



FY2019 RESULTS PRESENTATION

22 AUGUST 2019

www.apngroup.com.au
ASX Code: APD

APN | Property Group

FY2019 financial highlights

Sixth successive year of recurring income growth

| | |
|---|---|
| OPERATING EARNINGS¹ | \$9.2 million ▲ 12% pcp, 2.94 cents per share (cps) Statutory NPAT: \$14.5 million ▲ 7% pcp 99% income from recurring sources |
| FUM | \$2.9 billion ▲ 5%, \$127 million |
| DIVIDENDS | 2.75 cps ▲ 22% Interim: 1.25 cps Final: 1.50 cps ▲ 50% vs prior corresponding period (pcp), franked 45% |
| BALANCE SHEET | NTA: 40.2 cps ▲ 7% Cash: \$15.7 million ² |
| TOTAL SHAREHOLDER RETURN³ | 1 year: 17.0% 5 years: 26.4% pa |

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

2. Includes cash held in trust for underlying funds managed by the Group of \$0.7 million and \$5.0 million for AFS Licences.

3. Per annum as at 30 June 2019. Includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required.

FY2019 operational highlights

Strong 'property for income' focused returns achieved across the group

REAL ESTATE SECURITIES

Continue to generate strong income performance – true to 'property for income' label

- ✓ APN AREIT Fund marked 10 year anniversary, 14.0% pa since inception
- ✓ APN Asian REIT FUM increased 88% to \$45 million, 15.5% pa since inception
- ✓ Leadership succession plan successfully implemented



APN AREIT Fund

APN INDUSTRIA REIT (ASX: ADI)

Active period of leasing and acquisitions and strong earnings performance

- ✓ 53 leasing transactions across 13,700 sqm, 87% tenant retention
- ✓ Acquired \$65 million of Victorian industrial assets
- ✓ Strong and flexible balance sheet post debt refinancing and revaluation gains



4 Forbes Close, Knoxfield, VIC

APN CONVENIENCE RETAIL REIT (ASX: AQR)

Well positioned for future growth

- ✓ Strong year on year growth – earnings (FFO) exceeded FY18 annualised by 6.4%
- ✓ Net Tangible Assets per security increased 9 cents to \$2.96, up 8.4% since ASX listing
- ✓ Well positioned to deliver long-term growth



Caltex Woolworths Capalaba, QLD

DIRECT PROPERTY

Active and value focused approach

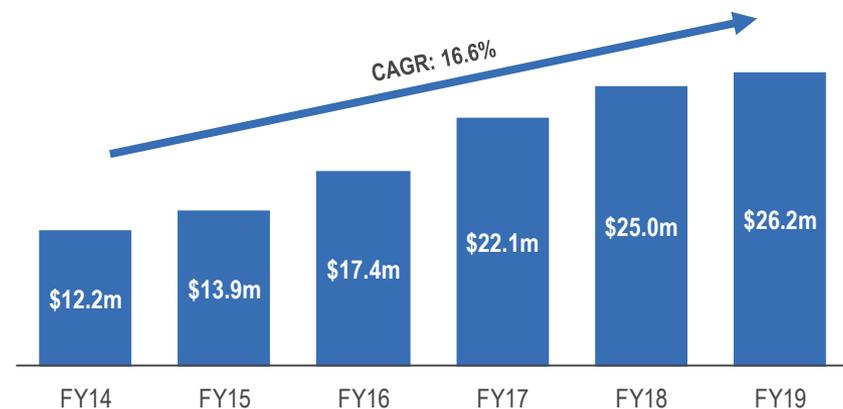
- ✓ Completed APN Nowra Property Fund raising
- ✓ Completed recapitalisation of APN Regional Property Fund and equity raising
- ✓ \$1.2 billion offers submitted, over \$2.0 billion opportunities, 153 properties assessed



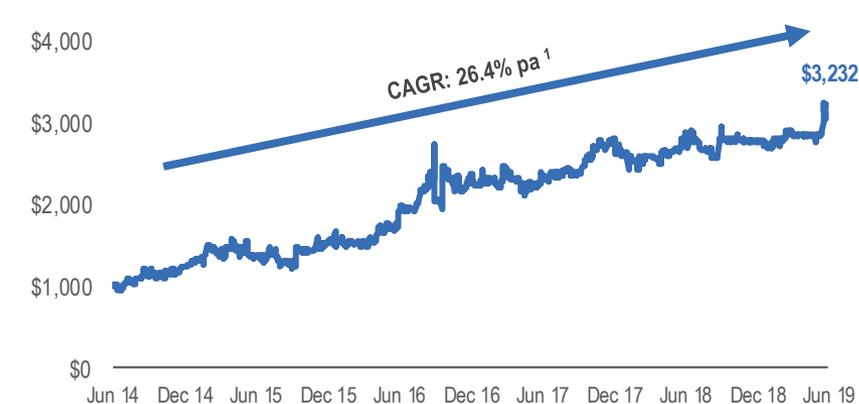
26-28 Honeysuckle Drive, Newcastle, NSW

Sustained business, profit and dividend growth

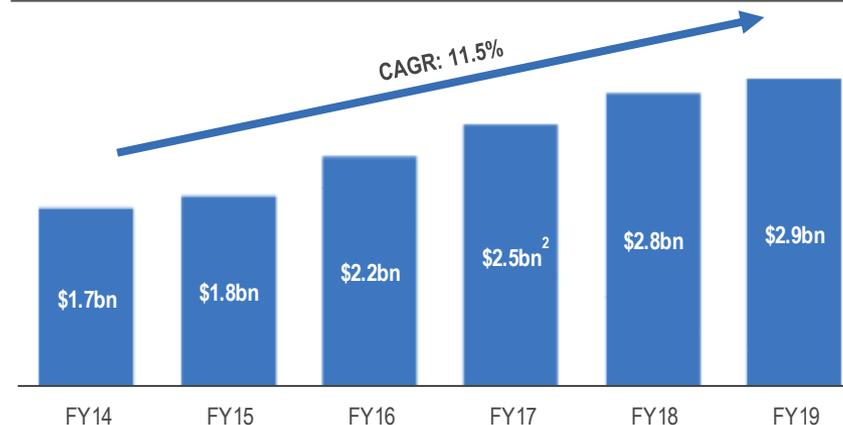
Recurring Income Growth



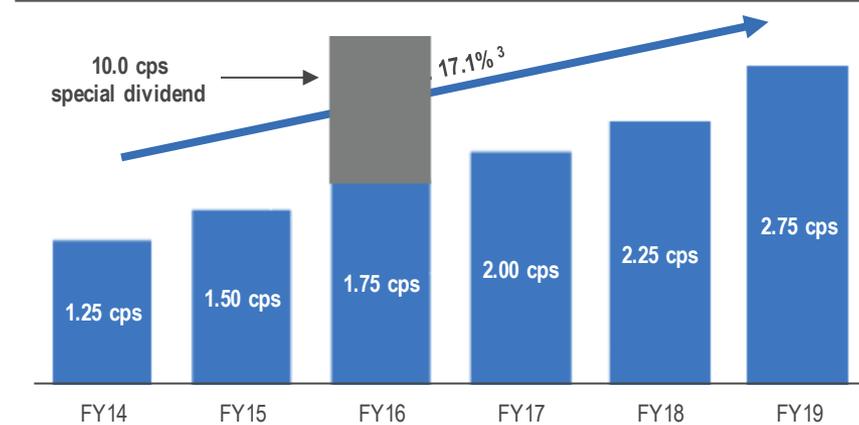
Total Shareholder Return



Funds Under Management



Dividends



1. Per annum as at 30 June 2019. 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 AQR.
3. Excludes special dividend of 10 cps

