



17 February 2020

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Attached is the Elanor Investors Group (ASX:ENN) 1HFY20 Results Announcement.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Symon Simmons".

Symon Simmons
Company Secretary
Elanor Funds Management Limited

Authority and Contact Details

This announcement has been authorised for release by the Board of Directors of Elanor Funds Management Limited

For further information regarding this announcement please contact:

Symon Simmons
Company Secretary
Elanor Funds Management Limited
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ASX Announcement

17 February 2020

Elanor Investors Group Grows Funds Under Management and Recurring Funds Management Income

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|---|
| <ul style="list-style-type: none">▪ Funds Under Management up 46.1% on 1HFY19 to \$1.7 billion▪ Increase in ASX Listed funds under management to \$0.73 billion▪ 18.6% increase in annualised recurring funds management income to \$12.1 million |
|---|

Elanor Investors Group (“ENN” or “Group”) is pleased to announce its interim financial results for the half year ended 31 December 2019 (“period”).

Highlights

- Core Earnings for the period of \$12.4 million, an 84.1% increase on 1HFY19 (1HFY19: \$6.75 million)
- Distributions for the period of 9.51 cents per security, an increase of 50.5% on 1HFY19 (1HFY19: 6.32 cents per security), reflecting a payout ratio of 90% of Core Earnings.
- 21% net increase in assets and investments under management during the period (\$339 million), from \$1,550.1 million to \$1,889 million. Co-investments of \$55.8 million were made in new managed funds and a further co-investment of \$30.0 million was made in the Elanor Commercial Property Fund upon listing of the fund on 6 December 2019.
- Funds management fees increased by 10.9% to \$8.3 million for the year. Annualised recurring management fees increased 18.6% to \$12.1 million.
- The establishment of the Elanor Healthcare Real Estate Fund, seeded with two high quality healthcare properties with a combined asset value of \$123.3 million.
- The listing of the Elanor Commercial Property Fund (ASX: ECF), with assets valued at \$387 million.
- As at 31 December 2019, the Group has balance sheet capital sufficient to facilitate an increase in funds under management by approximately \$0.8 billion to \$2.5 billion (based on co-investment levels of 15% and average fund gearing of 40%).
- Gearing for the Group¹ decreased to 24.4% as at 31 December 2019 from 28.4% as at 30 June 2019. The Group remains conservatively geared, including \$60 million of unsecured 5 year Corporate Notes. The Group’s secured debt gearing ratio is 1.2%.

Commenting on the result, ENN CEO, Glenn Willis, said: “We are pleased with our Core Earnings result of 10.57 cents per security for the six months to 31 December 2019. We are particularly pleased with the substantial growth in our funds and investments under management to over \$1.9 billion, and the 18.6% growth in our annualised recurring funds management income over the comparative period.

In this half, we have successfully completed a number of significant initiatives including the listing of the Elanor Commercial Property Fund, increasing the Groups ASX Listed funds under management to over \$700 million and establishing further perpetual income streams.

The Group’s pipeline is strong for all our key sectors of focus, and for our new sector of focus, healthcare real estate.”

¹ On the basis that EMPR, ELHF and Bluewater were equity accounted, not consolidated

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Summary of Financial Results

Statutory loss after tax of \$12.4 million for the six months ended 31 December 2019.

At the balance date, Elanor held a 42.64% interest in the Elanor Metro Prime Regional Hotel Fund (EMPR), a 100% interest in the Elanor Luxury Hotel Fund (ELHF) and a 42.27% interest in the Bluewater Square Syndicate (Bluewater). For accounting purposes, Elanor is deemed to have a controlling interest in EMPR, ELHF and Bluewater given its level of ownership and role as manager of the funds. This means that the financial results and financial position of EMPR, ELHF, and Bluewater are consolidated into the financial statements of the Group for the period ended 31 December 2019. Elanor held a 100% interest in Auburn Office Syndicate (Auburn Office) for the period to 18 December 2019, and hence the financial results of the fund have been consolidated into the financial results of the Group up until that date.

All other managed fund co-investments are accounted for using the equity method in the Group's consolidated financial statements.

Presenting the summary consolidated financial results of the Group on the basis that EMPR, ELHF, and Bluewater are accounted for using the equity method is important because Elanor considers that this gives the most appropriate presentation consistent with management and reporting of the Group, and to provide a comparable basis to the presentation of the results for prior periods.

Adjusted loss after tax of \$8.5 million on the basis of equity accounting the Group's co-investments in funds managed by Elanor, including EMPR, ELHF and Bluewater.

Core or Distributable Earnings for the period were \$12.42 million or 10.57 cents per stapled security. An Interim Distribution of \$11.17 million or 9.51 cents per stapled security has been declared for the six months ended 31 December 2019 (90% pay-out ratio on Core Earnings). Core Earnings is considered the most appropriate estimate of the underlying recurring cash earnings of the Group and has been determined in accordance with ASIC Regulatory Guide 230.

