IRONGATE

ASX ANNOUNCEMENT

31 August 2021

Irongate Group (ASX: IAP)

Presentation to the Annual General Meeting

Attached are copies of the Chairman's address and the CEO's address to be delivered at today's Annual General Meeting of IAP

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A link to a recording of today's meeting will be available on the Fund's website following the conclusion of the meeting.

This announcement has been authorised for release by the Company Secretary.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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IRONGATE

Annual General Meeting of IAP

Chairman's address

The Fund has had an exceptional 9 months since it internalised and rebranded as the Irongate Group in November 2020. Graeme will give a more detailed operational update shortly, but I would like to highlight some of our recent successes.

The Fund's property portfolio now comprises 36 office and industrial properties across Australia and New Zealand valued at just under $1.37 billion. The portfolio growth has come off the back of a number of high quality acquisitions, funded by a combination of debt and funds raised via a successful institutional placement of approximately $50 million earlier this year. The balance sheet remains strong with gearing currently within the target range at 32.9%.

Building the third-party funds management business will be a key focus for the management team over the coming years and it is pleasing to see progress being made on both fund raising and deployment.

Securityholders will receive a total distribution of 8.92 cents per security pre-withholding tax for the 2021 financial year which is in line with guidance given to the market as part of the internalisation transaction.

Before I hand over to Graeme to discuss the Fund's performance, I would like to thank my fellow board members and the management team for their contribution to the continued success of the Fund.

I will now hand over to Graeme and then come back to you for any questions and the formal part of the meeting.

CEO's Address

Results summary

The 2021 financial year was transformational for the Fund having completed the acquisition of management rights from the Investec Group and evolving to become an internal managed REIT rebranded as Irongate Group. The internalisation transaction also provided IAP with a third party funds management platform to supplement its existing portfolio of office and industrial properties.

The performance of IAP over the last 8 years provided the platform for the Fund to deliver a strong financial result in FY21 in the face of the challenges of COVID. Key financial highlights for the financial year included:

- An increase in NTA from $1.32 to $1.43 largely as a result of valuation uplift
- A final distribution of 4.53cps for the 6 months to 31 March 2021 taking the full year distribution for FY21 to 8.92cps, which was in line with the forecast set out in out in the explanatory memorandum issued at the time of the internalisation transaction
- A strong balance sheet with gearing of 27.8% at year end, below the bottom end of the Fund's target range – gearing has subsequently increased to 32.9% following recent acquisition activity
- No debt expiring until FY26, an improvement from year end as a result of securing extensions on the existing facilities
- A weighted average debt expiry in excess of 6 years

- A reduction in funding costs from 3.05% to 2.84%

It is also worthwhile noting that, as a result of the internalisation transaction, the management expense ratio has reduced from 85 basis points to 58 basis points.

We believe that the FY21 results set the business up well for the next phase of our evolution.

Portfolio overview

I thought I would take this opportunity to provide an operational update on the business, covering the financial year to 31 March 2021 and the subsequent period through to 31 August.

The property portfolio has performed extremely well despite the COVID related lockdowns of mid-2020 and ongoing restrictions impacting much of the country presently.

The portfolio now comprises 36 properties valued at $1.367 billion. The movement in portfolio value since March 2020 has been driven by material valuation uplift, particularly across the industrial properties, together with a number of new acquisitions. The weighted average cap rate has tightened from 6.57% at 31 March last year to 5.93% at 31 August, which we believe is still relatively conservative compared to where the direct market is trading and recent reporting from other REITs.

Occupancy across the portfolio is now sitting at 98.2% by income, an improvement from 97.5% reported at year end, and the WALE is 5.3 years by income, again an improvement from 4.7 years at year end. This does not take into account signed heads of agreement. Once these heads of agreement convert to signed leases, occupancy will increase to 98.6% and 44.4% of leases will be expiring after 5 years. The weighted average rent review across the portfolio is 3.4% with 95% of the portfolio subject to a fixed review during this course of this financial year.

Acquisitions

Since the beginning of the 2021 financial year, the Fund deployed $170 million into four industrial facilities and two office buildings.

The four industrial acquisitions were all located in Brisbane and sourced off-market, demonstrating the benefits of having an on-the-ground presence in Queensland. We believed the Brisbane industrial market represented relative value compared to Sydney and Melbourne, and the acquisitions were consistent with our strategy of acquiring high quality industrial properties with good transport connectivity, strong tenant covenants and long lease terms. These acquisitions deliver the Fund new product at a blended initial yield of 5.71% and an average WALE of 7.5 years.

