

Charter Hall Social Infrastructure REIT

2020 Half Year Results



Agenda

1. Highlights and Strategy
2. Financial Results and Capital Management
3. Operational Performance
4. Childcare Industry Overview
5. Outlook
6. Appendices



Travis Butcher
Fund Manager



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Head of Finance -
Diversified

Highlights and Strategy



Key Highlights

Gross Assets

\$1.3bn

- 7.3% asset growth
- \$97.2m¹ of acquisitions

NTA Per Unit

\$3.05

- \$0.09 per unit or 3.0% increase
- \$21.3m increase in valuations
- 6.1% portfolio yield

Undrawn Debt Capacity²

\$179.5m

- Increased facility by \$103m² in February 2020
- Gearing of 24.9%
- Weighted average debt maturity 4.3² years

WALE

11.7 yrs

- Agreed to 40 new 20 year leases with Goodstart on improved terms for both parties³
- 37 five year options renewed

Earnings Per Unit

8.5^c

- Increase of 2.4%
- FY20 EPU forecast maintained at 17.0 – 17.2c (3 - 4% EPU growth)

Development Pipeline⁴

\$184.8m

- 30 developments with 14 developments to be completed in 2020

1. Includes \$44.8m contracted prior to 30 June 2019 (CCLP transaction).

2. As at 12 February 2020 based on credit approved terms.

3. Subject to documentation.

4. Forecast valuation on completion

Our Strategy

To provide investors with stable and secure income and capital growth

- Enhancing income sustainability and resilience by improving the quality of tenants and leases within a diversified portfolio
- Portfolio curation through acquisitions, developments and disposals
- Targeting ongoing capital growth by focussing on assets with the following attributes:
 - Specialist use with limited competition and low substitution risk, driving high tenant retention rates
 - Strategic locations with high underlying land values
 - Predominantly triple net lease structures with minimal capex leakage



CQE Centre, Hawthorn, VIC

CQE Asset Preferences

CQE Preference

Childcare & Education



- Childcare remains CQE's primary focus
- Education services is Australia's third largest export industry¹
- Increased demand for high quality facilities across the expanding education sector

Government



- Mandatory Government services of scale that have community, economic and geographic importance
- Long term commitments from Government tenants
- Population growth is expected to continue to increase demand for Government services

Transport



- Transport related real estate that typically has a high level of interconnectivity
- Large land areas, in strategic positions, typically with high underlying land value
- Government tenants or authorities

Health



- Sector continues to grow due to population demographics
- Scale and type of services is changing – new formats of healthcare provision are driving demand
- Strong Government-backed sector

1. ABS International Trade in Services, by Country, by State and by Detailed Services Category, Calendar Year, 2018.

Financial Results and Capital Management

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CQE Centre, Baldivis, WA

Income Statement

- Operating earnings of \$25.5m, an increase of 20.3% on the previous corresponding period (pcp)
- Net property income increased by \$2.6m or 8.8% on the pcp driven by
 - \$3.2m increase in lease income (\$0.7m organic rental growth, \$2.1m from net property acquisitions / completed developments / disposals, \$0.4m from land rent on development sites)
 - \$0.4m increase in non-recoverable outgoings primarily relating to land tax (\$0.3m)
 - \$0.2m increase in valuation fees due to increase in third party valuations completed in reporting period
- Share of Operating Earnings from JV of \$0.9m relates to earnings from Brisbane Bus Terminal JV
- Finance cost decreased by \$1.4m due to lower level of borrowings during period and lower cost of debt
- HY20 distribution of 8.35 cents per unit, an increase of 4.4% on pcp



Income statement for the half year ended	31 Dec 2018 (\$m)	31 Dec 2019 (\$m)
Net Property Income	29.5	32.1
Share of Operating Earnings from JV	-	0.9
Other Income	1.2	1.3
Net Operating Income	30.7	34.3
Finance Costs	(5.7)	(4.3)
Funds management fees	(2.6)	(3.1)
Administration & Other Expenses	(1.2)	(1.4)
Total Operating Expenses	(9.5)	(8.8)
Operating Earnings	21.2	25.5
Earnings – EPU ¹ (cpu)	8.3	8.5
Distribution – DPU (cpu)	8.0	8.35

1. Operating Earnings divided by the weighted average number of units on issue.

Balance Sheet

- NTA of \$3.05 representing a 3% increase from 30 June 2019
- Strong balance sheet with available capacity to participate in future opportunities
- Asset growth of 7.3% driven by:
 - 7 operating properties settled (\$41.6m) and development pipeline expenditure (\$26.5m)
 - Property revaluation uplift of \$21.3m



Balance Sheet as at	30 June 2019 (\$m)	31 Dec 2019 (\$m)
Cash	8.9	4.6
Investment Properties – To Be Sold	2.2	1.6
Investment Properties – Improved Properties	1,008.9	1,075.6
Investment Properties – Development Sites ¹	89.8	103.6
Investment in JV (Bus Terminal)	25.8	26.6
Securities (ARF / CHCIB)	48.4	50.1
Right of Use Asset ³	-	6.9
Other Assets	2.4	4.5
Total Assets	1,186.4	1,273.5
Trade And Other Payables	7.1	9.0
Distribution Payable	12.2	12.9
Borrowings ²	270.3	317.8
Lease Liabilities ³	-	6.8
Derivative Financial Instruments	6.6	6.8
Total Liabilities	296.2	353.3
Net Assets	890.2	920.2
No of Units	300.6	301.4
NTA Per Unit (\$)	2.96	3.05

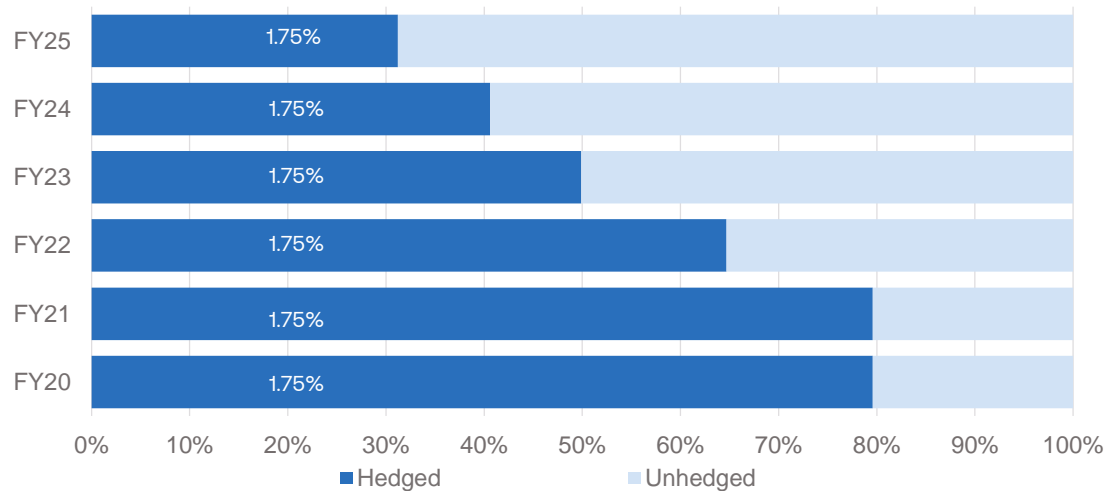
1. Includes \$1.2m (30 June 19 \$0.6m) of transaction costs in relation to properties not settled.
2. Borrowings as at 31 December 2019 include loans of \$320.5m less unamortised transaction costs of \$2.7m.
3. Asset & liability recognised in respect of leasehold properties in accordance with AASB 16

