

RAM ESSENTIAL SERVICES PROPERTY FUND

HY23 Financial & Operating Results

27 February 2023



AGENDA

1. Overview
2. Financial Performance
3. Portfolio Update
4. Value-add Pipeline
5. Outlook
6. Other Information



1. OVERVIEW



HY23 HIGHLIGHTS

Well positioned for a higher inflation environment with strong underlying growth



Portfolio



Strong Leasing Outcomes

+10% spreads across
22 renewals



Resilient Tenancy Mix

Occupancy stable at 98%¹



\$200m+ Value-Add pipeline

+\$15m commenced
and planned projects



Financial



Stable Valuations

WACR +4 bps to 5.49%
+1% increase in book value



Continued Income Growth

Strong CPI reviews
offsetting higher interest



Reiterating FY23 Guidance

DPS 5.7-5.8 cents
Forecast annualised
distribution yield of 7%²



Capital Management



Increased Debt Headroom and Duration

\$44 million headroom
3.1 years maturity



Extended Hedges

Hedge coverage of 59%
Extended duration to 2.1 years



Solid Balance Sheet

Low end of gearing range and
comfortably within covenants

1. Includes rental guarantees over vacant area and excludes areas withheld for development
2. Based on a closing price of \$0.81 on 20 February 2023

REP INVESTMENT CASE

Unique exposure to attractive sectors



SUSTAINABILITY AND REPORTING

Developing sustainability frameworks to be implemented and documented across all assets



REAL GIVING PROGRAMME



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.

INCLUSIVE EMPLOYER



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.

PRIDE IN DIVERSITY



RAM is a member of the Pride in Diversity Inclusion Programme. Pride in Diversity is Australia's first and only national not-for-profit employer support program for all aspects of LGBTQ workplace inclusion.

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.

2. FINANCIAL PERFORMANCE



FUNDS FROM OPERATIONS (FFO)

Operational growth absorbing higher interest costs

Funds from Operations (FFO net of adjustments)	HY23 ¹	HY22 ²	
	\$'000	\$'000	
Property NOI	22,276	7,611	<ul style="list-style-type: none"> ◆ Strong leasing spreads ◆ Rent from completed value-add projects ◆ Organic growth through WARR 3.4% and CPI linked leases ◆ 68% net leases offsetting inflationary cost growth
Management Fees	(3,034)	(930)	
Net Finance Costs	(4,069)	(940)	Increased cost of debt in line with expectations mitigated by hedging
Other Expenses	(776)	(198)	
Funds from Operations (FFO)	14,397	5,543	
FFO Per Security (cents)	2.76	1.06	
Distributions Per Security (cents)	2.90	1.09	On track for FY23 guidance of 5.7 – 5.8 cps ³

1. Financial performance for the period 1 July 2022 to 31 December 2022

2. Financial performance for the period 20 October 2021 to 31 December 2021

3. Guidance assumes average 3-month BBSW of 3.20%, target gearing range of 25% - 40% and assumes no unexpected delays in delivery of value-add projects.

BALANCE SHEET & CAPITAL MANAGEMENT

Strengthened balance sheet and improved visibility

- ◆ Gearing of 32.8% at low end of policy range and comfortably within facility covenant
- ◆ Agreed new syndicated debt facility increasing limit and extending duration of total debt
- ◆ Additional interest rate hedging executed to increase proportion hedged to 59%

Key Debt Metrics	31 Dec 2022	30 Jun 2022
Gearing ¹	32.8%	29.9%
Cost of debt ²	3.37%	2.26%
Total borrowings	\$280.2	\$259.2m
NTA per security	\$1.03	\$1.04
Interest Cover Ratio	6.0x	5.9x

Increased Facility and Hedge Post Balance Date³

\$44m
Headroom

3.1 yrs
Debt Maturity

59%
Hedged

2.1 yrs
Hedge Duration

1. Gearing is defined as ratio of total net borrowing over total assets less cash.

2. Average effective interest rate for the period includes margin, undrawn line fees, swap costs fees and capitalised interest.

3. During February, the syndicated debt facility was increased to \$300m with weighted average duration of 3.1 years. Additional hedging was also put in place which maintained the weighted average duration of 2.4 years and increased coverage to 58.9% of the debt portfolio.

