



Australian Unity Office Fund 2023 Half Year Results

February 2023

(ASX: AOF)

Webcast | Teleconference



Acknowledgement of Country

We acknowledge the traditional owners of the lands and waters within Australia and recognise the important connection to Country that Aboriginal and Torres Strait Islander People have.

Overview and Agenda

1. Portfolio review
2. Financial results
3. Outlook and Guidance
4. Appendices

Delivering on Strategy

Successful divestments provide an opportunity to continue to progress active asset management and the potential to return capital

Asset Sales

Three assets sold at or above 30 June 2022 independent valuations

Distributions

2.5 cents per unit (cpu) guidance for the March 2023 quarter

Opportunity to consider a special distribution in June 2023

Refurbishments

10 Valentine Avenue Parramatta, base building refurbishment underway

150 Charlotte Street Brisbane, concept plans finalised

Capital Management

Gearing 20.2% at 31 December 2022

Post settlement of 2 & 5 Eden Park Drive Macquarie Park the balance sheet will be well positioned with over \$40 million of cash expected and no drawn debt

Active Management

Over 3,000sqm either leased or under heads of agreement, with a WALE 3.1 years for the portfolio



Asset Sales

Maximising returns to unitholders



30 Pirie Street, Adelaide

Gross sale price of \$73.0 million in line with the 30 June 2022 independent valuation

Settlement occurred on 20 December 2022



2 Eden Park Drive, Macquarie Park

Gross sale price of \$68.825 million, circa 10% above the 30 June 2022 independent valuation of \$62.5 million

Settlement occurred on 14 February 2023



5 Eden Park Drive, Macquarie Park

Gross sale price of \$80.75 million, circa 1% above the 30 June 2022 independent valuation of \$80.0 million

Settlement expected to occur in March 2023

Portfolio¹

Portfolio post the settlement of 2 and 5 Eden Park Drive, Macquarie Park presenting value add opportunities, supported by income producing assets

Market	Property	State	Independent Valuation (\$'m)	Capitalisation rate (%)	NLA ² (sqm)	Value \$/sqm	WALE ³ (years)	Occupancy (by NLA)
Value-add Portfolio								
Parramatta	2-10 Valentine Ave, Parramatta ⁴	NSW	98.0	5.50% ⁵	16,020	6,117	0.1	10.3%
Brisbane CBD	150 Charlotte St, Brisbane	QLD	72.0	6.50%	11,025	6,531	1.7	98.0%
Sub-Total (T) / Weighted Average (W)			170.0	5.88%	27,045	6,286	1.5	46.1%
Multi-tenanted Portfolio								
Melbourne Fringe	468 St Kilda Rd, Melbourne	VIC	80.0	5.50%	11,211	7,136	4.0	92.4%
Beenleigh	96 York St, Beenleigh ⁶	QLD	33.5	5.63%	4,650	7,209	9.0	86.3%
Canberra CBD	64 Northbourne Ave, Canberra	ACT	32.5	5.75%	6,375	5,098	2.3	100.0%
Sub-Total (T) / Weighted Average (W)			146.0	5.58%	22,236	6,567	4.5	93.3%
Total (T) / Weighted Average (W)			316.0	5.74%	49,281	6,413	3.1	67.4%

Notes:

- All information is as at 31 December 2022 unless otherwise noted. The portfolio table excludes 2 Eden Park Drive, Macquarie Park which settled on 14 February 2023 and 5 Eden Park Drive, Macquarie Park which exchanged on 16 February 2023 and is expected to settle in March 2023
- NLA means net lettable area
- WALE means weighted average lease expiry in years, by gross property income
- 2 & 10 Valentine Ave, Parramatta are on a single title with 10 Valentine Ave comprising a 14-level office building with basement parking for 25 cars; and 2 Valentine Ave comprising an adjacent six level car park for a total of 282 cars
The independent valuation of 10 Valentine Ave is \$82.00 million, with a capitalisation rate of 5.50% and 2 Valentine Ave is \$16.00 million, with a capitalisation rate of 5.00%
- Refers to 10 Valentine Ave, Parramatta only
- 96 York St, Beenleigh benefits from a 2 year rental guarantee, expiring in February 2024, on the vacant space

