



ELANOR RETAIL PROPERTY FUND

FY18 Results Presentation

20 August 2018

Contents

1	FY18 Highlights	3
2	ERF Strategy and Value Proposition	8
3	Portfolio Overview	13
4	FY18 Financial Results	18
5	Outlook	22



FY18 Highlights




FY18 Results Highlights

Core Earnings	✓	\$14.0m
Distributions Per Security	✓	10.31c
NTA Per Security	↑	\$1.50 5.6% increase from 30 June 2017
Portfolio Avg Cap Rate	✓	6.8% 40 basis point tightening since 31 December 2017
Gearing ¹	↑	38.2% Increased from 29.3% as at 30 June 2017
Security Price ²	↓	\$1.29 Decreased by 6.2% since 30 June 2017
























- Exceeding CY17 Core Earnings by 1.7%
- 95% Core Earnings payout ratio
- At listing (November 2016): \$1.25 per security
- Represents 20.0% increase since listing
- Portfolio of 7 high investment quality retail shopping centres
- Strong revaluation gains from Auburn Central and Tweed Mall asset management initiatives
- Within target range of 30% to 40%
- Decreased from \$1.37 at market close on 30 June 2017

1. Net debt / total assets less cash
2. At market close on 29 June 2018

FY18 Operational Highlights

Acquired two high investment quality shopping centres		<ul style="list-style-type: none">• Accretive acquisition of Gladstone Square on 31 July 2017, anchored by an extensively refurbished Woolworths supermarket with a new 20 year lease• Accretive acquisition of Moranbah Fair, located in a region with a stable resident population, on 19 January 2018, anchored by a Coles supermarket with a 15 year lease until 2028
Successfully divested non-core Auburn podium strata tenancies		<ul style="list-style-type: none">• Strong investment demand for non-core Auburn podium strata tenancies resulting in sale of 13 strata tenancies for \$16.3 million (\$15.8 million net proceeds), reflecting an average capitalisation rate of 6.05%• The 2 remaining podium strata tenancies with a value of \$5.5 million are expected to be sold by 31 October 2018
Significant leasing progress at Tweed Mall		<ul style="list-style-type: none">• Entered into an Agreement for Lease with ALDI for 15 year term (and 2 x 5 year options)• ALDI will significantly increase foot traffic and act as a catalyst for additional non-discretionary retail tenants

Strong Operational and Strategic Upside

			Status	Short Term <12 months	Medium Term 1 – 3 years	Long Term 3 years +
	Asset Recycling Development	Divest non-core podium strata lots Repositioning of BigW DDS space	✓			
	Leasing Development Development	Introduction of Aldi and specialty remix Mixed-use concept master-planning and staging Mixed-use development partnership and delivery	✓	 		
	Leasing Development	Renew Target Lease / Introduction of new Mini Major(s) Proposed introduction of McDonalds		 		
Gladstone Square	Leasing Operational Development	Specialty leasing and remixing of tenancies Car park management Car park re-design and shade sails		 		
	Development	Install internal playground to increase “dwell time”				
	Asset Recycling	Consider divestment of this asset				
	Development Asset Recycling	Develop pad sites Sell pad sites				
	Operational	Drive electricity and other operating cost efficiencies	✓			
	Acquisitions	Acquisition of further accretive, high investment quality shopping centres from capital recycling proceeds	✓			

Major Leasing: Tweed Mall ALDI

ERF entered into an Agreement for Lease with ALDI at Tweed Mall for 15 years with 2 x 5 year options

ALDI's introduction:

- replaces a discretionary mini-major with a strong non-discretionary supermarket anchor;
- extends centre WALE from 3.5 to 4.4 years;
- generates a forecast 10%+ increase in total centre sales upon opening in mid-2019;
- has re-rated Tweed Mall's capitalisation rate from 7.75% to 6.50%;
- significantly increases foot traffic; and
- provides a strong catalyst for the specialty tenant remix strategy, focusing on non-discretionary retailers.





