



RAM ESSENTIAL SERVICES PROPERTY FUND

FY22 Financial Results

22 August 2022



AGENDA

1. Highlights
2. Financial Performance
3. Portfolio Update
4. Strategy
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6. Other Information

In the spirit of reconciliation, the **Real Asset Management Group** acknowledges the traditional custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

STRONG AND CONSISTENT INVESTMENT CASE

A unique portfolio of medical and essential retail real estate, with exposure to essential services tenants, long-WALE profile and the opportunity for income and capital growth



HIGHLIGHTS

Delivered IPO objectives and optimised portfolio through active management



1. Calculated based on uplift from \$696M to \$798M

2. \$1.04 vs \$0.94 upon IPO

ESG AT REAL ASSET MANAGEMENT

RAM is committed to creating an inclusive and thriving work environment and culture

INCLUSIVE EMPLOYER 2021-2022



RAM is proud to be named as an Inclusive Employer in their 2021-2022 iteration. This achievement recognises that we are active and committed to inclusion.

WORKPLACE GENDER EQUALITY AGENCY (WEGA)



RAM has been recognised for its commitment to closing the gender pay gap. Scott Kelly - CEO Australia, has been appointed as a Pay Equity Ambassador by WEGA.

RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA (RIAA)



RAM is committed to supporting RIAA's mission of aligning capital with achieving a healthy society, environment and economy. RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand.

FINANCIAL SERVICES COUNCIL (FSC)



RAM is a member of the FSC. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

WOMEN IN BANKING AND FINANCE (WiBF)



RAM is a member of WiBF. WiBF has worked in close collaboration with corporate members to develop an understanding of the business sense and strength behind gender diversity.

ONE MILLION DONORS



RAM supports the One Million Donors programme and is a certified Workplace Giving Supporter. The programme was developed by Workplace Giving Australia.



REAL GIVING
powered by Real Asset Management

With full commitment of the RAM Board, RAM's Real Giving Programme encourages and promotes combined generosity towards issues of social and environmental importance to communities. The programme has a goal of donating at least 1% of RAM's profits to a range of charitable organisations. It also provides volunteer time and donation matching initiatives.

IMPROVING SUSTAINABILITY

Developing sustainability frameworks to be implemented and documented across all assets



Already underway with one of the largest roll outs of solar panels on Essential Retail shopping centres.



Working with leading architects, builders and suppliers to ensure sustainability is forefront and implemented across of all value-add projects.



Proactive carbon footprint reduction.



Flow on sustainability initiatives are being implemented across the portfolio including energy efficient lighting.



2. FINANCIAL PERFORMANCE

FINANCIAL RESULTS FY2022

- ◆ Strong earnings driven by property income growth and revaluations in the period.
- ◆ Underlying operational performance driving FFO in line with expectations.
- ◆ Achieved FY22 DPS target in line with guidance (ahead of IPO DPS forecasts).
- ◆ FFO payout ratio as per guidance at 96.0%.

Financial Performance ¹	30 Jun 22
	\$'000
Property Income	36,511
Property Expenses	(6,907)
Net Property Income	29,604
Fair Value Gains on Investment Property	55,832
Other Fair Value Adjustments	5,396
Transaction Costs	(16,199)
Amortisation of Incentives	(4,421)
Trust Operating Expenses	(4,572)
Finance Costs	(4,178)
Statutory Net Profit	61,462

Funds from Operations (FFO net of adjustments)	30 Jun 22
	\$'000
Property Revenue	36,502
Property Expense	(6,907)
Management Fees	(3,513)
Net Finance Costs	(3,318)
Other Expenses	(1,059)
Funds from Operations (FFO)	21,705
FFO Per Security (Cents)	4.2
Distributions Per Security (Cents)	4.0
FFO Payout Ratio (%)	96.0

1. Financials for the period 20 October 2021 to 30 June 2022.

BALANCE SHEET AND CAPITAL MANAGEMENT

- ◆ Strong balance sheet management with gearing at 29.9%.
- ◆ 11% increase in NTA during the period.
- ◆ Debt headroom to peruse active portfolio management and accretive opportunities.
- ◆ Capital recycling for \$44m in off market transactions.
- ◆ Recent additional hedge undertaken bringing overall position to 55.9%.

