



**HALF YEAR RESULTS  
PRESENTATION  
31 DECEMBER 2013**

**APN** | Property Group

# AGENDA

- Highlights
- Financial results summary
- Funds under management
- Business highlights and new initiatives
- Capital management
- Strategy and outlook
- Appendices



# Highlights

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## Results

- \$4.2 million statutory profit after tax, up 172% compared to prior comparative period (pcp)
- \$6.4 million revenue from transaction and performance fees
- Interim dividend steady at 1.25 cents per share

## Continuing increase in Funds Under Management (FUM)

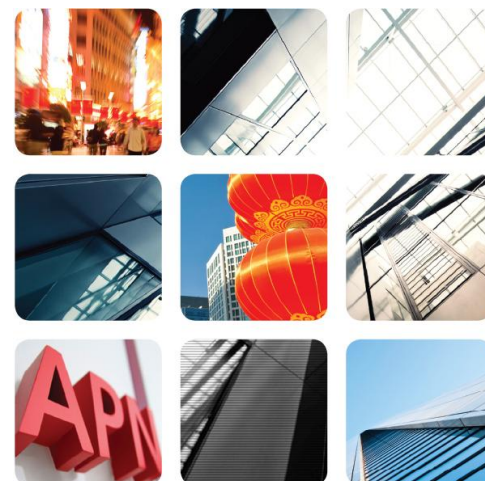
- Substantial improvement in underlying business delivered
- FUM \$2.0 billion<sup>1</sup> at December 2013 (\$1.8 billion<sup>1</sup> from continuing operations)
- 13.3%<sup>2</sup> increase since June 2013, 23.2%<sup>2</sup> since December 2012
- APN AREIT Fund net inflows \$83 million over the half year

## New funds launched and liquidity options delivered

- Industria REIT \$225 million ASX IPO completed (net FUM increase of \$342 million from this transaction)
- \$16.1 million new equity raised in APN to support launch of Industria REIT
- National Storage Property Trust internalised and listed on ASX by National Storage (\$2.0 million transaction fee)
- Significant progress made on delivering other liquidity solutions

1 Includes \$246 million from Generation Healthcare REIT (GHC) managed via a joint venture 32.5% owned by management

2 From continuing operations. 13.0% and 20.6% including discontinued operations (Europe) since June 2013 and December 2012 respectively



# Financial results summary

## Profit and loss

- Statutory profit after tax & MI of \$4.2 million
- Revenue includes \$6.4 million from transaction and performance fees
- 53.5% revenue from continuing operations “annuity style” (18.7%<sup>1</sup> increase versus pcp)
- Co-investment income up 106% to \$0.5m
- Dividend stable at 1.25 cents per share

## Balance sheet

- No debt
- Cash reserves of \$9.3 million (\$2.5 million currently required for AFS licence)
- \$16.1 million equity raised at \$0.25 per share
- NTA (ex DTA) 19.2 cents per share

## Cash flow

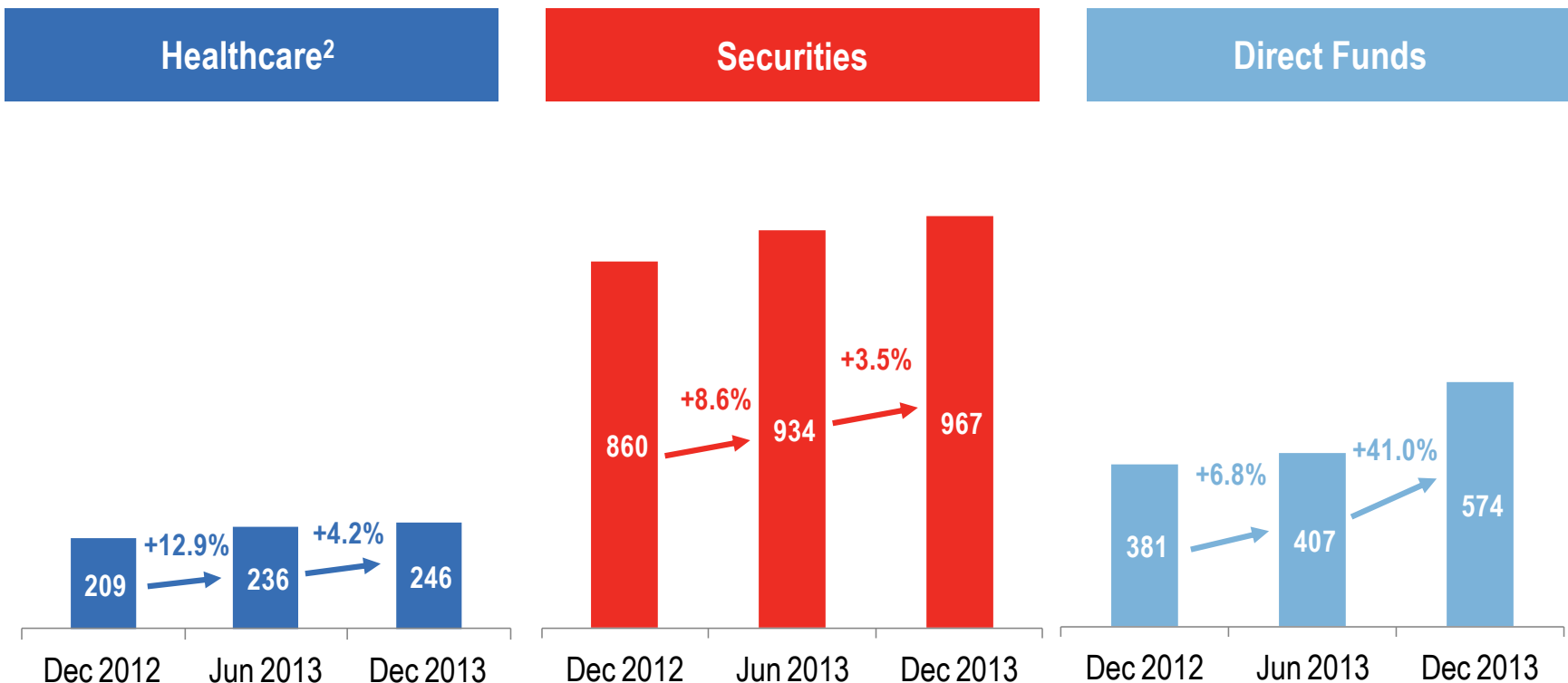
- \$0.7 million cash flow from operating activities (\$6.3 million in transaction fees paid in securities or not settled by balance date)

