2023 AGM Chairman and Joint CEOs' Addresses

SYDNEY (Friday, 17 November 2023) – Centuria Capital Group (**ASX: CNI**) provides the Chairman and Joint CEOs' addresses for the CNI stapled securityholders' Annual General Meeting ("AGM") for the financial year ended 30 June 2023.

The AGM will be held today, Friday, 17 November 2023 at the Museum of Sydney, on the corner of Bridge Street and Phillip Street, Sydney from 12:00 pm (AEDT). The AGM can also be viewed via a webcast using the following link: https://web.lumiagm.com/330815620.

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

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***Announcement authorised by** Anna Kovarik, Company Secretary.*

About Centuria Capital Group

Centuria Capital Group (CNI) is an ASX-listed specialist investment manager with $21 billion of assets under management (as at 30 September 2023). We offer a range of investment opportunities including listed and unlisted real estate funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

www.centuria.com.au

(ASX: CNI)

Annual General Meeting

CHAIRMAN AND JOINT CEOs' ADDRESSES

Friday 17 November 2023

12:00pm

Chairman’s address: Garry Charny

Good afternoon and welcome. On behalf of Centuria’s Board of Directors and Management, I would like to formally welcome you to our 2023 Annual General Meeting. I am Garry Charny, Chairman of the Centuria Capital Group.

I would like to acknowledge the Gadigal people of the Eora Nation, the traditional custodians of this land on which our AGM is being held and pay my respects to Elders past and present. We also welcome our friends from Aotearoa.

It is my pleasure to introduce, in person, my fellow Board members – Kristie Brown, John McBain, Jason Huljich, John Slater and Peter Done. Susan Wheeldon is attending the meeting virtually.

Whilst we do not find ourselves in a dystopia reminiscent of the hyperinflation years of the Weimar Republic, the year was defined by an historically steep escalation of interest rates as the Reserve Bank increased the official cash rate ten times during the financial year, bringing the policy rate from 0.85% to 4.10%. These increases signalled a departure from COVID-related emergency rates to current levels in a bid to control an inflation rate not seen in decades.

It is hoped that we are at or near the peak of the interest rate rise cycle globally. Either way, FY24 is a transitory period for many businesses as the harsh interest rate cycle tests business models for vulnerabilities. In this context, we believe opportunities are available to quality business models that can absorb these financial conditions and, more specifically, to those which can adapt and diversify quickly to take advantage of rapidly changing market factors.

A benefit of Centuria’s larger and more diversified platform is that the breadth of real estate markets we operate within enables us to use counter-cyclical, strategic growth levers. Having operated for over 25 years in our current iteration, we inherently understand the peaks and troughs that run through both traditional real estate and emerging alternative markets.

In the past year our assets under management grew to $21 billion, of which $20.2 billion was real estate, and Centuria delivered a statutory net profit after tax of $105.9 million and an operating net profit after tax of $115.6 million. This represented an earnings per share of 14.5 cents and a distribution of 11.6 cents per share. These results are all higher than FY22 and in line with guidance. John McBain will elucidate the financial details further in his address.

Appetite from institutional investment grew as Centuria extended its relationship with Morgan Stanley Real Estate Investing. During the previous period, we reported a healthcare-focused joint venture with Morgan Stanley, and it is my pleasure to announce that in FY23, another venture partnership was established between Morgan Stanley and CIP called the Centuria Prime Logistics Partnership. Centuria continues to explore further institutional partnerships whilst seeking to expand its existing mandates, including those within the retail and office sectors.

In office, the work from home phenomenon is slowly become more transparent and the arguments more grounded. There are advocates on both sides and unquestionably what offices will look like in a decade will change. However, there does seem to be growing unanimity that building the culture of a business is well-nigh impossible when people cannot sit and meet in person. Whatever one’s view, work from home has reshaped the industry with businesses opting for accommodation more conducive to collaborative areas and building amenities that facilitate a better work-life balance with sophisticated end-of-trip facilities and concierge-curated community events. These initiatives are strategically designed to draw workers back into the office to enhance productivity. Centuria, with the benefit of managing the bulk of its own properties, has acted promptly and successfully on this and it is pleasing to note that, as at 30 June 2023, Centuria’s Australasian office portfolio has an occupancy of 97% across the COF portfolio and 94% across the entire office portfolio.

