

23 August 2021

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) FY21 Preliminary 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

For further information regarding this announcement please contact:

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Company Secretary
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Elanor Retail Property Fund

FY21 Preliminary Results

Presentation

ASX: ERF

23 August 2021





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FY21 Highlights

1

FY21 Preliminary Results Highlights

Core Earnings

\$11.7m

9.14c per security

Distributions Per Security

8.67c

95% payout ratio

12.0c

Special Distribution

Annual Rent Collections

97%

Income assets rent collections 99%

100% tenants trading at 30 June 2021

NTA Per Security

\$1.22

Post:

Final Distribution of \$0.04 per security

Special Distribution of \$0.12 per security

Portfolio Weighted Average Cap Rate

7.32%

Cap rate tightening reflects positive market conditions

Portfolio weighted average cap rates:

Sub-Regional 7.15%

Neighborhood 7.63%

Gearing¹

21.1%

Gearing substantially below target range of 30% to 40% (providing significant investment capacity)

Weighted average cost of debt: 1.7% p.a.

1. Net debt / (total assets less cash)

Portfolio Resilience: Collections

97% of FY21 rent collected

Property Name	State	Leased Occupancy	Trading Occupancy (NLA) ¹	Actual FY21 Collections
Tweed Mall	NSW	97%	100%	95%
Manning Mall	NSW	94%	100%	95%
Value-Add Assets		96%	100%	95%
Gladstone Square	QLD	88%	100%	99%
Moranbah Fair	QLD	97%	100%	100%
Glenorchy Plaza	TAS	98%	100%	97%
Northway Plaza	QLD	94%	100%	100%
Income Assets		95%	100%	99%
Total		95%	100%	97%

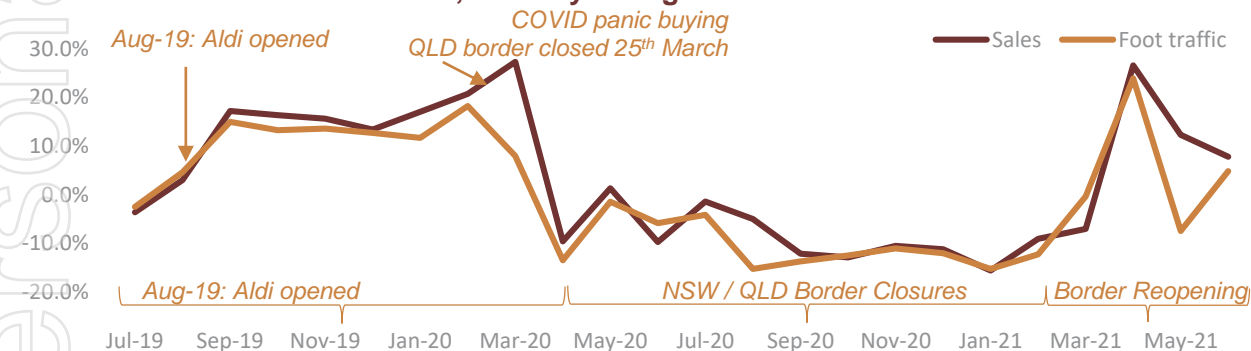
1. Calculated as percentage of leased NLA open and trading 30 June 2021

6% sales growth for 'Majors' at income assets

Major MAT Growth	Value-Add Asset ¹	Income Assets	Total
Supermarkets	(1.3%)	4.1%	1.3%
DDS	5.1%	16.5%	11.5%
Total	(0.5%)	6.2%	2.8%

1. Tweed Mall sales impacted by QLD border closure, see below

Tweed Mall Sales & Foot Traffic, monthly change



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Strategy and Business Overview

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ERF: Value-Add Retail Real Estate Fund

Value-Add Retail Real Estate Fund

Focus on investing in retail assets with significant Value-Add opportunities

Prevailing market conditions are presenting retail Value-Add investment opportunities

Elanor has a track record of delivering strong investment returns from the repositioning of retail real estate

