

# Viva Energy REIT Annual General Meeting 10:00am – 14 May 2019

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# AGENDA

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# Chairman's Address

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LAURENCE BRINDLE

Independent Chairman Viva Energy REIT

## Key 2018 Highlights



**FY2018 Distributable Earnings of 14.02 CPS<sup>1</sup>, ahead of guidance**



**Continued growth in portfolio size whilst maintaining focus on quality**



**Acquisition pipeline replenished**



**Active capital management delivers path to continued growth**

# Business Update

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MARGARET KENNEDY

Managing Director VER Manager Pty Limited



# FY2018 key highlights



## Financial Performance

**14.02 CPS Distributable Earnings<sup>1</sup>**  
(up 4.5% from FY2017)

**NTA \$2.20 per security<sup>2</sup>**  
(up 3.8% from December 2017)

**20bps Management Expense Ratio**  
(down from 24bps in FY2017)



## Portfolio & Acquisitions

**\$2.5 billion portfolio**  
454 high-quality service stations and convenience properties with WACR 5.8%

**WALE of 12.6 years**  
With 3% per annum fixed rent increases<sup>3</sup>

**Well located portfolio**  
75% metro properties<sup>4</sup>



## Capital Management

**36.2% gearing<sup>5</sup>**  
Reduces to 32.3% pro-forma for the Institutional Placement<sup>6</sup>

**Weighted debt facility maturity of 3.8 years**  
Increased from 2.6 years in December 2017

**Increased debt facilities, lengthened tenor and diversified sources of capital**  
\$160m of new facilities

<sup>1</sup> Based on weighted average number of stapled securities on issue during the reporting period

<sup>2</sup> NTA reported at 31 December 2018 included a provision for the declared distribution of 7.03 CPS. Reported NTA in prior periods has included distributions accrued to the reporting date

<sup>3</sup> 12 of 454 properties are subject to annual rent increases other than fixed 3% per annum

<sup>4</sup> By value

<sup>5</sup> Gearing calculated as total liabilities to total tangible assets measured in accordance with Australian Accounting Standards, but excluding any mark-to-market valuations of derivative assets/liabilities. Increased gearing relative to 30 June FY2018 partly reflects inclusion of a distribution provision

<sup>6</sup> Includes the impact of the \$100 million fully underwritten Institutional Placement completed on 22 February 2019 but does not include any impact attributable to the SPP completed on 19 March 2019



# Equity raising highlights



## **Completed a \$100 million fully underwritten Institutional Placement and a \$10 million non-underwritten Security Purchase Plan (“SPP”)**

- New Securities were issued at \$2.32 per security for both the Institutional Placement and the SPP
- Demand was strong for both the Institutional Placement and SPP
- New Securities issued under the Institutional Placement and the SPP rank pari passu with existing securities from issue
- New Securities issued under the Institutional Placement and the SPP are entitled to any distribution for the six months ending 30 June 2019



## **Proceeds will be used to partly finance 8 acquisitions totaling approximately \$47 million<sup>1</sup> completed in 2H FY2018 (in addition to \$8 million in committed expenditure) and to provide headroom for future growth**

<sup>1</sup> Pre transaction costs. Excludes \$8.0 million of committed expenditures (pre transaction costs) in 1H FY2019 in relation to fixed-price development fund-through agreements. See page 12 for further details

# Portfolio overview

PORTFOLIO AT 31 DECEMBER 2018						
	Properties	Value (\$m)	Average <sup>1</sup> value (\$m)	Average <sup>1</sup> size (m <sup>2</sup> )	WACR (%)	WALE (years)
Metropolitan	316	1,863	5.9	3,683	5.5	13.0
Regional	138	633	4.6	6,842	6.8	11.7
<b>Total</b>	<b>454</b>	<b>2,496</b>	<b>5.5</b>	<b>4,643</b>	<b>5.8</b>	<b>12.6</b>

- 2.11 million m<sup>2</sup> of property geographically diversified and aligned with the Australian population density
- 81% of properties by value located in Australia's more populous Eastern seaboard states
- 75% of properties by value located in metropolitan areas
- 82% of VIC property value located within the metropolitan region
- 71% of NSW property value located within the metropolitan region



Shell Maddington WA

<sup>1</sup> Calculated as the arithmetic average

# Acquisition strategy

VVR will continue to consider acquisition and development opportunities consistent with the following investment criteria:

1. Investment is high quality and strategically located;
2. Portfolio remains geographically diversified;
3. Investment has strong lease characteristics; and
4. Investment provides security holders with potential for capital growth over time.