Balance Sheet as at	30 Jun 2022
Total Assets	\$832.3m
Investment Properties	\$798.2m
Borrowings	\$259.2m
Net Assets	\$550.7m
NTA per security	\$1.04
Gearing ²	29.90%

Capital Management as at	30 Jun 2022
Borrowings	\$259.2m
Debt Facility Limits	\$305.0m
Average Cost of Debt ¹	2.26%
Weighted average debt expiry	2.2 yrs
Hedging on drawn debt	55.9%
Weighted average hedge expiry	2.4 yrs

1. Average effective interest rate for the period includes margin, undrawn line fees, swap costs fees and capitalised interest.
 2. Gearing is defined as ratio of total net borrowing over total assets less cash.

3. PORTFOLIO UPDATE

IMPROVED RENTAL ESCALATORS



The Fund's income has strong exposure to CPI and fixed annual reviews, providing a high degree of built-in growth

32%¹

(31% at HY22)

of rental escalators linked to CPI, 80%¹ of which are uncapped.

47%¹

(46% at HY22)

of fund income exposed to fixed reviews with a high WARR of 3.4%¹.

50%¹

(35% at HY22)

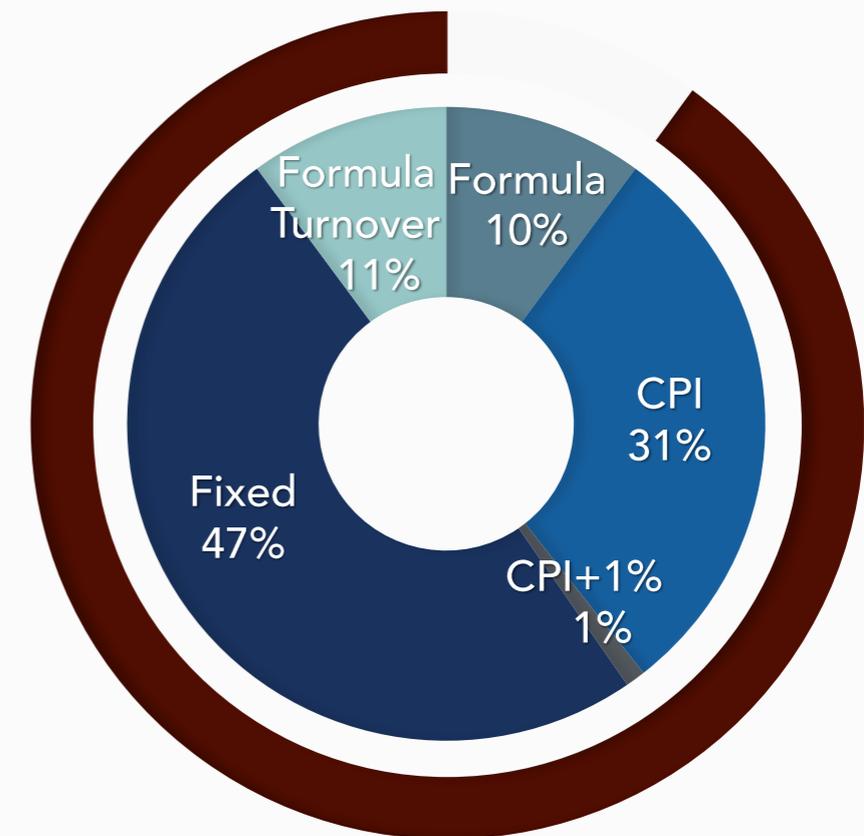
of formula derived income is expected to exceed turnover rent threshold providing strong in-built inflation hedge.

66%¹

(58% at HY22)

of portfolio exposed to net leases providing protection to inflation impacts on property outgoings.

Annual Rental Review Profile



90%¹

Fund income exposed to annual escalators

1. Based on Gross Property income as at 30 June 2022

HIGH QUALITY & STABLE INCOME UNDERPINS RELATIVE VALUE



Improved quality & resilience

94% of fund income has exposure to highly resilient essential service and medical income ¹.

99% occupancy remains strong despite difficult economic backdrop².

7.0 years long WALE with limited specialty leasing risk exposure over the next 24 months.

1. Based on Gross Property income as at 30 June 2022
2. Includes rental guarantees over vacant area and excludes areas withheld for development
3. Weighted by valuation.
4. Net of transaction costs

33% of portfolio externally revalued as at 30 June 2022; 95% revalued since IPO ³.

