8 Central Avenue, South Eveleigh NSW

# Centuria Capital Group

## $100m Equity Raising

ASX:CNI 18 September 2019

Centuria

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# Transaction overview

## Supporting CMA raising

- Centuria Metropolitan REIT ("**CMA**") has announced the acquisition of two A-grade office properties in fringe CBD locations in Sydney and Perth for a total purchase price of $380.5m (excluding costs). CMA will fund the acquisition from debt and a $273m equity raising
- As CMA's largest unitholder, Centuria Capital Group ("**CNI**") has committed $37.5m to the CMA equity raising via:
  - participation in the entitlement offer of $7.5m, and
  - subscribing for a $30.0m conditional placement, which is subject to CMA unitholder approval and completion of the acquisition of 8 Central Avenue[1]

## Gearing reduced

- As part of ongoing capital management, CNI has committed to retiring $35.0m of 7.0%, 2021 fixed rate corporate bonds from existing cash reserves due to past asset disposals
- Gearing will reduce 14.3% post the transaction[2]
- CNI has approximately $70m of working capital available post transaction

## Equity raising

- Issue of approximately 47.6m new Securities to raise $100.0m via an underwritten institutional placement at $2.10 per security
- Non-underwritten Securityholder Purchase Plan ("**SPP**") for eligible retail investors will be undertaken subsequently at the same price as the institutional placement

## Financial impact

- FY20 DPU maintained at 9.7 cents per security
- NAV increases to $1.40 per security[3]
- Market capitalisation increases from $836m to $936m[4]

1. 8 Central Avenue transaction is conditional as the vendor is a Centuria managed unlisted fund, requiring approval for related party transaction under Chapter 2E Corporations Act 2001(Cth) and ASX listing rule 10.01
2. Gearing had increased to ~23.0% post-settlement of Centuria Heathley transaction. Centuria acquired a 63% interest in Centuria Heathley for $24.4m
3. From $1.32 at 30 June 2019
4. Based on CNI closing price of $2.18 on 17th September 2019 and adjusted for the $100m institutional placement

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# Centuria Capital funds management platform post transaction

**$6.5bn**
**Group AUM**

**ASX:CNI**
**Market Capitalisation $936m[1]**

**$5.6bn**
**Real Estate AUM**

**$3.1bn**
**Listed Property AUM**

| Centuria Metropolitan REIT **(CMA)** | Centuria Industrial REIT **(CIP)** |
| --- | --- |
| **$1.8bn** | **$1.3bn** |

**$2.5bn**
**Unlisted Property AUM**

| Centuria Unlisted Real Estate | Centuria Heathley Healthcare Real Estate |
| --- | --- |
| **$1.8bn** | **$0.7bn** |

**$0.9bn**
**Investment Bonds AUM**

**Centuria Life**

Centuria LifeGoals
Centuria Investment Bonds
Guardian Friendly Society

**$0.5bn**
**CNI Co-Investments**

| Centuria Metropolitan REIT **(CMA)** | Centuria Industrial REIT **(CIP)** |
| --- | --- |
| **$304m[2]** | **$218m[4]** |
| **22.6%[3]** | **21.7%** |

1. Based on CNI closing price of $2.18 on 17th September 2019 and adjusted for $100m institutional placement
2. Based on CMA closing price of $3.00 on 17th September 2019. Includes ownership by associates of Centuria Capital Group.
3. CNI holding reduces to 22.6% post CMA transaction and $273m equity raising completing. CNI's holding will reduce to 20.7% if the Conditional Placement is not approved by CMA securityholders
4. Based on CIP closing price of $3.33 on 17th September 2019. Includes ownership by associates of Centuria Capital Group

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# $1bn of milestones in last three months

## CNI

### $62m[1]

- ✓ Inclusion in S&P/ASX 300 Index
- ✓ Settlement of 63% economic interest in Centuria Heathley
- ✓ AUM grow to ~$6.5bn post equity raise
- ✓ Currently in due diligence for three additional unlisted assets for consideration of ~$290m

## CMA

### $381m

- ✓ Acquisition of William Square and 8 Central Avenue for $380.5m
- ✓ Capital raising of ~$273m with identified use of proceeds
- ✓ Market capitalisation now >$1bn[2]

## Healthcare

### $511m[3]

- ✓ $500 million institutional healthcare mandate secured by Centuria Heathley with AXA IM and Grosvenor Group
- ✓ Settled $11m Perth Eye Hospital in the CHDMF2 Fund

