For personal use only

asx release+

Goodman

Goodman delivers strong FY21 result with operating profit up 15% to $1.22 billion

Date	12 August 2021

Goodman Group (Goodman or Group) today announced its results for the full year ended 30 June 2021. The Group delivered operating profit[1] of $1,219.4 million, up 15.0% on FY20, and operating earnings per security (EPS) of 65.6 cents[2], up 14.1% on FY20. Statutory profit was $2,311.9 million.

The Group's FY22 forecast operating EPS is 72.2 cents per security, up 10% on FY21. Forecast full year distribution for the coming year is 30 cents per security.

Key highlights for the year are:

Financial

+ Operating profit[1] of $1.22 billion, up 15.0% on FY20
+ Operating earnings per security (EPS)[2] of 65.6 cents, up 14.1% on FY20 (significantly ahead of initial guidance of 9%)
+ Statutory profit of $2.3 billion (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) in line with the Group's capital management strategy to maintain an appropriate payout ratio in light of the strong activity levels
+ Gearing lower at 6.8%[3] (look through gearing at 17.8%)
+ Net tangible assets (NTA) per security up 14.4% from FY20 to $6.68 per security

Operational

+ Total assets under management (AUM) up 12% on FY20 to $57.9 billion
+ $5.8 billion of revaluation gains across the Group and Partnership assets combined
+ Achieved carbon neutrality across our global operations, significantly increased renewable power useage globally and established a framework for measuring embodied carbon as we move towards carbon neutral developments
+ Portfolio maintained high occupancy of 98.1% and like-for-like net property income (NPI) growth of 3.2%[4]
+ Development work in progress (WIP) up 63% on FY20, to $10.6 billion, across 73 projects with a yield on cost of 6.7%
+ Average Partnership total returns of 17.7%[5] in FY21.

Group Chief Executive Officer, Greg Goodman said: "Goodman's adaptable and flexible approach has enabled our people to continue to perform at a high standard and deliver a very strong result in the current environment, with health and well-being remaining a critical priority.

During the year, we have made significant progress on our ESG initiatives including the Group achieving carbon neutrality across our global operations, four years ahead of our target. Our disciplined focus on location, the continued demand in online shopping, and the rise of the digital economy, has seen the Group deliver continued strong performance in FY21. In addition, robust underlying property fundamentals and investor demand has supported significant growth in revaluations of $5.8 billion across the Group and Partnerships, contributing to the 14% growth in Goodman's net tangible assets driving statutory profit to $2.3 billion.

Long-term structural trends are well established and are resulting in higher utilisation of space and customer demand. This is providing greater visibility around future requirements for space, and accordingly we have increased WIP further to $10.6 billion at June 2021. The development and valuation growth is flowing through to our Partnership platform, where total AUM has increased 12% to $57.9 billion in FY21. With strong income and capital growth, our Partnerships have delivered average returns of 17.7%[5].

Goodman remains well-capitalised with available liquidity of $1.9 billion, including $0.9 billion in cash and gearing at 6.8%.

Property investment – focus on infill locations is enhancing sustainability of earnings

Customer demand for space in our locations continues to increase across a range of industry segments. The prolonged impacts of the global pandemic continue to accelerate consumers' propensity to shift to online shopping. Logistics and warehousing has provided critical infrastructure to enable distribution of essential goods to time-sensitive consumers through this period.

+ Underlying investment property fundamentals are strong, with increasing utilisation of our facilities leading to high occupancy at 98.1% and weighted average lease expiry (WALE) of 4.5 years
+ 3.9 million sqm of leasing equating to $517.1 million of annual rental property income across the Group and Partnerships
+ Like-for-like NPI growth at 3.2%[4].

Development – demand and scarcity of space driving activity

Strong demand from our customers and the ongoing transition to infill locations has allowed the Group to increase WIP to $10.6 billion. Metrics across the workbook remain robust as we maintain our focus on infill target markets, resulting in high levels of pre-commitment at 70% with a 14 year WALE. Projects completed in FY21 are 96% leased.

