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11 October 2019

Acquisitions and Equity Raising

APN Convenience REIT (**AQR** or the **Fund**) is pleased to announce it has entered into heads of agreements to acquire 13 service station and convenience retail properties in South Australia, Western Australia, Queensland and Northern Territory for a total consideration of \$74.6 million (excluding transaction costs) (the **Acquisitions** or **Acquisition Portfolio**).

The Acquisition Portfolio comprises 11 brand new or under construction strategically located sites plus 2 established sites leased to high quality operators with an on-completion weighted average lease expiry (**WALE**) of 13.8 years (as at 30 September 2019) and generating an initial yield of 6.2%.

The Acquisition Portfolio and associated transaction costs will be funded with a combination of debt and equity. To partially fund the Acquisition Portfolio, the Fund is undertaking a fully underwritten institutional placement to raise approximately \$38 million (**Placement**) at an issue price of \$3.39 per new stapled security (**New Security**). The remaining Acquisition Portfolio consideration and associated transaction costs will be funded with bank debt for which credit approved terms have been received.

The Fund will also undertake a non-underwritten security purchase plan (**SPP**) to eligible securityholders¹ in Australia and New Zealand to raise up to \$5 million² at the same issue price as the Placement to repay debt and to support AQR's core business activities.

Portfolio details

The Acquisition Portfolio comprises:

- 3 operating and trading sites;
- 3 sites currently under construction which will be acquired on completion – expected to be late December 2019; and
- 7 fund-through development sites that are expected to be completed between April 2020 and July 2020³.

The Acquisition Portfolio introduces new high quality tenants to the Fund's portfolio including BP Australia (one of the largest fuel retailers in Australia comprising a service station network of over 1,400 sites), Liberty Oil (50% owned by Viva Energy Australia) and a major independent operator trading as 'Mobil X Convenience' and Mobil's preferred operator throughout South Australia and Western Australia.

The key highlights include:

- Attractive initial yield of 6.2%, underpinned by a long WALE of 13.8 years (as at 30 September 2019) and 100% occupancy;
- Fixed annual increases of 3.0% providing secure and sustainable long-term income growth;
- Improved tenant and geographic diversification and enhanced overall portfolio quality; and
- Limited capex requirements given 11 of the 13 sites are brand new or under construction.

¹ Eligible securityholders are holders of existing AQR securities as at 7.00pm (Sydney time) on 10 October 2019, with a registered address in Australia and New Zealand and are not in the United States and are not acting for the account or benefit of a person in the United States (**Eligible Securityholders**).

² The Fund may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

³ The developer will pay a coupon to the Fund on land acquisition and all cumulative development costs at a rate equal to the cap rate for the relevant property.

Property details are outlined below:

| Property | Site type | Purchase price (\$m) ⁴ | Cap rate | Major tenant(s) | WALE (years) ⁵ | Status | Est. settlement |
|---------------------------------|-----------|-----------------------------------|--------------|------------------------|---------------------------|---------------------------------|-----------------|
| Maroochydore (QLD) | Metro | 6.9 | 6.55% | 7-Eleven | 10.7 | Completed | Oct-19 |
| Orana (WA) | Regional | 6.1 | 6.55% | Viva Energy | 13.2 | Completed | Oct-19 |
| Rockhampton (QLD) | Regional | 5.6 | 6.75% | BP | 7.5 | Completed | Nov-19 |
| Adelaide (SA) | Metro | 5.2 | 6.00% | Liberty | 15.0 | Under construction ⁶ | Nov-19 |
| Adelaide (SA) | Metro | 5.3 | 6.00% | Liberty | 15.0 | Under construction ⁶ | Dec-19 |
| Perth (WA) | Metro | 4.8 | 6.10% | Liberty | 15.0 | Under construction ⁶ | Dec-19 |
| Adelaide (SA) | Metro | 5.4 | 6.10% | Liberty | 15.0 | Fund-through | Apr-20 |
| Adelaide (SA) | Metro | 5.0 | 6.35% | Mobil | 15.0 | Fund-through | Apr-20 |
| Adelaide (SA) | Metro | 4.6 | 6.35% | Mobil | 15.0 | Fund-through | Apr-20 |
| Alice Springs (NT) ⁷ | Metro | 8.2 | 6.00% | Liberty / Hungry Jacks | 14.0 | Fund-through | Apr-20 |
| Adelaide (SA) ⁷ | Metro | 5.3 | 6.00% | Liberty | 15.0 | Fund-through | May-20 |
| Adelaide (SA) ⁷ | Metro | 5.4 | 6.10% | Liberty | 15.0 | Fund-through | May-20 |
| Adelaide (SA) ⁷ | Metro | 6.8 | 5.87% | Mobil / KFC | 15.0 | Fund-through | Jun-20 |
| TOTAL | | 74.6 | 6.21% | | 13.8 | | |

Portfolio impact

| | Jun-19 (pro-forma) ⁸ | Acquisitions | Post-Acquisitions |
|--------------------------------------|---------------------------------|--------------|-------------------|
| Number of assets | 68 | 13 | 81 |
| Portfolio value | \$353.5m | \$74.6m | \$428.1m |
| Weighted average capitalisation rate | 7.0% | 6.2% | 6.9% |
| Occupancy | 100% | 100% | 100% |
| WALE (years) ⁹ | 11.4 | 13.8 | 11.7 |

⁴ Excludes transaction costs and to be supported by independent valuation(s).

