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Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

## Centuria Office REIT

### Finance

#### UNDERPERFORM

**COF A\$2.24**      **TARGET PRICE A\$1.78**

Centuria Office REIT (COF) offers investors a chance to invest in commercial property via a real estate investment trust.

#### Company Data

Number of shares	595.6
Market Capitalisation	\$ 1334.2
Free float (%)	63.7
12-month high/low	\$2.58/\$1.92
Average Daily Turnover (\$m)	2.516
% S&P/ASX200	0.063
DDM Ranking	388
% All Ordinaries	0.049
GICS Industry Group	Finance

Source: FactSet, Barclay Pearce Capital

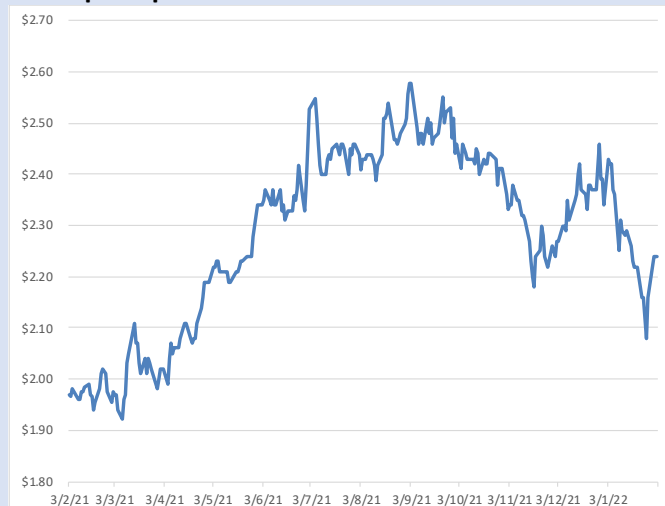
#### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	161.8	141.3	150.6	156.1
EBITDA (\$M)	120.6	119.4	127.6	132.6
Reported NPAT (\$M)	76.9	102.5	113.8	118.9
Adjusted NPAT (\$M)	76.9	99.5	105.5	110.4
Reported EPS (c)	15.0	15.2	16.7	17.4
Adjusted EPS (c - FD)	18.3	20.5	21.1	22.0
Adjusted EPS growth (%)	7.7	3.0	2.7	4.5
Adjusted P/E (x)	11.2	10.9	10.6	10.2
Dividend (c/sh)	16.6	16.5	16.8	17.4
Gross yield (%)	7.3	7.4	7.5	7.8
Net yield (%)	7.3	7.4	7.5	7.8
ROIC (%)	3.9	5.0	5.2	5.4

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

## H1FY22 Results Presentation

On 3rd February 2022, Centuria Office REIT (COF) announced its Half Year Results Announcement with the following highlights:

#### Financial Highlights:

- Upgraded FY22 Funds From Operations (FFO) guidance to 18.3 cents per unit (cpu) ;
- FY22 forecast distributions per unit (DPU) guidance reiterated at 16.6 cpu, reflecting a 7.4% yield;
- \$63.6m statutory net profit;
- \$54.7m FFO;
- Net Tangible Assets (NTA)<sub>4,5</sub> increased to \$2.49 per unit;
- 97.8% average rent collection throughout HY22 ;
- 33.1% pro forma gearing \$127.2m of pro forma debt headroom; 3.9-year weighted average debt expiry;
- \$201m of equity raised and an additional \$100m added to COF's debt facilities;
- Included in FTSE EPRA Nareit Global Developed Index from September 2021.

#### Portfolio Highlights:

- \$28.5m valuation uplift on a like for like basis
- \$273m of strategic acquisitions
- Portfolio increased to 23 high-quality assets worth \$2.3Bn
- Portfolio occupancy increased to 94.3% up from 93.1%; 4.3-year WALE
- 16 years: average building age; 90% of portfolio comprises A-Grade assets
- 18,670sqm leases agreed, representing 6.2% of portfolio's Net Lettable Area (NLA)
- 4.9-Star average NABERS energy rating (by value)
- c.71% of leases expiry at or beyond FY25

Grant Nichols, COF Fund Manager and Centuria's Head of Office, said, "COF delivered a strong performance throughout the first half of the 2022 Financial Year providing an upgraded FY22 FFO guidance of 18.3cpu and a reaffirmed FY22 distribution guidance of 16.6cpu, reflecting a 7.4% yield, paid in equal quarterly instalments. "This pleasing outcome reflects a combination of strong operating metrics and continued leasing momentum across the portfolio. The result has been further illustrated by COF's strong average rent collection of 97.8% and more than 18,600sqm of leases agreed, representing 6.2% of COF's portfolio NLA."

## Earnings changes

COF forecast distributions per unit (DPU) of 16.6 cpu for FY22. This is consistent with the market expectations of 16.5 cpu. Hence, we don't expect any significant earnings revisions for future periods.

## Valuation

We are updating our 12-month target price from \$1.56 to \$1.78 and retaining our UNDERPERFORM 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)