

# SCA PROPERTY GROUP ANNUAL GENERAL MEETING

23 November 2016  
The Barnet Long Room, Level 1, Customs House,  
31 Alfred Street, Sydney NSW 2000



**Chairman's Address**

**CEO's Address**

**Formal Business**

**General Questions**

# *CHAIRMAN'S ADDRESS*

Philip Marcus Clark AM

**Welcome**

**Financial Performance Highlights FY16**

**Capital Management and Asset Recycling**

**Funds Management Initiative**

**Sustainability and Safety**

# CHAIRMAN'S ADDRESS

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**The Board**

**Australian Supermarkets - Competitive Environment**

**Investors**

**Conclusion**

GRIFFIN PLAZA  
*griffin*

**COLES**

**LIQUORLAND**

**THE REJECT SHOP**  
WINE • BEER • SPIRITS

Specialty Stores



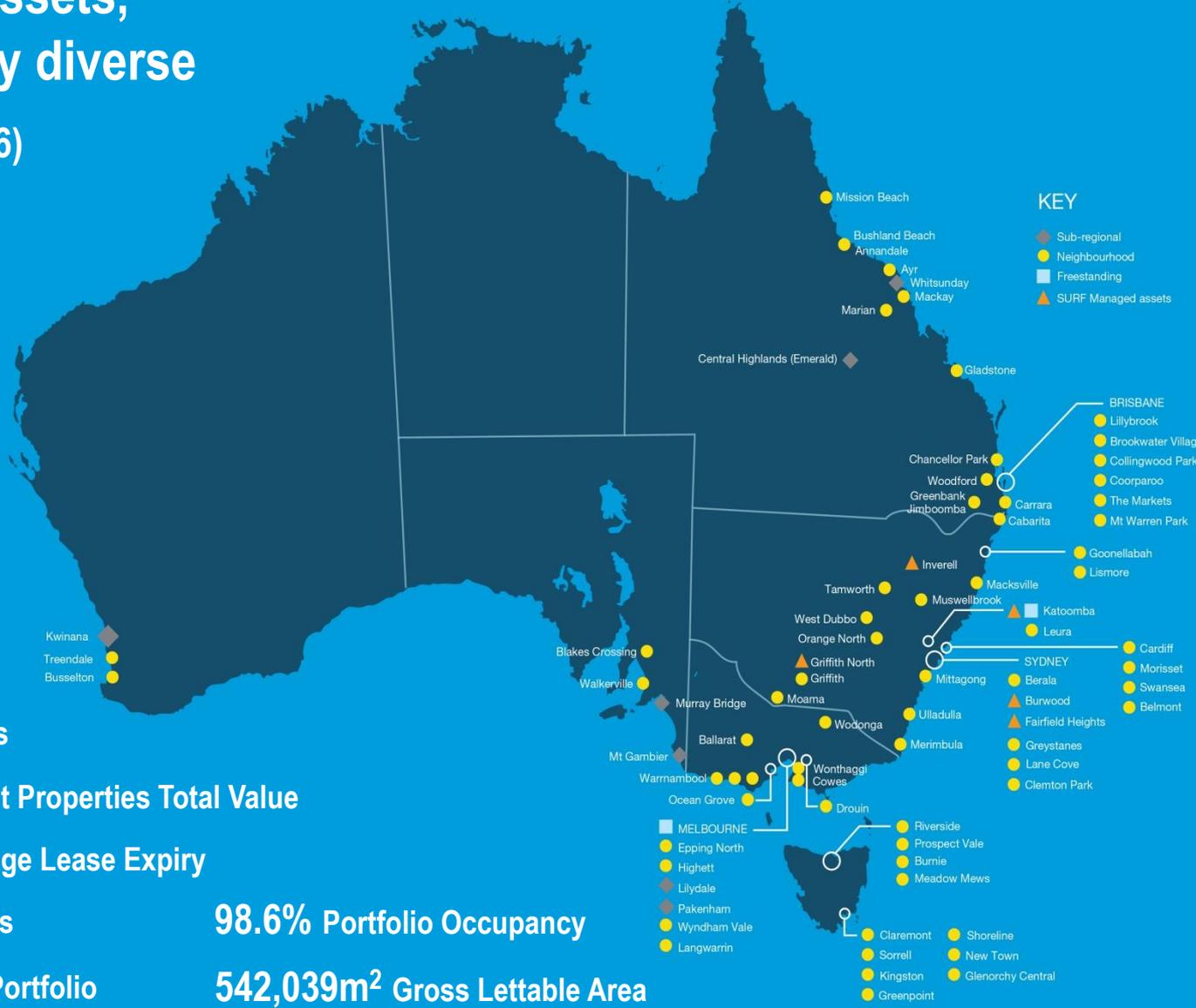
# *CEO'S ADDRESS*

Anthony Mellowes

# RESTRUCTURED PORTFOLIO

High quality assets,  
geographically diverse

(as at 30 June 2016)



