



Centuria Capital Group

(ASX: CNI)

Annual General Meeting

**CHAIRMAN AND JOINT CEO'S
ADDRESS**

Friday, 26 November 2021

11:00 am

CHAIRMAN'S ADDRESS: GARRY CHARNY

Good morning ladies and gentlemen. My name is Garry Charny and I am Chairman of the Centuria Capital Group. On behalf of your 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. We also welcome our friends from Aotearoa.

If I may now introduce you to my other board members. My colleagues are Susan Wheeldon, Jason Huljich, John McBain, John Slater, Kristie Brown and Peter Done.

Since we last met 12 months ago, Australia and New Zealand real estate markets have been navigating a sea of COVID, COVID restrictions, border closures and much uncertainty generally across the broader community. Against this backdrop, Centuria has shown resilience born of commitment and hard work and perspicacity from an experienced leadership team with platform expansions, quality transactions within diverse asset classes from healthcare to industrial, and extension into new markets. This allowed us to outperform initial FY21 guidance and deliver strong results in the face of the pandemic.

Early in the year, there were some encouraging signs of the pandemic abating. As the year progressed, that initial optimism subsided. Nonetheless, aided by the expanded geographical diversity of the company, our team was able to progress acquisitions, maintain active asset management and be at the coalface of tenant customer relations to ensure continuity. These endeavours align to Centuria's core values and capabilities that support our approach to business and creating value for you, the securityholders.

We acted on the roadmap set out in 2020 and fine-tuned our operations from home offices, kitchen tables and the occasional hammock. The Board and Senior Management became overnight technophiles whilst interlopers, such as children and dogs, became the norm in Teams meetings. The resolve and success of the Centuria team during this extraordinarily difficult period is a testament to all concerned. On behalf of the entire Board, we thank you.

As Centuria has grown, it has continued to engage with stakeholders and taken steps to keep improving all areas of environmental impact, social considerations, governance, remuneration and transparency. This is coupled with the ongoing reporting commitments required for a listed organisation of Centuria's size and complexity.

Turning to performance for FY21, we have almost doubled the AUM across our platform whilst delivering sustainable recurring revenue streams that represent 92% of total revenues.

Centuria Capital Group increased its Assets Under Management from \$8.8billion to \$17.4billion through FY21. This was achieved through a combination of M&A activity and organic real estate initiatives. In particular, on the merger front, it behoves me to welcome our new partners from Primewest and its founders, David Schwartz, John Bond and Jim Litis. An unusually coherent meeting of like minds have allowed two prospering businesses to become one even better.

Pleasingly, we updated the market on 13 October 2021, noting a strong start to FY22 and AUM expansion to \$18.1billion. John and Jason will elaborate further on our corporate and funds management activities and performance shortly but, it is fair to say that, Centuria is now a leading Australasian real estate funds manager. If any validation of that was necessary, I am pleased to report that Centuria was admitted to the ASX 200 on 16 July, 2021.

Long-term performance remains a core test for defining Centuria's success. This extends to delivering superior returns to our securityholders. The Group's performance remains strong on an absolute basis, providing total securityholder returns of 61.8% for FY21 and a three-year TSR of 130.1%. These returns reflect meaningful outperformance against the S&P/ASX200 Index, S&P/ASX200 A-REIT Index benchmarks and the majority of Centuria's peer set.

The year was signposted with a number of key platform additions. As mentioned, we successfully merged with the Perth based Primewest, delisting the entity and integrating the business into the Centuria fold. Primewest broadens Centuria's diversification, with a portfolio weighting towards west coast Australia, whilst expanding into diverse asset classes including the resiliently performing Large Format Retail & Daily Needs Retail as well as agriculture.

We also welcome Giles Borten, Nick Goh and the team who have joined us through our 50% investment in the rebranded Centuria Bass Capital, giving our investors the opportunity to take advantage of, and participate in, the growth of bank alternate real estate debt fund opportunities.

Our footprint across New Zealand also expanded following the full integration of Augusta Capital, now known as Centuria New Zealand. Kiwi operation grew 35% to \$2.3billion during FY21 under the leadership of Mark Francis and Bryce Barnett.

