

Growthpoint Properties Australia

# Annual Results Presentation Year Ended 30 June 2011

22 August 2011



**GROWTHPOINT**  
PROPERTIES

# Contents

- 1 Glossary & Disclaimer
- 2 Overview
- 3 Financial Results
- 4 Distributable Income
- 5 Financial Position
- 6 Debt & Capital Management
- 7 Property Portfolio
- 8 Changes in Equity
- 9 Comparative Returns & Focus
- 10 Property Market Overview
- 11 Strategy
- 12 Summary & Outlook

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**GROWTHPOINT**  
PROPERTIES

# Glossary & Disclaimer

<b>A-IFRS</b>	Australian International Financial Reporting Standards
<b>A-REIT</b>	Australian Real Estate Investment Trust
<b>cps</b>	cents per stapled security
<b>dps</b>	distributions per stapled security
<b>Energex Nundah</b>	the building to be constructed at 1231-1241 Sandgate Road, Nundah, Brisbane, Queensland (refer to the Rights Offer Booklet dated 21 June 2011 and to ASX announcements made on the same date for further details)
<b>FY09</b>	the 12 months ended 30 June 2009
<b>FY10</b>	the 12 months ended 30 June 2010
<b>FY11</b>	the 12 months ended 30 June 2011
<b>FY12</b>	the 12 months ending 30 June 2012
<b>GOZ and Group</b>	Growthpoint Properties Australia comprising Growthpoint Properties Australia Limited, Growthpoint Properties Australia Trust and their controlled entities
<b>GRT</b>	Growthpoint Properties Limited of South Africa (which hold 61.5% of GOZ)
<b>Distributable Income</b>	net profit excluding any adjustments for A-IFRS or other accounting standards/requirements
<b>WALE</b>	weighted average lease expiry
<b>WARR</b>	weighted average rent review
<b>WACR</b>	weighted average capitalisation rate
<b>LVR</b>	“loan to value ratio” as that term is defined in GOZ’s Syndicated Facility Agreement
<b>ICR</b>	“interest cover ratio” as that term is defined in GOZ’s Syndicated Facility Agreement

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# Overview

## FY11 Results in line with guidance

- Statutory profit of \$43.4m
- Distributable Income of \$36.4m
- Distributions paid/payable of 17.1 cps (+22% of FY10 on 14.0 cps), consistent with market guidance

## Growth and diversification of portfolio <sup>1</sup>

- Direct property acquisitions and takeover of Rabinov Property Trust adding 15 properties valued at \$480m
- Portfolio now comprises 37 assets valued at \$1.24bn. At entry of GRT to AUS market the portfolio comprised 23 assets valued at \$650m
- Diversification into the office sector, which now comprises 35% of portfolio

## Debt facility expanded and term extended

- Debt facility expanded to \$660m limit, with an extended duration to December 2013
- NAB and Westpac are joined by new syndicate member ANZ Bank
- Lending margin reduced from 2.2% p.a. to 2.0% p.a.

## Quality property portfolio

- GOZ enjoys a diversified portfolio of modern, well leased properties, with quality tenants and a rising income
- Lease renegotiations and sales of smaller assets has reduced FY12/13 vacancies and improved the overall quality of assets
- WALE: 9.0 yrs; WARR: 3.0% p.a.; WACR: 8.4%. Major tenants: Woolworths, Coles Group, GE, Energex & SKM

## GOZ well positioned to take advantage of opportunities

- GOZ has strong support from GRT, other institutional investors and its banks to grow the portfolio over time
- \$450m has been raised in equity (new issues and scrip issue) since mid 2009
- GOZ will continue to look for strategic acquisitions to grow the portfolio to add value for securityholders

<sup>1</sup> Includes Energex Nundah

# Financial Results

	FY2011	FY2010	CHANGE	% CHANGE
Statutory accounting profit (\$'000)	43,373	46,694	(3,321)	-7%
Distributable income (\$'000)	36,407	22,452	13,955	62%
Distributions paid / payable (\$'000)	36,480	22,347	14,133	63%
Distributions per security (cents)	17.1	14.0	3.1	22%
Payout ratio	100%	100%	0	0%
Annual interest cover ratio (times)	2.0	1.8	0.2	

