

## **Centuria Capital Market Update**

**SYDNEY** (5 August 2020) – Centuria Capital Limited (ASX: CNI or “Centuria”) has provided the following market update:

- ***\$416.7 million acquisition of Telstra Data Centre in Clayton, Victoria, by Centuria Industrial REIT (ASX: CIP)***
- ***Progress re takeover of New Zealand’s Augusta Capital Limited with 85.04% acceptances***
- ***Centuria platform AUM growth to \$9.4 billion – 50% increase from commencement of FY20***

### **CIP Acquisitions / REIT Guidance**

CIP, Australia’s largest domestic pure play industrial REIT, has released its FY20 financial results announcing FY21 FFO guidance of 17.4 cents per unit. (ASX release attached).

CIP commences FY21 in a strong position with \$447 million in unconditional acquisitions announced today. Included in these acquisitions is the sale and leaseback of the Telstra Data Centre in Clayton, Victoria. The ASX 20 listed telecommunications company has committed to a 30-year lease. Post-acquisition, CIP’s Weighted Average Lease Expiry (WALE) will rise to 10.2 years.

Additionally, Centuria Office REIT (ASX: COF) released its FY20 results), which included FY21 DPU guidance of 16.5 cents per unit. COF is Australia’s largest pure-play ASX listed office REIT with 23 quality assets under management, across major domestic office markets. During FY20, \$636.5 million of transactions were executed, with a WALE of 8.0 years.

### **Augusta Capital Takeover**

As at 4 August 2020, Centuria had received acceptances for 85.04% of the total ordinary shares in Augusta and accordingly controls Augusta. The offer is scheduled to close (unless extended) on 10 August 2020. Augusta manages AUD\$1.7 billion in AUM.

Once acceptances exceed 90%, Centuria has indicated that it intends to compulsorily acquire all the outstanding Augusta shares on issue, delist the company from the New Zealand stock exchange, and operate the business as a 100% subsidiary. Properly capitalised, Centuria believes Augusta’s core businesses will generate meaningful group revenues and retain a leading position in the New Zealand marketplace.

### **Platform Growth**

Centuria’s platform has experienced rapid growth in AUM. Since 2017, CAGR growth has exceeded 34% per annum with over 50% AUM growth since the commencement of FY20.

Centuria Joint CEOs, John McBain and Jason Huljich, said, “Recent major sale and leaseback transactions with Arnott’s, and now Telstra, are excellent examples of our ability to partner with these major, iconic Australian businesses and Centuria believes the data centre acquisition represents a significant investment in telecommunications infrastructure timed to coincide with a major upswing in demand for data storage.”

“Centuria has a dual strategy of executing corporate as well as direct real estate transactions. This business model has significantly enhanced the scope of Centuria’s platform, attracting a broader range of investors and generating more diverse revenue streams for the group. The Telstra data centre acquisition, our simultaneous expansion into New Zealand and the formation of Centuria Healthcare are good examples of this diversity.”

“Our business model remains extremely robust despite current conditions. Given our unlisted distribution network has been starved of quality property funds, initial soundings indicate that the \$130 million Centuria Healthcare Property Fund, to be launched imminently, will be well subscribed. With deposit rates expected to remain low for the near term, we are confident this support will endure as further unlisted funds are launched.”

# Centuria Capital Group (CNI) ASX Announcement

# Centuria

Centuria Capital Limited releases its FY20 Financial Results on 12 August 2020.

– Ends –

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

## About Centuria Capital Group

Centuria Capital Group (CNI) is an ASX-listed specialist investment manager with \$9.4 billion<sup>1</sup> of assets under management. We offer a range of investment opportunities including listed and unlisted real estate funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

**www.centuria.com.au**

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<sup>1</sup> 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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## CIP FY20 Financial Results; Strategic Acquisitions and Equity Raising

**SYDNEY** (Wednesday 5 August 2020) - Centuria Property Funds No. 2 Limited (**CPF2L**), as Responsible Entity of Centuria Industrial REIT (**ASX: CIP**), has announced:

- Full Year financial results for the period ending 30 June 2020
- The acquisition of the Telstra Data Centre in Clayton VIC via a sale and leaseback to Telstra for \$416.7 million
- The acquisition of two additional high-quality industrial assets in NSW and VIC for \$30.4 million
- A fully underwritten Entitlement Offer of \$340.8 million at an issue price of \$3.15 per unit

### FY20 FINANCIAL HIGHLIGHTS

- Statutory net profit of \$75.3 million
- Funds from operations (FFO) of \$63.5 million
- FFO per unit of 18.9 cents per unit (cpu), in line with FY20 guidance<sup>1</sup>
- Distributions per unit (DPU) of 18.7 cpu, in line with FY20 guidance
- 12 month total unitholder return of 10.0%
- Inclusion in the S&P/ASX 200 Index
- Strengthened balance sheet, with 27.2% gearing
- Significant covenant headroom: ICR 5.2x (covenant 2.0x) and LVR 28.4% (covenant 55%)

