

CROMWELL CONTINUES PIVOT TO CAPITAL LIGHT FUND MANAGER

FY22 RESULTS OVERVIEW

- Statutory profit of \$263.2 million (FY21 \$308.2 million) equivalent to 10.05 cents per security (FY21 11.78 cents per security);
- Operating profit of \$201 million (FY21 \$192.2 million) equivalent to 7.68 cents per security (FY21 7.35 cents per security);
- FY22 distributions per security of 6.5 cents, for a payout ratio on operating profit of 85% and 98% of Adjusted Funds From Operations (AFFO);
- Net Tangible Assets of \$1.04 (FY21 \$1.02);
- Gearing reduced to 39.6% (FY21 41.8%), within Cromwell's target range of 30-40%;
- Total assets under management stable at \$12 billion (FY21 \$12 billion);
- Mr Jonathan Callaghan commenced as new Chief Executive Officer; and
- Revised vision and strategy to support a more capital light funds management model.

Real estate investor and fund manager, Cromwell Property Group (ASX:CMW) (Cromwell), today delivers its full year results for the period ending 30 June 2022 (FY22). Cromwell Chair Dr Gary Weiss, in commenting on the full year results, said:

“Cromwell has once again proven to be a strong and resilient company, with our full year results achieved in challenging market conditions and during a period of change for the company.

“The year saw the appointment of Jonathan Callaghan as CEO, a leader who brings significant experience and capability to drive the renewed vision for the business, while the organisation also strengthened its senior management capability with various executive management appointments.

“Pleasingly, FY22 results mark a new era for the company under new leadership, underpinned by a fresh strategic vision to take us forward. The Board is confident in management's ability to execute on the strategy and to deliver continued strong, ongoing returns to our securityholders,” Dr Weiss said.

Commenting on the FY22 results, Cromwell CEO Jonathan Callaghan said:

“I'm pleased to report a solid result, with management activities undertaken throughout the year focused on building the foundations for our renewed vision. We are fully committed to pivoting Cromwell to become a simpler and more capital efficient business with a greater focus on driving securityholder returns through funds and asset management.

“Similar to FY22, the current financial year will be one of change as we continue to simplify the business and focus on reallocating capital from non-strategic investments to new opportunities which will drive growth in our funds management platform. The management team will continue to take a measured approach to progressively implementing our renewed strategy, taking into account prevailing market conditions, to ensure actions taken are in the best long-term interests of our securityholders.

“Cromwell has also identified further non-core assets to be sold which will initially further reduce gearing, but importantly provide liquidity to capitalise on more targeted opportunities to grow its funds management platform,” Mr Callaghan said.

FY22 FINANCIAL RESULTS AND CAPITAL MANAGEMENT

Cromwell reports FY22 statutory profit of \$263.2 million (FY21 \$308.2 million), equivalent to 10.05 cents per security. This number reflects a lower share of statutory profit from equity accounted investments, lower revaluation gains on investment properties, higher tax expenses over the period and higher corporate costs relating to insurance premiums, which will normalise for FY23.

FY22 operating profit of \$201.0 million, equivalent to 7.68 cents per security, was up 5% (FY21 \$192.2 million) driven by higher funds management profit and improved performance of the Cromwell Polish Retail Fund (CPRF) portfolio.

Gearing was reduced to 39.6% at the end of the period, as a result of four non-core asset sales. This returned Cromwell's gearing to within its stated target range of 30-40%.

Cromwell's average cost of debt, including hedging, decreased to 2.42% (FY21 2.69%), with weighted average debt maturity of 3.9 years (by commitments). The company maintains a strong Interest Coverage Ratio (ICR) of 6.3x.

Cromwell undertook a Convertible Bond buy back in June 2022 with a 41.3% (€95.1 million) take up. A further 57.6% (€132.5 million) was repurchased on 1 August 2022, leaving 1.1% (€2.4 million), which will be redeemed on 9 September 2022.

INVESTMENT PORTFOLIO

- Cromwell's investment portfolio consists of 13 Australian office assets valued at \$3 billion, up 2.15% from FY21 on a like-for-like basis;
- Increase in Net Tangible Assets (NTA) to \$1.04 (FY21 \$1.02);
- Investment portfolio operating profit of \$144.5 million (FY21 \$144.1 million);
- Increase in occupancy to 95.6% (FY21 94.7%); and
- Completed sale of four non-core assets.

Cromwell's Australian office assets were valued at \$3.0 billion at 30 June 2022, marginally above June 2021 valuation of \$2.9 billion. The company's Net Tangible Assets increased to \$1.04 (FY21 \$1.02).

Cromwell's investment portfolio operating profit was up marginally at \$144.5 million (FY21 \$144.1 million), largely driven by a portfolio of well-located assets and a stable income stream heavily weighted to government tenants, who account for 49% of rental income.

The investment portfolio remains stable, with portfolio valuations marginally increased on FY21 on a like-for-like basis. Cromwell occupancy increased to 95.6%, up from 94.7%, as a result of various leasing and asset management initiatives to drive tenant engagement. During the financial year, our team executed 41 leases over 52,000 sqm. The portfolio also has a long weighted average lease expiry (WALE) of 5.9 years, with no more than 10% of the portfolio expiring each year until 2026. The weighted average capitalisation rate (WACR) of 5.2% marginally improved from 5.4% at FY21.

Cromwell progressed its strategy to sell down non-core assets in its Australian portfolio during the period. The non-core asset sales for the year included 200 Mary Street, Brisbane for \$108.5 million; Village Cinema Centre, Geelong for \$19.0 million; TGA Complex, Symonston, for \$21.5 million; and Regent Cinema Centre, Albury for \$18.5 million. All assets were sold above current carrying value.

