Core Property
Fund Research & Ratings

Listed Property

August 2020 Reporting Season Results

Week 4:

AOF, AVN, GDI, SGP, SCG, HMC, CMW, PWG

A review of the major listed A-REIT reporting results during August 2020

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August 2020 Reporting Season for A-REITs – Week 4

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

August 2020

August 2020 Reporting Season – Week 4

Results for the June 2020 period

A-REITs Results - Week 4		
For full reporting calendar see Appendix		
Monday 24 August 2020		
AOF	Australian Unity Office Fund	FY20
AVN	Aventus Group	FY20
GDI	GDI Property Group	FY20
Tuesday 25 August 2020		
SGP	Stockland	FY20
SCG	Scentre Group	1H20
Wednesday 26 August 2020		
HMC	Home Consortium	FY20
NSR	National Storage REIT	FY20
Thursday 27 August 2020		
CMW	Cromwell Property Group	FY20
Friday 28 August 2020		
PWG	Primewest Group	FY20

* 1H20 result is for 6-months to Jun-20
**FY20 result is for 12 months to Jun-20

Core Property has reviewed 8 results from property securities which reported in Week 4 of the August 2020 reporting season. Some key points include:

- **Rent Collections** have remained relatively consistent across sectors and are in line with previous results. Retailers have been the most impacted, with SCG reporting a collection rate of 48% for the June quarter, HMC at 58.6% and SGP's retail centres collecting 61%. Notably, the convenience based large format retailer AVN outperformed its counterparts, achieving an 87% rent collection during the last 4 months of FY20. We continue to see resilience from office funds, with AOF and SGP's office portfolio both at a 92% rent collection rate whilst CMW was at an estimated 83%.
- **Distribution guidance for FY21** remained conservative with only AOF, GDI and CMW providing guidance for distributions, with yields of around 6.6% - 8.5%.
- **It is interesting to see that earnings guidance was not provided** by any of the 8 REITs, as a result of the uncertainty from COVID-19.

The impact of COVID-19 has been the most severe for Scentre Group (ASX: SCG) which suffered a staggering devaluation of $4.1 billion across its assets, or -10.8%. SCG's exposure to discretionary and specialty retailers, as well as to Victorian centres, continues to deliver uncertainty of income during the COVID-19 crisis.

A number of property portfolios have provided some degree of certainty for investors through their distribution guidances for FY21. As the risk profiles continue to evolve throughout the COVID-19 pandemic, we expect additional distribution guidances to emerge, with investors focusing on those portfolios with more certain income streams.

Key financial and valuation metrics

Code	Price (cps[1])	Operating earnings		Distributions		Leverage		Valuation		Guidance on EPS & DPS		
		EPS (cps)	(% chg)	DPS (cps)	(% chg)	Gearing (%)	Chg (%)	NTA (cps)	Prem/ (Disc) to NTA %	FY21 EPS (cps)	FY21 DPS (cps)	Implied DPU yield
AOF	228	17.0	-2.9%	15.0	-5.1%	31.2%	+1.7%	272	(16.2%)	Not provided	15.0	6.6%
AVN	221	18.2	-1.1%	11.9	-28.3%	36.0%[2]	-2.7%	214	3.3%	Not provided	Not provided	NA
GDI	106	8.22	-8.3%	7.75	0%	16%	+10%	130	(18.5%)	Not provided	7.75	7.3%
SGP	386	34.7	-7.2%	24.1	-12.7%	25.4%	-1.3%	377	2.4%	Not provided	Not provided	NA
SCG[3]	211	6.96	-44.9%	0.0	-100%	38.4%	+5.4%	366	(42.3%)	Not provided	Not provided	NA
HMC	308	8.7	NA	12.0	NA	35.6%	NA	320	(3.8%)	Not provided	Not provided	NA
CMW	88.5	8.5	+3.5%	7.5	+3.4%	41.6%	+6.6%	99	(10.6%)	Not provided	7.5	8.5%
PWG	109	5.5	NA	2.8	NA	0%	NA	23	373.9%	Not provided	Not provided	NA

Note 1: Based on the closing price on the day of the results being released. Note 2: Look through gearing. Note 3: Results are the 6-months ending 30 June 2020, Guidance is for the 12-months ending 31 December 2020. Source: Company Announcements.

24 Aug 2020

Australian Unity Office Fund (ASX: AOF) – FY20 Results

AOF delivered a resilient FY20 result with FFO per security of 17.0 cpu, down 2.9% on the prior year due to COVID related rent concessions. Rent collections in the June 2020 quarter were 92%, with a -$1.1M impact in earnings (or -0.7 cpu) as a result of COVID-19. Excluding these impacts, FFO per security would have been 17.7 cpu, or at the top end of pre-COVID-19 guidance.

Occupancy levels reduced slightly to 93.7% with AOF only having 4% of its lease portfolio falling due during FY21. Key priorities for management are expected to focus on early negotiations to secure FY22 and FY23 lease expiries, review the potential sale of one asset (241 Adelaide St, Brisbane) as well as to seek lease pre-commitments for 2 Valentine Ave, Parramatta following recent DA approval.

FY21 guidance was provided with AOF expecting distributions of 15.0 cpu, in line with FY20 levels. Due to the current economic uncertainty, no earnings guidance was provided, however the distributions appear to have support based on current earnings of 17.0 cpu and only 4% of leases falling due in FY21. At a current price of $2.28 per unit, AOF is trading on a 6.6% distribution yield and a 16.2% discount to its NTA of $2.72 per unit.

FY20 Results to 30 June 2020

FY20 results	FY20	FY19	Change
Earnings			
Statutory Net Profit*	**$13.2M**	$44.8M	-70.5%
Funds From Operations (FFO)	**$27.6M**	$28.5M	-2.9%
FFO per security	**17.0cpu**	17.5cpu	-2.9%
Distribution per security	**15.0cpu**	15.8cpu	-5.1%
Payout ratio	**88.4%**	90.4%	-2.0%

Movement over 12 months	As at Jun 2020	As at Jun 2019	Change
Balance Sheet			
NTA per unit	**$2.72**	$2.79	-2.5%
Gearing %	**31.2%**	29.5%	+1.7%
Weighted average cost of debt	**3.1%**	3.7%	-0.6%
Weighted average debt term to maturity	**3.5 years**	3.1 years	+0.4 years
Borrowings	**$215.8M**	$204.8M	+5.4%
Interest cover ratio	**4.1x**	4.6x	-0.5x
Portfolio			
Portfolio Valuation	**$669.7M**	$668.4M	+0.2%
Occupancy	**93.7%**	95.3%	-1.6%
Number of properties	**9**	9	No Change
Weighted Average Capitalisation Rate	**6.09%**	6.21%	-12bps
WALE (Weighted Average Lease Expiry)	**2.9 years**	3.5 years	-0.6 years

Source: AOF. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes

Key Points

- **Impact of COVID-19:** Over the June 2020 quarter, AOF averaged 92% rent collection across the portfolio, resulting in a -$1.1M impact on earnings (or -0.7 cpu) due to rental waivers and doubtful debt provisions. As at 30 June 2020 around 11% of tenants by gross monthly income had requested some form of proportionate rent relief, with the amount increasing to ~15% as at 31 July 2020 due to the recent Victorian outbreak. Generally, office building occupancies have been between 20% and 40% depending on location.

