ASX Announcement

19 February 2020

FY20 interim results and revised FY20 guidance

- Solid 1H FY20 performance and delivery in subdued economic conditions
  - Statutory net profit after tax of $242.8 million for the six months to 31 December 2019
  - Funds from operations (FFO)[1] of $337.0 million or 8.95 cents per security, representing 1.5% comparable growth[2]
  - Distribution of 7.70 cents per security, reflecting a payout ratio of 94.9% of adjusted FFO (AFFO)
- FY20 earnings guidance revised
  - 2H FY20 performance expected to be impacted by novel coronavirus
  - FY20 FFO per security guidance[3] revised to 17.2 to 17.4 cents from 17.6 to 17.8 cents

1H FY20 highlights

- Portfolio metrics solid
  - High occupancy of 99.5%
  - Total portfolio moving annual turnover (MAT)[4] growth of 3.2%
  - Specialty store (<400 sqm) MAT of $11,403 per sqm, up 2.9% compared to June 2019
  - Specialty store and mini majors MAT growth of 3.7%, compared to 3.1% growth to June 2019
- Portfolio quality enhanced
  - Acquisition of a 50% interest in Uni Hill Factory Outlets, VIC, subject to ACCC[5] approval
  - Divested three non-core assets for $227.0 million at a 0.4% discount to combined book value
  - Development completions: Hotel Chadstone Melbourne, VIC, Fresh Food projects at Roselands, NSW and final major stage of retail redevelopment at The Glen, VIC
- Strong balance sheet and investment-grade credit ratings maintained
  - Issued €500 million (A$812 million) of 10-year medium term notes
  - Materially extended debt duration by 1.3 years to 5.4 years since June 2019
  - Gearing of 27.3%, within Vicinity's target range
  - Portfolio net valuation decline of $81 million or 0.5%[6], with Flagship portfolio gain offset by decline in Western Australian Core portfolio and assets being held for development
- Bought back 14.5 million securities for $36.2 million at a 14.1% discount to December 2019 NTA[7]
- Included in CDP's (formerly Carbon Disclosure Project) Climate A-list

1 For a reconciliation of FFO to statutory net profit, refer to Note 1(b) of the 2020 Interim Report released to the ASX on 19 February 2020.
2 Adjusted for the impact of divestments. Unadjusted FFO per security decreased 1.2%.
3 Assuming no material deterioration to existing economic conditions.
4 Sales are reported on a comparable basis, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines.
5 Australian Competition and Consumer Commission.
6 Net valuation movement excludes statutory accounting adjustments.
7 Net tangible assets per security.

Vicinity Centres
National Office
Level 4, Chadstone Tower One
1341 Dandenong Road
PO Box 104
Chadstone VIC 3148

T +61 3 7001 4000
F +61 3 7001 4001
vicinity.com.au

Vicinity Limited ABN 90 114 757 783
and Vicinity Centres RE Ltd
ABN 88 149 781 322
As responsible entity for:
Vicinity Centres Trust ARSN 104 931 928

Mr Grant Kelley, Vicinity Centres' (Vicinity, ASX:VCX) CEO and Managing Director, said: "Our results today reflect the ongoing benefits from portfolio enhancement, development completions and active tenant remixing, but also subdued economic conditions, compounded by external events.

"Novel coronavirus is having an increasing impact on global travel, trade and consequently near-term economic growth expectations. At Vicinity, we have seen a material decline in foot traffic at some of our key centres since late January 2020, particularly where there is a high proportion of international visitors, which in turn is impacting sales. As a result, we are forecasting modest reductions in percentage rent, ancillary income and hotel bookings.

"Based on current trends observed across Vicinity's portfolio, as well as assumptions for the remainder of 2H FY20, we have therefore revised FY20 FFO guidance[8] per security to 17.2 to 17.4 cents from 17.6 to 17.8 cents.

"We are however pleased with our solid first half result."

Statutory net profit after tax for the six months to 31 December 2019 was $242.8 million. FFO for the period was $337.0 million or 8.95 cents on a per security basis. Adjusting for divestments, comparable FFO per security growth was 1.5%. This was underpinned by comparable net property income growth of 2.5%[9] and the on-market securities buy-back. These items were partly offset by the impact of pre-development centres where upcoming projects prevent optimal leasing outcomes, reduced fee income and lower surrender payments received from tenants.

The FY20 interim distribution was 7.70 cents per security, reflecting an AFFO payout ratio of 94.9%, which will be paid to securityholders on 2 March 2020.

Mr Kelley added: "Over the six months to December 2019, we continued to deliver on our strategy, focusing on sustainable growth through portfolio enhancement, and we had another active period of capital management, strengthening our balance sheet and maintaining our investment-grade credit ratings.

