ASX Release

Waypoint REIT

13 May 2021

Annual General Meeting Script

Chairman's Address – Laurence Brindle

The Notice of Meeting was distributed on 9 April 2021 and will be taken as read. The formal part of the Meeting comprises the presentation of the Financial Report, Directors' Report and Auditors' Report for the year ended 31 December 2020 (as detailed in the 2020 Annual Report), along with resolutions relating to:

- Re-election of Stephen Newton as a director;
- Adoption of the Remuneration Report for the year ended 31 December 2020;
- Granting of performance rights to the CEO, Hadyn Stephens; and
- Proposed amendments to the Company Constitution and Trust Constitution.

Before we move to the formal business of the meeting, I will provide a short address on key events impacting Waypoint REIT in 2020, before handing over to our CEO, Hadyn Stephens, to provide a brief recap on Waypoint REIT's financial performance in 2020 and a business update.

2020 was dominated by the onset of COVID-19 in Australia and throughout the world. Although the virus had, and continues to have, a devastating impact globally, Australia has thankfully managed to avoid the very worst of the pandemic. While COVID-19 impacted Waypoint REIT's operating environment, Waypoint REIT's performance in 2020 was not materially impacted as most of its income is generated from long-term leases with well-capitalised tenants that continued to provide essential services throughout the year. The Board is particularly pleased that Waypoint REIT was able to collect 99.9% of rent due during the year, whilst at the same time supporting the seven non-fuel tenants that qualified for rent relief under the Federal Government's Commercial Code of Conduct.

Although Waypoint REIT's performance was not materially impacted by COVID-19, 2020 was nonetheless an extremely busy one for the management team and Board, with key events and milestones including:

- A new senior management team, with Hadyn Stephens and Kerri Leech commencing as CEO and CFO respectively in January 2020;

- Viva Energy Australia's sale of its 35.5% security holding in Waypoint REIT in February 2020;

- The debt review event triggered across Waypoint REIT's $1.1 billion of debt facilities as a result of Viva Energy Australia's selldown, which was successfully navigated at a time of significant uncertainty in global capital markets due to the onset of COVID-19;

- The internalisation of Waypoint REIT's management function, which was agreed with Viva Energy Australia in May 2020 and became effective from 1 October 2020;

- Waypoint REIT's inaugural USPP issuance, with c. $250m of 7, 10 and 12-year notes issued in October 2020 to 9 US-based debt investors; and

- $325 million of bank debt facilities refinanced throughout the year.

Furthermore, 2020 was a pivotal year for Waypoint REIT in terms of both its corporate and ESG strategy, which are closely related and at least partly a result of a significant shift in the way the world views ESG-related issues, particularly climate change.

Our strategy re-set acknowledges that there are long-term 'mega trends' that will increasingly impact fuel and convenience operators and landlords over time, with the most obvious trend being the transition away from the traditional internal combustion engine to alternative fuels. Although the timeline for this transition is highly uncertain and is more likely to be a case of 'evolution rather than revolution', we believe that now is the right time for Waypoint REIT to begin preparing for it, with a focus on, firstly, supporting our tenants as they evolve and adapt their offerings over time, and secondly, ensuring that we own the right sites through active portfolio management. Implementing a capital management strategy that is in line with our portfolio strategy is also an area of focus for Waypoint REIT, and we are actively considering a range of initiatives on this front to enhance returns for our securityholders.

In relation to ESG, Waypoint REIT aligned its key areas of focus during 2020 with the United Nation's Sustainable Development Goals, and ESG matters will receive an increasing level of attention in relation to Waypoint REIT's operations moving forward. As the landlord rather than operator of our sites and the triple net lease nature of our portfolio, Waypoint REIT's ability to directly influence the sustainability of our sites is limited; however, we are in active dialogue with other stakeholders across our portfolio to identify ways we may be able to assist them improve efficiency and reduce emissions and are also seeking to better understand our own ability to unilaterally improve performance in this area.