Financial highlights (\$000s)	Half year ending 31 December 2013	Half year ending 31 December 2012
Revenue total	14,838 <sup>1</sup>	9,582
EBITDA <sup>2</sup>	6,617 <sup>1</sup>	2,045
Statutory profit after tax & MI	4,227	1,556
Statutory EPS (cents per share)	2.64 <sup>1</sup>	1.07
Dividends (cents per share)	1.25	1.25
Balance Sheet highlights (\$000s)	31 December 2013	30 June 2013
Cash	9,277	7,409
Deferred tax assets (DTA)	5,819	6,385
Tangible assets (ex DTA)	41,260	21,492
Intangible assets	4,136	2,441
Total assets	60,492	37,727
Trade and other payables, tax & provisions	7,224	6,608
Minority interests	1,918	748
Net Tangible Assets (ex DTA)	41,395	21,545
NTA (ex DTA) per share	19.2 cents	13.3 cents

<sup>1</sup> Excludes discontinued operations (Europe)

<sup>2</sup> Refer Appendices for reconciliation of movement

# Funds under management (A\$m)<sup>1</sup>



**FUM<sup>1</sup> increased 13.3% since June 2013 and 23.2% since December 2012**

<sup>1</sup> From continuing operations (excludes Europe). FUM increased 13.0% and 20.6% since June 2013 and December 2012 respectively including discontinued operations (Europe)

<sup>2</sup> Generation Healthcare REIT (GHC) is managed via a joint venture 32.5% owned by GHC management and 67.5% owned by APN Property Group

# BUSINESS HIGHLIGHTS AND NEW INITIATIVES



# Industria REIT



## INDUSTRIA REIT

An APN Property Group fund

- Established December 2013
- Strong equity investor demand, with IPO fully underwritten by Macquarie, UBS, RBS Morgans, ANZ and Evans and Partners
- Workspace focussed portfolio of established and high quality industrial, technology park and business park assets located throughout Australia
- Management fees of 0.55% of gross asset value, expense reimbursement and rights to provide property management services at market rates
- APN holds a strategic co-investment stake in Industria REIT

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

Number of properties	18
Investment property value	\$378m
Market capitalisation at offer price	\$250m
Forecast annualised distribution yield (FY14)	8.2%
Initial gearing	33.8%
Weighted average lease expiry (by area)	5.8 years
Occupancy (by area)	97.2%

<sup>1</sup> As per Industria REIT PDS and Prospectus, based on \$2.00 per security IPO price

# Generation Healthcare REIT



## GENERATION HEALTHCARE REIT

An APN Property Group fund

### Results

- Underlying operating income<sup>1</sup> was \$4.7 million up 47% on the prior corresponding period (pcp)
- Distributions of 4.00 cpu (up 9% on pcp)
- GHC total return (change in unit price + distributions) was 16% over the half, significantly outperforming the S&P/ASX 300 Property Accumulation Index of minus 1%

### Other highlights

- Investment (secured debt) in Waratah Private Hospital, formerly Medica Centre – GHM in conjunction with hospital operator, Evolution Healthcare, have commenced a significant restructure of the asset
- Casey – stage 1 project commenced in December 2013
- \$18 million new capital raised / debt terms renegotiated for lower margins, increased limits and longer maturity

### Key metrics

AREIT listed on ASX under code 'GHC'

FUM of \$246 million with property assets in Victoria, NSW and Queensland

Occupancy (by income) 98.7%

WALE 11.7 years

Distribution yield of 6.56% pa<sup>2</sup>

Attractive tax deferred component

<sup>2</sup> Calculated by dividing the FY14 DPU guidance of 8.00cpu over the closing unit price of \$1.22 on 19 February 2014

<sup>1</sup> Excludes property revaluations, mark to market gains or losses on derivatives and any performance fee paid or payable to the Manager during the period



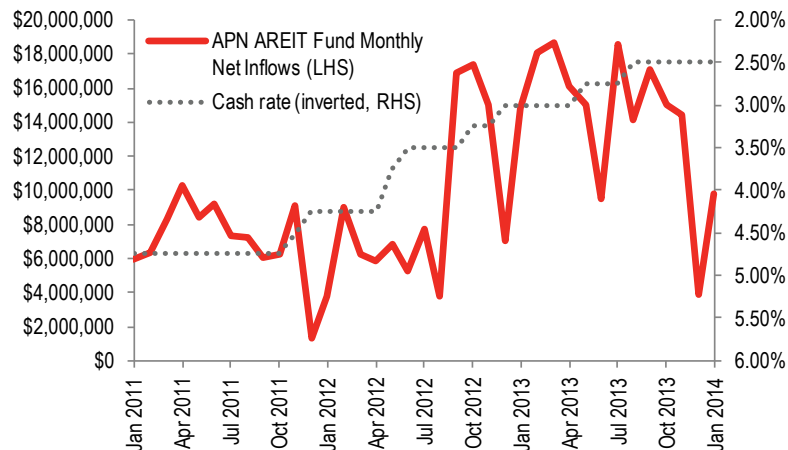
# APN AREIT Fund

- Rated as one of Australia's leading property securities funds
- Focussed on generating consistent income returns by actively managing a portfolio of high yielding AREITs with lower risk than the market
- Consistently ranks in the top two positions for inflows on leading platforms
- FUM \$500 million (31 December 2013)
- Over \$83 million in net inflows over the half year

With strong support from the market ...

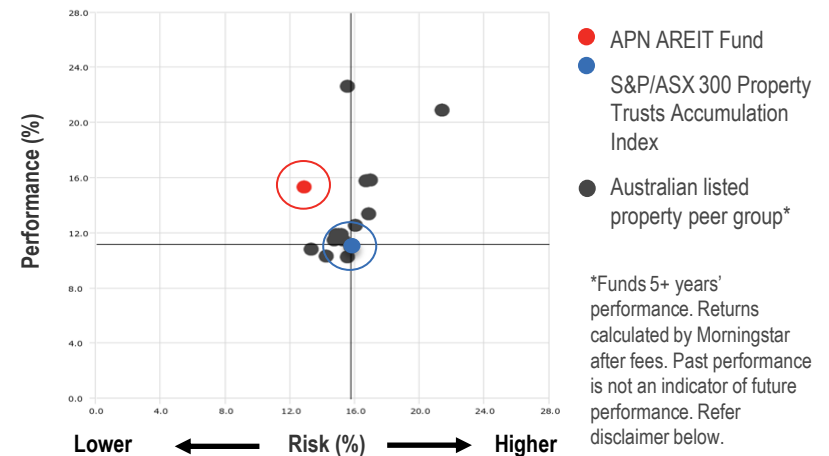


Inflows linked to interest rates...



