



18 February 2021

**APN PROPERTY GROUP ANNOUNCES HY21 RESULTS
WITH STRONG OPERATING EARNINGS GROWTH AND GUIDANCE UPGRADE**

HY21 Achievements

- Operating Earnings¹ up 5% to \$6.7 million (HY20: \$6.4 million)
- Operating Earnings per security increased to 2.05 cents per security (cps) (2.03 cps in pcp)
- Statutory net profit after tax increased 32% to \$22.9 million (HY20: \$17.4 million)
- Funds Under Management (FUM) up \$242 million to \$2.9 billion (up 9% on June 2020) (in excess of \$3.0 billion (up 13%) with assets under contract / negotiation at balance date)
- Strengthened balance sheet position with net tangible assets of \$139.4 million and cash of \$21.1 million²
- NTA per security of 42.4 cents (up 18% on June 2020)
- Active portfolio development during the period, including asset acquisitions, strong leasing volumes and asset improvement projects across \$1.6 billion of direct property funds
- Interim distribution declared of 1.70 cps (payout ratio of 83% of Operating EPS)
- FY21 distribution guidance upgraded to 3.20 to 3.50 cps (previously 3.00 to 3.20 cps), subject to a continuation of current market conditions and no unforeseen events occurring

Growth in Operating Earnings and Distributions

APN Property Group (ASX: APD) (APN or the Group) today reported an increase in statutory net profit after tax for HY21 of 32% to \$22.9 million. Operating Earnings¹ was \$6.7 million (up 5%) or 2.05 cps.

The Board has declared an interim distribution of 1.70 cps for the period ended 31 December 2020, to be paid on 4 March 2021 to those securityholders registered as at 31 December 2020.

APN's Chief Executive Officer, Mr Tim Slattery, said "I'm delighted to present our FY2021 first half results which demonstrate APN's disciplined approach to growth over several years and our team's considerable achievements through a challenging 2020. APN met these challenges very well and we are exceptionally well placed to continue to grow our funds from this point. We have some excellent investment opportunities we are actively pursuing, strong ongoing investor support and significant balance sheet capacity.

"Strong ongoing income-based investment performance across our listed and unlisted funds drove a 5% increase in APN's operating profit. We have leased over 25,000 sqm across our funds' portfolios with direct property cash collections of over 99% for the period. These results highlight both the quality and resilience of the group's investments and our team's 'hands on' approach to working with our tenant partners and our properties to add real value.

¹ Operating Earnings after tax is an unaudited performance metric used by the Group as a key measurement of underlying performance. It adjusts statutory profit for certain non-operating items recorded in the income statement including certain business development expenses and realised / unrealised fair value movements on the Group's co-investments.

² Includes cash held in trust for underlying funds managed by the Group of \$0.1 million and \$5.7 million for AFS Licences.

“We have had a very active six months of portfolio activity with over \$200 million of industrial and convenience retail property transactions signed. These were exceptionally well supported with over \$100 million in new equity raised and major new debt facilities from new and existing financiers.

“We are particularly excited by the launch in September of our new APN Global REIT Income Fund. The Fund leverages and extends our existing international securities capability and will provide investors international commercial property exposure to traditional, but also a wide range of specialist, real estate sectors such as data centres and mobile phone towers coupled with APN’s established and consistent focus on reliable cash income streams. The new global fund is a significant opportunity for both investors and APN alike given the scale of the global REIT sector and the ongoing need for reliable income in investment portfolios.

“With the demand we are seeing, the continuation of very low interest rates means that high quality commercial real estate which can deliver high and sustainable cash yields is being sought out by a wide range of investors.

“On the back of our first half results and our outlook we have increased our original FY21 distribution guidance by 26% to 3.20 to 3.50 cents per security.

“APN remains exceptionally well positioned to continue to deliver on our strategy of building value for securityholders through improving the scale and profitability of our business with excellent investment performance and outstanding service.”

Funds and Performance

APN has an established and diversified funds management platform, operating 11 funds with a total of \$2.9 billion under management, including over 120 properties across its listed and unlisted direct property funds.

