

FY21 Financial Results

SYDNEY (Thursday, 5 August 2021) - Centuria Industrial REIT (**ASX: CIP**), Australia's largest listed pure-play industrial REIT, has announced its Full Year financial results for the period ended 30 June 2021.

FY21 Financial Highlights

- \$91.4 million Funds From Operations (FFO)¹
- 17.6 cents per unit (cpu) FFO per unit, in line with upgraded FY21 guidance²
- 17.0 cpu distributions per unit (DPU), in line with FY21 guidance
- \$611.2 million Statutory Net Profit
- \$3.83 per unit Net Tangible Assets (NTA)³, 36% increase over FY21⁴
- 41.8% 12-month Return on Equity (ROE)⁵, 24.8% 12-month total unitholder return^{4,6}
- Strong balance sheet, 27.8% gearing⁷ below target gearing range

FY21 Portfolio Highlights

- Portfolio expanded to 62 high-quality industrial assets¹², total portfolio value increased to \$2.9billion
- 18 high-quality industrial assets acquired worth \$966million⁸, introduced two new industrial sub-sectors – Data Centres & Cold Storage
- \$587 million (25%) valuation uplift, including \$149million uplift from FY21 acquisitions^{6,9}
- 239,950sqm lease terms agreed, representing 22% of portfolio GLA¹⁰
- 9.6-year WALE with a 96.9% portfolio occupancy¹¹
- Delivered the REIT's first five star Green Star industrial development
- FTSE EPRA Nareit Global Developed Index inclusion

Jesse Curtis, CIP Fund Manager, said, "FY21 was a successful year for CIP, driven by transformative acquisitions and major portfolio leasing. Strong sector tailwinds supported increased tenant demand and record low national vacancy rates, propelled by the continued rise of e-commerce, positively impacting industrial property markets.

"CIP continued to execute its strategy with 18 high-quality industrial acquisitions worth \$966million⁸. This included \$631million worth of assets across two new high conviction industrial sub-sectors, Data Centres and Cold Storage. CIP's portfolio and tenant customer quality continued to improve with \$335million worth of urban infill logistics acquisitions.

"Major portfolio leasing was delivered in FY21 with nearly 240,000sqm of terms agreed while occupancy remained high at 96.9%. CIP's active management approach de-risked major near-term expiries as well as continuing to deliver value-add projects across the portfolio. Pleasingly, CIP completed its first five-star Green Star design and as-built industrial development at Bundamba, QLD, reinforcing the REIT's commitment to creating modern sustainable industrial products for tenant customers and unitholders.

"During FY21, CIP continued to build portfolio scale to provide quality, sustainable income streams and capital growth to investors. The portfolio has now increased to \$2.9billion in value, spans 62 assets and is supported by blue chip industrial tenant customers. Growth and scale of the portfolio led to increased market relevance with inclusion in the FTSE EPRA Nareit Global Developed Index.

"Having delivered a strong set of results through an active approach to the portfolio, CIP is pleased to have delivered our FY21 twice upgraded FFO guidance of 17.6 cpu and a 12-month return on equity of 41.8%. CIP will again be providing FY22 guidance with FFO guidance of no less than 18.1 cpu and distribution guidance of 17.3 cpu."

FY21 Financial Results

| Earnings | | FY21 | FY20 |
|-------------------------------|------------|-------|------|
| Statutory profit / (loss) | \$ million | 611.2 | 75.3 |
| FFO | \$ million | 91.4 | 63.5 |
| FFO per unit | cpu | 17.6 | 18.9 |
| Distribution per unit | cpu | 17.0 | 18.7 |
| Return on equity ⁵ | % | 41.8 | 10.1 |

| Balance Sheet | | 30 June 2021 | 30 June 2020 |
|---------------------------|------------|--------------|--------------|
| Total Assets | \$ million | 3,105.9 | 1,635.8 |
| NTA per unit ³ | \$ | 3.83 | 2.82 |
| Gearing ⁷ | % | 27.8 | 27.2 |

During FY21, CIP reported a \$611.2million statutory profit, underpinned by \$91.4million in FFO or 17.6cpu, which is in line with upgraded guidance. Total distributions of 17.0cpu were delivered in line with guidance. Total unitholder return throughout FY21 was 24.8% while Return on Equity was a strong 41.8%, generated through strong NTA uplift and ongoing distributions.