In one of our newer asset classes, Centuria Healthcare's AUM grew 50% during FY21 to \$1.1billion. Investor demand for healthcare assets grew noticeably during the pandemic, although I am reluctant to draw a correlation between the two. Perhaps more relevant is the compression of yields elsewhere and the need to build these alternate asset classes to present us with more growth opportunity.

Centuria's listed real estate division continued to benefit from Centuria Office REIT and Centuria Industrial REIT being positioned as the largest ASX-listed office and industrial REITs. Our office assets across listed and unlisted funds have been resilient, underpinned by strong tenant covenants, particularly those backed by Government and blue-chip national and international tenancies. Industrial portfolio – including listed and now unlisted funds - continues to benefit from strong tailwinds across the sector and a healthy weighting towards the east coast.

Throughout the year, we have made a conscious effort to highlight our existing and new Environmental, Social and Governance initiatives. This is not lip service- it is a commitment to leave this place in a sustainable and better state for future generations. An early step on this path was the publication of our first Sustainability Report, which I encourage you to read at your leisure, and the announcement of our Sustainability Framework, which John will elaborate on further.

The establishment of our Culture and ESG Board Committee complements the existing ESG management committee. This Committee is chaired by the CNI Independent Non-Executive Director, Susan Wheeldon.

This year we also announced our support of the Taskforce on Climate-Related Financial Disclosure recommendations and delivered Centuria's Modern Slavery Statement. We remain committed to driving diversity throughout the Group. We are committed to delivering sustainable developments and looking for opportunities to enhance asset outcomes under our operational control that feature high Greenstar and NABERS ratings. We take this seriously.

We continually re-examine and work to further diversify our Board and Responsible Entity Boards and we welcome Kristie Brown to the Centuria Capital Group Board, Nicole Green to the Centuria Property Funds Limited's Board and Jennifer Cook to Centuria Property Funds No.2 Limited's Board. These responsible entity Boards are now led by independent chairs, Matthew Hardy and Roger Dobson, respectively. Natalie Collins, a current CPF2L board member has also joined the Centuria Healthcare Asset Management Limited Board and the Culture and ESG Committee.

I also wish to acknowledge the important oversight and contributions made by Centuria's Conflicts Committee, which is externally and independently chaired by Professor Simon Rice AO.

Last, but not least, after eight years with Centuria, Nicholas Collishaw stepped down as a director of Centuria Capital Group and its Responsible Entities. Nick remains a welcome friend of Centuria and I thank him for his wise counsel and contribution over the years.

Before I pass over to our Joint CEOs, let me take a moment to talk about having joint CEO's: a topic I have canvassed with many of our investors. It may not be the right structure for some companies, but I want to assure all our stakeholders that, at this moment in time, it is the right one for Centuria. Rarely have I seen two people complement each other as well as John and Jason. They run the leanest of senior executive teams whilst seamlessly building a company of opportunity, success and culture.

Your senior management team continues to pull the right levers to ensure we hit and exceed our targets.

On a personal note, let me thank my fellow board members for their ongoing commitment and support.

Finally, as I have said previously, to our Securityholders, we serve at your pleasure and we never take for granted your ongoing support. We remain committed to delivering results, protecting and growing your investments and ensuring it is done in a sustainable and ethical way.

I now invite John McBain and Jason Huljich to deliver the Joint CEOs' Address.

JOINT CEO'S ADDRESS: JOHN MCBAIN

Thank you, Mr Chairman, and good morning everyone.

On behalf of my fellow and Joint CEO, Jason Huljich, we welcome you to Centuria's 2021 Annual General Meeting. We, too, acknowledge the traditional Australian and New Zealand landowners, past, present and emerging in each of the countries we operate in.

This morning, it is my pleasure to address Centuria's corporate initiatives, financial performance, and our progress towards our social objectives since our last AGM, these being my areas of prime focus. I will also comment on the domestic market outlook and corporate strategy. Jason will address Centuria's funds management and real estate activities where his teams have performed exceptionally during FY21.

Since our last meeting, we have experienced a period of oscillating lockdowns and restrictions, which began with the effects of the pandemic unwinding prior to Christmas last year, only for restrictions to be reintroduced. Now, as the vaccinations rates increase, we are optimistic for FY22 but we understand this will be on a State by State basis.

