



# FY2020 RESULTS PRESENTATION

19 AUGUST 2020

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

**APN** | Industria REIT

# Agenda

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**01** Highlights and Outcomes

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**02** Investment Proposition

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**03** Portfolio positioning and market dynamics

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**04** Portfolio Performance

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**05** Outlook

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Appendices

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# 01 HIGHLIGHTS AND OUTCOMES



# FY20: Solid outcome and well positioned for growth



**FFO 19.3 cents per security; 1.6% growth**



**Strong balance sheet – 28.8% gearing; capacity to deploy and unlock further growth**



**Record leasing volume – with ~28,900 square metres completed**



**Committing to carbon neutrality from FY21**

**Resilient outcome in challenging environment**

**Below target 30 – 40% gearing band**

**Active management underpinning income stability**

**Reducing risk, being accountable**



## 30 June 2020 financials

- Statutory net profit increased \$25.6m to \$54.8m, driven by growing rental revenue and revaluation gains of \$24.4m; 28.8 cents per security, up 11 cents
- Net Property Income up 15.1% to \$46.6 million, with new acquisitions contributing additional \$4.7 million (11.5%):
  - 98% of contracted rent collected for the year
- Key cash movements over FY20:
  - Revenue not booked for ~\$1.0m (0.55 cents per security) of rent concessions
  - Receivables at 30 June 2020 were <1% of gross rent
  - Development capex \$2.4m; sustainability initiatives \$1.4m; maintenance capex \$1.3m; fit out capital \$300k
- Gearing has reduced to 28.8%:
  - \$24.4m of revaluation gains
  - \$57.1m of acquisitions in 1H20, funded with \$47m of equity
  - Anticipate gearing to rise in FY21 as industrial asset opportunities are pursued
- NTA increased 4.1% to \$2.82

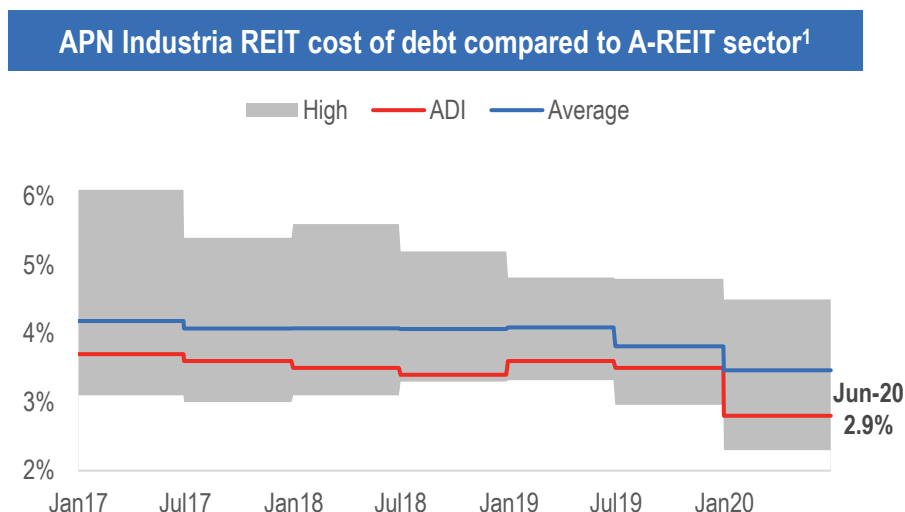
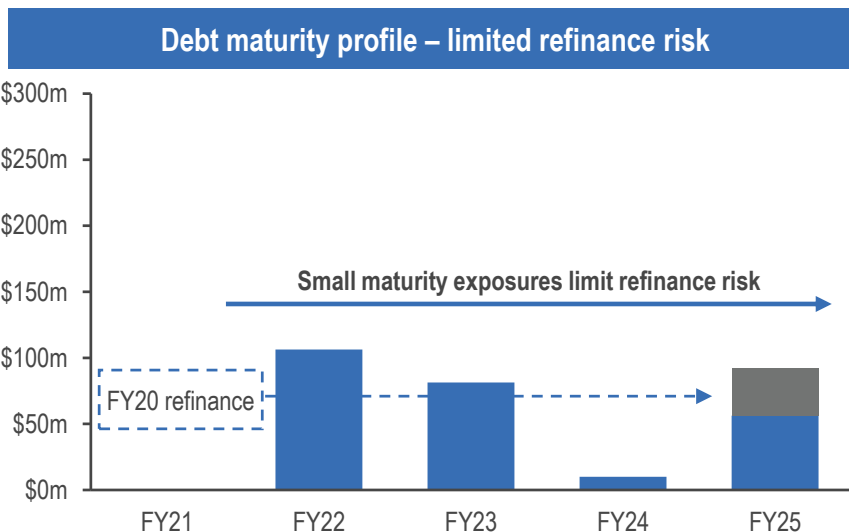
Income Statement	FY20	FY19	Change
Statutory net profit (\$m)	\$54.8	\$29.2	▲ 87.7%
FFO (\$m)	\$36.8	\$31.3	▲ 17.6%
FFO (cents per security)	19.3	19.0	▲ 1.6%
Distribution declared (\$m)	\$33.4	\$28.5	▲ 17.2%
Distributions (cents per security)	17.3	17.0	▲ 1.8%
FFO payout ratio (%)	89.3%	89.4%	▼ 0.1%
Tax deferred component of distribution / non assessable income	35.9%	42.7%	▼ 6.8%

Balance Sheet Metrics	Jun 2020	Jun 2019	Change
Gearing	28.8%	30.0%	▼ 1.2%
Net Tangible Assets per security	\$2.82	\$2.71	▲ 4.1%

Independent valuations	1H20	2H20	WACR
Cap rate movement (9 assets)	22bps	4bp	6.38%

