



ELANOR RETAIL PROPERTY FUND

1HFY19 Results Presentation

18 February 2019

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1H FY19 Highlights

1HFY19 Results Highlights

Core Earnings	\$6.3m 9.6% decrease on 1HFY18
Comparative Core Earnings	\$7.2m 2.9% increase on 1HFY18
Distributions Per Security	4.65c 9.6% decrease on 1HFY18
NTA Per Security	\$1.46 2.7% decrease from 30 June 2018
Portfolio Avg Cap Rate	6.8% 4 basis point tightening since 30 June 2018
Gearing ¹	38.0% Decreased from 38.2% as at 30 June 2018

- Core Earnings includes:
 - Rental downtime for Tweed Mall ALDI repositioning strategy
 - Performance fee accrual for the period from listing to 31 December 2018
- 2.9% increase in Comparative Core Earnings (excluding the performance fee accrual and rental downtime at Tweed Mall)
- 95% Core Earnings payout ratio
- Property valuations resulting in decrease for Manning Mall, partially offset by other properties
- Portfolio average cap rate maintained
- Manning Mall cap rate firmed from 7.25% to 6.88% reflecting Target's 5 year lease renewal
- \$46m debt facility extended for a five year term
- Average debt maturity increased to 3.3 years, from 2.1 years as at 30 June 2018
- Maintained weighted average cost of debt at 4.0% p.a.
- Gearing is within ERF's target range

1. Net debt / total assets less cash

Execution of Strategic Initiatives

Auburn Central – Strategic initiatives

- Sale of non-core podium strata tenancies successfully completed, realising \$21.8 million
- Negotiations progressing well for repositioning of DDS space. Management anticipates strong value appreciation in the near term
- Acquired adjoining site in January 2019, providing flexibility for DDS repositioning strategy

Tweed Mall – Retail Repositioning

- Agreement for Lease with ALDI for 15 year term (with 2 x 5 year options)
- ALDI's introduction has generated strong specialty leasing interest as a catalyst for the remix strategy, focusing on non-discretionary retailers
- ALDI's expected opening in July 2019 is forecast to generate a 10%+ increase in total centre sales and significantly increase foot traffic

Tweed Mall – Development Master Planning and Staging

- Mixed use concept master planning and staging progressing well
- Development approval for master plan and Stage 1 DA targeted for lodgment in late 2019
- Initial discussions commenced with development / delivery partners for alternative uses

Enhanced Management Capability

- Elanor has invested to further strengthen the Fund's asset and development management capability to execute ERF's strategic value-add initiatives

Execution of Major Leasing Initiatives

Manning Mall – Target






















- Successful Target lease renewal for a 5 year term at a capped-occupancy cost
- Secures anchor tenant and future cash flows for the centre by extending centre WALE to 4 years
- Improved valuation cap rate from 7.25% to 6.88%

Tweed Mall – ALDI

- Agreement for Lease with ALDI for 15 years with 2 x 5 year options
- Construction on target for ALDI opening in July 2019
- ALDI's introduction has generated strong specialty leasing interest as a catalyst for the specialty tenant remix strategy, focusing on non-discretionary retailers
- Upon opening, ALDI is forecast to generate a 10%+ increase in total centre sales and significantly increase foot traffic



Strong Operational and Strategic Upside

			Status	Short Term <12 months	Medium Term 1 – 3 years	Long Term 3 years +
	Asset Recycling Development	Divest non-core podium strata lots Repositioning of DDS space	Completed Negotiating	\$22 million realised 		
	Leasing Development Development	Introduction of Aldi and specialty remix Mixed-use concept master-planning and staging Mixed-use development partnership and delivery	In progress In progress In progress	  		
	Leasing Development	Renew Target Lease Introduction of fast food Mini Major	Completed Negotiating	Target renewed for 5 year term 		
	Leasing Operational	Specialty leasing and remixing of tenancies Car park improvements	In progress Negotiating	 		
	Operational	Internal playground to increase shopper 'dwell time'	In progress			
	Asset Recycling	Consider divestment of this asset				
	Development Asset Recycling	Develop pad sites Sell pad sites	Ongoing	 		
	Operational	Drive electricity and other operating cost efficiencies	Ongoing			
	Acquisitions	Acquisition of further accretive, high investment quality shopping centres from capital recycling proceeds	Ongoing			



ERF Strategy

Fund Strategy and Investment Philosophy

Invest

Invest in retail properties that provide strong earnings from a diversified retail tenant mix (with a focus on non-discretionary retailers and high strategic real estate value)

Active Asset Management

Implement active leasing and other asset management initiatives to grow the income and value of the Portfolio

Reposition Assets

Implement development and repositioning strategies at the Portfolio properties

Capital Structure Management

Maintain a conservative capital structure with a target gearing range of between 30% and 40%

to deliver...

