

11 February 2019

Charter Hall Long WALE REIT FY19 Half Year Results

6 months to 31 December 2018

Optima Centre, Perth, WA

2019 half year results

Agenda

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Avi Anger

Fund Manager
Charter Hall Long WALE REIT



Kerri Leech

Head of Long WALE REIT
Finance



Ben Ellis

Deputy Fund Manager
Charter Hall Long WALE REIT

1. FY19 half year highlights

Key highlights

FY19 half year highlights¹

Financial performance

**Operating EPS of
12.9 cents**

DPS of 12.9 cents

\$4.01 NTA per security

Portfolio performance

12.6 year WALE²
up 16.7% from 10.8 years at
30 June 2018

\$349.6 million
23% total portfolio growth

\$491.9 million
property acquisitions
\$173.7 million
property divestments

Capital management

31.5% gearing
within target range of 25% – 35%³

\$195.8 million
new equity raised

4.2 years
weighted average debt maturity

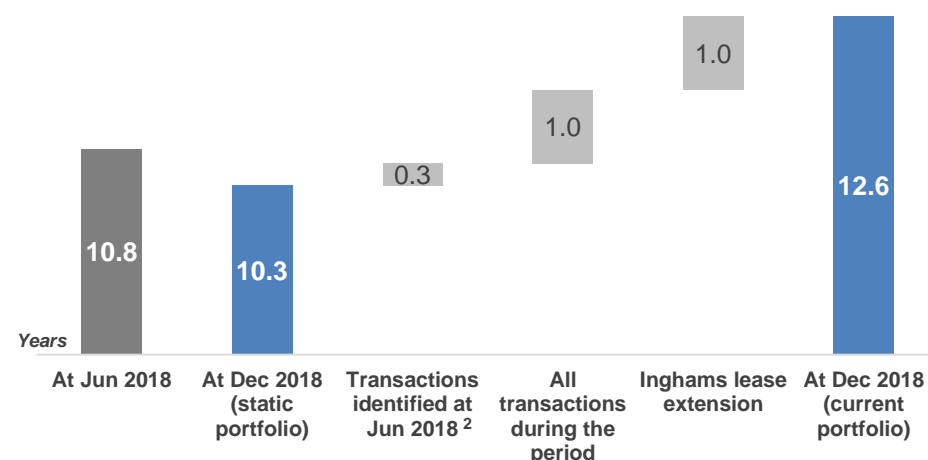
1. Metrics on this page and throughout this presentation are as at 31 December 2018, unless otherwise stated
2. Portfolio WALE of 11.6 years as at 31 December 2018, pro forma adjusted for the Inghams lease extension announced 8 February 2019
3. Balance sheet gearing

Financial performance

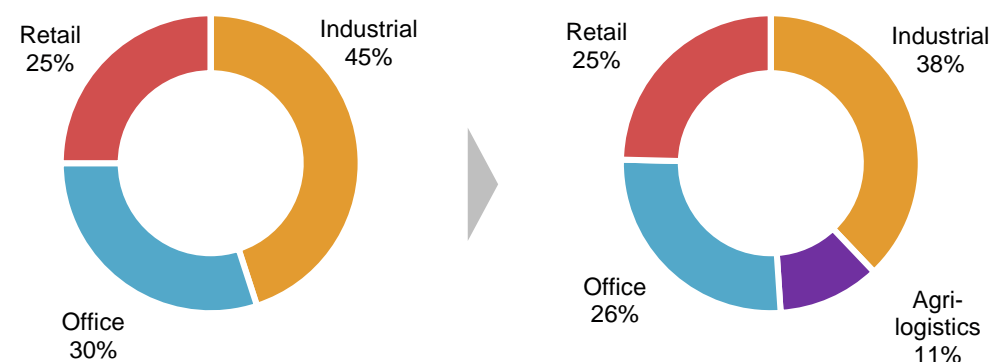
FY19 half year results snapshot

Completed \$665.6 million¹ of strategic and portfolio enhancing property transactions

Extended the portfolio WALE...



increased portfolio diversification...



improved tenancy profile with new Government and corporate covenants...



