STATUTORY PROFIT UP 73% TO $308.2 MILLION DRIVEN BY VALUATION INCREASES IN PROPERTY INVESTMENT PORTFOLIO

FY21 RESULTS OVERVIEW

- Statutory profit of $308.2 million (FY20 $177.6 million) equivalent to 11.78 cents per security;
- Operating profit of $192.2 million (FY20 $221.2 million) equivalent to 7.35 cents per security;
- FY21 distributions per security of 7.00 cents (FY20 7.50 cents) for a payout ratio of 95.3%;
- Net Tangible Assets of $1.02 (FY20 $0.99) with gearing unchanged at 42% (FY20 42%);
- Development pipeline: 29 projects across 10 countries, six at planning stage with four underway;
- Total assets under management (AUM) increased to $11.9 billion (FY20 $11.5 billion); and
- Mr Jonathan Callaghan appointed as new Chief Executive Officer commencing 5 October 2021.

Real estate investor and fund manager, Cromwell Property Group (ASX:CMW) (Cromwell), today delivers its full year FY21 results. Cromwell Chair Dr Gary Weiss, in commenting on the past year, said: "The process to renew the Cromwell Board is substantively complete, with a diversified Board with significant commercial, real estate and capital markets experience now in place."

"With the recent appointments of Rob Blain, Eng Peng Ooi and Jialei Tang, securityholders may be assured that the Board will act in their best interests and seek to enhance the long-term value of their investment," Dr Weiss stated.

"The Board was pleased to appoint Jonathan Callaghan as CEO, who will commence on 5 October 2021. Jonathan is an outstanding leader and industry veteran, well known for his achievements in his previous role as CEO at Investa Property Group. The Board is confident that his leadership and experience in property and funds management will drive the strategy for the benefit of securityholders."

"The Board has been actively reviewing Cromwell's strategy and business model. The aim is to simplify the Group structure with a view to improve capital efficiency using our existing portfolio assets to create new funds and accelerate the growth in our funds management and development businesses," Dr Weiss added.

"We have initiatives underway which we believe will unlock value for securityholders, position Cromwell to grow and provide increased opportunities for our team. An update will be provided to the market as soon as a formal strategy has been approved by the Board," Dr Weiss concluded.

FY21 FINANCIAL RESULTS AND CAPITAL MANAGEMENT

Acting Cromwell CEO Michael Wilde commented on the results: "We have come through a tough year in good shape. This is a testament to the quality of our people who have supported their colleagues through a pandemic while remaining focused on their roles and objectives."

"Through their hard work we have been able to maximise the cashflows within our property investment portfolio, establish a global pipeline of future development opportunities and launch new initiatives to grow our funds management businesses," he said.

"We have also continued to drive operational resiliency through our sustainability framework and environmental, social and governance (ESG) activities. This longstanding commitment has helped us navigate the COVID-19 pandemic and meet increasing stakeholder expectations," Mr Wilde added.

Full-year (FY21) statutory profit was $308.2 million, equivalent to 11.78 cents per security. This represents a 73% increase on the prior year, due in part to a $97.5 million increase in the fair value gain of investment properties (FY20 $17.5 million).

Operating profit was $192.2 million, equivalent to 7.35 cents per security. This represents a reduction of 13% compared to the prior period. The prior period benefitted from a $32 million fee from the sale of Northpoint Tower. Operating profit, excluding this fee, increased by $3.0 million (1.4%).

The total value of investment properties held on balance sheet rose to $3.9 billion as at 30 June 2021 reflecting positive valuation gains in Cromwell's Australian office portfolio and contributing to Net Tangible Assets (NTA) increasing from $0.99 per security to $1.02 per security as at 30 June 2021.

Gearing of 42% is unchanged on the year and Cromwell maintains substantial liquidity and covenant headroom with a strong Interest Coverage Ratio (ICR) of 6.1x. Debt has been recently reprofiled and extended with a weighted average debt maturity of 3.2 years, providing Cromwell with time and contractual flexibility to execute the strategies it has identified to lower gearing.