3. PORTFOLIO UPDATE



PORTFOLIO OVERVIEW

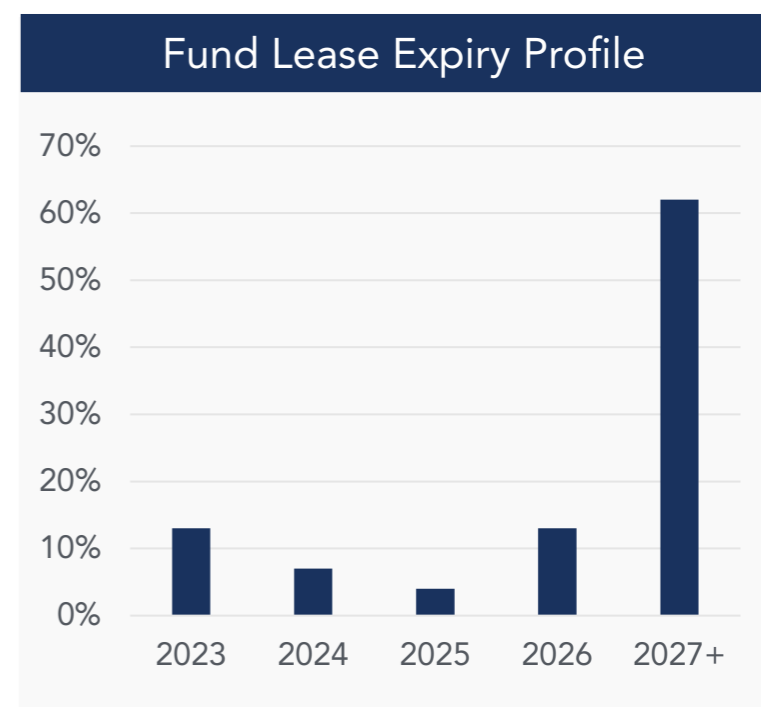
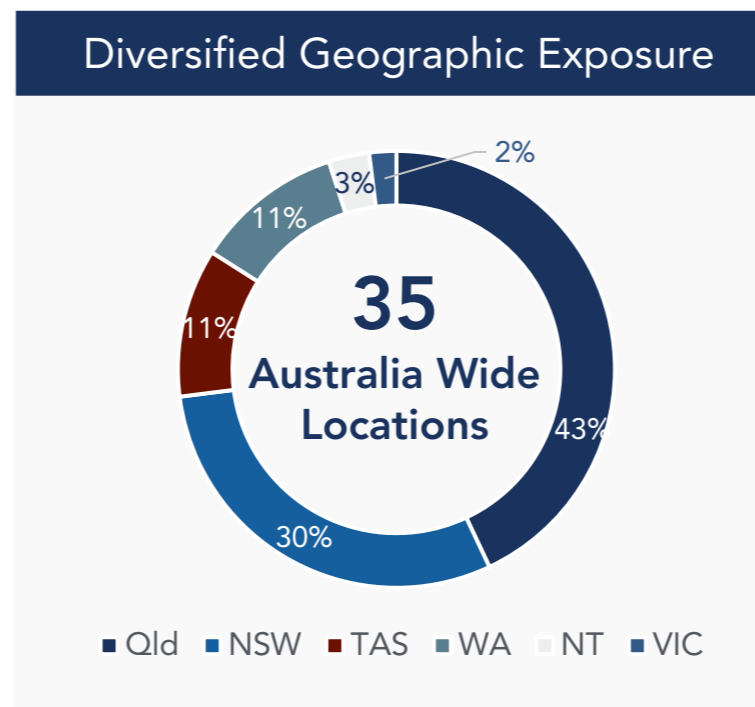
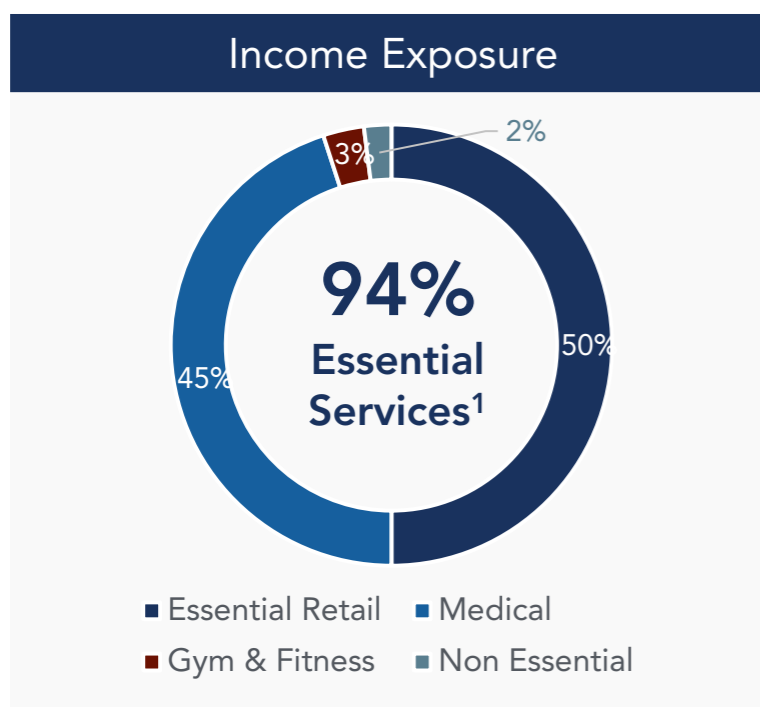
Diversified portfolio uniquely exposed to attractive sectors

