



GROWTH

RECOMMENDATION



GMG:ASX
November 2024

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GROWTH RECOMMENDATION

Goodman Group Limited GMG:ASX

Goodman Group is a leading integrated property group that specializes in owning, developing, and managing high-quality, sustainable logistics properties and data centers globally. The company's focus is on providing essential infrastructure to support the digital economy and e-commerce growth. Goodman's property portfolio includes logistics and distribution centers, warehouses, light industrial facilities, multi-story industrial buildings, business parks, and data centers. The company operates in key consumer markets across Australia, New Zealand, Asia, Europe, the United Kingdom, and the Americas. Goodman's strategy revolves around delivering critical infrastructure in major global cities, with a particular emphasis on assets that are vital to the digital economy. The company has a significant development pipeline, with work in progress valued at \$12.8 billion across 74 projects as of September 30, 2024. Notably, data centers now represent 42% of this development work in progress, highlighting Goodman's strategic pivot towards this high-growth sector



INVESTMENT CONSIDERATIONS

Leadership

Goodman Group is led by founder and CEO Greg Goodman, who has been at the helm since 1995. Under his leadership, the company has established itself as the largest property group on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property globally. Greg Goodman's long tenure and vision have been instrumental in steering the company through various market cycles and positioning it at the forefront of emerging trends in the logistics and data center sectors. The management team's expertise is evident in their ability to adapt to changing market conditions and capitalize on new opportunities, such as the current focus on data center development. Greg Goodman's recent comments highlight the company's strategic direction, emphasizing the growing demand for data centers and Goodman's evolving capabilities to offer fully fitted facilities with turnkey solutions. This adaptability and forward-thinking approach demonstrate the leadership's commitment to long-term value creation and their ability to align the company's offerings with customer requirements.

Financial Performance

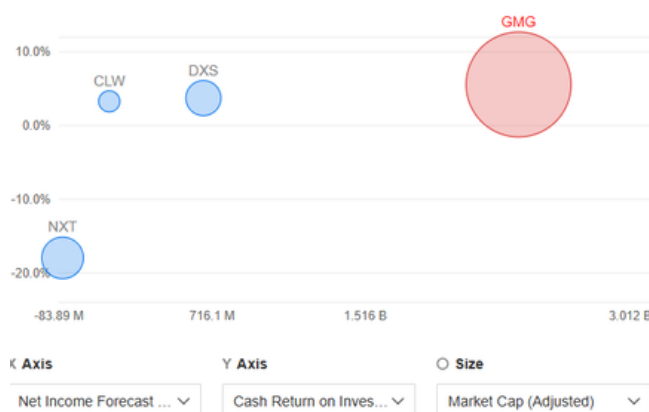
OWN	98%	4.9%	2.7m	8.4%
	OCCUPANCY High occupancy maintained at 97.7% and WALE of 5.0 years	NPI GROWTH Like for like NPI growth at 4.9%	SQUARE METRES LEASED Across the global portfolio equating to \$409 million of annual rental property income across the Group and Partnerships	GEARING Headline gearing of 8.4%, with look through gearing of 22.7%
DEVELOP	\$13.0bn	71%	\$5.2bn	\$4.2bn
	WORK IN PROGRESS in 12 countries across 80 projects with a forecast yield on cost of 6.7%	IN PARTNERSHIPS 71% of current WIP is being undertaken within Partnerships or for third parties	DEVELOPMENT COMMENCEMENTS with 67% pre-committed	DEVELOPMENTS COMPLETIONS with 99% committed
MANAGE	\$78.7bn	-\$5.1bn	\$13.9bn	22.4%
	TOTAL PORTFOLIO with external AUM of \$70.2 billion, down 8% on FY23	REVALUATIONS Across the Group and Partnerships. Global WACR expanded 70bps to 5.2%	AVAILABLE LIQUIDITY across the Partnership platform, comprising equity commitments, cash and undrawn debt	GEARING Average Partnership gearing of 22.4%
SUSTAINABILITY	Carbon	330MW	AA	\$13.5m
	EMISSIONS TARGETS The Group has committed to 2030 greenhouse gas (GHG) emissions reduction targets in line with 1.5°C Paris Agreement	SOLAR Global solar installations or commitments in place	RATING Maintained a MSCI ESG rating of 'AA', and a Sustainalytics score of '9.9' and an ESG risk rating of 'Negligible'	GOODMAN FOUNDATION Contributed \$13.5 million to community and philanthropic causes and doubled 2030 target to \$100 million

