
ASX Announcement

15 February 2018

Elanor Retail Property Fund delivers strong 1HFY18 result

Elanor Retail Property Fund ("ERF" or "Fund") is pleased to announce its interim financial results, for the half year ended 31 December 2017.

Highlights

- Statutory net profit for the period of \$12.5 million.
- Core Earnings for the period of \$7.0 million, or 5.42 cents per security. This exceeded the Fund's forecast included in the PDS dated 14 October 2016.
- Distributions for the period of \$6.6 million, or 5.15 cents per security, reflecting a payout ratio of 95% of Core Earnings. This exceeded the Fund's forecast included in the PDS dated 14 October 2016.
- The Fund completed the accretive acquisition of the Gladstone Square Shopping Centre on 31 July 2017 for \$31.5 million.
- As at 31 December 2017 ERF had a total investment portfolio of \$292.7 million, including \$12.4 million of non-core Auburn podium strata tenancies. This reflected an increase of \$32.0 million from 30 June 2017.
- As at 31 December 2017 the portfolio comprises 6 high investment quality retail shopping centres, with a strong focus on non-discretionary retailers, valued at \$279.3 million. Subsequent to year end ERF completed, on 19 January 2018, the accretive acquisition of Moranbah Fair shopping centre for \$25 million. Moranbah Fair Shopping Centre is anchored by a Coles supermarket leased to 2028 with further renewal options. Post the acquisition of Moranbah Fair Shopping Centre, the Fund's portfolio of 7 high quality retail shopping centres reflects an average capitalisation rate of 7.2%.
- Gearing of the Fund of 34.76% as at 31 December 2017, within the Group's target gearing range of between 30% and 40%.

Commenting on the result, ENN CEO, Glenn Willis, said: "We are pleased with the results of the Fund to date which have exceeded the PDS forecast. Since 30 June 2017 we have completed the accretive acquisition of Gladstone Square Shopping Centre in July 2017, made significant progress to introduce a new mini major in Tweed Mall and undertaken a successful divestment program of the non-core Auburn podium strata tenancies, which is expected to be finalised by 31 March 2018. Furthermore, in January 2018 we completed the accretive acquisition of Moranbah Fair Shopping Centre".

Fund Manager, Michael Baliva, said "ERF has performed strongly as a direct result of our focus on non-discretionary retail investments with strong strategic real estate value. Furthermore, ERF is well positioned to grow NTA per security from the current value of \$1.47 as we execute initiatives to realise the operational and strategic potential of each asset in the portfolio."

The Fund commenced the disposal of non-core podium strata lots at Auburn Central in August 2017. As at 31 December 2017, 10 strata lots have been sold for total net proceeds of \$9.2 million reflecting an average capitalisation rate of 6.25%. The Fund expects to sell the remaining strata lots prior to 31 March 2018 with the proceeds to be applied to reduce the Moranbah Fair acquisition debt facility that was established in January 2018 as part of the funding of the acquisition of the property.

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 to generate strong risk-adjusted returns;
- 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 profit for the period was \$12.5 million.

Core Earnings for the period were \$7.0 million, or 5.42 cents per security. This exceeded the Funds forecast included in the PDS dated 14 October 2016.

ERF has declared an interim distribution of 5.15 cents per security for the period to 31 December 2017 (to be paid on 2 March 2018).

NTA per security of \$1.47 as at 31 December 2017.

A summary of the key financials for the half year ended 31 December 2017 and a reconciliation of statutory earnings to Core Earnings for the half year is as follows:

Key financial results

31 December
2017

Net profit / (loss) (\$'000)	12,535
Core Earnings (\$'000)	6,980
Distributions payable to security holders (\$'000)	6,631
Core Earnings per stapled security (cents)	5.42
Core Earnings per weighted average stapled security (cents)	5.42
Distributions (cents per stapled security)	5.15
Net tangible assets (\$ per stapled security)	1.47
Gearing (net debt / total assets less cash) (%)	34.76

Reconciliation of Core Earnings

31 December
2017
\$'000

Statutory net profit / (loss)	12,535
Adjustments for items included in statutory profit/(loss):	
Fair value adjustments on investment property	(6,125)
Straight lining of rental income	(101)
Amortisation expense	(671)
Core Earnings	6,980

Balance Sheet Summary

31 December
2017

30 June
2017

Total Assets (\$'000)	308,740	267,905
Borrowings (\$'000)	116,003	81,740
Net Assets (\$'000)	189,240	182,855
Gearing (Net Debt / Total Assets less cash)	34.7%	29.3%
Number of securities on issue (million)	128.7	128.7
Net asset value per security (\$)	1.47	1.42
Net tangible assets per security (\$)	1.47	1.42

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.

The Fund is well positioned to enhance value for security holders based on the execution of initiatives to realise the operational and strategic potential in each asset in the portfolio.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ERF's 1H FY18 result.

Investor Briefing

Elanor Retail Property Fund will be holding an Investor Briefing Conference Call on 16 February 2018 at 11:00am, to present and discuss the Fund's 1H FY18 results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221

Conference ID: 3466 947

Commencement: 11:00am

For further information regarding this announcement please contact:

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