PROPERTY INVESTMENT

- Property investment profit of $193.6 million (FY20 $196.1 million);
- 31 assets. 18 Australian, seven Italian and six Polish valued at $3.9 billion (FY20 $3.7 billion);
- Like-for-like Net Operating Income (NOI) growth in Australian portfolio of 2.8%; and
- Cromwell European REIT (CEREIT) share of operating profit of $43.3 million (FY20 $48.7 million).

Property investment comprises direct interests in 18 Australian primarily office assets, seven Italian logistics assets and six Polish shopping centres plus indirect interests in CEREIT (28% interest), LDK Seniors Living (50% interest) and a seventh Polish shopping centre, Ursynow (50% interest).

Total profit was $193.6 million, a small decrease of $2.6 million or 1.3% on the prior year. The assets have a combined value of $3.9 billion with fair value gains in investment property during the year of $101.2 million in Australia, $2.7 million in Italy and a reduction of $6.4 million in Poland.

Cromwell's Australian assets benefitted from like-for-like Net Operating Income growth of 2.8%, 94.7% occupancy by gross passing income and a long weighted average lease expiry (WALE) of 6.1 years. The weighted average capitalisation rate (WACR) tightened to 5.4% (FY20 5.6%) in the year.

The portfolio is weighted to Government and ASX-listed tenants with only 10% of gross income coming from SME tenant-customers. Rental collection has been relatively unimpacted by COVID-19 to date.

"We have benefited from strong pre-existing relationships with our tenant-customers. Our property teams have directly engaged with them to understand how their businesses have been impacted. As a result, just $0.6 million of rent was waived and $9.6 million deferred during the year," said Mr Wilde.

In Italy the seven logistics assets fully let to DHL have seeded a pan-European logistics fund which is being offered to capital partners with Cromwell intending to retain up to a 20% interest. The assets have remained operational throughout the pandemic, experiencing increased trading volumes.

Poland has seen four separate lockdowns since the start of the pandemic and the shopping centres within the Cromwell Polish Retail Fund have remained open throughout given their focus on grocery, pharmacy and essentials. Other discretionary retail tenant-customers have been more impacted with a large number of leases having been renegotiated during FY21.

Total invoice collection for the year to 30 June 2021 was 89%. This is expected to increase given the normal collection lag and as outstanding invoices are pursued. The centres remain accretive to earnings and Cromwell will hold them until conditions allow for the original recycling strategy to occur.

Cromwell's equity accounted share of CEREIT's profit for the year, based on its 28% interest, was $43.3 million (FY20 $47.5 million), with its total stake valued at $621 million.

The CEREIT portfolio once again recorded a strong 3.2% uplift in value to €2.3 billion (FY20 €2.1 billion) with a 94.9% occupancy rate (by net lettable area). The 109 properties (108 as at 30 June 2021), are managed by Cromwell's experienced local teams in Europe and showed their resilience to COVID-19 with an approximately 96% cash collection rate since February 2020.

CEREIT also expanded into new geographical markets in Slovakia and, earlier this month, announced its first acquisition in the UK, highlighting substantial future growth opportunities.

Cromwell's 50% ownership in LDK Healthcare (LDK) which owns seniors living villages, The Landings and Greenway Views, continues to prove its success with seniors. The redevelopment at Greenway Views continues with Stage 2 due to complete on time in February 2022. 148 of the 210 Stage 1 apartments have already been sold, with 134 settled. Stage 2 will deliver 117 more apartments.

"The sales rate at Greenway Views is a great testament to the popularity of LDK's offering and we are comfortable that the new apartments will be snapped up at the same rate," said Mr Wilde.

FUND AND ASSET MANAGEMENT

- Fund and asset management profit of $41.7 million (FY20 $74.6 million);
- Total third-party funds under management (FUM) increased to $7.6 billion (FY20 $7.3 billion);
- Wholesale FUM of $5.2 billion with retail FUM of $2.4 billion; and
- Future development pipeline of 29 projects across ten different countries identified.

