



## asx release+

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### Goodman operational and strategy update

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Date 11 June 2015

Release Immediate

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**Goodman Group (Goodman or Group) advises that it will host an Investor and Analyst Update today, with the attached presentation forming an integral part of the briefing. It provides updates from each of the Group's operating regions and highlights the continued strong capital market environment, sound property fundamentals and significant investor and customer demand for quality industrial product.**

Key points from the presentation include:

- + Asset recycling remains a key focus in the current environment for funding the Group's development activities
- + Development providing the best risk-adjusted returns at this point in the cycle, driving higher volumes with Goodman's workbook now over \$3 billion and providing access to quality real estate for long-term investment
- + Gearing reducing through asset revaluation gains and lower equity capital requirements in Goodman's Partnerships
- + Assets under management expected to grow over the next three years, driven by development completions and positive asset revaluations
- + Revaluation and cash flow contribution from Australian urban renewal pipeline to continue. Current pipeline of more than 35,000 apartments anticipated to meaningfully increase over time. As at June 2015, \$890 million of urban renewal sites now conditionally contracted in Sydney
- + Growing active development and management earnings sustainably, while maintaining a sound financial position and low gearing levels

Goodman reaffirms its forecast FY2015 earnings per security of 37.2 cents, up 7% on FY2014. The operational platform and strategy is providing significant financial and operational flexibility in future periods and the ability to deliver sustainable long-term earnings per security growth of 6% per annum.

Goodman Group CEO, Mr Greg Goodman commented: "Sustained activity levels and the development momentum across Goodman's geographically diversified operating platform, combined with the consistent and disciplined execution of our business strategy are providing certainty and sustainability of earnings."

- Ends -

#### Goodman Group

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Goodman Funds Management Limited | ABN 48 067 796 641 | AFSL Number 223621

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### **About Goodman**

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors.

For more information: [www.goodman.com](http://www.goodman.com)



# Goodman Group

## Operational and Strategy Update

11 June 2015



### Goodman Group

**16**  
countries

**36**  
cities

**400+**  
properties

**1000+**  
dedicated people



# Important notice and disclaimer

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- + This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Neither the Group, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking-statements in this document will actually occur.
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- + Section 1      Group overview
- + Section 2      Regional updates
- + Section 3      Funds management
- + Section 4      Customer service model

# Section 1+ Group overview

Nick Vrondas,  
Group CFO



# Group Overview

**“Lower for Longer” is the current global outlook**

- + Low inflation and low growth environment across the majority of the Group's global platforms
- + Significant liquidity in capital markets looking for yield
- + Rental growth muted in all but a few geographic / supply constrained markets
- + Demand for “yield assets” is driving capital values
- + Asset recycling to continue in this climate, funding development and improving portfolio quality

**Development providing the best “Risk-Adjusted” returns**

- + Structural and cyclical themes continue to drive development activity
- + Opportunity to access quality real estate
- + At this point of the cycle development provides the best risk adjusted returns
- + Development volumes expected to be above \$3bn
- + Adequate land supply, focus is on opportunistic land acquisitions capable of development over the longer term

**AUM growth**

- + External AUM to grow driven by development program and revaluations
- + Asset recycling across the management platform enhancing the quality of portfolios
- + Low leverage and undrawn capital provides significant investment capacity
- + Limited acquisitions assumed unless counter cyclical markets emerge

**Urban Renewal realisations**

- + Urban renewal in Australia anticipated to remain strong
- + Pipeline maintained in excess of 35,000 unit sites across the Australian portfolio and expected to increase meaningfully over time
- + \$890m of sites conditionally contracted in Sydney, nearly 50% to settle in FY16

# Group Overview

## Sources and uses of capital

- + Significant capital rotation across the global platform providing cash inflows
- + Reduction in direct development holdings in exchange for co-investment in Partnerships
- + Largest inflow assumed from the UK and Australia capitalising on local market factors
- + Development of North American landbank primary capital outflow

## Lower financial leverage

- + Expecting revaluation gains in the short term
- + Asset recycling in Partnerships reduces equity capital requirements and reduces look-through gearing
- + Expect significant deleveraging over 2 years
- + All capital management initiatives remain open to the Group on realisation of cash

