



## ASX Announcement - Company Announcements Platform

### Centuria Property Funds Limited

### Centuria Metropolitan REIT

## Proposed Merger of Centuria Metropolitan REIT and Centuria Urban REIT

**Sydney, 3 March 2017**, Centuria Property Funds Limited (**CPFL**) as Responsible Entity for Centuria Metropolitan REIT (**CMA**) today announces that it has entered into a Scheme Implementation Agreement (**SIA**) with Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity for Centuria Urban REIT (**CUA**) to undertake an “NTA-for-NTA” merger of equals transaction between CMA and CUA via a trust scheme (the **Merger**).

CMA comprises Centuria Metropolitan REIT No. 1 (**CMR1**) and Centuria Metropolitan REIT No. 2 (**CMR2**). CMA announced on 15 February 2017 its simplification proposal (**Simplification Proposal**) which, if approved, will de-staple CMR1 from CMR2, and have CMR2 become a wholly-owned subsidiary of CMR1.

### The Merger

If CUA unitholders approve the Merger and it is implemented (and the Simplification Proposal is implemented), CUA unitholders will receive total consideration comprised of the following (**Merger Consideration**):

- 0.88 CMR1 units for every 1 CUA unit held; and
- \$0.23 cash payment for every 1 CUA unit held.

The Merger Consideration has been determined based on the relative pro forma net tangible asset backing per security of CMA and CUA as at 31 December 2016 and represents a merger of equals on this basis; that is, the implied value of the Merger Consideration (based on CMA’s pro forma net tangible asset backing as at 31 December 2016 of \$2.32 per CMA security) is equivalent to the pro forma net tangible asset backing per CUA unit of \$2.27.

The proposed Merger is subject to conditions including implementation of the Simplification Proposal and obtaining of certain regulatory approvals.



## Strategic Rationale

The Merger is consistent with CMA's strategy to invest in metropolitan office markets in Australia and combines two highly complementary property portfolios to provide CMA securityholders with an enhanced investment proposition relative to CMA on a standalone basis including:

- Material increase in scale with CMA's investment property portfolio increasing 54% to over \$602 million<sup>1</sup>;
- Generation of accretion to CMA's FY17 distributable earnings per security;
- Enhanced portfolio and tenant diversification;
- Cost efficient acquisition structure minimises net tangible asset dilution compared to acquiring assets in the direct market; and
- Improved trading liquidity and increased market capitalisation with the potential for ASX / S&P 300 index inclusion.

CPFL has established an independent Board committee (**IBC**), comprising directors Matthew Hardy and Darren Collins, to consider the merits of the Merger.

## Merged entity profile

CMA considers that it and CUA are highly complementary investment entities – in its view, both recognise the positive characteristics particular to metropolitan office markets and have similar investment strategies with a conservative approach to gearing. Furthermore, both funds are managed by professional executives with deep experience in adding value through the property cycle.

The merged entity will have:

- Investment property portfolio of \$601.9 million (versus CMA standalone assets of \$391.5m, as at 31 December 2016)<sup>2</sup>; and
- An estimated pro forma market capitalisation of \$417 million<sup>3</sup> (versus CMA standalone market capitalisation of \$277 million)<sup>4</sup>.

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<sup>1</sup> As at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016

<sup>2</sup> As at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road announced on 21 December 2016

<sup>3</sup> Merged entity value based on the total anticipated CMA securities on issue upon completion of the Proposal, if successful, multiplied by the closing price of CMA securities of \$2.34 on 2 March 2017 (being the last trading day prior to the date of announcement)

<sup>4</sup> CUA standalone value based on the closing price of CUA units of \$2.34 on 2 March 2017 (being the last trading day prior to the date of announcement)



Mr Matthew Hardy, Independent Director of CPFL and IBC chairman said: “The merger of CMA and CUA provides a highly attractive value proposition for CMA securityholders. This transaction is accretive to CMA's FY17 distributable earnings and will create one of the largest ASX listed REITS focused on the metropolitan office assets in Australia”.

“We also believe the Merger has significant benefits for CUA unitholders as it significantly increases their exposure to a quality portfolio of office assets, decreases the ongoing management fee, enhances the balance sheet and increases scale and liquidity.”

### **Ongoing management of the merged entity & alignment of interests**

CPF2L has agreed, if the Merger is successful, to reduce the ongoing annual base management fees paid in respect of CUA assets from 0.60% to 0.55% of gross asset value to be in line with the fee currently being charged for CMA.

On successful implementation of the Merger, Centuria Capital Group will continue to have a substantial holding in the merged entity demonstrating a strong alignment of interest with the merged entity's investors.

### **Independent Directors representing CUA Recommendation**

CPF2L has established an independent Board committee (**CUA IBC**) to consider the merits of the Merger on behalf of CUA unitholders. The CUA IBC believes that the Merger has merit, offers a number of potential benefits to CUA unitholders and it is in the best interests of CUA's unitholders that the Merger be put forward for CUA unitholders' consideration.

The SIA is subject to a number of conditions precedent (**CPs**) including satisfactory due diligence and an independent expert finding the Merger is in the best interests of CUA's unitholders. Subject to the satisfaction of the CPs regarding satisfactory due diligence and an independent expert finding the Merger is in the best interests of CUA's unitholders CUA IBC intends to recommend that CUA's unitholders vote in favour of the Merger in the absence of a superior proposal.

### **Implementation process**

The obligations of CPF2L and CPFL regarding the implementation of the Merger are set out in the SIA. A full copy of the SIA is attached to this announcement.



## Indicative timetable

The expected key dates in relation to the Merger are outlined below.

Dispatch of the notice of meeting and explanatory memorandum in relation to the Merger	<b>12 April 2017</b>
CUA unitholder meeting to approve the Merger	<b>9 May 2017</b>
Effective Date if Merger approved	<b>10 May 2017</b>
Record Date if Merger approved	<b>17 May 2017</b>
Implementation date – on which the Merger Consideration is paid	<b>24 May 2017</b>

*Note: these dates are indicative only and may be subject to change*

## Advisors

CPFL has engaged Moelis Australia Advisory Pty Limited as its financial advisor and MinterEllison as its legal advisor.

## Presentation

To provide an overview of the Merger in greater detail, a presentation has also been released to the ASX today.

- Ends -

**For further information, please contact:**

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### **About Centuria Metropolitan REIT**

Centuria Property Funds Limited (CPFL) which is a wholly-owned subsidiary of Centuria Capital Limited (CNI), is the Responsible Entity for the ASX-listed Centuria Metropolitan REIT (CMA). CMA focusses on investing in real estate assets in metropolitan markets across Australia and holds a portfolio of assets valued at \$391.5 million diversified across Sydney, Brisbane, Canberra and Adelaide.

CPFL has over \$2.9 billion of property under management in 17 unlisted property funds and 3 listed funds.

### **About Centuria Urban REIT**

Centuria Urban REIT is the only ASX-listed office sector A-REIT focused on suburban A grade and CBD B grade rent collecting properties in Australia. The REIT has a diversified \$210.4 million portfolio of three assets located Queensland and Victoria.

The REIT is externally managed by Centuria Property Funds No. 2 Limited (CPF2L), which is a wholly-owned subsidiary of Century Capital Group (CNI).

### **Disclaimer**

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