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## ASX Announcement

24 August 2016

### Elanor Investors Group delivers strong FY16 full year result

Elanor Investors Group (“ENN” or “Group”) is pleased to announce its financial results for the year ended 30 June 2016.

#### Highlights

- Statutory net profit after tax for the period of \$4.1 million (FY15: \$2.7 million), after \$3.8 million in one-off establishment and transaction costs related to the acquisition of Elanor Hospitality and Accommodation Fund (EHAF), which has been consolidated into ENN’s statutory financial statements.
- Adjusted net profit after tax of \$6.8 million on the basis of equity accounting the co-investment in EHAF, rather than consolidating.
- Core Earnings for the period of \$11.6 million (FY15: \$9.3 million), or 16.2 cents per security. This reflects a 23.7% increase in Core Earnings from FY15, or 16.0%<sup>1</sup> on the basis of the weighted average number of securities on issue.
- Distributions for the period of \$10.4 million, or 14.65 cents per security<sup>2</sup> (FY15: 11.90 cents per security), reflecting a payout ratio of 90% of Core Earnings. This reflects an increase of 23.1% on FY15.
- Increase in funds under management of \$138 million during the financial year, from \$346.4 million to \$484.5 million.
- Increase in funds under management and balance sheet investments of \$127 million during the financial year, from \$464.6 million to \$591.9 million.
- On the basis of equity accounting ENN’s 41.7% co-investment holding in EHAF, NTA per security has been maintained at \$1.27 as at 30 June 2016.
- Reduced gearing of the Group, excluding the consolidation of EHAF, to 7.5% at 30 June 2016 (FY15: 18.3%).
- Establishment of the ~ \$100 million Elanor Hospitality and Accommodation Fund in March 2016, involving the inaugural seeding of a fund with Elanor owned properties (Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel).
- Establishment of the Elanor Retail Property Fund with a gross asset value of \$62 million, comprising Manning Mall at a value of \$43 million and Glenorchy Plaza shopping centre in Glenorchy, Tasmania which was acquired for \$19 million. As a part of the establishment of

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<sup>1</sup> Based on the weighted average number of securities on issue

<sup>2</sup> Securities issued via the FY16 STI plan in June 2016 were entitled to receive the distribution for the six month period to 30 June 2016



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the Elanor Retail Property Fund, Manning Mall investors were provided with the opportunity to realise their investment generating an internal rate of return of 24%.

- Establishment of the Limestone Street Centre Syndicate, which acquired the 38 Limestone Street Centre in Ipswich, Queensland for \$32 million.
- Sale of Griffin Plaza shopping centre, generating an internal rate of return of 26% for the investors in the Syndicate.
- Co-investments in the Elanor Retail Property Fund (\$7.0 million, 24.4%), EHAF (\$19.8 million, 41.7%) and Limestone Street Centre Syndicate (\$1.4 million, 8.2%).
- Successful rezoning and Gateway Determination by the NSW Department of Planning and Environment of the Merrylands property to B4 mixed use with an increase in maximum height of the building control to 31 metres (9 storeys) and an increase in the maximum floor space ratio to 2.0:1.
- 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.

Commenting on the result, ENN CEO, Glenn Willis, said: "We are pleased with our second full year result. We have managed to grow our Core Earnings by over 23% on the prior year and have grown our funds under management to \$485 million.

Growing earnings from funds management is a key focus of the business. During the year we established three new managed funds and successfully realised a strong return for investors on two other funds. As a result, the Group realised EBITDA from our funds management activities of \$7.9<sup>3</sup> million, compared with \$4.5 million last year.

Our portfolio of Hotels, Tourism and Leisure assets performed well, with total EBITDA of \$8.5 million. Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel were sold to EHAF on 21 March 2016. These assets were sold at valuations of \$38 million and \$9 million respectively realising a gain of \$10.0 million from purchase price (including acquisition costs) at IPO in July 2014

Strong progress has been made during the year in relation to the Merrylands Property. In July, CBRE and Savills were appointed to jointly conduct an Expression of Interest campaign under a Commercial Exclusive Agency Agreement. The sale campaign 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."

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<sup>3</sup> Based on equity accounting EHAF, rather than consolidating



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## **Summary of Financial Results**

Statutory net profit after tax for the year of \$4.1 million (FY15: \$2.7 million).

