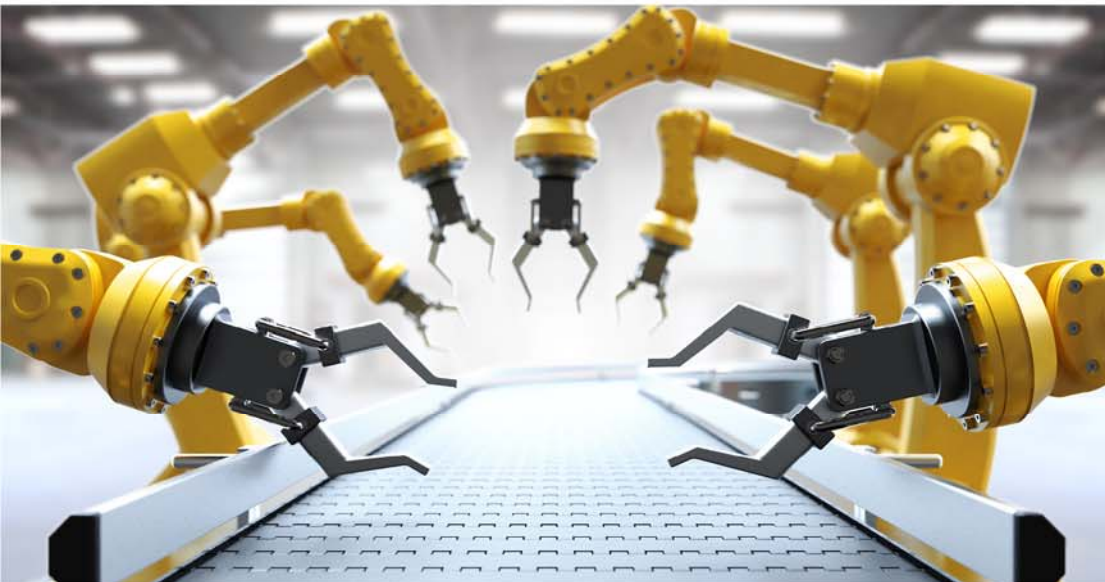


# Results for the year ended 30 June 2018

17 August 2018



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- + This document has been prepared by Goodman Group (Goodman Limited (ABN 69 000 123 071), Goodman Funds Management Limited (ABN 48 067 796 641; AFSL Number 223621) as the Responsible Entity for Goodman Industrial Trust (ARSN 091 213 839) and Goodman Logistics (HK) Limited (Company Number 1700359; ARBN 155911142 – A Hong Kong company with limited liability)). This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with the Goodman Group Financial Report for the year ended 30 June 2018 and Goodman Group's other announcements released to ASX (available at [www.asx.com.au](http://www.asx.com.au)). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.
- + This Presentation uses operating profit and operating earnings per share (EPS) to present a clear view of the underlying profit from operations. Operating profit comprises profit attributable to Securityholders adjusted for profit on disposal of investment properties, net property valuations gains, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's Long Term Incentive Plan (LTIP). A reconciliation to statutory profit is provided in summary on page 10 of this Presentation and in detail on page 8 of the Directors' Report as announced on ASX and available from the Investor Centre at [www.goodman.com](http://www.goodman.com).
- + The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable in the circumstances
- + This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Neither the Group, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking-statements in this document will actually occur.
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  - Management
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# Section1 - Highlights



Goodman Commerce Center Eastvale, USA

# Highlights

## + **The Group has continued to perform strongly in FY18. Key financial metrics for the year include:**

- Operating profit<sup>1</sup> of \$845.9 million, up 9% on FY17
- Operating earnings per share (EPS)<sup>2</sup> of 46.7 cents, up 8.3% on FY17
- Gearing stable at 5.1%<sup>3</sup> (5.9% at FY17)
- Distribution per security (DPS) of 28.0 cents, up 8.1% on FY17
- Statutory accounting profit of \$1,098.2 million, includes \$639.0 million valuation gains, contributing to 10% growth in net tangible assets from FY17 to \$4.64 per security

## + **Concentrating assets in urban centres globally is improving property fundamentals**

- Intensification of use and competition for scarce sites from residential, e-commerce and data centres in urban locations continues to drive rents and land prices upwards
- Strong performance across the investment portfolio delivering like for like NPI growth of 3.2% and maintaining occupancy at 98% as at 30 June 2018

## + **Development activity underway of \$3.6 billion**

- Significant demand globally from customers driven by technology and modernisation of supply chains
- Land in key locations is critical to providing opportunity and flexibility for our customers and Goodman controls significant sites in these markets
- Higher value, multi-storey redevelopment is increasing globally in our markets
- Our development capability, matched with resources and demand from our Partners is sustaining the strong outlook with an appropriate level of risk
- Majority of development undertaken on behalf of Partnerships and has reduced earnings volatility and development capital, while increasing development ROA

1. Operating profit comprises profit attributable to Securityholders adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items

2. Operating EPS is calculated using Operating Profit and weighted average diluted securities of 1,810.8 million which includes 12.0 million LTIP securities which have achieved the required performance hurdles and will vest in September 2018 and September 2019

3. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of \$154.3 million (2017: \$169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. The interest bearing liabilities also includes fair values of derivative financial instruments included in other financial liabilities of \$31.9 million (2017: \$nil) that hedge the net investment in Continental Europe.

# Highlights

## + Portfolio driving strong performance including \$2.8 billion in revaluations

- External assets under management (AUM) up 15% to \$35.1 billion, with total AUM up 11% to \$38.3 billion on FY17
- Partnership average total return<sup>1</sup> of 15.0% for FY18
- Strong portfolio fundamentals combined with continued investment demand, should continue to support performance of the Partnerships
- Revaluations and net investment, predominantly through our development activity in key locations, will support further AUM and NPI growth. Completions have averaged \$3.1 billion over the last three years

## + Completion of extensive liability management programme doubled weighted average debt expiry to 6.9 years

- Reduction in weighted average cost of debt to 2.4%, positively affected the FY18 result and offset the impact of sales on investment income, management fees and development migration into Partnerships
- \$3.4 billion of available liquidity, predominantly cash
- Leverage is appropriate at 5.1%<sup>2</sup> providing financial flexibility

## + Global operations now provide economies of scale

- Concentration of real estate in key markets globally has increased the scalability and efficiency of Group operations
- Group can selectively deploy capital to appropriate markets based on risk and return parameters

## + For FY19, market conditions are expected to remain favourable for our industry and Goodman is strategically well placed given our financial and operational strength

- We set our targets annually and review them regularly. For FY19, forecast operating profit is \$913 million which equates to operating EPS of 50.0 cents (+7% on FY18)
- Forecast distribution of 30.0 cents per security (up 7% on FY18)

1. Total return is based on Partnerships latest annual financial reporting period for FY18

2. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of \$154.3 million (2017: \$169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. The interest bearing liabilities also includes fair values of derivative financial instruments included in other financial liabilities of \$31.9 million (2017: \$nil) that hedge the net investment in Continental Europe.



# Highlights

## Own

- + High occupancy maintained at 98% and WALE of 4.8 years
- + Like for like NPI growth at 3.2%
- + Leased 3.5 million sqm across the global platform equating to \$429 million of annual rental property income across the Group and Partnerships
- + Competing demand for space in infill markets is intensifying, including urban renewal. Properties under control support >35,000 apartments across multiple sites which are in varying stages of planning with outcomes expected over the medium term

## Develop

- + WIP of \$3.6 billion across 80 projects in 12 countries with a forecast yield on cost of 7.2%
- + 76% of current WIP is being undertaken within partnerships
- + Development commencements of \$3.2 billion with 67% committed
- + Development completions of \$3.5 billion with 87% committed
- + Customer-led enquiry remains strong globally

## Manage

- + Total assets under management of \$38.3 billion, with external assets under management increasing to \$35.1 billion, up 15% on 30 June 2017, despite transacting over \$4.0 billion of asset sales during the year
- + Average total return in the Partnerships of 15.0%
- + Strong investment demand and rental growth, particularly in infill markets, is driving valuation growth of \$2.8 billion across the Group and Partnerships. Global WACR tightened 46bps to 5.5%
- + Average Partnership gearing declined to 19.2%
- + \$12.1 billion available in undrawn debt, equity and cash, due to new commitments and asset sale proceeds

## Section 2 - Results overview



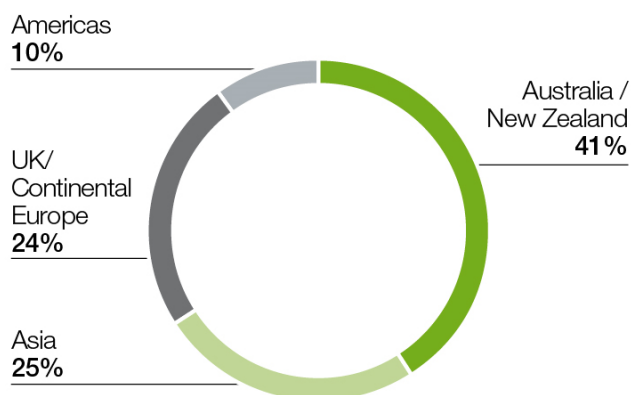
Goodman Pinghu North Logistics Centre, China



# Results overview

- + Outperformed original targets for FY18
  - Strong contributions by the global development and management operations offsetting the impact of asset sales
- + Operating EPS<sup>1</sup> of 46.7 cents<sup>1</sup> per security, up 8.3% on FY17
- + DPS of 28.0 cents per security, up 8.1%
- + Statutory accounting profit \$1.1 billion
  - Includes property valuations, derivative and foreign currency mark-to-market and other non-cash or non-recurring items
- + Net tangible assets increased 10% to \$4.64 per security

## Operating earnings by geographic segment



	FY17	FY18
Operating profit (\$m)	776.0	845.9
Statutory accounting profit (\$m)	778.1	1,098.2
Operating EPS (cents) <sup>1</sup>	43.1	46.7
Distribution per security (cents)	25.9	28.0

	As at 30 June 2017	As at 30 June 2018
NTA per security (\$)	4.21	4.64
Gearing (balance sheet) (%) <sup>2</sup>	5.9	5.1
Available liquidity (\$b)	3.2	3.4
WACR (look through) (%)	5.9	5.5

1. Operating profit and operating EPS comprises profit attributable to Securityholders adjusted for property and valuations, derivative and foreign currency mark-to-market and other non-cash or non-recurring items and calculated based on weighted average securities of 1,810.8 million which includes 12.0 million LTIP securities which have achieved the required performance hurdles and will vest in September 2018 and September 2019
2. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of \$154.3 million (2017: \$169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. The interest bearing liabilities also includes fair values of derivative financial instruments included in other financial liabilities of \$31.9 million (2017: \$nil) that hedge the net investment in Continental Europe.

