

ASX ANNOUNCEMENT

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17 August 2021

FY21 Results, Acquisitions and Equity Raising

APN Convenience Retail REIT (the **Fund**) is pleased to announce its results for the year ended 30 June 2021, the acquisitions of United Gordonvale, QLD and 7-Eleven Kingston, QLD and a fully underwritten equity raising comprising a \$45 million institutional placement (**Placement**) and a security purchase plan (**SPP**) to eligible securityholders¹ to raise \$5 million² (together the **Offer**).

FY21 highlights

- Distributions of 21.9 cents per security (**cps**), an increase of 0.5% on FY20 (with a high tax deferral component of 80.2%)
- Funds From Operations (**FFO**) of \$25.9 million or 21.9 cps, up 34.6% and 1.4% on FY20 respectively, reflecting the issuance of new securities during the year
- Statutory profit of \$73.8 million, up \$28.0 million on FY20
- Portfolio revaluation uplift of \$53.9 million or 12.1% during the year driven by a combination of cap rate compression (weighted average cap rate of 6.0%) and annual rent increases
- Net Tangible Assets (**NTA**) up 40 cps to \$3.67, a 12.2% increase on 30 June 2020
- \$185 million of contracted acquisitions in FY21 with a further \$28.6 million contracted post balance date
- 15 new long term major lease deals completed, extending the portfolio's WALE and enhancing the lease expiry profile with 92% of portfolio income expiring in FY30 and beyond
- \$47.4 million of new equity raised during the year
- Increased debt facility limit by \$90 million, lengthening tenor and introducing a new financier to the banking syndicate
- Balance sheet gearing of 28.2% as at 30 June 2021
- FY22 FFO and distribution guidance of 22.9 cps, an increase of 4.6% on FY21³
- Transition to Dexu management preserves strong governance, and increases depth of expertise and growth prospects

Financial results

The Fund recorded a statutory profit of \$73.8 million for the financial year ended 30 June 2021.

FFO for the year was \$25.9 million, representing an increase of 34.6% on FY20. On a per security basis, FFO of 21.9 cents per security represents a 1.4% increase on FY20 due to the issuance of new securities during the year. The increase in FFO was predominately a result of a 26.1% increase in net property income which was driven by like-for-like property rental growth of 2.8% as well as the contribution from acquisitions and development projects completed during the year.

¹ Eligible securityholders are holders of existing AQR securities as at 7:00pm (Sydney time) on 16 August 2021, with a registered address in Australia and New Zealand and are not in the United States and are not acting for the account or benefit of a person in the United States (**Eligible Securityholders**).

² The Fund may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

³ Includes the impact of the Acquisitions and Offer. Subject to current market conditions continuing and no unforeseen events.

Distributions for the year of 21.9 cents per security represent an increase of 0.5% on FY20. Distributions benefit from a high tax deferral component of 80.2%.

NTA per security increased during the year by 40 cents, or 12.2%, to \$3.67.

Chris Brockett, Fund Manager commented “It has been another active year for AQR, which has delivered a solid set of results. We have continued to deliver on our strategy of providing investors with a defensive and growing income stream as well as actively diversifying and growing the portfolio, having contracted to acquire \$185 million of property in FY21 and recently contracting a further \$28.6 million.

This transaction activity has positioned the Fund to deliver a 4.6% increase in distributions in FY22, after allowing for the impact of the proposed Acquisitions and Offer”.

Portfolio performance

The portfolio continues to be resilient amid the COVID-19 pandemic, with all sites remaining open and trading. We expect service station and convenience retail properties to remain highly sought after as a stable and defensive asset class due to their long leases, strong lease covenants and exposure to non-discretionary spending.

The portfolio is well diversified by geography, tenant and site type. It is underpinned by long-term leases to high quality and experienced national and global tenants, with 94% of the rental income derived directly from major service station tenants.

The portfolio is 99.6% occupied and is supported by a long weighted average lease expiry (**WALE**) of 11.9 years. During the year, the Fund successfully secured new long-term lease deals with major fuel tenants at 15 properties, enhancing the Fund’s lease expiry profile and providing securityholders with a stronger level of income security with 92% of rental income expiring in FY30 and beyond.

