

Charter Hall



30 April 2019

Charter Hall Group Presentation to Macquarie Australia Conference

1, 10 & 12 Shelley Street, Sydney NSW

1. Group Highlights

Group Highlights

Group highlights¹

Group investment capacity of \$2.6bn

Group returns	Property Investments	Funds Management	Balance sheet
\$108m operating earnings \$134m statutory profit ²	12.0% Total Property Investment Return ⁴	22.4% FUM growth to \$28.4bn (6 months)	5.5% balance sheet gearing
13.0% OEPS growth pcp	Property Investment portfolio \$1.8bn (6.7% growth)	\$3.8bn in gross transactions (6 months)	33.2% look through gearing
12.3% Total Platform Return ³	6.0% Property Investment yield	4.9% Property Funds Management yield ⁵	Weighted average debt maturity 7.1yrs

1. Figures and statistics on this slide and throughout this presentation are for the 6 months to 31 December 2018 unless otherwise stated

2. Attributable to stapled securityholders

3. 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

4. Total 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

5. Property Funds Management (PFM) yield is calculated as PFM operating earnings post tax per security (includes 50% allocation of net interest) divided by the opening NTA per security for the 12 months to 31 December 2018

Group Highlights

Our strategy

We use our property expertise to access, deploy, manage and invest equity in our core real estate sectors to create value and generate superior returns for our customers.



