

ASX / MEDIA ANNOUNCEMENT

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SCA PROPERTY GROUP ANNOUNCES FY15 RESULTS

SCA Property Group (ASX: SCP) ("SCP" or "the Group") is pleased to announce its results for the twelve months ended 30 June 2015.

Financial highlights:

- Statutory net profit after tax of \$150.5 million, up by 34.9% on the same period last year
- Funds From Operations ("FFO") of \$80.1 million, up by 14.8% on the same period last year
- Distributable Earnings of 12.8 cents per unit ("cpu") ⁽¹⁾, up by 2.9% on the same period last year
- Distribution of 11.4 cpu, up by 3.6% on the same period last year, representing a payout ratio of 89% ⁽¹⁾
- Completed US private placement, A\$ medium term note issue, bank debt refinancing and interest rate swap restructuring, resulting in a weighted average cost of debt of 4.0% and weighted average debt maturity of 6.3 years as at 30 June 2015
- Portfolio value of \$1,895.4 million, up by \$254.6 million since 30 June 2014, largely due to acquisitions and revaluations
- Net tangible assets per unit of \$1.77, up by 7.9% from \$1.64 per unit as at 30 June 2014
- Management expense ratio ("MER") of 0.55%, down from 0.65% for the same period last year
- FY16 Distributable Earnings guidance of 13.3 cpu, and FY16 cash Distributions guidance of 12.0 cpu

Operational highlights:

- Specialty vacancy of 3.9% by GLA and total portfolio occupancy of 98.9% by GLA ⁽²⁾
- Continued relatively solid sales growth for supermarket anchors and specialties
- Eight neighbourhood centre acquisitions completed during the period for \$233.1 million. In addition, we agreed to acquire Clemton Park on completion (expected to be late in calendar year 2016) for \$48.0 million. Completion of Greystanes, the final development property from Woolworths and the sale of Margaret River
- The launch of our first retail fund "SURF 1" containing five of SCP's non-core assets to be acquired from SCP for \$60.9 million, a 12% premium to book value as at 31 December 2014

(1) Based on weighted average units on issue during the year to 30 June 2015 of 658.0 million. Distributable Earnings per unit is calculated as Distributable Earnings of \$84.3 million divided by 658.0 million. Payout ratio is calculated as 11.4cpu divided by 12.8cpu.

(2) As at 30 June 2015, excludes Lismore which is under development. Including Lismore portfolio occupancy would be 98.8% and specialty vacancy would be 4.3%

Chief Executive Officer, Anthony Mellowes, said: "We are pleased to report another solid result for the 12 months to 30 June 2015, a period which saw the Woolworths rental guarantee substantially concluded and our specialty vacancy rate reduced to 3.9% which is now within our target range of 3% to 5%."

"We have now increased our focus on optimizing the performance of our centres. Our young centres have a lower specialty rent per square metre than comparable centres, and we are confident that we will be able to increase rent/sqm over the next few years. During FY15 we had 50 specialty tenant renewals, and an average rental uplift of 7.3% was achieved. This is a positive start to our first rent renewal cycle which will continue through FY16 to FY20."

"We have continued to grow our portfolio through accretive acquisitions. While the competition to acquire quality neighbourhood shopping centres has increased, and yields continue to firm, we are confident that we can continue to leverage our relationships and knowledge in the sector to source further off-market transactions that meet our investment criteria."

"We will continue to take advantage of the development opportunities in our portfolio. The refurbishment of Lismore is nearing completion, and we have identified over \$100 million of other development opportunities in our portfolio in the near term."

"In terms of capital management we have had an active year, raising \$210 million through a US private placement in August 2014, followed by a \$175 million Australian dollar medium term note raising in April 2015. We also completed a unit purchase plan in April 2015 raising \$62 million of equity and followed that with an \$80 million equity placement in June 2015. As a result of these initiatives we have a very strong balance sheet with weighted average cost of debt reduced to around 4.0%, weighted average term to maturity of our debt increased to 6.3 years, diversified funding sources, and gearing maintained at 33.3% toward the lower end of our target range."

"Finally, we are pleased to have launched our first retail fund "SURF 1" in July 2015. SURF 1 contains five assets that SCP classifies as non-core because they are relatively small freestanding assets. We believe retail funds management offers further growth opportunities for our unitholders, with minimal incremental costs or capital investment required."

