Goodman

GOODMAN PROPERTY TRUST

INTERIM RESULT 2024

EVERY STEP COUNTS

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GOODMAN PROPERTY TRUST | INTERIM RESULT 2024

PRESENTED BY:

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Unless otherwise indicated, all numerical data provided in this presentation is stated as at 30 September 2023. All dollar values are NZD unless otherwise stated. All figures are rounded. Non-GAAP financial measures may not be consistent with their calculation by other similar entities.

OVERVIEW

Targeted investment strategy continues to produce earnings growth

Structural drivers in the Auckland industrial market remain sound

+ The Auckland industrial market continues to outperform, with near zero vacancy for prime industrial space.
+ Short term supply outlook for the Auckland industrial market remains tight, with warehouse development under construction predominantly pre-committed.

The quality and location of our assets continue to drive growth in rents

+ Elevated construction costs are contributing to the high barriers to entry that are restricting new supply. The dynamic is driving strong growth in market rentals for GMT.
+ GMT's significant value-add portfolio continues to produce strong cashflows, while optionality for future development is being introduced into leases where possible.

GMT is well positioned to continue delivering earnings growth

+ Disciplined capital management continues to guide our investment strategy and underpins our ability to continue performing through more challenging market conditions.
+ With low gearing, diverse sources of funding and substantial liquidity, GMT is well positioned to continue executing on the best opportunities, while capturing rental growth through new leasing deals.

First half operating performance reaffirms full year guidance

+ Full-year underlying cash earnings reaffirmed at around 7.4 cents[1], up 4% on FY23.
+ Full-year distributions reaffirmed at 6.2 cents per unit, up 5% on FY23.

[1] Excluding the accretive impact of the change to diminishing value for building depreciation

YEAR TO DATE

Portfolio

+ Portfolio occupancy of 99.6% and WALT of 6.4 years
+ 93,561 sqm of stabilised leasing during the period, producing an average rental uplift of 27.1%
+ Underlying like-for-like net property income growth of 6.2% for the period
+ Potential rent reversion to market of ~23% (~$49 million p.a)
+ Three completed developments totalling 61,451 sqm
+ $324.5 million development work in progress, 93% leased

FY24 Interim Result

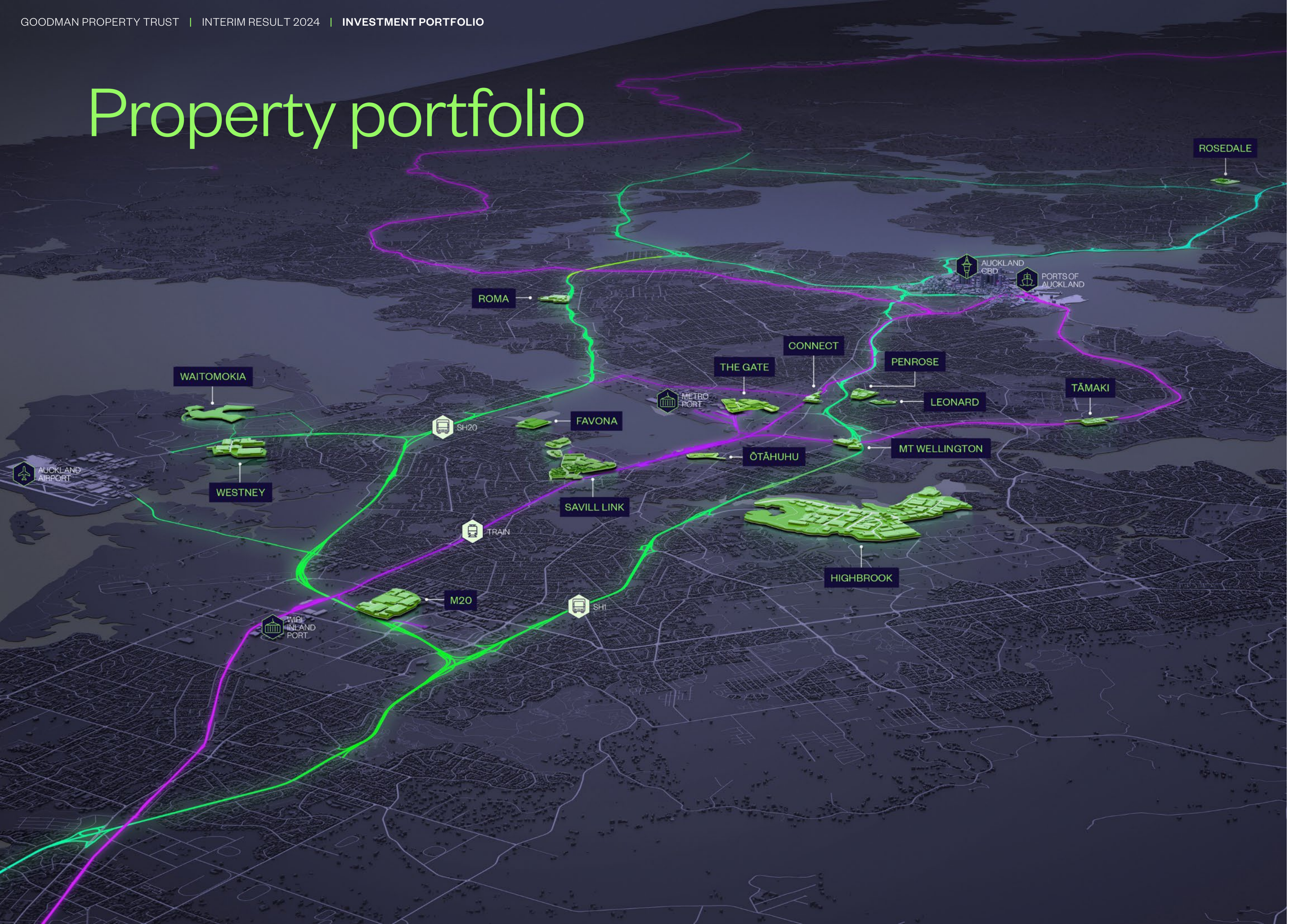
+ Operating earnings before tax of $68.1 million, a 5.9% increase from the first half of FY23
+ Portfolio valued at $4.7 billion, after $226.5 million or 4.6% reduction in value in the period, resulting in a loss after tax of $163.2 million
+ Underlying cash earnings of 3.75 cents per unit are a 6.5% increase from the first half of FY23
+ Distributions of 3.10 cents per unit are a 5.1% increase from the first half of FY23 and reflect a payout ratio of 82.7% of underlying cash earnings

Capital Management

+ S&P reaffirmed GMT's credit rating at BBB with a Stable Outlook. GMT's secured debt was reaffirmed one notch higher at BBB+
+ Gearing of 28.7%, with committed gearing of 30.5%
+ $538 million in available liquidity
+ 73% of debt hedged against volatility in the interest rate environment

INVESTMENT PORTFOLIO

Property portfolio



GMT's urban logistics portfolio provides essential supply chain infrastructure, facilitating the efficient storage and distribution of goods and materials.