Source: APN, IRESS

As a result of excellent risk-adjusted performance ...



Source: APN, Morningstar Direct 6 February 2014

# CAPITAL MANAGEMENT



# Capital management and shareholders

## Equity raising

- \$16.1 million equity raising completed in Dec 2013
- Offer price of \$0.25 per new share, with full entitlement to interim dividend of 1.25 cps
- Combination placement and entitlement offer with high quality institutional investors joining the register
- Proceeds primarily applied to establishment and co-investment in Industria REIT (\$14.2 million)

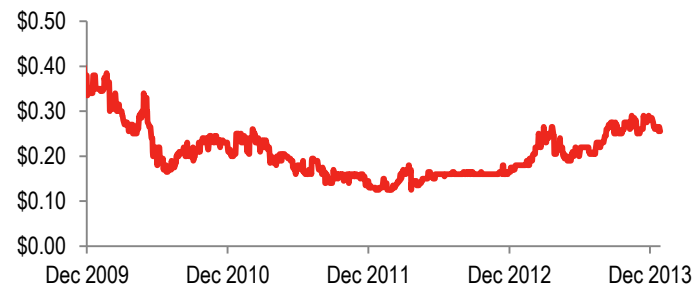
## ARA strategic holding

- APN and ARA resolved to pursue alternative strategic directions
- Sale of ARA stake completed via book build \$0.25 per share

## Dividends

- Steady at 1.25 cents per share for the half ended 31 December 2013
- Further guidance regarding dividend or earnings not provided at this stage – will be reviewed in second half

### APN share price<sup>1</sup>

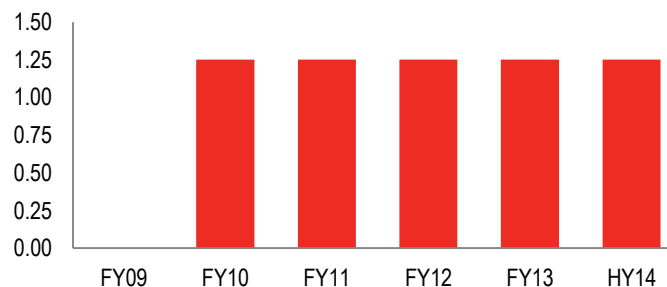


### Substantial shareholders<sup>1</sup>

Shareholders	%
Chris Aylward	29.4%
Grollo Family	11.1%
Macquarie Group Limited	10.0%
Phoenix Portfolios	8.6%
<b>Total</b>	<b>59.1%</b>

<sup>1</sup> Sources: IRESS, ASX. Trading data as at 31 December 2013, shareholding information as at 25 February 2014.

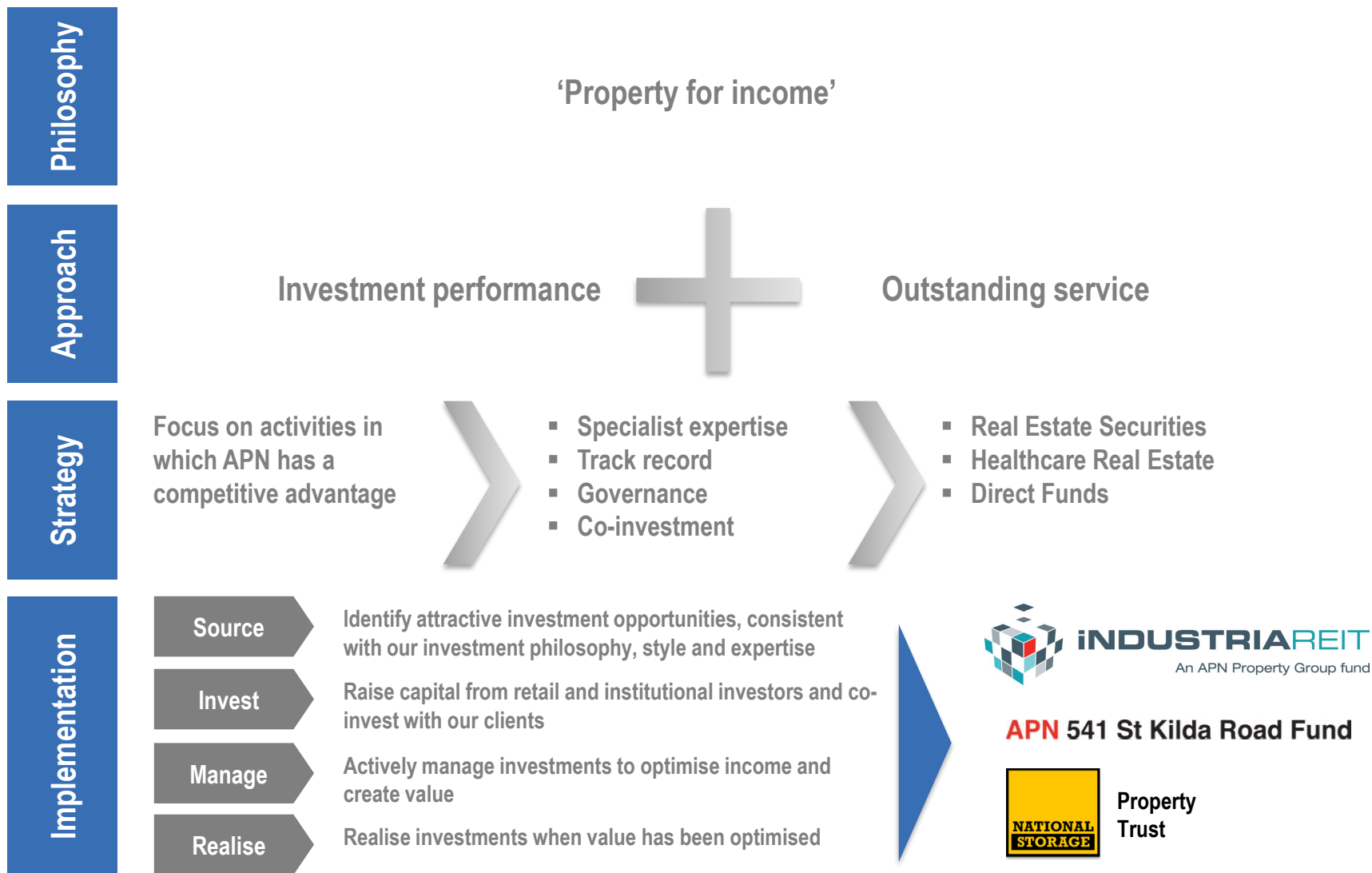
### Dividend history (cents per share)



