



## nzx release+

---

### GMT Annual Meeting of Unitholders

---

Date 2 August 2017

Release Immediate

---

#### WELCOME

Good afternoon ladies and gentlemen and welcome to the SKYCITY convention centre.

I'm Keith Smith, Independent Director and Chairman of Goodman (NZ) Limited, the Manager of Goodman Property Trust.

The Board and management team are delighted to be here today and we look forward to reviewing the performance of the Trust with you this afternoon. The meeting will also consider how the strategy of the Trust is being refined to take advantage of the positive operating environment.

The final objective of the meeting is the consideration of one ordinary resolution relating to the re-appointment of Susan Paterson as an Independent Director.

I'd encourage you all to participate in today's proceedings and take the opportunity to communicate directly with those responsible for managing your investment. Directors and staff will also be in attendance at the afternoon tea that follows the meeting to answer any further questions you may have.

Before we proceed any further I would also like to point out that the bathrooms are located through the foyer of this meeting room and up the stairs.

In the unlikely event of an emergency you will be required to evacuate and assemble outside the building in a designated safe area. Should this occur please exit the room through the rear doors and follow the directions of the SKYCITY convention centre staff.

To simplify proceedings today, I will refer to Goodman Property Trust throughout the meeting as the “Trust” or “GMT”, and Goodman (NZ) Limited – the manager of that Trust – as the “Manager”.

## **ATTENDANCE AND APOLOGIES**

I would now like to introduce the other members of the Board, together with the executives of the Manager, who are present today.

From my far left/right – Peter Simmonds, Independent Director; Leonie Freeman, Independent Director; Phil Pryke, Non-executive Director; Susan Paterson, Independent Director; Andy Eakin, Chief Financial Officer; and John Dakin, Chief Executive Officer and Executive Director.

Greg Goodman is an apology for this year’s meeting as a recent knee operation means he is unable to travel from Sydney to attend.

The composition of the Board is unchanged since we met last year and a majority of Independent Directors is maintained.

## **REPRESENTATIVE OF TRUSTEE; EXECUTIVES AND ADVISORS PRESENT**

In addition to the Board, there are executives of the Manager, representatives of our Trustee, Covenant Trustee Services Limited and representatives from the Trust’s external advisors also present today.

## **MEETING FORMALITIES**

I’d now like to work through some of the more formal aspects of the meeting before we begin the presentations.

- + I'd like it noted that in accordance with the Trust Deed, I have been nominated by the Trustee to act as chairman of this meeting and I have now tabled this nomination.
- + I also confirm that the meeting has been properly convened and notice has been properly given to Unitholders.

GMT's Trust Deed requires at least five persons holding, or representing by proxy, or as representative or attorney, at least ten per cent of the number of Units on issue at the date of the meeting carrying the right to vote at the meeting for a quorum to be achieved.

I confirm that these requirements have been met; and that a quorum is present.

### **DIRECTOR VOTING**

Unitholders have the right to nominate and vote on the Independent Directors of the Manager with elections held annually.

Susan Paterson is retiring by rotation, and being eligible, has offered herself for re-election.

You will be asked to cast your vote at the conclusion of the presentations. The scrutineers will be the Trust's auditors, PricewaterhouseCoopers.

Now the formalities are dealt with we can proceed.

## **BUSINESS STRATEGY**

It's been another successful year for GMT.

The Trust has continued to take advantage of the positive economic environment and strong property market conditions that exist and has delivered a record operating result.

While the profit of \$220.5 million is a financial highlight, the most important feature of last year's operating performance is the progress made toward longer-term strategic objectives.

A commitment to building a portfolio of exceptional quality has always underpinned our investment strategy for GMT. The acquisition of the remaining interests in Highbrook Business Park in 2012 and a focus on organic growth since then, have transformed the portfolio.

The progression of the development programme, further asset sales and selective acquisitions are all having a positive impact on GMT, refining the portfolio and reinforcing the Trust's position as a premium property provider.

These activities are also improving the financial metrics of the business, de-leveraging the balance sheet and providing substantial capacity for future investment and development opportunities.

