



**Charter Hall** 

*Celebrating 30 years*



Acquisition of 50% of ALE Property Group

# Charter Hall Long WALE REIT



20 September 2021





**Avi Anger**  
Fund Manager



**Scott Martin**  
Head of Finance



**Darryl Chua**  
Deputy Fund Manager

# Agenda

1. Transaction overview
2. Strategic rationale for CLW Securityholders
3. Key benefits for LEP Securityholders
4. Profile of enlarged CLW portfolio
5. Key transaction details
6. Additional information

Cover (clockwise from top left): (1) Breakfast Creek Hotel, Brisbane QLD; (2) Crows Nest Hotel, Sydney NSW; (3) Queens Tavern, Perth WA; (4) New Brighton Hotel, Sydney NSW.

Left: New Brighton Hotel, Sydney NSW





# 1

## Transaction overview

Breakfast Creek Hotel,  
Brisbane QLD

# Transaction overview

<h2>Transaction overview</h2>	<ul style="list-style-type: none"> <li>– Charter Hall Long WALE REIT (“<b>CLW</b>”) and a Charter Hall managed trust on behalf of Host-Plus Pty Limited (“<b>Hostplus</b>”), (together the “<b>Consortium</b>”) have entered into a Scheme Implementation Deed (“<b>SID</b>”) with ALE Property Group (“<b>LEP</b>”) to acquire all of the LEP Stapled Securities<sup>1</sup> via schemes of arrangement, subject to certain conditions (the “<b>Transaction</b>”)</li> <li>– The LEP Board has unanimously recommended the Transaction, in the absence of a superior proposal and subject to an independent expert opining that the Transaction is in the best interests of LEP Securityholders</li> <li>– CLW and Hostplus will each hold a 50% interest in LEP’s assets post Transaction</li> </ul>
<h2>Transaction consideration</h2>	<ul style="list-style-type: none"> <li>– Under the Transaction terms, LEP Securityholders will receive \$5.68<sup>2</sup> per LEP security comprising:             <ul style="list-style-type: none"> <li>– \$3.673 cash per LEP security (of which CLW will fund \$0.833 per LEP security); and</li> <li>– 0.408 CLW securities per LEP security.</li> </ul> </li> <li>– LEP securityholders will also receive the LEP September 2021 quarter distribution of \$0.055 per LEP security. The total cash consideration paid will be reduced by any further LEP distributions made prior to the implementation date (other than the September 2021 quarter distribution of \$0.055 per LEP security)</li> <li>– If the Transaction proceeds and completes prior to the CLW distribution record date on 31 December 2021, LEP Securityholders are expected to be entitled to receive the CLW distribution for the three months ending 31 December 2021</li> <li>– Total enterprise value consideration (including transaction costs) of approximately \$1.68 billion (100% basis)</li> </ul>
<h2>Strategic rationale</h2>	<ul style="list-style-type: none"> <li>– The Transaction represents a rare opportunity to acquire a large scale, materially under-rented portfolio of 78 high quality long WALE hospitality / retail assets</li> <li>– Consistent with CLW’s strategy to invest in high quality real estate assets that are predominantly leased to high quality corporate and government tenants on long term leases</li> <li>– CLW is undertaking the Transaction alongside Hostplus, its existing capital partner in the Long WALE Investment Partnership (“<b>LWIP</b>”) portfolio of 62 Endeavour Group leased assets</li> </ul>
<h2>Impact of the Transaction</h2>	<ul style="list-style-type: none"> <li>– Including the impact of the Transaction and based on information currently available and barring any unforeseen events, CLW reconfirms its forecast FY22 operating earnings per security (“<b>OEPS</b>”) guidance of no less than 4.5% growth over FY21 OEPS</li> <li>– Pro-forma balance sheet gearing of 35.3% and look through gearing of 42.5%</li> </ul>

1. The Consortium will acquire all of the units in Australian Leisure and Entertainment Property Trust (“ALE Trust”) and Charter Hall Holdings will acquire all of the shares in Australian Leisure and Entertainment Property Management Limited (“ALE Responsible Entity”)

2. Based on CLW’s closing security price of \$4.92 on 30 July 2021, being the date of the Non-Binding Indicative Offer (NBIO). The Consideration reflects an NBIO price of \$5.70 per LEP security plus the excess above book value achieved on the sale of Tudor Inn Victoria and Royal Exchange Hotel Queensland, that will settle prior to completion of the Transaction, less the LEP September 2021 quarter distribution of \$0.055 per LEP security.