Capital Management – Debt & Hedging

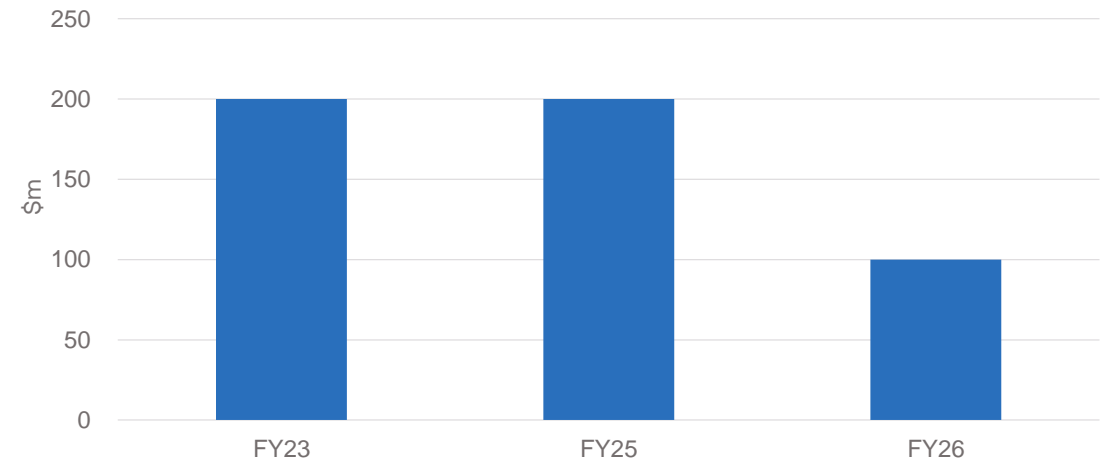
- Facilities increased to \$500m¹ in February 2020 providing undrawn capacity of \$179.5m to fully fund contracted existing property acquisitions (\$45.9m) and future development pipeline (\$72.8m)
- Diversified funding sources¹:
 - no debt maturity until February 2023;
 - weighted average debt maturity of 4.3 years; and
 - \$100m institutional facility with AustralianSuper
- Average hedging 58% through to December 2025

Debt & Hedging Summary as at	30 June 2019	31 Dec 2019
Debt Facilities Limit (\$m)	397.0	397.0
Debt Drawn Amount (\$m)	273.5	320.5
Weighted Average Debt Maturity (years)	3.9	3.4
Balance Sheet Gearing ² (%)	22.5	24.9
Look-through Gearing ³ (%)	24.7	26.3
Cost of Debt (% p.a.)	3.7	3.4
All-in Cost of Debt ⁴ (% p.a.)	4.1	3.8
Average Amount Hedged (%)	67	58
Average Hedged Rate (% p.a.)	1.75	1.75
Average Hedge Maturity (years)	3.9	3.4

Hedging profile: Based on debt of \$320.5m



New debt maturity profile (by facility limit)¹



1. As at 12 February 2020 based on credit approved terms for increase of facility by \$103 million.
 2. Balance Sheet gearing is calculated as total borrowings net of unrestricted cash/total assets less unrestricted cash.
 3. Look through gearing includes the debt facility established at the joint venture level for the acquisition of the Brisbane Bus Terminal with a total facility limit of \$51.25m (CQE share of \$25.6m) and a maturity of May 2024.
 4. Includes amortisation of deferred borrowing costs.

Operational Performance

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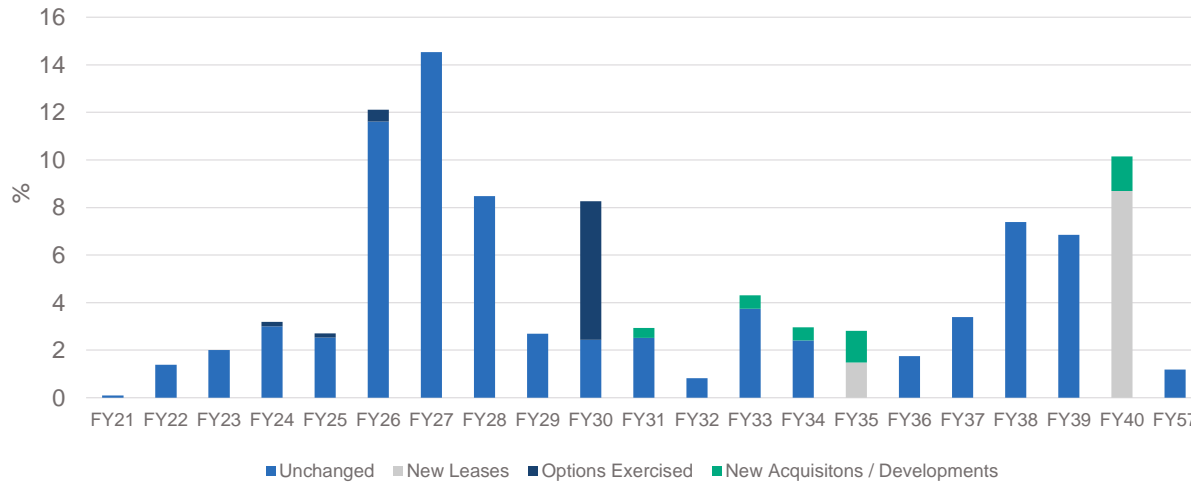
CQE Centre, Killarney Heights, QLD

