

**23 February 2015**

## **GPT's core portfolio drives 13% profit lift and EPS growth forecast of 5% for FY15**

### **FY14 Financial Highlights**

- Net Profit After Tax (NPAT) of \$645.3 million, up 12.9 per cent
- Earnings per security (EPS)<sup>1</sup> growth of 4.1 per cent
- 9.6 per cent Total Return
- \$2 billion of transactions
- \$1.4 billion of new Funds Management capital raised
- NTA up 4.0 per cent to \$3.94

The GPT Group (GPT) today announced a solid 2014 Annual Result, delivering NPAT of \$645.3 million, up 12.9 per cent on the prior year and EPS growth of 4.1 per cent for the 2014 financial year. GPT also delivered a 9.6 per cent Total Return and provided earnings growth guidance of five per cent for FY15.

GPT CEO and Managing Director, Michael Cameron said the Group had continued to deliver consistent and solid returns, with a disciplined approach to capital allocation and management. GPT's simple and straight forward business has generated strong outcomes for securityholders and underpins future earnings.

"The strong result we have delivered for FY14 and the outlook for FY15 is that it is being driven by GPT's core portfolio of high quality assets, with over 90 per cent of the Group's income coming from rental income," Mr Cameron said.

"GPT completed more than \$2.0 billion of asset transactions in FY14, lifting the quality and long term performance outlook for the portfolio. The Group is also well positioned to take advantage of the strengthening conditions in our key markets.

"Funds Management continues to deliver increased profits for the business. The GPT Wholesale Office Fund (GWOFF) remains the top performing core wholesale office fund in Australia. In 2014, \$1.4 billion of new capital was raised through our Funds Management platform, including the successful launch of the GPT Metro Office Fund (GMF) in October."

"GPT has rapidly built its logistics development capability over the past three years. This has allowed the Group to build scale through new development product in a highly competitive market. The high demand for yield continues to drive logistics returns and this has contributed to GPT's strong result."

GPT Chief Financial Officer, Mark Fookes said the Group's disciplined capital management has meant the balance sheet remains in a very strong position.

"The balance sheet continues to provide us with substantial flexibility to execute on value enhancing opportunities as they arise," Mr Fookes said.

"The Group recently completed a \$325 million institutional placement to fund the redemption of the GIC Exchangeable Securities. The strong appetite for GPT stock in the equity raising reflects the Group's favourable financial position and its attractive investment proposition. The Security Purchase Plan, which provides the opportunity for retail investors to increase their securityholding in The GPT Group, is due to close on 25 February.

"Our management expense ratio continues to be one of the lowest in the sector at 38 basis points.

"Our distribution for the full year was 21.2 cents, which is up 3.9 per cent on the previous year."

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1. Defined as Funds From Operations per security growth.

## **Investment portfolio delivers quality result and is positioned for growth**

GPT Chief Investment Officer, Carmel Hourigan said since 2012 the Group has transacted on more than \$4 billion in assets, to remix the GPT portfolio and secure the right properties in the right markets.

“This active portfolio management has contributed to the strong result, with a Total Portfolio Return of 9.3 per cent being achieved and the weighted average capitalisation rate firming 23 basis points to 6.27 per cent,” Ms Hourigan said.

## **Quality retail delivers increased returns, with all portfolio key indicators improving**

- Specialty retail sales growth up 4.2 per cent
- Comparable income growth of 2.9 per cent, up from 2.5 per cent
- Retail portfolio delivers 9.0 per cent Total Portfolio Return, up from 7.5 per cent last year

Ms Hourigan said the retail portfolio is in a good position with all key indicators showing positive movements.

“Despite economic fundamentals being mixed, consumer sentiment has been lifted by a rising share market and housing market, lower petrol prices and record low interest rates,” Ms Hourigan said.

“Specialty sales growth in the retail portfolio was a healthy 4.2 per cent for the year. Growth is being driven by GPT’s continued investment in high quality, dominant retail centres such as Rouse Hill Town Centre where specialty sales are up 8.8 per cent,” Ms Hourigan said.

“The performance of Rouse Hill Town Centre, Charlestown Square, Melbourne Central and Highpoint Shopping Centre have underpinned a Total Portfolio Return of 9.0 per cent, up from 7.5 per cent, on the prior year. Occupancy remains high at 99.5 per cent.

“Retailers in the services, food and leisure categories are performing well, while department and discount department stores still face challenges.

