RAM ESSENTIAL SERVICES PROPERTY FUND (ASX CODE: REP)

ASX ANNOUNCEMENT

13 November 2023

INVESTOR PRESENTATION

RAM Essential Services Property Fund (ASX: REP) provides the attached material which will be delivered in a presentation at the UBS Australasia Conference later today.

This announcement is authorised to be given to ASX by Stewart Chandler, Company Secretary

- ENDS -

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About RAM Essential Services Property Fund (ASX: REP)

RAM Essential Services Property Fund (REP) is a stapled real estate investment trust listed on the ASX. REP consists of a geographically diversified and defensive portfolio of medical and essential retail-based properties, underpinned by a high quality tenant profile including leading national supermarkets and private hospital operators, and offers growth opportunities through significant value-add development potential. REP's objective is to provide Securityholders with stable and secure income with the potential for both income and capital growth through an exposure to a high quality, defensive portfolio of assets with favourable sector trends.

RAM Property Funds Management Limited (ABN 28 629 968, AFSL 514484) as responsible entity of RAM Australia Retail Property Fund (ARSN 634 136 682) and RAM Australia Medical Property Fund (ARSN 645 964 601).

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RAM™
REAL ASSETS REAL RETURNS

RAM ESSENTIAL SERVICES PROPERTY FUND

UBS Australasia Conference

November 2023

AGENDA

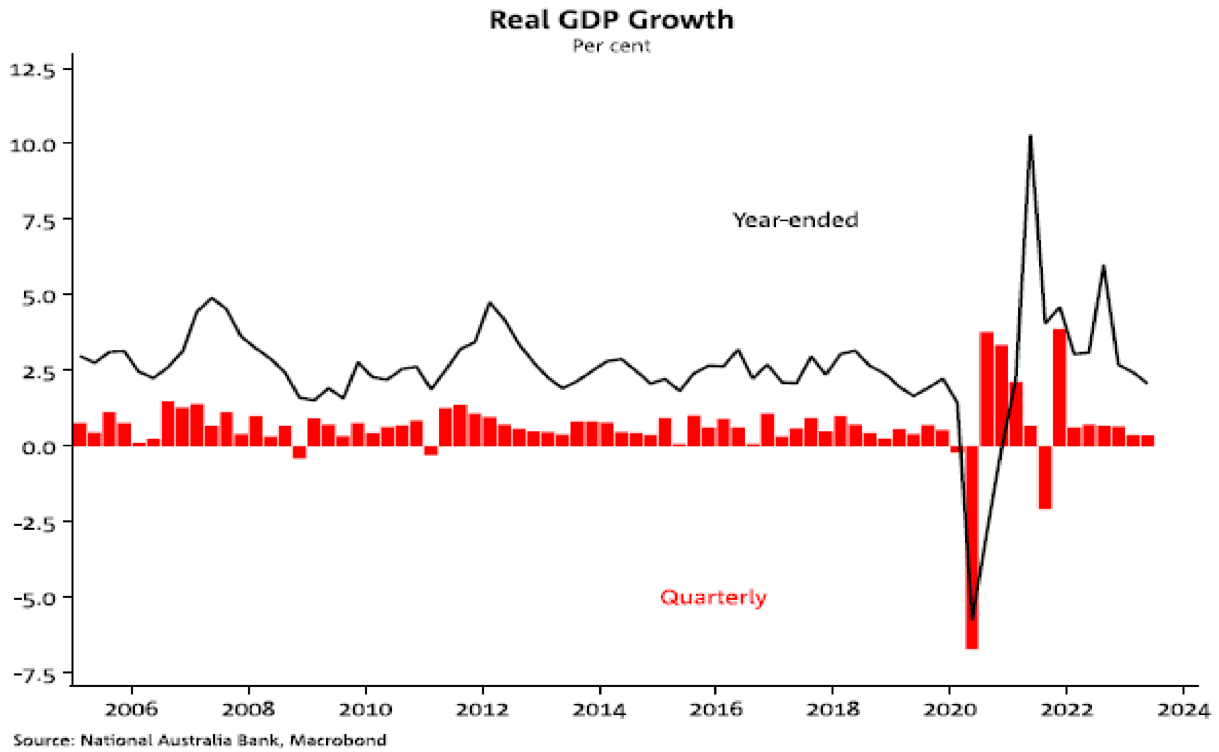
1. Macro Considerations
2. Fund Overview
3. Portfolio Performance
4. Financial Performance
5. Outlook & Summary

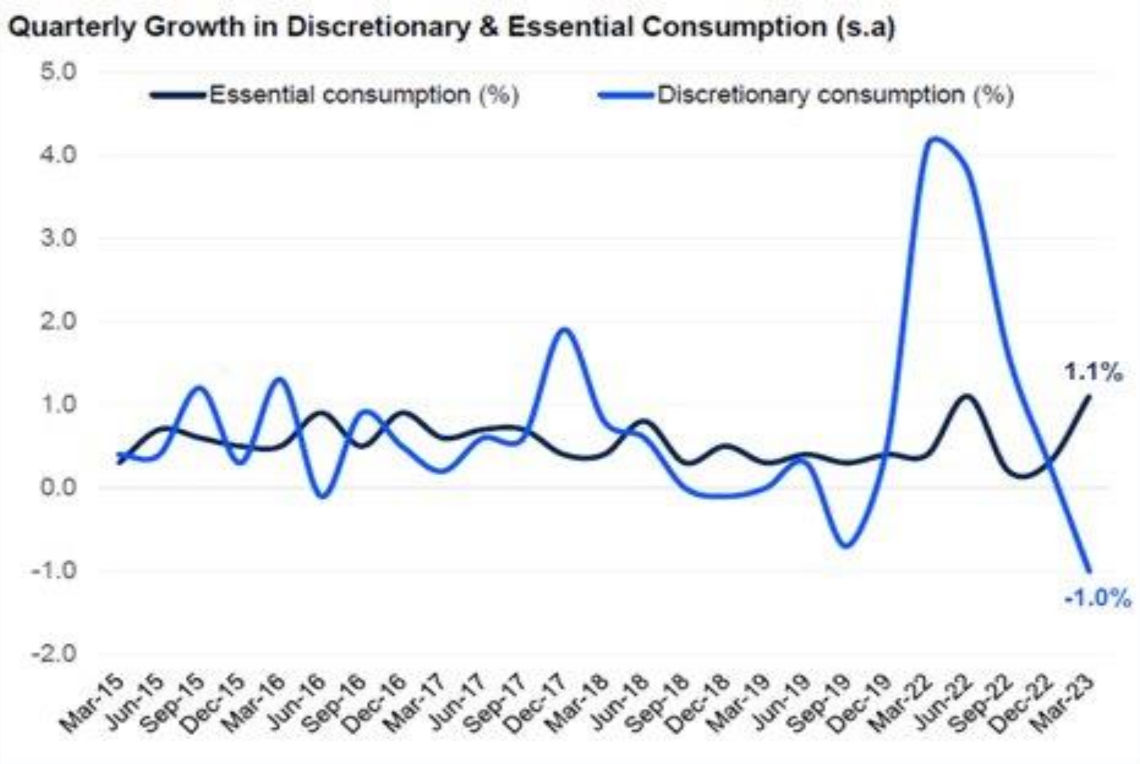
1. MACRO CONSIDERATIONS

AUSTRALIAN GROWTH AND CONSUMER SPENDING

- Australian Growth is still positive at 0.4% during the June Quarter 2023, and 2.1% for the year to June
- Retail spending slowing in Discretionary sectors, but Essential consumption holding up
- RAM Investment strategies generally focus on the essential sectors to provide greater certainty of income