1. Refer to 2024 Sustainability report for more details

INVESTMENT CONSIDERATIONS

Valuation

Goodman Group's valuation reflects its strong market position and growth prospects. As of September 30, 2024, the company's total property portfolio was valued at \$78.8 billion, with external assets under management of \$70.1 billion. The company's development capabilities and financial capacity position it to capitalize on significant opportunities, particularly in the data center sector. Goodman's focus on high-quality assets in supply-constrained urban locations supports its valuation premium. The company's development work in progress yields an attractive 6.7% on cost, indicating strong value creation through its development activities. Occupancy rates remain high at 97.4% across the portfolio, supporting stable cash flows. While specific price-to-earnings or price-to-book ratios are not provided in the given information, the company's ability to maintain high occupancy rates, achieve like-for-like net property income growth of 4.9%, and secure long-term leases (with a weighted average lease expiry of 5.0 years) suggests a robust underlying asset base. The company's forecast of 9% operating EPS growth for FY25 indicates continued strong performance expectations



Sociological Factors

Goodman Group's operations have significant sociological impacts, particularly in the areas of sustainable development and community engagement. The company's focus on developing essential infrastructure for the digital economy contributes to job creation and economic growth in the regions where it operates. Goodman's emphasis on sustainability is evident in its commitment to reaching net zero emissions by 2025, which aligns with global efforts to combat climate change. The company's recent project in Bremen, Germany, showcases its dedication to reducing upfront embodied carbon by 45% in construction, demonstrating leadership in sustainable building practices. Goodman's investments in local communities, although not explicitly detailed in the provided information, are likely to have positive social impacts in terms of economic development and improved infrastructure. The company's role in facilitating e-commerce and digital infrastructure growth also contributes to societal shifts in how people work, shop, and interact with technology

RISKS

Risks

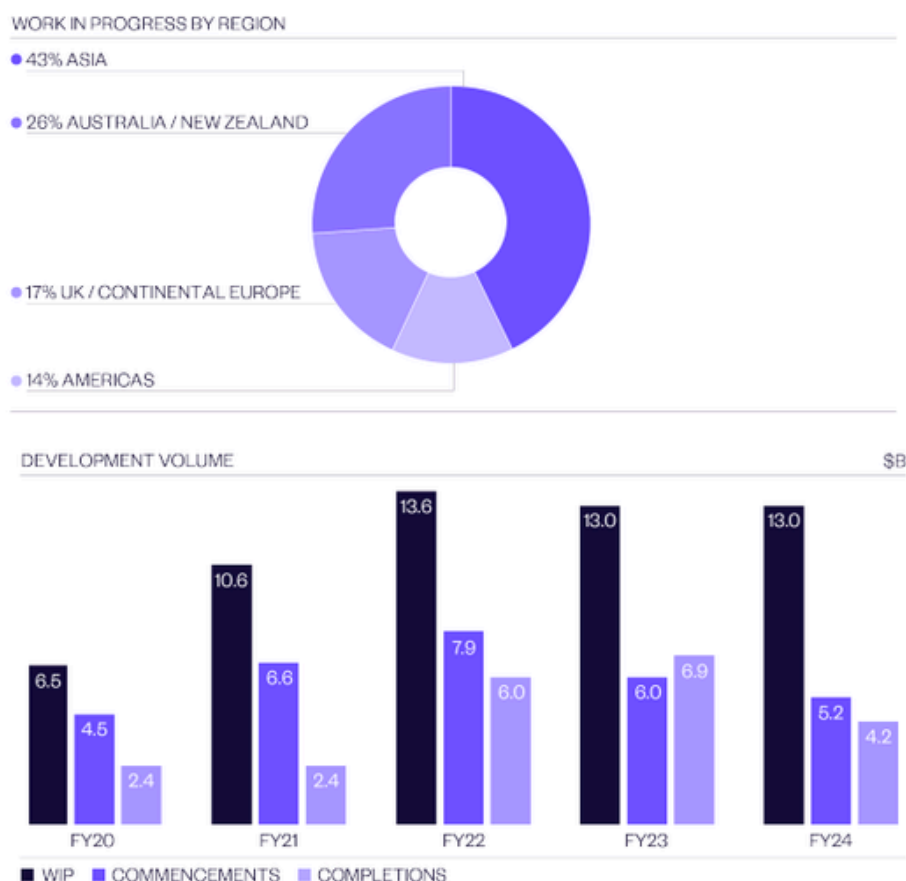
Investors should be aware of several risks associated with Goodman Group.

