



ASX Announcement

24 June 2024

**Strong Growth in Recurring Funds Management Earnings  
Core Earnings Impacted by Reduced Transactional Activity and Lower Co-investment Income  
2H24 Forecast Distribution**

- Funds Under Management of ~ \$6.2 billion (\$3.0 billion at 30 June 2023)
- Forecast FY24 recurring funds management income<sup>1</sup> of ~ \$49 million (44% increase on FY23), with base recurring management fees of ~ \$40 million (70% increase on FY23)
- Forecast FY24 recurring funds management EBITDA<sup>2</sup> of ~ \$12 million (FY23: \$1.7 million)
- Forecast 2H24 Core Earnings of \$4.3 million or 2.8 cents per security (impacted by reduced transactional activity and lower co-investment income)
- Forecast 2H24 Distribution range of 2.3 to 2.7 cents per security, with a point estimate of 2.5 cents per security (based on a 90% payout ratio)
- Strengthening the balance sheet is a key focus; \$14 million of the targeted \$54 million capital release earmarked in CY24 has been achieved during 2H24. The remaining \$40 million is expected to be released in late 2024 or early 2025
- Additional capital management initiatives to release a further \$40 million of balance sheet capital are in progress. Net proceeds will be used to reduce the Group's gearing

Glenn Willis, Elanor CEO, commented: "We are pleased with the continued growth in the Group's recurring funds management income, increasing 44% on FY23 to approximately \$49 million, and the growth in forecast recurring funds management EBITDA, increasing significantly from \$1.7 million in FY23 to \$12 million in FY24.

The prevailing low levels of transactional activity in real estate markets have adversely impacted the Group's funds management acquisition and transaction income over the half. Forecast 2H24 Funds Management Acquisition and Transaction fees are expected to be \$2.4 million compared to \$5.0 million for HY24. Furthermore, the contribution of the Group's co-investments to Core Earnings over the course of FY24 was materially lower than expected.

The Group continues to expand its institutional capital partnerships with the recent investment by an Asian Sovereign Wealth Fund in the Elanor Healthcare Real Estate Fund to grow the Fund to over \$1 billion in Australian core healthcare real estate assets.

In addition, we are pleased to have executed the first acquisition of our joint venture with ICON Developments to develop a targeted \$250+ million prime Australian logistics portfolio. The 4.4-hectare site will be developed into a 28,000m<sup>2</sup> multi-unit logistics estate with an end value of approximately \$86 million.

While transactional activity has been lower in FY24, we are pleased with the Group's pipeline of funds management opportunities across our sectors of focus, particularly in the Industrial, Retail, Healthcare and Living real estate sectors.

We remain acutely focused on strengthening the Group's balance sheet through the sell-down of co-investment positions. Over the course of FY25, the Group expects to realise capital from certain managed funds that have reached the end of their investment horizons."

1. Recurring Funds Management income excludes acquisition, transactional, and performance fees

2. Recurring Funds Management EBITDA is after deducting all Corporate Costs



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## Co-investment Income and Sell Down of Balance Sheet Investments

The Group's co-investment income is forecast to contribute \$2.3 million to 2H24 Core Earnings (\$5.2 million for FY24). Elanor has over \$200 million in capital invested in managed funds through co-investments, loans and receivables.

The Group's co-investments have generated an effective yield of 3% in FY24 as several funds, including the Elanor Hotel Accommodation Fund (EHAF), Belconnen Markets, Bluewater Square and Waverley Gardens did not pay distributions over 2H24 (typically these investments would generate between 6% and 8% p.a.). The Belconnen Markets, Bluewater Square and Waverley Gardens funds have suspended distributions to fund capital expenditure initiatives prior to their planned realisations. Distributions from EHAF and the Elanor Wildlife Park Fund were materially lower than expected due to challenging trading conditions.

The Group continues to focus on strengthening the balance sheet through releasing capital to reduce gearing and invest in new managed funds. Elanor's HY24 Investor Presentation identified a targeted capital release of \$54 million in CY24 from planned realisations. During the half, the Group achieved the release of \$14 million of capital following the refinancing of Elanor Wildlife Park Fund and sell-down of the Group's co-investment in the Riverton Forum Fund.

The balance of the targeted CY24 capital release of \$40 million relates to the realisation of the assets in three Elanor managed funds (Bluewater Square, Waverley Gardens and Belconnen Markets) and receivables from EHAF. These initiatives remain on track for completion in late 2024 or early 2025.

Elanor will seek to release a further \$40 million of balance sheet capital during FY25, through:

- the planned realisation of assets of the Elanor Retail Property Fund and return of capital to Fund investors (approved by EPIF securityholders in May 2024). The sale of the first of the Fund's four assets (Glenorchy Plaza) is expected to complete in July 2024
- realisation of the Group's interest in 1834 Hotels
- realisation of assets within EHAF. The Fund is seeking to divest a number of hotel assets during the course of FY25 (having exchanged contracts on 2 assets during 2H24). Divestment programs for an additional 4 assets (representing \$62 million) are in progress while a further \$80 million has been identified for divestment through the conversion of 4 hotels to residential accommodation assets. EHAF expects to return capital to Fund investors (including Elanor) over the course of FY25.

Net gearing for the Group will be substantially reduced following execution of these initiatives.

## 2H24 Forecast Earnings

The Group has successfully executed on a key strategic objective to grow funds management earnings. The Group's Forecast FY24 recurring funds management income is approximately \$49 million, representing a 44% increase on FY23. Base recurring management fees increased by 70% to approximately \$40 million for the year.

Forecast FY24 recurring funds management EBITDA has grown strongly to approximately \$12 million (FY23: \$1.7m), reflecting a significantly improved operating margin from the Group's funds management platform (24% FY24; 5% FY23).

The Group's forecast 2H24 Core Earnings is \$4.3 million (2.8 cents per security). This Core Earnings result has been adversely impacted by significantly reduced funds management transaction activity and lower co-investment income in the half.

## 2H24 Forecast Distribution

Elanor announces its forecast distribution range for the six months ending 30 June 2024 of 2.3 cents to 2.7 cents per security, with a point estimate of 2.5 cents per security (based on a 90% payout ratio).



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### **Distribution Timetable**

The timetable for the ENN distribution for the six months ending 30 June 2024 is as follows:

- Ex-Date: 27 June 2024
- Record Date: 28 June 2024
- Payment Date: 30 August 2024

ENDS.

This announcement has been authorised for release by the Elanor Investors Group Board of Directors.

For further information regarding this announcement, please contact:

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### **About Elanor Investors Group**

Elanor Investors Group (ASX: ENN) is a real estate investment and funds management group with approximately \$6.2 billion in funds under management across Australia and New Zealand.

Elanor's key sectors of focus are the commercial office, retail, industrial, living, healthcare, and the hotels, tourism and leisure sectors. Elanor has a proven track record from acquiring and unlocking value in real estate assets that provide strong income and capital growth potential.

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