

# **APN** | Property Group

## **AGM**

**Monday 23 November 2015**

**Commencing 10.00 am**

**Hall & Wilcox**

**Level 11, Rialto South Tower**

**525 Collins Street**

**Melbourne Vic 3000**

## **Meeting Script**

**APN Property Group Limited**  
**Annual General Meeting – Monday 23 November 2015 at 10.00 am**

**Introduction**

*[Slide 1]*

Good morning Ladies and Gentlemen and welcome to the eleventh Annual General Meeting of APN Property Group Limited. As it is now 10.00 am and we have a quorum present, I have pleasure in declaring the meeting open.

My name is Chris Aylward and I am the Chairman of APN Property Group Limited.

**Introduce Directors**

*[Slide 2]*

I would like to commence by introducing my fellow Directors:

- **Clive Appleton;**
- **Howard Brenchley;** and
- **Tim Slattery**

They are joined by:

- **John Freemantle,** Company Secretary; and
- **Michael Groth,** Chief Financial Officer

**Introduce Advisors**

Also present in the audience today is:

- **James Morvell** from our legal advisor, Hall & Wilcox who is available to assist in answering any technical legal questions concerning the business of the meeting.
- Our auditor, **Neil Brown** from Deloitte Touche Tohmatsu who is available to answer questions about the audit of the Accounts; and
- Link Market Services, our share registry, who will supervise the conduct of the poll, if one is required during the meeting. They are represented today by **Julie Stokes.**

**Notice of Meeting**

*[Slide 3]*

The Notice of Annual General Meeting, which includes six items of business, has been sent to all shareholders, and with your agreement, I propose to take it as read.

**Minutes of Previous Meeting**

The last meeting of members was held on 28<sup>th</sup> November 2014.

The minutes of this meeting have been signed as a correct record and the Company Secretary will make them available to any member who wishes to inspect them.

**Presentation of  
FY15 Results and  
Outlook**

*[Slide 4]*

The purpose of this meeting is to review the financial year ended June 2015 and to give you the opportunity to discuss the affairs of the Company. There are also a number of resolutions which are important for the effective running of the company.

I would like start by calling on Tim Slattery to review the FY15 results and provide an outlook for our company.

*[Tim to lectern]*

*[Power Point Presentation – refer appendix]*

*[Chris to lectern]*

**Conclude Address**

*[Slide 13]*

Thank you Tim.

I'd like to conclude this part of the meeting by acknowledging my fellow directors, all our staff and advisors who have supported APN during the past 12 months. Their efforts during this time have been considerable and should be appreciated.

Thank you for your attention ladies and gentlemen. I will now move to the formal matters of the meeting.

**Time for Questions**

Time will be allowed for relevant questions as each item of business is considered by members. Please hold any general questions you may have until after the formal business is completed.

**Ordinary Business**

The first item of business is

**Financial  
Statements and  
Reports**

*"To receive and consider the Financial Report, the Directors' Report and the Auditor's Report, each for the financial year ended 30 June 2015."*

Ladies and gentlemen this item of business does not require a vote; however, the reports are open for discussion. If any shareholder has questions or comments relating to this item, please raise your yellow admission card.

*[Questions / Discussion]*

If there are no *[further]* questions, as this matter does not require a vote, we will move to the next item of business.

## Pre-amble to Resolutions

The remaining items are resolutions for your consideration.

As there are five resolutions and each must be separately considered by shareholders, I propose to keep the process as short as possible by noting in advance, the following items:

- With the exception of resolution 3, all resolutions are ordinary resolutions and will be passed if more than 50% of the votes of those present and eligible to vote are cast in favour of the resolution;
- Resolution 3 is a special resolution and will be passed if more than 75% of the votes of those present and eligible to vote are cast in favour of the resolution;
- The resolutions are set out in the Notice of Meeting and as each is considered it will be shown on the screen beside me together with a summary of the proxy instructions received by the Company Secretary in respect of that resolution;
- I intend to vote all open proxies that I hold **in favour** of the resolution;

## Remuneration Report (pp 31 - 42 Annual Report)

*[Slide 14]*

Item 2 is the adoption of the remuneration report contained in the 2015 Annual Report.