Refurbishment and Repositioning Opportunities

10 Valentine Avenue, Parramatta



Artist's impression subject to change

The opportunity includes floor upgrades, new lobby with contemporary end of trip & wellness facilities along with refurbished services infrastructure

The objective is to create a workplace that is attractive to tenants, delivers contemporary and flexible workplace solutions, enhances the Parramatta public domain and is suitable for long term ownership

Refurbishment of basement, ground, 13 office floors and amenities with a Workplace Density of 1:10

- Concept floor upgrade completed, and design documented
- Tender process underway for remaining floor upgrades
- Design documentation for lobby, end-of-trip, and services infrastructure is being finalised for tendering
- Marketing and leasing campaign underway

150 Charlotte Street, Brisbane



Artist's impression, subject to change

The opportunity involves refurbishment of the property, including the ground floor lobby, third space, concierge and cafe

The objective is to create a workplace that is attractive to tenants, delivers contemporary and flexible workplace solutions, enhances the amenity and builds on the existing attributes of the asset

Proposed refurbishment includes:

- Activate and enhance the ground floor lobby with concierge
- Introduce third space with a café that integrates with the laneway through to Elizabeth Street
- Enhance the ground level façade

Financial and Capital Management¹ – Half Year Ended December 2022

FFO per unit	7.4 cpu	FFO benefitted from on-going strong leasing outcomes at multi-tenanted assets and Property NSW continuing to occupy approximately 3,000 sqm at 10 Valentine Avenue, Paramatta
Distributions per unit	5.0 cpu	Distribution of 5.0 cpu for the half year Opportunity to consider a special distribution in June 2023
NTA	\$2.22 per unit	\$0.04 per unit reduction in net tangible assets during the half year, predominately due to valuation movements at 150 Charlotte Street, Brisbane, 468 St Kilda Road, Melbourne, and 2 & 5 Eden Park Drive, Macquarie Park
Drawn Debt	\$103.0 m	At 31 December 2022, debt was 99% hedged, with a cost of debt of 3.0% Post settlement of 2 & 5 Eden Park Drive, Macquarie Park AOF is expected to have over \$40 million of cash with no drawn debt and approximately \$80 million of undrawn debt facility available. The debt facility expires in March 2025
Gearing²	20.2%	At 31 December 2022, interest cover ratio of 4.9 times against a minimum 2.0 times covenant and Loan to Value ratio of 22.2% against a 50% maximum covenant Gearing is expected to reduce to 0%, post settlement of 2 & 5 Eden Park Drive, Macquarie Park

1. As at 31 December 2022, unless otherwise stated

2. Gearing is interest bearing liabilities (excluding unamortised establishment costs) less cash divided by total tangible assets less cash

Outlook and Guidance

Guidance

Distribution guidance¹ of **2.50 cpu for the March 2023 quarter**

Distribution guidance¹ will be provided on a quarterly basis until further notice

Outlook

Deliver on leasing and occupancy outcomes

Continue proactive approach to portfolio construction, asset sales and active asset management

Focus on **maximising returns** for unitholders

Potential to return capital to unitholders through a **special distribution**²

1. Distribution guidance is subject to no material change in AOF's portfolio, no material change in current market conditions and no unforeseen events
2. Any announcement regarding a potential special distribution would be made prior to 30 June 2023



Appendices

Income Statement

\$'000	HY2023	HY2022	Change	Note
Rental income ¹	23,229	26,376	(3,147)	i
Property expenses ²	(6,418)	(6,021)	(397)	
Straight lining of rental income and amortisation of leasing commissions and tenant incentives	(1,896)	(2,530)	634	
Net property income	14,915	17,825	(2,910)	
Interest income	34	0	34	
Net (losses)/gains on financial instruments held at fair value	(810)	3,041	(3,851)	ii
Net fair value decrement of investment properties	(5,775)	(4,804)	(971)	iii
Disposal costs	(1,506)	(1,092)	(414)	iv
Management fees	(1,625)	(1,939)	314	
Borrowing and other related costs	(2,916)	(2,742)	(174)	
Other expenses	(1,338)	(3,455)	2,117	v
Profit / loss for the year	979	6,834	(5,855)	

