

## ASX Announcement

21 February 2016

### Propertylink delivers a strong first half performance

Propertylink Group (ASX:PLG), a significant owner and manager of industrial, logistics and office properties in major Australian markets, today announced its maiden results for the six months ending 31 December 2016.

Propertylink delivered a strong set of half year results through active management of both its directly owned industrial and logistics property portfolio and investment management business, whilst also maintaining a conservative capital structure.

The Directors of Propertylink Group declared an interim distribution of 2.7 cents per security, to be paid on 3 March 2017.

### Financial Highlights<sup>1</sup>

	1HY15 (\$m)	1HY16 (\$m)
Net property income	0.165	18.714
Co-investment income	1.699	2.957
Investment management revenue	5.729	31.278
Total comprehensive income	1.592	38.137
Distributable Earnings	N/a	18.045

During the period, Propertylink achieved an increase in fair value of investment properties of \$8.328 million and revaluation gains on property, plant and equipment of \$6.661 million<sup>2</sup>.

<sup>1</sup> The Group successfully completed an IPO and commenced unconditional trading on the ASX on 15 August 2016. The half year Financial Statements include profits generated by PHL and PT group from 1 July 2016 to 31 December 2016, and profits generated by PAIP from 16 August 2016 to 31 December 2016. Prior to 15 August 2016, the units in PT were stapled to the shares in PHL, and comparative figures quoted in this announcement refer to prior period results of that stapled group. For clarity, comparative figures in this announcement and the Financial Statements exclude the financial performance of PAIP.

<sup>2</sup> Reflects the value uplift in Melbourne Markets.

### Operational Highlights

- Completed 35 leasing transactions during the period to 31 December 2016 covering 128,418m<sup>2</sup> and accounting for 25.5% of the portfolio
- Successful transactions this period have increased the weighted average lease expiry (WALE) of the overall portfolio to 4.4 years
- Fourteen renewals at a tenant retention rate of 81% and average incentive of 4.3%, 21 new leases at average incentive of 19.0%, and an average downtime of just 3.6 months on these new leases

**Commenting on the results Stuart Dawes, Chief Executive of Propertylink Group said:**

“We are pleased with a great performance for the half year and particularly with the momentum in leasing transactions with tenant retention of over 80%. Furthermore, the value of our portfolio has increased to \$697.8m as a direct result of the team’s active approach to asset management.

“We currently have a strong pipeline of additional assets in due diligence for continued growth in our investment management business and anticipate adding new investors to the investment management platform. We will also continue to assess opportunities to realise assets where strong performance can be crystalised for our investors.

“We remain committed to executing our key strategies including a focus on providing a stable and diversified earnings profile with potential for income and capital growth. Heading into FY17, we are confident in our strategy and the ability of our team to deliver value for our shareholders.”

**Tony Groth, Chief Financial Officer added:**

“As a result of the successful IPO, Propertylink Group has established a strong balance sheet position, with gearing reduced to 32.9% and recycling of capital from non-core assets, providing a strong capital position for future growth.

“The performance in the first half of the year ensures that Propertylink remains on target to deliver the financial forecasts set out in the IPO Prospectus and PDS.”

**Financial Report**

The Group’s total comprehensive income for the half year ended 31 December 2016 was \$38.137 million. It should be noted that the comparative figures for the half year ended 31 December 2015 are for the former Propertylink unlisted stapled group, so exclude PAIP results, and are not directly comparable to HY16 results.

**Portfolio Update**

As a result of proactive asset management and execution of lease transactions, the asset valuations as at 31 December 2016 resulted in a valuation uplift of \$14.989 million. Overall, nine assets were independently valued, representing 44% of the portfolio by value.

Major lease transactions during the period included a new 15-year lease to the Walkinshaw Group at 71-93 Whiteside Road and 74-84 Main Road Clayton, and ten separate new and renewal lease transactions at 7-15 Gundah Road, Mount Kuring-Gai, totalling 22,788sqm or 65% of the total gross lettable area at the property. Each of these removed significant FY17 lease expiry risk and contributed to the improvement of the portfolio weighted average lease expiry from 3.6 to 4.4 years.

