ASX Announcement

20 August 2024

Vicinity Centres delivers earnings above guidance range and makes meaningful progress with its portfolio repositioning strategy

Vicinity Centres ('Vicinity', ASX:VCX) today released its results for the 12 months ended 30 June 2024 ('FY24').

FY24 strategic and financial highlights:

- Statutory net profit after tax ('NPAT') of $547.1m (FY23: $271.5m). Per security, Funds From Operations ('FFO') and Adjusted FFO ('AFFO') above guidance range[1] at 14.6 cents and 12.3 cents respectively, driven by strong leasing outcomes and portfolio performance
- Final distribution per security of 5.90 cents, bringing the FY24 distribution per security to 11.75 cents (FY23: 12.0 cents), representing a payout ratio of 95.2% of AFFO
- Strong leasing outcomes delivered support current and future income growth; occupancy at 99.3%, positive leasing spread at 1.1% and 4.8% average annual escalator on new leases.
- Total portfolio comparable Net Property Income ('NPI') growth at 4.1%
- Demonstrated execution of investment strategy; acquiring flagship premium assets with strong growth potential at attractive pricing and divesting non-strategic assets at or above book value
- Acquired 50% interest in Lakeside Joondalup, a fortress-style premium asset for $420m. Vicinity also secured property and retail development management rights, providing the opportunity to leverage our retail management platform to enhance asset performance
- Cumulatively, Vicinity executed seven strategic asset sales, totalling c.$550m at a blended 9%, or c.$46m premium to book values. A further c.$250m of asset sales targeted for FY25
- Four smaller developments completed, major projects at Chadstone and Chatswood Chase progressing
- Chadstone's new, 20,000 sqm office tower, One Middle Road, now >95% leased, and welcomes the corporate offices of Australian retailers, Kmart and Adairs to the thriving precinct
- Lower gearing at 27.2%[2] and strong credit metrics maintained, enabling further investment in growth
- Vicinity continues to be on track to achieve Net Zero for Scope 1 and Scope 2 emissions by 2030 for common mall areas across wholly-owned assets
- FY25 FFO and AFFO per security expected to be within the range of 14.5 to 14.8 cents and 12.3 to 12.6 cents, respectively. FY25 distribution payout ratio to be within the target range of 95-100% of AFFO

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[1] FY24 FFO and AFFO per security guidance updated at 1H FY24 results on 15 February 2024 to be around the top end of the ranges of 14.1 to 14.5 cents and 11.8 to 12.2 cents, respectively.

[2] As at 30 June 2024. Adjusted for the divestment of four assets settling post period end, totalling $235m, and the acquisition of Lakeside Joondalup for $420m, proforma gearing at 28.3%.

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Reflections on FY24 from CEO and Managing Director, Peter Huddle:

FY24 was a highly productive year at Vicinity. We delivered another set of strong operating and financial results, made meaningful progress against our growth priorities, and invested in our organisational culture and ways of working.

As expected, elevated costs of living tempered retail sales growth in 2H FY24, however retailer confidence to lock in new leases remained robust, with the team negotiating more than 2,000 leasing deals over the year.

Critical to supporting our earnings resilience, these deals were negotiated with an average fixed annual rent escalator of 4.8%. Furthermore, having leased more than 230 vacant shops in FY24, we ended the year with occupancy at 99.3%, its highest point since before the pandemic. Of note, at 99.6%, CBD centre occupancy now exceeds pre-COVID levels, reflecting not only retailer confidence in the future of CBDs, but also outstanding leasing execution by our team, with the introduction of new flagship stores and new-to-market concepts.

Importantly, we are writing more long-term deals, resulting in a lengthening of our weighted average lease expiry, from 3.3 years at 30 June 2023, to 3.6 years at 30 June 2024. Consequently, we enter FY25 in a strong position to deliver comparable NPI growth of 3.0% - 3.5%.

More broadly, capitalisation rates are showing signs of stabilising and our deliberate strategy of acting at pace to lock in long-term leasing deals with fixed annual escalators, increase occupancy and reduce income at risk, underpinned a modest valuation increase in 2H FY24.

Taking advantage of favourable market dynamics, we have sold seven assets, at a blended 9% (c.$46m) premium to book values. Simultaneously, we have been in the advantaged position to be acquiring premium assets at attractive pricing, especially given their growth potential.

In this context, we are pleased to announce, the acquisition of a 50% interest in Lakeside Joondalup, in Western Australia for $420 million. Lakeside Joondalup has been a strategic acquisition target for some time, with the asset being a premium, fortress-style centre located in one of Perth's principal activity centres with a large and growing population and achieving almost $800 million in annual retail sales.

Importantly, Vicinity also secured the property management and retail development management rights for Lakeside Joondalup, which provides the opportunity to utilise our retail management platform to enhance asset performance, whilst earning additional fee income. With our focus on property excellence, together with our scalable retailer partnerships, we believe Lakeside Joondalup has further growth potential, and the acquisition is accretive to our earnings in year one.

The acquisition of Lakeside Joondalup, the forthcoming redevelopment of Galleria and divestment of four non-strategic assets in Western Australia, has been a deliberate strategy to recycle and redeploy capital to strengthen our asset portfolio in Western Australia.

With our strong balance sheet and disciplined approach to capital allocation, we believe that our ability and willingness to invest in the vibrancy and quality of our asset portfolio continues to be a competitive advantage.

