

20 August 2020

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Attached is the Elanor Retail Property Fund (ASX:ERF) FY20 Results Presentation.

Yours sincerely,



Symon Simmons
Company Secretary
Elanor Funds Management Limited

Authority and Contact Details

This announcement has been authorised for release by the Board of Directors of Elanor Funds Management Limited

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ELANOR RETAIL PROPERTY FUND

FY20 Results Presentation

20 August 2020




Contents

Section		Page No.
1	Strategy and Business Overview	3
2	Execution: Value-Add Retail Assets	8
3	Portfolio Overview	15
4	FY20 Financial Results	20
5	Strategy and Outlook	24
6	Appendix	26



Strategy and Business Overview

ERF: Value-Add Retail Real Estate Fund

Value-Add Retail Real Estate Fund	<ul style="list-style-type: none"> • Focus on retail assets that can be repositioned or have significant Value-Add opportunities • Prevailing market conditions are presenting high quality Value-Add investment opportunities 		
Deep and Differentiated Capability in Delivering Value through Retail Repositioning	<table border="0"> <tr> <td data-bbox="768 425 1207 911"> <p>Grow Portfolio</p> <p>Value-Add Assets \$192.5m 61%</p> <div data-bbox="788 592 1197 678">  </div> <p>High risk-adjusted total returns from repositioning retail tenant mix and /or unlocking assets' highest and best use real estate potential</p> </td><td data-bbox="1329 425 1767 911"> <p>Divest and Redeploy Capital</p> <p>Income Assets \$124.7m 39%</p> <div data-bbox="1329 592 1767 678">  </div> <p>Strong cash flows, secured by long leases to non-discretionary supermarkets / anchor retailers</p> </td></tr> </table>	<p>Grow Portfolio</p> <p>Value-Add Assets \$192.5m 61%</p> <div data-bbox="788 592 1197 678">  </div> <p>High risk-adjusted total returns from repositioning retail tenant mix and /or unlocking assets' highest and best use real estate potential</p>	<p>Divest and Redeploy Capital</p> <p>Income Assets \$124.7m 39%</p> <div data-bbox="1329 592 1767 678">  </div> <p>Strong cash flows, secured by long leases to non-discretionary supermarkets / anchor retailers</p>
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Strong Track Record in Value Add Opportunities	<ul style="list-style-type: none"> • The Fund's Value-Add retail assets have delivered strong total returns since listing <ul style="list-style-type: none"> – Tweed Mall: Introduction of ALDI as the third supermarket in August 2019 – Auburn Central: Transformation of a Sub-Regional shopping centre to a triple supermarket Neighbourhood Centre in November 2020 		
Experienced Management Team	<ul style="list-style-type: none"> • Senior management capabilities across acquisition, asset management and development management - enabling the execution of ERF's Value-Add retail asset investment strategy 		

FY20 Results Highlights

Core Earnings

\$11.1m
8.63c per security

Distributions Per Security

5.24c

June Quarter Rent Collections

78% - 82%

NTA Per Security

\$1.34

Portfolio Average Cap Rate

6.94%

Gearing¹

43.7%

1. Net debt / (total assets less cash)

- Core Earnings decreased by 8.8% on FY19, predominantly due to downtime at Auburn Central and Tweed Mall as a result of the repositioning projects at the Centres, in addition to the \$1.3m impact on 2HFY20 of the COVID-19 pandemic
- 2HFY20 distribution suspended due to prevailing operating and market conditions as a result of the COVID-19 pandemic
- Portfolio resilience during COVID-19 pandemic evidenced by:
 - 99% of tenants trading at 30 June 2020
 - 78% of June quarter rent collected at 31 July 2020 (82% considered collectable)
- 4.8% decrease in portfolio valuation; 0.8% increase excluding Tweed Mall
- Divestment of Auburn Ambulance Station realising \$1.5m gain
- Average capitalisation rate increased 0.20% from 31 December 2019
- Sub-Regional capitalisation rate increased 0.47% to 7.19%
- Neighbourhood capitalisation rate maintained at 6.75%
- Average debt maturity of 2.3 years
- Weighted average cost of debt reduced from 4.0% p.a. to 3.0% p.a.
- Gearing above ERF's target range (30% to 40%) due to repositioning projects at Value-Add assets; intention to reduce gearing through sales of Income Assets

Portfolio Resilience: Tenant Profile

Non-discretionary tenancy profile: 77% considered low risk of non-collection of rent

Category	% of Gross Rent	Sub-Categories
Major Tenants	41%	Supermarkets & DDS
Pharmacy & Medical	11%	Pharmacy, Medical Centres & Medical Services
Very Low Risk	52%	
Fresh Food & Liquor	9%	Fresh Produce, Butcher, Baker, Liquor
Other Essential Services	8%	Banks, Health Insurance, Post Office, Telecom, Education
Other Non-Discretionary Retail	8%	Discount Variety, Takeaway Food, ATMs, Florist, Tobacconist, Newsagents
Low Risk	25%	
Very Low to Low Risk	77%	
Medium Risk	10%	Apparel, Giftware, Furniture/Homewares, Travel Agent
Restrictions by Government	8%	Café / Restaurant
Closure by Government	5%	Gyms, Massage & Nail Bars, Hairdressing & Beauty
High Risk	13%	