Experienced Management Team

Deep experience and strong capability across acquisition, asset management, retail repositioning and development management

Investment Focus

Grow Portfolio VALUE-ADD ASSETS



\$121.1m | 56%

Delivering strong investment returns from repositioning retail tenant mix and unlocking assets' highest and best real estate use

Divest & Redeploy INCOME ASSETS



Glenorchy Plaza Moranbah Fair

\$93.9m | 44%

Secure cash flows from strongly performing non-discretionary supermarkets / anchor retailers

Manning Mall, Taree NSW



ERF: Capital Management, Strategy and Execution

ERF is evaluating capital management alternatives to provide securityholders with value reflecting the NTA of the Fund



Tweed Mall, Tweed Heads
NSW

FY21 Capital Management

- **Auburn Central sold** in December 2020 for \$129.5 million, a 3% premium to book value following successful Value-Add Repositioning
- **Special distribution** declared in June 2021, 12.0 cents per security
- **Moranbah Fair sold** in August 2021 for \$28.0 million at book value
- **Repay \$25 million debt** from Moranbah Fair sale proceeds resulting in 10.5% pro-forma gearing
- **Balance sheet capacity** to fund:
 - Tweed Mall and Manning Mall Value-Add redevelopments
 - Acquisition of Value-Add assets; and/or
 - Securityholder capital management initiatives

ERF: Portfolio Initiatives

ERF continues to focus on maximising shareholder value through active leasing, Value-Add Repositioning, future investments and other capital management initiatives



New Chemist Warehouse,
Gladstone QLD

Value-Add Assets – Executing Value-Add Strategy

Tweed Mall – Neighbourhood Centre Retail Repositioning

- **Transform Tweed Mall** from a Sub-Regional into a triple supermarket Neighbourhood centre
- **Replace DDS** with full line supermarket and improving non-discretionary focus
- **Extract mixed use** value via strategic master planning

Manning Mall – Neighbourhood Centre Repositioning

- **Reposition Manning Mall** from a Sub-Regional into a single supermarket Neighbourhood centre
- Replace DDS with non-discretionary mini-majors providing essential goods and services

Income Assets – Value Enhancement

- **Gladstone Square** – New mini-major on 10 year lease, improving occupancy and traffic
- **Northway Plaza** – Supermarket lease renewed for five years to 2026
- **Glenorchy** – Strong growth in DDS sales in FY21. Further growth expected from closure of neighbouring DDS
- **Value-Add Projects** – Feasibility underway for value-accretive Pad Sites at Northway Plaza



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Execution: Value-Add Retail Assets

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Execution of strategic initiatives at Value-Add assets

ERF continues to actively reposition the tenant mix away from underperforming DDS and discretionary retailers



Auburn Central – Repositioning Strategy Delivered

- **Transformed Auburn Central** from a Sub-Regional into a triple supermarket, Neighbourhood centre during 2020
- **Achieved significant positive rental reversion** generating a 10%+ project yield on cost
- **Investment yield re-rating** of Sydney metropolitan Neighbourhood centre
- **Sold in December 2020** at a 5.75% cap rate, resulting in a 3% premium to Book Value

Tweed Mall – Neighbourhood Centre Retail Repositioning

- **ALDI** supermarket introduced in August 2019 as third supermarket
- **Transform Tweed Mall** from a Sub-Regional into a triple supermarket Neighbourhood centre with planned commencement in early 2022
- **Replace existing DDS** with full line supermarket (commercial terms agreed)
- **Further retail repositioning** to ‘right size’ the centre with a focus on non-discretionary goods and services based offer
- **Growing value** through positive rental reversion and re-rating of cap rate

Tweed Mall – Unlocking the Site’s Development Potential

- **Favourable planning controls** allow for significant Mixed-Use development
- **DDS lease expiry** unlocks Mixed-Use Master Plan
- **Mixed-Use** Master Plan submission approval planned for early 2022
- **Commercial:** Ongoing negotiations to secure 4,500m² Commonwealth Government office requirement with increasing demand from NSW Government agencies
- **Residential:** COVID-19 has accelerated strong residential demand in lifestyle locations
- **Active engagement** to source residential development partners