**83 Operating Properties**

**\$2,141.1m Investment Properties Total Value**

**14 yrs Weighted Average Lease Expiry**

**1,089 Specialty Tenants**

**98.6% Portfolio Occupancy**

**8 yrs Average Age of Portfolio**

**542,039m<sup>2</sup> Gross Lettable Area**

# FY16 HIGHLIGHTS

Financial Performance	Capital Management	Active Portfolio Management
\$100.1m, up by 25.0% Funds from operations <sup>1</sup>	34.0% Gearing <sup>3</sup> , within 30 – 40% target range	98.6% Portfolio occupancy <sup>6</sup> 4.3% Specialty vacancy <sup>6</sup>
\$92.3m, up by 25.2% Adjusted Funds From Operations <sup>1</sup>	\$1.92, up by 8.5% NTA per unit <sup>4</sup>	7.13% Portfolio weighted average cap rate <sup>6</sup>
12.2 cpu, up by 7.0% Distribution paid to unitholders <sup>1,2</sup>	3.7% Weighted average cost of debt <sup>5</sup> 5.7 yrs Weighted Average debt maturity <sup>5</sup>	\$145.3m Acquisitions <sup>7</sup> \$60.9m Divestments <sup>7</sup>

<sup>1</sup> FY 16 vs FY 15

<sup>2</sup> Final distribution of 6.2 cpu in respect of the six months ended 30 June 2016 is expected to be paid on 31 August 2016. "cpu" stands for Cents Per Unit

<sup>3</sup> As at 30 June 2016. Gearing is calculated as Finance debt (including NZ denominated debt) net of cash, with USD denominated debt recorded as the hedged AUD amount, divided by total tangible assets (net of cash and derivatives)

<sup>4</sup> Compared to 30 June 2015

<sup>5</sup> As at 30 June 2016

<sup>6</sup> As at 30 June 2016. Includes acquisitions during 12 months ended 30 June 2016. Excludes New Zealand

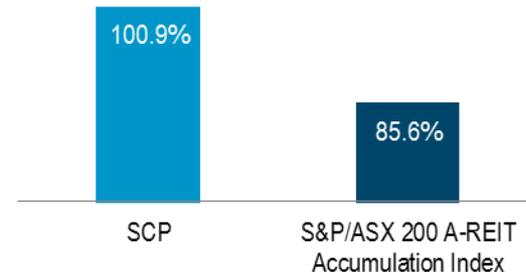
<sup>7</sup> During the 12 month period we acquired 6 neighbourhood shopping centres for \$145.3m (excluding transaction costs of \$10.0 million), and we sold 5 assets to the "SURF 1" fund for \$60.9m. We contracted to sell the NZ properties in June 2016 however this sale will not complete until the FY17 financial year

# STRONG RETURNS TO UNITHOLDERS

## SCP has delivered superior returns to Unitholders

- SCP has provided stable and secure distributions that have been supplemented by strong unit price performance during the FY16 financial year, and since IPO.
- SCP has delivered a total unitholder return (unit price appreciation plus distributions) of 100.9% since IPO in November 2012, representing 15.3% outperformance relative to the S&P / ASX 200 A-REIT Index over the same period.

CUMULATIVE TOTAL RETURN SINCE SCP IPO (Nov 2012)<sup>1</sup>



RELATIVE UNIT PRICE PERFORMANCE<sup>2</sup>



<sup>1</sup> & <sup>2</sup> SOURCE: IRESS, returns since IPO from 23 November 2012 to 30 June 2016

# KEY ACHIEVEMENTS – DELIVERING ON STRATEGY

## Optimising the Core Business

- Specialty tenants are performing strongly for FY16
  - Sales growth of over 5% pa continuing
  - 7.5% average rental increase across 69 renewals completed during FY16
  - Occupancy cost down to 9.3%
- Anchor tenant sales growth remains subdued
- Comparable NOI growth of 3.4% above the same period last year

