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## ASX Announcement

18 February 2019

### **Elanor Investors Group Continues Successful Execution of Funds Management Strategy**

Elanor Investors Group (“ENN”, “Elanor” or “Group”) is pleased to announce its interim financial results for the half year ended 31 December 2018.

The key strategic objective of ENN is to identify and originate real estate backed investments that deliver strong returns for both Elanor’s funds management capital partners and security holders.

#### **Highlights**

- 32.9% increase in funds under management during the year ended 31 December 2018 to \$1,149 million. Funds management fees increased 33% on a comparable period basis.
- Core Earnings for the period of \$6.75 million, an 8.5% decrease on 1HFY18 (1HFY18: \$7.37 million).
- Distributions for the period of \$6.07 million, or 6.32 cents per security (1HFY18: 7.16 cents per security), reflecting a payout ratio of 90% of Core Earnings.
- Key successes in executing the funds management strategy during the period include:
  - Established new growth focused, institutional capital partner relationships including:
    - Joint venture with Heitman, a global real estate investment management firm, to acquire Waverley Gardens shopping centre for \$178m
    - Strategic partnership with NRMA, who made a significant investment in Elanor Metro and Prime Regional Hotel Fund
  - Continued strong growth in domestic private capital partners
  - \$213m of new managed funds during the period
  - 44% increase in funds management EBITDA to \$6.2 million
  - Managed funds performing well; strong focus on realising ‘value add’ operational and strategic opportunities
- During the period the Group made co-investments of \$19.6 million in funds managed by Elanor.
- NTA per security of \$1.54 as at 31 December 2018 on the basis of equity accounting EMPR, Bluewater Square Syndicate (“Bluewater”) and Auburn Office Syndicate (“Auburn Office”).
- Balance sheet remains strong, with significant capacity to recycle co-investment capital. This growth capital would facilitate growth in funds under management of over \$1.35 billion, assuming co-investments levels of 10% in new managed funds.



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- The Group<sup>1</sup> remains conservatively geared at 26.1% as at 31 December 2018, including \$60m of unsecured 5 year Corporate Notes.

Commenting on the result, ENN CEO, Glenn Willis, said: "We are pleased with our Core Earnings result of 7.03 cents per security for the six months ended 31 December 2018. We are particularly pleased with the further successful execution of our funds management strategy and the substantial strengthening of our capital base, with over \$100m of capital deployed in the period from institutional capital partners.

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 of 33.7% and the 44% increase in EBITDA from funds management over the comparative period. The Group's scalable funds management platform is well positioned to deliver strong growth, and value, for ENN security holders."

### **Summary of Financial Results**

Statutory net profit after tax for the half year of \$9.48 million (1HFY18: loss \$3.16 million). The statutory net profit after tax incorporates \$2.9 million of transaction and establishment costs associated with the establishment of Waverley Gardens Fund, Auburn Office, and Elanor Commercial Property Fund's ("ECPF") acquisition of a 50% interest in the WorkZone West property.

Adjusted net profit after tax of \$11.07 million on the basis of equity accounting the Group's co-investments in funds managed by Elanor.

Core Earnings for the half year of \$6.75 million (1HFY18: \$7.37 million), or 7.03 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 6.32 cents per security for the half year to 31 December 2018 (to be paid on 1 March 2019).

NTA per security of \$1.54 as at 31 December 2018, on the basis that EMPR, Bluewater and Auburn Office are equity accounted, not consolidated.

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<sup>1</sup> On the basis that EMPR, Bluewater and Auburn Office were 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 2018 is as follows:

	<b>Group 31 December 2018</b>	<b>Group 31 December 2017</b>
<b>Statutory financial results</b>		
Net profit / (loss) after tax (\$'000)	9,482	(3,157)
Net profit / (loss) after tax (\$'000) (EMPR, Bluewater and Auburn Office equity accounted)	11,066	1,267
Core Earnings (\$'000)	6,745	7,374
Distributions payable to security holders (\$'000)	6,070	6,637
Core Earnings per stapled security (cents)	7.03	7.96
Core Earnings per weighted average stapled security (cents)	7.31	8.22
Distributions (cents per stapled security / unit)	6.32	7.16
Net tangible assets (\$ per stapled security)	2.34	2.30
Net tangible assets (\$ per stapled security) (EMPR, Bluewater and Auburn Office equity accounted)	1.54	1.62
Gearing (net debt / total assets less cash) (%)	39.2	39.4
Gearing (net debt / total assets less cash) (%) (EMPR, Bluewater and Auburn office equity accounted)	26.1	22.6

