



# CHARTER HALL EDUCATION TRUST (ASX:CQE)

Only About  
Children

**Fund Profile**  
1HY19

Inspired Early Learning  
and Kindergarten

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# CQE Key Metrics

## WALE

9.5yrs

## GROSS ASSETS

\$1.08B

## GEARING

29.9%

## FY19 FORECAST DISTRIBUTION

16.0cpu

## NTA PER UNIT

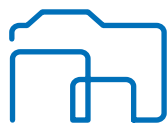
\$2.87

## OCCUPANCY

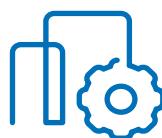
99.7%

# CQE Strategy

To provide investors with secure and growing long term income with the potential for capital growth



Portfolio Management



Asset Management



Capital Management

### CQE's intellectual property & industry knowledge

- Identify high success locations through proprietary modeling of demographic trends
- Focus on sites within a ~20km radius of CBD and rapidly expanding growth areas
- Focus on new developments which drive earnings growth, asset quality and development profits
- Deliver quality centres with leading edge designs in high demand locations that childcare operators compete for
- Construction of CQE 'IP' and Development Management capability mitigates risk, increases quality of outcomes through greater control

### Disciplined strategy provides long term benefits

- Adherence to CQE's best site, best lease, best operator, criteria
- Maintain key CQE lease features:
  - Long term commitments
  - Triple net leases
  - Annual escalations
  - Provision of security
  - Centre operating data
- Pro-active management of existing properties including asset recycling to generate profit, minimise obsolescence and optimise quality
- Zero incentives/high land value component
- Maintain strong capital position with a 'through the property cycle' approach
- Maintain balance sheet flexibility to provide capacity to fund new opportunities
- Diversification of maturity risk profile
- Hedging strategy focused on mitigating of interest rate risk through economic cycles
- Manage costs effectively

