

Centuria Capital Group



Results Briefing

1H17

(half-year ended 31 December 2016)
23 February 2017

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Centuria Capital Group



Section 1

Group Overview

Group 1H17 operating highlights



- Completed acquisition of majority of 360 Capital Group's real estate funds management platform in January 2017 which contributed to:
 - An increase in Group FUM of 95% from \$1.9 billion to \$3.7 billion
 - An increase in recurring income to 77% of total revenue
- Reaffirm FY17 guidance:
 - Operating NPAT guidance of \$14.9 million
 - Operating EPS guidance of 9.9 cents per security¹
 - DPS guidance of 7.5 cents per security¹
- 1H17 operating NPAT of \$2.9 million and an interim distribution of 2.30 cents per stapled security
- Organic growth within the Property Fund Management business:
 - Acquisitions of \$324 million
 - Asset revaluations of \$97 million
- Transformational period for Centuria:
 - Significant diversification of real estate platform (three REITs plus unlisted portfolio)
 - Substantial increase in market capitalisation (to \$261 million²)

1. Calculated using weighted average number of securities on issue

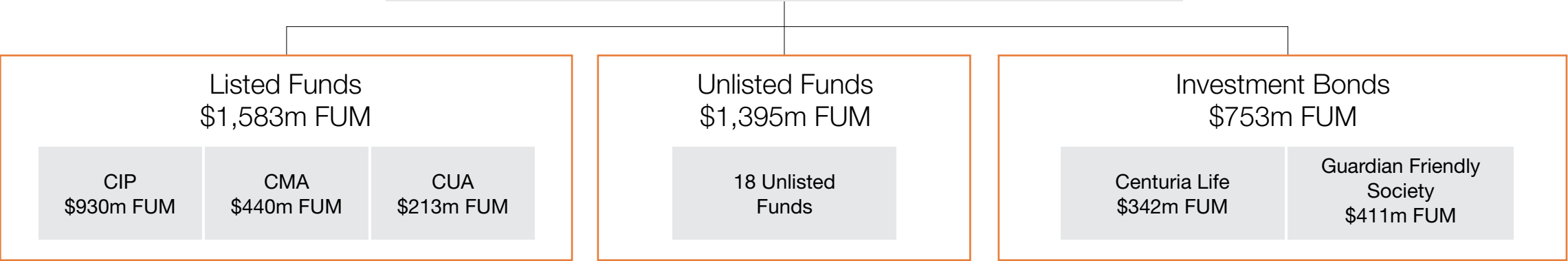
2. Based on closing share price on 17 February 2017

Centuria profile



Centuria has undergone a phase of unprecedented transformational growth

Centuria Capital Group		
	31 Dec 16	30 Jun 16
FUM	\$3,731m	\$1,919m
Percentage of recurring revenue	77%	65%
Value of co-investments held	\$129m	\$51m
Market capitalisation	\$261m ¹	\$81m

