

FY22 Financial Results

SYDNEY (Thursday, 4 August 2022) - Centuria Industrial REIT (**ASX: CIP**), Australia's largest domestic pure-play industrial REIT, has announced its Full Year financial results for the period ended 30 June 2022.

FY22 Financial Highlights

- \$367.5m Statutory Net Profit
- \$111.7m Funds From Operations (FFO)¹, up 22% pcp
- 18.2 cents per unit (cpu) FFO, in line with upgraded FY22 guidance²
- 17.3 cents distributions per unit (DPU), in line with FY22 guidance
- \$4.24 per unit Net Tangible Assets (NTA)³, 11% increase over FY21⁴
- 15.2% 12-month Return on Equity (ROE)⁵
- Strong balance sheet, 33.2% gearing⁶, 4.4-year weighted average debt duration, ample headroom to covenants
- FY23 FFO guidance of 17.0cpu and distribution guidance of 16.0cpu⁷

FY22 Portfolio Highlights

- Portfolio expanded to 88 high-quality industrial assets, total portfolio value increased to \$4.1billion
- 185,206sqm lease terms agreed, representing 14% of portfolio GLA⁸ across 49 transactions
- 11% positive re-leasing spreads demonstrating growth in market rents⁹
- 20% portfolio income derived from CPI indexed leases
- 8.3-year WALE with a 98.8% portfolio occupancy¹⁰, 30% of portfolio leases expiries before FY26
- 23 high-quality industrial assets and three developments sites acquired, worth \$765m¹¹
- \$45m divested at an average 32% premium to prior book values, recycling capital into accretive opportunities
- \$326m (11%) valuation uplift^{4,12}, underpinned by strong market rental growth and leasing success

Jesse Curtis, CIP Fund Manager and Centuria Head of Industrial, said, "FY22 has been a successful year for CIP with strong portfolio leasing activity, value-add projects and asset acquisitions contributing to its delivery on upgraded FFO guidance. CIP successfully leased over 185,000sqm across 49 transactions. It was also a year of significant transactions with short WALE assets, value-add projects and development acquisitions re-risking the portfolio to capture positive rent reversions while divestment of non-core assets recycle capital into higher yielding opportunities.

"During the period, Australia recorded one of the lowest industrial vacancy rates in the world (0.8%)¹³. A sustained increase in tenant demand, and limited supply of industrial accommodation, drove industrial rental increases nationwide. CIP benefitted from this significant upward shift in rents, achieving positive re-leasing spreads of 11% over prior passing rents⁹. Subsequently, CIP's portfolio metrics remain strong. Occupancy increased to c.99% with a weighted average lease expiry (WALE) of 8.3 years."

FY22 Financial Results

| Earnings | | FY22 | FY21 |
|-------------------------------|------------|-------|-------|
| Statutory profit / (loss) | \$ million | 367.5 | 611.2 |
| FFO | \$ million | 111.7 | 91.4 |
| FFO per unit | cpu | 18.2 | 17.6 |
| Distribution per unit | cpu | 17.3 | 17.0 |
| Return on equity ⁵ | % | 15.2 | 41.8 |

| Balance Sheet | | 30 June 2022 | 30 June 2021 |
|---------------------------|------------|--------------|--------------|
| Total Assets | \$ million | 4,148.0 | 3,105.9 |
| NTA per unit ³ | \$ | 4.24 | 3.83 |
| Gearing ⁶ | % | 33.2 | 27.8 |

During FY22, CIP reported a \$367.5million statutory profit. FFO was delivered in line with upgraded guidance of 18.2cpu, increasing by 22% to \$111.7million. Total distributions of 17.3cpu were also delivered in line with guidance. Return on Equity for FY22 was 15.2%.

Total assets increased to \$4.1billion, underpinned by \$765million worth of acquisitions transacted during the year¹¹. Leasing success and rental growth supported a valuation uplift of \$326million^{4,12}. The portfolio's Weighted Average Capitalisation Rate (WACR) compressed to 4.19% during FY22 and NTA per unit increased 11% to \$4.24 during the period⁴.

CIP maintained a strong balance sheet with \$259million in available cash and debt headroom. Gearing of 33.2%, at the lower end of the target gearing range of 30-40% (covenant 50%) and interest coverage ratio (ICR) of 5.4 times (covenant of 2.0 times) both provide substantial headroom to covenants. CIP maintains a staggered and diverse debt profile having expanded its weighted average debt maturity to 4.4 years from 3.1 years.

