

ASX Release

Charter Hall 1H FY18 Results

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Charter Hall Group (ASX: CHC) today announced its half year results for the period to 31 December 2017. The strength of the Group's financial performance can be seen across key financial and operational metrics:

1H FY18 Financial highlights:

- Operating earnings per security pre-tax of 24.0 cents, up 8.3% on pcp
- Operating earnings per security post-tax of 20.4 cents, up 4.3% on pcp
- NTA per security growth of 2.6% to \$3.69
- 1H FY18 Distribution of 15.6 cents per security, up 8.4% on pcp; comprising a 9.4 cents per security distribution from Charter Hall Property Trust (CHPT) and a 6.2 cents per security fully franked dividend from Charter Hall Limited (CHL)
- Statutory profit after tax of \$121 million

1H FY18 Operational performance:

- Access - Secured \$0.9 billion of gross equity flows, with \$480 million raised in Wholesale Funds and Partnerships, \$323 million raised in Direct Funds and \$78 million raised in Listed Funds.
- Deploy - Completed \$2.0 billion of gross property transactions comprising \$1.5 billion in acquisitions and \$0.5 billion in divestments.
- Manage - 10.4% growth in Funds Under Management (FUM) to \$21.9 billion across a portfolio comprising 336 properties, an occupancy of 97.8%, WALE of 7.7 years and \$1.5 billion of rental income.
- Invest - Property Investment (PI) Portfolio increased by 6.8% to \$1.6 billion. Attractive Property Investment earnings yield of 6.4%.

Charter Hall's Managing Director and Group CEO, David Harrison said: "We are pleased to announce another positive result for the Group delivering 1H FY18 distribution per security growth of 8.4% to 15.6cps, with the distribution now having the benefit of franking credits attached, and NTA per security growth of 2.6% to \$3.69. Over the five-year period to 31 December 2017, the Group has achieved OEPS compound average growth of 12.6% demonstrating our capability as a funds and investment manager to create value and deliver sustained growth for our capital partners and investors.

"We are leveraging the size and scale of our \$21.9 billion property portfolio along with strong cross-sector tenant relationships to originate projects from within our portfolio. Our \$4.4 billion pipeline of development activity is forecast to deliver investors institutional quality investment opportunities, adding significant value through enhanced income yield and total returns for our managed funds." Mr Harrison added.



Property Investment Performance

During the six months to 31 December 2017 the Property Investment portfolio increased by 6.8% to \$1.6 billion and generated an 11.9%¹ Total Property Investment Return.

The active management and diversification of the Group's Property Investment portfolio ensured the total portfolio occupancy remained strong at 97.8% and the Weighted Average Lease Expiry (WALE) remained stable at 7.4 years. The Property Investment portfolio continues to be well-diversified across funds and asset classes.

The Group's Property Investments have continued to outperform their respective benchmarks delivering 13.6% per annum return over the five years to 31 December 2017. As a result, the Group's PI outperformed the MSCI/IPD Unlisted Wholesale Pooled Property Funds Index, which returned 10.9% over the same period.

Property Funds Management

Charter Hall's Property Funds Management portfolio is well-diversified, having grown to 336 properties, leased to 2,617 tenants, a WALE of 7.7 years and delivering more than \$1.5 billion dollars of gross rental income.

Group FUM increased by \$2.1 billion or 10.4% for the six months to 31 December 2017, reflecting a 19.0% compound annual growth rate since June 2012. During the period, \$0.6 billion of revaluations, \$1 billion of net acquisitions and \$0.4 billion of capex saw the Group's FUM increase to \$21.9 billion.

Growth in the Group's managed funds was driven by \$0.9 billion of gross equity inflows comprising \$480 million raised in Wholesale Funds and Partnerships, \$323 million raised in Direct Funds and \$78 million in Listed Funds. This equity was deployed into \$1.5 billion of strategic asset acquisitions with a further \$3.2 billion additional funding capacity available across the platform.

Divestments of \$0.5 billion enhanced the property portfolio to drive sustainable returns and lock in realised returns. Preservation of capital and driving resilient income remain core strategies.

"With \$3.2 billion of investment growth capacity, we are well positioned to continue growing via our development pipeline as well as taking advantage of strategic opportunities as they arise." Mr Harrison added.

Value enhancing development activity pipeline

Charter Hall continues to leverage its in-house development team to originate \$2.4 billion of committed development projects with a forward pipeline of identified projects of \$2.1 billion.

The Group continues to use its cross-sector tenant relationships and the scale of its portfolio to create investment grade opportunities generating significant value through enhancing both income yield and total returns for its funds. Development activity is undertaken by funds/partnerships and the majority of committed projects being de-risked through pre-leases and fixed price building contracts.

During the period, the Group announced major lease pre-commitments to Vanguard Australia, Telstra Super and Cbus Super at the \$600 million redevelopment of Wesley Place, representing 50% of forecast income for the asset. The Group also commenced the redevelopment of the GPO Exchange office tower in Adelaide, de-risked by a fixed price contract with Built and over 90% of the net lettable area leased long-term to a major Australian ASX-listed company and the South Australian Attorney General's Department.

¹ Total Property Investment (PI) Return is calculated as growth in the PI portfolio value plus distributions received divided by the weighted average PI portfolio value for the 12 months to 31 December 2017



Maintaining a strong balance sheet

The Group maintains a strong balance sheet, which remains ungeared with \$87 million of cash on hand as at 31 December 2017 and considerable financial flexibility with total headstock investment capacity of approximately \$250 million.

Capital management remains a key focus with \$3.6 billion of new and refinanced debt facilities during the period providing a weighted average debt maturity of 4.0 years delivering debt tenor, enhanced Fund liquidity and diversification of lending sources.

The Group maintains substantial funding capacity across the funds platform with \$3.2 billion of available liquidity.

Strategy and Outlook

Based on no material change in current market conditions the Group's FY18 guidance for operating earnings per security post-tax is no less than 3% growth on FY17 OEPS of 35.9 cents per security, equivalent to 37.0 cents per security.

The distribution payout ratio is expected to normalise and fall within our longer-term range, being 85% to 95% of OEPS post-tax on a full year basis and franking credits will continue to be distributed.

"The Group continues to focus on its strategy to access, deploy, manage and invest alongside our listed, retail and wholesale investors. We believe equity flows towards commercial real estate will continue for fund managers with proven records of accomplishment, who are able to provide access to institutional quality investments in markets that are underpinned by favorable property fundamentals." Mr Harrison said.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 25 years' experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has \$21.9 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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