

## FY19 Financial Results

Tuesday, 6 August 2019

Centuria Property Funds Limited (**CPFL**) as Responsible Entity of Centuria Metropolitan REIT (**ASX: CMA**) is pleased to announce CMA's full year financial results for the period ended 30 June 2019.

### FY19 FINANCIAL HIGHLIGHTS

- Funds From Operations (FFO) of \$61.2 million<sup>1</sup>
- FFO<sup>1</sup> per unit (EPU) of 18.7 cents per unit (cpu), in line with FY19 guidance
- Distributions per unit (DPU) of 17.6cpu, in line with FY19 guidance
- Statutory net profit of \$53.6 million
- 12 month total unitholder return of 22.4%<sup>2</sup>
- Net Tangible Assets (NTA) of \$2.49 per unit<sup>3</sup>
- All debt has been refinanced, with the average debt term to expiry extended and an increased diversity of lenders

### FY19 PORTFOLIO HIGHLIGHTS

- Transformed to the largest pure play ASX listed office A-REIT
- Portfolio book value increased by \$469.5 million to \$1.4 billion
- Leases agreed<sup>4</sup> for 31 separate lease transactions, totalling over 21,750sqm (10% of portfolio NLA)
- High portfolio occupancy<sup>5</sup> maintained at 98.4%, WALE<sup>6</sup> 3.9 years

### FY19 FINANCIAL RESULTS

Grant Nichols, CMA Fund Manager, commented, "It has been a strong year for CMA, delivering a 12 month total unitholder return of 22.4%<sup>2</sup>. Since listing in 2014 and continuing through FY19, CMA has delivered on its strategic objectives and continues to position itself as a quality, established pure play office fund. As Australia's largest listed pure play office REIT, CMA provides an established \$1.4bn portfolio of high quality office assets situated in major office markets across Australia."

"During the year, CMA completed the acquisition of four quality office buildings, settled on the completion of a new office development, whilst disposing of the two remaining industrial assets. As a result of these transactions, CMA's portfolio has grown to 20 assets with over 218,000 sqm of net lettable area, over 200 tenants and an average building age of around 16 years."

"Along with delivering FFO and distributions in line with guidance, CMA has continued to improve the quality and scale of the portfolio whilst diversifying geographically, lease expiry profile and number of tenants. These changes enhance the capability of CMA to deliver sustainable income returns from a national portfolio overseen by a hands on management team."

## ASX Announcement

Earnings		FY19	FY18
Statutory profit / (loss)	\$m	53.6	85.1
Funds from Operations <sup>1</sup>	\$m	61.2	44.1
Funds from Operations per unit <sup>1</sup>	cpu	18.7	19.4
Distribution per unit	cpu	17.6	18.1
Return on equity <sup>7</sup>	%	7.3	14.9

Balance sheet		FY19	FY18
Total Assets	\$m	1,429.4	902.8
NTA per unit <sup>3</sup>	\$	2.49	2.49
Gearing <sup>8</sup>	%	34.2	28.3

Statutory net profit for FY19 was \$53.6m, with Funds from Operations<sup>1</sup> of \$61.2 million or 18.7cpu, and distributions of 17.6cpu. Both FFO and distributions were in line with guidance provided. Like for like portfolio revaluations of \$45.2 million contributed to NTA<sup>3</sup> of \$2.49 per unit. The increase in portfolio valuation was partially offset by a loss of the fair value of derivative financial instruments due to the declining bank bill swap rate, which impacted the FY19 return on equity of 7.5%<sup>7</sup>.

CMA refinanced its entire debt book during 2H19, increasing the weighted average debt maturity to 4.0 years whilst maintaining a competitive all in debt cost of approximately 3.2%<sup>9</sup>. CMA has also further diversified its number of lenders from two to four, with all four major Australian banks now lenders. Since 1H19, CMA has also reduced gearing 110bps to 34.2%<sup>8</sup>. This improved debt profile positions CMA with a solid capital base and provides flexibility to explore future portfolio repositioning opportunities.

## PROPERTY PORTFOLIO

Portfolio Snapshot		FY19	FY18 <sup>10</sup>
Number of assets		20	19
Book value	\$m	1,400	930.5
WACR	%	6.22	6.68
Occupancy by area	%	98.4	98.9
WALE by gross income	years	3.9	4.0
Leases agreed by area	sqm	21,758	17,970
Average NABERS energy rating (by value)	Stars	4.5	5.5
Average building age (by value)	years	15.9	18.4

CMA completed 31 lease transactions, with leases agreed<sup>4</sup> for 21,758sqm, representing 10% of portfolio NLA during FY19. High occupancy<sup>5</sup> of 98.4% was maintained with a WALE<sup>6</sup> of 3.9 years. CMA commences FY20 well positioned with more than 62% of lease expiries at or beyond FY23 and an average building age by value of just 15.9 years.

The overall like for like revaluation gain during FY19 was \$45.2m. Significant revaluation gains that occurred during 2H19 included 9 Help Street, Chatswood which incurred a \$7.5 million or 9.8% increase predominantly due to a ~\$50/sqm increase in market rents across the building, and 154 Melbourne Street, South Brisbane which incurred a \$5.5 million or 7.1% increase due predominantly to the renewal of building's major tenant, the QLD Government, across 4,282 sqm. CMA's weighted average capitalisation rate reduced to 6.22% as at 30 June 2019.