	30 June 22	31 Dec 22
Number of Properties	35	35
Total Property Value	\$798.2m	\$807.1m
Weighted Average Capitalisation Rate (WACR)	5.45%	5.49%
Occupancy ²	99%	98%
Tenants	301	297
% income subject to annual rental increases	90%	90%

 **98% Occupancy²**

 **7 Year WALE**

 **50% Medical Exposure**



1. Based on Gross Property income as at 31 December 2022
 2. Includes rental guarantees over vacant area and excludes areas withheld for development

PORTFOLIO RESILIENCE SHINING THROUGH

Strong leasing outcomes driving underlying income growth

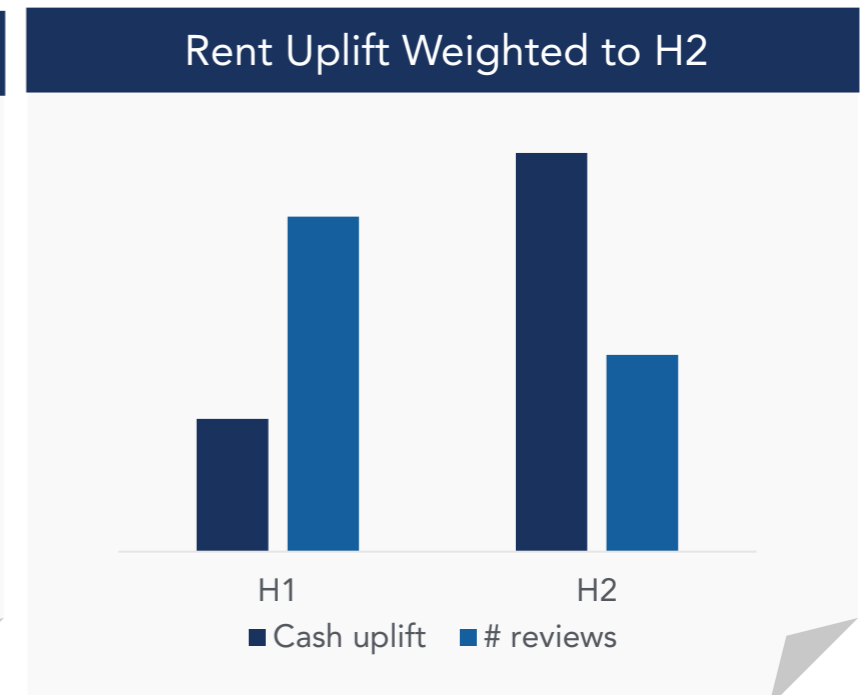
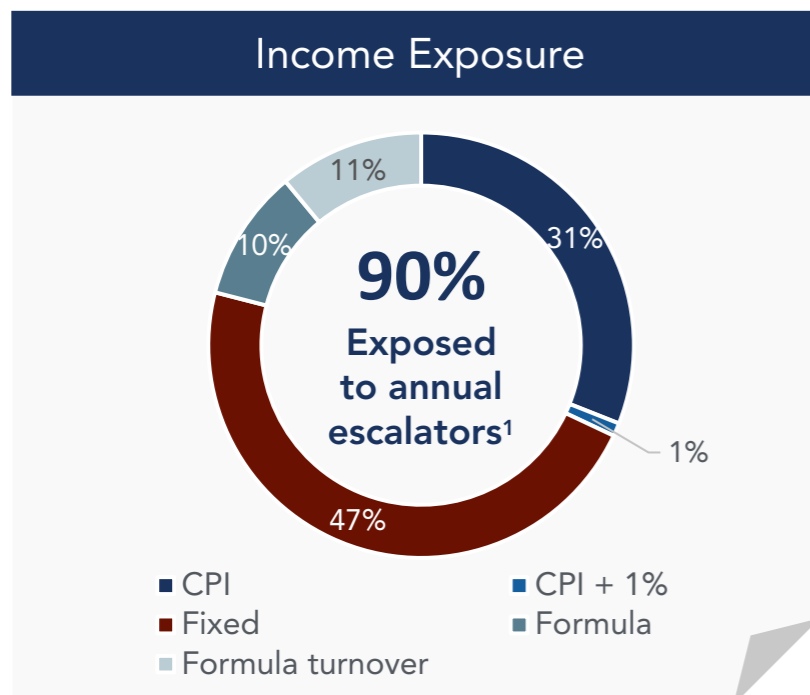
- ◆ Good capital discipline
 - Acquired assets at attractive cap rates
 - Expanded and specialist leasing team driving positive outcomes
- ◆ Tenants well positioned and delivering strong performance in an inflationary environment
- ◆ Exposure to CPI and annual reviews provides high degree of growth
- ◆ Strong performance from Major tenants

 **+3.4% WARR**

 **+8.1% Total Leasing Spread**

 **+10.0% Renewals**

 **+5.7% New Deals**



1. Based on Gross Property income as at 31 December 2022

TENANTS ARE WELL POSITIONED

Resilient tenants exposed to sector tailwinds underpinning cash flow growth

Essential Retail

- ◆ Strong demand for Essential Retail: food retailing one of only two categories to experience positive retail trade in Dec QTR.
