



Australian Unity Office Fund 2023 Full Year Results

August 2023

(ASX: AOF)

Webcast | Teleconference



Acknowledgement of Country

We acknowledge the traditional owners of the lands and waters within Australia and recognise the important connection to Country that Aboriginal and Torres Strait Islander People have.

Overview and Agenda

1. Portfolio review
2. Financial results
3. Outlook and Guidance
4. Appendices

Strategy

Delivering on strategy

Asset Sales

Three assets sold at or above 30 June 2022 independent valuations

Proceeds of ~\$220 million used to repay debt and fund a special distribution

Distributions

Distributions of \$53.4 million, or 32.5 cents per unit (cpu), comprising:

- ordinary distribution of 10.0 cpu
- special distribution of 22.5 cpu

Portfolio Highlights

10 Valentine Avenue Parramatta, base building refurbishment underway

150 Charlotte Street Brisbane, concept plans finalised

All assets independently valued in the six months to 30 June 2023, weighted average capitalisation rate 6.45%

Capital Management

No drawn debt at 30 June 2023, with \$81 million debt facility expiring March 2025

\$44 million cash at bank has been used to fund the June 2023 ordinary and special distribution of \$41 million (paid 27 July 2023)

Investment objective

AOF's investment objective is to maximise returns for unitholders through:

- owning Australian real estate assets in metropolitan and CBD markets
- generating income by delivering and maintaining sustainable occupancy levels, including through repositioning assets
- as appropriate, divesting assets and returning capital to unitholders



Asset Sales

Maximising returns to unitholders



30 Pirie Street, Adelaide

Gross sale price equal to the 30 June 2022 independent valuation of \$73.0 million

Settlement occurred on 20 December 2022



2 Eden Park Drive, Macquarie Park

Gross sale price of \$68.825 million, circa 10% above the 30 June 2022 independent valuation of \$62.5 million

Settlement occurred on 14 February 2023



5 Eden Park Drive, Macquarie Park

Gross sale price of \$80.75 million, circa 1% above the 30 June 2022 independent valuation of \$80.0 million

Settlement occurred on 20 March 2023

Portfolio¹

Value-add assets supported by income generation from multi-tenanted assets

Market	Property	State	Independent Valuation (\$'m)	Capitalisation rate (%)	NLA ² (sqm)	Value \$/sqm	WALE ³ (years)	Occupancy (by NLA)
Value-add Portfolio								
Parramatta	2-10 Valentine Ave, Parramatta ⁴	NSW	104.75	6.25%	15,594	6,717	0.0	0.0%
Brisbane CBD	150 Charlotte St, Brisbane	QLD	66.25	7.13%	11,024	6,010	1.2	97.6%
Sub-Total (T) / Weighted Average (W)			171.00 (T)	6.59% (W)	26,618 (T)	6,424 (W)	1.2 (W)	40.4% (W)
Multi-tenanted Portfolio								
Melbourne Fringe	468 St Kilda Rd, Melbourne	VIC	78.00	6.13%	11,211	6,957	3.6	85.7%
Beenleigh	96 York St, Beenleigh ⁵	QLD	31.90	6.00%	4,650	6,860	8.5	86.3%
Canberra CBD	64 Northbourne Ave, Canberra	ACT	29.50	7.00%	6,375	4,627	1.9	100.0%
Sub-Total (T) / Weighted Average (W)			139.40 (T)	6.28% (W)	22,236 (T)	6,269 (W)	4.2 (W)	89.9% (W)
Total (T) / Weighted Average (W)			310.40 (T)	6.45% (W)	48,854 (T)	6,354 (W)	2.8 (W)	63.0% / 92.5%⁶ (W)

Notes:

- All information is as at 30 June 2023 unless otherwise noted
- NLA means net lettable area
- WALE means weighted average lease expiry in years, by gross property income
- 2 & 10 Valentine Ave, Parramatta are on a single title with 10 Valentine Ave comprising a 14-level office building with basement parking for 25 cars; and 2 Valentine Ave comprising an adjacent six level car park for a total of 282 cars. The independent valuation of 10 Valentine Ave is \$90.00 million and 2 Valentine Ave is \$14.75 million. The capitalisation rate of both 2 and 10 Valentine Ave is 6.25%.
- 96 York St, Beenleigh independent valuation and capitalisation rate is as at 31 March 2023. The property benefits from a rental guarantee on the vacant space, expiring in February 2024
- 63.0% for all assets; 92.5% excluding asset under refurbishment (being 10 Valentine Ave, Parramatta)