PROPERTY PORTFOLIO

$4.7bn

NET LETTABLE AREA[1]

1.1m sqm

OCCUPANCY

99.6%

WALT[2]

6.4 years

[1] Total stabilised warehouse and office area
[2] Includes leased developments

Stabilised portfolio leasing

LEASED IN FY24

93,561 sqm

RENTAL UPLIFT

27.1%

CORE PORTFOLIO AVERAGE WAREHOUSE RATE[1]

$199 psm

AVERAGE LEASE UP PERIOD

2.0 months

AVERAGE NEW LEASE TERM

7.3 years

AVERAGE INCENTIVE

2.6%

[1] Weighted average face warehouse rate of leases completed in 1H24. 2H23 comparable rate $186 psm

Rent reversion

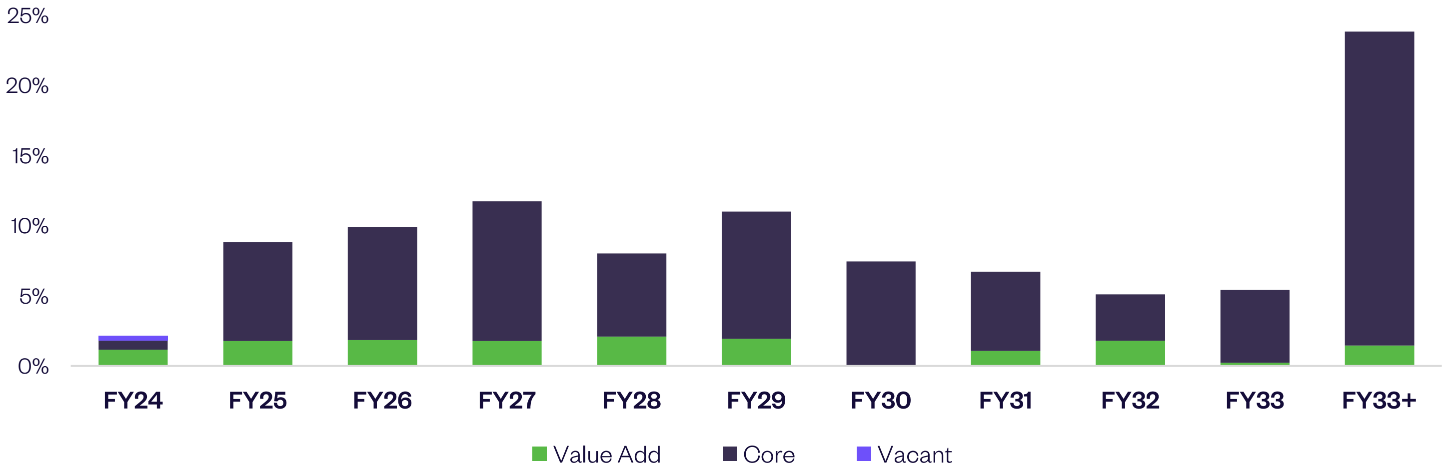
- Valuer assessed potential rent reversion to market is 22.8%[1], which equates to under-renting of $48.6 million per annum
- 1.8% of portfolio income to expire in FY24
- Underlying like-for-like net property income growth of 6.2% for the period

MARKET RENT & UNDER-RENTING

Warehouse rent $psm

10-YEAR LEASE EXPIRY PROFILE

% of portfolio income



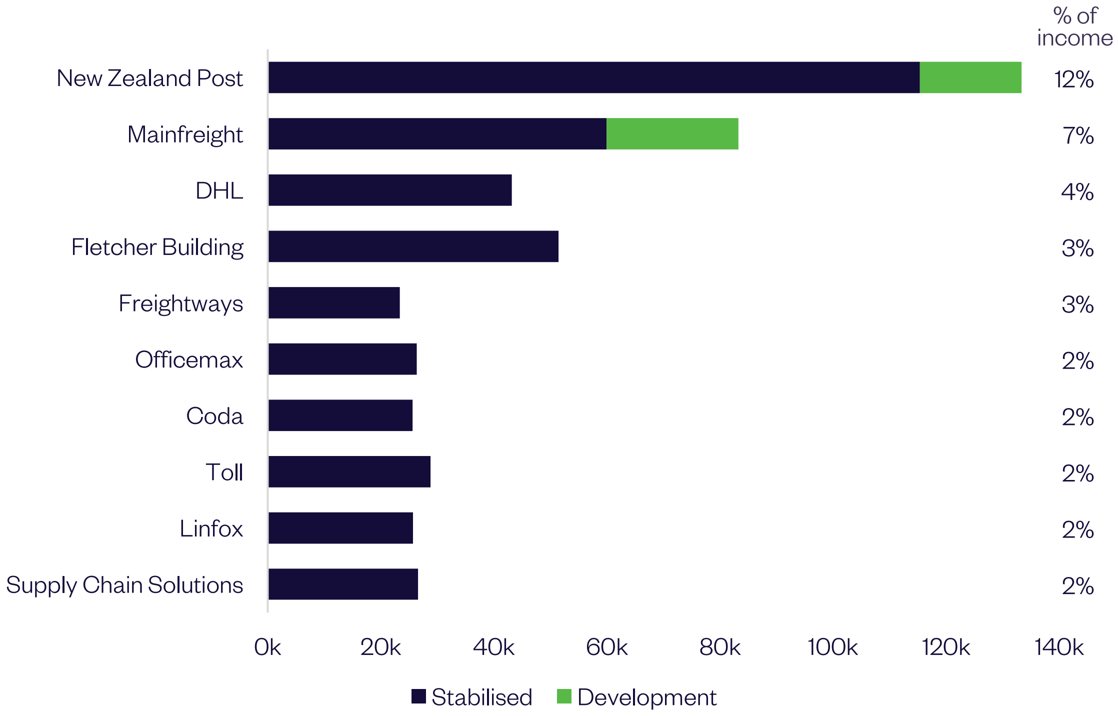
[1] Difference between valuer assessed market rents and current passing rents, divided by current passing rent

