Goodman

nzx release+

Customer demand drives growth in operating earnings

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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 and operational results for the year ended 31 March 2023.

Customer demand for well-located warehouse and logistics space has ensured earnings targets were achieved, while new investment and capital management initiatives have made GMT a more sustainable and resilient business.

Highlights include:

+ Sustained customer demand contributing to a 6.9% increase in operating earnings[1], to $126.5 million before tax
+ A $237.7 million reduction in the fair value of its property assets has contributed to a statutory loss of $135.4 million after tax compared to a profit of $748.6 million in FY22 (including fair value gains of $660.4 million from property valuations)
+ Net tangible assets of 245.2 cents per unit
+ Substantial balance sheet capacity, with a loan to value ratio[2] of 25.9% and $739 million of available liquidity at 31 March 2023
+ A 6.6% increase in cash earnings[3] to 7.1 cents per unit and a 7.3% increase in cash distributions, to 5.9 cents per unit
+ Guidance for FY24 includes a further 4% increase in cash earnings to around 7.4 cents per unit with a 5% increase in cash distributions to approximately 6.2 cents per unit
+ A $4.8 billion property portfolio providing over one million square metres of warehouse and logistics space, with occupancy of 99.5% and a weighted average lease term of more than six years
+ Positive progress in the sustainability programme with an improved climate score of A- from CDP and New Zealand's first industrial 6 Green Star Design[4] rating, awarded to two development projects at Highbrook Business Park
+ Further development activity with $209.7 million of new project commencements at Roma Road Estate in Mt Roskill and Savill Link in Ōtāhuhu, with $461.1 million of work in progress (total project cost)
+ New capital management initiatives including $450 million of green bonds and loans to support sustainable development.

YEAR IN REVIEW

A 4.7% reduction in the fair value of its property portfolio, as a result of independent valuations at 31 March 2023, is the principal driver of GMT's statutory loss.

Keith Smith, Chair of Goodman (NZ) Limited said, "While rising interest rates have impacted investment yields, GMT's underlying portfolio fundamentals remain strong and it continues to deliver robust operating results."

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[1] 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 as set out in GMT's Profit or Loss statement.
[2] Loan to value ratio is a non-GAAP financial measure used to assess the strength of GMT's balance sheet. The calculation is set out in note 2.6 of GMT's financial statements.
[3] Cash earnings is a non-GAAP financial measure that assesses underlying cashflows, on a per unit basis, after adjusting for certain items. The calculation is set out in GMT's 2023 Annual Results Presentation.
[4] NZGBC Design & As Built NZv1.0 Certified Design Review Rating.

High occupancy levels, sustained rental growth, new development completions and strategic acquisitions have all contributed to a 6.9% increase in operating earnings, to $126.5 million before tax.

Chief Executive Officer, James Spence said, “GMT’s operating performance demonstrates the resilience of the business and the benefits of an investment strategy exclusively focused on the Auckland industrial market.

Cash earnings of 7.1 cents per unit was 6.6% ahead of last year and almost 3% higher than our original guidance.”

With limited new supply and high barriers to entry, the key structural trends that are driving customer demand for more productive and sustainable warehouse and logistics facilities are expected to support another strong operating result in FY24.

Keith Smith said, “Guidance for FY24 includes a 4% increase in cash earnings to around 7.4 cents per unit with a 5% increase in cash distributions to approximately 6.2 cents per unit.”

Further information is provided in the GMT and GMT Bond Issuer Limited Annual Report 2023. A copy of the report, which was released today, has been provided to the NZX and is available at: https://www.goodmanreport.co.nz/.

ATTRACTING PREMIUM RENTALS

James Spence said, “The Auckland industrial market is highly constrained, with almost zero vacancy for prime space. It is a real estate sector that has recorded double-digit rental growth over the last 12 months, with demand for space exceeding supply in many locations across the city.”

Demographic changes, regional growth, customer sustainability targets, and the requirements of e-commerce have all driven the increase in demand for well-located and operationally efficient warehouse and logistics property.

Customers are also seeking to improve supply chain resilience by driving greater productivity and value from their facilities.

