

# Centuria Capital Results Briefing FY16



18 August 2016

[www.centuria.com.au](http://www.centuria.com.au)

# Contents

---

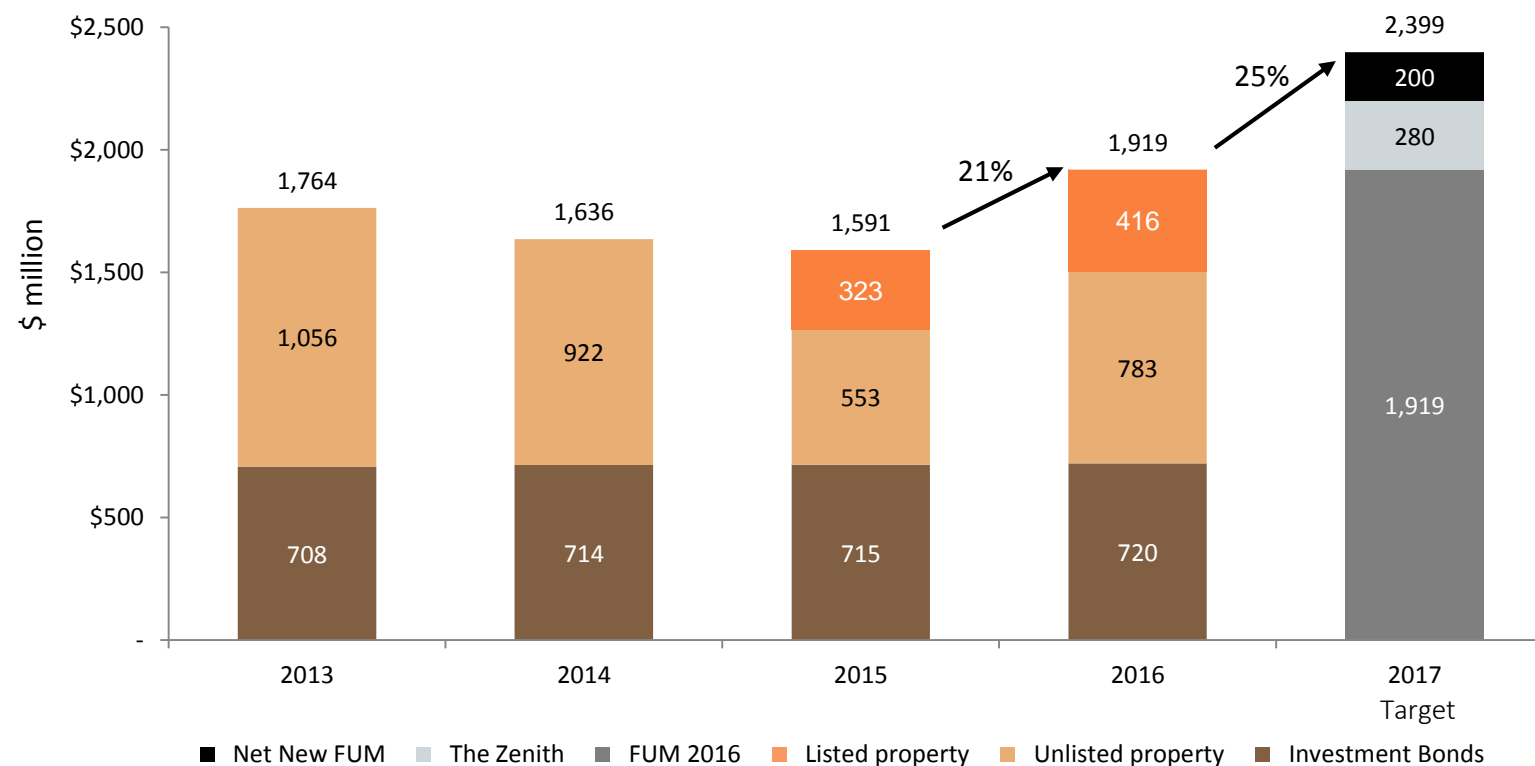
- **Section 1:** Group Overview & Strategy
- **Section 2:** FY16 Operating Highlights
- **Section 3:** FY16 Financial Highlights
- **Section 4:** Property Funds Management Division
- **Section 5:** Investment Bonds Division
- **Section 6:** Outlook
- **Section 7:** Appendices

