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ASX Announcement

19 February 2025

Vicinity continues to curate a more resilient and higher growth retail asset portfolio and delivers robust operating metrics

Vicinity Centres ('**Vicinity**', ASX:VCX) today released its results for the six months ended 31 December 2024 ('**1H FY25**').

1H FY25 financial and strategic highlights:

- Statutory net profit after tax ('**NPAT**') of $492.6m (1H FY24: $223.5m). Interim distribution per security of 5.95 cents (1H FY24: 5.85 cents), representing a payout ratio of 85.3% of Adjusted-FFO ('**AFFO**')
- Funds From Operations ('**FFO**') largely in line with 1H FY24 at $344.1m. Adjusted for one-off items[1] and higher lost rent from developments, FFO up 3.0%
- Comparable Net Property Income ('**NPI**') growth[2] at 4.2%, reflecting continued strength of Vicinity's premium asset portfolio. Headline NPI up 2.6%
- Positive portfolio metrics continue to support current and future year income growth; occupancy at 99.4%, leasing spreads at +3.5% and 4.8% average annual escalator on new leases
- Resilient retailer demand for stores in premium centres underpins +6.7% leasing spreads across the premium portfolio, Chadstone and the Outlet portfolio delivering a combined +10.5% leasing spread
- Continued execution of investment strategy; acquiring premium assets with strong growth potential at attractive pricing and divesting non-strategic assets at or above book value
- Completed the acquisition and integration of Lakeside Joondalup; property management and leasing plans to enhance asset performance and deliver earnings accretion now in execution
- Targeted $250m of asset sales in FY25 exceeded in 1H FY25, with three strategic divestments in 1H FY25, totalling $457m at a blended premium to June 2024 book values of >5%
- At 26.4%, proforma gearing[3] is at lower end of the target range, enabling investment in growth priorities
- Chadstone's new One Middle Road ('**OMR**') office tower and fresh food and dining precinct now 99% leased, with the retail component preparing for grand opening on 27 March 2025
- Transformational development of Chatswood Chase remains on track to commence opening in 2Q FY26; 85% income secured via Agreements for Lease
- Vicinity was rated #1 in Listed, Oceania by the Global Real Estate Sustainability Benchmark

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[1] One-off items include the impact of transactions (-$2m) and reversal of prior year waivers and provisions (1H FY25: $3m, 1H FY24: $6m)
[2] Comparable NPI excludes reversals of prior year waivers and provisions, and transactions and development impacts.
[3] Proforma gearing reflects headline gearing at 31 December 2024 of 28.5% adjusted for unconditional divestments settling post 31 December 2024.

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Reflections on 1H FY25 from CEO and Managing Director, Peter Huddle:

Strategic execution

1H FY25 has been a continuation of FY24 in terms of our strategic, operational and financial execution; ensuring we are simultaneously working on immediate, medium and long-term strategic priorities that support earnings resilience and sustained value accretion over time.

Our investment strategy remains anchored by our strong conviction that premium, fortress-style assets that are located in great trade areas and are well managed by retail property experts, have the potential to deliver superior and sustained income and value growth. Our conviction is supported by the drivers of growth we have in our business today.

At 4.2% in 1H FY25 (FY24: 4.1%), comparable NPI growth is increasingly being driven by the consistently strong portfolio metrics delivered across our premium assets since the end of FY22. Since then, premium centre leasing spreads have averaged +4.6%, including +6.7% delivered in 1H FY25 and occupancy has increased from 97.9% as at June 2021 (i.e., FY22) to 99.6% as at December 2024.

Adding to this, retailers continue to consolidate the number of stores and seek larger format, flagship stores in Vicinity's premium assets. Since June 2019, the average size of specialty and mini-major stores in our premium assets has increased by c.17%.

The long-term appeal of these assets is further magnified by forecast supply/demand dynamics, where retail GLA per capita is forecast to reduce by 5% by 2033. In addition, new retail supply is expected to be concentrated in the Neighbourhood asset category[4].

In this context, we continued to actively reposition our asset portfolio in 1H FY25. Having acquired Lakeside Joondalup on 19 August 2024 and assumed full asset management on 1 October 2024, Vicinity's property management and leasing plans to enhance the performance and earnings growth of the asset are being executed.

We have also made meaningful progress with the transformational developments at Chadstone and Chatswood Chase, and divested $457 million of non-strategic assets[5], at a blended premium to June 2024 book value of >5%.