Portfolio Summary

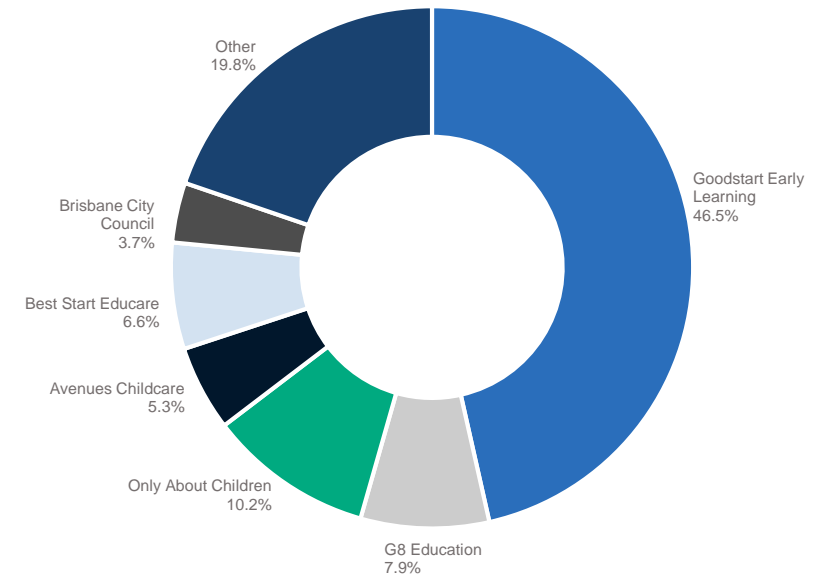
- Agreed 40 new 20 year leases with Goodstart on improved terms¹ for both parties and 5 new 15 year leases with other tenants
- WALE increased to 11.7¹ from 9.9 years
- 37 of 40 five year options renewed
- Reduction of lease expiries within next 5 years from 18.9% at June 2019 to 9.0% at Dec 19
- Continuing portfolio curation through acquisitions, developments and disposals to improve portfolio quality and tenant covenants

	June 2019	Dec 2019
Number of operating properties	391	391
Number of tenants	34	30
Property valuation (\$m)	1,011.1	1,077.2
Passing yield (%)	6.2	6.1
Occupancy (%)	100	99.8 ²
Weighted Average Lease Expiry (yrs)	9.9	11.7

Lease expiry profile by % of annual rent: FY21 – FY57³



Tenant profile by % of annual rent: December 2019³



1. Subject to documentation.
 2. Vacant property contracted for disposal.
 3. Includes CQE 50% share of rent from Brisbane City Council Bus Network Terminal.

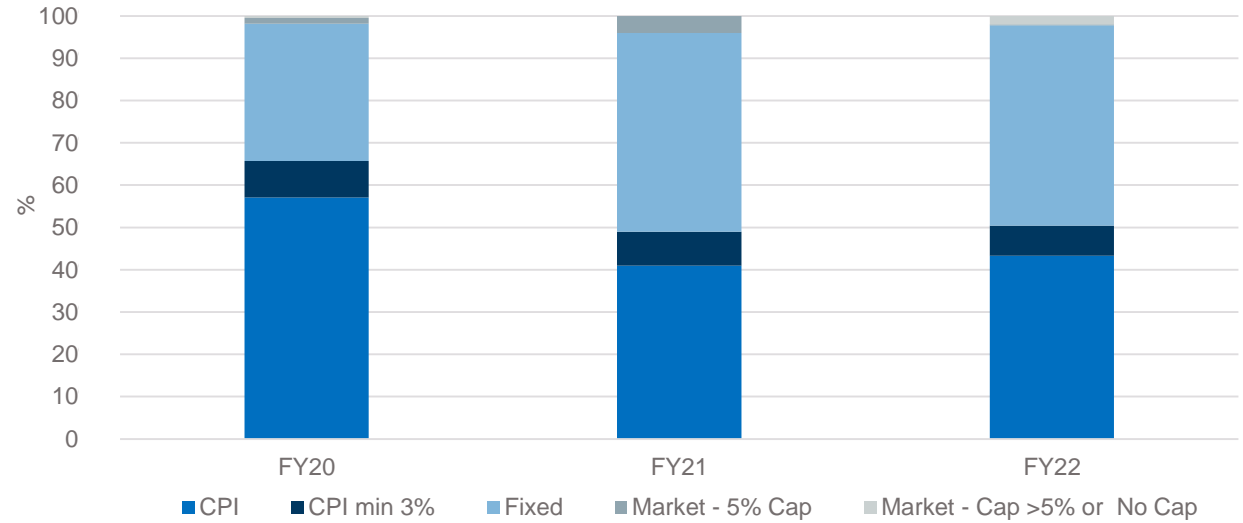
Portfolio Summary

- New leases with fixed or minimum increases
- Reliance on CPI based reviews reduced to 41% in FY21
- 1 market review completed at 3%, 7 in negotiation and a further 2 remaining for FY20
- Weighted average rental review (WARR) of 2.4%
- Rent to revenue analysis confirms the CQE portfolio remains under let at 11.2% of operator revenue for FY19

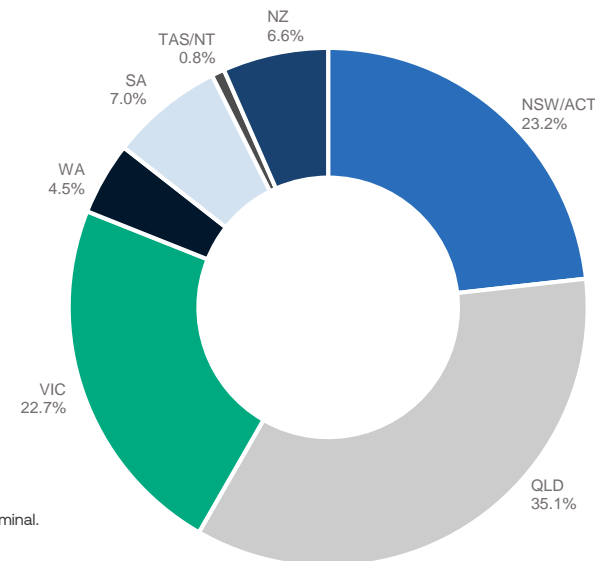


CQE Centre, Tarragindi, QLD

Annual rent review profile by % of rent: FY20 – FY22¹



Geographical profile by % of annual rent: December 2019¹



1. Includes CQE 50% share of rent from Brisbane City Council Bus Network Terminal.

Portfolio Summary — Acquisitions & Disposals

- Strategic preference for existing centres and turnkey assets for immediate fund accretion
- New acquisitions leased to quality tenants¹ with strong lease covenants on average lease terms of 16.5 years
- 8 contracted acquisitions totalling \$45.9 million are expected to settle in FY20
- Continue to dispose of non-core assets with low underlying land value and low SEIFA ratings to recycle capital into properties with more favourable property fundamentals