# Group Overview & Strategy

# Growth in FUM anticipated in FY17

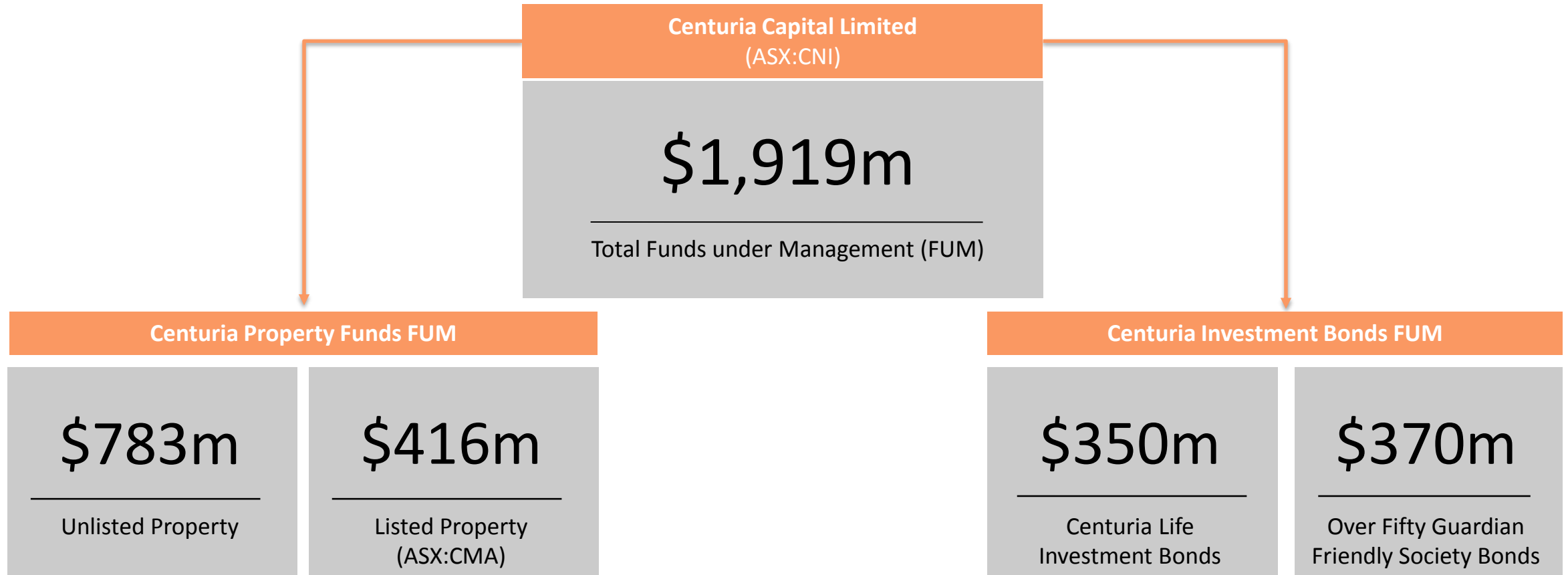
## *Business transitioning for next stage of growth*

- Targeting 25% net total FUM growth in FY17
- No major fund expiries in FY17
- Expanded distribution channels
  - Listed REIT market
  - HNW/traditional channels
  - Capital partners (BlackRock/SEB)
- Investment Bond FUM stable with option for growth.



# Centuria Capital Limited

*Experienced specialist fund manager with proven and disciplined growth*



FUM at 30 June 2016

## Group strategy

---

- Centuria platform positioned to build on FUM growth in real estate and investment bonds
- Increase recurring income streams via both increased FUM and co-investment
- Deliver superior returns to third-party fund investors
- Expand and diversify access to distribution channels for third-party capital
- Provide strong parent support for CMA, unlisted property and investment bond divisions
- Potential corporate restructure designed to allow for efficient co-investments distributions to CNI shareholders.

**CNI aims to deliver consistent growth in earnings and distribution per security over the short and long-term and to bring its platform to scale**

# FY16 Operating Highlights

# Group operating highlights

---

## *Record profit delivered in FY16*

- Underlying Net Profit After Tax (NPAT) of \$10.4 million up 65% and at upper end of guidance
- Funds under management increased 21% from \$1.6 billion to \$1.9 billion
- Significant property acquisitions during the year including ATP (\$104m), 50% interest of 203 Pacific Highway (\$43m) and 50% of interest in 8 Central Avenue (\$109m)
- The acquisition of The Zenith (\$280m) settled in July 2016
- Material performance fee contribution from sale of Macquarie Park and 175 Castlereagh Street
- Creation of value for CMA investors, with an increase in NTA of 21cps, an uplift of 11% to \$2.18
- Significant CNI stake in GMF takeover bid (\$39 million) is indicative of Centuria's ongoing strategy to grow platforms in a disciplined manner
- Launch of 'White Label' Investment Bond strategy
- Senior appointments include Simon Holt, Chief Financial Officer and Michael Blake, Head of Distribution
- A very strong year for CNI with a substantial increase in FUM and a business model that provides a sound base to fund near term expansion.



# Strategy scorecard

## *Disciplined commitment to set strategy*

Expand and diversify product range	<ul style="list-style-type: none"> <li>Continued expansion of Centuria Metropolitan REIT (CMA) to gross assets above \$400m</li> <li>Successful launch of \$280m Centuria Zenith Fund partnering with Blackrock</li> <li>Launched “White Label” Investment Bond offering</li> </ul>
Utilise and recycle balance sheet	<ul style="list-style-type: none"> <li>Enhanced balance sheet afforded:               <ul style="list-style-type: none"> <li>participation in successful joint bid for ATP site with Mirvac;</li> <li>acquisition of The Zenith (largest acquisition by Centuria); and</li> <li>acquisition of stake in GPT Metro Office Fund (GMF)</li> </ul> </li> </ul>
Corporate activity	<ul style="list-style-type: none"> <li>Stake taken in GMF supporting CMA Takeover Bid. CMA has withdrawn bid and options for GMF security investment currently being reviewed</li> <li>Expectation of further corporate activity to grow CNI group scale</li> </ul>
Delivering attractive returns to Third-Party Investors	<ul style="list-style-type: none"> <li>Realised significant total returns               <ul style="list-style-type: none"> <li>175 Castlereagh Street, Sydney ~30% IRR</li> <li>80 Waterloo Road/16 Byfield Street, Macquarie Park ~20% IRR</li> </ul> </li> </ul>
Expansion of Investment Bond business	<ul style="list-style-type: none"> <li>Net FUM gain in FY16</li> <li>Expectation of net FUM gain in FY17</li> <li>Broadened distribution capabilities</li> </ul>
Co-invest with clients	<ul style="list-style-type: none"> <li>Belmont Road, Mosman development on target for successful completion (100% presold) with settlement due December 2016</li> <li>Modest balance sheet co-investments in property markets where CNI is experienced.</li> </ul>

