

RAM ESSENTIAL SERVICES PROPERTY FUND (ASX CODE: REP)

ASX ANNOUNCEMENT

17 November 2022

INVESTOR PRESENTATION

RAM Essential Services Property Fund (ASX: REP) provides the attached materials to be referred to in investor meetings and desk briefings.

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 ESSENTIAL SERVICES PROPERTY FUND

Investor Update
November 2022



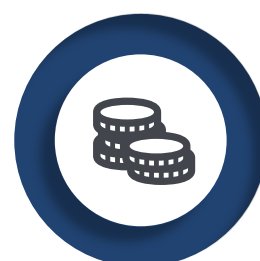
RAM ESSENTIAL SERVICES PROPERTY FUND (ASX: REP)

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

AS AT 30 JUNE 2022



PROPERTIES
35



PORTFOLIO VALUATION
\$798m



OCCUPANCY
99%



WALE
7.0 Yrs



Yield ¹
7.7%

STRENGTHENING INVESTMENT CASE



INVESTMENT OBJECTIVE

- ◆ To provide 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.
- ◆ Unique portfolio including listed exposure to long WALE core medical assets.
- ◆ Create value through active asset management.
- ◆ Deliver organic growth through \$200m development pipeline.



ABOUT RAM

Real Asset Management (RAM) is an Australian owned and fully independent asset management business focused on real estate, credit and private equity, managing approximately AUD \$4 billion.

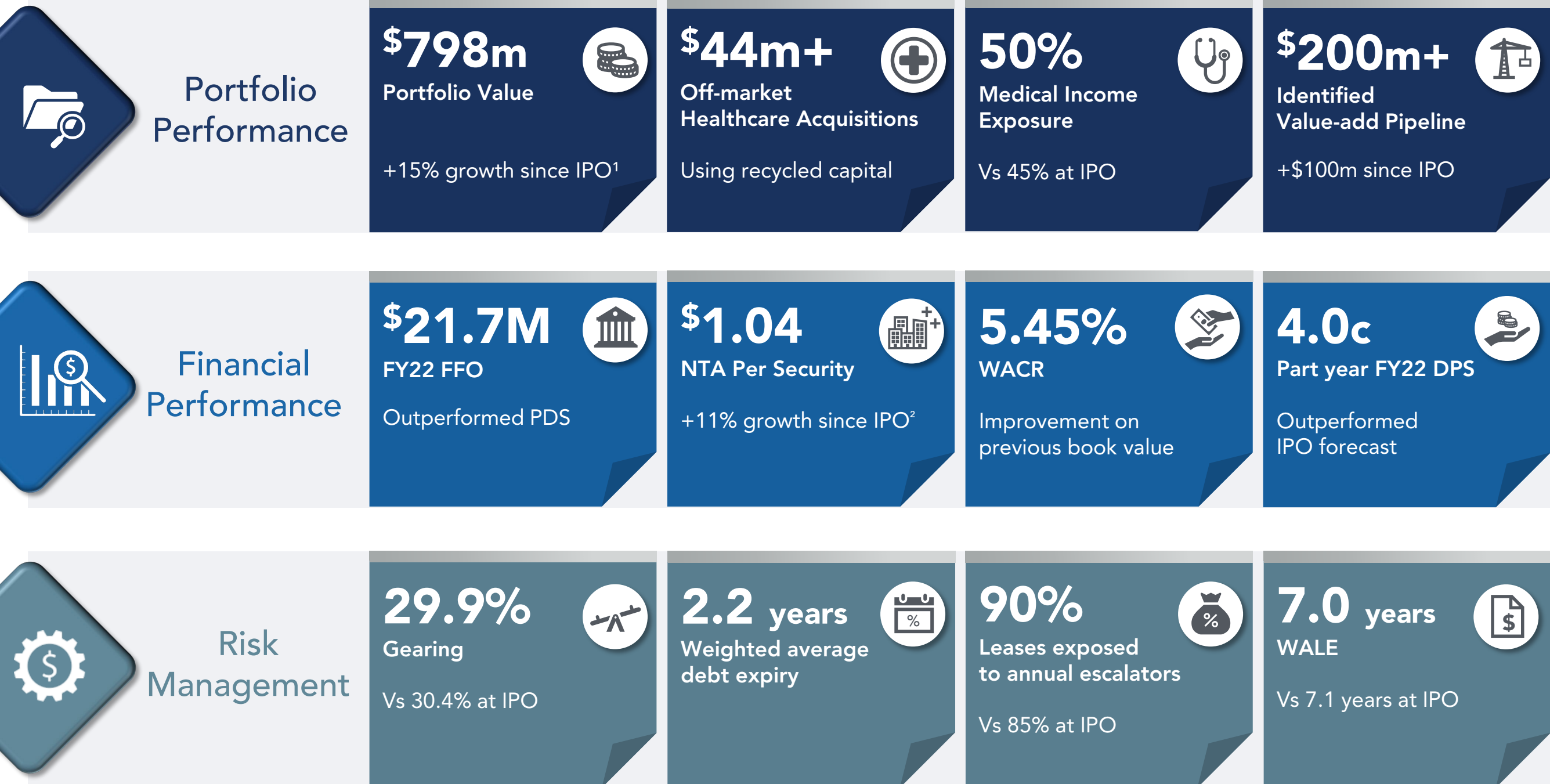
1. Calculated using mid point of FY23 DPU guidance of 5.75c and closing price of \$0.74 on 11 November 2022.