The Group capitalised on opportunities to recycle capital during the half year, exchanging or settling three assets at 36-52 National Boulevard, Campbellfield, strata unit 2, 22 Beaumont Road, Mt Kuring-Gai, and 9-13 Titanium Court, Crestmead for a combined \$19.1 million.

Propertylink's strategy to improve its prime asset holdings continued during the period, with continuing development at 122 Newton Road, Wetherill Park for the construction of a modern logistic facility of 8,646 m<sup>2</sup> and the refurbishment of the existing building on site of 9,376 m<sup>2</sup>. It will reach practical completion in early 2017 at a budgeted cost of \$9.96 million.

### **Management Services**

Propertylink performs a range of management services primarily for institutional investors. Those services include investment management, property management, property acquisition, property development and property leasing. The Group can also earn performance fees from investments managed on behalf of institutional investors.

In August 2016, the Group established a new investment fund, Propertylink Enhanced Partnership (PEP), for which it managed the acquisition of a portfolio of assets valued at \$157 million in August and September 2016. It also exchanged, on behalf of PEP, a contract to sell 2 Apollo Place, Lane Cove for \$13.5 million.

Other significant management services for the period included managing, on behalf of Propertylink Australian Industrial Partnership II (PAIP II), the acquisition of a portfolio of assets valued at approximately \$137.6m in July 2016, and negotiating the acquisition of 205-231 Fairfield Road, Yennora for \$46.2 million.

### **Capital Management**

The Group has maintained its strong capital position since IPO, with an improved balance sheet gearing level of 32.9%, now placed in the lower half of the target 30-40% range. Furthermore, the look through gearing has also reduced to 34.4%.

Drawn debt as of 31 December 2016 was \$252 million, with available facility headroom of \$43 million, and as at 31 December the weighted average cost of debt was 3.27%. Of the drawn debt, 70.4% is hedged over the term.

The Group remains within the range of target credit ratios and in compliance with debt covenant limits.

### **Current Trading and Outlook**

- Following the year-end, the Group, on behalf of a managed fund, has settled the sale of two refrigerated logistics warehouses in Victoria and Queensland for \$73.1 million to Deutsche Asset Management and exchanged a contract to sell a balance sheet asset 10-12 Pike Street, Rydalmere for \$27.5 million, a 25.6% premium to book value
- The Group, on behalf of a managed fund, has appointed JLL to manage the marketing campaign for a potential sale of 320 Pitt Street, Sydney CBD
- There is an opportunity to further improve the balance sheet position over the remainder of FY17 through active asset management driving asset values and above book value disposals

- The Group remains on target to deliver the FY2017 forecasts of distributable earnings per security of 6.67 cents and distribution per security of 6.32 cents (pro-rata from the completion of the IPO)

## **Dividend**

The Directors of Propertylink Group declared its first interim distribution of 2.7 cents per Security, to be paid on 3 March 2017. This represents a payout ratio of 90.3% of distributable earnings for the period to 31 December 2016.

## **Results Presentation**

The results will be presented by Stuart Dawes, Chief Executive Officer, and Tony Groth, Chief Financial Officer, on a telephone conference commencing at 11am on Tuesday 21 February 2016.

The half-year results and an investor briefing presentation will be posted on the Propertylink Group website investor centre, where an archive of the event will also be made available later in the day, [www.propertylink.com.au/investorcentre](http://www.propertylink.com.au/investorcentre).

## **Further Enquiries**

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## **About Propertylink**

Propertylink is an A-REIT, listed on the Australian Stock Exchange under the code "PLG". Propertylink is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties and is a leading investment and asset management business with over A\$1.7 billion of assets under management. Propertylink's integrated, in-house approach to active asset management is aimed at maximising the performance and value of assets under management for our global investors from North America, Europe, the Middle East, Asia and Australia.