AUSTRALIAN GROWTH AND CONSUMER SPENDING PATTERNS





Source: RAM, NAB, Westpac, ABS

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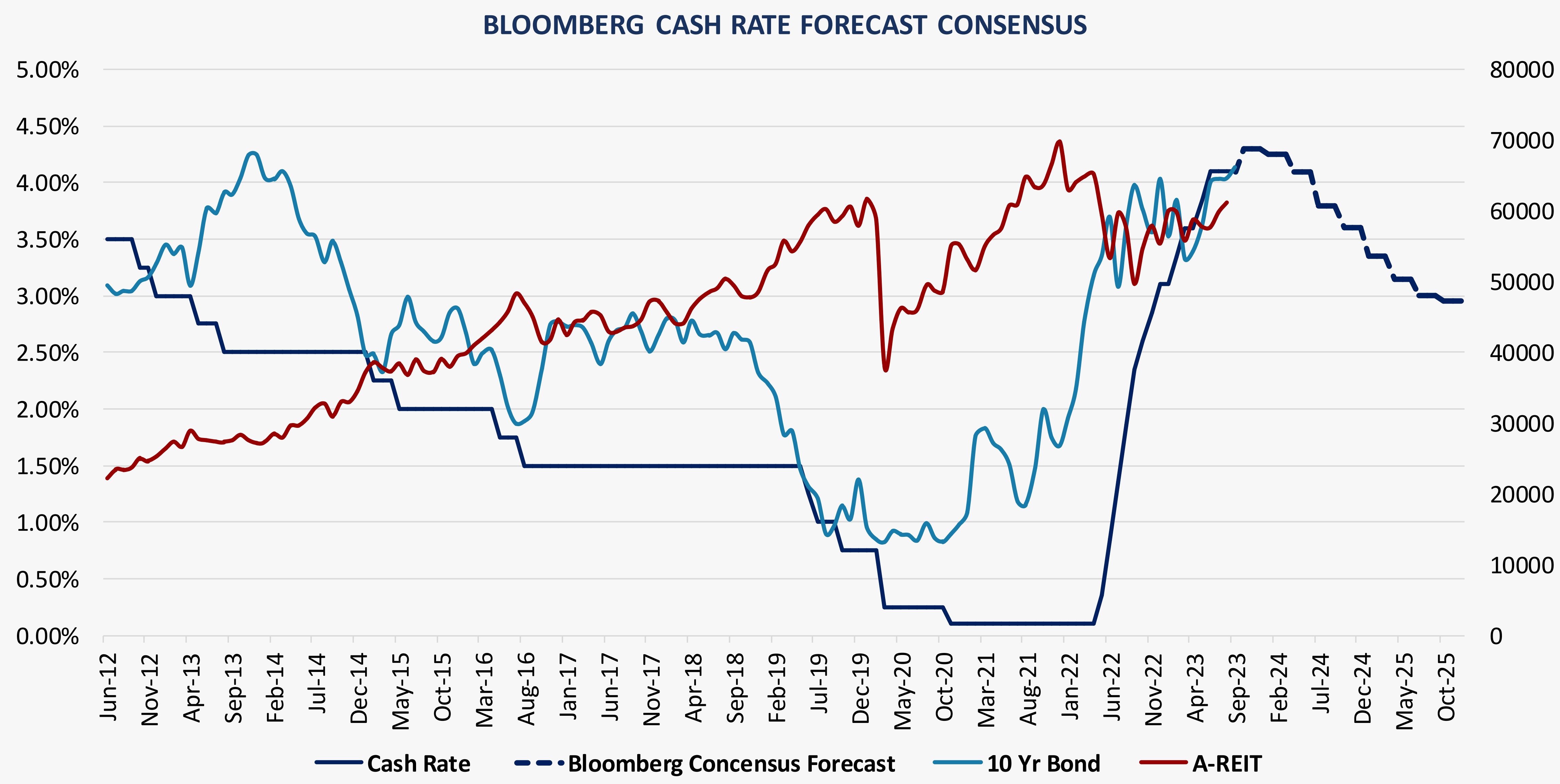
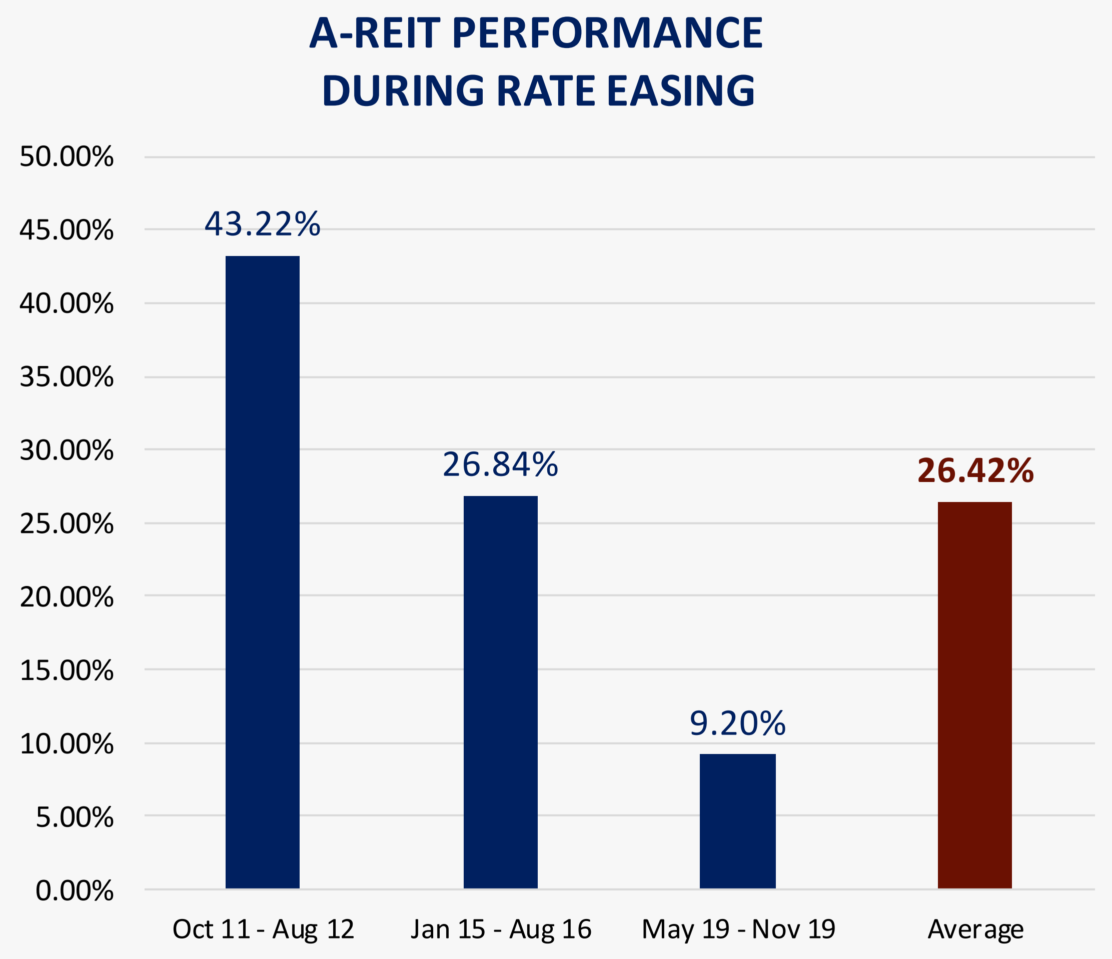
CASH RATE FORECAST AND REIT TRENDS

