

# FY2018 RESULTS PRESENTATION

23 AUGUST 2018

[www.apngroup.com.au](http://www.apngroup.com.au)  
ASX Code: APD

**APN** | Property Group

# FY2018 financial highlights

OPERATING EARNINGS <sup>1</sup>	\$8.2 million ▲ 12% pcp, 2.63 cents per share (cps) Statutory NPAT: \$13.6 million ▲ 27% pcp 97% income from recurring sources
FUM	\$2.8 billion ▲ \$308 million, 12% <sup>2</sup>
DIVIDENDS	2.25 cps fully franked ▲ 13% Interim: 1.25 cps Final: 1.00 cps
BALANCE SHEET	NTA: 37.7 cps Cash: \$15.0 million <sup>3</sup>
TOTAL SHAREHOLDER RETURN <sup>4</sup>	1 year: 16.5% 3 years: 26.5% pa

1. Operating earnings is an unaudited after tax metric used by management as the key measurement of underlying performance of the Group. It adjusts statutory profit for certain non-operating items recorded in the income statement including minority interests, discontinued operations, business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.
2. 12% increase based on 30 June 2017 FuM of \$2.5 billion excluding pro-forma adjustment. Increase of 7% on 30 June 2017 Pro-Forma FuM of \$2.6 billion, refer to FY2017 result announcement for further information.
3. Includes cash held in trust for underlying funds managed by the Group of \$0.3 million and \$5.0 million for AFS Licences.
4. Per annum as at 30 June 2018. Includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required.

# FY2018 operational highlights

## Strong income focused returns achieved across the group

- ✓ Securities funds continue to generate strong income performance – true to 'property for income' label
  - FUM increased over \$130 million, Asian REIT FUM increased 85%
  - Leadership succession plan implemented
- ✓ Strong performance by Industria REIT
  - Continued client engagement generated 13,600 sqm of leasing
  - Growth in net tangible assets per security of 5.1% to \$2.70 per security
  - Strong balance sheet post refinance and revaluation gains
- ✓ Successful ASX listing of Convenience Retail REIT
  - Four properties acquired for \$27.4 million<sup>1</sup> post IPO<sup>2</sup>
  - Portfolio valuation \$340 million, FUM up 11.4% since IPO
  - FY2018 FFO exceeded PDS guidance
- ✓ Value focused and active approach taken to Direct Property division growth
  - \$580 million offers submitted, over \$1.4 billion assessed
  - Launched APN Nowra Property Fund
- ✓ Capital structure / stapling review complete – proposal to be put to November 2018 AGM

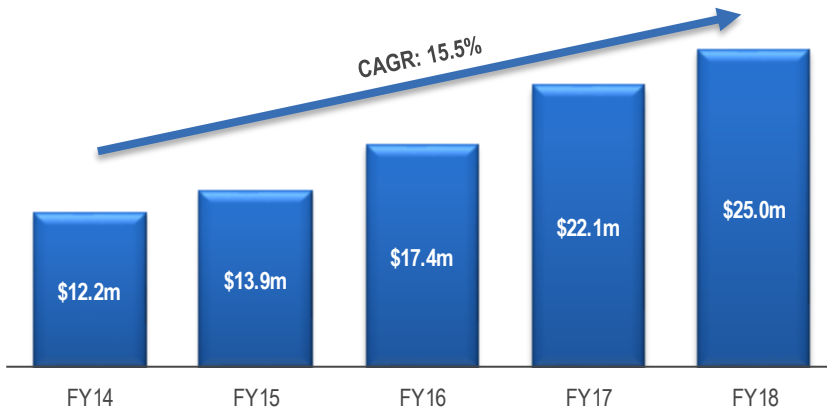


1. Total purchase price excluding transaction costs. Unconditional sale contract for Puma Mt Larcom entered into on 17 August 2018. Refer [creit.com.au](http://creit.com.au) for further information.

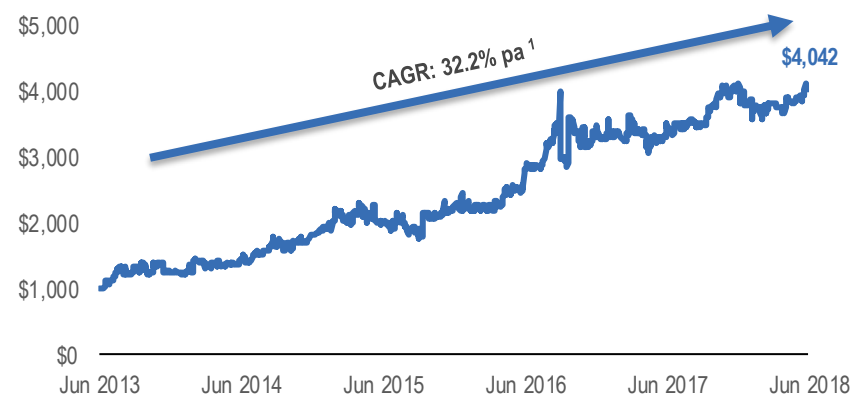
# Strong performance over five years

Dividend covered with recurring income and has increased 80% over this period

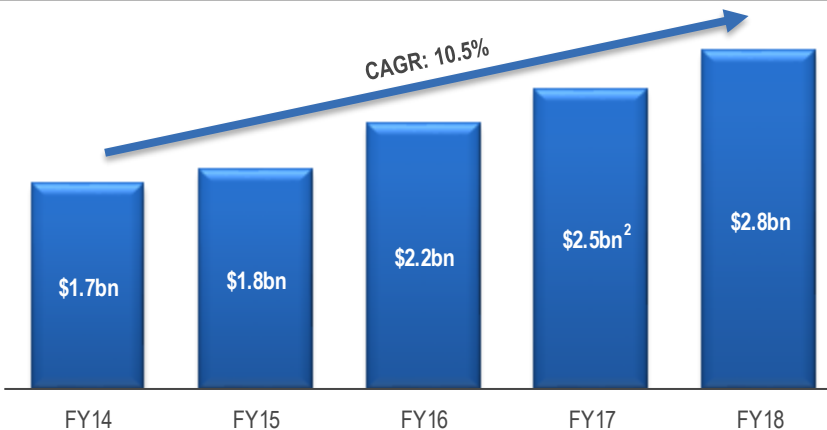
### Recurring Income Growth



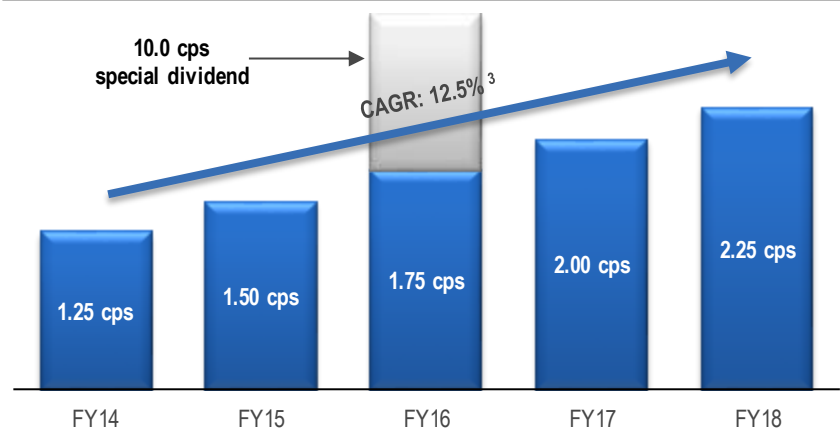
### Total Shareholder Return



### Funds Under Management



### Dividends



1. Per annum as at 30 June 2018. Includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required assuming \$1,000 invested 5 years ago  
 2. 30 June 2017 FuM of \$2.5 billion. Pro-Forma 30 June 2017 FuM of \$2.6 billion, includes \$113 million of asset acquisitions not complete at balance date but scheduled to settle before 31 October 2017 by CRR.  
 3. Excludes special dividend of 10 cps

## Strong operating earnings growth

Income Statement (\$000s)	FY2018	FY2017	Change
Funds management fees	14,195	12,873	▲ 10%
Performance & transaction fees	670	845	▼ 21%
Asset & project management fees	127	229	▼ 45%
Registry & other fees	2,215	2,433	▼ 9%
<b>Total Net Funds Management Income</b>	<b>17,207</b>	<b>16,380</b>	<b>▲ 5%</b>
Co-investment income	6,780	4,590	▲ 48%
Rental and other property related income	1,649	1,997	▼ 17%
<b>Total Net Income</b>	<b>25,636</b>	<b>22,967</b>	<b>▲ 12%</b>
Employment costs	(10,498)	(8,922)	▲ 18%
Occupancy costs	(682)	(578)	▲ 18%
Sales and marketing costs	(761)	(763)	▼ -%
Other costs	(2,119)	(2,046)	▲ 4%
Depreciation & amortisation	(204)	(155)	▲ 32%
Finance income/(expense)	(465)	134	▼ 447%
<b>Operating earnings before tax</b>	<b>10,907</b>	<b>10,637</b>	<b>▲ 3%</b>
Income tax expense	(2,696)	(3,317)	▼ 19%
<b>Operating earnings (after tax and MI)<sup>1</sup></b>	<b>8,211</b>	<b>7,320</b>	<b>▲ 12%</b>
Other non-operating activities <sup>2</sup> after tax & MI	5,347	3,313	▲ 61%
Loss from discount. operations after tax & MI	7	58	▼ 88%
<b>Statutory profit after tax &amp; MI</b>	<b>13,565</b>	<b>10,691</b>	<b>▲ 27%</b>
<b>Key performance metrics (cents per share)</b>			
EPS – Operating Earnings	2.63	2.35	▲ 12%

Reflects additional assets acquired by Convenience Retail REIT (CRR) and full year contribution of WesTrac in Industria REIT (IDR)

Co-investment income (not including mark to market gains) up 48% to \$6.8 million - additional \$17.3 million of capital was invested into CRR and IDR

97% of Total Net Income from recurring sources

Includes new resources and capacity in the Direct Property division, provisions for Securities leadership transition and LTI plan

Underlying occupancy costs decreased following renegotiation of office lease, prior period lower due to release of make good and straight lining provision

1. Operating earnings is an unaudited after tax metric used by management as the key performance measurement of underlying performance of the Group. It adjusts statutory profit for certain non-operating items recorded in the income statement including minority interests, discontinued operations, business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.
2. Non-operating activities include business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.

