



# ASX announcement.

Growthpoint Properties Australia (ASX: GOZ)

17 August 2023

## Growthpoint Properties Australia FY23 Results<sup>1</sup>

Growthpoint Properties Australia (Growthpoint or the Group) is pleased to announce its financial results for the 12 months ended 30 June 2023 (FY23). Key movements include:

- Net property income (NPI) up 6.7% to \$264.3 million and like-for-like NPI up 1.4% on FY22
- Statutory net loss after tax of \$245.6 million (FY22: \$459.2 million net profit after tax)
- Funds from operations (FFO) of 26.8 cents per security (cps), down 3.2% on FY22
- NPI includes one-off items such as the early surrender of lease payment received at 5 Murray Rose Avenue, Sydney Olympic Park, NSW and a bank guarantee drawn at 100 Skyring Terrace, Newstead, QLD. Had these two properties been leased for all of FY23 (as per the original lease terms), then FFO per security would have been around 1.6 cents lower
- Distribution of 21.4 cps, 2.9% higher than FY22 reflecting a payout ratio of 79.4%, in line with the Group's target payout ratio of between 75% and 85% of FFO
- Net tangible assets (NTA) per security of \$4.00, down 12.3% relative to 30 June 2022 primarily driven by lower property valuations as a result of higher capitalisation and discount rates
- Gearing of 37.2%, up from 31.6% on 30 June 2022, within the target range of 35% to 45%
- Portfolio valuation decline of 6.5% on a like-for-like basis over 12 months, with the portfolio valued at \$4.8 billion at 30 June 2023 (30 June 2022: \$5.1 billion)
- Weighted average capitalisation rate of 5.6%, up 56 basis points from 30 June 2022
- Stable weighted average lease expiry (WALE) of 6.0 years (30 June 2022: 6.3 years)
- Leasing success with 156,142 square metres of leasing completed, or 11.2% of portfolio income
- Portfolio occupancy of 93% (30 June 2022: 97%)
- Office portfolio 90% occupied (30 June 2022: 95%) down mainly due to the vacancy at 5 Murray Rose Avenue, Sydney Olympic Park, NSW, as a result of an early lease surrender. Industrial portfolio 100% occupied (30 June 2022: 100%)
- Recognised as GRESB Sector Leader in 2022 Sustainability Benchmark, scoring 81/100
- Strategic acquisition and successful integration of the Fortius Funds Management platform, adding \$1.9 billion in funds under management (FUM) as at September 2022 (\$1.8 billion FUM as at 30 June 2023)

Timothy Collyer, Managing Director of Growthpoint, said, "We are very pleased with the performance of the business particularly in what has been a challenging property market environment. During the year, the Group completed the 2.5% securities buy-back, purchased and integrated the Fortius Funds Management platform and optimised the directly owned portfolio by selling 333 Ann Street, Brisbane, QLD at book value. As at 30 June 2023, the Group's debt was hedged at 70.5%. Higher interest rates combined with additional debt to fund the securities buy-back and the Fortius acquisition, saw the Group's interest costs increase materially which impacted FFO. Moving forward, the Group remains focussed on managing its capital position in a prudent manner, as the current period of higher interest rates is likely to persist in FY24."

## Outlook

The rate of inflation has been declining since the December 2022 quarter, whilst interest rate futures indicate that the official cash rate is near the peak, however A-REIT prices remain at a discount to NTA. Commercial real estate transaction activity remains low relative to longer term historical averages, although volumes are anticipated to increase as development pipelines and redemption requests require funding. Growthpoint is well placed to manage through the cycle, with a portfolio of high-quality modern office assets with strong WALE's from Government, ASX listed and large corporate tenants. The Group's high quality industrial portfolio is anticipated to benefit from continued strength in industrial property markets, which are expected to remain robust as land supply remains constrained. The

<sup>1</sup> Data contained in this release relates to the Group's directly held assets, unless otherwise indicated.



Group's funds management business is well positioned with strong execution capability and is targeting sustainable and accretive growth in funds under management through the cycle.

As at 30 June 2023, the Group's debt was hedged at 70.5% and gearing was 37.2%, at the low end of the target range. With higher average interest rates and a recent slowing in office leasing market activity, the Group provides FY24 FFO guidance of 22.5 - 23.1 cps and FY24 distribution guidance of 19.3 cps. A key assumption to guidance is in respect of interest rates, with the Group assuming an average FY24 floating rate of 4.35%. The reduction in FY24 FFO and distribution guidance reflects the one-off items in FY23, higher interest expense and the challenging property market. However, with a strong WALE delivering secure property rental cash flows, a solid capital structure, appropriate hedging, ample covenant headroom and liquidity and no development projects to finance, the Group is in a good position to navigate through the cycle.

A market briefing will be provided at 11am this morning. To participate in the teleconference [click here to register](#). To participate in the webcast [click here to register](#)

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. Since 2009, we've been investing in high-quality industrial and office properties across Australia.

Today, we have \$6.6 billion total assets under management. We directly own and manage 58 high quality, modern office and industrial properties, valued at approximately \$4.8 billion. We actively manage our portfolio and 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 manage a further \$1.8 billion on behalf of third-party investors through our funds management business, which manages funds that invest in office, retail and mixed-use properties across value-add and opportunistic strategies.

We are committed to operating in a sustainable way and reducing our impact on the environment. We are targeting net zero by 2025 across our 100% owned on balance sheet operationally controlled office assets and corporate activities.

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.