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HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

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HDN DELIVERS 8% FFO GROWTH IN 1H FY23 & REAFFIRMS FY23 FFO and DPU GUIDANCE

HomeCo Daily Needs REIT (ASX: HDN) today released its results for the half-year ended 31 December 2022. Today's result underscores HDN's compelling growth and defensive qualities which are underpinned by the REIT's daily needs focused tenant base, highly strategic real estate, and lowly geared balance sheet. Key highlights for the period are:

Financial highlights

- 1H FY23 FFO of 4.3 cpu (\$89.4m) up +8% versus the pcp¹
- 1H FY23 DPU of 4.2 cpu up +2% versus the pcp¹
- Gearing of 31.5% versus 32.7% at Jun-22 and pro-forma interest rate hedging of ~70%²
- NTA/unit of \$1.52, in-line with Jun-22, with rental growth offsetting cap rate movement

Operational highlights

- >99% occupancy
- >99% cash rent collections in 1H FY23
- +5.9%³ positive leasing spreads across 75 leasing deals

Investment highlights

- On-track to deliver >\$80m of developments in FY23 at a ~7% ROIC⁴
- Announced >\$120m of new development projects to commence in FY24
- Development pipeline beyond FY23 increased to >\$600m (from \$500m)
- Divested Sunshine Coast and Epping for \$210m at a combined 4.6% premium to book value
- Acquisition of Southlands Boulevard, a triple supermarket anchored daily needs centre in metropolitan Perth for \$92.5m
- \$50m strategic investment in HMC Capital's unlisted Last Mile Logistics Fund

FY23 guidance

- FY23 FFO guidance of 8.6 cpu⁵ reaffirmed
- FY23 DPU guidance of 8.3 cents reaffirmed
- FY23 comparable property NOI growth of +3.8%⁶ versus previous guidance of 3.3%

¹ Versus 1H FY22 HDN FFO of 4.0cpu and DPU of 4.1cpu.

² HDN entered into \$475m of forward start interest rate swap hedges post Dec-22 commencing from Jun-23, at an average fixed rate of 3.5% p.a.

³ For new leases and renewals.

⁴ Return on Invested Capital (ROIC) represents cash yield on cost based on assumptions relating to future income, valuation, capex and is calculated on a fully stabilised basis.

⁵ Based on average BBSY of 3.5% over 2H FY23.

⁶ Versus Jun-22 and relates to comparable NOI growth across stabilised assets only.

HDN CEO, Sid Sharma said, “Our 1H FY23 result marks a continuation of our strong underlying growth trajectory with HDN delivering solid rental growth, cash collection and net valuation movements. Our operational results are underpinned by strong tenant demand for both our existing portfolio and developments, which is translating into solid rental growth.”

“We continue to drive additional growth through accretive acquisitions and developments. In the half we realised ~\$210m from the disposal of Sunshine and Epping and deployed ~\$143m into strategic acquisitions and investments. Our acquisition of Southlands Boulevard in Perth at a fully-let yield of ~8% is immediately FFO accretive. Similarly, our strategic \$50m commitment to the Last Mile Logistics unlisted fund has the potential to create a significant future acquisition pipeline for HDN.”

“Our development pipeline remains a key pillar of our growth strategy and we are on-track to see a material step change in development commencements in FY24 to over \$120m from \$80m in FY23. The identified development pipeline has now increased to over \$600m beyond FY23. Importantly, we remain well positioned to generate attractive incremental returns on capital and our projects continue to be significantly de-risked through early builder engagement and tenant pre-leasing,” Mr Sharma said.

HMC Capital Group CFO, Will McMicking said, “HDN is well positioned as we move into a more subdued economic environment with a highly defensive tenant base, low and sustainable rents, minimal vacancy and expiries and a strong balance sheet. The marked increase in net overseas migration will significantly benefit our portfolio which is strategically located in Australia’s leading metropolitan growth corridors”.

“We are pleased to today reaffirm our FY23 FFO and DPU guidance with better-than-expected underlying income growth from our portfolio offsetting higher interest costs now assumed in our guidance. Importantly, HDN’s balance sheet is well positioned to support our growth initiatives including accretive acquisitions which are not assumed in guidance,” Mr McMicking said.

For additional information please refer to the 1H FY23 financial results presentation which was also released on the ASX today.

Investor and analyst briefing teleconference call

An investor and analyst briefing teleconference call, followed by a Q&A session, will be held on **Monday 20 February, 2023 at 10:30am (AEST)**. Investors and analysts wishing to participate can pre-register for the call at: <https://s1.c-conf.com/diamondpass/10028144-4wf78b.html>

The following webcast link will be available: <http://www.openbriefing.com/OB/5007.aspx>

A playback of the 1H FY23 results webcast will be made available on HMC Capital’s website at www.hmccapital.com.au.

Please enter your name, email address and company to register for the 10:30am webcast.

This announcement is approved for release by the Board of the Responsible Entity.

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About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT (HDN) 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. HDN aims to provide unitholders with consistent and growing distributions.

HDN is Australia's leading daily needs REIT with a combined portfolio size of approximately \$4.7bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide.

Important Notice - Forward-Looking Statements

This announcement contains certain forward-looking statements, which may include indications of, and guidance on, future earnings and financial position and performance. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of HomeCo Daily Needs REIT. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based.

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