



ASX Announcement

15 February 2018

Elanor Investors Group delivers strong 1HFY18 Core Earnings result

Elanor Investors Group (“ENN” or “Group”) is pleased to announce its interim financial results for the half year ended 31 December 2017.

Highlights

- 33.7% increase in funds under management during the year ended 31 December 2017 from \$646.4 million to \$864.4 million. Recurring management fees increased 19% on a comparable period basis.
- Core Earnings for the period of \$7.37 million, a 4.3% decrease on 1HFY17 (1HFY17: \$7.70 million) and a 42.9% increase on 2HFY17 (2HFY17: \$4.97 million). Transaction Income (acquisition fees, performance fees and gain on asset sales) was \$3.7 million for 1HFY18 compared to \$5.8 million for 1HFY17.
- Distributions for the period of \$6.64 million, or 7.16 cents per security (1HFY17: 7.77 cents per security, 2HFY17: 5.01 cents per security), reflecting a payout ratio of 90% of Core Earnings.
- The establishment of Elanor Metro and Prime Regional Hotel Fund (“EMPR”) (a multi-asset fund comprising 3 hotels) and Bluewater Square Syndicate (“Bluewater”) during the period.
- During the period the Group made co-investments of \$34 million in funds managed by Elanor.
- NAV per security of \$1.70 as at 31 December 2017 on the basis of equity accounting Elanor Hospitality and Accommodation Fund (“EHAF”), EMPR and Bluewater.
- Successfully raised \$40 million in October 2017 and \$20 million in December 2017 of unsecured 5 year 7.1% p.a. fixed rate notes (“Corporate Notes”). The Corporate Notes provide medium term, permanent, non-dilutive capital that will be used in conjunction with available bank facilities to fund the Group’s medium term growth.
- Following the issue of the Corporate Notes gearing for the Group¹ increased to 22.6% as at 31 December 2017 from 4.2% as at 30 June 2017. The Group remains conservatively geared.

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with our Core Earnings result of 7.96 cents per security for the six months ended 31 December 2017. We are particularly pleased with the substantial strengthening of both our capital base and our investment management leadership team.

Growing earnings from funds management is a key focus of the business and we are pleased with the Group’s growth in funds under management and recurring management fee income of 33.7% and 19% respectively over the comparative period.

¹ On the basis that EHAF, EMPR and Bluewater were equity accounted, not consolidated



Our portfolio of Hotels, Tourism and Leisure assets performed well, with an EBITDA contribution to Core Earnings of \$4.3 million. Returns from our investment portfolio of owned assets reflected a significant period on period increase for the comparative period of ownership.”

Summary of Financial Results

Statutory net loss after tax for the half year of \$3.16 million (1HFY17: profit \$6.2 million). The statutory net loss after tax incorporates \$6.9 million of transaction and establishment costs associated with the establishment of EMPR and Bluewater.

Adjusted net profit after tax of \$1.27 million on the basis of equity accounting the Group’s co-investments in funds managed by Elanor, including EHAF, EMPR and Bluewater.

Core Earnings for the half year of \$7.37 million (1HFY17: \$7.70 million), or 7.96 cents per security. Core Earnings reflects distributions received / receivable from the Group’s co-investments in funds managed by Elanor. This is consistent with the way the Group measures the performance of its co-investments.

ENN has declared an interim distribution of 7.16 cents per security for the half year to 31 December 2017 (to be paid on 2 March 2018).

NAV per security of \$1.70 as at 31 December 2017, on the basis that EHAF, EMPR and Bluewater are equity accounted, not consolidated.