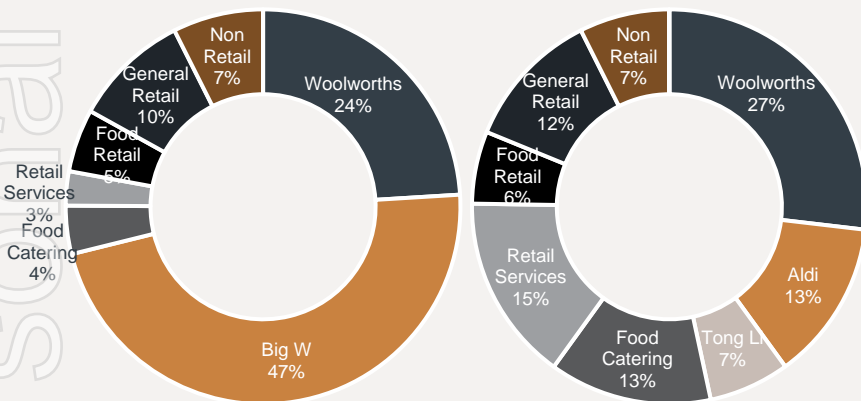
Realisation of Auburn Central Investment

Investment Summary	At Acquisition ¹	At Divestment
Core Cap Rate	7.75%	5.75%
Net Income (A\$m p.a.)	4.9	7.9
GLA ('000 m ²)	15.2	13.6
Occupancy	93%	99% ²
WALE	5.3	9.1
MAT (A\$m)	84.4	134.5 ³
# of Tenancies	50	63

1. Excluding Podium Lots, Nov-16
2. Project Fully Leased
3. Post stabilisation, Location IQ

At Acquisition¹

At Divestment¹



1. By Area excluding Podium Lots

Triple Supermarket Neighbourhood Centre On Completion (Dec-20)



Sub-Regional Centre on Acquisition (Nov-16)



Tweed Mall – Mixed Use Master Planning

Mixed-Use Masterplan - Stage 1

Heads of Agreement with major supermarket to replace DDS:

- Transforms asset from Sub-Regional centre to a triple supermarket, Neighbourhood shopping centre
- Unlocks opportunity for the first stage of mixed-use development, to introduce higher alternative uses (in line with existing planning controls)

Option 1: Introduction of potential commercial office uses for Commonwealth Government requirement and/or State Government demand (per concept plans)

Option 2: Residential high rise development in response to the strong increase in residential demand for lifestyle/coastal locations post COVID-19



Manning Mall – Transformation to Neighbourhood Centre

Replace DDS with convenience based retail and services

- Reposition Manning Mall from a Sub-Regional into a single supermarket Neighbourhood centre
- Leverage strong Supermarket performance and convenient on-grade parking
- Replace the underperforming DDS with two destinational mini-majors
- Provide non-discretionary goods and services





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Portfolio Overview

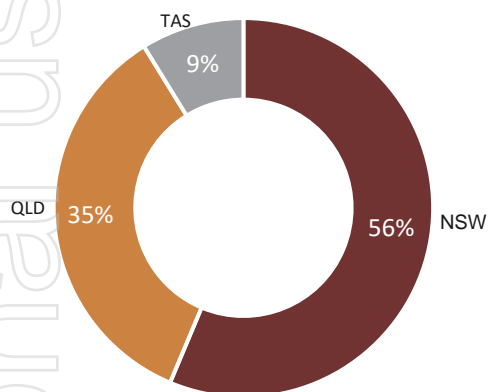
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Portfolio Overview as at 30 June 2021

