16 August 2022

## Growthpoint Properties Australia FY22 results

Growthpoint Properties Australia (Growthpoint or the Group) today announces its financial results for the twelve months ending 30 June 2022 (FY22).

**FY22 financial and capital management overview:**

- Statutory profit after tax of $459.2 million (FY21: $553.2 million)
- Funds from operations (FFO) per security of 27.7 cents per security (cps), up 7.8% on prior corresponding period (pcp)[1]
- Net tangible assets (NTA) per security of $4.56, up 9.4% on 30 June 2021, primarily reflecting strong valuation uplift across the portfolio in the first half, with more subdued growth in second half of the year
- Gearing of 31.6% at 30 June 2022, +370 bps on FY21, still below target range of 35% to 45% and in line with strategy to deploy debt capital to increase growth for the Group
- Refinanced $715 million of debt on improved terms for the Group and entered into new facilities of $350 million. At year end the Group's average cost of drawn debt was 3.4% (3.3% at 30 June 2021)
- Fixed debt of 61% and a weighted average cost of fixed debt of 3.0% at 30 June 2022, with the Group restructuring and entering new swaps in the period
- FY22 distribution of 20.8 cps, 4.0% higher than pcp reflecting the strong performance in FY22 and a payout ratio of 75%, in line with the Group's decision to maintain the payout ratio between 75% and 85% of FFO

**FY22 operations review:**

- Invested over $320 million capital over FY22, acquiring three[2] high-quality office assets and additional Dexus Industria REIT (DXI) securities
- Net property income (NPI)[3] up 5.1% to $247.6 million and like-for-like NPI up 2.3% on pcp
- Strong property valuation uplift (7.9% on a like-for-like basis over 12 months), with the portfolio valued at $5.1 billion[4] at 30 June 2022 ($4.5 billion at 30 June 2021)
- Weighted average capitalisation rate (WACR) of 5.0%, down 20 basis points from 30 June 2021
- Increased weighted average lease expiry (WALE) to 6.3 years (30 June 2021: 6.2 years)
- Leasing success with ~234,000 square metres of leasing completed in FY22, or 17% of portfolio income, and tenant retention of 86%[5] across the portfolio
- Portfolio occupancy of 97% maintained (97% at 30 June 2021), with office portfolio 95% occupied and industrial portfolio 100% occupied at 30 June 2022
- Recognised as GRESB Sector Leader[6] in 2021 Sustainability Benchmark, scoring 80/100 (+8.1% from pcp) and CDP score of B maintained. Top five ranking for Energy ratings in NABERS Sustainable Portfolios Index 2022
- High employee engagement and alignment maintained, scoring in top decile and top quartile respectively, based on the benchmark group (both top quartile in FY21)

Tim Collyer, Managing Director of Growthpoint, said,

"We have a had a strong performance this year, delivering a robust set of results which reflects the successful execution of the Group's growth strategy and underlying strength of the business. The Group has made strategic, accretive acquisitions over the year, including three high-quality modern office assets and additional securities in DXI, further increasing our exposure to the growing industrial sector. Further, the Group has also successfully settled on the acquisition of a fourth high quality, predominantly government leased office asset in Dandenong in July, and has announced it has entered an agreement to acquire Fortius Funds Management, a key growth opportunity for the business.

[1] Prior corresponding period is the twelve months ended 30 June 2021
[2] Excludes GSO Dandenong, 165-169 Thomas Street Dandenong, Victoria which settled in July 2022
[3] Net property income plus distributions from equity related investments
[4] Excludes GSO Dandenong, 165-169 Thomas Street, Dandenong, Victoria which settled in July 2022
[5] Weighted by income. Includes tenant renewals in future periods
[6] Overall Regional Sector Leader – Diversified – Office/Industrial

"The Group's portfolio continues to be leased to predominantly government, listed or large organisations and has maintained its high occupancy of 97% and WALE of 6.3 years as at 30 June 2022. Our portfolio value has increased by 7.9% or $356 million on a like-for-like basis, with the uplift reflecting the strength of the industrial market and the Group's leasing success across both the office and industrial portfolios in the year.

"Growthpoint successfully leased approximately 234,000 square metres of accommodation, with key leases signed or renewed with Samsung, Fox Sports, Scope and Bunnings in the office portfolio and Woolworths, Linfox and Eagers Automotive in the industrial portfolio. In particular, we were pleased to see Woolworths exercise their five-year lease option for their major Queensland distribution centre at Larapinta, the Group's largest industrial property by value, in the second half of the year. Post balance date, we have negotiated an additional 2.5 year extension to the Woolworths lease, resulting in a 7.5 year lease term from February 2022. The Group maintained its high tenant retention, 86% at 30 June 2022, and was ranked industry leader on landlord satisfaction in a tenant survey conducted by property research specialist Brickfields consultancy in FY22.

"We remain focussed on operating in a sustainable way, and we have continued to make progress on sustainability, moving forward towards our net zero by 2025 target[7] including improving energy and resource efficiency across our portfolio and completing three solar installations in our office portfolio. Growthpoint's performance in external benchmarks remains strong and the Group has also increased its NABERS Energy rating to 5.2 Stars.

