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10 December 2020

Accretive industrial acquisitions and equity raising

Transaction highlights and business update

- Acquiring four modern industrial properties for \$92.1 million at a blended initial yield of 7.2%
- Raising \$35 million via a fully underwritten institutional placement at \$2.86 (3.1% discount to last close)
- Transaction is 5 – 6% accretive to pre-transaction FFO¹ per security on a full year annualised basis
- Upgrading FY21 FFO guidance to 19.7 – 19.9 cents per security
- 24,900 square metres leased in FY21 to date and cash collections exceeding 99%
- \$19.6 million portfolio uplift from independent revaluations²

Transaction overview

APN Industria REIT (“**Industria**”) is pleased to announce it has entered into agreements to acquire three properties at Adelaide Airport for \$29.6 million³ and a property in Stapylton, Queensland, for \$62.5 million³ (the “**Acquisitions**”).

The properties are modern, high bay, flexible warehouses that generate a blended initial yield of 7.2%, benefit from average annual rent reviews of 2.9%⁴, and are underpinned by a 3.1 year weighted average lease expiry (“**WALE**”), providing opportunities to add value over the medium term.

Positive momentum continues across Industria’s existing portfolio, with 24,900 square metres leased in FY21 to date driving independent valuation uplifts of \$19.6 million². The uplifts represent a 4.3% increase on prior book values for the 55% of the portfolio that was revalued as at 31 December 2020, and 100% of the portfolio has been independently revalued in 2020.

The Acquisitions and associated transaction costs will be funded with a combination of debt and equity, as follows:

- A fully underwritten \$35 million institutional placement (“**Placement**”) at an issue price of \$2.86 per new stapled security (“**New Security**”); and
- Existing and new bank debt facilities for the balance of the Acquisitions including associated transaction costs.

Industria will also undertake a non-underwritten security purchase plan (“**SPP**”) to eligible securityholders in Australia and New Zealand to raise up to \$5 million⁵ to repay debt. 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 Industria’s distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security, free of any brokerage or transaction costs.

“Throughout a turbulent year our team has continued to focus on engaging with our tenants, which has resulted in more than 99% of our contracted rent being collected whilst also creating a significant amount of

¹ Funds From Operations

² Preliminary valuations subject to change upon finalisation of Industria’s financial statements for the half year ending 31 December 2020

³ Excluding transaction costs. Purchase price reflects an amount inclusive of outstanding tenant incentives. Net purchase price expected to be approximately \$28.8 million for the Adelaide Airport properties and \$58.8 million for the Stapylton property (net of estimated \$4.5 million of settlement adjustments)

⁴ Assuming CPI of 1.6%

⁵ Industria 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

value by completing 24,900 square metres of leasing transactions. Our leasing capability, as well as our robust business plans that will appeal to a deep pool of tenants, should result in continued outperformance to build on the annualised 5 – 6% FFO per security accretion following the Acquisitions, which are high quality and in exceptional locations,” Fund Manager, APN Industria REIT, Alex Abell said.

Asset details

Butler Boulevard, Adelaide Airport, South Australia

The Adelaide Airport assets comprise three modern warehouses developed between 2007 and 2009, located in the prime industrial and commercial hub at Adelaide Airport and adjacent to an existing Industria asset.

The purchase price of \$29.6 million represents a blended 9.8% passing yield and 8.55% capitalisation rate. Each of the three assets is leased to tenants with underlying businesses tied to essential services including logistics and specialist technical equipment. The assets have a WALE of 3.0 years and average annual rent reviews of 2.8%⁶.

The Adelaide Airport precinct includes retail, commercial and industrial occupiers, and is located 7 kilometres from Adelaide CBD and adjacent to major arterial roads in all directions. The area is a growing freight, transport and logistics hub.

16 – 28 Quarry Road, Stapylton, Queensland

The asset comprises 40,970 square metres across two warehouses located three minutes off the M1 motorway, 37 minutes from the Port of Brisbane and 29 minutes to the Gold Coast CBD. The clear span column free warehouses were constructed in 2007 and have 11.2 – 13.0 metre clearances, and recent leasing and capital expenditure initiatives have further enhanced the asset. The warehouses have 100% occupancy, with 55% leased to Woolworths (Endeavour Drinks), 30% to AMES Australasia (key supplier to Bunnings and owner of brands including Cyclone and Hills) and 15% to Gilders Transport.

The asset is being acquired on a 5.94% passing yield and 5.75% capitalisation rate, and benefits from a 3.3 year WALE and fixed 3.0% annual rent reviews.

Financial impact

The Acquisitions are expected to be 5 – 6% accretive to FFO per security on a full year annualised basis.

Including the impact of the Acquisitions, Placement and SPP, and subject to market conditions and no unforeseen events, Industria upgrades its previous FY21 FFO guidance to 19.7 – 19.9 cents per security (reflecting approximately 2 – 3% growth on FY20). FY21 Distributions Per Security (“DPS”) guidance of 17.3 cents has been reiterated.