Total assets increased to \$3,106 million, underpinned by the acquisitions settled during the year, as well as a strong \$587 valuation uplift in FY21. CIP benefited from a 36% increase in NTA per unit to \$3.83 from \$2.82 in FY20. Valuation uplift was driven by heightened competition and investment demand for industrial and logistics assets with elevated transaction volumes setting new benchmarks for major asset and portfolio sales. Like for like valuation uplift for the portfolio from 30 June 2020 to 30 June 2021 was \$424 million⁹. The portfolio's Weighted Average Capitalisation Rate (WACR) compressed 151bps from 6.05% to 4.54% (27%) during FY21.

The strong valuation gain driving NTA, combined with distributions of 17.0cpu delivered a Return on Equity of 41.8% to unitholders over FY21.

CIP maintained a strong balance sheet with \$274m in available debt headroom and gearing of 27.8%, below the target gearing range of 30-40%. Interest coverage ratio (ICR) of 6.3 times (covenant of 2.0 times) and loan to value ratio 31.8% (covenant 55%) both provide substantial headroom to covenants. CIP maintains a staggered and diverse debt profile with no debt maturing before FY23 and a weighted average debt maturity of 3.1 years.

The CIP portfolio continues to maintain a strong position with rent collections averaging 99% for FY21 despite the extended COVID-19 impacts on the wider economy.

Capital Transactions

CIP entered contracts to acquire 18 high-quality industrial assets worth \$966million⁸, on an average initial yield of 4.8% transforming the quality of the portfolio. Key acquisitions included:

- \$631 million of Cold Storage and Data Centre assets across five transactions
- \$335 million of urban infill logistics assets across 13 transactions

100% of acquisitions were secured in the tightly held eastern seaboard markets and align with CIP's strategy of securing high-quality assets in urban infill markets, characterised by constrained supply. The acquisitions also introduced two compelling and tightly held sub-sectors of cold storage and data centres, both sectors experiencing significant growth.

FY21 acquisitions contributed \$149million of CIP's total valuation gains.

During FY21, CIP recycled capital with the divestment of 136 Zillmere Road, Boondall QLD for \$39.6million. This was at a premium to the prior book value and proceeds were redeployed into further growth opportunities.

The scale of CIP's transactions continues to illustrate Centuria's strong market relationships and ability to source attractive acquisitions opportunities, both on and off market, in the highly competitive industrial sector.

Property Portfolio

| Portfolio Snapshot | | 30 June 2021 | 30 June 2020 |
|--------------------------------|------------|--------------|--------------|
| Number of assets ¹² | | 62 | 50 |
| Book value | \$ million | 2,945.1 | 1,602.4 |
| WACR | % | 4.54 | 6.05 |
| Occupancy by income | % | 96.9 | 97.8 |
| WALE by income | years | 9.6 | 7.2 |
| Leases agreed GLA | sqm | 239,950 | 122,008 |

CIP's portfolio expanded 84% throughout FY21 to 62 high-quality assets¹² worth \$2.9billion. The portfolio diversified into the sub-sectors of cold storage and data centres, while building its presence within the manufacturing, distribution centres and transport logistics sub-sectors.

Tenant occupier demand across industrial markets was strong throughout FY21 with record low national vacancy being recorded across Australia's industrial markets. A combination of active management and positive leasing conditions led to terms agreed over more than 239,950sqm across 33 transactions, representing 22% of the portfolio GLA. Key leasing transactions include:

- 54,193sqm renewed to Woolworths on a 10-year term at 2 Woolworths Way, Warnervale NSW
- 27,599sqm renewed to Visy on a 10-year term at 37-51 Scrivener Street, Warwick Farm, NSW
- 17,070sqm leased to Buzz Supplies on an 8-year term at 14-17 Dansu Court, Hallam VIC
- 10,346sqm leased to two tenants increasing WALE to 4.7 years at 310 Spearwood Avenue, Bibra Lake WA

Through active asset management and strategic acquisitions, CIP's portfolio WALE increased to 9.6 years from 7.2 years during FY21. Portfolio occupancy was maintained at 96.9% while portfolio weighting to the strong eastern seaboard markets increased to more than 90%. CIP continues to have a staggered lease expiry profile with no more than 13% of portfolio income expiring in any single year throughout the next four years. CIP's income remains resilient with 51% of portfolio income derived from its top 10 blue chip customers, providing income security, and 25% from triple net leases, reducing cashflow leakage from capital expenditure.

CIP continued to deliver on its value-add projects with the completion of a brand new prime-grade industrial development at 42 Hoepner Road, Bundamba QLD achieving Five-Star Green Star Design and As-Built status. CIP continues to work through other value-add initiatives across the portfolio to deliver value and income certainty to unitholders.

