

ASX / MEDIA ANNOUNCEMENT

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SCA PROPERTY GROUP ANNOUNCES FY13 RESULTS

SCA Property Group (ASX: SCP) (“SCP” or “the Group”) announces its results for the period ended 30 June 2013. This is the first financial result since the Group’s listing.

Key financial results:

- Statutory loss after tax of \$4.4 million after non-recurring formation transaction costs, fair value and other adjustments
- Distributable earnings⁽¹⁾ of \$38.6 million, \$0.4 million higher than the PDS forecast
- Distributable earnings⁽¹⁾ of 6.6 cents per unit
- Distribution of 5.6 cents per unit, in line with the PDS forecast
- Balance sheet gearing⁽²⁾ of 28.9%
- Portfolio value of \$1,504.4 million⁽³⁾
- Net tangible assets of \$1.57 per unit
- Management expense ratio (“MER”) of 0.71%

Key portfolio performance:

- Portfolio occupancy of 96.6%
- Specialty leasing deals completed on 13,240 sqm since listing
- Weighted average lease expiry of 15.0 years (18.2 years for anchor tenants)

Chief Executive Officer, Anthony Mellowes, said: “SCP has built on its foundation as an owner of convenience-based retail centres focused on the non-discretionary retail sector and highlighted its ability to deliver stable and secure income for investors. We are pleased to report a solid result in line with the PDS forecast.

“During the period we acquired seven quality neighbourhood shopping centres, introduced Wesfarmers Group as an anchor tenant in two locations and executed a \$90 million institutional placement. The Group also completed an unmarketable parcel sale facility and replenished our debt facility headroom, positioning us for future growth.

“Our primary focus for the year ahead will continue to be the leasing of specialty vacancies and generating incremental value from active portfolio and asset management, with the objective of generating defensive, resilient cash flows to support regular distributions to our unitholders. We have made good progress in the short time since listing late last year and we are on track to deliver on the objectives set out in the PDS.”

1. Distributable Earnings represents the Directors’ view of underlying earnings in the period
2. Net debt to total tangible assets less cash
3. Includes properties under construction subject to Development Management Agreements (“DMA”) and rental guarantee

Level 8, 50 Pitt Street, Sydney NSW 2000

Tel: (02) 8243 4900, Fax: (02) 8243 4999, www.scaproperty.com.au

Financial result in line with PDS

The Group recorded a statutory loss after tax of \$4.4 million after non-recurring formation transaction costs, fair value and other adjustments.

Distributable earnings after tax was \$38.6 million, \$0.4 million higher than the forecast set out in the Product Disclosure Statement dated 5 October 2012 ("PDS"). A distribution of 5.6 cents per unit has been declared, in line with the PDS forecast.

Rental income for the period was \$59.3 million which was lower than the PDS forecast of \$63.2 million due to delays in settlements for some of the properties and lower than forecast rent from specialty tenants. The difference was offset by higher rental reimbursement receipts⁽⁴⁾ and higher Site Access Fees.

Rental reimbursement receipts⁽⁴⁾ were higher than the PDS forecast mainly due to the receipt of compensation from Woolworths Limited relating to rent-free periods provided to tenants prior to the Group's establishment and a longer than anticipated time taken for specialty stores to commence trading after agreeing lease terms. The Group is focused on reducing the time taken to open specialty stores in line with industry averages and has implemented initiatives such as bringing leasing and lease administration functions in-house.

Net interest expense for the period was \$1.5m lower than the PDS forecast as a result of delays in property settlements (\$0.7 million) and lower cost of debt due to entering into more favourable interest rate swap agreements (\$0.8 million).

Despite a small net increase in property valuations in FY13, the write-off of property acquisition costs and transaction costs associated with the portfolio acquisition in June 2013 resulted in a small decline in the Group's net tangible assets ("NTA") to \$1.57 per unit from \$1.58 at listing.

