



Half-year results to 31 Dec 2013

February 2014



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Presentation outline

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- > Overview
- > Results
- > Portfolio
- > Capital management
- > Governance
- > Outlook

Overview

- > Acquisition of 10 Bunnings Warehouse properties across Australia
- > Increased rental income from acquisitions, developments and rent reviews lifts revenue (up 10.7%) and distributable profit (up 14.7%) over comparable period last year
- > 100% payout ratio resulting in 6.83 cents per unit interim distribution (down 2.4% on last year) following the issue of an additional 87 million units to fund acquisitions
- > Like-for-like rental growth of 2.8% for 12 months to 31 December 2013 (2.4% CY12)
- > Sound portfolio fundamentals: 99.3% occupancy, 7.0 years weighted average lease expiry and portfolio cap rates at 7.71%
- > NTA up by nine cents for the six months to \$2.02 cents per unit, due to portfolio acquisition and \$23.8 million net revaluation gain on investment properties
- > Weighted average cost of debt of 6.65% for the six months, down from 7.46% for the same period last year

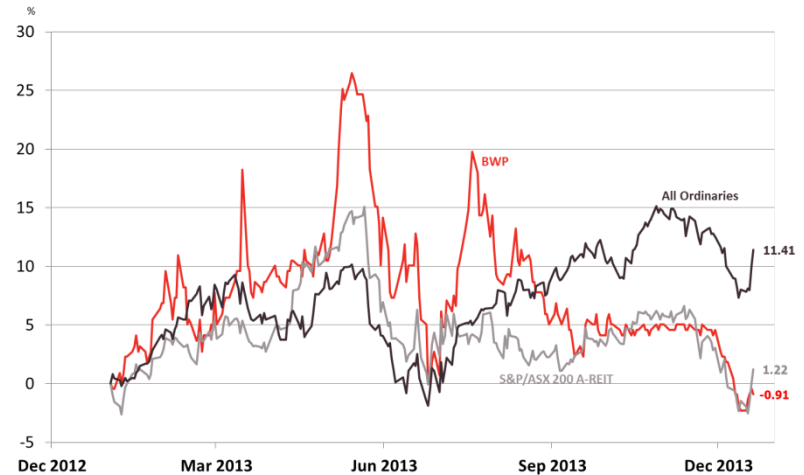
Overview – market performance

BWP unit price marginally underperforms the sector for the year

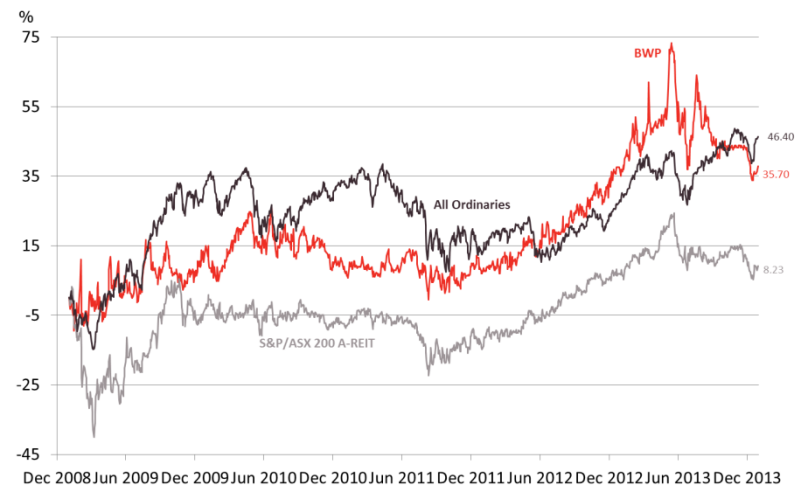
...but significantly outperforms the sector longer term

