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8 December 2020

Acquisitions and Equity Raising

APN Convenience Retail REIT (**AQR** or the **Fund**) is pleased to announce that it has entered into sale contracts to acquire 3 service station and convenience retail properties and is in exclusive due diligence on a further 9 assets in South Australia, New South Wales, Queensland and Western Australia (the **Acquisitions**). The Acquisitions are being acquired for a total consideration of \$75.3 million (excluding transaction costs), which reflects a 6.1% initial yield. The assets are supported by long leases to high quality tenants with a weighted average lease expiry (**WALE**) of 16.4 years and fixed annual rental increases of 2.9% across the Acquisitions that provide secure and sustainable long-term income growth. Settlements are expected to occur between January 2021 and May 2021.

The Acquisitions and associated transaction costs will be funded with a combination of debt and equity. To fund the Acquisitions, the Fund is undertaking a fully underwritten institutional placement to raise approximately \$30 million (**Placement**) at an issue price of \$3.55 per new stapled security (**New Security**). The remaining consideration and associated transaction costs will be funded by drawing on existing and new debt facilities.

The Fund will also undertake a non-underwritten security purchase plan (**SPP**) to eligible securityholders¹ in Australia and New Zealand to raise up to \$5 million² to repay debt and support AQR's core business activities. New Securities issued under the SPP will be issued at a fixed price equal to the issue price under the Placement less the amount of AQR's December 2020 distribution, expected to be 5.475 cents per security, free of any brokerage or transaction costs.

Acquisition overview

The Acquisitions comprise 12 service station and convenience retail properties in South Australia, New South Wales, Queensland and Western Australia.

The key highlights of the Acquisitions include:

- An attractive initial yield of 6.1%, underpinned by a long WALE of 16.4 years and 100% occupancy;
- Fixed annual rental increases of 2.9% across the Acquisitions providing secure and sustainable long-term income growth;
- Improved tenant diversification; and
- Enhanced geographic diversification.

¹ Eligible securityholders are holders of existing AQR securities as at 7:00pm (Sydney time) on 7 December 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 fund may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Details of the assets are outlined below:

Asset	State	Major tenant	Purchase price ³ (\$m)	Capitalisation rate	WALE ⁴ (years)	Rent reviews	Expected settlement
Berrinba	QLD	United	\$8.0	6.3%	13.5	Fixed 3.0%	Jan-21
Lonsdale ⁵	SA	Mobil X	\$4.5	6.4%	15.0	Fixed 3.0%	May-21
Paradise ⁵	SA	Mobil X	\$5.7	6.2%	15.0	Fixed 3.0%	May-21
Asset under due diligence (1 property)	NSW	Tier 1 operator	\$9.0	6.3%	10.0	Fixed 3.0%	Feb-21
Asset under due diligence (1 property)	WA	Tier 1 operator	\$5.9	6.0%	12.0	Fixed 3.0%	Feb-21
Assets under due diligence (3 properties)	SA	Tier 1 operators	\$18.0	5.5%	20.0	Average 2.8%	Feb-21
Assets under due diligence (4 properties)	SA	Tier 1 operators	\$24.2	6.3%	18.6	Average 2.8%	Feb-21
TOTAL			\$75.3	6.1%	16.4	Average 2.9%	

AQR's portfolio metrics have changed since 30 June 2020 as below:

	30 June 2020 (actual)	30 June 2020 pro forma ⁶	Acquisitions	Post-Acquisitions
Number of assets	79	89	12	101
Portfolio value	\$444.6m	\$521.7m	\$75.3m	\$596.9m
Weighted average cap rate	6.6%	6.5%	6.1%	6.4%
Occupancy	100%	100%	100%	100%
WALE (years) ⁴	10.6	11.1	16.4	11.7

Commenting on the Acquisitions, Chris Brockett, AQR Fund Manager, said: "The Acquisitions provide AQR with an outstanding opportunity to acquire a balanced portfolio of established operating sites and newly built assets which enhances AQR's overall portfolio scale and lease expiry profile."