All numbers as of 30 June 2022, based on gross passing income. Valuation is based on Independent Valuations, with 95% of the portfolio externally revalued since IPO.

STRONG UNDERLYING PERFORMANCE AND EXECUTION

Delivered IPO objectives and optimised portfolio through active management

AS AT 30 JUNE 2022



All numbers as at 30 June 2022

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

2. \$1.04 vs \$0.94 upon IPO

FY23 OUTLOOK

Earnings have not declined despite higher interest costs

- ◆ 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

TARGETED APPROACH TO PORTFOLIO OPTIMISATION

Key optimal investment metrics



Retail Assets

1. **High population growth** corridors underpinned by infrastructure spend
2. **Anchored by strong** performing Coles and Woolworths supermarkets
3. **High portion** of non-discretionary retail tenants
4. **Strong embedded income growth** through high annual weighted average rent reviews and/or turnover rent for major tenants.
5. **Accretive value-add** opportunities



Healthcare Assets

1. **Hospitals and Medical Centres underpinned by strong and established businesses** that provide a diverse offering of medical services with limited exposure to bulk billing.
2. **Increased focus on growth medical and health services** including mental health and prevention services.
3. **Natural inflation hedge** through largely net lease structures
4. **Embedded income growth** with high portion of leases subject to CPI reviews
5. **Proximity to major health nodes and hospitals**

Maintaining an even split between the two sleeves provides investors with exposure to the unique benefits of Essential Retail and Healthcare assets.

CASH FLOWS REMAIN ROBUST



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

As at 30 June 2022	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%

NATURAL INFLATION HEDGE



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)

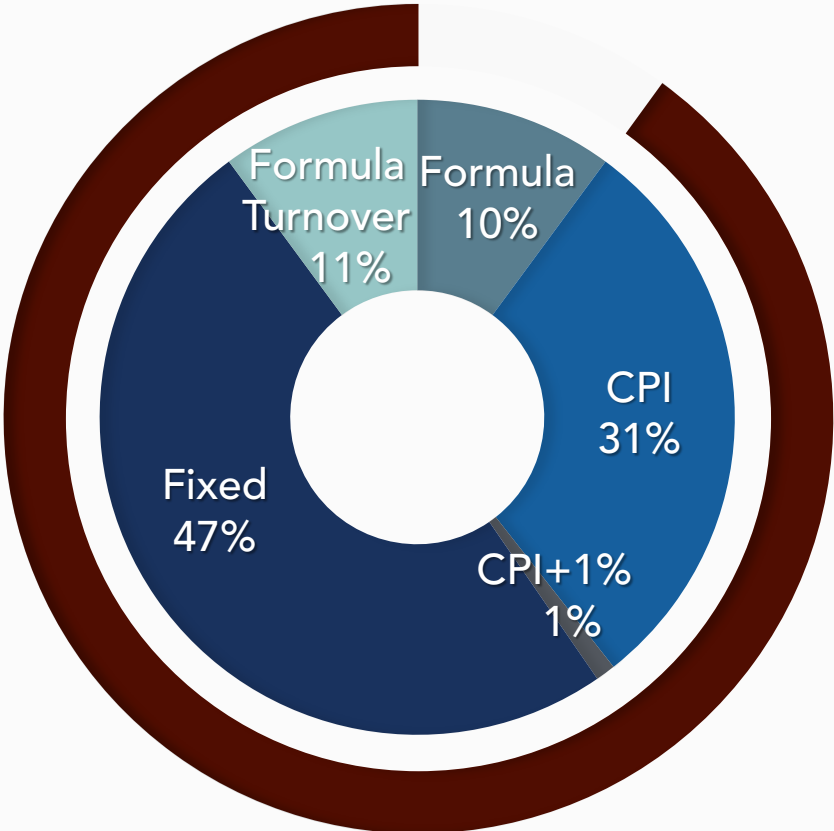
of formula derived income is expected to exceed turnover rent threshold providing strong in-built inflation hedge.