The portfolio also provides a sustainable and growing income stream with 89% of rental income subject to fixed annual increases of 2.75% or more, while 11% is linked to CPI rental escalations, resulting in an average portfolio rental growth of 3.0% per annum.⁴

As at 30 June 2021, the portfolio comprised 98 properties, with the total portfolio value increasing by \$184.5 million, or 41.2%, during the year. This increase was driven by \$130.6 million of completed acquisitions and developments and a \$53.9 million revaluation uplift.

The portfolio’s weighted average capitalisation rate tightened by 56 basis points to 6.02% with all properties being independently valued during the year.

Continued execution of successful acquisition strategy

During the year the Fund successfully contracted \$185 million of property acquisitions of which \$111.9 million settled by 30 June 2021, while \$73.1 million will settle post-balance date.

Subsequent to year end, the Fund contracted a further two properties totaling \$28.6 million. One asset settled in August 2021, with the other due to settle late September 2021.

Mr Brockett commented, “These transactions have contributed to extending the portfolio WALE, improving geographic diversification and strengthening the quality and diversification of tenants. They also demonstrate that we continue to be active in sourcing and executing on new investment opportunities while maintaining a focused approach to our acquisition growth strategy of developing partnerships with developers and tenants to enhance the Fund and create long-term sustainable value for securityholders.”

⁴ Assumes CPI of 1.0% p.a

Capital management

Total drawn debt at 30 June 2021 was \$181.5 million, resulting in a gearing ratio of 28.2%.

During the year, the Fund raised \$47.4 million of new equity comprising:

- a \$30 million fully underwritten institutional placement and \$15 million from security purchase plans; and
- \$2.4 million from the Distribution Reinvestment Plan (**DRP**) for the June 2020, September 2020 and December 2020 quarters.

The DRP also operated for the June 2021 quarter raising a further \$0.8 million post balance date.

During the year, the Fund increased the total debt facility limit from \$165 million to \$255 million and introduced a new financier to the banking syndicate. The new facility limit has lengthened the average debt tenor and improved funding and flexibility that will support growth plans.

Additionally, the Fund completed \$50 million of interest rate hedge transactions, resulting in a lower fixed interest rate and a longer hedge maturity profile.

Mr Brockett commented, "The equity raisings and our recent capital management initiatives have supported the Fund's growth. We continue to manage our capital and debt to ensure the Fund remains well placed to deliver on our strategy of investing in strategically located convenience retail assets while maintaining a prudent level of gearing. We appreciate the ongoing strong support we receive from our securityholders and from our financiers."

Acquisitions and Equity Raising

The Fund is also pleased to announce today that it has entered into sale contracts to acquire 2 service station and convenience retail properties in Queensland (the **Acquisitions**).

Details of the properties are provided below:

Asset	State	Major tenants	Purchase price ⁵ (\$m)	Initial yield	WALE ⁶ (years)	WARR ⁷	Expected settlement
Gordonvale	QLD	United, McDonald's, Subway	\$18.4	5.77%	9.4	2.5%	Sept-21
Kingston	QLD	7-Eleven, Zambrero	\$10.2	5.75%	7.5	4.0%	Settled
TOTAL			\$28.6	5.77%	8.7	3.0%	

The Fund is undertaking a fully underwritten:

- institutional placement to raise approximately \$45 million (**Placement**); and
- security purchase plan to Eligible Securityholders to raise \$5 million⁸ (**SPP**) (together the **Offer**).

The proceeds of the Offer will be used to fund the Acquisitions, associated transaction costs of the Acquisitions and in connection with the Offer and to repay debt to support the Fund's core business activities.

Pro forma gearing as at 30 June 2021 is expected to be 31.2% after adjusting for the Acquisitions and Offer, DRP for the June 2021 distribution, \$73.1 million of contracted acquisitions at 30 June 2021 settling post balance date and the remaining development pipeline of \$3.7 million.

⁵ Excludes transaction costs.

