

# Centuria Capital Group

CNI Platform Acquisition &  
\$100m Equity Raising

ASX:CNI | 10 October 2018

Centuria®



## IMPORTANT NOTICES

This presentation has been prepared and is issued by Centuria Capital Group (**CNI**) which is a stapled vehicle comprised of Centuria Capital Limited ACN 095 454 336 and Centuria Funds Management Limited ACN 607 153 588 as responsible entity of Centuria Capital Fund ARSN 613 856 358 in relation to a:

- placement of new fully paid stapled securities in CNI (**New Securities**) to institutional, sophisticated or professional investors (who are "wholesale clients" within the meaning of section 761G of the Corporations Act 2001 (Cth) (Corporations Act)) (**Placement**); and
- pro rata accelerated non-renounceable entitlement offer of New Securities in CNI made to eligible institutional securityholders of CNI (Institutional Entitlement Offer) and eligible retail securityholders of CNI (**Retail Entitlement Offer**) (together, the **Entitlement Offer**),

to be made under sections 708A, 708AA, 1012DA and 1012DAA of the Corporations Act, as amended or modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (together, the Offer).

All information and statistics in this presentation are current as at the date of this presentation unless otherwise specified. It contains selected summary information and does not purport to be all-inclusive, comprehensive or to contain all of the information that may be relevant, or which a prospective investor may require in evaluations for a possible investment in CNI. It should be read in conjunction with CNI's periodic and continuous disclosure announcements which are available at [www.centuria.com.au](http://www.centuria.com.au) and with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au). The recipient acknowledges that circumstances may change and that this presentation may become outdated as a result. This presentation and the information in it are subject to change without notice. CNI is not obliged to update this presentation. This presentation is provided for general information purposes only. It is not a product disclosure statement, pathfinder document or any other disclosure document for the purposes of the Corporations Act 2001 (Cth) and has not been, and is not required to be, lodged with the Australian Securities and Investments Commission. It should not be relied upon by the recipient in considering the merits of CNI or the acquisition of securities in CNI. Nothing in this presentation constitutes investment, legal, tax, accounting or other advice and it is not to be relied upon in substitution for the recipient's own exercise of independent judgment with regard to the operations, financial condition and prospects of CNI. This Presentation should not be considered an offer or an invitation to acquire entitlements or New Securities or any other financial products.

The information contained in this presentation does not constitute financial product advice nor any recommendation. Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this presentation, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate. This presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. It is not an invitation or offer to buy or sell, or a solicitation to invest in or refrain from investing in, securities in CNI or any other investment product. The information in this presentation has been obtained from and based on sources believed by CNI to be reliable. Past performance is not an indication of future performance.

Moelis Australia Advisory Pty Ltd (ABN 72 142 008 446) is the underwriter, lead manager and bookrunner to the Offer (**Underwriter**). To the maximum extent permitted by law, CNI, the Underwriter and their respective related bodies corporate and their respective officers, directors, employees, advisers, partners, affiliates and agents (together the **CNI Parties**), make no representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this presentation. To the maximum extent permitted by law, none of the CNI Parties accept any liability (including, without limitation, any liability arising from fault or negligence) for any loss whatsoever arising from the use of this presentation or its contents or otherwise arising in connection with it. CNI and the Underwriter reserve the right to withdraw the Offer or vary the timetable for the Offer without notice.

This presentation may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters (**Forward Statements**). Forward Statements can generally be identified by the use of forward looking words such as "anticipate", "estimates", "will", "should", "could", "may", "expects", "plans", "forecast", "target" or similar expressions. Forward Statements including indications, guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No independent third party has reviewed the reasonableness of any such statements or assumptions. None of the CNI Parties represent or warrant that such Forward Statements will be achieved or will prove to be correct or gives any warranty, express or implied, as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement contained in this presentation. Except as required by law or regulation, CNI assumes no obligation to release updates or revisions to Forward Statements to reflect any changes. The recipient should note that this presentation may also contain pro-forma financial information. The pro forma financial information provided is for illustrative purposes only and should not be relied upon as, and is not represented as being indicative of CMA's future financial condition and/or performance.

All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.

## IMPORTANT NOTICES

An investment in CNI securities is subject to investment and other known and unknown risks, some of which are beyond the control of CNI. CNI does not guarantee any particular rate of return on the performance of CNI nor does it guarantee any particular tax treatment. Prospective investors should have regard to the risks outlined in Appendix B of this presentation when making their investment decision and should make their own enquiries and investigations regarding all information in this presentation, including the assumptions, uncertainties and contingencies which may affect future operations of CNI and the impact that different future outcomes may have on CNI. Cooling off rights do not apply to the acquisition of New Securities. The distribution of this presentation to persons or in jurisdictions outside Australia may be restricted by law and any person into whose possession this document comes should seek advice on and observe those restrictions. Any failure to comply with such restrictions may violate applicable securities law. This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States and may not be distributed or released in the United States. The New Securities to be offered and sold under the Offer set out in this Presentation have not been and will not be registered under the U.S. Securities Act of 1933, as amended (Securities Act), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in compliance with the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States (which CNI has no obligation to do or procure) or pursuant to an exemption from, or in a transaction exempt from or not subject to, such registration requirements and any other applicable securities laws. This presentation may not be distributed or released in the United States.

The distribution of this presentation in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. By accepting this presentation you warrant and represent that you are entitled to receive such presentation in accordance with the above restrictions and agree to be bound by the limitations therein. No party other than CNI has authorised or caused the issue, submission, dispatch or provision of this presentation, or takes any responsibility for, or makes or purports to make any statements, representations or undertakings in this presentation. Neither the Underwriter nor any of the CNI Parties, have authorised, permitted or caused the issue, submission, dispatch or provision of this presentation and none of them makes or purports to make any statement in this presentation and there is no statement in this presentation that is based on any statement by any of them. None of the CNI Parties take any responsibility for any information in this presentation or any action taken by you on the basis of such information. To the maximum extent permitted by law, the CNI Parties:

- exclude and disclaim all liability, including for negligence, or for any expenses, losses, damages or costs incurred by you as a result of your participation in the Offer and the information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise; and
- make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this presentation.
- Further, the Underwriter and its related bodies corporate and their respective officers, directors, employees, advisers, partners, affiliates and agents do not accept any fiduciary obligations to or relationship with any investor or potential investor in connection with the offer of New Securities, the Offer or otherwise.
- Determination of eligibility of investors for the purpose of the Offer is determined by reference to a number of matters, including legal requirements and the discretion of CNI and the Underwriter. Each of the CNI Parties disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