The Corporations Act requires the preparation of a remuneration report and that a resolution be put to members that the remuneration report be adopted.

Voting on the resolution is not binding on the company or the directors. However, the board takes seriously the views of members on this matter and will be given proper consideration when we review our remuneration practices and policies.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

*[Questions / Discussion]*

## Put to Vote

I now put to the meeting the resolution that the Remuneration Report be adopted.

## Re-election of Director

The next item is the re-election of Director.

## Re-election of Clive Appleton

I am pleased to propose, the re-election of Mr Clive Appleton as a Director.

*[Slide 15]*

Clive joined the Company as Managing Director in 2004. From 2008 to December 2012, he was the Executive Director responsible for managing APN's private funds division and in 2013, he became a non-executive Director.

Clive has had a successful career in property and funds management, having worked for some of Australia's leading retail property investment, management and development groups.

Prior to joining the Company, Clive was the Managing Director of the Gandel Group and between 1990 and 1997 he was the Managing Director of Centro Properties Limited.

Clive is also a director of Arrow International Group Limited, Aspen Group, Federation Centres and the Gandel Group and is a council member of the Cairnmillar Institute.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

*[Questions / Discussion]*

**Put to Vote**

I now put to the meeting the resolution to re-elect Mr Appleton as a Director of the Company.

**Approval of 10% Placement Capacity**

We now move to the special resolution for the approval of the issue of shares up to 10% of the shares on issue.

*[Slide 16]*

The issue of new shares is not presently intended. However, your approval today will ensure that the company maximises its flexibility to raise capital in order to respond quickly to new opportunities.

Your approval will enable the issue of up to 10% of issued capital of the Company in the 12 month period following the annual general meeting, in addition to the 15% annual placement capacity granted under ASX Listing Rule 7.1.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

*[Questions / Discussion]*

**Put to Vote**

I now put to the meeting the special resolution approving the issue of shares up to 10% of the shares on issue.

**Approve Prior Issue of Shares**

Resolution 4 is a resolution to approve and ratify, in accordance with Listing Rule 7.4, the issue of new shares in May 2015.

*[Slide 17]*

On 8 May 2015, the Company issued approximately 36.9 million shares at an issue price of \$0.37 per share to existing and new institutional and sophisticated investors via a placement. The shares issued were fully paid ordinary shares in the Company, ranking equally with and having identical rights to existing shares quoted on the ASX.

Funds raised were used for the following purposes:

- Investing in funds managed by the Company's controlled entities, including Industria REIT and Generation Healthcare REIT;
- Repayment of the Company's debt facility;
- Securing new managed fund opportunities;
- Satisfying costs associated with the Company's entitlement offer in May 2015; and
- Working capital requirements.

Under Listing Rule 7.1, the Company may issue up to 15% of its issued capital without obtaining shareholder approval in any 12 month period. The issue of these shares was undertaken in accordance with this rule.

However, Listing Rule 7.4 provides that where shareholders subsequently approve an issue of securities, that previous issue will be treated as having been made with approval for the purpose of Listing Rule 7.1. Accordingly, the Company's 15% placement capacity under Listing Rule 7.1 will be refreshed and the Company will be able to issue further shares up to that limit.

If shareholders do not approve this resolution, the shares issued will continue to count towards the 15% limit under Listing Rule 7.1.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

*[Questions / Discussion]*

I now put to the meeting the resolution to approve and ratify, in accordance with Listing Rule 7.4, the issue of new shares in May 2015.

**Approve New Limit  
on NED  
Remuneration**

The final resolution seeks approval to increase the maximum aggregate remuneration payable to all non-executive Directors to \$900,000 per annum.

**[Slide 18]**

Listing Rule 10.17 provides that a listed company may not, without shareholder approval, increase the total amount of fees payable to non-executive directors of the company or any of its 'child entities'. The company's wholly-owned subsidiary, APN Funds Management Limited, which acts as the responsible entity for the funds within the APN group, is a 'child entity' for the purposes of Listing Rule 10.17.

