



# ASX release

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## Goodman Group delivers strong operating profit of \$2,049 million and FY24 operating EPS growth of 14%

15 August 2024

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Goodman Group (Goodman or Group) today released its results for the full year ended 30 June 2024. The Group delivered operating profit<sup>1</sup> of \$2,049 million, up 15% on FY23, and operating earnings per security (EPS) of 107.5 cents<sup>2</sup>, up 14% on last year. The Group recorded a statutory loss of \$98.9 million.

Goodman is successfully executing its strategy, positioning it to deliver significant essential infrastructure projects across its logistics and data centre assets globally.

The Group's FY25 forecast operating EPS is 117.2c, up 9% on FY24.

Key highlights for the period are:

### **Financial**

- + Operating profit<sup>1</sup> of \$2,049.4 million, up 15% on FY23
- + Operating EPS<sup>2</sup> of 107.5 cents, up 14% on FY23
- + Statutory loss of \$98.9 million
- + Gearing at 8.4%<sup>3</sup> (8.3% at 30 June 2023). Look through gearing at 22.7%
- + Interest cover ratio of 44.0x<sup>4</sup>. Look through 11.9x
- + The Group has \$3.8 billion of cash and undrawn lines, while Partnerships have liquidity of \$13.9<sup>6</sup> billion
- + Net tangible assets per security of \$8.80, down 3.5% from 30 June 2023
- + Distribution per security of 30.0 cents for FY24.

### **Operational**

- + Total portfolio of \$78.7 billion, down 3% from 30 June 2023
- + Revaluation movements of -\$5.1 billion across the Group and Partnerships (-\$1.5 billion for the Group's share)
- + Portfolio occupancy remains high at 97.7%<sup>6</sup> and like-for-like net property income (NPI) growth of 4.9%<sup>6</sup>
- + Development work in progress (WIP)<sup>7</sup> is \$13.0 billion, across 80 projects, with a forecast yield on cost of 6.7%
- + Data centres currently make up 40% of the development WIP and the global power bank has expanded to 5.0 GW across 13 major global cities
- + Working to reduce emissions, including using renewable energy and trialling innovative materials in pilot development projects.

### **Goodman Group**

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**Group Chief Executive Officer, Greg Goodman said:**

*“Goodman is providing essential infrastructure, with our warehouses and data centres supporting the flow of goods and data through the economy.*

*The expansion of the digital economy continues at pace. The growth of e-commerce, cloud computing, and adoption of new technologies, including artificial intelligence and machine learning, is creating significant opportunity for Goodman to develop the infrastructure our customers are seeking.*

*This has supported the Group’s strong operational results, despite global market uncertainty. Operating profit was \$2.05 billion<sup>1</sup>, up 15% for the year, and operating EPS was up 14%<sup>2</sup> on the previous year. This was significantly ahead of our original operating EPS growth guidance of 9%, as we continued to successfully execute our strategy.*

*Our focus has remained on logistics and data centre opportunities in key cities around the world, where barriers to entry are high and supply is limited.”*

**Capital management – prudent approach maintained supporting strong balance sheets**

Goodman has continued its prudent approach to capital management, maintaining strong balance sheets for the Group and Partnerships. The Group has low gearing at 8.4%<sup>3</sup> (22.7% on a look-through basis) and interest cover ratio of 44.0x<sup>4</sup> (look-through 11.9x). The Group has \$3.8 billion in cash and available lines of credit, with no drawn debt facility maturities until late 2025, and substantial hedging in place. Goodman continues to pursue its development led strategy and other value-add opportunities are emerging. The Group is well positioned to fund its growth.

**Property investment – limited availability supporting underlying property fundamentals in Goodman’s markets**

Logistics demand has moderated to levels consistent to those seen pre-pandemic, but remains positive. The long-term structural demand drivers remain intact. Limited availability is supporting underlying property fundamentals in Goodman’s markets. Property investment income was up 7% to \$567 million. Income from Partnership investments increased 10% primarily due to a \$1.2 billion investment into the platform for acquisitions and development completions, and the contribution from rental growth offsetting disposals. Occupancy remained high at 97.7%<sup>6</sup>, and average NPI growth of 4.9%<sup>6</sup> reflected the continued demand for Goodman properties in the majority of its markets. The reversion to market rents across the portfolio is 24%<sup>8</sup> on average, consistent with FY23 levels.