Interestingly, our 2023 Office Tenant Survey results showed approximately 75% of respondents anticipate retaining or increasing their space requirements throughout the medium-term.

Sustainability

During the year, Centuria furthered its commitment to environmental, social and governance initiatives, including the formal launch of our ESG Policy, which was detailed in our recently published, FY23

Sustainability Report. As Centuria evolves, so too does our commitment to the communities in which we operate.

We continue to be committed to improving diversity within the Group and I am indebted to Susan Wheeldon as Chair of the Culture and ESG Committee, who has ensured that we will be putting appropriate metrics around all our targets to ensure they can be both managed and measured.

From a more holistic perspective, during the year the Board and Management also examined the identity of our broader Group following the successful integration of Heathley, Augusta Capital, Primewest and Bass Capital. To ensure that we are a cohesive and focused unit, we analysed our corporate strategies to focus our raison d'etre.

It came down to this – "*We transform real estate opportunities into compelling investments, which create sustainable long-term value for our stakeholders and the communities in which we operate."* This statement is fundamental to our approach and how we wish to be perceived in the market. It underpins our attention and intention to deliver results for you, our Securityholders.

Talent and leadership

We are focused on ensuring that our employees work in a safe, supportive, and challenging environment. It is therefore pleasing, and important, that Centuria was named as part of the 2023 AFR Best Places to Work in Australia and New Zealand. Specifically, we were placed amongst the top 10 best places to work within the property, construction, and transport category. This external endorsement further supports the positive responses from our 2023 Engagement Survey, which incorporated feedback from over 90% of our workforce.

Some of the new internal programs introduced throughout the year included mental health workshops as part of a wider employee mental health initiative, education workshops, a new manager orientation program, a new starter buddy program and interview / recruiting training. We also continue to foster emerging talent and build internal succession capability through the Group's leadership program.

As markets become more challenging, we recognise it is crucial to continue the development of our personnel and to retain an experienced, exceptional team. With leaders such as John and Jason, our Joint CEOs, Andrew Hemming (our Healthcare Managing Director), Mark Francis (Centuria NZ CEO), and Nicholas Goh and Giles Borten (Centuria Bass Credit Joint CEOs), the Board and I remain confident in our team's abilities to navigate through the challenges that lie ahead in FY24.

If I might digress for a moment, and deal with a subject often raised in discussions with our Securityholders and others – the Joint CEO structure. I have no hesitation in restating that the complementary, almost symbiotic, skills that both John and Jason possess, makes the Joint CEO structure one of your Board's best decisions. We have not added layers of internal management and they continue to work in discrete areas whilst collectively implementing the Board's overarching strategy.

Conclusion

Before I hand over to John and Jason, I'd like to emphasise the depth of Centuria's experience in operating throughout various property cycles and economic environments. The disciplines learned during these periods, and the lens that the Board and Management bring to vetting new opportunities, and to capital management, have been well integrated into our risk framework. This is coupled with our ability to execute on new opportunities with alacrity. To that end, it is worth mentioning the creation of our most recent Special Opportunities Fund, designed to take particular advantage of opportunities arising out of the current economic climate.

In closing, I would like to thank my fellow Board members at both the Group and Responsible Entity level as well as the wider Management in Australia, New Zealand and The Philippines. This is a group of hard working, well-motivated people who discharge their responsibilities with great care and pride.

In particular, I'd like to recognise Peter Done who is retiring from the Centuria Board. Peter has been Chair of our Audit, Risk and Compliance Committee for as long as I have been Chairman and for some time before that. His contribution has been extraordinary, and his diligence and quiet assurance has made Centuria a better company. I am pleased that he will not be lost entirely as Peter will retain his ongoing directorships of the Responsible Entities for COF and CIP. We have been carrying out an exhaustive search to find a replacement for Peter – no easy task. I am pleased to say that search has almost concluded, and I am hopeful of announcing the appointment of a new director shortly. In the meantime, I am indebted to Kristie Brown for agreeing to take on the mantel of Interim Chair of our Audit, Risk and Compliance Committee.

