



ELANOR INVESTORS GROUP

FY18 Results Presentation

20 August 2018

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FY18 Results Overview

FY18 Results Highlights

Funds Under Management	 \$1,083m 58.8% increase on FY17
Core Earnings	 \$16.27m 28.4% on FY17
Distributions Per Security	 15.77c 23.4% increase on FY17
Net Tangible Asset Value per Security¹	 \$1.63 1.8% decrease from 30 June 2017
Gearing^{1,2}	 22.1% Increased from 4.2% at 30 June 2017

- Established four new managed funds during the year; Elanor Metro and Prime Regional Fund, Bluewater Square Syndicate, Belconnen Markets Syndicate and WorkZone West Syndicate with a combined gross asset value of \$312.3m as at 30 June 2018
- 28% increase in Funds Management management fees to \$9.4m
- 49% increase in Funds Management acquisition fees to \$4.0m
- Core Earnings excluding the John Cootes Furniture trading loss for FY18 would have been \$18.5m, an increase of 14%
- Stapled securities on issue increased to 93.0m or 4.2% during the period
- 90% Core Earnings payout ratio maintained
- Reflects the provision for the closure of John Cootes Furniture (JCF)
- 5% increase in net tangible asset value per security before provision for JCF as a Discontinued Operation. This primarily reflects the profit on sale of the Merrylands property, an increase in the value of Elanor Hospitality and Accommodation Funds assets, less the after tax trading loss of JCF for FY18
- Raised \$60m of medium term non-equity funding to assist with the growth of the Group (unsecured 5 year 7.1% p.a. fixed rate notes)
- The Group has significant capital to facilitate future growth

1. Based on equity accounting Elanor Hospitality and Accommodation Fund, Elanor Metro and Prime Regional Hotel Fund and Bluewater Square Syndicate
 2. Net debt/(total assets less cash)
 3. At market close 29 June 2018

Growth in Size and Quality of Core Earnings

- Core Earnings increased by 28.4% to \$16.27m compared to FY17 Core Earnings of \$12.67m
- Future Core Earnings results are expected to reflect:
 - Growing recurring Funds Management EBITDA (funds management EBITDA less performance fees)
 - Closure of John Cootes Furniture with no anticipated impact on future Core Earnings results
 - Profit after tax on the sale of the Merrylands property of \$10.45m, with \$5.91m to be included in future Core Earnings results

	2018 \$'000	2017 \$'000
Core Earnings	\$16,270	\$12,670

Key Drivers

- Funds Management:

- <i>Recurring Funds Management EBITDA</i>	10,296	7,158
- <i>Performance Fees</i>	338	4,180

Funds Management contribution to Core Earnings	\$10,634	\$11,338
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- | | | |
|---|-----------|-------|
| • John Cootes Furniture contribution to Core Earnings | \$(2,238) | \$932 |
| • Merrylands Sale | \$4,547 | \$ - |
| • Profit on Sale of Eaglehawk to seed EMPR | \$2,258 | \$ - |

The Group has Significant Capital to Facilitate Future Growth

- During the year, ENN successfully raised \$60m in 7.1% p.a. unsecured 5 year fixed rate notes (Corporate Notes)
- The Corporate Notes provide medium term, non-dilutive capital that will be used in conjunction with available bank facilities to fund the Group's medium term growth
- The issue of the Corporate Notes improves the efficiency of the capital structure of the Group while enabling ENN to maintain a conservatively geared balance sheet
- Existing capital available to facilitate future growth includes:

	(\$m)
Financial assets (recycled to cash on 3 August 2018 with the sale of Bell City) ¹	16
Forecast surplus cash post 4 September 2018 distribution to security holders ²	9
Vendor finance on Merrylands sale maturing in September 2019	29
Available secured debt facilities	10
Total Growth Capital	64

