



# ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

25 August 2021

## Growthpoint Properties Australia FY21 results

Growthpoint Properties Australia (Growthpoint or the Group) today announces its financial results for the twelve months ended 30 June 2021 (FY21).

### FY21 financial and capital management overview:

- Funds from operations (FFO) per security of 25.7 cents per security (cps), 0.4% up on prior corresponding period (pcp)<sup>1</sup>
- Net tangible assets (NTA) per security of \$4.17, up 14.2% on 30 June 2020, driven primarily by significant property valuation gains
- Gearing reduced by 430 basis points to 27.9%, well below the Group's target range, 35% – 45%
- Statutory profit after tax of \$553.2 million (FY20: \$272.1 million)
- FY21 distribution of 20.0 cps, 8.3% lower than pcp, reflecting the Group's decision to maintain a more conservative payout ratio, between 75% and 85% of FFO, going forward

### FY21 operations overview:

- Net property income (NPI)<sup>2</sup> down 2.7% to \$235.6 million primarily due to no contribution from Broadmeadows asset, which was divested in the first half of FY21. Like-for-like NPI in line with pcp
- Largest like-for-like 12-month valuation uplift (10.2%) since Group's inception driven by yield compression and leasing success; portfolio now valued at \$4.5 billion
- Weighted average capitalisation rate of 5.2%, down 48 basis points on 30 June 2020
- Weighted average lease expiry (WALE) of 6.2 years (30 June 2020: 6.2 years)
- Portfolio occupancy increased to 97% (30 June 2020: 93%)
- Signed significant lease agreements with key tenants Bunnings, Monash University, Australia Post, the South Australian Government, Autosports Group and Laminex Group. Average lease term of all leases signed was 8.2 years
- Successfully divested three assets that no longer fit within our strategy
- Acquired a 100% leasehold interest in a fully leased, A-grade office asset, located in Sydney Olympic Park<sup>3</sup>
- Accelerated net zero target to 2025 (previously 2050)
- Maintained high employee engagement and alignment scores in top quartile of benchmark group

Timothy Collyer, Managing Director of Growthpoint, said,

"Growthpoint has had a successful year, delivering a strong set of financial results, and making good progress towards our strategic objectives. While we, alongside individuals and businesses around the world, continued to face challenges presented by the COVID-19 pandemic, we entered the crisis on a strong footing and put in place the right steps at the outset of the pandemic to protect our business and ensure we were able to face these challenges head-on. As a result, the COVID-19 pandemic had no direct material impact on our FY21 financial results.

"During FY21, we increased the portfolio's occupancy to 97% and maintained its long WALE of 6.2 years due to substantial leasing success. In October we signed a 10-year and seven-month lease with Bunnings for 71% of our new A-grade office, Botanicca 3. The lease was executed in the middle of Melbourne's extended COVID-19 lockdown and was one of the largest office leasing transactions executed nationally in FY21. To date, we have signed a further four leases, taking the building's occupancy to 82% and we continue to expect to lease the remaining space by the end of the calendar year.

<sup>1</sup> Prior corresponding period is the twelve months ended 30 June 2020.

<sup>2</sup> Net property income plus distributions from equity related investments.

<sup>3</sup> Settlement occurred 24 August 2021.



“We also signed a number of leases with other significant tenants in FY21. Pleasingly, we saw no significant changes to tenants’ space requirements and our tenants continued to seek long lease terms, with the average lease term being more than eight years.

“The value of Growthpoint’s property portfolio increased by 10.2% over FY21, the largest 12-month like-for-like increase in the Group’s history. The significant uplift reflects the substantial re-rating that has occurred across the industrial sector, as well as leasing success across both our office and industrial portfolios. The impressive valuation results follow a sustained period of valuation gains, reflecting the highly desirable nature of the Group’s portfolio.

“At Growthpoint, we remain focused on operating in a sustainable way and reducing our environmental footprint. During FY21, we significantly accelerated our net zero target to 2025, 25 years earlier than our previous target. We also progressed our sustainability report to further align with the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and are pleased to have released our inaugural TCFD Statement, alongside our Sustainability report, today.”

### **Property portfolio valuation**

Growthpoint engaged external valuers to value 45 of its 55 properties, or 78% of the Group’s portfolio by value, as at 30 June 2021. The remaining valuations were undertaken as internal or Director’s valuations. The value of the portfolio as at 30 June 2021 was \$4.5 billion, 10.2% higher on a like-for-like basis than as at 30 June 2020.

