Home Co. Daily Needs REIT

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as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

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HOMECO DAILY NEEDS REIT (ASX: HDN) UPGRADES FY22 PRO FORMA FFO GUIDANCE TO 9.3 CPU

Financial highlights

- 1H FY22 FFO of $30.6m up 121% versus the pcp[1]
- 1H FY22 FFO/unit of 4.0 cents up 38% versus the pcp[1]
- Pro forma Dec-21 gearing of 32.2% versus 35.0% at Jun-21[2]
- Pro forma Dec-21 NTA/unit of $1.40 versus $1.24 at Jun-21[3], supported by $350m of net revaluations[4]

Operational highlights[3]

- >99% unadjusted cash rent collections in 1H FY22 and since IPO (Nov-20)
- Positive leasing spreads of +4.9% across 69 leasing deals
- Identified development pipeline increased to $500m including several large-scale opportunities
- Remaining FY22 developments on track to open in 2H FY22 and generate a >10% ROIC
- Announced >$60m of new development projects to commence in FY23 with a target ROIC of >7%

FY22 guidance and proposed fee reduction

- FY22 pro forma FFO guidance upgraded to 9.3 cpu, which represents a 4.5% upgrade on prior guidance of 8.9 cpu
- FY22 DPU guidance upgraded to 8.28 cpu, reflecting a 2% increase in Q4 FY22 distribution following merger implementation
- Well positioned for inclusion into the S&P/ASX 200 at the next rebalance
- HMC has agreed to reduce HDN's base management fee from 55bps to 50bps (-9%) for GAV >$5.0bn

HDN CEO-designate, Darren Holland said, *"Today's result marks the beginning of our new journey as Australia's leading Daily Needs REIT following the merger between the HomeCo Daily Needs REIT and Aventus. HDN delivered FFO/unit growth of 38% versus the prior corresponding period which was driven by strong underlying income growth and accretive investments into both our development pipeline and strategic acquisitions.*

Despite the ongoing presence and uncertainties brought about by COVID-19, our portfolio delivered over 99% unadjusted cash rent collection, occupancy remained stable above 99% and leasing spreads were positive on

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[1] On a HDN standalone basis, relative to 1H FY21 reported FFO from IPO date (timing adjusted for full half year).
[2] Dec-21 pro forma for Merger with AVN. Jun-21 pro forma for settlement of 7 LFR properties from HomeCo and Town Centre Victoria Point.
[3] On a Merged Group basis.
[4] Net basis.

both new leases and renewals completed during the period. The combined portfolio saw $350m of net revaluation gains which was underpinned by both income growth and a further tightening in capitalisation rates. Transactional evidence for high quality daily needs assets remains robust and supports further upside potential for our portfolio which is strategically weighted to Australia's leading metropolitan markets and growth corridors."

PORTFOLIO UPDATE

On a Merged Group basis, the fair value of investment properties increased 9.7% from $4,055m at Jun-21 to $4,446m at Dec-21. The total portfolio weighted average capitalisation rate compressed 30 basis points to 5.55% (5.85% as at 30 June 2021) reflecting continued strong investment demand for high quality convenience and LFR assets in the broader market

Portfolio statistics (Dec-21)	HDN	AVN	Merged Group
Number of properties	32	19	51
Fair value	$1,926m[5]	$2,519m	$4,446m
Weighted Average Capitalisation Rate	5.34%	5.70%	5.55%
Weighted Average Lease Expiry[6]	7.1	3.4	5.0
Site coverage ratio[7]	32%	44%	38%
Average gross rent/sqm	$325/sqm	$342/sqm	$335/sqm

Operating metrics[8]

1H FY22 highlights include:

- 99% occupancy
- 99% unadjusted cash rent collections
- Positive leasing spreads of +4.9% across 69 leasing deals
- 10,986 sqm GLA of development leasing deals executed across 24 new leases

DEVELOPMENT UPDATE

Developments provide a meaningful source of growth for HDN and offer attractive incremental returns on capital. HDN's strategically located portfolio (which spans 2.5 million sqm of land) and low site coverage of 38% provides significant long-term potential to unlock additional income and capital growth. Post the merger with AVN, HDN has over $500m of identified development opportunities and is targeting >$60m of annual capex at a target ROIC of 7%+[9] for FY23