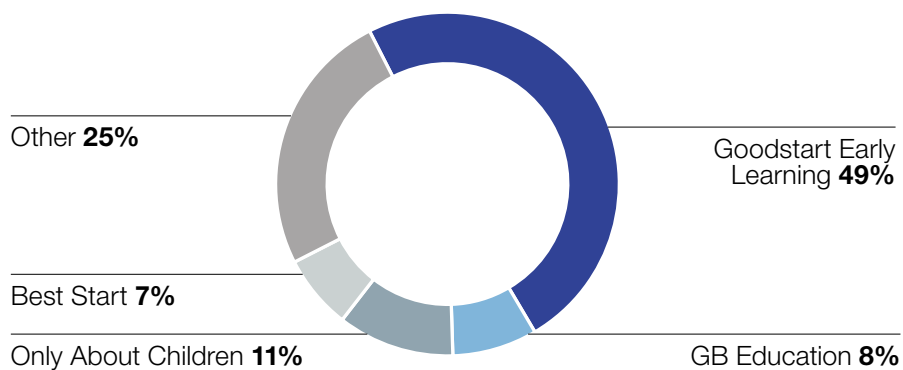


# Portfolio Summary

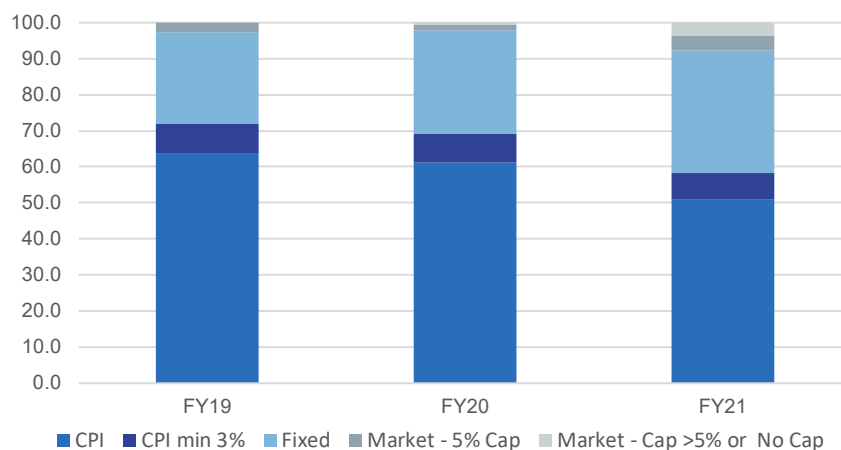
As at 31 Dec 18	No.	Value (\$m)	% of Total Property Assets	Passing Yield (%)
NSW/ACT	77	209.2	20.2	5.9
QLD	125	318.4	30.7	6.3
VIC	65	240.2	23.2	5.6
SA	19	38.9	3.8	6.6
WA	16	36.7	3.5	6.6
TAS/NT	4	8.9	0.9	6.2
New Zealand	48	75.7	7.3	6.0
<b>Total Freehold</b>	<b>354</b>	<b>928.0</b>	<b>89.6</b>	<b>6.0</b>
Leasehold	33	31.4	3.0	13.1
<b>Total Operating</b>	<b>387</b>	<b>959.4</b>	<b>92.6</b>	<b>6.2</b>
Developments <sup>1</sup>	26	76.7	7.4	
<b>Total</b>	<b>413</b>	<b>1,036.1</b>	<b>100.0</b>	<b>6.2</b>

- Y-o-Y rental growth to 31 December 2018 of 2.6%
- 9 market reviews achieved 7.8% increase overall
- 11 of 11 five year options renewed
- WALE of 9.5 years
- Occupancy of 99.7%<sup>2</sup>

## Tenant Profile By % Of Annual Rent: 31 December 2018



## Annual Rent review Profile By % Of Rent: FY19-FY21<sup>3</sup>



<sup>1</sup> Excludes sites not yet settled

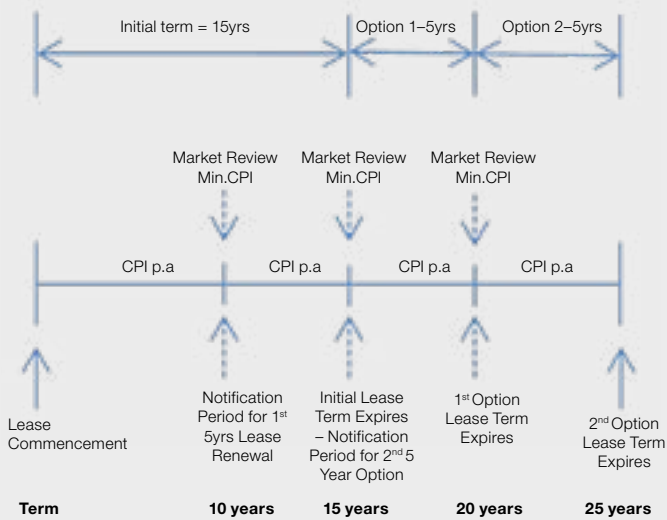
<sup>2</sup> Vacant property subject to new lease commencing in 2H FY19

<sup>3</sup> Includes developments expected to be completed and excludes lease expiries with no further options

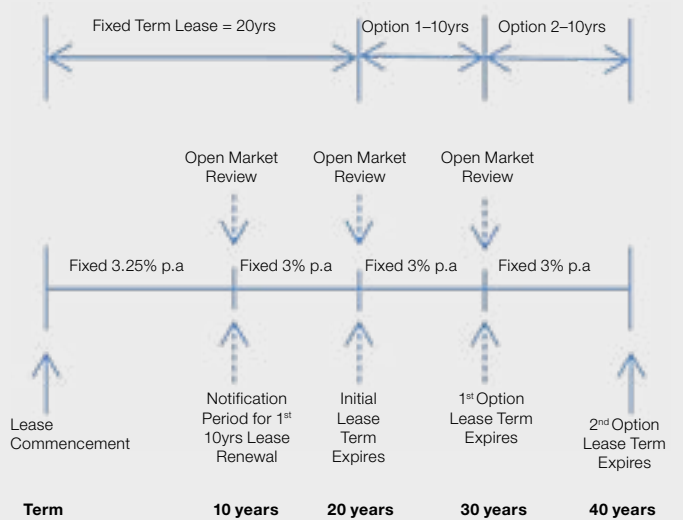
# Lease Structure

- A vast majority of leases are triple net with the tenant responsible for 100% of property outgoings, structural repairs and general repairs and maintenance;
- Tenant required to redecorate/ refurbish the centre once every 5 years as directed by CQE (acting reasonably);
- Typical lease term from commencement; 15 years plus two 5 year options;
- Rental growth indexed annually to CPI or fixed at 3.25%pa with a market review at year 10; and
- Most leases have a 5 year notice period regarding option take-up by tenants.

