ASX / MEDIA ANNOUNCEMENT
9 February 2015

SCA PROPERTY GROUP ANNOUNCES FIRST HALF FY15 RESULTS

SCA Property Group (ASX: SCP) ("SCP" or "the Group") announces its results for the six months ended 31 December 2014.

Financial highlights:

- Statutory net profit after tax of $98.2 million, up by 128.4% on the same period last year
- Funds From Operations ("FFO") of $37.8 million, up by 12.5% on the same period last year
- Distributable Earnings of 6.3 cents per unit ("cpu"), up by 4.1% on the same period last year
- First half Distribution of 5.6 cpu has been paid, up by 3.7% on the same period last year, representing a payout ratio of 88%
- US private placement and bank debt refinancing completed, resulting in a weighted average cost of debt of around 4.75% and weighted average debt maturity of 6.6 years as at 31 December 2014
- Portfolio value of $1,799.7 million, up by $158.9 million in the six months since 30 June 2014, largely due to acquisitions and revaluations
- Net tangible assets of $1.73 per unit, up by 8.6% from $1.59 per unit as at 31 December 2013
- Management expense ratio ("MER") of 0.61%, down from 0.65% for the same period last year
- FY15 Distributable Earnings guidance upgraded to 12.6 cpu (from 12.5 cpu), and FY15 cash Distributions guidance upgraded to 11.4 cpu (from 11.3 cpu)

Operational highlights:

- Specialty vacancy of 5.4% by GLA (4.5% by GLA excluding Margaret River). Total portfolio occupancy of 98.6% by GLA (98.8% by GLA excluding Margaret River)
- Continued strong sales growth at above market level for both anchors and specialties
- Four neighbourhood centre acquisitions completed during the period (Prospect Vale, Claremont, The Markets, Greystanes) and an agreement to purchase entered into over one further neighbourhood centre (Clemton Park). Total purchase prices paid or agreed of $173 million. One neighbourhood centre conditionally contracted for sale (Margaret River).

Level 5, 50 Pitt Street, Sydney NSW 2000
Tel: (02) 8243 4900, Fax: (02) 8243 4999, www.scaproperty.com.au
Shopping Centres Australasia Property Group RE Limited ABN 47 158 809 851 AFS Licence 426603 as responsible entity of the Shopping Centres Australasia Property Retail Trust ARSN 160 612 788 and as responsible entity of the Shopping Centres Australasia Property Management Trust ARSN 160 612 626

Chief Executive Officer, Anthony Mellowes, said: “We are pleased to report another strong result for the 6 months to 31 December 2014.”

“Our specialty vacancy rate has reduced to 5.4% (or 4.5% excluding Margaret River in respect of which we have entered into a conditional contract for sale that we expect to complete in February 2015). We are now focused on remixing our tenancies to optimise centre performance, and preparing for rental renewals over the next few years. Our young centres have a lower specialty rent per square metre than comparable centres, and we are confident that we will be able to increase rent/sqm over the next few years.”

“We have continued to grow our portfolio through accretive acquisitions. While the competition to acquire quality neighbourhood shopping centres has increased, and yields continue to compress, we are confident that we can continue to leverage our relationships and knowledge in the sector to source further off-market transactions that meet our investment criteria. We also intend to take advantage of the development opportunities in our portfolio. The refurbishment of Lismore is due for completion in May 2015, and we have identified over $100 million of other development opportunities in our portfolio in the near term. ”

“Finally, we have upgraded our full year Distributable Earnings guidance to 12.6 cpu (from 12.5 cpu), and our full year Distribution guidance to 11.4 cpu (from 11.3 cpu). ”

Financial performance

Earnings

The Group recorded a statutory net profit after tax of $98.2 million, up by 128.4% on the same period last year. This was supported by positive revaluations of our property portfolio and our derivatives portfolio.

Excluding these and other non-cash items, Funds From Operations (“FFO”) was $37.8 million, up 12.5% on the same period last year. Key drivers of this strong performance were the reduction in specialty vacancy levels, acquisitions, completed developments and lower cost of debt.

