



DECEMBER 2016 HALF YEAR RESULTS PRESENTATION

22 FEBRUARY 2017

www.apngroup.com.au
ASX Code: APD

APN | Property Group

Overview

As at 31 December 2016



-
- ▶ Specialist commercial real estate investment manager
 - ▶ Established 1996
 - ▶ 14 Funds, 73 properties
 - ▶ 43 Staff, Melbourne based
 - ▶ Capital light, co-investment model
 - ▶ 'Property for income' investment philosophy

Achievements – First Half FY2017

OPERATING EARNINGS¹	\$3.7 million ▲ 97% (1.22 cps ³)
FUM	\$2.4 billion ▲ 10%
TOTAL SHAREHOLDER RETURN²	1 year total return: 26.1% p.a. 3 year total return: 32.3% p.a.
DIVIDENDS	FY2017 interim dividend: 1.25 cps FY2016 final dividend: 10.5 cps (includes 10.0 cps special dividend) paid in period
BALANCE SHEET	No corporate level debt Over \$27 million in cash



Westrac - 1-3 Westrac Dr, Tomago NSW

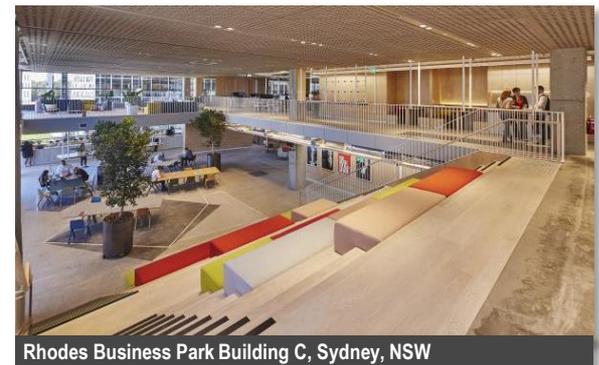


APN Retail Property Fund – Puma Energy asset

1. Operating Earnings is an unaudited after tax measurement used by management as the key performance measurement of the underlying performance of the Group. Where necessary, restatements of prior comparative period results have occurred to reclassify the Healthcare Operations as a discontinued operation. It also makes adjustments for certain non-operating items recorded in the income statement including minority interests, discontinued operations (Europe), business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.
2. Per annum as at 31 December 2016. Includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required
3. Proforma Operating EPS on a diluted basis with adjustment for statutory accounting treatment of special dividend paid in period – refer below and Note 11 of financial statements for details and reconciliation.

Achievements – continued

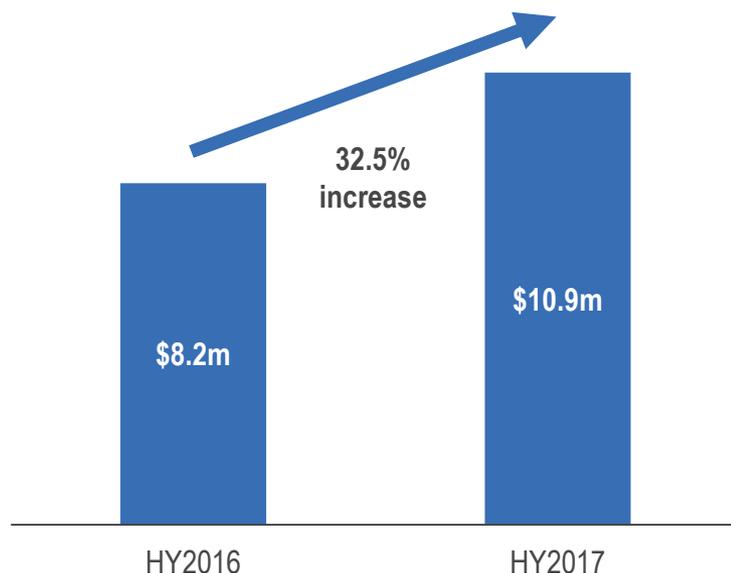
- Successfully launched \$106 million APN Retail Property Fund
- Sold Eagleby and two of the South Nowra properties at premiums to book value
- Industria REIT completed \$158.6 million acquisition (WesTrac Newcastle) and associated equity and debt financing
- AREIT Fund net inflows \$80 million (over \$13 million per month average)
- Launched new NZ domiciled AREIT Fund (February 2017)
- Asian REIT Fund exceeds \$10 million FUM for first time



Income statement

- Funds management fees up 21% to \$6.4 million
- Co-investment income up 52% to \$2.0 million
- Proforma Operating EPS 1.22 cents – refer below for details and reconciliation