SECTION ONE

# Overview of the Offer

# Background to the Offer

<p><b>CMA in conjunction with Lederer Group acquires \$645m portfolio</b></p>	<ul style="list-style-type: none"> <li>Centuria Metropolitan REIT (ASX: <b>CMA</b>) in conjunction with the Lederer Group have entered into agreements to acquire a \$645 million portfolio<sup>1</sup> of four high quality office assets from a subsidiary of Hines Global REIT, Inc. (<b>Hines Portfolio</b>) <ul style="list-style-type: none"> <li>CMA will acquire a 100% interest in three assets<sup>2</sup> and a 25% interest in 465 Victoria Ave, Chatswood for \$501 million</li> <li>To partially fund the acquisitions, CMA will undertake a \$276 million equity raising (<b>CMA Equity Raising</b>)</li> </ul> </li> <li>Centuria Capital Group (ASX: <b>CNI</b> or <b>Centuria</b>) as CMA's largest unitholder is providing the following support: <ul style="list-style-type: none"> <li>\$78 million commitment to support the CMA Equity Raising (by taking up its entitlement and sub-underwriting up to \$50 million of the retail component); and</li> <li>\$20 million contribution to the acquisition of the Hines Portfolio<sup>3</sup>, resulting in CMA acquiring its interest at a 3.8% discount to independent valuations</li> </ul> </li> <li>Lederer Group to acquire the remaining 75% interest in 465 Victoria Ave for \$125 million, increasing direct asset investment with Centuria to over \$300 million in 2018</li> </ul>
<p><b>Momentum continues in CNI</b></p>	<ul style="list-style-type: none"> <li>As a result of the transaction, Centuria's AUM will increase by 12% to \$5.5 billion in the four months since 30 June 2018</li> <li>Centuria continues to strengthen its alignment of interests with its REIT investors: <ul style="list-style-type: none"> <li>Centuria has increased its co-investments in its listed REITs by a further \$41 million over the last 3 months</li> <li>Centuria is CMA's (23.4%) and Centuria Industrial REIT's (22.9%) (ASX: <b>CIP</b>) largest unitholder with over \$320 million invested across both REITs<sup>4</sup></li> </ul> </li> </ul>
<p><b>Equity raising to support CMA transaction</b></p>	<ul style="list-style-type: none"> <li>Centuria is seeking to raise \$100 million of equity at an issue price of \$1.30 per stapled security comprising: <ul style="list-style-type: none"> <li>A 1-for-5 accelerated non-renounceable entitlement offer to raise \$79.7 million; and</li> <li>An institutional placement to raise \$20.3 million (together the <b>Equity Raising</b>)</li> </ul> </li> <li>Centuria has also announced a corporate bond issuance of \$75 million</li> <li>The Equity Raising and bond issuance are sized to provide working capital for growth initiatives and strategic co-investments</li> </ul>
<p><b>FY19 Guidance</b></p>	<ul style="list-style-type: none"> <li>FY19 Operating EPS guidance of 10.2 cps (excluding performance fees) representing 7.8% yield on issue price. This represents a 7% increase in forecast adjusted operating EPS<sup>5</sup> from FY18</li> <li>FY19 DPS guidance of 9.25 cps representing 7.1% FY19 DPS yield on issue price. This represents a 13% increase in FY19 guidance compared to FY18 distributions</li> </ul>

1. Represents total portfolio value assuming a 100% interest in all four assets in the Hines Portfolio  
2. CMA will acquire a 100% interest in 818 Bourke St, VIC (\$223m), 100 Brookes St, QLD (\$87m) and 825 Ann St, QLD (\$170m)  
3. Refer to Appendix A for details on the CNI contribution  
4. Includes the \$78 million commitment to support the CMA Equity Raising  
5. FY18 operating EPS excluding performance fees of 9.5 cents per stapled security

## Key Offer Metrics



**\$5.5bn**

Assets Under Management  
(+12% since FY18)



**10.2 cents**

FY19 Operating EPS guidance<sup>1</sup>  
(+7% on FY18)



**9.25 cents**

FY19 DPS guidance  
(+13% on FY18)



**90%**

Recurring revenue % operating  
revenue guidance  
(+23% on FY18)



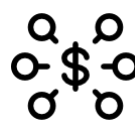
**16.0%**

Operating Gearing



**7.8%**

FY19 forecast  
Operating earnings yield<sup>2</sup>



**7.1%**

FY19 forecast  
Distribution yield<sup>2</sup>



**\$160m**

Increase in co-investments

1. Operating earnings guidance does not include any potential contribution from performance fees  
2. Operating earnings and distribution yield calculated on FY19 guidance and an issue price of \$1.30

# Strategic Rationale for Centuria

## 12% increase in AUM

- Substantial increase in group AUM from \$4.9 billion to \$5.5 billion making Centuria one of the ASX's largest real estate investment managers
- AUM growth targets for CMA exceeded during first half of FY19

## Accelerates growth in recurring revenue from co-investments

- Centuria expects to generate an additional \$8 million per annum in distributions from co-investments which further underpins Centuria's recurring revenues which are estimated to be approximately 90% in FY19 (excluding performance fees)
- This increase supports a 13% increase in forecast distribution per stapled security from FY18 (9.3% increase in FY17)

## Supports step change transformation in CMA's asset profile

- CMA acquisition of the Hines Portfolio will substantially improve the quality and scale of CMA's portfolio (+50% increase in AUM)
- Re-positions CMA as a leading pure-play office A-REIT with \$1.5 billion of AUM
- CNI is CMA's largest unitholder and will benefit from the enhancements to CMA's portfolio

## Further strengthens relationship with Lederer Group

- Co-investment in 465 Victoria Avenue, Chatswood asset between CMA and Lederer Group represents the third asset management partnership between Centuria and the Lederer Group in 2018
- Centuria group now manages over \$300 million on behalf of the Lederer Group

## Capital Strength

- Provides Centuria with sufficient capital to further strengthen its strategic holdings in Centuria listed REITs demonstrating its ongoing and material alignment of interests with its Centuria listed REIT investors
- Provides Centuria with the balance sheet strength to continue to support its growth in group AUM across all divisions

## Market capitalisation increased to over \$500 million<sup>1</sup>

- Material increase in CNI's market capitalisation will further enhance its potential inclusion in the ASX300
- Post equity raising, CNI will be the ~247th largest listed entity on the ASX on a free-float adjusted basis

1. Based on CNI market capitalisation of \$406 million on 9 October 2018 plus Equity Raising size of \$100 million

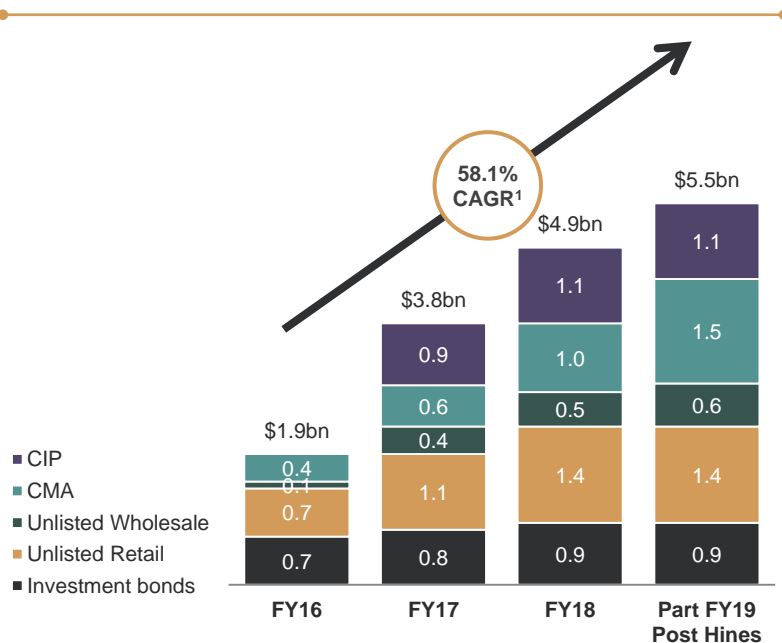
## OVERVIEW OF THE OFFER

# Significant uplift in AUM driven by CMA transaction

- CMA's Hines Portfolio acquisition to increase Centuria's group AUM by 12% over the four months from 30 June 2018
- Follows strong FY18 AUM growth with CNL increasing AUM by \$1.1 billion gross and \$0.8 billion net during the period representing 29% Centuria's group AUM growth on FY17<sup>1</sup>
- Centuria is one of the fastest growing Australian real estate funds managers in its peer group<sup>1</sup>
- Continued strong investor demand across distribution channels
  - Centuria continues to diversify product offering across listed, unlisted and wholesale channels