A summary of the key financials and a reconciliation of statutory earnings to Core Earnings for the period to 31 December 2017 is as follows:

Statutory financial results	Group 31 December 2017	Group 31 December 2016
Net profit / (loss) after tax (\$'000)	(3,157)	6,166
Net profit / (loss) after tax (\$'000) (EHAF, EMPR and Bluewater equity accounted)	1,267	4,833
Core Earnings (\$'000)	7,374	7,703
Distributions payable to security holders (\$'000)	6,637	6,933
Core Earnings per stapled security (cents)	7.96	8.63
Core Earnings per weighted average stapled security (cents)	8.22	8.99
Distributions (cents per stapled security)	7.16	7.77
Net tangible assets (\$ per stapled security)	2.30	1.68
Net tangible assets (\$ per stapled security) (EHAF, EMPR and Bluewater equity accounted)	1.62	1.38
Gearing (net debt / total assets less cash) (%)	39.4	20.5
Gearing (net debt / total assets less cash) (%) (EHAF, EMPR and Bluewater equity accounted)	22.6	(0.33)

Reconciliation of Core Earnings	Group 31 December 2017 \$'000	Group 31 December 2016 \$'000
Statutory net profit / (loss) after tax	(3,157)	6,166
Adjustment to remove the impact of consolidation of EHAF, EMPR and Bluewater	5,575	(1,890)
Adjustment to include the impact of accounting for EHAF, EMPR and Bluewater using the equity method	(1,151)	557
Adjusted net profit / (loss) after tax	1,267	4,833
<i>Adjustments for items included in statutory profit / (loss)</i>		
Increase in equity accounted investments to reflect distributions received / receivable	2,983	2,288
Gain on the sale of Ibis Styles Canberra Eaglehawk	2,258	-
Building depreciation expense	117	157
Straight lining of rental expense	2	11
Amortisation amounts	812	465
Tax adjustments	(65)	(51)
Core Earnings	7,374	7,703



Balance Sheet Summary²	31 December 2017	31 December 2016
Total Assets (\$'000)	227,608	188,966
Borrowings (\$'000)	59,648	21,763
Net Assets (\$'000)	157,462	155,897
Gearing (Net Debt / Total Assets less cash)	22.6%	4.24%
Number of securities on issue (million)	92,672	89,224
Net asset value per security (\$)	1.70	1.75
Net tangible assets per security (\$)	1.62	1.66

Operational Update³

Funds Management

ENN's Funds Management division delivered an EBITDA contribution to Core Earnings of \$4.3 million (1HFY17 \$7.8 million). In 1HFY18 acquisition fees and performance fees totalled \$1.4 million compared to \$5.8 million in 1HFY17. Funds under management grew 33.7% to \$864 million as at 31 December 2017 from \$646 million as at 31 December 2016.

The Group has achieved significant growth in funds under management since 30 June 2017, with the establishment of two new funds:

- Elanor Metro and Prime Regional Hotel Fund, a multi-asset hotel fund. EMPR acquired Ibis Styles Canberra Eaglehawk, Byron Bay Hotel and Apartments and Ibis Styles Canberra in November 2017. These acquisitions established the fund which had a gross asset value of \$78.3 million as at 31 December 2017. EMPR was seeded by an Elanor owned property, Ibis Styles Canberra Eaglehawk.
- Bluewater Square Syndicate was established in October 2017, acquiring the Bluewater Square Shopping Centre in Redcliffe, QLD. The fund had a gross asset value of \$56.1 million at 31 December 2017.

During the half year the Group generated recurring asset management fees of \$4.22 million, up from \$3.56 million in the comparable period.

ENN's strong investment track record and investor base continues to be evidenced by the demand from investors for ENN's newly established funds. Elanor has a well resourced and scalable platform with capacity for growth. The Group invested in additional senior experienced asset and capital origination talent and strengthened its asset and investment management capabilities during the

² This summary is based on ENN's adjusted consolidated balance sheet to reflect EHAF, EMPR and Bluewater on an equity accounted basis, not consolidated.

³ The operational update reflects financial information on the basis of equity accounting the Group's co-investments in funds managed by Elanor, including EHAF, EMPR and Bluewater. The resultant EBITDA results are adjusted to show distributions received / receivable from co-investments rather than equity accounted results. This is consistent with each segment's contribution to Core Earnings.



period. This, coupled with the Group's available capital, means that the Group is strongly positioned to grow the funds management business.

Hotels, Tourism and Leisure

ENN's Hotels, Tourism and Leisure division generated an EBITDA contribution to Core Earnings of \$4.3 million for the half year (1HFY17: \$4.2 million). Hotels, Tourism and Leisure EBITDA includes the results of Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel (until 31 October 2017, when it was sold to EMPR) and Ibis Styles Albany Hotel. The EBITDA contribution from these assets reflects a significant period on period increase for the comparative period of ownership.