APN Funds Management Limited currently has four non-executive directors and the company currently has two non-executive Directors. Only one non-executive Director of the company, Mr Howard Brenchley, is common to both Boards.

Shareholders are asked to approve the increase of the maximum amount of fees that can be paid to non-executive Directors of the Company and its child entities from \$750,000 per annum to \$900,000 per annum, being an increase of \$150,000 per annum.

Does any shareholder wish to speak in relation to the resolution or ask any questions?

**[Questions / Discussion]**

Thank you

I now put to the meeting the resolution to increase the maximum aggregate remuneration payable to all non-executive Directors to \$900,000 per annum.

**General Business****[Slide 19]**

Ladies and Gentlemen, this completes the formal business of the meeting.

However, as I indicated earlier, I would be happy to take any general questions you may have.

**[Questions]****Meeting Close**

If there are no further questions, I will close the meeting.

Thank you for your attendance today and to those shareholders who participated by proxy. The Directors would be pleased if you would join them for light refreshments and an opportunity to ask additional questions.

## **APN Property Group Limited**

### **Executive Director's Address**

Ladies and gentlemen welcome to APN Property Group Limited's 2015 annual general meeting.

My name is Tim Slattery and I am an Executive Director of the company.

I have prepared a brief review of our 2015 performance and overview of our business and some comments on the market and how we are placed moving through financial year 2016.

#### **[Slide 5]**

The year to 30 June was another active and successful period across the business with all divisions reporting robust segment profit results and a number of significant projects being completed.

In terms of the company's financial performance APN generated \$22 million of Net Funds management Income, a 7% increase over 2014. Operating earnings after tax for 2015 were \$6.9 million or 3.05 cents per share, a 41% increase over the prior period and statutory profit, which includes the changes in the market value of APN's investments in the funds we manage, was just over \$12.5 million which represents an increase of 69% of FY2014. Of particular relevance was the continuing improvement in our underlying recurring income, we classify over 75% of FY2015 net income as recurring, which includes over \$3.9 million of distributions from our co-investments (principally our stakes in Generation Healthcare REIT and Industria REIT). We have also restrained our costs which were broadly flat over the year.

At 30 June APN's balance sheet included no debt, giving the company capacity and funding flexibility which we have subsequently announced we intend to use to Fund some of the company's growth projects. Our net tangible assets position at balance date was 28.6 cents per share or approximately \$87 million (using 30 June trading prices for Generation and Industria investments, each of which have increased significantly post balance date).

APN's dividend for the 2015 year was increased by one quarter of one cent per share to 1.50 cents per share in total and was fully franked.

From an overall return perspective, APN delivered shareholders a total return (calculated as dividends for the year plus the increase in our share price) of 35.9%.

#### **[Slide 6]**

These results reflect the growth in APN's Funds Under Management which as at June 2015 was \$2.2 billion based on continuing operations, an increase of 10% for the year. Three of our four business divisions were the major contributor to that growth over the year, including APN real estate securities division which delivered growth of approximately \$173 million.



*[Slide 7]*

Looking back over a slightly longer period than the most recent financial year, over the last three years APN has significantly increased key performance metrics including operating and statutory profit and our Funds Under Management, which has been accompanied by progressive strong share price performance highlighted by our three year total shareholder return of 37.1% on an annualised basis. We believe these results reflect the successful development and implementation of our strategy for the business and highlight the benefits of increasing scale, with significant earnings per share growth being delivered over this period.

*[Slide 8]*

Before I turn briefly to our views on the market and our divisional outlook, I wanted to provide a brief additional update on the capital raising APN undertook in April 2015. The company successfully raised \$30 million at \$0.37 per share which was well supported by both institutional and retail investors. We are very grateful for the continued and additional support of our shareholders, including those here today. We carefully considered the amount of the equity raising with the objective of sizing it appropriately both to ensure that the Company had the capital it need to fund its expansion opportunities, without diluting its earnings per share growth potential. Since completion of the raising, we have deployed the capital raised, including with the launch of the APN Convenience Retail Property Fund.

