For personal use only

ASX Announcement

17 February 2021

FY21 interim results reflect COVID-19 impacts and retail activity recovery

- First half operational and financial performance materially impacted by COVID-19
  - Funds from operations (FFO)[1] of $267.1m or 5.87cps (1H20: $337.0m or 8.95cps)
  - Distribution of 3.4cps, reflecting a payout ratio of 62.4% of adjusted FFO (AFFO) (1H20: 7.7cps, payout ratio 94.9%)
  - Statutory net loss after tax of $394.1m (1H20: statutory net profit after tax of $242.8m)
- Strong balance sheet maintained, with low gearing of 24.5% and liquidity of $2.4b
- Two consecutive quarters of positive sales growth (ex-CBDs and Victoria)
- Cash collection rate increased to 72% of gross rental billings[2], or 90% of billings net of waivers
- COVIDSafe plans implemented across all Vicinity assets
- Accelerated planning progress across multiple mixed-use and retail development projects
- One of only two Australian property companies recognised in CDP's global Climate A-list
- Due to ongoing uncertainty, full-year earnings guidance cannot be provided for FY21.

Vicinity Centres (Vicinity, ASX:VCX) today announced its results for the half-year ended 31 December 2020 (1H21), with a statutory net loss after tax of $394.1 million. This is comprised primarily of FFO of $267.1 million, a net property valuation loss of $572.4 million[3] and non-cash mark-to-market and foreign exchange movements. The FFO result was significantly impacted by the continued effects of COVID-19, particularly rental waivers and provisions for unpaid rent, which were offset partly by the benefits of lower interest expense and operational cost savings.

Distribution per security of 3.4 cents was declared for 1H21, compared to 7.7 cents in the prior corresponding period. The reduced distribution payout ratio of 62.4% was conservatively positioned in light of continued uncertainty around FY21 full-year earnings and COVID-19 impacts.

Mr Grant Kelley, CEO and Managing Director, said: "Although the pandemic led to significant financial and operational challenges, Vicinity is well-positioned to benefit from improving economic conditions, with consumer and business confidence now approximating pre-pandemic levels, fuelled by fiscal stimulus measures, record low interest rates and robust COVID management nationally.

---

1 A reconciliation of FFO to statutory net profit is in Note 1(b) of the Half Year Financial Report released to ASX today. FFO is a non-IFRS measure.

2 Cash collected for 1H21 as a percentage of gross rental billings. As at 10 February 2021.

3 Excludes statutory accounting adjustments.

Vicinity Centres
Chadstone National Office
Chadstone Shopping Centre
1341 Dandenong Road
PO Box 104
Chadstone VIC 3148

T +61 3 9936 1222
F +61 3 9936 1333
vicinity.com.au

Vicinity Limited ABN 90 114 757 783
and Vicinity Centres RE Ltd
ABN 88 149 781 322
As responsible entity for:
Vicinity Centres Trust ARSN 104 931 928

For personal use only

"While the retail industry is showing continuing signs of recovery, we recognise that uncertainty remains, with the potential for further COVID-19 restrictions, the unwinding of temporary government support measures, and a prolonged recovery in CBDs on the eastern seaboard.

"Our focus therefore remains on maintaining a robust capital structure. Vicinity's balance sheet remains strong with gearing of 24.5% and we have maintained our investment grade credit ratings of A/stable (S&P) and A2/negative (Moody's). We have available liquidity of $2.4 billion, with only $150 million of expiring debt until FY23, and a weighted average debt maturity of 4.7 years."

Retail activity returns as COVID-19 impacts reduce

Mr Kelley said: "COVID-19 has disrupted our industry and Vicinity's operations. The majority of our Melbourne retailers were mandated to close for half the period, and our CBD centres have been impacted by both a slow return of office workers and limited tourism due to border closures. Pleasingly, outside these markets, or where COVID-19 concerns are low, customers have returned to shopping centres. Across our portfolio, this strong customer visitation has been reflected in two consecutive quarters of positive sales growth (ex-CBDs and Victoria)."