The carrying value of ENN's co-investments in Hotels, Tourism and Leisure funds managed by ENN as at 31 December 2017, using the equity method, was \$50.5 million (1HFY17: \$32.3 million). Core Earnings also reflects distributions received / receivable from ENN's co-investments in Hotels, Tourism and Leisure funds which totaled \$1.5 million for the period (1HFY17: \$1.4 million) and represents an annualised return of 7.0%.

ENN continues to consider a range of opportunities in the Hotels, Tourism and Leisure sector.

Real Estate

ENN's Real Estate portfolio generated an EBITDA contribution to Core Earnings of \$0.8 million for the half year (1HFY17: \$0.3 million).

Real Estate comprises equity accounted investments held during the period in Bluewater Square Syndicate, the Elanor Retail Property Fund, the Elanor Commercial Property Fund, the Limestone Street Centre Syndicate and Hunters Plaza Syndicate.

The carrying value of ENN's co-investments in Real Estate funds managed by ENN as at 31 December 2017, using the equity method, was \$47.1 million (1HFY17: \$27.9 million). Core Earnings reflects distributions received / receivable from ENN's co-investment in Real Estate Funds which totalled \$0.8 million for the period (1HFY17: \$0.3 million) and represents an annualised return of 7.6%.

Special Situations Investments

John Cootes Furniture

Special Situations Investments contains the John Cootes Furniture business and the property associated with John Cootes Furniture business at Merrylands.

Special Situations generated an EBITDA loss of \$0.9 million as a contribution to Core Earnings for the period (1HFY17: profit contribution of \$0.5 million).

During the period the business invested in warehouse and distribution infrastructure by moving to a significantly larger distribution centre in Silverwater, NSW. This distribution centre has the capacity to cater for the planned growth of the business to its desired store footprint. In addition, the 1HFY17 result included \$0.4 million of insurance recoveries from the business interruption insurance claim in relation to the Yennora warehouse fire in July 2015. The 1HFY18 result does not include any insurance recoveries. A final claim for lost sales and additional costs will be lodged in the short term.

During the period John Cootes Furniture obtained the right to open Ashley Home stores in New South Wales. Ashley is a major international furniture brand based in the United States of America.



John Cootes Furniture has 14 retail outlets as at 31 December 2017. During the period one new John Cootes Furniture store was opened at Auburn, Sydney and two new Ashley Home stores were opened at Penrith and Marsden Park, Sydney.

Merrylands Property

In June 2016, the NSW Department of Planning and Environment issued a Gateway Determination supporting rezoning of ENN's 26,135 square metre property on Woodville Road, Merrylands:

- To a B4 mixed use zoning
- Increasing the maximum floor space ratio to 2.0:1
- Increasing the maximum building height to 31 metres (9 storeys)

Rezoning of the site will allow development of 500+ dwellings and 8,000 square metres of retail/commercial to be anchored by a full line major supermarket. Planning proposal and development control plan are currently on public exhibition. ENN expects gazettal of the site's rezoning to be achieved in 2HFY18. Elanor is in advanced negotiations with several parties in relation to the sale of Merrylands property.

Outlook

ENN is well positioned to continue to grow earnings and value for its security holders. ENN's core strategy will remain focused on growing earnings from the funds management business and actively managing its investment portfolio.

ENN is committed to growing its funds management business as a result of the acquisition of quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of potential funds management opportunities. During the period ENN has invested in additional senior experienced asset and capital origination talent which has generated increased pipeline opportunities in a market where identifying and acquiring quality assets that meet ENN's investment criteria is challenging.

Growth in Core Earnings will be predicated on the Group's ability to grow funds under management through the acquisition of further high investment quality assets. The Group's ability to grow Core Earnings is also predicated on the timing of Transaction Income (acquisition fees, performance fees and gain on asset sales).



Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's 1HFY18 result.

Investor Briefing

Elanor Investors Group will be holding an Investor Briefing Conference Call on 16 February 2018 at 10:00am, to present and discuss the Group's 1HFY18 results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221

Conference ID: 3568 878

Commencement: 10:00am

For further information regarding this announcement please contact:

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