



# AUSTRALIAN MICROCAP INVESTMENT CONFERENCE INVESTOR PRESENTATION

18 OCTOBER 2016

[www.apngroup.com.au](http://www.apngroup.com.au)  
ASX Code: APD

**APN** | Property Group  
20 YEAR ANNIVERSARY 2016

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# What APN Property Group does...

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# Overview

Overview

**APN** PROPERTY GROUP IS A SPECIALIST  
REAL ESTATE INVESTMENT MANAGER:  
**COMMERCIAL** PROPERTY

Philosophy

PROPERTY FOR INCOME

Approach

INVESTMENT  
PERFORMANCE



OUTSTANDING  
SERVICE



# APN Property Group Overview

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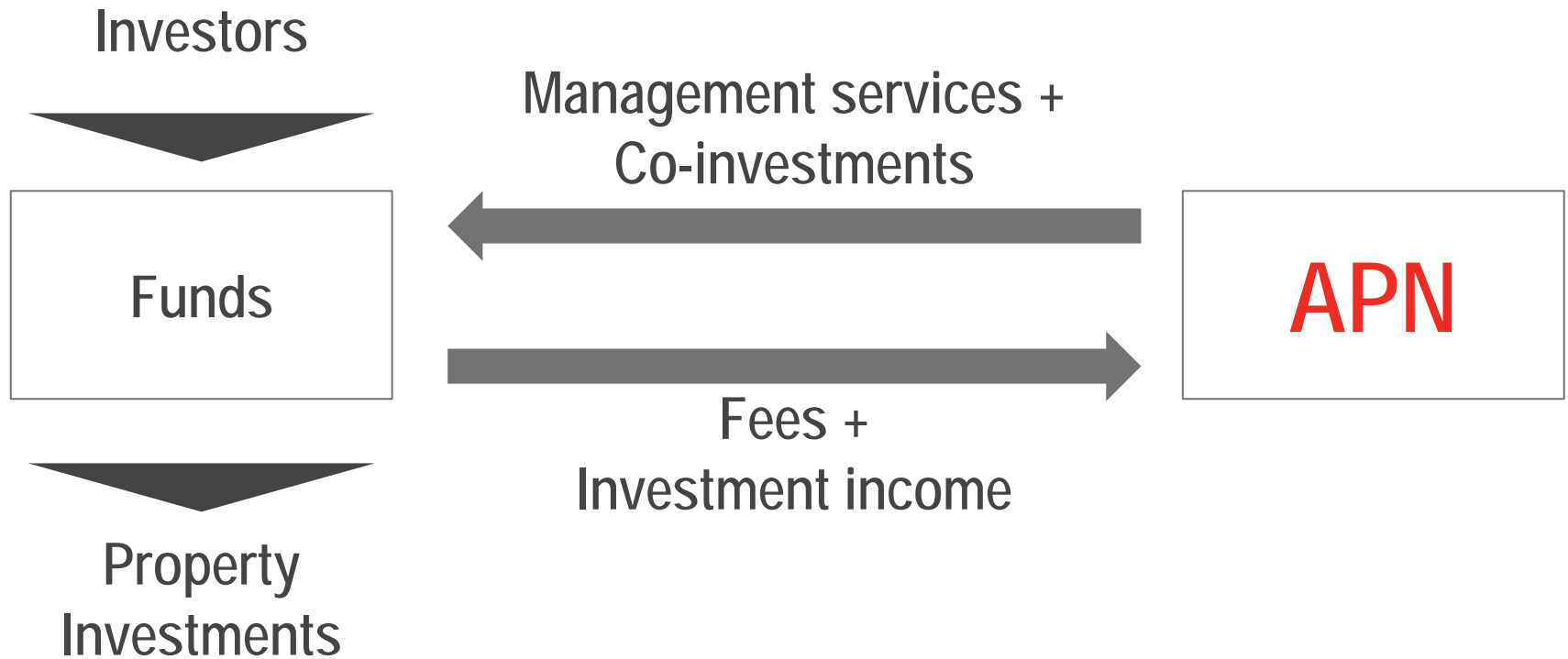
As at 30 June 2016



- 
- ▶ Specialist Australian commercial real estate investment manager
  - ▶ Established 1996
  - ▶ 13 Funds, 45 properties
  - ▶ 42 Staff, Melbourne based
  - ▶ Capital light, co-investment model
  - ▶ 'Property for income' investment philosophy

# Strategy – business model

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## Strategy – competitive advantage

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### COMPETITIVE ADVANTAGE



- **Specialist expertise:** Outstanding people, processes, culture
- **Track record:** 20 years
- **Governance :** Independent trustee, majority independent board
- **Co-investment:** ~\$100 million net assets, no corporate debt, ~\$30 million in cash

## Our objective: building shareholder value

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### Increase scale

- Grow FUM through delivering for our clients
- Larger / more profitable funds
- Leverage efficiencies (e.g. sales team)