Core Earnings for the year of \$11.6 million (FY15: \$9.3 million), or 16.2 cents per security.

ENN has declared a final distribution of 7.34 cents per security for the half year period to 30 June 2016 (to be paid on 2 September 2016). This brings total distribution for the year to 14.65 cents per security, an increase of 23.1% on FY15.

NTA per security of \$1.27 as at 30 June 2016, on the basis that EHAF is equity accounted, unchanged from 30 June 2015. The Merrylands Property remains in the balance sheet at cost, with a current book value of \$16.1 million.

A summary of the key financials and a reconciliation of statutory earnings to Core Earnings for the year to 30 June 2016 is as follows:

<b>Statutory Financial results</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Net profit / (loss) after tax (\$'000)	4,143	2,720
Net profit / (loss) after tax (\$'000) <sup>4</sup> (EHAF equity accounted)	6,810	2,720
Distributions payable to security holders (\$'000)	10,404	8,409
Core Earnings per stapled security (cents)	16.19	13.23
Core Earnings per weighted average stapled security (cents)	16.36	14.07
Distributions (cents per stapled security / unit)	14.65	11.90
Net tangible assets (\$ per stapled security)	1.65	1.27
Net tangible assets (\$ per stapled security) <sup>4</sup> (EHAF equity accounted)	1.27	1.27
Gearing (net debt / total assets less cash) (%)	28.15	18.31
Gearing (net debt / total assets less cash) (%) <sup>4</sup> (EHAF equity accounted)	7.50	18.31

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<sup>4</sup> These metrics are calculated on the basis that EHAF was accounted for using the equity method. This disclosure is important because Elanor considers that this gives the most appropriate presentation consistent with management and reporting of the Group and to provide a comparable basis to the presentation of the results for the year ended 30 June 2015.



<b>Reconciliation of Profit to Core Earnings</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net profit / (loss) after tax (statutory)</b>	<b>4,143</b>	<b>2,720</b>
Adjustment to remove the impact of consolidation of EHAF	4,667	-
Adjustment to include the impact of accounting for EHAF using the equity method	(2,001)	-
<b>Adjusted profit / (loss) after tax</b>	<b>6,810</b>	<b>2,720</b>
<i>Adjustments for items included in statutory profit/(loss)</i>		
Increase in equity accounted investments to reflect distributions received/receivable	3,480	461
Building depreciation expense	851	1,063
John Cootes Furniture Insurance recovery adjustment	(706)	-
Straight lining of rental expense	32	-
Amortisation of intangibles	150	150
Gain on the sale of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel	10,009	-
Net proceeds on the sale of Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel retained	(9,056)	-
Transaction, establishment costs and fair value decrements	-	4,843
Fair value adjustments on investment property	-	-
Tax adjustments	(10)	107
<b>Core Earnings</b>	<b>11,560</b>	<b>9,344</b>
<b>Balance Sheet Summary<sup>5</sup></b>		
<b>Total Assets (\$'000)</b>	<b>123,468</b>	<b>135,650</b>
Borrowings (\$'000)	14,777	30,955
Net Assets (\$'000)	98,030	97,437
Gearing (Net Debt / Total Assets less cash)	7.5%	18.31%
Number of securities on issue (million)	71.386	70.645
Net asset value per security (\$)	1.37	1.38
Net tangible assets per security (\$)	1.27	1.27

<sup>5</sup> This summary is based on ENN's adjusted consolidated balance sheet to reflect EHAF on an equity accounted rather than consolidated basis.



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## **Operational Update**<sup>6</sup>

### **Funds Management**

ENN's Funds Management division delivered material outperformance relative to the prior year, with EBITDA of \$7.9 million (FY15: \$4.5 million) and a net increase in funds under management of \$138 million during the year, to \$485 million.

The level of growth in funds under management during the year has been positive. The Group established three new funds during the year being Elanor Retail Property Fund (sub-regional shopping centres in Taree, NSW and Glenorchy, TAS), Limestone Street Syndicate (commercial office building in Ipswich, QLD) and the Elanor Hospitality and Accommodation Fund, a multi-asset hotel fund comprising six hotels. Elanor Retail Property Fund is a multi-asset retail property fund that was previously known as Manning Mall Syndicate.

