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# ASX Release

## Charter Hall Retail REIT FY18 Results
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Charter Hall Retail REIT (ASX:CQR) (CQR or the REIT) today announced its FY18 results for the period 1 July 2017 to 30 June 2018.

### Key financial results:

- Operating earnings of $123.2 million, in line with prior corresponding period (pcp) and statutory profit of $146.4 million
- Operating earnings per security of 30.51 cents per unit, an increase of 0.4% on pcp
- Distributions of 28.2 cents per unit, representing a payout ratio of 92.4% and a tax deferred component of 46%
- Net tangible assets (NTA) up 2.2% to $4.22 per unit
- Balance sheet gearing[1] of 33.4%, as at 30 June 2018
- Weighted average debt maturity[2] of 5.1 years as at 30 June 2018

### Operating highlights:

- Improved occupancy at 98.1%
- Portfolio value of $2.8 billion
- Majors WALE increased to 10.7 years and stable portfolio WALE of 6.6 years
- Like for like net property income (NPI) growth of 1.8% up from 1.0% pcp
- Majors MAT sales growth of 3.3% for stores in turnover and portfolio MAT sales growth of 2.2% up 1.6% on pcp
- Settled or contracted to acquire three[3] strategic convenience focussed centres for $274 million at a yield of 6.0%. Divested 15 lower growth properties for $309 million at an average yield of 6.3%
- Completed 235 renewals and 165 new leases delivering positive specialty leasing spreads of 1.3% up from 0.2% pcp

Charter Hall's Retail CEO, Greg Chubb said: "We are pleased to deliver these solid results which reflect growth across key metrics, the result of diligent execution of our strategy. We have repositioned the portfolio for growth through recent transactions, redevelopments and capital management initiatives to deliver unitholders a secure and stable income stream.

"The $2.8 billion portfolio continues to comprise convenience based non-discretionary retail driven by Australia's leading major supermarket brands who have delivered combined MAT sales growth of 2.8%." Mr Chubb added.

[1] June 2018 pro-forma balance sheet gearing post contracted asset disposals and acquisitions is 32.7%
[2] June 2018 pro-forma weighted average debt maturity post funding of two new debt facilities and equivalent cancellation of syndicated debt facility is 5.4 years
[3] Includes the 50% post balance date settlement of Gateway Plaza in July 2018 which was contracted in June 2018

## A disciplined investment strategy that is delivering positive portfolio performance

The REIT has continued its disciplined investment strategy to enhance portfolio quality and earnings. This has been achieved through active asset management, strategic redevelopments, the divestment of lower growth properties, selective asset acquisitions with potential for higher growth and buyback of units.

During the period, CQR divested 15 lower growth properties for $309 million (CQR share) at an average yield of 6.3%.

The REIT recycled capital into the acquisition of Salamander Bay Square, NSW for $174.5 million, Highfields Village, QLD, for $41.0 million and established a joint venture with MTAA Super, to acquire Gateway Plaza Leopold, VIC in July 2018 for a total consideration of $58.5 million[4].

Post balance date, CQR extended its joint venture relationship with MTAA Super, to divest 47.5% of Salamander Bay, NSW for a consideration of $83.1 million. This investment reduces CQR's single asset exposure, while retaining majority ownership of a high-quality convenience plus centre and providing future financial flexibility for the REIT.

"With a clear focus on convenience based non-discretionary retail, we have repositioned the portfolio for growth with strategic divestments, acquisitions and prudent capital management while developing new capital partnerships that allows CQR to explore other opportunities." Mr Chubb said.

Property values on a like for like basis increased by $49 million representing 1.8% growth to $2.8 billion. 100% of the portfolio by value was externally revalued during the year[5] and the average asset value of the portfolio has increased 23% over the year to $54.8 million as at 30 June 2018.

