

Centuria

Fund Update
March 2022

Centuria Healthcare Direct Medical Fund No. 2

(ARSN 602 267 514 APIR HTH0015AU)

Key points

- \$30.1 million portfolio valuation uplift as at 31 December 2021 resulting in an increase in NAV from \$1.0260 per unit to \$1.2457 per unit.
- Successful leasing in Wollongong, Maroochydore, and Cleveland reduces near term expiry risk, improves portfolio Weighted Average Lease Expiry (WALE) by income¹ to 6.6 years and increases the portfolio occupancy to 93%.
- The Fund successfully completed construction of the Murdoch oncology facility construction, with lease commencing in December 2021.
- The March 2022 quarter distribution of 1.6875 CPU, which is in line with the FY22 target distribution rate of 6.75 CPU.

Fund summary

We are pleased to confirm the properties were internally or independently valued as at 31 December 2021, resulting in an uplift of \$30.1 million to \$326.0 million. This has resulted in an increase in NAV to \$1.250 per unit as at 31 December 2021 from \$1.024 per unit as at 30 June 2021, equating to an increase of 22.1%.

The portfolio occupancy as at 31 March 2022 is 93%, an increase of 2% compared to the portfolio occupancy as at 30 June 2021. This is primarily due to leasing deals completed, including:

- Three year lease extension secured with Monserrat Day Hospitals (315 sqm) at Wollongong improving the WALE by 3.4 years to 6.3 years and remains at 100% occupancy.
- Six year lease to REVL Training (192 sqm) at Maroochydore improving the WALE by 0.1 years to 4.2 years and improving occupancy from 64% to 67%.
- Three year lease to The Psych Professional (270 sqm) and five year lease extension with childcare operator Lily Hilda (569 sqm) at Cleveland increasing the WALE to 3.4 years (0.4 years) and increasing occupancy from 93% to 97%.

The Manager is currently in discussion with a number of prospective tenants in relation to the vacancy at Maroochydore and will continue to focus on securing tenants for the remaining vacancies and improving the portfolio income and valuation.

Construction of the new Murdoch oncology facility began in August 2020 and successfully reached practical completion in November 2021. The facility is the first private, integrated, hospital-based radiation oncology, nuclear medicine and theranostics facility south of the river in Perth. Unitholders benefited from an increase in the completed valuation as at 31 December 2021 to \$18.35 million, reflecting a total profit on the development of \$6.5 million.

(1) As at 31 March 2022.



Financial snapshot

Fund commencement date	June 2017
Net Asset Value (NAV)	\$1.2500 ¹
Distribution rate (cents per unit)	6.75 ²
Weighted average lease expiry (WALE) (years)	6.6 ³
Next investor vote on term of Fund	June 2024

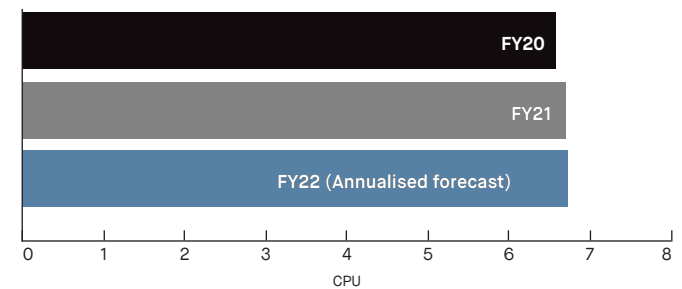
1. Based on the audited 31 December 2021 financial accounts.

2. Forecast FY22 full year distribution based on 1.6875 CPU for the September 2021, December 2021, and March 2022 quarters, and 1.6875 for the remaining quarter.

3. As at 31 March 2022.

Distribution details

ANNUALISED DISTRIBUTION



The Fund distribution for the March 2022 quarter is 1.6875 CPU, in line with the December 2021 quarter distribution. The distribution will be paid on or around 11 April 2022.

Portfolio statistics

	INITIAL ¹	JUN-20	JUN-21	MAR-22
Net asset value (NAV)	\$0.8362	\$0.9159	\$1.0240	\$1.2457 ²
Portfolio occupancy rate	100%	97%	91%	93%
Weighted average lease expiry (WALE) (years)	8.7	7.1	6.9	6.6

1. Based on the PDS dated 26 June 2017.

2. Based on audited 31 December 2021 financials.

Top five tenants by net lettable area (NLA)

Healius	27.7%
GenesisCare	12.1%
Queensland Health	9.8%
Vision Eye Institute	8.2%
Other	42.2%

Occupancy is 93% with a WALE by income of 6.6 years as at 31 March 2022.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	134.5	
Undrawn amount	2.8 ¹	
Loan expiry	20 December 2022 and 20 December 2023	
% of debt hedged	54.0%	
Loan to value ratio (LVR)	40.6% ²	57.5%
Interest cover ratio (ICR)	5.18x ³	2.00x

