



GPT – Bullish on logistics and earnings

Company/ASX Code	GPT Group / GPT
AGM date	Thursday 13 May 2021
Time and location	10am AEDT, meeting held online only: https://agmlive.link/GPT21
Registry	Link
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Mary Fifita assisted by Allan Goldin
Pre AGM Meeting?	Yes with Chair, Vickki McFadden and Chair of Nominations and Remuneration, Tracey Horton

Please note any potential conflict as follows: The individual (or their associates) involved in the preparation of this voting intention has no shareholding in this company.

NOTE: ASA will be attending the AGM and voting proxies and asking questions as per usual.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Following a tough year for GPT, the state of play is looking more bullish as it released its latest yearly results and announced guidance for 2021 earnings. They estimate 2021 FFO per security growth of 8% on 2020 and 2021 Distribution per Security estimated growth of 12% on 2020, assuming that economic recovery is sustained and that there are no significant disruptions from COVID-19 related restrictions for the remainder of the year. Despite this guidance the share price dropped on the day of the announcement which indicates that the market is not as confident in the longer-term earnings of GPT. The impact of COVID-19 on revaluations of assets especially in the Office and Retail portfolios will have medium to longer-term impacts which GPT will need to address.

Office occupancy went down from 98.3% in 2019 to 94.9% in 2020 which is not a surprise given most office workers are now implementing a form of hybrid office usage. Tenants are still evolving their thinking on future space requirements however, GPT advised that some who were thinking of downsizing last year are reconsidering now. They don't expect a 'hub and spoke' office model to take off but rather a 'hub and home' i.e. large corporates will allow more work from home measures but will maintain a CBD/head office presence. Office developments at 32 Smith Street, Parramatta and 550 Bourke Street, Melbourne are both approximately 70% fully leased. The Cockle Bay Wharf development is in the planning phase and as such leasing has not yet commenced on this development – GPT expect this project to commence closer to 2023.

Retail occupancy was 98% at 31 December 2020. GPT reported in February 2021, excluding Melbourne Central, that customer visitation across their shopping centres was approximately 95% of 2019 levels. As the Code of Conduct assistance ended at 31 March 2021, GPT expect that they will no longer need to offer significant assistance to Retail tenants in 2021 except for Melbourne Central which is being impacted by the pace of return by office workers, shoppers and students to the CBD, and to some tenants like the cinema operators and travel agents whose business continue to be operating well below pre-COVID-19 levels.

GPT has an investment portfolio of \$14.1bn is around (~)40% Office, ~40% Retail and ~20% Logistics. To balance out the impacts of the Office and Retail portfolios, GPT have a big push and focus on increasing their Logistics portfolio and as such they are aggressively increasing FUM in this space and acquiring development sites. GPT expect that the \$800m [GPT investment 50%] capital partnership with QuadReal Property Group will be fully invested over three years, from a launch date in February 2021. In addition to the new joint venture with QuadReal, GPT will also acquire logistics assets directly on balance sheet. The JV does not have any rights over the existing \$1bn development pipeline that GPT has however, any new Logistics opportunities sourced on market must be presented to the JV until the \$800m is fully invested.

GPT did receive \$8.8 million of job keeper which they utilised to minimise job losses – resulting in only 20 redundancies out of 500 employees. Furthermore they withdrew all STI and LTI payments in 2020. GPT advised they granted approximately \$95 million worth of rent relief to tenants.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	(213.1)	880.0	1451.7	1268.0	1152.7
FFO (\$m)	554.7	613.7	574.6	554.2	537
Share price (\$)	4.50	5.60	5.34	5.11	5.03
Dividend (cents)	22.5	26.48	25.46	24.6	23.4
TSR (%)	(17.7)	9.6	9.6	6.6	10.1
FFO per security (cents)	28.48	32.68	31.84	30.77	29.88
CEO total remuneration, actual (\$m)	1.460	4.339	4.68	4.5	2.47

For 2020, the CEO's total actual remuneration was **15.86 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Note - For November 2020, the Full-time adult average weekly total earnings (annualised) was \$92,034.80 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Item 2. Resolutions

Resolution 1	Re-election of Ms Vickki McFadden as a Director
ASA Vote	For

Summary of ASA Position

Ms Vickki McFadden joined the Board in March 2018 and was appointed Chair in May 2018. The Board believes that Ms McFadden makes a professional, significant and valuable contribution to the Group and the leadership of the Board and that GPT benefits from her extensive experience as a director particularly in corporate government, investment banking, corporate finance and law.

