



Centuria Capital Group
(ASX: CNI)

Annual General Meeting

**CHAIRMAN AND JOINT CEO'S
ADDRESS**

Friday, 20 November 2020

11:00 am

CHAIRMAN'S ADDRESS: GARRY CHARNY

Good morning ladies and gentlemen. My name is Garry Charny and I am the Chairman of the Centuria Capital Group. On behalf of our board of directors and senior management, I would like to formally welcome you to our Annual General Meeting.

Before we begin, I acknowledge that I am hosting this AGM from the lands of the Gadigal people of the Eora Nation.

I also acknowledge the Traditional Custodians of the various lands on which you all work today and the Aboriginal and Torres Strait Islander people participating in this AGM. We pay our respects to Elders past, present and emerging.

I would like to introduce to you the other members of the board. My colleagues on the board are Nicholas Collishaw, Susan Wheeldon, Jason Huljich, John McBain, John Slater and Peter Done.

It has been an interesting year. From a sharp start through to navigating the economic fallout from an unforeseen pandemic we were never left without challenges. Although, in real terms, we felt it most severely in the final quarter of the FY20 year, as a country and a company we have fared remarkably well compared to many other places and entities. As Benjamin Franklin once remarked, "out of adversity comes opportunity" and Centuria is already capitalising on market opportunities that have arisen, assisting us to start FY21 in a positive fashion.

Whilst the effects of the pandemic have, at least for the moment, begun to subside here in Australia and New Zealand, we believe the prudent measures taken by the Group since March have placed the company in good stead. These included a commitment from my fellow board members to master the art of Zoom on a weekly if not daily basis to well monitor the situation and a wage and fee reduction across the entire company of up to 15%. I would also like to thank the senior management and wider team for their commitment in these challenging times to ensure effective business continuity. The Centuria family met the vicissitudes of the pandemic in stoic fashion. Be it harder work, a greater attention to detail, the difficulties of working remotely, the even greater challenges of how and when to return to the office or simply the reduction in wages, they were all met the same way : without a murmur of dissent and only support from a remarkable group of people. The result is a resilient FY20 performance.

Assets under management – AUM – increased year-on-year by more than 40% to \$8.8 billion as at FY20 Year End. Additionally, I am pleased to report that since year-end AUM has further expanded to circa \$10 billion pro forma as reported on 22 October. It is worth remembering that in FY16 our AUM was sitting at 1.9 billion. From little acorns.

One of the benefits Centuria has over many of its peers is its structure as an external manager of listed and unlisted products. This enabled the company to generate recurring revenues representing 86% of total revenues in FY20. Centuria also continued to deliver on our dual strategy of growing through direct real estate transactions and through corporate acquisitions. John and Jason will provide detail about the recent takeover of Augusta Capital and let me take this opportunity to welcome our new Kiwi team together with our new investors from across the ditch.

Throughout FY20 the Group expanded its product offering across industrial, decentralised office and healthcare real estate markets.

FY20 was the first full year the Group benefited from its healthcare division, Centuria Healthcare, which has come into the spotlight as a result of the pandemic highlighting the need for more cost-effective models of care in this under-supplied market. The healthcare team has been fully integrated into the company fold and all its unlisted funds have been renamed to reflect the company brand change. We see our healthcare vertical as a real opportunity for the business in the coming years.

The healthcare funds as well as Centuria and Augusta's unlisted funds helped expand the unlisted real estate platform to \$4.2 billion in AUM as at Year End FY20.

This growth was mirrored across our listed funds with \$3.8 billion in AUM across the Centuria Office REIT – COF – which we renamed from Centuria Metropolitan REIT in February; Centuria Industrial REIT – CIP – which is now included in the ASX-200; and the NZX-listed Asset Plus Limited.

Due to strong activity to date in FY21, unlisted AUM has increased to \$4.5 billion and listed funds under management has further increased to \$4.4 billion.

We are now a true Trans-Tasman real estate funds manager with both listed and unlisted funds in Australia and New Zealand.