1. The Bell City assets were sold on 3 August 2018

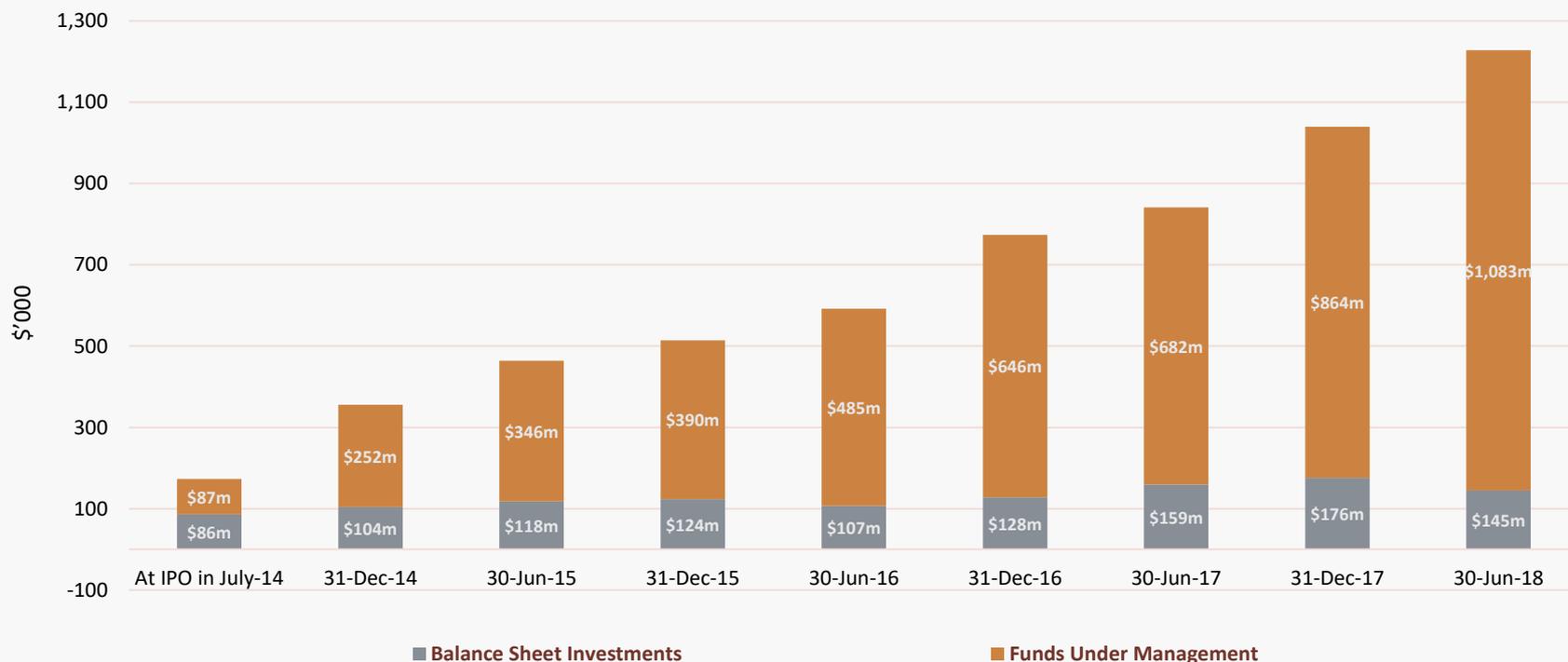
2. The closure of John Cootes Furniture is expected to be completed by December 2018 and not expected to require any material post tax net cash funding

- In addition, the Group holds equity co-investments in Bluewater Square Syndicate, Elanor Hospitality and Accommodation Fund and Elanor Metro and Prime Regional Hotel Fund of 41.92%, 42.64% and 44.04% respectively. As at 30 June 2018 these co-investments totalled \$51.5m. The Group expects to dilute its equity holding in these funds as the funds grow

Growth In Funds Management

- ENN’s key strategic objective is to grow its funds management business by identifying and originating investments that provide strong performance for both ENN and its capital partners
- Since 30 June 2017, ENN has increased funds under management by \$401m to \$1,083m
- Total funds under management and balance sheet investments of \$1,228m, reflecting a 46% increase on 30 June 2017

