

FY23 Financial Results

SYDNEY (Thursday, 17 August 2023) - 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 2023.

Financial Highlights

- \$93m Funds From Operations (FFO)¹, 15.6 cents per unit (cpu) FFO
- 14.1 cents distribution per unit (dpu), in line with FY23 guidance
- \$2.20 per unit Net Tangible Assets (NTA)²
- Solid balance sheet: 36.7% pro forma gearing³, 69.1% hedging as at 30 June 2023
- Strong liquidity: \$225m refinanced, \$115.5m facility headroom⁴, Weighted Average Debt Expiry (WADE) expanded to 3.2 years, no debt expiring until FY26
- FY24 FFO guidance of 13.8 cpu⁵ and distribution guidance of 12.0 cpu⁵ (distribution yield of 8.4%⁶)

Portfolio Highlights

- Portfolio occupancy up to 97.1% (FY22: 94.7%)⁷, WALE maintained at 4.2 years⁸
- 42,686 sqm total leasing activity across 62 deals, (14.1% of portfolio NLA)⁹
- 168,000sqm+ of leasing completed since COVID-19 outbreak, c.56% of portfolio NLA
- 6.00% Weighted Average Capitalisation Rate (WACR),
- 23 high-quality assets worth \$2.2bn¹⁰, c.17-year average building age, 90% A-Grade assets, 78% of rental income derived from government, multinational corporations and listed entities
- 4.9 Stars NABERS SPI energy rating (by value), "BBB" MSCI ESG Rating

Grant Nichols, COF Fund Manager and Centuria Head of Office said, "FY23 was an operationally successful year for COF with portfolio occupancy increasing to 97.1%⁷, while maintaining a healthy WALE (4.2 years)⁸. Capital management remained a key focus during the period, with recent divestments delivering a pro forma gearing of 36.7%³, while refinancing resulted in no debt tranche expiring until FY26. Recent non-core divestments also improved overall portfolio quality, while the sales prices achieved were consistent with COF's Year End portfolio revaluations.

"COF is exposed to well-performing markets where tenant net absorption has been strong compared to the Sydney and Melbourne CBD. In particular, the REIT has benefited from robust leasing activity in Brisbane and Perth, which is consistent with wider activity in these markets.

"COF continued emphasis on its commitment to ESG during the period, illustrative by its increased portfolio NABERS SPI energy rating (4.9-stars) and improved "BBB" MSCI ESG Rating. During FY23, COF set further sustainability targets to achieve within the medium term, which also aim to reflect the desirability of its high-quality portfolio."

Financial Results

Earnings		FY23	FY22
Funds from Operations ¹	\$m	93.0	104.9
Funds from Operations per unit ¹	cpu	15.6	18.2
Distribution per unit	cpu	14.1	16.6
Statutory profit / (loss)	\$m	(91.9)	115.0
Return on equity	%	(6.2)	7.4

Balance sheet		FY23	FY22
Total Assets	\$m	2,311.0	2,410.8
NTA per unit ²	\$	2.20	2.50
Gearing ³	%	38.4	33.8

Distributions of 14.1cpu were delivered in line with FY23 guidance. FY23 FFO of \$93million or 15.6cpu was impacted by rising interest rates during the period. COF's all-in cost of debt is now elevated compared to recent past periods and is expected to be higher in FY24 than FY23. Higher expected debt costs have impacted FY24 guidance.

COF has continued to maintain liquidity, completing \$225million of debt refinancing across \$175million of existing facilities and \$50million of new facilities during FY23. COF increased its weighted average debt expiry from 2.7¹¹ to 3.2 years and has no debt expiring until FY26.

COF maintains a diverse pool of six lenders and substantial undrawn debt and cash on hand totalling \$132.8million⁴. Gearing as at 30 June 2023 was 38.4%. However, pro forma gearing is 36.7% once settlement of recent sales complete. The REIT retains sufficient debt covenant headroom with a 3.5x Interest Coverage Ratio (ICR) (covenant 2.0x) and a Loan-to-Value Ratio (LVR) of 39.9%¹² (covenant 50%).