# STRATEGY & OUTLOOK



# Strategy and implementation



# Industry dynamics and market position

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## Attractive industry dynamics

- Australia's compulsory superannuation system, the fourth largest in the world, underpins the Australian funds management industry
- Superannuation has ~\$1.6 trillion in assets at 30 June 2013, and is forecast to grow to ~\$7.6 trillion by 2033<sup>1</sup>
- Proportion of superannuation assets in post retirement phase is currently small (in relative terms) and is forecast to grow over time as more people with higher savings balances retire

## Attractive asset class

- Conservative assets with a yield orientated focus are typically core components of a superannuation investment portfolio
- These assets become more relevant as people approach and enter retirement
- Real estate, as an investment class, is ideally positioned to capitalise on the demand for lower risk, yield orientated product, particularly in the current low interest rate environment

## Attractive market position

- APN is an established specialist Asia Pacific real estate investment manager with a strong track record
- Since 1996 APN has developed deep retail distribution channels to the superannuation system through retail fund platforms and directly to self managed superannuation funds, benefiting from positive independent research ratings

<sup>1</sup> Source: Dynamics of the Australian Superannuation System – The next twenty years: 2013 – 2033 (Deloitte Actuaries & Consultants, September 2013)

# Outlook

- Successfully transitioning into growth mode
- Three quality established businesses
- New platform with the successful IPO of Industria REIT
- Attractive investment opportunities available – though the need to differentiate between markets and assets is unchanged
- The ability to deliver value through active management continues to exist
- Multiple attractive, value-creating opportunities are currently being progressed for our clients and APN's shareholders
- Further guidance regarding dividend or earnings not provided at this stage - will be reviewed in second half

**A specialist real estate investment manager**



## APPENDIX 1 FINANCIAL INFORMATION



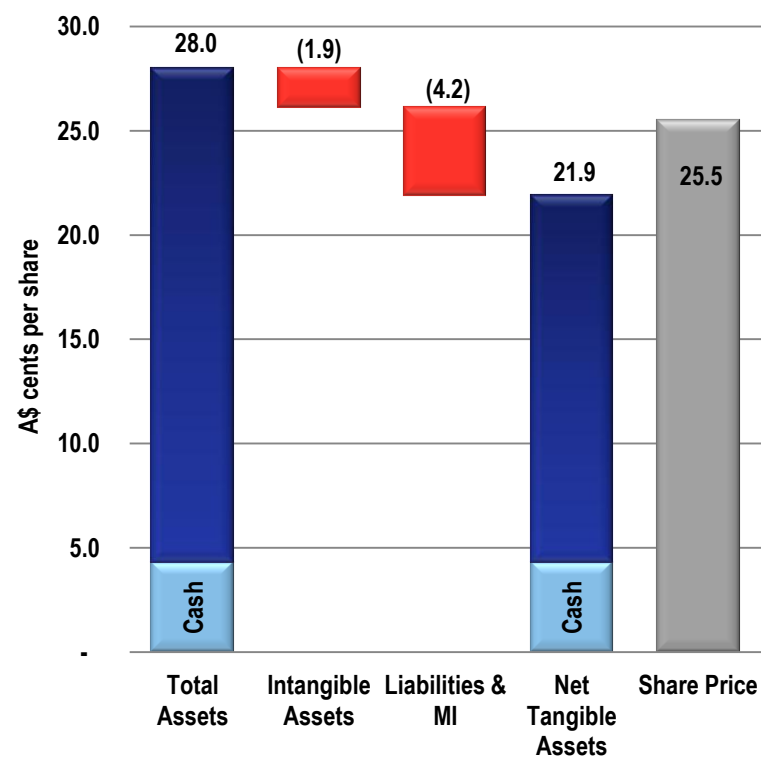
# Financial performance

	31 December 2013 \$000s	31 December 2012 \$000s
Management and recurring fees	7,945	7,394
Transaction and performance fees	6,353	1,939
Other revenue	540	249
<b>Revenue Total</b>	<b>14,838</b>	<b>9,582</b>
Direct costs	(1,388)	(933)
Administrative expenses	(6,839)	(6,584)
FX gains – realised/unrealised	6	(20)
<b>EBITDA</b>	<b>6,617</b>	<b>2,045</b>
Finance income (net)	145	245
Depreciation and amortisation	(68)	(138)
Income tax expense	(2,006)	(642)
Minority Interest	(1,068)	(299)
<b>Operating profit after tax and minority interest</b>	<b>3,620</b>	<b>1,211</b>
Loss from discontinued operations after tax and minority interest	(110)	-
Profit / (Loss) from non-operating activities after tax and minority interest	717	345
<b>Statutory profit after tax and minority interest</b>	<b>4,227</b>	<b>1,556</b>