ERF Strategy and Value Proposition

Fund Strategy and Investment Philosophy

Invest

Invest in retail properties that provide strong earnings from a diversified retail tenant mix (with a focus on non-discretionary retailers and high strategic real estate value)

Active Asset Management

Implement active leasing and other asset management initiatives to grow the income and value of the Portfolio

Reposition Assets

Implement development and repositioning strategies at the Portfolio properties

Capital Structure Management

Maintain a conservative capital structure with a target gearing range of between 30% and 40%

to deliver...

Low Risk–Adjusted
Income

Operational Upside

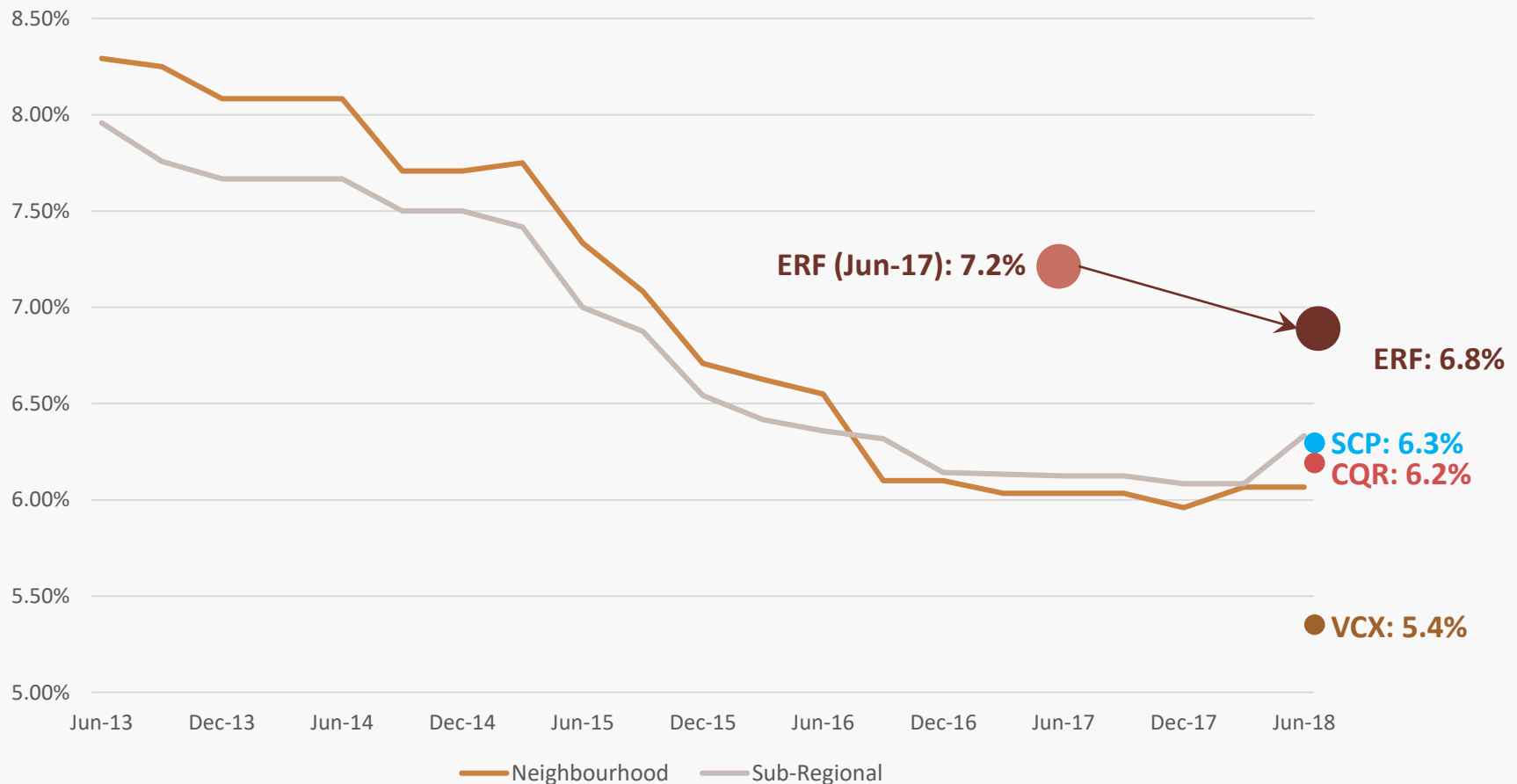
Strategic Upside

resulting in a...