The Board believes that the existing strategy, with its focus on maximising the performance of the investment portfolio and development led growth, remains appropriate while operating conditions are favourable.

## **MANAGEMENT EXPERTISE**

The Management team responsible for implementing and delivering GMT's business strategy is a highly capable and experienced group of individuals.

The Board would like to acknowledge the important contribution that Peter Dufaur has made to the business, leading the development programme that has transformed the portfolio over the last 13 years. His considerable efforts have contributed to the success of GMT and the Board would like to publicly thank him following his decision to leave Goodman.

The depth of experience within the senior management group has been recognised with the appointment of Michael Gimblett to the role of General Manager Development. He is a capable replacement for Peter and his appointment comes after more than 10 successful years in property and development related positions with Goodman.

I'd now like to pass over to Andy Eakin and John Dakin, who will give a more detailed overview of the Trust's recent financial and operational performance.

## **ANDY EAKIN'S ADDRESS**

Thank you, Keith, and good afternoon ladies and gentlemen. It's great to be reviewing GMT's recent financial performance with you this afternoon.

With record operating earnings and a further strong property valuation the Trust recorded its second highest profit last year. It's another very positive result that reflects the benefits of an investment strategy that is increasingly focused on the Auckland industrial sector.

We've taken advantage of strong market conditions over the last 12 months, advancing the development programme and refining the portfolio through asset disposals and selective acquisitions.

It's a strategy that is progressively transforming the business while adding to the Trust's financial strength. It is also improving the quality of GMT's earnings and reducing gearing to a historically low level.

## **BALANCE SHEET STRENGTH**

The emphasis on sustainable growth is enhancing the Trust's already strong balance sheet position. It's a long-term focus that ensures that GMT has the resilience to withstand market cycles and any adverse events that may occur.

We believe a strong balance sheet has four key characteristics, they include:

1. a high quality asset base;
2. reliable cashflows;
3. a prudent level of debt; and
4. secure and diverse debt facilities.

A high quality property portfolio leased to successful customers provides the contracted revenue streams that support the strong operating performance of the Trust.

Rental income, including the Trust's share of its joint venture, grew 2.9% in 2017 to \$147.2 million. The additional revenue contributed to the 4% growth in operating earnings to \$121.7 million before tax.

With occupancy levels at historic highs and strong rental growth being recorded, we are actively managing the portfolio to ensure these rental cashflows are maximised.

## **CAPITAL MANAGEMENT**

A successful sales programme has continued to recycle capital, reducing debt and providing funding capacity to progress the Trust's development programme.

Strong investor demand facilitated the sale of four properties during the year for \$278.8 million. The transactions included the Millennium Centre office assets on Great South Road in Greenlane. It is the largest sale ever undertaken by GMT and in total achieved a net gain of \$9.0 million

With significant balance sheet capacity and only partly drawn debt facilities, the Trust has the necessary liquidity to fund all its current investment objectives.

At year end, net borrowings including the Trust's share of its joint venture represented just 30.6% of its \$2.4 billion property portfolio. The business has reduced its gearing levels over the last few years and further disposals are expected to keep the loan to value ratio in the 30% to 35% band.

It is a conservative level of debt, well below the 50% maximum allowed under GMT's debt covenants and its Trust Deed.

The buoyant investment market that is facilitating the Trust's sales programme is also evident in its valuation result. The 5.4% increase in property values reflects strong market rental growth and strengthening investor demand for high quality industrial property resulting in firming market capitalisation rates.

The uplift contributed \$114.7 million, or around half of the Trust's \$220.5 million pre-tax profit.

Because these valuation gains are not distributed they were the main driver of the 8.3% increase in GMT's net tangible asset backing, to \$1.30 per unit.

## **TREASURY INITIATIVES**

Along with a prudent level of debt one of the key features of a strong balance sheet is a secure and diverse debt book.

Following the Trust's March balance date a new bond issue was undertaken.

The seven year bond was offered to New Zealand retail and institutional investors and to select offshore investors. It was a highly successful offer securing \$100 million of new debt funding. The interest rate was set at a very competitive 4.54% per annum.

The issue further improves the diversity and expiry profile of the Trust's debt facilities, extending the average term from 4.5 years to 5.4 years.