	<b>Group 31 December 2018 \$'000</b>	<b>Group 31 December 2017 \$'000</b>
<b>Reconciliation of Core Earnings</b>		
<b>Statutory net profit / (loss) after tax</b>	<b>9,482</b>	<b>(3,157)</b>
Adjustment to remove the impact of consolidation of EMPR, Bluewater and Auburn Office	92	5,575
Adjustment to include the impact of accounting for EMPR, Bluewater and Auburn Office using the equity method	1,492	(1,151)
<b>Adjusted net profit / (loss) after tax</b>	<b>11,066</b>	<b>1,267</b>
<i>Adjustments for items included in statutory profit / (loss)</i>		
Increase in equity accounted investments to reflect distributions received / receivable	2 6,055	2,983
Gain on the sale of Ibis Styles Eaglehawk	-	2,258
Non-cash (gain) / loss on disposals of equity accounted investments	3 (571)	-
Holdback of Merrylands net profit after tax	4 (10,452)	-
Building depreciation expense	5 17	117
Straight lining of rental expense	(1)	2
Fair value adjustments on investment property	-	-
Amortisation amounts	6 696	812
Tax adjustments	(64)	(65)
<b>Core Earnings</b>	<b>6,745</b>	<b>7,374</b>



<b>Balance Sheet Summary<sup>2</sup></b>	<b>31 December 2018</b>	<b>30 June 2018</b>
Total Assets (\$'000)	231,308	241,956
Borrowings (\$'000)	66,946	59,555
Net Assets (\$'000)	148,954	152,815
Gearing (Net Debt / Total Assets less cash)	26.1%	22.1%
Number of securities on issue (million)	95,976	93,016
Net asset value per security (\$)	1.55	1.64
Net tangible assets per security (\$)	1.54	1.63

### **Operational Update<sup>3</sup>**

#### **Funds Management**

The key strategic objective of Elanor is to identify and originate real estate backed investments that deliver strong returns for both Elanor's funds management capital partners and Elanor's security holders.

ENN's Funds Management division delivered an EBITDA contribution to Core Earnings of \$6.2 million (1HFY18 \$4.3 million). In 1HFY19, acquisition fees totalled \$2.7 million compared to \$1.4 million in 1HFY18. Funds under management grew 32.9% to \$1,149 million as at 31 December 2018.

During the half year the Group generated recurring asset management fees of \$4.76 million, up from \$4.22 million in the comparable period. The annualised run-rate of recurring asset management fees as at 31 December 2018 is 7% higher than recurring asset management fees in the period.

The Group has achieved significant growth in funds under management since 30 June 2018. During the period, the Group completed the following funds management initiatives:

- Completion of a new strategic joint venture with Heitman, a global real estate investment management firm, to establish of the Waverley Gardens Fund in December 2018. The fund acquired the Waverley Gardens Shopping centre in Mulgrave, Victoria. The fund had a gross asset value of \$183.3 million as at 31 December 2018.
- Strategic growth focused partnership with NRMA who made a significant investment in EMPR as part of that fund acquiring the Elanor Hospitality and Accommodation Fund portfolio of 6 Australian hotels in September 2018. EMPR had a gross asset value of \$195.0 million as at 31 December 2018.
- The acquisition of the Limestone Syndicate by ECPF in December 2018. ECPF had a gross asset value of \$136.6 million as at 31 December 2018.

<sup>2</sup> This summary is based on ENN's adjusted consolidated balance sheet to reflect EMPR, Bluewater and Auburn Office on an equity accounted basis, not consolidated.