⁶ WALE by income as at 16 August 2021.

⁷ Weighted average rent review, assuming CPI of 1.0%

⁸ The Fund may (in its absolute discretion) in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Outlook

The Fund is well positioned to continue delivering long term secure income and capital growth to securityholders.

The Fund has a clear and focused acquisition strategy backed by a strong balance sheet with capacity to pursue further accretive acquisition opportunities.

Including the impact of the Acquisitions and Offer announced today, the Fund provides FY22 FFO and distribution guidance of 22.9 cents per security, up 4.6% on FY21.

This guidance is subject to current market conditions continuing and no unforeseen events.

Placement

The Fund is undertaking a fully underwritten institutional placement to raise approximately \$45 million. The Placement is fully underwritten by MA Moelis Australia.

The New Securities to be issued under the Placement will be issued at a fixed price of \$3.60 per New Security, which represents a:

- 3.2% discount to the last closing price of \$3.72; and
- 2.8% discount to the 5-day VWAP of \$3.70,

(both as at 16 August 2021).

New Securities issued under the Placement and held on the record date for AQR's distribution for the September 2021 quarter will be entitled to that distribution.

Security purchase plan

Eligible securityholders in Australia and New Zealand will be invited to subscribe for up to \$30,000 of New Securities⁹, free of brokerage and transaction costs, via a fully underwritten SPP of \$5 million¹⁰. The SPP is fully underwritten by MA Moelis Australia. New Securities issued under the SPP will be issued at the lower of \$3.60 per New Security or a 2.5% discount to the 5-day volume weighted average price at the end of the SPP offer period.

Further information on the SPP will be lodged with the ASX and sent to Eligible Securityholders on or around 25 August 2021.

New Securities issued under the SPP and held on the record date for AQR's distribution for the September 2021 quarter will be entitled to that distribution.

⁹ Securityholders are restricted from being issued more than \$30,000 worth of securities under an SPP in any consecutive 12-month period. As such, the amount Eligible Securityholders are able to subscribe for under the SPP will be reduced by any amount received under AQR's previous SPP announced on 8 December 2020 and issued on 21 January 2021.

¹⁰ The Fund may (in its absolute discretion), in a situation where total demand exceeds \$5 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back.

Timetable

Event	Date
Record date for SPP	7.00pm, Monday, 16 August 2021
Trading halt and announcement of Placement	Tuesday, 17 August 2021
Placement bookbuild	Tuesday, 17 August 2021
Settlement of new securities issued under the Placement	Friday, 20 August 2021
Allotment and normal trading of securities issued under the Placement	Monday, 23 August 2021
SPP offer opens and booklet is dispatched	Wednesday, 25 August 2021
SPP offer closes	5.00pm, Thursday, 16 September 2021
SPP allotment date	Thursday, 23 September 2021
Despatch of holding statements and normal trading of new securities issued under the SPP	Friday, 24 September 2021

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

Transition to Dexu

On 13 August 2021, the Dexu acquisition of APN Property Group (**APN**), the manager of APN Convenience Retail REIT, was implemented. As a result, Dexu is now the manager of APN Convenience Retail REIT. Dexu maintains a 10% stake in the Fund, demonstrating continued alignment, with the APN management team retained.

Dexu has a like-minded investment philosophy to APN, as well as an integrated real estate management platform that has established expertise in property investment and development, with an extensive track record of value creation. AQR securityholders will also gain access to a deeper pool of acquisition opportunities, given Dexu's reach across its \$42.5 billion group 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 AQR's strategy since the IPO in 2017.

As a result of the acquisition, the Fund will rebrand to Dexu Convenience Retail REIT and the ticker code will be DXC. These changes are planned to take effect on 1 October 2021. The rebranding simplifies the Fund's market positioning for existing and potential tenants and investors.

Additional information

Additional information about the FY21 Results, Acquisitions, the Placement and SPP, including certain risks, are contained in the investor presentation released to the ASX today. All dollar amounts are in Australian dollars unless otherwise indicated.

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 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 98 properties valued at approximately \$633 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 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

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

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