ASX Release

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Charter Hall Group
2022 Annual General Meeting Addresses

16 November 2022

Chair's Address

It's my pleasure to address this meeting today.

Financial Year 2022 was another year with a challenging backdrop of natural and geo-political challenges and uncertainties.

Against this backdrop, not only did we successfully manage these challenges, but taking a measured and prudent approach, we took the opportunity to grow.

Charter Hall ended the year with $79.9 billion in funds under management (FUM), holding the largest sector-diversified commercial property portfolio in Australia.

The result was the culmination of a talented cohesive leadership team and hard work over many years to diversify the Group across asset classes, customer type and equity sources.

The operating earnings post-tax of $542.8 million or 115.6 cents per security was up 89.5% compared to the previous corresponding period.

Over a 5-year period, we have averaged 26.4% annual growth in post-tax earnings while we continue to deliver sector-leading annual distribution growth of 6%.

The Group's FY22 post-tax earnings return on contributed equity was 31.4%, a leading return within the A-REIT sector and the ASX100.

Partnership continues to sit at the heart of Charter Hall's approach to business.

We see our customers as investors and tenants, many of whom are also ownership partners or potential vendors of sale and leaseback assets.

I am proud of our partnership with our customers and communities, and the resilience and drive that our people have demonstrated to deliver an outstanding set of results once again.

We know that to achieve ongoing outperformance we need to both build on the strength of our customer relationships as well as harness the talent within our business for mutual gain.

We maintain a clear focus on serving our customers' needs, evolving our cross-sector tenant and investor relationships and investing alongside our partners.

It is this focus that is responsible for our on-going outperformance.

Along with a focus on serving our customers, we know that ESG continues to be a key thematic for investors assessing their portfolios.

Sustainability is central to how we conduct our business.

Charter Hall remains focused on ESG as a strategic differentiator. Delivering environmental and social value in partnership with our tenant and investor customers will support long-term, sustainable growth and returns.

Our transition away from fossil fuel energy sources is well underway.

We are investing to future-proof our workplace developments through energy efficiency measures, including a shift toward all electric buildings powered by renewables, in line with our market transition strategies.

Charter Hall understands that buildings have, and will continue to have a critical role in driving low carbon outcomes, given residential and commercial buildings account for a quarter of Australia's emissions and almost half of the country's electricity use.

Throughout FY22, we've made demonstrable progress and achieved clear differentiation with our approach on ESG.

Importantly, post the June balance date, we have accelerated our commitment to Scope 1 and Scope 2 net zero carbon operations, bringing forward our target by five years, to 2025.

Key to achieving this target, is our FY22 Power Purchase Agreement (PPA) with global renewable energy provider, ENGIE, to supply 100 per cent of electricity from renewable solar and wind sources across the Group's property portfolios, over seven years.

This PPA will produce 151 Giga-Watts of competitively priced, renewable electricity each year, the equivalent of powering about 26,000 average homes, delivering long-term benefits and mutual success to our partners, customers and communities.

We also introduced sustainable finance structures early in 2021 that recognise the environmental performance of our assets. By the end of FY22, sustainable finance loans reached $2.5 billion.

Pleasingly, our environmental achievements have been internationally recognised, with Charter Hall ranking 8th in the 2022 Asia Pacific Climate Leaders list (Statista/Financial Times/Nikkei).

We believe these steps and the scale of our portfolio, position the Group well to continue making meaningful progress against our Scope 1 and Scope 2 Net Zero Carbon operations target for emissions and address climate related risks and opportunities.

Our focus on ESG also involves acknowledging and partnering with the communities in which we operate.

Charter Hall wants our communities, especially those disadvantaged or left vulnerable, to be successful.

We pursue this outcome by looking to improve access to learning, skills and job opportunities, strengthening our social impact through our supply chain partners and practices, and by opening up our assets to support activities that lead to economic uplift.

This commitment to social investment in communities is driven largely through our "Pledge 1%" commitment.