⁵ WALE as at 30 September 2019.

⁶ Acquired upon practical completion and tenant operating.

⁷ Subject to satisfactory development approval being issued by the relevant Council and on the basis of an agreement for lease being entered into with the major tenant(s).

⁸ 30 June 2019 actuals adjusted for the disposal of three Puma tenanted sites at D'Aguiar, Wacol and Wynnum, as well as the acquisition of Coles Express Ayr, all of which settled in September 2019.

⁹ WALE as at 30 September 2019.

Commenting on the transaction, Chris Brockett, APN Convenience REIT Fund Manager, said: “The Acquisitions provide AQR an outstanding opportunity to acquire a portfolio of newly built and well-located assets, enhancing AQR’s overall tenant and geographic diversification.”

“The Acquisitions provide the opportunity to enter into locations not currently represented within the portfolio as well as introducing three new, high quality tenants including Liberty, BP and a major independent operator whose business has received global recognition for their convenience store strategy.”

“Importantly, the Acquisition Portfolio is underpinned by long-term leases with contracted annual rental increases of 3%, providing investors with secure and sustainable income growth.”

“These acquisitions are a great result of our active approach to building relationships with developers to achieve beneficial outcomes for all parties and the future growth pipeline for the Fund.”

Placement

AQR will undertake an approximately \$38 million Placement of New Securities to partially fund the Acquisitions. The Placement is fully underwritten by Moelis Australia.

The New Securities to be issued under the Placement will be issued at a fixed price of \$3.39 per New Security, which represents a:

- 3.7% discount to the last close price of \$3.52 on 10 October 2019; and
- 3.2% discount to the 5 day VWAP of \$3.50 on 10 October 2019.

Security purchase plan

Eligible Securityholders in Australia and New Zealand will be invited to subscribe for up to \$30,000 of New Securities, free of brokerage and transaction costs, via a SPP. The New Securities to be issued under the SPP will be offered at the same price as the New Securities to be issued under the Placement, a fixed price of \$3.39 per New Security. The SPP will not be underwritten and is expected to raise up to \$5 million¹⁰.

Further information on the SPP will be lodged with the ASX and sent to Eligible Securityholders on or around 21 October 2019.

Financial impact

Including the impact of the Acquisitions and Placement and subject to market conditions and no unforeseen events, the Fund reaffirms FY20 guidance previously provided:

- Funds From Operations (**FFO**) of 22.3 – 22.5 cents per security; and
- Distributions Per Security (**DPS**) of 21.8 cents per security, reflecting a 6.4% yield on the issue price.

The impact of the Acquisitions will be accretive to FY21 earnings.

In conjunction with the Placement, the Fund has undertaken to refinance its existing debt facilities and has received credit approved terms to increasing its facility limit by \$40 million. AQR 's pro forma gearing is expected to be approximately 35% following the Acquisitions and Placement, within the target gearing range of 25 – 40%. Proceeds from the SPP will reduce the pro forma gearing (e.g. \$5 million will result in a pro forma gearing of 34%).

¹⁰ The Fund may (in its absolute discretion), in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Timetable

| | Post-Acquisitions |
|--|-------------------------------|
| Record date for SPP | 7.00pm, Thursday 10 October |
| Announcement of the Acquisitions and Placement | Friday 11 October |
| Placement bookbuild | Friday 11 October |
| Settlement of New Securities issued under the Placement | Thursday 17 October |
| Allotment and normal trading of New Securities issued under the Placement | Friday 18 October |
| SPP offer opens and booklet is dispatched | Monday 21 October |
| SPP offer closes | 5.00pm, Wednesday 20 November |
| SPP allotment date | Wednesday 27 November |
| Dispatch of holding statements and normal trading of New Securities issued under the SPP | Thursday 28 November |

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

Additional information

Additional information about the Acquisitions, the Placement and SPP, including certain risks, are contained in the investor presentation released to the ASX today.

ENDS

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About APN Convenience Retail REIT

APN Convenience Retail REIT (ASX code: AQR) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. The Fund's portfolio of 68 properties valued at approximately \$353 million, is predominantly located on Australia's eastern seaboard and is leased to leading Australian and international convenience retail tenants. The portfolio provides a long lease expiry profile and contracted annual rent increases delivering the Fund a sustainable and strong level of income security. Convenience Retail has a target gearing range of 25 – 40% as part of its conservative approach to capital management.

APN Convenience Retail REIT is governed by an Independent Board of Directors and is managed by APN Property Group, a specialist real estate investment manager established in 1996 with approximately \$2.9 billion in assets under management.

www.apngroup.com.au