

19 February 2020

### Results for the period ending 31 December 2019

#### Highlights

- Funds From Operations (FFO) up 8.5% to 10.2 cents per security;
- Completed 29 leases across ~7,000 square metres;
- Raised \$46.9 million of equity and reduced gearing to 28.8%
- \$57.1 million of acquisitions settled at an average cap rate of 7.0% - providing a combination of income security and value-add opportunities
- Committing to carbon neutrality in FY21, in accordance with the Climate Active Standard
- Distribution paid 8.75 cents per security (2.9% increase); on-track to deliver upgraded FY20 FFO guidance of ~3.5% growth per security

#### Financial Results

Net profit for the six months ending 31 December 2019 was \$39.3 million, up \$24.7 million on the prior corresponding period (pcp). Fixed rental uplifts across the portfolio, three new acquisitions, and \$25.5 million of fair value adjustments – largely due to strong valuation outcomes – contributed to the growth.

FFO increased \$3.4 million on pcp to \$18.7 million. The primary difference between net profit to FFO was fair value adjustments.

FFO per security rose 8.5% to 10.2 cents, and the upgraded FY20 FFO guidance of 19.9 cents per security (~3.5% growth) is reiterated.

Net Tangible Assets (NTA) increased \$68.9 million, \$25.5 million due to valuation growth offset by acquisition costs, and \$46.9 million resulting from the equity raise.

“The operational success provided the platform to raise \$46.9 million of equity, supporting the growth of FFO and the portfolio, whilst also reducing gearing to 29% - below the Board’s 30 – 40% target gearing band and providing significant balance sheet capacity to fund future growth,” said Alex Abell, APN Industria REIT Fund Manager.

The weighted average debt maturity is 2.7 years, and the weighted average cost of debt was 2.8% – an outcome that continues to be one of the lowest across the A-REIT sector.

#### Property Portfolio

Activity at Brisbane Technology Park continues to be high, with ~6,900 square metres being completed across 28 transactions. Retention was high at 75%, which demonstrates the strategy of actively engaging with tenants is delivering strong outcomes that support cash yield generation. Additional amenity also will be brought to the Tech Park in mid-2020, after terms were agreed with a childcare operator to occupy a building (now under construction) of ~2,500sqm.

Terms have been agreed at 81 Rushdale Street, a May 2019 acquisition, to renew the tenant over their 6,100 square metres for an additional 5 years. This was a key business plan initiative that will add value and underpin the cash flow over the medium term.

As a result of the leasing activity and new acquisitions, portfolio occupancy increased to 98%.

Independent valuations were undertaken across 52% of the portfolio (by value). Of the \$25.5 million increase in valuations, approximately 54% could be attributable to income growth, and the remainder cap rate compression. Highlights included:

- 1 – 3 Westrac Dr, Tomago: Cap rate 5.75% (down from 6.00%), increased in value by \$21 million to \$218.0 million
- Five industrial warehouses across Melbourne: Increased in value by \$7.4 million to \$112.9 million, driven by market rental growth and cap rates compressing an average of 26 basis points
- Rhodes Building A: Reduced in value by \$2.5 million to \$108.0 million after the valuer allowed for additional downtime. The cap rate reduced to 5.875% (from 6.0%)

The weighted average cap rate for the portfolio is 6.4% and WALE is 5.8 years.

Since 2017 APN Industria REIT has been activity reducing carbon emissions by completing LED and air conditioning upgrades to enhance building efficiency, whilst also reducing energy consumption by installing 1.9 megawatts of rooftop solar PV. This strategy has been positively received by tenants and investors, who have recognised these actions reduce costs, particularly imposts caused by the volatility in energy charges, and generate financial and environmental returns over the short, medium and long term.

From FY21 APN Industria REIT is anticipated to be the first A-REIT to achieve carbon neutrality across the property portfolio and the operating group, in accordance with the Climate Active Standard. The Climate Active Standard was established by the Australian Government in 2010, and has been recognised by the European Union Commission and the World Bank as a mature and effective model to measure, reduce and incentivise the offset of carbon emissions.

Commenting on the commitment, Alex Abell said: “Over the last 3 years we have invested \$1.9 million to reduce our emissions, whilst also generating an attractive yield on cost of approximately 15%. The pathways to decarbonisation for our portfolio are technically and commercially viable, and committing to carbon neutrality places significant emphasis on our management team to deliver projects and work with our tenants to reduce energy consumption and cost. This will ultimately improve the value of our assets, and create a positive impact on the environment – outcomes that are consistent with the Fund’s objective of generating sustainable returns over the long term.”

### Overview and outlook

APN Industria REIT is well positioned, with a high quality portfolio generating growth that is underpinned by 83% of leases with fixed annual reviews of 3% or more. Gearing is low at 29%, and deployment of capital is likely to generate FFO upside for investors.

Full year FFO guidance of 19.9 cents per security, representing ~3.5% growth over FY19, is reiterated. Guidance is subject to current market conditions continuing and no unforeseen events.

This document has been authorised to be given to the ASX by the Board of APN Funds Management Limited.

**ENDS**

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#### About APN Industria REIT

APN Industria REIT (‘Industria’) (ASX code: ADI) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. Industria’s \$824 million portfolio of 32 properties located across the major Australian cities provides sustainable income and capital growth prospects for security holders over the long term. Industria has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to management. Industria is managed by APN Property Group, a specialist real estate investment manager established in 1996, and governed by a majority independent Board.

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