Through this philanthropic movement, this year we provided $578,000 financial support to combat the local impacts of COVID-19 and flooding, access to vaccinations in the Asia Pacific and emergency support for Ukrainian refugee families.

We also provide our space, volunteer our time and donated $1.27 million to social enterprises that are involved in our state-based community partnership program, focused on creating employment for vulnerable youths.

We are targeting 1,200 employment outcomes by 2030 as part of this program.

We also look to advance Indigenous reconciliation and inclusion through our operations.

The Group's Stage one: Reflect Reconciliation Action Plan was endorsed by Reconciliation Australia and we are actively working on building our relationships and capacity with First Nations businesses.

As we turn our view towards the future, the outlook remains uncertain for many advanced economies with high inflationary pressures and increased likelihood of interest rate rises continuing.

Concerns around cyber security have also become more prevalent. With cybersecurity attacks increasing in frequency and sophistication, we continue to invest in our cybersecurity program to protect both our corporate data and that of our investors.

As a Board, our focus remains on the twin goals of resilience and growth.

We continue to work through and prepare for challenges, but we must also look forward, setting out priorities that will deliver growth for securityholders into the future.

I am confident the decisions we are making to build the Group for the future, together with continued strong operational performance and mutually beneficial partnerships with our customers, will see us continue to grow and create value for our securityholders and capital partners.

On behalf of myself and the Board, I would like to thank our tenant customers, investors and securityholders for your ongoing support.

I extend gratitude to my fellow Directors and the Executive Committee for your dedication, and to all our people for their efforts, as together we continue to build a sustainable business we can be proud of.

It is now my pleasure to introduce the Managing Director and Group CEO, David Harrison, for his operational update.

Managing Director and Group CEO's Address

Thank you, David.

As David has highlighted, financial year 2022 (FY22) presented a range of challenges to economies around the world.

Charter Hall continued to deliver strong returns to securityholders in FY22 despite significant setbacks that impacted many parts of the Australian economy.

We harnessed our capacity to absorb surprises and maintain our customer centric strategy that has allowed a continuation of long-term growth and resilience.

FY22 saw the group deliver a record 115.6 cents per security of earnings, up 89.5% on FY21, whilst we retained a very strong balance sheet with no net debt providing "dry powder" for growth.

We continued to drive market leading transaction volumes and outperform respective benchmarks across most of our funds and partnerships.

At the same time, we maintained a razor-sharp focus on our customers, as evidenced by continued success in leasing and pre-leasing of developments, results from our customer surveys and a leading volume of sale and leaseback transactions with corporate customers.

Overall, Property FUM grew by $13.3 billion, or 25.5% in FY22 to $65.6 billion as we focused on deploying capital for our investors, generating FUM and earnings growth for securityholders.

I'm pleased to report today that the underlying momentum in our business has continued, with Property FUM as at the end of September of $72.1 billion and total FUM when including the PIM Partnership of $86.3 billion.

Captured in this increase in FUM is our $1.7 billion Chifley South premium office development in Sydney moving into our committed development pipeline.

This development is a great example of our ability to provide our investor customers access to new investment product and enabling them to deploy capital into unique opportunities.

This capability is a significant attraction for capital and driver of future growth for the group.

We are particularly focused on the bifurcation occurring in office and industrial markets, where we believe modern assets will command much higher occupancies and much lower vacancy rates than older stock.

Our development capability has been a key advantage in ensuring the average age of our office portfolio at 8.2 years and our industrial portfolio at 11.9 years, are amongst the youngest in the country.

With 98.1% occupancy and a weighted average lease expiry (WALE) of 8.3 years across our $72.1 billion property FUM platform, our portfolio will be resilient should the economy slow.

Our weighted average rent review at 3.7% across the platform is also in excess of consensus 10-yr forecasts for CPI, providing robust earnings growth to offset inflationary impacts.

We also see the quality of our tenant covenants as a key competitive advantage versus our peers and an example of our focus on building resilient portfolios.

We see our customers as investors and tenants, many of whom are also ownership partners or potential vendors of sale and lease back assets.