*[Slide 9]*

In launching these new initiatives, we are conscious of the market backdrop. At this point in the cycle we remain cautious on the risk of a correction given the abundance of recent liquidity in Australia's commercial property markets. However, we remain firmly of the view that well located assets which offer long term stable cash yields are well placed for inclusion in investors' portfolios. We continue to expect a period of low interest rates in Australia and in our view other than carefully selected residential property investment opportunities, commercial property with substantially higher yields compares particularly favourably at the current time.

*[Slide 10]*

Turning to APN's position in the Australian financial services market, APN is well placed to continue to deliver results for our client investors and our shareholders. We believe our company's culture is excellent, we have a recognised track record as property investors, we have strong and growing capital raising channels and our products are very relevant to the current low yield environment. We therefore remain optimistic on the outlook for the business.

*[Slide 11]*

In terms of each of our business divisions, starting with our \$400 million listed Industrial and Business Parks REIT Industria, a considerable effort was made over 2015 to execute the fund's leasing strategy. The team has now completed over 30,000 sqm of leasing transactions since July 2014, which has improved occupancy to approximately 94% and the Fund's weighted average lease expiry to approximately 5.3 years. Over the period IDR's NTA was increased to \$2.02 per Security and IDR recently confirmed its FY2016 distribution guidance of 15 – 15.8 cents per security. Industria's focus remains on continue to build on its recent leasing success, as well as looking at opportunities to recycle capital through asset sales to optimise its property portfolio. APN is Industria REIT's largest investor and we believe it continues to offer an attractive risk-return profile within the AREIT sector.

Generation Healthcare REIT, which is managed through a joint venture with the Fund's management team, delivered a strong FY2015 performance with distributions increasing 7.25% to 8.58 cents per unit and total returns for the year of approximately 32.5%. Generation Healthcare also had a productive year including acquiring a \$46 million portfolio of residential aged care assets from RSL Care, with whom it also signed a five year collaboration agreement to pursue future projects. Generation also made good progress on its organic growth opportunities within its portfolio, including the completion of the Casey Specialist Centre with St John of God Health Care and the redevelopment of the Frankston Private Hospital with Healthscope. Generation continues to receive excellent support from the market, offering investors the opportunity in a sector with attractive long term dynamics which stands to benefit from our country's ageing population.

APN's flagship fund the APN AREIT Fund delivered strong results for the year, both at a performance level with strong risk-adjusted returns and also in terms of net fund inflows, which have continued to average approximately \$14 million per month since June 2015. APN's property for income funds saw some redemptions over the course of the year as they returned to daily liquidity which has stabilised over the course of the year and these funds continue to be well rated by independent research firms. The securities division's FUM increased by \$173 million over the year. APN's Asian REIT Fund also continues to deliver excellent performance, with returns since its inception in 2009 to 30 June 2015 of 19.35% per annum. We continue to believe this part of our business has considerable further growth potential as our already strong distribution base expands further and we continue to have the opportunity to compete for new mandates.

Our direct property activities for the year included the completion of the sale of 541 St Kilda Rd which delivered a return of approximately 27.7% for investors, and the sale of The Marketplace, Auburn, in APN's most recent direct property fund with a final expected return of approximately 56.0%. In the period APN successfully launched the APN Coburg North Retail Fund which was fully subscribed, and post balance date we successfully closed the \$18.1 million equity raising for the APN Steller Development Fund.

Steller offers sophisticated investors the opportunity to invest alongside one of Melbourne's leading apartment development and construction businesses, with a strong risk management focus and an attractive rate of return forecast. More recently we have launched the APN Convenience Retail Fund with a mandate to invest in well-located properties focusing on non-discretionary retailers typically on long lease terms – the Fund will have an initial weighted average lease expiry of 15 years and an initial annual distribution yield of 7.2% which will be paid monthly. With the recent activity and profits generated for investors in our Direct Property Funds division we believe APN is well placed to continue to grow in this area.

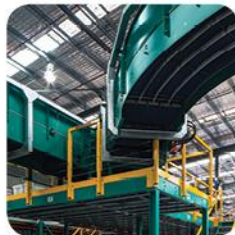
**[Slide 12]**

Reflecting our view on the market and the business's performance to date we are reaffirming our earnings guidance which is to deliver operating earnings after tax and minority interests of between 2.00 and 2.30 cents per share (this forecast excludes any as yet unearned performance and transaction fees).

