

# Results for the half year ended 31 December 2019

13 February 2020



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- + The calculation of fair value requires estimates and assumptions which are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable in the circumstances
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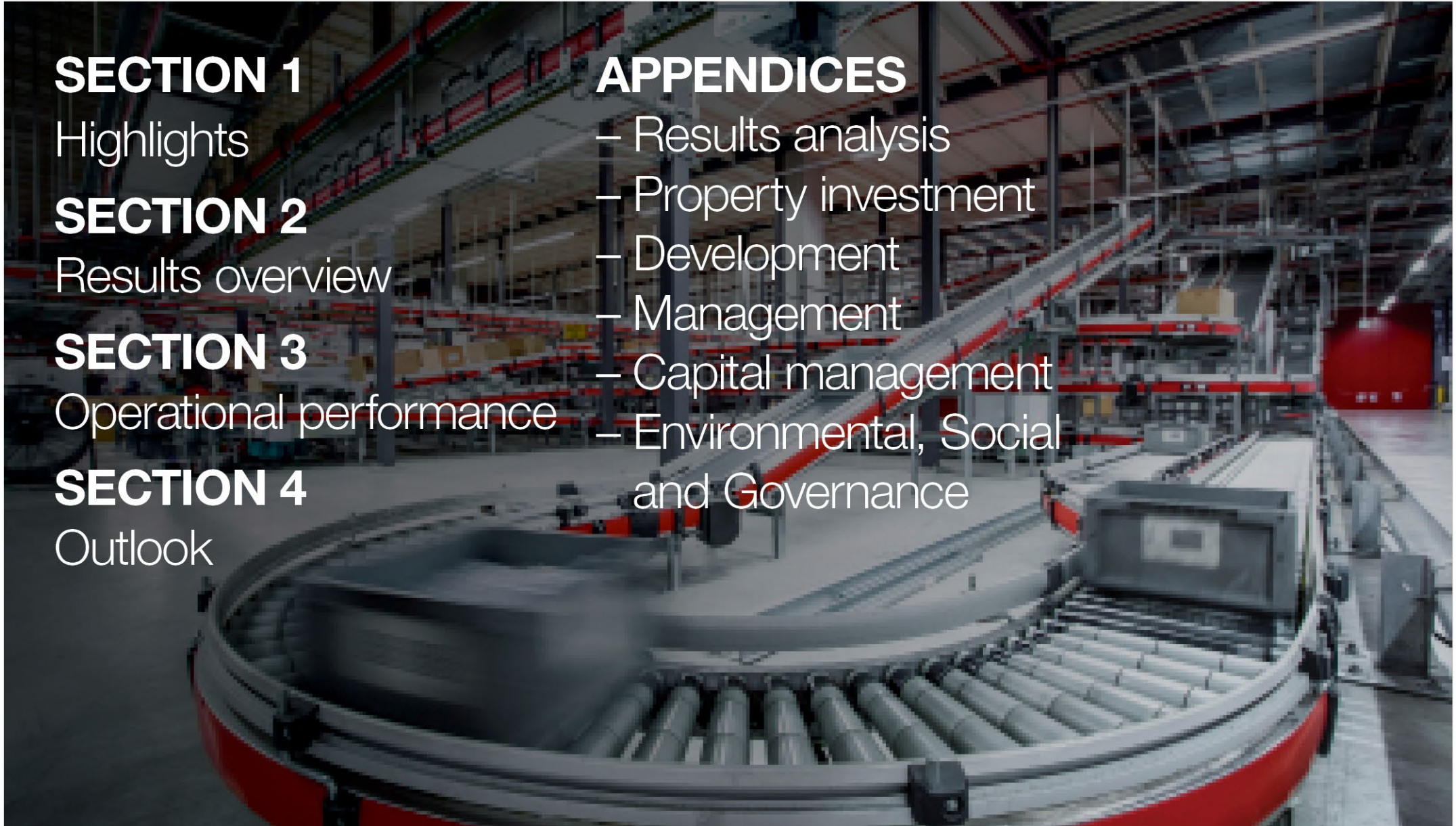
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# Section 1 - Highlights





# Highlights

## + **Development, management and investment divisions all delivered strong performance in 1H20. Key financial metrics include:**

- Operating profit<sup>1</sup> of \$530.4 million, up 14.1% on 1H19
- Operating earnings per security (EPS)<sup>2</sup> of 28.8 cents, up 12.9% on 1H19
- Gearing 10.0%<sup>3</sup> (9.7% at FY19)
- Distribution per security (DPS) of 15.0 cents, in line with guidance and capital management strategy
- Statutory accounting profit of \$810.6 million, includes \$1.6 billion of valuation gains, the Group's share contributing to the 4.9% growth in net tangible assets (NTA) since 30 June 2019 to \$5.60 per security.

## + **Ongoing investment into high-quality real estate is delivering strong portfolio performance**

- Investment earnings up 17% on 1H19, reflecting impact of development completions and almost \$1 billion of investment in Partnerships over the past 18 months
- High average global occupancy of 98% maintained
- Like for like NPI growth of 3.3%<sup>4</sup>.

## + **Development workbook of \$4.3 billion**

- Development earnings up strongly on 1H19 (+10%) driven by growing workbook and consistent margins. Demand outstripping supply with limited vacancy in our markets
- \$1.7 billion of commencements in the half with WIP expected to exceed \$5 billion
- WIP yield on cost of 6.5% with margins supported by cashflow (rent growth), land bank and firming cap rates
- Redevelopment of existing stabilised assets is also occurring in a number of markets and is part of our ongoing future strategic planning process. This activity should increasingly contribute to the future development pipeline generating value from the existing portfolio.

1. Operating profit comprises profit attributable to Securityholders adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items

2. Operating EPS is calculated using Operating Profit and weighted average diluted securities of 1,841.6 million which includes 17.9 million LTIP securities which have achieved the required performance hurdles and will vest in September 2020 and September 2021

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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).

4. Excludes Balance sheet assets



# Highlights

- + **Assets under management (AUM) up 15% on 1H19 to \$49.2bn with strong underlying returns**
  - External AUM up 15.4% on 1H19 to \$45.7 billion
  - \$1.6 billion of revaluation gains across the Group and Partnerships
  - Acquisitions and development completions of \$2.1 billion in the half
  - 77% of development workbook is currently undertaken within the Partnerships providing high-quality product and additional returns
  - Full year performance expected to be in line with forecasts with total returns in the low teens.
  
- + **Capital management to support growth with significant investment capacity**
  - Gearing at 10% maintained at the lower end of the target range of 0-25%
  - \$2.4 billion of available balance sheet liquidity (\$1.4 billion in cash)
  - Total available Partnership capital increased to \$16.9 billion (+\$3.3 billion) in 1H20.
  
- + **The business is performing strongly due to deliberate market positioning and strong underlying demand. Consequently we have upgraded forecast FY20 operating EPS to 57.3cps, (up 11% on FY19)**
  - Full year DPS per previous guidance confirmed at 30cps for FY20.



# Highlights

## Own

- + Occupancy maintained at 98% and WALE of 4.7 years
- + Like-for-like NPI growth of 3.3% supported by tight supply in infill markets
- + Leased 1.6 million sqm across the global platform equating to \$224 million of annual rental property income across the Group and Partnerships in 1H20
- + Competing demand for space in infill markets is intensifying.

## Develop

- + WIP of \$4.3 billion across 55 projects in 15 countries with a forecast yield on cost of 6.5%
- + Customer-led enquiry remains strong in our locations. This is expected to drive WIP above \$5 billion
- + 77% of current WIP is being undertaken within Partnerships
- + Development commencements of \$1.7 billion with 60% pre-committed and a WALE of 13.1 years
- + Development completions of \$1.5 billion with 80% committed.

## Manage

- + Total AUM of \$49.2 billion and expected to exceed \$50 billion by June 2020. External AUM increased to \$45.7 billion at December 2019
- + Strength in asset pricing driving \$1.6 billion in valuation uplift across the Group and Partnerships resulting in global weighted average cap rate (WACR) of 4.9%
- + Strong AUM growth, driven by increasing WIP and completions over the next few years
- + Management revenues consistent at ~1% of AUM and expected to increase on a full year basis
- + \$16.9 billion in undrawn debt, equity and cash allowing the Partnerships to participate in growth opportunities<sup>1</sup>.

## Corporate

- + The Goodman Foundation committed \$5 million for Australian communities affected by the recent bushfires
- + Achieved a MSCI ESG rating of AA
- + Commencement of climate risk analysis aligned with the TCFD guidelines
- + Commenced assessments to create an ethically managed supply chain in Australia
- + Approximately 42MW of solar installed on our rooftops globally.

1. Partnership investments are subject to Investment Committee approval



# Section 2 - Results overview



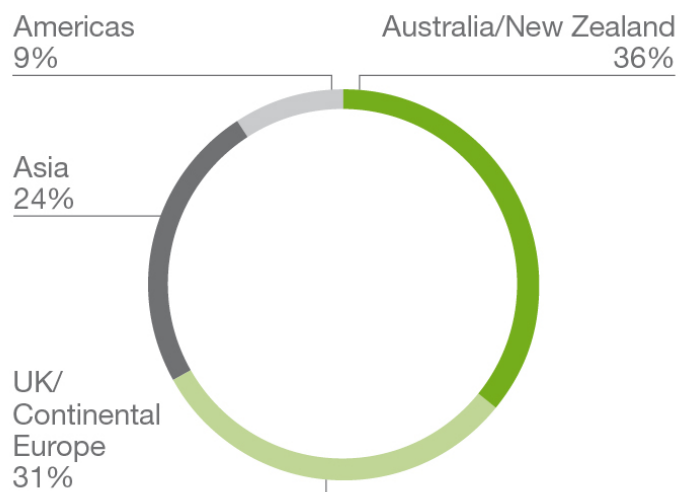
Can Estella Logistics Centre, Barcelona, Spain



# Results overview

- + Operating EPS of 28.8 cents per security, up 13% on 1H19
- + DPS of 15.0 cents per security
- + Statutory accounting profit \$810.6 million
  - Includes property valuations, derivative and foreign currency mark-to-market and other non-cash or non-recurring items
- + Net tangible assets (NTA) per security increased 4.9% to \$5.60 per security since June 2019
- + Strong contributions from revaluations and developments.