...delivering Operating Earnings growth and securing long term stable income for Securityholders

FY19 Operating EPS

Guidance range
increased to 26.8 – 26.9
cents per security

¹ Gross property transactions including acquisitions and divestments

² Divestment of 50% of ATO Adelaide and Grace Worldwide, and acquisition of 50% of 40 Tank Street

2. Financial performance

Financial performance

FY19 half year results snapshot

Key metrics	1H FY19		
Statutory profit	\$26.3m		
Operating earnings	\$31.1m		
Operating earnings per security	12.9 cents		
Distributions per security	12.9 cents		

	31 December 2018	30 June 2018	Movement
NTA per security	\$4.01	\$4.05	(0.1%)
Number of properties	113	81	32
WALE	12.6 years	10.8 years	1.8 years
Property portfolio	\$1.87bn	\$1.52bn	\$0.35bn
Balance sheet gearing	31.5%	30.6%	0.9%
Look through gearing	37.3%	37.2%	0.1%
Look through hedging	64%	75%	(11.0%)

Financial performance

Financial performance

- 12.1% NPI growth attributed to:
 - Like-for-like growth of 2.8%
 - Net acquisition activity
- Increase in operating expenses attributed to portfolio growth and new acquisitions
- Finance costs are similarly higher due to acquisitions being partially funded by debt
- Slight decrease in 1H FY19 OEPS and DPS due to recycling and deployment timing of portfolio enhancement initiatives

A\$m	1H FY19	1H FY18	% change
Net property income	48.1	42.9	12.1%
Interest income	0.1	0.1	-
Total income	48.2	43.0	12.0%
Operating expenses	(4.6)	(4.4)	5.4%
Finance costs	(12.5)	(11.3)	10.0%
Operating earnings	31.1	27.3	14.0%
EPS / DPS (cents)			
Operating earnings per security	12.9	13.0	(0.5%)
Distribution per security	12.9	13.0	(0.8%)

Financial performance

Balance sheet

- \$271.1 million (30%) increase in investment properties
 - Net acquisitions of \$255.7 million
 - Gross property revaluations of \$13.9 million
- \$43.2 million (9%) increase in equity accounted investments
 - Increased LWIP interest by 4.9% and acquired Austral Hotel, Mackay
 - Gross property revaluations of \$16.8 million
- Increase in debt due to acquisition activity
- Increase in other liabilities represents stamp duty payable on the Ingham's portfolio acquisition
- \$195.8 million of equity raised during the period
- Change in NTA per security due to acquisition and equity raising cost impacts

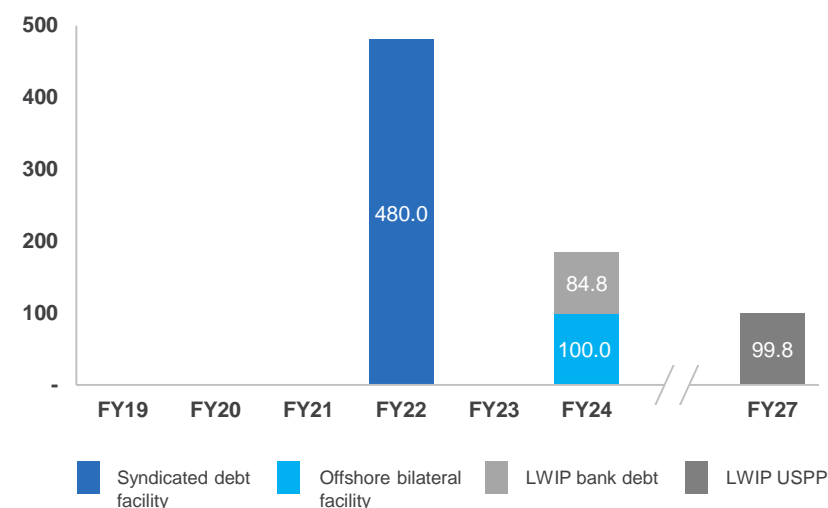
A\$m	31 Dec 2018	30 Jun 2018
Cash	5.5	5.5
Investment properties	1,165.4	894.3
Equity accounted investments	517.3	474.1
Other assets	18.3	21.1
Total assets	1,706.5	1,395.0
Provision for distribution	18.2	15.8
Debt	540.8	430.1
Unamortised borrowing costs	(2.2)	(2.0)
Other liabilities	24.3	10.7
Total liabilities	581.1	454.6
Net tangible assets	1,125.4	940.4
Securities on issue (m)	280.7	232.3
NTA per security	\$4.01	\$4.05