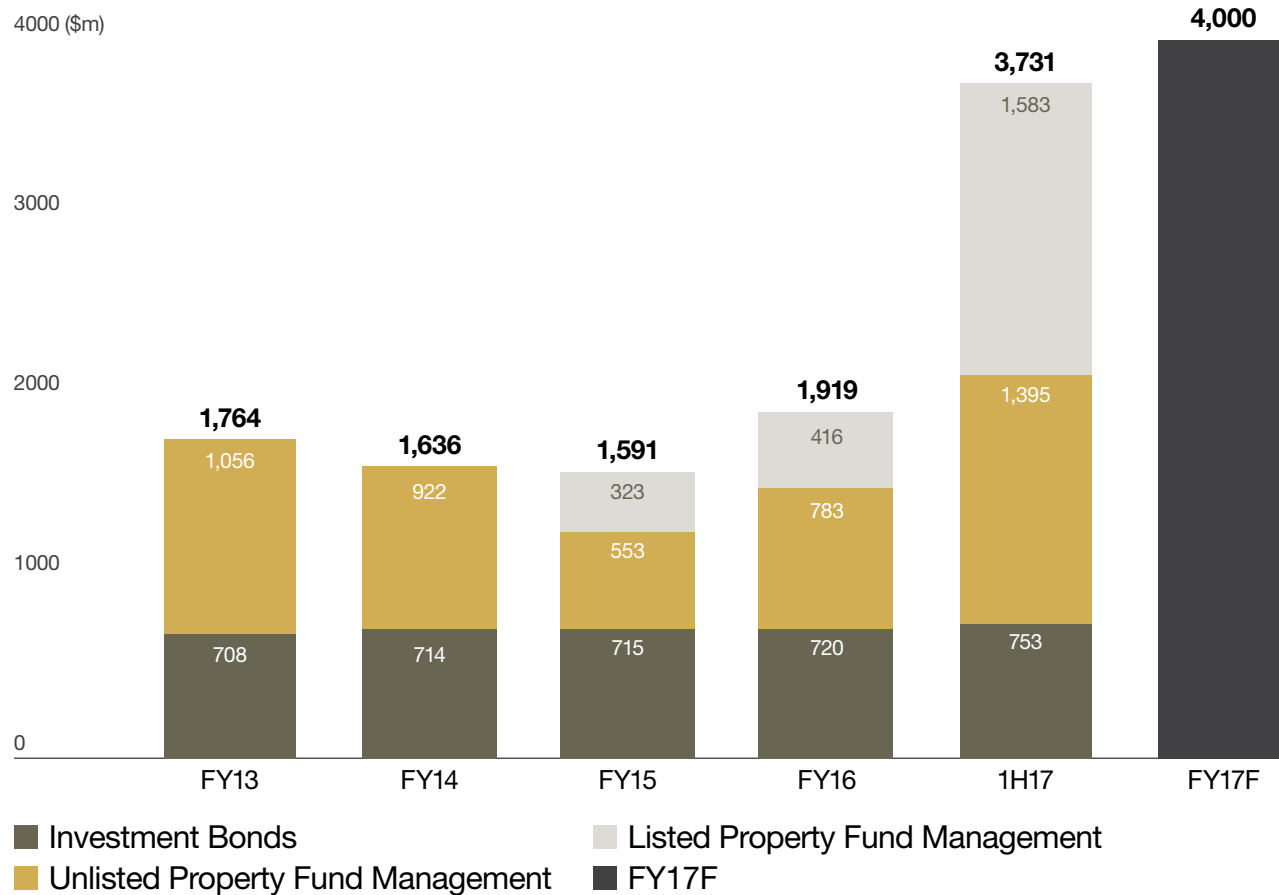


1. Based on closing share price on 17 February 2017

Continued growth in FUM



Transformational FUM growth will drive the next stage of earnings growth

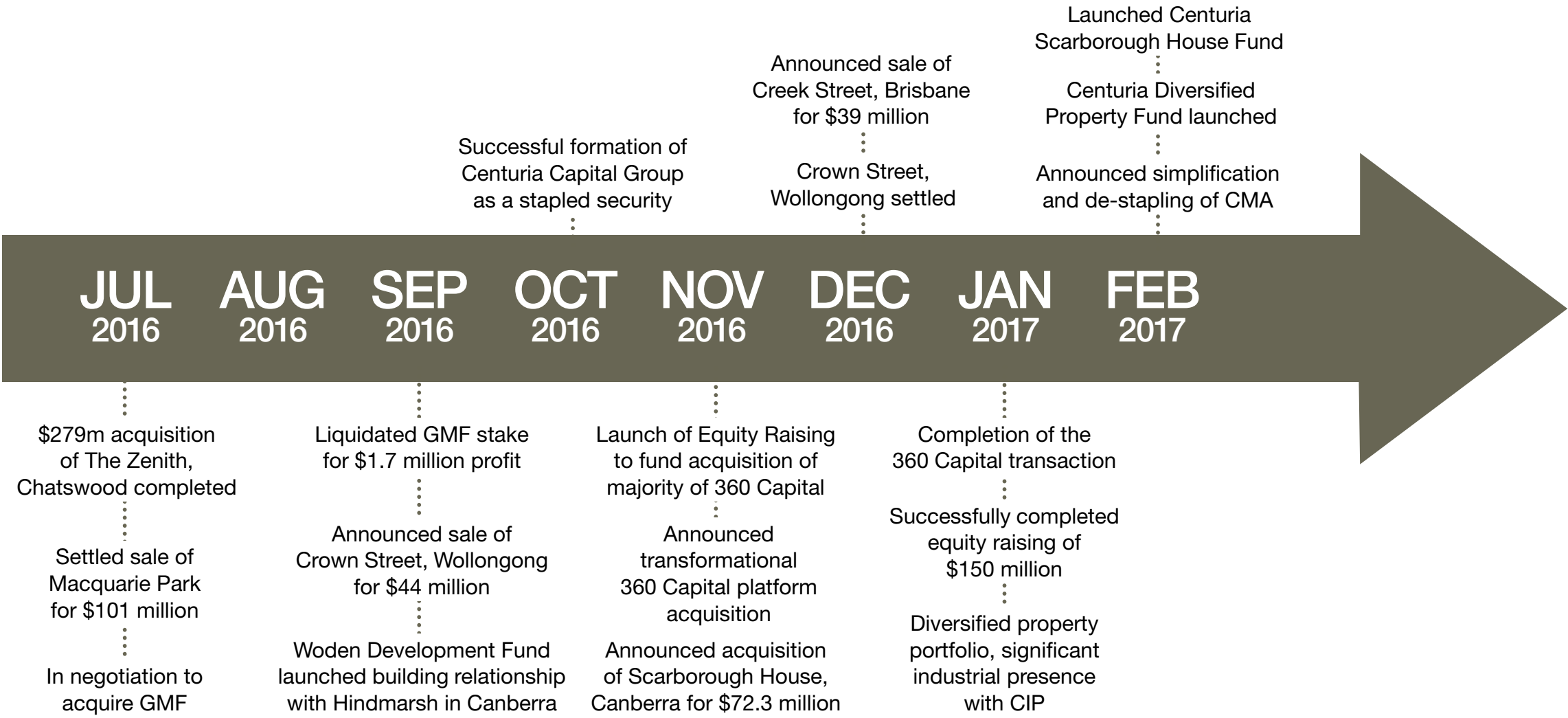


- Continued net FUM growth expected in 2H17
- Expanded distribution channels:
 - Greater access to REIT market via CIP, CMA and CUA
 - High net worth/traditional channels growing strongly (over 10,000 clients)
 - New capital partners (BlackRock/SEB) for larger joint acquisitions
- Investment Bonds FUM growth trending up

Corporate activity



A busy 6 months investing in our future



Strategy scorecard

Delivering on our strategy



Creating securityholder value

- ✓ Capital raising and 360 Capital platform acquisition undertaken to add scale to business, market capitalisation \$261 million
- ✓ Share price has increased to \$1.15¹ per security from \$1.00 since capital raising

Expand and diversify product range

- ✓ Successful launch of \$279 million Centuria Zenith Fund partnering with BlackRock
- ✓ Centuria Diversified Property Fund launched in February 2017 provides an open-ended unlisted investment alternative
- ✓ Centuria Industrial REIT, the largest pure industrial rent collecting vehicle listed on the ASX, provides a strong presence in industrial assets
- ✓ Centuria Woden Green Estate Development Fund providing debt funding into Canberra based development

Utilise and recycle balance sheet

- ✓ Opportunistic and agile approach – proceeds and profits from liquidation of GMF stake in July recycled and put to use in executing 360 Capital platform acquisition in November
- ✓ Applying proceeds from capital raise to acquire strategic stakes in listed managed funds

Corporate activity

- ✓ Stapling undertaken to ready corporate structure for efficient holding of co-investment stakes
- ✓ Platform acquisition added \$1.4 billion of additional FUM, increased recurring revenues to 77%, and strengthened balance sheet providing greater access to capital markets

Expansion of Investment Bond business

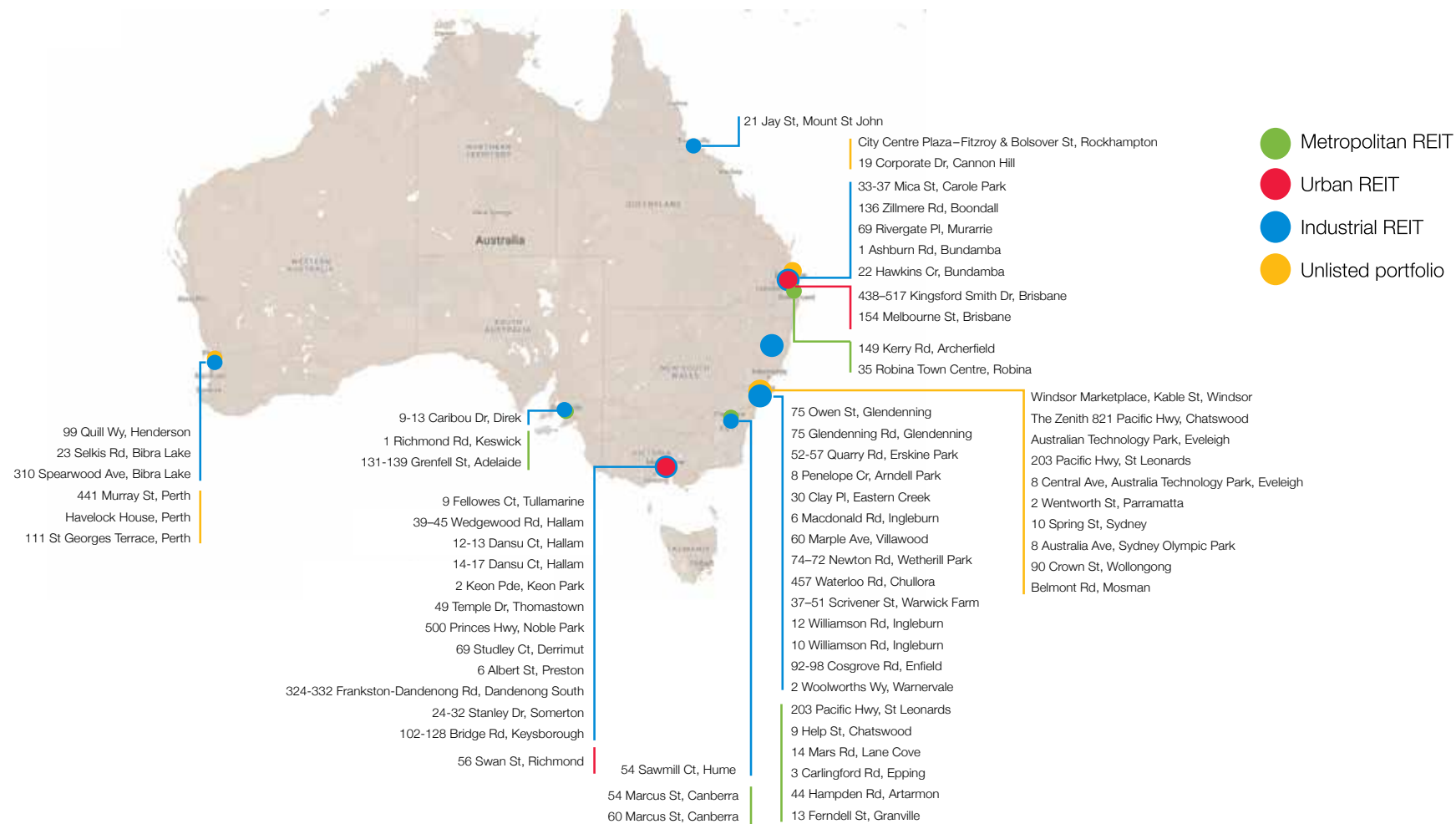
- ✓ Net FUM gain in 1H17 and expectation of additional FUM gains in 2H17
- ✓ Broadened distribution capabilities
- ✓ Belmont Road, Mosman development due to settle in March 2017

