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COF FY20 Financial Results

SYDNEY (Wednesday 5 August 2020) - Centuria Property Funds Limited (**CPFL**), as Responsible Entity of Centuria Office REIT (**ASX: COF**), has announced its Full Year financial results for the period ended 30 June 2020.

FY20 Financial Highlights

- Funds from operations (FFO) of $85.4 million[1]
- FFO[1] per unit of 18.6 cents per unit (cpu)
- Distributions per unit of 17.8 cpu, in line with FY20 guidance
- Statutory net profit of $23.1 million
- Net Tangible Assets (NTA) of $2.49 per unit[2]
- Rent collections for the period April-June 2020 averaged 92%[3]
- Strengthened balance sheet, 34.5% gearing[4] and undrawn debt capacity increased to $131.0 million[5]

FY20 Portfolio Highlights

- Australia's largest pure play ASX listed office A-REIT with 23 quality assets diversified across major Australian office markets with no single geographical market concentration
- 79% of total portfolio income is derived from government, listed and multinational tenants
  - c.25% of total portfolio income underpinned by state and federal government tenants
- Staggered lease expiry, with 58% of the portfolio's leases to expire at or beyond FY24
- Leases agreed[6] for 41 lease transactions, totalling over 32,378 sqm (10.6% of portfolio NLA)
- High portfolio occupancy[7] maintained at 98.1%; WALE[8] extended to 4.7 years
- Average building age of 15.9 years (by value)

FY20 Financial Results

Grant Nichols, COF Fund Manager, commented, "The COF portfolio delivered a solid performance during the second half of FY20, in spite of the challenging operating conditions resulting from COVID-19. Its performance, including delivering distributions in line with guidance, is a testament to the quality of COF's portfolio. The portfolio maintains a high occupancy[7] rate of 98.1%, a WALE[8] of 4.7 years, and excellent tenant covenants, with c.25% of total portfolio income derived from Australian state and federal government tenants.

"We believe COF provides quality, highly connected and affordable office space at a time when tenants are focused on their operating costs. Due to its high occupancy, strong underlying tenant covenants and an average building age of 15.9 years, COF remains well placed to continue delivering attractive income returns to unitholders, with FY21 distribution guidance equating to a current distribution yield of c.9.0%[9]."

Earnings		FY20	FY19
Statutory profit / (loss)	$m	23.1	53.6
Funds from Operations[1]	$m	85.4	61.2
Funds from Operations per unit[1]	cpu	18.6	18.7
Distribution per unit	cpu	17.8	17.6
Return on equity[10]	%	7.2	7.3

Balance sheet		FY20	FY19
Total Assets	$m	2,119.3	1,429.4
NTA per unit[2]	$	2.49	2.49
Gearing[4]	%	34.5	34.2

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Statutory net profit for FY20 was $23.1 million, with Funds from Operations[1] of $85.4 million or 18.6 cpu, and distributions of 17.8 cpu. Distributions were in line with FY20 guidance provided. Funds from Operations were adversely impacted by COVID-19 due to rent relief claims related to the National Code of Conduct on Commercial Leases and other provisions. Combined, these items reduced Funds from Operations from 19.3 cpu to 18.6 cpu, noting FY20 guidance was 19.0 cpu.

Like for like portfolio revaluations throughout FY20 of $23.3 million contributed to NTA[2] of $2.49 per unit. During FY20, the flattening swap curve adversely impacted the value of COF's interest rate swaps, reducing NTA[2] by 2.0 cpu.

COF further diversified its debt book during FY20 with five additional tranches established including a new seven-year facility with Crédit Agricole. COF now has five high quality financiers. The weighted average debt maturity remained broadly unchanged at 3.3 years with a competitive all in debt cost of approximately 2.2%[11]. COF continues to operate with significant undrawn debt[5] of $131.0m and significant covenant headroom with an interest coverage ratio of 6.3x (covenant 2.0x) and loan to value ratio of 36.4% (covenant 50%).

Property Portfolio

Portfolio Snapshot		FY20	FY19
Number of assets		23	20
Book value	$m	$2,053.3	1,400
WACR	%	5.93	6.22
Occupancy by area	%	98.1	98.4
WALE by gross income	years	4.7	3.9
Leases agreed by area	sqm	32,378	21,758
Average NABERS energy rating (by value)	Stars	4.8	4.5
Average building age (by value)	years	15.9	15.9

COF continues to enhance and actively manage its portfolio with a focus on further improving the portfolio's lease expiry profile to quality tenants. During FY20, COF completed 41 lease transactions, with leases agreed[6] for 32,378 sqm, representing 10.6% of portfolio NLA. Included within this leasing is a new 10-year lease to the WA Government at 144 Stirling Street, Perth, across the entire building (excluding the café). As a result of the new lease, the WA Government is now the second largest tenant (by income) across the COF portfolio.

High occupancy[7] of 98.1% was maintained and the WALE[8] was extended from 3.9 to 4.7 years with 58% of leases expiring at or beyond FY24. Notably, COF's portfolio income is strongly underpinned by government tenants. Over 25% of income derived from government tenants with the Federal Government representing almost 14% of the portfolio income.

