



ASX Announcement

21 August 2017

Elanor Investors Group delivers strong FY17 result

Elanor Investors Group (ENN or Group) is pleased to announce its financial results for the full year ended 30 June 2017 (period).

Highlights

- Core Earnings for the period of \$12.7 million, a 9.6% increase on FY16.
- Distribution for the six months ended 30 June 2017 of \$4.47 million, or 5.01 cents per security, an 8.2% increase on the forecast distribution announced on 26 June 2017
- Distributions for the period of \$11.4 million, or 12.78 cents per security, reflecting a payout ratio of 90% of Core Earnings. This reflects a decrease of 12.8% on FY16 (14.65 cents per security), but on a 25% higher number of securities on issue.
- 43% increase in funds management earnings to \$11.3 million for the period.
- 40.7% increase in funds under management during the year ended 30 June 2017, from \$484.5 million to \$681.6 million.
- 42.1% increase in funds under management and balance sheet investments during the year ended 30 June 2017, from \$592 million to \$841 million.
- An uplift in value of the Group's investment portfolio of \$25.7 million since 30 June 2016, an increase of 19.3%.
- NAV per security has increased by 27.7% during the period from \$1.37 to \$1.75 as at 30 June 2017.¹ Based on the security price at 30 June 2017 of \$2.14, net assets represent 82% of the Group's market capitalisation before consideration of the value of the funds management business and the uplift in value of Merrylands from cost of \$17.1 million.
- NTA per security has also increased by 31.5% since 30 June 2016 from \$1.27 to \$1.66, on the same basis.
- Successful equity raising of \$33 million in August 2016 via an institutional placement (\$30 million) and a security purchase plan (\$3 million) at an issue price of \$1.85 per security, resulting in a 25% increase in securities on issue to 89.2 million.
- The Group's balance sheet remains very lowly geared at 4.2%, down from 7.5% at 30 June 2016.¹
- Successful listing of Elanor Retail Property Fund (ASX: 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 \$267.9 million as at 30 June 2017.

¹ Based on equity accounting EHAF, rather than consolidating.



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- 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, QLD. These acquisitions established the fund with a gross asset value of \$51.5 million as at 30 June 2017.
 - Establishment of the Hunters Plaza Syndicate in June 2017 to acquire the Hunters Plaza Shopping Centre in Auckland NZ. The fund has a gross asset value of \$48.4 million at 30 June 2017.
 - Successful realisation of the following assets for syndicate investors:
 - Sale of Super A-Mart Auburn centre – IRR 23.3%
 - Sale of Auburn Central shopping centre into ERF – IRR 24%
 - Sale of John Cootes Diversified Property Syndicate assets – IRR 29.5%
 - Co-investments of \$22.7 million were made in managed funds during the year, resulting in an investment portfolio of \$159.2 million as at 30 June 2017.

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with our result for the year ended 30 June 2017 and the strong uplift in value of our investment portfolio. We have grown our Core Earnings by nearly 10% on FY16 and have grown our funds under management by 41% to \$682 million over the period.

Growing earnings from funds management is a key focus of the business. During the year we established three new managed funds, ERF and Hunters Plaza in the retail shopping centre sector and ECPF in the commercial office sector. These funds complement our existing funds and position the Group for our next stage of growth. During the year the Group successfully realised a strong return for investors in three managed funds. As a result, the Group realised EBITDA from our funds management activities of \$11.3² million, an increase of 43% on FY16. We have significantly increased our origination and capital raising capability during the six months ended 30 June 2017 (people, investor demand and balance sheet capacity) and are strongly positioned to grow our funds management business.

The Hotels, Tourism and Leisure division performed well, with a total EBITDA of \$7.1 million. EBITDA from our investment portfolio of owned assets showed a material year on year increase. In addition to this, independent valuations have supported an uplift of \$25.7 million on the division’s investment portfolio.

The Group’s Real Estate Division has significantly grown its EBITDA contribution to \$1.5 million for the year to 30 June 2017, primarily reflecting the successful IPO of ERF and the Group’s 17% co-investment in that fund.

Further progress has been made during the year in relation to the Merrylands Property. Whilst the Expression of Interest campaign initiated in July 2016 did not result in a satisfactory offer, we are in advanced discussions with several parties in relation to the property.”

² Based on equity accounting EHAFF, rather than consolidating



Summary of Financial Results

Statutory net profit after tax for the financial year of \$11.6 million (FY16: \$4.1 million).

Core Earnings for the financial year of \$12.7 million (FY16: \$11.6 million), or 14.2 cents per security.

ENN has declared a final distribution of 5.01 cents per security for the six months ended 30 June 2017 (to be paid on 1 September 2017).

NTA per security of \$1.66 as at 30 June 2017, on the basis that EHAF is equity accounted. This is an increase of 31.5% since 30 June 2016.

The Merrylands Property remains in the balance sheet at cost, with a current book value of \$17.1 million.