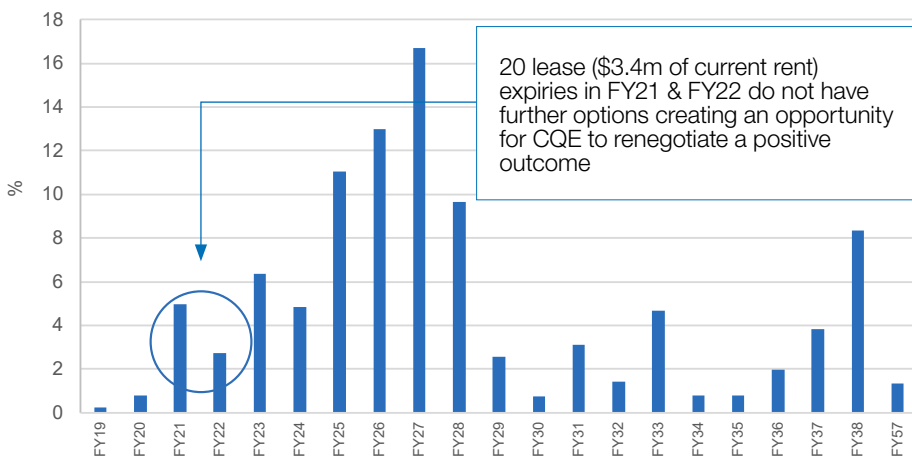
## TYPICAL FREEHOLD LEASE



## TYPICAL NEW DEVELOPMENT FREEHOLD LEASE



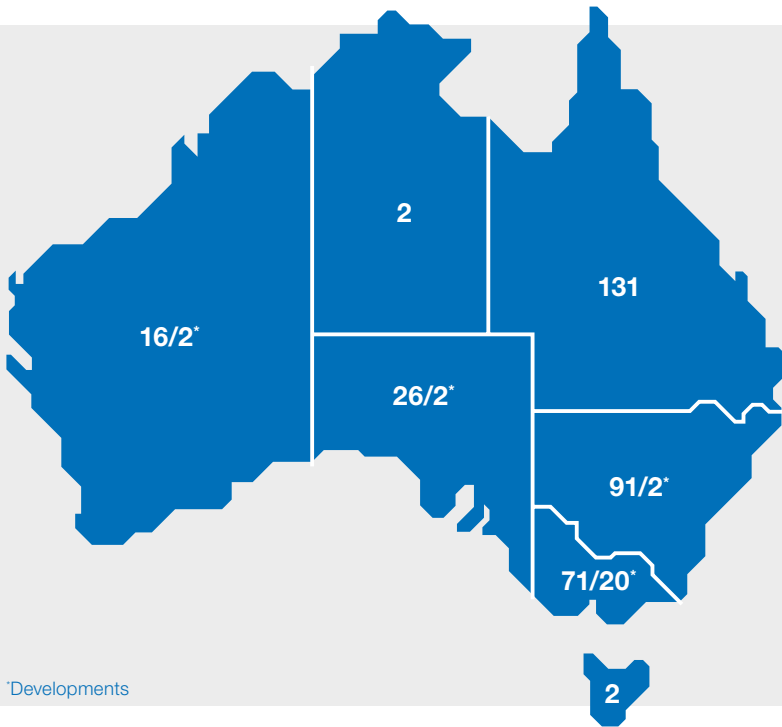
### Lease Expiry Profile By % Of Annual Rent<sup>4</sup>: FY19 – FY57