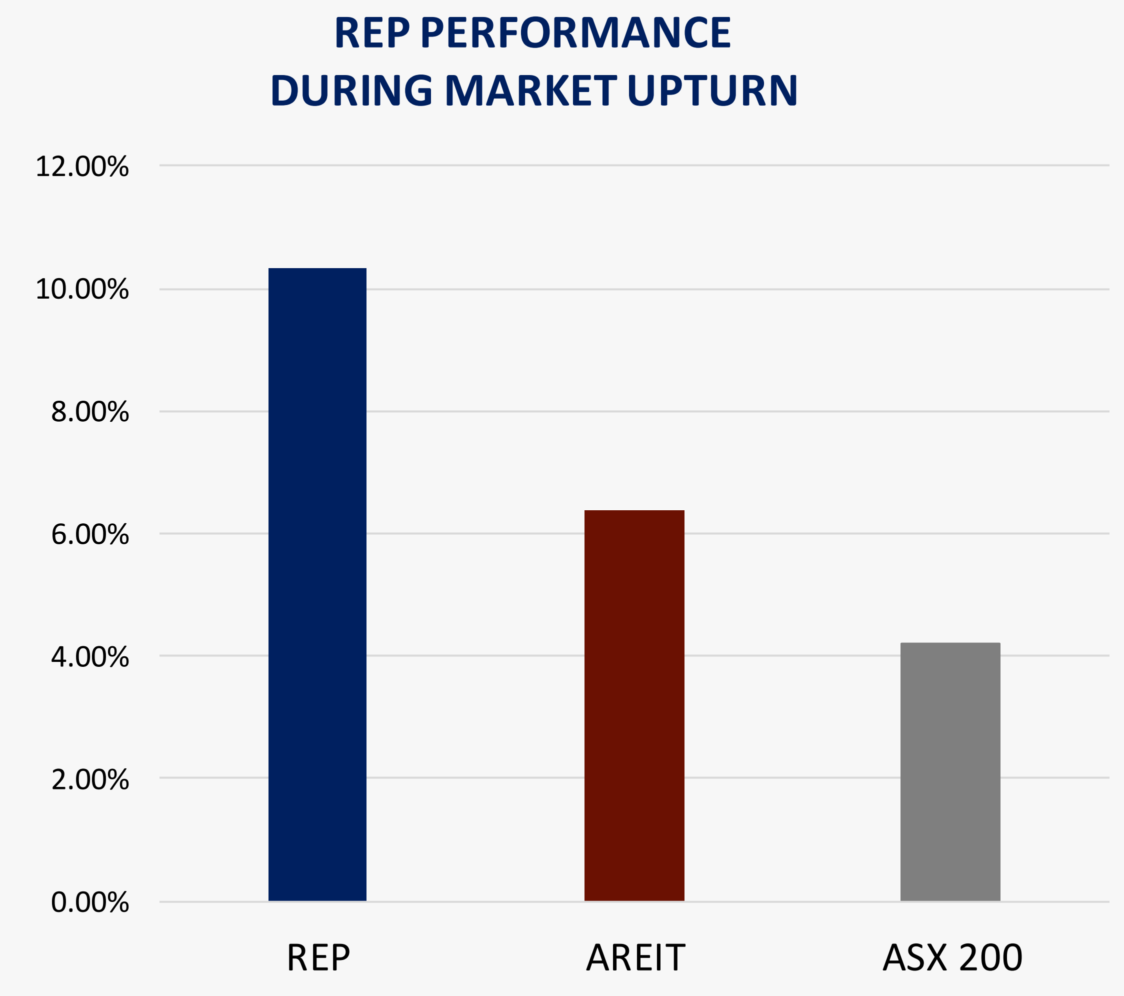
- History suggests that REIT movements are priced in **6-9 months prior to rate drops**



CAPITALISING ON CASH RATE DECLINE: A-REIT MARKET OPPORTUNITIES

- RAM is confident that tailwinds will impact the A-REIT markets as Cash Rates are forecasted to decline over the next two years
- A-REITs have consistently experienced an average **increase of 26.42%** during the past three easing cycles