## Growth Opportunities

- Continued consolidation in fragmented market: we acquired 6 centres for \$145.3m during FY16.
  - Wesfarmers-owned retailers now represent 20% of our anchor tenants (by number)
- Since 1 July 2016 we acquired a further 5 centres for \$144.3m and a 4.9% stake in CQR for \$83.4m which completes the redevelopment of our NZ proceeds
- Acquisitions primarily funded by capital recycling, with the divestment of five non-core assets to “SURF 1” for \$60.9m, and agreed to divest 14 New Zealand assets for NZ\$267.4m
- Refurbishment of Lismore and supermarket expansion at Chancellor Park completed. Kwinana Development has commenced (Coles third anchor) and Bushland Beach (new Coles-anchored centre)
- Completed first unlisted retail fund “SURF 1” in October 2015, planning well advanced for “SURF 2”

## Capital Management

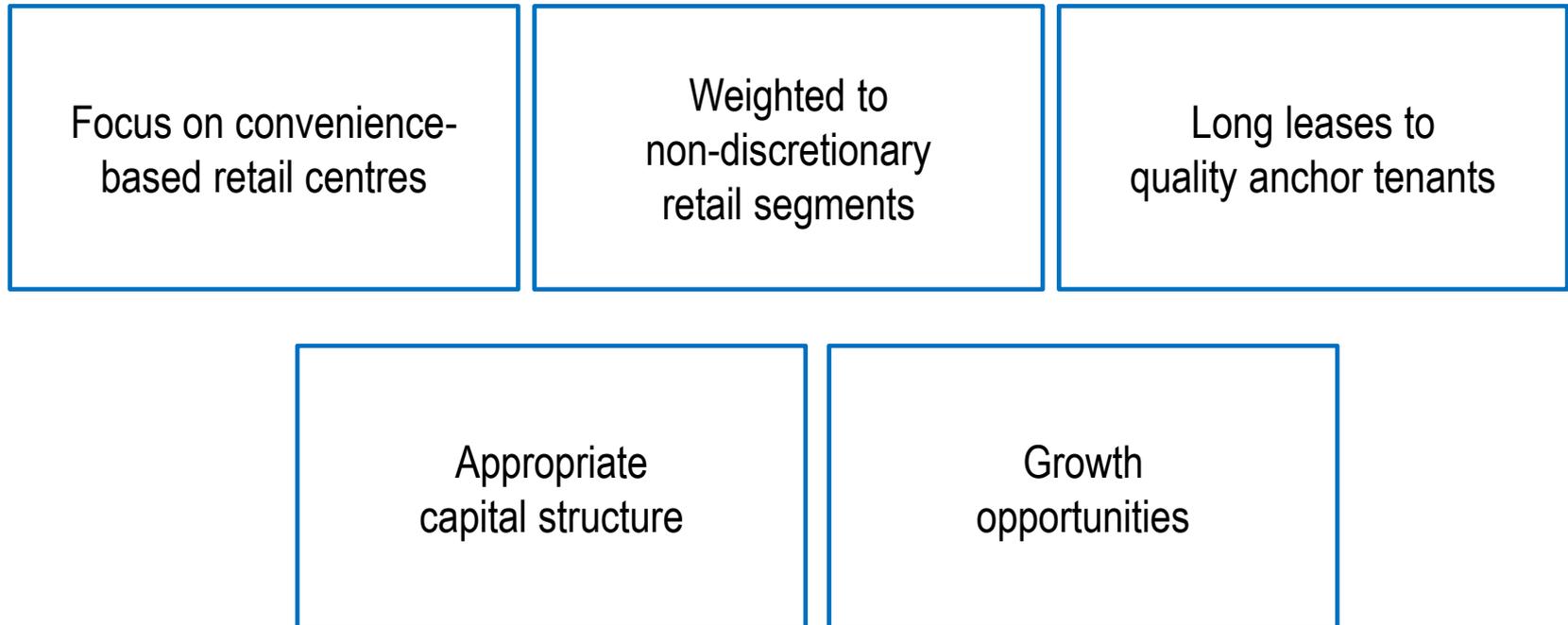
- Balance sheet in a strong position
  - Gearing of 34.0% comfortably within our 30% to 40% target range
  - Weighted average cost of debt reduced to 3.7%, weighted average term to maturity of debt is 5.7 years, with 68% of drawn debt either fixed or hedged
  - First debt maturity extended to November 2018
- Distribution Reinvestment Plan raised \$24.3m of new equity during FY16