5.45% WACR improved from 5.64% at Dec-21

19 bps of cap rate compression on last book value.

Strong Demand Transactional support evident due to both sectors defensive characteristics and price points of assets appealing to institutional and private capital

	At IPO	31 Dec 21	30 June 22
Number of Properties	33	33	35
Total Property Value	\$706.3m	\$736.9m	\$798.2m
WACR	5.85%	5.64%	5.45%
Occupancy ²	99%	99%	99%
Medical Income	45%	46%	50%
Essential Retail Income	48%	48%	48%
Proportion of income subject to annual rental increases	85%	85%	90%



Conservative valuation policy

	Medical	Essential Retail	Total
Number of Properties	23	12	35
30 June 2022 book value (\$m)	\$366.8m	\$431.4m	\$798.2m
WACR at Jun 22	5.22%	5.65%	5.45%
WACR mvt (Dec – Jun)	(0.12%)	(0.22%)	(0.19%)
% Portfolio	45.9%	54.1%	100.0%
Reval uplift (%) ⁴	0.28%	4.34%	2.58%

4. STRATEGY



STRATEGY: CULTURE OF ACTIVE MANAGEMENT



OBJECTIVE

Deliver stable and secure income with potential for both income and capital growth underpinned by high quality, defensive assets exposed to favourable sector trends



ACTIVE ASSET MANAGEMENT

Apply our extensive experience and active management approach with an ongoing assessment of leasing opportunities, repositioning potential, capital expenditure requirements and engagement with tenants.



DELIVER ORGANIC GROWTH

Provide investors with earnings and capital upside through delivering on the identified development pipeline of \$200m+ of capital across 16 projects.



ACQUISITION PIPELINE

Selectively and opportunistically acquire high quality assets, leased to tenants engaged in essential services with strong covenants on long leases.

PRUDENT ASSET & CAPITAL MANAGEMENT

Active management around highly stable and contractual rent flows



RECYCLED CAPITAL TO DRIVE PORTFOLIO ENHANCEMENT



Divested low growth retail asset



Gunnedah Shopping Centre

\$20.25m
sale price
5.35%
cap rate
3.9 year
WALE



Acquired long WALE healthcare



Perth Day Hospitals

\$35.1m
purchase price
4.54%
cap rate
12.0 year
WALE



Lakes Medical Centre

\$8.87m
purchase price
5.75%
cap rate
8.0 year
WALE

- ↶ Increase in fund overall WALE
- ↶ Increase the fund's exposure to net leases
- ↶ Increase the fund's exposure to leases with annual rent escalators
- ➡ Exit retail assets with lower growth and predominantly gross lease structure



Portfolio benefits

1. Based on Gross Property income as at 30 June 2022

VALUE-ADD PIPELINE OVERVIEW

ATTRIBUTES



Organically evolved from existing asset base across medical and essential retail asset classes.



Largely a collection of smaller value-add projects



Major existing tenants underpinning key projects



Flexibility in staging and timing dependent on market conditions



UPDATE AND FORECAST



First wave of value-add projects completed post listing



Expanded scope of works driven by medical demand



Building and strengthening team to deliver



Project will still be required to meet minimum return hurdles



Keppel Bay Plaza Stage 1 Completed Project



Springfield Fair Completed Project



Ballina Central Completed Project

VALUE-ADD PIPELINE – PROGRAM UPDATE

Project Overview		Development Update		
Property Name	Sector	Phase 1 – Development Approval	Phase 2 – Income Pre-commitment	Phase 3 – Construction^
Completed / Underway Projects				
Ballina Central – Stage 1	 Essential Retail	●	●	●
Keppel Bay Plaza - Stage 1	 Essential Retail	●	●	●
Coomera Square	 Essential Retail	●	●	●
Springfield Fair	 Essential Retail	●	●	●
Windaroo Village	 Essential Retail	●	●	●
Keppel Bay Plaza - Stage 2 ¹	 Essential Retail	●	●	◐
Immediate Value-Add Projects				
North Lakes	 Essential Retail	●	●	○
Ballina Central - Stage 2	 Essential Retail	◐	●	○
Coles Rutherford	 Essential Retail	◐	◐	○
Mayo Private Hospital	 Medical	◐	●	○
Miami Private Hospital	 Medical	◐	◐	○
Willetts Health Precinct	 Medical	◐	◐	○
Northwest Private Hospital	 Medical	◐	●	○
Total Project Costs² – Approx.	\$140 million			
Medium Term Strategic Value Add Projects				
Mowbray Marketplace	 Essential Retail	◐	○	○
Yeronga Village	 Essential Retail	●	○	○
Dubbo Private Hospital	 Medical	●	●	○
Total Project Costs² – Approx.	\$100 million			
Total Project Costs² – Approx.	\$200+ Million			