# 2

## Strategic rationale for CLW Securityholders

Crows Nest Hotel  
Sydney, NSW

# Strategic rationale for CLW Securityholders

The Transaction represents a rare opportunity to acquire a large scale, materially under-rented portfolio of high quality pubs

## 1 Highly strategic and well-located properties

- ✓ 99% of properties are located in metropolitan locations<sup>1</sup>
- ✓ 94% of properties are located on Australia's East Coast<sup>1</sup>
- ✓ Portfolio occupies approximately 915,000 m<sup>2</sup> of land in prime locations across Australian capitals and major cities with low site coverage of 25%
- ✓ Potential mixed and alternate use opportunities in the long term with strong embedded land value

## 2 High quality tenant counterparty

- ✓ National portfolio of 78 high quality pubs leased to Endeavour Group, Australia's largest pub operator and liquor retailer via Dan Murphy's and BWS stores
- ✓ Increases CLW's exposure to Endeavour Group as a tenant, which has a current market capitalisation of approximately \$12 billion
- ✓ Highly resilient tenant customer, with 100% of rent received during COVID

## 3 Attractive lease structure

- ✓ 95% of leases are triple net<sup>2</sup>
- ✓ WALE of 7.5 years, with 4 x 10 year options with annual CPI increases and market reviews at exercise of each option
- ✓ High renewal probability given strategic importance to Endeavour Group, with properties operating as pubs for an average of 60+ years

## 4 Strong rental growth profile

- ✓ Annual rental escalation linked to CPI (predominantly uncapped)
- ✓ Current passing rent is considered by independent valuers appointed by LEP to be 37% below market rent levels
- ✓ Open market rent review for 95% of the LEP portfolio (majority November 2028)<sup>2</sup>

1. Weighted by value  
2. Weighted by income

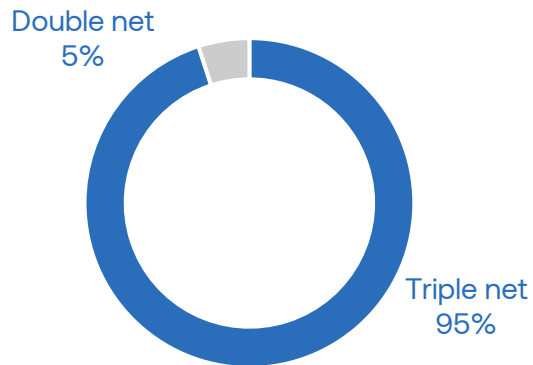
## Strategic rationale for CLW Securityholders (continued)

LEP's portfolio is geographically diverse, with a high weighting to metro locations along the eastern seaboard

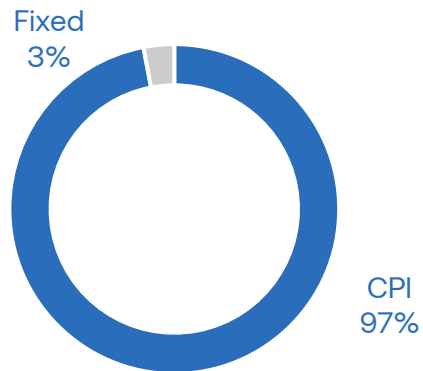
### LEP portfolio overview

Number of properties	78
Passing rent <sup>1</sup>	\$57.7 million
Implied market rent <sup>2</sup>	\$78.8 million
Implied market yield <sup>3</sup>	4.8%
Building area	226,068 sqm
Site area	914,841 sqm
Occupancy	100%
WALE (as at 30 June 2021)	7.5 years
WARR	Majority CPI