1. Undrawn facility limit can be utilised as the Murdoch development is now complete.

2. The LVR is based on the most recent independent valuations as defined under the debt facility agreement.

3. The stated ICR figures are based on the 12 month actuals to 31 December 2021.

The interest cover ratio (ICR) determines the ability of the Fund to pay the interest expense on outstanding debt. A higher ICR indicates the Fund has more funds available to pay its interest costs. The Fund's lender NAB requires a minimum ICR covenant of 2.00 times and the Fund's forecast ICR is 5.18 times. This means the Fund's net income needs to drop by 40.8% before the Fund breaches the ICR covenant.

The loan to value ratio (LVR) calculates the amount of debt you have against the value of the Fund's properties. The LVR bank covenant for the fund is 57.5% and the Fund's LVR is 40.6%. This means the value of the Fund's properties would need to decrease by 29.4% before the Fund breaches the LVR covenant.

Centuria investor website

The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). The audited financial report for the half year of 2022 financial year is available to download from [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au) at the end of March 2022.

You can access all information relating to your Centuria investments at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

Contact details

If you require assistance with your Centuria Investor account or have any questions regarding your investment in the Fund, please contact Centuria Investor Services on 1800 182 257 (within Australia); +61 2 9290 9689 (outside Australia) or by email on Property.Enquiry@CenturiaInvestor.com.au.

Portfolio details

PROPERTY ADDRESS	PREVIOUS VALUATION	PREVIOUS CAP RATE	CURRENT VALUATION	CAP RATE	WALE	OCCUPANCY	VALUER
332-342 Old Cleveland Road, Coorparoo QLD	\$18,400,000	6.00%	\$22,100,000	5.50%	3.2	98.3%	CBRE
401-409 Milton Road, Auchenflower QLD	\$44,000,000	5.75%	\$48,000,000	5.50%	4.5	85.3%	JLL
18 Prowse Street, West Perth WA	\$9,650,000	5.75%	\$9,870,000	5.75%	6.6	100%	CBRE
2-24 Waldron Street, Yarrabilba QLD	\$12,500,000	5.75%	\$13,750,000	5.50%	8.9	100%	Colliers
16-24 Weippin St, Cleveland QLD	\$39,000,000	5.75%	\$40,400,000	5.75%	3.4	97.4%	JLL
56 Rosemont Street, Wollongong NSW	\$2,500,000	5.75%	\$2,500,000	5.75%	6.3	100%	Colliers
11-19 Riverview Place, Murrarie QLD	\$52,300,000	5.25%	\$64,000,000	4.50%	13.7	100%	Colliers
375A/377 Concord Rd, Concord NSW	\$15,250,000	5.38%	\$17,250,000	5.00%	7.5	100%	Colliers
6 Lubich Way, Mira Mar WA	\$3,900,000	5.75%	\$3,900,000	5.75%	7.2	100%	CBRE
60-62 Dalton Drive, Maroochydore QLD	\$40,500,000	6.25%	\$45,100,000	5.75%	4.2	66.7%	CBRE
4 Baker Court, West Albury NSW	\$5,800,000	6.50%	\$6,100,000	6.25%	3.5	100%	JLL
2-6 Meurant Ave, Wagga Wagga NSW	\$9,800,000	6.00%	\$10,175,000	5.75%	2.2	100%	JLL
42-44 Ord Street, West Perth WA	\$12,600,000	6.00%	\$12,700,000	5.75%	6.5	100%	JLL
956 Gympie Road, Chermside QLD	\$11,800,000	6.00%	\$11,800,000	5.50%	1.1	100%	M3
100 Murdoch Drive, Murdoch WA	\$17,000,000 ¹	5.50% ¹	\$18,350,000	5.50%	9.7	100%	JLL
TOTAL	\$295,000,000	5.77%²	\$325,995,000	5.39%			

1. Cap rate based on 'as if complete' value for Murdoch development. The 'as if complete' value is \$17.0 million. As-is valuation for Murdoch as at 30 June 2021 was \$12.55 million.

2. Weighted cap rate excludes Murdoch, which was under development as at 30 June 2021.

Independent or internal valuations were undertaken as at 31 December 2021 for the portfolio. We are pleased to confirm a valuation uplift of 11% (\$30.1 million) across the portfolio, notably Murrarie's valuation increased to \$64.0 million from \$52.3 million and Coorparoo increased to \$22.1 million from \$18.4 million (\$3.7 million).

Note: The latest RG46 Statement for the Fund is available at CenturiaInvestor.com.au. It includes gearing ratio, calculated using ASIC methodology, gearing covenant sensitivities, details of the related party transactions in the period and further information on the source of distributions.

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