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## ASX Announcement

19 August 2019

### **Elanor Investors Group Grows Core Earnings and Delivers Substantial Growth in Funds Under Management**

#### **Funds Under Management up 28.1%**

Elanor Investors Group (“ENN” or “Group”) is pleased to announce its financial results for the financial year ended 30 June 2019 (“period”).

#### **Highlights**

- Core Earnings for the period of \$17.55 million, a 7.9% increase on FY18 (FY18: \$16.27 million)
- Distributions for the period of 16.06 cents per security, an increase of 1.8% on FY18 (FY18: 15.77 cents per security), reflecting a payout ratio of 90% of Core Earnings. Distribution for 2HFY19 of 9.74 cents per security (2HFY18: 8.61 cents per security).
- 28.1% net increase in funds under management during the year (\$304.4 million), from \$1,082.6 million to \$1,387 million. Elanor established new funds totalling \$455.3 million and successfully divested the commercial and hotel assets in the Bell City Fund for \$159.5 million.
- Funds management fees increased by 9.6% to \$15.0 million for the year. Annualised recurring management fees increased 24.2% on a comparable period basis.
- During the year the Group made co-investments of \$26.1 million in funds managed by Elanor.
- NTA per security of \$1.59 as at 30 June 2019 on the basis of equity accounting EMPR, Bluewater Square Syndicate and Auburn Office Syndicate.
- During the year, the Group established a new 3-year \$30 million revolving secured debt facility. Gearing for the Group<sup>1</sup> increased to 28.4% as at 30 June 2019 from 22.1% as at 30 June 2018. The Group remains conservatively geared, including \$60 million of unsecured 5 year Corporate Notes. The Group’s secured debt gearing ratio is 4.2%
- As at 30 June 2019, the Group has balance sheet capital sufficient to facilitate an increase in funds under management to over \$2.5 billion, based on co-investment levels of 10%.

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with our Core Earnings result of 17.58 cents per security for the financial year to 30 June 2019. We are particularly pleased with the substantial growth in our funds and investments under management to over \$1.5 billion, and the strengthening of our institutional capital partner base and our capital origination and investment management leadership.

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<sup>1</sup> On the basis that EMPR, Bluewater and Auburn Office were equity accounted, not consolidated



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 28.1% and 24.2% respectively over the comparative period."

### **Summary of Financial Results**

Statutory net profit after tax for the financial year of \$16.0 million.

Adjusted net profit after tax from continuing operations of \$17.6 million on the basis of equity accounting the Group's co-investments in funds managed by Elanor, including EMPR, Bluewater and Auburn Office.

Core Earnings for the year of \$17.55 million (FY18: \$16.27 million), or 17.58 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.

In August 2018, ENN completed the sale of the Merrylands Property, generating a total net profit after tax of \$10.45 million. An amount of \$4.5 million of this total net profit after tax was included in Core Earnings for the six months ended 30 June 2018. The remaining net profit after tax of \$5.9 million has been included in Core Earnings for the six months ended 30 June 2019.

ENN has declared a final distribution of 9.74 cents per security for the half year to 30 June 2019 (to be paid on 30 August 2018).

NTA per security of \$1.59 as at 30 June 2019, on the basis that EMPR, Bluewater and Auburn Office are equity accounted, not consolidated.

A summary of the key financial results for the year to 30 June 2019 is as follows:

<b><u>Statutory financial results</u></b>	<b>Group 30 June 2019</b>	<b>Group 30 June 2018</b>
Net profit / (loss) after tax from continuing operations (\$'000)	16,044	(2,036)
Net profit / (loss) after tax from continuing operations (\$'000) (EMPR, Bluewater and Auburn Office equity accounted)	17,601	3,944
Core Earnings (\$'000)	17,548	16,270
Distributions payable to security holders (\$'000)	15,793	14,642
Core Earnings per stapled security (cents)	17.58	17.49
Core Earnings per weighted average stapled security (cents)	18.32	17.84
Distributions (cents per stapled security)	16.06	15.77
Net tangible assets (\$ per stapled security)	2.46	2.23
Net tangible assets (\$ per stapled security) (EMPR, Bluewater and Auburn Office equity accounted)	1.59	1.52
Gearing (net debt / total assets less cash) (%)	39.8	39.6
Gearing (net debt / total assets less cash) (%) (EMPR, Bluewater and Auburn Office equity accounted)	28.4	23.3



A reconciliation of statutory earnings to Core Earnings for the year to 30 June 2019 is as follows:

	Group 30 June 2019 <sup>2</sup> \$'000	Group 30 June 2018 <sup>2</sup> \$'000
<b>Reconciliation of Core Earnings</b>		
<b>Statutory net profit / (loss) after tax</b>	<b>16,194</b>	<b>(20,363)</b>
Adjustment to remove the impact of consolidation of EMPR, Bluewater and Auburn Office	606	9,870
Adjustment to include the impact of accounting for EMPR, Bluewater and Auburn Office using the equity method	951	(3,891)
<b>Adjusted net profit / (loss) after tax</b>	<b>17,751</b>	<b>(14,384)</b>
Adjustment to exclude discontinued operations	-	18,328
Loss from JCF business trading for the period	(150)	(2,238)
<b>Adjusted Group net profit after tax</b>	<b>17,601</b>	<b>1,706</b>
<i>Adjustments for items included in statutory profit / (loss)</i>		
Increase in equity accounted investments to reflect distributions received / receivable	5,024	5,937
Net (gain) / loss on disposal of equity accounted investments	(2,002)	(77)
Building depreciation expense	34	134
Straight lining of rental expense	(8)	5
Gain on asset disposals	-	2,258
Holdback of Merrylands net profit after tax	(10,452)	-
Release of net profit after tax on sale of Merrylands	5,905	4,547
Amortisation amounts	1,597	1,941
Tax adjustments	(151)	(181)
<b>Core Earnings</b>	<b>17,548</b>	<b>16,270</b>

A summary of the key balance sheet items as at 30 June 2019 is as follows:

<b>Balance Sheet Summary<sup>3</sup></b>	<b>30 June 2019</b>	<b>30 June 2018</b>
Total Assets (\$'000)	257,558	230,114
Borrowings (\$'000)	83,453	59,555
Net Assets (\$'000)	159,108	142,366
Gearing (Net Debt / Total Assets less cash)	28.4%	23.3%
Number of securities on issue (million)	99,822	93,016
Net asset value per security (\$)	1.59	1.53
Net tangible assets per security (\$)	1.59	1.52

<sup>2</sup> As a result of the Group's adoption of the new Revenue accounting standard, AASB 15 Revenue from Contracts with Customers on 1 July 2018, the net profit on sale of the Merrylands Property, that was appropriately recognised in the Group's profit and loss for the period ended 30 June 2018, has also been recognised in the period ended 30 June 2019. This profit on the sale of the Merrylands Property has been removed from Core Earnings. The net profit after tax on the sale of the Merrylands profit of \$10.45 million has been included in the statutory net profit after tax for the year ended 30 June 2019 as a result of the Group's adoption of AASB 15. The Group's results for the year ended 30 June 2018 above, have been restated accordingly. See the Group's Annual Financial Report for further information.

<sup>3</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.



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## **Operational Update**<sup>4</sup>

### **Funds Management**

ENN's Funds Management division delivered an EBITDA contribution to Core Earnings of \$12.1 million (FY18 \$10.6 million). The Group's funds management income comprises:

<b>Funds Management Income</b>	<b>2019</b>	<b>2018</b>
	<b>\$'m</b>	<b>\$'m</b>
Management Fees	10.04	9.37
Acquisition Fees	3.69	4.00
Performance Fees	1.30	0.34
<b>Total</b>	<b>15.03</b>	<b>13.71</b>

The Group's funds under management grew by 28.1% during the year (\$304.4 million), from \$1,082.6 million to \$1,387 million. Elanor established new funds totalling \$455.3 million and successfully divested the commercial and hotel assets in the Bell City Fund for \$159.5 million as follows:

- Completion of the following funds management initiatives during the year:
  - Divestment on behalf of capital partners of the Bell City property for \$157 million (settlement occurred on 3 August 2018).
  - The establishment, in December 2018, of the Waverley Gardens Fund ("Waverley Gardens") in joint venture with Heitman, a global real estate investment management firm, which acquired the Waverley Gardens Shopping centre in Mulgrave, Victoria. The fund has a gross asset value of \$182.2 million as at 30 June 2019.
  - The acquisition of the Elanor Hospitality and Accommodation Fund hotel portfolio by Elanor Metro and Prime Regional Hotel Fund ("EMPR"), in a strategic partnership with NRMA, in September 2018. EMPR has a gross asset value of \$163.7 million as at 30 June 2019.
  - The acquisition of the Limestone Street Centre Syndicate by Elanor Commercial Property Fund ("ECPF") in December 2018. ECPF has a gross asset value of \$135.6 million as at 30 June 2019.
  - The Group established the Stirling Street Syndicate which acquired a commercial property located in Stirling Street, Perth, for \$24.7 million on 28 February 2019.
  - On 9 April 2019, EMPR acquired the Clare Country Club and Barossa Weintal Hotels in South Australia, for \$14.45 million. Settlement is expected in October 2019.
  - The establishment of the Elanor Luxury Hotel Fund ("ELHF") in April 2019, with the acquisition of the Mayfair Hotel Adelaide and the Adabco Boutique Hotel in Adelaide, South Australia for \$99 million. Furthermore, ELHF acquired the Peppers Cradle Mountain Lodge from EMPR, for \$55 million, generating a material \$9.8 million profit on sale for EMPR investors. Settlement of the Fund is expected in October 2019.

