10 August 2017

AVENTUS PORTFOLIO STRENGTHENS FOLLOWING SIGNIFICANT ACQUISITION IN LINE WITH STRATEGY

Aventus Retail Property Fund (ASX: AVN) (the Fund), today announced its results for the year ended 30 June 2017.

Highlights

- Funds from Operations (FFO) of $71 million or 17.7 cents per unit, in line with guidance
- Distributions of 15.9 cents per unit
- Acquisition of two Sydney metropolitan large format retail (LFR) centres valued at $436 million which settled on 3 July 2017 (**Acquisition**), post 30 June balance date
- $215 million equity raised through an entitlement offer to partially finance the Acquisition
- Net tangible assets (NTA) of $2.27 on 30 June 2017, decreasing to $2.22 post settlement of Acquisition
- Revaluation gains of $91 million

Property Portfolio Highlights

- Strong occupancy of 98.3%
- Continued tenant remixing with 133 leases negotiated covering 107,000 sqm achieving low incentives and positive leasing spreads
- Tenant base increasingly diversified with the non-household category[1] increasing to 34% of the portfolio by GLA or 37% by gross income
- 3% like-for-like FY17 NPI growth, excluding the Acquisition and development projects
- Weighted Average Lease Expiry (WALE) of 4.2 years, stable in gross income terms, and FY18 expiries reduced to 11% or 7% on a like-for-like basis, excluding the Acquisition
- 87% of all leases in the portfolio have annual fixed (predominantly 3% – 5%) or CPI increases (with all remaining leases subject to market review or current year expiries)
- High exposure to national retailers, comprising 84% of the portfolio by GLA

Financial Management

The Fund's result for the year ended 30 June 2017 is a profit of $159 million.

FFO is $71 million or 17.7 cpu which is in line with the earnings guidance previously provided.

Gearing of the Fund is 38.9% which remains within the target range of 30% - 40%, post both the equity raising to finance the Acquisition and settlement of the Acquisition on 3 July 2017.

Distributions

During the year distributions per unit were 15.9 cents per unit. The distributions represent a payout ratio of 90% of FFO and is within the Fund's distribution policy of distributing 90% - 100% of FFO.

[1] non-household goods includes pet supplies, baby supplies, sporting, camping and leisure, cafes, restaurants, supermarkets, liquor, fitness centres, medical centres, offices, chemists, automotive, children's play centres and child care centres

Valuation Uplift

Property valuations across the portfolio increased by $91 million over the twelve months to 30 June 2017 which, together with the Acquisition, brings the value of the portfolio to $1.8 billion.

The revaluation increases take into account annual rent increases, market rent reviews, positive leasing spreads, completion of a number of asset management and development initiatives together with reductions in capitalisation rates.

As a result of these revaluations and the Acquisition, the WACR of the portfolio tightened to 6.85%.

Fund Strategy

The four key growth initiatives that contribute to the Fund's performance and growth are:

- Portfolio management
- Development pipeline
- Consolidation opportunities, and
- Potential benefits from planning reforms

The extent to which each contributes in any one period varies and are regularly assessed. This year included the successful Acquisition, but gains have also been made in portfolio management, progressing the development pipeline and long term planning to capitalise on zoning and planning opportunities.

Acquisition

In keeping with the Fund's strategy to consolidate ownership in the LFR sector and in order to offer national tenants key retail locations, the Acquisition was settled on 3 July 2017 for $436 million. The Castle Hill and Marsden Park centres complement the Fund's Sydney portfolio and, with coverage of 43% of the Sydney catchment[2], makes AVN the largest LFR landlord in Sydney.[3]

Development Pipeline

During the year the Fund continued to progress its development pipeline, in line with its strategy to add value to the portfolio through increases to the GLA of centres, or refurbishments to lift the shopping experience and drive foot traffic. Highlights include:

- Redevelopment of the former Bunnings tenancy at Sunshine Coast Home
- Construction of the first child care facility at Cranbourne Home

Both projects are due for completion in the first quarter of FY18.

The identified development pipeline to 30 June 2018 is estimated to be $50 million, more than double the FY17 pipeline. The Fund also received 11 development approvals in the last financial year for projects across eight centres.

[2] Source: Deep End
[3] By number of centres that are multi-tenanted larger than 10,000sqm

Portfolio Management

The Fund continues to work with its tenants to improve the customer experience. Continued tenant remixing resulted in the negotiation of 133 leases covering 107,000 sqm and achieving high occupancy rates across the portfolio. These leases were achieved with low incentives and positive leasing spreads.

The tenant base is increasingly diversified with the non-household category[4] increasing to 37% of gross income. Non-household goods and services contribute to recurring foot traffic, particularly during the week, while customers seeking household and large format items dominate the centres over the weekends.

Capital Management

AVN continued its disciplined approach to capital management and implemented a number of initiatives to facilitate the Acquisition. These measures included:

- Successfully closing an entitlement offer in June 2017 to raise $215 million
- Expanding the Fund's debt facility by $300 million to include new tranches expiring in 2021 and 2022
- Activating a Distribution Reinvestment Plan which has raised $7 million since September 2016

Outlook

Darren Holland, CEO of Aventus Property Group, said "We have achieved strong gains for the Fund this year because we maintained our clear focus on the strategy that we set out when AVN listed nearly 2 years ago. As part of this strategy, the acquisition of Castle Hill and Marsden Park demonstrate and further consolidate the strong position that AVN occupies in the LFR sector.

"This coming year our focus will be no different. We will continue to proactively manage the AVN portfolio, deliver strong returns from our development pipeline, actively assess selective acquisitions that improve the quality of the portfolio and ensure the Fund is well-positioned for potential zoning and planning reforms", commented Mr Holland.

"Our team of experienced LFR property specialists have positioned the AVN centres well with tenants and customers, and we anticipate continued success in this environment. We expect FY18 FFO per unit to be 2% - 4% higher than FY17 FFO per unit." concluded Mr Holland.

Further details on the performance of the Fund are provided in the Appendix 4E, the full year results Investor Presentation and the AVN Annual Report.

A briefing will be held today at 10.30am (AEST). Investors and analysts wishing to participate should dial 1800 123 296 from within Australia or +61 2 8038 5221 internationally (conference ID number 5013 8721).

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