

1 May 2018

# Charter Hall Group Macquarie Australia Conference

Western Sydney University, 1 Parramatta Square, Parramatta NSW



# Group Highlights

Group maintained \$2.9bn of investment growth capacity

Group Returns	Property Investments	Funds Management	Balance Sheet
\$121m statutory profit	11.9% Total Property Investment Return <sup>2</sup>	13.2% FUM growth to \$22.5bn (9 months)	0% balance sheet gearing <sup>4</sup>
4.3% OEPS growth pcp	\$1.6bn Property Investment portfolio	\$3.0bn in gross transactions (9 months)	26.8% look through gearing <sup>5</sup>
19.5% Total Platform Return <sup>1</sup>	6.4% Property Investment yield	4.5% Property Funds Management yield <sup>3</sup>	2.6% NTA per security growth <sup>6</sup> (6 months)

1. Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distribution per security divided by the weighted average NTA per security for the 12 months to 31 December 2017

2. Total Property Investment (PI) Return is calculated as growth in the PI portfolio value plus distributions received divided by the weighted average PI portfolio value for the 12 months to 31 December 2017

3. Property Funds Management (PFM) yield is calculated as PFM operating earnings per security divided by the weighted average NTA per security for the 12 months to 31 December 2017

4. Balance sheet gearing calculated as debt (net of cash) / gross assets (less cash)

5. Look through gearing calculated as Charter Hall's look through debt (net of cash) / total assets (net of cash) of the PI Portfolio plus Charter Hall's balance sheet

6. Net tangible assets per stapled security is calculated as assets less liabilities, net of intangible assets and related deferred tax.

# Operational Highlights



## OFFICE

**74** Leasing deals executed across **120,000sqm**

Major pre-leases to Vanguard SA Government, CBUS, Telstra Super and BHP

130 Lonsdale now **55%** pre-leased

**\$1,900m** gross transactions

**9** development projects completion value **\$2.3bn<sup>1</sup>**

**\$2.9bn** new and refinanced debt facilities



## INDUSTRIAL

**36** Leasing deals executed across **485,000sqm**

**200,000sqm** new pre-leases on existing land holdings

**\$319m** gross transactions

**24** development projects completion value **\$1.7bn<sup>1</sup>**

**\$816m** new and refinanced debt facilities



## RETAIL

**275** Leasing deals executed across **48,000sqm**

**7** leases executed across **18,000sqm** to Majors

**\$767m** gross transactions with increased non-core divestments as we curate portfolios

**14** development projects development spend **\$392m<sup>1</sup>**

**\$518m** new and refinanced debt facilities

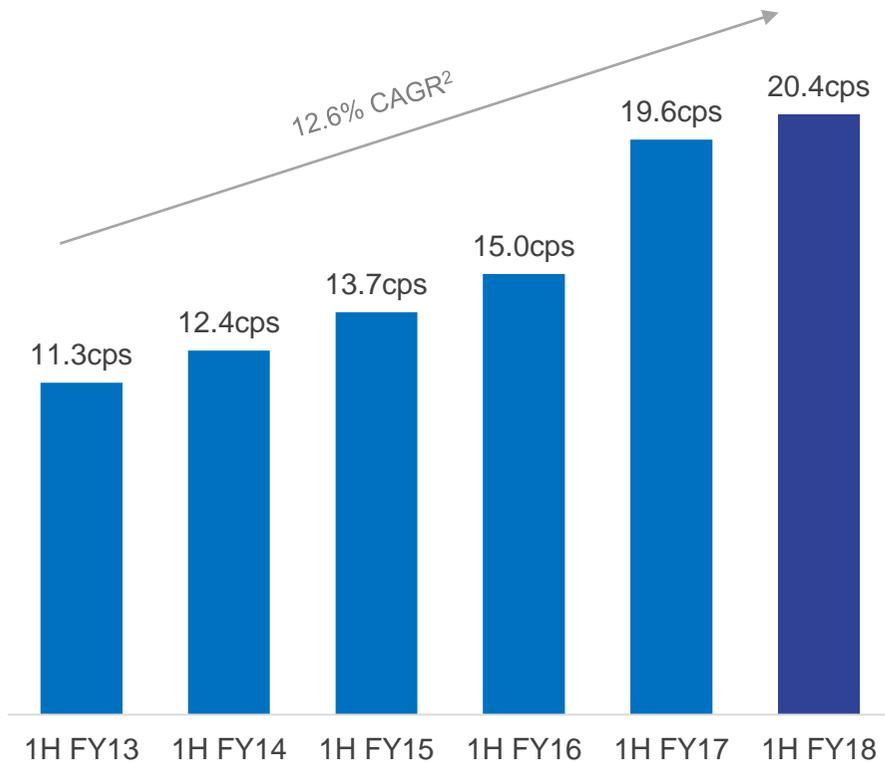
Figures on this page refer to the 9 months to 31 March, 2018 unless otherwise stated