Strong Risk-Adjusted
Return

Operational Upside

Strategic Upside

resulting in a...

**Low Risk Retail REIT
with significant NTA Value Upside**

Review of Fund's Portfolio

ERF's portfolio contains non-discretionary retail properties with differing investment attributes



- The current market outlook for shopping centre investment is creating opportunities for active real estate fund managers with strong capability and extensive experience in value-add retail asset management
- ERF has the capability to assess and deliver investment returns by identifying and realising the highest and best use for underlying shopping centre real estate as a result of executing alternative use, repositioning and development strategies

Management have commenced a strategic review to examine options and capital management initiatives to:

- Increase the Fund's investment in shopping centre assets which meet specific value-add investment criteria
- Generate high risk-adjusted total returns by capitalising on:
 - ERF's competitive advantage in delivering value in relation to the highest and best use of underlying shopping centre real estate; and
 - Prevailing retail investment opportunities

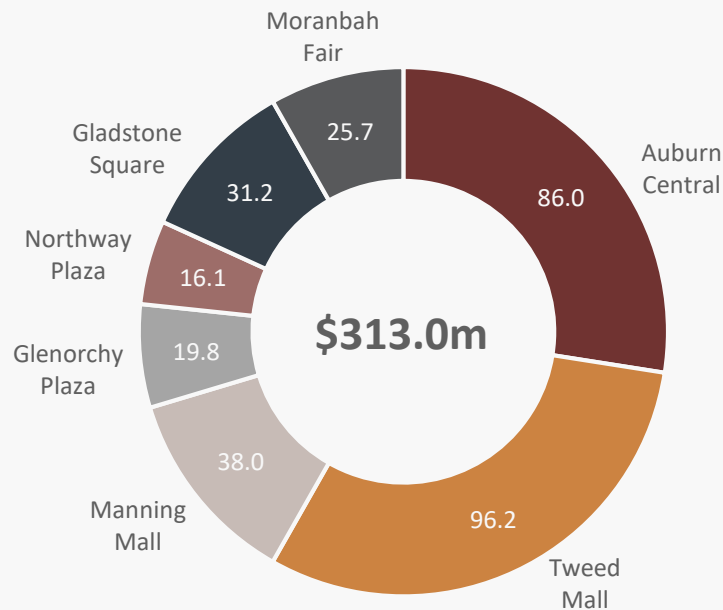


Portfolio Overview

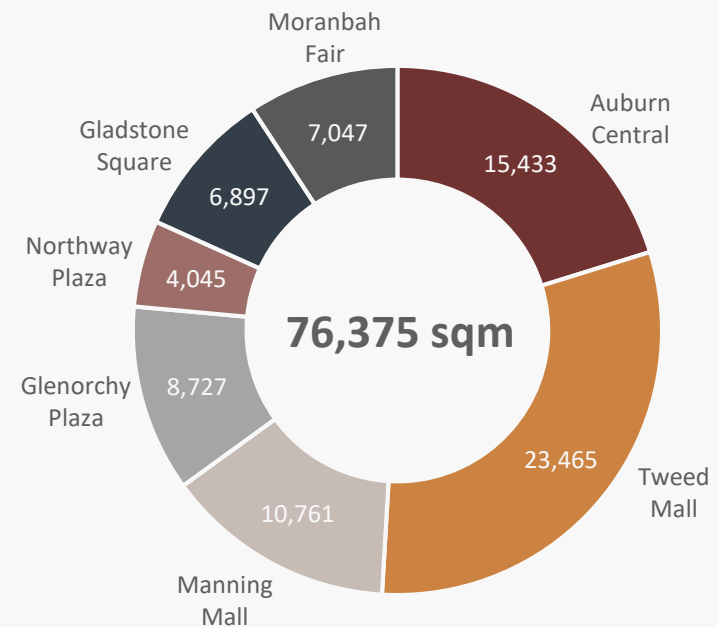
ERF's Portfolio is currently valued at \$313.0m