# Strong balance sheet, consistently outperforming peers

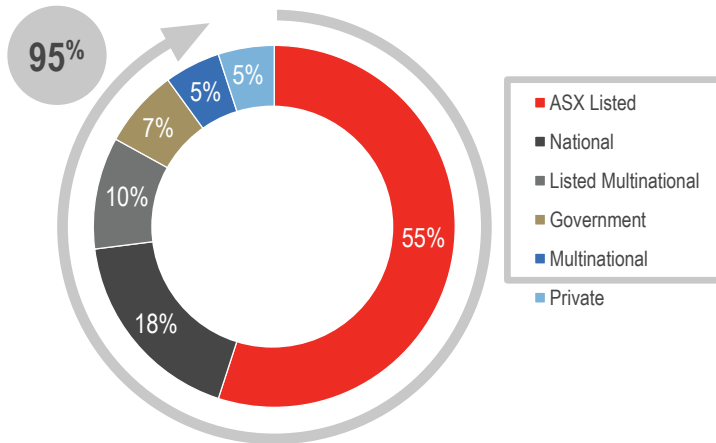
- Maintaining a staggered debt maturity profile, reducing concentration risk over any given period:
  - Three financiers with no more than ~50% exposure to a single bank
  - Refinanced \$36 million of debt, extending facility by 5 years
  - \$47 million of undrawn facilities – and over \$70 million of capacity to take gearing to middle of 35 – 40% target band
  - Weighted average debt maturity 2.9 years
- Weighted average interest rate 2.9% and 6.9x interest cover:
  - Retained disciplined approach to capital management – capital was not deployed to pay-down hedges
  - Demonstrated that portfolio and income quality is high – attributes valued by credit providers whom have continued appetite to lend
  - Broader banking relationships and track record of APN Property Group continues to be leveraged to achieve optimal outcomes for ADI shareholders



1. Source: Company information and IRESS

# Resilient income profile from high quality tenants

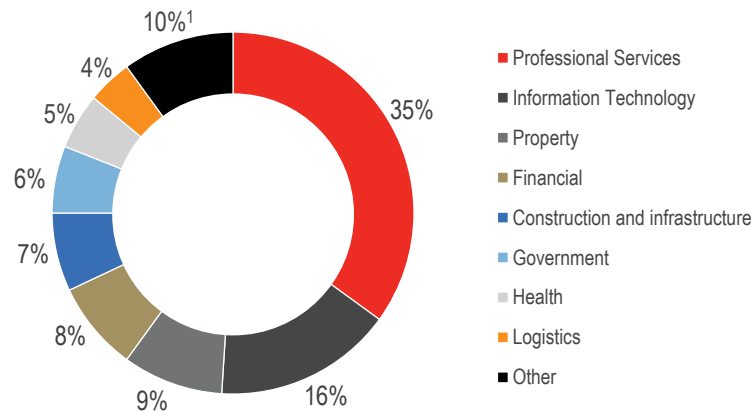
## Tenant composition by income



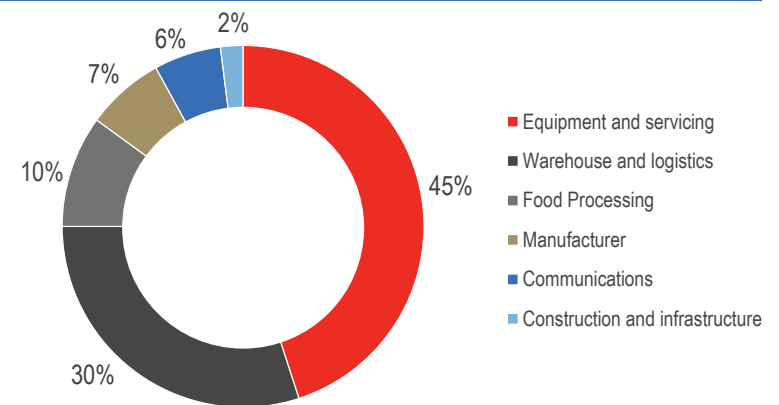
## Tenants across the portfolio



## Tenant composition by industry – office assets



## Tenant composition by industry – industrial assets



<sup>1</sup> Includes 0.3% associated with retail based tenants

## 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

- Low-risk portfolio benefiting from a growing rent profile – average rent reviews of ~3%, 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

**\$826**

MILLION  
PORTFOLIO

**~\$482m**

MILLION MARKET  
CAPITALISATION

**S&P/ASX 300**

INDEX  
MEMBER

**7.0%**

CASH DISTRIBUTION  
YIELD

**29%**

GEARING

**5.7**

YEAR WALE

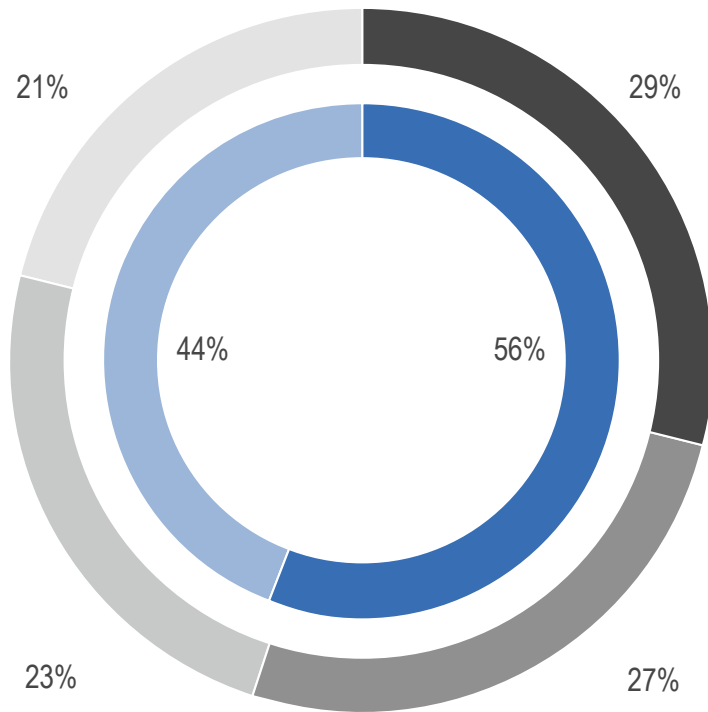
**3%**

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: Market capitalisation as at market close on 18 August 2020; yield based on FY21 distribution being broadly the same as FY20, consistent with guidance

# Diversified portfolio generating consistent and growing income



## Locations

- Industrial Melbourne & Adelaide
- Industrial - WesTrac
- Rhodes Corporate Park
- Brisbane Technology Park

## Portfolio by type

- Industrial
- Office



### WesTrac Newcastle

Located adjacent to M1 motorway  
~\$222 million valuation  
14.2 year WALE



### Industrial Melbourne, Adelaide and Brisbane

Key industrial precincts  
~\$243 million valuation  
16 buildings; 4.7 year WALE



### Rhodes Corporate Park

Inner west Sydney,  
~\$189 million valuation  
2 buildings; 2.0 year WALE



### Brisbane Technology Park

15 minutes south of CBD  
~\$172 million valuation  
13 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 co-investment stake of ~\$70 million
- Simple and transparent sliding fee structure – no additional transactional or performance fees



## Focused and dedicated management team

- Dedicated Fund Manager and management team
- Leveraging 25 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

