Core Property
Fund Research & Ratings

Listed Property

Reporting Season Results August 2018

A review of results reported by the listed property securities

Week 3:

GPT, CNI, PLG, DXS, VCX, CQR, GOZ, GMG

Reporting Season Review – Week 3

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research covers sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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August 2018

Reporting Season – Week 3

A-REITs results covered in this report:

For full reporting calendar see Appendix

Monday 13 August 2018		
GPT	GPT Group	1H18
Tuesday 14 August 2018		
CNI	Centuria Capital Group	FY18
PLG	Propertylink Group	FY18
Wednesday 15 August 2018		
DXS	Dexus Property Group	FY18
VCX	Vicinity Centres	FY18
Thursday 16 August 2018		
CQR	Charter Hall Retail REIT	FY18
GOZ	Growthpoint Properties	FY18
Friday 17 August 2018		
GMG	Goodman Group	FY18

1H18 result is for 6 months to Jun-18
FY18 result is for 12 months to Jun-18

Throughout August 2018 the listed property securities will be reporting their results for the June 2018 period. This report provides a summary of Core Property's review of the key results reported in week 3.

GPT Group (GPT) reported 3.2% growth in FFO per security with strong results from the Office (+4.4%) and Logistics (+25.1%) portfolios, and a marginal increase from the Retail portfolio (+0.5%). Overall the result was solid, with management reconfirming guidance for 3% growth in FFO and DPU per unit for the full year. Weaker retail conditions are likely to be offset by the strong office and logistics markets, with GPT benefitting from its weighting to the Sydney and Melbourne markets. At current levels, GPT is trading at close to its NTA of $5.31 per unit, with an FY18 distribution yield of around 4.8%.

Centuria Capital Group (CNI) reported substantially stronger FY18 Operating Net Profit After Tax of $45.1M, compared to $15.5M in the year. The fund manager enjoyed a stellar performance for the year, with growth recorded in all divisions. Property AUM increased 29% off the back of significant acquisitions during the year, flowing through to management fees as well as revaluation gains. Whilst CNI has not provided any guidance for FY19, Core Property expects earnings growth will come from the full year inclusion of management fees, with the potential for further growth subject to acquisitions.

Propertylink (PLG) delivered an impressive 23.0% increase in Distributable EPS, with the result boosted by the inclusion one-off Performance Fees. Excluding Performance Fees, Distributable Earnings declined 9.1%, with a strong result in the Industrial Portfolio offset by lower earnings in Investment Management from lower AUM. On an underlying basis, PLG expects FY19 Distributable EPS to increase 11-12% to 7.6 – 7.7 cpu, when Performance Fees are excluded. Distributions are expected to be flat at 7.3 cpu, delivering an attractive 7.1% distribution yield.

Dexus (DXS) delivered a strong 5.8% growth in Funds From Operations (FFO) for FY18 with distributions increasing 5.1%. FY19 guidance is for distributions to continue to grow by around 5.0%, The growth appears achievable off the back of the strength of the Sydney and Melbourne office markets as well as the strength of the industrial market. At current levels DXS is trading on a FY19 yield of around 4.8% (and lower than its 5.52% portfolio capitalisation rate), reflecting the portfolio's exposure to high quality CBD office properties.

Key financial and valuation metrics

Code	Price (cps[1])	Operating earnings		Distributions		Leverage		Valuation		Guidance on EPS & DPS		
		EPS (cps)	(% chg)	DPS (cps)	(% chg)	Gearing (%)	Chg (%)	NTA (cps)	Prem/ (Disc) to NTA %	FY19 EPS (cps)	FY19 DPS (cps)	Implied DPU yield
GPT[2]	528	16.0	3.2%	12.61	2.5%	24.7	0.3%	531	(0.6%)	31.7[2]	25.3[2]	4.8%
CNI	141.5	16.3	58.3%	8.2	9.3%	11.1	(2.8%)	129	9.7%	NA[4]	NA[4]	NA[4]
PLG	103.5	9.25	23.3%	7.3	15.5%	29.6	(0.9%)	104	(0.5%)	7.6 – 7.7	7.3	7.1%
DXS	1042	47.7	5.1%	47.8	5.1%	24.1	(2.6%)	964	8.1%	50.1	50.2	4.8%
VCX	272	18.2	1.1%	16.3	(5.8%)	26.4	1.7%	297	(8.4%)	18.0-18.2	15.3 - 16.4	5.8%[3]
CQR	433	30.51	0.4%	28.2	0.4%	33.4	0.3%	422	2.6%	31.1	28.0 - 29.5	6.6%[3]
GOZ	376	25.0	(2.0%)	22.2	3.3%	33.9	(4.6%)	319	17.9%	24.6	23.0	6.1%
GMG	1058	46.7	8.3%	28.0	8.1%	5.1%	(0.8%)	464	128.0%	50.0	30.0	2.8%

Note 1: Price is based on closing price on day of results announcement. Note 2: GPT results are for six month ending 30 June 2018, guidance is for 12 months ending 31 December 2018. Note 3: Based on the midpoint of guidance. Note 4: NA = Not available/not provided. Source: Company Announcements, Core Property

Vicinity Centres (VCX) delivered weak FFO growth of -0.6% however FFO per security growth was positive at 1.1%, benefitting from the securities buy back during the year. VCX outlined it's long term strategy to focus on a core portfolio of ~50 "Destination Assets, supplemented by the management of wholesale portfolios as well as a looking at mixed use developments at its retail locations. Although the strategy appears sound, providing VCX with a good platform for long term growth, earnings are likely to come under pressure over the next 2 years from asset sales. The ultimate success of the strategy will depend on management's ability to efficiently redeploy capital, both in the short term as well as the long term. VCX's guidance for FY19 is for FFO per security of 18.0 - 18.2 cps, distributions of 15.3 – 16.4 cpu, and a yield at the high end of a 5.7% - 6.1% range.

Charter Hall Retail REIT (CQR)

CQR's FY18 Operating Earnings were flat for FY18, with Operating Earnings per unit up a marginal 0.4% to 30.51 cpu, assisted by CQR's buyback of units during the period which was earnings accretive. The result highlights the resilience of CQR's portfolio of convenience-based retail assets which delivered a reasonably good performance in a challenging retail environment. Total Moving Average Turnover (MAT) was up 2.2%. CQR expects more of the same in FY19 with net property income growth of 2% translating into 2% growth in Operating Earnings per unit, or 31.1 cpu. Distributions of 28.0 – 29.5 cpu, implies a yield of 6.5-6.8% which, at current prices, Core Property considers to be attractive for a portfolio of convenience based centres.

Goodman Group (GMG)

GMG delivered another strong result with Operating Profit up 9.0% for FY18 and Operating EPS up 8.3%. The favourable market conditions are expected to continue in FY19 with GMG expecting Operating Profit to increase 7.9% to $913M, Operating EPS to increase 7% to 50.0 cps, and distributions to increase 7% to 30.0 cps. With a strong development pipeline providing visibility of earnings, the growth appears achievable with the potential for upside. At current levels, GMG is trading on a FY19 yield of 2.8%, which is reflective of its strong market position and its potential to deliver a strong pipeline of growth.

13 Aug 2018

GPT Group (ASX: GPT) – 1H18 Results

GPT's reported 1H18 results with a 3.2% growth in FFO per security. The Logistics portfolio delivered an impressive 25.1% growth off the back of acquisitions, development completions and strong rental growth. The Office portfolio delivered a robust 4.4% growth as a result of high occupancy levels and strong income growth, particularly in the Sydney and Melbourne markets. Retail earnings increased by only 0.5%, with net income growth offset by lower development income.

Overall the result was largely in line with expectations, with management reconfirming guidance for 3% growth in FFO and DPU per unit for the full year. Weaker retail conditions are likely to be offset by the strong office and logistics markets, with GPT benefitting from its weighting to the Sydney and Melbourne markets.

