

# SCENTRE GROUP

## ASX Announcement

11 May 2020

### SCENTRE GROUP MARCH 2020 QUARTERLY OPERATIONAL UPDATE

Scentre Group (ASX: SCG) today announced its operational update for the March 2020 quarter.

- All 42 Westfield Living Centres have remained open and trading throughout the quarter with the highest level of health and safety standards implemented
- 57% of retailers are now open and trading, with significantly more retailers to reopen over the coming weeks
- Launched Westfield Direct, a new drive-through, contactless click and collect service available across all our centres
- Implemented a range of initiatives targeting more than a 25% reduction in centre operating expenses during the pandemic period
- In April, the Group increased liquidity to \$3.1 billion. In addition, as a result of additional refinancing of bank facilities, the amount of debt maturing through to December 2021 has been further reduced to \$1.9 billion

#### Operational Update

Operating performance in January and February 2020 was strong. Our business context and operating environment shifted in March 2020 as a result of the reactions to the COVID-19 pandemic.

The Group worked rapidly to adapt its operations to the unfolding situation in Australia and New Zealand including additional health measures and government restrictions.

Scentre Group CEO Peter Allen said: "All Westfield Living Centres have remained open throughout the pandemic. I am proud of the Group's focus on the health and wellbeing of our customers, retail partners and employees, whilst maintaining business continuity and economic activity to the extent we possibly can. Balancing these priorities remains our objective."

The Group continues to follow the advice of health authorities and has put in place a range of precautions across all our centres, applying the highest standards of cleanliness and hygiene. These day-to-day operational procedures will be ongoing given physical distancing is expected to be a part of our lives for some time. The community can have confidence to shop at our centres and we ask customers to maintain their good hygiene and physical distancing practices when they visit our centres and our retailers.

We are committed to supporting the reopening of the economy as more of our retailers continue to reopen their store networks and engage with customers.

In Australia, 57% of retailers representing 70% of gross lettable area are open, with more retailers scheduled to reopen over the coming weeks. Based on the latest guidance from National Cabinet, we would anticipate the majority of the remaining stores will reopen soon.

In New Zealand, our centres are well prepared to move to COVID Level 2 when the government announces its timetable.

Customer visitation continued to grow in January and February, up 1.9% on the prior year. As government restrictions were implemented, customer visitation reduced during March and April to a low of 39% of the previous year's level.

As more retailers have reopened, we have seen an increase in customer visitation in recent weeks and most significantly over this last weekend there was double the level of visitations from 5 weekends ago.

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ABN 66 001 671 496

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ABN 55 191 750 378 ARSN 090 849 746

#### RE1 Limited

ABN 80 145 743 862

AFS Licence No: 380202 as responsible entity of Scentre Group Trust 2

ABN 66 744 282 872 ARSN 146 934 536

#### RE2 Limited

ABN 41 145 744 065

AFS Licence No: 380203 as responsible entity of Scentre Group Trust 3

ABN 11 517 229 138 ARSN 146 934 652

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We have seen the benefit of the strategic location of our centres during this period as they are close to where people live and work.

During the quarter, 496 leasing deals were completed, representing approximately 80,000 square metres of gross lettable area.

As members of the Shopping Centre Council of Australia with our CEO Peter Allen as chair, we have played a role in developing the principles for the *SME Commercial Leasing Code of Conduct* which have been legislated in NSW and Victoria with other states and territories to follow. We have immediately adopted the Code principles and are implementing the same principles in New Zealand. Across the portfolio we have 2,600 SME retailers, representing approximately 30% of rental income.

We are in discussions with our retail partners, on a case by case basis, to determine appropriate ways we can assist with their potential cash-flow issues, whilst recognising that their contractual lease obligations remain in place.

In April, we launched Westfield Direct, a new drive-through, contactless click and collect service available across all our Westfield Living Centres. Westfield Direct has been fast-tracked to offer a safe and easy solution for customers, enabling them to purchase products online from multiple Westfield retailers in one transaction and pick them up via contactless drive-through at their local centres.

To date, the Westfield Direct platform connects customers to more than 500 retailers offering more than 15,000 products from fresh food, everyday essentials and lifestyle categories.

### Retailer In-store Sales<sup>1</sup>

Retailer in-store sales continued to grow during January and February 2020. Sales were impacted in March 2020 as COVID-19 government restrictions were implemented.

Comparable specialty in-store sales were down 7.1% for the quarter to March 2020 and up 0.2% for the year, while comparable majors in-store sales were up 0.7% for the quarter to March 2020 and 0.8% for the year.

