

Centuria Capital Limited

Results Briefing

1H16

(Half-year ended 31 December 2015)



18 February 2016

www.centuria.com.au

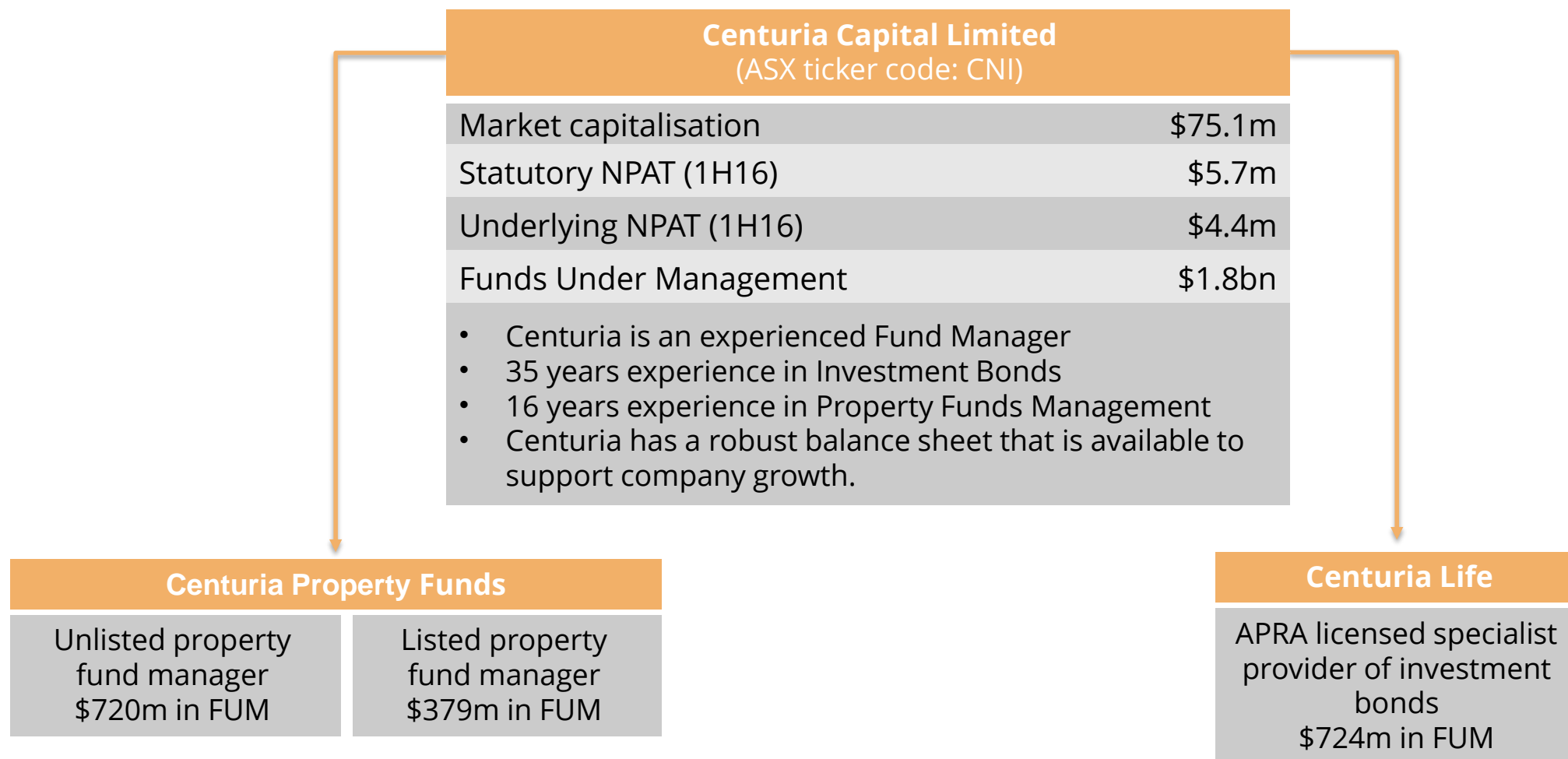
Contents

- 3. [1H16 Review](#)
- 12. [Property Funds Management Division](#)
- 20. [Investment Bonds Division](#)
- 23. [Strategy and Outlook](#)
- 28. [Appendices](#)

Directory

Group Chief Executive	John McBain
CEO Unlisted Property Funds	Jason Huljich
CEO Listed Property Funds	Nicholas Collishaw
GM – Investment Bonds	Neil Rogan
Interim CFO	Chris Johnston

Centuria Capital Limited



All metrics are as at 31 December, 2015

Group Operating Highlights

Executing on our stated strategy

Group Performance

- Net tangible assets (NTA) per share up 5.5% to \$0.91
- Interim dividend of 2.25 cents per share (cps) up 12.5% on 1H15
- 1H16 underlying profit \$4.4 million¹
- FY16 underlying profit guidance \$9.0 - \$10.5 million (\$6.3 million NPAT FY15)
- 1H16 statutory profit \$5.7 million¹
- 14.6% growth in Group funds under management to \$1.8 billion

1. See Slide 7 for PCP information

Divisional Operating Highlights

During the period the experience of the property team has lead to the successful conclusion of two highly profitable funds and we continue to find value in acquisitions

Property Funds Management

Successful completion of major unlisted funds

- Sale of 175 Castlereagh Street, Sydney for \$98 million (~30% IRR)
- Conditional sale of Macquarie Park properties for \$101 million (~20% IRR)

Strong acquisition pipeline

- Australian Technology Park acquisition - \$104 million
- 203 Pacific Highway acquisition - \$86 million (now settled)
- Further significant transactions in pipeline

Centuria Metropolitan REIT delivers on forecasts

- Asset value increase to \$379.2million from acquisition and revaluations
- NTA increased to \$2.05 per stapled security

