

ASX Release

Charter Hall Social Infrastructure REIT – Equity Raising

4 May 2020

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

Responsible Entity of
Charter Hall Social
Infrastructure REIT
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

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Charter Hall Social Infrastructure Limited as responsible entity of the Charter Hall Social Infrastructure REIT (ASX: CQE) (“CQE”) today announces that it is undertaking an Equity Raising comprising:

- A fully underwritten institutional placement to raise \$100 million ("Placement"); and
- A non-underwritten Unit Purchase Plan ("UPP") to eligible unitholders in Australia and New Zealand to raise up to \$15 million (together the "Equity Raising")¹.

Rationale

The Equity Raising is being conducted to strengthen CQE's balance sheet and ensure it can withstand any unexpected cash flow and valuation impacts from an extended COVID-19 pandemic. The Equity Raising will also provide CQE with the flexibility to continue executing on its strategy in line with its social infrastructure mandate once the COVID-19 pandemic has ended.

Following the Placement, CQE is forecast to have:

- Pro forma balance sheet gearing of 16.7%², down from 24.9% as at 31 December 2019
- Pro forma look-through gearing of 18.3%², down from 26.3% as at 31 December 2019
- Pro forma Net Tangible Assets (“NTA”) per unit of \$2.91²
- Cash and undrawn facilities forecast to increase to \$291.5 million²

In light of the current uncertain environment and potential extended duration of the COVID-19 pandemic, CQE's FY20 earnings and distribution guidance remains withdrawn as announced on 23 March 2020. CQE's intends to pay a June quarterly distribution with reference to CQE's operating cash flows for the period.

CQE is currently well positioned to weather the COVID-19 pandemic in the short to medium term given its long WALE portfolio, low exposure to smaller tenants, no near term debt expiries and the announcement of significant government support for the childcare sector.

¹ The Equity Raising structure balances the need for certainty of proceeds received through the Placement with CQE's desire to provide its retail unitholders with the opportunity to participate through the UPP. The cap on the UPP of \$15 million is considered appropriate to provide the opportunity for the majority of CQE's retail unitholders to achieve a pro rata allocation having regard to the total Equity Raising size, the construct of CQE's register and historical take-up rates in UPP's. CQE may, in its absolute discretion, scale back applications over this amount or apply a higher cap to the UPP and scale back applications over the higher cap.

² Pro forma as at 31 December 2019, including the impact of the Placement and other post-balance date adjustments.

Operational update

As at 30 April 2020, CQE has experienced no closures of its child care centres due to the COVID-19 pandemic. CQE has received 100% of expected rental payments from tenants for the month of March 2020 and 90% of expected rental payments from tenants for the month of April 2020.

As at 31 December 2019, rental occupancy costs represented approximately 11.2% of operator revenues across the CQE portfolio. CQE estimates that approximately 15-20% of its tenants (by rental income) would be defined as a Small and Medium sized Enterprise (“SME”) under the Federal Government definition and therefore covered by the National Cabinet Mandatory Code of Conduct (“Commercial Code”) under which landlords are obliged to provide rental relief in proportion to the reduction in trade.

CQE will support impacted tenants under the new laws giving effect to the Commercial Code and will actively partner with our tenant customers to ensure sustainable and long-term outcomes. CQE will look to offset any short term rental relief provided during the pandemic period with longer term benefits to CQE including, but not limited to lease extensions. CQE will work with tenants on a case by case basis, having considered how COVID-19 has impacted their businesses, to agree an appropriate way forward.

Effective 1 May 2020, CQE executed with Goodstart Early Learning the agreement for 40 new 20-year leases on improved terms for both parties, including fixed annual increases

On 2 April 2020, the Federal Government announced new Early Childhood Education and Care Relief Package (“ECECRP”) which will assist childcare operators until at least 28 June 2020. Under the ECECRP, CQE’s tenants will receive fortnightly payments equal to 50% of average centre revenue for the two weeks up to 2 March 2020³.

In addition, it is anticipated that all of CQE’s childcare tenants will be eligible to receive the JobKeeper payment which will help to cover eligible child care workers’ wages⁴.

Placement

CQE is today undertaking a fully underwritten institutional placement to raise approximately \$100 million representing 15.0% of pre Equity Raising units on issue. The Placement is fully underwritten by J.P. Morgan Securities Australia Limited.

The Placement will be issued at a fixed price of \$2.20 per Unit, which represents a:

- 7.6% discount to the closing price of \$2.38 per unit on 1 May 2020
- 4.7% discount to the 5-day VWAP of \$2.308 per unit on 1 May 2020

It is intended that eligible institutional unitholders who bid for up to their ‘pro rata’ share of new units under the Placement will be allocated their full bid, on a best endeavours basis^{5,6}.

New units issued under the Placement will rank equally with existing units, and will be entitled to the distribution for the three months ending 30 June 2020.

Unit purchase plan

Eligible unitholders in Australia and New Zealand will be invited to subscribe for up to a maximum of \$30,000 in additional units, free of transaction and brokerage costs via a UPP.

