



20 August 2020

APN PROPERTY GROUP ANNOUNCES FY2020 RESULTS WITH EARNINGS INCREASING 12%

FY2020 Achievements

- Operating Earnings¹ up 12% to \$10.4 million (FY2019: \$9.2 million), with 99% of earnings generated from recurring sources
- Operating Earnings 3.12 cents per security (cps)
- Statutory net profit after tax of \$4.2 million (FY2019: \$14.5 million)
- Funds Under Management (FUM) down \$265 million or 9% to \$2.7 billion
- Well positioned balance sheet with net tangible assets of \$114.6 million and cash of \$16.3 million²; NTA per security of 35.8 cents (down 11% versus June 2019)
- Strong results across the period including asset acquisitions and sales, record leasing volumes and asset improvement projects across \$1.4 billion of direct property funds
- Final distribution declared of 1.55 cps, with full year FY2020 distributions of 3.15 cps in line with prior guidance
- FY2021 distribution guidance of 2.50 – 2.80 cps, subject to a continuation of current market conditions and no unforeseen events occurring

Growth in Operating Earnings and Distributions

APN Property Group (ASX: APD) (APN or the Group) today reported a statutory net profit after tax for FY2020 of \$4.2 million. Operating Earnings¹ was \$10.4 million (up 12%) or 3.12 cents per security (up 6%).

The Board has declared a final FY2020 distribution of 1.55 cps, to be paid on 31 July 2020 to those securityholders registered as at 30 June 2020. This brings total distributions for FY2020 to 3.15 cps, in line with prior guidance.

APN's Chief Executive Officer, Mr Tim Slattery, said "Despite the uncertainty and market volatility experienced as a result of COVID19, APN delivered a 12% increase in its operating profit in FY2020. Our platform generated 99% of its income from recurring sources, primarily annual management fees and distributions from our co-investments. APN's balance sheet remains strongly positioned with cash holdings of \$16.3 million and net tangible assets per security of 35.8 cents (mainly reflecting the lower closing value at 30 June 2020 for APN's aggregate listed co-investment holdings).

APN's income-focused commercial property investments are well positioned against the current market backdrop of COVID19-related uncertainty and record low interest rates. Our funds are all setup to deliver strong

¹ Operating Earnings after tax is an unaudited performance metric used by the Group as a key measurement of underlying performance. It adjusts statutory profit for certain non-operating items recorded in the income statement including discontinued operations, certain 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 \$1.3 million and \$5.5 million for AFS Licences.

risk adjusted returns for their investors, and we are continuing to see investor interest across our products and distribution channels.

We believe APN remains exceptionally well positioned to continue to execute on our strategy of building value for our securityholders through improving the scale and profitability of our business by focusing on investment performance delivered with outstanding service.”

Funds and Performance

APN has an established and diversified funds management platform, operating 12 funds with a total of \$2.7 billion in managed funds, including over 100 properties in its direct property funds.

APN's real estate securities funds are aimed at income-focused investors, with a focus on rental cash flows and higher underlying yields based on APN's 'Property for Income™' investment philosophy. The APN AREIT Fund has delivered annualised returns since inception of 10.1%. The APN Asian REIT Fund received continued net inflows in FY2020 with FUM up 8% to \$48 million, and has delivered investors total returns of 12.0% per annum since its inception in July 2011.

Both of APN's listed REITs were strongly supported by their investors during FY2020 to fund acquisitions to grow their income streams, raising a combined total of almost \$150 million of new equity.

APN Industria REIT's (ASX: ADI) FUM reached \$833 million as at June 2020, including \$57 million of acquisitions in the period. ADI achieved record volumes of leasing, with continued active management of the portfolio leading to transactions totalling ~28,900 sqm. With gearing of 29%, it maintains the balance sheet flexibility to take advantage of potential opportunities to deliver additional value through income growth for ADI's securityholders.

APN Convenience Retail REIT (ASX: AQR) announced \$90.2 million of committed acquisitions during FY2020 and has contracted a further \$38 million post balance date. FUM increased to \$452 million as at 30 June 2020, with the portfolio to grow by another ~\$60 million on the completion of the acquisitions and AQR's remaining development pipeline. With gearing of 16.5% at 30 June 2020 and pro forma gearing adjusted for the development pipeline and contacted acquisitions of 24.8% (bottom of the target range of 25% – 40%), AQR is strongly positioned to pursue acquisition opportunities.

In our unlisted direct property activities, APN successfully completed the APN Steller Development Fund, providing a successful outcome for investors with an equity IRR of 17.7% over the fund life. APN has also recently exchanged contracts to sell Coburg North Shopping Centre for \$21.3m, (~4% premium to book value) – an excellent outcome for investors in a challenging retail environment.

Growth Opportunities and Outlook

In the period, our team was very active in the analysis and origination of new direct property opportunities for our existing fund and potential new funds, assessing ~\$3.8 billion of opportunities while remaining disciplined in applying our acquisition criteria.

We continue to hold a long term view on growth opportunities and as such we recently launched the APN Global REIT Income Fund. The Global REIT Fund will provide investors the opportunity to invest in a diverse portfolio of global listed REITs, managed by an experienced team of investment managers in Australia and the United States.

FY2020 Distribution in line with Guidance

The Board has declared a final FY2020 distribution of 1.55 cps, which comprises a 0.80 cps fully franked dividend and a trust distribution of 0.75 cps. Total distributions for FY2020 of 3.15 cps is in line with previous guidance.

The Board expects to pay distributions of 2.50 – 2.80 cents per security for FY2021. This guidance is subject to a continuation of current market conditions and no unforeseen events occurring.

Conference call

APN will hold a group investor conference call at 11:00am (AEST) today, 20 August 2020.

Dial in details: Participants can dial +61 2 9007 8048 or 1800 908 299 (toll free) to join the call. When prompted, please enter Conference ID: 10008642

To bypass the operator and gain immediate access to the event participants can preregister:

<https://s1.c-conf.com/diamondpass/10008642-invite.html>

This announcement was authorised to be given to the ASX by the Board of APN Property Group Limited and the Board of APN RE Limited.

ENDS

For further information, please contact:

Tim Slattery

Chief Executive Officer

T +613 8656 1000

E tim.slattery@apngroup.com.au

Joseph De Rango

Chief Financial Officer

T +613 8656 1000

E jderango@apngroup.com.au

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Forward looking statements

This release contains forward-looking statements, estimates and projections, which are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond APN Property Group's control and which may cause actual results to differ materially from those expressed in the statements contained in this announcement.

About APN Property Group

APN Property Group (ASX code: APD) is a specialist real estate investment manager. Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutional and retail investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

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