

## ASX ANNOUNCEMENT

17 February 2021

### Results for the period ending 31 December 2020

#### Underlying FFO growth supported by resilient cash flow and portfolio expansion

- Funds From Operations (FFO) up \$1.5 million (8.2%) to \$19.8 million, or 10.0 cents on a per security basis, consistent with the prior period
- Strong cash flow with 99.3% rent collections
- Active management driving value: 25,100 square metres of leasing completed; independent valuations of industrial properties increased by 7.9%, driving \$19.0 million of valuation uplifts across the portfolio
- Deployed \$108.1 million into high quality industrial assets at an average yield of 6.9%
- Reiterated upgraded guidance of 19.7 – 19.9 cents per security (approximately 2 – 3% growth on FY20)

#### Financial Results

APN Funds Management Limited, as Responsible Entity for APN Industria REIT ('ADI' or 'Industria'), today announced the results for the period ending 31 December 2020. Statutory net profit was \$31.9 million, a reduction of \$7.4 million on the prior comparative period (pcp), largely attributable to non-cash items including property revaluation gains, which were \$19.0 million, \$6.5 million lower than pcp.

Funds From Operations (FFO) increased to \$19.8 million (8.2% growth), or 10.0 cents per security, consistent with the prior period. Net Property Income increased \$1.5 million (6.7%), driven by rental uplifts and acquisitions. This high-quality result included 99.3% rent collections, demonstrating the robustness of the portfolio.

Capital management remains an important aspect of managing Industria, including seeking to minimise refinancing and interest rate risk. The balance sheet is strongly positioned, with 31.1% gearing, the lower end of the 30 – 40% target band. \$90 million of new debt facilities were secured during the period with an average maturity of 4 years. The weighted average debt maturity was 2.8 years and interest rate 2.8%, with financing from three banks and no more than 45% exposure to a single lender. 58% of debt is hedged at an average rate of 1.7%.

Net Tangible Assets (NTA) increased 2.1% to \$2.88 per security, with valuation uplifts equivalent to 9 cents offset by transaction costs (largely stamp duty). Industrial assets independently revalued increased by 7.9%, and business park properties increased 1.2%. 100% of assets were independently revalued throughout calendar year 2020.

Alex Abell, Fund Manager of APN Industria REIT said: "Today's result reflects the ongoing focus and energy of our team, whom have provided outstanding levels of service to our tenants, as well as the resilience of the income generated from the portfolio, and our discipline when allocating capital towards growth opportunities. These factors have been a consistent theme for APN over many years, and have supported a 13% total securityholder return over the last 12 months – a highly volatile period – as well as guidance of 2 – 3% FFO growth in FY21."

#### Property Portfolio

The APN Industria REIT portfolio is comprised of 37 properties, 61% of which are industrial warehouses and 39% business park office properties (by value). Occupancy is 97%, the weighted average cap rate 6.16% and weighted average lease expiry (WALE) 5.1 years.

Leasing during the period totaled 25,100 square metres. Highlights included a new 7 year lease at 80 - 96 South Park Drive across 10,241 square metres (removing the only industrial vacancy in the portfolio), and extending the term of the sole tenant at 32 Garden St, Kilsyth, until 2030. Small to medium sized tenants remain active across the business park properties: 18 deals were completed at Brisbane Technology Park across 1,750 square metres; and 4 deals at Rhodes Corporate Park across 720 square metres.

The development of a childcare facility at Brisbane Technology Park was completed, and will generate an 8% yield on cost on a cost base of \$4.4 million. The \$5.5 million expansion of the Westrac facility is scheduled to complete in July 2021 and will generate a yield on cost of 6.75%.

"25,100 square metres of leasing throughout 2020 proved up rental levels as well as de-risking future cash flows, both key aspects that drive valuation growth. We anticipate buoyant conditions in industrial and logistics sectors to result in continued value uplifts in the coming periods," Alex Abell said.

### **Portfolio growth**

Throughout the period, \$108.1 million was invested into 5 high quality industrial assets at an average yield of 6.9% and average WALE of 3.2 years. The assets are located in three core industrial markets in Melbourne, Brisbane and Adelaide, and provide the opportunity to add value over the medium term by de-risking the cash flow.

Commenting on the growth, Alex Abell said: "In a competitive market we have continued to find buying opportunities at attractive valuations, that are well located and can be re-leased to a variety of occupiers. These characteristics provide APN with the ability to add value over the medium term, as we have done with the existing portfolio"

### **Sustainability and commitment to carbon neutrality in FY21**

Since 2017, APN has been actively reducing carbon emissions and enhancing the energy efficiency across the portfolio, largely through investments in solar PV and LED lighting. Approximately 2.5MW of solar has now been installed, and CO<sub>2</sub> emission reductions for FY21 are anticipated to be approximately 3,800 tonnes.

In FY21, APN Industria REIT anticipates becoming the first A-REIT to achieve carbon neutrality in accordance with the Climate Active Organisations standard, an Australian Government framework recognised by the European Union Commission and the World Bank.

### **Overview and outlook**

APN Property Group, the manager of APN Industria REIT, is strongly aligned to long term performance through a \$82 million co-investment. As APN Property Group is 30% owned by Directors and Management, this represents one of the highest levels of financial alignment of key personnel across the A-REIT sector. In addition, Industria has an independent board that has over 30 years of experience (an average), ensuring a robust governance framework.

93% of APN Industria REIT's revenue is generated by government, listed, national and multi-national companies. The resilience of these tenants has resulted in 99.3% rent collections throughout calendar year 2020, and underpin the guidance statement. The balance sheet is robust and provides capacity to debt fund further growth opportunities that generate income and add-value over time, consistent with acquisitions completed in recent periods.

FY21 guidance is reiterated:

- FFO 19.7 – 19.9 cents per security (~2 – 3% growth)
- DPS 17.3 cents per security (consistent with FY20)

Guidance is subject to a continuation of current market conditions and no unforeseen events occurring.

**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 \$952 million portfolio of 37 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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