## Well capitalised for future growth

Balance Sheet (\$000s)	June 2018	June 2017	Change
Cash <sup>1</sup>	14,986	18,640 ▼	20%
Co-investments	102,201	77,820 ▲	31%
Investment properties (inc held for sale)	24,200	24,200	-
Other assets	6,667	8,961 ▼	26%
Intangible assets & deferred tax asset	1,742	1,758 ▼	1%
<b>Total assets</b>	<b>149,796</b>	<b>131,379 ▲</b>	<b>14%</b>
Trade payables, tax, provisions & MI	13,429	9,065 ▲	48%
Borrowings	16,495	10,456 ▲	58%
<b>Net Assets</b>	<b>119,872</b>	<b>111,858 ▲</b>	<b>7%</b>
<b>Net Tangible Assets</b>	<b>118,130</b>	<b>110,100 ▲</b>	<b>7%</b>
<b>NTA per share</b>	<b>37.7 cents</b>	<b>35.1 cents ▲</b>	<b>7%</b>

- Includes \$71.1m in IDR at \$2.65 per security – IDR NTA now \$2.70 (weighted average cap rate of 6.6%)
- Includes co-investment in CRR as part of ASX listing, valued at \$26.1 million (\$2.70 per security with NTA at \$2.87, weighted average cap rate 7.0%)

Investment properties held for sale comprises Woolworths / HCG South Nowra (valued at 7.0% cap rate with 13 years WALE guaranteed by Woolworths) which is agreed to be sold down for APN Nowra Property Fund

Borrowings includes \$10.5 million Nowra property debt

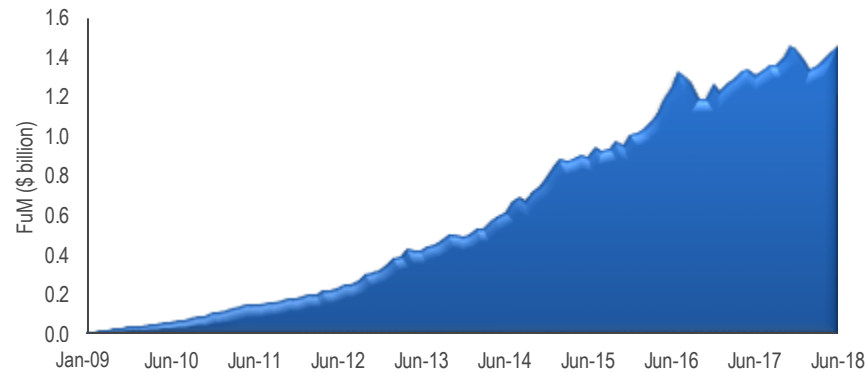
Refer slide 26 for further breakdown

<sup>1</sup> Includes cash of \$5.0 million for AFS licence (June 2017: \$5.0 million) and cash held in trust for underlying funds managed by the Group of \$0.3 million (June 2017: \$0.6 million)

# Real Estate Securities

- Leadership transition implemented, staged handover to Pete Morrissey from Michael Doble
- \$81 million in net inflows into AREIT strategy, \$7 million per month average (albeit slower last half year)
- Wholesale mandate growing, net inflows of \$69 million received FY2018 (included above)
- AREIT Fund distribution yield of 6.11%<sup>1</sup> pa paid monthly

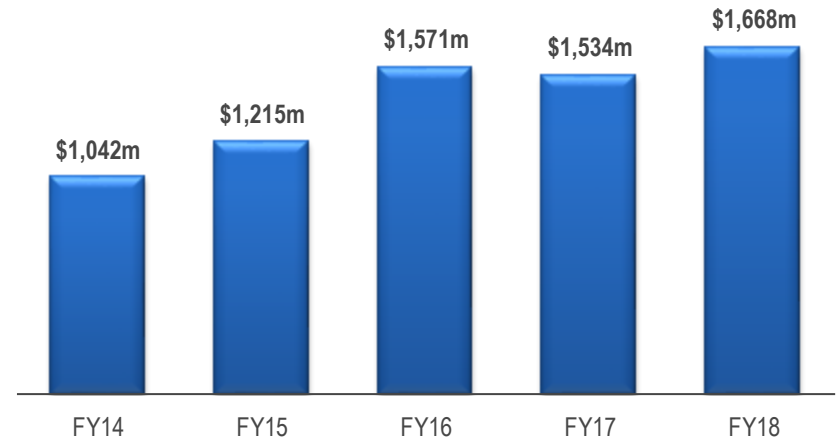
## APN AREIT strategy growth since inception (includes wholesale mandates)



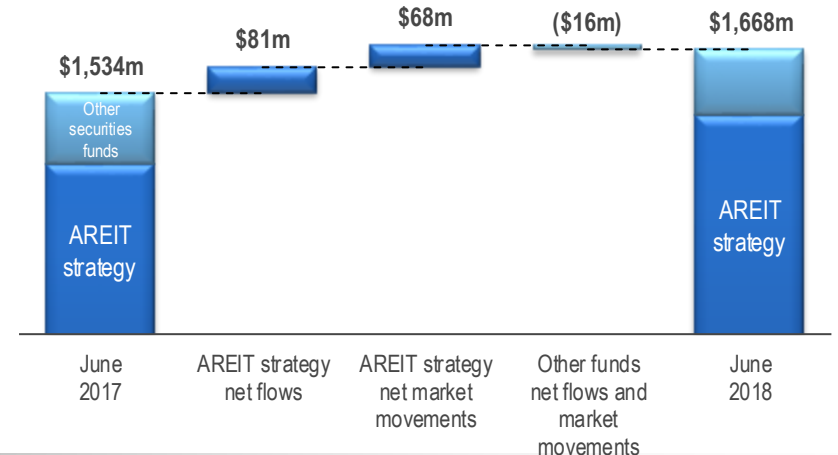
Source: APN

1. As at 30 June 2018 assuming entry price of \$1.7062 and monthly distributions of 0.8694 cents (annualised)

## Division FuM growth



## FY2018 FuM Growth Breakdown



# APN Asian REIT Fund – undiscovered investment opportunity

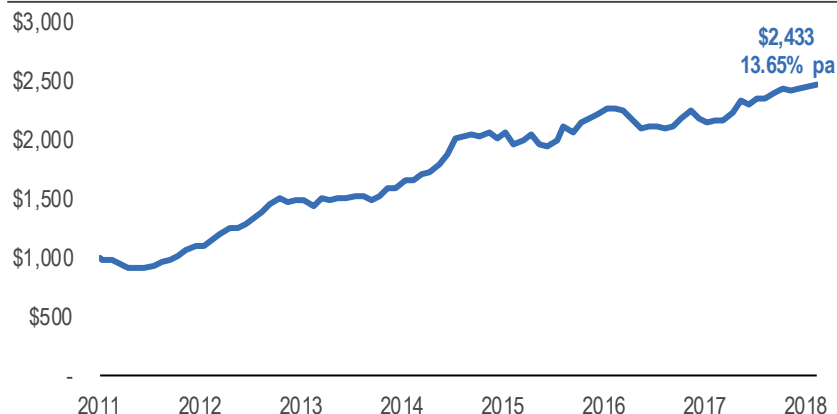
- Asian REIT Fund \$24 million of FuM at 30 June 2018, up 85%
- Achieved Lonsec Research ‘Investment Grade’ rating (July 2018) and SQM Research ‘Superior’ rating (June 2018)
- Institutional investment grade Asian commercial property (all listed on major Asian stock markets – Singapore, Hong Kong, Tokyo)
- Substantial, multi-generation growth potential is continuing with over 50% of the world’s entire population in the region
- Diversification delivering lower risk (below market volatility)
- Distribution yield 6.20% pa (June 2018) paid monthly
- Total return 13.65% pa since inception<sup>1</sup>
- Leverage existing strategy - new channels and product structures under investigation



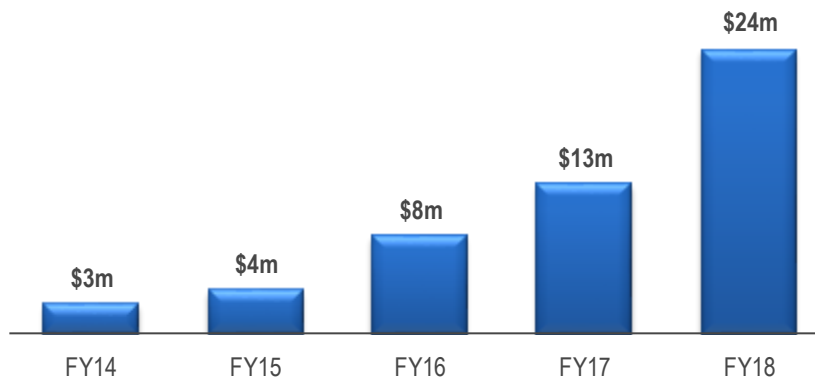
## Research ratings



## Performance - \$1,000 invested since inception<sup>1</sup>



## FuM Growth



1. APN Asian REIT Fund performance. Net of fees. Assumes reinvestment of distributions since inception. Inception 19 July 2011 to 30 June 2018.