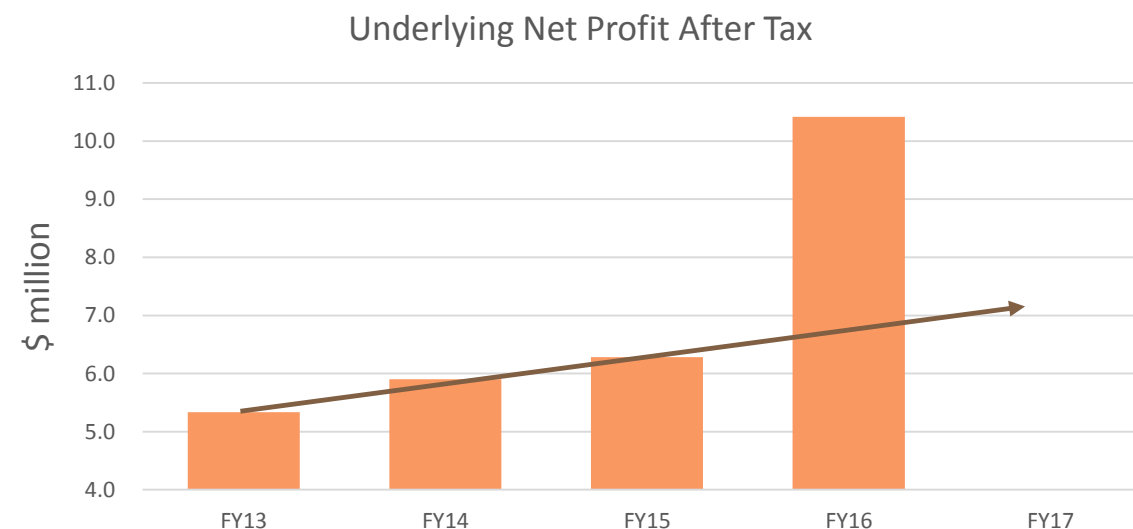
# FY16 Financial Highlights

# Group operating highlights

## Record profit delivered

	FY16	FY15	Increase
Underlying NPAT	\$10.4m	\$6.3m	↑ 65%
Underlying EPS (basic)	13.7c	8.1c	↑ 69%
Statutory NPAT	\$12.1m	\$8.6m	↑ 41%
Statutory EPS (basic)	15.8c	11.0c	↑ 44%
Dividend per share (fully franked)	5.25c	4.75c	↑ 11%

- Delivered profit at the top end of guidance
- 11% growth in dividend
- FY16 underlying NPAT materially above trend growth due to contribution from performance fees
- FY17 underlying NPAT to benefit from higher recurring revenues as a result of increased FUM.



# Underlying segment results

## *In line with top end of guidance*

- Over FY15/16 Centuria realised approximately \$550m of property FUM leaving excess capacity in the platform
- Throughout FY16 the real estate team were kept at full strength to service portfolio restocking (\$1.2bn)
- FY16 benefited from
  - A full year's contribution from CMA
  - Settlement of ATP (April '16)
  - Performance fees from Macquarie Park and 175 Castlereagh Street
- Investment Bonds increased marketing and staff costs to reposition for growth
- FY17 to benefit from
  - Full year's contribution from ATP and Zenith (July '16)
  - Additional targeted FUM.

	FY16	FY15
	\$m	\$m
Underlying profit by segment		
Property Funds Management	16.9	8.8
Investment Bonds	4.7	5.8
Reverse Mortgages	(0.3)	0.7
Corporate	(4.8)	(4.6)
Underlying profit before interest and tax	16.5	10.7
Corporate finance costs	(0.7)	(0.5)
Underlying profit before tax	15.8	10.2
Underlying tax expense	(5.4)	(3.9)
Underlying net profit after tax	10.4	6.3

# Growth in assets

*Substantial net asset backing supports value equation*

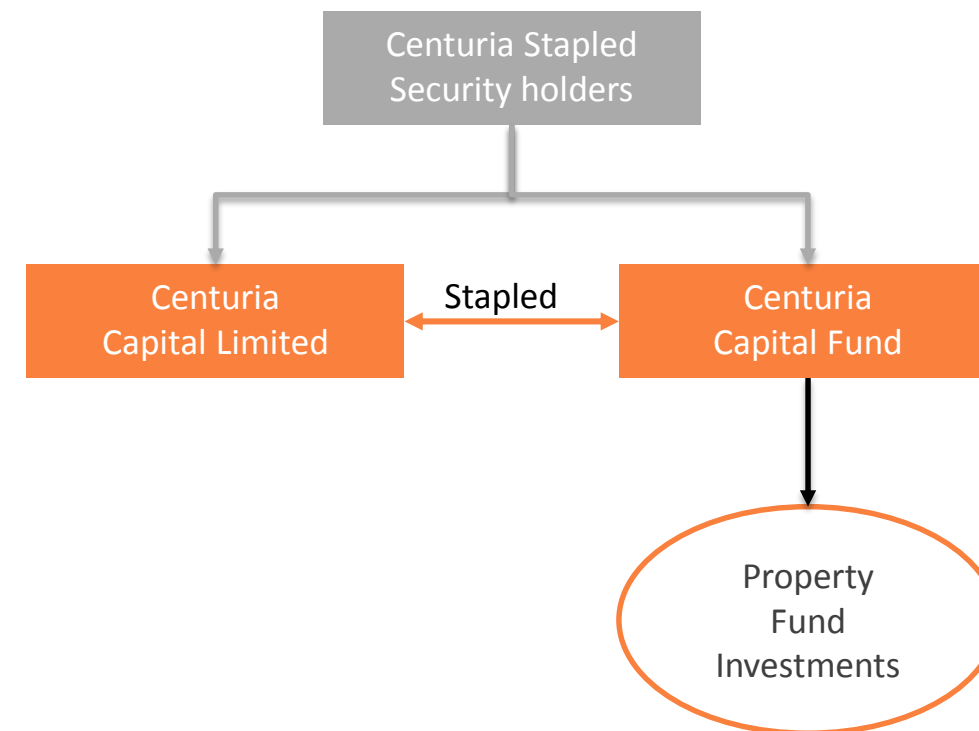
Balance Sheet Metrics	As at 30 June 2016	As at 30 June 2015	Increase	
Net assets	\$127.7m	\$118.9m	7.4%	↑
Net assets per share <sup>(1)</sup>	\$1.67	\$1.55	7.7%	↑
Net Tangible Assets per share <sup>(1)</sup>	\$0.97	\$0.86	12.8%	↑
Share Price	\$1.05	\$0.94	11.7%	↑

