

## ASX ANNOUNCEMENT

18 August 2021

### Results for the period ending 30 June 2021 – record FFO; certified carbon neutral portfolio

#### Highlights

- Funds From Operations (FFO) up \$4.4 million (12.0%) to \$41.2 million, the strongest performance since IPO, and an increase of 3.1% to 19.9 cents per security
- Strong cash flow with 99.9% gross rent invoiced converted to collected cash
- Net Tangible Assets up 13.5% to \$3.20, including \$85.2 million of valuation gains – the portfolio is now \$1.1 billion with a weighted average capitalisation rate 5.78%
- One of the first A-REIT's to be certified carbon neutral by Climate Active across the property portfolio and associated corporate operations
- 42,100 square metres of leasing delivered with occupancy increasing 4% over the year to 98%
- Transition to Dexu with continuation of existing APN team, preserves strong governance, and increases depth of expertise and growth prospects

#### Financial Results

APN Funds Management Limited, as Responsible Entity for APN Industria REIT (ADI), today announced the results for the financial year ending 30 June 2021. Statutory net profit increased 117.5% to a record of \$119.2 million, with \$85.2 million of revaluation gains, as well as increased revenues from leases with fixed annual increases and additional income from acquisitions, driving a substantially higher result than the prior corresponding period (pcp).

Funds From Operations (FFO) increased 12% (\$4.4 million) to \$41.2 million, or 3.1% per security to 19.9 cents. This outcome is above the 2 – 3% guidance range, which was upgraded during the period from broadly the same as FY21. The distribution declared was \$36.4 million, up 9%, or 17.3 cents per security, reflecting an payout ratio of 86.9% of FFO.

A key driver of the increase in FFO was Net Property Income rising 10.9% to \$49.9 million, which represents 2.1% like for like growth, and was boosted by 8.7% growth at Brisbane Technology Park (BTP). The resilience of the occupier base was again reflected in our rent collection performance, with 99.9% of contracted gross rent being collected.

Gearing is 31.6%, the lower end of the target range of 30 - 40%. To fund \$182 million of accretive acquisitions during the year, \$55.4 million of equity was raised, and approximately \$300 million of debt facilities were established or refinanced with an average maturity of 3.9 years. The weighted average cost of debt was 2.65% at balance date and interest cover is 7.2x, one of the highest ratios in the A-REIT sector.

Net Tangible Assets (NTA) increased 38 cents per security to \$3.20. This was driven by \$81.7 million of fair value adjustments, largely the result of 55% of the portfolio being independently revalued during the period and material increases being reported.

Alex Abell, Fund Manager of APN Industria REIT said: "This year's strong result is largely the outcome of our continued focus on asset management and capital deployment in the most attractive markets, underpinning 12% FFO growth and a 13.5% increase in Net Tangible Asset backing per security. Industrial market conditions continued to strengthen and we anticipate continued valuation growth in FY22 – with transactions in the 3 – 4% cap rate range becoming more common, a meaningful differential to ADI's weighted average cap rate of 5.8%."

## **Property portfolio and asset management**

The APN Industria REIT portfolio includes 39 assets – comprising 67% industrial warehouses and 33% business park office properties (by value). The composition of industrial properties in the portfolio has increased from 24% to 67% in 5 years as APN proactively invested \$452 million of capital into this sub-sector. This asset allocation decision has been a key driver of growth that has contributed to a total securityholder return over this 5 year period of 94%, with distributions accounting for more than 40% of the return.

The weighted average cap rate for the \$1.1 billion portfolio is now 5.78%, tightening 0.60% over the past 12 months, and the weighted average lease expiry (WALE) is 5.4 years. Occupancy during the year increased from 94% to 98%.

Leasing across the portfolio totaled 42,100 square metres, with success in both the industrial and business park components of the portfolio. Industrial leasing was 37,500 square metres, and included the lease up of 80 – 96 South Park Drive, Dandenong South, and renewals at both 32 Garden St and 147- 153 Canterbury Road, Kilsyth, as well as Australia Post at 5B Butler Boulevard, Adelaide Airport, which was a key business plan initiative for this FY21 acquisition.

