25 February 2021

Growthpoint Properties Australia provides earnings guidance following strong first half performance

Growthpoint Properties Australia (Growthpoint or the Group) today announces its results for the six months ended 31 December 2020 (1H21).

1H21 financial and capital management overview:

- Funds from operation (FFO) per security of 12.7 cents per security (cps), 0.8% up on prior corresponding period (pcp)[1]
- Net tangible assets (NTA) per security of $3.82, up 4.7% on 30 June 2020, driven primarily by property valuation uplift
- Gearing reduced by 230 basis points to 29.9%, well below the Group's target range, 35% – 45%
- Statutory profit after tax of $205.8 million (1H20: $202.0 million)
- 1H21 distribution of 10.0 cps, 15.3% lower than pcp, reflecting the Group's decision to maintain a more conservative payout ratio going forward
- FY21 FFO guidance of 25.2-25.5 cps provided and FY21 distribution guidance of 20.0 cps reaffirmed

1H21 operations overview:

- Net property income (NPI)[2] down 3.3% to $117.4 million and like-for-like NPI down 1.7% on pcp
- Strong property valuation gain in first half of the year driven by leasing success and yield compression on long-WALE and industrial assets; portfolio valued at $4.3 billion, up 2.4% on 30 June 2020
- Weighted average capitalisation rate of 5.5%, down 18 basis points on 30 June 2020
- Weighted average lease expiry (WALE) of 6.2 years (30 June 2020: 6.2 years)
- Portfolio occupancy increased to 95% (30 June 2020: 93%)
- Secured Bunnings as the key tenant for approximately 71% of Botanicca 3, the Group's new A-grade office development in Richmond, Victoria
- Relatively minimal impact from COVID-19 pandemic on operations, with rent collections remaining above 99%[3] and only $0.6 million of rent relief granted in 1H21
- Maintained high CDP and GRESB scores

Timothy Collyer, Managing Director of Growthpoint, said,

"Growthpoint has delivered strong results this half. While the COVID-19 pandemic continues to have a profound impact on individuals and businesses around the world, the direct impact on our business to date has been relatively immaterial.

"The pandemic has highlighted the resilient nature of our property portfolio and strong tenant base. Since the Group's inception, we have focused on constructing a portfolio of high-quality metropolitan office and industrial properties, with long leases to predominately large organisations and government tenants. There continues to be strong tenant and investor demand for these assets in the current environment.

"We built upon our robust capital position during the half, extending two debt facilities and now have no debt maturing until December 2022. As the Group could deploy its more than $400 million of undrawn debt capacity and still be at the bottom of our gearing range, we are well positioned to capitalise on opportunities in the near term.

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[1] Prior corresponding period is the six months ended 31 December 2019.
[2] Net property income plus distributions from equity related investments.
[3] Rent abatements are not included in total billings. Rent that has been deferred is included. Data as at 17 February 2021.

"We remain committed to operating in a sustainable way and are pleased that our efforts continue to be recognised by GRESB and CDP. During the half, we commenced a review of our Net Zero strategy and expect to provide an update at our full year results."

Property portfolio valuation
Growthpoint engaged external valuers to value 29 properties or approximately 49% of its property portfolio by value as at 31 December 2020. The remaining valuations were undertaken as internal or Director's valuations. Based on this analysis, the value of the portfolio as at 31 December 2020 was $4.3 billion, 3.2% higher on a like-for-like basis than at 30 June 2020.

The value of the Group's office portfolio increased to $3.0 billion, from $2.9 billion as at 30 June 2020, primarily driven by strong valuation gains for assets with long leases in place. 1 Charles Street, Parramatta, New South Wales (the NSW Police Force headquarters) increased in value by $51.0 million, or 12%. The value of Botanicca 3 increased by $19.5 million, or 14%, reflecting Growthpoint's recent success in securing Bunnings as a key tenant for approximately 71% of the asset.[4] Excluding these two assets, the value of the Group's office portfolio increased by 0.5%.

Excluding the divestment of 120 Northcorp Boulevard, Broadmeadows, Victoria, the value of the Growthpoint's industrial property increased by 3.9%, driven by domestic and institutional investors' demand for industrial properties, which continued to accelerate over the half year.

On-market securities buy-back
As part of its capital management strategy, Growthpoint also announces plans to initiate an on-market securities buy-back program for up to 2.5% of its issued capital. Growthpoint will only purchase securities when it is accretive to FFO per security and NTA per security.

Mr Collyer said, "The buy-back program has been initiated due to recent market volatility. Growthpoint is well-positioned to undertake a buy-back, with low gearing and surplus capital, while continuing to pursue other initiatives to enhance securityholder returns."

The buy-back is expected to commence no earlier than 12 March 2021 and will remain in place for 12 months.

Please refer to the Appendix 3C released today for further information in relation to the on-market securities buy-back program.

Outlook
At the beginning of the financial year, there still existed significant uncertainty around the impact of the COVID-19 pandemic on Growthpoint's operating environment. As a result, the Group did not provide FY21 FFO guidance.

During 1H21, the impact of the COVID-19 pandemic on the Group's financial results was immaterial. Rent collections remained high and only a small amount of additional rent relief was provided to support small to medium sized enterprise (SME) tenants. Government support measures and restrictions were reduced and several pharmaceutical companies announced their successful development of a vaccine. As a result, the Group is now in the position to issue FFO guidance of 25.2 – 25.5 cps and is pleased to reaffirm its distribution guidance of 20.0 cps.

Mr Collyer said:

"Growthpoint entered the COVID-19 pandemic on strong footing, which we have maintained throughout the crisis. While the pandemic is not over, we are confident in the resilient nature of our portfolio and are pleased to be in the position to provide earnings guidance today.

"As a business, we are now looking beyond this period and are considering opportunities, such as property acquisitions and entering into funds management, to capitalise on our strong position to ensure we can deliver long-term sustainable growth to our Securityholders."

Market briefing
Growthpoint will provide a market briefing at 9:30am (AEDT) today, 25 February 2021. A webcast of the briefing will be available at https://webcast.openbriefing.com/7129/.

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[4] The lease includes further flexibility to enable Growthpoint and Bunnings to work together to adapt the space to meet Bunnings' corporate needs over the lease term.

This announcement was authorised for release by Growthpoint's Board of Directors.

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Company Secretary

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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 57 properties, valued at approximately $4.3 billion.[5]

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 domestic senior secured debt.

Important information

This announcement contains forward looking statements, opinions and estimates based on assumptions, contingencies and market trends made by Growthpoint which are subject to certain risks, uncertainties and may change without notice. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes for Growthpoint will not differ materially from statements made in this announcement.

[5] Valuations as at 31 December 2020.