Underlying earnings growth: Total net income excluding performance fees



\$000s	Dec 2016	Dec 2015	Change
Funds management fees	6,410	5,296	▲ 21%
Performance & transaction fees	747	931	▼ 20%
Asset & project management fees	71	(68)	▲ 204%
Registry & other fees	1,258	1,208	▲ 4%
Total Net Funds Management Income	8,486	7,367	▲ 15%
Co-investment income	1,992	1,312	▲ 52%
Rental and other property related income	1,188	500	▲ 138%
Total Net Income	11,666	9,179	▲ 27%
Employment costs	(4,322)	(4,043)	▲ 7%
Occupancy costs	(492)	(484)	▲ 2%
Sales and marketing costs	(394)	(306)	▲ 29%
Other costs	(1,055)	(1,266)	▼ 17%
Depreciation & amortisation	(75)	(82)	▼ 9%
Finance income/(expense)	82	(31)	▲ 365%
Operating earnings before tax	5,410	2,967	▲ 82%
Income tax expense	(1,668)	(1,063)	▲ 57%
Operating earnings (after tax and MI)¹	3,742	1,904	▲ 97%
Other non-operating activities ² after tax & MI	(289)	2,989	▼ 110%
Loss from discont. operations after tax & MI	(433)	11,062	▼ 104%
Statutory profit after tax & MI	3,020	15,955	▼ 81%
Key performance metrics (cents per share)			
EPS – Operating Earnings	0.55	0.64	▼ 14%
EPS – Operating Earnings (proforma) ³	1.22	0.64	▲ 91%

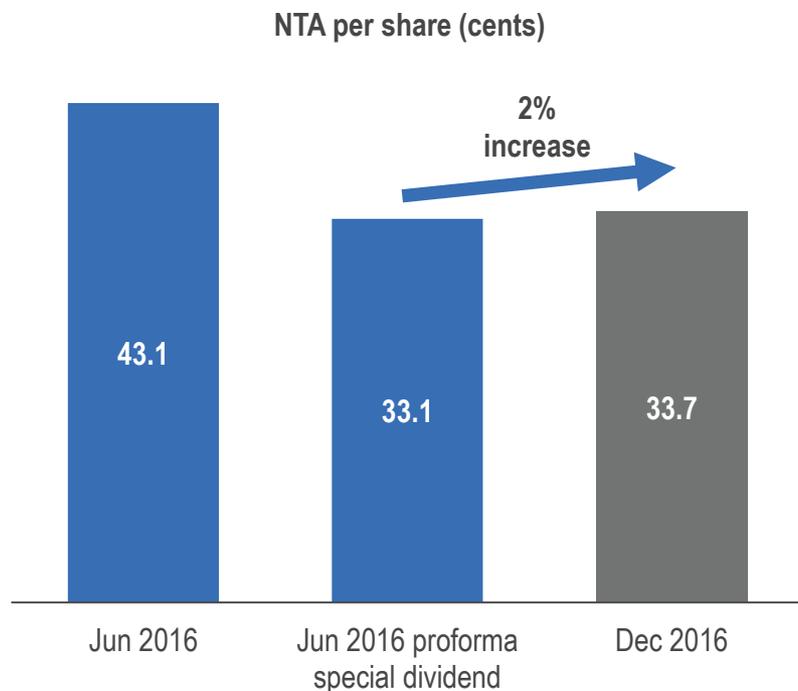
1 Operating Earnings is an unaudited after tax measurement used by management as the key performance measurement of the underlying performance of the Group. Where necessary, restatements of prior comparative period results have occurred to reclassify the Healthcare Operations as a discontinued operation. It also makes adjustments for certain non-operating items recorded in the income statement including minority interests, discontinued operations (Europe), 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. Refer Appendix for further details.

3 Operating earnings, after tax and MI, diluted basis, with proforma adjustments to reflect accounting treatment of special dividend. Refer Appendix and Note 11 of the financial statements for details and reconciliation.

Balance sheet

- Cash \$27.5 million (includes \$5.0 million for AFS Licence)¹
- Co-investments \$69.2 million
- Net tangible assets \$105.9 million / 33.7 cents per share (reflecting 10 cent per share (~\$31 million) special dividend paid during period)
- Borrowings limited in recourse to investment properties



