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Goodman increases FY19 EPS growth forecast to 9.5%.

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Release	Immediate

Goodman Group (Goodman or Group) today announced its results for the half year ended 31 December 2018. The Group delivered operating profit[1] of $465 million, up 10.4% on 1H FY18, and operating earnings per share (EPS) of 25.5 cents[2], up 9.4% on 1H FY18. Statutory profit was $929.2 million.

The Group has upgraded its forecast FY19 EPS to 51.1 cents per share, up 9.5% on FY18, maintaining its forecast full year distribution of 30.0 cents per security, up 7% on FY18.

Group Chief Executive Officer, Greg Goodman said: “The results reflect continued strong performance across our management and development businesses. Our deliberate focus on infill markets, where property fundamentals are robust, has driven Partnership returns and significant growth in assets under management which are up 24% to $43 billion.”

Structural changes driving our customers’ businesses have fuelled the continued evolution of the industrial property sector. Supply chain efficiency is critical for our customers’ success, with increased importance placed on the location and role of logistics and warehousing space.

This trend has resulted in significant valuation gains of $2.4 billion over the half for the Group and Partnerships, like-for-like growth in net property income of 3.2% and a robust development workbook of $3.6 billion, expected to exceed $4 billion in the near term.”

Key highlights for the period are:

Financial

+ **Operating profit of $465 million, up 10.4% on 1H FY18**
+ **Operating EPS of 25.5 cents, up 9.4% on 1H FY18**
+ **Statutory profit of $929.2 million (includes the Group’s share of valuation gains, derivative foreign currency mark-to-market and other non-cash or non-recurring items)**
+ **Distribution of 15.0 cents per stapled security (DPS), up 9.1% on 1H FY18**
+ **Gearing at 6.5%[3] (look through gearing at 17.6%)**
+ **Net tangible assets (NTA) per security up 9% to $5.05 (since 30 June 2018).**

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Operational

- **Total AUM of $43 billion, up 24%, with external AUM up 27% on 1HFY18 to $40 billion, driven by valuation increases and development completions**
- **Valuation uplift of $2.4 billion across the Group and Partnerships**
- **Continued strength in property fundamentals resulting in occupancy at 98%, weighted average lease expiry (WALE) of 4.7 years and like-for-like net property income growth of 3.2%**
- **Development work in progress (WIP) steady at $3.6 billion across 68 projects in 12 countries with a forecast yield on cost of 7.1%**
- **Management earnings up 15% on 1H FY18 with average Partnership returns expected to be in the mid-teens for FY19.**

Property Investment – quality portfolio continues to deliver

The concentration of our portfolio in key urban centres saw increased customer demand over the half, driving occupancy, rental growth and valuations. Coupled with continued supply constraints in Goodman's markets, competition for sites and resulting increased intensity of use, property fundamentals are expected to remain robust.

Key highlights include:

- 1.6 million sqm leased equating to $223 million of annual property income
- Occupancy maintained at 98%
- WALE of 4.7 years
- Like-for-like net property income growth of 3.2%.

Development – structural demand expected to drive growth in WIP above $4 billion in the near term

Goodman's development WIP has been steady at $3.6 billion across 68 projects in 12 countries (1HFY18: $3.5 billion). As demand continues to grow, Goodman's development WIP is expected to exceed $4 billion in the near term.

Development earnings of $273.3 million reflect strong margins and volumes, while yield on cost at 7.1% is stable, reflecting a diversified mix of geographies.

Other key development highlights include:

- Development commencements of $1.9 billion
- Development completions of $2.1 billion
- 79% of WIP undertaken within Partnerships.

Management – earnings up 15% driven by strong valuations and development completions

External assets under management grew by 27% over the half to $40 billion, due to strong revaluation gains and development completions across the platform. Management earnings are up 15% on 1H FY18 following growth in AUM and increased performance fees. Cumulative Partnership outperformance over several years will support further growth in performance fees in future periods.

Other key management highlights include:

- Global weighted average cap rate (WACR) tightening to 5.2%
- $14.2 billion[4] available in undrawn debt and equity.
- Strong Partnership performance with returns expected to be in the mid-teens for FY19.

Continued growth in assets under management is expected over the next few years due to strong development activity and revaluations. This should also generate increased underlying base management fee revenue.

Capital management – maintaining low leverage

The Group expects to undertake an increased volume of development activity over the next few years. As a result, more capital will be allocated to development and partnership investments on a consistent basis.

In order to maintain low financial leverage a payout ratio in the low 50% range will be targeted. With this payout ratio, the Group will be able to cater for an ongoing development WIP of over $4 billion while maintaining a disciplined approach to financial leverage and further strengthening the Group's balance sheet over the longer term.

The targeted outcome will be achieved by growing DPS by 7% in FY19 to 30cps and maintaining that level of DPS until the target is met. This is expected by the end of FY20 (subject to market conditions and no unforeseen circumstances). Once at the desired ratio, the rate of earnings and distribution growth will re-align (while considering earnings composition and statutory requirements).

Outlook – sustainable growth supported by structural change

Commenting on the outlook for the Group, Greg Goodman said, "Our customers' industries continue to experience considerable change which is driving opportunity. Most industries including e-commerce, traditional retail and third-party logistics, are re-evaluating supply chains, which is driving the evolution of the industrial property sector.

Our strategic focus on infill markets is being met with strong customer demand which is generating long-term value. Barriers to entry remain high in our markets, but we have the management and infrastructure built over decades to facilitate the demand from our customers.

Market conditions remain robust with the shift towards increased automation, consumerism and heightened service expectations. Consequently, we are experiencing high levels of profitability supported by these ongoing structural changes. We believe the opportunity to deploy capital at an attractive return is growing.

As a result, FY19 EPS guidance is being increased to 51.1 cents per share, (up 9.5% on FY18) and FY19 DPS will be up 7% to 30 cents per security."

For further information, please contact:

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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Continental Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant investment management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

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[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. A reconciliation to statutory profit is provided in summary on page 10 of the ASX Results Presentation announced on the ASX and available from the Investor Centre at www.goodman.com.

[2] Operating EPS is calculated using Operating Profit and weighted average diluted securities of 1,824.5 million which includes 15.0 million LTIP securities which have achieved the required performance hurdles and will vest in September 2019 and September 2020.

[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 $204.4 million (2018: $154.3 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 $81.1 million (2018: $31.9) that hedge the net investment in Continental Europe.

[4] Partnership investments are subject to Investment Committee approval.