At current levels, GPT is trading at close to its NTA of $5.31 per unit, with an FY18 distribution yield of around 4.8%. The relatively low yield is perhaps a reflection of asset value growth outpacing underlying income growth and a thematic that is consistent over the last two years.

1H18 Results to 30 June 2018

1H18 results	1H18	1H17	Change
Earnings			
Statutory Net Profit after tax*	**$728.5M**	$751.2M	(3.0%)
Net Income	**$370.2M**	$348.6M	+6.2%
Retail	**$157.8M**	$157.0M	+0.5%
Office	**$133.5M**	$127.9M	+4.4%
Logistics	**$57.8M**	$46.2M	+25.1%
Funds Management	**$21.1M**	$17.5M	+20.6%
Net Interest Expense	**($58.8M)**	($47.2M)	+24.6%
Corporate overheads & Tax expense	**($22.0M)**	($21.6M)	+1.9%
Funds From operations (FFO)	**$289.4M**	$279.8M	+3.4%
FFO per security	**16.04 cpu**	15.54 cpu	+3.2%
Distribution per unit	**12.61cpu**	12.30cpu	+2.5%
Payout ratio (based on FFO)	**97.7%**	94.2%	+3.5%

Movement over 6 months	As at Jun 2018	As at Dec 2017	Change
Balance Sheet			
NTA per security	**$5.31**	$5.04	+5.4%
Gearing %	**24.7%**	24.4%	+0.3%
Weighted average cost of debt	**4.3%**	4.2%	+0.1%
Weighted average debt maturity	**6.6 years**	7.1 years	(0.5 years)
Borrowings	**$3,522.2M**	$3,300.6M	+6.7%
Interest cover ratio	**6.0x**	6.5x	(0.5x)
Portfolio			
Property Valuation	**$13.02B**	$12.56B	+3.7%
Occupancy rate	**97.4%**	96.8%	+0.6%
Number of properties	**64 assets**	62 assets	2 assets
Weighted Average Capitalisation Rate	**5.14%**	5.27%	(13 bps)
WALE (Weighted Average Lease Expiry)	**5.1 years**	5.2 years	(0.1 Years)

Source: BWP, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes.

Key Points

- **Funds From Operations (FFO)** increased 3.4% to $289.4M ($279.8M at 31 December 2017) with FFO per security up 3.2% to 16.04 cpu. The increase was primarily driven by higher earnings from Logistics (up 25.1%) and Funds Management (up 20.6%). Distributions per security of 12.61cpu was up 2.5% on 1H17.

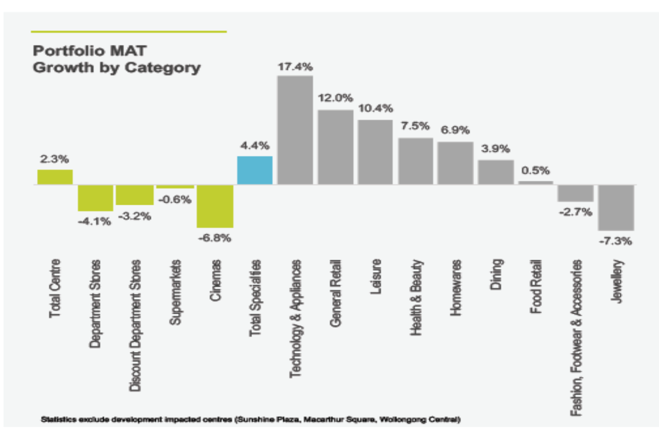
GPT Commercial Property Metrics: 1H18

	Retail		Office		Logistics	
	1H18	1H17	1H18	1H17	1H18	1H17
No. of properties	13	13	22	22	29	27
Property Portfolio ($M)	$5,990.7M	$5,610.8M	$5,354.8M	$4,773.0M	$1,671.9M	$1,484.3M
Occupancy Rate	99.7%	99.6%	97.7%	97.8%	96.6%	96.5%
Capitalisation Rate	4.97%	5.28%	5.02%	5.25%	6.17%	6.39%
WALE – years*	4.1 years	4.1 years	5.3 years	5.3 years	7.4 years	8.0 years
Like-for-like income growth	2.3%	3.8%	5.5%	5.8%	3.6%	3.8%
MAT (retail sales) growth	1.7%	2.1%				
Specialty store sales growth	1.7%	2.1%				
Specialty occupancy cost	17.0%	16.8%				

*WALE includes Signed Leases and Heads of Agreement. Source: GPT, Core Property

- **Operating Segments**
  - **Retail Earnings** increased 0.5% to $157.8M with portfolio like-for-like income growth of 2.3%. Whilst operating net income increased 3.2% from structured rent, lower development income offset overall retail growth. Sales at its centres increased, albeit at a lower rate than 1H17, with Moving Annual Turnover (MAT) up 1.7% (compared to 2.1% in 1H17). Supermarket MAT declined 0.6%, whilst Specialty MAT increased 4.4%, led by an improvement of 17.4% in the Technology & Appliances category.

Portfolio MAT Growth by Category



Note 1: MAT stands for Moving Annual Turnover and measures the growth in sales over the last 12 months compared to the previous 12-month period. Source: GPT

- **The Office Portfolio** increased 4.4% to $133.5M with portfolio like-for-like income growth of 5.5% This was driven by high occupancy levels as well as income growth at the MLC Centre and Farrer Place, Sydney.
- **The Logistics portfolio** increased 25.1% to $57.8M with portfolio like-for-like income growth of 3.6%. The strong result was off the back of high occupancy levels, strong rental growth, new acquisitions and continued development project completions.
- **Funds management** increased 20.6% to $21.1M driven by an increase in fees from higher AUM across its office and retail wholesale funds. The growth in AUM came from revaluation gains as well as the acquisition of an additional 25% interest in Highpoint Shopping Centre.

- **GPT's portfolio** enjoys strong metrics including:
  - **Portfolio value** experienced an increase of 3.7% to $13.02B, which included $456.7M uplift from revaluations.
  - **Occupancy** levels increased to 97.4% from 96.8% at December 2017
  - **Weighted Average Lease Expiry** decreased to 5.1 years from 5.2 years at December 2017
- **Weighted Average Capitalisation Rate** decreased to 5.14% from 5.27% at December 2017
- **Gearing** increased slightly to 24.7% (from 24.4% at December 2017).
- **NTA** per security was up 5.4% to $5.31 per unit (from $5.04 at December 2017).
- **Development Pipeline:** GPT's development pipeline includes 3 projects due in 2H18 ($56M cost to GPT), with a further 2 projects due in FY19 ($124M) and the 32 Smith St, Parramatta project in FY20 ($223M). GPT has a future pipeline of 15 further projects across its properties and funds, with total costs of $2.5 billion (GPT's share $1.3 billion).
- **GPT maintained its FY18 guidance** for FFO per security and distributions to grow 3%. Overall the weakness in the retail sector is expected to be offset by favourable conditions in the office and logistics sectors, especially with GPT's weighting to the Sydney and Melbourne markets, with development activity to further supplement earnings growth.

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14 Aug 2018

Centuria Capital Group (ASX: CNI) – FY18 Results

CNI reported substantially stronger FY18 Operating Net Profit After Tax of $45.1M, compared to $15.5M in the year. The fund manager enjoyed a stellar performance for the year, with growth recorded in all divisions. Property AUM increased 29% off the back of significant acquisitions during the year, flowing through to management fees as well as revaluation gains. An outperformance fee of $25.8M ($18.1M after tax) was also recorded from the sale of the 10 Spring St Fund during FY18, which contributed around 6.5 cps to Operating EPS. The Investment Bonds division also recorded an 8% increase in AUM, and Coinvestment Income increased strongly from an increase in investment activity.