1. As at 31 December, 2017

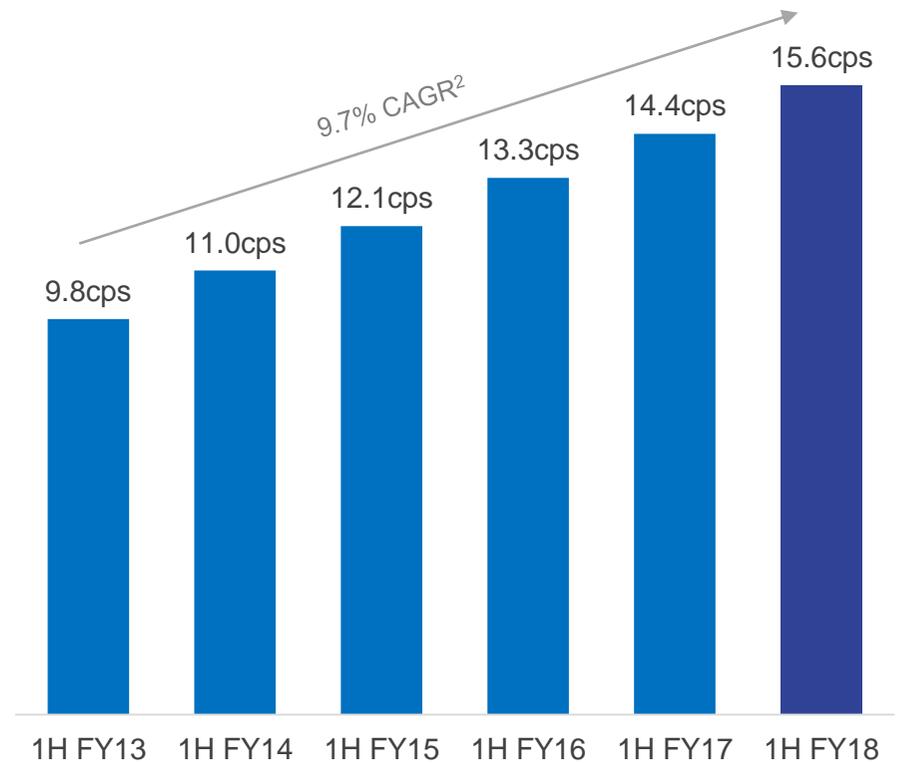
# Sustained Growth

FY16 OEPS to FY18 OEPS (guidance) reflects growth of 10.3% per annum

## Operating earnings per security growth<sup>1</sup>



## Distributions per security growth



1. Operating earnings per security prior to FY14 restated to include security-based benefits expense  
2. Compound annual growth rate (CAGR) from 1H FY13 to 1H FY18

# FY18 Transactional Activity (YTD)

- Consistent transaction volume across core sectors
- Average acquisition value of \$90m versus average divestment value of \$30m

(\$m)	Office	Industrial	Long WALE Retail	Shopping Centre Retail	Total
<b>Acquisitions</b>	1,426	311	293	216	2,245
<b>Divestments</b>	474	9	38	221	742
<b>Net transactions</b>	951	302	255	(5)	1,503
<b>Gross transactions</b>	<b>1,900</b>	<b>319</b>	<b>331</b>	<b>437</b>	<b>2,987</b>



# Equity Flows

Diversified equity sources with \$1.1bn gross equity raised in the 9 months to 31 March, 2018:

- Across the Group six open ended pooled unlisted funds continue to raise new equity
- \$602m raised in Wholesale Funds and Partnerships with further equity raising underway in CPOF
- \$421m raised in Direct Funds with further equity raising underway in open Direct Funds

(\$m)	FY15	FY16	FY17	YTD FY18
Wholesale Pooled Funds	653	606	776	354
Wholesale Partnerships	598	467	217	248
Listed Funds <sup>1</sup>	274	76	988	78
Direct Funds <sup>2</sup>	180	318	355	421
<b>Gross equity raised</b>	<b>1,705</b>	<b>1,467</b>	<b>2,336</b>	<b>1,101</b>
Net equity raised	1,297	1,099	1,689	989