Refurbishments

10 Valentine Avenue, Parramatta



Artist's impression subject to change

The works include floor upgrades, new lobby with contemporary end of trip & wellness facilities and upgraded services infrastructure

The objective is to create a regenerated office building offering enhanced tenant amenity, including contemporary and flexible workplace solutions, and additional activation with public domain improvements

Refurbishment of basement, ground, 13 office floors and amenities with a Workplace Density of 1:10

- Concept floor upgrade completed, and design documented
- Tender process for remaining floor upgrades, including lobby, end-of-trip, and services infrastructure completed with works commenced
- Marketing and leasing campaign underway

150 Charlotte Street, Brisbane



Artist's impression, subject to change

The works involve refurbishment of the property, including the ground floor lobby, third space, concierge and cafe

The objective is to create enriched amenity, contributing to the assets existing attributes, including contemporary and flexible workplace solutions

Proposed refurbishment includes:

- Activate and enhance the ground floor lobby with concierge
- Introduce third space with a café that integrates with the laneway through to Elizabeth Street
- Enhance the ground level façade
- Concept design documentation, including marketing and leasing strategy underway

Financial and Capital Management¹ – Year Ended June 2023

FFO per unit	11.7 cpu	<p>FFO reflects:</p> <ul style="list-style-type: none"> leasing outcomes at multi-tenanted assets, and Property NSW occupying up to 3,000 sqm at 10 Valentine Avenue, Paramatta for approximately 6 months
Distributions per unit	32.5 cpu	<p>Distributions of 32.5 cpu for the year, comprise:</p> <ul style="list-style-type: none"> ordinary distribution of 10.0 cpu special distribution of 22.5 cpu (paid 27 July 2023)
NTA	\$1.91 per unit	<p>All assets independently valued in the six months to 30 June 2023 (four assets independently valued at 30 June 2023, with one asset valued at 31 March 2023)</p> <p>Reduction in NTA reflects 22.5 cpu special distribution</p>
Cash at bank	\$44 million	<p>The cash at bank has been used to fund the June 2023 ordinary and special distribution of \$41 million (paid 27 July 2023)</p>
Gearing²	0.0%	<p>At 30 June 2023, AOF had no drawn debt with \$81million undrawn debt facility in place, expiring March 2025</p> <p>The 30 June 2023 interest cover ratio was 5.2 times against a minimum 2.0 times covenant and Loan to Value ratio was 0% against a 50% maximum covenant</p>

1. As at 30 June 2023, unless otherwise stated

2. Gearing is interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash

Outlook and Guidance

Guidance

Distribution guidance¹ of **1.30 cpu for the September 2023 quarter**

Distribution guidance¹ will be provided on a quarterly basis

Outlook

Deliver on leasing and occupancy outcomes

Continue proactive approach to portfolio construction, asset sales and active asset management

Focus on **maximising returns** for unitholders

1. Distribution guidance is subject to no material change in AOF's portfolio, no material change in current market conditions and no unforeseen events



Appendices

Income Statement

\$'000	FY2023	FY2022	Change	Note
Rental income ¹	36,649	52,843	(16,194)	i
Property expenses ²	(10,659)	(12,881)	(2,222)	i
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(5,329)	(6,196)	867	
Net property income	20,661	33,766	(13,105)	
Interest income	323	1	322	
Net (loss)/gain on financial instruments held at fair value through profit or loss	(1,278)	9,679	(10,957)	ii
Net fair value decrement of investment properties	(12,212)	(76,146)	63,934	iii
Disposal costs	(2,603)	(1,096)	(1,507)	iv
Management fees	(2,774)	(3,690)	916	
Borrowing and other related costs	(4,322)	(5,645)	1,323	
Other expenses	(2,237)	(5,224)	2,987	v
Profit / loss for the year	(4,442)	(48,355)	43,913	

i. Reduction in rental income and property expenses due to:

- Sale of three assets in FY2023
- Property NSW largely vacating 10 Valentine Avenue, Parramatta in June 2022

ii. FY2023 reflects \$5.05 million realised gain following termination of four interest rate swaps and unrealised mark to market movement in the value of the interest rates swaps

iii. 96 York Street independently valued at 31 March 2023 with all other assets independently valued at 30 June 2023

iv. FY2023 reflects disposal costs of 30 Pirie Street, Adelaide and 2 & 5 Eden Park Drive, Macquarie Park. FY2022 reflects disposal costs of 32 Phillip Street, Parramatta

v. FY2022 Includes costs associated with assessing options to maximise returns for unitholders including corporate transactions

1. Rental income excludes amortisation of leasing commissions and tenant incentives and excludes the impact of straight lining of rental income