- ◆ Underpinned by high performing majors tenants with MAT growth of 8.1%
- ◆ Strong leasing spreads of +10% across 22 renewals and spread of +8% across 38 deals in total
- ◆ Neighbourhood shopping centre values continue to be more resilient when compared to other retail asset classes

Healthcare

- ◆ Exposure to major operators highlights the strength of tenant covenant
- ◆ High exposure to specialised and hard-to-replicate Primary Healthcare
- ◆ Located in catchments with complementary demographics driving increased demand for health services
- ◆ Significant growth in mental health facilities, supported by unprecedented government funding.

Rank	Tenant	Category		% of Income
1	 healthcare™	Medical		10.9%
2	 WOOLWORTHS GROUP	Essential Retail		10.0%
3	 coles	Essential Retail		7.1%
4	 ST JOHN OF GOD Health Care	Medical		2.3%
5	 Wesfarmers	Essential Retail		2.3%
6	 IPN MEDICAL CENTRES	Medical		2.3%
7	 IGA	Essential Retail		2.3%
8	 Avanti HEALTH CENTRE	Medical		2.3%
9	 endeavour group	Essential Retail		2.2%
10	 life Fertility Clinic	Medical		2.1%

RESILIENT ASSET VALUATIONS

Strong income growth offsetting cap rate expansion

- ◆ 45% of the portfolio externally revalued as at 31 December 2022¹
- ◆ 1.1% total portfolio valuation increase
- ◆ Income growth offsetting capitalisation rate expansion