Income & stability

+ Top 10 customers account for 39% of portfolio income[1]
+ 65% of GMT's revenue is from customers who are either:
  - Government owned entities, or
  - Listed entities – in New Zealand or overseas, with ready access to capital markets as required, and full financial visibility through company announcements
+ 35% of GMT's revenue is from customers who are privately owned
+ GMT's exposure to privately owned customers, with no form of security under their lease, equates to less than 4% of annual net property income

TOP 10 CUSTOMERS[1]

total net lettable area (sqm) per customer, including subsidiary companies



CUSTOMER OWNERSHIP & SECURITY

% of portfolio income

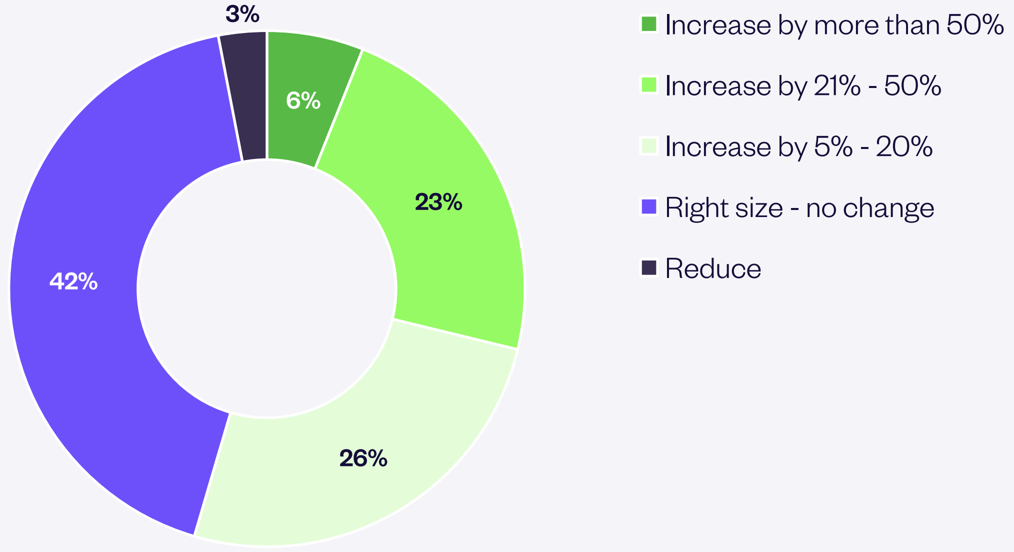
[1] Includes leased developments

Customer base

- 217 customers across 167 buildings, with 78% focused on warehousing or distribution
- In our recent survey of GMT customers, businesses were asked about their Auckland warehouse requirements over the next 1-5 years[1]:
  - more than 50% plan to increase their Auckland warehouse footprint
  - less than 5% plan to reduce the size of their warehouse

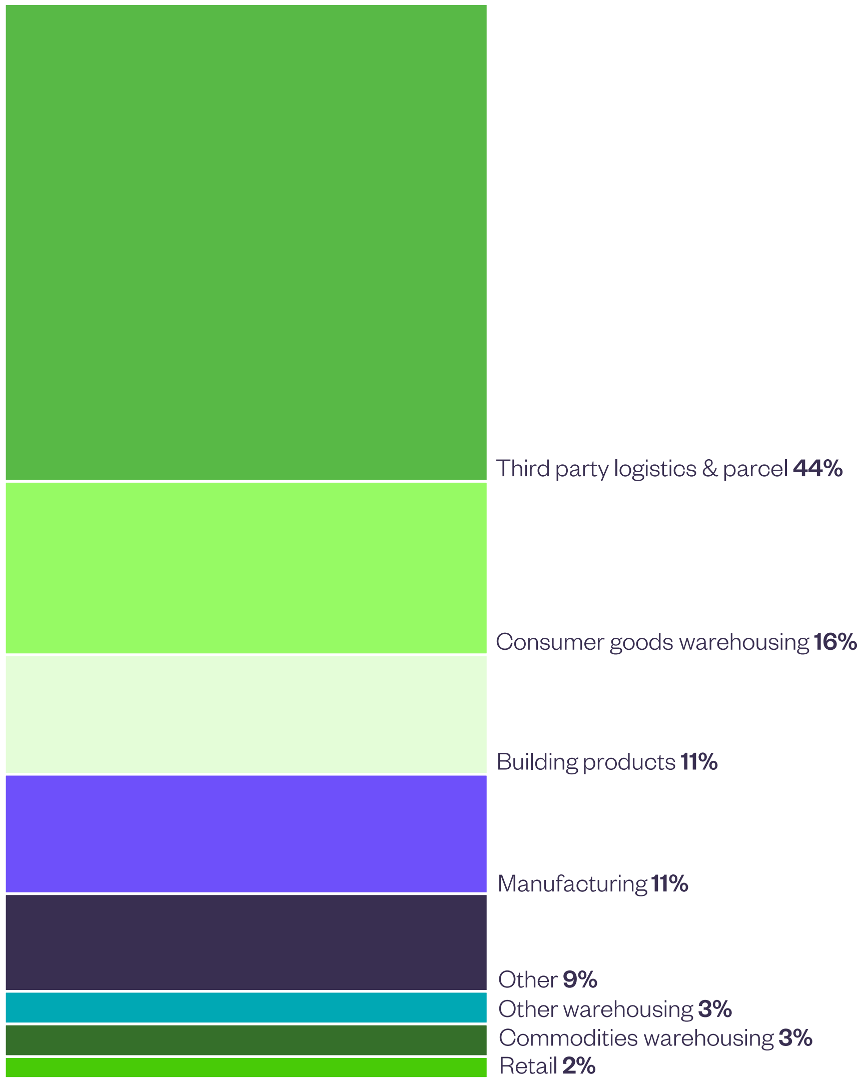
GMT CUSTOMER SURVEY: FUTURE WAREHOUSE REQUIREMENTS

% of survey respondents



CUSTOMER INDUSTRY EXPOSURE[1]

% of portfolio income



[1] Includes leased developments

Development completions

TOTAL PROJECT COST	WALT	NET LETTABLE AREA	YIELD ON COST	GREEN STAR BUILT TARGET
$228.1m	16.4 years	61,451 sqm	5.3%	5 Star

Work in progress

TOTAL PROJECT COST

$324.5m

NET LETTABLE AREA

68,013 sqm

WALT

14.2 years

YIELD ON ADDITIONAL COST

8.2%

LEASED

93%

Realising value from within

Future value to be realised through redevelopment of the value-add portfolio over time.

Focused on maintaining and growing cashflows from existing improvements, introducing future development optionality where possible.

