



## ASX Announcement

**14 May 2019**

### **Annual General Meeting Script**

#### **CHAIRMAN'S ADDRESS – LAURENCE BRINDLE**

The Notice of Meeting was distributed on 12 April 2019 and will be taken as read.

The formal part of the Meeting is to present the Financial Report, Directors' Report and Auditor's Report for the year ended 31 December 2018 (as detailed in the 2018 Annual Report), to vote on the 2018 Remuneration Report and the election of Mr Jevan Bouzo and myself as Directors. We will also be seeking approval to ratify the institutional placement of stapled securities in Viva Energy REIT announced to the ASX on 21 February 2019.

Before we move to the formal business of the meeting, I will give a short address followed by a business update from Margaret Kennedy, the managing director of VER Manager.

This is the second full year of operations following Viva Energy REIT's listing on the ASX in August 2016. This year, we have delivered a statutory net profit of \$167.1 million and total Distributable Earnings of 14.02 cents per security, which was 4.5% higher than the 2017 result.

Viva Energy REIT is in a sound financial position with a high quality portfolio of strategically located service station and convenience retail assets, balance sheet flexibility, and a portfolio underpinned by quality real estate and long leases.

Sixteen properties were acquired during the 2018 year for a total amount of \$129 million. We continue to evaluate new acquisitions and development opportunities consistent with our investment criteria. Our acquisition pipeline and strategic relationships with vendors continue to remain meaningful.

Property revaluations completed during the 2018 year resulted in a total net increase of \$43.6 million and an increase of 3.8% in net tangible assets per security compared with the previous period.

The Board is focused on maintaining a strong balance sheet with appropriate levels of gearing. This provides flexibility for Viva Energy REIT to pursue further growth opportunities, consistent with its investment criteria, as they arise.

Your directors bring a diverse and complementary range of skills and experience to the Board and are excited to be part of Viva Energy REIT. Your Board has worked hard to ensure the right structures and frameworks are in place so that they are effective and that management is equipped with the right skills to deliver the strategic objectives.

One of our directors, Mr Scott Wyatt, will resign from the Board at the conclusion of this meeting. By any measure, Scott has made a very significant contribution to the success of Viva Energy REIT. His input at both the strategic and operational level has been very valuable to Viva Energy REIT.

On behalf of the Board and the securityholders, we thank him for his service and we wish him every success in the future.

I would like to extend my thanks to the Board, management at VER Manager, the manager of Viva Energy REIT and all staff for their continued commitment to the success of Viva Energy REIT; and to our investors, we thank you for your continued support.

I would now like to invite Margaret Kennedy to address the meeting and provide a business update.

### **MANAGING DIRECTOR PRESENTATION – MARGARET KENNEDY**

Good morning. My name is Margaret Kennedy and as the Managing Director of VER Manager, manager of Viva Energy REIT, it gives me great pleasure to present an update on Viva Energy REIT including some detail around our 2018 performance and the outlook for 2019.

#### **2018 Financial Highlights**

During the 2018 year we delivered a statutory profit of \$167.1 million and distributable earnings for our security holders of 14.02 cents per security which was ahead of the guidance range of 13.81 to 13.91 cents per security.

Our revaluation process delivered a net increase in property values of \$43.6m increasing our NTA to \$2.20 per security; this included a provision for the declared distribution of 7.03 cents per security which was paid on 28 February this year.

We have continued to manage our cost and operating expenses, delivering a management expense ratio of 20 basis points, down from 24 basis points in 2017.

Our portfolio is now comprised of 454 high quality service station and convenience properties valued at \$2.5B with a weighted average cap rate of 5.8%.

Our WALE reflects our long leases, with a WALE of 12.6 years at 31 December.

Our portfolio mix remains at 75% metropolitan locations reflective of the quality of the network.

Considerable work has been done on capital management during 2018. We have increased our debt facilities, lengthened our debt tenor and diversified our sources of capital in line with our capital management strategy.

Our gearing ratio was 36.2%, which reduced to 32.3% on a pro-forma basis as a result of the institutional placement completed on 22 February 2019. In addition, we revised the gearing range from 35-45% to 30-45% to better reflect the Viva Energy REIT capital management practice since the IPO.

#### **Equity Raising Highlights**

On the 21<sup>st</sup> February 2019, Viva Energy REIT announced a \$100 million fully underwritten institutional placement and a \$10 million non-underwritten security purchase plan.