- Increase in net asset backing under-pinned by strong operating profit increase and retained earnings

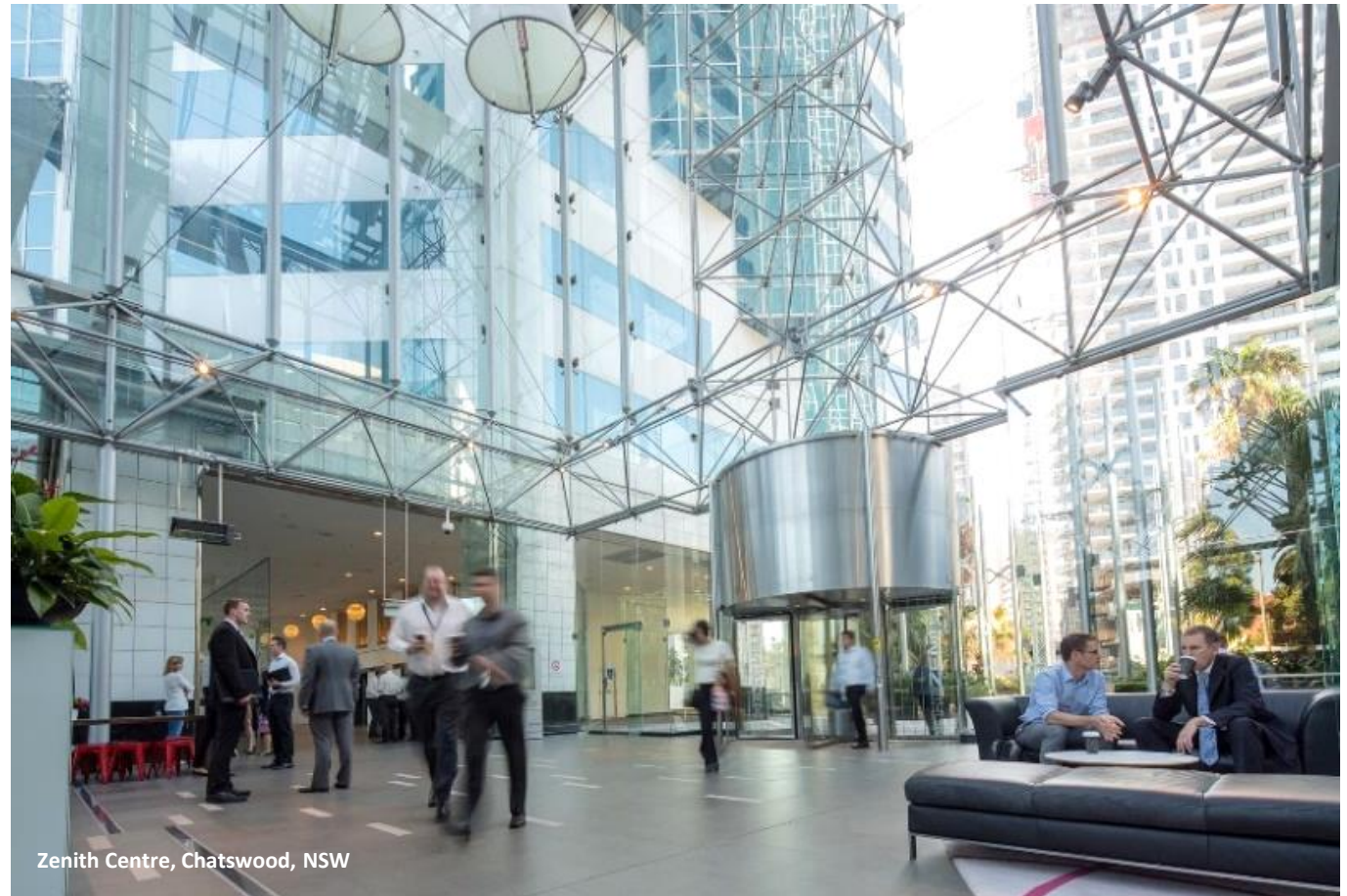
1. Net Assets per share and NTA per share based on ordinary shares on issue (excluding contingently issuable performance rights).

# Potential corporate restructure

- CNI is considering a corporate restructure to create a new stapled entity, Centuria Capital Group. Benefits would include;
  - More efficient platform to hold Centuria's existing and future property fund co-investments
  - Potential for material increase in combined dividend/distribution given flow through status of fund
  - No change to underlying business
  - Brings Centuria's structure in line with other listed property fund managers
  - Increases attractiveness of its funds to investors
- The proposal would be subject to approval by shareholders by ordinary resolution at an extraordinary general meeting.

