ASX Release

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

Charter Hall Long WALE REIT 1H FY20 Results

10 February 2020

Charter Hall Long WALE REIT (ASX:CLW) (the REIT) today announces its half year results for the period ending 31 December 2020 (1H FY20). Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of $52.2 million, or 14.0cpu, up 8.5% on the prior corresponding period (pcp)
- Statutory profit of $80.5 million
- Distributions of 14.0cpu, up 8.5% on pcp
- NTA of $4.52, up 10.5% from $4.09 at 30 June 2019
- Balance sheet gearing[1] of 23.8%, below target range of 25% - 35%
- $864.7 million of new equity raised.

Operating highlights:

- Portfolio WALE of 14.5 years, up from 12.5 years at 30 June 2019
- $3.6 billion property portfolio, up from $2.1 billion as at 30 June 2019
- $1.4 billion of property acquisitions
- Portfolio cap rate firmed 46 bps from 5.95% at 30 June 2019 to 5.49%.

Avi Anger, Charter Hall Long WALE REIT Fund Manager commented: “1H FY20 has been another very active period for CLW. During the period, we enhanced the portfolio through high quality acquisitions that increased earnings, further diversified the portfolio, improved the quality of assets and extended CLW’s WALE. CLW has benefited from the active asset management of the Charter Hall platform which has contributed to extending CLW’s portfolio WALE and increasing underlying asset values.

“During the period we successfully increased the portfolio’s WALE from 12.5 years to 14.5 years through a combination of leasing activity and portfolio enhancing acquisitions. We further diversified the portfolio by sector with the introduction of the Telstra Exchanges Portfolio and the BP Portfolio. As a result of value created through active management and value accretive acquisitions, we have been able to lift our original earnings guidance from 4.0% full year EPS growth to 5.2% full year EPS growth for FY20.”

[1] Reflects balance sheet gearing, pro forma adjusted for the committed acquisition of The Glasshouse, Macquarie Park and Bunnings, Palmerston developments announced on 4 November 2019. Unadjusted balance sheet gearing as at 31 December 2019 reporting date was 20.0%

Portfolio update

During 1H FY20, CLW announced $1.4 billion of new property acquisitions which contributed to extending the portfolio WALE, enhancing sector diversification and strengthening the quality and diversification of tenants. These transactions comprised:

- Acquisitions:

  - $349.0 million acquisition of a 50% interest in a Charter Hall managed partnership that acquired a 49% interest in a strategic portfolio of 36 Telco Exchange properties 100% leased to Telstra Corporation Limited (“Telstra”), with a 21 year WALE, triple-net (NNN) leases and CPI+0.5% rent reviews (“Telstra Exchanges Portfolio”)

  - $420.1 million acquisition of a 50% interest in a Charter Hall managed partnership that acquired a 49% interest in a portfolio of 225 long WALE convenience retail properties, 100% leased to BP Australia with NNN leases and annual CPI rent reviews (“BP Portfolio”)

  - $165.7 million acquisition of a 50% interest in The Glasshouse, Macquarie Park, an A-Grade office development 70% pre-committed to the NSW Government on a 12-year lease (“The Glasshouse”)

  - $63.6 million[2] acquisition of a 15% interest in Telstra’s Global HQ, 242 Exhibition Street, Melbourne, an iconic 47 storey CBD office property with a remaining lease term of 12 years at acquisition (“Telstra Global HQ”)

  - $63.6 million acquisition of a 100% interest in 28 MacGregor Street, Upper Mount Gravatt, Brisbane, an A-Grade office property predominantly leased to the Commonwealth Government (“ATO Mount Gravatt”)

  - $198.9 million acquisition of a 50% interest in a prime industrial property in Huntingwood, Sydney, with a 32-year NNN lease to Arnott’s and annual CPI+0.5% rent reviews (“Arnott’s Huntingwood”)

  - $41.3 million acquisition of a long WALE retail property under construction in Palmerston, Darwin to be leased to Bunnings for an initial term of 12 years on completion of construction (“Bunnings Darwin”)

- Lease extensions:

CLW has also secured long term income through active asset management:

  - In November 2019, CLW announced it had agreed a lease extension with Coles Group Limited (“Coles”) at its Perth Airport distribution centre at 136 Horrie Miller Drive, Perth Airport, WA. The Property is 100% leased to Coles and is used as its regional distribution centre for Western Australia. A lease extension was agreed with Coles which increases the remaining lease term to 15 years, effective from 1 January 2020. The lease expiry date has now been revised from 2028 to 31 December 2034.

- Valuations:

Overall, the total property portfolio has increased by approximately $1.44 billion to $3.59 billion for the period, driven by $1.37 billion of net acquisitions and capex and $83 million in property revaluations.

At the end of the period, the REIT’s diversified portfolio is 99.8% occupied and comprised 384 properties with a long WALE of 14.5 years. The portfolio weighted average capitalisation rate firmed 46 bps during the period to 5.49% as at 31 December 2019.

[2] Total gross asset value of $830 million on 100% basis.

Strengthening the REIT's capital position

During 1H FY20, CLW completed several capital management initiatives, including:

- $864.7 million of equity raised during the period comprising:
  - a fully underwritten $130 million placement and $131 million entitlement offer in August 2019 to partially fund the acquisitions of the interest in the Telstra Exchanges Portfolio and a 100% interest in ATO Mount Gravatt
  - a fully underwritten $120 million placement and $122 million entitlement offer in November 2019 to partially fund the acquisition of a 15% interest in Telstra Global HQ and a 50% interest in The Glasshouse
  - a fully underwritten $200 million placement and $150 million entitlement offer in December 2019 to partially fund the acquisition of the interest in the BP Portfolio and a 50% interest in the Arnott's Huntingwood
  - proceeds from CLW's distribution reinvestment plan.
- Increased look-through debt capacity by $587.5 million (CLW interest) comprising:
  - new $100.0 million, bilateral debt facility with an international bank (CLW balance sheet)
  - $192.5 million joint venture debt facility related to the Telco Exchanges Portfolio
  - $225.0 million joint venture debt facility related to the BP Portfolio
  - $70.0 million joint venture debt facility related to Telstra Global HQ.

  Following these capital management initiatives, the REIT has a long-dated weighted average debt maturity of 4.3 years and a weighted average hedge maturity of 4.8 years as at 31 December 2019. Pro-forma balance sheet gearing of 23.8% as at 31 December 2019 remains below the target 25–35% range.

FY20 Operating Earnings Guidance

The REIT confirms that barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY20 remains unchanged from the guidance announced on 12 December 2019 of Operating EPS of 28.3 cents per security reflecting Operating EPS growth over FY19 of 5.2%.

The target distribution payout ratio remains at 100% of Operating Earnings.

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 more than $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.

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