



# FY2014 RESULTS PRESENTATION

27 AUGUST 2014

**APN** | Property Group

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# FY2014 HIGHLIGHTS



# FY2014 Highlights

## Financial Results

- Statutory profit after tax of \$7.4 million, up 261% compared to prior comparative period (pcp)
- Net funds management income \$20.5 million up 51% over pcp
- Operating earnings<sup>1</sup> before tax of \$6.8 million up 733% over pcp
- Diluted earnings<sup>2</sup> per share of 3.93 cents up 207% over pcp
- Cashflow from operations<sup>2</sup> of 4.83 cents per share up 293% over pcp

## Continuing increase in Funds Under Management (FUM)

- FUM<sup>1,3</sup> \$2.0 billion at June 2014, up 28% since June 2013
- Strong performances across each of Securities, Industria, Direct Funds and Healthcare

## New funds launched

- Industria REIT \$225 million ASX IPO successfully completed
- \$58 million Newmark APN Auburn Property Fund successfully launched (\$25 million of equity raised from institutional and high net worth investors)

## Well positioned for further growth

- Strong investment performance continues to be delivered across the Group's funds
- Sale of 541 St Kilda Rd (30% total return) positions direct fund business for future growth
- Attractive industry dynamics and market conditions for income orientated commercial property investment products

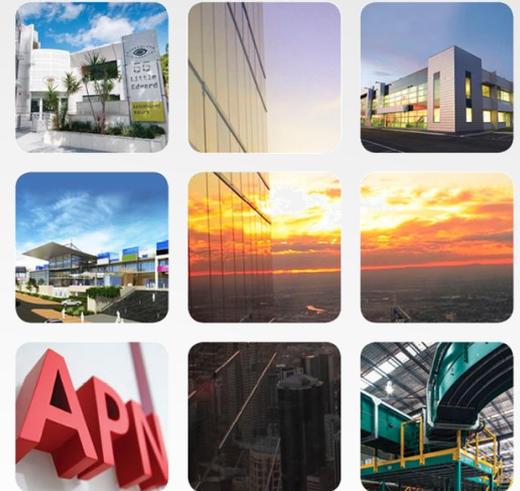
1 From continuing operations

2 On a statutory basis, including continued and discontinued operations

3 Includes \$325 million from Generation Healthcare REIT (GHC), managed by a joint venture 32.5% owned by management and \$58 million from the Newmark APN Auburn Property Fund, a 50% joint venture with Newmark Property Group



# FINANCIAL RESULTS

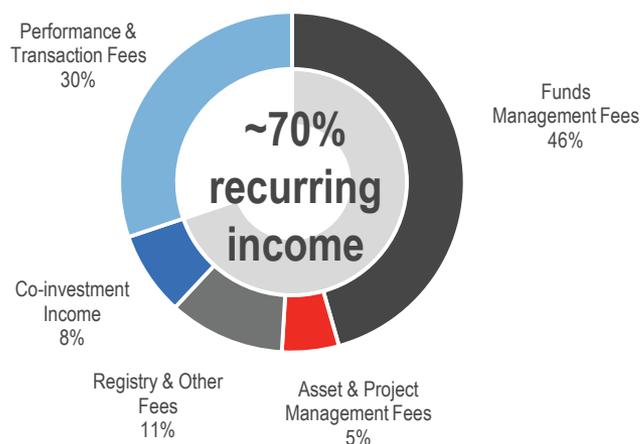


# Income statement

## Highlights

- Total Net Income up 56% (total operating costs up 6%) over pcp
- Strong growth in funds management fees
- Revenue from property, asset management and registry services also growing solidly
- Co-investment income up 157% to \$1.8 million
- Significant performance & transaction fees from Generation Healthcare REIT and APN National Storage Property Trust

## Net Income Split



Income Statement (\$'000s)	FY2014	FY2013 <sup>1</sup>	Change
Funds management fees	10,153	8,245	▲ 23%
Performance & transaction fees	6,726	2,132	▲ 215%
Asset & project management fees	1,186	853	▲ 39%
Registry & other fees	2,427	2,329	▲ 4%
<b>Total Net Funds Management Income</b>	<b>20,492</b>	<b>13,559</b>	<b>▲ 51%</b>
Co-investment income	1,768	688	▲ 157%
<b>Total Net Income</b>	<b>22,260</b>	<b>14,247</b>	<b>▲ 56%</b>
Employment costs	8,713	8,309	▲ 5%
Occupancy costs	1,464	1,198	▲ 22%
Other costs	3,200	3,123	▲ 2%
Depreciation	106	187	▼ 43%
Minority interest share of operating earnings (pre tax)	1,952	611	▲ 219%
<b>Operating earnings before tax</b>	<b>6,825</b>	<b>819</b>	<b>▲ 733%</b>
Other non-operating items <sup>2</sup> inc. tax	622	1,244	▼ 50%
<b>Statutory profit after tax &amp; MI</b>	<b>7,447</b>	<b>2,063</b>	<b>▲ 261%</b>
<b>Key performance metrics</b>			
EPS – Statutory (cents per share)	3.93	1.28	▲ 207%
<b>EPS – Operating earnings before tax (cents per share)</b>	<b>3.60</b>	<b>0.56</b>	<b>▲ 550%</b>

1 Includes discontinued operations and share based payment expense write-back in 'Other Non-Operating Items inc Tax'

2 Non-Operating Items include mark-to-market gains and losses, impairment of intangible assets, results from discontinued operations and other non-recurring income and expense items. Refer Appendix for further details

# Balance sheet and capital management

## Balance sheet

- Cash of \$5.8 million (\$5.0 million required for licence)
- Co-investments total \$46.1 million
- Net tangible assets of \$47.2 million

## Equity

- \$16.1 million raised via institutional placement and entitlement offer at \$0.25 per share
- Proceeds used to fund co-investment and launch of Industria REIT – source of recurring income to the group

## Debt

- \$5.0 million debt facility to be repaid from operating cashflows
- Support growth initiatives including:
  - Establishment of new managed funds
  - Further co-investments in existing funds