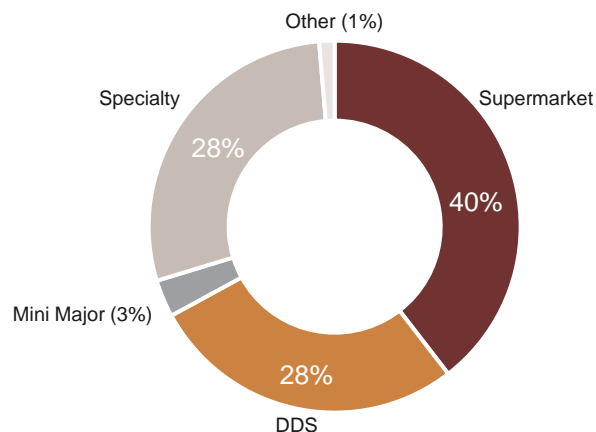
Summary

Type of Asset	Number of Centres	Valuation (\$m)	Cap Rate	Lettable Area (sqm)	Occupancy ¹	WALE (Income) ⁴
Value-Add	2	121.1	7.1%	33,988	95.7%	3.6yrs
Income	4	93.9	7.7%	26,705	94.6%	5.4yrs
Total	6	215.0	7.3%	60,693	95.3%	4.4yrs

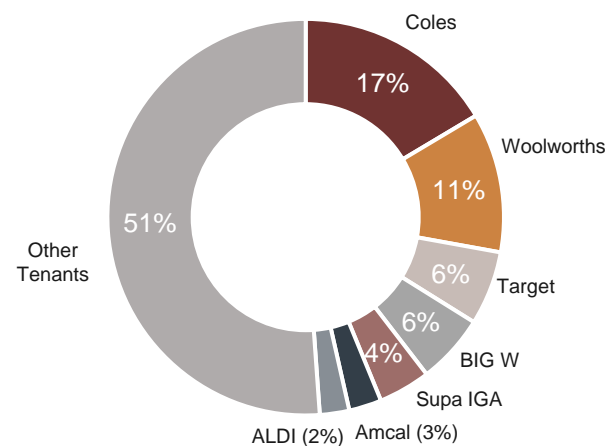
Geographic diversification²



Tenant mix by type³



Key tenants⁴



1. By Lettable Area (including Gladstone Rental Guarantee)
2. By asset value
3. By lettable area
4. By base rent

Portfolio Valuation Movements

Portfolio valuation adopted a weighed average capitalisation rate of 7.3%, a 0.4% increase from June 2020 post Auburn sale

Cap rate for Income Assets firmed by 0.2%¹ given positive investor sentiment for Income Assets

Property Name	Centre Type	Valuation	Value Jun-21 (\$m)	Value Jun-20 (\$m)	Change (\$m)
Tweed Mall	Sub-Regional	Internal	85.0	84.5	0.5
Manning Mall	Sub-Regional	Internal	36.1	34.0	2.1
Value-Add Assets			121.1	118.5	2.6
Gladstone Square	Neighbourhood	Independent	30.0	28.0	2.0
Moranbah Fair	Neighbourhood	Internal	28.0	28.0	0.0
Glenorchy Plaza	Sub-Regional	Independent	18.9	18.5	0.4
Northway Plaza	Neighbourhood	Independent	17.0	16.2	0.8
Income Assets			93.9	90.7	3.2
Investment Property Carrying Value			215.0	209.2	5.8
Auburn Central – Divested December 2020			-	108.0	(108.0)
Investment Property Carrying Value			215.0	317.2	(102.2)

