

# Home Consortium

## ASX RELEASE

3 August 2020

### NOTICE OF GENERAL MEETING

Home Consortium (ASX: HMC) advises that a general meeting of securityholders will be held on **Tuesday, 1 September 2020 at 10.30am** (Sydney time) (**Meeting**). A copy of the Notice of Meeting and Explanatory Memorandum was dispatched to securityholders today and copies are attached to this announcement.

Securityholders are encouraged to carefully review and consider the Notice of Meeting and Explanatory Memorandum and are urged to attend the Meeting via the live webcast or vote by lodging the Proxy Form.

The health and wellbeing of our securityholders is paramount. On that basis and in accordance with government guidance and restrictions on travel and public gatherings at this time the directors of Home Consortium have decided that the Meeting will be held in virtual format only. Securityholders may be present virtually and vote through an online platform at <https://agmlive.link/HMC20>.

The online platform will allow securityholders to participate in the Meeting and vote during the Meeting. Further details on how to participate online is set out in the Virtual Meeting Online Guide available at <https://investors.home-co.com.au/investor-centre/?page=asx-announcements>.

Even if securityholders intend to attend the Meeting online, Home Consortium encourages securityholders to vote by completing and submitting a proxy form as early as possible. Securityholders may use the Proxy Form attached to the Notice of Meeting or online at <https://linkmarketservices.com.au/> by 10.30am (Sydney time) on Sunday, 30 August 2020.

In the event that it is necessary for Home Consortium to provide further updates, information will be available on Home Consortium's website (<https://investors.home-co.com.au/investor-centre/>) and lodged with ASX.

-ENDS-

For further information please contact:

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Home Consortium Developments Limited  
ACN 635 859 700

## **MEDIA**

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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.*

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# Notice of General Meeting

## Home Consortium

Home Consortium Limited (ACN 138 990 593)  
Home Consortium Developments Limited (ACN 635 859 700)

Tuesday, 1 September 2020 at 10.30am (Sydney time)

This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Securityholders are in doubt as to how they should vote, they should seek advice from their stockbroker, investment advisor, accountant, solicitor, or other professional adviser prior to voting.

**Securityholders are urged to attend via the live webcast at <https://agmlive.link/HMC20> or vote by lodging the Proxy Form attached to the Notice.**

# Letter from the Executive Chairman and Deputy Chairman

3 August 2020

Dear Securityholder,

On behalf of the Board, we are pleased to invite you to participate in a general meeting of Home Consortium, which will be held at **10.30am (Sydney time) on 1 September 2020**. The purpose of the General Meeting is to obtain Securityholder approval under the ASX Listing Rules for certain proposed related party transactions and to ratify a recent placement of securities which raised \$140 million.

The first resolution is to approve a transaction between Home Consortium and Aurrum Pty Ltd (**Aurrum**), pursuant to which Home Consortium will acquire the freehold in an aged care property in Erina, New South Wales, from Aurrum (the **Acquisition**) and enter into a lease arrangement with Aurrum for a period of at least 10 years. The Acquisition will increase Home Consortium's exposure to the healthcare and wellness sector with an attractive first investment opportunity in the aged care sector under a long term lease with stable cash flows under a triple net lease arrangement (with the tenant responsible for 100% of outgoings and maintenance capital expenditure).

The second resolution is to approve the issue of 6,944,444 stapled shares in Home Consortium to Aurrum (and/or its nominee) as part of the consideration payable under the Acquisition.

The first two resolutions are inter-conditional. If the first resolution is not passed, the stapled securities the subject of the second resolution will not be issued (and vice versa).

The third resolution is a standalone resolution to approve the issue of Securities under Home Consortium's recent placement to institutional investors (announced on 1 July 2020) which raised \$140 million. This will provide Home Consortium with additional flexibility to undertake future equity raisings, if necessary, to execute on its strategy without the need for further Securityholder approvals.

The Notice and Explanatory Memorandum in the following pages provide further details on the Resolutions and we urge you to read the contents carefully.

All Directors eligible to vote recommend Securityholders vote in favour of Resolutions 1 and 2 (including all independent non-executive Directors).

The Independent Expert has also concluded that the Transaction (the subject of Resolutions 1 and 2) is fair and reasonable.

Two directors, David Di Pilla and Greg Hayes, have abstained from making a recommendation to Securityholders in relation to Resolutions 1 and 2 due to a disclosed interest in the transactions. For further information, see Section 11 of the Explanatory Memorandum entitled "Directors' interests".

All of the Directors recommend Securityholders vote in favour of Resolution 3.

Each Director eligible to vote intends to vote all the Securities he or she holds or are controlled by him or her in favour of all Resolutions proposed. In addition, Home Consortium has received confirmations from Securityholders, who are eligible to vote and who represent more than 24 million Securities, that they intend to vote in favour of Resolutions 1 and 2.

In these unprecedented times requiring social distancing and restrictions on travel as a result of COVID-19, Home Consortium is holding a virtual meeting as proposed in this Notice, ensuring that

all Securityholders have the reasonable opportunity to participate in the meeting. Information regarding this process is set out in the Notice and accompanying Explanatory Memorandum.

On behalf of the Board we thank you for your consideration of the resolutions.

Yours faithfully



**David Di Pilla**  
Executive Chairman and  
Chief Executive Officer  
Home Consortium



**Christopher Saxon**  
Deputy Chairman and  
Lead Independent Director  
Home Consortium

## Notice of General Meeting

Notice is hereby given that a meeting of shareholders of Home Consortium Limited (ACN 138 990 593) will be held in conjunction with a meeting of shareholders of Home Consortium Developments Limited (ACN 635 859 700) (together the **General Meeting**) on 1 September 2020 at 10.30am (Sydney time). Home Consortium Limited and Home Consortium Developments Limited are collectively referred to as **Home Consortium** or the **Company**.

In accordance with government guidance and restrictions on travel and public gatherings at the time of issuing this Notice, the General Meeting will be held in virtual format only.

Securityholders may be present virtually and vote through an online platform provided by the Home Consortium share registry, Link Market Services, at <https://agmlive.link/HMC20>. Further information on how to do this is set out in this Notice and the Virtual General Meeting Online Guide available on the Home Consortium website, which has also been lodged with ASX.

The online platform will provide a reasonable opportunity for Securityholders to participate, and the General Meeting will operate on the basis that such participation will constitute Securityholders being present at the General Meeting for all purposes.

Voting on all resolutions will occur by way of poll, and the online platform will enable Securityholders to lodge a vote in real time.

The Explanatory Memorandum provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Securityholders on 30 August 2020 at 7.00pm (Sydney time).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

## Business of the General Meeting

### 1. Resolution 1 - Approval of Acquisition and Lease

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, subject to Resolution 2 being passed, the acquisition by HomeCo (Erina) Pty Ltd (as trustee of the HomeCo (Erina) Property Trust), being a wholly-owned subsidiary and sub-trust of Home Consortium Developments Limited, of the Property from Aurrum Pty Ltd and the entry into a lease with Aurrum Pty Ltd, in each case on the terms and conditions summarised in the Explanatory Memorandum, is approved under and for the purposes of Listing Rule 10.1 and for all other purposes."*

### Independent Expert's Report

Securityholders should carefully consider the Independent Expert's Report contained in Schedule 2 of the Explanatory Memorandum. The Independent Expert has concluded that the Acquisition and Lease are fair and reasonable to the Securityholders not associated with the party to the Acquisition or Lease.

## **Voting Exclusion**

Home Consortium will disregard any votes cast in favour of this Resolution by or on behalf of Aurrum Pty Ltd (and/or its nominees) and any other person who will obtain a material benefit as a result of the Acquisition and/or Lease (except a benefit solely by reason of being a holder of Securities) or any of their associates.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

## **2. Resolution 2 - Approval of issue of Consideration Securities to Aurrum**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, subject to Resolution 1 being passed, the issue of 6,944,444 Securities to Aurrum Pty Ltd (and/or its nominee) on the terms and conditions summarised in the Explanatory Memorandum is approved under and for the purposes of Listing Rule 10.11 and for all other purposes."*

### **Independent Expert's Report**

Securityholders should carefully consider the Independent Expert's Report contained in Schedule 2 of the Explanatory Memorandum. The Independent Expert has concluded that the issue of Consideration Securities to Aurrum is fair and reasonable to the Securityholders not associated with the party to whom the Consideration Securities will be issued.

## **Voting Exclusion**

Home Consortium will disregard any votes cast in favour of this Resolution by or on behalf of Aurrum Pty Ltd (and/or its nominees) and any other person who will obtain a material benefit as a result of the issue of the Consideration Securities (except a benefit solely by reason of being a holder of Securities) or any of their associates.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;

- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

### **3. Resolution 3 - Ratification of prior issue of Placement Securities**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, the issue of 48,611,111 Securities on the terms and conditions summarised in the Explanatory Memorandum is approved under and for the purposes of Listing Rule 7.4 and for all other purposes."*

#### **Voting Exclusion**

Home Consortium will disregard any votes cast in favour of this Resolution by or on behalf of a person who participated in the Placement or any associate of those persons.

However, this does not apply to a vote cast in favour of a Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the Resolution; and
  - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Dated: 3 August 2020

**By order of the Board**



**Andrew Selim**  
General Counsel and Company Secretary  
Home Consortium



# Explanatory Memorandum

## 1. Summary of the Transaction

1.1 On 1 July 2020, Home Consortium announced that it had agreed to acquire a number of new freehold and leasehold assets. As part of those acquisitions, Home Consortium has entered into a conditional agreement with Aurrum for the acquisition and leaseback by Home Consortium of the Property, which entails:

- (a) Home Consortium acquiring from Aurrum a 250 place residential aged care property located in the Central Coast region of New South Wales approximately 82km north of Sydney CBD, operated by Aurrum (**Property**) (**Acquisition**); and
- (b) Home Consortium leasing the Property back to Aurrum for an initial fixed term of 10 years under a triple net lease arrangement commencing at \$2,200,000 per annum (with the tenant responsible for 100% of outgoings and maintenance capital expenditure), two option periods of 10 years each and other lease terms and conditions that have been agreed by the parties (**Lease**),

(the Acquisition and the Lease collectively the **Transaction**).

1.2 The total purchase price for the Acquisition is \$32.59 million, of which \$12.59 million is payable in cash and the balance is satisfied from the issue of 6,944,444 Securities to Aurrum (and/or its nominee) at a deemed issue price of \$2.88 per Security (**Consideration Securities**)(**Consideration**). In addition, transaction costs of approximately \$2.0 million will be incurred, although these are payments made to parties unrelated to Home Consortium. The purchase price represents a 6.75% per annum ungeared cash yield on year 1 rent.

1.3 The Acquisition represents an important step in delivering Home Consortium's stated strategy of increasing its weighting towards healthcare & wellness and daily needs tenants, which will increase to 47% following the Acquisition.

1.4 A summary of the Property including the commencing rentals under the Lease, as agreed with Aurrum, is outlined below:

<b>Location</b>	351 Terrigal Drive, Erina NSW 2250		
<b>Tenant</b>	Aurrum Pty Ltd		
<b>Guarantor</b>	Aurrum Holdings Pty Ltd		
<b>Land area (approximate)</b>	33,280 sqm		
<b>Buildings and configuration</b>	Whilst the property is operated as a 250 place (licence) home there is total capacity for 253 persons:		
	<b>Building</b>	<b>Bed configuration</b>	<b>Open date</b>
	Erina	<ul style="list-style-type: none"> <li>▪ 150 single beds *</li> <li>▪ 32 double beds *</li> </ul>	2003 (refurbished in 2015)
Terrigal Drive	▪ 71 single beds *	2017	
* All rooms have private en-suites and no shared bathrooms			

<b>Initial rent</b>	\$2,200,000 per annum
<b>Lease term</b>	10 years
<b>Option period</b>	2 x 10 year options
<b>Estimated settlement</b>	September 2020



*Aurrum Terrigal Drive*



*Aurrum Erina & Terrigal Drive*



*Aurrum Terrigal Drive bedroom*

- 1.5 The initial rent for the Property under the Lease has been agreed between the parties. Under the terms of the Lease, on each anniversary from the commencement date of the Lease, the annual rent payable is adjusted for CPI or, if an option has been exercised to extend the term, adjusted to reflect the current market rental value for the Property. At the end of the initial term and the exercise of each option by Aurrum, the rent is subject to market review, which must not be 10% more or less than the rent payable immediately prior.

## 2. Summary of the Acquisition and Lease Agreement

2.1 Set out in the below table is a summary of the material terms of the contract for the sale of the Property and the Lease:

<b>Material Term</b>	<b>Description</b>
<b>Contract for Sale</b>	
Sale price	\$32,590,000 (plus GST), of which \$12.59 million is payable in cash and the balance is satisfied from the issue of 6,944,444 Securities at a deemed issue price of \$2.88 per Security.
Deposit	\$50,000
Conditions Precedent	Completion of the Acquisition is conditional upon the requisite Securityholder majorities approving (i) the Acquisition and Lease (Resolution 1) and (ii) the issue of the Consideration Securities (Resolution 2).  If the conditions are not satisfied by 1 December 2020, Aurrum may rescind the contract by notice to Home Consortium.
Completion	Completion will take place 10 business days after satisfaction of the conditions, or such other date as agreed between the parties.
<b>Lease</b>	
Term	Initial fixed term of 10 years, with a further two options to extend the term by 10 years each
Rent	Initial commencing rent of \$2,200,000 per annum.
Rent Review	The rental amount is reviewed annually in accordance with increases in CPI. Market review applies on exercise of each option, with a cap of 10% increase and a collar of a 10% decrease compared to the rent payable immediately prior.
Outgoings	Payable in full by Aurrum. Aurrum is also required to pay all rates and taxes, carry out all repairs and maintenance (including structural) and hold insurance for full replacement value of the Property.
Guarantor	Aurrum Holdings Pty Ltd (ACN 168 679 123) guarantees the performance of all of Aurrum's obligations and liabilities under the Lease, and all other obligations of Aurrum to Home Consortium in respect of the Property.
Call & Put Option	Under the terms of the Lease, Aurrum is granted a call option to acquire the Property in the period between 6 months and 3 months prior to the termination of the initial term. If Aurrum exercises its option to renew, the call option remains open for the duration of both further option terms.  Home Consortium is granted a put option to require Aurrum to purchase the Property, which it may exercise in the final 3 months of the initial term and first option term.
Right of First Refusal	If Home Consortium seeks to sell the Property, it must first offer the Property to Aurrum before selling to a third party

Material Term	Description
	(other than a related body corporate transaction). If Aurrum rejects the offer, Home Consortium may sell to any third party without providing a further offer to Aurrum, provided that sale is for not less than 95% of the price offered to Aurrum and otherwise not on terms that are materially more favourable to that third party. A change in control of Home Consortium will also enliven Aurrum's right of first refusal.
Competitors	The sale of the Property to a competitor in the provision of aged care services, or to an entity who is engaged in or has been accused of being engaged in illegal practices or similar actions that have the potential to bring Aurrum or the Property into disrepute, is subject to Aurrum's consent (which can be given at its discretion).
Termination	If there is a breach by Aurrum of its material obligations under the Lease or an insolvency event (as defined under the Lease) in respect of Aurrum occurs, and Aurrum fails to remedy that breach within the relevant period, Home Consortium may terminate the Lease immediately by written notice to Aurrum.

### 3. Funding the Acquisition

- 3.1 On 1 July 2020, Home Consortium announced a fully underwritten placement of new Securities to professional and sophisticated investors (**Placement**), together with a securities purchase plan allowing Securityholders to subscribe for up to \$30,000 worth of Securities (**SPP**) (the Placement together with the SPP, the **Capital Raising**). The Placement completed on 7 July 2020 and raised \$140 million through the issue of 48,611,111 Securities at an issue price of \$2.88 (**Placement Securities**). The SPP closed on 21 July 2020 and raised a further \$10.64 million.
- 3.2 The Capital Raising was undertaken to equity fund the acquisition of various freehold and leasehold assets, including the Property, further details of which are included in the ASX announcement and investor presentation lodged by Home Consortium on 1 July 2020. Other than the Transaction, the acquisition of the other assets does not require Securityholder approval.
- 3.3 The Capital Raising was not subject to Securityholder approval. The decision to undertake the Capital Raising in advance of the Securityholder's meeting to consider the Transaction was based on a number of factors, including:
- (a) Funding certainty: the Placement was fully underwritten, providing certainty of the availability of the majority of the funding for the other acquisitions being undertaken; and
  - (b) Reduced execution risk: undertaking the Capital Raising in advance of the General Meeting avoids the challenge associated with raising equity after the announcement of a major transaction. Any delays in undertaking the Capital Raising may expose Home Consortium to market movements which could potentially lead to the Capital Raising being conducted at a lower price, which would have a negative impact on certain financial metrics of the Transaction due to the greater number of new Securities issued.

- 3.4 The capital structure of Home Consortium following completion of the Capital Raising and Transaction is expected to be as follows:

	<b>Number of Securities</b>
Prior to announcement of Transaction and Capital Raising	197,912,426
Securities issued under the Placement	48,611,111
Securities issued under the SPP	3,758,565
Consideration Securities	6,944,444
<b>Total</b>	<b>257,226,546</b>

- 3.5 Home Consortium's capital base is critical to its ability to manage its business. Home Consortium currently funds its growth initiatives, including strategic acquisitions, from revenue generated through its operations, together with borrowings and equity capital. The Board considers that it is important for the Company to have available to it access to all forms of capital. To that end, the Company is also seeking to ratify the prior issue of the Placement Securities under Resolution 3, to provide Home Consortium with the additional flexibility to undertake equity raisings, if necessary, without the need for further Securityholder approvals.
- 3.6 The requirement to obtain Securityholder approval for a proposed issue at the relevant time could limit the Company's ability to take advantage of opportunities that may arise to raise equity capital. It should be noted that, notwithstanding an approval by Securityholders of Resolution 3, any future equity raisings will remain subject to Home Consortium's 15% annual placement limit set out in Listing Rule 7.1.

#### **4. Financial impact**

- 4.1 The Acquisition represents an ungeared cash yield of 6.75% per annum relative to the acquisition price with annual rent reviews equal to CPI. There are no other expenses or costs associated with the Property as the Lease is structured as a triple net lease (with the tenant responsible for 100% of outgoings and maintenance capital expenditure).
- 4.2 The Transaction, together with the broader acquisitions disclosed by Home Consortium in its announcement on 1 July 2020, will be immediately FFO accretive and result in pro-forma FY21 FFO guidance of at least \$0.15 per Security.
- 4.3 If the Transaction is not approved by Securityholders, the proceeds of the Capital Raising which would have been used to fund the purchase of the Property, will instead be used to repay Home Consortium's existing debt facilities and general corporate purposes.

#### **5. Advantages and disadvantages of the Transaction**

- 5.1 The anticipated benefits to Home Consortium of the Transaction include:
- (a) The Property will increase Home Consortium's exposure to the healthcare and wellness sector with an attractive first investment opportunity in the aged care sector.
  - (b) The Acquisition, together with the broader acquisitions disclosed in Home Consortium's announcement on 1 July 2020, will increase its daily needs and HealthCo service tenant exposure to 47%.

- (c) The Transaction is expected to provide Securityholders with a secure, growing income stream via a 10 year lease term (with 2 x 10 year options) and a triple net lease arrangement.
- (d) The opinion of the Independent Expert set out in Schedule 2 of the Notice, is that the Transaction is fair and reasonable for Securityholders not associated with Aurrum Holdings.

5.2 The potential disadvantages for Home Consortium as a consequence of the Transaction include:

- (a) Existing Securityholders will have their holdings diluted following the issue of the Consideration Securities the subject of the Transaction.
- (b) Transaction costs of approximately \$2.0 million, predominantly comprising stamp duty, are expected to be incurred in relation to the Transaction. However, these costs would be payable irrespective of whether the Property was purchased from a related party.
- (c) There are several risks associated with the Transaction which, if they were to occur, may have an adverse effect on Securityholder returns. While not an exhaustive list, Section 6 outlines some of the key risks.

## 6. Potential risks associated with the Transaction

6.1 While not an exhaustive list, the following potential risk factors may arise from the Transaction:

- (a) **(Tenant concentration)** As Aurrum will be, upon commencement of the Lease, the sole tenant of the Property, 100% of the rental income derived from the Property will be from a single tenant. This exposes the value and performance of the Property to the ability of Aurrum to continue to meet its obligations under the Lease. There is a risk that if Aurrum ceases to be a tenant, or is unable to perform its obligations under the Lease, Home Consortium will not be able to find suitable replacement tenants on lease terms that are at least as favourable as the current terms. Should replacement tenants lease the Property on less favourable terms, this will adversely impact the returns and the overall performance of Home Consortium and the value of the Property.
- (b) **(Transaction may not complete)** Completion of the Transaction is subject to the Securityholder approval under Listing Rules 10.1 and 10.11. If Securityholders do not approve the Transaction, the Transaction will not proceed.  
  
If the Transaction does not proceed, Home Consortium will continue to identify other value accretive opportunities consistent with its strategy of increasing its weighting towards hyper-convenience based retail and healthcare & wellness assets. In the short term, the proceeds of the Capital Raising which would have been used to fund the purchase of the Property, will instead be used to repay Home Consortium's existing debt facilities and general corporate purposes.
- (c) **(Changes in government regulation)** The sector in which Aurrum operates relies on government grants and funding, and the continuing approval of that funding. Changes in government regulations and policies, failure to obtain or delays in receiving government funding could adversely impact Aurrum's cash flow and its ability to operate its business, which will ultimately have an adverse impact on Home Consortium's expected returns and the overall performance of Home Consortium.

- (d) **(Valuation)** The value of the Property, and the broader Home Consortium portfolio generally, may be impacted by a number of factors affecting the Australian property market generally. As part of its valuation policy, the Property will be independently valued every two years. These valuations represent only the analysis and opinion of the valuation experts at a certain date and are not guarantees of present or future property values. Property values may fall if the underlying assumptions on which the valuation reports are based change in the future. Valuations may differ depending on the valuer appointed. A valuation may not reflect the actual price that would be realised if a property is sold. As property valuation adjustments are reflected in Home Consortium's statement of profit and loss, any decreases in value would have a corresponding effect on the statement of profit and loss and Home Consortium's financial position and performance.
- (e) **(COVID-19)** The outbreak of COVID-19 is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of Home Consortium remains unknown. Any governmental or industrial measures taken in response to COVID-19 may adversely impact Home Consortium's operations and are likely to be beyond the control of Home Consortium.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on Home Consortium's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, Home Consortium will continue to update the market in regard to the impact of COVID-19 on its revenue channels and other adverse impacts on the Company. If any of these impacts appear material prior to the General Meeting, Home Consortium will notify investors accordingly.

## 7. Indicative Timetable

- 7.1 Subject to the requirements of the Listing Rules, Home Consortium anticipates completion of the Capital Raising and the Transaction will be in accordance with the following timetable:

Event	Date*
Announcement of Transaction and other acquisitions	1 July 2020
Issue of Securities under the Placement	7 July 2020
SPP Opening Date	8 July 2020
SPP Closing Date	21 July 2020
Issue of Securities under the SPP	28 July 2020
Notice of Meeting dispatched to Securityholders	3 August 2020
General Meeting to approve the Transaction	1 September 2020
Completion of Acquisition	Early September 2020

**Note:** These dates are indicative only and subject to change.

## 8. Independent Expert's Report

- 8.1 Listing Rule 10.5.10 requires that a notice of meeting approving a transaction under Listing Rule 10.1 must include a report on the transaction from an independent expert.

- 8.2 The Independent Expert's Report set out in Schedule 2 of this Notice sets out a detailed independent examination of the Transaction, including the Lease and issue of the Consideration Securities to Aurrum, to enable non-associated Securityholders to assess the merits of, and whether to approve, Resolutions 1 and 2. The Independent Expert's Report has concluded that the Transaction the subject of Resolutions 1 and 2 is **fair and reasonable** to Securityholders not associated with Aurrum Holdings.
- 8.3 Securityholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.
- 8.4 If requested by a Securityholder, Home Consortium will send to the Securityholder a hard copy of the Independent Expert's Report at no cost.

## 9. Requirement for Securityholder Approval

- 9.1 The Listing Rules require that Securityholders approve the Acquisition, the Lease and the issue of the Consideration Securities before they can be made.
- 9.2 Securityholder approval is required for the Acquisition and the Lease because:
- (a) they are transactions between related parties, due to David Di Pilla, a director of Home Consortium, and privately owned family companies controlled by David Di Pilla, controlling Aurrum;
  - (b) the aggregate value of the Acquisition and the Lease relates to a "substantial asset" of Home Consortium, being a value of more than five per cent of Securityholders' equity in Home Consortium as at 31 December 2019; and
  - (c) Listing Rule 10.1 requires securityholder approval be obtained before a listed entity acquires, or disposes of, a substantial asset from or to a related party.
- 9.3 Securityholder approval is required for the issue of the Consideration Securities because:
- (a) the entity to be issued the Consideration Securities is a related party of Home Consortium, due to David Di Pilla, a director of Home Consortium, and privately owned family companies controlled by David Di Pilla, controlling that entity; and
  - (b) Listing Rule 10.11 requires securityholder approval be obtained before a listed entity issues Equity Securities to a related party (unless an exemption applies).
- 9.4 In accordance with the Listing Rules, Home Consortium is therefore seeking the following Securityholder approvals under this Notice:
- (a) Securityholder approval for the purposes of Listing Rule 10.1, to permit Home Consortium to acquire the Property from Aurrum and enter into the Lease, the aggregate value of which constitutes the acquisition and disposal of a substantial asset from or to a related party (**Resolution 1**); and
  - (b) Securityholder approval for the purposes of Listing Rule 10.11 to issue the Consideration Securities to Aurrum as partial consideration for the Transaction, which is an issue of Equity Securities to a related party (**Resolution 2**).
- 9.5 Resolutions 1 and 2 are inter-conditional and may be passed by a majority of eligible Securityholders voting under an ordinary resolution (greater than 50 per cent of votes being cast in favour of the Resolution).



- 9.6 The Directors (excluding David Di Pilla and Greg Hayes) consider that Securityholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolutions 1 and 2 because the Transaction was negotiated on an arm's length basis and therefore falls within the exception contained in section 210 of the Corporations Act. In this regard:
- (a) the Transaction was reviewed and recommended by Home Consortium's independent directors;
  - (b) the Transaction was reviewed by Home Consortium's Audit & Risk Committee under its process for related party transactions; and
  - (c) an independent valuation has been obtained.
- 9.7 Completion of the Transaction is conditional upon the passing of each of Resolutions 1 and 2 at the General Meeting. Accordingly, if one or both of Resolutions 1 and 2 are not passed, the Transaction will not proceed.

## **10. The related parties and financial benefits of the Transaction**

- 10.1 Home Consortium and each of Aurrum Pty Ltd and Aurrum Holdings Pty Ltd (together, the **Aurrum Entities**) are related parties for the purposes of section 228 of the Corporations Act because:
- (a) Home Investment Consortium Company Pty Limited (as trustee for the Home Investment Consortium Trust) (**HICT**) currently has disclosed, as at the date of this Notice, a relevant interest in 38.25% of the Securities on issue;
  - (b) Aurrum Holdings Investment Company Pty Ltd (as trustee for the Aurrum Holdings Investment Trust)(**AHIT**) has a 53.6% holding in HICT;
  - (c) David Di Pilla has an interest in HICT as well as a majority interest in AHIT through privately owned family companies;
  - (d) each of the Aurrum Entities that are party to the Transaction are controlled by David Di Pilla or privately owned family companies; and
  - (e) David Di Pilla is a director of Home Consortium, AHIT, and each of the Aurrum Entities.
- 10.2 The related parties will receive the following financial benefits as a result of the Transaction:
- (a) by acquiring the Property, Home Consortium (or one of its subsidiaries) will become the registered owner of the Property;
  - (b) by selling the Property, Aurrum will receive \$12.59 million in cash from Home Consortium and 6,944,444 Consideration Securities (with a value of \$20 million at a deemed issue price of \$2.88 per Security);
  - (c) by entering into the Lease, Aurrum will continue to enjoy exclusive possession of the Property for the term of the Lease; and
  - (d) by entering into the Lease, Home Consortium will receive annual rental payments from Aurrum for the term of the Lease.

## **11. Directors' interests**

- 11.1 David Di Pilla, a director of Home Consortium, is also a director of each of the Aurrum Entities. David Di Pilla also has a controlling interest in each of the Aurrum Entities. David Di Pilla has disclosed this interest to the Board in accordance with the Home Consortium Board Charter.
- 11.2 Greg Hayes, a director of Home Consortium, is also a director of Aurrum Holdings Pty Limited, the holding company of Aurrum. Greg Hayes also has a material (but not controlling) interest in Aurrum Holdings Pty Limited. Greg Hayes has disclosed this interest to the Board in accordance with the Home Consortium Board Charter.
- 11.3 Both David Di Pilla and Greg Hayes have each advised that they have and will continue to abstain from further participation in discussions or decisions of the Board in relation to the Transaction.
- 11.4 The Board (consisting of all directors other than David Di Pilla and Greg Hayes) has considered the disclosure as required by the Board Charter, having regard to the nature of the interests disclosed and all relevant circumstances, and resolved that both David Di Pilla and Greg Hayes:
- (a) be disqualified from participating in discussions of the Board relating to the Transaction;
  - (b) be disqualified from participating in decisions of the Board relating to the Transaction; and
  - (c) abstain from making or participating in any recommendation to Securityholders in relation to the Transaction.
- 11.5 On this basis the Board (consisting of all directors other than David Di Pilla and Greg Hayes) confirms that both David Di Pilla and Greg Hayes were disqualified from participating in discussions of the Board relating to the Transaction, were disqualified from participating in decisions of the Board relating to the Transaction and have abstained from making or participating in any recommendation to Securityholders in relation to the Transaction.
- 11.6 Home Consortium will disregard any votes cast by David Di Pilla, Greg Hayes or their associates in favour of Resolutions 1 and 2.
- 11.7 Otherwise, the Directors have no interest in the Transaction except as Securityholders.

## **12. Directors' recommendation**

- 12.1 Based on the Directors' detailed consideration and assessment of the Transaction and taking into account the advantages and disadvantages described in this Explanatory Memorandum and considering the opinion of the Independent Expert, the Directors (other than David Di Pilla and Greg Hayes) unanimously recommend that Securityholders vote in favour of Resolutions 1 and 2.
- 12.2 The Directors unanimously recommend that Securityholders vote in favour of Resolution 3.

## **13. Resolution 1 - Acquisition and Lease of the Property**

### **13.1 General**

Resolution 1 seeks Securityholder approval pursuant to Listing Rule 10.1 to complete the Transaction through the acquisition of the Property from Aurrum and entering into the Lease with Aurrum.

Resolution 1 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 1.

### **13.2 Listing Rule 10.1**

Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, certain persons identified in Listing Rule 10.1, including an associate of a related party of the entity, unless it obtains approval of the holders of its ordinary securities.

Aurrum is an entity associated with David Di Pilla, a Director, and therefore is an entity to which Listing Rule 10.1 applies.

Under Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration paid for it is, or in ASX's opinion is, 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX.

Based on the most recent accounts lodged with ASX on 26 February 2020, Home Consortium has equity interests of approximately \$728.5 million. Accordingly, an asset will be considered substantial if the value of the asset is at least approximately \$36.4 million.

The value of the Consideration payable by Home Consortium to Aurrum is \$32.59 million (being the aggregate value of the cash consideration and Consideration Securities at a deemed issue price of \$2.88 per Security), which represents 4.5% of the Company's equity interests. The value of the aggregate rental payments of the term of the Lease (including the options to renew) is \$66 million which represents 9.1% of the Company's equity interests.

The acquisition by Home Consortium of the Property and the Lease are effectively the same commercial transaction and are considered the acquisition and disposal of a substantial asset for the purposes of Listing Rule 10.1. They therefore require the approval of Home Consortium's Securityholders under Listing Rule 10.1.

Resolution 1 seeks the required Securityholder approval to the Transaction under and for the purposes of Listing Rule 10.1.

The effect of passing Resolution 1 will be to allow HomeCo (Erina) Pty Ltd (as trustee of the HomeCo (Erina) Property Trust), being a wholly-owned subsidiary and sub-trust of Home Consortium, to acquire the Property and enter into the Lease.

If Resolution 1 is not passed, Home Consortium will not be able to proceed with the Transaction. In those circumstances, Home Consortium will continue to identify other value accretive opportunities consistent with its strategy of increasing its weighting towards hyper-convenience based retail and healthcare & wellness assets. In the short term, the proceeds of the Capital Raising which would have been used to fund the purchase of the Property, will instead be used to repay Home Consortium's existing debt facilities and general corporate purposes.

### **13.3 Independent Expert's Report**

As required by Listing Rule 10.5.10, Home Consortium has appointed the Independent Expert to report on whether the Transaction is **fair and reasonable** to Securityholders not associated with Aurrum Holdings. A copy of the Independent Expert's Report is set out in Schedule 2.

Securityholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

### **13.4 Specific information required by Listing Rule 10.5**

Listing Rule 10.5 requires that the following information be provided to Securityholders:

- (a) the Property will be acquired from Aurrum Pty Ltd and the Lease will also be entered into with Aurrum Pty Ltd;
- (b) Aurrum falls within Listing Rules 10.1.1 as it is controlled by David Di Pilla and Listing Rule 10.1.4 as it is an entity associated with David Di Pilla, a Director;
- (c) details of the Property and the Lease are set out in Sections 1 and 2;
- (d) the consideration for the acquisition of the freehold interest in the Property will be the payment of \$12.59 million cash and the issue of the Consideration Securities to Aurrum (and/or its nominee) (which are subject Securityholder approval under Resolution 2);
- (e) the value of the Lease is \$66 million, determined by reference to the rental payments that will be received over the term of the Lease (including all options to extend);
- (f) the funding requirements for the acquisition of the Property will be satisfied from a combination of the proceeds of the Capital Raising and the issue of the Consideration Securities;
- (g) rental payments received pursuant to the Lease will be used for general corporate purposes;
- (h) the timetable for completion of the Transaction is summarised in Section 7;
- (i) a summary of the material terms of the Transaction is set out in Section 2;
- (j) a voting exclusion statement is included in the Notice; and
- (k) a copy of the Independent Expert's Report is included in Schedule 2.

### **13.5 Directors' recommendation**

The Directors (other than David Di Pilla and Greg Hayes) recommend that Securityholders vote in favour of Resolution 1. Each Director who makes a recommendation intends to vote any Securities he or she owns or controls in favour of Resolution 1.

## 14. Resolution 2 - Approval of issue of Consideration Securities to Aurrum

### 14.1 General

Resolution 2 seeks Securityholder approval pursuant to Listing Rule 10.11 to the issue of Equity Securities to a related party.

Home Consortium intends to issue 6,944,444 Securities to Aurrum (and/or its nominee) (**Consideration Securities**) as partial consideration for the Acquisition.

Resolution 2 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 2.

### 14.2 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed entity must not issue or agree to issue Equity Securities to certain persons identified in Listing Rule 10.11, being:

- 10.11.1 a related party,
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in Home Consortium;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in Home Consortium and who has nominated a director to the board of Home Consortium pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of person listed in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with Home Consortium or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its Securityholders,

unless it obtains approval of the holders of its ordinary securities.

The issue of the Consideration Securities falls within Listing Rule 10.11.1 as Aurrum is an entity controlled by David Di Pilla, a Director and does not fall within one of the exceptions in Listing Rule 10.12. It therefore requires the approval of Securityholders under Listing Rule 10.11. Resolution 2 seeks the required Securityholder approval to the issue of the Consideration Securities under and for the purposes of Listing Rule 10.11.

The effect of passing Resolution 2 will be to allow the Company to issue 6,944,444 Securities to Aurrum (and/or its nominee) without using up the Company's 15% placement capacity under Listing Rule 7.1 and to proceed with the Transaction (assuming Resolution 1 is also passed). As Securityholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required, in accordance with Listing Rule 7.2, exception 14.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Consideration Securities to Aurrum (and/or its nominee) and the Company will not proceed with the Transaction.

### **14.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information be provided to Securityholders:

- (a) the Consideration Securities will be issued to Aurrum (and/or its nominee);
- (b) Aurrum falls within Listing Rule 10.11.1 as it is an entity controlled by David Di Pilla, a Director;
- (c) the number of Securities to be issued to Aurrum (and/or its nominee) is 6,944,444 Securities;
- (d) the Consideration Securities are fully paid ordinary stapled shares and will rank equally in all respects with the Company's existing Securities on issue;
- (e) the Consideration Securities will be issued no later than one month after the date of the General Meeting (or such longer period of time as ASX may in its discretion allow);
- (f) the Consideration Securities will be issued at a deemed issue price of \$2.88 per Security, being the same price as the issue price of Placement Securities;
- (g) no funds will be raised via the issue of the Consideration Securities as the Consideration Securities are being issued as partial consideration for the Acquisition;
- (h) a summary of the material terms of the Acquisition is set out in Sections 1 and 2; and
- (i) a voting exclusion statement is included in the Notice.

### **14.4 Directors' recommendation**

The Directors (other than David Di Pilla and Greg Hayes) recommend that Securityholders vote in favour of Resolution 2. Each Director who makes a recommendation intends to vote any Securities he or she owns or controls in favour of Resolution 2.

## 15. Resolution 3 - Ratification of prior issue of Placement Securities

### 15.1 General

On 7 July 2020 (**Issue Date**), Home Consortium issued 48,611,111 Securities each at an issue price of \$2.88 to professional and sophisticated investors under the Placement (**Placement Securities**). None of the subscribers under the Placement were related parties or associates of related parties of the Company.

Listing Rule 7.1 provides that, subject to certain exceptions, the Company is only entitled to issue Equity Securities up to 15% of its issued ordinary securities on issue through placements during any 12-month period, without needing prior Securityholder approval (**15% Placement Capacity**).

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of Equity Securities made pursuant to Listing Rule 7.1 (and provided the previous issue did not breach Listing Rule 7.1) those Equity Securities will be deemed to have been made with Securityholder approval for the purposes of Listing Rule 7.1.

Home Consortium wishes to retain as much flexibility as possible to issue additional Equity Securities in the future without having to obtain Securityholder approval for such issues under Listing Rule 7.1. To this end, Resolution 3 seeks Securityholder approval to the issue of the Placement Securities under and for the purposes of Listing Rule 7.4.

The effect of passing Resolution 3 will be to allow the Company to exclude the issue of the Placement Securities in calculating Home Consortium's 15% Placement Capacity, effectively "refreshing" the number of Equity Securities it can issue without Securityholder approval over the 12 months following the Issue Date. If Resolution 3 is not passed, the Placement Securities will be included in calculating Home Consortium's 15% Placement Capacity, effectively decreasing to zero the number of Equity Securities it can issue without Securityholder approval over the 12 months following the Issue Date, unless an exemption applies.

Resolution 3 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 3.

### 15.2 Specific information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Securityholders:

- (a) 48,611,111 Securities were issued on 7 July 2020 to qualified professional, sophisticated and institutional investors in Australia, New Zealand, Hong Kong and Singapore identified by the joint lead managers, Goldman Sachs Australia Pty Ltd and Jarden Australia Pty Limited, who are not related parties or associates of related parties of the Company;
- (b) the Placement Securities were issued as fully paid ordinary stapled shares and rank equally in all respects with the Company's existing Securities on issue;
- (c) the issue price of the Placement Securities was \$2.88 per Security;
- (d) the funds raised from the issue of the Placement Securities will be used to fund the acquisition of (i) three Woolworths anchored convenience-based neighbourhood centres from the Woolworths group (or its subsidiaries), (ii) the Property and (iii) the head lease of Parafield Retail Complex. Further details of the proposed use of funds is set out in the ASX announcement and investor presentation lodged by Home Consortium on 1 July 2020; and
- (e) a voting exclusion statement is included in the Notice.

### **15.3 Directors' recommendation**

The Directors recommend that Securityholders vote in favour of Resolution 3. Each Director who makes a recommendation intends to vote any Securities he or she owns or controls in favour of Resolution 3.



# Meeting Information for Securityholders

## 1. Chairman

Home Consortium has appointed Christopher Saxon, Deputy Chairman and Lead Independent Director, as the Chairman of the General Meeting.

## 2. Eligibility to vote

Securityholders will be eligible to vote at the General Meeting if they are registered holders of Securities as at 30 August 2020 at 7.00pm (Sydney time).

## 3. Voting methods

**How to vote prior to the General Meeting** — Securityholders may lodge a direct vote or appoint a proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by submitting a voting form to the share registry. Please note that your votes need to be received by no later than 10.30am (Sydney time) on 30 August 2020. To log in, you will need your holder identifier (SRN, HIN or employee identification) and postcode.

**How to be present virtually and vote at the General Meeting** — Due to COVID-19 restrictions, physical attendance at the General Meeting will not be possible. However, you will have the opportunity to be present virtually via a live webcast and will be able to vote electronically via an online platform (including lodging a vote in real time and asking questions online). You can access the platform at <https://agmlive.link/HMC20>. To log in, you will need your holder identifier (SRN, HIN or employee identification) and postcode.

Voting will be available between the commencement of the General Meeting (10.30am (Sydney time) on 1 September 2020) and the closure of voting as announced by the Chair during the meeting.

More information regarding online participation at the General Meeting including how to vote and ask questions is available in the Virtual General Meeting Online Guide. The Guide is available on the Home Consortium website and has been lodged with the ASX.

## 4. Voting

### Attorneys

A Securityholder may appoint an attorney to vote on his or her behalf. For an appointment to be effective for the General Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or by the Company's share registry by no later than 10.30am (Sydney time) on 30 August 2020.

### Corporate representatives

A body corporate which is a Securityholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting in accordance with section 250D of the Corporations Act.

If you wish to appoint a body corporate as your proxy, you must specify on the Proxy Form:

- the full name of the body corporate appointed as proxy; and
- the full name or title of the individual representative of the body corporate who will be present virtually at the General Meeting.

Representatives should provide satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Company).

## **5. Voting by proxy**

A Securityholder entitled to be present virtually and vote at the General Meeting is entitled to appoint a proxy. A proxy need not be a Securityholder.

The appointment of one or more proxies will not preclude a Securityholder from being present virtually and voting.

A Securityholder entitled to cast more than one vote on a Resolution may appoint two proxies, in which case the Securityholder should specify the proportion or number of votes that each proxy is appointed to exercise. If no proportions or numbers are specified, each proxy may exercise half of the Securityholder's votes.

Securityholders are encouraged to direct their proxies how to vote on each resolution by selecting the 'for', 'against' or 'abstain' box for each item on the proxy form. If a proxy chooses to vote, then he/she must vote in accordance with the directions set out in the proxy appointment form.

If the Chair of the General Meeting is appointed, or taken to be appointed, as a proxy but the appointment does not direct the proxy how to vote on a resolution, then the Chair intends to exercise the relevant Securityholder's votes in favour of the relevant Resolution (subject to the other provisions of these notes, including any voting exclusions set out in the Notice).

In order for the proxy appointment to be valid, completed Proxy Forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned before 10.30am (Sydney time) on 30 August 2020 in one of the following four ways:

- by mail: Locked Bag A14, SYDNEY SOUTH, NSW 1235
- online at: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)
- by facsimile: (+612) 9287 0309
- by hand (within business hours): 1A Homebush Bay Drive, Rhodes NSW 2138; or Level 12, 680 George Street, SYDNEY, NSW 2000.

## **6. Asking questions at the General Meeting**

Securityholders' questions through an online platform are welcome at the General Meeting. Shareholders are encouraged to submit questions before the meeting online at <https://agmlive.link/HMC20> by clicking on "Ask a Question", or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by logging into your holding, selecting voting and then 'ask a question'. Submitting questions in advance will not stop any Securityholder from asking questions at the General Meeting through an online mechanism should they wish to do so, but will facilitate a considered reply.

Questions should be received by no later than 10.30am (Sydney time) on 25 August 2020. Please note that individual responses will not be sent.

## Schedule 1 – Definitions

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In the Notice and this Explanatory Memorandum, unless the context otherwise requires:

<b>\$, A\$ or dollar</b>	means Australian dollars, the lawful currency of the Commonwealth of Australia.
<b>Acquisition</b>	has the meaning given to that term in Section 1.1.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or the securities market which it operates, as the case may be.
<b>Aurum</b>	means Aurum Pty Ltd (ABN 91 168 114 038).
<b>Board</b>	means the board of Directors of the Company.
<b>Capital Raising</b>	has the meaning given to that term in Section 3.1.
<b>Chair</b>	means the person appointed to chair the General Meeting convened by the Notice.
<b>Company or Home Consortium</b>	means Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700).
<b>Consideration</b>	has the meaning given to that term in Section 1.2.
<b>Consideration Securities</b>	has the meaning given to that term in Section 1.2.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>CPI</b>	means consumer price index.
<b>Director</b>	means a director of the Company.
<b>Equity Securities</b>	has the meaning given to that term in the Listing Rules.
<b>Explanatory Memorandum</b>	means this explanatory memorandum which forms part of the Notice.
<b>General Meeting</b>	means the meetings of shareholders of Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700) to be held in conjunction with each other on 1 September 2020 at 10.30am (Sydney time).
<b>Independent Expert</b>	means KPMG Financial Advisory Services (Australia) Pty Ltd.
<b>Independent Expert's Report</b>	means the report prepared by the Independent Expert which is annexed to this Notice as Schedule 2.
<b>Issue Date</b>	has the meaning given to that term in Section 15.1.
<b>Lease</b>	has the meaning given to that term in Section 1.1.

<b>Listing Rules</b>	means the listing rules of ASX.
<b>Notice</b>	means the notice of meeting for the General Meeting which accompanies this Explanatory Memorandum.
<b>Placement</b>	has the meaning given to that term in Section 3.1.
<b>Placement Securities</b>	has the meaning given to that term in Section 3.1.
<b>Property</b>	means the property located at 351 Terrigal Drive, Erina NSW 2250.
<b>Proxy Form</b>	means the proxy form attached to the Notice.
<b>Resolution</b>	means a resolution proposed pursuant to the Notice.
<b>Schedule</b>	means a schedule to this Explanatory Memorandum.
<b>Section</b>	means a section of this Explanatory Memorandum.
<b>Security</b>	means a fully paid ordinary stapled share in the Company.
<b>Securityholder</b>	means a holder of Securities.
<b>SPP</b>	has the meaning given to that term in Section 3.1.
<b>Transaction</b>	has the meaning given to that term in Section 1.1.

## **Schedule 2 – Independent Expert's Report**

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**KPMG Corporate Finance**  
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Australia

The Independent Directors  
Home Consortium Limited and Home Consortium  
Developments Limited  
19 Bay Street  
Double Bay NSW 2028

28 July 2020

Dear Independent Directors

## **INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE**

### **PART ONE –INDEPENDENT EXPERT REPORT**

#### **1 Introduction**

##### *The Transaction*

On 1 July 2020, Home Consortium Limited and Home Consortium Developments Limited (together, **Home Consortium**) announced that they had agreed to:

- acquire the freehold at 351 Terrigal Drive, Erina, New South Wales (the **Property**), a 250 place residential aged care property currently operated by a subsidiary of Aurrum Holdings Pty Ltd (**Aurrum Holdings**), from Aurrum Pty Ltd (**Aurrum**) (the **Acquisition**) for consideration comprising \$12.59 million in cash and 6,944,444 of new Home Consortium fully paid ordinary stapled shares (excluding GST) (**Consideration Securities**) (together, the **Consideration**), and
- lease the Property back to Aurrum for an initial period of 10 years, with two 10 year options to extend with Aurrum Holdings as guarantor under the lease (the **Lease**)

The Acquisition and Lease collectively are referred to as the **Transaction**.

Further details in relation to the Transaction are set out in Section 4 of this report and Sections 1 and 2 of the Explanatory Memorandum to which this report is attached.

Home Consortium has announced that it intends to declare a final dividend of \$0.075 per stapled share (**Security**) for the year ending 30 June 2020 (**FY20**), which is expected to be paid in September 2020. The Consideration Securities issued to Aurrum will be entitled to this dividend.



Aurum Holdings is owned 59.7% by Mr David Di Pilla, a Director and Secretary of Aurum Holdings and Executive Chairman and Chief Executive Officer of Home Consortium and 38.3% substantial Securityholder of Home Consortium, and 15.7% by Mr Greg Hayes, a Director of Aurum Holdings, Non-executive Director of Home Consortium and Securityholder of Home Consortium.

As such, the Transaction and the issue of the Consideration Securities require the approval of Securityholders of Home Consortium who are not associated with Aurum Holdings (**Non-associated Securityholders**).

The specific terms of the resolutions to be approved by Non-associated Securityholders in relation to the Transaction are summarised in Section 4.1 of this report and set out in Sections 13 and 14 of the Explanatory Memorandum to which this report is attached.

The Independent Directors of Home Consortium have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) prepare an independent expert's report for Non-associated Securityholders in relation to the Transaction in accordance with Australian Securities Exchange (**ASX**) Listing Rules 10.1 and 10.11 and the guidance provided by the Australian Securities and Investments Commission (**ASIC**). The purpose of the independent expert's report is to set out whether, in our opinion, the Acquisition is fair and reasonable to Non-associated Securityholders, taken as a whole.

#### ***Other acquisitions and Capital Raising***

In addition to the above, Home Consortium announced on 1 July 2020 that:

- it had agreed to acquire three Woolworths anchored convenience-based centres from wholly owned subsidiaries of Woolworths Group Limited (**Woolworths Group**) for \$126.8 million
- it had agreed to acquire Parafield Retail Complex (announced on 23 June 2020) for total consideration of \$25.5 million
- the above acquisitions and \$12.5 million of associated transaction costs and stamp duty would be funded by an equity raising of \$170 million, comprising:
  - a \$140 million fully underwritten institutional placement at \$2.88 per Security<sup>1</sup> which was completed on 2 July 2020 (**Placement**), and
  - a non-underwritten security purchase plan (**SPP**) of up to \$30 million at the lower of \$2.88 per Security and a 2.5% discount to the five day VWAP<sup>2</sup> of Securities up to and including the closing date. The SPP closed on 21 July 2020 and raised \$10.64 million at \$2.83 per Security (together, **Capital Raising**).

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<sup>1</sup> Represents a 4.0% discount to the closing price of \$3.00 on 30 June 2020 and a 6.9% discount to the 5 day VWAP of \$3.09 on 30 June 2020.

<sup>2</sup> Volume weighted average price.



### ***Home Consortium***

Home Consortium is an internally managed property group, focused on ownership, development and management of retail and service centres, anchored by national tenants spanning daily needs, leisure & lifestyle, homewares & electrical and services. It comprises shares in Home Consortium Limited (**HCL**) and Home Consortium Developments Limited (**HCDL**) and their controlled entities. It is listed on the ASX and immediately prior to the announcement of the Transaction and Capital Raising, had a market capitalisation of \$593.7 million.<sup>3</sup>

### ***Aurum Holdings***

Aurum Holdings is private company that owns and operates 8 residential aged care facilities in Victoria and New South Wales.

### ***The Property***

The Property at Terrigal Drive comprises the Aurum Erina residential aged care property with 250 operational bed licenses within seven purpose built buildings that is subject to the Lease.

## **2 Requirements for our report**

### ***Acquisition and Lease of the Property: Listing Rule 10.1***

The Acquisition and Lease of the Property represents a transaction with a person/s in a position of influence that requires member approval under ASX Listing Rule 10.1. Such a transaction requires approval of the holders of its ordinary securities under Listing Rule 10.1 and the notice of meeting to approve such a transaction must include an independent expert's report which states whether the transaction is fair and reasonable.

### ***Issue of Consideration Securities: Listing Rule 10.11***

The issue of the Consideration Securities represents the issue of securities to an associate of a related party of the entity. Such an issue requires approval of the holders of its ordinary securities under Listing Rule 10.11.

### ***Related party transaction under Chapter 2E of the Corporations Act***

A related party transaction requires member approval under Chapter 2E of the Corporations Act 2001 (Cth) (the **Act**) and Regulatory Guide 76 "Related Party Transactions" (**RG 76**) issued by ASIC, unless the transaction is negotiated on an arm's length basis and therefore falls within the exemption contained in Section 210 of the Act (among other exemptions). The Independent Directors of Home Consortium consider that the Acquisition and Lease fall within this exception.

We understand that there is no statutory requirement for an independent expert's report to be prepared for a transaction with a related party that requires member approval under Ch 2E, however, within RG 76, ASIC sets out a number of circumstances where, before undertaking a transaction with a related party, it encourages the provision of an independent expert's report to members.

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<sup>3</sup> Calculated as closing price on 30 June 2020 of \$3.00 multiplied by 197,912,426 Home Consortium securities on issue.





Notwithstanding that the Independent Directors consider that Securityholder approval is not required under the Act with respect to the Lease, and an independent expert report is not required, the Independent Directors of Home Consortium have requested KPMG Corporate Finance to prepare an independent expert's report on the Acquisition and Lease in accordance with the guidance provided by ASIC.

This report should be considered in conjunction with and not independently of the information set out in the Notice of General Meeting and Explanatory Memorandum.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

### 3 Opinion

In our opinion:

- **the Acquisition and issue of Consideration Securities to Aurrum is fair and reasonable to Non-associated Securityholders, and**
- **the Lease is fair and reasonable to Non-associated Securityholders.**

In arriving at this opinion, we have assessed the following:

- the *fairness of the Acquisition and issue of Consideration Securities*, by comparing the value of the Property to the value of the Consideration, and
- the *fairness of the Lease*, by comparing the terms of the Lease with market evidence for comparable lease agreements in order to assess whether the Lease terms are 'arm's length'.

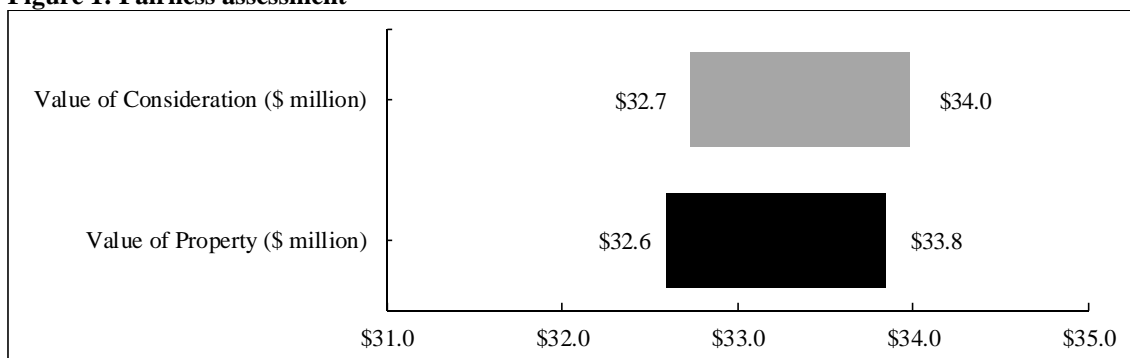
As we have concluded that the Transaction is fair we have, in accordance with the Australian Securities & Investments Commission's (ASIC) Regulatory Guide 111 Content of expert reports (RG 111), concluded that the Transaction is *reasonable* to Non-associated Securityholders. Notwithstanding the RG 111 requirement, we have also considered the implications of the Transaction on ownership and control of Home Consortium, the compatibility of the Property with Home Consortium's strategic plan and current portfolio, the impact of the Transaction on the financial performance and position of Home Consortium and implications for Home Consortium if the Transaction is not approved.

### 3.1 Fairness

#### 3.1.1 Assessment of the fairness of the Acquisition and issue of Consideration Securities

KPMG Corporate Finance has assessed the fairness of the Acquisition and issue of Consideration Securities by comparing the assessed value of the Property with the value of the Consideration. A comparison of the value of the Property with the value of the Consideration is illustrated in the figure below.

**Figure 1: Fairness assessment**



Source: KPMG Corporate Finance analysis

Pursuant to RG 111 at RG 111.57, the Transaction is “fair” if the value of the financial benefit being offered by the entity to the related party (i.e. the Consideration) is equal to or less than the value of the assets being acquired (i.e. the Property).

As the value range for the Consideration overlaps the value range for the Property, **the Acquisition and issue of the Consideration Securities to Aurrum is fair to Non-associated Securityholders.**

Accordingly, for the purpose of RG 76, there is no financial benefit conferred to Aurrum.

In the case of control transactions that involve a scrip component, RG 111 requires the value of scrip consideration to be assessed on a minority interest basis since the target’s securityholders will hold a minority interest in the securities of the acquirer. Although Aurrum currently has no direct holdings in Home Consortium, we recognise that the Transaction is a related party transaction and that Mr David Di Pilla has significant influence with respect to Home Consortium, although not full control. Consequently, in selecting a high end of the value range for the Consideration that is consistent with pro forma NTA of \$3.09 per Security<sup>4</sup> (which is commonly considered to represent a proxy for a 100% control value in property companies), we have adopted what we consider to be a full value for the Consideration and observe that on this basis, the value of the Property is consistent with the value of the Consideration.

**Valuation of the Property**

KPMG Property Consultancy Pty Limited has valued the Property in the range of \$32.6 million to \$33.8 million. The assessment of value is based primarily on an Income Approach having regard to the rental under the Lease. We have cross-checked our findings from the primary approach using a Market Approach having regard to sales of comparable facilities, analysed on a rate per bed basis.

A key assumption adopted in the valuation of the Property is that the Lease is executed on a triple net basis (as is intended under the Lease documentation).

The key inputs into the Property valuation calculations are:

- Net income of \$2,200,000 per annum, reflecting a rate of \$8,800 per annum per bed
- Capitalisation rate range of 6.50% to 6.75%.

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<sup>4</sup> Refer to Section 9.6 of this report. Includes actual take up under the SPP.



**Table 1: Property Valuation calculations**

	<b>Low</b>	<b>High</b>
<b>Net Income</b>	2,200,000	2,200,000
<b>Capitalisation rate</b>	6.75%	6.50%
<b>Value</b>	32,592,593	33,846,154
<b>Rounded Value</b>	32,600,000	33,800,000
<b>Rate/bed</b>	130,400	135,200

*Source: KPMG Corporate Finance analysis*

The detailed valuation of the Property is set out in Section 8 of this report.

***Valuation of the Consideration***

Under the Transaction, Home Consortium will pay Consideration comprising \$12.59 million in cash and 6,944,444 Consideration Securities. KPMG Corporate Finance has assessed a value range for Securities of \$2.90 to \$3.09. Based on this value range per Security, KPMG Corporate Finance has attributed a value to the Consideration in the range of \$32.7 million to \$34.0 million as follows.

**Table 2: Value of the Consideration**

	<b>Low</b>	<b>High</b>
Value per Security (\$)	<b>\$2.90</b>	<b>\$3.09</b>
Number of Consideration Securities issued (million)	6.9	6.9
<b>Value of Consideration Securities (\$ million)</b>	<b>20.1</b>	<b>21.5</b>
Add: cash (\$ million)	12.6	12.6
<b>Value of Consideration (\$ million)</b>	<b>32.7</b>	<b>34.0</b>

*Source: KPMG Corporate Finance analysis*

The value range we have assessed for Securities reflects:

- trading in Securities following the announcement of the Transaction
- the performance of Securities relative to the market
- the liquidity and VWAP of Securities
- the publicly available information in relation to Home Consortium and the Transaction
- the potential impact of the Transaction on Home Consortium
- broker analyst research and press commentary on Home Consortium, and
- other factors which we consider relevant to assessing the value of Securities.

The resulting value range for Securities has been cross-checked by comparing the FFO multiples, distribution yields and premium/(discount) to NTA implied by the selected value range for Securities to those observed in transactions involving A-REITS and selected listed retail A-REITS.

Our valuation of Securities is set out in Section 10 of this report.

Our valuation range represents the following premiums/(discounts) to the deemed Security price and VWAP for recent Security trading.

**Table 3: Premiums/(discounts) to Security prices**

	Security price (\$)	Low	High
<b>Value per Security</b>		<b>\$2.90</b>	<b>\$3.09</b>
Deemed Security price	2.88	0.7%	7.3%
VWAP of Securities (15 June 2020 to 22 June 2020)	2.91	(0.3%)	6.2%
VWAP of Securities (23 June 2020 to 30 June 2020)	3.11	(6.8%)	(0.6%)
VWAP of Securities (2 July 2020 to 17 July 2020)	2.85	1.8%	8.4%

*Source: CapitalIQ, KPMG Corporate Finance analysis*

We consider the value range per Security of \$2.90 to \$3.09 to be reasonable as it:

- implicitly includes the final FY20 dividend of \$0.075 as it is based on trading post 1 July 2020 (when Home Consortium announced the intended final distribution), as well as the pro forma NTA per Security as at 30 June 2020 (which does not provide for a distribution). It is appropriate to include the final distribution as Aurrum will be entitled to this distribution on the Consideration Securities
- represents a premium of 0.7% to 7.3% to the deemed price of the Consideration Securities of \$2.88 under the Transaction. This is also the price at which the Placement has taken place. The deemed price represents a minority interest, whereas Aurrum has a substantial influence in Home Consortium (although not 100% control)
- represents a premium of 1.8% to 8.4% relative to the Security's VWAP from 2 July 2020 until 17 July 2020 of \$2.85 (the most relevant trading period as it captures the impact of the announcement of the increase in net borrowings, acquisitions and Capital Raising), which is appropriate, taking into account that recent trading is likely to have been influenced by the Placement at \$2.88 and considering that Aurrum has a significant influence on Home Consortium
- in relation to trading in prior periods, the selected value range for Securities represents:
  - a discount of 0.6% to 6.8% to the VWAP from 23 June 2020 to 30 June 2020. This is reasonable, since this period follows the announcement of the preliminary uplift in the property values, however, does not take into account subsequently announced increase in net debt and dilutive Capital Raising
  - a lower premium/(discount) of (0.3%) to 6.2% to the VWAP in the six days to 22 June 2020 (the day prior to the announcement of the property revaluations) relative to the premium implied by trading after the announcement of the Transaction. This is reasonable as trading in this period does not take into account the subsequently announced 1.7% reduction in NTA per Security<sup>5</sup>

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<sup>5</sup> Pro forma NTA of \$3.08 as at 30 June 2020 (which includes the net impact of the preliminary revaluations, increase in net debt from 31 December to 30 June 2020, acquisitions and Capital Raising assuming 100% take up of the SPP) relative to the Adjusted NTA as at 31 December 2019 of \$3.14.

- represents a discount to pro forma NTA per Security of \$3.09 as at 30 June 2020<sup>6</sup> in the range of 6.1% to nil. The range of discounts to NTA is lower than the discounts to NTA per Security at which Securities have traded in recent periods. In this regard:
  - the 6 day VWAP of Securities to 22 June 2020 (the day prior to the announcement of the uplift in the preliminary property valuations of 5.2%) of \$2.91<sup>7</sup> represents a 7.3% discount to Adjusted NTA as at 31 December 2019 of \$3.14<sup>8</sup>
  - the VWAP of Securities from 2 July 2020 (first trading day following the announcement of the Transaction) until 17 July 2020 of \$2.85<sup>9</sup> represents a 7.5% discount to the then announced pro forma NTA of \$3.08<sup>10</sup>

It is not appropriate to compare trading in the period from 23 June 2020 to 30 June 2020 with the 31 December 2019 NTA per Security since the NTA does not take into account the announced valuation uplift.

A lower discount to NTA per Security is appropriate for the Consideration Securities than the discount based on trading in minority parcels since Aurrum has a significant influence on Home Consortium. We also consider that the Placement may have influenced the Security price since 2 July 2020.

Nevertheless, a discount to NTA per Security is still appropriate since:

- NTA is generally considered to represent a 100% control value whereas Aurrum does not have 100% control (typically associated with an ability to realise synergies), and
- comparable A-REITs are generally trading at discounts to NTA, reflecting uncertainty surrounding COVID-19 (e.g. potential for abatements, rent reductions), as well as anticipated reductions in property values.

From March 2020 when the COVID-19 pandemic started influencing the sharemarket until 22 June 2020, Securities closed above 31 December 2019 NTA per Security on only two days (9 and 10 June 2020). Securities also closed above 31 December 2019 NTA per Security on three days following the announcement of the 5.2% preliminary valuation uplift, which suggests that the Security price reflects the valuation uplift, whereas the 31 December 2019 NTA per Security does not

- is supported by financial metrics implied by recent transactions involving A-REITs and trading in selected listed retail A-REITs (refer to Section 10.4 of this report).

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<sup>6</sup> Including the impact of the preliminary valuation uplift, increase in net borrowings from 31 December 2019 to 30 June 2020, acquisitions and Capital Raising (including the actual take up of the SPP). Refer to Section 9.6 of this report.

<sup>7</sup> Refer to Section 9.9.1 of this report.

<sup>8</sup> Refer to Section 9.6 of this report.

<sup>9</sup> Refer to Section 10.3.4 of this report.

<sup>10</sup> Including the impact of the preliminary valuation uplift, increase in net borrowings from 31 December 2019 to 30 June 2020, acquisitions and Capital Raising (assuming 100% take up of the SPP).



The value of the Consideration Securities will be based on the Security price at the time those Securities are received by Aurrum, which is expected to occur in September 2020. As such, the value of the Consideration will vary with movements in the Security price. The Security price may be higher or lower than KPMG Corporate Finance's assessed value range. Accordingly, until the Consideration Securities are issued under the Transaction, the value of Securities (and hence the value of the Consideration) will be influenced by changes in overall equity market conditions, uncertainty regarding the impact of COVID-19 on retail property portfolios and company specific events that may affect the Security price. The following table indicates the sensitivity of the implied value of the Consideration to changes in the Security price.

**Table 4: Sensitivity of the implied value of the Consideration**

Value per Security (\$)	\$2.80	\$2.85	\$2.90	\$2.95	\$3.00	\$3.05	\$3.10	\$3.15	\$3.20
Number of Consideration Securities issued (million)	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
<b>Value of Consideration Securities (\$ million)</b>	<b>19.4</b>	<b>19.8</b>	<b>20.1</b>	<b>20.5</b>	<b>20.8</b>	<b>21.2</b>	<b>21.5</b>	<b>21.9</b>	<b>22.2</b>
Add: cash (\$ million)	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6
<b>Value of Consideration (\$ million)</b>	<b>32.0</b>	<b>32.4</b>	<b>32.7</b>	<b>33.1</b>	<b>33.4</b>	<b>33.8</b>	<b>34.1</b>	<b>34.5</b>	<b>34.8</b>

*Source: KPMG Corporate Finance analysis*

In order for the Acquisition to be 'not fair' to Non-associated Securityholders, the low end of the range of values per Security would need to be \$3.06 or greater.

### 3.1.2 Assessment of the fairness of the Lease

In assessing whether the Lease is fair to Non-associated Securityholders, KPMG Corporate Finance has considered whether the terms of the Lease are on an 'arm's length' basis by comparing the terms of the Lease with market evidence for comparable lease agreements.

The Lease results from a proposed sale and leaseback arrangement. Sale and leaseback arrangements are common in the real estate market, where owner occupied properties are sold to investors. The transaction value paid in such transactions is reflective of the rental under the lease and the targeted rate of return (capitalisation rate) determined by the market and evidenced through comparable transactions.