Equity flows includes equity received or returned only and excludes undrawn equity commitments

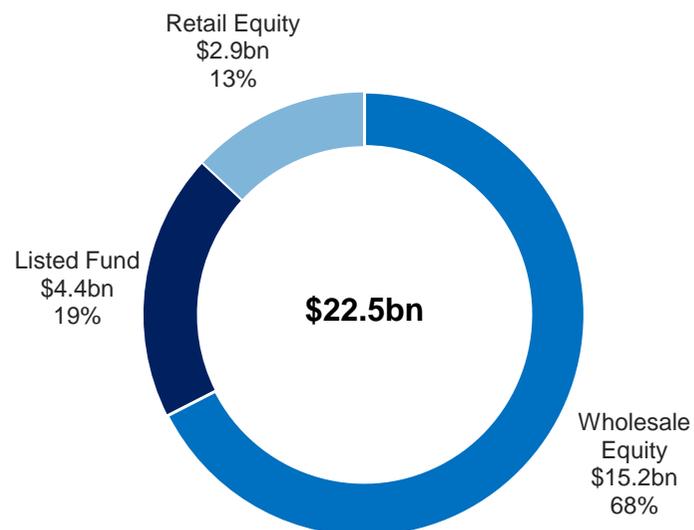
1. Listed Funds include equity raised in CHC, CQR and CLW

2. Funds and syndicates for retail, SMSF and high net worth investors

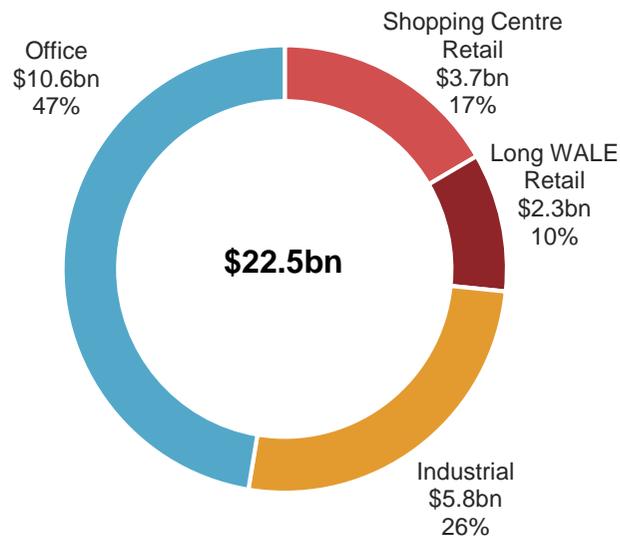
# Group Funds Management Portfolio

	Portfolio Value (\$bn)	Lettable Area (m sqm)	No. of Properties	WALE <sup>1</sup> (years)	Occupancy (%)	WACR <sup>2</sup> (%)
<b>31 Mar 18</b>	<b>22.5</b>	<b>5.5</b>	<b>332</b>	<b>7.8</b>	<b>97.5</b>	<b>5.89</b>
30 Jun 17	19.8	5.1	329	7.7	98.0	6.07