2. Property expenses includes expected credit losses

Balance Sheet

\$'000	30 June 2023	30 June 2022	Change	Note
Assets				
Cash and cash equivalents	43,864	3,261	40,603	i
Receivables	899	1,357	(458)	
Financial assets held at fair value through profit or loss	2,356	8,689	(6,333)	ii
Other assets	707	873	(166)	
Investment Properties	310,400	539,820	(229,420)	iii
Total Assets	358,226	554,000	(195,774)	
Liabilities				
Distributions Payable	41,096	6,247	(34,849)	iv
Payables	3,508	6,678	3,170	
Borrowings	0	169,585	169,585	i
Total Liabilities	44,604	182,509	137,905	
Net assets	313,622	371,491	(57,869)	
Number of units on issue (thousand)	164,383	164,383	-	
Net Tangible Assets per unit	\$1.91	\$2.26	(0.35)	v

i. Following the sales of 30 Pirie Street, Adelaide and 2 & 5 Eden Park Drive, Macquarie Park all drawn debt was repaid, with the cash balance being used to fund a special distribution (paid 27 July 2023)

ii. Four interest rate swaps were terminated during the year, realising a \$5.05 million gain

iii. 30 Pirie Street, Adelaide and 2 & 5 Eden Park Drive, Macquarie Park were sold during FY2023 for ~\$222 million, prior to settlement adjustments

iv. 30 June 2023 reflects a special distribution of 22.5 cents per unit (cpu) and ordinary distribution of 2.5 cpu

v. 30 June 2023 NTA reduction reflects;