## FY2018 highlights

- FFO increased 2.2% year on year to 18.5 cps, in line with guidance
- 5.1% increase in NTA; reduced gearing to 31.0%
- Client engagement continues to generate leasing outcomes – completing 13,600 sqm, only 2% income expiring in FY2019
- \$15.7 million post balance date acquisition announced

## Outlook

- Desirable and well leased portfolio with potential for further income and value upside
- FFO guidance of 2.5-3.5% earnings growth forecast in FY2019 - distribution guidance of 17.0 cps (3.0% increase)



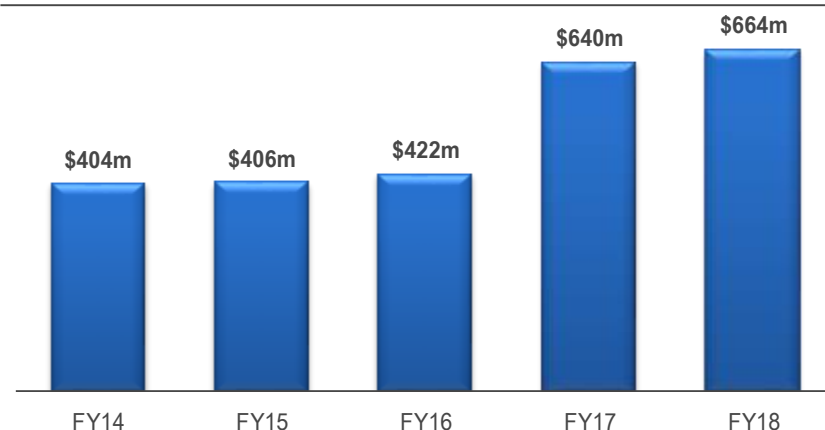
### Key metrics (ASX Code: IDR)

Market Capitalisation <sup>1</sup>	\$428m
Funds under Management <sup>2</sup>	\$664m
Forecast FY19 Distribution Yield <sup>1</sup>	6.5%
Distribution frequency	Quarterly
Occupancy	95%
WALE (by area)	6.9 years
Gearing	31.0%
Index inclusion	S&P/ASX 300

1. Based on 21 August 2018 security price

2. As at 30 June 2018

## FuM Growth



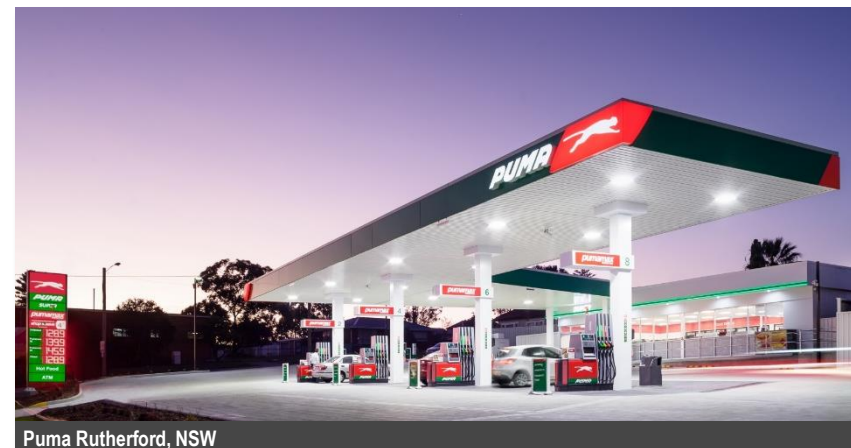
# Convenience Retail REIT

## FY2018 highlights

- Listed on ASX on 27 July 2017
- FFO 18.5 cps - above PDS forecast of 18.2 cps
- NTA increased by 14 cps to \$2.87 – up 5.1% since IPO
- Four properties acquired totalling \$27.4 million<sup>1</sup> post listing

## Outlook

- Well positioned – sustainable and growing income underpinned by long term leases and contracted annual rent increase
- Healthy balance sheet
- FFO guidance of 5 - 7% growth forecast in FY2019 compared to FY2018 (annualised)
- FY2019 distribution guidance of 20.9 cps (3.0% increase)



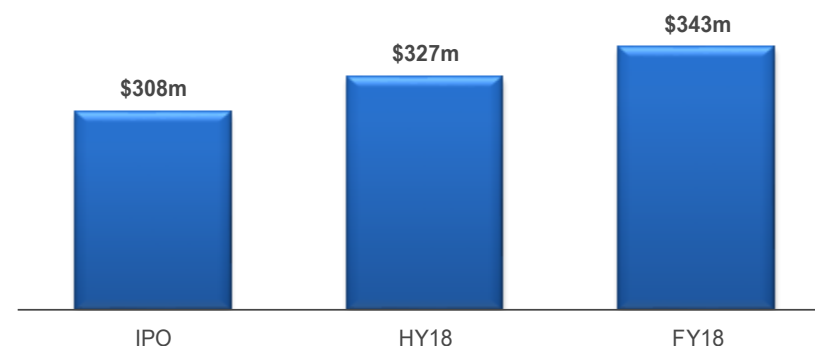
Puma Rutherford, NSW

## Key metrics (ASX Code: CRR)

Market Capitalisation <sup>2</sup>	\$218m
Funds under Management <sup>3</sup>	\$343m
Forecast FY19 Distribution Yield <sup>2</sup>	7.6%
Distribution frequency	Quarterly
Occupancy	100%
WALE (by income)	12.6 years
Gearing	31.7%

1. Total purchase price excluding transaction costs. Unconditional sale contract for Puma Mt Lacom entered into on 17 August 2018. Refer [creit.com.au](http://creit.com.au) for further information.  
 2. Based on 20 August 2018 security price  
 3. As at 30 June 2018

## FuM Growth

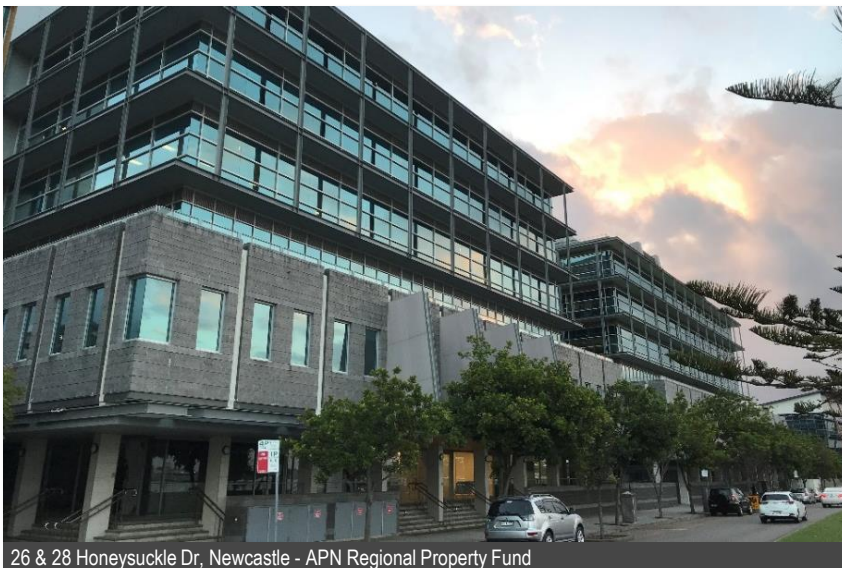


# Direct Property

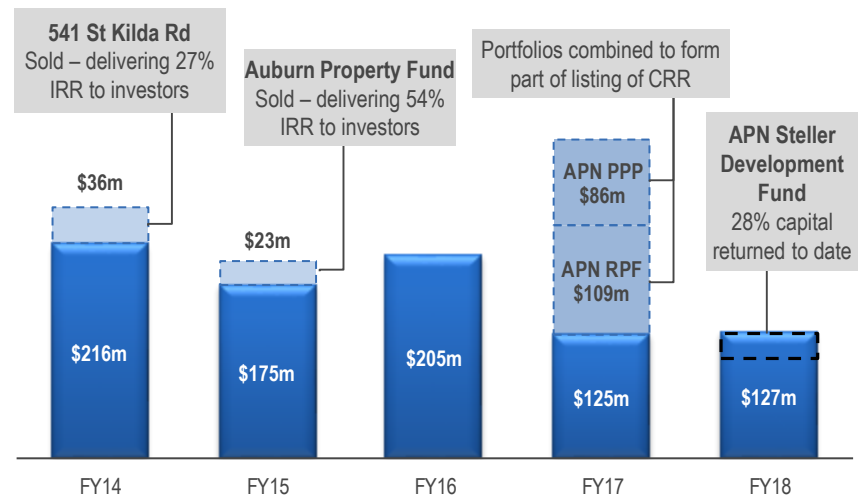
## Achievements

- APN Steller Development Fund – progressing well with 4 out of 6 projects complete, and on track to deliver investors 18% IRR
- Maintaining active leasing strategy and portfolio management resulting in strong occupancy for Coburg North (97%) and Regional Property (100%) Funds
- Launched APN Nowra Property Fund - a new single asset, large format retail opportunity in South Nowra NSW – refer slide 13
- Active period of opportunity analysis for further funds

\$ million	FuM
APN Regional Property Fund	\$53
APN Coburg North Retail Fund	\$21
APN Development Fund No. 2	\$40
APN Steller Development Fund	\$13
<b>Total</b>	<b>\$127</b>

