# Goodman Group (GMG)

17 August 2018

| RESULTS | Full Year 2018 | Full Year 2017 | CHANGE |
|---|---|---|---|
| Net Profit After Tax (NPAT) ($m) | 1,098.2 | 778.1 | +41.1% |
| Operating Profit ($m) | 845.9 | 769.8 | +9.8% |
| Operating Profit ($m) Consensus | 939.6 | | |
| Operating EBITDA ($m) | 948.7 | 906.5 | +4.7% |
| Operating EBIT ($m) | 942.5 | 898.0 | +5% |
| Operating EBIT ($m) Consensus | 943.7 | | |
| Final Distribution ($) | 0.1425 | 0.132 | +8% |

## Goodman Group (GMG) delivers on expectations, provides optimistic outlook for FY19

- GMG reported a full year operating profit of $845.9 million, an increase of 9% on 2017 (FY17). The result reflected a range of factors including: investment income (including asset sales), development activity and improving rents. Additionally management earnings rose by 18.7% fees, while borrowing costs were down for the period. Operating earnings per share (EPS) rose 8.3% in the period to 46.7 cents. The statutory profit for the period of $1.1 billion, included $639.0 million in valuation gains, compared to $397.6 million in FY17 - which in turn contributed to a 10% growth in net tangible assets from FY17 to $4.64 per security. Operating expenses for the period increased to $249.4 million from $248.2 million; although net finance expenses fell to $44.4 million from $54.0 million lower levels of net debt and lower interest rates.

- Goodman Group operates in Australia and New Zealand, Asia, Continental Europe, the United Kingdom and the Americas. Its earnings are derived from, property investments, management and development. GMG's property investment earnings are driven by the level of assets under management (AUM), occupancy and rental levels and the cost of borrowings. Over the course of FY18 there was a 3% decline in property investment earnings to $384.8 million. The decrease was due to asset disposals in over the last 2 years, which was partially balanced by a 3.2% increase in net property income, compared to FY17. Management earnings in FY18 increased by 19% to $316.5 million compared to the prior year and made up 27% of total operating earnings, up from 23% in FY17. During FY18, external AUM increased by 15% to $35.1 billion from $30.5 billion, as development completions, valuation growth and foreign currency impacts were significantly greater than asset disposals. As a result base management fee income increased, supplemented by ongoing leasing and transactional fees.

- Development earnings rose 2% to $490.6 million, contributing 41% of the total. At 30 June 2018, Goodman had a development pipeline of work, in progress of $3.6 billion, made up of 80 projects across 12 countries with a forecast return or yield 7.2% on costs. Earnings for the segment were a significant contributor in all regions, with activity benefiting from the growth of e-commerce, changes in consumer spending and supply chain networks seeking greater proximity to urban centres.

- GMG is optimistic in relation to the outlook for FY19. Market conditions are expected to remain favourable driven by the concentration of the group's property portfolio in key urban locations where there is a scarcity of land in key locations. As a result competing interests such as e-commerce, third party logistic providers, traditional retail, residential, office and data centre operators are challenged in securing suitable properties. GMG expects FY19 operating profit to be $913 million, translating to an operating earnings per security (EPS) of 50.0 cents, an increase of 7% compared to FY18. Forecast distribution of 30.0 cents per security (up 7% on FY18).