Financial performance

Debt & hedging summary

A\$m			
Debt summary	Limit	Drawn	Maturity
<u>Balance sheet debt</u>			
Syndicated debt facility	480.0	445.2	Feb-22
Offshore bilateral debt facility	100.0	95.6	Aug-23
<u>Joint venture debt (CLW interest)</u>			
LWIP debt facility	84.8	76.6	Dec-23
LWIP USPP	99.8	99.8	May-27
Weighted average cost of debt			4.1%
Weighted average debt maturity term			4.2 years
Balance sheet gearing			31.5%
Look through gearing			37.3%
Hedging summary¹			
Total look through debt hedged			452.2
Look through debt hedged			64%
Weighted average hedge maturity term			5.0 years

Look through gearing maturity profile (A\$m)



- Balance sheet gearing remains within target 25 – 35% range
- Settled new five year offshore bilateral debt facility and extended LWIP bank debt facility







¹ Includes LWIP USPP

3. Operational updates & portfolio overview

Operational highlights & portfolio overview

Portfolio update

Portfolio and WALE improvements through strategic transaction activity

Acquisitions				Disposals	
<ul style="list-style-type: none"> \$491.9 million of property acquisitions diversified across real estate sectors, including new investment in agri-logistics <ul style="list-style-type: none"> Accretive average 14 year¹ WALE across properties acquired Increases exposure to strong ASX-listed and government tenants Recently acquired the Austral Hotel, Mackay in LWIP joint venture for \$23.6 million (reflecting 100% interest) Transactions in line with REIT strategy to deliver secure, long term, stable income from a diversified portfolio leased to high quality tenants 				<ul style="list-style-type: none"> \$173.7 million of property divestments Strategically divested 50% of ATO Adelaide office, reducing exposure to single property and large single tenant lease Divested Grace Worldwide industrial facility as a result of tenant exercising buy back right in lease 	
					
Office \$159 million	Retail \$72 million	Industrial \$54 million	Agri-logistics \$207 million	Office \$135 million	Industrial \$39 million
40 Tank Street, Brisbane (50% interest)	Club Hotel Waterford, Brisbane	National Archives, Sydney	Inghams portfolio	ATO, Adelaide (50% interest)	Grace Worldwide, Brisbane
85 George Street, Brisbane (50% interest)	LWIP 4.9% stake				
Optima Centre, Perth (50% interest)	Austral Hotel, Mackay (LWIP)				

¹ As at 31 December 2018

Operational highlights & portfolio overview

Portfolio update

Successful lease extensions increasing Inghams portfolio WALE to 24.6 years

Portfolio acquisition highlights

- Portfolio of 27 agri-logistics properties located across Australia, leased to Inghams, for \$207 million
 - ✓ Enhanced portfolio and tenant diversification
 - ✓ Increased portfolio weighting to high quality ASX-listed covenants
 - ✓ Triple net leases
 - ✓ Introduces new exposure to the agri-logistics sector

Portfolio lease extension

- On 8 February 2019, CLW announced that it had successfully completed lease extensions across the Inghams portfolio
 - Leases representing 62% of the Inghams portfolio income, have been extended
 - CLW will provide an \$8 million incentive
- Increases the Inghams portfolio WALE from 15.8 years to 24.6 years
- **Increases CLW's portfolio WALE to 12.6 years**



Mt Alford Hatchery, QLD

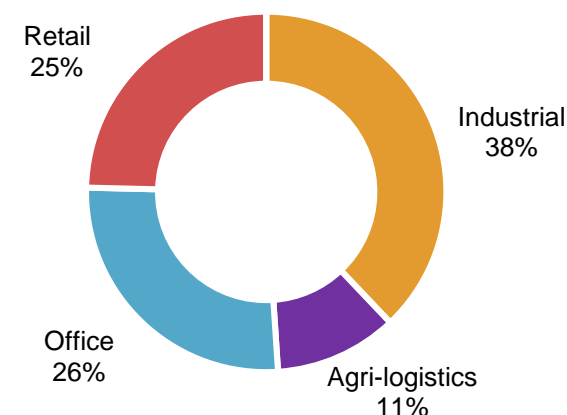


Monarto Hatchery, SA

Operational highlights & portfolio overview

Portfolio snapshot

	Dec 2018	Jun 2018
Number of properties	113	81
Property valuation (A\$m)	1,874.9	1,525.2
Weighted Average Capitalisation Rate ("WACR")	6.19%	6.13%
Occupancy	100%	100%
Weighted Average Lease Expiry ("WALE")	12.6 years	10.8 years
Proportion of income subject to fixed rental increases	66%	61%
Weighted Average Rental Review ("WARR")	2.8%	2.9%