1. Pre Manning Mall reclassification

Strong Growth in Portfolio WALE

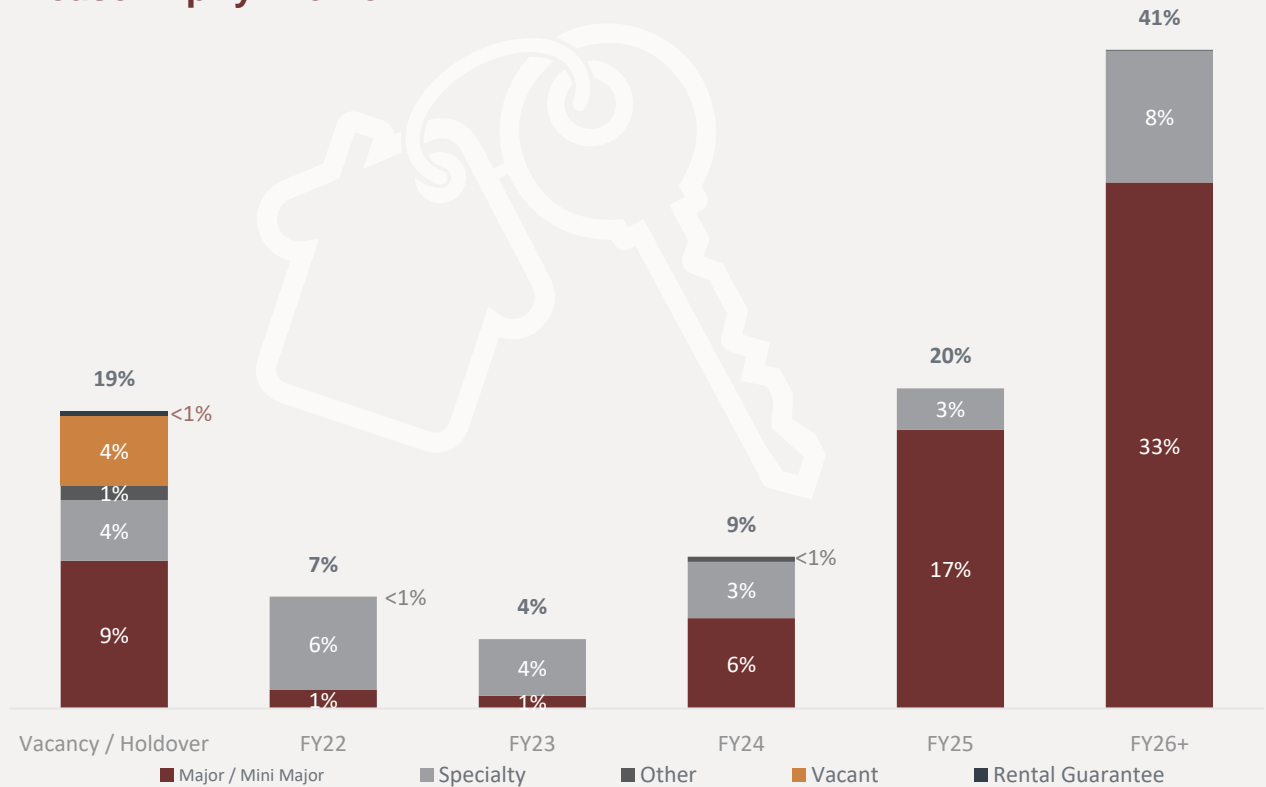
WALE improved to 4.4 years from 4.0 years

Portfolio is 95.3%¹ occupied with a WALE of 4.4 years by base rental income and 4.2 years by lettable area.

WALE improved due to the option exercise of supermarket anchors at Tweed Mall and Northway Plaza

Major holdover of 9% reflects Target DDS at Tweed Mall, providing flexibility ahead of repositioning

Lease Expiry Profile



1. By Lettable Area

Income Assets: Divestment Program



Successful sale of Moranbah Fair at book value. Divestment of other Income Assets to commence following successful execution of leasing and development initiatives



Increased market recognition of defensive investment attributes of Neighbourhood shopping centres (Income Assets)



Stronger market demand given performance of Income Assets throughout the COVID-19 period

Grow Portfolio



Value-Add assets

\$121.1m | 56%

Delivering strong investment returns from repositioning retail tenant mix and unlocking assets' highest and best real estate use

Divest and redeploy capital



Income Assets

\$93.9m | 44%

Secure cash flows from strongly performing non-discretionary supermarkets / anchor retailers



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FY21 Preliminary Financial Results