Strong sales growth in non-discretionary retail segment

Anchor tenants in the Australian portfolio with a trading history of more than 24 months delivered 8.1% sales growth over the last 12 months⁽⁵⁾. This result reflects the location of centres in predominantly growth corridors characterised by strong population growth, the relatively young age of the assets with an average age of 3.1 years, and the resilience of the non-discretionary retail sector. While sales growth is likely to moderate to more normalised levels over time, the strong foot-traffic is a key attraction to retailers and provides a solid base to deliver on the specialty leasing program.

Solid specialty leasing

SCP has entered into leasing transactions on 13,240 sqm of specialty store space since listing late last year, with approximately 11,500 sqm of specialty store space left to lease to reach stabilised occupancy levels. Portfolio occupancy increased from 95% to 96.4% on a same-store basis for the completed portfolio. In addition, the integration of 10 newly-completed properties and the portfolio acquisition in June 2013 has resulted in portfolio occupancy of 96.6% as at 30 June 2013.

The Group's leasing strategy is to ensure we are securing the right tenant for the right location in order to create a sustainable and long-term tenant mix to optimise the performance of the portfolio.

Portfolio overview

SCP's portfolio comprises 75 shopping centres anchored by long-term leases to high quality tenants with a weighted average lease expiry of 15 years. The portfolio is valued at \$1,504.4 million with 96.6% occupancy at 30 June 2013. Nearly half the portfolio is located in growth corridors and largely comprises convenience-based neighbourhood centres with a strong weighting to the non-discretionary retail segment, with anchor tenants representing 62% of gross income.

4. Cash receipts from rental guarantee and reimbursement of rent-free
5. For Australian centres with greater than 24 months trading history, excludes portfolio acquisition in June 2013

Australian portfolio

The Australian portfolio is geographically diverse being located across 5 states. It comprises 62 neighbourhood and sub-regional shopping centres and freestanding properties, including three assets under construction as at 30 June 2013.

The portfolio delivered net operating income of \$47.4 million in FY13, with the majority generated by convenience-based neighbourhood shopping centres. The total value of Australian investment properties as at 30 June 2013 was \$1,330.2 million, including \$119.7 million in properties under construction.

During FY13, 17 properties were independently valued. This represented 39% of the Australian portfolio by value – excluding the seven assets acquired in June 2013 – and resulted in a positive \$1.4 million revaluation predominately attributable to increased net operating income estimates. This included six development properties completed during FY13. The weighted average capitalisation rate of 8.11% for the Australian portfolio remains unchanged from the last independent valuation. The balance of the portfolio was internally valued with no change in value adopted against the last independent valuation which took place at the time of listing.

In addition, the portfolio of seven properties acquired in June 2013 was at independent valuation with a weighted average capitalisation rate of 7.78%. The slightly tighter capitalisation rate for this portfolio compared to the Australian portfolio was predominately attributable to the more mature nature of the properties providing net income growth.

New Zealand portfolio

The New Zealand portfolio comprises 13 freestanding properties and neighbourhood shopping centres located throughout New Zealand. The portfolio delivered net operating income of \$6.4 million in FY13, with the majority generated by freestanding shopping centres.

The total value of New Zealand investment properties as at 30 June 2013 was \$174.2 million. This excludes the settlement of the neighbourhood shopping centre at St James which was delayed at the time of the Group's listing and is expected to settle in October 2013⁽⁶⁾.

During FY13, all four of the development properties completed during the period were independently valued, representing 34% of the New Zealand portfolio. The weighted average capitalisation rates for these properties tightened slightly from 7.96% to 7.88% however this was offset by an increase in statutory outgoings for these newly-completed properties resulting in a small valuation decline of \$0.2 million. The balance of the New Zealand portfolio was internally valued with no change in value adopted since the last independent valuation at the time of listing.

Newly-completed development properties

During FY13, ten new shopping centres were completed and commenced trading achieving an average occupancy of 97.1% as at 30 June 2013. These centres were Fairfield Heights (NSW), Brookwater Village (NSW), Cabarita (NSW), Highett (VIC), Walkerville (SA) and Margaret River (WA) in Australia, and Tawa, Newtown, Bridge Street and Stoddard Road in New Zealand.