Acquisitions	Settled	Contracted	Total
Existing Centre Acquisitions	7	8	15
Value (\$m)	41.6	45.9	87.5
Average SEIFA ² Rating	8	8	8
Combined Initial Yield (%)	6.3	6.5	6.4
Development Site Acquisitions	1	1	2
Value ³ (\$m)	4.6	5.1	9.7
Average SEIFA Rating	9	8	9
Combined Initial Yield (%)	6.8	6.8	6.8

Disposals	Settled	Contracted	Total
Number	8	1	9
Value (\$m)	12.2	1.6	13.8
Average SEIFA Rating	3	3	3
Average selling yield (%)	6.8	8.2	7.0
Premium to book value (%)	11.3	0.0	9.9

1. 9 of 15 leases are with listed ASX operators.
2. Socio-Economic Indexes for Areas (SEIFA) is a product developed by the ABS that ranks areas in Australia according to relative socio-economic advantage and disadvantage (Scale – 1 being least advantaged and 10 being most advantaged).
3. Value reflects an 'as if complete' value of development sites. Land values only reflect \$1.8m settled and \$1.3m contracted.

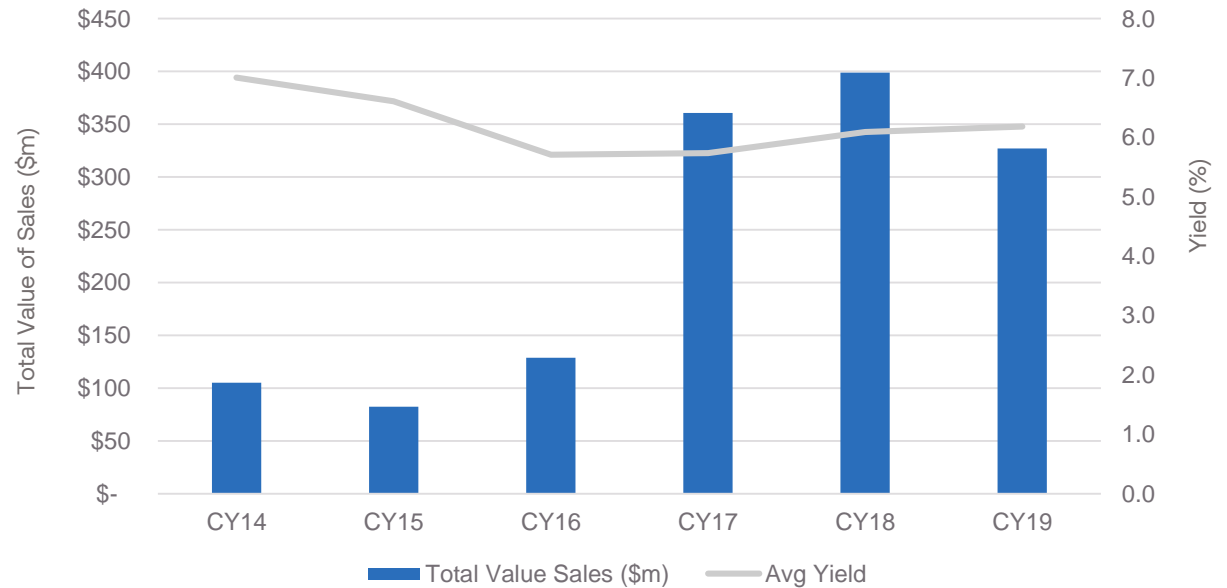
Childcare Property Portfolio - Valuations

- For FY20 and beyond, adoption of a 2-year independent re-valuation cycle (previously 3 years)
- 361 properties valued in HY20, resulting in a 2.8% increase on June 2019 carrying values
- Overall yield compression of 10 basis points achieved across the portfolio
- Metropolitan yields average 6.1% on market transactions on the eastern seaboard for CY19 with approximately \$327m of property transacted²



Valuations	No. Valued	Value (\$m)	Yield (%)	Mvmt (%)
Freehold – Aust	296	869.6	5.9	2.6
Freehold – NZ	46	77.2	6.0	1.8
Leasehold	19	26.9	12.0	10.8
TOTAL¹	361	973.7	6.0	2.8

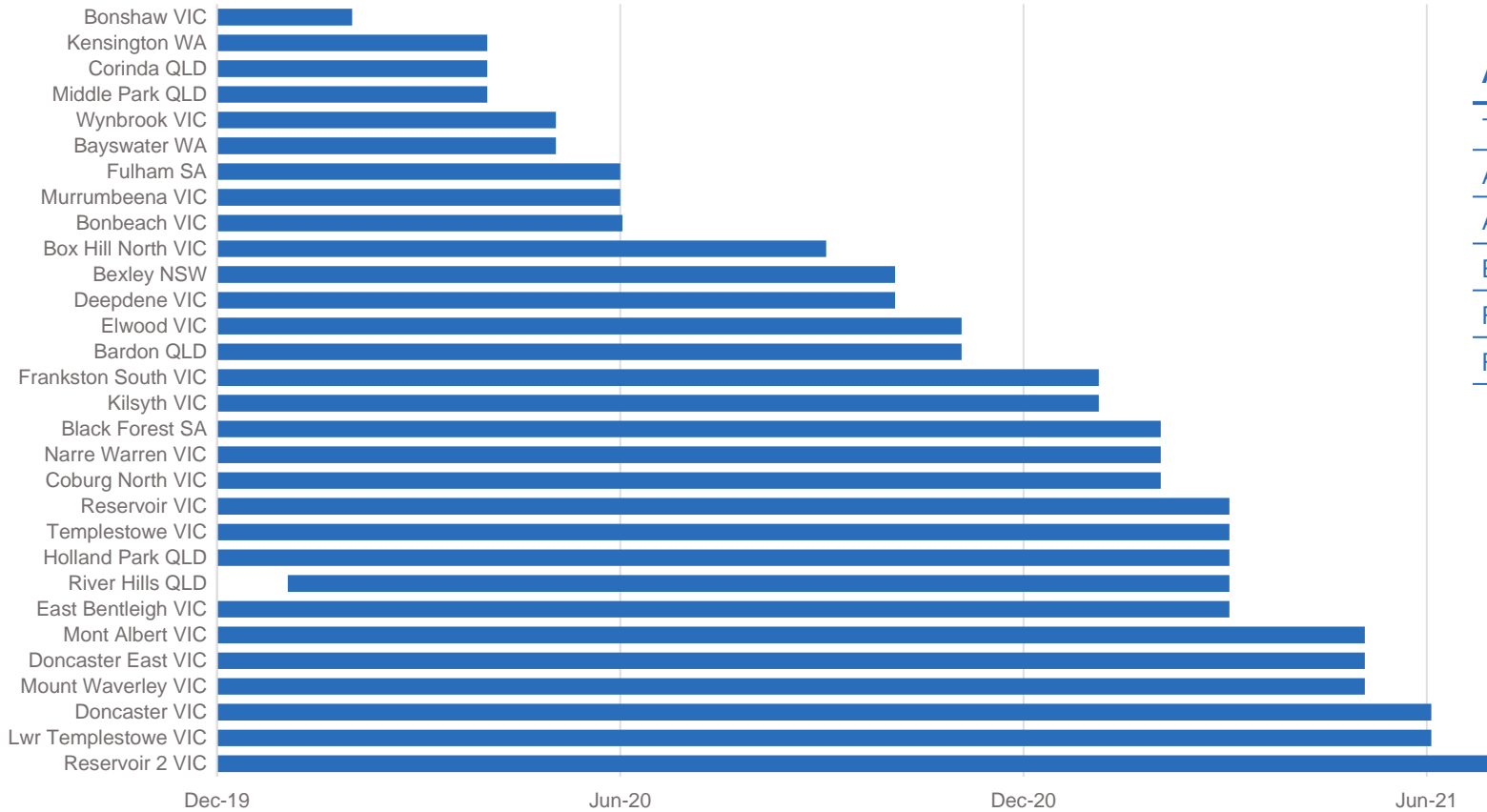
Australian LDC market volume and yields: CY14 – CY19²



