

## HY20 Financial Results

Wednesday, 5 February 2020

Centuria Property Funds No. 2 Limited (**CPF2L**), as Responsible Entity of Centuria Industrial REIT (**ASX: CIP**) is pleased to announce CIP's half year financial results for the period ended 31 December 2019.

### HY20 FINANCIAL HIGHLIGHTS

- Statutory profit of \$31.5 million
- Funds from operations (FFO) of \$30.0 million<sup>1</sup>
- FFO per unit of 9.9 cents per unit (cpu), in line with FY20 guidance<sup>2</sup>
- Distributions per unit (DPU) of 9.4 cpu, in line with FY20 guidance<sup>3</sup>
- 12 month Return on Equity (ROE) of 13.4%<sup>4</sup>
- Balance sheet gearing of 35.5%<sup>5</sup>, 190bps reduction since FY19

### HY20 PORTFOLIO HIGHLIGHTS

- Leases agreed<sup>6</sup> for more than 63,300sqm, representing 6.8% of the portfolio GLA
- Occupancy<sup>7</sup> maintained at 95.8% with WALE<sup>7</sup> increasing substantially to 7.1 years
- Portfolio value increased to \$1.6 billion
- Total acquisitions<sup>8</sup> of c.\$300m transform portfolio quality

CIP Fund Manager, Jesse Curtis, commented, "Significant acquisitions and portfolio leasing have driven a strong first half result for FY20 and is a clear demonstration of our active management approach to position CIP as Australia's largest domestic pure play industrial REIT. Success during the half was driven by a continued focus on executing our investment strategy of acquiring quality industrial assets located within infill markets, fostering relationships with our tenant customers and driving leasing outcomes to deliver superior returns for CIP's unit holders."

### HY20 FINANCIAL RESULTS

Earnings		HY20	HY19
Statutory profit / (loss)	\$m	31.5	46.1
FFO <sup>1</sup>	\$m	30.0	23.9
FFO per unit <sup>1</sup>	cpu	9.9	9.6
Distribution per unit	cpu	9.4	9.2
Return on equity <sup>4</sup>	%	13.4	15.8

Balance sheet		HY20	FY19
Total Assets	\$m	1,616.1	1250.2
NTA per unit <sup>9</sup>	\$	2.83	2.73
Gearing <sup>4</sup>	%	35.5	37.4

Statutory profit of \$31.5m was reported for HY20. FFO of \$30.0m or 9.9cpu, in line with FY20 guidance. Total distributions of 9.4cpu were paid in line with guidance and represented a 1.6% increase on HY19, supported by diversified income streams and leasing success across CIP's portfolio.

Total assets increased to \$1,616.1m as a result of the acquisition of 5 quality industrial assets for c.\$300 million<sup>8</sup> as well as like for like revaluation gains of \$28.1 million<sup>10</sup>. Revaluations gains contributed towards the 6.7% increase in CIP's Net Tangible Assets (NTA) per unit to \$2.83. The revaluation gains continued to be driven by CIP's NSW & VIC portfolios, which account for the main concentration of CIP's portfolio at 53%. The portfolio's Weighted Average Capitalisation Rate (WACR) firmed by 27bps over HY20 to 6.19%.

The increase in NTA, combined with distributions of 9.4cpu for the half generated a strong Return on Equity (ROE) of 13.4%.

During the period, CIP continued to strengthen its balance sheet, securing an additional \$130m of long term debt facilities to support transactions and increasing the weighted average debt maturity to 3.8 years. CIP continues to benefit from a staggered debt profile with no maturities until FY22. Gearing reduce by a further 190bps to 35.5% in HY20 through a combination of equity funded acquisitions and revaluations. CIP's balance sheet remains well positioned to capitalise on future growth initiatives.

## PROPERTY PORTFOLIO

Portfolio Snapshot		HY20 <sup>11</sup>	FY19 <sup>12</sup>
Number of assets		48	43
Book value	\$m	1,552.3	1,221.3
WACR	%	6.19	6.46
Occupancy by income	%	95.8	95.9
WALE by income	years	7.1	4.3
Leases agreed GLA	sqm	63,395	113,932

CIP's property portfolio grew to 48 assets with a total value of \$1,552.3m, an increase of 27.1% over 1H20.

Occupancy was maintained at 95.8%. CIP's high occupancy has been driven by another half of strong leasing results with over 63,300sqm leased. Importantly, CIP's WALE significantly increased to 7.1 years, underpinned by the addition of the ultra long leases to Arnott's and leasing across the existing portfolio. CIP's portfolio remains well positioned with only 1.1% expiring prior to the end of FY20 and over 65% of the portfolio expiring at or beyond FY24.

The portfolio income streams remain well diversified with over 120 tenant customers skewed to growth industries in manufacturing, health and pharmaceuticals, consumer staples and transport logistics.

