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Centuria Property Funds Limited

CENTURIA METROPOLITAN REIT

Centuria Metropolitan REIT offer to acquire GPT Metro Office Fund

Centuria Metropolitan REIT (ASX:CMA): Indicative and non-binding \$2.46 scrip and cash proposal to acquire all of the units in the GPT Metro Office Fund (ASX:GMF)

Sydney, 24 May 2016 Centuria Property Funds Limited (CPFL), in its capacity as Responsible Entity of the Centuria Metropolitan REIT (CMA), has submitted to GPT Platform Limited (GPL), as Responsible Entity of the GPT Metro Office Fund (GMF), the attached indicative non-binding proposal to merge CMA and GMF via a trust scheme (Centuria Proposal).

Mr Nicholas Collishaw, CEO Listed Property at Centuria said: "Centuria's deep understanding of Australia's metropolitan real estate markets and its close ties to the retail investor community enabled it to shape a proposal that delivers benefits to both CMA and GMF investors."

"We believe the combination of the CMA and GMF portfolios best meets GMF unitholders' expectations of underlying asset quality and return profile. We expect the combination of these highly complementary property portfolios to improve the long term investment outcomes for the unitholders of both, while also maintaining or improving existing earnings."

"We believe the offer to GMF unitholders is financially superior to the current alternative. It is also the best continuation of the current unitholder proposition for CMA and GMF, with enhanced prospects."

"The opportunity to merge CMA and GMF improves the composition of the combined portfolio and creates potential to add additional value through active management. The Centuria investment in CMA and GMF, and the further support provided in the Proposal by Centuria Capital, ensures its investment goals are aligned with the combined groups' investors."

"We look forward to discussing the Centuria Proposal with GMF's Independent Board Committee and progressing the Proposal for the benefit of all investors" Mr Collishaw concluded.

As a demonstration of its commitment to the Centuria Proposal, Centuria Capital Limited has acquired a 12.6% interest in GMF. In addition, CPFL has acquired a 3.5% interest in GMF resulting in a total combined interest of 16.1% in GMF.



Key Points

For CMA security holders, the Centuria Proposal will build on growth and performance since IPO in December 2014. The Proposal will deliver:

- Greater asset and geographic diversification;
- Substantial reduction in single tenant exposure;
- Reduced average age of the portfolio; and
- Improved liquidity and ASX/S&P 300 index representation.

If successful, the transaction is expected to close in FY17. CMA security holders are expected to benefit from increased earnings and distribution per security in this, and future periods.

For GMF unitholders, the Centuria Proposal delivers:

- Attractive consideration in the form of CMA scrip and cash;
- Increased earnings and distribution per security;
- Greater asset and geographic diversification;
- Operating efficiencies; and
- Improved liquidity with ASX/S&P 300 index representation.

- Ends -

For further information, please contact:

Nicholas Collishaw

CEO – Listed Property Funds

Centuria Metropolitan REIT

Phone: 02 8923 8923

Email: nicholas.collishaw@centuria.com.au

Nicholas Blake

Trust Manager

Centuria Metropolitan REIT

Phone: 02 8923 8923

Email: nicholas.blake@centuria.com.au

Shalome Ruiter

Investor Relations Manager

Centuria Property Funds Limited

Phone: 02 8923 8923

Email: shalome.ruiter@centuria.com.au

Carden Calder

Media Enquiries

BlueChip Communication

Phone: 0404 333 904

Email: carden@bluechipcommunication.com.au



About Us

Centuria Property Funds Limited (CPFL) which is a wholly-owned subsidiary of CNI, is the Responsible Entity for the ASX-listed Centuria Metropolitan REIT "CMA". CMA focusses on investing in office and industrial assets in metropolitan markets across Australia and holds a portfolio of assets valued at \$396.7 million diversified across Sydney, Brisbane and Adelaide.

CPFL has over \$1.2 billion of property under management in 13 unlisted property funds and 1 unlisted fund.

Centuria Capital "CNI" is an ASX-listed specialist investment manager with \$1.9 billion in funds under management.

