ASX Announcement

25 June 2018

Elanor Investors Group 2HFY18 Forecast Distribution

Forecast Distribution

Elanor Investors Group ("ENN" or "Elanor") is pleased to announce its forecast distribution range for the six months ending 30 June 2018 of 8.2 cents to 8.6 cents per stapled security, with a point estimate of 8.4 cents. This reflects forecast Core Earnings for the year ending 30 June 2018 of approximately $16.1 million, up by 26.9% from $12.7 million for the year ended 30 June 2017.

The forecast distribution per security for the six months ending 30 June 2018 of 8.4 cents brings the total distribution in respect of the year ending 30 June 2018 to 15.56 cents per stapled security based on a distribution pay-out ratio of 90%, an increase of 21.8% on the year ended 30 June 2017.

Growth in Funds Management Revenue since 31 December 2017

ENN continues to achieve growth in its managed funds and investment portfolio. Funds Management revenue for the six months ending 30 June 2018 is forecast at $7.8 million, up 39.3% from $5.6 million for the six months ended 31 December 2017. Underlying management fees are forecast to increase to $4.9 million from $4.2 million over the same period, an increase of 16.8%.

For the six months ended 30 June 2018, ENN has generated acquisition fees of approximately $2.6 million and performance fees of approximately $0.3 million. By comparison, in the six months ended 31 December 2017, ENN generated acquisition fees of approximately $1.4 million. No performance fees were achieved in the six months ended 31 December 2017.

Key increases in ENN's managed funds since 31 December 2017 comprise the acquisition of:

- Campus DXC, a modern campus-style office building at 196 OG Road Felixstow, Adelaide by Elanor Commercial Property Fund ("ECPF") for a purchase price of $35 million. The acquisition of Campus DXC reflected an initial yield of 7.9% per annum;
- Belconnen Markets site in Belconnen, ACT for $43.75 million. The acquisition represented a passing yield of 6.85% per annum and provides investors with a significant opportunity for capital growth from the redevelopment of the site; and
- WorkZone West property, located at 202 Pier Street, Perth, WA for $125.25 million. ECPF will invest approximately 51% of the Syndicate equity in this new managed fund.

ENN CEO, Glenn Willis said: "We are pleased with the progress achieved by our funds management business during the most recent half, which in addition to the three acquisitions above, saw the sale of the Shorter House hotel property, located at 193 Clarence Street, Sydney for $30 million. The sale price reflected a yield of 4.3% producing strong risk adjusted returns for its managed fund investors".

Hotels, Tourism & Leisure and Real Estate

These divisions continue to perform to expectations.

Special Situations

On 7 June 2018, ENN announced that it had exchanged unconditional contracts for the sale of its Woodville Road, Merrylands Property for $36 million. The property was purchased in July 2014 as part of the John Cootes Furniture acquisition. The sale follows Elanor's success in obtaining a Gateway Determination from the NSW Department of Planning and Environment which supports the rezoning and redevelopment of the 26,135sqm site into a mixed use scheme.

The sale of the Merrylands Property by ENN is forecast to generate a total net profit after tax of approximately $10.5 million. The transaction is forecast to contribute approximately $4.5 million of this total net profit after tax to Core Earnings for the six months ending 30 June 2018 based on forecast net cash received/receivable prior to the distribution date in respect of that six month period. This follows ENN entering into vendor financing arrangements with the purchaser from settlement on 3 August 2018, for 80% of the $36 million consideration, for approximately 12 months.

The trading performance of John Cootes Furniture has deteriorated during the six months ending 30 June 2018, reflecting a significant increase in the competitive environment for furniture retailing in New South Wales, and particularly the areas in which John Cootes Furniture trades. The business is forecast to generate an after tax loss of approximately $2.0 million for the six months ending 30 June 2018. ENN is reviewing the business and considering a number of options.

Current Acquisition and Divestment Pipeline

ENN continues to be well positioned to grow value for security holders. ENN currently has an active pipeline.

ENN anticipates making an announcement in relation to the divestment of the Bell City group of assets in the near term.

A further trading update will be provided with Elanor's 2018 full year result, to be announced in the second half of August 2018.

ENDS.

For further information regarding this announcement please contact:

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