During the half CIP announced a number of value-add initiatives across c.47,000sqm of the portfolio. Notably:

- Commencing development to expand CIP's existing asset at 21 Jay Street, Bohle (Townsville) QLD with a new 12 year lease to Woolworth on completion
- Refurbishment and repositioning of 46 Gosport Street, Hemmant QLD
- Repositioning and successful leasing of 9-13 Caribour Drive, Direk SA to Fisher & Paykel with no downtime

These initiatives are further evidence of CIP strong relationship with its national tenant customer base and proactive approach to their changing needs. CIP has an ongoing focus towards actively managing the portfolio with the identification and execution of select value add initiatives.

Jesse Curtis commented, "We are pleased to be executing on a number of value-add initiatives across the portfolio and to be partnering with strong national customers such as Woolworths and Fisher & Paykel to deliver these outcomes. CIP's active management approach and strong tenant relationships will continue to benefit CIP to maintain high occupancy and execute select value-add initiatives across the portfolio."

### CAPITAL TRANSACTIONS

During HY20, \$297.8m of acquisitions<sup>8</sup> were executed at an average yield of 6.3% and increased portfolio WALE from 4.3 to 7.1 years. The acquisitions align with CIP's strategy to acquire quality industrial assets located within infill markets closely located to major infrastructure and introduce new national tenant customers to the portfolio, being:

- The acquisition of a portfolio of assets for \$236.2m<sup>8</sup>, at an average initial yield of 5.9%. Leased to Arnott's under ultra long triple net lease structures the assets have an average WALE of 27.7 years and fixed annual reviews supporting CIP's future income streams
- The settlement of 680 Boundary Road Richlands, QLD, a high-quality asset in the well-established industrial market of Richlands acquired for \$19.5m<sup>8</sup> at an initial yield of 7.4%
- The settlement of 75-95 & 105 Corio Quay Road, North Geelong VIC, acquired for \$22.8m<sup>8</sup>. Located directly opposite the Geelong Port and leased to a subsidiary of Boardriders Inc.
- 32-54 Kaurna Avenue, Edinburgh Park, SA, acquired for \$19.5m<sup>8</sup>, with an initial yield of 7.0%, 100% occupancy and a WALE of 10 years.

Jesse Curtis commented, "It has been a record half of acquisition activity for CIP to transform the portfolios metrics and increase the scale and profile of CIP. This further demonstrates CIP's ability to identify and execute off market opportunities which are complimentary to the CIP portfolio in a competitive market for industrial real estate."

### SUMMARY & OUTLOOK

CIP commences 2H20 in a strong position and re-iterates FY20 FFO guidance of 19.6-19.9 cpu and DPU guidance of 18.7cpu with distributions paid in quarterly instalments<sup>13</sup>.

Jesse Curtis commented, "CIP has delivered a very pleasing result for the half. The portfolio metrics have been transformed through strategic acquisitions and active management of the portfolio growing the portfolio to \$1.6bn of total assets."

"CIP's strategy remains consistent, to own quality industrial assets located within infill markets with close proximity to major infrastructure. The portfolio will continue to benefit from increased demand within the Australian industrial and logistics sector supported by population growth, trends in online retailing and scarcity of investment grade stock."

"Focus remains on executing fund objectives to deliver a high level of service to our tenant customers and value to unitholders through leasing, transactions and value-add initiatives, reinforcing CIP as Australia's largest domestic pure play industrial REIT."

### HY20 RESULTS PRESENTATION

CIP will present its results via webcast at 10:30am on Wednesday, 5 February 2020. Details relating to the webcast can be accessed at [CIP HY20 Results Webcast](#) and have previously been made available via the ASX.

*Authorised for release by Anna Kovarik, Company Secretary*

– Ends –

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

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### About Centuria Industrial REIT

CIP is Australia's largest domestic pure play industrial REIT and is included in the S&P/ASX 300 Index. CIP's portfolio of high-quality industrial assets is situated in key metropolitan locations throughout Australia and is underpinned by a quality and diverse tenant base. CIP is overseen by a hands on, active manager and provides investors with income and an opportunity for capital growth from a pure play portfolio of high quality Australian industrial assets.

Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for the ASX-listed Centuria Industrial REIT (CIP). CPF2L, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$7.3 billion<sup>13</sup> in total assets under management and strong offerings across listed real estate investment trusts, unlisted real estate funds and investment bonds.

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

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1 Funds from operations is a financial measure which is not prescribed by Australian Accounting Standard ("AAS") represents the profit under AAS adjusted for specific non-cash and significant items. The Directors consider that funds from operations reflect the core earnings of CIP

2 FY20 FFO per unit guidance of 19.6 – 19.9 cents per unit, representing 2%-3% growth over FY19

3 FY20 distribution guidance of 18.7 cents per unit

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

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

6 Includes Heads of Agreement (HOA)

7 By income

8 Before transactions costs

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

10 Reflects gross increase. Does not include capital expenditure incurred

11 Excludes 24 West Link Place, Richlands which was exchanged, but not settled by 31 December 2019

12 Excludes 75-95 & 105 Corio Quay Road, North Geelong and 680 Boundary Road, Richlands which were exchanged, but not settled by 30 June 2019

13 Excludes the Transaction proposal for Augusta Capital Limited announced on 29 January 2020. Pro forma Group AUM of A\$9.2 billion is calculated assuming Centuria's offer is successful and Centuria acquires 100% of Augusta