

## ASX Release

# Charter Hall Long WALE REIT – Acquisitions and Equity Raising

9 December 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](http://www.charterhall.com.au)

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

- has entered into agreements to acquire two properties and has completed the acquisition of a third property for a total purchase price of \$319 million; and
- will undertake a fully underwritten \$250 million institutional placement (**Placement**) to partially fund the acquisitions and associated transaction costs.

### Overview of the Acquisitions

The REIT has entered into agreements to acquire the following:

- a 100% interest in 76-78 Pitt Street, Sydney via a sale and leaseback to Telstra for \$281.5 million; and
- a 100% interest in a new Bunnings property to be developed in Caboolture, QLD for \$28.1 million<sup>1</sup>.

In addition, the REIT has completed the acquisition of a 49.9% interest in an Endeavour Group leased pub the Parap Tavern in Darwin, NT for \$9.8 million<sup>2</sup>.

(together, the **Acquisitions**)

The total property value of the Acquisitions is \$319 million, reflecting a weighted average capitalisation rate of 4.58%. The Acquisitions feature a long WALE of 10.4 years and 91% of income is derived from triple net leases (**NNN**).

Avi Anger, Fund Manager of CLW said: “The Acquisitions are high quality, well located and strategic long WALE properties. 76-78 Pitt Street, located in the centre of the Sydney CBD, has been acquired via a sale and leaseback with Telstra Corporation Limited on a long, 10 year triple net lease with fixed annual 2.5% rent increases. The property has a high underlying land value and future optionality.”

“Bunnings Caboolture and the Parap Tavern are located in strong trading areas and identified growth corridors for Bunnings and Endeavour Group. The Acquisitions increase the proportion of triple net leases in the portfolio from 50% to 53% and increase the proportion of fixed rent reviews to 55%, further supporting the REITs secure and growing income. The Acquisitions also increase CLW’s exposure to high quality tenants in Telstra, Endeavour Group and Bunnings.”

<sup>1</sup> Total on-completion valuation

<sup>2</sup> Acquisition made via the Charter Hall managed Long WALE Investment Partnership, in which CLW has a 49.9% interest

## Portfolio impact

	Pre- Acquisitions <sup>3</sup>	Acquisitions	Post- Acquisitions
Number of properties	456	3	459
Property valuation	\$3,908m	\$319m	\$4,227m
Weighted average capitalisation rate	5.24%	4.58%	5.19%
Occupancy	97.1%	100%	97.3%
WALE	14.5 years	10.4 years	14.2 years
WARR <sup>4</sup>	2.2%	2.3%	2.2%
Proportion of NNN leases	50%	91%	53%

## Placement

To partially fund the Acquisitions and associated transaction costs, the REIT will undertake a fully underwritten institutional placement to raise \$250 million. The Placement is fully underwritten by J.P. Morgan Securities Australia Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch.

The Placement will be issued at a fixed price of \$4.65 per security, which represents a:

- 3.3% discount to the last close of \$4.81 per security on 8 December 2020;
- 4.3% discount to the 5 day VWAP of \$4.86 per security on 8 December 2020; and
- 6.3% FY21 forecast Operating EPS yield<sup>5</sup>.

Securities issued under the Placement will rank equally with existing CLW securities from the date of issue and will be entitled to the distribution for the three months to 31 December 2020 of 7.3 cents per security.

The balance of the funding for the Acquisitions will be sourced from proceeds from the REIT's upsized October 2020 Security Purchase Plan (**SPP**), September 2020 quarter Distribution Reinvestment Plan (**DRP**) and existing CLW debt capacity.

The October SPP was originally intended to raise \$10 million, but in light of the strong demand, over-subscriptions were taken and \$66.1 million was raised. Given this excess demand was satisfied and that securityholders cannot participate in SPPs beyond a prescribed limit over a 12 month period, there will be no SPP accompanying the Placement.

## Distribution for the Quarter Ending 31 December 2020

On 7 December 2020, CLW declared a distribution of 7.3 cents per security for the period ending 31 December 2020. The DRP will also be active for this period.

<sup>3</sup> Per pro forma metrics outlined in the investor presentation released to ASX on 10 September 2020 (including the bp New Zealand portfolio which has exchanged with settlement subject to New Zealand Overseas Investment Office approval), adjusted for the REIT's Dec-20 portfolio revaluations and the vacancy of 56 Edmondstone Road, Bowen Hills

<sup>4</sup> CPI is assumed at 1% on average over the forecast period

<sup>5</sup> Based on CLW's FY21 Operating EPS guidance of no less than 29.1 cents per security (based on information currently available, including with respect to the COVID-19 pandemic, and barring any unforeseen events)

## Financial impact

Including the impact of the Acquisitions and Placement and based on information currently available (including with respect to the COVID-19 pandemic) and barring any unforeseen events, CLW is pleased to reaffirm its FY21 Operating EPS guidance of no less than 29.1 cents per security, which represents FY21 Operating EPS growth over FY20 of no less than 2.8%.

Including the impact of the Acquisitions, Placement, previously announced \$150 million net valuation increase as at 31 December 2020, October 2020 SPP and September 2020 quarter DRP proceeds, the REIT's pro-forma<sup>6</sup>:

- balance sheet gearing is 23.2%, below CLW's target range of 25 – 35%;
- look through gearing is 35.1%; and
- NTA per security is \$4.71.

Post the Acquisitions and Placement, the REIT is well positioned with \$339 million of investment capacity.

## Timetable

Event	Date
Trading halt and announcement of the Acquisitions and Placement	Wednesday, 9 December
Placement bookbuild	Wednesday, 9 December
Bookbuild closes	Wednesday, 9 December at 5.00PM
Trading of securities recommences on the ASX	Thursday, 10 December
Settlement of new securities issued under the Placement	Monday, 14 December
Allotment of securities issued under the Placement	Tuesday, 15 December
Record date for December quarter distribution	Thursday, 31 December

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 Placement including certain key risks are contained in the investor presentation released to the ASX today. All amounts are in Australian dollars unless otherwise indicated.

*Announcement Authorised by the Board*

<sup>6</sup> As at 30 June 2020, with pro forma adjustments outlined in Appendix A of the investor presentation released to the ASX on 9 December 2020

## **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, industrial & logistics, retail and social infrastructure.

Operating with prudence, we've carefully curated a \$43.4 billion diverse portfolio of over 1,300 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 \$6.8 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**

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### **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.

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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

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