



Managed by  
HMC Funds Management Limited  
(ACN 105 078 635; AFSL 237257)  
as responsible entity of the  
HomeCo Daily Needs REIT (ARSN 645 086 620)

## ASX RELEASE

19 April 2021

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### DELIVERING ON STRATEGY – PROPERTY ACQUISITIONS AND EQUITY RAISING

- Acquisition of seven large format retail assets from Home Consortium (**HMC**) for \$266.4 million.
  - Weighted average cap rate of 6.75% vs 5.91%<sup>1</sup> for existing portfolio.
  - 6% discount to 30 June 2021 independent valuations<sup>2</sup> reflecting immediate value upside for HomeCo Daily Needs REIT (**HDN**).
- Acquisition of Armstrong Creek Town Centre (VIC) for \$55.6 million at a 6.00% cap rate.
  - Newly completed Coles-anchored neighbourhood centre which opened for trade in September 2020.
- Equity raising of \$265 million to equity fund the acquisitions and associated transactions costs summarised above. This will comprise:
  - \$265 million underwritten accelerated non-renounceable 1 for 2.36 Entitlement Offer (**Entitlement Offer**) at an issue price of \$1.295 (**Issue Price**) per new unit (**New Unit**).
  - Conditional 1 bonus unit (**Bonus Unit**) issue for every 20 New Units issued, fully funded by HMC.
- Acquisitions and Entitlement Offer are anticipated to be accretive to FY22 FFO/unit and result in:
  - FY22 FFO guidance of at least 8.3 cpu (\$57.0m), a 24% increase versus FY21 PDS FFO of 6.7cpu<sup>3</sup>.
  - 1.0% accretion to pre-transaction FY22 FFO/unit forecast.
  - 4.1% accretion to pre-transaction FY22 FFO/unit forecast (assuming 31 December 2020 pro-forma gearing maintained at 34.5%<sup>4</sup>).
- Pro-forma 31 December 2020 balance sheet gearing of 32.1% post-transaction, down from 34.5% providing significant debt capacity to make further accretive acquisitions.

HDN Independent Non-Executive Chairman Simon Shakesheff said: “Today’s announcement builds on HDN’s strong growth trajectory since IPO. HDN is executing on its stated strategy to provide Unitholders with consistent and growing distributions by investing in a diversified portfolio of high quality, stabilised convenience focused assets. The proposed acquisitions and equity raising substantially improve the quality and scale of HDN’s portfolio and are expected to deliver FFO accretion and reduced gearing. The proposed transaction demonstrates the strong alignment of interests with Home Consortium, HDN’s largest Unitholder and manager.”

<sup>1</sup> As at 31 December 2020

<sup>2</sup> Draft independent valuations for 30 June 2021

<sup>3</sup> Represents 3.9cpu FY21 PDS FFO annualised

<sup>4</sup> Assumes that entitlement offer decreases from \$265m to \$232m to maintain 34.5% gearing

## ACQUISITION OF SEVEN LFR PROPERTIES FROM HMC

HMC Funds Management Limited, as responsible entity of HDN, has entered into conditional agreements to acquire a 100% interest in a portfolio of 7 large format retail assets (**LFR Portfolio**) from HMC for a total purchase price of \$266.4 million, representing a weighted average acquisition capitalisation rate of 6.75%.

- Purchase price is at a 6% discount to 30 June 2021 independent valuations of \$283.7 million<sup>5</sup> resulting in a revaluation benefit of \$17.3 million expected to be realised by HDN Unitholders upon completion in early July 2021.
- The LFR Portfolio comprises properties at Box Hill (VIC), Bundall (QLD), Mackay (QLD), Marsden Park (NSW), South Morang (VIC), Toowoomba South (QLD) and Upper Coomera (QLD).

The acquisitions are subject to all requisite approvals, including an HDN Unitholder vote. The Notice of Meeting will be accompanied by an independent expert's report, opining on the fairness and reasonableness of the transaction, due to the related party nature of the transaction.

If approved by ordinary resolution of HDN Unitholders (excluding HMC and its associates), the LFR Portfolio acquisition is expected to complete in July 2021.

## ARMSTRONG CREEK TOWN CENTRE ACQUISITION

HMC Funds Management Limited, as responsible entity of HDN, has also entered into an agreement to acquire Armstrong Creek Town Centre (VIC) for a total purchase price of \$55.6 million, representing a 6.00% cap rate.

The Armstrong Creek Town Centre acquisition expands HDN's track record of sourcing high quality neighbourhood assets. Highlights include:

- Exposure to high population growth corridor of the Geelong region.
- Newly opened centre anchored by the only full-line Coles supermarket within the primary trade area (Coles leased until 2035).
- Cap rate of 6.00% versus recent transaction comparables provides further upside potential.

The Armstrong Creek Town Centre acquisition will proceed regardless of the outcome of the HDN Unitholder vote on the LFR Portfolio and is expected to settle in late April 2021.