## Capital management

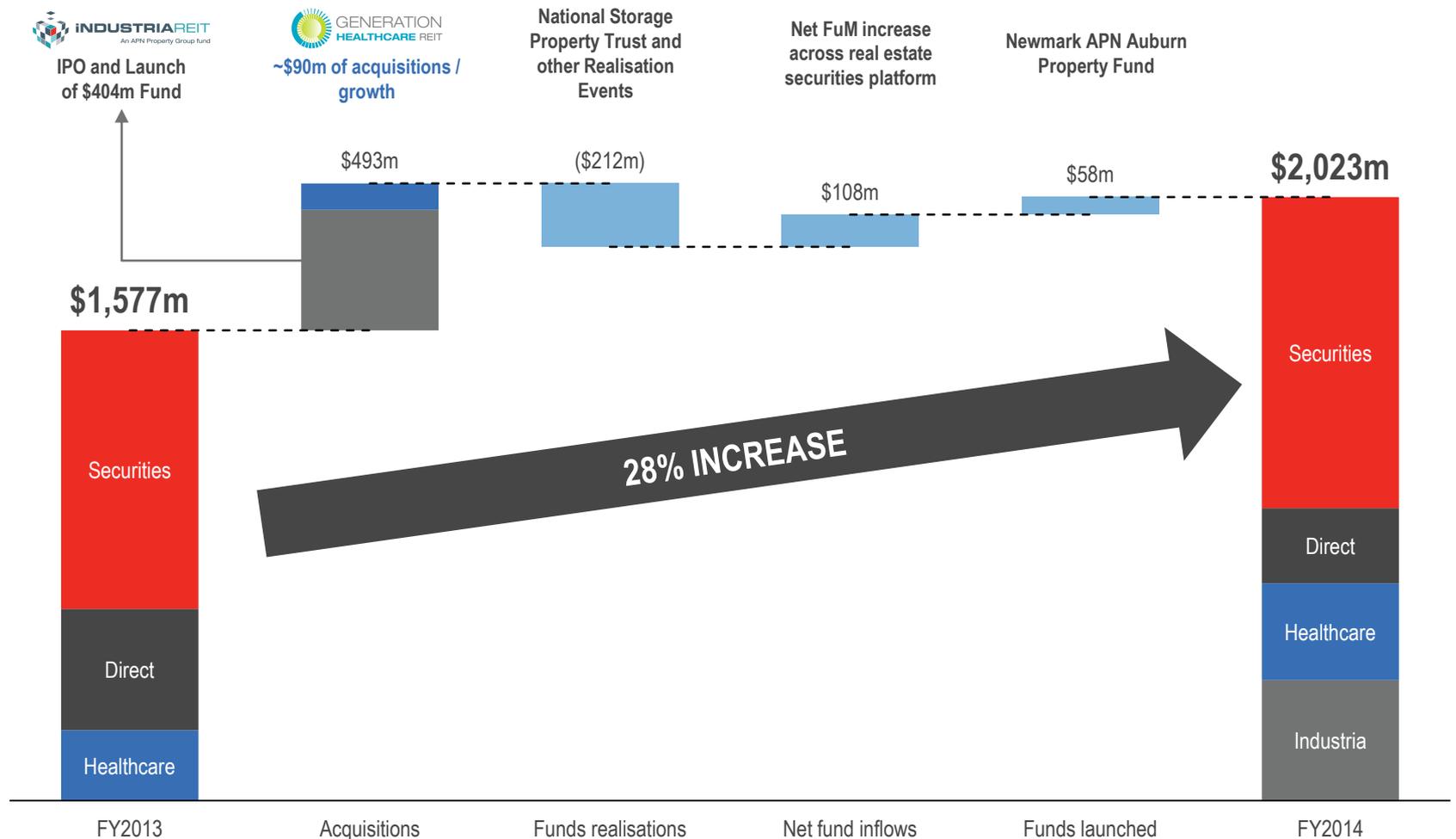
- Interim dividend paid of 1.25 cents (2013: 1.25 cents)
- No FY2014 final dividend declared reflecting short term capital management priorities
- FY2015 dividend forecast of at least 1.25 cents

Balance Sheet (\$'000s)	FY2014	FY2013
Cash	6,034 <sup>1</sup>	7,409 <sup>1</sup>
Co-investments	46,077	15,456
Other assets	11,519	12,421
Intangible assets	4,079	2,441
<b>Total assets</b>	<b>67,709</b>	<b>37,727</b>
Trade and other payables, tax & provisions	7,906	6,608
Borrowings	5,000	-
Minority interests	3,571	748
<b>Net Tangible Assets</b>	<b>47,153</b>	<b>27,930</b>

Debt facility metrics	Actual	Covenant
Loan to value ratio	26.8%	45.0%
Distribution cover ratio	5.59x	2.00x
Maturity date	31 August 2015	

<sup>1</sup> Includes cash held in trust for underlying funds managed by the Group of \$0.2 million (2013: \$0.4 million)

# Funds under management<sup>1</sup>



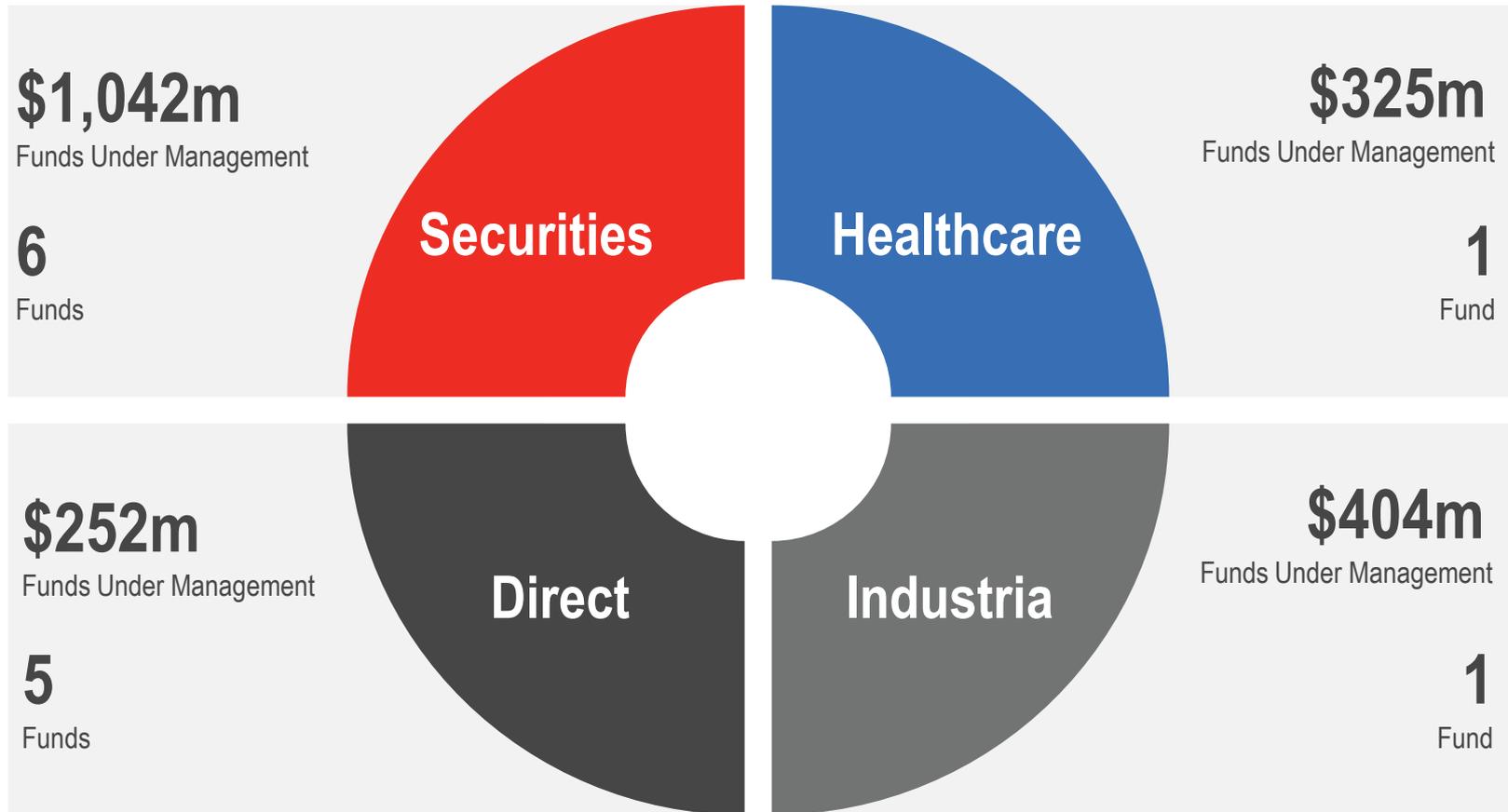
<sup>1</sup> From continuing operations

# GROUP PERFORMANCE



# Group Overview

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# Real Estate Securities

## Highlights

- Total FUM up 13% to over \$1.0 billion
- APN AREIT Fund net inflows averaging approximately \$14 million per month
- Strong APN AREIT Fund performance, outperformed benchmark over 1, 3 and 5 year time periods
- New Zealand distribution key growth contributor