BWP unit price vs S&P/ASX 200 A-REIT index & All Ordinaries index

1 year to 31 December 2013

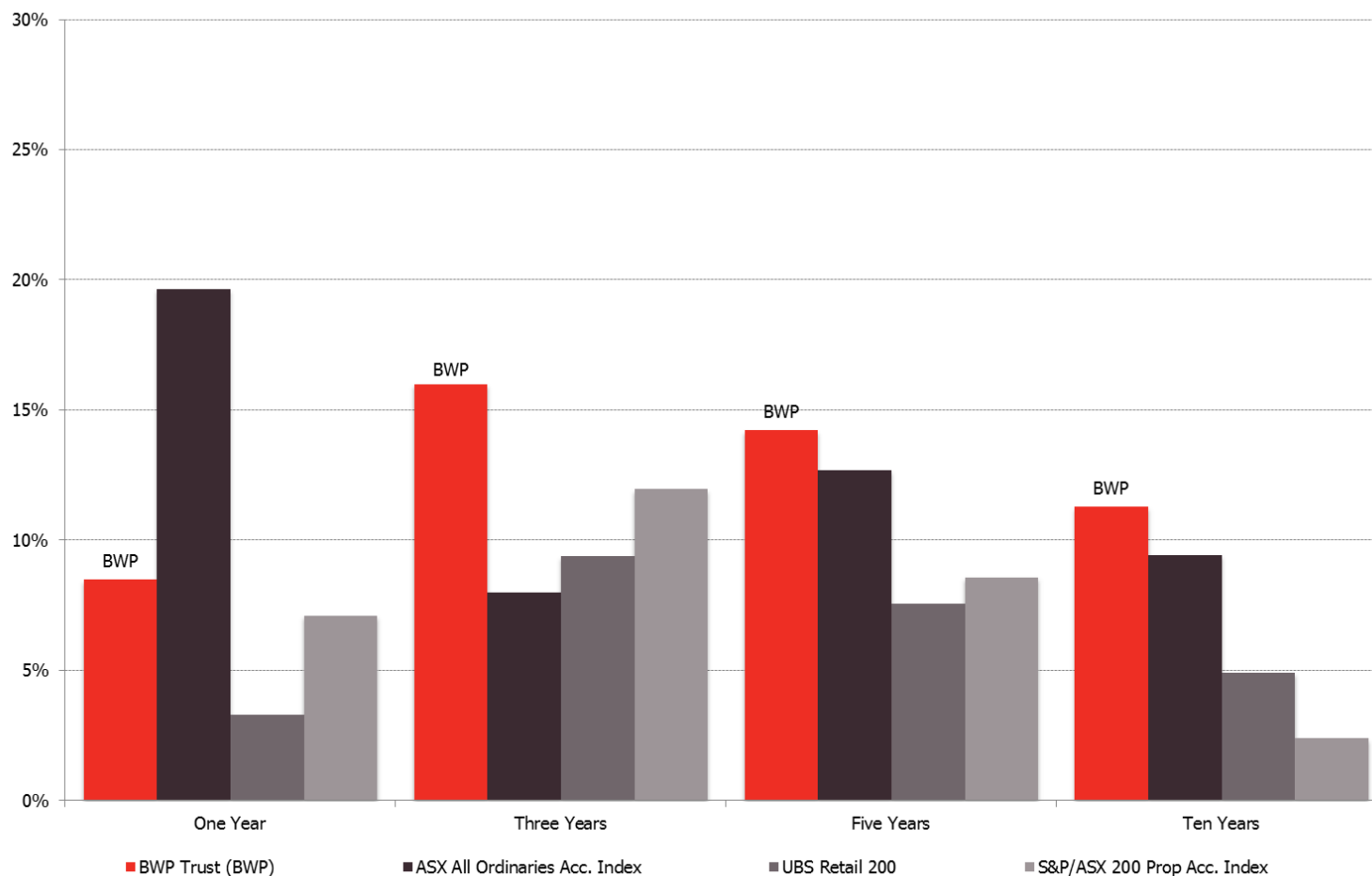


5 years to 31 December 2013



Results – total returns

> BWP total returns¹ compared to market – periods ended 31 December 2013



Results – performance vs pcp¹

	6 months to Dec 13	Previous corresponding period
Revenue	\$59.8 million	10.7%
Net profit including revaluations	\$66.7 million	\$48.8 million
Distributable profit (excluding revaluations)	\$42.9 million	14.7%
Number of units on issue	627.2 million	533.6 million
Half-year distribution per unit	6.83 cents	2.4%
Total assets	\$1,658.8 million	21.6%
Borrowings	\$327.7 million	\$296.3 million
Net tangible assets	\$2.02 per unit	\$1.87 per unit
Weighted average cap rate	7.71%	7.91%
Gearing (debt to total assets)	19.8%	21.7%
Covenant gearing (debt + n.c.l. ² to total assets)	20.4%	22.9%

1 pcp = previous corresponding period, being the 6 months ended 31 December 2012 or as at 31 December 2012 as relevant.

2 n.c.l. = non-current liabilities.