## FINANCIAL IMPACT

### FFO outlook

- Acquisitions and Entitlement Offer are anticipated to be accretive to FY22 FFO/unit and result in FY22 FFO guidance of at least 8.3 cpu (\$57.0m), a 24% increase versus FY21 PDS FFO/unit of 6.7cpu<sup>6</sup>. This is expected to result in:
  - 1.0% accretion to pre-transaction FY22 FFO/unit forecast.
  - 4.1% accretion to pre-transaction FY22 FFO/unit forecast (assuming 31 December 2020 pro-forma gearing maintained at 34.5%<sup>7</sup>).

<sup>5</sup> Independent valuation in respect of the year end 30 June 2021. Currently in draft form pending finalisation at year end

<sup>6</sup> Represents 3.9 cpu FY21 PDS FFO annualized

<sup>7</sup> Assumes that entitlement offer decreases from \$265m to \$232m to maintain 34.5% gearing

- FY21 FFO guidance is increased to \$21.0 million following the expected completion of the Armstrong Creek Town Centre acquisition in late April 2021. However, due to the timing difference between the Entitlement Offer and the settlement date of the LFR Portfolio acquisition in early July 2021 post Unitholder approval, the transaction is FFO/unit dilutive in FY21.
- Outlook statements have been made assuming no unforeseen circumstances or further extended COVID-19 lockdowns and government-mandated restrictions and assuming LFR Portfolio acquisition conditions are met.

#### Other impacts

- 31 December 2020 NTA/unit of \$1.34 is expected to decrease to \$1.31 NTA/unit post-transaction reflecting the impact of the Entitlement Offer and stamp duty / transaction costs.
- 4Q FY21 distribution of 1.8 cpu is reconfirmed.
  - Tax-deferred portion of the 4Q FY21 distribution will decrease to below 80% given the additional Units on issue post Entitlement Offer. A final calculation of the tax deferred portion of that distribution will be provided with the HDN annual results in August 2021.

Portfolio Fund Manager, Paul Doherty, commented, "The acquisitions and associated equity raise announced today are in line with our strategy to grow HDN's portfolio of high-quality convenience-based assets in the metropolitan growth corridors of Australia's major cities. The acquisition asset mix is complementary to HDN's existing portfolio and maintains our defensive exposure across HDN's model portfolio sub-sectors of Neighbourhood, Large Format Retail and Health & Services."

## EQUITY RAISING

### Entitlement Offer

HDN is undertaking a \$265 million underwritten 1 for 2.36 accelerated non-renounceable entitlement offer at an issue price of \$1.295 per New Unit to fund the acquisitions and associated transaction costs. HMC, HDN's largest unitholder, has committed to take up its full entitlement (from its 26.6% investment in HDN). Home Consortium Developments Limited (**HCDL**), an entity within the HMC stapled group, has committed to sub-underwrite \$26.7 million (approximately 10% of the Entitlement Offer) of the retail component of the Entitlement Offer.

The Entitlement Offer is not conditional on a Unitholder vote and the proceeds will be used for Armstrong Creek Town Centre and other alternative acquisitions if the LFR Portfolio acquisitions do not proceed as a consequence of transaction conditions not being satisfied.

Eligible Unitholders who are issued with New Units and investors issued with shortfall units will also be entitled to receive, without any further action, up to 1 Bonus Unit for every 20 New Units issued, subject to the conditions below:

- Unitholders / Investors must, on the date 3 months after the Retail Entitlement Offer issue date (**Bonus Unit Determination Date**), hold a number of Units exceeding their holding as at the Record Date (**Record Date Holding**). To be eligible for the full entitlement of Bonus Units, that holding must equal or exceed the aggregate of (**Full Entitlement Holding**) (i) the Record Date Holding and (ii) the number of New Units issued to that Unitholder / Investor under the Entitlement Offer.
- Unitholders / Investors who hold more than their Record Date Holding but less than their Full Entitlement Holding will receive a number of Bonus Units which is proportionally lower than their full Bonus Unit entitlement (see worked example below).

- A new Unitholder coming into HDN through the issue will, for the purposes of the Bonus Unit entitlement calculation, be deemed to hold zero Units on the Record Date. As a consequence, in order to qualify for their full Bonus Unit entitlement, they need only hold a number of Units equal to the number of New Units they acquired in the issue.
- **No Bonus Units will be allocated to a Unitholder / Investor if the number of Units held by them on the Bonus Unit Determination Date is less than their Record Date Holding.**

For example:

- A Unitholder with 5,000 Existing Units would be issued 2,118 New Units (assuming the Unitholder took-up their full pro-rata entitlement) and be entitled to up to 105 Bonus Units.
- The Unitholder would be entitled to the following number of Bonus Units based on total Units held on the Bonus Unit Determination Date:

Units held on Bonus Unit Determination Date	5,000	5,529	6,059	6,588	7,118
<b>Bonus Units Issued</b>	-	26	52	79	105
<b>% of New Units held above Record Date Holding</b>	0%	25%	50%	75%	100%

Bonus Units will be issued for nil consideration, as soon as practicable after the Bonus Unit Determination Date and will rank equally with existing Units on their issue date.