# Profit and loss

- + Statutory profit of \$1.1 billion, includes property valuations offset by fair value movements of derivatives and other non-cash or non-recurring items
  - Strong revaluations globally totalling \$2.8 billion (Group's share \$639.0 million), driven by rent growth, cap rate compression and development completions
  - Unrealised foreign exchange and derivative loss of \$174 million offset by foreign currency translation reserve gain of \$193 million, reflecting appropriate FX hedge strategy
  - Costs associated with liability management booked in 1H18 and FY17, plus derivative movements and LTIP treatment
- + Full year operating profit of \$845.9 million
  - Property investment income impacted by asset sales
  - Capital primarily deployed late FY18 and into Partnership development activity, impacting yield in FY18
  - Cornerstone return on assets (ROA) 5% with stronger underlying rent growth
  - Management earnings up 18.7%
    - Base revenue supported by 5% average AUM growth
    - Increased performance fees
  - Continued growth in development revenue supported by strong margins and volume, offset by net increase in development within Partnerships
  - Borrowing costs down, mainly due to lower WACD post liability management programme
    - Lower capitalised interest reflects increased developments within Partnerships

## Income statement

	FY17 \$M	FY18 \$M
Property investment	396.7	384.8
Management	266.6	316.5
Development	482.9	490.6
Operating expenses	(239.7)	(243.2)
<b>Operating EBITDA</b>	<b>906.5</b>	<b>948.7</b>
<b>Operating EBIT<sup>1</sup></b>	<b>898.0</b>	<b>942.5</b>
Net borrowing costs	(54.0)	(44.4)
Tax expense	(49.3)	(47.6)
<b>Operating profit (pre minorities)</b>	<b>794.7</b>	<b>850.5</b>
Minorities <sup>2</sup>	(18.7)	(4.6)
<b>Operating profit (post minorities)</b>	<b>776.0</b>	<b>845.9</b>
Weighted average securities (million) <sup>3</sup>	1,798.4	1,810.8
Operating EPS (cps)	43.1	46.7
<b>Non operating items<sup>4</sup></b>		
Property valuation related movements	397.6	639.0
Fair value adjustments and unrealised foreign currency exchange movements related to capital management	(243.8)	(174.4)
Other non-cash adjustments or non-recurring items	(151.7)	(212.3)
<b>Statutory profit</b>	<b>778.1</b>	<b>1,098.2</b>

1. Look through Operating EBIT is \$1,029.7 million and reflects \$87.2 million adjustment to GMG proportionate share of Partnerships interest and tax (2017: \$995.0 million)
2. Goodman PLUS Trust hybrid securities
3. Includes 12.0 million securities which have achieved the required performance hurdles and will vest in September 2018 and September 2019
4. Refer slide 24

# Balance sheet

- + Balance sheet remains robust
  - Maintaining low financial leverage in line with Financial Risk Management Policy
  - Gearing decreased to 5.1% (from 5.9% in FY17) and 16.3% on a look through basis
- + Stabilised investment properties decreased as a result of urban renewal settlements and asset sales
- + Strong growth in Partnership cornerstones through valuations, and capital allocation primarily to development focused vehicles
- + Development holdings reducing as developments transition into Partnerships driving stronger operating cashflows
- + Repaid Goodman PLUS Hybrids in 1H18
- + Additional cash used to repay remainder of GBP EMTN's and bank loans in July 2018 reducing both interest bearing liabilities and cash balance by \$244 million

## Balance sheet

	FY17 \$m	FY18 \$m
Stabilised investment properties	1,834	1,624
Partnership cornerstones <sup>1</sup>	4,967	6,087
Development holdings <sup>2</sup>	2,576	1,994
Intangibles	772	817
Cash	2,095	2,407
Other assets	467	530
<b>Total assets</b>	<b>12,711</b>	<b>13,459</b>
Interest bearing liabilities	(2,878)	(3,082)
Other liabilities	(1,211)	(1,204)
<b>Total liabilities</b>	<b>(4,089)</b>	<b>(4,286)</b>
Minorities	(326)	-
<b>Net assets (post minorities)</b>	<b>8,296</b>	<b>9,173</b>
<b>Net asset value (\$)³</b>	<b>4.64</b>	<b>5.09</b>
<b>Net tangible assets (\$)³</b>	<b>4.21</b>	<b>4.64</b>
Balance sheet gearing (%)⁴	5.9	5.1

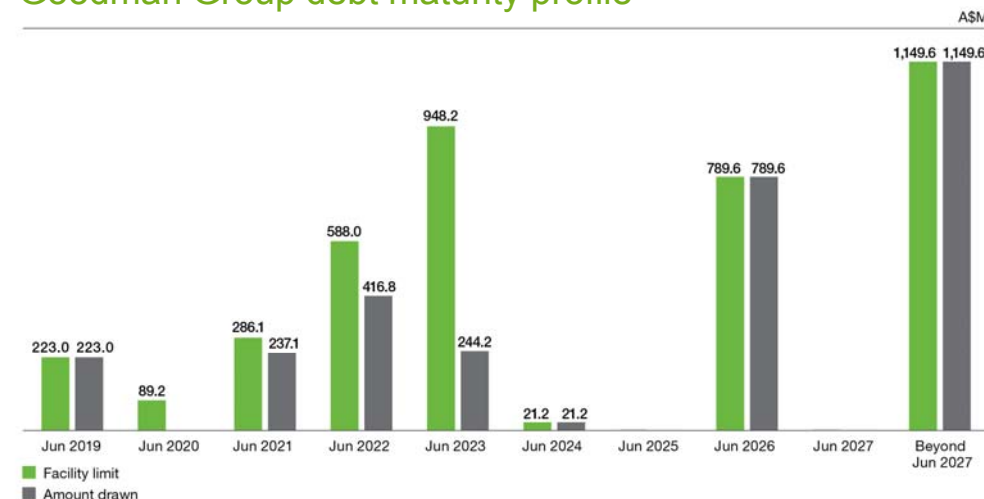
1. Includes Goodman's investments in its Partnerships and other investments
2. Includes inventories, investment properties under development and investments in Partnerships which have a principle focus on development
3. Based on 1,800.8 million securities on issue
4. Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of \$154.3 million (2017: \$169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. The interest bearing liabilities also includes fair values of derivative financial instruments included in other financial liabilities of \$31.9 million (2017: \$nil) that hedge the net investment in Continental Europe.



# Group liquidity position

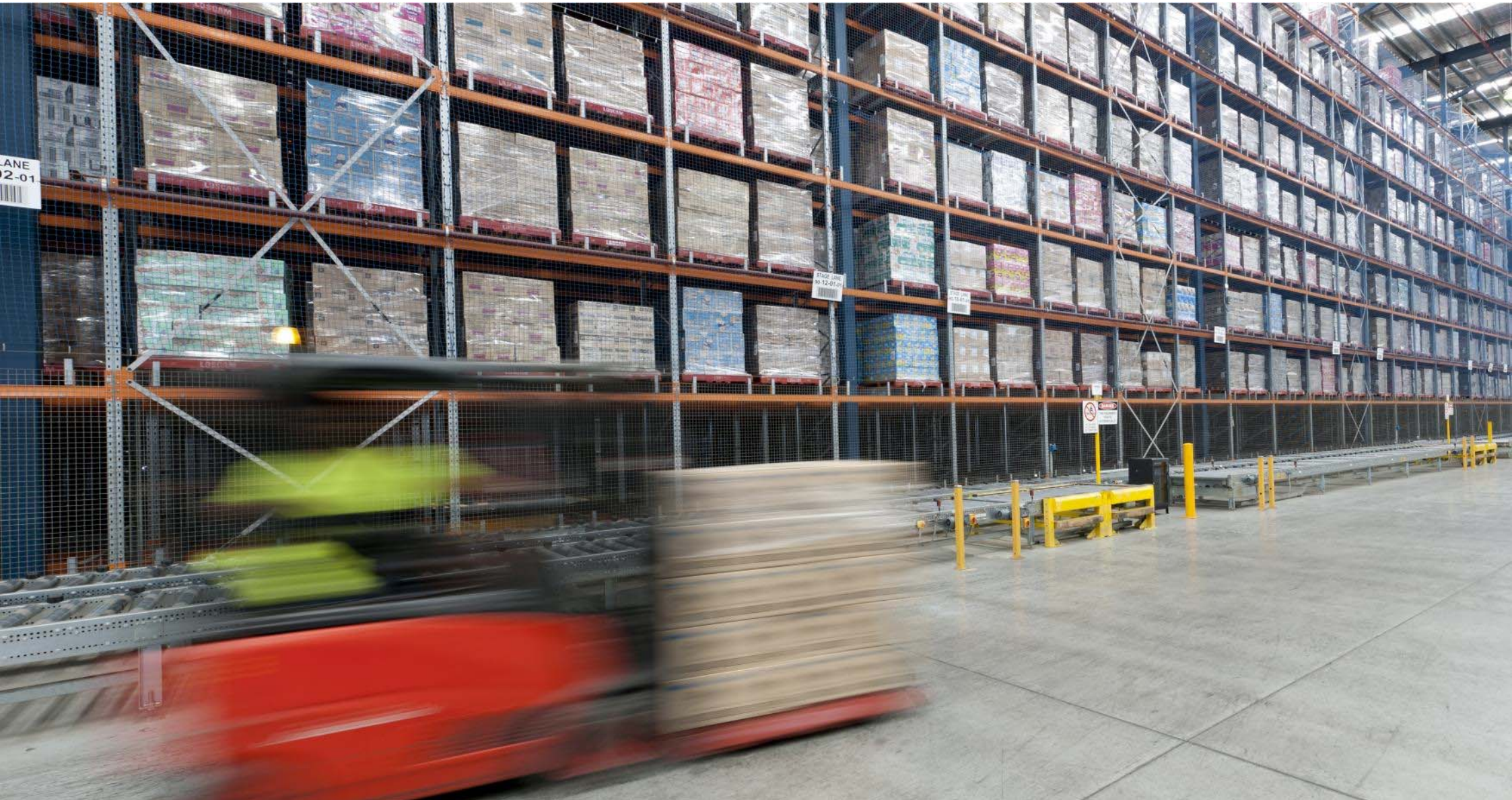
- + Cash and available lines of credit of \$3.4 billion as at 30 June 2018<sup>1</sup>
  - \$2.4 billion in cash<sup>2</sup>
  - \$1.0 billion of available lines
- + Significant liquidity and balance sheet capacity maintained given current strategy
  - Weighted average debt maturity profile of 6.9 years
- + Group maintains substantial headroom to financial facility covenants
  - Average interest coverage ratio (ICR) at 16.2 times (9.4 times look through)
- + During the period, extended debt maturity profile materially to ensure the Group can continue to operate efficiently and invest through the cycle mitigating volatility in capital markets
  - Repurchased \$1.7 billion of bonds and hybrids
  - Issued new Bonds in USD and EUR in the 144A / Reg S market worth \$1.9 billion, with a weighted average debt expiry of new bonds of 10.9 years
  - Cost of debt now in line with contemporary environment with a net weighted average cost of debt (WACD)<sup>3</sup> of 2.4% (2.1% post payout of EMTN bonds post balance date)

## Goodman Group debt maturity profile



1. \$3.2 billion after pro-forma adjustment for the repayment of bonds and loans in July 2018  
 2. \$2.2 billion after pro-forma adjustment for the repayment of bonds and loans in July 2018  
 3. WACD inclusive of derivatives and facility costs

