

# FY18 RESULTS AND INTERNALISATION PROPOSAL

10 AUGUST 2018

**aveatus**  
retail property fund





# Contents



- 03 Internalisation Proposal**
- 09 FY18 Full Year Results**
- 10 Strategy**
- 12 Portfolio Highlights**
- 21 Financial Results**
- 27 Outlook**
- 28 Appendices**





# INTERNALISATION PROPOSAL





## TRANSACTION OVERVIEW – INTERNALISATION PROPOSAL

<b>The Proposal</b>	<ul style="list-style-type: none"> <li>&gt; Aventus Retail Property Fund (<b>AVN</b>) proposes to internalise its management functions (including investment management, property management and development management), establishing a new stapled structure to acquire the Aventus Property Group (<b>APG</b>) (the <b>Proposal</b>). The Proposal is subject to a number of conditions including AVN unitholder approval scheduled for 25 September 2018</li> </ul>
<b>Terms agreed</b>	<ul style="list-style-type: none"> <li>&gt; AVN's independent directors (the <b>Independent Directors</b>) have negotiated the Proposal with the owners of APG (entities associated with Brett Blundy and Darren Holland) (the Sellers) and have today entered into an Implementation Deed and Sale Agreement to give effect to the Proposal</li> <li>&gt; AVN will pay \$143m to internalise the management of AVN and \$5m to acquire the existing net assets of APG (together, the <b>Purchase Price</b>), which represents an EBIT multiple of 9.3x and a fee waiver<sup>1</sup> adjusted EBIT multiple of 8.6x</li> <li>&gt; Consideration will be funded through a combination of:             <ul style="list-style-type: none"> <li>&gt; AVN stapled securities issued to the Sellers at AVN's 30 June 2018 NTA of \$2.38, which is a 6% premium to AVN's prior day close price of \$2.24 as at 9 August 2018</li> <li>&gt; Cash funded via drawdown of existing debt facilities</li> </ul> </li> </ul>
<b>Post-internalisation AVN</b>	<ul style="list-style-type: none"> <li>&gt; AVN will be Australia's largest fully integrated owner, manager and developer of Large Format Retail (LFR) centres</li> <li>&gt; AVN owns and will manage interests in its portfolio of 20 LFR centres valued at \$1.9bn and employ 60+ professionals across investment management, asset management and corporate services</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>&gt; The proposed transaction provides significant strategic and corporate governance benefits for AVN unitholders</li> <li>&gt; Expected to deliver<sup>2</sup>:             <ul style="list-style-type: none"> <li>&gt; 1.1% Funds From Operations (FFO) accretion</li> <li>&gt; 4.0% Adjusted Funds From Operations (AFFO) accretion</li> <li>&gt; 6.0% 'Value'<sup>3</sup> accretion</li> </ul> </li> </ul>
<b>Unanimous recommendation and Independent Expert</b>	<ul style="list-style-type: none"> <li>&gt; <b>The Independent Directors of AVN unanimously recommend the Proposal</b>, in the absence of a superior proposal</li> <li>&gt; The Independent Expert has concluded the proposal is fair and reasonable and in the best interest of AVN unitholders not associated with the Sellers</li> </ul>

1. APG waived 50% of its investment management fees until 30 Jun 2019 for the acquisition of The Castle Hill and Marsden Park centres acquired in Jul 2017

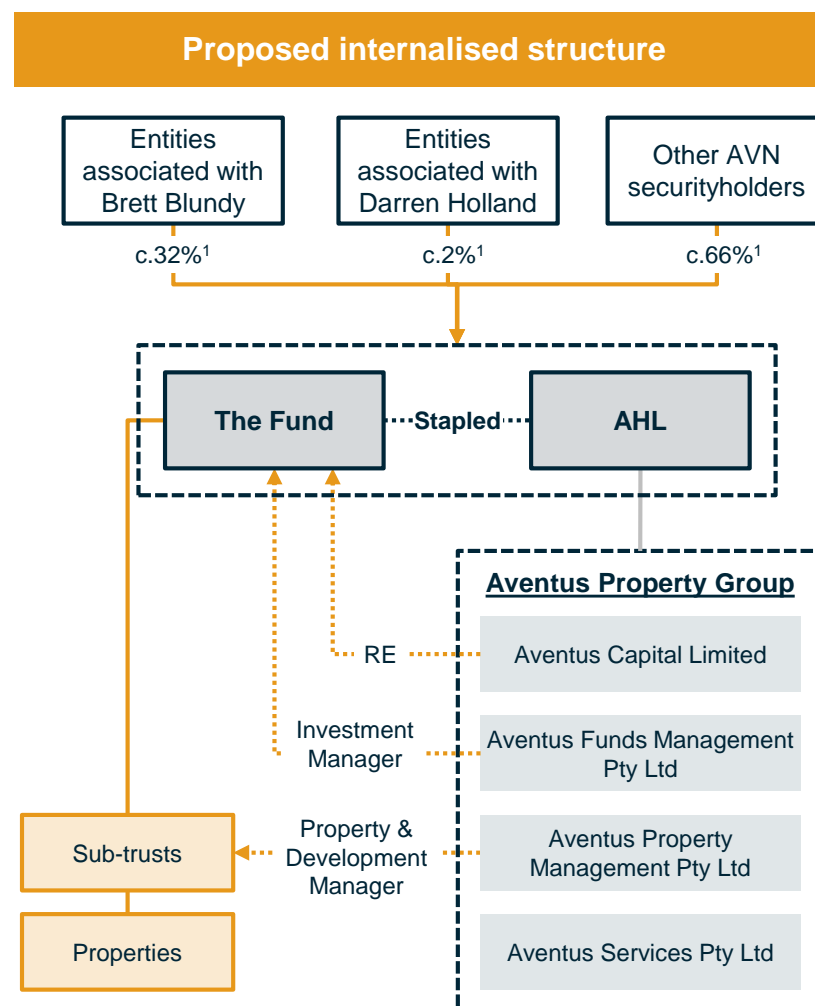
2. On a per security basis for the year ending 30 June 2019 (assuming 1 October 2018 implementation date)

3. 'Value' accretion captures benefits of approximately \$1.6 million relating to development that are saved as part of internalisation, which are not fully captured in FFO or AFFO on consolidation but will be reflected in property valuations



# TRANSACTION FRAMEWORK – INTERNALISATION PROPOSAL

<b>Transaction background - independent process</b>	<ul style="list-style-type: none"> <li>&gt; AVN established a committee comprising all of the Independent Directors to assess the Proposal in accordance with strict governance and information sharing protocols</li> <li>&gt; The Independent Directors engaged external advisers (legal, tax, financial and accounting) to assist in the consideration of the Proposal and undertaking of due diligence</li> <li>&gt; Proposal initiated by the independent directors having regard to the interests of AVN unitholders and the long term strategic value of the business</li> </ul>
<b>Independent Expert</b>	<ul style="list-style-type: none"> <li>&gt; The Independent Expert (Deloitte Corporate Finance) has concluded that in its opinion, the Proposal is fair and reasonable and in the best interests of investors who are not associated with the Sellers</li> </ul>
<b>AVN unitholder vote</b>	<ul style="list-style-type: none"> <li>&gt; Proposal requires approval by AVN's unitholders voting at an Extraordinary General meeting expected to be held on 25 September 2018</li> <li>&gt; Ordinary resolutions (50% threshold) to approve the Proposal, acquisition of APG, and issue of AVN stapled securities to the Sellers</li> </ul>
<b>Implementation structure</b>	<ul style="list-style-type: none"> <li>&gt; The internalisation proposal involves forming Aventus Holdings Limited (<b>AHL</b>), a new company currently owned by AVN, which will acquire APG and its subsidiaries</li> <li>&gt; Shares in AHL will be distributed to AVN unitholders and stapled to existing AVN units to form a new AVN stapled security</li> </ul>



1. 57% of the total APG purchase price will be paid in AVN stapled securities; Darren Holland associated entities will receive 50% of their consideration in AVN stapled securities (subject to an escrow period of 12-24 months) and entities associated with Brett Blundy will receive 64% of their consideration in AVN stapled securities



## OUTCOME FOR AVN INVESTORS – INTERNALISATION PROPOSAL

	<b>Enhanced corporate governance</b>	<ul style="list-style-type: none"> <li>&gt; Common ownership of investment and property management entities eliminates external fee payments (including performance fees) and avoids perceived conflicts of interest which may exist within external management models</li> <li>&gt; Management employed and incentivised directly by AHL</li> <li>&gt; AVN unitholders will have the ability to periodically elect board members as part of the annual AGM process</li> </ul>
	<b>Expected financial impact</b>	<ul style="list-style-type: none"> <li>&gt; 1.1% FY19 FFO accretion, 4.0% FY19 AFFO accretion and 6.0% FY19 value accretion<sup>1</sup></li> <li>&gt; Gearing to increase from 36.0%<sup>2</sup> to 39.3% given debt funding of cash component of consideration and gearing calculated by reference to tangible assets</li> <li>&gt; NTA per unit to reduce from \$2.38 to \$2.10 due to purchase of intangible asset (however, NAV per unit broadly flat)</li> </ul>
	<b>Growth and diversification</b>	<ul style="list-style-type: none"> <li>&gt; Eliminates external performance and management fees (including on new acquisitions), improving competitiveness for acquisitions</li> <li>&gt; Provides potential for additional income streams through third party funds management and asset management</li> <li>&gt; Some change in risk profile for investors, with exposure to business operating costs</li> </ul>
	<b>Stronger alignment of interests</b>	<ul style="list-style-type: none"> <li>&gt; Sellers (including CEO) converting majority of APG ownership into ownership of AVN which further aligns their interests with interests of AVN unitholders</li> <li>&gt; Entities associated with Brett Blundy and entities associated with Darren Holland increase their stake from 28.9% to 31.8%, and 0.5% to 2.3%, respectively</li> </ul>
	<b>Continuity of key management</b>	<ul style="list-style-type: none"> <li>&gt; Existing directors have confirmed they will continue as directors of the internalised group</li> <li>&gt; Key management personnel have entered into new employment agreements (including Managing Director &amp; CEO Darren Holland who has entered into a new 3 year contract)</li> </ul>
	<b>Increased investor participation</b>	<ul style="list-style-type: none"> <li>&gt; Internalisation aligns AVN with industry standards (only one externally managed A-REIT within top 10 by market capitalisation as at 30 June 2018)</li> <li>&gt; Some investors may prefer investing in internally managed REITs</li> <li>&gt; Proposal may drive increases in the demand for and liquidity of AVN stapled securities</li> </ul>