i. Reduction in rental income due to Property NSW largely vacating 10 Valentine Avenue, Parramatta in June 2022 and sale of 32 Phillip Street, Parramatta in December 2021

ii. Movement in the mark to market value of interest rates swaps driven by movements in the swap curve

iii. HY2023 net fair value movement reflects independent valuations at 150 Charlotte Street, Brisbane and 468 St Kilda Road, Melbourne and fair value of 2 & 5 Eden Park Drive, Macquarie Park

iv. HY2023 reflects disposal costs of 30 Pirie Street, Adelaide and 2 Eden Park Drive, Macquarie Park. HY2022 reflects disposal costs of 32 Phillip Street, Parramatta

v. Includes costs associated with assessing options to maximise returns for unitholders including corporate transactions and asset sales

1. Rental income excludes amortisation of leasing commissions and tenant incentives and excludes the impact of straight lining of rental income

2. Property expenses includes expected credit losses

Balance Sheet

\$'000	31 Dec 2022	30 June 2022	Change	Note
Assets				
Cash and cash equivalents	8,155	3,261	4,894	i
Receivables	426	1,357	(931)	
Other Assets	241	873	(632)	
Financial assets held at fair value through profit or loss	6,501	8,689	(2,188)	ii
Property held for sale	68,172	-	68,172	iii
Investment Properties	394,155	539,820	(145,665)	iv
Total Assets	477,650	554,000	(76,350)	
Liabilities				
Distributions Payable	4,110	6,247	2,137	
Payables	6,698	6,677	(21)	
Borrowings	102,591	169,585	66,994	i
Total Liabilities	113,399	182,509	69,110	
Net assets	364,251	371,491	(7,240)	
Number of units on issue (thousand)	164,383	164,383	-	
Net Tangible Assets per unit	\$2.22	\$2.26	(0.04)	v

i. Reduction in borrowings and increase in cash reflects sale of 30 Pirie Street, Adelaide

ii. Swap terminated following the sale of 30 Pirie Street, Adelaide realising a \$1.378 million gain

iii. 2 Eden Park Drive, Macquarie Park unconditionally exchanged prior to 31 December 2022

iv. The reduction reflects the sale of 30 Pirie Street, Adelaide, the reclassification of 2 Eden Park Drive, Macquarie Park as "Property held for sale", and other fair value movements

v. \$0.04 per unit reduction in net tangible assets, predominately due to valuation movements at 150 Charlotte Street, Brisbane; 468 St Kilda Road, Melbourne and 2 & 5 Eden Park Drive, Macquarie Park

