

ASX Release

Charter Hall Long WALE REIT – Acquisitions, Equity Raising, Valuations and Upgraded Guidance

12 December 2019

Charter Hall WALE Limited
ACN 610 772 202
AFSL 486721

Responsible Entity of Charter
Hall Long WALE REIT

Level 20, No.1 Martin Place
Sydney NSW 2000
GPO Box 2704 Sydney NSW
2001

T +61 2 8651 9000
F +61 2 9221 4655

www.charterhall.com.au

Not for release to US wire services or for distribution in the United States

Charter Hall WALE Limited as responsible entity of the Charter Hall Long WALE REIT (ASX:CLW) (the **REIT**) today announces that it:

- has entered into agreements to acquire interests in a national portfolio of 225 long WALE convenience retail properties leased to BP Australia Pty Ltd (**BP**) and a strategic industrial property in Huntingwood, Sydney leased to Arnott's Biscuits Pty Ltd (**Arnott's**) reflecting a property value of \$619 million (the **Acquisitions**);
- will undertake a fully underwritten \$350 million equity raising (**Equity Raising**) to partially fund the Acquisitions and associated transaction costs;
- has independently valued 92 of the REIT's 158 properties, resulting in a \$83.5 million net valuation uplift, or a 2.9% increase over prior valuations; and
- upgrades FY20 Operating EPS guidance to 28.3 cents per security, barring any unforeseen events and no material change in current market conditions, which represents 5.2% growth over FY19 Operating EPS.

Acquisitions

The REIT has entered into agreements to acquire the following:

- A 50% interest in a new Charter Hall managed partnership that has contracted to acquire a 49% interest in a portfolio of 225 long WALE convenience retail properties leased to BP (**BP Portfolio**) valued at \$420 million representing a passing yield of 5.5%:
 - 100% leased with a weighted average lease expiry (**WALE**) of 20 years, with staggered lease expiries from 18 to 22 years;
 - Triple-net lease structure with annual uncapped CPI rental increases;
 - Geographically diversified with 87% by value located in metro and commuter-metro locations and 80% by value located on the eastern seaboard; and
 - Represent the majority of BP's owned convenience retail properties in Australia.
- A 50% interest in Arnott's premier manufacturing site in Huntingwood, Sydney for \$199 million, representing a passing yield of 4.5%:
 - 100% leased to Arnott's, with a lease term of 32.0 years;
 - Located in a core industrial precinct in Sydney's West in close proximity to key supermarket distribution centres and strong arterial road networks; and

- Triple-net lease structure with annual rental increases of uncapped CPI + 0.5%

The total property value of the CLW Acquisitions is \$619 million, reflecting a weighted average capitalisation rate of 5.2%.

David Harrison Group Managing Director and CEO said “We are pleased to secure two high quality long WALE investments for CLW which continues to benefit from access to large portfolios that can be secured via partnerships with other Charter Hall funds. We welcome both BP and Arnott’s as major tenant customers and in the case of BP an ownership partner. Further both acquisitions bring into the CLW portfolio more tenant customers that lead their industry or segment in Australia”

Avi Anger, Fund Manager of CLW commented: “The Arnott’s property and BP Portfolio are high quality acquisitions that further enhance CLW key metrics including the addition of a combined 23.4-year WALE portfolio, providing a 1.6 year WALE accretion to 14.9 years. The addition of these triple net leased properties increases the proportion of triple net leased properties in the portfolio to 46%¹. Both acquisitions provide inflation indexation with the Arnott’s property featuring uncapped CPI+0.5% annual increases. These acquisitions further de risk the CLW portfolio whilst also further diversifying the CLW portfolio across tenant, WALE, property type and location.”

Portfolio impact

	Pre-Acquisitions ²	Acquisitions	Post-Acquisitions
Number of properties	158	226	384
Property valuation	\$2,969m	\$619m	\$3,588m
Weighted average capitalisation rate	5.6%	5.2%	5.5%
Occupancy	99.7%	100%	99.7%
WALE	13.3 years	23.4 years	14.9 years
WARR ³	2.8%	2.3%	2.7%
Proportion of leases subject to fixed rent reviews	66%	0%	56%

Equity Raising

To partially fund the Acquisitions and associated transaction costs, the REIT will undertake a fully underwritten Equity Raising of approximately \$350 million, comprising an institutional placement to raise approximately \$200 million (**Placement**) and a 1-for-15 accelerated non-renounceable entitlement offer to raise approximately \$150 million (**Entitlement Offer**).

The Equity Raising will be issued at a fixed price of \$5.35 per security, which represents a:

- 4.6% discount to the distribution-adjusted last close of \$5.61 per security on 11 December 2019
- 4.4% discount to the theoretical ex-rights price of \$5.59 per security
- 5.3% FY20 forecast Operating EPS yield⁴

Securities issued under the Equity Raising will not be entitled to the distribution for the three months to 31 December 2019 of 7 cents per security. New Securities issued under the Placement, Institutional Entitlement Offer and Early Retail Entitlement Offer will trade on the ASX under a separate code until 30 December 2019, being the ex-distribution date for the 31 December 2019 distribution.

