

MEDIA RELEASE

27 October 2021

Irongate Group delivers strong HY22 financial result and funds management platform gains traction

Highlights

- Distribution of 4.53 cps for the half year ended 30 September 2021¹
- Funds from operations (FFO) of 4.97 cents per security (cps) and adjusted funds from operations (AFFO) of 4.53 cps for the half year ended 30 September 2021
- Strong valuation uplift – property portfolio now valued at A\$1.425 billion²
- Net tangible assets (NTA) increased to A\$1.55 per security – up from A\$1.43 per security at 31 March 2021
- Net asset value (NAV) increased to A\$1.61 per security – up from A\$1.49 per security at 31 March 2021
- 42,848m² of space leased or subject to signed heads of agreement since 1 April 2021
- 99.8% of rent collected with tenant base proving resilient in the face of recent lockdowns
- Acquired four properties for total consideration of A\$130 million, three in off-market transactions
- Completed oversubscribed institutional placement raising A\$50 million
- Traction in funds management platform contributed to 61% increase in assets under management over the past 12 months³

Irongate Group⁴ (IAP or the Fund) has today released its financial results for the half year ended 30 September 2021, delivering an interim distribution of 4.53 cps which equates to 91% of FFO. Commenting on the Fund's results, IAP CEO Graeme Katz said: "The financial result we are releasing today is underpinned by the ongoing strong underlying performance of our property portfolio, our active balance sheet management and the progress made over the past six months in building out our funds management platform. We believe IAP is continuing to deliver on the business model and investment thesis that we have clearly articulated to the market."

The Fund's portfolio has grown to A\$1.425 billion through property acquisitions and valuation uplift, particularly within the industrial portfolio. During the period the Fund acquired two industrial properties and two office properties for total consideration of A\$130 million, maintaining the focus on acquiring industrial and office properties strategically located in specific markets and in close proximity to critical infrastructure. The Fund's exposure to the industrial and metropolitan office markets has been rewarded with material valuation uplift realised for the period, which has contributed to NTA increasing to A\$1.55 per security and NAV increasing to A\$1.61 per security.

¹ Pre withholding tax.

² Excludes the cost to complete on fund through transactions (A\$37.7m).

³ Includes IAP balance sheet assets plus the share of assets managed on behalf of third-party capital at current market value.

⁴ Irongate Group comprises Irongate Property Fund I and Irongate Property Fund II.

The Fund has completed 42,848m² of leasing transactions since 1 April 2021, which has contributed to the WALE increasing from 4.7 years at 31 March 2021 to 5.2 years at 30 September 2021⁵. While occupancy by income has declined slightly from 97.5% at 31 March 2021 to 96.9% at 30 September 2021, only 6,763m² of space is currently vacant compared to 10,880m² at 31 March 2021.

Commenting on the portfolio performance Mr Katz added: “Despite the recent COVID related lockdowns experienced across Australia and New Zealand, our asset management team has delivered very strong leasing outcomes. We have maintained a tenant retention rate of close to 80% and pleasingly, we have collected 99.8% of rent for the period. This result demonstrates the quality and resilience of our underlying tenant base.”

The Fund’s balance sheet remains strong with gearing of 28.3%, below the bottom end of the Fund’s target range. The Fund extended its existing debt facilities during the period, resulting in the weighted average debt expiry increasing to 6.4 years, the first debt tranche not maturing until FY26 and A\$100 million of undrawn debt remaining available. Funding costs also reduced from 2.84% at 31 March 2021 to 2.75% at 30 September 2021.

The funds management platform established as part of the internalisation transaction completed at the end of last year has been gaining traction with capital now being sourced both domestically and offshore for single asset mandates and fund opportunities. Notable transactions completed include: the acquisition of a site in the Sydney CBD for a 6-star hotel and high-end apartment development; the acquisition of Rundle Place shopping centre in the Adelaide CBD to be repositioned; and the acquisition of the Bradmill site in Melbourne for a large-scale townhouse and apartment development. Mr Katz said: “The capital raised from third party investors and subsequently deployed into investment opportunities sourced by the team has contributed to IAP’s total assets under management now exceeding A\$1.9 billion, an increase of 61% over the past 12 months. We believe that the third-party capital business will play an increasing role in delivering growth to investors as we look to broaden our offering, including by incubating additional fund opportunities.”

The Fund has maintained its target distribution growth for FY22 of between 2% and 3%⁶. IAP’s policy is to payout between 80% and 100% of FFO, with an expectation for FY22 to be in the middle of the target range.

The Fund has also today released a response to the unsolicited, highly conditional, indicative and non-binding proposal from 360 Capital Group to acquire, by way of an agreed trust scheme, all of the securities in IAP which 360 Capital Group does not already own. The board has carefully considered the proposal in conjunction with its advisers and has unanimously concluded that the proposal materially undervalues IAP and therefore does not represent a compelling proposition for securityholders.

⁵ Weighted by gross property income.

⁶ Pre withholding tax. 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.

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

Lucy Spenceley

Investor Relations and Company Secretary

T +61 2 7906 2006

E ir@irongategroup.com.au