	AS AT 30 JUNE 2011	AS AT 30 JUNE 2010	CHANGE	% CHANGE
Net tangible assets (\$'000)	478,564	324,003	154,561	48%
Securities on issue (\$'000)	237,578	159,620	77,958	49%
NTA per security (\$)	2.01	2.03	(0.02)	-1%
Balance sheet gearing <sup>1</sup>	56.1%	53.8%	2.3%	
Loan to value ratio	58.0%	56.3%	1.7%	

## AS AT 15 AUGUST 2011

Balance sheet gearing <sup>1</sup> (after equity raising)	47.8%
Loan to value ratio (after equity raising)	50.2%

<sup>1</sup> Borrowing divided by total assets

## Distributable Income

	FY2011 (\$'000)	FY2010 (\$'000)	CHANGE (\$'000)	% CHANGE
Property income	88,419	66,909	21,510	32%
Property expenses	(9,217)	(7,608)	(1,609)	21%
<b>Net property income</b>	<b>79,202</b>	<b>59,301</b>	<b>19,901</b>	<b>34%</b>
Interest income	863	279	584	209%
Other income	2,166	-	2,166	N/A
<b>Total operating income</b>	<b>82,231</b>	<b>59,580</b>	<b>22,651</b>	<b>38%</b>
Borrowing costs	(41,465)	(34,250)	(7,215)	21%
Operational and trust expenses	(4,244)	(2,878)	(1,366)	47%
<b>Total operating and trust expenses</b>	<b>(45,709)</b>	<b>(37,128)</b>	<b>(8,581)</b>	<b>23%</b>
Current tax expense	(115)	-	(115)	N/A
<b>Distributable income</b>	<b>36,407</b>	<b>22,452</b>	<b>13,955</b>	<b>62%</b>
<b>Distributions paid</b>	<b>36,480</b>	<b>22,347</b>	<b>14,133</b>	<b>63%</b>
<b>Tax components</b>	<b>88% tax deferred 12% tax free</b>	<b>100% tax deferred</b>	<b>-</b>	<b>-</b>

# Financial Position

- Significant property asset growth to \$1.16bn (\$1.24bn including Energex Nundah)
- NTA substantially consistent with prior year. No significant increase in property revaluations
- Balance sheet gearing<sup>1</sup> reduced to 48.6% post equity raising in July 2011 and new debt facility commencing in August 2011

Assets	JUNE 2011 (\$'000)	JUNE 2010 (\$'000)
Cash and cash equivalents	24,144	16,739
Investment properties	1,157,703	747,300
Other assets	8,263	10,789
<b>Total assets</b>	<b>1,190,110</b>	<b>774,828</b>
<b>Liabilities</b>		
Borrowings	(667,242)	(416,630)
Distributions payable	(20,669)	(13,568)
Other liabilities	(23,635)	(20,627)
<b>Total liabilities</b>	<b>(711,546)</b>	<b>(450,825)</b>
<b>Net assets</b>	<b>478,564</b>	<b>324,003</b>
Securities on issue ('000)	237,578	159,620
NTA per security	\$2.01	\$2.03
Balance sheet gearing <sup>1</sup>	56.1%	53.8%

<sup>1</sup> Borrowing divided by total assets

## Debt & Capital Management

- Capital raising proceeds used to reduce debt. On the commencement of the new debt facility on 15 August 2011, LVR decreased to 50.2% and balance sheet gearing decreased to 48.6% (versus a facility default LVR of 65%)
- Lending margin of 2.00% p.a. locked in until December 2013
- Expected FY12 ICR to be at or above 2.1 times
- Weighted average hedge term of 3.2 years
- Reduced the average cost of debt over the year
- Look to capital markets in future to diversify funding sources