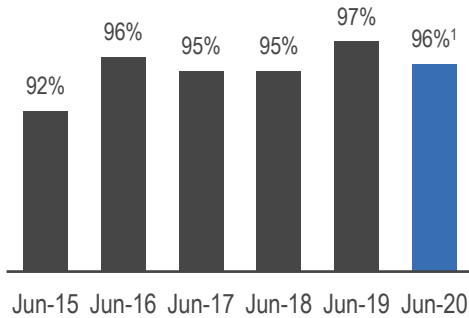
- Relationships generate leasing, investment opportunities and access to multiple capital sources
- A specialist real estate manager since 1996 – including direct and listed real estate mandates

# 03 PORTFOLIO POSITIONING AND MARKET DYNAMICS

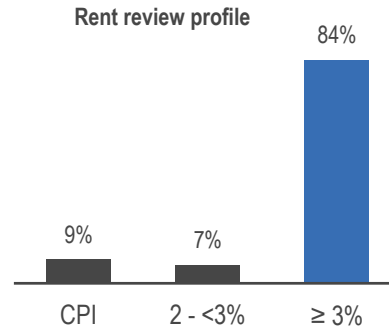


# Actively managing Industria's real estate

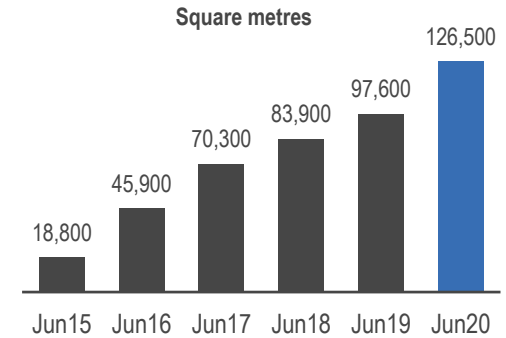
## High occupancy



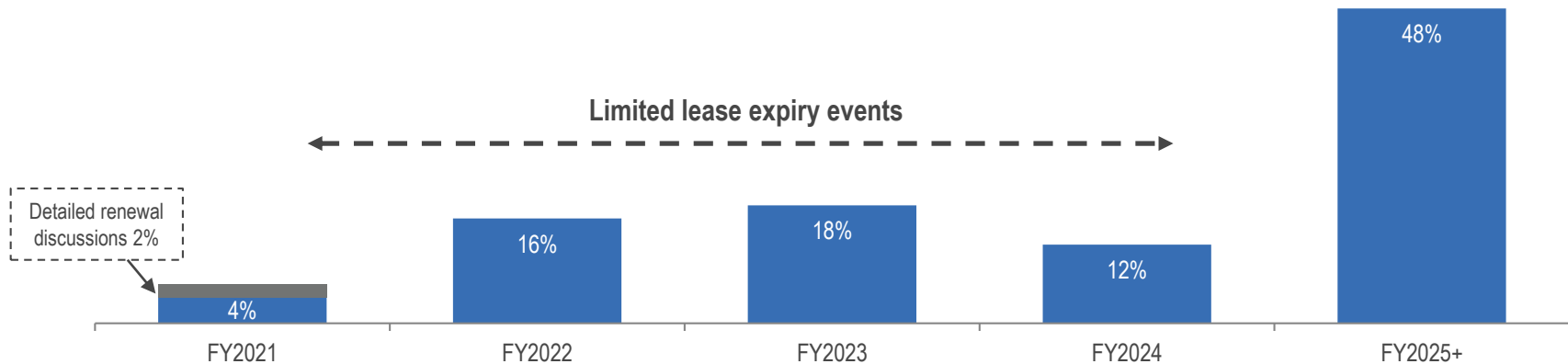
## Generating organic growth



## Cumulative leasing outcomes



## Strong income visibility - expiry profile (by income)



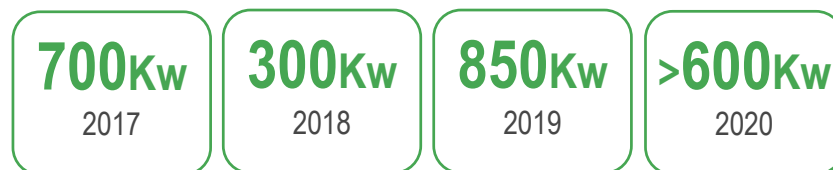
<sup>1</sup> Includes Heads of Terms agreed post balance date

# Committing to carbon neutrality in FY21

- In FY21, APN Industria REIT is anticipated to be the first A-REIT to be carbon neutral, in accordance with the Climate Active Standard, across the portfolio and operations
- Certification to be in accordance with the Climate Active Organisations standard, an Australian Government framework that has been recognised by the European Union Commission and the World Bank as a mature and effective model to incentivise emission reductions
- This initiative is part of a prudent risk mitigation strategy that reinforces the importance of efficiency across the business, enhances asset value, and extends our point of difference for tenants and investors:
  - Installed 1 Megawatt of solar at BTP; 0.2 Megawatts at Rhodes; 1.3 Megawatts across industrial assets
- Asset reviews consider changes in circumstances for ADI assets, tenant usage, and technology advancements to ensure opportunities are captured:
  - Engaged with Griffith University to develop a smart grid that would utilise solar, coupled with storage and smart distribution technology
  - Working with Brisbane City Council to access grant funding for our tenants progressing growth through sustainability initiatives