### Manage costs

- Measured investment in growth (e.g. Asia)
- Discipline on overheads

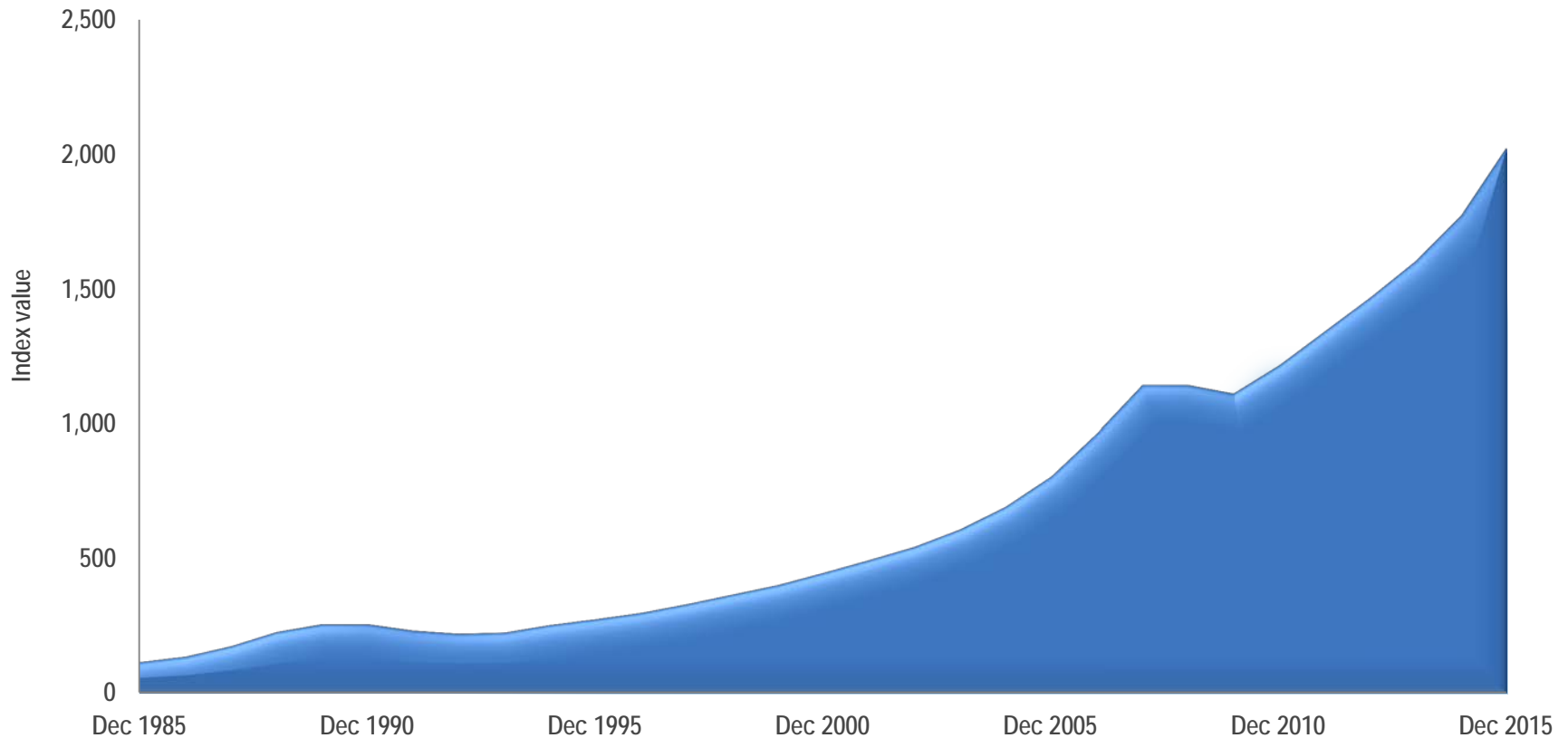
### Outcome

- Revenue growth translates to bottom line
- Higher profit margins, EPS growth



# Commercial property in Australia – long term performance

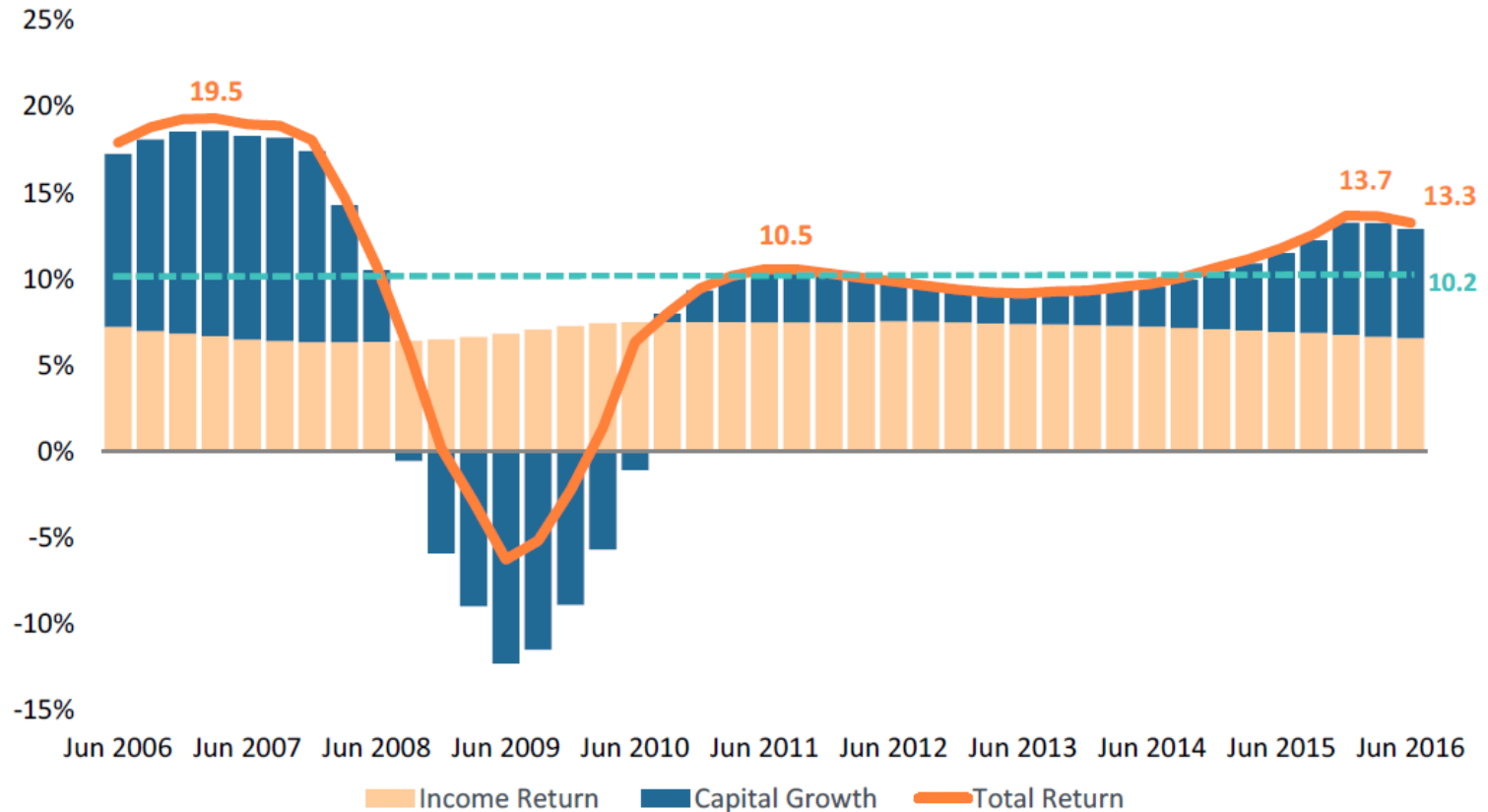
Australian commercial property (excludes residential) has delivered a total return of 10.0% pa since December 1984 to March 2016 (over 30 years)