### FY20 PORTFOLIO HIGHLIGHTS

- Leases agreed for more than 122,000sqm, representing 12.9% of the portfolio GLA
- Occupancy increased to 97.8% driven by leasing success; strong WALE of 7.2 years
- 52% of portfolio income derived from tenants providing production, packaging and distribution of consumer staples and pharmaceuticals
- Value add initiatives include the doubling in size of the Townsville Regional Distribution Centre (now 10,416sqm), and repositioning and leasing of 46 Gosport Street, Hemmant QLD
- Total FY20 acquisitions of over \$300 million increasing total portfolio value to \$1.6 billion (as at 30 June 2020)

### STRATEGIC ACQUISITIONS AND EQUITY RAISING

- CIP has entered into agreements to acquire three high quality industrial assets for \$447.1 million, the largest portfolio acquisition CIP has made, which includes:
  - \$416.7 million Telstra Data Centre, Clayton, VIC, secured on a 30 year WALE on sale and leaseback terms
  - \$16.4 million industrial facility in Smeaton Grange, NSW, with a 9.7 year WALE, fully let to Easy Signs
  - \$14.0 million distribution centre in Tullamarine, VIC, with a 2.7 year WALE, fully let to Hellman Worldwide
- Transactions to be partially funded by a fully underwritten Entitlement Offer of \$340.8 million at an issue price of \$3.15 per unit
- Post transaction:
  - AUM to increase to 53 assets with a total portfolio value of c.\$2.0 billion, up 27.9%
  - Portfolio WALE to increase to 10.2 years and occupancy to increase to 98.2%
  - Pro forma gearing of 28.5%<sup>2</sup>, with staggered debt maturity profile and no debt expiration in FY21
  - Pro forma market capitalisation of \$1.7 billion<sup>3</sup>
  - 24% of portfolio income derived from tenant customers on triple net leases providing security of income

<sup>1</sup> Revised guidance

<sup>2</sup> Pro forma as at 30 June 2020, adjusted for the impact of the acquisitions and Entitlement Offer

<sup>3</sup> Calculation based on CIP's market capitalisation of \$1,325 million on 4 August 2020, adjusted for the entitlement offer of \$340.8 million

- CIP is also in exclusive due diligence on three highly complementary industrial assets valued at \$45 million on which CIP is expected to exchange in 1HFY21

Jesse Curtis, CIP Fund Manager, said, "Throughout FY20, industrial assets have continued to demonstrate their resilience particularly against the backdrop of COVID-19. The rising trend of e-commerce, particularly for non-discretionary items, such as groceries and pharmaceuticals, is driving leasing demand along with manufacturing and packaging. CIP benefits from 52% of its tenancy base belonging to production, packaging and distribution of consumer staples and pharmaceutical sectors.

"FY20 has proved to be a significant year of growth for CIP with assets under management increasing more than 30% to \$1.6 billion. This growth was driven both organically, with valuations increases, and inorganically through the acquisition of seven, well-positioned, high-quality assets. Following this growth CIP has been included in the S&P / ASX 200 index.

"By applying an active approach to the management of CIP's portfolio, we have been able to deliver strong portfolio metrics and importantly meet our FY20 distribution guidance of 18.7cpu and deliver a 12-month total unitholder return of 10.0%."

## FY20 Financial Results

| Earnings              |            | FY20 | FY19 |
|-----------------------|------------|------|------|
| Statutory profit      | \$ million | 75.3 | 88.8 |
| FFO                   | \$ million | 63.5 | 50.0 |
| FFO per unit          | cpu        | 18.9 | 19.3 |
| Distribution per unit | cpu        | 18.7 | 18.4 |
| Return on equity      | %          | 10.1 | 13.8 |

| Balance sheet |            | 30 June 2020 | 30 June 2019 |
|---------------|------------|--------------|--------------|
| Total Assets  | \$ million | 1,635.8      | 1,250.2      |
| NTA per unit  | \$         | 2.82         | 2.73         |
| Gearing       | %          | 27.2         | 37.4         |

Statutory profit of \$75.3 million was reported for FY20. FFO of \$63.5 million or 18.9cpu was delivered in line with revised FY20 guidance. Total distributions of 18.7cpu were paid in line with guidance and represented a 1.6% increase on FY19, supported by diversified income streams and leasing success across CIP's portfolio.

