Home Consortium

ASX RELEASE

26 February 2020

Home Consortium delivers on prospectus forecasts and establishes base for sustainable long term growth

Financial performance for the half year ended 31 December 2019

- FY20 pro-forma Freehold FFO tracking ahead of the prospectus forecast and increasing guidance by 10% ahead of forecast
- 4.5 cents per security fully franked FY20 interim dividend representing a 5.4% fully franked annualised dividend[1]
- 33.9% gearing at 31 December 2019 in line with 30–40% target range. Liquidity of $170m as at 31 December 2019 with a weighted average cost of debt of 2.6% p.a.[2]
- Net leasehold liability reduced by over 40% from $95m to $55m (pro-forma)[3]

Operational and portfolio highlights

- 26,000 sqm opened between IPO and 31 December 2019 across 21 trading freehold centres with trading occupancy of 84.4% as at 31 December 2019
- 97.0% of GLA across 21 trading centres is now under a signed lease or MoU (versus 93.5% at IPO)[4]
- 12,000 sqm of new leases and MoUs signed since IPO[5] across 30 freehold centres of which:
  - 40% represented services tenants[6] and 31% daily needs tenants[6]
  - Weighted average rental rates of new signed leases or MoUs were in line with prospectus
- Strong WALE maintained at 8.5 years[7]
- Tenants with fixed rental reviews (weighted average 3.14%) increased from 69% to 72%[7]
- Foot traffic across centres continues to grow with ~2 million visits in December 2019 and 21% like for like growth in Q4 2019 foot traffic versus prior comparable period
- 2 centres successfully opened (Hawthorn East VIC & Keysborough VIC) since IPO

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[1] Dividend yield based on 25 February 2020 HMC share price of $3.73
[2] Reflects weighted average cost of debt for new debt facility
[3] Pro-forma adjustment to include Ballarat VIC leasehold for which HICC (foundation securityholders) have entered into a heads of agreement subsequent to 31 December 2019 to acquire the site on a delayed settlement term of 3 years
[4] Across 21 trading centres as at 19 February 2020
[5] IPO prospectus dated 23 September 2019
[6] Income contribution as a percentage of total leases and MoUs signed between IPO prospectus and 31 December 2019.
[7] Across 21 trading centres as at 31 December 2019

- 3 leasehold centre acquisitions completed (Hawthorn East VIC, Upper Coomera QLD & Coffs Harbour NSW) since IPO

Executive Chairman and Chief Executive Officer, David Di Pilla, said “It is pleasing for our maiden interim reporting period to present such a strong set of results which deliver against our prospectus forecasts. The strength of our portfolio and unique tenant strategy is underlined by 12,000 sqm of new leases and MoUs signed since IPO. Importantly we have increased our exposure to services and daily needs categories”.

Developments

HomeCo continues to utilise its substantial land holding of approximately 1.1 million sqm, with relatively low site coverage ratio of 32%, for developments and the following new projects are now underway:

- 3 new centres now under development representing ~34,000 sqm GLA (Richlands QLD, Cairns QLD & Coffs Harbour NSW) and anticipated to be open in FY21. These projects are expected to deliver a 7%+ ungeared cash yield
- 10 pad sites in development and anticipated to be open in FY21. These projects are expected to deliver a 12%+ ungeared cash yield

The group is targeting investment committee approval for a further 3 development sites in CY20.

Subsequent to 31 December 2019, foundation securityholders (via HICC) entered into a heads of agreement with the Ballarat leasehold property landlord to acquire the site on delayed settlement term of 3 years. HICC will grant HomeCo the option to acquire the site in 3 years at a 7.5% discount to an independent valuation (overseen by HMC independent directors)[8]. Additionally, HomeCo has signed an MoU with a Government entity to anchor the Ballarat leasehold site.

Strategic growth initiatives

Childcare initiative[8]

- In order to accelerate the rollout of its strategy of increasing services exposure, HomeCo is today announcing a childcare initiative in partnership with Aurrum Childcare
- Aurrum Childcare has signed a heads of agreement to lease 6 childcare centres from HomeCo which are expected to be rolled out in FY21 and FY22, taking the total HomeCo childcare portfolio to 12 centres
- Aurrum Childcare is a new division of the Aurrum Group (“Aurrum”), which is a national aged care provider. The shareholders of Aurrum currently have a shareholding of over 30% in HMC.ASX
- HomeCo will have the opportunity to participate in the future value of Aurrum Childcare via a $5 million convertible note (“CN”) arrangement
- Under the terms of the CN, HomeCo will contribute $5 million to Aurrum Childcare and have the ability to convert into a 50% equity interest in Aurrum Childcare at year 5 – or redeem the CN which has a coupon rate of BBSW + 7.0% p.a.

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[8] Subject to any regulatory and related party approvals where required

- CN structure allows HomeCo to protect operational downside risk while benefiting from potential operational upside
- Aurrum will also contribute a $5 million investment into the Aurrum Childcare division
- HomeCo estimates an ungeared cash yield on the property investment of 7%+ on childcare tenancies at existing centres and 10%+ where constructed on pad sites
  - Blended ungeared cash yield is expected to increase to 13%+ if HomeCo chooses to convert the CN

Healthcare & Wellness REIT

- HomeCo has established a material and growing services exposure, comprising health, childcare & education, government services and wellness tenants
- Due to material demand for healthcare assets by investors coupled with a limited set of pure-play healthcare REIT opportunities of quality assets and scale, HomeCo has commenced planning to introduce new capital to a selection of existing assets and is considering the establishment of a new Healthcare & Wellness REIT (to be managed by HMC.ASX)
- Funds raised are to be recycled for future value-accretive growth initiatives

Outlook

Mr David Di Pilla said "HomeCo is on track to execute its strategy to deliver above average risk-adjusted returns and remains focussed on setting up a platform tor sustainable long-term growth via the own, develop and manage model.

The childcare initiative accelerates HomeCo's services property exposure, whilst also providing attractive financial returns, with a potential new earnings stream through the convertible note in Aurrum Childcare. HomeCo's growing services exposure provides a platform to commence planning around a potential Healthcare & Wellness REIT which we believe provides a further exciting growth opportunity for the future."

As a result of current trading performance, HomeCo provides the following outlook:

- FY20 Freehold FFO expected to be 10% ahead of the prospectus forecast; and
- 99% target occupancy across trading centres by end of CY20

Investor and analyst briefing teleconference call

An investor and analyst briefing teleconference call, followed by a question and answer session, will be held on **26 February 2020** at **10:30am AEDT**. Investors and analysts wishing to participate should dial **1800 870 643 (conference ID: 10003996)**.

The following webcast link will be available: https://webcast.openbriefing.com/5843/ . Please input your name, email and company to register for the webcast.

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Authorised for release by the Home Consortium Board

About HomeCo

HomeCo is an internally managed Australian property group focused on ownership, development and management. HomeCo is built on a platform of big brands and hyper-convenience, with each centre anchored by leading brands backed by some of Australia's most successful property development and retail organisations including predominantly national retailers spanning daily needs, leisure and lifestyle and services enterprises.