- **Funds From Operations (FFO)** of $27.6M, was -2.1% for the year, due to COVID-19 related rent provisions, which were offset by fixed rental increases and leasing activity. This equated to FFO per security of 17.0 cpu (FY19: 17.5 cpu). It is worth noting that if the COVID-19 related waivers had not been required, FFO would have been 17.7 cpu, ahead of FY19 figures, and at the upper end of pre-COVID guidance of 17.3 – 17.7cpu.
- **The Property Portfolio** key operating metrics include:
  - **Occupancy levels decreased slightly** to 93.7% (from 95.3% at June 2019). The portfolio is weighted 59% to metropolitan markets and 41% to capital city CBDs (excluding Sydney and Melbourne CBDs).
  - **Weighted Average Lease Expiry (WALE)** declined to 2.9 years (from 3.5 years at June 2019). Notably, AOF has a small portion of expiries in FY21 at 4% of the portfolio, increasing to 21% in FY22 and 37% in FY23. Key expiries in FY22 include NSW Property at 10 Valentine Avenue, Parramatta NSW (14% of NLA, June 2022). Key expiries in FY23 include Telstra at 30 Pirie St Adelaide SA (21% of NLA, February 2023) and GE at 32 Phillip St, Parramatta NSW (6% of NLA, June 2023). Management will be looking to de-risking much of these future expiries well in advance, to provide certainty of income.
  - **Portfolio Valuations** increased by 0.2% to $669.7M (from $668.4M at 30 June 2019). All properties were independently revalued as at 30 June 2020. The portfolio capitalisation rate moved -12bps to 6.09%, with a first half movement of -8bps and a second half movement of -4bps. Notably, the second half movement was almost wholly attributable to development approval at 2-10 Valentine Avenue, Parramatta NSW, which contributed +$14.5M in value, offsetting valuation declines across other assets.
  - **2-10 Valentine Ave, Parramatta NSW** received DA approval for a ~28,000 sqm commercial office tower in addition to the existing building of 16,020 sqm. Early works are set to commence shortly with the preferred builder, Buildcorp, to reduce program risks. The DA approval follows a previous site-specific planning proposal and DA approval for a ~8,000 sqm building on the site. The development is expected to proceed subject to a number of conditions, including the securing of a pre-commitment from a tenant.
  - **241 Adelaide Street, Brisbane** has been placed on the market for sale. The property was recently revalued at $36.75M at 30 June 2020.
- **Takeover Offers:** During the year, several entities expressed an intention to launch takeover bids for AOF:
  - **CHAB Office Trust:** On 2 September 2019, the CHAB Office Trust proposed to acquire all AOF units in a Scheme for $3.04 cash per unit. The Proposal did not proceed as it did not receive the required approval level by unitholders.
  - **Starwood:** On 29 January 2020, SOF-XI Legs Holdings Limited, a member of Starwood Capital Group, announced an intention to make an all-cash, off-market takeover offer for AOF at $2.98 per unit, less any distributions paid after 29 January 2020. The offer did not proceed and lapsed on 20 March 2020, during the initial COVID-19 period.
- **Gearing** increased to 31.2% from 29.5% at June 2019, within the target gearing range of <40%. The weighted average cost of debt decreased to 3.1% with debt well within an LVR covenant of 50%. AOF's next debt maturity is in October 2022.
- **Distributions** of 15.0cpu were recorded for FY20, down 5.1% for the year. Distributions of 4.0 cpu were paid for the first 3 quarters, in line with prior guidance. In Q4 FY20, the distribution was reduced to 3.0 cpu as a result of COVID-19.
- **Net Tangible Assets (NTA)** decreased 2.5% for the year to $2.72 per unit.
- **FY21 guidance was provided** with AOF expecting distributions to remain at FY20 levels of 15.0 cpu. FFO guidance was not provided due to COVID related uncertainties. We note that the current earnings of 17.0cpu provides a sufficient buffer to support the distribution guidance given than only 4% of the portfolio falls due for renewal in FY21. Management has noted that, going forward, the immediate focus for the fund will be to address near term vacancies, complete early works and tenant pre-commitments at 2 Valentine Avenue and consider the potential sale of 241 Adelaide Street, Brisbane.

24 Aug 2020

Aventus Group (ASX: AVN) – FY20 Results

AVN delivered a relatively resilient FY20 result through the COVID-19 pandemic compared to its retail counterparts. With a portfolio of Large Format Retail (LFR) stores, AVN reported an 87% rent collection through the June quarter, impacting earnings by -$6M, with 75% rent abatements and 25% rent deferrals. As stores reopened following COVID-19 shutdowns, traffic has rebounded and exceeded prior year levels (excluding Victoria). FFO of $100.2M was up 4.2% on the prior year, driven by rental increases and cost reductions, which were offset by rent concessions due to COVID.

AVN's portfolio metrics remained healthy, with a WALE of 3.9 years, portfolio occupancy of 98.0% and only 2% of tenants in holdover. Valuation movements were also minor, with a devaluation of -$19M (or 1.7%) for the year.

Going forward, AVN has refrained from providing both earnings and distribution guidance for FY21 as a result of COVID-19. While most centres are experiencing a promising recovery, AVN's portfolio has a 16% exposure to Victoria. Currently 70% of AVN's Victoria based tenants are not trading, with 3 centres in Stage 4 restrictions and 1 centre in Stage 3, with further rent concessions expected in FY21.

FY20 Results to 30 June 2020

FY20 results	FY20	FY19	Change
Earnings			
Statutory Net Profit*	**$56.7M**	$110.4M	-48.6%
Funds From Operations (FFO)	**$100.2M**	$96.2M	+4.2%
FFO per unit	**18.2 cps**	18.4cps	-1.1%
AFFO per unit	**16.9 cps**	16.6 cps	+1.8%
Distribution per unit	**11.9 cps**	16.57 cps	-28.2%
Payout ratio (of FFO)	**66%**	90%	-24%

Movement over 12 months	As at Jun 2020	As at Jun 2019	Change
Balance Sheet			
NTA per security	**$2.14**	$2.15	-0.5%
Gearing % (Look Through)	**36.0%**	38.7%	-2.7%
Weighted average cost of debt	**3.1%**	3.5%	-0.4%
Debt maturity	**3.1 years**	4.1 years	-1.0 years
Borrowings	**$738.4M**	$775.4M	-4.8%
Portfolio			
Property Valuation	**$1,930.3M**	$1,973.8M	-2.2%
Occupancy rate	**98.0%**	98.4%	-0.4%
Weighted Average Capitalisation Rate	**6.74%**	6.74%	No Change
WALE (Weighted Average Lease Expiry)	**3.9 years**	4.0 years	-0.1 years