<sup>4</sup> As at 31 December 2018

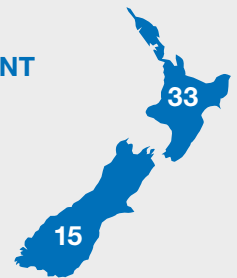
# Early Learning Portfolio

## LOCATION OF CQE'S EARLY LEARNING PORTFOLIO



387  
OPERATING  
CENTRES

27<sup>5</sup>  
DEVELOPMENT  
SITES



\*Developments

339 IN AUSTRALIA <sup>6</sup>		
Location	No.	% <sup>7</sup>
Metropolitan	86	35.2
Outer Metropolitan	115	34.6
Major Regional	74	16.5
Regional	64	13.7

48 IN NEW ZEALAND		
Location	No.	% <sup>7</sup>
Metropolitan	23	61.0
Major Regional	18	26.3
Regional	5	10.9
Rural	2	1.8

<sup>5</sup>. Includes 1 under contract  
<sup>6</sup>. Excludes development sites  
<sup>7</sup>. By value

### TYPICAL CONFIGURATION

- Internal: Up to five children's activity rooms with direct access to external play areas. Feature entry & foyer, central hallway, toilets for varying ages, shower, preparation areas, nursery, kitchen, ancillary staff area, reception, administration area, storage and disabled toilet.
- External: Shade cloths to sandpits and general play areas, awning covered verandas adjoining external play areas, grass and rubber matting to external play areas, child proof fencing throughout, paving, landscaping, lighting and signage.
- Ancillary: on-site car parking spaces (required by planning regulations) in marked bays (incl. 1 disabled).

### REGULATORY COMPLIANCE

All tenants to meet required legislative requirements regarding building services, Occupational Health & SaCQEy and early learning licensing requirements of each State.

### LOCATION

Typically within established residential and commercial locations featuring medium to high traffic areas, good accessibility and access to public transport.

