



Centuria Capital Group AGM

Friday, 16 November 2018, 10:00 am

Sofitel Sydney Wentworth, Brisbane Room, Level 3, 61-101 Phillip Street, Sydney

Chairman's address: Garry Charny

On behalf of our board of directors and senior management, I would like to formally welcome you to our Annual General Meeting for the 2018 financial year.

CENTURIA AND THE BOARD

The Centuria Group is a relatively complex business. At the end of FY18 our business comprised a large property funds management business, itself consisting of two independently listed A-REITs, Centuria Metropolitan REIT and Centuria Industrial REIT, 15 fixed term unlisted funds and one open-ended diversified fund. In addition we have the operations at Centuria Life.

It could not be properly run without the contribution of my fellow board members here today: Peter Done, John Slater, Susan Wheeldon-Steele, Nicholas Collishaw, Jason Huljich and John McBain.

In addition to the Centuria Capital directors present today, we have two "responsible entity" boards which govern the affairs of the property funds

and I would like to welcome and acknowledge Roger Dobson, Matthew Hardy and Darren Collins who sit as independent directors on these boards.

I think it is important to note that the majority of our independent directors sit on the APRA regulated Centuria Life board and the Over Fifty Guardian Friendly Society board. All of these boards and their attendant committees and compliance obligations make life very busy for our non-executive directors. I am prepared to speculate, with no intended insult to other boards, that this is one of the most called upon and hard working boards in the country. It is certainly one of the most cohesive that I have ever served on and the significant achievements this year are in no small part testament to their hard work.

As foreshadowed at our last AGM, during the year, Nick Collishaw stepped down from his role in charge of our REITs. An industry veteran, Nick's experience and wise counsel could have been sorely missed, however I am pleased to say that Nick accepted our invitation to remain on both the CNI and Centuria Property Funds Limited (CPFL) Boards.

Importantly, and as I promised last year, we are committed to improving the representation of women at board level and in senior management. This has been an important part of my mandate since appointment as Chair, together with our Group CEO, and in some ways I seriously cannot believe that we have to make a point of it in this day and age - but we do and will continue to do so until the imbalance is redressed.

So it gives me particular pleasure to advise that I Susan Wheeldon-Steele will, in all likelihood, be re-elected to the CNI Board today. Susan brings fresh and unique perspectives to our Board, particularly through her experiences at Google, and we are all the better for having her. It is equally pleasing that Evelyn Horton has joined the Centuria Life Board. Evelyn has a background in economics and investment banking and has also taken over Chair of the Centuria Life Risk and Compliance Committee- welcome Evelyn. I am also pleased that Anna Kovarik has joined us as General Counsel and Company Secretary. It goes without saying that all these appointments succeeded on merit and not because of gender.

Finally, and without making this a cavalcade of appreciation, I need to make mention of Peter Done and John Slater. The work Peter does as Chair of our audit committees is, as I mentioned last year, a critical but often thankless task – carried out with ruthless efficiency and with all our trust. Equally the contribution John Slater makes to our Life business requires acknowledgement.

Financial year 2018 in review

So to 2018. Centuria continues to evolve as one of Australia's leading property fund managers. At the end of FY18 Centuria Capital Group had amassed a significant platform of almost \$5.0 billion in assets under management.

In property, this consisted of strong contributions from our two listed REITs, CMA and CIP, which both sit well within the S&P/ASX300

index and accounted for \$2.1 billion of the assets under management. The balance of \$1.9 billion came from our unlisted division, which has been built around strong distribution channels and loyal supporters, many of whom are with us today. We thank you for that ongoing support.

Our Investment Bonds subsidiary, Centuria Life, is the fourth largest operator in Australia with \$0.9 billion of AUM at the close of FY18 . We are continuing to assess and implement strategies that look to reposition this business to capitalise on the changing landscape for alternative savings and investments.

I'm delighted to note that 2018 marked another successful year for Centuria. The Group recorded \$45.1 million of net operating profit being delivered, up from \$15.5 million in the preceding year. Whilst not the only metric to measure a company's performance by, total securityholder return for the period was also 23.3%. As it stands, total securityholder returns in the past four years have averaged over 20% per annum.