- HDN has >$30m of accretive brownfield developments across 7 sites which are 100% pre-leased and on track to deliver a 10%+ ROIC on completion in FY22. The extension at Gregory Hills Town Centre successfully completed in Dec-21 achieving a ROIC of 9.5%. The current valuation of $100m is well in excess of the $69m purchase price in late 2020 and subsequent ~$12m capital investment

[5] Includes Armstrong Creek pad site, which is expected to settle in 2H FY22. Also includes Parafield ROU asset.
[6] By gross income.
[7] Ratio of GLA to site area, where GLA does not include carparks.
[8] On a Merged Group basis.
[9] Target capex from FY23 onwards. Return on invested capital (ROIC) represents cash yield on cost once development is fully stabilised. Estimated ROIC is based on assumptions relating to future income, valuation, capex and calculated on a fully stabilised basis.

- HDN has identified >$60m of additional value accretive brownfield development opportunities which are expected to commence in FY23. These 7 projects are expected to add >23,000 sqm of additional GLA to the portfolio and deliver a 7%+ ROIC
- Post the merger, HDN will look to accelerate a number of larger scale opportunities (including town centre redevelopments) that exist across the portfolio

CAPITAL MANAGEMENT

HDN is now leveraging its increased scale and position to execute on its credit strategy to diversify debt sources, increase debt tenor and lower the cost of debt for HDN

Key capital management highlights include:

- A Moody's Rating Assessment Service (RAS) investment grade credit rating of 'Baa2 stable' for the merged group
- A new $1.62 billion senior secured debt facility following the merger with liquidity of $205m and an average debt tenor of 3.9 years as at December 2021 on a merged basis
- Pro forma gearing of 32.2% which is below the mid-point of the target gearing range of 30-40%
- Pro forma Hedged debt of 56.0% post the merger with an average hedged debt tenor of 3.6 years[10]

PROPOSED BASE MANAGEMENT FEE REDUCTION

HMC has agreed to enhance HDN's cost structure following the significant increase in the scale of the entity post the merger with AVN ($4.4bn GAV).

Under the revised structure, HDN's incremental base management fee will reduce to 50 bps from 55 bps when HDN's GAV exceeds $5.0bn.

HMC Managing Director and CEO, David Di Pilla said, *"The decision to reduce HDN's base management fee demonstrates HMC's strong alignment as HDN's manager and commitment to support the continued growth and success of the REIT".*

FY22 GUIDANCE

HDN is pleased to provide the following guidance for FY22:

- FY22 pro forma FFO per unit guidance is upgraded to 9.3 cents (previously 8.9 cents)[11]
- FY22 statutory FFO per unit guidance is 8.8 cents[11]
- FY22 distribution per unit guidance upgraded to 8.28 cents[11,12]

Upgraded FY22 pro forma FFO guidance of 9.3 cents includes ~$100m[13,14] of new debt funded acquisitions expected to complete in 2H FY22 and the net impact from financing activities including the refinancing of HDN's debt facility and new interest rate hedging (including the breaking of certain AVN legacy hedges)

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[10] Includes the impact of new interest rate hedging post 31-Dec-21 (including the breaking of certain AVN legacy hedges).
[11] FY22 guidance assumes all developments in progress are completed in line with current expectations and that any potential COVID-19 related relief is limited to SME tenants only and COVID-19 related lockdowns and government mandated restrictions do not escalate beyond the present circumstances.
[12] HDN intends to apply its distribution reinvestment plan (DRP) to the upcoming March 2022 quarterly distribution.
[13] Excludes Armstrong Creek pad site also expected to settle in 2H FY22 for $21.5m.
[14] Heads of agreement entered into subject to documentation and compliance with usual related party protocols and requirements.

Investor and analyst briefing teleconference call

An investor and analyst briefing teleconference call, followed by a Q&A session, will be held on **Wednesday 23 February 2022 at 11:00am (AEDT)**. Investors and analysts wishing to participate can pre-register for the call at: https://s1.c-conf.com/diamondpass/10019077-as1uxg.html

The following webcast link will be available: https://webcast.openbriefing.com/8385/

Please enter your name, email address and company to register for the 11:00am webcast.

-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.

The merger with Aventus Group (AVN) will create Australia's leading daily needs REIT with a combined portfolio size of approximately $4.4bn 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 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.*