Sustainability

CIP is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's Sustainability approach. Throughout FY21, Centuria and CIP implemented various ESG initiatives, including:

- Centuria's first Sustainability Report, which will be released later in CY21, and will include responses to the Task Force on Climate Related Financial Disclosure recommendations
- Established Centuria's Culture and ESG Board Committee
- Released Centuria's first Modern Slavery Statement
- Centuria's gender diversity: 38% female to 62% male employees
- 94%¹³ of employees enjoying working at Centuria, 91%¹⁴ of tenants recommend Centuria
- Established compulsory employee training for cyber security, financial education, and Centuria's code of conduct
- Centuria retained Diversity Council of Australia membership
- Further diversified CIP's responsible entity Board (CPF2L), appointing Roger Dobson as independent Chair and Independent Non-Executive Directors, Natalie Collins and Jennifer Cook. CPF2L has 40% female representation
- Achieved one of Australia's first Five-Star Green Star – Design and As-Built industrial building under the Green Building Council Australia's (GBCA) new rating guidelines v1.3 for the 42 Hoepner Road, Bundamba QLD
- 95-105 South Gippsland Hwy, Dandenong South VIC – targeting a Five-Star Green Star rating
- Over 5,000 solar panels have been installed across CIP's portfolio avoiding an estimated equivalent of over 6,000 tCO2e being released into the atmosphere

Summary & Outlook

CIP commences FY22 in a strong position with high occupancy of 96.9%, long WALE of 9.6 years and less than 5% of the portfolio expiring throughout FY22. CIP's strategy remains consistent, to deliver long-term secure income and capital growth to unitholders from a large scale portfolio of high-quality Australian industrial assets.

Jesse Curtis, concluded, "The domestic industrial market has continued to strengthen with strong tailwinds from increased adoption of e-commerce as well as demand from tenants onshoring operations. With record low vacancy rates across all major markets, Australia's industrial real estate sector remains a highly sought-after market attracting investment demand and creating robust competition for quality industrial and logistics assets.

"CIP has delivered exceptional FY21 results through an active management approach and dedicated industrial team. Eighteen new high-quality industrial assets were added throughout FY21 across all industrial sub-sectors and substantial leasing was undertaken to de-risk future lease expiries. The portfolio has reached \$2.9 billion of high-quality industrial assets and is well positioned to leverage this scale as investor appetite and tenant demand continues.

"With rising e-commerce, there's a shift in consumer expectations for rapid delivery times. This creates strong demand from occupiers for assets located in urban infill markets to help manufacture, fulfil or distribute orders quickly, and these markets are a focus for CIP. CIP's focus centres on building critical mass in key urban infill markets and, through acquisitions, leasing and value-add projects, the REIT aims to deliver long-term sustainable income streams and capital growth to unitholders."

CIP, as Australia's largest listed domestic pure play industrial REIT, provides FY22 FFO guidance¹⁵ of no less than 18.1 cents per unit and distribution guidance of 17.3 cents per unit with distributions paid in equal quarterly instalments.

FY21 Results Presentation

CIP is providing a market briefing, which will be made available via the [Centuria website](#).

– Ends –

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

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Authorised for release by Anna Kovarik, Company Secretary.

About Centuria Industrial REIT

CIP is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 200 Index. CIP's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high-quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP). CPF2L, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$17 billion in total assets under management and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

www.centuria.com.au

Summary Information

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¹ FFO is CIP'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 FY21 initial earnings guidance of 17.4 cents per unit was increase twice during FY21 to be no less than 17.6 cents per unit

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

⁴ Past performance is not a reliable indicator of future performance

⁵ Return on equity calculated as (closing NTA minus opening NTA plus distributions) divided by opening NTA

⁶ Source: Moelis Australia. Total Securityholder Return (TSR) equals change in unit price during the period, plus distributions declared

⁷ Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill

⁸ Before transaction costs. Includes assets exchanged but not settled as at 30 June 2021. 95-105 South Gippsland Highway, Dandenong South development as is complete value

⁹ Reflects gross increase. Excludes capital expenditure incurred

¹⁰ Includes Heads of Agreement (HoA)

¹¹ By income

¹² Excludes assets not settled as at 30 June 2020. In FY21 contracts were exchanged to acquire 18 assets. As at 30 June 2021 13 assets were exchanged & settled. 5 assets exchanged however not yet settled

¹³ Centuria undertake regular employee engagement surveys The reported figure is from the Groups FY21 survey

¹⁴ Centuria undertake regular tenant surveys. The figure reported is from the Groups FY21 survey

¹⁵ Guidance remains subject to unforeseen circumstances and material changes in operating conditions