Penrose Industrial Estate

WALT

4.9 years

OCCUPANCY

100%

SITE AREA

8.8 ha

Preparing the pipeline

- High construction and financing costs continue to be a barrier to commencing new developments
- The focus for GMT's value add portfolio remains on maintaining and growing cashflows, introducing future development optionality to new leases where possible
- In consultation with iwi, master-planning for Waitomokia[1] is well progressed. Planning approval has now been lodged with Council and the first development is expected to commence in mid-2025
- GMT will continue to assess development opportunities on a case by case basis, with capital reserved for those which are forecast to produce appropriate risk adjusted returns, suitable to the current environment

[1] The excess land associated with the Villa Maria winery, purchased in 2021

FINANCIAL RESULT

Financial highlights

NET PROPERTY INCOME

$100.1m

13.5% increase in rental revenue

OPERATING EARNINGS BEFORE TAX[1]

$68.1m

5.9% increase on prior period

UNDERLYING CASH EARNINGS[2]

3.75 cpu

6.5% growth in underlying earnings

DISTRIBUTIONS

3.10 cpu

5.1% increase in cash distributions

LOSS AFTER TAX

($163.2m)

NET TANGIBLE ASSET BACKING

230.5 cpu

AVAILABLE LIQUIDITY

$538m

LOAN TO VALUE RATIO[3]

28.7%

[1] Operating earnings is a non-GAAP financial measure included to provide an assessment of the performance of GMT's principal operating activities. The calculation is set out in note 3.1 of GMT's Financial Statements.

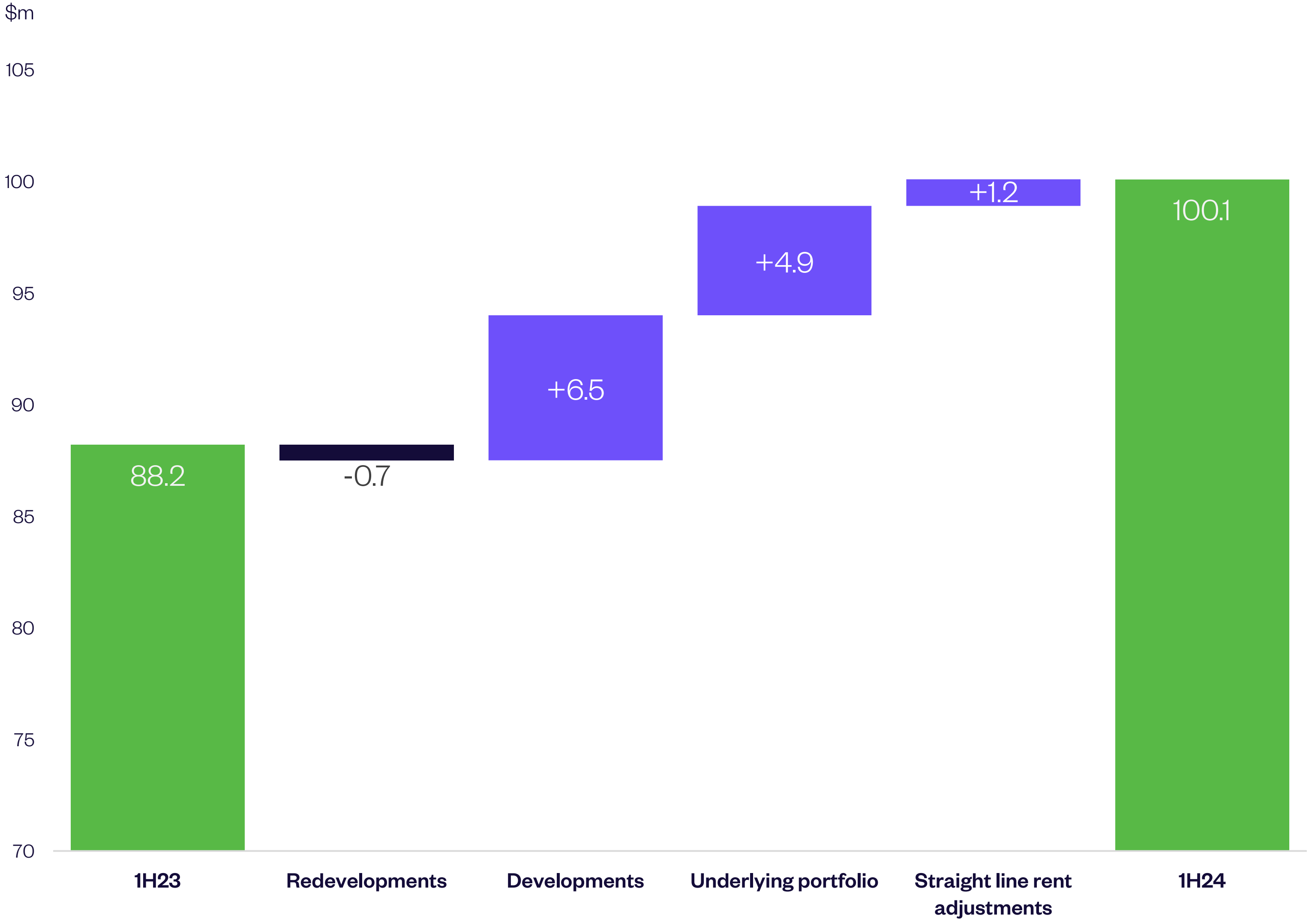
[2] Cash earnings is a non-GAAP financial measure that assesses underlying operating cashflows, on a per unit basis, after adjusting for borrowing costs and Manager's base fee capitalised to land, expenditure related to building maintenance and to reverse straight line rental adjustments.

[3] LVR is a non-GAAP financial measure that assesses GMT's level of gearing. Refer to note 2.6 of GMT's Financial Statements for the calculation.