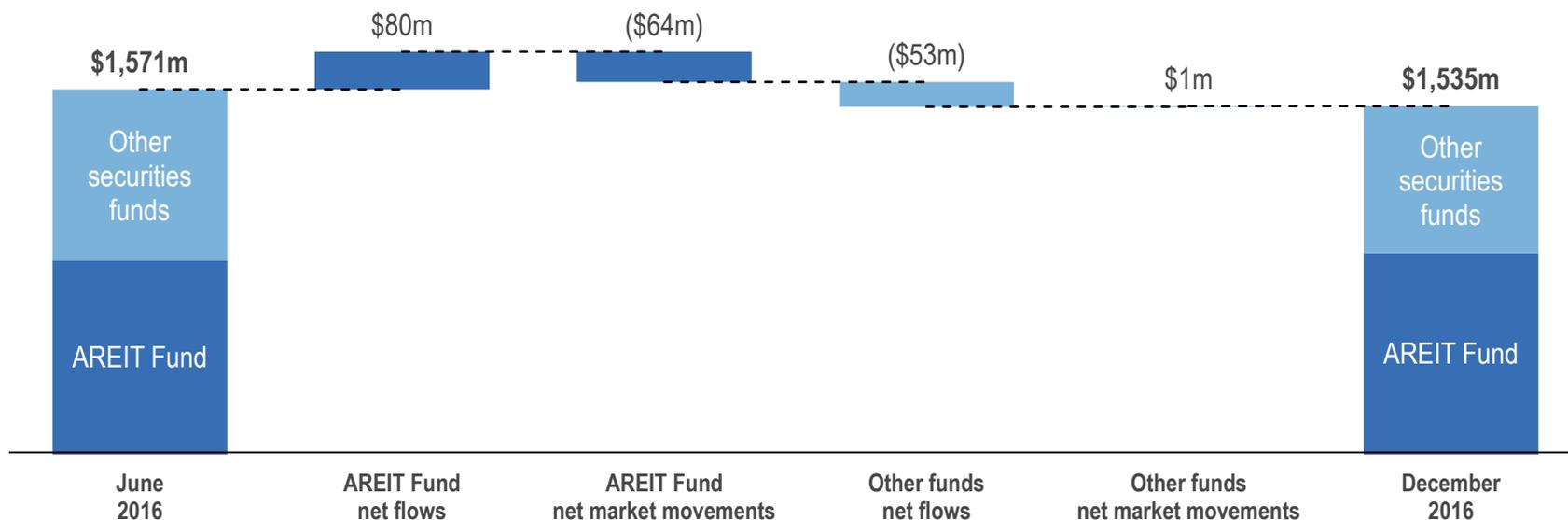
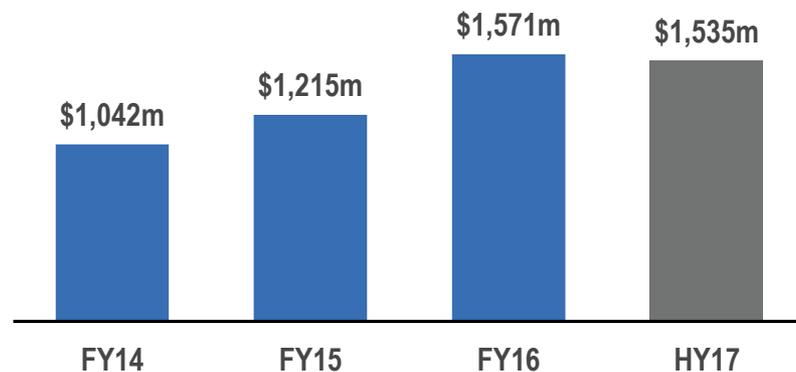
\$000s	Dec 2016	Jun 2016	Change
Cash ¹	27,464	72,031	▼ 62%
Co-investments	69,232	106,914	▼ 35%
Investment properties	24,200	38,050	▼ 36%
Other assets	11,957	13,029	▼ 8%
Intangible assets & deferred tax asset	1,838	1,760	▲ 4%
Total assets	134,691	231,784	▼ 42%
Trade payables, tax & provisions	16,514	58,389	▼ 72%
Minority interest	-	(64)	▼ 100%
Borrowings	10,429	36,408	▼ 71%
Net Assets	107,748	137,051	▼ 21%
Net Tangible Assets	105,910	135,291	▼ 22%
NTA per share	33.7 cents	43.1 cents	▼ 22%

¹ Includes cash held in trust for underlying funds managed by the Group of \$0.6 million (June 2016: Includes cash held in trust for underlying funds managed by the Group of \$1.2 million and consideration received in cash payable to non-controlling interest of \$22.0 million)

Real Estate Securities

- \$80 million in net inflows into AREIT Fund
- Other fund net outflows includes \$27 million from realisation of Unlisted Property Fund assets (\$14 million FUM at Dec 2016)
- Asian REIT Fund exceeded \$10 million in FUM at December 2016