1. Excludes 29 development assets, 16 recently acquired/completed development assets and 14 leasehold assets.
 2. Based on CQE data.

CQE Development Pipeline

14 developments forecast to complete in CY20



Key development & pipeline metrics

As at	31 Dec 2019
Total Developments	30 ¹
Average SEIFA Rating	7.3
Average yield on cost	6.5%
Expenditure to date	\$102.4m
Forecast cost to completion	\$72.8m ²
Forecast Valuation on completion	\$184.8m

1. Includes 1 site pending settlement (River Hills).
 2. Estimated costs to completion comprises \$62.4 million in CY20 and \$10.4 million in CY21.

Childcare Industry Overview

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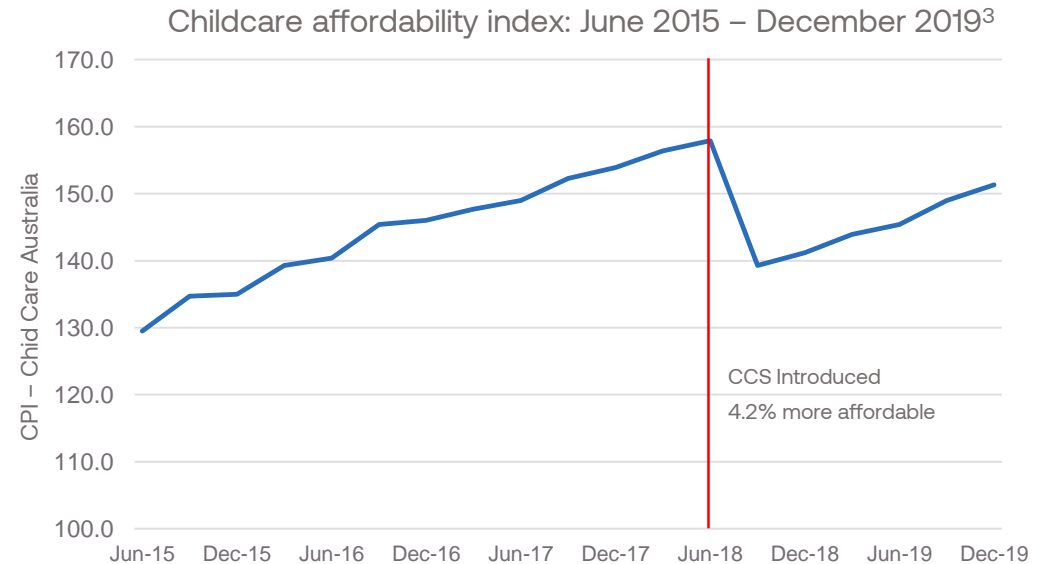
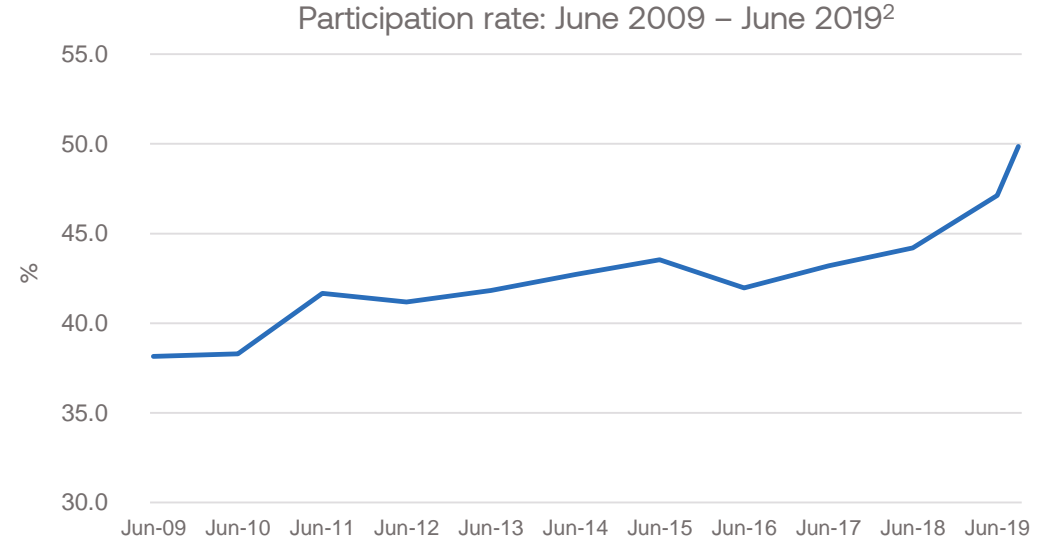