**Low Risk Retail REIT
with significant NTA Value Upside**

ERF Represents Value

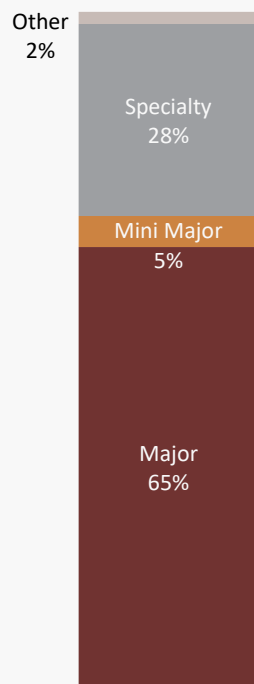
ERF Weighted Average Portfolio Capitalisation Rate is substantially higher than the Sub-Regional and Neighbourhood shopping centre market and peers



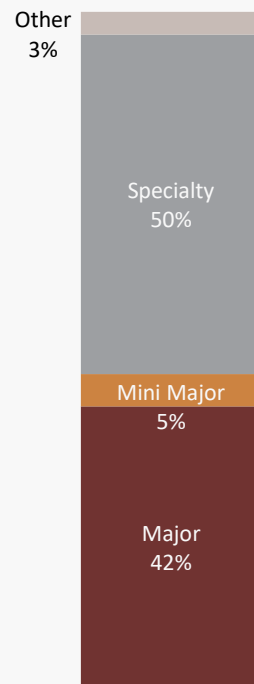
ERF has Strong and Secure Rental Income

- The Portfolio of seven high investment quality retail shopping centre assets anchored by quality national tenants and supported by long term lease covenants from major corporations including Woolworths Limited, Wesfarmers Group and Metcash
- Majors occupy 65% of occupied lettable area and contribute 42% of base rental income