Distributable Earnings for the period was 6.3 cpu being 4.1% above the same period last year. We will stop reporting Distributable Earnings from 1 July 2015 as it will converge with FFO.

Property valuations

The value of investment properties increased to $1,799.7 million during the period (from $1,640.8 million at 30 June 2014), due to a combination of acquisitions and valuation uplifts. Acquisitions contributed $98.4 million to the value of investment properties, and valuation uplifts contributed $46.8m representing a 2.8% valuation increase on a like-for-like basis. The remaining $13.7 million uplift was due to straight lining adjustments and appreciation of the New Zealand Dollar.

In Australia, the value of completed properties increased to $1,581.9 million (from $1,406.7 million as at 30 June 2014) with capitalisation rates firming from 7.86% to 7.60%. In New Zealand, the value of completed properties increased to NZ$228.1 million (from NZ$226.4 million as at 30 June 2014) with capitalisation rates largely unchanged at 7.67%. Based on current market evidence, we believe our 30 June 2015 valuations are likely to show a further firming of capitalisation rates.

Net tangible assets

The Group’s net tangible assets (“NTA”) per unit is $1.73, an increase of 9cpu or 5.5% from $1.64 as at 30 June 2014 (and 14cpu or 8.6% from $1.59 as at 31 December 2013). This is primarily due to property valuations (7cpu), stronger New Zealand Dollar (1cpu) and retained earnings (1cpu).

Capital management

The Group maintains a prudent approach to managing its balance sheet. Gearing was 35.8% as at 31 December 2014, comfortably within our gearing policy range of 30% to 40%. At 31 December 2014, the Group had cash and undrawn facilities of $29.9 million.

In August 2014, we issued US$150 million and A$50m of notes under a US private placement. The US$ component was swapped back to A$159.8 million, and all future US$ coupon and principal payments have been fully hedged. With the proceeds of the USPP, we repaid and refinanced some of our bank debt facilities. We have written off $2.2 million of unamortised upfront fees associated with the repaid bank facilities.

As a result of the above, our weighted average cost of debt is around 4.75% and our weighted average term to maturity has increased to 6.6 years (from 3.5 years at 30 June 2014).

In February 2014, we announced the commencement of an on-market buyback, to be open for a period of 12 months, and to be implemented only if our unit price trades below NTA. Since that time, our units have consistently traded at a premium to NTA, so no units have been bought back, and the buyback will now be terminated.

Distributions

SCP aims to deliver sustainable and growing distributions to its unit holders. In January 2015, SCP paid a distribution in respect of the six month period to 31 December 2014 of 5.6 cpu representing an increase of 3.7% on the same period last year. This represents a payout ratio of 88% of Distributable Earnings (within our target range of 85% to 95%). The estimated tax deferred component was 39%.

The Distribution Reinvestment Plan (“DRP”) was activated for the first time for the first half distribution. Under that plan, in January 2015, we issued 2.2 million units at an issue price of $1.85 per unit (after a 1% discount), representing an implied take-up rate of around 11% of units on issue.

Small unitholder sale facility

During the half year we conducted a small unitholder sale facility for unitholders holding less than $500 worth of SCP units. As a result of this facility, we have reduced our number of unitholders to around 83,000 (from around 112,000 as at 30 June 2014, and from over 430,000 in December 2012). This is expected to generate ongoing savings in Corporate costs in the second half and beyond.

Operational performance

Specialty leasing project

SCP has achieved a specialty vacancy rate of 5.4% as at 31 December 2014 (or 4.5% excluding Margaret River). This number excludes Lismore, which is currently under development and due to be completed in May 2015. Lismore would add 0.2% to our vacancy number as at 31 December 2014, however we expect it to be fully leased upon completion of the development in May 2015. The reduction in vacancy levels across the portfolio has been achieved by executing 84 specialty transactions during the half year. Of those deals, 47 stores were open and trading as at 31 December 2014. A key focus for the second half of the financial year is to get the other 37 stores open and trading by 30 June 2015.

