

ASX Release

Charter Hall Social Infrastructure REIT Full Year 2022 Results

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Charter Hall Social Infrastructure REIT (ASX: CQE) today announced its results for the full year ended 30 June 2022. Key financial and operating highlights for the year are:

Financial Highlights

- Statutory profit of \$358.5 million, up \$184.4 million on the prior corresponding period ("pcp")
- Operating earnings of \$62.9 million, up 8.4% on pcp
- Operating earnings of 17.3 cents per unit ("cpu"), up 8.1% on pcp
- Distribution of 17.2 cpu, up 9.6%¹ on pcp
- Gross assets of \$2.1 billion, up 35.0% since June 2021
- NTA of \$4.08 per unit up 25.5% since June 2021
- Balance sheet gearing of 29.8%² with investment capacity of \$160 million

Operating Highlights

- Property portfolio valuation increase of \$269.4³ million or 19.4%
- \$232.7 million of social infrastructure assets acquisitions including 23⁴ childcare assets, 2⁵ strategically located healthcare assets and a 50% interest⁵ in a recently completed TAFE Queensland education campus
- Completion of 6 childcare development assets with a total value of \$42.3 million
- In partnership with CQE's largest tenant customer, Goodstart, Charter Hall has committed funding towards the Early Learning Fund, assisting at least 55 vulnerable families to provide their children with the benefits of early learning over two years
- Launched two-year partnership with the Green Building Council of Australia to create Australia's first social infrastructure rating tool for operational assets

Charter Hall Social Infrastructure REIT's Fund Manager, Travis Butcher said: "CQE has continued to actively manage the portfolio and increase its weighting towards larger-scale social infrastructure assets. This has delivered an improvement in portfolio and tenant quality and diversification providing improved security of income and long-term capital growth for Unitholders".

¹ Exclusive of 4.0 cpu special distribution paid in FY21

² Balance sheet and look through gearing are calculated as total borrowings net of unrestricted cash/total assets less unrestricted cash and has been adjusted to include contracted acquisitions and disposals, the completion of the childcare development pipeline and payment of June quarter distribution. Unadjusted balance sheet gearing and look-through gearing as at 30 June 2022 was 26.2% and 27.1% respectively

³ Like-for-like valuation uplift excludes development sites, assets held for sale, as well as acquisitions and developments completed in the year. As at 30 June 2022, the value of assets held for sale is \$7.7 million and the value of acquisitions and developments completed in the period is \$303 million

⁴ 21 assets settled with remaining 2 assets to settle in HY23

⁵ Settlement of 50% interest in the TAFE Queensland and Wise Medical properties expected to occur in September 2022

Property Portfolio Performance

Overall, CQE continued to achieve strong portfolio metrics through FY22, as follows:

- Growing property portfolio with a 38.8% increase to \$1.97 billion through both acquisition and valuation activities during the year;
- Long WALE of 14.3 years;
- 100% occupancy of CQE's properties;
- Robust lease expiry profile with less than 5% of leases expiring within the next five years;
- 75% of leases on fixed rent reviews (average 3.0%) and the balance CPI-linked; and
- 44% of rental income subject to market rent reviews within the next 5 years.

CQE's tenant customers include industry leading businesses such as Goodstart Early Learning, G8 Education, Only About Children, Mater Misericordiae, Busy Bees, Healius and both state and local Governments.

Acquisitions

Consistent with CQE's strategy of investing in social infrastructure assets with long lease terms and strong tenant covenants, our transactional activity this year continued to enhance portfolio quality and deliver long term capital growth. CQE Unitholders benefitted from the Charter Hall Group platform, with significant acquisition activity in the year, securing high quality, social infrastructure assets in predominantly off-market transactions.

During the year, \$232.7 million of acquisitions were made by CQE into social infrastructure assets with superior tenants on long leases.