## Efficiency achievements and carbon neutral timeline

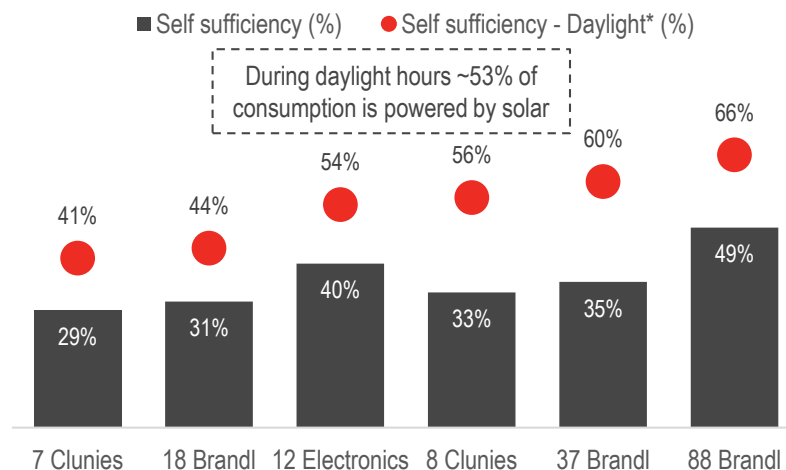
### Rooftop solar PV installations



Investment in solar and plant and equipment is actively reducing our emissions

Anticipated carbon emission reductions for FY21 are 3,800 tonnes

## Brisbane Technology Park - self-sufficiency per building

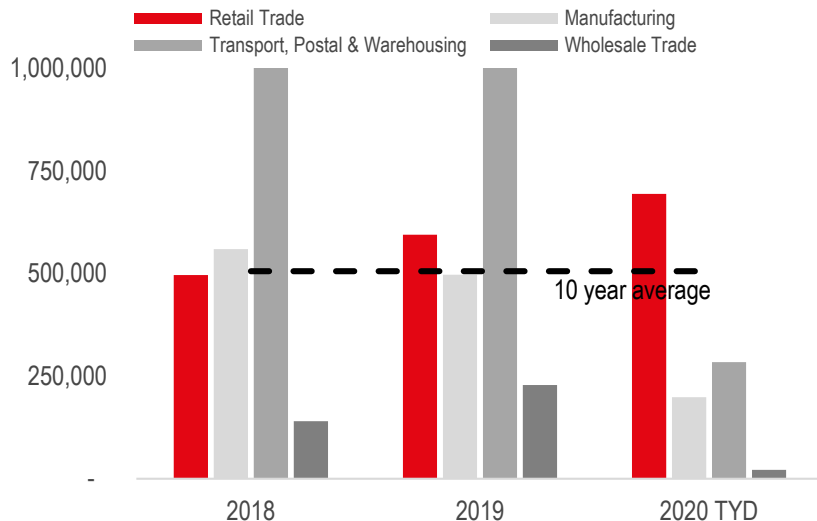


\* Daylights represents 7am to 6pm

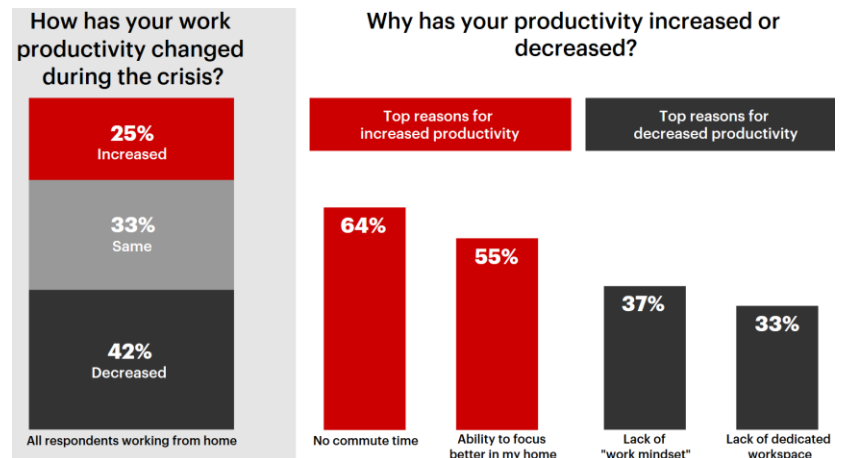
# COVID-19 impact on markets

Industrial and logistics		Business parks	
Opportunities	Challenges	Opportunities	Challenges
Higher levels of inventory being held locally; warehouses natural benefactors of the change in consumer behaviour to shop online	The weaker economy will result in business failures and cause pockets of vacancy (this may also present value-add opportunities)	The pandemic has accelerated moves for corporates and government to cater for a distributed workforce through a hub-and-spoke model	Economic weakness, business failure, and supply in CBD markets will see rents fall – reducing the rental spread to business parks
Reallocation of capital from retail to industrial sector	Reduced immigration could reduce population growth by 60%	Providing clean, accessible, low-density environments with amenity – attributes of the ADI portfolio	Lease flexibility is a structural change - shorter leases, break clauses, tenant options – need to actively manage assets

## Industrial gross take-up by industry sector



## Remote working during COVID-19 - impact on productivity



1. Sources: JLL Research, 2Q20; Bain & Company, Bain Global Retooling Survey



# Growth pipeline and diligence

- APN has been highly selective when acquiring assets – largely focusing on opportunities in the warehousing and logistics sector:
  - Assessed over \$1.4 billion on and off-market opportunities
  - Submitted offers on ~\$380 million
- Long weighted average lease expiry opportunities tenanted by businesses exposed to highly cyclical industries were not pursued
- Key acquisition criteria:
  - Location of underlying asset, and ability to re-lease to other occupiers and add-value
  - Value of underlying land and replacement cost
  - Assessment of tenant – years in business, alignment of Board and management team, likely conditions in their industry over the long term
  - Seek to leverage management experience, expertise, and network to build strong engagement with the tenants



60 Grindle Rd, Wacol, Queensland



350-356 Cooper St, Epping, Victoria

# 04 PORTFOLIO PERFORMANCE



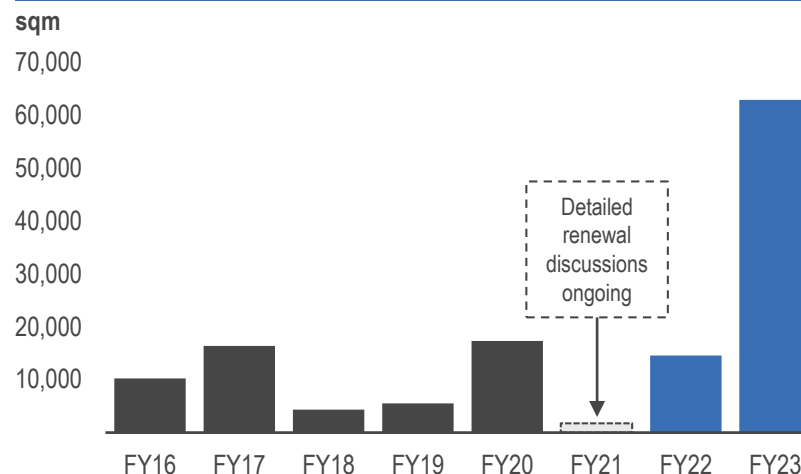
## Continued discipline and active management across industrial assets

- Industrial warehouse portfolio (excluding Westrac) 94% leased with 4.7 year WALE, average cap rate of 6.5%
- 5 year renewal of tenant at 81 Rushdale St, Knoxfield (May 2019 acquisition) – delivering 7.0% yield on cost
- Early renewal of 13 Ricky Way/10 Jersey Dr tenant – increasing WALE from 4.8 to 8.2 years. Yield on cost 7.2%; 12.1% valuation increase
- Average 7.4% valuation growth – driven by combination of leasing activity, income growth and cap rate compression
- Tenant administration – 10,000sqm at South Park Drive, Dandenong South. 6 month rent security claimed, property re-leased post balance date