## Earnings Growth Delivered

- FY16 Funds From Operations continues to grow strongly, up 25.0% on the same period last year
- FY16 FFO of 13.75 cpu represents growth of 7.3% on the same period last year
- FY16 Distribution of 12.2 cpu represents growth of 7.0% on the same period last year

# CORE STRATEGY UNCHANGED

*Defensive, resilient cashflows to support secure distributions*



# POTENTIAL EARNINGS GROWTH TRENDS

Continued solid earnings growth expected over time



		Description and Assumptions	Indicative Contribution to FFO Growth Rate (% pa) (medium to longer term from FY18 onwards)
Core Business	Anchor Rental Growth	<ul style="list-style-type: none"> <li>Anchor rental income represents about 55% of overall gross property income</li> <li>Once turnover thresholds are met, rent will grow in proportion to Anchors' sales growth</li> <li>Around 39% of Anchor tenancy leases have a minimum 5% increase in base rent in FY18/FY19</li> </ul>	0 - 1%
	Specialty and Other Rental Growth	<ul style="list-style-type: none"> <li>Specialty rental income represents about 45% of overall gross property income</li> <li>Specialty leases generally have contracted growth of 3-4% pa</li> <li>Positive specialty rent reversions expected on expiry due to relatively low rent / sqm at present</li> </ul>	1 - 2%
	Expenses	<ul style="list-style-type: none"> <li>After investment in FY15 and FY16, Property Expenses and Corporate Costs expected to grow at same rate as rental income</li> <li>Interest expense is continuing to be actively managed</li> </ul>	0%
		<b>Indicative Comparable NOI Growth (%)</b>	<b>1 - 3%</b>
Growth Initiatives	Property Development	<ul style="list-style-type: none"> <li>Selective extensions and refurbishments of our existing centres are intended to be undertaken in the future</li> <li>We have identified around \$150m of development opportunities so far</li> </ul>	} 1% +
	Acquisitions	<ul style="list-style-type: none"> <li>Selective acquisitions will continue to be made in the fragmented neighbourhood shopping centre segment</li> <li>New Zealand divestment proceeds of \$253.1m to be reinvested at a higher yield</li> </ul>	
	Other Opportunities	<ul style="list-style-type: none"> <li>New funds management business, with "SURF 2" to be launched in 1H FY17</li> </ul>	
		<b>Indicative FFO Growth (%)</b>	<b>2 - 4% +</b>

# NEIGHBOURHOOD CENTRES IN AUSTRALIA

*Fragmented ownership provides acquisition opportunities*



## Neighbourhood centre landscape in Australia

- There are over 850 Coles and Woolworths anchored neighbourhood centres in Australia
- SCP is the largest owner (by number) of neighbourhood centres in Australia. SCP has an opportunity to continue to consolidate this fragmented segment by utilising its funding capability, management capability and industry knowledge to source and execute acquisition opportunities from private and corporate owners. Since listing SCP has completed the acquisition of 32 neighbourhood centres for \$794.2m in aggregate

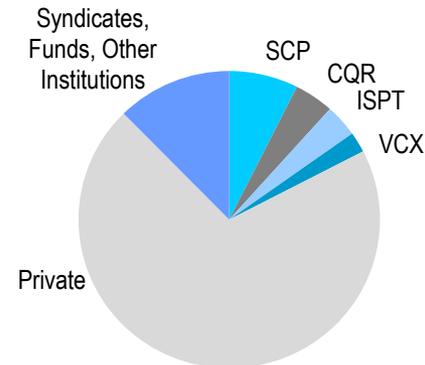
## Recent transactions

- During the twelve months ended 30 June 2016, 54 Woolworths / Coles anchored neighbourhood centres changed hands for aggregate consideration of \$1,243m
- SCP and ISPT were the largest individual buyers of neighbourhood centres during that period