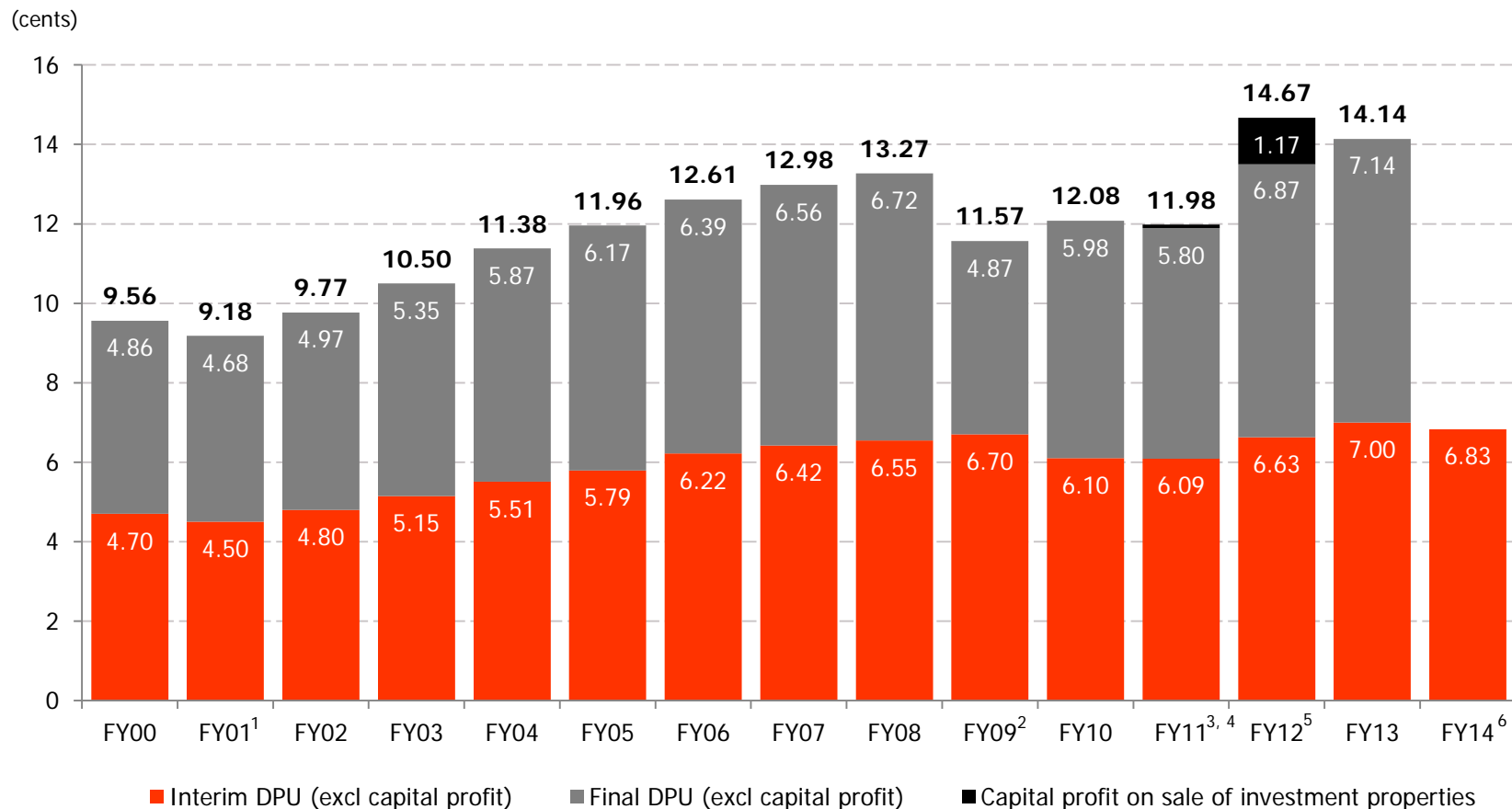
Results – performance: 6 monthly

	6 months to Dec 13	6 months to Jun 13	6 months to Dec 12
Revenue	\$59.8m	\$55.2m	\$54.0m
Distributable profit	\$42.9m	\$38.4m	\$37.4m
Unrealised property revaluation gains	\$23.8m	\$23.3m	\$11.5m
Net profit including property revaluations	\$66.7m	\$61.7m	\$48.8m ¹
Six month distribution (cents per unit)	6.83	7.14	7.00
Total assets	\$1,658.8m	\$1,398.7m	\$1,364.6m
Borrowings	\$327.7m	\$296.5m	\$296.3m
Weighted average cost of debt ²	6.65%	7.14%	7.46%
Net Tangible Assets (per unit)	\$2.02	\$1.93	\$1.87
NTA per unit excluding hedging liabilities	\$2.03	\$1.95	\$1.91
Weighted average cap rate	7.71%	7.86%	7.91%
Gearing (debt to total assets)	19.8%	21.2%	21.7%

¹ Adjusted for rounding.

² Finance costs less finance income divided by average borrowings for the six months.

Results – distributions per unit (DPU)



¹ End of concessional management fee.

² Final distribution FY09 – impacted by additional units issued from \$150 million capital raising and one-off termination costs of interest rate derivatives closed out to pay down debt from capital raising.

