% discount to the last close price of \$3.36 on 15 June 2020; and
- 7.6% discount to the 5 day VWAP of \$3.46 on 15 June 2020.

New Securities issued under the Placement and held on the record date for AQR's distribution for the June quarter will be entitled to that distribution.

Securities will be issued under AQR's placement capacity per ASX LR 7.1 and in reliance on ASX's class waiver allowing extra placement capacity. It is intended that all eligible institutional securityholders receive their 'pro rata' allocation of new securities issued under the Placement (should they submit a bid of this amount), on a best endeavours basis.^{5 6}

Security purchase plan

Eligible Securityholders will be invited to subscribe for up to \$30,000 in additional securities, free of transaction and brokerage costs via an SPP.⁷

The allotment date of securities issued under the SPP will be 20 July 2020 (**SPP Securities**), meaning SPP Securities will only be entitled to distributions declared after that date. Accordingly, the offer price under the SPP will be the issue price of the Placement less the amount of AQR's June distribution, expected to be 5.45 cents per security.

The SPP will not be underwritten and is targeted to raise up to A\$5 million from the date of issue. Where total demand exceeds \$5 million, AQR may (in its absolute discretion) increase the amount to be raised under the SPP to reduce or eliminate the need for scale back. To the extent any scale back is required, it will be undertaken on a pro rata basis (based on participants' security holdings as at the SPP record date). Further information on the SPP will be lodged with the ASX and sent to Eligible Securityholders on or around 22 June 2020.

Financial impact

Subject to market conditions and no unforeseen events, the Fund reaffirms FY20 guidance previously provided:

- Funds From Operations (**FFO**) of 21.5 – 21.8 cents per security; and
- Distributions Per Security (**DPS**) of 21.8 cents per security, reflecting a 6.8% yield on the issue price.

Distribution guidance for FY21 is not expected to be any less than FY20, subject to market conditions and no unforeseen events

In February 2020 the Fund refinanced \$105 million of its existing debt facilities and increased its facility limit by an additional \$40 million. Pro forma gearing is expected to be approximately 23% following the Placement

⁵ An eligible institutional securityholder's existing holding will be estimated by reference to AQR's latest available beneficial register which shows historical holdings as at the date of that register and is not up to date. There is no verification or reconciliation of the holdings as shown in the historical beneficial register. Accordingly this may not reflect the participating eligible institutional securityholder's actual holding. AQR and Moelis Australia are not obliged to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining allocations. Institutional securityholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. AQR and Moelis Australia disclaim any duty or liability in respect of the determination of an eligible institutional securityholder's allocation using their assumed holdings.

⁶ Eligible institutional securityholders who bid in excess of their 'pro-rata' share as determined by AQR and Moelis Australia are expected to be allocated a minimum of their 'pro-rata' share on a best endeavours basis as set out in footnote 5 above, and any excess may be subject to scale back.

⁷ AQR has obtained relief from ASIC amending the existing class order relief to permit eligible securityholders to subscribe for \$30,000 in securities under the SPP offer without a disclosure document even though they have been issued with securities under an SPP in the last 12 months

and adjusting for the recent acquisitions and remaining fund through development pipeline. The Fund will have \$63 million of cash and undrawn debt capacity following the Placement.⁸ Proceeds from the SPP will reduce the pro forma gearing (e.g. \$5 million will result in a pro forma gearing of 21%).

Timetable

2020	
Record date for SPP	7.00pm, Monday 15 June
Announcement of the Placement	Tuesday 16 June
Placement bookbuild	Tuesday 16 June
Settlement of New Securities issued under the Placement	Friday 19 June
Allotment and normal trading of New Securities issued under the Placement	Monday 22 June
SPP offer opens and booklet is dispatched	Monday 22 June
SPP offer closes	5.00pm, Wednesday 15 July
SPP allotment date	Monday 20 July
Dispatch of holding statements and normal trading of New Securities issued under the SPP	Tuesday 21 July

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

Additional information

Additional information about the Placement and SPP, including certain risks, are contained in the investor presentation released to the ASX today.

This announcement was authorised to be given to the ASX by the Board of APN Funds Management Limited.

ENDS

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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 current portfolio of 79 properties valued at approximately \$425 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.

www.apngroup.com.au

⁸ Pro forma 31 Dec 2019 balance sheet adjusted for the Placement, December 2019 DRP, debt facility refinancing and increase in February 2020, acquisitions and fund-through developments completed post-balance date and remaining fund-through development commitments. Excludes any proceeds from the non-underwritten SPP.