



# **APGF**

## **Investors' Presentation**

### **2008/09 Results and Outlook**

September 2009



# Presentation Overview

- Executive Summary
- Economic Conditions
- 2008/09 Full Year Results
- Update on Current Projects
- Outlook and Future Strategy



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- **Executive Summary**
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# Executive Summary

- Global Financial Crisis (GFC)
  - Worst is past but financial landscape has changed
  - Illiquid global capital markets
  - Decline in property prices as more sellers than buyers
- What does it mean for APGF?
  - Non-cash devaluations resulted in accounting loss for 2008/09 of \$64 million
  - Underlying net profit after tax of \$8.5 million
  - Net asset value of 70 cents per stapled security
  - Bring Distribution per Stapled Security (DPS) in line with Earnings per Stapled Security (EPS)
  - DPS of 3.5 cents per annum from 1 July 2009
  - Excellent acquisition opportunities



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# Causes of Global Financial Crisis (GFC)

- USA housing market (30% price falls)
- USA sub-prime loans writedowns
- Lehman Brothers collapse in September 2008
- Crisis of confidence





# Consequences of the GFC

- Intervention of world central banks avoided a meltdown in financial system
- Worst of GFC in the past but financial landscape has changed
- Decline in world equity and property prices
- Equity markets recovering since March 2009
- Access to debt and equity limited and expensive, particularly for property
- Crisis has produced challenges but also acquisition opportunities



# Market Consequences

## 12 months to 31 August 2009



- ASX All Ordinaries Index - down 14%
- A-REIT 200 Index – down 39%
- A-REIT's raised substantial amounts of new equity at significant discounts to NTA
- A-REIT's written down property valuations by \$14 billion
- A-REIT share prices
  - Trinity – down 85%
  - Charter Hall – down 40%
  - Valad – down 76%
  - Stockland – down 28%
  - Mirvac – down 49%
  - GPT – down 65%





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# 2008/09 Full Year Results

- Underlying net profit after tax of \$8.5 million
- Accounting loss after tax of \$64 million (which includes non-operating and non-cash asset devaluations and impairments of \$72.5 million)
- Net asset value 70 cents per stapled security
- Net assets \$160 million
- Assets under management \$1.3 billion



# 2008/09 Key Features

- Construction of Stage 1 Pavilions on 5<sup>th</sup> Palm Beach completed with 95% of Stage 1 retail leased and 82% of Stage 1 apartments under unconditional sales contracts
- Acquired the Domaine property funds management business in March 2009
- Other excellent acquisition opportunities are emerging



# APGF Position

- Australian assets; no exposure to USA or Europe
- No exposure to international debt markets
- No bank major investment properties loan maturities before late 2011
- Compliance with all bank loan covenants
- Cash at September 2009 - \$25 million



# Valuations



- Capital rationed and more expensive
- More sellers than buyers
- Significant drop in property valuations
- APGF properties devalued by 16.5% (from peak valuations to 30 June 2009)
- Non-operating and non-cash asset devaluations and impairments of \$72.5 million
- Long term assets, not intended to be sold in the short term
- Devaluations resulted in net asset value of 70 cents per stapled security



# Capital Management

- Pre GFC paying Distribution per Stapled Security (DPS) in excess of Earnings per Stapled Security (EPS)
- In post GFC financial environment must bring Distribution per Stapled Security (DPS) in line with Earnings per Stapled Security (EPS)
- Current DPS of 5.0 cents per annum to 30 June 2009
- DPS of 3.5 cents per annum from 1 July 2009





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# PROPERTY TRUST ASSETS





# Blue Tower, Brisbane CBD



# Blue Tower

Brisbane CBD



- Iconic Brisbane CBD commercial office building
- Net lettable area 32,000 square meters
- Current valuation \$247 million
- Brisbane commercial office market remains strong
- \$8 million capital expenditure program underway
- Blue chip tenants, including Macquarie Bank, Esso Australia, Optus, Reserve Bank of Australia





# Melbourne Street, South Brisbane



## Melbourne Street, South Brisbane



- Commercial office building at South Brisbane
- Net lettable area 6,145 square metres
- Current valuation \$28 million
- Brisbane commercial office market remains strong
- Blue chip tenants including Stockland, Lumley Insurance, PanAust Resources





# Royal Bank Chambers

Collins Street, Melbourne



# Royal Bank Chambers

Collins Street, Melbourne



- Current valuation \$24.975 million
- Prime Collins Street location
- Fully leased to ANZ
- Banking chamber 10 year ANZ lease
- Nine upper office floors - ANZ lease expiring 31 December 2009
- Refurbishment and releasing opportunity





# Westpac Concord Campus

Concord, Sydney



# Westpac Concord Campus

## Concord, Sydney



- 16,900 square metre office campus
- Current valuation \$48.6 million
- Leased to Westpac until October 2012





# Pavilions on 5th

## Palm Beach, Gold Coast

(Artist's impression of completed development)