Co-invest with clients

- ✓ Co-investment stake of 27.3% in Belmont Road Development Fund
- ✓ Co-investment stake taken in Centuria Woden Green Estate Development Fund (20%)
- ✓ Significant co-investment stakes now held in Centuria Industrial REIT (15.6%), Centuria Metropolitan REIT (2.17%) and Centuria Urban REIT (19.99%)

Property portfolio

Larger platform enhances geographic diversification



360 Capital platform acquisition



Increasing scale and recurring revenues

- On 23 November 2016, Centuria agreed to acquire the majority of 360 Capital's real estate funds management platform including management rights over TIX (now CIP), TOF (now CUA) and four unlisted funds
- Transaction completed on 9 January 2017 and included \$116 million of co-investment stakes
- Acquisition represents a transformational change in Centuria's scale, increasing property FUM by 148% to \$2,978 million
- Centuria market capitalisation of \$261 million¹ a major step towards ASX 300 index inclusion
- Increase in scale achieved with minimum changes to corporate overheads
- Co-investment income from REITs to account for approximately 45% of Centuria's net profit post-transaction
- Transaction provides Centuria with a significant footprint in industrial assets, with CIP being the largest pure rent-collecting industrial ASX 300 REIT
- CMA and CUA are complementary platforms focused on metropolitan office assets, with the potential to merge these funds to form a \$0.65 billion dominant metro office REIT
- Transitioning of the 360 Capital Management platform progressing to plan

Centuria Capital Group



Section 2

Financial Highlights

Group operating highlights

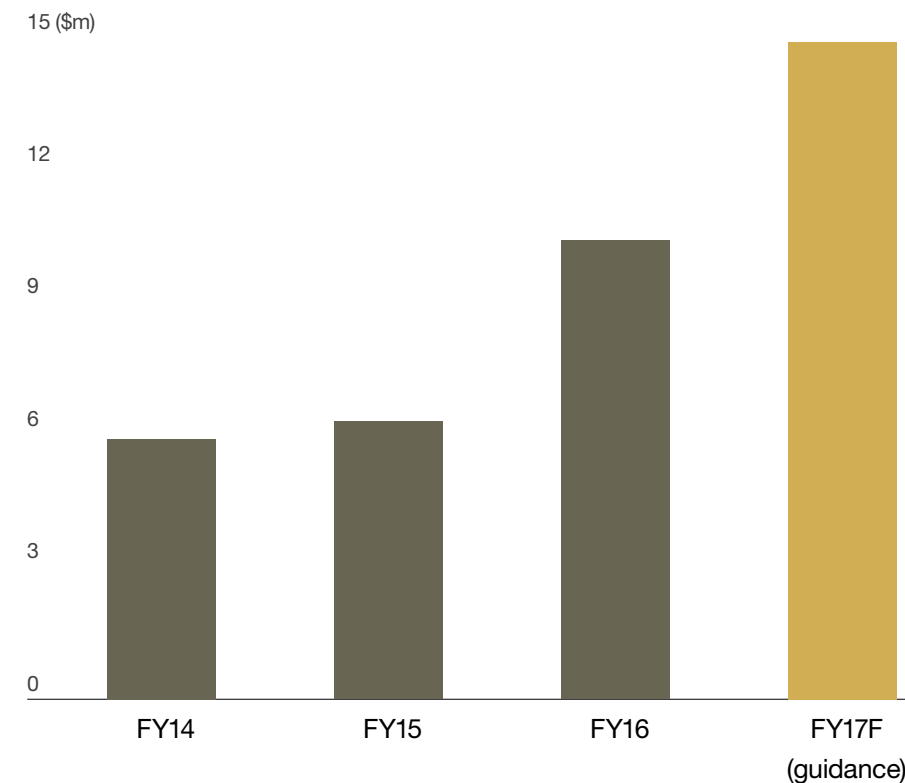
Half year a stepping stone to increased full year earnings



	1H17	1H16
Operating NPAT ¹	\$2.9m	\$4.7m
Operating EPS (basic)	3.79c	6.15c
Statutory NPAT ¹	\$(1.4)m	\$5.7m
Statutory EPS (basic)	(1.60)c	7.39c
Dividend/distribution per security	2.30c	2.25c

- Operating NPAT impacted by minimal performance fees in 1H17
- 2H17 Operating NPAT to benefit from higher recurring revenues as a result of increased FUM
- Benefits from additional scale in property FUM to be realised in 2H17

Operating Net Profit After Tax



1. Operating net profit after tax does not include fair value gains and losses on financial assets and liabilities or other non-recurring items, such as transaction costs, which are included in statutory net profit after tax

Operating segment results



Final pre-acquisition results

- Property Funds Management underlying recurring revenues stronger than prior period
- Large non-recurring performance fees received in 1H16 resulted in the comparative period being well above run rate
- Tightening of margins in the Investment Bonds division has seen a slight decrease in operating profit, however benefit of streamlined costs expected to be realised in 2H17
- Improvement in effective tax rate resulting from stapled structure and recognition of previously unbooked losses

	1H17 \$m	1H16 \$m
Operating profit by segment		
Property Funds Management (ex. Performance Fees)	4.1	1.6
– Performance Fees	0.2	6.0
Investment Bonds Management	2.0	2.3
Co-investments	0.6	0.4
Reverse mortgages	(0.0)	(0.1)
Corporate	(3.7)	(3.1)
Operating profit before interest and tax	3.8	7.3
Corporate finance costs	(0.5)	(0.3)
Operating profit before tax	3.2	7.1
Operating tax expense	(0.3)	(2.4)
Operating profit after tax¹	2.9	4.7
Operating EPS (basic) - cents per security	3.79	6.15

Operating segment balance sheet

Delivering easier to understand results



	Property Funds Management \$'000	Investment Bonds Management \$'000	Co-Investments \$'000	Reverse Mortgages \$'000	Corporate \$'000	Operating Balance Sheet ¹ 1H17 \$'000	Operating Balance Sheet 1H16 \$'000
Assets							
Cash and cash equivalents	14,827	4,775	17,396	836	833	38,667	12,948
Trade and other receivables	1,964	1,423	4,247	(25)	151,360	158,969	20,597
Financial assets at fair value	—	—	129,494	—	85	129,579	50,943
Reverse mortgages at fair value	—	—	—	45,749	—	45,749	51,561
Other assets	143	69	113	3	902	1,230	1,380
Intangible assets	156,253	—	—	—	—	156,253	53,025
Total assets	173,187	6,267	151,250	46,563	153,180	530,447	190,454
Liabilities							
Trade and other payables	1,078	890	1,905	833	12,954	17,660	8,511
Liability to 360 Capital Group	103,791	—	73,305	—	—	177,096	—
Provisions	647	—	—	—	620	1,267	1,155
Borrowings	—	—	50,000	9,589	—	59,589	36,550
Interest rate swap at fair value	—	—	—	17,119	—	17,119	20,753
Income tax payable	130	4	—	—	2,504	2,638	1,826
Deferred tax liability	2,612	—	—	560	(5,104)	(1,932)	2,900
Total liabilities	108,258	894	125,210	28,101	10,974	273,437	71,695
Net assets	64,929	5,373	26,040	18,462	142,206	257,010	118,760