Source: The Property Council Australia / IPD Australia All Property Index – Results for the year ended 31 March 2016

# Commercial property as a long term income investment

AUSTRALIAN ALL PROPERTY RETURNS  
Annual returns on quarterly periods



Total return of 13.3% comprised of 6.5% income return and 6.3% capital return

Source: MSCI

## Commercial property investment – fundamental attributes we look for

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- ✓ Location
- ✓ Tenant strength
- ✓ Lease length
- ✓ Real assets – replacement value and alternate use
- ✓ Real cash yields – leasing incentives, capital expenditure, purchase price
- ✓ Appropriate borrowing levels



**Not shooting the lights out**

# What's driving our business?

## Attractive Industry Dynamics and Market Position

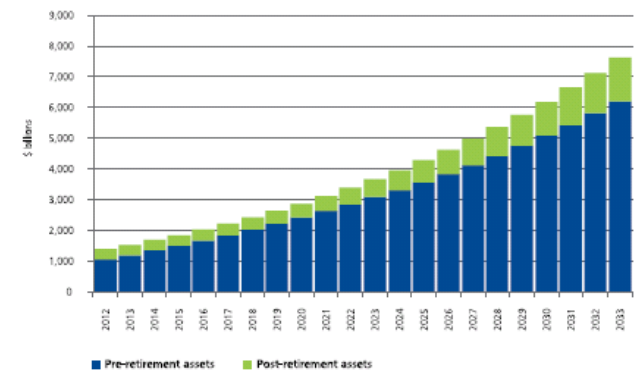
**1** Australian superannuation assets \$2.0 trillion<sup>1</sup>; forecast to grow to \$3 trillion by 2020<sup>2</sup>

**2** Income-orientated investment products attractive: low rate environment

**3** APN's 'property for income' commercial property investments well positioned

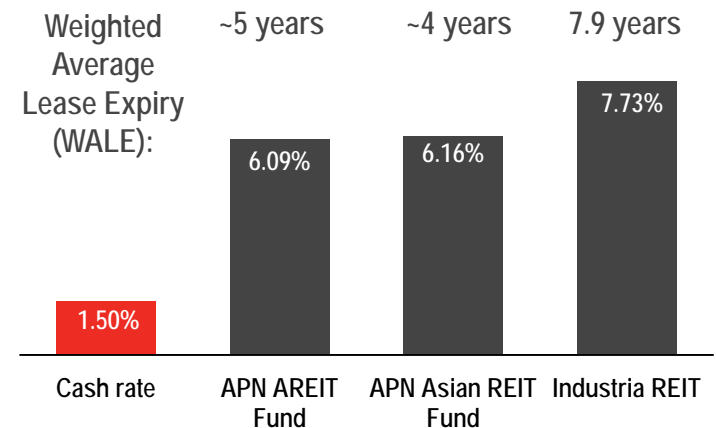
1 Source: ASFA Superannuation Statistics December 2015  
 2 Source: Deloitte Dynamics of the Australian Superannuation System November 2015  
 3 Different risk / return profiles. Distribution yields based on 12 October 2016 closing prices. Refer to respective funds (www.apngroup.com.au) for further details. Past performance is not necessarily and indicator of future performance.

### Projected superannuation assets to 2033



Source: Deloitte Actuaries & Consultants, 2013

### Approximate investment yield comparisons<sup>3</sup>



# Example: Industria REIT

## Overview

- 16 Industrial, Business and Technology Park properties
- Located Sydney, Melbourne, Adelaide, Brisbane
- Relatively new portfolio
- Conservative capital structure: gearing 30-40%
- Attractive distribution yield
- Minimum investment: ASX listed
- ASX Code: IDR

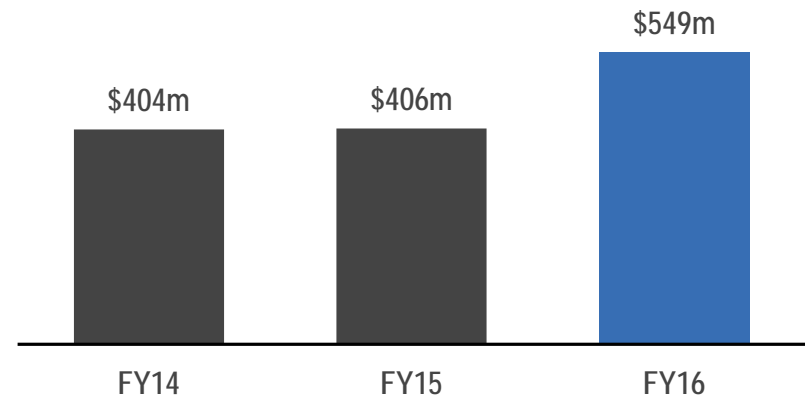


## Key metrics<sup>1</sup>

Market Capitalisation <sup>2</sup>	\$338m
Total Funds Under Management	\$549m
FY16 Distribution Yield <sup>2</sup>	~7.7%
Occupancy	97%
WALE	8.0 years
Gearing	35%

1. All metrics as at 30 June 2016 pro forma unless otherwise stated  
 2. Based on price of \$2.07 per Security as at 12 October 2016