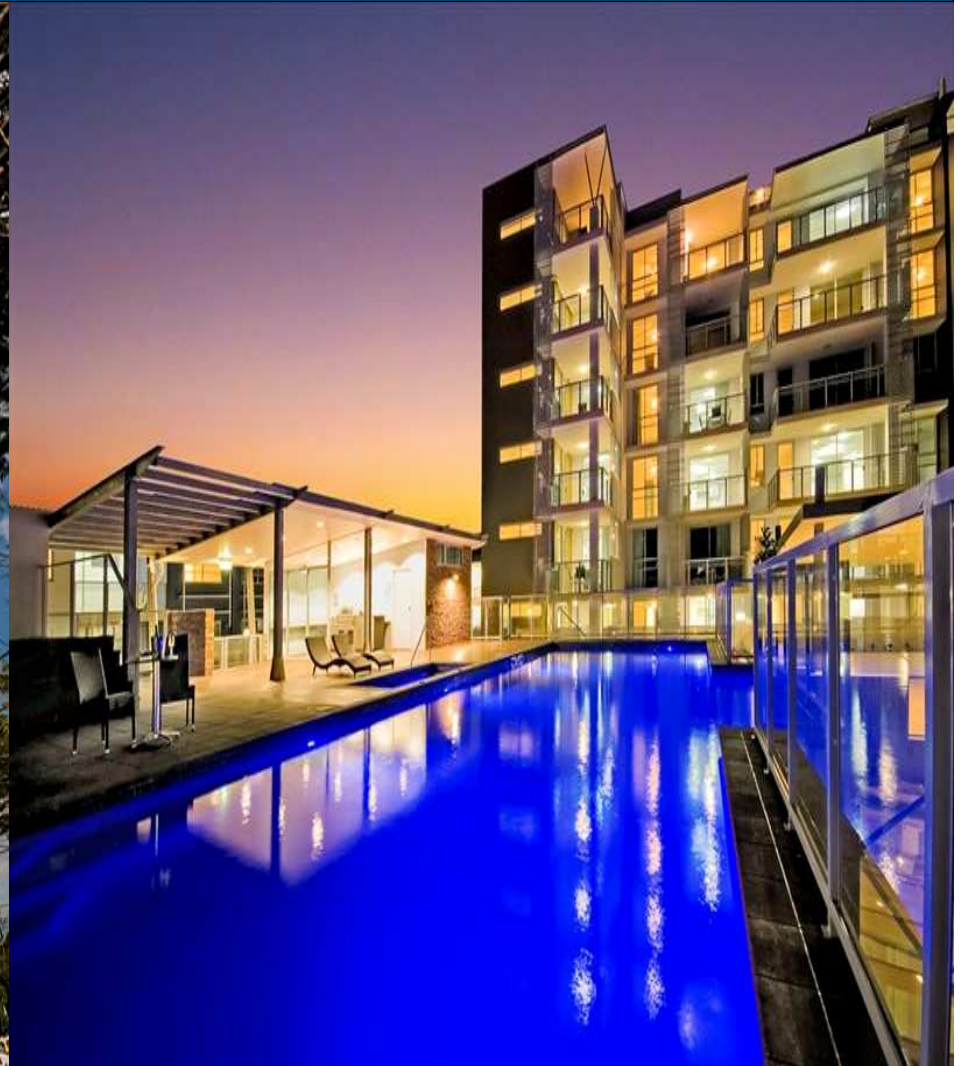




# Pavilions on 5th

## Palm Beach, Gold Coast

(Photos of completed Stage 1)





# Pavilions on 5th

## Palm Beach, Gold Coast



- 9,800 square metre prime site
- Mixed retail (5,200 square metres) and residential (194 apartments)
- End value approximately \$125 million
- Stage 1:
  - Construction completed June 2009
  - 86 apartments with unconditional sales contracts (total 104)
  - 95% of retail pre-leased (includes Coles supermarket)



# Property Funds Management Business



- Performing profitably
- 30 property trusts/syndicates
- Stable recurring funds management income
- 5,000 investors
- Project pipeline
- Geographic and property sector diversification
- Excellent platform for expansion
- 2 residential land subdivisions on the NSW South Coast



# Domaine Property Funds Management Business



- Business purchased from Mirvac in March 2009
- Attractive purchase price
- Increases APGF's earnings per stapled security and attractive return on equity
- Comprises 3 principal property funds and a number of smaller ones
- Properties principally located in Brisbane and Newcastle
- Other acquisition opportunities are emerging



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# Outlook and Future Strategy



- Well positioned in current climate
  - Australian assets; no exposure to USA or Europe
  - No exposure to international debt markets
  - No major bank property investment loan maturities before late 2011
  - Cash at September 2009 - \$25 million
- Portfolio of quality properties
- Acquisition opportunities
  - Counter cyclical
  - Stable rental streams
  - Property funds management business
  - Property syndicates





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