Portfolio by sector¹

Portfolio summary

Sector	Assets	Valuation (\$m)	Cap rate (%)	WARR (%)	WALE (yrs)	Occupancy (%)
Industrial	20	\$710.8	6.24%	2.9%	9.9	100%
Office	6	\$495.5	5.97%	3.2%	9.7	100%
Retail	60	\$461.5	5.81%	2.0%	15.0	100%
Agri-logistics	27	\$207.0	7.35%	2.5%	24.6	100%
Total / weighted average	113	\$1,874.9	6.19%	2.8%	12.6	100%





¹ Weighted by external valuation as at 31 December 2018 (REIT ownership interest)

Operational highlights & portfolio overview

Tenant diversification

- CLW's portfolio comprises a strong and stable tenant base with 26 high quality customers across various industries and business sectors

Major tenants¹

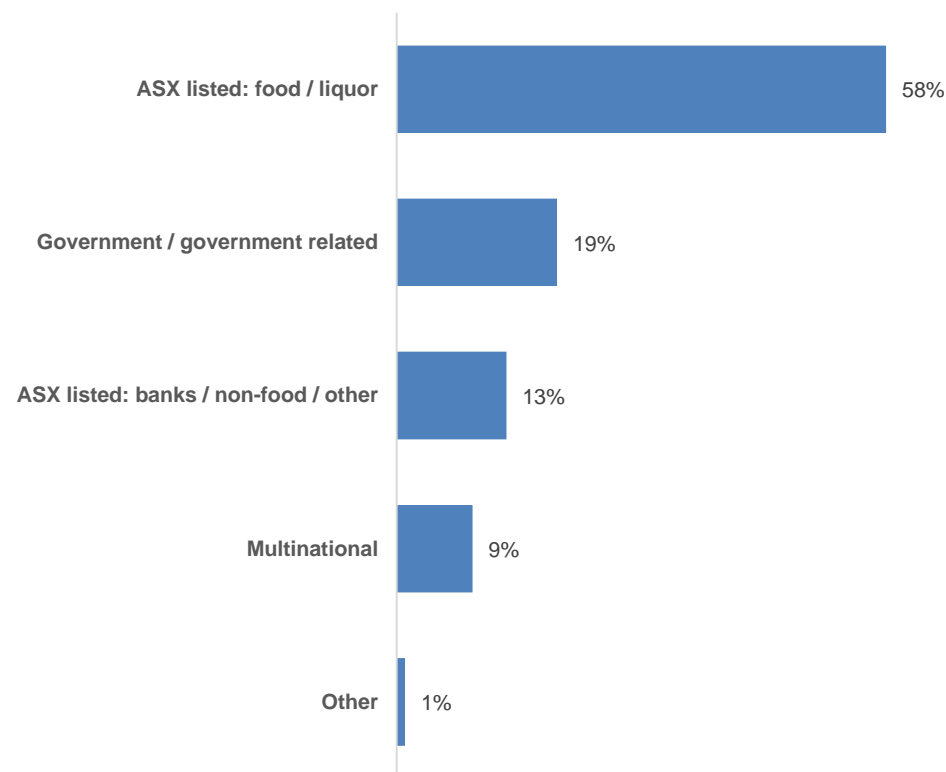
Woolworths / ALH	 	25.3%	Westpac		4.3%
Government		19.3%	SUEZ		3.9%
Ingham's		11.0%	Electrolux		2.3%
Coles		10.8%	Toll		2.1%
Metcash		10.1%	Coates Hire		1.7%
Virgin Australia		5.6%	Bunnings Group		1.5%

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

Operational highlights & portfolio overview

Industry diversification¹

- Portfolio underpinned by long leases to tenants across diverse business industries
- >95% of the portfolio leased to either ASX listed, government / government related or multinational corporate tenants