While the 2020 financial year represented a steep learning curve for remote working and virtual meetings, during the 2021 financial year, despite a second wave of lockdowns, Centuria proved its resilience by continuously growing our platform, delivering beyond guidance, strengthening the balance sheet and outperforming for our securityholders.

With offices now in Sydney, Melbourne, Brisbane, Perth, Manila, Auckland, New Plymouth and Christchurch, Centuria has delivered business continuity and ensured the company continues to grow and serve its stakeholders – from tenants to investors to business partners.

Financial Results

Our resilience throughout the year is best illustrated with our strong FY21 Financial Results, which are summarised as follows:

- Group assets under Management increased 98% to \$17.4 billion
- Total operating revenues rose to \$212.7million (+40% from FY20)
- Operating Profit After Tax rose to \$70.2 million (+32% from FY20).
- Maintained strong balance sheet at year end with \$250 million cash on hand with an operating gearing ratio of 3.9%.
- Balance sheet flexibility increased with a new \$198.7 million listed notes issuance, which extended debt duration to four years
- Net asset value increased to \$1.92 per security (up from \$1.44 in FY20).
- Operating profit attributable to property funds management was \$45.9 million, up 40% on prior corresponding period
- Operating recurring revenue increased to 92% of total revenues (FY20: 86%).
- A 12-month Total Shareholder Return of 62%, outperforming the S&P ASX200 A-REIT Index returns of 33.2%.
- Since 30 June 2017, Centuria has delivered a Compound Annual Growth Rate in assets under management of 46%.

It is also my pleasure to report Centuria delivered:

- Operating earnings per security of 12 cents, a 9.1% increase on our original FY21 guidance midpoint of 11.0 cents, and
- Distribution per security of 10.0 cents, a 17.6% increase over original FY21 guidance of 8.5cps
- A Total Shareholder Return of 130% for the three-year period ended June 2021

Centuria's growth during the year was also recognised with Group's inclusion in the

- S&P/ASX200 Index in July 2021,
- GICS re-classification to Diversified Real Estate in September 2020, and
- MSCI small cap index inclusion in November 2020.

At the close of FY19 Centuria Capital had a market capitalisation of less than \$750 million and was outside the S&P ASX 300 index. As of this week, our market capitalisation is approximately \$2.6 billion, and we are included in the S&P ASX 200 index at around 150th by market capitalisation.

This has been a remarkable journey and I would ask securityholders to reflect that Centuria's growth, both in terms of size as a fund manager and our level of shareholder returns are not a 12-month phenomenon. Centuria is one of a small number of listed discrete external real estate fund managers within the ASX 200, which has performed well over one, three and five years, exceeding the relevant ASX indices. Some of these relative returns were set out in our financial report for the benefit of securityholders.

Within this group, Centuria has performed at or near the top within our peers in a highly competitive market and we are strong believers that the balance-sheet-light funds management model will continue to provide attractive, recurring relative returns.

Maintaining this strong growth in a competitive market means that a number of essential elements must be in place.

Strong leadership and a stable best-in-class senior executive team

- A stable, effective and respectful working relationship between the multitude of boards and committees that govern the Centuria platform and the management team
- Clear and effective strategies to grow both by organic asset acquisition into funds and, where sensible, by merger or acquisition.
- A commitment by directors and staff to work whatever hours are necessary to maintain our growth and fulfill our financial and social obligations.

Centuria must attract and retain a diverse range of high-quality staff in a new marketplace where an increasing number of our competitors represent private equity or are unlisted entities, which are not compelled to operate under the same strictures as listed entities. Acknowledging that securityholders may hold differing views regarding how we go about retaining talent we will increase our efforts to engage constructively with securityholders irrespective of their views regarding this issue.

Integration of new platforms

The past year has been a defining period in Centuria's history, not just because of the strong acquisition performance of the real estate team throughout the global pandemic but due to the integration of highly successful platforms into the company's fold. These are complementary businesses that expand Centuria's reach from west coast Australia to New Zealand, bolstering our footprint across commercial real estate markets and expanding our investor networks.