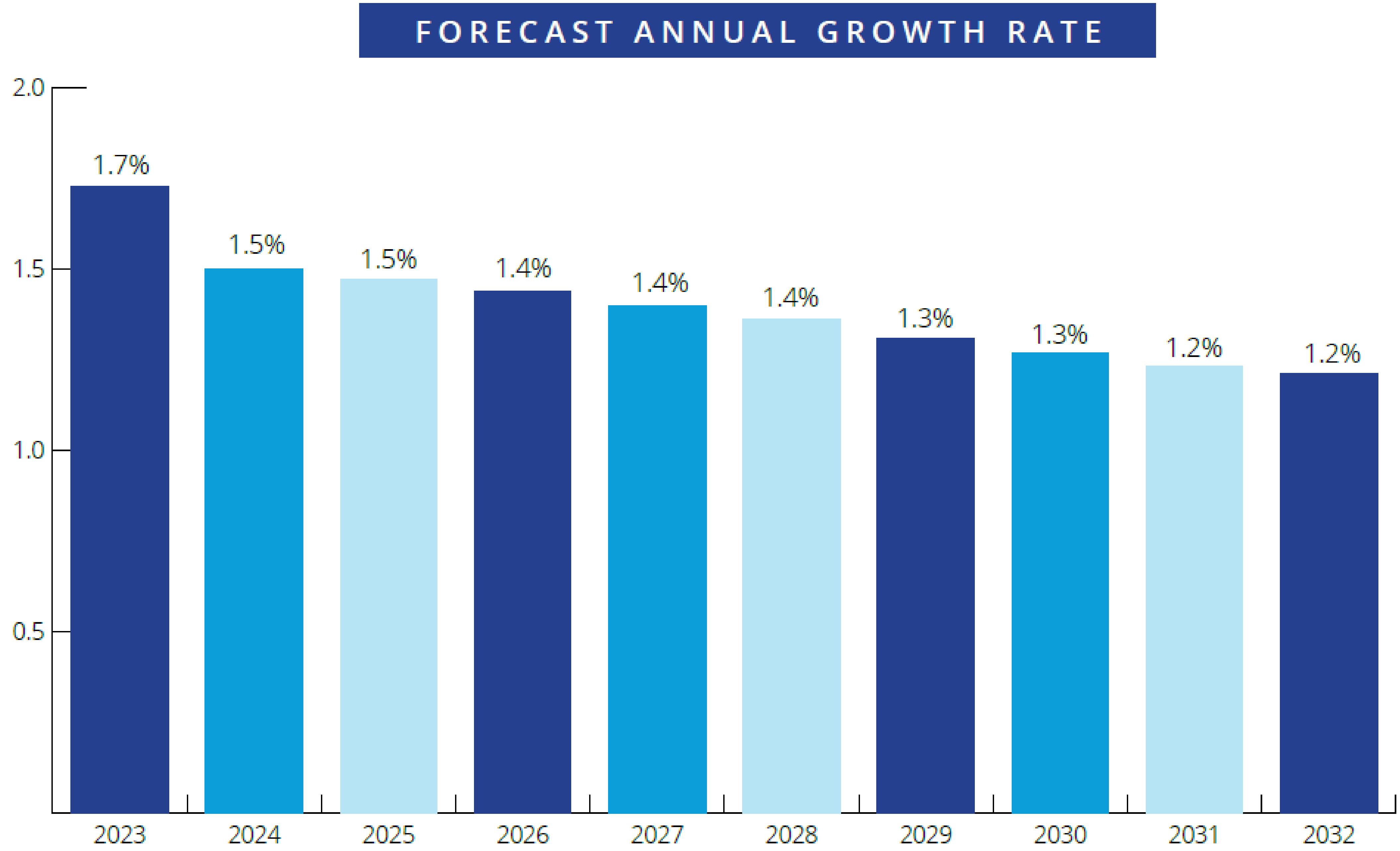




POPULATION TRENDS

By 2032, Australia's population is forecast to grow by 15%

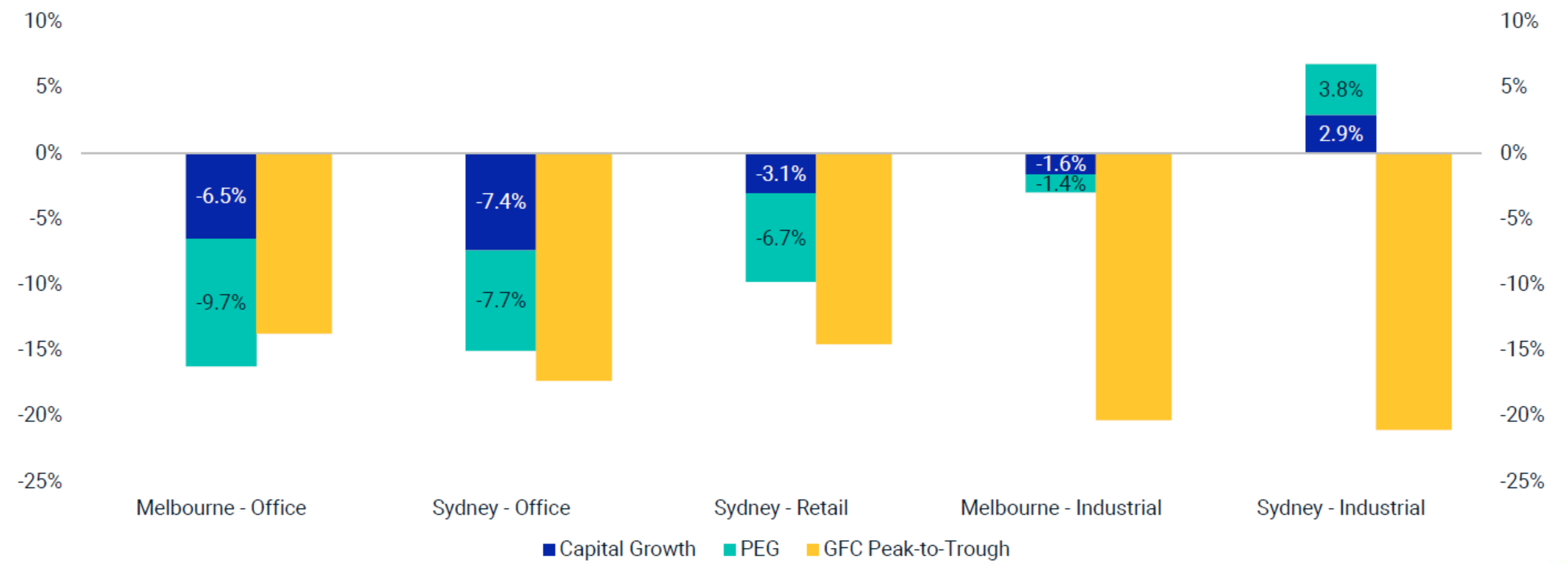
- The additional 4.1m people estimated to boost retail spending capacity by $20.5 billion
- Retail space per capita will drop from 0.91sqm to 0.84sqm