Source: AVN. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

Key Points

- **Trading during COVID-19:** During the 4-month period 1 March – 30 June 2020 the AVN portfolio averaged a rent collection rate of 87%, with earnings impacted by -$6M, comprising of 75% rent abatements and 25% rent deferrals. Notably, at AVN centres, traffic towards the later stages of FY20 and early FY21 exceeded FY19 levels (excl. Victoria). Rent collection for July continued to be solid with 84% collected. Despite complications, AVN was able to execute 36 leasing deals throughout the COVID-19 period, albeit at lower leasing spreads and higher incentives compared to other deals completed in FY20.
- **Funds From Operations (FFO)** of $100.2M was up 4.2% on the prior corresponding period, with fixed rental increases partially offset by COVID-19 earnings impacts. FFO per security moved -0.2 cpu (or -1.1%) over the year. The movement was driven by $49M of equity raised through the Group's Distribution Reinvestment Plan during FY20. AVN also reduced its cost base through limiting its non-essential capital expenditure and reducing administration and management expenses.
- **The property portfolio** saw occupancy levels remain high at 98.0%, roughly in line with AVN's average since IPO.
  - **Large Format Retail** continues to be a significant part of the Australian retail industry with LFR centres contributing 25% of all retail sales in Australia ($82B in sales). Notably, over the past decade, there have been an undersupply of LFR centres, with continued low supply forecasted. This positions AVN well to continue expanding its market share within metropolitan and neighbourhood retail markets.
  - **AVN's tenant base remains strong** with 87% of gross lettable area (GLA) leased to national retailers, majority listed, such as Bunnings, Officeworks, Harvey Norman, JB Hi-Fi and The Good Guys. Notably, AVN is highly diversified, with no single tenant accounting for more than 5% of gross income. Additionally, all leases include annual rental reviews with 76% fixed increases between 3.0% and 5.0%, and the remaining held at CPI.
  - **Weighted Average Lease Expiry (WALE)** remained stable at 3.9 years, reflecting AVN's leasing success over the year. The lease expiry profile is staggered, with approximately 10% of income expiring each year to FY29. It is worth noting that, despite COVID-19 disruptions, holdovers remain minimal at around 2% of portfolio income.
  - **AVN continued to execute on its development pipeline** including the continuation of development works at Caringbah Home with completion expected in October 2020. Since IPO, AVN has invested in excess of $110M across more than 23 development projects at an average cash yield of 9%. Beyond this, AVN has a land bank of 1.2M sqm for developments with site coverage of 44% - providing significant opportunities for future development projects. Post-balance date, AVN settled the acquisition of development land adjoining Epping Hub for $11.5M. The land is zoned for mixed use, retail, residential, office, medical and large format retail.
  - **AVN disposed of McGraths Hill Home in November 2019** at its carrying amount of $42.5M to the Aventus Property Syndicate 1 Fund (APS1), an Aventus-managed large format retail syndicate established in FY20. AVN holds a 25.3% interest in APS1.
- **Valuation movements** were -$19M (-1.9%) for the year, with a first half gain of $20M offset by a second decline of $39M. The weighted average capitalisation rate remained flat for the year at 6.74%. Management noted that capitalisation rates have been stable for the past 3 years, with valuation gains largely driven by income growth and developments.
- **Net Tangible Assets (NTA)** decreased marginally to $2.14 per unit (from $2.15 at June 2019) due to additional units being issued under the Distribution Reinvestment Plan.
- **Gearing** decreased slightly by 2.7% to 36.0% as a result of DRP proceeds. A decline in the weighted average cost of debt to 3.1% reflects the low interest rate environment.
- **Distributions** per unit were 11.9cpu for FY20, down 28.3% on the prior corresponding period, impacted by the uncertainty of COVID-19.
- **Outlook and FY21 Guidance:** Given the ongoing economic uncertainty and AVN's exposure to COVID-19 impacts, management has refrained from providing FY21 guidance. Rent concessions are expected to increase, with 16% of AVN's portfolio weighted towards Victoria. Currently 3 centres are in Stage 4 restrictions and 1 in Stage 3; translating to 70% store closures across AVN's Victoria tenants. Management remain focused on achieving near term goals – such as the completion of Caringbah Super Centre and unlocking AVN's significant land bank.

24 Aug 2020

GDI Property Group (ASX: GDI) – FY20

GDI delivered FY20 with FFO impacted -7.8% largely due key tenancy movements as well as COVID-19 impacts of -$1.5M. Distributions were maintained at 7.75cpu for the year. The Property Division delivered FFO of $49.1M, a movement of -9.5%, impacted by weaker income at Westralia Square and the Mill Green complex and COVID rent concessions. This was partially offset by Funds Management business, which was boosted by the launch of the GDI No. 46 Property Trust which invests in a portfolio of WA based car dealerships, and GDI taking a 47% co-investment stake.

Management has not provided earnings guidance for FY21 due to the significant value of lease expiries, particularly at Westralia Square, with expectations that this will be materially lower than the 8.22cpu delivered in FY20. Management does however intend to maintain distributions at 7.75cpu in FY21, with the possibility that a portion may be paid out of capital. At a current price of $1.06 per unit, GDI is trading on an FY21 distribution yield of 7.3% and a 18.5% discount to its NTA of $1.30 per unit.

FY20 Results to 30 June 2020

FY20 results	FY20	FY19	Change
Earnings			
Statutory Net Profit*	**$67.1M**	$81.6M	-17.8%
Property Division FFO	**$49.1M**	$54.3M	-9.5%
Funds Management FFO	**$6.0M**	$4.8M	+22.8%
Other	**$0.4M**	$0.0M	NA
Net Interest Expense	**($2.1M)**	($2.3M)	-6.5%
Corporate & Admin Expenses, Tax	**($7.8M)**	($8.1M)	-3.5%
Funds From Operations (FFO)	**$44.5M**	$48.3M	-7.8%
FFO per security	**8.22 cpu**	8.96 cpu	-8.3%
Distribution per unit	**7.75 cpu**	7.75 cpu	No Change
Payout ratio (based on FFO)	**94.3%**	86.6%	+7.7%

Movement over 12 months	As at Jun 2020	As at Jun 2019	Change
Balance Sheet			
NTA per security	**$1.30**	$1.255	+3.6%
Gearing %	**16%**	6%	+10%
Weighted average cost of debt	**Not provided**	Not provided	NA
Weighted average debt maturity	**2.09 years**	1.62 years	+0.47 years
Borrowings	**$159.4M**	$69.1M	+130.7%
Portfolio			
Property Valuation	**$822.9M**	$773.3M	+6.4%
Occupancy rate	**81.1%**	84.8%	-3.7%
Weighted Average Capitalisation Rate	**6.92%**	7.02%	-10bps
WALE (Weighted Average Lease Expiry)	**2.6 years**	2.4 years	+0.2 years

Source: GDI. Note* Statutory Net Profit includes non-cash items which distorts operating income. Operating profit is a more appropriate measure to assess changes.

Key Points

- **Impact of COVID-19:** Rent relief provided to tenants in the GDI wholly owned portfolio for the period equated to -$1.5M. This included -$0.5M from rent waived, -$0.1M from rent deferred, -$0.1M from rent incentives for new or extended leases, -$0.2M through restructuring existing incentives and -$0.5M from rent relief not yet agreed. Rent relief was also provided to some tenants of three GDI managed funds – GDI No. 33 Brisbane CBD Office Trust, GDI No. 43 Property Trust and GDI No. 46 Property Trust – predominantly by way of a rent deferral. Notably, as GDI No. 46 Property Trust is consolidated into the accounts of GDI, the impact of rent relief provided $1.0M is included in the financial accounts of GDI, but not in the -$1.5M outlined above. Management expects FY21 rent relief to be below FY20 levels.
- **Funds From Operations (FFO)** of $44.5M was -7.8% for the year (from $48.3M in FY19). Whilst FFO per security was -8.3% to 8.22cpu (from 8.96cpu in FY19), distributions were maintained at 7.75cpu in line with guidance, reflecting a higher 94.3% payout ratio. FFO movements were a result of:
  - **Property Division FFO** of $49.1M (-9.6%) due to COVID related rent concessions, and lower rents at Westralia Square (due to the departure of UGL as a tenant and amended leases with the Minister of Works), lower contributions from Mill Green due to declining occupancy, offset by higher rents at 50 Cavill Avenue due to higher rents on renewals and reviews.
  - **Funds Management FFO** increased 22.8% to $6.0M driven by the establishment of the GDI No.46 Property Trust and distributions from the GDI No. 42 Office Trust.
- **Property Division portfolio metrics:**
  - **Occupancy rate** declined by 3.8% to 81.1% (84.9% at June 2019) primarily due to the departure of UGL from Westralia Square – which accounted for two floors in the building.
  - **Weighted Average Lease Expiry** increased to 2.6 years (from 2.4 years at June 2019).
  - **Westralia Square** was impacted by the departure of UGL and lower rents on the Minister of Works amended leases reducing its contribution by ~$4.6M. During the period, two leases were signed with Minister for Works over 14,522 sqm of space, with 12,689 sqm allocated to the West Australian Police for 5 years and 1,833 sqm to Births, Deaths and Marriages for 6 years. Both leases are set to commence in February 2021. Westralia Square is also expecting the completion of upgrades to the end of trip facilities and refurbishments in FY21.
  - **1 Mill Street, Perth** is planning a development that includes a 45,000 sqm prime office tower, broader precinct works to 5 Mill Street including an enclosed food and dining precinct and associated landscaping, and an upgrade to the podium façade and covered passageway of 197 St Georges Terrace. The Development Application has been finalised and is ready for submission to the local planning authority.
  - **50 Cavill Avenue, Surfers Paradise** has experienced steady occupancy through 2020. Post-lockdown, leasing momentum has picked up. The property has been reclassified as a non-current asset held for sale.
- **Funds Management -** GDI launched the GDI No. 46 Property Trust in February 2020, which acquired a portfolio of 17 metropolitan Perth-based car dealerships and service centres. The portfolio is fully leased with a term of 10.4 years with GDI owning a 47% co-investment stake in the Trust. Approximately $1.0M in rent relief was provided by the Trust during the June quarter.
- **Weighted Average Capitalisation Rate** decreased by 10bps to 6.92% (from 7.02% in FY19).
- **Gearing** increased by 10% to 16% (from 6% in June 2019). The movement was driven by an increase in drawn debt to fund capital expenditure at Westralia Square, GDI's stake in the GDI No. 46 Property Trust, and working capital requirements. Additionally, the Principal Facility was extended, increasing its capacity to $210.0M and term to July 2022.
- **NTA per security** increased by 3.6% to $1.30 (from $1.255 at June 2019) with net revaluation gains partially offset by the write off of stamp duty and acquisition costs from the consolidation of GDI's stake in the No. 46 Property Trust.
- **Management guidance for FY21** is for distribution to remain flat at 7.75 cpu. No guidance has been provided for earnings in FY21 except that management expects this to be materially lower due to the significant value of lease expiries, particularly at Westralia Square, which may impact earnings. Management has also indicated the possibility that distributions may be paid out of capital, implying the possibility that earnings falling below 7.75 cpu (from the 8.22 cpu in FY20).

