SCENTRE GROUP

ASX Announcement
18 February 2020

FULL YEAR FUNDS FROM OPERATIONS OF 25.42c PER SECURITY UP 3.2% (PRO FORMA BASIS); ANNUAL CUSTOMER VISITS GROW TO 548 MILLION

Scentre Group (ASX: SCG) today released its results for the 12 months to 31 December 2019, with Funds From Operations ("FFO") of $1.345 billion, in line with forecast.

On a per security basis FFO was 25.42 cents, up 0.7% or 3.2% on a pro forma basis adjusting for the transactions[1] completed during 2019.

Distribution for the 12-month period was 22.60 cents per security, up 2.0% and in line with forecast.

Operating Earnings – the Group's FFO excluding Project Income – was $1.287 billion for the 12-month period, up 1.0% per security or 3.6% on a pro forma basis.

Scentre Group CEO Peter Allen said: "We are creating the places more people choose to come, more often, for longer.

"Our strategic focus on the customer and curation of our offer to continually meet their changing expectations and preferences has delivered these pleasing results.

"Our 42 Westfield Living Centres are each strategically located in highly urbanised areas with strong population growth and density.

"The strength of our portfolio combined with our leading operating platform has seen annual customer visits grow to more than 548 million. This is an increase of more than 12 million visits.

"We have seen strong demand continue from our retail and brand partners with portfolio occupancy at 99.3%. During the year we introduced 344 new brands and 279 existing brands grew their store network with us.

"We continue to innovate in how we engage with our customer and are using new technology to enhance our direct engagement with the consumer.

"For over 60 years, our business has constantly adapted to be at the forefront of consumer change. Our ability to directly engage with the customer and deliver what they want will continue to deliver long-term sustainable earnings growth."

During the year, the Group released $2.1 billion of capital from the divestment of the Sydney Office Towers and the joint venturing of Westfield Burwood.

The capital released from these transactions is being redeployed into our business – through providing additional financial capacity for future activities and the security buy-back program of up to $800 million.

In late 2019, the Group acquired a 50% interest in Westfield Booragoon in Perth for $570 million and became the long-term property and development manager for the centre.

The Group bought back $304 million of securities during 2019 at an average price of $3.88 per security.

Statutory profit was $1.180 billion for the year ended 31 December 2019.

Scentre Group has total assets of $40 billion and assets under management of $56 billion.

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1 Asset transactions and securities bought back during 2019

The Group has a strong financial position with interest cover at 3.6 times and FFO/Debt of 10.3%. Balance sheet gearing was 33.0% at 31 December 2019. The Group has "A" grade credit ratings by S&P, Fitch and Moody's.

Operations

Comparable net operating income increased by 2.0% during the year primarily driven by 4% average contracted rent escalations for specialty tenants and our continued focus on curating the best offer in our centres.

Retail partner in-store sales within our portfolio grew by $1 billion during the year to $25 billion.

For the 12-month period specialty in-store sales grew by 2.2%, with growth in the 4th quarter of 2.8%. Average annual specialty in-store sales increased to $1.525 million per store.

Customer demand for experiences continues to be strong with 43% of the stores across our platform being experience based with offerings that can only be consumed on-site. This includes dining, entertainment, health, fitness and beauty services and other lifestyle offerings.

During the 4th quarter of 2019, the Group completed the NZD790 million Westfield Newmarket development, which has become the leading lifestyle and fashion destination in New Zealand.

We have continued to reinvest in our portfolio with a number of special projects that enhance the customer experience. This includes the opening of the Bradley Street dining precinct at Westfield Woden in Canberra, bringing six new restaurants as part of a $21 million redevelopment; commencement of a $50 million project at Westfield Carindale which has delivered a new format David Jones store and will introduce Kmart to the centre; and commencement of construction at Westfield Mt Druitt to deliver a $55 million dining and entertainment precinct, adding 12 new rooftop restaurants and entertainment usages for our customers.

Other projects are progressing well including the $30 million expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster, which will introduce 12 new restaurants.

The Group continues to progress pre-development work on more than $3 billion of future retail development opportunities.

Responsible Business

Being a responsible, sustainable business underpins our strategy. Our Sustainable Business Framework is built into the way we do business and includes four pillars – our communities, our people, our environmental impact and our economic performance.

We are committed to ensuring we have an efficient and resilient long-term business. As part of this commitment the Group today announced it will target net zero emissions across our wholly owned portfolio by 2030. Work will continue in FY20 to align our various initiatives to this target.

Early this year, we partnered with the Salvation Army as part of our response to the bushfire emergencies by way of a cash donation of $500,000 and providing significant in-kind support through our digital screen and media networks across our platform to expand the reach of their message and facilitate further fundraising. We will continue to support the efforts of The Salvation Army as the long-term recovery and resilience work is undertaken across the country.

Full highlights and performance data will be disclosed in our standalone Responsible Business report at the end of the first quarter 2020.

Outlook

The Group forecasts Operating Earnings for the 12 months ending 31 December 2020 to be between 24.75 and 24.80 cents per security. This would represent growth, on a pro forma basis[1], of approximately 3.1%.

The Group forecasts to achieve Project Income (after tax) of approximately $28 million (2019: $57m). This is a function of the amount of project work currently underway on joint ventured assets.

The Group forecasts FFO for the 12 months ending 31 December 2020 of approximately 25.30 cents per security. This would represent growth, on a pro forma basis, of approximately 0.7%.

The above forecasts do not take into account the expected positive impact of completing the remainder of the up to $800 million security buy-back program.

The distribution for 2020 is forecast to be 23.28 cents per security, an increase of 3%. In future years distributions are expected to grow in line with growth in Operating Earnings.

CEO Peter Allen said: "Our proposition is to deliver long-term sustainable returns through economic cycles. We are excited about the future for our business. Our ability to keep adapting to the ever-changing customer provides a solid foundation to continue to grow earnings and distributions for our securityholders and deliver on our Purpose – *creating extraordinary places, connecting and enriching communities*."

Authorised by the Board.

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