5 February 2024

ASX Announcement

Region Group (RGN) Announces 1H FY24 Results

Financial Performance highlights

- Statutory net loss after tax of $35.0m, up by 63.2% compared to 1H FY23
- FFO per security of 7.6 cps (8.4 cps in 1H FY23)
- AFFO per security of 6.7 cps (7.6 cps in 1H FY23) with distributions per security of 6.7 cps representing a 100% payout ratio
- Net tangible assets of $2.45 per security, vs $2.55 at 30 June 2023 impacted by a 2.0% reduction in like-for- like property valuations
- Proforma balance sheet gearing of 31.6% is at the lower end of our target range of 30-40%
- 97.7% of drawn debt has been hedged against market interest rate movements
- WACD headwinds from FY25 are reduced following the completion of a zero-cost hedge restructure

Operational Performance highlights

- Portfolio occupancy has improved from 97.8% to 98.0%
- Specialty tenant vacancy has reduced from 5.0% to 4.9% with 87% of expiring tenants retained
- 207 speciality leasing deals completed with 2.6% leasing spreads and contracted annual fixed rent increases of 4.3%
- Comparable portfolio MAT growth of 4.1% driven by supermarket sales growing by 4.2% and non-discretionary specialty sales growth of 4.6%
- Comparable Net Operating Income growth of 2.2%
- Portfolio WALE of 5.3 years
- CO_2 equivalent reduction of more than 2,500 tonnes during the period
- $77.2m of properties divested as part of our capital recycling program at an average implied cap rate of 5.23% which is below our incremental cost of debt.
- Commencement of construction on the $31.5m expansion of Delacombe Town Centre with the addition of 11,000 sqm of GLA

Region Chief Executive Officer, Anthony Mellowes said: *"Our 1H FY24 results demonstrate the resilience and quality of our core portfolio of convenience-based retail properties, with 84% of our gross rent coming from our anchor and non-discretionary specialty tenants, providing stability to our earnings growth. Our portfolio has consistently delivered 3.6% average comparable sales growth since FY19 with 53 of our anchor tenants currently generating turnover rent.*

Our leasing strategy is underpinning our operational performance, where we are proactively remixing our product offering, securing quality everyday essentials tenants that meet community demands which is driving asset productivity. This has resulted in the delivery of a record number of leasing deals, a reduction in vacancy and tenants on holdover, and adding value to our shoppers, retailers and investors.

Sustainability remains a high priority and we are on track to deliver our full year commitments and targets. We have made significant progress to reach our Net Zero target by FY30, where we have 16.1MW of solar PV installed or under construction heading towards our 25MW target. To date, 8 sites for embedded network upgrades have been complete and 7.2MW expected to be completed in 2H FY24.

We are actively recycling capital to drive portfolio performance and earnings growth by divesting non-core lower yielding properties and deploying into accretive opportunities. We look to create value through targeted investment across sustainability initiatives, investing with our anchor tenants and repositioning our centres.

Ownership of the largest everyday essentials retail portfolio provides us with a competitive advantage to consolidate this fragmented market and we have sufficient funding capacity to quickly execute on accretive buying opportunities".

Outlook and Earnings Guidance

We remain focused on executing our core strategy of delivering defensive, resilient cashflows to support secure and growing long-term distributions to our security holders. We are targeting full year FY24 comparable NOI growth of 3% and expect leasing activity to be weighted towards renewals in 2H FY24.

Our $200m capital recycling program will continue to progress subject to market conditions and our conservative approach to gearing will remain, which is expected to be at the lower end of our target range of 30-40%. We will look to continue to diversify our funding sources with our expiring medium term note likely to be replaced with another should conditions remain favourable.

Assuming no significant change in market conditions, our FY24 earnings guidance is reaffirmed at FFO per security of 15.6 cps and AFFO per security of 13.7 cps with a target distribution payout ratio of approximately 100% of AFFO per security.

A link to pre-register for the webcast of the investor briefing will be available at www.regiongroup.au.

This document has been authorised to be given to the ASX by the Board of RGN.

ENDS

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Security holders should contact the RGN Information Line on 1300 318 976 with any queries.

About Region Group

Region Group (RGN) includes two internally managed real estate investment trusts owning a portfolio of convenience-based retail properties located across Australia. Region invests in retail properties predominantly anchored by non-discretionary retailers, with long leases to tenants such as Woolworths Limited, Coles Limited and companies in the Wesfarmers Limited group. Region Group comprises two registered managed investment schemes, Region Management Trust (ARSN 160 612 626) and Region Retail Trust (ARSN 160 612 788). The security in each Trust are stapled to form the stapled listed vehicle, Region Group (ASX: RGN), formerly known as SCA Property Group (ASX: SCP).