GROWTH IN FUNDS UNDER MANAGEMENT SINCE IPO¹

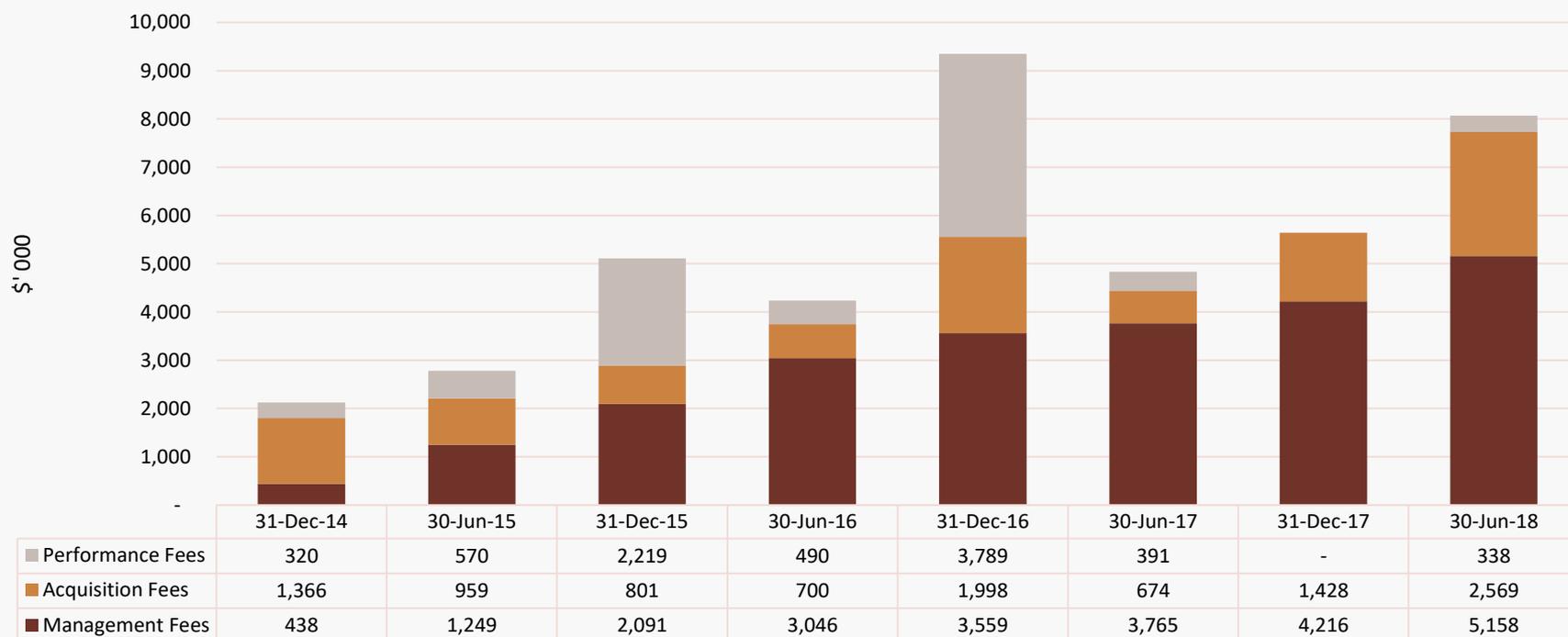


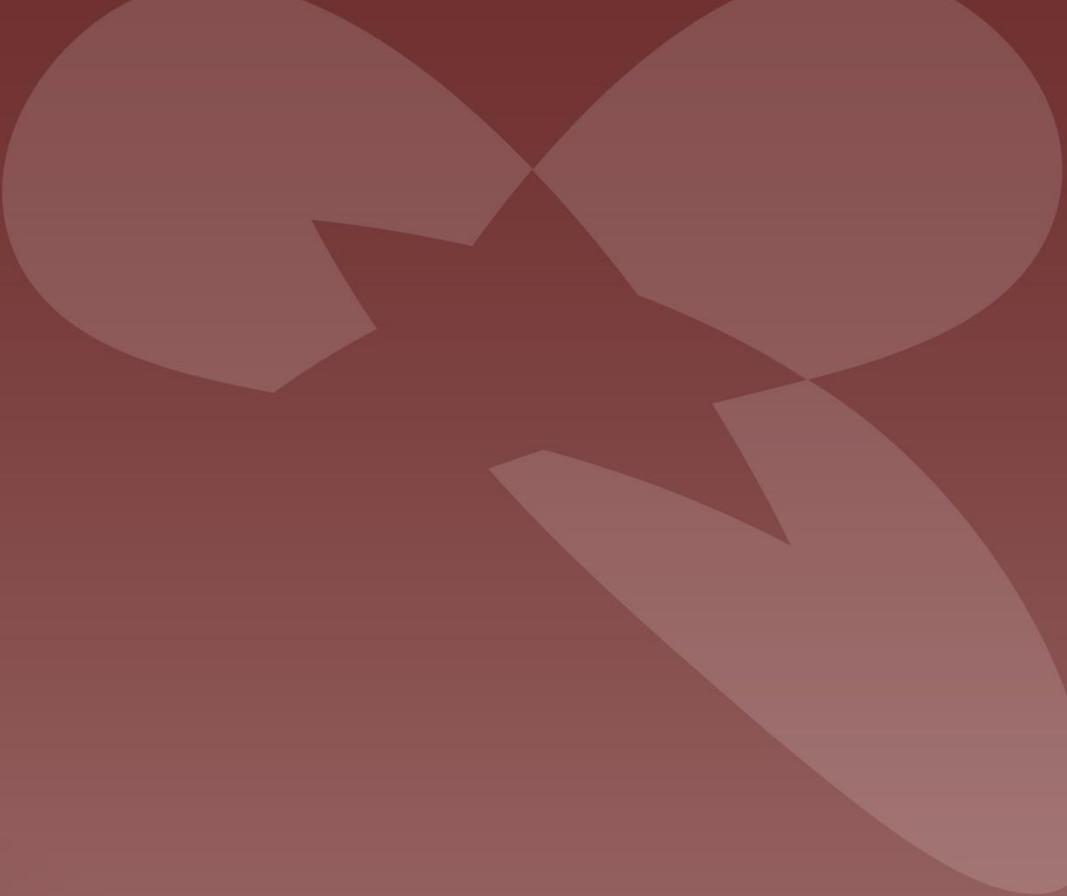
1. Consistent with the basis on which ENN’s base management fees are calculated, figures reflect the Gross Asset Value of the various managed funds