## Outlook

- Attractive economic and interest rate environment for APN AREIT Fund and APN Asian REIT fund
- Continued focus on investment performance and outstanding service
- Full liquidity reinstated for APN Property for Income Fund and APN Property for Income Fund No.2

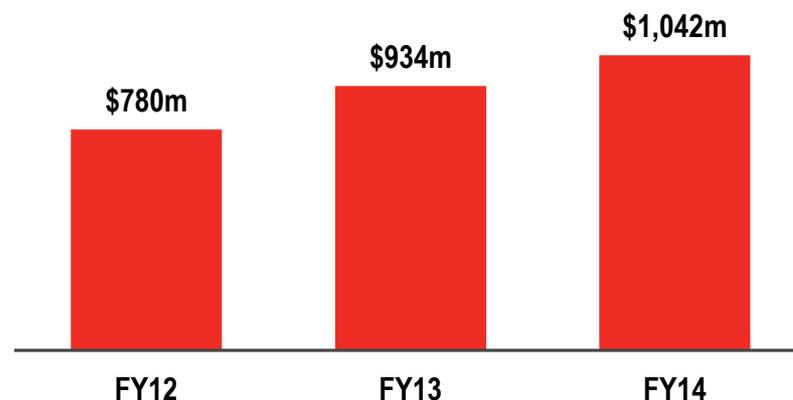
## Real Estate Securities Funds

- APN | AREIT Fund
- APN | Property for Income Fund
- APN | Asian REIT Fund
- APN | Property for Income Fund No.2
- APN | Unlisted Property Fund
- APN Asian Asset Income Fund

### Key metrics

Number of Funds	6
Funds Under Management	\$1,042 million
Net FUM inflows over period	\$117.6 million

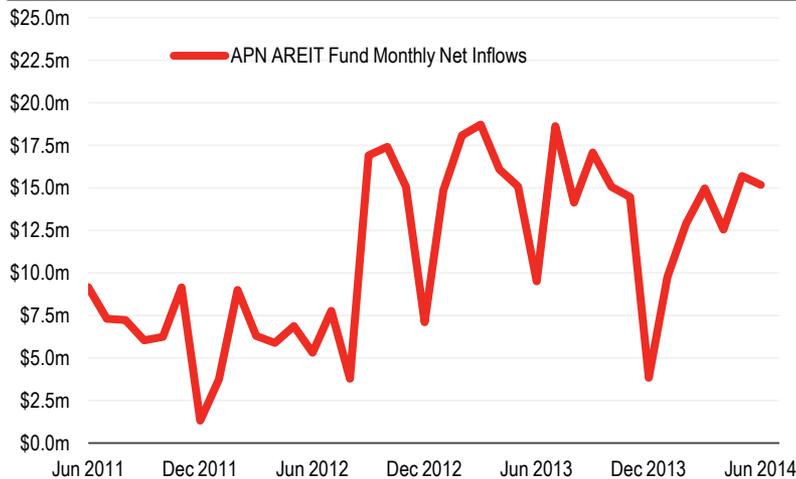
## FUM Growth



# APN AREIT Fund

- Rated one of Australia's leading property securities funds
- Consistent income returns by actively managing a portfolio of high yielding AREITs with lower risk than the market
- Current distribution yield of ~7.00%pa paid monthly
- 400+ bps outperformance vs. AREIT index since inception
- Consistently ranked in leading position for inflows on leading platforms
- FUM \$619 million (30 June 2014)
- Over \$164 million in net inflows to 30 June 2014

## Continuing strong net inflows....

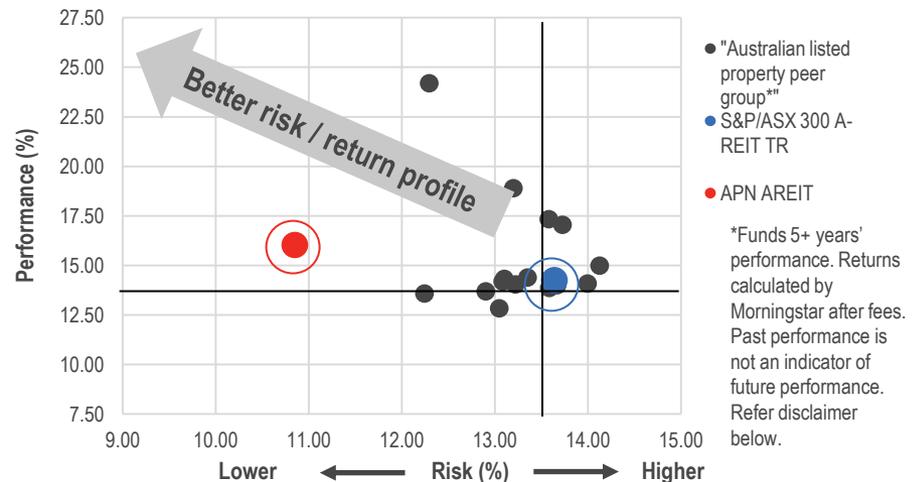


Source: APN

## Reflecting broad-based support from the market ....



## And as a result of excellent risk-adjusted performance ...



Source: APN, Morningstar Direct 30 June 2014

# Healthcare

## Highlights

- Announced \$108.6 million of property transactions
- Raised \$82.8 million in new equity through two equity raisings
- Total return of 30%, outperforming the S&P/ASX 300 Property Trust Accumulation Index return of 11%

## Outlook

- Continue active portfolio management to drive value
- Focus on growing operational earnings and distributions
- Deliver organic growth pipeline
- Seek growth opportunities that add value to the Fund

## Key metrics

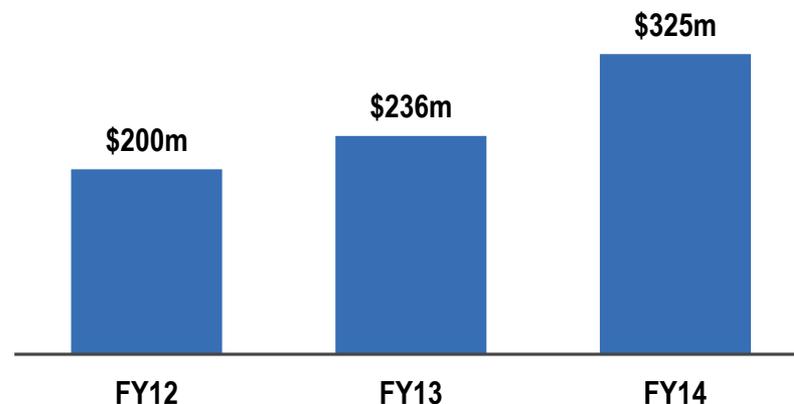
Market Capitalisation <sup>1</sup>	\$230.4m
Total Funds Under Management	\$324.9m
Forecast FY15 Distribution Yield <sup>1</sup>	6.4%
Occupancy	99.5%
WALE	11.3 years
Gearing	31%

