
ASX ANNOUNCEMENT

24 August 2015

GDI Property Group FY15 Financial Results

GDI Property Group¹ is pleased to release its first set of full year financial results for the year ended 30 June 2015 (“FY15”).

Key highlights

- Funds From Operations (FFO)² of \$46.4 million, in line with Offer Document³ Forecasts⁴ of \$46.3 million
- FFO per security of 8.22 cents per security, in line with Offer Document Forecasts of 8.20 cents per security, delivering FFO per security growth of 13% on the annualised prior period
- Statutory profit of \$75.9 million
- NTA⁵ of \$0.99, up \$0.03 from the NTA at 31 December 2014 and \$0.06 from the NTA at 30 June 2015
- Distribution per security for the year of 7.5 cents, in line with Offer Document Forecasts
- Absolute total return⁶ of 14.5% and total securityholder return of 4.4% for the year
- Portfolio occupancy⁷ of 89% (30 June 2014: 89%) and a weighted average lease expiry⁷ of 3.8 years (30 June 2014: 3.3 years)

Operational successes

Operational highlights during the period included acquiring 66 Goulburn Street, Sydney for \$136 million with approximately 5,700sqm of vacant space and now having the property 100% leased and valued at \$157 million, an increase of over 15% in under a year of ownership. GDI Property Group also exchanged contracts to sell 233 Castlereagh Street, Sydney for \$156 million, \$27 million more than the 30 June 2014 valuation, with the buyer now having paid a \$15.6 million non-refundable deposit. Settlement of the sale of 233 Castlereagh Street, Sydney is expected to occur on or around 30 September 2015. Other highlights included leasing, agreeing to lease, renewing or extending over 24,000sqm of space (not including 66 Goulburn Street, Sydney), notably 5,885sqm to the SA State Government at 25 Grenfell Street, Adelaide and three floors at 197 St Georges Terrace, Perth, taking that building’s occupancy to 99%. GDI Property Group also established GDI No. 40 Office Trust, which acquired 80 George Street, Parramatta, GDI Property Group’s first Parramatta acquisition.

Significant potential upside remains in the Portfolio

Notwithstanding the excellent progress made to maximise the value of each property in the Portfolio, Mr Steve Gillard, Managing Director at GDI Property Group, believes there remains significant upside in the Portfolio. Commenting on the individual properties, Mr Gillard stated:

“GDI Property Group has done a substantial amount of work around alternate uses for 1 Mill Street, Perth and believes the value of the site as a residential development could be well in excess of the value as a commercial building. Notwithstanding this, we are still looking to lease the property and there are a number of briefs in the market at the moment that suit 1 Mill Street. Mill Green as a whole has no expiries in FY16 and a passing yield on the valuation of 7%, so there is not a lot of downside to the complex.

While 66 Goulburn Street, Sydney is currently 100% leased, over 60% of the property’s NLA expires in FY17. Obviously renewing or releasing this space will add a lot of value to the property. We already have a lot of interest in the Consolidated Media Holdings Limited (CMH) space in the event that CMH depart either in part or in whole and in our view rents in the southern Sydney CBD will continue to rise and incentives fall, so having that expiry profile gives us the opportunity to capture a lot of value.

The lease to SA Government (PIRSA) at 25 Grenfell Street, Adelaide has solidified over 50% of the income from that property to FY23 and beyond and when the SA Government (Department of Water) vacate there will be an opportunity to refresh those floors and capture significant reversionary rents. Our property at 307 Queen Street, Brisbane is now close to 80% occupied including Heads of Agreement signed since 30 June 2015 and still benefits from a guarantee over much of the remaining vacant space.”

The Funds Business remains a core focus

GDI Property Group’s Funds Business continues to grow, with total assets under management in that business of \$285 million after the successful acquisition of 80 George Street, Parramatta for \$38.7 million. Growing the assets under management back up to pre-IPO levels of +\$750 million is a major focus for GDI Property Group and during the year Mr Greg Marr was hired to lead this initiative.

Balance sheet strength facilitates an increase in the on-market buyback to 10%

GDI Property Group’s balance sheet is in a strong position with a loan to value ratio at 30 June 2015 of 36% (bank covenant LVR 37%). This strong balance sheet position enabled GDI Property Group to undertake an on-market buyback of up to 5% of its securities on issue and as at 30 June 2015 over 25 million securities had been acquired. With the impending settlement of 233 Castlereagh Street, Sydney, GDI Property Group has increased this buyback up to 10% of the securities on issue.

Credit approved extension and amendment to debt facility

Also as a result of the sale of 233 Castlereagh Street, Sydney, GDI Property Group has received credit approved terms for an amendment and extension of its facility with Westpac Banking Corporation. Subject to satisfactory documentation and settlement of 233 Castlereagh Street, Sydney the total facility will reduce to \$255 million and expiry of all tranches of the facility will be 30 September 2018. Key covenants remain the same.

Guidance for FY16

GDI Property Group expects FFO per security of not less than 8.2 cents per security, based on an “as is” basis⁸. Upside potential to this “as is” guidance includes:

- The accretive benefits on increasing the buyback to 10%

- In relation to the Property Business:
 - an accretive acquisition, noting that GDI Property Group has acquisition capacity of approximately \$100 million and still be within the Board’s gearing policy;
 - a strata and sale of 1 Mill Street, Perth, which would reduce GDI Property Group’s interest expense without reducing its income;
 - increasing occupancy across the Portfolio; and
 - where FY16 expiries exist, renewing those expiries, as no renewals other than those already agreed have been included in the “as is” guidance.

- In relation to the Funds Business:
 - the sale of 1 Adelaide Terrace, Perth which would generate disposal and performance fees; and
 - the establishment of new funds, which is an objective of GDI Property Group. No new funds have been included in the “as is” guidance.

GDI Property Group forecasts a distribution per security of 7.75 cents, an increase of 0.25 cents per security from FY15.

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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. Offer Document refers to the Prospectus and Product Disclosure Statement dated 25 November 2013 prepared by GDI Property Group Limited (ACN 166 479 189) and GDI Funds Management Limited (ACN 107 354 003) as responsible entity of GDI Property Trust (ARSN 166 598 161).
 4. Offer Document Forecasts refers to the financial forecasts included in the Offer Document.
 5. Net Tangible Assets. GDI Property Group excludes derivative financial instruments from its calculation of NTA.
 6. Absolute total return is defined as movement in NTA + distributions
 7. By NLA including guarantees and signed Heads of Agreement as at 30 June 2015, excluding 233 Castlereagh Street, Sydney.
 8. Subject to no material change in circumstances. "As is" is defined as all contracted rents or those subject to Heads of Agreement as at 18 August 2015, base management fees from the Funds Business and disposal fees where a sale of an asset is considered certain, budgeted FY16 expenses of \$6.3 million (including the issue of FY16 LTI performance rights) and on settlement of 233 Castlereagh Street, Sydney, execution of the amended and extended debt facility on terms consistent with the credit approved terms.