

ASX Release

Charter Hall Long WALE REIT 1H FY23 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 2022 (1H FY23). Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of \$101.2 million, or 14.0 cents per share (cps)
- Distributions of 14.0cps
- NTA of \$6.23, up 1.0% from \$6.17 at 30 June 2022
- \$65 million net property valuation uplift, representing 0.9% uplift over prior book values¹
- Balance sheet gearing of 30.2%, within the target range of 25% - 35%

Operating highlights:

- Successful portfolio recycling with \$112 million divestment of two short WALE industrial assets (Woolworths, Hoppers Crossing, VIC and Toll, Altona North, VIC) at book values
- \$91 million social infrastructure investment in Geosciences Australia headquarters, Canberra, ACT on a 7.4% initial yield and 9.6 year WALE at acquisition
- \$14 million hospitality investment in two Endeavour Group leased pubs, the Emu Hotel, SA and Horse & Jockey, QLD on a blended 4.8% cap rate with 15 year, CPI-linked, triple net leases (NNN)
- Portfolio weighted average lease expiry (WALE) of 11.8 years, providing long term income security
- 53% NNN leases across the portfolio, where the tenants are responsible for all outgoings, maintenance and capital expenditure
- 50% of leases with inflation-linked annual reviews with a 7.2% weighted average increase in FY23²
- 50% of leases with annual fixed reviews with an average fixed increase of 3.1%
- Portfolio value increased 0.9% while cap rate softened 6 bps from 4.35% at 30 June 2022 to 4.41% as income growth offset cap rate expansion

¹ Reflects book value as at 30 June 2022, adjusted for all property acquisitions and divestments settled, capital expenditure and additions in the six month period to 31 December 2022

² Reflects the June CPI of 6.1%, September CPI of 7.3% and December CPI of 7.8%. The majority of the REIT's CPI-linked leases are linked to September indices.

Avi Anger, Charter Hall Long WALE REIT Fund Manager commented: “During 1H FY23, CLW has demonstrated the resilience of its portfolio. With 99.9% occupancy, 50% of income derived from CPI linked leases, 74% of drawn debt hedged, 53% of income from NNN leased assets and an 11.8 year WALE, CLW has been well placed to benefit from a higher inflationary environment and manage the impact of higher interest rates. CLW’s portfolio valuation increased as a result of the Metcash lease extension and our inflation-linked leases which drove rental growth and offset cap rate expansion across the portfolio. The quality of our properties and tenants and high proportion of NNN and CPI linked leases has resulted in CLW continuing to deliver for its investors.”

Portfolio update

Portfolio curation remains a key strength of the Charter Hall platform. During 1H FY23, CLW completed \$112 million of divestments and \$105 million of income enhancing property acquisitions which contributed to improving portfolio quality, sector diversification and lengthening the portfolio WALE.

- **Acquisitions:**

- \$90.9 million³ acquisition of Geosciences Australia headquarters, a life sciences complex comprising office, specialised laboratory, storage and warehousing for the Commonwealth Government’s technical adviser on all geoscience, geographical and geological matters. Geosciences was acquired in October 2022 on a 7.4% initial yield with a 9.6 year WALE at acquisition and 3% annual rent increases and a net lease structure where the tenant is responsible for all property outgoings.
- \$14 million⁴ acquisition of two Endeavour Group leased pubs; the Emu Hotel, SA and the Horse & Jockey, QLD. Acquired on a blended 4.8% cap rate, both pubs have new 15-year, NNN, CPI-linked leases and further extends CLW’s relationship with Endeavour Group.

- **Divestments:**

- \$74 million divestment of Woolworths Distribution Centre, Hoppers Crossing, VIC at the prevailing book value with a 4.50% cap rate and a 3 year lease term remaining.
- \$38.3 million divestment of Toll Distribution Facility, Altona North, VIC at the prevailing book value with a 4.75% cap rate and a 2.9 year lease term remaining.

1H FY23 property valuations resulted in a net valuation uplift of \$65 million over prior book values. The valuation uplift was predominantly driven by properties with uncapped CPI-linked annual rent reviews in the Long WALE Retail and Industrial & Logistics sectors.

At the end of the period, the REIT’s diversified portfolio is 99.9% occupied and comprised 550 properties with a long WALE of 11.8 years. The portfolio weighted average capitalisation rate is 4.41% as at 31 December 2022.

Capital position

During 1H FY23, CLW refinanced and extended the syndicated debt facility for the bp Australia portfolio by four years. CLW’s share of this facility is \$225 million.

CLW has a weighted average debt maturity of 5.0 years with staggered maturities over a nine year period from FY24 to FY32. With the exception of an \$85 million capital indexed bond maturing in FY24, CLW has no other debt expiries until FY27.

CLW’s drawn debt is 74% hedged with a weighted average hedge maturity of 2.6 years. Balance sheet gearing of 30.2% is within the target 25 – 35% range and look-through gearing is 37.3%. CLW has \$349 million of cash and undrawn debt as at 31 December 2022.

³ Reflects CLW’s 25% interest
⁴ Reflects CLW’s 49.9% interest

FY23 Guidance⁵

Based on information currently available and barring any unforeseen events, CLW reconfirms 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 6.1% 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). Charter Hall is one of Australia's leading fully integrated property investment and funds management groups. We use our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers. We've curated a diverse portfolio of high-quality properties across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure. With partnerships and financial discipline at the heart of our approach, we create and invest in places that support our customers, people and communities grow.

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⁵ Guidance includes a floating interest rate based on an average FY23 BBSY rate of 2.9%, comprised of Q1 of 1.9%, Q2 of 2.9%, Q3 of 3.3% and a forecast Q4 BBSY of 3.7%

⁶ Based on CLW forecast FY23 DPS of 28.0c divided by the CLW security price of \$4.62 as at 8 February 2023