As at 31 December 2018, the Portfolio comprises seven high investment quality retail shopping centre assets valued at \$313.0m

PORTFOLIO BY VALUE



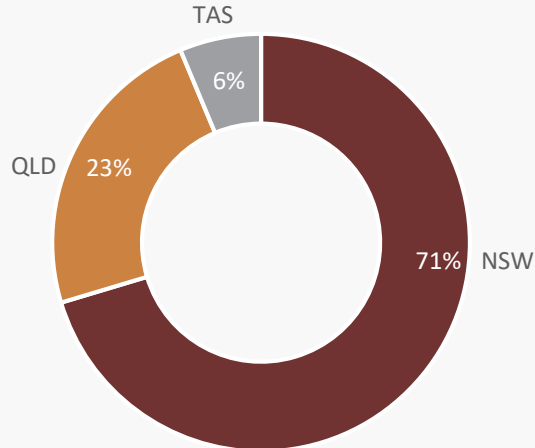
PORTFOLIO BY LETTABLE AREA



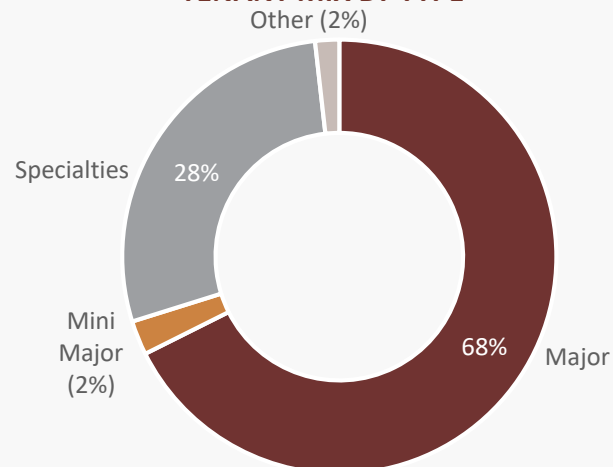
Portfolio Snapshot

Type of Shopping Centre	Number of Centres	Valuation (\$m)	Cap Rate	Lettable Area (sqm)	Occupancy ¹	WALE (Income)
Sub-Regional	4	240.0	6.5%	58,386	98.1%	4.1yrs
Neighbourhood	3	73.0	7.8%	17,989	98.2%	6.1yrs
Total	7	313.0	6.8%	76,375	98.1%	4.6yrs

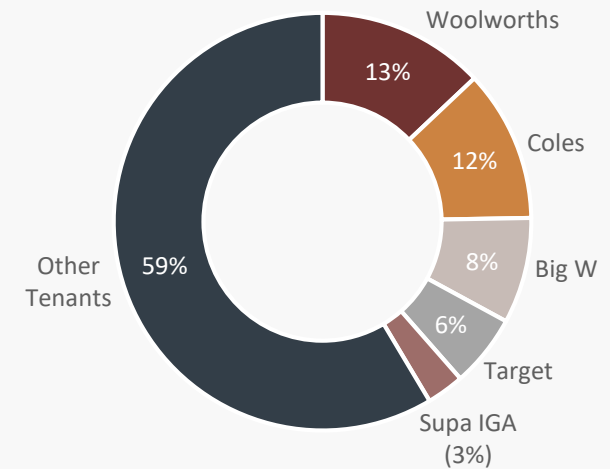
GEOGRAPHIC DIVERSIFICATION²



TENANT MIX BY TYPE³



KEY TENANTS⁴



1. By Lettable Area and includes the impact of Rental Guarantees. See slide 15 for more information
2. By asset value
3. By lettable area
4. By base rent