1. Past performance is not indicative of future performance

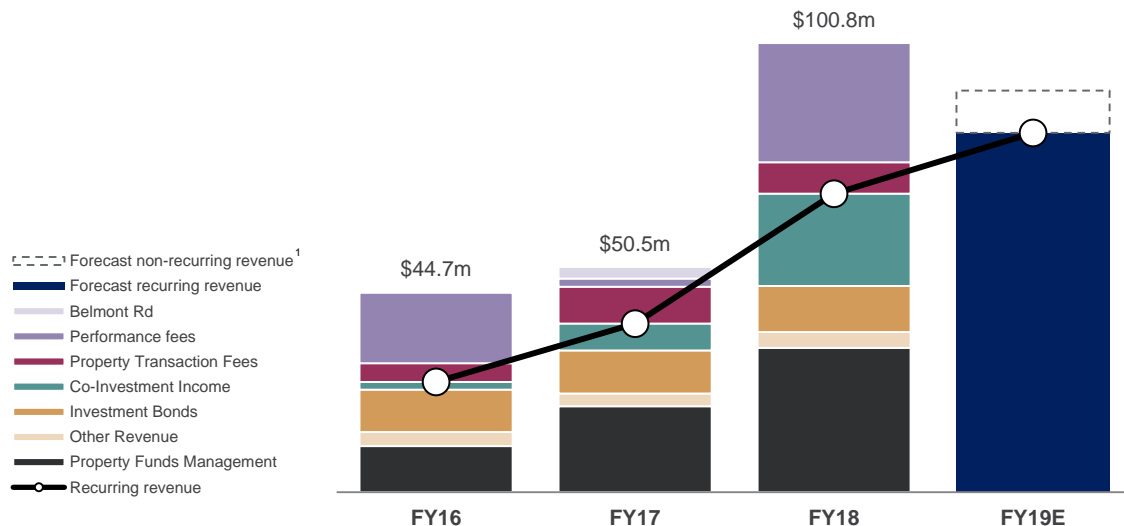
## Assets Under Management (\$bn)





# AUM growth and co-investments underpin recurring revenues

## CNI Revenue Composition



Past performance is not indicative of future performance

## Key Movements

- Continued growth in recurring revenues support increased securityholder distribution
- CNI's FY19 payout ratio is anticipated to be ~91% of Operating EPS
- FY19 revenue and Operating EPS guidance do not include any potential contribution from performance fees

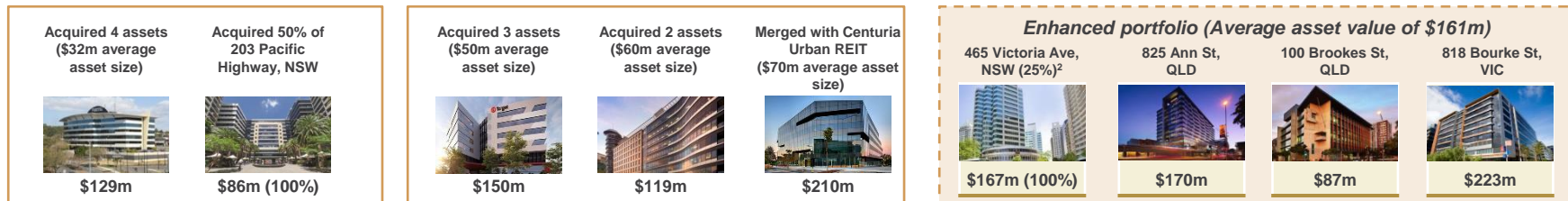
1. Forecast non-recurring revenue does not include any potential contribution from performance fees

## OVERVIEW OF THE OFFER

# CNI supports ongoing transformation of CMA as a leading office REIT

- Materially enhanced CMA portfolio quality through selective acquisitions and divestments culminating in the Hines Portfolio acquisition
- In order to help facilitate a step change in CMA's quality, scale and relevance, CNI will make a \$20 million contribution to the Hines Portfolio acquisition.<sup>1</sup> This is a benefit to all CMA unitholders with the effective acquisition price representing a 3.8% discount to independent valuations
- CNI is CMA's largest investor with a 23.4% interest which provides an alignment of interests with other CMA unitholders

### Acquisitions



### Divestments

	IPO	2015	2016	2017	2018	Post Hines	Post Industrial <sup>3</sup>
No. Properties	8	12	13	15	19	23	21
GAV	183	323	399	610	931	1,451	1,403
Avg. Book value	23	27	31	41	49	63	67
CNI ownership	16.5%	16.2%	16.1%	18.1%	19.9%	23.4%	23.4%
NTA / security	1.91	1.97	2.18	2.32	2.49	2.42	2.43
Return on equity <sup>4</sup>		8.0%	19.3%	14.7%	14.9%	n.a.	n.a.

Divested  
14 Mars Rd, NSW

**\$26m**  
(24% IRR)

Divested  
44 Hampden Rd, NSW

**\$10m**  
(18% IRR)

Contracted for sale  
3 Carlingford Rd, NSW

**\$36m**  
(21% IRR)

**Sale campaign commenced**

149 Kerry Rd, QLD    13 Ferndell St, NSW

**\$28m**    **\$21m**  
Book value    Book value

1. Refer to Appendix A for details on the CNI contribution

2. This asset will be co-owned with the Lederer Group (75%)

3. Post the disposal of industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW

4. Return on equity calculated as (closing NTA minus opening NTA plus distributions) divided by opening NTA

Past performance is not indicative of future performance

## OVERVIEW OF THE OFFER

# CNI supports ongoing transformation of CMA as a leading office REIT

- CMA has been repositioned as a leading pure-play office A-REIT, in line with its strategy to acquire quality, fit for purpose office assets
- Broader investor appeal given CMA's renewed size and scale may support future growth initiatives

Past performance is not indicative of future performance

<b>CMA Asset metrics</b>	<b>IPO</b>	<b>Post-Hines<sup>1</sup></b>	<b>Change since IPO</b>
No. assets	8	23	+15
Portfolio value	\$183m	\$1,451m	+\$1,268m
WACR	8.90%	6.35%	(2.55)%
NLA	69,836 sqm	251,946 sqm	+182,110 sqm
Occupancy	99.5%	98.8%	(0.7%)
WALE	5.5 years	4.2 years	(1.3) years
<b>CMA Financial metrics</b>			
Distribution per unit	9.6 cents	17.6 cents	+8.0 cents
NTA per unit	\$1.91	\$2.42	+\$0.51
Gearing <sup>2</sup>	25.0%	36.6% <sup>3</sup>	+11.6%
<b>CMA Market metrics<sup>4</sup></b>			
FY19 EPU yield on issue price	8.8%	7.7%	(1.1)%
FY19 DPU yield on issue price	8.3%	7.2%	(1.1)%
Market capitalisation	\$143m	\$895m <sup>5</sup>	+\$752m

