Home Co. Daily Needs REIT

Managed by
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as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

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HOMECO DAILY NEEDS REIT (ASX: HDN) OUTPERFORMS FY21 PDS GUIDANCE AND REAFFIRMS FY22 FFO GUIDANCE OF 8.3 CPU

Financial highlights

- FY21 FFO of $21.4m up 14% versus PDS FY21 FFO of $18.8m
- FY21 FFO/unit of 4.1 cents up 5% versus FY21 PDS FFO of 3.9 cents
- 82% increase in portfolio value since IPO to $1.6bn[1]

Operational highlights

- 99% unadjusted cash collections since IPO in Nov-20 to Jun-21
- 99.3% occupancy (+0.8% versus PDS) and 97.8% trading occupancy[1,2] (+4.7% versus PDS)
- Positive leasing spreads of +4.4% for new leases and +2.0% for renewals
- Comparable supermarket MAT growth of 14%[3] with 2 supermarkets in turnover rent and 3 within 10%
- Development pipeline increased to >$130m[4] and expected to deliver attractive ROIC and FFO growth

FY22 outlook and guidance

- Reaffirming FY22 FFO/unit guidance of 8.3 cents[5]
- FY22 DPU guidance of 8.0 cents[5]
- Enhanced free float market capitalisation and liquidity increase prospects for inclusion in the S&P/ASX 300 and FTSE EPRA NAREIT indices in Sep-21

Fund Portfolio Manager, Paul Doherty said, *"It is pleasing for our maiden financial year-end result to deliver such a strong set of results that exceed our PDS forecasts. Notwithstanding the uncertain operating backdrop caused by COVID-19, HomeCo Daily Needs REIT has made significant progress executing on its strategy through an active approach to asset management, development, and acquisitions since IPO in Nov-20. The quality, scale and diversification of HDN's portfolio has been substantially improved and the REIT is well positioned to deliver on its objective to provide consistent and growing distributions to unitholders."*

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[1] Includes acquisition of HomeCo LFR Portfolio (announced Apr-21, settled in Jul-21) and Victoria Point (announced Jul-21, expected to settle in Aug-21). Includes Parafield ROU asset of $11.0m (Jun-21) and $10.9m (IPO).
[2] By GLA and includes rental guarantees. Excludes Richlands and Ellenbrook as sites are in post-development stabilisation. Including these sites, portfolio occupancy is 98.5%.
[3] Relates to moving average turnover for the year ended 30-Jun-21 versus moving average turnover for the year ended 30-Jun-20. Mature centres only with >24 months trading.
[4] Includes brownfield development pipeline and remaining cost to complete for Ellenbrook (WA).
[5] FY22 guidance assumes all developments in progress are completed in line with current expectations and that any potential COVID-19 related relief is limited to SME tenants only and COVID-19 related lockdowns and government mandated restrictions do not escalate beyond the present circumstances.

HDN Chair, Simon Shakesheff said, "*The retail landscape is rapidly evolving and this has been accelerated by COVID-19. The shift to omnichannel retailing is a global megatrend and retailers are increasingly leveraging their existing store networks as the optimal solution for both in-store and on-line fulfilment. We are seeing this playout across the portfolio via multiple channels including click & collect, micro-fulfilment and home delivery.*"

"*The resilience of the portfolio since IPO is a testament to the model portfolio strategy to manage downside risk through diversification across geography, subsector and tenant. We have maintained a high quality and defensive exposure across our target sub-sectors, and we have achieved 99% unadjusted cash collection[6] since IPO. The portfolio is well positioned for the current environment with more than 80%[1,7] national tenants and 88%[1,8] of assets in metro locations.*"

PORTFOLIO UPDATE

Since IPO in Nov-20, the fair value of investment properties has increased from $854.4m to $1,555.5m (+82%)[1] through a combination of acquisitions, development and asset revaluations. The total portfolio weighted average capitalisation rate is now 5.63% (5.95% as at 31 December 2020) reflecting the continued strong level of investment demand for high quality convenience and LFR assets in the broader market. Recent transactional evidence is supportive of continued uplift in asset valuations.

Portfolio statistics	1H FY21 (31-Dec-20)	FY21 (30-Jun-21)[9]	FY21 (proforma)[10]
Number of properties	19	20	**28**
Fair value	$978m	$1,112m	**$1,556m**
Weighted average capitalisation rate	5.95%	5.63%	**5.63%**
Weighted average lease expiry[11]	8.1 years	8.0 years	**7.6 years**
Site coverage ratio	32%	33%	**31%**
Average gross rent/sqm	$330 / sqm	$335 / sqm	**$325 / sqm**

Acquisitions

Since IPO in Nov-20, HDN has contracted $586.0m of acquisitions which have increased the portfolio to 28 properties from 17. These acquisitions demonstrate our ability to source accretive and value enhancing opportunities which are consistent with HDN's Model Portfolio strategy. The acquisitions include:

- **Marsden Park Shopping Centre (QLD):** $48.0m purchase price at 6.75% acquisition cap rate, revalued to $53.0m at 6.00% cap rate at Jun-21
- **Bunnings Seven Hills (NSW):** $56.0m purchase price at 5.13% acquisition cap rate, revalued to $60.0m at 4.50% cap rate at Jun-21
- **Armstrong Creek (VIC):** $55.6m purchase price at 6.00% acquisition cap rate
- **HomeCo LFR Portfolio (7 assets)[12]:** $266.4m purchase price at 6.75% weighted average acquisition cap rate, revalued to $283.7m at 6.15% weighted average cap rate at Jun-21

[6] Nov-20 to Jun-21
[7] By gross income for signed leases and signed MOU's.
[8] Calculated by fair value of properties as at Jun-21.
[9] Includes Armstrong Creek acquisition announced Apr-21 and Parafield ROU asset of $11m.
[10] Includes acquisitions settling post Jun-21 including LFR Portfolio (7 assets) announced Apr-21 and Victoria Point (QLD) announced in Jul-21.
[11] By gross income for signed leases and signed MOUs.
[12] LFR Portfolio includes Box Hill (VIC), Bundall (QLD), Mackay (QLD), Marsden Park (NSW), South Morang (VIC), Toowoomba South (QLD) and Upper Coomera (QLD).

- **Town Centre Victoria Point (QLD):** $160.0m purchase price at 4.75% acquisition cap rate

Operating metrics

The quality and strength of the underlying portfolio is demonstrated by the solid operating metrics for FY21 despite the ongoing challenges and uncertainty created by COVID-19. These results also reflect the hard work and focus of HDN's dedicated management team across funds and asset management, leasing and development.

FY21 highlights include:

- 99.3% occupancy (+0.8% versus PDS) and 97.8% trading occupancy[1,13] (+4.7% versus PDS)
- 99% unadjusted cash collections since IPO in Nov-20 to Jun-21
- Positive leasing spreads of +4.4% across 20 new leases and +2.0% across 12 renewals
- 29,800 sqm GLA of development leasing deals executed across 46 leases
- 14% like-for-like supermarket MAT growth[14] with 2 supermarkets in turnover rent and 3 within 10%
- 15% annual like-for-like foot traffic growth to June-21
- Increased national tenant exposure to 80% from 76% at IPO[1]

DEVELOPMENT UPDATE

Developments provide a meaningful source of growth for HDN and offer attractive incremental returns on capital. HDN's strategically located portfolio and low site coverage of 31.4%[1] provides significant long-term potential to unlock additional income and capital growth. The development pipeline has increased to over $130m[15] and is expected to deliver attractive ROIC and FFO growth.

Brownfield developments

- HDN currently has $27.5m of brownfield development projects underway across 6 sites which are 100% pre-leased and on track to deliver a 10%+ ROIC on completion in FY22
- HDN has identified an additional ~$100m of value accretive brownfield development opportunities across 7 projects which are expected to deliver an 8%+ ROIC on completion. These projects are expected to add a further ~20,000sqm of GLA to the portfolio.

CAPITAL MANAGEMENT

HDN has maintained a prudent approach to managing its balance sheet. Proforma Jun-21 gearing is 35.0% and includes the acquisition of 7 large format retail properties from HomeCo which settled in Jul-21 and the acquisition of Town Centre Victoria Point which is expected to settle in Aug-21.

HDN completed an upsize and extension of its existing debt facility on 29 July 2021 to a $800.0m senior secured facility (comprising a 5-year $550.0m term and 3-year $250.0m revolver). HDN also completed a 2-year $275m interest rate swap to hedge ~50% of the term debt in August 2021.

NTA per unit increased to $1.36 at Jun-21 from $1.33 at IPO reflecting the benefit of asset revaluations during the period and partially offset by transaction costs. Jun-21 NTA on a proforma basis is $1.35[1].

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[13] By GLA and includes rental guarantees. Excludes Richlands and Ellenbrook as sites are in post-development stabilisation. Including these sites, portfolio occupancy is 98.5%.
[14] Relates to moving average turnover for the year ended 30-Jun-21 versus moving average turnover for the year ended 30-Jun-20. Mature centres only with >24 months trading.
[15] Includes brownfield development pipeline and remaining cost to complete for Ellenbrook (WA).

OUTLOOK AND GUIDANCE

HDN is pleased to provide the following guidance for FY22:

- Reaffirming FY22 FFO per unit guidance of 8.3 cents
- FY22 distribution per unit of 8.0 cents

FY22 guidance assumes all developments in progress are completed in line with current expectations and that any potential COVID-19 related relief is limited to SME tenants only and COVID-19 related lockdowns and government mandated restrictions do not escalate beyond the present circumstances.

Investor and analyst briefing teleconference call

An investor and analyst briefing teleconference call, followed by a Q&A session, will be held on **Thursday 19 August 2021 at 10:00am (AEDT)**. Investors and analysts wishing to participate can pre-register for the call at: https://s1.c-conf.com/diamondpass/10014838-s6g4ed.html

The following webcast link will be available: https://webcast.openbriefing.com/7569/

Please enter your name, email address and company to register for the webcast. Participants will need to input their name, email and company to register for the 10am webcast.

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Authorised for release by the Board of the Responsible Entity

About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HomeCo Daily Needs REIT aims to provide unitholders with consistent and growing distributions.

Important Notice - Forward-Looking Statements

This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HomeCo Daily Needs REIT. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based.

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