Finally, on behalf of the entire Board and Management, I extend my sincere thanks to you, our Securityholders. Your support is never taken for granted and we remain committed to the task at hand.

I would now like to invite John McBain to deliver his Joint CEO Address.

Joint CEO's address: John McBain

Thank you, Mr Chairman, and good afternoon everyone.

Jason Huljich and I, as Joint CEOs, welcome you all to Centuria's 2023 Annual General Meeting. We also recognise the Chairman's acknowledgement of the traditional Australian and New Zealand landowners.

It is my pleasure to address Centuria's financial performance and corporate activities. I will also provide an update on our market outlook, which will be followed by Jason's address detailing Centuria's funds management and real estate activities during the year.

It is common knowledge that geo-political impacts, in addition to the lingering effects of the pandemic have impacted global economic confidence and disrupted financial markets. Australia and New Zealand were not immune to these global conditions, and we experienced both high inflation and steep cash rate rises.

Bond yields have risen to levels not experienced in 15 years and all these factors have led to increased volatility across the wider ASX 200 real estate indices and challenging conditions for all companies.

However, these are the cards that everyone has been dealt – and you want to hear what we are doing to react to these conditions in a positive and constructive manner, rather than some sort of apologist report. Today you will receive the former, not the latter.

The Centuria Management team has never worked harder to deliver earnings and they are dedicated to maximise financial results despite the prevailing financial conditions. I have never been more proud of this team.

Let me begin with an overview of Centuria's financial performance during FY23.

Financial results

During the period, Centuria's growth was a function of strong recurring earnings, which account for 91% of total revenues. This was complemented by the continued execution of our diversification strategy, resulting in Group assets under management (AUM) increasing to $21 billion. Despite the prevailing macroeconomic conditions, the Group has remained strong due to its scale and diversification.

Centuria delivered a statutory net profit after tax of $105.9 million, an operating net profit after tax of $115.6 million being 14.5 cps as well as declaring a distribution of 11.6cps, these results are all higher than FY22 and in line with guidance.

We also delivered a record operating EBIT of $166.8 million, up 7.5% on FY22. Property funds management operating EBIT increased 6% to $84.1 million, underpinned by the full year impact of our platform expansion in the previous trading periods.

Transaction fee income of $26 million was generated from $2.4 billion of total transaction activity during the year while performance fees of $28.5 million were also booked. As at balance date, the Group recorded $126 million of embedded latent unrecognised performance fees.

Co-investment earnings increased 8% to $52.4 million, reflecting the increased capital deployed to support our unlisted funds business. I'd also note that corporate overheads were substantially reduced during the year, primarily through initiatives deployed across travel, consulting, and other controllable expenditures.

Significantly, property development revenue experienced considerable growth of 45% to $9.4 million, underscoring the talent of the in-house development team who leveraged its active project pipeline and delivered profits on recently completed developments, despite challenging market conditions.

Our real estate finance venture, Centuria Bass, also significantly increased operating profitability by 61% to $6.6 million, reflecting its substantially increased loan book. This division is very counter cyclical in nature and it is experiencing buoyant operating conditions.

Throughout FY23, Centuria increased its funding optionality with a new five-year $50 million debt facility secured in addition to refinancing $67 million in near-term maturities. As at financial year end, Centuria lowered its operating gearing ratio to 10.6%, while realising $237 million of cash from the sale and recycling of balance sheet assets.

Importantly, Centuria's balance sheet is positioned to fund organic growth with $329 million of cash and undrawn debt as at balance date. Centuria benefits from a net operating interest cover ratio of 5.0 times, which despite recent increases in financing costs, represents a significant buffer above our covenant requirements of 2.0 times.