Whilst CNI has not provided any guidance for FY19, Core Property expects earnings growth will come from the full year inclusion of management fees, with the potential for further growth subject to acquisitions.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Property Funds Management Fees	**$22.2M**	$14.0M	+58.6%
Property Performance Fees	**$26.7M**	$1.8M	+$24.9M
Investment Bonds Management	**$5.0M**	$4.4M	+13.6%
Co-Investments	**$20.6M**	$5.9M	+$14.7M
Other Income	**-**	$2.6M	NA
Corporate	**($9.2M)**	($7.5M)	($1.7M)
Operating Profit before Interest & Tax	**$65.3M**	**$21.2M**	**$44.1M**
Finance Costs	**($8.7M)**	($2.9M)	($5.8M)
Income Tax Expense	**($11.5M)**	($2.8M)	($8.7M)
Operating NPAT	**$45.1M**	$15.5M	+$29.6M
Statutory NPAT	**$54.8M**	$17.3M	+$37.5M
Operating Earnings Per Security	**16.3 cps**	10.3 cps	+6.0 cps
Statutory Earnings Per Security	**19.8 cps**	11.5 cps	+8.3 cps
Distribution Per Security	**8.2 cps**	7.5 cps	+0.7 cps

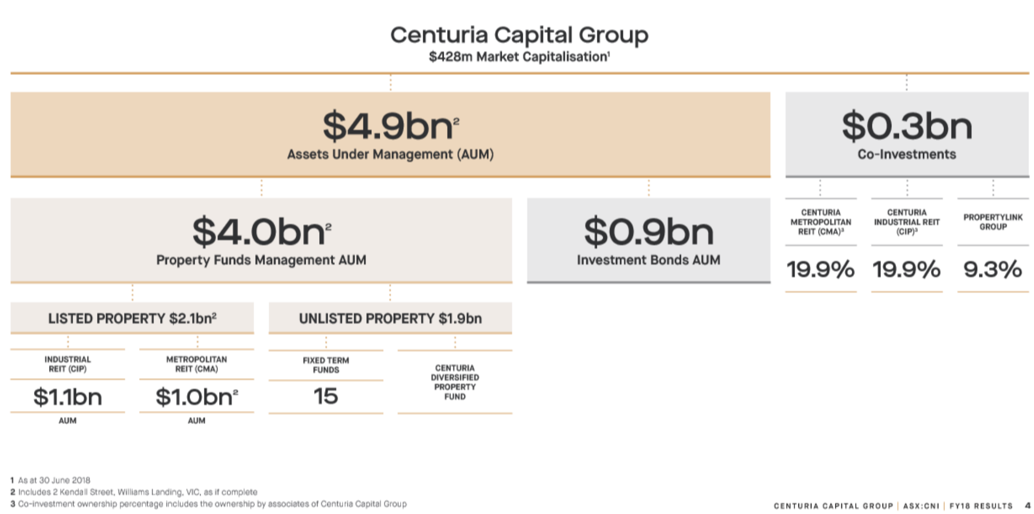
Movement over 12 months	As at June 2018	As at June 2017	Change
Balance Sheet			
Net Assets per security[1]	**$1.29**	$1.16	+11.2%
Operating Gearing %	**11.1%**	13.9%	(2.8%)
Borrowings	**$132.0M**	$107.3M	+23%
Assets Under Management			
Property Funds Management – AUM	**$4.0B**	$3.1B	+29%
Investment Bonds – AUM	**$865M**	$799M	+8.3%
Co-Investments - AUM	**$278M**	$151M	+$127M

Note 1: Net Assets per Security includes Goodwill and Management Rights for the Property Funds Management business.
Source: CNI, Core Property.

Key Points

- **CNI delivered Operating NPAT** of $45.1M for FY18, which is substantially higher than the $15.5M in the prior corresponding period. CNI's delivered an outstanding performance across all it's divisions:
  - **Property Management Fee Income** increased to $22.2M (from $14.0M in the prior corresponding period). The result included substantial growth with property AUM increasing to $4.0B (from $3.1B at June 2017). Overall CNI's property platform increased $0.8B from acquisitions and $0.3B from revaluations, offset by $0.3B in divestments. **Property Performance Fee** Income of $26.7M was also achieved, which included a $25.8M Performance Fee from the sale of the 10 Spring St Fund ($18.1M after tax and employee benefits). Core Property calculates this fee to contribute around 6.5 cps to Operating EPS for FY18.
  - **Investment Bonds Management Fees** increased to $5.0M (from $4.4M in FY17), driven by strong growth in AUM to $865M (from $799M at June 2017).
  - **Co-Investment Income** grew to $20.6M (from $5.9M in FY17), with CNI increasing its investments to $278M (from $151M) during the year. This includes a $69M investment in the Centuria Metropolitan REIT (ASX: CMA); a $124M investment in the Centuria Industrial REIT (ASX: CIP); a $59M investment in Propertylink (ASX: PLG) as well as $26M in investments in unlisted property and debt funds.
- **Net Assets per Security** increased to $1.29 per security, from $1.16 at June 2017.
- **Gearing** remains low CNI at 11.1%, down from 13.9% at June 2017.
- **Distributions** of 8.2 cps for FY18, was up 9.3% on the 7.5 cps in FY17. The amount is lower than Operating EPS of 16.3cps and reflects the one-off nature of the Performance Fee that was received on the 10 Spring St Fund.
- **CNI did not provide any guidance for FY19**, however commented that it will continue to deliver investment opportunities and further value creation through the expansion of our property and investment bond platforms".

CNI: Assets under Management and Co-Investment platform



Source: CNI

14 Aug 2018

Propertylink Group (ASX: PLG) – FY18 Results

PLG delivered an impressive 23.0% increase in Distributable Earnings per Security for FY18, with the result boosted by the inclusion of performance fees from its Investment Management operations. Excluding the performance fees, Distributable Earnings declined 9.1%. The Industrial Portfolio delivered a strong 11.6% increase in Net Property Income, however a 20% reduction in AUM impacted on the fees from the Investment Management operations.

PLG expects FY19 Distributable Earnings per security of 7.6 – 7.7 cpu with distributions being held flat at 7.3 cpu.

At current levels, PLG is trading at a slight 0.5% discount to its NTA of $1.04 per unit, with an attractive distribution yield of around 7.1%.

PLG has been in the subject of M&A activity over the last 12 months given the interest from offshore and onshore fund managers. This has reduced management's ability to execute on a number of new opportunities given the typical constraints applied during M&A activity. However, the announcement of a new partnership with Partners Group and other initiatives suggests that PLG can grow its investment management earnings rather than rely on growing its balance sheet. In addition, the industrial property sector (business parks and logistics centres) is experiencing strong investor demand and PLG is well placed to grow its AUM.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17[1]	Change
Earnings			
Statutory Net Profit after tax*	**$142.8M**	$87.2M	+63.8%
Distributable Earnings	**$55.7M**	$45.3M	+23.0%
Distributable Earnings – excl Perf Fees	**$41.2M**	$45.3M	(9.1%)
Distributable Earnings per Security	**9.25 cpu**	7.51 cpu	+23.2%
Dist Earnings Per Sec – excl Perf Fees	**6.84 cpu**	7.51 cpu	(8.9%)
Distribution per security	**7.30 cpu**	6.32 cpu	+15.5%
Payout ratio	**79%**	84%	(5%)

Movement over 12 months	As at Jun 2018	As at June 2017	Change
Balance Sheet			
NTA per security	**$1.04**	$0.873	+19.1%
Gearing %	**29.6%**	30.5%	(0.9%)
Weighted average cost of debt	**3.52%**	3.41%	+0.11%
Weighted average debt maturity	**3.6 years**	3.1 years	+0.5 years
Borrowings	**$289M**	$256M	12.8%
Portfolio			
Property Valuation – Direct owned	**$800M**	$695M	+15%
Occupancy rate	**99.2%**	97.0%	2.2%
Number of properties	**30**	30	No change
Weighted Average Capitalisation Rate	**6.66%**	7.22%	(56bps)
WALE (Weighted Average Lease Expiry)	**3.8 years**	4.4 years	(0.6 years)