1. As at 30 June 2014 closing price



Spring Hill, Queensland

## FUM Growth



# Industria

## Highlights

- IPO completed successfully in December 2013
- Distribution yield of 8.20% on IPO price – PDS forecasts delivered
- Income focussed REIT
- Included in the S&P/ASX 300 index
- Over 5,300 sqm of leasing completed
- Acquisition of remaining 50% 88 Brandl Street, BTP
- 51A McKechnie Drive and car park delivered on time and budget

## Outlook

- A quality portfolio of workspace assets
- Leases to a diversified tenant base providing a secure and growing income stream
- Active portfolio management to drive investor returns
- Attractive forecast FY15 distribution yield
- Operational market showing signs of improvement

1. As at 30 June 2014 closing price



**INDUSTRIAREIT**

An APN Property Group fund

### Key metrics

Market Capitalisation <sup>1</sup>	\$242.5m
Total Funds Under Management	\$404.0m
Forecast FY15 Distribution Yield <sup>1</sup>	8.4%
Occupancy	93%
WALE	5.0 years
Gearing	33.4%



Rhodes Business Park - Building A

# Direct Funds

## Highlights

- Delivered identified leasing and property management opportunities for 541 St Kilda Road
- APN 541 St Kilda Road Fund property realised for \$35.75m, a 28% premium to purchase price
- Established Newmark APN Auburn Property Fund
- Liquidity delivered for APN National Storage Property Trust investors

## Outlook

- Continue active management to maximise distribution income and unitholder value
- Number of opportunities under consideration
- Deliver on Auburn re-development project
- Progress liquidity options

## Direct Funds

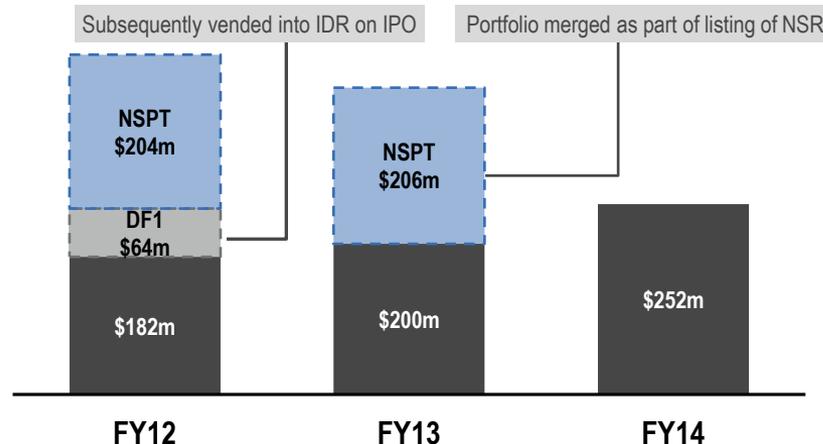
**APN 541 St Kilda Road Fund**    **APN** | Property Plus Portfolio  
**APN** | Development Fund No.2    **APN** | Regional Property Fund

## Newmark APN Auburn Property Fund

### Key metrics

Number of Funds	5
Funds under management	\$252 million
Net FUM increase over period	\$52 million

## FUM Growth



# APN 541 St Kilda Road Fund

## Acquisition

- APN identified the property with attractive metrics, location and alternative uses (residential / hospital conversion, strata title)
- Attractive point in cycle (historically high yields)
- Strong tenant covenant in SEEK Ltd
- Acquired from a fund in asset realisation phase
- Acquired on 9.2% fully let initial yield and ~\$3,400 per square metre of net lettable area (sqm NLA)

May 2013



## Leasing

- 80% occupied on acquisition
- Within 4 months of acquisition APN had negotiated and executed a lease over the vacant floor to **increase occupancy to ~97%**
- Additional income of \$526,000 pa**
- Significant improvement in budgeted capex for lease incentive



## Property Management

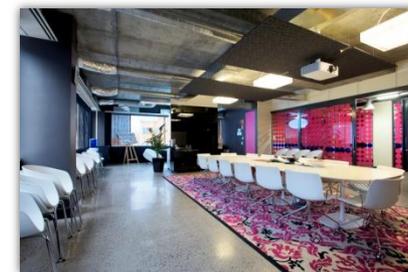
- Identified **\$30,000 pa of additional recoverable outgoings** from the major tenant which related to after hours air-conditioning use
- Improved car parking utilisation generating additional income
- Equivalent to approximately **\$430,000 of value at exit cap rate**



## Disposal

- Sale completed August 2014
- APN secured a negotiated price increase of \$2.75 million or 8.33% from initial offer of \$33 million to sale price of \$35.75 million
- Disposal yield of 7.1% and \$4,340 / sqm NLA

August 2014



*\$7.75 million or 27.7% gross profit in 15 months*

*Excellent outcome for investors, receiving a 9.00% pa monthly cash distribution and an overall equity return of approximately 31% after fees*

# Newmark APN Auburn Property Fund

## THE marketplace AUBURN

- Acquired in conjunction with Newmark Property Group in June 2014
- Strategically located on Parramatta Road in Western Sydney
- \$25 million of equity raised from institutional and high net wealth investors
- APN expects to earn approximately \$0.8m in upfront project initiation fees in FY15 and has the opportunity to receive a performance fee equal to 50% of 15% of the project's gross profit payable on completion of the project
- The redeveloped full line sub-regional shopping centre, to be known as 'The Marketplace Auburn', will include major leading Australian retailers including Woolworths, Aldi, Kmart, Spotlight and Anaconda, offer over 1,000 car parks on site and will include approximately 50 specialty tenancies
- On completion, it is intended that the Fund will retain the property to provide new and existing investors (via a new syndicate) an opportunity to access an attractive and sustainable property income yield with the potential for some capital growth over time

### Key metrics

Acquired	June 2014
Total Assets	\$58m
Completion Value	\$120m
Estimated Completion Date	Mid 2015
NLA on completion	33,000sqm

### Major Tenants



# FUNDS MANAGEMENT PLATFORM



# Funds Management Platform overview

APN is a specialist real estate investment manager with a '**property for income**' investment philosophy and an active management approach – we focus on delivering **investment performance with outstanding service** to our clients

## Competitive advantage

Specialised Expertise

- Focused solely on real estate and real estate securities
- All major property sectors, including specialised asset classes (eg healthcare, non-discretionary retail)
- 18 year track record

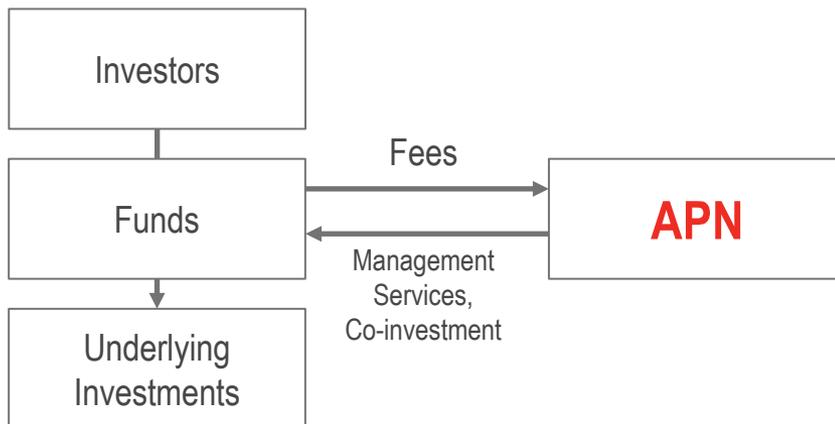
Governance

- Separate manager and responsible entity boards (RE board majority independent directors)
- Strong culture and focus on ethics across the team