James Spence said, “The positive demand dynamic is reflected in our own leasing results, with high occupancy levels being maintained and new rental benchmarks being achieved for prime warehouse space within the portfolio.”

The level of under-renting (the difference between contract and market rentals) is also growing. The potential reversion to market is assessed by valuers as 25%, at 31 March 2023.

James Spence said, “The benefits of this under-renting will be realised over time, as contract rents are reviewed to market and new leases are secured at the higher rates.”

WORLD CLASS DEVELOPMENT

The strength of new leasing demand is also reflected in the volume of development work in progress, with $461.6 million of active projects.

The current workbook is around 95% pre-committed, with an average lease term of more than 12 years. It will add over 110,000 sqm high-quality urban logistics space to the portfolio over the next 18 months.

James Spence said, “Over 90% of the current projects are being constructed on brownfield sites and we are targeting an industry leading 5 Green Star Built rating for these developments. The redevelopment and intensification of these properties is fully aligned with our sustainability and circularity commitments.”

The use of lower carbon building materials is reducing the intensity of development emissions[5] by an average of 13.8% on current projects and most demolition and construction waste is being either recycled or repurposed.

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[5] Independent assessment of building only, upfront embodied carbon (A1-A5) compared to a similar sized reference building.

The focus on sustainable development supported GMT's first Green Bond issue ($150 million) and the establishment of Green Loan facilities totalling $300 million during the year.

At 31 March 2023, GMT had a loan to value ratio of 25.9% and committed gearing of 29.1%. Low gearing and only partly drawn bank facilities provide over $700 million of available liquidity.

Keith Smith said, "Prudent financial management has enabled GMT to grow sustainably. A well-capitalised balance sheet adds resilience to the business and provides the funding capacity to take advantage of new investment and development opportunities that may arise."

SUSTAINABILITY PROGRAMME

Progressing new sustainability initiatives that improve the environmental performance of the business have continued to be a priority.

James Spence said, "Toitū carbonzero certification for our business operations and an improved CDP climate score of A- demonstrate further progress toward our sustainability commitments. Acknowledging that there is more work to do, we have reviewed our 2025 targets and added new objectives for 2030."

These operational emission reduction targets are consistent with the objectives of the Paris Agreement and the limiting of global warming to less than 1.5 degrees.

James Spence said, "To meet the growing demand for sustainable warehouse and logistics facilities we have also continued to invest in energy efficiency, water conservation and biodiversity projects that improve the operational and environmental performance of the stabilised portfolio."

FUTURE FOCUSED

GMT has delivered a robust operating performance over the last 12 months, with sustained customer demand contributing to significant revenue and earnings growth. The same business drivers are expected to support further strong operating results in FY24, with forecast cash earnings of 7.4 cents per unit and cash distributions of around 6.2 cents per unit.

The longer-term outlook is more uncertain with a variety of downside risks likely to constrain economic activity.

By remaining agile and adapting to the changing operating environment, the Trust will continue to benefit from the structural trends that are driving customer demand for sustainable warehouse and logistics space.

For additional information please contact:

James Spence
Chief Executive Officer
Goodman (NZ) Limited
(021) 538 934

Keith Smith
Chair
Goodman (NZ) Limited
(021) 920 659

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

Attachments provided to NZX:

1. Goodman Property Trust and GMT Bond Issuer Limited Annual Report 2023
2. GMT's 2023 Annual Result Presentation
3. NZX Annual Result Announcement

About Goodman Property Trust:

GMT is an externally managed unit trust, listed on the NZX. It has a market capitalisation of around $3.0 billion, ranking it in the top 20 of all listed investment vehicles. The Trust is New Zealand's leading warehouse and logistics space provider. It has a substantial property portfolio, with a value of $4.8 billion at 31 March 2023. The Trust also holds an investment grade credit rating of BBB from S&P Global Ratings.

The Manager of the Trust is Goodman (NZ) Limited, a subsidiary of the ASX listed Goodman Group. Goodman Group is a A$80.7 billion specialist global manager of warehouse and logistics real estate.