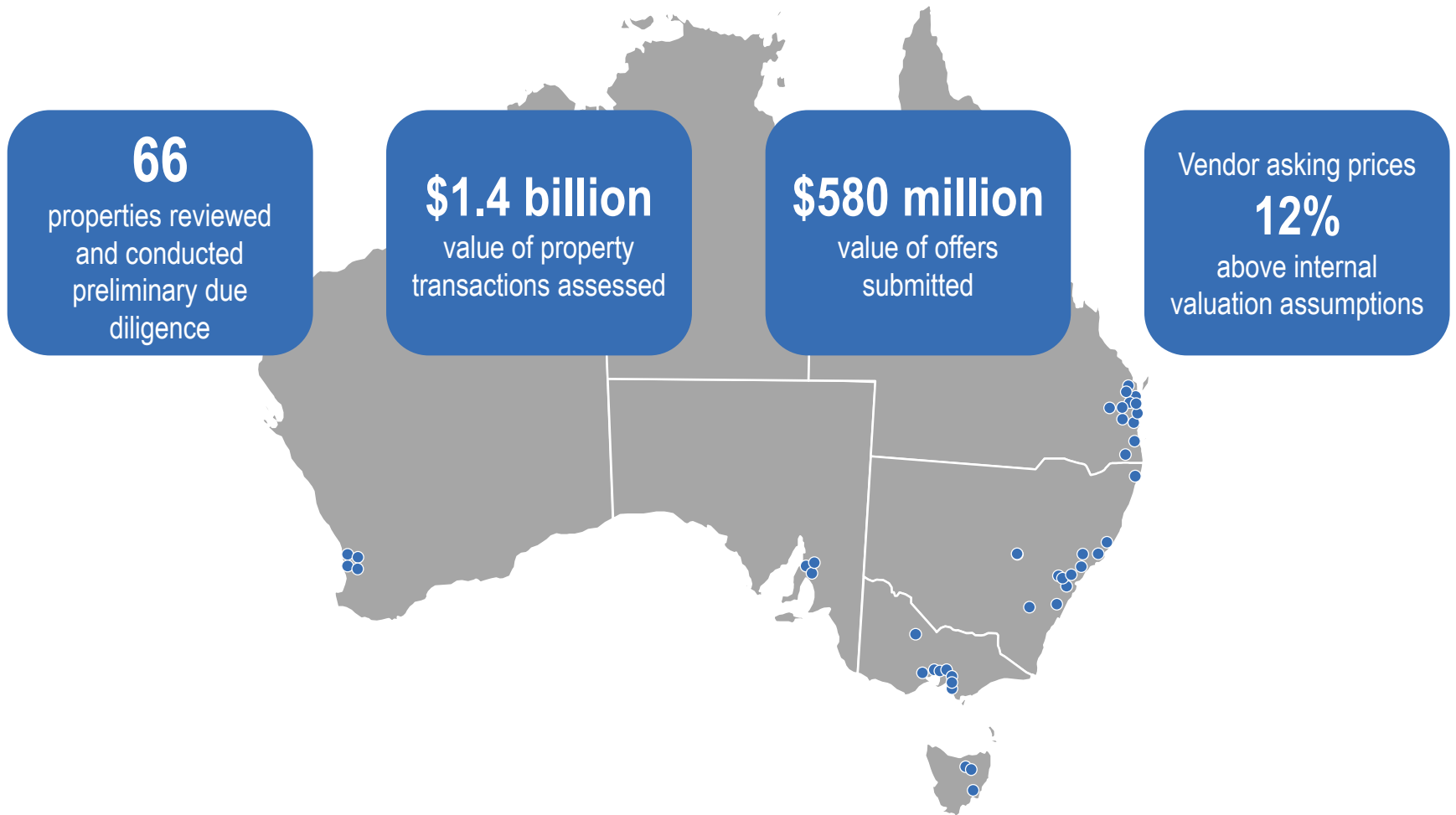


## FuM Growth



## Direct Property – active but disciplined approach

---



*We are prepared to wait for superior buying opportunities to emerge for our investors and new products*

# APN Nowra Property Fund – new wholesale syndicate

- New Large Format Retail property investment opportunity – with a 13 year remaining lease term to Home Consortium Group guaranteed by Woolworths Group Limited (ASX: WOW)
- Located in South Nowra, in an area of continuing population growth and within an established retail precinct, 2 hours drive south of Sydney on the NSW coast
- \$13.1 million equity raising launched
- Originally acquired a part of a portfolio together with Hungry Jacks Nowra, South Nowra Service Centre and 7-Eleven Eagleby, subsequently divested for a profit of \$2.74 million

<b>Investment type</b>	Single asset 5 year close ended unlisted property fund
<b>Distributions</b>	7.80% pa initial forecast yield*
<b>Gearing</b>	43.5%
<b>NTA</b>	\$1.05 (see below)
<b>Lease and Tenant</b>	13.03 year lease to Home Consortium Group with the rental income guaranteed by Woolworths Group Limited (ASX:WOW)
<b>Property value for the purpose of the offer</b>	\$22.8 million – \$1.4 million discount to independent valuation of \$24.2 million
<b>Performance fee</b>	30% over a 7.50% IRR. Due to initial property discount - fee is set to align the interests of APN with Unitholders by providing an incentive to maximise the outcome for investors and reflect the initial discount

\* Forecast only, distributions and returns and performance are not guaranteed – The forecast remains subject to a number of uncertainties and assumptions.



APN Nowra Property Fund



Home Consortium – Rutherford Centre, NSW (illustrative only)

# Market commentary and APN outlook

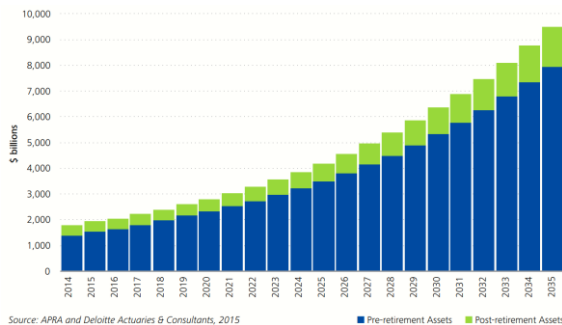
## Market and industry dynamics

- Low interest rate environment continuing
- Prices for risk assets (equities, property) remain high by most historical measures
- Australian economic growth reasonable; residential property adjusting (lower sales volumes and prices) – developers affected particularly due to tighter debt financing
- By market and by sector approach required for individual commercial property markets (office, retail, industrial, other)
- Despite retreat of some offshore capital – domestic institutional investors continue to deploy capital to commercial property
- Underlying superannuation assets continue to grow

## APN outlook and positioning

- Excellent industry dynamics - growing superannuation sector
- 'Property for income' products continue to appeal to retail and institutional investors – quality hard assets, high cash yields, modest debt levels
- Banking Royal Commission outcomes not yet clear however as an independent investment manager APN should continue to be well positioned – future capital flows / channels are evolving though, excellent governance remains essential
- APN's strong ongoing income focused investment performance and balance sheet provides excellent growth potential
- 'Sector agnostic' approach: flexibility to target better opportunities
- Prepared to take a patient approach given current market pricing to deliver long term investor and shareholder value

## Projected superannuation assets

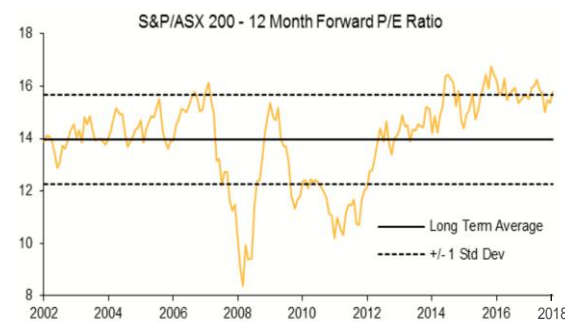


Source: APRA and Deloitte Actuaries & Consultants, 2015

■ Pre-retirement Assets ■ Post-retirement Assets

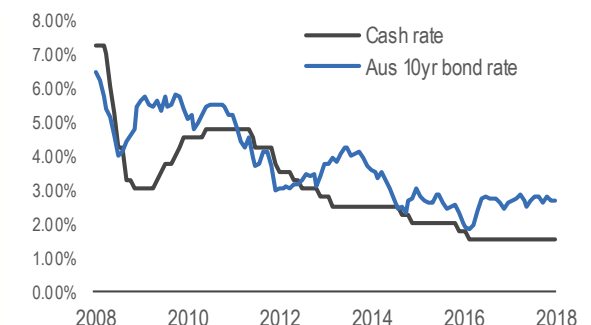
Source: Deloitte Dynamics of the Australian Superannuation System 2015

## P/E ratios remain at elevated levels



Source: Macquarie Research – Equity Strategy July 2018

## Low interest rates continue



Source: IRESS, 10 years to June 2018

# Growth opportunities

## REAL ESTATE SECURITIES

- Expanding inflows into Securities Funds
- Continue momentum growth of Asian Real Estate Securities Fund
- New equity raising channels and alternative product structures under consideration

## NEW PRODUCTS

- New products under active consideration
- Leverage track record, equity raising platform
- Income orientated products remain in high demand

## DIRECT PROPERTY

- New Funds / strategies under active consideration
- Income focused and higher risk / return ventures (including development)
- Established team with strong industry relationships

**Focus on risk and long term value creation**

## M & A OPPORTUNITIES

- Continue to evaluate opportunities
- Criteria involves careful evaluation of impact on risk and earnings growth potential
- Business as usual path remains attractive

## INDUSTRIA REIT

- Upside and rental income from ongoing asset management initiatives
- Acquisition opportunities to deliver attractive risk adjusted returns to IDR securityholders
- Balance sheet capacity to fund further growth



## CONVENIENCE RETAIL REIT

- Balance sheet capacity to fund further growth
- Opportunity to partner with Puma Energy to fund its further expansion in Australia
- Number of acquisitions



# Earnings and dividend guidance

Subject to continuation of current market conditions

		FY2018		FY2019
		Guidance	Results	Guidance
		Guidance only includes transaction / performance revenue items which are reasonably certain	Includes recurring as well as transactional and performance based revenues, excludes co-investment mark to market gains and losses	Guidance only includes transaction / performance revenue items which are reasonably certain
<b>Operating Earnings after tax</b>		2.35 – 2.65 cps	2.63 cps	<b>2.40 – 2.90 cps</b>
<b>Dividend</b>	Determined with reference to the amount and composition of operating profit after tax	2.00 cps (fully franked)	2.25 cps (fully franked)	<b>2.25 cps (fully franked)</b>