Key highlights include:

- + High occupancy of 97.7%<sup>6</sup>
- + Like-for-like NPI growth at 4.9%<sup>6</sup>
- + Leased 2.7 million sqm<sup>6</sup> over the 12 months, equating to \$409 million<sup>6</sup> of annual rental property income
- + Weighted average lease expiry (WALE) of 5.0 years<sup>6</sup>.

**Development – delivering large scale complex projects that are in demand**

Development activity continued strongly throughout the year, and the Group’s discipline in site selection and cost control over time has resulted in continued robust development metrics. Development earnings were strong at \$1.28 billion and WIP was maintained at \$13.0 billion<sup>7</sup> with a yield on cost of 6.7%. Reflecting positive demand for Goodman properties, 99% of its \$4.2 billion completed projects were leased on completion.

Data centres now make up 40% of WIP<sup>7</sup> and Goodman expects significant data centre commencements in FY25. The Group continues to optimise returns by orienting the development workbook towards data centres and higher intensity use outcomes. These complex, larger scale and higher value projects are resulting in the average development period in WIP increasing to 25 months. Reflecting this longer time in WIP, the annualised production rate is approximately \$6.4 billion<sup>9</sup>. The Group is originating a greater proportion of development projects on its balance sheet.

Key highlights include:

- + WIP of \$13.0 billion<sup>7</sup>
- + 80 projects in WIP in 12 countries, covering 4.0 million sqm
- + Development yield on cost of 6.7% for projects in WIP, 7.5% for commencements
- + WALE of 12.9 years for projects in WIP
- + Data centres account for 40% of current WIP
- + 99% of completions are leased, demonstrating the demand for our strategic locations and the effectiveness of Goodman's leasing teams.

### **Data centre progress – delivering data centres and expanding global power bank**

With a global power bank of 5.0 GW, proven development expertise and strong capital position, Goodman is well positioned to meet the growing digital infrastructure needs of some of the world's largest companies. Goodman is making strong progress on its data centre strategy that will enable it to continue delivering best in class solutions for its customers at scale, while delivering strong returns for investors. Looking ahead, data centres are anticipated to be a key driver of growth for the Group.

Goodman's strategically located global power bank continues to expand, as it seeks to reposition many of its sites for data centres which are a higher and better use than industrial. Located in supply constrained markets that are in high demand for cloud and AI related deployments, the expansion of Goodman's power bank is on land the Group or Partnerships own or control. Over the course of the year, Goodman demonstrated its skills in designing, developing and delivering large-scale data centre projects, by completing data centre developments, advancing planning for future projects, and commencing extensive site infrastructure works to reduce time-to-market for its projects around the world.

Key highlights include:

- + Global power bank increased to 5.0 GW across 13 major international cities
- + Power bank includes 2.5 GW secured power consisting of 0.5 GW stabilised, 0.4 GW work in progress and 1.6 GW secured pipeline. The remaining 2.5 GW is in advanced stages of procurement on sites under the Group's control
- + Active negotiations underway with customers for full range of solutions including powered land, powered shell and fully fitted turnkey solutions
- + Strengthening the integrated team with key hires across design, technical and commercial areas for additional data centre capability.

### **Management – active management delivers returns**

Management earnings were a key contributor to the positive result, up 62% on FY23 to \$776 million, driven primarily by higher performance fees. Goodman continues to review its assets, capital structures and global capital allocation, actively rotating capital, and taking advantage of opportunities that enhance total return on assets. This year Goodman sold several assets, including a \$780 million portfolio in Australia, and the management of the NZX-listed Goodman Property Trust was internalised. These activities, in addition to lower revaluations, and currency impacts, resulted in lower external assets under management of \$70.2 billion. Development completions helped offset the revaluations and disposals.

The Partnerships remain well funded but capital partners are becoming more targeted in their acquisition strategies. Infrastructure style investments like data centres are attracting significant interest and the Group is working with a number of potential partners, with varying risk return requirements. There are also a range of opportunities across development and core logistics.

Key highlights include:

- + External Assets Under Management of \$70.2 billion
- + Raised \$1.4 billion of capital from Partners
- + Increasing number of Partnerships from 20 to 21
- + \$13.9 billion available in equity commitments<sup>5</sup>, cash and debt.

