

## nzx release+

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### GMT Annual Meeting of Unitholders

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Date 3 July 2019

Release Immediate

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#### WELCOME

Good afternoon ladies and gentlemen and welcome to this annual meeting of Unitholders. 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 back at Eden Park this year. With good transport links and easy parking, it's a popular venue for corporate events such as these.

It has been a standout 12 months for GMT and today's presentations will focus on the completion of the portfolio repositioning, as well as the rapid progress being made with the development programme.

The meeting will also consider two ordinary resolutions. These relate to the re-appointment of both Peter Simmonds and me, as Independent Directors.

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 available after the meeting to answer any further questions you may have.

Before we proceed I would like to point out some housekeeping matters. The bathrooms are located through the entrance foyer of this meeting room. 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 Eden Park staff. Please also take this opportunity to switch your mobile phones to silent.

As in previous years, 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 BOARD COMPOSITION**

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

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

Peter Simmonds is unable to attend this year’s meeting due to the timing of a minor medical procedure and has given his apology.

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

It is an experienced group of Directors and the high-quality business we now share is a result of the strategic initiatives they have implemented, including the successful repositioning of the Trust over the last 5 years. A refreshed Board will govern the next phase of GMT’s growth and we are signalling today that there will be retirements and new appointments over the next few years, as we manage through this transition.

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

In addition to the Board and the executives of the Manager, there are representatives of

our Trustee and other external advisors also present today.

They are listed on screen now and will be available to answer any questions if required, later in the meeting.

## **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.

For a quorum to be achieved, 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.

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

Now the formalities are dealt with we can proceed.

## **YEAR IN REVIEW**

GMT has been repositioned over the last five years with asset sales and new development projects shifting the investment focus. The Trust's \$2.6 billion property portfolio is now exclusively invested in the Auckland industrial market.

It's the strongest performing property sector. We've refined GMT's investment strategy to capitalise on the growth in demand for warehouse space across the city. It's a successful approach that is delivering essential business infrastructure for our customers, strong returns for our Unitholders and positive outcomes for other stakeholders.

It is also contributing to record financial results, with GMT achieving a profit before tax of \$334.8 million.

## **EARNINGS & DISTRIBUTIONS**

Positive leasing results and a strong operating environment also helped GMT achieve its earnings targets this year. The Trust generated \$90 million of cash earnings, consistent with earlier guidance of around seven cents per unit.

Cash earnings is a non-GAAP financial measure that is used to assess the operating performance of a business. Aligning the distributions paid to Unitholders with these underlying cashflows ensures GMT remains a financially sustainable business.

We expect to achieve a similar level of cash earnings next year and distributions are expected to be maintained at 6.65 cents per unit.

The success of the asset sales programme means that the Trust is deleveraging in the short term, creating capacity for selective acquisitions and development-led growth.

It's a sustainable approach that reflects our long-term investment focus and absolute commitment to owning the very best industrial assets, in key locations across Auckland.

## **INVESTMENT PERFORMANCE**

The portfolio repositioning has resonated positively with investors and, with a market capitalisation of around \$2.5 billion, GMT is now the largest listed property entity on the NZX. The strength of the stock price, which is at a historic high of over \$1.90 per unit, contributed to a Total Unitholder Return of 36.1% for the year ended 31 March 2019.

With a return 12.1% higher than its benchmark of other NZX-listed property stocks, GMT has outperformed the index and generated a performance fee for Goodman.

I've previously noted that Goodman is a supportive Manager with a substantial investment in GMT. This cornerstone holding has increased to 21.6% with the requirement for the Manager to use both the performance fee and its fund fee to subscribe for new units in the Trust.

It is a positive outcome that reinforces the strong alignment of interests between Goodman and other GMT investors.

## **GOVERNANCE**

Goodman has always worked with the Independent Directors to ensure the governance framework of the Trust remains contemporary and closely aligned with listed company best practice.