Financial performance

Earnings

The Group recorded a statutory net profit after tax of \$150.5 million, up by 34.9% on the same period last year. This was supported by positive revaluations of our property portfolio and the mark-to-market value of derivatives.

Excluding these and other non-cash items, Funds From Operations ("FFO") was \$80.1 million, up 14.8% on the same period last year. Key drivers of this strong performance were the reduction in specialty vacancy levels, acquisitions, completion of developments and lower cost of debt.

Distributable Earnings for the period was 12.8 cpm being 2.9% above the same period last year.

Property valuations

The value of investment properties increased to \$1,895.4 million during the period (from \$1,640.8 million at 30 June 2014), due to a combination of acquisitions and valuation uplifts. Acquisitions contributed \$256.8 million to the value of investment properties, and valuation uplifts contributed \$67.9m representing approximately a 4.1% valuation increase on a like-for-like basis. Disposals reduced the value of investment properties by \$77.1 million, being Margaret River for \$16.2 million and the five non-core properties to be sold into SURF 1 for \$60.9 million. The remaining \$7.0 million uplift was due to straight lining adjustments and capital expenditure, offset by depreciation of the New Zealand Dollar.

In Australia, the value of completed properties (including the SURF 1 properties valued at \$60.9 million) increased to \$1,748.3 million (from \$1,406.7 million as at 30 June 2014) with capitalisation rates firming

from 7.86% to 7.48%. The value of our New Zealand properties reduced to A\$208.0 million (from A\$210.8 million as at 30 June 2014) with firming of capitalisation rates from 7.68% to 7.56% offset by depreciation of the New Zealand dollar.

Net tangible assets

The Group's net tangible assets ("NTA") per unit is \$1.77, an increase of 13cpu or 7.9% from \$1.64 as at 30 June 2014. This is primarily due to property valuations (11cpu), derivative mark-to-market (7cpu) and units issued above NTA (3cpu), offset by increased value of our US\$ debt (-5cpu), interest rate swap breakage costs (-2cpu) and the stronger New Zealand Dollar (-1cpu).

Capital management

The Group maintains a prudent approach to managing its balance sheet. Gearing was 33.3% as at 30 June 2015 (compared to 32.6% as at 30 June 2014), comfortably within our gearing policy range of 30% to 40%. At 30 June 2015, the Group had cash and undrawn facilities of over \$150 million.

In August 2014, we issued US\$150 million and A\$50m of notes under a US private placement. The US\$ component was swapped back to A\$159.8 million, and all future US\$ coupon and principal payments have been fully hedged. With the proceeds of the USPP, we repaid and refinanced some of our bank debt facilities. We have expensed all of the unamortised upfront fees associated with the repaid bank facilities (\$2.2 million).

In April 2015, we issued A\$175 million of Australian dollar medium term notes with a fixed rate term of six years. As a result of this transaction we also restructured our interest rate swap book and paid \$14.6 million to cancel the pre-existing Australian interest rate swaps.

The combined impact of these initiatives are that our weighted average cost of debt has reduced materially to around 4.0% as at 30 June 2015 (from 4.9% as at 30 June 2014) and our weighted average term to maturity has increased to 6.3 years (from 3.5 years at 30 June 2014).

We also raised \$146.2 million in equity during the year through the dividend reinvestment plan in January 2015 (\$4.1 million), the unit purchase plan in April 2015 (\$62.1 million) and the institutional placement in June 2015 (\$80.0 million).

Distributions

SCP aims to deliver sustainable and growing distributions to its unit holders. In January 2015, SCP paid a distribution in respect of the six month period to 31 December 2014 of 5.6 cpu, and has declared a final distribution in respect of the six month period to 30 June 2015 of 5.8 cpu, bringing full year distributions to unitholders to 11.4 cpu. This represents a payout ratio of 89%, and an increase of 3.6% on the prior year. The estimated tax deferred component is 74%, higher than the prior year due to tax losses on the cancellation of interest rate swaps, the sale of Margaret River and the re-development of Greystanes.

The Distribution Reinvestment Plan ("DRP") was activated for the first time for the first half distribution. Under that plan, in January 2015, we issued 2.2 million units at an issue price of \$1.85 per unit, representing an implied take-up rate of around 11% of units on issue. In August 2015 we anticipate issuing 3.3 million units at an issue price of \$2.09 per unit, representing an implied take-up rate of around 16% of units on issue.

