
ASX ANNOUNCEMENT

21 August 2017

GDI Property Group FY17 Financial Results

GDI Property Group¹ is pleased to release its full year financial results for the year ended 30 June 2017 ("FY17").

Key highlights

- Crystallising capital appreciation by way of asset sales, with 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane, sold for a combined \$24.5 million more than the previous independent valuations
- The sale of 80 George Street, Parramatta, (GDI No. 40 Office Trust) for \$51.9 million, resulting in an investor IRR² of over 19% and disposal and performance fees to GDI Property Group of \$1.6 million
- Positive leasing momentum, particularly at 66 Goulburn Street, Sydney, 50 Cavill Avenue, Surfers Paradise and 5 Mill Street, Perth
- Net Tangible Asset (NTA) per security of \$1.12, up \$0.11 per security from the NTA at 30 June 2016
- An absolute total return³ of 18.56% for the year and an annualised absolute total return since IPO of 14.73%
- Total securityholder return of 24.58%
- Funds From Operations (FFO)⁴ of \$45.5 million and FFO per security of 8.46 cents per security
- Distribution per security for the year of 7.75 cents, in line with guidance

Operational successes

Property division

Operational highlights during the year included the disposals of 25 Grenfell Street, Adelaide, for an effective sales price of \$124.0 million, \$10.0 million more than its last independent valuation, and 307 Queen Street, Brisbane, for an effective sales price of \$141.0 million, \$14.5 million more than its previous independent valuation.

Other highlights included the leasing successes at 66 Goulburn Street, Sydney, 50 Cavill Avenue, Surfers Paradise and 5 Mill Street, Perth, where occupancy⁵ now sits at 98%, 90% and 98% respectively.

This leasing success was one of the primary drivers of significantly increased valuations for 66 Goulburn Street, Sydney (+\$35.5 million) and 50 Cavill Avenue, Surfers Paradise (+\$22.6 million), and for the small increase in valuation for 5 Mill Street, Perth (+\$0.5 million) in an otherwise falling market. These sales and valuations have resulted in a significantly higher NTA per security of \$1.12 (+\$0.11).

Funds Management division

The Funds Management division had another extremely successful year, notwithstanding GDI Property Group did not launch any new funds. The highlight for the year was undoubtedly the sale of 80 George Street, Parramatta, (GDI No. 40 Office Trust) for \$51.9 million, a 34% premium to the acquisition price only 18 months earlier. Investors received an IRR of over 19% and GDI Property Group received disposal and performance fees of \$1.6 million.

Total Funds Management division FFO increased to \$6.44 million, with GDI Property Group benefitting from the distributions it receives on its 43.68% holding in GDI No. 42 Office Trust. Pleasingly, with valuation increases for 223 – 237 Liverpool Road, Ashfield (+\$7.0 million) and 235 Stanley Place, Townsville (+\$3.5 million), the value of GDI Property Group's units also increased (+\$4.6 million).

Strong balance sheet

Following the settlements of 25 Grenfell Street, Adelaide, and 307 Queen Street, Brisbane, GDI Property Group reduced its principal facility by \$240.5 million to \$49.4 million, a loan to value ratio of 8.0%. Being in such a strong financial position enabled GDI Property Group to instigate an on-market buyback of up to 5% of its securities on issue. As at 30 June 2017, GDI Property Group had acquired approximately 1.1 million securities at an average price of \$0.995.

Post balance sheet events

On 17 August 2017, GDI Property Group announced that it had exchanged contracts⁶ to sell 66 Goulburn Street, Sydney, for \$252.0 million, which after settlement adjustments and other selling costs will net GDI Property Group approximately \$228.0 million, a \$92.0 million premium over the July 2014 acquisition price of \$136.0 million and a \$5.0 million premium to the 30 June 2017 independent valuation of \$223.0 million. GDI Property Group acquired 66 Goulburn Street, Sydney in July 2014, and since then has leased, renewed or agreed to lease all of the 22,925 sqm building. Settlement is expected to occur on or around 19 October 2017.

On 18 August 2017, GDI Property Group announced that it had exchanged conditional contracts⁷ to acquire 6 Sunray Drive, Innaloo, Perth, for \$143.5 million. 6 Sunray Drive comprises over 30,000sqm of NLA and is home to Perth's only IKEA store, with the property also containing four peripheral sites leased to other retailers. On satisfaction of the conditions, GDI Property Group intends to establish GDI No. 43 Property Trust and seek to raise approximately \$96.0 million. GDI Property Group may retain a co-investment stake in GDI No. 43 Property Trust.

Guidance for FY18

On settlement of 66 Goulburn Street, Sydney, GDI Property Group will move to a net cash position. GDI Property Group does intend to make acquisitions in FY18. Given the lack of certainty around any acquisition, GDI Property Group is unable to provide FFO guidance for FY18. However:

- FFO per security is likely to be lower than FY17; and
- it is forecast that distributions will be at least 7.75 cents per security, noting:
 - the distribution will be partly funded from the proceeds of sale of 66 Goulburn Street, Sydney; and
 - part of the distribution may be structured as a return of capital, subject to any securityholder and regulatory approvals

GDI Property Group's focus remains on growing the assets under management in the Funds Business as value add opportunities arise. It is foreseeable that GDI Property Group could recycle capital from direct assets sold into the broader funds management business including in to co-investment stakes in future unlisted, unregistered managed investment schemes.

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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. Internal rate of return; IRR means the discount rate that makes the net present value of all cash flows from a particular project equal to zero.
 3. Absolute total return is defined as movement in NTA + distributions.
 4. 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.
 5. As at 1 August 2017, including signed heads of agreement.
 6. Subject to Foreign Investment Review Board approval
 7. The contract is conditional on the Vendor obtaining a) unitholder approval to sell the Property; b) confirmation that the tenant, Cebas Pty Ltd, wholly owned by IKEA Pty Limited, will not exercise its First Right of Refusal under the Lease to purchase The Property; c) and third party approvals, if required, under the leases or other agreements, such as the transfer of land on title being approved by the City of Stirling and the Western Australian Planning Commission, within the specified time under the Contract of Sale, prior to Settlement.