



# EQUITY RAISING PRESENTATION

28 APRIL 2015

**APN** | Property Group

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# Executive Summary

- APN Property Group Limited (ASX Code: APD) (**APN**) is undertaking a \$30.0 million equity raising to fund a range of initiatives
  - Issue price of \$0.37
  - 7.9% discount to 1-month VWAP of \$0.4016
- The equity raising comprises:
  - \$13.6 million placement to institutional and sophisticated investors (**Placement**); and
  - \$16.4 million accelerated, pro-rata non-renounceable entitlement offer of 1 new share for every 5 existing shares to eligible institutional and retail shareholders (**Entitlement Offer**)
- The proceeds will be used to:
  - Support Generation Healthcare REIT's equity raising via participation in its entitlement offer (announced today)
  - Increase co-investment in Industria REIT (subject to pricing and availability)
  - Repay the existing \$5.0 million debt facility, enhancing the balance sheet
  - Secure new managed fund initiatives
  - Fund the offer costs and other working capital requirements
- Upgrade to FY2015 operating earnings **after tax** guidance from 2.30 – 2.50 to 2.49 – 2.63<sup>1</sup> cents per share (cps) (pre-tax 3.55 – 3.75 cps), up 6.7%<sup>2</sup> (post equity raising and subject to a continuation of current market conditions)
- Forecast introduction of 0.25 cps fully franked final dividend (1.50 cps for the full year)

1: Operating earnings is unaudited and used by management as a key performance measurement of the Groups underlying performance. It excludes results from discontinued operations (Europe) and fair value changes on the Group's co-investments.

2: Increase calculated with reference to the mid points of the forecast operating earnings guidance ranges.



# AGENDA

- Company overview
- New initiatives and application of funds
- Equity raising
- Key risks
- Appendix



**Chris Aylward**  
Executive Chairman



**Tim Slattery**  
Executive Director



**Michael Groth**  
Chief Financial Officer

# COMPANY OVERVIEW

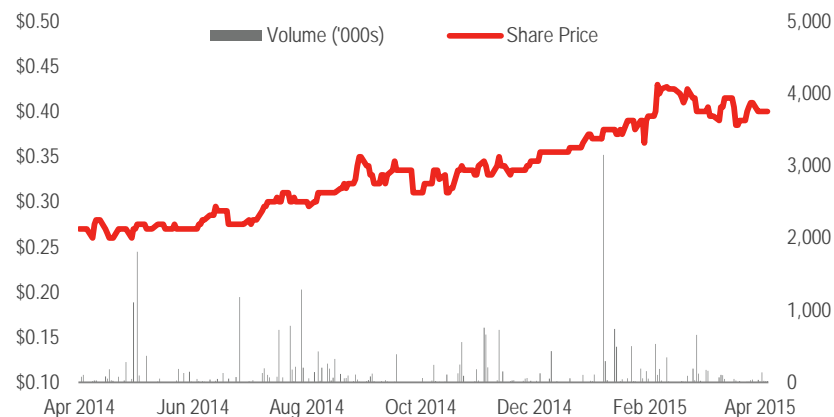


# Company Overview

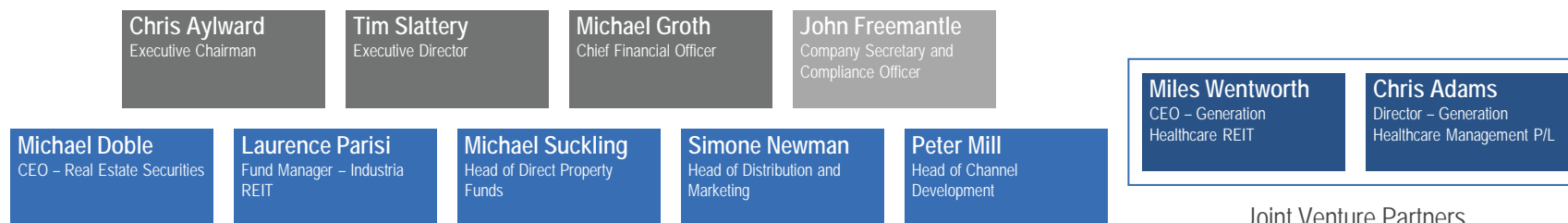
## Board of Directors

Chris Aylward	Executive Chairman
Howard Brenchley	Non-Executive Director
Clive Appleton	Non-Executive Director
Tim Slattery	Executive Director
John Freemantle	Company Secretary