1. On a per security basis for the year ending 30 June 2019. 'Value' accretion captures benefits of approximately \$1.6 million relating to development that are saved as part of internalisation, which are not fully captured in FFO or AFFO on consolidation but will be reflected in property valuations as well as removal of on going external performance and management fees

2. Adjusted for post-balance date performance fee payment which will be paid regardless of Proposal proceeding





## KEY FINANCIAL METRICS – INTERNALISATION PROPOSAL

### Funding

- > Purchase Price comprises AVN stapled securities and cash
  - > Brett Blundy will receive \$96.5m of the Purchase Price (64% AVN stapled securities and 36% cash)
  - > Darren Holland will receive \$46.6m of the Purchase Price (50% AVN stapled securities and 50% cash)
  - > AVN stapled securities to be issued at AVN's last reported NTA of \$2.38 per unit, which is a 6% premium to AVN's prior day close price of \$2.24 as at 9 August 2018
  - > Comprises \$5m cash payable for APG's Net Tangible Assets (NTA)
- > Cash component to be funded via drawdown of existing debt facilities and available cash

Forecast financial impact on AVN FY19	Impact	Impact (adjusted for fee waiver <sup>1</sup> )
FFO	1.1%	2.6%
AFFO / distribution	4.0%	5.7%
Value <sup>2</sup>	6.0%	7.7%

Other metrics – 30 Jun 18 Pro Forma	Pre	Post	Impact
NTA per security	\$2.38	\$2.10	(11.8)%
NAV per security	\$2.38	\$2.37	(0.4)%
Gearing	36.0% <sup>3</sup>	39.3%	+3.3%

Implied FY19 EBIT multiple	EBIT (\$M)	Value (\$M)	Multiple
Headline	15.3	143.1	9.3x
Fee waiver adjusted (sustainable EBIT) <sup>4</sup>	16.6	143.1	8.6x

USES	A\$M	%
Acquisition of APG	143	93%
Acquisition of APG NTA	5	3%
Transaction costs <sup>5</sup>	6	4%
<b>Total</b>	<b>154</b>	<b>100%</b>

SOURCES	A\$M	%
AVN stapled securities issued to entities associated with Brett Blundy	62	40%
AVN stapled securities issued to entities associated with Darren Holland	23	15%
Debt funding	67	43%
Cash funding	3	2%
<b>Total</b>	<b>154</b>	<b>100%</b>

1. From 1 July 2019, the current fee waiver for Castle Hill and Marsden Park will cease to apply. If the internalisation is not implemented, investment management fees will increase on these centres from this date. This analysis assumes the fee waiver does not apply for the entirety of FY19

2. 'Value' accretion captures benefits of approximately \$1.6 million relating to development that are saved as part of internalisation, which are not fully captured in FFO or AFFO on consolidation but will be reflected in property valuations

3. Adjusted for post-balance date performance fee payment which will be paid regardless of Proposal proceeding

4. As part of the transaction announced by the Fund on 30 May 2017, the Manager agreed to waive 50% of its FY19 investment management fee relating to the centres acquired (Castle Hill and Marsden Park). The waived portion of the investment management fee in FY19 equates to \$1.3 million

5. One-off internalisation costs and advisory costs



## PROPOSAL TIMETABLE<sup>1</sup> – INTERNALISATION PROPOSAL

Key Event	DATE
Implementation Deed and Sale Agreement signed and Proposal announced	Friday, 10 August 2018
Dispatch of Notice of Meeting, Explanatory Memorandum and Prospectus to AVN unitholders	Tuesday, 24 August 2018
Meeting of AVN unitholders to approve the Proposal	Tuesday, 25 September 2018

If the proposal is approved by AVN Unitholders	DATE
Last day of ASX trading in existing AVN units	Wednesday, 26 September 2018
Trading of AVN stapled securities commences on a deferred settlement basis	Thursday, 27 September 2018
Record date for determining entitlement to AVN stapled securities	Friday, 28 September 2018
Implementation date (effective date of management internalisation)	Monday, 1 October 2018
Last day of deferred settlement trading	Monday, 1 October 2018
Normal trading of AVN stapled securities commences	Tuesday, 2 October 2018

1. These dates are indicative only and may be subject to change and all other conditions being satisfied





# FY18 FULL YEAR RESULTS





Peninsula Home, VIC





## DELIVERING ON STRATEGY

The fund continues to implement its four key growth initiatives to drive long term value creation and sustainable earnings growth

	Portfolio Management	Consolidation Opportunities	Development Pipeline	Potential Benefits from Planning Reforms
 Initiative	Optimise and broaden the tenancy mix through proactive leasing, leveraging tenant relationships and delivering operational excellence	Selective acquisitions to enhance the Fund's portfolio and entrench the Fund as the largest pure-play large format retail ("LFR") landlord in Australia	Identify and deliver value enhancing development opportunities within the existing portfolio	Take advantage of regulatory reforms in zoning and planning regimes for the existing portfolio
 Outcomes	The portfolio continues to perform well with high occupancy, positive leasing spreads and low incentives whilst introducing new tenants to the portfolio	The Fund continues to participate in the consolidation of the industry, completing a major portfolio acquisition during the year, increasing the value of the portfolio to \$1.9bn	Achieved practical completion for 8 development projects, including the expansion of Tuggerah, adding 10,000 sqm in GLA	NSW Government is actively exploring planning reforms, following changes in VIC and WA in recent years that were positive for the LFR sector



## KEY ACHIEVEMENTS<sup>1</sup>

Single sector focus and sustainable growth



**18.1 cents**

FFO per unit<sup>2</sup>  
↑ 2.3% from 17.7 cents<sup>3</sup>

**16.3 cents**

DPU  
↑ 2.4% from 15.9 cents<sup>3</sup>

**\$2.38 NTA**

Per unit  
↑ 7.2% from \$2.22 per unit<sup>4</sup>



**\$89m FFO**

↑ 25.4% from \$71m<sup>3</sup>

**35.6%<sup>5</sup>**

↓ Gearing from 36.9%<sup>6</sup>

**4.4 years**

Weighted Average Debt Expiry<sup>7</sup>



**98.7%**

Occupancy  
↑ from 98.6%<sup>8</sup>

**\$496m**

Of capital transactions  
Acquisitions:\$436M  
Divestments:\$60M

**\$78m**

Valuation uplift<sup>9</sup>  
↑ 4.3% since FY17

1. All metrics as at 30 Jun 2018

2. Based on a weighted average number of units of 492m over the 12 months ended 30 Jun 2018

3. Year ended 30 Jun 2017

4. As at 30 Jun 2017 including the two acquisitions of Castle Hill Super Centre and Marsden Park Home

5. Gearing is not adjusted for Internalisation and settlement of performance fee

6. As at 31 Dec 2017

7. Post refinancing. The weighted average debt expiry at 30 Jun 2018 before refinancing is 3.3 years

8. By GLA as at 31 Dec 2017

9. Net movement excludes acquisitions, disposals and capitalised expenditure and non-cash accounting adjustments over the 12 months to 30 Jun 2018