As the owners of Waypoint REIT, our securityholders are naturally focused on the financial returns of the vehicle, and in this respect, I am pleased to report that 2020 was another very strong year.

Distributable EPS growth for the year was 4.25%, and Waypoint REIT has now delivered compound annual growth in Distributable EPS of 4.5% since IPO in 2016.

Waypoint REIT delivered a total return of 8.4% in 2020, 12.9% higher than the S&P/ASX 200 REIT Index, with the reliability of income from Waypoint REIT's essential services tenant base being highly valued by investors in the context of the uncertainty caused by COVID-19.

Waypoint REIT's consistent and growing distributable EPS has also underpinned significant outperformance by Waypoint REIT since IPO, with a total return of 60% to the end of 2020 being approximately four times higher than the S&P/ASX 200 REIT Index. Despite Waypoint REIT's relative performance moderating since the beginning of 2021, the total return performance since IPO is still significantly higher than the Index.

I would like to extend my thanks to the Board and management team for their continued commitment to the success of Waypoint REIT; and to our investors, we thank you for your continued support.

I would now like to invite Hadyn Stephens to address the meeting.

CEO's address – Hadyn Stephens

Thank you, Laurie.

FY20 highlights

Clearly 2020 was a challenging year for all; however, the non-discretionary and 'everyday needs' focus of the businesses operated by our tenants meant that Waypoint was relatively unaffected by COVID-19 and was able to collect 99.9% of rent due during the year. It was a strong endorsement of our business model that we were not only able to maintain our guidance through the worst of COVID-19 but were also able to upgrade guidance during the year.

To that end, Waypoint delivered Distributable EPS for the year of 15.15 cents, representing 4.25% growth on FY19, at the top end of our revised guidance range.

NTA per security as of 31 December was $2.49, representing an 8.7% increase for the year. The increase in NTA was underpinned by $177m of gross valuation uplift during the year, with Waypoint's WACR reducing from 5.81% in December 2019 to 5.62% at the end of 2020.

Strong valuation gains during the year also saw Waypoint's gearing fall to 29.4%, which is just below the bottom end of our target gearing range, which we have now revised to 30-40% to better reflect what we see as a sustainable gearing range moving forward.

It was a very busy year in terms of capital management, particularly the first half as we dealt with the implications of Viva's selldown of its 35% interest and the resulting debt review at a time of significant COVID-related uncertainty in global markets. The review event was successfully navigated by the team, and during the year we also refinanced $325m of debt and completed Waypoint's first USPP issuance. At the end of the year, our weighted average debt maturity was 4.3 years.

Waypoint invested $51.3m across five acquisitions and 12 fund-through developments during the year, with the majority of this being settled or committed in the first quarter, and lower volumes for the rest of the year as we digested the impact of COVID-19 and focused on liquidity, capital management and future strategy.

As foreshadowed at our half-year results, non-core asset disposals are now very much a part of Waypoint's strategy moving forward, and we exchanged contracts on two sites in 2020 for $5.5m or a 14.3% premium to June carrying values.

Waypoint's investment proposition remains strong, with secure rental income with embedded growth, underpinned by long-term leases to top-tier tenants. After taking into account acquisitions and disposals, at the end of 2020 Waypoint owned a network of 470 fuel and convenience properties with a total book value of $2.9 billion, Weighted Average Cap Rate of 5.62%, occupancy of 99.9% and a Weighted Average Lease Expiry of 10.8 years. The portfolio is tenanted by world-class operators focused on everyday needs and serves as essential economic infrastructure throughout Australia but with a strong weighting towards metropolitan locations along the eastern seaboard.

I would now like to provide you with a brief update on Waypoint's business year-to-date.