## Share Price and Volume (last 12 months)



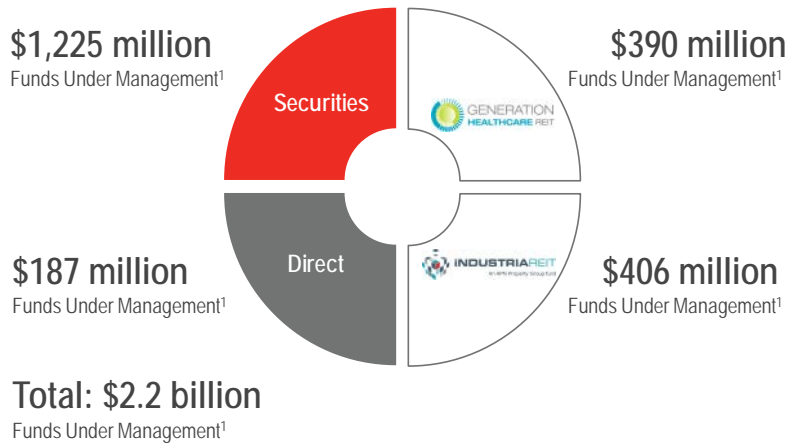
## Senior Management Team



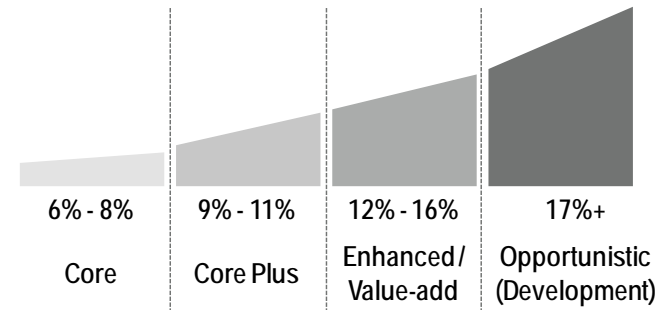
1 IRESS, ASX Trading data as at 24 April 2015.

# APN's platform offers...

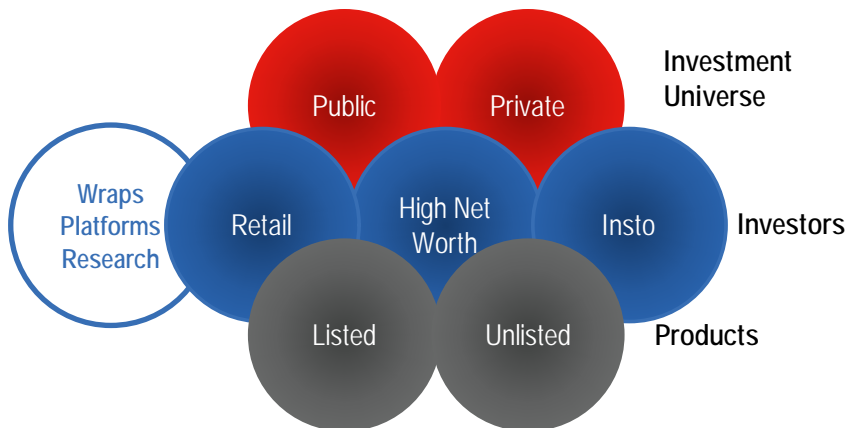
## Specialist commercial real estate expertise...