Impact of COVID-19 on key portfolio metrics

	Total portfolio			Portfolio (ex-VIC and CBDs)		
	Dec-20	Sep-20	Jun-20	Dec-20	Sep-20	Jun-20
Quarter customer visitation (%)[a]	77	58	61	93	94	84
Quarter sales growth (%)[b]	(12.3)	(32.0)	(31.6)	0.7	1.1	(14.7)
MAT growth (%)[b]	(18.0)	(15.2)	(7.0)	(2.6)	(1.7)	(1.6)
Cash collected (%)[c]	76	68	64	87	83	75

a. Average customer traffic for the quarter as percentage of corresponding quarter in prior year.
b. Comparable centres.
c. Cash collected for the quarter as a percentage of gross rental billings. As at 10 February 2021.

Mr Kelley added: "We wish to recognise our teams who have worked hard to support our retailers through the ongoing challenges of COVID-19, and who continue to provide a COVIDSafe experience for our customers. During the period, we maintained high occupancy across the portfolio and our leasing deal rate is comparable with prior periods, albeit leasing spreads have fallen."

Multiple mixed-use and retail projects progressed

In relation to developments, Mr Kelley stated: "In line with governments' desire to drive economic activity, we have accelerated our planning work on multiple mixed-use and retail projects. We are focused on de-risking our projects prior to commencing construction – including gaining necessary development approvals, locking in appropriate pre-leasing, partnering with other property groups and phasing spend over different stages in line with market demand.

"Ahead of several of our major mixed-use developments, we are also planning a number of small retail expansion and revitalisation projects to enhance the customer experience significantly, prior to developing additional uses on site."

Key mixed-use and retail development opportunities that have progressed include projects at Chadstone, Box Hill Central, Victoria Gardens, Sunshine Marketplace and Bayside in Victoria, and Bankstown Central and Chatswood Chase Sydney in New South Wales.

For personal use only

Focus on maintaining leading sustainability practices

Mr Kelley said: "Improving the sustainability of our business, both financially and non-financially, remains a major priority. Vicinity was recognised again for its sustainability practices, performing well in prestigious industry surveys, being one of only two Australian property companies in CDP's[4] Climate A-list, ranked seventh amongst our real estate peers globally by DJSI[5], and ranked third Australian retail company by GRESB[6]. We are also focused on addressing modern slavery throughout the supply chain, with a particular focus on high-risk industries like cleaning and security."

Summary and guidance

Mr Kelley said: "2020 was a very challenging year for Australia, but we are cautiously optimistic that a retail recovery is gaining momentum. Localised outbreaks of COVID-19 are being well managed, governments are providing significant encouragement of economic activity, and consumer sentiment is just off 10-year highs.

"While the pandemic has accelerated the evolution of the retail landscape and consumer trends, Vicinity is well-positioned to capitalise on these changes and we will continue to adapt, utilising our data analytics platform, and technology and innovation capabilities. With a diverse portfolio of well-located centres, further ancillary income growth opportunities and considerable mixed-use and retail development opportunities, we are confident of being able to unlock additional value for our securityholders over time.

"Despite the improvement in trading conditions there remains uncertainty, particularly due to the ongoing effects of the pandemic. As such, Vicinity cannot provide FY21 full year earnings guidance as it would not be reliable. Vicinity will continue to monitor conditions and provide further updates as appropriate. Vicinity is targeting a distribution payout ratio of 95% to 100% of AFFO[7] for the full year."

Additional detail on Vicinity's FY21 interim results can be found in the investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 11.00am (AEDT) today and can be accessed via vicinity.com.au.

Authorisation

The Board has authorised that this document be given to ASX.

ENDS

4 Formerly Carbon Disclosure Project.

5 Dow Jones Sustainability Index.

6 Global Real Estate Sustainability Benchmark, survey includes listed and unlisted funds.

7 Subject to ongoing board assessment including consideration of external conditions.

For personal use only

For further information please contact:

Troy Dahms
Senior Investor Relations Manager
T +61 2 8229 7763
E troy.dahms@vicinity.com.au

Ali O'Shea
Corporate Communications Manager
T +61 3 7001 4130
E ali.oshea@vicinity.com.au

About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and $24 billion in retail assets under management across 63 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 60 shopping centres (including the DFO Brisbane business) and manages 31 assets on behalf of Strategic Partners, 28 of which are co-owned by the Group. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 29,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au or use your smartphone to scan this QR code.