Growth in Funds Management (cont'd)

- Funds Management fees, excluding performance fees, have increased from \$10.0m in FY17 to \$13.4m in FY18
- During the year the Group invested in additional senior experienced asset and capital origination talent and strengthened its asset and investment management capabilities
- Whilst growth will be dependent on the ability to acquire high investment quality assets, the Group is well positioned to grow funds under management

FUNDS MANAGEMENT INCOME ANALYSIS (HALF YEAR PERIODS)





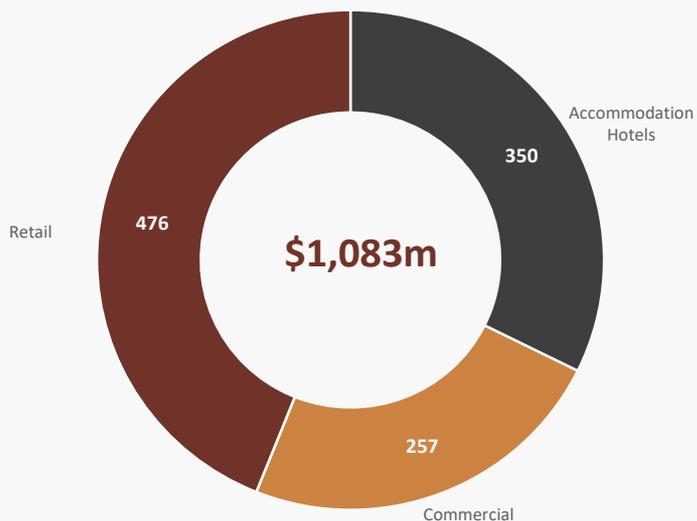
Elanor 

Business Overview

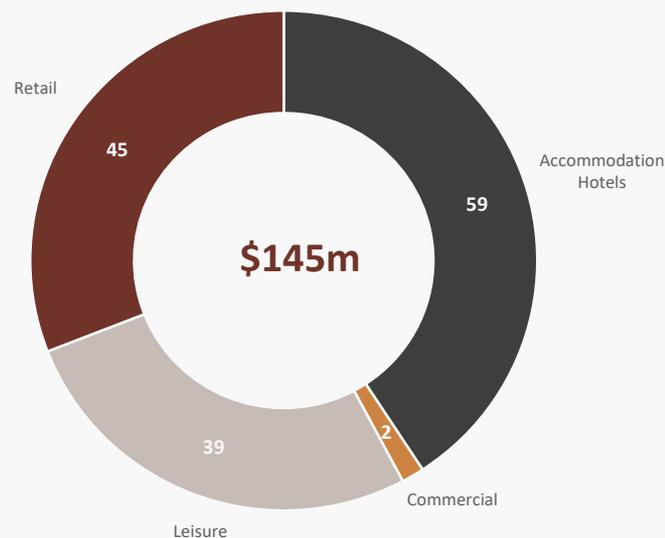
Focused Execution of Funds Management Strategy