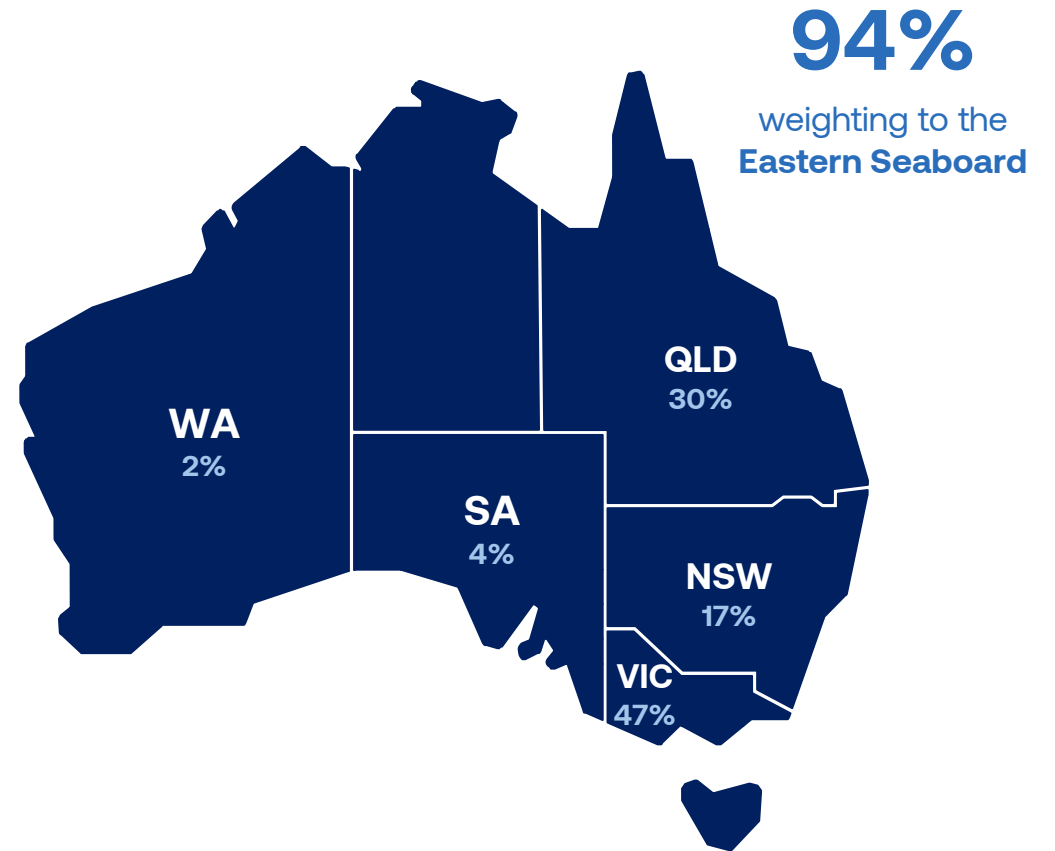
### Lease structure by income



### Annual rent review by income



### Geographic diversification by value



1. Forecast portfolio passing rent as at December 2021 (net of QLD land tax), including assumed November CPI rent review of 2.6%

2. Based on forecast portfolio passing rent as at December 2021 (net of QLD land tax) of \$57.7 million and the assessment of independent valuers appointed by LEP of market rent being 36.5% above passing rent

3. Calculated based on implied market rent (based on the assessment of independent valuers appointed by LEP of market rent being 36.5% above passing rent) and total enterprise value consideration

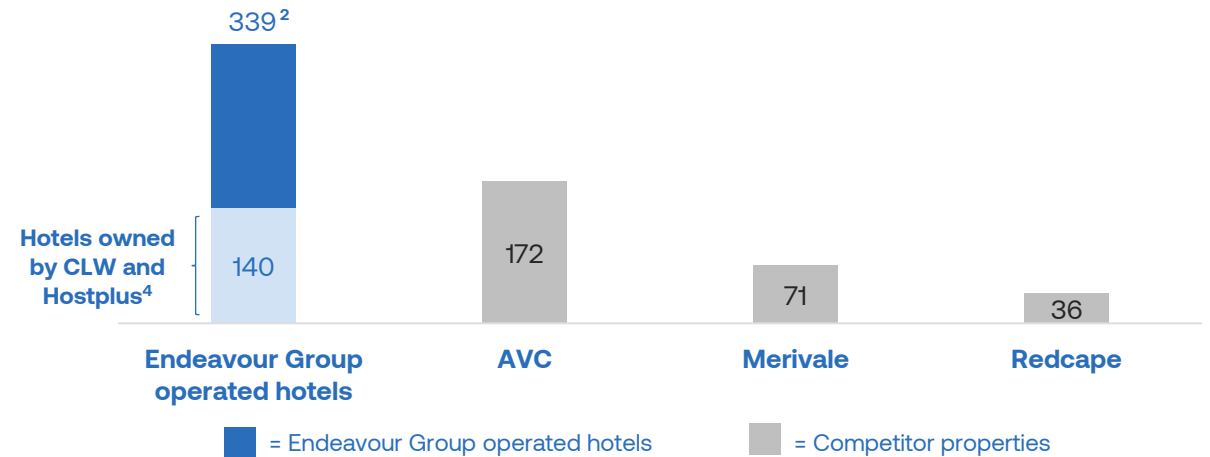
# Strategic rationale for CLW Securityholders (continued)

Increased exposure to Australia’s largest drinks and hospitality business, with long term partnership opportunities

## Endeavour Group Overview

- Endeavour Group is Australia’s largest hospitality and drinks business, and the largest operator of pubs in Australia
- Operates a complementary portfolio of market leading brands
- Endeavour Group key focus areas for future growth:
  - Strategic expansion of network through accelerated acquisitions, roll-up and development of new hotels
  - Enhancing existing footprint through hotel refurbishments and unlocking the value of freehold and leasehold property assets
- Endeavour Group demerged from Woolworths and listed on ASX on 24 June 2021

## Hotel network in Australia



## Endeavour Group Financial Overview<sup>1</sup>

FY21			Pubs		Retail		Staff	Major Brands
Revenue	EBIT	NPAT	Outlets	Market Share	Outlets	Market Share		
\$11.6bn	\$899m	\$445m	339 <sup>2</sup>	9% <sup>3</sup>	1,643	40% <sup>3</sup>	28,000+	9

1. Endeavour Group FY21 results  
 2. Includes 5 clubs  
 3. Endeavour Group Demerger Booklet 10 May 2021  
 4. Post Transaction including LWIP portfolio