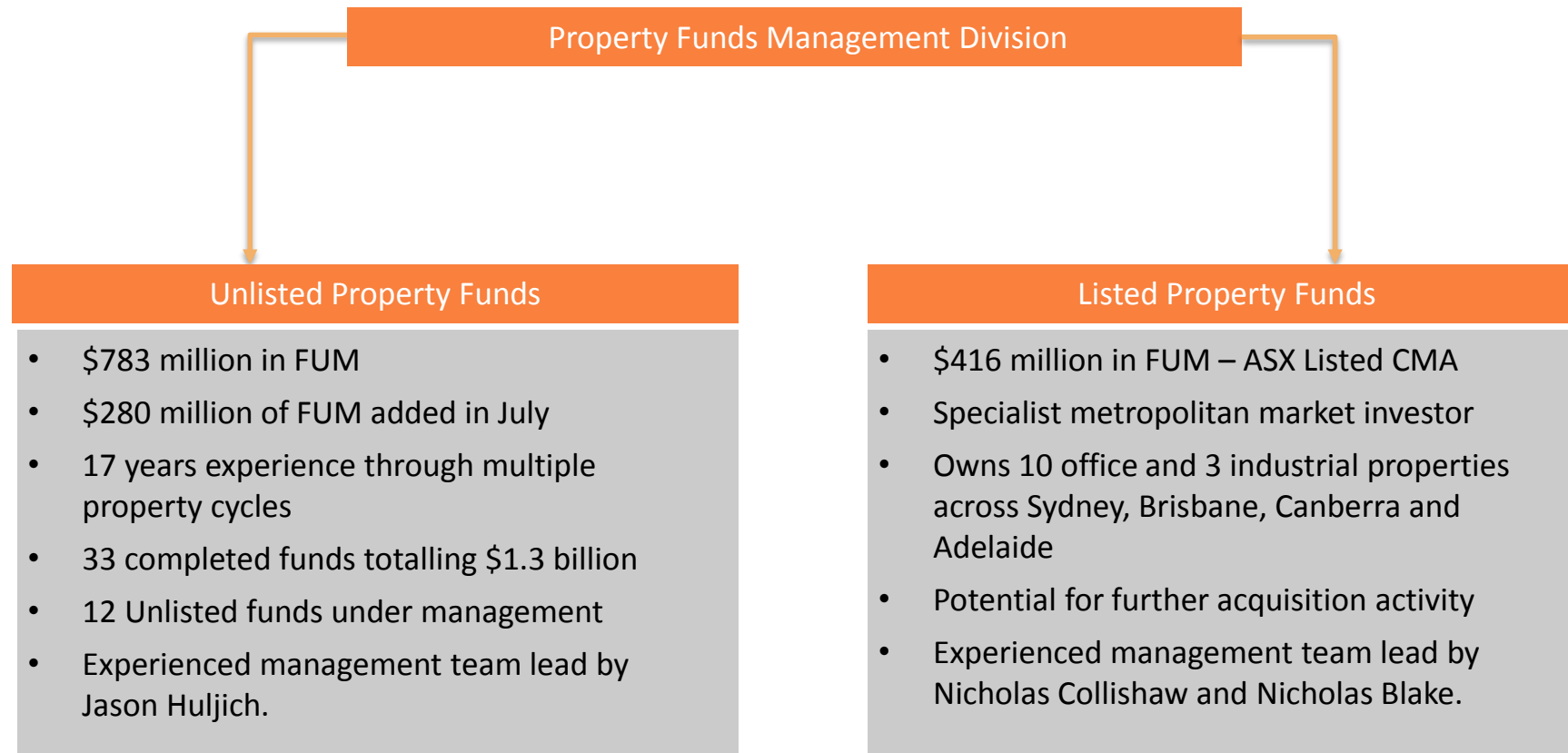


# Property Funds Management Division



Zenith Centre, Chatswood, NSW

# Property Funds Management Division





# Unlisted Property highlights

*Active transaction flow ensures significant increase in FUM triggering substantial investor profits and fees*

- Successful acquisition of three assets totalling \$265 million and the acquisition of the \$280 million Zenith Centre in Chatswood on 29 July this year
- Partnering with leading fund management institutions Mirvac and BlackRock
- Successful completion of 175 Castlereagh Street and Macquarie Park, two funds generating significant investor profits and performance fees
- Appointment of senior property fund sales and marketing specialist, Michael Blake, to increase distribution capacity for acquisition pipeline
- Unlisted Property is experiencing substantial demand owing to the quality of offers, strength of the Centuria brand and growing distribution channels.



