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HMC Funds Management Limited  
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as responsible entity of the  
HomeCo Daily Needs REIT (ARSN 645 086 620)

## ASX RELEASE

14 August 2024

### HDN DELIVERS ON FY24 GUIDANCE & GUIDES TO 2.3% FFOpu GROWTH IN FY25 to 8.8cpu

HomeCo Daily Needs REIT (ASX: HDN) today released its results for the year ended 30 June 2024. Today's result underscores the strong rationale behind HDN's Model Portfolio strategy. FY24 was an active period of capital recycling, which has ensured continued strength in operational metrics and provides a strong base for HDN to grow earnings in FY25. Key highlights for the period are:

#### Investment and development highlights

- \$293m of acquisitions<sup>1</sup> in FY24, including four high quality daily-needs assets located in high growth metropolitan locations with significant development potential
- \$420m of traditional LFR asset sales in FY24 broadly in line with book values to maintain balance sheet strength and improve the overall composition & resilience of cash flows
- ~\$70m of development projects completed on time and on budget in 2H FY24
- ~\$85m of 100% pre-committed development projects commenced in FY24 targeting ~7%+ ROIC<sup>2</sup>
- Identified development pipeline upscaled to >\$700m targeting ~7%+ ROIC<sup>2</sup>
- Resilient Jun-24 asset revaluations, delivering a ~2% increase on the Dec-23 portfolio value

#### Operational highlights

- >99% occupancy maintained since IPO
- >99% cash rent collections maintained since IPO
- +4.0% comparable property NOI growth, consistent with FY24 guidance
- +6.0%<sup>3</sup> positive re-leasing spreads vs. 6.0% at Jun-23

#### Financial highlights

- FY24 FFO/unit of 8.6 cents (\$178m) in-line with guidance
- FY24 DPU of 8.3 cents in-line with guidance
- Jun-24 gearing of 35.1% at the midpoint of the 30-40% target range
- Jun-24 interest rate hedging of 87%
- NTA/unit of \$1.44 (in-line with Dec-23) with strong underlying NOI growth partially offsetting cap rate movement

#### FY25 guidance

- FY25 FFO guidance of 8.8cpu representing 2.3% growth versus FY24
- FY25 Distribution guidance of 8.5cpu representing 2.4% growth versus FY24

<sup>1</sup> Includes the acquisition of an additional land parcel at Coomera Grand for \$11.5m and an additional \$8.5m payment for Vincentia.

<sup>2</sup> Return on invested capital (ROIC) represents cash yield on cost once development is fully stabilised. Estimated ROIC is based on assumptions relating to future income, valuation, capex and calculated on a fully stabilised basis.

<sup>3</sup> For new leases and renewals.

**HMC Capital Managing Director, Real Estate & HDN CEO, Sid Sharma said,** *“The strong set of FY24 results reflect our strategically located metropolitan assets which have limited exposure to cyclical and discretionary retail expenditure. HDN continues to benefit from portfolio occupancy of over 99%, collect over 99% of billed rent, and maintain sector leading positive re-leasing spreads of 6.0%. The strong rental reversion we are achieving demonstrates the inherent value proposition of our real estate, which is predominately leased to leading national and ASX listed tenants.”*

*“Strong net operating income across the portfolio continues to support asset values despite a modest easing in capitalisation rates, which drove positive net revaluations in the second half of FY24. We executed on over \$420m in asset sales throughout the period, broadly in-line with book values. Proceeds from disposals were partly re-invested into four high-quality daily needs assets in metropolitan growth corridors, which offer significant longer term development upside potential. These high-quality acquisitions help to improve the overall composition of the portfolio, provide greater income security over the long term, and accelerate the re-weighting to HDN’s model portfolio.*

*“HDN’s development pipeline has now increased to over \$700m in future projects and is expected to deliver compelling risk-adjusted returns. These projects will continue to reweight HDN to more defensive daily needs tenants whilst improving the overall credit quality of the portfolio. We completed over \$70m of tenant demand-led developments in FY24, generating a ~7% cash on cash return. In addition, HDN commenced on a further ~\$85m of projects in FY24, all of which were 100% pre-committed and will add an incremental ~19,000sqm of gross lettable area. Looking ahead, there are multiple projects currently at various stages of planning and approval which could commence to achieve our targeted ~\$100-120m of development starts in FY25.”*

**HDN Fund Manager, Paul Doherty said,** *“HDN has a robust balance sheet as at Jun-24 with net assets of \$3.0bn and gearing at the midpoint of the target range. Combined with resilient portfolio valuations, this provides a strong platform to continue to undertake asset recycling and organic growth. Interest rate hedging as at Jun-24 remained high at over 87%, which provides strong interest rate protection in FY25.”*

*“Finally, we are pleased to provide FY25 FFO and DPU guidance of 8.8cpu and 8.5cpu, representing 2.3% growth and 2.4% growth over FY24, respectively.”*

For additional information please refer to the FY24 financial results presentation which was also released on the ASX today.

#### **Investor and analyst briefing teleconference call**

An investor and analyst briefing teleconference call, followed by a Q&A session, will be held on **Wednesday 14 August, 2024 at 10:30am (AEST)**. Investors and analysts wishing to participate can pre-register for the call at: <https://s1.c-conf.com/diamondpass/10039747-z4bjgs.html>

The following webcast link will be available: <https://webcast.openbriefing.com/hdn-fyr-2024/>

A playback of the FY24 results webcast will be made available on HMC Capital’s website at [www.hmccapital.com.au](http://www.hmccapital.com.au).

Please enter your name, email address and company to register for the 10:30am webcast.

This announcement is approved for release by the Board of the Responsible Entity.

For further information please contact:

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

*HomeCo Daily Needs REIT (HDN) 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. HDN aims to provide unitholders with consistent and growing distributions.*

*HDN is Australia's leading daily needs REIT with total assets of approximately \$4.8bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide. HDN is also a strategic investor in the Last Mile Logistics (LML) unlisted fund, a complementary mandate which targets core plus transition assets with upside via repositioning into essential last mile real estate infrastructure.*

### **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. 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.*

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