

ASX Announcement

6 May 2020

March 2020 quarterly update and response to COVID-19

- Portfolio metrics reflect impacts of government initiatives to contain COVID-19, including mandated store closures and 'stay at home' directives, together with voluntary retailer closures, and reduced customer foot traffic and dwell times
 - Moving annual turnover (MAT)¹ growth to 31 March 2020
 - > Portfolio increased by 1.6% (December 2019: +3.2%)
 - > Specialty store (<400 sqm) and mini majors (≥400 sqm) increased by 0.6%, (December 2019: +3.7%)
 - > Supermarkets increased by 6.0% (December 2019: +4.3%)
 - Sales variance for the month of March 2020 versus March 2019
 - > Portfolio reduced by 16.5%
 - > Specialty store and mini majors reduced by 31.1%
 - > Supermarkets increased by 22.2%
- As at 4 May 2020, 50% of stores were open, representing 65% of portfolio gross lettable area
- Acquisition of 50% interest in Uni Hill Factory Outlets, VIC settled in April 2020
- \$63 million Kmart expansion at Ellenbrook Central, WA on track to open second half of this calendar year
- Bought back 38 million securities during the quarter at a 28.5% discount to December 2019 net tangible assets per security, prior to program suspension on 19 March 2020
- Availability of \$1.3 billion of cash balances and undrawn facilities
- Moody's (March 2020) and Standard & Poor's (April 2020) reaffirmed Vicinity's A2 and A credit ratings respectively, but each revised Vicinity's credit rating outlook from stable to negative

Response to COVID-19 crisis

- Reduction in operating costs, including:
 - 70% of team members working reduced hours effective 21 April to 30 June 2020
 - 20% reduction in Directors' fees and Executive Committee salaries effective 1 April to 30 June 2020
 - Cancellation of FY20 Short Term Incentive program for all team members
 - Variable and non-critical operating expenses reduced or deferred
- Non-critical capital expenditure deferred, including the proposed redevelopment of Chatswood Chase Sydney
- Reduced centre trading hours (excluding essential retailers) to reflect customer visitation and mitigate Vicinity and retailers costs
- Retailer assistance assessed on a case-by-case basis, including progressing small and medium-sized enterprises' (SMEs) rent relief negotiations in line with government SME Commercial Code of Conduct, to support a sustainable retail industry during and post COVID-19 crisis
- On 19 March 2020 announced FY20 earnings and distribution guidance withdrawn, and cannot presently provide an earnings forecast as it would not be reliable in the current uncertain circumstances

¹ Sales are reported on a comparable basis, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines.

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Vicinity Centres (Vicinity, ASX:VCX) provides this update for the March 2020 quarter

Mr Grant Kelley, CEO and Managing Director, said: “Operating our business in a manner which protects the safety, health and wellbeing of our team members, customers, retailers and the broader community is our highest priority.

“We continue to implement measures to support the recommendations of federal and state health authorities, which are necessary to safeguard our community during this period of COVID-19 containment. This includes introducing a range of procedures to operate our centres safely, for our customers who are relying on us for products and services, for our retailers who continue trading or are reopening, and for our team members.

“The COVID-19 pandemic is having a significant and broad-reaching impact on communities and businesses globally. We withdrew earnings and distribution guidance in March given the uncertainty around the impact of COVID-19 to our operations.

“We are working with our retailers to support them during this challenging period, and have been focused especially on our smaller retailers. Vicinity welcomed and supports the Federal Government’s *SME Commercial Code of Conduct and Leasing Principles During COVID-19* (the Code) and will continue to work with state governments as the Code takes legislative effect. Our team adopted the principles of the Code immediately, in order to complement the measures already underway to support our retailers based on their individual circumstances.

“We continue to negotiate in good faith with all retailers whose businesses have experienced a downturn as a result of COVID-19, and will accelerate temporary arrangements to assist them through this situation. Inevitably, our income at this time is being impacted negatively, however we agree with the Federal Government’s sentiment that landlords and tenants have a shared responsibility to tackle the challenges brought about by these unprecedented times.

“We are working hard to balance the needs and responsibilities of all of our stakeholders, including our team members, our securityholders, our customers and the thousands of retailers in our centres, particularly our SME retailers.

“Our goal is to ensure the viability of our industry through to the other side of the pandemic. This relies upon both the continued sustainability of retailers, combined with the critical infrastructure of shopping centres, which collectively employ a significant number of Australians, and provide a broad range of essential and discretionary goods and services for our communities.”

Mr Kelley added: “Vicinity entered this crisis in good shape. However, given the impact of government-mandated restrictions, and a heightened level of voluntary store closures, cost reductions across our business have become necessary. In March, we moved to reduce our Board of Directors’ fees and Executive Committee salaries by 20% for three months from 1 April to 30 June 2020 inclusive. The FY20 Short Term Incentive program has also been cancelled, and we have an ongoing program to reduce costs. With reduced activity in several parts of our business, we have also taken the difficult decision to decrease working hours for 70% of our team members, with some being fully stood down, to 30 June 2020.



“Over the past few years we have built a great team at Vicinity and we look forward to many team members resuming work as soon as possible.”