Access

Accessing equity from listed, wholesale and retail investors

6 MONTHS

GROSS EQUITY RAISED

\$1.2bn

3 YEAR

GROSS EQUITY RAISED

\$6.0bn

5 YEAR

GROSS EQUITY RAISED

\$13.5bn



Deploy

Creating value through attractive investment opportunities

GROSS TRANSACTIONS

\$3.8bn

ACQUISITIONS

\$3.1bn

DIVESTMENTS

\$0.7bn

GROSS TRANSACTIONS

\$14.5bn

ACQUISITIONS

\$10.1bn

DIVESTMENTS

\$4.4bn

GROSS TRANSACTIONS

\$31.3bn

ACQUISITIONS

\$22.0bn

DIVESTMENTS

\$9.3bn



Manage

Funds management, asset management, leasing and development services

FUM

\$28.4bn

PROPERTIES

820

FUM GROWTH

\$12.5bn

FUM GROWTH

\$17.9bn



Invest

Investing alongside our capital partners

INCREASE IN PI TO \$1.8bn

\$115m ↑ 6.7%

TOTAL PROPERTY INVESTMENT RETURN

12.0%¹

INCREASE IN PI

\$518m ↑ 28.5%

TOTAL PROPERTY INVESTMENT RETURN

13.3%

INCREASE IN PI

\$1.2bn ↑ 65.8%

TOTAL PROPERTY INVESTMENT RETURN

14.2%

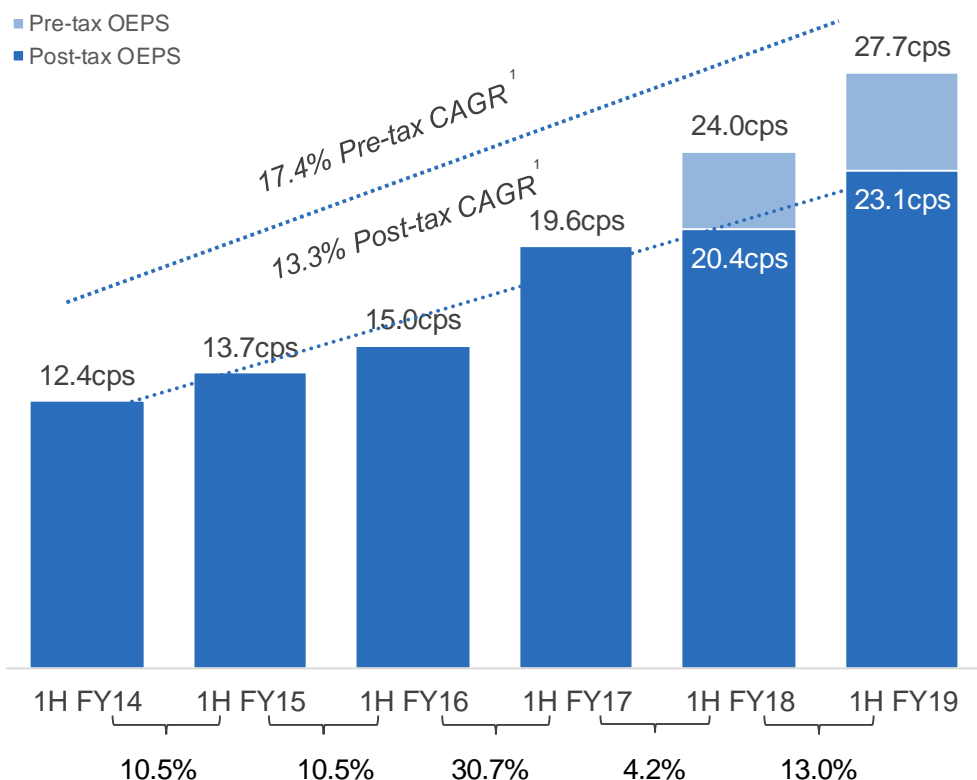
1. 12 months to 31 December 2018

Group Highlights

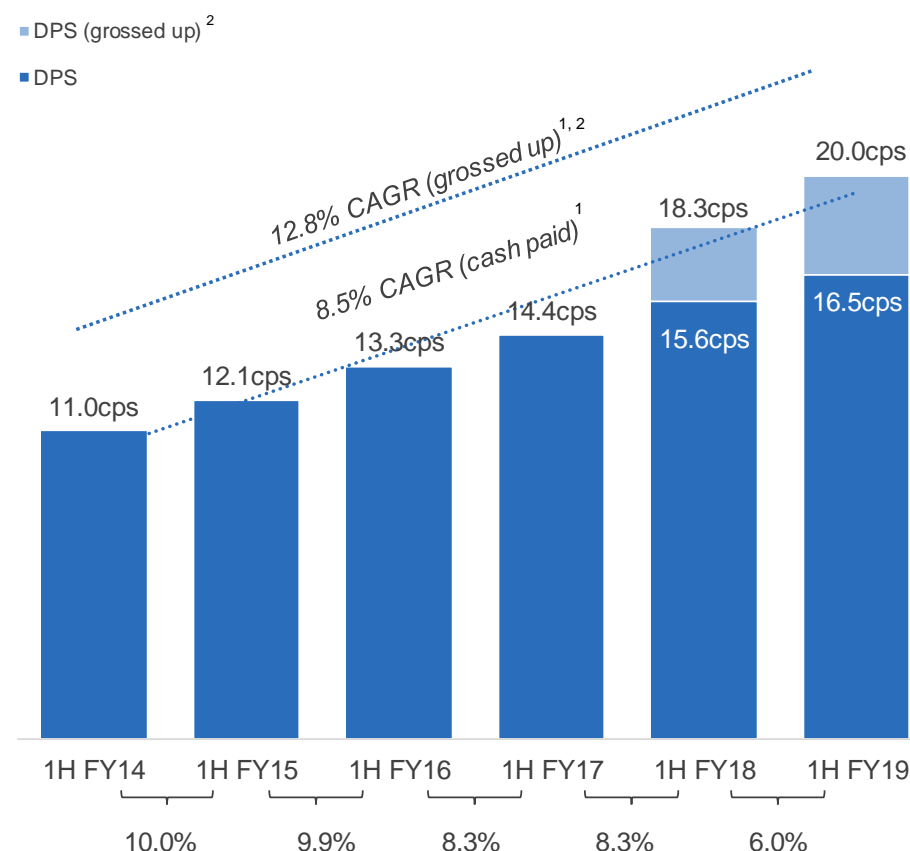
Sustained growth

Strong growth in earnings underpinning distribution growth

Operating earnings per security growth



Distributions per security growth



1. Compound annual growth rate (CAGR) from 1H FY14 to 1H FY19

2. Grossed up distribution includes franking credits of 3.5cps paid to securityholders in 1H FY19 (2.7cps in 1H FY18)

2. Property Funds Management

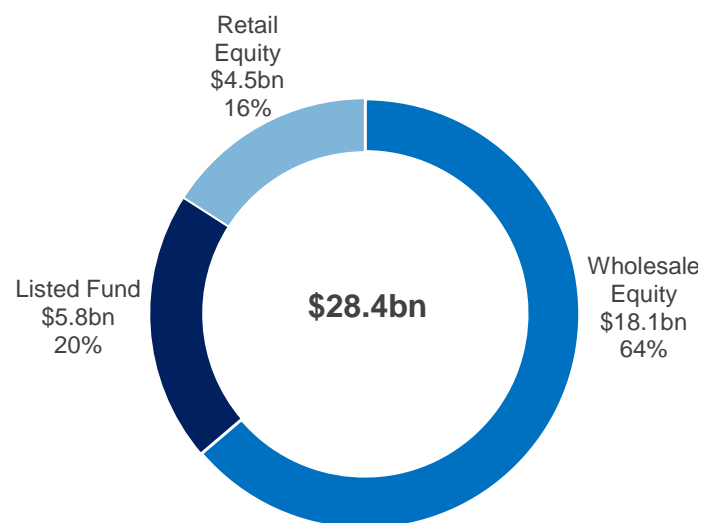
Property Funds Management

Group funds management portfolio

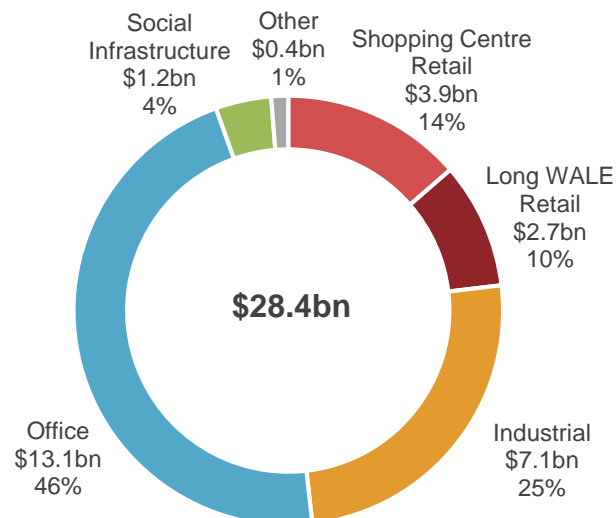
83% east coast weighting

	Portfolio Value (\$bn)	Lettable Area (m sqm)	No. of Properties	No. of Tenancies	Gross Income (\$m)	WALE ¹ (years)	Occupancy (%)	WACR ² (%)
31 Dec 18	28.4	6.3	820	3,157	1,883	8.0	98.1	5.65
30 Jun 18	23.2	5.4	330	2,447	1,634	7.7	98.1	5.74

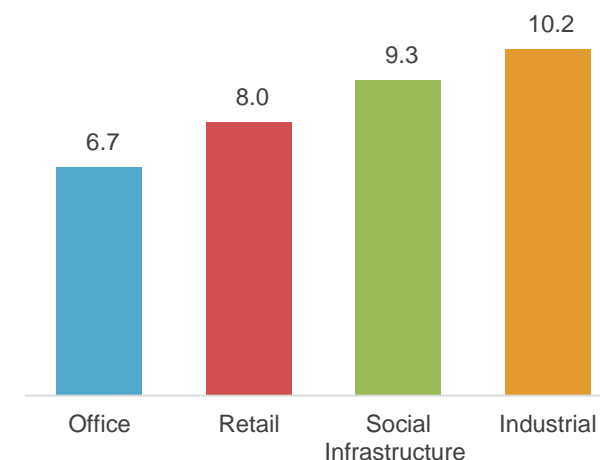
Diversification by equity source



Asset type diversification



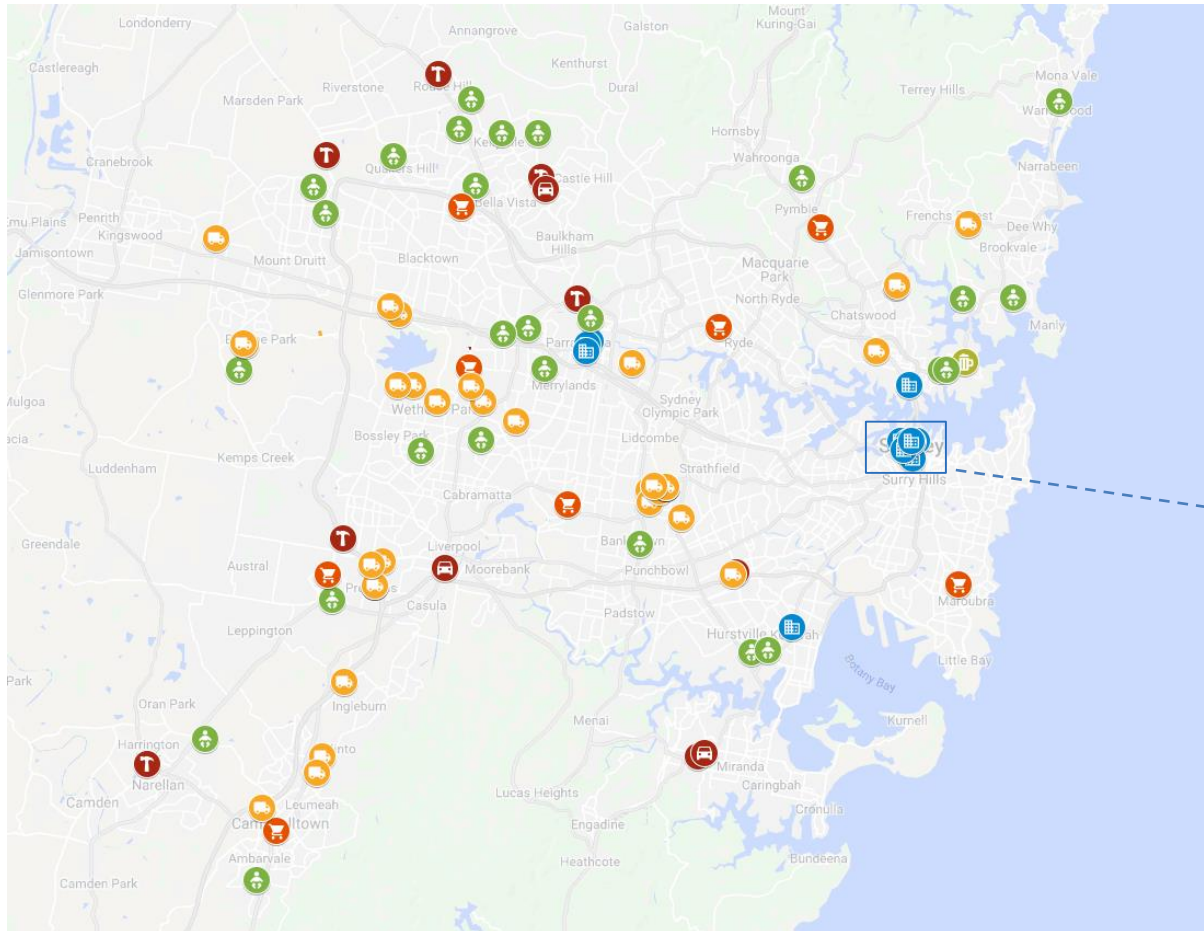
WALE by sector



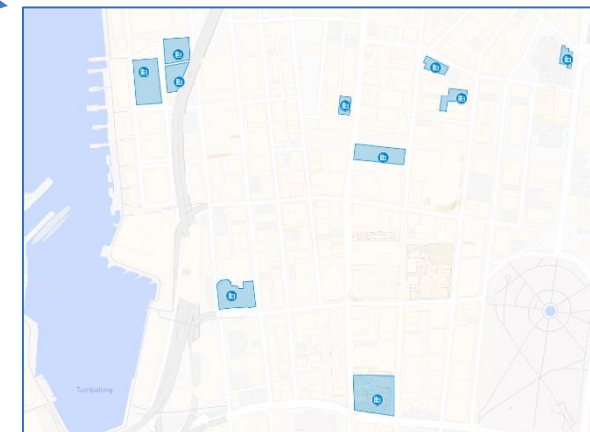
1. WALE is the weighted average lease expiry for the Property Funds Management portfolio and is weighted by gross income
2. WACR is the weighted average cap rate for the Property Funds Management portfolio and is weighted by gross asset value