## \$783m

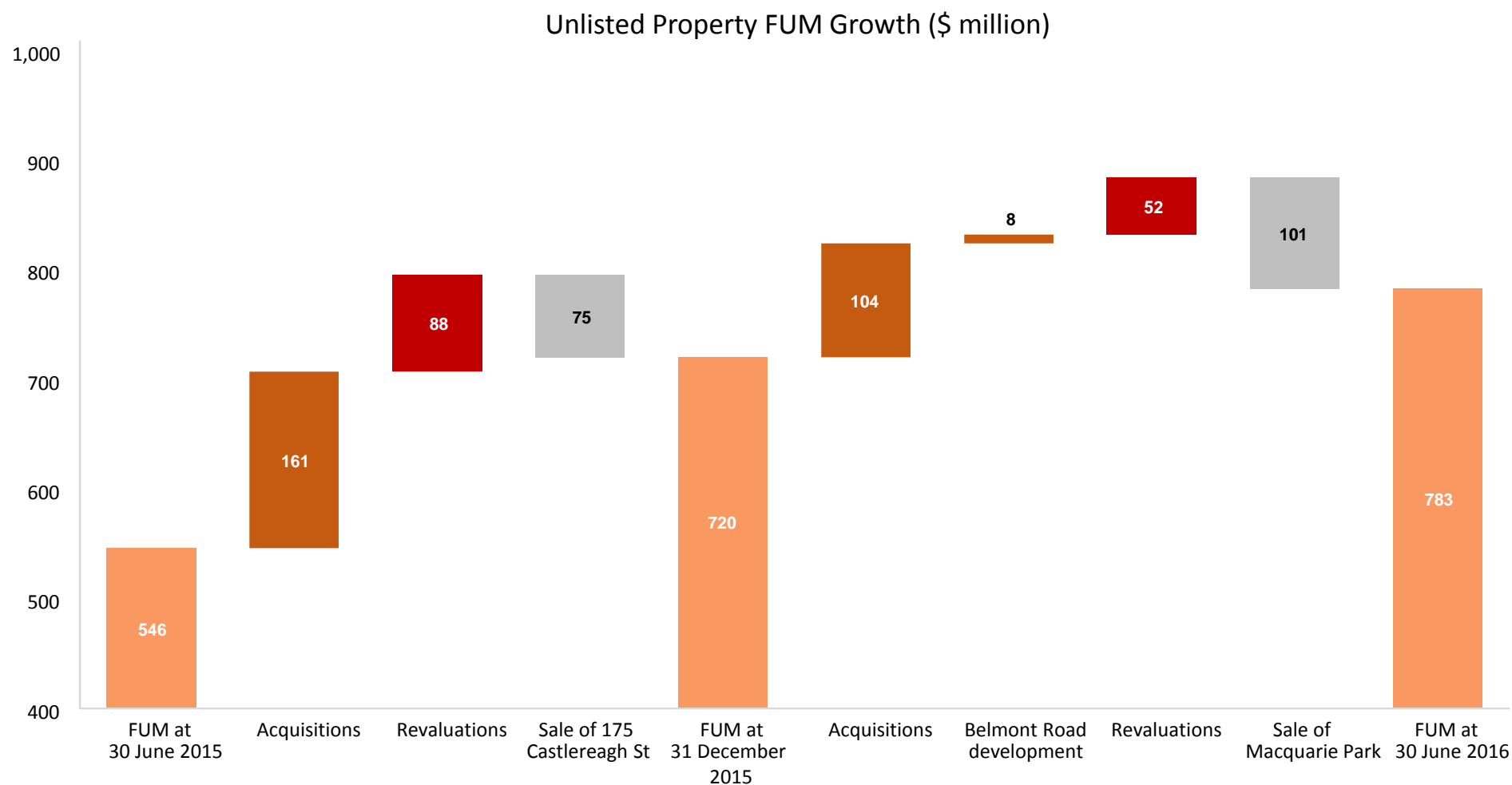
Funds under management

## 42%

Growth in FUM

# Unlisted Property highlights

*42% growth in unlisted property funds under management*



# Unlisted Property strategy

## *Centuria continues to grow its unlisted platform*

- Expectation of strong demand for Unlisted Property funds due to low interest rate environment
- Continued strong investment from
  - high net worth investors
  - family offices and
  - unaligned financial planning groups
- Partnering institutional investors with retail demand allows access to larger acquisitions (\$100 million plus)
- Launch of Centuria Diversified Property Fund, an open-ended fund.





# Listed Property Funds Management highlights

## *CMA delivers predictable and growing earnings to investors*

- Centuria Metropolitan REIT (ASX: CMA) listed in 2014
- Security price of \$2.32<sup>(1)</sup> up 16% since listing
- CMA utilises Centuria's capabilities in property management, development and accounting
- Significant leasing success generated by Centuria's integrated business approach delivered value for CMA investors
- Acquisition of 50% interest in 203 Pacific Highway, St Leonards with Centuria Unlisted Fund
- CMA delivered on its financial forecast distributing 17.0 cents per stapled security for FY16
- NTA increased by 21 cents to \$2.18 per security.



1. Close of business 16 August 2016.

# Listed Property Funds Management

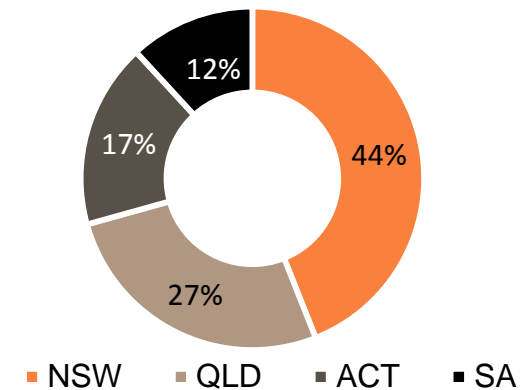
*Portfolio well positioned to ensure income and capital values continue to grow*

- Portfolio book value increased 9.3%<sup>(1)</sup> to \$398.7 million
- Approximately 76% of rental revenue derived from ASX-listed, multinational, national and government tenants

## CMA Portfolio Metrics

	FY16	FY15
Number of assets	13	12
Book value	\$398.7m	\$323.1m
WACR	7.86%	8.43%
Occupancy <sup>(2),(3)</sup>	97.2%	96.7%
FY17 expiries <sup>(4)</sup>	8.7%	13.6%
WALE <sup>(2),(3)</sup>	4.4 yrs	4.8 yrs

Geographic diversification (by value)



1. On a like for like basis, excluding 203 Pacific Highway, St Leonards (50% interest)  
 2. Includes seven transactions where terms have been agreed but subject to lease finalisation  
 3. By NLA  
 4. Inclusive of current vacancies

# Listed Property strategy

## *Active management delivering predictable and growing earnings*

- Focus on maximising CMA's investment return by
  - maximising tenant retention
  - initiating refurbishment and repositioning strategies
  - maintaining a disciplined capital structure
  - acquiring fit for purpose assets to complement existing portfolio
- Seek further acquisition transactions similar to the GMF bid.