### Comparable in-store sales growth by category<sup>1</sup>

	2 months to 29 Feb 2020	Like for Like Mar 2020 <sup>2</sup>	3 months to 31 Mar 2020	12 months to 31 Mar 2020
Retail Services	8.6%	(15.9%)	1.2%	6.3%
Leisure	2.1%	(20.0%)	(4.7%)	1.9%
Food Retail	1.2%	4.4%	1.8%	1.4%
Dining	3.7%	(38.6%)	(10.1%)	(0.1%)
Health & Beauty	2.1%	(27.5%)	(7.7%)	0.1%
Fashion	(0.1%)	(38.9%)	(12.9%)	(0.7%)
Footwear	(1.7%)	(41.2%)	(13.5%)	(2.9%)
Jewellery	(2.4%)	(32.5%)	(12.9%)	(6.2%)
Technology & Appliances	7.8%	(7.2%)	2.6%	3.9%
General Retail	(3.0%)	(13.0%)	(8.5%)	(4.0%)
Homewares	(1.7%)	(24.1%)	(10.4%)	(4.2%)
<b>Total Comparable Specialties</b>	<b>2.3%</b>	<b>(25.9%)</b>	<b>(7.1%)</b>	<b>0.2%</b>
Supermarkets	3.7%	20.6%	9.0%	5.1%
Department Stores	(2.0%)	(38.9%)	(14.4%)	(7.1%)
Discount Department Stores	(1.0%)	(3.5%)	(1.8%)	2.6%
Cinemas	6.2%	(46.1%)	(9.8%)	1.0%
<b>Total Comparable Majors</b>	<b>0.9%</b>	<b>(2.3%)</b>	<b>0.7%</b>	<b>0.8%</b>

<sup>1</sup> Comparable growth – total dollar sales growth (stable centres)

<sup>2</sup> Represents comparable sales growth for retailers who traded in March 2020

Total in-store sales were up \$656 million or 2.7% for the year. January and February 2020 total in-store sales were up 3.6% and March 2020 sales were down 17.6% over the previous corresponding period.

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### Development Activity

We have reassessed all active and pending redevelopments in light of the current environment.

Work on the new Kmart store at Westfield Carindale continues with Kmart scheduled to open in the second half of 2020.

At Westfield Mt Druitt, along with our joint venture partner, Dexus Wholesale Property Fund, we have agreed to defer construction of the rooftop entertainment, leisure and dining precinct, with the option to recommence works at the appropriate time in the future.

Special project works continue at Westfield Doncaster with the new entertainment, leisure and dining precinct and the downsizing of the Myer store at Westfield Belconnen.

We are reviewing the timeline of pending redevelopments and will provide an update at the half year.

We have aligned the resourcing of our Design and Construction business with workload. In line with the reduced level of active redevelopments, the flexibility of our Design and Construction business has enabled a reduction of more than 60% of the D&C workforce, while retaining key capabilities.

### Expenses

The Group has implemented a range of initiatives targeting a reduction in centre operating expenses of more than 25% during the pandemic period, without compromising the health and safety of our customers, retail partners and employees.

Commencing 1 May 2020, the Board agreed to a 20% reduction in base Board fees and the Senior Leadership team agreed to a 20% reduction in fixed remuneration. We have also implemented more wide-ranging changes across the Group, with more than 80% of employee's roles adjusted, including moving to reduced remuneration or reduced hours. The Board will review these arrangements in August 2020.

Throughout the period of business interruption, the Group has continued to meet all commitments under its *Supplier Code of Conduct*.

### Capital Management

In April, the Group increased liquidity to \$3.1 billion. Since our last update, the Group has extended all bank facilities that were due to mature in 2021 and now has no bank debt maturing until January 2022 with approximately \$1.9 billion of bonds maturing during that period.

The Group maintains "A" grade credit ratings by S&P, Fitch and Moody's.

### Earnings and Distribution

As was previously announced, considering the impact of COVID-19 and volatility in markets globally, the Group suspended its outlook guidance for 2020.

Given the uncertainty regarding the pandemic, its duration, the economic impact and the timing of operating cash flows for the Group, the Group has determined to not pay an interim distribution for the Half Year period ending 30 June 2020.

The Group believes that retaining this capital will further strengthen its financial position and ability to continue to deliver long term returns to its securityholders.

Authorised by the Board.

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## SCENTRE GROUP

Scentre Group (ASX Code: SCG) is the owner and operator of Westfield in Australia and New Zealand with interests in 42 Westfield Living Centres, encompassing more than 12,000 outlets and total assets under management of \$56 billion (as at 31 December 2019).

The financial information included in this release is based on Scentre Group's IFRS financial statements. Non IFRS financial information has not been audited or reviewed.

This release contains forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this presentation. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release. You should not place undue reliance on these forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.