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## Charter Hall Long

### REITs

### HOLD

**CLW A\$4.86**
**TARGET PRICE A\$4.78**

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust (REIT) investing in high quality real estate assets that are predominantly leased to corporate and government tenants on long term leases.

#### Company Data

Number of shares	718.4M
Market Capitalisation	\$3,520.1M
Free float (%)	91.1
12-month high/low	\$5.36/\$4.58
Average Daily Turnover (\$m)	7.512409
% S&P/ASX200	0.166
DDM Ranking	289
% All Ordinaries	0.129
GICS Industry Group	REITs

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	221.7	295.1	317.6	324.9
EBITDA (\$M)	199.6	257.7	279.5	285.7
Reported NPAT (\$M)	618.3	427.7	326.4	300.0
Adjusted NPAT (\$M)	159.0	205.6	220.6	221.6
Reported EPS (c)	111.7	59.5	45.4	41.8
Adjusted EPS (c - FD)	29.2	30.9	31.5	31.5
Adjusted EPS growth (%)	N/A	5.9	1.8	0.0
Adjusted P/E (x)	16.8	15.8	15.6	15.6
Dividend (c/sh)	29.2	30.7	31.4	31.5
Gross yield (%)	6.0	6.3	6.4	6.4
Net yield (%)	6.0	6.3	6.4	6.4
ROIC (%)	3.3	3.5	3.6	3.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## 1H FY22 Results

On 8th February 2022, Charter Hall Long Wale Reit (CLW) announced its 1H FY22 Results with the following highlights:

#### Financial Highlights:

- Operating earnings of \$97.8 million, or 15.31cps, up 5.6% on the prior corresponding period (pcp);
- Statutory profit of \$589.6 million;
- Distributions of 15.24cps, up 5.1% on pcp;
- NTA of \$5.89, up 12.8% from \$5.22 at 30 June 2021;
- \$523 million net property valuation uplift, representing 8.3% uplift for 1H FY22; and
- Balance sheet gearing of 30.8% and look through gearing of 38.1%.

#### Operating Highlights:

- Completed the acquisition of ALE Property Group in partnership with Hostplus;
- \$88 million of Industrial and Logistics property acquisitions;
- Portfolio weighted average lease expiry (WALE) of 12.2 years, providing long-term income security;
- \$7 billion property portfolio, up from \$5.6 billion as at 30 June 2021;
- 52% triple net leases (NNN) across the portfolio, where the tenants are responsible for all outgoings, maintenance and capital expenditure;
- 46% of leases inflation-linked, with a 3.3% weighted average increase in 1H FY22; and
- 54% of leases fixed with an average fixed increase of 3.1%
- Portfolio cap rate firmed 39 bps from 4.77% at 30 June 2021 to 4.38%.
- During 1H FY22, CLW completed \$923 million of new property acquisitions which contributed to enhancing portfolio quality, sector diversification and strengthening the quality and diversification of tenants.

#### FY22 Guidance

- The REIT reconfirms that based on information currently available and barring any unforeseen events, CLW provides FY22 Operating EPS guidance of no less than 30.5 cents, reflecting growth of no less than 4.5% over FY21 Operating EPS of 29.2 cents.

CFO, Mark Fleming, said: "Pleasingly, our earnings per unit forecast for FY22 is now above the pre-COVID level. This has been the result of solid operational performance in a challenging environment and a strong balance sheet enabling investment in acquisitions, developments and funds management. Following the sale of assets to the SCA Metro Fund our gearing will be less than 29%, 70% of our debt will be fixed or hedged and we will have over \$450 million of cash and undrawn facilities."

## Earnings changes

CLW's FY22 EPS guidance of >30.5cps compares to market expectations of 30.9cps. Hence, we do not expect any significant earnings revisions for FY22 and future periods.

## Valuation

We are initiating research coverage on CLW with a 12-month target price of \$4.78 and a HOLD recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

### Conflicts of Interest

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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**Barclay Pearce Capital Recommendation Proportions**

Buy	38.2%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	23.2%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	38.6%	(	0.0% of stocks with recommendations are Barclay Pearce clients)