## Sustainable EPS growth at 6%

- + Forecast FY2015 earnings per security +7% on FY2014
- + Growth in underlying development and management services platform basis for long term growth outlook
- + Low leveraged balance sheet aligned to contribution from active earnings
- + Provides buffer for longer term sustainability





# Section 2+ Regional updates



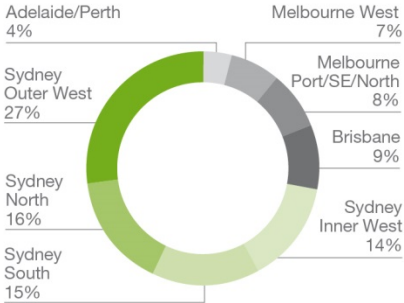
# Australia – Jason Little, General Manager

- + Below trend economic growth and business confidence resulting in low inflation
  - Record low interest rate environment is expected to further stimulate property investment
- + At this point in the cycle, taking advantage of market liquidity, \$540 million sold year to date
  - Improves the quality of the portfolio
  - Provides funding for development activities
- + Pursue geographic concentration into markets with attributes of long term growth
  - Benefiting from major government initiated infrastructure projects
  - Focus on longer term land strategies
- + Continuation of the current urban renewal strategy
  - Continue to respond to change in use opportunities that will enhance value
  - Additional identified sites to be re-zoned given current planning trends
- + Goodman benefiting from the relocation of customers from urban renewal sites
  - New projects for Toll and Recall resulting from relocation

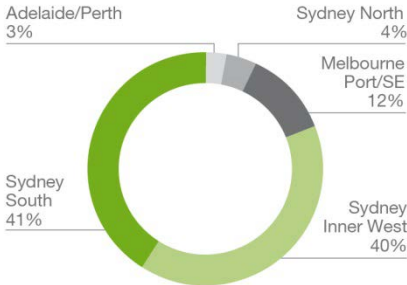
Snapshot <sup>1</sup>	
Assets under management	A\$12.9bn
Stabilised properties	208
Investment GLA (sqm)	7.6m
Occupancy	95%
Development WIP	A\$499m
Pre-committed development	85%
Managed Partnerships	4
People	300

1. As at 31 March 2015

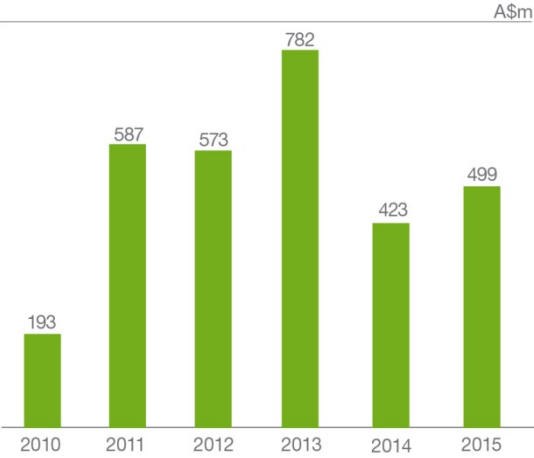
### Third party AUM by geography



### GMG direct assets by geography



### Development volume



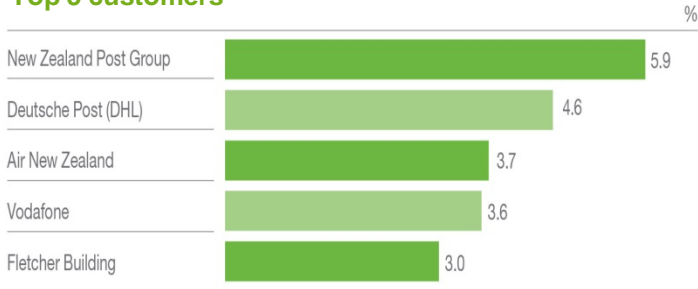
# New Zealand - John Dakin, CEO

- + Customer demand expected to remain sound given economic growth
- + Focus on the underlying portfolio, maintaining high occupancy and delivering rental growth
- + With strong investment market fundamentals, asset rotation is the preferred strategy for funding development and investment activity
  - GMT self funded
  - JV with GIC providing additional capital for further development around Viaduct
  - Assessing the potential to expand JVs to add to capital sources
- + Strongest development workbook on record
  - Mixture of both commercial and warehouse distribution

