



Woolworths Distribution Centre, Dandenong, VIC

10 August 2018

Charter Hall Long WALE REIT

FY18 Full Year Results

Agenda

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FY18 highlights



Key highlights

FY18 highlights¹

Financial performance

**Operating EPS of
26.4 cents**

3.9% annual EPS growth²

DPS of 26.4 cents

100% payout ratio

\$4.05 NTA per security

2.9% increase since June 2017

Portfolio performance

**10.8 year WALE
100% occupancy**

\$128 million

total portfolio value growth

6.13% portfolio WACR

7bps compression since June 2017

Capital management

30.6% gearing

within target range of 25% – 35%

\$100 million

debt facility refinance with new lender
diversifies debt sources

\$100 million

new seven year interest rate swap
increases hedge duration to 5.2 years

1. Metrics on this page and throughout this presentation are as at 30 June 2018, unless otherwise stated
2. Growth on FY17 EPS of 25.4 cents, reflecting the annualised EPS for the period from IPO to 30 June 2017

Delivering on strategy

Provide investors with **stable and secure income** and targeting **income and capital growth** through an exposure to **long WALE** properties

Grow the portfolio across multiple real estate sectors for diversification benefits

Focus on assets leased to tenants with **strong covenants on long term leases**

Secure income & capital growth

- FY18 EPS and DPS of 26.4 cents, reflecting 3.9% annual growth¹
- Delivered 2.9% annual NTA per security growth
- Secured long term cost of funding with a new seven year interest rate swap

Diversified portfolio

- Strengthened high quality diversified portfolio with Virgin Australia Head Office acquisition
- Divested Grace Worldwide facility and recycled proceeds into longer WALE 40 Tank Street, Brisbane
- Continue to improve portfolio tenant and geographic diversification with recently announced property transactions, further increasing Eastern Seaboard weighting

Strong covenants on long leases

- Expanded high quality tenant base with the inclusion of Virgin Australia and Queensland State Government
- Leveraged strong tenant relationships to extend existing leases
- Woolworths Distribution Centre, Dandenong reached practical completion commencing a new 20 year lease
- Long portfolio WALE of 10.8 years

1. Annual EPS and DPS growth on annualised FY17 EPS of 25.4 cents

Financial performance



Hyde Park Hotel, West Perth, WA

FY18 results snapshot

Key metrics	FY18
Statutory profit	\$83.3m
Operating earnings	\$58.4m
Operating earnings per security	26.4 cents
Distributions per security	26.4 cents

	30 June 2018	30 Jun 2017	Movement
NTA per security	\$4.05	\$3.93	2.9%
Number of properties	81	80	1
WALE	10.8 years	11.8 years	-1 year
Property portfolio	\$1.53bn	\$1.40bn	\$0.12bn
Balance sheet gearing	30.6%	29.9%	0.7%
Look through gearing	37.2%	37.7%	(0.5%)
Look through hedging	75%	66%	9%

Financial performance

A\$m	FY18	FY17 ¹	% change
Net property income	90.5	52.5	72.4%
Interest income	0.2	0.2	0.0%
Total income	90.7	52.7	72.1%
Operating expenses	(9.1)	(5.8)	56.9%
Finance costs	(23.2)	(13.3)	74.4%
Operating earnings	58.4	33.6	73.8%

EPS / DPS (cents)			
Operating earnings per security	26.4	25.4	3.9%
Distribution per security	26.4	25.4	3.9%

Increased revenue driven by NPI from property acquisitions since IPO:

- SUEZ portfolio (Dec 2016)
- Bunnings South Mackay (Jul 2017)
- Virgin Australia Head Office (Jan 2018)
- Additional ALH leased pubs

Increase in operating expenses attributed to portfolio growth and new acquisitions

Finance costs are similarly higher due to debt funded property acquisitions

Annualised EPS growth of 3.9%

1. Reflects financial period from IPO to 30 June 2017 and annualised EPS / DPS

Balance sheet

A\$m	Jun 2018	Jun 2017
Cash	5.5	2.9
Investment properties	894.3	760.4
Equity accounted investments	474.1	402.3
Other assets	21.1	27.1
Total assets	1,395.0	1,192.6
Provision for distribution	15.8	13.3
Debt	430.1	359.0
Unamortised borrowing costs	(2.0)	(2.3)
Other liabilities	10.7	5.3
Total liabilities	454.6	375.2
Net tangible assets	940.4	817.4
Securities on issue (m)	232.3	207.8
NTA per security (\$)	\$4.05	\$3.93

\$202.3m (17%) asset growth due to:

- Acquisition of Bunnings South Mackay, Bridge Inn Hotel¹ and Virgin Australia Head Office (\$120.8m)
- Practical completion of Woolworths, Dandenong (\$46.5m)
- Gross property revaluations of \$32.2m (H1 - \$21.0m, H2 - \$11.2m)

Increase in debt due to acquisition activity.

Other liabilities increase largely represents prepaid rent.