## ... Across multiple risk / return profiles



## To a diverse investor base...



## ... Applying a proven philosophy and process

### Property for **income**

- ✓ Adherence to investment process
- ✓ Focus on risk
- ✓ Market leading governance
- ✓ Significant co-investment
- ✓ Track record from 1996
- ✓ Excellent investor service

# A solid start to 2015...

## Securities

- AREIT Fund monthly net inflows of ~\$17.5 million average
- Asian operations transitioning to Melbourne

## Generation Healthcare REIT

- \$45.8 million expansion into aged care sector
- Organic growth pipeline enhanced with commercial in-principle terms for Casey Stage 2

## Direct

- APN Coburg North Retail Fund successfully launched
- Sale of 'The Marketplace, Auburn' announced

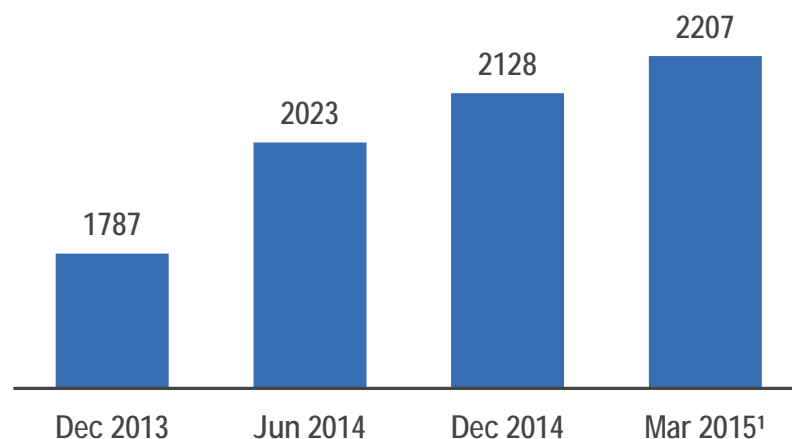
## Industria REIT

- Solid leasing progress achieved
- Asset recycling underway

## Financial performance

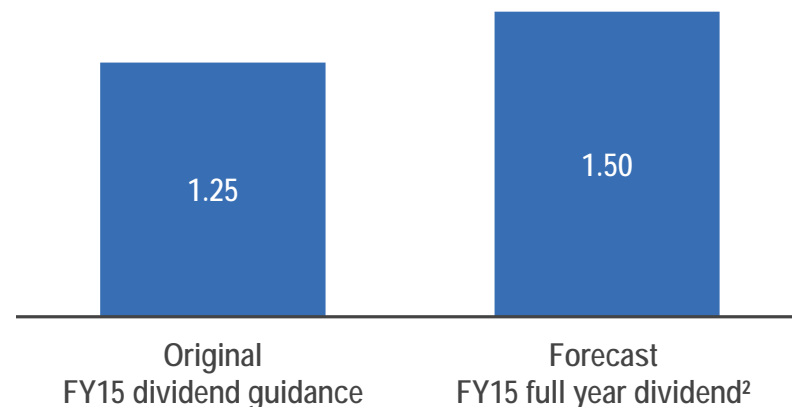
- FY2015 Earnings guidance upgraded to: Operating earnings **after** tax to 2.49 – 2.63 cps (pre tax: 3.55 – 3.75 cps), **post equity raising**
- Full year final dividend forecast of 0.25 cps (fully franked), bringing the full year fully franked dividend to 1.50 cps

## FUM Growth (\$ million)



1: From continuing operations at 31 March 2015 (pro-forma: GHC transactions (+\$47.2 million) & Auburn sale (-\$73 million))

## Dividend increased (cents per share)



2: Including interim dividend paid of 1.25 cents per share



# NEW INITIATIVES AND APPLICATION OF FUNDS



# Overview of new initiatives

## Investment opportunity

### Commentary / rationale

Generation Healthcare REIT

- Participate in the announced growth of the fund into aged care subsector
- Attractive investment opportunity
- Creates capacity to support delivery of committed organic growth pipeline