Finally, the Group recorded a net asset value of $1.77 per security as at 30 June 2023, up four cents per security on FY22.

Systems and processes

Our CFO, Simon Holt, is accountable for the Group's cyber security and the systems and processes. During FY23 we have continued to comply with the requirements of CPS 234 and have remained ahead of our peer group. We also continued rolling out resilience and penetration testing, which improves our overall cyber security posture and maturity.

Additionally, the Group has continued on its path of enhancing its systems and processes by modifying existing systems and improving available reporting and training to deliver better utilisation of our business platforms. This continued focus and evolution of our infrastructure is critical in ensuring superior risk management as well as more efficient and targeted business decision making.

Sustainability

This leads us to the Group's sustainability initiatives.

During the period, we released our third Sustainability Report. In addition, we launched new sustainability targets including:

- Targeting Zero Scope 2 emissions by 2035
- Eliminating gas and diesel, where practicable, by 2035 from equipment owned and operated by the Group.
- Preparation for the impending International Financial Reporting Standard's sustainability disclosures with further investment in enhanced data collection, storage, and reporting systems.

Centuria has continued its 10-year support of St Lucy's School in New South Wales, which provides education to students with disabilities. Additionally, we supported a range of charities with relevance to the local communities in which we operate nationwide.

The Group supports a diverse workplace culture, and we are proud to have increased female participation in our workforce to 45%. We have continued our intern program and, in addition, during FY24 we are implementing a new scholarship program. These initiatives are designed to raise awareness of the opportunities for young people in the financial services sector and also provide an important pathway for us to continue broadening diversity within the business.

Finally, our employee engagement surveys during the period disclosed that 88% of staff members are proud to work at Centuria. This comes back to our focus on retaining and developing our in-house talent and succession planning.

Turning to our market outlook.

Market outlook

Centuria's reputation as a fund manager is built on our ability to adapt to market changes by unlocking innovative new products. We have a strong focus on alternative, well-performing real estate sectors to expand our platform and deliver diversified income sources – this is one of Centuria's 'points of difference'. In addition to our recent success in alternative sectors, we will continue to harness the strong tailwinds from the industrial sector.

We want to ensure we are well positioned to continue our upward growth trajectory as markets normalise, which we refer to as our 'through cycle' approach. We believe the likely cessation of the upward trend in global interest rates during calendar FY24 will provide the catalyst for improved sentiment for many Australian business sectors including real estate.

We need to navigate what will be a challenging FY24. At Centuria, we are confident that our strategy of entering alternative sectors will continue to support strong revenue flows and we are very positive about our ability to find value in any distressed sectors. Our strategy remains focussed on ensuring our substantial embedded management fee revenues are protected and are supplemented by new alternatives in the credit and agriculture sectors. Our industrial assets continue to perform in what is by any measure a stand-out real estate sector at present.

Centuria confirms its FY24 guidance being an operating earnings range of 11.5 to 12.0 cps and distribution guidance of 10.0 cps.

Before I pass over to Jason, I would like to thank our team across Australia, New Zealand and The Philippines for their loyalty and dedication throughout a challenging trading period. Similarly, thanks to our Chairman and Board of Directors across the Group and Responsible Entity Boards as well as our external committees whose guidance and support are invaluable to the company's success.

I want to add a personal note of thanks to Peter Done who retires from the Centuria Capital Board today. Peter has been an outstanding director in relation to discharging his duties both on the Board itself and, in particular, the Audit and Risk Committees.

Moreover, Peter has been instrumental in the growth of Centuria from very small beginnings over 10 years ago to the size of the company today. Peter is well liked by both his fellow directors and the Management team and I am delighted that Peter will remain on both REIT's Responsible Entity Boards.

Peter, on behalf of Jason and I and the entire Management team, thank you for your wise counsel and the incredible effort you have put in to help make Centuria what it is today.

Finally, thank you, our Securityholders, for your ongoing confidence and support. I look forward to updating you throughout FY24.

It is now my pleasure to hand over to Jason Huljich.

Joint CEO's address: Jason Huljich

Thank you, John.