The Lease has been agreed on a triple net basis, such that the tenant is responsible for all operating expenses including land tax and repairs and maintenance.

The commencing rental payable under the Lease reflects a rate of \$8,800 per annum be bed. While the rental under the Lease reflects rates at the lower end of the rental evidence range, we note the following:

- rental for the most recent leasing transactions we identified in the sector were also at the lower end of the range (\$9,052/bed and \$9,231/bed) for relatively small facilities (58 and 65 beds respectively)
- the level of rental reflects the size of the Property which, at 250 beds, is larger than typical facilities. We expect larger facilities, particularly in regional centres, to have rents at the lower end of the range due to the market size and the resultant impacts on demand and hence occupancy
- a higher rental would result in a higher market value for the Property.

The Lease contains terms and conditions typically found in leases for comparable properties. The particular terms in the Lease that are not common are:

- **Works:** Under the Lease, Home Consortium may, at their absolute discretion, elect whether or not to make any contribution towards specified capital expenditure. If Home Consortium elect not to make any capital contribution to the relevant capital expenditure there will be no impact on the rental under the Lease. However if Home Consortium elects to contribute towards the relevant works (either through a capital contribution or a rent abatement), then there will be either:
  - *Capital contribution:* an additional monthly payment to Home Consortium, determined based on the quantum of the Home Consortium contribution, the remaining term of the Lease and an agreed rate of 6.25% per annum (which will not be impacted by Consumer Price Index (**CPI**) adjustments); or
  - *Rent abatement:* a reduced monthly payment to Home Consortium, determined based on the notional quantum of the Aurrum contribution, the remaining term of the Lease and an agreed rate of 6.25% per annum (which will not be impacted by CPI adjustments).

This clause is not disadvantageous to Home Consortium as it is at their absolute discretion.

- **Put and Call:** Under the Lease, Aurrum has the right to call the sale of the property (i.e. purchase), at market value, from Home Consortium in the period after 9 years and 6 months from commencement date, up to 3 months prior to date of termination or the date of termination under any further term if an option to extend the Lease is exercised.

Similarly, Home Consortium has the right to Put the purchase of the property (i.e. sell), at market value, to Aurrum in the period that is 3 months prior to the date of termination of the Lease and expiring 5 business days prior to the date of termination of the initial term or first option term.

The Lease outlines the valuation methodology for determining market value under the Put and Call, including the assumption of a 10+10 year lease at the future valuation date.

This clause is not disadvantageous to Home Consortium as any price paid is reflective of market value.

As the other terms and conditions of the Lease are considered reflective of typical terms and conditions, and the above clauses are not disadvantageous to Home Consortium, **the Lease is fair to Non-associated Securityholders.**

## 3.2 Reasonableness

In accordance with RG 111, a proposed transaction is reasonable if it is fair. As we have assessed the Transaction to be fair, we have concluded that the Transaction is reasonable. Notwithstanding the statutory obligation to conclude the Transaction is reasonable, we have also considered a range of factors as set out below which Non-associated Shareholders may wish to consider in assessing whether to approve the Transaction.

### 3.2.1 Impact on ownership and control of Home Consortium

Following the Placement on 2 July 2020, Mr David Di Pilla's substantial Securityholding in Home Consortium was reduced from 47.5% to of 38.2%.<sup>11</sup> This interest principally includes Aurrum Holdings

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<sup>11</sup> Based on latest substantial shareholder notice. Excludes the impact of the SPP, which is not material.

Investment Company's substantial Securityholding of 37.9% as well as other minor interests (refer to Section 9.8 of this report). A 38.2% substantial shareholding likely does not confer control, however, it may represent a blocking stake to a potential acquisition of Home Consortium (an interest over 25% may represent a blocking stake in the event of a Scheme of Arrangement that requires a special resolution and compulsory acquisition can only be achieved with a 90% shareholding).

The entity that will receive the Consideration Securities, Aurrum, does not currently have a direct interest in Securities. However, as a result of the Transaction, Mr David Di Pilla's substantial Securityholding will increase to 39.9% and Non-associated Securityholders' interests will be slightly diluted. Such an increase is not likely to be material in terms of an ability to control Home Consortium (given these parties already hold blocking stakes) and there are no additional control thresholds passed. Furthermore, we do not expect the issue of the 6,944,444 new Consideration Securities to materially impact liquidity of Home Consortium.

**Table 5: Substantial Securityholdings in Home Consortium**

	Pre-Placement		Post Placement		Post Transaction (ex SPP) <sup>1</sup>	
	Interest	Interest	Interest	Interest	Interest	Interest
Mr David Di Pilla	94,073,634	47.5%	94,292,318	38.2%	101,236,762	39.9%
Others <sup>2</sup>	103,838,792	52.5%	152,231,219	61.8%	152,231,219	60.1%
<b>Total Securities</b>	<b>197,912,426</b>	<b>100.0%</b>	<b>246,523,537</b>	<b>100.0%</b>	<b>253,467,982</b>	<b>100.0%</b>

*Source: KPMG Corporate Finance analysis. Table does not add as Mr David Di Pilla's interests include Aurrum Holdings' interests.*

*Notes:*

1. Includes impact of Placement and Consideration Securities and excludes SPP, which is not material.
2. Interests other than Mr David Di Pilla.

### 3.2.2 Compatibility of the acquisition of the Property with Home Consortium's strategic plan and impact on portfolio metrics

The acquisition of the Property is consistent with Home Consortium's objective stated in its IPO prospectus of focusing on services assets, as well as with its February 2020 stated intention of establishing a material services exposure such that it can establish a Healthcare & Wellness REIT, which could eventually be spun off and managed by Home Consortium (refer to Section 9.2 of this report).

The acquisition of the Property is also consistent with the investment thesis for its Health & Wellness REIT announced in February 2020 in that it involves high quality tenant cash flows backed by government funding, exposure to a defensive services tenant, growth underpinned by ageing population, a long weighted average lease expiry (**WALE**) (10+ years), fixed escalations and ability to structure as a triple-net lease (refer to Section 9.2 of this report).

The Acquisition will diversify Home Consortium's tenant mix by increasing its exposure to Services (HealthCo) tenants, which will represent 21% of gross income. With a WALE of 10 years, 100% occupancy and 100% national tenants, the Acquisition will increase Home Consortium's WALE, occupancy and share of national tenants. It will increase Home Consortium's share of consumer price index (**CPI**) linked rental income.





### 3.2.3 Financial impact of the Transaction

The Transaction is expected to result in:

- FY21 FFO accretion. Management has advised FFO per Security guidance for FY21 (including the impact of the acquisitions and Capital Raising) of “at least \$0.15” and broker consensus FFO per Security is \$0.154. We have assumed FFO per Security prior to the Transaction<sup>12</sup> of \$0.15 per Security, which implies \$37.5 million FFO (based on 250.2 million Securities on issue). The Transaction will result in \$2.2 million lease income each year, and will increase debt by \$14.5 million<sup>13</sup> (\$12.59 cash Consideration and \$2.0 million transaction costs). Based on Home Consortium’s current borrowing costs of approximately 2.5%, the net income from the Transaction is \$1.8 million. Assuming FFO (freehold property) per Security of \$0.15 prior to the Transaction, the transaction results in FFO accretion of 2.1%.

**Table 6: FFO accretion**

	Pre- Transaction <sup>1</sup>	Proposed Transaction <sup>2</sup>	Post Transaction
FY21 pro forma FFO (freehold property) (\$ million) <sup>3</sup>	37.5	1.8	39.4
Number of Securities (million)	250.2	6.9	257.1
FY21 FFO (freehold property) per Security (\$) (guidance) <sup>4</sup>	\$0.150	\$0.264	\$0.153
FFO accretion (%)			2.1%

Source: KPMG Corporate Finance analysis

Notes:

1. Reflects impact of acquisitions (other than the Property) and Capital Raising.
  2. Incremental FFO is calculated as \$2.2 million lease income, less interest expense (2.5% times \$14.5 million borrowings (\$12.59 cash Consideration plus \$2.0 million transaction costs).
  3. FY21 pro forma FFO (freehold property) is calculated as FY21 FFO (freehold property) per Security of \$0.15 multiplied by 250.2 million Securities.
  4. Guidance indicated FFO (freehold property) per Security of at least \$0.15. KPMG Corporate Finance has assumed that FFO per Security pre-Transaction is \$0.15.
- a 0.4% reduction in pro forma NTA per Security from \$3.10<sup>14</sup> to \$3.09<sup>15</sup> as a result of the anticipated \$2.0 million in transaction costs associated with the Acquisition, and
  - a slight increase in pro forma gearing from 32.1%<sup>16</sup> to 32.4%,<sup>17</sup> which is at the low end of the target gearing range of 30% to 40%.

<sup>12</sup> Including the impact of the acquisitions (other than the Property) and Capital Raising.

<sup>13</sup> Rounds to \$14.5 million.

<sup>14</sup> Including the impact of the increase in debt from 31 December 2019 to 30 June 2020, acquisitions (other than the Property) and Capital Raising.

<sup>15</sup> Refer to Section 9.6 of this report.

<sup>16</sup> Including the impact of the increase in debt from 31 December 2019 to 30 June 2020, acquisitions (other than the Property) and Capital Raising.

<sup>17</sup> Refer to Section 9.6 of this report.

### **3.2.4 Changed risk exposure**

If the Transaction is implemented, Non-associated Securityholders will have an exposure to the residential aged care industry as described in Section 6 of this report. On the one hand, the industry has defensive characteristics, obtaining a majority of funding from the Federal Government, while still expecting strong growth due to the ageing population. However, it is not without risk:

- the industry is undergoing substantial change and the outcome of the Royal Commission into Aged Care Quality and Safety is unknown, although it is widely anticipated to result in higher costs to aged care providers as a result of greater compliance and standards of care. This risk is mitigated to the extent that Aurrum has a relatively high operating margin (consistent with listed peers, Regis Healthcare Limited and Estia Health Limited) (refer to Section 7.1 of this report), and
- the COVID-19 pandemic has the potential to increase costs for residential aged care operators. There is also a risk that further of Aurrum's facilities may be impacted by an outbreak of COVID-19.

Home Consortium will have a significant exposure to a single tenant, Aurrum. This exposes it to risk relating Aurrum's ability to meet its lease payments. An alternative lease may be negotiated on less favourable terms. However, as discussed, Aurrum is an established business with a relatively high operating margin.

### **3.2.5 Other considerations**

RG 111.62 lists a number of factors<sup>18</sup> that an independent expert may consider in assessing the reasonableness of a related party transaction. Whilst most of these issues have been addressed elsewhere in our report, in assessing Home Consortium's bargaining position we have considered the following factors:

- Home Consortium is not in any financial distress
- Management obtained a preliminary valuation of the Property from a third party property valuer in order to assist in understanding the value of the Property and the appropriate rental rates, and
- legal advisors were engaged.

### **3.2.6 Alternatives**

Whilst there is a range of alternative health & wellness assets and a range of alternative residential aged care facilities that are available in the market from time to time, most quality aged care facilities are held by listed operators and there is a limited number of high quality, privately held facilities that are operated efficiently.

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<sup>18</sup> a) the financial situation and solvency of the entity, b) opportunity costs, c) the alternative options available and the likelihood of those options occurring d) the entity's bargaining position e) whether there is selective treatment of any security holder, particularly the related party, f) any special value of the transaction to the purchaser, such as particular technology or the potential to write-off outstanding loans from the target, and g) the liquidity of the market in the entities securities.



### **3.2.7 Implications for Home Consortium if the Transaction is not implemented**

If the Transaction is not implemented:

- Home Consortium will have an additional \$14.5 million of cash (equivalent to the cash component of the Consideration and transaction costs (mainly stamp duty) which has advised that it will use to repay existing debt facilities and general corporate purposes. If debt was paid down, Home Consortium would have slightly lower gearing of 32.1% (compared with pro forma gearing of 32.4% prior to the Transaction) and slightly higher NTA per Security (\$3.10, rather than \$3.09)
- Home Consortium will likely continue to pursue acquisitions that are consistent with its strategy, which includes establishing a healthcare portfolio (likely including aged care assets), to potentially be spun off as a listed A-REIT, and as such, Securityholders may continue to be exposed to risks associated with the residential aged care industry (e.g. changes in government legislation, COVID-19)
- Non-associated Securityholders will not be diluted, and
- the net financial benefits (immediate FFO accretion) of the Transaction will not be realised.

### **3.3 Other matters**

In forming our opinion, we have considered the interests of Non-associated Securityholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Non-associated Securityholders. It is not practical or possible to assess the implications of the Transaction on individual Non-associated Securityholders as their financial circumstances are not known.

The decision of Non-associated Securityholders as to whether or not to approve the Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Non-associated Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Non-associated Securityholders seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Non-associated Securityholders in considering the Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Non-associated Securityholders should elect to vote in favour of the Transaction.

Neither the whole nor any part of our report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of General Meeting and Explanatory Memorandum to be sent to Non-associated Securityholders in relation to the Transaction, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of our report in the form and context in which it appears in the Notice of General Meeting and Explanatory Memorandum.



*Home Consortium Limited and Home Consortium Developments Limited  
Independent Expert's Report and Financial Services Guide  
28 July 2020*

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We refer readers to the limitations and reliance on information section as set out in Section 5.3 of our report. In this respect, Non-associated Securityholders should recognise that our opinion is based on prevailing market, economic and other conditions at the date of this report and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty associated with COVID-19. To the extent possible, we have reflected these conditions in our opinion. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bill Allen', written over a horizontal line.

Bill Allen  
Authorised Representative

A handwritten signature in black ink, appearing to read 'S. P. Collins', written over a horizontal line.

Sean Collins  
Authorised Representative



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*Home Consortium Limited and Home Consortium Developments Limited  
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## 4 Summary of the Transaction

On 1 July 2020, Home Consortium announced that it had agreed to:

- acquire the Property from Aurrum for consideration comprising \$12.59 million in cash and the Consideration Securities (excluding GST), and
- enter into the Lease in relation to the Property. The key terms of the Lease are:
  - **term:** initial fixed term of 10 years, with a further two options to extend the term of 10 years each
  - **rent:** initial commencing rent of \$2.2 million per annum
  - **rent review:** the rental amount is reviewed annually in accordance with increases in CPI. Market review applies on exercise of each option, with a cap of 10% increase and a collar of a 10% decrease compared to the rent payable immediately prior
  - **outgoings:** payable in full by Aurrum. Aurrum is also required to pay all rates and taxes, carry out all repairs and maintenance (including structural) and hold insurance for full replacement value of the Property. Home Consortium may elect (at its absolute discretion) to make a contribution towards certain structural work
  - **guarantor:** Aurrum Holdings guarantees the performance of all of Aurrum's obligations and liabilities under the Lease, and all other obligations of Aurrum to Home Consortium in respect of the Property
  - **call and put option:** Aurrum is granted a call option to acquire the Property, at market value, in the period between 6 months and 3 months prior to the termination of the initial term. If Aurrum exercises its option to renew, the call option remains open for the duration of both further option terms. Home Consortium is granted a put option to require Aurrum to purchase the Property at market value, which it may exercise in the final 3 months of the initial term and first option term
  - **right of first refusal:** if Home Consortium seeks to sell the Property, it must first offer the Property to Aurrum before selling to a third party. If Aurrum rejects the offer, Home Consortium may sell to any third party without providing a further offer to Aurrum, provided that sale is for not less than 95% of the price offered to Aurrum and otherwise not on terms that are materially more favourable to that third party. A change in control of Home Consortium will also trigger Aurrum's right of first refusal
  - **competitors:** the sale of the Property to a competitor in the provision of aged care services, or to an entity who is engaged in or has been accused of being engaged in illegal practices or similar actions that have the potential to bring Aurrum or the Property into disrepute, is subject to Aurrum's consent (which can be given at its discretion), and
  - **termination:** if there is a breach by Aurrum of its material obligations under the Lease or an insolvency event (as defined under the Lease) in respect of Aurrum occurs, and Aurrum fails to remedy that breach within the relevant period, Home Consortium may terminate the Lease immediately by written notice to Aurrum.

Further details of the Transaction are set out in Sections 1 and 2 of the Explanatory Memorandum to which this report is attached.

Home Consortium has announced that it intends to declare a final FY20 dividend of \$0.075 per Security, which is expected to be paid in September 2020. The Consideration Securities issued to Aurrum will be entitled to this dividend.



Transaction costs are estimated at \$2.0 million and mainly include stamp duty.

The Independent Directors<sup>19</sup> recommend Securityholders vote in favour of the resolutions to approve the Transaction.

## 4.1 Conditions precedent

Completion of the Transaction is conditional upon the approval of the following inter-conditional resolutions by the requisite majorities of (50% of votes cast by) Non-associated Securityholders at a General Meeting,<sup>20</sup> to be held in virtual format, on or before 1 December 2020:

- **Resolution 1:** Acquisition and Lease of the Property for the purpose of Listing Rule 10.1, and
- **Resolution 2:** the issue of the Consideration Securities for the purpose of ASX Listing Rule 10.11.

Accordingly, if Resolutions 1 and 2 are not passed, the Transaction will not proceed. Further details in relation to the resolutions are set out in Sections 13 and 14 of the Notice of General Meeting and Explanatory Memorandum to which this report is attached.

## 5 Scope of Report

### 5.1 Purpose

#### *Acquisition and Lease of the Property: Listing Rule 10.1*

Listing Rule 10.1 provides that a listed entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, certain persons identified in Listing Rule 10.1, including an associate of a related party of the entity, unless it obtains approval of the holders of its ordinary securities.

Aurum Holdings is owned 59.7% by Mr David Di Pilla, a Director and Secretary of Aurum Holdings and Executive Chairman and Chief Executive Officer of Home Consortium and 38.3% substantial Securityholder of Home Consortium, and 15.7% by Mr Greg Hayes, a Director of Aurum Holdings, Non-executive Director of Home Consortium and Securityholder of Home Consortium.

Under Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration paid for it is, or in ASX's opinion is, 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX. Based on the most recent accounts lodged with ASX on 26 February 2020, Home Consortium has equity interests of approximately \$728.5 million. The notional value of the Consideration Securities<sup>21</sup> is \$32.59 million, which represents 4.5% of the Home Consortium's equity interests. The aggregate rental payments (undiscounted, excluding CPI adjustments) under the term of the Lease (including options to renew) is \$66 million, which represents 9.1% of Home Consortium's equity.

As such, the aggregate value of the Acquisition and Lease of the Property is considered the acquisition of a substantial asset for the purposes of Listing Rule 10.1 and requires member approval under ASX Listing Rule 10.1. The notice of meeting to approve such a transaction must include an independent expert's report which states whether the transaction is fair and reasonable to securityholders not associated with a party to the transaction. On this basis, the Independent Directors of Home Consortium have requested KPMG

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<sup>19</sup> Directors of Home Consortium excluding Mr David Di Pilla and Mr Greg Hayes.

<sup>20</sup> Meetings of shareholders of each of HCL and HCDL.

<sup>21</sup> Based on the \$2.88 deemed issue price.

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Corporate Finance to prepare a report in accordance with ASX Listing Rule 10.1 and the guidance provided by ASIC.

***Issue of Consideration Securities: Listing Rule 10.11***

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed entity must not issue or agree to issue securities to certain persons identified in Listing Rule 10.11 (including a related party of the entity (in this instance, Home Consortium), substantial (30%+) holder of the entity or substantial (10%+) holder of the entity and a director of the entity), unless it obtains approval of the holders of its ordinary securities.

Aurum is an entity controlled by Mr David Di Pilla, who has a relevant interest in 38.3% of Securities (47.6% prior to the Placement) and is Executive Chairman of Home Consortium. Accordingly, the issue of the Consideration Securities falls within Listing Rule 10.11.1 and requires approval of Home Consortium Securityholders under Listing Rule 10.11.

***Lease of the Property: Related Party Transaction***

The Lease represents the giving of a financial benefit to a related party under Ch 2E of the Corporations Act and Regulatory Guide 76 "Related Party Transactions" issued by ASIC. Such a transaction requires securityholder approval unless certain exemptions apply. Member approval is not needed to give a financial benefit on terms that would be reasonable in the circumstances if the public company or entity of the related party were dealing on arm's length terms (Section 210 the Act).

We understand that there is no statutory requirement for an independent expert's report to be prepared for a transaction with a related party that requires member approval under Ch 2E of the Act, however, within RG 76, ASIC sets out a number of circumstances where, before undertaking a transaction with a related party, it encourages the provision of an independent expert's report to members.

The Independent Directors consider that Securityholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolutions 1 and 2 because the Transaction was negotiated on an arm's length basis and therefore falls within the exception contained in Section 210 of the Corporations Act.

Notwithstanding that the Independent Directors consider that Securityholder approval is not required with respect to the Lease, and an independent expert report is not required, the Independent Directors of Home Consortium have requested KPMG Corporate Finance to prepare an independent expert's report on the Acquisition and Lease in accordance with the guidance provided by ASIC.

## **5.2 Basis of assessment**

Regulatory Guide (RG) 111 "Content of expert reports", issued by ASIC indicates the principles and matters which it expects a person preparing an independent expert report to consider in providing an opinion on whether a related party transaction is 'fair and reasonable' from the perspective of non-associated members. RG 111.55 to RG 111.63 notes:

- in assessing whether a related party transaction is 'fair and reasonable' the assessment should not be applied as a composite test
- a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity (in this instance, Home Consortium) to the related party is equal to or less than the valuation of the consideration being provided to the entity



- in relation to an asset acquisition by the entity (in this instance, Home Consortium), it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party, the value of the entity's securities should be compared to the value of the securities it is purchasing
- in valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions
- a proposed related party transaction is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote for the proposal. In such cases, in accordance with RG 111.61, the expert must clearly explain the meaning of this opinion
- factors to be considered in deciding whether a proposed transaction is 'reasonable' might include:
  - the financial situation and solvency of the entity
  - opportunity costs
  - the alternative options available to the entity and the likelihood of those options occurring
  - the entity's bargaining position
  - whether there is selective treatment of any security holder, particularly the related party
  - any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target
  - the liquidity of the market in the entity's securities.

In forming our opinion as to whether the Transaction is fair and reasonable to Non-associated Securityholders, we have considered the following:

- the rationale of the Transaction
- a comparison of the assessed value of the Property with the value of the Consideration. The real estate valuation has been undertaken by KPMG Property Consultancy Pty Limited, a related entity to KPMG Corporate Finance
- a comparison of the proposed rental and terms of the Lease with market evidence for comparable lease agreements in order to assess whether the Lease terms are 'arm's length'
- the impact of the Transaction on the ownership and control of Home Consortium
- the compatibility of the Property with Home Consortium's strategic plan and current portfolio
- the impact of the Transaction on the financial performance and position of Home Consortium
- the implications for Home Consortium if the Transaction is not implemented, and
- other qualitative and strategic issues associated with the Transaction and the extent to which, on balance, they may advantage or disadvantage Non-associated Securityholders.



### 5.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Home Consortium, Aurrum or Aurrum Holdings for the purposes of this report.

Furthermore, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Home Consortium management (**Management**) in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Home Consortium has been responsible for ensuring that information provided by them or their representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Independent Directors are responsible for conducting due diligence in relation to the Transaction. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report and corresponds with a period of significant volatility in global financial markets and widespread macro-economic uncertainty associated with COVID-19. To the extent possible, we have reflected these conditions in our opinion. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

## 6 Residential aged care industry

The residential aged care industry has undergone significant reform over the past 10 years in a drive towards a sustainable, consumer-driven and market based system. This has seen an:

- **increase in market consolidation** as medium and large providers have merged or partnered, and large providers (mainly for-profit) have actively pursued growth through acquisition of smaller providers or new developments.

- **increase in diversification or options for consumers** in built form, models of care, and additional services on offer. Some players have moved towards niche services focusing on dementia, cultural or religious groups, LGBTI, etc.
- **increase in focus on financial sustainability** as industry moves towards a user pays system where those with means are encouraged to contribute towards their care and accommodation costs.

In addition to these reforms, the Royal Commission into Aged Care Quality and Safety was established on 8 October 2018 in response to failures in quality and safety, including severe cases of abuse and neglect in facilities at Oakden in South Australia. The Royal Commission is expected to result in a number of key reforms targeted at quality and safety of care, and greater regulation of the industry. The final report was due to be delivered in November 2020, however this timeframe will be extended due to delays caused by the current COVID-19 pandemic. These factors have resulted in a level of uncertainty in the market which is expected to continue for some time.

## 6.1 Residential market structure

In order to provide Australian Government-subsidised residential aged care, an organisation must be approved under the Aged Care Act 1997, and have an allocation of residential aged care places. The Australian Government manages supply of residential places through a competitive Aged Care Approvals Round.

The residential aged care market is highly fragmented with 873 providers providing care across 2,717 homes nationally, offering 213,397 places. A further 36,905 places are provisionally allocated (i.e. not operating yet). At 30 June 2019, there were 182,705 people receiving permanent residential care, which comprises around 5% of the population aged 65 years and over. As at 30 June 2019 (latest data available), the residential aged care market had the following characteristics:

- **Distribution:** Almost 80% of all places were in Queensland, New South Wales and Victoria. Around 70% of all places nationally were located in major cities. New South Wales has the highest proportion of homes (32%) and places (33%).
- **Providers:** Nationally, not-for-profit providers operated 55% of all homes, followed by for-profit (41%), then government providers (4%). New South Wales had a relatively higher proportion of homes operated by not-for-profits (63%), with the remaining 36% operated by for-profits, and 1% by government. The for-profits were concentrated in major cities (83%) which commonly allows for the generation of higher returns.
- **Market change:** Nationally, the for-profit providers were seeing the highest growth in the number of places (32% since 2012). Places operated by government providers contracted over the same period with a 22% decline, while not-for-profits saw moderate growth at 9%.
- **Home size:** Nationally, the average home had 79 places, and in New South Wales, the average was marginally higher at 81 places per home. When viewed by provider type, New South Wales for-profit homes averaged 94 places per home, not-for-profits 77 places, and government 38 places. This is in line with homes sized 80-120 places generally generating higher returns due to efficiencies of scale.
- **Top 20 providers in New South Wales:** As at 30 June 2019, there were 254 providers in New South Wales, with Aurrum ranking 35<sup>th</sup> with 4 homes and 448 places. The top 20 providers provided 53% of all places; while 77% of all providers had only 1 or 2 homes. Notably, not-for-profits dominated the New South Wales Top 20, representing 70% of this list. The Uniting Church ranked 1<sup>st</sup> with 5,314 places, with the 2<sup>nd</sup> largest provider, Opal, operating 3,779 places.

- **Occupancy:** Average occupancy in FY19 was 89.4% nationally, with for-profit providers at 86.8% and not-for-profit providers at 91.6%. Occupancy has been in decline over the past 5 years, reflecting the changing consumer preference for home care over residential aged care. Aurrum management have advised the Property's occupancy ranged between 90% and 98% during FY20 with an average occupancy of 94%.
- **Length of Stay:** The average has only marginally decreased from 3.3 years in FY03 to 3.0 years in FY19. This is driven by an increasing average age of entry and an increasing proportion of male residents (who tend to have a shorter stay than female residents), but tempered by a higher proportion of residents with dementia who may have longer stays. It was noted in 2015–16, women stayed on average 1.5 times longer than men (3 years 3 months compared with 2 years 3 months).

## 6.2 Financial performance

The financial performance of residential aged care providers has been on the decline for the past three to four years. Declining performance has largely been driven by a prolonged period of revenue indexation being set by the Australian Government at a rate below average wage inflation. This is particularly exemplified in the residential aged care sector due to the large reliance on government funding (67% in FY19). Over the past eight years, average government revenue indexation has been 1.4% compared to average wage inflation of around 3%.

In addition to the impact of this 'indexation gap', financial performance has also been impacted by a gradual decline in occupancy over the past five years. Lower occupancy rates can result in some level of reduction in staffing efficiency. In addition to this, the lower revenue results in a reduction in the ability to cover the relatively high proportion of fixed costs that apply to a residential aged care business. This impact may be further exacerbated by the current COVID-19 pandemic.

Providers report that they have been attempting to counter the impact of the 'indexation gap' and decline in occupancy by reducing administrative staff costs and investing in technology to improve efficiency, however, these costs reductions can only go so far. In addition to these underlying issues, providers have also faced increased costs due to the Royal Commission, and more recently, the COVID-19 pandemic. Resolution of the Royal Commission outcomes and potential subsequent changes in government policy, including funding model reforms and any potential changes to staffing and other costs, are anxiously awaited, considering both the potential impact on the operators of existing aged care homes, and any future investment decisions.

Excluding the one-off boost in funding that was paid in late FY19, 48% of providers reported a loss in FY19 (42% including the one-off boost). Based on consultations that the Aged Care Financing Authority had with providers in the third quarter of FY20, most indicated that their financial position was continuing to deteriorate. This is supported by information reported by benchmarking provider StewartBrown in their FY20 third quarter results, which reported an average EBITDA per resident per annum of \$3,819 compared to \$5,531 for FY19. The sector is already seeing a level of consolidation in the market as some providers exit, largely due to declining or negative performance. Early indications are that this will be highlighted after the full effect of the COVID-19 pandemic has been realised, despite the significant temporary injection of funds by the Australian Government.

Performance in the top 25% of facilities, whilst still in general decline, is much better (average EBITDA per resident of \$22,319 at June 2019 compared to an overall average of \$8,523, and bottom quartile result of -\$10,410). The following characteristics tend to be found in top performers:

- stronger commercial management

- newer builds or major refurbishments that have amended the building design to be more efficient in resident and staff movements, as well as increased the proportion of single bed rooms with private ensuite, in line with contemporary consumer preferences
- increased use of technology as an aide for delivering care.

For-profit providers tend to outperform their not-for-profit or government counterparts. This is partly related to the geographic / demographic disbursement, where for-profits favour metropolitan areas (83% of facilities are located in major cities) which typically generate higher returns. For-profits also commonly have stronger commercial management, particularly listed providers who need to meet shareholder expectations. The three listed providers deliver EBITDA returns between \$9,521 and \$13,988 per resident per annum (FY19).

Generally, financial performance tends to deteriorate in line with relative geographic remoteness. The average EBITDA per bed per annum in FY19 ranged from \$9,790 in metropolitan areas to \$4,916 in regional areas. According to the StewartBrown March 2020 report, 74% of outer regional to very remote providers operate at a loss.

### **6.3 Refundable Accommodation Deposits**

A significant source of capital for providers is through lump sum accommodation payments made by residents, known as Refundable Accommodation Deposits (RADs). As the name suggests, they are refundable upon exit of the resident, and act as an interest free loan to providers which they may utilise for certain permissible uses. The value of RADs held by providers has been increasing over time, with a total pool of \$15.6 billion prior to the reforms in July 2014, to a pool of \$30.2 billion at June 2019 (a 93% increase in the value of the liability).

This pool has been increasing due to both an increase in the value of RADs paid over time, and also the proportion of residents who choose to pay via lump sum payment. However, declining occupancy (in general due to changing consumer preferences, and potentially as a result of the current COVID-19 pandemic) and a gradual shift away from RADs as the chosen payment method, may lead to a net outflow in funds into the future. This may be particularly concerning for some providers who are heavily reliant on RADs as a source of cash flow.

### **6.4 Supply in residential aged care**

The Australian Government currently regulates the supply of residential aged care through planning and allocating places (known also as 'bed licences') through competitive funding rounds, referred to as Aged Care Approvals Round (ACAR). The number of places are allocated by regions, known as Aged Care Planning Regions. Places are distributed in these regions according to aged care planning ratio targets, which are currently set at 78 places per 1,000 people aged 70 years and over by FY22.

As at June 2019, the ratio of current operational places in Australia was 77.5, and in the Central Coast Aged Care Planning Region (in which Aurrum Erina falls), the ratio was 73.9. Whilst this suggests there was an undersupply in the Central Coast more broadly, the Erina catchment area (10km radius from the subject site) actually had an oversupply. There were approximately 15,000 people aged 70 years and over in the Erina catchment area, and 1,333 operational residential aged care places. This translates to a ratio of 89 places per 1,000 people aged 70 years and over. Importantly however, since June 2019 there have been bed closures at two sites, namely Henry Kendall in Wyoming which closed completely, and The Orchards in Lisarow which has closed 20 beds. Assuming population growth in line with the previous few years, the ratio reduces to around 80 places per 1,000 people aged 70 years and over, which is closer to the aged care planning ratio targets.

In addition to the operational places, there were also 195 unused places (offline for refurbishment or other operational reasons) and 1,023 provisionally allocated places (awarded through ACAR but not yet operational) within the Central Coast Aged Care Planning Region. This is compared to a total number of current operational places in the region of 3,832. The impact of unused and provisionally allocated places on market supply is inherently uncertain, however if all or some of those places became operational (within the catchment area) in the near term without significant growth in the 70+ population, then this would potentially exacerbate any oversupply. We also recognise that, based on historical activity, it is unlikely that all unused and provisional places will become operational and further that there will be a time delay as any new product is developed, reducing the risk of oversupply.

## **6.5 Demand in residential aged care**

Demand for aged care services in general is forecast to grow, in line with the forecast growth in the ageing population. The primary target market for residential aged care is people aged 85+ years (the average age of entry for residential aged care was 82.3 years for men, and 84.6 years for women in FY19), and this age bracket is forecast to grow from 509,000 people to around 688,000 people in the ten years from 30 June 2019, equating to 35% growth. In the following decade, a further 52% growth is forecast, with the population of 85+ persons expected to reach 1.1 million.