Property Funds Management

Market Penetration – Sydney / NSW

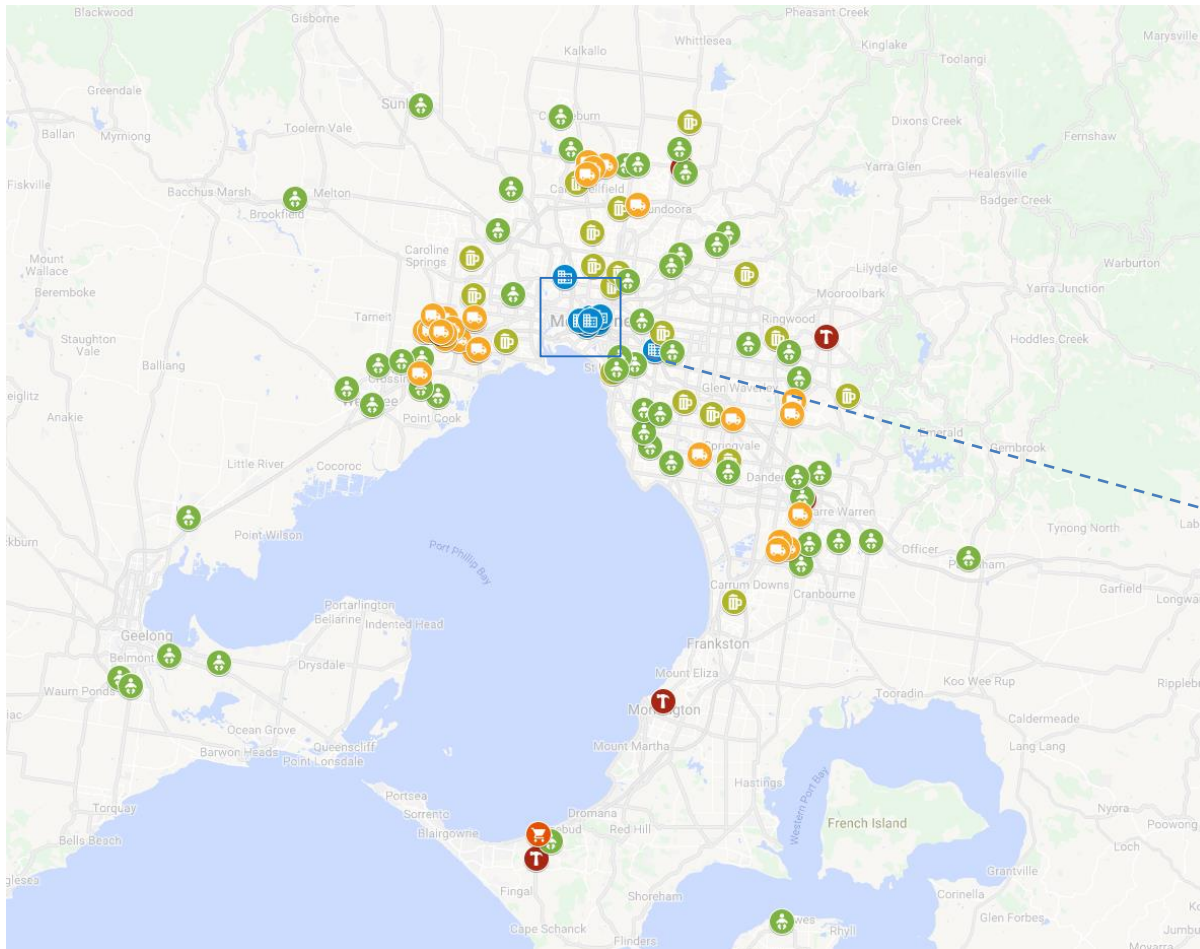


NSW	FUM (\$bn)	No. Assets
Office	6.3	19
Retail	3.0	50
Industrial	1.9	49
Social Infrastructure	0.2	91
Other	0.1	2
Total	11.6	211