Ms McFadden is also currently non-executive Director of Newcrest Mining Ltd and Allianz Australia Ltd.

ASA will vote its non-directed proxies in favour of Ms. Vickki McFadden.

Resolution 2	Election of Mr Robert Whitfield AM as a Director
ASA Vote	For

Summary of ASA Position

Mr Robert Whitfield joined the board in May 2020. He has significant banking and finance experience in senior management roles across the public and private sectors. This includes a 30-year career with Westpac Banking Corporation where he held various senior management positions, including Chief Executive Officer of the Institutional Bank, Chief Risk Officer, Group Treasurer and Chairman of the Asia Advisory Board.

Mr Whitfield is currently a non-executive Director of Commonwealth Bank Australia and Transurban Group. He was also previously Chairman and Director of NSW Treasury Corporation and Secretary of NSW Treasury and NSW Industrial Relations.

ASA have requested that Mr Whitfield comment on his 30 years spent with Westpac and any lessons learnt from the Westpac problems and how those lessons will impact his role on the GPT Board. GPT advise that although Mr Whitfield was not with WBC at the time nor did he have any knowledge of the AUSTRAC concerns, he will speak to this at the AGM.

ASA will vote its undirected proxies in favour of Mr. Robert Whitfield

Resolution 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

GPT moved very early in 2020 by immediately suspending its Short-term Incentives (STI) and cancelling the Long-term Incentive (LTI) that was in place.

The Remuneration structure is good with the STI divided 50% cash and 50% deferred Equity. Financial KPIs are 50% and the non-financial scorecard is explained well. The amount available for STI is dependent on financial performance, which to some extent acts as a gateway.

The LTI has two performance measurements the first being Relative Total Share Return measured against the ASX 200 AREIT Accumulation Index, excluding GPT and Goodman. This is a good measurement to be used. The other is Total Return which by itself is fine. We questioned why FFO is not used. GPT responded FFO per security growth is used as a metric to determine the STI pool, and is incorporated in KPI's for the Leadership Team and CEO, therefore using FFO would be a double up and so TR was a more appropriate measurement.

We raised concern about the hurdle growth rate commencing of only 4% when coming off a low asset base. GPT advised that over the last 12 months they have witnessed a significant correction in valuations for Retail assets and the market price of GPT at the moment reflects the markets view that there will be further correction in asset valuations for Office and Retail. Therefore, GPT wished to set a target for management that reflected the current conditions and the achievement of the lower end of the target essentially requires that there is no further devaluation of the portfolio over the performance period and for management to achieve strong leasing outcomes over the period.

With the exception that the LTI is measured over a 3-year period as opposed to our preferred 4-to 5- year period, this is a very good remuneration structure and ASA will be voting in favour of it.

	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.460	28.6%	1.460	26.7%
STI - Cash	0.730	14.3%	0.9125	16.5%
STI - Equity	0.730	14.3%	0.9125	16.5%
LTI	2.190	42.8%	2.190	40%
Total	5.110	100.0%	5.475	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Resolution 4	Approval of LTI grant to CEO/Managing Director Robert Johnston
ASA Vote	For

Summary of ASA Position

This is asking approval for a grant of 470,199 Rights which if all LTI hurdles are achieved will be converted into no cost shares after December 2023. At the time of grant based on a 20-day VWAP the rights were worth \$2,190,000.

Following our voting in favour of the Remuneration report and although wishing the measurement period was longer ASA will be voting in favour of this resolution.

Resolution 5	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

Without this resolution a partial offer for shares could disadvantage security holders. If a proportional takeover bid is made for shares in the company or units in the trust, securityholders are required to vote by ordinary resolution on whether to accept or reject the offer and that decision will be binding on all the securityholders. The benefit of the provision is that securityholders are able to decide collectively whether the proportional offer is acceptable in principle and it may ensure that any partial offer is appropriately priced.

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