45% Portfolio Revalued



1% Increase on Prior Book Value



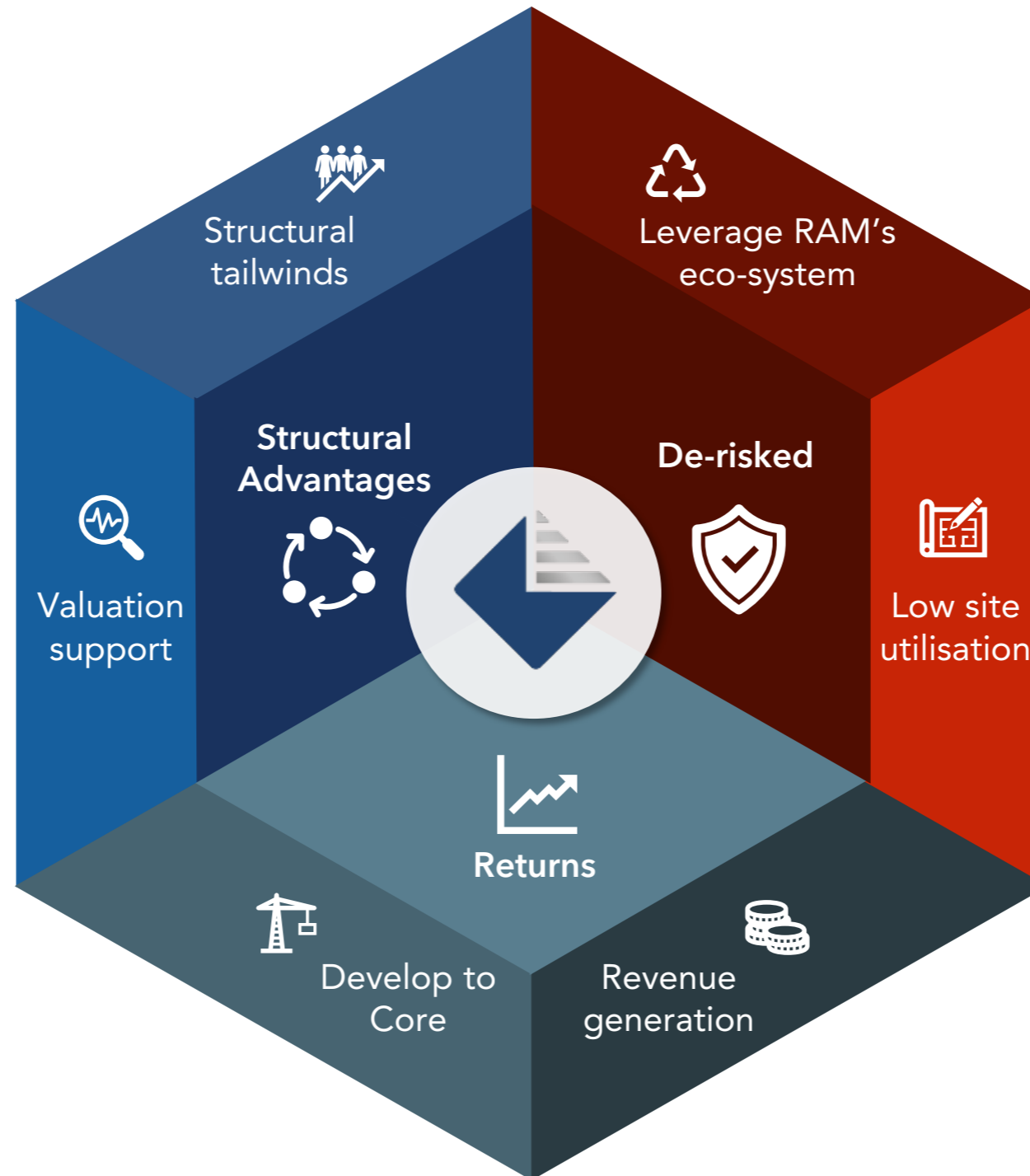
+4 bps WACR Expansion

	Medical	Essential Retail	Total
Number of Properties	23	12	35
31 December 2022 Book Value (\$m)	\$368.94m	\$438.11m	\$807.05m
WACR at Dec 22	5.32%	5.64%	5.49%
WACR Mvt (Jun – Dec)	+10 bps	-1 bps	+4 bps
% Portfolio ¹	45.7%	54.3%	100.0%
Reval Uplift (%) ²	0.59%	1.54%	1.10%

