

## FY21 Financial Results

**SYDNEY** (Tuesday, 3 August 2021) - Centuria Office REIT (**ASX: COF**), Australia's largest listed pure-play office REIT, has announced its Full Year financial results for the period ended 30 June 2021.

### Financial Highlights

- \$102.2 million Funds From Operations (FFO)<sup>1</sup>
- 19.9 cents per unit (cpu) FFO<sup>1</sup> per unit, at the top end of the FY21 guidance range<sup>2</sup>
- 16.5 cpu distributions per unit, in line with FY21 guidance
- \$76.9 million statutory net profit
- \$2.48 per unit Net Tangible Assets (NTA)<sup>3</sup>
- 98.3% average rent collection<sup>4</sup> throughout FY21
- Robust balance sheet, \$405million debt refinanced in 2H21, no debt tranche expiring before June 2024
- Well positioned for potential near-term inclusion in the FTSE EPRA Nareit Index

### Portfolio Highlights

- 2H21 like for like valuation uplift of \$16.3million
- 52,077 sqm leases agreed<sup>5</sup> across 61 deals, (18.1% of portfolio NLA)
- 26,388 sqm of leases agreed relates to new tenants
- Rental income: over 80% derived from government, multinational corporations and listed entities
  - 25% derived from Federal and State Government
- Staggered lease expiry, more than 63% of portfolio leases expire at or beyond FY25
- 2H21 portfolio occupancy increased to 93.1%<sup>6</sup>, WALE of 4.3 years<sup>7</sup>
- 4.7 Stars average NABERS energy rating (by value)

Grant Nichols, COF Fund Manager, commented, "COF delivered pleasing results throughout FY21. Distributions were in line with guidance of 16.5cpu, which equates to a 6.7% yield, while FFO of 19.9cpu was at the top end of the 19.7-19.9 cpu guidance range. The REIT also benefitted from a \$16.3 million valuation uplift on a like for like basis as at 30 June 2021, which reflects the portfolio's high-quality assets and strong tenant covenants.

"COF's performance is also due to its exposure in Australia's better performing office markets that lend themselves to good workforce commutability and attractive, affordable rents. These markets attract quality tenants, which underpin sustainable income returns and lower volatility. Through 2H21, COF increased occupancy to 93.1%, maintained a weighted average lease expiry of 4.3 years and improved average rent collections to 98.3%.

"At the beginning of FY21, COF was one of the few REITs to provide distribution guidance despite the effects of COVID-19 prevailing at the time. Notwithstanding the recurring impacts of COVID-19 on operating conditions, it is my pleasure to again provide FY22 distribution guidance of 16.6 cpu, equating to a current yield of 6.7%, with a FFO guidance of 18.0 cpu."

### Financial Results

Earnings		FY21	FY20
Statutory profit / (loss)	\$m	76.9	23.1
Funds from Operations <sup>1</sup>	\$m	102.2	85.4
Funds from Operations per unit <sup>1</sup>	cpu	19.9	18.6
Distribution per unit	cpu	16.5	17.8
Return on equity <sup>8</sup>	%	6.0	7.2

# Centuria Office REIT (COF)

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Balance sheet		FY21	HY21	FY20
Total Assets	\$m	2,068.9	2,103.5	2,119.3
NTA per unit <sup>3</sup>	\$	2.48	2.45	2.49
Gearing	%	33.5	34.6	34.5

Statutory net profit for FY21 was \$76.9m, with Funds from Operations<sup>1</sup> of \$102.2 million or 19.9 cpu, and distributions of 16.5 cpu. Funds from Operations during FY21 benefited from receipt of a surrender payment from Foxtel, who surrendered their lease over the entire building at 35 Robina Town Centre Drive, Robina, QLD. Under the agreement, COF received a surrender payment equivalent to the rent payable under the remaining Foxtel lease term discounted to June 2020. Pleasingly, since the surrender occurred in July 2020, the building has been largely re-let, with occupancy increasing to 88.6%, which demonstrates COF's continued success in active leasing management.

Like for like portfolio revaluations at 30 June 2021 of \$16.3 million contributed to NTA<sup>3</sup> of \$2.48 per unit.

COF enhanced its debt profile through the period with \$405million of debt refinanced in the second half of FY21, increasing the weighted debt maturity to 4.2 years (from 2.3 years) and providing \$106.7 million of undrawn debt. The REIT now has no debt tranche expiring before June 2024 and maintains a competitive all-in debt cost of approximately 2.4%<sup>9</sup>. COF has significant covenant headroom with an interest coverage ratio of 6.6x (covenant 2.0x) and loan to value ratio of 35.0% (covenant 50%).

### Property Portfolio

Portfolio Snapshot		FY21	HY21	FY20
Number of assets		22	23	23
Book value	\$m	2,014.3	2,032.4	2,053.3
WACR	%	5.81	5.90	5.93
Occupancy by income	%	93.1	91.5	98.1
WALE by gross income	years	4.3	4.5	4.7
Leases agreed by area	sqm	52,077	28,306	32,378
Average NABERS Energy rating (by value)	stars	4.7	4.8	4.8
Average NABERS Water rating (by value) <sup>10</sup>	stars	3.2	-	-
Average building age (by value)	years	16.8	16.4	15.9

COF benefitted from robust leasing activity throughout FY21. Leases were agreed<sup>5</sup> with 61 tenants, across 52,077sqm (18.1% of portfolio NLA). Of the leases agreed, 26,388 sqm related to new tenants, with 15 of the new tenants being in excess of 500sqm.