- \$94.1m Entitlement Offer completed in December at \$4.15 per security
- 2.9% growth in NTA per security

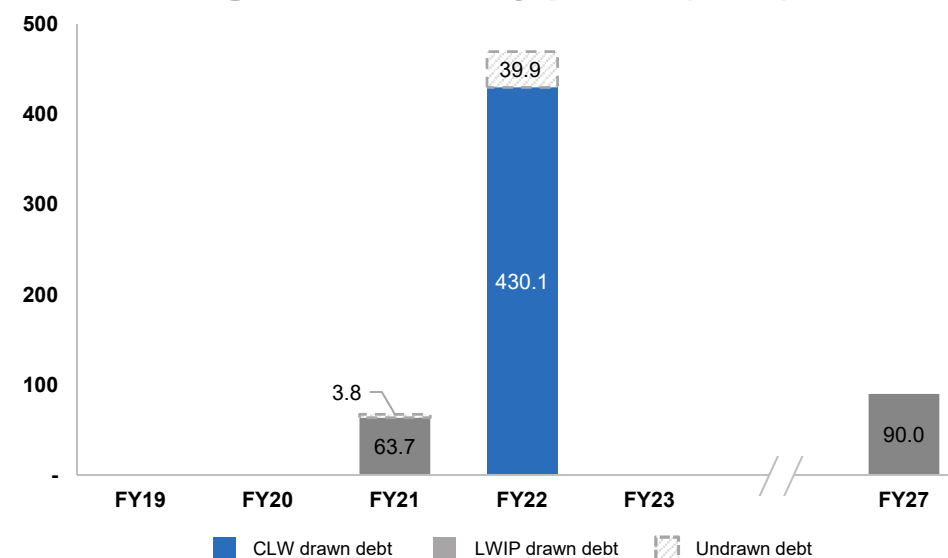
1. Bridge Inn acquisition net of disposal of Prestons Hotel

Debt & hedging summary

A\$m			
Debt summary	Limit	Drawn	Maturity
<u>Balance sheet debt</u>			
Syndicated debt facility	470.0	430.1	Feb 2022
<u>Joint venture debt (CLW interest)</u>			
LWIP debt facility	67.5	63.7	Sep 2020
LWIP USPP	90.0	90.0	May 2027
Weighted average cost of debt			4.2%
Weighted average debt maturity term			4.3 years
Balance sheet gearing			30.6%
Look through gearing			37.2%
Hedging summary¹			
Total look through swaps			439.8
Look through debt hedged			75%
Weighted average hedge maturity term			5.2 years

1. Includes LWIP USPP
2. Includes available cash in LWIP and other joint ventures

Look through debt maturity profile (A\$m)



- Balance sheet gearing remains within target 25 – 35% range
- Undrawn debt and cash of \$51.5² million at 30 June 2018
- Post balance date, CLW has refinanced \$100 million of its syndicated debt facility with a new lender, Bank of China, diversifying its lending sources and extending the weighted average debt maturity to 4.5 years

Operational highlights & portfolio overview



FY18 portfolio highlights

Capitalised on opportunities to improve the portfolio and secure long term income

- CLW undertook a number of transactions during the year, improving the portfolio and increasing its Eastern Seaboard exposure
- The REIT also completed a number of asset management initiatives

Acquisition of Virgin Australia Head Office, Bowen Hills, QLD

- Long WALE asset fully leased to a high quality ASX-listed tenant
- 8.4 year WALE (at acquisition)
- Attractive 3.5% annual rent reviews
- Located in the Brisbane Fringe – Urban Renewal Precinct
- Acquisition was funded by a fully committed entitlement offer



Disposal of Grace Worldwide, Brisbane, QLD

- Entered unconditional agreement to divest Grace Worldwide facility in Willawong, Brisbane
- Accretive to portfolio WALE
- Sale was triggered by the tenant exercising its right to purchase the property
- Proceeds to be re-invested into 40 Tank Street, Brisbane



Asset management highlights

- Early five year extension of Electrolux lease at Beverley, SA increasing lease term to 11.9 years
- Off-market ALH acquisition and disposition
- Completed the market rent review of the ATO Adelaide office lease. Future earnings supported by the ATO Income Support Fund



Woolworths Distribution Centre, Dandenong

Completion of new Woolworths state of the art Victorian distribution centre

- In March 2018, the Woolworths Distribution Centre in Dandenong achieved practical completion
 - 69,217 sqm facility incorporating extensive automation systems and technology
 - Clearance heights up to 45 metres with significant loading facilities, hardstand and truck parking
 - Long term 20 year lease to Woolworths with fixed 2.75% annual rent reviews
- CLW owns a 26% interest in joint venture with other Charter Hall managed funds



Portfolio update – post balance date

CLW continues to re-weight its portfolio to core Eastern Seaboard markets

- CLW is pleased to provide the following updates, which have occurred since balance date:

Disposal of 50% of Australian Tax Office, Adelaide, SA



- CLW has contracted to divest a 50% interest in the ATO Adelaide building at 12 – 26 Franklin Street, Adelaide
- Sale price of \$135 million, equivalent to:
 - 30 June 2018 independent valuation; and
 - a 2.5% premium to the valuation at the time of IPO.
- Reduces the REIT's exposure to this asset from 18% to 10%
- Increases the REIT's geographic exposure to Eastern Seaboard market, from 55% to 60%