## Endeavour Group Brands<sup>1</sup>







3

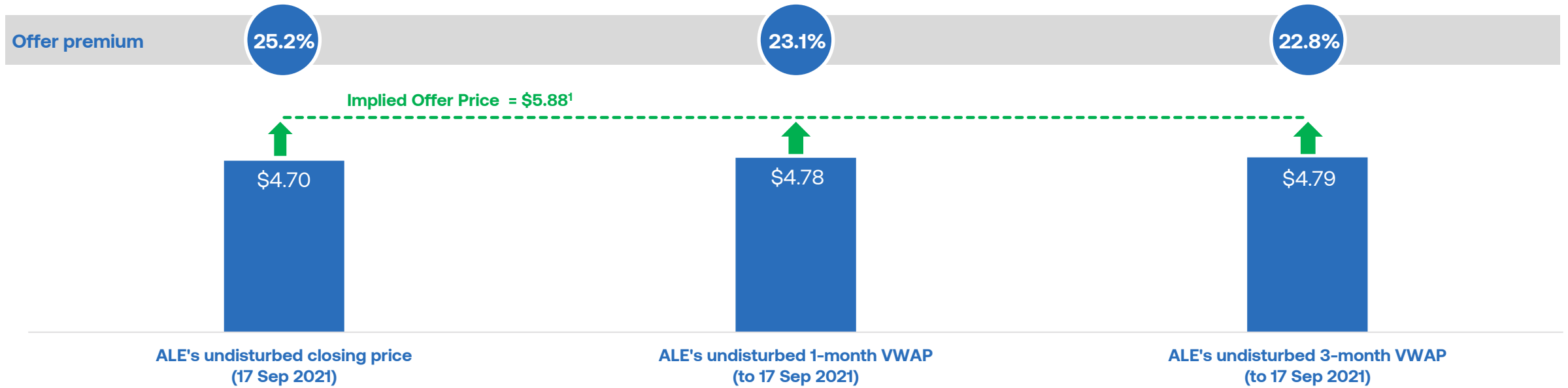
Key benefits for  
LEP Securityholders

Miami Tavern  
Gold Coast, QLD

## Key benefits for LEP Securityholders

The Transaction is strategically and financially compelling for LEP Securityholders

- ✓ Exposure to a larger and longer WALE portfolio
- ✓ Exposure to a more diversified portfolio across subsectors including industrial, social infrastructure, office, agri-logistics and diversified long WALE retail
- ✓ Opportunity to participate in benefits associated with Charter Hall management of the LEP portfolio with Charter Hall having established management expertise in pubs and a strong relationship with Endeavour Group currently managing a \$1.3 billion portfolio of Endeavour Group leased properties
- ✓ Superior liquidity, capital markets presence and growth prospects
- ✓ Implied offer consideration represents a significant premium to LEP's undisturbed trading price



1. Implied value based on \$3.673 cash per LEP security, 0.408 CLW securities per LEP security based on CLW closing trade price of \$5.28 per security on 17 September 2021 and the LEP September 2021 Quarter distribution of \$0.055 per LEP security. Total cash consideration paid will be reduced by any further LEP distributions made prior to the implementation date (other than the September 2021 Quarter distribution of \$0.055 per LEP security).





# 4

## Profile of enlarged CLW portfolio

New Brighton Hotel  
Sydney, NSW



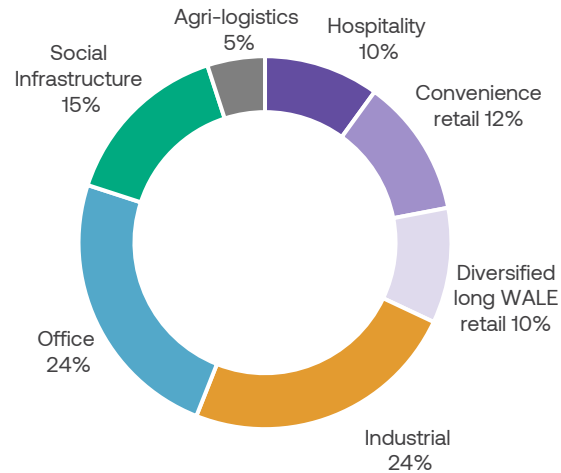
# CLW portfolio impact

Australia's largest and most diversified long WALE REIT

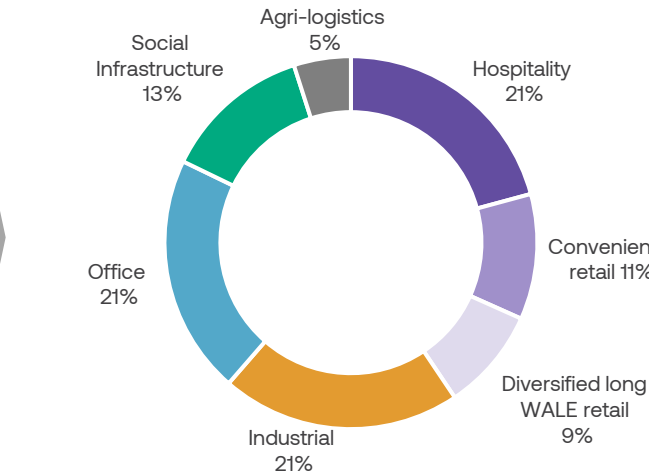
	Pre-Transaction <sup>1</sup>	Post-Transaction
Number of properties	472	550
Property value	\$5.7 billion	\$6.5 billion <sup>2</sup>
Occupancy	98.3%	98.4%
Weighted Average Lease Expiry (WALE)	13.2 years	12.6 years
Weighted Average Rent Review (WARR) <sup>3</sup>	3.0%	2.9%
Proportion of NNN leases	47%	51%
Portfolio review type weighting: CPI-linked review / Fixed review	39% / 61%	45% / 55%

