

HY20 Financial Results

Wednesday, 5 February 2020

Centuria Property Funds Limited (CPFL) as Responsible Entity of Centuria Metropolitan REIT (ASX: CMA) is pleased to announce CMA's half year financial results for the period ended 31 December 2019.

HY20 FINANCIAL HIGHLIGHTS

- Funds From Operations (FFO) of \$39.0 million¹
- FFO¹ per unit of 9.6 cents per unit (cpu), in line with FY20 guidance
- Distributions per unit of 8.9cpu, in line with FY20 guidance
- Statutory net profit of \$24.7 million
- 12 month total unitholder return of 30.7%²
- Net Tangible Assets (NTA) of \$2.57 per unit³, and increase of 8 cents per unit
- Gearing of 33.2%, with significant debt covenant headroom and undrawn debt capacity

HY20 PORTFOLIO HIGHLIGHTS

- Portfolio book value grew to \$2.1 billion, underpinned by acquisitions across three high quality A Grade office assets for \$636.5 million
- Leases agreed⁴ for 24 lease transactions, totalling over 28,721sqm (9.5% of portfolio NLA)
- As a result of the acquisitions and agreed leases, over 24.5% of portfolio income is now derived from government tenants
- High portfolio occupancy⁵ maintained at 99.2%, WALE⁶ extended to 5.1 years
- Over 800 solar panels have been installed across five properties, reducing CO² emissions by an estimated 300 tonnes per annum

HY20 FINANCIAL RESULTS

Grant Nichols, CMA Fund Manager, commented, "CMA executed several significant leasing and capital transactions in HY20, which have combined to enhance CMA's asset quality, tenant covenants and WALE, reinforcing CMA's capacity to continue delivering sustainable and quality income streams from a \$2.1 billion office portfolio diversified across major Australian office markets. As a result of executed transactions, CMA has increased its portfolio to 23 assets with an average building age of around 15 years, while the WALE has increased to 5.1 years and over 24.5% of portfolio income now being derived from government tenants."

"Along with delivering FFO and distributions in line with guidance, CMA has generated an 8 cent per unit increase in net tangible assets while maintaining a solid capital position, with gearing of 33.2% and significant debt covenant headroom and undrawn debt capacity."

| Earnings | | HY20 | HY19 |
|---|-----|------|------|
| Statutory profit / (loss) | \$m | 24.7 | 14.7 |
| Funds from Operations ¹ | \$m | 39.0 | 26.5 |
| Funds from Operations per unit ¹ | cpu | 9.6 | 9.4 |
| Distribution per unit | cpu | 8.9 | 8.9 |
| Return on equity ⁷ | % | 11.2 | 10.9 |

| Balance sheet | | HY20 | FY19 |
|---------------------------|-----|---------|---------|
| Total Assets | \$m | 2,144.3 | 1,429.4 |
| NTA per unit ³ | \$ | 2.57 | 2.49 |
| Gearing ⁸ | % | 33.2 | 34.2 |

Statutory net profit for HY20 was \$24.7m, with Funds from Operations¹ of \$39.0 million or 9.6 cpu, and distributions of 8.9 cpu. Both FFO and distributions were in line with FY20 guidance provided. Like for like portfolio revaluations of \$37.9 million contributed to NTA³ of \$2.57 per unit, an 8 cent per unit increase from FY19, adding to return on equity of 11.2%.

During HY20 CMA further diversified its debt book with four new debt tranches to the four major Australian banks contributing to acquisition funding. Weighted average debt maturity remained broadly unchanged at 3.8 years whilst maintaining a competitive all in debt cost of approximately 2.3%⁹. CMA's solid capital base and diversified debt profile continues to provide CMA with flexibility to consider further growth opportunities.

PROPERTY PORTFOLIO

| Portfolio Snapshot | | HY20 | FY19 |
|---|-------|-------|--------|
| Number of assets | | 23 | 20 |
| Book value | \$m | 2,063 | 1,400 |
| WACR | % | 5.92 | 6.22 |
| Occupancy by area | % | 99.2 | 98.4 |
| WALE by gross income | years | 5.1 | 3.9 |
| Leases agreed by area | sqm | 28,72 | 21,758 |
| Average NABERS energy rating (by value) | Stars | 4.7 | 4.5 |
| Average building age (by value) | years | 14.9 | 15.9 |

CMA completed 24 lease transactions, with leases agreed⁴ for 28,721sqm, representing 9.5% of portfolio NLA during HY20. High occupancy⁵ of 99.2% was maintained with the portfolio WALE⁶ extending from 3.9 to 5.1 years. CMA continues to enhance and actively manage its portfolio with more than 60% of lease expiries at or beyond FY24, an average building age by value lowering to 14.9 years and average NABERS energy rating of 4.7 Stars.