Note 1: PLG listed on the ASX on 17 August 2017 with the stapling of 3 funds. The FY17 results include the 12-month result for 2 funds (PHL and PT) and the 10.5-month result for 1 fund (PAIP). *Statutory Net Profit after Tax includes non-cash items which distorts operating income. Distributable Earnings/FFO is a more appropriate measure to assess changes. Source: PLG, Core Property

Key Points

- **PLG listed on the ASX on 17 August 2017** through the stapling of 3 funds (PHL, PT and PAIP). As such the prior year comparable for FY17 is not on a like-for-like basis. Specifically,
  - The FY18 results are for the 12-month period 1 July 2017 to 30 June 2018.
  - The FY17 results includes PHL and PT for the 12-month period 1 July 2016 to 30 June 2017 plus PAIP for the 10.5-month period 16 August 2016 to 30 June 2017.
- **Distributable Earnings** of 9.25 cpu was above prior guidance of 9.0 cpu, with full year distributions of 7.3 cpu delivering a payout ratio of 79%. The result included $22.3M of Performance Fees from the Investment Management operations ($14.5M after tax and employee benefits). Excluding Performance Fees, Distributable Earnings declined 9.1% to $41.2M, and Distributable Earnings per Security declined 8.9%.
- **The Wholly Owned Industrial Portfolio (76% of revenue)** delivered a healthy result, with
  - Net Property Income increasing 11.6% with like for like income growth of 6.0%.
  - Occupancy levels increased to 99.2% (from 97.0% at June 2017).
  - WALE reduced to 3.8 years (from 4.4 years at June 2017)
  - During FY18 PLG acquired $59M of asset (Lane Cove) and sold $$32.6M
- **Co-investments (9% of revenue)** generated $19.8M of income (from $8.5M in FY17), which included $13.8M of valuation uplifts. Excluding these uplifts, Co-investment income of $6.0M was up 27% on the $4.7M in FY17. PLG currently has $101M co-invested across 5 funds with an average co-investment of 18.7%.
- **Investment Management (15% of revenue)** income fell 22.5% to $9.3M (from $12.0M in FY17. Assets Under Management reduced by 20% to $973M (from $1,214M at June 2017) due to asset sales across its funds.
- **Gearing** reduced to 29.6%, (from 30.5% at June 2017) below PLG's target of 30%- 40%.
- **FY19 Guidance:** PLG provided FY19 guidance to deliver Distributable Earnings per Security of 7.6 – 7.7 cpu, implying growth of 11-12% excluding Performance Fees. PLG will advise the market if it expects Performance Fees will provide upside to this guidance. Distributions are expected to be 7.3 cpu, with a payout ratio of 95-96% of recurring earnings.

PLG Earnings Metrics

Earnings metrics	FY18	FY17	Change
Total comprehensive income*	$142.8m	$87.2m	64%
Net revaluation gains / revaluation gain per security	$77.2m / 12.8 cps	$37.3m / 6.19 cps	107%
Distributable earnings / distributable earnings per security*	$55.7m / 9.25 cps	$45.3m / 7.51 cps	23%
Distribution per security / payout ratio	7.3 cps / 79%	6.32 cps / 84%	16%
Operating revenue			
Net property income^	$49.2m	$43.7m	13%
Co-investment income#	$6.0m	$4.7m	28%
Performance fee income++	$22.3m	$25.2	(12%)
Investment management revenue	$5.3m	$7.5m	(29%)
Property management revenue	$4.0m	$4.5m	(11%)
Gain on disposal of investment property	$0.1m	$5.7m	(98%)

Source: PLG

15 Aug 2018

Dexus (ASX: DXS) – FY18 Results

DXS delivered a strong 5.8% growth in Funds From Operations (FFO) for FY18 with distributions increasing 5.1%. FFO from the key Office portfolio increased by 6.4%, with lower occupancy levels offset by healthy like-for-like income growth of 4.5% as well as new leasing agreements coming through during the year. The outlook for the Sydney and Melbourne office markets remains favourable for DXS with comparable growth expected to remain in the 4- 5% range for FY19.

DXS also reported strong gains in the Industrial portfolio and the Funds Management business during the period; and increased its full year FY19 guidance for distributions to grow by 5.0%. The growth appears achievable off the back of the strength of the Sydney and Melbourne office markets as well as the strength of the industrial market. At current levels DXS is trading on a FY19 yield of around 4.8% (and lower than its 5.52% portfolio capitalisation rate), reflecting the portfolio's exposure to high quality CBD office properties.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Statutory Net Profit after tax *	**$1,729M**	**$1,264M**	+36.8%
Funds From Operations	**$653.3M**	**$617.7M**	+5.8%
FFO per security	**64.2 cps**	**63.8 cps**	+0.6%
AFFO per security	**47.7 cps**	**45.4 cps**	+5.1%
Distribution per security	**47.8 cps**	**45.47 cps**	+5.1%
Payout ratio	**100.2%**	**100.2%**[1]	No change
Movement over 12 months	**As at Jun 2018**	**As at June 2017**	**Change**
Balance Sheet			
NTA per security	**$9.64**	$8.45	+14.1%
Gearing %	**24.1%**	26.7%	(2.6%)
Weighted average cost of debt	**4.2%**	4.1%	+0.1%
Weighted average debt maturity	**7.0 years**	5.6 years	+1.4 years
Borrowings	**$3,360M**	$2,847M	18.0%
Portfolio – Direct Properties			
Property Valuation	**$13,283M**	$11,953M	+11.1%
Occupancy rate – Office	96.0%	97.2%	(1.2%)
Occupancy rate – Industrial	98.3%	96.5%	+1.8%
Weighted Average Lease Expiry (WALE) – Office	4.6 years	4.8 years	(0.2 years)
Weighted Average Lease Expiry (WALE) – Industrial	4.8 years	5.1 years	(0.3 years)
Capitalisation Rate – Office	5.37%	5.78%	(41 bps)
Capitalisation Rate - Industrial	6.40%	6.88%	(48 bps)
Capitalisation – Portfolio	5.52%	5.95%	(43 bps)

Source: DXS, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes. Note 1: FY17 distribution payout ratio has been adjusted to exclude the $11.6M of distributions paid on new securities issued through the institutional placement announced 21 June 2017, which were fully entitled to the distribution for the six months ending 30 June 2017. This distribution payout ratio was 102.7% including this amount.