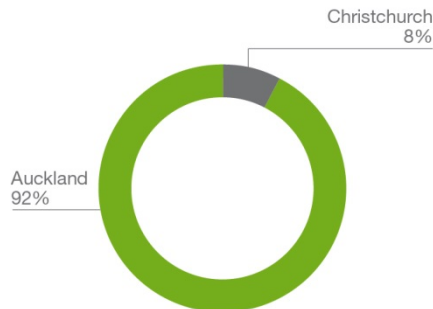
Snapshot <sup>1</sup>	
Assets under management	A\$2.2bn
Stabilised properties	16
Investment GLA (sqm)	1.0m
Occupancy	97%
Development WIP	A\$314m
Pre-committed development	74%
Managed Partnerships	2
People	61

1. As at 31 March 2015

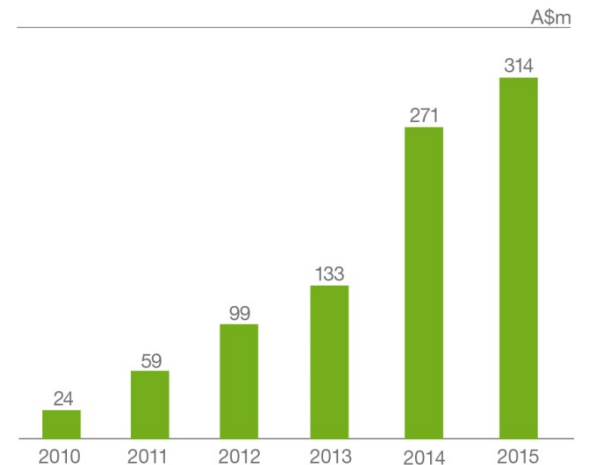
## Top 5 customers



## AUM by geography



## Development volume



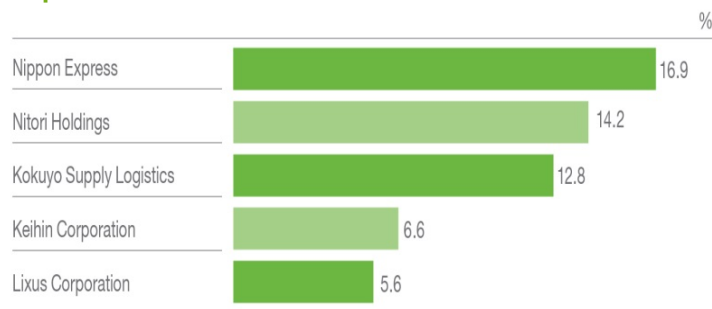
# Japan - Paul McGarry, CEO

- + Market growth supported by current program of Government stimulus
  - Tokyo 2020 Olympics presenting both opportunities and challenges
- + Focused on development as a means to accessing quality investment product and drive returns
  - Commenced development of first stage at Goodman Business Park Chiba, total end value A\$1 billion
  - Construction of a built to suit opportunity in Kobe
  - Maintain a selective approach to land acquisitions for long term development
- + Continue to analyse the portfolio and where appropriate consider the sale of older assets
- + Capital raisings for the Goodman Japan Core Fund have been oversubscribed
- + Prudently manage costs and benefit from economies of scale as AUM grows

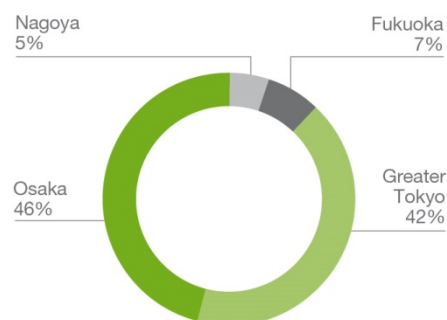
Snapshot <sup>1</sup>	
Assets under management	A\$1.3bn
Stabilised properties	12
Investment GLA (sqm)	0.5m
Occupancy	100%
Development WIP	A\$455m
Pre-committed development	58%
Managed Partnerships	2
People	55