## FuM Growth



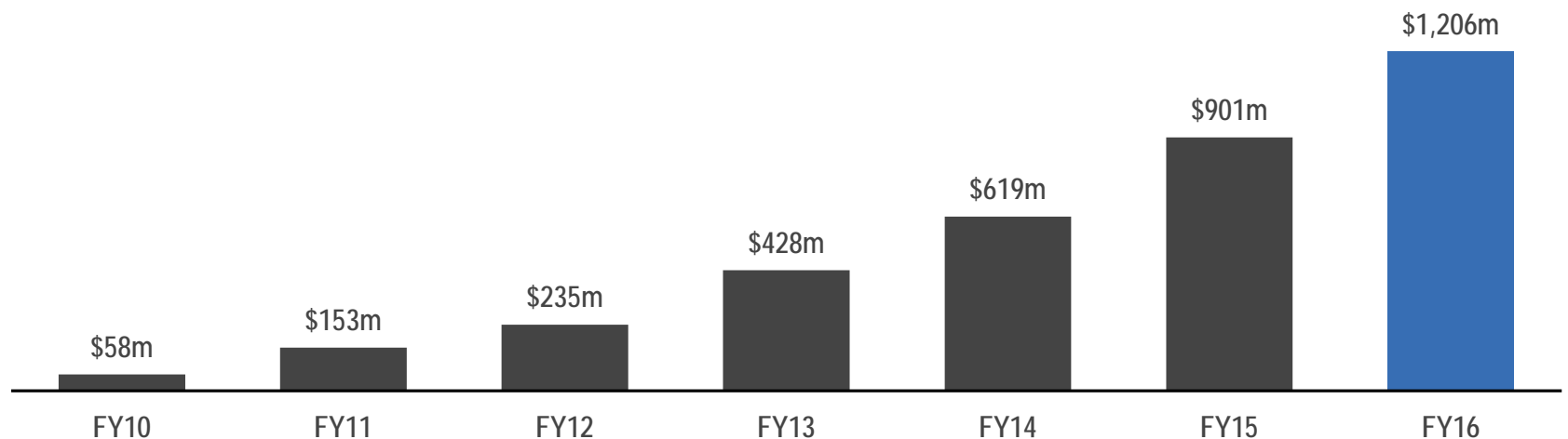
# Example: APN AREIT Fund

- Diversified portfolio of AREITs
- Highly rated by leading independent researchers
- **Distribution yield of ~6.1%<sup>1</sup> pa paid monthly**
- Achieved \$1.2bn in FuM as at 30 June 2016
- Outperformed benchmark over 1, 3 and 5 year time periods
- 306 bps outperformance vs. AREIT index since inception
- No Fund level gearing (AREIT sector gearing level ~30%)
- Minimum investment: A\$1,000

The screenshot displays the APN AREIT Fund website. At the top, it features the fund's name and a 'Current monthly yield' of 6.1% per annum. Below this, there is a table of performance metrics comparing the fund to its benchmark (ASX AREIT Index) over various periods. The table includes columns for 'Period', 'Fund', 'Benchmark', 'Fund', 'Benchmark', 'Fund', and 'Benchmark'. The fund consistently shows positive performance relative to the benchmark across all periods shown.

The advertisement features the slogan 'Maximus Income. De minimus Risk. Activus Management.' in a serif font. Below the slogan, a red box contains the text: 'Why our active approach lowers risk and maximises your client's income throughout the ages.' The background of the ad shows a classical building with columns, likely the Colosseum in Rome.

## APN AREIT Fund growth since inception



Source: APN

1. As at 12 October 2016 assuming entry price of \$1.7118 and monthly distributions of 0.8694 cents

# Recent performance and achievements: FY2016

OPERATING EARNINGS <sup>1</sup>	\$10.5 million ▲ 52% (3.46 cents per share)
FUM <sup>2</sup>	\$2.2 billion ▲ 21%
TOTAL SHAREHOLDER RETURN <sup>3</sup>	40.2%
SPECIAL DIVIDEND	10.00 cents per share fully franked Plus 1.75 cps FY2016 dividends ▲ 17%
FUND PERFORMANCE	Strong risk-adjusted investment performance Outstanding leasing and sale results: Industria