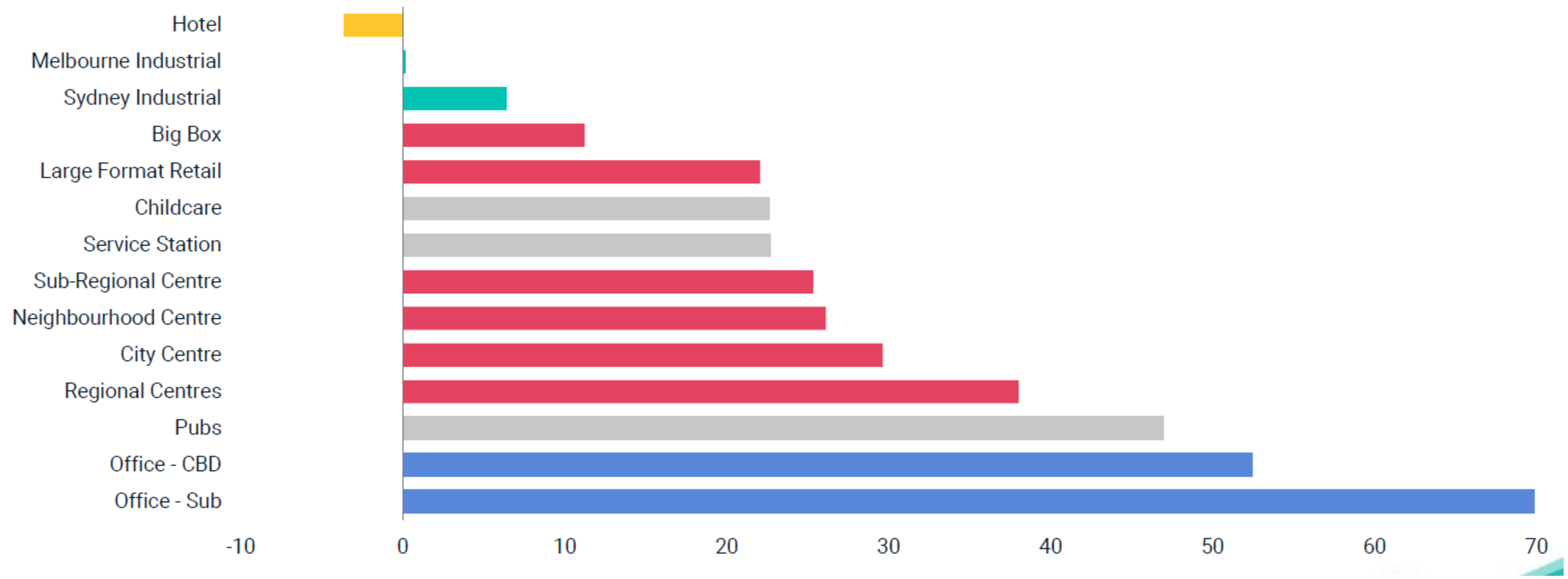
Source: Colliers

AUSTRALIAN REAL ESTATE: CAPITAL GROWTH AND YIELD TRENDS

Capital Growth over last 12 months



Annual Change in Yields



Source: MSCI

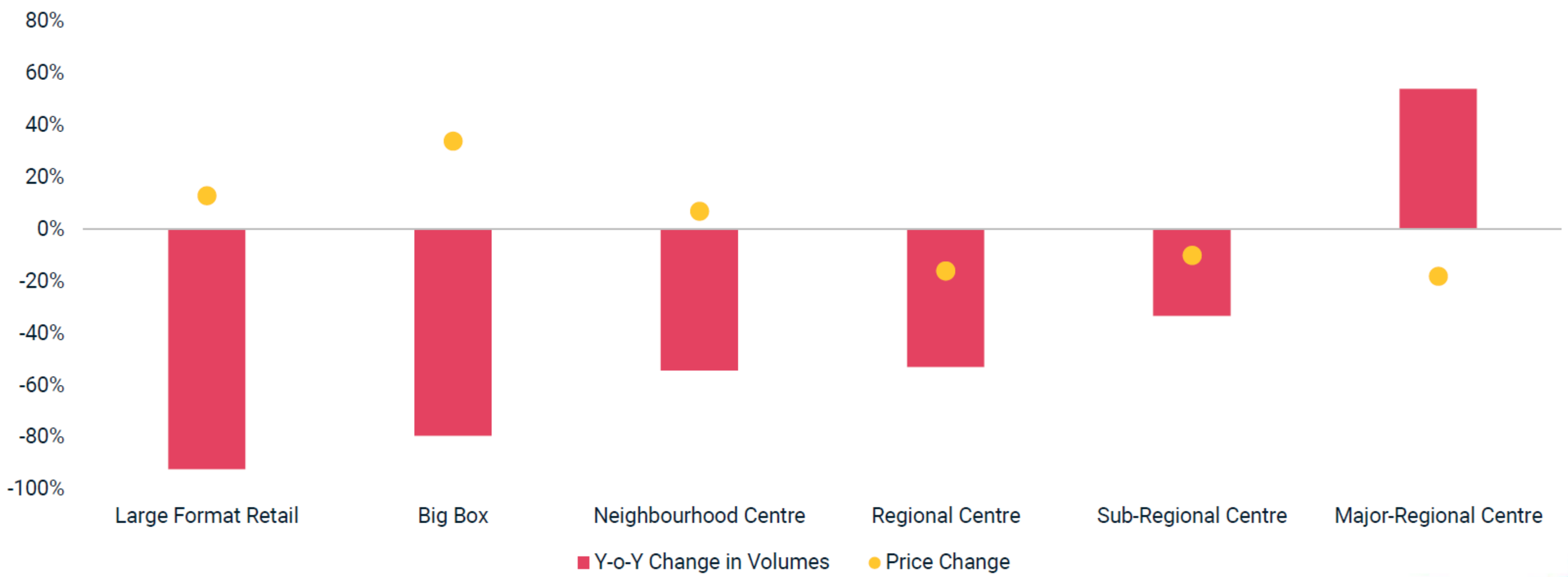
TRANSACTION VOLUME OVER SECTORS

2021	2022	2023	Metro Segment	Sales Volume ($m)	YOY Change
3	2	1	Sydney Industrial	3,775	-31%
1	1	2	Sydney Office	2,652	-71%
2	3	3	Melbourne Industrial	2,499	-51%
8	7	4	Melbourne Retail	1,745	-31%
22	20	5	Melbourne Apartment	1,429	141%
4	5	6	Sydney Retail	1,367	-70%
5	4	7	Melbourne Office	1,244	-76%
6	8	8	Brisbane Industrial	990	-61%
17	10	9	Sydney Hotel	897	-45%
16	18	10	Perth Retail	892	66%
44	32	11	Brisbane Apartment		376%
13	9	12	Brisbane Retail		-58%
7	6	13	Brisbane Office		-79%
12	12	14	Adelaide Industrial		-51%
11	14	15	Perth Office		-45%
18	16	16	Adelaide Office		-48%
30	21	17	Melbourne Hotel		-18%
27	19	18	Sydney Apartment		-39%
10	11	19	Perth Industrial		-78%
14	13	20	Canberra Office		-65%

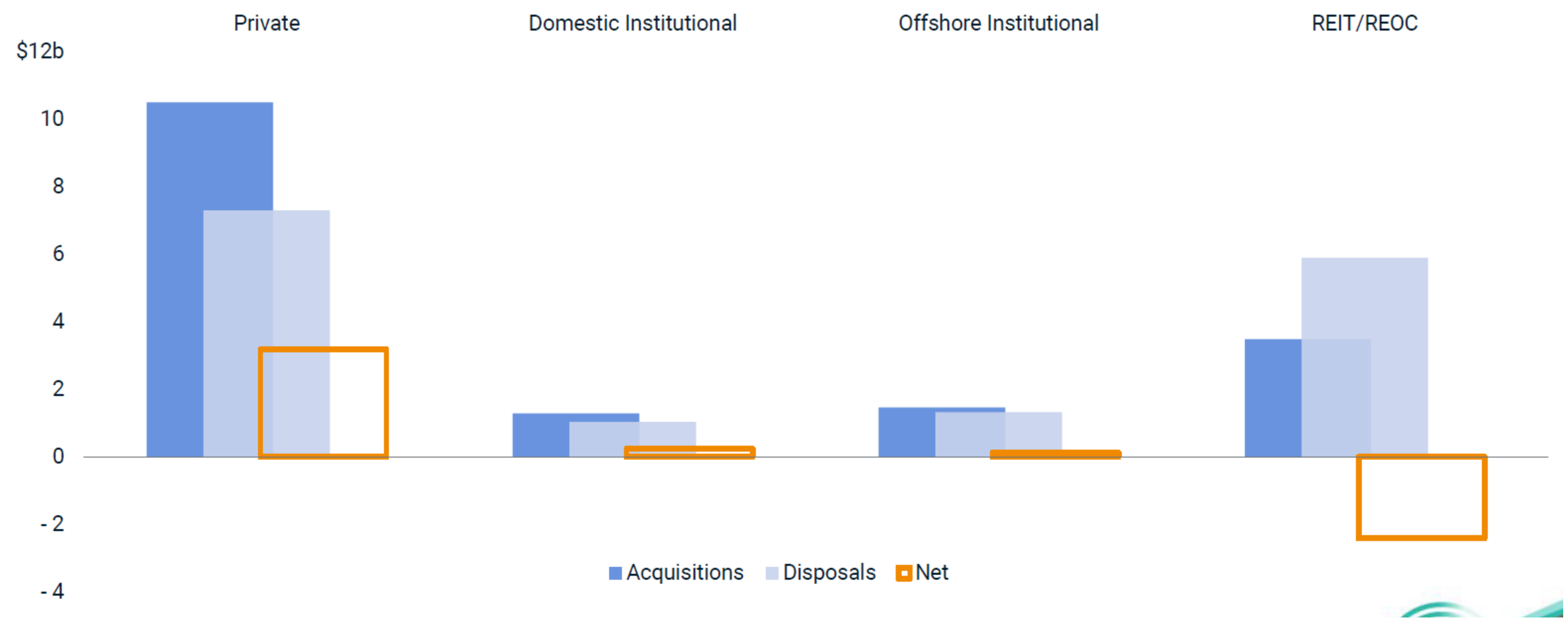
Source: MSCI

INVESTOR ACTIVITY

Y-o-Y Change in Volumes & 5-Year Value Change

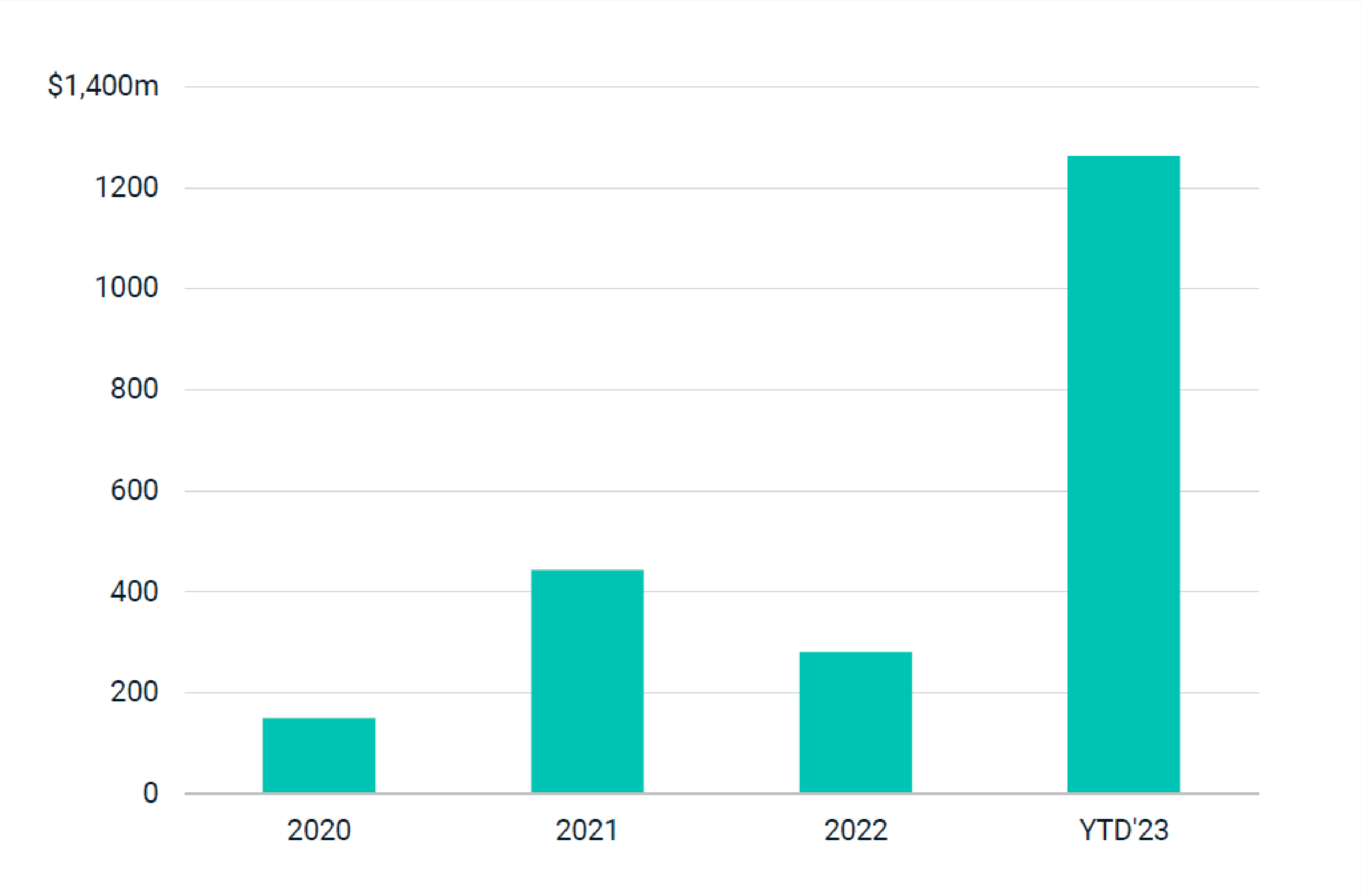


Activity Levels by Investor Type



Source: MSCI

HOSPITALS APPEAR HEALTHY



- Hospital volumes up three-fold year-on-year
- Volumes around **$700m** to date, with another **$500m** confirmed in Q4
- Actively driven by **Healthco's** purchase of MPT