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












CAP RATES ARE HOLDING UP

Valuations remain attractive relative to recent transactions

Property	Anchor Tenant	Sale / Settlement Date	Sale Price (Mil)	Yield
Essential Retail				
Woolworths Hawthorn	Woolworths	Aug-22	\$12.85	3.30%
Supa IGA Thomastown	Supa IGA	Aug-22	\$11.30	4.15%
Ormeau Marketplace	Woolworths	Aug-22	\$34.00	5.15%
Capri on Via Roma	Harris Farm	Jul-22	\$70.00	5.31%
Beecroft Place	Woolworths	Jul-22	\$65.00	5.31%
Tannum Central	Coles	Jun-22	\$18.50	4.90%
Woolworths Narrabri	Woolworths	Jun-22	\$16.50	4.42%
Rosedale Village	Coles	May-22	\$63.40	4.41%
Caloundra Village	IGA	Apr-22	\$30.50	4.55%
Medical / Healthcare				
Peninsula Private	Healthscope	Sep-22	\$47.65	4.65%
Gosnells Medical Centre, WA	Medical Operator	May-22	\$11.26	5.15%
Centuria Healthcare Portfolio, Various Locations	Various	Apr-22	\$115.00	4.69%
Westside Private Hospital	Montserrat Healthcare	Mar-22	\$95.91	4.25%
Mater Private Hospital Townsville	Mater Private Hospital	Mar-22	\$39.00	4.75%
81 Exmouth Drive, Butler	WA Health	Mar-22	\$7.18	4.04%
213-219 Darlinghurst Road, Darlinghurst, NSW	Healius Limited	Dec-21	\$38.50	3.75%
Mornington Medical Centre, VIC	Surry St Family Clinic	Nov-21	\$4.74	3.91%
Gold Coast Surgical Hospital	QLD Health	Oct-21	\$75.70	4.33%

Transaction details have been collected from publicly available sources and have not been verified or audited by RAM. This is not an exhaustive list of all transactions.

GROWTH OPPORTUNITY IN THE PIPELINE

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	 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 Costs ¹ – Approx.		\$140 million			
Medium Term Strategic Value Add Projects					
Mowbray Marketplace	 Essential Retail	◐	○	○	
Yeronga Village	 Essential Retail	●	○	○	
Dubbo Private Hospital	 Medical	●	●	○	
Total Project Costs ¹ – Approx.		\$100 million			
Total Project Costs ¹ – Approx.		\$200+ Million			

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

The background features a low-angle, upward-looking view of a modern skyscraper with a grid of windows. The image is overlaid with a semi-transparent blue layer that contains a subtle, repeating geometric pattern of triangles and squares. The word "APPENDIX" is printed in white, bold, sans-serif capital letters on the left side of the image.

APPENDIX

DEBT IS ACTIVELY MANAGED

- Strong balance sheet management with gearing at 29.9%.
- 11% increase in NTA during the period to 30 June 2022.
- Debt headroom to peruse active portfolio management and accretive opportunities.
- Capital recycling for \$44m in off market transactions.
- Additional hedge undertaken in the period, 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.

