



23 August 2018

## **APN PROPERTY GROUP ANNOUNCES STRONG FY2018 RESULTS AT THE TOP OF GUIDANCE RANGE**

### **FY2018 Achievements**

- Operating Earnings<sup>1</sup> up 12% to \$8.2 million (FY17: \$7.3 million), with 97% of earnings generated from recurring sources
- Operating Earnings 2.63 cents per share (cps), at the top end of guidance range
- Statutory net profit after tax up 27% to \$13.6 million (FY17: \$10.7 million)
- Funds under Management (FuM) up \$308 million or 12% to \$2.8 billion<sup>2</sup>
- Successful IPO of Convenience Retail REIT and subsequent acquisitions, with \$343 million in FuM
- Strong and flexible balance sheet with net assets of \$118.1 million, including cash of \$15.0 million
- Final dividend (fully franked) increased 0.25 cents to 1.00 cps, ahead of original guidance and taking FY2018 dividends to 2.25 cps in total (fully franked)
- Proposal to establish stapled structure

APN Property Group Limited (ASX: APD) (APN or the Group) today reported a statutory net profit after tax for FY2018 of \$13.6 million, an increase of 27% compared to the prior corresponding period (pcp). Operating Earnings<sup>1</sup> per share was 2.63 cents, an increase of 12% and at the top end of the Group's market guidance range.

The Board has declared a fully franked final dividend of 1.00 cent per share, up 0.25 cents from the prior year, to be paid on 27 September 2018 to those shareholders registered as at 10 September 2018. Dividends for FY2018 total 2.25 cents per share fully franked, a 12.5% increase over FY2017.

APN's Chief Executive Officer, Mr Tim Slattery, said "The team has delivered a strong set of results for FY2018, with contributions across each part of the business helping deliver a 12% increase in our operating profit to 2.63 cents per share. FY2018 saw the successful completion of the ASX listing of Convenience Retail REIT (CRR), adding a fourth business division to the Group. We are pleased to see the ongoing success of our strategy to generate sustainable earnings for investors and building scale and operating efficiency. Our achievements are reflected in the long term growth of the business, with funds under management increasing 12% to \$2.8 billion.

"The quality of APN's earnings has also been a key area of focus and a strong result has been delivered, with over 97% of earnings generated from recurring sources. The business continues to grow without significantly increasing its risk profile or that of our funds, which remain well capitalised for further growth with modest levels of debt, and high quality and well located underlying property portfolios with robust occupancy and leasing metrics.

<sup>1</sup> Operating earnings is an unaudited after tax metric used by management as the key measurement of underlying performance of the Group. It adjusts statutory profit for certain non-operating items recorded in the income statement including minority interest, discontinued operations, business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.

<sup>2</sup> 12% increase based on 30 June 2017 FUM of \$2.5 billion excluding pro-forma adjustment. Increase of 7% on 30 June 2017 Pro-Forma FUM of \$2.6 billion, refer to FY2017 result announcement for further information

“Over the year our team delivered strong risk adjusted investment performance for the investors in our funds, with recognition by independent research ratings, awards and most significantly additional investment from our clients.

### **Strong performance across the Group**

“Industria REIT led by Alex Abell delivered a successful set of results including funds from operations growth of 2.2% per security and growth in net tangible assets per security of 5.1%. The team have successfully delivered 13,600 sqm of leasing transactions in the period as well as a series of asset management initiatives including the installation of 1MW of renewable solar electricity generation capacity in the trust's Brisbane portfolio as part of its value proposition to deliver affordable and functional workspaces to its customers.

“FY2018 saw the successful completion of the ASX listing of Convenience Retail REIT (CRR) and subsequent asset acquisitions, with a portfolio of 69 assets which at 30 June 2018 was independently valued at \$340 million. APN has significant experience in the ownership and management of service stations and convenience retail properties and CRR under Fund Manager Chris Brockett has generated funds from operations growth of 1.6 % for FY2018 and NTA growth of 5.1 %, or 14 cents per security, in excess of PDS forecasts since its July 2017 listing.