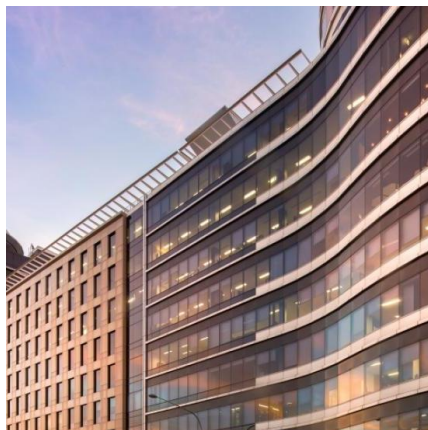
1. As at 30 September 2018, including 2 Kendall Street, Williams Landing, VIC as if the development has been completed and prior to the disposal of industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW
2. Gearing defined as drawn debt less cash divided by total tangible assets
3. As at 30 June 2018 adjusted for the impact of the Acquisitions and Equity Raising. Pro forma gearing as at 30 June 2018 is 37.5% when adjusted for the impact of the Acquisitions and Equity Raising, the sale of 3 Carlingford Road, Epping, NSW for \$36.0 million (expected to complete in November 2018), completion of the development of 2 Kendall Street, Williams Landing, VIC (\$55.3 million payment at completion expected to occur in December 2018), and prior to the divestment of the remaining industrial assets, being 149 Kerry Road, Archerfield, QLD and 13 Ferndell Street, Granville, NSW (expected to occur in December 2018)
4. Yield calculated on CMA issue price of \$2.43
5. Based on CMA's market capitalisation of \$619 million on 9 October 2018 plus the Equity Raising size of \$276 million

## OVERVIEW OF THE OFFER

# The Lederer Group is a major investor across CNI's real estate funds management platform

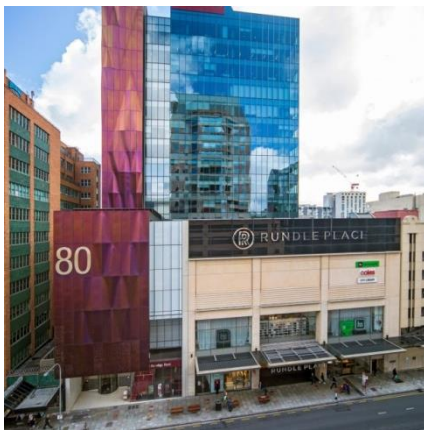
- Cornerstone investor in CMA's December 2014 Initial Public Offering
- Centuria manages over \$300 million on behalf of the Lederer Group with partnerships across both CMA and Centuria's unlisted business

### 201 Pacific Highway 50% Interest with CMA



**\$172m<sup>1</sup>**  
April 2018

### 80 Grenfell Street 50% Interest with unlisted fund



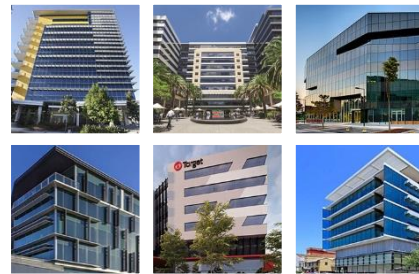
**\$185m<sup>1</sup>**  
May 2018

### 465 Victoria Avenue 75% Interest with CMA



**\$167m<sup>1</sup>**  
Expected November 2018<sup>3</sup>

### Centuria Metropolitan REIT 5.7% co-investment<sup>2</sup>



**\$51m**

1. Represents 100% of asset value
2. Lederer Group's interest in CMA calculated on CMA unit price of \$2.55 as at close of trading on 9 October 2018
3. Acquisition due to complete in November 2018, subject to the acquisition contract

SECTION TWO

# Market Update

# Centuria is an established ASX-listed specialist investment manager

## Centuria Capital Group

\$500m Market Capitalisation<sup>1</sup>

**\$5.5bn**

Assets Under Management (AUM)

**\$0.4bn**

Co-Investments

**\$4.6bn**

Property Funds Management AUM

**\$0.9bn**

Investment Bonds AUM

Listed Property \$2.6bn

Unlisted Property \$2.0bn

Industrial REIT  
(CIP)

Metropolitan REIT  
(CMA)

Fixed term funds

Centuria  
Diversified  
Property Fund

**\$1.1bn**

**\$1.5bn**

**15**

AUM

AUM

Centuria  
Metropolitan REIT  
(CMA)

Centuria  
Industrial REIT  
(CIP)

Propertylink  
Group  
(PLG)