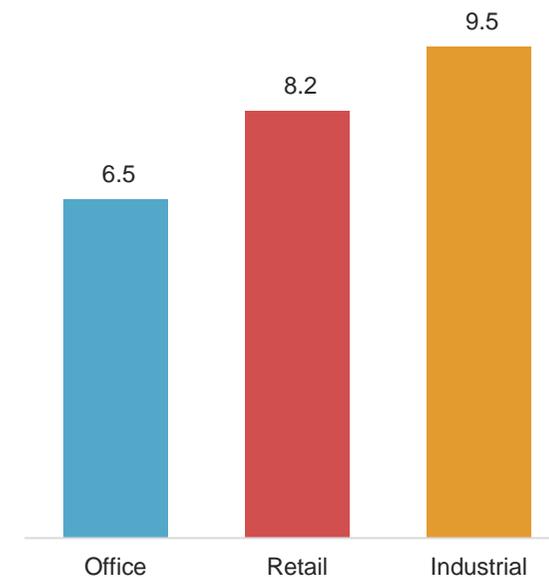
Diversification by equity source



Asset type diversification



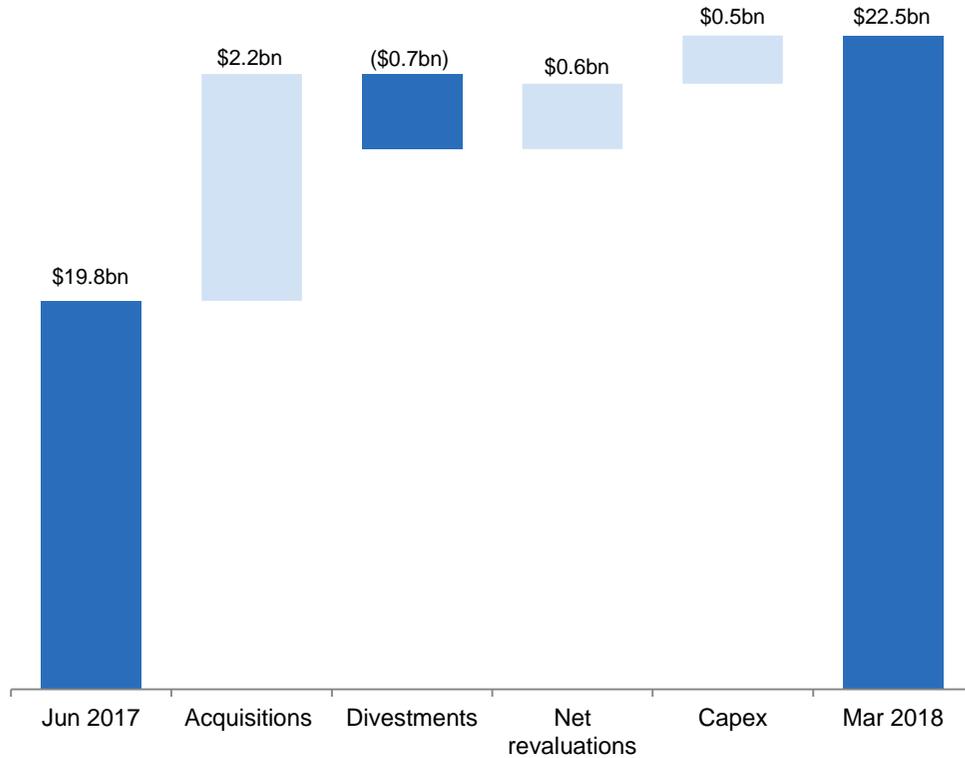
WALE by sector



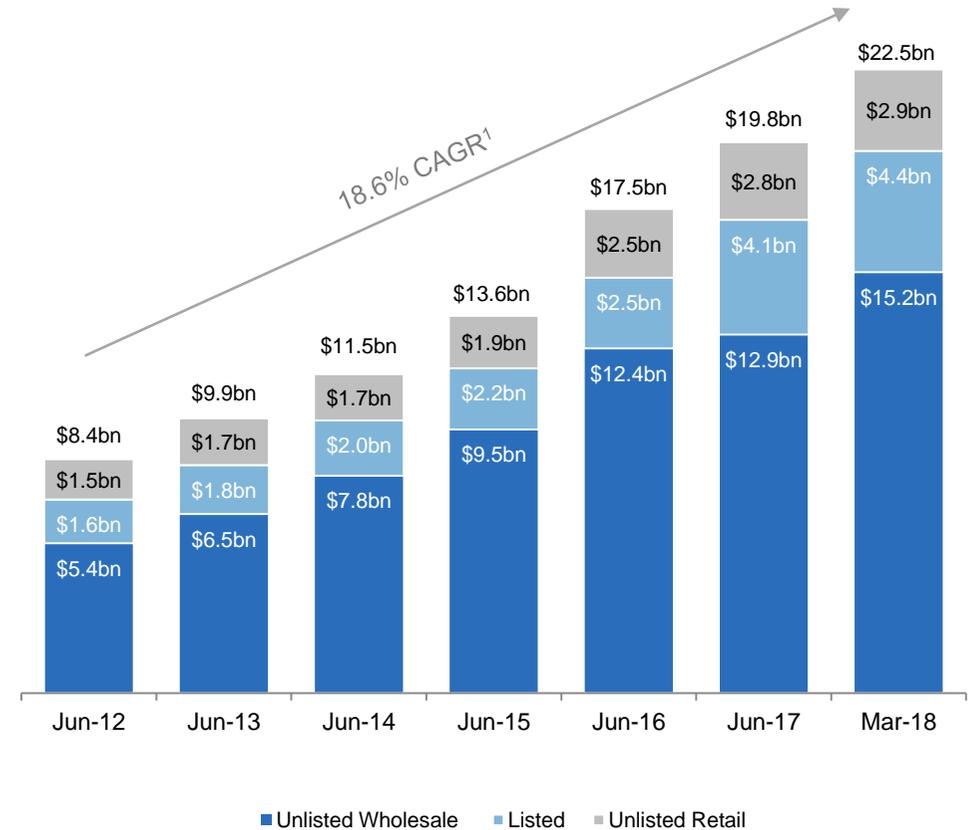
1. WALE is the weighted average lease expiry for the Property Funds Management portfolio and is weighted by gross income  
 2. WACR is the weighted average cap rate for the Property Funds Management portfolio and is weighted by gross asset value