1. As at 31 March 2015

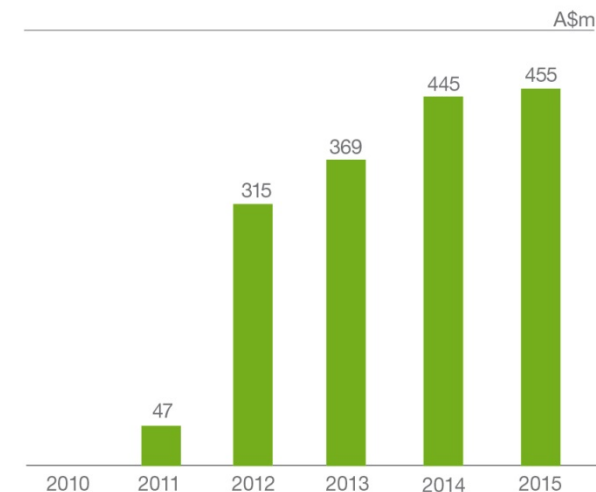
## Top 5 customers



## AUM by geography



## Development volume



# Greater China - Phil Pearce, Managing Director

## Hong Kong

- + Hong Kong economy remains closely linked to China's, supported by Chinese tourists and cross border activity
- + Warehouse market remains tight with prime warehouse at near full occupancy
  - Lack of supply resulting in 15%pa rental growth in the past 3 years
- + Development activity is the only means by which to gain access to quality investment product
  - Acquired brownfield site in July 2014. Target redevelopment to commence in the next 2 years, subject to planning

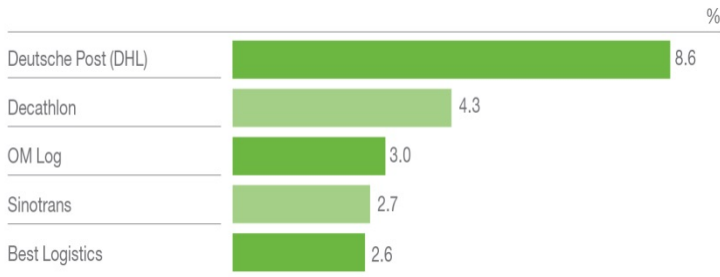
## China

- + China's GDP growth target reduced to 7% for 2015 due to lower investment, consumer growth stable
- + Demand for warehouses remains from retail, e-commerce and 3PL operators
- + Target development commencements to remain constant at current levels for now
  - Pre-commitment levels increasing to around 40%
- + China partnership assuming more development exposure in core markets
  - Options to recycle assets to fund development program

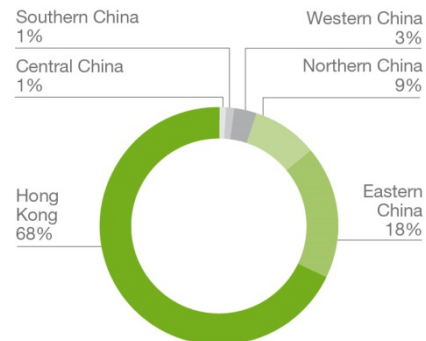
Snapshot <sup>1</sup>	
Assets under management	A\$6.3bn
Stabilised properties	36
Investment GLA (sqm)	3.3m
Occupancy	98%
Development WIP	A\$640m
Pre-committed development	38%
Managed Partnerships	3
People	374