1. Calculated as percentage of leased NLA not open and trading

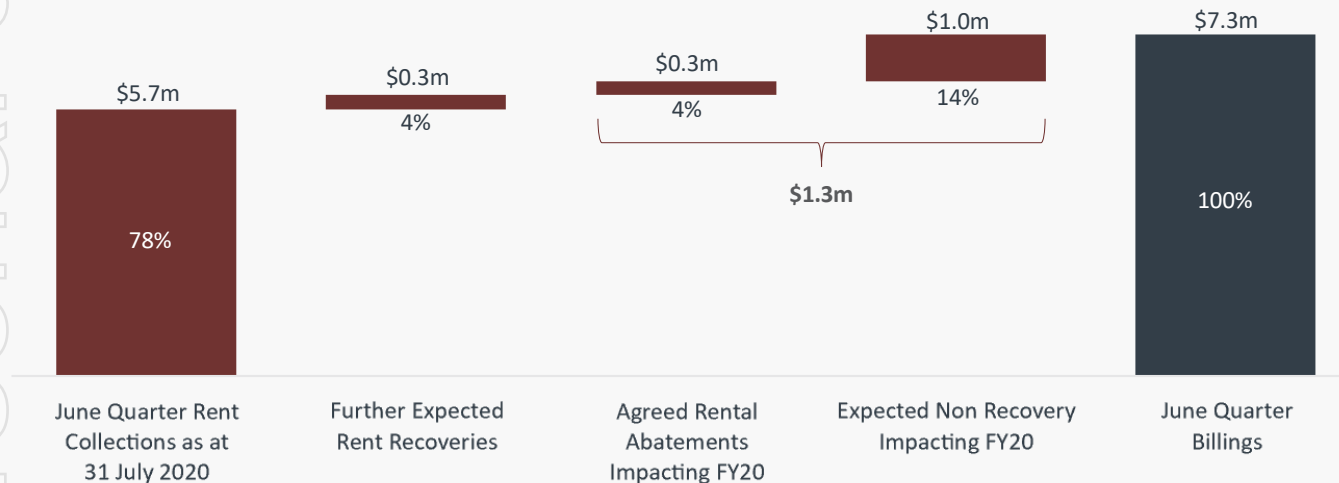
Impact of COVID-19 on Earnings

78% of June quarter rent collected as at 31 July 2020

Property Name	State	Leased Occupancy	Trading Occupancy (NLA) ¹	Actual June Quarter Collections
Auburn Central	NSW	97%	100%	58%
Tweed Mall	NSW	97%	100%	74%
Manning Mall	NSW	93%	100%	84%
Gladstone Square	QLD	95%	96%	83%
Moranbah Fair	QLD	94%	100%	96%
Glenorchy Plaza	TAS	99%	97%	83%
Northway Plaza	QLD	98%	100%	100%
Total		96%	99%	78%

1. Calculated as percentage of leased NLA open and trading

\$1.3m (or approximately 80% of June quarter rent not collected as at 31 July 2020) has been allowed for in FY20 FFO





Execution: Value-Add Retail Assets

Execution of Strategic Initiatives at Value-Add Assets

ERF continues to actively reposition the tenant mix at the Value-Add assets away from underperforming DDS and discretionary retailers

Auburn Central – Repositioning Strategy Near Completion (Nov 2020)

- Transformation of Auburn Central into a Sydney metropolitan, triple supermarket, neighbourhood shopping centre in November 2020. Strong progress:
 - early surrender of BIG W lease completed in February 2020
 - Agreements For Lease with ALDI and Tong Li Asian supermarkets to anchor new retail precinct
 - strong leasing demand with negotiations progressed to HOA for 79% of Area and 78% of Gross Rent of the repositioned space
 - significant positive rental reversion driving income accretion and increased valuation

Tweed Mall – Executing Retail Repositioning

- New ALDI supermarket opened August 2019
- ALDI trading strongly with monthly sales / foot traffic peaking up 20.7% / 18.2% pre COVID-19
- The benefits of ALDI's introduction to the centre's financial performance have been delayed due to the impacts of COVID-19 and closure of New South Wales / Queensland border

Tweed Mall – Master Planning

- Master planning well progressed to further activate the retail mall with an additional major supermarket as part of the DDS repositioning
- Stage 1 mixed-use DA submission planned for 1HFY21
- Active discussions to satisfy demand for commercial office and other mixed-uses

Creating a Triple Supermarket Neighbourhood Centre

- Transformation of Auburn Central into a Sydney metro triple-supermarket anchored neighbourhood centre is well progressed
- Repositioning project forecast to generate in excess of 10% yield on cost: \$2m+ incremental NOI / \$20m development costs



Before (January 2020)



After (November 2020)

