



ASX Announcement

23 February 2017

Elanor Investors Group delivers strong 1HFY17 result

Elanor Investors Group ("ENN" or "Group") is pleased to announce its interim financial results for the half year ended 31 December 2016.

Highlights

- Statutory net profit after tax for the period of \$6.2 million, after the consolidation of Elanor Hospitality and Accommodation Fund ("EHAF") into ENN's statutory financial statements.
- Adjusted net profit after tax of \$4.8 million on the basis of equity accounting the Group's co-investment in EHAF, rather than consolidating.
- Core Earnings for the period of \$7.7 million, a 34.3% increase on 1HFY16 (1HFY16: \$5.7 million), or 8.6 cents per security. This reflects a 6.3% increase in Core Earnings per security from 1HFY16, or 10.7%¹ on the basis of the weighted average number of securities on issue.
- Distributions for the period of \$6.9 million, or 7.77 cents per security (1HFY16: 7.31 cents per security), reflecting a payout ratio of 90% of Core Earnings. This reflects an increase of 6.3% on 1HFY16.
- 65.7% increase in funds under management during the year ended 31 December 2016, from \$390.1 million to \$646.4 million.
- 50.6% increase in funds under management and balance sheet investments during the year ended 31 December 2016, from \$514.2 million to \$774.2 million.
- On the basis of equity accounting ENN's 41.7% co-investment holding in EHAF, NTA per security has increased to \$1.38 as at 31 December 2016. NAV per security has also increased by 6.6% since 30 June 2016 to \$1.46, on the same basis.
- Equity raising of \$33 million in August 2016 via an institutional placement (\$30 million) and security purchase plan (\$3 million) at an issue price of \$1.85 per security.
- Excluding the consolidation of EHAF, the Group's cash is greater than interest bearing debt resulting in a gearing level of (0.3)% as at 31 December 2016 (FY16: 7.5%).
- The listing of Elanor Retail Property Fund (ASX: ERF) ("ERF") in November 2016. ERF was formed by the stapling of two existing Elanor managed funds, and the acquisition of two new properties, the Tweed Mall Shopping Centre located in Tweed Heads, NSW, and Northway Plaza Shopping Centre located in Bundaberg, QLD. ERF had a gross asset value of \$248.5 million as at 31 December 2016. Elanor holds a co-investment interest of 15.95% in ERF.
- The establishment of Elanor Commercial Property Fund ("ECPF"), a multi-asset commercial property fund. ECPF acquired 34 Corporate Drive, Cannon Hill, QLD in November 2016. In February 2017 ECPF acquired 96 Mount Gravatt – Capalaba Road, Upper Mount Gravatt,

¹ Based on the weighted average number of securities on issue



QLD. These acquisitions established the fund with a current gross asset value of \$57.9 million.

- Sale of Super A-Mart Auburn centre in January 2017, generating an internal rate of return of 23.3% for the investors in that syndicate.
- Co-investments in the Elanor Retail Property Fund (\$25.9 million) and Elanor Commercial Property Fund (\$0.6 million).

Commenting on the result, ENN CEO, Glenn Willis, said: "We are pleased with our result for the six months ended 31 December 2016. We have grown our Core Earnings by over 34% on the prior comparative period and have grown our funds under management to \$646 million.

Growing earnings from funds management is a key focus of the business. During the six months we have established two multi-asset funds, ERF and ECPF in the retail shopping centre and commercial office sectors respectively. These funds complement our multi-asset accommodation hotel fund, Elanor Hospitality and Accommodation Fund, and position the Group for our next stage of growth. During the period the Group successfully realised a strong return for investors in two other funds. As a result, the Group realised EBITDA from our funds management activities of \$7.8² million compared with \$4.1 million for the prior comparative period.

Our portfolio of Hotels, Tourism and Leisure assets performed well, with total EBITDA of \$3.7 million. EBITDA from our investment portfolio of owned assets showed a material year on year increase.

Strong progress has been made during the year in relation to the Merrylands Property. During the period, CBRE and Savills were appointed to jointly conduct an Expression of Interest campaign under a Commercial Exclusive Agency Agreement. Elanor is in advanced negotiations with the preferred bidder for the Merrylands property following that marketing campaign. This follows the Gateway Determination by the NSW Department of Planning and Environment for the rezoning and redevelopment of the 26,135 square metre site to facilitate a mixed use scheme comprising approximately 540 apartments and 7,500 square metres of retail / commercial space, which is expected to include a full-line supermarket."

Summary of Financial Results

Statutory net profit after tax for the half year of \$6.2 million (1HFY16: \$6.3 million).