Economic slowdowns could impact tenant demand, potentially affecting occupancy rates and rental income. The company's significant exposure to the data center sector (42% of development work in progress) presents both opportunities and risks, as this market is subject to rapid technological changes and potential oversupply in certain regions.

Rising interest rates pose a risk to property valuations and could pressure cap rates, potentially impacting the company's asset values. Execution risk on large-scale data center developments is significant, given the technical complexity and capital intensity of these projects.

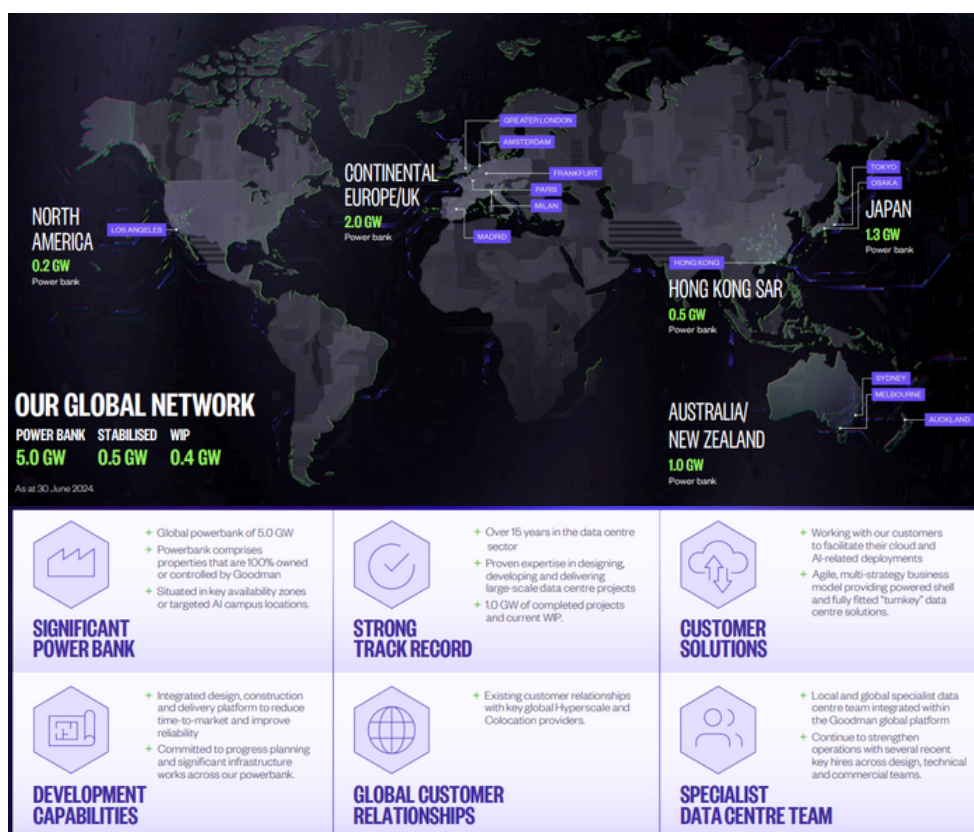
Geopolitical tensions and disruptions to global supply chains could affect Goodman's international operations and development activities. The company's operations in China (where occupancy rates are lower at 94%) present specific risks related to economic and regulatory uncertainties in that market.

Currency fluctuations may impact reported earnings due to Goodman's global presence. Additionally, the company's high valuation relative to peers could lead to share price volatility if growth expectations are not met



WHY HOLD THE COMPANY?

Investors should consider owning shares in Goodman Group for several compelling reasons. Firstly, the company offers exposure to structural growth trends in logistics and data infrastructure, which are being driven by the ongoing expansion of e-commerce and the digital economy. Goodman's strategic pivot towards data centers positions it to benefit from surging demand driven by AI, cloud computing, and overall data consumption growth. The company's global footprint and proven track record in delivering complex infrastructure projects provide a competitive advantage in capturing these opportunities. Secondly, Goodman's high-quality portfolio in supply-constrained urban locations supports strong occupancy rates and rental growth potential. The company's development pipeline of \$12.8 billion provides visibility on future growth and value creation. Thirdly, Goodman's financial strength and conservative balance sheet management reduce risk and provide flexibility to pursue attractive opportunities. The forecast 9% EPS growth for FY25 demonstrates the company's ability to deliver consistent earnings growth. Finally, Goodman's focus on sustainability and its ability to adapt to changing market conditions, as evidenced by its evolving data center strategy, position it well for long-term success in a rapidly changing real estate landscape.



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Our Commitment

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