

19 February 2019

Results for the period ending 31 December 2018

Highlights

- Funds From Operations (FFO) up 3.4% to \$15.3 million and on-track to deliver guidance of 3 – 4% growth
- Underpinning the future growth profile with 6,600 square metres leased across the portfolio
- \$26.3 million of acquisitions settled at an average 7.1% yield, with the benefit a 5.7 year weighted average lease expiry providing income visibility
- Distribution paid up 3.7% to 8.5 cents per security.

Financial Results

Net profit for the six months ending 31 December 2018 was \$14.6 million, up \$0.8 million on the prior corresponding period (pcp). Growth was driven by contracted fixed uplifts across the portfolio, leasing, and two new acquisitions at 1 West Park Drive, Derrimut and 13 Ricky Way, Epping.

FFO increased \$0.5 million to \$15.3 million; or 3.3% on a per security basis to 9.4 cents. Guidance of 19.05 – 19.25 cents per security for FY19 is reiterated.

Net Tangible Assets (NTA) increased \$0.7 million, with valuation gains of \$3.1 million partially offset by stamp duty costs related to the acquisitions and derivative fair value movements.

“It’s pleasing to report that the outcomes from our active management is driving revenue growth whilst lowering the risk profile, with less than 10% of the portfolio expiring in the next 18 months. We also continued to demonstrate discipline when deploying capital, investing in two assets that deliver attractive initial yields averaging 7.1% without taking on excessive risk,” Alex Abell, Fund Manager of APN Industria REIT said.

The balance sheet is in a strong position with a modest gearing ratio of 33.3%, which is at the lower end of the target 30 – 40% gearing band. Refinancing risks remain low as the debt maturities are staggered across four financial years, with the nearest debt maturity in FY20 limited to ~\$46 million. The weighted average debt maturity was 2.8 years, and the average interest rate 3.6% - one of the lowest in the sector.

Property Portfolio

Portfolio occupancy increased to 96% following 6,600 square metres of leasing. Approximately 2,900 square metres of vacancy was leased and a further 3,700 square metres of renewals agreed. Leasing transactions with existing tenants seeking expansion space exceeded 1,600 square metres.

Key asset highlights included:

- 88 Brandl St, Brisbane Technology Park (BTP) - ~890 square metres leased as nine leasing deals were agreed with new and existing tenants (expansion space);
- 8 Clunies Ross Court, Brisbane Technology Park (BTP) - ~740 square metres leased, with an existing tenant expanding into the space;
- 7 Clunies Ross Court, Brisbane Technology Park (BTP) - ~680 square metres leased, with new amenity being introduced including Anytime Fitness and a modernised café offering; and
- 5 Butler Boulevard, Adelaide Airport – renewed ~2,900 square metres expiring in FY20 whilst also agreeing terms to lease up ~1,400 square metres to bring the property to 100% occupancy.

“It’s exciting to see our approach continue to gain momentum. Listening and taking the initiative to seek out solutions for the business requirements of our existing and future tenants is very well-received – and the leasing numbers demonstrate tenants are voting with their feet. This commitment to adapt and proactively deliver what the market wants will maximise cash flow and generate long term value” Alex Abell said.

The leasing pipeline is healthy and includes over 10 deals, mainly to small businesses that are genuine innovators and leaders in their field based at BTP. These businesses include a company listed in the Australian Financial Review Fast 100 and a Winner of the Environmental Solutions category at the Queensland Export Awards. They have selected Brisbane Technology Park as their preferred location: proximity to key arterial roads; public transport to the city; and access to a well-educated and diverse employment base. Combining these factors with an on-the-ground management presence has proven to be a strong attraction for small to medium sized businesses, validated by more than 90% of leasing transactions being less than 500 square metres.

The Fund’s two properties at Rhodes Corporate Park were valued during the period, with uplifts of \$3.1 million being reported. Rhodes building C increased in value by \$3.0 million to \$86.0 million, and Rhodes building A increased in value by \$0.1 million, as the valuer adopted conservative lease assumptions on future lease expiries.

The weighted average cap rate for the portfolio is 6.5% and weighted average lease expiry is 6.4 years.

Overview and outlook

APN Industria REIT is well positioned for the future. The high quality portfolio generates growth that is underpinned by more than 80% of the leases having fixed annual reviews of 3% or more. The revenue generated from the Fund is based on pure rents collected, which reduces the risk of earnings surprises for investors.

Gearing remains low at 33.3%, providing the flexibility to pursue potential acquisition opportunities within the target range of 30 – 40%. The discipline surrounding capital allocated demonstrated over recent periods will remain, with opportunities only to be pursued where they provide the ability to generate stable and growing income streams over the long term.

Full year FFO guidance of 19.05 – 19.25 cents per security, representing 3 – 4% growth over FY18, is reiterated. Guidance is subject to current market conditions continuing and no unforeseen events.

ENDS

For further information, please contact:

Alex Abell

Fund Manger

T +613 8656 1000

E aabell@apngroup.com.au

About APN Industria REIT

APN Industria REIT (‘Industria’) (ASX code: ADI) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. Industria’s \$692 million portfolio of 24 properties located across the major Australian cities provides sustainable income and capital growth prospects for security holders over the long term. Industria has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to management. Industria is managed by APN Property Group, a specialist real estate investment manager established in 1996, and governed by a majority independent Board.

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