Industria REIT

- Attractive investment opportunity
- Further increases alignment with investors

## New business initiatives

Development Capital Partnerships

- Six assets in exclusive due diligence with fund completed end value of ~\$100 million+
- Other opportunities under consideration

Convenience Retail Fund

- Conditional contract agreed / exclusive due diligence for two assets with completed end value ~\$37 million
- Multiple additional opportunities under consideration

Other opportunities

- Multiple additional opportunities under consideration
- Range of property asset classes
- Range of risk / return profiles



The Marketplace, Auburn NSW



Coburg Hill Shopping Centre, Coburg North VIC



APN Property Plus Portfolio

# Investment rationale

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1

Deploy capital to take advantage of attractive new and existing growth opportunities

- Establish future core recurring funds management income
- Drive sustainable long term growth in underlying operating income

2

Continue to co-invest with investors to ensure and enhance ongoing alignment

3

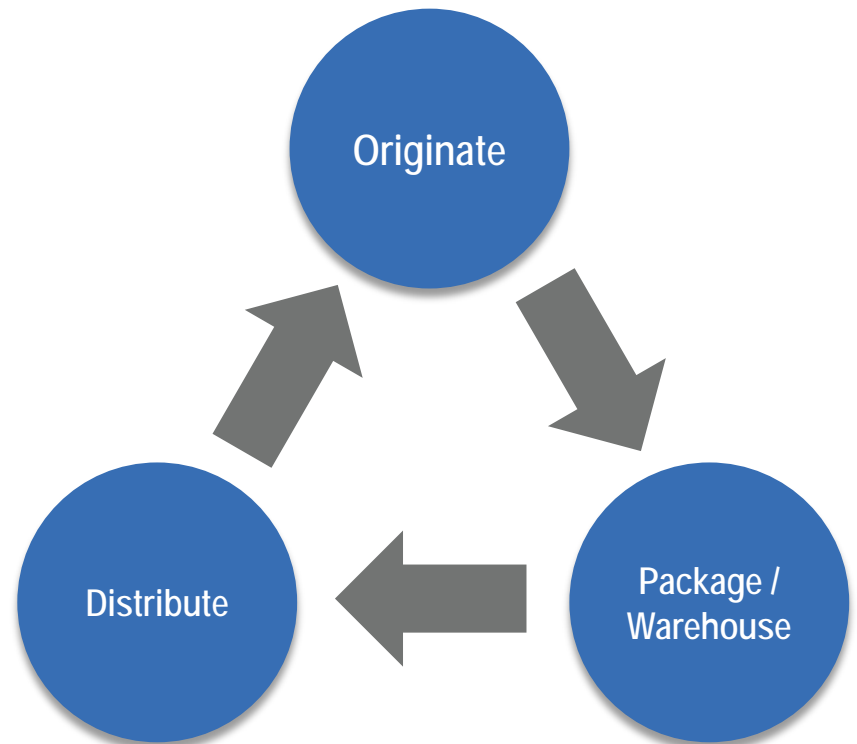
Enhance ability to opportunistically acquire assets

- Enhance ability to secure optimal acquisition terms
- Superior acquisition terms enhance attractiveness of new investment products

4

Maximise balance sheet efficiency

- Recycle capital once assets have been sold into new funds
- Debt repaid to restore balance sheet flexibility and capacity
- Maintain 'capital light' model
- Preserve shareholders' leverage to APN's growth potential



# Healthcare

## Portfolio acquisition and equity raising

- \$52.0 million of new equity raised and announcement of:
  - Acquisition of a \$45.8 million portfolio of three high quality residential aged care properties from RSL Care
  - Collaboration agreement with RSL Care to source and secure further residential aged care opportunities
  - Commercial in-principle terms with St John of God Health Care to partner in the \$120 million Casey Stage 2 project
- Balance sheet capacity further enhanced to support delivery of significant committed organic growth pipeline

## APN<sup>1</sup> to support the GHC equity raising

- Approximately \$5.9 million additional investment via full participation in the entitlement offer
- Continued strong alignment and support for the Fund's value adding growth initiatives