In summary, we believe APN Property Group is well placed to navigate the challenges and capitalise on the opportunities in the market into FY2016 and beyond. The company has the team, the strategy and the momentum to continue to deliver for our client investors and our shareholders.

I would like to close by thanking our whole team for their efforts over the last year and I'd also like to thank you all, our shareholders, for your ongoing support of the company. We hope you are happy with the performance of your investment in APN and we hope you share our optimism for the company's future.

**[End]**



# 2015 ANNUAL GENERAL MEETING PRESENTATION

MONDAY, 23 NOVEMBER 2015

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

ASX Code: APD

**APN** | Property Group

# Introduction

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Presenting

**Chris Aylward**  
Executive Chairman



**Clive Appleton**  
Non-Executive Director



**Howard Brenchley**  
Non-Executive Director



Presenting

**Tim Slattery**  
Executive Director



**John Freemantle**  
Company Secretary



**Michael Groth**  
Chief Financial Officer

# Agenda

- Welcome and Chairman's introduction
- Business review and outlook
- Formal business of the meeting
- Meeting close



# BUSINESS REVIEW





# FY2015 Financial Performance

\$000s	FY2015		FY2014
<b>Funds Under Management (\$ billion)</b>	<b>2.2<sup>1,3</sup></b>	<b>▲</b>	<b>10%</b>
<b>Income statement</b>			
Net Funds Management Income	22,001	▲	7%
Total Net Income	25,411	▲	14%
Operating earnings after tax	6,922	▲	41%
Statutory profit after tax & MI	12,565	▲	69%
Statutory EPS (cents per share)	5.58	▲	42%
<b>Balance sheet</b>			
Total Assets	90,581	▲	77%
Net tangible assets	86,529	▲	84%
Net tangible assets (cents per share)	28.6	▲	31%
<b>Total shareholder return</b>			
Total shareholder return <sup>4</sup>	35.9%		

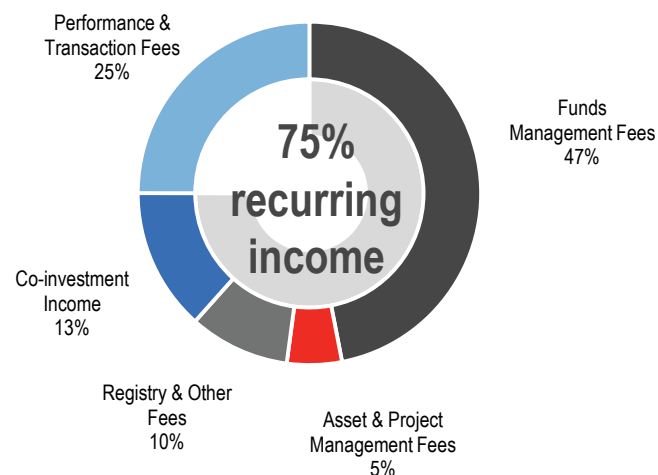
1 From continuing operations

2 On a statutory basis, including continued and discontinued operations

3 Includes \$407 million from Generation Healthcare REIT (GHC), managed by a joint venture 32.5% owned by management and \$23 million from the Newmark APN Auburn Property Fund, a 50% joint venture with Newmark Property Group

