

CROMWELL TO FOCUS ON ITS GLOBAL REAL ESTATE FUNDS MANAGEMENT PLATFORM

HY22 RESULTS OVERVIEW

- Statutory profit of \$132.5 million (HY21 \$145.2 million) equivalent to 5.06 cents per security (HY21 2.53 cents per security);
- Operating profit of \$96.4 million (HY21 \$99.1 million) equivalent to 3.68 cents per security (HY21 3.79 cents per security);
- HY22 distributions per security of 3.25 cents, for a payout ratio of 88.3%;
- Net Tangible Assets of \$1.03 (FY21 \$1.02) with gearing unchanged at 42% (FY21 42%);
- Total assets under management increased to \$12.1 billion (FY21 \$11.9 billion);
- Completion of the review of Cromwell's strategy; and
- Mr Jonathan Callaghan commenced as new Chief Executive Officer on 5 October 2021.

Real estate investor and fund manager, Cromwell Property Group (ASX:CMW) (Cromwell), today delivers its half year results for the period ending 31 December 2021 (HY22). Cromwell Chair Dr Gary Weiss, in commenting on the past six months, said:

“While the global operating environment continued to be challenging due to the ongoing COVID-19 pandemic, Cromwell has achieved a satisfactory half-year result which reflects the stability and resilience of our platform. Our global team continues to provide on-the-ground operations, so that our securityholders and investors can benefit from our depth of experience and local knowledge across a range of key property sectors.

During the period, good progress was made on a number of fronts, most notably the appointment of Jonathan Callaghan as Managing Director and Chief Executive Officer (CEO) of the Group. Jonathan is an outstanding executive, with deep experience in property and capital markets.

In addition, we have undertaken a strategic review of the business. In November 2021, we outlined our proposed strategy to simplify the Group structure by using our existing portfolio of assets to create new funds and accelerate the growth in our funds management and development businesses. This is well progressed.

This proposed refocused strategy and refreshed vision for the Group has the full support of the Board and we look forward to progressing this initiative which the Board believes will drive long-term value for securityholders.”

HY22 FINANCIAL RESULTS AND CAPITAL MANAGEMENT

Cromwell CEO Jonathan Callaghan commented on the results:

“We're pleased to be able to share Cromwell Property Group's half year result with you today, which is reflective of the resilience of not just our business, but our people who drive our strategies.

“We have a clear vision to build a simplified and more capital efficient model, with a strategic emphasis on the major opportunities to grow our global funds and asset management business.

“It’s this refocused approach that will guide our future priorities and deliver value for securityholders,” he said.

“In the near term, this will include the launch of various new initiatives including an externally managed real estate investment trust (REIT) listed on the ASX, the sale of non-core assets and the continued focus on the launch and marketing of new funds in Europe and via our retail funds business. We have also introduced a programme of initiatives which aim to retain our valuable people and attract new talent to the business to underpin the strategy,” he concluded.

Cromwell reports HY22 statutory profit of \$132.5 million (HY21 \$145.2 million), equivalent to 5.06 cents per security, an 8.7% reduction due to higher tax expense during the period.

HY22 underlying profit of \$96.4 million, equivalent to 3.68 cents per security, was down 2.7% (HY21 \$99.1 million) due to the sale of non-core assets and impacts of new gross leasing deals at HQ North, Fortitude Valley QLD (HQ North). Positively, the underlying profit of \$96.4 million is an increase of 3.5% on the prior six months.

Gearing remained stable at 42%. Cromwell expects gearing to reduce to the lower end of its target range of 30% - 40% upon the sale of identified non-core assets and the close of fund initiatives in Italy and Poland. In the meantime, Cromwell’s strong cashflow, liquidity and headroom to covenants provide it with both time and flexibility to execute on these initiatives.

Cromwell’s average interest rate remains relatively low, at 2.3%, with weighted average debt maturity of just under three years. The company maintains a strong Interest Coverage Ratio (ICR) of 6.6x.

The convertible bond has an investor put option date of 1 August 2022. Given the current market conditions, there is a heightened probability this put could be exercised. Cromwell holds sufficient liquidity to manage such an event.

INVESTMENT PORTFOLIO

- Investment portfolio consists of 17 Australian office assets valued at \$3.1 billion (up \$57.5 million from June 2021);
- Increase in Net Tangible Assets (NTA) to \$1.03 (FY21 \$1.02);
- Investment portfolio profit of \$72.7 million (HY21 \$75.3 million); and
- Strong income fundamentals with Government tenants accounting for 47.8% rental income.

This portfolio has a strong weighting to Government and listed tenants. Property valuations increased to \$3.1 billion for the half year and this also contributed to an increase in NTA to \$1.03 (FY21 \$1.02).

Cromwell’s investment portfolio profit was \$72.7 million, down 3.5% (HY21 \$75.3 million) due to the sale of non-core assets and impacts of new gross leasing deals at HQ North.

The investment portfolio recorded a decrease in like-for-like net operating income of 3.92%, has 93.0% portfolio occupancy and a long weighted average lease expiry (WALE) of 5.85 years, with no material lease expiries for the next three years. The weighted average capitalisation rate (WACR) of 5.3% tightened compared to 5.4% at 30 June 2021.

The Australian investment portfolio continues to be heavily weighted to Government tenants, with rent collections largely unimpacted by COVID-19 during the half.

FUND AND ASSET MANAGEMENT

- Fund and asset management profit of \$22.7 million (HY21 \$22.8 million);
- Total third party funds under management (FUM) increased to \$7.8 billion (FY21 \$7.6 billion);
- European FUM steady at \$5.1 billion (FY21 \$5.1 billion);
- Australian and New Zealand FUM of \$2.7 billion;
- Appointment of Brett Hinton to newly created role of Head of Funds Management – Australia and Peta Tilse as new Head of Retail Funds Management; and
- Robust development pipeline of 34 opportunities across 10 countries.