Securing long dated funding and reducing the Trust's reliance on traditional bank funding has been an important business objective since 2009. With a combination of retail bonds, wholesale bonds, bank debt and US Private Placement issuance, GMT now has a very diverse debt book with around 72% of its debt drawn from non-bank sources.

A key element in the success of these treasury initiatives has been GMT's credit rating from Standard & Poor's. The rating agency reaffirmed the Trust's investment grade issuer rating of BBB in April, with its debt rated one notch higher at BBB+.

The investment grade assessment reflects positively on the quality of the Trust's assets, the strength of its balance sheet and its overall investment strategy.

## **QUALITY OF EARNINGS**



While balance sheet strength is an important metric for investors and analysts evaluating property entities like GMT, equal focus is placed on the level of earnings a business generates and just as importantly, the quality of these earnings.

We are further extending our financial disclosures and providing additional detail around GMT's underlying cash earnings. It highlights an improving trend with cash earnings growing almost 16% over the last 12 months, to 7.08 cents per unit.

The increase means that last year's distributions of 6.65 cents per unit represented just 93.9% of cash earnings. It's a sustainable distribution level that we believe offers a very attractive yield in the current low interest rate environment.

#### **DISTRIBUTION GUIDANCE**

The progression of the development programme is expected to support cash earnings at a similar level in 2018 and distributions will be maintained at 6.65 cents per unit.

Payment of the first quarter distribution, relating to the three months ended 30 June 2017, is to be made on 21 September 2017.

The management team are extremely pleased with the performance of the Trust and the progress that has been made toward building a high quality and sustainable business.

I'll now pass you over to John who will continue with the operational review.

Thank you.

## **JOHN DAKIN'S ADDRESS**

Thanks Andy and good afternoon ladies and gentlemen.

As you've already heard, GMT has achieved another strong financial result. The Trust has also made encouraging progress toward wider, strategic objectives.

This strategic focus recognises that while operating conditions are favourable, we have the opportunity to refine our business, ensuring it is positioned for long term, sustainable growth.

## **PROPERTY PORTFOLIO**

A key element in our success is an investment strategy that is focused on high quality assets and prudent capital management. Progression of the development programme, selective acquisitions and asset disposals are all transforming our business.

With more than \$535 million of new development projects since 2013, GMT's strategic land holdings are being rapidly converted into high quality, income producing assets.

We're recycling capital from the sale of the Trust's older assets to fund this development activity and have completed more than \$620 million of disposals over the same period.

The asset diversity chart shown on the next slide, highlights the changing composition of the portfolio over the last five years.

Following completion of current development projects, GMT's investment in the preferred Auckland industrial sector will have increased to over 77% of total property assets, while its land weighting will have reduced to just 7%.

GMT's property portfolio now provides around one million square metres of rentable space, an area roughly equivalent in size to Auckland Domain. It has a current value of more than \$2.4 billion and generated over \$147 million in net rental income last year.

These rental cashflows are provided by a diverse customer base that includes many of New Zealand's most substantial businesses. These companies employ more than 17,000 staff across the Trust's Auckland estates, a significant proportion of the city's entire workforce.

## **DEVELOPMENT PIPELINE**

The quality of the properties we own today reflects the success of our development programme over the last 12 years. With more than 75% of the portfolio constructed since 2004 it is a strategy that has underpinned the growth of GMT, helping transform the Trust into a substantial NZX entity with a market capitalisation of around \$1.6 billion.

With proven development expertise and strategic land holdings it's a capability that is providing essential business infrastructure to a growing city. It is also enabling our customers to operate more efficiently and cost effectively.

The chart on the current slide shows the value of new development projects initiated over the last five years. With positive market dynamics reflecting a very constrained industrial sector we have been able to maintain a strong level of development activity.

These new facilities are typically yielding between 6.0% and 7.5% on cost and achieving fair value gains of 15% to 20% when subsequently revalued. Funded through asset sales it's a value adding business activity that is enhancing the growth profile of the portfolio and improving underlying cash earnings.

The current slides highlight some of the projects completed over the last 12 months.