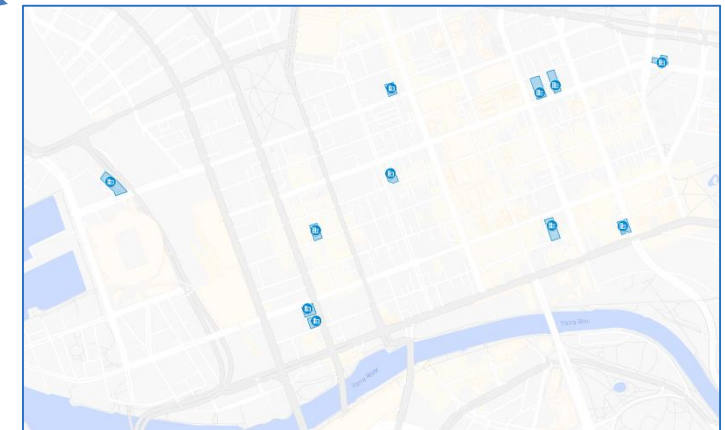


Property Funds Management

Market Penetration – Melbourne / VIC

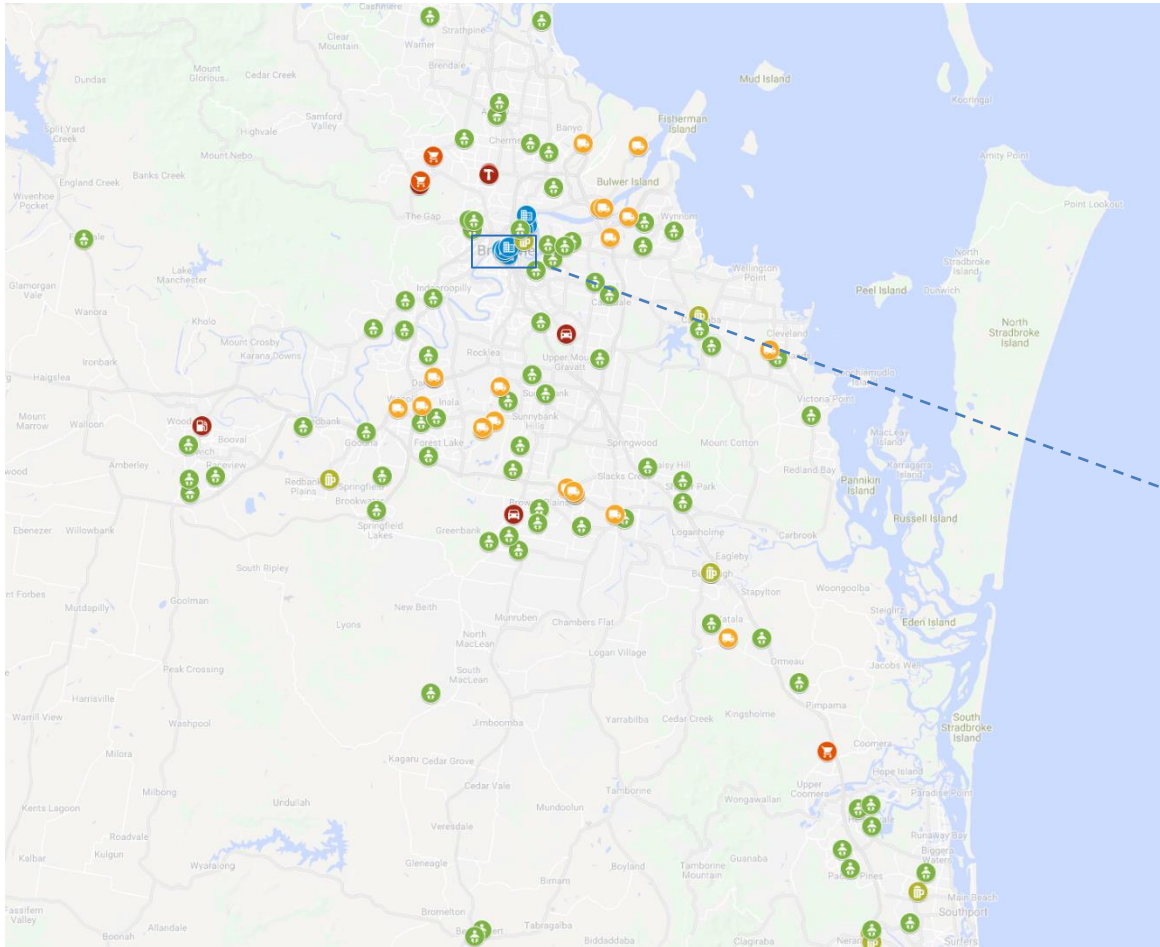


VIC	FUM (\$bn)	No. Assets
Office	2.4	14
Retail	1.0	30
Industrial	2.5	44
Social Infrastructure	0.4	102
Other	0.1	1
Total	6.3	191

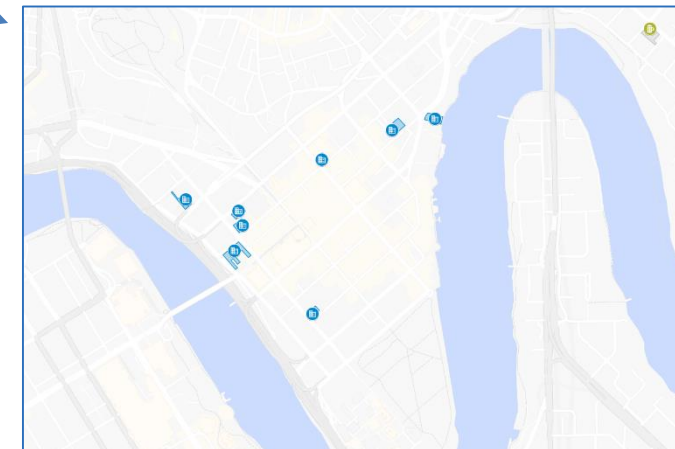


Property Funds Management

Market Penetration – Brisbane / QLD

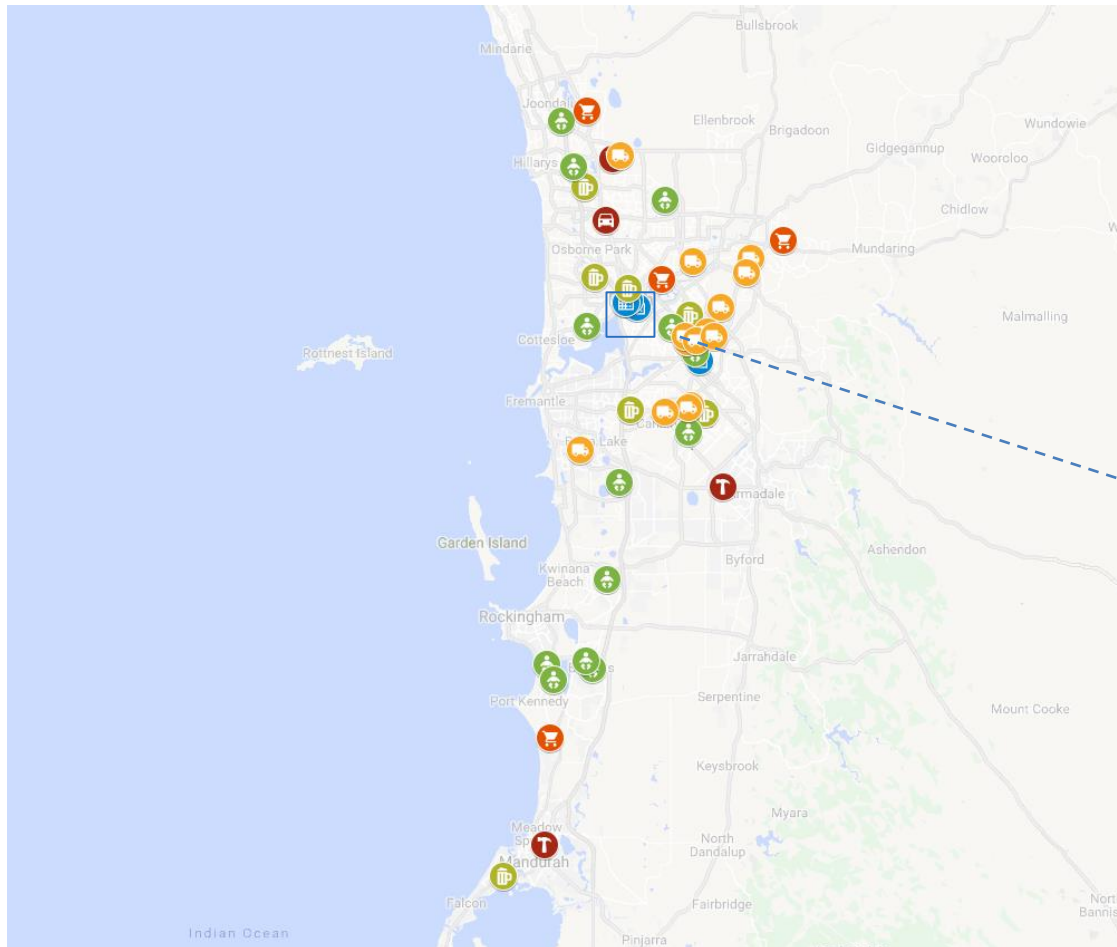


QLD	FUM (\$bn)	No. Assets
Office	2.9	17
Retail	1.3	51
Industrial	1.0	29
Social Infrastructure	0.3	131
Total	5.6	228