# Funds Under Management Growth

Funds under management movement (\$bn)



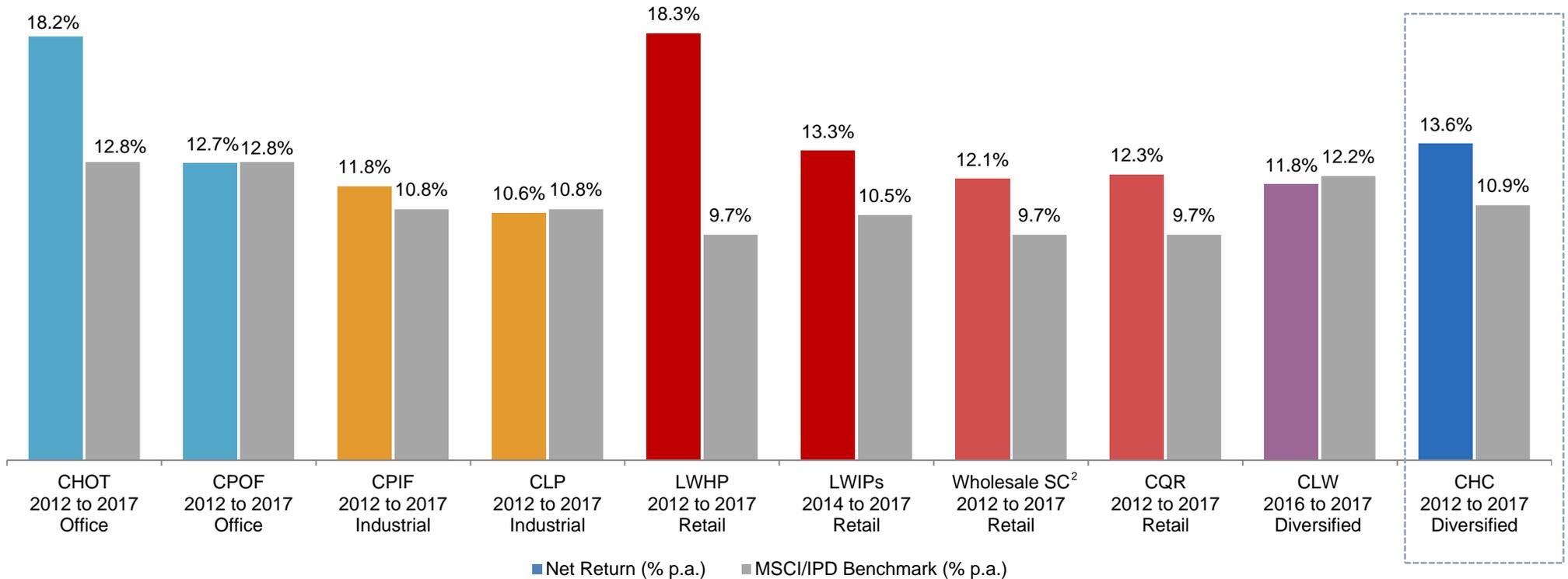
Funds under management by equity source (\$bn)



1. Compound annual growth rate (CAGR) from 30 June 2012 to 31 March 2018

# Property Investment Portfolio Returns

- The Property Investment Portfolios total property return<sup>1</sup> over the five years to 31 December 2017 is 13.6% per annum, outperforming the MSCI/IPD Unlisted Wholesale Property Fund Index (NAV post fees) which returned 10.9% over the same period
- The below chart shows the total property return of each core Property Investment relative to its sector specific MSCI/IPD index