Leasing across ADI's business park investments was driven by small to medium sized occupiers, particularly at Brisbane Technology Park, where 47 deals were completed over 3,300 square metres, demonstrating the active approach to management and the increasing appeal the park has to occupiers, particularly tenants from technology and life science industries. At Rhodes Corporate Park, 1,300 square metres was leased, and the re-leasing campaign for Building A is tracking well with approximately 5,000 square metres of space under negotiation, whilst the existing tenant is still in occupation until September 2021.

## **Carbon neutral certified for portfolio and operations**

APN Industria REIT is one of the first A-REIT's to be certified carbon neutral across its portfolio and operations, in accordance with the Climate Active Standard. Climate Active's carbon neutral certification is awarded to businesses and organisations that are determined to have achieved net zero emissions (carbon neutrality).

The energy generated from ADI's direct investments in onsite solar, which have been installed over the past 4 years, has saved approximately 2.4 million kilograms of carbon dioxide emissions from being released into the atmosphere, and exceeded the emissions attributable to the portfolio under the Climate Active standard. The energy generated from ADI's investments is anticipated to improve further in FY22, with additional solar installations planned.

Commenting on the achievement, Alex Abell said: "We set this ambitious carbon neutral target in 2020, seeking certification not only across our operations – being largely our head office and travel footprint – but also across all the property portfolio that we have operational control over. The outcome is a credit to our team and the work we have undertaken in prior periods to position our portfolio strongly, especially with regards to energy generation which is more than double the energy we consume, after the installation of 2.5 megawatts of solar that offsets our emissions and also reduces the reliance on the grid."

## **Transition to Dexu**

On 13 August 2021, the Dexu acquisition of APN Property Group (APN), the manager of APN Industria REIT, was implemented. As a result, Dexu is now the manager of APN Industria REIT. Dexu maintains a 15.3% stake in ADI, demonstrating continued alignment, with the APN management team being retained.

Dexu has a like-minded investment philosophy to APN, as well as an integrated real estate management platform that has established expertise in industrial and office investment and development, with an extensive track record of value creation. ADI's security holders will also gain access to a deeper pool of growth opportunities, across all markets, given Dexu's reach across its \$42.5 billion portfolio investing in the Australian office, industrial, retail and healthcare property sectors.

Existing governance arrangements will remain, including the continuation of the independent Responsible Entity Board that has overseen the delivery of the strategy since the IPO of ADI in 2013.

As a result of the acquisition, the Fund will rebrand to Dexu Industria REIT and the ticker code will be DXI. These changes are planned to take effect in October 2021. The rebranding simplifies the Fund's market positioning for existing and potential tenants and investors.

## Overview and outlook

The Fund remains well positioned, with a carbon neutral portfolio carried at an average cap rate of 5.78%, and approximately 3% fixed average annual rent increases and a weighted average lease expiry of 5.4 years. The rent roll is underpinned by government, listed, national and multi-national companies, which make up 87% of income, providing strong ongoing income resilience with 99.9% of rent collected in FY21.

Dexus's integrated real estate management platform, coupled with the continuation of the existing management team provides greater asset management and future growth opportunities for ADI.

Whilst there is leasing momentum at Rhodes Corporate Park, with approximately 5,000 square metres under offer, this has not been included in FY22 earnings guidance and provides potential for upside.

FY22 guidance has been set at FFO 19.3 cents per security and DPS 17.3 cents per security, subject to a continuation of current market condition and no unforeseen circumstances.

## ENDS

For further information, please contact:

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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 governed by a majority Independent Board, and managed by Dexus (ASX:DXS), one of Australia's leading fully integrated real estate groups, with over 35 years of expertise in property investment, funds management, asset management and development.

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

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### About Dexus

Dexus (ASX: DXS) is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at \$42.5 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$17.5 billion of office, industrial and healthcare properties, and investments. We manage a further \$25.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$14.6 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Sustainability is integrated across our business, and our sustainability approach is the lens we use to manage emerging ESG risks and opportunities for all our stakeholders. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange and is supported by more than 30,000 investors from 23 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering superior risk-adjusted returns for investors.

[www.dexus.com](http://www.dexus.com)

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