25 Aug 2020

Stockland (ASX: SGP) – FY20 Results

SGP reported FY20 results with a -7.2% movement in FFO per security, impacted by a significantly weaker Retail portfolio which delivered FFO that was -20.5% for the year. Total FFO was -$72M for the year, which includes a -$67M impact as a result of COVID-19 (-$63M Retail, -$2M Workplace and -$2M Logistics). Rent collection for the June quarter averaged 70% across the Commercial Property portfolio (61% Retail, 92% Workplaces, and 96% Logistics).

Earnings from Workplaces increased by 11.8% due to strong leasing, whilst Logistics was -2.2% due to divestments. Residential Communities was +2.5% with 5,319 lot settlements (-9.5% on the 5,878 in FY19) and benefitting from trading profits from sales. Devaluations on the Retail portfolio result on a statutory net loss of $14M for the year.

Due to the ongoing economic uncertainty, SGP did not provide guidance for FY21. Management, however, noted that key priorities going forward would include executing on the expansive Logistics development pipeline and restocking residential lots to deliver growth. The Retail portfolio is expected to reduce with a further $418M in divestments already contracted.

FY20 Results to 30 June 2020

FY20 results	FY20	FY19	Change
Earnings			
Statutory Net Profit*	**($14M)**	$311M	-104.3%
Funds From Operations	**$825M**	$897M	-8.0%
FFO per security	**34.7cps**	37.4cps	-7.2%
Distribution per security	**24.1cps**	27.6cps	-12.7%
Payout ratio	**70%**	74%	-4%

Movement over 12 months	As at Jun 2020	As at Jun 2019	Change
Balance Sheet			
NTA per security	**$3.77**	$4.04	-6.7%
Gearing %	**25.4%**	26.7%	-1.3%
Weighted average cost of debt	**4.0%**	4.4%	-0.4%
Weighted average debt maturity	**5.7 years**	5.8 years	-0.1 years
Borrowings	**$5,022M**	$4,704M	+6.8%
Interest cover ratio	**6.1x**	4.7x	+1.4x
Commercial Property Portfolio			
Property Valuation	**$9,872M**	$10,188M	-3.1%
Occupancy rate – Retail Town Centres	**99.0%**	99.3%	-0.3%
Occupancy rate - Logistics	**96.3%**	96.5%	-0.2%
Occupancy rate – Workplace/Office	**93.6%**	94.7%	-1.1%
Average Capitalisation Rate – Retail	**6.1%**	5.9%	+18bps
Average Capitalisation Rate – Workplace/Office	**5.8%**	5.8%	No Change
Average Capitalisation Rate – Logistics	**5.7%**	6.2%	-49bps

Source: SGP. Note*Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes

Key Points

- **Impact of COVID-19:** SGP's commercial property portfolio posted a 70% rent collection rate during the June 2020 quarter due to COVID-19, impacting earnings by -$67M, with -$29M from rental abatements and -$38M in expected credit loss (ECL) provisions. During the June quarter the Retail portfolio was the most affected with a 61% rent collection rate (-$63M impact with -$27M abatements and -$36M ECL), Workplaces/Office collected 92% of rent (-$2M impact with -$1M abatements and -$1M ECL) and Logistics collected 96% of rent (-$2M impact with -$1M abatement and -$1M ECL). SGP remains in discussions with its tenants on rent relief provisions, with 46% of negotiations yet to be completed.
- **Funds From Operations (FFO)** of $825M was down 8.0% for the year, driven by a weak result from the Retail portfolio. On a per security basis, FFO declined by 7.2% for the year.

SGP Funds From Operations – FY20 Results

FY20 Results	FY20	FY19	Change
Funds From Operations			
Retail Town Centres	$343M	$432M	-20.5%
Logistics & Business Parks	$160M	$164M	-2.2%
Workplace (Office)	$54M	$48M	+11.8%
Trading Profit	-	-	-
Net Overhead Costs - Commercial	($20M)	($21M)	-1.9%
Total Commercial Property	**$537M**	**$623M**	**-13.8%**
Total Communities – Residential	**$372M**	**$362M**	**+2.5%**
Total Communities - Retirement Living	**$58M**	**$56M**	**+4.8%**
Corporate Overheads	($56M)	($61M)	-8.1%
Net Interest Expense	($86M)	($83M)	+3.1%
Total Funds From Operations (FFO)	**$825M**	**$897M**	**-8.0%**
FFO per security (cents)	34.7 cps	37.4 cps	-7.2%

Source: SGP

- **Commercial Properties** delivered FFO of $537M (down 13.8% from the $623M in FY19):
  - Retail Town Centres: SGP has 30 retail centres valued at $6.0B, or ~40% of the portfolio, with SGP continuing to reduce the portfolio weighting to retail through divestments. FFO was -$89M lower for the year, or -20.5%, which included a -$63M impact as a result of COVID-19. Like-for-like Comparable FFO growth was -17.0%. Asset disposals of $220M were settled with an additional $418M contracted for sale including The Pines (Vic), Baulkham Hills (NSW), Caloundra (Qld) and North Shore (Qld). Total Moving Annual Turnover (MAT) was +0.8% for the year with Supermarkets +8.4%, Discount Department Stores/Department Stores +3.7% and Mini majors +6.5% being offset by weakness in Specialties -6.0% and Other Retail -16.5%. Occupancy levels remained strong at 99.0%, with a slight increase in the specialty occupancy cost to 15.5% (from 15.1% in FY19). Around 190 tenants (6%) are currently on holdover as a result of COVID-19 with around 94% of stores by rental income currently open and trading and July foot traffic at 92% of pre-COVID-19 levels. 12% of the retail portfolio by rental income is exposed to Victoria with two assets located in metropolitan Melbourne, or which The Pines, is under contract for sale.
  - Logistics: SGP has 28 assets valued at $2.9B with 98% of assets in well-located sites on the eastern seaboard. FFO declined slightly by 2.2% driven by $114M of non-core divestments, offset by Comparable FFO growth of 1.7%. During the period, SGP expanded its development pipeline to $3.1B, including the refurbishment of Optus Centre and major business park projects at M_Park ($1.5B) with an agreement to construct a new head office for Johnson and Johnson. SGP also entered into a joint venture with Fife Group, which saw the acquisition of a 71ha land holding at Kemps Creek, with an end value development opportunity of $1.0B. The JV also purchased three further assets with development potential in Carole Park, Richlands and Willawong (transacted post-balance).

