

Australian Unity

Childcare Property Fund Update to Forecast Financials June 2022

June 2022
Mark Delaney
Fletcher Bubb



Images above are real estate assets owned by the Fund, due for settlement or currently under exclusive due diligence (including artistic impressions of assets in, and proposed for, development). Images of play equipment and loose furniture are typically tenant property.

Update to Forecast Financials June 2022

Projected financial returns on current portfolio and opportunities*

		Forecast FY23	Forecast FY24	Forecast FY25	Forecast FY26	Forecast FY27	Forecast FY28	Forecast FY29	Forecast FY30	Forecast FY31
Cash on cash return										
Distributions paid ¹	\$'000	1,854	2,305	2,458	2,595	2,741	2,932	3,128	3,312	3,448
Contributed equity (net of equity recaps)	\$'000	49,785	55,285	55,285	55,285	55,285	55,285	55,285	55,285	55,285
Cash on cash return ¹	% p.a.	3.72%	4.17%	4.45%	4.69%	4.96%	5.30%	5.66%	5.99%	6.24%
Distribution yield										
Net asset value (NAV)	\$'000	48,493	52,491	56,863	62,697	68,012	71,903	76,655	80,343	84,708
Distribution yield on NAV including tax credits ¹	% p.a.	3.82%	4.39%	4.32%	4.14%	4.03%	4.08%	4.08%	4.12%	4.07%
Loan to value ratio (LVR)										
Borrowings	\$'000	46,590	50,587	50,727	50,871	51,017	51,166	51,317	51,471	51,627
Property Portfolio Value	\$'000	94,942	102,937	107,449	113,427	118,888	122,928	127,832	131,672	136,194
LVR	%	49.00%	49.10%	47.20%	44.80%	42.90%	41.60%	40.10%	39.00%	37.90%

* All returns quoted post-fees and based on the assumptions as set out in this document

1. Includes forecasted income tax credits

Forecast Financials

Assumptions

The distribution return forecasts are made on the basis of a number of assumptions and estimates, some of which are detailed below. Forecast distributions are **not guaranteed** and are provided for indicative purposes only. We emphasise that investment decisions should not be based on forecast returns, past performance, distribution rate, or the ratings given by an independent ratings agencies, since these can vary and are current only to the date of publication.

Category	Assumption	
Portfolio assets	<ul style="list-style-type: none"> Property valuations assume moderate yield compression in comparison to market indicators 	
Pipeline portfolio	<ul style="list-style-type: none"> Consists of 10 childcare centres with over 935 licensed places Includes both stabilised operating assets and fund-through developments with established operators 	<ul style="list-style-type: none"> Fund-through arrangements assume a book value equal to the 'as if complete' valuation The Fund receives a back ended coupon in consideration for interest during construction calculated at the forecast yield on completion
Equity	<ul style="list-style-type: none"> An additional \$6.7M of equity raised prior to June 2023 	<ul style="list-style-type: none"> Distributions paid from 100% of Funds from Operations (FFO) Additional distributions paid from statutory profits or return of capital
Debt	<ul style="list-style-type: none"> Peak Debt of \$51.6M Maximum Portfolio gearing LVR of 49% decreasing to 38% by 2031 Gearing is made up of: <ul style="list-style-type: none"> Maximum LVR of 50% on stabilised assets Maximum LVR of 35% on refurbishment assets, which can be re-gearred to 50% upon completion Maximum LVR of 50% on development fund-throughs, which can be re-gearred to 50% upon completion 	<ul style="list-style-type: none"> The Portfolio is optimised and there is no excess capital from re-gears
General	<ul style="list-style-type: none"> Lease rent increasing at a fixed rate of 3% annually across the portfolio Terminal values assumed to be the capitalised value at the end of 10-years Operating costs paid by the tenant 	<ul style="list-style-type: none"> 100% fully occupied throughout the Fund term 2.25% expense inflation applied annually Forecast Fund financials do not meet the required threshold for performance fees to be paid.¹

1. Refer to Information Memorandum dated March 2022

Important Information

Units in the Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFSL 234454 (AUFM)

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