

ASX Release

Charter Hall Long WALE REIT FY20 Results

07 August 2020

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 (ASX:CLW) (the REIT) today announces its full year results for the period ending 30 June 2020 (FY20). Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of \$121.9 million, or 28.3cpu, up 5.2% on the prior corresponding period (pcp)
- Statutory profit of \$122.4 million
- Distributions of 28.3cpu, up 5.2% on pcp
- NTA of \$4.47 per security, up 9.3% from \$4.09 per security at 30 June 2019
- Balance sheet gearing¹ of 24.2%, below target range of 25% - 35%
- \$875 million of new equity raised
- Following the sale of the REIT's interest in Waypoint REIT, investment capacity of approximately \$290 million

Operating highlights:

- Portfolio weighted average lease expiry (WALE) of 14.0 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 53 bps from 5.95% at 30 June 2019 to 5.42%.

COVID-19 Impacts:

- FY20 Guidance reaffirmed and delivered
- SME tenants 0.4% of net rent
- Negligible relief of 0.2% of net rent provided to tenants in FY20

Avi Anger, Charter Hall Long WALE REIT Fund Manager commented: "FY20 has been another portfolio enhancing period for CLW. Despite the uncertainties presented by COVID-19, we have been able to successfully deliver EPS growth of 5.2% for FY20. We have also further diversified the portfolio, improved the quality of assets and extended CLW's WALE. CLW has benefited from the sourcing of high quality transactions and the active asset management of the Charter Hall platform, partnering with tenants to extend CLW's portfolio WALE and increasing underlying asset values."

¹ Reflects balance sheet gearing, pro forma adjusted for the committed acquisition of Bunnings, Palmerston and divestment of the REIT's 5% interest in Waypoint REIT. Unadjusted balance sheet gearing as at 30 June 2020 was 26.1%

Portfolio update

During 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:**

- \$468.0 million of Long WALE Retail acquisitions comprised of a 25% interest in the BP Portfolio of 225 convenience retail properties on triple-net (NNN) leases with a 20-year WALE to BP Australia Pty Ltd; a new large format Bunnings store in Palmerston, Darwin, through a development funding agreement and a 50% interest in the Indooroopilly Hotel, Brisbane, leased to Endeavour Drinks as part of the Long WALE Investment Partnership
- \$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 and NNN leases
- \$353.8 million of office acquisitions consisting 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; a 15% interest in Telstra’s Global HQ, 242 Exhibition Street, Melbourne, an iconic 47 storey CBD office property and 28 MacGregor Street, Upper Mount Gravatt, Brisbane, an A-Grade office property predominantly leased to the Commonwealth Government
- \$213.9 million of Industrial & Logistics acquisitions comprised of a 50% interest in a prime industrial property in Huntingwood, Sydney, with a 32-year NNN lease to Arnott’s Biscuits and their primary manufacturing facility in Australia along with the SUEZ waste transfer station in North Ryde, Sydney.

- **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 increased the remaining lease term to 15 years, effective from 1 January 2020. As a result, the lease expiry date has now been revised from 2028 to 31 December 2034
- Post balance date, in July CLW completed a 2,100 sqm warehouse expansion at the existing CLW SUEZ leased property in Welshpool, Perth. Upon completion, the lease term of the new warehouse and the existing facility has been reset from 11.5 years to 15 years.

- **Valuations:**

Overall, the total property portfolio has increased by approximately \$1.52 billion to \$3.63 billion for the period, driven by \$1.4 billion of net acquisitions and capex and \$96 million in property revaluations.

At the end of the period, the REIT’s diversified portfolio is 99.8% occupied and comprised 386 properties with a long WALE of 14.0 years. The portfolio weighted average capitalisation rate firmed 53 bps during the period to 5.42% as at 30 June 2020.

Strengthening the REIT's capital position

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

- \$875 million of equity raised during the period
- Established a total of \$0.8 billion of new balance sheet and joint venture debt facilities, with major Australian and international banks, to support investment activity

Post balance date, the REIT divested its interest in Waypoint REIT.

Following these capital management initiatives, CLW has available investment capacity of approximately \$290 million, a weighted average debt maturity of 3.9 years and a weighted average hedge maturity of 4.4 years as at 30 June 2020. Pro-forma balance sheet gearing of 24.2% as at 30 June 2020 remains below the target 25–35% range and look-through gearing has fallen to 37.8%.

FY21 Operating Earnings Guidance

The REIT confirms that based on information currently available (including with respect to the COVID-19 pandemic) and barring any unforeseen events, CLW provides FY21 Operating EPS guidance of no less than 29.1 cents per security, reflecting Operating EPS growth over FY20 of at least 2.8%

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

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 29 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 \$40 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 \$7.3 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
