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The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
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APN PROPERTY GROUP LIMITED REPORTS NET PROFIT OF \$12.6 MILLION

Highlights

- Statutory net profit of \$12.6 million, up 69% from \$7.4 million in the prior comparative period
- Operating earnings (after tax) and MI¹ up \$2.0 million to \$6.9 million or 3.05 cents per share (cps)
- Diluted earnings per share up 1.65 cents to 5.58 cents
- Funds under Management¹ (FuM) at \$2.2 billion, up 10% from 30 June 2014
- \$30 million of new equity issued at \$0.37 to support existing funds and further growth initiatives
- Fully franked final dividend of 0.25 cps declared, delivering 1.50 cps fully franked for FY2015

APN Property Group Limited (ASX: APD) is pleased to announce a statutory net profit attributable to equity holders of \$12.6 million for the year ended 30 June 2015, up from \$7.4 million in the prior comparative period (pcp). Diluted earnings per share increased to 5.58 cents and the Directors are pleased to introduce a fully franked final dividend of 0.25 cps, bring the total for the year to 1.50 cps.

Mr Tim Slattery, Executive Director said “This result reflects the continued strong performance from the APN AREIT Fund, Generation Healthcare REIT and our Direct Funds division. We are pleased to report our recurring income represented 75% of our total net income in FY2015 and that operating earnings after tax increased 41% while costs were broadly flat versus the prior year.

APN's strategy of increasing the scale of our funds management platform is delivering value for shareholders. Investors are increasingly turning to APN's product suite to receive annuity style income streams and wealth creation opportunities in the current low interest rate, low growth environment”.

Financial Results

Operating earnings (after tax) and MI¹ increased \$2.0 million to \$6.9 million for the year ended 30 June 2015. Contributing to this result was:

- Continued growth in FuM and a full years management fee contribution from Industria REIT, delivering an 18% increase in funds management fee income to \$11.9 million;
- Co-investment income of \$3.4 million from the Group's material co-investment portfolio, including its co-investments in Generation Healthcare REIT and Industria REIT;
- Performance and transaction fees of \$6.3 million compared to \$6.7 million in the pcp, reflecting fees from the APN 541 St Kilda Road Fund, Generation Healthcare REIT, the APN Coburg North Retail Fund and the project initiation fee from the Newmark APN Auburn Property Fund; and
- An increase in asset and project management fees of \$0.1 million to \$1.3 million following the continued expansion of the direct real estate portfolio managed by the Group.

¹: Operating earnings (after tax) and MI is an unaudited measurement used by management as the key performance measure of the underlying performance of the Group. It excludes certain items recorded in the income statement including discontinued operations and the fair value movements on the Group's co-investments.

APN's statutory profit after tax of \$12.6 million was 69% higher than the prior year and reflects co-investment mark-to-market gains (after tax and the recognition of previously unrecognised capital losses) of \$5.7 million.

The Group's balance sheet was further strengthened during the year following the successful \$30 million equity raise completed in May 2015. The equity raise proceeds have been applied to repay debt and further increase co-investment stakes in the Group's managed funds. As at 30 June 2015 net assets have increased to over \$96.0 million and include cash of \$20.3 million, providing significant capacity for the Group to support its identified growth initiatives.

Funds under Management

FuM from continuing operations was \$2.2 billion at 30 June 2015, up 10% compared to 30 June 2014. The highlights for the year included:

- **Real estate securities**

Real estate securities FuM increased 17% to \$1.2 billion at 30 June 2015, led by the continued strong performance of the APN AREIT Fund and a strong AREIT market performance generally. Net inflows for the APN AREIT Fund averaged over \$17 million per month, partially offset by redemptions from our Property for Income Funds, which have slowed significantly since their 1 July 2014 reopening to daily applications and redemptions. True to label performance of consistent and relatively high levels of income, some capital growth and lower than market volatility over 1, 3 and 5 year time frames from our APN AREIT and APN Asian REIT Funds were delivered in the year.

- **Generation Healthcare REIT**

Generation Healthcare REIT delivered investors a strong FY2015 financial result, with underlying operating income up 66%, distributions increasing by 7.25% and achieving a total investor return (unit price movements, assuming reinvestment of distributions) of 32.6%, outperforming the S&P/ASX 300 A-REIT Accumulation Index performance benchmark by 12.3%. FuM increased to \$407 million following the acquisition of a \$46 million portfolio of three aged care assets from RSL Care, with further significant progress being made on GHC's ~\$116 million organic growth pipeline.

- **Industria REIT**

Industria REIT FuM was stable at \$406 million as at 30 June 2015. Over the year, Management has focused on active property management and leasing, reporting occupancy of 92% and portfolio WALE at 4.8 years in challenging market conditions. Leasing completed post 30 June 2015 has further improved these metrics. Industria REIT reported an increase in its net tangible asset backing per security to \$2.02 at 30 June 2015.

- **Direct Funds**

FuM totalled \$199 million at year end compared with \$252 million at 30 June 2014. The sales of 541 St Kilda Road (completed in August 2014) and the Newmark APN Auburn Property Fund (full settlement expected in September 2015) delivered strong returns for investors and have provided the momentum for the successful launch of the \$19 million APN Coburg North Retail Fund, the term extension for up to 3 years for the APN Property Plus Portfolio Fund and the July 2015 launch of the APN Steller Development Fund. Further new product initiatives are underway to capitalise on investors' strong appetite for high quality, stable income yields backed by long term leases.

Dividends

The Board has declared a final dividend of 0.25 cents per share (fully franked) to bring the total FY2015 dividends to 1.50 cents per share. This represents an increase of 20% compared to FY2014. The final dividend will be paid on 16 October 2015 to shareholders registered as at 30 September 2015.

Strategy update

We remain focused on delivering investment performance and service for our investors. Our priorities for the coming year are to continue to build scale and efficiency across our existing divisions to deliver sustainable earnings growth. Our co-investment strategy will continue, with the recent equity raise proceeds being applied to seed new fund opportunities that will, over time, allow capital to be recycled into further new fund opportunities. We will retain a rigorous and disciplined investment approach to evaluating all property investment and new product opportunities.

The launch of the APN Steller Development Fund in July 2015 is a continuation of this strategy and approach, building on the recent success of the Newmark APN Auburn Property Fund with sophisticated investors.

In other growth initiatives, the soon to be launched APN Convenience Retail Property Fund will be targeted at investors seeking diversified high quality, stable income yields backed by long-term leases in the current low interest rate, low growth environment. The initial portfolio is valued at approximately \$37 million (on completion) following APN's July 2015 announcement of the acquisition of its second convenience retail property. The initial portfolio has been acquired via progressive development payments under guaranteed delivery contracts which are being funded from APN's existing cash reserves and new limited recourse debt facilities currently being established².

Outlook and guidance

Subject to a continuation of current market conditions, Operating earnings after tax and MI for FY2016 is expected to be in the range of 2.00 – 2.30 cents per share. This includes only previously announced transaction and performance fees. Future market based performance fees from APN's existing funds are excluded.

"With our commitment to investment performance and outstanding service, APN remains well positioned to grow in FY2016. We have identified a number of exciting new investment opportunities that will enhance our product suite and cater to our market leading retail distribution platform and growing sophisticated and institutional investor base. We continue to evaluate a range of new opportunities for our existing and new funds against our disciplined investment process", Mr Slattery said.

For further information, please contact:

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About APN Property Group

APN Property Group Limited (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.

www.apngroup.com.au

² The debt facilities being established are for the benefit of the proposed APN Convenience Retail Property Fund and will roll over into this Fund on its successful establishment.