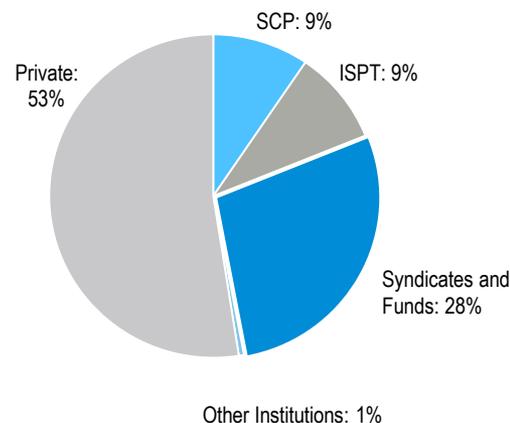
Source: Management estimates

## Ownership of neighbourhood centres in Australia (Number of centres)

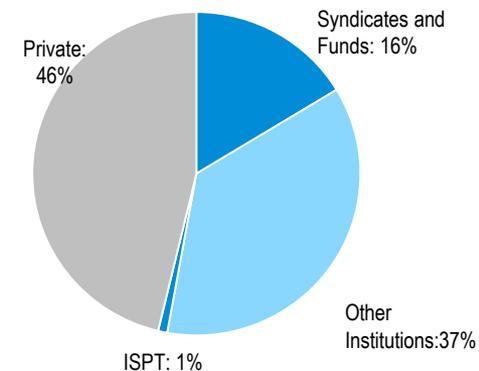
Indicative



## FY16 Buyers (by value)



## FY16 Sellers (by value)



# INDICATIVE DEVELOPMENT PIPELINE

We have identified around \$150m of development opportunities at 20 of our centres over the next 5 years<sup>1</sup>



Development Type	Centre (s)	Estimated Capital Investment (A\$m)				
		FY17	FY18	FY19	FY20	FY21
Centre Improvement	Burnie, Murray Bridge, The Markets	0.2	2.7	2.6	-	-
Stage 3 (third anchor)	Kwinana	17.5	2.0	-	-	-
Supermarket expansions	Northgate, Riverside, Treendale, West Dubbo	0.1	0.2	5.1	4.2	8.0
Supermarket and centre expansions	Collingwood Park, Gladstone, Mackay, New Town Plaza, North Orange, Wyndham Vale	1.0	20.7	14.2	7.8	19.0
Major centre expansions	Bushland Beach, Central Highlands, Epping North, Greenbank, Mt Gambier, Ocean Grove	18.5	0.3	1.3	17.2	8.5
Preliminary and defensive	Various	0.3	0.3	0.3	0.3	0.3
<b>Total</b>		<b>37.6</b>	<b>26.2</b>	<b>23.5</b>	<b>29.5</b>	<b>35.8</b>

- We invested \$9.1m on developments during FY16, including \$2.8m on the Lismore refurbishment, \$3.9m on the Chancellor Park supermarket expansion, \$0.5m on Kwinana preliminaries, and the balance on preliminaries for other projects
- In FY17, the major projects will be building a new Coles-anchored centre at Bushland Beach near Townsville (expected to open in May 2017), and adding Coles as a third anchor at Kwinana (expected to open in July 2017)

<sup>1</sup> The exact timing of future developments is subject to prevailing market conditions and regulatory approvals

# FUNDS MANAGEMENT BUSINESS

Potential to deliver additional earnings growth in the future

- First fund “SURF 1” successfully completed
  - Five SCP non-core assets acquired for \$60.9m, a 12% premium to book value
  - Fund commenced on 1 October 2015
  - SCP retains a 24.4% equity interest in the fund
- We intend to launch “SURF 2” during 2H FY17
  - To comprise Katoomba Woolworths / Big W, and Dan Murphy’s at Mittagong NSW another SCP non-core asset
- SCP will continue to launch additional retail funds
  - Assets may include either other SCP non-core assets, or acquired assets
  - Utilise SCP’s large unitholder base and retail expertise
- The funds management business will allow SCP to recycle non-core assets, and utilise its expertise and platform to earn capital-light management fees in the future

Offer closes on or before 9<sup>th</sup> September 2015  
Preference will be given to early applications

## Introducing SCA Unlisted Retail Fund 1

ARSN 606126 934  
Responsible entity and issuer: SCA Unlisted Retail Fund RE Limited ACN 604 416 284 AFSL 473 459

- 8% forecast distribution yield
- 100% occupied, with over 13 yrs WALE
- 96% income from Woolworths Limited

### Investment Overview

SCA Unlisted Retail Fund 1 (the Fund or SURF 1) will own a Property Portfolio consisting of five properties in NSW anchored by Woolworths Limited: two Supermarkets, two Dan Murphy’s and one BIG W.

The Properties were developed by Woolworths Limited with an average age of 4 years.