632Kw solar system - 81 Rushdale St, Knoxfield, Victoria

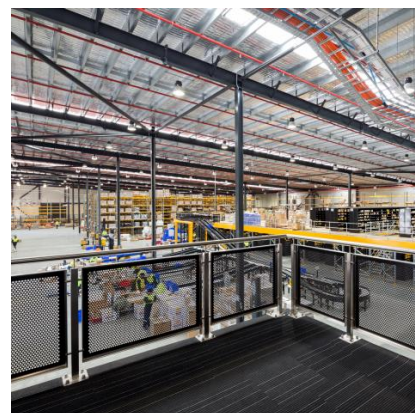
### Leasing completed and forthcoming expiries (by area)



Independent valuation outcomes				
Property	Book Value (\$m)	Reval Gain (\$)	Cap Rate (%)	Cap rate mvmt (%)
140 Sharps Road	13.7	0.2	8.00%	(0.25%)
32-40 Garden Street	19.3	1.0	6.25%	(0.25%)
34 Australis Drive	31.8	2.4	6.25%	(0.25%)
80-96 South Park Drive	25.9	2.4	6.00%	(0.75%)
89 West Park Drive	22.0	1.0	6.00%	-
13 Ricky Way & 10 Jersey Dr	18.5	2.0	5.75%	(0.50%)

# Westrac Newcastle – world leading real estate

- Increased in value by \$25 million to \$222 million – driven by rising rents and cap rate compression (25bps to 5.75%):
  - ~\$5.5 million expansion starting Sept; 6.75% yield on cost
- Leased to Westrac until 2034, with the higher of CPI or 3% annual rent reviews
- 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
- The facility is running near or at capacity, driven by record level of mining production and export volumes
- Long term partner of Caterpillar dating back to 1929



Parts and Distribution Warehouse



Component Rebuild Centre

Property	Book Value (\$m)	Reval Gain (\$)	Cap Rate (%)	Cap rate mvmt (%)
1 Westrac Dr	\$222.0	\$25.0	5.75%	(0.25%)

# Rhodes Corporate Park

- Focus remains on September 2021 expiry of Link Market Services:
  - 6 floors, 1800 – 2,250sqm floor plates with quality fit-out; central core provides opportunities to split floors efficiently
  - Upgrade of End of Trip underway; existing on-site complimentary gym and 25 metre lap pool
  - Drive by corporates and government to decentralise, in low-density precincts, positive impact on leasing up prospects
- Two leases agreed since 30 June 2020; vacancy limited to one suite. We have been active in the small user market since 2018, with strong rents, low incentives and limited downtime
- 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
- Rhodes Building A was independently re-valued at \$103 million. The valuer assumed greater downtime and incentives, largely due to the uncertainties associated with the COVID-19 impact on the economy and broader market

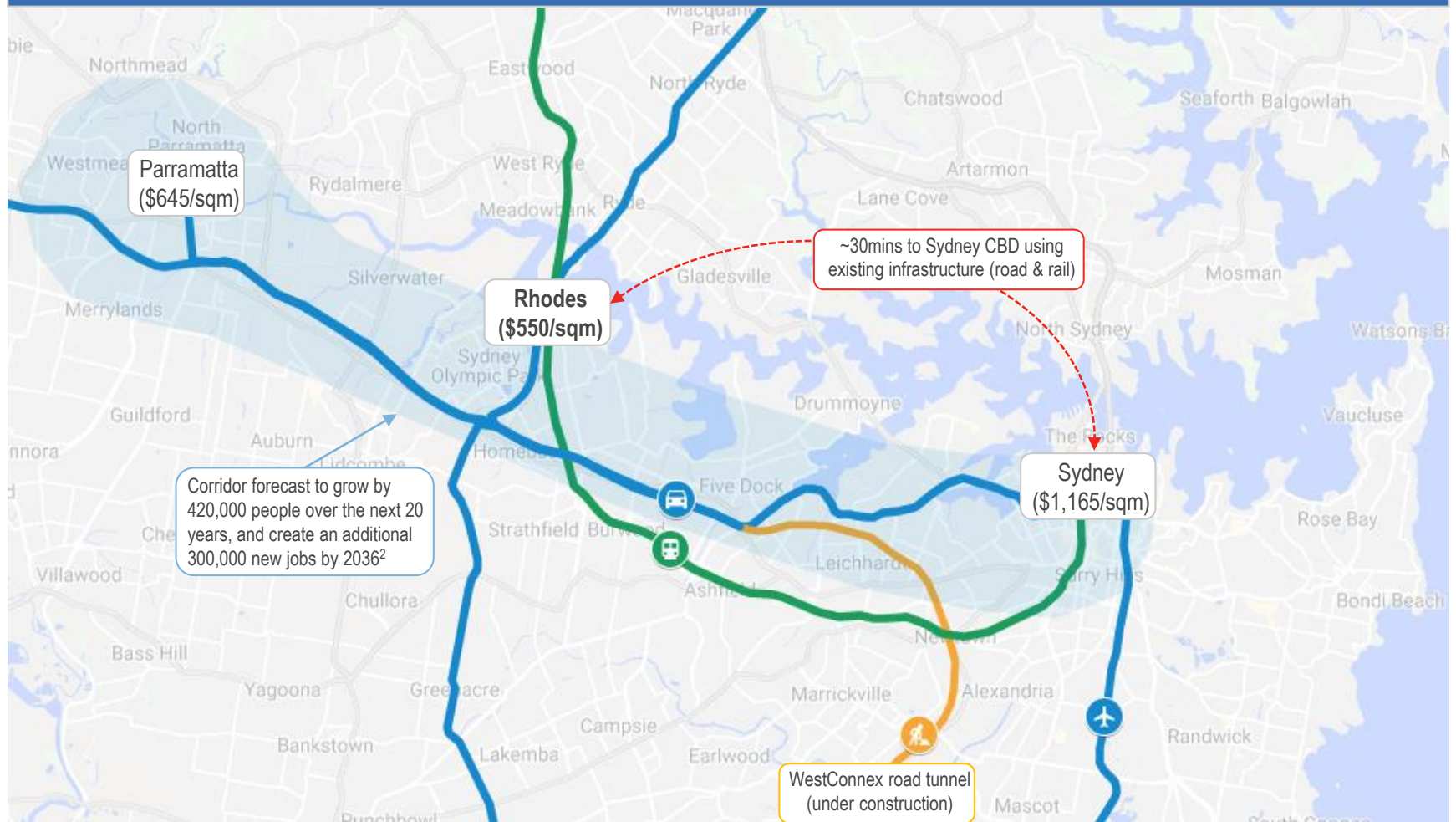


Rhodes Corporate Park – aerial view and green spaces

Property	Book Value (\$m)	Reval Gain (\$)	Cap Rate (%)	Cap rate mvmt (%)
Rhodes A	\$103.0	(\$7.6)	5.87%	(0.13%)