All of our core operating businesses performed well throughout FY18. This performance, combined with a significant performance fee in the unlisted business, allowed Centuria to deliver operating earnings of 16.3 cents per stapled security (cps) and total distributions of 8.2cps, which reflected a 9.3% in distributions on FY17. Both the board and management have retained a strong focus on distributions as we have continued to execute on the

expansion of our platform, assets under management and the scalability of our business.

In terms of how quickly things have progressed at Centuria it is worth pausing and noting that our AUM has grown with prudent but pulsating momentum as follows:

Financial Year ended 2016 was \$1.9 billion;

Financial Year ended 2017 was \$3.8 billion;

Financial Year ended 2018 was \$4.9 billion; and

Financial Year to date post the Hines transaction, which John will mention, \$5.5 billion

Management

Each year it is incumbent on me to say some kind words about management. In some companies that is not always easy - not so at Centuria. We have assembled a fine collection of individuals who are committed and loyal not only to the Centuria brand but to each and every shareholder. As Chair it behoves me to find a suitable adjective to describe our CEO, John McBain - upon mature reflection I have landed on inexhaustible. I did toy with exhausting- which is the effect he has on me sometimes - but he is as committed and able a leader as you will find in any company, large or small.

He is ably supported by Jason Huljich, Head of Real Estate and Funds Management. Upon Nick Collishaw's move to a non-executive position on the board, Jason stepped up to head both our listed and unlisted

divisions- part of the succession planning I foreshadowed last year.

Whilst that is a broad and challenging remit, the board was comfortable that he would be more than up to the challenge – and his track record in the unlisted division was testament to his ability. He has repaid the Board's faith in him above and beyond reasonable expectation.

Truth be told, being both kiwis, having John and Jason leading the company is a bit like the playing against the All Blacks - every time you think one might be getting ready for pasture, not only do they play on for another ten years but they bring along another who is just as good.

So thank you John and Jason.

Thanks also to our CFO Simon Holt, who completes the Centuria management triumvirate in exceptional fashion.

PLG

I should address one other particular item - our stake in Propertylink Group (PLG) which currently sits at 19.5%. PLG has now entered into a Bid Implementation Agreement with ESR, CNI's major shareholder which, if completed, would result in ESR bidding \$1.20 for all the shares in PLG. The precise progress (or indeed lodgement) of the bid, whilst mooted, is currently uncertain and, although we are sitting on a tidy paper profit, we are monitoring the situation closely to ensure the best outcome for the CNI

shareholders.

Conclusion

In summary, 2018 marked another year of strong results for Centuria. Obviously, we will be affected by the winds of fortune surrounding the economic outlook for the next 12 months but we are ship shape and ready for action.

All of this would not be possible without the hard work and commitment of the entire Centuria team. Both the board's and management's focus towards delivering on our growth and operational initiatives will continue throughout 2019 and we look forward to sharing further updates with you as we progress throughout the year.

Finally, I wish to again convey my appreciation for the ongoing support of our securityholders. We serve at your pleasure and deeply respect the trust you have placed in us. You have our pledge that your board and management team will continue to work in close cooperation and remain committed to a common goal of protecting and growing shareholders' investments whilst acting in a transparent and socially responsible way as a company.

If I could now invite John McBain, Centuria Capital Group to deliver the CEO's report.

Garry Charny

Chairman

Chairman's address: John McBain

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Thank you, Mr Chairman, and good morning everyone. Let me also welcome securityholders to our 2018 Annual General Meeting.

I want to speak for a few moments about Centuria's 2018 year financial results before I address company highlights throughout the 2018 financial year and further post 30 June events.

Financial year 2018 in review

During 2018 we continued our initiative to create a larger-scale business underpinned by high quality, recurring earnings. Our 2018 results provide investors the first opportunity to see Centuria's performance over a full financial year since the significant scaling up of our business in 2017.

With total revenues exceeding \$100 million for the first time, the highly scalable nature of our funds management platform and our strong growth in assets under management "AUM" has translated directly into increased funds management operating profits and in particular property funds management profitability.

These recurring profits have been supplemented substantially by returns from co-investments which totalled \$278 million as at 30 June 2018 and have increased considerably since that date.