### BUILDING SIZE (GROSS BUILDING AREA)

- Australian median – 505sqm
- New Zealand median – 240sqm

### LAND SIZE

- Australian median – 2,140sqm
- New Zealand median – 1,360sqm

### LICENSE DETAILS

- Australian median – 75 places
- New Zealand median – 49 places

### UNDERLYING ZONING

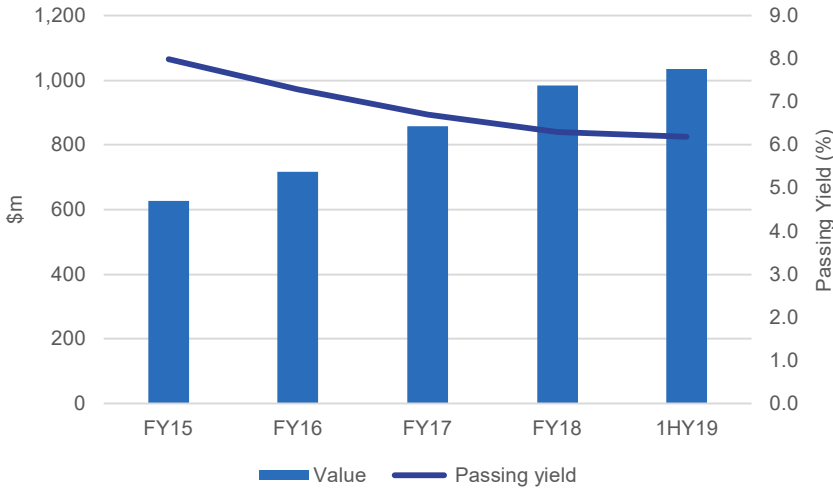
- Typically Residential

### AGE

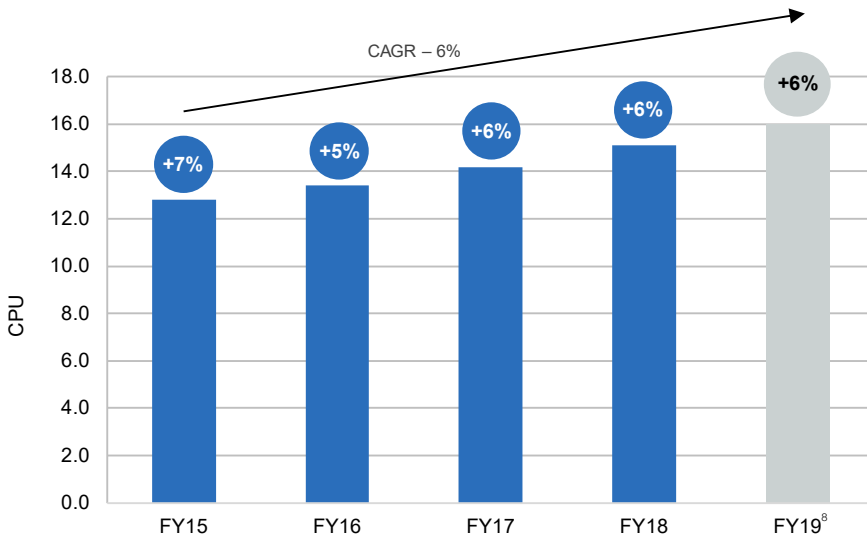
- Built post 2000 – 167 properties
- Built prior 2000 – 220 properties

# CQE's Performance

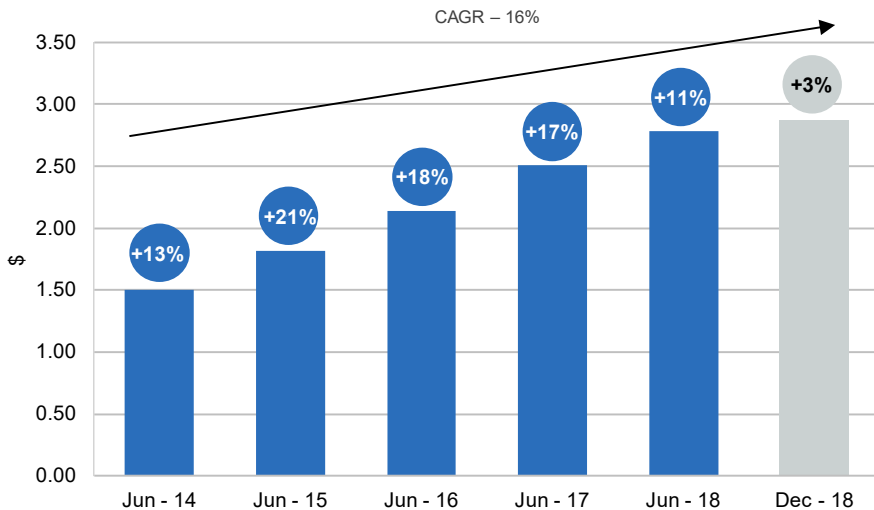
## CQE PORTFOLIO VALUE & PASSING YIELD: FY15 - 1HY19



## DISTRIBUTION GROWTH CPU: FY15 - FY19



## NTA GROWTH \$ PER UNIT: JUNE 2014 - DECEMBER 2018



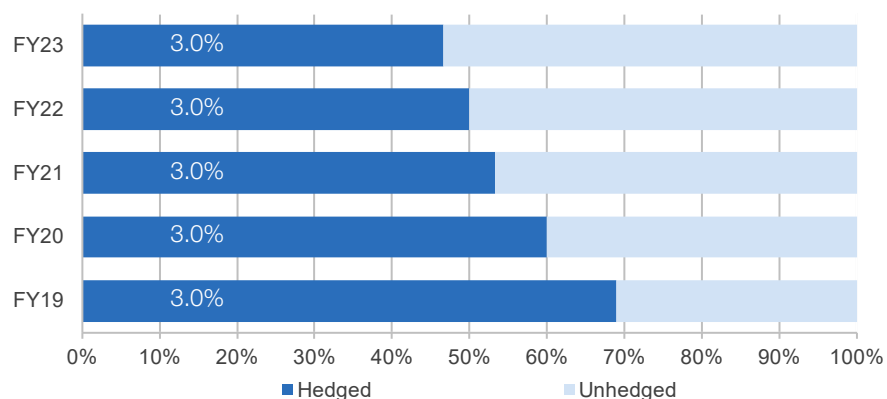
<sup>8</sup>. Forecast FY19 distribution



