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## ASX Announcement

23 February 2017

### **Elanor Retail Property Fund delivers strong 1HFY17 result**

Elanor Retail Property Fund ("ERF" or "Fund") is pleased to announce its inaugural financial results, being for the period from listing on 9 November 2016 to 31 December 2016.

#### **Highlights**

- Statutory net loss for the period including pre-IPO results of the Fund of \$10.6 million, after IPO transaction costs.
- Net loss of \$8.5 million for the period from the Fund's listing from 9 November 2016 to 31 December 2016 which was significantly impacted by \$10.3m in one-off transaction and establishment costs related to the Fund's IPO.
- Core Earnings for the period of \$1.9 million, or 1.5 cents per security. This is in line with the Fund's forecast included in the PDS dated 14 October 2016.
- Distributions for the period of \$1.8 million, or 1.4 cents per security, reflecting a payout ratio of 95% of Core Earnings. This is in line with the Fund's forecast included in the PDS dated 14 October 2016.
- Successful listing of the Fund on 9 November 2016, issuing 128.7 million stapled securities at \$1.35.
- Completion of settlement of Tweed Mall and Northway Plaza on 10 November 2016 and 11 November 2016 respectively.
- The portfolio comprises 5 high investment quality retail shopping centres independently valued at \$243.2 million reflecting an average capitalisation rate of 7.7%.
- Gearing of the Fund of 31.85% as at 31 December 2016, a decrease of 2.05% from the PDS forecast.

Commenting on the result, ENN CEO, Glenn Willis, said: "We are pleased with the results of the Fund to date which are in line with the PDS forecast. We have made good progress from an asset management perspective since our listing in November, including completion of a car park management system and refurbishment at Auburn Central Shopping Centre which has improved parking capacity and generated income above forecast. We continue to pursue opportunities to add value for ERF security holders.

Importantly, the valuation of the portfolio reflects an average capitalisation rate of 7.7% which is substantially higher than the observed capitalisation rates for recent sub-regional and neighbourhood shopping centre transactions. This provides the opportunity for future valuation increases, including as a result of the successful implementation of asset management initiatives across the portfolio."

## **Overview and strategy**

The Fund is an externally managed real estate investment fund investing in Australian retail property, focusing predominantly on quality, high yielding neighbourhood and sub-regional shopping centres.

The Fund's objective is to provide investors with strong, stable and growing income returns, and capital growth in the asset portfolio, and in other retail properties acquired in the future. To achieve this objective, the Fund's strategy is to:

- Invest in retail properties that provide stable earnings from rental income across a diversified retail tenant mix, with a strong focus on non-discretionary retailers;
- Implement leasing and active asset management to grow the income and value of the retail properties;
- Acquire additional investment quality retail properties with a significant component of non-discretionary retailers;
- Implement development and repositioning strategies in the Portfolio and in additional retail properties acquired in the future; and
- Optimise the capital structure for the Fund based on a conservative approach to gearing.

## **Summary of Financial Results**

Statutory net loss for the period including pre-IPO results of the Fund was \$10.6 million, after IPO transaction costs.

Net loss of \$8.5 million for the period from the Fund's listing from 9 November 2016 to 31 December 2016 was significantly impacted by \$10.3m in one-off transaction and establishment costs related to the Fund's IPO.

Core Earnings for the period of \$1.9 million, or 1.5 cents per security. This is in line with the Funds forecast included in the PDS.

ERF has declared an interim distribution of 1.4 cents per security for the period to 31 December 2016 (to be paid on 3 March 2017). This is in line with the Fund's forecast included in the PDS.

NTA per security of \$1.26 as at 31 December 2016.

A summary of the key financials for the post IPO period to 31 December 2016 and a reconciliation of statutory earnings to Core Earnings for the period to 31 December 2016 is as follows:

<b>Key financial results</b>	<b>31 December 2016</b>
Net profit / (loss) (\$'000)	(8,525)
Core Earnings (\$'000)	1,892
Distributions payable to security holders (\$'000)	1,797
Core Earnings per stapled security (cents)	1.47
Core Earnings per weighted average stapled security (cents)	1.47
Distributions (cents per stapled security)	1.40
Net tangible assets (\$ per stapled security)	1.26
Gearing (net debt / total assets less cash) (%)	31.85

## Reconciliation of Core Earnings

31 December 2016

\$'000

<b>Statutory net profit / (loss)</b>	<b>(10,612)</b>
Adjustment to remove pre IPO financial results	2,087
<b>Adjusted net profit / (loss)</b>	<b>(8,525)</b>
<i>Adjustments for items included in statutory profit/(loss):</i>	
Transaction and establishment costs	10,285
Fair value adjustments on investment property	38
Straight lining of rental income	(45)
Amortisation expense	139
<b>Core Earnings</b>	<b>1,892</b>

## Balance Sheet Summary

31 December 2016

Total Assets (\$'000)	248,544
Borrowings (\$'000)	81,486
Net Assets (\$'000)	162,835
Gearing (Net Debt / Total Assets less cash)	31.85%
Number of securities on issue (million)	128.7
Net asset value per security (\$)	1.26
Net tangible assets per security (\$)	1.26

## Outlook

The Fund's core strategy will remain focussed on actively managing and growing earnings from its investment portfolio, and acquiring additional high investment quality retail properties.

Risks to the Fund in the coming year primarily comprise potential earnings variability associated with general economic and market conditions, including retailer demand, domestic retail spending, the availability of capital for acquisition opportunities and any movement in property valuations. The Fund manages these risks through its active asset management approach across its investment portfolio, continuing to focus on broadening the Fund's tenant mix and the active management of the Fund's capital structure.

Based on the current operating performance of the investment portfolio, the Fund anticipates achieving forecast Core Earnings for the period ending 30 June 2017 as disclosed in the PDS dated 14 October 2016.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ERF's 1HFY17 result.

For further information regarding this announcement please contact:

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