Total assets increased to \$1,635.8 million, underpinned by the acquisition of seven quality industrial assets for over \$300 million as well as like for like revaluation gains of \$48.5 million in FY20. Revaluation gains contributed towards the 3.3% increase in CIP's Net Tangible Assets (NTA) per unit to \$2.82 over FY20. Valuation uplift was driven by active leasing and strong market fundamentals. Thirty of the portfolio's assets were externally valued in June 2020, contributing towards valuation growth. The portfolio's Weighted Average Capitalisation Rate (WACR) firmed by 41bps over FY20 to 6.05%.

The increase in NTA, combined with distributions of 18.7cpu delivered a Return on Equity (ROE) of 10.1%.

During the period, CIP continued to strengthen its balance sheet, securing an additional \$130 million of long term debt facilities to support transactions. CIP continues to benefit from a staggered debt profile to diversified lenders, a weighted average debt maturity of 3.3 years and no debt maturities until FY22. Gearing reduced to 27.2% in FY20 through a combination of equity funded acquisitions, revaluations and capital management initiatives. CIP continues to operate with a robust balance sheet and significant covenant headroom with an interest coverage ratio of 5.2x (covenant 2.0x) and loan to value ratio of 28.4% (covenant 55%). CIP's balance sheet remains well positioned to capitalise on future growth initiatives.

# Centuria Industrial REIT (CIP)

## ASX Announcement

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### Property Portfolio

| Portfolio Snapshot  |            | 30 June 2020 | 30 June 2019 |
|---------------------|------------|--------------|--------------|
| Number of assets    |            | 50           | 43           |
| Book value          | \$ million | 1,602.4      | 1,221.3      |
| WACR                | %          | 6.05         | 6.46         |
| Occupancy by income | %          | 97.8         | 95.9         |
| WALE by income      | years      | 7.2          | 4.3          |
| Leases agreed GLA   | sqm        | 122,008      | 113,932      |

CIP's property portfolio grew to 50 assets with a total book value of \$1,602.4 million, an increase of 31.2% over FY20.

Occupancy improved to 97.8%. CIP's high occupancy has been driven by strong leasing results with over 122,000sqm leased across 27 leasing deals. Importantly, CIP's WALE significantly increased to 7.2 years. The portfolio's staggered lease expiry profile remains well positioned with only 5.4% expiring prior to the end of FY21 and no more than 16% in any year over the next 3 years. Portfolio income streams remain well diversified with over 110 tenant customers and 52% of portfolio income derived from tenant customers directly linked to the production, packaging and distribution of consumer staples and pharmaceuticals.

CIP has continued to focus on select value-add initiatives across approximately 33,000sqm of the portfolio. Notably:

- 21 Jay Street, Bohle (Townsville) QLD – Development completion, expanding the Townsville Regional Distribution Centre by 5,690sqm (totalling 10,416sqm) and generating a yield on cost of 7.75%. Reset lease with Woolworths for a new 12-year term from completion of the development
- 46 Gosport Street, Hemmant (Brisbane) QLD – Refurbishment completion in March 2020. Terms agreed for 73% of asset with strong enquiry for the remaining space. Cap rate compression of 75bps reflecting improved asset
- 42 Hoepner Road, Bundamba (Ipswich) QLD – 2.4 hectare site acquired with a Development Application (DA) approval to build a c.10,200sqm modern warehouse that has an anticipated end value of \$17.5 million

### FY20 Capital Transactions

During FY20, more than \$300 million of acquisitions were executed increasing portfolio WALE to over 7 years. The acquisitions align with CIP's strategy to acquire fit for purpose quality industrial assets located within infill markets closely located to major infrastructure that support long term reliable income.

### Strategic Acquisitions and Equity Raising

CIP has entered into agreements to acquire three high quality assets valued at \$447.1 million. The acquisitions will be partially funded by c.\$340.8 million Entitlement Offer and \$151.1 million of debt drawn from existing debt facilities.

| Properties                           | State | Purchase price (\$ million) | Initial yield | Cap rate     | GLA (sqm)     | WALE (years) | Occupancy   |
|--------------------------------------|-------|-----------------------------|---------------|--------------|---------------|--------------|-------------|
| Telstra Data Centre Complex, Clayton | VIC   | 416.7                       | 4.20%         | 4.25%        | 26,139        | 30.0         | 100%        |
| 144 Hartley Road, Smeaton Grange     | NSW   | 16.4                        | 5.58%         | 5.50%        | 8,710         | 9.7          | 100%        |
| 51-73 Lambeck Drive, Tullamarine     | VIC   | 14.0                        | 6.60%         | 5.75%        | 10,275        | 2.7          | 100%        |
| <b>Total / weighted average</b>      |       | <b>447.1</b>                | <b>4.33%</b>  | <b>4.34%</b> | <b>45,124</b> | <b>27.7</b>  | <b>100%</b> |

