

ASX ANNOUNCEMENT

15 June 2021

Irongate Group (ASX: IAP)

Acquisition of Canberra Office Property and Placement

Irongate Funds Management Limited as responsible entity of the Irongate Group¹ (IAP) is pleased to announce the following:

- The acquisition from Blackstone Group Inc.² of a 100% interest in the property located at 38 Sydney Avenue, Canberra ACT (**Property**) for a total purchase price of A\$73.75 million³ (**Acquisition**).
- A fully underwritten institutional placement to raise approximately A\$50 million (**Placement**) at an issue price of A\$1.47 per stapled security (**Issue Price**) to partly fund the Acquisition and the associated transaction costs.

Property

The Property is an A-grade office building comprising 8,901m² of accommodation across four levels including a ground floor cafe in one of Canberra's prime office precincts. The Property is being acquired on an initial yield of 5.13%⁴.

The Property is 55% leased to the Australian National Audit Office, a department of the Australian Federal Government functioning as the national auditor for the Parliament of Australia with 13.5 years remaining on the lease term and annual fixed rent reviews of 3.5%. The balance of the office space (3,920m²) is subject to a 24-month non-refundable gross rent guarantee provided by the vendor, resulting in a WALE for the Property at completion of 8.5 years⁵.

IAP CEO, Graeme Katz, said, "This transaction builds on IAP's track record of acquiring strategically located, good quality income-producing properties. The Property has had approximately A\$12.6 million spent on fit out and refurbishment works in the last two years including a full atrium lobby upgrade, the addition of end-of-trip facilities and refurbishment of on floor amenities."

"The Canberra office market proved resilient through the COVID-19 pandemic, underpinned by the government sector. The Property is located 500m from Parliament House in a precinct with

¹ Comprising Irongate Property Fund I and Irongate Property Fund II.

² The vendor is Merlin Australia Secondary Offices Hold Pty Ltd as trustee for Merlin Australia Secondary Offices Hold Trust.

³ The interest will be acquired by a wholly owned sub trust of IAP purchasing all of the units in a trust known as the 38 Sydney Ave Trust. Purchase price excludes transaction costs and is subject to customary adjustments.

⁴ Initial yield is pre transaction costs.

⁵ Weighted by gross property income. Including 24-month non-refundable gross rent guarantee provided by the vendor.

A-grade vacancy of less than 1%, and this, together with the Property's NABERS energy rating of 4.5 stars and large floor plates that are easily subdividable, gives us confidence with respect to future leasing activities.”

Impact of the Acquisition

	Audited 31 March 2021	Pre Acquisition ⁶	Acquisition	Post Acquisition
Number of properties	32	34 ⁷	1	35
Property valuation (A\$m)	1,237	1,257	74 ⁸	1,331
Lettable area (m ²)	345,787	352,268	8,901	361,169
WACR (%) ⁹	6.02	6.02	5.13 ¹⁰	5.96
Occupancy (%) ¹¹	97.5	97.5	100.0 ¹²	97.6
WALE (years) ¹³	4.7	4.6	8.5 ¹⁴	4.7
WARR (%) ¹⁵	3.4	3.4	3.3	3.4
Office/industrial weighting (%) ¹⁶	68/32	68/32	100/0	69/31

Placement

IAP has today launched a fully underwritten Placement¹⁷ of 34,013,605 new fully paid ordinary stapled securities (**New Securities**) to raise approximately A\$50 million at a fixed Issue Price of A\$1.47 per New Security, representing a:

- 3.9% discount to the last closing price of A\$1.53 on the ASX on Friday, 11 June 2021; and
- 6.2% FY22 distribution yield.¹⁸

New Securities issued under the Placement will rank equally with existing IAP stapled securities from the date of issue and will be entitled to the distribution for the six months to 30 September

⁶ As at 31 May 2021, before adjusting for the Acquisitions.

⁷ Includes the acquisition of Lot 24 Dunhill Crescent which has been announced but has not yet completed.

⁸ Purchase price excludes transaction costs and is subject to customary adjustments.

⁹ Weighted by property value.

¹⁰ Initial yield is pre transaction costs.

¹¹ Weighted by gross property income.

¹² Including 24-month non-refundable gross rent guarantee provided by the vendor.