Childcare Market Demand

CCS providing increased usage and affordability

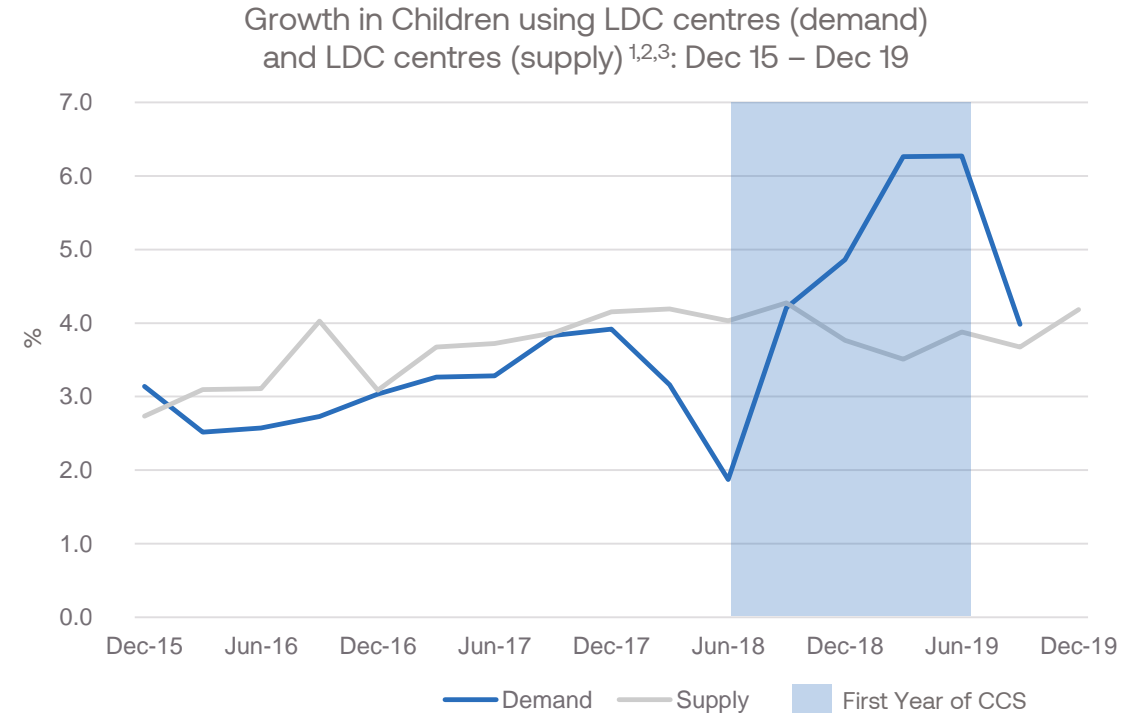
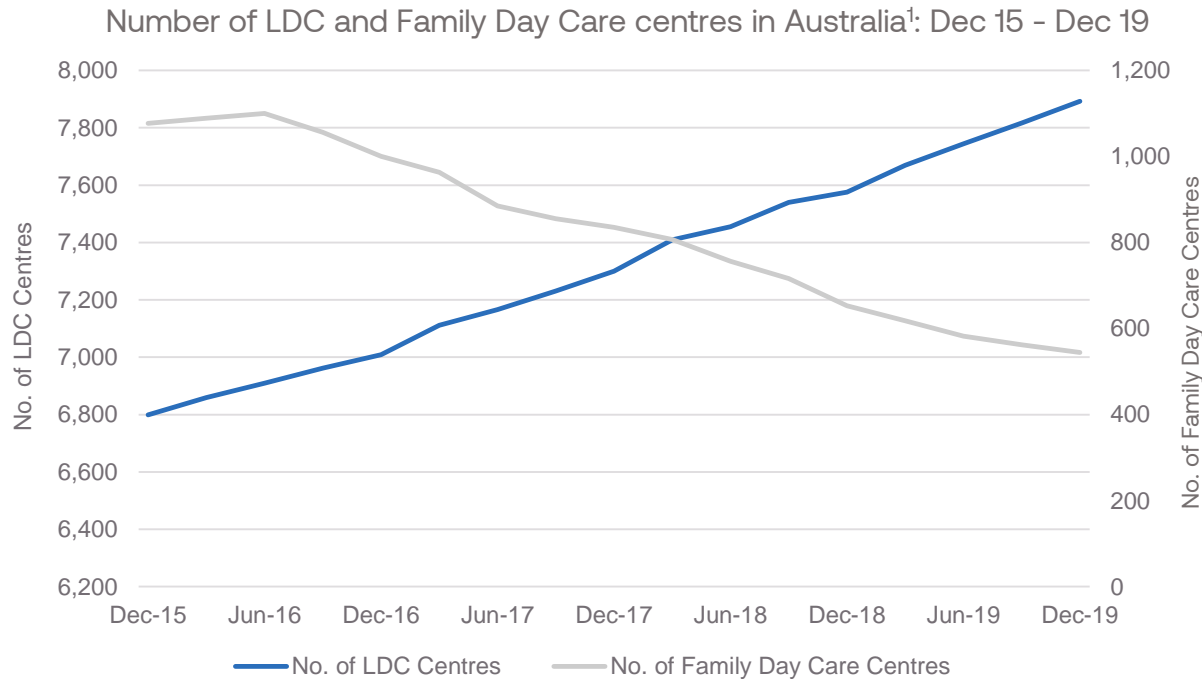
- New Child Care Subsidy (CCS) introduced in July 2018 is a positive for the industry through increased usage and overall affordability
- Long Day Care (LDC) usage increased by 4.0% (29,930 children) from September 2018 to September 2019 and is up 12.5% since the CCS was introduced¹
- Participation rate for children aged 0 – 4 calculated at 49.9%² with 781,380¹ children attending LDC services
- Children as at September 19 attending on average 30.0 hours in childcare per week (28.6 hours at June 2018 prior to CCS)¹
- After the initial 11.8 per cent fall in national childcare costs (impact of CCS) in the September quarter in 2018, childcare prices have climbed by 8.6 per cent to the December quarter of 2019³
- Female labour force participation rate of 61.2% in December 2019 is at a record level⁴

1. Child Care in Australia – Quarterly Reports.
 2. Calculated by dividing the number of children utilising LDC – (source: Child Care in Australia – Quarterly Reports) by the 0-4 population (source: ABS 31-10 Australian Demographic Statistics).
 3. ABS 6401.0 Consumer Price Index, Australia – Child Care Australia, December 2019.
 4. ABS 6202.0 Labour Force, Australia, December 2019.