Major tenants¹



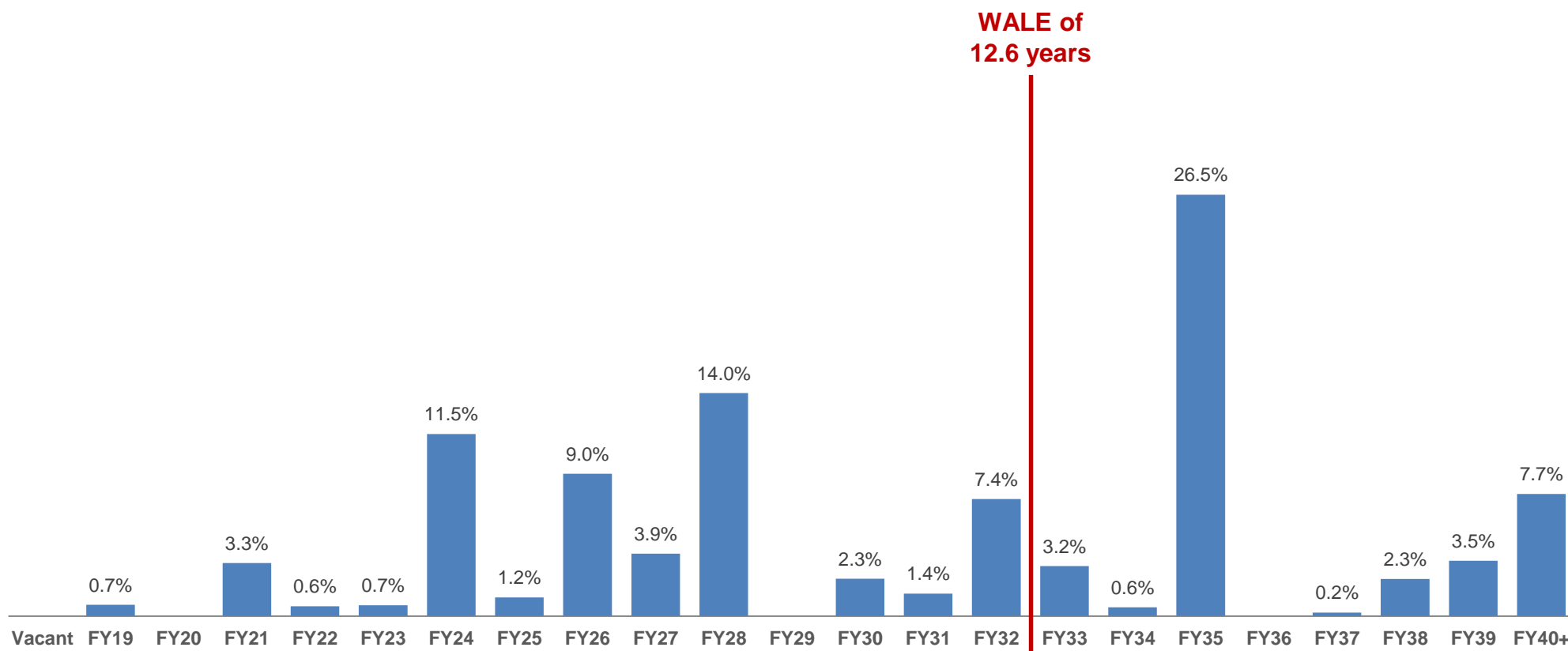
¹ Weighted by gross passing income as at 31 December 2018 (REIT ownership interest)

Operational highlights & portfolio overview

Lease expiry profile

Long dated portfolio WALE of 12.6 years

- Portfolio WALE increased 16.7% to 12.6 years from 10.8 years as at 30 June 2018



