

## ASX Release

# Charter Hall Long WALE REIT 1H FY18 Results

15 February 2018

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Charter Hall WALE Limited, as responsible entity of the Charter Hall Long WALE REIT (ASX:CLW) (CLW or the REIT) today announced its 1H FY18 results for the period from 1 July 2017 to 31 December 2017. Key financial and operational highlights for the period are:

### Financial highlights:

- Statutory Profit of \$45.9 million;
- Operating Earnings of \$27.3 million;
- Operating Earnings per security (EPS) of 13.0 cents, 1.8% above PDS 1H FY18 EPS forecast;
- Distribution per security (DPS) of 13.7 cents<sup>1</sup>;
- NTA per security increased to \$4.02, reflecting 2.2% growth in the period; and
- Balance sheet gearing of 28.6<sup>2</sup>%.

### Operational performance:

- 11.3 year<sup>3</sup> diversified portfolio WALE and 100% occupancy;
- 8.4% increase in property portfolio value to \$1.52 billion<sup>3</sup>;
- \$96.2 million of net property acquisitions;
- \$101.6 million of new equity successfully raised via DRP and Entitlement Offer; and
- 4.8 years and 5.2 years weighted average debt and hedging maturities respectively.

Avi Anger, Charter Hall Long WALE REIT Fund Manager, commented: "This solid result reflects the active management approach we take to maintain long term, sustainable returns for our investors. We are pleased to deliver Operating EPS of 13.0 cents or 1.8% above the PDS 1H FY18 forecast.

"In addition, the REIT's portfolio value has grown by 8.4% during the period driven by strategic acquisitions and \$21 million in gross property revaluations. This has delivered an increased NTA of 2.2% to \$4.02 per security," Mr Anger added.

### Accretive acquisitions, active leasing and positive revaluations

During the period, the REIT completed a successful accelerated non-renounceable entitlement offer, which raised \$94.1 million of new equity to fund a 100% interest in Virgin Australia's head office at 56 Edmondstone Road, Brisbane. The A-Grade freehold asset comprises approximately 12,500sqm of

<sup>1</sup> DPS is greater than EPS for the period as a result of the impact of the December 2017 entitlement offer.

<sup>2</sup> Reflects pro-forma 31 December 2017 balance sheet gearing adjusted for the settlement of Virgin Australia Head Office which was acquired post balance date on 4 January 2018.

<sup>3</sup> Includes Virgin Australia Head Office.



net lettable area across three low-rise office buildings and is 100% leased to Virgin Australia with an 8.4 year WALE at settlement.

The acquisition price reflects a 6.8% capitalisation rate. Key highlights of the acquisition include:

- Long WALE asset fully leased to a high quality ASX listed tenant with a WALE of 8.4 years;
- Significant 9,302sqm site located in the Brisbane Fringe - Urban Renewal Precinct which includes Fortitude Valley, Newstead and Bowen Hills;
- Improves the sector, geographic and tenant diversification of the REIT's portfolio; and
- 3.5% annual fixed reviews which contribute to enhancing the earnings growth profile of the REIT

"The acquisition of the Virgin Australia Head Office improves the sector, geographic, tenant and tenant industry diversification of the REIT's portfolio and the 3.5% annual fixed rent reviews contributes to the earnings growth profile of the REIT" Mr Anger said.

The REIT also completed a five-year lease extension with Electrolux Home Products Pty Limited at 76 – 80 Howards Road, Beverley, South Australia. As a result, the expiry date of this lease has been extended from December 2024 to December 2029 and the lease term remaining at this property has increased to 11.9 years.

During the period, 46 properties were independently valued (c.39% of the portfolio by value) which resulted in a total gross uplift of \$21.0 million, reflecting a 1.5% increase on prior book values. This valuation growth, in conjunction with strategic acquisitions and lease extensions, resulted in the REIT's portfolio valuation growing 8.4% to \$1.52 billion, reflecting a \$118 million increase to 31 December 2017<sup>4</sup>. At the end of the period, the REIT's diversified portfolio remains 100% occupied and the portfolio's weighted average capitalisation rate (WACR) firmed marginally to 6.17%.

"The performance of the portfolio is consistent with the REIT's strategy of providing investors with stable and secure income and targeting both income and capital growth, via an exposure to a high quality, diversified portfolio of long WALE properties." Mr Anger added.

### **Strengthened the REIT's capital position**

During 1H FY18, the REIT completed a number of capital management initiatives, which have expanded the debt platform and bolstered the overall strength of its capital position. These initiatives include:

- Balance sheet debt facility limit increase of \$20 million to \$470 million and maturity date extension to February 2022; and
- Successful completion of the accelerated non-renounceable entitlement offer, raising \$94.1 million of new equity to fund the acquisition of the Virgin Australia Head Office and associated transaction costs.

As a result, key metrics as at 31 December 2017 include:

- Undrawn debt and cash of \$95 million<sup>5</sup>;
- Weighted average cost of debt is 4.1%;
- Weighted average debt maturity term of 4.8 years; and
- Weighted average hedge maturity of 5.2 years.

These initiatives are consistent with the REIT's strategy to reduce impacts from interest rate fluctuations and maintain a conservative capital structure with balance sheet gearing at 31 December 2017 of 23.3%. When adjusted for the settlement of Virgin Australia Head Office, this results in pro-forma balance sheeting gearing of 28.6%, remaining within the 25% to 35% target range.

<sup>4</sup> Includes Virgin Australia Head Office.

<sup>5</sup> As at 31 December 2017 and adjusted for Virgin Australia Head Office acquisition settlement.



## Strategy and outlook

Management continues to focus on actively managing the REIT to create value and deliver sustainable and growing returns for investors.

Barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY18 Operating EPS remains unchanged at 26.4 cents, representing:

- 3.9% growth over FY17 annualised Operating EPS; and
- 3.1% ahead of PDS target FY18 annualised Operating EPS of 25.6 cents

The target distribution payout ratio remains at 100% of Operating Earnings.

### About Charter Hall Long WALE REIT

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust ("REIT") listed on the ASX (ASX: CLW) and invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC) one of Australia's leading fully integrated property groups, with over 25 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$21.4 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

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For further information, please contact

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