## Operating earnings by geographic segment



| 1H FY20                                  |       |
|--|-------|
| Operating profit (\$m)                   | 530.4 |
| Statutory accounting profit (\$m)        | 810.6 |
| Operating EPS (cents)                    | 28.8  |
| Distribution per security (cents)        | 15.0  |
| As at 31 December 2019                   |       |
| NTA per security (\$)                    | 5.60  |
| Gearing (balance sheet) (%) <sup>1</sup> | 10.0  |
| Available liquidity (\$b)                | 2.4   |
| WACR (look through) (%)                  | 4.9   |

1. 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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).

# Profit and loss

- + Half year statutory accounting profit of \$810.6 million, includes property valuations, derivative mark-to-markets and other non-cash or non-recurring items
  - Global property revaluation gains for 1H20 were \$1.6 billion driven by rent growth, cap rate compression and development completions in Partnerships. The Group's share totalled \$363.7 million
  - Share Based Payments declined to \$87.7 million on 2H19 (down \$32 million) and up slightly on 1H19 (up \$9 million)
- + Strong half year operating profit of \$530.4 million
  - Property investment income up strongly on 1H19 reflecting;
    - strong like-for-like NPI growth, high occupancy, significant additional equity contributed to Partnerships, development stabilisations and acquisitions
  - Development earnings up 10% versus 1H19 given volume growth, continued strong margins
  - Management earnings supported by strong growth in AUM
  - Net borrowing costs up due to impacts of FX hedging reflected in interest expense plus lower cash balances, lower interest rates on cash and lower capitalised interest
  - Net currency impact negligible, positive revenue impact offset by hedges
  - Overheads largely driven by currency in some markets, and lower capitalisation.

## Income statement

|   | 1H19<br>\$m  | 1H20<br>\$m  |
|---|--------------|--------------|
| Property investment   | 181.8        | 213.3        |
| Management  | 189.4        | 219.0        |
| Development   | 273.3        | 300.1        |
| Operating expenses  | (132.1)      | (139.7)      |
| <b>Operating EBIT<sup>1</sup></b>   | <b>512.4</b> | <b>592.7</b> |
| Net borrowing costs   | (20.3)       | (29.9)       |
| Tax expense   | (27.1)       | (32.4)       |
| <b>Operating profit</b>   | <b>465.0</b> | <b>530.4</b> |
| Weighted average securities (million) <sup>2</sup>  | 1,824.5      | 1,841.6      |
| Operating EPS (cps)   | 25.5         | 28.8         |
| <b>Non operating items<sup>3</sup></b>  |              |              |
| Property valuation related movements  | 596.7        | 363.7        |
| Fair value adjustments and unrealised foreign currency exchange movements related to capital management | (49.7)       | 15.2         |
| Other non-cash adjustments or non-recurring items   | (82.8)       | (98.7)       |
| <b>Statutory profit</b>   | <b>929.2</b> | <b>810.6</b> |

1. Look through Operating EBIT is \$647.5 million and reflects \$54.8 million adjustment to GMG proportionate share of Partnerships interest and tax (1H19: \$562.0 million reflecting \$49.6 million adjustment)
2. Includes 17.9 million securities which have achieved the required performance hurdles and will vest in September 2020 and September 2021
3. Refer slide 23



# Balance sheet

- + Strong balance sheet maintained
  - Gearing increased marginally on FY19 to 10%<sup>1</sup> (up from 9.7% FY19) and 21.1%<sup>2</sup> on a look through basis, primarily due to cornerstone investment and property investments funding strong development activity. These were largely offset by the Group's share of revaluations and retained earnings
- + Stabilised investment properties increasing through positive valuation uplifts and development completions
- + Partnership cornerstone growth resulting primarily from
  - Valuation increases
  - Acquisitions and development completions
  - FX and equity drawdown
- + Development holdings increased slightly, partly reflecting growth of the development workbook and land holdings
- + Total property revaluation gains across the Group and Partnerships of \$1.6 billion with Goodman's share amounting to \$363.7 million
  - NTA increased 4.9% to \$5.60 per security, since June 2019.

## Balance sheet

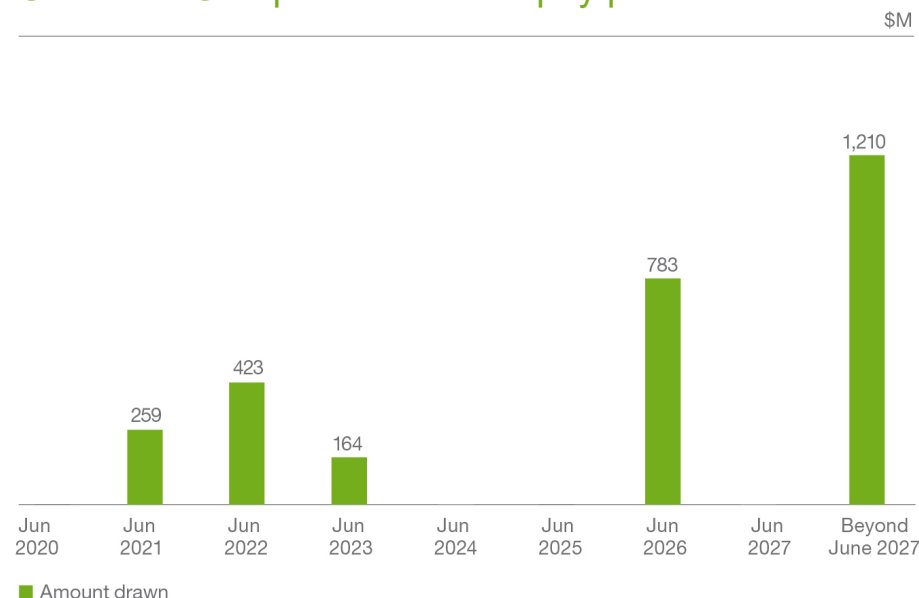
|  | 30 June<br>2019<br>\$m | 31 December<br>2019<br>\$m |
|--|------------------------|----------------------------|
| Stabilised investment properties             | 1,757                  | 1,831                      |
| Partnership investments <sup>3</sup>         | 6,920                  | 7,449                      |
| Development holdings <sup>4</sup>            | 2,992                  | 3,042                      |
| Intangibles                                  | 840                    | 835                        |
| Cash   | 1,607                  | 1,361                      |
| Other assets                                 | 797                    | 858                        |
| <b>Total assets</b>                          | <b>14,913</b>          | <b>15,376</b>              |
| Interest bearing liabilities                 | (2,975)                | (2,839)                    |
| Other liabilities                            | (1,415)                | (1,460)                    |
| <b>Total liabilities</b>                     | <b>(4,390)</b>         | <b>(4,299)</b>             |
| <b>Net assets</b>                            | <b>10,523</b>          | <b>11,077</b>              |
| <b>Net asset value (\$) <sup>5</sup></b>     | <b>5.80</b>            | <b>6.06</b>                |
| <b>Net tangible assets (\$) <sup>5</sup></b> | <b>5.34</b>            | <b>5.60</b>                |
| Balance sheet gearing (%)                    | 9.7                    | 10.0                       |

1. 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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).
2. Based on \$3.5 billion net debt on \$16.5 billion net assets of Group and proportionate share of Partnerships
3. Includes Goodman's investments in its Partnerships and other investments
4. Includes inventories, investment properties under development and investments in Partnerships which have a principle focus on development
5. Based on 1,828.4 million securities on issue

# Group liquidity position

- + Cash and available lines of credit (excluding Partnership debt and equity) of \$2.4 billion as at 31 December 2019
  - \$1.4 billion in cash
  - \$1.0 billion of available lines
- + Weighted average debt maturity profile of 6.3 years
- + Gearing at 10.0%<sup>1</sup> (21.1%<sup>2</sup> look through) and expected to remain at the lower end of the 0-25% policy range in the near term
- + Substantial headroom to financial covenants
  - Average interest coverage ratio (ICR) at 18.5 times (look through 9.8 times)
- + The Group expects to undertake an increased volume of development activity over the next few years. As a result, more capital will be allocated to development and Partnership investments on a consistent basis
- + Stable and sustainable investment grade credit ratings across the Group
  - BBB+ / Baa1 from S&P and Moody's respectively
- + Consistent with previous announcements, the Group will continue to maintain low financial leverage in accordance with its Financial Risk Management policy. A payout ratio in the low 50% range is targeted at this point and will be reviewed regularly
  - The current payout ratio will allow the Group to fund its share of ongoing development completions while maintaining a disciplined approach to financial leverage and further strengthening the Group's balance sheet over the longer term
  - Distributions for FY20 will remain at 30cps with the payout ratio for FY20 determined by the final EPS achieved.

## Goodman Group drawn debt expiry profile



1. 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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).

2. Based on \$3.5 billion net debt on \$16.5 billion net assets of Group and proportionate share of Partnerships

3. 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, including reversing the impacts of the new lease accounting standard.