## Portfolio by sector<sup>4</sup>

Pre-Transaction<sup>1</sup>

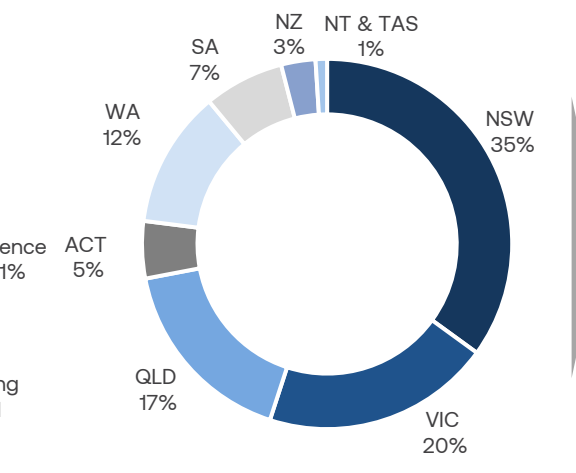


Post-Transaction

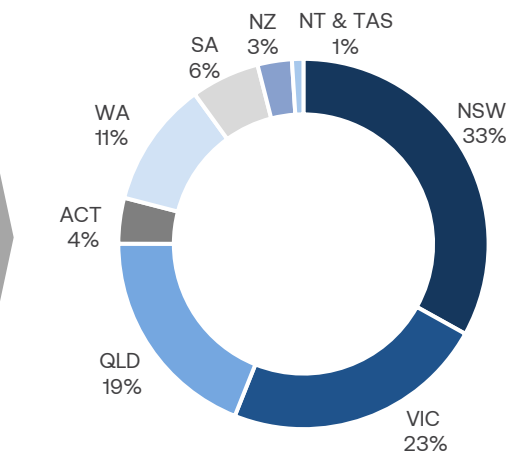


## Portfolio by geography<sup>4</sup>

Pre-Transaction<sup>1</sup>



Post-Transaction



1. As at 30 June 2021, adjusted to include acquisitions post 30 June 2021 that have settled or are expected to settle prior to completion of the Transaction  
 2. Post Transaction based on CLW's 50% share of total enterprise value consideration  
 3. CPI is assumed at 2.6% over the forecast period  
 4. Sector and geographic exposure weighted by property value (REIT ownership test). Total may not add to 100% due to rounding



## Diversified high quality portfolio

Increases CLW's exposure to Endeavour Group, Australia's largest pub operator

### Major tenants<sup>1</sup>

	18%		3%
      	18%		3%
	14%		3%
	10%		3%
	5%		2%
	5%		2%
	4%		1%

1. Weighted by net passing income as at 30 June 2021, adjusted to include the Transaction and acquisitions post 30 June 2021 that have settled or are expected to settle prior to completion of the Transaction