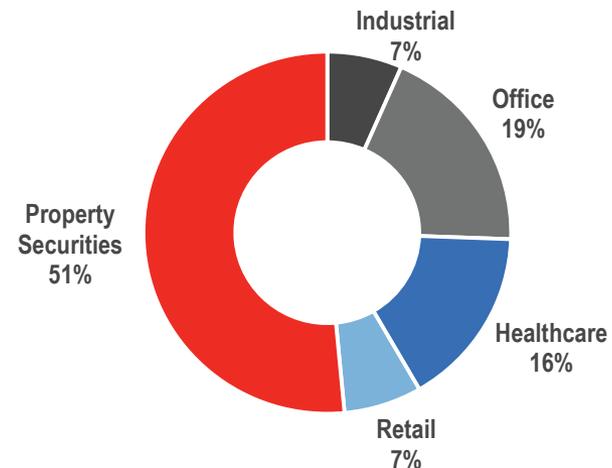
Co-investment capability

- Ability to demonstrate alignment
- Strategic co-investments of \$46.1 million

## Simplified business overview



## Active across a range of sectors (FUM by type and value)

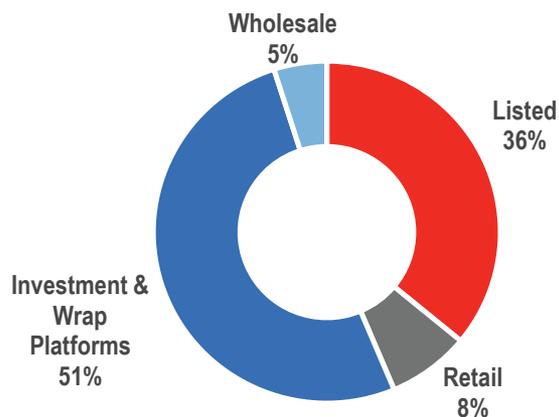


# Established Equity Raising and Distribution Platform

- Listed and unlisted equity raising capabilities
- Retail and institutional equity capital sources
- Multi Channel Distribution
- Broad Advisor & Planner Reach
- Investor Services & Registry Team

- ~36% of FUM listed
- Strong FY14 performance across listed and unlisted funds (investment performance and FUM growth)
- Strong retail distribution capability
- Over ~\$400 million in institutional capital FUM
- Broad capability including major platforms, wraps, IFAs, direct investor and wholesale channels
- Products rated by all major research houses and represented across a broad range of financial planner networks
- Dedicated in-house team offering investor focused CRM capability – key to providing outstanding service

