



# 3Q20 investor update.

Growthpoint Properties Australia (ASX: GOZ)

28 April 2020

## Overview

- During these unprecedented times, Growthpoint's priority is safeguarding the health of its employees, tenants and the broader community. We are also focused on protecting the long-term value of the Group, ensuring Growthpoint is able to withstand this challenging period
- Growthpoint has a robust balance sheet with undrawn debt lines of \$235 million, \$41 million of cash on its balance sheet and no debt maturing until FY22
- The Group's gearing is 32.7%<sup>1</sup>, below its target range of 35% – 45%, and it remains well within all its debt covenant limits
- Growthpoint's tenants are predominately large, listed companies and government bodies. We estimate that approximately 96% of the Group's portfolio income is derived from tenants with turnover above \$50 million
- The Group has a long weighted average lease expiry (WALE) of 6.2 years

Timothy Collyer, Managing Director of Growthpoint, commented, "The COVID-19 pandemic has created unprecedented uncertainty in our operating environment and the broader Australian economy. Our priority continues to be ensuring the safety and wellbeing of our employees, our tenants and the broader community. We have implemented all recommended steps to restrict the spread of the COVID-19 virus.

Growthpoint entered this period on a solid footing, and we are focused on ensuring that our business withstands this challenging period. The Group's income is derived primarily from rent of office and industrial properties and we have limited development risk, having finishing Botanicca 3 ahead of schedule. Our tenants are predominately large, listed companies and government organisations.

Some of our tenants have been significantly impacted by the COVID-19 pandemic and we are working with them on a case by case basis to help get them through these difficult times. To date, we have granted a small number of rent-relief requests, primarily to tenants who operate hospitality and other small retail businesses at our properties. We expect this number to increase as we work through our review process.

We have made a commitment to retain and support all Growthpoint's employees through this period. Our team is working from home and as far as possible, it is business as usual."

## COVID-19

The National Cabinet has introduced a commercial tenancy code of conduct to assist commercial landlords and small and medium enterprise (SME) tenants negotiate amendments to leasing arrangements during the COVID-19 pandemic. The code will be given effect through relevant state and territory legislation or regulation. It applies to

<sup>1</sup> Interest bearing liabilities less cash divided by total assets less finance lease assets less cash. Valuations as at 31 December 2019.

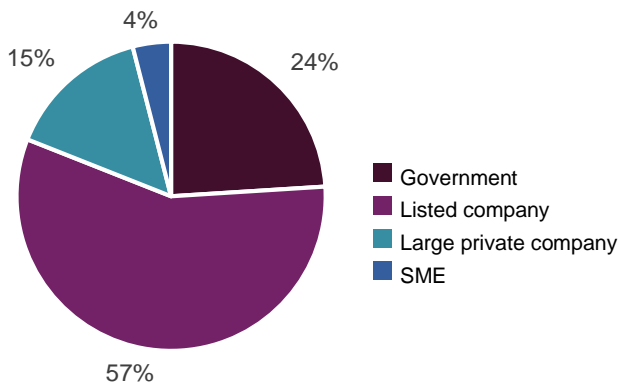
tenants whose turnover is less than \$50 million who are also eligible for the Australian Government's JobKeeper program.<sup>2</sup> Rent relief is to be granted on a proportionate basis in line with eligible tenants' reduction in trade due to the COVID-19 virus. The code of conduct provides a useful framework which Growthpoint has adopted for applicable tenants.

Growthpoint estimates that SME tenants, with revenue below \$50 million, contribute approximately 4% of the Group's portfolio income, as highlighted in the chart below. We do not expect that all of these SME tenants have been severely impacted by the COVID-19 pandemic.

An overview of Growthpoint's top 25 tenants, who make-up approximately 71% of Growthpoint's portfolio income, is provided in Appendix A.

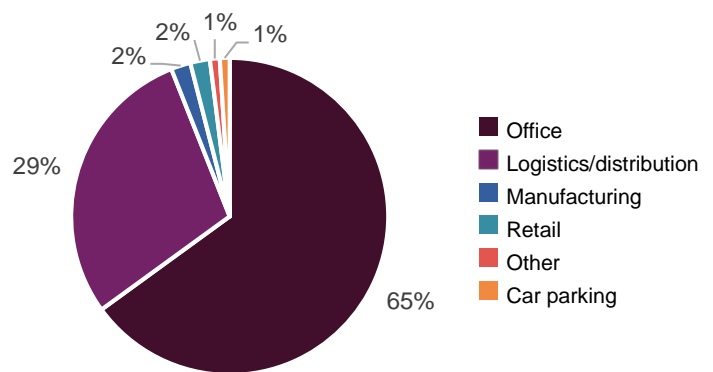
## Tenant type

by portfolio income, as at 31 March 2020



## Tenant use of property

by portfolio income, as at 31 March 2020



Growthpoint has received rent-relief requests, which includes waivers, rental reductions and deferrals, from tenants who are covered by the code of conduct, and some who are not. We have implemented a Board-approved process to ensure that rent relief is being distributed fairly to those tenants that have been most significantly and directly impacted by the virus and who most need our support. The process includes reviewing tenants' financial information and use of their property. We are working with tenants on a case by case basis to agree an appropriate way forward, which considers the impact of the COVID-19 pandemic on their business.