# Capital Management

As at	31 December 2018	30 June 2018
Debt Facilities Limit (\$m)	347.0	317.0
Debt Drawn Amount (\$m)	319.0	300.0
Overdraft Facilities (\$m)	10.0	10.0
Debt Maturity (years)	4.6	2.4
ICR (x)	4.2	4.3
Cost of Debt (% p.a.)	4.0	4.1
All-in Cost of Debt <sup>9</sup> (% p.a.)	4.4	4.4
Average Interest Rate Hedged (%)	52	41
Average Hedged Rate (% p.a.)	2.9	3.0
Average Hedging Maturity (years)	2.3	2.3

## Hedging Profile: Based on debt of \$319.0M

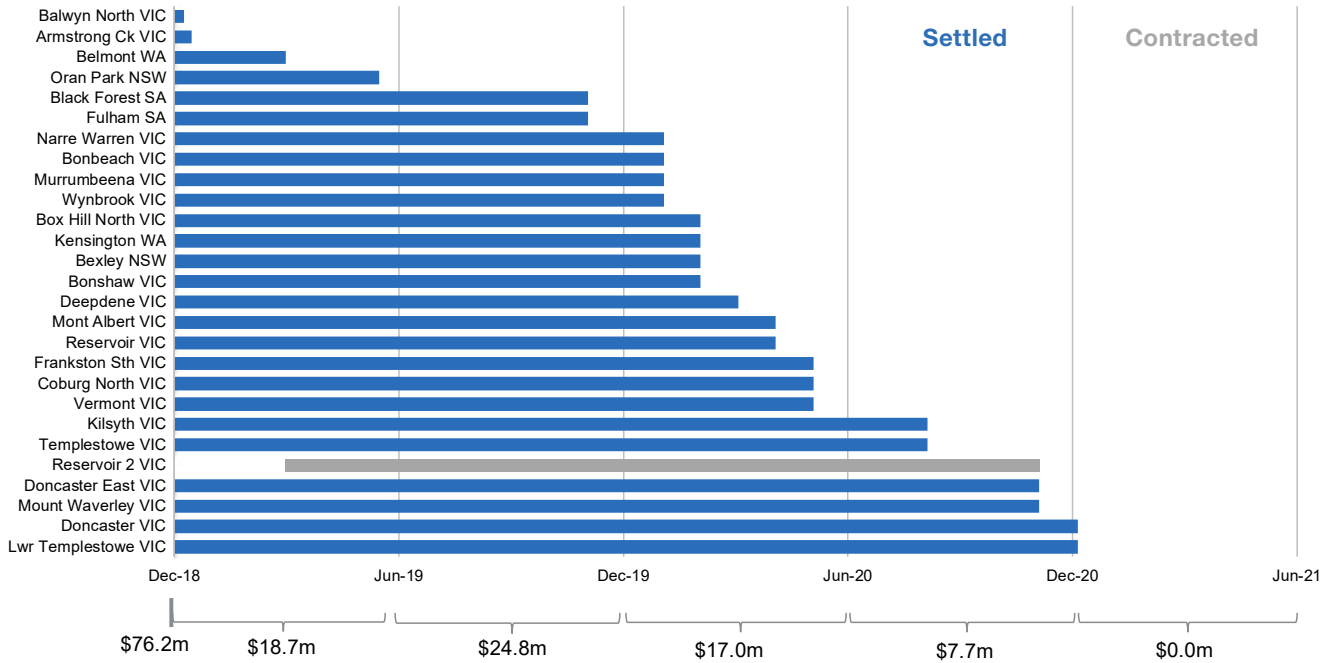


**52%**  
**HEDGED THROUGH**  
**TO JUNE 2023<sup>9</sup>**



# Current Developments

## DEVELOPMENT PIPELINE INCLUDING COST TO COMPLETE AS AT 31 DECEMBER 2018



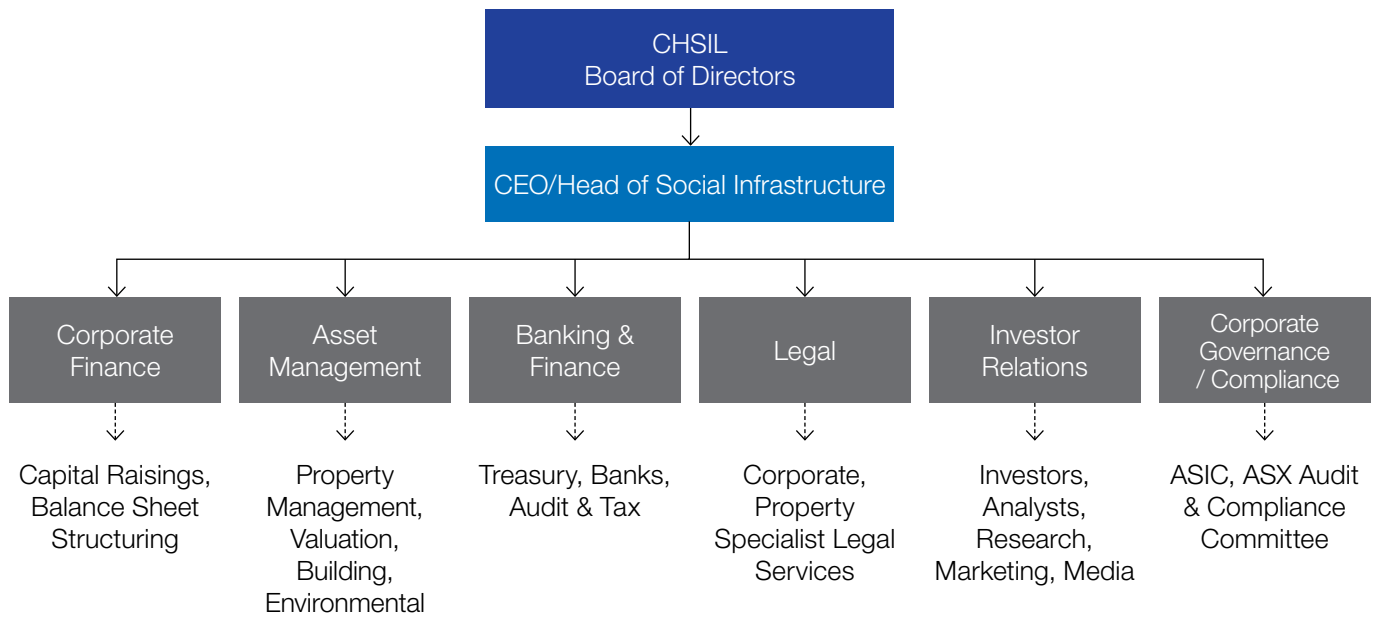
## TYPICAL NEW CQE CHILDCARE CENTRE



To view videos of recently completed CQE centres, including a time-lapse video of our prefabricated centre at South Morang visit our website.



# Responsible Entity



Charter Hall Social Infrastructure Limited (CHSIL) is the Responsible Entity (RE) for the Charter Hall Education Trust (ASX Code: CQE). CHSIL is a wholly owned subsidiary of Charter Hall, an ASX listed (ASX Code: CHC) property fund manager and developer. CHSIL holds an Australian Financial Services Licence (AFSL No. 281544) which allows the RE to administer funds at a retail and wholesale level, produce PDS's

and raise funds for property investment purposes. CHSIL's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with Unitholder performance expectations.

Like other organisations whose core business involves the provision of professional services,

CHSIL's key asset is its people. This means quality and well-trained personnel with proven expertise within the Australian Real Estate Funds Management sector.

The key aspects of our business partnerships are transparency and accountability. We focus on trusted relationships with our partners based on defined deliverables and a long term commitment.