TENANT MIX UPWEIGHTED TO HEALTHCARE

Underpinned by leading national supermarket and private hospital operators

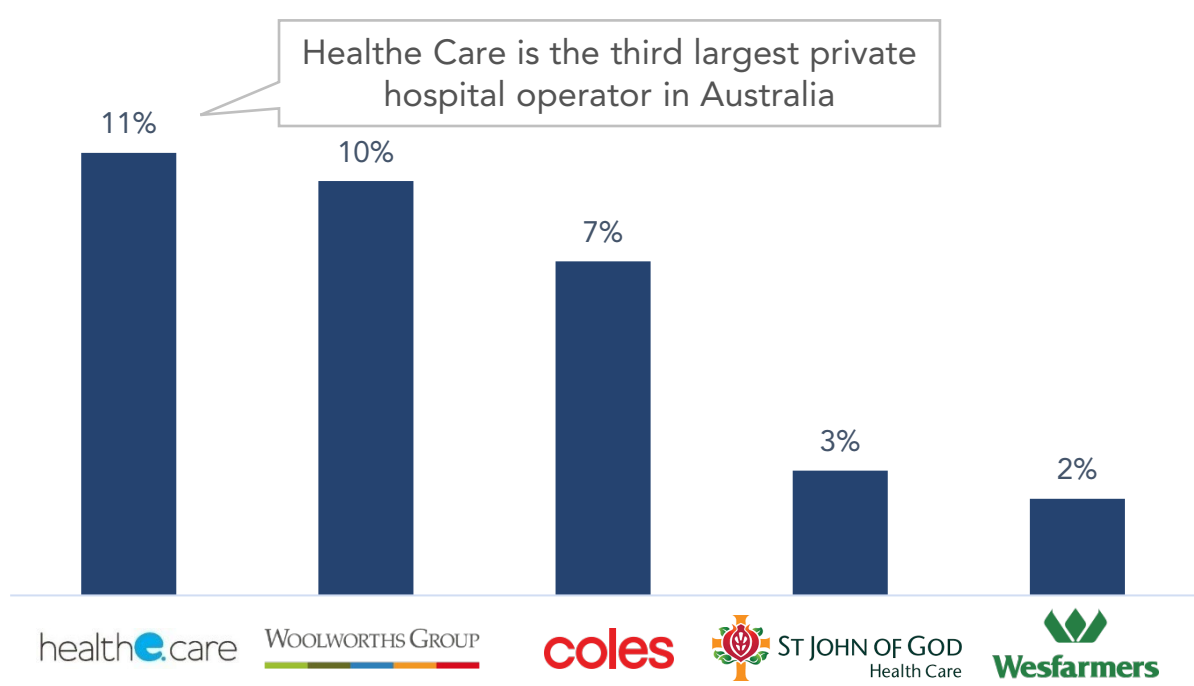


Concentrated and high-quality tenants driving secure underlying cash flow

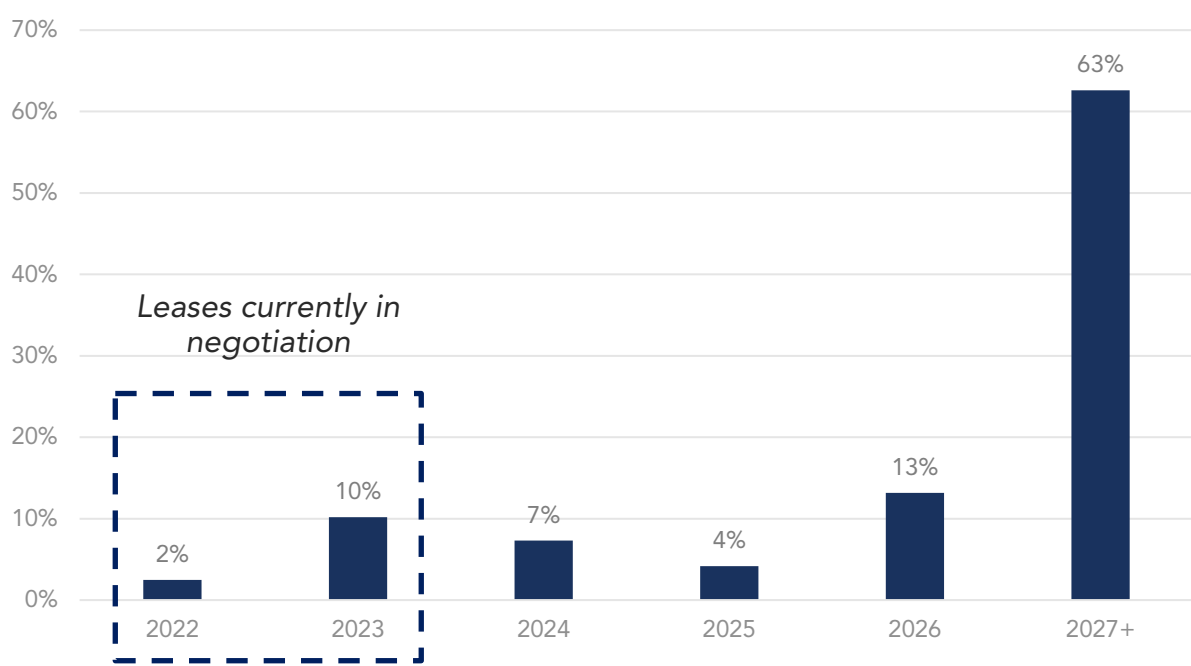


Increase exposure to healthcare tenants within the top 5

Top 5 tenants – 35% of total portfolio income¹



Lease expiry profile¹ – 7+ years



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

POSITIVE SECTOR TRENDS

RAM'S VIEW: WHAT WE ARE SEEING IN HEALTH

Overwhelming demand drivers, emerging technology and lifestyle disruptions, make Australian healthcare ever changing.

REP TENANT PERFORMANCE

- ◆ **The Public system needs Private support.** Private practices have experienced increased exposure to public patients due to COVID backlogs of cases due to COVID-19.
- ◆ Private practices have benefited significantly from **an influx in government funding**
- ◆ Existing tenants are focusing on expanding or **repositioning their current assets** rather than undertaking new site acquisitions.

EMERGENT SERVICES DRIVE NEW REVENUE STREAMS

- ◆ **Improved profitability.** GP practices are pivoting towards mixed billings rather than traditional bulk billing, which strengthens tenant's balance sheets and improves profitability.
- ◆ **New opportunities** in the healthcare space including mental health, child health, day hospitals, diagnostic centres, genetic testing and NDIS investment
- ◆ Requirement for **surgeries will continue to grow** due to Australia's ageing population, increased public work and stable private health insurance participation rates

KEY INVESTMENT METRICS

- ◆ **Healthcare assets have outperformed** several core assets over the last decade with annual returns reaching a peak of 24.9% in 2021 according to JLL
- ◆ An Improved market depth in non-discretionary asset classes has **compressed yields**, which have remained stable over the last year
- ◆ The cost of setting up and building a patient base leads **to strong retention of tenants** in the health care



WHY REP IS WELL POSITIONED

- ◆ Long term consistent returns supported by long term market fundamentals
- ◆ Emerging requirement for flexible healthcare space
- ◆ Growth in preventative health operators, ability to be teamed with
- ◆ Significant growth in mental health facilities, supported by unprecedented government funding
- ◆ Weight of capital continues to support low cap rates

WHY NEIGHBOURHOOD RETAIL CENTRES?

“Retail spending has remained resilient with all states posting consecutive months of positive spending growth” - JLL

