

SENS ANNOUNCEMENT

9 December 2021

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

Irongate Group (JSE: IAP)

Comprising Irongate Property Fund I (IPF I, ARSN 162 067 736) and Irongate Property Fund II (IPF II, ARSN 644 081 309), established in Australia and registered with ASIC as managed investment schemes

Operated by Irongate Funds Management Limited (ACN 071 514 246; AFSL 290 909) (**Responsible Entity**)

IPF I is registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2002

ISIN: AU0000046005

(**IAP** or the **Fund**)

Acquisition of Properties, Placement and Guidance Upgrade

Acquisitions

Irongate Funds Management Limited as responsible entity of the Irongate Group¹ (**IAP**) is pleased to announce that it has entered into agreements to acquire:

- an industrial business park located at 16 Aspiration Circuit, Bibra Lake WA (**Bibra Lake Property**); and
- a 50% interest in an office building located at 510 Church Street, Cremorne VIC (**Cremorne Property**),

together, the **Acquisitions**.

Bibra Lake Property

IAP² has entered into a contract of sale with Desmar Holdings Pty Limited to acquire the Bibra Lake Property for a purchase price of A\$26,000,000³, which represents an initial yield of 5.8%⁴.

The effective date of the acquisition of the Bibra Lake Property is the settlement date under the contract of sale which, subject to satisfaction of certain conditions precedent, is scheduled for 1 February 2022.

Cremorne Property

IAP⁵ has entered into a contract of sale with Alfasi Group⁶ to acquire the Cremorne Property for a purchase price of A\$130,000,000⁷, which represents an initial yield of 4.7%⁸.

¹ Comprising IPF I and IPF II.

² Through a wholly-owned sub trust, Irongate Property Sub Trust No.29.

³ Purchase price excludes transaction costs and is subject to customary adjustments.

⁴ Initial yield is pre-transaction costs.

⁵ Through a wholly-owned sub trust, Irongate Property Sub Trust No.30.

⁶ Through 510 Church Street Pty Ltd as trustee for the 510 Church Street Unit Trust.

⁷ Purchase price excludes transaction costs and is subject to customary adjustments.

⁸ Initial yield is pre-transaction costs.

The effective date of the acquisition of the Cremorne Property is the settlement date under the contract of sale which is scheduled for 15 December 2021. There are no conditions precedent to settlement of the acquisition of the Cremorne Property.

Funding of the Acquisitions

Bibra Lake Property

The purchase price and all transaction costs associated with the Bibra Lake Property will be funded under a new tranche of the syndicated debt facility provided by Westpac and ANZ.

Cremorne Property

IAP has today launched a fully underwritten placement⁹ of 32,258,065 new fully paid ordinary stapled securities (**New Securities**) to raise approximately A\$50 million (approximately ZAR564 million¹⁰) at a fixed issue price of A\$1.55 (equivalent to ZAR17.50¹¹) per New Security¹² (**Placement**), representing a:

- 6.3% discount to the last closing price of A\$1.655 on the ASX on Wednesday, 8 December 2021; and
- 5.9% FY22 distribution yield.¹³

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 balance funded under a new tranche of the syndicated debt facility provided by Westpac and ANZ. Further details of the Placement are contained in the announcement relating to the Placement lodged on SENS dated today's date, Thursday, 9 December 2021.

⁹ 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.

¹⁰ Based on an A\$/ZAR exchange rate of 1.0000/11.2894 as at 4.00pm Sydney close on Wednesday, 8 December 2021.

¹¹ Based on an A\$/ZAR exchange rate of 1.0000/11.2894 as at 4.00pm Sydney close on Wednesday, 8 December 2021.

¹² The Responsible Entity confirms that the issue price is within the parameters prescribed by section 5.62 of the JSE Listings Requirements.

¹³ 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.

Background to and Rationale for the 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 acquisition of the Bibra Lake Property represents an attractive investment for IAP for the following reasons:

- The Bibra Lake Property comprises 16,861m² of lettable area across 8 warehouses with 296 car bays.
- The Bibra Lake Property's 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.
- The Bibra Lake Property 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.
- The acquisition yield of 5.8% 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, the Perth industrial market is set for continued vacancy compression and rental growth. This is particularly prevalent in the southern corridor, with the surrounding residential areas and established industrial precincts resulting in new developments being pushed further south or to the outer east.
- The Bibra Lake Property is being acquired off-market.

Cremorne Property

The acquisition of the Cremorne Property represents an attractive investment for IAP for the following reasons:

- 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.
- The Cremorne Property 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.

- The Cremorne Property was developed by Alfasi Group who will maintain a 50% interest in the Cremorne 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 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.
- The Cremorne Property has a current occupancy of 76% with a 7.5 year WALE¹⁴ 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.