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Core Earnings

Statutory net income of

\$7.2m

for FY21

Core Earnings of

\$11.7m

or 9.14 cents per security

Distribution of

8.67 cents

per security (representing 95% of FY21
Core Earnings)

Special Distribution of

12.00 cents

per security

Reconciliation to Core Earnings

FY21 (\$'000)

Net profit	7,157
Net fair value adjustments	(1,596)
Straight lining of rental income	234
Amortisation expense	885
Sale of Auburn Ambulance Station	1,379
Transaction costs	3,613
Core Earnings	11,672

FY21 result includes:

\$1.4m

Profit Auburn Ambulance
sale in 1HFY21

\$0.5m

COVID-19 provisions in
FY21

Auburn Big W surrender
fee & downtime in
1HFY21

No income from Auburn
Central in 2HFY21
following divestment in
December 2020

Balance Sheet

Net tangible asset value
per security of \$1.22 at
30 June 2021 after provision
for Final and Special
Distributions

Interest bearing debt less
cash of \$48.0m at
30 June 2021

Gearing ratio of 21.1%

Balance Sheet as at 30 June 2021

\$'000

Assets

Cash	18,713
Receivables	11,536
Other assets	1,277
Investment properties	215,000
Total assets	246,526

Liabilities

Payables	2,606
Distributions payable	20,223
Rent received in advance	563
Interest bearing liabilities	66,669
Derivative financial instruments	117
Total liabilities	90,178

Net assets	156,348
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Number of securities ('000)	127,712
NAV per security	\$1.22
NTA per security	\$1.22
Gearing (ND / TA less cash)	21.1%

Debt and Capital Management

	30 June 2021
Facility limit (\$m)	66.7
Drawn debt (net of cash) (\$m)	66.7
Gearing	21.1%
% debt fixed or hedged	63%
Weighted average cost of debt (p.a.)	1.7%
Average debt facility maturity (years)	2.9
Average swap / hedge maturity (years)	1.9
Interest cover ratio	6.68x

Drawn Debt Maturity Profile (%)



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

The weighted average term to maturity of the Fund's debt is 2.9 years

Gearing reduced to 21.1% post divestment of Auburn Central

Debt is 63% hedged (100% hedged post debt repayment from Moranbah Fair sale proceeds)

Target range for fixed interest rate exposure of between 70% and 100% of drawn debt

Average swap / hedge maturity is 1.9 years
 (Up from 1.4 years as at 31 December 2020)

Key Covenants

- Loan-to-Value Ratio (LVR)¹ ≤ 50%
- Interest Cover Ratio (ICR)² ≥ 2.00x, assessed semi-annually

On-market securities buyback

- Commenced December 2020
- 1,017,030 securities at an average price of \$1.22 per security to 30 June 2021



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Strategy and Outlook

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Strategy and Outlook



Strong Position

ERF is well positioned to enhance value for security holders



Delivering value to security holders

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

Investing in retail assets with significant Value-Add opportunities

Executing divestment of Income Assets



Capital Management

ERF is evaluating capital management alternatives to provide security holders with value reflecting the NTA of the Fund



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Appendix

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Assets Summary

ERF has a Portfolio of six 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 ³	No. of Tenancies
Tweed Mall	Sub-Regional	NSW	85.0	7.00%	23,244	7.3	96.6%	3.7yrs	3.9yrs	65	76
Manning Mall	Sub-Regional	NSW	36.1	7.18%	10,745	3.4	93.9%	2.6yrs	3.1yrs	30	37
Value-Add Assets			121.1	7.05%	33,988	10.7	95.7%	3.4yrs	3.6yrs	95	113
Gladstone Square	Neighbourhood	QLD	30.0	7.50%	6,875	2.5	88.1% ²	8.3yrs	8.1yrs	19	28
Moranbah Fair	Neighbourhood	QLD	28.0	8.00%	7,059	2.5	97.4%	4.9yrs	4.5yrs	23	25
Glenorchy Plaza	Sub-Regional	TAS	18.9	7.75%	8,726	1.8	97.7%	3.6yrs	3.5yrs	13	15
Northway Plaza	Neighbourhood	QLD	17.0	7.25%	4,045	1.5	94.4%	4.6yrs	4.8yrs	11	13
Income Assets			93.9	7.65%	26,705	8.3	94.6%	5.3yrs	5.4yrs	66	81
Total			215.0	7.32%	60,693	19.0	95.3%	4.2yrs	4.4yrs	161	194