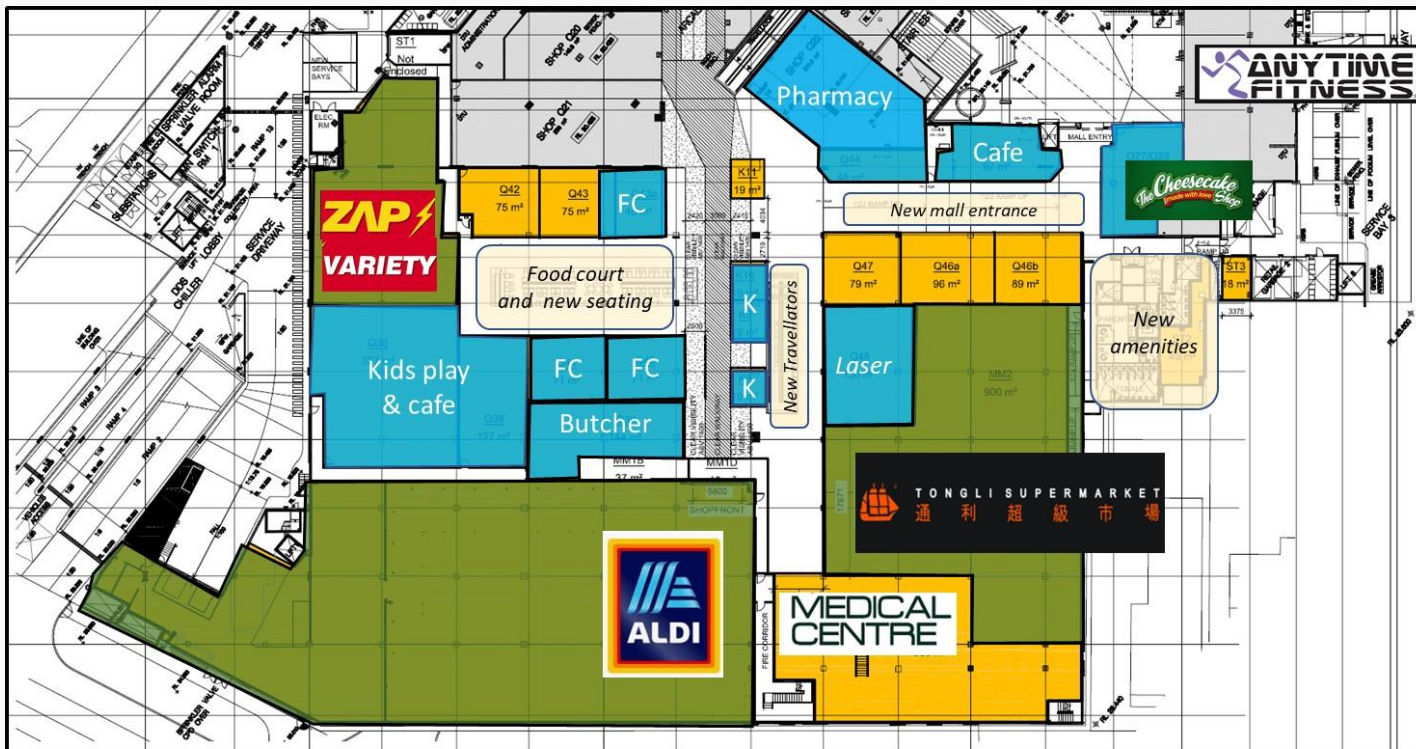
Auburn Central (cont.)



Auburn Central (cont.)

Repositioning and Value Enhancement

- Repositioning works well advanced with practical completion in November 2020
- Project negotiations progressing well with HOA reached on 79% of Area and 78% of Gross Rent
- ALDI (15-year lease) to commence trading in November 2020, anchoring the new retail precinct; negotiations finalised with two mini-majors



AFL Executed

HOA agreed

Under negotiation

Existing tenant

Tweed Mall

ALDI

- ALDI commenced trading under a 15 year lease (2 x 5 year options) in August 2019
- Significant increase in centre sales/foot traffic of 20.7%/18.2% respectively in month pre COVID-19
- ALDI's introduction anchors the northern mall of the centre, enabling the execution of the remix strategy to attract non-discretionary food and services retailers



Tweed Mall (cont.)

Mixed-Use Masterplan - Stage 1

- Master planning to further activate the retail mall (with an additional major supermarket) is well progressed
- Stage 1 mixed-use DA submission planned for 1HFY21 (as per concept plan)
- Providing office and other mixed-uses for commercial and Government tenants