Cromwell's fund and asset management activities delivered profit of \$22.7 million for the period (HY21 \$22.8 million). The prior period included a \$9.7 million performance fee for the rollover of the Cromwell Property Trust 12. Exclusive of all performance fees, the current half year segment profit for funds management in Australia and Europe was a 44% increase over the prior period.

Overall, funds under management grew by 4.3% to \$7.8 billion, up from \$7.6 billion in FY21.

Funds under management in the European business is \$5.1 billion, with a series of new initiatives underway to accelerate this platform in 2022 and beyond, now that Cromwell has stabilised its portfolio ready for the launch of new funds CPRF, CELF and the company's Wooden Building Fund.

Retails funds grew during the period to \$2.6 billion (FY21 \$2.4 billion) including continued strong inflows into the Cromwell Direct Property Fund (DPF), which during the half acquired 100 Creek Street in Brisbane for \$184.7 million while completing the sale of Bunnings, Munno Para West SA for \$48.8 million.

In New Zealand, Oyster Property Group (50% interest) assets under management grew by NZ\$100 million to NZ\$2.2 billion (FY21 NZ\$2.1 billion). This includes continued growth in Cromwell's share of operating profit to \$0.9 million (HY21 \$0.7 million) and a half-year dividend of NZ\$2.5 million (HY21 NZ\$2.0 million).

CO-INVESTMENTS

- Co-investment segment profit of \$28.4 million (HY21 \$24.0 million);
- Stabilised portfolio ready for launch of new funds: Cromwell Polish Retail Fund (CPRF), Cromwell European Logistics Fund (CELF) and Wooden Building Fund; and
- Advisers have been appointed for the sale of Cromwell's investment in LDK Seniors Living, process ongoing.

Cromwell's co-investments recorded profit of \$28.4 million for the half, an increase of 18.3% from HY21 (\$24.0 million). This includes:

- A \$21.6 million share of operating profit (HY21 \$22.5 million) in respect to Cromwell's 28% equity accounted share of Cromwell European REIT (CEREIT), with this stake valued at \$617.3 million

as of 31 December 2021. CEREIT continues to pivot its portfolio weighting from office assets to logistic assets. Property portfolio valuations increased €52.0 million y-o-y (before taking into account capital expenditure) with minimal impact to rent collections on the back of fewer COVID-19 lockdowns in Europe, a 95.0% occupancy rate and new and renewed leases of 12.2% of the portfolio (by Net Lettable Area or NLA);

- A 5.1% increase to \$90.7 million for the Italian logistics portfolio which continues to be stable throughout COVID-19; and
- All six of the 100.0% owned Cromwell Polish Retail Fund properties were independently valued at 31 December 2021, resultant valuations reflected a resilience through COVID-19, with improving footfall and strong rent collection of 91%.

Cromwell has 34 development opportunities in the pipeline across 10 countries which is expected to underpin a growing contribution to fund and asset management profit from development fees.

GROUP STRATEGY UPDATE

Following the Board renewal in early 2021 and subsequent appointment of the new CEO, Cromwell commenced a review of its strategy, announcing the intention to explore the establishment of a separately listed, Cromwell-managed, portfolio of high-quality Australian office assets as part of a transition to a Global Real Estate Funds Management model.

Cromwell is well progressed in establishing the new REIT (subject to board, regulatory and securityholder approvals) in which Cromwell will own a substantial stake alongside Cromwell securityholders who will receive scrip in the new listed entity.

Regulatory approvals are progressing for the externally managed REIT, which will include a material portfolio of existing Cromwell office assets and feature a new majority independent Board. A Chair and a Fund Manager, who will bring a wealth of expertise, vision and capability, have already been identified.

Further details for the new REIT will be announced at launch, which is expected to be later this financial year (subject to prevailing market conditions).

“Central to our future strategy is the aim for Cromwell to transition to a capital light funds management business model,” Mr Callaghan said.

“The new externally managed REIT is the first step in furthering this strategic ambition, while giving investors the option to invest in two different vehicles with different risk return and growth profiles.”

The new REIT will form part of Cromwell’s broader review of strategy, which identified four key priorities: to simplify the business, to build on its existing funds management platform in Europe and Australia, to grow capital partner relationships and to increase its focus on culture and people.

“We are confident our focus on delivering on these key strategic priorities, and the creation of the new REIT, will deliver further value for securityholders and provide a stable platform for long term growth,” Mr Callaghan added.

OUTLOOK

A distribution of 1.625 cents per security is expected to be paid for the March 2022 quarter.

“Cromwell enters this next phase with a refocused and simplified vision for the business, underpinned by a series of key initiatives planned across the short to medium term, in particular new initiatives to grow our funds and asset management business and deliver additional value for our securityholders,” Mr Callaghan said.

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

Ends.

For investor relations:

Libby Langtry
Cromwell Property Group
+61 2 8278 3690
libby.langtry@cromwell.com.au

For retail securityholders:

Cromwell's Investor Services Team
1300 268 078
+61 7 3225 7777
invest@cromwell.com.au

For media:

Brendan Altadonna
GRACosway
+61 409 919 891
baltadonna@gracosway.com.au

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 31 December 2021, Cromwell had a market capitalisation of \$2.3 billion, an Australian investment portfolio valued at \$3.1 billion and total assets under management of \$12.1 billion across Australia, New Zealand and Europe.