Financial Results

The 2018 financial year group results are summarised as follows;

		FY18	FY17	Variance
Operating net profit after tax	\$m	45.1	15.5	191%
Operating earnings per stapled security	cps	16.3	10.3	58%
Statutory net profit after tax – attributable to security holders	\$m	54.8	17.3	217%
Statutory earnings per stapled security	cps	19.8	11.5	72%
Distribution per stapled security	cps	8.2	7.5	9.3%

Further operating highlights during the 2018 financial period included;

- A 29% increase in assets under management to \$4.9 billion, which included;
- Over \$1.0 billion of organic property acquisition and revaluation growth;
- 12.5% growth in investment bonds AUM up to \$0.9 billion;
- Increased recurring revenues, which grew to \$67.0 million;
- A 23.3% total return to investors in FY18; and
- Increased Market capitalisation of \$428 million at 30 June 2018 (up 44% from FY17).

Turning to our divisions...

Listed property

Centuria's listed property businesses or REITs continued to increase in size and scale throughout 2018 totalling \$2.1 billion as at 30.6.18 and growing to \$2.6 billion as of today.

Centuria Industrial REIT or "CIP" represents Australia's largest ASX-listed income focused industrial REIT and comprises a pure industrial portfolio with high quality assets and national tenants that are geographically diversified across Australia.

The 2018 financial year marked the first full year for CIP under Centuria's management during which time record leasing results across more than 32% of the portfolio were achieved. Gearing reduced below 40% for the first time since the fund's IPO and revaluation gains led to an 8.9% increase in net tangible assets during the period.

CIP currently manages \$1.1 billion of AUM and is listed within the S&P/ASX 300 index.

Centuria Metropolitan REIT or "CMA" is Australia's largest ASX listed metropolitan office REIT and manages a portfolio of office assets diversified across core Australian markets. CMA has recently marketed two remaining industrial assets within its portfolio for sale and these disposals will make CMA a pure-play office REIT.

The 2018 financial period saw CMA undertake over \$210 million of acquisitions to improve the quality of its portfolio, increase net tangible assets by 17 cents per unit and retain robust underlying portfolio metrics

with a WALE around 4.0 years and occupancy of 99%.

Since its IPO in 2013, Centuria has grown CMA's AUM to \$1.5 billion (up from \$900 million at 30.6.18) and it is listed within the S&P/ASX 300 index. Subsequent to the 2018 financial period, in October 2018 CMA agreed to acquire \$521 million of commercial assets from the Hines Global REIT. The assets are located in Sydney, Melbourne and Brisbane and were funded in part by a \$276 million equity raising comprising of a \$197 million 1-for-3 entitlement offer together with a \$79 million institutional placement. By any measure growing CMA's AUM by over 65% in the first half of the 2019 financial period is a pleasing result in itself, made even more satisfying when one considers the very high quality of the assets acquired.

Unlisted property

I referred to the scalable nature of this business previously and I am delighted to confirm that listed and unlisted core property management operating profit (excluding performance fees) increased 59% over the year. Centuria's unlisted property funds management business generated strong performance during the 2018 year and its strong underlying earnings are a major profit driver for the Group.

Throughout FY18 we launched three separate unlisted funds for a combined \$406 million. This included the Sandgate Road Fund, the Geelong Office Fund and the Grenfell Street Fund, a 50% unlisted fund and 50% partnership with the Lederer Group. Additionally, we completed the divestment of 10 Spring Street, which achieved a \$25.8 million net performance fee before tax. At the close of the 2018 period, the unlisted property division has AUM of \$1.9 billion over 15 funds.

The Centuria Diversified Property Fund also increased in size to \$37 million of assets under management. Along with an increase in fund flows, this multi asset, open-ended unlisted fund was accepted on eight investment and superannuation wrap platforms by FY18 and remains well positioned as a diversified product offering to the Group's single asset unlisted property fund.

Investment Bonds

As the fourth largest friendly society in Australia, Centuria Life accounted for an 11.0% share of the \$7.6 billion Australian market. Centuria Life continues to build on its 35 year heritage in managing and distributing tax-effective investment bonds under the APRA-regulated friendly society regime.

Looking ahead, the business has a remit to refocus and reposition towards a contemporary suite of investment products that can be widely marketed through our financial adviser 'approved product list' channels.