360 Capital Platform acquisition was unconditional as at 31 December, and therefore recognised for accounting purposes in 1H17

← Proceeds of capital raise received on 5 January

← Significant increase in co-investments

← Acquired management rights

← Liability to vendor settled on 9 January

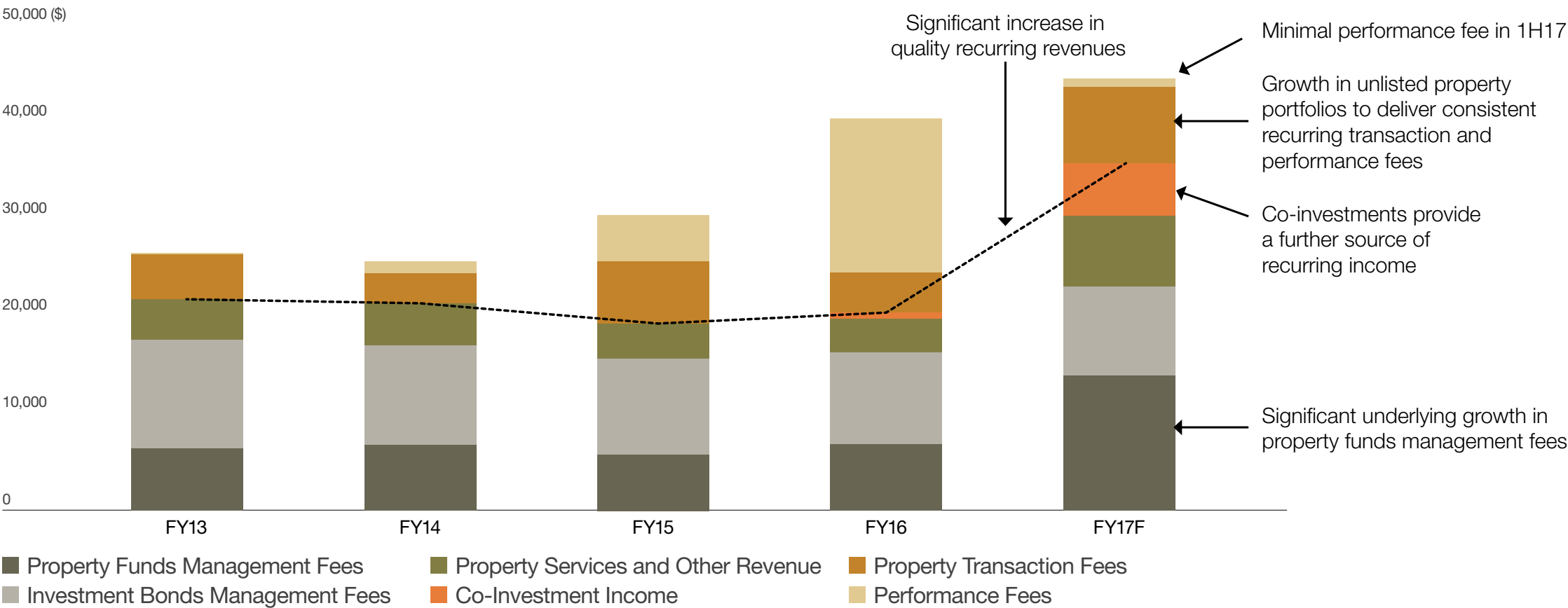
← Vendor loan \$50m

← Stronger balance sheet provides platform for continued growth

Sources of operating revenue



Increased recurring revenue sources enhances earnings stability



Centuria Capital Group



Section 3

Property Funds Management Division

Property funds management division



Diversified property portfolio across listed and unlisted funds

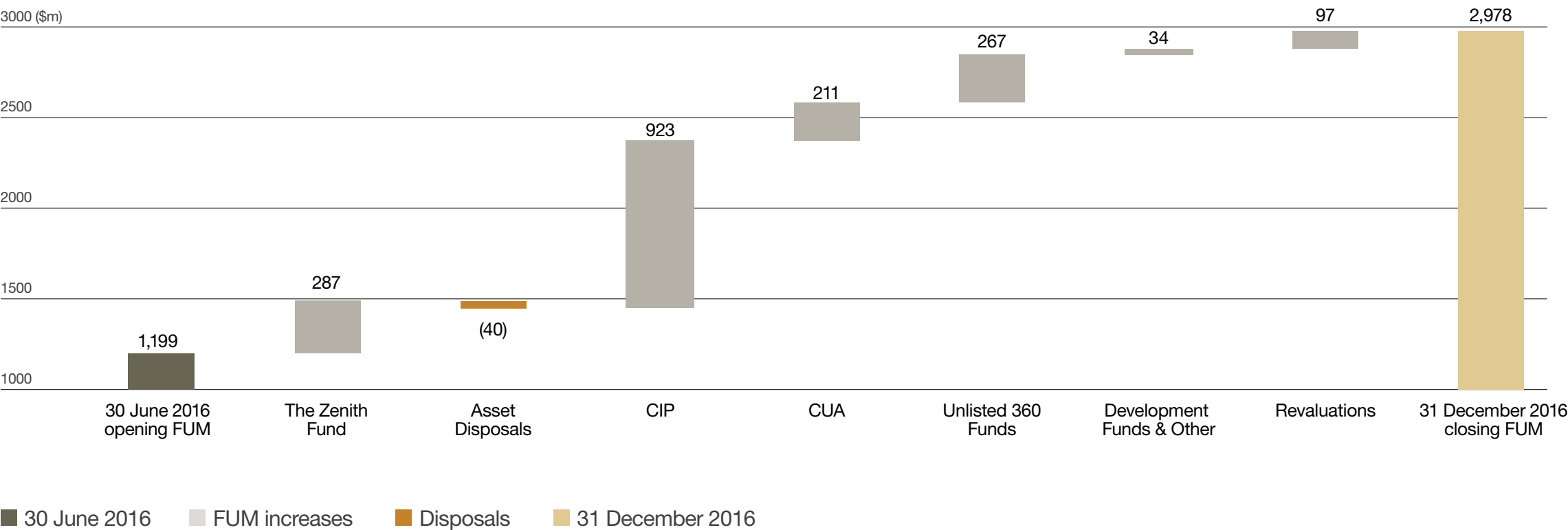


Property highlights



131% growth in property funds under management

Centuria Property Funds FUM

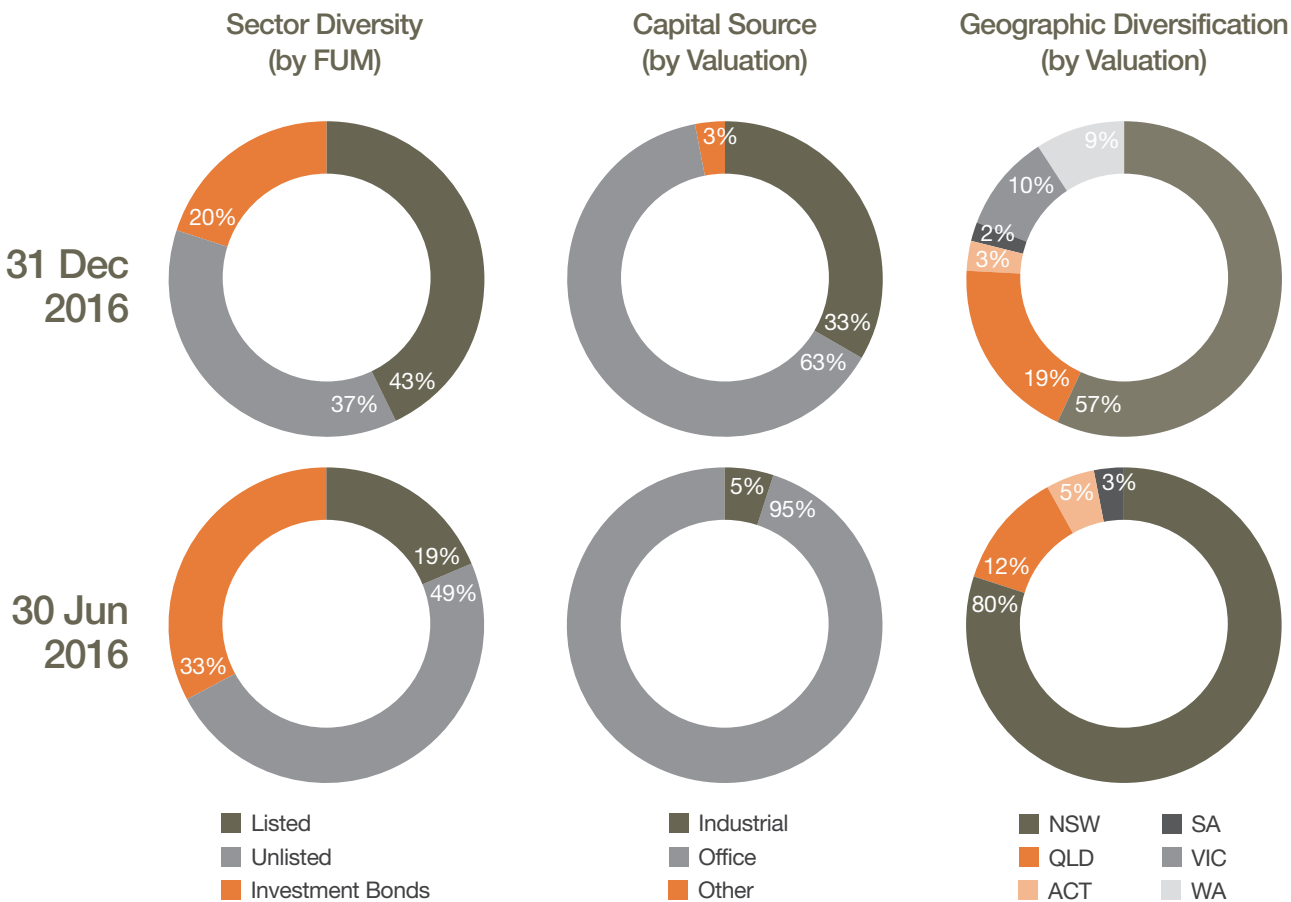


Diversification of property funds management platform



Diversifying our footprint

- Centuria has significantly rebalanced its real estate platform during the period to listed REITs and the industrial asset class
- Listed REITs provide increased stable perpetual earnings
- Centuria has also improved the geographical diversification of its assets



Unlisted property highlights

Highly profitable core business unit showing strong growth



- Added four unlisted funds with \$258 million FUM in 360 Capital platform acquisition
- Launched Centuria Zenith Fund partnering Black Rock – acquired \$279 million landmark A grade Sydney office tower
- Unconditionally exchanged Scarborough House in Canberra for 2H17 unlisted fund – \$72 million
- Successful launch of new open-ended Centuria Diversified Property Fund aimed at platforms and planner groups
- Net portfolio revaluation at 31 December increased by \$69 million building capital for investors and potential Centuria performance fees
- Development activities:
 - Established Woden Development Fund
 - Belmont Road Development Fund (settlement early 2H17)



