

ANNUAL RESULTS FOR FINANCIAL YEAR ENDED 30 JUNE 2024

Cromwell Property Group (ASX: CMW) (Cromwell or the Group) today announces its results for the financial year ended 30 June 2024, achieving key strategic milestones over the period, most recently the sale of the European platform¹, which puts the Group in a position for growth opportunities in the coming cycle.

Dr Gary Weiss, Cromwell Chair, commented “Cromwell has reached a significant and exciting turning point in the Group’s strategy execution. The sale of \$1.6 billion of non-core assets over the last few years has positioned the Group well, with low debt and gearing, providing investment capacity for value accretive growth in Australia moving forward.”

Key highlights

- Sale of the European Platform to simplify the business and provide a foundation for growth.
- Significant reduction of \$665 million of group net debt (-38% on FY23), taking gearing to 38.9% (proforma net debt approximately \$670 million, with proforma look through and headline gearing approximately 28.8%²).
- Valuations of Investment Portfolio down 5% for the half-year, all independently revalued as at 30 June 2024.
- Active asset management in the Investment Portfolio resulted in leasing more than 40,000sqm³ over the financial year, NOI growth, and occupancy of 94.1% underpinned by 68.1% of income from Government, Qantas and Metro Trains.
- Statutory loss for the year of \$531.6 million (-19.8% on FY23), driven by valuation changes and impairment of discontinued operations.
- Operating profit of \$136.7 million (-13.8% on FY23), impacted by asset sales.

Business transformation

In May 2024, Cromwell announced the sale of the European Platform for €280 million / \$457 million.

This sale, which is anticipated to complete in Q1 FY25, will represent the completion of a significant asset sale programme, totalling \$1.6 billion. The sale programme, which commenced in 2022, saw eight out of ten Australian assets sold at or above the latest book value.

¹Throughout this document, where we refer to sale of the ‘European Platform’, this comprises the sale of 100% of equity interests in Cromwell EREIT Management Pte. Ltd. and Cromwell European Holdings Limited, 50% interest in Cromwell Italy Urban Logistics Fund (subject to counterparty consent) as well as a 27.8% interest in Cromwell European REIT.

² Following the sale of the European Platform, with completion anticipated Q1 FY25.

³ Includes non-binding heads of agreement

This strategic exit from Europe will refocus the business to primarily Australian real estate, where Cromwell manages an Investment Portfolio of \$2.2 billion and a funds management platform of \$2.3 billion.

Upon completion of the sale of the European Platform, the sale proceeds will be returned to Australia to reduce group net debt to approximately \$670 million, with headline and look-through gearing estimated to be 28.8%.

A strengthened balance sheet will provide flexibility for a disciplined deployment of capital into accretive growth opportunities in Australia through funds management platform acquisitions and new product launches. Cromwell has a strong track record of value-accretive asset management, built on integrated funds, investment, property and development management capabilities.

FY24 Performance

The Group reports a statutory loss for the year to 30 June 2024 of \$531.6 million, driven by valuation changes in the Investment Portfolio (down 5% for the half-year) which is reflective of the current valuation environment, as well as asset devaluations and impairments to the sales price for CPRF, CEREIT and CIULF co-investments. These valuation changes drove NTA to \$0.61 cps. Operating profit is down 13.8% compared to 30 June 2023, driven by lower group EBIT, higher cost of debt and income lost through asset sales.

Cromwell's debt position continues to improve as the Group progresses through the completion of the sale of the European Platform. CPRF related debt was repaid upon the sale of CPRF, and a further unsecured facility with €55 million remaining, was repaid in July 2024. Group net debt will continue to reduce from \$1.07 billion at 30 June 2024 (\$1.74 billion 30 June 2023) to approximately \$670 million at the completion of the sale of the European Platform. Weighted average cost of debt is 4.8% (FY23 3.8%) with interest cost savings expected as debt is repaid through the next financial year.

Investment Portfolio

Cromwell's high-quality portfolio of eight office assets was valued at \$2.2 billion at 30 June 2024, underpinned by secure income, 68.1% derived from Government, Qantas and Metro Trains, with the remaining rent roll being highly diversified.

40,000 sqm of leases were signed during the financial year, including the retention of AECOM, TechOne and Metro Trains⁴, totalling 27,000 sqm in two key assets. This leasing activity supported strong occupancy of 94.1%, NOI growth of 0.3% on a like-for-like basis and improved portfolio weighted average lease expiry to 5.4 years. Importantly, retention of these large tenants, well in advance of their existing lease expiries, has helped to reduce leasing risk over the next three financial years.

⁴ Non-binding heads of agreement.

Cromwell continues to focus on driving occupancy and rental growth from strategic asset upgrades, assisting tenants to meet their ESG goals and targets through decarbonisation projects, as well as continuing to provide well maintained, engaging office space with high quality facilities.

Cromwell's Australian assets⁵ continue to transition to GreenPower with base building coverage of 97% and base building renewable energy usage, including solar and GreenPower, at 63% for the period to 30 June 2024, on track for 80% target in 2025.

Funds Management

Cromwell Direct Property Fund (the Fund) had all assets revalued during the period to \$529.95 million⁶ (-2.4% since 31 December 2023). Occupancy remains strong at 93.3%, having leased more than 12,000 sqm over the financial year. The Fund completed the sale of an asset at Boundary Street, Spring Hill in August 2024, proceeds of which will be used for debt reduction.

Outlook

The Group is committed to redeploying capital locally as Cromwell transitions to an Australian capital light fund manager, drawing on capital sources from existing and new capital partners. The focus will remain on traditional property sectors in core markets where Cromwell has a strong track record of active asset management, driving value through active leasing activities, asset upgrades and ESG repositioning.

Jonathan Callaghan, Cromwell CEO commented "in the near-term, the Group remains focused on the completion of the sale of the European Platform and orderly transition of business operations. As we near the bottom of the cycle, Cromwell will be well positioned to take advantage of market opportunities, deploying our balance sheet with discipline to grow through platform acquisitions and new product launches".

Authorised for lodgement by Jonathan Callaghan (Managing Director/Chief Executive Officer) and Michael Foster (Company Secretary and Senior Legal Counsel).

Ends.

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⁵ Includes all properties in Australia where Cromwell has operational control and has control over energy contract negotiations.

⁶ Excluding Boundary Street Spring Hill asset, contracted for sale during August 2024.

ABOUT CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a real estate investor and funds manager with \$11 billion of assets under management in Australia, New Zealand and Europe, with a market capitalisation of approximately \$1.0 billion at 30 June 2024.