During the year the Group strengthened its internal asset management and investment management capabilities, and deepened its capital partner base to support the Group's strategic focus to deliver growth in funds under management and the performance of assets under management.

ENN's managed funds continued to perform well during the period. ENN's strong track record and investor base continues to be evidenced by the demand from investors for ENN's newly established funds.

ENN announced the following new funds management initiatives on 28 July 2016:

- Establishment of Elanor Commercial Property Fund. ENN is currently in due diligence on 3 commercial assets to seed the fund. The fund is targeting an initial portfolio size of \$125-\$150 million
- The listing of a new retail Real Estate Investment Trust ("Retail REIT") on the ASX. It is intended that the Retail REIT will comprise a portfolio of metropolitan and regional retail assets, with an initial target portfolio size of \$160-\$200 million. ENN intends to cornerstone the Retail REIT and retain at least a 15% stake

The Group successfully completed an Institutional Placement to raise \$30 million on 28 July 2016. The proceeds from the placement will be used to establish and cornerstone the new Elanor Commercial Property Fund and Retail REIT.

It is intended that both the Elanor Commercial Property Fund and a new listed Retail REIT will be established prior to 31 December 2016. These two funds will significantly increase ENN's funds under management and position the Group for the next stage of growth.

### **Hotels, Tourism and Leisure**

ENN's Hotels, Tourism and Leisure portfolio performed well, with EBITDA for the year of \$8.5 million (FY15: \$9.0 million). This FY16 result includes the results of Peppers Cradle Mountain and Mantra Wollongong Hotel up to 21 March 2016 when those assets were sold to EHAF. The FY16 result for Hotels, Tourism and Leisure also includes an equity accounted loss of \$1.7 million relating to co-investments in funds managed by ENN (including an equity accounted loss of \$2.0 million for EHAF).

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<sup>6</sup> The operational update reflects financial information on the basis that EHAF was equity accounted, rather than consolidated as per the statutory financial information for FY16.



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This equity accounted loss for EHAF relates primarily to the fair value decrement of \$4.6 million in that fund for FY16, relating to the write-off of transaction and establishment costs.

The Hotels, Tourism and Leisure portfolio exceeded budget for the year ended 30 June 2016.

During the year, ENN established the ~ \$100 million Elanor Hospitality and Accommodation Fund, including the inaugural seeding of a fund with Elanor owned properties (Peppers Cradle Mountain Lodge and Mantra Wollongong Hotel).

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

### **Real Estate**

Real Estate comprises equity accounted investments in the Auburn Central Syndicate, Elanor Retail Property Fund and Limestone Street Centre Syndicate. The carrying value of these investments as at 30 June 2016, using the equity method, was \$9.0 million. During the year the equity accounted share of profit of these investments was \$0.32 million with distributions received or receivable for the period totalling \$0.34 million.

### **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 year, new John Cootes Furniture stores were opened in Fyshwick (ACT) in December 2015, Warners Bay (NSW) in January 2016 and Wagga Wagga (NSW) in June 2016.

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. The warehouse building is owned by the John Cootes Diversified Property Syndicate, a managed investment scheme managed by the Group. The insurance claim in respect of the property has been settled, the land has been sold and capital has been returned to syndicate investors. In respect of the John Cootes Furniture business, claims for loss of stock and plant and equipment have been fully settled at \$2.0 million and \$1.7 million respectively. To date, four business interruption claims have been lodged that relate to lost sales from the date of the fire to 31 May 2016 along with claim preparation costs and additional costs of working. Progress payments in relation to the business interruption claims of \$2.3 million have been received from the insurer. A further progress claim for lost sales along with claim preparation costs and additional costs of working is expected to be lodged in September 2016.

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



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- 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.

### **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 our 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.

Based on the current operating performance of ENN's assets and ENN's pipeline of potential funds management opportunities, the Group anticipates continued growth in Core Earnings in FY17.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's FY16 result.

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### **Investor Briefing**

Elanor Investors Group will be holding an Investor Briefing Conference Call on 24 August 2016 at 10:30am, to present and discuss the Group's FY16 results. The Conference details are:

Dial In: 1800 558 698 or +61 2 9007 3187  
Conference ID: 427 545  
Commencement: 10:30am

For further information regarding this announcement please contact:

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