



ASX Announcement

28 August 2015

Elanor Investors Group delivers strong maiden full year result

Elanor Investors Group (“ENN”) is pleased to announce its FY15 results for the period from listing on 11 July 2014 to 30 June 2015.

Highlights

- Statutory net profit after tax for the period of \$2.7 million, after \$4.8 million in one-off establishment and transaction costs related to ENN’s IPO
- Core Earnings for the period of \$9.3 million, or 14.1 cents per security¹, an 8.2% increase on IPO forecast
- Distributions for the period of \$8.4 million, or 11.9 cents per security, reflecting a payout ratio of 90% of Core Earnings²
- Increase in funds under management of \$259 million (~300%) since listing, from \$87 million at IPO to \$346 million
- Increase in net asset value per security to \$1.38 (~24%), largely as a result of an increase in the valuations of ENN’s Hotels, Tourism and Leisure assets
- Establishment of the Auburn Central Syndicate, which acquired Auburn Central shopping centre in Auburn for \$68 million
- Establishment of the Bell City Syndicates, which acquired the Bell City complex in Melbourne for \$142.9 million
- Establishment of 193 Clarence Hotel Syndicate, which acquired the City Hotel in Clarence St, Sydney, for \$21 million
- Acquisition of Albany Hotel for \$5 million and co-investments in the Bell City Syndicates (\$12 million, 17%), 193 Clarence Hotel Syndicate (\$1.1 million, 10%) and Auburn Central Syndicate (\$0.6 million, 2%)
- Equity raising of \$13.6 million in December 2014 via an institutional placement (\$12.6 million) and security purchase plan (\$1 million) at an issue price of \$1.38 per security

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with our maiden full year result. We have managed to outperform our IPO Core Earnings forecast by over 8% and have grown our funds under management from \$87 million at IPO to over \$346 million.

Growing earnings from funds management is a key focus of the business, and during the period we established three new managed funds and realised EBITDA from our funds management activities of \$4.5 million, versus our IPO forecast of \$2.0 million.

¹ Based on the weighted average number of securities on issue for the period from listing to 30 June 2015

² Securities issued via the institutional placement and share purchase plan in December 2014 were entitled to receive the distribution for the period to 31 December 2014



Our portfolio of Hotels, Tourism and Leisure assets performed in line with budget, with total EBITDA of \$9.1 million versus IPO forecast of \$9.0 million, and operational improvements at a number of the assets has led to a \$11.4 million increase in assessed value.

The performance of John Cootes Furniture was below expectations, largely due to initial challenges in transitioning ownership of the business, however we remain optimistic that the business is positioned for growth.

During the year we have undertaken a considerable amount of work with respect to the Merrylands Property. The market demand for residential development sites such as this is currently very strong, and we will continue to assess the most appropriate options for the site to maximise value for ENN securityholders.”

Summary of Financial Results

Statutory net profit after tax for the year was \$2.7 million, which was largely impacted by \$4.8 million in one-off establishment and transaction costs related to ENN's IPO.

Core Earnings for the period after adjusting for one-off costs and certain non-cash items, was \$9.3 million, equating to 14.1 cents per security³. Core Earnings per security was 8.2% above the IPO forecast.

ENN paid an interim distribution of 5.2 cents per security for the period from listing to 31 December 2014, and the Board of Directors has declared a final distribution of 6.7 cents per security for the half year period to 30 June 2015 (to be paid on 11 September 2015), taking the full year distribution to 11.9 cents per security.

ENN's Hotel, Tourism and Leisure assets were valued as at 30 June 2015, resulting in an \$11.4 million increase across the portfolio which helped to increase net asset value per security to \$1.38 and net tangible assets to \$1.27 per security. Merrylands Property remains in the balance sheet at cost, with a current book value of \$13.7million.

A summary of the key financials and a reconciliation of statutory earnings to Core Earnings for the period to 30 June 2015 is as follows:

Income Summary:

Net profit / (loss) after tax (\$'000)	2,720
Core Earnings (\$'000)	9,344
Distributions payable to security holders (\$'000)	8,409
Core Earnings per security (cents)	14.1
Distributions per security (cents)	11.9

³ Based on the weighted average number of securities on issue for the period to 30 June 2015



<u>Reconciliation of statutory profit(loss) to Core Earnings</u>	<u>\$'000</u>
Net profit / (loss) after tax (statutory)	2,720
Add:	
Transaction costs related to the establishment and listing of ENN	4,843
Building depreciation expense	1,063
Distributions received/receivable for co-investments	461
Amortisation of intangibles	150
Tax adjustments	107
Core Earnings	9,344

Balance Sheet Summary:

Total Assets (\$'000)	135,650
Borrowings (\$'000)	30,719
Net Assets (\$'000)	97,437
Gearing (Net Debt / Total Assets less cash)	18.1%
Number of securities on issue (million)	70.645
Net asset value per security (\$)	\$1.38
Net tangible assets per security (\$)	\$1.27

Operational Update

Funds Management

ENN's Funds Management division significantly outperformed IPO forecasts, with EBITDA of \$4.5 million (vs. IPO forecast of \$2.0 million) and the addition of \$259 million of new funds under management since listing. During the year, ENN established three new managed funds, with total funds under management increasing from \$87 million at listing to \$346 million.

