

Benefits from local shopping trends but where will growth come from?

Company/ASX Code	Region Group/RGN
AGM time and date	2pm (AEDT) Tuesday, 15 October 2024
Location	Marble Room, Radisson Blu Plaza Hotel, 27 O'Connell St Sydney
Registry	Link Market Services
Type of meeting	Hybrid
Monitor	Lewis Gomes
Pre-AGM Meeting	Steven Crane - Board Chair and Angus James - Chair of Remuneration Committee

Monitor Shareholding: Individuals or their associates involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	Voting
1	Adoption of the Remuneration Report	For
2	Re-election of Independent Director – Beth Laughton	For
3	Re-election of Independent Director – Angus James	For
4	Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes	For
5	Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes	For

2. Summary

- Operational performance continues to be sound but affected by interest rates and consumer trends
- Outlook for growth continues to be challenging but Metro Fund 2 has 6 new centres
- Director re-elections are not controversial and will be supported by the ASA
- Executive remuneration seen as reasonable and will be supported by the ASA
- No resolutions of concern tabled for AGM

3. Matters Considered

Financial performance

- Statutory net profit after tax of \$17.3m (loss of \$123.6 million in FY23)
- Funds From Operations (FFO) \$178.4 million down 7.3% on FY23
- Adjusted FFO (AFFO) per security of 13.6 cps down 11.1% on FY23
- Distributions per security of 13.7 cps down 9.9% on FY23
- \$4.8 billion of assets under management down slightly from \$4.9 billion in FY23
- Net tangible assets (NTA) per security of \$2.42 down 5.1% on FY23
- Weighted average market capitalisation rate increase of 22 bps from 5.85% at 30 June 2023 to 6.07% contributing to a \$123.3 m decrease in property valuations (\$264.1 million in FY23)
- Balance Sheet Gearing of 32.9% which is at the lower end of target range of 30-40%
- Issued \$300 million 7 year Medium Term Note and completed a \$3090 million interest rate hedge restructure at zero cost
- Weighted average cost of debt increased from 3.4% to 4.3% over FY24 while finance expenses increased to \$63.8 million from \$49.1 million at the end of FY23

The statutory net loss has been impacted again in FY24 by downward property revaluations and REIT's generally have had a challenging year with pressures on property values. Notwithstanding these pressures, RGN has seen an increase in net operating income (NOI) growth of 3.0% this year, down from 4.2% in FY23 but still quite positive. In addition, RGN continues to give security holders a solid sustainable distribution, although the unfranked amount is down from 15.2 cents in FY23 to 13.7 cents this year. The centres continue to show strong sales growth, increasing turnover rent, higher occupancy rates and there are good leasing spreads. The focus on supermarkets and non-discretionary retail (approximately 90% of total rental income) continues to provide a solid basis for continuing operational outcomes.

While RGN has performed solidly during the recent higher interest rate and inflationary market conditions, the current security price continues to be well below the NTA and the key question is: where or what are the future growth paths for RGN? A second funds management platform referred to as Metro Fund 2 (MF2) was recently established (August 2024) with the Singapore-based GIC, RGN's partner in the previously established Metro Fund 1 (MF1). MF1 now has 7

centres valued at \$295 million with a target of \$750 million while MF2 has 6 centres with a total value of \$394 million of which 5 were transferred into MF2 by GIC and a 6th from another party. RGN has the management rights over these centres (at no cost in the case of MF2) while GIC provides 80% of the capital funding. RGN has contributed its 20% of the value of the 6 new centres in MF2.

During FY24, there was a \$74 million acquisition of Coleman Court in Canberra and four disposals valued at a total of \$68 million and a further three centres contracted for disposal at a total sale price of \$85.5 million. Construction continues on the 11,000 sqm expansion of Delacombe Town Centre with an estimated completion date of December 2024.

The outlook for FY25 is for AFFO per security of 13.7 cents and a distribution payout ratio of approximately 100% of AFFO, that is, similar to the outcomes for FY24.