- Workplace (Office): SGP has 4 assets valued at $1.0B with a 91% exposure to Sydney. The business enjoyed Comparable FFO growth of 1.7% and strong leasing outcomes with rental growth on new leases and renewals equating to 18.6%, offset by 92% rent collections in the June quarter as a result of COVID-19. During the period SGP acquired a remaining 50% interest in Stockland Piccadilly for $347M and divested a 50% interest in 135 King Street for $340M. SGP also completed the strategic acquisition of 118 and 122 Walker Street sites, with potential site amalgamation creating ~60,000 sqm of prime office space in North Sydney. Beyond this, SGP has amassed a development pipeline of $2.4B, with development proposals at Piccadilly and Walker Street expected to be lodged in FY21 and commencement on both projects planned for FY23.

- **Communities - Residential Communities:** FFO increased by 2.5% to $372M with 5,319 settlements in FY20 (including 607 townhome settlements). Whilst lot settlements were down 9.5% on the 5,878 lots settled in FY19, the 2.5% increase in FFO was largely due to trading profits from the disposal of The Grove (Vic) second tranche and the capital partnership of Aura (Qld) totalling $79M, and Merrylands Court (NSW). Whilst SGP benefitted from a boost from government stimulus and continued low interest rates, the default rates for 4Q20 were 7.0% and are expected to remain high reflecting the ongoing economic environment caused by COVID-19. SGP also executed a strategic restocking of its residential pipeline, with the acquisition of The Gables in Box Hill (NSW), Brunswick (VIC) and Katalia (VIC). Operating profit margin remained flat at 19.9%. Management has advised that margins are expected to increase in FY21.
- **Communities - Retirement Living** delivered FFO of $58M, up 4.8% for the year, supported by 860 total units settled (+3.6% on FY19).
- **Gearing** reduced to 25.4% (from 26.7% at June 2019) due to increased cash flows across the Communities portfolio. The weighted average cost of debt was 4.0% (a reduction from 4.4% at June 2019) with an average debt maturity of 5.7 years (down from 5.8 years at June 2019).
- **Net Tangible Assets (NTA)** decreased by 6.7% in the twelve-month period to $3.77 per security. This was driven by net devaluations across the portfolio with retail capitalisation rates +18 bps (-$715M valuation movement), offset by positive revaluations of $251M across the workplace (flat capitalisation rates) and logistic portfolios (-49bps capitalization rate movement).
- **FY21 Guidance:** Due to the ongoing uncertainty resulting from COVID-19, SGP has not provided guidance for earnings and distributions for FY21. Management has noted that the key strategic priorities going forward will be restocking the Communities portfolio pipeline and increasing the logistic exposure through executing on the $3.1B development pipeline.

25 Aug 2020

Scentre Group (ASX: SCG) – 1H20 Results

As the largest retail landlord in Australia, SCG's earnings were the most severely impacted by the COVID-19 shutdowns. In the results for the six-month period to 30 June 2020, Funds From Operations moved -46.0% on the prior corresponding period. Rent collections averaged only 48% during the June 2020 quarter, with a -$232.1M impact on earnings. The portfolio was revalued by a staggering -$4,079.3M, resulting in SCG plunging to a staggering loss of $3.6 billion, with no distribution being paid for the period. SCG's higher weighting to specialty stores with negative sales growth, resulted in total store sales of -8.1% across the portfolio during the six months.

Due to the ongoing uncertainty SCG has not provided guidance for earnings and distributions for the remainder of the year. Despite strong increases in foot traffic, further rent relief provisions are likely, given SCG has around 14% of its portfolio in Victoria and only around 40% of stores trading in Victoria.

1H20 Results to 30 June 2020

1H20 results	1H20	1H19	Change
Earnings			
Statutory Net Profit*	**($3,613.3M)**	$740.0M	-588.3%
Funds From Operations	**$361.9M**	$670.5M	-46.0%
FFO per security	**6.96 cps**	12.64 cps	-44.9%
Distribution per security	**Nil**	11.30 cps	-100.0%
Payout ratio	**0.0%**	88.6%	-88.6%

Movement over 6 months	As at Jun 2020	As at Dec 2019	Change
Balance Sheet			
NTA per security	**$3.66**	$4.46	-17.9%
Gearing %	**38.4%**	33.0%	+5.4%
Weighted average cost of debt	**4.0%**	4.2%	-0.2%
Weighted average debt maturity	**4.8 years**	4.2 years	+0.6 years
Borrowings	**$13,618.1M**	$13,819.7M	-1.5%
Portfolio			
Property Valuation	**$33,652.0M**	$37,542.8M	-10.4%
Occupancy rate	**98.8%**	99.3%	-0.5%
Number of properties	**42**	42	No Change
Weighted Average Capitalisation Rate	**4.91%**	4.72%	+19bps

Source: SCG. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

Key Points

- **Impact of COVID-19:** During the period, SCG experienced a material impact as a result of widespread mandated store closures due to COVID-19. Around 30% of rental income is via SME tenants and arrangements were agreed with 2,438 retail partners, including 1,624 SME retailers. This translated to a rent collection rate of 48% for the June quarter, or 70% for the half year period, with earnings impacted by -$232.1M via Expected Credit Changes (ECC), of which, post-balance, approximately one-third have been collected. Notably, rent collection improved dramatically towards the later stages of FY20, reaching 80% in June and 82% in July.
- **Funds From Operations (FFO)** of $361.9M represented a significant -$308.6M movement (or -46.0%) on the prior corresponding period, of which -$232.1M was driven by Expected Credit Losses.

SCG also incurred additional expenses such as cleaning costs which also contributed to weaker earnings. FFO per security was down by a lesser 44.9%, due to SCG's undertaking a share buyback during FY20, which has since been paused. Total revaluations for the portfolio amounted to staggering -$4,079.3M, or -10.8%, driving SCG into a statutory loss of -$3,613.3M for the six-month period.

- **The key property portfolio metrics** reported were:
  - Occupancy levels remained high at 98.8% (from 99.3% at December 2019)
  - Net operating income declined 7.7% compared to the prior corresponding period (before accounting for ECC). Like-for-like in-store retail sales experienced heavy contraction across the portfolio. Total in-store sales were -8.1% for the six-months and -3.5% for the 12-month period. Specialty in-store sales were -12.1% for the six-months and -4.8% for the 12-month period. Major in-store sales were more resilient, moving -4.5% for the six months and -2.4% for the 12-month period. SCG did not provide any further breakdown of sales by categories.

SCG: Retailer in store sales – by location

Specialty Sales by Region	6 months to 30 Jun 2020	12 Months to 30 Jun 2020
NSW	(14.2%)	(5.4%)
QLD	(7.9%)	(3.7%)
VIC	(14.0%)	(5.8%)
WA	(7.5%)	(1.0%)
SA	(9.0%)	(3.3%)
ACT	(7.1%)	(3.1%)
NZ	(19.8%)	(9.6%)
Total	**(12.1%)**	**(4.8%)**

Source: SCG

- **Development Activity:** During the period, SCG continued to progress on projects that were already underway at Westfield Doncaster (Victoria), Westfield Belconnen (ACT), Westfield Hornsby (NSW) and Westfield Carindale (QLD). Notably, the $50M project at Westfield Carindale is expected to complete in September 2020. SCG maintains a development pipeline in excess of $3B, and an additional $1.5B in potential opportunities for alternative use developments.
- **Net Tangible Assets (NTA)** declined to $3.66 per unit, from $4.46 at December 2019 with portfolio capitalisation rates moving +19bps to 4.91%. This equated to a revaluation of -$4,079.3M, which also included lower income forecasts going forward.
- **Gearing** increased to 38.4% from 33.0% at December 2019, as a result of the drop in property values. During the year, SCG raised $5.8B of additional funding, including $3.4B of bank facilities and $2.4M of long-term bonds. The Group now has available liquidity of $4.4B. Due to COVID-19,
- **SCG withheld distributions for the first half**, due to lower COVID-19 induced cash collections.
- **Guidance was not provided for the 12 months to December 2020** on account SCG's ongoing exposure to COVID-19 impacts. Despite strong recovery across SCG's portfolio – visitation has returned to 84% of FY19 levels (ex-Victoria), despite restricted trading hours and closures – around 14% of SCG's portfolio is based in Victoria. Currently, only an estimated 40% of stores are trading, with further rent concessions expected in the six months to December 2020.

