

General Meetings 2020 - Chairman and Fund Manager's Address

Thursday 12 November 2020 at 10.00am

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

Chairman's Address

Introduction

Good morning Ladies and Gentlemen and welcome to the General Meetings for APN Convenience Retail REIT. As it is now 10.00am and we have a quorum present, I have pleasure in declaring the meeting open.

Details about how securityholders can participate have been set out in the Notice of Meeting and Online Virtual Meeting Guide which has been made available to you. Both documents are also available to view and download at the bottom of your screen.

I appreciate that some securityholders may have to leave before the end of the meeting. I therefore formally open the poll on the resolution and encourage securityholders to submit any written questions online now.

Voting in today's virtual meeting will be conducted on a poll, by virtue of the virtual meeting platform. All polls will remain open until the conclusion of today's meeting. As we move through the items of business, I will respond to questions from securityholders and proxies.

Agenda

My name is Geoff Brunsdon 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 for the meeting today which 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.

Directors

I would like to begin by introducing my fellow directors and some key members of the Management and advisory teams. Our Directors:

- **Michael Johnstone** – who has been an independent Director since the Fund's inception and is also Chair of the Nomination & Remuneration Committee.
- **Jennifer Horrigan** – who has also been an independent Director since the Fund's inception and is also Chair of the Audit, Risk & Compliance Committee.
- **Howard Brenchley** – who is an independent Director and has been a Director since the Fund's inception.

Management

I would also like to introduce:

- **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.

and our external advisors:

- **Neil Brown** - from our auditor, Deloitte Touche Tohmatsu;
- **James Morvell** – from our lawyers, Hall & Wilcox; 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's Address

Fund Update

Thank you, Mr Chairman, and good morning ladies and gentlemen.

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 74% of the income expires in FY30 and beyond.

The Fund is well positioned to deliver sustainable long-term income growth with 80% of the portfolio rental income subject to fixed annual increases of 3% or more.

The underlying portfolio of assets have proven to be resilient during this extraordinary and challenging period and are 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, as we have experienced only recently throughout the COVID-19 pandemic, whilst also being able to execute on growth opportunities as and when they arise. This provides certainty to vendors seeking an outcome and improves our ability to secure assets that represent long-term value for APN Convenience Retail REIT investors.

Attractive convenience retail portfolio – long leases to quality tenants

The portfolio has grown to over \$500 million, up from \$287 million at the time of the IPO in July 2017, and the market capitalisation has increased by over \$180 million to approximately \$420 million over the same period.

The portfolio is currently valued on a weighted average capitalisation rate of 6.5% which when compared to recent portfolio transactions, suggests that the portfolio remains well positioned to deliver further valuation upside.

The current distribution yield of 6.0% is underpinned by a 10.8 year weighted average lease expiry profile and 2.8% average annual rent reviews across the portfolio.

Significant growth and portfolio enhancement since FY2019

It has been a very active period of property transactions, particularly since July 2019. We're delivering on our growth strategy having acquired over \$141 million of service station and convenience retail properties at an average yield 6.25% and a weighted average lease expiry of 12.3 years.

These acquisitions predominately comprise newly built properties and enhance the Fund's overall tenant diversification with the introduction of five new, high quality tenants — being Liberty, BP, Ampol, 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 the South Australian market, improving the portfolio's geographic diversification.

The portfolio growth chart at the bottom right of slide 8 is a good illustration of our recent activity, which shows a 45% increase in the portfolio size since June 2019.

To help fund these acquisitions we have raised \$112 million in the past 13 months comprising \$88 million from two fully underwritten institutional placements in October 2019 and June 2020, \$18 million from security purchase plans and a further \$6 million from the Distribution Reinvestment Plan.

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 a future raising to support our pursuit of these potential opportunities.

We reaffirm our FY21 earnings and distribution guidance of 21.8 to 22.0 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.

Formal Business of the Meeting

Resolutions

Thank you, Chris.

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

How to register to vote and how to submit your vote is outlined in the Online Virtual Meeting Guide. If you have not already done so, please click on the 'Get a voting card' box within the meeting webpage.

Once you have finished voting on the resolutions, click the blue 'Cast Vote' or 'Cast Partial Vote' button.