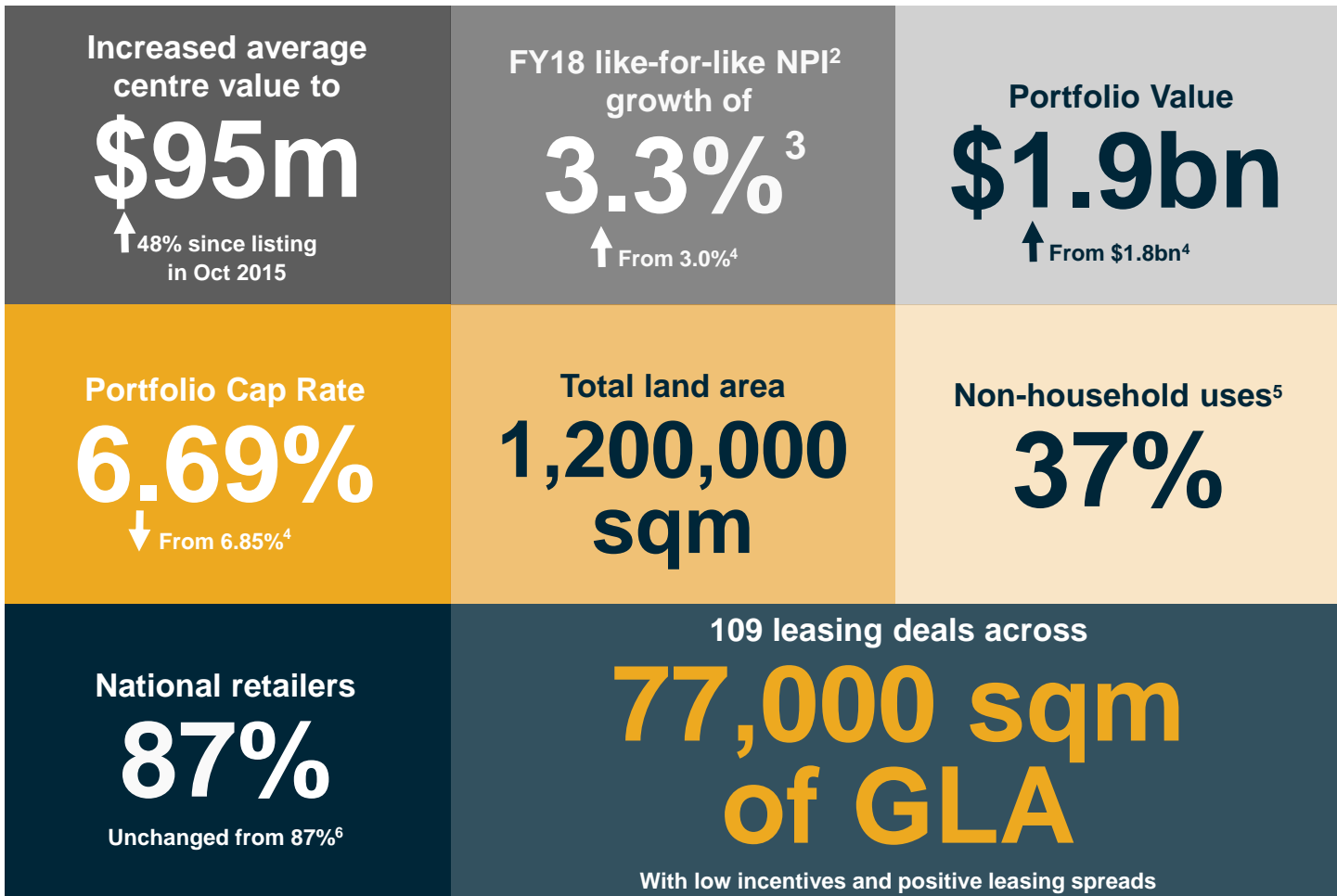


# PORTFOLIO HIGHLIGHTS





## PORTFOLIO HIGHLIGHTS<sup>1</sup>



1. All metrics as at 30 Jun 2018

2. Net Property Income

3. Excludes acquisitions and development impacted centres and is calculated on a like-for-like basis versus the prior corresponding period (year ending 30 Jun 2017)

4. As at 30 Jun 2017 and including settlement of Castle Hill and Marsden Park

5. By gross income

6. As at 31 Dec 2017 and by GLA










## PORTFOLIO HIGHLIGHTS

### Diversity of Income<sup>1</sup>

> 87% national tenants<sup>2</sup>

> Less than 2% apparel and fashion exposure and no department stores<sup>2</sup>

### TOP 15 TENANTS

RANK	BRANDS	NUMBER OF TENANCIES	% OF INCOME <sup>3</sup>	PARENT COMPANY	RANK	BRANDS	NUMBER OF TENANCIES	% OF INCOME <sup>3</sup>	PARENT COMPANY
1		4	4%	Wesfarmers Limited	9		9	2%	Steinhoff Asia Pacific Limited
2		6	4%	Harvey Norman Holdings Limited	10		9	2%	Quadrant Private Equity
3		7	4%	Steinhoff Asia Pacific Limited	11		12	2%	Adairs Limited
4		9	4%	JB Hi-Fi Limited	12		7	2%	Wesfarmers Limited
5		9	3%	JB Hi-Fi Limited	13		5	2%	Spotlight Group Holdings Pty Limited
6		14	2%	Beacon Lighting Group Limited	14		2	2%	Harvey Norman Holdings Limited
7		9	2%	Forty Winks	15		8	2%	Super Retail Group Limited
8		5	2%	Nick Scali Limited					
<b>TOTAL</b>							<b>115</b>	<b>39%</b>	

1. All metrics as at 30 June 2018

2. By GLA

3. By gross income as at 30 Jun 2018

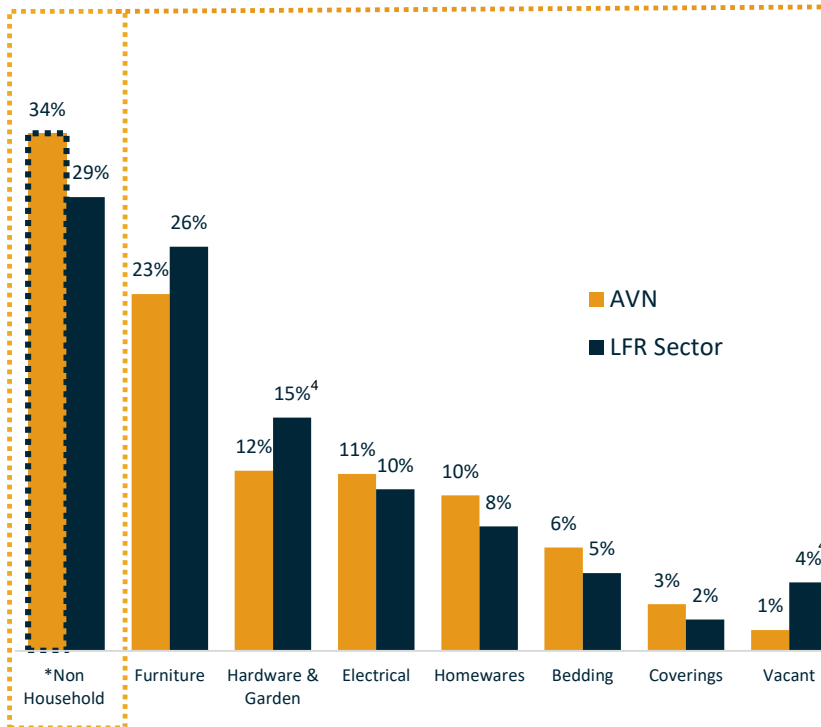


## FOCUS ON DIVERSIFYING & EXPANDING THE NON-HOUSEHOLD CATEGORY<sup>1</sup>

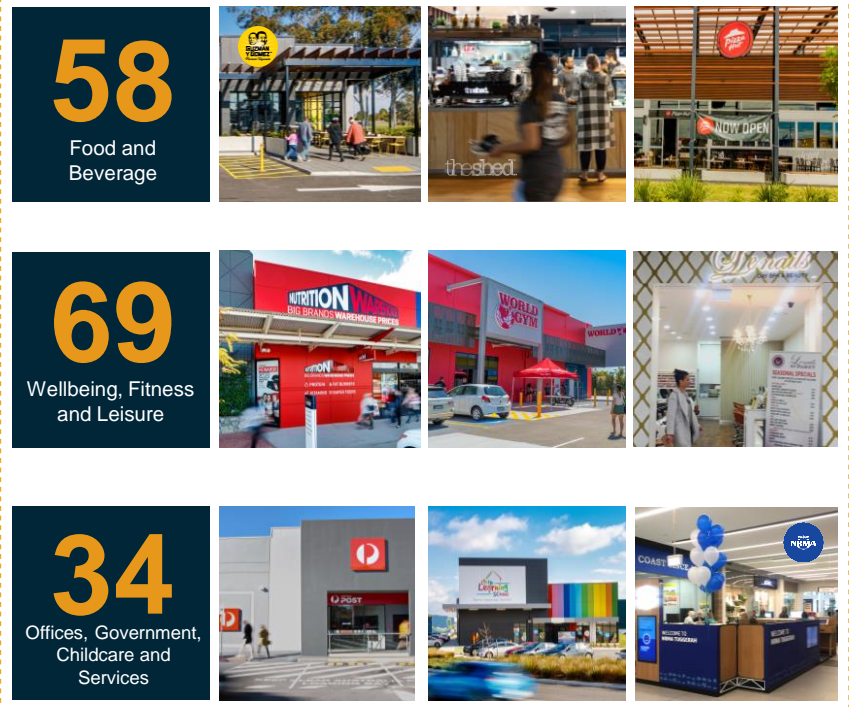
- Non-household goods tenants contribute 37% of gross income whilst covering 34% of the portfolio's GLA with over 250 tenancies

- Non-household goods tenants drive weekday traffic, increase visit frequency and lengthen customer linger time

### Tenancy Mix: AVN vs. LFR Sector (by GLA) <sup>2,3</sup>



### Focus on growing categories:



1. All metrics as at 30 Jun 2018

2. Non-household goods include pet, baby and office supplies, camping, sport, cafes, restaurants, supermarkets and variety, liquor, fitness, medical centres, offices, pharmacies, automotive, childcare & play facilities, apparel & footwear, car wash and services