Let me begin with an overview of our funds management division.

Funds management

As market conditions across Australia and New Zealand evolved throughout FY23, Centuria's suite of investment products were broadened to match investor appetite. It was pleasing to see our unlisted platform, which comprises two-thirds of our real estate AUM, benefitting from $600 million of capital inflows during the year.

This is testament to Centuria's resilient retail distribution network and long-term track record. The Group's ability to create and raise equity for new unlisted funds, in these challenging periods, was exemplified by the successful launch and growth of our $324 million Centuria Agriculture Fund.

On the institutional investment front, Centuria continued to expand its partnerships, up 11% over the year to $2.1 billion.

Real estate platform

In terms of asset sector exposure, only a third of the Group's platform comprises office assets while the remainder is exposed to industrial, retail and alternative property sectors. Centuria has rapidly expanded its new alternative sectors with real estate credit increasing 59% and agriculture by 33%, resulting in $1.4 billion of gross real estate activity, together with a $1.6 billion development pipeline. I'll come back to these sectors in a moment.

Across our broad real estate platform, we delivered robust fundamentals during the period, including a high 97% occupancy rate and a 6.1-year weighted average lease expiry. We own approximately 420 assets, leased to over 2,500 tenants. During the year we agreed lease terms for more than 548,000sqm of space, across 542 individual transactions, representing 13% of our total platform. Rent collections remained high at 99% with record low arrears. Significantly, at the close of FY23, our weighted average capitalisation rate across the Group, was 5.81%.

I would now like to take a few minutes to discuss the depth of our diversified real estate portfolio.

Office

Centuria's office portfolio provides a high 94% total occupancy rate and remains exposed to Australia's better performing office markets. There remains a bifurcation within domestic markets based on asset size, quality and leasing risk. With Centuria's average office value, of less than $100 million, its assets provide exposure to a deeper transaction pool. Throughout FY23, Centuria divested five office assets at an average 4.5% premium to prior book value, demonstrating investment appetite for smaller metropolitan and near city office assets. In terms of acquisitions, during FY23 we secured a 50% interest in the Allendale Square office tower in Western Australia, for an unlisted wholesale fund.

Industrial

On the industrial front, the domestic market continues to provide strong tailwinds with Australia having the lowest vacancy rate, globally, at less than 1%. Centuria's $6 billion industrial portfolio is strategically positioned within urban infill markets, where occupier demand remains highest and land is most constrained. During the period, rental levels from our industrial assets improved significantly, particularly in the second half of the year with average re-leasing spreads reaching 37% in the CIP portfolio. During the period we secured several industrial assets for both Australian and New Zealand unlisted funds.

Retail

Centuria's $3.2 billion retail portfolio is exposed to daily needs retail, underpinned by non-discretionary spending, and large format retail, aligned to household needs. Approximately 44% of Centuria's daily needs portfolio income is derived from supermarkets, providing a resilient cashflow. The Group's large format sites have low site coverage which, like industrial property, provides value-add opportunities. Average re-leasing spreads for the Australian large format portfolio were up to 11%, including 8% for existing tenants and an impressive 24% for new leases. During the period, we expanded our unlisted daily needs portfolio with two wholesale funds, which were fully subscribed.

Healthcare

Moving to healthcare. Approximately half of Centuria's $1.7 billion healthcare platform comprises short-stay and day hospitals, making Centuria one of the largest, non-operator landlords in Australia. Our healthcare facilities lend themselves to operational efficiencies, leading to better patient outcomes and cost efficiencies. The Group's in-house development team is currently progressing a $360 million development pipeline for our unlisted healthcare funds.

Agriculture

Across Centuria's $530 million agriculture platform, we have focused on precision farming assets – and more specifically protected cropping. The three agricultural assets acquired in FY23 are high quality glasshouses, lending themselves to highly sustainable farming methods. Centuria is now Australia's leading large-scale glasshouse landlord. During the year the unlisted open-ended Centuria Agriculture

Fund acquired two additional glasshouses, for a combined $143 million and the Centuria NZ Agricultural Property Fund launched, seeded with an $18 million glasshouse.

