

ASX Release

\$275 million Institutional Placement to strengthen balance sheet

27 April 2020

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Charter Hall Retail Management Limited, as responsible entity of Charter Hall Retail REIT (ASX: CQR) (CQR or the REIT) today announces it is undertaking:

- A fully-underwritten institutional placement to raise \$275 million (“Placement”); and
- A non-underwritten Unit Purchase Plan (“UPP”) to eligible unitholders in Australia and New Zealand to raise up to \$25 million, together the “Equity Raising”¹.

Rationale

The proceeds from the Equity Raising will be used to strengthen CQR's balance sheet and provide financial flexibility to enable continued execution of strategy.

Following the Placement, the REIT's pro forma²:

- Balance sheet gearing is forecast to reduce to 22.6%
- Look-through gearing is forecast to reduce to 28.6%
- Cash and undrawn debt facilities is forecast to increase to \$407 million

As announced on 20 March 2020, CQR's FY20 earnings and distribution guidance remains withdrawn due to uncertainty from the COVID-19 pandemic. It is CQR's intention to pay a distribution for 2HFY20 taking into account the operating cashflow generated during the period.

While the duration and economic impacts of the COVID-19 pandemic remain uncertain, the REIT's operations are resilient and focussed on convenience retail:

- Supermarket sales continue to grow, underpinning customer visitation and financial performance
- Strategy remains focussed on non-discretionary convenience retail and everyday needs
- Continued portfolio quality refinement through on-going portfolio curation
- Tenants and shoppers supported by federal and state stimulus packages including the Commonwealth JobKeeper program

¹ The Equity Raising structure balances the need for certainty of proceeds received through the Placement with CQR's desire to provide its retail unitholders with the opportunity to participate through the UPP. The cap on the UPP of \$25 million is considered appropriate to provide the opportunity for the majority of CQR's retail unitholders to achieve a pro rata allocation having regard to the total Equity Raising size, the construct of CQR's register and historical take-up rates in UPPs. CQR may, in its absolute discretion, scale back applications over this amount or apply a higher cap to the UPP and scale back applications over the higher cap.

² Pro forma as at 31 December 2019, including the impact of the Placement and other post-balance date adjustments outlined in Annexure 1 of the Investor Presentation

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Operational Update

While the impacts of COVID-19 have been significant, CQR's anchor tenants have all remained open and trading to meet the everyday needs of customers throughout this period. The sales performance of CQR's anchor tenants was significantly elevated during March and our centres experienced a large increase in visitation and foot traffic. This has started to normalise during April as buying patterns have returned to normal.

Throughout this period, CQR's primary focus in conjunction with our tenant customers has been the health and safety of our shoppers and the communities in which we operate. We have proactively managed social distancing measures and government regulations to ensure the safety of all staff, tenants and customers in our centres.

Major tenants Woolworths, Coles, BP, Wesfarmers and Aldi represent in excess of 51% of rental income and as at 31 March 2020, 60% of CQR's supermarkets are currently paying turnover rent.

As at 24 April 2020, tenants representing 87% of portfolio income are open and trading. Importantly, numerous tenants that elected to voluntarily close have recently advised they intend to progressively re-open from this week. The National Cabinet Mandatory Code of Conduct (Commercial Code) defines the concept of proportionality and that rental relief will be provided in proportion to the reduction in trade to qualifying tenants.

CQR will support COVID-19 impacted tenants under the new laws giving effect to the Commercial Code and will actively partner with our tenant customers to ensure sustainable and long-term outcomes. CQR estimates that 25% - 30% of tenants by portfolio income are defined as Small to Medium Enterprises (SMEs) under the Commercial Code.

Institutional Placement

CQR is undertaking a fully underwritten institutional placement to raise \$275 million, representing approximately 20% of units on issue prior to the Equity Raising.

New units under the Equity Raising will be issued at a fixed issue price of \$2.90, which represents a:

- 7.9% discount to the last close price of \$3.15 on 24 April 2020; and
- 8.4% discount to the 5 day VWAP of \$3.167 on 24 April 2020.

It is intended that eligible institutional unitholders who bid for up to their 'pro rata' share of new units under the Placement will be allocated their full bid, on a best endeavours basis^{3,4}.

New units will rank equally with existing CQR units and will be entitled to the distribution for the six months ending 30 June 2020.

Unit Purchase Plan

Eligible unitholders in Australia and New Zealand will be invited to subscribe for up to a maximum of \$30,000 in additional units, free of transaction and brokerage costs via a UPP. The new units will be offered at the same price as investors in the Placement, being \$2.90 per unit. The UPP will not be underwritten and is expected to raise up to \$25 million. New units issued under the UPP will rank equally with existing units and will be entitled to the full distribution for the half year ending 30 June 2020.

Further information on the UPP will be lodged with the ASX and sent to eligible unitholders on or around 5 May 2020.

³ An eligible institutional unitholder's existing holding will be estimated by reference to CQR's latest available beneficial register which shows historical holdings as at the date of that register and is not up to date. There is no verification or reconciliation of the holdings as shown in the historical beneficial register and accordingly this may not truly reflect the participating eligible institutional unitholder's actual holding. CQR and the joint lead managers do not have any obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining allocations. Institutional unitholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the placement. CQR and the joint lead managers disclaim any duty or liability (including for negligence) in respect of the determination of an eligible institutional unitholder's allocation using their assumed holdings.

⁴ Eligible institutional unitholders who bid in excess of their 'pro-rata' share as determined by CQR and the joint lead managers are expected to be allocated a minimum of their 'pro-rata' share on a best endeavours basis as set out in footnote 1 above, and any excess may be subject to scale back.

Timetable⁵

Event	Date (2020)
Record date for UPP	7:00pm, Friday, 24 April
Trading halt and announcement of the Equity Raising	Monday, 27 April
Placement bookbuild	Monday, 27 April
Trading of units recommences on the ASX	Tuesday, 28 April
Settlement of units under the Placement	Thursday, 30 April
Allotment and normal trading of units issued under the Placement	Friday, 1 May
UPP offer opens and booklet is dispatched	Tuesday, 5 May
UPP offer closes	5:00pm, Thursday, 21 May
UPP allotment date	Thursday, 28 May
Dispatch of holding statements and normal trading of new units issued under the UPP	Friday, 29 May

Additional information

Additional information about the Equity Raising, including certain key risks, is contained in the investor presentation released to the ASX today.

Announcement authorised by the Board

Charter Hall Retail REIT (ASX: CQR)

Charter Hall Retail REIT is a leading owner and manager of a portfolio of high quality convenience based retail. Charter Hall Retail REIT is managed by 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, Charter Hall Group as Manager of CQR has carefully curated a \$38.9 billion 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.

For further enquiries, please contact

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All dollar amounts in this announcement are in Australian dollars unless otherwise indicated.

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⁵ All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time.

which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of CQR or the Responsible Entity and cannot be predicted by CQR or the Responsible Entity and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which CQR operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. None of CQR or the Responsible Entity or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

This announcement is not a recommendation by any person as to whether any person should participate in the Placement or the UPP. No person guarantees the repayment of capital or any particular rate of income or capital return on an investment in Units in CQR.

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