5 Year Summary

As at 30 June	2024	2023	2022	2021	2020
Statutory Profit (\$m)	17.3	(123.6)	487.1	462.9	85.5
Funds from Operations (FFO) (\$m)	178.4	192.5	192.7	159.0	140.8
Share price (\$)	2.10	2.27	2.75	2.52	2.18
Distribution (cents)	13.7	15.2	15.2	12.4	12.5
Simple TSR (%)	(1.5)	(11.9)	15.2	21.3	(3.6)
FFO/Security (cents)	15.38	16.94	17.40	14.76	14.65
CEO total remuneration, actual (\$m)	2.520	2.096	2.03	2.37	2.34

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Governance issues, key board or senior management changes

The board comprises three male and three female non-executive directors all of whom except for one director hold shares equivalent to or in excess of each director's annual fees. There are two Executive KMP, the CEO and the CFO, both male but amongst the 5 members of the senior leadership team, there are 3 females and 2 males.

There are no proposed changes at board level although we are advised that Belinda Robson (appointed September 2012) will not seek re-election when her current term expires. RGN is currently seeking a replacement director with considerable property-related experience. Evan Walsh has been confirmed as CFO and the role of COO previously occupied by Mark Fleming, who resigned effective September 2023, has not been replaced.

Sustainability

The company continues to progress its solar and sustainability strategies which are detailed in FY24 Sustainability Report. There was an investment of \$5.2 million in solar photovoltaic (PV) generation representing 7.9MW of new capacity. There is now 16.1MW of solar PV across 29 sites. It was also noted that carbon emissions targets are included as part of the STI's for executives.

4. Summary of Voting Intentions for AGM

Resolution 1 - Adoption of the Remuneration Report

Details of the remuneration framework for FY24 and FY25 are presented in the Annual Report and the Notice of Meeting. The FY25 framework for the CEO is summarised in Appendix 1. The CEO was granted an increase of 4% on his FY23 fixed remuneration for FY24 and received another 4% increase for FY25 bringing his current fixed remuneration to \$1,243,127. The remuneration plan for executives is largely unchanged from previous years although extra metrics on capital management and growth in external funds have been added to the STI performance conditions for FY25. The remuneration seems reasonable and well controlled.

For the non-executive directors (NED's), the base and committee fees were increased by 3% on 1 January 2024. The total fee pool remains unchanged at \$1.6 million per year while the total NED payable in FY24 was \$1.26 million.

Resolution 2 - Re-election of Independent Director Beth Laughton

Beth Laughton was appointed as an independent director in December 2018 and is Chair of the Audit, Risk Management and Compliance Committee and a member of the Remuneration and Nominations Committee. She has a professional background in accounting and audit work with a range of different organisations. She is currently also a director of JB Hi-Fi. Further details are provided in the Notice of Meeting.

Resolution 3 - Re-election of Independent Director Angus James

Angus James was appointed to the board as an independent director in December 2021 and is Chair of the Remuneration Committee and a member of several of the other board committees as set out in the Annual Report. His professional background is in financial advisory and funds management. He has no other listed company directorships. Further details are provided in the Notice of Meeting.

Resolutions 4 - Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer - Anthony Mellowes

The resolution seeks security holder approval for the grant to the CEO of 119,638 rights as part of his short term incentive award for FY24 being half of 43% of his maximum STI (110% of his FY25 fixed remuneration of \$1.243 million) noting that the other half of the awarded STI is paid in cash and not subject to this resolution. The grant is valued at \$267,272 at \$2.234 per security.

Resolutions 5 - Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer - Anthony Mellowes

The resolution seeks security holder approval for the grant to the CEO of 667,749 rights as part of his long term incentive award being a grant valued at \$1,491,752 at \$2.234 per security. The grant

value is based on the maximum available LTI of 120% of the fixed remuneration for FY25 of \$1.243 million.

Note - The ASA considers it appropriate to vote all undirected proxies in favour of all relevant resolutions as per the proposed voting summary.

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Appendix 1

Remuneration framework for FY25

CEO rem. Framework for FY25	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1,243,127	34	1,243,127	30
STI - Cash	447,526	12	683,720	17
STI - Equity	447,526	12	683,720	17
LTI	1,491,752	42	1,491,752	36
Total	3,629,930	100	4,102,319	100

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.