



22 August 2016

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016 AND SPECIAL DIVIDEND DECLARED

Highlights

- Statutory net profit after tax of \$49.7 million, up from \$12.6 million in the prior comparative period (pcp)
- Operating Earnings¹ of \$10.5 million, or 3.46 cents per share (cps), at the top end of earnings guidance
- Net Tangible Assets per share of 43.10 cents
- Funds under Management² (FuM) up \$378 million or 21% to \$2.2 billion
- APN AREIT Fund awarded 2016 Australian Financial Review Smart Investor Blue Ribbon Award for best Australian listed property fund
- Won Colonial First State investment mandate, with the APN CFS AREIT Fund launched in May 2016
- Final dividend increased by 0.25 cps to 0.50 cps (fully franked), distribution reinvestment plan suspended
- Special dividend of 10.00 cps (fully franked) declared
- FY17 Operating Earnings¹ guidance of 1.60 – 2.00 cps, following divestment of the Healthcare business

APN Property Group Limited (ASX: APD) today reported a statutory net profit attributable to shareholders of \$49.7 million for the year ended 30 June 2016. This result includes a one-off after tax gain of \$22.7 million following the 27 June 2016 divestment of the Healthcare operations.

APN has also announced today fully franked dividends totalling 10.50 cps, comprising a special dividend of 10.00 cps payable from the profits realised on the divestment of the Healthcare operations and a final ordinary dividend of 0.50 cps, up 0.25 cps on the previous final dividend.

APN's Executive Chairman, Mr Chris Aylward, said "The Group has continued to build on its positive momentum, with FuM and management fee income continuing to report solid growth off the back of investors desire for yield and APN's attractive suite of yield focused products based around 'property for income' fundamentals."

The Board has considered APN's future capital requirements carefully. After the special dividend declared today, APN will have ample free cash and balance sheet capacity to continue to pursue its objectives while maintaining its capital light business model, including supporting the growth of listed funds in which it co-invests. The Board remains committed to managing the Company's balance sheet prudently and efficiently to support the future growth of the business" Mr Aylward concluded.

Financial Results

FY16 Operating earnings¹ totalled \$10.5 million, with the following key factors contributing to this result:

- Increased average FuM balances following solid net inflows and asset valuations compared to the pcp, delivering an 11% increase in net management fees to \$13.3 million (including the contribution from the Healthcare operations until 27 June 2016);

¹: Operating Earnings is an unaudited after tax measurement used by management as the key performance measurement of the underlying performance of the Group and includes the results from Healthcare operations until divested on 27 June 2016. It adjusts for certain items recorded in the income statement including minority interests, discontinued operations (Europe), gain on divestments and the fair value movements on the Group's co-investments.

²: From continuing operations, on a like for like basis excluding FuM attributable to the Healthcare operations (Generation Healthcare REIT).

- Development management services provided to GHC has resulted in asset and project management fees increasing by \$1.5 million to \$2.9 million;
- Increased co-investment stakes (predominately Industria REIT and Generation Healthcare REIT), and income from property acquired to seed new products contributed to co-investment income increasing from \$3.4 million to \$6.8 million;
- A material first half performance fee from GHC and \$1.0 million of profit share income from the Newmark APN Auburn Property Fund delivered net performance and transaction fees of \$9.1 million for the year; and
- Operating costs increased \$0.6 million compared to the pcp due to marginally higher employment costs including variable compensation and acceleration of share incentive costs, recruitment costs and an investment in marketing and operations that delivered Real Estate Securities first wholesale investment mandate.

APN's FY16 statutory profit after tax of \$49.7 million included a material \$22.7 million gain on divestment of the Healthcare operations and unrealised mark to market gains on the Group's co-investment stakes in Industria REIT and Generation Healthcare REIT.

The Group's balance sheet is in a strong position. Net tangible assets increased to 43.10 cents per share, of which \$72.0 million was cash. Marketing for sale of the properties acquired by APN to seed new products has commenced following the completion of a strategic review of the assets and the fund opportunity. Subsequent to 30 June 2016, the first asset (Eagleby) has been sold for \$4.85 million, a premium of 10% to its 2015 purchase price of \$4.425 million.