FuM Growth



APN AREIT Fund

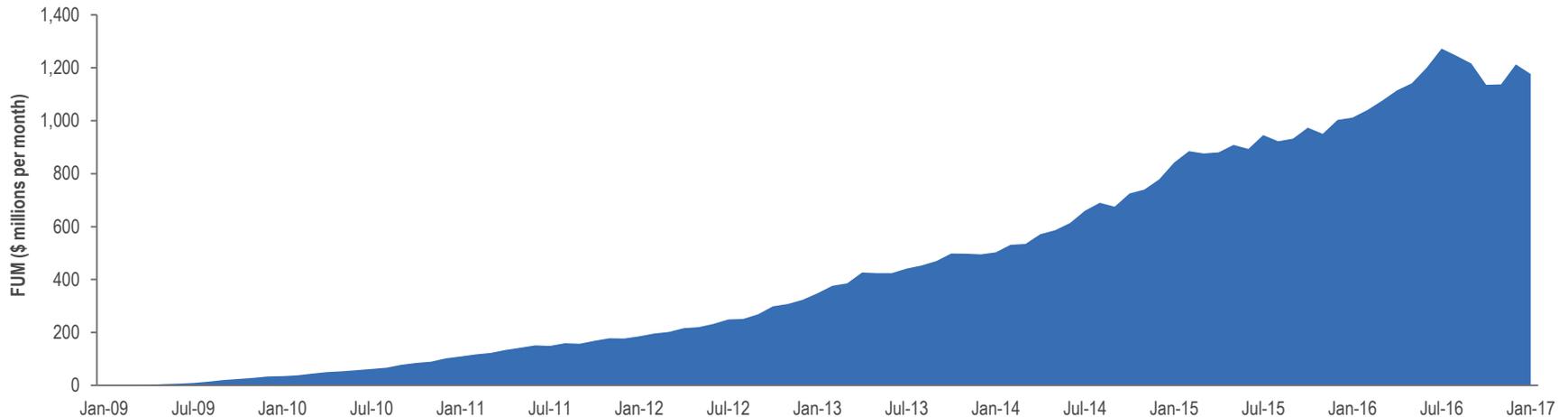
- Rated one of Australia’s leading property securities funds
- HY2017 net inflows averaging \$13.3m per month (\$80 million in total)
- Distribution yield of ~5.98%¹ pa paid monthly
- Launched NZ domiciled PIE Fund – Australian listed property strategy in February 2017

Research ratings and awards



- Money magazine’s 2017 Best of the Best award for Best Property Securities Fund – APN AREIT
- Fund Financial Review Smart Investor Blue Ribbon Awards 2016 – Winner, best Australian listed property fund, APN AREIT Fund

APN AREIT Fund growth since inception



Source: APN

1. As at 31 December 2016 assuming entry price of \$1.7425 and monthly distributions of 0.8694 cents (annualised)

Industria

Achievements

- Completed \$158.6 million acquisition of WesTrac Newcastle - backed by triple-net 18 year lease
- Maintained occupancy of 96%
- Enhanced WALE to 7.8 years
- FY2017 distribution guidance of 16.0 cps

Outlook

- Portfolio well positioned – active engagement with tenants is generating results
- Capital structure provides flexibility to pursue potential acquisitions



WesTrac 1-3 Westrac Drive, Tomago NSW

FuM Growth



Key metrics

Market Capitalisation ¹	\$339m
Total Funds Under Management	\$558m
Forecast FY17 Distribution Yield ¹	~7.7%
Occupancy	96%
WALE	7.8 years
Gearing	35%

1. As at 17 February 2017

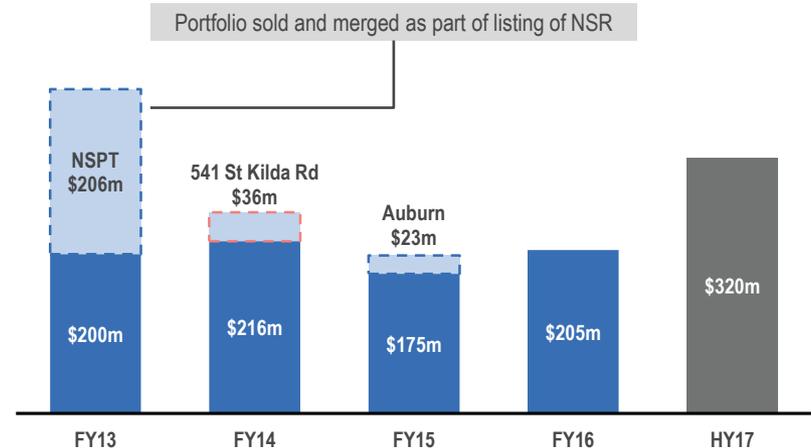
Direct

Achievements

- Funds under management up 56% versus FY2016 to \$320 million
- APN Steller Development Fund – all six projects now have planning permits, first three projects fully sold out, on track to deliver ~18% equity IRR
- Active leasing and portfolio management results across the portfolio with Regional Fund at 99% occupancy, PPP at 100% occupancy and Coburg at 97% occupancy