The Properties were valued by independent valuer CBRE at \$60.9m, which reflects a weighted average cap rate of 7.2%.

The Fund will be managed by SCA Property Group. The Fund’s investment objective is to provide Unitholders with secure and sustainable income through the ownership of the Property Portfolio.

### Key Investment Features

- ▶ Strong distribution yield expected to be at least 8% per annum
- ▶ 96% of rental income from Woolworths Limited
- ▶ 100% occupied, with WALE (weighted average lease expiry) in excess of 13 years
- ▶ Initial gearing of 49.5%
- ▶ Five-year debt facility, cost of debt approximately 4.0% per annum
- ▶ NTA of \$0.95 per unit
- ▶ Quarterly income distributions
- ▶ Minimum investment of \$20,000
- ▶ 5 year fund term

Griffith North Woolworths

Burwood Dan Murphy’s

Inverell Big W

# SUSTAINABILITY

We continue to focus on long-term sustainable performance



SCP has established a sustainability strategy (environment, social and governance) that aims to reduce risks, improve operations and enhance stakeholder relationships for the long-term. In FY16, SCP:

- Launched a Sustainability Strategy and a Sustainability Policy
- Piloted a “Stronger Communities” approach to engage and support the communities local to our centres
- Developed an energy improvement plan for all sub-regional and neighbourhood centres and benchmarked the environmental performance of our centres
- Piloted LED lighting and solar panel installations to reduce greenhouse gas emissions and operating costs
- Published a Sustainability Report outlining our approach, commitments and performance
- Participated in the *Global Real Estate Sustainability Benchmark (GRESB)*, an international sustainability risk management survey and standard for real estate investment managers run by leading investors
- Achieved 5.5 stars *NABERS Energy* rating (out of six) for SCP’s office
- Launched our inaugural Annual Sustainability Report available on our website

## Our sustainability objectives

<b>1</b>	<b>STRONGER COMMUNITIES</b>	Strengthen the relationships between our shopping centres and their local communities and help improve the wellbeing and prosperity of those communities
<b>2</b>	<b>ENVIRONMENTALLY EFFICIENT CENTRES</b>	Reduce the environmental footprint of our shopping centres, particularly greenhouse gas emissions through energy consumption
<b>3</b>	<b>RESPONSIBLE INVESTMENT</b>	Manage environmental, social and governance (ESG) risks that are material to investment value and communicate our performance on this

# KEY PRIORITIES AND OUTLOOK

Continue to deliver on strategy in FY17



## Optimising the Core Business

- Increase specialty rent per sqm by optimising tenancy mix and achieving rental uplifts on renewals
- Manage potential sale or closure of Masters store at Mount Gambier

## Growth Opportunities

- Redeployment of NZ sale proceeds of \$255m into value-accretive acquisition opportunities consistent with our strategy and investment criteria now complete
  - Includes \$83m for a 4.9% interest in CQR
- Progress our identified development pipeline
- Launch our second retail fund (“SURF 2”) in 2H FY17

## Capital Management

- Continue to actively manage our balance sheet to maintain diversified funding sources with long weighted average debt expiry and a low cost of capital consistent with our risk profile
- Distribution Reinvestment Plan (“DRP”) turned back on

## Earnings Guidance

- FY17 EPU guidance increased to 14.4 cpu and FY17 DPU guidance increased to 13.0 cpu (takes into account the sale of the New Zealand assets, the five post-balance date acquisitions and the investment into CQR)

