



Managed by
HMC Funds Management Limited
(ACN 105 078 635; AFSL 237257)
as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

16 June 2021

CHAIRMAN'S ADDRESS TO EXTRAORDINARY GENERAL MEETING OF HOMECO DAILY NEEDS REIT UNITHOLDERS

HMC Funds Management Limited as responsible entity of HomeCo Daily Needs REIT (ASX: HDN) provides the attached Chairman's address to the Extraordinary General Meeting of HDN unitholders.

-ENDS-

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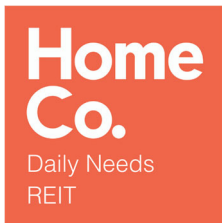
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Authorised for release by the Board of the Responsible Entity

About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HomeCo Daily Needs REIT aims to provide unitholders with consistent and growing distributions.



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Chairman's Address to Extraordinary General Meeting of HomeCo Daily Needs REIT Unitholders

Welcome and Introduction

Good morning ladies and gentlemen. My name is Simon Shakesheff and I am the Chairman of the Board of HMC Funds Management Limited, the responsible entity of HomeCo Daily Needs REIT (ASX: HDN). I will chair today's Extraordinary General Meeting of unitholders of HomeCo Daily Needs REIT.

Before we begin I would like to acknowledge the traditional custodians of the land on which we meet today, the Gadigal and Birrabirragal people of the Eora nation, and pay our respects to their elders - past, present and emerging.

I would also like to introduce my fellow directors – Simon Tuxen, Stephanie Lai (who is also Chair of the Audit and Risk Committee), Greg Hayes (who is also a director of Home Consortium) and David Di Pilla (who is also the Managing Director and Chief Executive Officer of Home Consortium).

On behalf of the Board of Directors, it is my pleasure to welcome you to this meeting.

This meeting has been convened in accordance with the Corporations Act and as a quorum of unitholders is present, I declare the meeting open.

This meeting is being held in virtual format only. Unitholders can be present virtually via this live webcast and you will be able to vote electronically through the online platform provided by our share registry, Link Market Services. To log in you will need your holder identifier and postcode. The online platform provides an opportunity to all unitholders to participate in the meeting.

Voting on all resolutions will be by way of poll. Unitholders attending the meeting online are able to cast their vote using the electronic voting card received with your online registration. For assistance, please refer to the virtual meeting online guide available in the investor centre on our website.

Unitholder's questions through the online platform are welcome at the meeting. As set out in the Notice of Meeting questions were invited to be submitted by 11am (Sydney time) on 14 June 2021. I confirm that no questions were received by that time, but you are still able to ask questions at any time during the meeting. You are able to log questions during this meeting through the online platform.

I will start by providing a brief background and overview of the matters that are the subject of each resolution that you will be voting on today. I will then open the floor for discussion and questions from unitholders, after which the vote by poll will be formally conducted.

Both resolutions 1 and 2 are subject to voting exclusions – details of the unitholders excluded and the reasons why are set out in the Voting Exclusion Statement in the Notice of Meeting.

I advise that where a proxy vote has been directed to me as Chair of the meeting, I intend to vote in favour of the relevant resolution.

Once the final votes cast are counted following closure of the meeting, the results will be promptly filed with the ASX.

Transaction Background

The purpose of the meeting is to obtain unitholder approval for two important transactions for HomeCo Daily Needs REIT.

On that basis there are two resolutions to be considered at this meeting as set out in the Notice of Meeting.

The first resolution is an ordinary resolution to approve the acquisition of a portfolio of seven large format retail assets from Home Consortium and its related entities located in Marsden Park (NSW), Box Hill (VIC), South Morang (VIC), Upper Coomera (QLD), Mackay (QLD), Toowoomba (QLD) and Bundall (QLD). The total purchase price for this portfolio is \$266.4 million. The acquisition will be funded from a combination of existing cash reserves, proceeds raised under the recently completed underwritten entitlement offer which raised approximately \$265 million and undrawn debt facilities.