Funds	FuM (\$ million)
APN Retail Property Fund	\$106
APN Property Plus Portfolio	\$90
APN Regional Property Fund	\$46
APN Coburg North Retail Fund	\$19
APN Development Fund No. 2	\$40
APN Steller Development Fund	\$18
Newmark APN Auburn Property Fund	\$1
Total	\$320

FUM Growth



7-Eleven Eagleby, QLD (sold in the period)

Investment property portfolio update

Woolworths/Masters South Nowra Property Update

- 13,000sqm NLA property located in South Nowra, NSW
- Held on APN's balance sheet (100% owned by APD)
- 15 year lease
- Guaranteed by ASX-listed Woolworths Limited
- Building completed; lease commenced 10 August 2016
- Regular rental payments being received
- Independent valuation of \$24.2 million and carrying cap rate 7.00%
- In ongoing discussions with Woolworths Limited



Shell Service Centre, Nowra NSW (sold in the period)

Overview of assets sold

Property	Tenant and Guarantor	Purchase Price (\$m)	Independent Valuation (\$m)	Sold (\$m)	Comments
7-Eleven Eagleby	7-Eleven (Aust. Parent)	\$4.43	\$4.60	\$4.85	9.6% premium to book value
Hungry Jack's Nowra	Hungry Jack's (Aust. Parent)	\$8.30	\$3.00	\$11.32	36.4% premium to book value
Shell Service Centre Nowra	Viva Energy (sub-tenants Coles Express and Subway)		\$6.25		
Total sold		\$12.73	\$13.85	\$16.17	

APN Retail Property Fund

- Pre-IPO unlisted fund with overall objective of listing on ASX by December 2017 as part of a portfolio which may include additional Puma properties and the APN Property Plus Portfolio
- Quality tenant covenant in Puma Energy
- Secure income underpinned by individual 15 year, triple net leases with fixed annual increases of 3%
- Gearing 42.5%
- Significant cornerstone investments by APN and Puma Energy ensuring alignment of interest
- Strong market support received, fund closed fully subscribed

Fund launch	15 December 2016
Investment Objective	Pre-IPO unlisted fund with an overall objective to list the Fund on ASX
Investment Term	Initial 2 year term
Portfolio	23 Puma branded service stations
Property Value	\$106 million
WACR	7.23%
WALE (by income)	15 years
Occupancy	100%
Forecast Distributions	FY17: 7.40% (annualised) Tax deferred: ~62.5%



Growth opportunities

REAL ESTATE SECURITIES

- Continuing inflows into Securities Funds
- Asian Real Estate Securities Fund
- New products under active consideration

INDUSTRIA REIT

- Continue strong recent leasing results to drive occupancy and property level income
- Continue to seek transactions to deliver value to IDR securityholders

DIRECT PROPERTY

- New ASX-listed convenience retail property REIT well advanced
- New Funds / strategies under active consideration

APN REMAINS VERY WELL PLACED WITH NO CORPORATE DEBT AND OVER \$27 MILLION IN CASH TO CAPITALISE ON OPPORTUNITIES



Apartments - Steller Highett



Balcony - Steller Highett



Honeysuckle House, Newcastle – APN Regional Property Fund

Market and outlook

- Expect superior prospects for finding attractive acquisition opportunities through CY2017 and into CY2018 (direct property and other opportunities)
- APN's balance sheet is strongly positioned to capitalise on opportunities (no corporate debt, \$27m+ cash)
- Funds are well capitalised and moderately geared
- Actively considering a number of new opportunities including in value add / development strategies
- APN Retail Property Fund (new IPO) on track – strong market support received to date