## Section 3 - Operational performance





# Property investment

- + Property fundamentals remain strong, reflecting the quality of the portfolio after the clear and structured asset sale program
  - High occupancy at 98%
  - Like-for-like NPI growth of 3.3%
- + Increased allocation to Partnership investments driving investment earnings up 17% on 1H19
  - \$930 million of Partnership investment over the past 18 months with \$120 million in 1H20
  - Strong underlying earnings growth achieved within the Partnerships while maintaining low gearing
  - Increased contribution from asset stabilisations and acquisitions
- + WALE remains consistent at 4.7 years
  - New leasing deals with longer WALE in developments (11.7 years on WIP) predominantly within the Partnerships
- + High quality portfolio and strong investment market conditions reflected in the continued tightening of the global WACR to 4.9%, down 17 bps since June 2019
  - Further downward pressure on cap rates expected over the next 12 months in some markets
- + Strong demand from e-commerce, data centre users, change of use and limited supply should continue to support occupancy and rental growth in the medium term.

| Property investment (\$m)           | 1H19         | 1H20         |
|-------------------------------------|--------------|--------------|
| Direct                              | 37.8         | 44.6         |
| Partnership investments             | 144.0        | 168.7        |
| <b>Property investment earnings</b> | <b>181.8</b> | <b>213.3</b> |

| Key metrics <sup>1</sup> | 1H19 | 1H20 |
|--------------------------|------|------|
| WACR (%)                 | 5.2  | 4.9  |
| WALE (yrs)               | 4.7  | 4.7  |
| Occupancy (%)            | 98   | 98   |

1. Key metrics shown in the above table relate to Goodman and managed Partnership properties



# Development

- + WIP at \$4.3 billion and expected to grow
  - High demand from our customers is giving the Group confidence to increase development activity and volumes with WIP expected to exceed \$5 billion
  - Diversified international development book with 55 projects across 15 countries
  - Commenced \$1.7 billion in new developments and completed \$1.5 billion for the six month period
  - Strategic focus on developing in infill and urban logistics locations globally with projects increasing in scale and value
- + Compression in development yield on cost reflects the quality and geographic mix of developments
  - Strong embedded margins given WACR at 4.9%
- + Asset creation capability providing strong risk adjusted returns and access to high quality real estate
  - Supply constraints in our markets are supporting rental growth and margins
  - Strong development returns are generating development performance fees
- + High demand and lack of supply in most markets supports the Group in commencing a number of projects on a speculative basis
  - Pre commitment levels on WIP are stable at 61%, reflecting developments in the more speculative led regions of Japan, North America and Greater China
  - Strong leasing on development completions of 80%
  - Continued investment partnering with 77% of developments undertaken in the Partnerships with 90% of product committed at completion
- + Development pipeline significantly exceeds \$10 billion (excluding current WIP).

| Development (\$m)           | 1H19         | 1H20         |
|-----------------------------|--------------|--------------|
| Development income          | 793.9        | 577.9        |
| Development expenses        | (520.6)      | (277.8)      |
| <b>Development earnings</b> | <b>273.3</b> | <b>300.1</b> |

| Key metrics                                       | 1H19 | 1H20 |
|---|------|------|
| Work in progress (\$b)                            | 3.6  | 4.3  |
| Work in progress (million sqm)                    | 2.2  | 1.9  |
| Number of developments                            | 68   | 55   |
| Development for third parties or Partnerships (%) | 79   | 77   |
| Committed (%)                                     | 54   | 61   |
| Yield on cost (%)                                 | 7.1  | 6.5  |

| Work in progress (end value)   | \$b        |
|--------------------------------|------------|
| <b>Opening (June 2019)</b>     | <b>4.1</b> |
| Completions                    | (1.5)      |
| Commencements                  | 1.7        |
| <b>Closing (December 2019)</b> | <b>4.3</b> |

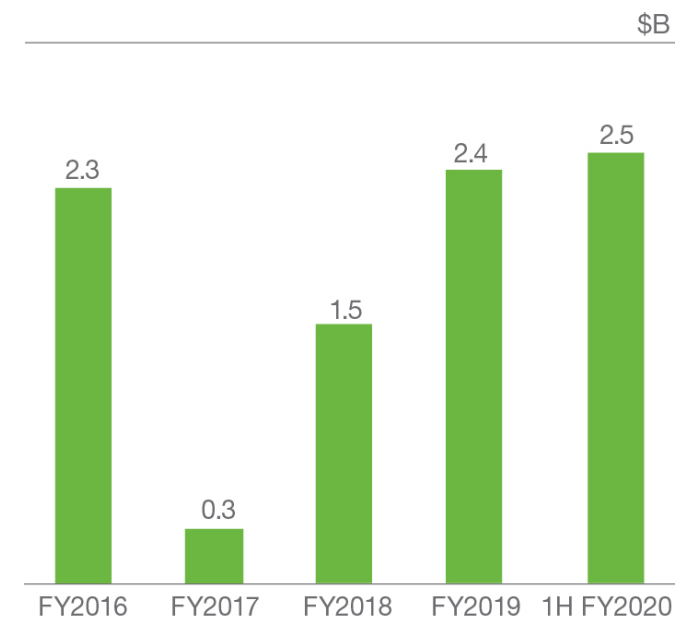
# Management

- + External asset AUM of \$45.7 billion up 15% since December 2018 driving base fee income
  - Management earnings up 16% following strong revaluation gains, development completions and acquisitions across the platform
  - Performance fees continue to grow following consistent Partnership outperformance over several years with \$65 million recognised in 1H20. Performance fees expected to be higher in 2H20
- + AUM growth in future periods (and base fees over time) to be supported by increased development activity and revaluation gains
  - Rental growth and tighter cap rates expected to support further valuation growth
  - Continued outperformance of Partnerships sustained by the well located portfolio will support performance fees
  - The opportunity to deploy capital at an attractive return is growing in line with increasing customer demand driven by structural changes
  - Strength of development pipeline providing good visibility for AUM growth
- + \$16.9 billion of equity commitments and liquidity available across the Partnership platform, up 25% since June 2019
  - \$3.8 billion in undrawn debt facilities and cash
  - \$13.1<sup>1</sup> billion in undrawn equity.

| Management (\$m)    | 1H19  | 1H20  |
|---------------------|-------|-------|
| Management earnings | 189.4 | 219.0 |

| Key metrics            | 1H19 | 1H20 |
|------------------------|------|------|
| Number of Partnerships | 16   | 15   |
| External AUM (\$B)     | 39.6 | 45.7 |










## Third party equity raised within Partnerships



1. Partnership investments are subject to Investment Committee approval



# Management platform – largest Partnerships

|  | GAIP  | GHKLP   | GEP   | GCLP   | GAP   | GNAP  | GJCP  | GMT <sup>3</sup>  | GUKP  |
|--|---|---|---|--|---|---|---|---|---|
|  |  |  |  |  |  |  |  |  |  |
| <b>Total assets</b>                              | \$8.5bn   | \$7.9bn   | \$6.2bn   | \$4.9bn  | \$4.4bn   | \$4.0bn   | \$3.4bn   | \$2.9bn   | \$0.7bn   |
| <b>GMG co-investment</b>                         | 28.5%   | 20.2%   | 20.4%   | 20.0%  | 19.9%   | 55.0%   | 15.9%   | 21.6%   | 33.3%   |
| <b>GMG co-investment</b>                         | \$1.7bn   | \$1.2bn   | \$0.7bn   | \$0.7bn  | \$0.8bn   | \$2.0bn   | \$0.3bn   | \$0.5bn   | \$0.2bn   |
| <b>Number of properties</b>                      | 99  | 11  | 118   | 36   | 34  | 14  | 14  | 11  | 5   |
| <b>Occupancy<sup>1</sup></b>                     | 96%   | 100%  | 98%   | 95%  | 98%   | 95%   | 100%  | 100%  | 100%  |
| <b>Weighted average lease expiry<sup>1</sup></b> | 4.5 years   | 3.3 years   | 4.9 years   | 3.4 years  | 4.3 years   | 7.7 years   | 3.2 years   | 5.5 years   | 8.9 years   |
| <b>WACR</b>                                      | 5.2%  | 4.2%  | 5.0%  | 5.6%   | 5.2%  | 4.0%  | 4.4%  | 5.3%  | 4.5%  |
| <b>Gearing<sup>2</sup></b>                       | 27.6%   | 16.4%   | 29.1%   | 7.7%   | 3.6%  | 9.4%  | 34.8%   | 17.9%   | n/a   |
| <b>Weighted average debt expiry</b>              | 4.9 years   | 3.9 years   | 6.4 years <sup>4</sup>  | 3.6 years  | 5.3 years   | 4.0 years   | 6.3 years <sup>4</sup>  | 4.5 years   | n/a   |

1. Occupancy and WALE of stabilised portfolio 31 Dec 2019
2. Gearing calculated as total interest bearing liabilities over total assets both net of cash
3. As at 30 September 2019
4. WADE calculated on drawn balance.



