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## **GMT Strategy Delivering Quality Results**

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Release Immediate

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**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 2017.**

The benefits of a high quality property portfolio and an investment strategy focused on the Auckland industrial market are being reflected in GMT’s impressive financial results.

Highlights include:

- + Operating earnings<sup>1</sup> of \$121.7 million before tax or 9.51 cents per unit, consistent with earlier guidance and 1.1% higher than the previous period.
- + A 15.9% increase in cash earnings<sup>2</sup> to 7.08 cents per unit and full year cash distributions of 6.65 cents per unit.
- + \$220.5 million profit before tax (including revaluations of \$114.7 million), compared to \$247.9 million (including revaluations of \$145.8 million) previously.
- + An active sales programme with \$278.8 million<sup>3</sup> of asset disposals.
- + Commencement of eight new development projects with a total project cost of \$97.0 million and yield on additional spend of 8.7%.
- + Greater balance sheet capacity with a look through loan to value ratio<sup>4</sup> of 30.6% compared to 33.9% in the previous period.
- + An 8.3% increase in net tangible assets to 130.4 cents per unit compared to 120.4 cents per unit at 31 March 2016.

Keith Smith, Chairman and Independent Director of Goodman (NZ) Limited said, “A substantial profit, gearing at historically low levels and a fully cash covered distribution are the financial highlights of 2017. The most important features of this year’s operating performance however, are the refinements to the portfolio and realisation of longer-term strategic objectives.”

The progression of the development programme, significant asset sales and selective acquisitions are all having a positive impact on GMT, lifting the quality of the portfolio and adding to its financial strength.

Chief Executive Officer, John Dakin said, “With more than \$535 million of new projects since 2012 GMT’s development programme is transforming the portfolio. Funded

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<sup>1</sup> Operating earnings are a non-GAAP financial measure included to provide an assessment of the performance of GMT’s principal operating activities. Calculation of operating earnings are as set out in GMT’s Profit or Loss statement.

<sup>2</sup> 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 16 of the Annual Report.

<sup>3</sup> Including \$7.7 million of sales that are contracted but not yet settled.

<sup>4</sup> Refer to note 3.5 of the financial statements for further information.

through asset sales, it is a sustainable business activity that is investing in the latest building technologies in some of Auckland's best locations."

The increasing capital allocation to the Auckland industrial sector is a deliberate strategy that reflects the strong growth profile of the city and the positive investment characteristics of industrial property.

It also positions GMT to benefit from the increasing demand for logistics space as a result of e-commerce.

John Dakin said, "Online shopping is increasing the requirement for distribution warehousing in many global markets. It's an emerging trend that is also adding to the attractiveness of industrial property as an investment class."

Further information on the financial result is provided in the Trust's annual report at: [www.goodmanreport.co.nz](http://www.goodmanreport.co.nz). A live webcast of the result presentation is scheduled for 10:30 am today and can be viewed at: <http://edge.media-server.com/m/go/goodman-annual-results-2017>.

### **Property Refinement**

Over 154,000 sqm of new customer commitments, representing around 16% of the total rentable area, were secured in the last 12 months. This leasing success meant that at 31 March 2017, the occupancy rate across the portfolio had increased to 98% and the weighted average lease term extended to 5.8 years.

Sustained customer demand is also facilitating an intensification of the Trust's development programme.

John Dakin said, "GMT has been able to accelerate the build-out of its land bank in recent years. With Highbrook Business Park now more than 75% complete, we have made substantial progress in the Trust's development programme."

Following the completion of current projects, GMT's investment in the preferred Auckland industrial and business park sector will have increased to over 77% of total property assets while its land weighting will have reduced to just 7%.

John Dakin said, "While our development activity is enhancing and extending the portfolio it is also providing essential business infrastructure, contributing to wider economic growth."

Keith Smith said, "Continued development success has also significantly improved the alignment between the cash earnings of the Trust and the distributions it pays, an important focus for the Board."

### **Portfolio valuation**

Strengthening property market fundamentals and sustained demand from both local and offshore investors have contributed to another strong valuation result for GMT. With an overall gain of \$114.7 million it is the second consecutive year of fair value gains of more than 5%.

With continuing low interest rates, investors are competing for prime properties and paying record prices. The strength of this investment demand is demonstrated in the 45bps firming in the portfolio capitalisation rate, to 6.50%.

### **Balance Sheet Strength**

John Dakin said, "GMT has continued to take advantage of the buoyant investment market with asset sales of \$278.8 million during the year."

The record volume of transactions means that GMT will have recycled around \$624 million of capital since 2012, over 25% of its current portfolio value.

At 31 March 2017 GMT's look through loan to value ratio was just 30.6%, a reduction from 33.9% last year and significantly below the 50% threshold permitted under its debt and Trust Deed covenants.

John Dakin said, "With significant balance sheet capacity and only partly drawn debt facilities, GMT has the necessary liquidity to fund all its current development objectives. It also ensures that the Trust has sufficient headroom should investor sentiment change and asset values fall."

GMT has a very diverse and long dated debt book with less than half of its borrowings provided by its banking syndicate.

Keith Smith said, "The issue of retail bonds and a USPP offer in 2015 has made the business more resilient. An extension to the Goodman+Bond programme, with a new offer of 7 year bonds launched today, will further improve the capital structure of the Trust."

### **Looking Ahead**

John Dakin said, "We are executing an organic growth strategy that is refining and rebalancing the portfolio, with greater investment in the Auckland industrial sector."

It's an effective and prudent approach that takes advantage of the positive economic environment and strong property market conditions that currently exist.

Keith Smith said, "These favourable operating conditions are expected to continue over the short to medium term and the Board believes that the existing strategy, with its focus on portfolio quality and development led growth, remains appropriate."

GMT's operating earnings for the 2018 financial year are forecast to be 9.0 cents per unit before tax. The reduction from 2017 reflects the impact of asset sales and balance sheet de-leveraging.

The progression of the Trust's development programme is expected to support underlying cash earnings in 2018, consistent with the prior year.

Cash distributions will be maintained at 6.65 cents per unit.

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### **Attachments provided to NZX:**

1. NZX Appendix 1
2. Investor Presentation

### 3. Media Release

### 4. GMT and GMT Bond Issuer Limited Annual Report 2017

#### **About Goodman Property Trust:**

GMT is an externally managed unit trust, listed on the NZX. It has a market capitalisation of around \$1.6 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 are 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 in excess of \$2.4 billion that accommodates around 240 customers. The Trust holds an investment grade credit rating of BBB from Standard & Poor's.