APN’s real estate securities funds are structured to suit income-focused investors, principally invested in rental cash flows and higher underlying yields based on APN’s ‘Property for Income™’ investment philosophy. The APN AREIT Fund has delivered annualised returns since inception of 11.1%. The APN Asian REIT Fund has continued to grow, with FUM of \$49 million at 31 December 2020, and has also delivered investors total returns of 11.1% per annum since its inception in July 2011.

Both of APN’s listed REITs were active in enhancing their portfolios during the period, raising equity to fund new acquisitions to diversify and grow their income streams, raising a combined total of ~\$100 million of new equity.

APN Industria REIT’s (ASX: ADI) FUM reached \$952 million³ as at December 2020, having announced \$108 million of industrial property acquisitions (of which a further ~\$30 million are due to settle in the second half). ADI has accelerated its strong leasing momentum, with continued active management of the portfolio leading to transactions totalling ~25,100 sqm in the period. With gearing of 31%, it maintains the funding capacity to pursue new opportunities to deliver additional value through income growth for ADI’s securityholders.

APN Convenience Retail REIT (ASX: AQR) announced \$82 million of committed acquisitions during HY21 and has a further \$45 million under exclusive due diligence. FUM increased to \$543 million as at 31 December 2020, with pro forma FUM of ~\$620 million on the completion of the remaining acquisition and development pipeline. With pro forma gearing of 31% at 31 December 2020 (at the lower end of the target range of 25% – 40%), AQR is strongly positioned to deliver further portfolio diversification and income growth.

In our unlisted direct property activities, APN successfully completed the APN Coburg North Retail Fund, realising the sale of the Fund’s property at a 13% premium to its acquisition price. Key additional achievements in APN’s direct funds include a further distribution upgrade in the APN Nowra Property Fund to 8.25% pa and strong leasing results in the APN Regional Property Fund contributing to an independent re-valuation uplift of 22% to \$66m.

³ ADI FUM includes a right of use asset value of \$20m, refer to the ADI financial report for further information

Distributions, Upgraded Guidance and Capital Management

The Board has declared an interim distribution of 1.70 cps which will comprise a 0.93 cps fully franked dividend and a trust distribution of 0.77 cps.

The Board has increased its full year FY21 distribution guidance to 3.20 to 3.50 cps (previously 3.00 to 3.20 cps), based on a continuation of current market conditions and no unforeseen events occurring. At the midpoint this represents a cash yield of 6.2% on a \$0.54 security price.

APN's Board recognises APN has several attractive opportunities to allocate capital to existing and new growth opportunities which the Board is confident will add value for securityholders. In addition, APN's Board is actively considering capital management initiatives including an on-market buy-back of APN securities which may also present an attractive opportunity to add value for securityholders. Any decision to undertake capital management activities will be advised to the ASX following the Board's full consideration.

Growth Opportunities and Outlook

APN continues to progress a range of platform growth opportunities. Specifically, APN is evaluating new investment funds in the childcare and real estate debt sectors which present significant future opportunities to establish funds with strong and consistent risk adjusted returns and scalable revenue streams.

Given the prevailing low interest rate environment, we believe APN's income-focused commercial property investments remain an attractive option that will continue to resonate with investors. Coupled with APN's track record of disciplined growth and investment performance we continue to believe in the excellent future prospects of the Group to continue to build value for all securityholders.

Conference call

APN will hold a group investor conference call at 11:00am (Melbourne time) today, 18 February 2021.

Dial in details: Participants can dial +61 2 9007 8048 or 1800 455 963 (toll free) to join the call. When prompted, please enter Conference ID: 10011933

To bypass the operator and gain immediate access to the event, participants can preregister: <https://s1.c-conf.com/diamondpass/10011933-huSw0V.html>

This announcement was authorised to be given to the ASX by the Board of APN Property Group Limited and the Board of APN RE Limited.

ENDS

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About APN Property Group

APN Property Group (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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