Scarborough House, Canberra

\$1,395m
Funds under management

78%
Growth in FUM

Unlisted property outlook

Stronger investor demand across all channels



The Zenith, Chatswood



NICTA Building, Eveleigh



8 Central Ave, Eveleigh



19 Corporate Drive, Brisbane

“Conditions for the unlisted business unit are near ideal with bank deposit rates remaining low in the near term and our funds returns exceeding alternatives by 400 to 500 basis points.”

“In the twenty year history of the Group, I have never witnessed this scale of investor demand from both our internal distribution network, external partnership channels and new investors.”

“The Centuria brand is now well established in the Australian market place and with our cost of capital being lower than the listed property equity market at present there is a terrific window of opportunity to bring high quality, low geared unlisted funds to our clients”

*Jason Huljich
CEO Unlisted Property*

Listed property highlights



Unprecedented divisional growth generates improved recurring income



324-332 Frankston-Dandenong Road, Dandenong South

- Successful acquisition of management rights over two listed funds from 360 Capital
- Funds renamed to Centuria Industrial REIT (ASX:CIP) and Centuria Urban REIT (ASX:CUA)
- Strategic co-investment stakes in these funds acquired:
 - Acquisition of 19.99% interest in CUA
 - CMA acquisition of 8.8% interest in CUA
 - Acquisition of 15.6% interest in CIP
- Valuation increase of \$27 million

\$ 1,583m
Funds under management

281%
Growth in FUM

Centuria Industrial REIT (ASX: CIP)



CIP Overview

- Largest ASX listed pure rent collecting industrial REIT with a market capitalisation of \$530 million as at 17 February 2017
- Holds an investment portfolio of 37 assets as at 31 December 2016 independently valued at approximately \$912 million
- Top 10 tenants account for 47% of gross rental income

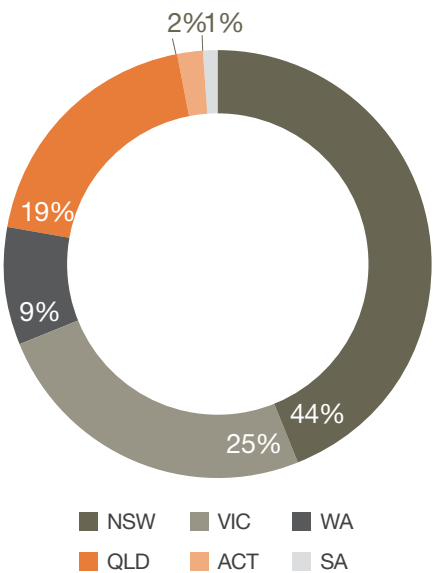
Financial Metrics (31 December 2016)

