

## **IMPORTANT NOTE**

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ASX Announcement

4 October 2024

### ECF Entitlement Offer

- Elanor Commercial Property Fund (“**ECF**”) is undertaking a fully underwritten<sup>1</sup> 1-for-3.5 Entitlement Offer to raise approximately \$52 million at an issue price of \$0.58 per ECF security (“**Equity Raising**”)
- The proceeds will be used to fund ECF’s participation in the Harris Street Fund Capital Notes issuance (“**Capital Notes**”) and repay ECF debt and transaction costs.
- Entities associated with Lederer Group hold approximately 14.76% of ECF’s existing securities on issue, and have committed to take up their full entitlement, participate in the Oversubscription Facility (defined below) and to sub-underwrite the Entitlement Offer
- FY25 Distribution guidance of at least 7.5 cents per security maintained<sup>2</sup>

Elanor Funds Management Limited (“**EFML**”) as responsible entity for Elanor Commercial Property Fund I and Elanor Commercial Property Fund II, collectively the Elanor Commercial Property Fund (“**ECF**” or “**Fund**”), is pleased to announce:

### ECF Entitlement Offer

ECF will undertake a fully underwritten<sup>3</sup> 1-for-3.5 Entitlement Offer to raise proceeds of approximately \$52 million. Proceeds will be used to:

1) Reduce ECF Gearing

Repayment of ECF debt to reduce balance sheet gearing to the lower half of ECF’s target gearing range of 30 – 40%<sup>4</sup>, providing funding flexibility and sufficient headroom to support ongoing capex and leasing initiatives

2) Fund ECF’s Participation in the Capital Notes

Underwriting up to 100% of the Capital Notes (\$40 million) with a commitment to acquire at least ECF’s 49.9% pro-rata share (\$20 million).

David Burgess, Fund Manager of ECF said “Participation in the Harris Street Capital Notes represents a compelling investment opportunity for ECF. The Capital Notes are expected to deliver a 12.5% return<sup>5</sup> plus potential upside via a 10% share of any asset value appreciation<sup>6</sup>, and stabilise ECF’s existing 49.9% interest in the Harris Street Fund. The Equity Raising will also reduce ECF gearing, providing additional funding headroom to support growth.”

<sup>1</sup> Refer to “Shortfall” on slide 36 of the ECF Investor Presentation released today (“**Investor Presentation**”) for a description of the terms and conditions of the underwriting arrangements, including the handling of any excess shortfall securities.

<sup>2</sup> Securities issued under the Entitlement Offer will not receive the full 7.5cps distribution for FY25, as they are not entitled to the September 2024 distribution.

<sup>3</sup> Refer footnote 1

<sup>4</sup> ECF balance sheet gearing is expected to reduce to a range between 32.4% - 35.1%, subject to the level of ECF’s participation in the Capital Notes issuance.

<sup>5</sup> 12.5% return generated via a 5% cash plus 7.5% PIK coupon. PIK coupons are non-cash paid and will be recovered by Noteholders upon repayment of the Capital Notes

<sup>6</sup> Upon divestment of the asset or recapitalisation of the fund (expected on or before June 2027)

## **Transaction Rationale**

Undertaking the Equity Raising has strong merits for securityholders which include:

1. Repayment of debt to reduce ECF's balance sheet gearing to the lower half of the target range<sup>7</sup>, positioning the platform for growth;
2. Provides funding flexibility for near-term value additive capex and leasing initiatives;
3. Stabilises ECF's interest in the Harris Street Fund via participation in the Capital Notes issuance, which also represents a compelling investment opportunity (see below);
4. Preserves platform scale and opportunity to capitalise on improving market conditions; and
5. Reinforces ECF's strategic partnership with the Lederer Group, a high-quality partner willing to support the growth of ECF.

## **Compelling Investment in Harris Street Fund**

ECF owns a 49.9% equity interest in the Harris Street Fund, which owns 19 Harris Street, Pyrmont, NSW ("Harris Street").