## Section 3 - Operational performance





# Property investment

- + Property fundamentals remain strong, with the portfolio now focused in major urban centres around the world
- + The portfolio concentration in infill markets is delivering higher occupancy globally and supporting higher rental growth
  - Occupancy remained at 98%
  - WALE of 4.8 years
  - Like-for-like net property income growth of 3.2%
- + Capital allocation to cornerstone investments impacted by asset sales
  - Result includes full period effect of \$7 billion of asset sales across the Group and managed Partnerships over the last two years
  - Temporarily lowering income growth but providing funding for development activities driving higher total returns
  - New equity contributions focused on lower yielding development Partnerships
- + Improvement in the quality of the global portfolio is reflected in the WACR tightening 46bps to 5.5% for the period
  - Partly driven by sale of higher cap rate assets
  - Valuation gains of \$2.8 billion
- + \$0.3 billion of urban renewal sites settled in FY18
  - Current sites under control across the Australian portfolio, capable of accommodating a pipeline of more than 35,000 apartments in various stages of planning with value still to be realised
- + Competing demand from e-commerce, data centre users and urban renewal continues to put pressure on land use in infill markets

Property investment (\$m)	FY17	FY18
Direct	130.5	113.2
Cornerstones	266.2	271.6
<b>Property investment earnings</b>	<b>396.7</b>	<b>384.8</b>

Key metrics <sup>1</sup>	FY17	FY18
WACR (%)	5.9	5.5
WALE (yrs)	4.7	4.8
Occupancy (%)	97	98

1. Key metrics shown in the above table relate to Goodman and managed Partnership properties



# Development

- + Globally diversified workbook with development WIP at \$3.6 billion
- + Selective development led strategy across key infill markets
  - Strong completions of \$3.5 billion with 87% committed
  - Investment partnering approach in most markets with 76% of development WIP undertaken on behalf of partnerships
  - High levels of liquidity and equity funding commitments provide competitive advantage in executing projects globally
- + Reduction in development capital and strong underlying activity has supported continued increase in development ROA to >20%
  - Strong development returns have also positively contributed to Partnership returns and performance fees
  - Increased fee-for-service income provides significantly reduced volatility of development earnings
- + Development yield on cost driven by geographic mix of developments
  - Margins remain strong given current weighted average cap rates and rental growth
- + Goodman is increasingly working with customers to source multiple global warehousing solutions across borders
  - Structural and cyclical driven demand continue to provide positive tailwinds with land acquisitions focused on supply constrained markets

Development (\$M)	FY17	FY18
Development income	1,402.8	1,299.5
Development expenses	(919.9)	(808.9)
<b>Development earnings</b>	<b>482.9</b>	<b>490.6</b>

Key metrics	FY17	FY18
Work in progress (\$b)	3.5	3.6
Work in progress (million sqm)	2.4	2.2
Number of developments	77	80
Development for third parties or Partnerships (%)	75	76
Commitment (%)	64	64
Yield on cost (%)	7.5 <sup>1</sup>	7.2

Work in progress (end value)	\$B
<b>Opening (June 2017)</b>	<b>3.5</b>
Completions	(3.5)
Commencements	3.2
FX and other	0.3
<b>Closing (June 2018)</b>	<b>3.6</b>

1. FY17 yield on cost on a like-for-like basis. Previously FY17 reported 7.8% yield on cost, including China projects on a gross cap rate basis.

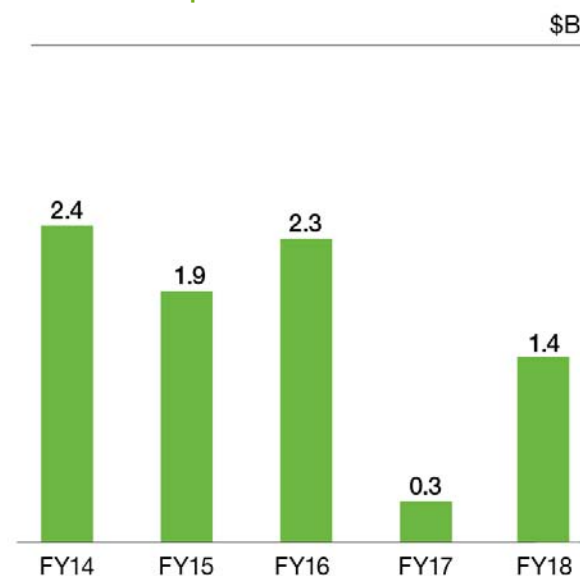
# Management

- + External AUM of \$35.1 billion up 15% on FY17
  - AUM increase due to revaluation gains and development completions across the platform, offsetting sales
- + Continued strong performance of the Partnerships increasing management earnings
  - Partnership average total return<sup>1</sup> of 15.0% for FY18, supported by portfolio improvement and develop-to-hold strategy
  - Strong returns within Partnerships supporting performance fees
- + AUM expected to grow through net investment and valuation growth
  - Net investment from development pipeline
  - Infill locations driving stronger rental growth primarily supporting further valuation growth and underlying base management revenue
- + Partnerships have been self funded through asset rotation
- + Equity commitments and liquidity available of \$12.1 billion across the Partnerships (up from \$11 billion in FY17) providing capital for the Partnerships to participate in growth opportunities
  - \$4.2 billion in undrawn debt facilities and cash
  - Additional equity commitments of \$1.4 billion in FY18, taking undrawn equity commitments to \$7.9<sup>2</sup> billion
- + Continued strong demand from capital partners and the investment market for well located logistics product

Management (\$M)	FY17	FY18
Management earnings	266.6	316.5










Key metrics	FY17	FY18
Number of Partnerships	16	16
External AUM (\$B)	30.5	35.1

## Third party equity raised within Partnerships



1. Total return is based on Partnerships latest annual financial reporting period for FY18  
 2. Partnership investments are subject to Investment Committee approval

# Management platform

	GAIP	GHKLP	GEP	GAP	GCLP	GMT	GJCP	GNAP	GUKP
									
Total assets	\$7.0bn	\$6.0bn	\$5.7bn	\$3.7bn	\$3.5bn	\$2.4bn	\$2.3bn	\$2.1bn	\$0.3bn
GMG co-investment	27.9%	20.0%	20.4%	19.9%	20.0%	21.2%	17.3%	55.0%	33.3%
GMG co-investment	\$1.3bn	\$0.9bn	\$0.7bn	\$0.7bn	\$0.5bn	\$0.4bn	\$0.2bn	\$1.0bn	\$0.1bn

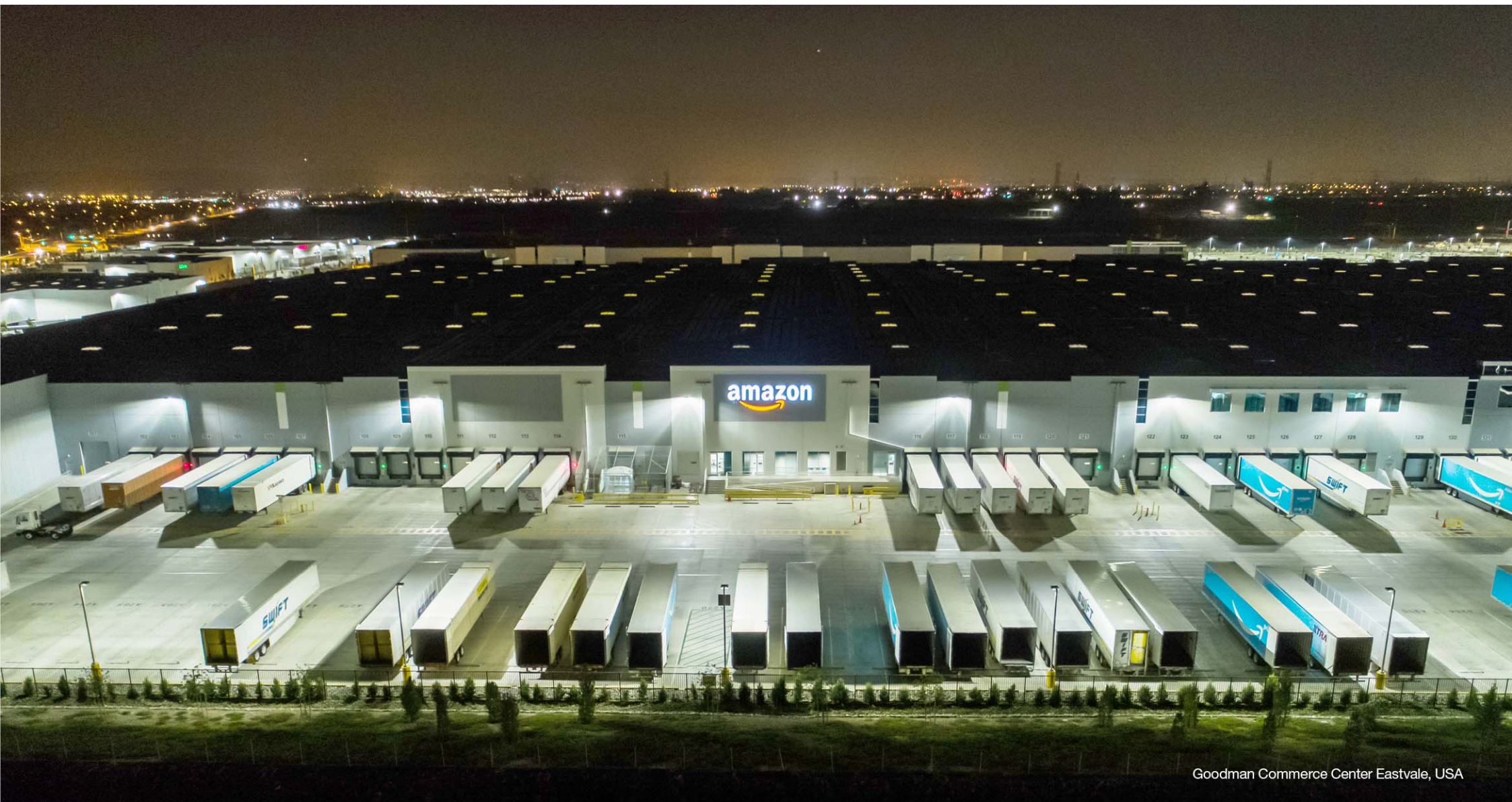
Number of properties	95	11	108	35	33	12	12	9	3
Occupancy <sup>1</sup>	97%	99%	97%	98%	99%	99% <sup>4</sup>	100%	92%	100%
Weighted average lease expiry <sup>1</sup>	5.1 years	3.0 years	5.1 years	4.2 years	3.5 years	5.6 years <sup>4</sup>	3.5 years <sup>6</sup>	7.1 years	10.3 years
WACR	5.9%	4.6%	5.5%	5.9%	6.1%	6.2% <sup>5</sup>	4.6%	4.0%	4.7%