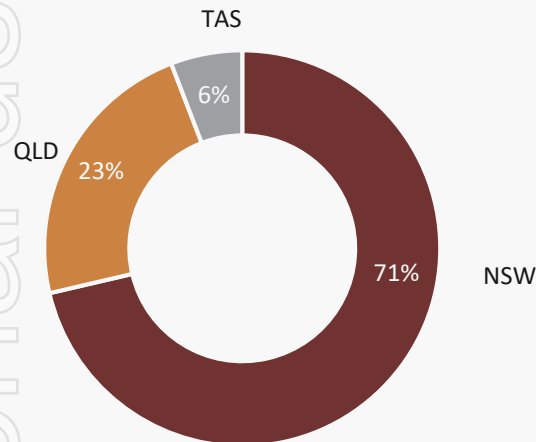
Portfolio Overview

Portfolio Overview

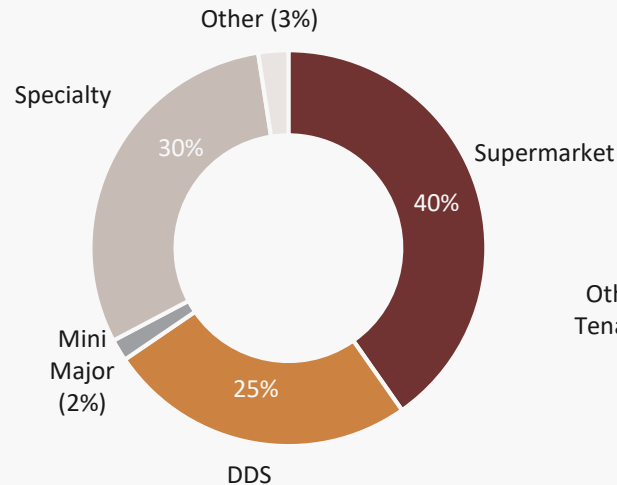
Summary

Type of Asset	Number of Centres	Valuation (\$m) ¹	Cap Rate	Lettable Area (sqm)	Occupancy ²	WALE (Income) ³
Value-Add	2	192.5	6.4%	38,695	96.9%	3.6yrs
Income	5	124.7	7.7%	37,476	95.2%	4.4yrs
Total	7	317.2	6.9%	76,171	96.2%	4.0yrs

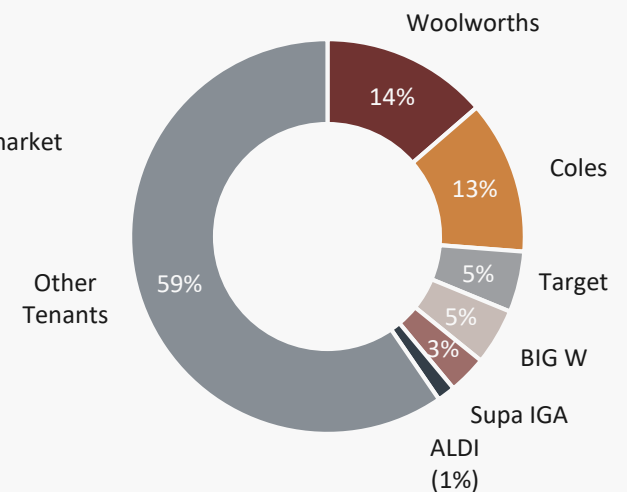
Geographic Diversification⁴



Tenant Mix by Type⁵



Key Tenants⁶



1. Excluding Auburn Ambulance Station, sold in August 2020
2. By Lettable Area and includes the impact of Gladstone Rental Guarantee
3. Includes Auburn Central Agreements for Lease as part of BIG W repositioning
4. By asset value
5. By lettable area
6. By base rent, excluding Auburn Central BIG W tenancy

Portfolio Valuation Movements

- Portfolio valuation impacted by higher capitalisation rates for Sub-Regional centres, Tweed Mall and Manning Mall (given DDS lease profiles ahead of implementation of Value-Add repositioning strategies)
- Valuation of Auburn Central includes repositioning project costs incurred to 30 June 2020