Our projects continue to increase in scale and value with the average development period for projects in WIP now 19 months. The longer development periods are providing greater visibility into development activities.

Repositioning and redevelopment of stabilised assets is increasingly contributing to the future activity with 50% of our development sites now brownfields. The Group has progressed sites through planning and undertaken infrastructure work over a number of years to make sites available for expected customer demand. Around the world, the Group continues to undertake long-term value-enhancing opportunities by targeting higher and better use through re-zoning or increased floor space ratios with multi-level warehousing facilities.

Key highlights:

+ WIP up 63% on FY20 to $10.6 billion across 73 projects with a forecast yield on cost of 6.7%
+ 81% of current WIP is being undertaken within Partnerships
+ Commenced $6.6 billion in new developments with 57% committed
+ Completions 96% leased

Management – development completions and higher valuations driving performance

Strong revaluations of $5.8 billion across the group has supported growth in total AUM to $57.9 billion (up 12%). The development WIP will organically grow AUM which is expected to exceed $65 billion in FY22.

Strong development performance in addition to continued cash flow growth has seen the Partnerships achieve 17.7% average total returns for FY21 whilst maintaining strong credit metrics.

Key highlights:

+ Total AUM of $57.9 billion
+ Weighted average cap rate (WACR) compression of 55bps to 4.3% over the year
+ Average total return in the Partnerships of 17.7%
+ Average Partnership gearing of 17.5%
+ $18.1 billion available in equity commitments, cash and debt across the Partnerships.

Environmental Social Governance – increasing our commitments

We continue to increase our commitments and accelerate our progress on our 2030 Sustainability Strategy. We're investing more into renewable energy and carbon neutrality, while also improving the resilience of our workforce, business, properties and communities.

Some of our highlights for the year are:

+ Our global operations were certified as a Carbon Neutral Organisation (CNO) by Climate Active - four years ahead of our 2025 target
+ Transitioned to 100% certified GreenPower electricity in our Australian operations which will increase Goodman's global renewable energy usage to more than 60%
+ Increased installations and commitments to solar PV on our rooftops globally, increasing the total to 125MW with more large installations planned for FY22
+ Established a framework for measuring embodied emissions for our developments globally as we move towards carbon neutral developments with several having now commenced
+ Continued to roll out smart irrigation technology in Australia, completing approximately 43% of the portfolio, and saving irrigation water use by 53%
+ Increased the number of women in our workforce with those represented in senior roles now 30%
+ Sharpened our focus on our supply chain ethics and developed a global supplier code of conduct centred on human rights and preventing modern slavery
+ Launched a $10 million global incentive to support Goodman people to buy electric vehicles
+ Contributed $6.3 million to community and philanthropic causes including $400,000 raised by the Goodman team and in addition to 5,360 hours contributed by Goodman employees to various charities and causes.

A more comprehensive review of our progress will be published as part of our ESG Report later in the year.

Outlook – a sustainable business for the long-term

Commenting on the outlook, Greg Goodman said "After a robust year in FY21, we expect the current levels of development activity to be sustained over the coming year. The Group is well positioned to maintain WIP of around $10 billion throughout FY22, with multi-storey developments remaining a meaningful contributor.

Customer demand in our markets is also translating into high occupancy, rental growth and strong investment returns which should see AUM grow to in excess $65 billion and support the performance of our management business.

As a result, the Group expects to deliver FY22 operating EPS of 72.2 cents (up 10% on FY21). Forecast distribution for FY22 will remain at 30.0 cents per security."

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.

For further information, please contact:

Media	Investors	Investors
Kerrie Muskens	James Inwood	Phillip Henderson
Tel: + 612 9230 7400	Tel: + 612 9230 7400	Tel: +612 9230 7400

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 1,859.7 million which includes 15.5 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 $134.1 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 $62.3 million (30 June 2020: $194.0 million).

[4] For assets in Partnerships.

[5] Weighted average total return on net assets