In July, the West Australian based Primewest group merged its \$5.6billion platform with Centuria and we have further grown its market presence across the Daily Needs Retail, Large Format Retail and Agriculture sectors which complement Centuria's pre-existing verticals across industrial, healthcare and decentralised offices. As a group, this has further diversified Centuria by asset class, fund type, geography, tenant range and investor profiles. By way of example the Primewest platform brought with it two very substantial institutional investors with mandates in place totalling \$2.3 billion.

During the year, we also completed the full integration of our New Zealand business. Significantly, with enhanced balance sheet backing Centuria NZ secured Visy's Glass Manufacturing facility in Auckland for NZ\$178 million, which cemented it as the largest New Zealand single-asset retail fund to date, successfully raising NZ\$110million from retail investors.

Centuria further diversified its investment product suite with a 50% investment in Bass Capital, now known as Centuria Bass Credit. The business provides unlisted real estate debt fund opportunities to high-net-worth investors while capturing the growing demand for non-bank financial products.

Centuria Healthcare continues to grow from strength to strength since Centuria secured a controlling interest in the business in 2019. There continues to be strong demand for bespoke, fit-for-purpose healthcare property that caters to cost-efficient models of care and we continue to drive the business forward, establishing and building vital relationships across the healthcare sector.

The common denominator in all these mergers and acquisitions is "people". With all these companies we have been able to attract high functioning, entrepreneurial business leaders to the Centuria Group who continue to operate their businesses within an enhanced structure, improved systems and with greater balance sheet backing. All these business leaders previously mentioned by our Chairman are highly talented and are in the main significant Centuria securityholders, thereby being completely aligned with our investor base.

Within the past year Centuria has made a concerted effort to highlight our sustainability commitments and report on our Environmental, Social and Governance or ESG initiatives. Last month we released our first Sustainability Report, which reflects our growth across ESG issues and identifies pertinent topics the Group will focus on to create value for our tenants, investors, employees, suppliers and the communities in which we operate.

Our sustainability framework focuses on three key areas:

- Engagement with our stakeholders: the society we operate in and how we promote diversity and inclusion in our workplace
- Being Conscious of Climate Change: through exploring opportunities to reduce greenhouse emissions, improvements to energy efficiency and as a business understanding and becoming more resilient to the impact of climate change to our operations.
- Responsible Business Principles: being our commitment to honest, transparent, and responsible business practices

Earlier this year we delivered our first Modern Slavery Statement and we have continued to identify risks and mitigation strategies to eradicate modern slavery practices. Shortly, we will be delivering an update on these practises and strategies.

I would like to comment briefly on the market outlook for Australia. Our views for the FY22 period reflect relatively buoyant domestic conditions within Australia as the Eastern states move out of lockdown and pent-up household savings begin to filter through the economy as people regain confidence and increase spending on a wide range of consumables, assets and services. Renewed confidence will also assist in investment decision-making which we believe is a positive for the Centuria range of investment products.

We acknowledge that markets are anticipating increases to medium- and long-term interest rates globally and to some extent this is already factored into the rate curve within Australia. Our setting is that this will take some time to play out and we expect only moderate interest rate growth during the course of FY22 barring other unforeseen global shocks. Accordingly, we expect domestic term deposit rates to remain relatively low throughout FY22, another fact we view as positive for Centuria.

We have moved confidently into FY22 with:

- Operating earnings per security guidance of 13.2 cps, a 10% increase over FY21, and...
- Distribution guidance of 11 cps, a 10% increase over FY21

Before I pass over to Jason, I would like to acknowledge the backbone of our business – our strong 300+ team members. Despite the pandemic, this has been the largest growth period in our company's history. To all the Centuria staff, allow me to thank you for your dedication to the securityholders' interests and I would like to particularly acknowledge Jason Huljich for his dedication and support as Joint CEO.

Jason, and the real estate and funds management team he runs, enjoyed spectacular results during FY21 and it was the combination of this organic growth together with the corporate acquisitions during the period which demonstrate that, whilst the contribution of each Joint CEO differs in nature, the cumulative effect is that of a superior outcome for securityholders.

As always, I can't thank the Chairmen of our boards, the independent directors of all boards and committee members too much for their dedication, hard work in considering the sheer volume of matters they handle each year. As the platform grows the volume of meetings has expanded and I want to acknowledge their essential contribution at this meeting. Jason and I would also like to thank Nick Collishaw for his eight year contribution to Centuria and in addition welcome Kristie Brown to the Centuria Capital Board.