### Interest Rate Hedging

	FY12	FY13	FY14	FY15
% Hedged	84%	68%	23%	9%

### Average Cost of Debt

	FY11	FY10
Average cost of debt	7.86%*	8.21%

### Interest Cover Ratio

	FY11	FY10
Annual ICR (times)	2.0	1.8
Facility ICR (times)	1.4	1.4

HEDGED AMOUNT (\$'000)	TYPE	BASE RATE	MATURITY DATE	YEARS REMAINING	% OF TOTAL
87,286	Fixed	5.750%	May-14	2.9	13%
87,286	Fixed	5.750%	May-15	3.9	13%
95,427	Fixed	5.750%	May-13	1.9	14%
75,000	Fixed	5.468%	May-14	2.9	11%
60,000	CPI	6.820%	May-18	6.9	9%
30,000	Fixed	5.400%	Dec-13	2.5	4%
100,000	Fixed	4.995%	Sep-13	2.3	15%
133,713	Floating	4.963%			20%
<b>668,713</b>		<b>5.528%</b> weighted average			

\* Prior to the new facility commencing



# Property Portfolio

- Since 2009, the property portfolio has increased by circa 92% via the acquisition of 16 quality assets. GOZ's acquisitions have increased distributions to investors and diversified the sources of income.
- GOZ has successfully implemented a diversification strategy over the last 12 months, providing investors with additional exposure to quality, well leased, modern buildings.
- GOZ has targeted office properties which demonstrate characteristics of environmental sustainability.

## Assets Acquired

PROPERTY ADDRESS	DATE	SECTOR	PRICE (\$m)	INITIAL YIELD	WALE AT ACQUISITION
134 Lillkar Road, Goulburn, NSW	Feb-10	Industrial	65.5	9.9%	12.0
670 Macarthur Street, Pinkenba, QLD	Aug-10	Industrial	8.2	8.3%	5.1
32 Cordelia Street, South Brisbane, QLD (Carpark)	Sep-10	Office	9.7	9.0%	4.4
52 Merivale Street, South Brisbane, QLD	Sep-10	Office	62.4	8.7%	4.8
32 Cordelia Street, South Brisbane, QLD	Sep-10	Office	60.7	8.1%	8.1
13 Business Street, Yatala, QLD	Sep-10	Industrial	14.9	8.5%	8.9
29 Business Street, Yatala, QLD	Sep-10	Industrial	10.7	8.0%	6.5
10 Gassman Street, Yatala, QLD	Sep-10	Industrial	5.0	7.9%	7.1
33-39 Richmond Road, Keswick, SA	Dec-10	Office	46.5	9.0%	12.8
365 Fitzgerald Road, Derrimut, VIC	Jun-11	Industrial	12.2	9.0%	7.6
306-318 Abbots Road, Lyndhurst, VIC	Jun-11	Industrial	8.0	9.3%	2.6
Building 2, 572-576 Swan Street, Richmond, VIC	Jun-11	Office	72.0	8.1%	6.7
Buildings 1&3, 572-576 Swan Street, Richmond, VIC	Jun-11	Office	47.5	8.0%	6.8
66 Kennedy Drive, Cambridge, TAS	Jun-11	Office	25.5	10.0%	12.9
7 Laffer Drive, Bedford Park, SA	Jun-11	Office	18.8	11.3%	2.1
1231-1241 Sandgate Road, Nundah, QLD	Jun-11	Office	77.9	8.3%	13.7
<b>Total/Average</b>			<b>545.5</b>	<b>8.7%</b>	<b>8.9</b>

## Assets Divested

PROPERTY ADDRESS	DATE	SECTOR	PRICE (\$m)	INITIAL YIELD	WALE
45 Northlink Place, Virginia, QLD	Jan-11	Industrial	3.7	10.1%	5.6
Lot 1, 44-54 Raglan Street, Preston, VIC	Jun-11	Industrial	9.6	11.1%	0.3
6-10 Koomang Road, Scoresby, VIC	Jun-11	Industrial	4.6	14.0%	0.7
<b>Total/Average</b>			<b>17.9</b>	<b>11.6%</b>	<b>1.5</b>