# Section 4 - Outlook





# Outlook

- + **Significant structural changes continue to shape our industry and provide opportunities**
  - The deliberate concentration of our assets in urban logistics locations is delivering long-term solutions for our customers and strong returns from our Partnerships
- + **Choice of location is critical**
  - The combined effect of strong customer demand, scarcity of land and available space, and competition from alternative uses **in our chosen markets** is generating solid underlying property conditions
  - We continue to refine the portfolio in line with structural changes
- + **Development performance driven by strong customer demand with volumes to exceed \$5 billion**
  - Significant demand and our ability to meet these opportunities will see strong growth in development activity over the medium term
  - Selective infill locations are leading to higher value projects and lower cap rates across our portfolio
  - Incremental site acquisition, redevelopment of existing assets (including change of use), and long-term decision making support the ongoing development program
- + **Real estate fundamentals in our chosen markets are delivering sustainable and competitive growth through high occupancy and sustained rental growth**
- + **Management performance and outlook remain strong with total AUM to exceed \$50 billion by June 2020**
  - Partnership average full year total returns expected to be in the low teens
  - Strong development volumes and revaluations will support growth in AUM in future periods
- + **At this moment, there has been no evidence to suggest any material impact on our business has occurred or will occur in the short term. In a slowing global economic environment, demand for industrial assets from customers and investors remains robust, particularly in the limited supply urban infill markets where the Group operates.**
- + **The Group has had a strong start to the year and indications for the second half remain positive. As a result, we are increasing forecast operating EPS for FY20 to 57.3 cents (up 11% on FY19)**
  - Forecast distribution of 30.0 cents per security, as previously guided.
- + **We set our targets annually and review them regularly. Forecasts are subject to there being no material adverse change in market conditions or the occurrence of other unforeseen events.**



# Appendix 1 – Results analysis





# Profit and loss

Total income by business segment for the half year ended 31 December 2019

| Category  | Total          | Property investment      | Management               | Development              | Operating expenses | Non-operating items |
|---|----------------|--------------------------|--------------------------|--------------------------|--------------------|---------------------|
|   | \$m            | \$m                      | \$m                      | \$m                      | \$m                | \$m                 |
| Gross property income   | 63.4           | 62.9                     | -                        | -                        | -                  | 0.5                 |
| Management income   | 219.0          | -                        | 219.0                    | -                        | -                  | -                   |
| Development income  | 507.2          | -                        | -                        | 507.2                    | -                  | -                   |
| Distributions from investments                                | 1.2            | 1.2                      | -                        | -                        | -                  | -                   |
| Net gain from fair value adjustments on investment properties | 26.2           | -                        | -                        | -                        | -                  | 26.2                |
| Net gain on disposal of investment properties                 | 9.2            | -                        | -                        | 9.2                      | -                  | -                   |
| Share of net results of equity accounted investments          | 564.7          | 167.5                    | -                        | 60.8                     | -                  | 336.4 <sup>1</sup>  |
| Net gain on disposal of equity investments                    | 0.7            | -                        | -                        | 0.7                      | -                  | -                   |
| <b>Total income</b>   | <b>1,391.6</b> | <b>231.6</b>             | <b>219.0</b>             | <b>577.9</b>             | <b>-</b>           | <b>363.1</b>        |
| Property and development expenses                             | (296.1)        | (18.3)                   | -                        | (277.8)                  | -                  | -                   |
| Employee, administrative and other expenses                   | (227.4)        | -                        | -                        | -                        | (139.7)            | (87.7)              |
| <b>EBIT / Segment operating earnings</b>                      | <b>868.1</b>   | <b>213.3<sup>2</sup></b> | <b>219.0<sup>2</sup></b> | <b>300.1<sup>2</sup></b> | <b>(139.7)</b>     | <b>275.4</b>        |

1. Includes share of fair value adjustments attributable to investment properties in Partnerships after tax of \$350.5 million, share of adjustments on derivative financial instruments in Partnerships of \$(2.6) million and share of straight lining and tax deferred adjustments of \$(11.5) million

2. Segment operating earnings is total income less property and development expenses (excludes employee, administrative and other expenses)

# Profit and loss (cont'd)

| Category   | Total        | Property investment | Management   | Development  | Operating expenses | Non-operating items |
|--|--------------|---------------------|--------------|--------------|--------------------|---------------------|
|  | \$m          | \$m                 | \$m          | \$m          | \$m                | \$m                 |
| <b>EBIT / Segment operating earnings</b>   | <b>868.1</b> | <b>213.3</b>        | <b>219.0</b> | <b>300.1</b> | <b>(139.7)</b>     | <b>275.4</b>        |
| Net gain from fair value adjustments on investment properties  | (26.2)       |                     |              |              |                    | (26.2)              |
| Share of fair value adjustments attributable investment properties in Partnerships after tax, share of fair value adjustments on derivative financial instruments in Partnerships and share of straight lining of rental income and tax deferred adjustments in Partnerships | (336.4)      |                     |              |              |                    | (336.4)             |
| Straight-lining of rental income   | (0.5)        |                     |              |              |                    | (0.5)               |
| Share based payments expense   | 87.7         |                     |              |              |                    | 87.7                |
| <b>Operating EBIT<sup>1</sup> / Segment operating earnings</b>   | <b>592.7</b> | <b>213.3</b>        | <b>219.0</b> | <b>300.1</b> | <b>(139.7)</b>     | <b>-</b>            |
| Net finance expense (statutory)  | (12.1)       |                     |              |              |                    |                     |
| <i>Add: fair value adjustments on derivative financial instruments</i>   | (17.8)       |                     |              |              |                    |                     |
| Net finance expense (operating)  | (29.9)       |                     |              |              |                    |                     |
| Income tax expense (statutory)   | (45.4)       |                     |              |              |                    |                     |
| <i>Add: deferred tax on fair value adjustments on investment properties</i>  | 13.0         |                     |              |              |                    |                     |
| Income tax expense (operating)   | (32.4)       |                     |              |              |                    |                     |
| <b>Operating profit available for distribution</b>   | <b>530.4</b> |                     |              |              |                    |                     |
| <b>Net cash provided by operating activities<sup>2</sup></b>   | <b>495.4</b> |                     |              |              |                    |                     |

1. Look through Operating EBIT is \$647.5 million and reflects \$54.8 million adjustment to GMG proportionate share of Partnerships interest and tax (1H19: \$562.0 million)
2. Difference between operating profit and cash provided by operating activities of (\$35.0) million relates to:
  - \$76.4 million development activities including capitalised and prepaid interest
  - \$(9.2) million of development cashflows recognised in investment activities
  - \$(50.8) million cash share of equity accounted income
  - \$(51.4) million of other working capital movements



# Reconciliation non-operating items

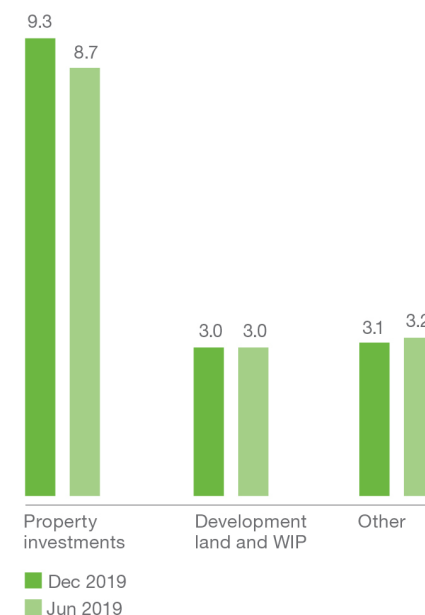
| Non-operating items in statutory income statement   | Half year ended<br>31 December 2019 |               |
|---|-------------------------------------|---------------|
|   | \$m                                 | \$m           |
| <b>Property valuation related movements</b>   |                                     |               |
| Net gain from fair value adjustments attributable to investment properties  | 26.2                                |               |
| Share of net gain from fair value adjustments attributable to investment properties in Partnerships and joint ventures after tax <sup>1</sup> | 350.5                               |               |
| Deferred tax on fair value adjustments on investment properties   | (13.0)                              |               |
| <b>Subtotal</b>   |                                     | <b>363.7</b>  |
| <b>Fair value adjustments and unrealised foreign currency exchange movements related to liability management</b>                              |                                     |               |
| Fair value adjustments on derivative financial instruments – GMG  | 17.8                                |               |
| Share of fair value adjustments on derivative financial instruments in Partnerships   | (2.6)                               |               |
| <b>Subtotal</b>   |                                     | <b>15.2</b>   |
| <b>Other non-cash adjustments or non-recurring items</b>  |                                     |               |
| Share based payments expense  | (87.7)                              |               |
| Straight-lining of rental income and tax deferred adjustments   | (11.0)                              |               |
| <b>Subtotal</b>   |                                     | <b>(98.7)</b> |
| <b>TOTAL</b>  |                                     | <b>280.2</b>  |

1. In FY19, one of the Partnerships exchanged contracts to sell a development property to a third party. In the period between exchange and settlement, the Group recognised its \$14.4 million share of fair value gain in respect of the property. Settlement occurred in 1H20 and this gain has been categorised as development earnings in the HY20 analysis of the Group's performance. The share of fair value adjustments attributable to investment properties in Partnerships has been reduced by \$14.4 million.