Strong operating earnings growth

| Income Statement (\$000s) | FY2019 | FY2018 | Change |
|--|---------------|---------------|--------------|
| Funds management fees | 15,038 | 14,195 | ▲ 6% |
| Performance & transaction fees | 374 | 670 | ▼ 44% |
| Asset & project management fees | 269 | 127 | ▲ 112% |
| Registry & other fees | 2,289 | 2,215 | ▲ 3% |
| Total Net Funds Management Income | 17,970 | 17,207 | ▲ 4% |
| Co-investment income | 7,985 | 6,780 | ▲ 18% |
| Rental and other property related income | 640 | 1,649 | ▼ 61% |
| Total Net Income | 26,595 | 25,636 | ▲ 4% |
| Employment costs | (10,345) | (10,498) | ▼ 1% |
| Occupancy costs | (678) | (682) | ▼ 1% |
| Sales and marketing costs | (710) | (761) | ▼ 7% |
| Other costs | (2,051) | (2,119) | ▼ 3% |
| Depreciation & amortisation | (141) | (204) | ▼ 31% |
| Finance income/(expense) | (88) | (465) | ▼ 81% |
| Operating earnings before tax | 12,582 | 10,907 | ▲ 15% |
| Income tax expense | (3,350) | (2,696) | ▲ 24% |
| Operating earnings (after tax and MI)¹ | 9,232 | 8,211 | ▲ 12% |
| Other non-operating activities ² after tax & MI | 5,291 | 5,347 | ▼ 1% |
| Loss from discount. operations after tax & MI | 10 | 7 | ▲ 43% |
| Statutory profit after tax & MI | 14,533 | 13,565 | ▲ 7% |
| Key performance metrics (cents per share) | | | |
| EPS – Operating Earnings | 2.94 | 2.63 | ▲ 12% |
| Statutory EPS (diluted basis) | 4.67 | 4.39 | ▲ 6% |

Reflects additional assets acquired by APN Industria REIT and full year contribution from assets acquired by APN Convenience Retail REIT

APN Nowra Property Fund establishment fees (vs prior year fees from the establishment of AQR)

Co-investment income (not including mark to market gains) up 18% to \$8.0 million following additional \$5.4 million of capital invested into ADI, distributions received from the APN Steller Development Fund and APN Regional Property Fund

Decreased due to successful sale of Nowra asset into new fund in November 2018

Prior year included capital loss reductions that reduced income tax expense

1. Operating earnings is an unaudited after tax metric used by the Group as the key measurement of its underlying performance. It adjusts statutory profit for certain non-operating items recorded in the income statement including 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 2019 | June 2018 | Change |
|---|-------------------|-------------------|-------------|
| Cash ¹ | 15,672 | 14,986 | ▲ 5% |
| Co-investments | 127,472 | 102,201 | ▲ 25% |
| Investment properties (inc held for sale) | - | 24,200 | ▼ - |
| Other assets | 5,950 | 6,667 | ▼ 11% |
| Intangible assets | 1,756 | 1,742 | ▲ 1% |
| Total assets | 150,850 | 149,796 | ▲ 1% |
| Trade payables, tax & provisions | 17,036 | 13,429 | ▲ 27% |
| Borrowings | 6,004 | 16,495 | ▼ 64% |
| Net Assets | 127,810 | 119,872 | ▲ 7% |
| Net Tangible Assets | 126,054 | 118,130 | ▲ 7% |
| NTA per share | 40.2 cents | 37.7 cents | ▲ 7% |

Comprises:

- \$83.0 million in ADI at \$2.89 per security (NTA at \$2.71, weighted average cap rate of 6.5%)
- \$30.0 million in AQR at \$3.12 per security (NTA at \$2.96, weighted average cap rate 7.0%)
- \$11.4 million in APN Regional Property Fund held at a cap rate of 7.25%

Woolworths / HCG South Nowra and corresponding \$10.5 million property level debt successfully sold down in period for APN Nowra Property Fund

Increase due to deferred tax on mark to market gains in co-investments

Debt facility coupled with cash holdings provides balance sheet flexibility

Refer slide 15 for further breakdown

¹ Includes cash of \$5.0 million for AFS licence (June 2018: \$5.0 million) and cash held in trust for underlying funds managed by the Group of \$0.7 million (June 2018: \$0.3 million)

Real Estate Securities

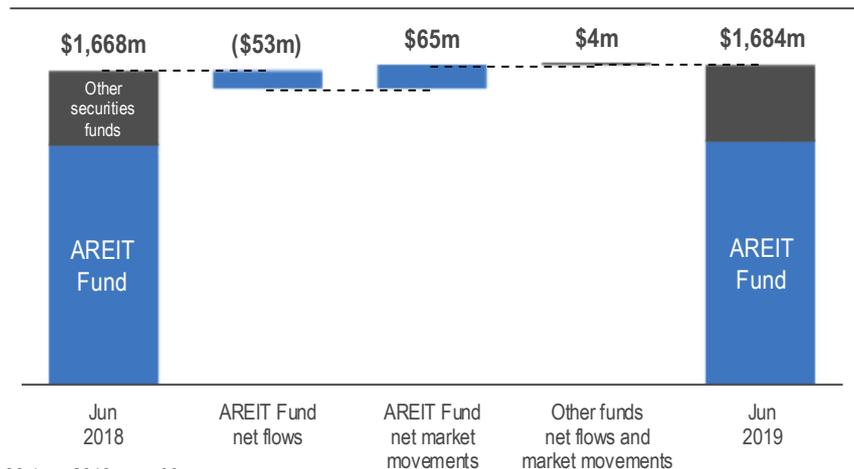
'Property for income' continues to be attractive in a low interest rate environment

- Continued strong income focused returns as a result of our active management approach
- Benchmark unaware, lower risk, income focus: AREIT Fund distribution yield of 5.9% pa (June 2019) paid monthly
- 20+ year track record
- Leadership transition completed
- Strong independent research ratings
- Net inflows decreased due to banking royal commission impacts on advisors and strong AREIT market total return performance
- Strong mark-to-market movements in second half

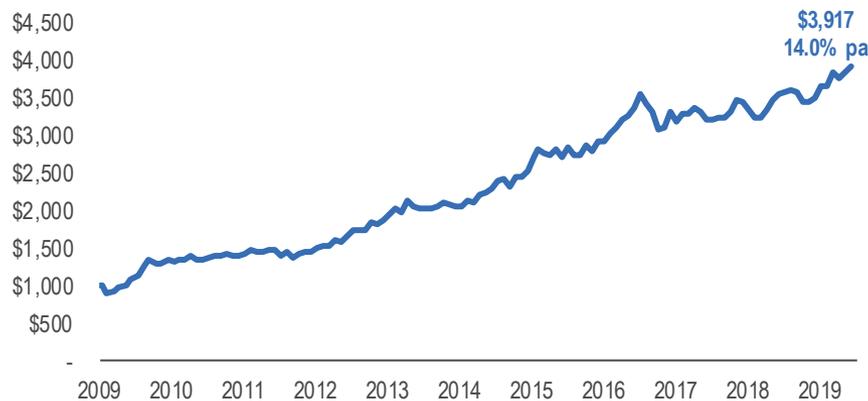
Division FUM growth



FUM Growth Breakdown



Performance - \$1,000 invested since inception¹



1. APN AREIT Fund performance. Assumes reinvestment of distributions since inception 20 January 2009 to 30 June 2019, net of fees.

