



Australian Securities Exchange - Company Announcements Platform

## Centuria Property Funds No. 2 Limited

### CENTURIA INDUSTRIAL REIT

#### Propertylink proposal rejected

Tuesday, 2 October 2018

Centuria Property Funds No. 2 Limited (**CPF2L**), as Responsible Entity of Centuria Industrial REIT (ASX:**CIP**), refers to its announcements on 13 September 2018 and 19 September 2018 regarding the unsolicited, indicative, non-binding and conditional proposal from Propertylink Group (ASX:**PLG**) to acquire all outstanding CIP units by way of an off-market takeover offer (**Proposal**).

#### Propertylink Proposal rejected

The Independent Board Committee (IBC) of CPF2L has undertaken a detailed analysis of the Proposal in conjunction with its advisers, including requesting further information from PLG.

The IBC notes the material uncertainty surrounding the Proposal including due to the recent ESR Proposal to acquire PLG<sup>1</sup>. The ESR Proposal is conditional upon PLG not proceeding with its Proposal for CIP.

The IBC believes that the current terms of the Proposal offered to CIP unitholders are not sufficiently beneficial to CIP unitholders to warrant exclusivity, due diligence, entering into a Bid Implementation Agreement or a recommendation from the IBC.

Accordingly, the IBC has unanimously decided to:

- Reject the Proposal; and
- Not provide PLG with a 7 day exclusivity period to conduct confirmatory due diligence on CIP.

#### Rationale for the IBC of CPF2L rejecting the Proposal

The IBC notes its view of the Proposal as follows:

- The nature of the consideration (comprising 90% PLG stapled securities) exposes CIP unitholders to considerable uncertainty and reliance on the future value of PLG stapled securities;
- Prior to corporate activity commencing in September 2017, PLG stapled securities did not trade above the IPO issue price and traded at an average premium to net tangible assets of approximately 0%;
- The headline premium that PLG stated in its Proposal is inflated due to potential corporate activity within PLG;
- The ESR Proposal has created material uncertainty regarding the future of PLG and also increased the PLG security price in circumstances where the IBC considers the increase would not be sustained if the ESR Proposal does not proceed;

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<sup>1</sup> On 21 September 2018, PLG announced the receipt of a non-binding, indicative proposal from ESR Real Estate (Australia) Pty Limited to acquire all of the stapled securities of PLG for \$1.15 cash per stapled security by way of an agreed off-market takeover, which is subject to a number of conditions including a condition that PLG not proceed with the proposal to acquire CIP (**ESR Proposal**). ESR Real Estate (Australia) Pty Limited is a subsidiary of ESR Cayman Limited (the head entity of the ESR group).



- The Proposal does not reflect the fundamental value of CIP's portfolio, nor does it allow for an appropriate premium for control of CIP;
- The Proposal will change the fundamental nature of a CIP unitholder's investment from being a 100% Australian rent collecting industrial REIT to include exposure to a funds management platform with the potential for increased volatility in earnings and the potential future loss of mandates;
- The Proposal contemplates a material increase in CIP's leverage and is likely to reduce the stable and positive earnings growth profile of CIP as a standalone entity. The IBC notes that in its attempt to pursue the Proposal, PLG has increased its gearing to over 47%, funded via short term debt.

The IBC has determined that, having regard to the terms of the Proposal and ongoing material uncertainty concerning PLG, it is not in the best interests of CIP unitholders to engage further on the Proposal.

### **Material uncertainty surrounding the Proposal**

The IBC notes the material uncertainty surrounding the Proposal with reference to the following:

- The ESR Proposal is conditional upon PLG not proceeding with its Proposal for CIP;
- The ESR group, as the largest security holder in PLG holding a relevant interest of 19.89%<sup>2</sup>, has publicly stated that "*it is our strong belief that, for the reasons we have set out in this letter (dated 20 September 2018)*<sup>3</sup>, *the CIP Proposal is not in the best interests of PLG securityholders*;<sup>4</sup> and
- Centuria Capital Group (**CNI**), which is a holder of a relevant interest in 11.38%<sup>5</sup> of Propertylink and also CIP's largest unitholder, has publicly stated "*CNI currently holds 22.9% of CIP units and, whilst it reserves its rights to change its intention, it is CNI's current intention not to accept into the Proposal*."<sup>6</sup>

### **NO ACTION required by CIP unitholders in relation to the Proposal**

For completeness, the IBC advises that CPF2L has not received a formal takeover offer or bidder's statement from PLG in relation to CIP and, therefore, there is no decision to be taken by unitholders on whether or not to accept the Proposal. If any formal takeover offer is made by PLG for CIP, CPF2L will make a formal recommendation to unitholders at that time.

In the event unitholders receive communications from PLG directly in relation to the Proposal, the IBC advises you to take NO ACTION.

CPF2L will continue to work to maximise value for all CIP unitholders.

**-Ends-**

**For further information, please contact:**

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<sup>2</sup> Refer to Form 604 Notice of change of interests of substantial holder released to ASX by ESR Pte. Ltd, ESR Cayman Limited and others (together **ESR**) on 19 December 2017 and to PLG's Appendix 4E dated 14 August 2018.

<sup>3</sup> This letter was attached to PLG's ASX announcement of 21 September 2018 (refer footnote 1).

<sup>4</sup> Refer to the ESR Proposal as released to the ASX on 21 September 2018.

<sup>5</sup> Refer to form 604 notice of change of interests of substantial holder released to ASX by CNI on 21 September 2018.

<sup>6</sup> Refer ASX announcement from CNI on 20 September 2018 titled "Seeking to change the Board of Propertylink Group".



**Ross Lees**

**Fund Manager - CIP**

Centuria Property Funds No. 2 Limited

Phone: 02 8923 8923

Email: [ross.lees@centuria.com.au](mailto:ross.lees@centuria.com.au)

**Jim Kelly**

**Domestique**

Media enquiries

Phone: 0412 549 083

Email: [jim@domestiqueconsulting.com.au](mailto:jim@domestiqueconsulting.com.au)

**Jon Snowball**

**Domestique**

Media enquiries

Phone: 0477 946 068

Email: [jon@domestiqueconsulting.com.au](mailto:jon@domestiqueconsulting.com.au)

**About Centuria Property Funds No. 2 Limited**

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP).

CIP is Australia's largest ASX-listed income focused industrial investment vehicle and is included in the S&P/ASX 300 Index. CIP owns a portfolio of 38 high quality industrial assets with a value of approximately \$1.0 billion, the properties are located in key metropolitan locations throughout Australia.

CPF2L, combined with Centuria Property Funds Limited (CPFL) are wholly owned subsidiaries of Centuria Capital Group (CNI) and have approximately \$4.0 billion of assets under management across 15 unlisted property funds, one open-ended diversified property fund and two listed REITs.

CNI is an ASX-listed specialist investment manager with approximately \$4.9 billion in assets under management.

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