## Investor Platform Split

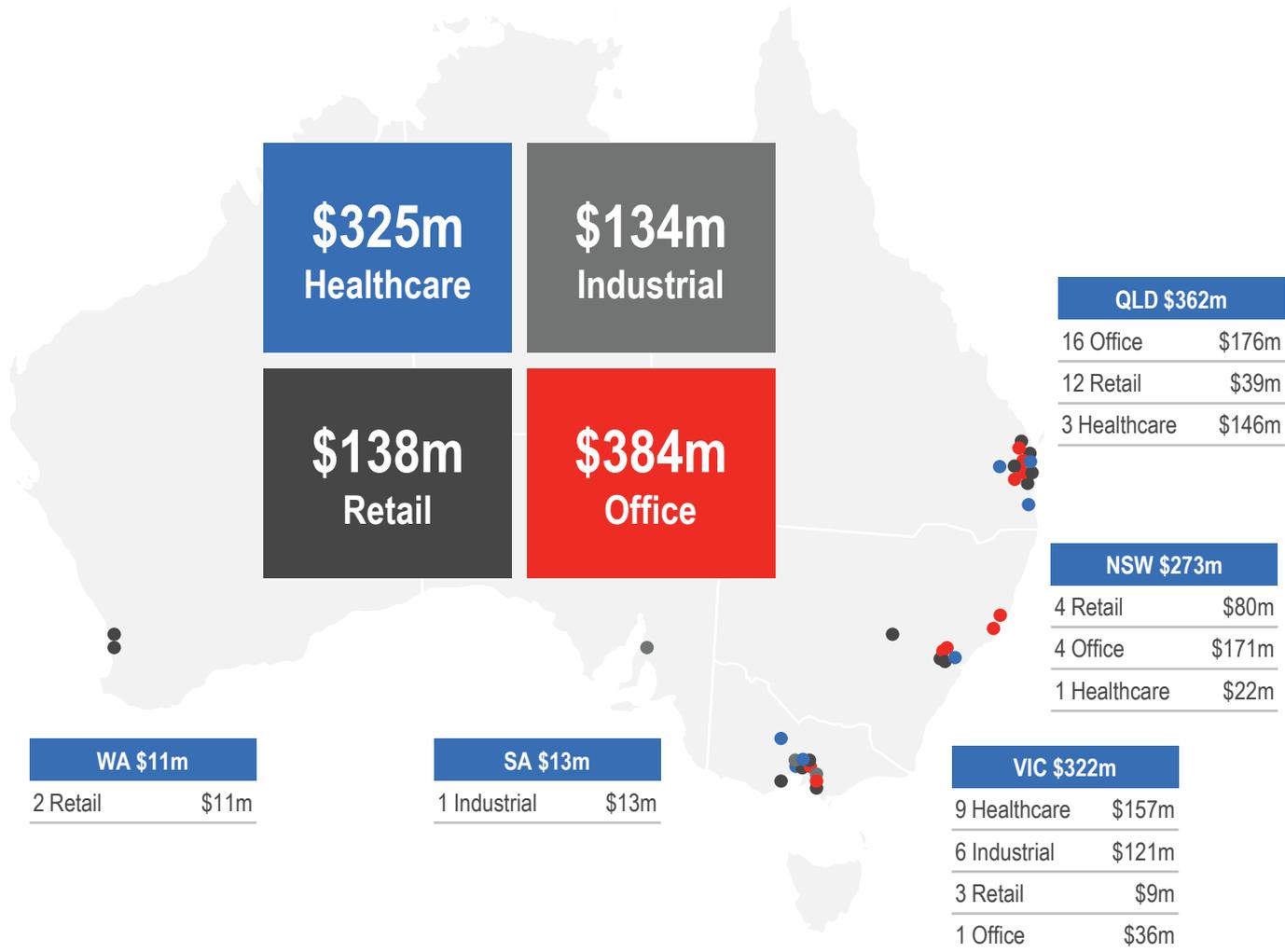


## Strong market support

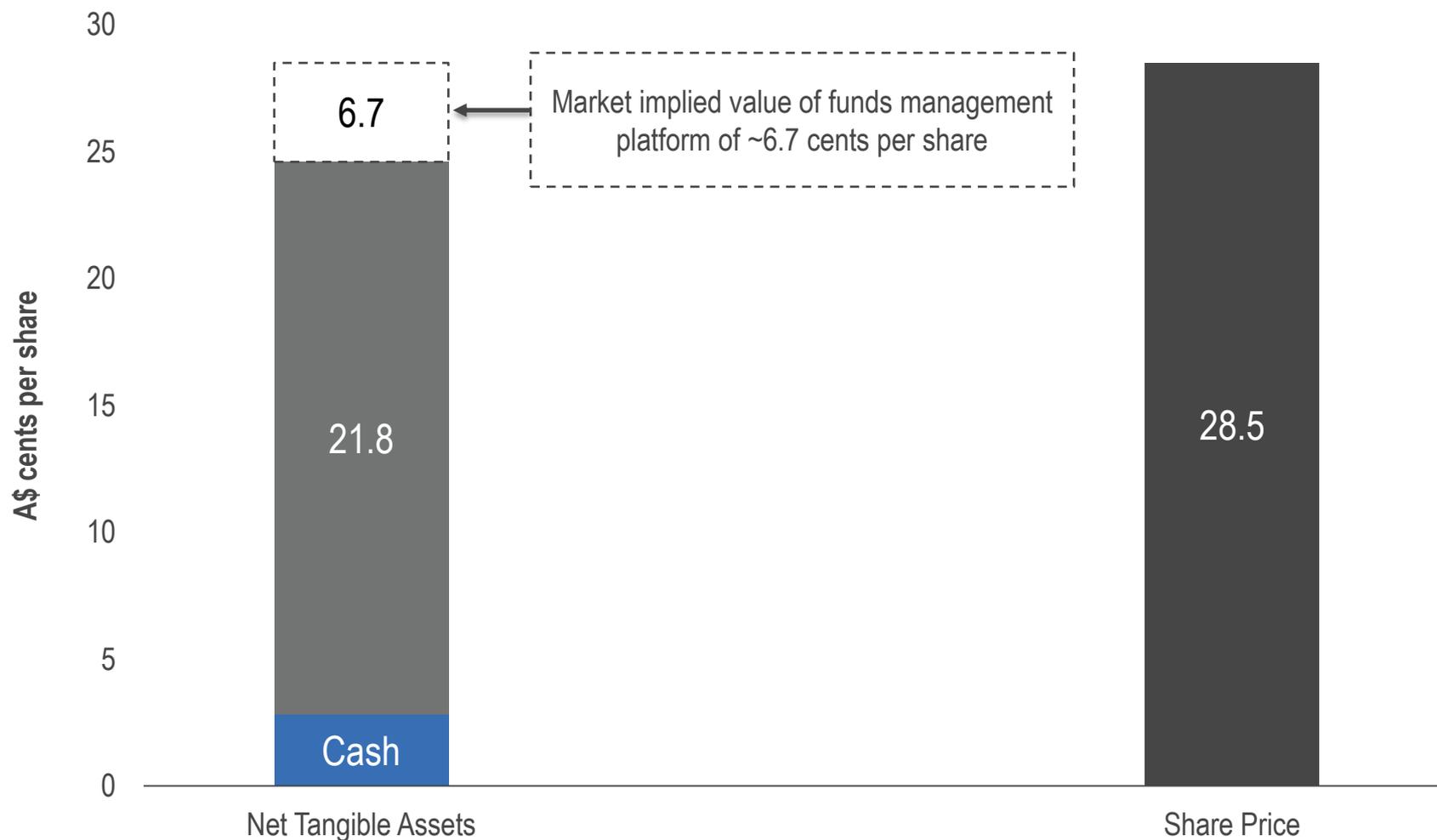


# Property Platform with scale and multiple capabilities

\$1.0 billion of properties across platform



# NTA Per Share Analysis – attractive implied platform valuation



1. Analysis and APN share price as at market close 30 June 2014

# OUTLOOK



# APN is well positioned for further growth...

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- 1 Established funds management business with strong track record over 18 years
- 2 Multiple capital raising channels including deep retail distribution channel demonstrating significant capital raising capability
- 3 Specialist investment manager focusing solely on real estate
- 4 Low balance sheet gearing
- 5 Real growth opportunities across Healthcare, Industria, Real Estate Securities and Direct Funds

## ... with supportive current key market drivers

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Australian superannuation assets \$1.8 trillion<sup>1</sup>;  
forecast to grow to \$3 trillion by 2020<sup>2</sup>

7

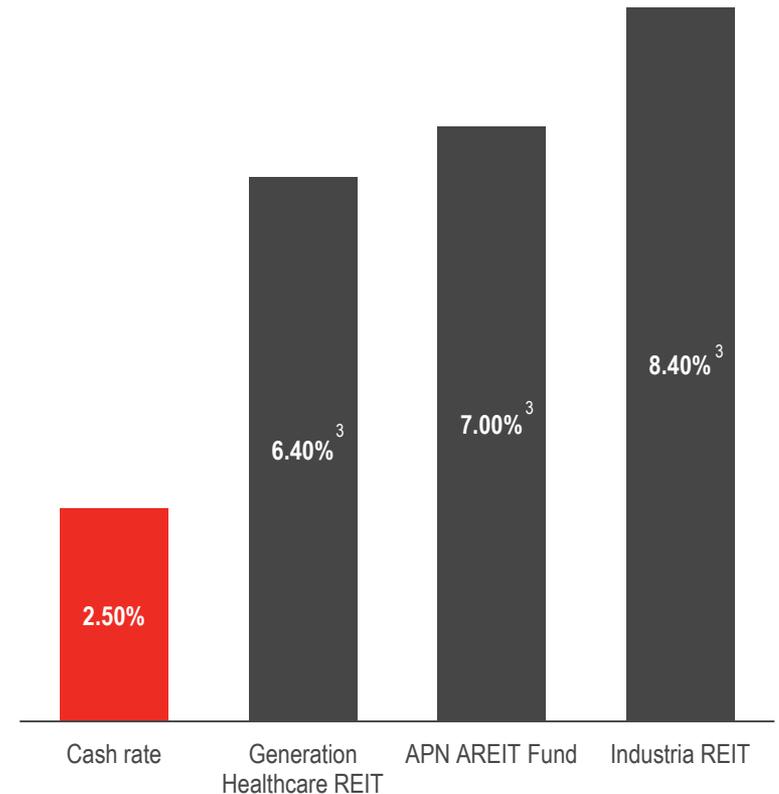
Income-orientated investment products are attractive assets for superannuation investors

- Life expectancy uncertainty contributing to preference for capital preservation
- Regular, relatively high income returns attractive
- Low current cash rate (2.50% pa) environment driving demand for higher yielding investment products
- Potential prolonged low growth, low inflation (and low interest rate) environment supportive of income focused investments

8

APN's 'property for income' focusing on quality commercial property investments are well positioned to cater to this market

- APN AREIT Fund yielding ~7.00% pa; Industria REIT currently trading on ~8.4% forecast FY15 distribution yield<sup>3</sup>



<sup>1</sup> Source: ASFA Superannuation Statistics May 2014

<sup>2</sup> Source: Deloitte Dynamics of the Australian Superannuation System 2013

<sup>3</sup> Forecast distribution yields based on 30 June 2014 closing price. Refer to respective funds for further details

# Outlook and earnings guidance

## Outlook

- Now in growth mode with new management structure and team
- Four quality established businesses – each with distinct growth opportunities
- Quality property investments proving attractive for income-focused investors – supportive market backdrop
- Multiple attractive, value-creating opportunities are currently being progressed
- Focused on continuing importance of rigorous due diligence to deliver future investment performance, independent of investment market strength

## Earnings & dividend guidance

- FY2015 guidance of operating earnings (before tax) of 2.5 to 2.8 cents per share (subject to current market conditions continuing)
- Dividends to be paid out of recurring earnings
- No final FY2014 dividend reflecting short term capital management priorities – FY2015 dividend forecast of at least 1.25 cents