It is not possible to fully quantify the financial impact for the Group until all requests have been received and reviewed, which will take some time.

## Property portfolio

In 3Q20, Growthpoint negotiated 11 leases, representing 2.4% of portfolio income. This included the renewal of Linfox's lease at 6-7 John Morphett Place, Erskine Park, New South Wales, for five years. Linfox is Growthpoint's fifth largest tenant.

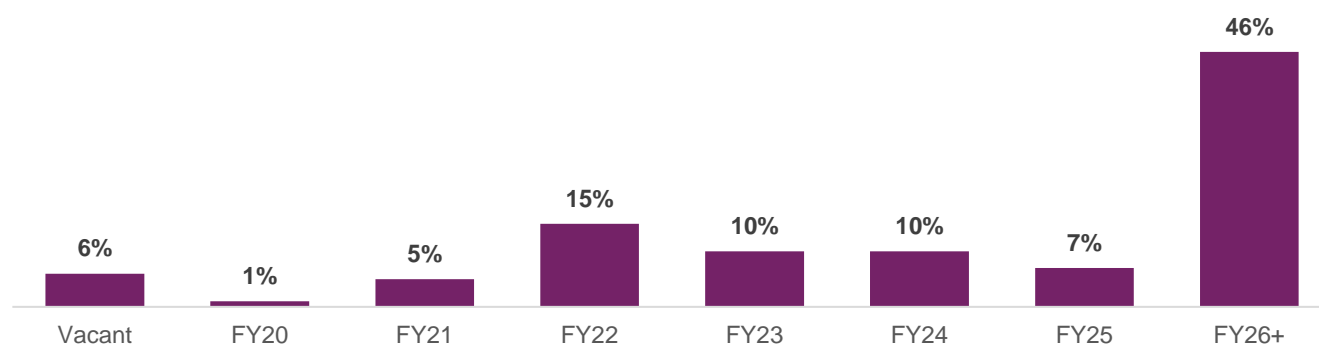
We now have 1% of lease expiries remaining in FY20 and 5% in FY21.

<sup>2</sup> The National Cabinet's Code of Conduct is available online at <https://www.pm.gov.au/sites/default/files/files/national-cabinet-mandatory-code-of-conduct-sme-commercial-leasing-principles.pdf>.



### Portfolio lease expiry

Per financial year, by income, as at 31 March 2020



During 3Q20 Growthpoint achieved practical completion on Botanicca 3, an A-grade office building in Richmond, Victoria. The project was completed on budget and a few months ahead of schedule. As the building was vacant on completion, Growthpoint's portfolio occupancy decreased to 94%. The COVID-19 pandemic has made leasing new property more challenging, as businesses' decision-making processes appear to have become more prolonged in this environment. The Group now expects to lease Botanicca 3 progressively by the end of CY21. As previously disclosed, the Group does not expect to have any contribution from Botanicca 3 in FY20. Growthpoint's portfolio occupancy excluding Botanicca 3 is 97%.

At 31 March 2020, the portfolio's WALE by income was 6.2 years, slightly lower than 31 December 2019 primarily due to the passing of time.

	31 March 2020	31 December 2019
Portfolio occupancy	94%	98%
WALE	6.2 years	6.4 years

The Group has \$5 million committed to complete one existing development project, the expansion of Woolworths distribution facility in Gepps Cross, South Australia. The project is ahead of schedule, and we now expect to achieve practical completion before the end of the financial year. Once complete, the total project cost will be rentalised with a new 15-year lease over the property.

Where possible, non-essential capital projects have been delayed. This includes the development of 120 Northcorp Boulevard, Broadmeadows, Victoria. The Group is reviewing this project and will decide how to proceed when the longer-term impacts of the COVID-19 pandemic become clearer.

### Capital management

Growthpoint has a robust balance sheet and remains well within all its debt covenant limits. The Group's gearing is 32.7%<sup>3</sup>, below the bottom of its target range, 35% - 45%. The Group maintains substantial liquidity from undrawn debt lines of \$235 million and \$41 million of cash on its balance sheet. The Group has no debt maturing until FY22.

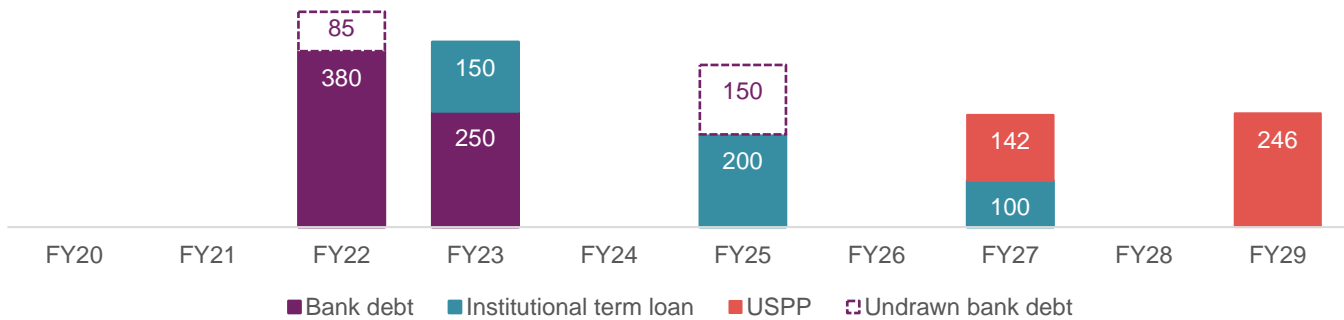
Floating interest rates have continued to decrease and the Group is exploring options to lower its cost of debt.

