ASX Release

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Charter Hall delivers 22% FUM growth

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Charter Hall Group (ASX: CHC) today announced its half year results for the period to 31 December 2018. The strength of the Group's financial performance can be seen across key financial and operational metrics:

1H FY19 Financial highlights:

- Operating earnings of $107.5 million and OEPS post-tax of 23.1cps, both up 13.0% on prior corresponding period (pcp)
- Statutory profit after tax of $133.5 million, an increase of 10.7% on pcp
- 1H FY19 Distribution of 16.5 cents per security, up 6.0% on pcp
- 12.3% Total Platform return[1]

1H FY19 Operational performance:

- Access - Multiple equity sources with $1.2 billion gross equity inflows during the 6 months to 31 December 2018
- Deploy - Completed $3.8 billion of gross property transactions comprising $3.1 billion in acquisitions and $0.7 billion in divestments. Group investment capacity of $2.6 billion as at 31 December 2018
- Manage - $5.2 billion or 22.4% growth in Funds Under Management (FUM) from 30 June 2018 to $28.4 billion across a portfolio comprising 820 properties, occupancy of 98.1%, WALE of 8 years and over $1.8 billion of rental income
- Invest - Property Investment (PI) Portfolio increased by 6.7% to $1.8 billion over the six month period

Charter Hall's Managing Director and Group CEO, David Harrison said: "Following an active six months for the Group, we are pleased to announce another positive result achieving growth across all key metrics to deliver 1H FY19 OEPS growth of 13.0% to 23.1cps."

"Over the five-year period to 31 December 2018, the Group has achieved operating earnings per security compound average growth of 13.3% and distributions per security compound average growth of 8.5%, demonstrating our capability as a funds and investment manager to create value and deliver sustained growth for our capital partners and investors."

Property Investment Performance

During the six months to 31 December 2018 the Property Investment portfolio increased by 6.7% to

1 Total Platform Return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security for the 12 months to 31 December 2018.

$1.8 billion and generated a 12.0% Total Property Investment Return[2].

During the period, the earnings resilience and sector diversification of the Property Investment portfolio was further enhanced with an investment into the Social Infrastructure sector via the listed Charter Hall Education Trust (ASX:CQE), following the acquisition of Folkestone.

With 78% tenant retention to 31 December 2018, the total portfolio occupancy remained strong at 97.8% and the Weighted Average Lease Expiry (WALE) improved to 7.5 years.

The Property Investment Portfolios total property return over the five years to 31 December 2018 is 14.2% per annum, outperforming the MSCI/IPD Unlisted Wholesale Property Fund Index which returned 11.1% over the same period.

Property Funds Management

Charter Hall's Property Funds Management portfolio is well-diversified, having grown to 820 properties, 3,157 tenancies, a WALE of 8.0 years and delivering more than $1.8 billion dollars of gross rental income.

The Group's managed funds grew by $5.2 billion to $28.4 billion driven by $2.3 billion of net transactions ($3.8 billion gross), the $1.6 billion acquisition of Folkestone, positive revaluation of $700 million and capex spend on developments of $500 million.

The Group experienced $1.2 billion of gross equity inflows comprising $743 million raised in Wholesale Funds and Partnerships, $305 million raised in Direct Funds and $172 million in Listed Funds. This equity was deployed into $3.1 billion of strategic asset acquisitions with a further $2.6 billion additional funding capacity available across the platform.

The Group's highly skilled team of property professionals completed 334 separate leasing deals across nearly 400,000 sqm of space. This included seven leases executed across 29,000 sqm to Majors in the retail sector and a new 7,600 sqm, long term 12-year lease to the Australian Financial Complaints Authority at Wesley Place in Melbourne, taking the under-construction office towers committed Net Lettable Area (NLA) to approximately 72%.

"With $2.6 billion of investment growth capacity, we are well positioned to continue growing via our development pipeline as well as taking advantage of strategic opportunities as they arise." Mr Harrison added.

Value enhancing development activity pipeline

Development activity continues to drive asset creation and attract capital. Over the last three years, development completions have added $2.6 billion of FUM and the Group continues to leverage its in-house development team to deliver a total pipeline of identified projects with an on-completion value of $5.3 billion.

The Group continues to use its cross-sector tenant relationships and the scale of its portfolio to create investment grade opportunities generating significant value through enhancing both income yield and total returns for its funds. Development activity is predominantly undertaken by funds/partnerships with the majority of committed projects being de-risked through pre-leases and fixed price building contracts.

Maintaining a strong balance sheet

Capital management remains a key focus with $4.1 billion of new and refinanced debt facilities during the period and no material maturities in FY20. With modest 5.5% balance sheet gearing, weighted average debt maturity of 7.1 years and $115 million of cash on hand as at 31 December 2018, the Group maintains financial flexibility and substantial funding capacity across the funds platform with $2.6 billion of available liquidity.

[2] The Property Investment Return is calculated as distributions received from funds plus growth in investment value divided by the opening investment value of the PI portfolio for the 12 months to 31 December 2018. This excludes investments held for less than a year and investments in Direct funds.

Strategy and Outlook

The Group's previous FY19 guidance was for post-tax operating earnings per security growth of 8-10% over FY18, following the acquisition of Folkestone.

Given the strong performance and level of transactions in the first half and based on no material change in current market conditions, the Group's FY19 guidance is increased to 14%-17% growth in post-tax operating earnings per security over FY18.

FY19 guidance includes a $40 million accrual ($20 million in each half) for the CHOT performance fee.

The distribution payout ratio is expected to be between 70% and 95% of operating earnings per security post-tax.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with $28.4 billion of high quality, long leased property across the office, retail, industrial and social infrastructure sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth and oversees a portfolio of 820 properties that is more than 6.3 million square metres in size. The ASX100 Group has over 27 years' experience managing and investing in high quality property on behalf of institutional, wholesale and retail clients.

Charter Hall's success is driven by our focus on our tenant and investor customers. We look to partner with our tenants, growing with them and helping meet their property needs. We invest alongside our capital partners, creating value and generating superior investment returns together. Our $5.3 billion development pipeline creates new assets for our investors, improving future returns, while creating opportunities for our tenant partners to expand and adapt their businesses. Sustainability and innovation are key elements of our approach. By ensuring our actions are innovative, commercially sound and make a difference to our people, customers and the environment, Charter Hall makes a positive impact for its investors, the community and the Group.

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