In particular, strong results were achieved at:

- 100 Brookes Street, Fortitude Valley QLD – five new tenants increased occupancy from 80.9% to 100% and extended the WALE from 3.7 to 4.9 years.
- 35 Robina Town Centre Drive, Robina QLD – occupancy has been increased to 88.6% following Foxtel's full building surrender in July 2020.
- 131 Grenfell Street, Adelaide SA – building occupancy retained at 100% following a three year lease to a new SA Government department.
- 1 Richmond Road, Keswick SA – building occupancy retained at 100% following a new five year lease to ARTC.

Through active tenant relations and effective asset management, over 63% of the portfolio's leases now expire at or beyond FY25. COF's portfolio of young, well connected and affordable assets continue to attract quality tenants with 27% of portfolio income derived from Government tenants while a further 55% is derived from multinational corporations and listed entities.

COF externally revalued 14 of its 22 properties as at 30 June 2021, resulting in a like for like increase of \$16.3 million due to positive leasing outcomes and some capitalisation rate compression. COF's \$2.0 billion portfolio now has a weighted average capitalisation rate of 5.81%.

COF demonstrated resilience to the continued impact of COVID-19. COF's portfolio rent collections averaged more than 98.3% for the full year to 30 June 2021. Provided rent relief, both waivers and deferrals, totalled c.\$1.4 million for FY21, with limited rent relief provided during Q4FY21.

During 1H21, COF divested a 25% interest in 465 Victoria Avenue, Chatswood NSW for \$44.7 million, which unwound the REIT's only minority interest in its portfolio at a price that was \$2.8 million above prior book value.

### Sustainability

COF is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's Sustainability approach. Throughout FY21, Centuria and COF implemented various ESG initiatives, including:

- Centuria's first Sustainability Report to be released later this year and to include responses to the Task Force on Climate Related Financial Disclosure recommendations
- Further diversification of COF's responsible entity Board (CPFL), appointing Matthew Hardy as independent Chair and Nicole Green as Independent Non-Executive Director
- Establishment of Centuria's Culture and ESG Board Committee
- Release of Centuria's first modern slavery statement
- Gender diversity of 38% to 62%, females to males
- 94%<sup>11</sup> of employees enjoy working at Centuria, 91%<sup>12</sup> of tenants recommend Centuria
- Compulsory employee training established for cyber security, financial education, and code of conduct
- Retaining Centuria membership to the Diversity Council of Australia

Specific to environment, over the course of FY21, COF sought to enhance energy and water efficiency under the NABERS rating scheme. A Sustainability Portfolio Index rating of 4.7 for Energy and 3.2 for Water were received for CY2020. Furthermore, COF has disclosed its CY2019 and CY2020 energy and water consumption, GHG emissions (Scope 1 and 2), and their respective intensities in the FY21 results presentation.

### Summary & Outlook

Mr Nichols, commented, "Throughout FY21, a number of office transactions have reinforced the strength of the Australian commercial office market and suggest continuing strong investment demand for Australian office assets. This resilient performance continues to attract the interest of domestic and offshore capital, who view Australia's economic and office market fundamentals favourably.

"Despite the ongoing impacts of COVID-19, the COF portfolio has been able to generate strong leasing activity and achieve high levels of cash receipts. This performance is testament to COF's diversified portfolio of quality, highly connected assets that offer attractive office spaces in Australia's better performing office markets.

"While there remains uncertainty due to the ongoing disruptions caused by COVID-19, we have seen increasing white collar employment growth and greater confidence from tenants in relation to their future office accommodation requirements. Throughout FY22 we expect to see more employees returning to the office and further improving leasing activity."

COF provides FY22 distribution guidance<sup>13</sup> of 16.6cpu, which equates a current yield of c 6.7%. Distributions are expected to be paid in equal quarterly instalments. COF provides FY22 FFO guidance<sup>13</sup> of 18.0 cpu.

### FY21 Results Presentation

COF is providing a market briefing, which will be made available via the [Centuria website](https://www.centuria.com.au).

– Ends –

# Centuria Office REIT (COF)

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### About Centuria Office REIT

COF is Australia's largest ASX listed pure play office REIT and is included in the S&P/ASX300 Index. COF owns a portfolio of high quality assets situated in core office markets throughout Australia. COF 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 Office REIT (COF). CPFL, is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with more than \$17 billion 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)

### Summary Information

The following disclaimer applies to this announcement and any information contained in it (the Information). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with COF's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at [www.asx.com.au](http://www.asx.com.au). You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

### Forward Looking Statements

This announcement may include forward-looking statements. These forward-looking statements are based on COF's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of COF, which could cause actual results to differ materially from such statements. COF makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

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 Original FFO Guidance range 19.4-19.9cpu

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

4 As COVID-19 impacts and the National Code of Conduct on Commercial Leases remains active, it is possible further rent relief claims could be received for FY21 period

5 Includes Heads of Agreement (HOA)

6 Occupancy by income

7 WALE by gross income

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

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

10 Insufficient data for CY20

11 Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the Group's FY21 survey

12 Centuria Capital Group undertake regular tenant surveys. The figure reported is from the Group's FY21 survey

13 Guidance remains subject to unforeseen circumstances and material changes in operating conditions