1. As at 31 March 2015

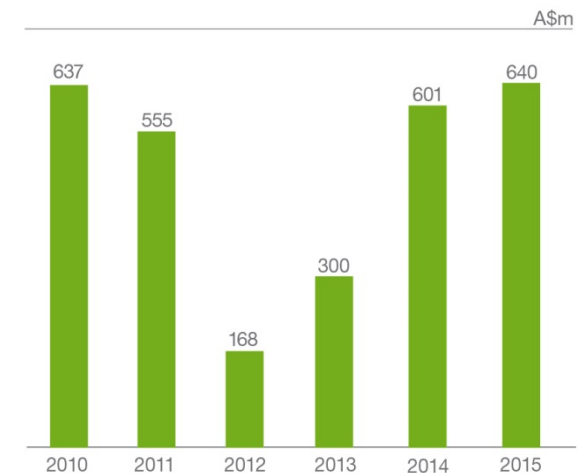
## Top 5 customers



## AUM by geography



## Development volume



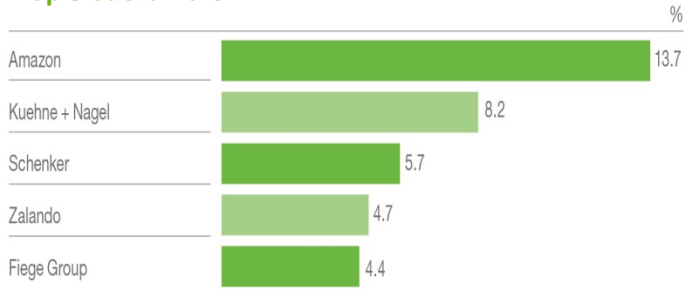
# Europe - Philippe Van der Beken, Managing Director

- + Flat economy, low interest rate environment, increased capital flows and shortage of prime investment product resulting in yield compression
- + Pan European platform operating across 12 countries
- + Germany remains most active European market
- + Development activity driven by built to suit with minimal speculative development
  - Europe's largest developer 4<sup>th</sup> year running
  - Supply and demand in balance, reflected in GELF's occupancy of 98%
- + Sale of €285m European portfolio to Logicor, with proceeds recycled into development book
  - Further disposals identified

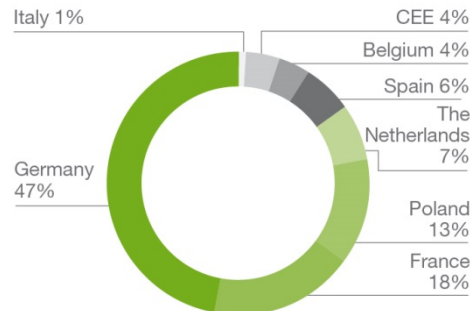
Snapshot <sup>1</sup>	
Assets under management	A\$5.0bn
Stabilised properties	143
Investment GLA (sqm)	6.2m
Occupancy	96%
Development WIP	A\$468m
Pre-committed development	91%
Managed Partnerships	4
People	185

1. As at 31 March 2015

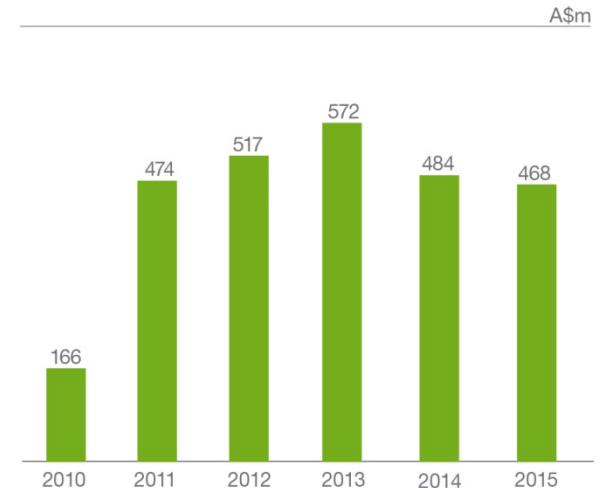
## Top 5 customers



## AUM by geography



## Development volume



# United Kingdom -

Jim Johnston, MD Business Parks  
Charles Crossland, MD Logistics



- + UK economy continues to gather momentum, business confidence improving, unemployment falling and a conservative majority government
- + Limited development activity resulting in pre-lease demand and presenting selective opportunities for speculative development both on and off balance sheet
- + Q4 2015 development starts to exceed \$360m, the most active quarter since previous peak
- + Property capital markets volume at cyclical highs
  - Completed sales in excess of A\$650m year to date
  - Purchasers assuming leasing risk on new projects with overages when leased on completion
- + Focus remains on reducing development capital and increasing investor distributions

