

ASX Release

Charter Hall Retail REIT - Takeover offer for Hotel Property Investments

9 September 2024

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Charter Hall Retail REIT (ASX: CQR) (**CQR**), has today announced an off-market takeover made together with Host-Plus Pty Limited (**Hostplus**), (via a Charter Hall Group trustee, the **Bidder**), to acquire all of the securities in Hotel Property Investments (ASX: HPI) (**HPI**) that it does not currently own, subject to a 50.1% minimum acceptance condition and other limited conditions (the **Offer**).

Each of CQR and Hostplus will contribute 50% of the cash consideration for the Offer and indirectly own 50% of the acquiring entity.

The Bidder is offering to acquire all of the securities in HPI by way of an off-market takeover for \$3.65 per HPI Security¹.

The Offer delivers an attractive cash premium for HPI Securityholders

The Offer will deliver significant benefits to HPI Securityholders including:

- An attractive premium to HPI's historical trading levels;
- Certainty of all-cash consideration, which is fully funded, delivering immediate value at an attractive price at a time of listed market volatility;
- Access to liquidity without the need to pay brokerage fees;
- Low execution risk with an offer from an Australia domiciled Bidder that is subject to limited conditions; and
- No competing offer has emerged, and the likelihood of a competing proposal emerging is low given the Bidder holds 14.7% of HPI Securities.

Offer Price Represents Attractive Premium to HPI Securityholders

The Offer represents a compelling premium to HPI's historical trading levels, with \$3.65 per Security representing a:

- 11.6% premium to the closing price of HPI Securities of \$3.27 on 27 March 2024, being the trading day prior to announcement of CHC and CQR's 14.8% stake acquisition in HPI ("Undisturbed Date");
- 7.3% premium to HPI's 1-month VWAP to the Announcement Date of \$3.40;
- 8.7% premium to HPI's 3-month VWAP to the Announcement Date of \$3.36;
- 18.2% premium to HPI's 12-month VWAP to the Announcement Date of \$3.09; and

The Offer provides HPI Securityholders with an opportunity to access liquidity at an attractive premium, without the need to pay brokerage fees, at certain value via all-cash consideration.

Strategic rationale for CQR Unitholders

For CQR Unitholders, the proposed transaction represents a strategic opportunity to acquire an interest in a significant portfolio of net lease retail assets that are complementary to CQR's existing portfolio.

¹ The cash consideration payable under the Offer will be reduced by the amount or value of any Rights to which relevant HPI Securityholders receive or become entitled to receive on and from the Announcement Date, which the Bidder does not receive.

1. High quality portfolio with strong tenant covenant

- Diversified portfolio of 58 net leased retail assets
- 88% of properties are located on Australia's eastern seaboard
- Predominantly leased to the Australian Venue Company (AVC) and QVC (a joint venture between Coles Limited and AVC), which are experienced operators
- Capital values supported by high underlying land value – with potential higher and better use opportunities over the long term

2. Attractive lease structure and growth profile

- 100% occupancy and a 9.1 year WALE with an average options period of an additional 19.3 years providing security of income
- Favourable rent review mechanisms provide growth through inflationary cycles, with CPI-linked escalators that benefit from fixed collars
- Limited forecast maintenance capex, averaging ~10bps of asset value over the last 5 years

3. Improved diversification

- Provides an opportunity for CQR to upweight its convenience net lease retail exposure from 29% to 39% (by value)
- CQR benefits from Charter Hall's national footprint and expertise as the leading manager of net lease retail assets in Australia

4. Accretive transaction for CQR

- Based on information currently available and barring any unforeseen events, CQR reconfirms its forecast FY25 operating earnings of approximately 25.4 cents per unit, with the proposed transaction expected to be operating earnings accretive for CQR Unitholders from completion
- The portfolio's total return prospects are favourable given the entry yield, rent reviews, and low capital expenditure drag
- The proposed transaction will be funded by existing investment capacity together with continued portfolio curation

Ben Ellis, Fund Manager of CQR and Charter Hall's Retail CEO commented: "The proposed acquisition of HPI alongside Hostplus is attractive and designed to deliver significant benefits to both HPI Securityholders and CQR Unitholders. The acquisition is in line with CQR's strategy to invest in high quality, net lease retail assets, whilst partnering with leading convenience retailers to deliver resilient and growing income streams. Hostplus is an existing partner through our investment in LWIP 2 and we are pleased to extend our partnership through the proposed acquisition of HPI".

Impact on CQR's portfolio

The proposed transaction would be accretive to CQR's WARR, occupancy and WALE. The implied acquisition cap rate of 6.0%² is more than 20% higher than CQR's current net lease retail cap rates of 4.9%, providing accretion to the CQR portfolio and furthering its strategic up-weighting to higher rent growth, lower capex retail assets.

Property metrics as at 30 June 2024	CQR pre transaction	HPI portfolio (50% interest) ³	CQR post transaction ⁴	Variance
Number of properties	641	58	699	+9.0%
Portfolio value	\$4,048m	\$623m	\$4,671m	+15.4%
Total WACR	5.79%	5.52% (book)	5.75%	(0.04%)
Convenience net lease WACR	4.90%	5.52% (book)	5.31%	+0.41%
WARR (FY24)	3.2%	3.5%	3.3%	+0.1%
Occupancy (by income)	99.0%	100.0%	99.1%	+0.1%
WALE	7.2 years	9.1 years	7.5 years	+0.3 years
Eastern seaboard exposure (% of portfolio value)	73.0%	88.2%	75.0%	+2.0%

² Implied cap rate (pre costs) based on the estimated 31 December 2024 net passing income and Bidder's Offer Price of \$3.65 per HPI Security.

³ Excludes Hotel HQ, which was sold and settled on 1 July 2024.

⁴ Assuming the Bidder acquires 100% of the HPI securities it does not currently own.

Details of the Offer

For further information on the Offer, including how HPI Securityholders can accept the Offer, please refer to the Bidder's Statement and investor presentation released on the Australian Securities Exchange (ASX) today.

The Offer is subject to offer conditions as set out in the Bidder's Statement and completion of the transaction is subject to acceptance of the Offer by HPI Securityholders.

Charter Hall as manager of the Bidder has engaged Barrenjoey Advisory Pty Limited and Citigroup Global Markets Australia Pty Limited as joint financial advisers and Arnold Bloch Leibler as its legal adviser in relation to the transaction.

Indicative transaction timetable

The Offer is expected to open on 23 September 2024 and close on 4 November 2024, unless extended (although this is subject to change).

Key Dates	Date
Announcement Date	Monday, 9 September 2024
Date of Bidder's Statement	Monday, 9 September 2024
Date of Offer	Monday, 23 September 2024
Offer closes (unless extended or withdrawn)	7.00pm (Sydney time) Monday, 4 November 2024

The dates in this table are indicative and subject to change. The final dates will be set out in the Bidder's Statement that is sent to HPI Securityholders, a copy of which will be lodged with ASX.

Announcement Authorised by the Board

Charter Hall Retail REIT (ASX: CQR)

Charter Hall Retail REIT is the lead owner of property for convenience retailers.

Charter Hall Retail 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 portfolio of high-quality properties across our core sector – 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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