Key Points

- **Funds From Operations** increased 5.8% to $653.3M with strong gains in both the Office and Industrial portfolios.
  - **The Office portfolio** (FFO of $603.8M) increased by 6.4%, with like-for-like income growth of 4.5%. the portfolio benefitted from the strong Sydney and Melbourne markets as well as lease commencements and acquisitions coming on board, offset by divestments. DXS expects like-for-like income growth to continue in the 4-5% range for FY19. Occupancy levels reduced to 96.0% (from 97.2% at June 2017), impacted by the departure of CBA at Sydney Olympic Park.
  - **The Industrial portfolio** (FFO of $132.7M) increased 15.6%, with occupancy levels improving to 98.3% (from 96.6% in prior corresponding period). The portfolio continues to benefit from an uptick in logistics and e-commerce demand, contributing to an improvement in occupancy. FFO growth was significantly driven by increased occupancy from lease commencements, acquisitions and developments. Effective Like-for-like income growth of 3.0% was recorded, with DXS expecting FY19 growth to remain in the 2.5-3.5% range.
  - **Funds Management** (FFO of $52.5M) was up 13.4% (from $46.3M in prior corresponding period) with DXS benefitting from strong revaluation gains, a strong year of new lease activity, as well as the first equity raise for the Healthcare Wholesale Property Fund.
  - **Trading Profits** of $36.6M (net of tax) was reported, largely from the sale of two Parramatta properties located at 105 Phillip St, Parramatta and 140 George St, Parramatta NSW. The exchange of contracts to sell 32 Flinders St, Melbourne has de-risked FY19 trading profits. The result was down from $47.2M or (22.5%) in the prior corresponding period. DXS has noted a total of six projects diversified across sectors and trading strategies have been earmarked to deliver trading profits of $260-280M pre-tax in future years.
- **Distributions** of 47.8cps for FY18 was up 5.1% on the prior corresponding period.
- **Gearing (look through)** remains low at 24.1% (26.7% at June 2017) with the average cost of debt increasing slightly to 4.2%. Debt duration increased significantly to 7.0 years (from 5.6 years) as a result of a total $653M in new debt issued with an average duration of 13.5 years, including $150M A$ fixed debt. Around 71% of debt is hedged (65% at June 2017) with management indicating that intends to maintain hedging around the 70% level.
- **NTA** of $9.64 per security was up from $8.45 at June 2017, driven by a $1.2 billion increase in the property portfolio.
- **Outlook:** DXS's market outlook over the next 12 months is for further cap rate compression of between 10 to 15 basis points. This is lower than the 43 bps compression that DXS experienced in FY18. The key Sydney office market is expected to remain "stronger for longer" with vacancies expected to dip below 3.5% in FY19 and then rising in FY20. The Melbourne office market is expected to show further upside with vacancies expected to fall below 4.0% in FY19 and stay below long term averages in the medium term. The Brisbane and Perth office markets are in a recovery phase. The industrial market continues to be supported by population growth, infrastructure investment and e-commerce, particularly in Sydney and Melbourne.
- **Guidance** for FY19 is for distributions to increase by circa 5%, implying distributions of around 50.2 cpu. The guidance is based on the assumptions of:
  - FFO per security and underlying FFO per security growth of circa 3% - supported by office like-for-like growth of 4-5% and industrial like-for-like growth of 2.5 – 3.5%
  - Management operations FFO and cost of debt in line with FY18
  - Trading profits of $35-40M net of tax
  - Maintenance capex, cash incentives, leasing costs and rent-free incentives of $155-165M.

15 Aug 2018

Vicinity Centres (ASX: VCX) – FY18 Results

VCX delivered weak FFO growth of -0.6% however FFO per security growth was positive at 1.1%, benefitting from the securities buy back during the year. Comparable FFO growth of 2.2% was driven by Net Property Income growth of 1.0% being boosted by the buyback of securities and developments.

At the results VCX outlined it's long term strategy which will focus on a core portfolio of ~50 "Destination Assets, supplemented by the management of wholesale portfolios as well as a long-term focus on mixed use development at its retail locations. We consider the strategy to be sound and provides VCX with a good platform for long term growth. However as a significant number of assets are being sold, earnings are likely to come under pressure over the next 2 years and the ultimate success of the strategy will be management's ability to efficiently redeploy capital from the sales, both in the short term as well as the long term.

VCX's guidance for FY19 is for FFO per security to fall between 18.0 - 18.2 cps, compared to the 18.2 cps delivered in FY18. Distributions are expected to be at the top of its payout ratio range of 85%- 90%, which, at current prices, indicates an FY19 yield at the high end of a 5.7% - 6.1% range.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Statutory Net Profit after tax*	**$1,218.7M**	$1,583.6M	(23.0%)
Funds From Operations (FFO)	**$708.7M**	$712.9M	(0.6%)
FFO per Security	**18.2 cpu**	18.0 cpu	+1.1%
Distribution per security	**16.3 cpu**	17.3 cpu	(5.8%)
Payout ratio (based on FFO)	**89.1%**	96.1%	(7%)

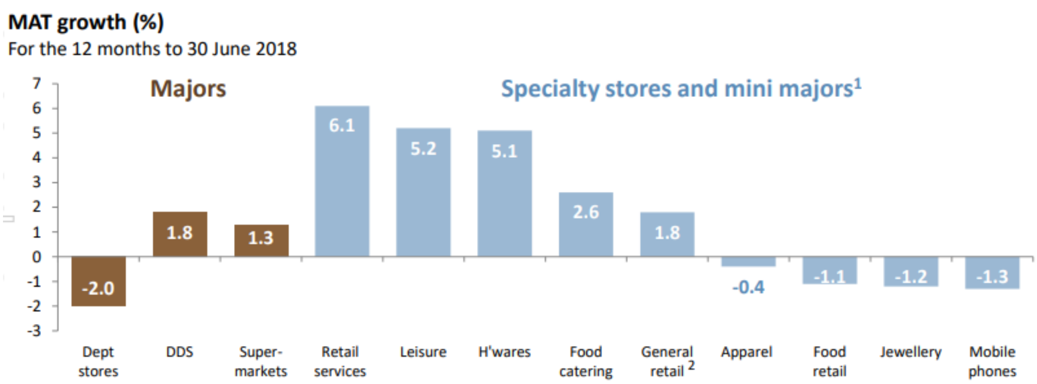
Movement over 12 months	As at Jun 2018	As at June 2017	Change
Balance Sheet			
NTA per security	**$2.97**	$2.82	+5.3%
Gearing %	**26.4%**	24.7%	+1.7%
Weighted average cost of debt	**4.3%**	4.2%	+0.1%
Weighted average debt maturity	**4.4 years**	5.3 years	(0.9 years)
Borrowings	**$4,437.6M**	$3,893.7M	+14.0%
Portfolio			
Property Valuation[1]	**$16,365M**	$15,549M	+5.2%
Occupancy rate	**99.7%**	99.5%	+0.2%
Number of properties	**74**	74	No change
Weighted Average Capitalisation Rate	**5.36%**	5.61%	(0.25%)

Note 1: Includes DFO Perth which is currently under construction *Statutory Net Profit after Tax includes non-cash items which distorts operating income. Distributable Earnings/FFO is a more appropriate measure to assess changes. Source: VCX, Core Property

Key Points

- **Funds From Operations** growth for FY18 was -0.6%, however, FFO per security increased by 1.1% to 18.2 cpu as a result of the securities buy-back scheme.
- **Portfolio metrics:**
  - **Portfolio valuations** increased by $852.3M, with major movements during the year from:
    - $375M increase in valuation for Chadstone Shopping Centre (for VCX's 50% interest)
    - $170M increase in valuation of the DFO portfolio (including $44.3M from VCX's 50% interest in DFO Perth).
    - $115.6M reduction from the divestment of four assets.
    - $80M increase (for VCX's 50% interest) in valuation for Emporium Melbourne.
    - $104.2M increase (for VCX's 50% interest) in valuation of The Glen as part of its redevelopment.
    - The asset swap with VCX acquiring a 50% interest in 3 Sydney assets from GIC for $556M (the Queen Victoria Building, The Galeries and the Strand Arcade) and selling a 49% interest in Chatswood Chase to GIC for $562M.
  - **Total Moving Annual Turnover (MAT) growth** increased by 1.2% (compared to 0.4% in FY17). MAT growth from supermarkets was +1.3%, with Discount Department Stores +1.8%, and Department Stores -2.0%. Specialty stores and mini majors experienced a 1.6% growth led by Retail Services (+6.1%) and Leisure (+5.2%).

Portfolio MAT Growth by Category



Note 1: MAT stands for Moving Annual Turnover and measures the growth in sales over the last 12 months compared to the previous 12-month period. Source: VCX

  - **Occupancy levels** improved to 99.7% (from 99.5% at June 2017).
  - **Weighted Average Capitalisation Rate** tightened by 25bps to 5.36% (from 5.61% at June 2017).
- **NTA** per security increased by 5.3% to $2.97 per unit ($2.82 at June 2017).
- **Gearing** increased by 170bps over the past year to 26.4% (from 24.7% at June 2017) and now sits within VCX's target range of 25%-35%. This increase was due to the securities buy-back scheme and capital expenditure and partially offset by divestments and asset valuation gains. VCX indicated that the $1.0B on market sale of assets and the $1.0B sale of assets into the Keppel Capital fund would reduce gearing to around 18% on a pro forma basis. This would free up around $2.5B of capital if VCX were to move to the middle of its target gearing range suggesting that the sales would be more than sufficient to meet existing and planned capital requirements for a number of years.