This year I am delighted to welcome the Augusta Capital team to Centuria. Mark Francis and Bryce Barnett have joined Centuria's senior executive team with Mark remaining in charge of the New Zealand operation as was always intended. With full board support, we have set aggressive targets to grow Centuria's presence in both countries creating a major Trans-Tasman real estate platform.

The Augusta acquisition reflected two complementary businesses being joined to create something where the sum of the whole is far greater than the individual parts. This has been a genuine, friendly merger with mutually beneficial outcomes for both businesses and all investors.

I'm also pleased to update you on further governance improvements, including a reorganisation of Centuria's responsible entity boards to ensure greater independence and aid with any potential conflicts, both real or perceived. The Centuria Property Funds Limited (CPFL) and Centuria Property Funds No.2 Limited (CPF2L) Boards have been reconstituted to assist with these important governance issues and to reflect the substantial growth in the business, particularly in the industrial and healthcare sectors. Peter Done continues to chair CPFL and Roger Dobson, a name familiar to many of you, has returned to the fold as Independent Chairman of CPF2L.

We also welcome Natalie Collins to the Boards of CPF2L, Centuria Life Limited (CLL) and the Over Fifty Guardian Friendly Society Limited as a new independent director. Natalie brings a diverse range of talents and perspectives to the boards she will sit on and I am personally delighted she was prepared to take up the offer to join us.

Our Governance sub-committees – namely the Non-Financial Risk Committee, Information Communication Technology & Cyber Security Committee, and Conflicts Committee, the latter supported by independent Prof Simon Rice OAM, have also been central to ensuring Centuria implements best practice governance.

Further, an Environmental, Social and Governance Committee has been established to assess and implement pragmatic and sensible policies and practises that align Centuria's organisation with ESG commitments across the community it operates within.

Whether these are in sustainability, social and affordable housing, an engagement with International Women's Day, NAIDOC week or general corporate citizenship, they continue to be a touchstone not only of our investment decisions and stakeholder engagement but also of how we want Centuria to be defined. On a side note it is worth mentioning that through NAIDOC week we have connected with James Russo at NPM Indigenous - a majority owned Indigenous construction company who create employment and education opportunities for Indigenous people and are doing fantastic work.

Before I conclude and pass over to our joint CEOs, let me take this opportunity to thank my fellow directors from both the group and responsible entity boards for their ongoing contribution and dedication. Your ongoing commitment and expertise sets the foundation for a collegiate and dynamic framework at Centuria. Whilst the board operates as a team, I would like to particularly thank Susan Wheeldon for the extra time and effort she put in as part of the COVID safe committee which helped the business to function safely and efficiently throughout the pandemic.

Finally, I would like to thank you, our securityholders, for your ongoing support to Centuria. As I have said before, we serve at your pleasure and deeply respect the trust you have placed in us. You have our pledge that your board and management team will continue to work in close cooperation and remain committed to a common goal of protecting and growing shareholders' investments whilst acting in a transparent and socially responsible way.

I now invite John McBain and Jason Huljich to deliver the Joint CEO's report.

Thank you, Mr Chairman, and good morning everyone.

Jason and I welcome you today and add our acknowledgement to the Gadigal people to that of our Chairman. It gives me great pleasure to be addressing you today.

I will discuss some of the corporate initiatives and performance of Centuria Capital together with some views regarding the outlook for the Group and Jason Hujich will address you with regard to the funds management and real estate activities of the various Centuria-managed funds.

FY20 was a year of two halves – beginning with a record level of property acquisitions in the first half, followed by a six-month holding pattern due to the impact of bushfires, floods and the Global COVID-19 pandemic. Owing to a strong FY20 first half performance, coupled with a solid recurring revenue base, Centuria was able to exceed earnings guidance and meet distribution guidance.

Turning to our FY20 Financial results, the Group achieved:

- Operating net profit after tax of \$56.3 million;
- Operating earnings per security of 12 cents, exceeding guidance of 11.5 cents;
- Distribution per security of 9.7 cents, at guidance, and reflecting a 4.9% increase on FY19;
- Recurring revenues representing 86% of total revenues in FY20;
- The Group booked \$37.2million of cash from performance fees; and
- Cash on hand was \$149.5million as at 30 June 2020.