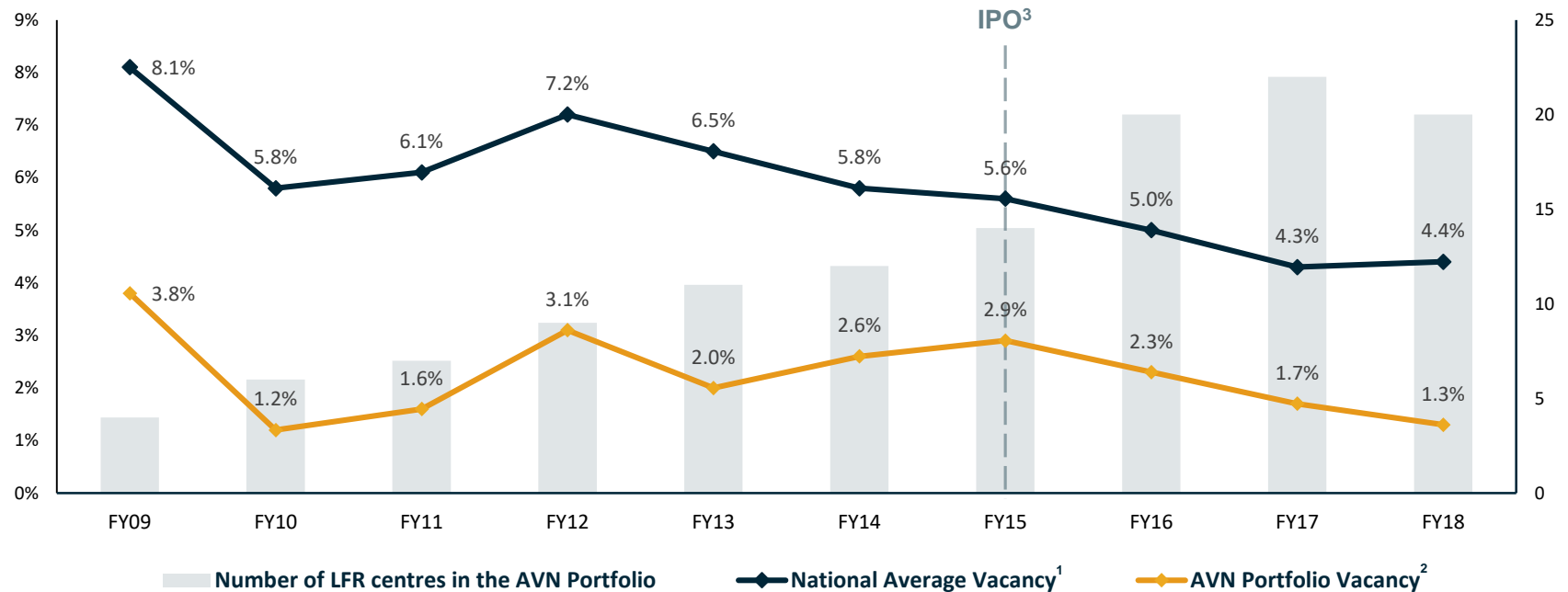
3. Source: Deep End Services (centres larger than 10,000 sqm) as at 30 Jun 2018

4. Excluding Masters



## CONSISTENTLY HIGH OCCUPANCY

- > High occupancy of 98.7% achieved with low incentives
- > Positive leasing spreads and 3.3% p.a. like-for-like net property income growth



1. Source: Deep End Services (centres larger than 10,000 sqm); by GLA. FY17 excluding Masters

2. Historical metrics exclude centres prior to acquisition by the Fund

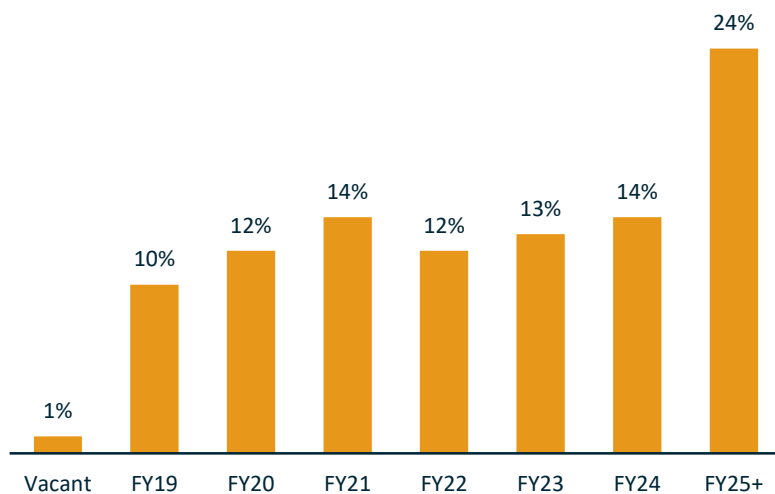
3. IPO at Oct 2015 based on Jun 2015 metrics



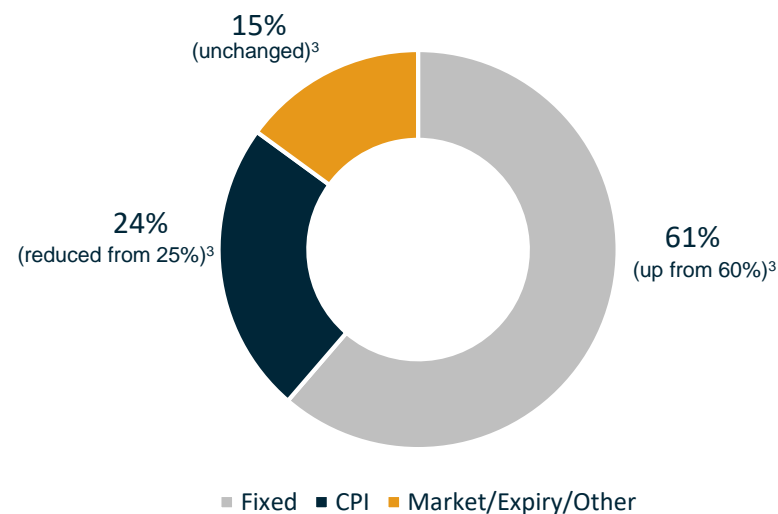
## PROACTIVE LEASING AND ANNUAL RENT INCREASES

- > Stable Weighted Average Lease Expiry (WALE) of 4.1 years
- > 85% of leases have annual fixed or CPI rent increases<sup>2</sup>

LEASE EXPIRY PROFILE<sup>1</sup>



ANNUAL RENT INCREASES



1. Holdover tenancies as at 30 Jun 2018 treated as FY19 expiries and by GLA

2. By gross rent

3. Compared to 31 Dec 2017





## CENTRE VALUATION UPLIFT

**\$78m<sup>1</sup>**

Valuation Uplift

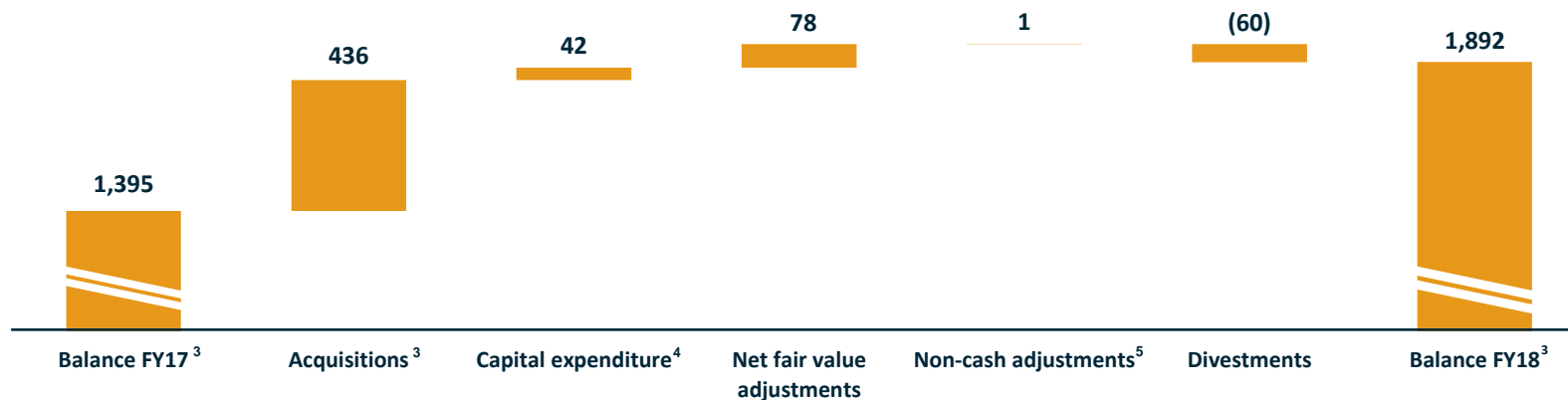
**4.3%<sup>2</sup>**

Valuation increase since 30 June 2017

**6.69%**

Weighted Average Cap Rate

### Capital Growth (\$m)



1. Net movement excludes acquisitions, disposals and capitalised expenditure and non-cash accounting adjustments over the 12 months to 30 Jun 2018

2. The percentage increase in the portfolio for FY18 is calculated as the net valuation uplift of \$78m divided by the value of the portfolio at 30 Jun 2017 of \$1,831m, which includes the acquisition of Castle Hill Super Centre and Marsden Park Home

3. Portfolio valuation and acquisition includes rental guarantees

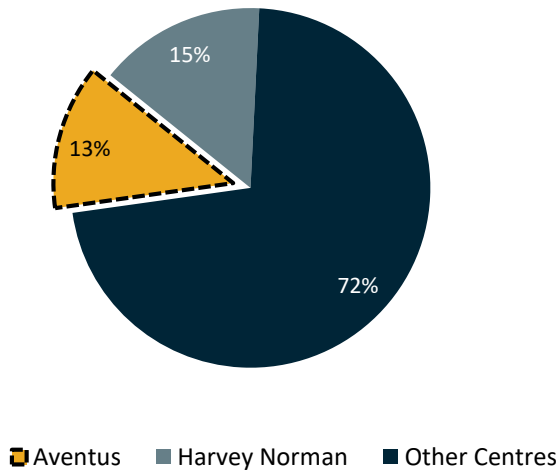
4. Capitalised expenditure represents development and maintenance capex, capitalised leasing costs and capitalised interest on developments

5. Non-cash adjustments represent rental straight-lining adjustments, amortisation of rental guarantees and other non-cash accounting adjustments

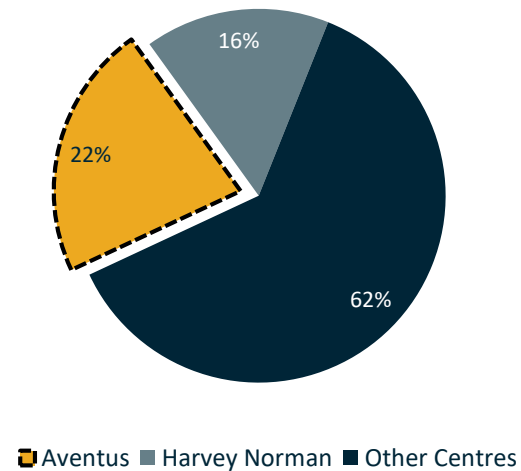
## MARKET OPPORTUNITY

- > AVN represents 13% of all LFR centres<sup>1</sup> larger than 10,000 sqm in GLA across Australia
- > AVN represents **22%** of LFR centres larger than 25,000 sqm in GLA across Australia

