

ASX Announcement

18 February 2019

Elanor Retail Property Fund Strongly Positioned to Grow NTA

Elanor Retail Property Fund ("ERF" or "Fund") is pleased to announce its interim financial results, for the half year ended 31 December 2018.

Highlights

- Statutory net profit for the period of \$1.97 million.
- Core Earnings for the period of \$6.3 million, or 4.90 cents per security.
- Distributions for the period of \$6.0 million, or 4.65 cents per security, reflecting a payout ratio of 95% of Core Earnings.
- As at 31 December 2018 ERF had a total investment portfolio of \$313 million, reflecting an increase of \$2.0 million from 30 June 2018, (excluding the podium strata lots at Auburn Central as at 30 June 2018).
- As at 31 December 2018 the portfolio comprises 7 high investment quality retail shopping centres, with a strong focus on non-discretionary retailers. The Fund's portfolio reflects an average capitalisation rate of 6.8%.
- The landlord works relating to the introduction of Aldi to Tweed Mall began during the period and is on track to be completed by 30 June 2019. Aldi is expected to move into the centre in August 2019. The net operating income of Tweed Mall has been impacted by tenant vacancies during capital works for the Aldi tenancy. The impact of this downtime is approximately \$0.3 million. The introduction of Aldi to Tweed Mall has resulted in strong speciality leasing inquiries from potential tenants.
- The Fund has acquired a vacant site adjacent to the Auburn Central shopping centre for \$2.5 million. This is an important strategic initiative to significantly improve access to the secondary loading at the centre in preparation for the reposition of the DDS space. This acquisition was completed on 21 January 2019, management anticipates significant short term value appreciation in relation to the repositioning of the DDS space.
- A renewal for a 5-year lease term was signed with Target at Manning Mall in November 2018, providing security over future cash flows at the centre.
- The Fund completed the disposal of the balance of non-core podium strata lots at Auburn Central during the half. The sale of the strata lots realised total proceeds of \$21.8 million, consistent with book value, reflecting an average capitalisation rate of 6.22%.
- The Fund refinanced debt facilities of \$43.8 million for a new 5-year term, which extending the weighted average debt maturity to 3.3 years, from 2.1 years as at 30 June 2018. The weighted average cost of debt maintained at 4.0% per annum. No debt is due to expire in the next 12 months.
- Fund gearing of 38.0% as at 31 December 2018, 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 for the period and progress of the execution of the Fund’s strategy to date. We continue to focus on the strategic and operational opportunities to grow value for security holders.”

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 \$1.46 as we further execute initiatives to realise the operational and strategic potential of each asset in the portfolio.”

Overview and Strategy

The Fund is an externally managed real estate investment trust investing in Australian retail property, with a focus on high investment quality neighbourhood and sub-regional shopping centres.

The Fund’s objective is to provide investors with strong and growing income returns, and capital growth. To achieve this objective, the Fund’s strategy is to:

- Invest in non-discretionary focused retail properties that provide quality earnings from rental income across a diversified retail tenant mix;
- Implement leasing and active asset management initiatives to grow the Fund’s income and property values;
- Acquire additional high investment quality retail properties with a significant component of non-discretionary retailers;
- Implement development and repositioning strategies across the portfolio; and
- Optimise the capital structure for the Fund with a conservative approach to gearing.

Strategic Review

- The prevailing market conditions for retail assets is creating opportunities for active real estate fund managers with extensive experience in retail asset management.
- ERF has a strong capability to access suitable assets and deliver investment returns by identifying and realising the highest and best use for underlying shopping centre real estate by executing alternative use, repositioning and development strategies.
- ERF has commenced a strategic review to examine options and capital management initiatives to enable it to:
 - increase its investment in value-add shopping centre assets which meet specific investment criteria;
 - generate high risk-adjusted total returns by capitlising on:
 - ERF’s competitive advantage in delivering value in relation to the highest and best use of underlying shopping centre real estate; and
 - prevailing market opportunities.

Summary of Financial Results

Statutory net profit for the period was \$1.97 million.

Core Earnings for the period were \$6.3 million, or 4.90 cents per security.

ERF has declared an interim distribution of 4.65 cents per security for the period to 31 December 2018 (to be paid on 1 March 2019).

NTA per security of \$1.46 as at 31 December 2018.

A summary of the key financial information for the half year ended 31 December 2018 and a reconciliation of statutory earnings to Core Earnings for the half year is as follows:

Key financial results	31 December 2018
Net profit/(loss) (\$'000)	1,965
Core Earnings (\$'000)	6,307
Distributions payable to security holders (\$'000)	5,992
Core Earnings per stapled security (cents)	4.90
Core Earnings per weighted average stapled security (cents)	4.90
Distributions (cents per stapled security)	4.65
Net tangible assets (\$ per stapled security)	1.46
Gearing (net debt/total assets less cash) (%)	38.02

Reconciliation of Core Earnings	31 December 2018 \$'000
Statutory net profit/(loss)	1,965
Adjustments for items included in statutory profit/(loss):	
Fair value adjustments on investment property	3,950
Straight lining of rental income	(372)
Amortisation expense	764
Core Earnings	6,307

Balance Sheet Summary	31 December 2018	30 June 2018
Total Assets (\$'000)	323,496	326,193
Borrowings (\$'000)	128,467	128,948
Net Assets (\$'000)	188,020	193,155
Gearing (Net Debt / Total Assets less cash)	38.0%	38.2%
Number of securities on issue (million)	128.7	128.7
Net asset value per security (\$)	1.46	1.50
Net tangible assets per security (\$)	1.46	1.50

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 in the short term based on the execution of initiatives to realise the operational and strategic potential across the portfolio.

ERF will undertake a strategic review to examine options to enable the further reweighting of the Fund's portfolio towards value-add retail assets, taking advantage of prevailing market opportunities and Elanor's active retail management capabilities.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ERF's 1HFY19 result.

Investor Briefing

Elanor Retail Property Fund will be holding an Investor Briefing Conference Call on 18 February 2019 at 11:00am, to present and discuss the Fund's 1HFY19 results. The Conference details are:

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

Conference ID: 7081236

Commencement: 11:00am

For further information regarding this announcement please contact:

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