APN Asian REIT Fund

Gaining momentum and increasing scale supported by strong fundamentals

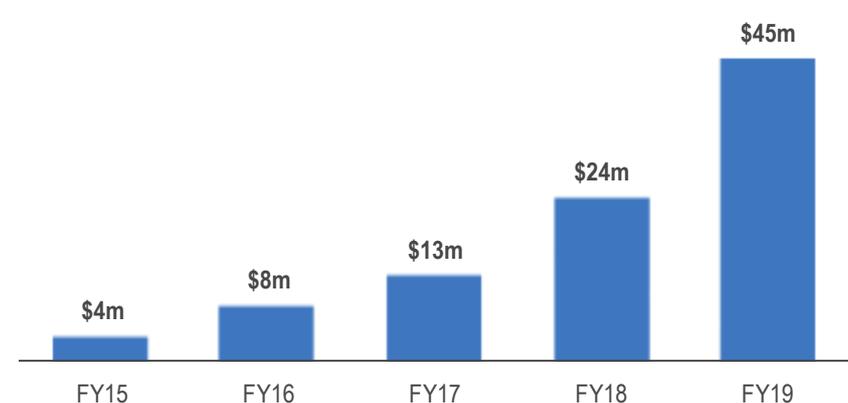
- Asian REIT Fund \$45 million of FUM at 30 June 2019, up 88%
- Delivers APN's Property for Income investment process into growing Asian commercial property markets – Singapore, Hong Kong, Tokyo
- Substantial, multi-generation growth potential is continuing with over 50% of the world's entire population in the region
- Independent research ratings, SQM Research 'Superior' rating reaffirmed in June 2019
- Diversification delivering lower risk (below market volatility)
- Distribution yield 5.1% pa (June 2019) paid monthly
- Delivered 28.9% return during FY2019 (15.5% pa since inception¹)



Performance - \$1,000 invested since inception¹



FUM Growth



1. APN Asian REIT Fund performance. Net of fees. Assumes reinvestment of distributions since inception. Inception 19 July 2011 to 30 June 2019.

APN Industria REIT

Strong and active year across portfolio, focused on providing long term sustainable income

- Earnings (FFO) increased 3.8% to 19.2 cps
- Active client engagement generating leasing outcomes – completing 53 leasing transactions across 13,700 sqm, 87% tenant retention
- Acquired \$65 million of Victorian industrial assets
- Strong investor support raising \$50 million equity
- Desirable and well leased portfolio with potential for further income and value upside
- FFO guidance of 2.5-3.0% earnings growth forecast in FY2020 - distribution guidance of 17.5 cps (3.0% increase)
- Strong and flexible balance sheet – 30% gearing



Key information (ASX Code: ADI)

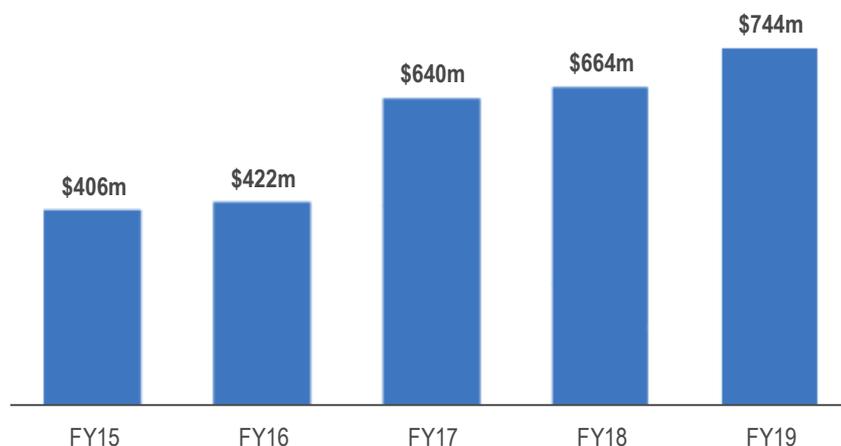
Metrics

| | |
|---|-------------|
| Market Capitalisation ¹ | \$524m |
| Funds Under Management | \$744m |
| Forecast FY20 Distribution Yield ² | 6.1% |
| Distribution frequency | Quarterly |
| Occupancy | 97% |
| WALE (by area) | 6.1 years |
| Gearing | 30.0% |
| Index inclusion | S&P/ASX 300 |

1. As at 30 June 2019

2. Based on 20 August 2019 security price

FUM Growth



APN Convenience Retail REIT

Long lease term, non-discretionary retail focus delivering reliably and growth income

- Earnings (FFO) of 21.5 cps exceeded FY2018 annualised by 6.4%
- NTA increased by 9 cps to \$2.96, up 3.1%
- Acquired Puma Mount Larcom for \$7.3 million (15 year lease, 6.75% cap rate)
- Well positioned – sustainable and growing income underpinned by long term leases and contracted annual rent increase
- Gearing remains comfortably within the target range of 25% – 40%
- FFO guidance of 4.0 – 4.8% growth forecast in FY2020
- FY2020 distribution guidance of 21.8 cps (4.3% increase)
- Actively pursuing opportunities



Raceview Convenience Centre, QLD

Key information (ASX Code: AQR)

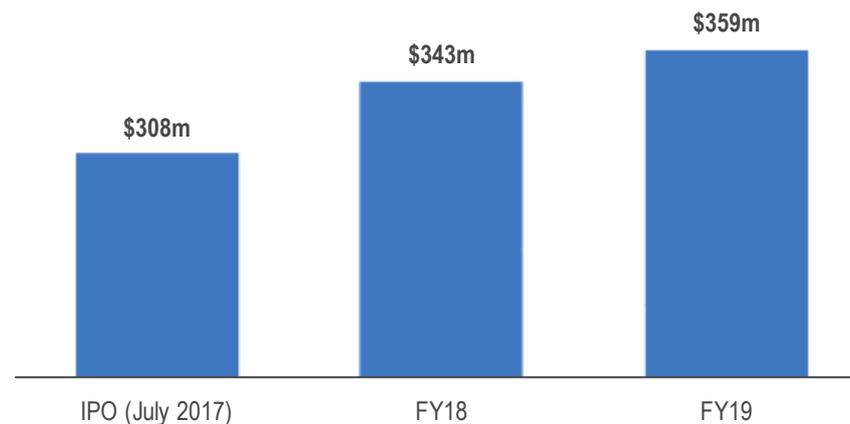
Metrics

| | |
|---|------------|
| Market Capitalisation ¹ | \$224m |
| Funds Under Management | \$359m |
| Forecast FY20 Distribution Yield ² | 6.5% |
| Distribution frequency | Quarterly |
| Occupancy | 100% |
| WALE (by income) | 11.7 years |
| Gearing | 32.3% |