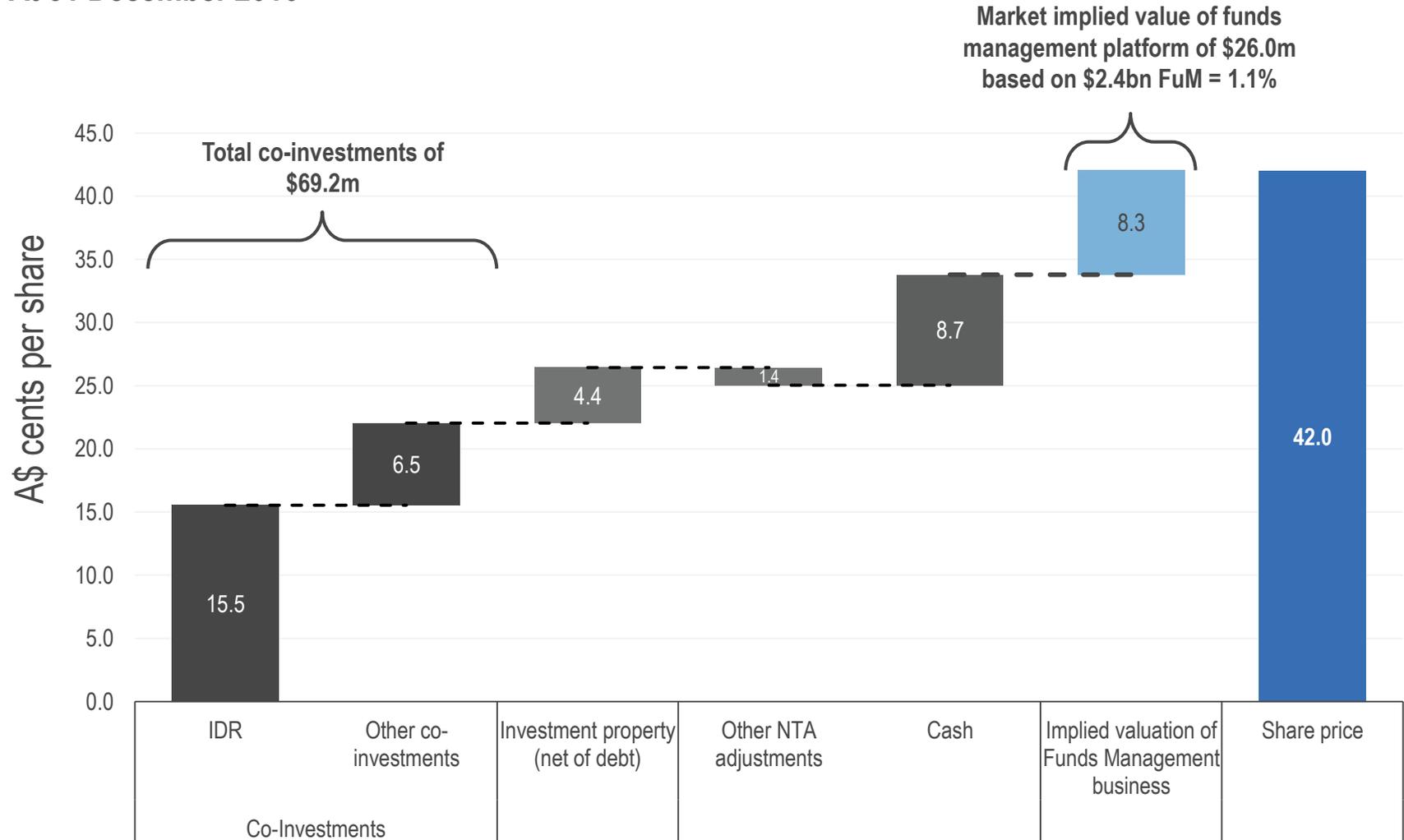


Earnings and dividend guidance reaffirmed

	Comment	Original Guidance	Updated and Reaffirmed Guidance (subject to continuation of current market conditions)	
Operating Earnings (after tax and MI, diluted basis)	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	1.60 to 2.00 cps	First Half FY2017 Actual	0.55 cps (Proforma 1.22 cps – refer Appendix)
			Second Half FY2017 Guidance	1.05 to 1.45 cps
			Full Year FY2017	1.60 to 2.00 cps Toward lower end of range as market conditions currently stand
Dividend	Determined with reference to the amount and composition of operating profit after tax	1.75 cps (fully franked)	First Half FY2017 Actual	1.25 cps (fully franked)
			Second Half FY2017 Guidance	0.50 cps (fully franked)
			Full Year FY2017	1.75 cps (fully franked)

Implied Funds Management platform valuation¹

At 31 December 2016



1. Analysis and APN share price as at market close 31 December 2016, net of MI



APPENDICES

APN | Property Group

Proforma operating EPS reconciliation

- AIFRS requires \$2.1 million deduction for the special dividend paid to calculate statutory earnings per share
- Note 11 to the Financial Statements provides a detailed reconciliation
- All figures below are for continuing operations and on a diluted basis – refer financial statements for details included discontinued operations and basic EPS
- All for the period ending 31 December 2016