**REJECT SHOP**  
COUNT VARIETY STORE

JIMBOOMBA JUNCTION  
FAMILY PRACTICE  
& SKIN CANCER CLINIC

J1 DENTAL CARE



**JIMBOOMBA  
JUNCTION**

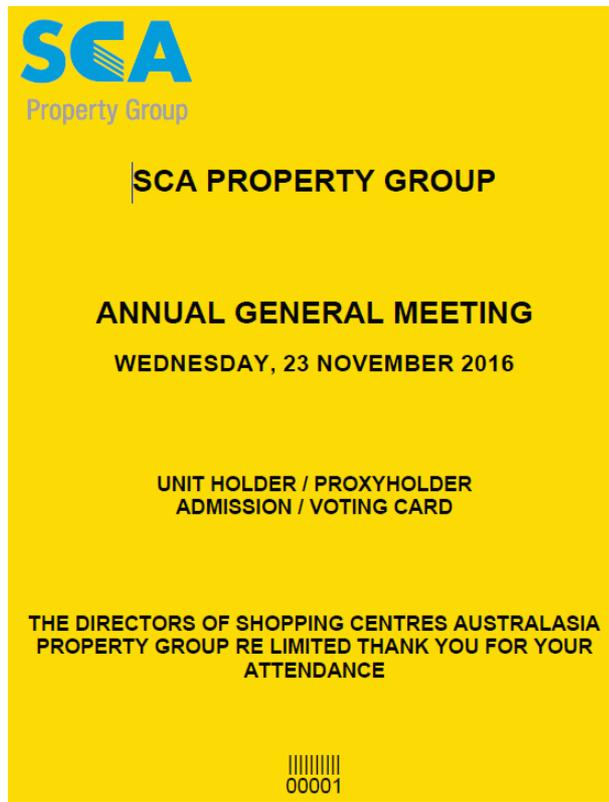
**coles**



# *FORMAL BUSINESS*

# *NOTICE OF MEETING*

# ADMISSION CARDS



**Members who have received a YELLOW voting card are:**

- entitled to vote on Resolutions
- welcome to ask questions

# ADMISSION CARDS



SCA PROPERTY GROUP  
ANNUAL GENERAL MEETING  
WEDNESDAY, 23 NOVEMBER 2016  
Non-Voting Unitholder Admission Card



01001

AS A NON-VOTING UNITHOLDER YOU ARE REMINDED THAT WHILST YOU ARE ENTITLED TO  
SPEAK AT THIS MEETING, YOU ARE NOT ENTITLED TO VOTE.  
THE DIRECTORS OF SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP RE LIMITED  
THANK YOU FOR YOUR ATTENDANCE

Members who have received a RED voting card are:

- not entitled to vote
- welcome to ask questions

# ADMISSION CARDS



**SCA PROPERTY GROUP**

**ANNUAL GENERAL MEETING**

**WEDNESDAY, 23 NOVEMBER 2016**

Visitor Admission Card

AS A VISITOR YOU ARE MOST WELCOME BUT ARE REMINDED THAT, AS THIS IS A UNITHOLDERS' MEETING, YOU ARE NOT ENTITLED TO SPEAK OR VOTE AT THIS MEETING. THE DIRECTORS OF SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP RE LIMITED THANK YOU FOR YOUR ATTENDANCE.

**Visitors who have received a BLUE voting card and are not entitled to vote or ask questions.**

Woolworths 

White Box Rise

ESPRESSO

OPEN

ESPRESSO

THE NEW WOLLETT



# *OPEN POLL*

*SCA PROPERTY GROUP  
FINANCIAL STATEMENTS  
AND REPORTS*

# RESOLUTION 1

To consider and, if thought fit, to pass the following Resolution as a non-binding ordinary resolution:

**‘That the Remuneration Report for the year ended 30 June 2016 be adopted.’**

*Voting exclusions apply*

# RESOLUTION 1

## Voting proxy statistics

	For	Open	Against
Adoption of the Remuneration Report	489,085,130 98.02%	5,231,942 1.05%	4,629,544 0.93%

*Use your Yellow voting card*

## RESOLUTION 2

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That James Hodgkinson OAM, who retires and being eligible offers himself for re-election as a director of Shopping Centres Australasia Property Group RE Limited, be re-elected as a director of Shopping Centres Australasia Property Group RE Limited.’**

# RESOLUTION 2

	For	Open	Against
<b>Re-election of Independent Director – James Hodgkinson OAM</b>	<b>491,315,410 98.33%</b>	<b>5,844,337 1.17%</b>	<b>2,518,679 0.50%</b>

*Use your Yellow voting card*

## RESOLUTION 3

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That Belinda Robson, who retires and being eligible offers herself for re-election as a director of Shopping Centres Australasia Property Group RE Limited, be re-elected as a director of Shopping Centres Australasia Property Group RE Limited.’**

# RESOLUTION 3

## Voting proxy statistics

	For	Open	Against
Re-election of Independent Director – Belinda Robson	493,088,950 98.68%	5,866,361 1.17%	726,925 0.15%

*Use your Yellow voting card*

## RESOLUTION 4

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That for all purposes, including the purposes of ASX Listing Rule 7.2 (Exception 9), approval be given for the issue of securities under the Executive Incentive Plan, the terms and conditions of which are described in the Explanatory Memorandum.’**

