

HALF-YEAR RESULTS FOR PERIOD ENDED 31 DECEMBER 2023

Overview

- Statutory loss of \$271.4 million (HY23 \$129.5 million loss), impacted by a \$240.2 million decline in property valuations
- Operating profit of \$83.7 million (HY23 \$87.1 million), equivalent to 3.2 cents per security, was marginally down as a result of asset sales
- On a like-for-like basis, Net Operating Income of the Australian Investment Portfolio was up 1%
- HY24 distributions of 1.58 cents per security, reflects a payout ratio on adjusted funds from operations ('AFFO') of 62.6%
- Net Tangible Assets per security of \$0.72 (FY23 \$0.84), with gearing at 44.7% (FY23 42.6%)
- Total assets under management of \$11.4 billion (FY23 \$11.5 billion)
- Investment portfolio occupancy of 93.4%, with a WALE of 5.3 years
- Leasing markets remain active, with key leasing initiatives keeping occupancy strong

Continued focus on debt reduction and delivering stable income returns.

Cromwell Property Group (ASX:CMW) (Cromwell), today announces its results for the half-year ending 31 December 2023.

Persistent pressure on valuations both locally and in Europe was the major contributor to the statutory performance of the business and the decline in net tangible assets. In the six months to 31 December 2023, there were unrealised fair value reductions of \$195.7 million (-7.5%) across the Australian Investment Portfolio and \$44.5 million (-8.1%) for the Cromwell Polish Retail Fund (CPRF) Sale Portfolio¹.

Cromwell commenced its asset sale programme in late 2021, prior to the expansion of capitalisation rates. Since then, we have completed or contracted over \$584 million of asset sales, largely at or above book value, with a further \$528 million anticipated to complete by June 2024, totalling \$1.1 billion.

At the commencement of Cromwell's asset sale programme, gearing was outside target range at 41.8%. The \$584 million of completed or contracted assets sales has mitigated the impact of market valuation declines, however gearing still sits outside target range at 44.7%. On completion of the sale of CPRF, gearing is expected to return to within target range at 34.1%.

¹ Represents CPRF assets for sale, excluding Ursynów.

Dr Gary Weiss, Cromwell Chair, commented: “The current operating environment continues to be challenging with higher interest rates impacting the real estate sector. We remain focused on strengthening our balance sheet through prudent capital management and lowering our net debt position.

Despite the challenges, we continue to drive positive like-for-like net operating income growth and maintain solid occupancy rates across Cromwell’s Australian Investment Portfolio. In Europe, the funds management business contributed to earnings growth through mandate investments, notwithstanding restrained transaction volumes.”

The Australian Investment Portfolio

Like-for-like net operating income in the Australian Investment Portfolio was up 1%, reinforcing the ongoing income stability of the portfolio through the current market cycle. Operating earnings were down 3.2% on the prior corresponding period to \$78.0 million, driven by asset sales, which was partially offset by an uplift in rental income.

Occupancy and weighted average lease expiry remained healthy at 93.4% and 5.3 years respectively. This high-quality portfolio offers attractive sustainability credentials and strong tenant relationships, which resulted in continued leasing success with approximately 12,000 sqm leased over the period.

While the trend towards flexible working arrangements has presented a challenge for landlords of office property, the market shows signs of stabilising, with evidence of stronger leasing demand from small to medium-sized occupiers, who made up the bulk of the new leases signed throughout the period.

Fund and Asset Management

Third party assets under management were \$8.3 billion made up of \$5.9 billion assets under management in Europe and \$2.4 billion in Australia and New Zealand.

In Europe, earnings were up 36.2% on HY2023 due to higher leasing fees and positive foreign exchange impacts. Cromwell remains an active buyer, with new mandates from institutional capital partners for logistics assets, while the Cromwell European REIT (CEREIT) continues its pivot to owning majority logistics assets, leveraging continued tenant demand for this asset class.

Locally, Australian and New Zealand fund management activities slowed somewhat, with more limited inflows and valuation declines impacting Cromwell’s fund management fees.

Co-investments

The Cromwell Direct Property Fund has been impacted by 8.4% valuation headwinds, with Cromwell’s 4.2% position in the fund valued at \$13.6 million. Distributions for the period remained consistent at \$0.5 million.

The share of operating profit from Cromwell’s 27.8% holding in CEREIT was marginally up at \$20.3 million. Over the 6 months, the value of CEREIT’s portfolio was down marginally to €2.3 billion (-1.5%). Income grew 4.1% over the prior corresponding period on a like-for-like basis and leasing renewals drove a 5.7% increase in total portfolio rent reversion.

The Cromwell Italy Urban Logistics Fund continues to provide stable returns from the sole tenant, DHL, returning a \$1.0 million share of earnings for the half-year, following the completion of a 50% sale to a joint venture partner.

CPRF portfolio income was up 31.3%, underpinned by higher rental income and positive foreign exchange movements over the six months. The sale of the CPRF Sale Portfolio² is ongoing with a letter of intent signed and the purchaser having made a binding commitment to complete the deal on agreed terms subject to finance and no material adverse changes, backed by a material deposit. Cromwell anticipates completion on agreed terms in fourth quarter of financial year ended 30 June 2024.

Outlook

Commenting on the outlook Jonathan Callaghan, Cromwell Chief Executive Officer, said: “The remainder of the financial year will focus on business simplification and completing the current stage of our asset sale programme, including the sale of CPRF.

“We remain committed to preserving and growing securityholder value over time. Our core priority is to have a strong balance sheet by continuing to reduce debt to alleviate gearing pressures, along with ensuring we can continue to deliver stable income from our investments.

“As the market starts to recover, we anticipate being in a position to explore value accretive opportunities to provide longer term growth for our securityholders,” he said.

Authorised for lodgement by Jonathan Callaghan (Managing Director/Chief Executive Officer) and Michael Foster (Company Secretary and Senior Legal Counsel).

Ends.

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ABOUT CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a real estate investor and fund manager with operations on three continents and a global investor base. As at 31 December 2023 Cromwell had a market capitalisation of approximately \$1.1 billion, an Australian investment portfolio valued at \$2.4 billion and total assets under management of \$11.4 billion across Australia, New Zealand and Europe.

² Represents Cromwell Polish Retail Fund assets for sale, excluding Ursynów.