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<sup>4</sup> The operational update reflects financial information on the basis of equity accounting the Group's co-investments in funds managed by Elanor, including EMPR, Bluewater and Auburn Office. 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 31 May 2019, the Group established the Fairfield Centre Syndicate, which acquired the Neeta City Shopping Centre for \$85.3 million.

Based on the 30 June 2019 funds under management of \$1,387 million, annualised recurring management fees total \$11.3 million, an increase of 24.2% on the 30 June 2018 annualised management fee of \$9.1 million (excluding Bell City which was sold in August 2018).

ENN's strong investment track record and growing investor base continues to be evidenced by the demand from investors for ENN's managed funds. Elanor has a scalable real estate funds management platform with significant capacity for growth. The Group continues to invest in senior experienced asset and capital origination talent and has strengthened its asset management capabilities during the period. This, coupled with the Group's available capital, positions the Group strongly to grow its funds management business.

The Group has a strong investment pipeline.

### Hotels, Tourism and Leisure

ENN's Hotels, Tourism and Leisure division generated an EBITDA contribution to Core Earnings of \$6.4 million for the year (FY18: \$7.7 million). Hotels, Tourism and Leisure EBITDA includes the results of Featherdale Wildlife Park and Ibis Styles Albany Hotel (the comparative period included the Ibis Styles Canberra Eaglehawk Hotel until 31 October 2017, when it was sold to EMPR).

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of \$2.6 million for the year ended 30 June 2019 (\$2.9 million for the comparative period).

The table below sets out the assessed value of each investment portfolio property at 30 June 2019.

<b>Carrying Value of Properties</b>	<b>2019</b>	<b>2018</b>
	<b>\$'m</b>	<b>\$'m</b>
Featherdale Wildlife Park	39.0	39.0
Ibis Styles Albany Hotel	5.2	5.3
1834 Hospitality	2.6	-
<b>Total</b>	<b>46.8</b>	<b>44.3</b>

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 30 June 2019, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>2019</b>	<b>2018</b>
	<b>\$'m</b>	<b>\$'m</b>
Elanor Hospitality and Accommodation Fund	-	23.9
Elanor Metro and Prime Regional Hotel Fund	30.1	18.3
Bell City Fund	-	11.7
<b>Total</b>	<b>30.1</b>	<b>53.9</b>

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



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## Real Estate

ENN's Real Estate portfolio generated an EBITDA contribution to Core Earnings of \$2.4 million for the year (FY18: \$2.0 million).

Real Estate originates investment and fund management assets. The current investment portfolio comprises investments in Elanor Retail Property Fund (ASX: ERF), Elanor Commercial Property Fund (including the Limestone Street Centre Syndicate), Hunters Plaza Syndicate, Belconnen Markets Syndicate, Bluewater Square Syndicate, Belconnen Markets Syndicate, Waverley Gardens Fund, WorkZone West Syndicate and Fairfield Centre Syndicate. Real Estate manages each of these syndicates.

The carrying value of these investments as at 30 June 2019, using the equity method, is as follows:

<b>Carrying Value of Co-Investments</b>	<b>2019</b>	<b>2018</b>
	<b>\$'m</b>	<b>\$'m</b>
Elanor Retail Property Fund (ASX: ERF)	34.9	34.2
Bluewater Square Syndicate	9.7	9.3
Elanor Commercial Property Fund	13.8	0.7
Hunters Plaza Syndicate	1.2	1.2
Belconnen Markets Syndicate	0.5	0.2
Limestone Street Centre Syndicate	-	1.4
Auburn Office Syndicate	2.4	-
Waverley Gardens Fund	15.0	-
WorkZone West Syndicate	0.1	-
Fairfield Centre Syndicate	8.6	-
<b>Total</b>	<b>86.2</b>	<b>47.0</b>

Core Earnings reflects distributions received / receivable from ENN's co-investment in Real Estate Funds which totalled \$4.8 million for the year (FY18: \$3.1 million).

## Outlook

The Group's core strategy will remain focused on growing funds management earnings and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration across all sectors of focus. The Group will continue to focus on increasing income from its managed funds, seeding new managed funds with Group owned investments, and co-investing with external capital partners.

Elanor is committed to growing its funds management business by acquiring quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of potential funds management opportunities. 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 FY19 result.



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## **Investor Briefing**

Elanor Investors Group will be holding an Investor Briefing Conference Call on 19 August 2019 at 10:00am, to present and discuss the Group's FY19 results. The Conference details are:

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

Conference ID: 7544028

Commencement: 10:00am AEST

For further information regarding this announcement please contact:

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