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Goodman Group upgrades operating profit for FY21 to $1.2 billion reflecting EPS growth of 12% on FY20

Date 19 February 2021

Goodman Group (Goodman or Group) today announced its results for the half year ended 31 December 2020. The Group delivered an operating profit[1] of $614.9 million, up 16% on the prior corresponding period and operating earnings per share (EPS) of 33.1 cents[2], up 15% on the same period last year. Statutory profit was $1,041.5 million.

Key highlights for the year are:

Financial

+ Operating profit[1] of $614.9 million, up 16% on 1H20
+ Operating earnings per share (EPS)[2] of 33.1 cents, up 15% on 1H20
+ Statutory profit of $1,041.5 million
+ Distribution for the half of 15.0 cents per stapled security (DPS) in line with the Group's capital management strategy
+ Gearing at 4.8%[3] (look through gearing at 16.6%[4])
+ Available liquidity of $2.3 billion available in cash and undrawn debt
+ Net tangible assets (NTA) per security of $6.03 per security, up 3.3% (since June 2020)

Operational

+ Total assets under management (AUM) of $51.8 billion - up 5% and external AUM of $48.5 billion up 6% on 1H20
+ $1.5 billion of revaluation gains across the Group and Partnerships with a global weighted average cap rate (WACR) of 4.7%
+ Quality portfolio maintains high occupancy of 97.9%[5] and like-for-like net property income (NPI) growth of 3.0%[5]
+ Development WIP of $8.4 billion across 56 projects in 12 countries, with a yield on cost of 6.6%

Group Chief Executive Officer, Greg Goodman said: "The logistics and warehousing sector are playing a significant role globally in providing essential infrastructure to the digital economy. On average, global online sales increased by 30% in 2020 and are expected to show strong growth over the next five years. We are experiencing strong demand from customers as they meet increasing consumer requirements and higher utilisation of properties.

Our development activity is reflecting these trends and the flow-on effects in the digital space. As a result, we have again increased the levels of development work in progress to $8.4 billion. Maintaining a strong balance sheet and retaining income has provided us with significant liquidity, stability and financial resources for sustainable growth."

Property investment – underlying fundamentals and demand driving strength in asset pricing

Strong customer demand driven by the digital economy continues to support the activity and property fundamentals for our business. There has been a continued shift towards higher penetration of retail sales online and growth in digital and technology-related demand which have increased requirements of supply chains.

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Earnings from investments reflects the acquisitions and development completions offset by asset sales. These sales will provide funding for development activities, driving higher total returns and higher allocation to the remaining preferred and stronger markets.

The competition for assets and undersupply of quality properties in the selected markets where Goodman operates, as well as strong investment conditions, has seen the weighted average cap rate (WACR) across the portfolio compress by 17bps to 4.7% since June 2020.

Key highlights include:

+ High occupancy maintained at 97.9% and WALE of 4.4 years
+ Leased 1.9 million sqm equating to $269 million of annual rental property income across the Group and Partnerships
+ Completed $2.2 billion of asset sales across the Partnerships in the period
+ Like for like NPI growth at 3.0%[5].

Development – strong customer led demand with WIP at $8.4 billion

The Group's development activity reflects ongoing structural changes in consumer behaviour. We expect these levels of customer-led activity to be prolonged in our markets, driving higher revenues and potentially working capital requirements in the next few years.

Strong customer demand and desirability of sites has translated into continued high pre-commitment on WIP at 69% with projects completed averaging 95% committed. Diversification of risk has been maintained with 80% of developments undertaken within the Partnerships.

Scarcity of land and growing environmental considerations are driving increased intensity of use from existing sites. This is providing value add opportunities through brownfield developments, multi-storey logistics, data centres and other commercial uses, while contributing to our net zero / carbon neutral targets.

Key highlights include:

+ WIP of $8.4 billion across 56 projects with a forecast yield on cost of 6.6% and 69% leased
+ WALE on WIP of 14.0 years
+ 80% of current WIP is being undertaken within Partnerships
+ Completed development projects worth $1.5 billion, with 95% leased
+ Commenced $3.5 billion in new developments.

Management – long term trends in the digital economy are supporting demand

External assets under management have grown 6% on 1H20 to $48.5 billion, due predominantly to development completions, acquisitions and valuation gains partially offset by foreign exchange. AUM growth over the next few years is expected to be primarily supported organically by increased development activity and revaluation gains.

Key management highlights include:

+ $19.0 billion available in equity commitments [6], cash and debt
+ Average Partner commitment $660 million
+ Weighted average cap rate (WACR) compressed 17bps to 4.7% over the year.

Environmental, social, governance (ESG) – carbon neutral operations by June 2021

Our approach to environmental sustainability is about long-term thinking and leadership. Our own operations are on track to be carbon neutral well before our 2025 target.

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In the first half of FY21, the Group has:

+ Increased our target for solar on rooftops from 100 megawatts to 400 megawatts by 2025 with an estimated cost of $400 million
+ Been awarded Global Sector Leader and Regional Sector Leader in the 2020 GRESB survey for three Goodman Partnerships (GJCP, GAP, GAIP).

Group Chief Executive Officer, Greg Goodman said: “We view our approach to sustainability as one that leads to positive economic, environmental and social outcomes for our business, stakeholders and the planet. We are focussed on energy efficiency, climate resilience and the wellbeing of our customers and people. Customer demand for strategically located space, close to consumers that makes a positive contribution towards a more sustainable world has never been more important.”

Outlook – sustainable returns, sustainable business

Commenting on the outlook, Greg Goodman said: “The Group has significant human capital and expertise, financial resources and a strategic real estate portfolio to generate opportunities in changing operating conditions.

Our business is performing strongly. The continuing shift in use and requirements from our customers, driven by the long-term trends in the digital economy is supporting continued demand for our properties. Consequently, we have upgraded our FY21 forecast operating profit to $1.2 billion (up 12% on FY20). Forecast distribution for FY21 will remain at 30.0 cents per security, in keeping with our financial risk management policy.”

Goodman sets its targets annually and reviews them regularly. Forecasts are subject to there being no material adverse change in market conditions, or the occurrence of other unforeseen events.

– ENDS –

Authorised for release to the ASX by Carl Bicego, Company Secretary and Group Head of Legal.

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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 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 1,857.7 million which includes 16.6 million LTIP securities which have achieved the required performance hurdles and will vest in September 2021 and September 2022.

[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 $172.7 million (30 June 2020: $292.5 million). Total interest-bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of $77.0 million (30 June 2020: $194.0 million).

[4] Look through gearing includes the proportionate consolidation of gross assets and liabilities of equity accounted investments.

[5] Excludes balance sheet assets.

[6] Partnership investments are subject to investment committee approval

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