

ASX ANNOUNCEMENT

9 December 2021

Not for release to US wire services or distribution in the United States

Irongate Group (ASX: IAP)

Acquisition of Properties, Placement and Guidance Upgrade

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

Acquisitions

- The acquisition from Desmar Holdings Pty Limited of an industrial business park located at 16 Aspiration Circuit, Bibra Lake WA (**Bibra Lake Property**) for a purchase price of A\$26 million².
- The acquisition from Alfasi Group³ of a 50% interest in an office building located at 510 Church Street, Cremorne VIC (**Cremorne Property**) for a purchase price of A\$130 million⁴.

Placement

- A fully underwritten institutional placement to raise approximately A\$50 million (**Placement**) at an issue price of A\$1.55 per stapled security (**Issue Price**) to partly fund the acquisition of the Cremorne Property.

Guidance Upgrade

- The Acquisitions are expected to be accretive to FY22 DPS and FFO per security, on an annualised basis.
- FY22 FFO per security growth is expected to be 6.0% to 7.0%, in line with consensus.
- FY22 DPS growth is increased to 2.5% to 3.0%, reflecting the top end of previously communicated guidance⁵.

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

² Through a wholly-owned sub trust, Irongate Property Sub Trust No.29. Purchase price excludes transaction costs and is subject to customary adjustments.

³ Through 510 Church Street Pty Ltd as trustee for the 510 Church Street Unit Trust.

⁴ Through a wholly owned sub trust, Irongate Property Sub Trust No.30. Purchase price excludes transaction costs and is subject to customary adjustments.

⁵ The higher end of the range dependent on securing additional commitments and deployment for the ITAP 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.

Acquisitions

The Acquisitions are consistent with IAP's strategy of acquiring:

- good quality industrial properties with strong tenant covenants that increase IAP's exposure to the strongly performing industrial sector; and
- suburban office properties located in close proximity to key infrastructure.

Bibra Lake Property

The Bibra Lake Property comprises 16,861m² of lettable area across 8 warehouses with 296 car bays and its location 16kms south of the Perth CBD provides excellent connectivity to several of Perth's key transport hubs including Fremantle Port, Kewdale Freight Terminal and Perth Airport. It is also within 4kms of Roe Highway and Kwinana Freeway, two of Perth's key carriageways that will benefit from the WA state government's A\$11.7 billion road upgrade package over the next four years.

The Bibra Lake Property is newly-built in 2015 and provides excellent industrial accommodation ranging from circa 1,500m² to 2,100m² catering for a variety of uses. It is 100% leased with a 3.5 year WALE, with the tenants comprising prominent local businesses and larger national operators. Many tenants have undertaken significant fit outs to suit their specific operations.

Commenting on the acquisition of the Bibra Lake Property, CEO of IAP Graeme Katz said, "We have been able to secure the property off-market at an acquisition yield of 5.8%, which provides an attractive spread to the eastern seaboard states, where industrial assets are currently commanding yields of 4.00% – 4.75%. Recent transactions indicate that this spread will compress as investors shift their focus to the higher yields on offer in the Western Australian industrial market. Vacancy in Perth's southern industrial precincts continued to fall in H1 2021, sitting at 5.4%, largely because of tenants seeking quality accommodation in good locations. With land supply in Perth's key industrial precincts heavily constrained and the supply pipeline at all-time lows, we believe the Perth industrial market is set for continued vacancy compression and rental growth."

Cremorne Property

The Cremorne Property is a brand new A-grade office building comprising 19,798m² of lettable area across 9 levels of office accommodation, ground floor retail and 145 car parks which will achieve a 5.0 Star NABERS Energy Rating, 5 Star Green Star Design Rating and provides excellent tenant amenity with first class end of trip facilities, state of the art digital capabilities and exclusive rooftop terrace with bar. It is located in Melbourne's premier fringe office market, 2kms south-east of the Melbourne CBD, and enjoys excellent connectivity to the East Richmond train station and the Citylink Freeway.

Commenting on the acquisition of the Cremorne Property, Katz added, "The Cremorne Property provides us with an opportunity to improve the overall quality of the portfolio in a market we are familiar with. The property was developed by Alfasi Group who will maintain a 50% interest in the property alongside IAP. Alfasi Group has been in business for more than 40 years and specialises in construction, equipment hire and property development across Australia, Hong

Kong, Macau, China, South Korea, Thailand and Vietnam having been involved in projects such as Marina Bay Sands in Singapore, Bangkok International Airport and the West Kowloon Terminus.”

The Cremorne Property has a current occupancy of 76% with a 7.5 year WALE⁶ and is anchored by multinational Tokyo-listed marketing agency Dentsu Inc. (TYO:DNTUF), Monash IVF (ASX:MVF) and the Commonwealth Government’s National Disability Insurance Scheme, who together account for 59% of income. The vacant space is subject to a 12-month gross rent guarantee provided by the vendor, the majority of which becomes non-refundable if tenants have not been secured and rent payments have not commenced by 1 March 2022. There is strong interest from high quality tenants to lease the vacant space, particularly given the quality of the Cremorne Property and its desirable location.