1. Keppel Bay Plaza anticipated for Completion in Q1 FY2023

2. Total project cost may incorporate assumptions on building contract price, leasing incentives and other costs that may be subject to change.

5. OUTLOOK

FY23 OUTLOOK

Continuation of the strategy

- ◆ Does not include the potential impact of acquisitions or disposals
- ◆ Conservative estimate for interest rates¹
- ◆ Targeting 90% - 100% payout of the Fund's FFO
- ◆ Quarterly distributions
- ◆ Gearing expected to remain at lower end of the Fund's target range².
- ◆ Hedging policy to remain between 50% - 75% of drawn debt

5.7–5.8 cents

Forecast FY23 DPS³

1. Assumes average 3-month BBSW of 3.15%

2. Target gearing range of 25% - 40%.

3. Assumes no unexpected delays in delivery of value add projects

SUMMARY



Strong execution of the plan. Fund is well positioned against an uncertain economic backdrop and outperforming expectations. Driving further improved quality and resilience through an active management approach.



Prudent approach to **risk management**. High proportion of fund income exposed to annual rental escalators providing an embedded growth opportunity in an inflationary environment. Improved **capital management** and increased hedging cover provides downside protection.



Embedded growth from identified and activated pipeline now estimated at over \$200M+ largely driven by increased scope of medical and healthcare projects.



Continued focus by management to **grow income through development pipeline and portfolio enhancements** with a resolute commitment to essential services.

IMPORTANT INFORMATION

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6. OTHER INFORMATION



INCOME STATEMENT

REVENUE		FY22 (Oct 21 – Jun 22)
Gross property income	\$m	36.5
Unrealised gain on fair value investment properties	\$m	52.5
Unrealised gain on fair value derivatives	\$m	6.3
Realised gain on fair value investment properties	\$m	3.3
Total revenue	\$m	98.6

EXPENSES		
Direct property expenses	\$m	(11.3)
Transaction costs	\$m	(16.2)
Fund management fees	\$m	(4.0)
Finance costs	\$m	(4.2)
Other admin expenses	\$m	(0.6)
Impairment of intangibles	\$m	(0.9)
Total expenses	\$m	(37.2)
Statutory net profit	\$m	61.5
Funds from operations (FFO)	\$m	21.7
Weighted average securities on issue	m	521.1
FFO per security	cps	4.2
Distributions	\$m	20.8
Distribution per security	cps	4.0
Net tangible assets per security	\$	1.04

FFO RECONCILIATION

	FY22 (Oct 21 – Jun 22) \$'000
Net profit after tax for the period	61.5
Adjusted for:	
Reversal of straight-line lease revenue recognition	(0.5)
Reversal of unrealised fair value (gain) on investment properties	(52.5)
Reversal of unrealised fair value (gain) on derivatives	(6.3)
Reversal of realised fair value (gain) on investment properties	(3.4)
Reversal of amortisation of intangibles asset	0.9
Add back amortised borrowing costs	0.9
Add back amortised leasing costs and tenant incentives	4.4
Add back transaction costs	16.2
Add back rent free and abatements	0.5
Funds From Operations (FFO)	21.7
Distribution declared	20.8
Weighted securities on issue (million)	521.1
FFO (cents per security)	4.2
Distribution per security (cents per security)	4.0
FFO payout ratio (% of FFO)	96.0

CONSOLIDATED BALANCE SHEET

	30 Jun 2022 \$m
Cash and equivalents	15.8
Investment properties	798.2
Other assets	18.3
Total assets	832.3
Borrowings	(259.2)
Distributions payable	(7.5)
Other liabilities	(15.0)
Total liabilities	(281.7)
Net assets	550.7
Stapled securities on issue (millions)	521.1
NTA per security (\$)	1.04