“ABS ‘Retail Trade’ data shows that spending growth rates have recovered to be in line with the long term averages. GPT is well placed to capture the value of these improved conditions, with 84 per cent of the Group’s centres in the better performing, non-resource economies of NSW and Victoria.”

Ms Hourigan said progress continues on the activation of a \$1.3 billion pipeline of retail developments, with a major expansion planned for Rouse Hill Town Centre, and new developments at Sunshine Plaza and Casuarina Square.

## **Office portfolio repositioned, de-risked and set for growth**

- WALE increased to 6.3 years from 5.8 years
- Occupancy up to 93.9 per cent from 90.6 per cent
- 188,000 square metres leased for the year<sup>2</sup>
- Only 12 per cent of the portfolio expiring over the next two years

Ms Hourigan said GPT’s office portfolio is located predominantly in Australia’s best performing markets of Sydney and Melbourne.

“2014 was a very busy period for the office team with GPT securing more than 188,000 sqm of new leases, including Heads of Agreement, an increase of 35 per cent on the previous year,” Ms Hourigan said.

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2. Includes Heads of Agreement.

“A successful program of leasing and remixing of assets has led to a significant de-risking of the office portfolio. Occupancy has reached 94 per cent, which is up from 91 per cent in December 2013.

“Values have continued to increase in Sydney and Melbourne, with both markets experiencing around 50 basis points of compression in capitalisation rates. GPT’s outlook is for a continued recovery in demand and rental growth in those two markets.

“There has also been good progress at the MLC Centre with almost 23,000 sqm of space leased in 2014 and several key milestones being reached in the asset’s re-development and repositioning.

“We recently lodged the stage two masterplan for the MLC Centre, which will deliver new premium retail to King and Castlereagh Streets, a new entrance and lobby, new theatre, as well as a bar and café precinct facing Martin Place.”

Ms Hourigan said the sale of 818 Bourke Street and purchase of the Corner Bourke and William asset in Melbourne, was a perfect example of how GPT was increasing the quality of its office portfolio and how the Group could deliver enhanced returns by partnering with the funds management business on transactions.

### **Logistics development delivering profit growth**

- Active growth strategy drives 12.7 per cent Total Portfolio Return
- Development of \$285 million of new product underway

Ms Hourigan said the profit contribution from Logistics development continued to increase, with new land, new projects and product reaching completion.

“GPT continues to grow scale in logistics through its \$440 million development pipeline. In 2014, projects were completed for Toll NQX at Karawatha in Queensland, TNT Express at Erskine Park in New South Wales and IMCD at Somerton in Victoria,” Ms Hourigan said.

“The business is on track to deliver a further \$285 million of new assets during 2015, including two advanced facilities at Erskine Park, which will add quality assets to the portfolio with long term leases.

“The Group is actively pursuing opportunities to enhance the value of the portfolio through rezoning and large, mixed-use urban renewal. Projects are being investigated at Sydney Olympic Park, and at Rosehill.”

### **Strengthened Funds Management platform delivers enhanced returns**

- GWOFF and GWSCF raise \$1.2 billion of new capital
- Successful IPO of the GPT Metro Office Fund
- 11.8 per cent total return from Funds Management to GPT

Mr Cameron said the Funds Management platform continued to deliver outperformance to Fund investors which drove significant growth in 2014. The Group also benefited with the Funds Management platform delivering an 11.8 per cent total return to GPT.

“GPT Metro Office Fund’s IPO drew strong demand for the bookbuild from both retail and institutional investors. This success followed the GPT Wholesale Office Fund and GPT Wholesale Shopping Centre Funds completing heavily oversubscribed capital raisings,” Mr Cameron said.

“The appetite for investment in our Funds is a credit to the Group’s capability and performance.

“The Funds Management earnings contribution to the business has continued to grow. GPT continues to explore new fund opportunities for the business that will deliver superior returns to investors.”

## Outlook

Mr Cameron said GPT was on track to achieve EPS growth of five per cent for FY15, driven by the core performance of GPT's quality portfolio. The Group has a target to deliver a Total Return for securityholders of greater than nine per cent.

"GPT has focused on delivering consistent and reliable returns from our quality portfolio. In addition to this, the Funds Management platform has grown substantially and our active earning streams have delivered increasing contributions and value for the business. We continue to demonstrate that disciplined capital allocation and management, and a simple, straight forward business, will deliver consistent returns over the long term."

## Market Briefing

GPT will be providing a market briefing at 9:30am (AEDT) today, 23 February 2015. The market briefing will be webcast via the GPT website ([www.gpt.com.au](http://www.gpt.com.au)).

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