26 Aug 2019

Home Consortium Limited (ASX: HMC) – FY20 Results

HMC delivered its first annual results since listing on 16 October 2019. The pro forma results for the 12 months to 30 June 2020 included Funds From Operations of $17.2M, which was 13% above prospectus forecasts of $15.2M. The result was delivered despite a 58.6% rent collection rate in the June 2020 quarter due to COVID-19, which impacted earnings by -$5.7M.

HMC is expected to continue its growth in FY21 with a number of initiatives planned, including: 1) $185.9M of already contracted acquisitions, which have already been funded via a capital raising in July 2020, 2) continued developments of $45M in FY21 across 7 locations, and 3) a planned restructuring in late 2020/early 2021 to spin off assets into a new ASX listed Daily Needs REIT as well as the establishment of a new HealthCo unlisted fund for existing healthcare based assets.

Due to the continued uncertainties from COVID-19, and also given the potential restructuring of HMC, management has not provided any guidance for earnings or distributions in FY21.

FY20 Results to 30 June 2020

FY20 results	FY20 pro forma	FY20 Prospectus forecast (Sept-19)	Variance
Earnings			
Statutory Net Profit*	**-$2.8M**	$3.6M	
Funds From Operations (FFO)-Freehold[2]	**$17.2M**	$15.2M	+13%
FFO per unit	**8.7 cpu**	7.7 cpu	+13%
Dividends per unit[1]	**12.0 cpu fully franked**	15.0 cpu fully franked	-20%

Movement over 6 months	As at Jun 2020	As at Dec 2019	Change
Balance Sheet			
NTA per security	**$3.20**	$3.14	+1.9%
Gearing %	**35.6%**	33.9%	+1.7%
Weighted average cost of debt	**2.42%**	NA	
Borrowings	**$366.0M**	$329.4M	+11.1%
Portfolio			
Property Valuation	**$1,013.8M**	$964.2M	+5.1%
Occupancy rate	**97.8%**	97.0%	+0.8%
Weighted Average Capitalisation Rate	**6.6%**	6.9%	-30 bps
WALE (Weighted Average Lease Expiry)	**8.2 years**	8.5 years	-0.3 years

Source: HMC. Note *Statutory Net Profit includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes. Note 1: Based on 12-month period from ASX listing date of 16 October 2019. Note 2: includes 3 leasehold properties acquired

Key Points

- **HMC listed on the ASX on 16 October 2019.** The FY20 full year results announced are presented on a pro forma basis for the 12-months to 30 June 2020. HMC was formed in 2017 through the acquisition of former Masters Home Improvement centres from Woolworths, with the aim to converting the centres into Large Format Retail (LFR) centres.
- **Trading during COVID-19:** During the June 2020 quarter HMC's portfolio experienced a 58.6% rent collection rate, impacting earnings by -$5.7M, with rent abatements of 33.6% (-$4.6M), rent deferrals of 6.9% (-$0.9M) and unpaid rent of 0.9% (-$0.1M).
- **HMC's portfolio of 30 properties valued at $1.0B** is 87% leased to national retailers and services, with 35% exposure to public companies and a 47% exposure to defensive daily needs and

healthcare and wellness services tenants.

- **Funds From Operations (FFO)** of $17.2M was delivered for the Freehold property on a pro forma basis, up 13% on the prospectus forecast of $15.2M. The Freehold property business includes income from three leasehold properties that were included as part of the restructure under the prospectus.
- **Total dividends of 12.0 cpu (fully franked) were attributed to the 12-month period since listing.** This includes an interim dividend of 4.5 cpu (fully franked) and a final dividend of 7.5cpu (fully franked) which was announced as part of the FY20 results, with an ex-dividend date of 3 September 2020.
- **Property portfolio metrics** include:
  - **The portfolio of 30 Large Format Retail centres** was valued at $1.014 billion at 30 June 2020. Since then, a further five properties valued at $185.9M are to be acquired, bringing the portfolio to $1.2 billion on a pro forma basis. Acquired properties include 3 Woolworths neighbourhood centres for $127.8M (Prestons NSW, Vincentia NSW and Sunbury VIC), the Aurrum Erina residential aged care facility for $32.6M and the Parafield Retail Complex, SA for $25.5M. An equity raising of $140M was undertaken through the issue of 48.6M new units to institutional investors at a price of $2.88 per unit, with the balance of the acquisitions to be funded via debt.
  - **Occupancy of 97.8%,** up from 97.0% at December 2019 and 93.5% at the time of the prospectus in September 2019. Trading occupancy (which adjusts for stores under lease but not yet trading or about to open) improved to 91.1% (from 81.3% at the time of the September 2019 prospectus) as store completions were undertaken.
  - **The portfolio mix (by gross rent)** provides a defensive mix of retailers with:
    - 30% Homewares & Electrical – incl. Harvey Norman, Nick Scali, Bing Lee, Good Guys, Amart
    - 21% Leisure & Lifestyle – incl. Spotlight, Anaconda, Rebel, Supercheap Auto, BCF, TK Maxx
    - 21% Daily Needs – incl. Woolworths, Coles, Chemist Warehouse and Aldi
    - 21% Services – incl the Australian Government, Guardian Childcare, QScan
    - 5% Daily Needs Specialties – incl. McDonalds, KFC, Guzmen Y Gomez, Bakers Delight.
  - **Developments** currently underway for completion in FY21 include 7 sites with around $45M in capital works to be undertaken with an expected full leased yield of 7%+.
- **Valuation movements** were +$849.6M since December 2019, or +5.2% with $33.0M from capital expenditure undertaken and $16.6M in fair value adjustments. Independent valuations were undertaken on 15 properties with internal valuations on the remaining 15. The portfolio capitalisation rate moved -30bps to 6.6% (from 6.9% at December 2019) as a result of completed developments.
- **Net Tangible Assets (NTA)** increased to $3.20 per unit, from $3.14 at December 2019 due to valuation increases. NTA is expected to reduce to $3.08 per unit on a pro forma basis after taking into account post balance date acquisitions and capital raisings.
- **Gearing** reached 35.6% at 30 June 2020, up from 33.9% at December 2019. However on a pro forma basis, taking into account the recent acquisitions and capital raising, gearing is reduced to 32.3%.
- **HMC intends to undertake a restructuring** to establish:
  - A new Daily Needs ASX-listed REIT through an in-specie distribution of units to existing HMC securityholders. The new Daily Needs REIT is expected to own 13 of HMC's existing assets anchored by convenience based assets across neighbourhood centres, large format and healthcare properties and expected to have new investors whilst maintaining a similar gearing structure. HMC is expected to own a partial stake in the Daily Needs REIT.
  - At the same time, HMC will also look to moving its 7 healthcare assets into a separate unlisted fund, HealthCo which will be co-owned with external capital investors.
  - The remaining 16 assets will continue to remain in HMC as fully owned assets.

  The restructuring is targeted to occur in late 2020/early 2021 and is subject to a number of conditions including regulatory and securityholder approvals, Board approvals, market conditions and third party consents.

- **Outlook and FY21 Guidance:** Given the ongoing uncertainties due to COVID-19, management has not provided any guidance for FY21 earnings and distributions. Core Property notes the timing of the proposed restructuring may also impact earnings during FY21.