## Attractive investment proposition

- Participation in future underlying value growth
- Defensive sector with strong growth outlook



99 Doolong Road, Pialba QLD

### Key metrics (pro-forma)

Market Capitalisation	\$343 million
Total Funds Under Management	\$390 million
Forecast FY16 Distribution Yield on Offer Price <sup>2</sup>	5.90%
Occupancy	98.7%
WALE	12.6 years
Gearing	30%

1: APN and Generation Healthcare Management Pty Ltd (67.5% subsidiary of APN)  
2: Based on FY2016 distribution guidance divided by the entitlement offer price of \$1.50

# Industria

## Investment rationale

- Attractive value proposition
- Further increase alignment with investors through additional co-investment<sup>1</sup>

## Industria REIT Dec 2014 results highlights

- Half year distribution of 8.36 cents per Security delivered
- WALE increased over the period to 5.1 years
- NTA increased to \$2.01
- 16,400+ sqm of leasing completed in the period
- Asset recycling opportunities progressed: sale of 53 Brandl Street \$1 million over book value

1: Subject to availability and price acceptable to APN  
2: At \$2.05 per Security trading price



**iINDUSTRIAREIT**

An APN Property Group fund

## Key metrics

Market Capitalisation <sup>1</sup>	\$256 million
Total Funds Under Management	\$406 million
Forecast FY15 Distribution Yield <sup>1</sup>	~8%
Occupancy	93%
WALE	5.1 years
Gearing	33%



Rhodes Business Park

# EQUITY RAISING



# Offer Overview

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- Offer Overview
- \$30.0 million equity raising comprising a placement and entitlement offer
  - Fully underwritten by Macquarie Capital and Petra Capital
- 

- Placement
- Placement to raise \$13.6 million offered to new and existing institutional investors
  - Shares issued under the Placement will not give rise to entitlements under the Entitlement Offer
- 

- Entitlement Offer
- 1 for 5 pro-rata non-renounceable entitlement offer to raise \$16.4 million
  - Holus Nominees Pty Ltd (being an entity associated with Chris Aylward) has indicated its intention to support the Entitlement Offer
- 

- Offer Price
- Offer price of \$0.37 per New Share:
    - 7.5% discount to last closing price of \$0.40
    - 7.9% discount to the 1-month VWAP of \$0.4016
    - 5.6% discount to TERP
- 

- Ranking
- New shares rank equally in all respects including to future dividend entitlements

# Sources and uses of funds

The proceeds will be applied to:

- Support and participate in the growth of Generation Healthcare REIT
- Increase Industria REIT co-investment stake, creating further investor alignment
- Provide balance sheet flexibility and capacity to accelerate funds management platform growth

Source of funds	\$m	Uses of funds	\$m
Entitlement offer	16.4	Generation Healthcare REIT co-investment	5.9
Placement	13.6	Industria REIT co-investment	8.8
		Repay Macquarie Bank debt facility	5.0
		New fund initiatives, seed asset acquisition and working capital	9.0
		Transaction costs	1.3
<b>TOTAL</b>	<b>30.0</b>	<b>TOTAL</b>	<b>30.0</b>



# Equity raising indicative timetable<sup>1</sup>

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Event	Date
Announcement of Capital Raising	28 April 2015
Institutional Offer and Placement opens	28 April 2015
Institutional Offer and Placement closes	28 April 2015
Record date for Entitlement Offer (7.00pm AEST)	1 May 2015
Despatch of offer booklet and entitlement and acceptance forms to Eligible Shareholders	6 May 2015
Despatch of letter to ineligible shareholders	6 May 2015
Retail Offer opens	6 May 2015
Quotation of new shares issued under Placement and Institutional Offer	8 May 2015
Retail Offer closes	21 May 2015
Quotation of new shares issued under Retail Offer	28 May 2015

1. All dates are indicative only and subject to change at the discretion of APN Property Group Limited in conjunction with the underwriters.