TENANT MIX BY TYPE

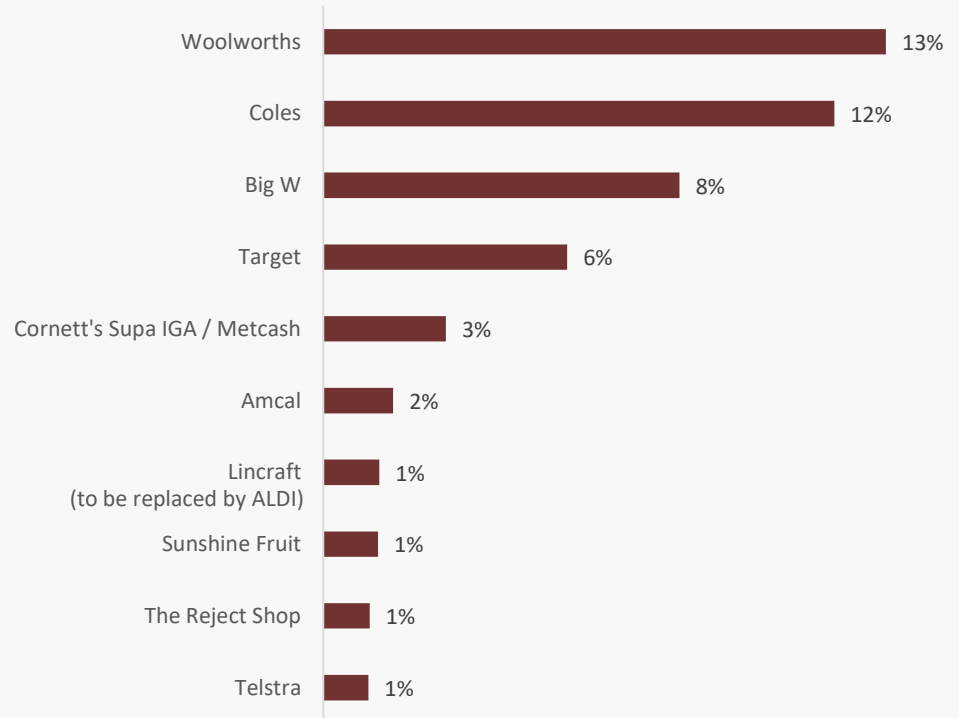


Lettable Area



Income

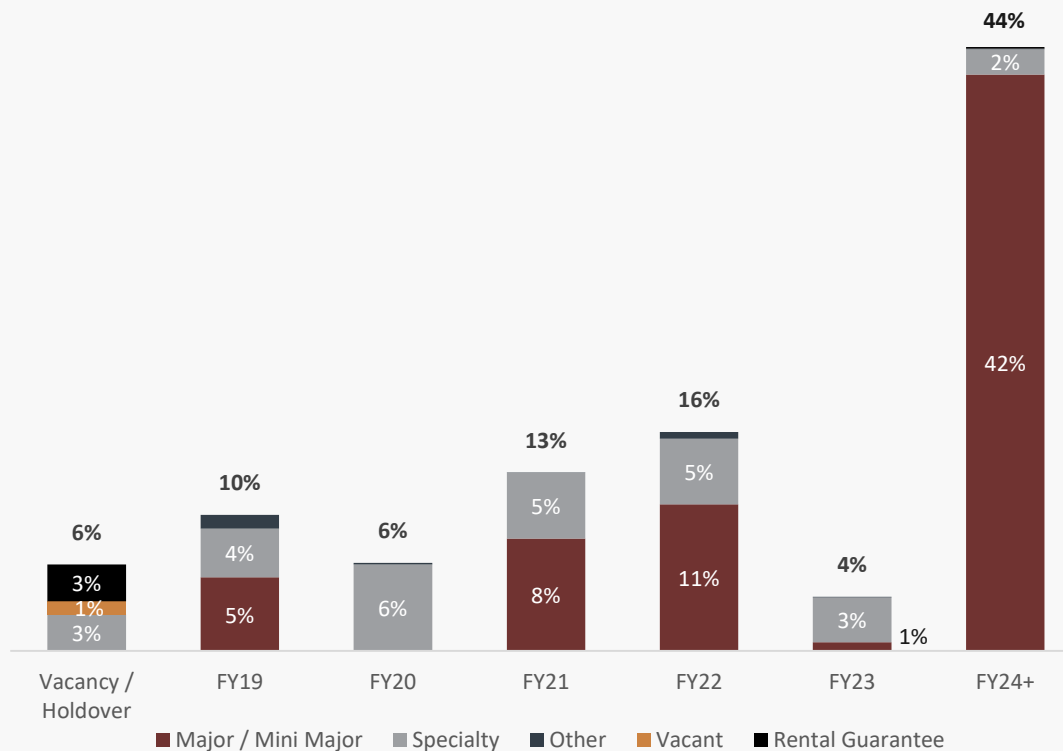
TOP 10 TENANTS BY INCOME



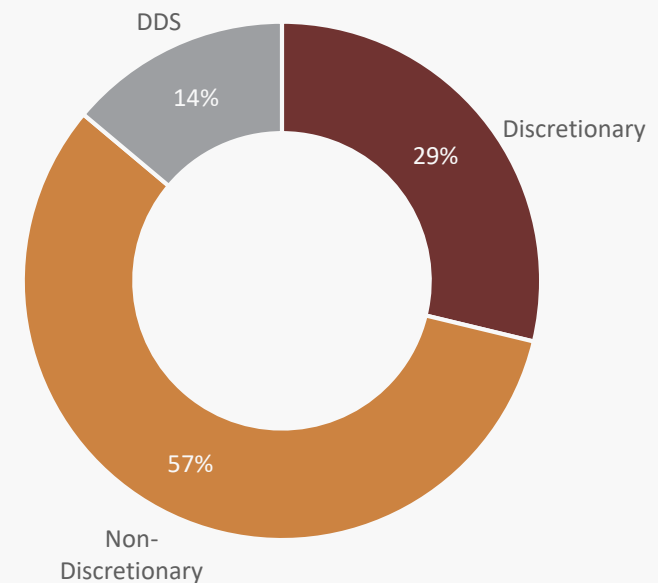
ERF has Strong and Secure Rental Income (cont'd) *Elanor* RETAIL PROPERTY FUND

