



ASX Announcement

26 June 2023

**Step-Change Strategic Funds Management Initiative
2H23 Forecast Distribution**

- Step-change strategic funds management achievements in 2H23:
 - Acquisition of Challenger Real Estate (“CRE”) funds management business for \$37.7 million¹ (transaction EBITDA of ~\$12 million (EBITDA multiple of ~3x²))
 - Challenger to hold a 13.7% interest and ADIC to hold a 3.0% interest in ENN
 - Funds Under Management (“FUM”) increased from \$3.0 billion to \$6.4 billion
 - Secured ADIC mandate and grant of options for ADIC to acquire a further 7.5 million ENN securities at exercise prices of between \$2.25 to \$2.75; the options vesting milestones are linked to ADIC committing a further \$0.5 billion in FUM
 - Following acquisition of CRE, the Group’s annualised run rate base funds management fees are forecast to be \$41.3 million, a 78% increase on forecast base management fee income for FY23
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- Forecast 2H23 Core Earnings of \$2.1 million, or 1.7 cents per security
 - Forecast 2H23 Distribution range of 1.4 cents to 1.6 cents per security, with a point estimate of 1.5 cents per security

Glenn Willis, Elanor CEO, commented: “We are pleased to have executed on a key objective of the Group to grow funds under management through strategic acquisitions. The acquisition of Challenger’s \$3.4 billion real estate funds management business is transformational for Elanor. Combining Elanor’s real estate funds management capability with Challenger’s market leading capital raising platform delivers significant size and scale benefits, and positions us for further strong growth.”

Step-Change Strategic Funds Management Initiative: Acquisition of Challenger’s Real Estate Funds Management Business and Grant of Options to ADIC

As summarised in the ASX Announcement dated 16 June 2023, a copy of which is appended to this announcement, Elanor Investors Group (“Elanor” or “ENN”) will issue 24.8 million securities to Challenger Limited (ASX:CGF) (“Challenger”) as consideration for the acquisition of Challenger’s \$3.4 billion real estate funds management business. On completion of the transaction, Challenger will hold a 13.7% interest in Elanor and a subsidiary of Abu Dhabi Investment Council P.J.S.C. (“ADIC”) will hold a 3.0% interest (“Transaction”).

Elanor will grant ADIC options to acquire up to 7.5 million Elanor securities subject to certain conditions being satisfied. ADIC’s interest in Elanor will increase to 7.7% if all options are vested and exercised. The options can be exercised in three equal instalments of 2.5 million securities over the next three years with exercise prices of between \$2.25 to \$2.75 per security.

¹ Subject to Elanor Securityholder vote on 30 June 2023 and other regulatory approvals

² Transaction EBITDA represents forecast FY24 funds management EBITDA normalised for corporate overheads and expected synergies



The Transaction delivers a step-change in size and scale for Elanor, increasing FUM from \$3.0 billion to \$6.4 billion, with the strategic partnership positioning Elanor for further strong growth. The table below summarises the strategic, earnings and growth outcomes of this step-change initiative for the Group.

Step-change strategic funds management achievements in 2H23

Acquisition of Challenger's \$3.4 billion Australian real estate funds management business¹

	Strategic Positioning	Earnings and growth impact
Acquisition of Challenger Real Estate (CRE)	CRE acquired for maximum consideration of \$37.7 million. Elanor growing AUM >2x to \$6.4 billion	Material FY24 earnings accretion with incremental transaction EBITDA of ~\$12 million p.a. (EBITDA multiple of ~3x ²)
Distribution agreement with Fidante to distribute Elanor's managed funds	Elanor's capital raising team will join Fidante. Exclusive distribution agreement combines Elanor's leading real estate funds management platform with Fidante's award winning capital raising capability	Fidante, Challenger's market-leading capital raising platform, strengthens Elanor's managed fund capital raising capacity
Issue of ENN securities to Challenger and ADIC	Alignment of interests with: <ul style="list-style-type: none"> Challenger becoming Elanor's largest securityholder (13.7%) and with a representative on the Elanor Board ADIC holding a 3% interest in Elanor on completion 	Significant institutional capital partners for the Group
Secured the transfer of the ADIC investment mandate as part of the acquisition of CRE	Granted options to ADIC to acquire 7.5 million Elanor securities in three equal tranches over 3 years with exercise prices of between \$2.25 to \$2.75 per security	Tranches 2 and 3 of the options have vesting milestones linked to ADIC increasing its investment mandate with Elanor by a further \$0.5 billion in AUM Elanor well positioned for growth

1. Subject to Elanor Securityholder vote on 30 June 2023 and other regulatory approvals

2. Transaction EBITDA represents forecast FY24 funds management EBITDA normalised for corporate overheads and expected synergies

