ASX Release

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Charter Hall Group FY23 Results

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Charter Hall Group (ASX: CHC) today announces its FY23 results for the period ending 30 June 2023. Key financial and operational highlights for the period are:

Financial Highlights:

- Operating earnings of $441.2 million, reflects operating earnings per security (OEPS) post-tax of 93.3 cents per security (cps)
- Statutory profit after tax of $196.1 million, attributable to stapled securityholders
- Distributions of 42.5cps

Operating highlights:

- Access: $2.8 billion of gross equity allotted
- Deploy: $10.4 billion of gross transactions
- Manage: $87.4 billion of FUM, including $71.9 billion of Property FUM
- Invest: Property Investments of $3.0 billion

Charter Hall's Managing Director and Group CEO, David Harrison said: "Despite challenging conditions, FY23 maintained Group FUM despite downward valuations driven by rising interest rates. Property FUM grew $6.2 billion to $71.9 billion and our operating earnings ex-transaction and performance fees grew strongly, reflecting growth in FUM, the benefits of scale and our diligent focus on costs.

"We delivered $3.1 billion of new developments for our funds, successfully completing 4 new office buildings and 17 logistics facilities. We remain well-placed to deploy capital into opportunities as they emerge, with $6 billion in available liquidity, which has risen to $7 billion post balance date with the $1.2 billion CPIF Asian Term Loan facility closing in August, whilst the committed and uncommitted $13.9 billion development pipeline provides further organic growth potential."

Property Investment

During the period, the Property Investment portfolio continued to see both divestments and deployment offset by valuation declines, resulting in a net value increase of $33 million to $3.0 billion.

The earnings resilience and diversification of the Property Investment portfolio continues to remain a key strength. No single asset represents more than 4% of portfolio investments, Government covenants are the largest tenant exposure and make up 23% of portfolio income while 18% of net income is derived from leases with CPI-linked rent reviews, with a sector leading exposure to investment grade tenant customers.

Portfolio occupancy remained resilient at 97.6%, the Weighted Average Lease Expiry (WALE) remains healthy at 7.4 years and the Weighted Average Rent Review (WARR) is 3.6% per annum.

Funds Management

Group FUM grew by $7.5 billion to $87.4 billion, comprising $71.9 billion of Property FUM together with a 50% investment in the $15.6 billion of FUM managed by Paradice Investment Management (PIM).

Property FUM grew by $6.2 billion, or 9.5%, driven by $4.8 billion of net acquisitions, devaluations of $1.6 billion and capex spend predominantly on developments of $3.0 billion.

The Group's $2.8 billion of gross equity inflows allotted during the period, comprised inflows of $817 million in Wholesale Pooled Funds, $1.4 billion in Wholesale Partnerships, $9 million in Listed Funds and $542 million in the Direct business.

Development activity and pipeline

Development activity drives modern asset creation which reduces average age of buildings, enhances investor returns and attracts new capital to our funds. Development completions totalled $3.1 billion in the last 12 months. Notwithstanding completions, the pipeline continues to be re-stocked and is currently $13.9 billion with $6.6 billion in committed development project value.

The Group continues to use its cross-sector tenant relationships and the scale of our portfolio to create development opportunities for both tenants and investors. The breadth of this market reach generates significant market intelligence thereby enhancing our value-add capability. Development activity is predominantly undertaken by funds/partnerships with the majority of committed projects being de-risked through pre-leasing and fixed price building contracts.

Capital Management

During the period, the Group completed $7.4 billion in new and refinanced debt facilities across the Platform, with an additional $1.2 billion post-balance date. Platform facility limits now exceed $30 billion, with circa $7.0 billion of available liquidity. The Group balance sheet held $401 million of cash as at 30 June 2023, and balance sheet gearing of 2.2%.

ESG Leadership

Sustainability remains integral to Charter Hall's operations and management. During the period, we accelerated our commitment to Net Zero carbon emissions[1] by bringing forward our target from 2030 to 2025. As part of our commitment, we installed a further 15.8 Megawatts of solar during the period, taking our total solar platform to 63 Megawatts. We also completed an additional $900 million of sustainable finance transactions linked to the environmental performance and Green Building ratings of our assets. We now have the largest footprint of independently rated green space in Australia, with over 6.7million sqm of Green Star rated space across the country, an increase of 29% compared to last year.

[1] Scope 1 and Scope 2 emissions.

Charter Hall continues to recognise the important role we play in the communities in which we operate. Aligned to our Pledge 1% commitment, we invested over $1.4 million in social enterprise and community initiatives, with much of this directed towards funding for communities impacted by floods. We also facilitated 210 employment outcomes for vulnerable Australians in partnership with social enterprises. During the period we were also proud winners of the National Social Procurement Trailblazer Award (in partnership with Two Good) in the 2022 Social Traders National Game Changer Awards. Charter Hall employee engagement is also very strong with an overall score of 89%, nine points above the high-performing industry average.

Outlook

We will continue to operate the same strategy executed for 18 years since our IPO in 2005 - a capital light, partnership model where the fully integrated platform can identify and exploit opportunities and trends before they become mainstream. We have done this with an early entry and rapid growth in logistics to now being one of the largest logistics platforms in Australia. We have also accessed early the triple net (NNN) CPI rent growth and sale and leaseback opportunities with over 20% of Platform income linked to CPI growth. We continue to further grow our economic resilient social infrastructure and convenience retail portfolios. We will also continue the modernisation of our office platform where the sector leading 98% occupancy in our flagship fund CPOF has contributed to its leading the MSCI office benchmark returns for 10 years.

As one of the largest owners of real estate in Australia, we are well aware of sub-market liquidity, market pricing and customer trends. We will continue to curate our portfolios and continue both selective acquisitions and what has now been 8 years of repeated divestments exceeding $1 billion annually, as pruning portfolios is a key ingredient of active asset management.

CHC maintains the lowest balance sheet gearing in the AREIT sector at 2.2% and has $600 million of liquidity, whilst the Platform's $7 billion of liquidity fully funds the committed development pipeline and provides scope for further growth.

Based on no material change in current market conditions, FY24 earnings guidance is for post-tax operating earnings per security of approximately 75 cents per security.

FY24 distribution per security guidance is for 6% growth over FY23.

Announcement Authorised by the Board

Charter Hall Group (ASX: CHC)

Charter Hall is one of Australia's leading fully integrated property investment and funds management groups. We use our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers. We've curated a diverse portfolio of high-quality properties across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure. With partnerships and financial discipline at the heart of our approach, we create and invest in places that support our customers, people and communities grow.

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