A summary of the key financial results for the period to 30 June 2017 is as follows:

Statutory financial results	Group 30 June 2017	Group 30 June 2016
Net profit / (loss) after tax (\$'000)	11,626	4,143
Net profit / (loss) after tax (\$'000) (EHAF equity accounted)	11,400	6,810
Core Earnings (\$'000)	12,670	11,560
Distributions payable to security holders (\$'000)	11,403	10,404
Core Earnings per stapled security (cents)	14.20	16.19
Core Earnings per weighted average stapled security (cents)	14.49	16.36
Distributions (cents per stapled security / unit)	12.78	14.65
Net tangible assets (\$ per stapled security)	1.96	1.65
Net tangible assets (\$ per stapled security) (EHAF equity accounted)	1.66	1.27
Gearing (net debt / total assets less cash) (%)	21.15	28.15
Gearing (net debt / total assets less cash) (%) (EHAF equity accounted)	4.24	7.50



A reconciliation of the Group's statutory earnings to Core Earnings for the year to 30 June 2017 is as follows:

Reconciliation of statutory earnings to Core Earnings³	Group 30 June 2017 \$'000	Group 30 June 2016 \$'000
Statutory Net profit / (loss) after tax	11,626	4,143
Adjustment to remove the impact of consolidation of the Fund	(3,880)	4,668
Adjustment to include the impact of accounting for the Fund using the equity method	3,654	(2,001)
Adjusted Net profit / (loss) after tax	11,400	6,810
<i>Adjustments for items included in statutory profit / (loss)</i>		
Increase in equity accounted investments to reflect distributions received / receivable	190	3,480
Building depreciation expense	324	851
John Cootes Furniture Insurance recovery adjustment	-	(706)
Straight lining of rental expense	20	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)
Amortisation of equity settled STI amounts	676	-
Tax adjustments	(90)	(10)
Core Earnings	12,670	11,560

A summary of the key balance sheet items as at 30 June 2017 is as follows:

Balance Sheet Summary⁴	30 June 2017	30 June 2016
Total Assets (\$'000)	188,966	124,249
Borrowings (\$'000)	21,763	14,777
Net Assets (\$'000)	155,898	98,031
Gearing (Net Debt / Total Assets less cash)	4.24%	7.50%
Number of securities on issue (million)	89,224	71,386
Net asset value per security (\$)	1.75	1.37
Net tangible assets per security (\$)	1.66	1.27

³ Explanation of the key reconciling items can be found in the Group's Financial Statements

⁴ This summary is based on ENN's adjusted consolidated balance sheet to reflect EHAFF on an equity accounted rather than consolidated basis



Operational Update⁴

Funds Management

ENN's Funds Management division again delivered material outperformance relative to the prior period, with EBITDA of \$11.3 million (FY16: \$7.9 million) and a net increase in funds under management of \$197 million to \$682 million.

The level of growth in funds under management during the year has been significant. The Group established three 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), the Elanor Commercial Property Fund (commercial office buildings in Cannon Hill and Mt Gravatt, QLD), and the Hunters Plaza Syndicate (retail shopping centre in Auckland, NZ).

The Group successfully completed an Institutional Placement and Security Purchase Plan in July / August 2016, raising \$31.7 million net of costs. The proceeds from the placement were substantially deployed to fund co-investments in the new listed ERF and ECPF.

During the year the Group generated significant performance fees from exits / asset realisations including the Auburn Central Syndicate (included in the ERF IPO, generating a 24% internal rate of return for investors in that fund), the sale of the Super A-Mart Auburn property (generating a 23.3% internal rate of return for investors in that fund), and the sale of the properties in the John Cootes Diversified Property Syndicate (generating a 29.5% 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 significant capacity for growth.

Hotels, Tourism and Leisure

ENN's Hotels, Tourism and Leisure portfolio generated an EBITDA for the year of \$7.9 million (FY16: \$10.4 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 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 30 June 2017, using the equity method, was \$32.3 million.

ENN continues to consider a range of opportunities in the Hotels, Tourism and Leisure sector, including further multi asset funds.

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 outcomes 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.



Real Estate

ENN's Real Estate portfolio generated an EBITDA of \$0.8 million (FY16: \$0.3 million).

The Real Estate division comprises equity accounted investments held in ERF (both pre and post IPO), ECPF and the Limestone Street Centre Syndicate.

The carrying value of these co-investments as at 30 June 2017, using the equity method, was \$32.9 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 Rutherford, NSW and Prospect in Sydney. The John Cootes Furniture business now has 11 retail stores across NSW, and a warehouse in Silverwater, Sydney.

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.

At balance date, the business interruption claim was 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 final claim for lost sales along with claim preparation costs and additional costs over and above amounts received will be lodged in the short term.

Further progress has been made during the year in relation to the Merrylands Property. Whilst the Expression of Interest campaign initiated in July 2016 did not result in a satisfactory offer, the Group is in advanced discussions with several parties in relation to the property.

Outlook

ENN remains well positioned to continue to grow earnings and value for its security holders. ENN's core strategy is focused on growing earnings from its 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.

During the coming year, the Group plans to issue a corporate bond to improve the capital structure efficiency of the Group by providing medium term, permanent, non-dilutive capital. This capital will be used to fund short to medium term growth in conjunction with available bank facilities.

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 has been challenging, particularly over the last six months.

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, and the timing and size of future performance fees.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's FY17 result.

For further information regarding this announcement please contact:

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