About Centuria Listed Property Funds

Centuria Capital launched its ASX-listed fund, the Centuria Metropolitan REIT (CMA) in December 2014. The REIT invests in commercial assets that are "fit for purpose" in metropolitan markets across Australia. The Fund's portfolio comprises ten office and three industrial assets which are geographically diversified across Sydney, Brisbane, Canberra and Adelaide. These assets have been valued at \$396.7 million.

Disclaimer

This document has been prepared by CPFL as responsible entity of Centuria Metropolitan REIT comprising Centuria Metropolitan REIT No. 1 (ABN 124 364 718) and Centuria Metropolitan REIT No. 2 (ABN 124 364 656). The information contained in this announcement is current only as at the date of this announcement or as otherwise specifically stated. The information contained in this announcement is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. CPFL has not considered the investment objectives, financial circumstances or particular needs of any particular recipient. You should consider your own financial situation, objectives and needs, conduct an independent investigation of, and if necessary obtain professional advice in relation to, this announcement. Past performance is not an indicator or guarantee of future performance.

Any forward looking statements included in this announcement involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CPFL and its directors. In particular, they speak only as of the date of this announcement, they assume the success of CPFL's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties, risks and other factors. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Other than as required by law, although they believe there is a reasonable basis for the forward looking statements, neither CPFL nor its directors, officers, employees or any related body corporate, gives any representation, assurance or guarantee (express or implied) as to the accuracy or completeness of any forward looking statement or that the occurrence of any event, result, performance or achievement will actually occur. Recipients are cautioned not to place undue reliance on such forward looking statements.



23 May 2016

Mr John Atkin
Independent Chairman
GPT Platform Limited
As responsible entity of the GPT Metro Office Fund
Level 51, MLC Centre
1 Martin Place
SYDNEY NSW 2000

Dear Mr Atkin

INDICATIVE AND NON-BINDING \$2.46 PROPOSAL TO ACQUIRE ALL OF THE UNITS OF GPT METRO OFFICE FUND

Centuria Property Funds Limited (**CPFL**) in its capacity as responsible entity of Centuria Metropolitan REIT (**CMA**) submits to GPT Platform Limited (**GPL**) as responsible entity of GPT Metro Office Fund (**GMF**) this indicative non-binding proposal to merge CMA and GMF via a trust scheme (**Centuria Proposal**).

CPFL has developed a merger proposal for CMA and GMF that we strongly believe is in the best interests of both GMF and CMA security holders and superior to the proposal submitted by Growthpoint Properties Australia Limited (**GOZ Proposal**).

As a demonstration of its commitment to the Centuria Proposal, Centuria Capital Limited (**Centuria Capital**) has acquired a 12.6% interest in GMF and CPFL has acquired a 3.5% interest in GMF. On a combined basis, the Centuria Group has acquired a 16.1% strategic interest in GMF. In addition, Centuria Capital will contribute cash to the funding of the Centuria Proposal.

Benefits of the Centuria Proposal for GMF unitholders

We believe our proposal best meets GMF unitholders' expectations of underlying asset quality and type, return profile and specialist expertise in active management of metropolitan office assets.

The existing alignment of the GMF and CMA unitholder base, together with the management expertise and combined portfolio resulting from the Centuria Proposal, in our view, represents the best continuation of the current unitholder proposition, with enhanced prospects.

The Centuria Proposal offers the following benefits:

- **higher implied consideration** - under the Centuria Proposal GMF unitholders will receive higher implied consideration of scrip and cash representing \$2.46¹ per unit, compared to the GOZ Proposal²;

¹ Based on CMA closing price of \$2.19 on 20 May 2016.

² Based on GOZ closing price of \$3.25 on 20 May 2016 assuming the standard consideration in the revised proposal from Growthpoint outlined in the GPT Metro announcement on 5 May 2016.

- **material earnings accretion** - it is materially earnings accretive to GMF unitholders, estimated to be greater than 20% for FY16³;
- **strong strategic rationale** - has a strong strategic rationale by bringing together two highly complementary metropolitan office portfolios;
- **reduction in management fee** - CPFL intends to reduce management fees charged for managing GMF from 0.60% per annum to 0.55% to bring it in to line with the management fee charged by CPFL for CMA;
- **substantial benefits for a larger merged group** - the Centuria Proposal will result in a larger merged group which will:
 - provide greater diversification;
 - be able to generate operating efficiencies; and
 - offer unitholders improved liquidity;
- **inclusion in the S&P/ASX 300 index** - the merged group will be large enough to be included in the S&P/ASX 300 index and, potentially, the S&P/ASX 200 index; and
- **aligned, focused, specialised management** - maintains a focused investment mandate with an experienced and specialised metropolitan office property management platform.