Source: MSCI, RSA

2. FUND OVERVIEW

REP INVESTMENT CASE

Unique exposure to attractive sectors

- **High quality, geographically diverse portfolio of Essential Retail and Healthcare assets**
- **Defensive income profile through low vacancy and long WALE**
- **Organic growth through value add pipeline that continues to expand**
- **Unique exposure to high quality and scarce medical real estate**
- **Leverage existing strong relationships to grow off-market acquisition pipeline**
- **Prudent capital management with low debt coverage**
- **Culture of active management driving alpha for investors**

HIGHLIGHTS FOR FY2023 AND BEYOND

The portfolio continues to perform strongly and compares favourably to other listed real estate exposure

Portfolio

Continued Strong Leasing Outcomes

+5% leasing spreads across 58 deals

Resilient Tenancy Mix

Occupancy stable at 98%[1] due to resilience of sectors

Developments on Track

Selective accretive projects with flexibility around scale and commencement

Financial

Portfolio Performing Well

NOI growth 4.5%[2]

DPU of 5.7c met guidance

Stable Valuations

WACR +18 bps to 5.68%

81% externally valued

Strong Outlook

FY24 DPS 5.6 - 5.7c[3]

Forecast distribution yield 8%[4]

>90% tax deferred

Capital Management

Refinanced debt

Increased headroom of $36m
Extended duration to 3 years[5]

Asset disposal at book

Proves out valuations and liquidity in smaller assets

Gearing 36% -> 35%[6]

Comfortable gearing within covenants

1. Includes rental guarantees over vacant area and excludes areas withheld for development
2. Like for like and annualised for full year FY22 given IPO date of 21 October 2021
3. Guidance assumes average 3-month BBSW of 4.25%, target gearing range of 25% - 40%.
4. Based on a closing price of $0.71 on 25 August 2023
5. Post balance sheet date, we joined Westpac into the lending syndicate and refinanced the facility to arrange $36.3m headroom and 3 years duration
6. June 23 adjusted for the disposal of Westlake expected to settle in October 23

PRUDENT AND PROACTIVE STEWARDS OF CAPITAL

Active portfolio and capital management decisions to maintain consistency, stability and control.

CONSISTENT EXECUTION

- Positive leasing outcomes
- NOI growth helping to offset interest cost
- Met FY2023 expectations

PROACTIVE CAPITAL RECYCLING

- Continued portfolio optimisation
- Proving asset values and liquidity
- Building flexibility and control

MAINTAINED FLEXIBLE BALANCE SHEET

- Expanded syndicate lenders
- Refinanced debt
- Increased hedging – continued monitoring

PRUDENT CAPITAL MANAGEMENT

- Have not over-committed capital
- Conservative project evaluation

POSSIBLE SHORT-TERM ACTIVITY (UPDATE)

POTENTIAL ACTION	IMPACT	STATUS
Execution of value-add schemes with largest healthcare partner	◆ Portfolio funded from headroom which will produce immediate accretion to yield and significant enhancement to fund WALE ◆ Opportunity to utilise sustainable finance to fund the project providing a discount on current debt	***Final stages of Negotiation***
Sale of assets at book or above	◆ Confirm valuations are appropriate and allow flexibility for capital management or repositioning for new acquisition opportunities ◆ Cultivated pipeline of medical and retail deals provide immediate opportunity to invest proceeds of divestment	✔
Share buyback	◆ Attractive dynamics for an allocation of capital for buy-back will provide good earnings accretion	***Progressing***
Continued opportunities from our ecosystem	◆ Three new deals have emerged in our platform that are being de-risked and considered highly suitable for acquisition by REP in the near term. Deals providing continued exposure to accretive healthcare opportunities enhancing exposure to this sector ◆ Further immediate opportunities across healthcare and essential retail are being reviewed	✔
Capital markets are attractive	◆ Opportunities to direct capital towards earnings accretive assets ◆ Tactical repositioning of the portfolio to include greater value-add opportunities and stronger growth trade areas ◆ Takes advantage of positions in smaller assets in scope of private investors and syndicates	***Progressing***

STRENGTHENING INVESTMENT CASE

Unique investment opportunity with exposure to attractive sectors

SCARCE DEFENSIVE ASSETS

50% Healthcare

50% Non-discretionary Retail

SUSTAINABLE GROWTH

Quality tenants

High occupancy

Inflation exposed escalators

STABLE VALUATIONS

Stable tenants

Strong rental growth

Desirable assets

ACTIVE MANAGEMENT

Prudent capital management

Active decisions driving alpha

ATTRACTIVE RETURNS

90-100% payout ratio

8%[1] forecast DPU yield

TAX DEFERRAL

>90% tax deferred in FY23

1. Based on a closing price of $0.71 on 25 August 2023

3. PORTFOLIO PERFORMANCE

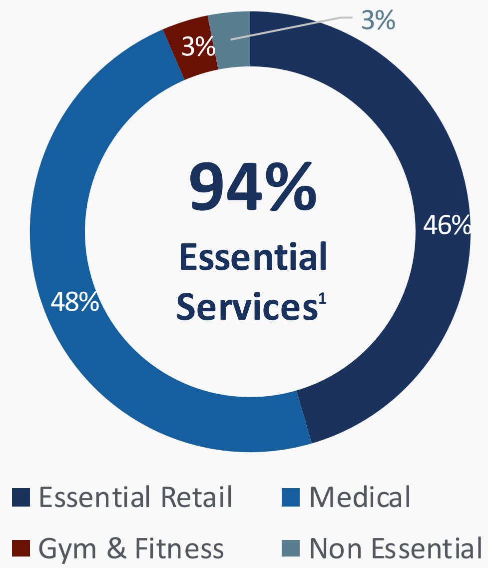
STRONG PORTFOLIO PERFORMANCE

Diversified portfolio generating secure and stable income

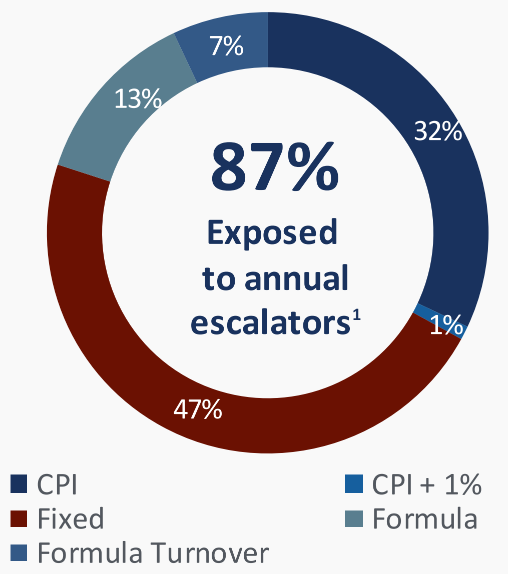
Key Portfolio Metrics
30 June 23

Number of Properties		35
Total Property Value		$786.5m
Occupancy[2]		98%
Gross Lettable Area (GLA)		124,589 sqm
WACR		5.68%
WALE		6.47 years
Tenants		301
Essential services income		94%
Healthcare income		48%
Essential Retail income		46%
% income subject to annual rental increases		87%
WARR fixed	3.44%	3.51% Blended WARR
WARR CPI	5.84%	