Assets Summary

ERF has a Portfolio of 7 high investment quality retail shopping centre assets

Property Name	Centre Type	State	Value (\$m)	Cap Rate	Lettable Area (sqm)	Base Rent (\$m)	Occupancy ¹	WALE (by Area)	WALE (by Base Rent)	No. of Tenants ⁴	No. of Tenancies
Auburn Central	Sub-Regional	NSW	86.0	6.00%	15,433	6.8	100.0%	4.7yrs	4.1yrs	53	53
Tweed Mall	Sub-Regional	NSW	96.2	6.50%	23,465	7.4	98.3% ²	4.3yrs ²	4.0yrs	61	80
Manning Mall	Sub-Regional	NSW	38.0	6.88%	10,761	3.4	94.4%	4.1yrs	3.9yrs	31	39
Glenorchy Plaza	Sub-Regional	TAS	19.8	7.63%	8,727	1.8	98.9%	5.4yrs	4.7yrs	15	16
Northway Plaza	Neighbourhood	QLD	16.1	8.00%	4,045	1.5	98.1% ³	2.6yrs	2.6yrs	12	13
Gladstone Square	Neighbourhood	QLD	31.2	7.50%	6,897	2.6	96.4% ³	9.2yrs	8.5yrs	22	33
Moranbah Fair	Neighbourhood	QLD	25.7	8.00%	7,047	2.4	100.0% ³	6.0yrs	5.7yrs	22	27
Total			313.0	6.78%	76,375	25.9	98.1%	5.0yrs	4.6yrs	216	261

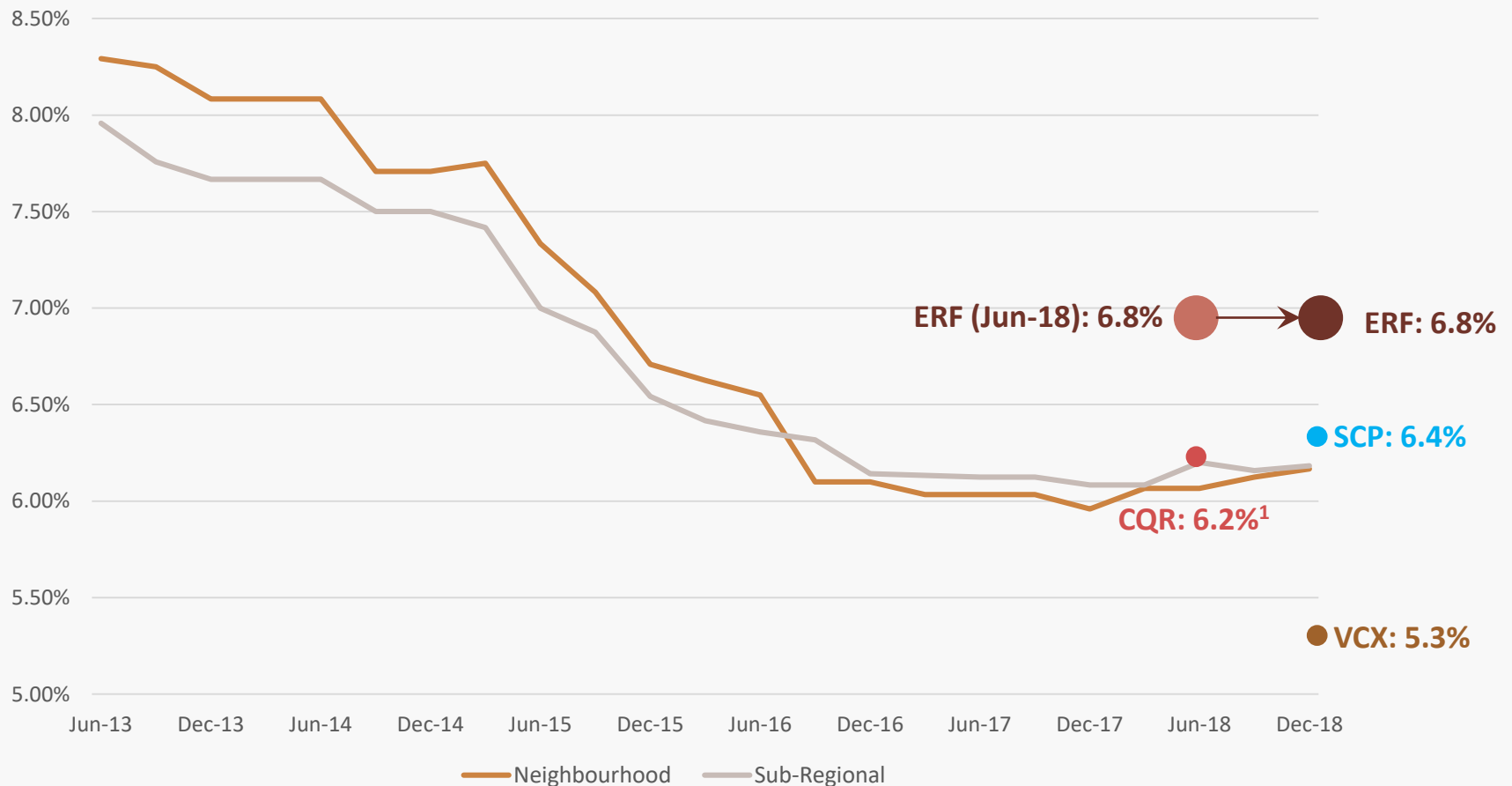
1. By Lettable Area and includes the impact of Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio, Gladstone Square and Moranbah Fair is 95.7%, 89.3% and 94.5% respectively
2. Excludes ALDI development-impacted specialty tenancies. Occupancy including development-impacted specialty tenancies is 94.3%
3. Rental Guarantees valued at \$1.2m in place to provide income on nominated vacancies until July 2019 for Gladstone Square, and January 2021 for Moranbah Fair
4. Includes Majors, Mini-Majors, Discount Department Stores, Specialties and Other (Kiosks, ATMs, Carwashes, Offices, Roof top leases to telecommunication providers)