Divisional Operating Highlights

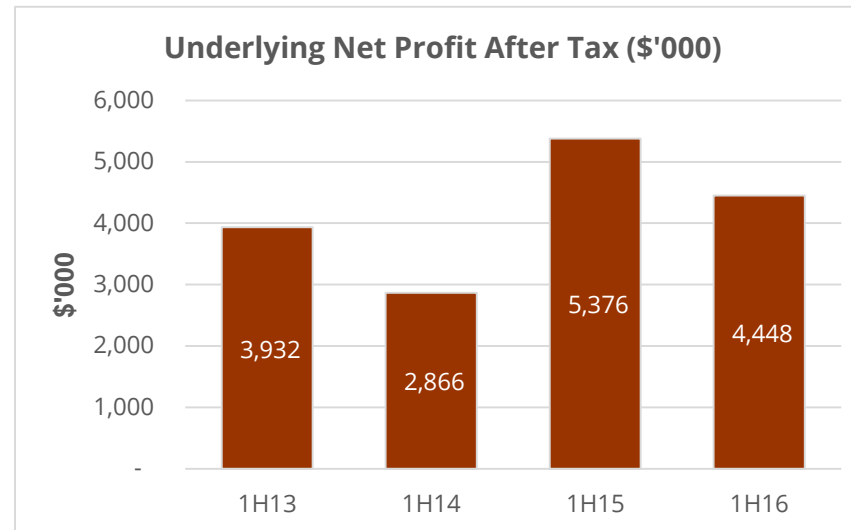
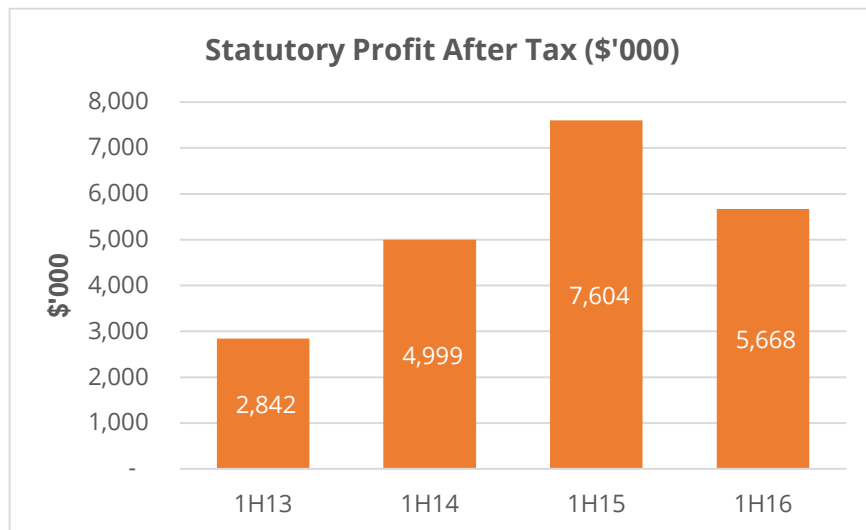
Investment Bonds

- Gross inflows into Centuria Life of \$14.5 million from July – December 2015, up from \$2.0 million in July – December 2014
- Guardian inflows of \$20.5 million from July – December 2015, up from \$19.2 million from July – December 2014
- 5 star Morningstar rating across Centuria's Australian Share, High Growth, Growth and Balanced Bond Funds
- Centuria's Australian Share, High Growth, Growth and Balanced Bond Funds rated "Investment Grade" by Lonsec
- Launch of three new funds – CashPlus, Imputation and Property



Financial Summary

	1H16	1H15	Change
Statutory NPAT (\$'000)	5,668	7,604	(25.5%)
Statutory EPS (basic)	7.4c	9.8c	(24.5%)
Underlying NPAT (\$'000) ⁽¹⁾	4,448	5,376	(17.3%)
Underlying EPS (basic)	5.8c	6.9c	(15.9%)
Dividend per share (fully franked)	2.25c	2.0c	12.5%

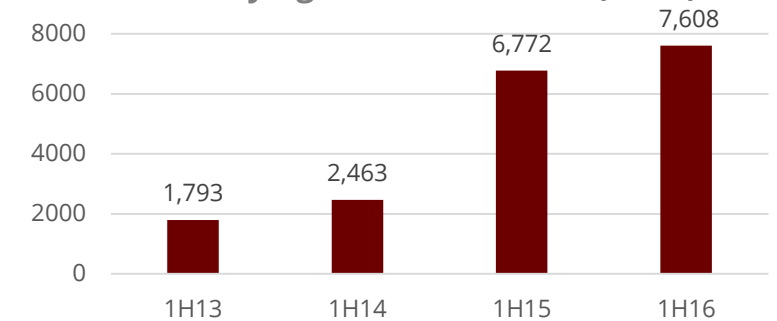


- Underlying profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for specific non-cash and significant items.
- 1H15 Statutory NPAT higher due to non-recurring asset sales and accounting revaluations in that period.