*Liberty Woodville SA*



*Shell Coles Express Alderley QLD*

# Acquisitions settled in FY2018

VVR acquired 16 sites for \$129 million<sup>1</sup> at a WACR of 6.4%

Announced 21 February 2019  
(Total \$47 million<sup>1</sup>)

ACQUISITIONS IN FY2018								
Property	State	Region	Purchase price (\$m) <sup>1</sup>	Cap rate (%)	Major tenant	Rent reviews	Lease	Announced
Maddington	WA	Metro	\$9.4	5.9%	Viva Energy Australia	Fixed 3%	Double Net	July 2018
Goondiwindi	QLD	Regional	\$4.0	7.0%	Liberty Oil	Fixed 3%	Triple Net	July 2018
Smithfield Plains	SA	Metro	\$4.6	6.3%	Liberty Oil	Fixed 3%	Triple Net	July 2018
Woodville South	SA	Metro	\$4.6	6.3%	Liberty Oil	Fixed 3%	Triple Net	July 2018
Longwarry Eastbound <sup>2</sup>	VIC	Regional	\$18.0	6.1%	Caltex Australia	Fixed 3%	Double Net	July 2018
Longwarry Westbound <sup>2</sup>	VIC	Regional	\$18.0	6.1%	Caltex Australia	Fixed 3%	Double Net	July 2018
Caboolture	QLD	Metro	\$3.5	6.7%	Viva Energy Australia	CPI	Double Net	July 2018
Coomera	QLD	Metro	\$20.0	5.8%	Viva Energy Australia	Fixed 2.75%	Double Net	August 2018 (Settlement)
Silkstone	QLD	Regional	\$5.2	6.4%	7-Eleven	Fixed 3%	Double Net	February 2019
Albany	WA	Regional	\$3.5 <sup>3</sup>	7.0%	Liberty Oil	Fixed 3%	Triple Net	February 2019
Miles	QLD	Regional	\$5.5	7.0%	Liberty Oil	Fixed 3%	Triple Net	February 2019
Old Noarlunga	SA	Metro	\$6.5	6.6%	Liberty Oil	Fixed 3%	Triple Net	February 2019
Kingaroy	QLD	Regional	\$5.0	7.0%	Liberty Oil	Fixed 3%	Triple Net	February 2019
Townsville	QLD	Regional	\$2.5 <sup>4</sup>	7.0%	Liberty Oil	Fixed 3%	Triple Net	February 2019
Aratula	QLD	Regional	\$14.0	7.0%	Viva Energy Australia	CPI	Double Net	February 2019
Roma	QLD	Regional	\$4.5	7.0%	Liberty Oil	Fixed 3%	Triple Net	February 2019
<b>Total</b>			<b>\$128.8</b>	<b>6.4%</b>				

<sup>1</sup> Pre transaction costs. Excludes \$8.0 million of committed expenditures (pre transaction costs) in 1H FY2019 in relation to fixed-price development fund-through agreements

<sup>2</sup> Longwarry Eastbound and Longwarry Westbound are considered two separate properties

<sup>3</sup> Excludes \$4.5 million of committed expenditures in 1H FY2019 in relation to a fixed-price development fund-through agreement