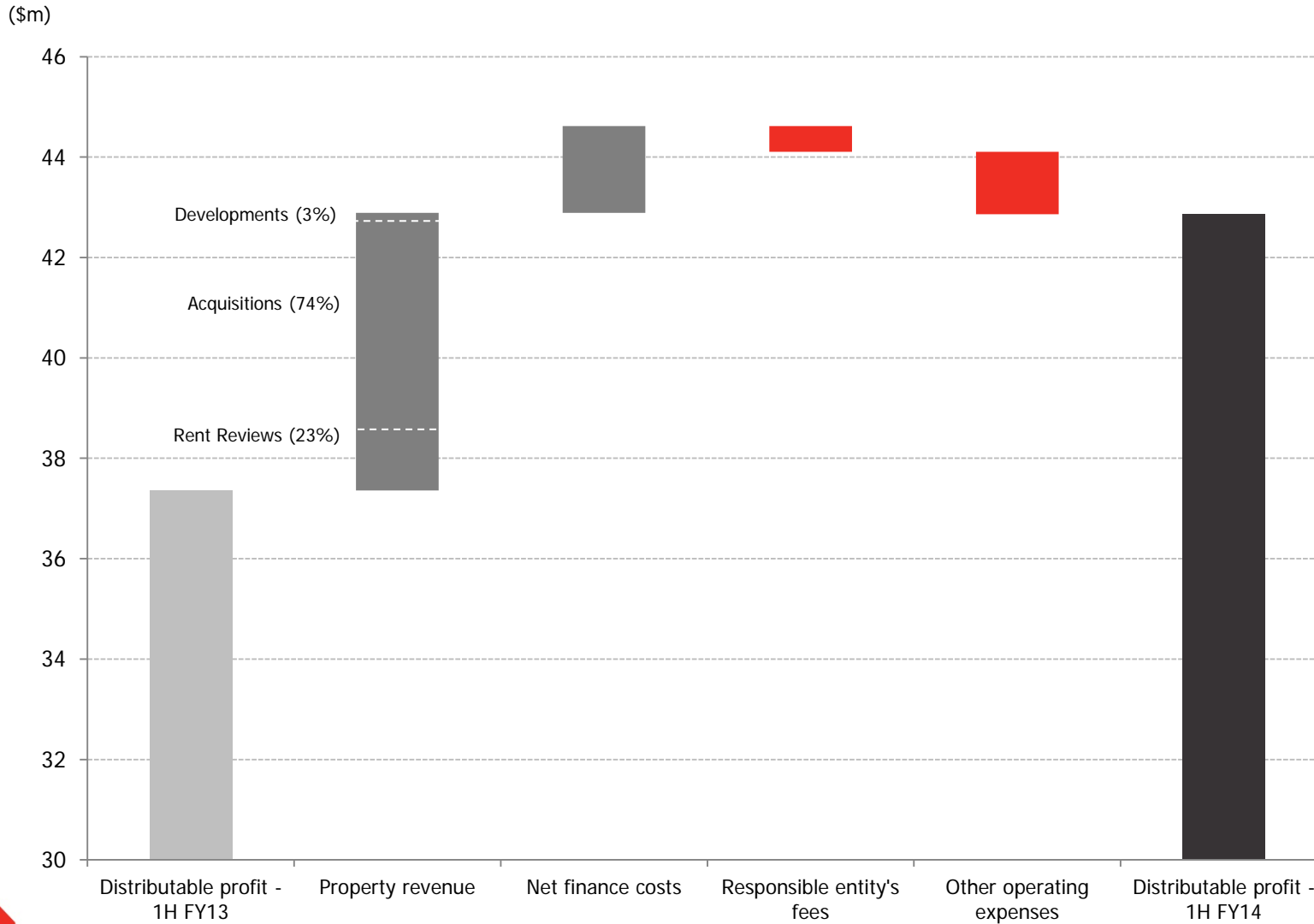
³ Interim distribution FY11 includes 0.09 cents per unit (“cpu”) capital profit on sale of Canning Vale industrial property.

⁴ Final distribution FY11 impacted by additional units issued from \$150 million capital raising to fund portfolio acquisition.

⁵ Final distribution FY12 (8.04 cpu) includes 1.17 cpu capital profit on sale of the Hoppers Crossing Bunnings Warehouse.

⁶ Interim distribution FY14 impacted by additional units issued from \$200 million capital raising to fund portfolio acquisition.