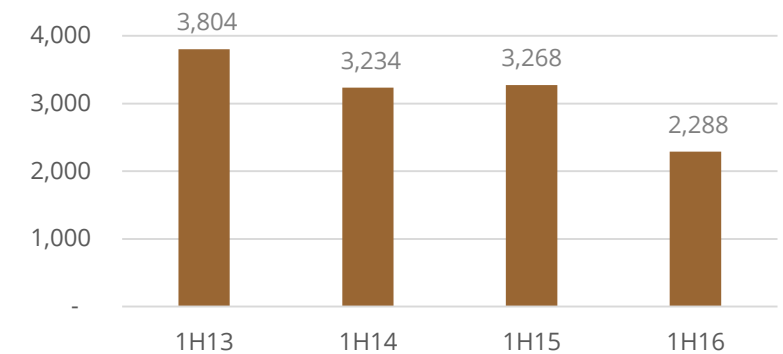
Underlying Segment Results

	1H16	1H15	Commentary
	\$'000	\$'000	
Underlying profit by segment ^{(1) (2)}			
Property funds management	7,608	6,772	Reflects increased performance fees and FUM growth
Investment bonds	2,288	3,268	Growth in FUM offset by costs to rebuild the business
Discontinued businesses	(129)	911	Reflects sale of variable reverse mortgage portfolio in Oct-14
Corporate	(2,857)	(2,404)	
Underlying profit before interest and tax	6,910	8,547	
Corporate finance costs	(230)	(426)	Lower average borrowings
Underlying profit before tax	6,680	8,121	
Underlying tax expense	(2,232)	(2,745)	
Underlying net profit after tax	4,448	5,376	

**Property Funds Management
Underlying Profit Before Tax (\$'000)**



**Investment Bonds Underlying Profit
Before Tax (\$'000)**



- Underlying profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for specific non-cash and significant items.
- Extracted from Segment Information in Note 3 of the Centuria Capital Limited Interim Financial Report lodged with ASX on 18 February 2016.

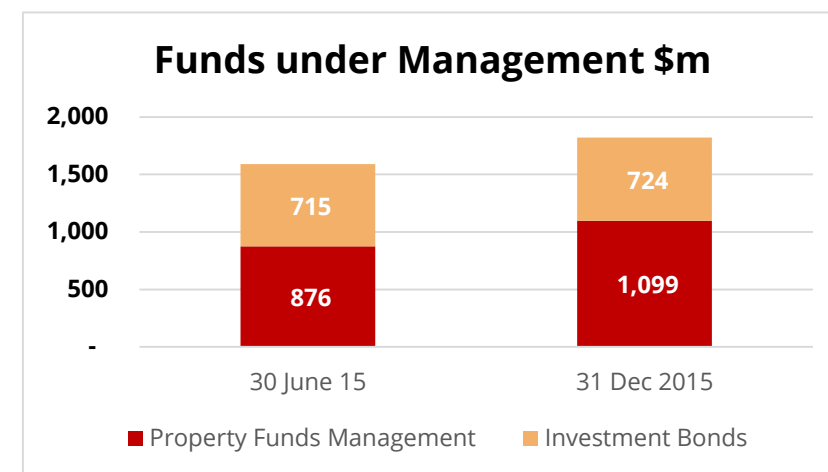
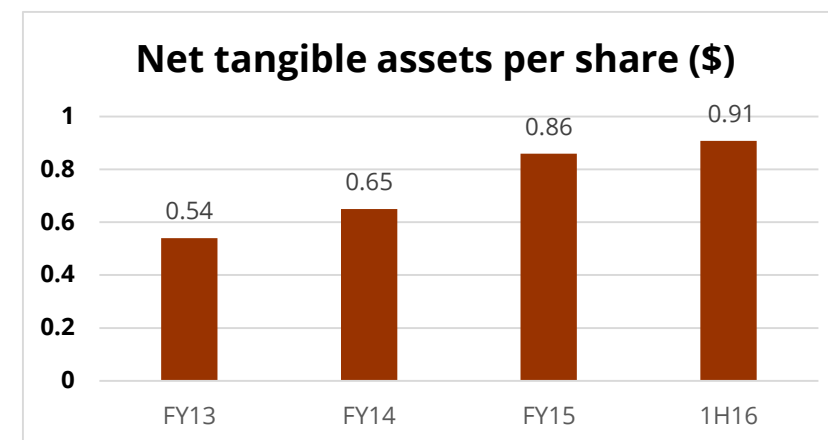
Growth in Assets and Funds Under Management

- Growth in assets produced a 5.5% increase in NTA per share
- 14.6% growth in funds under management across property and investment bond portfolios
- Investment bond division repositioned for growth of funds under management

Balance Sheet metrics	As at 31 Dec 2015	As at 30 June 2015	Change
Net Assets (\$'000)	\$122,585	118,851	3.1%
Net assets per share ⁽¹⁾	\$1.60	\$1.55	3.2%
NTA per share ⁽¹⁾	\$0.91	\$0.86	5.5%