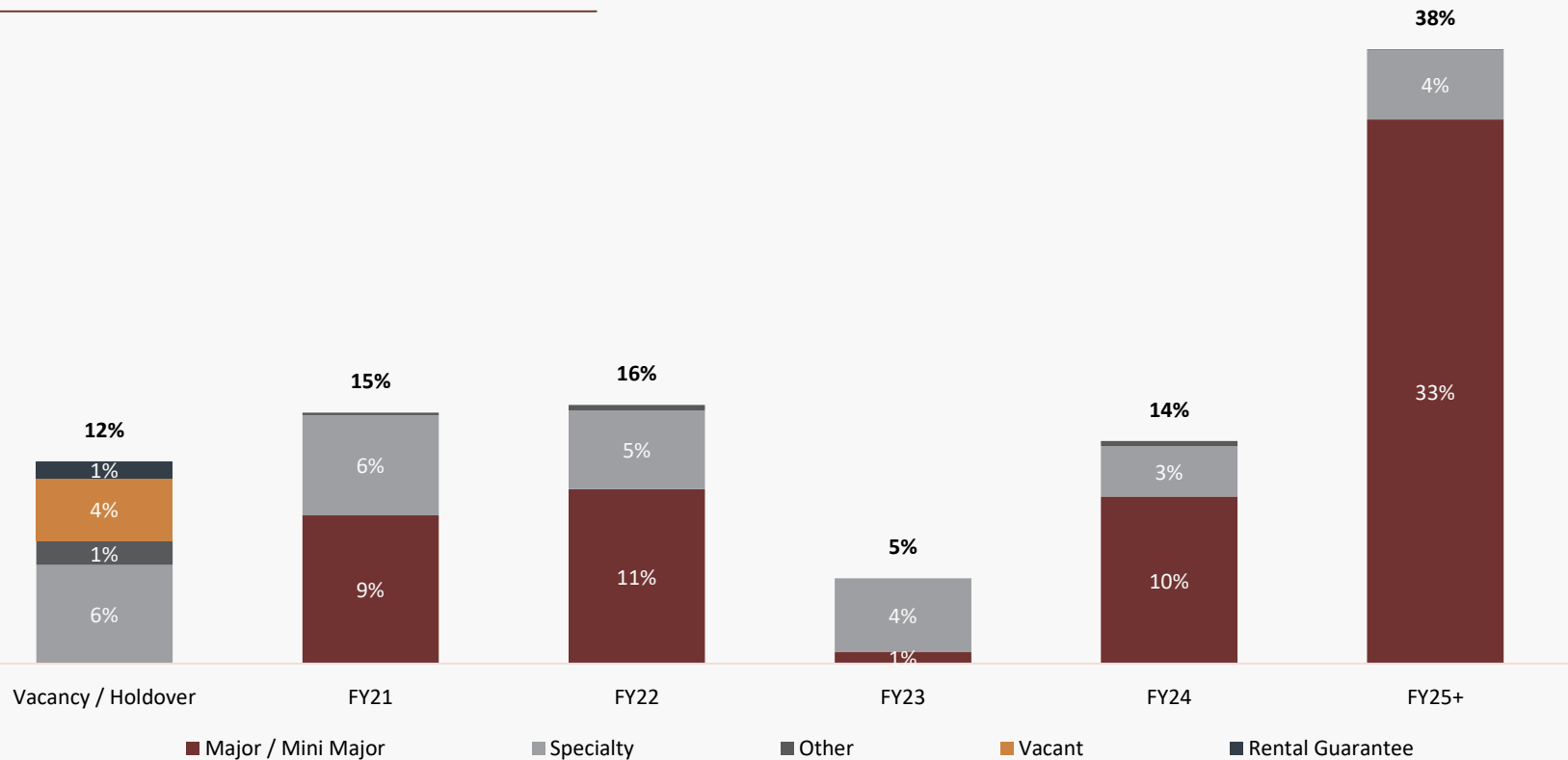
Property Name	Centre Type	Valuation	Value Jun-20 (\$m)	Value Dec-19 (\$m)	Change (\$m)
Auburn Central	Neighbourhood	Internal	108.0	102.3	5.7
Tweed Mall	Sub-Regional	Independent	84.5	102.6	(18.1)
Value-Add Assets			192.5	204.9	(12.4)
Manning Mall	Sub-Regional	Independent	34.0	38.2	(4.2)
Gladstone Square	Neighbourhood	Independent	28.0	30.2	(2.2)
Moranbah Fair	Neighbourhood	Internal	28.0	27.6	0.4
Glenorchy Plaza	Sub-Regional	Independent	18.5	17.8	0.7
Northway Plaza	Neighbourhood	Independent	16.2	16.2	-
Income Assets			124.7	130.0	(5.3)
Total			317.2	334.9	(17.7)
Auburn Ambulance Station divested ¹			4.0	2.5	1.5
Investment Property Carrying Value			321.2	337.4	(16.2)

1. Acquired to provide flexibility for Auburn Central repositioning strategy, sold in August 2020

Lease Expiry Profile

Portfolio is 96.2% occupied¹ with a WALE of 4.1 years by lettable area and 4.0 years by base rental income

Lease Expiry²



1. By Lettable Area and includes Gladstone Rental Guarantee
2. By base rental income, excluding Auburn BIG W tenancy

Income Assets: Divestment Program

- Sales campaign for divestment program of three income assets delayed due to COVID-19
- Increased market recognition of defensive investment attributes of Neighbourhood shopping centres/Income Assets
- Stronger market demand anticipated given strong risk adjusted income generated by Income Assets throughout the COVID-19 period

Grow Portfolio

Value-Add Assets
\$192.5m
61%



High risk-adjusted total returns from repositioning retail tenant mix and /or unlocking assets' highest and best use real estate potential

Divest and Redeploy Capital

Income Assets
\$124.7m
39%



Strong cash flows, secured by long leases to non-discretionary supermarkets / anchor retailers



FY20 Financial Results

Core Earnings

Reconciliation to Core Earnings	FY20 \$'000
Net loss	(11,964)
Net fair value adjustments and transaction costs	21,602
Straight lining of rental income	194
Amortisation expense	1,275
Core Earnings	11,107

- Statutory net loss of \$11.96m for FY20
- Core Earnings of \$11.1m or 8.63 cents per security
- 2HFY20 Core Earnings of \$4.0m or 3.19 cents per security
- Distribution of 5.24 cents per security (representing 95% of 1HFY20 Core Earnings). 2HFY20 distribution suspended due to prevailing operating and market conditions as a result of the COVID-19 pandemic
- FY20 result includes:
 - \$1.3m impact in 2HFY20 from the COVID-19 pandemic
 - Rental downtime from repositioning projects at Tweed Mall and Auburn Central, particularly a reduction in rent in 2HFY20 of \$0.5m relating to the space previously occupied by BIG W at Auburn Central
 - BIG W lease surrender fee at Auburn Central (1HFY20)
 - Accrued performance fee to the Manager (relating to the period from listing in November 2016 to 30 June 2020)