Net property income

+ Net property income increased by $11.9 million to $100.1 million, a 13.5% increase on the first half of FY23
+ Income from developments, in addition to like-for-like rental growth are the main drivers of the increase
+ Underlying like-for-like net property income growth on the stabilised portfolio of 6.2% for the period[1]

NET PROPERTY INCOME

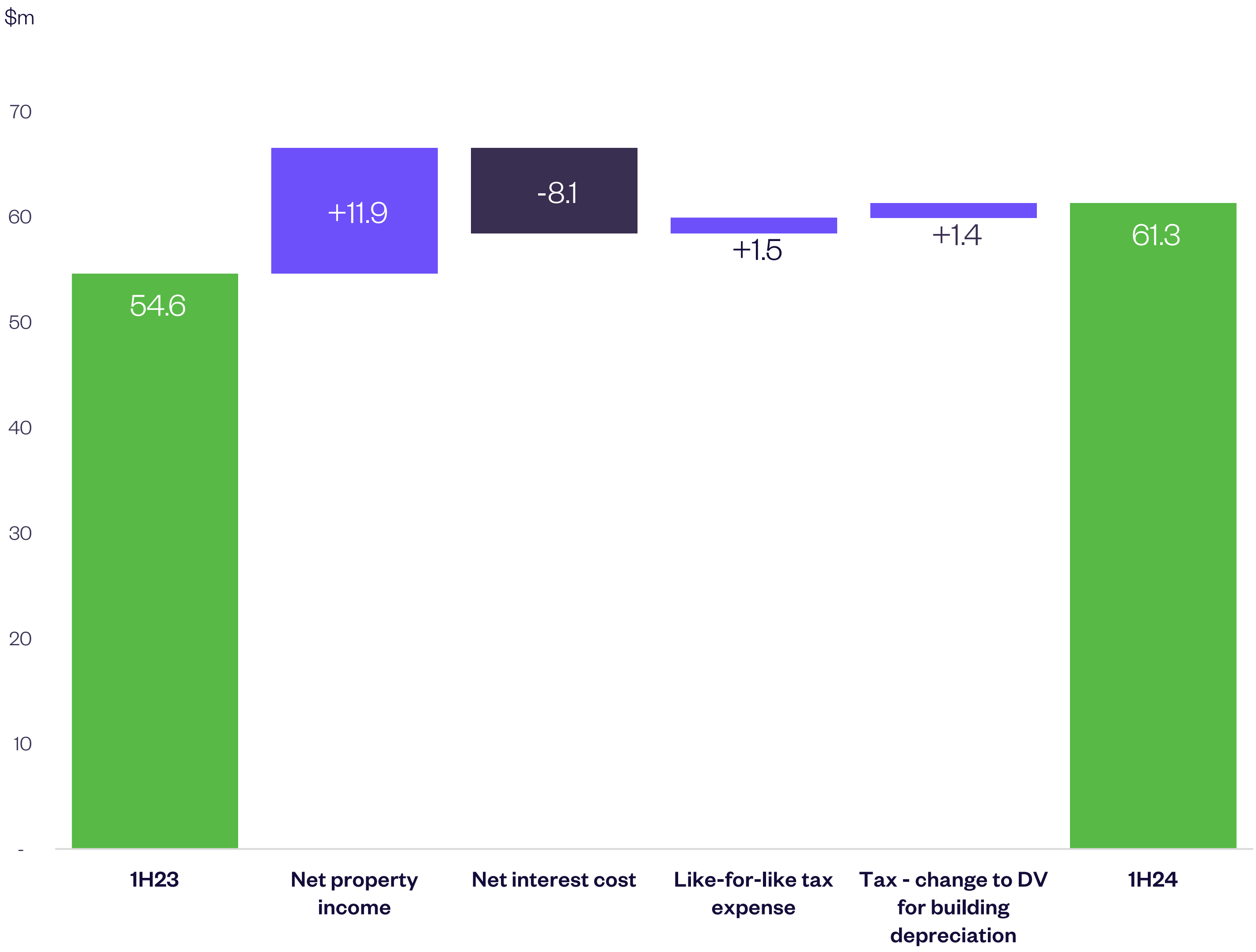


[1] Net rental income on underlying portfolio, adjusted to remove vacancy, incentives & leasing costs, straight line rent adjustments, operating expenses and fitout rent

Operating earnings

- Strong operating performance and a lower effective tax rate are reflected in 12.3% increase in operating earnings after tax
- 13.5% increase in net property income has more than offset higher interest expense:
  - Rising interest rates increased WACD to 4.7% (1H23 3.6%)
  - Investment into the development pipeline was the main contributor to the increased average debt balance of $1,303.4 million (1H23 $1,108.9 million)
- Additional deductions for GMT's development activity and new leasing on the stabilised portfolio have reduced tax expense by $1.5 million on a like-for-like basis
- A change to diminishing value for building depreciation has provided a further $1.4 million tax benefit, (of which $0.9 million relates to FY23) contributing to a lower effective tax rate of 10.0% (1H23 15.1%)

OPERATING EARNINGS AFTER TAX



Operating earnings is a non-GAAP financial measure included to provide an assessment of the performance of GMT's principal operating activities. The calculation is set out in the Profit or Loss Statement and in note 3.1 of GMT's Financial Statements.

Cash earnings

- Underlying cash earnings of 3.75 cents per unit are a 6.5% like-for-like increase on the first half of FY23
- Including the benefit of the change to diminishing value for building depreciation, cash earnings of $54.1 million, or 3.86 cents per unit, are 9.5% higher than the first half of FY23
- Distributions of 3.10 cents per unit were a 5.1% increase from the first half of FY23 and represent 82.7% of underlying cash earnings
- $16.7 million of total capex spent on the stabilised portfolio, of which $2.2 million was maintenance related

Full year guidance

- Strong first half operating performance has produced significant earnings growth, consistent with guidance
- FY24 underlying cash earnings guidance, excluding the impact of the change to diminishing value for building depreciation, is reaffirmed at around 7.4 cents per unit, 4% higher than FY23
- Reaffirming FY24 distributions to unitholders of 6.2 cents per unit, which are 5% higher than FY23, and represent around 84% of expected underlying cash earnings

CASH EARNINGS

$m	1H24	1H23	% change
Operating earnings before tax	68.1	64.3	5.9%
Income tax on operating earnings	(6.8)	(9.7)	(29.9%)
Operating earnings after tax	**61.3**	**54.6**	**12.3%**
Straight line rent adjustments	(2.2)	(1.0)	120.0%
Capitalised borrowing costs – land	(2.6)	(1.8)	44.4%
Capitalised management fees – land	(0.2)	(0.2)	-
Maintenance capex	(2.2)	(2.2)	-
Cash earnings	**54.1**	**49.4**	**9.5%**
Tax – change to DV for building depreciation	(1.4)	-	-
Underlying cash earnings	**52.7**	**49.4**	**6.7%**
Underlying cash earnings per unit	**3.75 cpu**	**3.52 cpu**	**6.5%**
Distributions per unit	3.10 cpu	2.95 cpu	5.1%
Distributions % underlying cash earnings	82.7%	83.8%	(1.1%)

Cash earnings is a non-GAAP financial measure that assesses underlying operating cashflows, on a per unit basis, after adjusting for borrowing costs and Manager's base fee capitalised to land, expenditure related to building maintenance and to reverse straight line rental adjustments.