Building A, 1 Homebush Bay Drive, Rhodes NSW



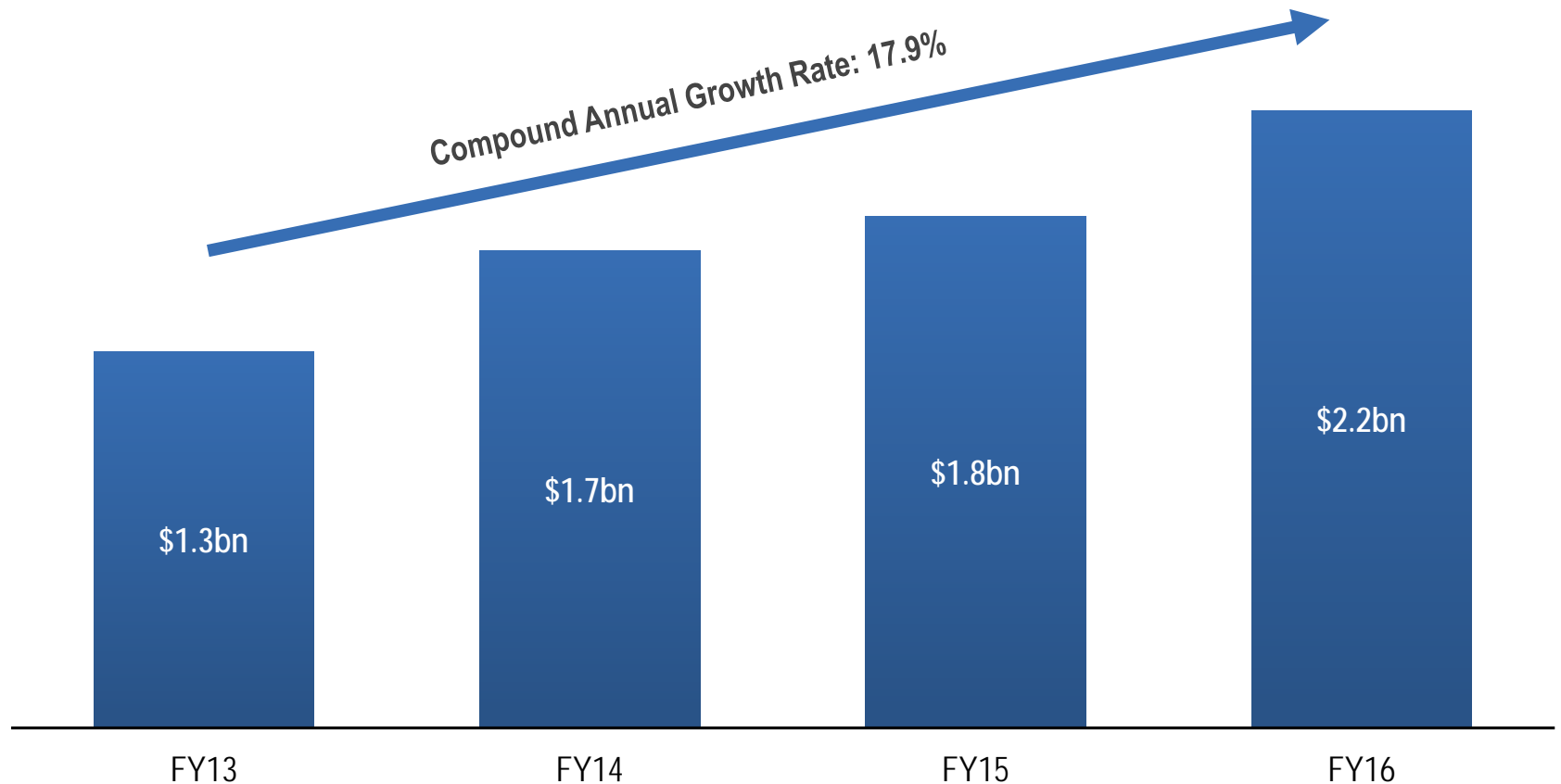
7-Eleven Eagleby, QLD

1. Operating Earnings is an unaudited measurement which includes the results from Healthcare operations until divested on 27 June 2016. It is after tax and adjusts for certain items recorded in the income statement including minority interests, discontinued operations (Europe), gains on divestments and the fair value movements on the Group's co-investments.
2. From continuing operations (after adjusting for the divestment of Healthcare operations).
3. Per annum as at 30 June 2016 includes reinvestment of dividends at market price on dividend payment date and divisor adjustment

# Growth in funds under management

From continuing operations only; removes Healthcare division (sold June 2016) for all time periods

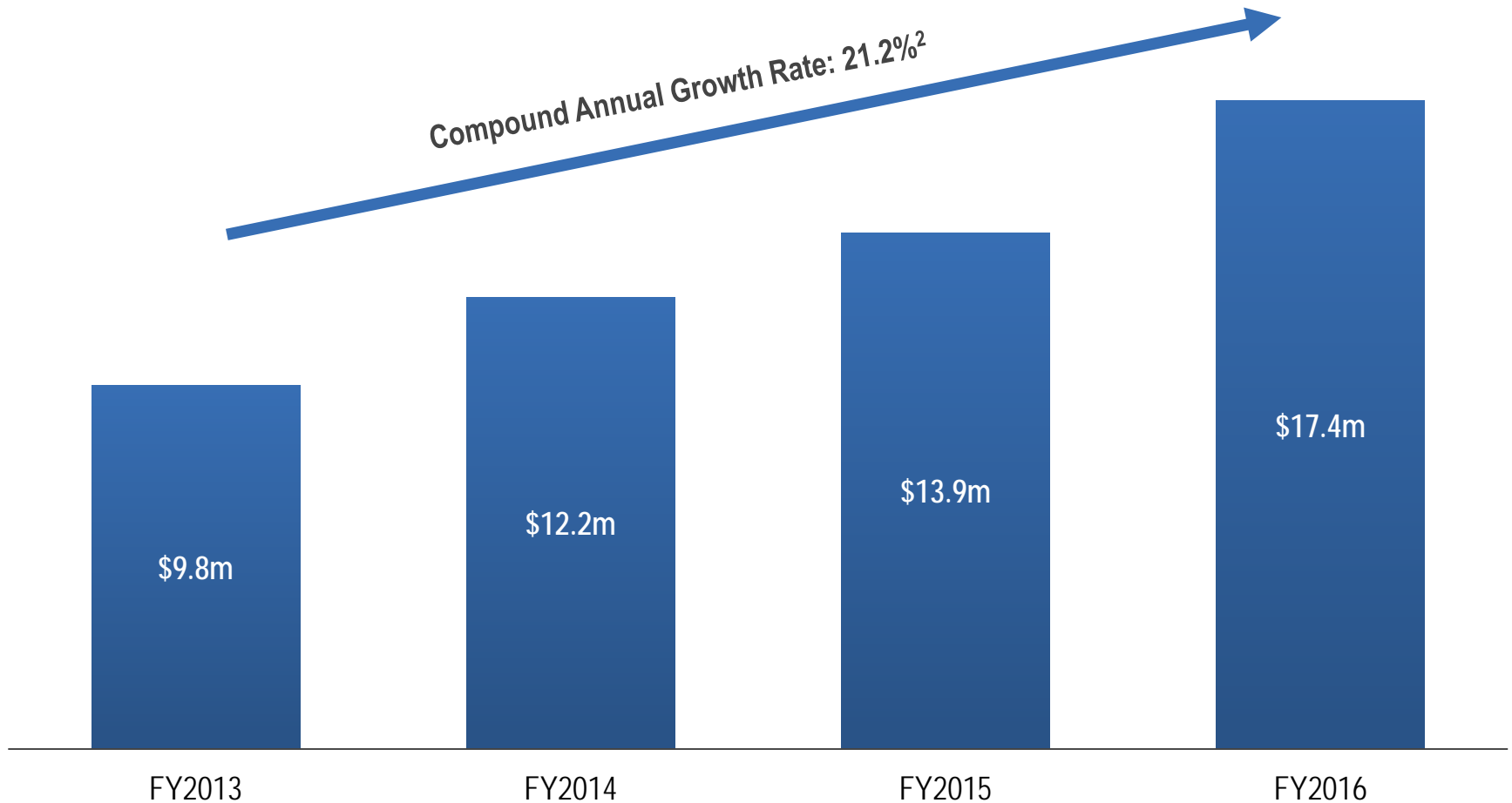
- From continuing operations only
- 20.7% increase over FY2015