27 Aug 2020

Cromwell Property Group (ASX: CMW) – FY20 Results

CMW delivered FY20 Operating Profit per Security of 8.50 cpu, up 3.5% for the year, with all divisions reporting growth. The Direct Property Portfolio delivered a strong result, largely driven by a $32.0M development fee from the sale of CMW's 50% interest in the Northpoint Tower, North Sydney NSW during the year. COVID-19 impacted the division with a 95.8% collection rate for the year, implying an ~83% rent collection rate in the June 2020 quarter, and impacting earnings by -$9.6M. The Indirect Property Investment portfolio increased earnings off the back of the investment in the Cromwell Polish Retail Fund during the year, with CMW intending to sell down its ownership during FY21.

Whilst management has not provided any earnings guidance for FY21 due to the uncertain economic environment, it expects to maintain distributions at the current level of 7.50 cpu. The stable distribution profile provides some stability for investors as CMW securityholders are currently being offered a proportionate offer to acquire 29% of their securities by major investor, ARA Asset Management. The Board of CMW has recommended investors to reject the offer at $0.92 per unit as it considers it to undervalue CMW and would allow ARA Asset Management to obtain control of CMW without paying a sufficient premium.

FY20 Results to 30 June 2020

FY20 results	FY20	FY19	Change
Earnings			
Statutory Net Profit*	**$181.1M**	$159.9M	+13.3%
Operating Profit	**$221.2M**	$174.2M	+27.0%
Operating Profit per security	**8.50 cpu**	8.21 cpu	+3.5%
Distribution per security	**7.50 cpu**	7.25 cpu	+3.4%
Payout ratio	**88%**	90%	-2.1%

Movement over 12 months	As at Jun 2020	As at Jun 2019	Change
Balance Sheet			
NTA per security	**$0.99**	$0.97	+2.1%
Gearing %	**41.6%**	35.0%	+6.6%
Gearing % (look through)	**47.5%**	42.3%	+5.2%
Weighted average cost of debt	**2.84%**	Not provided	NA
Weighted average debt maturity	**3.2 years**	4.5 years	-1.3 years
Borrowings	**$2,191.2M**	$1,356.4M	+61.5%
Direct Property Portfolio			
Property Valuation	**$3,005.7M**	$2,520.9M	+19.2%
Occupancy rate	**98.4%**	91.7%	+6.7%
Number of properties	**21**	21	No change
Weighted Average Capitalisation Rate	**5.57%**	5.73%	-16 bps
WALE (Weighted Average Lease Expiry)	**6.4 years**	6.9 years	-0.5 years

Source: CMW. Note *Statutory Net Profit includes non-cash items which distorts operating income. Operating profit is a more appropriate measure to assess changes.

Key Points

- **Trading during COVID-19:** CMW's Direct Property Portfolio was impacted by COVID-19, collecting around 95.8% of rent during the 12-month period, implying a rent collection rate of around 83% for the June 2020 quarter. Earnings were impacted by -$9.6M, of which -$1.9M was from rent waived and -$7.7M was from rent deferred. On 6 November 2019, CMW acquired the

Cromwell Polish Retail Fund (CPRF), which was also impacted, with a 64% rent collection rate during the June 2020 quarter. CMW is currently working through the rent collections as Polish law requires tenants to serve notice to renegotiate leases within three months of re-opening or they lose the right to renegotiate and the rent is payable.

- **Operating Profit** increased 27.0% for the year, with strong gains across all segments. Operating Profit per Security was up by a lower 3.5% after taking into account the issue of new securities during the year. In July 2019 CMW issued an additional 354.4M securities at an average issue price of $1.15 under s Security placement and SPP issue.

CMW Operating Profit: FY20 Results

FY20 results	FY20	FY19	Change
Operating Profit			
Direct Property Investment	**$172.2M**	$136.1M	+26.5%
Indirect Property Investment	**$55.9M**	$45.4M	+23.1%
Funds and Asset Management	**$40.8M**	$28.5M	+43.2%
Total Segment Results	**$268.9M**	$210.0M	+28.0%
Finance Income	$5.8M	$4.8M	+20.8%
Corporate Costs	-$39.2M	-$39.6M	-1.0%
Income Tax Expense	-$14.3M	-$1.0M	NA
Operating Profit	**$221.2M**	$174.2M	+27.0%
Operating Profit per security	**8.50 cpu**	8.21 cpu	+3.5%

Source: CMW

- **The Direct Property Investment Segment** reported earnings of $172.2M, up 26.5% for the year, driven by a $32.0M development profit from the sale of CMW's 50% interest in Northpoint at 100 Miller St, North Sydney, NSW and strong like-for-like Net Operating Income growth above 3.0%. The portfolio delivered an average -16bps movement in capitalisation rates to 5.57% for the year and has a $1.1billion pipeline of repositioning work, including 475 Victoria Avenue, Chatswood NSW and a DA lodged for a new 18,000sqm A-grade office building at 19 National Circuit, ACT. Portfolio values increased largely due to the acquisition of 400 George Street, Brisbane QLD for $524.5M in September 2019, partially offset by the sale of 50% interest in 475 Victoria Ave, Chatswood for $120.0M and 11 Farrer Place NSW for $35.0M.
  - The Core Portfolio (78% of portfolio): Consists of 10 properties, 99.2% occupancy, WALE of 7.5 years with like-for-like NOI growth of 3.6%.
  - The Core+ Portfolio (20% of portfolio): Consists of 6 properties, 96.4% occupancy, WALE of 3.0 years with like-for-like NOI growth of 5.8%.
  - The Active Portfolio/Held for Sale (2% of portfolio): Consists of 5 properties, 38.0% occupancy, WALE of 0.3 years with like-for-like NOI of -64.8%.
- **The Indirect Property Investment Segment** reported earnings up 23.1% for the year to $55.9M, benefitting from earnings from new investments during the year.
  - On 6 November 2019 CMW acquired all third-party investor interests in the Cromwell Polish Retail Fund (CPRF) for $938.8M (584.9M euros). CPRF consists of 6 shopping centres in Poland and was revalued to $746.6M at 30 June 2020. CMW intends to seek a selldown of its stake in CPRF to around 20% - 30% during FY21. CMW also acquired a 94.1% interest in a retail asset in Poland as part of the transaction.
  - CMW owns a 30.7% interest in CEREIT (2019: 35.8%), a portfolio of 94 properties in Denmark, Netherlands, Italy, Finland, Germany, Poland and France valued at 2.1 billion euro. CEREIT contributed $47.5M earnings for FY20 (FY19: $44.6M).
  - CMW also has $12.9M of co-investments (June 2019: $28.4M) in various Australian unlisted property trusts and European investment mandates, with interests of between 1% and 28%.
- **Funds & Asset Management** increased earnings to $40.8M (from $28.5M in FY19) split between:
  - Retail funds management profit of $8.3M (from $13.6M in the prior year)
  - Wholesale funds management profit of $30.1M (from $14.0M in the prior year)
  - Asset management profit of $2.4M (from $0.9M in the prior year)

- **Gearing** increased to 41.6% (from 35.0% at 30 June 2019) above CMW's target range of 30% - 40%. CMW expects to bring gearing back into its target range, with the sell down of CPRF alone expected to return gearing to the lower end of the target range.
- **Net Tangible Assets (NTA)** increased to $0.99 per unit (from $0.97 per unit) driven largely by valuation increases.
- **Distributions** of 7.50 cpu for FY20 was up from the 7.25 cpu delivered in FY19.
- **Current Offer for CMW units by ARA:** CMW securityholders are currently being presented with an offer to acquire 29% of their securities at a $0.92 per unit price by existing investor ARA Asset Management. CMW management has recommended investors to reject the offer on the basis that it undervalues CMW and would result in ARA obtaining control of CMW without paying a sufficient premium.
- **FY21 Guidance:** Whilst CMW expects that Operating Profit will be hard to forecast in the current uncertain economic environment, it expects to maintain distributions at the current level of 7.50 cpu for FY19.