In June this year the Fund acquired an office building in Canberra from Blackstone for $73.75 million with 40% vacancy covered by a 2 year non-refundable rental guarantee from Blackstone.

The Fund also recently announced the acquisition of an office building in Brisbane for $36 million on a fund through basis, with a 10-year lease to Michael Hill, an international jewellery chain listed on the ASX.

Leasing

Despite the challenges presented by COVID, the period since March last year has been particularly strong in terms of leasing activity for the Fund. COVID provided us with an opportunity to engage in meaningful discussions with many of our tenants regarding their underlying businesses and gave us greater visibility on their medium to long term occupancy requirements.

As a result of this, were able to bring forward a number of renewal discussions which has contributed to the improvement in WALE.

Only 3,183m² of space currently remains vacant across the portfolio and FY22 expiries have reduced from 6.5% reported at year end to 3.6%. We have had particularly pleasing leasing outcomes at 24 Sawmill Circuit in Canberra, 103 Welshpool Road in Perth.

The tenant base has proved remarkably resilient despite challenging trading conditions. Last financial year we collected 99.6% of gross rent excluding rent support arrangements, and 98.3% including rent support arrangements. So far this financial year, collections are sitting at 99.9%. To date, we have not seen any material distress within our tenant portfolio from the latest lockdowns. We do expect some of the smaller retail tenants at the base of some of our larger office building to seek some form of support, and we will continue to monitor this situation in the same manner as we did during the lock down period of last year.

Third party capital

IAP's third party funds management platform is focussed on providing investment opportunities to wholesale investors through unlisted real estate private equity funds, joint ventures and separately managed accounts.

The management team has a long track record of managing third party capital sourced from both institutional and high net worth clients dating back to 2006 and investing this capital in a range of asset classes across the risk spectrum.

The main focus to date has been on raising and deploying capital in TAP, a wholesale unlisted opportunity fund. Capital raising has been impacted by an inability to travel to Asia. As it stands, in addition to the initial $140 million of capital contributed by seed investors, a further $60 million of capital is in various stages of being approved for commitment.

To date, TAP has committed to investing $115 million of capital into six opportunities across multiple sectors and geographies and we are seeing a number of interesting opportunities that will help grow this platform.

In addition to TAP, fee income is derived from managing other third party mandates, amounting to an additional $160 million of capital. This is an area of the business that we are actively looking to expand in the coming year.

ESG

ESG is becoming an increasingly important consideration for all of the Fund's stakeholders, and as a result of the internalisation transaction, we have had the opportunity to reassess ESG as it relates to all of the Fund's activities.

The Fund is committed to driving improvements in the way its properties are managed and occupied in an effort to improve the overall sustainability of the portfolio. A number of initiatives were either concluded or commenced during the year, including implementing systems to record, manage and report on the Fund's performance across key metrics including energy, water and greenhouse gas emissions. We also completed a number of capital projects to improve the sustainability of our buildings, including installing solar panels, applying passive cooling paint to rooftops and installing more efficient lighting systems. In this regard, it was pleasing to see the average NABERS energy rating increase to 4.3 stars and the water rating increase to 4.0 stars. The Fund has also committed to achieving net zero carbon omissions by 2030 and will be undertaking several initiatives in this regard.

The Fund has set gender diversity targets which are set out in the diversity policy available on the website. It's pleasing to report that these have been exceeded across all levels of the business with 40% female representation on the board, 50% representation within senior management and 33% across the broader workforce. The Fund also acknowledges its responsibility to the communities within which is operates and is proud to continue its association with selected charitable organisations that have special meaning, such as Cystic Fibrosis Australia and Bush Heritage Australia.
Whilst the Fund has always had a robust governance framework, given it is required to adhere to two sets of listing rules and is subject to oversight from financial regulators in both Australia and South Africa, the internalisation transaction has resulted in greater transparency in relation to remuneration and board nominations and appointments, with the Fund now complying, as far as practical, with the best practice procedures of public listed companies in Australia.

This year we have also committed to obtaining a GRESB rating and CDP score with a view to measuring the Fund's ESG performance against recognised industry standards. In addition, we have produced the Fund's first sustainability report and adopted a modern slavery statement, both of which are available on the Fund's website.

We thank you for your support and are looking forward to the challenges and opportunities in the years ahead.

Irongate Group

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