³ The ECECRP payment of 50% of average centre revenues calculated across the two week period to 2 March 2020 is also subject to the existing hourly rate cap and relates to a point in time before parents started withdrawing their children in large numbers. To be eligible for ECECRP, a centre must remain open, unless directed or advised to close by a health agency or state regulator, and prioritise care to children of essential workers, vulnerable and disadvantaged children and children within existing enrolments.

⁴ Subject to eligibility criteria outlined in the Australian Government’s *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020*.

⁵ An eligible institutional unitholder’s existing holding will be estimated by reference to CQE’s latest available beneficial register which shows historical holdings as at the date of that register and is not up to date. There is no verification or reconciliation of the holdings as shown in the historical beneficial register and accordingly this may not truly reflect the participating eligible institutional unitholder’s actual holding. CQE and the lead manager do not have any obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining allocations. Institutional unitholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the placement. CQE and the lead manager disclaim any duty or liability (including for negligence) in respect of the determination of an eligible institutional unitholder’s allocation using their assumed holdings.

⁶ Eligible institutional unitholders who bid in excess of their ‘pro-rata’ share as determined by CQE and the joint lead managers are expected to be allocated a minimum of their ‘pro-rata’ share on a best endeavours basis as set out in footnote 1 above, and any excess may be subject to scale back.

The UPP issue price will be the lower of:

- the Placement issue price;
- a 2.0% discount to the 5 day VWAP up to, and including, the UPP offer closing date; and
- a 2.0% discount to the closing price on the UPP offer closing date.

The UPP will not be underwritten and is expected to raise up to \$15 million⁷.

New units issued under the UPP will rank equally with existing units (including those issued under the Placement), and will be entitled to the distribution for the three months ending 30 June 2020.

Further information on the UPP will be lodged with the ASX and sent to eligible unitholders on or around 11 May 2020.

Timetable

Event	Date 2020
Record date for UPP	Friday, 1 May
Trading halt and announcement of the Placement	Monday, 4 May
Placement executed	Monday, 4 May
Announcement of the outcome of the Placement	Tuesday, 5 May
Trading halt lifted and trading of Units recommences on the ASX	Tuesday, 5 May
Settlement of Units under the Placement	Thursday, 7 May
Allotment and normal trading of Units issued under the Placement	Friday, 8 May
UPP offer opens and booklet is despatched	Monday, 11 May
UPP offer closing date	5pm Tuesday, 26 May
UPP allotment date	Tuesday, 2 June
Despatch of holding statements and normal trading of new Units under the UPP	Wednesday, 3 June

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

All dollar amounts are in Australian dollars unless otherwise indicated.

Additional information

Additional information about the Equity Raising, including certain key risks, is contained in an investor presentation to be released to the ASX today.

Announcement authorised by the Board

⁷ The Equity Raising structure balances the need for certainty of proceeds received through the Placement with CQE's desire to provide its retail unitholders with the opportunity to participate through the UPP. The cap on the UPP of \$15 million is considered appropriate to provide the opportunity for the majority of CQE's retail unitholders to achieve a pro rata allocation having regard to the total Equity Raising size, the construct of CQE's register and historical take-up rates in UPP's. CQE may, in its absolute discretion, scale back applications over this amount or apply a higher cap to the UPP and scale back applications over the higher cap.

Charter Hall Social Infrastructure REIT (ASX: CQE)

Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure. Charter Hall Social Infrastructure REIT is managed by Charter Hall Group (ASX:CHC). With over 28 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, retail, industrial and social infrastructure.

Operating with prudence, Charter Hall as manager of CQE has carefully curated a \$38.9 billion plus diverse portfolio of over 1,100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our \$6.5 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

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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For further enquiries, please contact

Travis Butcher

Fund Manager
Charter Hall
T +61 3 9903 6171
travis.butcher@charterhall.com.au

Scott Martin

Head of Finance - Diversified
Charter Hall
T +61 3 9903 6169
scott.martin@charterhall.com.au

For media and investor enquiries, please contact

Lula Lioffi

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

This announcement contains certain "forward looking statements". Forward looking words such as "expect", "should", "could", "may", "will", "believe", "forecast", "estimate" and other similar expressions are intended to identify such forward looking statements. Such statements are subject to various known and unknown risks, uncertainties and other factors that are in some cases beyond the control of CQE and its responsible entity. These risks, uncertainties and factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements and from past results, performance or achievements. Neither CQE nor its responsible entity can give any assurance or guarantee that the assumptions upon which management based its forward looking statements will prove to be correct or exhaustive beyond the date of its making, or that CQE's business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID 19. Any such statements, opinions and estimates in this announcement speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward looking statements are provided as a general guide only. The forward looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the CQE and its responsible entity, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

This announcement is not a recommendation by any person as to whether any person should participate in the Placement or the UPP. No person guarantees the repayment of capital or any particular rate of income or capital return on an investment in units in CQE.