12 Aug 2020

Primewest Group (ASX: PWG) – FY20 Results

PWG reported its first annual results since listing on 8 November 2019. The pro forma results for the 12 months to 30 June 2020 delivered Operating Earnings After Tax of $19.2M, marginally above prospectus forecasts of $19.0M. The result benefitted by a $2.0M lower expense for income tax with Operating Earnings After Tax per security of 5.5 cpu.

Property Assets Under Management increased by an impressive 19% for the year, reaching $4.5 billion and highlighting the strength of PWG's funds management platform. Whilst further growth is to be expected in AUM, at this stage management has not provided any guidance for FY21 earnings or distributions.

FY20 Results to 30 June 2020

FY20 results	FY20 pro forma	PDS forecast	Variance
Earnings			
Funds Management Revenue			
Asset Management Fees	**$18.9M**	$19.3M	-$0.4M
Property Services Fees	**$5.0M**	$4.7M	+$0.3M
Transaction Fees	**$5.5M**	$5.4M	+$0.1M
Performance Fees	**$5.6M**	$6.1M	-$0.5M
Total Funds Management Revenue	**$35.1M**	$35.5M	-$0.4M
Other Income	**$0.3M**	$0.1M	+$0.2M
Total Revenue	**$35.4M**	$35.6M	-$0.2M
Corporate Expenses	**-$11.6M**	-$10.2M	-$1.4M
EBITDA	**$23.8M**	$25.4M	-$1.6M
Operating Earnings After Tax	**$19.2M**	$19.0M	+$0.2M
Operating Earnings After Tax per Security	**5.5 cpu**	5.4 cpu	+0.1 cpu
Distributions per Security	**2.8 cpu**	3.2 cpu	-0.4 cpu

Movement over 12 months	As at June 2020	As at June 2019	Change
Balance Sheet			
Net Tangible Assets per security	**$0.23**	NA	NA
Gearing %	**0%**	NA	NA
Borrowings	**Nil**	NA	NA
Assets Under Management	**$4,458M**	$3,745M	+19%

Source: PWG

Key Points

- **PWG listed on the ASX on 8 November 2019.** The FY20 full year results are presented on a pro forma basis for the 12-months to 30 June 2020.
- **Trading during COVID-19:** PWG waived its asset management fees totalling $160,000 during the June 2020 quarter on several of its funds in the hospitality sector. A further $640,000 of asset management fees was deferred from the June 2020 quarter and expected to be collected by December 2020.
- **Operating Earnings After Tax** of $19.2M was +$0.2M above prospectus forecasts, largely due to a $2.0M lower tax expense. Operating Earnings After Tax per security was 5.5 cpu, above the prospectus forecast of 5.4 cpu.
  - Asset Management Fees of $18.9M was $0.4M lower than prospectus forecasts due to a $160k waiver of management fees on a number of hospitality funds that were impacted during COVID-19 as well as the timing of acquisitions during the year.

- Property Service Fees of $5.0M exceeded prospectus forecasts by $0.3M due to the strength in office leasing.
- Transaction Fees of $5.5M was marginally above prospectus forecasts of $5.4M.
- Performance Fees of $5.6M was $0.5M below prospectus forecasts due to valuation impacts from COVID-19 impacting outperformance measures on funds.

- **Property Assets Under Management of $4,458M** increased by a strong $713M, or 19% for the year. This included $658M of acquisitions ($308M in unlisted syndicates, $70M in a new wholesale mandate and $280M from the acquisition of management rights to the Vitalharvest Freehold Trust) and revaluations of $102M, offset by divestments of $47M (308 Queen St, Brisbane QLD). The strength of PWG's funds management platform has seen AUM double in size over the past 5 years, with a Compound Annual Growth Rate of 15.4%.
  - Syndicates increased to $3.5B AUM (from $3.1B), including the launch of 7 new funds for $308M during the year, with $228M undertaken after IPO.
  - Mandates increased to $0.7B AUM (from $0.6B) with the establishment of a new Daily Needs Trust, an institutional mandate focused on acquiring neighbourhood based retail assets.
  - Listed REIT AUM of $0.3B was established via PWG's acquisition of the management rights and co-investment stake in the Vitalharvest Freehold Trust (ASX: VTH), and agricultural trust with assets 100% leased to ASX listed Costa Group (ASX: CGC).
- **PWG has no balance sheet debt**, with cash of $54M available to fund further growth initiatives.
- **Distributions** of 2.80 cpu were delivered for FY20, below the 3.2 cpu prospectus forecast.
- **Outlook & Guidance:** PWG expects to continue to grow its access to capital across its platform, launch new income and development funds, enhance its mandates and expand its investor base in FY21. Whilst no guidance was provided for earnings and distributions in FY21, management has indicated that it is likely to pay distributions that reflect a payout ratio of 80% - 95% of earnings, with the current $54M in cash at bank being sufficient to fund further growth initiatives.

Appendix: August 2020 Reporting Timetable for Listed A-REITs

A-REITs Reporting Timetable – August 2020

Mon 3 Aug	Tue 4 Aug	Wed 5 Aug	Thu 6 Aug	Fri 7 Aug
		Week 1		
	BWP – FY20	**COF** – FY20		**CLW** – FY20
		CIP – FY20		
		LEP – FY20		

Mon 10 Aug	Tue 11 Aug	Wed 12 Aug	Thu 13 Aug	Fri 14 Aug
		Week 2		
GPT – 1H20	**CQE** – FY20	**CNI** – FY20	**GMG** – FY20	
	SCP – FY20		**CQR** – FY20	
			ARF – FY20	

Mon 17 Aug	Tue 18 Aug	Wed 19 Aug	Thu 20 Aug	Fri 21 Aug
		Week 3		
	AQR – FY20	**ADI** – FY20	**GDF** – FY20	
	ABP – FY20	**DXS** – FY20	**GOZ** – FY20	
		VCX – FY20	**WPR** – 1H20	
			MGR – FY20	
			CHC – FY20	
			APD – FY20	
			ENN – FY20	
			ERF – FY20	
			ECF – FY20	

Mon 24 Aug	Tue 25 Aug	Wed 26 Aug	Thu 27 Aug	Fri 28 Aug
		Week 4		
AOF – FY20	**SGP** – FY20	**HMC** – FY20	**CMW** – FY20	**PWG** – FY20
AVN – FY20	**SCG** – 1H20	**NSR** – FY20		
GDI – FY20				

Source: Company Announcements, Core Property

Ratings Process for A- REITs

Core Property Research evaluates recommendations on listed A-REITs continuously, based on a range of qualitative and quantitative criteria ranging from management, appropriateness of the A-REIT's capital structure and the property portfolio metrics. From a quantitative perspective, Core Property's recommendations are based on Total Expected Returns (forecast distribution yield plus forecast capital gain or loss) for a 12-month time horizon, using a range of valuation methodologies. The two most commonly used valuation techniques are Discounted Cash Flow (DCF), which uses an A-REI's expected free cash flow, and the net Asset Valuation (NAV) approach.

The 12-month Total Return is compared with set total return bands and assigned a 12-month recommendation based on the Recommendation Definitions below.

Recommendation Definitions

Recommendation	Definition
Buy	If the 12-month Total Expected Return is forecast to be 15% or more.
Accumulate	If the 12-month Total Expected Return is forecast to be at least 10% and less than 15%.
Hold	If the 12-month Total Expected Return is forecast to be at least 5% and less than 10%.
Reduce	If the 12-month Total Expected Return is forecast to be at least 0% and less than 5%.
Sell	If the 12-month Total Expected Return is forecast to be less than 0%.

At times of extreme volatility, it is quite possible that the recommendations will swing between each of our bands. During such times, Core Property will adopt a more flexible approach to recommending stocks, based on a slightly longer duration, and as such, recommendations may appear to be inconsistent when compared with the bands. This is to avoid clouding value judgments with short-termism.

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