Childcare Market Supply

- As at 31 December 2019, there are 7,894¹ LDC centres in Australia which increased supply by 319 (4.2%) for CY19
- Rolling annual growth since December 2015 in LDC centres has been 3.7%¹ consistent with the growth in children using LDC centres of 3.7%² over the corresponding period
- Family day care centres have reduced to 544¹ centres down from 1,077¹ in December 2015



1. ACECQA data.
 2. Child Care in Australia – Quarterly Reports.
 3. 12 month rolling average.

Outlook

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CQE Centre, Balwyn North, VIC

Outlook

- 8 existing centre acquisitions comprising \$45.9m are expected to settle in FY20
- 14 developments are expected to be completed during 2020:
 - 9 in 2nd half of FY20
 - 5 in 1st half of FY21
- Attractive pipeline of childcare and social infrastructure opportunities

Reaffirming previous earnings guidance:

- 17.0 – 17.2c (3 – 4% EPU growth) for FY20
- 16.7cpu¹ distribution guidance representing 4.4% growth on FY19

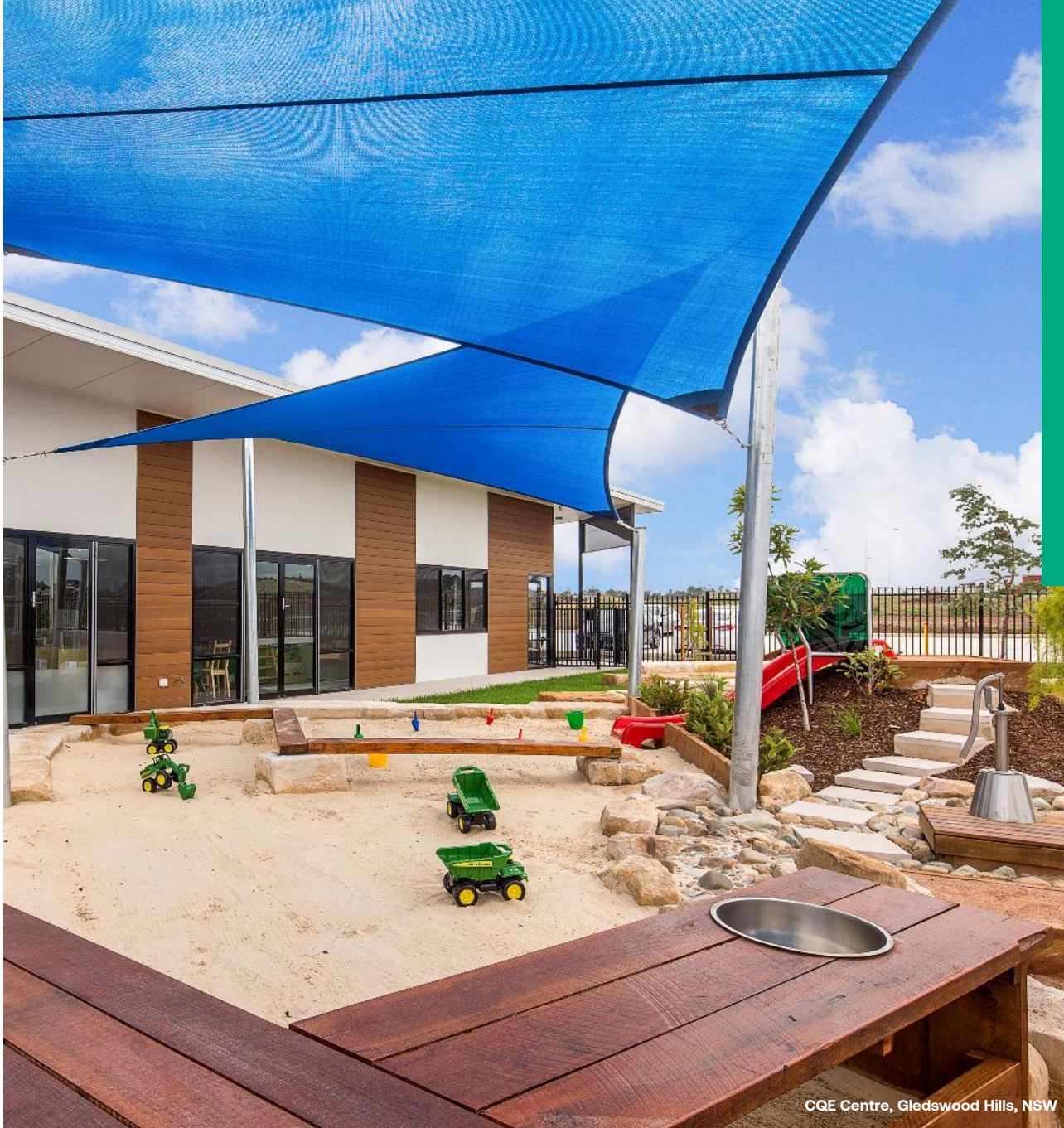
1. Based on continued tenant performance and barring any unforeseen events and no material change in current market conditions.



CQE Centre, Brighton East, VIC

Appendices

6



CQE Centre, Gledswood Hills, NSW

Portfolio Overview

- Majority of leases are triple net leases - net effective rents
- Typical lease term from commencement; 15 years plus two five year options
- Most leases have a five year notice period to take up option
- 5.8% passing freehold yield
- 105.5 ha of land



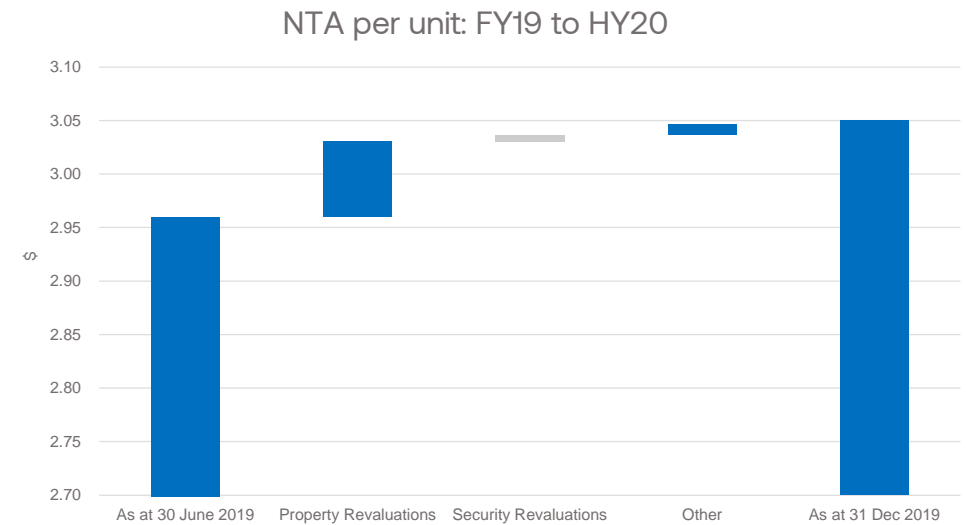
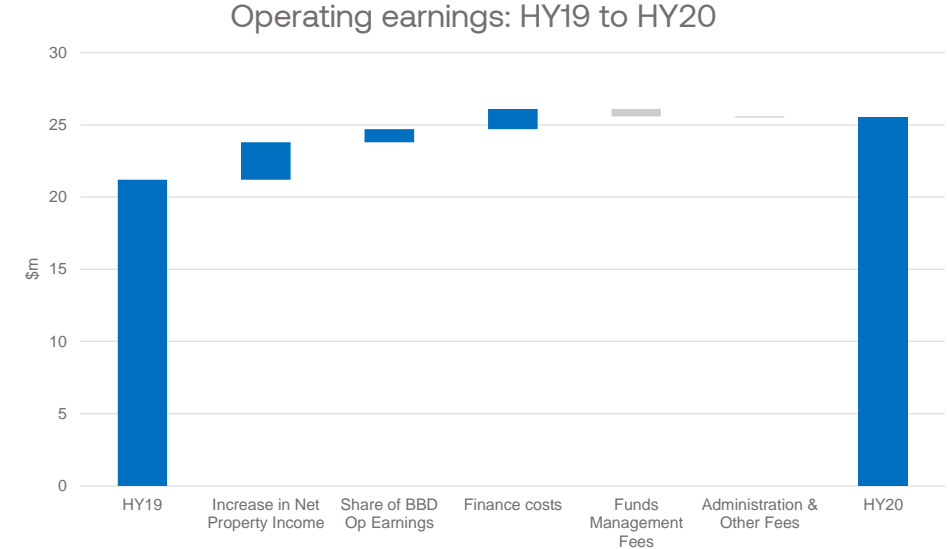
Brisbane City Council Bus Terminal, Eagle Farm, QLD