Australian LFR centre ownership<sup>1</sup>



Market share of large<sup>2</sup> LFR centres



1. Source: Deep End Services. By number of centres that are multi-tenanted and larger than 10,000 sqm. As at 30 Jun 2018, by GLA

2. Large centres are classified as centres larger than 25,000 sqm in GLA. This represents 38% of the chart on the left



## GROWTH THROUGH DEVELOPMENT

### FY18 Highlights

**\$32m**

Development  
Spend

**10,850 sqm**

New  
GLA Created

**9%**

Cash  
Yield<sup>1</sup>



Tuggerah, NSW

**FY19  
\$40m+**

Forecasted Pipeline  
Key Projects



Caringbah NSW



Jindalee QLD



Castle Hill NSW



Macgregor QLD

1. Year one weighted average unlevered development yield, for income producing projects completed and commenced in FY18





# FINANCIAL RESULTS



Marsden Park Home, NSW







## FINANCIAL HIGHLIGHTS



### Financial Performance

**\$89m**  
**FFO**

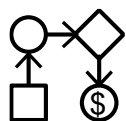
↑ 26% from \$71m<sup>2</sup>

**18.1**  
**cents**

FFO PER UNIT <sup>1</sup>  
↑ 2.3% FROM 17.7 CENTS<sup>2</sup>

**\$136m**

↓ PROFIT FOR FY18  
15% FROM \$159m<sup>2</sup>



### Capital Structure

**35.6%**

↓ GEARING  
FROM 36.9%<sup>4</sup>

**16.3**  
**cents**

DPU  
↑ 2.4% FROM 15.9 CENTS<sup>2</sup>

Maintained  
**90%**  
PAYOUT RATIO OF FFO



### Debt Management

**4.4**

YEARS  
WEIGHTED AVERAGE DEBT EXPIRY<sup>5</sup>

**3.3%**

WEIGHTED AVERAGE  
COST OF DEBT<sup>3</sup>

**62%**

INTEREST RATE HEDGING  
↑ 2% FROM 60%<sup>4</sup>

1. For the year ended 30 Jun 2018. Based on a weighted average number of units of 492m

2. For the year ended 30 Jun 2017

3. Weighted average cost of debt is calculated based on historical finance costs, excluding debt establishment costs, for the 12 months ended 30 Jun 2018

4. As at 31 Dec 2017

5. Post refinance. 30 Jun 2018 weighted average debt expiry is 3.3 years



## INCOME STATEMENT

	FY18 \$M	FY17 \$M
Rental and other property revenue	<b>A</b> 163	130
Net movement in fair value of investment properties	78	91
Other income	1	1
Property expenses	(41)	(34)
Finance costs	<b>B</b> (25)	(12)
Management fees	(10)	(8)
Performance fees	(3)	(6)
Portfolio transaction costs	<b>C</b> (27)	(2)
Other expenses	(1)	(1)
<b>Profit for the year</b>	<b>136</b>	<b>159</b>

### Comments

- A** FY18 performance includes net rental income from Castle Hill Super Centre and Marsden Park Home which settled in July 2017
- B** Increase in finance costs were driven by the increased debt post acquisitions and higher costs associated with longer dated debt. FY18 finance costs also include mark-to-market losses on interest rate swaps of \$1m (FY gain \$3m)
- C** \$24m of transaction costs represent stamp duty for Castle Hill and Marsden Park



## FUNDS FROM OPERATIONS (FFO)

	FY18 \$M	FY17 \$M
Profit for the year	136	159
Straight-lining of rental income	(3)	(4)
Amortisation of rental guarantees	3	1
Amortisation of debt establishment costs	1	1
Net movement in fair value of investment properties	(78)	(91)
Net movement in fair value of derivative financial instruments	1	(3)
Portfolio transaction costs	27	2
Performance fees	3	6
<b>Funds from operations (FFO)</b>	<b>89</b>	<b>71</b>
Maintenance capex	(6)	(4)
Leasing costs	(3)	(4)
<b>Adjusted FFO (AFFO)</b>	<b>80</b>	<b>63</b>
<b>FFO per unit (cents)<sup>1</sup></b>	<b>18.1</b>	<b>17.7</b>
<b>Distribution per unit (cents)<sup>1</sup></b>	<b>16.3</b>	<b>15.9</b>
<b>Payout ratio (% of FFO)</b>	<b>90%</b>	<b>90%</b>

1. Based on a weighted average number of units of 492m (FY17: 399m)



## BALANCE SHEET

	30 JUN 2018 \$M	31 DEC 2017 \$M	MOVEMENT \$M
<b>Assets</b>			
Cash and cash equivalents	4	3	1
Investment properties <sup>1</sup>	1,892	1,890	A 2
Other assets	5	5	-
<b>Liabilities</b>			
Borrowings	(674)	(699)	(25)
Other liabilities	B (52)	(48)	4
<b>Net assets</b>	<b>1,175</b>	<b>1,151</b>	<b>24</b>
<b>Units on issue (million)</b>	<b>494</b>	<b>492</b>	<b>2</b>
<b>NTA per unit (\$)</b>	<b>\$2.38</b>	<b>\$2.34</b>	<b>\$0.04</b>

### Comments

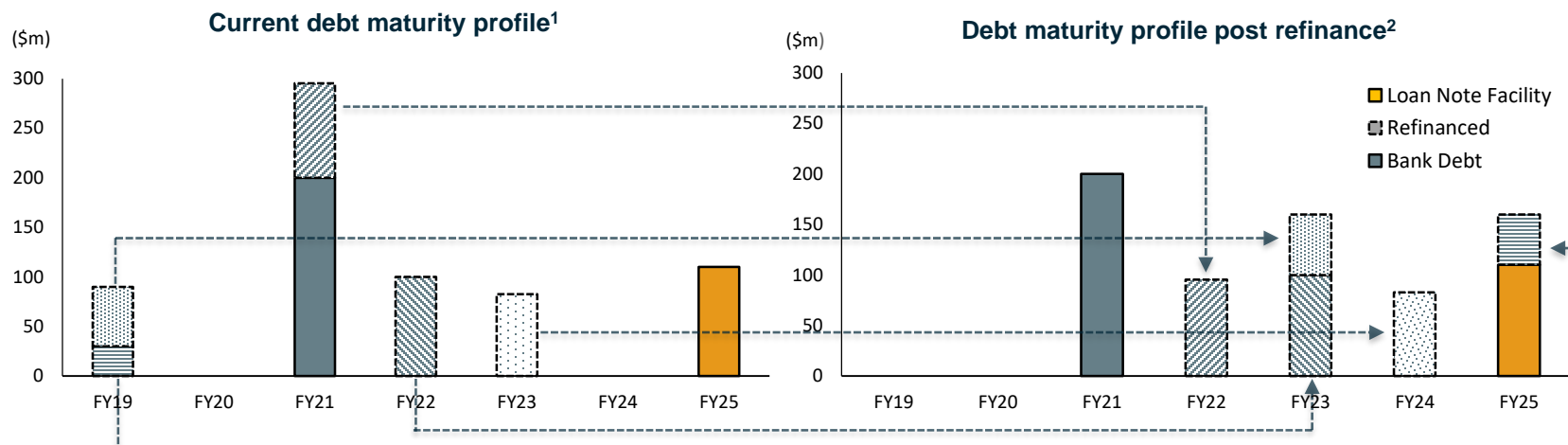
- A** Movement in investment properties during 2H18 includes \$40m in divestments, \$20m in net fair value gains and \$23m in capital expenditure
- B** Other liabilities include \$20m in distributions payable and \$9m provision for performance fee payable in Aug 2018 and \$16m of payables

1. Investment properties as at 30 Jun 2018 includes \$5m of rental guarantees (31 Dec 2017: \$6m)

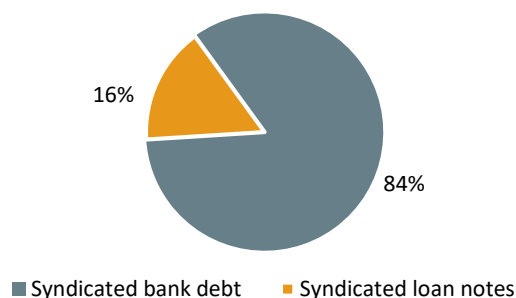




# CAPITAL MANAGEMENT



**Diversity Sources<sup>2</sup>**



KEY METRICS	30 JUN 2018	31 DEC 2017
Drawn debt (\$m)	\$678m	\$702m
Facility limit (\$m)	\$800m	\$800m
Cash and undrawn debt capacity (\$m)	\$126m	\$101m
Gearing <sup>3</sup> (%)	35.6%	36.9%
Loan to value ratio <sup>4</sup> (LVR), (%)	36.0%	37.6%
Interest coverage ratio <sup>5</sup> (ICR), (x)	4.7x	4.9x
Weighted average cost of debt <sup>6</sup> (%)	3.3%	3.1%
Weighted average debt expiry (years) <sup>7</sup>	4.4	3.7
Proportion of drawn debt hedged (%)	62%	60%

1. Based on drawn debt at 30 Jun 2018

2. Refinancing activities in Jul 2018 included a) an additional \$60m of 5 year bilateral bank debt; b) 12 month extensions for \$400m of syndicated bank debt and; c) a \$50m extension of the syndicated loan note facility