GMF unitholders will have the opportunity to participate in the future growth and benefits derived from a larger merged group and the potential for a security price re-rate as a result of the Centuria Proposal.

Impact on CMA investors

CPFL has undertaken considerable analysis prior to formulating and putting forward the Centuria Proposal. It believes that the Centuria Proposal is in the best interests of both CMA security holders and GMF unitholders. On a pro forma basis, we estimate that CMA's earnings will remain unchanged for FY16 with an expectation of earnings accretion in FY17.

Highly attractive consideration

The Centuria Proposal offers the following consideration to GMF unitholders (expressed per GMF unit):

- One CMA stapled security; and
- A cash payment of 27 cents (including a 4 cent capital contribution from Centuria Capital).

Based on CMA's closing price on 20 May 2016, the Centuria Proposal values GMF at \$2.46 per unit.

³ Assumes that cash proceeds from the Centuria Proposal are reinvested in CMA at its closing price of \$2.19 on 20 May 2016.



Why the Centuria Proposal is superior

We strongly believe that the Centuria Proposal is superior to the GOZ Proposal for GMF unitholders. The table below demonstrates that the outcomes for a GMF unitholder are superior and compelling compared to the GOZ proposal.

	Centuria Proposal	GOZ Proposal
Higher implied offer consideration	\$2.46	\$2.41
Higher EPU accretion ⁴ for FY16	20%+	Approx. 5%
Lower gearing for the merged group ⁵	36%	44%
Change in NTA for GMF Unitholders ⁶	Neutral	9% dilutive
Scrip premium to NTA	Scrip value is 2% premium to NTA⁷	Scrip value is 25% premium to NTA ⁸
Metropolitan office sector specific exposure	Yes – 93% metropolitan office assets post merger	No, GOZ has significant weighting to industrial assets (40%)
Corporate governance benefits	The responsible entity of the merged group will not be related to a controlling security holder	Growthpoint S.A. would own a controlling interest in the merged group

A significant portion of GMF's register is comprised of retail investors therefore an important consideration when comparing proposals is that GOZ pays distributions on a half-yearly basis and CMA pays distributions on a quarterly basis.

Centuria Capital is a highly credentialed and capable manager

Centuria Capital is an established metropolitan office property specialist with over 17 years' experience in the sector and manages over \$1.4 billion of metropolitan office assets. Centuria Group is a full service property specialist with in-house capabilities including property management, leasing, development, acquisitions and disposals and funds management.

Centuria Capital's listed real estate business is headed up by Nicholas Collishaw. He leads one of the most experienced teams of metropolitan property management professionals in Australia, and is supported by a senior management team comprised of experienced property professionals each of whom has at least 15 years' experience.

⁴ The financial assumptions underpinning the EPU accretion for the Centuria Proposal and GOZ Proposal are outlined in Attachment B. Assumes that the cash proceeds from the respective proposals are reinvested into the respective merged group at the closing price of CMA or GOZ securities on 20 May 2016.

⁵ The financial assumptions underpinning gearing calculations for the Centuria Proposal and GOZ Proposal are outlined in Attachment B.

⁶ Change in NTA for GMF Unitholders is calculated by determining the NTA per unit of CMA and GOZ post merger multiplied by merger ratio of the respective proposals and adding the cash consideration per unit for each Proposal.

⁷ Based on closing price of CMA securities of \$2.19 on 20 May 2016 and NTA of \$2.15 as at 15 May 2016 disclosed in its market update on 19 May 2016.

⁸ Based on closing price of GOZ units of \$3.25 on 20 May 2016 and NTA of \$2.60 as at 31 March 2016 disclosed in its market update on 8 April 2016.



Centuria Capital will utilise its property management team's expertise to drive value for security holders in the merged group. For example, it will use its specialist leasing personnel to ensure maximum income is secured from the merged portfolio. CMA's portfolio is 97% leased with GMF's portfolio presently 94% occupied.