¹³ Weighted by gross property income.

¹⁴ Including 24-month non-refundable gross rent guarantee provided by the vendor.

¹⁵ Weighted by gross property income.

¹⁶ Weighted by gross property income.

¹⁷ To be conducted by way of a vendor consideration placing in terms of section 5.62 of the JSE Listings Requirements and in accordance with ASX Listing Rule 7.1.

¹⁸ Based on midpoint of guidance of distribution growth range of 2% - 3%. The higher end of the range dependent on securing additional commitments and deployment for the TAP Fund. IAP's policy is to pay out between 80% and 100% of FFO, with an expectation for FY22 to be in the middle of the target range. This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur, and budgeted renewals will be concluded. Budgeted rental income is based on in force leases, contractual escalations and market-related renewals.

2021. The Placement is fully underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch.

The funds raised under the Placement will be used to part fund the Acquisition, with the balance funded under a new tranche of the debt facility provided by Westpac, ANZ and PGIM.

Commenting on the Placement, Katz said, “The placement, the proceeds from which will be used to partly fund the Acquisition, provides IAP with the opportunity to increase liquidity while preserving balance sheet capacity for future growth.”

Financial Impact

Including the impact of the Acquisition and the Placement, FY22 DPS guidance remains unchanged at 2% – 3% growth, and FY22 FFO per security expected to be in line with consensus.¹⁹

The Placement reduces IAP’s pro forma gearing to 30.6%²⁰ (at the lower end of IAP’s target range of 30% to 40%) and following the Acquisition and the Placement, pro forma NTA will be A\$1.42 per stapled security.²¹

Indicative Timetable

Event	Date (and Australian Eastern Standard time if relevant)	Date (and South African time if relevant)
ASX trading halt and announcement of the Placement and Acquisition	By 10.00am, 15 June 2021	By 2.00am, 15 June 2021
Placement bookbuild closes for ASX investors	By 4.30pm, 15 June 2021	By 8.30am, 15 June 2021
JSE trading halt and SENS (JSE) announcements of the Placement and Acquisition	By 4.45pm, 15 June 2021	By 8.45am, 15 June 2021
Placement bookbuild closes for JSE investors	By 8.00pm, 15 June 2021	By 12.00pm, 15 June 2021
Announcement of completion of the Placement on SENS (JSE)	By 10.00pm, 15 June 2021	By 2.00pm, 15 June 2021
ASX announcement of completion of the Placement released on ASX	By 10.00am, 16 June 2021	By 2.00am, 16 June 2021

¹⁹ The higher end of the range dependent on securing additional commitments and deployment for the TAP Fund. IAP’s policy is to pay out between 80% and 100% of FFO, with an expectation for FY22 to be in the middle of the target range. This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur, and budgeted leases will be concluded. Budgeted rental income is based on in force leases, contractual escalations and market-related renewals. 6. Based on the midpoint of the guidance range.

²⁰ Pro forma based on the balance sheet of IAP as at 31 March 2021, adjusted only for the Acquisition and the Placement.

²¹ Barring any unforeseen events and no material change in current market conditions and based on the same underlying assumptions in relation to that guidance in IAP’s 2021 annual report and the property specific assumptions set out in Appendix E of the attached investor presentation.

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Event	Date (and Australian Eastern Standard time if relevant)	Date (and South African time if relevant)
Trading halt lifted on ASX and JSE		
Settlement of New Securities on ASX	18 June 2021	18 June 2021
Settlement of New Securities on JSE	21 June 2021	21 June 2021
Allotment and normal trading of New Securities on ASX	21 June 2021	21 June 2021
Allotment and normal trading of New Securities on JSE	21 June 2021	21 June 2021

The timetable is indicative only and may change without notice. IAP reserves the right to amend any or all of these events, dates and times, subject to the Corporations Act 2001 (Cth), the ASX Listing Rules, the JSE Listings Requirements and other applicable laws. The commencement of quotation and trading of the New Securities is subject to confirmation from the ASX and the JSE (as applicable).

Important Information

Refer to the attached investor presentation for important information about the Acquisition and the Placement (including key risks and property information).

This announcement has been authorised for release by the Company Secretary.

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

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