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GMT strategy focused on Auckland industrial property

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Release	Immediate

Goodman (NZ) Limited, the manager of Goodman Property Trust ("GMT" or "Trust") is pleased to announce the Trust's financial results for the year ended 31 March 2018.

The successful execution of the Trust's asset sales programme and the reallocation of capital into its growing development pipeline is focusing investment in the strongly performing Auckland industrial market. This strategy is strengthening the balance sheet and contributing to GMT's strong financial and operational results.

Highlights for the period include:

+ A statutory profit of $207.2 million before tax (including look-through[1] valuation gains of $106.3 million), compared to $220.5 million (including look-through valuation gains of $114.7 million) previously.
+ Operating earnings[2] of $119.1 million before tax or 9.25 cents per unit, compared to $121.7 million achieved in the previous period.
+ Cash distributions of 6.65 cents per unit, representing around 95% of GMT's cash earnings[3] of 6.99 cents per unit.
+ Contracted asset sales of $243.9 million, with a further $323.9 million conditionally sold post balance date.
+ Commencement of seven new development projects with a total project cost of $164.8 million.
+ Greater balance sheet capacity with a look through loan to value ratio[4] of 25.0%, expected to reduce to less than 20% after settlement of all contracted sales.
+ Extension to the retail bond programme, with two $100 million issues.
+ A 6.5% increase in net tangible assets, from 130.4 cents per unit, to 138.9 cents per unit at 31 March 2018.

Business transformation

Keith Smith, Chairman of Goodman (NZ) Limited said, "We have pursued a disciplined growth strategy over the last five years, selling assets to fund the Trust's development projects. It has rebalanced the portfolio and deleveraged the balance sheet, transforming GMT and positioning it for sustainable long-term growth.

With the development programme well advanced and asset disposals largely complete (once contracted sales settle) the Board is extremely pleased with the progress that has been achieved."

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[1] A non-GAAP measure that includes GMT's proportionate share of Wynyard Precinct Holdings Limited, the joint venture with GIC that owns the VXV Portfolio.

[2] Operating earnings is a non-GAAP financial measure included to provide an assessment of the performance of GMT's principal operating activities. Calculation of operating earnings is set out in GMT's Profit or Loss statement.

[3] A non-GAAP measure of free cash flow that adjusts operating earnings after tax for interest costs capitalised to development land and maintenance related capital expenditure. The calculation is set out on page 50 of the Annual Report.

[4] Refer to note 3.5 of GMT's financial statements for further information.

Following completion of current development projects and contracted sales, GMT's $2.2 billion portfolio will be 99% invested in Auckland industrial property.

Chief Executive Officer, John Dakin said, "We're divesting our remaining office assets and developing high-quality estates such as Highbrook Business Park in East Tamaki. It is a deliberate strategy that reflects the positive investment characteristics of this type of property and the strong growth profile of the country's largest city."

Keith Smith said, "The Directors are equally satisfied with the Trust's operational and financial performance. Positive leasing results and strong valuation gains have contributed to a substantial profit of $207.2 million before tax."

Further information on the financial result is provided in the Trust's 2018 Annual Report which was released today. A copy of the report has been provided to the NZX and an online version will be available later this morning at www.goodmanreport.co.nz.

Demand led development

Economic growth, demographic changes, technological advances and the development of online retailing, are all contributing to the strong demand for logistics and warehouse space in Auckland.

John Dakin said, "The Trust's position as the largest owner and developer of industrial property in New Zealand means it is uniquely placed to benefit from these trends."

They are also contributing to GMT's leasing results with over 200,000 sqm of space secured on new or extended terms since 31 March 2017. This leasing success has helped maintain portfolio occupancy at over 98% and extended the weighted average lease term beyond six years.

To meet current and forecast demand the Trust is undertaking a greater level of development activity. The seven projects announced during the year, which include 24 new warehouse facilities, have a total project cost of $164.8 million.

This strong momentum has continued into the new financial year with two additional development projects, total cost of $54.1 million, announced in May 2018. The design-build commitments add to the large volume of work currently under way, with the combined value of these projects now exceeding $230 million.

John Dakin said, "We have made tremendous progress with our development programme over the last five years, investing more than $670 million and creating assets that improve an already high-quality portfolio."

Balance sheet strength

Disposals have provided the balance sheet capacity to fund the intensification of the Trust's development programme.

During the year, three sales totalling $243.9 million were contracted.

Post balance date, it was also announced that the VXV Portfolio had been conditionally sold to Blackstone, a global investor and fund manager. GMT's 51% share in the joint venture that owns the VXV office assets had a gross sale price of $323.9 million.

John Dakin said, "This is a defining transaction for our business, it completes a repositioning programme that firmly establishes GMT as the country's leading provider of high-quality industrial space.

With almost $1.2 billion of asset disposals and contracted sales since 2013 the investment focus is now almost exclusively on Auckland industrial property. It's the sector and market that we believe will deliver the best long-term risk adjusted returns."

With a loan to value ratio expected to be below 20% following completion of the contracted sales, the Trust retains substantial balance sheet capacity.

Keith Smith said, “GMT has the means to complete its development programme and pursue new investment opportunities while still maintaining a very prudent level of gearing.”

Future focus

The current business strategy has enhanced the portfolio, improved earnings quality and reduced gearing to a historically low level.

The Board expects to achieve cash earnings of around 7.0 cents per unit in FY19, a similar level to last year. Cash distributions of 6.65 cents per unit are expected to be paid.

Keith Smith said, “We view the portfolio repositioning as transformative for GMT. Reinvesting in our development programme will drive future growth and continue to lift the quality of our assets.

The execution of this investment strategy means that the business is focused and well positioned for sustainable growth.”

For additional information please contact:

John Dakin
Chief Executive Officer
Goodman (NZ) Limited
(09) 375 6063
(021) 321 541

Andy Eakin
Chief Financial Officer
Goodman (NZ) Limited
(09) 375 6077
(021) 305 316

James Spence
Director Investment Management
Goodman (NZ) Limited
(09) 903 3269
(021) 538 934

Attachments provided to NZX:

1. Goodman Property Trust and GMT Bond Issuer Limited Annual Report 2018
2. GMT Annual Result Presentation
3. NZX Appendix 1

About Goodman Property Trust:

GMT is an externally managed unit trust, listed on the NZX. It has a market capitalisation of around $1.8 billion, ranking it in the top 20 of all listed investment vehicles. The Manager of the Trust is a subsidiary of the ASX listed Goodman Group, Goodman Group is also the Trust’s largest investor with a cornerstone unitholding of 21%.

GMT is New Zealand’s leading industrial and business space provider. It has a substantial property portfolio, with a value of $2.2 billion after recently contracted sales, which accommodates around 180 customers. The Trust holds an investment grade credit rating of BBB from Standard & Poor’s.