

20 August 2019

## Results for the financial year ended 30 June 2019

APN Convenience Retail REIT (the **Fund**) is pleased to announce its results for the year ended 30 June 2019.

### Key highlights

- Distributions per security of 20.9 cps, up 5.8% on FY2018<sup>1</sup>
- Funds From Operations (**FFO**) of \$17.0 million (21.5 cps), up 6.4% on FY2018<sup>1</sup>
- Statutory profit of \$24.0 million
- \$10.6 million or 3.0% increase in portfolio value during the period
- Net Tangible Assets (**NTA**) up 9 cents per security to \$2.96, an increase of 3.1% since June 2018
- Healthy balance sheet with gearing of 32.3% (target range of 25% – 40%) and prudent level of hedging
- Ideally positioned to deliver sustainable long-term income growth with FY2020 distribution guidance of 21.8 cps, an increase of 4.3% on FY2019

### Financial results

APN Convenience Retail REIT recorded a statutory profit of \$24 million for FY2019.

FFO for the period was \$17 million, or 21.5 cents per security, representing an increase of 6.4% on FY2018 annualised<sup>1</sup>. This increase was primarily driven by a 9.3% increase in net property income due to like-for-like property rental growth of 2.7% as well as a full year's contribution from three earnings accretive acquisitions from FY2018 and the acquisition of Mount Larcom in August 2018.

Distributions for the period was \$16.5 million, or 20.9 cents per security, representing an increase of 5.8% on FY2018 annualised and a payout ratio of 97.2%.

Net tangible assets per security increased during the period by 9 cents, or 3.1%, to \$2.96.

Chris Brockett, Fund Manager commented "APN Convenience Retail REIT has delivered a solid FY2019 result. Distributions for the period of 20.9 cents per security represent an increase of 5.8% on FY2018 annualised. This increase combined with the Fund's strong security price performance has resulted in a total return for securityholders for the financial year of 23.7%, outperforming the S&P/ASX 300 A-REIT Accumulation Index by 4.3%.

These results are proof that we are delivering on APN Convenience Retail REIT's strategy of providing investors with an attractive, defensive and growing income stream which is underpinned by long term leases to quality tenants."

<sup>1</sup> Growth is based on FY2018 annualised for the period from IPO (27 July 2017) to 30 June 2018.

## **Portfolio performance**

As at 30 June 2019, the APN Convenience Retail REIT portfolio comprised 70 properties.

During the period, 35 properties were the subject of an independent valuation contributing to a portfolio valuation uplift of \$10.6 million to \$358.3 million, representing a weighted average capitalisation rate of 7.0%.

The portfolio has a long weighted average lease expiry of 11.7 years as well as an attractive lease expiry profile with 77% of lease income expiring in FY30 and beyond, providing securityholders with a strong level of income security.

The portfolio remains 100% occupied and is well diversified by geography, tenant and site type. The portfolio is underpinned by long term leases to high quality and experienced global operators, with 97% of the portfolio income derived directly from the major service station tenants.

Our active portfolio management approach continued to deliver results for the Fund and securityholders when Woolworths agreed to continue to guarantee their leases (for 13 sites) until the end of the current terms and on any exercise of existing option periods following the sale of the Woolworths petrol business to EG Group in April 2019. This outcome ensures that the assignment of these leases to EG Group will not impact the underlying value of the 13 properties.

The Fund continues to actively review acquisition opportunities and fund-through proposals received through our relationships with developers. We will remain patient and selective when pursuing these opportunities, ensuring that they are attractively priced and the meet our strict investment criteria.

Mr Brockett commented, "We are continuing with our strong focus on actively managing the portfolio and pursuing acquisition and divestment opportunities to enhance the Fund and create long-term sustainable value for securityholders."

## **Capital management**

The Fund has a healthy balance sheet with gearing of 32.3% (within our target range of 25 to 40%) and 60.3% of drawn debt hedged for a weighted average of 3 years as at 30 June 2019. The Fund has significant capacity within the targeted gearing range to execute acquisition opportunities as and when they arise.

During the period, the Fund expanded its debt finance syndicate by introducing a third financier to improve the Fund's debt maturity profile, funding diversity and flexibility that will support future initiatives.

The Distribution Reinvestment Plan (DRP) was activated for the quarter ended 30 June 2019. The DRP was proactively established to provide the Fund flexibility in respect of its long-term capital structure and provide securityholders with a cost-effective way to increase their security holdings.

## **Outlook**

The Fund is ideally positioned to deliver sustainable long-term income growth for securityholders.

The Fund is targeting a 4.3% increase in FY2020 distributions to 21.8 cents per security.

FY2020 FFO guidance is 22.3 to 22.5 cents per security, subject to any unforeseen events and with no material change in current market conditions.

Chris Brockett said "The Fund is well positioned to deliver sustainable long-term income growth that outpaces current inflation expectations through the portfolio's contracted annual rent increases, with 79% of the income subject to fixed annual increases of 3% or more and the balance linked to CPI escalations."

**ENDS**

For further information, please contact:

**Chris Brockett**

Fund Manager

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

T +613 8656 1000

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**About APN Convenience Retail REIT**

APN Convenience Retail REIT (ASX code: AQR) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. The Fund's portfolio of 70 properties valued at approximately \$358 million, is predominantly located on Australia's eastern seaboard and is leased to leading Australian and international convenience retail tenants. The portfolio provides a long lease expiry profile and contracted annual rent increases delivering the Fund a sustainable and strong level of income security. Convenience Retail has a target gearing range of 25 – 40% as part of its conservative approach to capital management.

APN Convenience Retail REIT is governed by an Independent Board of Directors and is managed by APN Property Group, a specialist real estate investment manager established in 1996 with approximately \$2.8 billion in assets under management.

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