## CIP

### $80m

- ✓ Four recent acquisitions for total consideration of ~$80 million settled post 30 June
- ✓ Market capitalisation now >$1bn[4]

1. Includes settlement of Heathley Acquisition ($24.4m) and CNI's $37.5m commitment to the CMA raising, excludes the ~$290m of unlisted assets that are currently under due diligence
2. Based on CMA closing price of $3.00 on 17th September 2019
3. $500m institutional mandate announced on 4th September 2019. The mandate has secured $88m in seed assets already
4. Based on CIP closing price of $3.33 on 17th September 2019

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# Delivering growth and creating value across the platform

**$6.5bn AUM**

+0.3bn in new assets

**14.3%**

Gearing reduced post transaction[1]

**$936M**

Market Capitalisation + $100m

**$1.40 NAV**

+ 8 cpu[2]

1. Gearing had increased to ~23.0% post-settlement of Centuria Heathley transaction. Centuria acquired a 63% interest in Centuria Heathley for $24.4m
2. CNI NAV at 30 June 2019 of $1.32 per security

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# Equity Raising Summary

| | |
|---|---|
| **Equity raising details** | • Issue of approximately 47.6 million new Securities to raise approximately $100.0 million via an underwritten institutional placement<br>• Non-underwritten Securityholder Purchase Plan (“**SPP**”) for eligible retail investors will be undertaken subsequently |
| **Pricing** | • The Issue Price of $2.10 per new Security represents<br>– 3.7% discount to the last close price of $2.18 on 17th September 2019<br>– 3.9% discount to the five-day VWAP of $2.19 on 17th September 2019 |
| **Ranking** | • New Securities issued under the placement and SPP will rank equally with existing CNI Securities from the date of issue |
| **Underwriting** | • Moelis Australia Advisory Pty Ltd is acting as Lead Manager and Underwriter to the Institutional Placement (**Underwriter**). Shaw and Partners are Co-Lead Manager to the Offer |
| **Securityholder Purchase Plan** | • Eligible retail securityholders will be invited to subscribe for up to $30,000 in additional CNI units, free of any brokerage or transaction costs, at the same issue price as under the placement of $2.10 per security<br>• Record date for SPP is 7:00pm (AEDT) Tuesday 17 September 2019 and the SPP offer will open on Monday 23rd September 2019 and close on Wednesday 9th October 2019 |

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# Sources and uses of proceeds

| Sources of proceeds | $m |
|---|---|
| Institutional Placement | 100.0 |
| SPP[1] | - |
| **Total sources** | **100.0** |

| Uses of proceeds | $m |
|---|---|
| Co-Investment in CMA | 37.5 |
| Investment and capital management initiatives | 30.0 |
| Additional working capital | 30.5 |
| Other transaction costs | 2.0 |
| **Total uses** | **100.0** |

Identifiable funding commitments include:

- A $37.5m contribution to the planned CMA equity raising, which consists of:
  - $7.5m commitment to CMA entitlement offer
  - $30.0m commitment to a conditional placement
- CNI will have approximately $70m of working capital available post completion of investment and capital management initiatives, which include its commitment to retire $35.0m of 7.0%, 2021 fixed rate corporate bonds from existing cash reserves due to past asset disposals

It is proposed that CNI will fund its obligations via an equity raising:

- $100.0m Placement based on an issue price of $2.10 per Security
- Opportunity to raise additional equity via a SPP[1]