The transaction is anchored by the \$416.7 million Telstra Data Centre, Clayton VIC, secured on a 30 year WALE with 100% occupancy on sale and leaseback terms. The asset plays a core role in Telstra's data centre strategy and provides significant capacity requirements as part of Telstra's infrastructure network. The inclusion of the Telstra Data Centre provides CIP investors with exposure to a highly resilient and defensive subsector of industrial property being data warehousing and digital real estate. The sector continues to be supported by strong industry thematic and increasing relevance in a digital world. Telstra will become CIP's largest tenant by income and aligns with the tenant profile strategy of blue-chip occupiers. Telstra is an ASX20 company with an A-/A2 credit rating.

CIP has also entered into an agreement to acquire a \$16.4 million, 8,710sqm modern industrial facility in Smeaton Grange, NSW and a \$14.0 million modern, high-clearance distribution centre incorporating a two-level corporate office in Tullamarine, VIC.

Post-transaction, 24% of CIP's portfolio will benefit from triple net leases, which removes any maintenance capex obligations and generates secure long term income for unitholders. Additionally, 31% of tenants will be ASX-listed companies.

To partially fund the acquisitions CIP is undertaking a fully underwritten equity raising via a 1 for 3.7 accelerated non-renounceable pro rata entitlement offer to raise approximately \$340.8 million at an issue price of \$3.15 per unit. The issue price represents a:

- 4.8% discount to the last close price of \$3.31 per unit on 4 August 2020
- 3.4% discount to the 5 day VWAP of \$3.26 per unit on 4 August 2020
- 3.8% discount to TERP<sup>4</sup> of \$3.28 per unit
- 5.5% FY21 FFO yield and 5.4% FY21 distribution yield<sup>5</sup>

Following the acquisitions and Entitlement Offer CIP's pro forma gearing is expected to be 28.5%, maintaining balance sheet strength and providing flexibility to pursue future growth opportunities. CIP's pro forma NTA per unit is expected to increase to \$2.83 per unit.

CIP is also in exclusive due diligence on three highly complementary industrial assets valued at \$45 million that are expected to exchange in 1H FY21. These additional assets are consistent with CIP's strategy and are expected to deliver income and capital growth to investors.

### Additional Information

Additional information about the acquisitions and Entitlement Offer including certain key risks are contained in the investor presentation released to the ASX today.

### SUMMARY & OUTLOOK

CIP commences FY21 in a strong position and is well positioned to continue executing its strategy of delivering long term secure income and capital growth to investors from a portfolio of high quality Australian industrial assets.

Including the impact of the acquisitions and Entitlement Offer announced today, CIP provides FY21 FFO guidance<sup>6</sup> of 17.4 cents per unit and DPU guidance of 17.0 cents per unit<sup>6</sup> with distributions paid in quarterly instalments.

Jesse Curtis, said, "CIP has begun FY21 in a strong position with the acquisition of three highly sought-after assets and continues the significant growth achieved in FY20. The transaction enables the portfolio to extend its WALE to 10.2 years, underpinned by 24% of income benefiting from triple net leases with minimal capital or maintenance expenditure leakage."

"Telstra will become CIP's largest tenant, representing 13% of the portfolio's income. As an iconic ASX20 Australian company, Telstra is exemplary of CIP's high-quality tenants. The data centre acquisition also enables CIP to expand into the industrial sub-sector of data centres, a continually growing sector particularly in light of increased demand that has resulted from COVID-19's impact and reliance on digital infrastructure."

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<sup>4</sup> Theoretical Ex-Rights Price

<sup>5</sup> Based on FY21 FFO guidance of 17.4 cpu, FY21 distribution guidance of 17.0 cpu and an issue price of \$3.15 per unit

<sup>6</sup> With the uncertainty surrounding COVID-19 a provision has been allowed for rent relief and tenant defaults however the full impact and duration of the pandemic is unknown and cannot be forecast

# Centuria Industrial REIT (CIP)

## ASX Announcement

# Centuria

“Australian industrial property continues to draw strong interest providing a competitive environment to secure investment stock underpinned by resilient occupiers and strong industry trends in online retailing. CIP enters FY21 well positioned to benefit from these tailwinds with a materially increased WALE of 10.2 years, high occupancy of 98.2% and strong balance sheet laying the foundations to deliver reliable income streams and capital growth for our investors.”

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

– Ends –

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### 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 \$9.4 billion<sup>7</sup> 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](http://www.centuria.com.au)

### Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with CIP's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au). You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

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This announcement may include forward-looking statements. These forward-looking statements are based on CIP's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of CIP, which could cause actual results to differ materially from such statements. CIP makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

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<sup>7</sup> 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