As at 31 Dec 19	No.	Value (\$m)	% of Total Property Assets	Passing Yield (%)
NSW/ACT	78	229.6	19.4	5.6
QLD	121	345.6	29.3	6.0
VIC	68	268.9	22.8	5.6
SA	23	63.0	5.3	6.4
WA	18	49.4	4.2	6.4
TAS/NT	4	9.4	0.8	6.0
New Zealand	46	77.2	6.5	6.0
Total Freehold	358	1,043.2	88.3	5.8
Leasehold	33	34.0	2.9	12.4
Total Operating	391	1,077.2	91.2	6.1
Developments	29	103.6	8.8	-
Total	420	1,180.7	100	-

As at 31 Dec 2019	Value (\$m)	% of Total Assets	Description
Charter Hall CIB Units	18.5	1.5	15% ownership of a trust that owns 9 police stations and 2 courthouses leased to the Victorian government
Arena REIT (ASX: ARF) Units	31.6	2.5	3.7% interest which invests predominantly in childcare
Bus Network Terminal JV (equity investment)	26.6	2.1	50% interest in Brisbane City Council Bus Network Terminal in Eagle Farm, QLD
Total	76.7	6.1	

Profit & NTA Contributions

- Improvement in HY20 operating earnings due to:
 - \$3.5m increase in net property income driven by
 - \$0.7m of organic rental growth;
 - \$3.0m increase in rent from net acquisitions/developments/disposals inclusive of the Brisbane Bus Depot
 - \$0.4m increase in site rent on development sites;
 - (\$0.4m) increase in non-recoverable outgoings; and
 - (\$0.2m) increase in valuation fees.
 - Finance cost decreased by \$1.4m due to lower level of borrowings during period & lower cost of debt
- Growth in NTA per Unit of \$0.09 primarily due to net property revaluations of \$21.3m or \$0.07 per Unit



Statutory Profit Reconciliation

- Key reconciling items between operating earnings and statutory profit are:
 - Yield compression and rental growth combine to contribute \$21.3m in property revaluations
 - Share of equity accounted non-operating profit relates to valuation uplift and movement in derivatives in respect of the 50% interest in the Brisbane Bus Terminal JV

Statutory Profit Reconciliation	31 Dec 2018 (\$m)	31 Dec 2019 (\$m)
Operating Earnings	21.2	25.5
Net fair value gain on investment properties	22.6	21.3
Net loss on derivative financial instruments	(2.6)	(0.2)
Gain / (Loss) on sale of investment properties	(0.2)	0.5
Share of equity accounted profit (non-operating)	-	0.8
Straight line lease / amort. of lease fees and incentives	1.1	1.1
Other	0.1	-
Statutory Profit	42.2	49.0



CQE Centre, Paddington, QLD

Key Statistics

Financial & Capital Management Metrics	FY15	FY16	FY17	FY18	FY19	HY20
NTA (\$)	1.82	2.14	2.51	2.78	2.96	3.05
NTA Growth (%)	21.3	17.6	17.3	10.8	6.5	3.0
DPU (c)	12.8	13.4	14.2	15.1	16.0	8.35
DPU Growth (%)	6.7	4.7	6.0	6.3	6.0	4.4 ¹
Gearing (%)	29.5	26.6	27.7	29.1	22.5	24.9
Weighted Average Cost Of Debt (%)	4.6	4.5	4.2	4.1	3.7	3.4
Weighted Average Debt Maturity (Years)	1.9	4.0	3.5	2.4	3.9	3.4
Interest Cover Ratio (x)	4.6	5.1	4.9	4.3	4.9	5.5
Portfolio Metrics²						
Weighted Average Lease Expiry (Years)	7.9	8.2	9.1	9.9	9.9	11.7 ³
% Of Lease Income Expiring In Next 5 Years	5.6	11.3	12.0	15.8	18.9	9.0
Major Customer % Of Income (Goodstart) (%)	63	59	56	50	45	46.5
Like-for-like Rental Growth (%)	2.4	2.8	3.1	2.8	2.3	2.0
Market Rent Reviews						
Completed Number	54	65	127	34	10	1
Weighted Average Rental Growth (%)	4.3	5.5	4.7	4.7	5.2	3.0
Geographic Spread (% Rental Income)²						
NSW/ACT	26.2	25.8	26.4	24.7	23.4	23.2
QLD	37.5	35.5	33.8	35.3	36.0	35.2
VIC	16.9	19.8	21.2	22.9	22.2	22.7
WA	3.7	3.9	3.7	3.5	4.1	4.5
SA	6.0	5.3	5.7	5.3	6.5	7.0
TAS/NT	1.1	1.0	1.0	0.9	0.8	0.8
NZ	8.6	8.7	8.2	7.4	6.9	6.6

1. Based on distribution in HY19 of 8.0 cpu.

2. Includes Brisbane City Council Bus Network Terminal.

3. Subject to documentation of 40 Goodstart leases.

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