1. As at 30 June 2019

2. Based on 19 August 2019 security price

FUM Growth



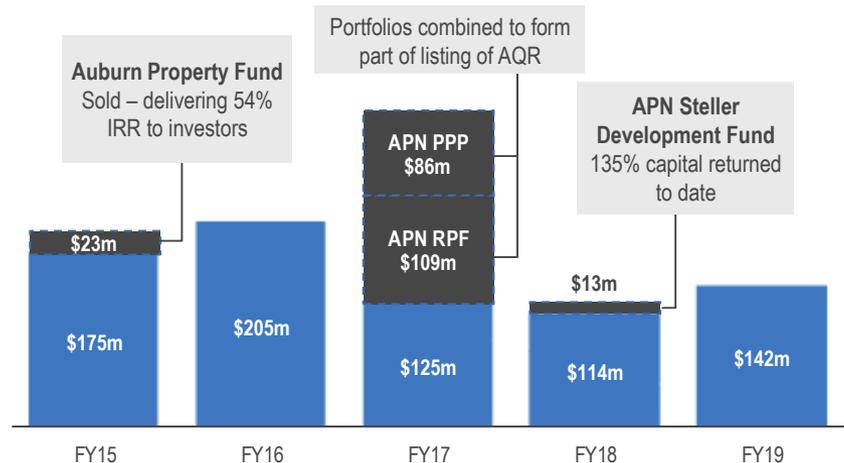
Direct Property

- Successfully completed the APN Steller Development Fund – all six projects settled. Fund remains on track to deliver investors approximately 17% IRR
- Established the \$24.2 million APN Nowra Property Fund, offering investors a 12 year WALE and forecast FY20 distribution yield of 8.0%
- Completed the 5 year extension and recapitalisation of the APN Regional Property Fund (\$54 million) (A-Grade Newcastle office)
- Active leasing at APN Coburg North Retail Fund with two tenants exercising options to extend lease terms by 5 years

| Fund | FUM (\$ million) |
|------------------------------|------------------|
| APN Regional Property Fund | \$54 |
| APN Coburg North Retail Fund | \$21 |
| APN Development Fund No. 2 | \$43 |
| APN Nowra Property Fund | \$24 |
| Total | \$142 |

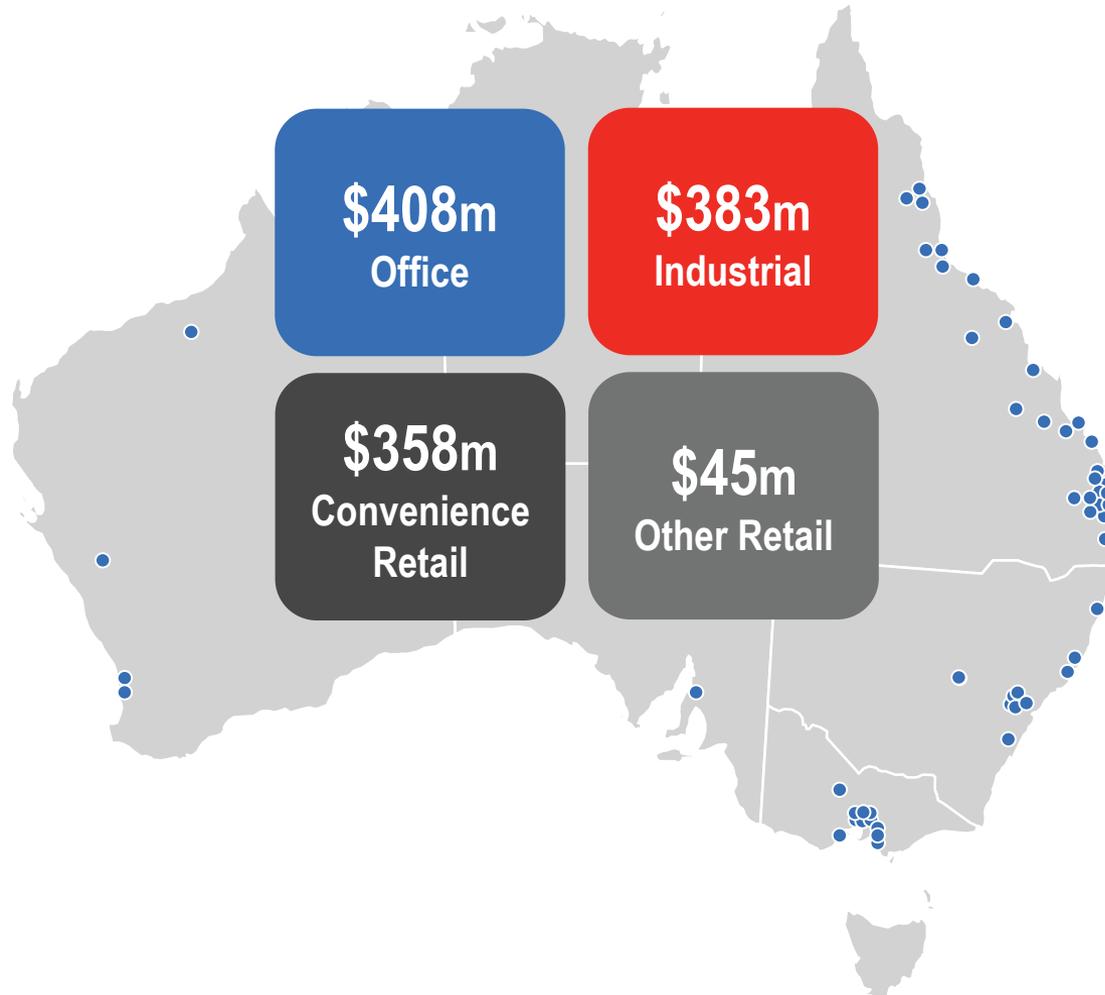


FUM Growth



Direct property platform with scale and multiple capabilities

\$1.2 billion property, weighted average cap rate 6.7%, WALE 7.9 years and 98% occupancy



QLD \$398m

| | |
|-----------------------|--------|
| 53 Convenience Retail | \$238m |
| 13 Office | \$160m |

NSW \$544m

| | |
|----------------------|--------|
| 4 Office | \$248m |
| 1 Industrial | \$197m |
| 8 Convenience Retail | \$75m |
| 1 Retail | \$24m |