Notable leasing transactions include:

- 144 Stirling Street, Perth WA (10,875sqm): A new ten year lease has been agreed with the WA Government (Western Australia Police), which has expanded its tenancy across the entire building (excluding the café). Building occupancy retained at 100.0%, WALE increased to 9.0 years (30 June 2019 2.0 years)
- 203 Pacific Highway, St Leonards NSW (3,528sqm): Verizon have renewed their tenancy for a five-year term. Building occupancy remains at 99.6%, WALE increased to 5.2 years (30 June 2019 4.3 years)
- 555 Coronation Drive, Toowong QLD (1,963sqm): The portfolio's largest vacancy as at 30 June 2019 has been leased, with Data #3 leasing the 1,963 sqm suite for an eight year term. The building has now been repositioned with building occupancy increasing to 100.0% (30 June 2019 60.7%) and the WALE increasing to 5.6 years (30 June 2019 3.2 years)

CMA continues to focus on establishing sustainability initiatives with 856 solar panels installed across five portfolio assets. The program is estimated to reduce annual CO² emissions by approximately 300 tonnes, the equivalent of removing approximately 170 cars from the road. CMA continues to assess other opportunities to implement further solar initiatives across the portfolio.

The overall like for like revaluation gain during HY20 was \$37.9m. Significant revaluation gains that occurred during HY20 included 144 Stirling Street, Perth, which incurred a \$9.5 million or 17.4% increase predominantly due to the 10,875sqm renewal to the WA Government for 10 years, and 555 Coronation Drive, Toowong which incurred a \$4.5 million or 15.5% increase due to the strong leasing outcomes achieved. CMA's weighted average capitalisation rate reduced to 5.92% as at 31 December 2019.

Grant Nichols commented, "Centuria continues to be a hands-on, proactive manager across the CMA portfolio, enhancing assets and creating value for both tenants and investors. CMA's team continues to focus on addressing upcoming expiries, retaining high occupancy and identifying opportunities to improve the portfolio WALE. During the period, the team continued to enhance the portfolio's income streams, with Federal government departments now representing CMA's largest tenant at 13.3%. When combined with state government departments, the portfolio's total government exposure increases to over 24.5% of portfolio income."

CAPITAL TRANSACTIONS

During HY20, \$636.5 million¹⁰ of transactions were executed, with interests in the three high quality, prime grade office assets noted below acquired, at an average yield of 5.6%, with 100% occupancy and average WALE of 8.0 years.

- 8 Central Avenue, South Eveleigh NSW (50%) \$191 million
- William Square 235 William Street, Northbridge WA (100%) \$189.5 million
- Nishi, 2 Phillip Law Street, Canberra ACT (100%) \$256 million

In December 2019, CMA announced that 483-517 Kingsford Smith Drive, Hamilton, QLD was no longer being marketed for sale due to the portfolio's reduced geographic weighting to QLD.

Grant Nichols commented, "CMA has selectively identified acquisition opportunities that enhance the overall quality of the portfolio, improve diversification within major Australian office markets, and introduce new government, ASX listed and multinational tenants, which further improve and diversify the portfolio's income streams. We continue to assess select transaction opportunities that will complement the fund's strategy and further improve the portfolio."

SUMMARY & OUTLOOK

Grant Nichols commented, "the outlook for Australian office markets remain solid, with ongoing investment demand supported by the low or falling vacancy rates evident in most major office markets, coupled with a shift to lower interest rates throughout 2019 increasing the relative attractiveness of commercial office property."

"Across the CMA portfolio we continue to generate reasonable levels of tenant demand, as tenants continue to seek opportunities to be located in quality, affordable office buildings that are generally located within close proximity to retail amenity and transport infrastructure."

CMA re-iterates its FY20 FFO¹ guidance of 19.0 cents per unit, with distribution guidance of 17.8 cents per unit, payable in equal quarterly instalments.

HY20 RESULTS PRESENTATION

An investor/analyst briefing webcast will be held on Wednesday, 5 February 2020 at 9:30am (AEDT). Investors and analysts can access the webcast by using the following link [CMA HY20 Results Webcast](#). An investor presentation and the HY20 financial report will be released to the ASX prior to the webcast on Wednesday, 5 February 2020.

This announcement was authorised to be given to the ASX by Anna Kovarik, Company Secretary.

– Ends –

For more information or to arrange an interview, please contact:

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About Centuria Metropolitan REIT

CMA is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. CMA owns a portfolio of high quality office assets situated throughout Australia. CMA is overseen by a hands on, active manager and provides investors with income and the opportunity for capital growth from a pure play portfolio of high-quality Australian office assets.

Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX listed Centuria Metropolitan REIT (CMA). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$7.3 billion¹¹ in total assets under management and offers a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds.

www.centuria.com.au

1 FFO is the Trust's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

2 Source: Moelis Australia. Based on movement in security price from ASX closing on 1 July 2019 to ASX closing on 31 December 2019 plus distributions per security paid during the respective period(s) assuming re-investment of distributions. Past performance is not a reliable indicator of future performance

3 NTA per unit is calculated as net assets less goodwill divided by closing units on issue

4 Includes Heads of Agreement (HOA)

5 Occupancy by area

6 WALE by gross income

7 Return on Equity is calculated as closing NTA minus opening NTA plus distributions divided by opening NTA

8 Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill

9 Floating rate, plus all-in margins (base and line fees)

10 Before transaction costs

11 Excludes the Transaction proposal for Augusta Capital Limited announced on 29 January 2020. Pro forma Group AUM of A\$9.2 billion is calculated assuming Centuria's offer is successful and Centuria acquires 100% of Augusta