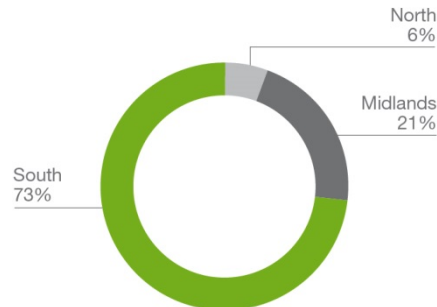
Snapshot <sup>1</sup>	
Assets under management	A\$2.0bn
Stabilised properties	18
Investment GLA (sqm)	0.5m
Occupancy	98%
Development WIP	A\$111m
Pre-committed development	59%
Managed Partnerships	2
People	82

1. As at 31 March 2015

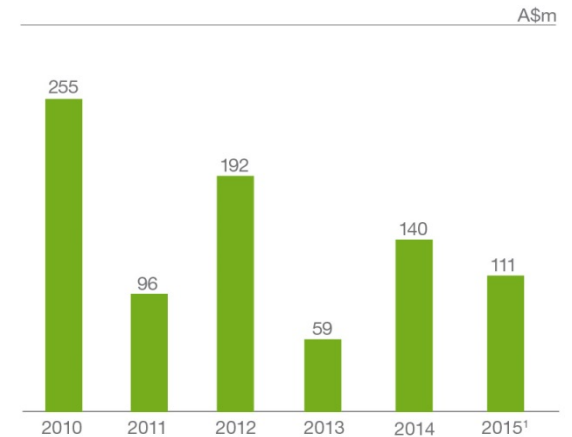
## Top 5 customers



## AUM by geography



## Development volume



1. As at 31 March 2015

# North America - Brandon Birtcher, CEO

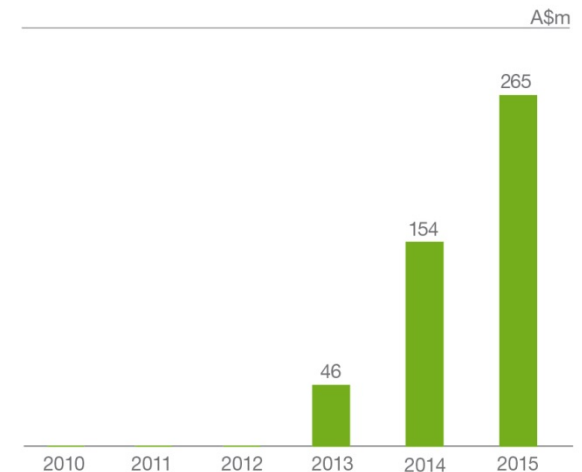
- + Positive momentum leading to a strong recovery in the US industrial market despite a slow start in 2015
  - US unemployment rate declining and housing prices increasing
- + Development pipeline of US\$1.5bn providing 15m sqft of warehouse / distribution product
  - Focussed on “Big Box” and infill product in key markets of Los Angeles, Inland Empire, New Jersey and Pennsylvania
  - Completed first building in Oakland, CA in May 2014 and subsequently disposed in an off market transaction
  - Commenced construction of 2.2m sqft (US\$220m end value) development in the Inland Empire West markets of Rancho Cucamonga and Fontana, CA
  - 1.5m sqft leased to Georgia Pacific at Rancho Cucamonga
  - Received re-zoning and entitlements at Eastvale, CA, earthworks commenced
- + Focus is on the build out of the existing land bank

Snapshot <sup>1</sup>	
Assets under management <sup>2</sup>	A\$2.0bn
Stabilised properties <sup>2</sup>	12
Investment GLA <sup>2</sup> (sqm)	1.5m
Occupancy	100%
Development WIP	A\$265m
Pre-committed development	72%
Managed Partnerships	1
People	34

