ASX Release

Charter Hall Social Infrastructure Limited
ABN 46 111 338 937
AFSL 281544

Responsible Entity of Charter Hall Social Infrastructure REIT
ABN 58 102 955 939

Level 20, No.1 Martin Place
Sydney NSW 2000
GPO Box 2704
Sydney NSW 2001

T +61 2 8651 9000

www.charterhall.com.au

Charter Hall Social Infrastructure REIT FY23 Results

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Charter Hall Social Infrastructure REIT (ASX: CQE) today announces its results for the full year ended 30 June 2023. Key financial and operating highlights for the year are:

Financial highlights:

- Statutory profit of $58.7 million
- Operating earnings of $59.2 million, or 16.1 cents per unit (cpu)
- Distributions of 17.2 cpu
- NTA of $4.04 per unit
- $2.2 billion property portfolio

Operating highlights:

- Acquisition of a 25% interest in the Geoscience Australia life science complex in Canberra for $90.9 million on a 7.4% initial yield and 9.6 year WALE at acquisition;
- Acquisition of a 49.9% interest in Innovation Quarter (iQ), a newly constructed healthcare, medical research, education and training hub in Westmead, Sydney for $66.9 million on a 4.7% initial yield and 10 year WALE at acquisition;
- Acquisitions of three newly developed childcare centres and one existing centre for $26.3 million on a 4.9% average yield with new 15 year leases in metropolitan locations;
- Four childcare developments completed with a total value of $33.8 million and new 15 year leases, delivering yield on costs of 5.8% and valuation uplift on completion of $5.5 million;
- $84.4 million of divestments including 12 childcare assets achieving a 4% premium to book value and average yield of 4.5% as well as divestment of listed Arena REIT securities; and
- CQE inclusion in the S&P/ASX 200 index in September 2022.

Charter Hall Social Infrastructure REIT's Fund Manager, Travis Butcher said: "FY23 saw CQE's continued diversification into larger social infrastructure assets that provide greater income resilience and improve the portfolio quality. We acquired some excellent social infrastructure assets that perform critical roles in the community, are strategically located and are difficult to replace. These acquisitions were partially funded through selective disposals of non-core assets at attractive prices. Our on-going portfolio curation is designed at improving portfolio quality and security of income to ensure long-term capital and income growth for Unitholders."

Property portfolio performance

Overall, CQE continued to achieve strong portfolio metrics through FY23, as follows:

- Long WALE of 13.2 years;
- 100% occupancy of CQE's properties;
- Weighted average rent reviews of 3.7% for the 12 months to June 2023;
- 77% of lease income on fixed rent reviews (average 3.0%) and the balance CPI-linked;
- 47% of rental income subject to market rent reviews in the next 5 years; and
- Robust lease expiry profile with 3.5% of lease income expiring within the next five years.

Portfolio update

Active portfolio curation remains a key strategy for CQE. CQE contracted $184.2 million of new acquisitions in diversified social infrastructure assets, $33.8 million of developments were completed and $84.4 million of divestments were contracted which contributed to improving portfolio quality, earnings resilience and tenant covenant strength.

Acquisitions

- $90.9 million[1] acquisition of the Geosciences Australia life sciences complex comprising office, specialised laboratory, storage and warehousing leased to the Commonwealth Government. The property was acquired in October 2022 on a 7.4% yield with a 9.6 year WALE and 3% annual rent increases and a net lease structure where the tenant is responsible for all property outgoings.
- $66.9 million[2] acquisition of Innovation Quarter (iQ), a newly constructed healthcare, medical research, education and training facility that has been jointly developed by Charter Hall and Western Sydney University. iQ was acquired in February 2023 on a 4.7% yield, with Western Sydney University occupying approximately 47% of iQ on a 15 year initial lease term and CSIRO occupying approximately 16% on a 10 year lease term. Other major tenants include Telstra Health, Psych Central and WentWest. Weighted average annual rent reviews for the property are 3.6%.
- $26.3 million of childcare acquisitions comprising three newly developed childcare facilities and one existing centre on an average yield of 4.9% with new 15 year leases in metropolitan locations.

Developments

- Development of four childcare properties totalling $33.8 million completed, all with new 15 year leases and delivering yield on cost of 5.8% and valuation gains of $5.5 million on completion.

Divestments

- $40.4 million divestment of 12[3] non-core freehold childcare assets, achieving a 4% premium to book values and average yield of 4.5%; and
- $44.0 million divestment of Arena REIT (ASX: ARF) securities in January 2023.

[1] Reflects CQE's 25% interest
[2] Reflects CQE's 49.9% interest
[3] 3 divestments due to settle in 1H FY24

Capital position

During FY23, CQE extended and increased its debt facilities to $850 million.

CQE has a weighted average debt maturity of 2.9 years with diversified funding sources and no debt maturing until January 2025.

CQE's has average hedging of 80% through to June 2025 at an average hedged rate of 2.3%. Balance sheet gearing of 32.2% is within the target 30 – 40% range and look-through gearing is 32.8%.

FY24 distribution guidance

Based on information currently available and barring any unforeseen events, CQE provides FY24 distribution guidance of 16.0 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). Charter Hall is one of Australia's leading fully integrated property investment and funds management groups. We use our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers. We've curated a diverse portfolio of high-quality properties across our core sectors – Office, Industrial & Logistics, Retail and Social Infrastructure. With partnerships and financial discipline at the heart of our approach, we create and invest in places that support our customers, people and communities grow.

For further enquiries, please contact
Travis Butcher
Fund Manager - CQE
Charter Hall
T +61 400 771 964
travis.butcher@charterhall.com.au

For media enquiries, please contact
Megan Moore
Senior Communications & Media Manager
Charter Hall
T + 61 434 225 643
megan.moore@charterhall.com.au

For investor enquiries, please contact
Lula Liossi
Investor Relations Manager
Charter Hall
T +61 408 958 755
lula.liossi@charterhall.com.au

Philip Cheetham
Head of Listed Investor Relations
Charter Hall
T +61 403 839 155
philip.cheetham@charterhall.com.au