- Harris Street is a seven level, prime grade office building located in the Sydney city fringe suburb of Pyrmont. ECF has successfully leased over 8,900 sqm (>70% of the building) since acquisition.
- Harris Street is an attractive asset for ECF, being 97.5%<sup>10</sup> occupied with a 3.4 year WALE<sup>8</sup>, and delivering a 5.0% p.a. market rental growth since acquisition in May 2022 (in excess of historical average)
- The asset has been negatively impacted by a prolonged period of softening capitalisation rates post COVID, however these conditions may abate, noting<sup>9</sup>:
  - Over the last 50 years, market cycles demonstrate an average of 2 years of capitalisation rate softening which is followed by strong compression
  - The current cycle tracking in line with the historical average

Asset	Total asset value	ECF Stake	Occupancy (by NLA) <sup>10</sup>	WALE (by income)	Rental growth (p.a)
19 Harris Street	\$138m	49.9%	97.5%	3.4 years	5.0%

\$40.0 million of capital is expected to be raised by the Harris Street Fund through the Capital Notes issuance, with proceeds used to reduce senior debt by approximately \$25 million and assist with capex funding.

<sup>7</sup> Refer footnote 4.

<sup>8</sup> Weighted average lease expiry.

<sup>9</sup> Refer to pages 10 and 32 of the Investor Presentation for further discussion of forecast market conditions including assumptions underpinning these projections.

<sup>10</sup> Including contracted leases and non-binding heads of agreement entered into with tenants

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### **Additional capital to support ECF re-leasing initiatives on key assets**

Residual proceeds of the Equity Raising will be used to repay ECF debt, with balance sheet gearing to be reduced to the lower half of ECF's target gearing range of 30% - 40%.<sup>11</sup> As a result, ECF expects to have indicative additional funding capacity of \$42 million – \$62 million, depending on the level of ECF Capital Notes participation.

Improved funding capacity will allow ECF to:

- implement leasing strategies while preserving platform scale and ability to capitalise on improving market conditions; and
- further improve ECF's lease expiry profile, building upon re-leasing initiatives undertaken in FY24.

Key re-leasing initiatives relate to the Garema Court and WorkZone West assets, as per recent public disclosures.

### **Equity Raising Details**

ECF is undertaking a fully underwritten<sup>12</sup>, 1-for-3.5 standard pro rata non-renounceable entitlement offer of its stapled securities ("**New Securities**") to eligible securityholders at an issue price of \$0.58 per security, to raise approximately \$52 million ("**Entitlement Offer**").

The Entitlement Offer price of \$0.58 per security represents a:

- 5.69% discount to the last close price of \$0.615 on Thursday, 3 October 2024
- 4.48% discount to the ECF TERP<sup>13</sup> of \$0.61

Under the Entitlement Offer, certain eligible securityholders in Australia, New Zealand, Hong Kong and Singapore can apply for 1 New Security for each 3.5 securities they hold in ECF on the Record Date (being 7.00pm (Sydney time) on Wednesday, 9 October 2024). Further details on the eligibility criteria for the Entitlement Offer are set out in the Entitlement Offer Booklet.<sup>14</sup>

Eligible securityholders who take up their full entitlement will be offered the opportunity to apply for additional New Securities (up to a maximum of 100% of their entitlement) ("**Oversubscription Facility**"). The allocation of additional New Securities under the Oversubscription Facility will be subject to availability, any scale back to the extent that demand exceeds supply (with the scale back being determined by ECF on a pro-rata basis based on the number of additional New Securities validly applied for by each participating eligible securityholder), and any requirements under law or the Listing Rules, in ECF's absolute discretion. Further details are included in the Entitlement Offer Booklet.

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<sup>11</sup> Refer footnote 4

<sup>12</sup> Refer footnote 1

<sup>13</sup> TERP is a theoretical calculation only and the actual price at which ECF securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may be different from TERP.

<sup>14</sup> Refer to section 2.3 of the Entitlement Offer Booklet dated 4 October 2024.

The Entitlement Offer will result in the issue of approximately 90.4 million New Securities, or approximately 29% of total securities on issue, and will rank equally with existing ECF securities from the date of issue and are eligible for the December 2024 quarterly distribution.<sup>15</sup>

### **Underwriting and participation by the Lederer Group**

The Entitlement Offer is fully underwritten<sup>16</sup> by Citigroup Global Markets Australia Pty Limited and MA Moelis Australia Advisory Pty Ltd (“**Underwriters**”)

Entities associated with Lederer Group hold approximately 14.76% of ECF’s existing securities on issue, and have committed to take up their full entitlement (including under the Oversubscription Facility, subject to availability and law<sup>17</sup>) and sub-underwrite the Entitlement Offer. Shortly after this announcement, the Underwriters will seek additional sub-underwriting support for the Entitlement Offer, to participate alongside Lederer Group.