As people age, their care needs tend to increase and it is likely that some level of care will be required. The factor that is difficult to predict is how those care needs will be met, particularly in these times of significant change in the industry. There is evidence to suggest that consumers are delaying entry into traditional residential aged care (through falling occupancy rates and a large number of consumers with approval for residential aged care who choose to remain living in their own home), and providers are responding with innovation in accommodation options and service delivery models. Providers that offer a value proposition in the market that is aligned to contemporary consumer expectations are likely to be of greatest appeal to consumers in the future.

## **6.6 Residential aged care workforce considerations**

The aged care sector is experiencing a number of current and emerging workforce issues, including:

- by 2050, the aged care workforce will need to nearly triple to 980,000 workers to support the ageing population.
- attracting and retaining staff with the right skillsets to support the ageing population will be challenging, particularly in rural and remote areas.
- pay and remuneration have been identified as key concerns by the current workforce and cited as a driving factor to leaving the sector.
- the workforce is ageing. More than half of the workforce is aged over 50.
- the acuity of care and complexity of resident needs in residential care is increasing.
- similar workforce pressures exist in the disability sector, however the workforce pool is the same.
- new models of care focused on consumer engagement and person-centred care, rather than task-based care, will require a shift in recruitment in care roles and learning and development approaches for the existing workforce.

As a result of current and forecast workforce pressures in aged care more broadly, an Aged Care Workforce Taskforce was formed to develop an industry-led strategy to resolve some of the identified issues. This strategy has also been considered by the Royal Commission, and it is anticipated that joint consideration will result in development of revised policy to be set by the government.

## 7 Profile of the Property

### 7.1 Aurrum Holdings

Aurrum Holdings, the guarantor of Aurrum in respect to the Lease, is a private company that primarily operates approximately 900 residential aged care beds within 8 residential aged care facilities in Victoria and New South Wales.

Aurrum Holdings is majority owned at 59.7% by Mr David Di Pilla, a Director and Secretary of Aurrum Holdings and Executive Chairman, Chief Executive Officer and substantial Securityholder of Home Consortium, and 15.7% by Mr Gregory Hayes, a Director of Aurrum Holdings, Non-executive Director of Home Consortium and Securityholder of Home Consortium.

Aurrum Holdings was founded in early 2014 and was granted approval to provide residential care services under the *Aged Care Act 1997* on 6 June 2014. Since the commencement of its Aurrum Aged Care operations, Aurrum Holdings has developed a number of its existing facilities including Aurrum Plenty and the Property, and has undertaken a series of aged care acquisitions and divestments.

In February 2020, Aurrum Holdings announced that it would develop six new child care centres in conjunction with Home Consortium, with four of these centres expected to open during 2021. A new division of Aurrum Holdings has been established, known as Aurrum Childcare and Early Learning.

Aurrum Holdings has historically achieved EBITDA margins of approximately 14% to 15%, which is consistent with its listed peers such as Regis Healthcare Limited and Estia Health Limited, which had EBITDA margins of 14.4% and 14.0% in the 12 months to 31 December 2020, respectively.<sup>22</sup> The key financial metrics of Aurrum Holdings are summarised in the table below.

**Table 7: Financial performance of Aurrum Holdings**

Period	FY19	FY20
\$ million unless otherwise stated	Actual	Annualised
<b>EBITDA</b>	<b>11.8</b>	<b>11.8</b>
<i>EBITDA margin (%)</i>	<i>15.2%</i>	<i>14.1%</i>

*Source: Aurrum management and KPMG Corporate Finance analysis*

*Notes:*

1. *FY20 annualised EBITDA and EBITDA margin calculated based on actual results achieved over 11 months to May 2020.*
2. *FY19 and FY20 revenue and EBITDA was derived only from Aurrum Aged Care operations.*

### 7.2 Property overview

Aurrum Erina and Terrigal Drive (the **Property**) comprises a residential aged care facility with 250 operational bed licenses within seven purpose built buildings that is subject to a proposed lease to Aurrum. An aerial photograph of the site is presented in the figure below.

<sup>22</sup> Pre-AASB16 basis.

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**Figure 2: Aerial of the Property**

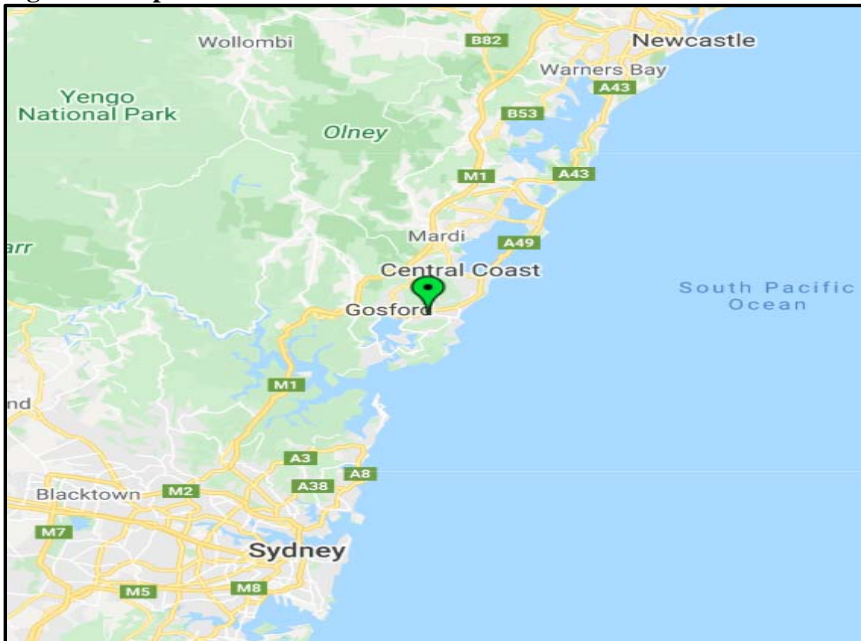


Source: Company supplied

### 7.3 Location

The Property is situated at 351 Terrigal Drive, Erina in the state of New South Wales with frontage to the northern alignment of Terrigal Drive. Erina is located in the Central Coast region of New South Wales and is positioned approximately 82 kilometres north of Sydney and 90 kilometres south from metropolitan Newcastle. A map presenting the location of the Property and surrounding location is illustrated in the figure below.

**Figure 3: Map**



Source: Nearmap

Surrounding development to the Property includes a specialised dementia care facility and church to the eastern border, kindergarten, retail premises and gym immediately to the west, Tarragal Glen retirement village to the south and 'Erina Fair' shopping centre to the south west.

## 7.4 Legal description

The Property is legally described as Lot 1305 on Deposited Plan 1157699. We have been provided with a Title Search, as Annexure E to the Contract for the sale and purchase of land 2019 edition, showing the registered owner as Aurrum.

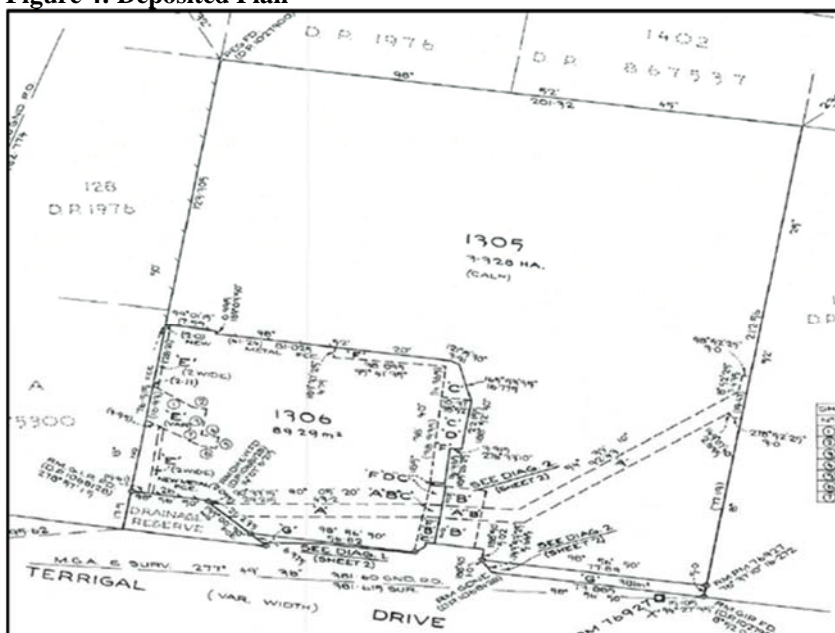
The Title Search shows various notifications in the Second Schedule including:

- easements and rights of access for drainage and services
- restrictions on use.

## 7.5 Site particulars

The site shown in the extract from the Deposited Plan in the figure below comprises an irregular hatchet shaped allotment having a total site area of approximately 33,280 square meters (3.328 hectares) with a southern frontage to Terrigal Drive of 83 metres.

**Figure 4: Deposited Plan**



Source: Deposited Plan

The site is undulating throughout with falls away from the north-eastern and eastern boundaries, which has been formed to provide suitable building platforms and internal road networks.

The site is zoned as No 7(c2) Conservation and Scenic Protection by Central Coast Council under the Gosford Planning Scheme Ordinance or Interim Development Order No. 112. The use as a residential aged care facility is not noted as a permitted use under the current zoning. Management have advised that their due diligence has confirmed that there are no issues with respect to building certification and Council approvals for the existing residential aged care facility use.

## 7.6 Description of improvements

The site is improved with seven purpose built buildings, internal access roads, pathways and on-site car parking. Whilst functioning as a single facility, the Property comprises two distinct service offerings, Aurrum Erina and Aurrum Terrigal Drive. Aurrum Erina comprises the Aurrum Erina building located in the north-west corner of the site and five circular pod buildings located toward the centre of the site, whilst Aurrum Terrigal Drive comprises the Aurrum Terrigal Drive building situated towards the south-east frontage of the property to Terrigal Drive.

### *Aurrum Erina*

The Aurrum Erina building is a single story, figure-eight shaped, rendered brick building which was constructed in 2003. It can house 102 residents through an arrangement of 70 single ensuited bedrooms and 16 double ensuited bedrooms. The building is separated into north and south wings, each with a central courtyard, two nurse's stations, communal lounge and dining areas, back room offices, storage rooms and staff rooms with locker and shower amenities. The north wing contains interview and training rooms and a hair dressing salon, while the south wing contains the main reception and administration area, manager's office, and laundry which includes five industrial grade washing machines and five industrial grade dryers. All bedrooms within the building are fully ensuited and include air conditioning units, wifi and television sets.

There are also five standalone, single storey, rendered brick, circular pods that were constructed in 2004. Four of the pods (Hibiscus, Casuarina, Waratah and Banksia) can house 80 residents in total, with 20 single ensuited bedrooms in each pod. Waratah and Banksia are used as secure dementia resident pods with self-contained dining and kitchen areas. The fifth pod is used as a kitchen and shared dining space, with the kitchen servicing residents of both Aurrum Erina and Aurrum Terrigal Drive.

### *Aurrum Terrigal Drive*

The southern portion of the site was improved with Aurrum Terrigal Drive, a three-storey crescent shaped building, in 2017. The building comprises 71 single ensuited rooms, nurse's stations and treatment rooms. Communal lounge and dining areas are distributed across the top two floors of the building. The ground floor comprises 30 undercover carparking spaces, main administration and office suites, hydrotherapy pool (no longer in use), hairdressing salon, theatre room, private dining space and bar. The building has two elevators and all bedrooms within the building are fully ensuited and include air conditioning units, wifi, telephones, Foxtel and television sets.

All buildings on-site have standard service connections to electrical, potable water, sewer, and internet/telephone lines. Nurse call systems are installed in all bedrooms, bathrooms and common areas throughout the buildings. The site is monitored by security cameras and each building is fitted with secure keypad admission.

Management have provided us with the following building areas for the respective buildings.

**Table 8: Aurrum Erina building areas**

<b>Building</b>	<b>Gross building area (sqm)</b>	<b>Beds</b>	<b>Area per bed (sqm)</b>
Aurrum Erina - building	4,839	102	47.44
Aurrum Erina - pod 1 (Hibiscus)	1,029	20	51.45
Aurrum Erina - pod 2 (Casuarina)	1,029	20	51.45
Aurrum Erina - pod 3 (Waratah)	1,029	20	51.45
Aurrum Erina - pod 4 (Banksia)	1,029	20	51.45
Aurrum Erina - pod 5 (Community Centre)	1,029	-	-
Aurrum Terrigal Drive - ground floor	795	-	-
Aurrum Terrigal Drive - first floor	1,895	36	52.64
Aurrum Terrigal Drive - second floor	1,895	35	54.14
<b>Total</b>		<b>253</b>	

*Source: Management*

The composition of bedroom types throughout the Property is presented in the table below. Aurrum Erina, as configured, has approximately 93% single rooms, compared with a national industry average of approximately 82% (2018-19). This relatively high proportion of single rooms is in line with contemporary consumer preferences, and as such should contribute to maintaining occupancy levels.

**Table 9: Bedroom composition**

<b>Room type</b>	<b>Number</b>	<b>Beds</b>
Single	221	221
Double	16	32
<b>Total</b>	<b>237</b>	<b>253</b>

*Source: Management*

Aurrum have advised that the Property is currently configured to operate with 250 bed licenses.

The improvements present in fair to good condition. Management have undertaken due diligence on the Property identifying required repairs and maintenance which are to be undertaken by Aurrum at Aurrum's expense. Management have advised that there are no capital expenditure works that would require Home Consortium funding.

## 7.7 Lease

As part of the Transaction, Home Consortium will enter into the Lease with Aurrum in relation to the Property. Key details of the Lease are included in Section 4 above, and set out in further detail in Appendix 3.

All bed licenses, Resident Accommodation Bonds and furniture, fittings and equipment associated with the operation of the property as a residential aged care facility are retained by Aurrum, which Management have advised is consistent with the position across Home Consortium's leases that its tenants own fittings, furniture and equipment within the premises.

## 8 Valuation of the Property

### 8.1 Overview

The Property is a leased asset and therefore the likely buyer profile would be an investor. The investment market for leased residential aged care facilities is considered to be a national market, with parties to

transactions willing to invest across State borders. Consequently we have investigated sales and rental evidence for properties across Australia in determining our market value range.

## **8.2 Valuation methodology**

Given the investment nature of the Property we have relied primarily on an Income Approach cross-checked through a Market Approach, to derive a market value range.

### **Income approach**

The Income Approach is a valuation approach that provides an indication of value by converting future cash flows to a single current capital value. There are a number of Income Approach techniques and typically there are reasons that may advantage or dictate the selection of one or more particular techniques for any given property, such as variances in land use, number of tenancies, quantum of value, stability of income and reporting purpose.

In our application of the Income Approach we have adopted the capitalisation method which reflects the income earning potential and investment return for the property. The method involves the application of a capitalisation rate (multiplier) to a forecast future income. The capitalisation rate is selected from comparison of resultant or implied yields derived from the analysis of transactions or in some cases benchmarked against other competing investments. Analysed yields typically are the return represented by the net operating income (NOI) produced by an investment, expressed as a percentage of the transaction value of that investment. There are numerous ways in which to analyse potential returns from a property investment. Typically lease terms are the main variable that determines the appropriate selection of any particular yield analysis.

The key inputs used to assess the Property's market value include:

- **Income** – derived from the Lease and benchmarked to other rental evidence.
- **Expenses** – nil payable under the Lease which has been struck on a triple net basis. No allowance for capital expenditure as discussed below.
- **Capitalisation rate** – derived from comparison with comparable transactions.

### **Market Approach**

There are various applications of methodologies and techniques in a market based approach, with the leading method being the Comparable Transactions Method. Within the Comparable Transactions Method there are various applications, including comparing properties either directly on a unit based measure or applying a summation technique. The summation technique provides an indication of the value of an entire asset by the addition of the separate values of its component parts.

Different property types lend themselves to various applications of sales comparison and the selection of the most appropriate method of comparison is typically guided by homogeneity or otherwise between the subject property and benchmark sales and the correlation between units of measure and economic return. It is possible to compare properties in absolute quantum whereby some form of market continuum can be constructed within which the subject property can be positioned. It is also possible to make percentage or dollar adjustments for the various differences in comparable transactions to effectively adjust these sale prices to indicate a value of the subject property.

Our comparisons made with any particular transaction may include variables such as size, land classification/zoning, locality, position within the locality, elevation, aspect, topography, access, available services and amenity, land use, adjacent and nearby land uses, site specific allowances, various external site

impacts, further development potential. We also consider the type, size, quality, configuration, condition, age, aesthetic appeal and overall utility of the improvements.

For residential aged care facilities, the market comparison approach typically involves a comparison on a rate per licensed bed basis.

### 8.3 Critical assumptions

In undertaking our valuation of the Property we have made the following critical assumptions:

- full compliance with all applicable federal, state and local zoning, use and similar laws is assumed
- responsible ownership and competent management of the Property is assumed
- that all buildings are compliant with relevant building regulations. We did not (and are not qualified to) carry out a structural, geotechnical or environmental survey
- no hazardous substances or contamination of the site exists. We did not investigate the extent of any hazardous substances as we are not qualified to test for such substances or conditions. We take no responsibility for detecting the existence of such substances or conditions, or for any expertise or engineering knowledge required to detect or discover them
- it is assumed that all licenses, permits and other legislative authorities from any government or private organisation have been obtained and can be renewed
- the Lease is executed and commences on the Valuation Date
- the Lease is a triple net lease, with the tenant paying all outgoings.

### 8.4 Rental evidence

We have identified the rental evidence set out at Appendix 5. This evidence has been derived from a variety of sources including discussions with agents and valuers active in the residential aged care sector. We have sourced the information back to lease documentation where available.

Rental rates are reflective of:

- location
- size and configuration of facility (number of beds)
- quality, condition and functionality of improvements
- market conditions.

The rental evidence for facilities ranging in size from 35 to 180 beds is summarised in the table below:

**Table 10: Market rental evidence**

Net Rental	Net rent per annum	Net rent per bed per annum	Net rent per bed per week
<b>High</b>	2,034,000	12,120	233
<b>Low</b>	340,000	8,829	170
<b>Mean</b>	957,860	10,397	200
<b>Median</b>	732,813	10,563	203

*Source: KPMG Corporate Finance analysis*

While the rental under the Lease at the Property reflects rates at the lower end of the rental evidence range, we note the following:

- rental for the most recent leasing transactions we identified in the sector were also at the lower end of the range (\$9,052/bed and \$9,231/bed) for relatively small facilities (58 and 65 beds respectively)
- the level of rental reflects the size of the Property which, at 250 beds, is larger than typical facilities. We expect larger facilities, particularly in regional centres, to have rents at the lower end of the range due to the market size and the resultant impacts on demand and hence occupancy
- a higher rental would result in a higher market value for the Property

Having regard to the above factors the rental under the Lease is considered reasonable.

The commencing net rental under the Lease on a triple net basis is summarised below:

**Table 11: Net rental under Lease**

Net Rental	Net rent per annum	Net rent per bed per annum	Net rent per bed per week
Property	2,200,000	8,800	169

*Source: KPMG Corporate Finance analysis*

We have adopted a market rental of \$2,200,000 in our valuation calculations.

## 8.5 Expenses

The Lease has been established on a triple net basis, such that the tenant is responsible for all operating expenses including land tax and repairs and maintenance.

Management have advised that all currently proposed or required works identified during their due diligence are considered to be repairs and maintenance, as defined by the Lease and as such, are the responsibility of the tenant. Management have also confirmed that, under the Lease, Home Consortium may, at their absolute discretion, elect whether or not to make any contribution towards specified capital expenditure. If Home Consortium elect not to make any capital contribution to the relevant capital expenditure there will be no impact on the rental payable under the Lease. However if Home Consortium elects to contribute towards the relevant works, there will be an adjustment to the rental, determined based on the Home Consortium contribution, the remaining term of the Lease and an agreed rate of 6.25% per annum (which will not be impacted by CPI adjustments). Management have advised that there is currently no known requirement for any relevant capital expenditure.

We have therefore made no deduction for expenses or capital works in our valuation calculations.

## 8.6 Sales evidence

The sales evidence for facilities ranging in size from 35 to 180 beds, as detailed in Appendix 6, is summarised in the table below:

**Table 12: Market sales evidence**

Sales	Freehold Sale Price (\$)	Analysed rate (\$/bed)	Capitalisation rate
High	29,086,466	196,628	9.16%
Low	4,500,000	96,386	5.48%
Mean	14,122,874	156,254	6.83%
Median	12,025,000	156,458	6.75%

*Source: KPMG Corporate Finance analysis*

In determining an appropriate capitalisation rate range, we have considered the following:

- strength of lease covenant afforded by Aurrum, inclusive of Aurrum Holdings guarantee

- new 10 year lease term with two 10 year options
- the agreed rental under the Lease is towards the lower end of the range of market rents, which reduces the overall risk of the investment
- triple net rental basis
- annual rental reviews based on CPI, with market reviews at commencement of option period
- no obligation for capital works
- put and call arrangement affording the owner a guaranteed buyer in 10 years at the then market value
- size of the Property with 250 beds, being larger than typical properties of this nature
- uncertainties in the aged care sector with respect to the outcome of the Royal Commission into Aged Care Quality and Safety and the impact of the COVID-19 pandemic
- prevailing market conditions
- the available sales evidence. In particular we have considered the two most recent transactions which were both at a capitalisation rate of less than 6.0%; the blended capitalisation rate of 6 property portfolio sold in November 2019 which was approximately 6.97%; and the mean and median capitalisation rates set out in Table 12 above
- low interest rate environment
- alternative returns from other asset classes
- overall price point.

Having regard to the available sales evidence and the aforementioned points, we have adopted the following rates in our valuation calculations:

**Table 13: Valuation rates**

	Low	High
<b>Capitalisation rate</b>	6.75%	6.50%

*Source: KPMG Corporate Finance analysis*

## 8.7 Valuation calculations

Our primary valuation calculations under the Income Approach, using a capitalisation rate basis, are set out below:

**Table 14: Valuation calculations**

	Low	High
<b>Net Income</b>	2,200,000	2,200,000
<b>Capitalisation rate</b>	6.75%	6.50%
<b>Value</b>	32,592,593	33,846,154
<b>Rounded value</b>	32,600,000	33,800,000
<b>Rate/bed (implied)</b>	130,400	135,200

*Source: KPMG Corporate Finance analysis*

We have cross-checked the above valuation calculations using a Market Approach, based on a rate per licensed bed basis as set out below:





**Table 15: Valuation check calculations**

	Low	High
Implied rate/bed	130,400	135,200
Rate/bed shown by market evidence	96,386	196,628

Source: KPMG Corporate Finance analysis

The rate per bed licence implied by our valuation range of \$130,400/bed to \$135,200/bed, is below the mean and median values per bed licence derived from comparable transactions (approximately \$156,000/bed) but significantly higher than the low end of the comparable transaction range. Accordingly we have concluded that our valuation cross-check supports the value range determined in our primary valuation approach.

## 8.8 Market value range

We have determined the following market value range for the Property to be:

**Table 16: Valuation range**

\$	Low	High
Market value	32,600,000	33,800,000

Source: KPMG Corporate Finance analysis

## 9 Profile of Home Consortium

### 9.1 Overview

Home Consortium is an internally managed property group focused on ownership, development and management of retail and service centres, anchored by national tenants spanning daily needs, leisure & lifestyle, homewares & electrical and services. Home Consortium is comprised of HCL and HCDL and their controlled entities. Shares in HCL are stapled to shares in HCDL to form stapled securities (Securities). Home Consortium was established in 2017 when a consortium of investors (comprising Spotlight Group Holdings, Chemist Warehouse Group, Primewest Group Limited and Aurrum Holdings) acquired the former Masters Home Improvement real estate portfolio from Woolworths Group. It was listed on the ASX in October 2019 and immediately prior to the announcement of the Transaction and Capital Raising had a market capitalisation of approximately \$593.7 million.<sup>23</sup>

On 1 July 2020, Home Consortium announced that it would:

- acquire three Woolworths anchored convenience-based neighbourhood centres in Prestons and Vincentia (New South Wales) and Sunbury (Victoria), the Property<sup>24</sup> and the Parafield Retail Complex bringing the total number of freehold centres to 35,<sup>25</sup> and
- undertake a \$170 million Capital Raising (the Placement completed on 2 July 2020 and the SPP closed 21 July 2020) and issue the Consideration Securities.<sup>26</sup>

<sup>23</sup> Calculated as closing price on 30 June 2020 of \$3.00 multiplied by 197,912,426 Home Consortium securities on issue.

<sup>24</sup> Subject to the approval of non-associated Securityholders.

<sup>25</sup> Excludes Ballarat.

<sup>26</sup> Subject to the approval of non-associated Securityholders.

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## 9.2 Strategy

Home Consortium's objective, as set out in the IPO prospectus, is to deliver investors above average risk-adjusted returns through a combination of regular dividend income and capital growth through investments in hyper-convenience based retail and service assets. The key drivers of the business are:

- **Portfolio, development and centre management** – owning, developing and managing a portfolio of properties that are anchored by quality tenants with long term leases in order to deliver an innovative retail and services property offering. This has included the redevelopment of former Masters Home Improvement retail stores into hyper-convenience based retail and service centres across Australia
- **Additional growth opportunities** – in addition to the redevelopment of the remaining 9 centres in Home Consortium's portfolio, Home Consortium has the potential for additional earnings and capital growth through ancillary income growth, brownfield developments at existing sites, acquisition of some or all of the remaining leasehold properties, acquisition of properties that are consistent with Home Consortium's strategy, funds management activities, future mixed use developments (including town centre developments) and strategic investments
- **Capital management and initiatives** – pursuing future capital partnering and funds management initiatives to generate annuity style management fee income, whilst maintaining an appropriate and efficient capital structure
- **Diversification of sector exposure** – increasing exposure to daily needs and services sector, comprising health, childcare and education, government services and health & wellness tenants, which is characterised by high quality tenant cash flows often backed by government funding, defensive tenant mix, and attractive growth prospects and leasing structures (long WALE of 10+ years, fixed escalations and ability to structure as triple-net leases). This has included the ongoing plans to establish a new Healthcare and Wellness REIT called 'Health Co' (announced on 26 February 2020) which would increase Home Consortium's exposure to healthcare and wellness, including aged care.

## 9.3 Property portfolio post acquisitions

Following the acquisitions, Home Consortium will own 35 freehold properties<sup>27</sup> including 26 established properties and 9 properties under development. The combined freehold portfolio will have a gross lettable area (**GLA**) of approximately 417,610 square metres (**sqm**),<sup>28</sup> a combined value of \$1,199.6 million,<sup>29</sup> occupancy of 97% and a weighted average capitalisation rate (**WACR**) of 6.6%.

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<sup>27</sup> Including 30 centres as at 30 June 2020, plus three properties to be acquired from Woolworths Group, Parafield Retail Complex and the Property (subject to approval of Home Consortium non-associated Securityholders). Excludes Ballarat.

<sup>28</sup> Estimate as at 30 June 2020 and subject to ongoing design changes.

<sup>29</sup> Book value of \$964.2 million at 31 December 2019 plus preliminary valuation uplift at 30 June 2020 of \$49.5 million and acquisitions of \$185.9 million.

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**Table 17: Home Consortium portfolio post acquisitions**

	30 June 2020	Acquisitions	
		(including Aurrum Erina)	Post acquisitions
Freehold operating properties	22	4	26
Freehold development properties <sup>1</sup>	8	1	9
Total number of freehold properties	30	5	35
Book value of freehold properties (\$ million)	1,013.7	185.9	1,199.6
WACR (%)	6.6%	6.3%	6.6%
WALE (years)	8.0	7.4	7.9
Occupancy (by GLA) (Operating Centres) (%)	97%	99%	97%
Trading occupancy (by GLA) (Operating Centres) (%)	86%	99%	87%
National tenants (%)	86%	82%	86%
Gross lettable area (sqm)	368,103	49,507	417,610

Source: Management

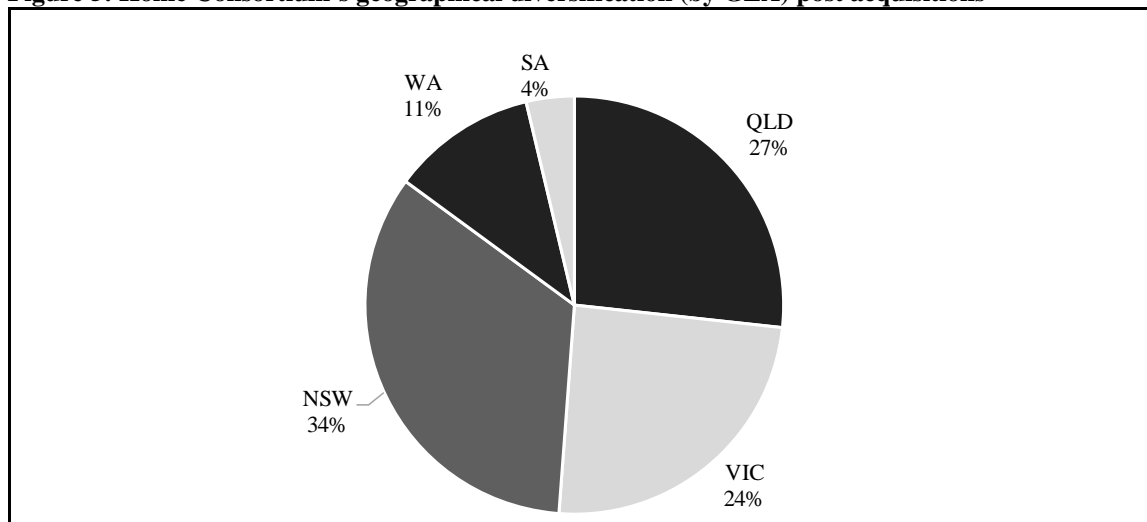
Note 1: Excludes Ballarat, which is subject to acquisition. Home Consortium completed the Coffs Harbour (New South Wales) development in FY20, leaving eight development properties remaining from the IPO.

Of the 9 development properties as at 30 June 2020 (including the acquisition of Parafield), Management expects to complete a further five developments in FY21, leaving four developments expected to complete in FY22.

#### Geographical diversification

After the acquisitions, Home Consortium's 35 freehold centres will be located in Queensland, New South Wales, Victoria, Western Australia and South Australia and will include 26 centres in metropolitan areas in Brisbane, Sydney, Melbourne, Perth and Adelaide. Queensland, Victoria and New South Wales will represent 74% of the portfolio by GLA.

**Figure 5: Home Consortium's geographical diversification (by GLA) post acquisitions**



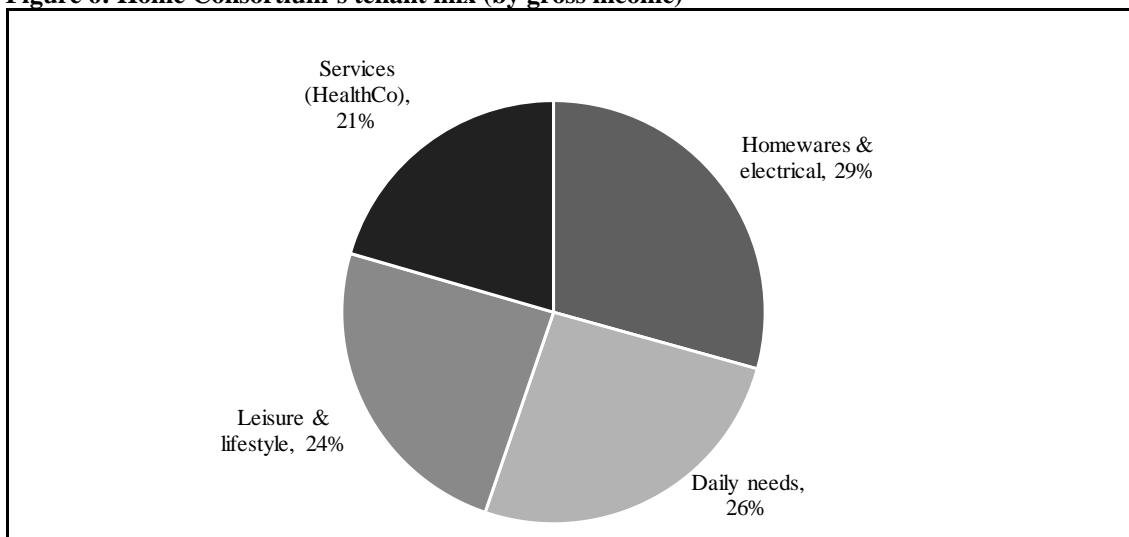
Source: Management

#### Tenant mix

Following the acquisitions, Home Consortium's tenants will be segmented into daily needs, leisure & lifestyle and homewares & electrical and will also include Services (HealthCo). Approximately 79% of

gross income from freehold properties will be categorised as leisure & lifestyle, daily needs and services (HealthCo).

**Figure 6: Home Consortium's tenant mix (by gross income)<sup>30</sup>**



Source: Management

Furthermore, national tenants will represent 86% of tenants.

**WALE**

The portfolio will have a relatively long WALE of 7.9 years.

**Legacy leasehold properties**

HCL, through wholly owned subsidiaries, is tenant to a number of leases. Leasehold properties carry liabilities, primarily in the form of rent and outgoings, capital expenditure, possible termination payments and rental incentives. In order to reduce the exposure of new securityholders which acquired securities through the IPO to the property leases, a \$60 million lease mitigation account (**LMA**) was established to fund the ongoing cost of 15 properties, with the foundation securityholders liable for leasehold liabilities in excess of \$60 million. Between the IPO and 31 December 2019, the LMA was subsequently used to finance the surrender of two leasehold properties and termination payments in relation to four properties with surrender top-up arrangements. As at 31 December 2019, the net present value of liabilities relating to the remaining nine leasehold properties was \$64.5 million and the balance of the LMA was \$37.0 million.