# Stapling proposal – update

## Background

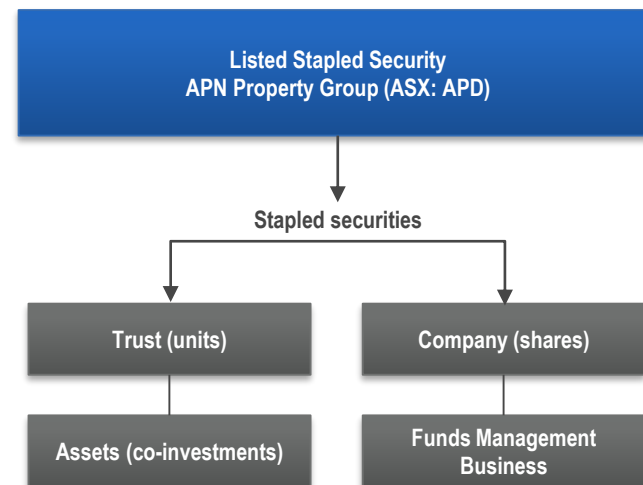
- A stapled structure is essentially a trust contractually linked with a company – with each unit in the trust stapled to a share in the company and traded on ASX as a single stapled security
- Board has reviewed APN’s capital structure and in regard to converting the company to a stapled structure

## Potential Benefits and Rationale

- Allows selected co-investment distributions to pass directly through to investors
- May improve APN’s cost of capital, enhancing the growth potential of the Group
- May increase cash distributions to APD shareholders (and changes tax treatment of those distributions)
- Brings APN in line with majority of listed property fund managers

## Conditions, Process and Timing

- Stapling proposal to be considered at AGM in November 2018
- An Explanatory Memorandum will be issued prior to the AGM outlining important information
- Implementation requires approval by Board and by shareholders
- Subject to customary conditions, including ASX, ASIC approvals and obtaining additional Australian Financial Services Licence and a tax class ruling from ATO (for the benefit of shareholders)
- Expect Q1 – Q2 calendar 2019 completion



*Please refer to important notes regarding the stapling proposal on the following page*

# Stapling proposal – indicative financial impact

## Proposed stapled group - pro-forma key assumptions (for indicative purposes only):

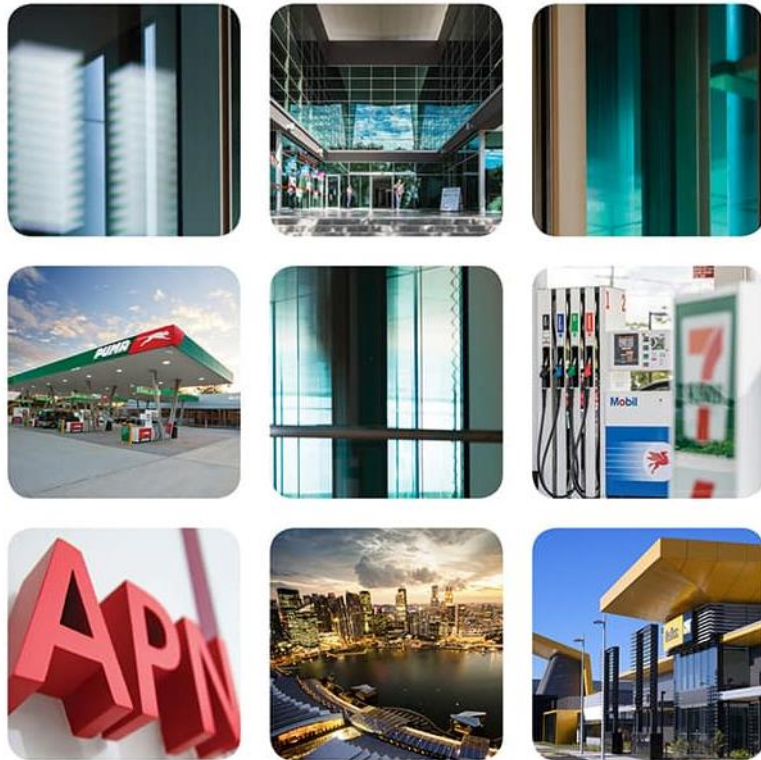
- Requisite shareholder approval is obtained
- Majority of co-investments (75% CRR and 100% each of IDR and APN Asian REIT Fund) transferred to stapled Trust effective 1 July 2018  
Current market based rates for professional advisory costs and additional listing fees and compliance costs
- Stapling implemented via a distribution (capital return) to all shareholders which is compulsorily applied to acquire new units in the trust (APD seeking ruling from ATO that no part of the capital return will be treated as a dividend for tax purposes)
- Trust is 'flow through' for income tax purposes and no material adverse tax consequences arise as a result of the change
- Continuation of current market conditions (ie the same basis upon which the current FY2019 guidance is provided)

Cents per share	Current structure FY19 Guidance	Proposed stapled group Pro-forma FY19 Indicative Guidance (Approximate Only)	Change
<b>Operating Earnings after Tax</b>	2.40 – 2.90	2.90 – 3.50	▲ 16 - 21%
<b>Dividend / distribution components:</b>			
Company dividend (fully franked)	2.25	0.85	▼ 1.40
Trust distribution – Fund payment (tax deferred)	-	1.90	▲ 1.90
<b>Total</b>	2.25	2.75	▲ 0.50 (▲ 22%)
<b>Payout ratio</b>	88%	86%	-

## Important notes

The pro-forma information above has been prepared based on best estimate assumptions available as at the date of this presentation and, when taken as a whole, are believed to be reasonable. However, pro-forma forecast information is subject to inherent risks, uncertainties and assumptions, and may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of APN and which could cause actual events or results to differ materially from the expectations, events, results, values, performance or achievements expressed or implied in any forward-looking statement. Deviations are both normal and to be expected in such forward looking statements. The stapling proposal contains a number of assumptions and positions that have not yet been finalised / agreed, and therefore are not fact. Accordingly, shareholders are cautioned not to place undue reliance on the pro-forma information presented above as it only reflects views held and information available as at the date of this presentation.

There is no certainty or guarantee that the stapled entity structure will be implemented, or if implemented that it will deliver greater returns to APN shareholders, will improve the Group's cost of capital or will allow for more income to be distributed. The capital return is also likely to give rise to a capital gains tax event in respect of certain shareholders.



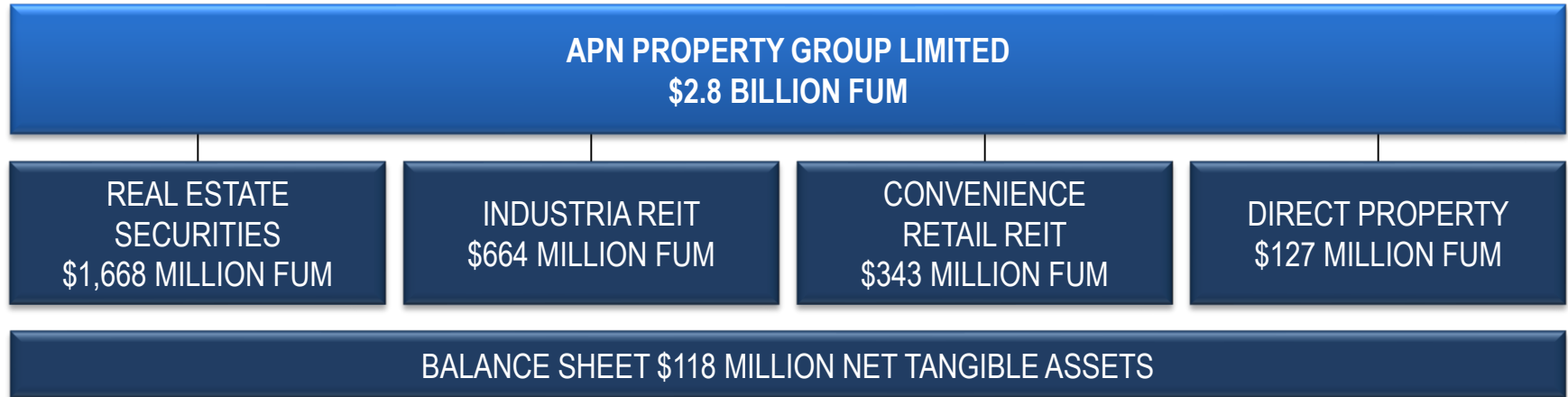
## APPENDICES

**APN** | Property Group

# Overview

Specialist real estate investment manager with a 'Property for income' focus

As at 30 June 2018



# Overview

## Summary

- Listed on ASX (Code: APD)
- Melbourne-based specialist real estate investment manager
- Established 1996, listed 2005
- \$2.8 billion in Funds under Management (FuM)
- Actively manage 12 funds and 102 properties
- Responsible entity: APN Funds Management Limited, a wholly owned subsidiary of APN (Independent board)

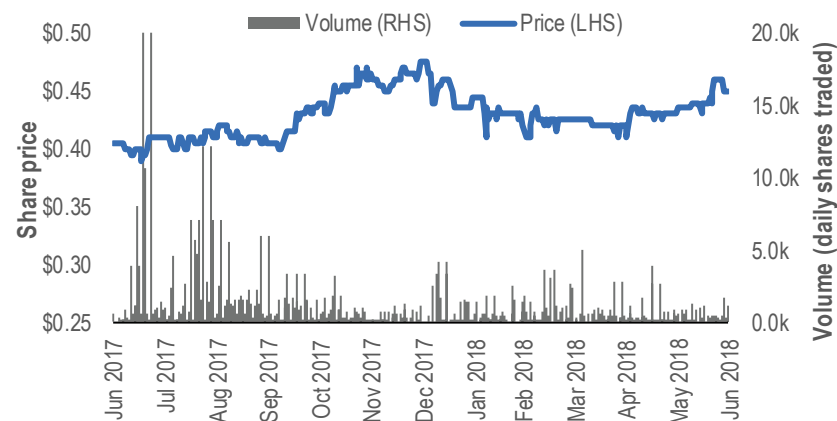
## Major Shareholders<sup>1</sup>

Shareholder	
C. Aylward (Director)	25.1%
Phoenix Portfolios	9.7%
Grollo Family	8.3%
T. Young (Director)	3.4%
H. Brenchley (Director)	3.0%
T. Slattery (CEO)	2.5%
<b>TOTAL</b>	<b>52.0%</b>

<sup>1</sup> Based on substantial shareholder and director interest notices lodged on the ASX as at 22 August 2018

<sup>2</sup> IRESS, ASX Trading data as at 30 June 2018. Total shareholder return includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required