1. Total Property Investment (PI) Return is calculated as growth in the PI portfolio value plus distributions received divided by the weighted average PI portfolio value for the 12 months to 31 December 2017  
 2. Includes CHC's investments in Wholesale Shopping Centre (SC) Funds RP2, RP6 and CPRF

# Development Activity

## Continues to drive asset creation and attract capital

- Development activity is undertaken by funds/partnerships to enhance income yield and total returns
- In-house development skills are a core competency of Charter Hall
- Total pipeline includes 47 office, industrial and retail projects
- Majority of committed projects are de-risked through pre-leases and fixed price building contracts
- Average committed project size of \$234m for office, \$58m for industrial and \$16m<sup>1</sup> for retail

Development activity (completion value \$m)	Committed projects	Uncommitted projects <sup>2</sup>	Total Pipeline <sup>3</sup>
Office	1,405	941	2,346
Industrial	816	856	1,672
Retail <sup>1</sup>	131	261	392
<b>Total</b>	<b>2,352</b>	<b>2,058</b>	<b>4,410</b>

1. Reflects development spend only and excludes existing centre value

2. Includes potential end value of uncommitted development projects

3. \$1.7bn included in FUM at 31 December 2017

# Major Tenant Customer Relationships

65% repeat tenant customers across 1,450 leases

- Tenant retention rate of 77.5%
- CHC continues to be a major player within the sale and leaseback market with over \$3.0bn sale and leaseback transactions over the last 5 years
  - CHC continues to see success sourcing off-market opportunities through loyal existing tenant customers
  - Management believe there is still opportunity to do more sale and leaseback transactions within new and existing sectors
- Global market volatility likely to continue to assist the sale and leaseback story as corporates continue strategic efforts to ensure balance sheet stability and focus on their core business operations/efficiencies

## Examples of CHC's Sale and Leaseback Relationships



# FY18 Earnings Guidance

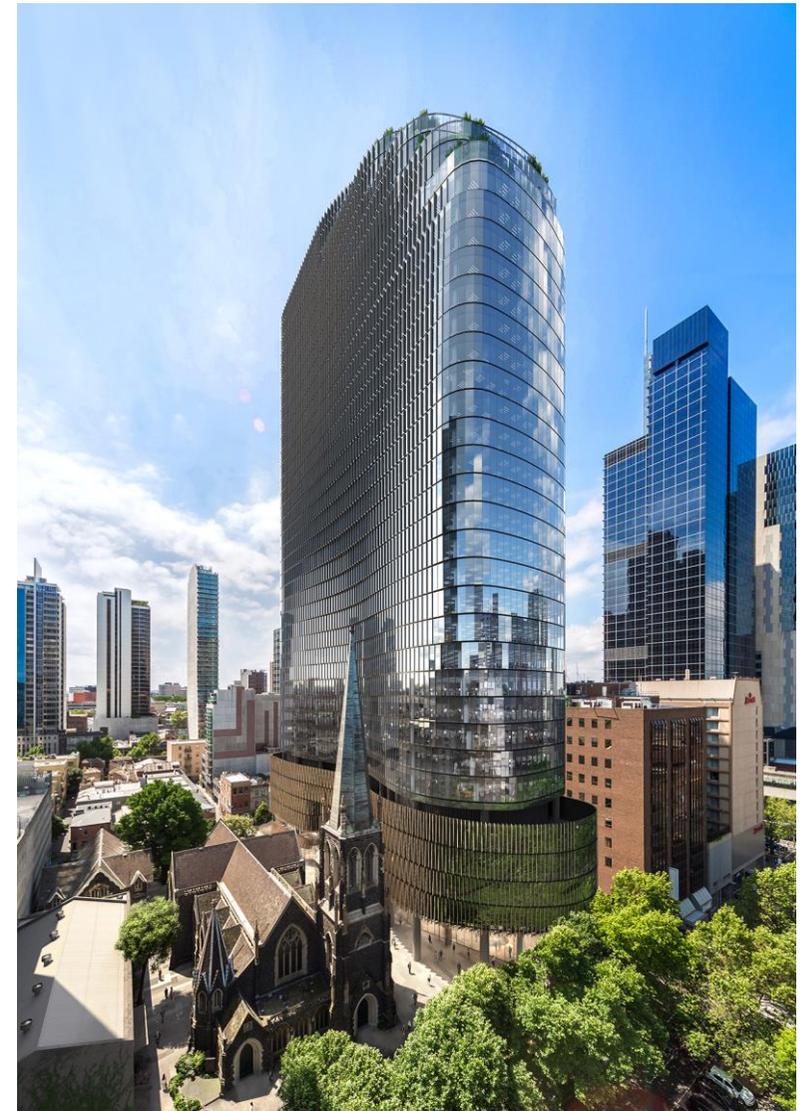
We believe the property market landscape will continue to accommodate growth

