

14 February 2022

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## GPT Group

### Real Estate

### BUY

**GPT A\$5.00**
**TARGET PRICE A\$6.11**

GPT Group (GPT) is a property investment company. GPT is an active owner and manager of a diversified portfolio of Australian retail, office and logistics and business parks property assets. GPT also manages three funds, the GPT Wholesale Office Fund (GWOFF), the GPT Wholesale Shopping Centre Fund (GWSCF) and the GPT Metro Office Fund (GMF).

#### Company Data

Number of shares	1,915.6
Market Capitalisation	\$9,577.9
Free float (%)	99.2
12-month high/low	\$5.56/\$4.06
Average Daily Turnover (\$m)	29.006385
% S&P/ASX200	0.450
DDM Ranking	145
% All Ordinaries	0.389
GICS Industry Group	Real Estate

Source: FactSet, Barclay Pearce Capital

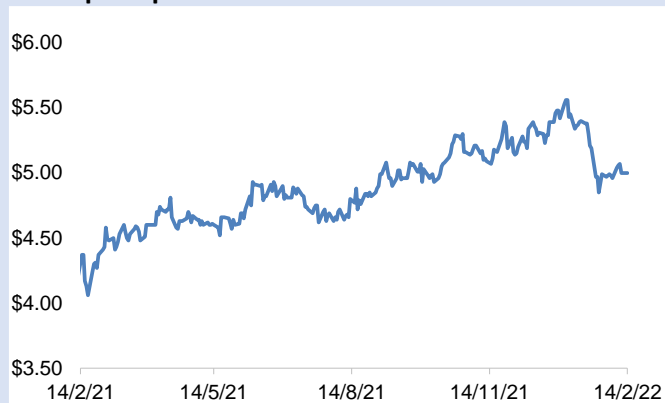
#### Earnings Summary (AUD)

Year end	2021A	2022F	2023F	2024F
Revenue (\$M)	795.2	842.0	874.4	806.1
EBITDA (\$M)	620.2	751.7	785.2	830.9
Reported NPAT (\$M)	554.5	700.5	747.5	706.8
Adjusted NPAT (\$M)	554.5	634.3	662.2	713.3
Reported EPS (¢)	28.8	33.2	35.1	36.3
Adjusted EPS (¢ - FD)	28.8	32.9	34.5	36.6
Adjusted EPS growth (%)	1.2	11.5	4.7	6.2
Adjusted P/E (x)	17.3	15.2	14.5	13.7
Dividend (¢/sh)	23.2	26.7	27.7	28.6
Gross yield (%)	4.6	5.3	5.5	5.7
Net yield (%)	4.6	5.3	5.5	5.7
ROIC (%)	3.8	3.8	3.8	3.7

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

## 2021 Annual Result

On 14th February 2022, GPT Group (GPT) announced its 2021 Annual Result & 2H 2021 Distribution of 9.9cps with the following highlights:

#### 2021 Overview:

- Net profit after tax of \$1,422.8 million (2020: Net loss after tax \$213.2 million), with investment property valuation increases of \$924.3 million;
- Funds From Operations (FFO) of \$554.5 million (2020: \$554.7 million) and FFO per security of 28.82 cents (2020: 28.48 cents);
- Full year distribution of 23.2 cents per security (2020: 22.5 cents per security), including a distribution of 9.9 cents per security for the six months to 31 December 2021;
- Net Tangible Assets per security (NTA) of \$6.09 (2020: \$5.57);
- Gearing of 28.2% and weighted average debt term of 6.3 years; S&P A and Moody's A2 credit ratings; and
- Ranked second for real estate in S&P Global Corporate Sustainability Assessment and retained maximum 5 Star Green Star status by GRESB.

#### Distribution for the six months to 31 December 2021:

- The Board of GPT has declared a distribution for the six months to 31 December 2021 of 9.9 cents per security; and
- This takes the 2021 full year distribution to 23.2 cents per security, which represents a distribution payout of 95.1% of free cash flow for the year.

#### Outlook for 2022:

- The acceleration of vaccination and booster programs in the second half of 2021 provides optimism that the impacts from COVID-19 should be less severe during the course of 2022;
- An improvement in customer visitations and retail sales at GPT's shopping centres is expected when COVID-19 cases subside and measures such as mandated mask-wearing are lifted;
- The recovery of Melbourne Central, GPT's largest retail investment property and one of the leading retail destinations in Australia, is expected to be more protracted than the broader portfolio;
- Office demand lead indicators remain positive, with continued economic growth and unemployment falling to the lowest level since 2008 and expected to fall further through the course of 2022;
- The logistics sector continues to benefit from structural tailwinds driving tenant and investor demand; and
- While uncertainty remains, GPT currently expects to deliver 2022 FFO in the range of 31.7 to 32.4 cents per security and a distribution of 25.0 cents per security.

## Earnings changes

GPT currently expects to deliver 2022 FFO in the range of 31.7 to 32.4 cents per security and a distribution of 25.0 cents per security. This compares to market expectations of 32.9cps and 26.7cps respectively. Hence, we do not expect any significant earnings revisions for FY22 and future periods.

## Valuation

We are updating our 12-month target price from \$5.10 to \$6.11 and retaining our BUY 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 (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 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.

### Conflicts of Interest

Barclay Pearce Capital does not have any material interests in the financial product discussed in this Research Report nor will it receive any benefits in relation to the publication of this Research Report. Barclay Pearce Capital manages all Conflicts of Interest in accordance with its Conflicts of Interest Policy. Please contact us if you require any further information.

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**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.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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**Valuation Methodology**

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

**Barclay Pearce Capital Recommendation Proportions**

Buy	36.6%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(	0.0% of stocks with recommendations are Barclay Pearce clients)