- 22.5 cpu special distribution
- Movements, in the independent valuations

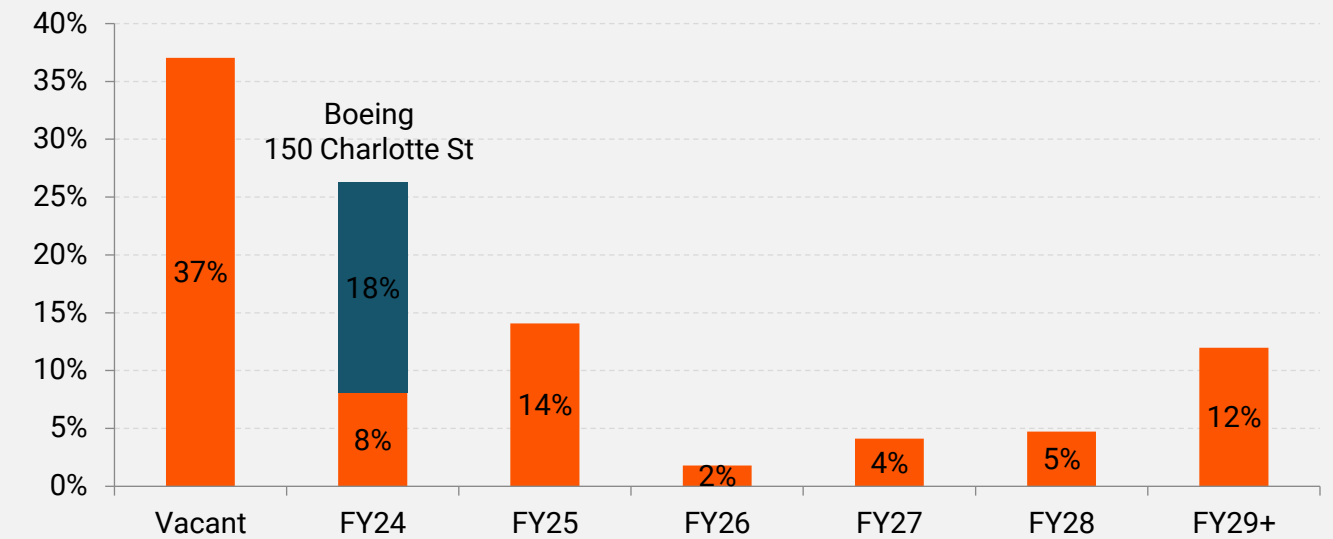
Property Portfolio

As at 30 June 2023

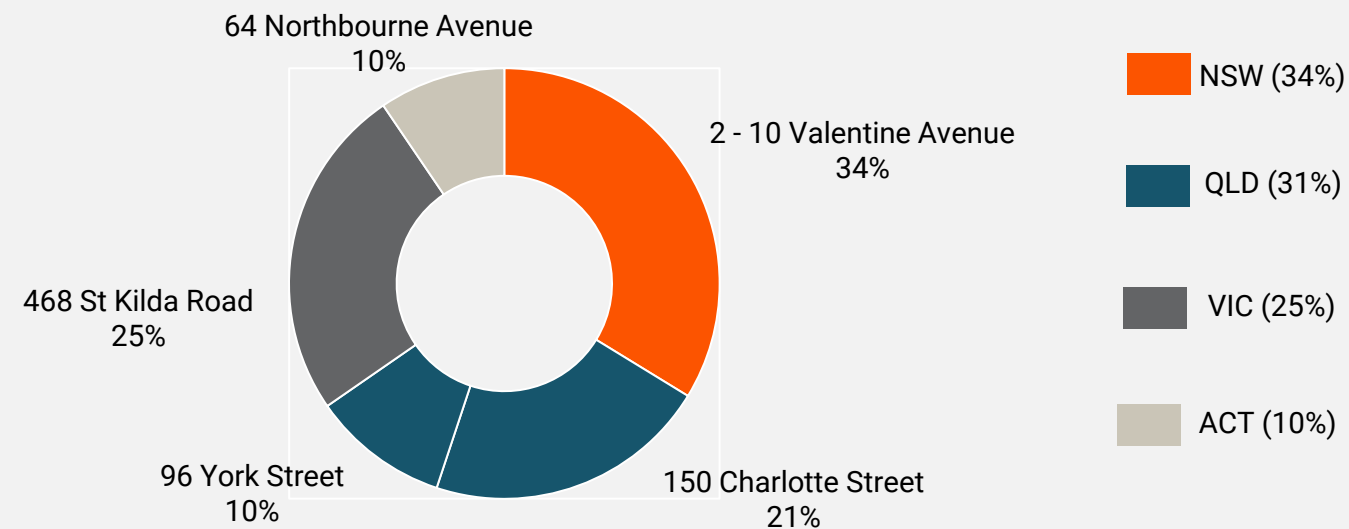
Key Portfolio Metrics

Number of properties	5
Occupancy ¹ (excluding asset under refurbishment)	92.5%
Occupancy ¹ (all assets)	63.0%
Portfolio Value	\$310.4m
Weighted Average Capitalisation Rate	6.45%
WALE ²	2.8 years
Net Lettable Area	48,854 sqm

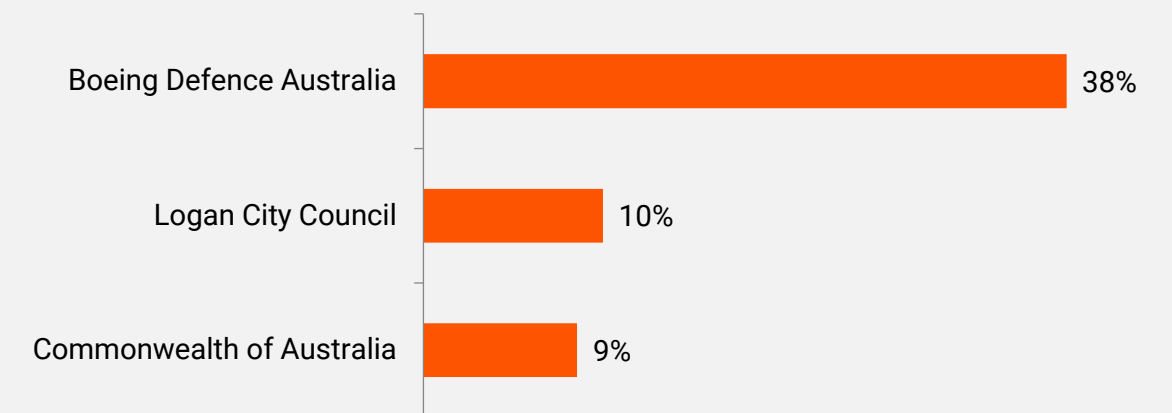
Lease expiry profile¹



Geographic diversification³



Top 3 Tenants⁴



1. By Net Lettable Area; 2. WALE means weighted average lease expiry in years, by gross property income; 3. By book value; 4. By gross property income

AOF – Portfolio Environmental Performance as at 30 June 2023

Site Address	National Australian Built Environment Rating System (NABERS) Rateable	NABERS Energy Rating (No Greenpower Included, public rating only)	NABERS Water
10 Valentine Avenue, Parramatta, NSW	Yes	Asset currently under refurbishment	
150 Charlotte Street, Brisbane, QLD	Yes	5.0	3.5
468 St. Kilda Road, Melbourne, VIC	Yes	4.0	5.0
64 Northbourne Avenue, Canberra, ACT	Yes	4.5	4.5
96 York Street, Beenleigh, QLD	Yes	5.5	4.5

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