Total securityholder return for FY20 was 6.1%, which outperformed the S&P/ASX A-REIT 300 accumulative index's return of negative, -20.7%.

As at 30 June 2020 Centuria Capital recorded:

- Group net asset value was \$1.44 per security; and
- Operating gearing ratio was 3.1%.

As our Chairman outlined, total group AUM grew during FY20 from \$6.2 billion to \$8.8 billion, a year-on-year increase of 42%. So far in FY21, including assets in due diligence, we have grown to \$10 billion of AUM. This is a 61% increase since FY19 year end. A solid achievement considering the backdrop of a global pandemic and Australia's first recession in 29 years.

We were one of the few property platforms to provide guidance for FY21 and I'm extremely pleased to report we have already upgraded this guidance. On 22 October we announced that operating earnings per security guidance increased by an average 9.1% to 11.5 – 12.5 cents per security and distribution guidance increased by 5.9% to 9.0 cents per security.

In September, Centuria's Global Industry Classification Standard code – GICS - was reclassified from Asset Management & Custody Banks to Diversified REITs, which better reflects our business operations and correctly aligns the group with its peer-set.

As mentioned, our business model has been extremely resilient throughout FY20 thanks to our dual strategy to grow through direct real estate acquisitions together with corporate acquisitions. Jason will expand on our asset acquisitions but let me touch on our corporate acquisitions.

In FY19, we announced a 63% investment in Heathley Capital and it's my pleasure to report the healthcare business is now fully integrated into the Centuria fold and has been re-branded as Centuria Healthcare. Our wider group platform has assisted the business' expansion and market prominence of this business.

We aim to replicate this support and integration with Augusta Capital, following our full takeover of the New Zealand entity. The business has been delisted from the New Zealand Exchange and I echo our Chairman's welcome to our new securityholders across the Tasman. We wholeheartedly support Augusta's operations and have no intention of changing what they do best. For the past 21 years Mark and Bryce have grown a sophisticated unlisted platform, more recently expanding into listed funds with the acquisition of the Asset Plus Limited REIT.

Recently, Centuria increased its holding in APL to 19.99%. We have also undertaken equity raises to help, in part, support the expansion of Augusta's AUM. This enabled Asset Plus to proceed with a significant NZ \$140 million acquisition, which Jason will detail shortly.

We understand and believe in the New Zealand office, industrial and healthcare markets. It's a mature market that has many similarities to Australia and Augusta's investors are strong supporters of the business with the recent unlisted Augusta Property Fund being oversubscribed within nine days. Again,

Jason will detail a very substantial NZ \$178 million acquisition which was underwritten by Centuria Capital and is a good example of how we intend to use our balance sheet to promote Augusta's growth in NZ.

The Augusta corporate transaction has helped improve our market capitalisation, which has increased from \$0.88 billion as report on 12 August 2020, to \$1.42 billion as at 19th November 2020. Currently, we are a S&P/ ASX300 entity and we are well positioned to enter the ASX200, in the not too distance future. Recently, Centuria Capital initiated a \$100million equity raise, which we expanded to \$120million due to strong investor appetite. The fundraising will assist in unlocking new and significant opportunities, and it will also assist in repositioning Centuria's balance sheet through a \$39.5million debt repayment.

As our Chairman mentioned, the Board and Management are acutely focused on reporting Centuria's Environment Social and Governance initiatives. For several years, the Group has implemented sustainability measures ranging from solar panel installation and waste management and recycling initiatives to social initiatives which include regular staff volunteer days and fundraising with the special needs school Centuria supports, St Lucy's in Sydney. Our last fundraising event raised \$160,000 for St Lucy's.

More recently, we have been developing affordable housing projects on NSW's central coast as well as aged care residences for those living with dementia. Centuria Healthcare also assists in the delivery of vital healthcare infrastructure for communities throughout Australia. Centuria is a member of the Diversity Council of Australia, the company actively celebrated NAIDOC week recently and our ESG committee has planned a regular calendar of initiatives which broaden our social footprint and involvement.

We are committed to reporting our ESG progress, which will be shared on the newly launched sustainability webpages on our website.

