

ASX Release

Charter Hall Education Trust Acquisitions and Equity Raising

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Charter Hall
Social Infrastructure Limited
ABN 46 111 338 937
AFSL 281544

Responsible Entity of
Charter Hall Education Trust
ABN 58 102 955 939

Level 20, No.1 Martin Place
Sydney NSW 2000
GPO Box 2704 Sydney NSW 2001

T +61 2 8651 9000
F +61 2 9221 4655

www.charterhall.com.au

Charter Hall Social Infrastructure Limited (**Responsible Entity**), as responsible entity of Charter Hall Education Trust (ASX:CQE) (**CQE** or the **Trust**) today announces that:

- it is acquiring 13 early learning centres (**Acquisition Portfolio**) for a total consideration of \$75.5 million¹ (**Acquisitions**)
- it is undertaking a fully underwritten \$100 million institutional placement of fully paid units in CQE (**Units**) (**Placement**) to fund the Acquisitions and associated transaction costs as well as providing balance sheet headroom to finance CQE's current pipeline
- it intends to also offer a non-underwritten Unit Purchase Plan (**UPP**) to eligible Unitholders in Australia and New Zealand to raise up to \$5 million²
- including the impact of the Acquisitions and Placement, CQE maintains its FY19 forecast distribution guidance of 16.0 cents per Unit and is pleased to provide indicative FY20 distribution guidance of 16.5 – 16.6 cents per Unit implying distribution growth of 3.5 – 4.0%³

Acquisition Portfolio

The Acquisition Portfolio comprises a 100% freehold interest in 13 early learning properties including:

- 2 completed centres;
- 5 centres to be acquired on completion, which are expected to be completed between April 2019 and July 2019; and
- 6 fund-through development centres that are expected to be completed between November 2019 and March 2020 which are being developed by CCLP Consulting and funded by the Trust⁴.

The total consideration of \$75.5 million for the Acquisition Portfolio reflects a weighted average initial yield of 6.5%^{1,5}. Key highlights of the Acquisitions include:

- 13 high quality purpose built early learning centres which are either new or under development;
- located in prime, mostly inner-ring, metropolitan suburbs with robust fundamental early learning demand drivers and ageing competition;
- 17.9 year Acquisition Portfolio WALE, extending CQE's WALE to 10.1 years (+6.3%); and
- limited capex exposure through primarily triple net leases.

¹ Before transaction costs.

² The CQE Board may (in its absolute discretion), where the total applications under the UPP exceeds \$5 million, determine to increase the amount raised under the UPP up to \$10 million to reduce or eliminate the need for scale back.

³ Including the impact of the Acquisitions and Placement and barring any unforeseen events and no material change in market conditions.

⁴ Centres developed by the CCLP Consulting (the developer) and funded by the Trust on a fund-through development basis. The developer will pay CQE a site rent based on cumulative development costs at a rate of 7.25% p.a. The developer is an affiliate of the initial tenant for these centres.

⁵ Initial yield calculated based on the initial rent at commencement of the leases divided by the property purchase price.



Acquisition Portfolio impact

	Dec-18	Acquisition Portfolio ⁶	Dec-18 pro forma for Acquisitions
Number of properties	413	13	426
Property investments (A\$m)	\$1,041 ⁷	\$80 ⁸	\$1,121
Weighted average yield	6.2% ⁷	6.5%	6.2%
Weighted Average Lease Expiry ("WALE")	9.5 years	17.9 years	10.1 years
Weighted Average Rent Review ("WARR") ⁹	2.6%	3.1%	2.6%
Occupancy	100.0% ¹⁰	100.0%	100.0%

Placement

The Trust is today undertaking a fully underwritten institutional placement to raise approximately \$100 million¹¹ to fund the Acquisitions and associated transaction costs as well as provide balance sheet headroom to finance CQE's current pipeline. The Placement is fully underwritten by J.P. Morgan Securities Australia Limited.

The Placement will be issued at a fixed price of \$3.35 per Unit, which represents a:

- 5.1% discount to the distribution adjusted last close price of \$3.53 on 25 March 2019¹²; and
- 4.0% discount to the distribution adjusted 5 day VWAP of \$3.49 on 25 March 2019¹³.

From the date of issue, Units issued under the Placement will rank equally with existing CQE Units. As these Units will be allotted after the Trust's record date for the distribution for the three months ending 31 March 2019, new Units issued under the Placement will not be entitled to the CQE's distribution for the three months ending 31 March 2019. New Units issued under the Placement will be entitled to the distribution for the three months ending 30 June 2019.

Unit Purchase Plan

Eligible Unitholders in Australia and New Zealand will each be invited to apply for up to \$15,000 of new Units, free of brokerage and transaction costs, via a UPP. The new Units will be offered at the same price as the Placement of \$3.35 per Unit. The UPP is expected to raise up to \$5 million and will not be underwritten¹⁴. New Units issued under the UPP will rank equally with existing CQE Units from issue and accordingly will not be entitled to the distribution for the three months ending 31 March 2019, but will be entitled to the full distribution for the three months ending 30 June 2019.