Like-for-like portfolio revaluations as at 30 June 2023 declined by c.\$102million or c.4.4% from COF's 31 December 2022 portfolio value, contributing to NTA of \$2.20 per unit². COF's weighted average capitalisation rate (WACR) expanded 42bps during FY23 to 6.00%.

Property Portfolio

Portfolio Snapshot		FY23	FY22
Number of assets		23	23
Book value	\$m	2,237.4	2,335.2
WACR ¹³	%	6.00	5.58
Occupancy by gross income	%	97.1	94.7
WALE by gross income	years	4.2	4.2
Leases agreed by area	sqm	42,686	41,283
Average NABERS Energy rating (by value)	stars	4.9	4.8
Average NABERS Water rating (by value)	stars	3.9	3.9
Average building age (by value)	years	17	16

During the period, leasing activity increased +3.4%pcp to 42,686 sqm across 62 deals, representing 14.1% of portfolio NLA. This included 42 new leases totalling 31,512sqm, and 20 renewals totalling 11,174sqm. More than 31,500sqm of leasing related to previously vacant space within the portfolio. Significantly, since 2020 when the COVID-19 pandemic impacted global markets, COF has leased more than 168,000sqm of commercial office space, representing c.56% of portfolio NLA.

Due to strong leasing activity during FY23, COF's portfolio occupancy increased to 97.1%⁷ (FY22: 94.7%) and WALE⁸ was maintained at 4.2 years. COF's modern office portfolio encompasses 23 high-quality assets worth \$2.2billion, with an average building age of 17 years and 90% of the portfolio comprising A-Grade assets. COF's portfolio is dominated by corporate and government occupiers with more than 67% of tenants occupying in excess of 2,000sqm. Additionally, 78% of portfolio rental income is derived from government, multinational corporations and listed entities.

Value-add Initiatives

During Q4 FY23, pre-leasing commitments at 57 Wyatt Street, Adelaide SA increased to c.84%. Practical completion occurred on 6 July 2023, and the boutique office development provided a 6.5-year WALE as at 30 June 2023.

COF also executed a repositioning strategy at 154 Melbourne Street, South Brisbane QLD. As at 1 January 2023, the asset was 67% vacant and through successful value-add initiatives, 12 separate leasing agreements totalling 7,800sqm have improved its occupancy to 94.1% as at 30 June 2023. During the period, market rents increased across the building by 10%. This strong net absorption is consistent with Brisbane's wider office market take up.

Capital Transactions

COF exchanged sales contracts to divest two non-core assets, which improves the REIT's portfolio by age and quality:

- 54 Marcus Clarke Street, Canberra ACT for \$23.0 million, reflecting a c.1.7% discount to the 31 December 2022 book value of \$23.4 million. Acquired in 2015 for \$14.2 million, the asset generated strong income returns exceeding \$7.0 million during COF's ownership, reflecting an IRR of c.11%. It was one of COF's oldest buildings. Settlement is expected in January 2024.
- 35 Robina Town Centre Drive, Robina QLD for \$40.0 million, reflecting a c.5% discount to the 31 December 2022 book value of \$42.0 million. Acquired in 2015, the asset delivered an IRR of c.7% during COF's ownership. As at 30 June 2023, the property had a 1.4-year WALE and its divestment averts near-term leasing risk. Settlement is expected in September 2023.

Sustainability

COF is externally managed by Centuria Capital Group (Centuria) and aligns itself to Centuria's sustainability framework. Centuria Property Funds Limited (CPFL) is the responsible entity for COF and a wholly owned subsidiary of Centuria Capital Group. By the REIT's nature, COF has no staff and is solely a portfolio of assets.