A summary of the Group's results for the period is set out below:

Statutory financial results	Group 31 December 2019	Group 31 December 2018
Net profit / (loss) after tax from continuing operations (\$'000)	(12,386)	9,482
Net profit / (loss) after tax from continuing operations (\$'000) (EMPR, ELHF, Auburn Office and Bluewater equity accounted)	(8,469)	11,066
Core Earnings (\$'000)	12,415	6,745
Distributions payable to security holders (\$'000)	11,174	6,070
Core Earnings per stapled security (cents)	10.57	7.03
Core Earnings per weighted average stapled security (cents)	12.00	7.31
Distributions (cents per stapled security / unit)	9.51	6.32
Net tangible assets (\$ per stapled security)	2.10	2.34
Net tangible assets (\$ per stapled security) (EMPR, ELHF and Bluewater equity accounted)	1.50	1.54
Gearing (net debt / total assets less cash) (%)	45.1	39.2
Gearing (net debt / total assets less cash) (%) (EMPR, ELHF and Bluewater equity accounted)	24.4	26.1

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A reconciliation of statutory earnings to Core Earnings for the six months to 31 December 2019 is as follows:

	Group 31 December 2019 \$'000	Group 31 December 2018 \$'000
Reconciliation of Core Earnings		
Statutory Net Profit / (Loss) After Tax	(12,386)	9,482
Adjustment to remove the impact of consolidation of EMPR, ELHF, Auburn Office and Bluewater	(3,538)	92
Adjustment to include the impact of accounting for EMPR, ELHF, Auburn Office and Bluewater using the equity method	7,455	1,492
Adjusted Net Profit / (Loss) After Tax	(8,469)	11,066
Adjustments for items included in statutory profit / (loss)		
Increase in equity accounted investments to reflect distributions received / receivable	9,415	6,055
Net (gain) / loss on disposals of equity accounted investments	38	(571)
Profit on Sale of Featherdale Wildlife Park	26,000	-
Profit on Sale of Featherdale Wildlife Park Retained	(20,000)	-
Profit on Sale of Cradle Mountain Lodge	4,178	-
Holdback of Merrylands net profit after tax	-	(10,452)
Building depreciation expense	17	17
Straight lining of rental expense	-	(1)
Amortisation amounts	1,336	696
Tax adjustments	(100)	(64)
Core Earnings	12,415	6,745

A summary of the key balance sheet items as at 31 December 2019 is as follows:

	Group 31 December 2019 \$'000	Group 31 December 2018 \$'000
Balance Sheet Summary²		
Total Assets (\$'000)	280,143	231,308
Borrowings (\$'000)	87,812	66,946
Net Assets (\$'000)	177,212	148,953
Gearing (Net Debt / Total Assets less cash)	24.4%	26.1%
Number of securities on issue (million)	117,487	95,976
Net tangible assets per security (\$)	1.50	1.54

² This summary is based on ENN's adjusted consolidated balance sheet to reflect EMPR, ELHF and Bluewater on an equity accounted basis, not consolidated.

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Operational Update³

Funds Management

ENN's Funds Management division delivered an EBITDA contribution to Core Earnings of \$6.7 million (1HFY19 \$6.2 million). The Group's funds management income comprises:

Funds Management Income	31 December 2019 \$'000	31 December 2018 \$'000
Management Fees	5,741	4,764
Acquisition Fees	1,993	2,743
Performance Fees	591	-
Total	8,325	7,507

During the six months to 31 December 2019, Elanor increased its assets under management from \$1,550.1 million to \$1,889.1 million. Co-investments of \$55.8 million were made in new managed funds and a further co-investment of \$30.0 million was made in the Elanor Commercial Property Fund on listing of the fund on 6 December 2019.

The growth in assets under management has been assisted by the introduction of a number of global and domestic institutional capital partners, directly reflecting the Group's increased focus in this area.

The Group completed the following funds management initiatives during the six month period:

- The establishment of the Elanor Healthcare Real Estate Fund, to be seeded with two high quality healthcare properties, with a combined asset value of \$123.3 million. The seed assets are both multi-tenanted medical office and day surgeries at 55 Little Edward Street, Spring Hill, Brisbane, and Pacific Private, Southport, Gold Coast. Settlement of the fund will be completed in March 2020.
- The establishment of the Elanor Wildlife Park Fund in November 2019 which acquired the Mogo Zoo in Mogo, NSW and Featherdale Wildlife Park in Sydney, NSW. The fund had a gross asset value of \$53.5 million as at 31 December 2019.
- The listing of the Elanor Commercial Property Fund (ASX: ECF) on the Australian Securities Exchange on 6 December 2019. In conjunction with the listing, the fund acquired the residual 48.5% equity interest in the WorkZone West property in Perth, WA for \$66.0 million, and the commercial property at 200 Adelaide Street in Brisbane, QLD for \$44.2 million.
- The acquisition by the Elanor Commercial Property Fund of the Garema Court property in Canberra, ACT for \$71.5 million, in December 2019.
- The divestment of the Auburn Office Syndicate on 18 December 2019 for \$4.7 million.