# Rhodes Corporate Park

Rhodes offers outstanding transport linkages in all directions, close proximity to growing population, and affordable rent profiles<sup>1</sup>



1. Savills Research, APN Property Group  
2. [www.sydneymetro.info/west/project-overview](http://www.sydneymetro.info/west/project-overview)

# Brisbane Technology Park

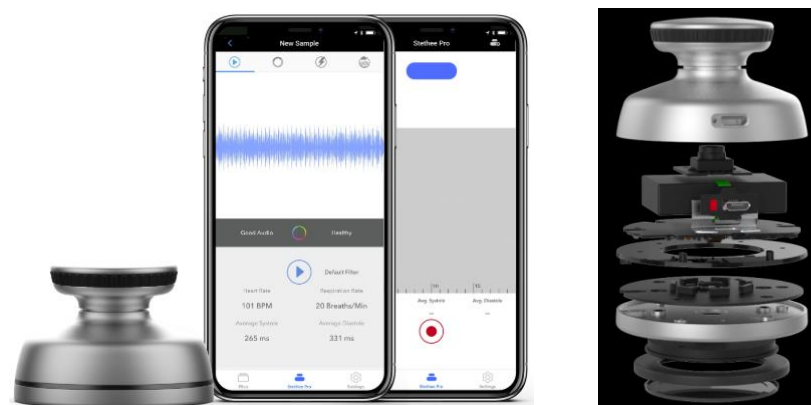
- Activity continues:
  - 49 leases across ~11,100sqm (including 14 since March 2020); retention very strong at 85%; average incentive 17%
  - New ~2,500sqm childcare completed – fit out underway, scheduled to open January 2021 (delayed 6 months due to COVID-19). Forecast ~8% yield on cost
- Current occupancy of 82% delivered yield of ~6%<sup>1</sup> – potential for meaningful upside from leasing
- Held at conservative valuations – average cap rate 7.5%
- COVID-19 impact: 14 tenants provided abatements, education provider withdrawn from 2,094sqm at 9 McKechnie Dr (reduces growth by ~0.5 cps in FY21)
- 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
  - Variety of food and beverage; and amenity including Anytime Fitness gym, end of trip facilities, and new childcare to open mid-2020
  - >1,100 businesses in the precinct – largely from medical, education, technology and engineering sectors



1. Excludes 10 Brandl Street; income of ~\$960k excluded from FFO due to temporary nature of revenue

# Brisbane Technology Park

- APN's on-site management platform is providing unique opportunities to:
  - Engage with genuine innovators such as Lyro Robotics – who are commercialising world-leading picking and packing technology for deployment in supply chains
  - Build relationships with universities and education providers to provide work-placement opportunities that add value to our tenants businesses and our buildings
  - End of trip mural completed in partnership with Griffith University
- Key competitive advantage is the ability to offer flexibility across our 13 properties:
  - 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
  - Since targeting this market in 2017, occupancy has increased from 50% to 95% at 88 Brandl Street; and 40% to 89% at 7 Clunies Ross Court (level one)
  - 40 leases under 200 sqm were completed throughout FY20





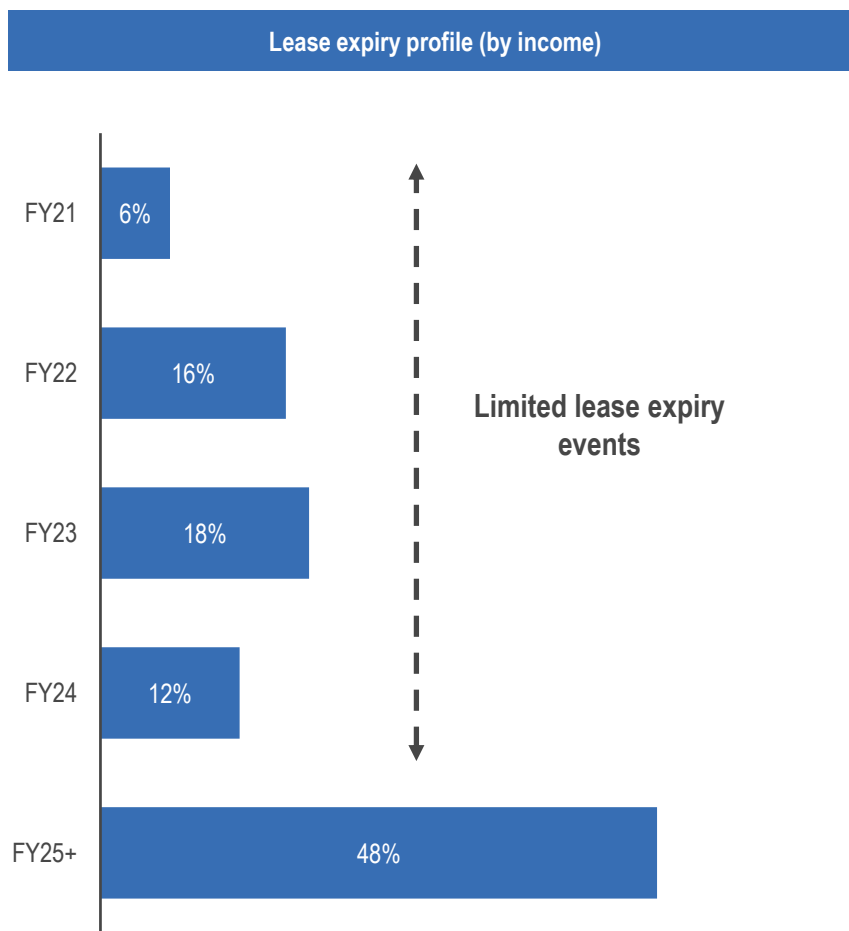
# 05 OUTLOOK



# 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
- FY21 FFO and dividend per security are anticipated to be broadly in-line with FY20 :
  - Subject to tenants continuing to trade solvently and no significant deterioration in the current economic environment