Impact of the Acquisitions

	Audited 30 September 2021	Pre Acquisitions ⁷	Acquisitions	Post Acquisitions
Number of properties	36	35	2	37
Property valuation (A\$m)	1,464 ⁸	1,434	156 ⁹	1,590
Lettable area (m ²)	364,626	359,906	36,659	396,565
WACR (%) ¹⁰	5.66	5.65	4.85	5.57
Occupancy (%) ¹¹	96.9	95.9	81.0 ¹²	94.7
WALE (years) ¹³	5.2	5.1	6.6 ¹⁴	5.2

Placement

IAP has today launched a fully underwritten Placement¹⁵ of 32,258,065 new fully paid ordinary stapled securities (**New Securities**) to raise approximately A\$50 million at a fixed issue price of A\$1.55 per New Security¹⁶, representing a:

- 6.3% discount to the last closing price of A\$1.655 on the ASX on Wednesday, 8 December 2021; and

⁶ Weighted by gross property income. Includes 12-month gross rent guarantee provided by the vendor of the Cremorne Property.

⁷ As at 30 November 2021, before adjusting for the Acquisitions. Includes the sale of 24 Wormald Street, Symonston ACT which is due to settle on 13 December 2021.

⁸ Including costs to complete relating to the Kingston, Morningside and Cannon Hill fund through transactions.

⁹ Purchase price excludes transaction costs and is subject to customary adjustments.

¹⁰ Weighted by property value.

¹¹ Weighted by gross property income.

¹² Excluding 12-month gross rent guarantee provided by the vendor of the Cremorne Property.

¹³ Weighted by gross property income.

¹⁴ Including 12-month gross rent guarantee provided by the vendor of the Cremorne Property.

¹⁵ 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.

¹⁶ The Responsible Entity confirms that the issue price is within the parameters prescribed by section 5.62 of the JSE Listings Requirements.

- 5.9% FY22 distribution yield.¹⁷

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 31 March 2022. The Placement is fully underwritten by Macquarie Capital (Australia) Limited and J.P. Morgan Securities Australia Limited.

The funds raised under the Placement will be used to partly fund the acquisition of the Cremorne Property, with the remaining funding requirements for the Cremorne Property and the Bibra Lake Property being financed by a new tranche of debt under IAP's existing syndicated debt facility provided by Westpac and ANZ.

Financial Impact

Including the impact of the Acquisitions and the Placement, IAP provides the following guidance:

- The Acquisitions are expected to be accretive to FY22 DPS and FFO per security, on an annualised basis.
- FY22 FFO per security growth is expected to be 6.0% to 7.0%, in line with consensus.
- FY22 DPS growth is increased to 2.5% to 3.0%, reflecting the top end of previously communicated guidance¹⁸.

Post the Acquisitions and the Placement, IAP's pro forma gearing will be 34.3%¹⁹ (below the midpoint of IAP's target range of 30% to 40%) and pro forma NTA will be A\$1.54 per stapled security.²⁰

¹⁷ Based on midpoint of guidance of distribution growth range of 2.5% - 3.0%. The higher end of the range dependent on securing additional commitments and deployment for the ITAP 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.

¹⁸ The higher end of the range dependent on securing additional commitments and deployment for the ITAP 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.

¹⁹ Pro forma based on the balance sheet of IAP as at 30 September 2021, adjusted for events subsequent to the balance sheet date, including the Acquisitions and the Placement.

²⁰ 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 D of the attached investor presentation.

Indicative Timetable

Event	Date (and Australian Eastern Daylight time if relevant)	Date (and South African time if relevant)
ASX trading halt and announcement of the Placement and Acquisition	By 10.00am, 9 December 2021	By 1.00am, 9 December 2021
Placement bookbuild closes for ASX investors	By 4.30pm, 9 December 2021	By 7.30am, 9 December 2021
JSE trading halt and SENS (JSE) announcements of the Placement and Acquisition	By 5.45pm, 9 December 2021	By 8.45am, 9 December 2021
Placement bookbuild closes for JSE investors	By 9.00pm, 9 December 2021	By 12.00pm, 9 December 2021
Announcement of completion of the Placement on SENS (JSE)	By 11.00pm, 9 December 2021	By 2.00pm, 9 December 2021
ASX announcement of completion of the Placement released on ASX Trading halt lifted on ASX and JSE	By 10.00am, 10 December 2021	By 1.00am, 10 December 2021
Settlement of New Securities on ASX	14 December 2021	14 December 2021
Settlement of New Securities on JSE	15 December 2021	15 December 2021
Allotment and normal trading of New Securities on ASX	15 December 2021	15 December 2021
Allotment and normal trading of New Securities on JSE	15 December 2021	15 December 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 Acquisitions 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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