VIC \$245m

| | |
|----------------------|--------|
| 12 Industrial | \$172m |
| 1 Retail | \$21m |
| 2 Convenience Retail | \$9m |
| 1 Development | \$43m |

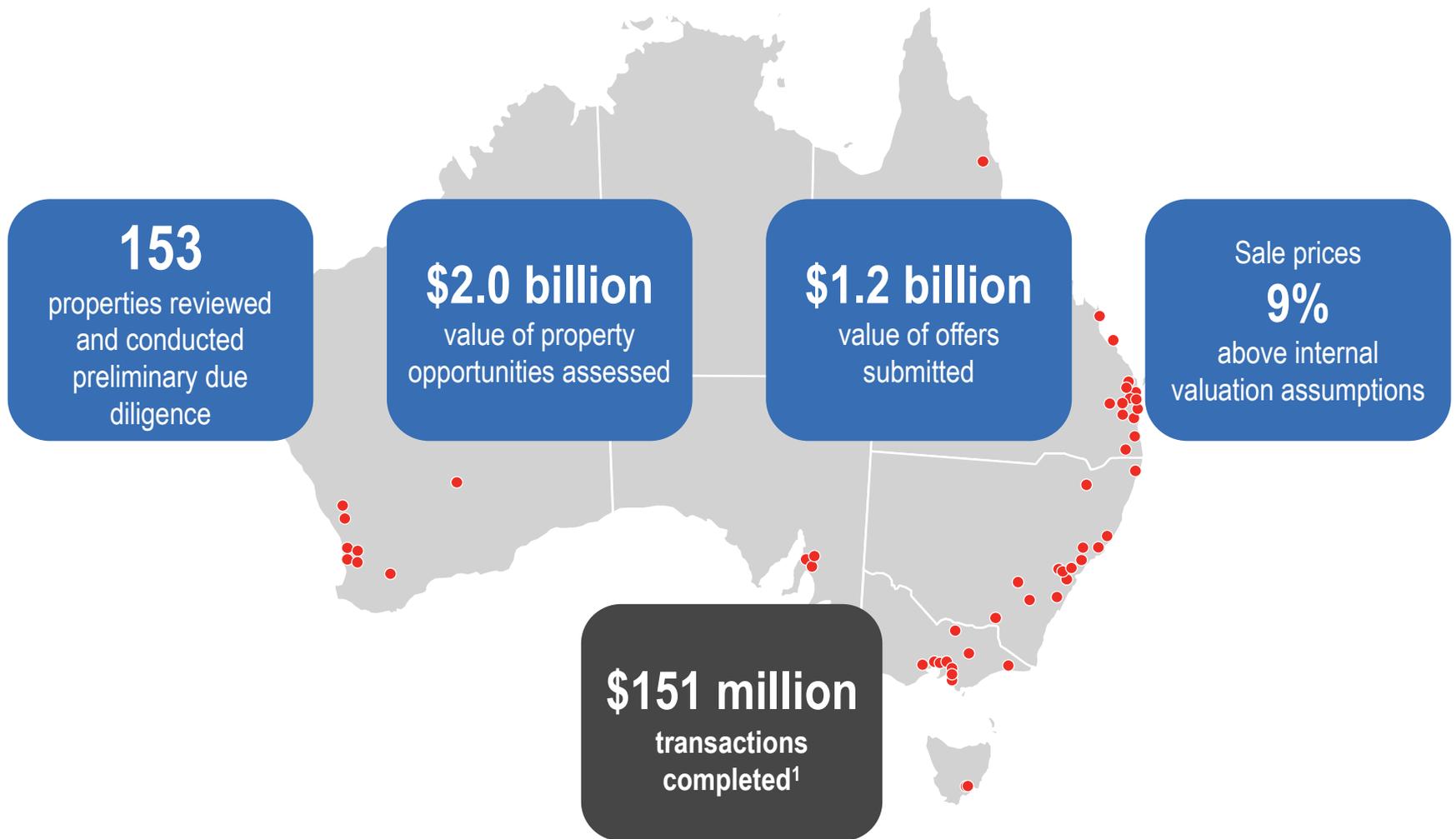
SA \$15m

| | |
|--------------|-------|
| 1 Industrial | \$15m |
|--------------|-------|

WA \$36m

| | |
|----------------------|-------|
| 7 Convenience Retail | \$36m |
|----------------------|-------|

Direct Property – active but disciplined approach



1. Includes APN Industria REIT's \$65 million of acquisitions, APN Convenience Retail REIT \$8 million acquisition, APN Nowra Property Fund of \$24 million and APN Regional Property Fund (Newcastle) \$54 million acquisition.

Stapling proposal – update

Background

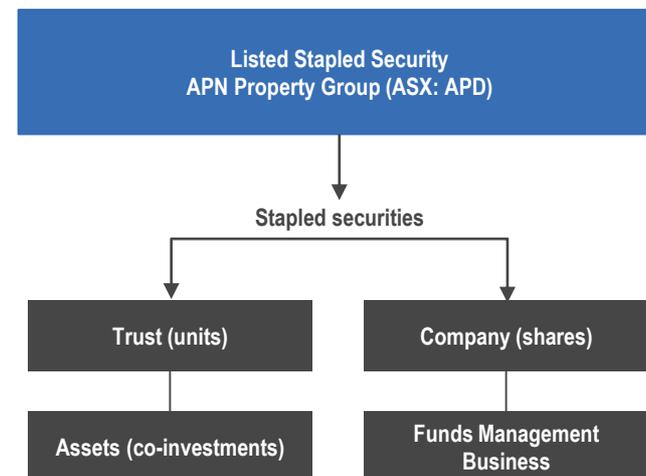
- A stapled structure is essentially a trust contractually linked with a company – with each unit in the trust stapled to a share in the company and traded on the ASX as a single stapled security
- Board has reviewed APN’s capital structure and in regard to converting the company to a stapled structure