## Share Price and Volume



## Key Information

Metric	
Closing share price <sup>2</sup>	\$0.45
Shares outstanding <sup>2</sup>	313,742,812
Market capitalisation <sup>2</sup>	\$141 million
FuM	\$2.8 billion
Total shareholder return <sup>2</sup>	16.5% (1 year)

# Boards and Management team

## Experienced real estate team, Independent Boards

### Board of Directors – APN Property Group Limited

Independent / Non-Executive Majority



**Chris Aylward**  
Non-Executive  
Chairman

- Over 30 years experience in property and construction industry
- Founding director of Grocon Pty Limited
- Responsible for construction of commercial properties over \$2 billion



**Howard Brenchley**  
Independent  
Director

- Over 30 years' experience analysing and investing in the sector
- Founded property research firm PIR
- Established APN's Funds Management business
- Independent Non-Executive Director of National Storage REIT



**Clive Appleton**  
Independent  
Director

- Over 30 years' experience in property and funds management
- Former MD of the Gandel Group and Centro Properties Ltd
- Deputy Chairman of the Gandel Group, Chairman of Aspen Group and a Director of Perth Airports Pty Ltd and Perth Airport Development Group Pty Ltd



**Tony Young**  
Independent  
Director

- Over 30 years' experience analysing and investing in the sector
- Adviser to Morningstar Australia
- Co-founder of Aspect Huntley
- Co-owner of Timebase Pty Ltd



**Tim Slattery**  
Chief Executive  
Officer

- Over 14 years of experience across real estate, funds management, investment banking and law
- Previous roles at Herbert Smith Freehills and Goldman Sachs
- Real estate transactions of over \$2 billion

### Independent Responsible Entity – APN Funds Management Limited

Independent Majority



**Geoff Brunson**  
Independent  
Chairman

- Chairman since April 2012 and a Director since 2009
- Over 30 years experience in investment banking
- Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch Australia



**Michael Johnstone**  
Independent  
Director

- Over 40 years' experience global business experience in chief executive and general management roles
- Currently non-executive director of the Responsible Entity of the listed Folkestone Education Trust



**Jennifer Horrigan**  
Independent  
Director

- Over 25 years' experience across investment banking, financial communications and investor relations
- Formerly Chief Operating Officer in Australia of the independent investment bank Greenhill & Co
- Currently a director of QV Equities



**Howard Brenchley**  
Independent  
Director

- Over 30 years' experience analysing and investing in the sector
- Founded property research firm PIR
- Established APN's Funds Management business
- Independent Non-Executive Director of National Storage REIT



**Michael Groth**  
CFO & Alternate  
for Howard  
Brenchley

- Chief Financial Officer, APN Property Group
- Previously, over 7 years with KPMG Melbourne
- Over 3 years in London with various organisations including Abbey plc (Santander Group) and Ofgem

# Established Equity Raising and Distribution Platform

Over 20 years APN has built a broad market distribution reach

## Wraps and Platforms

- All the major institutional and independent brands
- Market leading wraps and private labels for independents and private wealth
- ASX mFund availability through accredited brokers

## Approved Product Lists

Colonial First State, CBA, BT, MLC, ANZ, IOOF, AMP, CPAL, Findex and a large number of independent national and state based groups

## Independent Financial Advisers

Recommended by a broad range of independent financial advisers to their investor clients

## Asset Consultants

Used in model portfolios, Separately Managed Accounts (SMAs) and Managed Discretionary Accounts (MDAs) by asset consultants attached to Morningstar, Zenith, Mercer and many boutique consultants

## NZ Distribution

- NZ regulated PIE fund launched in 2017 on AMP Approved Product List
- Available on major wraps (Aegis, FNZ, Adminis)
- Morningstar NZ model portfolios

## Strong Independent Research Ratings

Morningstar, Lonsec, Zenith, SQM, FundSource (NZX) and Mercer. Refer to APN website for individual fund ratings.

## Industry changes

Sharpening focus on independent financial advisers and actively considering additional channels in light of industry changes



# Funds under Management Summary

Funds	Sector	Investors	FuM \$m	Fee Basis			APN Co-investment	
				Management	Performance	Other	\$m	%
APN AREIT Fund	Property Securities	Retail & Institutional	1,262	✓			-	-
APN AREIT Mandates	Property Securities	Institutional	198	✓			-	-
APN AREIT PIE Fund	Property Securities	Retail & Institutional	6	✓			-	-
APN Property for Income Fund	Property Securities	Retail & Institutional	133	✓			-	-
APN Property for Income Fund No. 2	Property Securities	Retail & Institutional	45	✓			-	-
APN Asian REIT Fund	Property Securities	Retail & Institutional	24	✓			1.2	5.0%
Industria REIT	Industrial & Business Park	Retail & Institutional	664	✓		✓	71.1	16.5% <sup>1</sup>
Convenience Retail REIT <sup>2</sup>	Retail	Retail & Institutional	343	✓		✓	26.1	12.2% <sup>2</sup>
APN Regional Property Fund	Office	Retail	53	✓		✓	-	-
APN Coburg North Retail Fund	Retail	Retail	21	✓	✓	✓	-	-
APN Development Fund No. 2	Development	Institutional	40	✓	✓	✓	1.2	4.8%
APN Steller Development Fund	Residential Development	Institutional	13	✓	✓	✓	2.6	15.2%
<b>Total</b>			<b>2,802</b>				<b>102.2</b>	

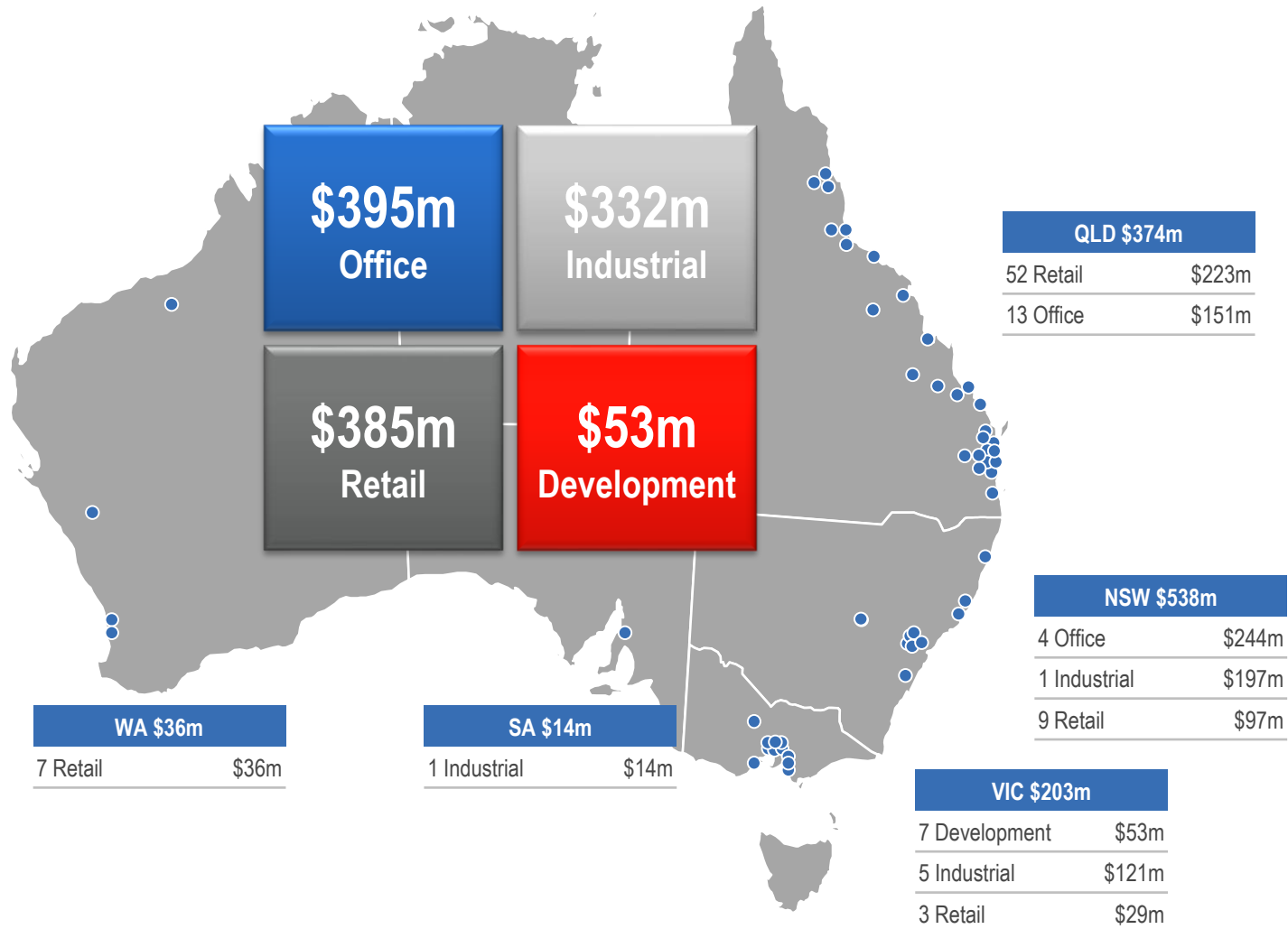
1. Funds managed by APN hold an additional 5.1% interest in Industria REIT