We currently have a substantial number of new investment bond options at approval stage with the regulator and can confirm we are looking to launch these in the new calendar year. We continue to believe this sector has meaningful tailwinds against a backdrop of constraints to superannuation investment and other mooted taxation changes.

Post 30-June activity

I have mentioned CMA's post 30 June acquisition of the Hines commercial

portfolio.

Contemporaneous with the CMA equity raising, Centuria Capital undertook a \$100 million equity raising comprising of a \$80 million 1-for-5 entitlement offer together with a \$20 million institutional placement. The additional capital has been used to support CMA's equity raising, as CMA's largest securityholder. October was a busy period in the equity and debt capital markets for Centuria.

The "Hines" acquisition marked the second largest real estate acquisition in Australia this year and has contributed to another substantial step change in the size of the Group's platform, which now comprises \$5.5 billion of assets under management.

Centuria Capital also completed an \$80 million corporate bond issuance with these proceeds providing continued support for CNI's co-investment programs, seed capital within the unlisted funds division, broadening wholesale fund initiatives and to support corporate initiatives to expand the platform.

Centuria has taken the opportunity to further align its interests with securityholders by increasing its stakes in both CMA and CIP. Presently, CNI and associates of Centuria Capital Group hold co-investments of 24.9% in CMA and 22.9% in CIP and total co-investments rose to \$440 million after the completion of the equity raising, up from \$278 million at the close the 2018 financial year.

The returns generated from co-investment and management fees, along with those from the investment bond business, contribute strongly to the

Group's recurring revenues. Recurring revenues are anticipated to be approximately 90% of total revenues (excluding performance fees) in the 2019 financial year.

Accordingly, Centuria Capital Group has updated the market with an FY19 operating earnings guidance of 10.2 cents per stapled security excluding performance fees and distribution guidance of 9.25 cents per stapled security representing a 13% increase in forecast distributions per security year on year.

Update on Corporate Activity

Turning to other corporate activity. At the date of this meeting the Centuria Capital group currently controls 19.5% of Propertylink Group (ASX code:"PLG").

Over past few months Propertylink announced an intention to undertake a majority scrip bid for Centuria Industrial REIT.

The bid was firmly rejected by the Responsible Entity board which controls CIP. Subsequently, Propertylink announced its intention to discontinue its CIP bid in favour of an all cash offer for Propertylink from ESR Australia which is outlined in a Bid Implementation Agreement that has been executed by the relevant parties.

The ESR Australia offer is supported by the Propertylink board who have announced that bidder and target statements detailing the offer will be released in late November 2018.

When full details of the ESR Australia bid are available, Centuria will determine if it is in the interests of Centuria securityholders to participate in the offer.

Conclusion

To conclude, the 2018 financial year has marked another strong year of performance for Centuria Capital Group and we remain focused on continuing to execute on our strategic initiatives in the present financial period and beyond. Centuria Capital Group also remains well placed for near term inclusion in the S&P ASX 300 Index.

Despite varying global and local economic conditions, we continue to identify opportunities to broaden our capital sources, scale our platform through new investment opportunities and generate increasing recurring revenues across the Group.

We also continue to monitor and assess the changing nature of the investment landscape and we believe that whilst the public scrutiny which the financial services sector is currently attracting will definitely bring about changes, we believe Centuria's 20 year reputation, our performance record and most critically the strong position of trust we have built up with our investors positions us well for the future.

The continued expansion of our group is the result of a team effort and I wish to thank our extremely dedicated staff and senior management for their hard work and dedication during the past year. In addition, I'd like to acknowledge the ever-present support we receive from our boards.

Our chairman Garry Charny and our fellow Centuria Capital directors, the responsible entity boards and the Life Company boards are consistently generous in offering their time and expertise. Our current rate of growth necessitates them to meet with us through the numerous boards and committees many times each month. Thank you for your patience and valuable contribution.

Finally, I wish to thank our securityholders, for the continued trust and support you provide us. None of this is possible without support from investors at all levels of our platform and I thank you for the confidence you place in us.

I will now hand back to our Chairman, Garry Charny to continue proceedings. Thank you.

John McBain

Group CEO