In September 2021, CIP was assigned a Moody's Investors Service (Moody's) Baa2 issuer rating with a stable outlook. To strengthen CIP's balance sheet and broaden its capital sources, the REIT issued an inaugural \$350 million six-year Australian Dollar Medium Term Note (AMTN).

Property Portfolio

| Portfolio Snapshot | | 30 June 2022 | 30 June 2021 |
|---------------------|------------|--------------|--------------|
| Number of assets | | 88 | 62 |
| Book value | \$ million | 4,101 | 2,945.1 |
| WACR | % | 4.19 | 4.54 |
| Occupancy by income | % | 98.8 | 96.9 |
| WALE by income | years | 8.3 | 9.6 |
| Leases agreed GLA | sqm | 185,206 | 239,950 |

CIP's portfolio expanded 42% throughout FY22 to 88 high-quality assets worth \$4.1billion with a well-diversified tenant base of 167 customers. During FY22, CIP secured more than 185,200sqm of lease terms agreed over 49 transactions, representing 14% of the portfolio's Gross Lettable Area (GLA). Strong underlying market rental growth drove significant positive re-leasing spreads averaging 11% over prior passing rents¹².

Key leasing activity included:

- 42 Hoepner Road, Bundamba QLD: leased 10,200sqm on five-year leases to Australia Post and Jaycar
- Southside Industrial Estate VIC¹⁴: 67% pre-committed with terms agreed over 27,000sqm to five tenants, providing a 4.8-year WALE
- 92-98 Cosgrove Road, Enfield NSW: terms agreed for an eight-year lease across 8,818sqm

CIP's property income remains resilient with 56% of portfolio income derived from its top 20 blue chip tenant customers providing income security. Twenty per cent of CIP's portfolio income is linked to CPI. Thirty per cent of leases are due to expire over the next three years, creating opportunities to capture strong rental growth.

Value-add and Development

CIP continued to execute on a number of value-add and development projects to leverage market rents and drive income returns. Key value-add achievements included:

- 8 Lexington Drive, Bella Vista NSW: undertaking repositioning works, which secured a new 10-year lease to Amazon
- 160 Newton Road, Wetherill Park NSW: completed refurbishment works to renew and expand an existing tenant customer
- Southside Industrial Estate¹⁴: developing a five-star Greenstar (targeted) multi-unit industrial estate where lease terms are agreed over 67% of the lettable area ahead of practical completion in 1H FY23

CIP continues to progress numerous value-add and development projects, capitalising on near-term opportunities to capture market rental growth and grow income for unitholders.

Capital Transactions

CIP acquired 23 high-quality stabilised industrial assets worth \$715million¹¹, on an average WALE of 4.3 years.

Key acquisitions included:

- \$200.2 million super-prime distribution centre at 56-88 Lisbon Street, Fairfield NSW
- \$70.0 million transport and logistics facility at 82 Rodeo Road, Gregory Hills NSW

Future development projects acquired during the period include:

- 90-118 Bolinda Road, Campbellfield VIC, providing estimated end value of \$104 million
- 204-208 Bannister Road, Canning Vale WA, providing an estimated end value of \$31.1 million
- 16-19 (lot 16) Caribou Drive SA, providing an estimated end value of c.\$16.0 million

CIP continues its strategy to build scale within land constrained urban infill submarkets. During the period, it acquired three assets to create a 5.3ha landholding in Wetherill Park NSW and an additional five assets in Derrimut VIC to increase the total Derrimut submarket landholding to 25.3ha across 10 assets.

A collective \$45million of capital was recycled through divestment of non-core assets, at an average 32% premium to prior book values. Divestments included 99 Quill Way Henderson WA and 30 Clay Place, Eastern Creek NSW.

Sustainability

CIP is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework consisting of three core strategies – Conscious of climate change (Environmental), Valued stakeholders (Social) and Responsible business principles (Governance). Centuria Property Funds No 2 Limited (CPF2L) is the responsible entity for CIP and a wholly owned subsidiary of Centuria Capital Group. By the REIT's nature, CIP has no staff and is solely a portfolio of assets.