# Growth in underlying recurring income<sup>1</sup>

From continuing operations only; removes Healthcare division for all time periods

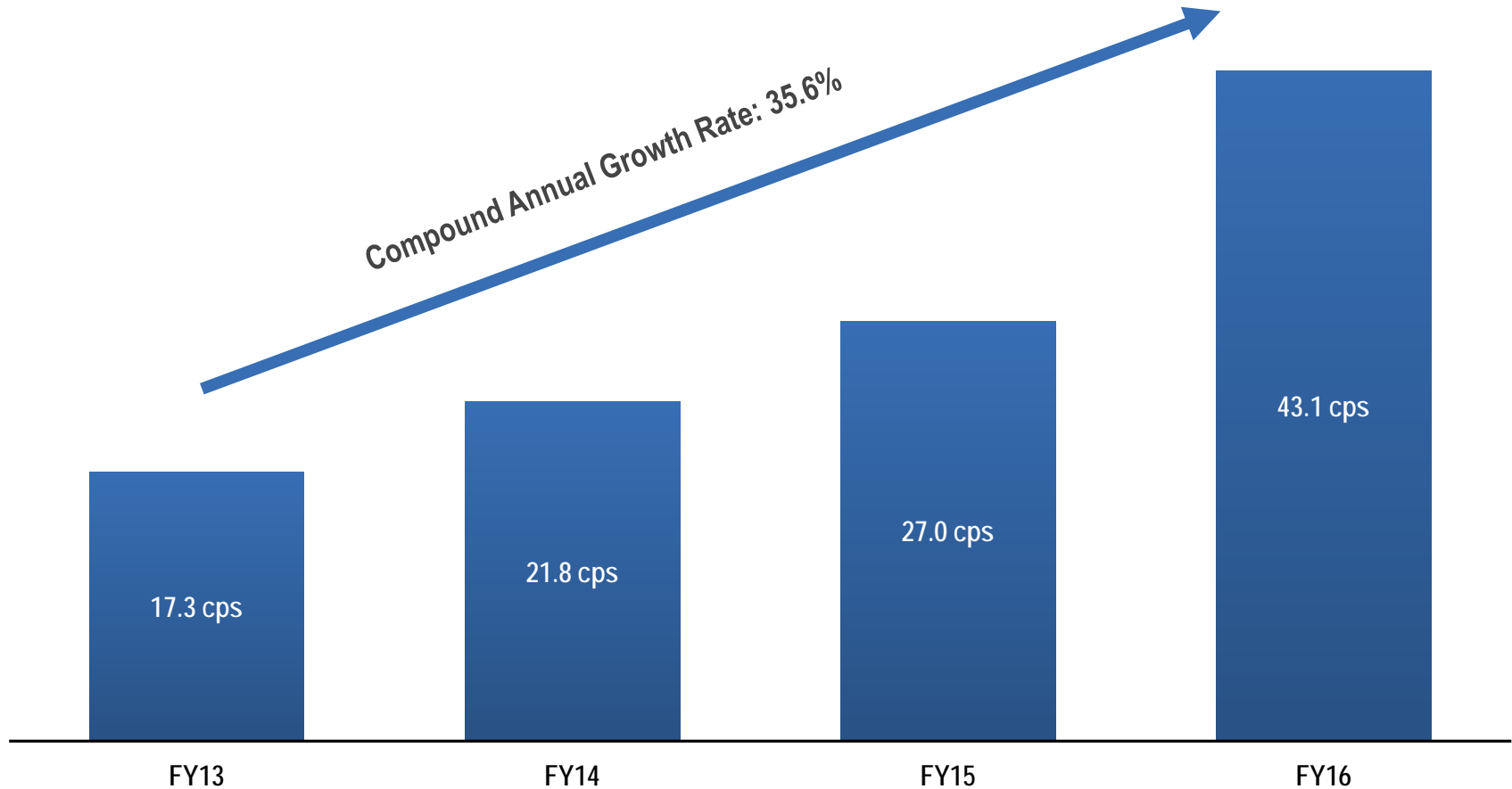


1. Net operating income excluding performance and transaction fees before tax and minority interests

2. Based on annual growth in underlying recurring income

## Growth in net tangible assets per share

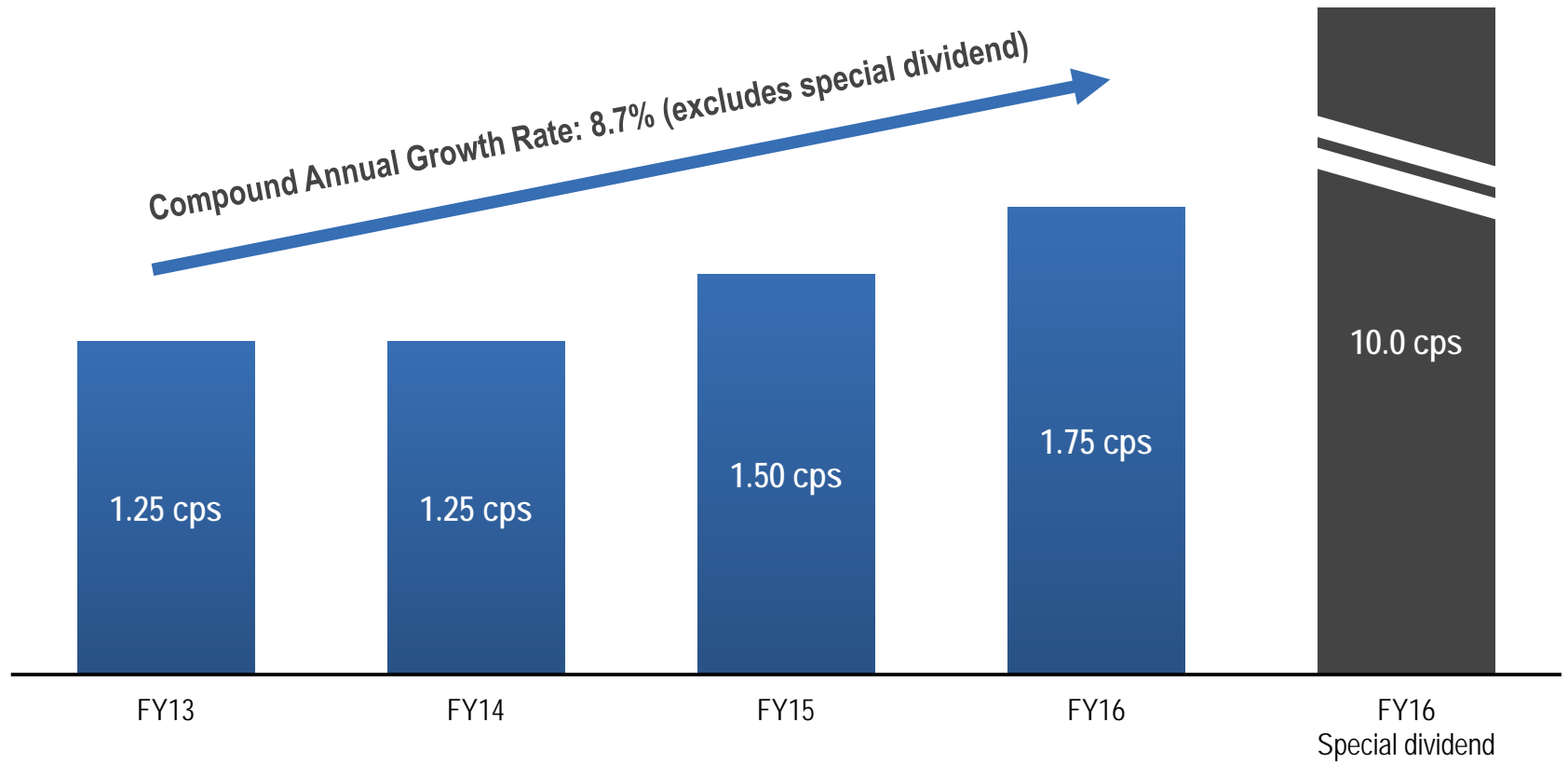