Importantly, we are able to make these meaningful enhancements to our asset portfolio while at the same time reducing gearing. On a proforma basis, gearing reduced to 26.4% in the period, which is at the lower end of our 25% - 35% target range[6]. Maintaining our conservative and disciplined approach to managing gearing and retaining our credit ratings, continues to be a guiding principle when managing and deploying capital.

In January 2025, Vicinity established a Distribution Reinvestment Plan ('**DRP**') as a potential alternate source of funding. The DRP will be in operation for the FY25 interim distribution.

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[4] CBRE Research, Australia, January 2025.

[5] During 1H FY25, Vicinity exchanged unconditional contracts to divest Vicinity's remaining 50% interest in Roselands and Carlingford Court and to sell a 50% interest in Elizabeth City Centre. These disposals settled/are expected to settle on 18 February 2025, 1 April 2025 and 30 June 2025, respectively.

[6] Gearing as at 31 December 2024 of 28.5%, has been adjusted for the $457 million of unconditional asset divestments settled or to be settled post 31 December 2024.

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Also supporting our gearing was the 1.2%, or $174 million, uplift in total portfolio valuations. The valuation cycle for the retail property sector is showing signs of bottoming, with income growth continuing to be the main driver of the valuation gain.

In January 2025, we issued $500 million of seven year fixed rate, Australian Dollar denominated medium term notes at a margin of 130 basis points over the relevant swap rate, increasing our weighted average debt maturity to four years. This transaction further strengthens our capital structure, which continues to be a source of competitive advantage for Vicinity and is a key enabler of our active investment strategy.

Operating environment and portfolio performance

Having anticipated a relatively flat retail sales environment, we have been pleased with the continued resilience of our retail centres, especially in the context of a more challenged consumer environment more broadly. The portfolio delivered positive sales[7] growth in 1H FY25, up 2.0%, underpinned by a more robust 2Q FY25, where sales increased 2.7% relative to the prior year.

Relative to the extraordinary growth post pandemic, Luxury sales continued to trend lower in 1H FY25. Pleasingly however, the rate of sales decline eased over 1H FY25.

It is important to note that specialty Luxury retailers have enjoyed almost 30% growth in sales per square metre since 2019 and that the category remains highly productive, with average sales per square metre of c.$60,000.

Excluding the impact of Luxury on our specialty and mini major stores highlights even greater resilience and shopper confidence to spend, despite the ongoing cost of living pressures faced by Australian households. This is illustrated by strong sales growth across our more discretionary retail categories, such as Homewares (+4.3%), Apparel & Footwear (+3.8%) and Jewellery (+2.8%).

Once again, the momentum behind the Black Friday, or increasingly 'Black November' sales event accelerated, with specialty and mini major sales in November up by more than 7% on the prior year (up 5.5% including Luxury). Additionally, the month of December was up almost 5%, indicating a solid and extended Christmas trading period.

Our Outlet portfolio has proven resilient through economic cycles, recording retail sales growth for each consecutive quarter since the conclusion of the pandemic (i.e., FY22). Furthermore, over the same period, annual sales achieved by the Outlet portfolio have grown from almost $1.9 billion to in excess of $2.7 billion.

Outlets are discretionary retail assets however their appeal to value-conscious shoppers makes conversion to sales much higher. From a retailer perspective, Outlets are considered to be a critical component of their distribution network, given the asset's comparably lower-cost operating model as well as the opportunity to clear excess stock, thereby reducing waste.

[7] Sales are reported for comparable centres, which excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia guidelines. Unless otherwise stated, sales growth is reported against the same period a year earlier.

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In this context, our portfolio metrics remain positive and continue to support current and future year income growth. Occupancy remains strong at 99.4% and we are continuing to write high quality leases; leasing spreads are positive at +3.5% (FY24: +1.1%), the average tenure of new leases is 4.3 years (FY24: 4.4 years), average annual escalators on new leases remains healthy at 4.8% (FY24: 4.8%) and the proportion of income on holdover remains low, at 3%[8].

Thanks to stronger than anticipated portfolio metrics delivered in 1H FY25, we now expect comparable NPI to be in the range of 3.5% - 4.0% in FY25 (previously, 3.0% - 3.5%).

