
ASX ANNOUNCEMENT

18 FEBRUARY 2019

GDI Property Group Half Year Results to 31 December 2018

GDI Property Group¹ ("GDI") is pleased to release its half year financial results for the period ended 31 December 2018.

Key highlights

- Net Tangible Asset (NTA) per security of \$1.21, up \$0.03 per security from the NTA at 30 June 2018
- Funds From Operations (FFO)² of \$23.5 million and FFO per security of 4.359 cents
- Distribution per security for the period of 3.875 cents, in line with guidance

Operational successes

Property division

GDI's focus for FY19 has been and will continue to be delivery of its asset management strategies for the existing assets in the portfolio, with significant progress made in the period. Most notably, at Mill Green, Perth, the majority of the space vacated during FY17 and FY18 at 197 St Georges Terrace has now been leased or is subject to heads of agreement, with only one upper level floor (Level 23) and one of six suites on the mid-levels (9 and 10) unoccupied. GDI is also continuing to work with Lendlease Developments Pty Limited on a number of potential single user occupiers of a new development located at 1 Mill Street, Perth.

At Westralia Square, Perth, the fit out of the only vacant floor, Level 7, as a show floor for future leasing, has been completed, and works have progressed on the upgrade of the lifts. GDI has had ongoing dialogue with its existing tenants, principally the Minister for Works and United Group Limited, but at this stage is unable to give any guidance on the probability of either tenant renewing all or part of their lease(s).

With the refurbishment and releasing program all but complete at 50 Cavill Avenue, Surfers Paradise, only one suite now remains to be leased and the focus continues to be driving effective rental growth as leases expire.

At 235 Stanley Street, Townsville ("Stanley Place"), the Department of Human Services has signed a heads of agreement for a new 6.5 year lease commencing 1 March 2020 for the 4,644sqm it currently occupies in the property pursuant to a lease (2,722sqm) and sub-lease from the ATO (2,722sqm). GDI is pleased to report that the recent floods in Townsville had minimal impact on Stanley Place.

Both Mill Green, Perth, and 50 Cavill Avenue, Surfers Paradise, were independently revalued as at 31 December 2018. The valuation of Mill Green, Perth increased by \$8.9 million to \$330.0 million, while the valuation of 50 Cavill Avenue, Surfers Paradise, increased by \$11.9 million to \$100.0 million.

Funds Management division

The highlight for the Funds Management division was the sale of 223 - 237 Liverpool Road, Ashfield (GDI No. 42 Office Trust) for \$46.0 million, having been purchased in December 2015 for \$35 million, delivering an unlevered IRR in excess of 13%.

Strong balance sheet and extension of on-market buyback

GDI's balance sheet is in a strong position with a Loan to Value Ratio (LVR) on the Principal Facility³ of 8.7%, below the Board's maximum LVR of 40% and the bank's covenant of 50%. This strong financial position has enabled GDI to extend the on-market buyback of up to 5% of its securities, which was originally announced with the release of the half year results in February 2017, for a further 12 months. Since February 2017, GDI has bought back and cancelled 2,186,936 securities, with 33,234 bought and cancelled during the period.

Positioned for growth

Since its Initial Public Offer of securities in December 2013, GDI has delivered an absolute total return⁴ of 14.83%p.a. GDI's portfolio is now heavily weighted to Perth, and with assets with visible capital value upside potential, GDI believes it can continue to deliver these outstanding results, even with its very conservative balance sheet. Furthermore, when the Eastern State markets weaken, GDI will be well positioned to capitalise on acquisition opportunities funded through utilisation of its balance sheet and its high net worth investor base.

Guidance for remainder of FY19

GDI has a constantly evolving property portfolio, capital structure and funds management business. Given the possibility of asset disposals and acquisitions, both for GDI Property Trust and the Funds Business, GDI chooses not to provide earnings guidance. However, GDI confirms its forecast⁵ FY19 distribution of 7.75 cents per stapled security, noting that 3.875 cents per stapled security was declared for the half year ended 31 December 2018.

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1. The stapled group comprising GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161) and their controlled entities.
 2. FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in Investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items.
 3. The Principal Facility is secured by first registered mortgage over the wholly owned investment properties held by GDI and a registered GSA over the assets of GDI. References to GDI's Principal Facility LVR therefore exclude the assets and borrowings of GDI No. 42 Office Trust from its calculation.
 4. Absolute total return is defined as movement in NTA + distributions.
 5. Subject to no material change in circumstances.