Finally, my thanks to both new and long-standing Centuria securityholders for your confidence in our abilities and interest in our activities.

It is now my pleasure to hand over to Jason Huljich.

JOINT CEO'S ADDRESS: JASON HULJICH

Thank you, John.

Let me begin by highlighting the recent significant growth across our real estate platform. As John and our Chairman mentioned, our real estate funds doubled to \$16.5 billion of AUM in FY21. However, the real estate platform has grown further, to over \$17.2 billion since our last market update in October.

The platform is skewed approximately one third to listed and two thirds unlisted real estate. It is well diversified by geography across Australasia, six separate asset classes, several capital sources including retail, high net worth and institutional, and multiple fund structures.

Transactions & Asset Management

Along with the corporate expansion John discussed, Centuria has transacted more than 50 assets worth \$2.5 billion, in FY21. Importantly, 75% of these acquisitions were secured off-market, which illustrates Centuria's strong transactional capabilities and industry relationships.

Landmark acquisitions during the year included:

- The \$417 million Telstra Data Centre in Clayton, Victoria,
- the NZ\$178 million Visy Glass Manufacturing facility in Auckland, NZ
- a \$224 million A-Grade office building located in Footscray, Melbourne
- and over \$400 million in healthcare asset acquisitions

The real estate platform also benefitted from a \$1.5 billion valuation increase across the portfolio, with supportive fundamentals across many of the asset classes and markets we are exposed to throughout Australasia.

During FY21, the Group's real estate portfolio increased to over 340 individual assets and 2,280 tenants. Impressively, we achieved a 98.8% average rent collection through the pandemic-affected trading period, which is partly credited to Centuria's significant in-house property management capabilities. This also extends to leasing more than 437,000 sqm across 215 leasing transactions during the period.

REITs

Now on to our REITs, where our listed platform grew 37% to \$5.5 billion.

Centuria Industrial REIT broadened its portfolio to 62 high quality assets, \$2.9 billion of AUM and a portfolio underpinned by a WALE of 9.6 years and occupancy of 97%. CIP continues as Australia's largest ASX listed pure-play industrial REIT and has broadened its market relevance, with inclusion in the S&P/ASX200 Index and FTSE EPRA Nareit Global Developed Index.

CIP benefits from strong market tailwinds, resulting from a shift to manufacturing onshoring and expansion of ecommerce throughout Australia. It is focused on securing urban, infill industrial assets within core, supply-constrained markets, that benefit from high demand from last-mile operators. CIP also continues to provide its unitholders with value-add investments ranging from leasing uplift opportunities, through to asset repositioning and select developments.

Centuria Office REIT illustrated its resilience throughout the period with a portfolio of 22 high quality assets, \$2.1 billion of AUM, occupancy of 93% and a WALE of 4.3 years. More than 90% of the portfolio comprises A-Grade office assets, demonstrating the high-level of underlying quality. COF is Australia's largest listed pure play office REIT and continues to grow its market relevance, through inclusion in the S&P/ASX300 Index and FTSE EPRA Nareit Global Developed Index.

Uniquely, COF's metropolitan and near city assets, provides its portfolio with exposure to Australia's better performing office markets that lend themselves to good workforce commutability and attractive, affordable rents.

These markets attract quality tenants, which underpin sustainable income returns and lower volatility. Despite the pandemic's impacts, COF generated record leasing activity across more than 52,000 sqm throughout FY21.

The diversified NZX-listed Asset Plus performed well throughout FY21, providing a NZ\$16 million profit. The REIT comprises a \$300 million portfolio, including the \$130 million development project at Munroe Lane, Albany, which is 63% pre-let to the Auckland Council on a 15-year lease. The portfolio also contains another office redevelopment opportunity at 35 Graham Street, Auckland.

Unlisted Funds

Our unlisted platform increased 175% to \$11 billion during FY21. This platform has increased its size, number of asset classes and fund types that service our unlisted distribution network of more than 12,000 institutional, wholesale, direct retail and advisory investors. Our unlisted funds remain an important component of our overall business, with very attractive fee cards.

