

Centuria Capital Group

Formation of Centuria Heathley Limited Specialist Healthcare Funds Management Vehicle

Monday, 20 May 2019

Centuria Capital Group (ASX: **CNI** or **Centuria**) is pleased to announce:

- **Agreement to acquire 63.06% economic interest in Heathley Limited for \$24.4 million**
- **Centuria Heathley Limited (Centuria Heathley) healthcare funds manager formed**
- **Centuria Heathley to focus on strongly performing healthcare asset class**
- **Centuria AUM grows 26% YTD to \$6.2 billion**
- **Transaction funded from cash reserves**

Transaction Overview

Centuria has entered the strongly performing healthcare real estate sector, by entering into an agreement for its wholly-owned subsidiary, Centuria Platform Investments Pty Ltd, to acquire a 63.06% economic interest in Heathley Limited's (Heathley) property funds management platform for \$24.4 million (the Transaction). On completion of the Transaction, the resulting Centuria Heathley vehicle will be jointly owned by Centuria and interests associated with Heathley management.

Centuria is a specialist investment manager with a core business focussed on listed and unlisted commercial office and industrial funds and an allied investment bond business. Prior to the Transaction Centuria has \$5.6 billion of assets under management (AUM).

Heathley is a specialised healthcare property fund manager with a \$620 million AUM platform of unlisted funds with nationally diversified assets and a strategic focus on the healthcare chain, including medical centres, day hospitals and tertiary aged care.

Centuria Heathley increases CNI's unlisted real estate AUM by \$0.6 billion, taking Group AUM to \$6.2 billion¹. The Transaction introduces a new asset class to Centuria's expanding real estate platform and fully aligns it to the healthcare property sector through a preferred, specialised manager.

The Australian real estate healthcare sector is highly fragmented with a limited number of securitisation and institutional real estate managers servicing the asset class.

Centuria Heathley has a unique opportunity to leverage Centuria's in house real estate management and extensive national distribution capabilities in combination with Heathley's extensive healthcare market experience, its deep relationships with healthcare partners and its strong pipeline.

Centuria Heathley has capacity to expand to circa \$1.0 billion AUM in the near term with known potential projects and has the ability to expand its asset footprint and unlock new retail and wholesale mandates within the sector.

¹ AUM as at 31 December 2018 with pro forma adjustments to reflect Centuria Heathley Transaction

Healthcare real estate has tended to produce higher total returns compared to traditional real estate sectors and is underpinned by fundamentals from Australia's growing and ageing population, longer life expectancy, increased requirements for ongoing healthcare and continued focus from the Federal Government on preventative care. Healthcare expenditure accounted for \$170 billion² growing a 4.7%² over the 10 years to 2015-16 and is one of the largest contributors to Australia's GDP at 10.3%².

John McBain, Centuria Group CEO, said: "The formation of Centuria Heathley marks another important step in Centuria's growth path. Centuria Heathley demonstrates our commitment towards identifying and executing transactions that complement CNI's existing platform. Centuria Heathley will provide additional opportunities to grow both our assets under management and recurring revenues."

"Heathley's track record in healthcare property is second to none and we are delighted to be associated with Andrew Hemming and his management team. Centuria and Heathley are both mature funds management platforms with a long-standing respect for each other. Whilst it is intended that both groups will share services/offices in the near term it is important to note that Andrew Hemming will continue to lead Centuria Heathley with Centuria providing capital and equity distribution capability plus back office support, as required."

Andrew Hemming, Heathley Chief Executive Officer, said: "We welcome the establishment of Centuria Heathley and the opportunity to continue utilising our specialised management capability within the healthcare sector while accessing new capital sources and distribution networks as well as Centuria's experienced real estate team."

"We are extremely confident that the combination of skills and attributes each partner brings to Centuria Heathley will not only accelerate growth in our traditional vehicles but will allow us to bring our pipeline forward, enabling us to execute on much larger assets and crystallise wholesale mandate discussions we are presently finalising."

Jason Huljich, Centuria Director and Head of Real Estate and Funds Management, said: "Establishing a large footprint in healthcare with such a well credentialed manager provides exposure to an asset class with sound underlying fundamentals and increasing national demand. Along with office and industrial, Centuria's core real estate platform is now aligned to three strong performing real estate sectors and will gain further access to new unlisted retail and wholesale mandates."

Transaction Summary

- The Transaction will result in a jointly owned vehicle known as Centuria Heathley Limited
- On completion of the Transaction, Centuria will hold a 63.06% economic interest and a 50% voting interest in Centuria Heathley
- Centuria's interests in Centuria Heathley will be governed by a shareholders agreement. Under that agreement, Centuria will have a first right of refusal to acquire further Heathley shares and there is a call option and a put option over any remaining shares held by Heathley management after the first five years. If Centuria is subject to a 'change of control'³ while Heathley management hold 20% or more, Centuria may be required to sell all of its shares in Centuria Heathley to the Heathley management holders under the terms of the shareholders agreement, or may be required to buy all of the shares it does not hold in Centuria Heathley
- The Transaction will be funded from CNI balance sheet

² Australian Institute of Health and Welfare – Health Expenditure Australia 2015-16. Figures exclude aged care

³ A change of control of Centuria will be taken to occur if a person (together with its associates) acquires 50% or more of the issued shares in Centuria, or alternatively acquires 30% or more of the issued shares in Centuria and, within 12 months of the date acquiring that 30% interest, more than 50% or the directors of Centuria as at the start of that 12 month period have ceased to be directors of Centuria by the end of that period. The call option is exercisable at 9x multiple of EBIT adjusted for NTA and the put option is exercisable at 10x multiple of EBIT adjusted for NTA

- On FY18 EBIT of \$3.19 million the Transaction implies a normalised EBIT multiple of 10x and adjusted NTA of \$6.9 million
- The Board of directors for Centuria Heathley will comprise of three directors each from Centuria and Heathley. Mr. John Stuckey will remain as Chairman and Mr. Andrew Hemming will remain as a director
- Heathley is currently seeking to fund approximately \$62 million to rebalance commercial obligations relating to two funds, HDMF2 and HACPF1. Centuria Heathley will seek to raise these funds by way of subscription into HDMF2 and HACPF1 using Centuria's unlisted distribution network to raise new equity capital. Appropriate entities in the Group will manage and underwrite the equity raising
- The Transaction is subject to necessary approvals from Heathley shareholders under the *Corporations Act 2001* (Cth); appropriate banking consents; and receipt of certain other consents
- The Transaction is expected to close on or before 11 October 2019 and is subject to Heathley shareholders convening a meeting and approving the Transaction

– Ends –

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About Centuria Capital Group

Centuria Capital Group (CNI) is an ASX-listed specialist investment manager with \$5.6 billion of assets under management. We offer a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

www.centuria.com.au

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