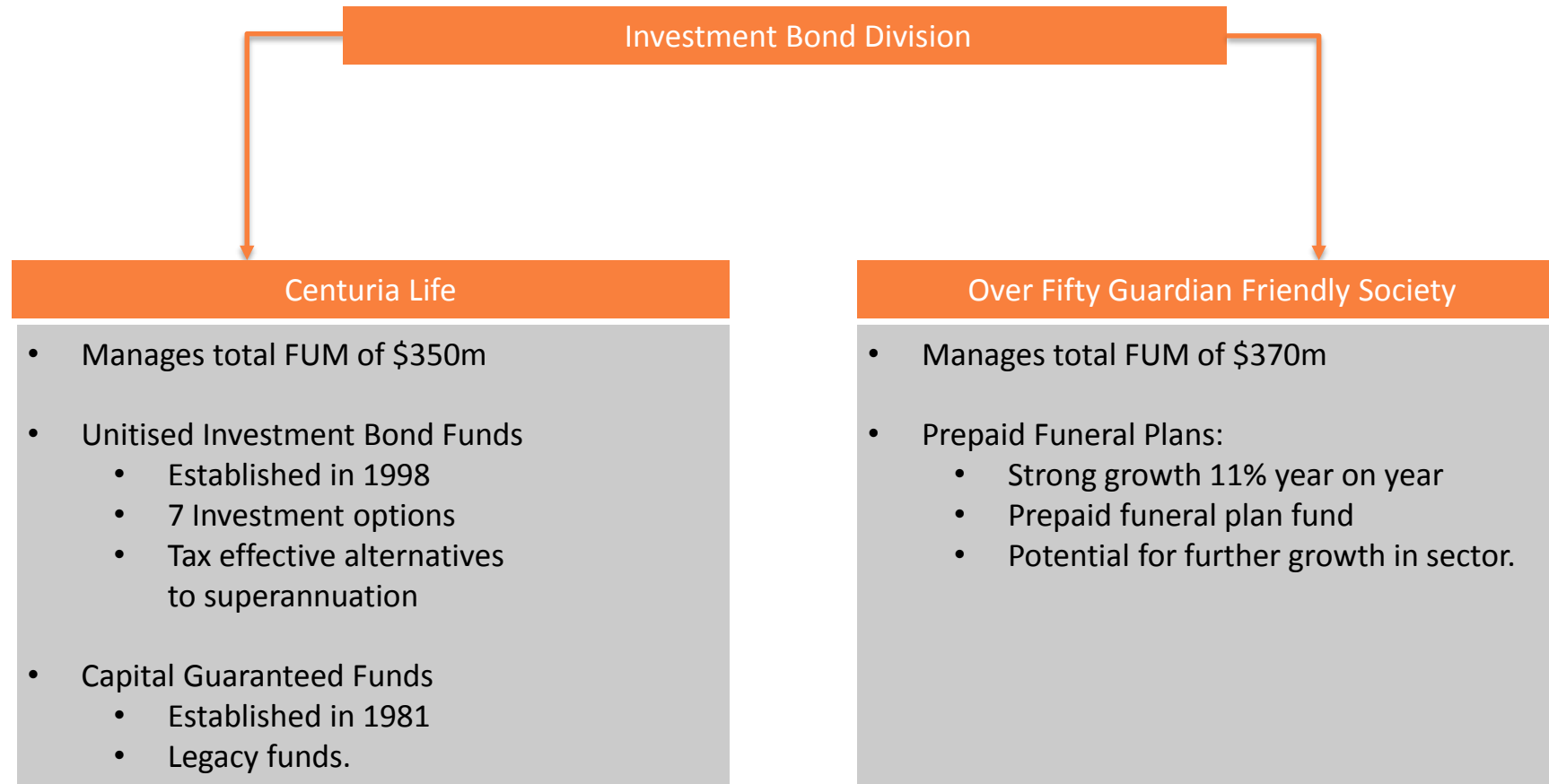




# Investment Bonds Division



# Investment Bond Division





# Investment Bond Division

*4<sup>th</sup> largest friendly society/insurance bond issuer in Australia*

- 10.2% market share of \$7 billion total market<sup>(1)</sup>
- Stabilised the business creates a platform for sustainable growth
- Full year inflows \$67.0 million
- Forecasting FY17 FUM growth for non-legacy book
- Main four unitised Bonds ranked 1st or 2nd in Morningstar peer rankings
- Centuria Life product suite rated “Investment Grade” by Lonsec.

$$\text{\$350m} + \text{\$370m} = \text{\$720m}$$

Total FUM of  
Centuria Life  
Investment Bonds

Total FUM of Over  
Fifty Guardian Friendly  
Society Bonds

Total FUM

	30 June 2016	30 June 2015
Total FUM increased	\$720m	\$715m
Total policyholders increased	85.1k	83.8k
Inflows increased	\$67.0m	\$46.8m
Redemptions	\$95.8m	\$70.9m

1. Plan for Life Bond Report March 2016

## Investment Bond Division

### *The investment bond provider of choice to non-aligned financial advisers*

- Centuria Investment Bonds now on over 15 Approved Product Lists representing over 20% of the non-aligned financial adviser market<sup>(1)</sup>
- Developed a white-labelled Investment Bond offering for Providence Wealth and rationalised the legacy product range closing 4 funds in the period.