Following the scheduled August 2016 settlement of the put and call option over the majority of APN's co-investment stake in Generation Healthcare REIT, settlement of the transaction liabilities recognised at 30 June 2016 and the payment of dividends declared, APN is expected to have a net cash balance of approximately \$34.0 million.

Funds under Management

On a like for like basis, FuM from continuing operations was \$2.2 billion as at 30 June 2016, up 21% compared to the prior year. The highlights for the year included:

▪ **Real Estate Securities**

Real Estate Securities (RES) FuM increased 29% to \$1.6 billion led by solid APN AREIT Fund net inflows of approximately \$11.7 million per month and APN's first wholesale investment mandate with Colonial First State. Investor demand for yield based products remains high and is reflected in the strong performance of the S&P/AREIT 300 AREIT Accumulation Index which delivered a total return of 24.6% for the year. Both the APN AREIT Fund and APN Asian REIT Fund remain highly rated by major research houses, with the number of platforms / wraps that these products are available on continuing to expand.

▪ **Industria REIT**

FuM increased to \$422 million as at 30 June 2016 following increased property valuations. Industria REIT's (IDR) profits for the year were slightly ahead of market expectations and, following leasing and capital recycling initiatives, IDR's security price performance has increased 15.7% to \$2.14 at 30 June 2016. All key property portfolio metrics were maintained or improved over the year which, when combined with continued security price performance, positions the Fund well to pursue value adding initiatives and capital recycling opportunities.

▪ **Direct Funds**

FuM increased 3% to \$205 million following the successful launch of the \$18.1 million APN Steller Development Fund. Leasing activity during the period has enhanced occupancy for the APN Regional Property Fund and APN Coburg North Retail Fund, while lease extensions continue to be secured for the APN Property Plus Portfolio to increase its weighted average lease expiry term. The Group remains focused on sourcing well leased convenience retail property for new fund opportunities that will offer investors an attractive risk return profile.

▪ **Generation Healthcare REIT**

On 27 June 2016, an entity associated with Canadian listed NorthWest Healthcare Properties REIT entered into unconditional agreements to acquire the Healthcare operations (a joint venture between APN and entities associated with Miles Wentworth and Chris Adams) and a 12.2% co-investment stake in GHC, delivering APN a material gain after tax of \$22.7 million plus \$2.20 per GHC unit. Under the transition arrangements, APN has committed to remaining Responsible Entity and providing accounting and support services for a period of up to 2 years and 2 months. In the period to 27 June 2016, GHC delivered strong returns to investors, materially outperforming the S&P/AREIT 300 AREIT Accumulation Index and making good progress on both the Frankston Private expansion project (pre-committed by Healthscope Limited) and Stage 2 at Casey (St John of God Health Care joint venture).

Strategy, capital management and dividends

APN's strategy of building scale and efficiency across its existing business to deliver long term sustainable growth remains unchanged. Supporting this strategy is a clear and focused capital management approach, aimed at maximising returns to shareholders while maintaining APN's financial strength and flexibility to pursue new product initiatives as a co-investing fund manager.

The Board has declared a final ordinary dividend of 0.50 cps (fully franked) delivering an increase of 0.25 cps in ordinary dividends paid for the year to 1.75 cps. The Board has also announced that it will return 10.00 cents per share to shareholders as a fully franked special dividend following the divestment of the Healthcare operations. This special dividend has been possible as the Group has capital in excess of current requirements. Reflecting this strong capital position, the dividend reinvestment plan has been suspended. Shareholders registered as at 29 September 2016 will be entitled to the final ordinary and special dividends, which will be paid on 18 October 2016.

Following the payment of the final and special dividend, APN's net cash position will be approximately \$34.0 million that will be available to pursue new product initiatives focused on building scale across the management platform.

Guidance

FY17 Operating Earnings after tax is forecast to be in the range 1.60 – 2.00 cents per share reflecting the effect of the divestment of the Healthcare operations. This forecast does not include any future market or event driven performance and transaction income, nor any new initiatives or opportunities that the Group may pursue over the course of FY17 arising from current capital position. FY17 dividend guidance is 1.75 cps.

ENDS

For further information, please contact:

Tim Slattery

Executive Director

T +613 8656 1031

M +61 400 444 864

E tim.slattery@apngroup.com.au

Michael Groth

Chief Financial Officer

T +613 8656 1026

M +61 409 936 104

E mgroth@apngroup.com.au

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.

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