Vicinity’s sales figures in the March 2020 quarter were impacted by variances in customer traffic, mandated and voluntary retail store closures, government ‘stay at home’ directives, and consumer spending redirected toward on non-discretionary items. Refer to the appendix for more detail on Vicinity’s portfolio sales for the 12 months to 31 March 2020.

Mr Kelley said: “Over the past week, we have seen early signs of a recovery in centre visitation, as restrictions have begun to ease. Retailers who closed their stores voluntarily in prior months are beginning to reopen for trade, with 530 stores reopening in the past seven days.”

The acquisition by Vicinity of a 50% interest in Uni Hill Factory Outlets in Victoria settled on 6 April 2020. The centre will be the seventh outlet in the portfolio and will be relaunched under Vicinity’s successful DFO brand when the retail environment stabilises.

Vicinity’s only live development project is the \$63 million expansion of Ellenbrook Central, WA, which will see the addition of Kmart, three mini majors and 15 specialty retailers to the centre. Construction remains on schedule, with Kmart to open on completion in the second half of this calendar year.

Mr Kelley added: “We have deferred all non-critical capital expenditure, including the proposed redevelopment of Chatswood Chase in Sydney, NSW.”

Vicinity continues to operate within its financial covenants and has \$1.3 billion of available liquidity. Moody’s and Standard & Poor’s reaffirmed Vicinity’s A2 and A credit ratings in March 2020 and April 2020 respectively, but each revised Vicinity’s credit rating outlook from stable to negative, due to uncertainties surrounding the potential impacts of COVID-19.

Mr Kelley said: “The retail environment remains unstable and we expect challenging conditions to persist for at least the next 12 months. However, we have been buoyed by Australia’s resilience and the speed with which the pandemic has been contained. Our teams are highly focused on ongoing recovery, and providing customers and retailers with the opportunity to return and reconnect to our centres in a safe manner.

“We will continue to monitor trading conditions, and will provide further updates as appropriate.”

Vicinity’s FY20 annual results will be announced on Wednesday 19 August 2020.

The Board of Vicinity has authorised that this document be given to ASX.

ENDS

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Appendix – March 2020 portfolio sales

Table 1: Portfolio sales by store type

	Actual (MAT)		Comparable ^a growth (MAT)		Comparable growth (Month)
	Mar-20 (\$m)	Mar-20 (% of sales)	Mar-20 vs Mar-19 (%)	Dec-19 vs Dec-18 (%)	Mar-20 vs Mar-19 (%)
Specialty stores	6,475	40	(0.4)	2.8	(35.1)
Mini majors	2,353	15	3.4	6.4	(19.9)
Specialties and mini majors	8,829	55	0.6	3.7	(31.1)
Supermarkets	3,832	24	6.0	4.3	22.2
Discount department stores	1,456	9	5.3	4.0	7.6
Other retail ^b	1,004	6	(3.7)	0.3	(45.2)
Department stores	965	6	(7.4)	(5.3)	(39.1)
Total portfolio	16,085	100	1.6	3.2	(16.5)

Table 2: Mini majors and specialty store sales by category

Comparable growth (%) ^a	Mar-20 (% of sales) MM and SS	Mar-20 vs Mar-19 (MAT)		Dec-19 vs Dec-18 (MAT)		Mar-20 vs Mar-19 (Month)
		MM and SS ^c	SS ^c	MM and SS ^c	SS ^c	MM and SS ^c
Apparel	19	0.0	(1.8)	4.3	2.9	(43.7)
Food catering	7	0.6	0.2	5.0	4.0	(41.9)
Homewares	7	(0.5)	(5.0)	2.1	(1.1)	(22.0)
General retail ^d	6	(1.3)	(0.8)	0.1	0.9	(15.3)
Leisure	5	4.0	0.9	6.8	2.4	(24.1)
Food retail	4	0.0	(0.4)	(1.0)	(1.5)	(1.0)
Retail services	3	2.6	2.6	5.1	5.1	(28.0)
Jewellery	3	(2.0)	(1.5)	3.9	2.9	(31.3)
Mobile phones	2	11.1	11.1	9.9	9.9	(24.3)
Total	55	0.6	(0.4)	3.7	2.8	(31.1)

Note: Totals may not sum due to rounding. Sales growth calculated compared to same period in the prior year.

- Excludes divestments and development-impacted centres in accordance with SCCA guidelines.
- Other retail includes cinemas, travel agents, auto accessories, lotteries and other entertainment.
- MM: Mini majors (>400 sqm); SS: Specialty stores (<400 sqm).
- General retail includes giftware, pharmacy and cosmetics, pets, discount variety, tobacconists, florists and toys.

About Vicinity Centres

Vicinity Centres (Vicinity) is one of Australia's leading retail property groups. With a fully integrated asset management platform and \$26 billion in retail assets under management across 64 shopping centres, it is the second largest listed manager of Australian retail property. Vicinity has a Direct Portfolio with interests in 60 shopping centres (including the DFO Brisbane business) and manages 32 assets on behalf of Strategic Partners, 28 of which are co-owned by Vicinity. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 23,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au, or use your smartphone to scan this QR code.