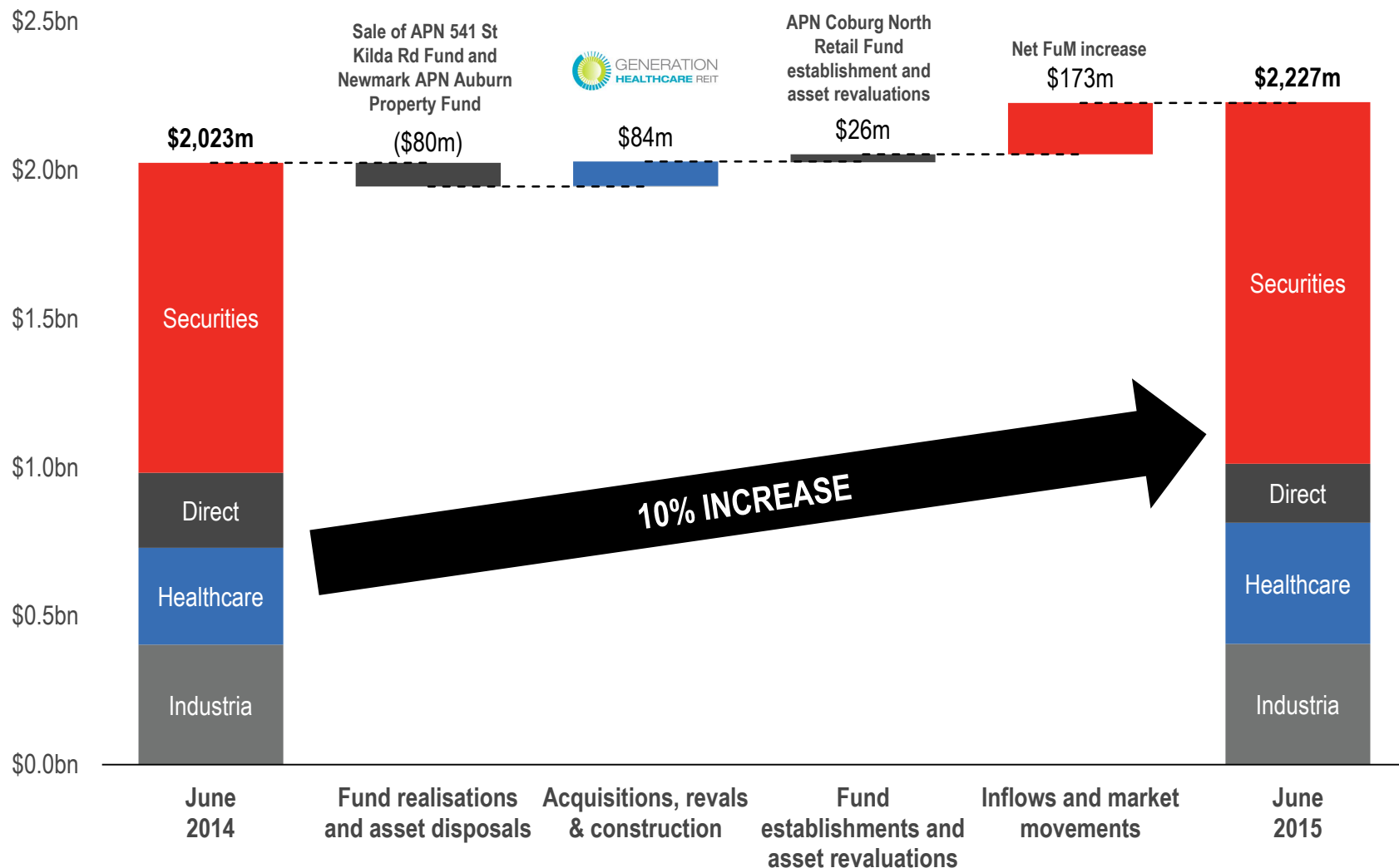
4 12 months to 30 June 2015

## Net income breakdown





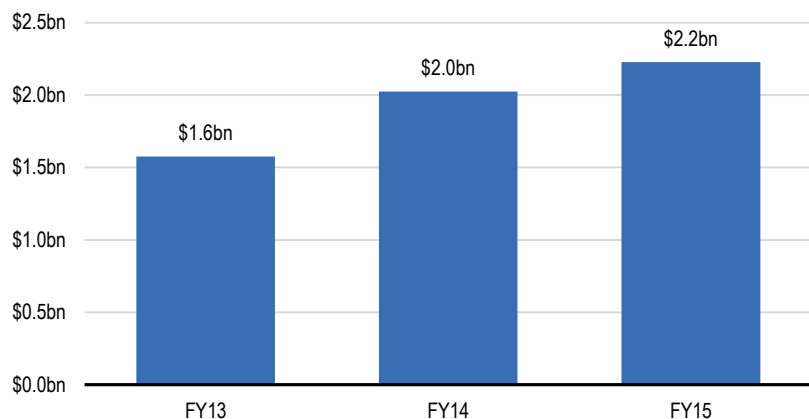
# Funds Under Management<sup>1</sup> growth