For CQE's childcare portfolio, 23 high quality centres were acquired for \$157.3 million with an average initial yield of 4.7%. These acquisitions are all leased to high quality childcare operators including Goodstart, G8 Education and Only About Children on average lease expiries of 14 years and are well-located in the Victorian, Western Australia and Queensland markets. These acquisitions deepen our existing relationships with these tenant customers, who are CQE's three largest tenant customers.

For CQE's healthcare portfolio, acquisitions totalling \$43.4 million were made in two strategically located medical facilities in established metropolitan healthcare precincts. Both feature long leases with covenants including ASX-listed Healius.

Finally, for CQE's education portfolio, a 50% interest has been acquired in the recently completed TAFE Queensland education campus within the Gold Coast growth corridor of Robina. CQE's 50% interest was acquired for \$32.0 million.

Both the Wise Medical and TAFE Queensland acquisitions are due to settle in September 2022.

During the year, CQE continued to divest non-core assets. Four childcare assets (two assets to settle in FY23) with short lease expiries were divested, realising \$16.5 million. These divestments achieved a 69% premium to prior valuations and provided CQE the ability to recycle capital into higher quality assets with more favourable property fundamentals.

Six development assets were completed in FY22, with a total value of \$42.3 million and long average leases of 16.7 years. The developments provided a valuation uplift upon completion of \$8.6 million or 25.5% and a yield on cost of 5.8%. CQE's childcare development pipeline comprises a further eight projects, of which 5 are forecast to be completed during FY23, contributing to continued improvement in the quality of the portfolio and adding to the earnings profile of CQE.

Property Valuations

During the year 100% of CQE's portfolio was externally revalued at least once. On a like-for-like basis, the portfolio valuation increase for the year was \$269.4 million or 19.4%. This resulted in the passing yield across the property portfolio firming to 4.7%, reflecting ongoing strong demand for long WALE assets in 'essential' sectors with stable income.

A 52% increase in total childcare transaction volumes on FY21 saw the sector reach a record \$832 million of sales, with an average yield of 4.7%.

Capital Management

In February 2022, CQE further extended and increased its debt facilities by \$100 million, to a total of \$800 million. CQE has diversified funding sources with a weighted average debt maturity of 3.9 years and no debt maturity until January 2025.

As at 30 June 2022, after the inclusion of contractual commitments, CQE's balance sheet gearing is 29.8% and look-through gearing is 30.7%. Available investment capacity is \$160 million, comprising undrawn debt facilities.

Outlook

CQE will continue to execute on its strategy and pursue high quality social infrastructure opportunities and actively manage the portfolio to maintain income security and capital growth.

Based on information currently available and barring any unforeseen events, CQE provides FY23 distribution guidance of 17.2 cents per unit.

CQE will continue to pay quarterly distributions.

Announcement authorised by the Board

Charter Hall Social Infrastructure REIT (ASX: CQE)

Charter Hall Social Infrastructure REIT is the largest Australian ASX-listed real estate investment trust (A-REIT) that invests in social infrastructure properties.

Charter Hall Social Infrastructure REIT is managed by Charter Hall Group (ASX:CHC). With over 30 years' experience in property investment and funds management, we're one of Australia's leading fully integrated property groups. We use our property expertise to access, deploy, manage and invest equity across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure.

Operating with prudence, we've curated a diverse \$61.3 billion portfolio of 1,516 high quality properties. With partnership at the heart of our approach, we're creating places that help grow communities; turning them into the best they can be and unlocking hidden value. Taking a long-term view, our \$13.2 billion development pipeline delivers sustainable, technologically enabled projects for our customers.

Charter Hall has also extended its Fund Management capability into another asset class with the 50% acquisition of the \$18.2 billion listed equities Fund Manager Paradise Investment Management (PIM), which invests on behalf of wholesale and retail investors across domestic and global listed equities.

The impacts of what we do are far-reaching. From helping businesses succeed by supporting their evolving workplace needs, to providing investors with superior returns for a better retirement, we're powered by the drive to go further.

For further enquiries, please contact

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