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1. Note FY2016 as at 30 June 2016, post balance date dividends of 10.5 cents per share have been declared (refer ASX announcements for further details)

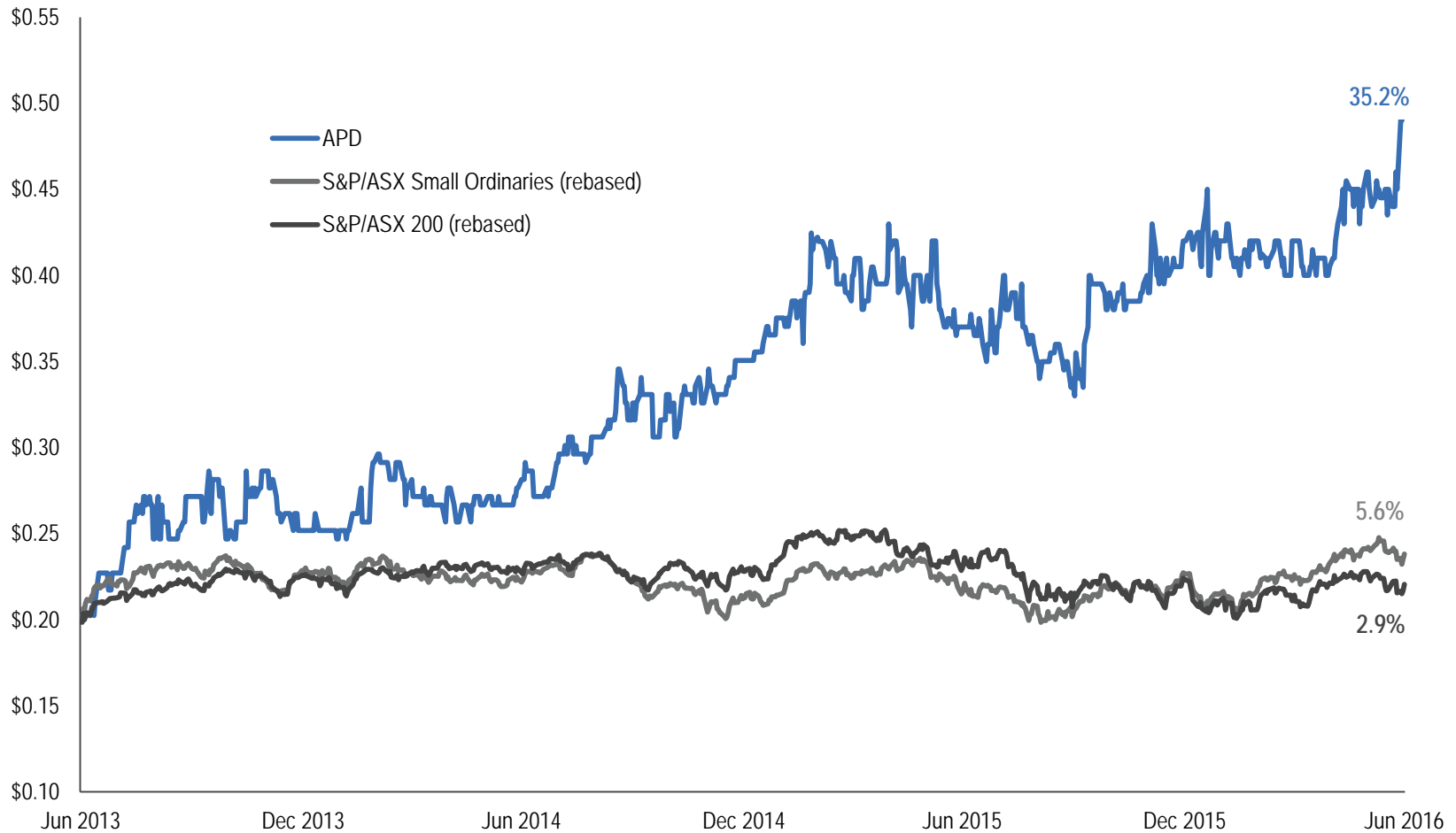
# Dividend growth

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# Share price performance to 30 June 2016