Further information on the UPP will be lodged with the ASX and sent to eligible unitholders on or around Tuesday, 2 April 2019.

⁶ Acquisition Portfolio metrics shown on completion.

⁷ Pro forma for independent valuations of 24 properties resulting in a \$4.5 million increase to 31 December 2018 book values.

⁸ Reflects purchase price of the Acquisition Portfolio of \$75.5 million plus acquisition transaction costs of \$4.2 million.

⁹ 10 of the 13 centres being acquired have a fixed annual rental review. CPI of 2.0% assumed for centres which have a CPI based rental review.

¹⁰ Pro forma for the leasing of an asset post 31 December 2018.

¹¹ The Placement is within CQE's 15% placement capacity, pursuant to Listing Rule 7.1.

¹² Representing the last closing price on 25 March 2019 of \$3.57, adjusted for the distribution for the 3 months ending 31 March 2019 of 4 cents per Unit.

¹³ Representing the 5 day VWAP to 25 March 2019 of \$3.53, adjusted for the distribution for the 3 month ending 31 March 2019 of 4 cents per Unit.

¹⁴ The CQE Board may (in its absolute discretion), where the total applications under the UPP exceeds \$5 million, determine to increase the amount raised under the UPP up to \$10 million to reduce or eliminate the need for scale back.



Capital management initiatives

Alongside the Acquisitions and Placement, CQE has undertaken a number of capital management initiatives to position the Trust for the future. These initiatives include:

- increasing the Trust's debt facilities by \$50 million to provide increased liquidity to fund the Trust's current pipeline while remaining below target Gearing range of 30% to 40%; and
- increasing and extending the Trust's hedging positions to take advantage of a more favourable interest rate environment.

Financial impact

Taking into account the impact of the Acquisitions, Placement and barring any unforeseen events and no material change in market conditions, CQE maintains its FY19 forecast distribution guidance of 16.0 cents per Unit and is pleased to provide indicative FY20 distribution guidance of 16.5 – 16.6 cents per Unit implying a distribution growth of 3.5 – 4.0%.

Following the Acquisitions, Placement and capital management initiatives, the Trust's pro-forma December 2018 balance sheet gearing is forecast to be 27.0%¹⁵.

Timetable

Event	Date 2019
Record date for UPP	7pm, Monday, 25 March
Trading halt and announcement of the Acquisitions and Placement	Tuesday, 26 March
Placement executed	Tuesday, 26 March
Announcement of the outcome of the Placement	Wednesday, 27 March
Trading halt lifted and trading of Units recommences on the ASX	Wednesday, 27 March
Settlement of Units under the Placement	Friday, 29 March
Allotment and normal trading of Units issued under the Placement	Monday, 1 April
UPP offer opens and booklet is dispatched	Tuesday, 2 April
UPP offer closing date	Tuesday, 16 April
UPP allotment date	Wednesday, 24 April
Dispatch of holding statements and normal trading of new Units issued under the UPP	Friday, 26 April

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

¹⁵ Pro forma calculation that assumes the total consideration for the Acquisitions was paid on 31 December 2018. Does not include the impact of proceeds from the UPP.



Additional information

Additional information about the Acquisition Portfolio, Placement and capital management initiatives including certain key risks are contained in an investor presentation to be released to the ASX today.

About Charter Hall Education Trust

Charter Hall Education Trust is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in early learning properties.

Charter Hall Education Trust is managed by Charter Hall Group (ASX:CHC), one of Australia's leading fully integrated property groups, with over \$28.4 billion of high quality, long leased property across the office, retail, industrial and social infrastructure sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth and oversees a portfolio of 820 properties that is more than 6.3 million square metres in size. The ASX100 Group has over 27 years' experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall's success is driven by our focus on our tenant and investor customers. We look to partner with our tenants, growing with them and helping meet their property needs. We invest alongside our capital partners, creating value and generating superior investment returns together. Our \$5.3 billion development pipeline creates new assets for our investors, improving future returns, while creating opportunities for our tenant partners to expand and adapt their businesses. Sustainability and innovation are key elements of our approach. By ensuring our actions are innovative, commercially sound and make a difference to our people, customers and the environment, Charter Hall makes a positive impact for its investors, the community and the Group. For further information on Charter Hall Group and Charter Hall Education Trust go to www.charterhall.com.au.

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For further information, please contact

Nick Anagnostou
Head of Social Infrastructure Funds
Charter Hall
T +61 3 9903 6170
nick.anagnostou@charterhall.com.au

For media enquiries, please contact

Angus Booth
Head of External Affairs and Communications
Charter Hall
T +61 2 8651 9223
angus.booth@charterhall.com.au

For investor enquiries, please contact

Lula Liossi
Investor Relations Manager
Charter Hall
T +61 3 9903 6157
lula.liossi@charterhall.com.au

Philip Cheetham
Head of Listed Investor Relations
Charter Hall
T +61 2 8651 9214
philip.cheetham@charterhall.com.au