Gearing <sup>2</sup>	23.0% <sup>8</sup>	16.5%	22.3%	3.3%	7.1%	26.9%	38.0%	-	-
Weighted average debt expiry	6.1 years	5.4 years	4.9 years	6.3 years	2.5 years	4.0 years	5.4 years	n/a	n/a
Total shareholder return	10.4%	16.8% <sup>3</sup>	22.6%	12.5%	15.9% <sup>7</sup>	11.6% <sup>5</sup>	9.0% <sup>9</sup>	n/a	18.6%

1. WALE and occupancy of stabilised portfolio
2. Gearing calculated as total interest bearing liabilities over total assets, both net of cash
3. As at 31 March 2018
4. After contracted sales as at 31 March 18 as disclosed to the New Zealand stock exchange in May 2018. Includes stabilised and development properties
5. As at 31 March 18 as disclosed to the New Zealand stock exchange in May 2018
6. As at 31 May 2018
7. As at 31 December 2017. Based on local currency
8. Gearing is based on statutory accounts and calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments used to hedge non-Australian Dollar Financial Indebtedness
9. As at 28 February 2018



## Section 4 - Outlook



# Outlook

## + **Our industry is experiencing considerable change**

- Consumer behaviour and rapidly changing technology solutions are driving change in consumer fulfilment
- Most industries including e-commerce, traditional retail and 3PL's are re-evaluating supply chains
- Proximity to consumers and helping customers service their customers efficiently remains critical

## + **Our global footprint is significant and concentrated**

- We have concentrated our portfolio in infill and urban locations providing close proximity to consumers and retailers alike, helping expand relationships with customers across multiple global markets
- Being proactive and providing flexible solutions to assist our customers service their customers in this changing environment is key

## + **Scarcity of land in urban centres with competing uses is driving long-term value**

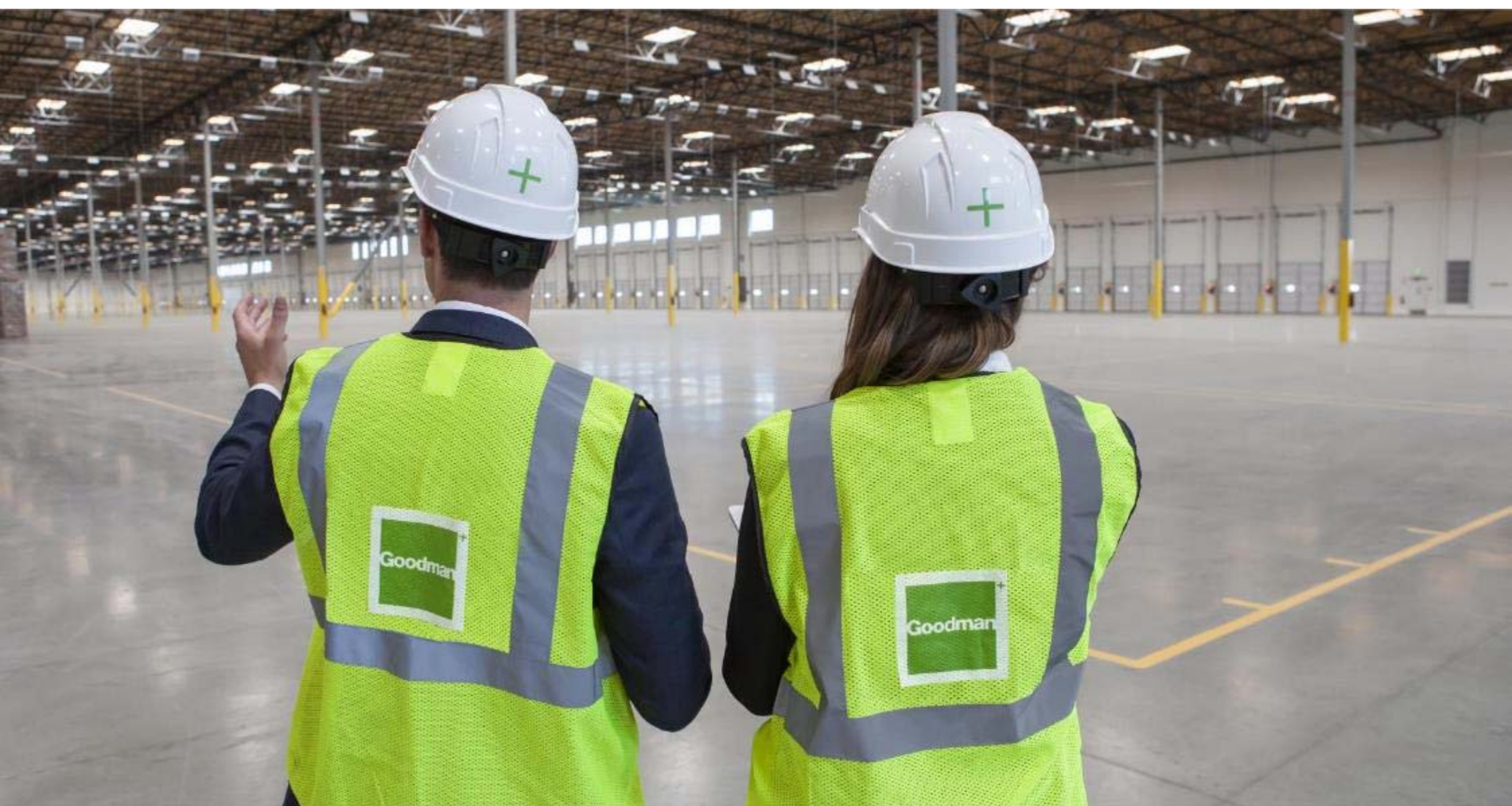
- Infill locations are in high demand for e-commerce, 3PL, traditional retail, residential, office and data centre operation, resulting in very tight supply
- Intensification of use and redevelopment of Goodman's existing infill sites over time into significantly higher value assets, should support strong returns, development pipeline and AUM growth in future years
- Widespread technology changes should facilitate coexistence of industrial in urban areas

# Outlook

- + **Urbanisation continues to drive change to higher value uses including residential**
  - Currently the Group has sites capable of delivering >35,000 apartments
  - Multiple sites in various stages of planning, with realisation dependant on market cycles over the medium term
  
- + **Goodman's strategy aims to deliver sustainable performance through long-term decision making**
  - A key component of this has been alignment of our people with securityholders through Goodman's Long Term Incentive Plan, with a significant emphasis on long term, at risk remuneration for everyone in the company, not just a few
  
- + **Forecast to deliver operating profit of \$913 m in FY19, operating EPS of 50.0 cents (+7% on FY18) and distribution of 30.0 cents**
  - For FY19 market conditions are expected to remain favourable for industrial real estate and the outlook across our business is robust
  - We are seeing strong growth in demand for our properties from customers in the physical markets and investors in the capital markets which is providing us with greater confidence in FY19 earnings at this point in time



## Appendix 1 – Results analysis



# Profit and loss

Total income by business segment for the year ended 30 June 2018

Category	Total	Property investment	Management	Development	Operating expenses	Non-operating items
	\$M	\$M	\$M	\$M	\$M	\$M
Gross property income	150.4	149.6	-	-	-	0.8
Management income	316.5	-	316.5	-	-	-
Development income	1,115.8	-	-	1,115.8	-	-
Net gain from fair value adjustments on investment properties	71.1	-	-	-	-	71.1
Net gain on disposal of investment properties	67.4	-	-	67.4	-	-
Share of net results of equity accounted investments	910.9	271.6	-	75.6	-	563.7 <sup>1</sup>
Net gain on disposal of equity investments	40.7	-	-	40.7	-	-
<b>Total income</b>	<b>2,672.8</b>	<b>421.2</b>	<b>316.5</b>	<b>1,299.5</b>	<b>-</b>	<b>635.6</b>
Property and development expenses	(845.3)	(36.4)	-	(808.9)	-	-
Employee, administrative and other expenses	(375.0)	-	-	-	(249.4)	(125.6)
<b>EBIT / Segment operating earnings</b>	<b>1,452.5</b>	<b>384.8<sup>2</sup></b>	<b>316.5<sup>2</sup></b>	<b>490.6<sup>2</sup></b>	<b>(249.4)</b>	<b>510.0</b>

1. Includes share of associate and JVE property valuation gains of \$602.7 million, share of fair value adjustments of derivative financial instruments in associates and joint ventures of \$(34.3) million and other non-cash, non-recurring items within associates of \$(4.7) million
2. Segment operating earnings is total income less property and development expenses (excludes employee, administrative and other expenses)

# Profit and loss (cont'd)

Category	Total	Property investment	Management	Development	Operating expenses	Non-operating items
	\$M	\$M	\$M	\$M	\$M	\$M
<b>EBIT / Segment operating earnings</b>	<b>1,452.5</b>	<b>384.8</b>	<b>316.5</b>	<b>490.6</b>	<b>(249.4)</b>	<b>510.0</b>
Net gain from fair value adjustments on investment properties	(71.1)					(71.1)
Share of net gain from fair value adjustments on investment properties, unrealised derivative gains and non-recurring items within associates and JVEs	(563.7)					(563.7)
Straight-lining of rental income	(0.8)					(0.8)
Share based payments expense	125.6					125.6
<b>Operating EBIT<sup>1</sup> / Segment operating earnings</b>	<b>942.5</b>	<b>384.8</b>	<b>316.5</b>	<b>490.6</b>	<b>(249.4)</b>	<b>-</b>
Net finance expense (statutory)	(267.3)					
Add: fair value adjustments on derivative financial instruments	131.4					
Add: debt modification costs	82.8					
Less: foreign exchange gains	8.7					
Net finance expense (operating)	(44.4)					
Income tax expense (statutory)	(82.4)					
Add: deferred tax on fair value adjustments on investment properties	34.8					
Income tax expense (operating)	(47.6)					
Minorities	(4.6)					
<b>Operating profit available for distribution</b>	<b>845.9</b>					
<b>Net cash provided by operating activities<sup>2</sup></b>	<b>1,161.2</b>					

- Look through Operating EBIT is \$1,029.7 million and reflects \$87.2 million adjustment to GMG proportionate share of Partnerships interest and tax (2017: \$995.0 million)
- Difference between operating profit pre-minorities and cash provided by operating activities of \$310.7 million relates to:
  - \$365.5 million development activities including capitalised and prepaid interest
  - (\$67.4) million of development cashflows recognised in investment activities
  - \$81.0 million cash share of equity accounted income
  - (\$68.4) million of other working capital movements