In June, Foxtel signed a deed of agreement to surrender its lease at 35 Robina Town Centre Drive, Robina, QLD. Under this agreement COF will receive a surrender payment during FY21 equivalent to the rent payable under the remaining Foxtel lease term discounted to present day. Existing sub tenants, representing 23.3% of building's NLA, will convert to direct leases. The lease surrender provides another opportunity to utilise Centuria's strong leasing capabilities to reposition the asset and minimise potential downtime.

COF seeks to provide quality, highly connected and affordable office space that meets changing tenant demands, and COF's asset quality is emphasised by an average building age of 15.9 years (by value) and average NABERS energy rating of 4.8 Stars (by value). COF is focused on further enhancing building efficiency with 856 solar panels installed across five portfolio assets during FY20. The installation is estimated to reduce annual CO^2 emissions by approximately 300 tonnes, the equivalent of removing approximately 170 cars from the road.

All assets within the portfolio were independently revalued during FY20. As at 30 June 2020, 13 of the 23 assets, representing 55.7% by value, were independently revalued resulting in a decreased portfolio value of $21.9m or 1.1%, compared to the preceding book value. The decrease in value was primarily the result of valuers adopting lower growth rates, with increased downtime and incentives. The weighted average capitalisation across the portfolio was broadly

unchanged at 5.93%. Where relevant, valuers incorporated ongoing rent relief claims related to the National Code of Conduct on Commercial Leases.

Grant Nichols commented, "COF benefits from Centuria being a hands-on, proactive manager with in-house property and facilities management and deep leasing capability. The results achieved throughout FY20 including an increase in WALE, an increase in the average NABERS energy rating while maintaining high occupancy is a testament to this. The management team is currently focused on preparedness and a rapid response to challenges arising from COVID-19 and generating greater tenant engagement through this period of uncertainty."

Capital Transactions

During 1H20, $636.5 million[12] of transactions were executed, with interests in the three high-quality, Prime Grade office assets acquired, at an average yield of 5.6%, with 100% occupancy[7] and average WALE[8] of 8.0 years.

Grant Nichols commented, "COF selectively identified acquisition opportunities that enhance the overall quality of the portfolio and improve its diversification across major Australian office markets. These acquisitions introduce additional quality tenant covenants, which further improve and diversify the portfolio's income streams."

Summary & Outlook

Grant Nichols, COF Fund Manager, said, "The COF portfolio delivered solid results throughout FY20, which included the challenging COVID-19 affected trading period. Its performance can be credited to assets underpinned by high quality tenants and positioned in metropolitan and near-city locations that provide excellent connectivity – easy commutes for workers - while delivering affordable rent levels. The assets' location and affordability resonate well with tenants at a time when operating costs are scrutinised and workforces' preferences show a trend towards working closer to home. For these reasons, we believe the COF portfolio will continue to provide attractive options for tenants into the future.

"Additionally, COF benefits from a relatively young asset portfolio with the average building being 15.9 years. Younger generation stock will help attract and retain tenants while providing limited capital expenditure and maintenance requirements.

"While there is continued immediate uncertainty resulting from COVID-19, the medium to long-term outlook for high-quality office assets remains positive, driven by continued investor demand for income producing investments in this low interest rate environment."

COF provides FY21 distribution guidance of 16.5 cents per unit, which equates a current yield of c.9.0%[9]. Distributions will be paid in equal quarterly instalments.

Due to uncertainty arising from COVID-19 and the potential impact on operating conditions, COF will not be providing FFO guidance at this point.

FY20 Results Presentation

An investor/analyst briefing webcast will be held on Wednesday, 5 August 2020 at 9:30am (AEST). Investors and analysts can access the webcast by using the following link COF FY20 Results Webcast.

– Ends –

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

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***Authorised for release** by Anna Kovarik, Company Secretary.*

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About Centuria Office REIT

COF is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. COF owns a portfolio of high quality assets situated in core office markets throughout Australia. COF 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 Office REIT (COF). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with $9.4 billion[13] 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.

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[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] NTA per unit is calculated as net assets less goodwill divided by closing units on issue
[3] Included within the outstanding rent is agreed and pending rent relief claims related to the National Code of Conduct on Commercial Leases As COVID-19 impacts and the National Code of Conduct on Commercial Leases remains active, it is possible further rent relief claims could be received for the April 2020 to June 2020 period
[4] Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill
[5] Undrawn capacity exclude a $1.5m bank guarantee held as security over the 46 Colin Street, West Perth WA ground lease
[6] Includes Heads of Agreement (HOA)
[7] Occupancy by area
[8] WALE by gross income
[9] Based on COF closing price of $1.83 per unit on 4 August 2020
[10] Calculated as closing NTA minus opening NTA plus distributions divided by opening NTA
[11] Effective interest rate as at 30 June 2020 includes floating rate, all-in margin (base and line fees) and fixed interest costs under existing swaps (excludes capitalised borrowing costs)
[12] Before transaction costs
[13] Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. AUM is calculated assuming Centuria's offer is successful and Centuria acquires 100% of Augusta, and completion of CIP acquisitions

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