The update to the NZX listing rules this year included changes to ensure consistency with the Financial Markets Conduct Act. Under the new listing rules GMT's unit trust structure meant it could be classified as either:

- + an issuer of fund securities, or
- + an issuer of equity securities.

The Board believes that the additional governance and reporting requirements that apply to equity security issuers are a real benefit to Unitholders and we have obtained NZX's approval for GMT to be designated an equity security issuer.

The changes also allow GMT to function as an e-reporting entity permitting wider use of electronic communication, which should lead to greater investor engagement.

## **CORPORATE REPORTING**

GMT's annual report is an example of where technology has enhanced our reporting practices. A dedicated website now provides the same information, with additional functionality and video content, on the day of the result announcement.

Those of you that have reviewed the document will have noted that we have continued to refine our corporate reporting. We've provided a concise summary of our business strategy and have included more detail around the diversity of the team, our health and safety practices, our community engagement, and the various initiatives that make up the Trust's sustainability programme.

I'm pleased to report our carbon rating has improved, we are doing more for our people, supporting more community groups than ever and focusing our reporting on the things that matter to our stakeholders.

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 results.

## **ANDY EAKIN'S ADDRESS**

Thank you, Keith, and good afternoon ladies and gentlemen. I'm pleased to be reviewing GMT's recent financial performance with you today.

It's been a record year, with the Trust benefiting from an investment strategy that is now 100% focused on the Auckland industrial sector. New development projects, positive leasing results, and the completion of the asset sales programme are all operational highlights.

While these factors are contributing to this year's financial result, it is the portfolio revaluation that has had the greatest impact, contributing around two thirds of the \$319.5 million after-tax profit.

The 8.2% increase in asset values reflects the quality of the portfolio, strong property market fundamentals, and intense competition from local and international investors for high-quality assets.

While these gains are not distributed, they add to GMT's net tangible asset backing which has increased 13%, to \$1.57 per unit at 31 March.

As Keith noted, investors are positive about our strategy and the Trust is currently trading at a 22% premium to NTA.

## **DELEVERAGING THE BALANCE SHEET**

We've taken advantage of the positive operating environment to progress the development programme. We have also continued to refine the portfolio with asset sales and strategic acquisitions.

The sale of office and other non-core assets has funded the Trust's development and investment activity in recent years, with GMT completing more than \$1.2 billion of sales since 2014.

The largest of these transactions was the disposal of the Trust's interests in the VXV Portfolio, a high-quality commercial precinct adjoining Auckland's Wynyard Quarter.

The sale, announced in May 2018, settled in December and GMT's 51% share of the \$635 million gross sale price was \$323.9 million.

Positive leasing results and careful asset management maximised the value of these office assets and helped facilitate the successful sale to Blackstone, one of the world's largest real estate investors.

It was a defining transaction in a portfolio repositioning process that has focused investment in the rapidly growing and supply-constrained Auckland industrial market. It's the country's gateway city and its largest real estate market.

It's also where we see the greatest growth potential.

In addition to the Wynyard Quarter assets, two other properties were sold during the year. They were The Concourse in Henderson and 614 Great South Road in Greenlane. Following the end of the financial year, the remaining office assets at Show Place Office Park in Christchurch were also unconditionally sold.

These transactions are the last of the planned disposals and complete a highly successful sales programme that has delivered strong returns and reduced gearing to a historically low level.

At 31 March 2019 GMT had a loan to value ratio of 19.7% and committed gearing of just 23.7% after taking account of both developments and acquisitions that have been committed to.

It's a conservative level of debt that provides significant balance sheet capacity to grow the business well into the future. It also ensures GMT has the necessary headroom to

absorb any significant changes in asset values should markets soften.

## **TREASURY MANAGEMENT**

A capital structure that includes a variety of debt funding sources adds to GMT's financial strength.

Our diversification programme began back in 2009 with the Trust's first retail bond. Since then we have undertaken five further bond issues and have also accessed the US Private Placement market.