1. The sources and uses excludes the impact of the SPP

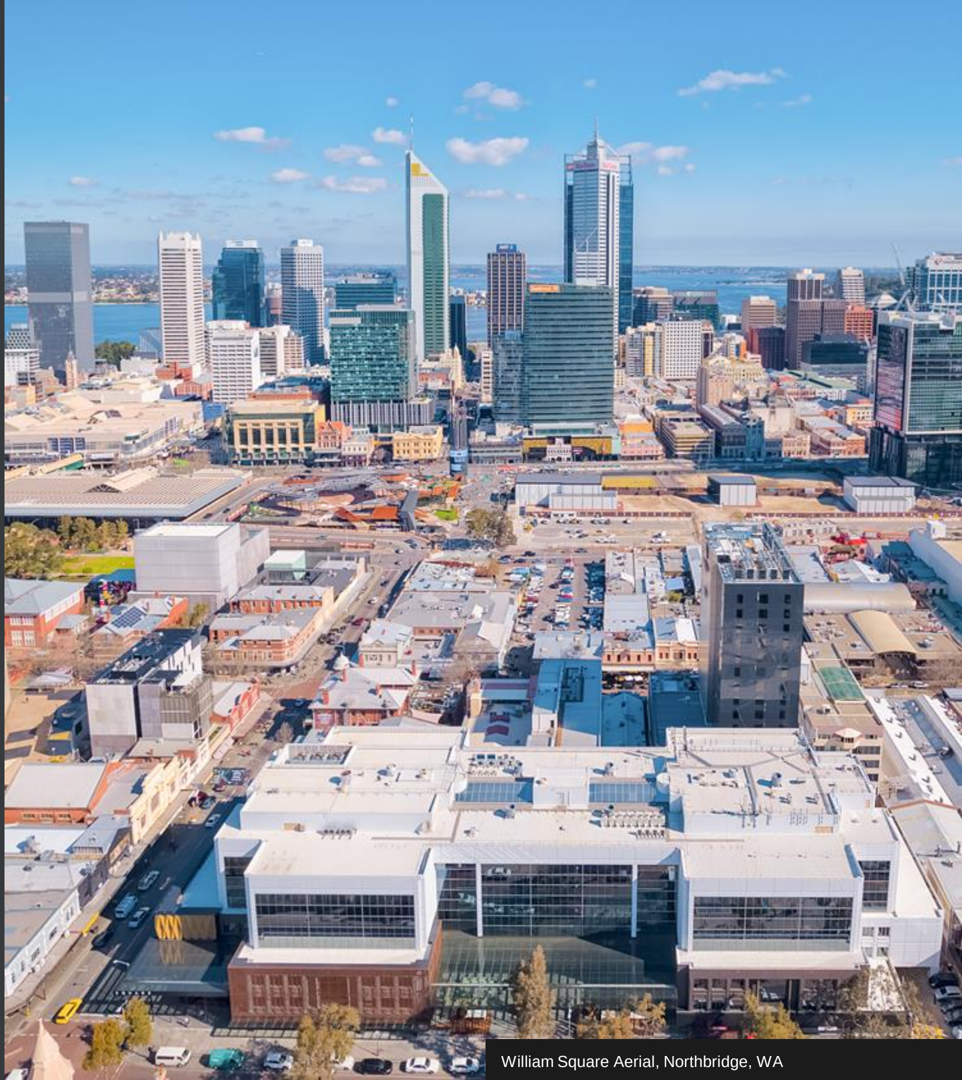
# Indicative timetable

| Key event | Date (2019)[1] |
|---|---|
| Record date for Securityholder Purchase Plan | 7.00pm Tuesday, 17 September |
| Launch Transaction - Institutional Placement | Wednesday, 18 September |
| Announce results of Institutional Placement; ASX trading halt lifted; Normal trading resumes | Thursday, 19 September |
| SPP Offer Opens and Dispatch of SPP Booklet | Monday, 23 September |
| Settlement of Institutional Placement | Tuesday, 24 September |
| Allotment and ASX quotation of Institutional Placement | Wednesday, 25 September |
| Securityholder Purchase Plan Offer closes | Wednesday, 9 October |
| Allotment of Securityholder Purchase Plan | Monday, 14 October |
| ASX Quotation of Securityholder Purchase Plan | Tuesday, 15 October |

1. All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney Time. Any changes to the timetable will be posted on CNI's website at www.centuria.com.au

APPENDIX A

# Risks



William Square Aerial, Northbridge, WA

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# Appendix A: 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 $100 million equity raising is successful, CNI should have sufficient funding for its obligations and commitments in respect of the CMA equity raising. If however, the equity raising 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 assts. 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 my 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 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 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 goods or 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.

## 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 interests 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).

# Appendix A: Risks

**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.
- 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.

**<u>Risks Specific to Centuria</u>**

**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; and
- 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.

# Appendix A: Risks

**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 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.

**Dilution risk**

- Centuria's securityholders who do not participate in the equity raising, will have their investment in Centuria diluted. 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 Joint CEO), Jason Huljich (Group Joint CEO) and Simon Holt (CFO)). The loss of senior management, or other key personnel, could adversely impact on Centuria's current and future business and financial performance.

APPENDIX B

# International Offer Restrictions

8 Central Avenue, Eveleigh NSW

# Appendix B: International Offer Restrictions

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- 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.

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