

ASX ANNOUNCEMENT

26 AUGUST 2024

GDI annual financial results for the year ended 30 June 2024

GDI¹ is pleased to release its annual financial results for the year ended 30 June 2024.

Operational highlights

GDI began FY24 under the stewardship of a newly appointed Managing Director and Chief Executive Officer, having only recently achieved practical completion of WS2 and bedded down the initial investment in the co-living mining accommodation Joint Venture (Co-living JV). The Board and management team set ambitious goals for FY24 focused operationally on leasing, refinancing and non-core asset sales. Pleasingly, many of these goals were achieved as follows:

- Leased or renewed over 37,000sqm of office space², including substantially leasing both Westralia Square and WS2, most notably with a combined 16,347sqm lease and lease extension to the Minister of Works for over 10 years at Westralia Square;
- Introduced a second major funding partner to the Syndicated Facility (previously Principal Facility), extended the term to December 2026 and increased its size, initially by \$25.0 million and subsequently by another \$25.0 million, giving GDI timing flexibility on capital recycling initiatives;
- Renewed the Board by appointing two highly qualified directors following the retirement of Gina Anderson in April 2024;
- Restructured the management team and our service providers, creating a more harmonious team that is able to work collaboratively;
- Successfully navigated the first full year of operations of the Co-living JV, making a small additional acquisition and achieving our return expectations;
- Made significant progress implementing the strategies of our unlisted funds; and
- Exceeded the financial objectives set for the year, including internal budgets, maintaining the distribution and outperforming the MSCI Core Office Property Fund Index.

The capital markets remain challenging. We appointed agents to assess demand for two non-core assets, but withdrew both campaigns due to a lack of buyer depth and demand.

Despite the challenging capital markets environment, GDI has exchanged a contract to sell one³ of the 17 dealerships³ for a 2.3% premium to its independent valuation, with settlement expected in November 2024.

As we begin FY25 we have set similar objectives to FY24. However, as there is now less space to lease we do not expect to achieve the same volume of leasing as we achieved in FY24.

Financial outcomes

Funds From Operation per security

GDI's FFO⁴ per security for the year was 5.52 cents (FY23: 5.28 cents), driven by increases in Property FFO and the full year contribution from the Co-living JV.

Property FFO⁵ for the year ended 30 June 2024 was \$41.6 million, a 12.6% increase from FY23 Property FFO of \$36.9 million. The increased contribution from the Westralia Square complex (FY24 of \$23.7 million vs FY23 of \$18.1

million) was partly offset by a slight decrease from Mill Green (FY24 of \$14.0 million vs FY23 of \$15.4 million). GDI has scope to continue to grow Property FFO through further leasing and re-leasing, particularly at 197 St Georges Terrace, 5 Mill Street and WS2.

The contribution to FFO from the Co-living JV to GDI was \$6.8 million (FY23 of \$1.3 million), in excess of our 20% return hurdle from our initial investment of \$33.0 million.

Total FFO was impacted by a significant increase in the net interest expense to \$15.8 million, up from \$9.2 million in FY23.

Distribution

We were pleased to be able to maintain the distribution of 5.00 cents per security for FY24. Although we introduced a distribution an dividend reinvestment plan in FY23, it was not in operation for either the interim or final FY24 distributions.

Gearing

GDI's balance sheet remains in a sound position with gearing of 33%. GDI remains well within its Syndicated Facility⁶ covenants, with a Loan to Value ratio of 40.6% (Covenant of 50.0%) and an Interest Cover ratio of 2.0X (Covenant of 1.5X).

GDI has drawn debt of \$347.3 million on its Syndicated Facility and undrawn debt of \$49.2 million.

NTA per security

All assets were independently revalued during the year. NTA per security is \$1.19, down from \$1.25 at 30 June 2023. The weighted average capitalisation rate of GDI's investment properties is 6.6%, and the average value per square metre of lettable area in the office portfolio is \$8,019⁷.

Hedging

Through a combination of interest rate caps, swaps and callable swaps, 94% of the Syndicated Facility's current drawn debt is hedged to 31 December 2024, 79% to 30 June 2025 and 50% to 31 December 2025.

Growth opportunities

GDI remains focused on executing leases for the balance of the portfolio. GDI believes the current momentum in the Perth market will underpin FFO growth in FY25.

GDI's proposition is to be the best office property total return specialist, with a value driven approach to entering and exiting markets with agility, flexibility, and a through cycle funding structure. GDI is executing on its point of difference, having delivered a value enhancing timber and reuse building (WS2), and high returns from the Co-living JV. There is considerable scope within the existing portfolio to deliver further value accretive timber and reuse opportunities, and the Co-living JV has opportunities to deliver stronger growth through the continuation of operational improvements, in addition to further acquisitions.

FY25 Outlook and distribution guidance

The leasing successes from FY24 have meant that our Property FFO is expected to be higher in FY25 than what was achieved in FY24. Our portfolio continues to experience leasing interest, and making additional headway into the existing vacancy remains a priority.

The Co-living JV achieved our return hurdles from the first full year of ownership. Although the focus is on operational excellence, there are opportunities in the Co-living sector for accretive acquisitions and these will continue to be reviewed.

The expected growth in Property FFO, combined with the increase to and extension of our Syndicated Facility, has meant we have the financial flexibility to manage the timing of our capital recycling plans. We also confirm that it is our objective to pay a cash distribution of 5.00 cents per security for FY25, subject to no material change in circumstances or unforeseen events. We would expect that a proportion of any cash distribution for FY25 may be paid out of capital.

Media Enquiries:

Stephen Burns
 Managing Director and Chief Executive Officer
 +61 2 9223 4222
stephen@gdi.com.au

David Williams
 Chief Financial Officer and Company Secretary
 +61 2 9223 4222
david@gdi.com.au

Authorised for release by David Williams, Company Secretary

-
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. Includes 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust).
 3. The 17 dealerships are owned by wholly owned subsidiaries of GDI No. 46 Property Trust. The property sold was located at 10 Lancaster Road, Wangara, WA, for \$5.115 million.
 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. AFFO adjusts FFO for incentives paid during the period and maintenance capital.
 5. Property FFO is the contribution to total FFO from the Property Division, pre corporate and administration expenses, and net interest.
 6. GDI's Syndicated 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.
 7. Excluding \$1,000/sqm of value attributable to the public carpark at Westralia Square, comprising 357 car bays