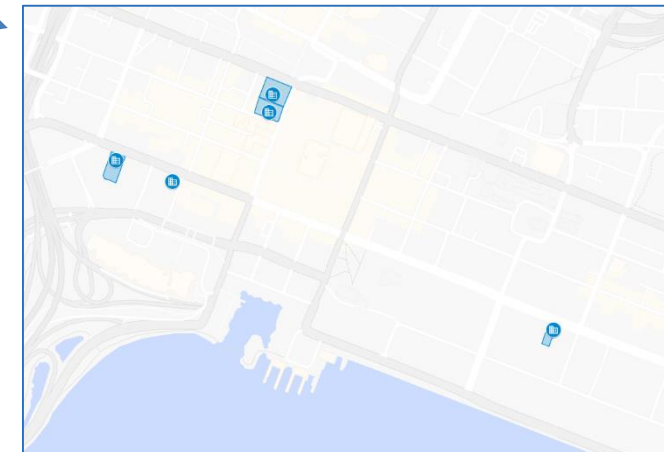


Property Funds Management

Market Penetration – Perth / WA

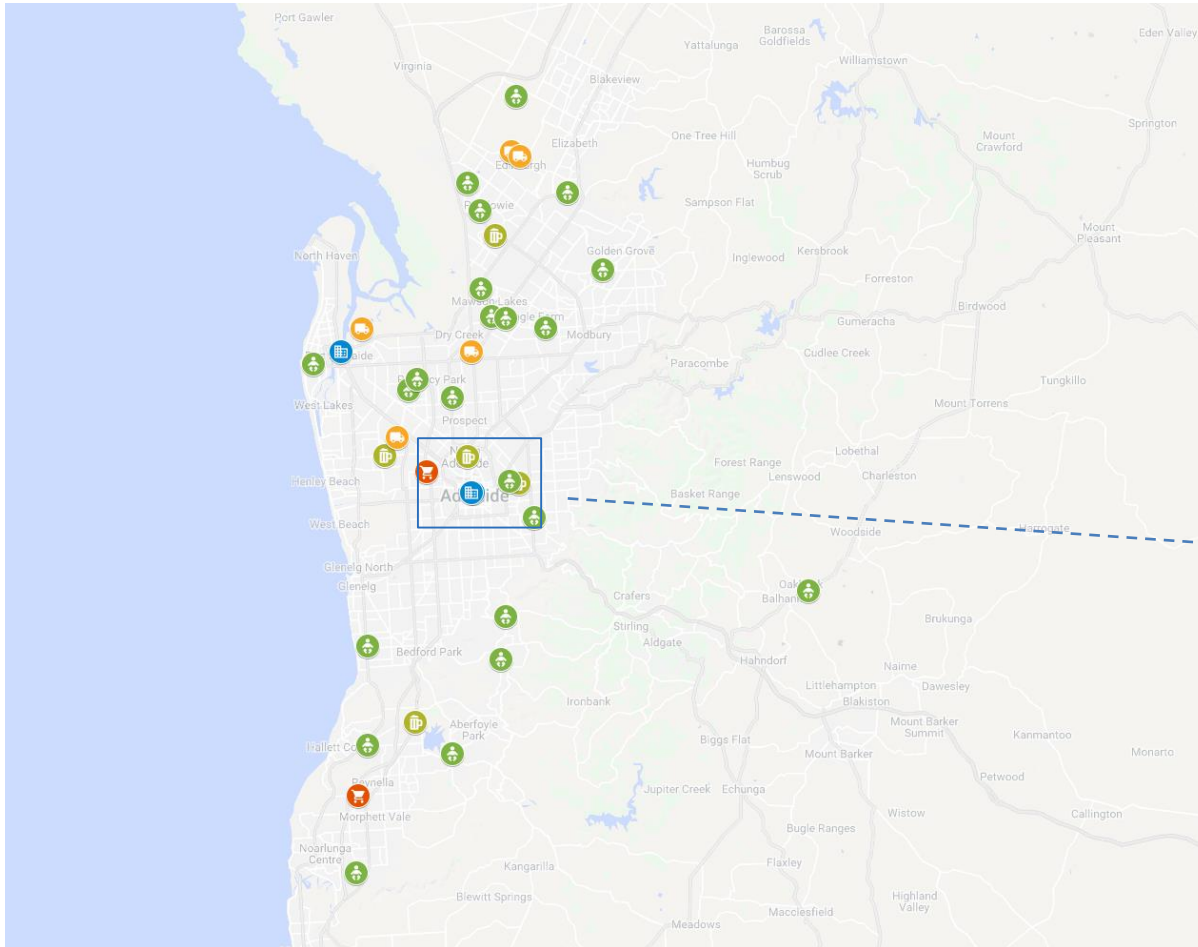


WA	FUM (\$bn)	No. Assets
Office	1.0	6
Retail	0.8	25
Industrial	1.1	22
Social Infrastructure	0.04	18
Total	3.0	71

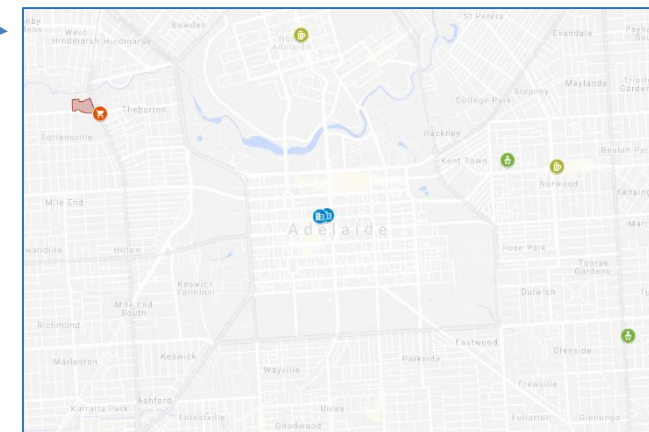


Property Funds Management

Market Penetration – Adelaide / SA



SA	FUM (\$bn)	No. Assets
Office	0.3	3
Retail	0.2	8
Industrial	0.4	8
Social Infrastructure	0.04	28
Total	1.0	47



