

ASX Release

Charter Hall delivers strong performance 25 February 2016

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Charter Hall Group (ASX:CHC) (Charter Hall or the Group) today announced its half year results for the six months to 31 December 2015.

Half Year Financial Results Summary

- Statutory profit after tax of \$143.5 million, up 259.6% from pcp, including \$89m property valuation gains
- Operating earnings of \$61.2 million, up 26.3% from pcp
- Operating earnings of 15.0 cents per security up 9.5% over pcp
- NTA growth of 22 cents per security to \$2.98, up 8.0%
- Distribution of 13.3 cents per security up 9.9% over pcp

Key Achievements for the six months to 31 December 2015

- 17.0% growth in funds under management to \$15.9 billion
- Secured \$730 million of gross equity flows with \$532 million of net flows post investor equity returns
- Completed \$1.7 billion of property transactions
- Deployed \$97 million (net) in Property Investments which together with the \$89 million of net revaluations increased Property Investments to \$1.13 billion

Charter Hall's Managing Director and Group CEO, David Harrison said: "The active growth and management of our Australian platform over the past six months has delivered a 9.5% increase in operating earnings per security and a 17.0% increase in our Australian portfolio value, which now totals \$15.9 billion.

"Our high quality and diversified property portfolio has seen the Group outperform both the S&P/ASX 200 Property Accumulation Index and MSCI/IPD Wholesale Pooled Property Funds Index over three and five years delivering total securityholder returns of 17.8% and 20.2% respectively," Mr Harrison added.

Charter Hall's business is focused on two key earnings streams; Property Investment income generated from investing alongside the Group's capital partners in property funds and partnerships and earnings generated from Property Funds Management, utilising our full service integrated platform.

The Group has continued to use its property expertise to access, deploy, manage and invest equity in our core real estate sectors of office, retail, industrial and hospitality to generate superior returns for our investors.



Property Investments – Operating Earnings up 26.3% to \$35.9 million

Charter Hall invested a further \$97 million (net) alongside its capital partners, which together with \$89 million of net revaluations increased Property Investments to \$1.13 billion.

The Group's Property Investment portfolio generated a 7.2% yield with a weighted average cap rate of 6.58%. The diversification and exposure of the Group's portfolio to high quality assets with strong tenant covenants and lease durations is actively managed at a sector, fund and asset level with the total portfolio occupancy remaining strong at 98.2% and a stable portfolio weighted average lease expiry (WALE) of 8.8 years.

"Our strong performance has been led by consistent high growth in our OEPS with the OEPS CAGR at 11.7% since 1H FY10. Over the same period, distributions have grown at an annualised 13.7% p.a.; an achievement we are proud to highlight," Mr Harrison said.

Property Funds Management - Operating Earnings of \$26.4m, up 24.0%

The Property Funds Management business experienced significant growth, up \$2.3 billion or 17.0% to \$15.9 billion during 1H FY16. This growth was driven by activity in the industrial sector, with \$710 million of 1H FY16 acquisitions and positive valuation uplifts across all sectors.

Operating earnings increased by 24% to \$26.4 million and property funds management EBITDA margin increased from 39.7% to 41.8%.

Across the Group's managed funds, \$730 million of gross equity was secured with this equity being invested in \$1.4 billion of new acquisitions. Australian funds under management has a CAGR of 15.5% since June 2010. During 1H FY16, inflows were weighted towards the Wholesale Funds Management business and the Direct Property business following the creation of a number of new Charter Hall managed funds and investment inflow into established funds.

Strong portfolio performance

Charter Hall's high quality and diversified \$15.9 billion property portfolio delivered a total occupancy of 98.1% and a stable WALE of 7.9 years. This followed 283 leasing deals across the portfolio including new lease deals with Target and The Reject Shop at the Drystone Industrial Estate in Melbourne, major office leasing deals including new leases to Department of Human Services at 570 Bourke Street in Melbourne, Amazon Corporate Services and Twitter at 2 Park Street, Sydney and a renewal to Suncorp at 266 George Street, Brisbane along with 182 leasing deals over 41,649sqm in our retail business.

David Harrison said: "The active management of our portfolio is now well supported by a sector based model that will ensure the Group has the right capability to provide the agility, accountability and innovation required to create value and generate superior returns for our customers."

Strategy and Outlook

The Group remains in a strong position to continue to access, deploy, manage and invest equity from listed, retail and wholesale sources. The Group continues to deliver sustainable and growing returns for its investors through a firm focus on:

- Continuing to grow and deliver strong fund performance for investors across all equity sources
- The active management of its property portfolio supported by a sector based approach
- Securing high quality assets within the core property sectors
- Creating high quality investment products and investing alongside capital partners
- Focusing on growing high quality earnings streams



- Providing healthy, collaborative environments for our people that create an inclusive culture fostering diversity and innovative thinking

Absent unexpected events, Charter Hall's guidance for FY16 operating earnings per security is upgraded to 8-10% growth over FY15.

"Given volatility across global equity markets, we expect quality property with secure cash flow to remain highly attractive to both institutional and retail investors. We will continue to focus on portfolio security by investing in assets with strong tenant covenants and long lease durations delivering sustainable income and capital growth for securityholders," Mr Harrison added.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 24 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$15.9 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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