- The Portfolio has a significant exposure to non-discretionary spending providing a secure income base
- Portfolio 98.5% occupied¹ with Portfolio WALE of 4.8 years by Portfolio lettable area and 4.5 years by Portfolio base rental income

LEASE EXPIRY²



NON-DISCRETIONARY EXPOSURE²



1. By Lettable Area and includes Rental Guarantees

2. By base rental income

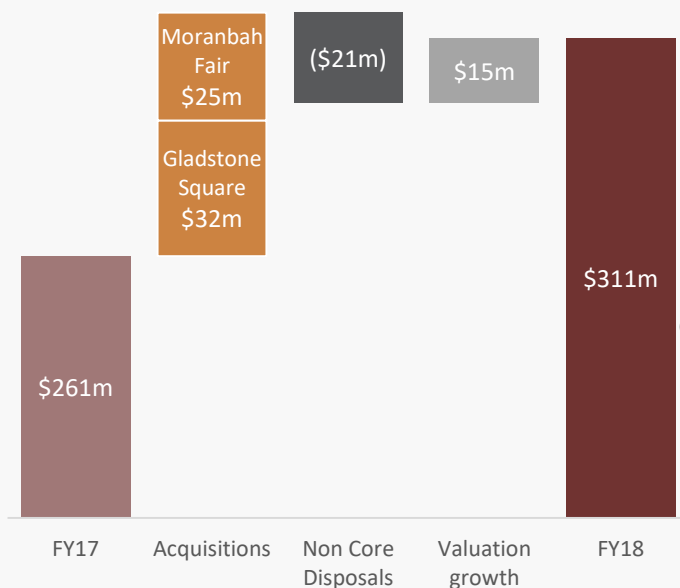


Portfolio Overview

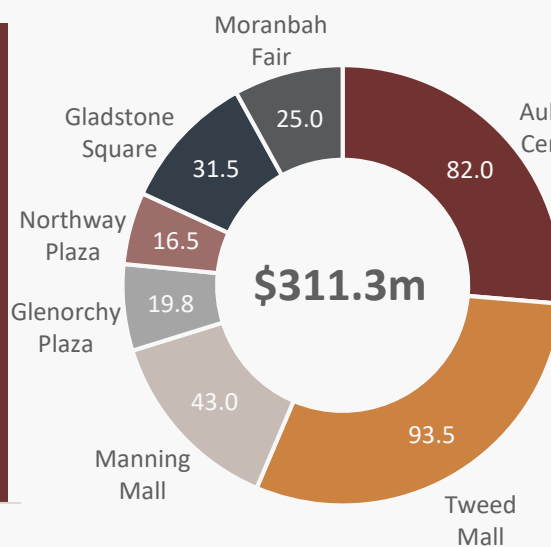
ERF's Portfolio is currently valued at \$311.3m

- As at 30 June 2018, the Portfolio comprises seven high investment quality retail shopping centre assets valued at \$311.3m