Lederer Group’s participation in the Oversubscription Facility and sub-underwriting may result in it increasing its securityholding in ECF to up to approximately 33.70% (assuming that no other securityholder takes up its entitlement to New Securities and on the basis that no other sub-underwriters are appointed). The actual increase depends primarily upon the level of participation by other eligible securityholders in the Entitlement Offer and the ability to source other sub-underwriters for the Entitlement Offer. Further detail is set out in Appendix H of the Investor Presentation, and the cleansing notice to be released following this announcement.

### **FY25 Guidance**

- ECF’s FY25 distribution guidance is maintained at least 7.5 cps<sup>18</sup>
- ECF revises its FY25 FFO guidance range to 9.0 cps to 9.3 cps<sup>19</sup> (reflecting the impact of new securities under the Equity Raise and the level of ECF’s participation in the Harris Street Capital Notes, and assuming no asset sales)
- ECF will continue to execute on asset management initiatives to maximise lease renewals and grow rents

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<sup>15</sup> The intended December 2024 quarterly distribution is subject to there being no material adverse changes in market conditions and in ECF. ECF’s ability to continue paying distributions is dependent on ECF performing in line with internal management forecasts and there can be no guarantee that such profits will be generated in the future. Past performance is not a reliable indicator of future performance.

<sup>16</sup> Refer footnote 1

<sup>17</sup> To the extent that Lederer Group’s participation in the Oversubscription Facility would result it in having a relevant interest in ECF of greater than 20% for the purposes of the Corporations Act, then its application for any oversubscriptions under the Oversubscription Facility will be scaled back accordingly. See further detail in the Entitlement Offer Booklet.

<sup>18</sup> Securities issued under the Entitlement Offer will not receive the full 7.5cps distribution for FY25, as they are not entitled to the September 2024 distribution.

<sup>19</sup> Adjusted FFO guidance reflects impact of issue of the New Securities under the Entitlement Offer and the level of participation in the Capital Notes and assumes no asset sales

## **Outlook**

ECF's key strategic objective is to provide strong risk-adjusted returns by investing in commercial office properties that have clearly differentiated and sustainable competitive advantages.

The Fund's portfolio is near full occupancy and strong leasing momentum continues for future expiries. The execution of asset management initiatives and lease renewals is a priority to maintain high occupancy and grow rental income.

## **Indicative Timetable**

<b>Event</b>	<b>Date<sup>22</sup></b>
Announcement of Equity Raising	Friday, 4 October 2024
Record date for Entitlement Offer at 7:00pm (Sydney time)	Wednesday, 9 October 2024
Entitlement Offer Booklets together with entitlement and acceptance forms made available to eligible securityholders Entitlement Offer opens	Monday, 14 October 2024
Entitlement Offer closes at 5:00pm (Sydney time)	Friday, 25 October 2024
New Securities to be quoted on a deferred settlement basis	Monday, 28 October 2024
Announce results of Entitlement Offer	Tuesday, 29 October 2024
New Securities are issued	Thursday, 31 October 2024
Deferred settlement trading ends at market close	
ASX quotation and normal trading (T+2) of New Securities under Entitlement Offer	Friday, 1 November 2024
Dispatch of holding statements	Monday, 4 November 2024

<sup>22</sup> All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

**Additional information:**

Additional information about the Entitlement Offer, including key risks, is contained in the ECF Investor Presentation and Entitlement Offer Booklet released to the ASX today.

**Investor Conference Call**

ECF will conduct an investor briefing at 11am (AEST) today to discuss details of the Equity Raising.

The webcast will be available via this link: <https://webcast.openbriefing.com/ecf-mu-2024/>

The Conference Call details are:

Dial In: 1800 809 971 or +61 2 9007 3187

Conference ID: 10042532

Commencement: 11.00am AEST

Pre-register is also available via this link: <https://s1.c-conf.com/diamondpass/10042532-5wgssd.html>

ENDS.