# Reconciliation non-operating items

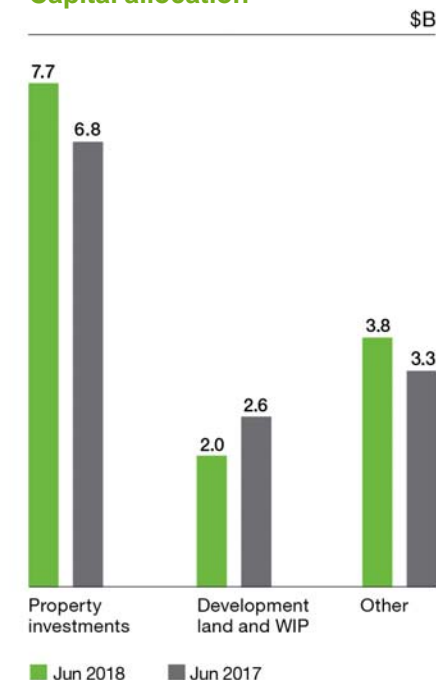
Non-operating items in statutory income statement		Year ended 30 June 2018
	\$M	\$M
<b>Property valuation related movements</b>		
Net gain from fair value adjustments attributable to investment properties	71.1	
Share of net gain from fair value adjustments attributable to investment properties in associates and joint ventures after tax	602.7	
Deferred tax on fair value adjustments on investment properties	(34.8)	
<b>Subtotal</b>		<b>639.0</b>
<b>Fair value adjustments and unrealised foreign currency exchange movements related to capital management</b>		
Fair value adjustments on derivative financial instruments – GMG	(131.4)	
Share of fair value adjustments on derivative financial instruments in associates and joint ventures	(34.3)	
Unrealised foreign exchange gain	(8.7)	
<b>Subtotal</b>		<b>(174.4)</b>
<b>Other non-cash adjustments or non-recurring items</b>		
Straight-lining rental income	0.8	
Share based payments expense	(125.6)	
Debt modification costs	(82.8)	
Net capital losses not distributed and deferred tax adjustments	(4.7)	
<b>Subtotal</b>		<b>(212.3)</b>
<b>TOTAL</b>		<b>252.3</b>



# Financial position

As at 30 June 2018	Direct Assets \$M	Property investments \$M	Developments \$M	Other \$M	Total \$M
Cash	-	-	-	2,406.8	2,406.8
Receivables	-	-	375.4	306.5	681.9
Inventories	-	-	958.0	-	958.0
Investment properties	1,624.3	-	150.3	-	1,774.6
Investments accounted for using equity method	-	6,085.8	499.7	-	6,585.5
Intangibles	-	-	-	816.7	816.7
Other assets	-	0.7	10.2	225.0	235.9
<b>Total assets</b>	<b>1,624.3</b>	<b>6,086.5</b>	<b>1,993.6</b>	<b>3,755.0</b>	<b>13,459.4</b>
Interest bearing liabilities	-	-	-	(3,081.5)	(3,081.5)
Other liabilities	-	-	-	(1,204.2)	(1,204.2)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,285.7)</b>	<b>(4,285.7)</b>
<b>Net assets/(liabilities)</b>					<b>9,173.7</b>
<b>Gearing<sup>1</sup> %</b>					<b>5.1</b>
<b>NTA (per security)<sup>2</sup> \$</b>					<b>4.64</b>
Australia / New Zealand	1,593.8	2,599.2	538.5	116.5	4,848.0
Asia	-	1,689.2	218.2	300.7	2,208.1
CE	-	797.9	438.7	775.5	2,012.1
UK	30.5	115.1	476.6	114.1	736.3
Americas	-	885.1	321.6	135.7	1,342.4
Other	-	-	-	2,312.5	2,312.5
<b>Total assets</b>	<b>1,624.3</b>	<b>6,086.5</b>	<b>1,993.6</b>	<b>3,755.0</b>	<b>13,459.4</b>

## Capital allocation



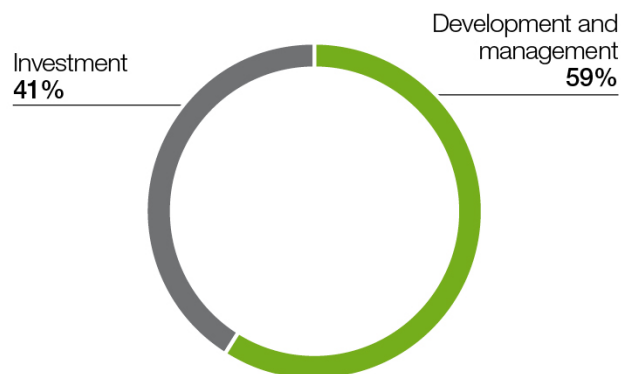
- Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of derivative financial instruments included in other financial assets of \$154.3 million (2017: \$169.8 million) that hedge the net investments in Continental Europe and the United Kingdom. The interest bearing liabilities also includes fair values of derivative financial instruments included in other financial liabilities of \$31.9 million (2017: \$nil) that hedge the net investment in Continental Europe.
- Calculated based on 1,800.8 million securities on issue

# Business performance analysis

- + Operating margins have steadily increased
  - Focused strategy
  - Income growth has exceeded expense growth in the active business
  - Management and Development earnings contribute a combined 59% of EBIT in FY18 (56% in FY17)

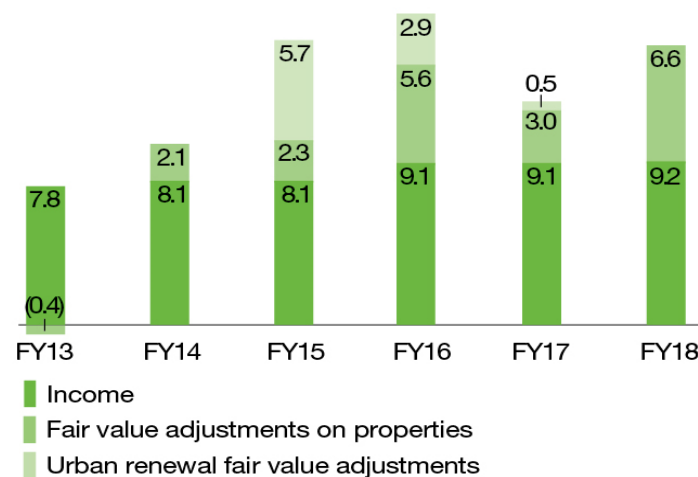
Management and Developments	FY14	FY15	FY16	FY17	FY18
Management and Development income (\$M)	482	544	724	750	807
Operating expenses (\$M)	(207)	(221)	(252)	(248)	(249)
EBIT (\$M)	276	323	472	501	558
Management and development margin (%)	57%	59%	65%	67%	69%

## Operating EBIT



- + ROA has increased
  - Positive performance from investment property on a like-for-like basis
  - More assets and developments are in Partnerships
  - Higher margins in active business
  - Elevated cash balances mask underlying growth - will correct over time, >10% if cash is excluded

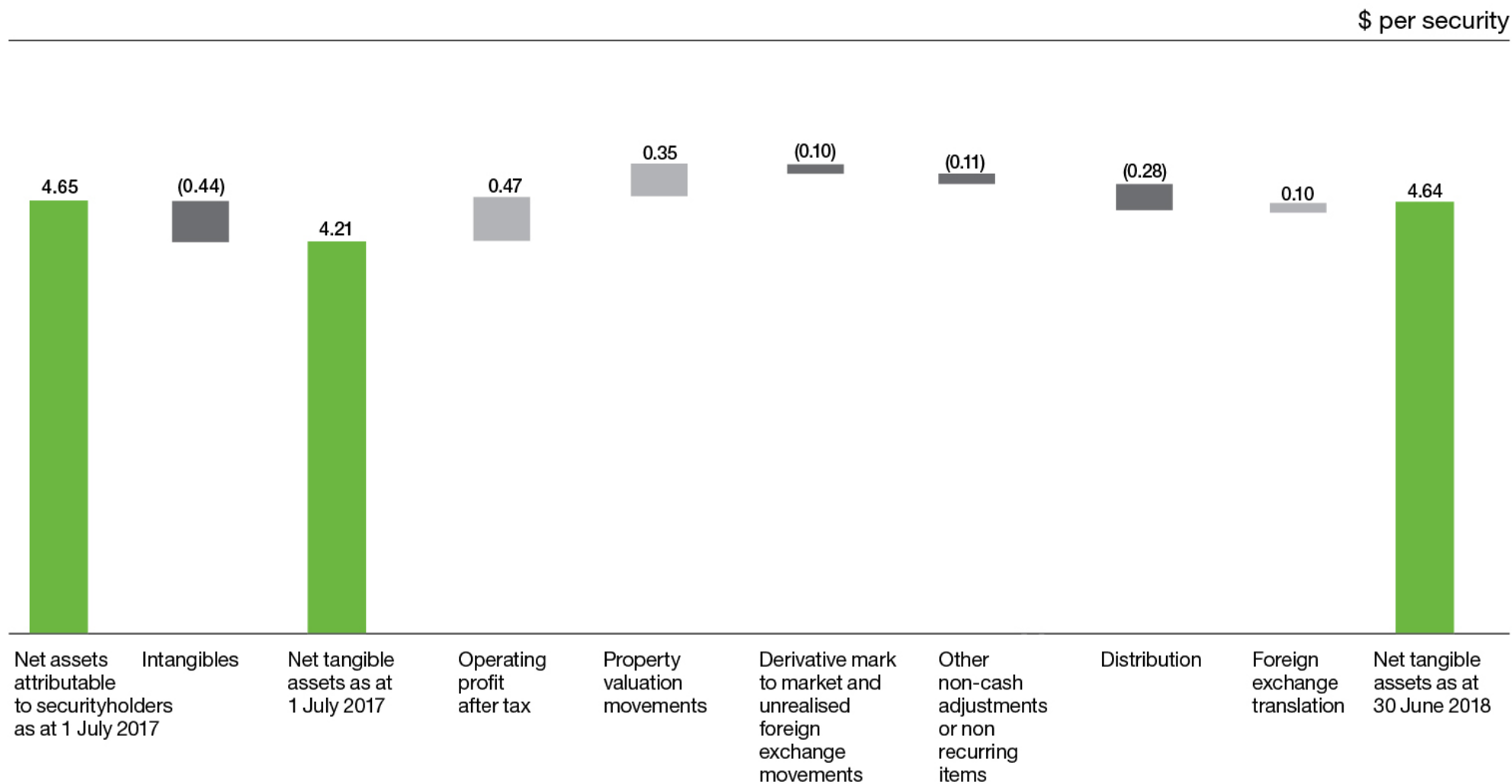
## Total return on operating assets<sup>1</sup>



1. Operating assets = Total Assets – Intangibles – Historical Property Valuations and Impairments

# Net tangible asset movement

+ For year ended 30 June 2018<sup>1</sup>



1. Calculated on 1,800.8 million securities being closing securities on issue

# Property valuations

- + The Group continues to benefit from the improvement in the quality of the global portfolio as well as strong industrial fundamentals in regard to increasing investment demand for logistics assets and improving market rental growth
- + Accordingly, the global portfolio cap rate has compressed by 46bps over FY18
- + Revaluation gains across the global portfolio for the full year totalled \$2.8 billion, with the Group's share \$705<sup>2</sup> million

## 30 June 2018 property valuations (look through)

	Book value (GMG exposure) \$M	Valuation movement since June 2017 \$M	WACR %	WACR movement since June 2017 %
Australia <sup>1</sup> / New Zealand	5,363.5	219.6	5.9	-0.3
Asia	2,507.5	178.1	5.0	-0.4
UK / Continental Europe	2,133.6	100.7	5.4	-0.8
Americas	1,237.3	206.7	4.2	-0.1
<b>Total / Average</b>	<b>11,241.8</b>	<b>705.0<sup>2</sup></b>	<b>5.5</b>	<b>-0.5</b>