2. Funds managed by APN hold an additional 3.5% interest in Convenience Retail REIT

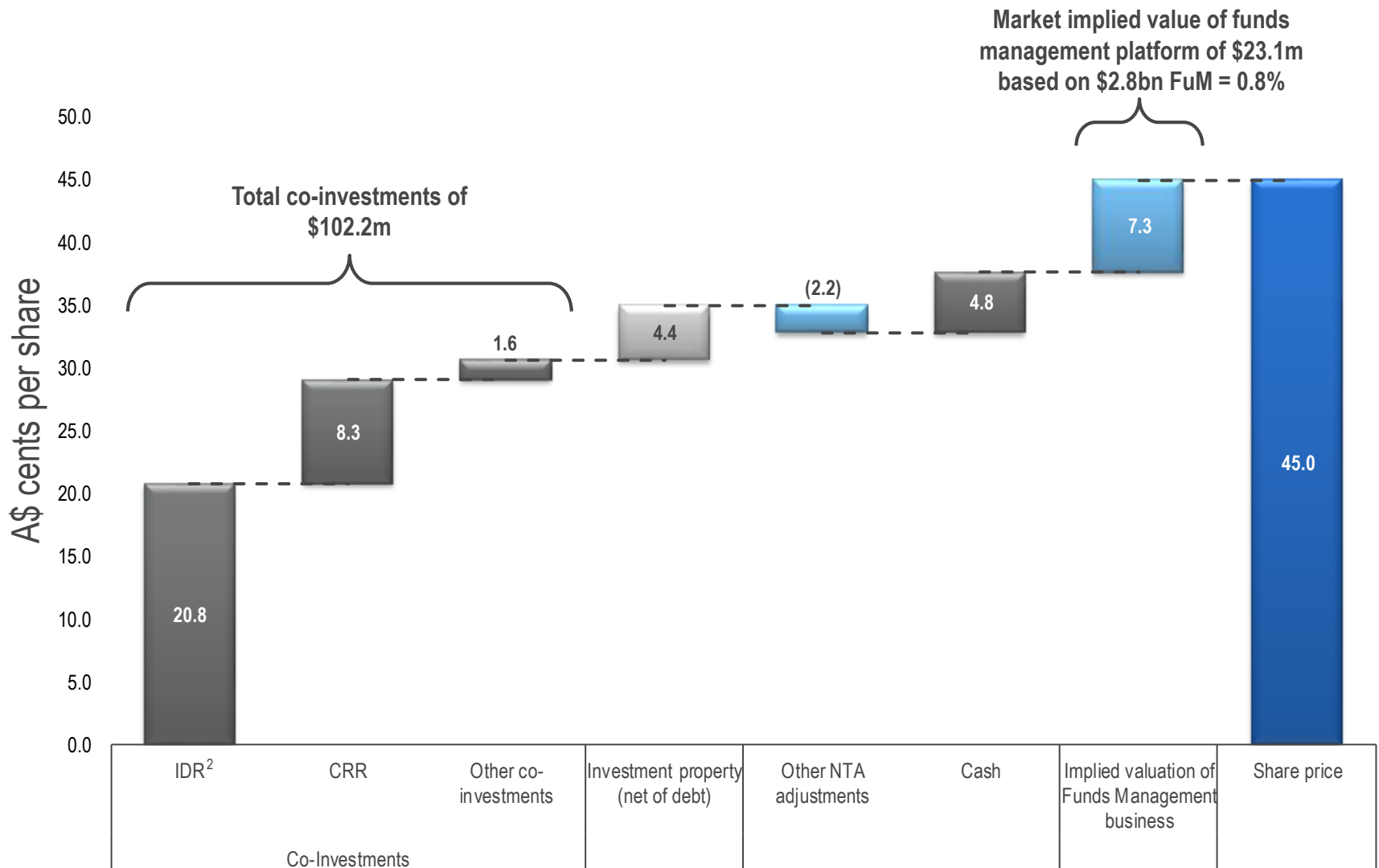


# Direct property platform with scale and multiple capabilities

\$1.2 billion of properties across platform

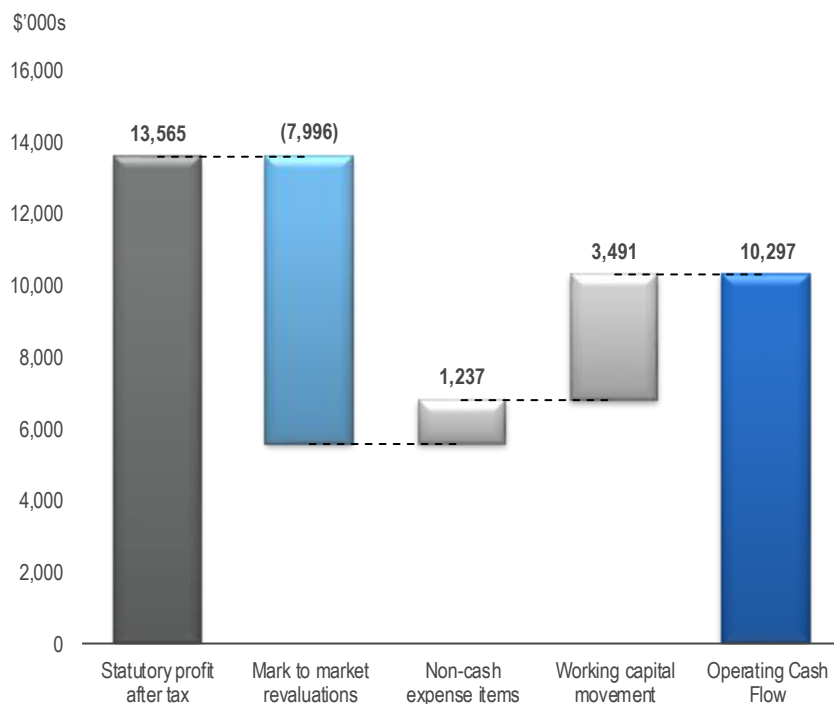


# Implied Funds Management platform valuation<sup>1</sup>



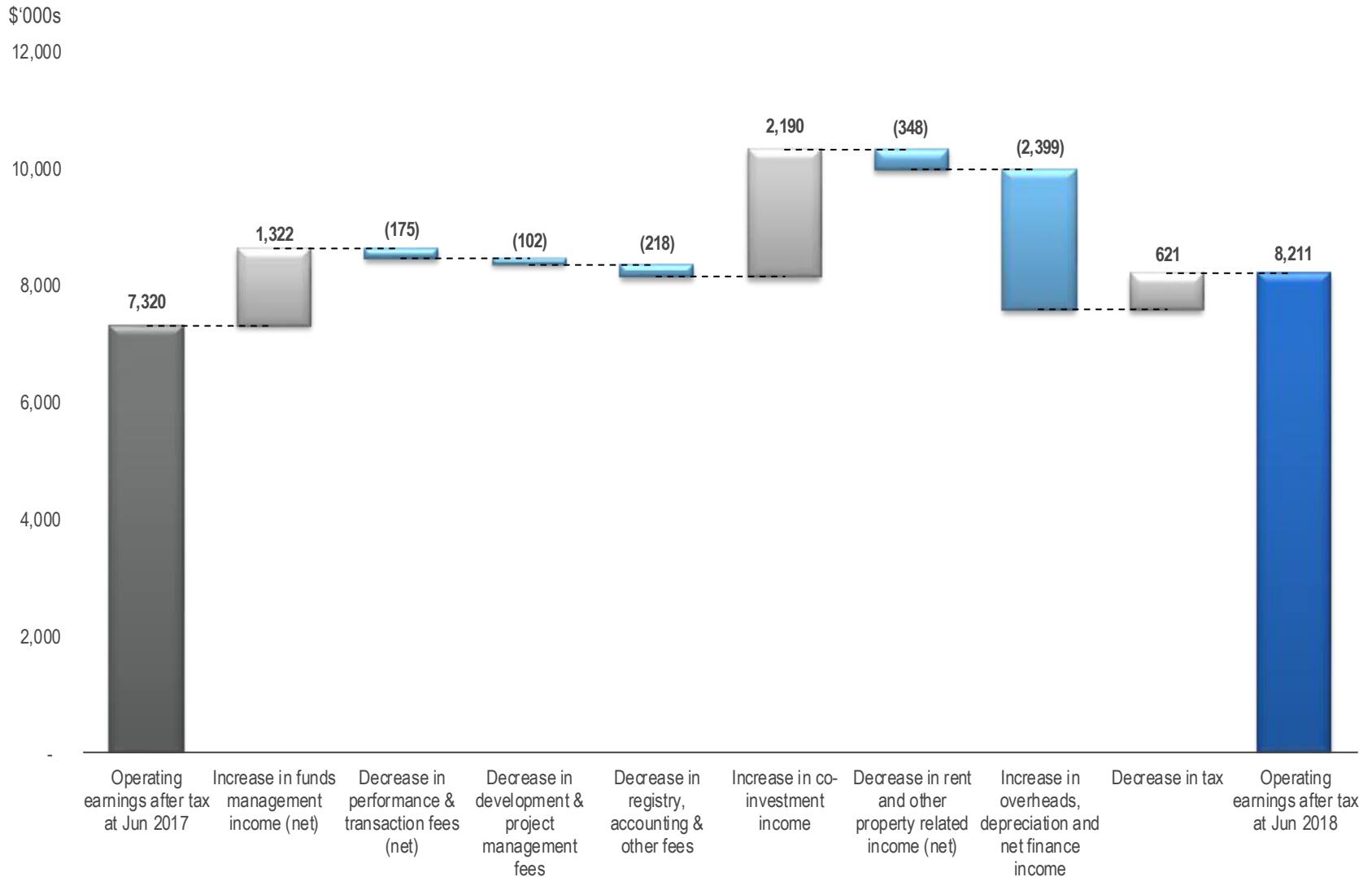
1. Analysis and APN share price as at market close 30 June 2018  
 2. NTA of 20.8 cents per share is net of debt – refer to financial accounts for further information

## Profit to operating cash flow reconciliation



Cashflow Reconciliation (\$'000s)	June 2018	June 2017
<b>Statutory profit after tax</b>	<b>13,565</b>	<b>10,691</b>
Add/(deduct):		
Non-controlling interests	-	64
Mark to market revaluations	(7,996)	(4,520)
Non-cash expense items	1,237	(1,424)
Working capital movement	3,491	4,350
<b>Operating Cash Flow</b>	<b>10,297</b>	<b>9,161</b>