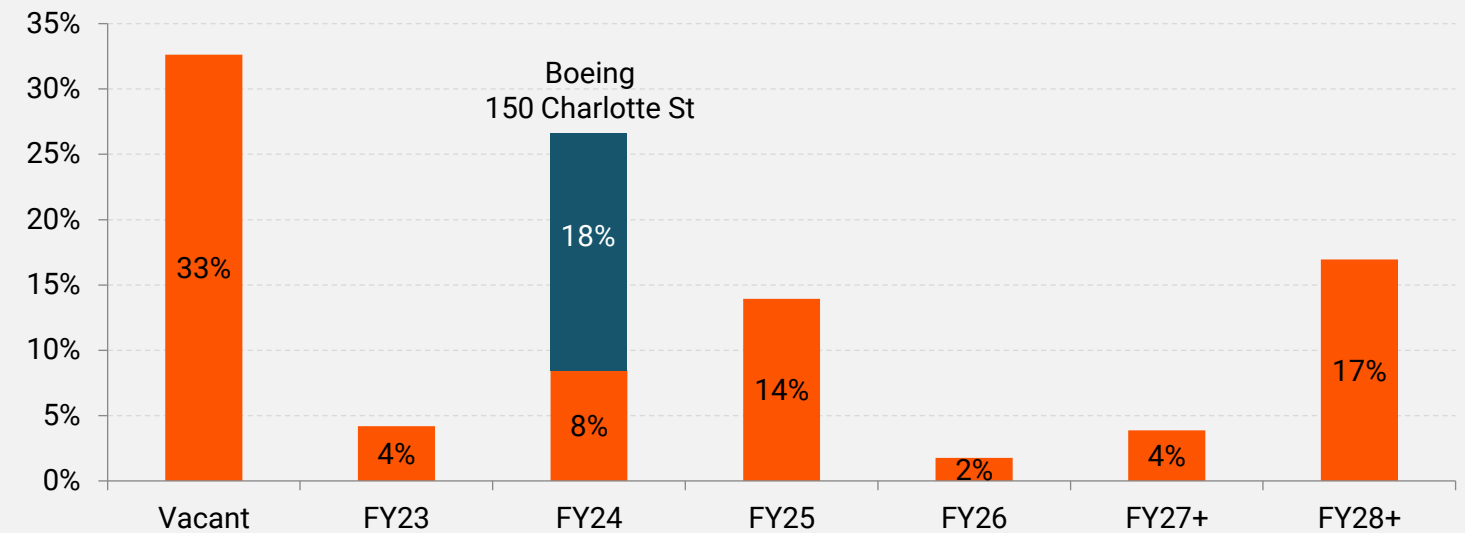
Property Portfolio

As at 31 December 2022 and adjusted for the sale of 2 and 5 Eden Park Drive, Macquarie Park

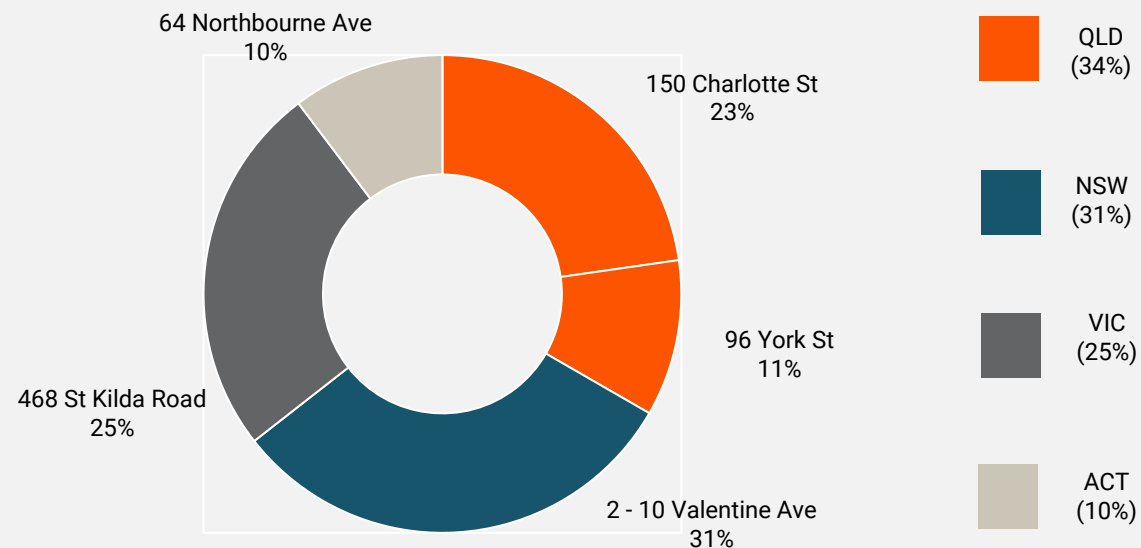
Key Portfolio Metrics

Number of properties	5
Occupancy ¹	67.4%
Portfolio Value	\$316.0m
Weighted Average Capitalisation Rate	5.74%
WALE ²	3.1 years
Net Lettable Area	49,281 sqm