# Balance sheet

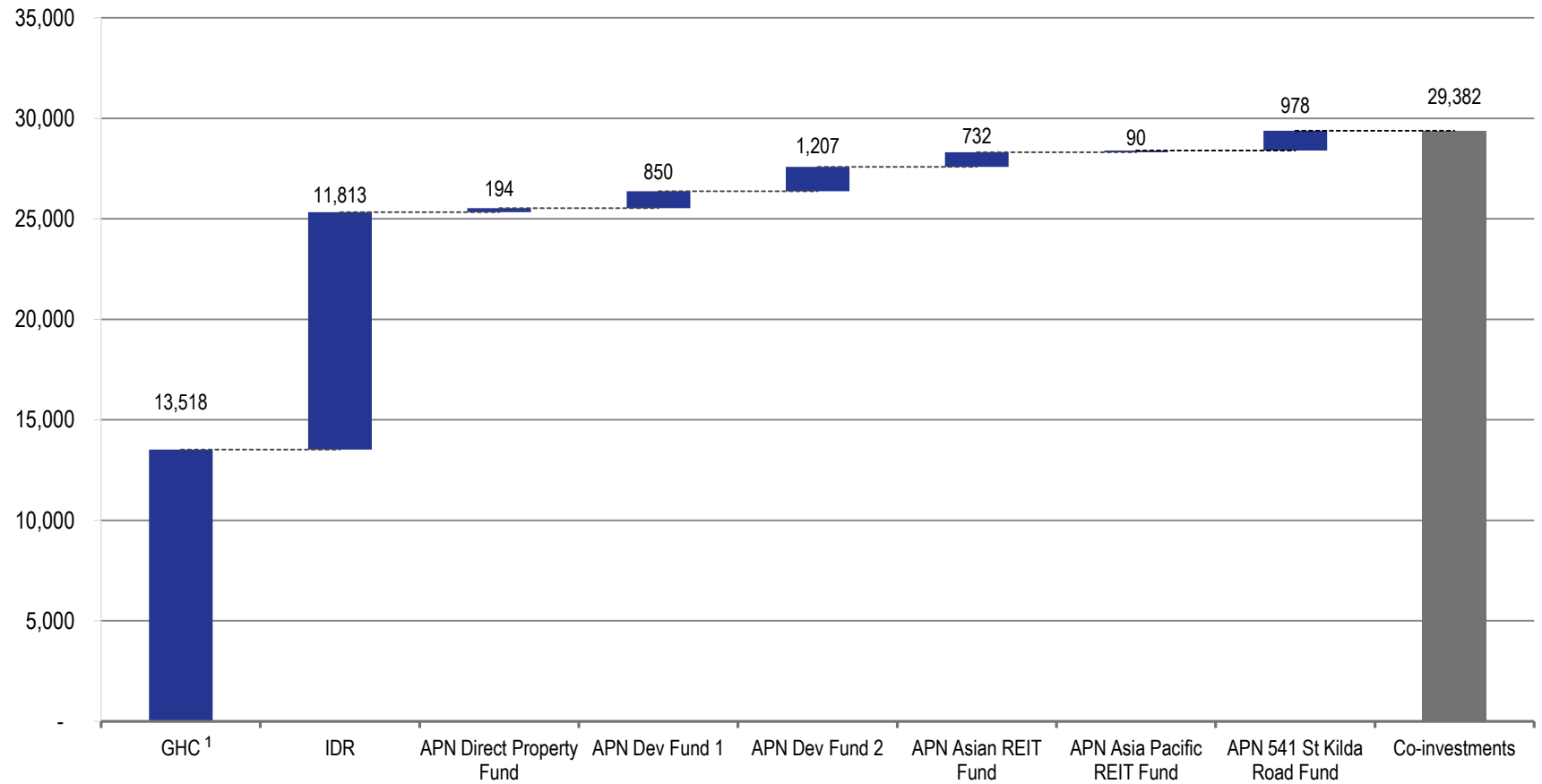
	Dec 2013 \$000s	Jun 2013 \$000s
Cash and cash equivalents	9,277	7,409
Trade and other receivables	11,127	5,245
Co-investments	29,382	15,456
Other assets	289	440
<b>Total current assets</b>	<b>50,075</b>	<b>28,550</b>
Intangible assets	4,136	2,441
Deferred tax assets	5,819	6,385
Other assets	462	351
<b>Total non-current assets</b>	<b>10,417</b>	<b>9,177</b>
<b>Total assets</b>	<b>60,492</b>	<b>37,727</b>
Trade and other payables	3,183	3,204
Current tax liabilities	1,382	470
Provisions	1,459	1,920
<b>Total current liabilities</b>	<b>6,024</b>	<b>5,594</b>
<b>Total non-current liabilities</b>	<b>1,200</b>	<b>1,014</b>
<b>Total liabilities</b>	<b>7,224</b>	<b>6,608</b>
<b>Net assets</b>	<b>53,268</b>	<b>31,119</b>
Minority Interests (MI)	1,918	748
<b>Net Assets less MI</b>	<b>51,350</b>	<b>30,371</b>
<b>NTA (ex DTA) (cps)</b>	<b>19.2</b>	<b>13.3</b>

NTA backing per share December 2013



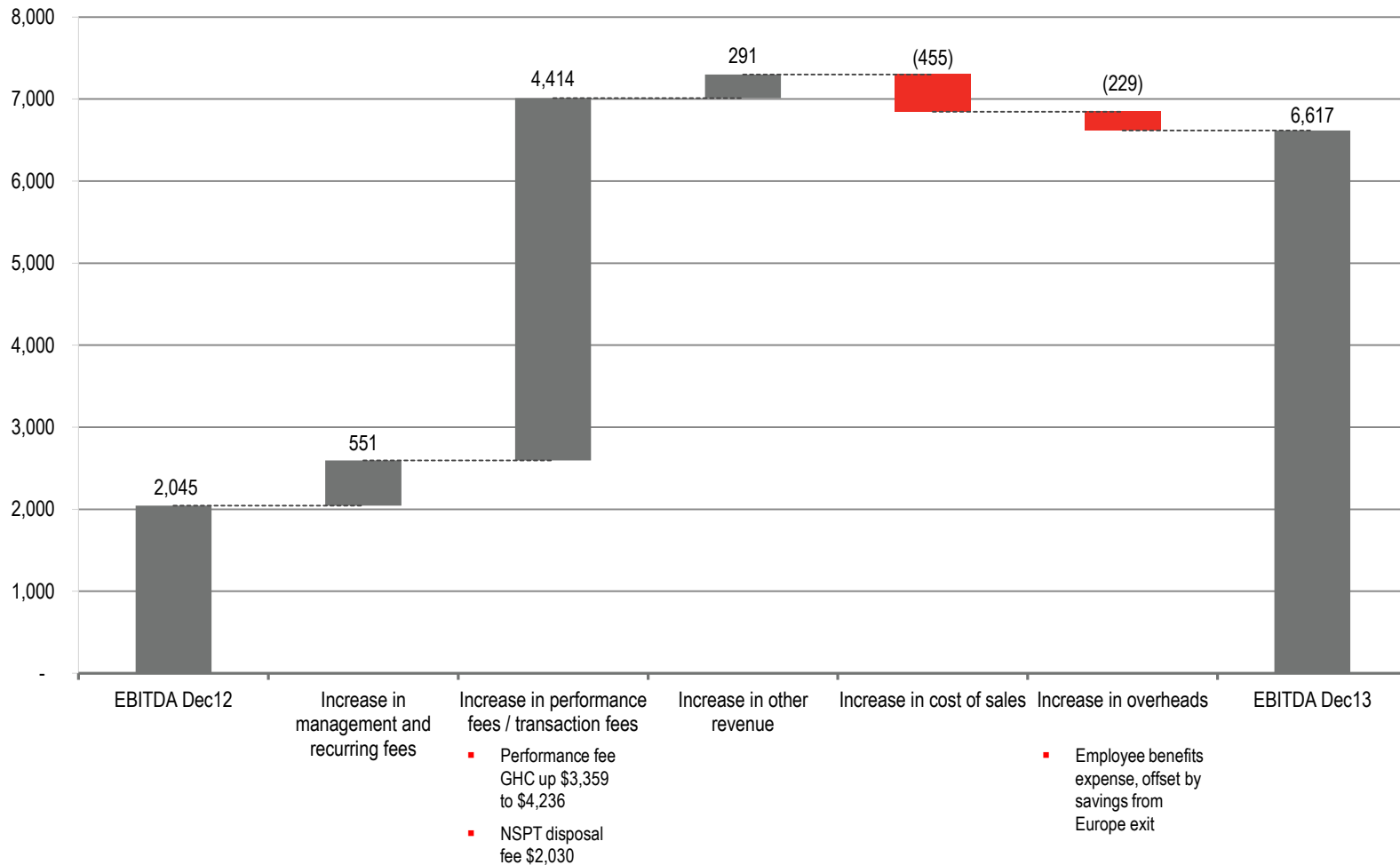
APN share price as at market close 31 December 2013

