

ASX Release

Charter Hall 1H FY20 Results and Upgraded Earnings Guidance

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Charter Hall Group (ASX:CHC) today announces its 1H FY20 results for the period ending 31 December 2019. Key financial and operational highlights for the period are:

Financial highlights:

- Operating earnings of \$225.8 million, or OEPS post-tax of 48.5cps, up 110% on the prior corresponding period (pcp)
- Statutory profit of \$313.2 million, after tax attributable to stapled securityholders, up 235% on pcp
- Distributions of 17.5cps, up 6% on pcp
- Total Platform Return of 23.5%¹

Operating highlights:

- Access: \$3.0 billion of gross equity raised and \$2.9 billion of net inflows generated for the 6-month period
- Deploy: \$6.3 billion of gross transactions for the 6-month period
- Manage: \$38.9 billion of FUM at 31 December 2019, with \$8.5 billion of FUM growth in the 6-month period
- Invest: Property Investments up \$248 million to \$2.1 billion, delivering a 12.5% return for the year

Charter Hall's Managing Director and Group CEO, David Harrison said: "This active 6-month period for the Group has driven FUM growth of \$8.5bn. Importantly, this growth has been achieved while maintaining returns for our investor customers and through continued partnership with our tenant customers. During the period we successfully launched several new partnerships with investors and new tenant partnership funds with BP Australia and Telstra. This emphasis on partnering with our tenant and investor customers has been rewarded with strong equity flows across all equity sources."

"Strong equity flow has translated into strong transactional activity. Our ability to source product off-market and through our development pipeline is a key part of the Group's success. For securityholders, this has translated into EPS growth, with 1H FY20 OEPS of 48.5c, whilst our \$38.9 billion FUM platform drives recurring funds management revenue. Our upgraded guidance for FY20 is 40% earnings growth per security over FY19."

¹ Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security

Property Investment

During the year, the Property Investment portfolio increased by 13.4% to \$2.1 billion and generated a 12.5% Total Property Investment Return².

The earnings resilience and diversification of the Property Investment portfolio continues to remain a key strength, with the top 10 asset exposures representing only 6.0% of earnings and the portfolio 82% weighted towards East Coast markets.

Portfolio occupancy remained strong at 97.6% and the Weighted Average Lease Expiry (WALE) improved to 8.9 years.

Property Funds Management

Charter Hall's fund management portfolio is well-diversified with over 4,000 tenancies across five sectors and is 7.7 million sqm in size. The portfolio WALE increased to 8.9 years as a result of transactional activity and delivered more than \$2.0 billion dollars of net rental income.

The Group's managed funds grew by \$8.5 billion to \$38.9 billion driven by \$5.8 billion of net acquisitions (\$6.3 billion gross transactions), positive revaluation of \$1.2 billion and capex spend on developments of \$0.9 billion.

The Group experienced \$2,978 million of gross equity inflows comprising \$453 million raised in Wholesale Funds, \$977 million in Wholesale Partnerships, \$875 million raised in Listed Funds and \$674 million in Direct Funds.

"Despite the transactional activity in the first half, the Group platform still enjoys \$4.1 billion of investment growth capacity. This leaves us well positioned to continue growing via our development pipeline as well of taking advantage of strategic opportunities as they arise." Mr Harrison added.

Development activity and pipeline

Development activity continues to drive asset creation and attract capital. Development completions have totalled \$568 million of FUM in the last 12 months. Notwithstanding completions, the \$6.8 billion pipeline continues to be re-stocked.

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

Maintaining a strong balance sheet

Capital management remains a key focus with \$6.4 billion of new and refinanced debt facilities during the period and no material maturities in FY20 or FY21. The Group maintains financial flexibility and substantial funding capacity across the fund's platform with \$4.1 billion of available liquidity. The reduced payout ratio will also see substantial retained earnings in FY20 to support future co-investment activity.

² Total Property Investment Return is calculated as distributions received from funds plus growth in investment value divided by opening investment value of the PI portfolio. This excludes investments held for less than one year and investments in Direct funds.

Strategy and Outlook

The Group's previous FY20 guidance was for post-tax operating earnings per security (OEPS) growth of approximately 30% over FY19.

Based on no material change in current market conditions and reflecting recent valuations, updated performance fee expectations and transactional activity, guidance is upgraded to approximately 40% OEPS growth in post-tax operating earnings per security over FY19.

FY20 guidance includes \$98 million for the CHOT performance fee, which in addition to the \$50 million recognised in FY19 earnings, will generate a \$148 million cash payment in April 2020.

When the impact of the CHOT performance fee is removed from both FY19 and FY20 earnings, guidance implies post-tax operating earnings per security growth of approximately 30% over FY19.

FY20 distribution per security guidance is for 6% growth over FY19.

Announcement Authorised by the Board

Charter Hall Group (ASX: CHC)

With over 29 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – office, retail, industrial and social infrastructure.

Operating with prudence, we've carefully curated a \$38.9 billion plus diverse portfolio of over 1100 high quality, long leased properties. Partnership and financial discipline are at the heart of our approach. Acting in the best interest of customers and communities, we combine insight and inventiveness to unlock hidden value. Taking a long term view, our \$6.8 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

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