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HMC Funds Management Limited
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as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

31 May 2021

PRELIMINARY UNAUDITED VALUATION INCREASE OF 6.5% (\$84.7 MILLION), NET 4.7% VALUATION INCREASE AND DEVELOPMENT UPDATE¹

Portfolio Valuation Uplift and Progress on Value Accretive Developments

- Preliminary June 2021 valuation increase of 6.5% (\$84.7 million) and 4.7% (\$61.1 million) net of capex versus December 2020¹
- 64% growth in gross asset value of portfolio since IPO in November 2020 providing enhanced scale and diversification¹
- 5 brownfield development projects substantially progressed with forecast cash yield of 10%+
- Portfolio continues to achieve >99% unadjusted contracted cash rent collection²
- Reaffirmed FY22 FFO/unit guidance of 8.3 cents and 4Q FY21 DPU of 1.8 cents¹

JUNE 2021 PRELIMINARY UNAUDITED PORTFOLIO VALUATION

In accordance with the stated valuation policy of HomeCo Daily Needs REIT (ASX:HDN), preliminary unaudited valuations for all 27 properties in the portfolio (including the 8 acquisitions announced in April 2021) have been completed. This comprised 23 independent valuations representing 85% of the properties by number and 87% of the 30 June 2021 draft portfolio valuation with the remaining 4 properties completed by internal valuation³.

The high proportion of independent valuations undertaken this period reflects that no independent valuations were undertaken in December 2020 given the proximity to the IPO in November 2020 and the Board's regard to the magnitude of the valuation gains for the latest six month period. The preliminary unaudited portfolio valuation, which remains subject to year end audit has increased by \$84.7 million (6.5%) to \$1,384.5 million (from 31 December 2020 to 30 June 2021). Net of capital expenditure incurred during the period of \$23.6 million, this represents a net valuation increase of \$61.1 million (4.7%).

HDN Fund Portfolio Manager Paul Doherty said: *"The draft valuation result provides strong validation for HDN's high quality and well-located portfolio which is benefitting from robust investment and tenant demand. Incorporating the preliminary unaudited valuations and capital raising announced in April 2021, HDN's gearing will reduce to the bottom end of the target 30-40% range, providing significant capacity for future investment in growth initiatives."*

¹ Includes LFR Portfolio which, subject to a successful unitholder vote, will settle in July 2021 and the valuation gain from the LFR Portfolio relative to the purchase price as well as Armstrong Creek Town Centre, VIC (settled April 2021). Outlook statements have been made assuming no unforeseen circumstances or further extended COVID 19 lockdowns and government mandated restrictions and assuming LFR Portfolio acquisition conditions are met.

² Based on the months of January to April 2021.

³ Armstrong Creek (VIC) internally valued at acquisition price.

Preliminary unaudited portfolio valuation	Independently valued property (\$m)	Internally valued property (\$m)	April 2021 Acquisitions ⁴	Pro forma Valuation (\$m)
# of properties valued	16	3	8	27
Pro forma 31 December 2020 balance⁴	\$863.5m	\$114.3m	\$322.0m	\$1,299.8m
Capital expenditure ^{4,5}	\$12.1m	\$11.5m	-	\$23.6m
Net valuation increase ^{4,5,6}	\$38.5m	\$5.3m	\$17.3m	\$61.1m
30 June 2021 preliminary balance^{4,5,6}	\$914.0m	\$131.1m	\$339.3m	\$1,384.5m
Gross increase % (versus 31 December 2020)	+ 5.9%	+ 14.7%	+ 5.4%	+ 6.5%
Net increase % (versus 31 December 2020)	+ 4.5%	+ 4.6%	+ 5.4%	+ 4.7%
30 June 2021 WACR				5.73%

DEVELOPMENT UPDATE – VALUE ACCRETIVE DEVELOPMENTS ON TRACK

HDN is pleased to provide a positive update on the seven committed development projects comprising two major developments and five brownfield development projects which were identified at HDN's 1H FY21 financial results in February 2021.

Developments provide a meaningful source of growth for HDN and offer attractive incremental returns on capital. HDN's strategically located portfolio and low site coverage of 31% provide significant long-term potential to unlock additional income and capital growth.

Major developments

The major developments of Richlands (QLD) and Ellenbrook (WA), which are now largely complete, are proceeding in line with the previously disclosed budget and timetable.

Richlands commenced trading in March 2021 with the successful opening of Fresh and Save Food Warehouse. Occupancy is currently at 95%⁷. At Ellenbrook, Spudshed and Spotlight commenced trading in December 2020 and works remain on track to deliver the remaining tenancies by the target date of July 2021. Occupancy is currently at 93%⁷.

Brownfield developments

HDN's five brownfield developments have been substantially progressed and are on track to deliver an average cash yield of 10%+ once fully stabilised. The following table highlights the significant progress achieved to date:

⁴ Includes acquisitions announced in April 2021. LFR Portfolio is to be acquired at 31 December 2020 valuation, subject to a successful unitholder vote. Armstrong Creek internally valued at April 2021 acquisition price.

⁵ Balances to 30 June 2021 are unaudited and subject to change.

⁶ Excludes adjustments relating to straight lining and capitalised management fees.

⁷ Occupancy as at 31 May 2021. Calculated by GLA and includes signed leases and signed MoU's.

Brownfield development projects	Planning	Pre-leased	Under construction	Target open	Investment & target return ⁸
1. Gregory Hills (NSW) ▪ 3,120 sqm GLA centre extension anchored by Aldi	✓	✓	✓	2H FY22	~\$12m
2. Braybrook (VIC) ▪ 200 sqm GLA Drive through Guzman Y Gomez	✓	✓	Tender complete	1H FY22	~\$2m
3. Braybrook (VIC) ▪ 200 sqm GLA Drive through Carl's Junior	✓	✓	Tender complete	1H FY22	~\$2m
4. Braybrook, (VIC) ▪ 1,800 sqm GLA Medical centre pad	✓	✓	Tender complete	2H FY22	~\$4m
5. Penrith (NSW) ▪ 1,500 sqm GLA Childcare pad	✓	✓	Tender complete	2H FY22	~\$3m
Total					~\$23m (10%+ target return)

Gregory Hills Town Centre (NSW)



⁸ Target return equal to cash yield on fully stabilised basis.

Braybrook (VIC)



Penrith (NSW)



In addition to the five projects above, HDN is progressing a number of other brownfield development opportunities within the portfolio which will form the next wave of value accretive developments. HDN will provide further information on these opportunities at the full-year FY21 financial results.

FY21 AND FY22 GUIDANCE

HDN reaffirms FY21 FFO/unit guidance of 3.9 cents and 4Q FY21 distribution of 1.8 cents per unit.⁹

HDN reaffirms FY22 FFO/unit guidance of **at least 8.3 cents** (\$57.0 million), which represents a 24% increase versus FY21 PDS FFO/unit (annualised basis).⁹

HDN continues to actively monitor the market for potential acquisition opportunities and is well positioned to execute with a strong capital position. FY22 FFO guidance does not assume the impact of any further acquisitions.

-ENDS-

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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.

⁹ Outlook statements have been made assuming no unforeseen circumstances or further extended COVID 19 lockdowns and government mandated restrictions and assuming LFR Portfolio acquisition conditions are met.

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 are also forward-looking statements. 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. No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement. The forward-looking statements are based only on information available to HomeCo Daily Needs REIT as at the date of this announcement. Except as required by applicable laws or regulations, HomeCo Daily Needs REIT does not undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances. Past performance and pro forma historical financial information is given for illustrative purposes only. It should not be relied on and it is not indicative of future performance, including future security prices.