# Co-investments (\$000s)



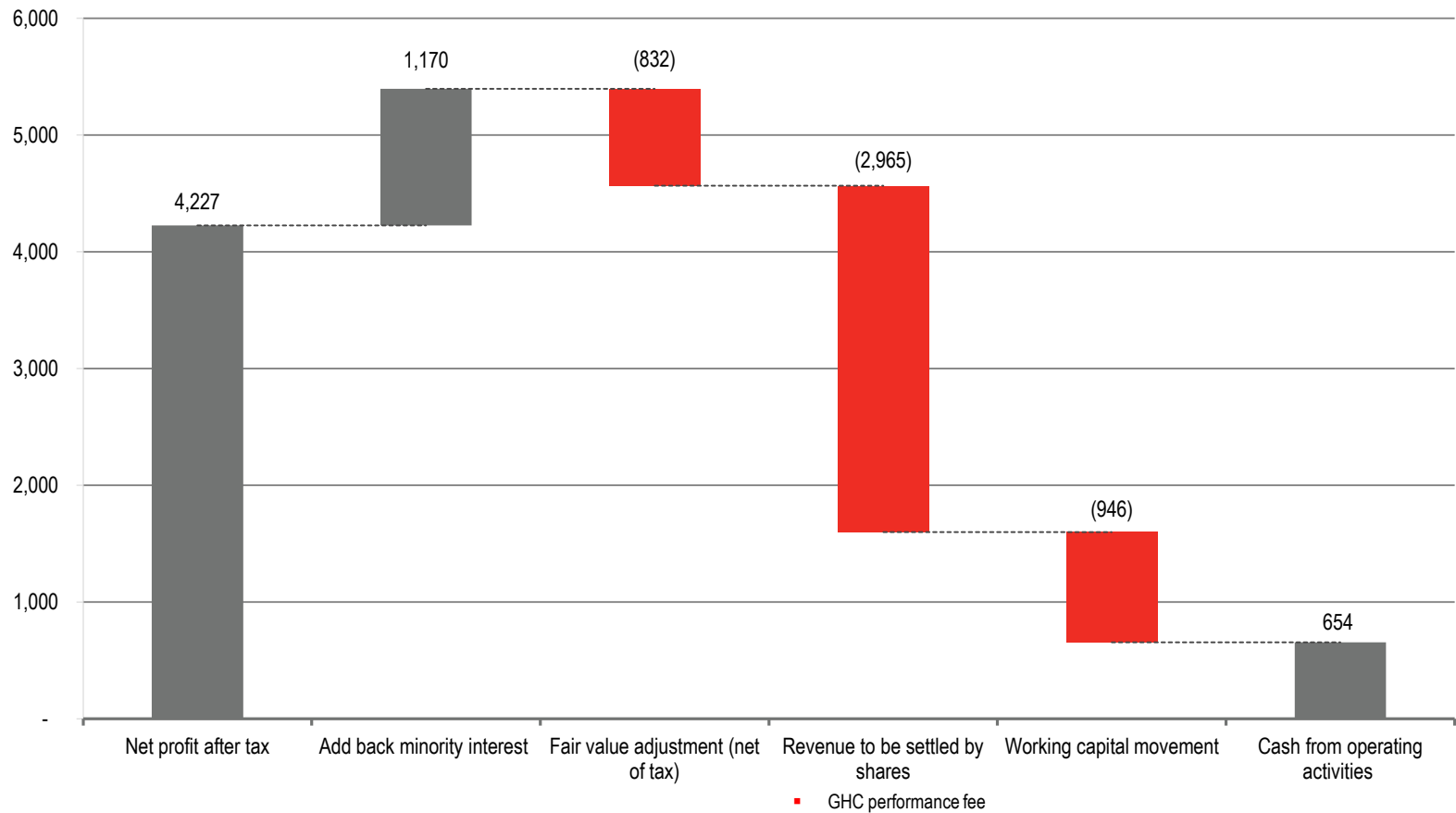
1 \$4.9 million includes \$1.6 million minority interest