Core Earnings for the half year of \$7.7 million (1HFY16: \$5.7 million), or 8.6 cents per security.

ENN has declared an interim distribution of 7.77 cents per security for the half year to 31 December 2016 (to be paid on 3 March 2017). This reflects an increase of 6.3% on 1HFY16.

NTA per security of \$1.38 as at 31 December 2016, on the basis that EHAF is equity accounted. This is an increase of 8.7% since 30 June 2016. The Merrylands Property remains in the balance sheet at cost, with a current book value of \$16.6 million.

² Based on equity accounting EHAF, rather than consolidating



A summary of the key financials and a reconciliation of statutory earnings to Core Earnings for the period to 31 December 2016 is as follows:

	Group 31 December 2016	Group 31 December 2015
Statutory financial results		
Net profit / (loss) after tax (\$'000)	6,166	6,271
Net profit / (loss) after tax (\$'000) (EHAF equity accounted)	4,833	6,271
Core Earnings (\$'000)	7,703	5,737
Distributions payable to security holders (\$'000)	6,933	5,163
Core Earnings per stapled security (cents)	8.63	8.12
Core Earnings per weighted average stapled security (cents)	8.99	8.12
Distributions (cents per stapled security)	7.77	7.31
Net tangible assets (\$ per stapled security)	1.68	1.31
Net tangible assets (\$ per stapled security) (EHAF equity accounted)	1.38	1.31
Gearing (net debt / total assets less cash) (%)	20.50	19.96
Gearing (net debt / total assets less cash) (%) (EHAF equity accounted)	(0.33)	19.96

	Group 31 December 2016 \$'000	Group 31 December 2015 \$'000
Reconciliation of Core Earnings		
Statutory net profit / (loss) after tax	6,166	6,271
Adjustment to remove the impact of consolidation of EHAF	(1,890)	-
Adjustment to include the impact of accounting for EHAF using the equity method	557	-
Adjusted net profit / (loss) after tax	4,833	6,271
<i>Adjustments for items included in statutory profit/(loss)</i>		
Increase in equity accounted investments to reflect distributions received / receivable	2,288	379
Building depreciation expense	157	526
John Cootes Furniture insurance recovery adjustment	-	(1,524)
Straight lining of rental expense	11	15
Amortisation of intangibles	75	75
Amortisation of equity settled STI amounts	390	-
Tax adjustments	(51)	(5)
Core Earnings	7,703	5,737



Balance Sheet Summary³	31 December 2016	30 June 2016
Total Assets (\$'000)	152,865	123,468
Borrowings (\$'000)	10,916	14,777
Net Assets (\$'000)	130,431	98,030
Gearing (Net Debt / Total Assets less cash)	(0.33%)	7.5%
Number of securities on issue (million)	89,224	71,386
Net asset value per security (\$)	1.46	1.37
Net tangible assets per security (\$)	1.38	1.27

Operational Update⁴

Funds Management

ENN's Funds Management division again delivered material outperformance relative to the prior period, with EBITDA of \$7.8 million (1HFY16: \$4.1 million) and a net increase in funds under management of \$256 million to \$646 million.

The level of growth in funds under management during the year has been significant. The Group established two new funds during the period being the listed Elanor Retail Property Fund (ASX: ERF) (sub-regional and neighbourhood shopping centres in Tweed Heads, NSW; Auburn, NSW; Taree, NSW; Bundaberg, QLD and Glenorchy, TAS), and the Elanor Commercial Property Fund (commercial office buildings in Cannon Hill and Mt Gravatt, QLD).

The Group successfully completed an Institutional Placement in August 2016, raising \$31.7 million net of costs. The proceeds from the placement were partially deployed to fund co-investments in the new listed Elanor Retail Property Fund and the Elanor Commercial Property Fund.

During the half year the Group generated significant performance fees from exits / asset realisations including the Auburn Central Syndicate (included in the Elanor Retail Property Fund IPO, generating a 24% internal rate of return for investors in that fund) and the sale of the Super A-Mart Auburn property (generating a 23.3% internal rate of return for investors in that fund).

ENN's strong 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.

³ This summary is based on ENN's adjusted consolidated balance sheet to reflect EHAF on an equity accounted rather than consolidated basis

⁴ The operational update reflects financial information on the basis that EHAF was equity accounted, rather than consolidated as per the statutory financial information. 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.