Fund	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Morningstar Ranking <sup>(2)</sup>		Morningstar Rating
Centuria High Growth	4.00%	7.80%	8.92%	High Growth Bond	1/23	****
Centuria Australian Shares	9.77%	9.82%	9.86%	Australian Shares Bond	1/38	*****
Centuria Growth Bond	7.92%	8.47%	7.78%	Growth & Balanced Bonds	1/88	****
Centuria Balanced	4.75%	6.36%	7.25%	Growth & Balanced Bonds	2/88	****

After tax returns demonstrated in the table

1. The Changing Face of Financial Service Distribution, IFA

2. Performance rankings from the universe of investment/insurance providers as at 31 July 2016

# Investment Bond strategy

---

## *Positioning Investment Bonds as an investment alternative to superannuation*

- With ongoing regulatory uncertainty around superannuation, Investment Bonds are well placed as tax-effective savings vehicles for accumulation of wealth and income outside of superannuation
- Focus is to build long-term, sustainable relationships in the retail advice market and to position the Investment Bond Division as the investment bond provider of choice for third-party distributors and selected aligned financial advisers
- Continue white-labelling opportunities where appropriate
- Implementing Retention Strategy for Capital Guarantee Book
- Investment Bonds sales strategies include
  - certainty with estate planning
  - maximising government entitlements in aged care, and;
  - saving for education
  - tax-effective retirement savings.

# Outlook

# Outlook

---

## *Centuria is well positioned to grow recurring earnings and scale up*

- Low interest rate environment to continue – ideal for Centuria Property Fund products
- Uncertain superannuation legislation – encouraging for the Investment Bond business
- CMA listed business to continue strong growth
- Unlisted Property business to continue traditional single-asset funds and launch new open-ended fund
- Diversification of equity sources to continue eg SEB and BlackRock wholesale/retail hybrid funds
- Increased focus on growing recurring revenues
- Potential corporate restructure to enable co-investments distributions to flow directly to shareholders
- Strong focus on platform acquisitions where they will meaningfully enhance scale and shareholder wealth
- CNL aims to deliver consistent growth in earnings and dividend per share over the short and long-term.

# Appendices

# Reconciliation of statutory NPAT to underlying NPAT

	2016 \$ million	2015 \$ million
Underlying net profit after tax <sup>(1)</sup>	10.4	6.3
Non-underlying adjustments:		
Unrealised gain on fair value of derivatives	5.5	1.2
Centuria Life seed capital valuation movement	(2.8)	(1.8)
Accounting gains on sales of non-core assets	-	5.2
Unrealised profit on non-core investment (net of costs)	1.0	-
Tax impact of above non-recurring adjustments	(2.0)	(2.3)
<b>Statutory net profit after tax</b>	<b>12.1</b>	<b>8.6</b>

1. Underlying profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for specific non-cash and significant items.

# Realising Value - Unlisted Property Fund Asset Sale

## 80 Waterloo Rd & 16 Byfield St, North Ryde Macquarie Park

Purchase date	2001 & 2002
Acquisition price	\$25.3m
Sale price	\$101.0m
Capital gain	310.0%
IRR (post fees)	~20.0%
Performance/Sale fee	\$9.6m

- Announced conditional sale of Macquarie Park properties for \$101 million
- The properties were purchased in 2001 and 2002 for \$25.3 million
- Performance/sale fees of \$9.6 million will be generated





# Building Unlisted Property Fund Pipeline

## Australian Technology Park, Eveleigh

Purchase price	\$104.0m
Valuation	\$108.8m
Equity raised	\$61.8m
Offer closed oversubscribed	February 2016
Forecast 2016 distribution yield (annualised)	8.7%
Performance/Sale fee	\$9.6m

- Successful co-tenderer with Mirvac Group for acquisition of assets within the Australian Technology Park (ATP), Eveleigh.
- \$104 million purchase due to settle in March 2016.
- The CBA commitment of 93,000sqm and the pre-sale to Mirvac, AMP and Sunsuper has re-rated the precinct to Institutional Grade
- Centuria's foresight will generate significant Investor returns



# Disclaimer

---

This document has been issued by Centuria Capital Limited ABN 22 095 454 336 and contains general information about Centuria Capital Limited and its related bodies corporate (“Centuria”) which is current as at 18 August 2016.

The information in this document is in summary form and does not purport to be complete. Due to the impact of rounding, the totals shown for charts, graphs or tables in this document may not equate to the sum of the individual components of the relevant chart, graph or table. Accordingly, it should be read in conjunction with all other information concerning Centuria filed with the Australian Securities Exchange.

The document has been prepared from information believed to be accurate, however, no representation or warranty is made as to the accuracy or adequacy of any information contained in the document.

To the extent permitted by law, Centuria, its related bodies corporate and their respective directors, officers and employees, exclude liability for any loss or damage resulting from the issue or use of, or reliance on, anything contained in or omitted from this document.

This document is not a recommendation or personal advice in relation to Centuria or any product or service offered by Centuria and does not take into account the investment objectives, financial situation or needs of any particular person. Past performance is not indicative of future performance.

To the extent this document contains prospective financial information, that information has been based on current expectations about future events and is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from expectations. CA-CNI-03/05/16-00266