## Portfolio Evolution

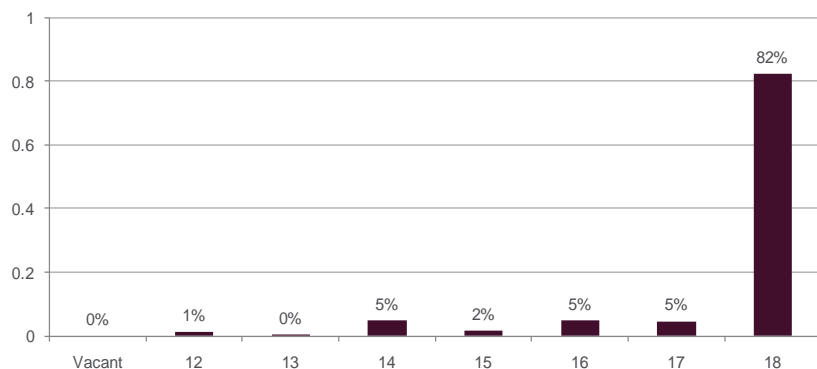
	JUNE 2011 <sup>1</sup>	JUNE 2010	JUNE 2009
Number of Assets	37	25	23 <sup>2</sup>
Value (\$m)	1,244.8	756.9	650.0
WALE (years)	9.0	10.0	10.8
No. of Tenants	55	19	17
Industrial	65%	100%	100%
Office	35%	0%	0%
Average Building Age (years)	5.5	7.5	7.4
Average Cap Rate	8.4%	8.6%	8.9%

<sup>1</sup> Includes Energex Nundah

<sup>2</sup> 44-54 Raglan Street, Preston, VIC was considered one asset at this time. GOZ has subsequently divested Lot 1 and retains Lots 2-4.

# Property Portfolio

## Lease Expiry Profile – by income



- GOZ's portfolio is characterised by quality tenants and a long WALE
- Current WALE is 9.0 years, one of the longest of any ASX listed A-REIT
- Active asset management has been successfully employed to reduce any potential loss of income in FY12

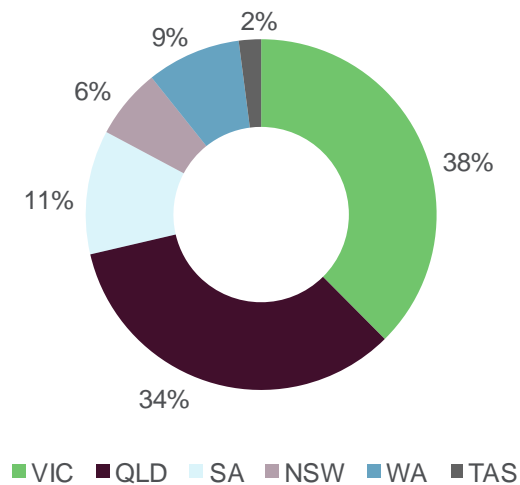
## Asset Management Strategies

ADDRESS	TENANT	M <sup>2</sup>	% OF PORTFOLIO RENT	MONTH OF POTENTIAL EXPIRY	STATUS
81 Derby Street, Silverwater, NSW	Blue Star Print Group	7,984	1.0%	September 2012	Lease extended to 2017
6 Koomang Road, Scoresby, VIC	VIP Plastics	7,385	0.6%	March 2012	Sold at book value
1304 Femtree Gully Road, Scoresby, VIC	VIP Plastics	7,621	0.7%	January 2012	On the market for sale
31 Garden Street, Kilsyth, VIC	Cummins Filtration	8,828	0.7%	February 2012	Lease extended to 2019
45-55 South Centre Road, Tullamarine, VIC	Willow Ware Australia and 1300 Temp Fence	14,082	0.7%	February 2012	Lease extension negotiations progressing positively
130 Sharps Road, Tullamarine, VIC	The Laminex Group	28,100	1.8%	June 2012	Lease extended to 2022
Lot 1, 44-54 Raglan Street, Preston, VIC	Chemist Warehouse	12,840	1.0%	September 2011	Sold at book value
Total/Average		86,840	6.5%		