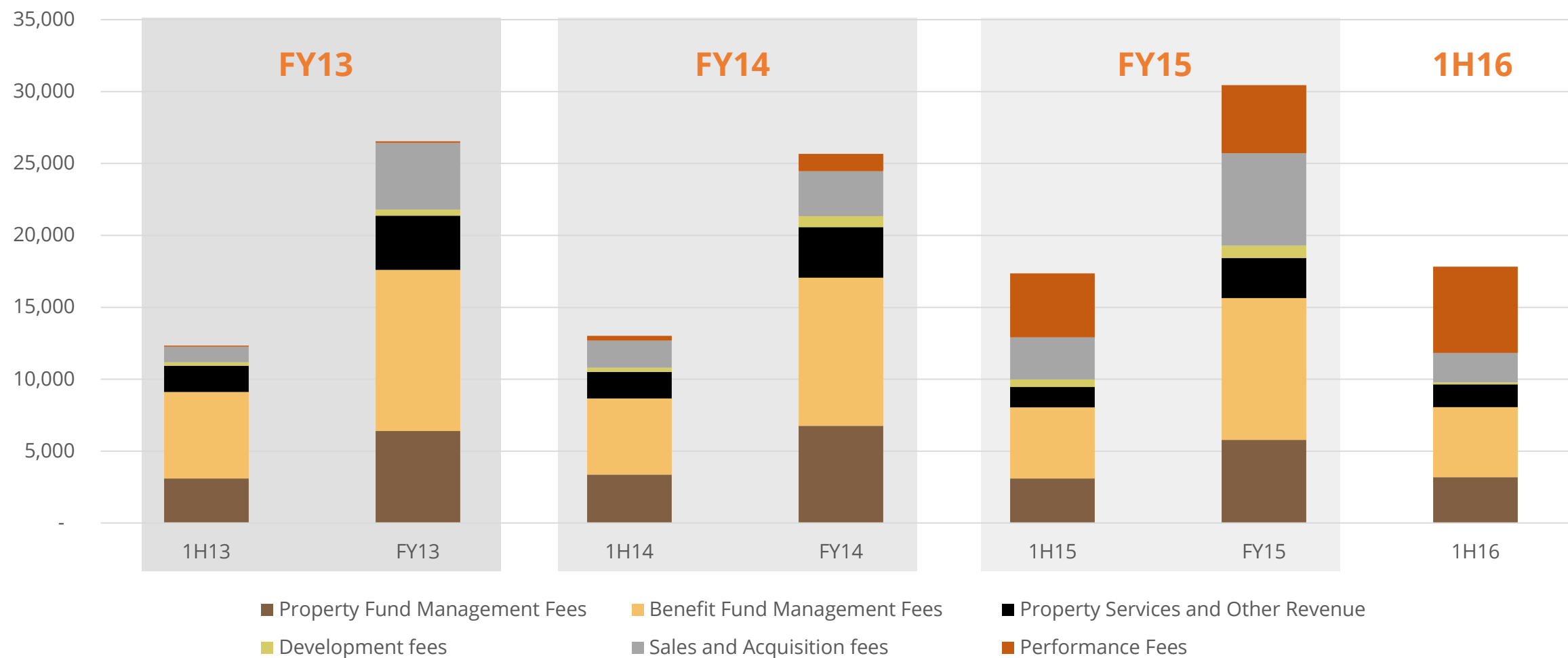
Funds Under Management:

Property Funds	\$1,099m	\$876m	25.4%
Investment Bonds	\$724m	\$715m	1.3%
Total Funds Under Management	\$1,823m	\$1,591m	14.6%



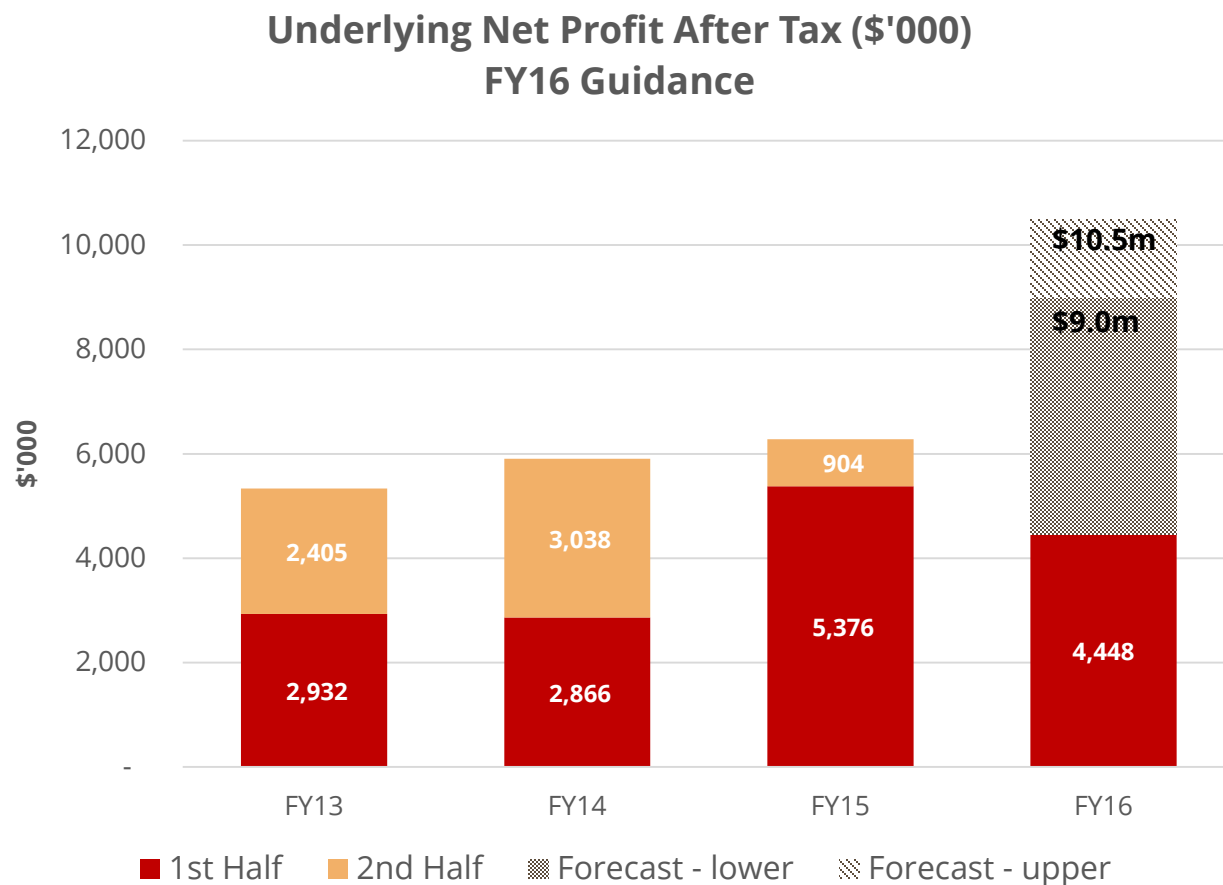
1. Net Assets per share and NTA per share based on ordinary shares on issue (excluding contingently issuable performance rights).