NTA per Unit (\$)	2.36
Gearing (%)	42.9%

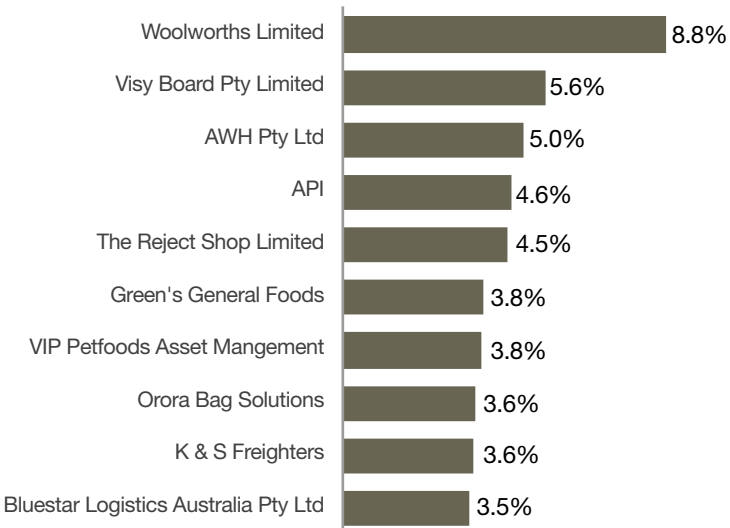
Property Metrics (31 December 2016)

Book Valuation (\$m)	911.9
Number of Properties	37
Cap Rate ¹	7.42%
Occupancy	95.1%
WALE (by NLA)	4.3
NLA (sqm)	693,620

CIP Geographical Distribution
(by value)



Tenant Diversification
(by income)



1. Based on closing share price on 17 February 2017

Centuria Metropolitan REIT (ASX: CMA)



CMA Overview

- ASX listed REIT with a market capitalisation of \$275 million as at 17 February 2017
- Conservatively managed REIT with a robust tenancy base delivering predictable and growing earnings and distributions
- Holds an investment portfolio of 10 office and 3 industrial assets, independently valued at approximately \$418 million as at 31 December 2016
- Valuation uplift of 4.7% driven by active asset management and strong office fundamentals
- Top 10 tenants account for 54% of gross rental income

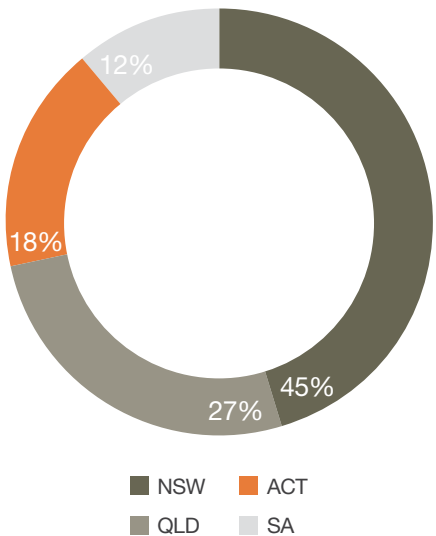
Financial Metrics (31 December 2016)

NTA per Stapled Security (\$)	2.32
Gearing (%)	33.8%

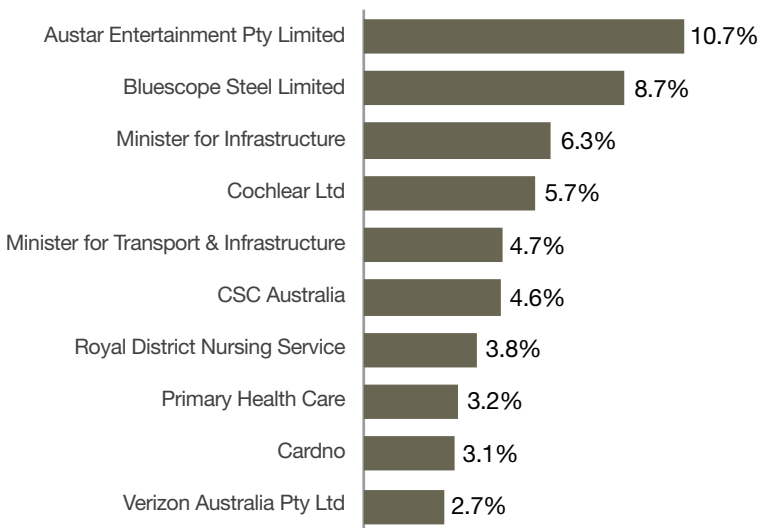
Property Metrics (31 December 2016)

Book Valuation (\$m)	417.5
Number of Properties	13
Cap Rate ¹	7.52%
Occupancy	98.9%
WALE (by NLA)	4.2
NLA (sqm)	112,664

CMA Geographical Distribution
(by value)



Tenant Diversification
(by income)



1. Based on closing share price on 17 February 2017

Centuria Urban REIT (ASX:CUA)



CUA Overview

- Listed in April 2014 with a strategic focus on acquiring suburban A and CBD B grade office properties
- CUA has a market capitalisation of \$163 million as at 17 February 2017, and currently holds an investment portfolio of 3 assets independently valued at approximately \$210 million
- Significant balance sheet capacity (approximately \$60 million if at fully deployed target gearing of 35%)
- Top 10 tenants account for 92% of gross rental income

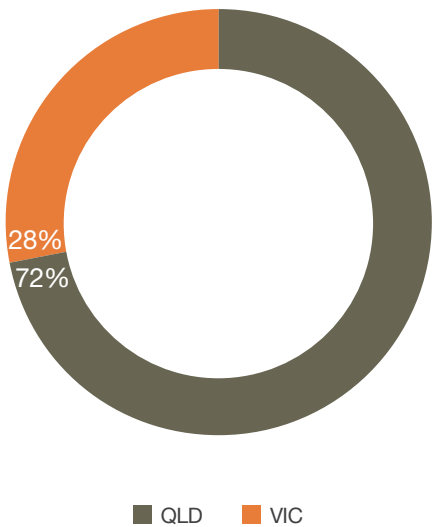
Financial Metrics (31 December 2016)

NTA per Unit (\$)	2.27
Gearing (%)	19.7%

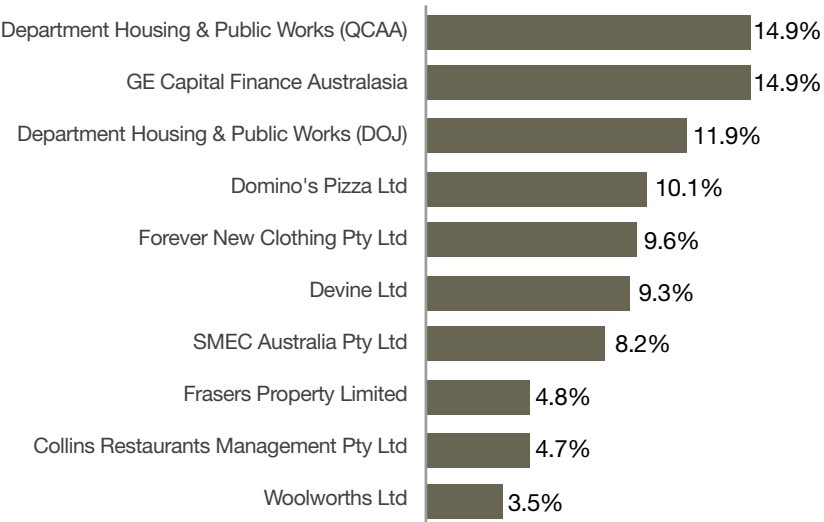
Property Metrics (31 December 2016)

Independent Valuation (\$m)	210.4
Number of Properties	3
Cap Rate ¹	6.86%
Occupancy	99.2%
WALE (by NLA)	4.6
NLA (sqm)	27,779

CUA Geographical Distribution
(by value)



Tenant Diversification
(by income)