3. The gearing ratio is calculated as total debt less cash and cash equivalents divided by total assets less cash and cash equivalents and prior to the Internalisation Proposal

4. The LVR ratio is calculated as total debt divided by the total fair value of investment properties. Fair value is calculated by reference to the most recent independent valuation for each property. The LVR covenant is 55%

5. ICR is calculated for the 12 months ended 30 Jun. ICR covenant is 2.0x

6. Weighted average cost of debt is calculated based on historical finance costs excluding debt establishment costs for the 12 months ended 30 Jun

7. Weighted average debt expiry at 30 Jun 2018 post refinancing activities is 4.4 years (31 Dec 2017: 3.7 years). Weighted average debt expiry at 30 Jun 2018 prior to refinancing activities is 3.3 years (31 Dec 2017: 2.9 years)



# OUTLOOK

## Portfolio

- > Strategy continues to focus on sustainable and organic income growth from the portfolio
  - > Active diversification of the tenant base with a focus on increasing non-household uses
  - > Rental growth underpinned by high occupancy and annual contracted rent increases
  - > Investment in the expansion and development of the portfolio to enhance and improve shopper experience and deliver attractive returns
- > FY19 guidance for FFO per unit is expected to be 18.2 cents per unit. Growth impacted by divestments to improve the portfolio quality and higher cost of extending debt tenure

## Internalisation

- > Proposed internalisation is an opportunity to create stronger alignment and improve AVN's competitive position
  - > Independent Directors unanimously support and intend to vote in favour of the Proposal
  - > Independent Expert has determined that the Proposal is fair and reasonable and in the best interests of AVN unitholders not associated with the Sellers
- > If approved, the internalisation is expected to be accretive with the FY19 guidance for FFO per unit expected to be **18.4 cents per unit**
  - > AFFO accretion is expected to be 4.0%
  - > Value accretion<sup>1</sup> is expected to be 6.0%

1. 'Value' accretion captures benefits of approximately \$1.6 million relating to development that are saved as part of internalisation, which are not fully captured in FFO or AFFO on consolidation but will be reflected in property valuations



# INTERNALISATION PROPOSAL APPENDICES





## APPENDIX 1: FINANCIAL IMPACT – FY19 FORECAST INCOME AND DISTRIBUTION STATEMENT

\$m	AVN	APG <sup>1</sup>	Adjustments	AVN internalised
Property income	164	-	-	164
Investment management fees	-	8	A (8)	-
Property management fees	-	6	B (5)	-
Leasing and development fees	-	4	C (4)	-
Other revenue	2	5	B (5)	2
Property expenses	(41)	-	B 5	(36)
Investment management fees	(10)	-	A 8	(3)
Other expenses	(2)	(11)	B 5	(8)
Transaction costs	-	-	D (6)	(6)
Finance costs	(26)	-	E (1)	(27)
Income tax expense	-	(3)	F 3	-
<b>Net profit after tax</b>	<b>87</b>	<b>8</b>	<b>(8)</b>	<b>87</b>
Funds from operations adjustments	2	-	6	8
<b>Funds from operations</b>	<b>90</b>	<b>8</b>	<b>(2)</b>	<b>96</b>
Less: Maintenance capex <sup>2</sup>	(6)	-	-	(6)
Less: Leasing costs <sup>3</sup>	(5)	-	2	(3)
<b>Adjusted funds from operations</b>	<b>80</b>	<b>8</b>	<b>-</b>	<b>87</b>
Securities on issue (millions)	495		36	522 <sup>4</sup>
<b>FFO per security (cents)</b>	<b>18.2</b>			<b>18.4</b>
FFO accretion per security (%)				1.1%
<b>AFFO per security (cents)</b>	<b>16.1</b>			<b>16.7</b>
AFFO accretion per security (%)				4.0%

### Adjustments

- A** Represents elimination of investment management fees on consolidation
- B** Represents elimination of property management fees on consolidation
- C** Represents elimination of leasing and development fees on consolidation
- D** Represents transaction costs associated with the Proposal. Costs are non recurring in nature and will be funded out of existing cash and unutilized debt facilities
- E** Represents additional interest on debt drawn to fund the Proposal
- F** Represents elimination of income tax expense associated with revenue and expenses eliminated on consolidation

1 From 1 October 2018 to 30 June 2019

2 Maintenance capex includes operational capital expenditure and excludes tenancy fit out incentives, landlord works and development capital expenditure

3 Leasing costs represents lease incentives and leasing fees

4. Weighted average number of securities on issue based on an expected Implementation Date of the Proposal on 1 October 2018





## APPENDIX 2: FINANCIAL IMPACT – PRO-FORMA BALANCE SHEET

\$m	AVN	APG	Settlement of performance fee <sup>1</sup>	Transaction impact	AVN internalised
Cash and cash equivalents	4	5	1	<b>A</b> (3)	7
Investment properties	1,887	-	-	-	1,887
Other assets	9	13	(9)	<b>B</b> (3)	11
Intangible assets	-	-	-	<b>C</b> 143	143
<b>Total assets</b>	<b>1,900</b>	<b>19</b>	<b>(8)</b>	<b>138</b>	<b>2,048</b>
Borrowings	674	-	9	<b>D</b> 67	750
Provision for performance fees	9	-	(9)	-	-
Other liabilities	42	7	(3)	<b>B</b> (3)	44
<b>Total liabilities</b>	<b>725</b>	<b>8</b>	<b>(3)</b>	<b>64</b>	<b>794</b>
<b>Total equity</b>	<b>1,175</b>	<b>11</b>	<b>(6)</b>	<b>74</b>	<b>1,254</b>
Securities on issue (millions)	494			36	530 <sup>3</sup>
<b>NTA per security</b>	<b>\$2.38</b>				<b>\$2.10</b>
<b>NAV per security</b>	<b>\$2.38</b>				<b>\$2.37</b>
<b>Gearing</b>	<b>35.6%</b>		<b>36.0%</b> <sup>2</sup>		<b>39.3%</b>

### Adjustments

- A** The \$3m adjustment represents the cash portion of the \$154m total funding required for the Proposal
- B** \$3m adjustment representing elimination of APG accrued income and AVN accrued expenses on consolidation
- C** The \$143m adjustment represents intangible assets arising from the acquisition of APG and its subsidiaries. The amount of total intangible assets, including goodwill, relating to the Proposal may change once the fair value of all assets and liabilities are determined as at the Implementation Date
- D** \$67m adjustment represents additional debt which will be drawn on the expected Implementation Date to fund a portion of the total \$154m funding required for the Proposal

<sup>1</sup> The financial information presented in the column titled "Settlement of performance fee" represents the notional settlement of the \$9m performance fee payable from the Fund to APG for the financial year ended 30 June 2018, the notional payment of \$3m in associated income tax by APG, the notional declaration and payment of a \$6m dividend to APG shareholders and notional residual cash of \$1m retained by APG. Following settlement of the performance fee AVN's gearing increases from 35.6% to 36.0%

<sup>2</sup> Represents the Fund's 30 Jun 2018 pro forma gearing for settlement of the performance fee but prior to transaction impact. Note that this column also includes 30 June 2018 pro forma adjustments for APG in relation to settlement of the performance fee which do not impact the Fund gearing



# FY18 RESULTS APPENDICES



Belrose Super Centre, NSW





## APPENDIX 3: PORTFOLIO OVERVIEW

CENTRES	STATE	VALUATION DATE	CARRYING VALUE (\$M)	CAP RATE	OCCUPANCY <sup>1</sup>	WALE (YEARS) <sup>2</sup>	NO. OF TENANCIES <sup>3</sup>	GLA ('000 SQM) <sup>3</sup>	SITE AREA ('000 SQM)	NATIONAL RETAILERS <sup>1</sup>	ZONING	DEV. POTENTIAL <sup>4</sup>
Bankstown Home	NSW	Jun-18	61	6.75%	90%	3.1	21	17	40	81%	LFR	✓
Belrose Super Centre	NSW	Jun-18	177	6.25%	100%	4.7	46	37	44	94%	LFR/Retail	✗
Caringbah Home	NSW	Jun-18	92	7.50%	99%	1.1	26	19	23	87%	LFR	✓
Castle Hill Super Centre	NSW	Jun-18	347	5.50%	100%	3.6	76	52	60	80%	LFR/Retail	✓
Highlands Hub	NSW	Jun-18	33	7.50%	100%	3.3	14	11	32	86%	LFR/Retail	✓
Kotara Home South	NSW	Jun-18	121	6.50%	100%	3.6	23	29	53	98%	LFR/Retail	✓
Marsden Park Home	NSW	Jun-18	101	6.00%	100%	5.7	32	20	40	81%	LFR	✗
McGraths Hill Home	NSW	Jun-18	41	7.00%	100%	2.2	9	16	38	98%	LFR	✗
Tuggerah Super Centre	NSW	Jun-18	85	7.00%	96%	6.5	35	39	127	84%	LFR/Outlet	✓
Warners Bay Home	NSW	Jun-18	37	7.50%	98%	3.5	12	12	35	98%	LFR	✗
<b>TOTAL NSW</b>			<b>1,095</b>	<b>6.32%</b>	<b>99%</b>	<b>3.9</b>	<b>294</b>	<b>253</b>	<b>493</b>	<b>88%</b>		
Ballarat Home	VIC	Jun-18	41	7.50%	100%	5.1	15	20	52	93%	LFR	✓
Cranbourne Home	VIC	Jun-18	134	7.25%	100%	6.6	34	56	194	89%	LFR/Retail	✓
Epping Hub	VIC	Jun-18	43	7.50%	100%	3.8	30	22	60	66%	Mixed Use	✓
Peninsula Home	VIC	Jun-18	84	7.25%	100%	3.2	30	33	85	90%	LFR/Retail	✓
<b>TOTAL VIC</b>			<b>302</b>	<b>7.32%</b>	<b>100%</b>	<b>5.0</b>	<b>109</b>	<b>131</b>	<b>390</b>	<b>86%</b>		
Jindalee Home	QLD	Jun-18	125	7.00%	100%	3.6	53	27	72	72%	Mixed Use	✓
Logan Super Centre	QLD	Jun-18	91	7.00%	98%	4.5	31	27	27	89%	LFR	✓
Macgregor Home	QLD	Jun-18	24	7.75%	82%	0.2	6	13	29	66%	LFR	✓
Sunshine Coast Home	QLD	Jun-18	96	7.00%	98%	5.4	33	27	69	90%	LFR/Retail	✓
<b>TOTAL QLD</b>			<b>336</b>	<b>7.05%</b>	<b>96%</b>	<b>4.2</b>	<b>123</b>	<b>93</b>	<b>197</b>	<b>81%</b>		
Mile End Home	SA	Jun-18	98	7.25%	100%	3.6	33	34	71	88%	LFR	✓
<b>TOTAL SA</b>			<b>98</b>	<b>7.25%</b>	<b>100%</b>	<b>3.6</b>	<b>33</b>	<b>34</b>	<b>71</b>	<b>88%</b>		
Midland Home	WA	Jun-18	63	7.25%	100%	4.2	18	23	43	98%	LFR	✗
<b>TOTAL WA</b>			<b>63</b>	<b>7.25%</b>	<b>100%</b>	<b>4.2</b>	<b>18</b>	<b>23</b>	<b>43</b>	<b>98%</b>		
<b>TOTAL AVN</b>			<b>1,892</b>	<b>6.69%</b>	<b>99%</b>	<b>4.1</b>	<b>577</b>	<b>535</b>	<b>1,194</b>	<b>87%</b>		