## Financial information – Pro-forma balance sheet

(\$'000)	Actual 31 Dec 2014	Adjustments		Pro-forma Post Offer
		Trading <sup>1</sup>	Equity raise	
Cash	20,012	(14,739)	9,002	14,275
Co-Investments	48,555	6,245	14,678	69,478
Other Assets	13,979	(2,794)	396	11,581
Intangible Assets	4,073	-	-	4,073
<b>Total Assets</b>	<b>86,619</b>	<b>(11,288)</b>	<b>24,076</b>	<b>99,407</b>
Interest bearing liabilities	5,000	-	(5,000)	-
Payables, tax & provisions	16,774	(8,525)	-	8,249
<b>Net Assets</b>	<b>64,845</b>	<b>(2,763)</b>	<b>29,076</b>	<b>91,158</b>
Issued capital	72,703	-	29,076	101,779
Reserves	997	-	-	997
Retained profits/(losses)	(13,654)	(2,763)	-	(16,417)
Minority interests	4,799	-	-	4,799
<b>Total Equity</b>	<b>64,845</b>	<b>(2,763)</b>	<b>29,076</b>	<b>91,158</b>
Shares on issue ('000)	221,074	-	81,081	302,155
NTA (excluding deferred tax) per share	25.3 cents	(1.2 cents)	2.9 cents	27.0 cents
Market capitalisation	\$88.4 million <sup>2</sup>	-	+\$30.0 million	\$118.4 million <sup>2</sup>

1: Trading adjustments include the settlement and issue of units in the APN Coburg North Retail Fund, payment of the interim dividend of 1.25cps and the acquisition of additional co-investment stakes in listed funds

2: Calculated based on market capitalisation on 24 April 2015 adjusted for the additional \$30.0 million equity raised

# Conclusion

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- This equity raising provides an **attractive opportunity** for investors to participate in the **growth** of APN's listed and unlisted managed funds business
- The capital raising will:
  - **Support and participate** in the value adding growth of Generation Healthcare REIT
  - Increase Industria REIT co-investment stake, creating **further investor alignment**
  - Provide balance sheet **flexibility and capacity to accelerate** funds management platform growth
  - Drive **sustainable long term growth** in underlying operating income
- **Upgraded** FY2015 operating earnings after tax guidance from 2.30 – 2.50 to 2.49 – 2.63 cents per share (cps), an increase of 6.7%<sup>1</sup> (post equity raising and subject to a continuation of current market conditions)
- Forecast **introduction** of 0.25 cps fully franked **final dividend** (1.50 cps for the full year)
- Offer price of \$0.37 represents a 7.9% discount to the 1-month VWAP of \$0.4016 and 5.6% discount to TERP
- APN is a funds management business with access to a range of attractive investment opportunities to **grow the scale of our platform**

1: Increase calculated with reference to the mid points of the forecast operating earnings guidance ranges.

# KEY RISKS

# Key Risks

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## Outline

- This section summarises some of the key risks that may affect the future performance of an investment in APN. This is not an exhaustive list of the relevant risks. If any of the following risks materialise APN's business, financial condition and operational results are likely to suffer. You should also consider consulting your financial or legal adviser so as to ensure you understand fully the terms of this Offer and the inherent risks.