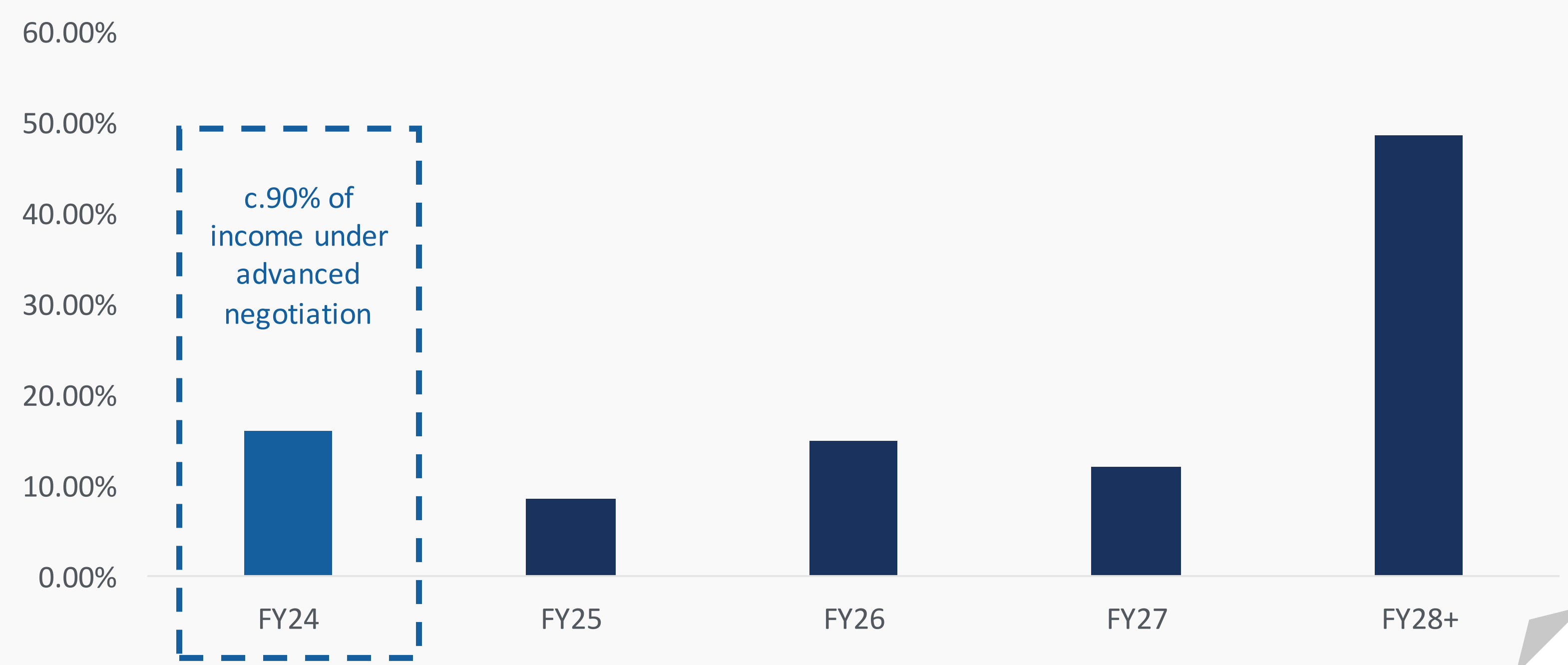
Tenant Mix



Income Exposure



Fund Lease Expiry Profile



1. Based on Gross Property income as at 30 June 2023
2. Includes rental guarantees over vacant area and excludes areas withheld for development

PORTFOLIO RESILIENCE SHINING THROUGH

Strong leasing outcomes driving underlying income growth

98%
Occupancy

+4.5%
FY23 NOI Growth[1]

+7.1%
Supermarket MAT Growth

+5% Average Leasing Spreads in FY23

NEW
+8% across 20 deals

RENEWAL
+4% across 38 deals

Embedded growth from inflation exposed income:

- >80% of CPI-linked leases are uncapped
- 4 supermarkets are in turnover rent another approaching threshold

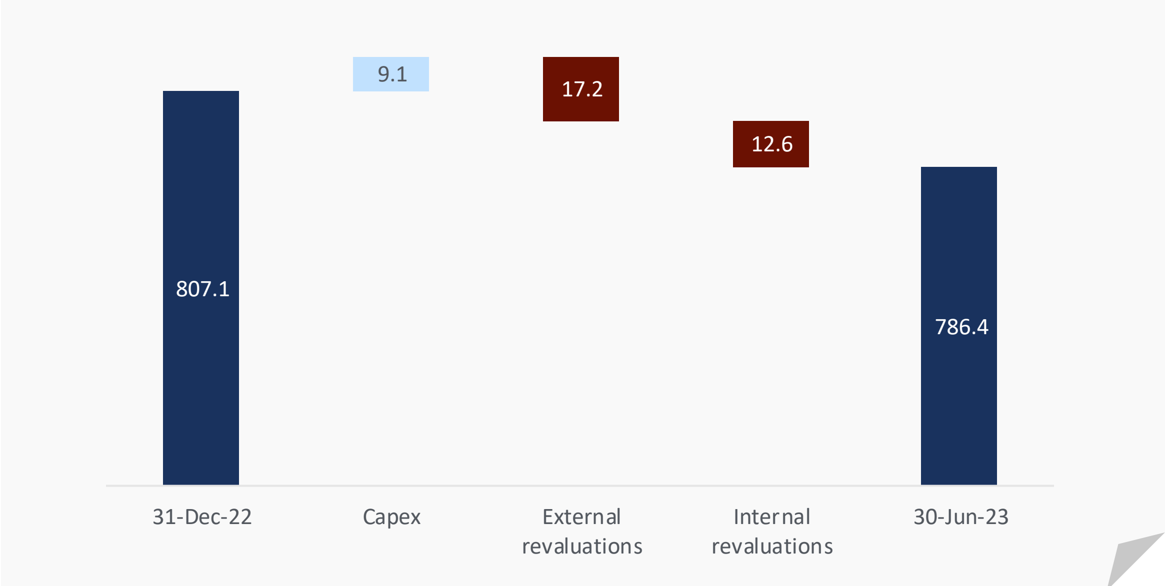
1. Like for like and annualised for full year FY22 given IPO date of 21 October 2021