Balance Sheet

Balance Sheet as at 30 June 2020 \$'000

Assets

Cash	4,003
Receivables	1,830
Other assets	793
Investment properties	321,197

Total assets	327,823
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Liabilities

Payables	4,486
Rent received in advance	674
Interest bearing liabilities	145,620
Derivative financial instruments	4,325

Total liabilities	155,105
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Net assets	172,718
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Number of securities ('000)	128,730
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NAV per security	\$1.34
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NTA per security	\$1.34
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Gearing (ND / TA less cash)	43.7%
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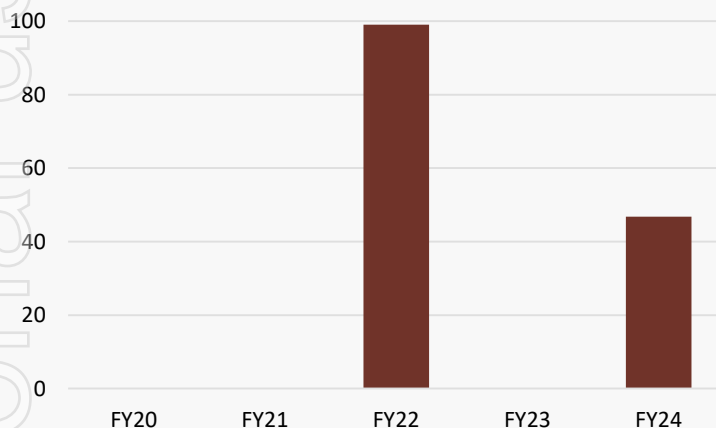
- Net tangible asset value per security of \$1.34 at 30 June 2020
- Interest bearing debt less cash of \$141.6m at 30 June 2020
- Gearing ratio of 43.7% (will be reduced upon divestment of Income Assets)

1. Including Auburn Ambulance Station held for sale \$4.000m

Debt and Capital Management

	30 June 2020
Facility limit (\$m)	163.4
Drawn debt (net of cash) (\$m)	141.6
Gearing	43.7%
% debt fixed or hedged	75.5%
Weighted average cost of debt (p.a.)	3.03%
Average debt facility maturity (years)	2.3
Average swap / hedge maturity (years)	1.2
Interest cover ratio	3.54x

Drawn Debt Maturity Profile (\$m)



- Successful refinance of facilities to reduce cost of debt from 3.96% p.a. to 3.03% p.a.
- The weighted average term to maturity of the Fund's debt maintained at 2.3 years (consistent with 31 December 2019)
- Gearing above ERF's target range (30% to 40%) with Value Add repositioning projects underway. Gearing will be reduced upon divestment of Income Assets
- Debt is 75.5% hedged
- Target range for fixed interest rate exposure of between 70% and 100% of drawn debt
- Average swap / hedge maturity is 2.4 years (increased from 1.2 years as at 31 December 2019)
- 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



Strategy and Outlook

Strategy and Outlook

**Strong
position**

ERF is well positioned to enhance value for security holders

**Delivering
value to
security
holders**

Fund well positioned given
proven strategy and
investment approach

Execution of repositioning
initiatives at the Fund's Value-
Add Assets is progressing well

Realisation of Income Assets
remains a priority

**Growth
potential**

ERF will consider capital management initiatives, including buy-backs, as part of positioning the Fund for growth



Appendix

Assets Summary

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

Property Name	Centre Type	State	Value ¹ (\$m)	Cap Rate	Lettable Area (sqm)	Base Rent (\$m)	Occupancy ²	WALE (by Area)	WALE (by Base Rent)	No. of Tenants ⁵	No. of Tenancies
Auburn Central	Neighbourhood	NSW	108.0	6.00%	15,433	5.6	96.6%	4.6yrs ⁴	4.5yrs ⁴	50	53
Tweed Mall	Sub-Regional	NSW	84.5	7.00%	23,263	7.4	97.2%	3.0yrs	3.0yrs	65	77
Value-Add Assets			192.5	6.44%	38,695	13.0	96.9%	3.6yrs	3.6yrs	115	130
Manning Mall	Sub-Regional	NSW	34.0	7.50%	10,761	3.4	93.2%	3.2yrs	3.5yrs	29	38
Gladstone Square	Neighbourhood	QLD	28.0	7.75%	6,899	2.6	94.6% ³	8.1yrs	7.2yrs	20	33
Moranbah Fair	Neighbourhood	QLD	28.0	8.04%	7,044	2.4	94.3%	5.0yrs	4.8yrs	21	27
Glenorchy Plaza	Sub-Regional	TAS	18.5	7.50%	8,727	1.9	98.7%	4.0yrs	3.3yrs	15	16
Northway Plaza	Neighbourhood	QLD	16.2	7.75%	4,045	1.6	98.1%	2.0yrs	2.4yrs	12	13
Income Assets			124.7	7.71%	37,476	11.8	95.2%	4.5yrs	4.4yrs	97	127
Total			317.2	6.94%	76,171	24.9	96.2%	4.1yrs	4.0yrs	212	257