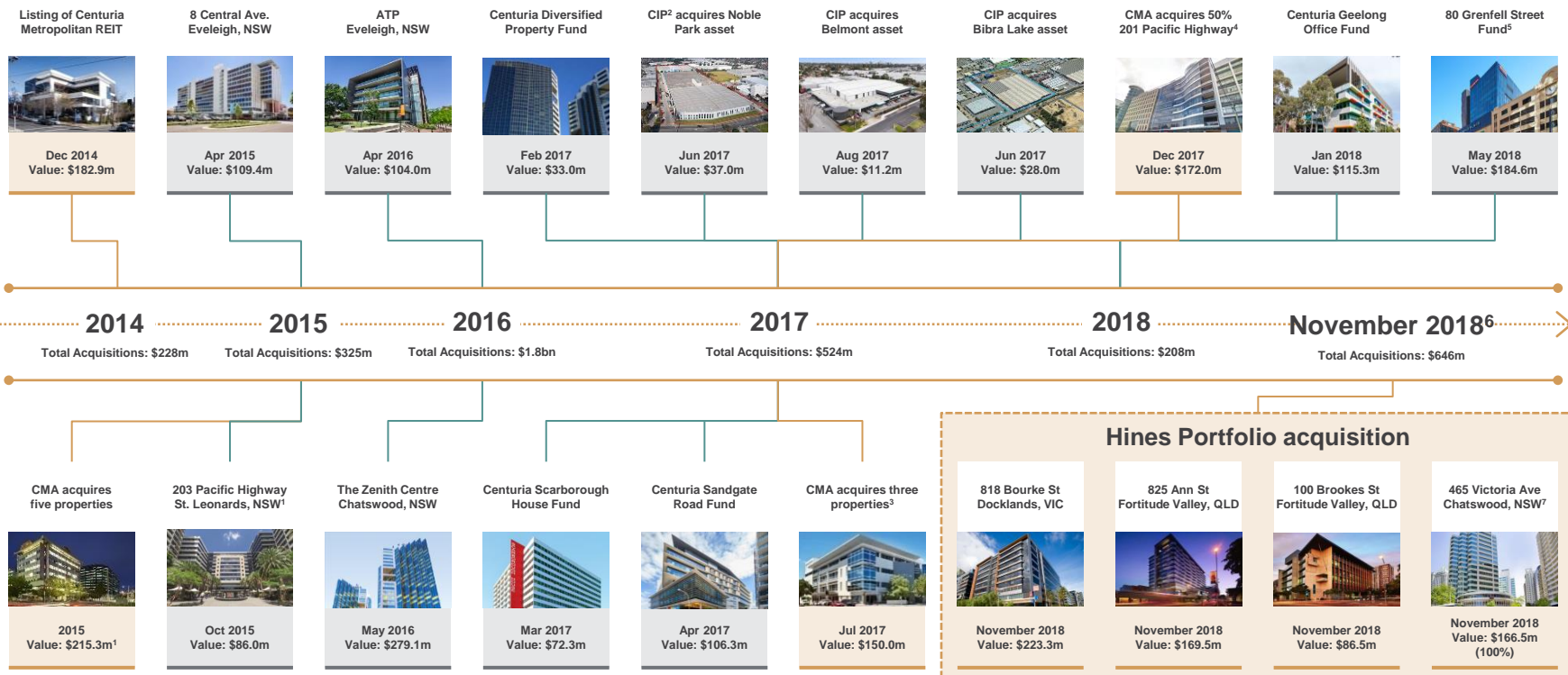
**23.4%<sup>2,3</sup>**

**22.9%<sup>2</sup>**

**12.9%**

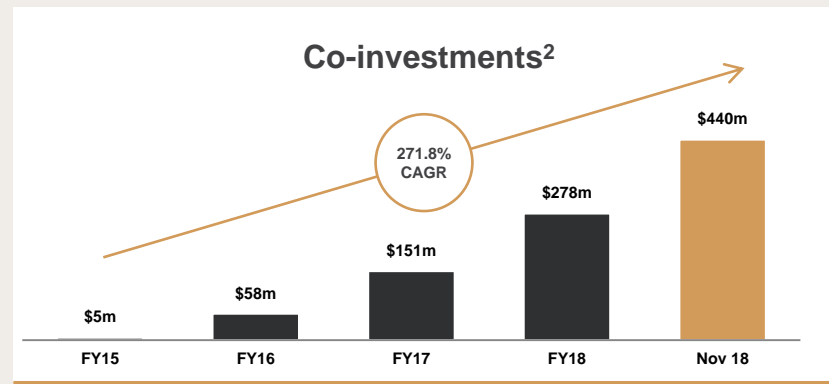
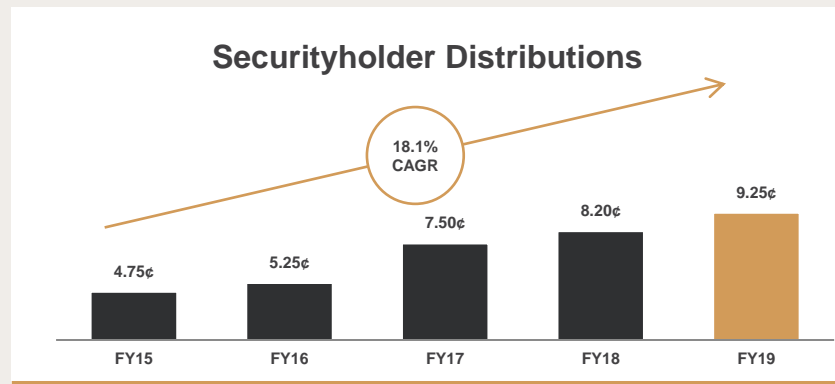
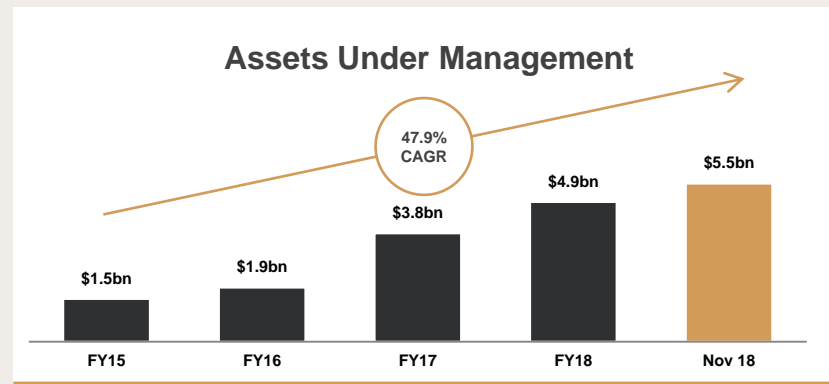
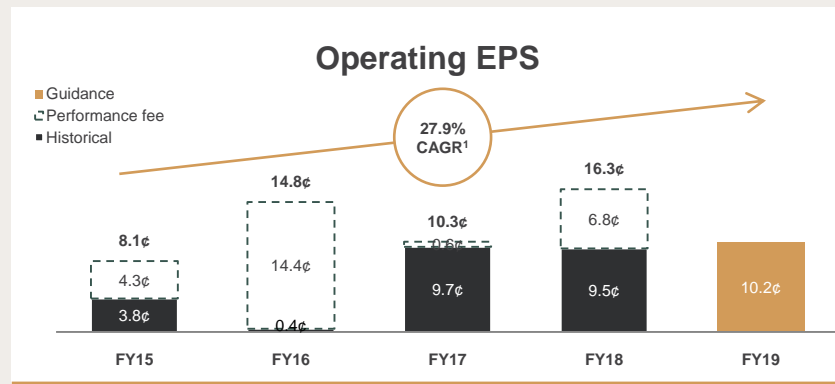
1. Market capitalisation calculated as at 9 October 2018 at the issue price of \$1.30 adjusted for CNI equity raising
2. Co-investment ownership percentage includes the ownership by associates of Centuria Capital Group
3. Assumes that CNI maintains pro rata holding in CMA post transaction

# Major property acquisitions by Centuria entities over the past 5 years



1. CNI unlisted fund and CMA each own a 50% interest in 203 Pacific Highway, NSW
2. CNI acquired the management rights to Centuria Industrial REIT (CIP) on 10 January 2017
3. \$150m asset valuation is on completion of the construction of the Target Head Office, Williams Landing, VIC, expected in Q1 2019 (\$2.9 million initial payment, with a \$55.3 million final payment on completion)
4. CMA acquired a 50% interest in the asset alongside the Lederer Group (which acquired the remaining 50%)
5. CNI's Grenfell Street Fund acquired a 50% interest in the asset alongside the Lederer Group (which acquired the remaining 50%)
6. Acquisitions are due to complete in November 2018, subject to the acquisition contracts
7. CMA will acquire a 25% interest in the asset alongside the Lederer Group (which will acquire the remaining 75%)

# Continued growth in operating results



1. Operating earnings compound annual growth rate (CAGR) calculated on operating earnings excluding performance fees

2. Co-investments calculated as financial assets under the co-investments reporting segment, except for FY15 which is total financial assets at fair value. November FY19 co-investments assumes 0% retail take-up on CNI's \$50 million sub-underwriting position for the CMA Equity Raising