ENN receives acquisition fees, base management fees and performance fees from its managed funds. The three new funds established during FY15 significantly added to ENN's funds management income.

The Auburn Central Syndicate was established to acquire Auburn Central, a \$68 million sub-regional shopping centre located directly opposite the Auburn railway station in Sydney's metropolitan area. Auburn Central forms the "town centre" of a significant mixed use development that benefits from 450 apartments located above it. Auburn Central is anchored by a strongly trading Woolworths supermarket and a Big W Discount Department Store, both leased to June 2024. ENN has maintained a \$0.6 million co-investment in Auburn Central Syndicate.

The Bell City Syndicates were established to acquire the Bell City complex in Melbourne for \$142.9 million. Bell City is a landmark suburban Melbourne asset comprising a 383 room hotel, 461 room budget/student accommodation tower, commercial office tower and a residential development site with DA approval for 377 apartments and 520 underground/basement car spaces. ENN has maintained a \$12.2 million co-investment in the Bell City Syndicates.



The 193 Clarence Hotel Syndicate was established to acquire the City Hotel for \$21.0 million. City Hotel is a 52 room hotel and retail complex located in Clarence Street, Sydney. ENN has maintained a \$1.1 million co-investment in the syndicate.

ENN's other managed funds continued to perform well during FY15. ENN is building a strong track record and investor base, as evidenced by the demand from investors for ENN's newly established syndicates during FY15.

ENN remains positive in regard to its pipeline of funds management opportunities.

Hotels, Tourism and Leisure

Overall, ENN's Hotels, Tourism and Leisure portfolio performed in line with IPO forecasts, with EBITDA for the year of \$9.1 million vs IPO forecast of \$9.0 million. Peppers Cradle Mountain Lodge and Featherdale Wildlife Park performed ahead of budget, with strong earnings driven by operational improvements at these assets. Mantra Wollongong delivered earnings that approximated budget, while operations at Canberra Eaglehawk and Albany Hotel were behind budget.

During the year, ENN acquired Albany Hotel, a 4-star 50 room hotel located in the port city of Albany on the southern coast of Western Australia. The purchase price for Albany Hotel was \$5.0 million, reflecting an initial yield of approximately 13.1%.

ENN's Board of Directors determined to obtain external independent valuations for the majority of the directly held Hotels, Tourism and Leisure properties as at 30 June 2015 given the improvement in the operating performance of a number of the assets and that 30 June 2015 is the first annual reporting period for ENN. This resulted in a total valuation uplift across the Hotels, Tourism and Leisure portfolio of \$11.4 million (16 cents per security), a 16% increase on IPO value.

Special Situations

Earnings from the John Cootes Furniture business was behind IPO forecasts, due largely to initial challenges in transitioning ownership of the business. ENN remains optimistic that the business is positioned for growth in FY16.

Three new John Cootes Furniture stores were opened in the later part of FY15 at Bathurst, Campbelltown and Taree. Trading at these stores has been promising since opening and they are expected to add to earnings during FY16.

On 27 July 2015 the John Cootes Furniture warehouse in Yennora sustained major damage as a result of fire. The warehouse is owned by the John Cootes Diversified Property Syndicate which is managed by ENN – the property is fully insured and the required business interruption insurances are in place. The insurers have provided a progress payment of \$2.5m in respect of the loss of stock, plant and equipment and business interruption.

As part of the John Cootes Furniture acquisition, ENN acquired approximately 24,000sqm of land located at Merrylands, NSW, from which John Cootes Furniture operates its head office and main showroom ("Merrylands Property"). During the year, ENN has undertaken a considerable amount of work with respect to the Merrylands Property and its potential for residential development, and this process is ongoing.



The market demand for residential development sites such as the Merrylands Property has increased substantially over the last 6-12 months. ENN will continue to assess the most appropriate options for the site to realise the potential of the investment and maximise value for ENN securityholders.

Outlook

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

ENN has a number of funds management opportunities under consideration. ENN will look to increase income from managed funds, seed new managed funds with ENN owned investments, and continue to co-invest with external capital partners.

ENN expects to realise value for some of its investment assets in the short/medium term, and recycle capital into further accretive opportunities that fit with its core strategy. ENN will also continue to monitor opportunities to selectively acquire quality high yielding assets with co-investment potential.

Based on the current operating performance of assets and the pipeline of potential funds management opportunities, ENN anticipates continued growth in Core Earnings in FY16.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's FY15 result.

Investor Briefing

Elanor Investors Group will be holding an Investor Briefing Conference Call today to present and discuss the Group's FY15 results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221
Conference ID: 2478 3222
Commencement: 10:30am

ENDS

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