Grant Nichols commented, "An active management approach is core to our ongoing strategic focus for CMA. Centuria's team continues to demonstrate an ability to proactively relet known expiries while retaining a high occupancy across a

portfolio that is underpinned by a relatively young building age. CMA also continues to benefit from a high quality and diverse range of tenants, with over 70% of portfolio income being derived from multinational, ASX and government tenants, with no single tenant representing more than 6% of CMA's portfolio income. This level of tenant diversification also creates a staggered lease expiry profile which aids CMA's ability to deliver sustainable income returns."

### CAPITAL TRANSACTIONS

During FY19 period, CMA executed the following transactions, which transformed CMA to a pure play office portfolio:

- Acquired a portfolio of four high quality, prime grade office assets<sup>11</sup>
  - 818 Bourke Street, Docklands VIC for \$223.3 million
  - 825 Ann Street, Fortitude Valley QLD for \$169.5 million
  - 100 Brookes Street, Fortitude Valley QLD for \$86.5 million
  - 465 Victoria Avenue, Chatswood NSW for \$41.6 million (25% share)
- Settlement of Target's Australian office headquarters at 2 Kendall Street, Williams Landing, VIC for \$64.2 million
- Divestment of two industrial assets
  - 13 Ferndell Street, Granville, NSW for \$24.2million, a 17.0% premium to book value, delivering a 14.5% IRR<sup>12</sup> under CMA's ownership
  - 14 Kerry Road, Archerfield QLD for \$30.6 million, an 8.7% premium to book value, delivering an 12.5% IRR<sup>12</sup> under CMA's ownership

As part of the repositioning the portfolio, the divestment of 483-517 Kingsford Smith Drive, Hamilton, QLD has been budgeted during FY20, subject to favourable market conditions.

Grant Nichols commented, "CMA's transaction activity, skewed to the first half of the financial year, was strategically executed, improving the scale and quality of the portfolio while reducing the average age of the portfolio's assets. We continue to assess select transaction opportunities that will compliment strategy and enhance the portfolio."

### SUMMARY & OUTLOOK

Grant Nichols commented, "Australia's office markets continue to generate strong interest from tenants and investors. With improving transport infrastructure and a growing population, Australian metropolitan office markets remain well positioned to benefit from increased connectivity, and tenants seeking to reduce commute times for employees."

"CMA's established \$1.4 billion pure play office portfolio is located in select major office markets with relatively attractive rent profiles when compared to some alternate CBD markets, and where pending supply is relatively contained."

"Our team remains focused on identifying opportunities to actively manage CMA's portfolio, providing flexible accommodation solutions for our tenant customers and seeking to create value for unitholders."

CMA commences FY20 in a strong position, forecasting FY20 FFO<sup>1</sup> guidance 19.0 cents per unit, with distribution guidance of 17.8 cents per unit, payable in equal quarterly instalments.

### FY19 RESULTS PRESENTATION

CMA has provided a market briefing that is available via the Centuria website.

<http://centuria.com.au/cma/annual-results/>

– Ends –

**For more information or to arrange an interview, please contact:**

**Grant Nichols**

**Fund Manager – CMA**

Centuria Metropolitan REIT

Phone: 02 8923 8910

Email: [grant.nichols@centuria.com.au](mailto:grant.nichols@centuria.com.au)

**Tim Mitchell**

**Group Head of Investor Relations**

Centuria Capital Limited

Phone: 02 8923 8923

Email: [tim.mitchell@centuria.com.au](mailto:tim.mitchell@centuria.com.au)

**Gigi Shaw**

**Associate Director**

BlueChip Communication

Phone: 02 9018 8633

Email: [gigi@bluechipcommunication.com.au](mailto:gigi@bluechipcommunication.com.au)

### **About Centuria Metropolitan REIT**

CMA is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. CMA owns a portfolio of high quality metropolitan office assets situated in core metropolitan submarkets throughout Australia. CMA is overseen by a hands on, active manager and provides investors with income and the opportunity for capital growth from a pure play portfolio of high-quality Australian office assets.

Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX listed Centuria Metropolitan REIT (CMA). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$6.2 billion<sup>13</sup> in total assets under management and offers a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds.

[www.centuria.com.au](http://www.centuria.com.au)

1 FFO is the Trust's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items

2 Source: Moelis Australia. Based on movement in security price from ASX closing on 1 July 2018 to ASX closing on 30 June 2019 plus distributions per security paid during the respective period(s) assuming re-investment of distributions. Past performance is not a reliable indicator of future performance

3 NTA per unit is calculated as net assets less goodwill divided by closing units on issue

4 Includes Heads of Agreement (HOA)

5 Occupancy by area

6 WALE by gross income

7 Return on Equity is calculated as closing NTA minus opening NTA plus distributions divided by opening NTA

8 Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill

9 Floating rate, plus all-in margins (base and line fees)

10 Includes 2 Kendall Street, Williams Landing VIC as if complete

11 Before transaction costs

12 Unlevered IRR calculation commencing from December 2014

13 As at 31 July 2019 with pro forma adjustments to reflect Centuria Heathley transaction