*Voting exclusions apply*

# RESOLUTION 4

## Voting proxy statistics



	For	Open	Against
Approval of issues under Executive Incentive Plan	488,503,531 97.83%	5,156,883 1.03%	5,683,443 1.14%

*Use your Yellow voting card*

## RESOLUTION 5

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That for all purposes, including the purposes of ASX Listing Rule 10.14, approval be given for:**

- (a) the grant to the Chief Executive Officer of Shopping Centres Australasia Property Group RE Limited, Anthony Mellowes, of 116,497 Rights as part of a short term incentive award under the Executive Incentive Plan; and**
- (b) the transfer or allocation of Stapled Units to Anthony Mellowes upon vesting of the Rights described in paragraph (a) of this resolution.’**

*Voting exclusions apply*

# RESOLUTION 5

*Voting proxy statistics*



	For	Open	Against
<b>Issue of Short Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes</b>	<b>488,386,492 97.80%</b>	<b>5,114,038 1.02%</b>	<b>5,899,902 1.18%</b>

*Use your Yellow voting card*

## RESOLUTION 6

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That for all purposes, including the purposes of ASX Listing Rule 10.14, approval be given for:**

- a) the grant to the Chief Executive Officer of Shopping Centres Australasia Property Group RE Limited, Anthony Mellowes, of 294,230 Rights as part of a long term incentive award under the Executive Incentive Plan; and**
- b) the transfer or allocation of Stapled Units to Anthony Mellowes upon vesting of the Rights described in paragraph (a) of this resolution.’**

*Voting exclusions apply*

# RESOLUTION 6

## Voting proxy statistics



	For	Open	Against
<b>Issue of Long Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes</b>	<b>488,422,915 97.80%</b>	<b>5,114,998 1.03%</b>	<b>5,854,804 1.17%</b>

*Use your Yellow voting card*

## RESOLUTION 7

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That for all purposes, including the purposes of ASX Listing Rule 10.14, approval be given for:**

- a) the grant to the Chief Financial Officer of Shopping Centres Australasia Property Group RE Limited, Mark Fleming, of 52,596 Rights as part of a short term incentive award under the Executive Incentive Plan; and**
- b) the transfer or allocation of Stapled Units to Mark Fleming upon vesting of the Rights described in paragraph (a) of this resolution.’**

*Voting exclusions apply*

# RESOLUTION 7

## Voting proxy statistics



	For	Open	Against
<b>Issue of Short Term Incentive Rights under the Executive Incentive Plan to the Chief Financial Officer, Mark Fleming</b>	<b>488,445,403 97.81%</b>	<b>5,055,296 1.01%</b>	<b>5,896,953 1.18%</b>

*Use your Yellow voting card*

## RESOLUTION 8

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**‘That for all purposes, including the purposes of ASX Listing Rule 10.14, approval be given for:**

- a) the grant to the Chief Financial Officer of Shopping Centres Australasia Property Group RE Limited, Mark Fleming, of 134,505 Rights as part of a long term incentive award under the Executive Incentive Plan; and**
- b) the transfer or allocation of Stapled Units to Mark Fleming upon vesting of the Rights described in paragraph (a) of this resolution.’**

*Voting exclusions apply*

# RESOLUTION 8

## Voting proxy statistics



	For	Open	Against
<b>Issue of Long Term Incentive Rights under the Executive Incentive Plan to the Chief Financial Officer, Mark Fleming</b>	<b>488,326,711 97.78%</b>	<b>5,134,571 1.03%</b>	<b>5,929,602 1.19%</b>

*Use your Yellow voting card*

# *CLOSE OF POLL*

# COMMON QUESTION THEMES

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**Common Questions received prior to AGM**

# PLEASE UPDATE YOUR DETAILS



Thank you to the unitholders who have provided their TFN and Banking Account details.

If you have not already done this you can:

- Go to the website <https://investorcentre.linkmarketservices.com.au> to check your details, or to provide your details if you haven't already done so;
- If you do not have a computer, you can call the Link Market Services information line on:
  - 1300 318 976 (toll free within Australia); or
  - +61 1300 318 976 (outside of Australia).

*GENERAL  
QUESTIONS*

Woolworths 

# MEETING CLOSE

Thank you



**MUFFIN  
BREAK**  
*Always Fresh*

Muffin Break uses  
exclusive premium 100%  
arabica beans roasted  
to perfection