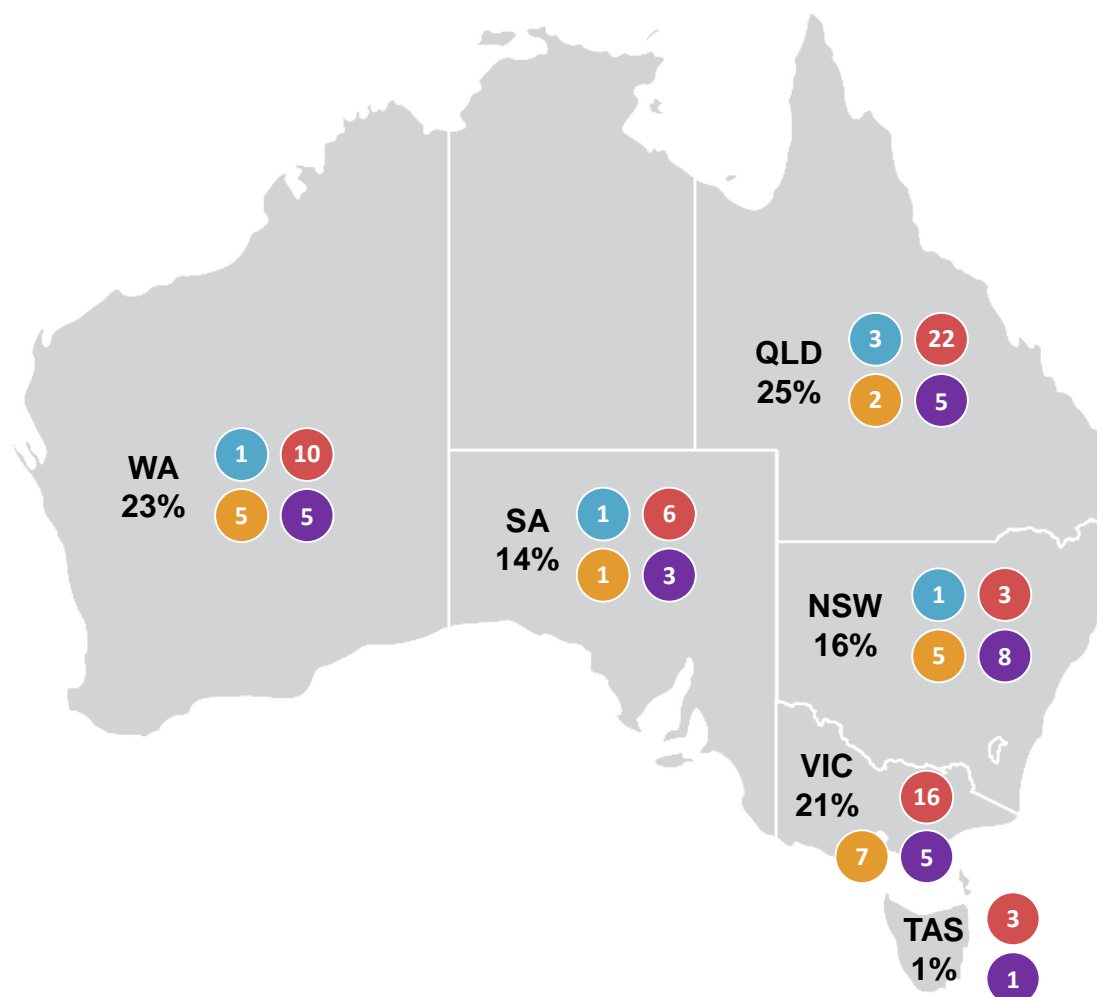
Operational highlights & portfolio overview

Geographic diversification

Highly diversified by geography and real estate sector¹

- 113 assets comprising office, industrial, agri-logistics and retail properties located in six Australian states

- Office (6 properties)
- Industrial (20 properties)
- Retail (60 properties)
- Agri-logistics (27 properties)



¹ Weighted by external valuation as at 31 December 2018 (REIT ownership interest)



4. FY19 earnings guidance

FY19 earnings guidance

FY19 earnings guidance

- 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



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Additional information

Additional information

Portfolio revaluations

1H FY19 valuation summary

- 1H FY19 property revaluations resulted in a total gross uplift of \$30.7 million
- The portfolio WACR as at 31 December 2018, including all transactions, was 6.19%

A\$m	Industrial	Office	Retail	Agri-logistics	Total
30 June 2018 portfolio value	685.8	464.5	374.9	-	1,525.2
Net transactions	15.4	24.3	71.4	207.0	318.2
Capital expenditure and additions	0.7	-	0.1	-	0.8
Valuation uplift	8.9	6.7	15.0	-	30.7
31 December 2018 portfolio value	710.8	495.5	461.5	207.0	1,874.9
Portfolio WACR as at 30 June 2018 (%)	6.37	5.96	5.90	-	6.13
Portfolio WACR as at 31 December 2018 (%)	6.24	5.97	5.81	7.35	6.19

