VICINITY CENTRES

ASX Announcement

19 August 2020

FY20 results reflect fortified balance sheet and COVID-19 impact

- Solid first half operational and financial performance, second half materially impacted by COVID-19
  - FY20 statutory net loss after tax of $1,801.0 million (FY19: statutory net profit after tax of $346.1 million)
  - FY20 Funds from operations (FFO)[1] of $520.3 million (FY19: $689.3 million) or 13.7 cents per security (FY19: 18.0 cents)
- Ongoing delivery on strategy, enhancing portfolio quality and advancing mixed-use development planning
- Fortified balance sheet through $1.2 billion institutional placement (Placement) in June 2020 and securities purchase plan (SPP) raising $32.6 million in July 2020 (together 'Equity Raising')
  - Available liquidity of $2.1 billion
  - Low gearing of 25.5%
- Proactive COVID-19 response, with health, safety and wellbeing the highest priority
- Centre visitation increases quickly as COVID-19 restrictions have eased
- Financial and operational performance likely to continue to be impacted by second wave in Victoria, delays in recovery of tourism and workers returning to CBD offices, and other economic and social effects of COVID-19
- Vicinity cannot presently provide FY21 earnings and distribution guidance as it would not be reliable in the current uncertain circumstances

Vicinity Centres (Vicinity, ASX:VCX) today announced its results for the 12 months to 30 June 2020, with a statutory net loss after tax of $1,801.0 million (FY19: $346.1 million statutory net profit after tax). This is comprised primarily of FFO of $520.3 million, down from $689.3 million in FY19, offset by a property valuation loss of $1,717.9 million (FY19: $237.1 million) and an impairment of goodwill of $427.0 million. FY20 FFO was impacted by the effects of COVID-19, which included anticipated rental waivers to be provided to tenants, partly offset by cost saving initiatives implemented as part of Vicinity's response to COVID-19.

Distribution per security was 7.7 cents for FY20, compared to 15.9 cents in the prior year. The Board determined that no distribution would be paid for the six months to 30 June 2020 due to the uncertain impacts of COVID-19.

Mr Grant Kelley, CEO and Managing Director, said: "FY20 was an extraordinary year. In the first half, we achieved solid financial and operating performance and continued to strengthen the quality of the portfolio.

---

[1] For a reconciliation of FFO to statutory net profit, refer to Note 1(b) to the Financial Statements of the 2020 Annual Report released to ASX on 19 August 2020. FFO is a non-IFRS measure.

The majority of the second half was significantly impacted by the effects of COVID-19 on our business and our industry."

COVID-19 IMPACT AND VICINITY'S RESPONSE INCLUDING ACTIVE CAPITAL MANAGEMENT

Mr Kelley said: "With 400 million visitors to our centres annually, our primary focus during the pandemic has been on the health, safety and wellbeing of everyone who works in or visits our centres, our team members and the broader community.

"We have been extremely proud of the agile approach taken by our centre teams in response to the evolving COVID-19 situation. They have worked tirelessly to keep our centres open to ensure that our customers can continue to access essential goods and services safely, and our retailers can continue to operate their businesses safely.

"Government restrictions introduced to manage the spread of COVID-19 across Australia including 'stay-at-home' directives, physical distancing measures, border closures and travel limitations, along with community concern, had a material impact on the retail industry. Further, the mandated closure of specific store categories, resulted in centre visitation across Vicinity's portfolio falling to a low of 42% of the prior year in early April, prompting additional retailers to voluntarily close their stores on a temporary basis."

As the first wave of COVID-19 appeared to be contained in April 2020, government restrictions started to ease on a state by state basis. Outside Victoria and NSW, new COVID-19 infections became progressively lower and average centre visitation quickly improved. However, some states are experiencing a prolonged recovery period driven by:

- Ongoing domestic and international travel restrictions
- The delayed return of workers to CBD offices
- Victorian Stage 3 and Stage 4 restrictions which commenced in late June 2020, and
- Increased levels of community transmission and heightened restrictions in NSW.

Vicinity has been an active participant in the shopping centre industry response, with a priority focus on the safety of the community and measures to ensure the long-term success of the retail industry.

Mr Kelley said: "Property remains one of the few industries that is providing waivers, not only deferrals, of rent to impacted businesses, notwithstanding legal obligations under leases. We have been negotiating in good faith with both our SME[2] and non-SME retailers who have been impacted by COVID-19 to 'share the burden' and support them through these difficult times while balancing the need to secure future cash flows for Vicinity."