1. Excluding Auburn Ambulance Station, sold in August 2020

2. By Lettable Area and includes the impact of Gladstone Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio and Gladstone Square is 95.6% and 87.4% respectively

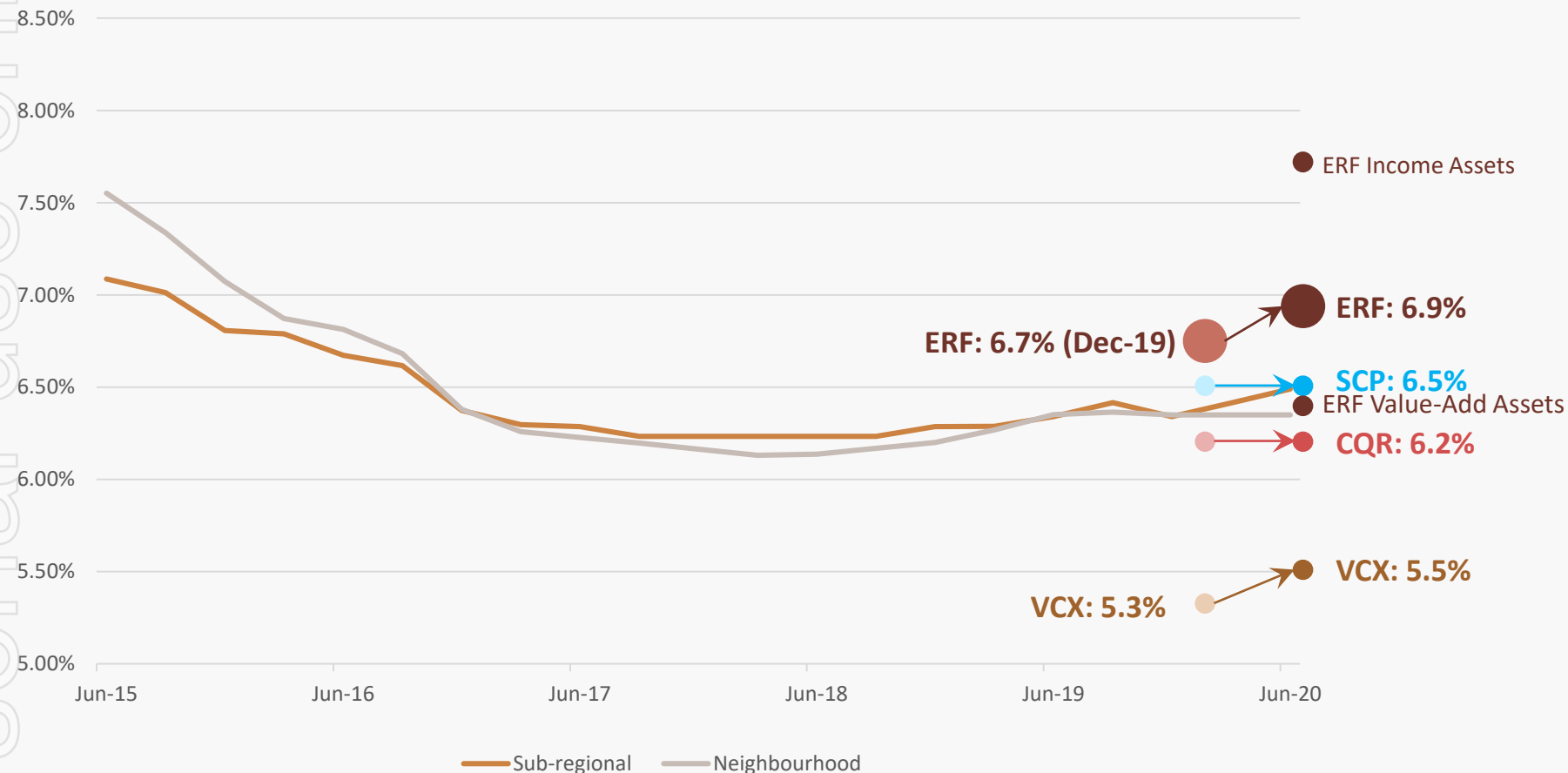
3. Rental Guarantees valued at \$0.2m in place to provide income on nominated vacancies until June 2021 for Gladstone Square

4. Includes Agreements for Lease to Aldi, Tong Li and Zap

5. Includes Majors, Mini-Majors, Discount Department Stores, Specialties and Other (Kiosks, ATMs, Carwashes, Offices, Roof top leases to telecommunication providers)