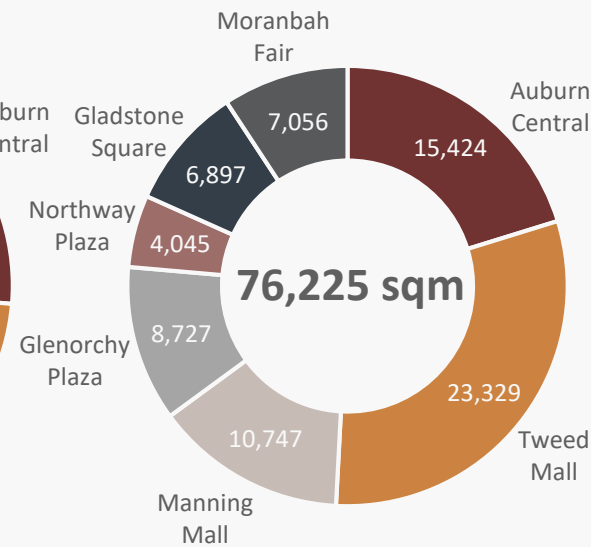
PORTFOLIO VALUE MOVEMENTS



PORTFOLIO BY VALUE



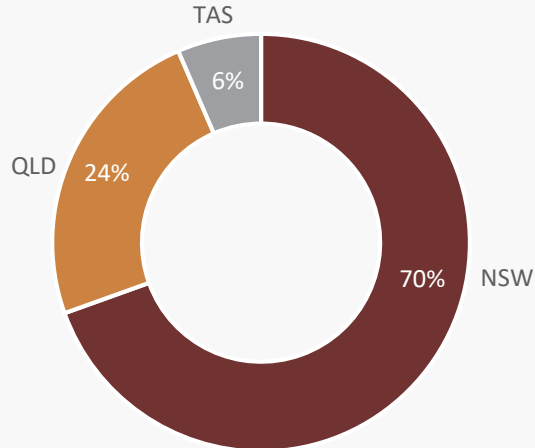
PORTFOLIO BY LETTABLE AREA



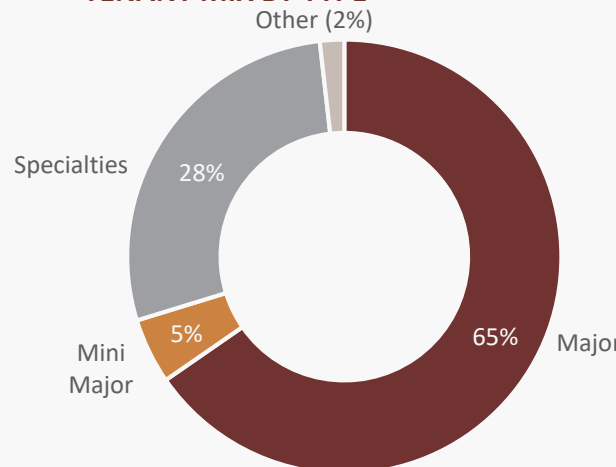
Portfolio Snapshot

Type of Shopping Centre	Number of Centres	Valuation (\$m)	Cap Rate	Lettable Area (sqm)	Occupancy ¹	WALE (Income)
Sub-Regional	4	238.3	6.6%	58,227	98.1%	3.9yrs
Neighbourhood	3	73.0	7.7%	17,998	100.0%	6.2yrs
Total	7	311.3	6.8%	76,225	98.5%	4.5yrs

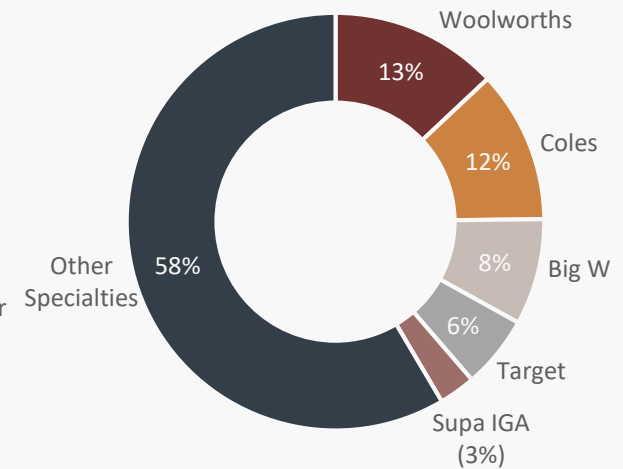
GEOGRAPHIC DIVERSIFICATION²



TENANT MIX BY TYPE³



KEY TENANTS⁴



1. By Lettable Area and includes the impact of Rental Guarantees. See slide 15 for more information
2. By asset value
3. By lettable area
4. By base rent