Of the short-term lease variations agreed to date, 86% of the rent relief has been in the form of waivers and 14% deferrals. Where lease extensions have been agreed as part of negotiations, leases have been extended by 17 months on average.

---

[2] Small and medium-sized enterprises.

Vicinity's 60 directly-owned retail properties were all independently valued at 30 June 2020. This resulted in a net valuation decline of 11.4%[3] for the six months to 30 June 2020. This primarily reflects the impact of COVID-19, including increased allowances for vacancy, downtime and leasing capital, and lower expectations for sales and market rental growth. The Flagship portfolio, including Chadstone, Premium CBD assets and DFOs, recorded a 9.1% net valuation decline[3]. The portfolio weighted average capitalisation rate softened 21 basis points over the second half to 5.47%.

Vicinity has made prudent financial decisions in response to the uncertainty caused by COVID-19, including:

- Reducing corporate overheads including the temporary stand down of team members on a full or partial basis, cancelling the FY20 Short Term Incentive award, and reducing Directors' fees and Executive Committee salaries by 20% for three months
- Negotiating $950 million of new or extended bank debt facilities to increase liquidity
- Reducing or deferring non-critical operational and capital expenditure
- Cancelling the June 2020 distribution payment, and
- Fortifying its balance sheet in June 2020 by undertaking the Equity Raising.

Mr Kelley said: "Our balance sheet is strong. We have deferred non-critical expenditure and reviewed the development pipeline. The $1.2 billion Equity Raising and our new and extended bank facilities have provided us with $2.1 billion of liquidity. Gearing of 25.5% is at the lower end of our 25% to 35% target range, we have well-diversified funding sources, and have retained our strong investment-grade credit ratings of A/stable (Standard & Poor's) and A2/negative (Moody's). These factors mean we are well placed to respond in FY21 as economic conditions evolve."

PORTFOLIO STRENGTHENED IN 1H FY20 AND DEVELOPMENT REPRIORTISED IN 2H FY20

Mr Kelley said: "We continued to enhance our portfolio during the first half of FY20 by divesting three non-core assets for a 0.4% discount to their combined book values; adding to our leading DFO portfolio with the acquisition of a 50% interest in Uni Hill Factory Outlets; and completing development projects at The Glen, Roselands and opening Vicinity's first hotel at Chadstone.

"Enhancing our portfolio, combined with our intensive asset management approach, resulted in continued improvement in portfolio metrics over the first half. COVID-19 materially impacted second half performance and will continue to cause uncertain conditions, particularly in our Victorian and CBD assets.

"We continue to work through rent relief negotiations with affected tenants to reach mutually-beneficial outcomes, and are taking this time to forge stronger, longer-term relationships with like-minded retailers. We are also advancing the planning for future mixed-use projects so we can be prepared to develop in a stronger post-COVID-19 market at the appropriate time."

---

3 30 June 2020 valuations and valuation movements reflect independent valuations as announced to ASX on 24 July 2020, less $24.5 million of additional allowances made for Victorian assets as a result of the increase in COVID-19 cases observed in Victoria in late June 2020. Refer to Note 4(c) to the Financial Statements of the 2020 Annual Report released to ASX on 19 August 2020 for further information. Vicinity ownership interest. Net valuation movements, which exclude statutory accounting adjustments.

Government mandated and voluntary temporary closures of stores resulted in the store open rate falling to a low of 42% in early April 2020, during the initial peak of the COVID-19 pandemic, and this has affected the comparability of some sales reporting figures. Total moving annual turnover (MAT) growth[4] was -7.0% (FY19: +2.7%) and specialty and mini majors MAT growth[4] was -10.3% (FY19: +3.1%). Specialty store productivity was $9,770 (FY19: $11,083) and portfolio occupancy was 98.6% (June 2019: 99.5%).

On Vicinity's development pipeline, Mr Kelley added: "We have re-prioritised our extensive development pipeline to preserve cash flow until economic conditions improve. This has resulted in the deferral of some projects, including the major redevelopment of Chatswood Chase Sydney. However, we are continuing to progress other opportunities without large near-term financial commitment, including the planning of major mixed-use developments."