<sup>30</sup> Based on gross income from signed leases and signed MOUs across the Freehold portfolio. Includes Ballarat which is expected to settle in 2022.

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## 9.4 Financial performance

The financial performance of Home Consortium for first half FY20 (1H20) is summarised in the following table.<sup>31</sup>

**Table 18: Financial performance of Home Consortium**

Period \$ million unless otherwise stated	1H20 Reviewed		
	Freehold	Leasehold	Consolidated
Property income	28.5	5.2	33.7
Property expenses	(12.2)	(2.4)	(14.6)
<b>Net property income</b>	<b>16.3</b>	<b>2.8</b>	<b>19.1</b>
Corporate expenses	(3.9)	(0.3)	(4.2)
<b>EBIT</b>	<b>12.4</b>	<b>2.5</b>	<b>14.9</b>
Net interest expense <sup>1</sup>	(9.5)	-	(9.5)
Straight lining of rental income and amortisation of lease incentives	0.2	-	0.2
Leasehold rent <sup>2</sup>	(2.8)	(11.4)	(14.2)
<b>FFO<sup>3</sup></b>	<b>0.3</b>	<b>(8.9)</b>	<b>(8.6)</b>
Leasehold rent	2.8	11.4	14.2
Interest and finance charges on lease liabilities	(1.7)	(6.4)	(8.1)
Fair value movements	1.0	0.1	1.1
Acquisition and transactions costs <sup>4</sup>	(5.6)	(1.6)	(7.2)
Amortisation of borrowing costs	(6.4)	-	(6.4)
Straight lining of rental income and amortisation of lease incentives	(0.2)	-	(0.2)
<b>Net (loss)/profit before tax</b>	<b>(9.8)</b>	<b>(5.4)</b>	<b>(15.2)</b>
Income tax benefit/(expense)	7.1	(4.3)	2.8
<b>Net (loss)/profit after tax</b>	<b>(2.7)</b>	<b>(9.7)</b>	<b>(12.4)</b>
<b>Statistics</b>			
Weighted average number of Securities on issue (million)	137.1	137.1	137.1
FFO per Security (\$)	\$0.002	(\$0.065)	(\$0.063)
Distribution per Security (\$)			\$0.045

Source: Home Consortium Annual Report for FY19 and Half Year Report for 1H20 and KPMG Corporate Finance analysis

Notes:

1. Net interest expense is interest and finance charges on borrowings net of interest income.
2. Mainly relates to Hawthorn East, Coffs Harbour and Upper Coomera leaseholds which were acquired in 2019.
3. FFO calculated in accordance with Property Council of Australia.
4. Includes \$5.6 million of IPO costs, \$2.0 million lease surrender costs and \$1.4 million of legal/litigation fees.

In relation to the income statement, we note the following:

- net property income and EBIT reflect the earnings attributable to Home Consortium's freehold property portfolio only, and
- consolidated FFO of (\$8.6 million) includes \$0.3 million FFO attributable to freehold properties and (\$8.9 million) attributable to leasehold properties.
- 1H19 incorporates only two full months of trading post the IPO and refinancing. In the Home Consortium 1H20 Results Presentation, Management advised that December 2019 FFO (including Hawthorn East & Keysborough centre openings) was \$1.8 million (\$22 million annualised). Excluding

<sup>31</sup> Home Consortium presented earnings from freehold property separately to earnings from leasehold property (which is subject to ring fencing) from 1H20.

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net holding income of \$3 million associated with the 9 development properties, annualised December 2019 FFO associated with the 21 freehold operating centres was \$25.0 million:

**Table 19: Annualised FFO from operating centres**

	<b>\$ million</b>
Actual December 2019 freehold FFO	1.8
Actual annualised December 2019 freehold FFO	22.0
Add: property expenses from nine development centres	4.0
Less: property revenue from 9 development centres	(2.0)
Add: interest expense from 9 development centres	1.0
<b>Annualised December 2019 freehold FFO (21 operating centres)</b>	<b>25.0</b>

*Source: Home Consortium Half Year Results Presentation for 1H20 and KPMG Corporate Finance analysis*

The above analysis does not take into account the subsequent lease up of the 21 trading centres to 97% (84% trading occupancy as at 31 December 2019), earnings potential from the 9 sites under development (five of which are expected to be completed in FY21 and four in FY22) or the earnings from the acquisitions.

Home Consortium is targeting a normalised dividend payout ratio in the range of 80% to 100% of FFO derived from freehold properties, once the property portfolio is fully stabilised. On 19 March 2020, Home Consortium paid an interim fully franked dividend of \$0.045 per Security.

## 9.5 Financial position

The financial position of Home Consortium as at 31 December 2019 is presented both on a reviewed and 'NTA Adjusted' basis consistent with Management's Securityholder presentations (i.e. excluding leasehold assets and liabilities, provisions and deferred tax assets).

**Table 20: Financial position of Home Consortium**

As at	31 Dec 2019	31 Dec 2019
\$ million unless otherwise stated	Reviewed	NTA Adjusted <sup>1</sup>
Cash and cash equivalents <sup>2</sup>	42.2	5.2
Trade / other receivables & prepayments	9.0	6.9
Investment properties - freehold	964.2	964.2
Investment properties - leasehold	80.6	-
Deferred tax asset	143.4	-
<b>Total assets</b>	<b>1,239.4</b>	<b>976.3</b>
Trade / other payables and provisions (current and non current)	(35.9)	(26.1)
Borrowings	(329.4)	(329.4)
Lease liabilities <sup>3</sup>	(145.6)	(0.6)
<b>Total liabilities</b>	<b>(510.9)</b>	<b>(356.1)</b>
<b>Net assets</b>	<b>728.5</b>	<b>620.2</b>
<b>Equity attributable to Home Co stapled securityholders</b>	<b>728.5</b>	<b>620.2</b>
<i>Statistics</i>		
Number of Securities ('000)	197,811	197,811
NTA per Security (\$) <sup>4</sup>	3.68	3.14
Gearing <sup>5</sup>	36.9%	33.9%

Source: Home Consortium Half Year Report for 1H20, Home Consortium 1H20 Results Presentation and KPMG Corporate Finance analysis.

Notes:

1. Net tangible assets adjusted to exclude the following balance sheet items: (i) LMA (\$37 million), (ii) investment properties – leasehold (recognised under AASB 16) (\$80.6 million), (iii) leasehold liabilities (recognised under AASB 16) (\$145 million), (iv) provisions (\$2 million) and (v) deferred tax assets (\$143.3 million).
2. Cash and cash equivalents (Reviewed) includes \$37 million LMA balance.
3. Lease liabilities is current and non-current lease liabilities and includes lease liability for corporate head office.
4. NTA per Home Consortium Security is calculated as net assets divided by the number of Securities at period end.
5. Gearing (Adjusted NTA basis) represents drawn debt (excluding lease liabilities and capitalised borrowing costs) less cash and cash equivalents divided by total assets excluding cash and cash equivalents, LMA, investments properties - leasehold and deferred tax assets.

In relation to the reviewed financial position of Home Consortium as at 31 December 2019, we note:

- cash includes a \$37 million LMA balance, reduced from \$60 million in October 2019 due to the funding of the surrender of two leasehold properties and four top-up arrangements
- investment properties represent the most substantial asset on Home Consortium's balance sheet (84% of total assets) and comprise a combination of leasehold and freehold properties. Freehold centres had a fair value of \$964 million and included \$806.7 million of operating centres and \$157.3 million of centres under development. Leasehold centres of \$80.6 million includes 9 leasehold centres
- the fair value of investment properties of Home Consortium is determined by a combination of independent external valuations and Directors' valuations. Investment properties are independently valued on a rotational basis at least once every 24 months. Home Consortium announced that as at 30 June 2020, preliminary valuations of all 30 freehold properties (including 15 independent valuations and 15 Directors' valuations) resulted in an increase in value relative to 31 December 2019 of \$49 million (5.2%) to \$1,014 million. Net of capital expenditure incurred during the period of \$22 million, this represents a net valuation increase of \$27 million or 2.8%
- deferred tax assets reflect temporary accounting differences for tax losses, investment property, net lease liabilities and other. As at 31 December 2019, Home Consortium had \$55.3 million of tax losses available for which a deferred tax asset was recognised, and

- lease liabilities have reduced (relative to October 2019) due to Home Consortium's leasehold mitigation strategy, with the surrender of two leasehold properties and all of the four Bunnings top-up properties. Subsequent to 31 December 2019, Home Consortium has been granted the option to acquire a leasehold property in Ballarat on a delayed settlement. The interim lease payments will be funded by the LMA. Leases include \$0.6 million lease liability for corporate head office.

On an Adjusted basis (excluding lease assets and liabilities, provisions and deferred tax assets) as at 31 December 2019, Home Consortium's NTA per Security was \$3.14 and gearing was 33.9%, which is within the target gearing range of 30% to 40%.

### ***Borrowings***

Home Consortium has a \$500 million senior syndicated bank debt facility which expires in October 2022 and comprises a \$325.0 million term loan facility and \$175.0 million revolving facility to be used to fund capital expenditure, acquisitions and general corporate purposes. As at 31 December 2019, Home Consortium had \$335.0 million of drawn debt and undrawn facilities of \$165.0 million. Borrowings of \$329.4 million on the balance sheet as at 31 December 2019 are net of \$5.6 million capitalised borrowing costs.

Home Consortium has entered into various interest rate swaps. As at 31 December 2019, 52.2% of drawn debt was hedged.

## **9.6 Pro forma financial position**

The pro forma financial position of Home Consortium (including the impact of the preliminary valuation uplift as at 30 June 2020, movement in cash and debt from 31 December 2019 to 30 June 2020, acquisitions and Capital Raising including the actual take up of the SPP) is summarised in the table below.

**Table 21: Pro forma financial position**

<b>\$ million unless otherwise stated</b>	<b>31 Dec 2019 NTA adjusted<sup>1</sup></b>	<b>30 Jun 2020 preliminary valuation<sup>2</sup></b>	<b>30 Jun 2020 cash and debt<sup>3</sup></b>	<b>Acquisitions and Placement / SPP<sup>4</sup></b>	<b>Pro-forma Dec 19 balance sheet</b>	<b>Proposed Trans-action</b>	<b>Pro-forma Dec 19 balance sheet</b>
Cash and cash equivalents	5.2	-	(2.4)	-	2.8	-	2.8
Trade / other receivables & prepayments	6.9	-	-	-	6.9	-	6.9
Investment property – freehold	964.2	49.5	-	153.3	1,167.0	32.6	1,199.6
Investment property - leasehold	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>976.3</b>	<b>49.5</b>	<b>(2.4)</b>	<b>153.3</b>	<b>1,176.7</b>	<b>32.6</b>	<b>1,209.3</b>
Trade / other payables and provisions	(26.1)	-	-	-	(26.1)	-	(26.1)
Borrowings	(329.4)	-	(32.0)	(13.2)	(374.6)	(14.5)	(389.2)
Lease liabilities	(0.6)	-	-	-	(0.6)	-	(0.6)
<b>Total Liabilities</b>	<b>(356.1)</b>	<b>-</b>	<b>(32.0)</b>	<b>(13.2)</b>	<b>(401.3)</b>	<b>(14.5)</b>	<b>(415.9)</b>
<b>Net Assets</b>	<b>620.2</b>	<b>49.5</b>	<b>(34.4)</b>	<b>140.1</b>	<b>775.4</b>	<b>18.0</b>	<b>793.4</b>
<i>Securities on issue (million)</i>	<i>197.8</i>	<i>-</i>	<i>-</i>	<i>52.4</i>	<i>250.2</i>	<i>6.9</i>	<i>257.1</i>
<i>Adjusted NTA per HomeCo security (\$)</i>	<i>\$3.14</i>	<i>\$0.25</i>	<i>(\$0.17)</i>	<i>(\$0.11)</i>	<i>\$3.10</i>	<i>(\$0.01)</i>	<i>\$3.09</i>
<i>Gearing (%)<sup>5</sup></i>	<i>33.9%</i>				<i>32.1%</i>		<i>32.4%</i>

Source: Management and KPMG Corporate Finance analysis.

Notes:

- Refer to Section 9.5 of this report.
- Adjustment relating to the 30 June 2020 preliminary unaudited valuation announced to the ASX on 23 June 2020.
- Adjustment for estimated cash and debt balances as at 30 June 2020.



4. *The impact of the Placement, SPP and Consideration Securities and the acquisitions (Woolworths, the Property and Parafield). The carrying value of the acquisitions is at cost and excludes stamp duty and other transaction costs.*
5. *Gearing represents drawn debt (excluding lease liabilities and capitalised borrowing costs) less cash and cash equivalents divided by total assets excluding cash and cash equivalents, LMA, investments properties - leasehold and deferred tax assets.*

The above table indicates that:

- Home Consortium's pro forma NTA per Security is \$3.10 pre the Transaction and \$3.09 post the Transaction, and
- the impact of the Transaction on NTA per Security is a slight decrease (0.4%) as a result of the \$2.0 million of transaction costs associated with the Transaction.

## 9.7 Outlook

In connection with the announcement of the Transaction on 1 July 2020, Home Consortium provided the following guidance:

- acquisitions are immediately FFO accretive and result in pro forma FY21 FFO guidance attributable to freehold properties of at least \$0.15 per Security, and
- an intention to declare a final FY20 dividend of at least \$0.075 per Security (fully franked) (i.e. a full year FY20 dividend of \$0.12, including the interim FY20 dividend of \$0.045). Dividends are expected to move towards being fully FFO covered post-transaction in FY21.

Home Consortium is followed by three brokers, two of which have published forecasts since the announcement of the Transaction on 1 July 2020. The broker forecasts are summarised in the following table and set out in detail in Appendix 7.

**Table 22: Broker consensus forecast (excluding leasehold property)**

Period \$ million unless otherwise stated	Actual	Broker Consensus (median)			
	1H FY20	FY20	FY21	FY22	FY23
Net property income	16.3	26.5	58.5	74.0	83.0
EBIT	12.4	21.0	51.0	66.5	75.0
FFO	0.3	14.9	40.4	55.5	63.4
FFO per Security (\$)	\$0.00	\$0.08	\$0.15	\$0.21	\$0.25
Distribution per Security (\$)	\$0.05	\$0.12	\$0.15	\$0.18	\$0.21
<b>Statistics:</b>					
Net property income growth (%)	na	na	120.8%	26.5%	12.2%
EBIT growth (%)	na	na	142.9%	30.4%	12.8%
FFO growth (%)	na	na	171.7%	37.5%	14.2%
Distribution payout ratio (%)	nmf	155.8%	96.1%	85.9%	85.7%

*Source: Broker reports for Home Consortium and Home Consortium Half Year Results Presentation 1H20 and KPMG Corporate Finance analysis*

Brokers forecast net property income, EBIT and FFO associated with freehold property only (i.e. excluding legacy leasehold property). Each of the broker forecasts includes the impact of the Capital Raising and acquisitions.

The broker consensus FY21 FFO of \$0.154 is consistent with Management's guidance that FY21 FFO was expected to be "at least 15 cents." The consensus FY21 distribution represents a payout ratio of 96.1%, which is consistent with Management's guidance that dividends are expected to move towards being fully FFO covered post-transaction in FY21.

Strong earnings growth in FY21 as a result of the announced acquisitions, redevelopments and value-add opportunities (e.g. pad developments, increasing site coverage and occupancy) is expected to be followed by more moderate growth in FY22 and FY23. Brokers expect the key risks to be the achievability of rental income in the current market as a result of increasing e-commerce and impacts of COVID-19, as well as cost overruns in relation to the redevelopments.

## 9.8 Share capital and ownership

### *Securities on issue*

Following the Placement and SPP,<sup>32</sup> Home Consortium has 250,282,102 Securities on issue. The number of Securities on issue will increase as a result of the issue of 6,944,444 Consideration Securities to Aurrum (subject to the approval of Non-associated Securityholders).

### *Securityholder composition*

As at 17 July 2020,<sup>33</sup> Home Consortium had received notices from the following substantial Securityholders as set out in the table below.

**Table 23: Substantial Securityholder notices as at 17 July 2020**

	Date of notice	Direct interest	Relevant interest	% interest
CW Property Nominees Pty Ltd	7 July 2020	2,238,806	95,572,141	<sup>1</sup> 38.8%
David Di Pilla	7 July 2020	-	94,292,318	<sup>2</sup> 38.3%
Mez Pty Limited as trustee for Di Pilla Family Trust ( <b>Mez</b> )	7 July 2020	600,379	93,990,598	<sup>3</sup> 38.1%
Aurrum Holdings Investment Company as Trustee for the Aurrum Holdings Investment Trust	7 July 2020	-	93,333,335	<sup>4</sup> 37.9%
Home Investment Consortium Trust ( <b>HICT</b> )	7 July 2020	62,222,223	93,333,335	<sup>5</sup> 37.9%
HICC 2 Pty Ltd as trustee fo the Home Acquisition Trust ( <b>HICC2</b> )	7 July 2020	31,111,112	31,111,112	12.6%
DDP Capital Pty Ltd	7 July 2020	56,884	56,884	0.0%
ZEM Super Pty Ltd as trustee for Di Pilla Superannuation Fund ( <b>ZEM</b> )	7 July 2020	301,720	301,720	0.1%
Perpetual Limited	7 July 2020	15,667,954	15,667,954	6.4%

*Source: Substantial Securityholder notices on ASX website. Dates of notice are as at 7 July 2020 and exclude the impact of the SPP.*

*Notes:*

- <sup>1</sup> Registered holder of 2,238,806 Securities and deemed relevant interest in a further 93,333,335 Securities as a result of Term Sheet with other HICC shareholders.
- <sup>2</sup> Relevant interest arising from having control of Mez which has a relevant interest in 93,333,335 Securities, DDP Capital Pty Ltd which directly holds 56,884 Securities and ZEM which directly holds 301,720 Securities.
- <sup>3</sup> Registered holder of 600,379 Securities and relevant interest in a further 93,333,335 Securities arising from Mez having control over Aurrum Holdings Investment Company and DDP Capital Pty Ltd.
- <sup>4</sup> Relevant interest arising from Aurrum Holdings Investment Company having control over HICT.
- <sup>5</sup> Relevant interest as a result of being the registered holder of 62,222,223 Securities and being the sole shareholder of HICC2, which is the registered holder of 31,111,112 Securities. In addition, Primewest Funds Ltd as trustee for Primewest (Masters) Unit Trust and Primewest (HICT) Pty Ltd have a deemed relevant interest in 93,333,335 Securities arising from a Term Sheet entered into with other shareholders of HICT.

Following the Placement to largely institutional Securityholders, interests in Home Consortium associated with Mr David Di Pilla have decreased.<sup>34</sup> As at 17 July 2020, Mr David Di Pilla had a relevant interest in

<sup>32</sup> The \$140 million Placement at \$2.88 per Security was completed on 2 July 2020 resulting in the issue of a further 48,611,111 Securities. The SPP raised \$10.64 million at \$2.83 per Security, resulting in the issue of 3,758,565 Securities.

<sup>33</sup> Reflects the impact of the Placement but not the SPP, which closed on 21 July 2020.

<sup>34</sup> Interests associated with Mr David Di Pilla were 47.6% per Substantial Shareholder Notice on 18 October 2019.

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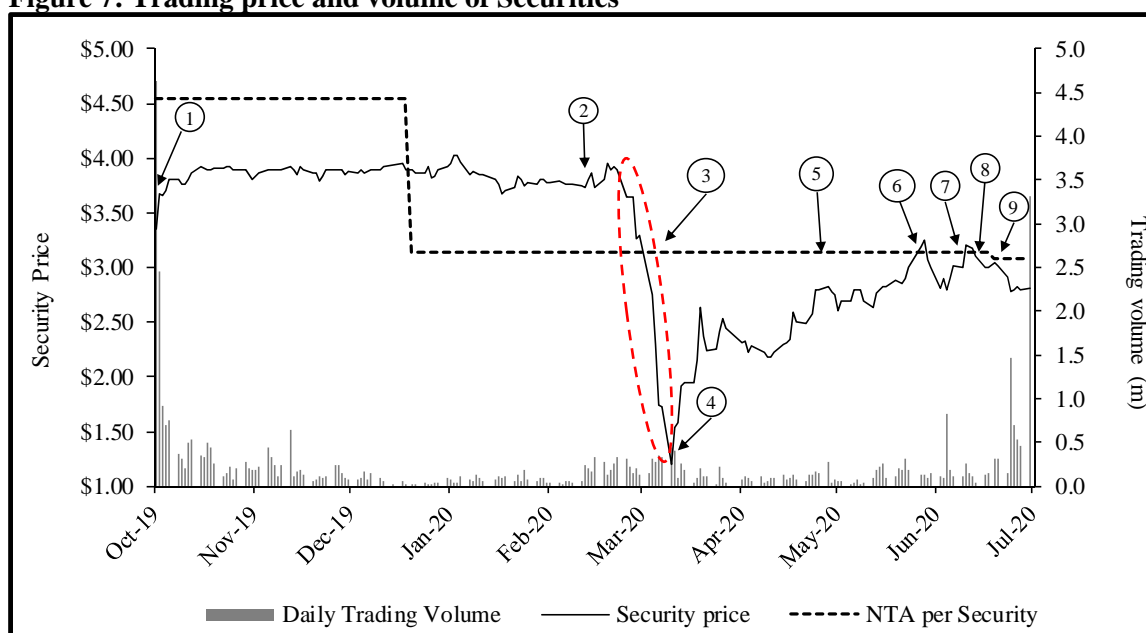
38.3% of Securities, mainly arising from his control of Mez, which has control of HICT, which directly owns 62,222,223 Securities and is the sole shareholder of HICC2, which directly holds a further 31,111,112 Securities.

## 9.9 Security price performance

### 9.9.1 Recent trading in Securities

The trading price and volume of Securities from listing on the ASX on 14 October 2019 to 17 July 2020 is illustrated in the following chart.

**Figure 7: Trading price and volume of Securities**



Source: Capital IQ; KPMG Corporate Finance analysis, Home Consortium Half Year Results Presentation 1H20, Home Consortium Half Year Report 1H20, Home Consortium Acquisition and Equity Raising Presentation.

Note: NTA per Security of \$4.54 at 30 June 2019 includes freehold and leasehold properties, NTA per Security of \$3.14 at 31 December 2019 is adjusted for leases and NTA per Security of \$3.08 at 1 July 2020 is pro forma and assumes 100% allocation of the SPP.

The following is noted in relation to the chart:

1. On 14 October 2019, Home Consortium listed on the ASX issuing 97 million shares at \$3.35 with net proceeds from the offer totalling \$325 million. From then until early March 2020, Securities closed in a reasonably narrow range of around \$3.70 to \$4.00.<sup>35</sup>
2. On 26 February 2020, Home Consortium released its 1H20 result, which indicated that it was delivering on the FY20 pro-forma Freehold FFO prospectus forecast earlier than predicted, resulting in a 10% increase in guidance. It also announced a childcare initiative in partnership with Aurrum Childcare, plans to introduce a new Healthcare & Wellness REIT and a reduction in the net leasehold liability by over 40% from \$95 million to \$55 million (pro-forma). The Security price increased by 5.9% over the following week to close at a high of \$3.95 on 3 March 2020, a substantial premium (25.8%) to Adjusted NTA per Security (including freehold properties) as at 31 December 2019 of \$3.14. The premium to NTA potentially reflects an anticipated uplift in the value of the portfolio as a

<sup>35</sup> NTA per Security during this period includes freehold and leasehold properties.



result of the lease up of the 21 trading centres to 97% and completion of three development sites in FY21 as announced in the 1H20 results presentation

3. Throughout March 2020, the Security price declined in line with the overall sharemarket (reflecting the impact of COVID-19) to close at a low of \$1.20 on 23 March 2020 (a 61.8% discount to NTA).
4. On 23 March 2020, Home Consortium confirmed that it had maintained a strong liquidity position and stated that the development projects at Cairns (Queensland) and Coffs Harbour (New South Wales) were still expected to be completed as previously forecast. Furthermore, Home Consortium confirmed that foot traffic for the period 1 January 2020 to 22 March 2020 had been resilient.
5. On 7 May 2020, the Security price increased by 8.1% after a COVID-19-related trading update in which Management announced it was stabilising the portfolio and positioning for sustainable future growth. It announced the following:
  - 90% of tenants are open and trading
  - the final FY20 distribution guidance was reinstated at a minimum \$0.05 per Security (fully franked)
  - the cash impact of COVID-19 had been mitigated by cash management and cost saving initiatives
  - the company maintained a strong liquidity position of \$142 million.
6. On 12 June 2020, S&P Dow Jones Indices announced that as part of its quarterly rebalance of the S&P/ASX All Ordinaries Index, Home Consortium would be an addition to the index effective at the open on 22 June 2020.
7. On 23 June 2020, Home Consortium announced a preliminary valuation increase of 5.2% (a net valuation increase of 2.8%, excluding capital expenditure), resulting in an increase in the Security price of 7.0% to close at \$3.21.
8. In the month to 30 June 2020, Securities traded in the range of \$2.73 to \$3.29, at a VWAP of \$2.95 and closed at \$3.00, a 4.5% discount to Adjusted NTA per Security as at 31 December 2019 of \$3.14.
9. On 1 July 2020, Home Consortium announced the acquisitions and Capital Raising, including a Placement at \$2.88, a 4.0% discount to the closing price of \$3.00 on 30 June 2020 and a 6.9% discount to the 5 day VWAP of \$3.09 on 30 June 2020 as well as a 1.7% reduction in pro forma NTA (as a result of the increase in net borrowing from 31 December 2019 to 30 June 2020 and acquisitions and Capital Raising).<sup>36</sup> On 2 July 2020, the Security price increased by 1.3% to close at \$3.04 (a 1.3% discount to pro forma NTA of \$3.08), then declined to close at \$2.95 on 17 July 2020. The Placement was fully subscribed.

## **9.9.2 Relative Security price performance**

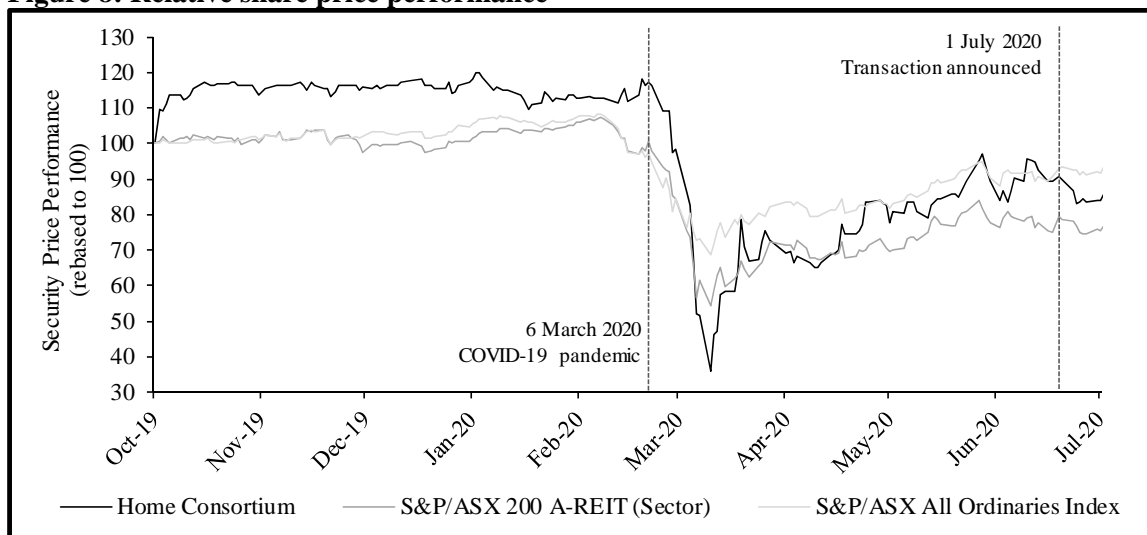
Home Consortium is a member of the S&P/ASX All Ordinaries Index (All Ordinaries Index) and the S&P/ASX A-REIT (Sector) Index (A-REIT Index). The performance of Home Consortium Securities since its IPO on 14 October 2019 to 17 July 2020 relative to the All Ordinaries Index and the A-REIT Index, (rebased to 100) is illustrated below.

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<sup>36</sup> The announced pro forma NTA assumed 100% allocation of the SPP.

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**Figure 8: Relative share price performance**



Source: Capital IQ; KPMG Corporate Finance analysis

Note: The IPO price of Home Consortium of \$3.35, instead of the closing price on 14 October 2019, has been adopted as the base for our analysis as the IPO issue accounted for the majority of volume over the period assessed.

The Home Consortium Security price broadly tracked the All Ordinaries Index and the A-REIT Index from when it debuted on the ASX in October 2019 until February 2020. The Security price outperformed from 26 February 2020 on the back of positive news that Home Consortium had delivered on its prospectus forecast and increased guidance for FY20 following a strong 1H20 result.

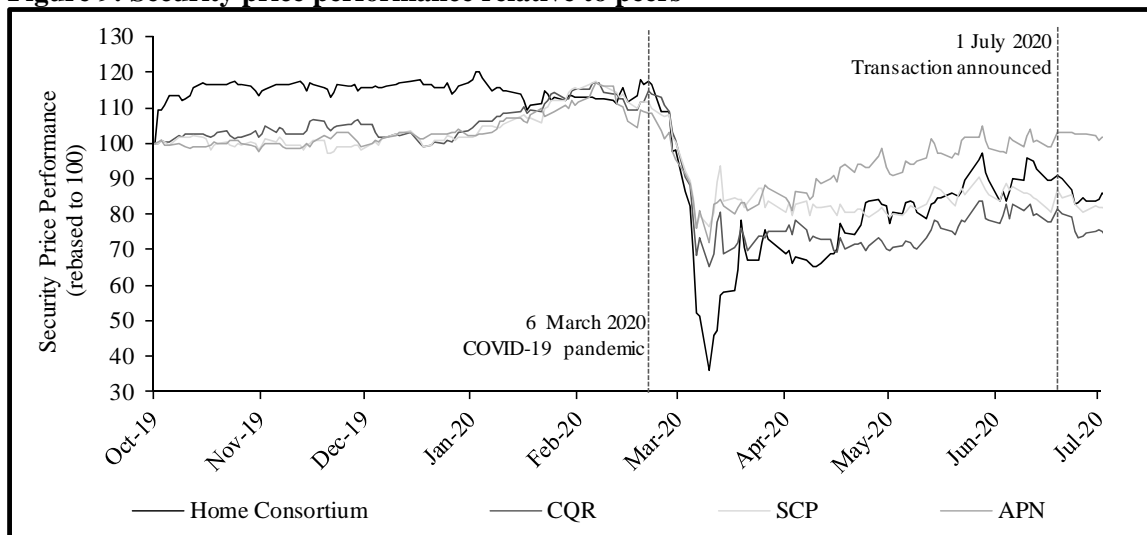
Following the peak of the All Ordinaries Index on the 20 February 2020, equity markets declined rapidly in late February and early March in response to the COVID-19 pandemic, leading to large declines in the Home Consortium Security price. The Home Consortium Security price fell by 43%, significantly underperforming the All Ordinaries Index and the A-REIT Index, which fell by 20% and 35%, respectively. This underperformance was likely driven by the adverse impact that social distancing measures were expected to have on A-REIT's, and retail A-REITs in particular, as businesses were granted rent deferrals/abatements and the demand for leased space, particularly in new centres, was predicted to soften.

Following the announcement on 23 March 2020 that the Home Consortium business remained well capitalised and that foot traffic for the period 1 January 2020 to 22 March 2020 had been resilient, Home Consortium outperformed the broader indexes. This outperformance was driven by the strength of the Home Consortium portfolio which is anchored by tenants who meet the daily needs and convenience of customers, as well as a series of dilutive capital raisings across the market.

From late April 2020 to late June 2020, the Security price has increased in line with the broader indexes, as the market continues to rebound from its March 2020 lows.

The performance of Securities since its IPO on 14 October 2019 to 17 July 2020 relative to its peers (rebased to 100) is illustrated below.

**Figure 9: Security price performance relative to peers**



Source: Capital IQ; KPMG Corporate Finance analysis

Home Consortium broadly traded in line with its peers until March 2020, when it underperformed, then outperformed until late March 2020 and tracked the peers from late April until late June.

### 9.9.3 Liquidity

An analysis of the volume of trading in Home Consortium Securities, including the VWAP for the period up to 30 June 2020 (the last trading day prior to the announcement of the Transaction on 1 July 2020) is set out in the table below.

**Table 24: Volume of trading in Home Consortium Securities**

Period	Price (low) (\$)	Price (high) (\$)	Price (VWAP) (\$)	Cumulative value (\$ million)	Cumulative volume (million) <sup>1</sup>	% of issued capital
<b>Period ended 30 June 2020<sup>1</sup></b>						
1 day	2.85	3.08	2.98	0.5	0.2	0.1
1 week	2.85	3.29	3.09	1.9	0.6	0.3
1 month	2.73	3.29	2.95	11.3	3.8	1.9
3 months	1.99	3.29	2.74	22.8	8.3	4.2
6 months	1.14	4.05	2.95	50.1	17.0	8.6
14 Oct 2019 to 30 June 2020	1.14	4.05	3.40	125.3	36.8	22.6

Source: IRESS; KPMG Corporate Finance analysis.

Notes:

1. Last trading day prior to announcement of the Transaction on 1 July 2020.

Home Consortium listed on the ASX on 14 October 2019 and during the period to 30 June 2020 (180 days), 22.6% of issued Securities were traded, or 32.1% on an annualised basis. Taking account Home Consortium's limited free float,<sup>37</sup> 61.1% of Securities<sup>38</sup> were traded on an annualised basis. This level of trading indicates that there is an active market for Home Consortium Securities.

