

ASX / MEDIA ANNOUNCEMENT

3 October 2018

ACQUISITION OF \$573m CONVENIENCE-BASED PORTFOLIO 5% ACCRETIVE TO FORECAST PRO-FORMA FY19 FFO

- More than 5% accretive to annualised pro-forma FY19 Funds From Operations (FFO) per unit
- Attractive purchase price for convenience-based portfolio representing a 7.47% initial yield¹
- Scale benefits with a forecast reduction in Management Expense Ratio (MER) (less than 40bps) and the opportunity to realise asset level operational synergies
- Increased forecast FY19 FFO guidance from 15.6cpu to 16.2cpu, and Distribution guidance from 14.3cpu to 14.7cpu
- Acquisition funded by fully underwritten \$259 million placement at \$2.29 per unit², and new debt facility

SCA Property Group (ASX: SCP) (“SCP”) has entered into an agreement to acquire ten³ convenience-based shopping centres across Australia (the “Acquisition”) for a combined purchase price of \$573 million⁴. The purchase price reflects an initial yield of 7.47% on a fully let basis including the rental guarantee and 7.24% excluding the rental guarantee.

Post the acquisition, SCP will own and manage more than \$3.1 billion of convenience-based shopping centres making it the largest convenience-based retail specialist in Australia. SCP expects to add value to the Acquisition portfolio through its active asset management initiatives, including repositioning the tenancy profile further towards sustainable non-discretionary convenience-based retailers and achieving asset level operating efficiencies.

The Acquisition and funding arrangements (together, the “Transaction”) will have the following financial impact:

- An increase in the annualised pro-forma FY19 FFO per unit of more than 5%
- An increase in FY19 FFO per unit guidance from 15.6cpu to 16.2cpu
- An increase in FY19 Distribution per unit guidance from 14.3cpu to 14.7cpu
- Reduce NTA per unit from \$2.30 to \$2.25⁵ due to transaction costs
- Pro-forma gearing of 34.1%⁵, in the middle of SCP’s 30 – 40% target gearing range

(1) Initial yield is based on fully-let income including rental guarantee from vendor

(2) Subject to final bookbuild price

(3) Delayed settlement of Currumbine Central with expected completion by the end of December 2018 (conditional on head landlord’s consent to the transfer of the head lease)

(4) Total transaction value of \$613 million after transaction costs

(5) Post-acquisition pro-forma 30 June 2018 balance sheet adjusted for SURF 3 asset sales of \$57.9m and associated SCP co-investment, Sturt Mall acquisition of \$73.0m (with \$4.5m of transaction costs), Bushland Beach final progress claim of \$2.2m and the sale of CQR investment based on 30 June 2018 book value (\$4.19 per unit)

Mr Mellows, CEO of SCA Property Group, said “This acquisition represents a material and important strategic acquisition for SCP and is consistent with our disciplined approach to growth. The portfolio is being acquired on attractive terms and is expected to provide management with the ability to add value over the short, medium and long term.”

Funding Arrangements

The Acquisition will be funded with the proceeds from a combination of:

- (1) a fully underwritten institutional placement (the “Placement”) to raise approximately \$259 million²;
- (2) a non-underwritten Unit Purchase Plan (the “UPP”) to eligible unitholders in Australia and New Zealand to raise up to \$50 million;
- (3) a divestment of CQR units over the next twelve months; and
- (4) a Debt Facility of up to \$365m.

Transaction Highlights

- The Acquisition portfolio is consistent with SCP’s core strategy focused on convenience-based retail centres
- Attractive purchase price, representing an initial yield of 7.47% on a fully-let basis including the rental guarantee and 7.24% excluding the rental guarantee. The vendor has provided a rental guarantee for two years from the settlement date
- A reduction in MER to less than 40bps demonstrating the operational synergies available to the internalised group as it grows
- Ability to create value through repositioning the tenancy profile further towards non-discretionary retailers and asset level synergies
- Confirms SCP’s leading position in the ownership and management of convenience-based retail shopping centres
- Compelling financial outcome for unitholders with upgrades to both FFO per unit and Distribution per unit

Acquisition Portfolio

The Acquisition portfolio comprises of the following assets:

Property	State	Purchase price (\$m)	Implied yield (%)	Occupancy by GLA	Anchor tenants
Warnbro Centre	WA	92.9	8.16%	99.3%	Coles, Woolworths and Big W
Currambine Central	WA	91.0	7.48%	98.7%	Woolworths, Farmer Jacks and Grand Cinemas
Stirlings Central	WA	44.0	7.97%	97.8%	Woolworths
Kalamunda Central	WA	41.5	6.93%	94.4%	Coles
Bentons Square	VIC	77.0	6.71%	95.1%	Woolworths
The Gateway	VIC	50.0	6.49%	98.9%	Coles and Target Country
West End Plaza	NSW	66.0	7.38%	100.0%	Coles and Kmart
Lavington Square	NSW	52.0	9.53%	96.8%	Woolworths and Big W
Oxenford Village	QLD	32.5	6.70%	99.9%	Woolworths
North Shore Village	QLD	26.1	6.15%	100.0%	Coles
Total acquisitions		573.0	7.47%	98.1%	

Institutional Placement

SCP is undertaking the Placement to institutional and professional investors for 15% of the total units outstanding at an underwritten floor price of \$2.29 per unit (New Units). The Placement Price (the "Placement Price") will be determined by a variable price bookbuild from an underwritten floor price of \$2.29 per unit, representing a 3.4% discount to the closing price of \$2.37 on 2 October 2018. New Units will rank equally with existing SCP units and will be entitled to the full distribution for the six months ending 31 December 2018.

Unit Purchase Plan (UPP)

Following completion of the Placement, SCP will also undertake a non-underwritten UPP to provide eligible unitholders in Australia and New Zealand with the opportunity to participate in the equity raising. Eligible unitholders (who were registered as SCP unitholders as at 7.00pm on Tuesday 2 October 2018) will be invited to subscribe for up to \$15,000 of additional New Units, free of brokerage and transaction costs. The UPP will not be underwritten and the total amount raised will be up to \$50 million.

The UPP issue price will be the lower of the Placement Price and a 2% discount to the 5-day volume weighted average price prior to the Closing Date of the UPP, subject to a minimum price of \$2.25⁶ per unit.

If demand exceeds \$50 million, SCP may need to scaleback the maximum UPP investment amount available to unitholders. However, in a situation where total demand exceeds \$50 million, SCP may (at its absolute discretion) decide to increase the cap to reduce or eliminate the need for scaleback.

Key Dates

The Placement is to be conducted on Wednesday, 3 October 2018.

Participation in the UPP is optional and is open to eligible unitholders, being holders of SCP units at 7.00pm AEST on 2 October 2018 and whose registered address is in Australia and New Zealand.

The UPP will open on Monday, 22 October 2018 and close Friday, 16 November 2018.

Further information will be distributed to unitholders shortly and available via the ASX platform.

Other

Citigroup Global Markets Australia Pty Limited and its affiliates ("Citi") is acting as sole lead manager, bookrunner and underwriter of the Placement and mandated lead arranger and sole lender of the Debt Facility.

Moelis Australia Advisory Pty Limited and Citi are acting as financial advisers for SCP in relation to the Transaction.

Additional information regarding the transaction is contained in the investor presentation released on ASX today.

SCA will be hosting an investor briefing at 10:00am (AEST) today (Wednesday, 3 October 2018).

ENDS

Institutional investor, analyst and media contacts:

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(6) If the minimum price is not achieved, the UPP may not proceed.

Additional information regarding the transaction is contained in the investor presentation released on ASX today.

This ASX announcement includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may," "will," "expect," "intend," "plan," "estimate," "anticipate," "believe," "continue," "objectives," "outlook," "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management, expected financial performance, earnings, distribution and distribution guidance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of SCP, and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and SCP assumes no obligation to update such information.

An investment in SCP stapled units is subject to investment and other known and unknown risks, some of which are beyond the control of SCP, including possible loss of income and capital invested. SCP does not guarantee any particular rate of return or the performance of SCP nor does it guarantee the repayment of capital from SCP or any particular tax treatment. This announcement should be read in conjunction with the Investor Presentation released to ASX on the same date as this announcement, including the risks set out in the Investor Presentation and the important notices contained in that document. Any past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This announcement is not financial advice or a recommendation to acquire SCP stapled units and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek such legal, financial and/or taxation advice as they deem necessary or appropriate to their jurisdiction. SCP is not licensed to provide financial product advice in respect of SCP stapled units.

A reference in this announcement to a "unit" or "New Unit" is a reference to a stapled security comprising a unit in Shopping Centres Australasia Property Retail Trust stapled to a unit in Shopping Centres Australasia Management Trust.

All dollar values are in Australian dollars (A\$).