# EBITDA<sup>1</sup> Bridge (\$000s)



1 Excludes EBITDA from Discontinued operations (Europe) of \$26 during the period

# Reconciliation of NPAT to cashflow from operations (\$000s)

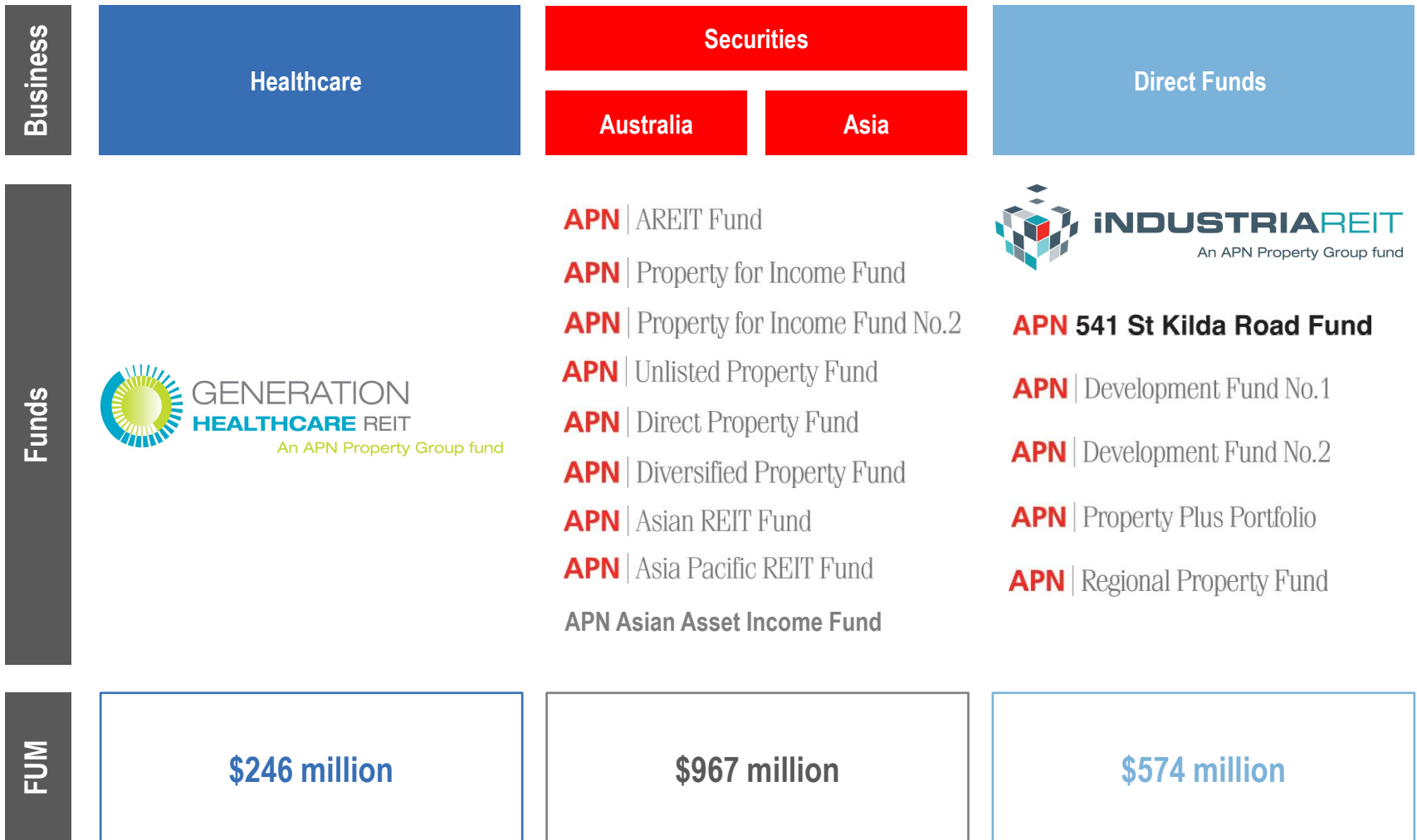




## APPENDIX 2 ADDITIONAL INFORMATION

**APN** | Property Group

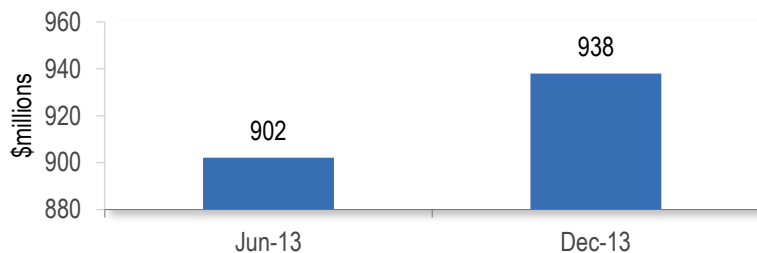
# Funds and organisation



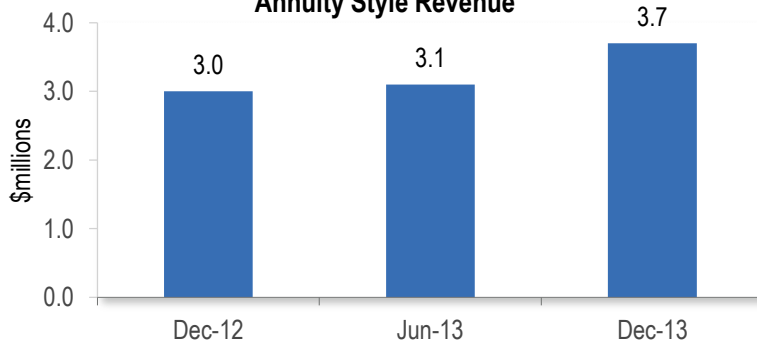
1 Excludes Europe

# Real Estate Securities – Australia

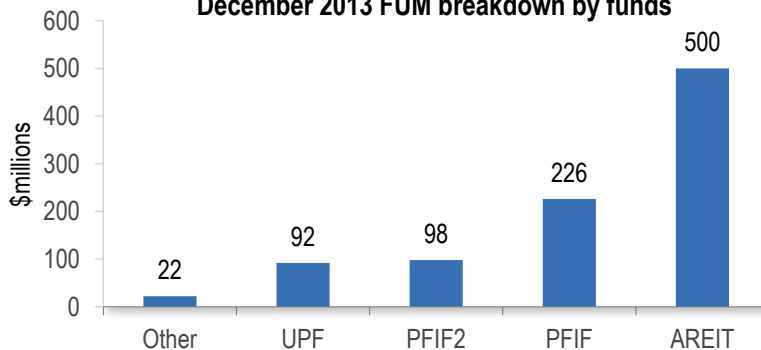
**FUM**



**Annuity Style Revenue**



**December 2013 FUM breakdown by funds**



## APN AREIT Fund

- Net inflows averaging >\$13 million per month
- FUM as at 31 December 2013 of \$500 million
- Performance since inception 15.39%<sup>1</sup> pa (versus index of 10.60% pa), exceeding benchmarks
- Low volatility relative to index
- 100% liquid
- Currently yielding 7.9% pa<sup>2</sup>
- Highly rated by researchers

## APN Property for Income Funds

- Permanent liquidity facility now made available each quarter
- Funds continue to deliver strong income returns

1. To 31 December 2013 based on returns for retail investors

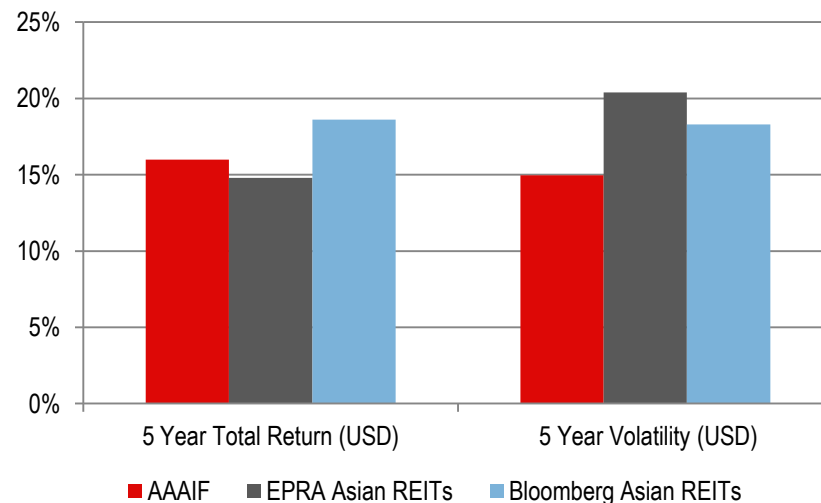
2. Based on 31 December 2013 unit price of \$1.3223 (application price) versus distribution rate on an annualised basis