Portfolio Valuations Movements

Property Name	Centre Type	Valuation	Value Dec-18 (\$m)	Valuation	Value Jun-18 (\$m)
Auburn Central	Sub-Regional	Internal	86.0	Internal	82.0
Tweed Mall	Sub-Regional	Internal	96.2	Independent	93.5
Manning Mall	Sub-Regional	Independent	38.0	Internal	43.0
Glenorchy Plaza	Sub-Regional	Internal	19.8	Internal	19.8
Northway Plaza	Neighbourhood	Independent	16.1	Internal	16.5
Gladstone Square	Neighbourhood	Independent	31.2	Internal	31.5
Moranbah Fair	Neighbourhood	Independent	25.7	Internal	25.0
Total			313.0		311.3
Auburn Podium			n/a		6.4
Investment Property Carrying Value			313.0		317.7

ERF Represents Value

ERF Weighted Average Portfolio Capitalisation Rate is substantially higher than the Sub-Regional and Neighbourhood shopping centre market and peers



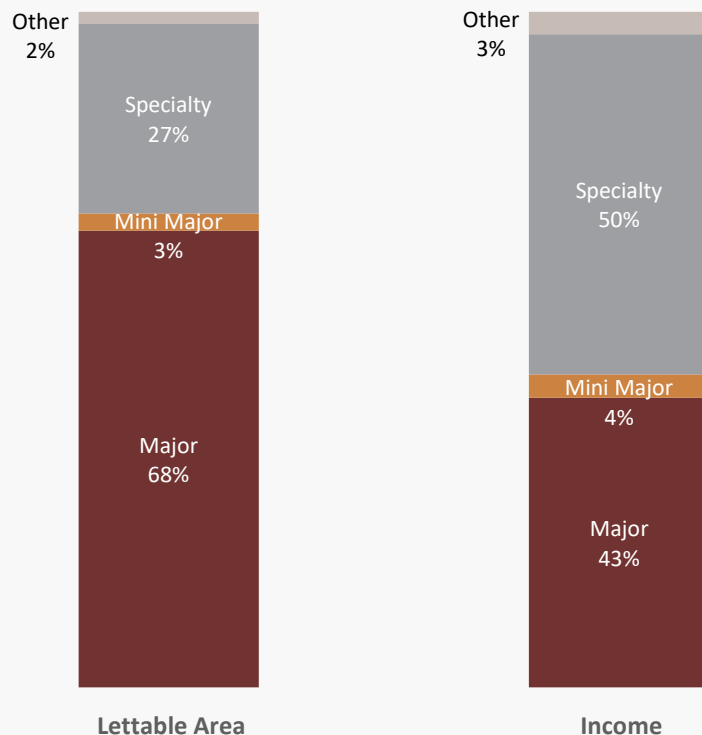
Source: Colliers Research and ASX

¹ Charter Hall Retail REIT is yet to release 1HFY19 Results

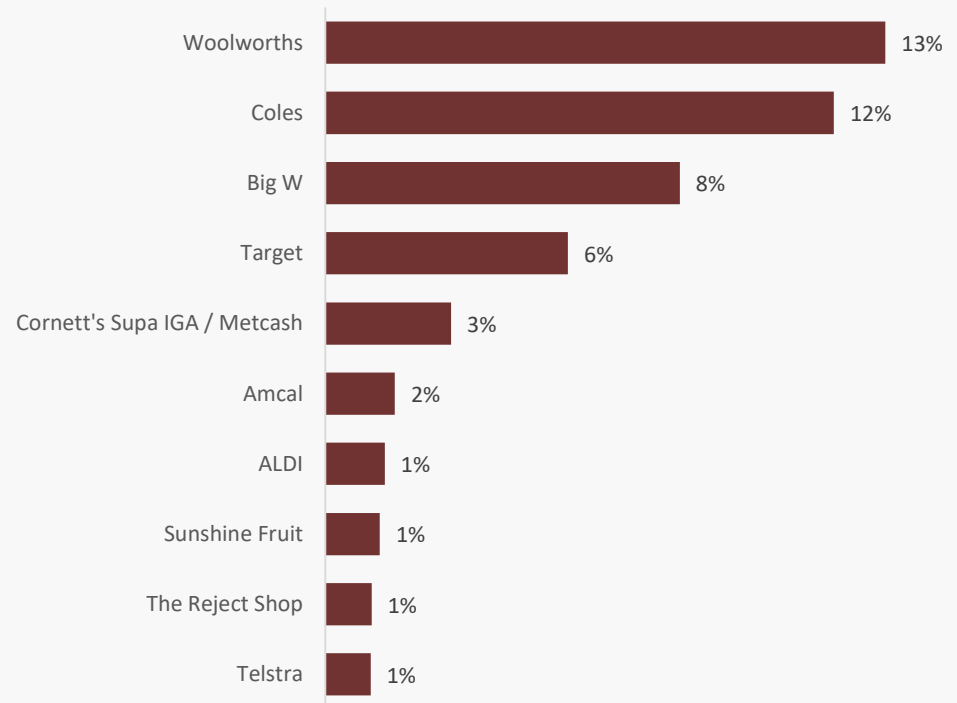
ERF has Strong and Secure Rental Income

- Portfolio of seven high investment quality retail shopping centre assets anchored by quality national tenants and supported by long term lease covenants from major corporations including Woolworths Limited, Wesfarmers Group, Metcash and ALDI
- Majors occupy 68% of occupied lettable area and contribute 43% of base rental income