# Board of Directors



**GRANT HODGETTS**  
Non-Executive Chairman

Grant has been involved in real estate and funds management since 1979. He is currently the Non-Executive Chairman of Charter Hall FLK Funds Management Limited, Non-Executive Chairman of Charter Hall Social Infrastructure Limited, Director of Bethley Group Pty. Limited, Executive Director of Knights Capital Group Limited and its subsidiaries, Director of Cedar Woods Wellard Pty Ltd and Principal of Hodgetts and Partners. Between early 2006 and 2010 he held various positions within the Investment and Funds Management Division of Mirvac Limited including that of CEO – Australia for Mirvac Investment Management. Prior to joining Mirvac, he was Head of Property in the Specialised Capital Group of Westpac Institutional Bank; a Division Director of Property Investment Banking at Macquarie Bank; a Director of Richard Ellis (Vic) Pty Ltd; and an executive of the AMP Society's Property Division. Holding a Bachelor of Arts (Legal Studies and Economics) from La Trobe University, an Associate Diploma in Valuations from RMIT and an Advanced Certificate in Business Studies (Real Estate), also from RMIT, he is an Associate of the Australian Property Institute, a licensed real estate agent in Victoria and a member of the Australian Institute of Company Directors. He was a founding Director of the Property Industry Foundation in Victoria



**MICHAEL JOHNSTONE**  
Non-Executive Director

Michael was appointed on 22 December 2004. Michael has almost 40 years of global business experience in Chief Executive and General Management roles and more recently in non executive Directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialized in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. Michael is currently a Non Executive Director of a number of companies in both listed and private environments, including board appointments in the not for profit sector. Michael is also a member of the Audit and Compliance Committee of the Fund.



**VIC COTTREN**  
Non-Executive Director

Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995.



**SEAN MCMAHON**  
Chief Investment Officer  
- Charter Hall | Executive  
Director - Education Trust

Sean has 30 years of property and investment banking experience in the real estate sector and has been active in the listed, wholesale and direct capital markets. Sean is responsible for the Group's strategy and balance sheet investments, mergers and acquisitions, with oversight for multi sector disciplines including property transactions, together with corporate development. He brings a wealth of experience across investment markets, diversified across office, industrial and retail sectors, and has been responsible for driving the development of corporate strategies, capital allocation and reinvestment programs. Prior to joining Charter Hall, Sean worked at national diversified property group Australand (now known as Frasers) as Chief Investment Officer and was previously responsible for investment and development for all commercial, industrial and retail property. Prior to joining Frasers, Sean spent seven years at Macquarie Bank as a senior executive in the Property Investment Banking division undertaking property finance, structured finance, funds management and joint venture transactions.



**NICK ANAGNOSTOU**  
CEO - CQE  
Head of Social Infrastructure

Nick joined Charter Hall following the acquisition of Folkestone in November 2018. Nick joined Folkestone in 2006. Nick is an executive board member for the ASX listed Charter Hall Education Trust (ASX:CQE) and the Charter Hall CIB Fund. Nick has more than 25 years of experience in the Australian commercial property and Funds Management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute and Finsia. He is a Certified Funds Manager, qualified property valuer and a Licensed Estate Agent and was previously a Director of an international real estate agency where he focused on Premium and A-Grade office markets.

## CONTACT US

### Responsible Entity and Registered Office

Charter Hall Social Infrastructure Limited  
Level 20 No.1 Martin Place  
Sydney NSW 2000

### Directors of the Responsible Entity

Grant Hodgetts (Chairman)  
Victor Cottren  
Michael Johnstone  
Nicholas Anagnostou  
Sean McMahon

### Solicitors

Clayton Utz  
Level 15, 1 Bligh Street  
Sydney NSW 2000

### UNIT Registry

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Level 12 Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Ph: 1300 737 760

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PricewaterhouseCoopers  
2 Riverside Quay  
Southbank VIC 3006

### Financiers

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Sydney, 100 Barangaroo Avenue  
Sydney NSW 2000

Australia & New Zealand Banking Group Limited  
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Melbourne VIC 3000

AustralianSuper  
Level 26, 50 Lonsdale Street  
Melbourne VIC 3000

### Custodian

The Trust Company Limited  
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Sydney NSW 2000

### Joint Company Secretaries

Mark Bryant / Travis Butcher  
Level 20 No.1 Martin Place  
Sydney NSW 2000

### Investor Relations

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