- Elanor Investors Group is a funds management business focused on investing in real estate assets that deliver strong, sustainable cash flows, in addition to having significant value add potential
- ENN'S funds under management and investment portfolio is focused on our core real estate expertise in:
 - Accommodation hotels
 - Leisure assets
 - Retail real estate
 - Commercial real estate

Funds Under Management by Sector (\$m)

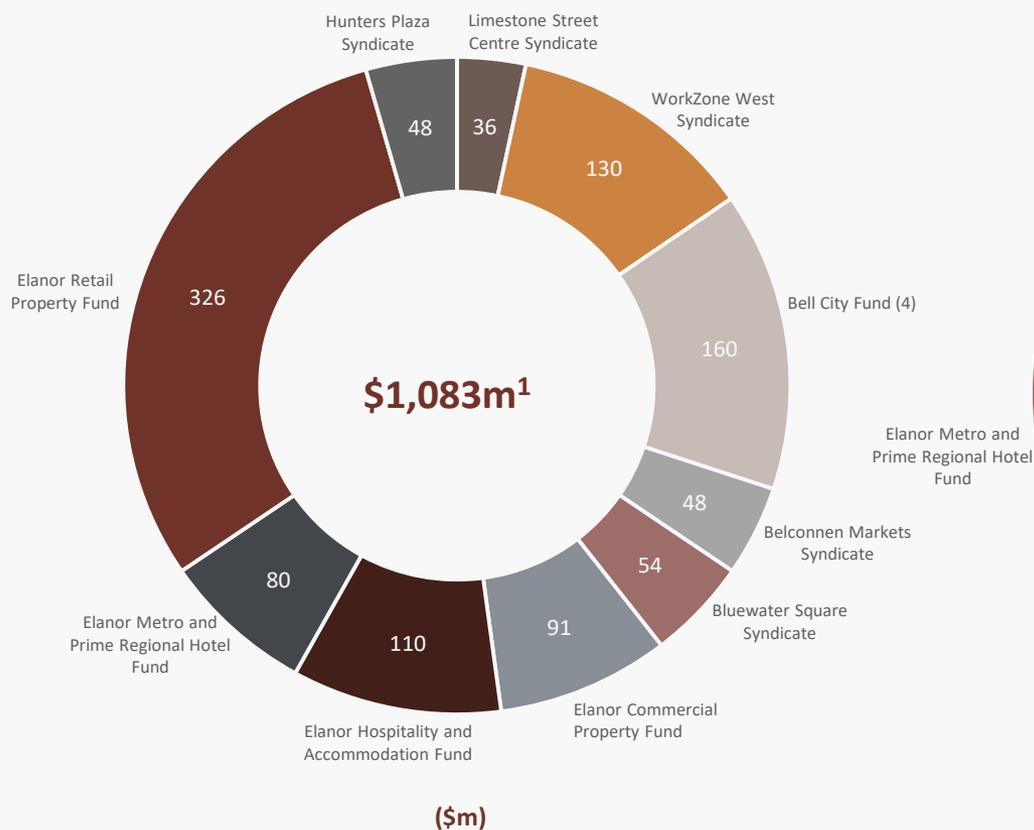


Investment Portfolio by Sector (\$m)

