

8 February 2022

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SCA Property Group

Real Estate

HOLD

SCP A\$2.90
TARGET PRICE A\$2.82

SCP's Principal Activity is the investment in and management of shopping centres in Australia.

Company Data

Number of shares	1,116.3M
Market Capitalisation	\$3,181.4M
Free float (%)	98.9
12-month high/low	\$3.05/\$2.3
Average Daily Turnover (\$m)	9.24
% S&P/ASX200	0.15
DDM Ranking	285
% All Ordinaries	0.12
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

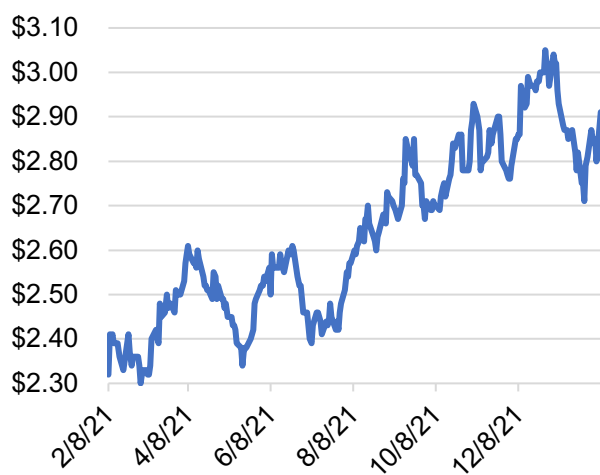
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	190.5	273.7	285.8	294.1
EBITDA (\$M)	192.2	229.1	240.9	248.9
Reported NPAT (\$M)	462.9	354.0	247.9	254.2
Adjusted NPAT (\$M)	159.0	190.9	201.9	205.6
Reported EPS (c)	43.0	17.2	18.7	18.8
Adjusted EPS (c - FD)	14.8	17.7	18.8	19.0
Adjusted EPS growth (%)	0.8	16.5	6.6	1.0
Adjusted P/E (x)	19.3	17.2	16.2	16.0
Dividend (c/sh)	12.4	15.6	16.4	16.9
Gross yield (%)	4.4	5.5	5.8	5.9
Net yield (%)	4.4	5.5	5.8	5.9
ROIC (%)	11.4	4.2	4.3	4.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Half Year 31 December 2021 Announcement

On 8th February 2022, Shopping Centres Australasia Property Group (SCP) released its Half Year 31 December 2021 Announcement with the following highlights:

Financial Highlights:

- Net Profit After Tax of \$432.4 million, up by 320.2% compared to the same period last year ("1H FY21") primarily due to an increase in the fair value of investment properties;
- Funds From Operations ("FFO") of \$94.3 million, up by 30.4% compared to 1H FY21 - FFO per unit of 8.57 cents per unit ("cpu"), up by 27.5% compared to 1H FY21;
- Adjusted Funds From Operations ("AFFO") of \$80.9 million, up by 29.6% compared to 1H FY21 - AFFO per unit of 7.35 cpu, up by 26.7% compared to 1H FY21;
- Distributions of 7.20 cpu, up by 26.3% compared to 1H FY21, a payout ratio of 99% of AFFO;
- Cost of debt currently 2.4% pa. Gearing of 32.5% as at 31 December 2021, up from 31.3% at 30 June 2021 primarily due to acquisitions completed during the period;
- Investment property portfolio value of \$4,426.4 million, up by \$426.4 million since 30 June 2021, due to a valuation increase of \$386.5 million and acquisitions of \$347.5 million, offset by transfer of properties to "held for sale" of \$307.6m;

Operational Highlights:

- Supermarket moving annual turnover ("MAT") growth of (0.1)% (compared to 3.2% at 30 June 2021) and specialty store MAT growth of 5.5% (compared to 9.7% at 30 June 2021);
- Portfolio occupancy of 98.1% by GLA as at 31 December 2021 (compared to 97.4% at 30 June 2021), with specialty vacancy of 5.0% of GLA (compared to 5.1% at 30 June 2021);
- Leasing spreads improved to (0.2%) in 1H FY22, compared to (0.4%) in FY21;
- Seven acquisitions for \$347.5 million (excluding transaction costs) were completed during the period
- "SURF 3" fund was wound up during the period, crystallising an internal rate of return of 11% per annum for unitholders;
- New fund with GIC ("SCA Metro Fund") to be launched in 2H FY22. SCP to sell seven seed assets to the fund for \$284.5 million. Initial target fund size is \$750 million; and
- Our guidance for FY22 FFO per unit is at least 17.5 cpu (18.6% above FY21) and for FY22 AFFO per unit is at least 15.2 cpu (20.5% above FY21).

Earnings changes

SCP has advised that FY22 guidance for FFO is 17.5cpu – this compares to market expectations of 17.1cpu. Hence, we expect positive earnings revisions of 3-4% for FY22 and future periods.

Valuation

We are updating our 12-month target price from \$2.46 to \$2.82 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	38.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	38.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
