13 February 2014

2013 Annual Result

GPT delivers Net Profit After Tax of $571.5 million and a Total Return of 8.5 per cent

FINANCIAL HIGHLIGHTS

For the 12 months to 31 December 2013

- Net Profit After Tax of $571.5 million down 3.9 per cent on FY12
- Realised operating income (ROI) of $471.8 million, up 3.4 per cent on FY12
- Earnings per ordinary security (EPS) of 25.7 cents, up 6.1 per cent on FY12
- Distribution of 20.4 cents per ordinary security, up 5.7 per cent on FY12
- Total Return of 8.5 per cent[1]
- Net tangible assets (NTA) per security of $3.79, an increase of 1.6 per cent on FY12
- Maintained a fortress balance sheet:
  - Low gearing of 22.3 per cent with significant capacity for asset acquisitions and security buybacks
  - Reduced debt costs by 50 basis points
  - Reactivated security buy-back with $60 million of value created since May 2011

2014 TARGETS

- Targeting a Total Return of greater than 9 per cent and EPS growth of 3 per cent[2]

OVERVIEW

The GPT Group today announced its 2013 Annual Result, which includes a Net Profit After Tax of $571.5 million and a Total Return for securityholders of 8.5 per cent.

The Group's investment portfolio and operating divisions produced a solid performance to deliver EPS growth of 6.1 per cent, ahead of guidance.

Chief Executive Officer and Managing Director Michael Cameron said the Group is delivering on its strategy, which includes a Total Return focus, increasing active earnings by growing funds under management (FUM) and having a frugal approach with a fortress balance sheet.

PORTFOLIO

"GPT's objective is to invest in a high quality portfolio that will deliver low volatility and secure, steady total returns," Mr Cameron said

"The quality of the portfolio was significantly enhanced in 2013 by the completion of $1.8 billion in transactions and developments. The Group also executed on 551 retail leasing transactions, approximately 123,700 square metres in office leases and 156,600 square metres in logistics, which helped produce a portfolio valuation uplift of $92 million."

[1] Total Return is defined as the sum of the change in Net Tangible Assets (NTA) plus distributions declared over the year, divided by the NTA at the beginning of the year.
[2] Based on a like for like portfolio of assets

GROWTH IN FUNDS MANAGEMENT

GPT will continue to have at least 90 per cent of its earnings coming from core Australian property, while targeting to grow active earnings, predominantly from funds management, to around 10 per cent. This combination should maintain a low cost of capital.

“As part of this objective the Group is targeting growth of an additional $10 billion in FUM over time. In 2013, the Group grew total assets in the Funds Management business by 7.5 per cent, while the GPT Wholesale Shopping Centre Fund (GWSCF) secured $569 million in an oversubscribed capital raising. Since year end, GPT’s funds have entered into acquisition agreements to secure a further $1.2 billion of assets, which will increase FUM by an additional 17 per cent,” Mr Cameron said.

“GPT had the best performing funds management platform in the sector again this year, with GWSCF and the GPT Wholesale Office Fund (GWOF) the number one performing retail and office, core wholesale funds in 2013, delivering a Total Return to GPT of 11.2 per cent. We expect the value of this platform to be reflected in GPT’s security price as the platform grows over time.”

A FORTRESS BALANCE SHEET

Chief Financial Officer Mark Fookes said with low gearing and significant investment capacity, GPT has the flexibility to pursue well priced investment opportunities that meet its strategy and Total Return targets.

“We continue to use the security buy-back as an investment benchmark. In 2013, GPT bought back 73.8 million securities creating $10 million in value, taking the total value generated for securityholders to $60 million since 2011,” Mr Fookes said.

“The Group also diversified and lengthened the tenor of its debt with the issue of 12 and 15 year bonds in Hong Kong and the US. It has reduced average debt costs by 50 basis points to 5.1 per cent, one of the lowest in the sector.”

TOTAL RETURN FOCUS

Mr Cameron said GPT’s strategy articulated the focus on Total Return as the Group’s primary measure, which now drives the incentive payment structure for employees, providing simplicity and transparency.

“Total Return is made up of both the change in asset value and company distributions, making it more closely aligned with investor’s long term aspirations. It also better reflects the characteristics of property as an asset class,” Mr Cameron said.