Acquisition of 40 Tank Street, Brisbane, QLD



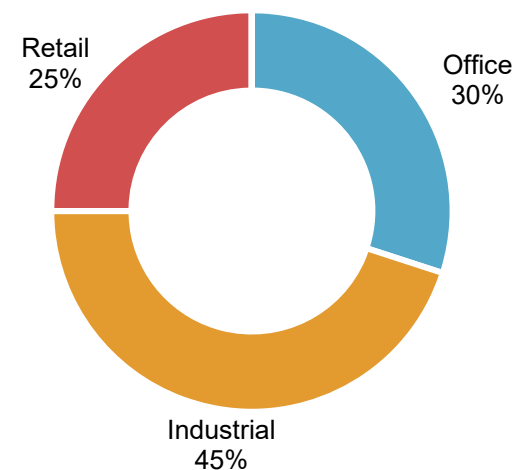
- CLW has been actively identifying opportunities to efficiently recycle proceeds from the disposal of Grace Worldwide and has contracted to acquire a 50% interest in 40 Tank Street, Brisbane
 - Located in Brisbane's North Quarter legal precinct
- Purchase price of \$46.5 million (50% interest), reflecting a 5.84% initial yield
- Fully leased with 6.3 year WALE, underpinned by leases to high credit quality tenants (Queensland State Government – Queensland Police Services, and Care Park)
- Average annual 3.0% rent reviews

Portfolio snapshot

Portfolio snapshot

	Jun 2018	Jun 2017
Number of properties	81	80
Property valuation (A\$m)	1,525.2	1,397.2
Weighted Average Capitalisation Rate ("WACR")	6.13%	6.20%
Occupancy	100%	100%
Weighted Average Lease Expiry ("WALE")	10.8 years	11.8 years
Proportion of income subject to fixed rental increases	61%	62%
Weighted Average Rental Review ("WARR")	2.9%	2.9%

Portfolio by sector



Portfolio summary

Sector	Assets	Valuation (\$m)	Cap rate (%)	WARR (%)	WALE (yrs)	Occupancy (%)
Office	3	\$464.5	5.96%	3.4%	9.9	100%
Industrial	20	\$685.8	6.37%	2.9%	9.2	100%
Retail	58	\$374.9	5.90%	2.3%	15.5	100%
Total / weighted average	81	\$1,525.2	6.13%	2.9%	10.8	100%

Tenant diversification

- CLW's portfolio comprises a strong and stable tenant base with 16 high quality customers across various industries and business sectors

Major tenants¹

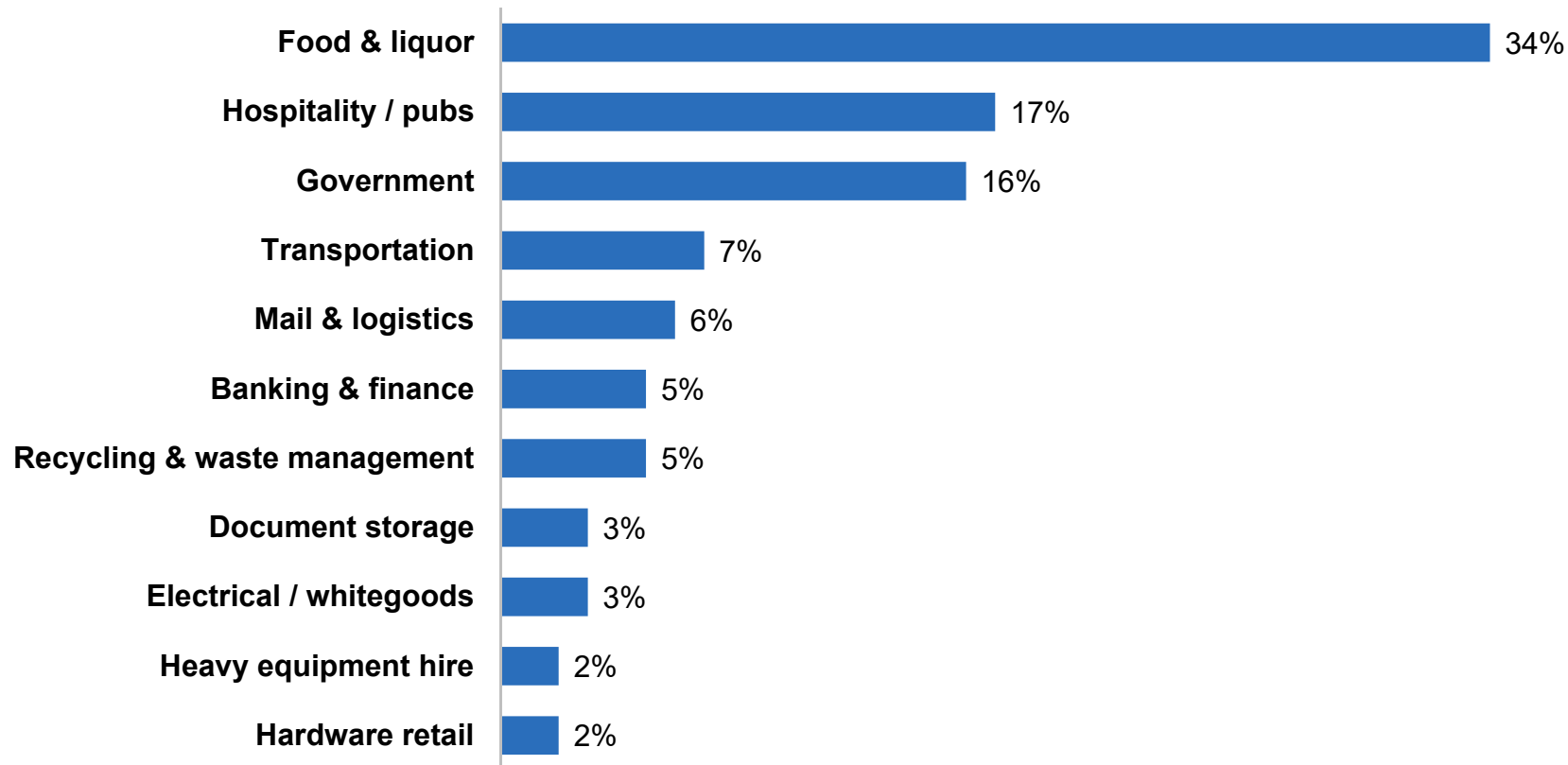
Woolworths / ALH	 	28.0%	Australia Post		3.2%
Australian Tax Office	 Australian Government Australian Taxation Office	15.5%	Grace Worldwide		3.0%
Metcash		12.3%	Electrolux		2.8%
Coles		12.1%	Toll		2.5%
Virgin Australia		6.7%	Coates Hire		2.1%
Westpac		5.1%	Bunnings Group		1.8%
SUEZ		4.6%			