Past performance is not indicative of future performance



## Update on corporate activity in FY19

- On 13 September 2018, Propertylink Group announced to the market an unsolicited, non-binding and indicative proposal to acquire all of the outstanding units in CIP (**PLG Proposal**)
- Centuria is the largest unitholder in CIP, with an interest of more than 22.9%. Both Centuria and other major securityholders of PLG expressed a number of concerns regarding the PLG Proposal
- Subsequent to the Propertylink announcement, PLG received a non-binding indicative proposal from ESR Real Estate (Australia) Pty Limited (**ESR**) to acquire Propertylink (**ESR Proposal**) on the condition that PLG did not proceed with the PLG Proposal. The ESR Proposal highlighted their belief that the PLG Proposal was not in the best interests of PLG securityholders
- CNI as one of PLG's largest securityholders (with an interest of 12.9%) has also requisitioned a meeting of PLG securityholders to renew the PLG board for the following reasons:
  - PLG funds management platform has underperformed since listing
  - PLG Board has approved a strategy to excessively leverage PLG (estimated pro forma look-through gearing increase to approximately 49%) and attempt a hostile take-over of CIP, with PLG securities representing approximately 90% of the consideration
  - PLG Board has put PLG in an unsustainable position having increased its pro forma look-through gearing to pre-GFC levels in order to acquire its stake in CIP
  - PLG failed to disclose to the market the amended financing terms entered into to facilitate the acquisition of its stake in CIP
  - PLG Board has failed to disclose the impact of the PLG Proposal on PLG's pro forma NTA (estimated 13% negative impact)
- On 2 October 2018, the independent directors of Centuria Property Funds No. 2 Limited (**CPF2L**), the responsible entity of CIP, rejected the PLG Proposal
- There is no certainty that either the PLG Proposal or the ESR Proposal will proceed. Centuria, as a major securityholder of both CIP and PLG, continues to monitor the situation and will keep all CNI securityholders informed of developments

SECTION THREE

# Equity Raising Details

# Sources and uses of the proceeds

## Use of proceeds

- CNI's \$20 million contribution to the acquisition of the Hines Portfolio<sup>1</sup> and \$78 million commitment to participate in the CMA Equity Raising (by taking up its entitlement and sub-underwriting up to \$50 million of the retail component of the equity raising)
- Replenish CNI's working capital after CNI has invested a further \$64 million in co-investments:
  - To strengthen the alignment with CIP and CMA, CNI has increased its holdings to 22.9% and 23.4% respectively
  - Increased strategic investment in PLG to 12.9%
- CNI will have sufficient capacity for future investment opportunities that may include:
  - Continued support for co-investments in CNI's listed funds which are in a growth phase and may continue to seek additional capital to fund that growth
  - Growing its unlisted property funds management business by increasing CNI's capacity to co-invest in unlisted property funds
  - Providing seed capital to launch new wholesale funds management initiatives
  - Undertaking corporate M&A transactions to grow Centuria's property funds management platform and FUM
- CNI will also be launching a \$75 million corporate bond

1. Refer to Appendix A for details on the CNI contribution  
 2. CNI's maximum contribution to the CMA equity raising

## Sources

	\$m
Equity raising	100.0
Corporate Bond Issuance	75.0
<b>Total sources</b>	<b>175.0</b>

## Uses

	\$m
Participation in CMA equity raising <sup>2</sup>	78.3
Contribution to Hines Portfolio	20.0
Replenish working capital	64.3
Investment capacity	9.0
Transaction costs	3.4
<b>Total uses</b>	<b>175.0</b>

# Additional details of the Equity Raising

<b>Equity Raising Details</b>	<ul style="list-style-type: none"> <li>• Issue of approximately 76.9 million new Securities to raise approximately \$100 million</li> </ul>
<b>Entitlement Offer</b>	<ul style="list-style-type: none"> <li>• \$79.7 million 1-for-5 accelerated non-renounceable entitlement offer and \$20.3 million institutional placement</li> <li>• Record date is 7:00pm (Sydney time) 12 October 2018<sup>1</sup></li> <li>• Entitlement Offer will comprise an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer</li> <li>• New Securities in respect of institutional entitlements not subscribed for will be placed into an institutional bookbuild<sup>2</sup></li> <li>• Retail Entitlement Offer opens on 16 October 2018 and closes on 26 October 2018<sup>1</sup></li> <li>• Securityholders applying for Securities under the Retail Entitlement Offer may apply for additional Securities in excess of their entitlement<sup>3</sup></li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>• New Securities issued under the Equity Raising will rank equally with existing Securities</li> </ul>
<b>Issue Price</b>	<ul style="list-style-type: none"> <li>• The Issue Price of \$1.30 per new Security represents a 3.3% discount to the five day VWAP of \$1.345 from 9 October 2018</li> </ul>
<b>Lead Managers</b>	<ul style="list-style-type: none"> <li>• The Equity Raising is underwritten by Moelis Australia Advisory Pty Ltd (<b>Underwriter</b>)</li> <li>• Shaw &amp; Partners has been appointed as Co-lead Manager to the Equity Raising</li> </ul>
<b>Directors' Intentions</b>	<ul style="list-style-type: none"> <li>• The Directors who hold Securities intend to take up all or some of their entitlements in the Entitlement Offer. In addition, certain Directors (or entities associated with these Directors) have agreed to sub-underwriting commitments in connection with the Entitlement Offer as detailed in Appendix A</li> </ul>

1. All dates are indicative only and the timetable is subject to change at CNI's discretion with the prior written consent of the Underwriter (subject to the law and ASX listing rules)

2. The issue of the shortfall will be at the discretion of the Directors of CNI and the Underwriter

3. The issue of additional Securities will be at the discretion of the Directors of CNI and the Underwriter and may be subject to scale back

# Indicative timetable

Key event	Date <sup>1</sup>
Trading halt and announcement of the Entitlement Offer and Institutional Placement	10 October 2018
Institutional Entitlement Offer and Institutional Placement opens and closes	10 October 2018
Trading re-commences on an ex-entitlement basis	11 October 2018
Record Date for Retail Entitlement Offer (7:00pm Sydney time)	12 October 2018
Retail Entitlement Offer opens	16 October 2018
Early Retail Acceptance Due Date (5:00pm Sydney time)	19 October 2018
Settlement of the Institutional Entitlement Offer, Institutional Placement and Early Retail Entitlement Offer	22 October 2018
Allotment and ASX quotation of securities under Institutional Entitlement Offer, Institutional Placement and Early Retail Entitlement offer	23 October 2018
Retail Entitlement Offer Closes (5:00pm Sydney time)	26 October 2018
Final settlement of the Retail Entitlement Offer	1 November 2018
Allotment of the Retail Entitlement Offer	2 November 2018
ASX quotation of the retail entitlement offer securities and despatch of holding statements	5 November 2018

1. All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Daylight Time (AEDT). Any changes to the timetable will be posted to CNI's website at [www.centuria.com.au](http://www.centuria.com.au)

SECTION FOUR

# Conclusion

## Benefits to Centuria Recapped

- ✓ 12% increase in group AUM to \$5.5 billion in the four months since 30 June 2018
- ✓ Accelerates growth in recurring revenue from co-investments
- ✓ Supports step change transformation in CMA's asset profile
- ✓ Further strengthens relationship with Lederer Group
- ✓ Provides Centuria with the balance sheet strength to continue to grow its AUM across all divisions
- ✓ Market capitalisation has increased to over \$500 million

