

12 August 2021

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Goodman Group

Real Estate

UNDERPERFORM

GMG A\$23.16 TARGET PRICE A\$20.10

Goodman Group (GMG) is a global integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. GMG comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited. GMG operates four divisions namely Property Investment, Fund Management, Property Services and Property Development.

Company Data

Number of shares	1847.4M
Market Capitalisation	\$ 42786.5M
Free float (%)	97.6
12-month high/low	\$23.75/\$16.44
Average Daily Turnover (\$m)	98.6474
% S&P/ASX200	2.01
DDM Ranking	322
% All Ordinaries	1.656
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

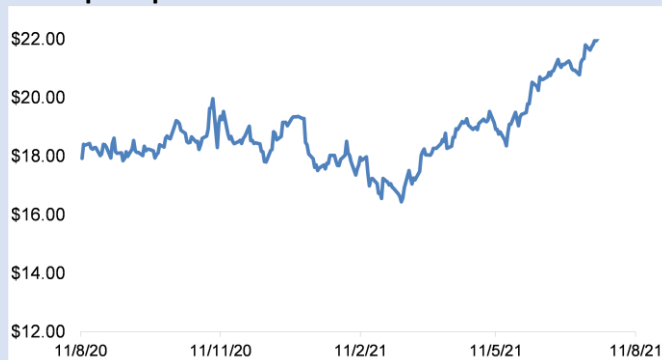
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	1,588.5	1,809.7	2,033.9	2,368.6
EBITDA (\$M)	1,294.5	1,485.9	1,696.0	2,082.6
Reported NPAT (\$M)	2,311.9	1,537.3	1,715.7	1,819.6
Adjusted NPAT (\$M)	1,219.4	1,400.1	1,596.4	1,819.6
Reported EPS (c)	72.6	72.6	83.3	94.8
Adjusted EPS (c - FD)	65.6	72.1	81.5	95.7
Adjusted EPS growth (%)	14.1	13.8	12.5	17.0
Adjusted P/E (x)	35.3	30.2	26.7	22.8
Dividend (c/sh)	30.0	31.1	34.4	33.6
Gross yield (%)	1.3	1.3	1.5	1.4
Net yield (%)	1.9	1.3	1.5	1.4
ROIC (%)	8.5	9.3	9.6	10.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Financial Results

On 12th August, Goodman Group (GMG) announced their results for the full year ended 30 June 2021 with the following highlights:

Financial

- Operating profit of \$1.22 million, up 15% on FY20
- Operating earnings per share (EPS) of 65.6 cents, up 14.1% on FH20 (significantly ahead of initial guidance of 9%)
- Distribution of 30.0 cents per stapled security (DPS) in line with the Groups capital management strategy;
- Gearing at 6.8% (look through gearing at 17.8%);
- Net tangible assets (NTA) per security up 14.4% from FY20 to \$6.68 per security

Operational

- Total assets under management (AUM) up 12% on FY20 to \$57.9 billion
- \$5.8 billion of revaluation gains across the Group and Partnerships assets combined
- Achieved carbon neutrality across global operations, significantly increased renewable power usage globally and established a framework for measuring embodied carbon
- Portfolio maintains high occupancy of 98.1% and like-for-like net property income (NPI) growth of 3.2%;
- Development work in progress (WIP) up 63% on FY20 to \$10.6 billion, across 73 projects with a yield on cost of 6.7%
- Average Partnership total returns of 17.7% in FY21

Outlook

- The Group's FY22 forecast operating EPS is 72.2 cents per security, up 10% on FY21; and
- Forecast full year distribution for the coming year is 30 cents per security.

Group CEO, Greg Goodman said:

“Goodman’s adaptable and flexible approach has enabled our people to continue to perform at a high standard and deliver a very strong result in the current environment, with health and well-being remaining a critical priority.

During the year, we have made significant progress on our ESG initiatives including the Group achieving carbon neutrality across our global operations, four years ahead of our target. Our disciplined focus on location, the continued demand in online shopping, and the rise of the digital economy, has seen the Group deliver continued strong performance in FY21. In addition, robust underlying property fundamentals and investor demand has supported significant growth in revaluations of \$5.8 billion across the Group and Partnerships. Contributing to the 14% growth in Goodman’s net tangible assets driving statutory profit to \$2.3 billion.

Long-term structural trends are well established and resulting in higher utilisation of space and customer demand. This is providing greater visibility around future requirements for space, and accordingly we have increased WIP to \$10.6 billion at June 2021.”

Earnings changes

GMG's forecast FY22 is 72.2c compared to market estimates of 76.5cps. Hence, we expect negative earnings revisions of the order of 3% for FY22 and future periods.

Valuation

We are updating our price target from \$16.73 to \$20.10 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	38.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	42.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)