# Real Estate Securities – Asia

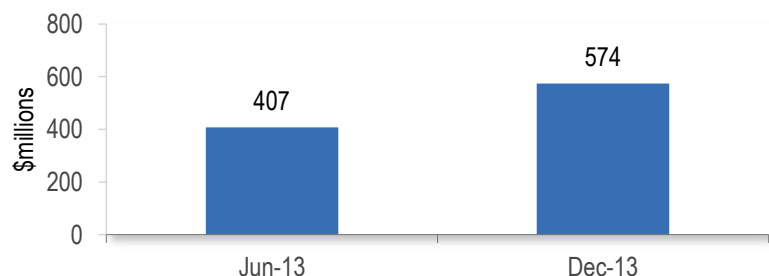
- APN Asian Asset Income Fund (AAAIF)
  - Institutional product
  - Total return of 16.0% pa over last 5 years to December 2013
  - 100% liquid
  - Fund being re-domiciled in Luxembourg – broader investor universe available
  - Singapore office fully integrated with Australian investment team
- New Asian REIT Funds
  - APN Asian REIT Fund launched in FY2013
  - Market awareness building
  - Strong initial research ratings

**AAAIF performance and volatility comparison relative to selected indexes (December 2013)**

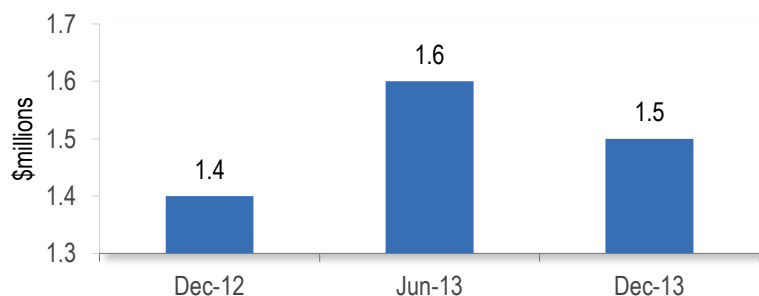


# Direct Funds

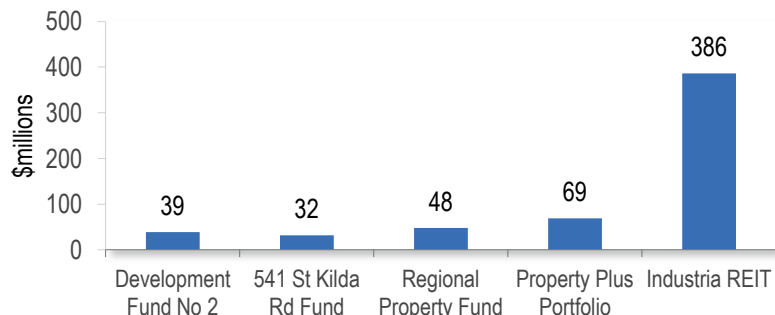
**FUM**



**Annuity Style Revenue**



**December 2013 FUM breakdown by fund**



<sup>1</sup> As per Industria REIT PDS and Prospectus, based on \$2.00 per security IPO price

## Industria REIT<sup>1</sup>

- IPO in December 2013
- 18 assets
- Occupancy 97.2%
- Forecast annualised FY14 distribution of 8.2%
- WALE 5.8 years

## APN 541 St Kilda Road Fund

- Major tenant SEEK leased level 2 which was previously vacant
- Occupancy increased to 96%
- FY14 distribution of 9.00 cpu

## APN Property Plus Portfolio

- Asset sale to further reduce debt
- LVR reduced to below 50% in line with strategy

## APN Regional Property Fund

- Returned to full distributions
- FY14 distribution increased to 7.28 cpu
- LVR reduced to below 50% in line with strategy
- Grafton Shopping Centre was sold at a 13% premium to book valuation

## APN Development Fund No.2

- Construction of 150 Collins Street, Melbourne progressing with Westpac as anchor tenant
- Subdivision and redevelopment of Industry Village, Port Melbourne as light industrial and office. Mixed use scheme application progressing under Capital City Zoning.

# Industry awards

APN's depth of experience together with proven investment performance has been acknowledged by the following industry awards:

- *Money* magazine's 2013 Best of the Best award for Best Property Securities Fund – APN AREIT Fund
- Professional Planner | Zenith Fund Awards 2013 – AREIT Fund Manager of the Year Finalist
- Professional Planner | Zenith Fund Awards 2012 – AREIT Fund Manager of the Year
- *Money* magazine's 2012 Best of the Best award for Best Property Securities Fund – APN AREIT Fund
- Australian Fund Manager Awards 2011 – Australian Listed Property Securities
- APN AREIT Fund a finalist for the Money Management/Lonsec Fund Manager of the Year Award 2011 – Property Securities, Australia
- AFR Smart Investor Blue Ribbon Award 2008 – Australian Listed Property
- Morningstar Fund Manager of the Year 2007 – Listed Property
- PIR - Property Securities Fund Manager of the Year Award – 2008, 2006, 2005
- Macquarie Skilled Manager of the Year – 2004, 2003
- Monitor Money Skilled Manager of the Year – Property Securities 2002
- Investor Web Research Six Star Award (Property) – 2004, 2003, 2002



# Disclaimers

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The financial information included in this presentation is based on APN Property Group's financial results that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law including International Financial Reporting Standards (IFRS). This presentation is dated 25 February 2014.

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Australian listed property peer group: Antares Prof Listed Property, APN AREIT Fund, BlackRock W Indexed Aus Listed Property, BT Property Securities W, Colonial First State Property Securities, Cromwell Phoenix Property Securities, EQT SGH Wholesale Prop Income, MLC Wholesale Property Securities, OnePath WS-Property Securities Trust, Perennial Aust Property WS Trust, Principal Property Securities, Resolution Capital Core Plus Prp Secs, RREEF Property Trusts, SG Hiscock Wholesale Property, SG Hiscock WS Property Securities, UBS Property Securities, Vanguard Australian Property Secs Idx, Zurich Investments Aus Property Secs.

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A specialist real estate  
investment manager