1. Australia excludes urban renewal sites which are valued on a rate per residential unit site basis
2. Excludes deferred taxes



## Appendix 2 – Property investment



Rochedale Motorway Estate, QLD, Australia

# Leasing

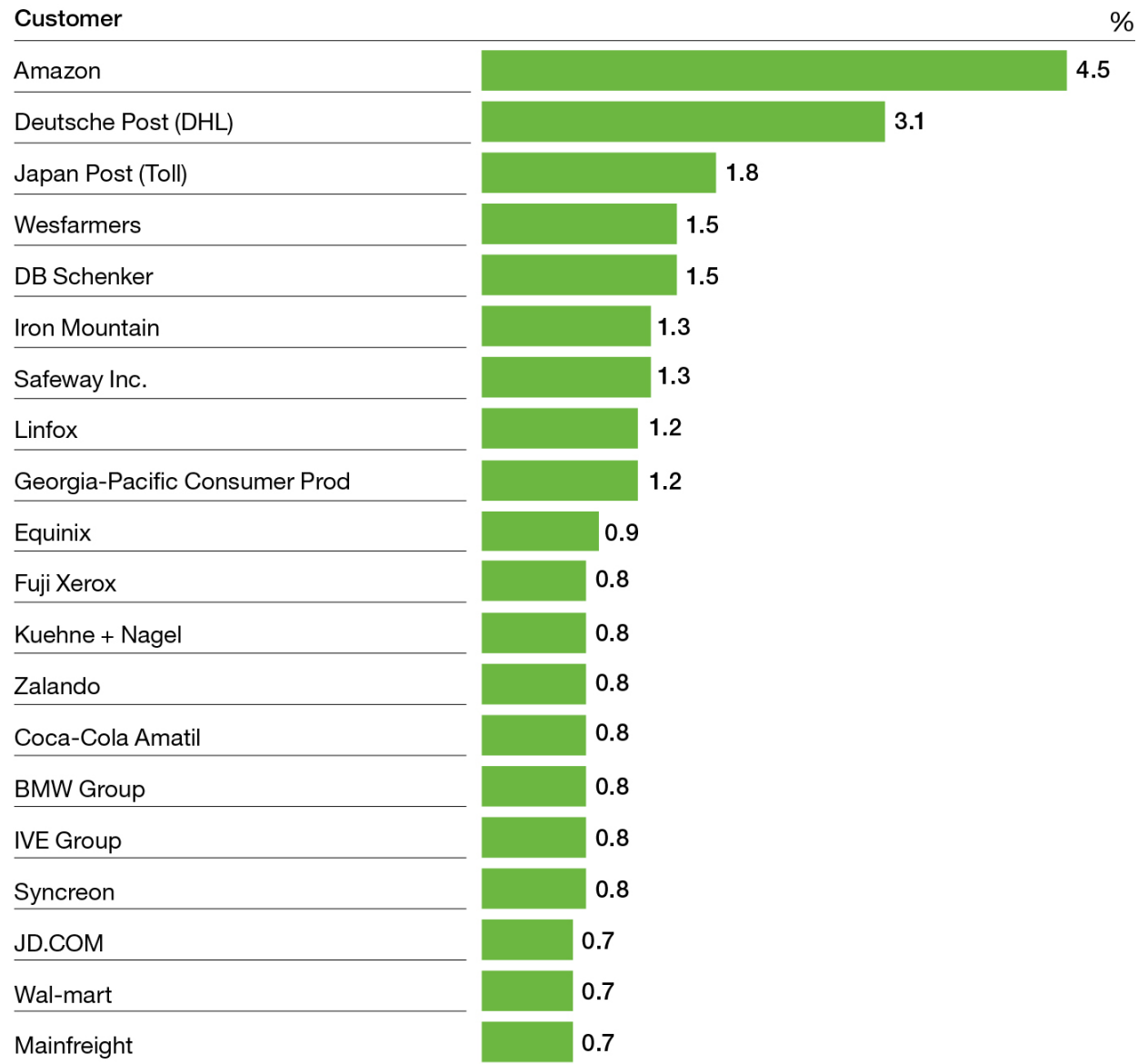
Across the Group and Partnerships:

- + 3.5 million sqm leased during the year
- + High occupancy at 98%

Region	Leasing area (sqm)	Net annual rent (\$M)	Average lease term (years)
Australia / New Zealand	1,168,689	163.0	5.0
Asia	1,301,998	192.3	3.5
UK / Continental Europe	994,788	73.3	4.1
<b>Total</b>	<b>3,465,475</b>	<b>428.6</b>	<b>4.2</b>

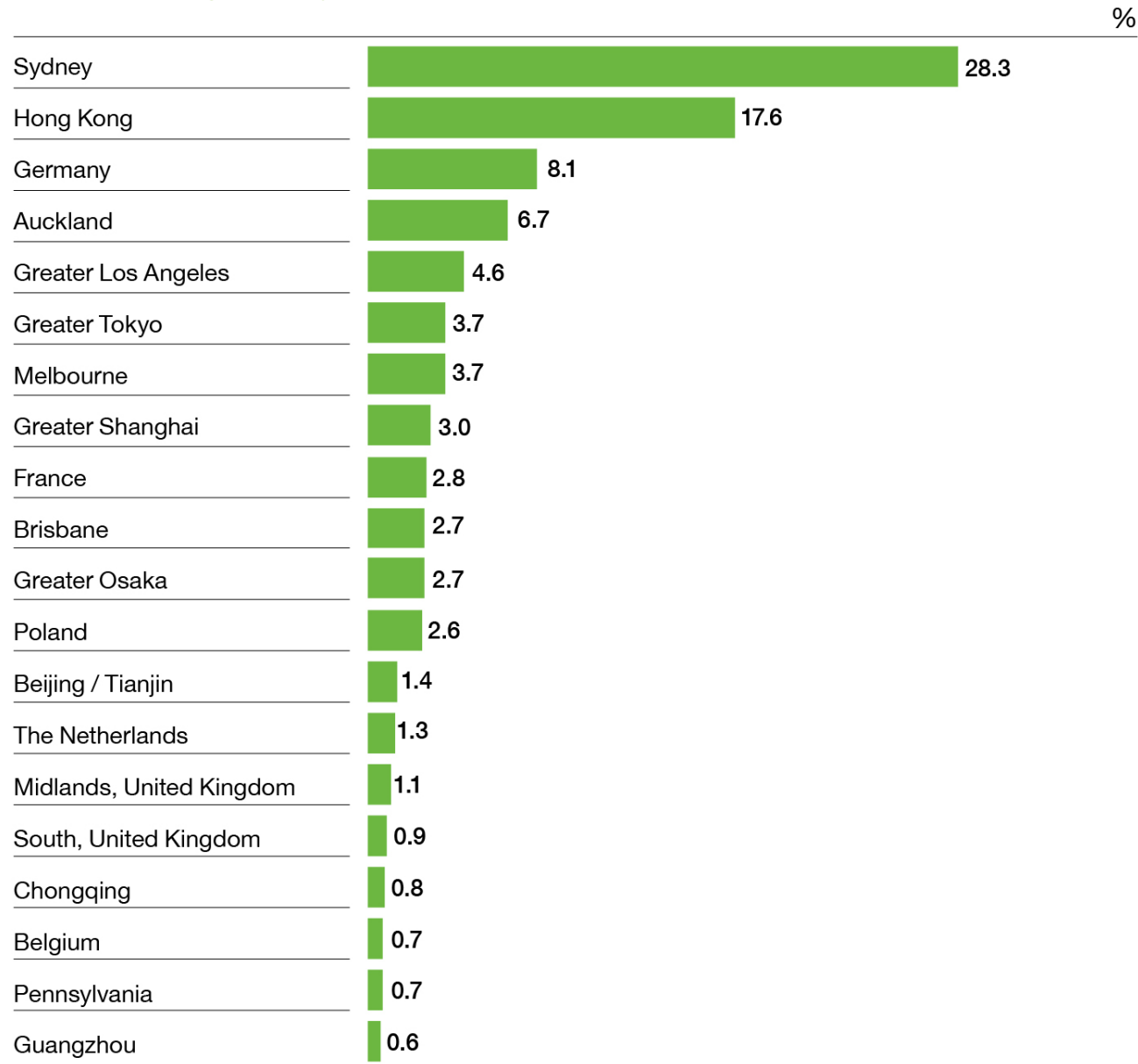
# Customers

## Top 20 global customers (by net income - look through basis)



# Geographic exposure

## Top 20 sub-regions (by AUM)



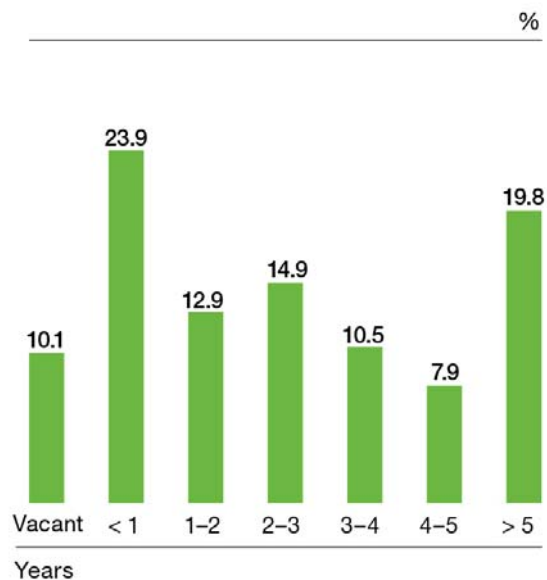


# Direct portfolio detail

## Portfolio snapshot

- + 23 properties with a total value of \$1.6<sup>1</sup> billion located primarily in the Sydney market
  - Represents a significant part of the urban renewal portfolio
- + Leasing transactions remain strong across the portfolio
  - 175,761 sqm (\$19 million net annual rental) of existing space leased
- + 90% occupancy and a weighted average lease expiry of 3.8 years
- + Average portfolio valuation cap rate of 5.9%<sup>1</sup>

## WALE of 3.8 years (by net income)

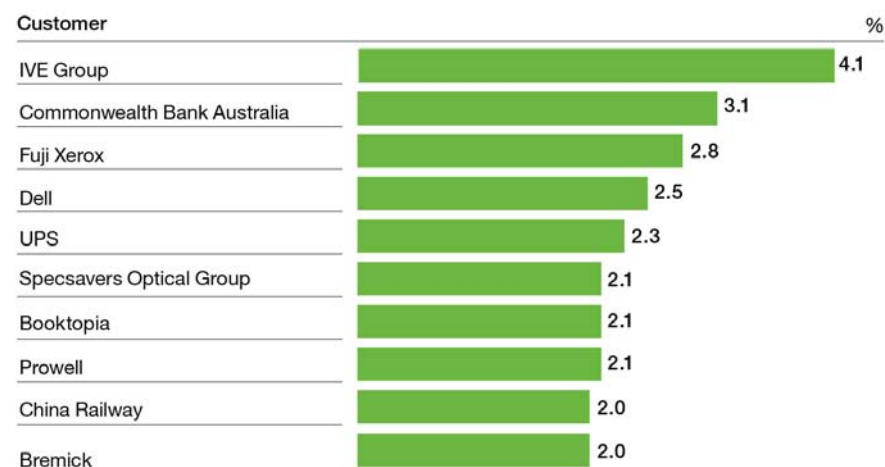


## Key metrics<sup>1</sup>

Total assets	A\$1.6 billion
Customers	290
Number of properties	23
Occupancy	90%
Weighted average cap rate	5.9% <sup>1</sup>