Credit

Last but not least, our $1.3 billion real estate credit platform experienced significant growth, as the property industry looked to non-bank financing, as the major banks tightened their lending criteria. We provide loans to developer and investor clients and we develop debt fund opportunities for our wholesale investor clients. During FY23, Centuria Bass launched four single-asset wholesale credit funds, which were fully subscribed, in addition to expanding our two open-ended credit funds. We anticipate that during FY24, demand for our Centuria Bass credit funds, from our HNW distribution network, will be significant and we believe this will be an important revenue-driver for the Group.

Development

We have a highly capable, award-winning in-house development team, who delivers modern and sustainable properties in the aforementioned property sectors. During FY23, Centuria delivered $400 million of projects throughout Australia and New Zealand. Projects such as property upgrades, refurbishments, and redevelopments, as well as new assets were delivered for the Group's listed and unlisted funds. Our team is currently progressing $820 million of committed projects alongside a further $810 million of future projects.

Conclusion

In summary, Centuria continues to actively manage a high-quality, sustainable portfolio throughout Australia and New Zealand, across a broad range of sectors, which are supported by a diverse range of tenant customers. These assets are held within well-managed funds across the listed and unlisted markets, to the benefit of retail, wholesale and institutional investors. Our access to a diversified range of capital sources, assists us to grow our assets under management, with a strong focus on earnings growth. We are committed to being a best-in-class Australasian real estate funds manager.

Looking to FY24, the Group is leveraging its diversification and scale as we carefully navigate global economic conditions. FY24 commenced with a sharp focus on the industrial and alternative real estate sectors.

Recently, we provided a market update, noting the Group's performance for the three months to 30 September 2023. Some notable points include:

- Group AUM lifted to $21.1 billion, comprising $14.1 billion of unlisted real estate, $6.2 billion of listed real estate and $0.8 billion of investment bonds.
- We executed $335 million of gross real estate activity within the first quarter.
- We reaffirmed our FY24 operating EPS guidance of 11.5-12.0 cents per security and distribution guidance of 10.0 cents per security.

During the first quarter, we continued to introduce new product offerings and capital sources to our unlisted real estate division, including:

- Securing a $500 million institutional mandate on behalf of Starwood Capital, known as the Last Mile Logistics Partnership. It's also pleasing to note that we have already filled over $145m of this new mandate and have a pipeline of exciting opportunities.
- Our expansion into real estate credit has been particularly strong with $238 million of growth. Since Centuria Bass Credit formed, its AUM has increased from circa $270 million in 2021 to $1.5 billion today.
- We have recently launched the wholesale, Centuria Select Opportunities Fund, which will operate a high conviction, co-investment strategy, targeting medium term counter-cyclical opportunities across diverse property sectors and debt.
- Our NZ business is tailoring HNW total return funds under the Centuria Private Partners banner. The first closed-ended wholesale fund intends to acquire an Auckland based asset to be repositioned into a high-end storage facility.

Additionally, our listed REITs, CIP and COF, announced solid Q1 FY24 operating updates, which included:

- CIP's re-leasing spreads accelerating to 48% across 53,000sqm of leasing, with the portfolio recording 99% occupancy and a 7.8-year WALE.
- CIP continues to unlock its embedded value with over 57,000sqm of development projects due for practical completion in Q2 of FY24.
- COF continues to demonstrate solid operational performance, recording 97% occupancy and a WALE of over four years.
- And approximately $100 million of combined divestments were executed and the proceeds were used to strengthen COF and CIP balance sheets through debt repayment.

Finally, I would like echo John's early comments and thank our Chairman, the Directors of the Group and our Responsible Entity Boards as well as my fellow Joint CEO, John McBain. John and I have worked in partnership for nearly three decades, and it is an honour to continue to work alongside him.

Sincere thanks also to you, our Securityholders, for the confidence you place in Centuria and your enduring support.

I will now hand back to the Chairman.

-ENDS-