# Tenant resilience<sup>1</sup>

## Resilient and defensive sector exposures

### Hospitality (18%)



Federal Hotel, Toowoomba

### Government (18%)



Australian Tax Office, Adelaide

### Telecommunications (13%)



242 Exhibition Street, Melbourne

### Grocery & distribution (12%)



Woolworths Distribution Centre, Dandenong, Melbourne

### Convenience retail (10%)



bp Minchinbury, Sydney

### Food manufacturing (8%)



Arnott's Huntingwood, Sydney

### Waste & recycling management (2%)



SUEZ North Ryde, Sydney

### Other<sup>2</sup> (18%)



Australian Red Cross, Sydney

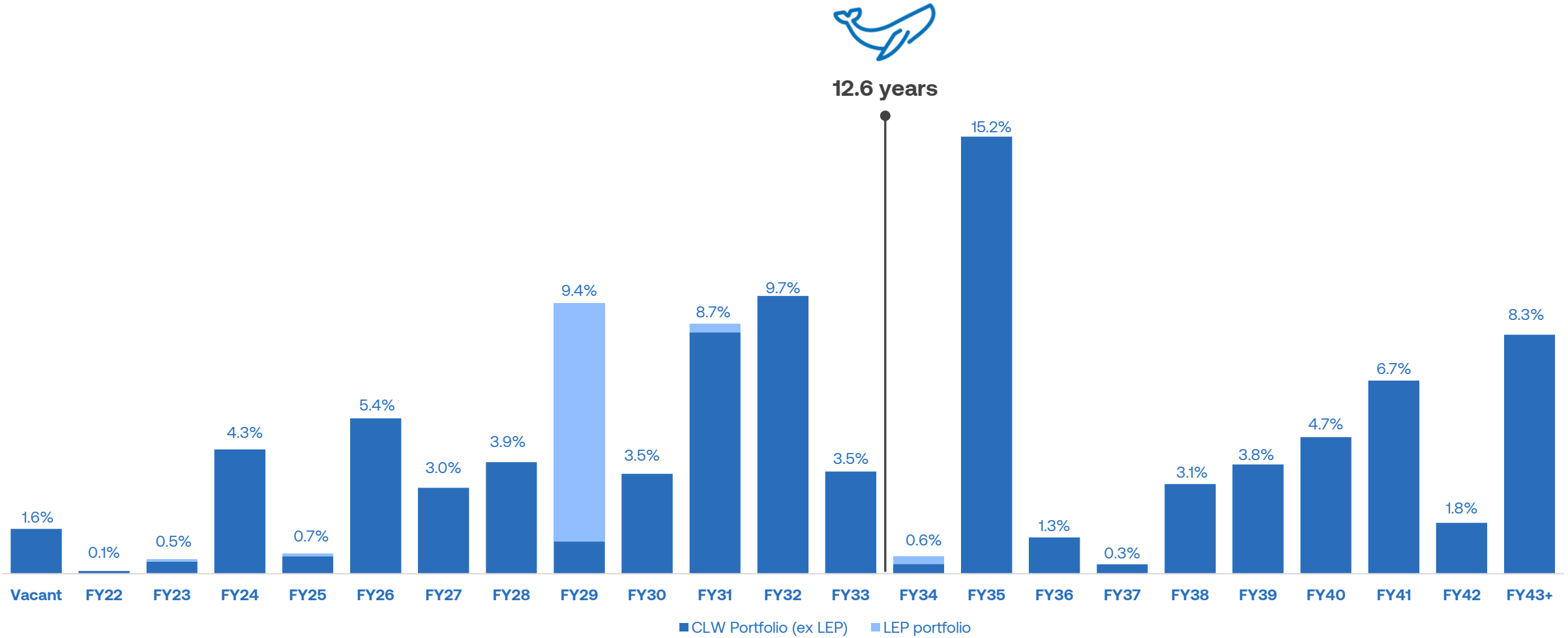
1. Weighted by net passing income as at 30 June 2021, adjusted to include the Transaction and acquisitions post 30 June 2021 that have settled or are expected to settle prior to completion of the Transaction. Totals may not add to 100% due to rounding

2. Includes life sciences, retail, banking and financial services and defence services



# Long portfolio WALE<sup>1</sup>

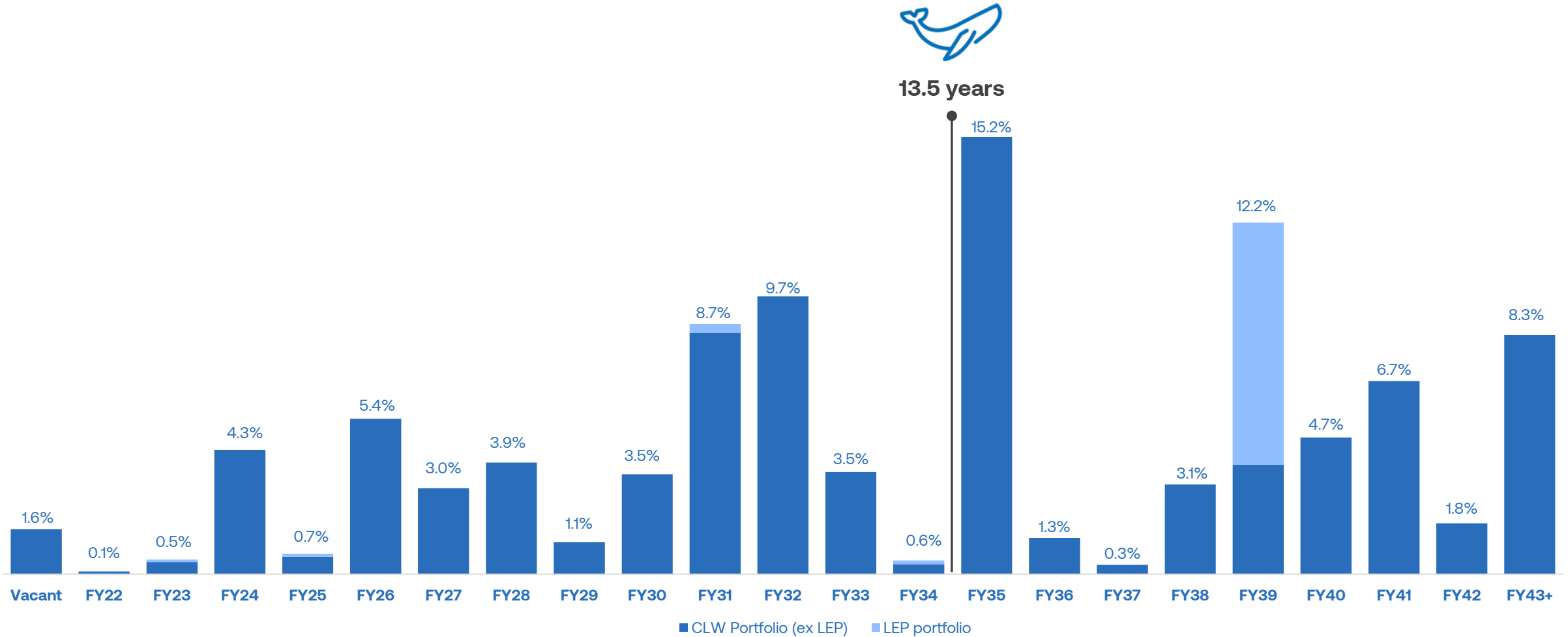
Long portfolio WALE of 12.6 years post Transaction



