ASX Release

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BP Portfolio Investment
Earnings Guidance Upgrade
Distribution for half year ending 31 December 2019

12 December 2019

Charter Hall Retail Management Limited, as responsible entity of Charter Hall Retail REIT (ASX:CQR) today announces an investment 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 Australia Pty Ltd (BP).

The portfolio consists of the majority of BP's owned Convenience Retail properties in Australia. The portfolio has a WALE of 20 years, with staggered lease expiries from 18 to 22 years and triple-net structure with annual CPI increases.

The Charter Hall managed Partnership will be owned 30% by Charter Hall Retail REIT, 50% by Charter Hall Long WALE REIT (ASX:CLW) and 20% by Charter Hall Group (ASX:CHC).

Charter Hall Retail REIT's equity commitment for its 30% interest is approximately $137 million, which will be funded through contracted and planned asset divestments.

In addition to previously disclosed asset sales, a further five assets have been contracted to divest to the value of $117m consisting of four freestanding regionally located assets at Moe, Kyneton, and Bairnsdale in Victoria, Cooma in NSW and Erindale Shopping Centre, ACT. These assets have been contracted at a combined 3.5% premium to 30 June 2019 book values. CQR intends divesting a further $100 million approximately of non core assets in an orderly divestment program to maintain portfolio gearing in the middle of the target 30-40% range.

Charter Hall Retail CEO, Greg Chubb said: "This is a portfolio enhancing acquisition which extends CQR's position as the leading owner and manager of convenience-based retail assets. The BP portfolio provides a stable and secure growing income stream with annual CPI increases and a very efficient triple-net lease structure. This acquisition is an appropriate long WALE low risk recycling opportunity for the proceeds of our non core divestment program"

Portfolio Impact

The pro-forma impact of today's acquisition and announced divestments is that BP Australia will become the fourth largest tenant customer for CQR representing 6.3%[1] of rental income. The total portfolio WALE increases from 6.5 years to 7.2 years and major tenants WALE from 10.4 years to 11.5 years.

Gearing is expected to be within the middle of the 30-40% policy range post settlement of the BP portfolio acquisition and contracted and planned divestments.

[1] Ownership basis prior to further planned divestments

Distribution for the half year ended 31 December 2019

CQR today also declares a distribution of 14.52 cents per unit (cpu) for the half year ending 31 December 2019. This represents a 1.7% increase on 1H FY19 distribution per security of 14.28cpu. The Distribution Reinvestment Plan (DRP) will also be active for this period.

FY20 Earnings Guidance Upgrade

As a result of today's announcement, CQR is pleased to increase it's FY20 earnings guidance from 1.7%-2.0% operating earnings growth per unit over FY19 to 2.2% operating earnings growth per unit.

Barring unforeseen events, this guidance reflects the positive impact of today's acquisition and already announced and future divestments subject to the timing of acquisitions and divestments. The distribution payout ratio is expected to be between 90 – 95% of operating earnings.

Announcement approved by the Board

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