Portfolio valuation

+ $226.5 million, or 4.6%, reduction in portfolio value for the six-month period, to $4,685.4 million
+ Valuer assessed market rents grew 3.5% over the six-month period, partially offsetting the 40 basis point increase in the portfolio cap rate to 5.6%
+ Net tangible asset backing reduced 14.7 cents to 230.5 cents per unit

VALUATION SUMMARY

$m	Valuation	Cap rate	Initial yield	WALT years	Occupancy	Net lettable area sqm
Highbrook Business Park	2,169.8	5.5%	4.6%	5.6	99%	488,619
Savill Link	525.6	5.4%	4.5%	5.7	100%	138,826
M20 Business Park[1]	348.9	5.4%	4.7%	4.6	100%	86,703
The Gate Industry Park[1,2]	283.8	5.7%	4.5%	4.9	100%	71,467
Westney Industry Park[2]	202.8	6.4%	12.5%	6.1	100%	114,969
Favona Road	140.0	5.3%	4.6%	13.7	100%	39,658
Roma Road	100.0	4.9%	4.8%	19.6	100%	17,706
Value-add properties	638.5	6.0%	5.0%	4.5	98%	172,763
Total stabilised properties	**4,409.4**	**5.6%**	**4.9%**	**5.9**	**99%**	**1,130,710**
Work in progress	189.5					
Land	86.5					
Total investment portfolio	**4,685.4**					

[1] During the period, some properties were reclassified from Core to Value-add to reflect their future development potential. See note 1.4 of GMT's Financial Statements
[2] Included within stabilised properties is a gross-up equivalent to lease liabilities of $63.9 million

CAPITAL MANAGEMENT

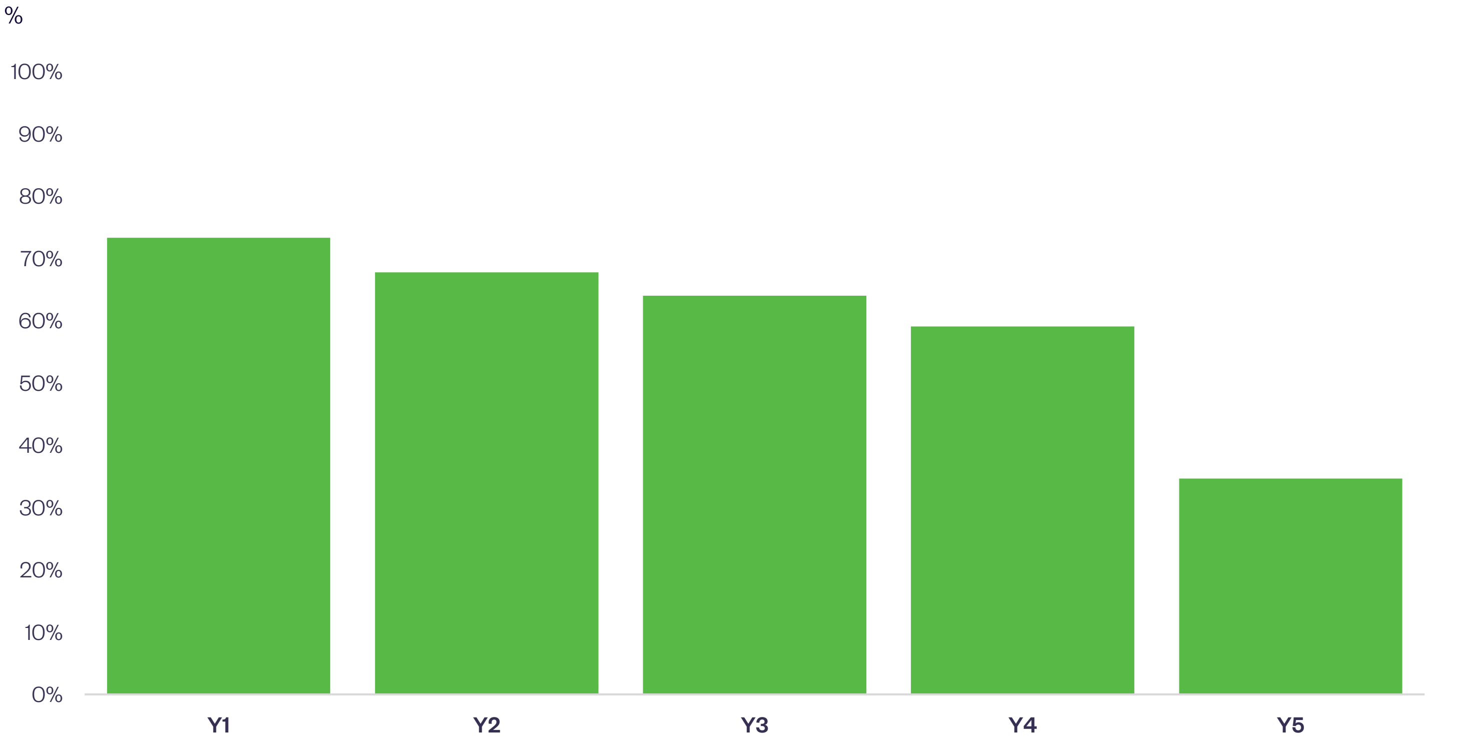
Interest

+ 73% hedged for the next 12 months; providing protection within the high interest rate environment
+ Weighted average debt cost increased to 4.7%
+ ICR decreased to 3.1x, remains well above covenant minimum of 2.0x
+ S&P reaffirmed GMT's credit rating at BBB with a Stable Outlook
  - GMT's secured debt was reaffirmed one notch higher at BBB+

BORROWING METRICS

	30-Sep-23	31-Mar-23
12 month forward hedging level	73%	84%
Weighted average debt cost	4.7%	4.0%
ICR covenant (>2.0x)	3.1x	3.6x

HEDGING PROFILE



Liquidity

- Liquidity and diversity of funding was extended through capital management initiatives in FY23
- $538 million of available liquidity as at 30 September 2023, with $120 million spend to come for the completion of committed developments
- Bilateral bank facilities with BNZ, CBA and Westpac all extended by 12 months during November 2023

FUNDING METRICS

	30-Sep-23	31-Mar-23
Non-bank funding (% of drawn debt)	61%	74%
Available liquidity	$538 million	$739 million
Weighted average debt term (drawn)[1]	3.3 years	3.6 years
LVR covenant (<50%)[2]	29.2%	27.0%