<sup>37</sup> Free float calculated as 103.7 million Securities and excludes Di Pilla's relevant interest of 47.6%.

<sup>38</sup> Calculated as 32.1% divided by (100%-47.6%).

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## 10 Valuation of Consideration

### 10.1 Summary

Under the Transaction, Home Consortium will pay Consideration comprising \$12.59 million in cash and 6,944,444 Consideration Securities. KPMG Corporate Finance has assessed a value range for Securities (on a minority interest basis) of \$2.90 to \$3.09. Based on this range of values per Security, KPMG Corporate Finance has attributed a value to the Consideration in the range of \$32.7 million to \$34.0 million as set out in the table below.

**Table 25: Value of the Consideration**

	Low	High
Value per Security (\$)	<b>\$2.90</b>	<b>\$3.09</b>
Number of Consideration Securities issued (million)	6.9	6.9
<b>Value of Consideration Securities (\$ million)</b>	<b>20.1</b>	<b>21.5</b>
Add: cash (\$ million)	12.6	12.6
<b>Value of Consideration (\$ million)</b>	<b>32.7</b>	<b>34.0</b>

*Source: KPMG Corporate Finance analysis*

The value of the Consideration Securities will ultimately reflect the Security price at the time those Securities are received by Aurum, which is expected to occur in September 2020. As such, the value of the Consideration will vary with movements in the Security price up to that date. The Security price may be higher or lower than KPMG Corporate Finance's assessed value range. Accordingly, until the Consideration Securities are issued under the Transaction, the value of Securities (and hence the value of the Consideration) will be influenced by changes in overall equity market conditions, uncertainty regarding the impact of COVID-19 on retail property portfolios and company specific events that may affect the Security price. The following table indicates the sensitivity of the implied value of the Consideration to changes in the Security price.

**Table 26: Sensitivity of the implied value of the Consideration**

	\$2.80	\$2.85	\$2.90	\$2.95	\$3.00	\$3.05	\$3.10	\$3.15	\$3.20
Value per Security (\$)	\$2.80	\$2.85	\$2.90	\$2.95	\$3.00	\$3.05	\$3.10	\$3.15	\$3.20
Number of Consideration Securities issued (million)	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
<b>Value of Consideration Securities (\$ million)</b>	<b>19.4</b>	<b>19.8</b>	<b>20.1</b>	<b>20.5</b>	<b>20.8</b>	<b>21.2</b>	<b>21.5</b>	<b>21.9</b>	<b>22.2</b>
Add: cash (\$ million)	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6
<b>Value of Consideration (\$ million)</b>	<b>32.0</b>	<b>32.4</b>	<b>32.7</b>	<b>33.1</b>	<b>33.4</b>	<b>33.8</b>	<b>34.1</b>	<b>34.5</b>	<b>34.8</b>

*Source: KPMG Corporate Finance analysis*

### 10.2 Approach

The Consideration comprises both scrip and cash components. In determining our valuation range for the Consideration, it is necessary to estimate the trading price for Securities after the acquisitions and Capital Raising are completed (rather than a pre-acquisition/Capital Raising price) since this is the Consideration that Aurum will receive.

In the case of control transactions that involve a scrip component, RG 111 requires the value of scrip consideration to be assessed on a minority interest basis since the target's securityholders will hold a minority interest in the securities of the acquirer. It is common practice to utilise the post-announcement market price as a basis for estimating the value of a transaction with a scrip component, as that represents the value at which the target securityholders can realise their interest post implementation of the transaction.



Although Aurrum and Aurrum Holdings Investment Company have no direct interests in Home Consortium, Aurrum Holdings Investment Company and Mr David Di Pilla have relevant interests in Home Consortium of 38.3% and 37.9%, respectively.<sup>39</sup> As such, they has significant influence over Home Consortium. These interests represents a blocking stake in certain situations (e.g. a Scheme of arrangement which requires 75% of votes or a compulsory acquisition which can only occur once an acquirer has a 90% shareholding), however, it does not represent majority control nor does it allow them to realise any synergies through integration.

Following the receipt of the Consideration Securities by Aurrum, Mr David Di Pilla's relevant interest will increase marginally to 39.9% of Home Consortium.<sup>40</sup> There are no further control thresholds reached (e.g. ability to pass an ordinary resolution) through acquiring an additional 1.7% interest in Home Consortium and there is no change of control. As such, there is unlikely to be a substantial control premium payable. In any event, Aurrum Holdings could increase its relevant interest by 3.0% every 6 months through a creep acquisition without triggering any takeover laws or could increase its Securityholding by participating in the SPP.

Recognising that the Transaction is a related party transaction, we have selected a high end of the value range that is consistent with the pro forma NTA per Security as at 30 June 2020 of \$3.09.<sup>41</sup> Pro forma NTA which is commonly considered to represent a proxy for a 100% control value in property companies, whereas Mr David Di Pilla does not have full control but rather a significant influence. Consequently, we consider that we have adopted a full value for the Consideration in assessing the Transaction.

We consider analysis of Security trading post the announcement of the acquisitions and Capital Raising to be appropriate for determining our valuation range for the Consideration Securities due to the following:

- Home Consortium is a liquid stock. It is a member of the All Ordinaries Index and the A-REIT Index. There is sufficient liquidity in the market for Securities to suggest that recent performance and expectations are reflected in current trading prices
- the trading price of Securities reflects the value of portfolio interests and is commonly assumed to exclude a premium for control
- the disclosure requirements associated with being publicly listed suggest that any information in relation to Home Consortium that would have a material impact on its Security price should have been disclosed to the market
- Home Consortium is a relatively transparent entity and is followed by three brokers, two of which have published an update after the announcement of the acquisitions and Capital Raising on 1 July 2020. There has been sufficient time and information available for the market to assess the acquisitions and Capital Raising and their expected implications for Home Consortium. Therefore, the current trading in Securities should reflect the estimated impacts associated with the acquisitions and Capital Raising, albeit the market may also take into account the implementation risks associated with the Transaction
- an alternative approach is to undertake a fundamental valuation of Home Consortium post the acquisitions and Capital Raising and then to apply a discount to reflect a portfolio interest. However, the consensus view of a liquid market is likely to be a more reliable indication of value.

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<sup>39</sup> It has a relevant interest of 37.95% as it has control over HICT, which is the registered holder of 62,222,223 Securities and is the sole shareholder of HICC2, which is the registered holder of 31,111,112 Securities. Refer to Section 9.8 of this report.

<sup>40</sup> Including the Placement and Consideration Securities, prior to the SPP.

<sup>41</sup> Refer to Section 9.6 of this report. Includes actual take up of the SPP.

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In order to cross-check the valuation range derived from our analysis of trading in Securities, we have compared the forecast FFO multiple, distribution yield and premium to NTA implied by our selected value range for Securities to market evidence derived from recent transactions involving A-REITs and comparable listed retail A-REITs.

### 10.3 Analysis of trading in Securities

In utilising the post-announcement market price of Securities as a basis for estimating the value of the Consideration Securities, we have considered the following:

- trading in Securities following the announcement of the increase in net debt from 31 December 2019 to 30 June 2020, acquisitions and Capital Raising on 1 July 2020
- the performance of Securities relative to the market
- the liquidity and VWAP of Securities
- the publicly available information in relation to Home Consortium, the acquisitions and the Capital Raising
- the potential impact of the acquisitions and Capital Raising on Home Consortium
- broker analyst research and press commentary on Home Consortium, and
- other factors which we consider relevant to assessing the value of Securities.

Our analysis of each of these factors is outlined below.

#### 10.3.1 Recent trading in Securities

##### *Trading prior to the announcement of the acquisitions and Capital Raising*

As described in Section 9.9.1 of this report, since the COVID-19 pandemic, Securities have mainly traded at a discount to NTA:

- following the sharp decline in the Security price throughout March 2020 as a result of the impact of the COVID-19 pandemic, the Security price increased towards Adjusted NTA per Security of \$3.14,<sup>42</sup> coinciding with a recovery in the overall sharemarket as well as Home Consortium's trading updates.<sup>43</sup> The VWAP in the 6 days to 23 June 2020 (the announcement of the uplift in the preliminary property revaluations of 5.2%) of \$2.91 represents a 7.3% discount to Adjusted NTA per Security.
- the Security price increased by 7.0% on the announcement on 23 June 2020 of the 5.2% uplift in the value of the property portfolio. From then until 30 June 2020 (the day immediately prior to the announcement of the increase in net debt, acquisitions and Capital Raising), Securities traded at a VWAP of \$3.11.

##### *Trading post announcement of the increase in net debt, acquisitions and Capital Raising*

The trading price and volume of Securities from 30 June 2020 (the day prior to the announcement of the increase in net debt, acquisitions and Capital Raising) to 17 July 2020 is illustrated in the figure below.

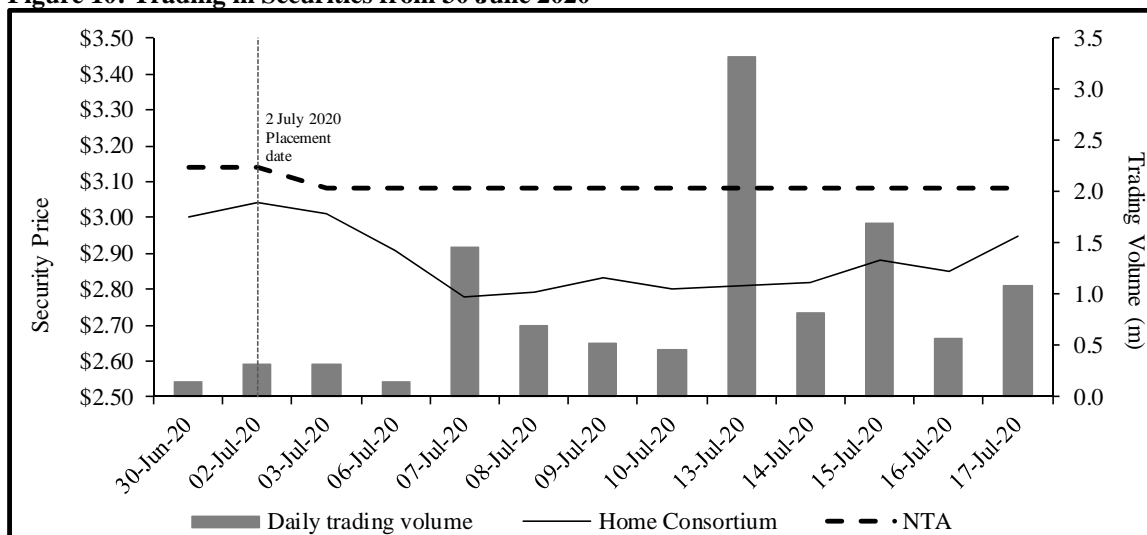
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<sup>42</sup> Including only freehold property.

<sup>43</sup> i.e. strong liquidity position and resilient trading. Refer to Section 9.9.1 of this report.

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**Figure 10: Trading in Securities from 30 June 2020**



Source: KPMG Corporate Finance analysis; S&P Capital IQ.

Note: Only trading days are presented. A trading halt was in place on 1 July 2020. Heavy trading on 13 July 2020 reflects Spotlight Group Holdings Pty Ltd's increase in its direct holding Home Consortium by 2,945,052 Securities.

From on 2 July 2020<sup>44</sup> until 17 July 2020, Securities have traded in a range of \$2.61 to \$3.09, at a VWAP of \$2.85. The VWAP represents:

- a 7.5% discount to the then announced pro forma NTA of \$3.08 per Security,<sup>45</sup> which is consistent with the discounts to NTA observed in prior periods
- an 2.1% reduction relative to the VWAP for the 6 days to 22 June 2020 (when the preliminary revaluation was announced), which likely reflects:
  - the announced 1.7% reduction in pro forma NTA per Security of \$3.08<sup>46</sup> relative to Adjusted NTA per Security of \$3.14
  - the announced Placement at \$2.88 per Security, and
  - the announcement of Victorian Government-enforced local lockdown restrictions as the second wave of COVID-19 cases emerged in Victoria, and potential impact on retail businesses in Victoria, together with a concern that enhanced restrictions may be reintroduced in New South Wales (noting that 24% of Home Consortium's properties are in Victoria and 34% are in New South Wales, post acquisitions).

### 10.3.2 Performance of Securities relative to the market

#### *Relative Security price performance pre-announcement of acquisitions and Capital Raising*

As described in Section 9.9.2 of this report, the Security price underperformed the broader indices in March 2020 when the COVID-19 pandemic resulted in sharp declines in share prices, likely reflecting the adverse impact that social distancing measures were expected to have on A-REIT's, and retail A-REITs in

<sup>44</sup> First trading day following the announcement of the increase in net debt, acquisitions and Capital Raising.

<sup>45</sup> Assumes 100% take up of the SPP.

<sup>46</sup> Including the impact of the preliminary valuation uplift, increase in net borrowings from 31 December 2019 to 30 June 2020 and the acquisitions and Capital Raising (assuming 100% take up of the SPP).

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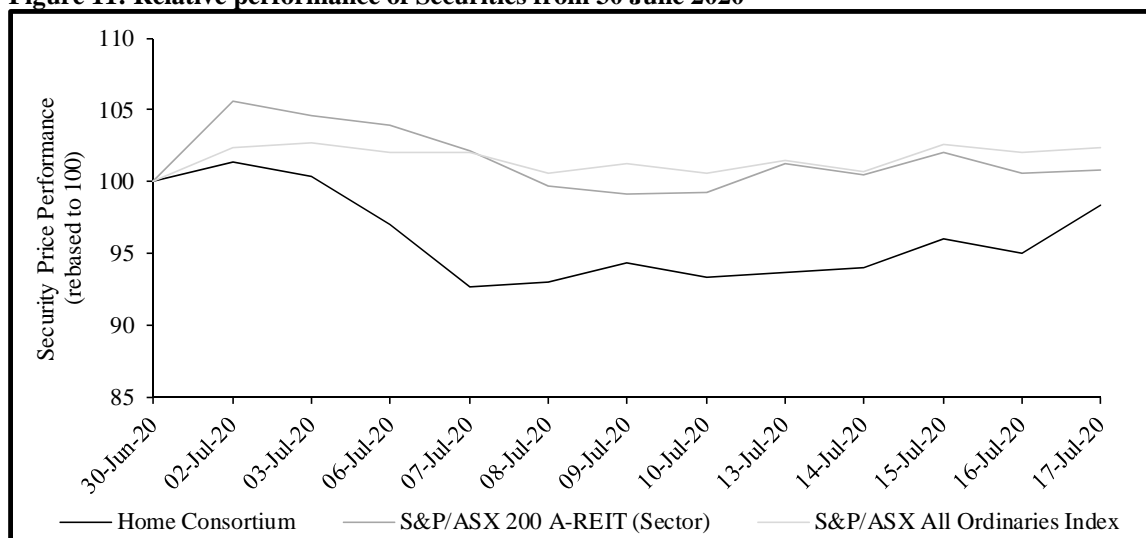
particular. Subsequent outperformance of Securities leading up to 1 July 2020 was likely driven by a recognition that the portfolio had remained resilient as a result of its focus on tenants who meet the daily needs and convenience of customers, as well as a series of dilutive capital raisings across the market.

From late April 2020 to late June 2020, the Security price increased in line with the broader indexes, as the market rebounded from its March 2020 lows, and outperformed from 23 June 2020 to 30 June 2020 following the announcement of the preliminary valuation uplift of 5.2%.

**Relative Security price performance post announcement of the increase in net debt, acquisitions and Capital Raising**

The performance of Securities relative to the A-REIT Index and ASX 200 Index from 30 June 2020 is illustrated in the figure below.

**Figure 11: Relative performance of Securities from 30 June 2020**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

The Security price underperformed the All Ordinaries Index and the A-REIT Index on 2 July 2020 (the first trading day following the announcement) by 1.0% and 4.3%, respectively, likely reflecting the announcement on 1 July 2020 of the 1.7% reduction in pro forma NTA per Security.<sup>47</sup> Since 2 July 2020, the Security price has underperformed the All Ordinaries Index by 3.0% and outperformed the A-REIT Index by 1.6%.

**10.3.3 Performance of Securities relative to selected comparable A-REITs**

**Relative Security price performance pre-announcement of acquisitions and Capital Raising**

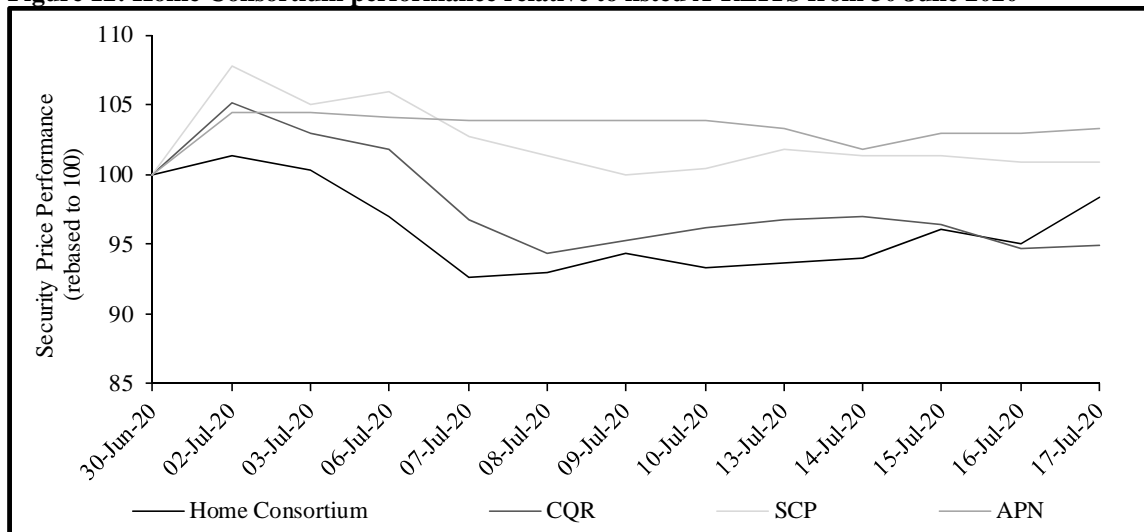
As described in Section 9.9.2 of this report, Home Consortium broadly traded in line with its peers until March 2020, when it underperformed, then outperformed until late March 2020 and tracked the peers from late April until late June.

**Relative Security price performance post announcement of acquisitions and Capital Raising**

The performance of Securities relative to its peers from 30 June 2020 is illustrated in the figure below.

<sup>47</sup> Net impact of the property revaluations, increase in net borrowings, acquisitions and Capital Raising.  
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**Figure 12: Home Consortium performance relative to listed A-REITS from 30 June 2020**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

In relation to the above chart, we note that:

- the Security price underperformed CQR, SCP and APN (by 6.5%, 3.7% and 2.1%, respectively) on 2 July 2020 following the announcement of the 1.7% reduction in pro forma NTA announced on 1 July
- from 2 July 2020, the Security price has outperformed SCP and CQR by 3.4% and 6.7%, and underperformed APN by 1.8%.

### 10.3.4 Liquidity and VWAP of Securities

The liquidity and VWAP of Securities up to 30 June 2020<sup>48</sup> is summarised in Section 9.9.3 of this report. The level of trading over this period indicates that there is an active market for Home Consortium Securities.

An analysis of the volume of trading in Securities, including the VWAP for the period from 2 July 2020 (first trading day post announcement) up to 17 July 2020 is set out in the table below.

**Table 27: Liquidity and VWAP of Securities from 2 July 2020**

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
<b>Period ended 17 July 2020</b>						
1 day	2.85	2.97	2.92	3.2	1.1	0.4
5 days	2.75	2.97	2.85	21.4	7.5	3.0
12 days	2.61	3.09	2.85	32.6	11.4	4.6

Source: S&P Capital IQ; KPMG Corporate Finance analysis.

With regard to the above analysis, we note:

- the percentage of Securities traded during the period from 2 July 2020 until 17 July 2020 (12 trading days), was 4.6%, or 97.8% on an annualised basis. Taking into account Home Consortium's free

<sup>48</sup> The last trading day prior to the announcement of the increase in net debt, acquisitions and Capital Raising on 1 July 2020.

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float,<sup>49</sup> 158.4%<sup>50</sup> of Securities were traded on an annualised basis. This level indicates that there is sufficient liquidity in Securities to suggest that recent performance and expectations are reflected in current trading prices, and

- trading volume was higher immediately following the announcement of the acquisitions and Capital Raising, however, this is to be expected as the market reacts to new information. In other periods, the trading volume remained broadly similar pre and post the announcement of the acquisitions and Capital Raising. Accordingly, there is nothing to indicate any abnormal trading in Securities.

### **10.3.5 Publicly available information in relation to Home Consortium and the acquisitions and Capital Raising**

Under ASX Listing Rules, Home Consortium is required to keep the market informed of events and developments in a timely manner as they occur. Once Home Consortium becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its Securities, it must inform the market of that information.

On 26 February 2020 when it released the financial results for 1H20, Home Consortium provided an analysis of annualised FFO (based on December 2019 FFO) for operating facilities (excluding developments) in order to provide an indication of the run rate. It also announced guidance for FY20 pro forma freehold FFO.

On 23 June 2020, Home Consortium announced the preliminary unaudited portfolio valuation of \$1,014 million as at 30 June 2020, representing a value uplift of 5.2% from \$964 million as at 31 December 2019, along with an update of property developments.

It also released a presentation to the market on 1 July 2020 outlining the acquisitions and Capital Raising, and their impact on Home Consortium's property portfolio metrics as well as pro forma NTA per Security and pro forma FY21 FFO guidance.

Furthermore, two of three brokers that follow Home Consortium have published reports after the announcement of the acquisitions and Capital Raising and appear to have taken the acquisitions and Capital Raising into account in their forecasts. Consequently, there is no reason to consider that any information relating to Home Consortium's existing business that would have a material impact on its Security price has not been publicly disclosed.

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<sup>49</sup> Free float Securities and excludes Mr David Di Pilla's relevant interest of 38.3% (pre-SPP).

<sup>50</sup> Calculated as 97.8% divided by (100%-38.3%).

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### 10.3.6 Impact of the valuations, acquisitions and Capital Raising on Home Consortium

The profile of Home Consortium is set out in detail in Section 9 of this report and is summarised below.

**Table 28: Impact of the acquisitions, Capital Raising and increase in net debt on Home Consortium**

	Pre-acquisitions and Capital Raising and increase in net debt	Post-acquisitions and Capital Raising and increase in net debt <sup>1</sup>
<b>Property portfolio</b>		
Total number of freehold properties	30	35
Book value of freehold properties at 30 June 2020 (\$ million) <sup>2</sup>	1,013.7	1,199.6
WALE (years)	8.0	7.9
Occupancy (by GLA) (Operating Centres) (%)	97.0%	97.0%
Trading occupancy (by GLA) (Operating Centres) (%)	86.0%	87.0%
Gross lettable area (sqm)	368,103	417,610
<b>Financial position as at 31 December 2019</b>		
Total assets (\$ million)	976.3	1,209.3
Net assets (\$ million)	620.2	793.4
Securities on issue (million)	197.8	257.1
Adjusted NTA per Security (\$)	3.14	3.09
Gearing	33.9%	32.4%

Source: Management and KPMG Corporate Finance analysis

Notes:

1. Adjusted for estimated cash and debt balances as at 30 June 2020, resulting in an increase in pro-forma net borrowing as at 31 December 2019.
2. Includes preliminary valuation uplift of 5.2%.

The acquisitions and Capital Raising have a material, but not transformative impact in that they expand but do not fundamentally change Home Consortium's operations. The acquisitions and Capital Raising are expected to provide the following to Home Consortium:

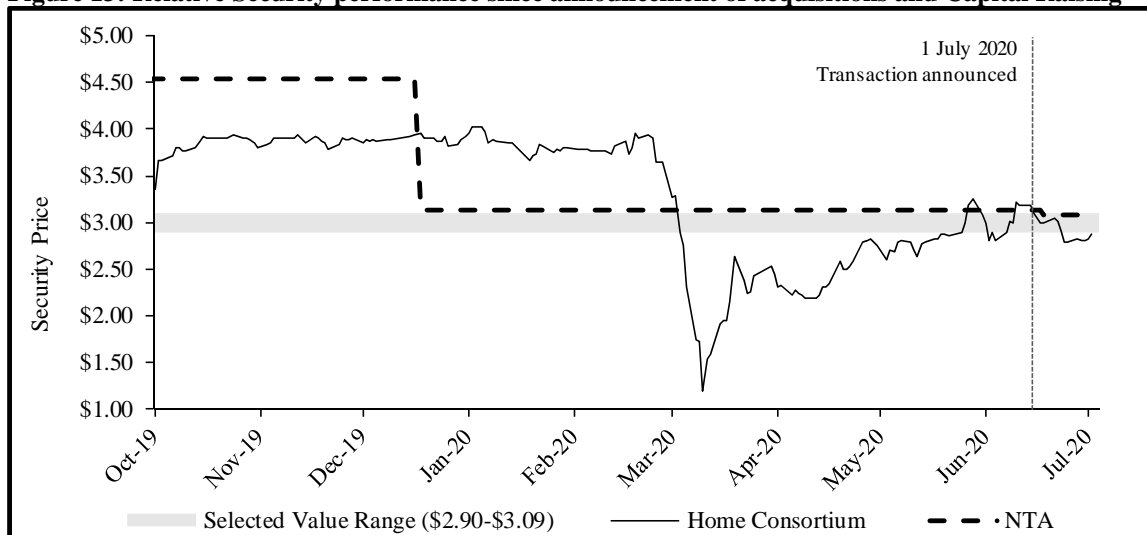
- strengthen Home Consortium's position as a non-discretionary retail owner in Australia
- expand Home Consortium's freehold property portfolio from \$1,013.7 million to \$1,199.6 million and enhances asset and tenant diversification
- create an opportunity to achieve Home Consortium's longer term strategies. As a result of the Transaction, it will further expand into the Health and Wellness REIT sector, and accelerate the rollout of developments and execute its childcare initiative in partnership with Aurrum Childcare, and
- on a per Security basis, Management has advised that it is immediately accretive to FFO per Security although dilutive to NTA (including a 5.1% reduction arising from the increase in net borrowings and a 3.7% reduction arising from the acquisitions and Capital Raising).

Home Consortium is a transparent entity and is followed by three brokers. There has been sufficient time and information available for the market to assess the acquisitions and Capital Raising and its expected implications for Home Consortium. In this regard, brokers appear to have updated their forecasts for the increase in net borrowings, acquisitions and Capital Raising.

### 10.3.7 Conclusion

The selected value range relative to Home Consortium recent trading prices and the pro forma NTA is illustrated in the figure below.

**Figure 13: Relative Security performance since announcement of acquisitions and Capital Raising**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

Our valuation range represents the following premiums/(discounts) to the deemed Security price and VWAP for recent Security trading.

**Table 29: Premiums/(discounts) to Security prices**

	Security price (\$)	Low	High
<b>Value per Security</b>		<b>\$2.90</b>	<b>\$3.09</b>
Deemed Security price	2.88	0.7%	7.3%
VWAP of Securities (15 June 2020 to 22 June 2020)	2.91	(0.3%)	6.2%
VWAP of Securities (23 June 2020 to 30 June 2020)	3.11	(6.8%)	(0.6%)
VWAP of Securities (2 July 2020 to 17 July 2020)	2.85	1.8%	8.4%

Source: KPMG Corporate Finance analysis

We consider the value range per Security of \$2.90 to \$3.09 to be reasonable as it:

- implicitly includes the final FY20 dividend of \$0.075 as it is based on trading post 1 July 2020 (when Home Consortium announced the intended final distribution), as well as the pro forma NTA per Security as at 30 June 2020 (which does not provide for a distribution). It is appropriate to include the final distribution as Aurrum will be entitled to this distribution on the Consideration Securities
- represents a premium of 0.7% to 7.3% to the deemed price of the Consideration Securities of \$2.88 under the Transaction. This is also the price at which the Placement has taken place. The deemed price represents a minority interest, whereas Aurrum has a substantial influence in Home Consortium (although not 100% control)
- represents a premium of 1.8% to 8.4% relative to the Security's VWAP from 2 July 2020 until 17 July 2020 of \$2.85 (the most relevant trading period as it captures the impact of the announcement of the increase in net borrowings, acquisitions and Capital Raising), which is appropriate, taking into account that recent share trading is likely to have been influenced by the Placement at \$2.88 and considering that Aurrum has a significant influence on Home Consortium
- in relation to trading in prior periods, the selected value range for the Securities represents:
  - a discount of 0.6% to 6.8% to the VWAP from 23 June 2020 to 30 June 2020. This is reasonable, since this period follows the announcement of the preliminary uplift in the property values,

however, does not take into account subsequently announced increase in net debt and dilutive Capital Raising

- a lower premium/(discount) of (0.3%) to 6.2% to the VWAP in the six days to 22 June 2020 (the day prior to the announcement of the property revaluations) relative to the premium implied by trading after the announcement of the Transaction. This is reasonable as trading post announcement takes into account the 1.7% reduction in NTA per Security<sup>51</sup>
- represents a discount to pro forma NTA per Security of \$3.09<sup>52</sup> in the range of 6.1% to nil. The range of discounts to NTA is lower than the discounts to NTA per Security at which Securities have traded in recent periods. In this regard:
  - the 6 day VWAP of Securities to 22 June 2020 (the day prior to the announcement of the uplift in the preliminary property valuations of 5.2%) of \$2.91<sup>53</sup> represents a 7.3% discount to Adjusted NTA of \$3.14<sup>54</sup>
  - the VWAP of Securities from 2 July 2020 (first trading day following the announcement of the Transaction) until 17 July 2020 of \$2.85<sup>55</sup> represents a 7.5% discount to the then announced pro forma NTA of \$3.08<sup>56</sup>

It is not appropriate to compare trading in the period from 23 June 2020 to 30 June 2020 with the 31 December 2019 NTA per Security since the NTA does not take into account the announced valuation uplift.

A lower discount to NTA per Security is appropriate for the Consideration Securities than the discount based on trading in minority parcels since Aurrum has a significant influence on Home Consortium. We also consider that the Placement may have influenced the Security price since 2 July 2020. Nevertheless, a discount to NTA per Security is still appropriate since:

- NTA is generally considered to represent a 100% control value whereas Aurrum does not have 100% control (typically associated with an ability to realise synergies)
- comparable A-REITs are generally trading at discounts to NTA, reflecting uncertainty surrounding COVID-19 (e.g. potential for abatements, rent reductions)
- from March 2020 when the COVID-19 pandemic started influencing the sharemarket until 22 June 2020, Securities closed above 31 December 2019 NTA per Security on only two days (9 and 10 June 2020). Securities also closed above 31 December 2019 NTA per Security on three days following the announcement of the 5.2% preliminary valuation uplift, which likely reflects that the Security price reflects the valuation uplift, whereas the 31 December 2019 NTA per Security does not

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<sup>51</sup> Pro forma NTA of \$3.08 relative to the Adjusted NTA as at 31 December 2019 of \$3.14, which includes the net impact of the revaluations, increase in net debt from 31 December to 30 June 2020, acquisitions and Capital Raising (assuming 100% take up of the SPP).

<sup>52</sup> Including the impact of the increase in net borrowings from 31 December 2019 to 30 June 2020 and the acquisitions and Capital Raising. Refer to Section 9.6 of this report.

<sup>53</sup> Refer to Section 9.9.1 of this report.

<sup>54</sup> Refer to Section 9.6 of this report.

<sup>55</sup> Refer to Section 10.3.4 of this report.

<sup>56</sup> Including the impact of the preliminary valuation uplift, increase in net borrowings from 31 December 2019 to 30 June 2020 and the acquisitions and Capital Raising. Assumes 100% take up of the SPP.

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- is supported by financial metrics implied by recent transactions involving A-REITs and trading in selected listed retail A-REITs (refer to Section 10.4 of this report).