This selection of new projects is representative of the type of assets our development programme is delivering across all our estates. They are well located, highly specified properties leased to substantial businesses on long term leases.

Big Chill is the largest of the new developments and with a substantial yard area it fully utilises a challenging site within Highbrook Business Park. It is the third cool store completed for this specialist logistics operator over the last 10 years and like many of our industrial facilities it includes future expansion options. The development won an excellence award from the Property Council of New Zealand in June this year.

The new facility for Coda is the first stage in the development of an integrated road and rail facility for the Fonterra and Port of Tauranga owned business at Savill Link in Otahuhu. It included the expansion of an existing warehouse facility and the construction of a rail siding and freight canopy, providing direct access to KiwiRail services along the main trunk line.

A second expansion stage has already commenced increasing the size of the building by a further 8,000 sqm.

It is the second development at Savill Link to utilise a rail siding following the completion of the Mainstream facility in 2013. With increasing road freight volumes limiting productivity growth in Auckland, better utilisation of existing rail infrastructure is an important part of a congestion solution for the city.

The remaining images include further examples of the assets developed by GMT over the last 12 months. The greatest level of activity is being undertaken at Highbrook Business Park.

With a current value in excess of \$1.1 billion the estate represents around 50% of the Trust's property portfolio.

The following slides showcase what has been achieved already and also identifies the likely location and scale of projects required to complete the development masterplan.

We've made significant progress toward completing Highbrook with over \$250 million of new developments since 2012. An intensification of the development programme is about to commence and our expectations are that this former horse stud will be over 90% developed within the next three years.

I've spoken before about the attractiveness of the Auckland investment market and the growth opportunities it offers. The aerial image on screen now highlights the physical constraints of the city and the location of our estates close to key infrastructure.

### **E-COMMERCE IMPACTS**

The increasing capital allocation to Auckland is a deliberate strategy that reflects the strong growth profile of the city and the positive investment characteristics of industrial property.

It also positions GMT to benefit from the increasing demand for warehouse and distribution space as a result of e-commerce.

Online shopping is increasing the requirement for distribution warehousing in many global markets. It's an emerging trend that is also adding to the attractiveness of industrial property as an investment class.

In New Zealand the value of online transactions makes up around 7.4% of all retail sales, lower than more established markets like the UK where it accounts for over 20%. Volumes are expected to double over the next five years and the quality and location of GMT's industrial portfolio means it is well placed to benefit from the increase in demand for logistics space.

### **CHANGING WORKPLACE PRACTICES**

The impact of new technology is also impacting how people are working.

Businesses are evolving and adapting, and for many companies this has also included a move away from traditional office property solutions. Workplaces are becoming more flexible and staff are more mobile.

There is also a growing emphasis on corporate responsibility and employee health and well-being.

It is a trend we are seeing within the VXV Precinct in Auckland's Viaduct area, where there is strong demand from businesses that want to be at the forefront of innovation.

GMT has maintained its capital allocation to this key office market through its joint venture with GIC, the sovereign wealth fund of Singapore. The joint venture has continued to invest, acquiring the recently completed Bayley's House in June for \$62.3 million.

Featuring large flexible floor plates, and incorporating sustainable architectural elements and energy efficient building systems, the low-rise office property is designed to a 5 Star Green Star rating. It is also expected to achieve a 5 star NABERSNZ base building rating when assessed in 12 months' time.

NABERSNZ is the industry measure for energy efficiency in commercial buildings.

Bayleys, Datacom, Fonterra and IBM are all VXV customers that have adopted activity based work practices. The following images showcase some of these buildings.

The key difference with a traditional office is that there are no allocated desks but a variety of spaces available, suitable for a range of tasks. They often feature:

- + Focus areas for individual work
- + Collaboration areas for group orientated projects
- + Formal and informal meeting spaces
- + Social areas that offer the opportunity to mix and interact

- + End of trip facilities that encourage alternative commuting and other recreational opportunities

The concept is not new but improvements in wireless technology and the capability and size of portable devices has enabled a more effective implementation. Staff are able to move seamlessly between zones, or even work remotely, while still being connected.