1. Weighted by valuation.
2. Net of transaction costs

A LONG-TERM COMMITMENT TO HEALTHCARE

Attractive risk adjusted returns for investors



4. VALUE-ADD PIPELINE



VALUE-ADD PIPELINE OVERVIEW

CHARACTERISTICS



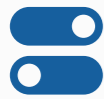
Organically evolved from existing asset base across medical and essential retail asset classes



Largely a collection of smaller value-add projects



Major existing tenants underpinning key projects



Flexibility in staging and timing dependent on tenant demand

UPDATE



Progressing through master planning and approvals for key projects



Increased scope of works in healthcare driven by tenant demand



Expanded internal healthcare capability unearthing new opportunities



Prudent capital management in timing and delivery



Coles Rutherford
Expansion Opportunity
















Miami Day Hospital
Expansion Opportunity



Ballina Central – Stage 2
Freestanding Childcare

VALUE-ADD PIPELINE – PROGRAM UPDATE

Project Overview		Development Update		
Property Name	Sector	Phase 1 – Development Approval	Phase 2 – Income Pre-commitment	Phase 3 – Construction [^]
Delivered Projects				
Six Projects	 Essential Retail	●	●	●
Forecast Commencements¹				
North Lakes	 Essential Retail	●	●	○
Mayo Private Hospital	 Medical	◐	●	○
Northwest Private Hospital	 Medical	◐	●	○
Planned Value-Add Projects				
Ballina Central - Stage 2	 Essential Retail	●	●	○
Coles Rutherford	 Essential Retail	◐	◐	○
Miami Private Hospital	 Medical	●	◐	○
Willetts Health Precinct – Stage 1	 Medical	●	●	○
Willetts Health Precinct – Stage 2	 Medical	◐	◐	○
Springfield Fair	 Essential Retail	●	◐	○
Total Project Costs² – Approx.	\$155 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. Subject to final approval

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

COMPLETED PROJECTS ADDING VALUE TO UNDER-UTILISED SITES



Coomera Square



Springfield Fair



- ↶ Increased WALE via new leases agreed with major tenants
- ↶ Utilisation of low site coverage through development of low-risk pre-committed pad sites
- ↶ Accretive earnings through delivery of value-add pipeline

5. OUTLOOK



FY23 GUIDANCE

5.7 – 5.8 cents¹
Distribution Per Security



7.0%²
Forecast Annualised
Distribution Yield



90% – 100%
Target FFO Payout Ratio



Distribution
Paid in Quarterly
Instalments








1. Guidance assumes average 3-month BBSW of 3.20%, target gearing range of 25% - 40% and assumes no unexpected delays in delivery of value-add projects.
2. Based on a closing price of \$0.81 on 20 February 2023



EXECUTING STRATEGY AND DELIVERING GROWTH

Unique exposure to attractive sectors

 <p>Actively managed</p>	<ul style="list-style-type: none"> ◆ Strong leasing outcomes with 10% spreads on renewals ◆ New developments and increased scope identified
 <p>Resilient portfolio delivering growth</p>	<ul style="list-style-type: none"> ◆ Stable and secure rental income with 94% of fund income from essential service tenants with 98% occupancy and 7 years WALE ◆ 32% of fund income exposed to CPI linked annual rental escalators, 66% fund exposed to net leases ◆ Income growth offsetting modest capitalisation rate expansion
 <p>Embedded growth levers</p>	<ul style="list-style-type: none"> ◆ Progression of value-add pipeline (\$200m+ over a five-year period) with increased scope driven by amplified development pipeline across medical portfolio ◆ Provides continued growth of asset base via strategic developments with yield-on-costs, on-average, greater than core capitalisation rate of assets under development.
 <p>Prudent capital management</p>	<ul style="list-style-type: none"> ◆ Gearing of 32.8% towards lower end of targeted range and comfortably within debt covenants ◆ Terms agreed to increase debt facility to \$300m with extended average maturity to 3.1 years ◆ Increased hedging to 59% improving duration to 2.1 years ◆ Capital recycling optionality to fund opportunistic acquisitions or ramp value add pipeline
 <p>FY23 guidance</p>	<ul style="list-style-type: none"> ◆ FY23 DPS guidance of 5.7 – 5.8 cents¹ per security reiterated with a forecast yield of 7%²

1. Guidance assumes average 3-month BBSW of 3.20%, target gearing range of 25% - 40% and assumes no unexpected delays in delivery of value-add projects.