The proceeds from the sale of these non-core assets released capital of more than \$160 million, which was used to repay debt, and has seen Cromwell return to its targeted gearing range of 30-40%.

FUND AND ASSET MANAGEMENT

- Fund and asset management profit of \$49.7 million (FY21 \$44.6 million);
- Total third party assets under management (AUM) remained at \$7.8 billion (FY21 \$7.8 billion);
- European third party AUM remained steady at \$5.1 billion (FY21 \$5.1 billion);
- Australian and New Zealand AUM unchanged at \$2.7 billion (FY21 \$2.7 billion); and
- Significantly strengthened the funds management team with the appointment of Brett Hinton to the newly created role of Head of Funds Management – Australia, Michelle Dance as Fund Manager for the Australian Investment Portfolio and Peta Tilse as Head of Retail Funds Management.

Cromwell's fund and asset management activities delivered operating profit of \$49.7 million for the period (FY21 \$44.6 million).

Funds under management in the European business is \$5.1 billion. Four new European mandates were committed, with a total €800 million gross asset value. A total of €121 million has already been invested into new assets and a further four asset purchases valued at €200.5 million are nearing completion.

The Cromwell European REIT (CEREIT) portfolio recorded a 4.6% uplift in gross asset value to €2.6 billion (FY21 109 assets valued at €2.3 billion) with a 95.4% occupancy rate (by net lettable area). The 110+ properties are managed by Cromwell's experienced local teams in Europe, with CEREIT focused on buying value add assets, where active asset management can improve leasing outcomes and overall value. They continue to focus on increasing their allocation to well-located and tenanted industrial and logistics assets.

Cromwell strengthened its European team during the period with the appointment of Andrew Creighton, Head of Investment Management, Europe to oversee and execute all investment and asset management activities.

Retail funds grew during the period to \$2.5 billion (FY21 \$2.4 billion), with net inflows of \$60 million demonstrating investors' ongoing appetite for stable, income producing unlisted investments.

The Cromwell Direct Property Fund saw net inflows of just over \$90 million, with key transactions during the year including the acquisition of 100 Creek Street, Brisbane for \$184 million and 95 Grenfell Street, Adelaide for \$81 million, along with the sale of Bunnings, Munno Para West for \$48 million. During the year, gross assets grew to \$780 million from \$543 million.

In New Zealand, Oyster Property Group (50% interest) assets under management was stable at NZ\$2.1 billion (FY21 NZ\$2.1 billion). FY22 share of operating profit was NZ\$3 million (FY21 NZ\$3.8 million).

CO-INVESTMENTS

Cromwell's co-investments recorded operating profit of \$61.9 million for the full year, an increase of 33.1% from FY21 (\$46.5 million). This includes:

- A \$41.9 million share of operating profit during the financial year (FY21 \$43.3 million) in respect to Cromwell's 28% equity accounted share of CEREIT, with this stake valued at \$600 million as of 30 June 2022;

- Operating profit of \$22.8 million for CPRF, with the seven shopping centres valued at \$720 million (inclusive of 50% interest in the \$165 million Ursynów asset);
- Operating profit of \$2.4 million for the Cromwell Italy Urban Logistics Fund (CIULF) portfolio. Valuations were up \$5 million to \$91 million for the seven logistics assets in northern Italy, a key logistics hub for the region; and
- Acquiring a 4.3% equity stake, valued at \$19.8 million, in the Cromwell Direct Property Fund. A distribution of \$0.81 million was paid to Cromwell.

Cromwell has identified CIULF and CPRF as non-core assets, with a sales process to launch shortly. Discussions with joint venture partner for the sale of LDK Healthcare, which owns seniors living villages, remain ongoing. Capital from the sale of these assets will be redirected to more targeted opportunities to grow the funds management platform.

AREIT: STRATEGY UPDATE

In February 2022, Cromwell announced its intention to explore the establishment of a separately listed, Cromwell-managed, Australian real estate investment trust (AREIT) comprising high-quality office assets as part of a transition to more capital light real estate funds management model.

Significant work has been done towards listing a new externally managed AREIT which will hold a material portion of Cromwell's existing Australian investment portfolio.

The initial response from securityholders on this initiative has been positive, and the AREIT will be launched when Cromwell is confident that market conditions will support a successful listing.

The AREIT is a key step towards achieving a capital efficient business model and will provide investors with two investment vehicles with different risk and return profiles.

OUTLOOK

"Cromwell enters FY23 with a clear strategy and vision, where we will leverage growth opportunities that come from being a capital efficient business, with a focus on fund and asset management," Mr Callaghan said.

"We will continue to take a prudent approach to capital management in determining the right time to launch new initiatives, given the current more challenging operating environment. At the same time, Cromwell is well positioned to withstand these challenges.

"We expect interest rate speculation will moderate, stabilising current financial market conditions, while in Australia, strong employment will continue to support real estate fundamentals with office occupancy improving and leasing metrics showing positive momentum," he said.

A distribution of 1.375 cents per security is expected to be paid for the September 2022 quarter, reflecting the anticipated fall in funds management activity, as well as the earnings impact of the asset sales programme until such time as the capital realised from those sales can be reinvested. The Board will provide distribution guidance on a quarterly basis.

Authorised for lodgement by Jonathan Callaghan (Managing Director/Chief Executive Officer) and Lucy Laakso (Company Secretary and Corporate Counsel).

Ends.

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ABOUT CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a real estate investor and fund manager with operations on three continents and a global investor base. Cromwell is included in the S&P/ASX200. As at 30 June 2022, Cromwell had a market capitalisation of \$2.0 billion, an Australian investment portfolio valued at \$3.0 billion and total assets under management of \$12.0 billion across Australia, New Zealand and Europe.

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