Source of Operating Revenue



FY16 Guidance

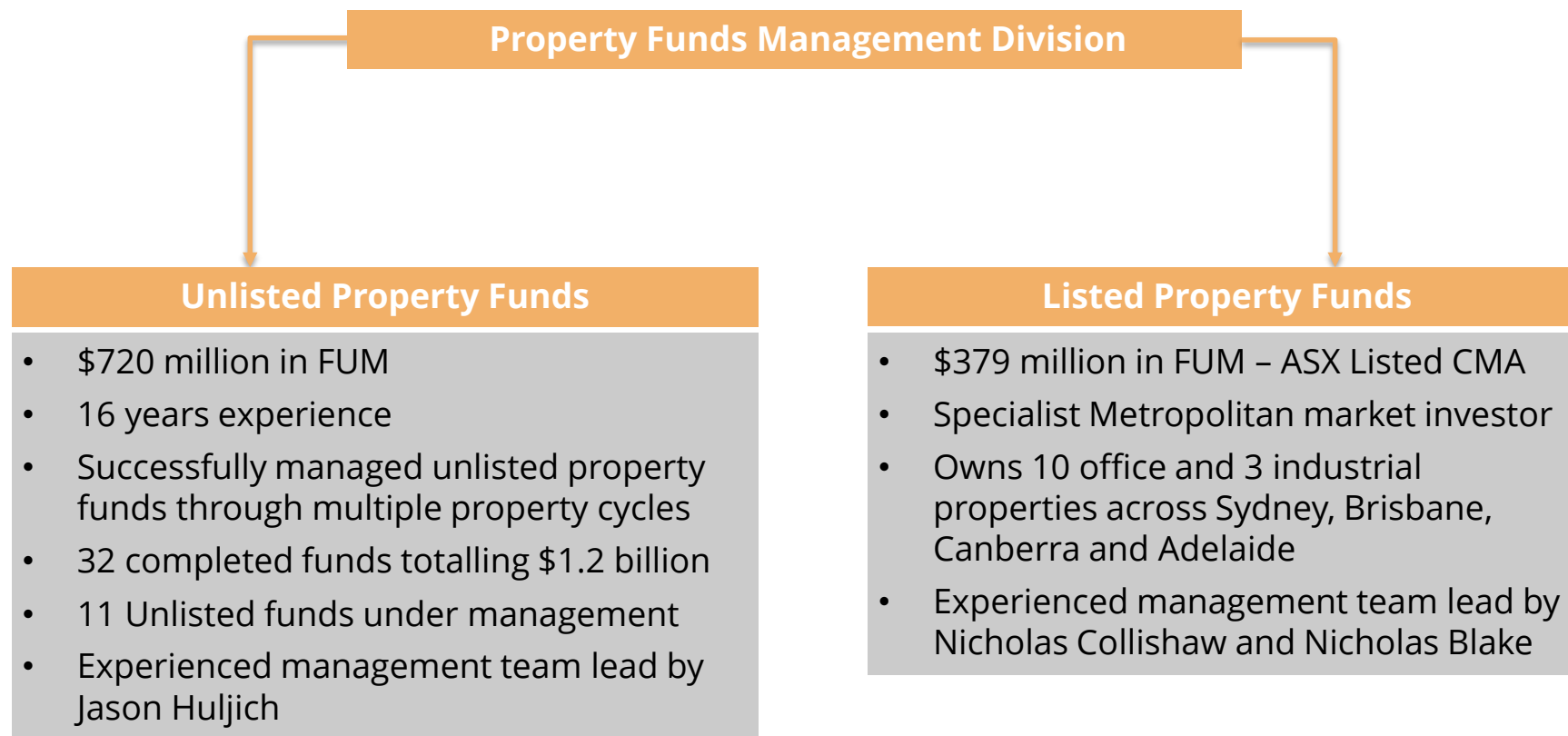
FY16 underlying NPAT guidance announced in the range of \$9.0 million to \$10.5 million