You will have an opportunity to ask specific questions on the resolutions to be considered via the 'Ask a question' button at the top or bottom of the webpage. Details on how to complete this process are outlined within the Online Virtual Meeting Guide and questions can continue to be submitted until the close of voting. Your understanding would be appreciated that any general questions submitted will be answered after the formal business is completed.

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:

- Resolution 1, relating to the approval of the previous issue of stapled securities, is an ordinary resolution. It will be passed if more than 50% of the votes of those present and eligible to vote are cast in favour of the resolution;
- 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 the Resolution;
- I intend to vote all open proxies that I hold **in favour of** the resolution.

Ordinary 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 11,836,507 Securities (at an issue price of \$3.20 per Security) to various sophisticated and professional investors pursuant to an institutional placement on 22 June

2020 under APN Convenience Retail REIT's 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 22 June 2020, each of the Trusts issued 15,625,000 Securities (at an issue price of \$3.20 per Security) through an institutional placement to institutional investors.

Securityholders are asked to approve the issue of 11,836,507 Securities for the purposes of Listing Rule 7.4. The remaining 3,788,493 Securities issued were issued in reliance on the additional 10% temporary placement capacity provided for under ASX Class Waiver Decision 'Temporary Extra Placement Capacity' and cannot be approved under 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 11,836,507 Securities made on 22 June 2020 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 the 11,836,507 stapled securities to institutional investors, by passing Resolution 1, will exclude those Securities for the purposes of calculating the number of Securities that may be issued in a 12 month as set by the Listing Rules. However, the other 3,788,493 Securities issued under the Placement in reliance on the Class Waiver will continue to be included in such calculation.

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.

[Questions on Resolution 1]

General business

Ladies and Gentlemen, this completes the formal business of the meeting. I ask that those of you who have not completed voting now do so.

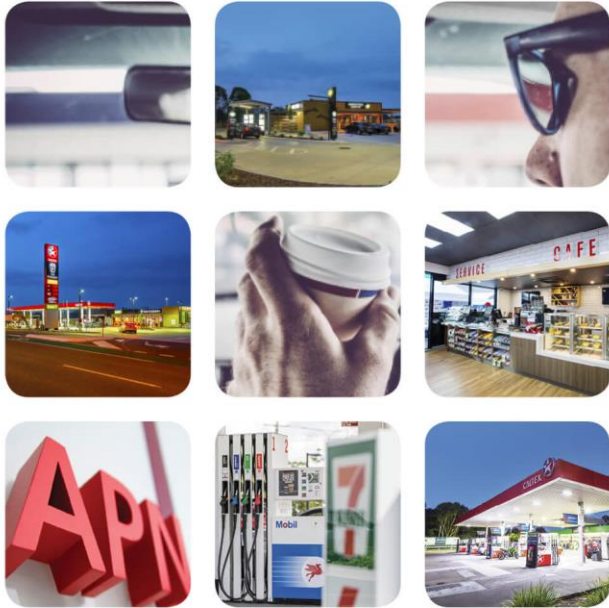
However, as indicated earlier, I would be happy to take any general questions you may have, and I will invite Mr Brockett to assist me in answering these questions. If you have any further questions, please submit your questions through the 'Ask a Question' button at the top or bottom of the webpage.

[General Questions]

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

The poll will close in 5 minutes (countdown is visible on the screen). 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.



APN CONVENIENCE RETAIL REIT GENERAL MEETINGS

12 NOVEMBER 2020

www.apngroup.com.au

ASX Code: AQR

APN | Convenience Retail REIT

Agenda



Geoff Brunson AM
Independent Chairman

01 Fund Update

02 Formal Business

Directors



Michael Johnstone
Independent
Director



Jennifer Horrigan
Independent
Director



Howard Brenchley
Independent
Director

Management



Joseph De Rango
Chief Financial Officer



Chantal Churchill
Company Secretary



Chris Brockett
Fund Manager

01 FUND UPDATE



APN Convenience Retail REIT

Our strategy

- Investing in strategically located service stations 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 for investors

The opportunity

- Secure and sustainable long-term income growth with 80% of portfolio rental 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 no lease expiries until FY2022 (74% of income expiring in FY2030 and beyond)
- Diversified portfolio supported by a strong, high quality tenant base with major service station tenants accounting for 97% of portfolio income
- Portfolio that has been resilient through the challenging conditions created by COVID-19
- Tenants' businesses built around strong non-discretionary offerings (fuel, food, convenience retail) underpinning the defensive nature of the portfolio
- Strong balance sheet providing significant capacity to execute acquisition opportunities as and when they arise
- Strong manager alignment with APN Property Group owning a \$36.3 million co-investment stake