The acquisitions are consistent with HDN's strategy to provide unitholders with stable and growing distributions and substantially improve HDN's portfolio quality, scale and diversification.

A number of financial and strategic advantages of the acquisitions are as follows.

- The large format retail portfolio is being acquired at approximately a 6% discount to 30 June 2021 book value (based on draft independent valuations in respect of the year ended 30 June 2021), providing opportunity for valuation uplift of \$17.3 million or ~3 cpu.
- The acquisitions are accretive to FY22 FFO/Unit and results in FFO guidance for the 2022 financial year of at least 8.3 cpu, representing an increase of 24% as compared to FFO of 6.7cpu for the 2021 financial year as provided in HDN's PDS dated 16 October 2020.
- The acquisitions increase HDN's model portfolio sub-sector weighting to LFR to 35% (currently slightly below target).
- The transaction will reduce HDN's 31 December 2020 pro-forma gearing from 34.5% to 32.1% and at the lower end of its targeted 30-40% gearing range. This will provide significant debt capacity for HDN to make further accretive acquisitions in the future.

Resolution 1 seeks the required unitholder approval for the acquisitions under ASX Listing Rule 10.1 given that Home Consortium is a related party of HDN for the purposes of that rule.

If the transaction is not approved by unitholders, the proceeds of the entitlement offer that would have been used to fund the acquisition will be used to repay existing debt facilities and for general working capital purposes. HDN will then continue to identify other value accretive opportunities consistent with HDN's strategy of identifying acquisition opportunities within the daily needs sector and its model portfolio.

Importantly, the opinion of the Independent Expert (being KPMG Financial Advisory Services) set out in Schedule 2 of the Notice of Meeting, is that the acquisitions are fair and reasonable for unitholders not associated with Home Consortium. I also note that Bill Allen, an authorised representative of KPMG, is on the line at the meeting today to address any questions about that report.

The second resolution is a special resolution to approve the selective buy-back of up to 10,231,213 units held by Home Consortium.

The underwritten accelerated non-renounceable pro-rata entitlement offer of new units announced by HDN on 19 April 2021 includes the issue to each eligible unitholder who was issued new units with up to 1 bonus unit for every 20 new units issued, provided the eligible unitholder holds a number of units in excess of their record date holding on the bonus unit determination date. That determination date is 16 August 2021.

Subject to satisfying the minimum holding requirements, eligible unitholders will be issued the bonus units for nil consideration.

The issue of those bonus units is being supported (or funded) by Home Consortium, which has agreed to sell back to the responsible entity of HDN a number of units equal to the number of bonus units that are issued, pursuant to an off-market selective buy-back for nominal consideration. The result of the issue of bonus units and the selective buy-back is that unitholders will benefit from the allotment and issue of additional bonus units, with a net zero change on the issued capital of HDN and result in an implied discount in the offer price under the entitlement offer of ~4.8% (assuming the bonus units are issued).

The Board has identified the following advantages of the selective buy-back for unitholders which are:

- The selective buy-back will not require payment by HDN, other than for nominal consideration.
- The issue of the bonus units and the selective buy-back allows HDN to include an intrinsic discount to the offer price under the entitlement offer without requiring further units to be issued.
- The issue of bonus units is effectively being funded by Home Consortium through the selective buy-back. This ensures that there is minimal dilution to NTA per unit to existing unitholders as a result of the issue of bonus units.
- There will be a net zero change in the issued capital of HDN as a result of the issue of bonus units, and will effectively result in a transfer of units from Home Consortium to eligible unitholders.
- The selective buy-back will increase the liquidity of units by reducing the concentration of units held by Home Consortium.

The Board does not believe that the selective buy-back poses any significant disadvantages to unitholders.

This resolution relating to the selective buy-back must be approved by a special resolution (being 75% of votes cast) passed at a meeting of unitholders. If it is not passed the issue of bonus units will not proceed and unitholders will not enjoy the benefits I have just outlined.

I will now commence the formal business of today's meeting.

Simon Shakesheff

Chairman

HMC Funds Management Limited

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