1. As at 31 March 2015

2. Estimated end values on a fully built out basis

## Development volume





# Brazil - Danny Peeters, Executive Director Cesar Nasser, CEO



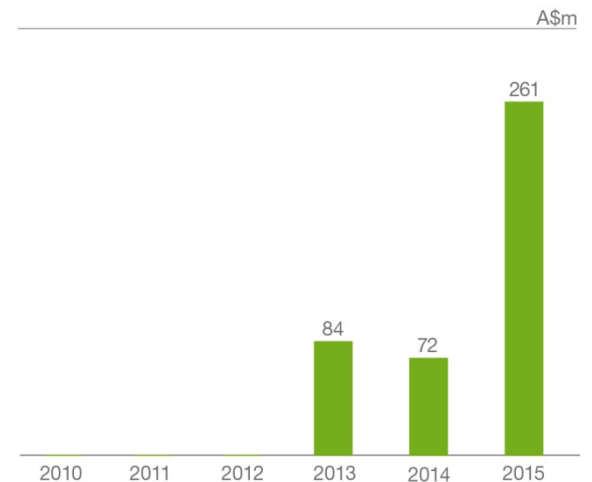
- + Macro environment deteriorated over the last 12 months and likely to continue in the near term
- + Cautious approach to new opportunities with no increase in committed capital
  - Sao Paulo and Rio de Janeiro are target core markets
  - Cajamar, Itupeva, Duque de Caxais and Nova India
- + Focus remains on the build out of the existing landbank
  - Prime locations with permits in place
  - Limited speculative development, Itupeva 60,000 sqm
- + Secured 4 prime built to suit opportunities
  - Via Varejo at Nova India 145,000sqm
  - Olympic Committee at IBP 74,000sqm
  - Major US retailer at Bel Horizonte, Minas Gerais 62,000sqm
  - Via Varejo at Brasilia, Goias 80,000sqm
- + Active dialogue in introducing long term capital partners
  - CRI securitised structure is available
- + Potential opportunities for counter cyclical acquisitions in the near term

Snapshot <sup>1</sup>	
Assets under management <sup>2</sup>	A\$1.1bn
Stabilised properties <sup>2</sup>	4
Investment GLA <sup>2</sup> (sqm)	0.8m
Occupancy	95%
Development WIP	A\$261m
Pre-committed development	80%
Partnerships	-
People	33

1. As at 31 March 2015

2. Estimated end values on a fully built out basis

## Development volume





**Section 3+**  
Funds management

Nick Kurtis,  
Group Head of  
Equities

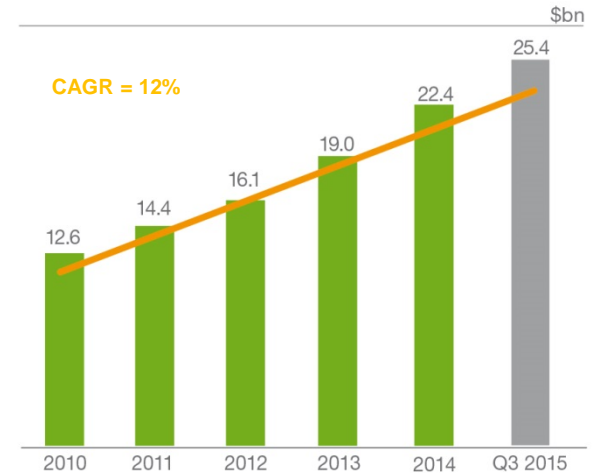


# Funds management

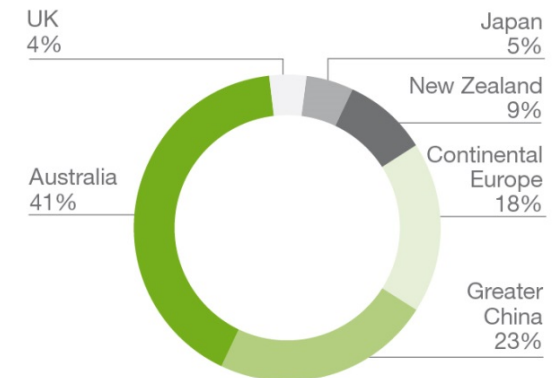


- + Capital partners supporting the global platform and fully integrated business model
  - Focus on maximising long term property returns
  - Contemporary governance structure and cornerstone investment key to aligning interests
  - Aligned to asset recycling strategy which is improving income and portfolio quality
  - Ability to recycle through development book is critical
- + Partnerships remain active in terms of operational and structural initiatives
  - Raised A\$1.7 billion of new third party equity financial year to date
  - Completed NZ\$500 million strategic Partnership between GIC and GMT
  - Partnership initiatives advancing in UK and Brazil
- + Capital management strategy aligned with the Group
  - Diversification of funding sources with longer maturities
  - Transitioning to unsecured debt capital markets
  - Benefiting in overall margin reductions
  - Hedging policies unchanged