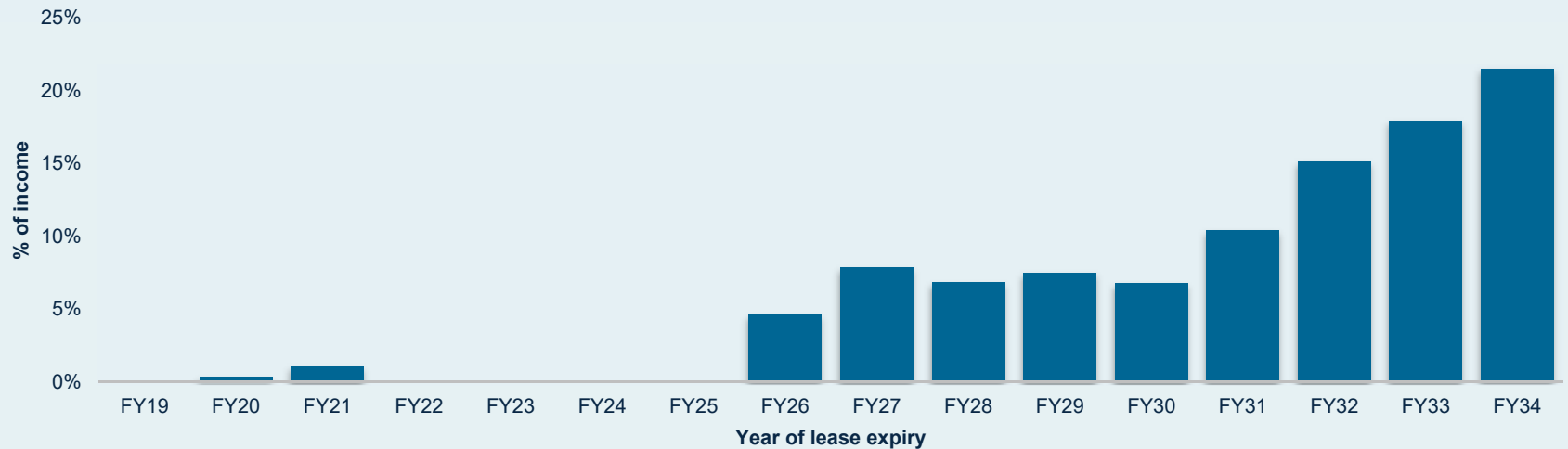
<sup>4</sup> Excludes \$3.5 million of committed expenditures in 1H FY2019 in relation to a fixed-price development fund-through agreement

# Portfolio lease profile

## As at 31 December 2018

- 100% occupancy
- 3% per annum fixed rental increases<sup>1</sup>
- Majority of market rent reviews not until 2026<sup>2</sup> (IPO Portfolio)
- Current WALE of 12.6 years

Portfolio Lease Expiry Profile - Service Stations only<sup>3</sup>



<sup>1</sup> 12 of 454 properties in the portfolio are subject to annual rent increases other than fixed 3% per annum

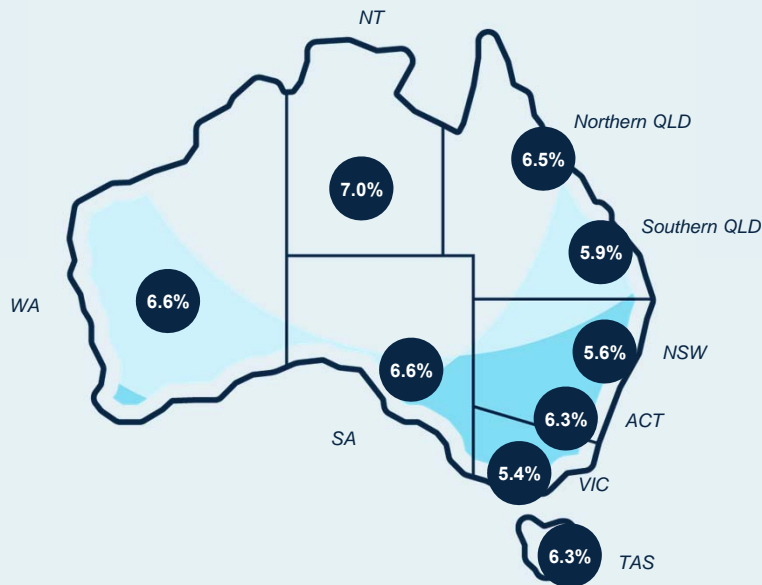
<sup>2</sup> 6 of 454 properties have reviews prior to FY26: FY20 (Rouse Hill) and FY21 (Half Way Creek, Blaxland, Caboolture, Silkstone and Townsville)

<sup>3</sup> WALE is calculated from service station properties only and excludes retail lease agreements between VVR and the tenants on some properties (~\$1.1m p.a.)