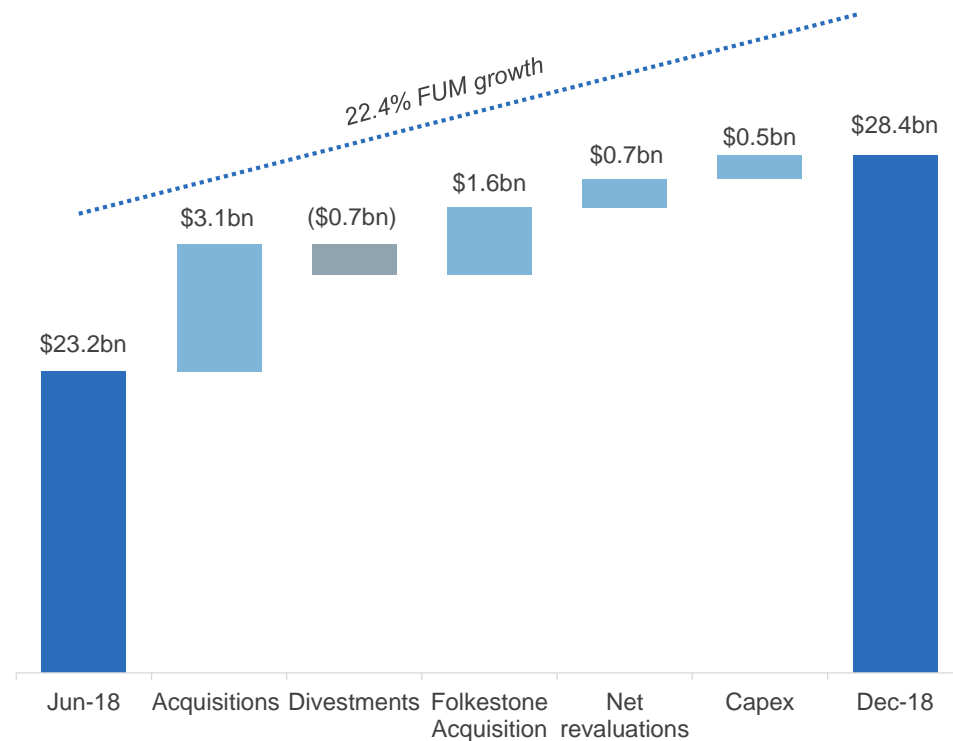
Property Funds Management

Funds under management growth

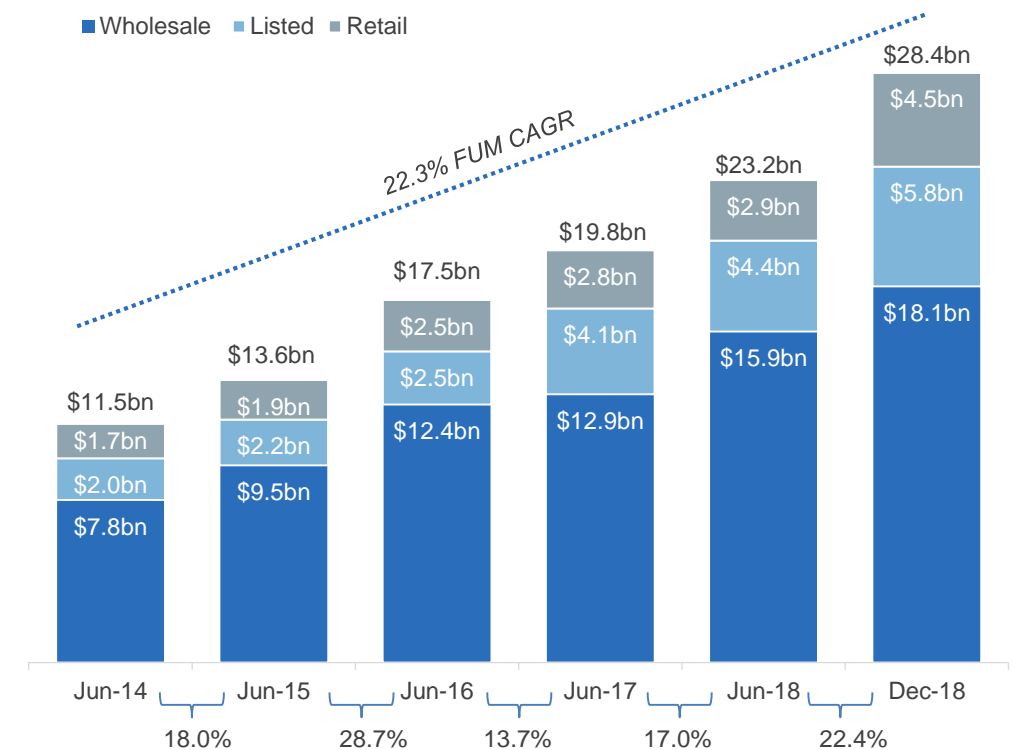
5 year FUM growth of 22.3% per annum

- Post 31 December 2018, the DVP wholesale partnership was formed with seed assets totaling \$113m including the 50.5% interest in 1 Brisbane. CHC has sold down to a 10% interest with 90% owned by two institutional investors. DVP has total additional capacity of \$500m.

Funds under management movement (\$bn)



Funds under management by equity source (\$bn)

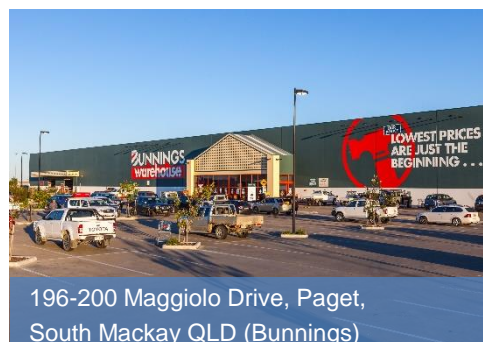
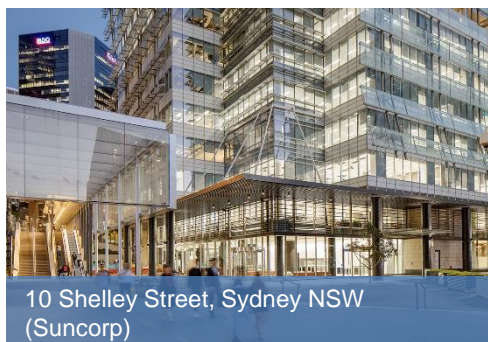


Property Funds Management

1H FY19 transactional activity

- Acquisition activity led by the Office and Industrial sectors

(\$m)	Office	Industrial	Long WALE Retail	Shopping Centre Retail	Social Infrastructure	Total
Acquisitions	1,850	730	317	161	9	3,067
Divestments	(445)	(88)	(38)	(164)	(2)	(737)
Net transactions	1,405	642	279	(3)	7	2,330
Gross transactions	2,295	818	355	325	11	3,804



Property Funds Management

Development activity

Continues to drive asset creation and attract capital

- Development completions have added \$2.6bn of FUM over the last 3 years
- Development pipeline has increased from \$2.6bn in December 2015 to \$5.3bn today
- Majority of committed projects are de-risked through pre-leases and fixed price building contracts
- Capital continues to be attracted by Charter Hall's ability to deliver new investment stock













Development activity (completion value \$m)	Completions (12 months)	Committed projects	Uncommitted projects ²	Total pipeline ³
Office	673	1,089	1,499	2,588
Industrial	408	590	1,646	2,236
Retail ¹	69	153	132	285
Social Infrastructure	42	103	64	167
Total / weighted average	1,192	1,935	3,341	5,276

1. Reflects development spend only and excludes existing centre value
2. Includes potential end value of uncommitted development projects
3. \$1.8bn included in FUM at 31 December 2018

Property Funds Management

Leasing activity

Deals completed over the last 12 months

	Office	Industrial	Retail	Social Infrastructure
Existing assets leased (lettable area)	131,403	284,947	89,403	12,197
Major leases	 	 	 	  
Developments leased (lettable area)	53,888	99,154	-	-
Major leases	 			
Lettable Area	185,291	384,101	89,403	12,197
Value ¹	\$1.97bn	\$0.76bn	\$0.69bn	\$0.06bn
WALE (years)	8.6	9.2	6.0	10.1

1. Lease NLA/property NLA x property value. Retail value is Lease gross income/property gross income x property value

Property Funds Management

Equity flows

Diversified equity sources with \$1,220m gross equity raised in the 6 months to 31 December 2018:

- Across the Group, thirteen funds have raised equity in the half
- \$172m raised in Listed funds with CLW completing two successful equity raisings
- Continued strength in Direct Funds with \$305m raised in the half

(\$m)	FY16	FY17	FY18	1H FY19
Wholesale Pooled Funds	606	776	649	638
Wholesale Partnerships	467	217	322	105
Listed Funds¹	76	988	77	172
Direct Funds²	318	355	653	305
Gross equity raised	1,467	2,336	1,701	1,220
Net equity raised	1,099	1,689	1,487	1,125

Equity flows includes equity received or returned only and excludes undrawn equity commitments

1. Listed Funds include equity raised in CHC, CQR, CLW & CQE

2. Funds and syndicates for retail, SMSF and high net worth investors

Property Funds Management

Capital Markets Overview

Wholesale / Unlisted

- Equity flows continue
- Prime markets well-bid by domestic and offshore capital
- Yield curve supportive of further capital allocation to markets

Direct / HNW unlisted

- Equity flows continue from SMSF, HNW and Retail capital
- Falling term deposit rates supportive of 6%+ distribution yields available in Direct platform
- Low inflation supportive of long WALE portfolios

Listed REITs

- All 3 REITs have raised \$460m of equity in FY19
- AREIT sector supportive of strategies for CLW, CQE and CQR

Property Funds Management

Australian Property Markets

Office	<ul style="list-style-type: none"> • Record low vacancies in Sydney and Melbourne • Strong market rental growth complementing CHC Office 3.7% WARR • Yield curve further supporting cap rates
Industrial	<ul style="list-style-type: none"> • Record low vacancies in Sydney and Melbourne • E-commerce driving logistics demand • CHC cross-sector strategy supporting major pre-lease and sale/lease-back transactions
Long WALE Retail	<ul style="list-style-type: none"> • Bunnings portfolio grown to \$1.6bn • 100% occupancy and major customer business growth
Shopping Centre Retail	<ul style="list-style-type: none"> • Portfolio curation continues to improve growth and quality • Convenience retail showing liquidity and buyer demand
Social Infrastructure	<ul style="list-style-type: none"> • Bi-partisan government support for a critical essential services sector • Property yields are attractive for long WALE, high occupancy portfolios