# Financial position

| As at 31 December 2019                        | Direct Assets<br>\$m | Property<br>investments<br>\$m | Developments<br>\$m | Other<br>\$m     | Total<br>\$m     |
|---|----------------------|--------------------------------|---------------------|------------------|------------------|
| Cash  | -                    | -                              | -                   | 1,360.9          | 1,360.9          |
| Receivables                                   | -                    | -                              | 162.5               | 430.9            | 593.4            |
| Inventories                                   | -                    | -                              | 1,147.2             | -                | 1,147.2          |
| Investment properties                         | 1,830.5              | -                              | 163.6               | -                | 1,994.1          |
| Investments accounted for using equity method | -                    | 7,445.6                        | 1,465.5             | -                | 8,911.1          |
| Intangibles                                   | -                    | -                              | -                   | 835.0            | 835.0            |
| Other assets                                  | -                    | 3.0                            | 103.1               | 428.0            | 534.1            |
| <b>Total assets</b>                           | <b>1,830.5</b>       | <b>7,448.6</b>                 | <b>3,041.9</b>      | <b>3,054.8</b>   | <b>15,375.8</b>  |
| Interest bearing liabilities                  |                      |                                |                     | (2,839.2)        | (2,839.2)        |
| Other liabilities                             |                      |                                |                     | (1,460.2)        | (1,460.2)        |
| <b>Total liabilities</b>                      |                      |                                |                     | <b>(4,299.4)</b> | <b>(4,299.4)</b> |
| <b>Net assets</b>                             |                      |                                |                     |                  | <b>11,076.4</b>  |
| <b>Gearing<sup>1</sup> %</b>                  |                      |                                |                     |                  | <b>10.0</b>      |
| <b>NTA (per security)<sup>2</sup> \$</b>      |                      |                                |                     |                  | <b>5.60</b>      |
| Australia / New Zealand                       | 1,794.8              | 3,087.1                        | 610.1               | 268.9            | 5,760.9          |
| Asia  | -                    | 2,075.7                        | 479.6               | 512.2            | 3,067.5          |
| CE  | -                    | 839.0                          | 575.3               | 799.3            | 2,213.6          |
| UK  | 35.7                 | 127.6                          | 627.2               | 148.2            | 938.7            |
| Americas                                      | -                    | 1,319.2                        | 749.7               | 362.6            | 2,431.5          |
| Other   | -                    | -                              | -                   | 963.6            | 963.6            |
| <b>Total assets</b>                           | <b>1,830.5</b>       | <b>7,448.6</b>                 | <b>3,041.9</b>      | <b>3,054.8</b>   | <b>15,375.8</b>  |

## Capital allocation



- 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 \$228.9 million (30 June 2019: \$222.4 million). Total interest bearing liabilities are grossed up for the fair values of certain derivative financial instruments included in other financial liabilities of \$130.5 million (30 June 2019: \$123.6 million).
- Calculated based on 1,828.4 million securities on issue

# Net tangible asset movement

+ For year half ended 31 December 2019<sup>1</sup>

\$ per security



1. Calculated based on 1,828.4 million securities being closing securities on issue



# Property valuations

- + The Group's results for 1H20 reflect the current strong industrial market fundamentals driven by expectations of a sustained low growth environment and limited availability of investment product
- + Market rental growth, cap rate compression and development completions within the Partnerships have been the drivers of the valuation increase
- + The global portfolio cap rate has compressed by 17bps in 1H20 to 4.9%
- + Revaluation gains across the global portfolio for the half year totalled \$1.6 billion, with the Group's share \$363.7<sup>1</sup> million.

## 31 December 2019 property valuations (look through)

|                                      | Book value<br>(GMG exposure)<br>\$m | Valuation<br>movement since<br>June 2019<br>\$m | WACR<br>%  | WACR movement since<br>June 2019<br>% |
|--------------------------------------|-------------------------------------|---|------------|---------------------------------------|
| Australia <sup>2</sup> / New Zealand | 6,439.2                             | 187.4   | 5.2        | -0.2                                  |
| Asia                                 | 3,200.4                             | 123.4   | 4.7        | -0.1                                  |
| UK / Continental Europe              | 2,681.2                             | 34.0  | 5.0        | -0.1                                  |
| Americas                             | 2,321.2                             | 18.8  | 4.5        | -0.1                                  |
| <b>Total / Average</b>               | <b>14,641.9</b>                     | <b>363.7<sup>1</sup></b>                        | <b>4.9</b> | <b>-0.2</b>                           |

1. Includes deferred tax expense of \$27.0 million

2. Australia excludes urban renewal sites which are valued on a rate per residential unit site basis

## Appendix 2 – Property investment



# Leasing

Across the Group and Partnerships:

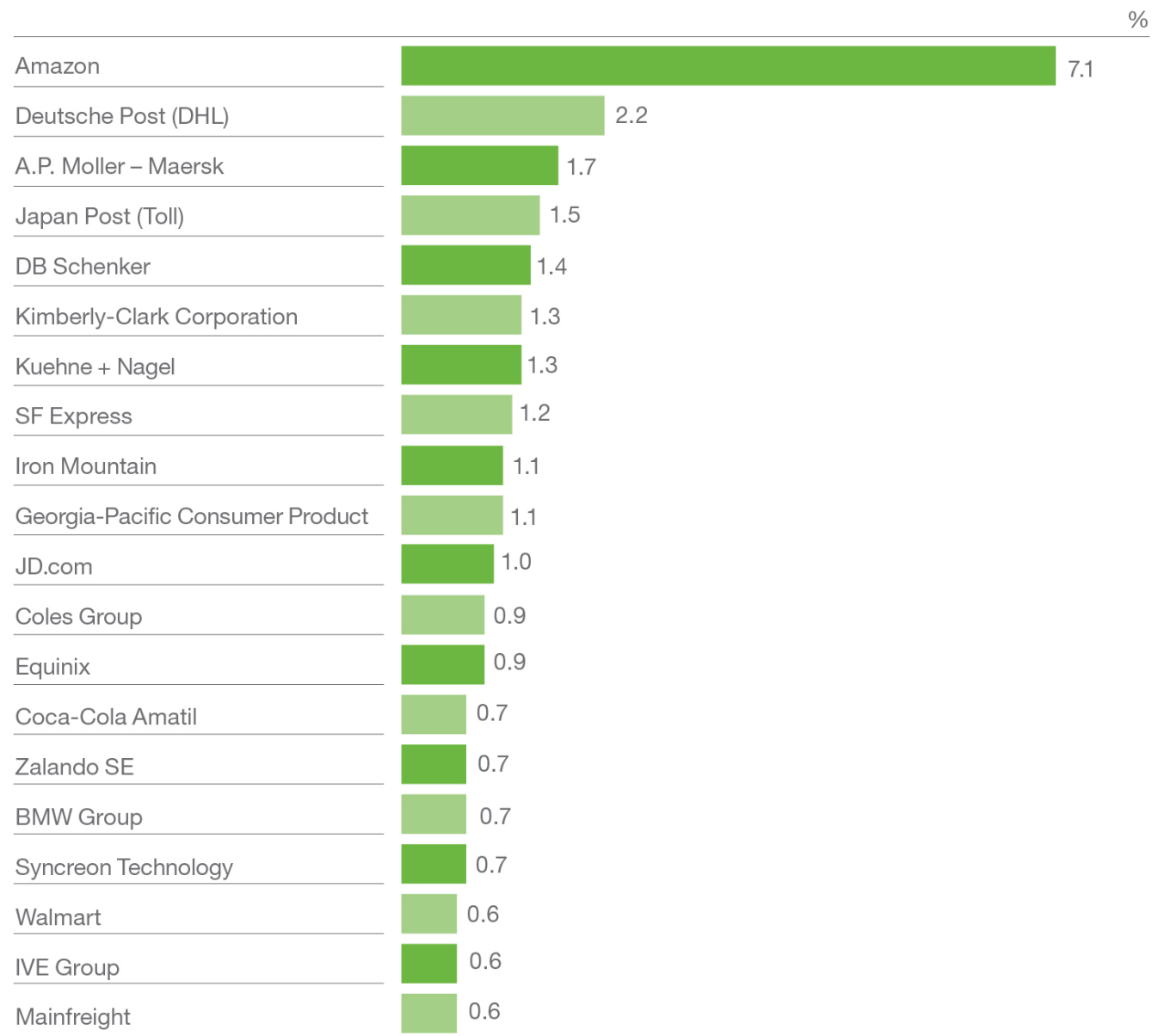
- + 1.6 million sqm leased during the year equating to \$224 million of annual rental property income
- + High occupancy at 98%.

| Region                  | Leasing area (sqm) | Net annual rent (\$m) | Average lease term (years) |
|-------------------------|--------------------|-----------------------|----------------------------|
| Australia / New Zealand | 549,324            | 78.5                  | 4.0                        |
| Asia                    | 554,813            | 100.1                 | 4.2                        |
| UK / Continental Europe | 529,580            | 45.1                  | 5.7                        |
| <b>Total</b>            | <b>1,633,717</b>   | <b>223.7</b>          | <b>4.4</b>                 |