1. Based on closing share price on 17 February 2017

Listed property strategy

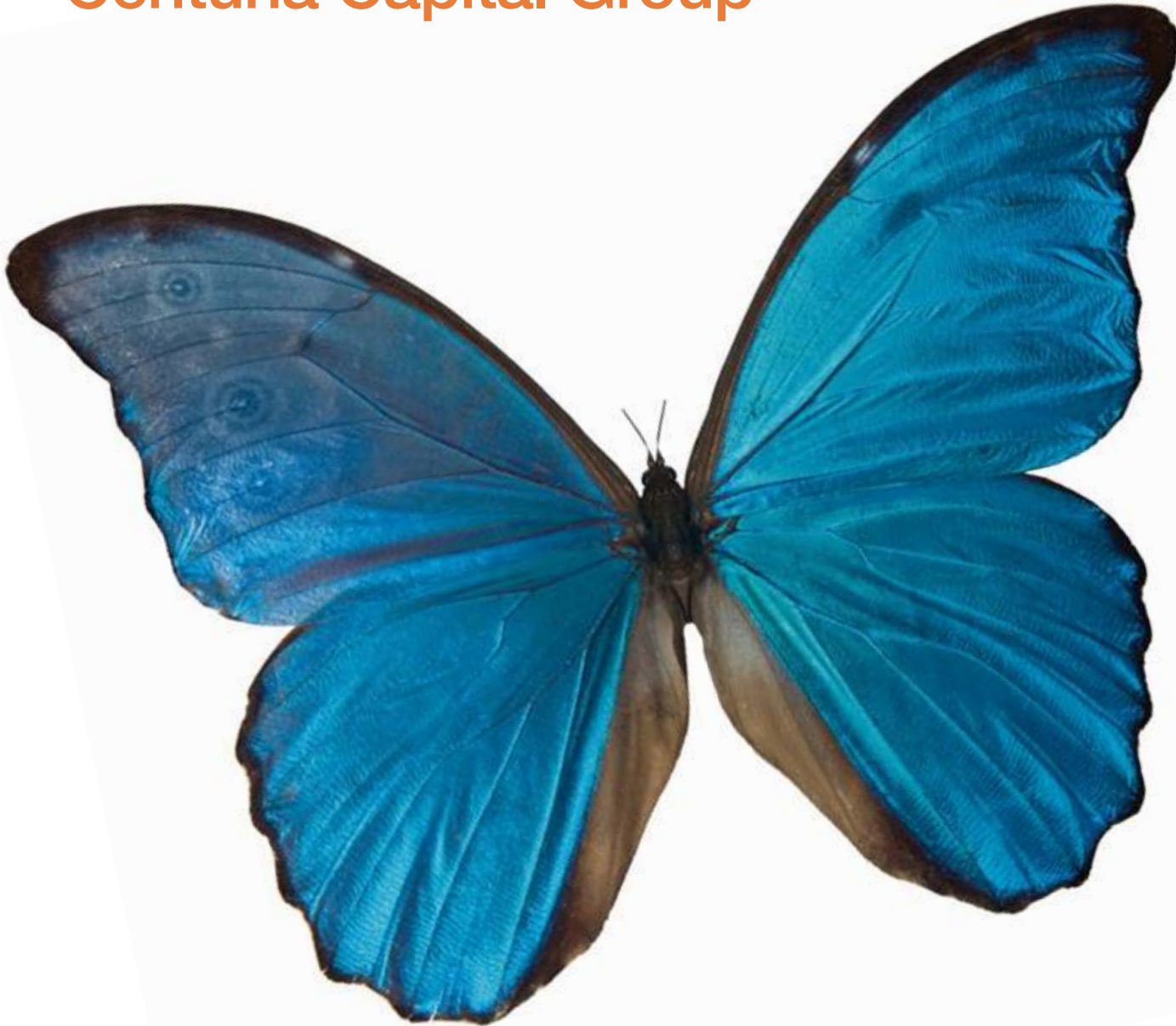
Delivering stable and recurring income to investors



203 Pacific Highway, St Leonards

- Focus on maximising investment return by:
 - maximising tenant retention
 - initiating refurbishment and repositioning strategies
 - maintaining a disciplined capital structure
 - acquiring fit for purpose assets to complement existing portfolios

Centuria Capital Group



Section 4

Investment Bonds Division

Investment bond division



Continued focus on unitised bonds and prepaid funeral plans is leading to growth

- Forecasting FY17 FUM growth for unitised Centuria Life book of 9%
- 10.1% market share of \$7 billion total market¹
- Half year inflows \$36.4 million
- Strong long term performance over 3, 5 and 10 years for Centuria Life bonds
- Forecasting continued growth in prepaid Funeral Bonds

Funds Under Management

	30 Jun 2016	31 Dec 2016	Change
Unitised Bonds (Centuria Life)	\$87.6m	\$94.4m	7.7% ▲
Capital Guaranteed (Centuria Life)	\$262.3m	\$247.7m	(5.6%) ▼
Prepaid Funeral Plans (Guardian)	\$369.0m	\$410.9m	11.4% ▲
Total FUM increased	\$718.9m	\$753.0m	4.7% ▲
Total policyholders	85.2k	86.9k	2.0% ▲
Inflows increased	\$23.7m	\$36.4m	53.5% ▲
Redemptions	\$43.7m	\$35.8m	(18.0%) ▼

Unitised investment bond funds



Investment bond provider of choice to non-aligned financial advisers

- Building momentum in unitised bonds with increase in FUM of 7.7%
- Products rated “Investment Grade” by Lonsec
- Products now on over 28 Approved Product Lists representing over 25% of the non-aligned financial adviser market ¹

Fund	Total Return 3 Yr	Total Return 5 Yr	Morningstar Ranking ²	Morningstar Rating ³
Centuria High Growth	5.77%	9.79%	High Growth Bond	1/21 ★★★★★
Centuria Australian Shares	7.85%	10.88%	Australian Shares Bond	2/57 ★★★★★
Centuria Growth Bond	6.69%	8.04%	Growth & Balanced Bonds	8/122 ★★★★★
Centuria Balanced	5.42%	7.87%	Growth & Balanced Bonds	12/122 ★★★★★

After tax returns demonstrated in the table

1. The Changing Face of Financial Service Distribution, IFA

2. Morningstar performance rankings from the universe of investment/insurance providers as at 31 December 2016 sorted over a Five Year basis

3. Morningstar Ratings are produced at 31 January 2017

Investment bond strategy

Positioning investment bonds as an investment alternative to superannuation

- With limits being placed on concessional superannuation contributions, investment bonds are well placed as tax-effective savings vehicles for accumulation of wealth and income outside of superannuation
- Investment bonds also provide:
 - certainty with estate planning
 - saving for education
 - tax-effective retirement savings
- Building long-term relationships in the retail advice market and positioning the Investment Bond Division as the investment bond provider of choice for third-party distributors and selected financial advisers

Centuria Capital Group



Section 5

Outlook

Outlook



Market outlook

- Low interest rate environment likely to continue in near future
- Property asset class to remain attractive to investors seeking superior yields with low volatility
- Continued changes/uncertainty to superannuation legislation resonating through markets providing an attractive medium to grow alternative tax effective investment vehicles such as investment bonds
- Unlisted property fund returns likely to retain a large premium over term deposit rates providing an ideal ongoing window for this division
- It is anticipated that further consolidation will occur in the REIT space and Centuria will participate in acquisitions where they add value to both the group and down stream investors
- Markets will continue to reward fund managers exhibiting growth in recurring income, profit and distributions

