

nzx release+

GMT announces interim results, Highbrook acquisition and equity raising targeting \$80.0 million

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Release Immediate

Goodman (NZ) Limited, the manager of Goodman Property Trust (“GMT” or “Trust”) is pleased to announce the Trust’s audited interim financial result, a proposal to acquire the remaining interests in Highbrook Business Park and new funding initiatives targeting \$80.0 million of additional equity.

Result overview

The Trust has recorded a sound financial result, for the six months ended 30 September 2012, with improved profitability and a distributable earnings result consistent with earlier expectations.

Key highlights include:

- + Profit after tax of \$31.6 million, a \$2.5 million or 9% increase from the previous corresponding period.
- + Distributable earnings before tax of \$41.0 million or 4.07 cents per unit.
- + A stable valuation result following the independent valuation of the property portfolio.
- + The commencement of 35,900 sqm of new development projects, with a total cost of \$61.2 million, which are expected to provide a weighted yield on cost of 8.8% once completed and fully income producing.
- + Strong leasing results with over 88,000 sqm of space (around 9% of the total investment portfolio) secured on new or revised terms.
- + An average occupancy rate of 96% and a weighted average lease term of 5.4 years at 30 September 2012.
- + Active capital management with \$28.4 million of sale proceeds reinvested into the business.
- + A strong balance sheet position with the Trust having a loan to value ratio of 35.4%, an interest cover ratio of 2.5 times¹ and weighted average remaining term across all its debt facilities of 3.2 years at 30 September 2012.
- + Net tangible assets of 93.1 cents per unit, compared to 92.9 cents per unit at 31 March 2012.

¹ GMT’s main debt facility

Net property income has increased 4.0% to \$57.6 million while distributable earnings before tax increased by 2.0% to \$41.0 million. The increase from the prior period is mainly attributable to the contribution from recent development completions and modest rental growth, partly offset by the impact of asset disposals.

John Dakin, Chief Executive Officer of Goodman (NZ) Limited said, "The quality of the Trust's investment portfolio has supported another strong operating result and driven the very pleasing increase in profit. Improving investor sentiment, as demonstrated by the positive sales results and stable valuation that was recorded, have also contributed to the strong performance".

Adjustments for these and other non-cash items including deferred tax, changes in the cashflow hedge reserve and fair value changes in interest rate derivatives provide the reconciliation between distributable earnings and the after tax profit of \$31.6 million.

Further information, including the reconciliation between distributable earnings and profit after tax, is provided in GMT's audited interim financial statements which have been provided as an attachment to this release.

Next distribution

The current operating environment with only modest economic growth is consistent with the Board's earlier assumptions and pre-tax distributable earnings, on a weighted average issued Unit basis, of around 8.2 cents per unit are expected for the full year. The Board intends to maintain GMT's tax paid distribution at 6.25 cents per unit or around 80% of distributable earnings after tax.

The record date for the second quarter distribution is 28 November 2012 with payment on 20 December 2012. The distribution will include a cash component of 1.5625 cents per unit with 0.1693 cents per unit of imputation credits attached.

Unitholders are advised that the Distribution Reinvestment Plan remains suspended.

Highbrook Acquisitions

An important acquisition has also been announced with the proposal that GMT is to purchase the balance of the award winning Highbrook Business Park.

Keith Smith, Chairman and Independent Director of Goodman (NZ) Limited said, "The scale and quality of Highbrook Business Park means that it is already a significant contributor to the Trust's financial performance. Full ownership and the progression of the development programme will ensure that Highbrook becomes one of the principal drivers of GMT's investment returns."

Key aspects of the proposal include:

- + The acquisition of the remaining interests in Highbrook Development Limited and Highbrook Business Park Limited, the joint venture entities that own the estate, from investment partners Goodman Group and Fisher for a total investment of \$186.6 million (the "Acquisitions").
- + A mixture of Units and cash paid as consideration, including a significant deferred settlement component.

- + The Acquisitions are subject to Unitholder approval to be sought at an extraordinary meeting on 7 December 2012.

Further detail, including the consideration structure, is provided in Appendix 1 to this announcement and in the advance draft copy of the Notice of Meeting and Explanatory Memorandum that has been provided to the NZX.

John Dakin, Chief Executive Officer and Director, Goodman (NZ) Limited said, "With a current value in excess of \$650 million, Highbrook Business Park is New Zealand's development showpiece. It has won awards across a range of criteria including financial returns, land subdivision, landscaping and urban design. This is a strategic investment opportunity that is expected to provide immediate and longer term benefits to the Trust as its full development potential is realised."

These benefits include:

- + enhancements to GMT's already high quality property portfolio;
- + increased exposure to prime industrial and business space assets, investment segments that are expected to deliver consistent returns across a variety of market conditions;
- + an expanded development capacity at a point in the property cycle where development activity and property values are improving;
- + a favourable consideration structure, with an element of deferral that aims to maintain the Trust's distributable earnings profile on a weighted average issued Unit basis;
- + a strengthened register with both Goodman Group and Fisher reinvesting back into GMT, maintaining strong alignment through their respective equity investments;
- + the ability for GMT to achieve operational savings as a result of simplified ownership structures; and
- + increased scale and liquidity, with GMT's market capitalisation expected to increase to \$1.3 billion as a result of the Acquisitions and the equity funding initiatives discussed below.

