

Date: 23 April, 2025

Initiation of Coverage

HOLD

Target Price (average): \$2.36

Current Price \$2.26

Upside: 2.65%

Authored by FINM3422 Team 34Ellie Manton
48853712
e.manton@student.uq.edu.auSenuthi Herath
XXX
s.herathmudiyanselage@student.uq.edu.auJames Mcoombes
XXX
j.mcoombes@student.uq.edu.auSam Coronis
XXX
s.coronis@student.uq.edu.au

Equity Research Report: Vicinity Centres

Vicinity Centres (ASX: VCX)

This report provides an in-depth valuation of Vicinity Centres, an Australian Real Estate Investment Trust specialising in the ownership and management of Australian shopping centres. Despite macroeconomic pressures, VCX delivered resilient earnings in FY2024, supported by 4.1% comparable Net Property Income (NPI) growth and strong net profit after tax (\$547.1M). Strategic repositioning towards premium, high-performing assets, such as acquisition of Lakeside Joondalup and complete control of Chatwood Chase, was funded through \$550M in non-core divestments at a 9% premium. With a strong balance sheet, disciplined capital management, and a shift in focus towards premiumisation, Vicinity Centres is well-positioned to benefit from structural retail trends and an improving macroeconomic outlook. VCX's commitment to ESG initiatives and sustainable income growth is at the centre of their long-term strategy.

Company Overview

Headquartered in Melbourne, Vicinity Centres (ASX:VCX) is one of Australia's leading retail property groups, with a \$14.7 billion diversified asset portfolio of 56 shopping centres across Australia. Major assets, including Chadstone, Emporium Melbourne, and Queen Victoria Building, are strategically positioned within a 30-minute drive of two-thirds of the Australian population. VCX's portfolio is primarily weighted towards specialty and mini-major tenancies, which contribute to 70% of rental income. Additionally, Vicinity Centre's manages \$8.4 billion in partner assets through joint ventures, supported by its strong operational foundation and leasing expertise.

Vicinity's strategy focuses on curating a premium, high-performing portfolio through active capital recycling and development. Supported by investment grade credit ratings by S&P and Moody's, the company continues to invest in retail innovation and client satisfaction. Its dominant position of the luxury, outlet, and CBD retail markets differentiates it from competitors and strengthens partnerships in other emerging retail sectors.

Company Highlights

Chadstone Development Progress:

VCX advanced construction on Chadstone's fresh food precinct and One Middle Road office tower, with over 95% of space pre-leased to significant tenants including Kmart and Adairs. The initiative serves to further establish Chadstone as a top-tier retail and commercial destination.

CBD Portfolio Recovery:

Retail sales rose by 5.4% in Vicinity's CBD centres, driven by the return of international tourists, students, and office workers. Occupancy rates of (99.6%) in the CBD portfolio exceeded pre-pandemic levels.

Leasing Momentum and Occupancy:

In FY2024, over 2,000 leasing deals were carried out, contributing to a portfolio-wide occupancy increase to 99.3% and a rise in the weighted average lease expiry (WALE) from 3.3 to 3.6 years. Further, leadings spreads improved to +1.1%.

Capital Management Initiatives:

VCX obtained \$675 million in new or extended bank debt facilities and issued an additional \$500 million in 10-year fixed AMTNs. In view of preserving financial flexibility, gearing was maintained at 27.2%, at the lower end of Vicinity's target range.

Financial Ratios

[To be generated using financial API functions.]

DCF Valuation

[Extracted from Excel - handled by teammate.]

Commentary

[To be imported from .txt file.]

Charts & Price History

[To be added - stock price vs ASX200 history.]