1. Weighted by net passing income as at 30 June 2021, adjusted to include the Transaction and acquisitions post 30 June 2021 that have settled or are expected to settle prior to completion of the Transaction. Totals may not add to 100% due to rounding

# Long portfolio WALE<sup>1</sup> (continued)

Portfolio WALE increases to 13.5 years including first 10 year option for LEP portfolio Nov-28 lease expiries



1. Weighted by net passing income as at 30 June 2021, adjusted to include the Transaction and acquisitions post 30 June 2021 that have settled or are expected to settle prior to completion of the Transaction. Totals may not add to 100% due to rounding





# 5

## Key Transaction details

Young & Jackson  
Melbourne, VIC

## Key Transaction details

<h3>Transaction consideration</h3>	<ul style="list-style-type: none"> <li>– Under the Transaction terms, LEP Securityholders will receive \$5.68<sup>1</sup> per LEP security comprising:             <ul style="list-style-type: none"> <li>– \$3.673 cash per LEP security (of which CLW will fund \$0.833 per LEP security); and</li> <li>– 0.408 CLW securities per LEP security.</li> </ul> </li> <li>– LEP securityholders will also receive the September 2021 quarter distribution of \$0.055 per LEP security. The total cash consideration paid will be reduced by any further LEP distributions made prior to the implementation date (other than the September 2021 quarter distribution of \$0.055 per LEP security)</li> <li>– If the Transaction proceeds and completes prior to the CLW distribution record date on 31 December 2021, LEP Securityholders are expected to be entitled to receive the CLW distribution for the three months ending 31 December 2021</li> <li>– Whilst \$3.673 cash and 0.408 CLW securities per LEP security (Mixed Consideration) will be the default, LEP Securityholders will also be provided with a “mix and match” offer. The offer will allow LEP Securityholders to apply to receive all cash, or all CLW scrip, subject to scale back provisions on a pro-rata basis. In aggregate, the total consideration to LEP securityholders (inclusive of distributions paid by LEP) will be 65% cash and 35% CLW scrip.</li> <li>– Total enterprise value consideration (including transaction costs) of approximately \$1.68 billion (100% basis)</li> </ul>
<h3>Implementation</h3>	<ul style="list-style-type: none"> <li>– The Transaction is to be implemented via LEP schemes of arrangement, which will require LEP Securityholder approval</li> <li>– Following the Transaction, CLW and Hostplus will each hold a 50% interest in LEP’s assets</li> <li>– A majority of LEP debt is expected to be refinanced as part of the Transaction</li> <li>– CLW stapled securities issued to LEP Securityholders as part of the Transaction will rank equally with existing CLW stapled securities</li> </ul>
<h3>Conditions precedent</h3>	<ul style="list-style-type: none"> <li>– The Transaction is conditional upon a number of matters set out in the SID, including LEP Securityholder approval of the schemes of arrangement (75% of votes cast and 50% of Securityholders voting), and other customary conditions<sup>2</sup></li> </ul>
<h3>Board support</h3>	<ul style="list-style-type: none"> <li>– The LEP Board has unanimously recommended the Transaction, in the absence of a superior proposal and subject to an independent expert opining that the Transaction is in the best interests of LEP Securityholders</li> </ul>

1. Based on CLW’s closing security price of \$4.92 on 30 July 2021, being the date of the Non-Binding Indicative Offer (NBIO). The Consideration reflects an NBIO price of \$5.70 per LEP security plus the excess above book value achieved on the sale of Tudor Inn Victoria and Royal Exchange Hotel Queensland, that will settle prior to completion of the Transaction, less the LEP September 2021 quarter distribution of \$0.055 per LEP security

2. Customary conditions are set out in the SID and include: receipt of customary ASIC relief and ASX waivers and confirmations, receipt of court approvals, an independent expert declaring the Transaction is in the best interests of LEP Securityholders and no Prescribed Occurrence per the SID