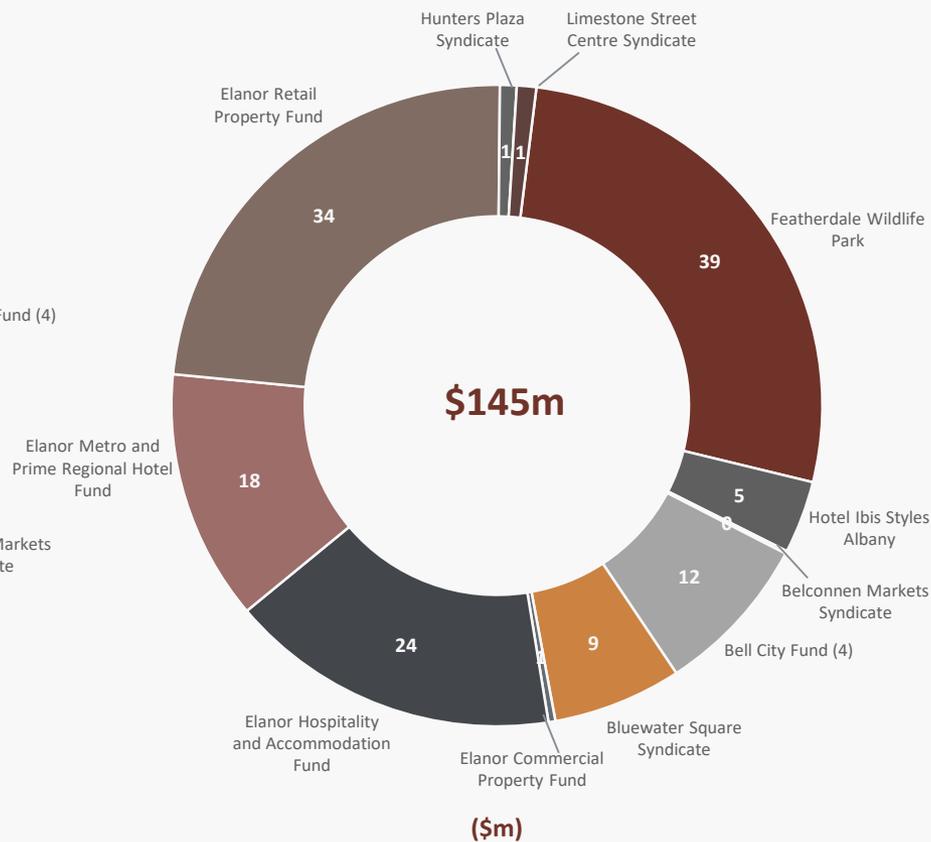


Investments and Funds Under Management

MANAGED FUNDS



INVESTMENTS



1. Consistent with the basis on which ENN's base management fees are calculated, figures reflect the Gross Asset Value of the various managed funds



Elanor 

Financial Results

Adjusted Profit and Loss¹

Segment Revenue and EBITDA	FY18 Revenue \$000	FY18 EBITDA \$000
Funds Management	13,708	10,634
Hotels, Tourism and Leisure	16,768	2,817
Real Estate	1,975	885
Special Situations Investments	67,926	10,738
Total Segment Revenue and EBITDA	100,377	25,074
Adjusted Profit and Loss		
Unallocated corporate costs		(6,547)
Depreciation and amortisation		(1,723)
Interest and other income		1,897
Borrowing costs		(3,057)
Income tax (expense)/benefit		(3,486)
Adjusted Group net profit / (loss) after income tax		12,158
Reconciliation to Core Earnings		
Increase to reflect distributions received/receivable from co-investments		5,937
Gain on the sale of Ibis Styles Canberra Eaglehawk		2,258
Less: on Merrylands net profit after tax		(10,452)
Add: Net Cash received from Merrylands sale		4,547
Building depreciation expense		134
Amortisation amounts		1,941
Other		(72)
Tax adjustments		(181)
Core Earnings		16,270

- Statutory net profit after tax from continuing operations of \$8.4 million
- Adjusted net profit after tax of \$12.2m on the basis that the co-investments in Bluewater Square Syndicate, Elanor Hospitality and Accommodation Fund and Elanor Metro and Prime Regional Hotel Fund are equity accounted, not consolidated
- Funds management EBITDA, excluding performance fees, grew by 43.8% to \$10.3m
- Special Situations Investments includes \$14.9m profit from the sale of the Merrylands property and a pre-tax loss of \$4.2 in relation to the John Cootes Furniture business
- Core Earnings of \$16.3m, a 28.4% increase on FY17
- Distribution per security of 15.77c, an increase of 23.4% on FY17

1. Statutory net profit after tax has been restated to reflect equity accounting of the co-investment in Bluewater Square Syndicate, Elanor Hospitality and Accommodation Fund and Elanor Metro and Prime Regional Hotel Fund, not consolidation

Adjusted Balance Sheet¹

Balance Sheet as at 30 June 2018	\$'000
Assets	
Cash	7,800
Receivables	51,366
Inventories	483
Financial assets	15,707
Asset held for resale	12,722
Other current assets	1,777
Property, plant and equipment	46,102
Equity accounted investments	100,870
Intangibles	900
Deferred tax assets	4,232
Total assets	241,956
Liabilities	
Payables and other current liabilities	6,581
Liabilities associated with assets held for sale	20,728
Other current liabilities	1,517
Interest bearing liabilities	59,555
Other non-current liabilities	760
Total liabilities	89,141
Net assets	152,815
Number of securities (m)	93,016
NAV per security	\$1.63
NTA per security	\$1.63
Gearing (ND / TA less cash)	22.1%