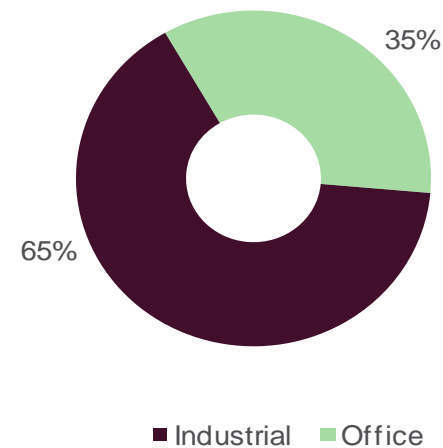
# Property Portfolio

- GOZ has a well diversified portfolio geographically, with assets in each state. The portfolio has a 78% weighting to the key Australian Eastern Seaboard States
- GOZ has successfully executed its diversification strategy throughout FY11 having moved from 100% industrial at the commencement of FY11 to a portfolio with a 35% exposure to quality office properties
- GOZ has acquired several quality office assets without diluting the portfolio WALE, whilst improving the average building age of the portfolio. The average capitalisation rate has reduced to 8.4%

## Geographic Diversification

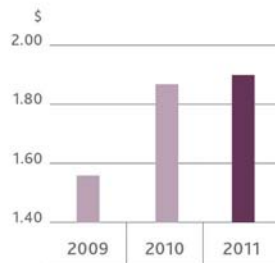


## Sector Diversification

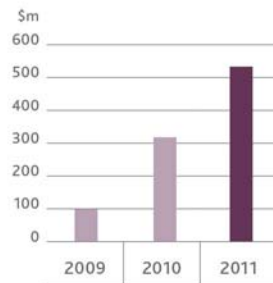


# Changes in Equity

## SHARE PRICE



## MARKET CAPITALISATION



## DISTRIBUTIONS PER STAPLED SECURITY



### Over 2 years GOZ has:

- Undertaken a placement, 3 rights issues and a scrip takeover, raising over \$450m in new equity
- Increased its share price from \$1.56 to \$1.90 (closing prices at 30 June)
- Paid or declared distributions totalling over \$70m
- Increased annual distributions from 14.0 dps to 17.5 dps (forecast for FY12)

## GRT HOLDING AND INVESTMENT IN GOZ



## SIGNIFICANT HOLDERS OF GOZ

as at 18 August 2011

GRT	61.04%
EMIRA PROPERTY FUND	8.17%
RABINOV HOLDINGS	7.16%
CORONATION ASSET MANAGEMENT	5.80%
APN FUNDS MANAGEMENT	4.02%

### Also over this period:

- GRT decreased its percentage holding from 76% to 61% whilst increasing the quantum of dollars invested from \$200m to over \$320m
- Significant holders have increased from 1 to 5
- Institutions on GOZ's register have increased

# Comparative Returns & Focus

## COMPARATIVE RETURNS 5 AUGUST 2009 - 30 JUNE 2011\*

Cash <sup>1</sup>	4.2%
Australian Bonds <sup>2</sup>	5.4%
Australian Shares <sup>4</sup>	8.7%
A-REITS (Listed Property) <sup>3</sup>	11.1%
GOZ <sup>5</sup>	22.9%

\* All figures are annualised

- Since August 2009, GOZ has outperformed all of the major indices
- GOZ is focused on providing growing and secure distributions
- GOZ is providing guidance of 17.5 dps for FY12 (a distribution yield of 9.3% based on recent rights issue price of \$1.90)
- Increased trading volumes should lead to GOZ being included in the S&P / ASX 300
- GOZ will continue to provide frequent, timely and fulsome updates to its investors