- **VCX outlined its Strategic roadmap** at the results announcement, with a focus on 3 key areas. The strategy follows a current on-market sale by VCX of 14 assets for $1.0B, as well as the sale of a further 8 assets for $1.0B by VCX into a new wholesale fund with Keppel Capital.
    - **Destination Assets** will consist of around 50 key assets in the portfolio, following the divestments.
    - **Wholesale Assets** will consist of assets sold by VCX into wholesale funds operated and managed by VCX. This includes 8 assets worth $1.0B being sold into the new fund with Keppel Capital, Singapore as well as existing wholesale assets worth around $1.2B.
    - **Mixed-use Developments** will be a new business unit being set up to consider development opportunities at existing retail locations. The developments may consist of office or hotel use, which VCX may consider holding the asset thereafter. Residential development is also being considered, where VCX would likely sell the property. VCX have indicated a ballpark upside of $1.0 billion form mixed use developments, however this is a long term project and management did not provide any indication of time frames and capital requirements. Twelve sites have been identified, with three initial projects likely to occur at Box Hill Central VIC, Bankstown Central NSW and Buranda Village QLD with DA approvals expected to be 2 years away.
- **Guidance** for FY19 FFO per security is for 18.0-18.2 cpu implying a slightly negative to flat growth rate of -1.1% -0% as the divestments are partially offset by comparable FFO per unit growth. The payout ratio is expected to be at the upper end of the guidance range 85%-90% on an FFO basis implying a distribution of 15.3-16.4 cpu.

16 Aug 2018

Charter Hall Retail REIT (ASX: CQR) – FY18 Results

CQR's FY18 Operating Earnings were flat for FY18, with Operating Earnings per unit up a marginal 0.4% to 30.51 cpu, assisted by CQR's buyback of units during the period which was earnings accretive. Although net property income was up 1.8%, this was largely offset by higher interest costs due the timing of acquisitions and disposals. The result highlights the resilience of CQR's portfolio of convenience-based retail assets which delivered a reasonably good performance in a challenging retail environment. Total Moving Average Turnover (MAT) was up 2.2% (from 1.6% in FY17), with Supermarket MAT up 2.8% and Specialties up 1.4%.

CQR expects more of the same in FY19 with net property income growth of 2% translating into 2% growth in Operating Earnings per unit, or 31.1 cpu. A payout ratio of 90-95%, implies distributions of 28.0 – 29.5 cpu, or a yield of 6.5-6.8% which, at current prices, Core Property considers to be attractive for a portfolio of convenience based centres.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Statutory Net Profit after tax *	**$146.4M**	**$251.3M**	(41.7%)
Operation earnings	**$123.2M**	**$123.3M**	0.0%
Operating earnings per unit	**30.51cpu**	**30.40cpu**	+0.4%
Distribution per unit	**28.20cpu**	**28.10cpu**	+0.4%
Payout ratio	**92.4%**	**92.4%**	No change

Movement over 12 months	As at Jun 2018	As at June 2017	Change
Balance Sheet			
NTA per security	**$4.22**	$4.13	+2.2%
Gearing %	**33.4%**	33.1%	+0.3%
Weighted average cost of debt	**3.8%**	4.0%	(0.2%)
Weighted average debt maturity	**5.4 years**[1]	6.1 years	(1.0 year)
Borrowings	**$961M**	$938M	+2.5%
Interest cover ratio	**3.9x**	4.6x	(0.7x)
Portfolio			
Property Valuation	**$2,793M**	$2,764M	+1.0%
Occupancy rate	**98.1%**	98.0%	+0.1%
Number of properties	**58**	71	13 assets
Weighted Average Capitalisation Rate	**6.15%**	6.31%	(16bps)
WALE (Weighted Average Lease Expiry)	**6.6 years**	6.8 years	(0.2 years)

Source: CQR, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes, Note 1: June 2018 pro-forma post funding of two new debt facilities and equivalent cancellation of syndicated debt facility (5.1 years at 30 June 2018).

Key Points

- **Operating Earnings** of $123.2M were flat, with Operating Earnings per unit increasing 0.4% to 30.51 cps. The higher growth in Operating Earnings per unit was due to units repurchased during the period.
- **Net Property income increased 1.8%** on a like-for-like basis (up from 1.0% growth recorded at June 2017)**.** Around 92% of rental income is from non-discretionary retailers, with 76% of major tenant rental income generated by supermarkets.
- **Total Moving Annual Turnover (MAT) increased by 2.2%** on a like-for-like basis (up from 1.6% growth recorded at June 2017). Total MAT growth was driven by major tenants (+2.7%) and retail services (+3.7%). MAT growth by supermarkets was +2.8% (from +1.8% at June 2017) with Wesfarmers and Woolworths representing 46.5% of rental income. Around 53% of supermarkets are trading in turnover rent, up slightly from 52% at June 2017, whilst 19% of supermarkets are within 10% of turnover rent (up from 14%). Specialty stores delivered low MAT growth of +1.4% (up from +0.2% at June 2017).

CQR: Sales Growth and Tenant metrics

Supermarket performance	Jun 18	Jun 17
MAT growth	+2.8%	+1.8%
MAT growth – supermarkets in turnover	+3.0%	+3.8%
Supermarkets in turnover[1]	53%	52%
Supermarkets within 10% of turnover	19%	14%

Specialty performance	Jun 18	Jun 17
MAT growth	+1.4%	+0.2%
Sales productivity (per sqm)	$9,536	$9,186
Average gross rent (per sqm)	$1,006	$989
Specialty occupancy cost	10.5%	10.8%
Average fixed rental increase p.a.	4.2%	4.1%
Retention rate	85%	87%

Note 1: MAT stands for Moving Annual Turnover and measures the growth in sales over the last 12 months compared to the previous 12-month period. Source: CQR.

- **Key property metrics** include:
  - **Occupancy levels** increased marginally to 98.1% (from 98.0% at June 2017).
  - **Weighted Average Lease Expiry (WALE)** reduced slightly to 6.6 years (from 6.8 years at June 2017).
  - **Disposals** – CQR sold 15 properties which it considered as lower growth centres, for a total of $309M at an average yield of 6.3% (5.1% - 8.7% range).
  - **Acquisitions –** Salamander Bay Centre, NSW was acquired for $174.5M, Highfields Village, QLD for $41.0M, and Gateway Plaza, VIC (50% ownership) for $58.5M, with all centres representing a yield of 6.0%.
- **Net Tangible Assets (NTA)** increased to $4.22 per unit, from $4.13 at June 2017, driven by a $49M uplift in the portfolio to $2.8B. The portfolio cap rate reduced by 16bps to 6.15%. At current levels CQR is trading around a (0.2%) discount to the NTA, and management has indicated that it will consider a future buy-back, which may be partially funded from asset sales.
- **Gearing** was up at 33.4% (33.1% at June 2017) and is in the mid-point of CQR's target range of 30% - 40%. The average cost of debt reduced to 3.8% (from 4.0% at June 2017) with debt maturity reducing to 5.4 years (from 6.1 years at June 2017). Around 64% of debt is hedged, with no debt maturing until FY21. Look through gearing was higher at 35.5% (from 36.2% at June 2017) and we expect that any further asset sales will look to repay debt as a priority.
- **Distributions** of 28.2cps was delivered for FY18, slightly higher than the 28.1cps in FY17. The payout ratio of 92.4% is within the mid-range of CQR's target payout range of 90% - 95%.
- **Earnings Guidance for FY19** is for operating earnings to grow by 2% over FY18, increasing to 31.1 (previously 30.2 – 30.6cps). The payout ratio of 90% - 95% equates to FY19 distributions of 28.0 – 29.5cps.