1. By Lettable Area including Gladstone Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio and Gladstone Square is 94.9% and 85.3% respectively

2. Rental Guarantees valued at \$0.1m in place to provide income on nominated vacancies until June 2021 for Gladstone Square







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

Strong Operational and Strategic Upside

			FY21 Progress / Status	Short Term <12 months	Medium Term 1 – 3 years
Value Add Assets					
	Development	DDS early lease surrender	Completed	DDS closed Jan-20, surrender fee received	
	Leasing	Repositioning project including Aldi and specialties	Completed	Fully leased	
	Capital Recycling	Divestment	Completed	Settled Dec-20	
	Leasing	Aldi and new specialty stores	Completed	Aldi opened Aug-19	
	Leasing	Replace DDS with major supermarket	In progress	<div></div>	
	Development	Mixed-use master-plan approval and staging	In progress	<div></div>	
	Development	Mixed-use development partnership and delivery	In progress	<div></div>	
	Development	Reposition DDS with non-discretionary mini-majors	Negotiating	<div></div>	
	Leasing	Introduce additional non-discretionary tenants	Ongoing	<div></div>	
Income Assets					
	Leasing	Specialty and office leasing	In progress	<div></div>	
	Capital Recycling	Sale process completed	In progress	<div></div>	
	Leasing	Specialty leasing and remixing of tenancies	In progress	<div></div>	
	Capital Recycling	Sale process to commence	In progress	<div></div>	
	Leasing	DDS lease renewal	In progress	<div></div>	
	Capital Recycling	Divest following DDS lease renewal	Ongoing	<div></div>	
	Leasing	Renewal of supermarket lease	Completed	Lease extended to Oct-26	
	Development	Develop pad sites	In progress	<div></div>	
	Capital Recycling	Divest following pad site development	Ongoing	<div></div>	
	Operational	Drive cost/operating efficiencies through active asset management	Ongoing	<div></div>	
	Acquisitions	Acquisition of further accretive, high investment quality Value-Add shopping centres	Ongoing	<div></div>	

Leasing
 Development
 Operational
 Capital Recycling
 Acquisitions

Retail Comparable Sales (June 2021)

						
Annual Retail Sales (\$m)	103.9 ³	74.8	49.7	70.8	26.0 ⁴	25.3
Centre Sales (\$ / sqm p.a)	5,748	8,218	10,672	14,160	3,788	8,652
Supermarket Sales (\$/sqm p.a)	8,217	14,606	11,532	14,132	n/a ²	8,939
YoY change (%)	(7.0%)	6.5%	8.9%	1.6%	n/a ²	3.3%
Specialty Sales¹ (\$psqm / p.a)	5,703	8,017	n/a ²	n/a ²	n/a ²	n/a ²
YoY change (%)	6.4%	3.1%	n/a ²	n/a ²	n/a ²	n/a ²
Specialty Occupancy Cost¹	10.9%	9.1%	n/a ²	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 2021 (including temporary closures during COVID-19)