Throughout FY20 we added seven new investment bond fund options, taking our total offering to 29 funds. Currently, investment bonds contribute \$0.8 billion to our total funds under management. The business is supported by a number of long-term policy holders and we are continuing to build out the Centuria Life Goals core offering.

We believe that interest rates will remain low for the near term and all the feedback from our fund investors is that high quality property funds with strong tenant covenants will remain an attractive investment option going forward. Centuria has a full workbook for real estate acquisitions for the remainder of the calendar year and the first quarter of 2021 so we look forward to a busy second half.

With a larger number of asset verticals and the addition of a large New Zealand platform we are looking forward to a much busier final half, relative to the previous period as we transition slowly out of the worst impacts of the pandemic.

I would like to thank the 180-strong Centuria team. This includes our colleagues in Sydney, our irrepressible staff in Melbourne who've adapted to working from home temporarily and our new team in Brisbane. Again, welcome to our kiwi colleagues and our administration staff in Manila.

Before I hand over to Jason to run through our FY20 Real Estate and Fund performance, I would like to take this opportunity to thank him for his dedication and support as Joint CEO throughout what has been one of the most challenging years in our over twenty year history of working together to create the Centuria group. Over this time we have developed a unique work-sharing model which has resulting in Centuria possessing one of the smallest senior executive teams in our property fund manager peer group which has led to significant "exco" savings. These savings are passed on to securityholders. This is generally misunderstood by new investors and we will ensure this is explained more carefully going forward.

A sincere thanks to our board of directors both at a corporate and funds management level. Our corporate board met over 30 times in FY20 to keep pace with our growth and I want to publicly acknowledge their hard work and in particular their strong independence. There is no way that their remuneration can compensate them adequately for the many hours they spend assisting in growing security-holder wealth but as a management team and personally as a security-holder I want to thank them.

In particular I want to draw attention to my fellow directors Nick Collishaw and Peter Done who stand for re-election today. There are few people in my business experience that I respect more both in terms of their commercial acumen and their fierce independence.

Speaking personally, I fully support our re-election process and note that a small group of our fellow investors have, in an organised manner, exercised their right to interpret the rules of independence and tenure so strictly that the continued involvement of these directors was subject to a small negative vote.

Again in my personal view, I fully respect our investors absolute right to form this or any other view however I have an alternative position. I believe the continued involvement of these two directors is, in an essential way, linked to the progressive and profitable operation of the group and endorse and support their re-election whole heartedly.

Finally, my thanks to you the security holders who have supported us consistently and who understand how we have established and operate the company, who acknowledge the lean nature of our management team, the high goals we set internally and the highly supportive, experienced and effective board members we possess. To you we offer our sincere thanks.

I now have great pleasure in handing over to Jason who will speak regarding Centuria's real estate and funds management activities.

Thank you, John.

FY20 was a year of platform expansion, which has continued into FY21. This expansion occurred not just through M&A activity, as John mentioned, but also through our strong direct real estate acquisition growth.

Today, we provide:

- single and multi-asset unlisted closed funds,
- healthcare, industrial and diversified open-ended funds
- as well as Australia's largest pure-play office and industrial REITs: COF & CIP.

Adding to the spectrum is our NZ-listed Asset Plus, which will be responsible for delivering Auckland Council's new NZ\$140 million HQ on an initial 15-year pre-commitment lease. The Augusta team has recently completed a successful NZ\$60.2 million equity raise, to fund this development.

What this expansion means, is a broader range of investment options for our investor clients. Today, our unlisted funds comprise c.46% of total AUM, worth \$4.5 billion. These complement our ASX and NZX listed offerings, totalling \$4.4 billion of AUM. Pleasingly, CIP has also announced it has unconditional exchanged contracts to acquire 3 high quality cold storage assets for a combined \$171.3 million earlier this week.

I am very proud to confirm, that across the Group's real estate platform, we've achieved a Compound Annual Growth Rate of 33% since FY17 to today.

I would now like to highlight some of the exciting acquisitions, already secured in FY21.