"We divested three non-core assets and agreed the acquisition of a 50% interest in Uni Hill Factory Outlets in Melbourne's north, subject to ACCC approval, which would become our seventh DFO nationally and sixth DFO on the eastern seaboard.

"Hotel Chadstone Melbourne opened, expanding the luxury experience at Australia's leading retail, dining and leisure destination at Chadstone. We also completed the final major stage of our retail redevelopment of The Glen and completed Fresh Food projects at Roselands.

"We have made significant progress across our future retail and mixed-use development pipeline, with 12 development applications lodged during 2019 and a further 13 development application lodgements or project approvals expected to be sought in 2020."

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8 Assuming no material deterioration to existing economic conditions.
9 Excludes divestments and development-impacted centres and is calculated on a like-for-like basis versus the prior corresponding period.

PORTFOLIO ENHANCEMENT CONTINUED

Vicinity's 59 shopping centres maintained high occupancy of 99.5% at 31 December 2019. Foot traffic across the portfolio for the six months to December 2019 was up 0.8% on the prior corresponding period. Excluding the Sydney CBD centres, which were impacted by the recently completed light rail infrastructure works, foot traffic was up 2.0% across the remainder of the portfolio in the period.

Mr Kelley said: "Australians have embraced global shopping events such as Black Friday, which is enhanced by in-store activations. Our centres reported record foot traffic for Black Friday this financial year, up around 15% across our portfolio. Some of the leading retailers were brands which delivered unique customer experiences in their physical stores, as well as attractive sales offers. These successes demonstrate that consumers are not only motivated by value for money but want to have hands-on engagement with brands, products and people.

"Boxing Day remains the number one shopping event of the year, with almost two million customer visits across our portfolio. Combined November-December 2019 specialty store and mini major sales were up 4.0% on the prior year."

Total portfolio MAT growth of 3.2% includes strong results from Chadstone (+7.8%) and the DFO portfolio (+5.5%). Specialty and mini majors growth of 3.7% is up from 3.1% to June 2019, underpinned by strong growth across leisure (+6.8%), retail services (+5.1%), food catering (+5.0%) and apparel and footwear (+4.3%).

Strong deal activity was maintained over the period. Total leasing spreads for the six months to 31 December 2019 averaged -4.0%, or -2.5% excluding short-term leases. Short-term deals were materially reduced by 39% to 109, from 178 for the six months to December 2018.

Retailer administrations announced[10] account for approximately 1% of income and represent 63 of more than 6,900 stores across the portfolio, with 41 of the stores in administration continuing to trade. Vicinity continues to focus its leasing activities on replacing underperforming retailers with new in-demand national and international brands, to meet changing consumer preferences.

New retailers to the portfolio include international brands Morphe and Lancel, who have opened their first Australian stores at Chadstone and Emporium Melbourne respectively, together with Winning Appliances (Chadstone).

During the period, Vicinity divested the following assets for a total of $227.0 million, a 0.4% discount to combined book value:

- 50% interest in Lennox Village, NSW
- 25% interest in Mt Ommaney, QLD, and
- Corio Central, VIC.

[10] For the financial year to date.

In December 2019, an agreement was entered to acquire a 50% interest in Uni Hill Factory Outlets for $67.8 million[11], with settlement expected in the second quarter of 2020 subject to ACCC approval.

Mr Kelley added: "These transactions reflect the continuation of Vicinity's strategic portfolio refinement through the divestment of non-core assets and reinvesting those proceeds into accretive developments and acquiring destination assets."

ACCRETIVE DEVELOPMENT

Mr Kelley said: "We reached another milestone in November 2019 opening the 5-star 250-room Hotel Chadstone Melbourne. The addition of accommodation complements Chadstone's leading luxury retail offer and capitalises on the centre's domestic and international visitors, along with corporate travellers to the growing Monash economic region.

"Chadstone is continuing to evolve with approximately $700 million[12] of investment planned. Development applications have been submitted for five key projects including a new office tower, expansion of the dining terrace and leisure precinct, upgrades to the fresh food precinct, repurposing space for expansion of selected existing luxury retail stores and additional car parking. These are important projects for Chadstone to deliver new services and experiences for customers and the local community, and to meet demographic shifts in the broader Monash region. Development works will be staged ensuring disruption to the centre is minimised, with the first project expected to commence in 2021."

Mr Kelley added: "Planning is well advanced for the major redevelopment of Chatswood Chase to deliver premium fashion, lifestyle and dining options for Sydney's affluent North Shore. With principal town planning consents granted and a construction contract agreed within feasibility parameters, discussions with key retailers continue to advance as we look to secure select lease pre-commitments prior to expected construction commencement in mid-2020."