Hotels, Tourism and Leisure

ENN's Hotels, Tourism and Leisure portfolio generated an EBITDA for the half year of \$3.7 million (1HFY16: \$5.1 million). Hotels, Tourism and Leisure EBITDA, includes the results of Featherdale Wildlife Park, Ibis Styles Canberra Eaglehawk Hotel and Ibis Styles Albany Hotel. The comparative result also included the results of Cradle Mountain Lodge and Mantra Wollongong Hotel, prior to their sale into the Elanor Hospitality and Accommodation Fund in March 2016.

The first half EBITDA contribution from Featherdale Wildlife Park, Hotel Ibis Styles Canberra Eaglehawk and Hotel Ibis Styles Albany reflects a material year on year increase.

The carrying value of ENN's co-investments in Hotels, Tourism and Leisure funds managed by ENN as at 31 December 2016 using the equity method was \$33.0 million. Distributions received/receivable from ENN's co-investments in Hotels, Tourism and Leisure funds for the half year was \$1.4 million (1HFY16: \$0.5 million) which represents an annualised return of 8.4%. Hotels, Tourism and Leisure's contribution to Core Earnings for the period was \$4.2 million (1HFY16: \$5.5 million) which reflects distribution received/receivable from co-investments rather than the equity accounted result for those funds.

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 loss of \$1.5 million (1HFY16: profit of \$0.04 million).

Real Estate comprises equity accounted investments held during the period in the Elanor Retail Property Fund (both pre and post IPO), the Elanor Commercial Property Fund and the Limestone Street Centre Syndicate. The primary reason for the EBITDA loss was the equity accounted loss of \$1.4 million in relation to ENN's share of ERF. This reflects the impact of transaction and establishment costs incurred by ERF during its IPO in November 2016.

The carrying value of these co-investments as at 31 December 2016, using the equity method, was \$27.9 million. Real Estate's contribution to Core Earnings for the period was \$0.3 million (1HFY16: \$0.04 million) which reflects distributions received/receivable from ENN's co-investment in Real Estate Funds for the half year of \$0.6 million (1HFY16: \$0.04 million) rather than the equity accounted results for those funds.

Special Situations Investments

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

During the period new John Cootes Furniture stores were opened in Rutherford, NSW and Prospect in Sydney. The John Cootes Furniture business now has 11 stores.



On 27 July 2015 the John Cootes Furniture warehouse in Orchardleigh Street, Yennora sustained major damage as a result of a fire. The entire contents of the building, primarily stock and plant and equipment of the John Cootes Furniture business were destroyed and the building was unable to be recovered. In respect of the John Cootes Furniture business, claims for loss of stock and plant and equipment have been fully settled. The business interruption claim is not fully settled. To date, progress payments in relation to the business interruption claims of \$2.3 million have been received from the insurer. A claim for lost sales along with claim preparation costs and additional costs over and above amounts received will be lodged in the short term.

The Group lodged a Planning Proposal in respect of its 26,135 square metre property located at 248 – 264 Woodville Road Merrylands, with Parramatta City Council (“Council”) on 12 October 2015. The Planning Proposal was approved by Council at a meeting held on 7 December 2015. On 24 June 2016 the NSW Department of Planning and Environment issued its Gateway Determination on Elanor’s planning proposal which confirmed:

- Rezoning the property to B4 mixed use;
- Increasing the maximum height of building control to 31 metres (9 storeys); and
- Increasing the maximum floor space ratio to 2.0:1 (this is a reduction from the Council endorsed floor space ratio of 2.25:1).

Elanor announced on 20 July 2016 that the property would be marketed for sale with CBRE and Savills appointed to jointly conduct an Expression of Interest campaign under a Commercial Exclusive Agency Agreement. Elanor is in advanced negotiations with the preferred bidder for the Merrylands property following that marketing campaign.

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 has a number of funds management initiatives in progress. 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 will continue to monitor opportunities to selectively acquire high investment quality, high yielding assets with capital growth or co-investment potential.

The Group 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 an active pipeline of potential funds management opportunities in a market where identifying and acquiring quality assets that meet its investment criteria is challenging. Continued growth in Core Earnings will be predicated on the Group’s ability to continue to grow funds under management through the acquisition of quality assets. The Group’s ability to grow Core Earnings in the six months ending 30 June 2017 is also predicated on the timing of realisation and size of future performance fees.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN’s 1HFY17 result.



Investor Briefing

Elanor Investors Group will be holding an Investor Briefing Conference Call on 23 February 2017 at 10:00am, to present and discuss the Group's 1HFY17 results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221
Conference ID: 6617 7081
Commencement: 10:00am

For further information regarding this announcement please contact:

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