## COMPARATIVE RETURNS FOR YEAR ENDED 30 JUNE 2011



NOTES	ITEM	SOURCE
1	CASH	RBA Cash Rate
2	AUSTRALIAN BONDS	Australian 10 year bond rate (average)
3	A-REITS (LISTED PROPERTY)	S&P/ASX 300 Prop Acc. Index - IRESS
4	AUSTRALIAN SHARES	S&P/ASX 300 Acc. Index - IRESS
5	GOZ	IRESS

# Strategy



Industrial

- Quality base of industrial properties of \$813.1m
- Market changing in AUS with new entrants and consolidation of ownership, however, still opportunities



Office

- Preferred sector of new investment
- Office markets to outperform over 5 year period
- Preference to invest in modern properties that have (or have potential) to maintain a high NABERS rating



Retail

- Lowest yielding asset class
- Market uncertainty due to online retailing, changing retail formats, consumer weakness
- GOZ will consider expansion opportunities should appropriate opportunities arise



Equity

- Cost of equity high for quality of property portfolio
- Liquidity in GOZ to improve over time
- S&P/ASX index inclusion a short term goal



Debt

- Lower bank debt cost
- Review swap book regularly
- Diversify debt into capital markets where cost is competitive to bank debt
- Reduce gearing level as cost of equity lowers



Cost of Capital

- Lower cost of capital assists in making distribution accretive acquisitions
- Consistent, rising distribution will increase ASX price over time

# Strategy

## Demonstrated transactional ability

- **Individual property acquisitions**
  - Examples: World Park Office Building, Adelaide (\$46.5 m); and Coles, Goulburn (\$65.5m)
  - Strategy: Purchase quality properties on market via real estate agents and off market directly through the vendor
- **Property portfolios**
  - Example: Property Solutions Group portfolio of 7 assets (\$171.5m)
  - Strategy: Buy a quality property portfolio from an experienced developer. Establish strategic relationships
- **Development**
  - Example: Energex Nundah (\$82.5m)
  - Gain access to quality property investment, 80% pre-committed to Energex and Powerlink (QLD Govt) via land purchase and development fund through
- **Corporate activity (M & A)**
  - Example: Rabinov Property Trust (\$184m)
  - Negotiate a “friendly” takeover of an ASX listed trust, retaining quality assets that meet GOZ’s investment criteria
  - Used GOZ scrip as consideration for the transaction

## Benefits of Growth

- **Diversify property portfolio**
  - Returns from property sectors are different over time
  - Tenant diversification - reduces risk of a concentrated tenant insolvency
- **Drive distribution growth**
  - Transactions can be accretive to distributions and reduce the risks to the distribution profile
- **Improvement to access to capital**
  - Free float increase / greater institutional investor interest and trading
  - S & P / ASX Index inclusion
  - Greater research coverage
  - Capital markets for part of debt

# Summary & Outlook

- **GOZ – simple and proven business model**

- Hold a quality, diversified property portfolio with quality tenants. 100% occupancy and long WALE of 9.0 years
- The assets are owned “on balance sheet” and are controlled by GOZ
- Revenue of GOZ comes from rent from leases with fixed annual reviews resulting in revenue increasing over time
- GOZ invests in property markets it understands, within Australia
- Security holders own the property assets together with the manager or responsible entity; no fee leakages to third party fund managers or conflicts of interests
- GOZ is not a developer but will enter into development arrangements with experienced, reputable parties, where lease pre-commitments are in place

- **Positive outlook**

- Continue to manage the portfolio to maximise income to securityholders
- Leasing strategy for FY12/13 expiries, concentration on integration of RBV properties into GOZ and oversight of Energex Nundah
- Review property acquisition opportunities where they meet GOZ’s strict investment criteria
- Distribution guidance for FY12 of 17.5 cps, providing an attractive distribution yield of 9.2% at \$1.90 (price of recent capital raising)