- Net tangible asset value per security of \$1.63 at 30 June 2018 is 1.8% below 30 June 2017. This reflects after tax profit on the sale of the Merrylands property, uplift in the value of assets in Elanor Hospitality and Accommodation Fund and Elanor Retail Property Fund, less equity accounted transaction and establishment costs of Bluewater Square Syndicate and Elanor Metro and Prime Regional Hotel Fund and the provision for closure of the John Cootes Furniture business
- Financial assets reflect short term financing provided to the Bell City Fund. This amount was repaid on 3 August 2018
- Hotels, Tourism and Leisure properties are accounted for in Property, plant and equipment
- Interest bearing debt has increased from \$21.8m as at 30 June 2017 to \$59.6m as at 30 June 2018 following the issue of \$60m in Corporate Notes. As at 30 June 2018 the Group had undrawn secured bank facilities of approximately \$9m
- Gearing remains conservative at 22.1%

1. Statutory balance sheet has been restated to reflect the co-investment in Bluewater Square Syndicate, Elanor Hospitality and Accommodation Fund and Elanor Metro and Prime Regional Hotel Fund on an equity accounted basis, not consolidation
 2. Including acquisition and capitalised costs

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Segment Performance

Segment Performance

- The Group measures the performance of its co-investments based on distributions received/receivable, consistent with the treatment within Core Earnings. Adjusted EBITDA, to reflect distributions received/receivable from co-investments rather than the equity accounted result is as follows:

Operating Performance for Year Ended 30 June 2018	Group EBITDA \$'000	Remove Equity Accounted Result \$'000	Add Distributions received/receivable \$'000	EBITDA Contribution to Core Earnings \$'000
Funds Management	10,634	-	-	10,634
Hotels, Tourism and Leisure	2,817	1,914	2,936	7,667
Real Estate	885	(1,975) ¹	3,061	1,972
Special Situations Investments	10,738	-	-	10,738
Unallocated Corporate Costs	(6,547)	-	-	(6,547)
Adjusted Group EBITDA	18,547	(61)	5,997	24,463

1. This result includes the equity accounted share of transaction, establishment and other costs relating to the Bluewater Square Syndicate.

Funds Management

Performance	FY18 (\$m)	FY17 (\$m)	Variance (%)
Revenue	13.7	14.2	(4)
Expenses	3.1	2.9	7
EBITDA contribution to Core Earnings	10.6	11.3	(6)
Margin (%)	77.6%	80.0%	(3)

Managed Funds	Gross asset value (\$m)
Belconnen Markets Syndicate	48.1
Bell City Fund (4)	159.5
Bluewater Square Syndicate	53.7
Elanor Commercial Property Fund	90.7
Elanor Hospitality and Accommodation Fund	110.2
Elanor Metro and Prime Regional Hotel Fund	80.2
Elanor Retail Property Fund (ASX: ERF)	326.2
Hunters Plaza Syndicate	47.7
Limestone Street Centre Syndicate	36.0
WorkZone West Syndicate	130.3
Total	1,082.6

- During the year ENN invested in additional senior experienced asset and capital origination talent and strengthened its asset and investment management capabilities
- EBITDA contribution to Core Earnings, before performance fees, grew from \$7.2m in FY17 to \$10.3m in FY18, an increase of 43.8%
- Performance fees in FY18 were \$0.3m compared to \$4.2m in FY17
- Net growth in funds under management of \$401m during the year to \$1,083m
- Established 4 new managed funds during the year – Bluewater Square Syndicate, Elanor Metro and Prime Regional Hotel Fund, Belconnen Markets Syndicate and WorkZone West Syndicate. Elanor Commercial Property Fund also acquired Campus DXC during the year
- Growth of Elanor Retail Property Fund, to a gross asset value of \$326.2m, from \$268m as at 30 June 2017
- Expenses primarily reflect fund expense recoveries (corresponding amount included in revenue)
- Funds management is the key strategic focus of ENN

Hotels, Tourism and Leisure

Performance	FY18 (\$m)	FY17 (\$m)	Variance (%)
Adjusted Revenue	21.6	24.5	(12)
Expenses	13.9	16.6	(16)
EBITDA contribution to Core Earnings ¹	7.7	7.9	(3)
Margin (%)	35.5%	32.4%	10

Assets	Carrying Value (\$m)
Featherdale Wildlife Park	39.0
Hotel Ibis Styles Albany	5.3
Co-investments in managed funds	53.9
Total	98.2