Assets Summary

ERF has a Portfolio of 7 high investment quality retail shopping centre assets

Property Name	Centre Type	State	Value (\$m)	Cap Rate	Lettable Area (sqm)	Base Rent (\$m)	Occupancy ¹	WALE (by Area)	WALE (by Base Rent)	No. of Tenants ⁴	No. of Tenancies
Auburn Central ²	Sub-Regional	NSW	82.0	6.00%	15,424	6.6	99.9%	5.1yrs	4.3yrs	53	54
Tweed Mall	Sub-Regional	NSW	93.5	6.50%	23,329	7.3	98.3% ³	3.5yrs	3.6yrs	64	80
Manning Mall	Sub-Regional	NSW	43.0	7.25%	10,747	3.7	93.2%	2.9yrs	3.3yrs	29	38
Glenorchy Plaza	Sub-Regional	TAS	19.8	7.63%	8,727	1.9	100.0%	5.9yrs	5.0yrs	16	16
Northway Plaza	Neighbourhood	QLD	16.5	7.25%	4,045	1.5	100.0% ³	3.1yrs	3.1yrs	12	13
Gladstone Square	Neighbourhood	QLD	31.5	7.50%	6,897	2.7	100.0% ³	9.3yrs	8.1yrs	24	33
Moranbah Fair	Neighbourhood	QLD	25.0	8.25%	7,056	2.4	100.0% ³	6.4yrs	6.0yrs	22	27
Total			311.3	6.82%	76,225	26.1	98.5%	4.8yrs	4.5yrs	220	261

1. By Lettable Area and includes the impact of Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio, Tweed Mall, Northway Plaza, Gladstone Square and Moranbah Fair is 96.2%, 95.5%, 98.1%, 91.0% and 94.5%, respectively
2. Excludes all podium strata tenancies given the majority have been divested and the \$5.5 million of remaining tenancies are being marketed for sale
3. Rental Guarantees valued at \$1.8m in place to provide income on nominated vacancies until November 2018 for Tweed Mall and Northway Plaza, July 2019 for Gladstone Square, and January 2021 for Moranbah Fair.
4. Includes Majors, Mini-Majors, Discount Department Stores, Specialties and Other (Kiosks, ATMs, Carwashes, Offices, Roof top leases to telecommunication providers)

Retail Comparable Sales

	Auburn Central	Tweed Mall	Manning Mall	Glenorchy Plaza	Northway Plaza	Gladstone Square	Moranbah Fair
Annual Retail Sales (\$m)	78.6	107.9	70.1	18.3	21.6	43.5	46.4
Centre Sales (\$ / sqm p.a)	6,160	5,617	7,814	2,518	7,595	7,610	10,048
Supermarket Sales (\$ / sqm p.a)	13,001	8,533	12,970	n/a	7,783	9,163	11,219
YoY change (%)	3.9%	(2.5%)	(0.4%)	n/a	(6.3%)	(4.2%)	(0.1%)
Specialty Sales¹ (\$psqm / p.a)	9,312	4,994	9,161	n/a ²	n/a ²	6,201	n/a ²
YoY change (%)	4.0%	(3.3%)	0.9%	n/a ²	n/a ²	(2.3%)	n/a ²
Specialty Occupancy Cost¹	13.3%	13.4%	8.3%	n/a ²	n/a ²	13.2%	n/a ²

Note: Analysis is limited to retailers who have traded and consistently reported sales for the 24 months ended 30 June 2018

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices
2. Insufficient specialty retailer sales data



FY18 Financial Results

Profit and Loss

Income	Year ended 30 Jun 18 \$'000
Rental income	30,467
Interest income	55
Net fair value adjustments and transaction costs	10,293
Total income	40,815

Expenses	
Rates, taxes and other outgoings	9,049
Borrowing costs	5,530
Investment management fees	1,993
Other expenses	1,287
Total expenses	17,859
Net profit	22,956