3. Property Investment

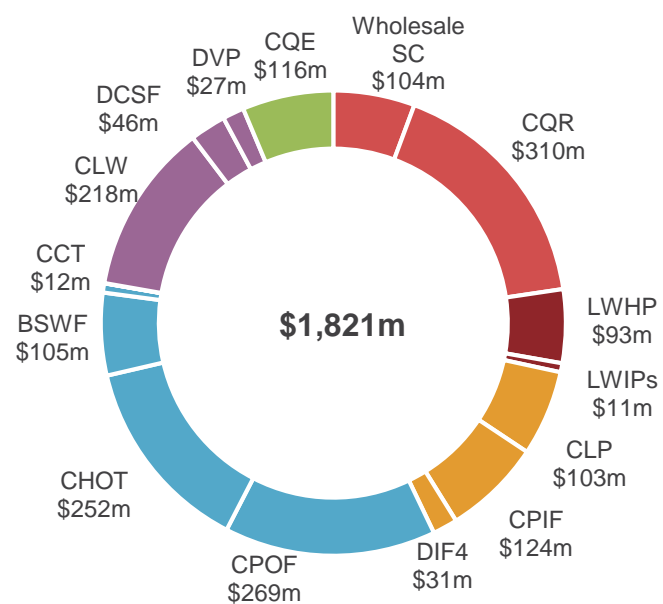
Property Investment

Property Investment portfolio

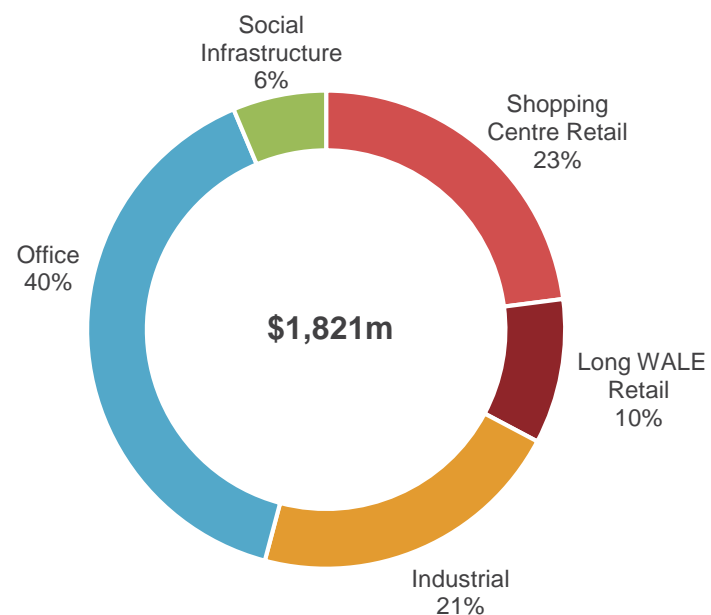
81% east coast weighting

	Portfolio Value (\$m)	No of Properties	WALE (years)	Occupancy (%)	WARR ¹ (%)	WACR (%)	WADR ² (%)
31 Dec 18	1,821	762	7.5	97.8	3.5	5.73	7.0
30 Jun 18	1,706	298	7.2	97.9	3.6	5.80	7.1

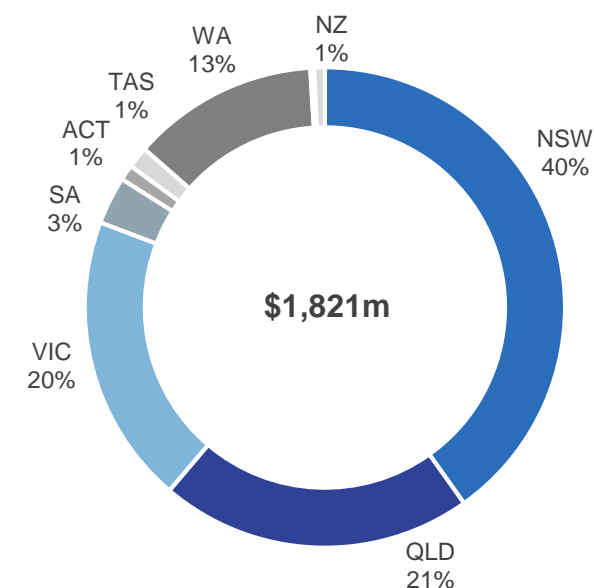
Diversification by Property Investment



Diversification by sector



Geographic allocation



1. WARR is the weighted average rent review and is weighted by gross income
2. WADR is the weighted average discount rate and is weighted by the Investment value of each Property Investment

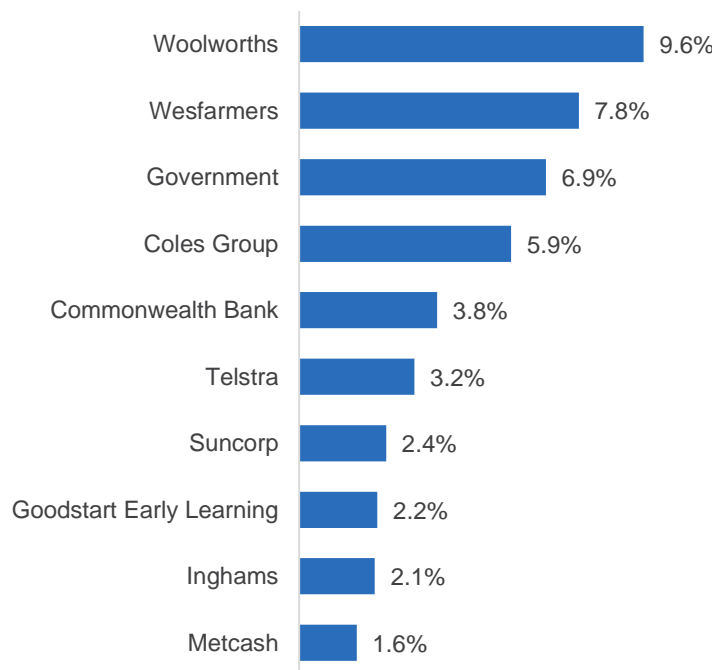
Property Investment

Diversified earnings resilience

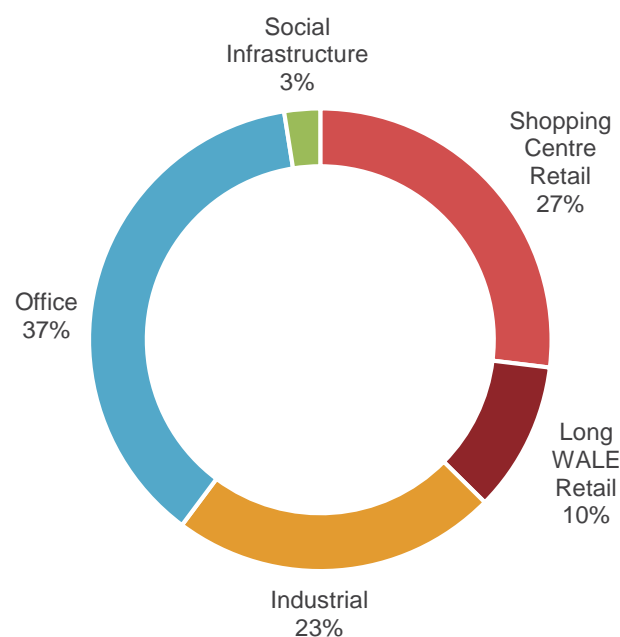
Top 10 asset exposures represent only 10.8% of earnings

- 71% repeat customers across 1,824 leases
- Tenant retention rate of 78% for the six months to 31 Dec 2018