# Operating Profit After Tax Reconciliation



## Debt facility summary

Corporate debt facility		Asset debt facility	
Facility Limit	\$8.0 million	Facility Limit	\$10.5 million
Drawn at 30 June 2018	\$6.0 million	Drawn at 30 June 2018	\$10.5 million
Loan to Value Ratio (LVR)	9.7%	Loan to Value Ratio (LVR)	43.5%
LVR Covenant	< 35.0%	LVR Covenant	< 50.0%
Distribution Cover Ratio (DCR)	12.0 x	Interest Cover Ratio (ICR)	4.7 x
DCR Covenant	> 2.0 x	ICR Covenant	> 2.0 x
Cost of debt (p.a.)	6.4%	Cost of debt (p.a.)	3.7%
Expiry	March 2020	Expiry	November 2023
Security	Mortgage over specified assets	Security	South Nowra, NSW

# APN Steller Development Fund

- Established September 2015
- All six projects are located within sought after locations in Melbourne's south east
- Leverages development and delivery expertise
- 4 projects complete, and 2 currently under construction with practical completion forecast to occur during FY19
- The Fund has achieved apartment presales in excess of total development cost for all six projects

<b>Investment type</b>	Multi-site residential development, closed-end wholesale unlisted property fund
<b>Development description</b>	209 apartments over 6 medium density projects in South East Melbourne
<b>Fund size</b>	\$18.1 million in equity committed
<b>APN co-investment</b>	\$2.6 million
<b>Investment Term</b>	7 years, with seed projects to be developed over 4-5 years
<b>Target returns</b>	Target equity IRR 18%+ pa (post fees, pre tax) Target equity multiple of 1.5 times (post fees, post tax)

<b>Project Status Summary</b>	Highett	Station	The Avenue	Wattletree	Maude Barker	Claire
	Completed	Completed	Completed	Completed	Under Construction	Under Construction



Completed The Avenue Project



Claire Street Townhouse Interior

# APN Development Fund No. 2

---

## Fund overview

---

- Wholesale fund – institutional investors
- Committed equity \$58 million
- Capital returned \$10 million

## 150 Collins St – Westpac Head Office

---

- JV development
- Completed November 2014
- Sold via fund through
- Grocon litigation progressing

## Ingles St, Port Melbourne

---

- 4 stages completed of light industrial development
- 2.1 hectare site remaining
- Zoned “Capital City 1” in Fisherman’s Bend Urban Renewal Precinct
- Mixed use planning permit application impacted by the Minister of Planning “Calling In” all permit applications within Fishermans Bend Precinct



150 Collins St – Westpac HQ



Artist's impression – mixed use development

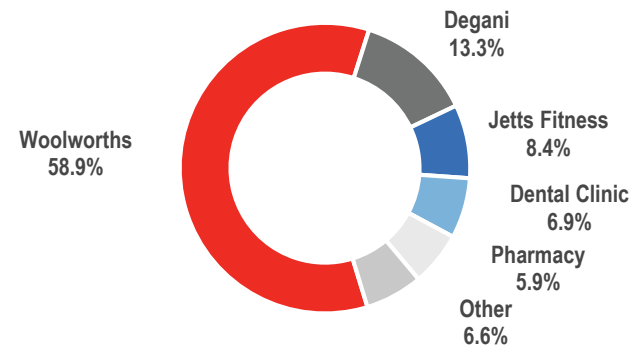
# APN Coburg North Retail Fund

- Recently completed (2014) shopping centre anchored by Woolworths supermarket
- Woolworths continue to perform well with solid sales growth
- Located in high growth area in Melbourne's inner North (10km from CBD)
- Strong recent transaction market for Woolworths / Coles anchored neighbourhood shopping centres

## APN Coburg North Retail Fund

Investment type	Single asset, closed-end unlisted property fund
Investment objective	Stable income and capital growth
Property	Coburg Hill Shopping Centre
Property Value	\$20.5 million
Major Tenant	Woolworths Group Limited
WALE	10.4 years (by income)
Occupancy	97.3%
Initial Investment Term	7 years
Distributions	FY18: 7.00% on initial investment Tax deferred to 70-80%

### Tenant profile



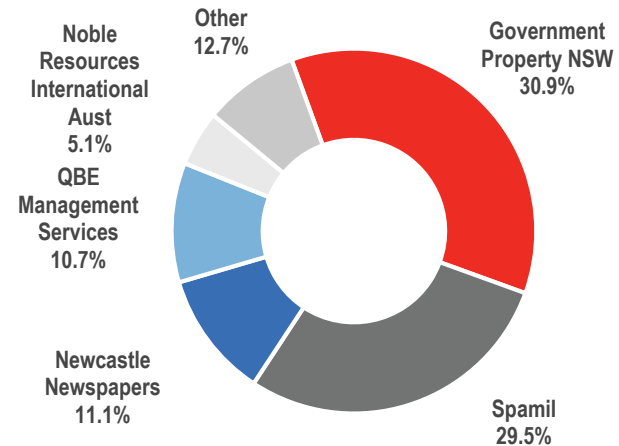


# APN Regional Property Fund

- Net tangible assets at 30 June 2018 is \$1.41 per unit, an increase of 15.6% from the previous year
- Assets currently undergoing capital expenditure works to improve asset appeal and tenant amenities
- Active leasing and portfolio management resulting in 100% occupancy
- Newcastle remains an attractive regional market

<b>Investment type</b>	Commercial office property fund, listed on the National Stock Exchange (NSX)
<b>Fund Overview</b>	The Fund comprises two A-grade office buildings located in the Newcastle CBD
<b>Portfolio Value</b>	\$51.1 million (30 June 2018)
<b>Distributions</b>	9.50 cents per unit paid quarterly
<b>Key Tenants</b>	Government Property NSW, Spamil, Newcastle Newspapers, and QBE Management Services

## Tenant profile



APN Regional Property Fund

# Disclaimer

---

The financial information included in this presentation is based on APN Property Group's financial statements and results that have been prepared in accordance with the Corporations Act 2001 (Cth), applicable Accounting Standards and Interpretations and in compliance with other applicable regulatory requirements, including the applicable International Financial Reporting Standards (IFRS). This presentation is dated 23 August 2018.

This release contains forward-looking statements, estimates and projections, which are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond APN Property Group's control and which may cause actual results to differ materially from those expressed in the statements contained in this presentation.

This release does not constitute, and is not to be construed as, a solicitation or an offer to buy or sell any securities and each recipient of this release should not construe the contents of this release as legal, tax, accounting or investment advice or a recommendation. No warranty is made by APN Property Group or any other person as to the accuracy or reliability of any estimates, projections, opinions, conclusions, recommendations (which may change without notice) or other information contained in this document and, to the maximum extent permitted by law, APN Property Group disclaims all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document.

This presentation, and the material contained within the presentation, must not, without the express written permission of APN Property Group, be reproduced or used for any purpose other than the purpose for which this presentation is being released by APN Property Group. APN Property Group accepts no liability whatsoever for the actions of third parties in this respect.

For the purposes of the relevant references within this presentation, the Australian listed property peer group comprises: Antares Prof Listed Property, APN AREIT Fund, BlackRock W Indexed Aus Listed Property, BT Property Securities W, Colonial First State Property Securities, Cromwell Phoenix Property Securities, EQT SGH Wholesale Prop Income, MLC Wholesale Property Securities, OnePath WS-Property Securities Trust, Perennial Aust Property WS Trust, Principal Property Securities, Resolution Capital Core Plus Prp Secs, RREEF Property Trusts, SG Hiscock Wholesale Property, SG Hiscock WS Property Securities, UBS Property Securities, Vanguard Australian Property Secs Idx and Zurich Investments Aus Property Secs.

The Lonsec Limited ABN 56 061 751 102 ("Lonsec") rating (assigned July 2018) presented in this document is a "class service" (as defined in the Financial Advisers Act 2008 (NZ)) or is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should seek independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria.

© Morningstar, Inc. All rights reserved. Neither Morningstar, nor its affiliates nor their content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. To the extent that any of this information constitutes advice, it is general advice and has been prepared by Morningstar Australasia Pty Ltd ABN 95 090 665 544, AFSL: 240892 and/or Morningstar Research Limited (both subsidiaries of Morningstar, Inc.) without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant prospectus, product disclosure statement or other applicable disclosure document (in respect of Australian products) or Investment Statement (in respect of New Zealand products) before making any decision to invest. Neither Morningstar, nor Morningstar's subsidiaries, nor Morningstar's employees can provide you with personalised financial advice. To obtain advice tailored to your particular circumstances, please contact a professional financial adviser. Please refer to Morningstar's Financial Services Guide (FSG) for more information [www.morningstar.com.au/fsq.asp](http://www.morningstar.com.au/fsq.asp)

SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. Information contained in this document attributable to SQM Research must not be used to make an investment decision. The SQM Research rating is valid at the time the report was issued, however it may change at any time. While the information contained in the rating is believed to be reliable, its completeness and accuracy is not guaranteed. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the relevant prospectus, product disclosure statement or other applicable disclosure document and consult a licensed financial adviser before making an investment decision in relation to this investment product.

The Zenith Investment Partners ABN 60 322 047 314 ("Zenith") rating (assigned July 2018) referred to in this document is limited to "General Advice" (as defined by section 766B of Corporations Act 2001) and is based solely on the assessment of the investment merits of the financial product on this basis. It is not a specific recommendation to purchase, sell or hold the relevant product(s), and Zenith advises that individual investors should seek their own independent financial advice before investing in this product. The rating is subject to change without notice and Zenith has no obligation to update this document following publication. Zenith usually receives a fee for rating the fund manager and product against accepted criteria considered comprehensive and objectives.

© APN Property Group Limited

## Contact details

---



APN Property Group Limited Follow [@apngroup](https://twitter.com/apngroup)

### Tim Slattery

Chief Executive Officer

+613 8656 1000

[tim.slattery@apngroup.com.au](mailto:tim.slattery@apngroup.com.au)

### Michael Groth

Chief Financial Officer

+613 8656 1000

[mgroth@apngroup.com.au](mailto:mgroth@apngroup.com.au)

## ASX Code: APD

### APN Property Group Limited

Level 30, 101 Collins Street,

Melbourne, Vic 3000

[apngroup.com.au](http://apngroup.com.au)