The benefits of activity based working is in the greater interaction of staff and improved productivity compared to a more typical open plan layout. With a proportion of an office absent on any one day it also more efficient, reducing the number of workspaces required.

The attractions of the area and its emergence as a technology hub means this is the location where we are now focusing GMT's office investment.

## **SUMMARY**

Before we move to the formal business of the meeting I'd like to reinforce the main points of this afternoons presentations.

The Goodman brand is now widely recognised as the quality benchmark for industrial and business space property.

Continued development and leasing success, together with ongoing transactional activity, is enhancing the portfolio and helping to create a more resilient business.

We remain focused on organic growth and will continue to take advantage of the strong property market dynamic to sell assets and de-leverage the balance sheet. It is a prudent approach that ensures GMT has the necessary headroom to withstand any change in asset values as a result of interest rate cycles.

Demographic and technological change are also influencing our investment strategy, which is now heavily focused on Auckland industrial property.

Taking advantage of the positive operating environment and intensifying the build-out of Highbrook Business Park over the next three years remains an important objective.

It is the continuation of an investment strategy focused on owning a premium real estate portfolio located in the most desirable markets.

Thank you ladies and gentlemen.



## **GENERAL BUSINESS**

### **KEITH SMITH**

Thanks John, the Trust has established an impressive track record of development success. I'm sure investors here today are encouraged by the progress that has been made and the continuing commitment to portfolio quality and organic growth.

I would now like to open the floor for questions.

### **PROCEDURE FOR QUESTIONS FROM UNITHOLDERS**

If you'd like to ask a question of the Board or its advisors please signal your intention to do so by raising your hand and a member of staff will bring you a microphone. For the record, I would also ask that you identify yourself before you speak; and, if you are a proxy or representative for a Unitholder, please let us know that as well.

Ladies and gentlemen, as there are no further questions I will now proceed to the formal business of the meeting.

### **RESOLUTION**

As I mentioned earlier in my address, Unitholders have the right to vote on the appointment of Independent Directors.

Susan Paterson is retiring by rotation and being eligible, has offered herself for re-election. Susan is a highly experienced and effective member of the Board. She provides commercial and governance expertise that complements the skills of the other Directors. The Board unanimously recommend that Unitholders vote in favour of her re-appointment.

Before we conduct the poll I will invite Susan to address the meeting.

[Susan Paterson to briefly address the Meeting]

Thank you Susan

The Resolution is set out in the Notice of Meeting and on the voting form you will have received. As the resolution has been notified, there is no formal requirement for a seconder.

A majority of not less than half of persons entitled to vote and voting is required to carry the resolution.

Are there any questions on the resolution?

As there are no further questions we will proceed to a poll and formally conclude this meeting.

#### **VOTING AND CLOSURE**

If you have not already voted you should complete your voting and proxy form and place it in the boxes on the registration table [outside this meeting room]. There are pens available and Computershare staff will be on hand should you have any questions or require replacement forms.

Refreshments are also being served and you are welcome to stay and enjoy the hospitality while the poll is being conducted.

The result will be announced to the NZX in due course and a copy of the announcement will also be available on our website.

Ladies and gentlemen, thank you very much for your attendance and participation this afternoon, I now declare this meeting closed.

#### **For further information please contact:**

Keith Smith  
Chairman  
Goodman (NZ) Limited  
(021) 920 659

John Dakin  
Chief Executive Officer  
Goodman (NZ) Limited  
(09) 375 6063  
(021) 321 541

Andy Eakin  
Chief Financial Officer  
Goodman (NZ) Limited  
(09) 375 6077  
(021) 305 316

**About Goodman Property Trust:**

GMT is an externally managed unit trust, listed on the NZX. It has a market capitalisation of around \$1.6 billion, ranking it in the top 20 of all listed investment vehicles. The Manager of the Trust is a subsidiary of the ASX listed Goodman Group, Goodman Group are also the Trust's largest investor with a cornerstone unitholding of 21%.

GMT is New Zealand's leading industrial and business space provider. It has a substantial property portfolio, with a value in excess of \$2.4 billion, which accommodates around 240 customers. The Trust holds an investment grade credit rating of BBB from Standard & Poor's.