## 10.4 Comparison to market evidence

In order to cross-check our selected valuation range for Securities, we have compared the implied valuation metrics (in terms of dividend yield, FFO and NTA) to market evidence derived from transactions involving A-REITs and comparable listed retail A-REITs. The implied valuation metrics are presented below:

**Table 30: Home Consortium implied multiples cross-check**

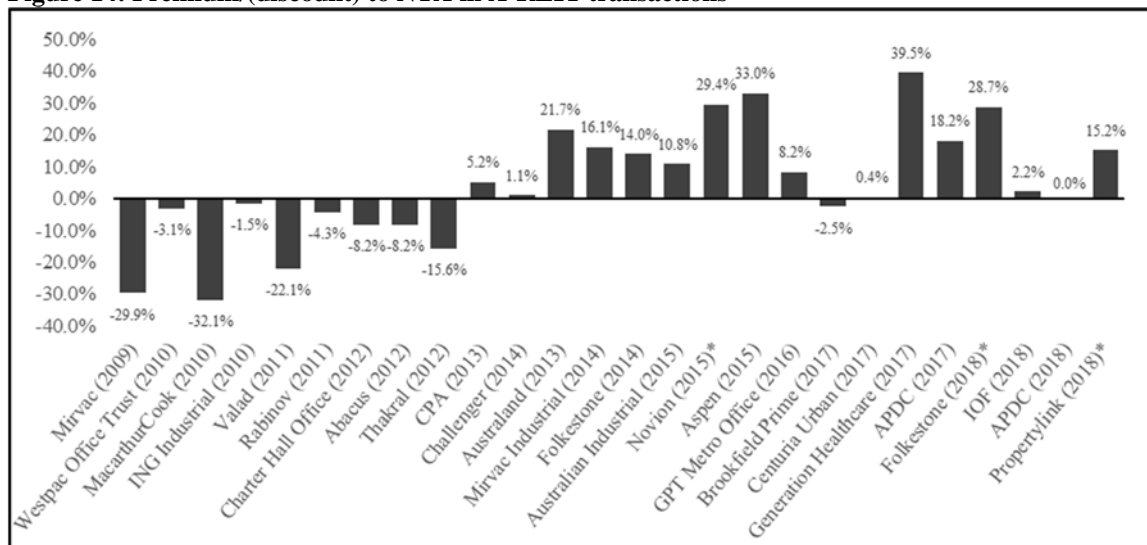
	Section reference	Low	High
<b>Value per Security (\$)</b>	<b>10.1</b>	<b>\$2.90</b>	<b>\$3.09</b>
FY21 pro forma FFO (freehold property) per Security (\$) (broker consensus)	9.7	\$0.15	\$0.15
<b>FY21 pro forma FFO (freehold property) multiple (times)</b>		<b>19.3</b>	<b>20.6</b>
FY22 pro forma FFO (freehold property) per Security (\$) (broker consensus)	9.7	\$0.21	\$0.21
<b>FY22 pro forma FFO (freehold property) multiple (times)</b>		<b>13.8</b>	<b>14.7</b>
FY21 distribution per Security (\$) (broker consensus)	9.7	\$0.15	\$0.15
<b>FY21 distribution yield (%)</b>		<b>5.2%</b>	<b>4.9%</b>
FY22 distribution per Security (\$) (broker consensus)	9.7	\$0.18	\$0.18
<b>FY22 distribution yield (%)</b>		<b>6.2%</b>	<b>5.8%</b>
Pro forma adjusted NTA per Security as at 30 June 2020 (\$)	9.6	\$3.09	\$3.09
<b>Premium/(discount) to pro forma adjusted NTA as at 30 June 2020 (%)</b>		<b>(6.1%)</b>	<b>-</b>

Source: KPMG Corporate Finance analysis

### Comparable transactions – valuation metrics

Premiums/(discounts) to NTA per security for control transactions involving A-REITs following the onset of the global financial crisis in 2008 are illustrated as follows:

**Figure 14: Premium/(discount) to NTA in A-REIT transactions**



Source: KPMG Corporate Finance analysis

Notes: \*These REITs had material third party funds under management which is not captured in NTA.

Premiums/(discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction (as well as factors specific to each A-REIT):

- in the period from 2009 to 2012, transactions generally occurred at a discount to NTA. This period was characterised by write-downs in property valuations (generally, with a lag), deleveraging and the sale of overseas and non-core assets. A number of A-REITs were likely approaching financial distress (Mirvac<sup>57</sup>, MacarthurCook<sup>58</sup> and Valad<sup>59</sup>)
- the transactions from 2013 to 2015 occurred at a significant premium to reported NTA, largely reflecting an expectation of rising property valuations (with a lag). Other factors that have influenced premiums paid in recent transactions include the presence of substantial development activities (Australand), and the competitive bidding process involved in the acquisitions of Aspen Park, Australand and Commonwealth Property Office Fund. Folkestone and Aspen were focused on specialist property sectors (social infrastructure and holiday parks, respectively)
- premiums observed in transactions that occurred from 2016 are generally lower ((2.5%) to 39.5%), with premiums decreasing over time. The high end of this range is represented by Generation Healthcare, which was exposed to the strongly performing healthcare sector and had a substantial development pipeline, GPT Metro Office Fund and Asia Pacific Data Centres (2017), which involved a competitive bidding process and Propertylink, which had material third party funds under management. Excluding these transactions, premiums observed for recent transactions have been in the range of (2.5%) to 2.2%, and
- no transactions have occurred since COVID-19 pandemic influenced share prices from March 2020, however, we would expect that similar to the period following the global financial crisis in 2008, when property values were declining (with a lag), transactions may have occurred at a discount to NTA (depending on the expectations for property values for the particular sector)

Exit yields are largely a function of the sector exposure of the A-REIT as well as the quality of the portfolio, and have also tightened over time. The only transaction involving pure-play retail assets was the acquisition of Novion in June 2015. The transaction occurred at an exit yield of 5.3% (historical) and 5.4% (forecast), however, its yield is likely to be impacted by its substantial funds management activities. The premium to NTA implied by the transaction of 29.4% likely reflects its substantial funds management business.

#### ***Comparable companies – valuation metrics***

The valuation metrics implied by comparable listed retail A-REITs as at 17 July 2020 are illustrated as follows:

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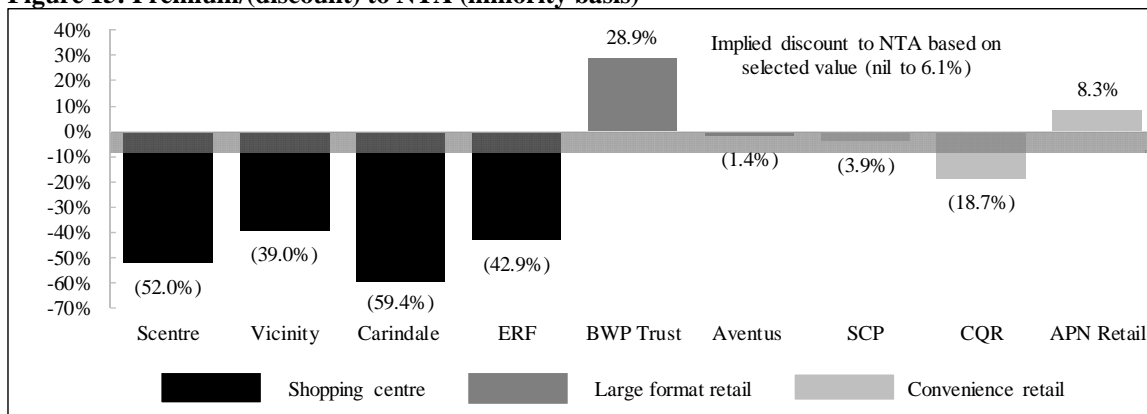
<sup>57</sup> The independent expert noted that Mirvac had a high level of financial gearing at the time of the transaction and had minimal headroom before it would be in breach of some of its debt covenants, in particular the gearing and ICR covenants. We also note that Mirvac's then most recent property valuation resulted in a 11.7% asset devaluation and the independent expert noted that the market may have been expecting further asset devaluations which also would have contributed to the substantial discount to NTA

<sup>58</sup> MacarthurCook had significant debt maturing in August 2010 and had recently had a loan to value ratio of 58% (close to the maximum allowed under its loan covenant)

<sup>59</sup> Valad was highly geared and had not paid a distribution since 2008

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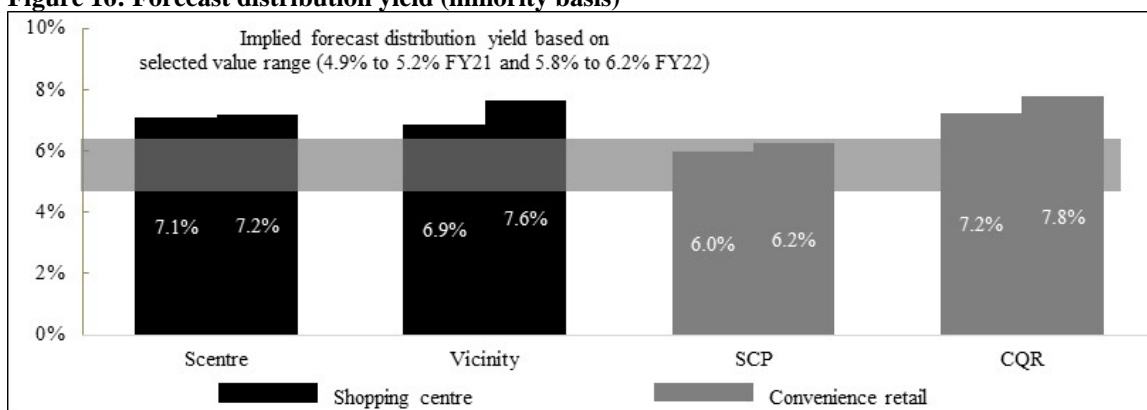
**Figure 15: Premium/(discount) to NTA (minority basis)**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

Note 1: Net tangible assets is calculated as at 31 December 2019 and adjusted for any post balance sheet events such as property additions, divestments and capital structure events

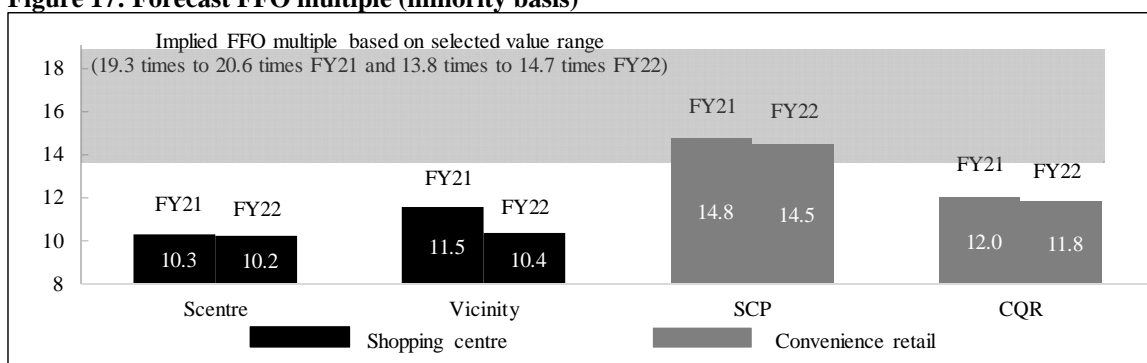
**Figure 16: Forecast distribution yield (minority basis)<sup>1</sup>**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

Note 1: Only brokers that have adjusted for impacts due to COVID-19 or any company specific restructurings have been included in the calculation of forecast distribution yields

**Figure 17: Forecast FFO multiple (minority basis)<sup>1</sup>**



Source: KPMG Corporate Finance analysis; S&P Capital IQ

Note 1: Only brokers that have adjusted for impacts due to COVID-19 or any company specific restructurings have been included in the calculation of FFO multiples

Home Consortium is an internally managed A-REIT focused on ownership, development and management of retail and service centres, anchored by national retailers spanning daily needs, leisure & lifestyle and

services. The portfolio (post acquisitions) is focused on non-discretionary retail categories and has a WALE of 7.9 years. In relation to the listed retail A-REITs:

- in light of recent market volatility and the subsequent impact of COVID-19 restrictions on the retail property sector, a number of comparable companies have made material changes to earnings outlook and have undergone significant capital restructures, including capital raisings and share buy backs (e.g. Scentre Group (**Scentre**), Vicinity Centres (**Vicinity**), Shopping Centres Australasia Property Group (**SCP**), Charter Hall Retail Real Estate Investment Trust (**CQR**) and APN Convenience Retail REIT (**APN**)). As such, only broker forecasts that have adjusted for impacts due to COVID-19 or any company specific restructurings have been included in the calculation of forecast distribution yields and FFO multiples. In this regard we note that insufficient recent broker forecasts were collated for Carindale Property Trust (**Cardinale**), BWP Trust (**BWP**), Aventus Group (**Aventus**), Elanor Retail Property Fund (**ERF**) and APN Convenience Retail REIT (**APN**). We also note that due to the short term impact of COVID-19 on the earnings profile for the comparable companies, as well as Home Consortium's ramp up and ongoing development activities since the IPO, we have focused on FY21 and, in particular, FY22 as the best representation of maintainable earnings
- Scentre, Vicinity, Cardinale and ERF are all shopping centre retail A-REITs which comprise a mix of metropolitan and regional shopping centres. Premium / discounts to NTA range from a discount of 59.4% to a premium of 28.9%. In general, large scale shopping centres have been heavily impacted by COVID-19, with restrictions limiting foot traffic, increasing tenant vacancies, reducing rent / increasing rental relief and ultimately impacting asset values. Those exposed to discretionary retail and CBD locations have been particularly impacted.
- BWP and Aventus are large format retail A-REITS trading at a range of 1.4% discount to 28.9% premium. Aventus is most comparable due to its exposure to a range of non-discretionary retail (as opposed to BWP which is focused on household hardware)
- Aventus (internally managed) comprises 20 large format retail centres in Australia. Aventus is currently trading at a relatively unaffected discount to NTA of 1.4%, likely reflecting Aventus' skew towards non-discretionary retail. In this regard, we note that 38% of Aventus' gross income related to a tenant base comprising of non-discretionary retail (e.g. Coles, Aldi, Chemist Warehouse) and less than 2% of gross income related to fashion and apparel as at 31 December 2019. Aventus' portfolio has a WALE of 4.0 years (lower than Home Company)
- as mentioned, whilst Australian retail landlords are currently facing a number of challenges due to the current economic environment, convenience-based non-discretionary retail A-REITs are less susceptible to the impacts of COVID-19 and are further supported by their appropriate capital structures. In relation to those companies:
  - SCP (internally managed) comprises 85 centres located primarily in neighbourhood and subregional areas throughout Australia. SCP is currently trading at a relatively unaffected discount to NTA of 3.9%, likely reflecting the location of the centres (less exposure to CBDs) and focus towards major non-discretionary retailers (Woolworths, Coles, Westfarmers) with long term leases to tenants (WALE of 7.6 years, similar to Home Consortium). SCP is currently trading at a relatively high FY21 FFO multiple of 14.8 times and relatively low FY21 dividend yield of 6.0%
  - CQR is managed by Charter Hall Group and comprises 53 convenience-based non-discretionary retail centres and 225 BP service stations (6.1% 1H20 income and 9.5% 1H20 assets), as at March 2020, located primarily in neighbourhood and subregional areas throughout Australia. Similarly to SCP, CQR primarily focus on major non-discretionary retailers (Woolworths, Coles, Westfarmers, BP service stations) with long term leases to tenants (WALE 7.4 years, similar to Home



Consortium). CQR is currently trading at a discount to NTA of 18.7%, has a relatively high FY21 FFO of 12.0 times and a relatively low FY21 dividend yield of 7.2%

- APN (internally managed) comprises 80 service stations and convenience retail assets, located primarily across Australia's eastern seaboard. APN is currently trading at a relatively high premium to NTA of 8.3%, likely reflecting its exposure to non-discretionary retail (mostly being service stations) and its relatively high portfolio WALE of 10.7 years (significantly higher than Home Consortium). APN income is primarily from service stations (97% of income) making it less comparable to Home Consortium

### **Summary**

- premiums/(discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction:
  - excluding transactions which involved a competitive bidding process or substantial funds management and/or development activities, premiums observed for transactions from 2016 to late 2018 have been in the range of (2.5%) to 2.2%
  - no substantial transactions have occurred since late 2018 and in particular, since COVID-19 pandemic influenced share prices from March 2020, however, we would expect that in the current environment (similar to the period following the global financial crisis in 2008, when property values were declining (with a lag)), transactions would potentially occur at a discount to NTA (depending on the expectations for property values in the particular sector)
- the acquisition of Novion, a pure play retail A-REIT, in June 2015 occurred at an exit yield of 5.3% (historical) and 5.4% (forecast), however, its yield is likely to be impacted by its substantial funds management activities
- the most comparable listed A-REITs are SCP, CQR and Aventus Group as a result of their focus on convenience-based, non-discretionary retail. In relation to these peers:
  - SCP is currently trading at a 3.9% discount to NTA, relatively high FY21 and FY22 FFO multiples of 14.8 and 14.5 times and relatively low FY21 and FY22 dividend yields of 6.0% and 6.2%, respectively
  - CQR is currently trading at a relatively high discount to NTA of 18.7%, FY21 and FY22 FFO multiples of 12.0 and 11.8 times and FY21 and FY22 dividend yields of 7.2% and 7.8%, respectively, and
  - Aventus Group, although large format retail, has a skew towards convenience and is trading at a discount to NTA of 1.4%.

Neither has any substantial development assets or third party funds management activities.

### **Conclusion on financial metrics implied by the range of values for the Consideration Securities**

The financial metrics implied by the range of values for the Consideration Securities of \$2.90 to \$3.09 is reasonable, having regard to the market evidence, since:

- Home Consortium has 9 development properties, however, has limited funds management activities
- the implied discount to NTA for Home Consortium in the range of nil to 6.1% is consistent with the discounts to NTA for SCP (3.9%) and Aventus (1.4%) and substantially less than the discount to NTA for CQR (18.7%). This is reasonable, taking into account Home Consortium's development pipeline (9 development properties) and as KPMG Corporate Finance's value range includes a premium for significant influence



*Home Consortium Limited and Home Consortium Developments Limited  
Independent Expert's Report and Financial Services Guide  
28 July 2020*

- the implied FY21 distribution yield for Home Consortium of 4.9% to 5.2% are lower than the forecast exit yield for Novion Property Group of 5.4% and substantially lower than the FY21 dividend yields for SCP (6.0%) and CQR (7.2%), likely reflecting anticipated growth in Home Consortium's portfolio as a result of the development activities (a further four developments are expected to be completed in FY22)
- the implied FY22 distribution yield for Home Consortium of 5.8% to 6.2% is generally lower than the FY22 dividend yields for SCP (6.2%) and CQR (7.8%), with the remainder of Home Consortium's remaining current development pipeline expected to have been completed in FY22, and KPMG Corporate Finance's value range includes a premium for significant influence
- the implied FY21 FFO multiples for Home Consortium of 19.3 times to 20.6 times are substantially higher than the FY21 FFO multiples for SCP (14.8) and CQR (12.0), likely reflecting anticipated growth in Home Consortium's portfolio as a result of the development activities (a further four developments are expected to be completed in FY22), and
- the implied FY22 FFO multiples for Home Consortium of 13.8 times to 14.7 times are consistent with or above the FY22 multiples for SCP (14.5) and CQR (11.8), with the remainder of Home Consortium's current development pipeline expected to have been completed in FY22, and KPMG Corporate Finance's value range includes a premium for significant influence.



## **Appendix 1 – KPMG Corporate Finance Disclosures**

### ***Qualifications***

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Bill Allen and Sean Collins. Each is an authorised representative of KPMG Corporate Finance and a partner of KPMG and has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Bill is an Associate of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce degree and a Graduate Diploma in Applied Finance. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland.

### ***Disclaimers***

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Transaction is fair and reasonable to Non-associated Securityholders. KPMG Corporate Finance expressly disclaims any liability to any Non-associated Securityholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum or any other document prepared in respect of the Transaction. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Transaction.

### ***Independence***

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Home Consortium for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

### ***Consent***

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to the Non-associated Securityholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.



## Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

### *Publicly available information:*

- the Notice of General Meeting and Explanatory Memorandum (including earlier drafts)
- the announcement and presentation material regarding the Transaction released to the ASX on 1 July 2020
- half-year report of Home Consortium for the 6 months to 31 December 2019
- Home Consortium IPO prospectus
- press releases, public announcements, media and analyst presentations material and other public filings by Home Consortium, including information available on the company's website
- brokers' reports and recent press articles on Home Consortium
- Nearmap
- Corelogic RP data
- Title and lease documentation
- the Contract for the sale and purchase of land 2019 edition
- share market data and related information regarding listed Australian retail A-REITs
- financial information from S&P Capital IQ, Bloomberg, ThomsonONE and Connect4
- various industry sources.

### *Non-public information*

- Board papers, presentations, working papers and other confidential documents of Home Consortium

In addition, we have held discussions with, and obtained information from, the senior management of Home Consortium. We have also held discussions with the Independent Directors of Home Consortium. We have held discussions with senior management of Aurrum regarding factual matters only. A limited physical site inspection of the Property was undertaken by a KPMG Corporate Finance representative on 13 July 2020.



### Appendix 3 – Lease

We have been provided with a proposed Lease as Annexure D to the Contract for the sale and purchase of land 2019 edition. A summary of the proposed Lease is below.

Proposed lease	
<b>Lessor/Landlord:</b>	HomeCo (Erina) Pty Ltd ACN 642 170 858 as trustee for the HomeCo (Erina) Property Trust
<b>Lessee/Tenant:</b>	Aurrum Pty Limited ACN 168 114 038
<b>Guarantor:</b>	Aurrum Holdings Pty Ltd ACN 168 679 123
<b>Land:</b>	The land described in Folio Identifier 1305/1157699
<b>Premises:</b>	<p>The whole of the Land and the Building, together with all modifications, extensions or alterations from time to time and the Landlord's Fixtures, but excludes the Tenant's Fittings.</p> <p><b>Landlord's Fixtures</b> means all capital and structural improvements from time to time affixed to the Premises and owned or supplied by the Landlord (including any Works to the extent that the Landlord has paid or reimbursed the cost of the Works, including through any rent abatement) but excludes the Tenant's Fittings.</p> <p><b>Tenant's Fittings</b> includes all improvements and Works (including capital and structural works and Major Alterations), fixtures, fittings, plant, equipment, partitions or other articles and chattels of all kinds (other than stock in trade) which are not owned by the Landlord and which are at any time in the Premises (whether affixed to the Land or not) and any substitute, replacement or addition to those things, but excludes any Works to the extent that the Landlord has paid or reimbursed the cost of those Works, including through any rent abatement.</p>
<b>Permitted Use:</b>	Residential aged care services and ancillary or other purposes permitted by Law.
<b>Lease</b>	To be advised, subject to execution of the Contract of Sale (assumed for
<b>Commencement:</b>	valuation purposes to be the Valuation Date)
<b>Term:</b>	10 years
<b>Options</b>	Two further terms each of 10 years
<b>Commencement Rental:</b>	\$2,200,000 (reflecting a rate of \$8,800 per bed license per annum based on 250 bed licenses)
<b>Rental Review Mechanism:</b>	<p>Annual adjustment by Consumer Price Index - Weighted Capital Cities (All Groups) on the anniversary of commencement date, excluding the Market Review Dates.</p> <p>Market Review at the commencement date of any further terms. The obligation is on the Landlord to give notice of the market review not earlier than 12 months nor later than 9 months before each market review date. The rent payable after a market review date must not be more than 110% or less than 90% of the rent payable immediately prior. In determining current market rental value, the valuer must disregard:</p> <ul style="list-style-type: none"> <li>• the value of any goodwill of the Tenant's Business</li> <li>• any improvements to the Premises or major alterations and additions to the Premises undertaken by and funded by the Tenant</li> <li>• the value of the Tenant's Fittings</li> </ul>

- any impaired condition of the Premises if that condition results from any breach under this Lease by the Tenant
- any sublease or other subtenancy agreement or occupational arrangement in respect of any part of the Land and any rental, fees or money payable under any of them.

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**Operating Costs:** Payable by the Tenant including Land Tax, Authority rates and charges and charges for water, gas, electricity, light, power, fuel, telephone, sewerage, garbage and other services provided or supplied to the Premises. The Tenant must effect and keep current insurance for the Premises including public liability and full insurable value on a replacement and reinstatement basis.

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**Maintenance and Repair:** The Tenant must maintain, repair and keep the Premises in clean condition and in good and substantial repair (having regard to their condition at the Commencement Date), including repairs and replacements of a capital or structural nature; and maintain the premises so as to comply with all relevant legislative accreditation standards specifically applicable to a Residential Aged Care Facility.

Major Alterations means work that involves the removal, replacement or substantial refurbishment of material structural components of any of the Landlord's Fixtures or the Building existing prior to commencement of the relevant works; that have or are reasonably likely to have a material adverse effect on the structural components of any of the Landlord's Fixtures not removed as a part of the relevant works; or which might reasonably be expected to materially and adversely affect the design life or structural integrity of the Premises.

The Landlord may elect to fund, through capital contribution or rent abatement a portion of any Works which means all works and other alterations to the premises, other than those carried out in accordance with the Tenant's maintenance and repair program.

If the Landlord chooses to fund the Works, it may elect to fund the Works through either a capital contribution, (whereby the Tenant must pay to the Landlord an amount equal to the Landlord Contribution (excluding GST) increased by the Capitalisation Rate (being 6.25%) per annum for the remainder of the Term (excluding any Further Term), to be paid in equal monthly instalments over the balance of the Term. This payment does not form rental and is not escalated during the period) or through a rent abatement if the tenant funds the Works equal to the Investment Payment (excluding GST) increased by the Capitalisation Rate (being 6.25%) per annum for the remainder of the Term (excluding any Further Term), to be offset against rental payable on a monthly basis over the balance of the Term (excluding any remaining Further Term)).

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**First and Last Right of Refusal:** If the Landlord seeks to sell the property, it must first offer the property to the Tenant before selling to a third party. If Tenant rejects the offer, Landlord may sell to any third party without providing a further offer to Tenant, provided that sale is for not less than 95% of the price offered to Tenant and otherwise not on terms that are materially more favourable to that third party. A change in control of Landlord will also enliven Tenants right of first refusal

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**Competitors** The Landlord cannot sell the property to a competitor in the provision of aged care services, or to an entity who is engaged in or has been accused of being engaged in illegal practices or similar actions that have the potential to bring Tenant or the property into disrepute, without Tenant's consent (which can be given at its discretion)

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**Put and Call Option:** The Tenant has the right to Call the sale of the property at market value from the Landlord in the period after 9 years and 6 months from Commencement Date, up to 3 months prior to Date of Termination or the date of termination under any Further Term if Option exercised.  
The Landlord has the right to Put the purchase of the property at market value by the Tenant in the period that is 3 months prior to the Date of termination and expiring 5 business days prior to the date of termination of the initial term or first option term.  
The Lease outlines the valuation methodology for determining market value under this scenario, including the assumption of 10+10 year lease.

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## Appendix 4 – Overview of valuation methodologies

### *Capitalisation of earnings*

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

### *Discounted cash flow*

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.



### ***Net assets or cost based***

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

### ***Enterprise or equity value***

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.



## Appendix 5 – Market rental evidence

In undertaking our valuation we have identified and have had regard to the following rental evidence regarding residential aged care facilities.

**Table 31: Market rental evidence**

Facility	Location	Lease date	Beds	Net rent per annum	Net rent per bed per annum	Net rent per bed per week	Option (years)	Review Mechanism	Lessee's proportion of outgoings
Bonbeach	VIC	October-20	65	600,000	9,231	178	4+4+4	Fixed 3%	100%
Capel Sound	VIC	October-20	58	525,000	9,052	174	4+4+4	Fixed 3%	100%
Springvale	VIC	June-20	71	750,000	10,563	203	4+4+4	Fixed 3%	100%
Harlaxton	QLD	January-20	134	1,514,200	11,300	217	10+10	CPI	100%
Cornubia	QLD	January-20	133	1,502,900	11,300	217	10+10	CPI	100%
Caravonica	QLD	December-19	144	1,627,200	11,300	217	10+10	CPI	100%
Edmonton	QLD	December-19	144	1,627,200	11,300	217	10+10	CPI	100%
Manoorra	QLD	December-19	180	2,034,000	11,300	217	10+10	CPI	100%
Fairfield East	NSW	July-19	126	1,184,400	9,400	181	5	CPI	100%
Ipswich	QLD	May-19	96	1,084,800	11,300	217	10+10	CPI	100%
Townsville	QLD	February-19	140	1,400,000	10,000	192	10+10	Fixed 3%	100%
Carrum Downs	VIC	November-18	50	514,000	10,280	198	5+5	CPI	100%
Hurstville	NSW	August-18	46	557,500	12,120	233	10+10	CPI	100%
Mosman Park	WA	April 2018	35	340,000	9,714	187	Nil	Fixed 2.5%	100%
Midland	WA	March-18	48	534,750	11,141	214	10+10	CPI	100%
Boronia	VIC	2019	70	624,832	8,926	172	N/A	N/A	N/A
Melton	VIC	2019	60	582,000	9,700	187	n	N/A	N/A
Blackburn	VIC	August-18	43	463,750	10,785	207	5+5	N/A	N/A
Grafton	NSW	March-17	83	732,813	8,829	170	10+10	CPI	100%

Source: KPMG Corporate Finance analysis



## Appendix 6 – Market sales evidence

In undertaking our valuation we have identified and have had regard to the following transactions.

**Table 32: Market sales evidence**

Facility	Location	Sale Date	Freehold Sale Price (\$)	Beds	Analysed rate (\$/bed)	Net Rental	Initial yield	WALE (years)
Parkdale	VIC	July-20	9,000,000	60	150,000	517,000	5.74%	7
Springvale	VIC	March-20	13,380,000	71	188,451	750,000	5.61%	6
Harlaxton <sup>1</sup>	QLD	November-19	23,716,988	134	176,992	1,514,200	6.38%	25
Cornubia <sup>1</sup>	QLD	November-19	23,539,179	133	176,986	1,502,900	6.38%	25
Ipswich <sup>1</sup>	QLD	November-19	15,000,000	96	156,250	1,084,800	7.23%	25
Caravonica <sup>1</sup>	QLD	November-19	21,869,173	144	151,869	1,627,200	7.44%	25
Edmonton <sup>1</sup>	QLD	November-19	21,569,173	144	149,786	1,627,200	7.54%	25
Manoora <sup>1</sup>	QLD	November-19	29,086,466	180	161,591	2,034,000	6.99%	25
Boronia	VIC	November-19	11,300,000	70	161,429	624,823	5.53%	13
Melton	VIC	September-19	9,400,000	60	156,667	582,000	6.19%	N/A
Blackburn	VIC	October-18	8,455,000	43	196,628	463,750	5.48%	N/A
Hurstville	NSW	May-18	7,500,000	46	163,043	577,500	7.70%	20
Mosman Park	WA	April-18	4,500,000	35	128,571	340,000	7.56%	20
Midland	WA	March-18	6,900,000	48	143,750	534,750	7.75%	20
Glenroy	VIC	July-17	12,750,000	90	141,667	828,750	6.50%	N/A
Grafton	NSW	August-16	8,000,000	83	96,386	732,813	9.16%	20

*Source: KPMG Corporate Finance analysis*

*Note 1: This property forms part of a six property portfolio purchased on a sale and leaseback arrangement*

## Appendix 7 – Broker consensus forecasts

In order to provide an indication of the expected future financial performance of Home Consortium, KPMG Corporate Finance has had regard to the broker forecasts for Home Consortium for FY21, FY22 and FY23.

Set out below is a summary of the forecasts prepared by brokers that follow Home Consortium. When reviewing this data it should be noted that:

- the forecasts represent the latest available broker forecasts for Home Consortium as at 17 July 2020
- as far as KPMG Corporate Finance is aware, Home Consortium is followed by three brokers of which two have released updated earnings forecasts following the announcement of the Transaction on 1 July 2020
- brokers forecast net property income, EBIT, FFO (freehold property only, i.e. excluding leasehold property), FFO per Security, earnings per Security (EPS) and dividends per Security (DPS), and
- it appears that brokers have taken into account the impact of the acquisitions and Capital Raising in their forecasts.

**Table 33: Home Consortium net property income and EBIT forecasts**

Broker	Report date	Net Property Income (\$ million)				EBIT (\$ million)			
		FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Broker 1	2/07/2020	27.0	58.0	73.0	n/a	20.0	51.0	66.0	n/a
Broker 2	1/07/2020	26.0	59.0	75.0	83.0	22.0	51.0	67.0	75.0
<b>Median</b>		<b>26.5</b>	<b>58.5</b>	<b>74.0</b>	<b>83.0</b>	<b>21.0</b>	<b>51.0</b>	<b>66.5</b>	<b>75.0</b>
<i>Median growth</i>		<i>na</i>	<i>120.8%</i>	<i>26.5%</i>	<i>12.2%</i>	<i>na</i>	<i>142.9%</i>	<i>30.4%</i>	<i>12.8%</i>

Source: Broker reports and KPMG Corporate Finance analysis

**Table 34: Home Consortium FFO and FFO per Security**

Broker	Report date	FFO (\$ million)				FFO/Security (\$)			
		FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Broker 1	2/07/2020	17.0	40.0	55.0	n/a	0.09	0.15	0.21	n/a
Broker 2	1/07/2020	12.7	40.7	56.0	63.4	0.06	0.16	0.22	0.25
<b>Median</b>		<b>14.9</b>	<b>40.4</b>	<b>55.5</b>	<b>63.4</b>	<b>0.08</b>	<b>0.15</b>	<b>0.21</b>	<b>0.25</b>
<i>Median growth</i>		<i>na</i>	<i>171.7%</i>	<i>37.5%</i>	<i>14.2%</i>	<i>na</i>	<i>99.4%</i>	<i>38.8%</i>	<i>15.0%</i>

Source: Broker reports and KPMG Corporate Finance analysis

**Table 35: Home Consortium EPS and DPS**

Broker	Report date	EPS (underlying) (\$)				DPS (\$)			
		FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Broker 1	2/07/2020	-0.01	0.11	0.14	n/a	0.12	0.15	0.18	n/a
Broker 2	1/07/2020	n/a	n/a	n/a	n/a	0.12	0.15	0.19	0.21
<b>Median</b>		<b>(0.01)</b>	<b>0.11</b>	<b>0.14</b>	<b>n/a</b>	<b>0.12</b>	<b>0.15</b>	<b>0.18</b>	<b>0.21</b>
<i>Median growth</i>		<i>na</i>	<i>na</i>	<i>32.1%</i>	<i>na</i>	<i>na</i>	<i>22.9%</i>	<i>24.1%</i>	<i>14.8%</i>

Source: Broker reports and KPMG Corporate Finance analysis





## Appendix 8 – Market evidence

### Comparable transactions

The following table sets out a summary of transactions that have taken place since 2009 involving A-REITs.

