

12 February 2018

PORTFOLIO TRANSACTIONS IMPROVE ASSET QUALITY AND UNDERPIN STRONG EARNINGS

Aventus Retail Property Fund (ASX: AVN) (the Fund), today announced its results for the half year ended 31 December 2017.

Fund Highlights

- Funds from Operations (FFO) of \$45 million or 9.1 cents per unit, 3.4% higher than prior corresponding period
- Distributions of 8.1 cents per unit, 3.8% higher than prior corresponding period
- Approximately \$500m of capital transactions completed, comprising \$436m of acquisitions and \$60m of divestments to enhance the quality of the portfolio
- New \$110 million loan note facility diversifies debt sources and lengthens the weighted average debt expiry
- Net tangible assets (NTA) of \$2.34, an increase of 12 cents over NTA at June 2017¹
- Revaluation gains of \$58 million, 4.2% higher since June 2017

Property Portfolio Highlights

- High occupancy of 98.6%
- Substantial reduction in FY18 lease expiries to 6% (June 17: 11%)
- Continued tenant remixing with 46 leases negotiated covering 38,000 sqm achieving low incentives and positive leasing spreads
- Solid 3.1% like-for-like Net Operating Income (NOI) growth, excluding the acquisitions and development projects
- Stable Weighted Average Lease Expiry (WALE) of 4.1 years
- 85% of all leases in the portfolio have annual fixed (predominantly 3% – 5%) or CPI increases
- High exposure to national tenants, comprising 87% of the portfolio by GLA

Financial Management

The Fund's profit for the year ended 31 December 2017 is \$75 million and FFO is \$45 million or 9.1 cents per unit.

Gearing of the Fund reduced to 36.9% as at 31 December, within the target range of 30% - 40%.

Distributions

During this half year distributions per unit were 8.1 cents per unit. This represents a payout ratio of 90% of FFO, within the Fund's distribution policy of 90% - 100% of FFO.

¹ On a proforma basis at 30 Jun 2017. 30 Jun 2017 audited NTA was \$2.27 per unit and gearing was 20.5% (pro forma adjustments include settlement of Castle Hill and Marsden Park acquisitions)

Capital Management

The Fund's capital management initiatives this half have facilitated the acquisitions and divestments that have resulted in solid growth in earnings and an improvement in the quality of the portfolio.

A disciplined approach to implementing capital management to ensure greater diversity in debt providers and longer dated debt led to the following measures:

- Valuation uplifts and divestments that reduced gearing to 36.9%, which will further reduce after settlement of Tweed; and
- A new \$110 million loan note facility expiring in 2025 that introduced four new lenders to the Fund. The weighted average debt facility expiry is now 3.7 years.

Valuation Uplift

Property valuations of \$58 million were achieved across the portfolio for the half to 31 December 2017 which brings the value of the portfolio to \$1.85 billion post settlement of Tweed.

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 transactions undertaken, the Weighted Average Capitalisation Rate (WACR) of the portfolio tightened to 6.69%.

Fund Strategy

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

- Portfolio management - optimising tenancy mix and rental income
- Consolidation/acquisition opportunities
- Development pipeline – delivering attractive returns and growing the pipeline
- Potential benefits from planning reforms

The extent to which each contributes in any one period varies and is regularly assessed. This half year included the successful settlement and transition of Castle Hill and Marsden Park into the portfolio, and gains were also made in portfolio management and progressing the development pipeline.

Portfolio Management

The Fund continues to work with its tenants to improve the customer experience. Continued tenant remixing resulted in the negotiation of 46 leases covering 38,000 sqm and boosting the occupancy rate to 98.6% across the portfolio. These leases were executed with low incentives and positive leasing spreads.

The focus in introducing new tenants has been on non-household products and services, such as food, health and wellbeing, services and childcare which contribute to weekday traffic and improve customer linger time, and which now accounts for 37% of AVN's income.

Development Pipeline

During the half the Fund continued its development activities in line with its strategy to add value, increase GLA of centres, improve the shopping experience and investor returns. Highlights include:

- Completion of the ex-Bunnings repositioning at Sunshine Coast
- Opening of Little Learnings Child Care Centre at Cranbourne Home

There are currently three active projects comprising a major expansion at Tuggerah, and expansions and Cranbourne and Mile End.

Development expenditure for FY18 is expected to be \$35 million.

Portfolio Transactions

The \$436 million acquisitions of Castle Hill and Marsden Park were settled during the half and smoothly integrated into the portfolio.

The smaller centres of Shepparton and Tweed were sold at a 6.5% premium to combined book value (30 June 2017), leading to an improvement in the quality of the portfolio, with the average centre value increasing to \$93 million (an increase of 44% since listing in October 2015).

Outlook

Darren Holland, CEO of Aventus Property Group, said “We have strategically improved the quality of the portfolio by acquiring dominant centres at Castle Hill and Marsden Park and through the divestment of smaller centres at Shepparton and Tweed, with total value of total capital transactions of approximately \$500 million for the half. The average centre value is now \$93 million, an increase of 44% since listing in October 2015.”

“The portfolio is also well positioned to capture the impacts of population and economic growth. Our centres are strategically located in attractive catchment areas, with 92% of the portfolio by value located in the high growth eastern states of Australia and mainly metropolitan locations.”

“Our commitment to actively improving the portfolio, along with a focus on growing the development pipeline will continue to drive investor returns and long term growth. We will continue to explore opportunities to take advantage of a fragmented ownership sector”, commented Mr Holland.

“In summary, we expect FY18 FFO per unit to be 2% - 3% higher than FY17 FFO per unit” concluded Mr Holland².

Further details on the performance of the Fund are provided in the Appendix 4D accompanying this release and in the half year investor presentation.

An investor and analyst briefing teleconference call, followed by a question and answer session, 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 (from outside of Australia) and ask to join the **Aventus Retail Property Fund December 2017 Half Year Results Investor Presentation** (conference ID number **4298519**).

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² Assumes no material change to the operating environment and existing portfolio of 20 centres