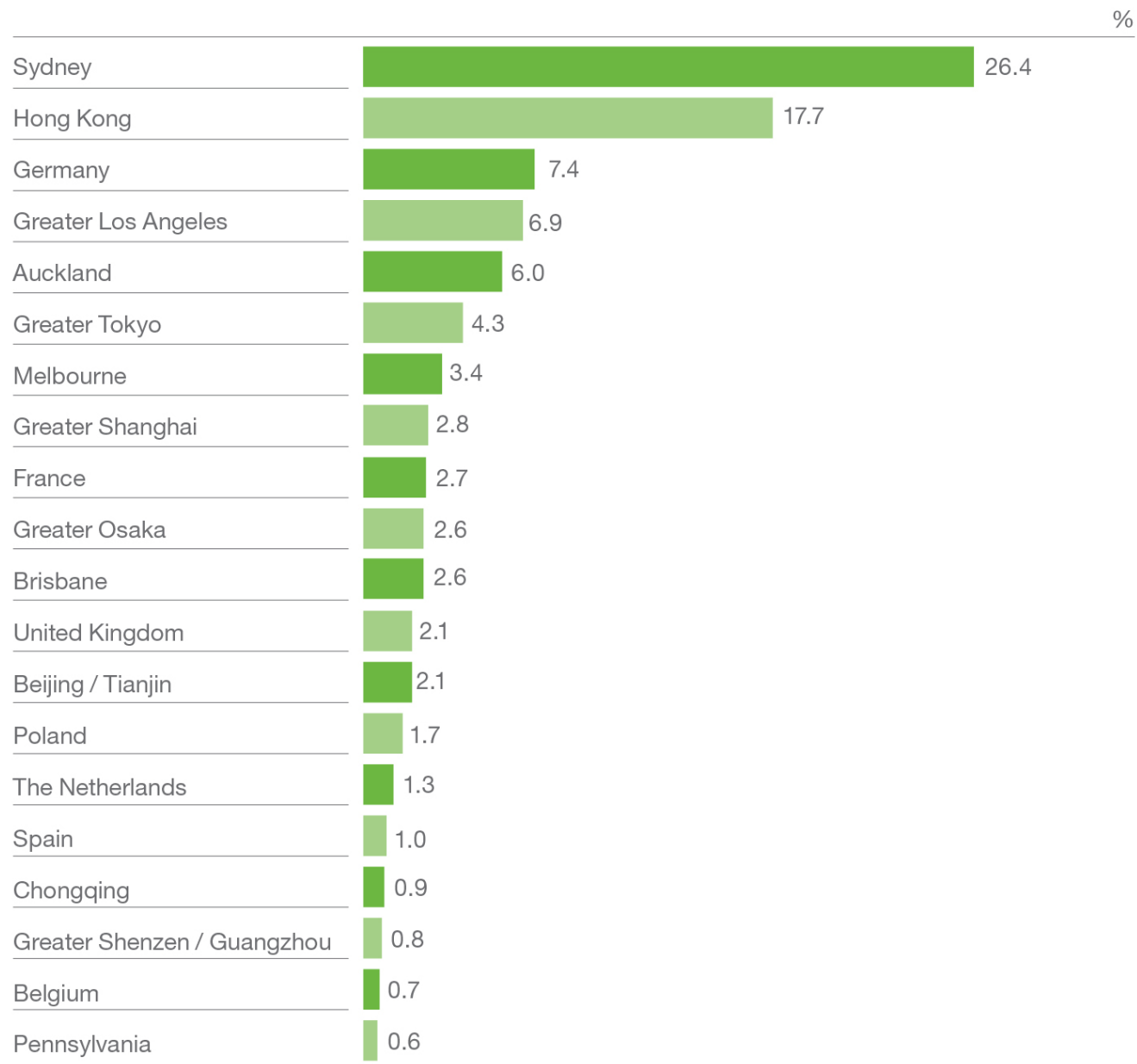
# Customers

## Top 20 global customers (by net income - look through basis)



# Geographic exposure

## Top 20 sub-regions (by AUM)

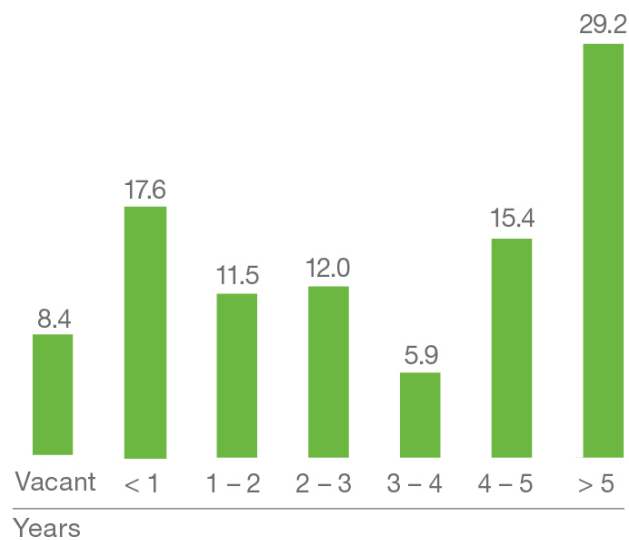


# Direct portfolio detail

## Portfolio snapshot

- + 27 properties with a total value of \$1.8 billion located primarily in the Sydney market
  - Represents a significant part of the urban renewal portfolio
- + Leasing transactions remain strong across the portfolio
  - 168,168 sqm (\$20.5 million net annual rental) of existing space leased
- + 92% occupancy and a weighted average lease expiry of 5.2 years
- + Average portfolio valuation cap rate of 5.3%.

## WALE of 5.2 years (by net income)

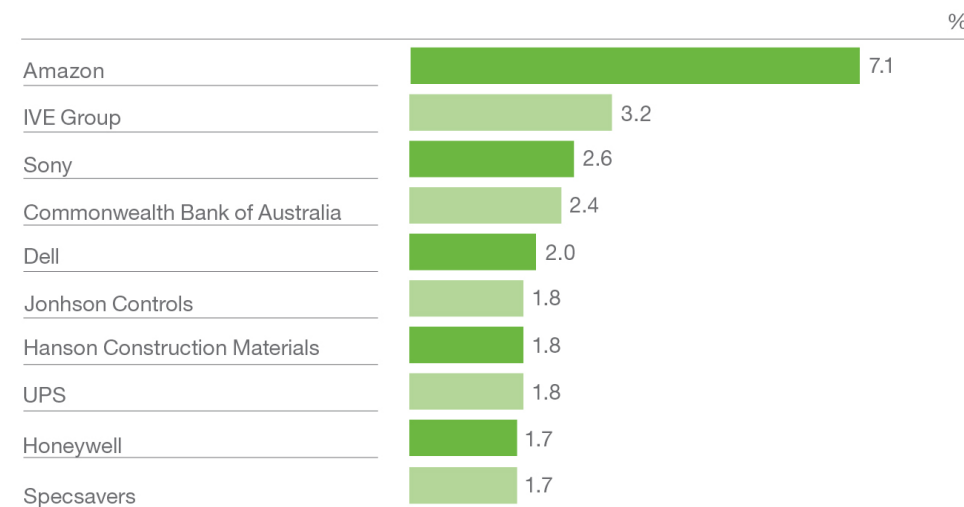


## Key metrics<sup>1</sup>

|                               |                  |
|-------------------------------|------------------|
| Total assets (\$b)            | 1.8              |
| Customers                     | 303              |
| Number of properties          | 27               |
| Occupancy (%)                 | 92               |
| Weighted average cap rate (%) | 5.3 <sup>1</sup> |

1. Stabilised properties

## Top 10 customers make up 26% of portfolio income





## Appendix 3 – Development



# Developments

| 1H20 Developments                                 | Completions | Commencements | Work in progress |
|---|-------------|---------------|------------------|
| Value (\$bn)                                      | 1.5         | 1.7           | 4.3              |
| Area (m sqm)                                      | 0.9         | 1.0           | 1.9              |
| Yield (%)   | 6.8         | 6.9           | 6.5              |
| Committed (%)                                     | 80          | 60            | 61               |
| Weighted average lease term (years)               | 10.1        | 13.1          | 11.7             |
| Development for third parties or Partnerships (%) | 90          | 69            | 77               |
| Australia / New Zealand (%)                       | 22          | 35            | 22               |
| Asia (%)  | 17          | 36            | 42               |
| Americas (%)                                      | 20          | 9             | 16               |
| UK / Continental Europe (%)                       | 41          | 20            | 20               |

| Work in progress by region | On balance sheet end value<br>\$b | Third party funds end value<br>\$b | Total end value<br>\$b | Third party funds % of total | Committed % of total |
|----------------------------|-----------------------------------|------------------------------------|------------------------|------------------------------|----------------------|
| Australia / New Zealand    | 0.2                               | 0.8                                | 1.0                    | 80                           | 73                   |
| Asia                       | 0.1                               | 1.7                                | 1.8                    | 95                           | 56                   |
| Americas                   | -                                 | 0.7                                | 0.7                    | 100                          | 31                   |
| UK / Continental Europe    | 0.7                               | 0.1                                | 0.8                    | 14                           | 83                   |
| <b>Total</b>               | 1.0                               | 3.3                                | 4.3                    | 77                           | 61                   |