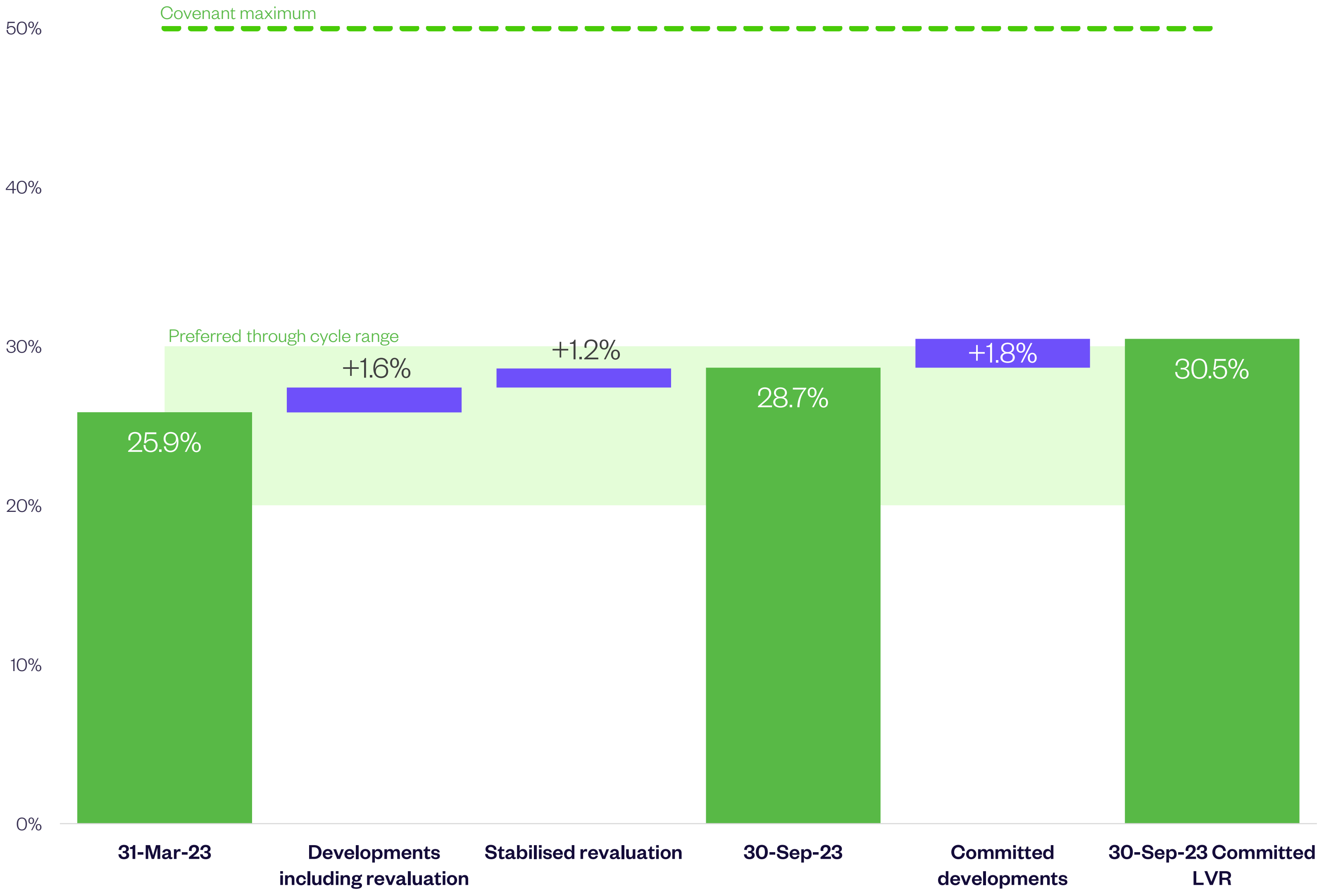
MATURITY PROFILE[3]

[1] Weighted average debt term is calculated on drawn debt assuming bank debt is drawn from the longest dated facility available
[2] LVR covenant calculation differs from reported LVR principally through the exclusion of development spend prior to completion
[3] As at 23 November 2023, after the extension of the bilateral bank facilities

Gearing

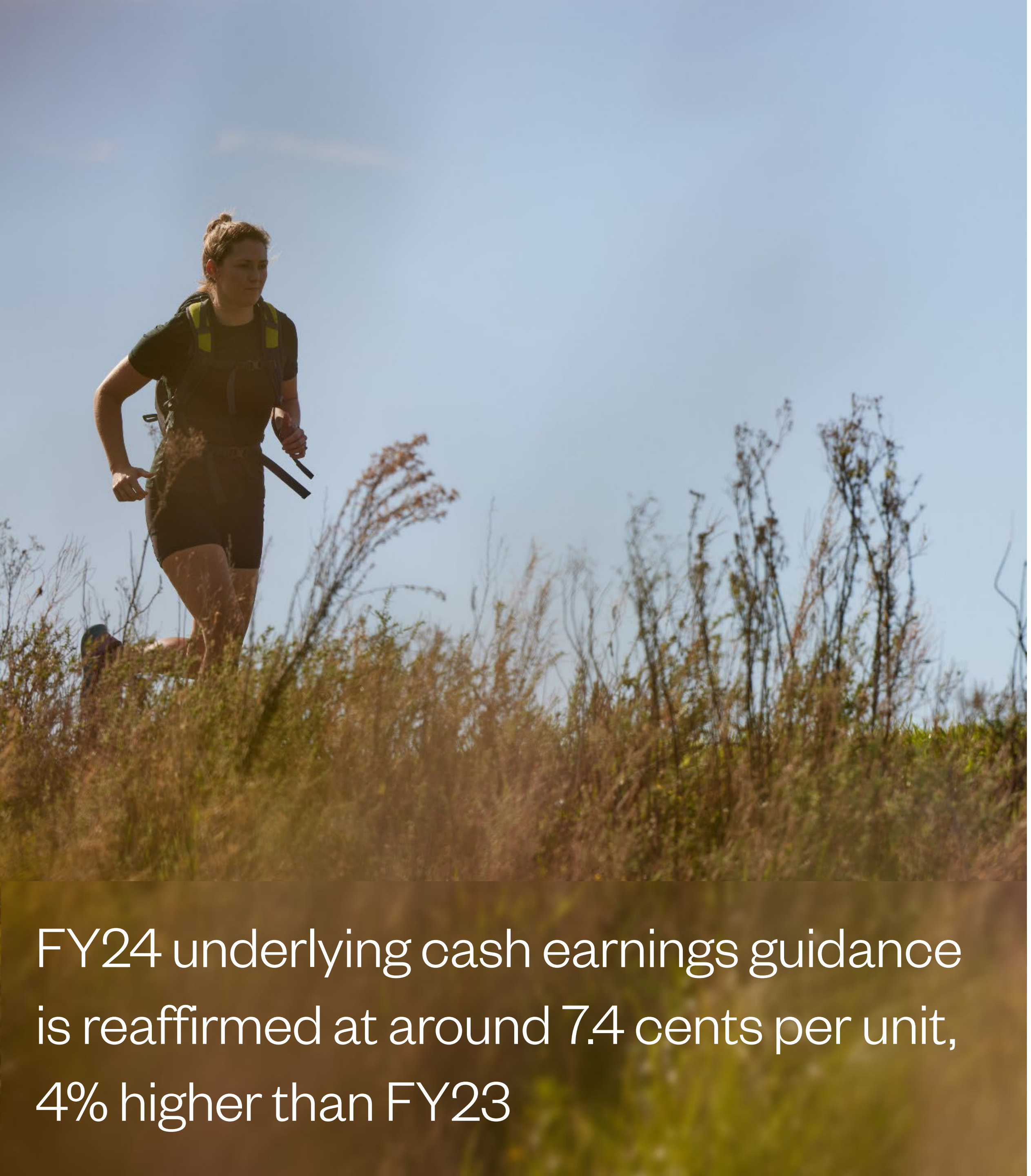
- Reported LVR of 28.7% with fully committed LVR of 30.5%, significantly below covenant maximum of 50%
- Committed developments complete over periods to FY25
- Preferred through cycle LVR range remains at 20-30%, comfortable with exceeding 30% as opportunities or market conditions dictate