SECTION FIVE

# Appendices



# Appendix A: Underwriting, Director Sub-underwriting Commitments and CNI Contribution

## Underwriting Agreement

Moelis Australia Advisory Pty Ltd (**Underwriter**) is acting as lead manager, bookrunner and underwriter to the Equity Raising. Centuria has entered into an Underwriting Agreement with the Underwriter in respect of the Equity Raising. The Underwriter will receive an underwriting fee payable out of the proceeds of the Equity Raising. Subject to certain exceptions, Centuria has agreed to indemnify the Underwriter, its affiliates and related bodies corporate, and their respective directors, officers, employees, partners, agents, advisers and representatives (each an **Indemnified Party**) from and against all losses suffered or incurred by an Indemnified Party, directly or indirectly, arising out of or in connection with the Equity Raising or the Underwriting Agreement. The Underwriting Agreement also contains representations and warranties in favour of the Underwriter. The Underwriter may, in certain circumstances, terminate its obligations under the Underwriting Agreement on the occurrence of certain termination events including, but not limited to, where:

- the CMA Equity Raising is withdrawn (in whole or part) or the underwriting agreement between CMA and the underwriters of the CMA equity raising is terminated;
- Centuria is unable to issue the new Securities under the Entitlement Offer on the required allotment date (unless remedied in accordance with the terms of the Underwriting Agreement);
- Centuria alters its capital structure or its constitution without the prior written consent of the Underwriter; or
- Centuria, or any of its directors or officers engage in any fraudulent conduct or activity whether or not in connection with the Equity Raising.

If the Underwriter terminates the Underwriting Agreement, it will not be obliged to perform any of its obligations which remain to be performed under the Underwriting Agreement.

## Director Sub-underwriting

The Directors of CNI are supportive of the Entitlement Offer and certain Directors (or entities associated with these Directors) have agreed to sub-underwriting commitments in connection with the Entitlement Offer as set out below:

Director	Sub-underwriting Commitment Limit (\$)
Jason Huljich	12,500,000
Garry Charny	50,000

The Underwriter has entered into sub-underwriting arrangements with each of the above Directors (or entities associated with those Directors), pursuant to individual sub-underwriting agreements (**Sub-underwriting Agreements**). Pursuant to each Sub-underwriting Agreement, each of the above Directors (or entities associated with those Directors) has given a sub-underwriting commitment in favour of the Underwriter up to the Sub-underwriting Commitment Limits as set out above. In the event that there is a shortfall in the number of new Securities to be issued to existing securityholders under the Entitlement Offer, the terms of the Sub-underwriting Agreements require each Director to subscribe for the number of new Securities allocated to them by the Underwriter up to their respective Sub-underwriting Commitment Limit, at the issue price of \$1.30. Each Director who is providing a sub-underwriting commitment is entitled to a sub-underwriting fee of 1.0% in respect of their respective Sub-underwriting Commitment Limit.

In the event that the Underwriting Agreement is terminated, each Sub-underwriting Agreement will be terminated without any obligation to the relevant sub-underwriter. The sub-underwriters have no specific termination rights under the Sub-underwriting Agreements and have acknowledged and agreed that they will accept the decisions and actions of the Underwriter under the Underwriting Agreement.

# Appendix A: Underwriting, Director Sub-underwriting Commitments and CNI Contribution

## CNI Contribution

The responsible entity of CMA, Centuria Property Funds Limited (**CPFL**), is wholly-owned by CNI. CNI has agreed to subscribe \$20 million for ordinary fully paid shares in CPFL. The subscription is subject to certain conditions: that completion of the Acquisitions occurs; and that CPFL agrees to contribute the subscription money to CMA, to be held upon trust for the CMA unitholders and to be used by CMA for the acquisition of the Hines Portfolio. CPFL has made a deed poll in favour of the CMA unitholders that subject to the conditions, it will contribute the \$20 million to CMA. If the acquisition of the Hines Portfolio has not occurred by 31 January 2019 the deed poll automatically terminates and CPFL will not be obliged to contribute the \$20 million.

# Appendix B: Risks

All investments carry risk, including loss of some or all of the capital invested and failure of investments to generate a positive return. You should carefully consider whether an investment in CNI Securities is a suitable investment for you. Some of the risks investing in CNI include the following:

### Risks specific to the equity raising:

#### **Underwriting risk**

- CNI has entered into an underwriting agreement with the Underwriter for the equity raising (other than in respect of the commitments received from certain Centuria entities) (**Underwriting Agreement**). The Underwriter's obligation to underwrite the equity raising is subject to customary terms and conditions, including termination rights for the Underwriter in specific circumstances.
- If the Underwriter is entitled to, and does, terminate the Underwriting Agreement, CNI may not otherwise be able to raise sufficient equity capital to meet its obligations and commitments in respect of the CMA Equity Raising and for all of the intended purposes as set out in this investor presentation. If the \$75 million bond issue is successful, CNI should have sufficient funding for its obligations and commitments in respect of the CMA Equity Raising. If however, the bond issue is also unsuccessful, this would likely mean CNI would default in its obligations and commitments to CMA and this would materially and adversely affect CNI's financial position and the market price for CNI securities.

### General Risks:

#### **Economic Environment**

- General economic factors such as interest rates, exchange rates, inflation, business and consumer confidence and general market factors may have an adverse impact on Centuria's earnings or value of its assets. Aspects of the business that could be affected include reduced management and performance fees, reduced funds under management, Centuria's swap arrangements, reduced distribution income or other adverse consequences.

#### **ASX Market Volatility**

- The market price of Centuria's securities will fluctuate due to various factors, many of which are non-specific to Centuria, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, exchange rates, changes in government, fiscal and monetary and regulatory policies (including APRA prudential requirements), changes to laws (particularly taxation laws), global investment markets, global geo-political events and hostilities, investor perceptions and other factors that may affect Centuria's financial performance and position. In the future, these factors may cause Centuria's securities to trade at or below their issue price. Factors such as those mentioned above may also affect the income, expenses and liquidity of Centuria. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Centuria.

#### **Liquidity and realisation risk**

- There can be no guarantee that there will be an active market in the CNI Securities or that their value will increase. There may be relatively few or many buyers or sellers of the CNI Securities on the ASX at any one time which may lead to increased price volatility and affect the price at which securityholders are able to sell their CNI Securities.

#### **Taxation**

- Future changes in Australian taxation law (including the goods and services tax and stamp duty), including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of your investment in Centuria securities or the holding and disposal of those securities. Further, changes in tax law (including the goods and services tax and stamp duty) or changes in the way tax law is expected to be interpreted in the jurisdictions in which Centuria operates, may impact the future tax liabilities of Centuria.

#### **Litigation**

- Centuria may, in the ordinary course of business, be involved in possible litigation disputes. Any such dispute may be costly and adversely affect the operational and financial results of Centuria.

# Appendix B: Risks

## Industry Specific Risks

### **Property Sector Risks**

- Centuria is subject to the prevailing property market conditions in the sectors in which each of the funds under the control of Centuria operate and the jurisdiction in which each of its funds' assets are located. The demand for property as an asset class changes over time and can be influenced by general economic factors such as interest rates and economic cycles. A deterioration in investment market conditions in the property sector due to a sustained downturn in the domestic and/or global economic climate could adversely impact on Centuria's earnings through directly reducing the value of Centuria's existing funds under management, reducing the value of property assets, and through reducing the attractiveness of the property sector to investors.
- The property market may be at or near the top of the investment value cycle and the value of properties may fluctuate relatively quickly (for property assets).