EPS Measure (all continuing operations)	Earnings (\$000s) A	No. Shares (m) B	EPS Metric (cps) A/B = C	Comments
Statutory EPS	1,342	294.1	0.46	<ul style="list-style-type: none"> ▪ Shares adjusted for incentive schemes ▪ Earnings figure is reduced by \$2,010k for special dividend and \$101k final dividend paid in period
Operating EPS	1,631	294.1	0.55	<ul style="list-style-type: none"> ▪ Earnings figure above with \$289k non-operating loss added back
Proforma Operating EPS	3,681	302.1	1.22	<ul style="list-style-type: none"> ▪ Earnings figure largely reflects operating earnings ▪ No. of shares adjusted for potentially dilutive shares ▪ Payment of 10 cent special dividend excluded

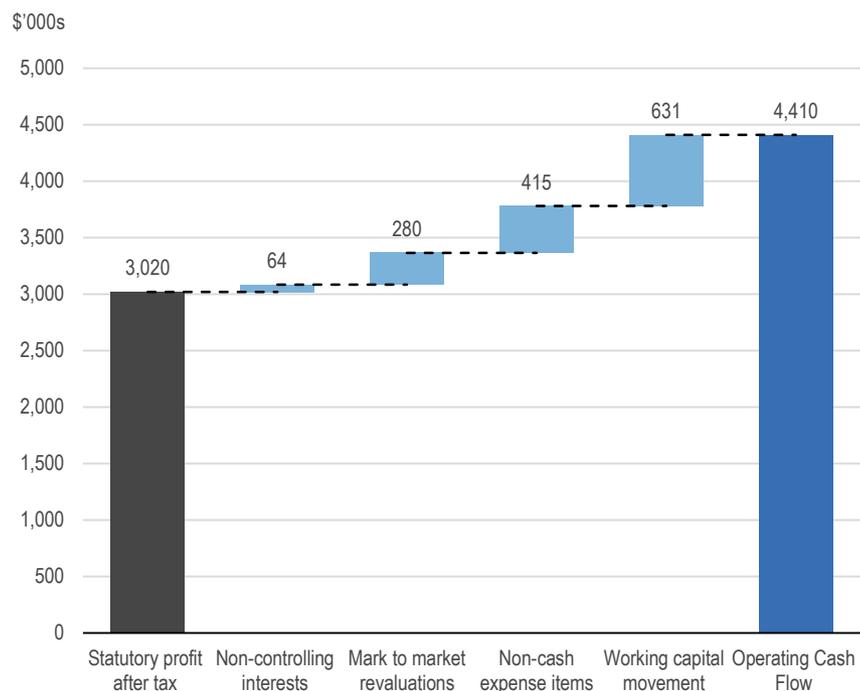
Funds under Management¹ Summary

Funds	Sector	Investors	FuM	Fee Basis			APN Co-investment	
				Management	Performance	Other	\$	%
APN AREIT Fund	Property Securities	Retail & Institutional	\$1,222m	✓			\$0.2m	-
APN Property for Income Fund	Property Securities	Retail & Institutional	\$170m	✓			-	-
APN Property for Income Fund No. 2	Property Securities	Retail & Institutional	\$63m	✓			-	-
APN Unlisted Property Fund	Property Securities	Retail & Institutional	\$14m	✓			-	-
APN AREIT Mandates	Property Securities	Institutional	\$56m	✓			-	-
APN Asian REIT Fund	Property Securities	Retail & Institutional	\$10m	✓			\$1.0m	10.5%
Industria REIT	Industrial & Business Park	Retail & Institutional	\$558m	✓		✓	\$48.8m	14.2% ²
APN Retail Property Fund	Retail	Sophisticated & Institutional	\$106m	✓		✓	\$9.1m	14.6%
APN Property Plus Portfolio	Retail	Retail & Institutional	\$90m	✓		✓	\$2.6m	5.1%
APN Regional Property Fund	Office	Retail	\$46m	✓		✓	-	-
APN Coburg North Retail Fund	Retail	Retail	\$19m	✓	✓	✓	-	-
APN Development Fund No. 2	Office & Industrial	Institutional	\$40m	✓	✓	✓	\$1.2m	4.8%
APN Steller Development Fund	Residential	Sophisticated & Institutional	\$18m	✓	✓	✓	\$2.6m	15.2%
Newmark APN Auburn Property Fund	Retail	Sophisticated & Institutional	\$1m		✓	✓	-	5.4%
Total			\$2,413m				\$65.5m	