3 year share price performance, figures annualised



Source: IRESS

# Growth opportunities

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- Continuing net inflows into our Securities Funds
- Asian Real Estate Securities Fund
- Completion of \$160 million WesTrac acquisition (Industria REIT) – September 2016
- New convenience retail / service station fund
- New direct, unlisted property funds



# Financial Summary

Shareholders		Key Financial Metrics	
C. Aylward (Director)	25.1%	Share price <sup>3</sup>	\$0.44
Phoenix Portfolios	11.1%	Shares outstanding <sup>3</sup>	313,992,812
Grollo Family	9.6%	Market capitalisation <sup>3</sup>	\$140 million
T. Young (Director)	3.4%	FUM <sup>1</sup>	\$2.2 billion
H. Brenchley (Director)	3.0%	Net tangible assets per share <sup>1</sup>	\$0.33
T. Slattery (Director)	2.5%	Dividend guidance (FY2017)	1.75 cents (4.0% yield on current price of \$0.44)
M. Groth (CFO)	2.4%	Total shareholder return <sup>3</sup>	35.1% (1 Year)
C. Appleton (Director)	1.5%		
<b>TOTAL</b>	<b>58.6%</b>		

1 Proforma FUM 30 June 2016 from continuing operations and excludes Generation Healthcare REIT (sold on 27 June 2016) – refer ASX announcement of that date

2 Based on substantial shareholder notices lodged on the ASX as at 30 June 2016

3 IRESS, ASX Trading data as at 12 October 2016 (total shareholder return to 30 June 2016)

# Income statement (FY2016)

Income Statement (\$'000s)	FY2016	FY2015		Change
Funds management fees	13,287	11,930	▲	11%
Performance & transaction fees	9,102	6,346	▲	43%
Asset & project management fees	2,858	1,314	▲	118%
Registry & other fees	2,477	2,411	▲	3%
<b>Total Net Funds Management Income</b>	<b>27,724</b>	<b>22,001</b>	<b>▲</b>	<b>26%</b>
Co-investment income	5,235	3,410	▲	54%
Rent and other property related income	1,552	-		-
<b>Total Net Income</b>	<b>34,511</b>	<b>25,411</b>	<b>▲</b>	<b>36%</b>
Employment costs	(9,901)	(9,156)	▲	8%
Occupancy costs	(1,044)	(1,363)	▼	(23%)
Sales & marketing costs	(763)	(524)	▲	46%
Other costs	(2,525)	(2,560)	▼	(1%)
Depreciation & amortisation	(159)	(112)	▲	42%
Finance income/(expense)	(966)	155	▼	-
MI share of operating earnings (before tax)	(4,049)	(2,008)	▲	102%
<b>Operating earnings before tax</b>	<b>15,104</b>	<b>9,843</b>	<b>▲</b>	<b>53%</b>
Tax (Group and MI)	(4,597)	(2,921)	▲	57%
<b>Operating earnings (after tax and MI)<sup>1</sup></b>	<b>10,507</b>	<b>6,922</b>	<b>▲</b>	<b>52%</b>
Profit from non-operating activities <sup>2</sup> after tax & MI	39,308	5,752	▲	583%
Loss from discontinued operations after tax & MI	(145)	(109)	▲	33%
<b>Statutory profit after tax &amp; MI</b>	<b>49,670</b>	<b>12,565</b>	<b>▲</b>	<b>295%</b>
<b>Key performance metrics (cents per share)</b>				
EPS – Statutory <sup>3</sup>	16.60	5.58	▲	197%
EPS – Operating earnings after tax & MI	3.46	3.05	▲	13%

1 Operating Earnings is an unaudited after tax measurement used by management as the key performance measure 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), gains on divestments and fair value movements on co-investments.

2 Non-operating activities include gains on divestments and fair value movements on the Group's co-investments. Refer Appendix for further details.

3 On statutory basis diluted including continuing and discontinued operations.

## Pro-forma Balance sheet

Balance Sheet (\$'000s)	30 June 2016	Loan repayment	Settlement of Healthcare divestment liabilities	GHC unit sale proceeds <sup>2</sup>	30 June 2016 dividends declared	Pro-forma
Cash	72,031 <sup>1</sup>	(15,000)	(48,393)	58,783	(32,969)	34,452
Co-investments	106,914			(58,783)		48,131
Investment properties	38,050					38,050
Other assets	13,029		(5)			13,024
Intangible assets	1,760					1,760
<b>Total assets</b>	<b>231,784</b>	<b>(15,000)</b>	<b>(48,398)</b>	<b>-</b>	<b>(32,969)</b>	<b>135,417</b>
Trade payables, tax and other liabilities	58,389		(48,398)			9,991
Borrowings	36,408	(15,000)				21,408
Minority interests	(64)					(64)
<b>Net Assets</b>	<b>137,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,969)</b>	<b>104,082</b>
<b>Net Tangible Assets</b>	<b>135,291</b>					<b>102,322</b>
<b>NTA per share</b>	<b>43.1 cents</b>				<b>(10.5) cents</b>	<b>32.6 cents</b>

<sup>1</sup> Includes cash held in trust for underlying funds managed by the Group of \$1.2 million and consideration received in cash payable to non-controlling interest of \$22.0 million

<sup>2</sup> On settlement of put/call option with NorthWest Healthcare Properties REIT



## Contact details

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APN Property Group Limited



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