LOAN TO VALUE RATIO



Loan to value ratio is a non-GAAP metric used to measure the strength of GMT's Balance Sheet. The calculation may not be consistent with other similar entities.

SUMMARY & OUTLOOK



Moving forward

Resilience within a challenging economic environment

+ The economic outlook is uncertain, with high interest rates and geopolitical activity likely to constrain business activity.
+ GMT continues to prove resilient with strong operating performance and growth.
+ The Auckland industrial market remains at near capacity, and with high barriers to entry for new development, GMT is set to benefit from supply constraints through demand for its assets.

Earnings growth through disciplined capital management

+ With increasing rentals, sustained high levels of occupancy and development completions, GMT continues to produce significant growth in underlying cashflows.
+ Disciplined capital management, low gearing and significant liquidity will continue to underpin our investment strategy and enables GMT to execute on the best opportunities as and when they arise.
+ FY24 guidance is supported by strong operating results which are set to continue driving GMT forward, underpinning our ability to produce robust long-term returns.

QUESTIONS

THANK YOU

APPENDIX

Profit or loss

$ million	Note	6 months 30 Sep 23	6 months 30 Sep 22
Property income	1.1	119.5	104.6
Property expenses		(19.4)	(16.4)
Net property income		100.1	88.2
Interest cost	2.1	(21.7)	(13.4)
Interest income	2.1	0.3	0.1
Net interest cost		(21.4)	(13.3)
Administrative expenses		(1.8)	(1.7)
Manager's base fee	6.1	(8.8)	(8.9)
Operating earnings before other income / (expenses) and tax		**68.1**	**64.3**
Other income / (expenses)			
Movement in fair value of investment property	1.3	(226.5)	–
Movement in fair value of financial instruments	4.1	5.0	(15.5)
(Loss) / profit before tax		**(153.4)**	**48.8**
Tax			
Current tax on operating earnings	5.1	(6.8)	(9.7)
Deferred tax	5.1	(3.0)	2.0
Total tax		**(9.8)**	**(7.7)**
(Loss) / profit after tax attributable to unitholders		**(163.2)**	**41.1**

Balance sheet

$ million	Note	30 Sep 23	31 Mar 23
Non-current assets			
Investment property	1.4	4,685.4	4,791.2
Other assets		2.7	2.8
Derivative financial instruments	4.2	55.3	42.9
Total non-current assets		**4,743.4**	**4,836.9**
Current assets			
Debtors and other assets		12.6	10.4
Cash		5.3	6.6
Total current assets		**17.9**	**17.0**
Total assets		**4,761.3**	**4,853.9**
Non-current liabilities			
Borrowings	2.2	1,269.0	1,159.1
Lease liabilities	2.5	60.3	62.6
Derivative financial instruments	4.2	9.6	10.1
Deferred tax liabilities		33.0	30.0
Total non-current liabilities		**1,371.9**	**1,261.8**
Current liabilities			
Borrowings	2.2	100.0	100.0
Creditors and other liabilities		49.3	45.1
Lease liabilities	2.5	3.3	3.3
Derivative financial instruments	4.2	–	0.5
Current tax payable		1.7	2.5
Total current liabilities		**154.3**	**151.4**
Total liabilities		**1,526.2**	**1,413.2**
Net assets		**3,235.1**	**3,440.7**
Total equity		**3,235.1**	**3,440.7**

Cash flows

$ million	6 months 30 Sep 23	6 months 30 Sep 22
Cash flows from operating activities		
Property income received	114.9	108.9
Property expenses paid	(24.7)	(23.8)
Interest income received	0.3	0.1
Interest costs paid on borrowings	(21.1)	(10.2)
Interest costs paid on lease liabilities	(1.7)	(1.7)
Administrative expenses paid	(1.8)	(1.6)
Manager's base fee paid	(8.8)	(8.9)
Manager's performance fee paid	–	(15.7)
Net GST received / (paid)	0.6	(0.6)
Tax paid	(7.6)	(8.1)
Net cash flows from operating activities	**50.1**	**38.4**
Cash flows from investing activities		
Payments for the acquisition of investment properties	–	(50.1)
Capital expenditure payments for investment properties	(99.2)	(77.9)
Holding costs capitalised to investment properties	(10.8)	(8.3)
Net cash flows from investing activities	**(110.0)**	**(136.3)**
Cash flows from financing activities		
Proceeds from borrowings	915.0	449.0
Repayments of borrowings	(814.0)	(322.0)
Proceeds from the issue of units	–	15.7
Distributions paid to unitholders	(42.4)	(39.9)
Net cash flows from financing activities	**58.6**	**102.8**
Net movement in cash	**(1.3)**	**4.9**
Cash at the beginning of the period	6.6	3.6
Cash at the end of the period	**5.3**	**8.5**

Development programme

Development	Estate	Lettable area (sqm)	Completion date	Leased
NZ Post Rosedale	Rosedale Estate	17,752	Mar-24	100%
Mainfreight Savill Link South	Savill Link	23,300	Oct-24	100%
Cotton On	Roma Road Estate	18,230	May-24	100%
60 & 61 Roma Road	Roma Road Estate	8,731	Jun-24	55%
Total work in progress		**68,013**		**93%**