1. By GLA as at 30 June 2018

2. By gross income as at 30 June 2018

3. Metrics as at 30 June 2018

4. Further development of certain centres may be subject to contractual and regulatory approvals including planning approvals from relevant local government authorities

## APPENDIX 4: DIVERSIFIED PORTFOLIO

**74%**

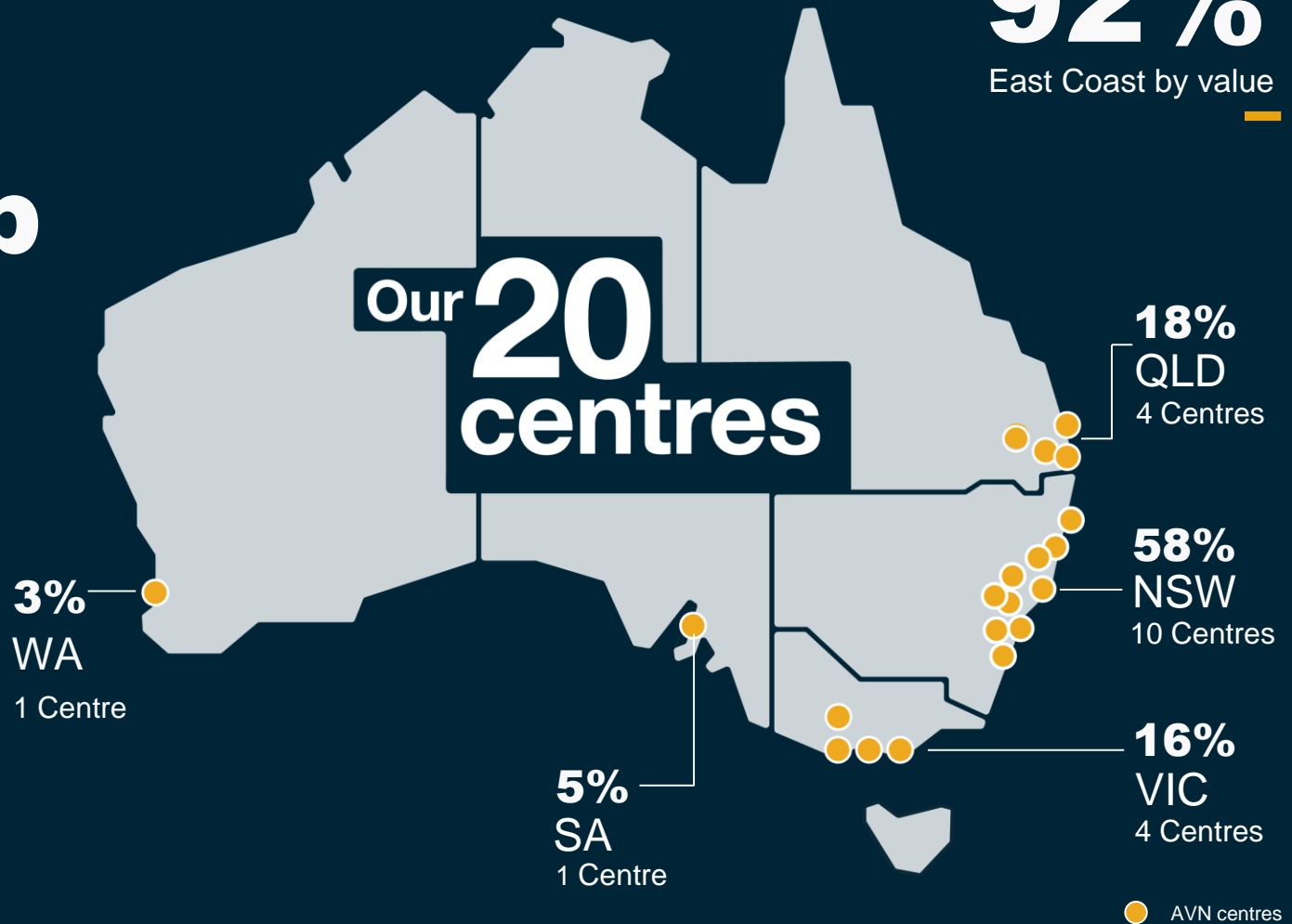
Metro by value

**\$1.9b**

Portfolio value

**92%**

East Coast by value

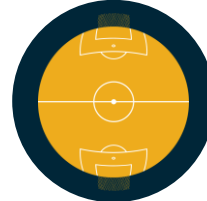




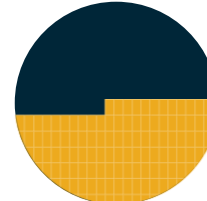
## APPENDIX 5: FUTURE POTENTIAL UPSIDE<sup>1</sup>



### Unlock Land Bank



1,200,000 sqm  
land



45%  
site coverage ratio



83% of portfolio with  
development opportunity<sup>3</sup>



### Additional Income Opportunities



11km of street frontage, with  
over 320m cars passing p.a.<sup>2</sup>



Circa 500,000 sqm  
roof area



Over 38,000,000  
visitors p.a.