GMT's reliance on bank funding has reduced as result of these initiatives and the Trust now has a very diverse debt book. It is also long-dated, with these facilities having a weighted average term to expiry of around five years.

Recent asset sales have paid down bank debt and, at year-end, bank borrowings made up just 2% of all drawn debt. GMT's bank facilities have been reduced as a result, but we have retained \$300 million of funding capacity for operational flexibility.

One of the key features that has underpinned the success of our treasury programme is the quality of GMT's property portfolio. The excellent security it provides is reflected in the Trust's investment grade rating from Standard & Poor's.

The rating agency re-affirmed the BBB rating for the Trust last year. Its debt, including its bonds, is rated one notch higher at BBB+. Both assessments have remained stable since they were first assigned, almost 10 years ago.

While the strategic focus of the last 12 months has been on development-led growth and asset recycling, careful financial management has strengthened the balance sheet and positioned GMT for sustainable long-term growth.

You've invested in a very high-quality business ladies and gentlemen and I hope you're all pleased with the results being achieved.

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

## **JOHN DAKIN'S ADDRESS**

Thanks Andy and good afternoon ladies and gentlemen.

We have repositioned GMT as an industrial property specialist to meet the growing demand for warehouse and distribution space across Auckland. As you've already heard, it's a strategy that is delivering outstanding results.

In my address this afternoon I'll talk more about this investment focus and discuss why our development programme and strong customer relationships are so important to the success of our business.

## **INVESTMENT STRATEGY**

Demographic trends, economic growth, and the rapid expansion of online retailing are creating an unprecedented level of demand for well-located and operationally efficient warehouse space in many cities around the world.

Being able to meet customers' requirements for logistics space close to consumers is a real competitive advantage in these cities. The Trust's Auckland focus and proven development capability mean it is uniquely placed to benefit from these global trends.

As New Zealand's largest city, Auckland has scale and depth that other regional centres don't have.

A rapidly growing population is expected to underpin economic growth over the next 25 years, increasing demand for jobs, housing, transport, and consumer goods at a greater rate than the rest of the country.

While national retail spending grew steadily at 3% last year, the proportion of goods being purchased online is growing at 16% per annum, a much faster rate. Online shopping was estimated to total \$4.2 billion last year, representing around 9% of New Zealand's total retail spend.

Auckland is the country's largest consumer market and these trends are contributing to the rapid growth in demand for well-located industrial space.

With a value of \$2.6 billion and around one million square metres of rentable area, the scale of the portfolio means we have a property solution suitable for most businesses.

The current slide includes a satellite image of the city. The density of the metropolitan area and its geographic constraints are clear.

Overlaid on the map are our estates. You'll note the location of these relative to key transport infrastructure such as the airport, port, motorway network and rail corridor.

Proximity to consumers is also an important factor in the property decisions of our customers. Situated in prime locations, close to the main urban areas, the purchasing power of the consumer catchment within a 20-minute truck drive of any of these properties has been assessed at more than \$13 billion.

## **HIGHBROOK BUSINESS PARK**

Highbrook Business Park is our largest asset, making up more than 50% of the portfolio. Around 90% developed, Highbrook features 80 buildings and is home to more than 100 different businesses. These companies employ more than 5,000 people who all share a unique work environment, surrounded by parklands and recreational areas.

Master-planned to a world class standard, these facilities are modern, highly specified and operationally efficient. It's a long way removed from what we traditionally think of as industrial property.

The next few images showcase some of the recent development projects at Highbrook.

These projects include a new design-build commitment from Plytech, an existing customer that needed new premises to facilitate its business growth.

Move Logistics was another customer who had expansion requirements.

It was a similar story for Quest, the serviced apartment operator at The Crossing. With few competing options nearby, this has been a highly successful addition to the amenity offering at the estate. To meet demand for short-stay accommodation we added 60 rooms, doubling capacity.

The Crossing forms the heart of Highbrook and acts as its town centre, combining commercial space together with retail and hospitality-type amenity around an open-air plaza.