Additional information

Property investment portfolio

Industrial portfolio – \$710.8 million

Asset	State	REIT interest	Valuation ¹ (A\$m)	Cap rate ² (%)	WALE ³ (years)	Occupancy ³ (A\$m)	GLA ⁴ (sqm)	WARR ⁵ (%)
Australia Post, Kingsgrove	NSW	100.0%	23.8	5.3%	7.5	100%	6,729	3.5%
SUEZ, Artarmon	NSW	100.0%	18.7	4.8%	28.0	100%	4,309	3.0%
SUEZ, Davis Road, Wetherill Park	NSW	100.0%	11.9	5.8%	8.0	100%	3,975	3.0%
SUEZ, Newton Road, Wetherill Park	NSW	100.0%	9.6	6.0%	3.0	100%	2,987	3.0%
Coles Distribution Centre Truganina	VIC	50.0%	57.8	5.0%	13.5	100%	69,074	3.5%
Woolworths Distribution Centre, Dandenong	VIC	26.0%	58.1	5.0%	19.2	100%	69,217	2.8%
Woolworths Distribution Centre, Hoppers Crossing	VIC	100.0%	47.0	7.8%	2.0	100%	52,364	3.0%
Toll, Altona North	VIC	100.0%	33.5	5.7%	6.9	100%	6,310	3.5%
SUEZ, Dandenong South	VIC	100.0%	8.1	5.8%	8.0	100%	2,767	3.0%
SUEZ, Campbellfield	VIC	100.0%	2.0	7.5%	2.0	100%	1,537	3.0%
SUEZ, Bairnsdale	VIC	100.0%	0.4	8.3%	2.0	100%	387	3.0%
Coates Hire, Kingston	QLD	100.0%	33.7	5.5%	14.2	100%	1,785	4.0%
SUEZ, Lower Nudgee	QLD	100.0%	4.3	5.3%	18.0	100%	1,760	3.0%
Electrolux, Beverley	SA	100.0%	36.0	7.0%	10.9	100%	25,562	3.5%
Metcash Distribution Centre, Canning Vale	WA	100.0%	169.5	7.3%	5.1	100%	98,295	CPI
Coles Distribution Centre, Perth	WA	49.9%	124.3	6.3%	9.4	100%	81,647	2.8%
SUEZ, Welshpool	WA	100.0%	13.3	6.0%	13.0	100%	3,460	3.0%
SUEZ, Landsdale	WA	100.0%	4.0	6.3%	13.0	100%	2,598	3.0%
SUEZ, South Boulder	WA	100.0%	0.7	8.3%	13.0	100%	630	3.0%
National Archives, Chester Hill	NSW	100.0%	54.2	6.0%	19.8	100%	22,824	3.0%
Total / weighted average			710.8	6.2%	9.9	100%	458,217	2.9%

1 Most recent external valuation or Directors' valuation (REIT ownership interest)

2 Weighted by Valuation (REIT ownership interest)

3 As at 31 December 2018 by gross passing income (REIT ownership interest)

4 GLA shown on a 100% basis

5 WARR, weighted by gross passing income as at 31 December 2018 (REIT ownership interest)

Additional information

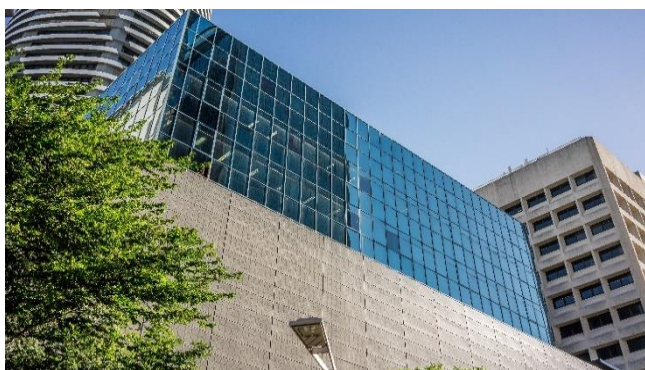
Property investment portfolio

Office portfolio – \$495.5 million

Asset	State	REIT interest	Valuation ¹ (A\$m)	Cap rate ² (A\$m)	WALE ³ (years)	Occupancy ³ (%)	NLA ⁴ (sqm)	WARR ⁵ (%)
Westpac Building, Kogarah	NSW	50.1%	105.7	5.5%	15.5	100%	31,715	CPI
Australian Taxation Office, Adelaide	SA	50%	135.0	5.9%	8.4	100%	37,315	3.8%
Virgin Australia Head Office, Bowen Hills	QLD	100%	95.5	6.5%	7.4	100%	12,427	3.5%
40 Tank Street, Brisbane	QLD	50%	46.5	5.5%	5.9	100%	6,218	3.0%
85 George Street, Brisbane	QLD	50%	50.3	6.0%	10.0	100%	10,550	3.5%
Optima Centre, Perth	WA	50%	62.6	6.5%	11.1	100%	16,116	2.9%
Total / weighted average			495.5	6.0%	9.7	100%	114,341	2.9%