Proforma Run Rate Recurring Base Funds Management Income

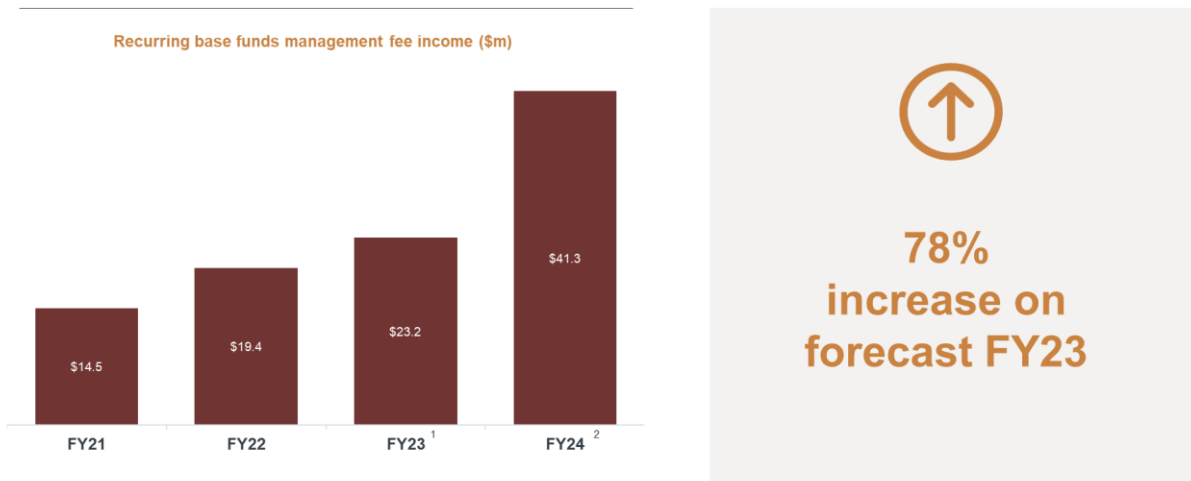
The Transaction is forecast to deliver incremental annualised base management fees of \$16.1 million with forecast proforma run rate base management fees for the Group for the year ending 30 June 2024 ("FY24") of \$41.3 million, a 78% increase on forecast base management fee income for the year ending 30 June 2023 ("FY23").

Set out below is a forecast of Elanor's recurring base funds management fees for FY23 compared to forecast proforma run rate recurring funds management fees for FY24. Forecast proforma run rate recurring funds management fees for FY24 assumes:

- The Transaction completes on 7 July 2023
- Elanor's forecast AUM as at 30 June 2023, with no acquisition or divestment of Managed Fund assets during FY24, and no transactional activity

Strong growth in recurring base funds management fee income

Driving growth in the value of the funds management platform



1. Forecast for FY23

2. Run rate proforma recurring base funds management fee income for FY24 based on forecast AUM as at 30 June 2023, completion of the Transaction on 7 July 2023 and no acquisition or divestment of Managed Fund assets nor transactional activity during FY24

Other 2H23 Highlights

While the Group's focus during the period was on executing the strategic acquisition of the \$3.4 billion CRE funds management business, and notwithstanding challenging market conditions, the Group continued to grow FUM with the following funds management initiatives completed during the period:

- Establishment of the Riverside Mixed-Use Development Fund for a mixed-use development on a strategic Queanbeyan CBD site. The development comprising 180 residential dwellings and 710m² of street activated retail has an estimated total project cost of \$67.0 million
- Acquisition of Leura Gardens Resort in the Blue Mountains, NSW for \$20.0 million by the Elanor Hotel Accommodation Fund. Post-acquisition, the Fund will have a diverse portfolio of 19 high investment quality accommodation hotel assets with a forecast portfolio value of approximately \$460.0 million as at 30 June 2023
- Established industrial real estate funds management capability with the recruitment of a team with deep experience in the industrial property sector

Forecast Distribution

Elanor announces its forecast distribution range for the six months ending 30 June 2023 of 1.4 cents to 1.6 cents per security, with a point estimate of 1.5 cents per security. This result reflects forecast Core Earnings of \$2.1 million, or 1.7 cents per security for the six-month period.

Distribution Timetable

The timetable for the ENN distribution for the six months ending 30 June 2023 is as follows:

- Ex-Date: 29 June 2023
- Record Date: 30 June 2023
- Payment Date: 31 August 2023



Outlook

In addition to the Group's pipeline of funds management opportunities, Elanor continues to pursue strategic acquisition opportunities to grow funds under management.

ENDS.

This announcement has been authorised for release by the Elanor Investors Group Board of Directors.

For further information regarding this announcement, please contact:

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About Elanor Investors Group

Elanor Investors Group (ASX: ENN) is a real estate investment and funds management group with approximately \$3.0 billion in funds under management across Australia and New Zealand.

Elanor's key sectors of focus are the commercial office, retail, healthcare, hotels, tourism and leisure and industrial sectors. Elanor has a proven track record from acquiring and unlocking value in real estate assets that provide strong income and capital growth potential.

www.elanorinvestors.com