Business update: leasing

Turning to page 10 of the presentation, I am pleased to announce that Waypoint has resolved all five of the leases expiring in FY21, including three fuel leases with Viva Energy and two non-fuel leases. Terms have been agreed on all five, however Caboolture and Halfway Creek remain subject to formal approvals and documentation with Viva Energy. The overall result represents a positive rental reversion of 3.5% across the five leases, with a 3.8% uplift across the three Viva Energy leases. 99.5% of fuel income is now contractually secured until May 2026, with only two fuel leases expiring in this period.

Business update: non-core disposals

As mentioned earlier, non-core asset sales are a key part of Waypoint's strategy moving forward, and we have now sold three smaller metropolitan assets for a combined price of $8.1m, representing a 22% premium to their prevailing book value and reflecting continued strong demand for fuel and convenience assets, particularly those with long-term leases to strong covenants.

As outlined in our FY20 results, we intend to sell $20-30m of non-core assets in FY21, the majority of which are FY26 lease expiries, and we continue to work through our portfolio to identify further non-core assets for potential disposal, seeking to take advantage of the strong current market conditions.

Business update: operator performance

As outlined on page 12, Viva Energy and Coles Express have continued the strong performance seen in 2020 through to the first quarter of calendar 2021.

Despite a fall in fuel volumes relative to the same period last year, Alliance volumes continue to improve, and reached 61ML per week in March. Retail fuel margins remain strong, and premium petrol sales were up 11% and now represent almost one-third of total petrol sales.

Coles Express delivered same store sales growth of 6.3% for the quarter, driven by core convenience categories (food-to-go, drinks and confectionery) and double-digit growth in coffee sales on the back of the rollout of self-service coffee machines across the Alliance network.

FY21 priorities and outlook

Finally, before I hand back to Laurie for the formal part of the meeting, I would like to reiterate Waypoint's priorities and outlook for FY21 as summarised on page 13.

With the resolution of the five FY21 leases expiries, our focus for the core portfolio turns to leasing two small non-fuel tenancies in the portfolio, and we continue to discuss potential capital reinvestment opportunities across the portfolio with VEA and Coles.

Although we remain on the look-out for high quality acquisition opportunities that will improve the overall quality of our portfolio, the strength of the direct market at present and the lack of compelling acquisition opportunities means that Waypoint currently has a disposal bias, with our FY21 guidance currently assuming no acquisitions and $20-30m of disposals during the year.

Prudent capital management is an integral part of Waypoint's strategy, not only in terms of exploring opportunities to diversify funding sources and term out our debt and swap books, but also in making sure that our gearing and liquidity positions are aligned with our portfolio strategy.

To this end I am pleased to announce that we have recently secured a new $100m four-year bilateral debt facility to refinance Waypoint's $68m FY22 exposure, meaning that Waypoint now has no debt facilities expiring until June 2023.

We continue to investigate options to potentially return capital to investors, particularly given our current assumption that we are likely to be a net seller of assets this year. We will update the market if and when any decision is made in this regard.

Finally, I am pleased to confirm that our FY21 earnings guidance remains unchanged, with target Distributable EPS of 15.72 cents, representing 3.75% growth on FY20. As always, this guidance remains subject to no material change in market conditions and no other factors adversely affecting Waypoint REIT.

I will now hand back to Laurie for the formal part of today's proceedings.

Authorised by:
The Board of Waypoint REIT

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About Waypoint REIT

Waypoint REIT is Australia's largest listed REIT owning solely service station and convenience retail properties with a high quality portfolio of properties across all Australian States and mainland Territories. Waypoint REIT's objective is to maximize the long-term income and capital returns from its ownership of the portfolio for the benefit of all security holders.

Waypoint REIT is a stapled entity in which one share in Waypoint REIT Limited (ABN 35 612 986 517) is stapled to one unit in the Waypoint REIT Trust (ARSN 613 146 464). This ASX announcement is prepared for information purposes only and is correct at the time of release to the ASX. Factual circumstances may change following the release of this announcement.

Please refer to the Waypoint REIT website for further information waypointreit.com.au