Total Return Calculation:

$$\textbf{Total Return} = \frac{\textbf{Change in NTA + Distributions}}{\textbf{Opening NTA}} \qquad \textbf{8.5\%} = \frac{\textbf{\$0.06}^{3} + \textbf{\$0.255}^{3}}{\textbf{\$3.73}}$$

[3] Adjusted for the final 2012 distribution of 5.1c declared and paid in 2013

“Our strategies are aimed to outperform in the long term. While there is a temptation to use leverage when rates are low, or take more risk to inflate short term earnings, I believe it is better to deliver realistic annual earnings growth and a stronger NTA, together producing solid returns every year.”

OPERATIONAL PERFORMANCE

Portfolio results

	Portfolio Size	Comparable Income Growth	Total Portfolio Return[4]	WALE	Occupancy	WACR
Retail	$4.5bn	2.5%	7.5%	4.1 years	99.6%	5.99%
Office	$2.9bn	0.7%	8.8%	5.8 years	90.6%	6.72%
Logistics	$1.2bn	1.0%	8.6%	5.1 years	96.2%	8.33%
Total	$8.6bn	1.7%	8.0%	4.8 years	95.9%	6.50%

GPT’s portfolio delivered comparable income growth of 1.7 per cent in 2013, with average occupancy remaining high at 95.9 per cent, and a long weighted average lease expiry (WALE) of 4.8 years. The total portfolio return was 8.0% for the year.

Chief Investment Officer, Carmel Hourigan, said the performance of GPT’s balance sheet portfolio was fundamental to achieving the Group’s Total Return. The portfolio is constructed to deliver appropriate risk adjusted returns over the long term. To deliver this GPT is focused on:

- Driving value within sectors through superior stock selection
- Buying and selling assets at the right time
- Maintaining a high quality portfolio
- Adding value through asset management and development, and
- Securing the best expertise and end to end capability in each sector GPT operates.

“Whilst sales growth remains subdued, retail conditions did improve in 2013, with strengthening sales in the second half. In office, the team worked hard in a difficult leasing market to secure significant transactions to de-risk the portfolio, while in logistics, rental and capital growth continues to be positive, underpinning the solid performance of that portfolio,” Ms Hourigan said.

“The disposal of several assets further boosted the quality of the retail portfolio, which now comprises 99 per cent regional shopping centres. Historical data shows regional centres are not only less volatile than the smaller sub regional and neighbourhood centres, but they also, over time, deliver greater total returns to investors.”

GPT continued to improve its office lease expiry position, reducing its 2014-2016 expiries by 16 per cent. Through successful leasing in 2013 the Group is now in a strong position with its future expiry risk, with an average of 8 per cent expiry per annum over the next three years.

[4] Source: IPD

With new acquisitions and completed developments, the logistics portfolio will make up 15 per cent of total balance sheet assets.

“GPT has finalised three new development transactions at our Erskine Park Estate in western Sydney, which when finished takes the estate to 89% complete. The new developments, with an end value of $235 million, include two cold storage facilities for RRM and Rand, as well as a logistics facility for TNT,” Ms Hourigan said.

OUTLOOK

Mr Cameron said GPT expected economic growth to remain below trend in 2014, however, there is evidence of renewed confidence in Australia’s future, with stable low interest rates and a lower Australian dollar likely to support conditions improving.

“We believe that a quality portfolio with low costs will deliver the best returns over time. We will continue to be opportunistic with our capital and ensure our capacity is used in the right way,” Mr Cameron said.

“In 2014 GPT is targeting a Total Return of greater than 9 per cent and is confident the current portfolio will deliver EPS growth of 3 per cent for the full year[5]. In 2014 GPT will have a 100 per cent distribution payout ratio of Adjusted Funds From Operations (AFFO).”

– Ends –

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Notes

ROI for GPT is reported in the Segment Note disclosures, which are included in the audited financial report of GPT Group for the year ended 31 December 2013.

To provide information that reflects the Directors’ assessment of the net profit attributable to stapled securityholders, certain significant items that are relevant to an understanding of GPT’s result have been identified. The reconciliation of ROI to Net Profit After Tax is included in the Directors’ Report in the Group’s Financial Statements.

ROI is a financial measure that is based on the profit under Australian Accounting Standards adjusted for certain unrealised items, non-cash items, gains or losses on investments or other items the Directors determine to be non-recurring or capital in nature. ROI is not prescribed by any Australian Accounting Standards. The adjustments that reconcile the ROI to the Net Profit After Tax for the year may change from time to time, depending on changes in accounting standards and/or the Directors’ assessment of items that are non-recurring or capital in nature.

[5] Based on a like for like portfolio of assets