## An active management approach creating a convenient shopping experience

The REIT's $2.8 billion national portfolio of 58 convenience-based supermarket-anchored shopping centres delivered improved occupancy of 98.1% and like for like NPI growth of 1.8%. With a firm focus on strong tenant relationships and creating convenient shopping experiences, CQR had an active leasing period with 400 leases completed at average leasing spread of 1.3%, with a strong focus on food-based and non-discretionary tenants.

Supermarkets in the portfolio continued to perform well with 53% of supermarket tenants now paying turnover rent with a further 19% within 10% of their turnover thresholds. Supermarket MAT sales growth for stores paying turnover rent was 3.0% for the year.

Tenant composition has 92% of rental income derived from convenience based non-discretionary retailers with 76% of major tenant rental income generated by supermarkets. ALDI continues to expand across the portfolio, recently opening at Wanneroo, WA and has become the fourth largest tenant by rental income.

Developments continue to focus on enhancing convenience and essential services based on consumer demand. During the period, the $59 million major redevelopment of Lake Macquarie Fair, NSW commenced. The redeveloped centre will include a new, expanded Coles supermarket and improved customer amenity with the full integration of the Lake Macquarie Fair and Mount Hutton Plaza shopping centres.

The REIT also completed the $11 million[6] redevelopment of Wanneroo Central, WA. The expansion of the centre includes a new full line ALDI supermarket, additional specialty food, services and retail space providing shoppers with a greater level of amenity and transforming the centre into an exciting retail precinct.

"Enhancing the in-centre experience, through strategic redevelopments and leasing activity we have a more resilient portfolio which is delivering like for like MAT sales growth," said Mr Chubb.

[4] CQR's ownership share at 50%
[5] Excluding 5% of the portfolio by value under redevelopment
[6] CQR's ownership share at 50%

## Proactive capital management focused on a strong and flexible balance sheet

The REIT has continued to focus on diversifying and extending the debt profile and the following initiatives have been completed:

- Repaid and cancelled $50 million debt facility due to mature in July 2018
- Post balance date introduced two new banks to CQR totalling $125 million of new debt with FY24 expiries. Proceeds were used to repay and cancel $125 million of the remaining $285 million existing bank debt facility expiring in FY21
- Post balance date extended two existing interest rate swaps and entered into a new $50 million interest rate swap
- CQR has also continued its capital management strategy to optimise unitholder returns, buying back $12.9 million of units at an average price of $3.91 per unit during the year

These capital management initiatives have maintained the weighted average debt maturity[7] at 5.1 years, with an average hedge maturity of 3.9 years. Balance sheet gearing[8] remains at the lower end of the target 30-40% range at 33.4%, with cash and undrawn debt capacity of $190 million.

## Strategy and FY19 operating earnings guidance

“We believe our focus on convenience and convenience plus assets will deliver long-term sustainable growth in earnings for investors. This growth is underpinned by the strength of our supermarkets, convenience-based food retailing and non-discretionary needs. Going forward, we will continue to shape the portfolio, both in terms of tenant mix and enhancing the centres . This is central to the REITs strategy,” said Mr Chubb.

Barring unforeseen events, the REIT’s FY19 guidance is for operating earnings to grow by 2% over FY18. The distribution payout ratio range is expected to remain between 90% and 95% of operating earnings.

**About Charter Hall Retail REIT**
Charter Hall Retail REIT is a leading listed real estate investment trust with a portfolio of high quality Australian supermarket anchored convenience based retail.

Charter Hall Retail REIT is managed by Charter Hall Group (ASX:CHC), is one of Australia’s leading fully integrated property groups, with over 25 years’ experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over $22.5 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. For further information on Charter Hall Group and Charter Hall Retail REIT go to www.charterhall.com.au


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[7] June 2018 pro-forma post funding of two new debt facilities and cancellation of syndicated debt facility
[8] June 2018 pro-forma weighted average debt maturity post funding of two new debt facilities and equivalent cancellation of syndicated debt facility is 5.4 years