

ASX Release

Charter Hall Long WALE REIT FY17 results as at 30 June 2017

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Charter Hall Long WALE REIT (ASX:CLW) (the **REIT**) today announced its results for the period from listing¹ to 30 June 2017. Key financial and operational highlights for the period are:

Financial highlights:

- Statutory Profit of \$35.2 million;
- Operating Earnings of \$33.6 million;
- Operating Earnings per unit of 16.2 cents, up 1.5% on PDS forecast for FY17;
- Distribution per unit of 16.2 cents;
- NTA per unit increased 9 cents to \$3.93, reflecting 2.3% growth in the period since listing; and
- Balance sheet gearing of 29.9%, within the target 25% to 35% range.

Operational performance:

- 11.5% growth in property valuations to \$1.4 billion driven by acquisitions and valuation uplift;
- Acquired or committed to acquire \$104.8 million of earnings accretive and portfolio enhancing property;
- Gross property valuation uplift of \$37.8 million;
- Expanded and increased the existing debt platform through the inclusion of a new domestic Australian bank;
- Long WALE Investment Partnership joint venture (**LWIP**), in which the REIT owns 45%, successfully issued a A\$200 million USPP note for a 10 year term; and
- Entered into new interest rate swaps increasing the REIT's overall hedging position.

Avi Anger, Charter Hall Long WALE REIT Fund Manager, commented: "This result reflects an active initial eight month period for the REIT from IPO to 30 June 2017, with the REIT delivering an Operating EPU of 16.2 cents and outperforming the PDS forecast for FY17 by 1.5%.

"In the relatively short period since listing in November 2016, we have demonstrated our ability to actively grow the REIT having secured strategic and accretive, long WALE acquisition opportunities. In addition, the REIT's portfolio has been revalued since IPO which has increased NTA by 9 cents to \$3.93 per unit. This demonstrates the REIT's high quality, diversified property portfolio and the strength of its underlying tenant base.

"This activity is consistent with the REIT's strategy of providing investors with stable and secure income and targeting both income and capital growth, via an exposure to a high quality portfolio of long WALE properties. In addition, during the period, the REIT has been included in the S&P/ASX 300, MSCI Australia Small Cap Index and FTSE All World Small Cap Index."

¹ REIT was listed 8 November 2016



Accretive acquisitions and positive revaluations

During the period, the REIT successfully completed \$76.3 million of property acquisitions and committed to acquire a further \$28.5 million. This comprised of:

- \$65.9 million portfolio of 10 Australian industrial assets leased to SUEZ Recycling & Recovery Pty Limited (**SUEZ**), with a portfolio WALE of 15 years;
- LWIP acquired three hotels for \$23.2 million (LWIP interest) leased to ALH Group for 15 years; and
- Committed to acquire Bunnings Warehouse located in South Mackay, Queensland for \$28.5 million. The transaction settled on 3 July 2017, with a lease term remaining of 9.4 years at settlement.

Additionally, post 30 June 2017 LWIP contracted to acquire the Bridge Inn Hotel in Victoria for a purchase price of \$21.2 million (LWIP interest) reflecting a capitalisation rate of 6.00%. The acquisition will be in conjunction with the disposal of LWIP's Prestons Hotel in Victoria for \$9.2 million (LWIP interest), or a capitalisation rate of 5.50%. Settlement of both transactions is expected in October 2017, with the Bridge Inn Hotel benefitting from a new 15 year lease to ALH Group upon settlement.

"This transaction improves the asset quality in the LWIP portfolio as a result of acquiring the Bridge Inn Hotel, located in a high growth area. This transaction is the result of our strong relationship with the ALH Group, Australia's largest hotel operator.

"Each of these property acquisitions reflects a strategic investment by the REIT that enhances Unitholder returns and demonstrates our focus on building long term partnerships with high quality tenants across diversified industries and real estate sectors," Mr Anger added.

Overall, the portfolio valuation has increased by \$144 million or 11.5% to \$1.4 billion for the period from listing to 30 June 2017. At the end of the period, the REIT's diversified portfolio remains 100% occupied and comprises 80 properties (including Bunnings South Mackay, which settled 3 July 2017) with a WALE of 11.8 years.

During the period, 100% of the portfolio at listing (excluding new properties acquired) was subject to external revaluation. This contributed to an NTA uplift of 9 cents per unit. Over the period, the portfolio's weighted average capitalisation rate (**WACR**) firmed by 17bps to 6.20%.

Strengthened the REIT's capital position

During FY17, the REIT completed a number of capital management initiatives, which have expanded the debt platform, increased hedging exposures and bolstered the overall strength of its capital position. These initiatives include:

- Inclusion of a second leading Australian domestic bank in the REIT's syndicated debt facility;
- Increased balance sheet debt facility limit by \$100 million to \$450 million;
- Entered into \$185 million of new interest rate hedges, increasing hedged debt from 35% at IPO to 66% at 30 June 2017;
- LWIP successfully issued a A\$200 million (LWIP interest) USPP note for a 10 year term at an all-in cost of 5.00%; and
- Activated the quarterly Distribution Reinvestment Program in March 2017.

These initiatives are consistent with the REIT's strategy to reduce impacts from interest rate fluctuations and maintain a conservative capital structure with balance sheet gearing of 29.9% remaining within the 25% to 35% target range.

REIT simplification

In addition to its FY17 results, the REIT today announced the proposal for the simplification of its existing seven trust stapled structure to a three trust stapled structure. The initiative will simplify and streamline Unitholder reporting (with respect to financial statements, annual tax statements and quarterly distribution statements) and will provide management efficiencies which are anticipated to



result in operating cost savings for the REIT. A Notice of Meeting has been released today for a meeting scheduled for 15 September 2017 to approve the proposal.

Strategy and outlook

The REIT continues to focus on actively managing the portfolio and acquiring assets with long leases to high quality tenants to create value and deliver sustainable and growing returns for investors.

Barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY18 Operating EPU is 26.4 cents, which is:

- 3.9% growth over FY17 annualised Operating EPU; and
- 3.1% ahead of PDS target FY18 annualised Operating EPU of 25.6 cents²

The target distribution payout ratio remains at 100% of Operating Earnings.

About Charter Hall Long WALE REIT

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust ("REIT") listed on the ASX (ASX: CLW) and invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC) one of Australia's leading fully integrated property groups, with over 25 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$19 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

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² Calculated by grossing up 1H FY18 PDS EPU of 12.8 for 12 months