The outcome of implemented ESG initiatives specific to COF during FY23:

- Improved MSCI ESG rating to BBB (previous B rating)
- Increased NABERS Sustainable Portfolio Index (SPI) energy rating to 4.9 stars (previously 4.8 stars)
- Maintained a NABERS SPI water rating at 3.9 stars

COF has recently defined how ESG is integrated into its investment approach, along with setting the following sustainability targets:

- Zero Scope 2 emissions by 2028¹⁴ with COF's portfolio to source 100% of its electricity from renewable sources
- Electrification of the portfolio by the elimination of gas and diesel where practical, in equipment owned and operated by COF by 2035¹⁵
- Ongoing deployment of solar energy systems; an additional five assets to benefit from renewable energy by FY25
- Continued targeting of at least five-star Green Star ratings for new developments, including 57 Wyatt Street, Adelaide SA

Throughout FY23, Centuria implemented various ESG initiatives, which have a positive impact on COF, including:

- Increased workplace diversity with 45%¹⁶ of employees being female (41%: FY22)
- Launched Cirque by Centuria, a new flexible office accommodation offering
- Employee engagement surveys revealed 88%¹⁷ of employees are proud to work at Centuria
- Continued +10-year support for St Lucy's School (students with disabilities)

Centuria's 2023 annual sustainability report will be published in Q4 2023 further detailing the Group's strategies across Environmental, Social and Governance initiatives

Summary & Outlook

Mr Nichols, commented, "With productivity falling in both Australia and overseas, we have seen an increase in mandated return to office policies that aim to address productivity, increased loneliness and diminished corporate culture. While hybrid working arrangements and increased workplace flexibility are likely to become more prevalent, it is becoming increasingly apparent that the office will remain an important and focal point in many workplace operations.

"In fact, Centuria's 2023 annual Australian office tenant customer survey reinforced this view, with approximately 75% of respondents stating they expect to retain or increase their office space requirements in the medium term. Additionally, tenant respondents stated they've considerably pulled back on providing fully flexible working from home arrangements. This indicates an emerging return to office work culture and greater potential for rising physical occupancy.

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“Looking ahead, we will continue to focus on maintaining high portfolio occupancy, improve portfolio quality and preserve a solid balance sheet, maintaining sufficient liquidity and debt covenant headroom.”

COF provides FY24 FFO guidance of 13.8 cpu^5 and distribution guidance of 12.0 cpu^5 (distribution yield of 8.4%⁶), which are expected to be paid in equal quarterly instalments.

FY23 Results Presentation

COF is providing a market briefing, which will be made available on Centuria Office REIT's [website](#).

– Ends –

For more information or to arrange an interview, please contact:

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Authorised for release by Anna Kovarik, Company Secretary.

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 office assets situated in core submarkets 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) (ARSN 124 364 718). CPFL is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager with \$21 billion in total assets under management (as at 30 June 2023) and offers a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds.

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. 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 NTA per unit is calculated as net tangible assets divided by closing units on issue

³ Proforma gearing has been adjusted for asset sales which settle during FY24. All proceeds are assumed to repay debt. Gearing defined as total borrowings less cash divided by total assets less cash. Gearing as at 30 June 2023 was 38.4%.

⁴ Headroom reflects undrawn debt (including a \$1.5m bank guarantee held as security over the 46 Colin Street, West Perth WA ground lease)

⁵ Guidance remains subject to unforeseen circumstances and material changes in operating conditions, and assumes the average floating rate is based on a BBSW rate of 4.6% over FY24

⁶ Based on COF closing unit price of \$1.43 on Tuesday, 15 August 2023

⁷ Occupancy by gross income and including Heads of Agreement

⁸ Weighted Average Lease Expiry (WALE) by gross income

⁹ Includes Heads of Agreement and executed leases

¹⁰ Excludes the right of use asset

¹¹ As at 30 June 2023

¹² LVR is prior to settlement of assets exchanged for sale

¹³ Weighted average capitalisation rate

¹⁴ Zero Scope 2 emissions by being powered by the equivalent of 100% renewable electricity through a combination of onsite solar and largescale generation certificate deals, which match COF's consumption

¹⁵ COF will focus on the elimination of gas and diesel where practical from equipment owned and operated by COF. Gas and diesel equipment operated by our tenants are excluded from COF's sustainability target

¹⁶ Diversity numbers as at 30 June, 2023 are representative of Centuria Capital Group

¹⁷ Centuria Capital Group undertake regular employee engagement surveys. The reported figure is from the May 2023 survey results.

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