

ASX Release

Charter Hall Long WALE REIT FY22 Results

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Responsible Entity of Charter Hall
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Charter Hall Long WALE REIT (ASX:CLW) (the REIT) today announces its full year results for the period ending 30 June 2022 (FY22). Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of \$207.2 million, or 30.5cpu, up 4.5% on the prior corresponding period (pcp)
- Statutory profit of \$911.9 million
- Distributions of 30.5cpu, up 4.5% on pcp
- NTA of \$6.17, up 18.2% from \$5.22 at 30 June 2021
- \$670 million net valuation uplift¹, representing 10.4% uplift for FY22
- \$7.1 billion property portfolio, up from \$5.6 billion as at 30 June 2021
- Balance sheet gearing of 29.9%, within the target range of 25% - 35%

Operating highlights:

- Portfolio weighted average lease expiry (WALE) of 12 years², providing long term income security
- Completed the acquisition of ALE Property Group in partnership with Hostplus
- \$88 million of Industrial and Logistics property acquisitions
- Long-term lease extension secured with Metcash at Canning Vale Distribution Centre in Perth
- 52% triple net leases (NNN) across the portfolio where the tenants are responsible for all outgoing, maintenance and capital expenditure
- 49% of leases CPI-linked, up from 40% at FY21, with a 6.3% weighted average forecast in FY23³
- 51% of leases fixed with an average fixed increase of 3.1%
- Portfolio cap rate firmed 42 bps from 4.77% at 30 June 2021 to 4.35% as at 30 June 2022.

¹ Gross valuation uplift less capital expenditure and amortised incentives during the period

² WALE is pro-forma adjusted for the Metcash lease extension which was executed post 30 June 2022

³ Assumes weighted average FY23 CPI reviews for the REIT's CPI linked leases of 6.3%. This assumes June CPI of 6.1%, September CPI of 6.3% and December CPI of 7.0%. The majority of the REIT's CPI-linked leases are linked to September indices

Avi Anger, Charter Hall Long WALE REIT Fund Manager commented: “FY22 has seen CLW continue to grow in a measured way, enhancing portfolio quality and improving asset and tenant diversification. During the year we successfully completed the acquisition of the ALE Property Group in partnership with Hostplus. We also completed three high-quality Industrial & Logistics acquisitions, two of which were secured off-market. From a tenant perspective, we have continued our successful partnership with Metcash, securing a 10-year lease extension at our Canning Vale Distribution Centre in Perth, with an agreement to expand this facility to meet Metcash’s long term operating requirements. Through active management and portfolio curation, the CLW portfolio has grown from \$5.6 billion to \$7.1 billion and the portfolio quality has been recognised in net tangible assets growing 18.2% over the year. Looking forward, 49% of CLW’s leases are inflation-linked, providing a significant opportunity for strong rental growth in the year ahead.”

Portfolio update

During FY22, CLW completed \$871 million of net property acquisitions which contributed to enhancing portfolio quality, sector diversification and strengthening the quality and diversification of tenants. These transactions included:

- **Acquisitions:**

- \$814 million⁴ 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.

- **Divestments:**

- Following a successful leasing campaign and in response to an unsolicited offer, CLW divested 56 Edmondstone Road, Bowen Hills QLD for \$70.9 million.

- **Leasing:**

CLW is pleased to announce that it has secured a long-term lease extension with Metcash at Canning Vale in Perth, taking the lease expiry from January 2024 to October 2033. The lease extension continues on the existing terms with annual CPI increases. As part of the lease extension, CLW has also agreed to undertake an expansion of the existing cold storage facilities on the site. Metcash also retains an option to further expand its existing ambient storage facilities at this site. In addition, CLW has committed to install a 1.6MWh solar PV system to improve the environmental credentials of this property and to assist Metcash in meeting its environment and climate targets.

Following this lease extension, CLW has no major leases expiries in the portfolio until FY26.

- **Valuations:**

Overall, the total property portfolio has increased by approximately \$1.57 billion to \$7.1 billion for the period, driven by \$871 million of net acquisitions, \$670 million in net property revaluation uplift and \$25 million of capitalised costs.

⁴ Reflects CLW’s implied portfolio purchase price for a 50% interest in ALE Property Group.

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 years. The portfolio weighted average capitalisation rate is 4.35% as at 30 June 2022.

Capital position

During FY22, CLW completed \$1.7 billion of debt capital management initiatives, including:

- \$1.0 billion 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
- \$357 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 5.2 years with staggered maturities over a nine-year period. Post balance date, CLW has entered into \$650 million of new interest rate swaps, increasing the REIT's hedged debt from 53% to 77%. CLW has a weighted average hedge maturity of 2.9 years. Pro-forma balance sheet gearing of 29.9% is within the target 25 – 35% range and look-through gearing is 37.1%.

FY23 Guidance⁵

Based on information currently available and barring any unforeseen events, CLW provides FY23 Operating EPS guidance of 28.0 cents and distribution per security guidance of 28.0 cents. Based upon yesterday's closing price, this represents a 6.4% distribution yield⁶.

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 property portfolio of 1,516 high quality 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 \$13.2 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 Paradise 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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⁵ Guidance includes a floating interest rate based on an average FY23 BBSW rate of 2.7%, comprised of Q1 BBSW of 1.9% and Q2 – Q4 BBSW of 2.9%.

⁶ Based on CLW FY23 DPS of 28.0c divided by the CLW security price of \$4.36 as at 8 August 2022