<sup>3</sup> The operational update reflects financial information on the basis of equity accounting the Group's co-investments in funds managed by Elanor. 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.



- On 21 December 2018, the Group established the Stirling Street Syndicate which acquired a commercial property located in Stirling Street, Perth, for \$24.7 million. Settlement is expected to occur on 28 February 2019.

ENN's strong investment track record and investor base continues to be evidenced by the demand from wholesale and institutional investors for ENN's newly established funds. Elanor has a well resourced and scalable platform with capacity for growth. 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 \$3.2 million for the half year (1HFY18: \$4.3 million). Hotels, Tourism and Leisure EBITDA includes the results of Featherdale Wildlife Park and Ibis Styles Albany Hotel. The comparative period result included the results of Ibis Styles Canberra Eaglehawk Hotel (until 31 October 2017, when it was sold to EMPR) and the Group's co-investment in the Bell City Funds. The Bell City Fund assets were sold on 3 August 2018.

The carrying value of ENN's co-investments in Hotels, Tourism and Leisure funds managed by ENN as at 31 December 2018, using the equity method, was \$36.7 million (1HFY18: \$50.5 million). Core Earnings also reflects distributions received / receivable from ENN's co-investments in Hotels, Tourism and Leisure funds which totaled \$1.3 million for the period (1HFY18: \$1.5 million).

The table below sets out the assessed value of each investment portfolio property as at 31 December 2018.

Carrying Value of Properties	31	31
	December	December
	2018	2017
	\$'m	\$'m
Featherdale Wildlife Park	39.0	39.0
Ibis Styles Albany Hotel	5.2	5.3
<b>Total</b>	<b>44.2</b>	<b>44.3</b>



The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 31 December 2018, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>31 December 2018 \$'m</b>	<b>31 December 2017 \$'m</b>
Elanor Hospitality and Accommodation Fund	-	19.7
Elanor Metro and Prime Regional Hotel Fund	36.7	17.7
Bell City Fund	-	12.0
193 Clarence Hotel Syndicate	-	1.1
<b>Total</b>	<b>36.7</b>	<b>50.5</b>

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

### Real Estate

ENN's Real Estate portfolio generated an EBITDA contribution to Core Earnings of \$1.1 million for the half year (1HFY18: \$0.8 million).

Real Estate originates and manages investment and fund management assets. The current investment portfolio comprises equity accounted investments in the Elanor Commercial Property Fund, Elanor Retail Property Fund, Auburn Office Syndicate, Belconnen Markets Syndicate, Bluewater Square Syndicate, Hunters Plaza Syndicate, Limestone Street Centre Syndicate, Waverley Gardens Fund and WorkZone West Syndicate.

The carrying value of these investments as at 31 December 2018, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>31 December 2018 \$'m</b>	<b>31 December 2017 \$'m</b>
Elanor Commercial Property Fund	13.1	0.5
Elanor Retail Property Fund (ASX: ERF)	33.3	33.4
Auburn Office Syndicate	4.8	-
Belconnen Markets Syndicate	0.5	-
Bluewater Square Syndicate	9.9	10.6
Hunters Plaza Syndicate	1.2	1.2
Limestone Street Centre Syndicate	-	1.4
Waverley Gardens Fund	14.7	-
WorkZone West Syndicate	0.1	-
<b>Total</b>	<b>77.6</b>	<b>47.1</b>

Core Earnings reflects distributions received / receivable from ENN's co-investment in Real Estate Funds which totalled \$1.1 million for the period (1HFY18: \$0.8 million).



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## **Outlook**

The Group's core strategy will remain focused on growing funds under management. The Group has a strong pipeline of funds management opportunities across all sectors of focus.

Furthermore, the Group is actively pursuing opportunities in new real estate sectors and continuing to explore strategic opportunities to deliver its growth objectives.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's 1HFY19 result.

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## **Investor Briefing**

Elanor Investors Group will be holding an Investor Briefing Conference Call on 18 February 2019 at 10:00am, to present and discuss the Group's 1HFY19 results. The Conference details are:

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

Conference ID: 8456446

Commencement: 10:00am

For further information regarding this announcement please contact:

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