Healthcare

As Garry and John mentioned, Centuria Healthcare continues to grow. During the period, AUM increased to \$1.1 billion. It's open-ended, unlisted fund – Centuria Healthcare Property Fund – was launched during the year and quickly grew to \$190 million across nine quality healthcare assets.

Part of Centuria's healthcare strategy revolves around partnering with high-quality operators to deliver real estate projects that expand their platforms across the country. Our healthcare development pipeline consists of over \$700 million of committed and future development projects for short-stay hospitals, medical centres and speciality facilities. A notable example is the Kew private hospital development in Melbourne, which will be operated by a doctor-led joint venture with Medibank, providing a no-gap treatment for eligible patients.

Retail

Centuria has significantly expanded its daily needs and large format retail portfolios, since merging with Primewest earlier this year. We now manage more than \$2.6 billion worth of retail assets for investors ranging from institutional mandates to unlisted wholesale funds. Most recently, the Group secured the \$71 million Northgate Shopping Centre, in Geraldton, Western Australia for a single asset wholesale fund.

Agriculture

Our merger with Primewest presented an opportunity to enter the agriculture sector. This emerging sector provides exciting opportunities to unlock quality real estate underpinned by reputable operators and secure lease covenants. With a strong pipeline of opportunities, this vertical can provide compelling investment opportunities to a range of investors across Centuria's distribution network.

Development

Centuria continues to deliver on its \$1.9 billion development pipeline across Australia and New Zealand. During the period, the Group completed more than \$127 million worth of projects and has over \$1 billion in committed projects and approximately \$750 million in future pipeline developments.

Development fees and profits will provide a growing income stream for the Group. We will continue to work through our pipeline, identifying opportunities to develop product for our underlying funds and to selectively generate development profits with the support of CNI's balance sheet.

Institutional Mandates

We have a continued focus on institutional mandates. The Group continues to service a \$930 million daily needs institutional retail mandate, a \$590 million office mandate and a \$500 million healthcare mandate. Additionally, Primewest also established a \$272 million joint venture with Blackrock for the purchase of a Prime-Grade office tower at 140 St George's Terrace, Perth.

A strong start to FY22

Momentum across the real estate platform has continued in to FY22. Some notable highlights include:

- Real estate AUM has grown to more than \$17.2 billion across \$6.1 billion of listed and \$11.1 billion of unlisted real estate
- COF purchased \$273 million of decentralised office assets across Sydney and Melbourne, growing AUM to \$2.3 billion
- Over \$700 million of urban, infill industrial assets within supply-constrained markets was secured by CIP, growing its AUM to \$3.6 billion
- \$167 million of healthcare transaction initiatives were secured across seven healthcare properties.
- A strong contribution from single asset funds including settlement of \$224 million Centuria Govt. Income Fund No.1 and launch of the \$63 million Centuria Govt. Income Fund No.2
- We launched the \$71 million Northgate Geraldton Trust and first close of Agri Trust 2, a multi-asset fund seeded by the \$54 million Moora Almond Orchard

And finally, FY22 year to date real estate acquisitions total \$1.6 billion, including \$700 million that had exchanged at FY21 results and since settled, and \$900 million of acquisitions undertaken since FY21 results were announced in August

Outlook

The outlook for commercial real estate investment remains strong. We are seeing continued record demand for industrial and healthcare assets. We are also seeing strong transactional evidence in the commercial office markets, as sentiment improves dramatically in this sector.

Both neighbourhood and large format retail sub sectors, have proved extremely resilient through the COVID-affected period and, due to this, both onshore and offshore demand from investors is robust.

In terms of new opportunities, we are excited to enter the agriculture sector as well as expand our credit platform through Centuria Bass.

In Conclusion

Centuria is focused on delivering income and capital growth from carefully selected, high-growth asset sectors, to a broad range of investor profiles.

We leverage our geographic diversity, our in-depth market knowledge in favoured sectors and our access to capital, to grow assets under management, with a strong focus on earnings growth.

I would like to take this opportunity to thank our Chairman, Garry; my fellow Joint CEO, John; Directors of the Group and our Responsible Entity Boards. Your diligence, support and leadership are exemplary.

Finally, thank you to our steadfast securityholders. Your loyalty and support is paramount to us all at Centuria.

-ENDS-