## General investment risks affecting APN

- **Economic environment:** General economic factors such as interest rates, inflation, business and consumer confidence and general market factors may have an adverse impact on APN's earnings. Aspects of the business that could be affected include reduced management and performance fees; funds under management, reduced distribution income or other adverse consequences.
- **ASX market volatility:** The ASX price of APN securities will fluctuate due to various factors including general movements in interest rates, the Australian and international investment markets, international economic conditions, global geo-political events and hostilities, investor perceptions and other factors that may affect APN's financial performance and position. APN securities may trade at or below the price at which they commence trading on ASX including as a result of any of the factors that have been mentioned and factors such as those mentioned may also affect the income, expenses and liquidity of APN. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of APN.
- **Liquidity and realisation risk:** There can be no guarantee that there will be an active market in the New Shares or that the price of the New Shares will increase. There may be relatively few or many buyers or sellers of the New Shares on the ASX at any one time which may lead to increased price volatility and affect the price at which shareholders are able to sell their New Shares.
- **Interest rates:** Adverse fluctuations in interest rates, to the extent that they are not hedged or forecast, may impact APN's earnings. APN's asset values and the asset value of funds managed by APN may also be affected by any impact that rising interest rates may have on property markets in which APN operates.
- **Changes in law:** APN is subject to the usual business risk that there may be changes in laws or government legislation, regulation and policy that reduce income or increase costs. APN is also subject to the usual risks around changes in taxation regimes and Accounting Standards. These changes may adversely affect the future earnings, asset values and the market value of APN securities quoted on ASX
- **Taxation implications:** Future changes in taxation laws, including changes in interpretation or application of those laws by the court or taxation authorities may affect taxation treatment of an investment in APN's securities, or the holdings and disposal of those securities. Tax considerations may differ between security holders, therefore, prospective investors are encouraged to seek professional tax advice in connection with any investment in securities. Further, changes in tax law, or changes in the way tax law is, or is expected to be, interpreted in the various jurisdictions in which APN operates, may impact the future tax liabilities of APN. Those laws may also adversely affect the taxation treatment of entities in APN and that may in turn adversely affect the value of APN's securities or distributions on those securities

# Key Risks

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- **Industry specific risks**
  - **Property sector performance:** APN is subject to the prevailing property market conditions in the sectors in which each of the funds under the control of APN operates. A deterioration in investment market conditions in the property sector due to a sustained downturn in the domestic and/or global economic climate could adversely impact APN's earnings through directly reducing the value of existing funds under management by APN and through reducing the attractiveness of the property sector to retail investors.
  - **Property liquidity:** The property assets to which APN and the funds managed by APN Funds Management Limited (APN FM) (APN Funds) are exposed are, by their nature, illiquid investments. There is a risk that realisation of any of these assets may not be able to be completed in a timely manner and at a value expected by APN.
  - **Regulatory risk and changes in legislation:** APN operates in a highly regulated environment and it, and the APN Funds, are subject to a range of industry specific and general legal and other regulatory controls (including Australian Financial Services Licensing and Anti Money Laundering / Counter Terrorism Funding requirements). Regulatory breaches may affect APN's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs. In addition, changes in government legislation and policy in those jurisdictions in which APN and the APN Funds operate may affect future earnings. This may include changes in stamp duty and tenancy legislation, policies in relation to land development and zoning and delays in the granting of approvals or registration of subdivision plans.
  - **Changes in stock market rating of the Shares:** There is the risk that the stock market rating of securities in APN may change relative to other quoted securities, especially as a result of changes in market sentiment toward the funds management and property sectors. Market sentiment may be influenced by media commentary and observation by industry analysts (which may not be accurate or reliable).

# Key Risks

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## Specific Risks for APN

- **Funds Management:** APN manages a number of funds on behalf of third party investors. The majority of APN's income is derived as fees calculated with reference to the value of funds under the control of APN FM. APN's financial performance may be adversely affected if it was not able to appropriately respond to the following risks:
  - Significant or prolonged underperformance of the APN Funds that may affect the ability of APN to retain existing and attract new funds under management.
  - Unitholder or competitor actions initiated to remove funds from the control of APN FM.
  - A number of funds under the control of APN FM are fixed term funds or funds where strategic review dates fall due in the short to medium term. Unitholder approval and/or endorsement is required for extensions to the term of these funds.
  - The direct property funds that APN FM manages have exposure to a variety of entities that lease or otherwise occupy the properties owned by these funds. Insolvency or financial distress leading to a default by a major lessee or lessees across a number of leases, or failure to secure new leases on acceptable terms, could give rise to earnings volatility and breach of financial covenants within these funds.
  - To the extent that property values or income levels in a particular fund fall, there is a risk that the management fee income derived from that fund may be adversely impacted.
- **Reliance on third party equity:** As a fund manager, growth in APN's earnings may be impacted by the ability of APN to establish new listed or unlisted funds. Specifically such income growth is dependent on the ability of APN to continue to source and maintain equity from new and existing investors for current and future funds
- **Co-investment:** APN holds co-investment positions in a number of the funds it manages. Such investments are subject to the general investment risks outlined above. Factors influencing the financial performance of these managed funds may adversely impact the value of APN's assets or quantum of its earnings which may in turn impact the price of listed APN securities.
- **Gearing:** The use of leverage may enhance returns and increase the number of assets that can be acquired, but it may also substantially increase the risk of loss. Use of leverage may adversely affect APN when economic factors such as rising interest rates and/or margins, severe economic downturns, availability of credit, reduction in asset values or further deterioration in the condition of debt and equity markets occur. If an investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of APN's equity component could be significantly reduced.