Throughout FY22, Centuria and CIP implemented various ESG initiatives, including:

- CPF2L Board changes: Non-Executive Director (NED), Nicholas Collishaw retired and Jennifer Cook was appointed as an Independent NED. The CPF2L board now has 50% female representation.
- Delivered Centuria's first Sustainability Report with the second to be released prior to Centuria's 2022 AGM
- New Green Building Council of Australia membership, continuing Diversity Council of Australia membership
- Adopted disclosures in line with GRI Index across CNI, CIP and COF
- Adopted the Task Force on Climate Related Financial Disclosure recommendations with climate change now a standard investment consideration, with adaptation plans being developed across the Centuria portfolio
- Gender diversity increased, with a ratio of 41% females to 59% males, across the Group
- 94%¹⁵ of employees enjoy working at Centuria, 96%¹⁶ of tenants are satisfied with Centuria as a landlord
- 1,100+ hours of compulsory employee training for cyber security¹⁷, and no cyber breaches during FY22

CIP's specific environmental considerations include pipeline industrial developments targeting a Five-Star Green Star rating. During FY22, the installation of 3,300 solar panels began on CIP's Warnervale asset as part of a 1.5 MW system, supporting key tenant client, Woolworths', 100% green electricity goal by 2025. CIP is also an industry participant in the NABERS Accelerate programme for Warehouses and Cold Stores.

Summary & Outlook

Jesse Curtis, concluded, "Globally, industrial real estate continues to benefit from strong tailwinds. Increasing ecommerce, and securing supply chain resilience, are driving strong demand. Domestically, despite recording strong rental growth during FY22, Australia's industrial market continues to see robust tenant demand. Labour shortages, supply change disruption and limited industrial zoned land have resulted in new industrial accommodation being in short supply. Coupled with sustained demand generated from trends of growing e-commerce adoption and increased reshoring, this is creating an environment for prolonged rental growth, particularly within urban infill markets where CIP has 85% of its portfolio.

Centuria Industrial REIT (CIP)

ASX Announcement

Centuria

“CIP is well positioned to continue delivering its strategy in FY23, capitalising on opportunities to deliver long-term income and capital growth to unitholders through leasing activity, value-add projects and its development pipeline. We expect these strong market trends to provide CIP with like-for-like net operating income growth throughout FY23. However, in formulating FY23 guidance we have taken into consideration the current inflationary environment and rising interest rates and our forecast provides buffers to manage potential interest rate volatility¹⁸.”

CIP, as Australia’s largest listed domestic pure play industrial REIT, provides FY23 FFO guidance of 17.0 cents per unit⁷ and distribution guidance of 16.0 cents per unit⁷ with distributions paid in equal quarterly instalments.

FY22 Results Presentation

CIP is providing a market briefing, which will be made available via Centuria Industrial REIT’s [website](#).

– Ends –

For more information or to arrange an interview, please contact:

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Authorised for release by Anna Kovarik, Company Secretary.

About Centuria Industrial REIT

CIP is Australia’s largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP’s portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high-quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP) (ARSN 099 680 252). CPF2L is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$20 billion in total assets under management and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

www.centuria.com.au

Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with CIP’s other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

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Centuria Industrial REIT (CIP)

ASX Announcement

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¹ FFO is CIP's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

² FY22 initial earnings guidance of no less than 18.1 cents per unit was upgraded to be no less than 18.2 cents per unit

³ NTA per unit is calculated as net assets divided by number of units on issue

⁴ Past performance is not a reliable indicator of future performance

⁵ Return on equity calculated as (closing NTA per unit minus opening NTA per unit plus distributions) divided by opening NTA per unit

⁶ Gearing is defined as total liabilities divided by total assets

⁷ Guidance remains subject to unforeseen circumstances and material changes in operating conditions

⁸ Includes Heads of Agreement (HoA)

⁹ On a net rent basis compared to prior passing rents

¹⁰ By income

¹¹ Before transaction costs. Includes assets exchanged in FY21 but settled in FY22

¹² On a like for like basis, excludes capital expenditure incurred

¹³ Source: CBRE Research – July 2022

¹⁴ 95-105 South Gippsland Highway, Dandenong South, VIC

¹⁵ Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the Group's FY22 survey

¹⁶ Centuria Capital Group undertake regular tenant surveys. The figure reported is from the Group's FY22 survey

¹⁷ Hours of training are for all employees who have completed specific training relating to cyber security within FY22

¹⁸ Assumed floating rate is based off the average BBSW rate of 3.0% over FY23