Along with these design-build developments we also completed a series of build-to-lease projects last year. It's been a successful approach, with the 14 warehouses – which were developed on an uncommitted basis - leased either before the buildings were completed or very shortly after.

The quality of the new properties is outstanding and the Gateway development, at the entrance to Highbrook, was recognised with an excellence award at the annual Property Council of New Zealand awards just a few weeks ago.

## **DEVELOPMENT CAPABILITY**

Development capability has always differentiated our business. With around 85% of the portfolio developed since 2004, we have built a modern industrial portfolio of a scale and quality that would be hard to replicate.

It continues to be a successful strategy with \$160 million of new projects announced last year and around \$195 million of work in progress. It's a heightened level of development activity that is supported by strong market fundamentals including a historically low vacancy rate.

We expect similar volumes of new development over the next few years, with demand from existing customers indicating a further 50,000 sqm of industrial space will be required.

While the development programme extends and enhances the portfolio, it also contributes to GMT's financial results.

The six projects that were completed last year added 50,000 sqm of rentable area to the portfolio. Forecast to generate over \$9 million of annual rental income, these new facilities also added over \$26 million to the revaluation gain.

The rapid progress made in the development programme means land now makes up just 2.2% of the portfolio. With limited industrial zoned greenfield sites remaining in Auckland, the immediate focus is on securing strategically located properties that offer future opportunity through intensification of use or redevelopment.

The acquisition of the Foodstuffs Distribution Centre in Mt Roskill and conditional purchase of three adjoining properties on Favona Road in Mangere during the year are examples of this strategy.

Retaining a development capability is critical to our business growth and both these locations are ideal sites for fulfilment and logistics companies. They are located close to a large consumer population, an essential requirement for businesses who want to stay competitive with the short delivery times.

## **CUSTOMER FOCUSED**

Some of you would have seen our new video, making space for greatness. It encapsulates Goodman's brand purpose and reinforces our commitment to creating a high-quality property portfolio and providing all our stakeholders with the opportunity to be successful.

**[play video]** <https://www.youtube.com/embed/LTzAo6f7f50>

We have more than 175 customers within the portfolio and while these businesses are individually unique, they all depend on our property expertise. They represent a wide range of industries and include automotive distributors, building product and material suppliers, logistics and freight operators, warehousing providers and retail businesses.

The following slide features representatives from the four companies we profiled in this year's annual report. They provide contrasting examples of how we partner with our customers to help them achieve their business ambitions.

Occupying four warehouse facilities at Highbrook, NZ Post is the largest customer in the portfolio. It's a relationship that extends back to 2006 when we developed the new Auckland Mail Centre. Since then we have developed additional facilities for its CourierPost, Contract Logistics and Datamail businesses.

NZ Post continues to evolve, developing its range of services and leveraging its distribution network to facilitate the growth of e-commerce across New Zealand.

The positive relationship we have with this customer means they come to us first when they have a new property requirement in Auckland. A good example was when we provided the short-term space to facilitate the commissioning of the new Paxster delivery vehicles when they arrived from Norway in 2017.

The electric vehicles, shown on screen now, are part of a plan for NZ Post to be carbon neutral from 2030.

To help NZ Post achieve this goal, we are also working with them on new sustainability initiatives that will improve the operational and environmental performance of the larger buildings they lease at Highbrook.

OfficeMax is another long-term customer and a business that has had growing space requirements over time.

The office product reseller was an early adopter of online sales and it currently distributes around nine million items annually. Most of these products are packaged and processed at Highbrook, the company's location of choice for its corporate headquarters and North Island distribution centre.

Developed in 2008, the current facility is being expanded from 18,900 sqm to over 26,000 sqm to accommodate the customer's business growth.

It's a common requirement and more than 53% of the new developments undertaken over the last five years have been leased to existing customers. Retaining these companies within the portfolio and growing the relationship is a positive factor in our own business success.