Property Funds Management Division

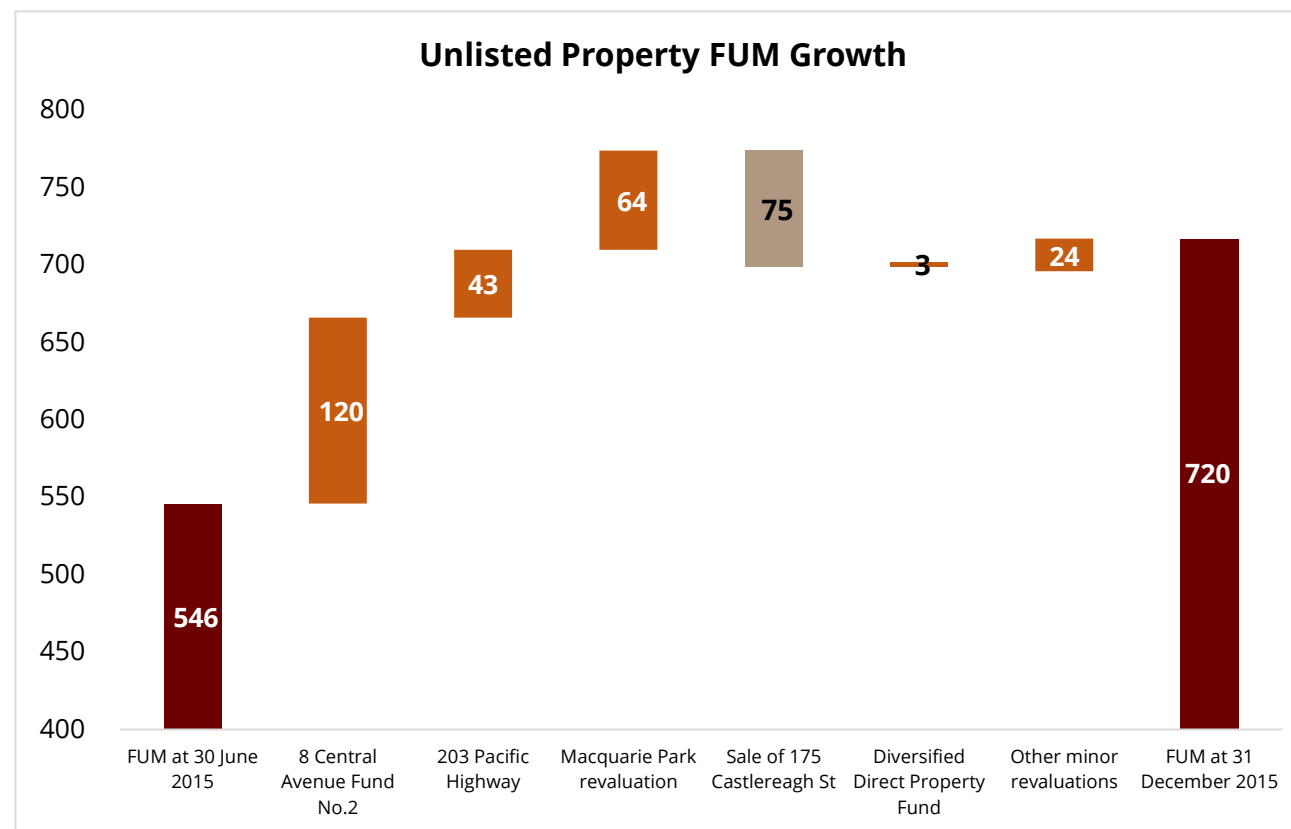


Property Funds Management Division



Unlisted Property Highlights

- 32% Growth in Unlisted Property FUM to \$720 million over the 6 months to 31 December 2015
- Belmont Road development on track
- Appointment of senior property fund sales and marketing specialist to increase distribution capacity for acquisition pipeline
- Unlisted offers experiencing substantial oversubscriptions owing to quality of offers and strength of Centuria brand



Unlisted Property Highlights

Active transaction flow ensures steady increase in FUM triggering substantial investor profits and fees to Centuria

- Completed the sale of 175 Castlereagh Street, Sydney for \$98 million
- Announced sale of Macquarie Park properties for \$101 million

Healthy fund pipeline

- Successful co-tenderer with Mirvac Group for the acquisition of assets within the Australian Technology Park, Eveleigh totalling \$104 million
- Completed the acquisition of 203 Pacific Highway, St Leonards (50%) for \$43 million



Realising Value - Unlisted Property Fund Asset Sales

175 Castlereagh St, Sydney



Purchase date	April 2013
Acquisition price	\$56.0m
Sale price	\$98.0m
Capital gain	67.0%
IRR (post fees)	~30.0%
Performance/Sale fee	\$7.3m

- Completed the sale of 175 Castlereagh Street, Sydney for \$98 million
- The property was purchased in 2013 for \$56 million
- Performance/sale fees of \$7.3 million was generated

80 Waterloo Rd & 16 Byfield St, North Ryde



Purchase date	2001 & 2002
Acquisition price	\$25.3m
Sale price	\$101.0m
Capital gain	310.0%
IRR (post fees)	~20.0%
Performance/Sale fee	\$9.6m

- Announced conditional sale of Macquarie Park properties for \$101 million
- The properties were purchased in 2001 and 2002 for \$25.3 million
- Performance/sale fees of \$9.6 million will be generated

Building Unlisted Property Fund Pipeline

203 Pacific Highway, St Leonards



Purchase price (50% share)	\$43.0 m
Valuation (50% share)	\$43.5 m
Equity raised	\$30.0 m
Offer closed oversubscribed	December 2015
Forecast 2016 distribution yield (annualised)	8.0%

- Purchased 203 Pacific Highway, St Leonards (50%) in partnership with CMA (50%)
- Over 450 Reservations of Interest received for the required equity, with the Fund closing oversubscribed
- Demonstrates how CMA and the Unlisted Division can co-invest for the benefit of investors

Australian Technology Park, Eveleigh



Purchase price	\$104.0 m
Valuation	\$108.8 m
Equity raised	\$61.8 m
Offer closed oversubscribed	February 2016
Forecast 2016 distribution yield (annualised)	8.7%

- Successful co-tenderer with Mirvac Group for acquisition of assets within the Australian Technology Park (ATP), Eveleigh.
- \$104 million purchase due to settle in March 2016.
- The CBA commitment of 93,000 sqm and the pre-sale to Mirvac, AMP and Sunsuper has re-rated the precinct to Institutional Grade
- Centuria's foresight will generate significant Investor returns

Listed Property Funds Management Highlights

- Centuria Metropolitan REIT (ASX: CMA) listed on the ASX on 10 December 2014
- CMA utilises Centuria's capabilities in property management, development and accounting, generating additional recurring income for the Group
- Significant leasing success generated by Centuria's integrated business approach delivered value for CMA investors and fees for Centuria Capital
- Acquisition of 50% interest in 203 Pacific Highway, St Leonards demonstrates corporate value of diverse investor base
- CMA well-positioned to meet full year forecasts, and continues to provide a liquid investment platform for consideration by Centuria Capital clients/investors



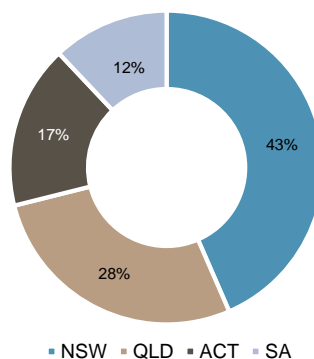
Listed Property Funds Management

- CMA announced a 3.9%¹ increase in portfolio valuation to \$379.2 million as at 31 December 2015
- CMA delivered on its financial forecast distributing 8.5 cents per stapled security for 1H16
- NTA increased by 8 cents to \$2.05 per stapled security
- Approximately 76 per cent of rental revenue derived from ASX listed, multinational, national and government tenants

