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HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

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HOME CO DAILY NEEDS REIT DELIVERS ON FY23 FFO GUIDANCE WITH STRONG UNDERLYING RENTAL GROWTH

HomeCo Daily Needs REIT (ASX: HDN) today released its results for the full year ended 30 June 2023. The result highlights HDN's strong operational performance underpinned by high exposure to non-discretionary retail categories and strategic last mile infrastructure. Key highlights for the period are:

Financial highlights

- FY23 FFO/unit of 8.6 cents (\$177.1m) in-line with guidance
- FY23 DPU of 8.3 cents in-line with guidance
- Pro-forma Jun-23 gearing of 32.8%¹
- Jun-23 interest rate hedging of 91.5%
- NTA/unit of \$1.48, with rental growth partially offsetting cap rate movement

Operational highlights

- >99% occupancy
- >99% cash rent collections in FY23
- +3.8% comparable property NOI growth, in-line with guidance
- +6.0%² positive re-leasing spreads across 174 leasing deals
- Accelerated leasing programme with ~50% of FY24 lease expiries now de-risked

Investment highlights

- Identified development pipeline beyond FY24 increased to >\$600m in FY23 (from \$500m)
- On-track to commence >\$120m of developments in FY24 at 7% target ROIC³
- Contracted assets sales of \$285m including recently announced Midland sale at a combined ~3% premium to book value with proceeds recycled into \$158m of accretive acquisitions and investments

FY24 guidance

- FY24 FFO guidance of 8.6cpu⁴
- FY24 DPU guidance of 8.3 cents

¹ Jun-23 adjusted for the disposal of Midland which is expected to settle in Sep-23.

² For new leases and renewals.

³ Return on Invested Capital (ROIC) represents fully stabilised cash yield on cost and is based on assumptions relating to future income, valuation, capex.

⁴ Based on average BBSY of 4.5% over FY24.

HDN CEO, Sid Sharma said, *“HDN successfully absorbed a material increase in interest costs and statutory charges in FY23 with these headwinds offset by strong underlying rental growth and development completions. This strong result reflects our strategically located assets which have limited exposure to cyclical and discretionary retail expenditure.”*

“In FY23, HDN maintained occupancy of over 99%, collected over 99% of rent, and further improved our sector leading positive re-leasing spreads to 6.0%. The strong rental reversion we are achieving demonstrates the pricing power of our real estate. Our portfolio valuations were resilient with rental growth partially offsetting cap rate movements.”

“To accelerate HDN’s reweighting to the model portfolio, we have ~\$285m of contracted asset sales from large format retail assets with capital being redeployed into ~\$158m of daily needs focused strategic acquisitions and investments. Over time, we expect to see HDN’s portfolio weightings re-align with targets as we execute on select capital recycling initiatives.”

“Our \$600m development pipeline remains a key pillar of our growth strategy. In FY24, we expect to commence over \$120m of value accretive projects. Importantly, we remain well positioned to generate attractive incremental returns on capital invested in our underutilised land bank”.

HMC Capital Group CFO, Will McMicking said, *“HDN has a robust balance sheet at Jun-23 with net assets of \$3.1bn and gearing of 33.8%. This robust balance sheet combined with resilient portfolio valuations provides a strong platform to continue to undertake asset recycling and organic growth.”*

“Furthermore, interest rate hedging has increased to 91.5% at Jun-23 and remain elevated which provides strong interest rate protection in FY24 and FY25.”

“We are also pleased to provide FY24 FFO and distribution guidance of 8.6cpu and 8.3cpu, respectively”.

For additional information please refer to the 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 **Thursday 17 August, 2023 at 10:30am (AEST)**. Investors and analysts wishing to participate can pre-register for the call at: <https://s1.c-conf.com/diamondpass/10032085-tm3boa.html>

The following webcast link will be available: <https://webcast.openbriefing.com/hdn-fyr-2023/>

A playback of the 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 total assets of approximately \$4.8bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide. HDN is also a strategic investor in the Last Mile Logistics (LML) unlisted fund, a complementary mandate which targets core plus transition assets with upside via repositioning into essential last mile real estate infrastructure.

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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