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Strong portfolio performance and development drives Goodman Group's operating profit up 11.4% to \$942 million

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Release IMMEDIATE

Goodman Group (Goodman or Group) today announced its results for the full year ended 30 June 2019. The Group delivered operating profit¹ of \$942 million, up 11.4% on FY18, and operating earnings per share (EPS) of 51.6 cents², up 10.5% on FY18. Statutory profit was up 48% to \$1,628 million.

For FY20, the Group is forecasting operating profit of \$1,040 million up 10.4% with operating EPS of 56.3 cents per share, up 9% on FY19.

Group Chief Executive Officer, Greg Goodman said: "Our continued strategic focus on owning, developing and managing high-quality industrial properties for customers in key urban centres is delivering positive results, with operating and statutory profit up significantly.

The evolution of our customers' supply chains is continuing at pace, as growing consumer expectations and demand, require them to be faster and more agile.

Our development workbook is consequently growing strongly, with work in progress at \$4.1 billion and expected to reach around \$5 billion in the next 12 months. We have raised and deployed more capital in Partnerships to fund developments, which combined with solid property fundamentals, has led to robust Partnership returns, averaging 16% for the year.

The Group and Partnerships saw \$3.8 billion in valuation gains, contributing to substantial growth in assets under management which now sits at \$46 billion. This is expected to increase steadily through development completions."

Key highlights for the period are:

Financial

- + Operating profit of \$942.3 million, up 11.4% on FY18
- + Operating EPS of 51.6 cents, up 10.5% on FY18
- + Statutory profit of \$1,627.9 million (includes the Group's share of valuation gains, non-cash items and derivative and mark to market movements)
- + Distribution of 30.0 cents per stapled security (DPS), up 7% on FY18
- + Gearing at 9.7%³ (look through gearing at 20.0%)
- + Net tangible assets (NTA) per security up 15% to \$5.34 (since 30 June 2018).

Goodman Group

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Operational

- + **Total AUM of \$46.2 billion, up 21%, with external AUM up 22% on FY18 to \$42.9 billion**
- + **Significant valuation uplift of \$3.8 billion across the Group and Partnerships**
- + **Strong property fundamentals resulting in occupancy at 98% and like-for-like net property income growth of 3.3%⁴**
- + **Development work in progress (WIP) of \$4.1 billion across 55 projects in 13 countries with a forecast yield on cost of 6.6%**
- + **Management earnings up 48% on FY18**
- + **Average Partnership total returns of 16%**

Property Investment – Portfolio concentration in infill markets delivering strong returns

The location and quality of the portfolio in key urban centres has continued to drive underlying returns, resulting in high occupancy and rental growth. Competing demand from e-commerce, data centre users and urban renewal continues to put pressure on land use in the markets where Goodman operates. The undersupply of quality assets in prime locations combined with declining bond yields, rising land values and an increasing allocation by investors to industrial real estate, investment has seen the weighted average cap rate (WACR) across the portfolio compress by 36bps to 5.1% over FY19.

Key highlights include:

- + 3.4 million sqm leased equating to \$478 million of annual property income
- + Occupancy maintained at 98%
- + WALE of 4.7 years
- + Like-for-like net property income growth of 3.3%⁴.

Development – structural demand expected to drive growth in WIP around \$5 billion in the near term

Increased demand from customers in our markets driven by structural changes, is resulting in greater confidence to escalate development activity. Commencements have increased to \$4.2 billion while WIP has increased to \$4.1 billion across 55 projects in 13 countries (FY18: \$3.6 billion).

Concentration on urban logistics developments is resulting in increased scale and higher value, over fewer projects with WIP expected to reach approximately \$5 billion in FY20. These projects are more complex, however, Goodman has the skills, infrastructure and financial resources to deliver.

Other key development highlights include:

- + Development completions of \$3.9 billion
- + 81% committed on completion
- + 80% of WIP undertaken within Partnerships.

Management – strong performance of the Partnerships and AUM growth increasing earnings

Development completions and revaluation gains led to 22% growth in external assets under management to \$42.9 billion. The Group delivered an average total return of 16% across the Partnerships for FY19 and 16.4% over the last five years.

Other key management highlights include:

- + Management earnings up 48% on FY18
- + Global weighted average cap rate (WACR) tightening to 5.1%
- + \$13.6 billion⁵ available in undrawn debt and equity.

Corporate initiatives – Goodman's 2030 Sustainability Strategy

At Goodman, sustainability is underpinned by long-term thinking and leadership. The Group views sustainability as an approach that leads to positive economic, environmental and social outcomes for its business, stakeholders and the world more broadly.

In 2019, the Group completed a comprehensive review of its sustainability approach and performance during the year and refined its focus to three strategic pillars that align with the Group's purpose which focuses on making space for its stakeholders to realise their ambitions.

The result – Goodman's 2030 Sustainability Strategy – builds on the momentum of the Group's work to date, while taking a more proactive approach to the challenges and opportunities of the future. The three pillars: property, people and culture, and corporate performance have clear and specific targets. They map the progress the Group is making in these key areas that address the environmental, social and governance priorities most relevant to Goodman and its stakeholders.

Outlook – long-term focus supports sustainable growth

Commenting on the outlook for the Group, Greg Goodman said, "There's no denying that structural changes are continuing to drive the momentum for improving supply chain efficiency in our customers' businesses.

The deliberate urban logistics concentration of our portfolio is the critical factor which will support our customers' supply chain evolution over the next five to ten years; generate resilient cash flows; and provide opportunity for higher and better uses in the long term.

Our customers' requirement for well-located, high-quality industrial real estate continues to grow and we have the specialist management and infrastructure to meet this demand, as we continue to incrementally acquire sites in high barrier to entry markets around the world.

While the market environment for industrial real estate looks strong, we remain prudent in managing our capital. We will continue to maintain low leverage, deploy our capital efficiently within Partnerships and look to drive sustainable growth over the long term.

For FY20, we forecast operating profit of \$1,040 million (+10.4% on FY19), operating EPS of 56.3 cents (+9% on FY19) and distribution of 30.0 cents per security.

We set our target annually and review them regularly. Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events."

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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Continental Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant investment management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

¹ Operating profit comprises profit attributable to Securityholders adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items. A reconciliation to statutory profit is provided in summary on page 10 of the ASX Results Presentation announced on the ASX and available from the Investor Centre at www.goodman.com.

² Operating EPS is calculated using Operating Profit and weighted average diluted securities of 1,826.5 million which includes 14.8 million LTIP securities which have achieved the required performance hurdles and will vest in September 2019 and September 2020.

³ Gearing is calculated as total interest bearing liabilities over total assets, both net of cash and the fair values of certain derivative financial instruments included in other financial assets of \$222.4 million (30 June 2018: \$154.3 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$123.6 million (30 June 2018: \$31.9 million).

⁴ Excludes balance sheet assets.

⁵ Partnership investments are subject to Investment Committee approval.