DEFENSIVE SECTOR VALUATIONS HOLDING UP

Conservative valuations comfortable relative to peers

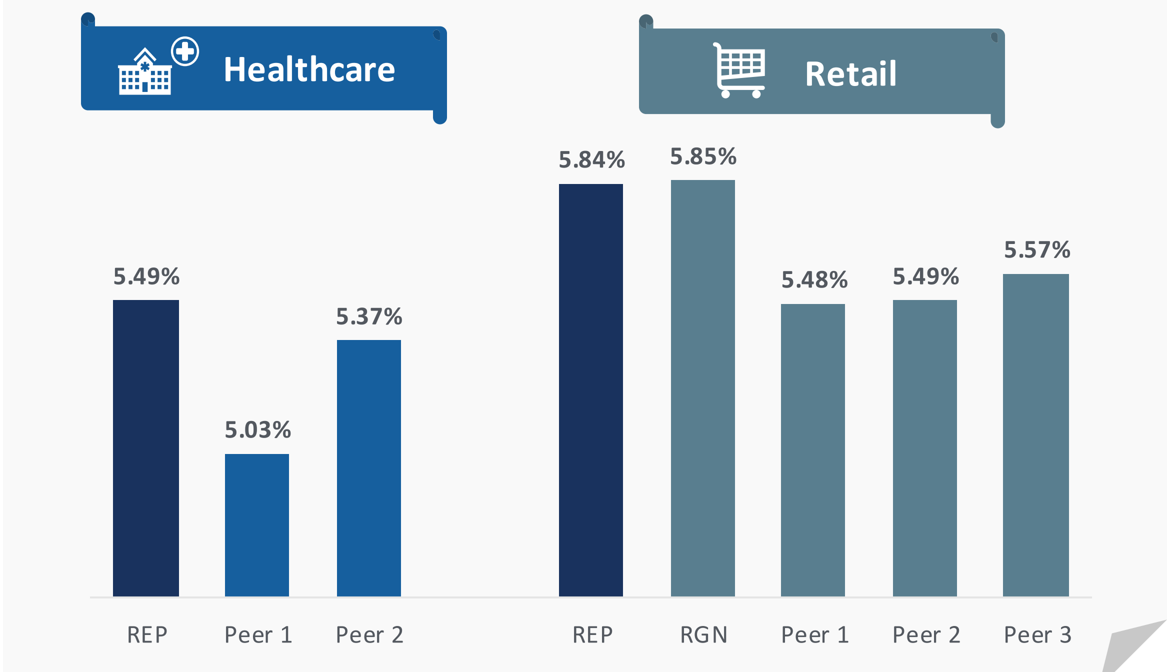
- Consistently conservative valuation policy
- 81% externally valued in FY23
- Cap rates relatively conservative compared to peers
- Comparable sales in both sectors and disposals at book prove REP valuations

Conservative Valuation Policy



	Medical	Essential Retail	Total
Number of Properties	23	12	**35**
30 June 2023 Book Value ($m)	$358.03m	$428.31m	**$786.5m**
WACR at June 23	5.49%	5.84%	**5.68%**
WACR Mvt (Dec – Jun)	+16 bps	+20 bps	**+18 bps**
% Portfolio[1]	45.5%	54.5%	**100.0%**
Revaluation (%)[2]	(3.21%)	(4.01%)	**(3.65%)**

Cap Rate Peer Comparison



1. Weighted by valuation
2. Net of transaction costs

4. FINANCIAL PERFORMANCE

BALANCE SHEET AND CAPITAL MANAGEMENT

Strengthened balance sheet and improved visibility

- Gearing of 35%[1] within manageable range and comfortably within facility covenant
- Added syndication lender and increased debt headroom
- Hedging maintained within policy. Continue to monitor pricing to balance certainty of income and unitholder returns

Debt[2]

$38m Headroom

3.0 yrs Debt Maturity

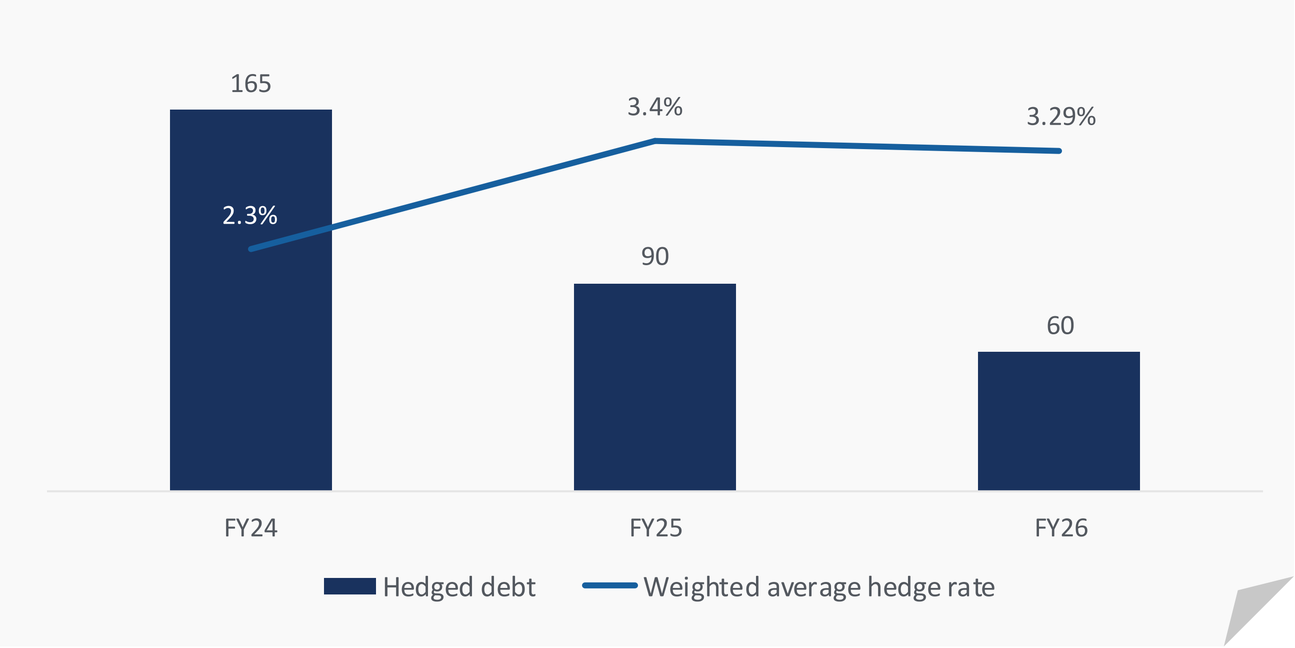
Hedge

55% Hedged

2.0 yrs Hedge Duration

Key Debt Metrics	30 Jun 2023	31 Dec 2022
Gearing [3]	36.1%	32.8%
Cost of debt [4]	3.65%	3.37%
Total borrowings	$302.4	$280.2
NTA per security	$0.97	$1.03
Interest Cover Ratio	4.3x	6.0x

Hedge Profile



1. June 23 adjusted for the disposal of Westlake expected to settle in October 23
2. Post balance sheet date, the syndicated debt facility was increased to $340m with duration of 3 years.
3. Gearing is defined as ratio of total net borrowing less cash over total assets less cash
4. Average effective interest rate for the period includes margin, undrawn line fees, swap costs fees.

5. OUTLOOK & SUMMARY

FY2024 GUIDANCE

5.6c - 5.7c[1]
Distribution Per Security

8%[2]
Forecast Distribution Yield

>90%
Distribution tax deferred

90% – 100%
Target FFO Payout Ratio

1. Guidance assumes average 3-month BBSW of 4.25%, target gearing range of 25% - 40% and assumes no unexpected delays in delivery of value-add projects.
2. Based on a closing price of $0.71 on 25 August 2023

EXECUTING STRATEGY AND DELIVERING GROWTH

Unique exposure to attractive sectors

Actively managed	◆ Strong leasing outcomes with +5% average spread on renewals ◆ Sector leading like-for-like NOI growth of 4.5% mitigating higher interest costs
Resilient portfolio delivering growth	◆ Stable and secure rental income with 94% of fund income from essential service tenants with 98% occupancy and 6 years WALE ◆ 32% of fund income exposed to CPI linked annual rental escalators, with majority uncapped driving solid embedded growth ◆ Income growth offsetting modest capitalisation rate expansion
Embedded growth levers	◆ Progression of value-add pipeline ($200m+ over a five-year period) with increased scope driven by amplified development pipeline across medical portfolio ◆ Provides optionality for continued growth of asset base via strategic developments
Prudent capital management	◆ Gearing of 35% at mid-point of targeted range and comfortably within debt covenants ◆ Expanded lending syndicate and extended debt facility to $340m and maturity to 3 years ◆ Executed capital recycling initiatives with potential sale of up to four assets at or above book value
FY24 guidance	◆ FY24 DPS guidance of 5.6 – 5.7 cents[1] per security with a forecast yield of 8%[2]

1. Guidance assumes average 3-month BBSW of 4.25%, target gearing range of 25% - 40%.
2. Based on a closing price of $0.71 on 25 August 2023

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