

2 May 2016

## **\$219M Portfolio Acquisition and \$104.5M Entitlement Offer**

Aventus Capital Limited (the **Responsible Entity**) as responsible entity for Aventus Retail Property Fund (the **Fund**) today announces that it has entered into an unconditional off-market agreement to acquire a portfolio of five large format retail (**LFR**) centres located across New South Wales, Victoria and Queensland (**Acquisition**) for \$219 million.

The features of the Acquisition portfolio are:

- strategically located properties heavily weighted towards metropolitan Sydney and Brisbane (90% by value);
- a weighted average capitalisation rate of 7.38% and a value of \$2,523 per sqm<sup>1</sup> that is supported by independent valuations;
- stable income streams with 83% of the portfolio leased to national / listed retailers<sup>1</sup> including Bunnings, Harvey Norman, Freedom Furniture, Spotlight and The Good Guys;
- structured rental growth with 90% of leases<sup>2</sup> subject to fixed or CPI annual rent increases; and
- value-add potential through active asset management and potential development initiatives<sup>3</sup>.

Together with the Acquisition, the Fund is undertaking a fully underwritten 3 for 20 accelerated non-renounceable entitlement offer of units in the Fund (**Units**) at a fixed issue price of \$2.03 to raise \$104.5 million (**Equity Raising**). Proceeds from the Equity Raising will be used to partially fund settlement of the Acquisition<sup>4</sup>, with the balance funded using existing debt facilities, including a new \$100 million tranche to be entered into with certain lenders under existing debt facilities<sup>5</sup>.

Aventus Property Group CEO Darren Holland said, "The Acquisition represents a rare opportunity to acquire five quality properties in one transaction and we are delighted to have secured the portfolio off-market. This deal reinforces the Fund's strategy to consolidate the highly fragmented LFR sector and will enable us to extract operational synergies as well as offer our tenants a portfolio of key retail locations. Importantly the Acquisition extends the Fund's footprint in the strategic retail precincts of metropolitan Sydney and Brisbane. On completion, the Fund will own a diversified portfolio of 20 LFR centres, with over 470,000 sqm of retail showrooms, on site area of over 1,094,000 sqm and valued at approximately \$1.2 billion. This transaction represents the next exciting stage for the Fund and the evolving LFR sector."

### **IMPACT OF THE TRANSACTION**

Following completion of the Transaction:

- The value of the Fund's portfolio will increase by 22% to \$1,195 million<sup>6</sup>;
- 1H17 FFO per Unit is forecast to be 8.7 cents<sup>7</sup>

<sup>1</sup> By GLA at 31 March 2016

<sup>2</sup> By gross income at 31 March 2016

<sup>3</sup> Further development of certain properties may be subject to contractual and regulatory approvals including planning approvals from relevant local government authorities

<sup>4</sup> Proceeds of the Equity Raising will partially fund settlement of the Acquisition (pursuant to the acquisition agreement, settlement is expected to occur in late May following completion of the Equity Raising, and in any event, no later than 1 July 2016)

<sup>5</sup> The Responsible Entity has received commitment letters from certain of its current lenders to provide a new \$100m tranche under its existing debt facilities. Final facility documentation will be entered into prior to completion of the Acquisition

<sup>6</sup> Based on independent valuations in respect of the Acquisition and excluding the preliminary draft valuations for five existing properties as outlined in the investor presentation released to the ASX today

<sup>7</sup> FFO is a proxy for cash available for distribution, being net profit adjusted for non-cash items, and one-off and non-recurring items. The forecast financial information included in this announcement is based on forecast assumptions consistent with section 6.5 of the product disclosure statement prepared in connection with the Fund's initial public offering and listing on ASX, and includes the impact of previously announced acquisitions and the Transaction (assuming Transaction settlement and draw down on existing debt facilities, including the new tranche to be entered into with certain lenders under the existing debt facilities, by no later than 1 July 2016). The forecast financial information included in this announcement is subject to the risks set out in Appendix C of the investor presentation released to the ASX today

- Increase of 4.0% against the PDS forecast of 8.3 cents
- 1H17 distribution per Unit is forecast to be 7.75 cents<sup>8</sup>
  - Increase of 3.5% against the PDS forecast of 7.50 cents
- Distribution for the quarter ending 30 June 2016 is expected to be 3.68 cents<sup>9</sup>
- The Fund's gearing will be 37% on a pro forma basis as at 31 December 2015<sup>10</sup>, which is within the target gearing range of 30-40%

The Responsible Entity has received preliminary draft independent valuations for five of its existing properties indicating an aggregate increase of \$46 million on prior independent valuations<sup>11</sup>. Gearing is expected to reduce when these valuations are adopted as at 30 June 2016<sup>12</sup>.

### **EQUITY RAISING**

The Equity Raising comprises a fully underwritten 3 for 20 non-renounceable entitlement offer to raise \$104.5 million at a fixed issue price of \$2.03 per Unit.

The issue price represents a:

- 6.0% discount to the last traded price of \$2.16 on Friday, 29 April 2016
- 4.1% discount to the 5-day VWAP of \$2.12 to Friday, 29 April 2016
- 5.3% discount to the TERP of \$2.14<sup>13</sup>
- forecast annualised 1H17 distribution yield of 7.64% on the issue price<sup>14</sup>

New Units issued under the Equity Raising will rank equally with existing Units in the Fund and will be fully entitled to the distribution for the quarter ending 30 June 2016, which is expected to be 3.68 cents per unit<sup>9</sup>.