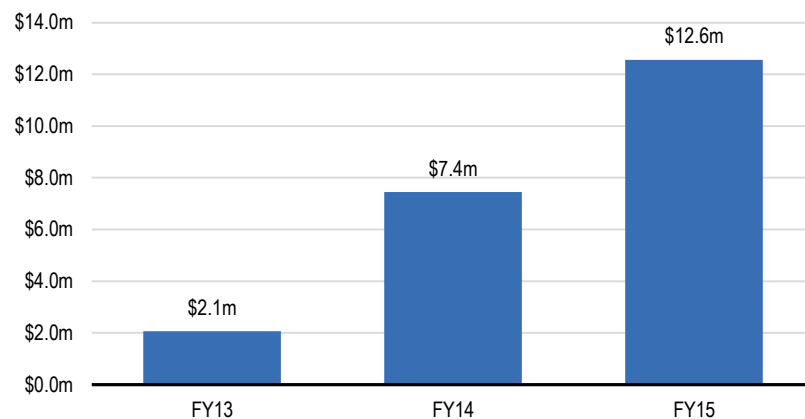
<sup>1</sup> From continuing operations

# APN has delivered consistent performance improvement over three years

## Funds Under Management



## Statutory Profit



## Share price performance



Source: IRESS

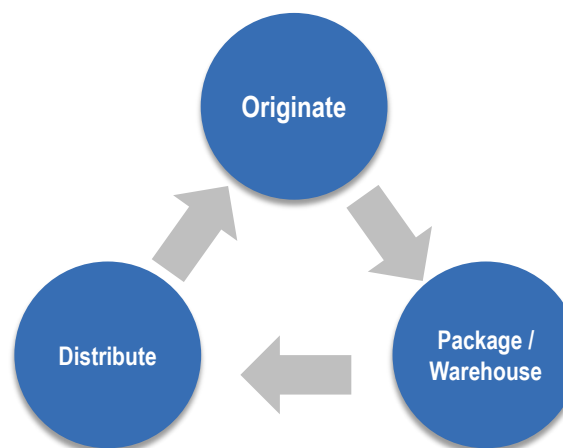
# Executing on APN's strategic initiatives

## Progress on strategy since capital raising

Initiatives	Progress
Generation Healthcare REIT co-investment	✓
Industria REIT co-investment	✓
Renew balance sheet capacity and flexibility	✓
New Fund initiatives	✓

## Strategy to source and develop new opportunities

- 1 Deploy capital to take advantage of attractive new and existing growth opportunities
- 2 Continue to co-invest with investors to ensure and enhance ongoing alignment
- 3 Enhance ability to package / warehouse assets for new and existing funds
- 4 Maximise balance sheet efficiency



# Market commentary

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- High level of transaction activity in Australian commercial property markets
- Domestic and international buyers active
- Disconnect between transactional and occupier (leasing) markets, particularly across different parts of Australia
- Timing of economic growth uncertain
- Tightening credit market
- 'Low everything' environment
- Much higher income yields on commercial (6-8%) versus residential real estate (3-4%)
- Commercial property with sustainable cash income should be well placed in a low rate environment
- Long lease term assets with modest levels of debt remain attractive investments



# APN remains well positioned to grow

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- 1 Established funds management business with strong track record over 19 years
- 2 Multiple capital raising channels including deep retail distribution network
- 3 Specialist investment manager focusing solely on real estate
- 4 Balance sheet capacity and flexibility, enabling growth opportunities to be pursued across the business
- 5 Strong portfolio of products and pipeline of opportunities across all business divisions
- 7 Income-orientated investment products are attractive assets for superannuation investors
- 8 APN's 'property for income' property investments are well positioned in the current market

