ASX Release

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Charter Hall Long WALE REIT 1H FY22 Results

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Charter Hall Long WALE REIT (ASX:CLW) (the REIT) today announces its half year results for the period ending 31 December 2021 (1H FY22). Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of $97.8 million, or 15.31cps, up 5.6% on the prior corresponding period (pcp)
- Statutory profit of $589.6 million
- Distributions of 15.24cps, up 5.1% on pcp
- NTA of $5.89, up 12.8% from $5.22 at 30 June 2021
- $523 million net property valuation uplift[1], representing 8.3% uplift for 1H FY22
- Balance sheet gearing of 30.8% and look through gearing of 38.1%[2]

Operating highlights:

- Completed the acquisition of ALE Property Group in partnership with Hostplus
- $88 million of Industrial and Logistics property acquisitions
- Portfolio weighted average lease expiry (WALE) of 12.2 years, providing long-term income security
- $7 billion property portfolio, up from $5.6 billion as at 30 June 2021
- 52% triple net leases (NNN) across the portfolio, where the tenants are responsible for all outgoings, maintenance and capital expenditure
- 46% of leases inflation-linked, with a 3.3% weighted average increase in 1H FY22[3]
- 54% of leases fixed with an average fixed increase of 3.1%
- Portfolio cap rate firmed 39 bps from 4.77% at 30 June 2021 to 4.38%.

Avi Anger, Charter Hall Long WALE REIT Fund Manager commented: “During 1H FY22 we successfully completed the acquisition of the ALE Property Group in partnership with Hostplus. This has seen us further improve the quality and diversity of CLW’s real estate portfolio and the resilience of CLW’s income through increasing our exposure to Australia’s leading hospitality operator, Endeavour Group.

[1] Gross valuation uplift less capital expenditure and amortised incentives during the period. Relates to properties which were subject to an independent valuation during the period (all properties other than the Agri-logistics portfolio and the Bunnings Caboolture forward funded development).
[2] As at 31 December 2021, adjusted to include the on-completion valuation of the Bunnings Caboolture forward funded development announced to ASX on 9 December 2020, distribution reinvestment proceeds with respect to the December 2021 quarter and the repayment of an A$MTN within the LEP portfolio that occurred post balance date. Unadjusted balance sheet and look through gearing as at 31 December 2021 was 29.2% and 38.2% respectively.
[3] All of CLW’s CPI linked reviews occurred during 1H FY22, reflecting the June 2021 CPI of 3.8% and September 2021 CPI of 3.0%

In addition, we further increased our exposure to the Industrial and Logistics sector with three high quality acquisitions, two of which were secured off-market. These acquisitions were a direct result of the depth of expertise and ability of the Charter Hall management platform which the REIT benefits from.

"CLW has continued to grow, diversify and improve the quality of the portfolio with a view to providing reliable and growing returns to securityholders. The resilience and strength of the CLW portfolio has been demonstrated in the last two COVID-19 affected years with minimal rent relief required and NTA up 30% to $5.89 from 31 December 2019 levels. CLW continues to offer investors a compelling investment proposition. The long leases in our portfolio have annual increases that are either fixed or inflation linked. 52% of properties in the portfolio are NNN and, based on yesterday's closing price of $4.86, CLW offers a distribution yield of 6.3%."

Portfolio update

During 1H FY22, CLW completed $923 million of new property acquisitions which contributed to enhancing portfolio quality, sector diversification and strengthening the quality and diversification of tenants. These transactions included:

- $814 million[4] of Long WALE Retail acquisitions comprised of a 50% interest in the ALE Property Group, acquired in partnership with Hostplus. The ALE Property Portfolio consists of 78 high quality pub properties, including 74 bottle stores in 99% metropolitan locations and 94% located on Australia's East Coast. The properties are all NNN leases, significantly under-rented and leased to the ASX-listed Endeavour Group, Australia's largest pub operator and liquor retailer.

- $88 million of Industrial and Logistics acquisitions, comprised of an industrial facility constructed in 2018 and located in Sydney's core industrial precinct of Wetherill Park, leased to Cleanaway and ResourceCo; a distribution centre completed in 2005 and located in Brendale, Brisbane leased to Modern Star; and a distribution centre completed in 2011 and located in Larapinta, Brisbane leased to Toyota Material Handling.

Overall, the total property portfolio has increased by approximately $1.42 billion to $6.98 billion for the period, driven by $923 million of acquisitions and $532 million in property revaluation uplift.

At the end of the period, the REIT's diversified portfolio is 99.9% occupied and comprised 549 properties with a long WALE of 12.2 years. The portfolio weighted average capitalisation rate firmed 39 bps during the period to 4.38% as at 31 December 2021.

Strengthening the REIT's capital position

During 1H FY22, CLW completed $1.5 billion of debt capital management initiatives, including:

- $750 million of bank debt refinanced with an average term extension of 1.5 years
- $355 million of new facilities established with an average term of 6.1 years
- $350 million of increased capacity within existing facilities
- Moody's Baa1 investment grade issuer rating maintained

Following these capital management initiatives, CLW has a weighted average debt maturity of 5.5 years and a weighted average hedge maturity of 3.6 years as at 31 December 2021. Pro-forma balance sheet gearing of 30.8% remains in the middle of the target 25–35% range and look-through gearing is 38.1%[5].

[4] Reflects CLW's implied portfolio purchase price for a 50% interest in ALE Property Group.
[5] As at 31 December 2021, adjusted to include the on-completion valuation of the Bunnings Caboolture forward funded development announced to ASX on 9 December 2020, distribution reinvestment proceeds with respect to the December 2021 quarter and the repayment of an A$MTN within the LEP portfolio that occurred post balance date. Unadjusted balance sheet and look through gearing as at 31 December 2021 was 29.2% and 38.2% respectively.

FY22 Guidance

The REIT reconfirms that based on information currently available and barring any unforeseen events, CLW provides FY22 Operating EPS guidance of no less than 30.5 cents, reflecting growth of no less than 4.5% over FY21 Operating EPS of 29.2 cents.

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 30 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 curated a diverse $61.3 billion portfolio of 1,506 high quality, long leased properties. With partnership at the heart of our approach, we're creating places that help grow communities; turning them into the best they can be and unlocking hidden value. Taking a long-term view, our $9 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

Charter Hall has also extended its Fund Management capability into another asset class with the 50% acquisition of the $18.2 billion listed equities Fund Manager Paradice Investment Management (PIM), which invests on behalf of wholesale and retail investors across domestic and global listed equities.

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.

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