Group outlook

- With projected FUM of c. \$4 billion by end of FY17, Centuria will focus on building further FUM both organically and by acquisition of complementary platforms where they are accretive
- Continued focus on recurring earnings within group, stapled structure permits 100% flow through of co-investment returns
- Unlisted property business to broaden its already healthy distribution network to include private banks and partnerships with global investors for large transactions
- Centuria-managed REITs to be managed to ensure portfolios are continually improved, earnings quality is enhanced and debt levels remain conservative
- Continued strong focus on capital management to ensure Centuria can provide capital necessary to grow all its business lines
- Co-investment theme set firmly in place – alignment of interest with fund investors to continue and recurring income theme to continue

Centuria Capital Group



Section

Appendices

Reconciliation of operating profit to statutory profit



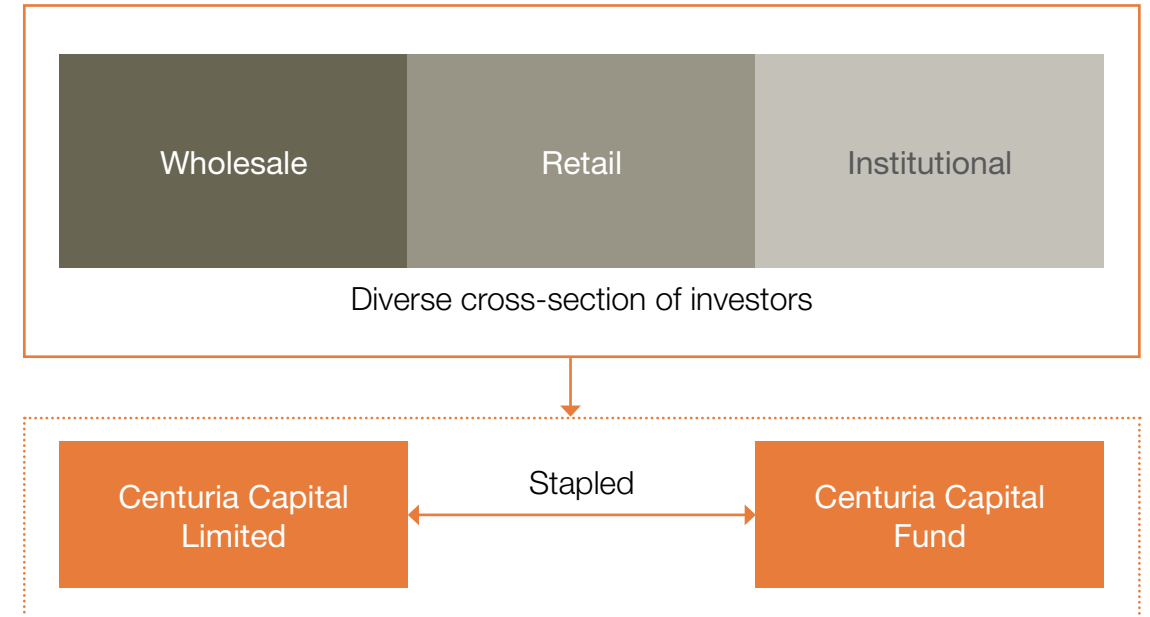
	1H17 \$m	1H16 \$m
Operating profit after tax ¹	2.9	4.7
Non-operating adjustments:		
Fair value movements of financial instruments and property	(2.3)	2.3
Transaction costs	(2.7)	—
Impairment of seed capital	(0.2)	(0.6)
Other expenses	—	0.3
Elimination of items between operating and non-operating segments	(0.3)	(0.4)
Tax impact of above non-operating adjustments	1.2	(0.7)
Statutory net profit after tax	(1.4)	5.7

1. Operating 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.

Capital raising



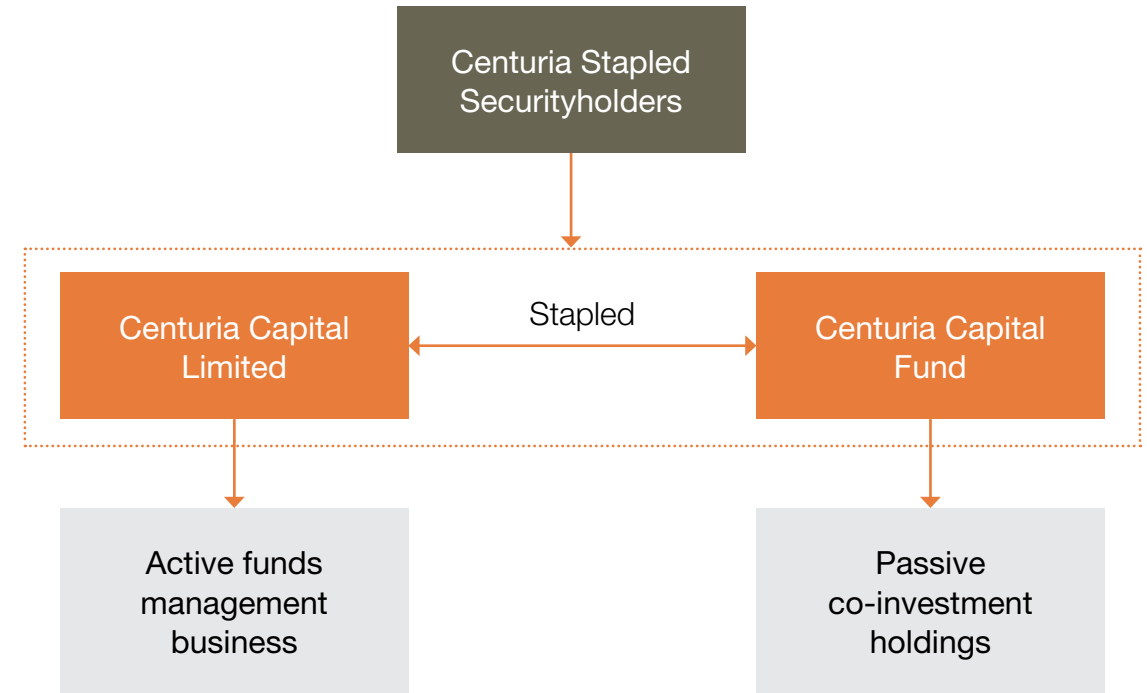
- Centuria raised \$150 million capital to partly fund the acquisition of 360 Capital's real estate funds management platform
- The capital raising is the largest in Centuria's history
- Centuria's market capitalisation has grown from \$81 million to \$261 million as a result of the capital raise
- Increase in market capitalisation brings Centuria closer to the ASX 300 and provides greater access to capital markets and funding sources
- An expanded share register with a more diverse institutional presence, as well as a strong retail presence, will improve the liquidity of Centuria Stapled Securities



Stapling restructure



- On 17 October 2017, Centuria undertook a corporate restructure to form a stapled Group
- Stapled Securities comprise one share in Centuria Capital Limited stapled to one unit in Centuria Capital Fund
- The formation of a stapled structure is consistent with Centuria's vision of fully diversifying its property division across all parts of the property investment market and all parts of the property investment cycle, including:
 - Acquisition
 - Value-add management
 - Re-development
 - Active funds and property management activities
- The stapled structure supports Centuria's strategy of co-investments growth and diversification of its recurring revenue streams
- The restructure brings Centuria's structure into line with other listed property fund managers, allowing transparent benchmarking of performance



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All dollar values are in Australian dollars (\$ or A\$) unless stated otherwise.