### Intensify Land Use



535,000 sqm  
GLA tenancies



More than 13,000  
car spaces



39% of portfolio with  
zoning for other uses<sup>4</sup>

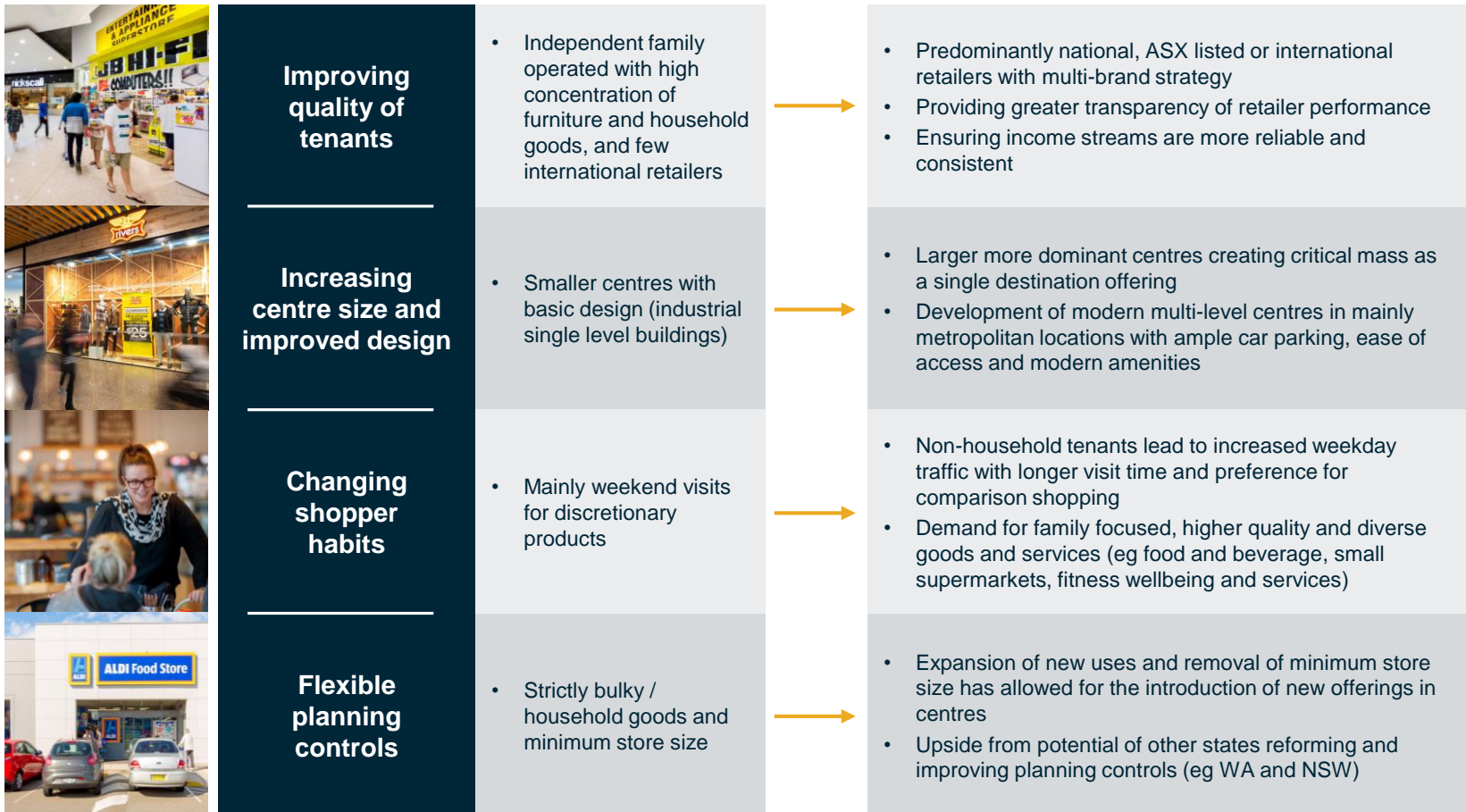
1. All metrics as at 30 Jun 2018

2. Estimate based on average annual daily traffic passing each asset

3. By site area

4. By GLA attributable to zoning alternative to Large Format Retail

## APPENDIX 6: THE EVOLUTION OF LARGE FORMAT RETAIL CENTRES





## APPENDIX 7: HOUSING OUTLOOK

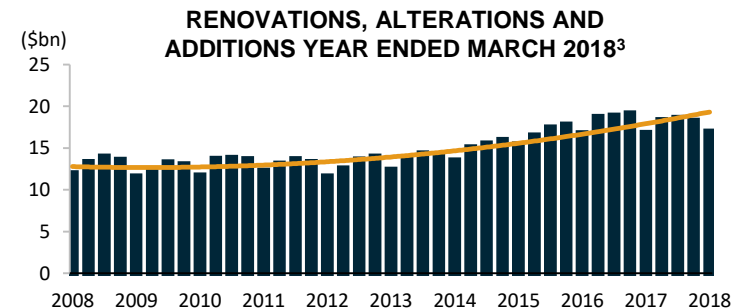
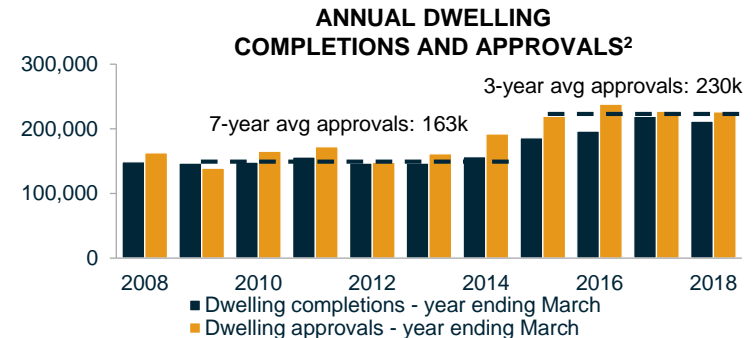
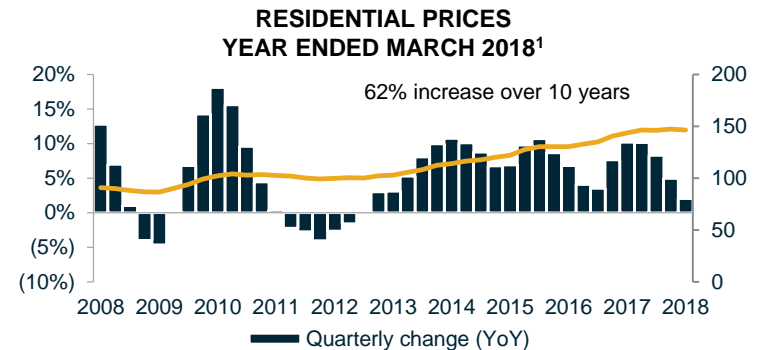
### Demand for household goods influenced by many factors:

- > Wealth effect created by strong house price growth since 2013 however, prices are now moderating off a high base
- > High levels of dwelling approvals (lag effect of up to three years) and dwelling completions
- > Turnover of existing dwellings (now moderating)
- > The home improvement sector continues to be strong with renovations, alterations and additions continuing through the housing cycle
- > Population growth - net population increase is highest on the east coast

### Other factors affecting demand for household goods include:

- > Interest rate environment and employment levels impact consumer sentiment
- > Household income and savings ratio
- > Changes in life stages and population growth (births, ageing, divorce, upgraders, downsizers and migration)
- > Product trends, replacements and popularity of home renovations generate interest and attention for large format retailers (eg The Block)
- > Limited impact to date of online retailing as household goods are considered major bulky purchases, difficult to transport and have a 'touch and feel' element

1. Source: ABS residential property price index  
 2. Source: ABS dwelling approvals and completions  
 3. Source: ABS additions and alterations





# DISCLAIMER

This presentation has been prepared on behalf of the Aventus Retail Property Fund (ARSN 608 000 764) (AVN) by its responsible entity, Aventus Capital Limited (ABN 34 606 555 480; AFSL 478061) (ACL). The information in this presentation is current as at the date of this presentation, unless otherwise stated.

## Summary information

This presentation should be read in conjunction with the explanatory memorandum and notice of meeting document issued by ACL relating to the internalisation proposal, and the prospectus issued by Aventus Holdings Ltd (ACN 627 340 180) (AHL) relating to the issue and distribution of shares in AHL – each dated [on the date of this presentation] (together, the Proposal Documents). It should also be read in conjunction with financial statements for any relevant period, ASX announcements released from time to time, and AVN's other periodic and continuous disclosure announcements lodged with ASX available at [www.asx.com.au](http://www.asx.com.au) and [www.ventusproperty.com.au](http://www.ventusproperty.com.au).

The information in this presentation (including any forecast financial information) is in summary form and does not purport to be complete or to contain all the information that an investor should consider in relation to the internalisation proposal. For full details please see the Proposal Documents.

This presentation is not, and does not contain all the information which would be required in, a prospectus, explanatory memorandum, product disclosure statement, or any other offering or disclosure document under Australian law, or any other law.

## Exclusion of liability

This presentation has been prepared from information believed to be accurate. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, adequacy, completeness or correctness of any information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. To the maximum extent permitted by law, ACL, AHL, and each of their associates, related bodies corporate, representatives, directors, officers, employees, agents and advisers disclaim all responsibility and liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or any loss or damage arising from negligence) arising from the issue or use of, or reliance on, anything contained in or omitted from this presentation.

## General information only

The information in this presentation (including any forecast financial information) is general information only and does not take into account your individual objectives, financial situation or particular needs. It is not financial product advice and is not intended to be used as the basis for making an investment decision. Nor shall any information in this presentation form the basis of any contract or commitment, or constitute legal or tax advice.

Consequently you should consider whether the information in this presentation is appropriate for you in light of your objectives, financial situation or particular needs. You should consider your own financial situation, objectives and needs, conduct an independent investigation of, and obtain professional advice in relation to, this presentation.

## Not an offer

This presentation does not in any way constitute an offer of, or an invitation to acquire, securities to any person in any jurisdiction.

## Forward-looking statements and forecast financial information

This presentation contains certain forward-looking statements and certain forecast financial information. Forward-looking statements and forecasts are made only as at the date of this document, and reflect current expectations concerning future results and events.

No representation or warranty is given as to the accuracy or likelihood of achievement of any forward-looking statement or as to any forecast financial information in this presentation, nor any events or results expressed or implied in any such forward-looking statements or forecast financial information.

Forward-looking statements can generally be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "propose", "will", "outlook", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions and include but are not limited to statements relating to the impact of the internalisation proposal, and the future performance of the Fund and the Aventus group. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements and forecasts are not guarantees of future performance, and are by their nature subject to significant uncertainties, risks and contingencies. Actual events, results and outcomes for AVN, ACL or the Aventus group, may differ materially from any expressed, projected or implied in any forward-looking statement or in any forecast, and deviations are both normal and to be expected.

Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based, and not place reliance on such statements, or any forecast financial information. To the maximum extent permitted by law, ACL, AHL, and their associates, related bodies corporate, representatives, directors, officers, employees, advisers, agents and intermediaries disclaim any obligations or undertakings to release any updates or revisions to the information to reflect any changes in expectations or assumptions.

Persons should have regard to the key risks set out in the Proposal Documents. ACL does not guarantee any particular rate of return or the performance of AVN, AHL, or the Aventus group, nor does it guarantee the repayment of capital from AVN, AHL, or the Aventus group, nor any particular tax treatment.

## Past performance and pro forma financial information

Information about past performance and pro-forma financial information in this presentation is given for illustrative purposes only. It should not be relied upon, and is not an indication or guarantee of future performance or results of AVN, AHL, the Aventus group, nor anyone else. The pro forma historical financial information has been prepared by ACL in accordance with the measurement and recognition principles, but not the disclosure requirements prescribed by Australian Accounting Standards.

Historical information in this document relating to the Fund is information that has been released to the market. For further information, please see past announcements released to ASX.

## Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this presentation are subject to rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this presentation.

As a result, any calculations you make based on the figures, amounts, percentages, prices, estimates, calculations of value and fractions in this presentation may differ from the correct answers to those calculations.

All dollar values are in Australian dollars (A\$) unless otherwise stated.

## Restrictions on distribution

This presentation may not be reproduced or distributed without AVN's prior written consent.

Persons who come into possession of this presentation who are not in Australia should seek advice on and observe any legal restrictions on distribution in their own jurisdiction. Any failure to comply with such restrictions may constitute a violation of applicable securities law. Distribution of this presentation outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this presentation outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws. In particular, any securities referred in this presentation have not been, and will not be, registered under the U.S. Securities Act of 1933 (US Securities Act), as amended, or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly and indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.