Results – distribution variance to pcp¹

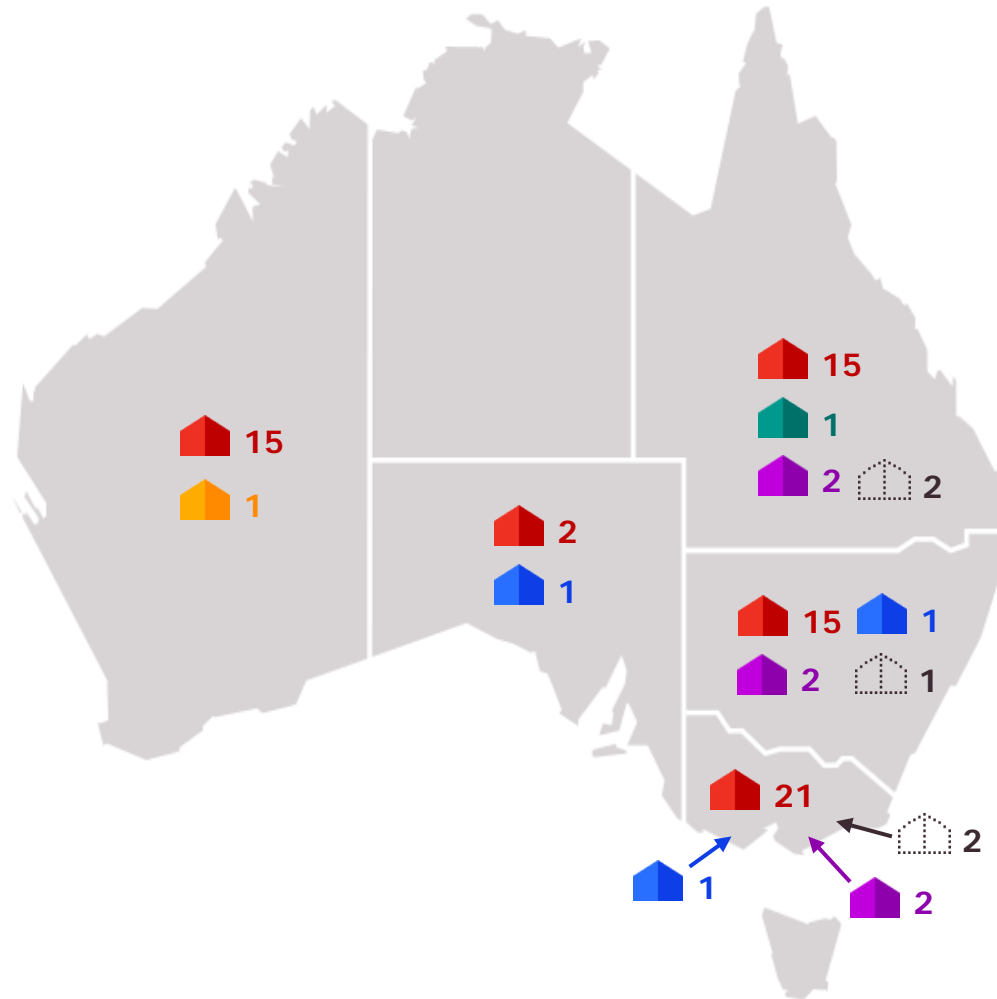
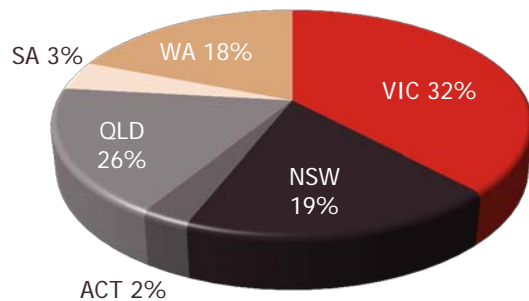


¹ pcp = previous corresponding period, being the 6 months ended 31 December 2012.

Portfolio - geographic spread

-  68 Bunnings Warehouses
-  6 Bunnings Warehouses and showrooms
-  5 Bunnings Warehouse development sites
-  1 Bunnings distribution centre
-  1 Large format retail showroom
-  3 Industrial properties

BWP rental income
(as at 31 Dec 2013)