New securities were issued at \$2.32 per security for both the institutional placement and the security purchase plan. Demand was strong for both the institutional placement and security purchase plan.

The proceeds from the equity raise have been used to partly finance 8 acquisitions totaling approximately \$47 million completed in 2H FY2018 and to provide headroom for future growth.

#### **Portfolio Overview**

Our portfolio at 31 December 2018 comprises over 2.1 million m<sup>2</sup> of property which is geographically diversified and aligns with Australia's population spread and density.

75% of properties by value are located in metropolitan areas, with 81% located in the eastern states.

The average value per property is \$5.5 million (\$5.9 million in metro and \$4.6 million in regional).

The average capitalisation rate for metro sites is 5.5% and for regionals 6.8%. The overall portfolio weighted average capitalisation rate is 5.8%.

## **Acquisition Strategy**

29 properties have been added to the portfolio from the time of IPO up until end of 2018. Our acquisition strategy is to consider acquisition and development opportunities which are consistent with the following investment criteria:

- The investment is high quality and strategically located
- The portfolio remains geographically diversified
- The investment has strong lease characteristics
- The investment provides security holders with potential for capital growth over time.

## **Acquisition Summary**

Viva Energy REIT acquired 16 properties during 2018 for \$129 million at a weighted average capitalisation rate of 5.9%. Following successful acquisitions in 2018, the pipeline has been restocked with an identified \$130 million of potential acquisitions, of which \$67 million are in advanced due diligence. The business continues to progress and evaluate opportunities within the targeted pipeline.

## **Portfolio Lease Profile**

The current weighted average lease expiry of our portfolio is 12.6 years with 100% occupancy.

Of the 454 properties, there are only 6 that will expire before 2026 (each having options to renew). The lease expiries are then spread out over the following 7 years for the IPO portfolio.

The majority of the portfolio are subject to annual fixed rent increases of 3% per annum.

## **Property Revaluations**

The Viva Energy REIT valuation policy calls for a rolling three-year independent valuation cycle with one third of the portfolio independently valued each year. The second of these independent valuations was completed as at 31 December 2018 by Jones Lang LaSalle.

The valuation process saw a gross increase of \$77m or 3.5% of the total portfolio. The capitalisation rate across the portfolio remained at 5.8%. We believe the valuations reflect the overall quality of the portfolio.

## **Portfolio tenants**

Viva Energy REIT has continued to add further fuel brands to the portfolio. During 2018, the business added 2 highway Caltex sites in Victoria and a 7/11 site in Queensland. This is also in addition to further site acquisitions made in 2018 where Liberty Oil and Viva Energy Australia are the major tenants.

## **Competitive strengths**

Our network remains one that is virtually impossible to replicate, we have high quality properties, strategically located with both fuel and convenience offers.

Our network is aligned with the population density, that is our sites are located where the customers are, underpinned by 2.11m sqm of land.

We have 100% occupancy, to high quality tenants on predominantly triple net leases with 3% rental increases and further opportunities for growth through ongoing acquisitions and development opportunities.

We will continue to work with our major tenant, Viva Energy on value enhancing site optimisation opportunities and new developments.

## **Strategy and outlook**

We will continue to optimise our core business and maintain a low management expense ratio.

There is a strong pipeline for acquisition and development opportunities that are consistent with our strategy and investment criteria.

We will manage our balance sheet to maintain diversified funding sources with pro-forma gearing to 32.3% at 31<sup>st</sup> December 2018 following the institutional placement completed in February 2019.

Our FY2019 distributable earnings per security growth guidance is 3-3.75% from FY2018. Our target payout ratio remains at 100% of distributable earnings.

On behalf of the management team at VER Manager, I thank you for your support and look forward to the continued growth of our business.

*End*

## **About Viva Energy REIT**

Viva Energy REIT is Australia's largest listed REIT owning solely service station properties with a high quality portfolio of service stations across all Australian States and Territories. Viva Energy REIT's objective is to maximize the long-term income and capital returns from its ownership of the portfolio for the benefit of all security holders.

Viva Energy REIT is a stapled entity in which one share in Viva Energy REIT Limited (ABN 35 612 986 517) is stapled to one unit in the Viva Energy REIT Trust (ARSN 613 146 464). This ASX announcement is prepared for information purposes only and is correct at the time of release to the ASX. Factual circumstances may change following the release of this announcement.

Please refer to VVR website for further information <https://www.vivaenergyreit.com.au/Investors/>.

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