Cromwell's fund and asset management profit of $41.7 million was 44.1% lower than the prior corresponding period due to the impact of COVID-19 on transactional activity, performance fees and development fees. Third party FUM increased to $7.6 billion driven by retail FUM growth.

Managing Director, Europe Pertti Vanhanen commenced in January 2021 having joined from Aberdeen Standard Investments. He brings deep institutional funds management experience and strong capital partner relationships. He has already launched new initiatives to grow FUM including a joint venture with Dasos Capital to launch a Wooden Building Fund, signed agreements with new capital partners in Germany and Italy, and taken the European Logistics Fund to market.

"Pertti has made a great start to enhancing our investment management capabilities and driving platform growth. This will likely include working with strategic capital partners to accelerate our growth agenda and we are actively looking to identify the right partner to help us in this regard," said Mr Wilde.

"In Australia, the majority of unitholders in Cromwell Property Trust 12 and the Cromwell Direct Property Fund continued with their investments after liquidity events earlier in the year," he added.

"The Cromwell Direct Property Fund has continued to see strong inflows since then. We will continue to market the fund to investors but are also looking at additional opportunities to take advantage of the ongoing appetite for quality retail fund offerings," Mr Wilde confirmed.

In New Zealand, total AUM at Oyster Group (50% interest) grew by $150 million to NZ$2.1 billion (FY20 NZ$2.0 billion). Oyster now manages 37 commercial properties on behalf of fund investors and is currently marketing a new Large Format Retail Fund while continuing to grow both its Industrial Fund and Diversified Property Fund. FY21 share of operating profit was $3.7 million (FY20 $2.5 million).

During the year Cromwell focused on identifying possible development opportunities in its managed property portfolio to unlock any potential value to ensure a higher, and more consistent and regular flow of future development fees.

A total of 29 projects across 10 different countries have been identified. 19 of these projects are undergoing an initial assessment with six in planning or approval stages and four currently already underway. The ten projects that have progressed past the initial assessment stage have a combined estimated end development value of $2.2 billion covering gross floor area of c.329,000 sqm.

"We have focused on increasing our development capability and really understanding the extent of the opportunities across our entire platform. While not all will proceed, a robust future development pipeline will add significant value for both Cromwell and its capital partners," added Mr Wilde.

OUTLOOK

"Cromwell has navigated twelve months dominated by COVID-19 lockdowns, social distancing restrictions and the implications of agile working," said Mr Wilde.

"Notwithstanding the implications of the current COVID-19 situation in Australia and globally, and our expectations of continued subdued market conditions, we are focused on maximising the value of our property investments and the opportunities in our funds management and development businesses."

"I would like to thank everyone at Cromwell for their dedication and hard work over the last year."

"It has truly been a great team effort and I have very much appreciated the support since stepping into this role. We enter FY22 with a refreshed Board, a new incoming CEO in Jonathan Callaghan, and can be optimistic about the opportunities that lie ahead," he concluded.

Cromwell declines to provide guidance but expects to continue to pay distributions at the current quarterly rate of 1.625 cents per security until further notice. With a security price of $0.905 cents at the close of business on 25 August 2021 this represents an annualised distribution yield of 7.18%.

Authorised for lodgement by Lucy Laakso (Company Secretary and Corporate Counsel) and Michael Wilde (Acting Chief Executive Officer).

Ends.

For media:
Brendan Altadonna (GRACosway)
+61 409 919 891
baltadonna@gracosway.com.au

For securityholders:
Cromwell's Investor Services Team
1300 268 078 or +61 7 3225 7777
invest@cromwell.com.au

ABOUT CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a real estate investor and fund manager with operations on three continents and a global investor base. As at 30 June 2021, Cromwell had a market capitalisation of $2.3 billion, a direct property investment portfolio valued at $3.9 billion and total assets under management of $11.9 billion across Australia, New Zealand and Europe.