Attractive convenience retail portfolio – long leases to quality tenants

~\$420m

MARKET
CAPITALISATION¹

\$503m

PORTFOLIO
VALUE

6.5%

WACR

\$51.1m

FY2021 YTD
ACQUISITIONS

6.0%

DISTRIBUTION
YIELD¹

27.8%

GEARING²

10.8

WALE
(YEARS)

2.8%

AVG RENT REVIEWS

DIVERSIFIED AND DEFENSIVE LONG LEASE PORTFOLIO
SUSTAINABLE AND GROWING INCOME
ALIGNED MANAGER WITH \$36.3 MILLION CO-INVESTED

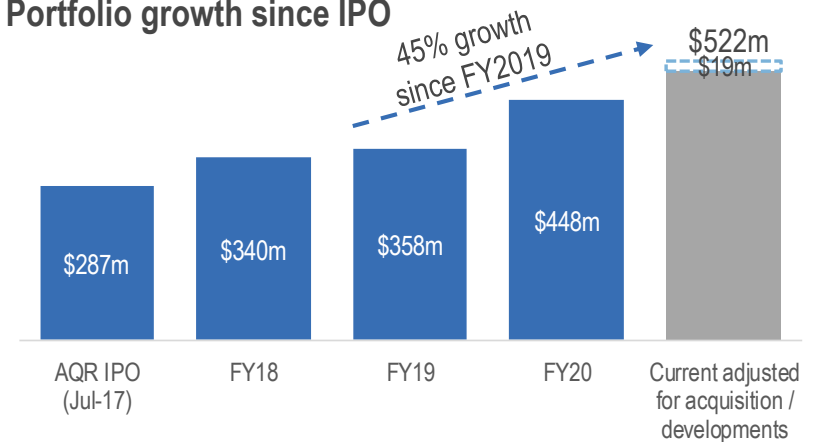
1. Based on closing share price on 10 November 2020 and yield based on the mid point of FY2021 distributions guidance of 21.9 cents per security.

2. Pro forma after adjusting for development pipeline of \$11.7 million and a contracted acquisition of \$7 million.

Significant growth and portfolio enhancement since FY2019

- Enhanced geographic and tenant diversification achieved through acquisition of 22 properties since beginning of FY2020
 - ~\$141 million
 - Average yield of 6.25% and WALE of 12.3 years
 - Introduction of 5 new high-quality tenants (i.e. Coles Express, Liberty, Ampol, BP and Mobil X Convenience)
 - 10 development projects, 9 recently-built strategically located sites, predominantly in metro locations and 3 established sites with a longstanding trading record
- New equity raised of \$112 million in the last 13 months
 - \$88 million fully underwritten institutional placement
 - \$18 million Security Purchase Plan
 - \$6 million DRP
- 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
- FY2021 guidance reaffirmed:
 - FFO and DPS of 21.8 – 22.0 cents per security
 - Subject to current market conditions continuing and no unforeseen events

Portfolio growth since IPO



02 FORMAL BUSINESS



Ordinary Resolution 1

“That, for the purpose of Listing Rule 7.4 and for all other purposes, Securityholders ratify the issue of 11,836,507 Securities (at an issue price of \$3.20 per Security) to various sophisticated and professional investors pursuant to an institutional placement on 22 June 2020 under APN Convenience Retail REIT’s 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	13,123,646	98,755	68,518	32,238
Percentage	98.74%	0.74%	0.52%	0.00%

Disclaimer

This presentation has been prepared by APN Funds Management Limited (ACN 080 647 479, AFSL No. 237500) (the "Responsible Entity") as the responsible entity and issuer of the financial products in respect of Convenience Retail REIT No. 1 (ARSN 101 227 614), Convenience Retail REIT No. 2 (ARSN 619 527 829) and Convenience Retail REIT No. 3 (ARSN 619 527 856) collectively the APN Convenience Retail REIT ("AQR") stapled group. Information contained in this presentation is current as at 12 November 2020. The information provided in this presentation does not constitute financial product advice and does not purport to contain all relevant information necessary for making an investment decision. It is provided on the basis that the recipient will be responsible for making their own assessment of financial needs and will seek further independent advice about investments as is considered appropriate. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

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