

## ASX Release

### Charter Hall Long WALE REIT 1H FY19 results as at 31 December 2018

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Charter Hall Long WALE REIT (ASX:CLW) (the **REIT**) today announced its 1H FY19 results for the period 1 July 2018 to 31 December 2018. Key financial and operational highlights for the period are:

#### Financial highlights:

- Operating Earnings of \$31.1 million;
- Statutory Profit of \$26.3 million;
- 1H FY19 EPS and DPS of 12.9 cents;
- NTA per security of \$4.01; and
- Balance sheet gearing of 31.5%, within the target 25% to 35% range.

#### Operational performance:

- Portfolio WALE<sup>1</sup> of 12.6 years, including the recently announced Inghams lease extensions, reflecting a 16.7% increase from 10.8 years as at June 2018;
- Total property portfolio growth of \$350 million, or 23%, to \$1.87 billion;
- Actively recycled capital from strategic divestments into new portfolio enhancing opportunities;
- Continue to improve portfolio tenant, geographic and sector diversification with recently announced property transactions; and
- 6.19% portfolio cap rate as at 31 December 2018.

Avi Anger, Charter Hall Long WALE REIT Fund Manager, commented: "This strong result further reflects our active asset management approach to deliver a resilient portfolio for long term growth."

We are pleased to announce that, following the successful deployment of proceeds from the ATO Adelaide divestment and in conjunction with the successful equity raisings, the REIT has deployed capital into attractive opportunities which improve portfolio diversification, enhance tenant quality and strengthen the long term income resilience for the REIT.

On Friday, the REIT announced the successful extension of leases across the recently acquired Inghams portfolio, increasing the WALE from 15.8 years to 24.6 years. The extensions further demonstrate Charter Hall's strong relationships with our tenant customers and extends the overall portfolio WALE to 12.6 years, which is longer than the WALE at the time of the REIT's IPO in November 2016."

#### Portfolio and WALE improvements through strategic transactions

During the period, CLW successfully completed \$492 million of new property acquisitions and \$174 million of divestments extending the portfolio WALE to 11.6 years. These transactions comprised of:

##### Acquisitions:

- **40 Tank Street:** 50% interest in 40 Tank Street, Brisbane, an office building 100% leased to the Queensland State Government and Care Park with a WALE of 6.3 years at time of acquisition;
- **Club Hotel Waterford:** 100% interest in the Club Hotel Waterford, Brisbane, a well located hotel and liquor outlet 100% leased to Coles with a WALE of 14.4 years at acquisition;

<sup>1</sup> Weighted by gross passing income as at 31 December 2018 (REIT ownership interest)



- **LWIP units:** Acquired an additional 4.9% of units in the Long WALE Investment Partnership (LWIP) expanding the REIT's interest to 49.9%. The LWIP portfolio WALE was 16.3 years at the time of unit acquisition;
- **85 George Street:** 50% interest in 85 George Street, Brisbane, a fully refurbished office building 100% pre-leased to the Queensland State Government for 10 years; and
- **Optima Centre:** 50% interest in the Optima Centre, Perth, an office building predominantly leased to the Government of Western Australia with a WALE of 11.2 years at acquisition;
- **National Archives:** 100% interest in the National Archives facility in Sydney, which is 100% leased to Commonwealth Government for 20 years;
- **Inghams portfolio:** 100% interest in a national portfolio of 27 agri-logistics properties, 100% leased to Inghams with a portfolio WALE of 15.8 years; and
- **Austral Hotel:** Through the LWIP joint venture, acquired the Austral Hotel, Mackay, a hotel with accompanying Dan Murphy's which is underpinned by a 15 year lease to ALH Group.

#### Divestments:

- **ATO Adelaide:** Disposed of a 50% interest in ATO office building in Adelaide; and
- **Grace Worldwide:** Disposed of 100% of the Grace Worldwide facility in Brisbane.

"With more than 95% of the portfolio leased to either ASX listed, government / government related or multinational corporate tenants, CLW has focused on strategic transactions which align with the REIT's long-term strategy of owning high quality properties with long term leases to strong tenant covenants." Mr Anger added.

#### **Portfolio Valuations**

Overall, the total property portfolio has increased by approximately \$350 million to \$1.87 billion for the period, driven by \$318.2 million of net acquisitions and \$30.7 million in gross property revaluations.

At the end of the period, the REIT's diversified portfolio remains 100% occupied and comprises 113 properties with a long WALE of 11.6 years, increasing to 12.6 years with the Inghams lease extension mentioned above. The portfolio weighted average capitalisation rate (**WACR**) as at 31 December 2018 was 6.19%.

#### **Strengthened the REIT's capital position**

During 1H FY19, CLW completed several capital management initiatives, including:

- Settled new five-year Bank of China debt facility and extended LWIP bank debt facility
- \$195.8 million of equity raised during the period comprising:
  - a fully underwritten \$125 million accelerated non-renounceable entitlement offer to partially fund the acquisition of the Inghams portfolio; and
  - a fully underwritten \$60 million institutional placement and a \$11 million Security Purchase Plan to fund the 100% acquisition of the National Archives, Sydney and 50% of Optima Centre, Perth.

Following these capital management initiatives, the REIT has a long dated hedge maturity of 5.0 years and a weighted average debt maturity of 4.2 years at 31 December 2018.

#### **Strategy and outlook**

CLW 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.

The REIT confirms that barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY19 Operating EPS remains unchanged from the guidance range announced on 5 December 2018 of 26.8 – 26.9 cents per security, which represents 1.5 – 1.9% annual growth on FY18 Operating EPS.

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 Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over \$26.4 billion of high quality, long leased property across the office, retail, industrial and social infrastructure sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth and oversees a portfolio of 779 properties that is more than 5.4 million square metres in size. The ASX100 Group has over 27 years' experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall's success is driven by our focus on our tenant and investor customers. We look to partner with our tenants, growing with them and helping meet their property needs. We invest alongside our capital partners, creating value and generating superior investment returns together. Our \$3.7 billion development pipeline creates new assets for our investors, improving future returns, while creating opportunities for our tenant partners to expand and adapt their businesses. Sustainability and innovation are key elements of our approach. By ensuring our actions are innovative, commercially sound and make a difference to our people, customers and the environment, Charter Hall makes a positive impact for its investors, the community and the Group.

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For further information, please contact

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