16 Aug 2018

Growthpoint Properties (ASX: GOZ) – FY18 Results

GOZ reported FY18 results with FFO up a modest 0.6% for the year. The result was off the back of like-for-like net property income growth of 0.3% across the portfolio, impacted by lower like-for-like NPI in the office segment (-0.6%) while the industrial segment grew by 1.5%.

Guidance for FY19 is for FFO of 24.6cps, representing a -1.6% change on the 25.0cps in FY18. Distributions are forecast to be "at least 23.0cps" representing growth of 3-4% for the year. GOZ's FY19 guidance implies 2 years of lower earnings per security, yet higher distributions per security are expected from a higher payout ratio.

At current price levels GOZ is trading on an FY19 distribution yield of 6.1% and 21.0% premium to its NTA per unit.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Statutory Net Profit after tax*	**$357.7M**	**$278.1M**	+28.6%
Funds From Operations	**$167.1M**	**$166.1M**	+0.6%
FFO per security	**25.0 cps**	**25.5 cps**	(2.0%)
Distribution per security	**22.2 cps**	**21.5 cps**	+3.3%
Payout ratio	**88.8%**	**84.3%**	+4.5%

Movement over 12 months	As at Jun 2018	As at June 2017	Change
Balance Sheet			
NTA per security	**$3.19**	$2.88	+10.8%
Gearing %	**33.9%**	38.5%	(4.6%)
Weighted average cost of debt	**4.4%**	4.3%	+0.1%
Weighted average debt maturity	**5.0 years**	5.0 years	No change
Borrowings	**$1,198M**	$1,299M	(7.9%)
Portfolio			
Property Valuation	**$3,356.1M**	$3,283.8M	+2.2%
Occupancy rate	**98%**	99%	(1%)
Number of properties	**57**	58	(1 asset)
Weighted Average Capitalisation Rate	**6.25%**	6.53%	(28bps)
WALE (Weighted Average Lease Expiry)	**5.3 years**	6.1 years	(0.8 years)

Source: GOZ, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income. FFO is a more appropriate measure to assess changes

Key Points

- **Funds From Operations (FFO)** of $167M was up 0.6% from the prior corresponding period, with FFO per security growth of -2.0%. The result was impacted by like-for-like net property income growth of 0.3% as well as a reduction in occupancy levels.
- **The property portfolio metrics** include:
  - **A portfolio of 57 properties valued at $3.4B.** During the period GOZ acquired $137.3M[1] in property and divested $90.8M.
  - **Occupancy** levels reduced to 98%, from 99% at June 2017.
  - **Weighted Average Lease Expiry (WALE)** fell to 5.3 years (from 6.1 years at June 2017).
  - **Like-for-like net property income growth** was 0.3% across the portfolio (+2.9% on an FFO basis)
  - **The weighted average rent review** delivered growth of 3.6% during the period.
  - **The Office Portfolio (66% of portfolio)** maintained occupancy levels at 98% however like-for-like net property income growth of -0.6% was recorded. During FY18 the office portfolio increased by 6.3% to $2,209.3M, with capitalisation rates tightening to 6.0% (from 6.3% at FY17). Most major office markets recorded positive net absorption over the period, leading to downward pressure on incentives and rent growth in most Eastern seaboard office markets.
  - **The Industrial Portfolio (34% of portfolio)** delivered a 1.5% increase in like-for-like net property income with occupancy rates of 99%. The portfolio valuation increase 5.9% to $1,146.8M in FY18, with capitalisation rate tightening to 6.6% (from 6.9% at FY17).
- **Gearing** of 33.9% (38.5% at June 2017) is at the bottom end of GOZ's target range of 35-45%. The weighted average cost of debt was 4.4% with average debt maturity of 5.0 years. Around 82% of interest is hedged, in the mid-point of GOZ's target range of 65-100%.
- **Property valuations** increased by $73.1M, an increase of 2.2% during FY18 with the portfolio capitalisation rate reducing 28bps to 6.25%.
- **Net Tangible Assets (NTA)** increased by 10.8% to $3.19 per security.
- **Distributions** of 22.2cps were up 3.3% on the prior corresponding period.
- **GOZ owns an 18.2% stake in Industria REIT (ASX: IDR),** which it purchased in July 2017 and is currently listed as a non-current asset on GOZ's balance sheet. GOZ has not provided any indication on what it intends to do with its holdings in IDR.
- **FY19 guidance** is for FFO of "at least 24.6cps", which would represent a -1.6% movement on the 25.0cps delivered in FY18. Distribution are expected to be "at least" 23.0 cps, representing a 3-4% growth on the 22.2 cps delivered in FY18. As such, although FFO per security is expected to decline again in FY19, distributions are expected to grow due to a higher payout ratio of 92%.

17 Aug 2018

Goodman Group (ASX: GMG) – FY18 Results

GMG delivered another strong result with Operating Profit up 9.0% for FY18 and Operating EPS up 8.3%. Although the Property Investment operations were weaker (-3%) due to asset sales, this was more than offset by Management Earnings increasing 18.7% benefitting from a 15% increase in external AUM as well as performance fees.

Development Earnings increased by 1.6% with GMG managing a $10B development pipeline, which includes a high level of pre-commitments and pre-sales, providing earnings certainty.

The favorable market conditions are expected to continue in FY19 with GMG expecting Operating Profit to increase 7.9% to $913M, Operating EPS to increase 7% to 50.0 cps, and distributions to increase 7% to 30.0 cps. With a strong development pipeline providing visibility of earnings, the growth appears achievable with the potential for upside.

At current levels, GMG is trading on a FY19 yield of 2.8%, which is reflective of its strong market position and its potential to deliver a strong pipeline of growth.

FY18 Results to 30 June 2018

FY18 results	FY18	FY17	Change
Earnings			
Statutory Net Profit after tax*	**$1,098.2M**	$778.1M	+41.1%
Property Investment Earnings	**$384.8M**	$396.7M	(3.0%)
Management Earnings	**$316.5M**	$266.6M	+18.7%
Development Earnings	**$490.6M**	$482.9M	+1.6%
Operating expense	**($243.2M)**	($239.7M)	+1.5%
Operating EBITDA	**$948.7M**	$906.5M	+4.7%
Operating Profit	**$845.9M**	$776.0M	+9.0%
Operating earnings per security	**46.7 cps**	43.1 cps	+8.3%
Distributions per security	**28.0 cps**	25.9 cps	+8.1%

Movement over 12 months	As at June 2018	As at June 2017	Change
Balance Sheet			
NTA per security	**$4.64**	$4.21	+10.2%
Gearing %	**5.1%**	5.9%	(0.8%)
Weighted average cost of debt	**2.4%**	2.4%	No change
Weighted average debt maturity	**6.9 years**	3.7 years	+3.2 years
Interest cover ratio	**9.4x**	9.5x	0.1x
Portfolio			
Property Valuation (look through)	**$11,241.8M**	$10,680M	+5.3%
Occupancy rate	**98%**	97%	+1.0%
Like-for-like Net Property Income growth	**3.2%**	2.6%	+0.6%
Weighted Average Capitalisation Rate	**5.5%**	5.9%	(40bps)
WALE (Weighted Average Lease Expiry)	**4.8 years**	4.7 years	+0.1 years

Source: GMG, Core Property *Statutory Net Profit after Tax includes non-cash items which distorts operating income.