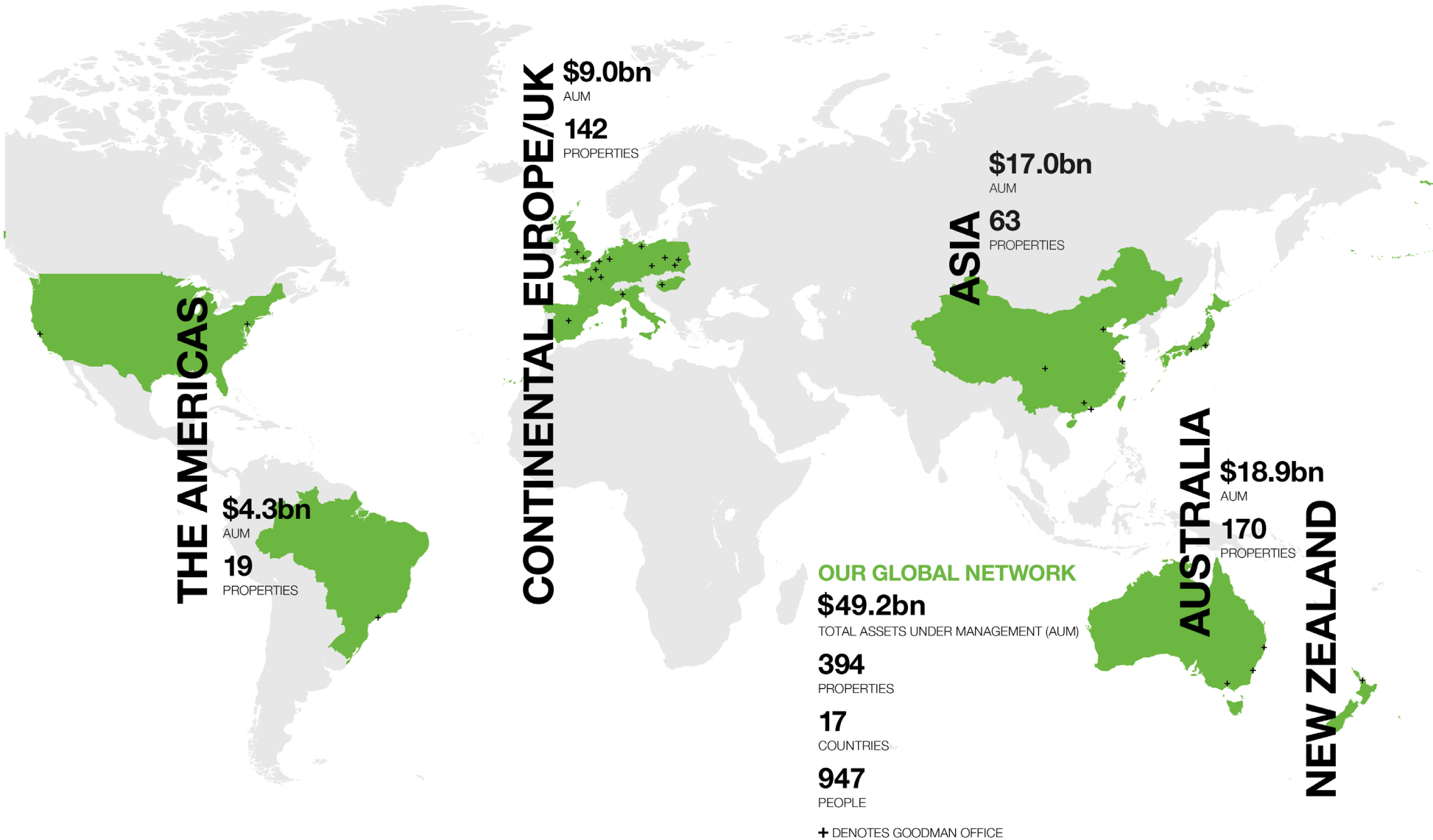


## Appendix 4 - Management





# Global platform

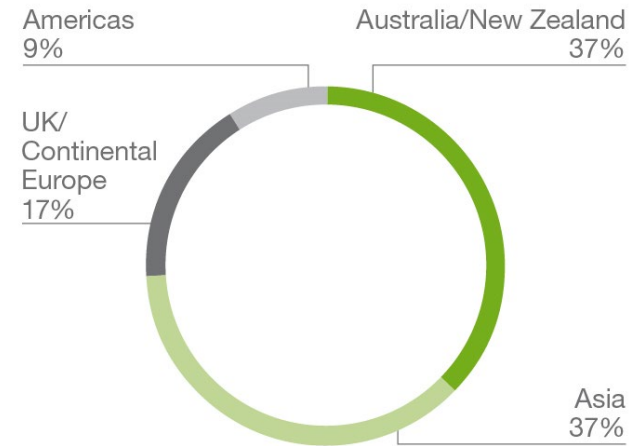


● Current Goodman global presence.  
As at 31 December 2019 (Australian currency)

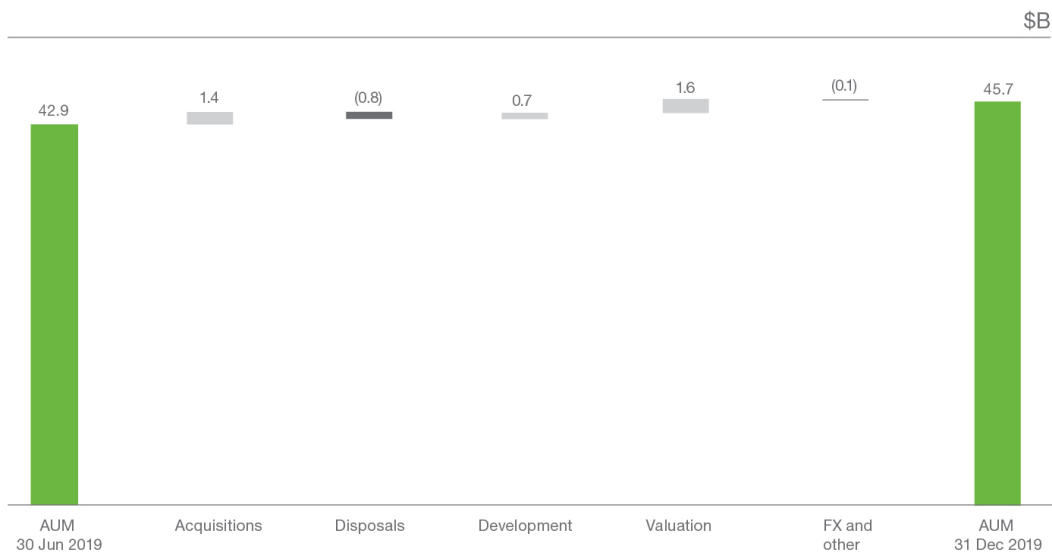
# Management - AUM

- + \$16.9 billion of equity commitments and liquidity now available across the Partnership platform, up 25% since June 2019
  - + Equity commitments of \$4.6 billion across a number of regions were executed in 1H20
  - + \$3.8 billion in undrawn debt facilities and cash
  - + \$13.1<sup>1</sup> billion in undrawn equity.