**A specialist real  
estate investment  
manager**



## APPENDICES

**APN** | Property Group

# APPENDIX A FINANCIAL INFORMATION



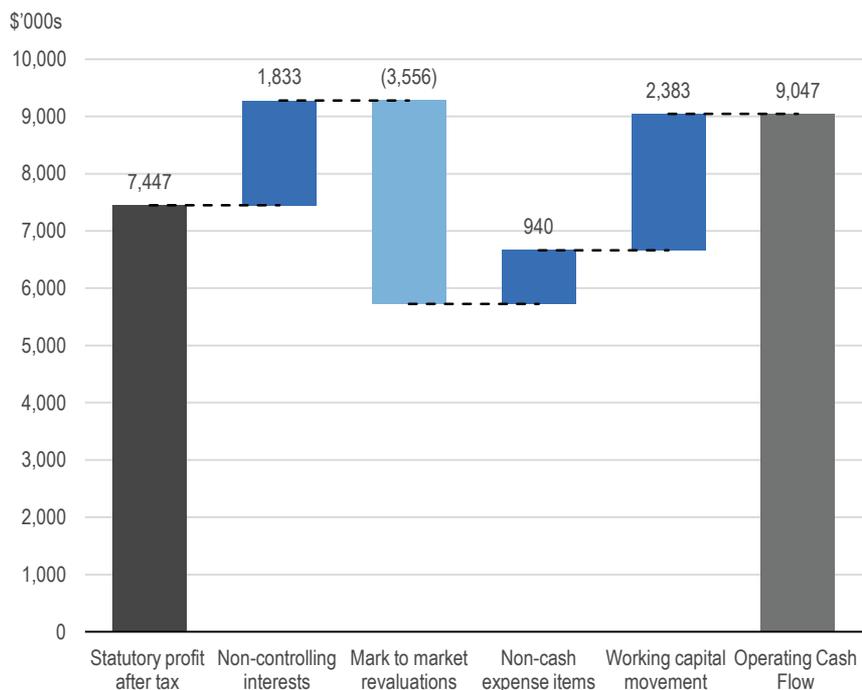
# Financial Performance

<b>Income Statement</b>	<b>FY2014</b>	<b>FY2013<sup>1</sup></b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Net Funds Management Income</b>		
Fund management fees	10,153	8,245
Performance & transaction fees	6,726	2,132
Asset & project management fees	1,186	853
Registry, accounting & other fees	2,427	2,329
<b>Total Net Funds Management Income</b>	<b>20,492</b>	<b>13,559</b>
Co-investment income	1,768	688
<b>Total Net Income</b>	<b>22,260</b>	<b>14,247</b>
Employment costs	(8,713)	(8,309)
Rent & occupancy costs	(1,464)	(1,198)
Depreciation & amortisation	(106)	(187)
Other costs	(3,200)	(3,123)
Minority Interest (MI) share of operating earnings (before tax)	(1,952)	(611)
<b>Operating earnings before tax</b>	<b>6,825</b>	<b>819</b>
Finance income / expense	304	473
Fair value changes on Co-investments	3,321	2,426
Impairments, write-offs and other	107	1,834
Income tax expense	(3,807)	(961)
Minority interest share of above items	224	56
<b>Profit after tax &amp; MI</b>	<b>6,974</b>	<b>4,647</b>
Profit / (Loss) from discontinued operations after tax & MI	473	(2,584)
<b>Statutory profit after tax &amp; MI</b>	<b>7,447</b>	<b>2,063</b>

1 Restated to separately identify and classify discontinued operations on a like-for-like basis.

# Financial Performance

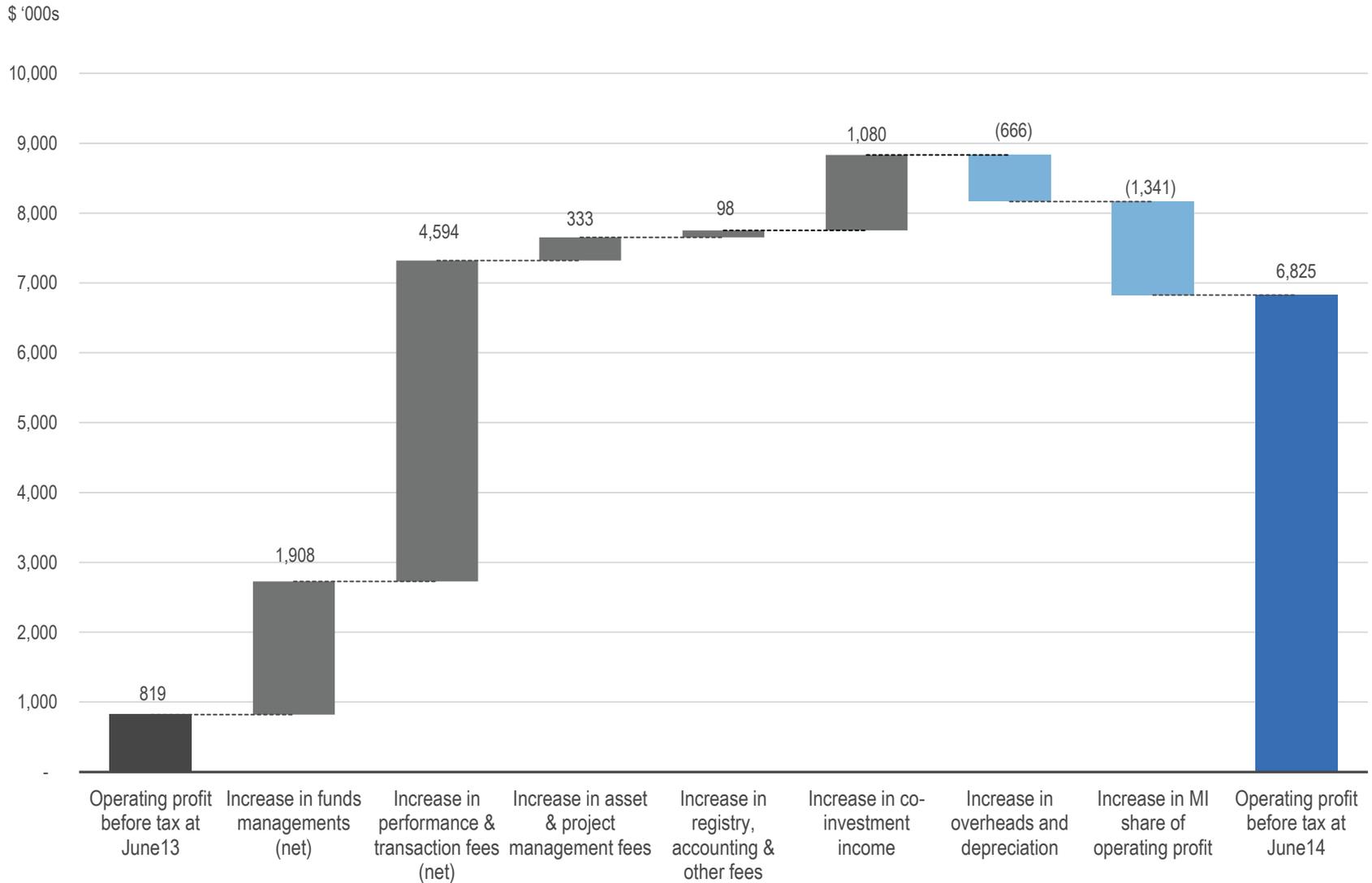
## Operating Cashflow



Cashflow Reconciliation	FY2014 \$'000s	FY2013 \$'000s
<b>Statutory profit after tax</b>	<b>7,447</b>	<b>2,063</b>
Add/(deduct):		
Non-controlling interests	1,833	(695)
Mark to market revaluations	(3,556)	(163)
Non-cash expense items	940	(1,662)
Working capital movement	2,383	2,249
<b>Operating Cash Flow</b>	<b>9,047</b>	<b>1,792</b>
Dividends paid	2,698	2,019
Dividends (cents per share)	1.25	1.25