2. Based on a closing price of \$0.81 on 20 February 2023

IMPORTANT INFORMATION

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6. OTHER INFORMATION





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

Extensive experience coupled with a culture of active management driving positive outcomes across leasing, asset repositioning and capital expenditure.



DELIVER ORGANIC GROWTH

Providing investors with earnings growth through effective lease structures providing continued income growth. Additional growth provided through strategic value-add pipeline.



PARTNERSHIP MODEL

Built deep relationships with major retail tenants and healthcare providers driving strong leasing outcomes and potential acquisition and development opportunities.



ACQUISITION PIPELINE

Active engagement with retail and healthcare operating partners provides unique exposure for investors to a continued pipeline of off-market opportunities.

INCOME STATEMENT

REVENUE		HY23	HY22 (Oct-Dec 21)
Rent from investment properties	\$m	28,965	9,793
Net unrealised gains on revaluation of properties	\$m	-	33,105
Net unrealised gains on derivative financial instruments	\$m	-	435
Interest revenue	\$m	2	-
Total revenue	\$m	28,967	43,333
EXPENSES			
Direct property expenses	\$m	(8,152)	(2,888)
Transaction costs	\$m	-	(10,782)
Fund management fees	\$m	(3,034)	(930)
Net unrealised losses on revaluation of properties	\$m	(6,378)	-
Net unrealised losses on derivative financial instruments	\$m	(213)	-
Finance costs	\$m	(4,618)	(1,317)
Other admin expenses	\$m	(776)	(198)
Impairment of intangibles	\$m	(2,471)	-
Total expenses	\$m	(25,642)	(16,115)
Statutory net profit	\$m	3,325	27,218
Funds from operations (FFO)	\$m	14,397	5,543
Weighted average securities on issue	m	521.1	521.1
FFO per security	cps	2.76	1.06
Distributions	\$m	15,133	5,690
Distribution per security	cps	2.90	1.09
Net tangible assets per security	\$	1.03	1.04

FFO RECONCILIATION

		HY23	HY22 (Oct–Dec 21)
Net profit after tax for the period	\$m	3,325	27,218
Adjusted for:	\$m		
Reversal of straight-line lease revenue recognition	\$m	(599)	(194)
Reversal of unrealised fair value (gain) on investment properties	\$m	6,378	(33,105)
Reversal of unrealised fair value (gain) on derivatives	\$m	213	(435)
Add back amortised leasing costs and tenant incentives	\$m	2,000	711
Add back amortised borrowing costs	\$m	549	377
Add back straight lining of rent	\$m	(599)	(194)
Add back rent free and abatements	\$m	60	189
Impairment of intangibles assets	\$m	2,471	-
Add back transaction costs	\$m	-	10,782
Funds From Operations (FFO)	\$m	14,397	5,543
Distribution declared	\$m	15,133	5,690
Weighted securities on issue (million)	M	521.1	521.1
FFO (cents per security)	Cents	2.76	1.06
Distribution per security (cents per security)	Cents	2.90	1.09

CONSOLIDATED BALANCE SHEET

		31 Dec 2022	30 Jun 2022
Cash and equivalents	\$m	10.0	15.8
Investment properties	\$m	807.0	798.2
Other assets	\$m	17.7	18.3
Total assets	\$m	834.7	832.3
Borrowings	\$m	(278.4)	(257.0)
Trade and other payables	\$m	(17.5)	(24.7)
Total liabilities	\$m	(295.8)	(281.7)
Net assets	\$m	538.8	550.7
Stapled securities on issue (millions)	M	521.1	521.1
NTA per security (\$)	\$	1.03	1.04