## Indicative implementation timetable

Key dates	Date (2021)
Submit draft scheme booklet to ASIC	Mid October
First court hearing	Early November
Scheme booklet despatched to LEP Securityholders	Early November
LEP scheme meeting to approve schemes of arrangement	Early December
Second court hearing / scheme effective	Early December
Implementation date	Mid December

All dates and times are indicative only and subject to change



# 6

## Additional information

Miami Tavern  
Gold Coast, QLD



# Glossary

<b>ASX</b>	Australian Securities Exchange
<b>Balance sheet gearing</b>	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash
<b>CHC</b>	Charter Hall Group
<b>CLW or the REIT</b>	Charter Hall Long WALE REIT
<b>Consortium</b>	Charter Hall Long WALE REIT and Host-Plus Pty Limited
<b>CPS</b>	Cents per security
<b>DPS</b>	Distributions per security
<b>Hostplus</b>	Host-Plus Pty Limited ABN 79 008 634 704 AFSL 244392 as trustee for the Hostplus Pooled Superannuation Trust (PST) ABN 13 140 019 340
<b>OEPS</b>	Operating earnings per security
<b>LEP or LEP Stapled Securities</b>	ALE Property Group, which comprises Australian Leisure and Entertainment Property Trust and its controlled entities including ALE Direct Property Trust, ALE Finance Company Pty Limited and Australian Leisure and Entertainment Property Management Limited as the responsible entity of the Trust
<b>Look-through gearing</b>	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments
<b>LWIP</b>	Long WALE Investment Partnership
<b>NTA</b>	Net tangible assets
<b>NZ</b>	New Zealand
<b>REIT</b>	Real estate investment trust
<b>SID</b>	Scheme Implementation Deed
<b>Transaction</b>	Charter Hall Long WALE REIT and Host-Plus Pty Limited entering into a Scheme Implementation Deed with ALE Property Group to acquire all of ALE Property Group's shares on issue via a schemes of arrangement
<b>WALE</b>	The average lease term remaining to expiry across the portfolio or a property or group of properties, weighted by net passing income or as noted
<b>WACR</b>	The average capitalisation rate across the portfolio or a property or group of properties, weighted by net passing income
<b>WARR</b>	The average rent review across the portfolio or a property or group of properties, weighted by net passing income

## Contact information



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*Presentation authorised by the Board*



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**Appendix 2: Industrial Property Acquisitions**



# Cleanaway & ResourceCo Facility, Sydney NSW

Long term 16.8 year lease to one of Australia’s largest Waste-to-Energy operators

## Property details

Address	35 Frank Street, Wetherill Park NSW
Property type	Industrial & Logistics
Ownership interest	100%
Title	Freehold
Purchase price	\$34.6 million
Initial yield	4.3%
Annual rent review	3.0%
Tenant	Cleanaway & ResourceCo
Occupancy	100%
WALE	16.8 years
Options	1 x 10 years
GLA	8,516m <sup>2</sup>

## Property overview

- Modern, purpose built industrial facility constructed in 2018
- Purpose built for the tenant, a joint venture between Cleanaway and ResourceCo
- Utilised for waste management, recycling and the production of Process Engineered Fuel (**PEF**), an alternative and sustainable fuel source for cement kilns
  - When built in 2018, this facility was Australia’s largest Waste-to-Energy plant, receiving up to 250,000 tonnes of dry commercial and industrial and mixed construction and demolition waste for the manufacture of PEF
  - The PEF manufactured at this facility is estimated to replace over 100,000 tonnes of coal usage per annum in cement kilns
- Located in the core Sydney industrial precinct of Wetherill Park, approximately 28kms west of the CBD



# Modern Star Distribution Centre, Brisbane QLD

High quality logistics facility leased to one of Australia and New Zealand’s leading education resource suppliers

## Property details

Address	45 South Pine Road, Brendale QLD
Property type	Industrial & Logistics
Ownership interest	100%
Title	Freehold
Purchase price	\$32.3 million
Initial yield	5.5%
Annual rent review	Greater of CPI or 2.5%
Tenant	Modern Star
Occupancy	100%
WALE	7.9 years
Options	2 x 5 years
GLA	18,255m <sup>2</sup>



## Property overview

- Completed in 2005 and comprises 18,255 sqm of improvements across generic warehouse, high bay warehouse, office and showroom
- The property comprises a site area of 2.69 hectares and offers high exposure with a 128m frontage to South Pine Road, a high profile main street in Brendale with excellent access to South Gympie Road
- Leased to Modern Star Pty Ltd, one of Australia and New Zealand’s leading partners and suppliers of educational resources to early childhood services, primary schools and before and after school care programs.
- Modern Star has been in occupation of the property since 2003 with an extension to the warehouse occurring to meet their demand for additional warehousing capacity
- Direct access to Brisbane’s major arterial road network and approximately 17kms north of the CBD and 24kms from the Port of Brisbane and Brisbane Airport
- The property benefits from flexible zoning (General Industry Precinct and Mixed Industry and Business Precinct) providing potential redevelopment upside at lease expiry should the tenant vacant