Home Consortium

ASX RELEASE

7 May 2020

STABILISING & POSITIONING FOR SUSTAINABLE FUTURE GROWTH

COVID-19 TRADING UPDATE[1]

- 90% of tenants are open and trading[2]
- Final FY20 distribution guidance reinstated at a minimum of $0.05 per security (fully franked)
- Cash impact of COVID-19 tenant support estimated at approximately $6-7 million in FY20, which has been fully mitigated by cash management and cost saving initiatives
- $142 million in liquidity as at 30 April 2020 with no debt maturities until FY23

Home Consortium has been working diligently to address the impact of COVID-19 on the business in recent months. We have endeavoured to be proactive and decisive in managing the social and operational risks associated with the pandemic in order to ensure the safety of our employees, tenants and customers across all our centres.

HomeCo has taken a partnership approach in working with our tenants to support and assist them through the impact of COVID-19. Importantly, we have endeavoured to work within the framework of the National Cabinet Mandatory Code of Conduct ("Code") for small to medium sized enterprises and in the spirit of the Code for larger tenants. Our overall philosophy in assisting larger tenants has been broadly focussed around providing rental support through a combination of rent deferrals and one-off lease incentives – in return for granting extensions to lease terms providing HomeCo with additional contracted future rental revenue.

Trading and tenant update

All HomeCo trading centres have remained open and continued to trade through COVID-19 related restrictions. HomeCo's convenience focussed model has positioned the centres to remain resilient during a period of unprecedented market disruption, which we believe is attributable to the below factors:

- Hyper-convenience:
  - Ability to social distance and minimise dwell time with easy access, substantial on grade car parks and minimal aggregation points
  - Convenient suburban locations based where people live and not in high-density, super-regional or CBD locations
- Defensive and diversified tenant mix:
  - 90% of all tenants are national retailers and service providers[3]
  - Strong WALE of 8.2 years across the portfolio[4] and only 3% of current tenants with lease expiries in the next 20 months
  - Minimal exposure to specialty tenants which represent 4% of the portfolio[5]

Notably, we believe that the competitive rental levels established over recent years enable our tenants to have a sustainable cost of doing business across our centres, and this means we have a very high level of tenants open and trading, evidenced by the following table.

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[1] Information is stated as at 7 May 2020. Every effort is made to provide accurate and complete information. However Home Consortium does not warrant or represent the likelihood of achievement of any forecasts, prospects or returns in this update because such material is, by its nature, subject to significant uncertainties and contingencies given the unusual operating environment brought on by COVID-19.
[2] By gross income as at 30 April 2020
[3] Based on trading tenancies as at 30 April 2020
[4] Based on signed leases and signed MoUs across the portfolio as at 30 April 2020
[5] Based on gross income. Specialty tenants defined as all stores less than 400 sqm that are not furniture related

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	March 2020	April 2020
Foot Traffic (YOY)[6]	+17%	-10%
Leased tenants open and trading[7]	80%	90%

Importantly, HomeCo has agreed a go forward position relating to COVID-19 support with over 95% of tenants (by income).

Financial update

On 23 March 2020, HomeCo announced that it would be withdrawing its FY20 distribution guidance. In light of actions taken since that time and an up to date assessment of its projected financial position, HomeCo announces that its FY20 final distribution is anticipated to be a minimum of $0.05 per security (fully franked).

HomeCo anticipates rental support provided to tenants impacted by COVID-19 via abatements to be approximately $6-7 million in FY20. The cash flow impact is expected to be more than offset by a number of cash flow preservation measures including:

- Changes to cash remuneration:
  - Executive Chairman & CEO has agreed to reduce fixed remuneration by 100% (for the period from 1 April 2020 to 30 June 2020)
  - Directors have agreed to reduce their director's fees by 50% (for the period from 1 April 2020 to 30 June 2020)
  - Key Management Personnel to forgo FY20 short-term incentive plan for the full year period
- A reduction in the FY20 final distribution from $0.10 per security to an anticipated minimum of $0.05 per security

As compensation for the reduction in cash remuneration, HomeCo intends to provide a one-off grant of share rights, the quantum of which will be reviewed and determined by the Board.

Rent abatements provided to tenants impacted by COVID-19 have primarily been structured to be incurred in FY20 and therefore are not expected to impact FY21 cash flows. Rent abatements provided to tenants will be structured as a lease incentive and will be amortised over the lease term.

Liquidity and capital management

HomeCo remains well capitalised with no debt maturities until FY23 and approximately $142 million in liquidity as at 30 April 2020 through cash and undrawn bank facilities following the payment of the FY20 interim dividend in March 2020. HomeCo expects to be within its key financial covenants outlined below:

- Interest cover ratio (accounting EBITDA to net interest expense) is more than 2.0 times. The first test date is for the 6 month period to 30 June 2020
- Loan to value ratio (borrowings divided by freehold property valuations) not to exceed 50%

[6] Compared to the prior corresponding period
[7] Tenants open and trading at month end (as a % of leased tenants)

ACQUISITIONS AND STRATEGIC UPDATE

Ballarat update

On 8 April 2020 an agreement was entered into to purchase the Ballarat leasehold property with a settlement date in April 2022. HomeCo has now also signed a lease with a Federal Government entity to anchor the Ballarat centre and has commenced construction of this tenancy which is expected to open in 1H FY21. Importantly, we note that with the entry into this lease HomeCo's Federal Government tenant exposure across the portfolio will increase to 5%[8] in 1H FY21.

HomeCo's financial returns from the Ballarat acquisition are expected to be 7% p.a. and 10% p.a. on an ungeared and geared basis respectively.

Developments

The Cairns and Coffs Harbour centre developments remain on track with expected openings in 1H FY21. The Richlands centre development is now expected to open in 2H FY21 to allow additional time for specialty leasing. HomeCo currently has 61% of the Richlands GLA under signed leases.

HomeCo continues to make good progress with its planning and leasing for the remaining 6 development centres and pad developments. HomeCo's strategy to proactively improve shareholder returns by increasing its investment and exposure to healthcare and non-discretionary tenants remains on track.

-ENDS-

For further information, please contact:

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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.

[8] Based on gross income