ERF Portfolio Capitalisation Rates

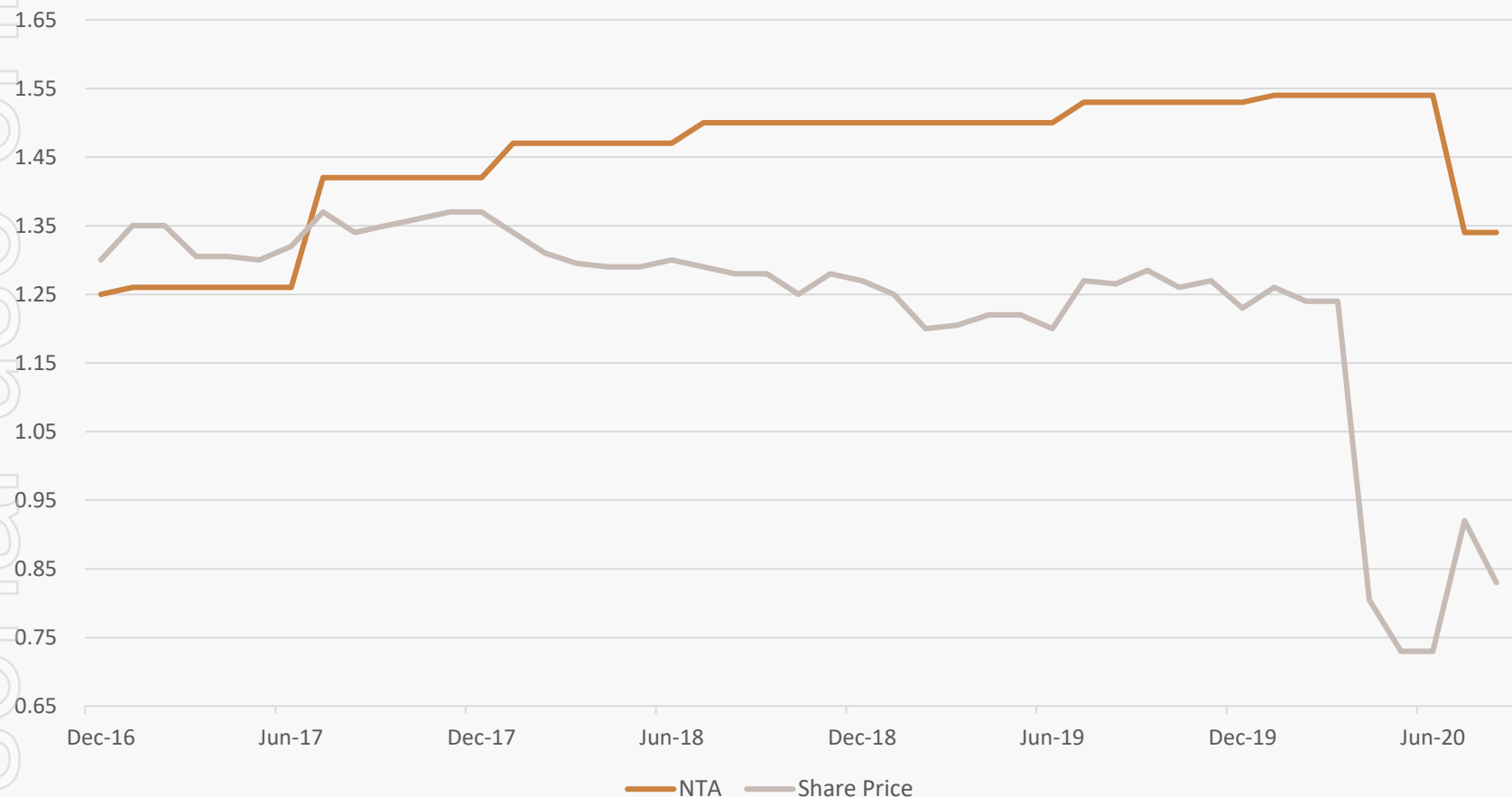
ERF Weighted Average Portfolio Capitalisation Rate remains higher than the Sub-Regional and Neighbourhood shopping centre market and peers



Source: JLL and ASX

ERF Discount to NTA

ERF discount to NTA has widened during COVID-19, despite resilience of portfolio and a Capitalisation Rate higher than both market and peers



Source: ASX, 31 July 2020

Retail Comparable Sales (June-20)

	Auburn Central	Tweed Mall	Manning Mall	Gladstone Square	Moranbah Fair	Glenorchy Plaza	Northway Plaza
Annual Retail Sales (\$m)	72.3 ³	108.7 ⁴	71.9	45.3	73.3	21.1	24.5
Centre Sales (\$ / sqm p.a)	11,304 ³	6,256	8,012	8,309	12,949	2,989	8,379
Supermarket Sales (\$ / sqm p.a)	13,382	8,835	13,716	10,593	13,911	n/a	8,655
YoY change (%)	(3.2%)	(1.9%)	2.7%	1.7%	12.1%	n/a	5.0%
Specialty Sales¹ (\$psqm / p.a)	8,847	5,266	9,362	7,633	n/a ²	n/a ²	n/a ²
YoY change (%)	(4.9%)	(2.9%)	(5.4%)	8.3%	n/a ²	n/a ²	n/a ²
Specialty Occupancy Cost¹	14.7%	12.9%	8.7%	11.4%	n/a ²	n/a ²	n/a ²

Note: Analysis is limited to retailers who have traded and consistently reported sales for the 24 months ended 30 June 2020

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices
2. Insufficient specialty retailer sales data
3. Excludes BIG W MAT, vacated February 2020
4. Excludes Aldi (opened August 2019); pre QLD border closure in March-20; monthly sales and footfall growth peaked at 20.7% and 18.2% yoy respectively

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