Developments and mixed use update

We continued to invest in the presentation, tenant mix and ambience of our retail assets in 1H FY25. The majority of our capital spend in FY25 relates to significant projects at Chadstone and Chatswood Chase, two of our premium assets, both with significant growth potential. Since June 2024, we have also completed a number of smaller ambience and mall upgrade projects at Bankstown Central 'Zone A', Harbour Town Gold Coast and Box Hill Central South.

The redevelopment of Chadstone's fresh food and alfresco dining precinct is undergoing its finishing touches ahead of the grand opening in March, while Adairs has commenced, and Kmart is soon to commence, the fit-out of their headquarters at Chadstone's new, 20,000 square metre office tower, One Middle Road.

With a significant proportion of Chadstone's floorspace, as well as a major carpark, having been closed for nearly 18 months and given the quality of the offer we are bringing to our customers, we have an optimistic outlook for the sales performance at Chadstone in FY26 and beyond.

We are also pleased to report that the major redevelopment at Chatswood Chase is progressing in line with expectations with c.85% of the income now secured via Agreements for Lease. Upon completion, Chatswood Chase will be the fashion capital of Northern Sydney, housing a significant luxury retail precinct, the very best of Australian and international designers, as well as athleisure, technology, and exciting new-to-market concepts. The opening of the redeveloped asset is expected to commence in 2Q FY26, in time for Christmas.

In November 2024, we were delighted that the NSW State Government approved the Bankstown Rezoning Proposal as part of the Transport Oriented Development program to create housing supply near major transport hubs. This approval supports the potential for major residential development on Vicinity land surrounding Bankstown Central, which lies adjacent to the new Bankstown Metro station under development.

Vicinity now has development and/or masterplan approvals for more than 6,000 residential apartments across four key assets, including Buranda Village in Queensland, Box Hill Central and Victoria Gardens Shopping Centre in Victoria and Bankstown Central in New South Wales.

While these approvals create the potential to unlock significant value at these assets, we continue to retain complete optionality in terms of how and when that value is unlocked.

[8] Excludes leases on holdover that are strategically held for development.

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Conclusion

FY25 is an important year for Vicinity. We are making meaningful investments in the future resilience and growth potential of our retail asset portfolio that will drive sustained value accretion for securityholders.

FY25 Earnings Guidance[9]

- FY25 earnings guidance reaffirmed with FFO and Adjusted FFO per security expected to be within the range of 14.5 to 14.8 cents and 12.3 to 12.6 cents, respectively
- Vicinity expects its full year distribution payout to be at the lower end of its target range of 95-100% of Adjusted FFO
- Guidance range includes unconditional asset divestments announced in FY25 to date (settled and/or contracted) of $457 million
- Comparable NPI growth expected to be 3.5% - 4.0% in FY25 (previously, 3.0% - 3.5%), driven by strong 1H FY25 result
- Development related loss of rent c.$35m (FY26: c.$25m[10])
- Weighted average cost of debt in FY25 expected to be c.5.1%
- Maintenance capital expenditure and leasing incentives of c.$100m
- Investment capital expenditure expected to be approximately $440m, incorporating the completion of Chadstone OMR office tower and fresh food Market Pavilion and alfresco dining precincts and ramp up of major retail development at Chatswood Chase (FY24: c.$290m)

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This document should be read in conjunction with Vicinity's 1H FY25 results presentation released to the ASX today. A briefing by management elaborating on this announcement will be webcast from 11.30am (AEDT) today and can be accessed via vicinity.com.au/investors.

Authorisation

The Board has authorised that this document be given to the ASX.

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About Vicinity Centres

Vicinity Centres (Vicinity or the Group) is one of Australia's leading retail property groups with a fully integrated asset management platform, and $24 billion in retail assets under management across 53 shopping centres, making it the second largest listed manager of Australian retail property. The Group has a Direct Portfolio with interests in 52 shopping centres (including the DFO Brisbane business) and manages 26 assets on behalf of Strategic Partners. Vicinity is listed on the Australian Securities Exchange (ASX) under the code 'VCX' and has 21,000 securityholders. Vicinity also has European medium term notes listed on the ASX under the code 'VCD'. For more information visit vicinity.com.au or scan the QR code.

[9] Guidance assumes no material deterioration in economic conditions.
[10] Estimated lost rent in FY26 is based on the development pipeline shown on slide 24 of Vicinity's 1H FY25 results presentation.