These benefits are described in further detail in the advance draft copy of the Notice of Meeting and Explanatory Memorandum that has been provided to the NZX.

The Acquisitions are conditional on Unitholder approval (as discussed below), Overseas Investment Act consent, and completion of the private placement discussed below. They are interdependent, and so must complete together. The Notice of Meeting and Explanatory Memorandum sets out further detail on these conditions and other terms of the Acquisitions.

Unitholder meeting

Unitholder approval of the Acquisitions is required due to the relationship between the Trust and each of Goodman Group and Fisher and the consideration structure that has been agreed with these joint venture partners.

The extraordinary meeting is to be held at 11:00am on 7 December 2012 in the Kingston Room of Rydges Hotel, 59 Federal Street, Auckland.

The Notice of Meeting and Explanatory Memorandum, including an Independent Appraisal Report prepared by Deloitte, will be mailed to investors on 19 November 2012 once information on the associated equity initiatives has been incorporated.

Equity funding initiatives seeking up to \$80.0 million.

An underwritten private placement to institutional, wealthy and experienced investors is being undertaken today to raise \$60 million of additional equity to part fund the Acquisitions. A trading halt in GMT Units has been granted by NZX for one business day to facilitate the equity raising.

A copy of the placement presentation has been provided to the NZX.

The issue price of \$1.015625 represents a 4.4% discount to the volume weighted average price over the five preceding trading days. The placement is underwritten by Macquarie Securities (NZ) Limited and Craigs Investment Partners Limited.

The new Units will be allotted on 16 November 2012 and will rank pari passu with existing Units. They will be eligible for the second quarter distribution to be paid on 20 December 2012.

The Trust is also proposing to undertake a Unit Purchase Plan allowing New Zealand resident investors to participate in the capital raising. The offer is targeting \$20 million of new equity with eligible Unitholders able to purchase parcels of Units with a value of \$1,000, \$2,500, \$5,000, \$7,500, \$10,000 or \$15,000.

The offer is expected to open on 30 November 2012 and close on 31 December 2012 and the record date will be 29 November 2012.

The Unit Purchase Plan is subject to a cap of \$30 million so applications could be scaled depending on demand (with applications scaled on a proportionate basis). The allotment date of the Units issued under the Unit Purchase Plan will be on or around 8 January 2013. The Units will not be eligible for the second quarter distribution to be paid on 20 December 2012. Therefore the proposed issue price will be equal to the lesser of:

- a) \$1.00 per unit, being the issue price under the placement of \$1.015625 less the second quarter cash distribution of \$0.015625 per unit; and
- b) the average end of day market price during the period 12 to 18 December 2012 (rounded down to the nearest cent).

The issue price of the Unit Purchase Plan will be confirmed to the NZX on 19 December 2012. There are limited circumstances where the Unit Purchase Plan may not proceed and may be terminated.

It should also be noted that while the private placement will help fund the Acquisitions, both it and the Unit Purchase Plan are independent of the Acquisitions and do not require Unitholder approval.

For further information please contact:

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

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

Attachments provided to NZX:

1. NZX Appendix 1 GMT's audited interim financial statements
2. NZX Appendix 7 GMT quarterly distribution payment
3. NZX Appendix 7 GMT Unit Purchase Plan
4. Independent Auditors' Report
5. Placement presentation
6. Advance draft copy of the Notice of Meeting and Explanatory Memorandum

Appendix 1 Highbrook Acquisitions

The current ownership structure of Highbrook Business Park is summarised in the diagram below:



Goodman Property Trust is acquiring the remaining interests in Highbrook Business Park being:

- + 50% of Highbrook Development Limited from Goodman Group and Fisher (25% each)
- + 25% of HBPL Properties from Fisher

Following the acquisition of these interests, GMT will have full ownership of Highbrook Business Park. The purchase price was determined by reference to the net asset value of HDL and the asset value of HBPL Properties as at 30 September 2012, summarised in the following table:

	Value as at 30 September 2012	Interest being acquired from		Acquisition price
		Goodman Group	Fisher	
	\$m			\$m
Highbrook Development Limited	290.7	25%	25%	145.3
HBPL Properties	157.2		25%	39.3
Deferred settlement compensation				2.0
Total	447.9			186.6

Note: Values in the table above may not appear to sum accurately due to rounding.

Goodman Group is to be paid in Units for its 25% holding in Highbrook Development Limited

- + Issued at \$1.00 per Unit, half in Units issued on completion of Acquisitions; half in Units issued in December 2015 (Deferred Issue Units – carrying no rights to vote or receive distributions until issued)
- + An additional two million Units to compensate for deferred structure (half issued on completion of the Transaction; half Deferred Issued Units²)

² There are limited circumstances where the issue price of Units for Goodman Group may change, where the Deferred Issue Units are issued earlier or where cash is paid instead of Units.

Fisher is to be paid half cash, half Units for its 25% holding in HDL and 25% share of HBPL Properties

- + Issued at \$1.00 per Unit, issued on completion of the Acquisitions
- + Minimum 12 month holding period

The Units issued to Goodman Group and Fisher as consideration for the Acquisitions are expected to allot on 14 December 2012 and are not eligible for the quarterly distribution to be paid on 20 December 2012.