1. Weighted by gross passing income as at 30 June 2018 (REIT ownership interest).

Industry diversification

- Portfolio underpinned by long leases to tenants across diverse business industries
- The vast majority of tenant industries are non-discretionary

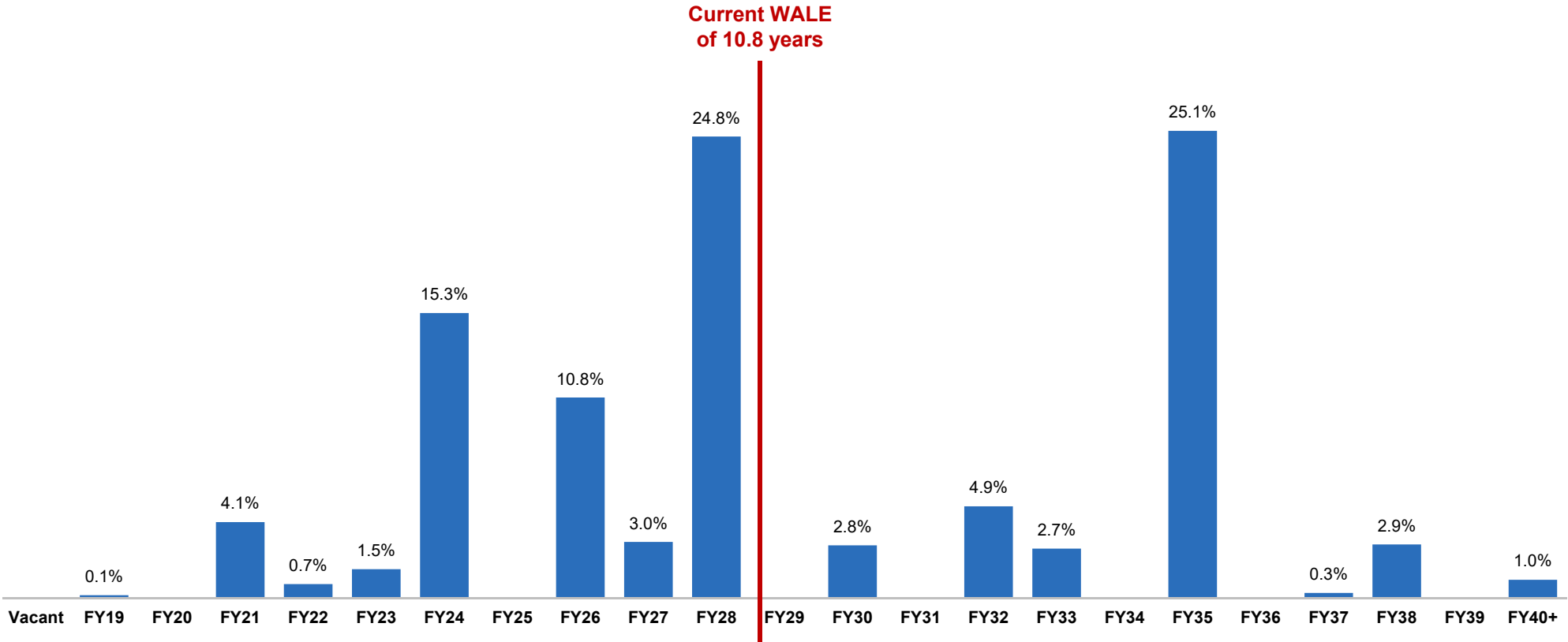
Tenant industries¹



1. Weighted by gross passing income as at 30 June 2018 (REIT ownership interest).

Lease expiry profile

Long dated portfolio WALE of 10.8 years¹



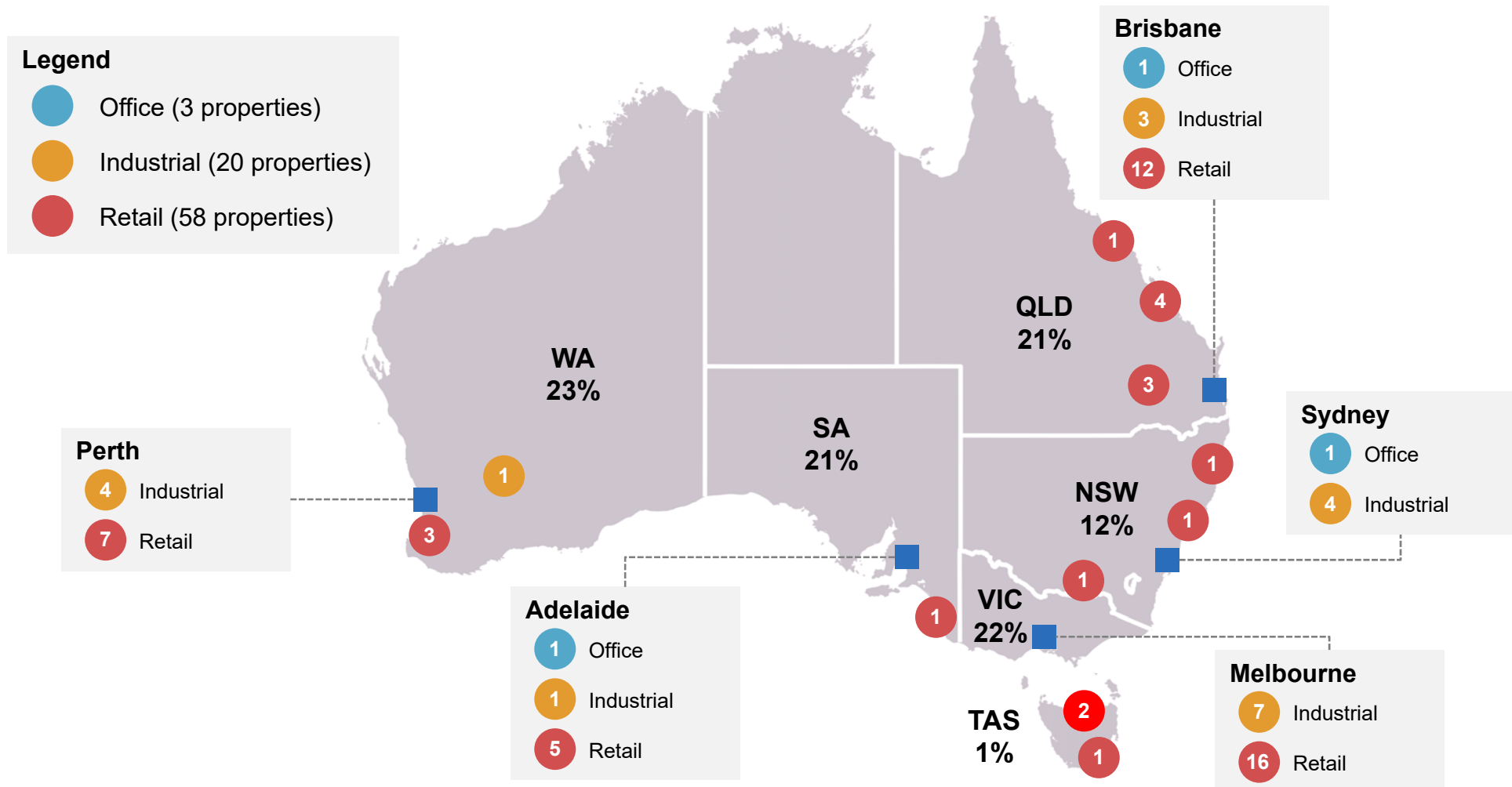
1. Weighted by gross passing income as at 30 June 2018 (REIT ownership interest).