<sup>3</sup> Interest bearing liabilities less cash divided by total assets less finance lease assets less cash. Valuations as at 31 December 2019.



## Debt maturity profile

as at 31 March 2020, \$ million



## Outlook

On 26 March 2020, Growthpoint withdrew all forward-looking statements due to the ongoing uncertainty around the COVID-19 pandemic. It is not possible to determine the likely impact on the Group until we have further clarity on the duration of the lock-down, future government measures to stop the spread of the virus, and associated implications for our tenants and the broader Australian economy. The Group continues to closely monitor the situation and will provide further updates, as appropriate.

This announcement was authorised for release by Timothy Collyer, Managing Director of Growthpoint.

### For further information, please contact:

#### Virginia Spring

Investor Relations Manager

Telephone: +61 3 8681 2933

#### Growthpoint Properties Australia

Level 31, 35 Collins St, Melbourne, VIC 300

growthpoint.com.au

## About Growthpoint

Growthpoint provides spaces for people to thrive. For more than 10 years, we've been investing in high-quality industrial and office properties across Australia. Today, we own and manage 58 properties, valued at approximately \$4.2 billion.<sup>4</sup>

We actively manage our portfolio. We invest in our existing properties, ensuring they meet our tenants' needs now and into the future. We are also focused on growing our property portfolio.

We are committed to operating in a sustainable way and reducing our impact on the environment.

Growthpoint is a real estate investment trust (REIT), listed on the ASX, and is part of the S&P/ASX 200. Moody's has issued us with an investment-grade rating of Baa2 for senior secured debt.

<sup>4</sup> Valuations as at 31 December 2019.



## Important information

This investor update is current as at 31 March 2020 unless otherwise indicated. It contains statements about Growthpoint's financial position as at 31 March 2020 and such statements are not guarantees, predictions or a reliable indicator of any future performance. Growthpoint makes no representation about future performance which involve known and unknown risks, uncertainties and other factors which may cause future results to differ from the statements in this investor update. This investor update does not take into account the personal objectives, financial situation or specific needs of any Securityholder.



## Appendix A – Growthpoint’s largest tenants

### Top 25 tenants by portfolio income

as at 31 March 2020

Tenant	% of portfolio income	WALE (years)	Use of leased property	Tenant type	Tenant sector
Woolworths	12.6%	5.9	Logistics/distribution	Listed	Retail
NSW Police Force	8.5%	24.8	Office	Government	Government
Commonwealth of Australia	7.6%	6.3	Office	Government	Government
Country Road Group	3.8%	12.2	Office	Listed	Retail
Linfox	3.7%	4.9	Logistics/distribution	Large private	Logistics
Bank of Queensland	3.6%	6.8	Office	Listed	Financial services
ANZ Banking Group	3.2%	6.0	Office	Listed	Financial services
Samsung Electronics	2.7%	2.0	Office	Listed	IT, media and telecommunications
Lion	2.5%	4.1	Office	Listed	Manufacturing
Jacobs Group (Australia)	2.0%	6.5	Office	Listed	Resources, infrastructure and construction
Fox Sports	1.9%	2.7	Office	Listed	IT, media and telecommunications
Collection House	1.9%	6.2	Office	Listed	Financial services
Queensland Urban Utilities	1.9%	3.1	Office	Government	Government
Monash University	1.8%	0.7	Office	Government	Education
Optus Administration	1.5%	7.3	Office	Listed	IT, media and telecommunications
Downer EDI Mining	1.5%	2.2	Office	Listed	Resources, infrastructure and construction
Peabody Energy	1.4%	4.3	Office	Listed	Resources, infrastructure and construction
Australian Postal Corp.	1.4%	4.3	Logistics/distribution	Government	Logistics
Coffey Corporate	1.3%	5.5	Office	Listed	Resources, infrastructure and construction
Orora	1.3%	4.0	Office/distribution	Listed	Other consumer and business services
Laminex Group	1.2%	2.2	Logistics/distribution	Listed	Retail
Mondelez Australia	1.1%	5.4	Office	Listed	Manufacturing
QLD LG Super Board	1.0%	5.7	Office	Large private	Financial services
HB Commerce Pty Ltd	0.9%	2.4	Logistics/distribution	Large private	Logistics
Brown & Watson International	0.9%	5.4	Logistics/distribution	Listed	Manufacturing
<b>Total / weighted average</b>	<b>71.1%</b>	<b>7.8</b>			