

ASX Release

Charter Hall Social Infrastructure REIT 1H FY22 Results

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Charter Hall Social Infrastructure REIT (ASX: CQE) today announced its results for the half year ended 31 December 2021. Key financial and operating highlights for the period are:

Financial Highlights

- Statutory profit of \$207.7 million, up \$150.4 million on the prior corresponding period (“pcp”)
- Operating earnings of \$30.8 million, up 5.8% on pcp
- Operating earnings of 8.5 cents per unit (“cpu”), up 6.3% on pcp
- Distribution of 8.4 cpu, up 12.0% on pcp
- Gross assets of \$1.9 billion, up 28.2% since June 2021
- NTA of \$3.78 per unit up 16.3% since June 2021
- Balance sheet gearing of 30.0%¹ with investment capacity of \$200² million

Operating Highlights

- Property portfolio valuation increase of \$175.4³ million or 11.9%
- \$192.7 million deployed on new acquisition of social infrastructure assets
- Completed development of the South Australian Emergency Services Command Centre and four childcare assets
- Approved solar commitment of \$8.6 million to partner with tenant customers and improve environmental sustainability of portfolio
- In partnership with CQE’s largest tenant customer, Goodstart, Charter Hall has committed funding towards the Early Learning Fund, assisting at least 55 vulnerable families to provide their children with the benefits of early learning over two years
- Launched two-year partnership with the Green Building Council of Australia to create Australia’s first social infrastructure rating tool for operational assets

¹ Adjusted to include contracted childcare acquisitions and disposals, the completion of the childcare development pipeline and payment of the December quarter distribution. As at 31 December 2021, CQE’s balance sheet gearing was 26.5% and look-through gearing was 27.4%

² As at 17 February 2022, following completion of increase and extension of debt facilities limit to \$800 million. Adjusted to include the completion of the childcare development pipeline and payment of the December quarter distribution

³ Like-for-like valuation increase, excluding properties acquired and development projects completed during 1H FY22

Charter Hall Social Infrastructure REIT's Fund Manager, Travis Butcher said: "CQE has continued delivering on its strategy of improving the portfolio quality and metrics to enhance income and capital growth for Unitholders. CQE Unitholders have benefitted from the Charter Hall platform, with significant acquisition activity in the period, securing high quality, accretive social infrastructure assets in predominantly off-market transactions. Continued portfolio curation and capital management ensure CQE is well positioned to maintain security of earnings and capitalise on future growth opportunities".

Property Portfolio Performance

During the period, CQE has continued to acquire high-quality, well-leased social infrastructure assets in the essential childcare, Government and healthcare sectors. Key portfolio metrics as at 31 December 2021 are:

- Long WALE of 14.6 years;
- 100% occupancy;
- Majority of leases (75%) now on fixed rent reviews resulting in a forecast WARR of 3.0%; and
- Lease expiries within the next five years only represent 3.9% of portfolio income.

Acquisitions

During the period, CQE acquired 24 assets for a total value of \$192.7 million at an average yield of 4.5% and average WALE of 13.4 years. This included a healthcare asset in Heidelberg, Victoria, fully leased to Healius Ltd, a leading ASX-listed healthcare operator. The asset is strategically located adjacent to a Healius-operated pathology laboratory and within one of Victoria's largest medical precincts.

A portfolio of 18 childcare centres in Western Australia was acquired in December 2021 for \$100 million. These properties are leased to the two largest operators in Australia's childcare sector, Goodstart and G8 with average lease expiries of 12.5 years.

In addition, a further five childcare centre assets were acquired including three assets in the Greater Melbourne metropolitan area, one in metropolitan Brisbane and one in the Sunshine Coast. They are leased to premium operators, Nino Early Learning and Only About Children on new 20 and 15-year leases. Settlement of three of these assets occurred in January / February 2022 with the remaining two settlements to occur by April 2022. All the childcare acquisitions are well-located for childcare and positioned to deliver long term income and capital growth.

Developments

During the period, CQE completed the development of the purpose-built South Australian Emergency Services Command Centre in Keswick, Adelaide. Leased to the South Australian Government (85% of the property's total income) and occupied by four Government emergency services agencies on a 15-year lease, with fixed 2.5% annual rent escalations and two 5-year options. Upon completion, the property has been valued at \$86.5 million resulting in an uplift of \$6.5 million or 8.1% on purchase price.

Four childcare developments were completed in the period with value on completion of \$28.3 million and a yield on cost of 5.6%. CQE's childcare development pipeline comprises a further 10 projects, of which 7 are forecast to be completed by December 2022, contributing to continued improvement in the quality of the portfolio and adding to the earnings profile of CQE.

Divestments

CQE continues to curate the portfolio and divest non-core assets. During the period, 2 childcare centres were divested⁴ for \$8.8 million, realising a 37.0% premium to book value.

Property Valuations

Revaluation of the property portfolio completed through 1H FY22 resulted in an aggregate valuation uplift of \$175.4⁵ million over 30 June 2021 values, reflecting a 11.9% increase net of capital expenditure and a passing yield of 4.9%.

Childcare transaction volumes remain strong with approximately \$619 million in sales during 1H FY22 at an average yield of 4.6%⁶. Continued yield compression reflects ongoing strong demand for long WALE assets in 'essential' sectors with stable income across Australia.

Capital Management

In February 2022, CQE further increased its debt facilities by \$100 million to \$800 million, providing \$200⁷ million capacity to continue to secure appropriate acquisition opportunities following the significant transaction activity in the 1H FY22 period. CQE's investment capacity of \$200 million is after adjusting for contractual commitments⁸.

As at 31 December 2021, CQE's balance sheet gearing is 30.0% and look-through gearing is 30.8%⁹.

CQE has diversified funding sources with no debt maturity until January 2025. Following completion of the increase and extension of CQE's debt facilities in February 2022, the weighted average debt maturity is 4.2 years.

Outlook

CQE will continue to execute on its strategy to pursue high quality social infrastructure opportunities and actively manage the portfolio to maintain income security and capital growth. Recent acquisitions and completion of developments will continue to drive earnings and distribution growth in future years.

CQE reconfirms that based on information currently available and barring any unforeseen events or a further deterioration in the COVID-19 environment, FY22 forecast distribution guidance is 17.2 cpu, an increase of 9.6% from FY21. CQE will continue to pay quarterly distributions.

Announcement authorised by the Board

⁴ 1 centre settled in December 2021 and 1 centre under contract, due to settle in February 2022

⁵ Like-for-like valuation increase, excluding properties acquired and development projects completed during 1H FY22

⁶ Charter Hall Data

⁷ As at 17 February 2022, following completion of increase and extension of debt facilities limit to \$800 million. Adjusted to include the completion of the childcare development pipeline and payment of the December quarter distribution

⁸ Contractual commitments include the completion of the childcare development pipeline and payment of the December quarter distribution

⁹ Adjusted to include contracted childcare acquisitions and disposals, the completion of the childcare development pipeline and payment of the December quarter distribution. As at 31 December 2021, CQE's balance sheet gearing was 26.5% and look-through gearing was 27.4%

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 properties.

Charter Hall Social Infrastructure REIT is managed by 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 \$61.3 billion portfolio of 1,506 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 \$9 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

Charter Hall has also extended its Fund Management capability into another asset class with the 50% acquisition of the \$18.2 billion listed equities Fund Manager Paradise 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 superior returns for a better retirement, we're powered by the drive to go further.

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