# APPENDICES



# Appendix A

## Property portfolio

# Independent Valuations

Independent valuation outcomes							
Asset	Book-Value (\$m)	Cap Rate (%)	1H Change in Cap Rate	2H Change in Cap Rate	1H2020 Gain / (Loss)	2H2020 Gain / (Loss)	FY2020 Gain / (Loss)
1-3 Westrac Dr	222.0	5.75%	(0.25%)	0.00%	21.0	4.0	25.0
140 Sharps Road	13.7	8.00%	(0.25%)	n/a	0.2	-	0.2
32-40 Garden Street	19.3	6.25%	(0.25%)	n/a	1.0	-	1.0
34 Australis Drive	31.8	6.25%	(0.25%)	n/a	2.4	-	2.4
80-96 South Park Drive	25.9	6.00%	(0.50%)	(0.25%)	2.6	(0.3)	2.4
89 West Park Drive	22.0	6.00%	(0.50%)	n/a	1.0	-	1.0
13 Ricky Way & 10 Jersey Drive	18.5	5.75%	n/a	(0.50%)	-	2.0	2.0
<b>Industrials</b>	<b>353.2</b>	<b>5.94%</b>	<b>(0.29%)</b>	<b>(0.06%)</b>	<b>28.2</b>	<b>5.7</b>	<b>34.0</b>
Rhodes A	103.0	5.87%	(0.13%)	0.00%	(2.5)	(5.1)	(7.6)
<b>Total External Valuations</b>	<b>456.2</b>	<b>5.93%</b>	<b>(0.22%)</b>	<b>(0.04%)</b>	<b>25.7</b>	<b>0.7</b>	<b>26.4</b>

# APN Industria REIT portfolio as at 30 June 2020

Property	State	Ownership	Sector	Age (years)	Book Value (\$m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by income)
<b>APN Industria REIT Portfolio</b>									
Industrial Portfolio					465.5	6.14%	210,485	95%	8.7
Office Portfolio					361.0	6.69%	60,537	89%	2.4
<b>Portfolio</b>					<b>826.5</b>	<b>6.38%</b>	<b>271,023</b>	<b>94%</b>	<b>5.7</b>
<b>Industrial Portfolio</b>									
1-3 WesTrac Drive, Newcastle	NSW	100%	Industrial	7.9	222.0	5.75%	45,474	100%	14.2
140 Sharps Road, Tullamarine	VIC	100%	Industrial	12.8	13.7	8.00%	10,508	100%	2.3
32-40 Garden Street, Kilsyth	VIC	100%	Industrial	12.7	19.3	6.25%	10,647	100%	10.0
34 Australis Drive, Derrimut	VIC	100%	Industrial	12.6	31.8	6.25%	25,243	100%	2.4
80-96 South Park Drive, Dandenong South	VIC	100%	Industrial	13.6	25.9	6.00%	20,245	49%	1.8
1 West Park Drive, Derrimut	VIC	100%	Industrial	11.8	11.3	6.50%	10,078	100%	2.7
89 West Park Drive, Derrimut	VIC	100%	Industrial	12.9	22.0	6.00%	17,024	100%	2.2
13 Ricky Way & 10 Jersey Drive, Epping	VIC	100%	Industrial	8.1	18.5	5.75%	11,211	100%	8.2
350-356 Cooper Street, Epping	VIC	100%	Industrial	7.0	29.1	6.00%	8,088	100%	7.1
147-153 Canterbury Road, Kilsyth	VIC	100%	Industrial	48.0	9.5	7.25%	11,882	100%	1.5
81 Rushdale Street, Knoxfield	VIC	100%	Industrial	32.0	9.9	6.50%	6,106	100%	4.7
3 Forbes Close and 4 Forbes Close, Knoxfield	VIC	100%	Industrial	34.0	19.4	5.75%	12,674	100%	5.5
60 Grindle Road, Wacol	QLD	100%	Industrial	39.8	18.3	7.75%	8,971	100%	8.5
5 Butler Boulevard, Adelaide Airport	SA	100%	Industrial	13.2	14.8	8.25%	12,334	100%	3.2

## APN Industria REIT portfolio as at 30 June 2020

Property	State	Ownership	Sector	Age (years)	Book Value (\$m)	Cap Rate (%)	NLA (sqm)	Occupancy (by area)	WALE (by income)
<b>Office Portfolio</b>									
Building A, 1 Homebush Bay Drive, Rhodes	NSW	100%	Office	12.8	103.0	5.88%	14,642	100%	1.4
Building C, 1 Homebush Bay Drive, Rhodes	NSW	100%	Office	19.0	86.1	6.00%	10,544	93%	2.9
10 Brandl Street, BTP	QLD	100%	Office	18.9	10.0	8.25%	3,080	100%	-
18 Brandl Street, BTP	QLD	100%	Office	16.5	13.3	8.00%	4,180	85%	0.7
37 Brandl Street, BTP	QLD	100%	Office	8.1	15.7	7.50%	3,291	79%	2.3
7 Clunies Ross Court and 17-19 McKechnie Drive, BTP	QLD	100%	Office	12.6	49.9	7.25%	8,409	99%	4.7
8 Clunies Ross Court and 9 McKechnie Drive, BTP	QLD	100%	Office	11.5	24.7	7.50%	5,704	41%	1.3
88 Brandl Street, BTP	QLD	100%	Office	9.2	15.5	7.75%	2,891	95%	1.7
BTP Central, BTP	QLD	100%	Office	6.0	42.8	7.50%	7,797	83%	2.8

# Tenancy mix

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Tenant	% portfolio income
WesTrac	24%
Link Market Services	13%
AAE Retail	4%
Frasers Property	4%
Mitre 10	4%
Interactive	3%
Autopact Victoria	3%
RFS	3%
Vesco	3%
Queensland Health	3%
<b>Top 10 Tenants</b>	<b>64%</b>
Other	36%
<b>Total</b>	<b>100%</b>



# Appendix B

## Financial information

# Consolidated Statement of Financial Position

As at	June 2020	Jun 2019
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	4,928	2,435
Trade and other receivables	377	1,007
Other assets	733	764
<b>Total current assets</b>	<b>6,038</b>	<b>4,206</b>
Investment properties	826,481	739,378
Investment properties - Right-of-use assets	20,159	-
<b>Total non-current assets</b>	<b>846,640</b>	<b>739,378</b>
<b>Total assets</b>	<b>852,678</b>	<b>743,584</b>
<b>Liabilities</b>		
Trade and other payables	(7,735)	(6,633)
Derivative financial instruments	(2,671)	(1,631)
Lease liabilities	(101)	-
Distributions payable	(8,199)	(7,698)
<b>Total current liabilities</b>	<b>(18,706)</b>	<b>(15,962)</b>
Trade and other payables	(1,003)	(614)
Derivative financial instruments	(5,719)	(4,575)
Lease liabilities	(19,144)	-
Borrowings <sup>1</sup>	(242,014)	(224,251)
Deferred tax liability	(8,150)	(8,160)
<b>Total non-current liabilities</b>	<b>(276,030)</b>	<b>(237,600)</b>
<b>Total liabilities</b>	<b>(294,736)</b>	<b>(253,562)</b>
<b>Net assets</b>	<b>557,942</b>	<b>490,022</b>
Number of Securities (millions)	197,526.0	181,153.0
NTA per Security (\$)	2.82	2.71