1. Stabilised properties

## Top 10 customers make up 25.1% of portfolio income



## Appendix 3 – Development



# Developments

FY18 Developments	Completions	Commencements	Work in progress
Value (\$bn)	3.5	3.2	3.6
Area (m sqm)	2.2	2.0	2.2
Yield (%)	7.4	7.2	7.2
Committed (%)	87	67	64
Weighted average lease term (years)	9.5	7.7	7.8
Development for third parties or Partnerships (%)	80	71	76
Australia / New Zealand (%)	16	14	20
Asia (%)	19	17	26
Americas (%)	25	25	19
UK / Continental Europe (%)	40	44	35

Work in progress by region	On balance sheet end value \$M	Third party funds end value \$M	Total end value \$M	Third party funds % of total	Committed % of total
Australia / New Zealand	55	645	700	92	52
Asia	39	900	939	96	41
Americas	-	681	681	100	69
UK / Continental Europe	757	509	1,266	40	83
<b>Total</b>	<b>851</b>	<b>2,735</b>	<b>3,586</b>	<b>76</b>	<b>64</b>

# Developments (cont'd)

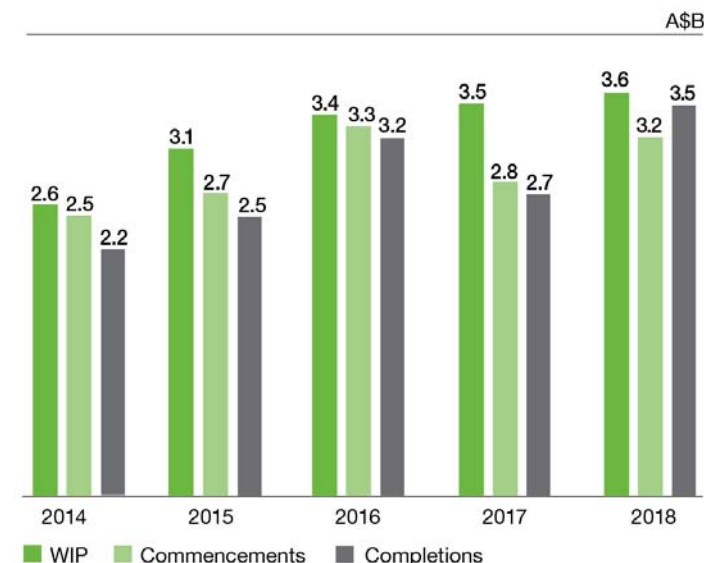
- + Maintained development pipeline of \$10 billion
  - Forecast GLA of 5.9 million sqm
  - Development pipeline allocated as Australia/New Zealand 18%, Asia 44%, UK/Europe 24% and Americas 14%

- + The Group's development future cash commitments

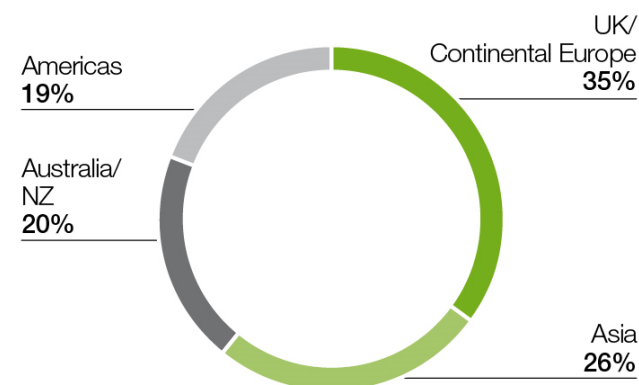
Commitments as at 30 June 2018	\$M
Gross GMG cost to complete	464
Less pre-sold <sup>1</sup> cost to complete	(31)
Net GMG cost to complete	433
GMG share of Partnerships cost to complete	857

1. Pre-sold projects are reimbursed by instalments throughout the project or at practical completion of the project

## Development volume



## Work in progress as at 30 June 2018

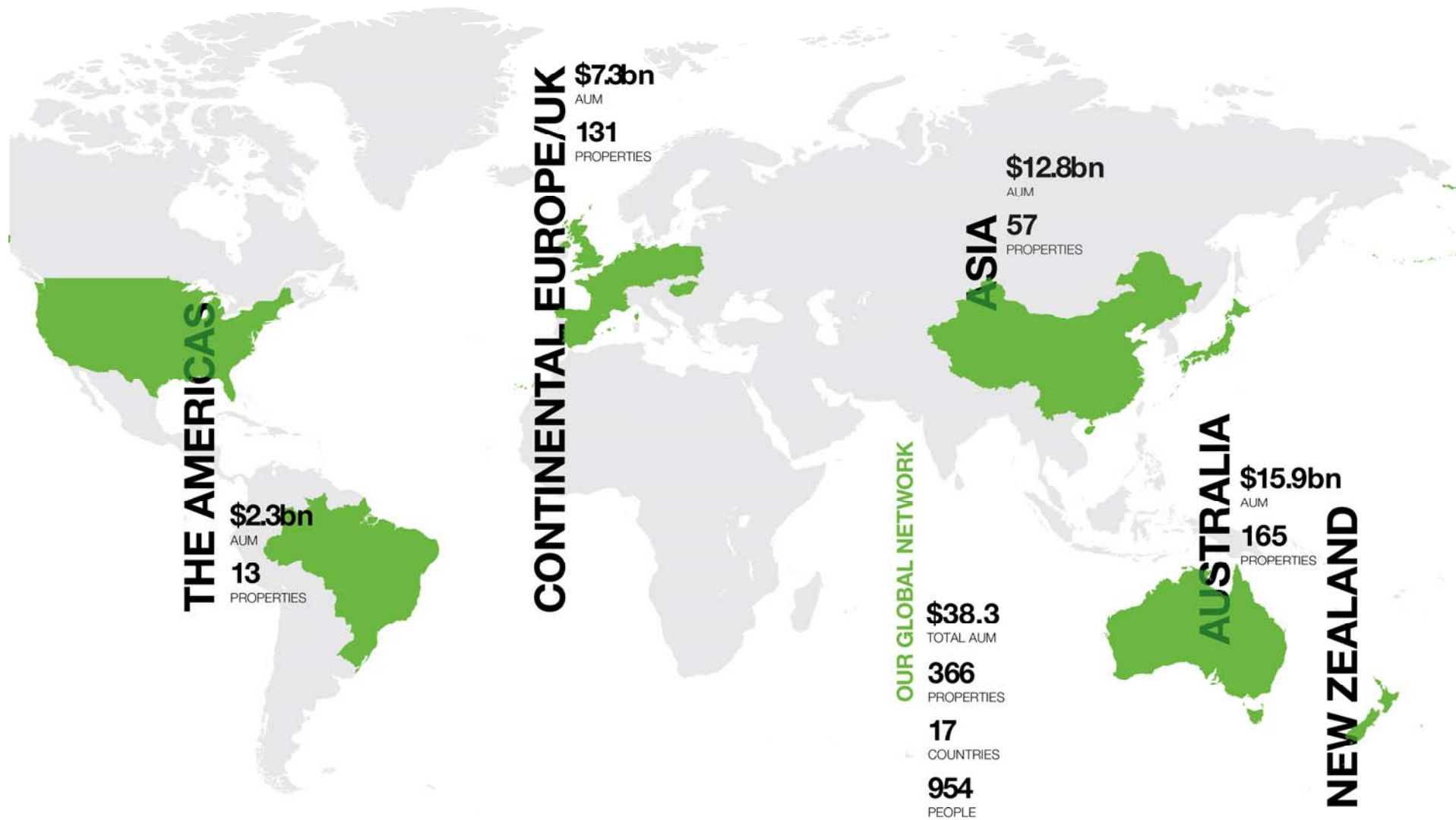




## Appendix 4 - Management



# Global platform



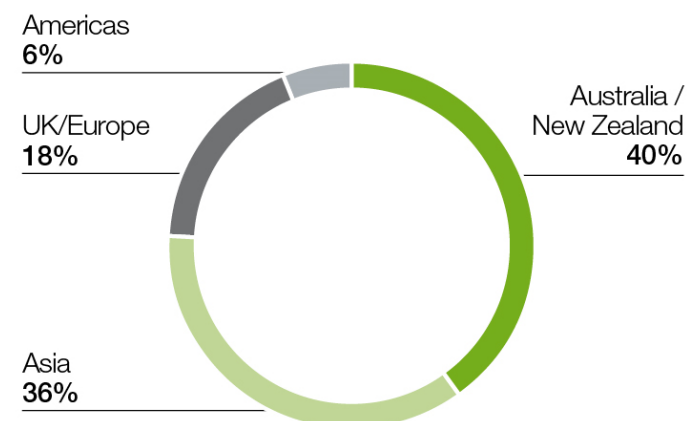
● Current Goodman global presence.  
As at 30 June 2018 (Australian currency)

# Management - AUM

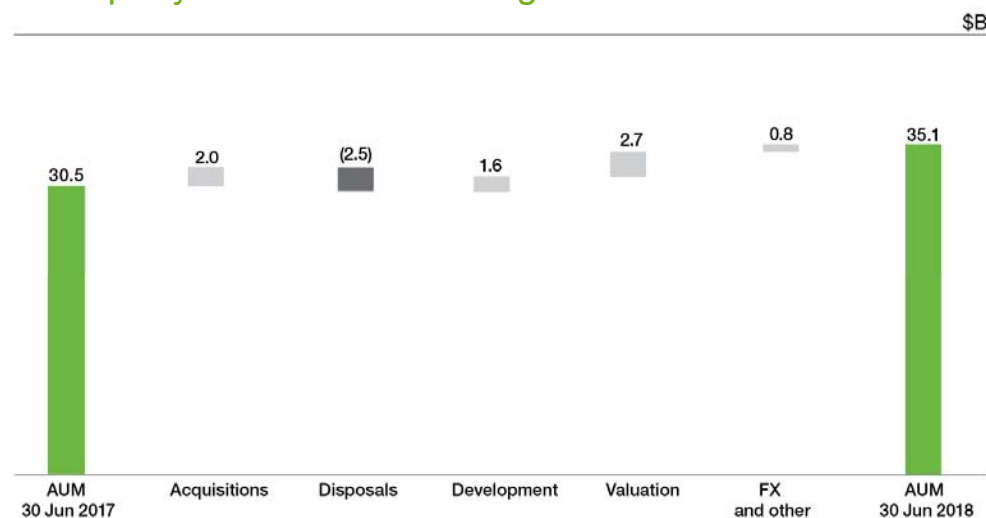
## + Major achievements completed during the year include

