

ASX Release

Charter Hall Social Infrastructure REIT 1H FY23 Results

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Charter Hall Social Infrastructure REIT (ASX: CQE) today announced its results for the half year ended 31 December 2022. Key financial and operating highlights for the period are:

Financial highlights

- Statutory profit of \$40.6 million;
- Operating earnings of \$29.6 million, or 8.1 cents per unit ("cpu");
- Distribution of 8.6 cpu, up 2.4% on prior corresponding period ("pcp");
- Gross assets of \$2.3 billion, up 8.5% since June 2022; and
- NTA of \$4.09 per unit, up 0.2% since June 2022.

Operating highlights

- New acquisitions of \$186.7 million in high quality social infrastructure assets including the Geoscience Australia life sciences complex in Canberra and Innovation Quarter (iQ), a newly constructed healthcare, medical research, education and training hub in Westmead, Sydney;
- Property portfolio valuation increase of \$16.3¹ million or 0.8% since June 2022, driven by income growth demonstrating the ongoing resilience of the portfolio; and
- CQE inclusion in the S&P/ASX 200 index in September 2022.

Charter Hall Social Infrastructure REIT's Fund Manager, Travis Butcher said: "CQE continues to execute on its strategy with another period actively curating the portfolio, divesting non-core assets and reinvesting in larger social infrastructure assets that have greater earnings resilience and improve the portfolio's quality. We have acquired some excellent social infrastructure assets that perform critical roles in the community, are well located and are difficult to replace. CQE unitholders have benefitted from the Charter Hall platform, securing these assets with other Charter Hall managed funds."

¹ Like-for-like valuation uplift, excludes development sites, assets held for sale, acquisitions and developments completed during 1H FY23

Property portfolio performance

Overall, CQE continued to achieve strong portfolio metrics through 1H FY23, as follows:

- Long WALE of 13.6 years;
- 100% occupancy of CQE's properties;
- WARR of 4.0%² forecast for the next 12 months;
- 78% of lease income on fixed rent reviews (average 3.0%) and the balance CPI-linked;
- 46% of rental income subject to market rent reviews in the next 5 years; and
- Robust lease expiry profile with less than 5% of lease income expiring within the next five years.

Portfolio update

Active portfolio curation remains a key strategy for CQE. Including activity post-balance date, CQE completed \$185.6 million of social infrastructure acquisitions, \$26.4 million of developments and \$59.3 million of divestments which contributed to improving portfolio quality, earnings resilience and tenant covenant strength.

Acquisitions

- \$90.9 million³ acquisition of the Geosciences Australia property, a life sciences complex comprising office, specialised laboratory, storage and warehousing leased to the Commonwealth Government. Geosciences 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 million⁴ 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 post-balance date 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%.
- \$28.9 million (average yield of 4.9%) acquisition of 4 childcare facilities⁵, all on new 15-year leases to premium operators.

Developments

- Development of 3 childcare properties totalling \$26.4 million completed, all with new 15-year leases and delivering yield on cost of 5.8% and valuation gains of \$5.0 million.

Divestments

- \$15.3 million (average yield of 4.4%) divestment of 5 non-core freehold childcare assets⁶, achieving a 3% premium to book values; and
- \$44.0 million divestment of Arena REIT (ASX: ARF) units post balance-date in January 2023.

² Forecast Weighted Average Rent Review based on average fixed (3.0%) and CPI rental adjustments (7.5%) to 31 December 2023

³ Reflects CQE's 25% interest

⁴ Reflects CQE's 49.9% interest

⁵ One property settled in 1H FY23 with remaining 3 properties to settle in 2H FY23

⁶ Five divestments contracted in 1H FY23. One property settled in December 2022 with remaining 4 properties to settle in 2H FY23. In addition, there are a further 2 childcare centres contracted for divestment previously announced in FY22, also due for settlement in 2H FY23

Capital position

During 1H FY23, CQE extended and increased CQE's debt facilities by \$50 million to \$850 million.

CQE has a weighted average debt maturity of 3.5 years with diversified funding sources and no debt maturing until January 2025.

In December 2022, CQE implemented an additional \$150 million of hedging and as a result, CQE has an average amount hedged of 59% with a weighted average hedge maturity of 2.9 years and an average hedged rate of 1.82%. Balance sheet gearing⁷ is 33.7% and look-through gearing⁷ is 34.4%. CQE has available investment capacity of \$75 million as at 31 December 2022.

FY23 outlook and guidance

CQE will continue to execute on its diversified social infrastructure strategy and actively curate the portfolio to larger scale assets with stronger tenant and property fundamentals.

Based on information currently available and barring any unforeseen events, CQE reconfirms the existing 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). 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.

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⁷ 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, divestment of ARF units and the completion of the childcare development pipeline. Unadjusted balance sheet gearing and look-through gearing as at 31 December 2022 was 31.6% and 32.3% respectively