- The Hotels, Tourism and Leisure segment comprises assets owned by the Group and co-investments in Hotel funds managed by ENN
- The FY18 EBITDA contribution from Featherdale Wildlife Park, Hotel Ibis Styles Canberra Eaglehawk (comparative period of ownership) and Hotel Ibis Styles Albany reflects a significant period on period increase
- Ibis Styles Canberra Eaglehawk was sold to Elanor Metro and Prime Regional Hotel Fund on 31 October 2017 for \$20.0m as the seed asset to establish that fund

1. Revenue and EBITDA adjusted to show distributions received/receivable from co-investments rather than equity accounted results. This is consistent with the contribution of Hotels, Tourism and Leisure to Core Earnings

Hotels, Tourism and Leisure Co-Investments

- Distributions received/receivable from co-investment in Hotel managed funds are included in the EBITDA contribution of the Hotels, Tourism and Leisure segment to Core Earnings

Performance	FY18 (\$m)	FY17 (\$m)	Variance (%)
Equity accounted result	1.9	1.8	6
Distributions received/receivable	2.9	2.6	12

Assets	Carrying Value (\$m)
Bell City Fund	11.7
Elanor Hospitality and Accommodation Fund	23.9
Elanor Metro and Prime Regional Hotel Fund	18.3
Total	53.9

- Elanor Metro and Prime Regional Hotel Fund was established on 31 October 2017

Real Estate

Performance	FY18 (\$m)	FY17 (\$m)	Variance (%)
Adjusted Revenue (\$m)	3.1	1.8	72
Expenses (\$m)	1.1	1.0	(10)
EBITDA contribution to Core Earnings ¹ (\$m)	2.0	0.8	150
Margin ¹ (%)	64.4%	47.6%	35

Assets	Carrying Value (\$m)
Belconnen Markets Syndicate	0.2
Bluewater Square Syndicate	9.3
Elanor Commercial Property Fund	0.7
Elanor Retail Property Fund	34.2
Limestone Street Centre Syndicate	1.4
Hunters Plaza Syndicate	1.2
Total	47.0

- The Real Estate segment comprises co-investments in Real Estate funds managed by ENN
- EBITDA contribution to Core Earnings reflects distributions received/receivable from co-investments rather than equity accounted results

1. Revenue and EBITDA adjusted to show distributions received/receivable from co-investments rather than equity accounted results. This is consistent with the contribution of Real Estate to Core Earnings

Special Situations Investments

Performance	FY18 (\$m)	FY17 (\$m)	Variance (%)
Revenue	67.9	31.0	119
Expenses	57.2	29.7	93
EBITDA contribution to Core Earnings (\$m)	10.7	1.3	723
Margin (%)	15.8%	4.3%	267

Assets	Carrying Value (\$m)
John Cootes Furniture	-
Merrylands Property	-
Total	-

- The Special Situations Investments segment comprises profit on the sale of the Merrylands property of \$14.9m, and trading of John Cootes Furniture (including allocation of Corporate Overheads) of \$(4.2)m
- Elanor commenced the orderly closure of the John Cootes Furniture business on Monday 13 August 2018
- The business has been impacted by a significant increase in the competitive environment for furniture retailing in New South Wales and the Australian Capital Territory
- A provision for discontinued operations of \$18.3m has been raised as at 30 June 2018 as follows:

	Provision \$'000	Impact on Core Earnings \$'000	Impact on NTA \$'000	Impact on Net Assets \$'000
After tax operating loss of John Cootes Furniture for the year ended 30 June 2018	2,238	(2,238)	(2,238)	(2,238)
Write-down of net assets and provision as at 30 June 2018	16,090	-	(9,620) ¹	(16,090)
	18,326	(2,238)	(11,858)	(18,326)

1. The provision for closure reduced net tangible assets by \$9.62m or \$0.10 per stapled security



Elanor 

Strategy and Outlook

Strategy and Outlook

STRATEGIC OBJECTIVES

Growing funds management business

- Increase income from funds management
- Seed new managed funds with ENN owned investments
- Co-invest with external capital partners

Actively managing investment portfolio

- Realise earnings and capital growth potential from ENN owned investments
- Acquire high investment quality assets with quality income and capital growth potential
 - Grow earnings from co-investments with external capital partners

OUTLOOK

ENN remains well positioned to grow value for security holders

ENN has an active pipeline and growth prospects

- Active pipeline in the current areas of core real estate focus
 - Pursuing new real estate sectors
- Exploring strategic opportunities to deliver growth objectives

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