The final stage of the major redevelopment of The Glen completed in October 2019. The construction of three luxury residential towers on-site by Golden Age Group is largely complete and settlement with purchasers is on track for December 2020. This third-party development includes the addition of more than 500 new residences that will contribute to future retail sales growth within the centre. Learnings from this integration of residential and retail uses will be used to progress other mixed-use opportunities across our portfolio.

In May 2020, Vicinity announced its 10-year vision for a 5.5 hectare site in the heart of Box Hill, which could realise up to 260,000 sqm of mixed-use additions, including a new town centre, 25-level office tower and 48-level residential tower. As Victoria's fastest-growing Metropolitan Activity Centre outside the CBD and with nearby health and education facilities, the site is prime for mixed-use development.

Joint owners Vicinity and Challenger released plans in July 2020 for the 11 hectare Bankstown Central site in Bankstown's CBD. The master plan takes advantage of the major bus interchange, future T3 metro station and the University of Western Sydney's new campus, and will realise up to 330,000 sqm of mixed-use space across 16 development sites to be developed on a demand-led basis.

COMMITMENT TO A SUSTAINABLE FUTURE

During the year, Vicinity installed solar panels across eight projects taking the total installations to 25.2 MW of power. Across its managed portfolio, Vicinity pursued continued improvements in environmental efficiency, achieving a 12% reduction in energy intensity and 17% carbon intensity from the previous year[5], with a 49% recycling rate.

---

4 Sales growth is reported on a comparable basis which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

5 Across comparable portfolio. Energy and carbon intensity reductions were 4% and 8% respectively for non COVID-19 impacted performance period (12 months to 29 February 2020), surpassing FY20 targeted 3% reduction for both energy and carbon intensity.

Mr Kelley said: "We recognise the importance of creating sustainable, market-leading destinations for the future. Vicinity is tracking well towards our Net Zero 2030 carbon target[6], having reduced our energy intensity by 20%[7] since June 2016."

WELL POSITIONED FOR LONG-TERM FUTURE GROWTH

Mr Kelley said: "The COVID-19 pandemic has accelerated consumer trends, including increased take-up of online retail spending. In addition, we have seen CBD office workers largely working from home, with an increase in the number of consumers shopping locally benefiting our suburban centres. Understanding this behaviour enables us to adapt our portfolio and operations to changing market and lifestyle trends.

"We believe Vicinity is well positioned to capitalise on these market and consumer changes over time, due to our strong data analytics capability, well-located market-leading destinations, and the embedded mixed-use opportunities which we are able to realise across the portfolio.

"While the pandemic impacts continue to be challenging, particularly in Victoria, we have seen that consumers want to return to shopping centres quickly when COVID-19 restrictions ease.

"As the effects of the pandemic continue to evolve globally, our highest priority remains the health, safety and wellbeing of everyone who works in or visits our centres, our team members and the broader community. We recognise fully the critical role which our centres continue to play in their local communities during this challenging time and will continue to adapt our business and operations to meet the changing needs of our consumers. Our near-term focus for FY21 is to stabilise centre occupancy and rental income while carefully managing costs.

"Following the Equity Raising this year, we have a strong balance sheet, with low gearing and a high level of liquidity, which positions us well to continue to deliver on our strategy in a measured way.

"We remain committed to our strategy of market-leading destinations, which we believe will continue to deliver returns for investors over the medium to long term, and offer an attractive platform for our retailers and our consumers."

Vicinity is not in a position at present to provide earnings and distribution guidance for FY21 as it would not be reliable in the current uncertain circumstances. Vicinity will continue to monitor trading conditions and will provide further updates as appropriate.

Additional detail on Vicinity's FY20 annual results can be found in the investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 10.30am (AEST) today and can be accessed via Vicinity's website at www.vicinity.com.au.

---

6 For our wholly-owned retail assets. Consistent with global carbon measurement standards, this applies to common mall areas.

7 12 months to 29 February 2020 (excluding COVID-19 impacted performance period from 1 March 2020).

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

ENDS

For further information please contact:

Penny Berger
Head of Investor Relations
T +61 2 8229 7760
E penny.berger@vicinity.com.au

Kat Rellos
Head of Corporate Communications
T +61 3 7001 4670
E katherine.rellos@vicinity.com.au

About Vicinity Centres
Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and $24 billion in retail assets under management across 64 shopping centres, making it the second largest listed manager of Australian retail property. The Group 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 the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 28,000 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.