1. Funds under management from continuing operations at 31 December 2016

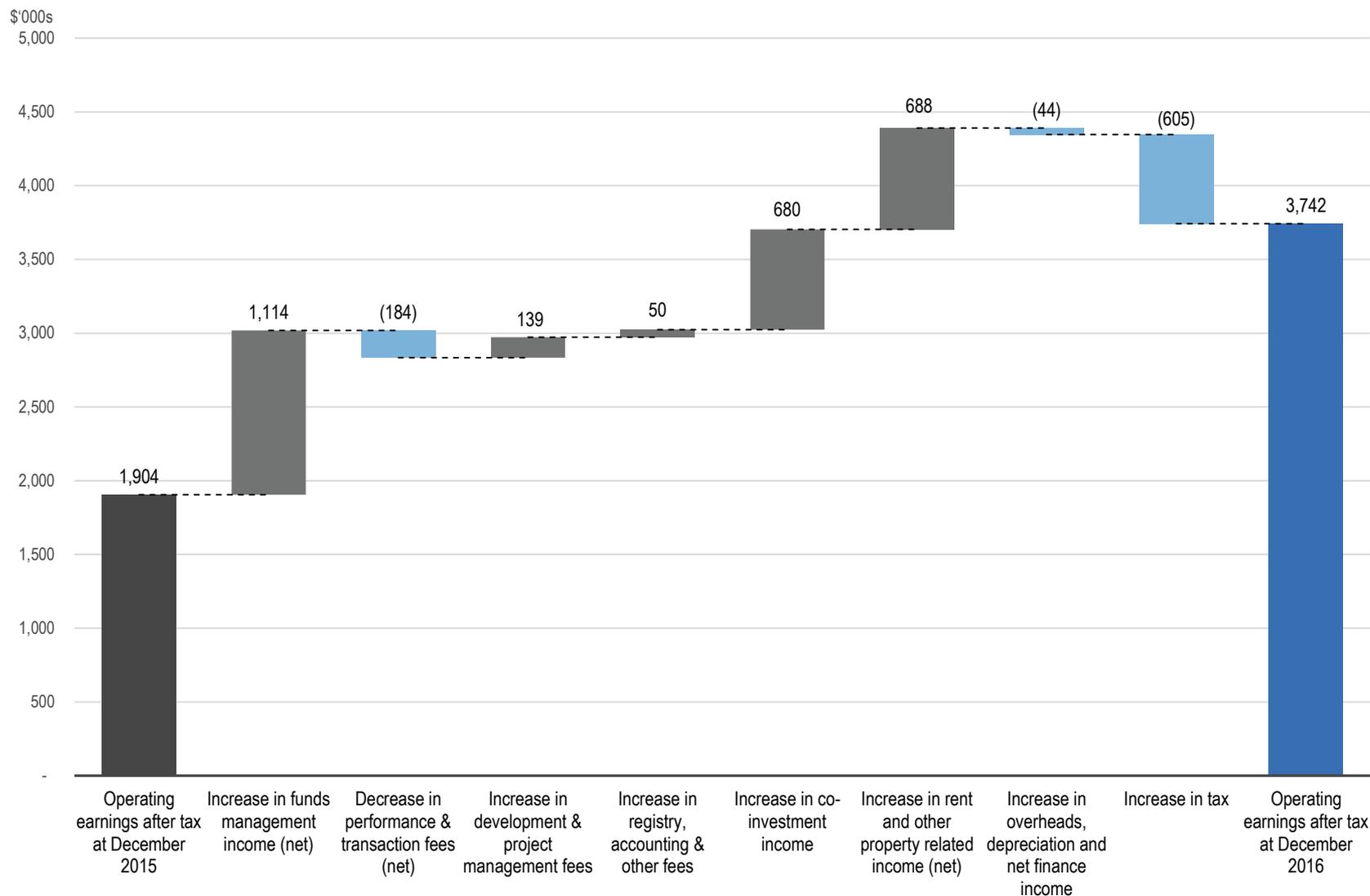
2. Funds managed by APN hold an additional 5.1% interest in Industria REIT

Profit to operating cash flow reconciliation



Cashflow Reconciliation	Dec 2016 \$'000s	Dec 2015 \$'000s
Statutory profit after tax	3,020	15,955
Add/(deduct):		
Non-controlling interests	64	3,644
Mark to market revaluations	280	(14,485)
Non-cash expense items	415	612
Working capital movement	631	(799)
Operating Cash Flow	4,410	4,927

Operating Profit After Tax Reconciliation



Asset level debt facility summary

- Analysis below is presented independent of cash reserves on balance sheet

Debt facility

Facility Limit	\$10.5 million
Drawn at 31 Dec 2016	\$10.5 million
Loan to Value Ratio (LVR)	43.5%
LVR Covenant	< 48.0%
Interest Cover Ratio (ICR)	2.4 x
ICR Covenant	> 2.0 x
Cost of debt (p.a.)	3.56%
Expiry	November 2018
Security	South Nowra, NSW

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