
ASX ANNOUNCEMENT

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GDI Property Group Annual Results for the year ended 30 June 2019

GDI Property Group¹ (“GDI”) is pleased to release its annual financial results for the year ended 30 June 2019.

Key highlights

- Net Tangible Asset (NTA) per security of \$1.26, up \$0.08 per security from the NTA at 30 June 2018
- Funds From Operations (FFO)² of \$48.3 million and FFO per security of 8.96 cents
- Distribution per security for the period of 7.75 cents, in line with guidance

Operational successes

Property division

Our focus for FY19 was the delivery of our asset management strategies for the existing assets in the portfolio, with significant progress made in the year. Most notably, at Mill Green, Perth, the majority of the space vacated during FY17 and FY18 at 197 St Georges Terrace has now been leased. We are also continuing to work with Lendlease Developments Pty Limited on a number of potential single occupiers of a new development located at 1 Mill Street, Perth.

At Westralia Square, Perth, the fit out of the only vacant floor, level 7, as a show floor for future leasing, was completed, as was the upgrade of the foyer, and works have progressed on the upgrade of the lifts. A Development Application for a new approximately 3,300sqm building on the excess land was also lodged.

Pleasingly, on 31 July 2019, the Minister for Works signed two binding heads of agreement to occupy 14,522sqm of office accommodation. The Western Australian Police Force (WAPOL) has agreed to lease 12,689sqm over levels 1-5, 8 and 9 for a period of five years³ commencing 1 February 2021, and Births Deaths and Marriages (BDM) has agreed to a new six-year lease for 1,833sqm over level 10, also commencing on 1 February 2021. The existing leases over 25,664sqm with the Minister of Works will be varied, largely to facilitate WAPOL’s relocation within Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice.

Our wholly owned portfolio⁴ is now independently valued at \$715.0 million, with all assets⁴ revalued during the year. Mill Green (+\$8.9 million to \$330.0 million) and 50 Cavill Avenue, Surfers Paradise, (\$11.9 million to \$100.0 million) were revalued at 31 December 2018, with Westralia Square (+\$30.0 million to \$285.0 million) revalued at 30 June 2019.

Funds Management division

The transactional highlight for the Funds Management division was the sale of 223 - 237 Liverpool Road, Ashfield (GDI No. 42 Office Trust) for \$46.0 million, having been purchased in December 2015 for \$35 million, delivering an unlevered IRR in excess of 13%.

In terms of leasing, at 235 Stanley Street, Townsville (GDI No. 42 Office Trust), the Department of Human Services has signed a heads of agreement for a new 6.5 year lease commencing 1 March 2020 for the 4,644sqm it currently occupies in the property pursuant to a lease (2,722sqm) and sub-lease from the ATO (2,722sqm). We remain confident that there will be minimal downtime on expiry of the ATO lease in February 2020.

Strong balance sheet

GDI's balance sheet is in a strong position with a Loan to Value Ratio (LVR) on the Principal Facility⁵ of 8.3%, below the Board's maximum LVR of 40% and the bank's covenant of 50%. During the year, we increased the size of the Principal Facility to \$140.0 million and extended its tenure to 31 January 2021, with drawn debt remaining unchanged at \$59.4 million. This strong financial position has enabled us to extend the on-market buyback of up to 5% of our securities, which was originally announced at the time of release of our 31 December 2016 half year results, for a further 12 months. Since February 2017, GDI has bought back and cancelled 2,186,936 securities, with 33,234 bought and cancelled during the year.

Positioned for growth

Since its Initial Public Offer of securities in December 2013, we have delivered an absolute total return⁶ of 15.27%p.a. Our portfolio is now heavily weighted to Perth, and with assets with visible capital value upside potential, we believe we can continue to deliver these outstanding results, even with our very conservative balance sheet. Furthermore, when the Eastern State markets weaken, we will be well positioned to capitalise on acquisition opportunities funded through utilisation of our balance sheet and our high net worth investor base.

Guidance for FY20

GDI has a constantly evolving property portfolio, capital structure and funds management business. Given the likelihood of asset disposals and acquisitions, both for GDI Property Trust and the Funds Business, we choose not to provide earnings guidance. However, we are pleased to confirm, subject to no material change in circumstances, a forecast distribution of 7.75 cents per security for FY20.

We will also continue to monitor opportunities to buy back our securities, pursuant to the extension of the on-market buyback of up to 5% of securities on issue originally announced at the time of release of our 31 December 2016 half year results.

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

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.
3. WAPOL has certain 12-month lease extension and termination rights on the giving of at least 18 months-notice, and in the case of termination, compensation to GDI.
4. Excluding the strata unit at 38 / 46 Cavill Avenue, Surfers Paradise
5. The Principal Facility is secured by first registered mortgage over the wholly owned investment properties held by GDI and a registered GSA over the assets of GDI. References to GDI's Principal Facility LVR therefore exclude the assets and borrowings of GDI No. 42 Office Trust from its calculation.
6. Absolute total return is defined as movement in NTA + distributions.