Australian Taxation Office, Adelaide, SA



40 Tank Street, Brisbane, QLD



Optima Centre, Perth, WA

- 1 Most recent external valuation or Directors' valuation (REIT ownership interest)
- 2 Weighted by Valuation (REIT ownership interest)
- 3 As at 31 December 2018 by gross passing income (REIT ownership interest)
- 4 NLA shown on a 100% basis
- 5 Weighted by gross passing income as at 31 December 2018 (REIT ownership interest)

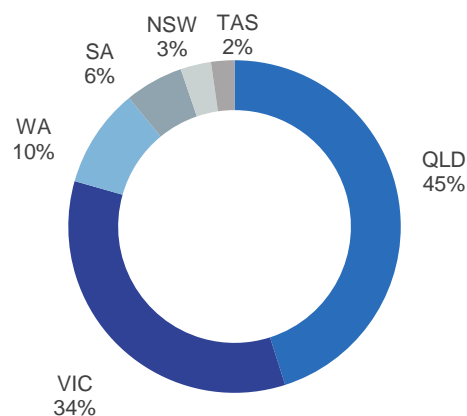
Additional information

Property investment portfolio

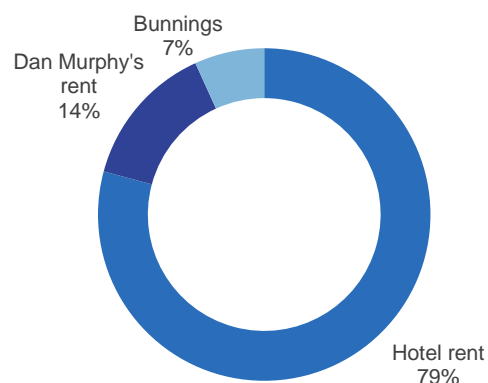
Retail portfolio – \$461.5 million

Asset	LWIP portfolio ¹	Other retail	Total
Number of assets	58	2	60
Property valuation ² (A\$m)	409.5	52.0	461.5
WACR ³ (%)	5.8%	5.9%	5.8%
WALE ⁴	15.6 years	10.2 years	15.0 years
Occupancy ⁴	100%	100%	100%
WARR ⁴	CPI	3.0%	2.0%

Geographic diversity³



Income diversity⁴



Bunnings South Mackay, QLD



Kawana Waters Hotel, QLD

- 1 Reflects CLW's 49.9% interest in LWIP
- 2 Most recent external valuation or Directors' valuation (REIT ownership interest)
- 3 Weighted by valuation (REIT ownership interest)
- 4 As at 31 December 2018, weighted by gross passing income (REIT ownership interest)

Additional information

Property investment portfolio

Agri-logistics portfolio – \$207.0 million

Asset	State	REIT interest	Valuation ¹ (A\$m)	Cap rate ² (%)	WALE ³ (years)	Occupancy ³ (A\$m)	GLA ⁴ (sqm)	WARR ³ (%)
Ingham's portfolio (27 properties)	Australia-wide	100.0%	207.0	7.4%	24.6	100%	303,687	2.5%
Total / weighted average			207.0	7.4%	24.6	100%	303,687	2.5%



Mt Alford Hatchery, QLD



Monarto Hatchery, SA



Berrima Feedmill, NSW

1 Most recent external valuation or Directors' valuation (REIT ownership interest)

2 Weighted by Valuation (REIT ownership interest)

3 As at 31 December 2018 by gross passing income (REIT ownership interest), pro forma adjusted for Inghams lease extensions

4 GLA shown on a 100% basis

Additional information

Glossary

ASX	Australian Stock Exchange
Balance sheet gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash
Cap rate	Capitalisation rate
CLW or the REIT	Charter Hall Long WALE REIT
DPS	Distributions per security
EPS	Operating earnings per security
Look-through gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments
LWIP	Long WALE Investment Partnership
MTM	Mark-to-market
NTA	Net tangible assets
REIT	Real estate investment trust
WACR	Weighted average capitalisation rate
WALE	Weighted average lease expiry
WARR	Weighted average rent review

Additional information

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