# Key Risks

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## Specific Risks for APN (continued)

- **Property related risks:** An investment in APN is essentially a leveraged investment in real estate and therefore may be adversely affected by changes to the underlying property within its managed fund portfolio, including: tenancy default or failure or delays in letting up premises and falls in rental and occupancy levels; capital expenditure requirements and increasing costs of plant equipment and labour and development and refurbishment risk; unforeseen structural deterioration or failure; unforeseen litigation with tenants; claims under legislation relating to indigenous occupants of land; native title claims; claims under environmental legislation; and changes in local, state and territory and federal legislation and regulations, particularly relating to planning
  - **Reliance on key personnel:** The success of APN is highly dependent on the abilities and performance of the Directors, senior management and the APN FM investment team. The ability of APN to retain and attract high quality executives, fund managers and employees is important to the operations of APN. Loss of key personnel may adversely affect the business performance of APN, the valuation of APN's business and assets or the price of the New Shares.
  - **Opportunity risk:** The performance of APN is dependent on the senior executives and senior management team identifying and executing suitable investment opportunities. Such opportunities are subject to market conditions and other factors which may be outside the control of the senior executives and senior management team.
  - **Change in control:** The Board has followed strict protocols and taken all possible steps to minimize the potential for a change in control as a result of the Offer. However, investors should refer to the retail offer booklet for further information in relation to potential control implications for APN due to Macquarie Group's existing shareholding of approximately 21.5 million shares in APN and Macquarie Capital (Australia) Limited's appointment as an underwrite to the Offer.
  - **Unit Pricing:** APN has comprehensive procedures and controls that govern the calculation of the price at which units are issued or redeemed for a number of unlisted funds. The incorrect calculation of unit prices may give rise to significant compensation claims, correctional costs, re-allocation of management time and resource, loss of investor confidence and damage to public reputation.
  - **Technical failure:** APN relies on its information technology and telecommunication systems for its businesses to operate efficiently. Failure in these systems, lack of system capacity, inappropriate or unauthorised access and unsuccessful systems integration are all risks to APN's business operations.
  - **Litigation and legal action:** APN and other members of the APN Property Group, including the APN Funds, may be exposed to potential litigation from investors, regulators, employees, business associates and companies. To the extent that these risks are not covered by insurance policies, litigation or the cost of responding to actual or potential litigation could have a material adverse impact on APN's financial position and earnings and the price of APN securities.
  - **Dividends:** The payment of dividends, if any, is determined by the Board from time to time at its discretion and is dependent on the profitability and cashflow of APN's business at the time.



# APPENDIX

# International Selling Restrictions

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This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## Hong Kong

- **WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, APN shares under the Rights Issue have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).
- No advertisement, invitation or document relating to APN shares under the Rights Issue have been or will be issued, or have been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to APN shares issued under the Rights Issue that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted APN shares under the Rights Issue may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.
- The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## Guernsey:

- Except where the POI Law (as defined below) does not apply, APN shares may only be offered or sold in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the "POI Law"); or (ii) to persons licensed under the POI Law, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc, (Bailiwick of Guernsey) Law, 2000.

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