### **Property Liquidity**

- The property assets to which Centuria and the funds managed by Centuria are exposed are, by their nature, illiquid investments. There is a risk that Centuria may not be able to realise property assets within a short period of time or may not be able to realise property assets at valuation including selling costs, which could materially adversely affect the financial performance of Centuria.

### **Liquidity and realisation risk**

- The ongoing value of properties held by funds managed by Centuria may fluctuate due to a number of factors including rental levels, occupancy assumptions, vacancy periods, rental incomes, capitalisation rates and market sentiment, all of which may change for a variety of reasons including the risks outlined in this Presentation. Valuations represent only the analysis and opinion of qualified experts at a certain point in time. There is no guarantee that a property will achieve a capital gain on its sale or that the value of the property will not fall as a result of the assumptions on which the relevant valuations are based proving to be incorrect.

### **Regulatory risk and changes in legislation**

- Centuria operates in a highly regulated environment and it, and the Centuria Funds Management business is subject to a range of industry specific and general legal and other regulatory controls (including Australian Financial Services Licensing and Anti Money Laundering / Counter Terrorism Funding requirements). Regulatory breaches may affect Centuria's operational and financial performance, through penalties, liabilities, restrictions on activities and compliance and other costs. ASIC routinely undertakes surveillance of Australian financial services licensees, and from time-to-time undertakes regulatory and enforcement action in relation to such licensees. If ASIC was to take such action against Centuria or Centuria's Funds Management business, then this action might result in Centuria or Centuria's Funds Management business being restricted or prohibited from providing financial services, including operating its Funds Management business, or might lead to the imposition of additional compliance costs or reputational damage. ASIC may make a public announcement of its regulatory action.
- Changes in government legislation and policy in jurisdictions in which Centuria and the Centuria Funds Management business operate may affect the value of funds managed by Centuria and the financial performance of Centuria. This may include changes in stamp duty or tenancy legislation, policies in relation to land development and zoning and delays in the granting of approvals or registration of subdivision plans.

# Appendix B: Risks

## Risks Specific To Centuria

### Funds Management

- Centuria manages a number of funds on behalf of third party investors. The majority of Centuria's income is derived from fees calculated with reference to the value of funds under the control of the Centuria Funds Management business. Centuria's financial performance may be adversely affected if it was not able to appropriately respond to the following risks:
  - significant or prolonged underperformance of the Centuria Funds that may affect the ability of Centuria to retain existing funds and to attract new funds under management.
  - unitholder or competitor actions initiated to remove funds from the control of the Centuria Funds Management business.
  - a number of funds under the control of the Centuria Funds Management business are fixed term funds or funds where strategic review dates fall due in the short to medium term. Unitholder approval and/or endorsement is required for extensions to the term of these funds. There is a risk that investors may not approve or endorse such extensions or that key investors may terminate management arrangements or otherwise remove their funds from the control of Centuria Funds Management business at any time.
  - the direct property funds that Centuria Funds Management manages have exposure to a variety of entities that lease or otherwise occupy the properties owned by these funds. Insolvency or financial distress leading to a default by a major lessee or lessees across a number of leases, or failure to secure new leases on acceptable terms, could give rise to earnings volatility and breach of financial covenants within these funds.
  - to the extent that property values or income levels in a particular fund fall, there is a risk that the management fee income derived from that fund may be adversely impacted.

### Reliance on third party equity

- As a fund manager, growth in Centuria's earnings may be impacted by the ability of Centuria to establish new listed or unlisted funds. Specifically such income growth is dependent on the ability of Centuria to continue to source and maintain equity from new and existing investors for current and future funds.

### Co-Investments

- Centuria's long term strategy is to continue holding co-investments in a number of the funds it manages. Such investments are subject to the general investment risks outlined above. Factors influencing the financial performance of these managed funds may adversely impact the value of Centuria's assets or quantum of its earnings which may in turn impact the price of the Securities.

### Funding

- Centuria and funds managed by the Centuria Funds Management business relies on access to various sources of capital, along with the refinancing and/or variation of existing debt facilities. An inability to obtain the necessary funding or refinancing on acceptable terms and at commercial rates or a material increase in the costs of such funding may have an adverse impact on Centuria's performance or financial position. Further, these debt facilities are subject to various covenants including interest coverage ratios and loan to valuation ratios. The use of debt funding may enhance returns and increase the number of assets that Centuria can acquire, but it may also substantially increase the risk of loss. Use of debt funding may adversely affect Centuria when economic factors such as rising interest rates and/or margins, severe economic downturns, availability of credit, reduction in asset values or further deterioration in the condition of debt and equity markets occur. If an investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of Centuria's equity component could be significantly reduced.

### Acquisition risks

- Centuria also has a significant potential acquisition pipeline that it is pursuing in order to drive future growth of the business. There is no guarantee that Centuria will be able to execute all current or future acquisitions. To the extent that or any current or future acquisitions are not successfully integrated with Centuria's existing business, the financial performance of Centuria could be materially adversely affected.
- There is a risk that Centuria will be unable to identify future acquisition opportunities that meet its investment objectives, or if such acquisition opportunities are identified, that they can be acquired on appropriate terms, thereby potentially limiting the growth of Centuria and its Funds Management business. Any failure to identify appropriate assets or successfully acquire such assets could materially adversely affect the growth prospects and financial performance of Centuria. While it is Centuria's policy to conduct a thorough due diligence process in relation to any such acquisition, risks remain that are inherent in such acquisitions.

## Appendix B: Risks

### Dilution risk

- Centuria's securityholders who do not participate in the equity raising, or do not take up all of their entitlements under the equity raising, will have their investment in Centuria diluted and receive no value for their entitlement. Centuria's securityholders may have their investment in Centuria diluted by future capital raisings. Centuria may issue new securities to finance future acquisitions or pay down debt which may, under certain circumstances, dilute the value of an investor's interest. Centuria will only raise equity if it believes that the benefit to investors of acquiring the relevant assets or reducing gearing is greater than the short term detriment caused by the potential dilution associated with a capital raising.

### Information system disruption

- Centuria relies on its infrastructure and information technology in order to operate its business. A severe disruption to or failure of Centuria's information technology systems may adversely impact the operations of Centuria and its current and future business and financial performance.

### Personnel risk

- The ability of Centuria to successfully deliver on its strategy is dependent on retaining key employees (such as John McBain (Group Chief Executive Officer), Jason Huljich (Head of Real Estate and Funds Management) and Simon Holt (Chief Financial Officer)). The loss of senior management, or other key personnel, could adversely impact on Centuria's current and future business and financial performance.

# Appendix C: International Offer Restrictions

This document does not constitute an offer of Securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia except to the extent permitted below

## United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Securities have not been and will not be, registered under the US Securities Act of 1933 (US Securities Act) or the securities laws of any state or other jurisdiction in the United States. The New Securities may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US State securities laws.

## Hong Kong

**WARNING:** This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Stapled Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). No advertisement, invitation or document relating to the Stapled Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Stapled Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Stapled Securities are not being offered to the public within New Zealand other than to existing securityholders of Centuria with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. Other than in the Equity Raising, the Stapled Securities may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (MAS) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the Stapled Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Stapled Securities may not be circulated or distributed, nor may the Stapled Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore. Any offer is not made to you with a view to the Stapled Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

# Thank You