Portfolio – new properties in 1HFY14

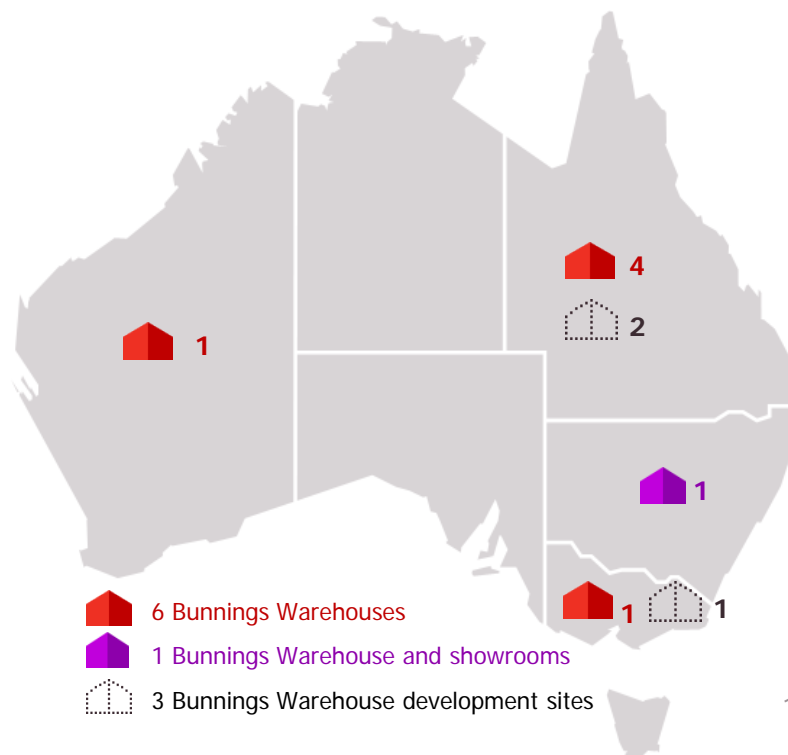
State	Property	Description	Rent (\$000) ¹	Purchase price (\$000) ²
NSW	Hoxton Park	BWH ³ -anchored centre	3,401	40,750
QLD	Arundel	BWH	2,120	26,470
QLD	Bethania	BWH	1,724	21,720
QLD	Manly West	BWH development site	N/A	6,798 ⁴
QLD	North Lakes	BWH	2,420	32,370
QLD	Townsville North	BWH	1,545	19,860
QLD	West Ipswich	BWH development site	N/A	12,300 ⁴
VIC	Springvale	BWH	1,850	26,430
VIC	Sunbury	BWH development site	N/A	6,142 ⁴
WA	Ellenbrook	BWH	1,715	23,660

¹ Commencement rent for Bunnings Warehouse and net income at the date of acquisition for the multiple-tenanted properties.

² Excludes acquisition costs.