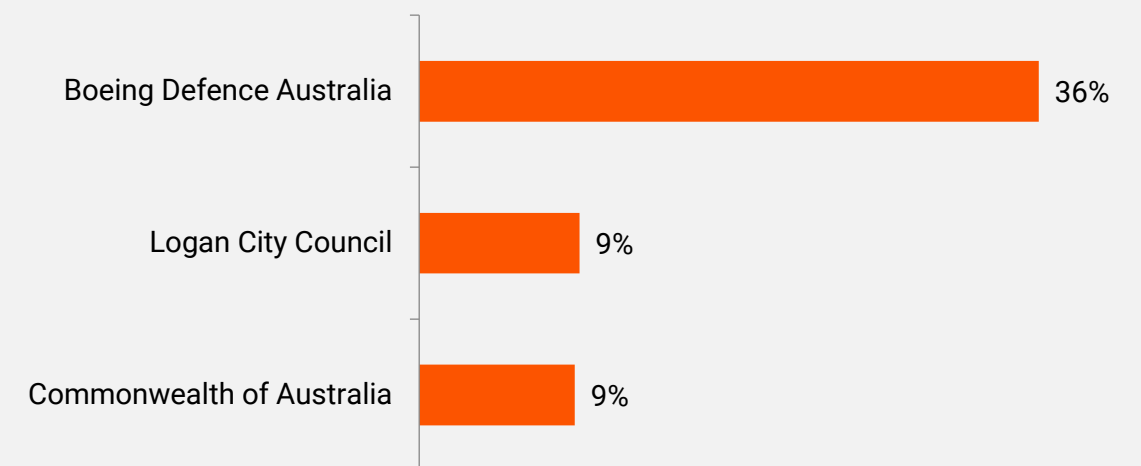
Lease expiry profile¹



Geographic diversification³



Top 3 Tenants⁴



1. By Net Lettable Area; 2. WALE means weighted average lease expiry in years, by gross property income; 3. By book value; 4. By gross property income

AOF – Portfolio Environmental Performance as at 31 December 2022

Site Address	National Australian Built Environment Rating System (NABERS) Rateable	NABERS Energy Rating (No Greenpower Included, public rating only)	NABERS Water
10 Valentine Avenue, Parramatta, NSW	Yes	5.5	5.5
150 Charlotte Street, Brisbane, QLD	Yes	5	Not finalised
468 St. Kilda Road, Melbourne, VIC	Yes	4.0	5
64 Northbourne Avenue, Canberra, ACT	Yes	4.5	5
96 York Street, Beenleigh, QLD	Yes	Will be rated by June 2023, following receipt of 12 months worth of data	

Important notice and disclaimer

The information provided in this presentation is issued by Australian Unity Investment Real Estate Limited ABN 86 606 414 368 AFSL 477434 (AUIREL), as responsible entity for the Australian Unity Office Fund (AOF). AUIREL is owned equally by subsidiaries of Australian Unity Limited ABN 23 087 648 888 and Keppel Capital Holdings Pte Ltd CRN 201302079N, the asset management arm of Singapore-based Keppel Corporation Limited CRN 196800351N.

The information provided is general information only. The information in this presentation is to be read in conjunction with the Australian Unity Office Fund financial report and directors' report for the year ended 31 December 2022 lodged with the Australian Stock Exchange on 27 February 2023. It is not intended to be investment or financial product advice and should not be relied upon as such. It does not take into consideration any persons individual needs, objectives or financial circumstances and investors or potential investors should make their own assessment of, or obtain professional advice to determine whether it is appropriate for them. The presentation is not an offer or invitation for subscription or purchase of units in AOF and has been prepared to comply with the requirements and laws of Australia only.

Certain statements in this presentation may constitute forward-looking statements or statements about future matters (including forecast financial information) that are based upon information known and assumptions made as of the date of this presentation. These statements are subject to internal and external risks and uncertainties that may have a material effect on future business. Actual results may differ materially from any future results or performance expressed, predicted or implied by these statements. As such, undue reliance should not be placed on any forward looking statements. Past performance is no guarantee of future performance. Nothing contained in this presentation nor any information made available to investors or potential investors is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future state by AOF, AUIREL or any other person (including any director, officer or any related body corporate of AUIREL or Australian Unity Group), except as required by law.

All information in the presentation is current as at 31 December 2022 unless otherwise stated. All figures and amounts are in Australian dollars unless otherwise stated. Roundings of any figures may result in some discrepancies between the sum of components and the totals outlined within this document including any tables and percentage calculations.