Geographic diversification

Highly diversified by geography and real estate sector¹

81 assets comprising office, industrial and retail properties located in six Australian states

- Property transactions improve diversification and increases weighting of the portfolio to the Eastern Seaboard markets



1. Weighted by property valuations as at 30 June 2018 (REIT ownership interest).

FY19 earnings guidance

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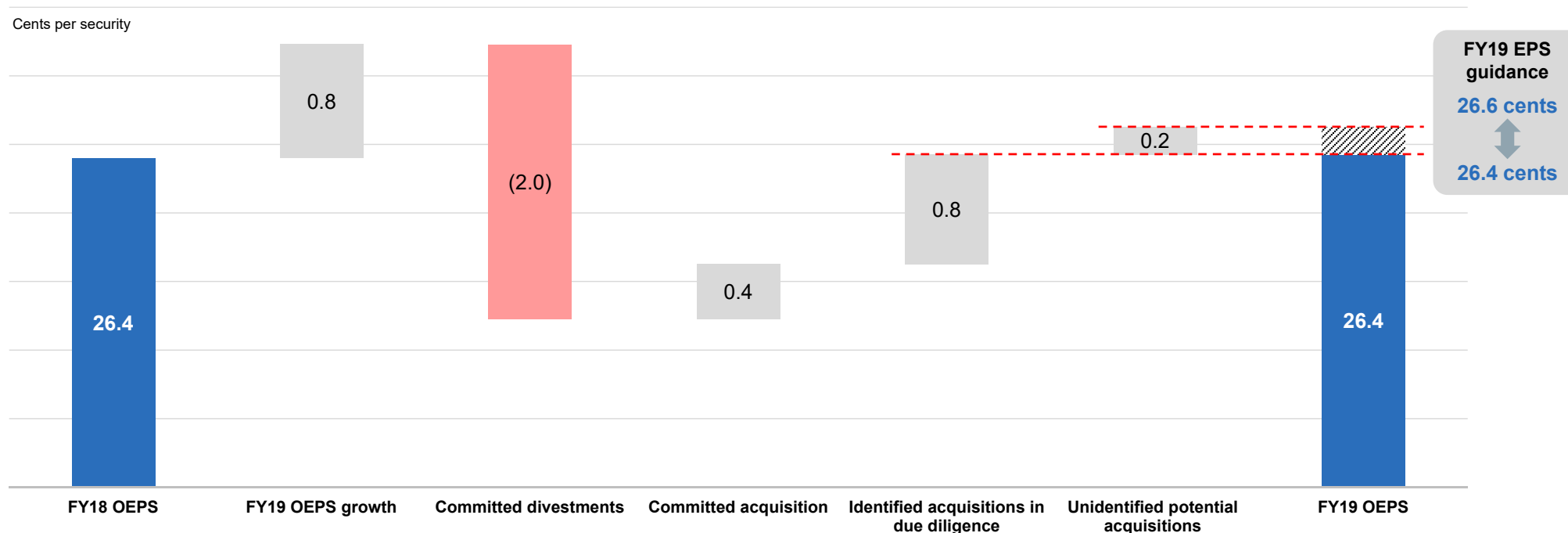
FY19 earnings guidance

- Barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY19 Operating EPS is between **26.4 – 26.6 cents per security** subject to re-investment of proceeds from the sale of 50% of ATO Adelaide office building
- The target distribution payout ratio remains at 100% of Operating Earnings



FY19 EPS bridge

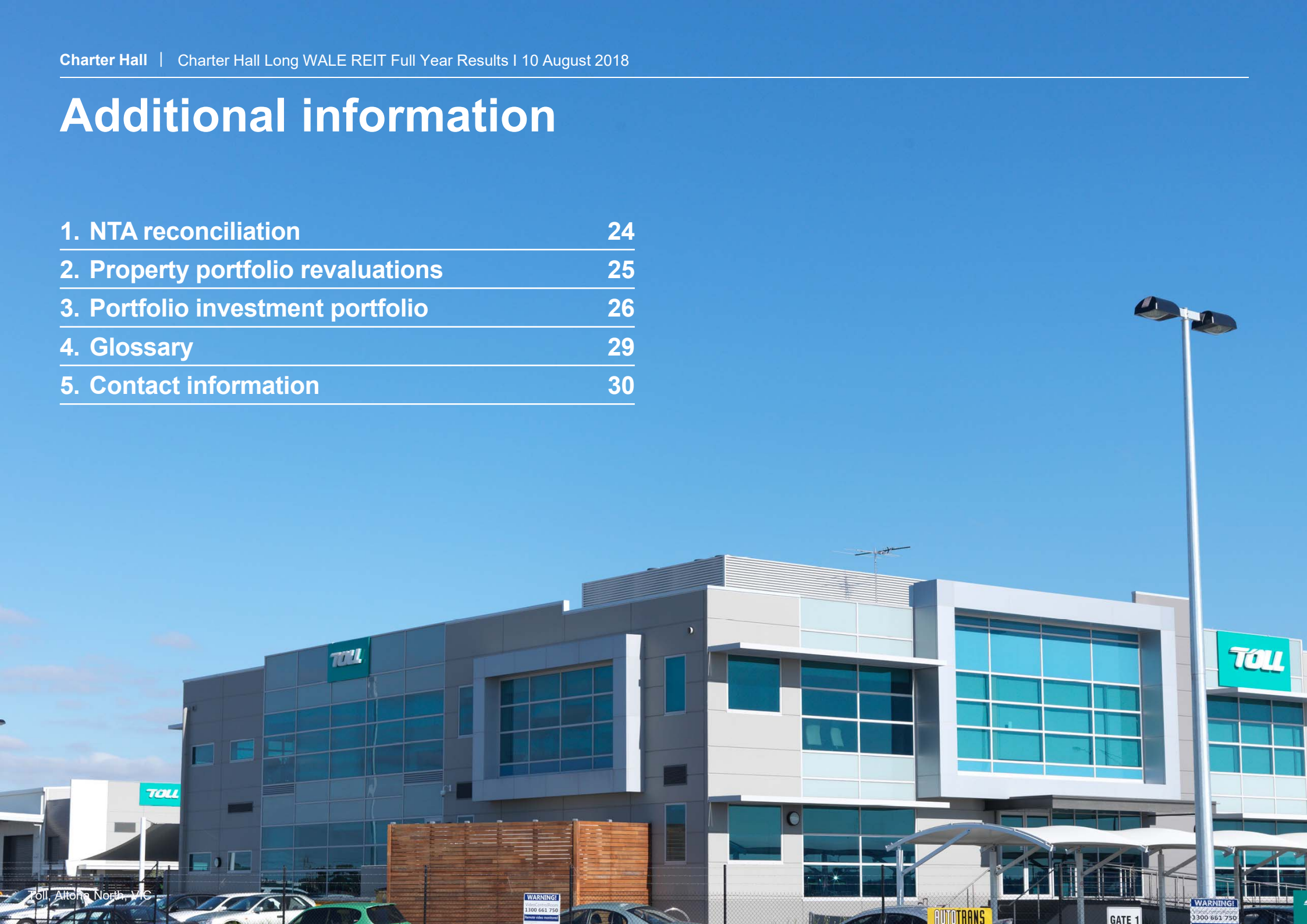
CLW's forecast FY19 EPS is illustrated below