Due to the significant re-rating that has occurred across the industrial sector, Growthpoint engaged external valuers to revalue its entire industrial portfolio. The value of the industrial portfolio increased to \$1.5 billion as at 30 June 2021, 15.6% higher on a like-for-like basis than as at 30 June 2020. Eighty-three per cent of the Group’s industrial assets increased in value.

The value of the Group’s office portfolio increased to \$3.0 billion as at 30 June 2021, 7.6% higher on a like-for-like basis than as at 30 June 2020. At three assets, we saw significant gains:

- 1 Charles Street, Parramatta, New South Wales increased in value by \$85 million or 19% as investor demand strengthened and return expectations lowered for long-WALE assets. This asset has a 23-year and 6-month remaining lease term with the New South Wales Police Force.
- Botanicca 3, Richmond, Victoria increased in value by \$41 million or 29% as a number of lease agreements were signed during the year. As at 30 June 2021, the building was 78% occupied.
- 75 Dorcas Street, South Melbourne, Victoria increased in value by \$35 million or 16% as we entered into a new 15-year and 11-month lease with major tenant, Autosports Group (ASX: ASG).

Excluding these three assets, the remainder of the office portfolio increased in value by 2.7%.

### **Outlook**

Growthpoint has had a strong start to FY22, with several lease agreements signed after 30 June 2021 (representing 3% of portfolio income), and we reached settlement on a modern A-grade office asset, located at 11 Murray Rose Avenue, Sydney Olympic Park, New South Wales. We are confident that we will be able to build on this positive momentum over the financial year.

The Group is pleased to announce FY22 FFO guidance of at least 26.3 cps, which represents a minimum of 2.3% growth over FY21. Earnings growth will be driven by increased income from Botanicca 3, which we continue to expect to be fully leased by the end of the calendar year, and higher occupancy across the portfolio. We are actively looking for opportunities to deploy approximately \$387 million of undrawn debt, which would move us towards the bottom of our target gearing range and would be accretive to the Group’s FFO.

The Group is also pleased to provide FY22 distribution guidance of 20.6 cps, which represents 3.0% growth over FY21, and is in line with the Group’s new policy to distribute between 75% and 85% of FFO. The Board believes that maintaining a more conservative payout ratio will assist it to achieve its objective of providing Securityholders with growing distributions from FY21. The distribution policy will be reviewed annually.

Mr Collyer said:

“As we look ahead, the future of our operating environment, and the broader Australian economy is less clear, when compared with just a few months ago, as many parts of Australia are now under lockdown due to the threat of the



Delta-variant of COVID-19. Despite this near-term uncertainty, Growthpoint is in a good position to continue to perform strongly. Throughout this unprecedented period, our business has highlighted its resilience, underpinned by our portfolio of modern, well-located assets, leased predominately to large organisations and government tenants.

“After a successful FY21, and an encouraging start to FY22, we are feeling confident about the Group’s prospects and our ability to deliver long-term value for our Securityholders. The Group’s gearing is at a record low and we are actively looking for opportunities to grow the business, including acquiring high-quality properties and entering funds management.”

### **Market briefing**

Growthpoint will provide a market briefing at 9:30am (AEST) today, 25 August 2021. A webcast of the briefing will be available at <https://webcast.openbriefing.com/7625/>.

This announcement was authorised for release by Growthpoint’s Board of Directors.

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## **About Growthpoint**

Growthpoint provides spaces for people to thrive. For more than 11 years, we’ve been investing in high-quality industrial and office properties across Australia. Today, we own and manage 56 properties, valued at approximately \$4.6 billion.<sup>4</sup>

We actively manage our portfolio. We invest in our existing properties, ensuring they meet our tenants’ needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating in a sustainable way and reducing our impact on the environment.

Growthpoint is a real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 200. Moody’s has issued us with an investment-grade rating of Baa2 for domestic senior secured debt.

## **Important information**

This announcement contains forward looking statements, opinions and estimates based on assumptions, contingencies and market trends made by Growthpoint which are subject to certain risks, uncertainties and may change without notice. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes for Growthpoint will not differ materially from statements made in this announcement.

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<sup>4</sup> Valuations as at 30 June 2021.