Major industrial acquisitions include;

- the \$416.7 million Telstra Data Centre in Clayton VIC, secured through CIP in August;
- the NZ\$178 million Visy Glass manufacturing facility in Auckland, NZ secured through Augusta Capital in October – this asset will form the largest single-asset unlisted fund in Centuria's history; and
- A portfolio of three high quality cold storage assets for a combined \$171.3 million as previously mentioned.

Both the Telstra and Visy assets were secured on sale and leaseback, triple-net leases for 30 years and 20 years, respectively. The sale and leaseback market has been an important focus for our

acquisitions team and Centuria has transacted more than \$920 million in sale and leaseback acquisitions since the start of FY20.

In FY21, CIP has secured an additional \$694 million worth of industrial assets including 4 cold storage facilities, which is fast becoming an undersupplied submarket, within the industrial and logistics sector. I'm pleased to report, across the Group's platform, we now own approximately \$3.3 billion in industrial real estate.

The CIP portfolio now includes 59 assets worth \$2.3 billion. Approximately 58% of the portfolio's income is derived from tenant customers linked to the production, packaging and distribution of consumer staples, pharmaceuticals, and telecommunications. CIP's portfolio is underpinned by occupancy of 96.8% and a WALE of 9.7 years. CIP's portfolio has remained robust through COVID-19 with average rent collections of 97% between March and September 2020.

COF's portfolio currently includes 23 geographically dispersed, high quality decentralised office assets with a portfolio value of \$2.1 billion. More than 80% of COF's portfolio income is derived from Government, ASX-listed and multinational tenants. The fund continues to focus on decentralised office markets that have proven more resilient than CBD office markets during the pandemic period. COF's portfolio has remained robust through COVID-19 with average rent collections of 94% between April and September 2020.

I'm also pleased to confirm that both CIP and COF have met their distribution guidance for Q1 FY21. On 17 November 2020, CIP also announced an FY21 FFO guidance increase to no less than 17.5 cents per unit. CIP currently provides an FY21 FFO yield of approximately 5.7% and distribution yield of approximately 5.6%. COF's current distribution yield is approximately 7.1%.

Centuria Healthcare has expanded with the launch of the unlisted open-ended Centuria Healthcare Property Fund, in late August. CHPF has recently settled close to \$115 million worth of assets across Australia, including three short-stay private hospitals. The healthcare team is also progressing its \$500 million AXA IM/ Grosvenor Group mandate with some exciting pipeline opportunities.

Across the real estate platform in both Australia and New Zealand, Centuria now manages 213 assets with more than 900 tenants.

Reflecting on the performance of our funds throughout FY20, I am very pleased to report we collected 91% of all rents across the Australian real estate platform throughout the April to June 2020 COVID-19 affected period. I would like to credit these outstanding results for rent collection, to our in-house management and tenant relations teams who have worked closely with our customers to ensure they operate and continue business operations in a safe work environment.

I would like to reiterate our commitment to all our investor clients – both new, and those who've shared our journey throughout the years. Your loyalty and commitment are invaluable and enable us to continue our exceptional growth trajectory.

To help acknowledge the dedication of some of our most loyal, unlisted supporters, this year we launched the Quantum Club. The club has its own dedicated staff to provide market updates and opportunities for members. This is our way of showing loyalty and commitment back to our supporters and we hope to roll this program out to other parts of the business, next year.

Our strong balance sheet, deep distribution network and high recurring revenues, enable us to continue to expand our funds management platform. However, we have only been able to achieve this, through the support and confidence from you, our securityholders. On behalf of John, myself and the entire Centuria management team, thank you.

I would also like to thank my joint CEO, John McBain, and our senior management team, who have worked tirelessly to navigate four listed vehicles and an extensive portfolio of unlisted funds through this testing year.

Finally, I wish to thank our Chairman and directors of the Group and Responsible Entity Boards. Your hard work, support and guidance are paramount to Centuria's evolution and success.

Centuria recorded a strong performance in FY20 and we have begun FY21 in an excellent position. We are extremely focused on continuing to unlock attractive growth opportunities and create value for investors across our expanding Australasian real estate platform.

Thank you.

I would now like to hand back to our Chairman.