- | | |
|--|--|
| FY19 OEPS growth | Primarily driven by portfolio weighted average rent reviews of 2.9% and NPI from property acquisitions during FY18 |
| Committed divestments | Reflects net EPS impact of Grace Willawong and 50% of ATO Adelaide divestments |
| Committed acquisition | Grace Willawong sale proceeds recycled into 50% of 40 Tank Street, Brisbane |
| Identified acquisitions in due diligence | Approximately \$100 million of sale proceeds re-invested by mid-September 2018 <ul style="list-style-type: none"> Forecast average initial property yield of 6.1% |
| Unidentified potential acquisitions | Approximately \$30 million of sale proceeds re-invested by end-November 2018 <ul style="list-style-type: none"> Forecast average initial property yield of 6.0% |

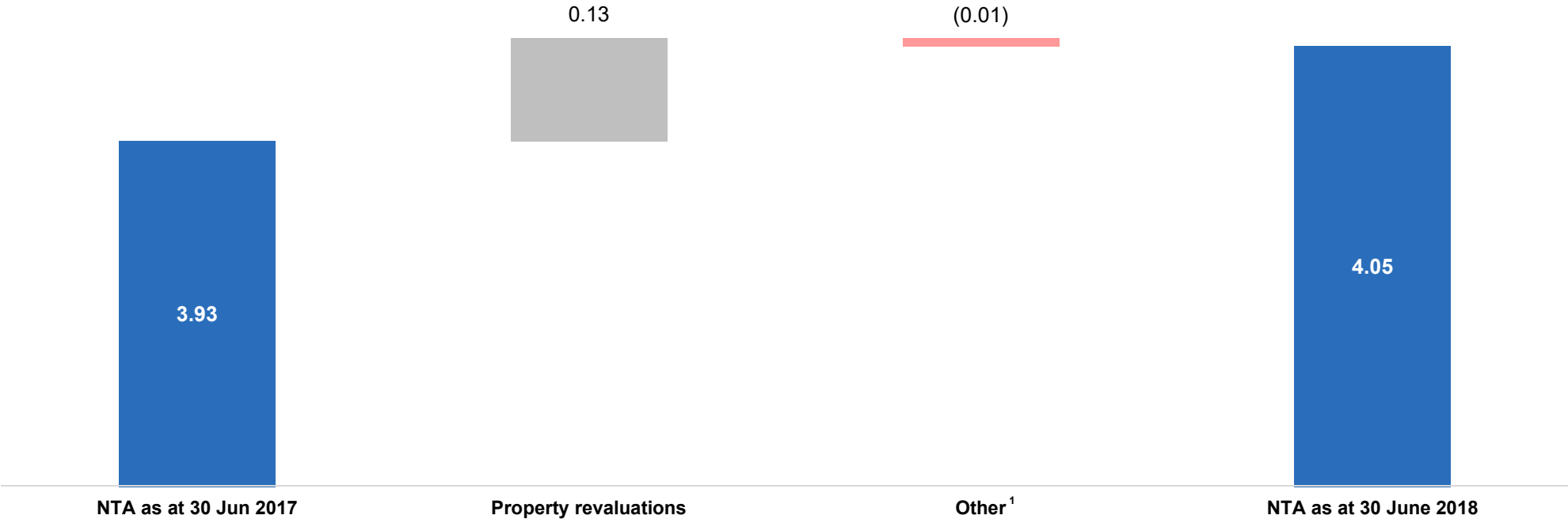
Additional information

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NTA reconciliation

NTA per security reconciliation (\$A)



1. Other movements predominantly include MTM on derivatives and distributions relating to equity issued cum-distribution under the December 2017 entitlement offer

Property portfolio revaluations

- FY18 property revaluations resulted in a total gross uplift of \$32.2 million, reflecting a 2.2% increase on prior book values
- Overall the portfolio WACR firmed 7bps to 6.13% as a result of revaluations

FY18 valuation summary

	Office	Industrial	Retail	Total
Number of properties	3	20	58	81
June 2018 valuation (A\$m)	464.5	685.8	374.9	1,525.2
Movement in valuation – 12 months to June 2018 (A\$m)	1.6	17.8	12.9	32.2
Movement (%)	0.3	2.7	3.6	2.2
Portfolio WACR as at 30 June 2018 (%)	5.96	6.37	5.90	6.13
Portfolio WACR as 30 June 2017 (%)	5.78	6.53	6.02	6.20
Movement (bps)	0.18	(0.16)	(0.12)	(0.07)

Property investment portfolio

Office portfolio

Asset	State	REIT interest	Valuation ¹ (A\$m)	Cap rate ² (%)	WALE ³ (years)	Occupancy ³ (%)	NLA ⁴ (sqm)	WARR ⁵ (%)
Westpac Building, Kogarah	NSW	50.1%	103.7	5.5%	16.1	100%	31,724	CPI
Australian Taxation Office, Adelaide	SA	100%	270.0	5.9%	8.8	100%	37,315	3.8%
Virgin Australia Head Office, Bowen Hills	QLD	100%	90.8	6.8%	7.9	100%	12,427	3.5%
Total / weighted average			464.5	6.0%	9.9	100%	81,466	3.4%



Australian Taxation Office, Adelaide, SA



Westpac Building, Kogarah, NSW



Virgin Australia Head Office, Bowen Hills, QLD

1. Most recent external valuation or Directors' valuation (REIT ownership interest).
2. Weighted by Valuation (REIT ownership interest).
3. As at 30 June 2018 by gross passing income (REIT ownership interest).
4. NLA shown on a 100% basis.
5. WARR, weighted by gross passing income as at 30 June 2018 (REIT ownership interest).