Reconciliation to Core Earnings	
Net profit	22,956
Net fair value adjustments and transaction costs	(10,293)
Release of rental guarantee amounts not included in net profit	213
Straight lining of rental income	(261)
Amortisation expense	1,359
Core Earnings	13,974

- Statutory net profit of \$23.0m for the year ended 30 June 2018
- Core Earnings of \$14.0m or 10.86 cents per security
- Distribution of 10.31 cents per security (representing 95% of Core Earnings)

Adjusted Balance Sheet

Balance Sheet as at 30 June 2018	\$'000
Assets	
Cash	6,965
Receivables	716
Other assets	786
Investment properties	317,729
Total assets	326,196
Liabilities	
Payables	3,028
Rent received in advance	534
Interest bearing liabilities	128,948
Derivative financial instruments	529
Total liabilities	133,039
Net assets	193,155
Number of securities ('000)	128,730
NAV per security	\$1.50
NTA per security	\$1.50
Gearing (ND / TA less cash)	38.2%

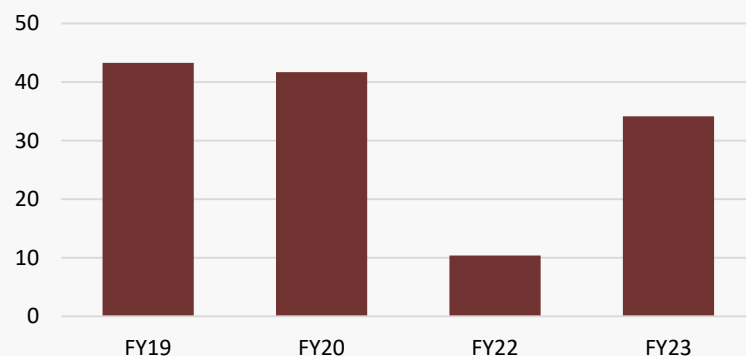
- Net tangible asset value per security of \$1.50 at 30 June 2018
- Interest bearing debt less cash of \$122.0m at 30 June 2018
- Gearing ratio of 38.2% is within ERF's target range of between 30% and 40%

Debt and Capital Management

	30 June 2018
Facility limit (\$m)	134.6
Drawn debt (net of cash) (\$m)	122.0
Gearing	38.2%
% debt fixed or hedged	83.8%
Weighted average cost of debt	4.0%
Average debt facility maturity (years) ³	2.1
Average swap / hedge maturity (years)	2.3
Interest cover ratio	4.5x

- Gearing of 38.2% is within ERF's target gearing range of between 30% and 40%
- Debt is 83.8% hedged
 - Target range for fixed interest rate exposure of between 70% and 100% of drawn debt
 - Average swap / hedge maturity is 2.3 years
- Weighted average cost of debt is approximately 4.0% per annum and the weighted average term to maturity of the Fund's debt is 2.1 years
- Common Terms structure to facilitate the introduction of new lenders on individual commercial terms
- Key Covenants
 - Loan-to-value ratio (LVR)¹ ≤ 50%
 - Interest Cover Ratio (ICR)² ≥ 2.00x, assessed semi-annually

Drawn Debt Maturity Profile (\$m)



1. LVR is calculated as drawn debt divided by the value of the Portfolio
 2. ICR is calculated as net rental income from the properties in the Portfolio divided by interest expense
 3. Average debt facility maturity includes the extension of the short term Moranbah / Auburn podium sales bridge facility to a 3 year term obtained subsequent to 30 June 2018



Outlook

ERF is strongly positioned to enhance value for security holders

- Investment focus on non-discretionary retailers drives strong risk-adjusted returns
- Active asset management of the existing portfolio generating improved operational performance and returns
- Increased capital value from implementation of operational and strategic real estate initiatives

NTA per security

- ERF is well positioned to grow NTA per security from \$1.50 as at 30 June 2018 based on the execution of current initiatives to realise the operational and strategic opportunities in each asset in the Portfolio

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