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices

2. Insufficient specialty retailer sales data

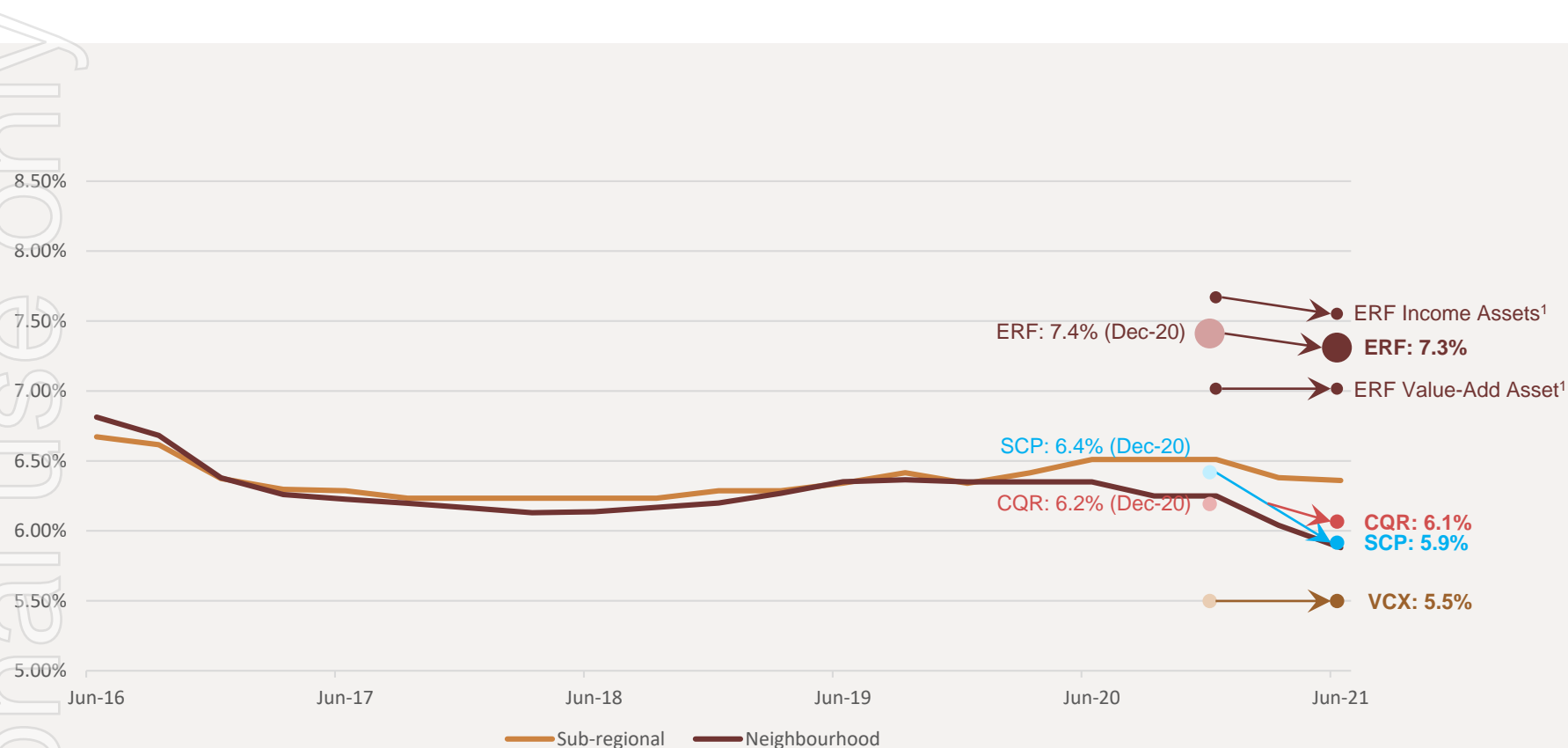
3. Excludes Aldi (opened August 2019); pre QLD border closure in March-20; monthly sales and footfall growth peaked at 20.7% and 18.2% yoy respectively

4. Big W DDS MAT grew 17%



ERF Portfolio Capitalisation Rates

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



1. Pre Manning Mall reclassification
Source: JLL and ASX

Disclaimer

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

This presentation has been prepared by Elanor Funds Management Limited As Responsible Entity For Elanor Retail Property Fund I (ARSN 615 291 220) and Elanor Funds Management Limited As Responsible Entity For Elanor Retail Property Fund II as (ARSN 615 291 284), collectively Elanor Retail Property Fund ('ERF' or 'the Fund').

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