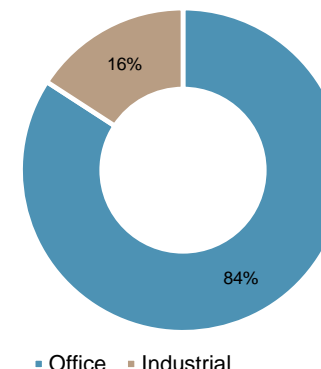
CMA Portfolio Metrics 1H16

Portfolio snapshot	1H15	1H16
Number of assets	8	13
Book value	\$182.9m	\$379.2m
WACR	8.9%	8.15%
Occupancy ^{2,3}	99.5%	97.3%
FY16 expiries ⁴	10.7%	8.6%
WALE ^{2,3}	5.5yrs	4.8yrs

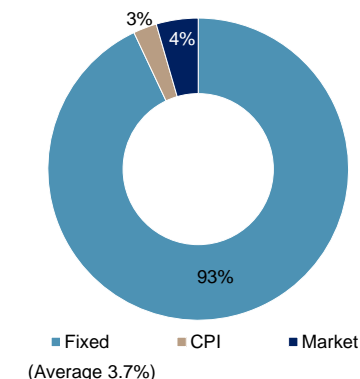
Geographic diversification (by value)



Asset type diversification (by value)



Rental Reviews



1. On a like for like basis, excluding 203 Pacific Highway, St Leonards (50% interest)
2. Includes seven transactions where terms have been agreed but subject to lease finalisation
3. By NLA
4. Inclusive of current vacancies

Investment Bonds Division



Investment Bond Division

\$374m + \$350m = \$724m

Total FUM of Centuria Life
Investment Bonds

Total FUM of Over Fifty Guardian
Friendly Society Bonds

Total FUM

- Transformed the business to create a platform for sustainable growth in FY16
- 1H16 inflows \$35.0 million (pcp \$21.2m) forecasting further FUM inflows
- 4th largest friendly society/insurance bond issuer in Australia with 10.1% market share of \$7 billion total market¹
- Centuria Life High Growth, Australian Shares, Growth and Balanced Investment Bonds rated “Investment Grade” by Lonsec Morningstar rated five stars

	30 Jun 2015	31 Dec 2015
Total FUM increased	\$715m	\$724m
Total policyholders increased	83.8k	84.6k
Applications increased	\$21.2m	\$35.0m
Redemptions	\$36.4m	\$43.6m

1. Plan for Life Bond Report September 2015

Investment Bond Division

- Built capability in the Business Development and Call Centre Teams
- Appointed Senior Business Development Manager NSW/QLD 20 years' experience in retail financial services
- Closed and merged funds where there is no longer customer or adviser demand



Fund	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Morningstar Ranking ¹	Morningstar Rating
Centuria High Growth	7.61%	11.17%	7.94%	High Growth Bond 1/23	*****
Centuria Australian Shares	9.30%	10.02%	8.17%	Australian Shares Bond 1/38	*****
Centuria Growth Bond	8.33%	9.33%	6.76%	Growth & Balanced Bonds 2/53	*****
Centuria Balanced	6.18%	7.94%	6.57%	Growth & Balanced Bonds 4/85	*****

¹ Performance rankings from the universe of investment/insurance providers as at 31 December 2015

Group Strategy



Group Strategy

Strategic objectives

Centuria will continue to focus on its core operations to drive increased shareholder wealth, specifically:

- Expand core business activities in scale and profitability
- Provide reliable, growing dividends
- Generate increased earnings per share

Meeting Detailed strategies

Expand and diversify product range	Launching of lower geared opportunity style unlisted property funds Finalising “White Label” Investment Bond offerings
Co-invest with clients to generate increased investment activity	Belmont Road development on target for successful completion
Utilise and recycle balance sheet to underwrite new product offerings	Enhanced balance sheet afforded participation in successful joint bid for ATP site with Mirvac
Centuria’s Investment Bond business now in expansion phase	Expectation of net FUM gain in FY16
Corporate acquisitions considered where scale and market position enhanced	Several opportunities reviewed however to date none have been considered accretive enough for Centuria stakeholders

Group Strategy

Unlisted Property Strategy

- Expectation of strong demand for unlisted property funds due to low interest rate environment
- Continued strong investment from HNW investors, family offices and unaligned financial planning groups.
- Appointment of senior distribution manager enables Centuria to expand products range e.g. open ended diversified funds to also access equity from aligned wealth management platforms
- Significant equity demand means Centuria can focus on larger property acquisitions - \$100 million +
- Strong interest from institutional investors to partner in large acquisitions. These groups have access to large pools of capital and want to leverage Centuria's asset management expertise

Listed Property Strategy

- Focus on maximising CMA's investment return by;
 - Maximising tenant retention
 - Initiating refurbishment and repositioning strategies
 - Maintaining a disciplined capital structure
 - Acquiring fit for purpose assets to complement existing portfolio

Group Strategy

Strategy for Investment Bond division

- Centuria Life's focus is to build long-term, sustainable relationships in the retail advice market and to position the Investment Bond Division as the investment bond provider of choice for third party distributors and selected aligned financial advisers
- With ongoing regulatory uncertainty around superannuation, Investment Bonds are well placed as tax effective savings vehicles for accumulation of wealth and income outside of superannuation
- Continue white-labelling opportunities where appropriate
- Investment Bonds are favorable structures for those looking for:
 - certainty with estate planning,
 - maximising government entitlements in aged care, and
 - saving for education