# Property revaluations

## Revaluations supported by contracted rental growth

WACR by State (%): as at 31 December 2018



Note: QLD is separated north and south. ACT is separate from NSW

### Valuation Policy

- Fair value of the individual properties are reviewed by the Board at each reporting date in accordance with VVR's property valuation policy
- Rolling one third of the portfolio is independently valued each year with each individual property valued at least once every three years

	Gross increase		WACR
	\$m	%	
<b>150 properties independently valued by Jones Lang LaSalle</b>			
Metro	\$28	+4.8%	5.4%
Regional	\$6	+3.2%	6.8%
<b>Sub-total</b>	<b>\$34</b>	<b>+4.5%</b>	<b>5.7%</b>
<b>275 properties valued by VVR directors<sup>1</sup></b>			
	\$43	+3.0%	5.8%
<b>Total Portfolio</b>	<b>\$77</b>	<b>+3.5%</b>	<b>5.8%</b>

<sup>1</sup> Excludes acquisitions completed after 30 June 2017

# Portfolio tenants

## VVR has continued to add to its brand mix

- VVR’s portfolio is supported by strong and stable tenants, including key tenant, Viva Energy Australia, a leading company in fuel manufacturing, supply and marketing in Australia
- Viva Energy Australia was the sole VVR tenant at IPO in 2016
- The addition of Caltex, 7-Eleven and Liberty Oil<sup>1</sup> properties provides additional fuel brands to the portfolio
  - Acquired its first Liberty Oil site (Katherine) in June 2017. As at 31 December 2018, VVR had 12 Liberty sites
  - In FY2018, VVR continued to diversify its brand mix with the addition of two Caltex sites (Eastbound and Westbound Longwarry) and 7-Eleven (Silkstone)
- As at 31 December 2018, Viva Energy Australia’s contribution to revenue was 95%\*

Tenant Income <sup>2</sup>	FY2016 <sup>3</sup>	FY2017	FY2018
Viva Energy Australia	100%	99%	95%*
Liberty Oil <sup>1</sup>	-	~1%*	2%*
Caltex	-	-	2%*
7-Eleven	-	-	<1%*
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



7-Eleven Silkstone

<sup>1</sup> 50% owned by Viva Energy Australia, as disclosed in Viva Energy Australia’s 2018 Half Year Financial Report

<sup>2</sup> Weighted by gross rental income

<sup>3</sup> Commencing August 2016

\* Estimates of income based on a full year contribution



# Competitive strengths

## Market-leading national service station and convenience retail distribution platform

- Irreplicable high-quality, strategically located service station and convenience retail distribution platform
- National distribution platform aligned with population density
- 100% occupancy, predominantly long-term Triple Net leases to high-quality tenants<sup>1</sup>
- 3% per annum rent increases and ongoing growth through acquisition and development opportunities<sup>2</sup>
- Portfolio underpinned by 2.11 million m<sup>2</sup> of quality real estate
- Pursuing value enhancing site optimisations with key tenant Viva Energy Australia

<sup>1</sup> 16 of 454 properties in the portfolio have Double Net leases in place

<sup>2</sup> 12 of 454 properties in the portfolio are subject to annual rent increases other than fixed 3% per annum

## Strategy and outlook

### FY2019 Distributable Earnings per security growth guidance range of 3-3.75%<sup>1,2</sup> from FY2018

- Optimise core business and maintain low management expense ratio
- Continue to pursue further acquisition opportunities consistent with our strategy and investment criteria
- Manage our balance sheet to maintain diversified funding sources with pro-forma gearing to 32.3%<sup>1</sup> at this point in the cycle
- FY2019 Distributable Earnings per security growth guidance range of 3-3.75% from FY2018<sup>1,2</sup>
- Target payout ratio 100% of Distributable Earnings

<sup>1</sup> Includes the impact of the \$100 million fully underwritten Institutional Placement completed on 22 February 2019 but does not include any impact attributable to the SPP completed on 19 March 2019

<sup>2</sup> Provided there are no material changes in market conditions and no other factors adversely affecting VVR

# Formal Business

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LAURENCE BRINDLE

Independent Chairman Viva Energy REIT

# Closing Remarks

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LAURENCE BRINDLE

Independent Chairman Viva Energy REIT