1. Borrowings are net of capitalised debt establishment costs of \$930k (Jun-19: \$749k)

## Consolidated Statement of Profit or Loss and other comprehensive income

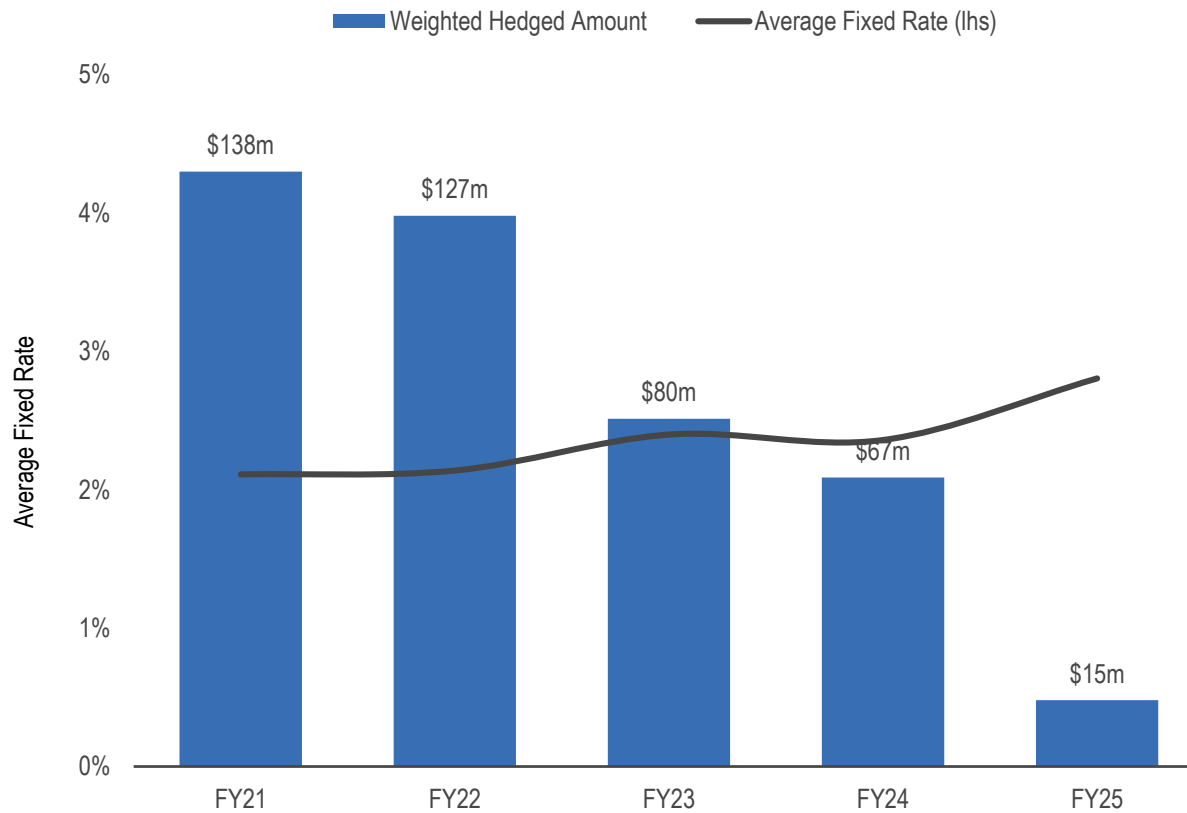
Financial period ended	Jun 2020	Jun 2020
	\$'000	\$'000
<b>Income</b>		
Net rental income	59,554	52,153
Straight line rental income recognition	2,323	3,149
<b>Total revenue</b>	<b>61,877</b>	<b>55,302</b>
<b>Expenses</b>		
Property costs	(12,921)	(11,700)
Trust management fees	(4,387)	(3,837)
Other expenses	(890)	(867)
<b>Total expenses</b>	<b>(18,198)</b>	<b>(16,404)</b>
<b>Net operating income (EBIT)</b>	<b>43,679</b>	<b>38,898</b>
Net fair value gain (loss) on investment properties	20,650	5,934
Net fair value gain on investment properties - ROU	709	-
Fair value gain (loss) on derivatives	(2,184)	(4,521)
Net interest expense	(7,994)	(8,221)
<b>Net income before tax</b>	<b>54,860</b>	<b>32,090</b>
Income tax expense	(24)	(2,847)
<b>Net profit after tax</b>	<b>54,836</b>	<b>29,243</b>

## Reconciliation to FFO

Financial period ended	Jun 2020	Jun 2019
	\$'000	\$'000
<b>Net profit after tax</b>	54,836	29,243
Adjusted for:		
Reverse straight lining adjustments included in net rental income	(2,323)	(3,149)
Reverse fair value gain (loss) on investment properties	(20,650)	(5,934)
Reverse fair value gain (loss) on investment properties - ROU assets	(709)	-
Reversal of interest expense on lease liability	(205)	-
Reverse fair value gain (loss) on derivatives	2,184	4,521
Add back amortised leasing costs and rent free adjustments	4,648	3,751
Add back / (deduct) income tax expense / (benefit)	24	2,847
Other one-off items	(960)	-
<b>FFO</b>	<b>36,845</b>	<b>31,279</b>
<b>Distribution</b>	<b>33,408</b>	<b>28,461</b>
Weighted securities on issue (thousands)	190,465	164,405
Payout ratio (Distribution / FFO)	89.3%	89.4%
Distribution (cents per Security)	17.3	17.0
FFO (cents per Security)	19.3	19.0

- Amortisation of leasing costs inflated by ~\$600k due to the write-off of unamortised incentive resulting from tenant failure
- Other one-off items: 10 Brandl Street – income of \$960k excluded from FFO due to temporary nature of revenue, consistent with ASX Announcement 15 October 2019
- Amortisation of borrowing costs (FY19 \$306k) is no longer added back to FFO, consistent with the Property Council of Australia Best Practice Guidelines Version 2.1

# Interest rate hedging profile



# Disclaimer

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