The release of this announcement was authorised by the Board of Elanor Funds Management Limited as responsible entity for ECF.

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**About Elanor Commercial Property Fund**

Elanor Commercial Property Fund (ASX: ECF) is an externally managed real estate investment trust that invests in Australian commercial office assets.

[www.elanorinvestors.com/ECF](http://www.elanorinvestors.com/ECF)

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## Important notice and disclaimer

This announcement contains certain “forward-looking statements”. These forward-looking statements are based on the opinions, expectations and beliefs of ECF as well as reasonable assumptions made by and information currently available to ECF and speak only as of the date of this announcement. All statements other than statements of historical facts included in this announcement, including statements regarding ECFs forecasts, business strategy, plans and objectives, are forward-looking statements. In addition, when used in this announcement, the words “forecast”, “estimate”, “expect”, “anticipated” and similar expressions are intended to identify forward-looking statements. Such statements are subject to significant assumptions, risks and uncertainties, many of which are outside the control of ECF and are not reliably predictable, which could cause actual results to differ materially, in terms of quantum and timing, from those described in this announcement. Eligible Securityholders are cautioned not to place undue reliance on forward-looking statements.

No representation is made by ECF, the Underwriters and their respective advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents (“**Extended Parties**”) as to the correctness of the forward-looking statements on or after the date of this announcement. ECF does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events. To the maximum extent permitted by law, ECF, the Underwriters and each of their respective Extended Parties disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise. To the maximum extent permitted by law, each of ECF and the Underwriters and their respective Extended Parties disclaim any responsibility to update or revise any forward-looking statement to reflect any change in ECF's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by Australian law.

The Extended Parties have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this announcement and there is no statement in this announcement which is based on any statement made by the Underwriters or any other Extended Party. To the maximum extent permitted by law, the Underwriters and each Extended Party expressly disclaim all liabilities (including, without limitation, for fault, negligence, or negligent misstatement) in respect of, and take no responsibility for, any part of this announcement, and make no representation or warranty (whether express or implied) regarding any part of this announcement, including as to the fairness, currency, accuracy, timeliness, reliability or completeness of any information in this announcement (including the accuracy, likelihood of achievement or reasonableness of any forecast returns, yields, future income or other statements in relation to future matters nor that the information in this announcement contains all material information about ECF or which a prospective investor may require in evaluating a possible investment in ECF).

Neither the Underwriters nor any other Extended Party makes any recommendation as to whether any potential investor should participate in the Equity Raising. Further, neither the Underwriters nor any other Extended Party accepts any fiduciary obligations to or duty of care to or relationship with any investor or potential investor in connection with the Equity Raising or otherwise, and by accessing this announcement each recipient expressly disclaims any such fiduciary relationship and agrees that it is responsible for making its own independent judgements with respect to the Equity Raising and any other transaction or other matter arising in connection with this announcement.

The Underwriters and other Extended Parties may, from time to time, have interests in the securities of ECF, including providing corporate advisory or other financial advisory services to ECF and/or managing the offering of such New Securities under the Equity Raising. Further, they may have long or short positions in, act as market maker or buy or sell those securities or associated derivatives as principal or agent. Such persons may receive fees or other benefits for engaging in



these activities. An Extended Party may act as a lender and/or counterparty to ECF or its affiliates and may now or in the future provide financial accommodation or services to ECF or its affiliates.

**Determination of eligibility of investors**

Determination of eligibility of investors for the purposes of the Equity Raising is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of ECF and/or the Underwriters. To the maximum extent permitted by law, ECF, the Underwriters and the Extended Parties each disclaim any duty or liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) in respect of the exercise of that discretion or otherwise. The Underwriters may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Equity Raising without the Underwriters or the Extended Parties having independently verified that information.

**Not for distribution or release in the United States**

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. This announcement may not be distributed or released in the United States.

The New Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be purchased, traded, taken up or exercised by, and the New Securities may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of a person in the United States (to the extent such persons hold stapled securities for the account or benefit of persons in the United States). The New Securities may only be offered or sold, outside the United States, in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

The distribution of this announcement may also be restricted by law in certain other countries. You should read the important information set out in "Appendix F: International Offer Jurisdictions" in the Investor Presentation.