The completion of these centres was subject to the Development Management Agreements ("DMA") with the acquisition price based on an independent valuation on a completed basis. While the properties are under construction, the Group benefits from Site Access Fee payments equal to the independent valuation capitalisation rate multiplied by the initial payment and paid monthly. During FY13, the Group received \$6.8 million in Site Access Fees, slightly higher than the PDS forecast for the same period of \$6.4 million largely due to a delay in completion of the neighbourhood centre at Margaret River, Western Australia.

The sub-regional shopping centre in Lilydale, Victoria featuring Woolworths, Big W and Aldi as anchor tenants supported by 53 specialty stores was completed and commenced trading on 31 July 2013 as anticipated. Rental levels achieved are broadly in line with PDS forecast with occupancy of 95%. The centre, and the other recently completed development properties, are covered by the rental guarantee from Woolworths Limited for two years from the date of completion.

6. Awaiting sub-division of land

A further two centres remain under construction. Katoomba Marketplace, NSW, is due for completion in March 2014, and the completely refurbished neighbourhood centre at Greystanes, NSW, is due for completion in October 2014, with a final payment of \$33 million in aggregate due upon completion.

Successful acquisition drives portfolio and income growth

In June 2013 the Group acquired a portfolio of seven mature neighbourhood shopping centres in an off-market transaction with a private investment group for \$135.8 million. The acquisition was funded by a \$90 million institutional placement and by drawing on existing debt facilities.

The acquisition is expected to be accretive to the Group's future earnings and property income profile, given the mature nature of the centres with an average age of 11 years and most anchor tenants are achieving sales levels close to or above their turnover rent thresholds. Specialty tenants have fixed annual rental increases of close to 4% per annum.

The acquisition demonstrated the Group's ability to originate accretive off-market transactions that complement the existing portfolio and take advantage of its internal management.

Financial Management

The Group maintains a prudent approach to managing the balance sheet. Gearing is 28.9% as at 30 June 2013 which is comfortably within the policy range of 25%-40%. At 30 June 2013, the Group had cash and undrawn facilities of \$107.8m. The Group's unsecured bank facilities were extended in July 2013 from \$550m to \$600m, a \$50m increase to position the Group to complete the remaining development property purchases in the coming year. The weighted average debt maturity of the bank facilities is 3.6 years.

As at 30 June 2013, 78% of the Group's debt was fixed or hedged.

Resilient cash flows to support secure, regular distributions

SCP's investment objective is to provide investors with a defensive and stable income stream to support regular distributions by investing in a geographically-diverse portfolio of convenience-based retail centres, with a strong weighting toward the non-discretionary retail segment and anchored by long term leases to quality tenants.

The distribution policy reflects this with a target payout ratio of 85-95% of Distributable Earnings after taking into account an allowance for structural vacancy during the period of the rental guarantee as well as prudently allowing for ongoing future capital expenditure.

Strategy and outlook

The key priority for the Group remains driving net operating income growth through the leasing of specialty vacancies in the existing portfolio. Based on progress to date and the pipeline of leasing deals, the Group is on track to achieve forecast stabilised occupancy levels at the end of the rental guarantee period.

While growth opportunities through accretive acquisitions will be evaluated where possible, the Group is also focused on generating incremental net income growth by optimising the performance of the existing portfolio. Initiatives include the internalisation of the leasing function, achieving more cost-effective asset management through scale, identifying incremental income opportunities and working with our external property managers and contractors to maximise efficiencies within the portfolio.

In addition, the Group is focused on integrating the newly-completed shopping centre in Lilydale, Victoria and two other properties under construction into the portfolio during FY14 and FY15.

Earnings guidance

FY14 Distributable Earnings guidance remains unchanged at 12.2 cents per unit, and Distribution guidance remains unchanged at 10.8 cents per unit.

A webcast of the investor briefing will be available at www.scaproperty.com.au on Wednesday 28 August 2013 at 11:00am (AEST).

ENDS

Institutional investor, analyst and media contacts:

Kerry Shambly
CFO
SCA Property Group
(02) 8243 4900

Linda Assatoury
Investor Relations
SCA Property Group
(02) 8243 4921

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 Wesfarmers Limited. 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).

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