## External AUM (\$bn)



## External AUM by geography





## Section 4+

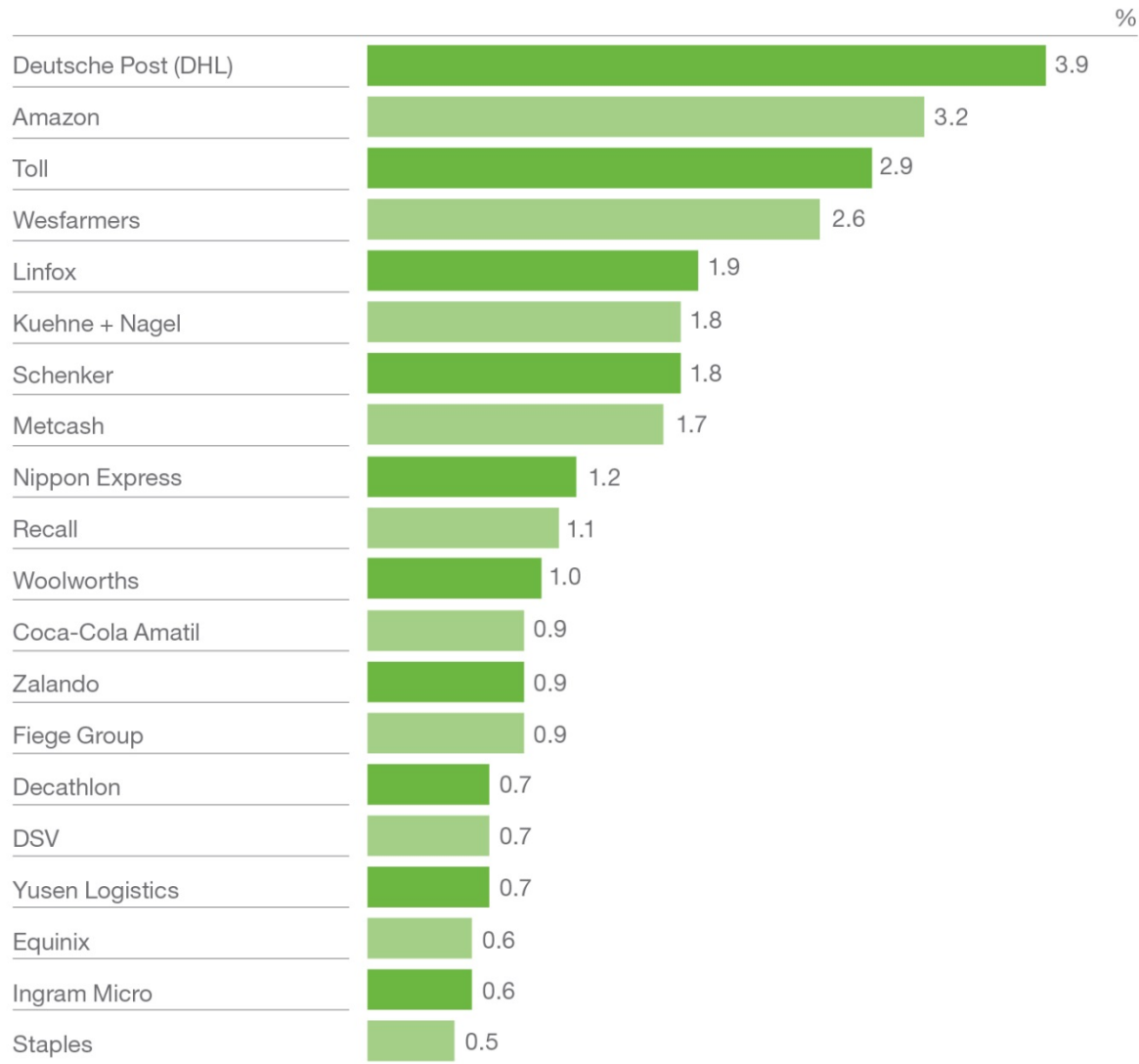
### Customer service model

Richard Harry  
General Manager,  
Business Development



# Customers

+ Top 20 customers based on aggregated total net property income



Thank you+