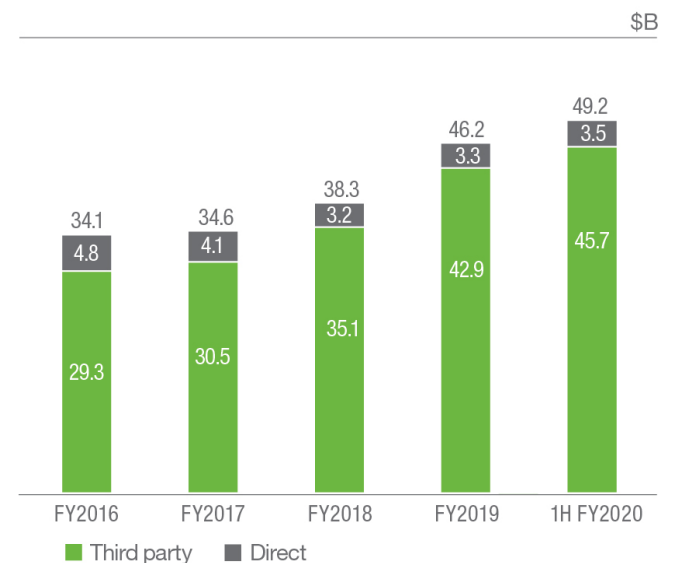
## Third party AUM by region



## Third party assets under management



## Total AUM



1. Partnership investments are subject to Investment Committee approval

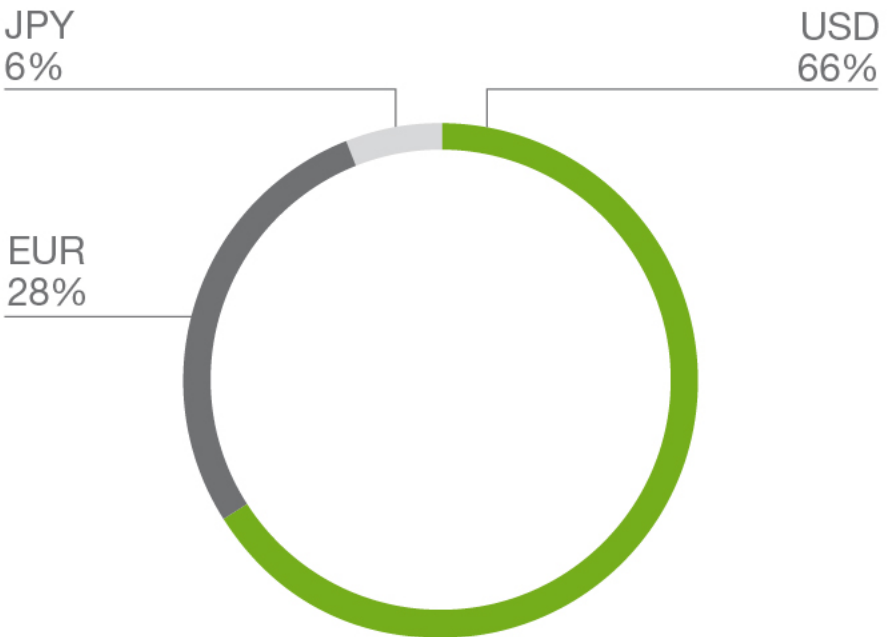
## Appendix 5 – Capital management



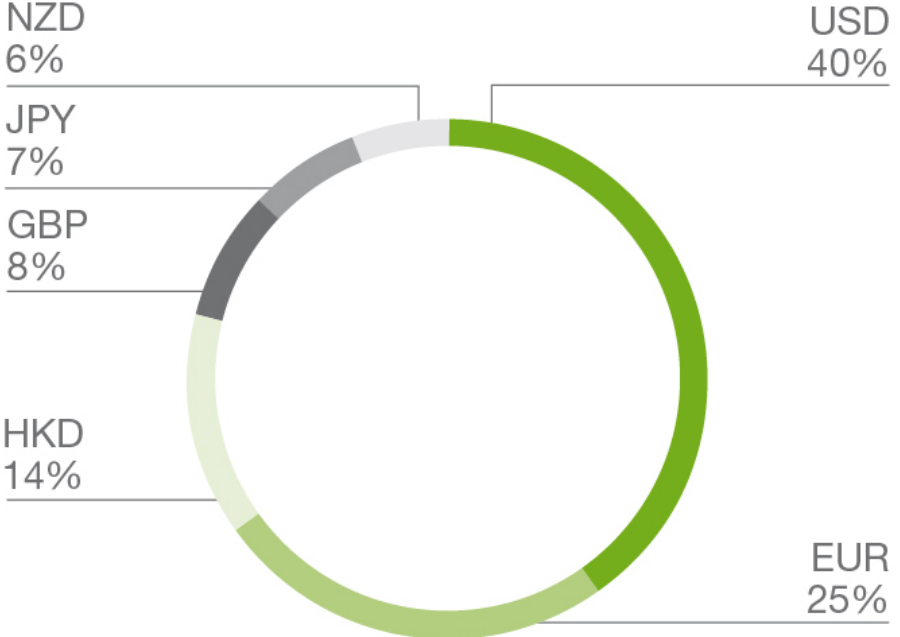


# Currency mix

Currency mix – outstanding debt



Currency mix – including the impact of capital hedging FX swaps



# Financial risk management

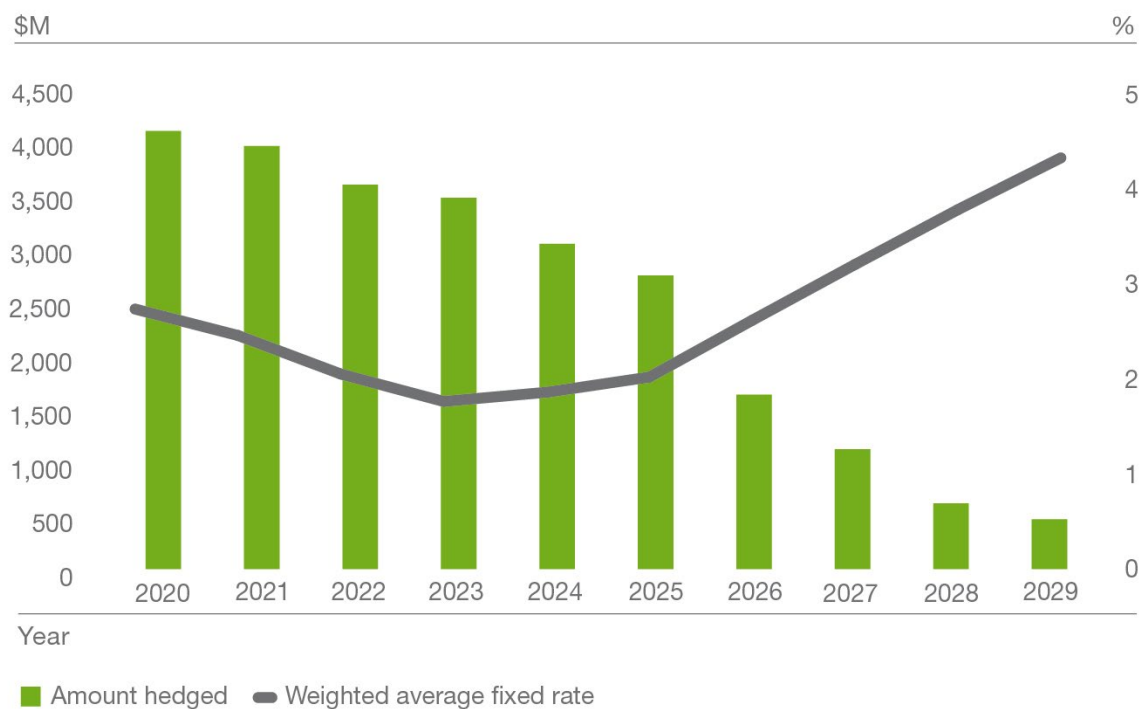
- + The Group has implemented a robust capital management framework, under its Financial Risk Management (FRM) policy. This provides:
  - Stronger balance sheet which has been reflected in our credit ratings from S&P and Moody's BBB+ / Baa1 respectively
  - Covenants that are appropriate for our operations
  - Diversified sources of funding
  - Long-term debt sources to stabilise the funding base
- + The Group has been actively reducing financial leverage in the business:
  - Group target gearing range 0% - 25%
  - Gearing level will be determined with reference to mix of earnings and ratios consistent with credit rating but expected to remain low
- + **Interest risk management:**
  - Policy to ensure between 60% and 100% of current year interest rates are fixed
  - 74% hedged over next 12 months
  - Weighted average hedge maturity of 6.8 years
  - Weighted average hedge rate of 2.70%<sup>1,2</sup>
- + **Foreign currency risk management:**
  - Policy to hedge between 65% and 90% of foreign currency denominated net assets
  - 70% hedged as at 31 December 2019, of which 52% is debt and liabilities and 48% is derivatives
  - Weighted average maturity of derivatives 4.3 years.

1. Includes the strike rate on interest rate cap hedges  
2. Includes the 8 year Reg S €500 million at 1.375% fixed rate

# Financial risk management (cont'd)

- + Interest rates are hedged to 74% over next 12 months
- + Weighted average hedge rate of 2.70%<sup>1</sup>
  - NZD – hedge rate 2.29%
  - JPY – hedge rate 2.10%
  - HKD – hedge rate 2.13%
  - GBP – hedge rate 1.75%
  - Euro – hedge rate 0.74%<sup>2</sup>
  - USD – hedge rate 4.69%
- + Weighted average hedge maturity of 6.8 years

## Interest rate hedge profile



1. Includes the strike rate on interest rate cap hedges  
 2. Includes the 8 year Reg S €500 million at 1.375% fixed rate



# Financial risk management (cont'd)

## Foreign currency denominated balance sheet hedging maturity profile

| Currency         | Weighted average maturity | Weighted average exchange rate | Amount receivable <sup>1</sup> | Amount payable <sup>1</sup> |
|------------------|---------------------------|--------------------------------|--------------------------------|-----------------------------|
| NZ\$             | 3.4 years                 | 1.0864                         | A\$368.3m                      | NZ\$400.0m                  |
| HK\$             | 3.4 years                 | 5.7382                         | A\$817.7m                      | HK\$4,690.0m                |
| US\$             | 4.2 years                 | 0.7141                         | A\$634.6m                      | US\$450.0m                  |
| ¥                | 5.0 years                 | 76.4814                        | A\$274.7m                      | ¥21,000.0bn                 |
| €                | 5.8 years                 | 0.6165                         | A\$803.0m                      | €495.0m                     |
| £                | 4.5 years                 | 0.5660                         | A\$496.6m                      | £280.0m                     |
| CNY <sup>2</sup> | 2.7 years                 | 7.0641                         | US\$375.0m                     | CNY2,649.0m                 |

1. Floating rates apply for the payable and receivable legs for the cross currency swaps

2. Forward exchange contract, net settled in USD

# Exchange rates

## + Statement of Financial Position – exchange rates as at 31 December 2019

|                   |                        |
|-------------------|------------------------|
| – AUDGBP – 0.5297 | (30 June 2019: 0.5523) |
| – AUDEUR – 0.6256 | (30 June 2019: 0.6173) |
| – AUDHKD – 5.4719 | (30 June 2019: 5.4761) |
| – AUDBRL – 2.8235 | (30 June 2019: 2.6880) |
| – AUDNZD – 1.0417 | (30 June 2019: 1.0449) |
| – AUDUSD – 0.7024 | (30 June 2019: 0.7011) |
| – AUDJPY – 76.280 | (30 June 2019: 75.634) |
| – AUDCNY – 4.8911 | (30 June 2019: 4.8141) |

## + Statement of Financial Performance – average exchange rates for the 6 months to 31 December 2019

|                    |                         |
|--------------------|-------------------------|
| – AUDGBP – 0.5437  | (30 June 2019: 0.5527)  |
| – AUDEUR – 0.6170  | (30 June 2019: 0.6269)  |
| – AUDHKD – 5.3592  | (30 June 2019: 5.6069)  |
| – AUDBRL – 2.7671  | (30 June 2019: 2.7616)  |
| – AUDNZD – 1.0591  | (30 June 2019: 1.0665)  |
| – AUDUSD – 0.6847  | (30 June 2019: 0.7152)  |
| – AUDJPY – 73.9644 | (30 June 2019: 79.4634) |
| – AUDCNY – 4.8130  | (30 June 2019: 4.8819)  |

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## Appendix 6 – Environmental, Social and Governance





# Environmental, Social and Governance

Our 2030 Sustainability Strategy sets a clear path that is based on the three pillars of property, people and culture and corporate performance. We have set clear and specific targets under these pillars that represent the key environmental, social and governance (ESG) priorities for Goodman and our stakeholders. These pillars align with the Group's purpose which focuses on making space for our stakeholders' greatest ambitions.



## PROPERTY

In order to make space for greatness, we have been focused on key locations and functional buildings that are relevant today and in the future. Properties built and managed smarter are better prepared for the challenges of tomorrow and responsive to our customer requirements, support the health and wellbeing of our customers and more resilient to climate impacts. This way, we can maintain income and occupancy in our buildings which means we are getting the most out of our buildings and therefore maximising asset value.

### Progress over the period

- + Approximately 42MW of solar installed on our rooftops globally
- + External façade replacement with vertical solar installation at the Goodman Pudong Airport Logistics Park, Shanghai
- + Developments in CE commonly include solar ready warehouses, e-charging stations and smart metering.



## PEOPLE & CULTURE

Much of Goodman's success is due to its people. To be consistently great, we need our people to be focussed on the right things and thinking about long-term consequences. It's why we target our recruitment based on merit, local knowledge and cultural fit, then develop, inspire and incentivise our workforce to think strategically and align with the Goodman values. Our people are supported by programs to improve wellbeing, and we support our customers and suppliers with aligned commitments to their workforce.

### Progress over the period

- + Participation with and launch of the Property Council of Australia Ethical Sourcing Portal
- + Commenced assessments to create an ethically managed supply chain in Australia
- + Embedded process to assess Goodman Values in employee performance.



## CORPORATE PERFORMANCE

We are clear about our purpose but flexible in our approach to remain relevant and responsive in a changing world. We finance ourselves with sustainable capital sources with low leverage which helps us remain active during different cycles in the market. We value being a trusted partner to all of our stakeholders and providing positive value to society and in the communities where Goodman operates. We think strategically, we monitor our performance and we report on how we are progressing with our sustainability targets.

### Progress over the period

- + Achieved a MSCI ESG rating of AA
- + Commencement of climate risk analysis aligned with the TCFD guidelines
- + The Goodman Foundation has committed A\$5M for Australian communities affected by the recent bushfires.

# Thank you



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