That said, we remain acutely aware of the elevated costs of capital and the industry-wide challenges in the construction sector, nationally. At our 1H FY24 results in February, we communicated an elongation of our development pipeline and prioritisation of higher value retail developments, and as we enter FY25, there is no change to that approach.

Today, the majority of committed capital spend relates to two major projects Chadstone and Chatswood Chase, two of our premium assets, both with significant growth potential. During the year, we also completed four smaller redevelopments at Bayside and Emporium Melbourne in Victoria, Castle Plaza in South Australia, and Nepean Village in New South Wales

While Chadstone has not been immune to the challenged construction sector, we are well progressed on the major retail and mixed-use development. The opening of the One Middle Road ('OMR') office tower, and our significantly elevated fresh food hall 'The Market Pavilion', and alfresco dining precincts, are scheduled for March 2025. The Market Pavilion is now 95% leased[3] and will house some of the very best local fresh food retailers and truly artisan concepts and experiences.

We had previously announced OMR as the home for Adairs' corporate office, and today, we are delighted to also welcome the headquarters of Kmart to OMR at Chadstone. Our agreement with Kmart was the largest office leasing deal[4] in the Australian metro markets in 2024 and strongly aligns with our strategy of locating the corporate offices of key Australian retailers at the best shopping centre precinct in Australia.

In October 2023, we announced the acquisition of the remaining 49% interest in Chatswood Chase in Sydney. In March 2024, we reopened the revitalised lower fresh food and dining precinct, comprising approximately 65 retailers. While the upper levels remain under development, trading in the fresh food precinct has surpassed expectations and shopper feedback has been positive.

In March 2024, we commenced the major redevelopment of the centre. With the project opening to begin late 2025, we are delighted by the interest from both national and international retailers, having circa 80% of income already secured[3]. Chatswood Chase will be the fashion capital of greater Sydney, housing a significant luxury retail precinct, the very best of Australian and international designers, as well as athleisure, technology, and exciting new-to-market concepts.

In June 2024, we were delighted to receive development masterplan approval for the major mixed-use development at Box Hill Central North, in Melbourne. We now have approval for major retail and mixed-use developments at Victoria Gardens, Box Hill Central North, and Buranda Village.

Importantly, the approvals are long-dated, and we continue to work on the operating and funding structure which best suits Vicinity and its securityholders. Furthermore, we will maintain full optionality on these sites, especially in the context of today's elevated cost of debt and a challenged construction sector.

FY25 is expected to be another big year for Vicinity, where we will make strategic, long-term investments in our asset portfolio and continue the momentum of operational execution we set in FY23 and FY24.

[3] Via executed Heads of Agreement and Agreements For Lease.
[4] By net lettable area.

While the immediate term remains uncertain, our outlook for the medium and long-term fundamentals of the Australian retail sector is optimistic. This is supported by population growth, limited new supply of retail, recently effective Stage 3 tax cuts, the likelihood of interest rate reductions[5] and Australia's relatively tight employment market.

As part of our pursuit to shape Vicinity as a high-performing and thriving workplace for everyone, we know that *how* we deliver our results is as important as the results themselves. In this context, we reset our organisational Purpose, Vision, and Values.

Our purpose: We shape meaningful places where communities connect
Our vision: To prosper with our people and communities by creating Australia's most compelling portfolio of retail-led destinations
Our values: Respect. Integrity. Customer Focus. Collaboration. Excellence.

Importantly, our redefined Purpose, Vision and Values are the result of an enterprise-wide collaboration and when brought to life with our strategic pillars, we are confident Vicinity will deliver on its strategic and financial ambitions and at the same time, be a workplace where high performance, diversity, inclusion, and wellbeing are universal.

Forward looking statements

- Vicinity expects FY25 FFO per security and AFFO per security to be within the range of 14.5 to 14.8 cents and 12.3 to 12.6 cents ranges, respectively. FY25 distribution payout ratio expected to be within the target range of 95-100% of AFFO
- Guidance range includes divestments announced (settled and/or contracted) and targeted $250m of additional divestments planned for FY25
- Comparable NPI growth expected to be 3.0% - 3.5%, supported by strong operating metrics delivered in FY24 and improving outlook for retail sales growth over FY25
- Lost rent from redevelopment of Chadstone and Chatswood Chase expected to increase to c.$35m, largely relating to Chatswood Chase (FY26: $20m - $25m[6])
- Gearing as at 30 June 2024 of 27.2%. Adjusted for the acquisition of Lakeside Joondalup and four asset sales announced but settling post 30 June 2024, proforma gearing is 28.3%
- Weighted average cost of debt in FY25 expected to be 5.1%
- Maintenance capital expenditure and leasing incentives of c.$100m in FY25
- Investment capital expenditure expected to be approximately $470m, incorporating the completion of Chadstone OMR office tower and fresh food Market Pavilion and alfresco dining precincts and ramp up of major retail development at Chatswood Chase (FY24: c.$290m)

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[5] Commonwealth Bank of Australia, Global Economic & Market Research, 2 August 2024.
[6] Estimated lost rent in FY26 is based on the development pipeline shown on slide 24 of Vicinity's FY24 annual results presentation.

This document should be read in conjunction with Vicinity's FY24 annual results presentation and 2024 Annual Report released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 10.30am (AEST) today and can be accessed via vicinity.com.au.

Authorisation

The Board has authorised that this document be given to the ASX.

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About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and $24 billion in retail assets under management across 56 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 55 shopping centres (including the DFO Brisbane business) and manages 29 assets on behalf of Strategic Partners. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has 22,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au or scan the QR code.