

## Centuria Industrial Reit (CIP)

### Real Estate

### BUY

**CIP A\$3.235**
**TARGET PRICE A\$3.65**

Centuria Industrial REIT (CIP, formerly 360 Capital Industrial Fund) is a property investment and funds management group that concentrates on the strategic investment and active investment of property and property related assets. Centuria Property Funds No. 2 Limited is the responsible entity of the Fund. The portfolio consists of 49 Properties with 96.4% of Occupancy.

### Company Data

Number of shares	509.1M
Market Capitalisation	\$1639.40
Free float (%)	80.8
12-month high/low	\$3.75/\$2.27
Average Daily Turnover (\$m)	8.3258
% S&P/ASX200	0.10%
DDM Ranking	382
% All Ordinaries	0.08%
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	90.6	120.8	127.9	132.1
Reported NPAT (\$M)	75.3	93.0	104.5	113.4
Adjusted NPAT (\$M)	75.3	84.3	88.2	95.0
Reported EPS (c)	22.0	20.1	22.4	25.8
Adjusted EPS (c - FD)	18.1	17.4	17.9	18.6
Adjusted EPS growth (%)	-2.5	-3.9	2.5	3.9
Adjusted P/E (x)	17.7	18.5	18.0	17.3
Dividend (c/sh)	18.5	17.0	17.7	18.4
Gross yield (%)	8.2	5.3	5.5	5.7
Net yield (%)	5.7	5.3	5.5	5.7
ROIC (%)	4.8	4.2	4.3	4.5

Source: Barclay Pearce Capital

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

### Share price performance



Source: FactSet, Barclay Pearce Capital

## Q1 FY21 Operating Update

On 15 October 2020 Centuria Industrial Reit (CIP) announced a FY21 Operating Update with the following highlights:

- Reaffirmed FY21 FFO guidance of 17.4 cents per unit (cpu) and distribution guidance of 17.0 cpu;
- Acquired six high-quality industrial assets for \$523m;
- 96.5% portfolio occupancy and a substantial Weighted Average Lease Expiry (WALE) of 10.0 years;
- 45,318sqm (4.5% of portfolio GLA) of lease terms agreed;
- Average 97% portfolio rent collection over the six months to September 2020;
- Market relevance solidified with inclusion in the S&P/ASX200 Index;
- **Capital Transactions:**
  - Telstra Data Centre, Clayton, VIC for \$416.7m secured with a 30-year triple net lease on sale and leaseback;
  - \$43m modern cold storage facility at 1 Lahrs Road, Ormeau, QLD with 100% occupancy and 6.5 year WALE to Markwell Cold Storage;
  - Four fit-for-purpose industrial assets for \$63m with 100% occupancy, average WALE of 7.3 years and initial yield of 6.0%;
- **Property portfolio and leasing:**
  - Terms were agreed or leases completed for more than 45,318sqm, representing approximately 4.5% of the portfolio GLA;
  - The majority of the deals during the quarter were renewals. The portfolio remains in a strong position with just 4.4% of leases expiring during the remainder of FY21;
  - Portfolio occupancy remains high at 96.5% with a substantial WALE of 10.0 years;

### Outlook

- FY21 FFO guidance of 17.4 cpu and distribution guidance is reaffirmed at 17.0 cpu, subject to no further changes in circumstances;
- The COVID-19 global pandemic continues to create international uncertainty. CIP's Task Force continues to engage with tenants;
- Post equity raise and new debt, CIP remains in a strong position with a healthy balance sheet and significant headroom to debt covenants.

## Earnings changes

Reaffirmed guidance of 17.4 cpu as compares to market expectations of 16.8 cpu market expectations. In addition, distribution guidance was at 17cpu, as compared to 17.5cpu, which was below market expectations. Hence, we expect positive earnings revision of the order of 3.5-4.0%.

We initiate on CIP with a 12-month price target to \$3.65 and a BUY recommendation. The price target is underpinned by our DDM 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 (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 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.

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