TENANT MIX BY TYPE



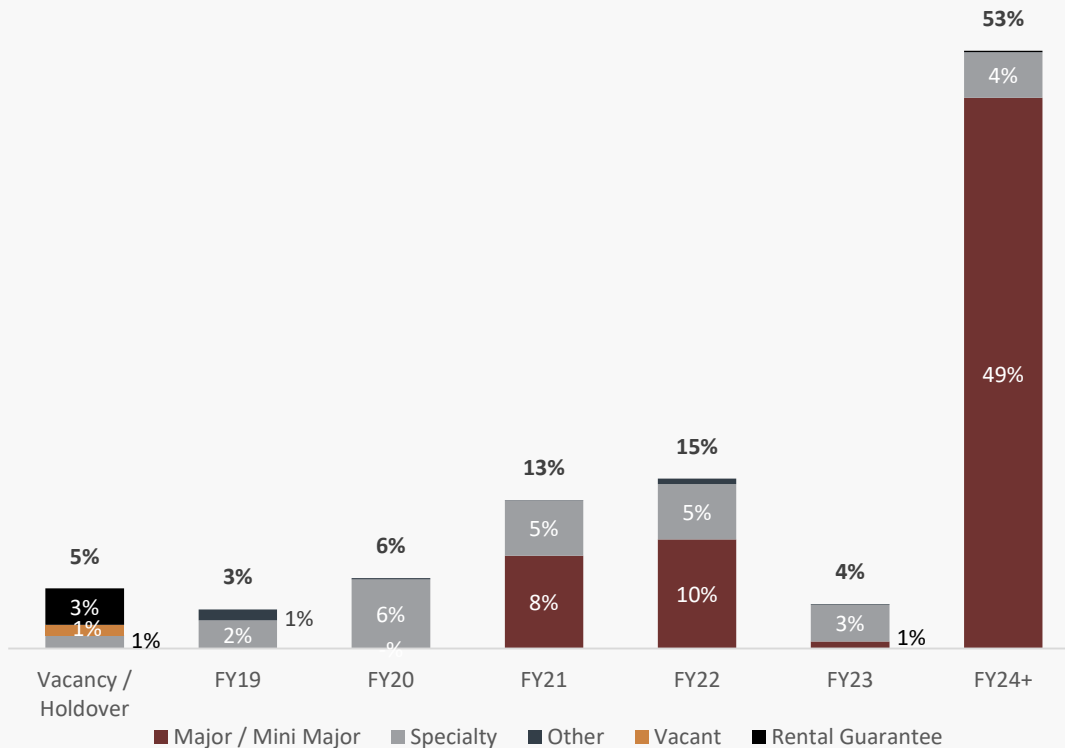
TOP 10 TENANTS BY INCOME



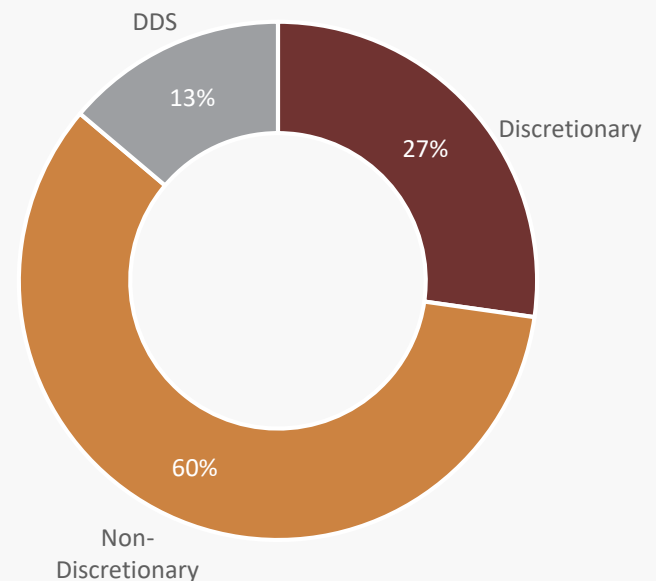
ERF has Strong and Secure Rental Income (cont'd) *Elanor* RETAIL PROPERTY FUND

- 60% of the Portfolio's income is secured by non-discretionary retailers with a long lease expiry profile
- Portfolio is 98.1% occupied¹ with a WALE of 5.0 years by lettable area and 4.6 years by base rental income

LEASE EXPIRY²



NON-DISCRETIONARY EXPOSURE²



1. By Lettable Area and includes Rental Guarantees

2. By base rental income

Retail Comparable Sales

	Auburn Central	Tweed Mall	Manning Mall	Glenorchy Plaza	Northway Plaza	Gladstone Square	Moranbah Fair
Annual Retail Sales (\$m)	87.1	111.2	67.0	18.5	21.3	42.5	49.8
Centre Sales (\$ / sqm p.a)	6,276	5,735	7,955	2,589	7,823	7,657	10,789
Supermarket Sales (\$ / sqm p.a)	13,876	8,926	13,086	n/a	7,777	9,848	12,044
YoY change (%)	1.6%	(1.3%)	0.8%	n/a	(5.5%)	2.6%	2.3%
Specialty Sales¹ (\$psqm / p.a)	7,402	5,539	10,334	n/a ²	n/a ²	6,821	n/a ²
YoY change (%)	8.1%	2.9%	1.9%	n/a ²	n/a ²	(2.5%)	n/a ²
Specialty Occupancy Cost¹	14.4%	12.7%	7.3%	n/a ²	n/a ²	11.9%	n/a ²

Note: Analysis is limited to retailers who have traded and consistently reported sales for the 24 months ended 31 December 2018

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices
2. Insufficient specialty retailer sales data



1HFY19 Financial Results

Profit and Loss

Income	1H FY19 \$'000
Rental income	16,051
Interest income	26
Total income	16,077