The issue of the Bonus Units is being supported (funded) by Home Consortium, which has agreed to sell back, for a nominal consideration, a number of Units it holds equal to the number of Bonus Units that are to be issued, as determined on the Bonus Unit Determination Date (**Selective Buy-Back**). As a consequence, the issue of Bonus Units will not be dilutive to HDN Unitholders.

- The Selective Buy-Back is subject to Unitholder approval by a special majority resolution to be sought at an Extraordinary General Meeting of Unitholders to be held in June 2021. The issue of the Bonus Units is subject to the Selective Buy-Back being approved by the requisite majority (75%) of HDN Unitholders.

Together with the Bonus Unit, the Issue Price represents a:

- 4.8% discount to the last close price of \$1.2950 on 16 April 2021.
- 4.9% discount to the 5 day VWAP of \$1.2969 on 16 April 2021.

The New Units will be entitled to the distribution for the quarter ending 30 June 2021 and will rank equally in all respects with existing units from the date of allotment. Bonus Units are expected to be issued in September 2021 and are expected to be entitled to the distribution for the quarter ending 30 September 2021.

#### Timetable

Event	2021
Trading halt and announcement of the Entitlement Offer	Monday, 19 April 2021
Institutional Entitlement Offer Bookbuild	Monday, 19 April 2021
Units recommence trading on ASX and announcement of Institutional Entitlement Offer results	Wednesday, 21 April 2021
Record Date for Entitlement Offer (7.00pm Sydney time)	Wednesday, 21 April 2021

Event	2021
Retail Entitlement Offer Opening Date	Monday, 26 April 2021
Early Retail Acceptance Due Date	Friday, 30 April 2021
Institutional Entitlement Offer Settlement Date	Monday, 3 May 2021
Institutional Entitlement Offer Issue Date and Early Retail Acceptance Unit Issue Date	Tuesday, 4 May 2021
Retail Entitlement Offer Closing Date (5.00pm Sydney time)	Friday, 7 May 2021
Retail Entitlement Offer Results Announcement	Wednesday, 12 May 2021
Retail Entitlement Offer Settlement Date	Thursday, 13 May 2021
Retail Entitlement Offer Issue Date	Friday, 14 May 2021
Retail Entitlement Offer Trading Date	Monday, 17 May 2021
Estimated date of Extraordinary General Meeting	June 2021
Estimated date of settlement of LFR Portfolio acquisitions	July 2021
Bonus Unit Determination Date (7.00pm Sydney time)	Monday, 16 August 2021

*The above timetable is indicative only and subject to change. The commencement and quotation of New Units is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules. HomeCo Daily Needs REIT reserves the right to amend this timetable at any time, either generally or in particular cases, without notice.*

#### **ADDITIONAL INFORMATION**

Additional information about the acquisitions and the Entitlement Offer, including certain risks, are contained in the investor presentation released to the ASX today.

#### **Investor presentation teleconference call**

*A briefing for investors will take place via a conference call at 11:00am (Sydney time) on 19 April 2021.*

*Participants must pre-register for the conference call.*

**Pre-registration link:** <https://s1.c-conf.com/diamondpass/10013652-iba2fx.html>

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

**-ENDS-**

For further information, please contact:

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Authorised for release by the Board of the Responsible Entity

### **About HomeCo Daily Needs REIT**

*HomeCo Daily Needs REIT is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HomeCo Daily Needs REIT aims to provide unitholders with consistent and growing distributions.*

### **Important Notice - Forward-Looking Statements**

*This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HomeCo Daily Needs REIT. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. Refer to the section entitled 'Key risks' in HomeCo Daily Needs REIT's investor presentation dated 19 April 2021 (**Investor Presentation**) for a summary of certain risk factors that may affect HomeCo Daily Needs REIT.*

*No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement. The forward-looking statements are based only on information available to HomeCo Daily Needs REIT as at the date of this announcement. Except as required by applicable laws or regulations, HomeCo Daily Needs REIT does not undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances.*

*Past performance and pro forma historical financial information is given for illustrative purposes only. It should not be relied on and it is not indicative of future performance, including future security prices.*

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

*This announcement may not be distributed or released 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 any other jurisdiction in which such an offer would be illegal. The securities referred to in this presentation have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of any person in the United States unless the securities have been registered under the Securities Act (which HomeCo Daily Needs REIT has no obligation to do or procure) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction of the United States.*

### **General**

*In addition, this announcement is subject to the same "Important Notice and Disclaimer" as appears on slides 1 to 4 of the Investor Presentation with any necessary contextual changes.*