## **Sustainability – building resilience**

Goodman’s business is supported by its 2030 sustainability strategy, which is designed to help create and maintain a sustainable, resilient and low-carbon company. Goodman continues to focus on its sustainability initiatives, embracing innovation as it looks for ways to reduce its environmental impact and improve social outcomes. Goodman is concentrating on the areas where it has the greatest control and potential impact, including procuring renewable power, piloting low carbon materials in developments, and contributing \$13.5 million through the Goodman Foundation to build resilient and sustainable communities.

## **Outlook – providers of essential infrastructure supporting growth outlook**

### ***Commenting on the outlook, Greg Goodman said:***

*“We’ve positioned Goodman as a major provider of essential infrastructure globally. This is the result of many years of focus on executing our strategy which has strengthened the value of the Group’s assets.*

*The outlook for the Group remains positive with the active rotation of our capital a key factor in funding sustained earnings growth over the long term, as part of the Group’s strategy to maintain a prudent level of financial leverage.*

*While our logistics offering remains core to the business, with sound underlying fundamentals expected to be maintained, data centres are anticipated to be a major area of growth moving forward. We are in active negotiations with several customers for powered shell and fully fitted turnkey facilities across our power bank, with substantial new starts anticipated to commence between now and the end of 2025.*

*We continue to assess the Group’s capital allocation, to both existing and potential opportunities, to provide the best risk-adjusted returns.*

*We are well positioned heading into FY25, with a strong development workbook underway, a robust capital position and attractive opportunities before us. We expect FY25 operating EPS to be 117.2 cents per security, up 9.0% on FY24, with the annual distribution maintained at 30 cents per security.”*

Goodman sets its targets annually and reviews them regularly. Forecasts are subject to there being no material adverse change in market conditions, or the occurrence of other unforeseen events.

– ENDS –

*Authorised for release to the ASX by Carl Bicego, Company Secretary and Group Head of Legal and Risk.*

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## About Goodman

Goodman Group is a global industrial property and digital infrastructure specialist group with operations in key consumer markets across Australia, New Zealand, Asia, Europe, the United Kingdom, and the Americas. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, is the largest property group on the Australian Securities Exchange (ASX: GMG), a top 20 entity by market capitalisation, and one of the largest listed specialist investment managers of industrial property globally.

Goodman provides essential infrastructure for the digital economy by owning, developing, and managing high-quality sustainable properties that are close to consumers in key cities around the world. Our property portfolio includes logistics and distribution centres, warehouses, light industrial, multi-storey industrial, business parks and data centres. We take a long-term view, investing significantly alongside our capital partners in our investment management platform and concentrating our portfolio where we can create the most value for customers and investors.

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



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1. Operating profit comprises profit attributable to Securityholders adjusted for net property valuations, non-property impairment losses, net gains/losses from the fair value movements on derivative financial instruments and unrealised fair value and foreign exchange movements on interest bearing liabilities and other non-cash adjustments or non-recurring items e.g. the share based payments expense associated with Goodman's LTIP
  2. Operating EPS is calculated using operating profit and weighted average diluted securities of 1,907.2 million which includes 10.5 million LTIP securities that have achieved the required performance hurdles and will vest in September 2024 and September 2025
  3. Gearing is calculated as total interest-bearing liabilities over total assets, both net of cash and the fair values of certain derivative financial instruments included in other financial assets of \$88.6 million (30 June 2023: \$81.7 million). Total interest-bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$41.9 million (30 June 2023: \$34.2 million)
  4. Interest cover is operating profit before net finance expense (operating) and income tax (operating) divided by net finance expense (operating). The calculation is in accordance with the financial covenants associated with the Group's unsecured bank loans and includes certain adjustments to the numerator and denominator
  5. Subject to Partnership Investment Committee approvals
  6. Partnership industrial and warehouse assets (excludes office properties which have been earmarked for redevelopment) and represents 97% of Partnership assets
  7. Development work in progress (WIP) relates to active developments across Goodman and its investments in associates and joint ventures (JVs) (collectively referred to as Partnerships). In most cases, WIP is the projected end value of projects. However, for certain longer dated projects that are in the early stages of development, WIP is the estimated cost of land and committed works
  8. Under renting is based on management's assessment of market rents
  9. Production rate is the WIP at a point in time divided by the expected time from commencement to stabilisation, reported on a per annum basis.