Property investment portfolio

Industrial portfolio

Asset	State	REIT interest	Valuation ¹ (A\$m)	Cap rate ² (%)	WALE ³ (years)	Occupancy ³ (%)	GLA ⁴ (sqm)	WARR ⁵ (%)
Australia Post, Kingsgrove	NSW	100%	23.5	5.3%	8.0	100%	6,729	3.5%
SUEZ, Artarmon	NSW	100%	17.6	5.0%	28.5	100%	4,309	3.0%
SUEZ, Davis Road, Wetherill Park	NSW	100%	10.7	6.0%	8.5	100%	3,975	3.0%
SUEZ, Newton Road, Wetherill Park	NSW	100%	9.2	6.3%	3.5	100%	2,987	3.0%
Coles Distribution Centre Truganina	VIC	50.0%	56.0	5.2%	14.0	100%	69,074	3.5%
Woolworths Distribution Centre, Dandenong	VIC	26.0%	57.4	5.0%	19.7	100%	69,217	2.8%
Woolworths Distribution Centre, Hoppers Crossing	VIC	100%	46.7	7.8%	2.5	100%	52,364	3.0%
Toll, Altona North	VIC	100%	33.5	6.0%	7.4	100%	6,310	3.5%
SUEZ, Dandenong South	VIC	100%	7.5	6.0%	8.5	100%	2,767	3.0%
SUEZ, Campbellfield	VIC	100%	2.0	7.5%	2.5	100%	1,537	3.0%
SUEZ, Bairnsdale	VIC	100%	0.4	8.0%	2.5	100%	387	3.0%
Grace Worldwide, Willawong	QLD	100%	38.7	7.0%	5.1	100%	22,108	3.5%
Coates Hire, Kingston	QLD	100%	32.0	5.8%	14.7	100%	1,835	4.0%
SUEZ, Lower Nudgee	QLD	100%	4.2	5.3%	18.5	100%	1,760	3.0%
Electrolux, Beverley	SA	100%	35.9	7.0%	11.4	100%	25,562	3.5%
Metcash Distribution Centre, Canning Vale	WA	100%	169.2	7.3%	5.6	100%	98,295	CPI
Coles Distribution Centre, Perth	WA	49.9%	123.9	6.3%	9.9	100%	81,647	2.8%
SUEZ, Welshpool	WA	100%	12.9	6.0%	13.5	100%	3,460	3.0%
SUEZ, Landsdale	WA	100%	3.9	6.3%	13.5	100%	2,598	3.0%
SUEZ, South Boulder	WA	100%	0.6	8.3%	13.5	100%	630	3.0%
Total / weighted average			685.8	6.4%	9.2	100%	457,551	2.9%

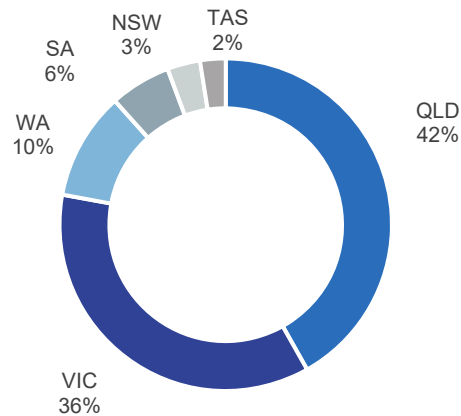
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3. As at 30 June 2018 by gross passing income (REIT ownership interest)
4. GLA shown on a 100% basis
5. WARR, weighted by gross passing income as at 30 June 2018 (REIT ownership interest).

Property investment portfolio

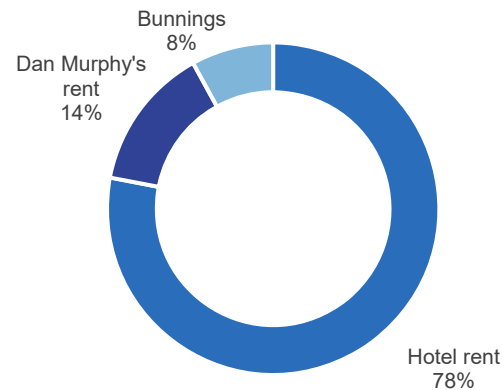
Retail portfolio

	LWIP portfolio ¹	Other retail	Total
Number of assets	57	1	58
Property valuation ² (A\$m)	374.9	29.0	403.9
WACR ³ (%)	5.9	6.0	5.9
WALE ⁴	16.2 years	8.4 years	15.5 years
Occupancy ⁴	100%	100%	100%
Retail portfolio WARR ⁴	CPI	3.0%	2.3%

Geographic diversity³



Income diversity⁴



1. Reflects CLW's 45% interest
2. Most recent external valuation or Directors' valuation (REIT ownership interest)
3. Weighted by Valuation (REIT ownership interest)
4. As at 30 June 2018, weighted by gross passing income (REIT ownership interest)

Glossary

ASX	Australian Stock Exchange
Balance sheet gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash
Cap rate	Capitalisation rate
CLW or the REIT	Charter Hall Long WALE REIT
DPS	Distributions per security
EPS	Operating earnings per security
Look-through gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments
LWIP	Long WALE Investment Partnership
MTM	Mark-to-market
NTA	Net tangible assets
REIT	Real estate investment trust
PDS	Charter Hall Long WALE REIT Product Disclosure Statement dated 27 September 2016; and Charter Hall Long WALE REIT Supplementary Product Disclosure Statement dated 27 October 2016
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
WARR	Weighted average rent review

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