'The Markets' at Roselands opened in September 2019, transforming the lower ground floor into a new fresh food destination. The revitalised market hall includes a new Aldi and Woolworths, and an upgraded Coles, along with new fresh food and casual dining retailers.

The Southern Hemisphere's first-of-its-kind video gaming and esports entertainment venue will open at Emporium Melbourne, VIC next month. It is expected Fortress Melbourne will follow international trends and become a major attraction for a broad range of customers looking to engage in the growing global phenomenon.

ACTIVE CAPITAL MANAGEMENT

Vicinity's balance sheet remains well positioned, with strong investment-grade credit ratings of A/stable (S&P Global Ratings) and A2/stable (Moody's Investor Services). New or renewed debt of $2.5 billion was negotiated during the period, including the inaugural issuance of €500 million (A$812 million) of 10-year medium term notes, improving the diversity of funding sources and materially extending the weighted average debt duration by 1.3 years to 5.4 years.

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11 Includes two parcels of land (totalling 9,400 sqm) and excludes acquisition costs.

12 100% interest. Vicinity's share is 50%.

Vicinity's 59 direct-owned retail properties were revalued during the period, recording a net valuation decline for the six months of $81 million or 0.5%[13]. The Western Australian Core portfolio recorded a decline of 6.1% or $106 million, driven by subdued retail leasing conditions impacting Regional centres in the state. Declines were also realised at Core assets requiring repositioning, including assets held for development and those undergoing significant remixing. The Flagship portfolio reported a net valuation gain of $208 million or 2.8%, continuing to highlight the quality of these assets. The average portfolio capitalisation rate tightened 4 basis points since June 2019 to 5.26%, reflecting further improvement in portfolio quality. Net tangible assets per security was marginally lower at $2.90 from $2.92 at June 2019.

A SUSTAINABILITY LEADER

Mr Kelley said: "Our sustainability program was strengthened during the period with Vicinity's commitment to net zero carbon emissions by 2030[14]. This target will be achieved by progressing Australia's largest shopping centre solar investment program and continuing to innovate and drive energy efficiency across our portfolio.

"Our significant efforts to manage climate risk across our portfolio and prepare for the transition to a low-carbon economy were key factors in Vicinity's inclusion in CDP's Climate A-list."

Vicinity was also highly recognised in two other sustainability surveys during the period. The Global Real Estate Sustainability Benchmark rated Vicinity number 3 in the Global Listed Retail category and Vicinity was ranked 6th most sustainable real estate company globally in the Dow Jones Sustainability Indices.

Mr Kelley added: "Bushfires have tragically impacted Australia over summer and our condolences go out to affected communities and to families where lives have been injured or lost. Recognising the important role our centres play in Australian communities, Vicinity has donated $370,000 in cash contributions and additional in-kind support to assist bushfire relief and recovery."

OUTLOOK AND REVISED FY20 GUIDANCE

Mr Kelley said: "Vicinity is mindful of the impact that novel coronavirus is having on our retailers and communities. While global uncertainty continues as to the full impact and duration of novel coronavirus, we are undertaking a range of initiatives to mitigate the impact on our portfolio. This includes regularly communicating with our retailers and over coming weeks delivering targeted campaigns to support visitation at our most affected centres. We continue to monitor the implications for Vicinity."

Vicinity's FY20 FFO per security guidance has been revised to 17.2 to 17.4 cents[15] from 17.6 to 17.8 cents. The full year distribution payout ratio is expected to be at the upper end of the target range of 95% to 100% of AFFO[15], and reflects FY20 maintenance capital expenditure and incentives of approximately $80 million to $90 million.

Additional detail on Vicinity's FY20 interim results can be found in the investor presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 10.30am (AEDT) today and can be accessed via Vicinity's website at www.vicinity.com.au.

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13 Net valuation movement excludes statutory accounting adjustments.
14 For common areas in Vicinity's wholly-owned retail assets.
15 Assuming no material deterioration to existing economic conditions.

Mr Grant Kelley, CEO and Managing Director, has authorised that this document be given to ASX.

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For further information please contact:

Penny Berger
Head of Investor Relations
T +61 2 8229 7760
E penny.berger@vicinity.com.au

Kat Rellos
Head of Corporate Communications
T +61 3 7001 4670
E katherine.rellos@vicinity.com.au

About Vicinity Centres

Vicinity Centres (Vicinity) is one of Australia's leading retail property groups. With a fully integrated asset management platform and $26 billion in retail assets under management across 63 shopping centres, it is the second largest listed manager of Australian retail property. Vicinity has a Direct Portfolio with interests in 59 shopping centres (including the DFO Brisbane business) and manages 31 assets on behalf of Strategic Partners, 27 of which are co-owned by Vicinity. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has over 23,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au, or use your smartphone to scan this QR code.