As a result of this deal activity and store opening schedule, we will be spending more than usual on leasing costs, landlord works and fitout incentives. In the first half of the financial year we spent $3.5 million on these items, and in the second half we expect to spend up to $8.5 million (a total of $12.0 million for the full financial year). This is a one-off spike due to the specialty leasing project. In FY16 and beyond we expect to spend less than $5 million per annum on leasing costs, landlord works and fitout incentives.

Centre optimisation

As well as opening agreed stores, our focus will also now turn toward centre optimisation. This will include some remixing of tenants, and preparation for renewal uplifts as specialty expiries occur over the next 2-3 years. Our specialty rent per square metre is lower than industry benchmarks for our type of centres, and our specialty occupancy cost is also low at around 10%. We expect to be able to achieve significant rental renewal uplifts over coming years.

Strong underlying sales growth continues

Our centres continue to grow. The comparable store sales MAT growth over the last 12 months, for stores open more than 24 months, was:

- Australian supermarkets: 4.2%
- New Zealand supermarkets: 5.2%
- Specialty stores: 3.8%

These growth rates are higher than our listed market peers and above Coles and Woolworths comparable store sales growth averages. The higher growth rates in our centres are due to the relative youth of our portfolio, larger than average supermarkets store sizes, and many of the properties being located in growth corridors. The sales growth being generated by our centres is likely to continue to moderate to more normalised levels over time as the centres mature.

Acquisitions, disposals and developments

During the six month period we acquired or agreed to acquire five neighbourhood centres worth approximately $173 million. Prospect Vale in Launceston ($26.8 million) and The Markets in Brisbane ($32.0 million) were acquired from private vendors. Claremont in Hobart ($27.9 million) was part of the November 2013 Tasmanian portfolio acquisition, but settlement was delayed until a Woolworths refurbishment had been completed. Greystanes ($38.2 million) was the final Woolworths development property agreed to be acquired as part of our IPO, with the final completion payment of $16.4 million paid in October 2014. In addition, we entered into agreements to acquire a new neighbourhood centre under development at Clemton Park in Sydney for $48.0 million, with completion expected for late 2016. We also entered into a contract for the sale of Margaret River, which we expect to complete in late February 2015.

We have commenced the refurbishment of Lismore with completion expected for May 2015. We have identified 16 other centres in our portfolio with development potential amounting to over $100 million of investment over the next 5 years.

Strategy and outlook

The key short term priority for the Group is to open the specialty stores agreed for lease under our specialty leasing project. We expect to achieve this by 30 June 2015. In addition, we will continue to focus on optimising our centres and increasing the rent per square metre they generate.

We remain committed to our core strategy which is to deliver sustainable earnings and distribution growth, by optimising the performance of the existing portfolio, by executing further acquisitions of convenience-based shopping centres and by investing in value enhancing development opportunities within our existing portfolio.

Earnings guidance

FY15 is a challenging year for SCP as we complete the specialty leasing project, and as the rental guarantee from Woolworths substantially expires. Nevertheless, as the year progresses, we are becoming more confident that our full year earnings targets will be delivered.

As such, we are increasing our FY15 Distributable Earnings guidance to 12.6 cpu (from 12.5 cpu), and we are increasing our FY15 Distributions guidance to 11.4 cpu (from 11.3 cpu).

A webcast of the investor briefing will be available at www.scaproperty.com.au on Tuesday 10 February 2015 at 10:00am (AEST).

ENDS

Media contact:

Anthony Mellowes
Chief Executive Officer
SCA Property Group
(02) 8243 4900

Institutional investor and analyst contact:

Mark Fleming
Chief Financial Officer
SCA Property Group
(02) 8243 4900

Retail unitholders should contact SCA Property Group Information Line on 1300 318 976 (or +61 3 9415 4881 from outside Australia) with any queries.

About SCA Property Group

SCA Property Group (SCP) includes two internally managed real estate investment trusts owning a portfolio of quality sub-regional and neighbourhood shopping centres and freestanding retail assets located across Australia and New Zealand. The Group invests in shopping centres predominantly anchored by non-discretionary retailers, with long term leases to tenants such as Woolworths Limited and companies in the Wesfarmers Limited group (such as Coles). The Group is a stapled entity comprising Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788).