Industria’s pro forma gearing is expected to be approximately 32.9% following the Acquisitions and Placement⁷, towards the lower end of the 30 – 40% target gearing range.

Trading update

Industria’s strategy of owning high quality industrial and business park assets close to major transport infrastructure and diversified across geographies and tenants has resulted in a resilient portfolio that has performed well through the COVID-19 pandemic. This is highlighted by cash collections of more than 99% of contracted rent in FY21 to date, following on from 98% cash collections in FY20.

Leasing activity across the portfolio has remained high, with 24,900 square metres completed in FY21 to date. This includes a new 7 year lease at South Park Drive across 10,242 square metres (removing the only industrial vacancy in the portfolio) as well as 2,200 square metres at the business park properties in the portfolio (Rhodes Corporate Park and Brisbane Technology Park).

⁶ Assuming CPI of 1.6%

⁷ Excluding any proceeds potentially to be received under the SPP. Proceeds from the SPP will reduce the pro forma gearing (e.g. \$5 million will result in pro forma gearing of 32.4%)

Portfolio impact

	30 Jun 20	31 Oct 20 ⁸ pre Acquisitions	Pro forma post Acquisitions
Number of assets	32	33	37
Portfolio value (\$m)	826	865	952
Weighted average capitalisation rate	6.38%	6.11%	6.16%
Occupancy	94%	95%	96%
WALE (years) ⁹	5.7	5.5	5.2
Net lettable area (sqm)	271,023	281,875	349,260

Placement

Industria will undertake a \$35 million Placement of New Securities to partially fund the Acquisitions, with the balance including associated transaction costs to be funded with new and existing bank facilities.

New Securities will be issued at a fixed price of \$2.86 per New Security, which represents a:

- 3.1% discount to the last close price of \$2.95 on 9 December 2020; and
- 3.8% discount to the 5 day VWAP of \$2.97 on 9 December 2020;

New Securities issued under the Placement will rank equally with existing Industria securities and will be entitled to the full distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security. The Placement is within Industria's placement capacity under ASX listing rule 7.1 and securityholder approval is not required. The Placement is fully underwritten by Macquarie Capital (Australia) Limited.

Security purchase plan

Eligible securityholders in Australia and New Zealand will be invited to apply for up to a maximum of \$30,000 of New Securities under the SPP, free of brokerage and transaction costs.

The allotment date of New Securities issued under the SPP will be Friday, 29 January 2021, meaning these securities will only be entitled to distributions declared after that date. Accordingly, the offer price under the SPP will be the fixed price equal to the issue price under the Placement less the amount of Industria's distribution for the quarter ending 31 December 2020, expected to be 4.3 cents per security. The SPP will not be underwritten and is expected to raise up to \$5 million¹⁰.

Further information on the SPP will be lodged with the ASX and sent to eligible securityholders on or around Friday, 18 December 2020.

⁸ Includes business as usual ("BAU") to 31 October 2020, preliminary valuations as at 31 December 2020 and impact from acquisition of 78 Henderson Rd, Rowville, Victoria

⁹ As at 31 October 2020

¹⁰ Industria 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	Wednesday, 9 December 2020
Announcement of the Acquisitions and Placement	Thursday, 10 December 2020
Placement bookbuild	Thursday, 10 December 2020
Settlement of New Securities issued under the Placement	Tuesday, 15 December 2020
Allotment and normal trading of New Securities issued under the Placement	Wednesday, 16 December 2020
SPP offer opens and booklet is dispatched	Friday, 18 December 2020
SPP offer closes	Friday, 22 January 2021
SPP allotment date	Friday, 29 January 2021
Dispatch of holding statements and normal trading of New Securities issued under the SPP	Monday, 1 February 2021

All dates are indicative only and subject to change. Subject to the requirements of the *Corporations Act 2001* (Cth), ASX Listing Rules and any other applicable laws, Industria reserves the right to amend this timetable at any time.

Additional information

Additional information about the Acquisitions, Placement and SPP, including certain key 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 and the Board of Industria Company No. 1 Limited.

Important Notice and Disclaimer

This announcement has been prepared for release in Australia. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any Industria securities in the United States, or in any jurisdiction in which such an offer would be illegal. The New Securities to be offered and sold in the Placement and the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933 ("U.S. Securities Act") or under the securities laws of any state or other jurisdiction of the United States. The New Securities to be offered and sold in the Placement may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. The New Securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, to any person in the United States or any person that is acting for the account or benefit of a person in the United States.

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 Acquisition, 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 Industria 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 Industria REIT, are provided as a general guide only. Forward-looking statements are based on assumptions and contingencies which are subject to change without notice.

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Investors should consider the forward-looking statements contained in this announcement in light of those disclosures and not place reliance on such statements. Any forward-looking statements in this announcement are not guarantees or predictions of future performance, and are based on information available to APN Industria REIT as at the date of this announcement. Subject to any continuing obligations under applicable law or any relevant ASX listing rules, APN Industria REIT disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this announcement.

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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 \$952 million portfolio of 37 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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