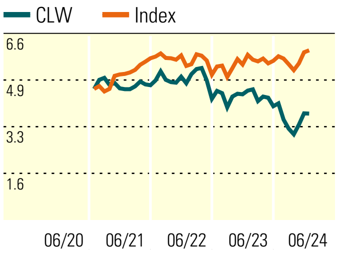
Charter Hall Long Wale REIT CLW ★★★★ (4:00PM 31-Jan-2024)

Snapshot

Fair Value Uncertainty	Medium
Moat Rating	None
Fair Value $	5.10
Capital Allocation	Standard
Market Cap $Mil	2,711
Morningstar Style Box	
Price $ (4:00PM 31-Jan-2024)	3.75
52 Week High/Low $	4.78/2.98
Shares Issued Mil	723
Morningstar Sector	Real Estate
Morningstar Industry	REIT - Diversified
GICS Sector	Real Estate

Price vs. Market



	06/22	06/23	06/24e	06/25e
NPAT ($Mil)	207.2	202.4	188.1	185.8
EPS ¢	30.5	28.0	26.0	25.7
EPS Chg %	4.5	-8.2	-7.1	-1.3
DPS ¢	30.5	28.0	26.0	25.7
Franked %	0.0	0.0	0.0	0.0
Div Yld %	6.1	6.4	6.9	6.9
P/E x	16.3	15.6	14.4	14.6

Source: Morningstar estimates 05-Nov-2023 .

Profile

Charter Hall Long Wale REIT (CLW) is involved in property investment. CLW consists of the securities of the two Australian registered schemes listed below: Charter Hall Direct Industrial Fund and its controlled entities and LWR Finance Trust and its controlled entity. It 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.

Investment Perspective by Alexander Prineas

11-Dec-2023

CLW has one of the longest lease profiles of any REIT. This could be viewed as a drawback, given long leases are akin to bond proxies, and therefore a negative in an environment of higher interest rates. However, we view CLW's lease profile as attractive. About half the REIT's rent is linked to inflation, which means it achieves significant rental uplifts while inflation is high. And about half of the leases are triple-net, which means tenants pay the property costs. Long leases to strong tenants are also a welcome advantage should the economy enter recession.

Research Archive

Time	Date	Rating	Price $	Event
4:00PM	15-Dec-2023	★★★★	3.81	$
Price move through trigger level				
1:27AM	12-Dec-2023	★★★★★	3.58	Research Report
Australia's Population Growth Will Continue to Buoy Rents; Fair Value Estimates Maintained for REITs				
10:38AM	06-Nov-2023	★★★★★	3.27	Research Report
Charter Hall Long Wale REIT: Property Revaluation and Rental Uplifts Adds Some Covenant Headroom				
4:00PM	22-Sep-2023	★★★★★	3.39	$
Price move through trigger level				
10:21PM	08-Aug-2023	★★★★	3.80	Research Report
Charter Hall Long WALE REIT Earnings: Pressure Should Fade by 2027, Once Interest Costs Peak				

$ = Price Move = Research Report

Financials

Financials	06/21	06/22	06/23	06/24e	06/25e
Sales Revenue ($Mil)	503.7	691.0	178.5	352.0	364.1
EBITDA Margin %	126.0	135.7	-73.5	75.4	75.4
EBIT ($Mil)	638.5	944.9	-129.7	267.1	276.2
EBIT Margin %	91.1	90.7	60.9	75.9	75.8
Adjusted NPAT ($Mil)	159.0	207.2	202.4	188.1	185.8
Reported NPAT ($Mil)	618.3	911.9	-189.0	189.8	187.4
Earnings Per Share ¢	29.2	30.5	28.0	26.0	25.7
Avg no. of Shares ($Mil)	544.5	679.4	723.0	723.0	723.0
Book Value Per Share ¢	604.8	646.7	553.6	553.9	554.1
Net Operating Cashflow ($Mil)	0.1	0.1	0.1	172.1	185.4
Capex ($Mil)	-1,067.3	-327.4	46.9	-24.5	-24.7
Free Cash Flow ($Mil)	-883.3	-115.9	284.8	224.9	249.5

Key Dates

Fiscal Year End	30 Jun	AGM	21 Oct 2021
Listing Date	19 Oct 2016	DRIP	Active

Equities Research Methodology and Disclosure

We believe that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star, or Buy-rated, stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star, or Sell-rated, stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts. In this document, we provide a detailed overview of how the Morningstar Rating for stocks is derived, and also outline the analytical work that feeds into our coverage of stocks.

Morningstar's Economic Moat™ Rating

Moat is a proprietary Morningstar rating that measures a company's sustainable competitive advantage, if any. An economic moat enables a company to generate returns on invested capital above its cost of capital for a long period of time. Morningstar has identified five sources of economic moats: intangible assets, customer switching costs, cost advantages, network effects, and efficient scale. Morningstar assigns stocks one of three moat ratings: wide moat (companies with the longest-lasting competitive advantages), narrow moat (those with less durable competitive advantages), and no moat (those with no sustainable competitive advantage).

Determining Fair Value

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' independent primary research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process.

The Uncertainty Rating

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. Analysts use the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Our Uncertainty Rating is meant to consider anything that can increase the potential dispersion of outcomes for the intrinsic value of a company, and anything that can affect our ability to predict these outcomes accurately. These can include cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes. We have five different ratings: Low, Medium, High, Very High, or Extreme. Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases.

Generating the Morningstar Star Rating

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the recommendation, or star rating, is automatically re-calculated at the market close on every day the market is open. Lower price/fair value ratios (<1.0) lead to positive recommendations while higher price/fair value ratios (>1.0) lead to negative recommendations.

Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted. Furthermore, we would expect our fair value estimates to generally rise over time, due to the time value of money. Specifically, over the course of a year, barring major changes to analyst assumptions, we would expect our fair value estimates to increase at the level of our estimate of a firm's cost of equity (net of shareholder returns attributed to dividends). So, for a stock that pays no dividends with a $100 fair value estimate today and an estimated 10% cost of equity, we would expect our fair value estimate to rise to $110 in 12 months, all else equal.

It is also worth noting that there is no predefined distribution of our recommendations. That is, the percentage of stocks that earn a Buy rating can fluctuate daily, so the recommendations, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many Buy-rated stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

Our recommendations /star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential. This rating encourages investors to consider an overweight position in the security relative to the appropriate benchmark.

★★★★ Appreciation beyond a fair risk-adjusted return is likely, in our opinion. This rating encourages investors to own the firm's shares, possibly overweight relative to the appropriate benchmark after fully considering more attractively priced alternatives, such as our Buy recommendations.

★★★ Indicates that we believe investors are likely to receive a fair risk-adjusted return (approximately cost of equity). Concentrated portfolios might consider exiting these positions if more attractively priced alternatives are available.

★★ We believe investors are likely to receive a less than fair risk-adjusted return and should consider directing their capital elsewhere. Securities with this recommendation should generally be underweight, assuming less expensive alternatives are available for the portfolio strategy being employed.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss. This rating encourages investors to strongly consider exiting portfolio positions in the security in nearly all strategies.

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