**Strategic acquisitions**

Growthpoint invested $322 million capital in FY22, acquiring high quality, modern office assets and additional DXI securities.

Three high quality modern, A-grade office assets have been purchased to 30 June 2022, with a blended WALE of 7.2 years and an average income yield of 5.0%. These include 11 Murray Rose Avenue, Sydney Olympic Park, New South Wales for $52.0 million[8] in August 2021, 2-6 Bowes Street, Phillip, Australian Capital Territory for $84.6 million[9] in December 2021 and 141 Camberwell Road, Hawthorn East, Victoria for $125 million[10] in February 2022.

Growthpoint also invested a further $60.3 million in DXI in early FY22, maintaining its holding at circa 15% and increasing its exposure to the industrial property sector.

In July 2022, the Group successfully settled the acquisition of another A-grade office asset at 165-169 Thomas Street, Dandenong, Victoria. The GSO[11] Dandenong asset, predominantly leased to the Victorian State Government with a long WALE of 9.4 years, was acquired by Growthpoint for $165 million on an initial yield of 5.3%.

In early August 2022, Growthpoint announced that it had entered a share sale agreement to acquire 100% of the shares in Fortius Funds Management Pty Ltd (Fortius), a key strategic priority and growth opportunity for the business. Completion of the transaction is anticipated in 1QFY23, subject to satisfaction of conditions precedent.

**Property portfolio valuation uplift**

The Group engaged external valuers to value 31 of its 58[12] properties, or 63% of its portfolio by value. The remaining valuations were undertaken as internal or Director's valuations in line with the Group's valuation policy.

The Group achieved like-for-like portfolio valuation uplift of $356 million (7.9%) over the twelve months to 30 June 2022. The Group's portfolio was valued at $5.1 billion, up 13.3% from $4.5 billion as at 30 June 2021.

The value of the Group's office portfolio increased to $3.4 billion at 30 June 2022, 4.3% higher ($129.6 million) on a like-for-like basis than as at 30 June 2021. 79% of the Group's office assets increased in value.

The value of the Group's industrial portfolio increased to $1.7 billion as at 30 June 2022, 15.1% higher ($226.4 million) on a like-for-like basis compared to 30 June 2021. 99% of the Group's industrial assets increased in value.

[7] Net zero 2025 target across 100% owned on balance sheet operationally controlled office assets and corporate activities
[8] Net sale price, excluding acquisition costs. Modern A-grade office asset completed in 2018, with net lettable area (NLA) of 5,684 square metres, 100% occupancy and WALE of 4.8 years as at settlement in August 2021
[9] Net sale price, excluding acquisition costs. Modern A-grade government-leased office asset constructed in 1986, refurbished in 2016/2017, with NLA of 12,376 square metres, 96% occupancy and WALE of 9.3 years at settlement in December 2021
[10] Net sale price, excluding acquisition costs. Modern A-grade office asset completed in 2020, with NLA of 10,233 square metres, 99% occupancy and WALE of 6.7 years at settlement
[11] Government Service Office
[12] Excludes GSO Dandenong, 165-169 Thomas Street, Dandenong, Victoria which settled in July 2022

## Outlook

The changing external environment going into FY23 has created a challenging period for the A-REIT sector with markets responding to and anticipating further central bank rate rises, increasing interest costs, and the impact of higher inflation.

Growthpoint's exposure to favoured industrial and metropolitan office markets and secure income from large corporate and government tenants provides a resilient foundation for the Group.

Today, the Group provides guidance for FY23 FFO of 25.0 – 26.0 cps (27.7 cps FY22) and FY23 distribution of 21.4 cps (20.8 cps FY22). A key assumption to guidance is in respect of rising interest rates, with the Group assuming an average FY23 floating cash rate of 2.8%.

Mr Collyer said, "Going into FY23, Growthpoint is positioned to manage the business through a period of higher inflation and higher interest costs, with 61% of its debt fixed at 30 June 2022 and ample headroom to debt covenants. The Group's gearing of 31.6% at 30 June 2022 remains below the target range of 35% to 45%, providing flexibility to invest in property or funds where we see value for securityholders. We intend to grow the recently announced funds management business, targeting 10% to 20% of Group EBIT, over the medium term delivering incremental growth to earnings and income stream diversification for securityholders. Growthpoint remain committed to providing securityholders with sustainable income returns and capital appreciation over the long term."

## Market briefing

Growthpoint will provide a market briefing at 11:00am (AEST) today, 16 August 2022. A webcast of the briefing will be available at https://webcast.openbriefing.com/8607/.

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

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## About Growthpoint

Growthpoint provides space for you and your business to thrive. For more than 13 years, we've been investing in high-quality industrial and office properties across Australia. Today, we own and manage 59 properties, valued at approximately $5.3 billion.[13]

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. We are targeting net zero by 2025.

Growthpoint Properties Australia (ASX: GOZ) 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.

[13] Valuations as at 30 June 2022. Includes GSO Dandenong, 165-169 Thomas Street, Dandenong, Victoria which settled in July 2022