Outlook

- Centuria remains firmly focussed on growing core business units.
- Listed and unlisted property funds management divisions demonstrated strong growth in 1H16 with an impressive acquisitions pipeline
- Expand Unlisted Property Funds product offering to include open-ended funds
- Investing heavily in Investment Bond business - short term benefits will be increased FUM. When a strong growth pattern in FUM is achieved, stable, growing profits will be achieved
- Centuria Metropolitan REIT assets grown to \$380m. The Fund has actively grown its portfolio since listing in December 2014. We anticipate CMA will continue to expand under its experienced management team
- FY16 underlying NPAT guidance announced in the range of \$9.0 million to \$10.5 million

Appendices



Statutory Account Reconciliation

General comment on statutory accounts reconciliation

- The “Statutory Accounts” show the consolidated results of the Company and its controlled entities, including the Benefit Funds of Centuria Life, which Centuria is required to consolidate under Australian Accounting Standards
- The “Benefit Funds” reflect the stand alone results, assets and liabilities of policyholders of the benefit funds
- The “Statutory accounts excluding Benefit Funds” reflect the results, assets and liabilities attributable to Centuria shareholder funds

Reconciliation of Statutory NPAT to Underlying NPAT

	\$'000	\$'000
Underlying net profit after tax ⁽¹⁾	4,448	5,376
Non-underlying adjustments:		
Unrealised gain on fair value of derivatives	2,597	1,126 Accounting valuation of Reverse Mortgage interest swaps
Centuria Life seed capital valuation movement ⁽²⁾	(598)	(3,137) Refer to note 2 below
Accounting gains on sales of non-core assets	-	5,194
Tax impact of above non-recurring adjustments	(779)	(955)
Statutory net profit after tax	5,668	7,604

1. Underlying profit is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for specific non-cash and significant items.
2. Impairment of seed capital resulted from the write-down of the two remaining legacy non-performing commercial loans within the Income Accumulation Fund Friendly Society bond.

Appendix 1:

Income Statement for half-year ended 31 December 2015⁽¹⁾

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Property funds management revenue	12,958	-	12,958
Investment bond revenue	19,528	(14,542)	4,986
Reverse mortgages revenue ⁽²⁾	1,171	-	1,171
Corporate revenue	471	-	471
Total revenue	34,128	(14,542)	19,586
Finance costs	(1,042)	-	(1,042)
Employee benefits expense	(6,216)	-	(6,216)
Administrative and other fees and expenses	(5,486)	-	(5,486)
Impairment of related party receivable (seed capital) ⁽³⁾	(759)	-	(759)
Unrealised gain from fair value movements of derivative financial instruments	2,597	-	2,597
Expenses attributable to Benefit Funds	(12,759)	12,759	-
Net profit before tax	10,463	(1,782)	8,680
Income tax expense	(4,795)	1,783	(3,012)
Profit for the period	5,668	-	5,668

1. Extracted from the Statement of Comprehensive Income and Segment Information of the Centuria Capital Limited Interim Financial Statements lodged with ASX on 18 February 2016.

2. Revenue and results from the reverse mortgages and insurances divisions were impacted by the sales that took place in October 2014.

3. Discounting of seed capital is disclosed as part of finance costs in the financial statements.

Appendix 2:

Summary Balance Sheet as at 31 December 2015⁽¹⁾

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents ⁽²⁾	29,015	-	29,015
Other financial assets – reverse mortgage portfolio ⁽³⁾	45,530	-	45,530
Properties held for development ⁽⁴⁾	28,081	-	28,081
Intangible assets	53,025	-	53,025
Assets in respect of Benefit Funds	378,526	(378,526)	-
Other assets	26,688	-	26,688
Total assets	560,865	(378,526)	182,339
Liabilities			
Borrowings – reverse mortgages	10,238	-	10,238
Borrowings – development facility ⁽⁴⁾	13,747	-	13,747
Borrowings – working capital	10,400	-	10,400
Derivative financial liabilities – reverse mortgages	17,244	-	17,244
Liabilities in respect of Benefit Funds	378,526	(378,526)	-
Other liabilities	8,125	-	8,125
Total liabilities	438,280	(378,526)	59,754
Net assets	122,585	-	122,585

1. Extracted from the Statement of Financial Position of the Centuria Capital Limited Interim Financial Statements lodged with ASX on 18 February 2016.

2. Includes \$9.6m not available for use (\$1.2m Reverse Mortgages division and \$8.4m Investment Bonds division).

3. Other financial assets – reverse mortgage receivables of \$26.6m plus fair value adjustment of \$17.2m.

4. Accounting standards require that assets and liabilities of Centuria Belmont Road Development be included in the results of the Group, notwithstanding the Group holds only a 27.26% equity interest.

Appendix 3:

Summary Cash Flow Statement for the half-year ended 31 December 2015⁽¹⁾

	Statutory Accounts	Benefit Funds	Statutory Accounts excluding Benefit Funds
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Management fees received	15,805	-	15,805
Payments to suppliers and employees	(12,055)	-	(12,055)
Payments for property held for development	(5,070)	-	(5,070)
Benefit Funds net cash used in operating activities	(9,341)	(9,341)	-
Other net operating receipts	788	-	788
Net cash flows used in operating activities	(9,871)	9,341	(530)
Cash flows from investing activities			
Benefit Funds net cash provided by investing activities	4,735	(4,735)	-
Acquisition of investments in managed funds	1,040	-	1,040
Net cash flows provided by investing activities	5,775	(4,735)	1,040
Cash flows from financing activities			
Net proceeds from borrowings	14,437	-	14,437
Loans to related entities	(8,862)	-	(8,862)
Other net financing activities	(2,556)	-	(2,556)
Net cash flows provided by financing activities	3,019	-	3,019
Net decrease in cash and cash equivalents	(1,077)	4,606	3,529

1. Extracted from the Statement of Cash Flows of the Centuria Capital Limited Interim Financial Statements lodged with ASX on 18 February 2016.

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