As a sign of its confidence in its leasing capabilities and further evidence of Centuria's commitment, Centuria Capital will provide a rental guarantee over all current vacant areas within 109 Burwood Road, Hawthorn, Victoria which is part of the GMF portfolio for a period of two years from implementation of the merger.

Complementary metropolitan investment strategy

GMF and CMA are highly complementary investment entities – both recognise the positive characteristics particular to metropolitan office markets. Both have similar investment strategies with a conservative approach to gearing and both entities are managed by professional executives with deep experience in adding value through the property cycle. The Centuria Proposal is consistent with the investment strategy of both GMF and CMA and the initial investment decision of unitholders seeking to gain exposure to metropolitan office assets.

Conservative capital management

GMF and CMA adopt a similar conservative attitude to capital management. Upon successful implementation of the Centuria Proposal, the merged group would have gearing of 36% which is within the target gearing band for each vehicle.

Similar retail investor base

GMF and CMA have a similar retail investor base, having been listed around the same time, with similar investment mandates and with a strong emphasis on retail investors.

Manager co-investment

On the successful implementation of the Centuria Proposal, Centuria Capital will have a significant investment in the merged group, demonstrating a strong alignment of interest with the merged group's investors.

Conditions of the Centuria Proposal

CMA intends that the Centuria Proposal be implemented via a trust scheme, unanimously recommended by the Independent Directors of GPL. This structure is consistent with Centuria's desire for a co-operative transaction and smooth transition for Centuria management of the merged group. The scheme will be subject to the usual type of conditions for a trust scheme, see Attachment A for an outline of some of these.

Timetable

CPFL expects to be able to complete its due diligence investigations within 15 business days of being granted access to due diligence material. This indicative timeframe for due diligence is subject to GPL's co-operation and the provision of timely access to due diligence information and site visits to GMF's properties.

CPFL proposes that the scheme implementation agreement be negotiated in parallel with the 15 business day due diligence period.

Distributions

GMF will pay its unitholders the June 2016 quarter distribution of not more than 3.85 cents per unit.

CMA will pay its security holders the June 2016 quarter distribution of not more than 4.25 cents per stapled security.

Assuming that the merger was to be implemented in the September 2016 quarter then GMF unitholders would be entitled to a September quarter CMA distribution on a pari passu basis. If the merger of CMA and GMF was implemented post the September 2016 quarter ex-date then this methodology would apply equally to the December quarter distribution and both CMA security holders and GMF unitholders would be entitled to their own respective September quarterly distributions.

Income guarantees and rental support

Subject to the terms of the relevant agreements, existing income guarantees or rental support provided to GMF by GPT, for the benefit of the GMF unitholders (or an associated entity), will continue post completion of the Centuria Proposal until the expiry of such agreements and any related party receivables will remain following implementation of the Centuria Proposal.

Status of the Centuria Proposal

The Centuria Proposal is intended as an expression of interest and is not intended to constitute, and does not constitute, a legally binding offer. It represents an indicative, conditional, incomplete and non-binding proposal. Any legally binding obligations would be subject to, among other things, the execution of definitive transaction documentation.

Advisors

CPFL has formally engaged Moelis & Company and HWL Ebsworth Lawyers as financial and legal advisers on the Centuria Proposal. CPFL intends to engage additional specialists to assist with undertaking due diligence in relation to the Centuria Proposal.



Conclusion

CPFL's acquisition of a significant holding in GMF demonstrates the seriousness of its interest in GMF and its belief that a merger of GMF and CMA on the terms proposed in the Centuria Proposal represents a superior outcome for GMF unitholders.

CPFL, along with its advisors, has undertaken detailed analysis of the publicly available information in developing the Centuria Proposal and believe that it is strategically and financially compelling for GMF and its unitholders. It is essential that GPL provide access to due diligence material to assist CPFL in finalising the terms of a formal trust scheme offer.

As set out above, CPFL is committed to engaging with GPT and GPL with a view to finalising its superior proposal for the GMF unitholders to consider. CPFL believes that the Centuria Proposal is superior to the GOZ Proposal and it does not currently intend to support the GOZ Proposal.