Nisbets is one of the newest customers in the portfolio. The catering supplies distributor is part of a global business that is successfully pursuing a multi-channel retail strategy.

This means its customers can purchase their products either in store, online or by phone.

In Europe, same day delivery of online orders is the standard that consumers are coming to expect. Nisbets' local business is striving to be market-leading in this regard, offering same day dispatch from its showroom and warehouse facility at Highbrook.

It is yet another example of how the growth in online retailing is driving demand for well-located warehouse and distribution space close to consumers.

As an automotive distributor, Ford Motor Company is a more traditional business. It is also one that has grown strongly, with GMT's development programme facilitating the move from older legacy facilities at M20 Business Park in Wiri into purpose-built alternatives at Highbrook.

The transition to new premises has allowed the customer to operate much more efficiently.

A green star rated head office provides a much better work environment for Ford's 50 corporate staff. It is also more flexible, being easily reconfigured into seminar and conference rooms for training and promotional events.

A dedicated warehouse for parts storage and distribution has also improved operational efficiency. The modern racking system and new forklift technology provide full inventory for the country with additional capacity for a growing model range.

We expect to see more of these technologies as businesses seek to maximise the efficiency of their warehouse space. The constant requirement from consumers for faster and more convenient delivery mean the use of robotics is also likely to become more prevalent.

In overseas markets, automation is increasingly common and multi-level warehouses are being built in cities where land availability is low.

Our modern industrial portfolio and strong customer partnerships mean GMT is well positioned to benefit from these trends as they become established in New Zealand.

## **SUMMARY**

Ladies and gentlemen, before we move to the formal business of the meeting I'd like to reiterate the key messages of this afternoon's presentations.

The strength of our customer relationships and the quality of the portfolio have driven the Trust's recent success.

The positive market dynamics created by a strong regional economy and the growth of online retailing make Auckland industrial our preferred asset class.

The Trust's \$2.6 billion portfolio is now exclusively invested in this market.

The sale of office assets has repositioned the portfolio and created the balance sheet capacity that is funding the development programme. It's a disciplined approach, focused on sustainable long-term growth.

We're making space for greatness and our customers and other stakeholders are embracing the opportunity it provides.

Thank you for your attention.

## **GENERAL BUSINESS**

### **KEITH SMITH**

Thanks John. It's been a defining year for the Trust and the Board is extremely pleased with the results being achieved.

We are also confident that the current strategy of development-led growth, funded from the Trust's substantial reserves, will support strong operating performances into the future.

That concludes the presentations ladies and gentlemen, 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 invite Susan Paterson to chair the formal business of the meeting

## **FORMAL BUSINESS**

### **SUSAN PATERSON**

Thank you, Keith.

The formal business of today's meeting relates to the election of two Independent Directors.

Keith Smith and Peter Simmonds are retiring by rotation and being eligible, have offered themselves for re-election. Both are highly effective members of the Board, and the other Directors and I unanimously recommend that Unitholders vote in favour of their re-appointment.

Following the call for nominations, none were received and therefore they stand unopposed.

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

#### **[Keith to speak briefly]**

Thank you, Keith.

As Peter is an apology, I will read the speech he prepared for today.

#### **[Susan to speak briefly on Peters behalf]**

The two Resolutions are set out in the Notice of Meeting and on the voting form you will have received. As they have been notified, there is no requirement for a seconder.

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

Are there any questions on the two resolutions?

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 desk outside this meeting room. There are pens available and Computershare staff will be on hand should you require replacement forms or have any questions.

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:**

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### **About Goodman Property Trust:**

GMT is an externally managed unit trust, listed on the NZX. It has a market capitalisation of around \$2.5 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 is also the Trust's largest investor with a cornerstone unitholding of 21.6%.

GMT is New Zealand's leading industrial space provider. It has a substantial property portfolio, with a value of \$2.6 billion. The Trust holds an investment grade credit rating of BBB from Standard & Poor's.