Potential Benefits and Rationale

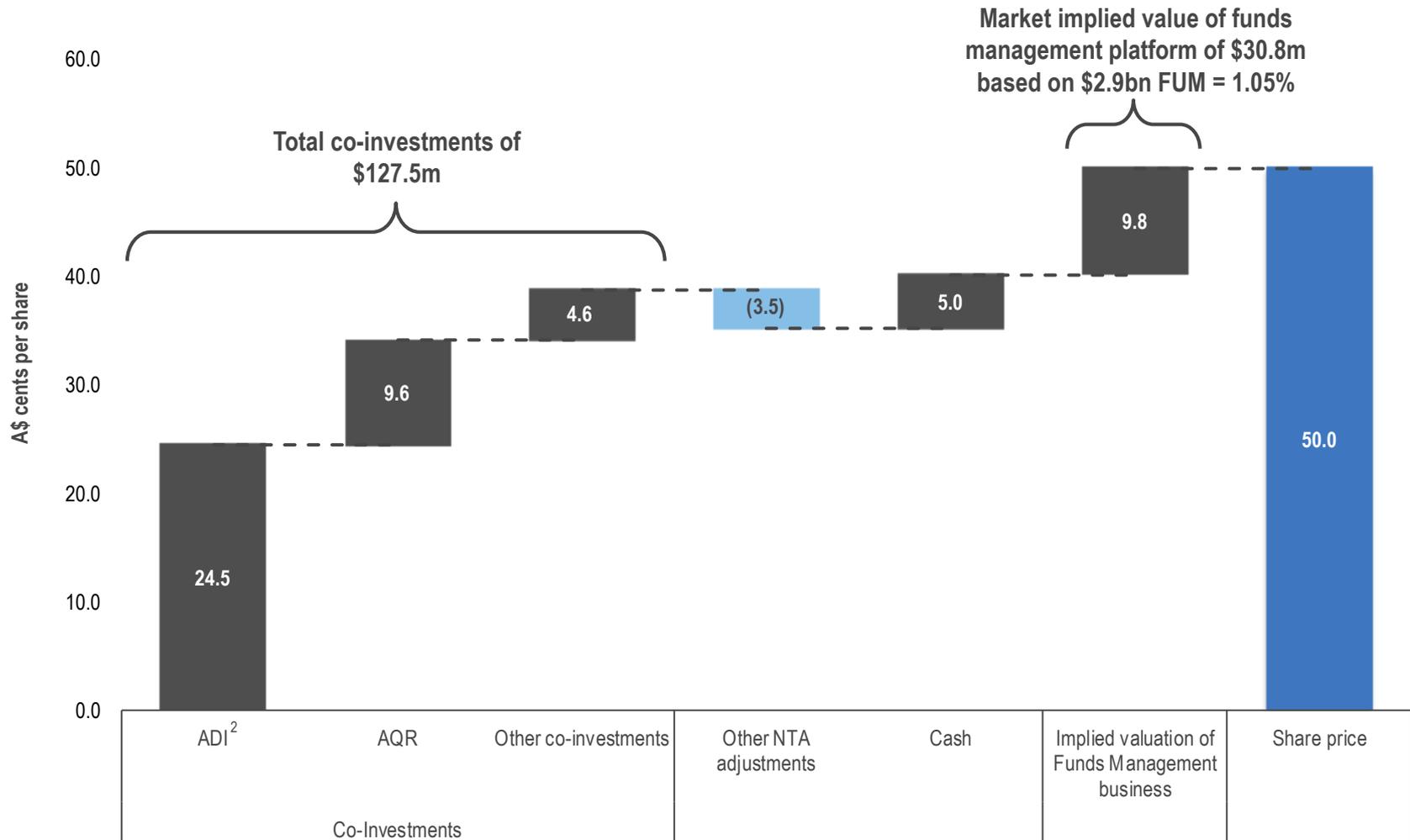
- Allows selected co-investment distributions to pass directly through to investors
- May improve APN’s cost of capital, enhancing the growth potential of the Group
- May increase cash distributions to APD shareholders (and changes tax treatment of those distributions)
- Brings APN in line with majority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

Process and timing update

- APD continues to work towards a restructure of APD into a stapled group
- Intend to put a proposal to shareholders to renew the approval received in November 2018 (lapsed due to sunset date)
- Implementation subject to Board approval and satisfaction of conditions
- All approvals other than ATO ruling have been obtained
- Expect 31 December 2019 completion – dependent upon regulatory timeframes



Implied Funds Management platform valuation¹



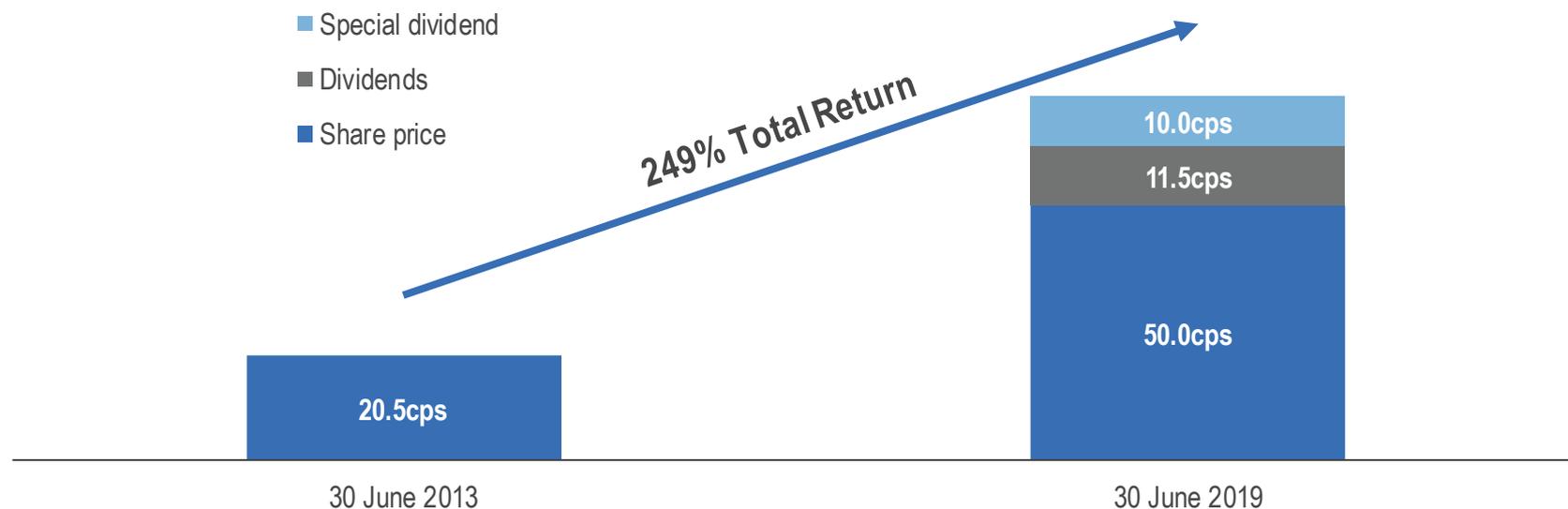
1. Analysis and APN share price as at market close 30 June 2019

2. NTA of 24.5 cents per share is net of debt – refer to financial accounts for further information

Outlook – APN remains well positioned for future growth

Quality income streams from commercial real estate continue to be relevant and attractive to investors

- Established \$2.9 billion commercial real estate investment management platform
- Solid earnings base with four divisions across listed and unlisted commercial property funds
- Funds (including APN Industria REIT and APN Convenience Retail REIT) in strong financial position (lower end of gearing ranges, strong occupancy and lease expiry profiles)
- APN has \$15.7 million cash on balance to capitalise on growth opportunities
- APN is owned approximately 40% by its Management Team and Directors – strong alignment exists between shareholders (as well as investors in APN’s Funds through \$120 million+ co-investments)
- Well placed to deliver future sustainable growth