Expenses	
Rates, taxes and other outgoings	4,769
Borrowing costs	3,034
Investment management fees	1,638
Other expenses	721
Fair value decrement on investment properties	3,950
Total expenses	14,112
Net profit	1,965

Reconciliation to Core Earnings

Net profit	1,965
Net fair value adjustments and transaction costs	3,950
Straight lining of rental income	(372)
Amortisation expense	764
Core Earnings	6,307

- Statutory net profit of \$1.97m for the period ended 31 December 2018
- Core Earnings of \$6.3m or 4.90 cents per security
- Distribution of 4.65 cents per security (representing 95% of Core Earnings)
- Result includes an accrual of a \$0.6m performance fee to the Manager (relating to the period from listing in November 2016 to 31 December 2018)

Balance Sheet

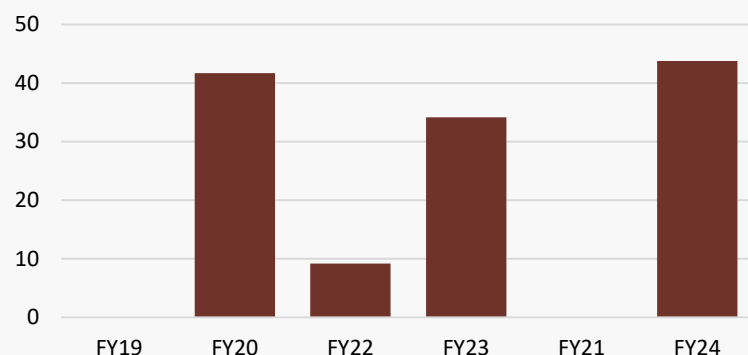
Balance Sheet as at 31 December 2018	\$'000
Assets	
Cash	8,853
Receivables	1,014
Other assets	647
Investment properties	312,982
Total assets	323,496
Liabilities	
Payables	5,267
Rent received in advance	794
Interest bearing liabilities	128,467
Derivative financial instruments	948
Total liabilities	135,476
Net assets	188,020
Number of securities ('000)	128,730
NAV per security	\$1.46
NTA per security	\$1.46
Gearing (ND / TA less cash)	38.0%

- Net tangible asset value per security of \$1.46 at 31 December 2018
- Interest bearing debt less cash of \$119.6m at 31 December 2018
- Gearing ratio of 38.0%

Debt and Capital Management

	31 December 2018
Facility limit (\$m)	138.4
Drawn debt (net of cash) (\$m)	119.6
Gearing	38.0%
% debt fixed or hedged	84.2%
Weighted average cost of debt (p.a.)	4.0%
Average debt facility maturity (years)	3.3
Average swap / hedge maturity (years)	3.2
Interest cover ratio	4.2x

Drawn Debt Maturity Profile (\$m)



- Refinance of debt facilities totalling \$46.8m for a 5 year term
- Gearing of 38.0% is within ERF's target gearing range
- Weighted average cost of debt is approximately 4.0% p.a.; the weighted average term to maturity of the Fund's debt is 3.3 years (increased from 2.1 years as at 30 June 2018)
- Debt is 84.2% hedged
 - Target range for fixed interest rate exposure of between 70% and 100% of drawn debt
 - Average swap / hedge maturity is 3.2 years (increased from 2.3 years as at 30 June 2018)
- Common Terms structure to facilitate the introduction of new lenders on individual commercial terms
- Key Covenants
 - Loan-to-value ratio (LVR)¹ ≤ 50%
 - Interest Cover Ratio (ICR)² ≥ 2.00x, assessed semi-annually

1. LVR is calculated as drawn debt divided by the value of the Portfolio
 2. ICR is calculated as net rental income from the properties in the Portfolio divided by interest expense



Outlook

ERF is well positioned to enhance value for security holders

- Investment focus on non-discretionary retailers drives strong risk-adjusted returns
- Active asset management of the existing Portfolio to generate improved operational performance and Portfolio returns
- Increased Portfolio value from implementation of operational and strategic real estate initiatives

NTA Growth and Strategic Review

- ERF is well positioned to further grow NTA in the short term following execution of current initiatives to realise the operational and strategic opportunities in each asset in the Portfolio
- ERF will undertake a strategic review to examine options to enable the further reweighting of ERF's Portfolio towards value-add retail assets, taking advantage of Elanor's strong capability and extensive experience in value-add retail asset management

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