If you have any further questions, please do not hesitate to contact me or Nicholas Collishaw, CEO – Listed Property Funds, on (02) 8923 8939.

Yours sincerely
for and on behalf of Centuria Property Funds Limited

A handwritten signature in black ink, appearing to read "Peter Done", written in a cursive style.

Peter Done
Chairman

ATTACHMENT A - Conditions of the Centuria Proposal

CMA intends to engage with the Independent Board Committee of GPL in relation to GMF for the purposes of negotiating a scheme implementation agreement which would contain a number of customary deal protections in favour of CMA, subject to appropriate fiduciary carve-outs, as well as provisions dealing with the preparation of various transaction documents and a timetable.

CMA intends that the Centuria Proposal be implemented via a trust scheme with the following key features:

1. Due diligence

- GPL providing CPFL with access to due diligence materials for a period of 15 business days (assuming timely access is granted to due diligence information). In addition, CPFL is willing and able to provide due diligence materials on CMA during the same period

2. Board recommendation

- A unanimous recommendation from the Independent Directors of GPL and agreement to vote any GMF units they hold or control in favour of the Centuria Proposal, in the absence of a superior proposal and subject to an Independent Expert concluding that the Centuria Proposal is in the best interests of GMF unitholders

3. Transaction documentation

- Negotiation of transaction documentation to the satisfaction of CPFL and GPT including a scheme implementation agreement (as referred to above)
- Finalisation of satisfactory debt financing and security arrangements

4. Approvals

- GMF unitholder approval
- Obtaining confirmatory judicial advice
- Regulatory approvals - note that the Centuria Proposal does not require any FIRB approval as CMA is locally listed and the Centuria Group majority Australian owned

5. Other conditions

- No material adverse change, no prescribed occurrences and no material acquisitions or disposals
- CMA and GMF existing swaps are reset to a current market rate
- No break fee is paid to GOZ
- Other customary conditions including any required third party consents

The scheme implementation agreement would also contain customary deal protection mechanisms, including exclusivity provisions and a break fee payable to the bidder in the usual circumstances.

ATTACHMENT B – Financial assumptions

Centuria Proposal assumptions

1. *CMA and GMF swaps*
 - Both CMA and GMF existing swaps are reset to a current market rate
2. *Centuria Capital commitments*
 - Centuria Capital contributes 4 cents per GMF unit to GMF unitholders (other than CMA existing holding)
 - Centuria Capital will provide a rental guarantee over all current vacant areas within 109 Burwood Road, Hawthorn, Victoria for a period of two years
3. *Cost efficiencies*
 - The base management fee for GMF will be reduced by 5 bps to align with existing CMA management fee
 - Further cost synergies will be available by combining the entities
4. *Pro forma Balance Sheet assumptions*
 - CMA 31 December 2015 Balance Sheet, gearing and NTA were adjusted for the increase in property valuations and updated mark to market movement on derivatives as disclosed on 19 May 2016
 - GMF 31 December 2015 Balance Sheet, gearing and NTA were adjusted for the increase in property valuations and updated mark to market movement on derivatives as disclosed on 4 April 2016
 - Pro forma 31 December 2015 Merged Balance Sheet, gearing and NTA reflects the breaking of swaps and draw down of additional debt to fund transaction costs and the cash component of the Centuria Proposal

GOZ Proposal assumptions

1. *Cost efficiencies*
 - The removal of the GMF base management fee
 - Further cost synergies will be available by combining the entities
2. *Pro forma Balance Sheet assumptions*
 - GOZ 31 December 2015 Balance Sheet, gearing and NTA were adjusted for the debt funded acquisition of 255 London Circuit, Canberra and the future funding obligation for the Mulgrave property in Victoria. The Balance Sheet does not include any further acquisitions that GOZ may be pursuing at the current time

- GMF 31 December 2015 Balance Sheet, gearing and NTA were adjusted for the increase in property valuations and updated mark to market movement on derivatives as disclosed on 4 April 2016
- Pro forma 31 December 2015 Merged Balance Sheet, gearing and NTA reflects the draw down of additional debt to fund transaction costs and the cash component of the GOZ Proposal