Key Points

- **Operating Profit** was up 9.0% to $845.9M for the year, with operating EPS of 46.7 cents, up 8.3%. GMG's international operations contributed 63% of the groups operating profit.
  - **Property Investment earnings (35% of income)** was weaker (-3%) due to asset sales, however was in line with expectations due to asset sales. Portfolio fundamentals remain strong, with the property valuations (look through) recording a 5.3% increase on FY17 results. Occupancy improved at 98% (from 97% at June 2017) with a weighted average lease expiry (WALE) of 4.8 years and net property income growth of 3.2%
  - **Management Earnings (23% of income)** was up 18.7%, off the back of an 11% increase in Total Assets Under Management to $38.3B (from $34.6B at FY17) with GMG looking well placed to achieve its target of $50B within its five-year timeframe. External AUM increased 15% to $35.1B (from $30.5B at FY17). The GMG platform is by far the most significant global industrial and logistics platform with a general consensus for continued strong demand for logistics businesses (leveraging off the online retailing boom) and office park-style developments in its Asian, European and American markets.
  - **Development Earnings (42% of income)** was up 1.6% to $490.6M driven by $3.5B of completions during the year (87% of which have committed tenants). GMG continues to maintain a development pipeline of around $10B which currently includes Commencements of $3.2B and Work in Progress of $3.6B with a forecast yield on cost of 7.2%. A total of 76% of the WIP is undertaken in partnerships, ROA for the group has increased to more than 20%. Strong development returns have also positively contributed to Partnership returns and performance fees. Increased fee-for-service income provides significant reduced volatility of development earnings.
- **Total distributions** for FY18 increased to 28.0 cps, up 8.1% on the prior corresponding period.
- **NTA** per unit was $4.64, up 10.2% for the year. The portfolio delivered a strong performance which included $2.8B in revaluations.
- **Gearing** remains very low at 5.1%, with GMG having $4.2B of undrawn debt and cash. The weighted average cost of debt was 2.4%, positively affected the FY18 results and offset the impact of sales on investment income, management fees and development migration into Partnerships.
- **The Outlook** remains favourable for GMG who are well placed to benefit a significant refocus on customer fulfillment and supply chains as well as the scarcity of well-located sites. Currently GMG has sites capable of delivering over 35,000 apartments and a significant development pipeline which is used to support it's management and property investment operations. GMG's top customers are Amazon (4.5% of net income), Deutsche Post (DHL, 3.1%) and Japan Post (Toll, 1.8) and Wesfarmers (1.5%).
- **FY19 Guidance was provided** with GMG targeting Operating earnings of $913M, an increase of 7.9% for the year, with Operating EPS expected to be 50.0 cps (up 7% on FY18). GMG is targeting distributions of 30.0 cps (up 7% on FY18) with the payout ratio unchanged.

GMG Management Platform

Management platform

	GAIP	GHKLP	GEP	GAP	GCLP	GMT	GJCP	GNAP	GUKP
Total assets	$7.0bn	$6.0bn	$5.7bn	$3.7bn	$3.5bn	$2.4bn	$2.3bn	$2.1bn	$0.3bn
GMG co-investment	27.9%	20.0%	20.4%	19.9%	20.0%	21.2%	17.3%	55.0%	33.3%
GMG co-investment	$1.3bn	$0.9bn	$0.7bn	$0.7bn	$0.5bn	$0.4bn	$0.2bn	$1.0bn	$0.1bn
Number of properties	95	11	108	35	33	12	12	9	3
Occupancy[1]	97%	99%	97%	98%	99%	99%[4]	100%	92%	100%
Weighted average lease expiry[1]	5.1 years	3.0 years	5.1 years	4.2 years	3.5 years	5.6 years[4]	3.5 years[6]	7.1 years	10.3 years
WACR	5.9%	4.6%	5.5%	5.9%	6.1%	6.2%[5]	4.6%	4.0%	4.7%
Gearing[2]	23.0%[8]	16.5%	22.3%	3.3%	7.1%	26.9%	38.0%	-	-
Weighted average debt expiry	6.1 years	5.4 years	4.9 years	6.3 years	2.5 years	4.0 years	5.4 years	n/a	n/a
Total shareholder return	10.4%	16.8%[3]	22.6%	12.5%	15.9%[7]	11.6%[5]	9.0%[9]	n/a	18.6%

Source: GMG

GMG Developments

Developments

FY18 Developments	Completions	Commencements	Work in progress
Value ($bn)	3.5	3.2	3.6
Area (m sqm)	2.2	2.0	2.2
Yield (%)	7.4	7.2	7.2
Committed (%)	87	67	64
Weighted average lease term (years)	9.5	7.7	7.8
Development for third parties or Partnerships (%)	80	71	76
Australia / New Zealand (%)	16	14	20
Asia (%)	19	17	26
Americas (%)	25	25	19
UK / Continental Europe (%)	40	44	35

Work in progress by region	On balance sheet end value $M	Third party funds end value $M	Total end value $M	Third party funds % of total	Committed % of total
Australia / New Zealand	55	645	700	92	52
Asia	39	900	939	96	41
Americas	-	681	681	100	69
UK / Continental Europe	757	509	1,266	40	83
Total	**851**	**2,735**	**3,586**	**76**	**64**

Source: GMG

Core Property
Fund Research & Ratings

Appendix: A-REITs Reporting Timetable

The following is a timetable of reporting dates for the A-REITs in August 2018.

A-REITs Reporting Timetable – August 2018

Mon 30 Jul	Tue 31 Jul	Wed 1 Aug	Thu 2 Aug	Fri 3 Aug
		Week 1		
		BWP – FY18		
Mon 6 Aug	**Tue 7 Aug**	**Wed 8 Aug**	**Thu 9 Aug**	**Fri 10 Aug**
		Week 2		
	SCP – FY17	**IOF** – FY18	**MGR** – FY18	**CLW –** FY18
		FET – FY18		**AVN –** FY18
		LEP - FY18		
Mon 13 Aug	**Tue 14 Aug**	**Wed 15 Aug**	**Thu 16 Aug**	**Fri 17 Aug**
		Week 3		
GPT – 1H18	**PLG –** FY18	**DXS –** FY18	**CQR –** FY18	**GMG –** FY18
		VCX – FY18	**GOZ –** FY18	**ABP –** FY18
Mon 20 Aug	**Tue 21 Aug**	**Wed 22 Aug**	**Thu 23 Aug**	**Fri 24 Aug**
		Week 4		
GDI – FY18	**CMA –** FY18	**IDR –** FY18	**APN –** FY18	**GDF –** FY18
	CIP – FY18	**CHC –** FY18	**VVR –** FY18	**AOF** – FY18
	CRR – FY18		**SGP –** FY18	
	SCG – 1H18		**CMW –** FY18	
	ARF – FY18			

Source: Company Announcements, Core Property

Ratings Process for A- REITs

Core Property Research evaluates recommendations on listed A-REITs continuously, based on a range of qualitative and quantitative criteria ranging from management, appropriateness of the A-REIT's capital structure and the property portfolio metrics. From a quantitative perspective, Core Property's recommendations are based on Total Expected Returns (forecast distribution yield plus forecast capital gain or loss) for a 12-month time horizon, using a range of valuation methodologies. The two most commonly used valuation techniques are Discounted Cash Flow (DCF), which uses an A-REI's expected free cash flow, and the net Asset Valuation (NAV) approach.

The 12-month Total Return is compared with set total return bands and assigned a 12-month recommendation based on the Recommendation Definitions below.

Recommendation Definitions

Recommendation	Definition
Buy	If the 12-month Total Expected Return is forecast to be 15% or more.
Accumulate	If the 12-month Total Expected Return is forecast to be at least 10% and less than 15%.
Hold	If the 12-month Total Expected Return is forecast to be at least 5% and less than 10%.
Reduce	If the 12-month Total Expected Return is forecast to be at least 0% and less than 5%.
Sell	If the 12-month Total Expected Return is forecast to be less than 0%.

At times of extreme volatility, it is quite possible that the recommendations will swing between each of our bands. During such times, Core Property will adopt a more flexible approach to recommending stocks, based on a slightly longer duration, and as such, recommendations may appear to be inconsistent when compared with the bands. This is to avoid clouding value judgments with short-termism.

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