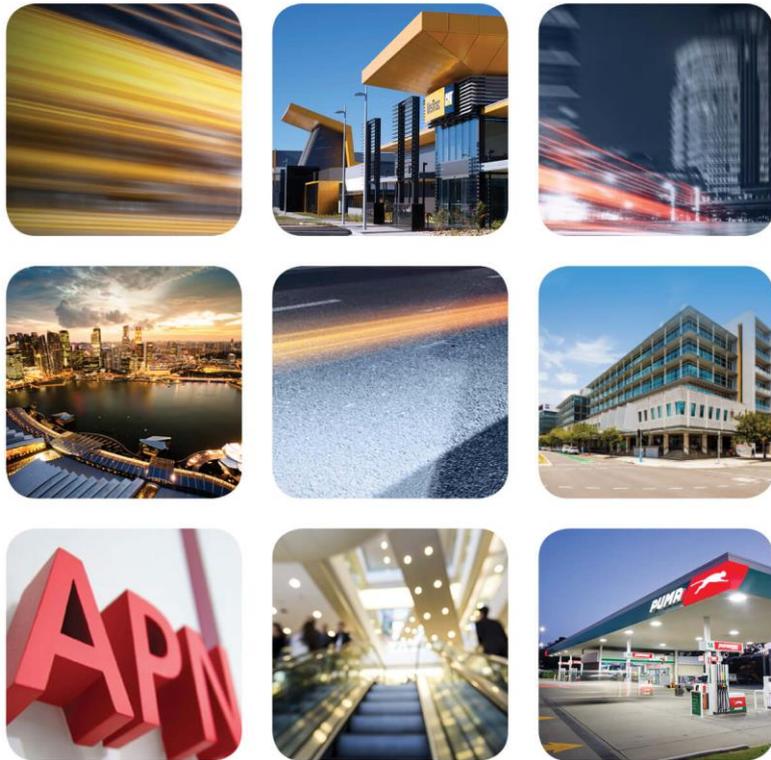
Guidance – dividend sustainability

Subject to continuation of current market conditions, business as usual basis (before potential stapling transaction impact)

| FY2019 | | FY2020F |
|-----------------------------|--|---------------------------------|
| Guidance | Results | Guidance |
| 2.25 cps (fully franked) | 2.75 cps (70% franked) ¹ | 2.75 cps (partially franked) |

- The Board has issued guidance that its view is that the dividend is sustainable at 2.75 cents per share for the foreseeable future (based on current market conditions)
- The Board has determined to issue dividend guidance in place of its previous practice of issuing operating earnings guidance having reviewed market practice and what it believes will be most useful for investors
- The Board determines dividends with reference to the amount and composition of operating profit after tax
- The Board expects to pay a dividend for FY2020 of 2.75 cents per share which will be partially franked

1. Final dividend of 1.50 cents per share declared will be 45% franked, bringing the total dividend for the year to 2.75 cents per share (70% franked)



APPENDICES

APN | Property Group

APN Property Group Profile

Specialist real estate investment manager – ‘Property for income’ focus

As at 30 June 2019

APN PROPERTY GROUP LIMITED

FUNDS UNDER MANAGEMENT

\$2,929 MILLION

CO-INVESTMENTS & CASH

\$126 MILLION NET TANGIBLE ASSETS

REAL ESTATE
SECURITIES
\$1,684 MILLION

APN INDUSTRIA REIT
\$744 MILLION
(ASX: ADI)

APN CONVENIENCE
RETAIL REIT
\$359 MILLION
(ASX: AQR)

DIRECT PROPERTY
\$142 MILLION

CASH
\$16 MILLION

CO-INVESTMENTS
\$127 MILLION



Overview

Summary

- Listed on ASX (Code: APD)
- Melbourne-based specialist real estate investment manager
- Established 1996, listed 2005
- \$2.9 billion in Funds under Management (FUM)
- Actively manage 12 funds and 104 properties
- Responsible entity: APN Funds Management Limited, a wholly owned subsidiary of APN (Independent board)

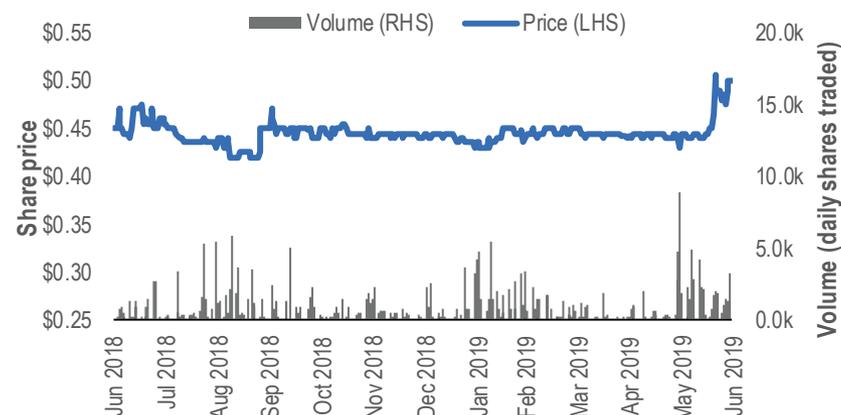
Major Shareholders¹

| Shareholder | |
|-------------------------|--------------|
| C. Aylward (Director) | 25.6% |
| Phoenix Portfolios | 10.8% |
| Grollo Family | 8.3% |
| T. Young (Director) | 3.4% |
| H. Brenchley (Director) | 3.0% |
| T. Slattery (CEO) | 2.6% |
| TOTAL | 53.7% |

¹ Based on substantial shareholder and director interest notices lodged on the ASX as at 21 August 2019.

² IRESS, ASX Trading data as at 30 June 2019. 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 ² | \$0.50 |
| Shares outstanding ² | 313,742,812 |
| Market capitalisation ² | \$157 million |
| FUM | \$2.9 billion |
| Total shareholder return ² | 17.0% (1 year) |