# Outlook and growth opportunities

## *Attractive opportunities to continue to increase APN's scale exist across the business*



- Active property management and leasing in challenging market conditions – over 30,000 sqm leasing since 1 July 2014
- Delivered occupancy of 94.4% and portfolio WALE of 5.3yrs
- Focus on leasing and portfolio recycling opportunities



- Excellent investment performance – underlying earnings growth and total securityholder return
- \$46 million acquisition from RSL Care
- Continue to progress ~\$120 million organic growth pipeline

## Securities

- Outstanding market support
- Strong investment performance
- AREIT Fund net inflows averaging approximately \$14 million per month (to 31 Oct)
- Asian REIT Fund continues to represent an opportunity
- New mandate opportunities

## Direct

- APN Steller Development Fund successfully closed
- APN Convenience Retail Property Fund launched

## Corporate

- Expanded equity raising capability
- Further rationalisation of products
- Ongoing focus on costs – continue to build scale and efficiency



# Outlook and earnings guidance

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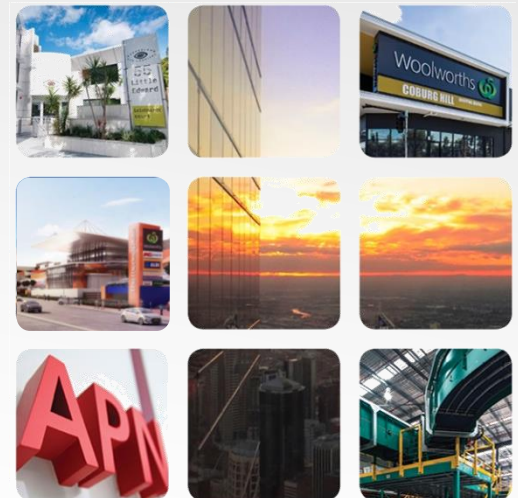
- Remain well positioned for continued growth in FY2016
- Number of new investment opportunities identified to enhance product suite and deliver to market leading distribution platform
- Continue to evaluate range of new opportunities for existing and new funds against disciplined investment process

## Guidance reaffirmed

- Subject to continuation of current market conditions, FY2016 Operating earnings after tax and MI is expected to be in the range of 2.00 – 2.30 cents per share
- Only includes previously announced transactions and performance fees – future initiatives and market based performance fees are excluded



# FORMAL BUSINESS OF THE MEETING





## Resolution 1

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“ *That the Remuneration Report for the financial year ended 30 June 2015 be adopted.* ”

Summary of Proxy instructions				
	For	Open	Against	Abstain
Votes	90,508,284	20,154,320	496,676	38,611
Percentage	81.42%	18.13%	0.45%	-

## Resolution 2

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*“ That Mr Clive Appleton, who retires by rotation in accordance with clause 4.3(c) of the Constitution, and being eligible, be re-elected as a Director. ”*

Summary of Proxy instructions				
	For	Open	Against	Abstain
Votes	175,777,672	20,154,320	11,577,629	25,000
Percentage	84.71%	9.71%	5.58%	-

## Resolution 3

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*“ That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Notes. ”*

Summary of Proxy instructions				
	For	Open	Against	Abstain
Votes	186,958,074	20,159,320	404,296	12,931
Percentage	90.09%	9.71%	0.19%	-

## Resolution 4

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*“ That, for the purpose of Listing Rule 7.4 and for all other purposes, approval is given for the prior issue of 36,866,288 Shares on 8 May 2015 on the terms and conditions set out in the Explanatory Notes. ”*

Summary of Proxy instructions				
	For	Open	Against	Abstain
Votes	140,632,854	20,159,320	403,836	122,811
Percentage	87.24%	12.51%	0.25%	-

## Resolution 5

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“ That the maximum aggregate amount of remuneration available to be paid to non-executive Directors of the Company and its child entities be increased by \$150,000 per annum from \$750,000 per annum to \$900,000 per annum. ”

Summary of Proxy instructions				
	For	Open	Against	Abstain
Votes	94,958,808	20,217,320	608,320	61,411
Percentage	82.01%	17.46%	0.53%	-

# APN PROPERTY GROUP