The Equity Raising is fully underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch (**Underwriters**).

In order to facilitate participation by both existing and new investors and to enhance liquidity and free float market capitalisation, entities associated with Brett Blundy will not take up their entitlements. However to indicate his support for this transaction, an entity associated with Brett Blundy will enter into an arm's length sub-underwriting commitment with the Underwriters for an amount equal to the aggregate entitlements of all entities associated with Brett Blundy (approximately \$35.3 million)<sup>15</sup>.

### **DRAFT INDEPENDENT VALUATIONS**

<sup>8</sup> Based on a payout ratio of 90% of FFO for 1H17. Actual distributions received by non-resident unitholders may vary to the extent the Fund qualifies as a MIT. Forecast 1H17 FFO is based on the assumptions set out in footnote 7, and is subject to the risks outlined in Appendix C of the investor presentation released to the ASX today

<sup>9</sup> The expected 4Q16 DPU is the same as the DPU paid for 3Q16. The implied payout ratio for FY16 is forecast to be 91-93% of FFO (assuming the Acquisition settles between late May 2016 and 1 July 2016), which is within the target range of 90-100% but higher than the forecast for 1H17. This outcome is primarily due to the impact of issuing new Units under the Equity Raising part way through the quarterly distribution period but with full entitlement to the 4Q16 distribution and the timing of Acquisition settlement after issuing new Units

<sup>10</sup> The gearing ratio is calculated as total debt less cash divided by total assets less cash. Total debt includes the debt funding to be drawn to fund the Acquisition. The availability of the debt funding will be conditional upon finalisation of documentation and satisfaction of conditions to drawdown. See pro forma balance sheet in Appendix B in the investor presentation released to the ASX today for further details

<sup>11</sup> The net increase amount takes into consideration Tuggerah's total estimated project cost of \$11.5 million, excluding capital interest expense

<sup>12</sup> The Board of the Responsible Entity is yet to review and approve the valuations but will do so prior to 30 June 2016 in line with its portfolio revaluation policy. The preliminary draft independent valuations are subject to market movements up to 30 June 2016

<sup>13</sup> The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Units should trade after the ex-date for the Equity Raising. TERP is a theoretical calculation only and the actual price at which Units trade immediately after the ex-date for the Equity Raising will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the last traded price of \$2.16 on Friday, 29 April 2016

<sup>14</sup> Based on a payout ratio of 90% of FFO for 1H17. Actual distributions received by non-resident unitholders may vary to the extent the Fund qualifies as a MIT. Forecast 1H17 FFO is based on the assumptions set out in footnote 8, and is subject to the risks outlined in Appendix C of the investor presentation released to the ASX today

<sup>15</sup> The entity associated with Brett Blundy that has entered into the sub-underwriting commitment with the Underwriters will receive a fee from the Underwriters based on that sub-underwriting commitment consistent with the fee arrangements entered into by the Underwriters with other third-party sub-underwriters. The participation of entities associated with Brett Blundy in the Equity Raising as sub-underwriter is not expected to have any material control implications for the Fund

The Responsible Entity has received preliminary draft independent valuations for five of its existing properties (Belrose Super Centre, Kotara Home and Tuggerah Super Centre in New South Wales, Ballarat Home in Victoria and Midland Home in Western Australia) which will be adopted as at 30 June 2016<sup>12</sup> which:

- Indicate an aggregate \$46 million, or 14% increase on prior independent valuations<sup>11</sup>; and
- Reflect a WACR of 7.24% which represents a reduction of 54bps from prior valuations.

The preliminary valuations increase takes into account annual rent increases, market rent reviews, completion of a number of asset management and development initiatives together with reductions in capitalisation rates.

#### **ADDITIONAL INFORMATION**

Additional information regarding the Acquisition and Equity Raising is contained in the investor presentation released to the ASX today. A Retail Offer Booklet will be released separately and mailed to Eligible Retail Unitholders.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact the Fund's Information Line on 1300 853 809 (from within Australia) or + 61 1300 853 809 (from outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday during the Retail Offer Period.

#### **For further information please contact:**

##### **Investor inquiries**

Darren Holland or Lawrence Wong  
Aventus Property Group  
02 9285 6700

##### **Media inquiries**

Fleur Jouault  
GRACosway  
02 8353 0419

#### **Important information**

No representation or warranty is given as to the accuracy or likelihood of achievement of any forward-looking statement in this document, or any events or results expressed or implied in any forward-looking statement. These forward looking statements can generally be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "propose", "will", "outlook", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions and include but are not limited to statements relating to the impact of the Acquisition, the future performance of the Fund and the outcome and effects of the offer and use of proceeds. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and are by their nature subject to significant uncertainties, risks and contingencies. Actual results or events may differ materially from any expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Past performance is not a reliable indicator of future performance. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based on and not place reliance on such statements. To the maximum extent permitted by law, the Responsible Entity and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any changes in expectations or assumptions.

An investment in Units in the Fund is subject to investment and other known and unknown risks, some of which are beyond the control of the Responsible Entity, including possible loss of income and capital invested. Persons should have regard to the key risks outlined in Appendix C of the investor presentation released to the ASX today. The Responsible Entity does not guarantee any particular rate of return or the performance of the Fund nor does it guarantee the repayment of capital from the Fund or any particular tax treatment.

This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the Units nor entitlements have been, or will be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, neither the Units nor the entitlements may be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.