"The Acquisitions provide the opportunity to enter into locations currently under-represented within the portfolio and further improve geographic and tenant diversification."

"Importantly, the Acquisitions are underpinned by long-term leases with contracted annual rental increases of 2.9% across the Acquisitions, providing investors with secure and sustainable income growth."

"These acquisitions are a great result of our active approach to building relationships with developers to achieve beneficial outcomes for all parties and the future growth pipeline for the Fund."

³ Excludes transaction costs.

⁴ WALE as at 30 November 2020.

⁵ Acquired upon practical completion and tenant operating.

⁶ 30 June 2020 actuals adjusted for completed acquisitions, completed development projects and 2 committed development projects yet to be complete.

Placement

To partially fund the Acquisitions, the Fund is undertaking a fully underwritten institutional placement to raise approximately \$30 million. The Placement is fully underwritten by Moelis Australia and E&P Corporate Advisory.

The New Securities to be issued under the Placement will be issued at a fixed price of \$3.55 per New Security, which represents a:

- 2.7% discount to the last closing price of \$3.65; and
- 2.9% discount to the 5-day VWAP of \$3.66,

(both as at 7 December 2020).

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

Security purchase plan

Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to \$30,000 of New Securities⁷, free of brokerage and transaction costs, via an SPP. New Securities issued under the SPP will be issued at a fixed price equal to the issue price under the Placement less the amount of AQR's December 2020 distribution, expected to be 5.475 cents per security. The SPP will not be underwritten and is expected to raise up to \$5 million⁸.

Further information on the SPP will be lodged with the ASX and sent to eligible securityholders on or around 16 December 2020.

Financial impact

Including the impact of the Acquisitions and Placement and subject to market conditions and no unforeseen events, the Fund reaffirms FY21 guidance previously provided:

- Funds from operations ("FFO") and distributions per security ("DPS") of 21.8 – 22.0 cents per security, reflecting a 6.2% yield on the Placement issue price.

The Acquisitions and Placement will be accretive to FY22 FFO and DPS.

⁷ Securityholders are restricted from being issued more than \$30,000 worth of securities under an SPP in any consecutive 12-month period. As such, the amount Eligible Securityholders are able to subscribe for under the SPP will be reduced by any amount received under AQR's previous SPP announced on 22 June 2020 and issued on 20 July 2020.

⁸ The Fund may (in its absolute discretion), in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Timetable

Event	Date
Record date for SPP	7.00pm, Monday, 7 December 2020
Trading halt and announcement of Placement	Tuesday, 8 December 2020
Placement bookbuild	Tuesday, 8 December 2020
Settlement of new securities issued under the Placement	Friday, 11 December 2020
Allotment and normal trading of securities issued under the Placement	Monday, 14 December 2020
SPP offer opens and booklet is dispatched	Wednesday, 16 December 2020
SPP offer closes	5.00pm, Friday, 15 January 2021
SPP allotment date	Friday, 22 January 2021
Dispatch of holding statements and normal trading of new securities issued under the SPP	Monday, 25 January 2021

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 Acquisitions, the Placement and SPP, including certain risks, are contained in the investor presentation released to the ASX today. All dollar amounts are in Australian dollars unless otherwise indicated.

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

Important Notice and Disclaimer

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This announcement includes certain forward-looking statements. Forward-looking statements can generally be identified by the use of words such as “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target”, “outlook”, “guidance” or similar expressions or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, the completion and the effect of the Acquisitions, the timetable and outcome of the offer and the use of the proceeds thereof. Indications of, and guidance on, future earnings, financial position, distributions and performance are also forward-looking statements.

Any such forward-looking statements involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors, including the risks described in the investor presentation under “Key risks”. Such risks may be outside the control of and/or may be unknown to APN Convenience Retail REIT. Any forward-looking statements included in this presentation, including projections, guidance on future revenues, earnings and estimates, the conduct and outcome of the offer, the use of proceeds of the offer and the future performance of APN Convenience Retail REIT, are provided as a general guide only. Forward-looking statements are based on assumptions and contingencies which are

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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 87 properties valued at approximately \$506 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.

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