Our top 20 tenants make up 56% of platform net rental income.

These tenant customers include a high proportion within essential non-discretionary industries.

We have spent the last decade building our portfolios to focus on these resilient tenants and industries knowing that the economic cycle would not always be favourable.

In addition to a focus on non-discretionary industries, 70% of our tenants by net income are investment grade, providing resilient income streams for our investors and defensive positioning against any slowdown in the economy.

Further resilience comes from the fact that 22% of platform leases are triple-net.

21% of platform net income is from CPI-linked leases, providing our investors good protection in a higher inflationary environment.

The resilience of our major tenant customers and our concentration towards essential industries underpins the defensive nature of our portfolios and their on-going performance.

Strong equity flows saw us active in deploying equity into developments, acquisitions predominantly off-market or portfolios, while sale and leaseback transactions continue to be a feature of our growth.

We've been particularly active in off-market transactions that we generated directly, including the privatization of both the ALE Property Group and Irongate which, combined, created another $3.5 billion of assets under management.

Subsequent to the FY22 transaction activity, in August 22, the Group announced that its wholesale CPOF fund had acquired the freehold interest in Collins Place, Melbourne which includes 100,000m² of A-grade office space plus the Sofitel Hotel in the highly coveted Paris end of Melbourne's CBD.

In September 22, CPOF also acquired a premium office site in Barton to construct the new Canberra HQ for the Australian Tax Office extending our partnership with both Doma Group and the Commonwealth Government as a long-term tenant customer.

In addition, in October 22, three of Charter Hall's Funds jointly purchased the Geoscience's Australia property at Symonston, ACT. This unique life sciences campus further contributes to the resilience of our Funds and the quality of their tenant covenant.

Across the platform we've executed $5.7 billion of gross transactions with $3.9 billion of net acquisitions this financial year to date.

Our ability to execute upon these complex transactions for the benefit of our investors is a key capability of the Group and a continuation of the Group's history of being able to complete successful M&A activity.

Our repeat sale and leaseback customer transactions are also a healthy sign of delivering on our customer-centric objectives.

FY22 was also a strong year for equity flows across the platform.

Our strategy of accessing multiple sources of capital continued to deliver growth in all segments.

Our pooled funds continue to generate strong investor interest, with $700 million of new equity invested into our flagship office fund CPOF, in a market where there is some angst around the future of the workspace.

We are seeing very clear evidence of workspace ratios increasing and major tenant customers being prepared to commit for the long-term to CBD office projects, as evidenced by our success in pre-commitments for our office developments.

Our wholesale partnerships business was also very active in FY22 with two highlights being our partnership with Hostplus and CLW on the privatization of ALE Property Group and the completion of the Irongate transaction with our existing customer, PGGM.

Our direct businesses had an outstanding year with inflows of approximately $110 million per calendar month totalling about $1.3 billion for the FY22 year.

We continue to have the support of capital partners, given our successful track record of deploying capital into attractive acquisitions and development opportunities.

FY23 year to date, equity flows have favoured our pooled and partnership investors.

These larger investors are enjoying the greater opportunities afforded in transaction markets with reduced competition.

This is a trend we expect will continue.

With significant investment capacity within our funds and on the Group balance sheet, we look forward to the opportunity to secure attractive assets that will provide long-term returns for our investor customers and Charter Hall securityholders.

Turning to guidance, I'd like to reiterate that based on no material adverse change in market conditions, FY23 guidance is for post-tax operating earnings per security of no less than 90 cents per security.

FY23 distribution per security guidance is for the continued 6% growth over FY22 distributions per security.

In closing, I would like to thank our staff around Australia for their continued hard work and dedication towards achieving these excellent results.

On behalf of our senior executive management team, I thank you, our securityholders, for your continued trust and belief in us.

Announcement Authorised by the Board

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 $72.1 billion property portfolio of 1,619 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 $16.0 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

Charter Hall has also extended its Fund Management capability with a 50% investment in the 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 attractive returns for a better retirement, we're powered by the drive to go further.

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