- GMT conditionally sold Viaduct office portfolio to Blackstone for A\$587 million
- Established Brazil Partnership (A\$952 million equity commitment) alongside APG, CPPIB, GIC and First State Super
- GEP conditionally sold a portfolio comprising of 23 properties across Germany, France and Poland
- Successfully completed the sale of ABPP
- GHKLP acquired strategic site in Tuen Mun, Hong Kong for \$467 million
- GNAP now contributing 25% of Group development completions

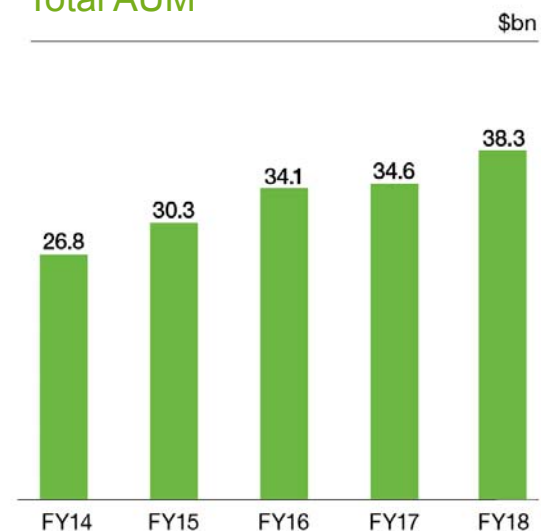
## Third party AUM by region



## Third party assets under management



## Total AUM





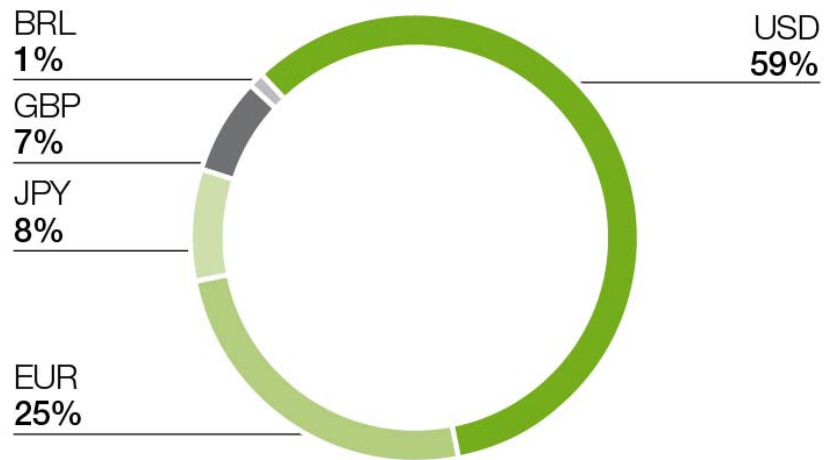
## Appendix 5 – Capital management



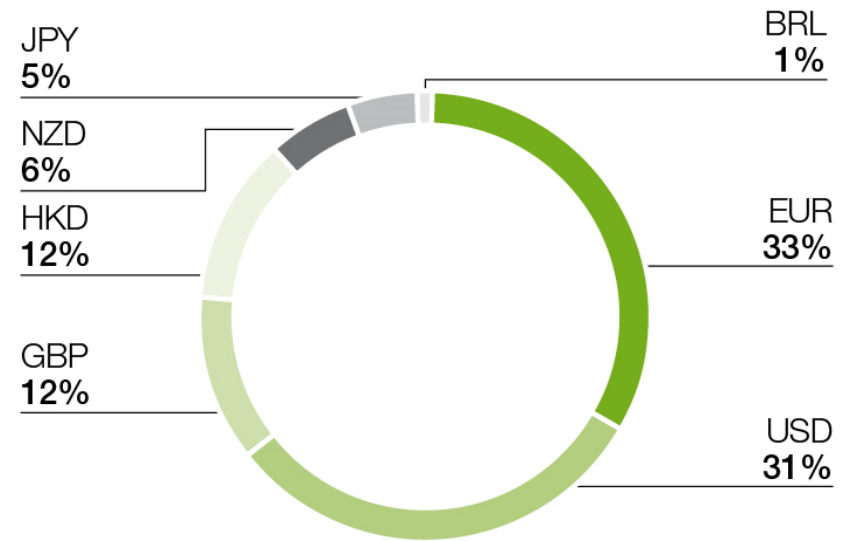


# Currency mix

Currency mix – outstanding debt



Currency mix – including the impact of Capital Hedging FX Swaps



# Financial risk management

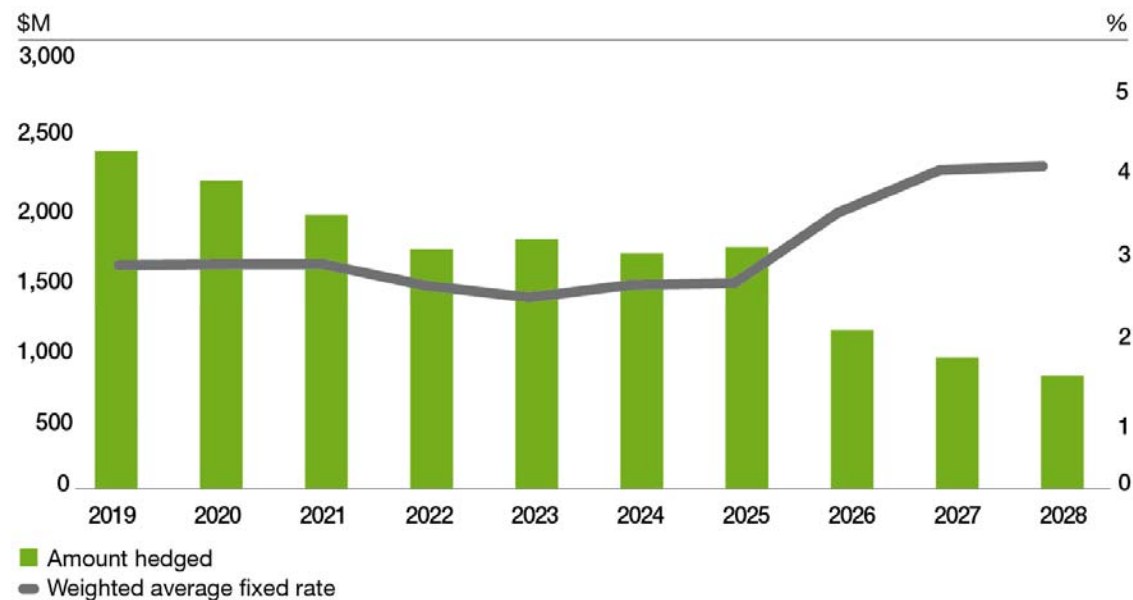
- + The Group has been implementing a robust capital management framework, which includes a revised Financial Risk Management (FRM) policy. This provides:
  - Stronger balance sheet which has been reflected in higher credit ratings upgrade from S&P and Moody's BBB+ / Baa1 respectively
  - Enhanced flexibility through amended covenants
  - Diversified sources of funding that increases available options through the cycle
  - Long term debt sources to stabilise the funding base
- + The Group has been actively reducing financial leverage in the business given its desire to run low gearing at this point in the property cycle:
  - Group target gearing range reduced to 0% - 25% (from 25% - 35%) and reflective of existing practice
  - Gearing level will be determined with reference to mix of earnings and ratios consistent with credit rating
- + **Interest risk management:**
  - Policy to ensure between 60% and 100% of current year interest rates are fixed
  - 85% hedged over next 12 months
  - Weighted average hedge maturity of 5.5 years
  - Weighted average hedge rate of 2.99%<sup>1,2</sup>
- + **Foreign currency risk management:**
  - Policy to hedge between 65% and 90% of foreign currency denominated net assets
  - 70% hedged as at 30 June 2018, of which 66% is debt and liabilities and 34% is derivatives
  - Weighted average maturity of derivatives 3.9 years

1. Includes the strike rate on interest rate cap hedges  
2. Includes the 8 year Reg S €500 million at 1.375% fixed rate

# Financial risk management (cont'd)

- + Interest rates are hedged to 85% over next 12 months
- + Weighted average hedge rate of 2.99%<sup>1</sup>
  - NZD – hedge rate 3.57%
  - JPY – hedge rate 2.99%
  - HKD – hedge rate 2.46%
  - GBP – hedge rate 3.03%
  - Euro – hedge rate 1.26%<sup>2</sup>
  - USD – hedge rate 4.38%
- + Weighted average maturity of 5.5 years

## Interest rate hedge profile



1. Includes the strike rate on interest rate cap hedges  
 2. Includes the 8 year Reg S €500 million at 1.375% fixed rate

# Financial risk management (cont'd)

## Foreign currency denominated balance sheet hedging maturity profile

Currency	Weighted average maturity	Weighted average exchange rate	Amount receivable <sup>1</sup>	Amount payable <sup>1</sup>
NZ\$	4.2 years	1.0943	A\$274.2m	NZ\$300.0m
HK\$	3.7 years	5.9927	A\$571.0m	HK\$3,390.0m
€	3.2 years	0.6851	A\$615.4m	€420.0m
£	2.2 years	0.5869	A\$136.3m	£80.0m
US\$	7.1 years	0.7033	US\$160.0m	£112.5m
US\$	7.5 years	0.8048	US\$95.0m	€76.5m
CNY <sup>2</sup>	2.2 years	7.3091	US\$217.6m	CNY1,590.5m

1. Floating rates apply for the payable and receivable legs for the cross currency swaps except for the USDEUR and USDGBP cross currency where the receivable for US\$155 million is fixed at 3.70%, US\$70 million is fixed at 6.00% and US\$30 million is fixed at 6.375%

2. Forward exchange contract, net settled in USD



# Exchange rates

## + Statement of Financial Position – exchange rates as at 30 June 2018

– AUDGBP – 0.5604	(30 June 2017: 0.5902)
– AUDEUR – 0.6332	(30 June 2017: 0.6727)
– AUDHKD – 5.8015	(30 June 2017: 5.9935)
– AUDBRL – 2.8565	(30 June 2017: 2.5385)
– AUDNZD – 1.0922	(30 June 2017: 1.0482)
– AUDUSD – 0.7394	(30 June 2017: 0.7678)
– AUDJPY – 81.912	(30 June 2017: 86.261)
– AUDCNY – 4.8975	(30 June 2017: 5.1939)

## + Statement of Financial Performance – average exchange rates for the 12 months to 30 June 2018

– AUDGBP – 0.5760	(30 June 2017: 0.5948)
– AUDEUR – 0.6498	(30 June 2017: 0.6920)
– AUDHKD – 6.0659	(30 June 2017: 5.8554)
– AUDBRL – 2.5684	(30 June 2017: 2.4316)
– AUDNZD – 1.0851	(30 June 2017: 1.0585)
– AUDUSD – 0.7752	(30 June 2017: 0.7540)
– AUDJPY – 85.5326	(30 June 2017: 82.267)
– AUDCNY – 5.0429	(30 June 2017: 5.1339)

# Thank you



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