- **Asset growth** is expected in submarkets that are underpinned by **favourable property fundamentals** where there is effective rental growth
- **Continued equity flows** expected for fund managers with strong track records

## Our guidance is as follows:

Based on no material change in current market conditions our FY18 guidance for operating earnings per security post-tax is no less than 3% growth on FY17 OEPS of 35.9 cents per security, equivalent to 37.0 cents per security

The distribution payout ratio is expected to normalise within our longer term range, being 85% to 95% of operating earnings per security post-tax



Artist impression of Wesley Place, 130 Lonsdale Street, Melbourne VIC

# Contact Us



**David Harrison**  
**Managing Director & Group CEO**

Charter Hall Group

**T:** +61 2 8651 9142  
david.harrison@charterhall.com.au



**Russell Proutt**  
**Chief Financial Officer**

Charter Hall Group

**T:** +61 2 8651 9493  
russell.proutt@charterhall.com.au



**Sean McMahon**  
**Chief Investment Officer &  
Industrial CEO**

Charter Hall Group

**T:** +61 2 02 8651 9147  
sean.mcmahon@charterhall.com.au



**Philip Cheetham**  
**Head Of Listed Investor Relations**

Charter Hall Group

**T:** +61 2 8651 9214  
philip.cheetham@charterhall.com.au

# Disclaimer

This presentation has been prepared by Charter Hall Funds Management Limited ACN 082 991 786) (together, with its related bodies corporate, the Charter Hall Group).

This presentation has been prepared without reference to your particular investment objectives, financial situation or needs and does not purport to contain all the information that a prospective investor may require in evaluating a possible investment, nor does it contain all the information which would be required in a product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Commonwealth) (Corporations Act). Prospective investors should conduct their own independent review, investigations and analysis of the information contained in or referred to in this presentation and the further due diligence information provided.

Statements in this presentation are made only as of the date of this presentation, unless otherwise stated. Charter Hall Group is not responsible for providing updated information to any prospective investors. Any forecast or other forward looking statement contained in this presentation may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material.

In making an investment decision, prospective investors must rely on their own examination of the Charter Hall Group, and any other information they consider relevant. All information is provided as indicative only.

This presentation is provided to each prospective investor on the condition that it is strictly confidential and is for the sole use of prospective investors and their advisers. It must not be provided to any other party without the written consent of Charter Hall Group which it may withhold in its absolute discretion.

None of Charter Hall Group, its officers, employees, advisers or securityholders (together, the Beneficiaries) guarantee or make any representation or warranty as to, or take responsibility for, the accuracy, reliability or completeness of the information contained in this presentation. Nothing contained in this presentation nor any other related information made available to prospective investors is, or shall be relied on, as a promise, representation, warranty or guarantee, whether as to the past, present or the future. To the extent permitted by law, the Beneficiaries disclaim all liability that may otherwise arise due to any information contained in this presentation being inaccurate, or due to information being omitted from this document, whether by way of negligence or otherwise. Neither the Beneficiaries nor any other person guarantees the performance of an investment with or managed by Charter Hall Group.

All information contained herein is current as at 31 December 2017 unless otherwise stated. All references to dollars (\$) are to Australian dollars, unless otherwise stated.

**Sydney  
Head Office**  
Level 20, No.1 Martin Place  
Sydney, NSW, 2000

**T:** +61 2 8651 9000

---

**Melbourne**  
Level 12, 570 Bourke Street  
Melbourne VIC 3000

**T:** +61 3 9903 6100

---

**Brisbane**  
Level 22, Northbank Plaza  
69 Ann Street  
Brisbane QLD 4000

**T:** +61 7 3228 2000

---

**Perth**  
Level 5, St Georges Square  
225 St Georges Terrace  
Perth WA 6000

**T:** +61 8 9269 5900

---

**Adelaide**  
Level 2, 80 Pirie Street  
Adelaide SA 5000

**T:** +61 8 8417 5900

---