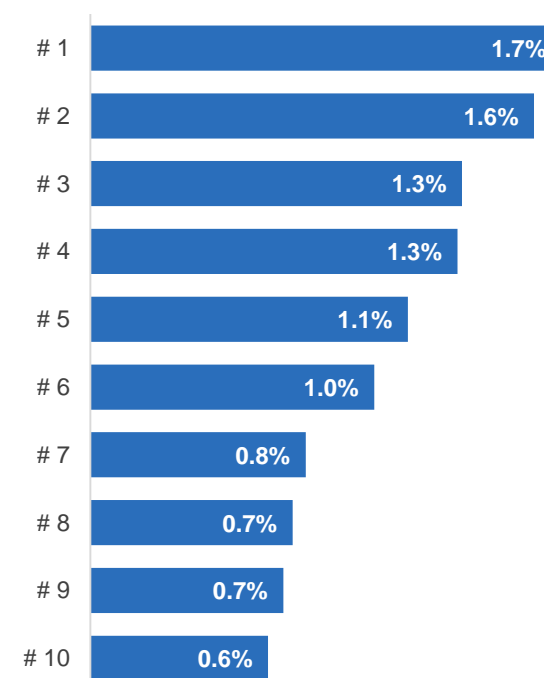
Top 10 tenants by gross income



Property Investment earnings (by Sector)



Top 10 asset exposures¹



1. Asset exposure measured as Gross income of property, weighted for CHPT ownership stake, divided by post-tax OEPS

4. Outlook & Guidance



Outlook & Guidance

FY19 earnings guidance

We believe the property market landscape will continue to accommodate growth

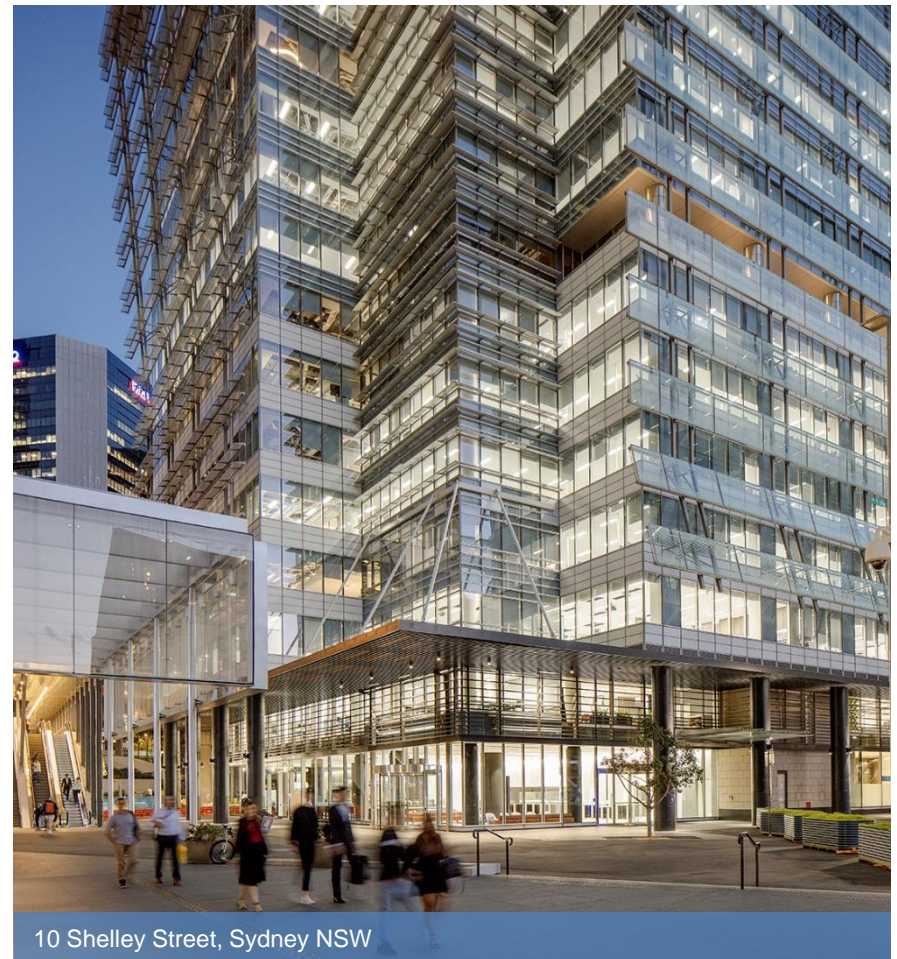
- **Asset growth** is expected in submarkets that are underpinned by **favourable property fundamentals** where there is effective rental growth
- **Continued equity flows** expected for fund managers with strong track records

Our guidance is as follows:

Based on no material change in current market conditions, our FY19 guidance, which was upgraded at the 1H19 Results, is for 14%-17% growth in post-tax operating earnings per security over FY18

FY19 guidance includes a \$40m accrual (\$20m 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



Additional information

Contact information



David Harrison
Managing Director & Group CEO
Charter Hall Group

T: +61 2 8651 9142
E: david.harrison@charterhall.com.au



Russell Proutt
Chief Financial Officer
Charter Hall Group

T: +61 2 8651 9493
E: russell.proutt@charterhall.com.au



Philip Cheetham
Head of Listed Investor Relations
Charter Hall Group

T: +61 2 8651 9214
E: philip.cheetham@charterhall.com.au

Additional information

Disclaimer

IMPORTANT NOTICE & DISCLAIMER

This presentation has been prepared by Charter Hall Funds Management Limited ACN 082 991 786)) (together, with its related bodies corporate, the Charter Hall Group).

This presentation has been prepared without reference to your particular investment objectives, financial situation or needs and does not purport to contain all the information that a prospective investor may require in evaluating a possible investment, nor does it contain all the information which would be required in a product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Commonwealth) (Corporations Act). Prospective investors should conduct their own independent review, investigations and analysis of the information contained in or referred to in this presentation and the further due diligence information provided.

Statements in this presentation are made only as of the date of this presentation, unless otherwise stated. Charter Hall Group is not responsible for providing updated information to any prospective investors. Any forecast or other forward looking statement contained in this presentation may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material.

In making an investment decision, prospective investors must rely on their own examination of the Charter Hall Group, and any other information they consider relevant. All information is provided as indicative only.

This presentation is provided to each prospective investor on the condition that it is strictly confidential and is for the sole use of prospective investors and their advisers. It must not be provided to any other party without the written consent of Charter Hall Group which it may withhold in its absolute discretion.

None of Charter Hall Group, its officers, employees, advisers or securityholders (together, the Beneficiaries) guarantee or make any representation or warranty as to, or take responsibility for, the accuracy, reliability or completeness of the information contained in this presentation. Nothing contained in this presentation nor any other related information made available to prospective investors is, or shall be relied on, as a promise, representation, warranty or guarantee, whether as to the past, present or the future. To the extent permitted by law, the Beneficiaries disclaim all liability that may otherwise arise due to any information contained in this presentation being inaccurate, or due to information being omitted from this document, whether by way of negligence or otherwise. Neither the Beneficiaries nor any other person guarantees the performance of an investment with or managed by Charter Hall Group.

All information contained herein is current as at 31 December 2018 unless otherwise stated. All references to dollars (\$) are to Australian dollars, unless otherwise stated.

Sydney
Head Office
Level 20, No.1 Martin Place
Sydney, NSW, 2000

T: +61 2 8651 9000

Melbourne
Level 14, 570 Bourke Street
Melbourne VIC 3000

T: +61 3 9903 6100

Brisbane
Level 22, Northbank Plaza
69 Ann Street
Brisbane QLD 4000

T: +61 7 3228 2000

Perth
Level 5, St Georges Square
225 St Georges Terrace
Perth WA 6000

T: +61 8 9269 5900

Adelaide
Level 2, 80 Pirie Street
Adelaide SA 5000

T: +61 8 8417 5900