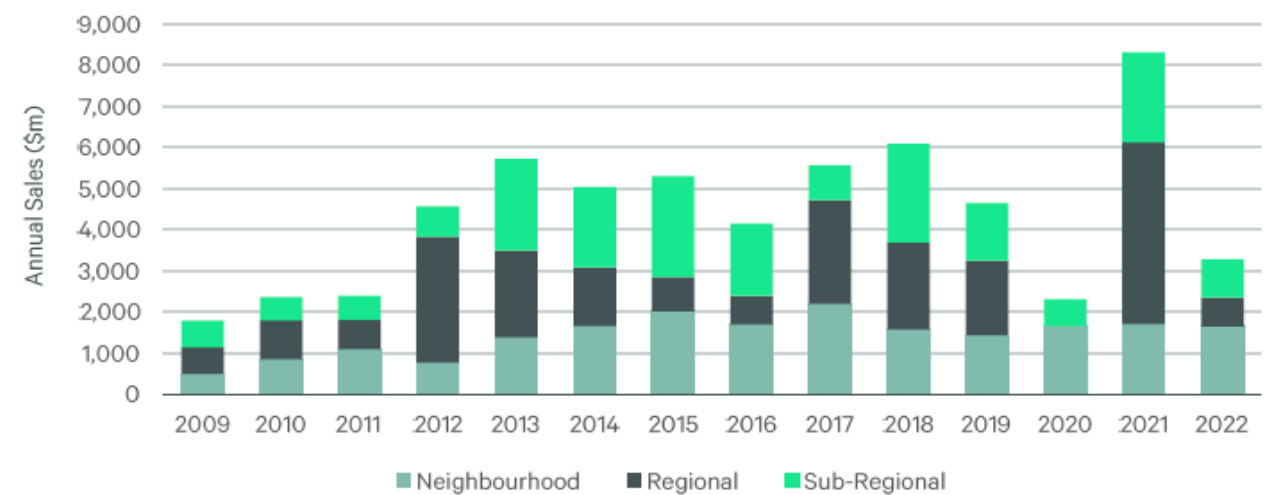
Essential Retail Positive Investment Metrics

- Yields are stable across retail asset classes as capital continues to focus on the sector buoyed by solid returns.
- Retail sales increased by 19.2% y-o-y which have reached record levels in August 2022. Retail sales have now recorded eight consecutive monthly rises in retail turnover for the period ending August 2022.
- Face rents are stable in most sections with Neighbourhood Retail Centre (essential retail) recording the largest q-o-q increase of 1.6% highlighting the growth in the asset class.
- Demand for Neighbourhood Retail Centres remains very strong, with investors attracted to the stable income returns.
- Neighbourhood Retail Centres are a liquid asset class with transactions volumes totally \$2.23 across 31 transactions, which is up 7.3% on Q3 2021.

Source: Urbis, JLL & CBRE Research
(1) Including GST and inflation.

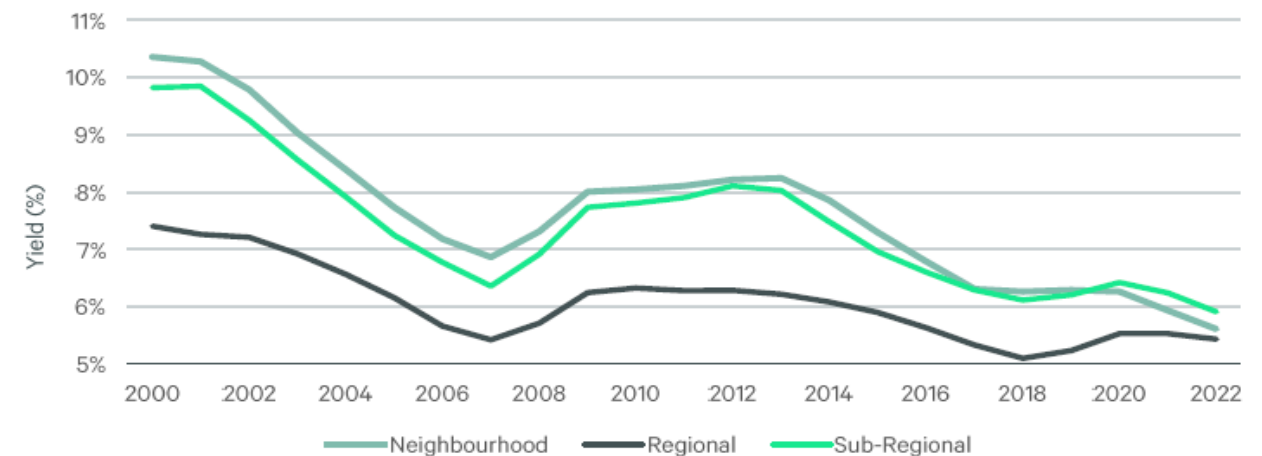
Neighbourhood Retail transaction volume remains stable supporting continued liquidity

FIGURE 9: Australian Shopping Centre Retail Transactions



Neighbourhood retail assets continue to illustrate strong demand with yields remaining at historic lows

FIGURE 11: Australian Average Shopping Centre Retail Yield



Source: CBRE Research Q3 2022

IMPORTANT INFORMATION

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