Specific Information Relating to the Properties

Bibra Lake Property

Registered description	Lot 18 on Deposited Plan 69440, and being the whole of the land comprised in Certificate of Title Volume 2762 Folio 691
Title	Freehold
Sector	Industrial
Location	16 kms south of the Perth CBD
Year built	2015
Site area	28,079m ²
Lettable area	16,861m ²
Net rent per m ²	A\$90
Vacancy ¹⁵	0%
WALE ¹⁶	3.5 years
Estimated transaction costs	A\$1,429,000

The Bibra Lake Property has been valued at A\$26,000,000 as at 8 November 2021 by Savills Valuation Pty Ltd. The valuer, Ryan Jacobs, is an independent valuer and a certified practicing valuer (licenced valuer no.44673).

¹⁴ Weighted by gross property income. Includes 12-month gross rent guarantee provided by the vendor of the Cremorne Property.

¹⁵ Weighted by gross property income.

¹⁶ Weighted by gross property income.

Cremorne Property

Registered description	Certificates of title volume 9341 folio 525, volume 1537 folio 387 and volume 12067 folio 053
Title	Freehold
Sector	Office
Location	2 kms south-east of the Melbourne CBD
Year built	2021
Site area	3,026m ²
Lettable area	19,798m ²
Net office rent per m ²	A\$587
Vacancy ¹⁷	24%
WALE ¹⁸	7.5 years
Estimated transaction costs	A\$8,580,000

The interest in the Cremorne Property being acquired by IAP has been valued at A\$130,000,000 as at 15 December 2021 by Savills Valuation Pty Ltd. The valuer, Ben Koops, is an independent valuer and a certified practicing valuer (licenced valuer no.63011).

Forecast Information in Respect of the Cremorne Property¹⁹

Set out below is the forecast revenue, operational net income, net profit attributable to securityholders and earnings available for distribution from the Cremorne Property (**forecast**) for the 4 months ending 31 March 2022 and the 12 months ending 31 March 2023 (**forecast period**).

The forecast has been prepared on the assumption that acquisition of the Cremorne Property will be implemented on 1 December 2021 (notwithstanding that the settlement date under the contract of sale is scheduled for 15 December 2021) and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it is prepared, is the responsibility of the board of directors of the Responsible Entity. The forecast has not been reviewed or reported on by the independent reporting accountants.

The forecast presented in the table below relates to the Cremorne Property only and has been prepared in accordance with IAP's accounting policies and in compliance with International Financial Reporting Standards.

¹⁷ Weighted by gross property 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.

¹⁸ Weighted by gross property income. Includes the 12-month gross rent guarantee provided by the vendor.

¹⁹ Included on the basis that the acquisition of the Cremorne Property is a category 2 transaction under the JSE Listings Requirements.

IRONGATE

	Forecast 4 months ending 31 March 2022 A\$'000	Forecast 12 months ending 31 March 2023 A\$'000
Revenue, including straight line adjustment	2,647	7,972
Total property expenses	(447)	(1,653)
Net property income	2,200	6,318
Fund operating costs	(247)	(741)
Net operating income before finance charges	1,953	5,578
Finance costs	(1,270)	(3,811)
Net profit attributable to securityholders	683	1,767
Less: straight line revenue adjustment	(212)	(583)
Distributable income pre-withholding tax	471	1,184
Distributable income post-withholding tax	471	1,184

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. Contracted revenue is based on existing lease agreements including stipulated increases.
2. There are no leases expiring during the forecast period.
3. Of the rental income of A\$2,647,052 for the 4 months ending 31 March 2022, 100% relates to contracted rental income and rental guarantees provided by the vendor.
4. Of the rental income of A\$7,971,571 for the year ending 31 March 2023, 94% relates to contracted rental income and rent guarantees provided by the vendor.
5. Expenditure items relate to fund operating costs.
6. No material expenditure items have been increased in the forecast period ending 31 March 2022 by more than 15% over the previous financial period.
7. The finance costs assume an all-in cost of funds of 2.75% per annum for the Cremorne Property. At least 75% of the cost of IAP's total debt will be fixed via interest rate swaps (in accordance with IAP's interest rate hedging policy) for 4, 5, 6, 9 and 10 year periods.
8. Distributions are payable to securityholders attributable to the Cremorne Property and are partially shielded by depreciation allowances.
9. A fair value adjustment is recognised in relation to the transaction costs.
10. There will be no unforeseen economic factors that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

Guidance Upgrade

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 guidance²⁰.

Post the Acquisitions and the Placement, IAP's pro forma gearing will be 34.3%²¹ (below the mid point of IAP's target range of 30% to 40%) and pro forma NTA will be A\$1.54 per stapled security.²²

Categorisation

Bibra Lake Property

The acquisition of the Bibra Lake Property is not a categorised transaction in terms of the JSE Listings Requirements. This announcement is voluntary and for information purposes only.

Cremorne Property

The acquisition of the Cremorne Property is a category 2 transaction in terms of section 9 of the JSE Listings Requirements and accordingly does not require securityholder approval.

Johannesburg

Sponsor
Investec Bank Limited

²⁰ 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.

²¹ 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.

²² 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.