Small unitholder sale facility

During the first half of the financial year we conducted a small unitholder sale facility for unitholders holding less than \$500 worth of SCP units. Largely as a result of this facility, we have now reduced our number of unitholders to around 78,000 (from around 112,000 as at 30 June 2014, and from over 430,000 in December 2012). This is expected to generate ongoing savings in corporate costs from FY16.

Operational performance

Specialty leasing project

SCP has achieved a specialty vacancy rate of 3.9% as at 30 June 2015, in the middle of our target range of 3% to 5%. This number excludes Lismore, which is currently under redevelopment. The reduction in vacancy levels across the portfolio has been achieved by leasing 114 new specialty stores during the year.

As a result of this deal activity and store opening schedule, we have spent \$9.6 million on leasing costs, landlord works and fitout incentives during FY15. This is a one-off spike due to the “specialty leasing project”. In addition, we spent \$1.0 million on maintenance capex. In FY16 we expect to spend less than \$7 million in total on leasing costs, landlord works, fitout incentives and maintenance capex.

Centre optimisation

Our focus has now turned toward centre optimisation. This will include some remixing of tenants, and preparation for renewal uplifts as specialty expiries occur over the next 2-3 years. Our specialty rent per square metre is lower than industry benchmarks for our type of centres, and our specialty occupancy cost is around 10%. We expect to be able to achieve significant rental renewal uplifts over coming years. During FY15 we completed 50 specialty rent renewals, with an average rental uplift of 7.3% achieved.

Strong underlying sales growth continues

Our centres continue to grow. The comparable store sales MAT growth for the 12 months to 30 June 2015, for stores open more than 24 months, was:

- Australian supermarkets: 2.1%
- New Zealand supermarkets: 6.0%
- Specialty stores: 5.6%

While Australian supermarket sales growth has slowed, these growth rates are still higher than our listed market peers and above Woolworths comparable store sales growth averages. The higher growth rates in our centres are due to the relative youth of our portfolio, larger than average supermarket store sizes, and many of the properties being located in growth corridors. The sales growth being generated by our centres is likely to continue to moderate to more normalised levels over time as the centres mature.

Acquisitions, disposals and developments

During the year we acquired eight neighbourhood centres for \$233.1 million. In addition, we entered into agreements to acquire a new neighbourhood centre under development at Clemton Park in Sydney for \$48.0 million (completion expected for late 2016) and completed the acquisition of the final development property from Woolworths, Greystanes, in October 2014. We also completed the sale of Margaret River in April 2015.

We have almost completed the refurbishment of Lismore with total development capex expected to be \$7.3 million returning an IRR in excess of 10%. We have identified 16 other centres in our portfolio with development potential amounting to over \$100 million of investment over the next 5 years.

Strategy and outlook

The key priority for the Group in FY16 is to optimise our centres by continuing to improve our tenancy mix and by ensuring that centre standards are maintained at a high level. This will support ongoing strong sales growth for our specialty tenants, which will enable further positive rent reversions and increasing rent per square metre over the next few years.

We remain committed to our core strategy which is to deliver sustainable earnings and distribution growth, by optimising the performance of the existing portfolio, by executing further acquisitions of convenience-based shopping centres, by investing in value enhancing development opportunities within our existing portfolio and by growing a funds management business.

Earnings guidance

We expect FY16 Distributable Earnings to increase to 13.3 cpu (3.8% above FY15), and FY16 Distributions to increase to 12.0 cpu (5.3% above FY15).

FY16 earnings will be impacted by the deleveraging effect of the launch of SURF 1, as the lost income from the centres to be sold will be greater than the fee income generated from the fund and the interest expense savings from the sale proceeds. In addition, in order to achieve further rental uplifts in FY16 and beyond we need to ensure that our centre standards are maintained at a high level. To achieve this we intend to continue to increase our property operating spend, particularly in the areas of repairs and maintenance, cleaning, safety improvements and security.

A webcast of the investor briefing will be available at www.scaproperty.com.au on Tuesday 18 August 2015 at 9:00am (AEST).

ENDS

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About SCA Property Group

SCA Property Group (SCP) includes two internally managed real estate investment trusts owning a portfolio of quality sub-regional and neighbourhood shopping centres and freestanding retail assets located across Australia and New Zealand. The Group invests in shopping centres predominantly anchored by non-discretionary retailers, with long term leases to tenants such as Woolworths Limited and companies in the Wesfarmers Limited group

(such as Coles). The Group is a stapled entity comprising Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788).