“Our real estate securities funds continued to deliver strong income-based returns and have continued to be well supported by the market with \$56 million in net inflows for the year. Since reporting results, APN's Asian REIT Fund has moved through \$25 million in Funds Under Management after experiencing an increase of 85% for the 12 months to 30 June 2018 and in part reflecting its strong ongoing investment performance which included a total return of 13.7% per annum since its inception in 2011. As part of our ongoing succession planning, we have implemented a leadership transition for our Securities business which will see a staged handover of responsibilities from Michael Doble to Pete Morrissey, another highly experienced property securities investor who is well versed in APN's established income-oriented investment process and who remains well supported by the other members of APN's Securities investment team.

“We continue to be active in the current competitive environment, with our Direct Property division assessing over \$1.4 billion in real estate transactions during the year. We remain optimistic on our ability to source and capitalise on opportunities and to actively add value for our investors, including through the use of our balance sheet as we have recently done. However, we are prepared to be patient where required to ensure we are buying well – consistent with our long term view of growing the value of the company and investing for our clients. As part of our ongoing focus on risk management we are paying close attention to asset prices given the strength in some parts of the commercial property sector, with some markets trading at record highs and potential upcoming regulatory changes affecting capital flows. Well located property investments which are appropriately financed and offer attractive cash income yields will continue to be well supported by a broad range of investors both domestically and internationally”, said Mr Slattery.

The Group's strong capital position was further enhanced during the period with net tangible assets increasing by 2.60 cps to 37.7 cps. Co-investment stakes and direct property assets totalled \$126.4 million as at 30 June 2018, partially financed by non-recourse borrowings of \$6.0 million (secured by selected co-investments) and \$10.5 million (secured by direct property). Cash on hand at year end remained healthy at \$15.0 million<sup>3</sup>.

### **Stapling proposal**

The Board has undertaken a review of the Group's capital structure and is preparing a proposal to establish a stapled structure to be considered at the AGM in November 2018. The proposed capital restructure is expected to provide higher distributions to shareholders (with different tax treatment) and has the potential to deliver an improvement in the Group's cost of capital. Indicative proforma FY2019 Guidance illustrates that APN's 2.25 cent dividend would support a stapled security distribution and dividend of approximately 2.75 cents applying an equivalent payout ratio.

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<sup>3</sup> Includes cash held in trust for underlying funds managed by the Group of \$0.3 million and \$5.0 million for AFS Licences.

## Growth in earnings forecast

With growing funds under management, increasingly diverse revenue streams, and a strong balance sheet in place, APN is well placed for growth in FY2019. The Group expects to achieve Operating Earnings after tax of 2.40 to 2.90 cps for FY2019 on the assumption of a 'like-for-like' capital structure. In accordance with the Group's earnings guidance practice, only transactions which have been completed or are sufficiently certain are reflected in this guidance. The Group currently forecasts that fully franked dividends of 2.25 cps will be paid in respect to FY2019.

In conclusion, Mr Slattery said, "We head into FY2019 with a sharp focus on generating strong risk-adjusted returns, and building on the successful track record of the last five years. Whilst we tread carefully through a competitive environment and seek to manage risk conservatively, we believe that the combination of high quality assets, the right capital structure, and a performance record that the market is supporting, will ensure we continue to generate strong shareholder returns in FY2019 and beyond."

## Conference call

APN will hold a group investor conference call at 11:00am (AEST) today, 23 August 2018.

Dial in details: Participants can dial +61 2 9007 3187 or 1800 558 698 (toll free) to join the call. When prompted, please enter Conference ID: 726950

To bypass the operator and gain immediate access to the event participants can preregister:

<https://services.choruscall.com.au/diamondpass/apn-726950-invite.html>

**ENDS**

For further information, please contact:

### Tim Slattery

Chief Executive Officer

T +613 8656 1000

E [tim.slattery@apngroup.com.au](mailto:tim.slattery@apngroup.com.au)

### Michael Groth

Chief Financial Officer

T +613 8656 1000

E [mgroth@apngroup.com.au](mailto:mgroth@apngroup.com.au)

## NOTES

### Forward looking statements

This release contains forward-looking statements, estimates and projections, which are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond APN Property Group's control and which may cause actual results to differ materially from those expressed in the statements contained in this announcement.

### 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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