ENN's strong investment track record and investor base continues to be evidenced by the demand from wholesale and institutional investors for ENN's funds. Elanor has a well-resourced and scalable platform with substantial capacity for growth. Coupled with the Group's available capital, Elanor is well positioned to grow its funds management business.

The Group has a strong investment pipeline.

³ The operational update reflects financial information on the basis of equity accounting the Group's co-investments in funds managed by Elanor, including EMPR, ELHF and Bluewater. The resultant EBITDA results are adjusted to show distributions received / receivable from co-investments rather than equity accounted results. This is consistent with each segment's contribution to Core Earnings.



Hotels, Tourism and Leisure

ENN's Hotels, Tourism and Leisure division generated an EBITDA contribution to Core Earnings of \$2.6 million for the period (1HFY19: \$3.2 million). Hotels, Tourism and Leisure EBITDA includes the results of Featherdale Wildlife Park (until 29 November 2019 when it was sold into EWPF) and Ibis Styles Albany Hotel.

Hotels, Tourism and Leisure EBITDA contribution to Core Earnings also includes distributions received / receivable from the Group's co-investment in funds managed by the Group of \$1.5 million for the period ended 30 June 2019 (\$1.3 million for the comparative period).

The table below sets out the assessed value of each investment portfolio property as at 31 December 2019.

	31 December 2019	31 December 2018
Carrying Value of Investment Assets	\$'m	\$'m
Featherdale Wildlife Park	-	39.0
Ibis Styles Albany Hotel	5.3	5.2
1834 Hospitality	2.6	-
Total	7.9	44.2

The carrying value of the Group's Hotels, Tourism and Leisure co-investments as at 31 December 2019, using the equity method, is as follows:

	31 December 2019	31 December 2018
Carrying Value of Co-Investments	\$'m	\$'m
Elanor Metro and Prime Regional Hotel Fund	48.9	36.7
Elanor Luxury Hotel Fund	48.7	-
Elanor Wildlife Park Fund	7.2	-
Total	104.8	36.7

ENN continues to consider a range of opportunities in the Hotels, Tourism and Leisure sector.



Real Estate

ENN's Real Estate portfolio generated an EBITDA contribution to Core Earnings of \$1.1 million for the period (1HFY19: \$1.1 million).

Real Estate originates and manages investment and funds management assets. The current investment portfolio comprises co-investments in Elanor Commercial Property Fund, Elanor Retail Property Fund, Bluewater Square Syndicate, Hunters Plaza Syndicate, Waverley Gardens Fund and the Belconnen Markets Syndicate.

The carrying value of these Co-investments as at 31 December 2019, using the equity method, is as follows:

	31 December 2019	31 December 2018
Carrying Value of Co-Investments	\$'m	\$'m
Elanor Commercial Property Fund (ASX: ECF)	38.1	13.1
Elanor Retail Property Fund (ASX: ERF)	35.5	33.3
Auburn Office Syndicate	-	4.8
Belconnen Markets Syndicate	0.6	0.5
Bluewater Square Syndicate	7.1	9.9
Hunters Plaza Syndicate	1.3	1.2
Waverley Gardens Fund	14.8	14.7
WorkZone West Syndicate	-	0.1
Total	97.4	77.6

Core Earnings reflects distributions received / receivable from ENN's co-investment in Real Estate Funds which totalled \$2.8 million for the period (1HFY19: \$2.1 million).

Outlook

The Group's core strategy will remain focused on growing funds management earnings and actively managing its investment portfolio. The Group has a number of funds management opportunities under consideration across all sectors of focus. The Group will continue to focus on increasing income from its managed funds and co-investing with external capital partners.

Elanor is committed to growing its funds management business by acquiring quality assets based on the Group's investment philosophy and criteria. The Group has a strong pipeline of potential funds management opportunities. Furthermore, the Group is actively pursuing opportunities in new real estate sectors and continuing to explore strategic opportunities to deliver its growth objectives.

Please refer to the presentation and financial statements lodged with ASX today for further details regarding ENN's 1HFY20 result.



Investor Briefing

Elanor Investors Group will be holding an Investor Briefing Conference Call on 17 February 2020 at 10:00am, to present and discuss the Group's 1HFY20 results. The Conference details are:

Dial In: 1800 123 296 or +61 2 8038 5221

Conference ID: 8284215

Commencement: 10:00am AEST

This announcement has been authorised for release by the Elanor Investors Group Board of Directors.

For further information regarding this announcement please contact:

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