**Table 36: Comparable Transaction analysis**

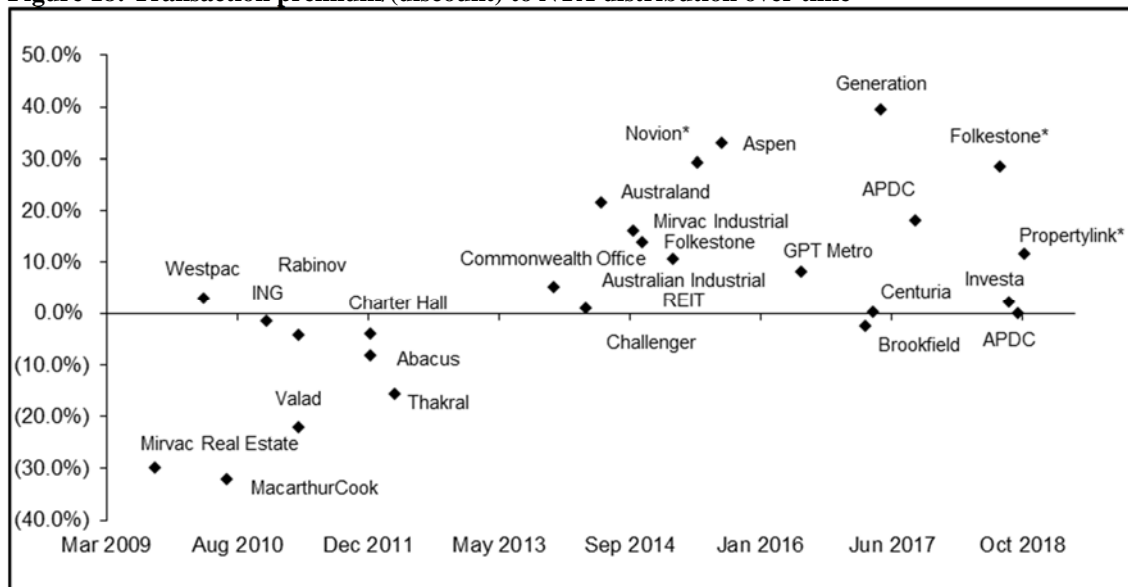
Announcement date	Transaction	Internally/externally managed <sup>1</sup>	Consideration (\$)	Premium/(discount) to NTA <sup>2</sup>	Exit yield		Premium/(discount) to VWAP <sup>3</sup>
					Historical	Forecast	
Nov 2018	Propertylink*	I	723.3	11.7%	6.1%	6.4%	15.2%
Oct 2018	Asia Pacific Data Centre Group	I	162.8	0.0%	4.7%	na	9.2%
Sep 2018	Investa Office Fund	E	3,016.0	2.2%	3.6%	3.6%	26.1%
Aug 2018	Folkestone Limited*	I	206.0	28.7%	2.5%	na	24.8%
Sep 2017	Asia Pacific Data Centre Group	I	102.7	18.2%	5.0%	na	25.1%
May 2017	Generation Healthcare REIT	E	507.5	39.5%	3.9%	3.9%	13.3%
Apr 2017	Centuria Urban REIT	E	27.2	0.4%	9.1%	8.1%	na
Mar 2017	Brookfield Prime Property Fund	E	310.0	(2.5%)	2.9%	na	16.0%
Jun 2016	GPT Metro Office Fund	E	321.3	8.2%	6.1%	6.2%	21.4%
Sep 2015	The Aspen Group	E	149.8	33.0%	6.3%	6.3%	na
Jun 2015	Novion Property Group*	I	8,045.5	29.4%	5.3%	5.4%	15.7%
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	6.9%
Nov 2014	Folkestone Social Infrastructure	E	70.2	14.0%	6.5%	6.1%	15.4%
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	na	na	22.8%
Jun 2014	Australand Property Group	I	2,606.5	21.7%	4.7%	na	14.6%
Apr 2014	Challenger Diversified Property	E	586.6	1.1%	6.7%	6.8%	6.4%
Dec 2013	Commonwealth Property Office Fu	E	2,910.0	5.2%	5.3%	5.0%	14.8%
Apr 2012	Thakral Holdings Ltd	I	507.0	(15.6%)	na	na	32.3%
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	22.9%
Jan 2012	Abacus Storage Fund	I	132.0	(8.2%)	7.4%	na	n/a
Apr 2011	Valad Property Group	I	209.0	(22.1%)	na	na	52.0%
Apr 2011	Rabinov Property Trust	E	50.0	(4.3%)	10.0%	8.6%	35.8%
Dec 2010	ING Industrial Fund	E	1,395.0	(1.5%)	3.0%	6.0%	11.9%
Jul 2010	MacarthurCook Industrial Fund	E	43.3	(32.1%)	4.1%	4.1%	46.7%
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%
Oct 2009	Mirvac Real Estate Trust	E	373.0	(29.9%)	5.5%	5.5%	56.0%

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

1. "I" denotes internally managed A-REIT and "E" denotes externally managed A-REIT
2. NTA from the last financial report for each target entity
3. One month VWAP prior to the announcement of the transaction or notable corporate activity.
4. \* denotes REITs with material third party funds under management

**Figure 18: Transaction premium/(discount) to NTA distribution over time**



Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Note: \* refers to transactions with material third party funds under management

#### **Acquisition of Propertylink Group by ESR Real Estate (Australia) Pty Limited**

On 21 September, 2018, Propertylink Group (**Propertylink**) announced that it had received a non-binding indicative proposal from ESR Real Estate, to acquire a 98% stake of the issued units in Propertylink for \$1.20 cash per unit, by way of an off-market takeover offer. Propertylink is an ASX-listed REIT that operates through three operating segments, including a wholly owned industrial portfolio, fund and property management services and co-investment in industrial and commercial office property.

#### **Asia Pacific Data Centre Group by NEXTDC Limited**

On 8 October 2018, Asia Pacific Data Centre Group (**APDC**) and NEXTDC Limited (**NEXTDC**) had entered into a bid implementation agreement relating to an, all-cash, on-market takeover bid by NEXTDC to acquire all of the 70.8% of securities in APDC which it did not already own. The Offer Price and Special Distribution in aggregate equated to \$2.02. This represented a 9.2% premium to the \$1.85 30 day VWAP of securities to 5 October 2018 and was equal to APDC's NTA per security of \$2.02 at 30 June 2018. APDC is a special purpose A-REIT which has been established to own properties (land and buildings) that are operated or being developed as data centres.

#### **Acquisition of Investa Office Fund by Oxford Properties Group**

On 4 September 2018, Oxford Properties Group, Inc. (**Oxford**) made a conditional proposal to acquire a 90% stake in Investa Office Fund (**Investa**) from the unitholders for approximately \$3 billion. As per the terms, Oxford Properties Group, Inc. offered a cash price of \$5.60 per unit. The transaction was highly competitive with Oxford outbidding the initial prospective buyer, Blackstone Group, following several revised proposals and price increases. The proposal consideration was at a 2.2% premium to the pro forma NTA as at 30 June 2018 of \$5.48 and a 26.1% premium to the one month VWAP of \$4.44 as at 25 May 2018, being the last trading day prior to the announcement to the initial Blackstone proposal. Investa is a passive A-REIT focused on the office sector. The high FFO multiple and low distribution yields reflect IOF's exposure to the strongly performing Sydney and Melbourne CBD office markets and relatively low exposure to the weaker Brisbane and Perth markets, substantial yield compression in recent years and the quality of IOF's portfolio. However, we note that these multiples also reflect the forecast decline in FFO and curtailment of distributions as a result of IOF's development and refurbishment activities.



#### ***Acquisition of Folkestone Limited by Charter Hall Group***

On 22 August 2018, Charter Hall Group entered into a scheme implementation agreement to acquire Folkestone Limited (**Folkestone**) for approximately \$210 million on August 22, 2018. Under the transaction, Folkestone shareholders will receive \$1.39 per share in cash. Folkestone is an ASX listed real estate funds manager and developer providing real estate wealth solutions for private clients and select institutions. The Company currently provides funds management services to a range of listed and unlisted real estate funds, with total FUM of \$1.6 billion as at 30 June 2018 and is engaged in a number of residential and commercial development projects throughout Australia (\$76 million development funds employed). Folkestone also has co-investments in a number of the funds that it manages. The transaction occurred at a historical EBIT multiple of 10.5 times (as per 30 June 2018 EBITDA minus depreciation and amortisation charges).

#### ***Acquisition of Asia Pacific Data Centre Group by 360 Capital Group***

On 13 September 2017, 360 Capital Group (**360 Capital**) announced an unconditional off-market takeover offer to acquire all of the stapled securities in Asia Pacific Data Centre Group (**APDC**) for A\$1.95 cash per APDC Security. The price represented a premium of 18.2% to APDC's NTA as at 30 June 2017 and a 25.1% increase to the 30 day VWAP prior to 360 Capital announcing its 19.8% stake in APDC (1 May 2017). We note that this was highly competitive bidding process with NEXTDC offering competing prices on several occasions (last offer price by NEXTDC was \$1.87 cash per share). APDC is a special purpose real estate investment trust (REIT) which has been established to own properties (land and buildings) that are operated or being developed as data centres.

#### ***Acquisition of Generation Healthcare REIT by Northwest Australia***

On 5 May 2017, Northwest Australia (**Northwest**) announced that it had achieved a 50.25% majority stake in Generation Healthcare REIT (**Generation Healthcare**) and made an all-cash unconditional offer to buy all remaining units for \$2.30 per unit. The offer price of \$2.30 per unit represented a premium of 49.3% to Generation Healthcare's NTA per unit of \$1.54 reported at 31 December 2016 and a 13.4% premium to its one day and one month VWAPs at 21 April 2017 (the last trading day prior to the announcement of the proposal). The premium to the adjusted NTA as per the independent expert report was 39.5% (mid-point of the NTA range). At the time of receiving the offer, Generation Healthcare was an externally managed A-REIT with interests in a portfolio of property assets in the healthcare sector including hospitals, medical centres and residential aged care facilities and a \$110 million development pipeline. At 31 December 2016 the fund had assets under management of \$621 million located in Victoria, Queensland and NSW. The portfolio had a WALE of 12.1 years and occupancy of 98.7%. The transaction occurred at a material premium to NTA, reflecting the strong growth outlook for the healthcare sector and its substantial development pipeline. Its relatively low yield reflects the high occupancy, long WALE of the portfolio, relatively low distribution payout ratio and the stage of the property cycle.

#### ***Merger of Centuria Urban REIT and Centuria Metropolitan REIT***

On 3 March 2017, Centuria Property Funds announced that it had entered an agreement where Centuria Metropolitan REIT (**CMA**) would acquire all of the issued units in Centuria Urban REIT (**CUA**) by way of a proposed trust scheme. As part of the scheme, CUA unit holders would receive 0.88 new CMA units plus \$0.23 cash consideration for every CUA unit held. CUA is a passive, externally managed REIT that was previously listed on the ASX focusing on Australian A-grade suburban and B-grade CBD office properties. In advance of the merger, its portfolio consisted of three A-grade suburban office properties (two in Brisbane and one in Melbourne). At 31 December 2016, CUA had a WALE of 4.6 years and an occupancy by NLA of 99.2%. The mid-point value of the scheme consideration of \$2.28 per unit (as assessed by the independent expert) was in line with reported NTA of \$2.27 at 31 December 2016. The limited premium to



NTA reflects that it is a passive, externally managed A-REIT. Implied yields are relatively high, reflecting the nature of the portfolio, its small scale, short WALE and high distribution payout ratio.

#### ***Acquisition of Brookfield Prime Property Fund by Brookfield BPPF Investments Trust***

On 7 April 2017, the directors of Brookfield Prime Property Fund (**BPA**) announced that it had received a proposal from Brookfield BPPF Investments Trust (**BPPF**) to acquire the remaining units of BPA with an all-cash conditional offer of \$8.89 per unit less the amount of any distributions paid or payable on or after 28 March 2017. The adjusted offer price of \$8.815 per unit represented a 2.5% discount compared with adjusted NTA (adjusted for property valuations as at March 2017) and a premium of 16% to the 30 day VWAP to 6 April 2017 of \$7.59 per unit and 18% compared with the ASX closing price of \$7.50 on 6 April 2017 (although we note that BPA was illiquid and had a limited free float). BPA was a passive, externally managed A-REIT with a portfolio of interests in four A-grade office buildings in the CBDs of Sydney and Perth. At 31 December 2016, the fund's three properties had a total value of \$707 million. The portfolio had a WALE by income of 4.7 years and was 91% occupied. The discount to NTA likely reflects that it is a passive, externally managed A-REIT which was owned 80.47% by Brookfield Group with limited liquidity. Implied yields are low, mainly reflecting its very low payout ratio (16% of EPS in FY17) as well as its high management fee structure.

#### ***Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia***

On 5 April 2016, Growthpoint Properties Australia (**Growthpoint**) announced a proposal to acquire all outstanding units in GPT Metro Office Fund by way of an off-market takeover bid. The initial consideration was 0.3756 Growthpoint securities plus \$1.185 cash for each GPT Metro Office Fund unit. Following an increase in property valuations, the consideration was increased to 0.3968 Growthpoint securities plus \$1.25 cash per GPT Metro unit and a cash option of \$2.50 per GPT Metro Office Fund unit was offered. The transaction occurred as part of a competitive bidding process with Centuria Metropolitan REIT. Based on the mid-point of the consideration (as assessed by the independent expert) of \$2.52, the implied value of the mixed consideration represented an 8.2% premium to NTA as at 30 June 2016, a 21.4% premium compared with the ASX closing price of GPT Metro Office Fund on 1 April 2016 and the one month VWAP. GPT Metro Office Fund was a passive, externally managed A-REIT and owned six A-Grade metropolitan and business park office properties across Sydney, Melbourne and Brisbane. At 30 June 2016, GPT Metro Office Fund had a WALE by income of 5.5 years and 94.9% occupancy. The company had no significant development activity in the year to 30 June 2016. The relatively high premium to NTA given the passive nature of the fund likely reflects the impact of the competitive bidding process as well as that it occurred at a time when A-REITs were trading above NTA.

#### ***Acquisition of Aspen Parks Property Fund by Discovery Parks Group***

On 14 September 2015, Aspen Group and Aspen Parks Property Fund (**Aspen Parks**) announced that they had entered into a merger implementation deed whereby the two entities would merge to create a quadruple stapled group in a cash and scrip transaction. Subsequent to this offer, Discovery Parks Group made two unsolicited takeover offers for the fund. On 23 December 2015, Discovery Parks Group had received acceptances from 90% of the unit holders. Aspen Parks at that time owned 26 holiday parks, valued at \$190 million, including caravan parks, cabins, camping and self-contained facilities. The significant premium to NTA likely reflects the competitive bidding process and the positive re-rating of A-REITs during this period.

#### ***Merger of Novion Property Group and Federation Centres***

On 3 February 2015, Novion Property Group (**Novion**) announced its intention to enter into a merger implementation agreement with Federation Centres. Pursuant to the deal Novion security holders would own 64% of the merged entity following the transaction. Novion is an internally managed retail property



group listed on the ASX. It was a stapled entity comprising Novion Limited and Novion Trust and had at that time \$14.9 billion of retail AUM, including a \$9.1 billion investment portfolio and \$5.7 billion of third party funds management. The transaction occurred at a material premium to NTA, likely reflecting the extent of Novion's third party funds management activities and positive re-rating of A-REITs at this time.

#### ***Acquisition of Australian Industrial REIT by 360 Capital Industrial Fund***

On 18 December 2014, Fife Capital Funds Limited (**Fife Capital**), the responsible entity for Australian Industrial REIT (**ANI**) announced that it had received an unsolicited, indicative and non-binding proposal from 360 Capital, as the responsible entity for 360 Capital Industrial Fund (360 Industrial), to acquire 100% of the units in ANI by way of a trust scheme. On 19 December 2014, 360 Capital announced an unsolicited off-market takeover offer for ANI for consideration of 0.89 units in 360 Industrial Fund plus 3 cents for each ANI unit if before the end of the offer period a member of 360 Capital Group is appointed responsible entity of ANI or in excess of 50% of ANI unitholders accept the offer. On 24 March 2015, the offer was increased to 0.9 units in 360 Industrial Fund plus 4.5 cents for each ANI unit plus 10 cents cash if before the end of the offer period a member of 360 Capital Group was appointed responsible entity of ANI or in excess of 50% of ANI unitholders accepted the offer. As at 31 December 2014, ANI held a portfolio of 16 industrial properties with a combined carrying value of \$320.4 million. The substantial premium to NTA likely reflects the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period.

#### ***Acquisition of Folkestone Social Infrastructure Trust with Folkestone Education Trust***

On 13 November 2014, Folkestone Real Estate Management Limited, in its capacity as responsible entity of Folkestone Social Infrastructure Trust (**FST**), announced a merger by way of a trust scheme that would result in Folkestone Education Trust (**FET**) acquiring 100% of the units in FST. The offer consideration included a cash component of \$0.675 per FST unit held and 1.32 securities in FET for every one FST unit held. FST primarily invested in properties within the early education, government and healthcare sectors. As at 30 June 2014, FST reported \$116.1 million in total assets.

#### ***Acquisition of Mirvac Industrial Trust by AustFunding Pty Limited***

On 19 September 2014, Mirvac Funds Management Limited (**MFML**), the responsible entity of Mirvac Industrial Trust (**MIX**) announced that it had agreed to a transaction whereby AustFunding Pty Limited would acquire all of the units of MIX in a cash transaction via a trust scheme. The principal activity of MIX was the ownership of an industrial property portfolio in the greater Chicago metropolitan region in the US. As at 30 June 2014, MIX held gross assets of \$192.0 million.

#### ***Acquisition of Australand Property Group by Frasers Centrepoint Limited***

On 4 June 2014, Australand Property Group (**Australand**) received a conditional proposal from Frasers Centrepoint Limited (**Frasers**) for the acquisition of all of Australand's securities. The offer consideration was \$4.48 per security for a total of \$2.6 billion. Australand was a diversified REIT that was involved in property investment and development, property trust management and property management. Its primary focus was around commercial and industrial sectors with some focus on residential development. Australand's property investment division was comprised of 68 industrial (50%) and office (50%) assets located mostly in Melbourne, Sydney and Brisbane. The significant premium to NTA likely reflects Australand's significant development pipeline as well as the competitive bidding process.

#### ***Acquisition of Challenger Diversified Property Group by Challenger Life Company Limited***

On 11 April 2014, Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer for all units of Challenger Diversified Property Group (**CDI**), for cash consideration of \$2.74 per unit. CDI was a diversified REIT with an interest in 27



office, retail and industrial properties located in Australia and France. CDI also held the lease on Sydney's Domain car park and engaged in property development activities. CDI was largely a passive investment vehicle, with the majority of earnings generated from its investment properties. As at 31 December 2013, CDI had a total asset value of \$888 million. CDI's property portfolio was diversified across the office (59%), retail (19%), industrial (18%) and hi-tech office (4%) sectors predominantly focussed in Victoria, NSW and ACT.

#### ***Acquisition of Commonwealth Property Office Fund by DEXUS and CPPIB***

On 11 December 2013, DEXUS, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in Commonwealth Property Office Fund for cash and scrip consideration for approximately \$1.24 per unit. As at 31 December 2013, Commonwealth Property Office Fund had 25 office assets with a total value of \$3.8 billion and WACR of 7.3%. Its property portfolio was concentrated in NSW and Victoria, comprising 46.0% and 30.7% of the total portfolio value respectively. Its property portfolio comprised 13% premium grade property assets and 76% A Grade properties. The transaction followed a competitive bidding process by DEXUS and The GPT Group (GPT). Commonwealth Property Office Fund had a WALE of 4.7 years and an occupancy of 95.6%.

#### ***Acquisition of Thakral Holdings Limited by Brookfield Asset Management Inc.***

On 19 April 2012, Brookfield Asset Management Inc. (**Brookfield**) announced a takeover offer of Thakral Holdings Limited (**Thakral**) at \$0.70 per stapled security. On the same date, Brookfield enforced security under debentures which provided Brookfield with a relevant interest in 38.6% of Thakral. The directors unanimously recommended that shareholders reject the Brookfield offer. On 22 August 2012, Brookfield and Thakral entered into an implementation deed whereby Brookfield agreed to increase its offer to \$0.81 per stapled security if it became entitled to 90% of Thakral securities, which occurred on 11 September 2012. Thakral's primary activity was investment in hotel, leisure, retail and commercial properties and the management of hotels in Australia. In addition, Thakral was engaged in property development activities. For the year ended 30 June 2012, Thakral's revenue comprised 79% from hotel, retail and commercial investments, and 21% from property development activities.

#### ***Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group***

On 3 January 2012, the Charter Hall Office REIT's (**CQO**) independent directors announced they had entered into a scheme implementation agreement with a consortium including Charter Hall Group, under which CQO, would receive a cash payment of \$2.49 per CQO unit. CQO invested predominantly in high grade office buildings and at 31 December 2011, had an Australian property portfolio with total value of \$1.8 billion, geographically diversified across NSW, Victoria, Queensland, South Australia and the ACT. The office portfolio was predominantly high grade assets, with 63% Premium properties and 34% A Grade assets. The portfolio had a WALE of 4.5 years, and an occupancy of 97% and a WACR of 7.8%.

#### ***Merger of Abacus Storage Fund with Abacus Property Group***

On 13 January 2012, Abacus Property Group (**APG**) announced its intention to merge with Abacus Storage Fund (**Abacus**). APG was an internally managed listed stapled entity, with exposure to a diversified portfolio of commercial, retail and industrial property, mortgage investments and property development ventures and property funds management activities. Abacus was an unlisted stapled entity and is one of the largest participants in the Australasian self-storage sector, owning at that time a portfolio of 41 self-storage facilities with 30 in Australia and 11 in New Zealand and a commercial property with a total value of approximately \$332 million. Abacus' income was generated from storage rental income, which is subject to fluctuations as a result of the short term nature of the contracts. As such, the discount to NTA in part likely reflected this inherent risk in Abacus' income stream.

#### ***Acquisition of Valad Property Group by Blackstone Real Estate Advisors LLC***

On 29 April 2011, Valad Property Group (**Valad**) announced that it had entered into a scheme of arrangement with Blackstone Real Estate Advisors LLC to acquire all of the issued shares in Valad for \$1.80 per Valad security. At 31 December 2013, Valad's property portfolio consisted of 27 properties, valued at \$569 million in across the office (31%), industrial (28%), bulky goods (24%) and hotel and residential sectors in Australia (88%) and New Zealand (12%). Valad was highly geared and had not paid a distribution since 2008.

#### ***Acquisition of Rabinov Property Trust by Growthpoint Properties Australia***

On 13 April 2011, Growthpoint Properties Australia and Rabinov Property Trust (**Rabinov**) jointly announced an off-market takeover by Growthpoint Properties Australia for 100% of Rabinov via a scrip offer. Rabinov was a diversified property investment vehicle which, as at 31 December 2010, had a portfolio of 12 properties valued at \$235 million comprising office (69.8%), industrial (28.3%) and retail (2.1%) properties. Whilst spread across Australia, the properties were concentrated in Victoria (70.6% of the property portfolio).

#### ***Acquisition of ING Industrial Fund by a Consortium led by Goodman Group***

On 24 December 2010, ING Industrial Fund (**ING**) announced that it had entered into an implementation agreement with Goodman Group and a Consortium, to acquire all the units in ING for cash consideration of \$0.546 per ING unit. ING developed, owned and managed a diversified portfolio of industrial properties and business parks, and as at 31 December 2013, had a portfolio of 61 properties valued at \$1.0 billion, WALE of 4.5 years and a portfolio WACR of 8.4%.

#### ***Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT***

On 12 July 2010, MacarthurCook Industrial Property Fund (**Macarthur**) announced that it had received a proposal from CommonWealth REIT to acquire all the units in Macarthur for cash consideration of \$0.44 per unit. Macarthur, an unlisted property fund had, as at 30 June 2010, a portfolio of 10 industrial properties valued at \$106.1 million across Australia and WALE of 4.6 years.

#### ***Acquisition of Westpac Office Trust by Mirvac Group***

On 28 April 2010, Westpac Office Trust (**WOT**) announced it had entered into a scheme implementation agreement with Mirvac Group in relation to an offer by Mirvac Group to acquire all WOT units and instalment receipts for cash or scrip. At 31 December 2009, WOT had a portfolio of 7 properties with a total value of \$1.1 billion, WALE of 8.7 years and portfolio WACR of 7.4%. Sydney CBD properties comprised the majority of WOT's property portfolio value, representing 62% of the total portfolio value.

#### ***Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group***

On 12 October 2009, Mirvac Real Estate Investment Trust (**Mirvac REIT**) announced that it had received a proposal from Mirvac Group to acquire all the issued units in Mirvac REIT for scrip, or a combination of cash and scrip. As at 30 June 2009, Mirvac REIT had a total portfolio value of \$1.0 billion across the retail (36%), commercial (31%), industrial (17%) and hotel (16%) sectors and a WALE of 4.8 years. At the time, Mirvac REIT was approaching financial distress.

#### **Comparable companies**

The following table sets out the financial metrics for listed retail A-REITs as at 17 July 2020.

**Table 37: Comparable company analysis**

	Security price (\$)	Enterprise value (\$ millions)	Market capitalisation <sup>1</sup> (\$ millions)	Premium (discount) to NTA (%) <sup>2</sup>	Distribution yield <sup>3</sup>			FFO multiple <sup>4</sup>		
					FY20	FY21	FY22	FY20	FY21	FY22
<b>Shopping centre</b>										
Scentre Group	2.14	\$26,127	\$11,089	(52.0%)	5.4%	7.1%	7.2%	11.6	10.3	10.2
Vicinity Centres	1.36	\$10,913	\$6,160	(39.0%)	5.8%	6.9%	7.6%	10.7	11.5	10.4
Carindale Property Trust	3.25	\$514	\$228	(59.4%)	n/a	n/a	n/a	n/a	n/a	n/a
Elanor Retail Property Fund	0.88	\$315	\$113	(42.9%)	n/a	n/a	n/a	n/a	n/a	n/a
<b>Large format retail</b>										
BWP Trust	3.92	\$2,877	\$2,518	28.9%	4.7%	4.6%	4.6%	n/a <sup>5</sup>	n/a	n/a
Aventus Group	2.17	\$1,877	\$1,209	(1.4%)	7.6%	5.8%	7.2%	12.6	12.7	12.4
<b>Convenience based retail</b>										
Shopping Centres Australasia Property Group	2.20	\$5,694	\$2,357	(3.9%)	5.8%	6.0%	6.2%	17.1	14.8	14.5
Charter Hall Retail Real Estate Investment Trust	3.18	\$2,872	\$1,816	(18.7%)	8.0%	7.2%	7.8%	12.0	12.0	11.8
APN Convenience Retail REIT	3.51	\$632	\$385	8.3%	n/a	n/a	n/a	n/a	n/a	n/a

Source: KPMG Corporate Finance analysis; S&P Capital IQ

Notes:

1. Market capitalisation as at 17 July 2020.
2. Net tangible assets is calculated as at 31 December 2019 and adjusted for any post balance sheet events such as property additions, divestments and capital structure events.
3. Only brokers that have adjusted for impacts due to COVID-19 or any company specific restructurings have been included in the calculation of distribution yields.
4. Only brokers that have adjusted for impacts due to COVID-19 or any company specific restructurings have been included in the calculation of FFO multiples.
5. n/a = not available.

A description of the listed retail A-REITs is set out below.

## Shopping centre A-REITs

### Scentre Group

Scentre Group (**Scentre**) owns and operates 42 Westfield shopping centres in Australia and New Zealand and had a portfolio value of \$37.6 billion as at 31 December 2019. Scentre operates through two segments, being property investments and property management & construction. The property investments segment accounted for 84% of FY19 revenue and invests in shopping centres. The property management & construction segment accounted for 16% of FY19 revenue and engages in the construction and management of shopping centres. As at 31 December 2019, Scentre Group had immaterial third party funds management activities and a development portfolio (also including assets under construction) of \$0.6 billion. Scentre's WALE was 8.4 years as at 31 December 2019.

### Vicinity Centres

Vicinity Centres (**Vicinity**) is a retail property group that owns and operates 59 centres in Australia and had a portfolio value of \$15.7 billion as at 31 December 2019. Vicinity operates through two segments, being property investments and strategic partnership. The property investments segment accounted for 95% of FY19 revenue and invests in retail properties. The strategic partnerships segment accounted for 5% of FY19 and engages in the management of wholesale property funds. At 31 December 2019, Vicinity had a development pipeline of \$1.8 billion. Vicinity's WALE was 4.7 years as at 31 December 2019.



### ***Carindale Property Trust***

Carindale Property Trust (**Carindale**) comprises one Westfield shopping centre in South-East Brisbane with a value of \$853 million as at 31 December 2019. Carindale is externally managed by Scentre Management Limited, a member of Scentre.

### ***Elanor Retail Property Fund***

Elanor Retail Property Fund (**ERP**) is an externally managed listed A-REIT that invests in Australian retail property. The fund invests in non-discretionary neighbourhood and subregional shopping centres. As at 31 December 2019, the portfolio comprised seven retail shopping centres that were valued at \$334.9 million. ERP's WALE was 3.8 years as at 31 December 2019.

## **Large format retail A-REITS**

### ***BWP Trust***

BWP Trust (**BWP**) is a REIT that invests in and manages 75 commercial properties throughout Australia and had a portfolio value of \$2.5 billion as at 31 December 2019. The majority of BWP's properties are large format retailing properties, in particular, Bunnings Warehouses, leased to Bunnings Group Limited (**Bunnings**). Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand, and a major supplier to project builders, commercial tradespeople, and the housing industry. BWP's WALE was 4.3 years as at 31 December 2019.

### ***Aventus Group***

Aventus Group (**Aventus**) comprises Aventus Holdings Limited and Aventus Capital Limited as the responsible entity for Aventus Retail Property Fund. Aventus is a fully-integrated owner, manager and developer of 20 large format retail centres in Australia and had a portfolio value of \$2.0 billion as at 31 December 2019. As at 31 December 2019, Aventus' third party funds management activities were immaterial and it had a development pipeline (including the redevelopment of certain centres) of approximately \$0.1 billion. Aventus' WALE was 4.0 years as at 31 December 2019.

## **Convenience based retail A-REITs**

### ***SCA Property Group***

SCA Property Group (**SCP**) includes two internally managed A-REITs that own a portfolio of 85 neighbourhood and subregional shopping centres located across Australia and had a portfolio value of \$3.2 billion as at 31 December 2019 (excluding assets held for sale). SCP operates through one segment that invests in shopping centres that are predominantly anchored by non-discretionary retailers which have long-term leases (such as Woolworths, Coles and Wesfarmers). As at 31 December 2019, third party funds under management were minimal (less than 2% of net operating income) and the development pipeline was \$0.1 billion. SCP's WALE was 7.6 years as at 31 December 2019.

### ***Charter Hall Retail Real Estate Investment Trust***

Charter Hall Retail Real Estate Investment Trust (**CQR**) is an owner and manager of a portfolio of 53 convenience based retail centres and 225 BP petrol sites (as at 31 March 2020) that are located in neighbourhood and subregional areas throughout Australia and had a portfolio value of approximately \$3.3 billion at 31 December 2019. CQR is managed by Charter Hall Group. As at 31 December 2019, the third party funds management activities and development portfolio were immaterial to CQR's total income. CQR's WALE was 7.4 years at 31 March 2020.



***APN Convenience Retail REIT***

APN Convenience Retail REIT (**APN**) APN is a listed A-REIT which owns service stations and convenience retail assets throughout Australia. Following the settlement of Brisbane Airport Link service centre, which is expected to occur before the end of August 2020, APN's portfolio will comprise of 80 properties with a portfolio value of approximately \$455 million. APN's WALE will be 10.7 years post settlement.



## PART TWO – FINANCIAL SERVICES GUIDE

Dated 28 July 2020

### What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**), Bill Allen as an authorised representative of KPMG Corporate Finance, authorised representative number 405336 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 (**Authorised Representative**).

### This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- The services KPMG Corporate Finance and its Authorised Representative are authorised to provide;
- How KPMG Corporate Finance and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Corporate Finance have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance. This FSG forms part of an Independent Expert's Report (**Report**) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (**PDS**). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

### KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by the Independent Directors of Home Consortium Limited and Home Consortium Developments Limited (**Client**) to provide general financial product advice in the form of a Report to be included in the Notice of General Meeting and Explanatory Memorandum (**Document**) prepared by Client in relation to the proposed transaction (**Transaction**). You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a

copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

### Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$90,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for



bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

#### **Referrals**

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

#### **Associations and relationships**

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. Each Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

#### **Complaints resolution**

##### Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

##### External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (**AFCA**). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 56 55 62  
Facsimile: (03) 9613 6399  
Email: [info@afca.org.au](mailto:info@afca.org.au).

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

#### **Compensation arrangements**

KPMG Corporate Finance has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(Cth).

#### **Contact Details**

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance  
A division of KPMG Financial Advisory Services (Australia) Pty Ltd  
Level 38, Tower Three  
300 Barangaroo Avenue  
Sydney NSW 2000

PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

Bill Allen and Sean Collins  
C/O KPMG  
PO Box H67  
Australia Square  
NSW 1213

Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

# Home Consortium

Home Consortium Limited  
ACN 138 990 593

Home Consortium Developments Limited  
ACN 635 859 700

## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
Home Consortium  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Home Consortium and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

the Chairman of the Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10.30am on Tuesday, 1 September 2020** (the Meeting) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/HMC20> (refer to details in the Virtual Meeting Online Guide).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

#### Resolutions

	For	Against	Abstain*
1 Approval of Acquisition and Lease	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of issue of Consideration Securities to Aurrum	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Ratification of prior issue of Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

### SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3

HMC PRX2001A



## HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10.30am on Sunday, 30 August 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Home Consortium  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**