¹ By net income

² Per pro forma metrics outlined in the investor presentation released to ASX on 4 November 2019, adjusted for the REIT’s property valuations as at 31 December 2019

³ Represents the weighted average annual rental escalation of the REIT’s leases, comprising fixed and CPI-linked. The forward looking 12 month average escalation of the REIT’s fixed leases is 3.4% p.a. and average escalation assumed for the REIT’s CPI-linked leases is currently 2.2% p.a. (inclusive of CPI adjustments where relevant)

⁴ Based on CLW’s guidance for FY20 Operating EPS of 28.3 cents per security (barring any unforeseen events with no material change in current market conditions)

The retail entitlement offer will only be available to CLW securityholders with registered addresses in Australia or New Zealand.

Charter Hall Group is the REIT's largest securityholder with approximately 13% of securities on issue and has committed to take up its full entitlements under the Entitlement Offer, representing a commitment of approximately \$20 million.

The balance of the funding for the Acquisitions and associated transaction costs will be sourced from a combination of existing CLW debt facilities and a new debt facility established by the Charter Hall managed partnership which will acquire the 49% interest in the BP Portfolio.

Valuation update

92 of the REIT's 158 existing properties (c.71% of portfolio by value) were independently revalued at December 2019, resulting in a \$83.5m net valuation uplift, or a 2.9% increase over prior valuations and reflecting 19 bps of capitalisation rate compression for those properties. Post the revaluations, the portfolio's overall weighted average capitalisation rate firmed 14 bps to 5.6%, prior to the Acquisitions.

Distribution for the quarter ending 31 December 2019

CLW has today declared a distribution of 7 cents per security for the period ending 31 December 2019. The Distribution Reinvestment Plan (DRP) will also be active for this period.

Financial impact

Including the impact of the Acquisitions and Equity Raising and barring any unforeseen events and no material change in current market conditions, CLW is pleased to increase its FY20 Operating EPS guidance to 28.3 cents per security, which represents 5.2% growth over FY19 Operating EPS.

Following the Acquisitions, Equity Raising and portfolio revaluations, the REIT's pro-forma⁵:

- balance sheet gearing is 24.1%, below CLW's target range of 25 – 35%;
- look through gearing is 38.2%; and
- NTA per security is \$4.47.

Timetable

Event	Date
Trading halt and announcement of the Acquisitions and Equity Raising	Thursday, 12 December 2019
Placement and Institutional Entitlement Offer bookbuild conducted	Thursday, 12 December 2019
Trading of securities recommences on the ASX on an 'ex-entitlement' basis	Friday, 13 December 2019
Entitlement Offer Record Date	7:00pm, Monday, 16 December 2019
Retail Entitlement Offer Booklet despatched and Retail Entitlement Offer opens	Tuesday, 17 December 2019
Settlement of new securities issued under the Placement	Tuesday, 17 December 2019
Allotment and normal trading of new securities issued under the Placement	Wednesday, 18 December 2019
Early Retail Acceptance Due Date	5:00pm, Thursday, 19 December 2019
Settlement of new securities issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Friday, 20 December 2019

⁵ As at 30 June 2019, with pro forma adjustments outlined in Appendix A of the investor presentation released to the ASX on 12 December 2019

Allotment and normal trading of new securities issued under the Institutional Entitlement Offer and Early Retail Entitlement Offer	Monday, 23 December 2019
All securities under the Placement, Institutional Entitlement Offer and Early Retail Entitlement Offer will trade under the ASX code 'CLW'	Monday, 30 December 2019
Retail Entitlement Offer closes	5:00pm, Wednesday, 8 January 2020
Announcement of results of Retail Entitlement Offer	Monday, 13 January 2020
Settlement of remaining new securities issued under the Retail Entitlement Offer	Tuesday, 14 January 2020
Allotment of remaining new securities issued under the Retail Entitlement Offer	Wednesday, 15 January 2020
Normal trading of remaining new securities issued under the Retail Entitlement Offer	Thursday, 16 January 2020

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEDT.

Additional information

Additional information about the Acquisitions and Equity Raising including certain key risks are contained in the investor presentation released to the ASX today.

A Retail Entitlement Offer Booklet containing information in connection with the retail component of the Entitlement Offer will be released separately and mailed to eligible securityholders.

Announcement Authorised by the Board

Charter Hall Long WALE REIT (ASX: CLW)

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust (REIT) listed on the ASX and investing in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC). With over 28 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure.

Operating with prudence, Charter Hall Group as Manager of CLW has carefully curated a \$38 billion diverse portfolio of over 1100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our \$6.5 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

Important notices

This announcement is not financial product or investment advice, a recommendation to acquire new securities or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for securities. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. The REIT is not licensed to provide financial product advice in respect of an investment in securities.

Not for Release or Distribution In the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be registered, under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Forward-Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on the REIT's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the REIT, which could cause actual results to differ materially from such statements. The REIT makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement to reflect the circumstances or events after the date of this announcement.

For further enquiries, please contact
Avi Anger
Fund Manager
Charter Hall Long WALE REIT
T +61 2 8651 9111
avi.anger@charterhall.com.au

For investor enquiries, please contact
Philip Cheetham
Head of Listed Investor Relations
Charter Hall
T +61 403 839 155
philip.cheetham@charterhall.com.au

For media enquiries, please contact
Adrian Harrington
Head of Capital and Product Development
Charter Hall
T + 61 410 489 072
adrian.harrington@charterhall.com.au