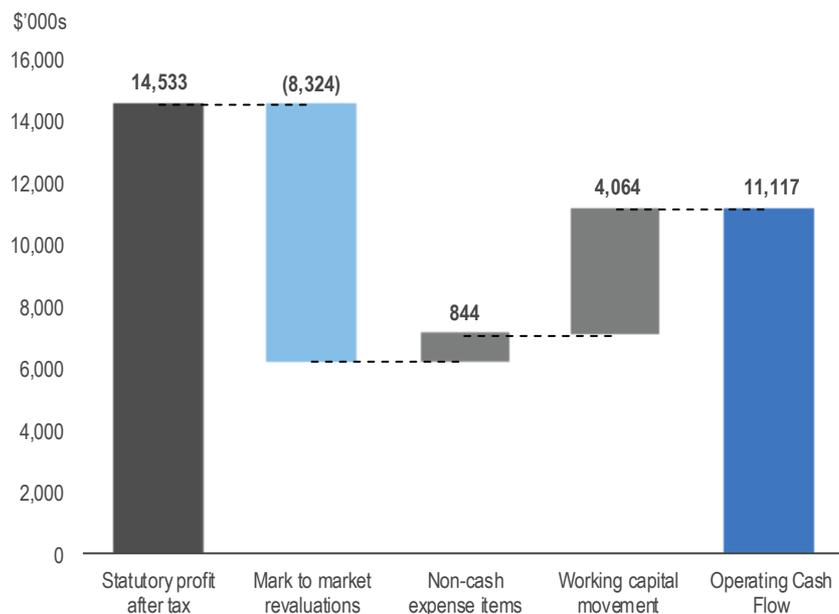
Funds Under Management Summary

| Funds | Sector | Investors | FUM \$m | Fee Basis | | | APN Co-investment | |
|--|----------------------------|------------------------|--------------|------------|-------------|-------|-------------------|--------------------|
| | | | | Management | Performance | Other | \$m | % |
| APN AREIT Fund | Property Securities | Retail & Institutional | 1,266 | ✓ | | | - | - |
| APN AREIT Mandates | Property Securities | Institutional | 200 | ✓ | | | - | - |
| APN AREIT PIE Fund | Property Securities | Retail & Institutional | 12 | ✓ | | | - | - |
| APN Property for Income Fund | Property Securities | Retail & Institutional | 121 | ✓ | | | - | - |
| APN Property for Income Fund No. 2 | Property Securities | Retail & Institutional | 40 | ✓ | | | - | - |
| APN Asian REIT Fund | Property Securities | Retail & Institutional | 45 | ✓ | | | 1.6 | 3.7% |
| APN Industria REIT | Industrial & Business Park | Retail & Institutional | 744 | ✓ | | ✓ | 83.0 | 15.9% ¹ |
| APN Convenience Retail REIT ² | Retail | Retail & Institutional | 359 | ✓ | | ✓ | 30.0 | 12.2% ² |
| APN Regional Property Fund | Office | Retail | 54 | ✓ | | ✓ | 11.4 | 32.5% |
| APN Coburg North Retail Fund | Retail | Retail | 21 | ✓ | ✓ | ✓ | - | - |
| APN Nowra Property Fund | Retail | Institutional | 24 | ✓ | ✓ | ✓ | 0.0 | 0.1% |
| APN Development Fund No. 2 | Development | Institutional | 43 | ✓ | ✓ | ✓ | 1.3 | 4.8% |
| Total | | | 2,929 | | | | 127.5 | |

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

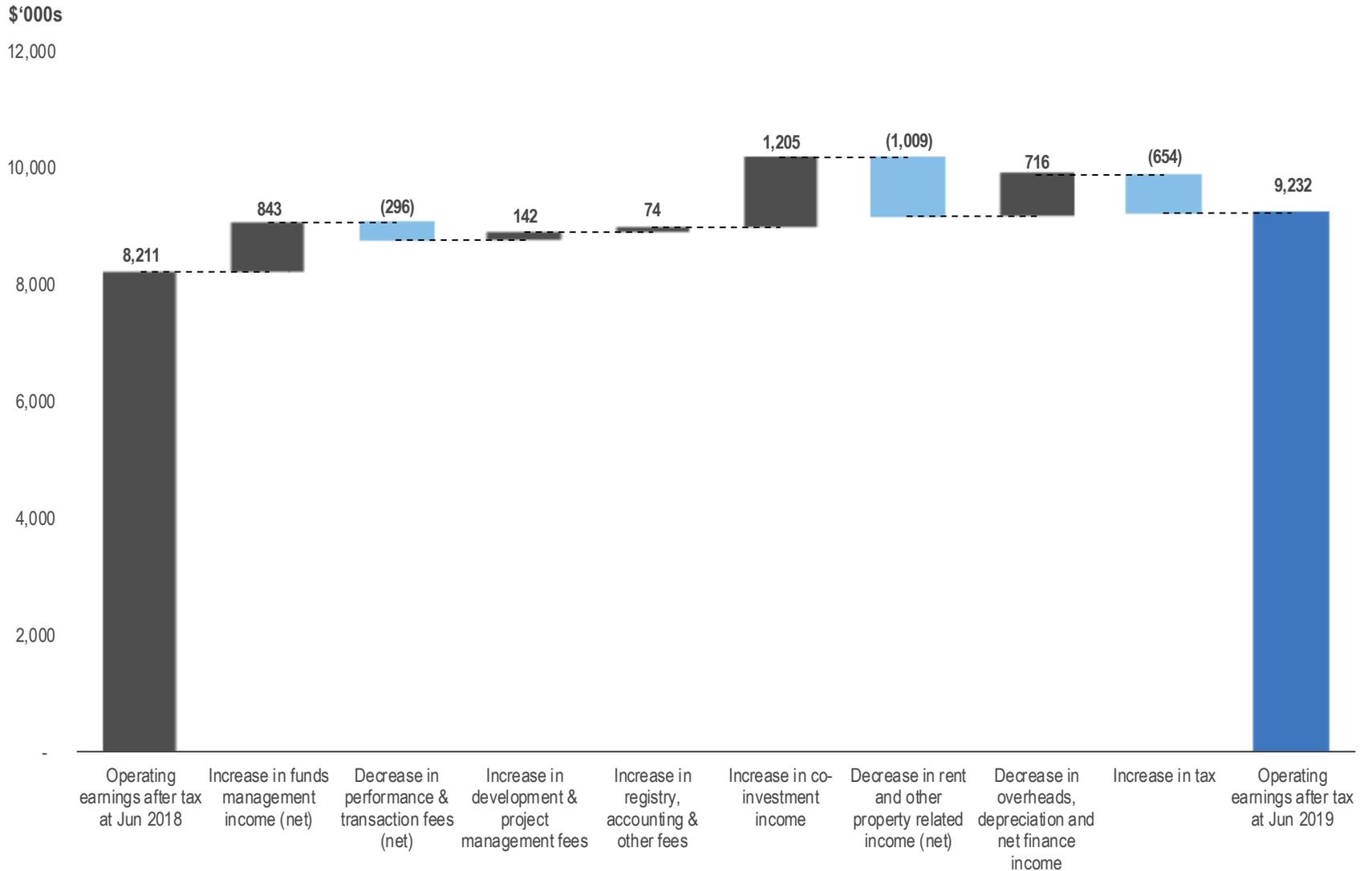
2. Funds managed by APN hold an additional 3.5% interest in APN Convenience Retail REIT

Profit to operating cash flow reconciliation



| Cashflow Reconciliation (\$'000s) | June 2019 | June 2018 |
|-----------------------------------|---------------|---------------|
| Statutory profit after tax | 14,533 | 13,565 |
| Add/(deduct): | | |
| Mark to market revaluations | (8,324) | (7,996) |
| Non-cash expense items | 844 | 1,237 |
| Working capital movement | 4,064 | 3,491 |
| Operating Cash Flow | 11,117 | 10,297 |

Operating Profit After Tax Reconciliation



Debt facility summary

Corporate debt facility

| | |
|--------------------------------|--------------------------------|
| Facility Limit | \$8.0 million |
| Drawn at 30 June 2019 | \$6.0 million |
| Loan to Value Ratio (LVR) | 8.3% |
| LVR Covenant | < 35.0% |
| Distribution Cover Ratio (DCR) | 11.1 x |
| DCR Covenant | > 2.0 x |
| Cost of debt (p.a.) | 5.4% |
| Expiry | March 2020 |
| Security | Mortgage over specified assets |

Important notice

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