- Operating cashflow up materially to \$9.0 million
- Boosted by performance and transaction fees
- Operating cashflows totalling \$7.6 million reinvested back into the business via increased co-investment stakes

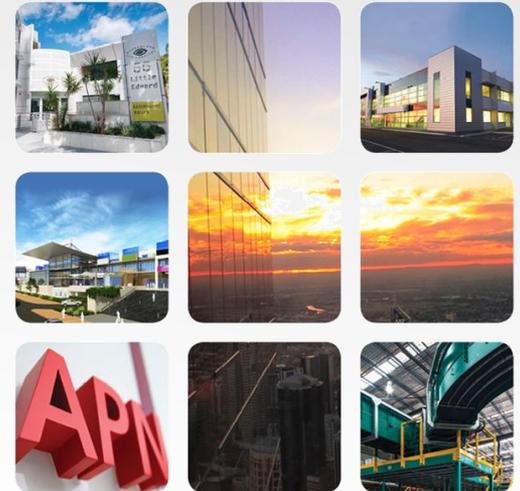
# Operating Profit Before Tax Reconciliation



# Balance sheet

\$'000s	FY2014	FY2013
Cash and cash equivalents	6,034	7,409
Trade and other receivables	6,165	5,245
Co-investments	46,077	15,456
Other assets	366	440
<b>Total Current Assets</b>	<b>58,642</b>	<b>28,550</b>
Intangible assets	4,079	2,441
Deferred tax assets	4,643	6,385
Other assets	345	351
<b>Total Non-Current Assets</b>	<b>9,067</b>	<b>9,177</b>
<b>Total assets</b>	<b>67,709</b>	<b>37,727</b>
Trade and other payables	2,995	3,204
Borrowings	5,000	–
Current tax liabilities	1,297	470
Provisions	1,910	1,920
<b>Total Current Liabilities</b>	<b>11,202</b>	<b>5,594</b>
<b>Total Non-Current Liabilities</b>	<b>1,704</b>	<b>1,014</b>
<b>Total liabilities</b>	<b>12,906</b>	<b>6,608</b>
<b>Net assets</b>	<b>54,803</b>	<b>31,119</b>
Minority Interests (MI)	3,571	748
<b>Net Assets less MI</b>	<b>51,232</b>	<b>30,371</b>
<b>NTA (cps)</b>	<b>21.8</b>	<b>17.3</b>

# APPENDIX B FUNDS UNDER MANAGEMENT SUMMARY



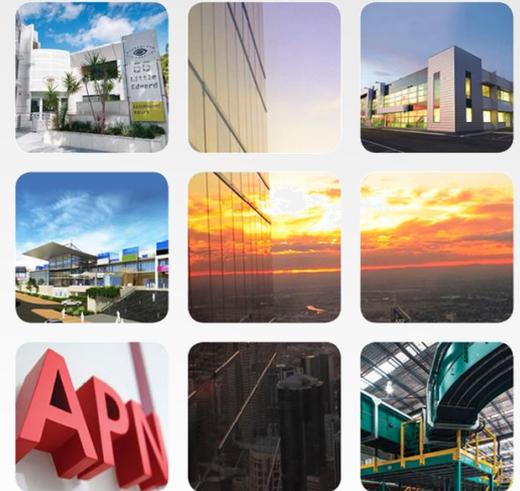
# Funds Under Management<sup>1</sup> Summary

Funds	Sector	Investors	Funds Under Management	Fee Basis			Co-investment Stake
				Management	Performance	Other	
APN AREIT Fund	Property Securities	Retail & Institutional	\$619m	✓			–
APN Property for Income Fund	Property Securities	Retail & Institutional	\$235m	✓			–
APN Property for Income Fund No. 2	Property Securities	Retail & Institutional	\$100m	✓			–
APN Unlisted Property Fund	Property Securities	Retail & Institutional	\$60m	✓			–
APN Asian REIT Fund	Property Securities	Retail & Institutional	\$3m	✓			30.4%
APN Asian Asset Income Fund	Property Securities	Retail & Institutional	\$25m	✓	✓		–
Generation Healthcare REIT	Healthcare	Retail & Institutional	\$325m	✓	✓	✓	12.3%
Industria REIT	Industrial & Business Park	Retail & Institutional	\$404m	✓		✓	5.0%
APN Property Plus Portfolio	Non-Discretionary Retail	Retail & Institutional	\$70m	✓			–
APN Regional Property Fund	Regional Property	Retail	\$49m	✓			–
APN 541 St Kilda Road Fund <sup>2</sup>	Office	Retail & Institutional	\$36m	✓	✓	✓	5.2%
APN Development Fund No. 2	Office & Industrial	Wholesale	\$39m	✓	✓	✓	4.8%
Newmark APN Auburn Property Fund	Retail	Wholesale	\$58m		✓	✓	9.4%
<b>Total</b>			<b>\$2,023m</b>				

1. Funds under management from continuing operations at 30 June 2014

2. Sale completed 13 August 2014

# APPENDIX C COMPANY OVERVIEW



# Company overview

## Overview

- APN Property Group (ASX: APD) is an ASX listed, Melbourne-based specialist real estate fund manager
- \$2.0bn FUM<sup>1</sup> (30 June 2014) across suite of listed, private and securities funds
- Actively manages 18 funds including: domestic and international property securities, direct, and listed funds, through APN FM, a wholly owned subsidiary of APN
- Over 18 years experience in delivering real estate investments for more than 100,000 investors

## Major Shareholders & Board of Directors

Shareholder	%	Board Member	Position
C. Aylward	29.4%	Chris Aylward	Exec. Chair
Grollo Family	11.1%	Howard Brenchley	Exec. Dir.
Phoenix Portfolios	10.6%	Clive Appleton	Non Exec. Dir
Macquarie	10.0%		
Antler Investments	5.5%		
H. Brenchley	3.9%		
C. Appleton	2.2%		
<b>TOTAL</b>	<b>72.7%</b>		

<sup>1</sup> From continuing operation and includes \$325 million from Generation Healthcare REIT (managed by a joint venture 32.5% owned by management) and \$58 million from the Newmark APN Auburn Property Fund (50% joint venture with Newmark Property Group)

<sup>2</sup> IRESS, ASX Trading data as at 30 June 2014

## Share Price and Volume



## Key Information

Metric	
Closing share price <sup>2</sup>	\$0.285
Shares outstanding <sup>2</sup>	215,823,965
Market capitalisation <sup>2</sup>	\$61.5m
FUM <sup>1</sup> (30 June 2014)	\$2.0bn

# Disclaimer

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The financial information included in this presentation is based on APN Property Group's financial statements and results that have been prepared in accordance with the Corporations Act 2001 (Cth), applicable Accounting Standards and Interpretations and in compliance with other applicable regulatory requirements, including the applicable International Financial Reporting Standards (IFRS). This presentation is dated 27 August 2014.

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