
ASX ANNOUNCEMENT

22 August 2016

GDI Property Group FY16 Financial Results

GDI Property Group¹ is pleased to release its full year financial results for the year ended 30 June 2016 (“FY16”).

Key highlights

- Funds From Operations (FFO)² of \$49.1 million, an increase of \$2.7 over FY15 FFO of \$46.4 million
- FFO per security of 9.11 cents per security, an increase of 10.8% over FY15 FFO of 8.22 cents per security and a compound annual growth rate in FFO of 12.1% since Initial Public Offer (IPO) in December 2013
- NTA of \$1.01, up \$0.02 from the NTA at 30 June 2015
- Distribution per security for the year of 7.75 cents, in line with guidance
- Absolute total return³ of 9.9% for the year and an annualised absolute total return since IPO of 12.5%
- Total securityholder return of 10.0% for the year
- Positive leasing momentum, particularly the FY17 expiries at 66 Goulburn Street, Sydney, 307 Queen Street, Brisbane and the newly acquired 50 Cavill Avenue, Surfers Paradise

Mr Steve Gillard, Managing Director of GDI Property Group, stated that FY16 was another outstanding year for GDI Property Group. “Since our IPO in December 2013, we have delivered a compound annual growth rate of our FFO of 12.1%p.a. and an absolute total return (ATR) of 12.5%p.a. We believe that there remains significant upside in our property portfolio, which together with our focus on continuing to grow our assets under management in the Funds Management division, will allow us to continue to deliver these sorts of results” Mr Gillard stated.

Operational successes

Property division

Operational highlights during the year included settling the disposal of 233 Castlereagh Street, Sydney, for \$156.0 million, a net cash pre-tax profit of \$32.3 million over the Initial Public Offer acquisition price, and acquiring 50 Cavill Avenue, Surfers Paradise, for \$48.8 million, in February 2016, with the property now valued at \$55.0 million.

Other highlights included leasing, agreeing to lease or renewing over 9,700sqm of the 14,300sqm of FY17 expiries at 66 Goulburn Street Sydney. Of the 10,432sqm being vacated by Consolidated Media Holdings Limited (CMHL) in August this year, 5,800sqm is already subject to leases or agreements to

lease. This leasing success has led to a valuation increase of \$30.5 million, or 19.4%, over the course of the year.

Occupancy at both Mill Green, Perth and 307 Queen Street, Brisbane, has also improved since 30 June 2015, demonstrating the appeal of both assets in what are difficult leasing markets. Following the immediate commencement of capital works and a repositioning of the asset, occupancy at 50 Cavill Avenue, Surfers Paradise has increased from 58% at the time of acquisition in February 2016 to 66%⁵ today. With the departure of the Department of Water from 25 Grenfell Street, Adelaide, vacancy at that property has risen to 23%, up from 5.4% at 30 June 2015.

Funds Management division

The Funds Management division had another extremely successful year, with assets under management (AUM) growing to approximately \$356.1 million, as a result of the positive increase in AUM from the establishment of GDI No. 42 Office Trust, offset by asset sales from GDI No. 38 Diversified Property Trust. The Funds Management division delivered a segment FFO result of \$4.28 million, up from \$2.93 million a year ago. This increase is largely a result of the greater assets under management and higher levels of transactional fees, including disposal fees relating to the sale of assets by GDI No. 38 Diversified Property Trust (\$0.7 million) and the establishment of GDI No. 42 Office Trust (\$0.9 million).

GDI No. 42 Office Trust was established in June 2016 and owns two assets with a total value of \$88.5 million, 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville. Both assets are well tenanted to State and Federal government tenants, and have multiple exit options. For the first time in its history, GDI Property Group subscribed for a meaningful stake in a fund, holding 43.68% of the units on issue of GDI No. 42 Office Trust.

Strong balance sheet

During the year GDI Property Group's primary debt facility was amended to initially facilitate the sale of 233 Castlereagh Street, Sydney, and subsequently to fund the acquisition of 50 Cavill Avenue, Surfers Paradise. GDI Property Group's primary facility now has a limit of \$325.0 million, drawn debt of \$289.9 million and undrawn capacity of \$35.1 million. All tranches expire in October 2018. GDI Property Group's loan to value ratio (LVR) on its primary facility is 36.43%, versus a covenant LVR of 50%, with a similarly comfortable actual interest cover ratio (ICR) of 4.6 X versus a covenant of 2.0 X.

During the year GDI Property Group completed its on-market buyback, acquiring and cancelling a further 3.7 million securities and cancelling 2.5 million securities that had been bought prior to 30 June 2015 but not cancelled. During the buyback GDI Property Group bought a total of 28.8 million securities at an average price of \$0.916. Total securities on issue now total 538.8 million.

Guidance for FY17

As the asset management strategies of a number of assets, including 66 Goulburn Street, Sydney, 307 Queen Street, Brisbane and 25 Grenfell Street, Adelaide, are nearing completion, it is probable that GDI

Property Group will dispose of at least one if not more assets during FY17. In the absence of acquisition opportunities, GDI Property Group would look at capital management initiatives, including debt repayment, a return or reduction of capital, or a security buy-back.

Given the probability, timing and price received for any asset sale is at this stage unknown, GDI Property Group is unable to provide FFO guidance for FY17. However:

- as a result of a probable asset sale(s), FFO per security (excluding the profit from asset sales) is likely to be lower than FY16; and
- it is forecast that distributions, including from profits on sale of properties, will be at least 7.75 cents per security, not including any capital returns or reductions.

GDI Property Group's focus remains on growing the assets under management in the Funds Business as value add opportunities arise. It is foreseeable that GDI Property Group could recycle capital from direct assets sold to co-investment stakes in future unlisted, unregistered managed investment schemes.

Media Enquiries:

Steve Gillard
Managing Director
+61 2 9223 4222

steve@gdi.com.au

David Williams
Chief Financial Officer
+61 2 9223 4222

david@gdi.com.au

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1. The stapled group comprising GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161) and their controlled entities.
 2. FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in Investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. GDI Property Group also adjusts funds management performance fees charged that remain unpaid from its calculation of FFO.
 3. Net Tangible Assets.
 4. Absolute total return is defined as movement in NTA + distributions
 5. Including signed heads of agreement