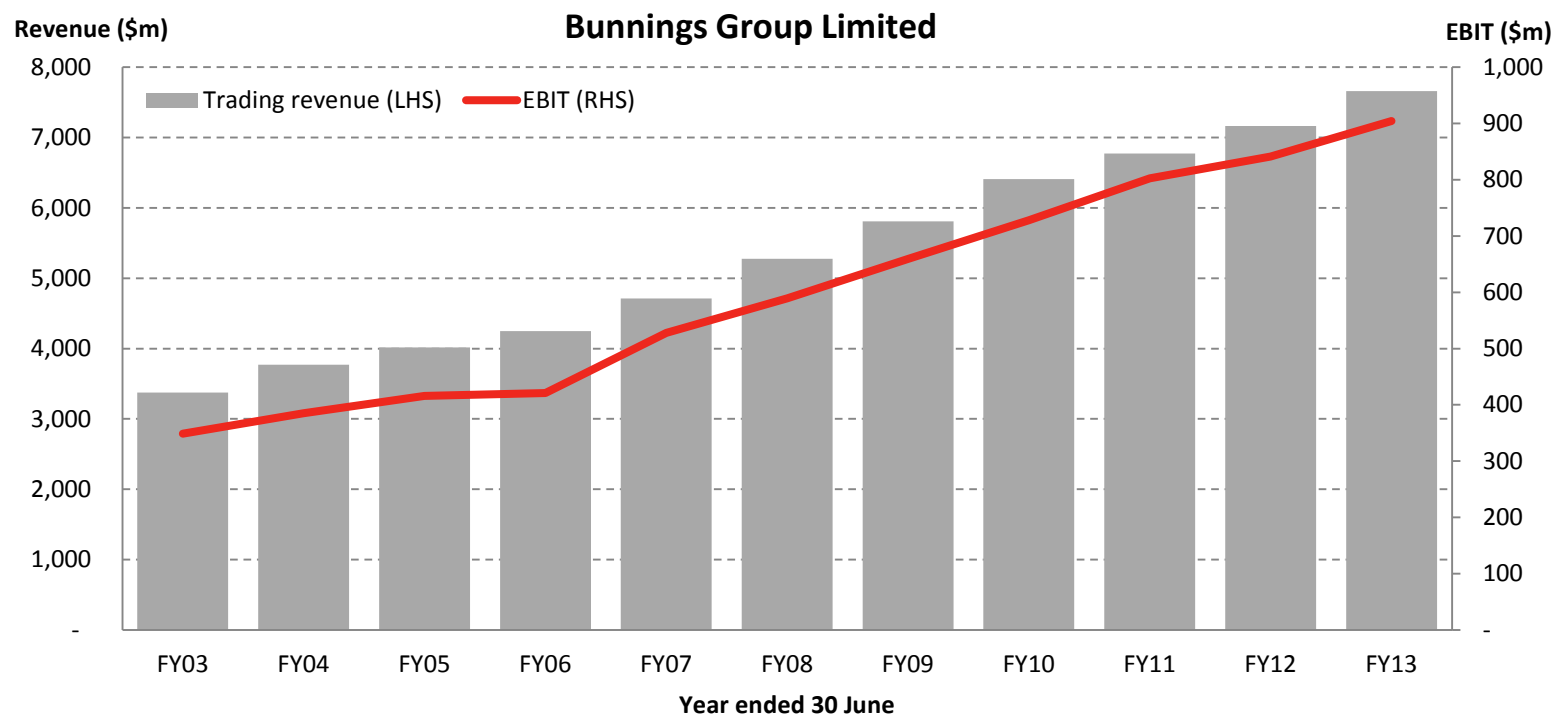
³ BWH = Bunnings Warehouse.

⁴ Development not complete, purchase price reflects land purchase only.



Portfolio - major tenant

- > Majority (94%) of BWP income underpinned by the highly successful Bunnings business
- > 7.1% store-on-store sales growth for 3 months to 30 September 2013 (vs. pcg)



EBIT/revenue	9.8%	9.9%	10.5%	10.0%	10.4%	10.8%	11.2%	11.4%	11.8%	11.6%	11.7%
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- > Trading revenue excludes property rental income and non-trading items.
- > EBIT is earnings before interest and taxes.
- > EBIT/revenue excludes property and non-trading items.

Portfolio – acquisition: Bunnings-anchored centre

Lincoln Mills – Coburg, Victoria



Boundaries shown are approximate

Brief description:	Bunnings Warehouse-anchored large format retail centre
Tenants:	Bunnings, Harvey Norman, Officeworks, BCF and 5 other tenancies
Gross lettable area (estimated):	24,728 sqm
Car parking bays:	684, 2.8 car parks per 100 sqm of lettable area
Zoning:	Industry 1 and Industry 3
Land area:	4.9 hectares
Valuation:	\$57.00m
Purchase price:	\$57.00m + \$3.2m acquisition costs
Settlement:	January 2014
Lease term:	WALE 5.2 years (at settlement)
Net annual income:	\$4,380,000
Capitalisation rate:	7.75% per annum
Occupancy:	96%

Portfolio - pipeline

- > \$193 million of capital committed to acquisitions and developments at 31 December 2013
- > Gearing levels are expected to remain within target levels of 20-30%

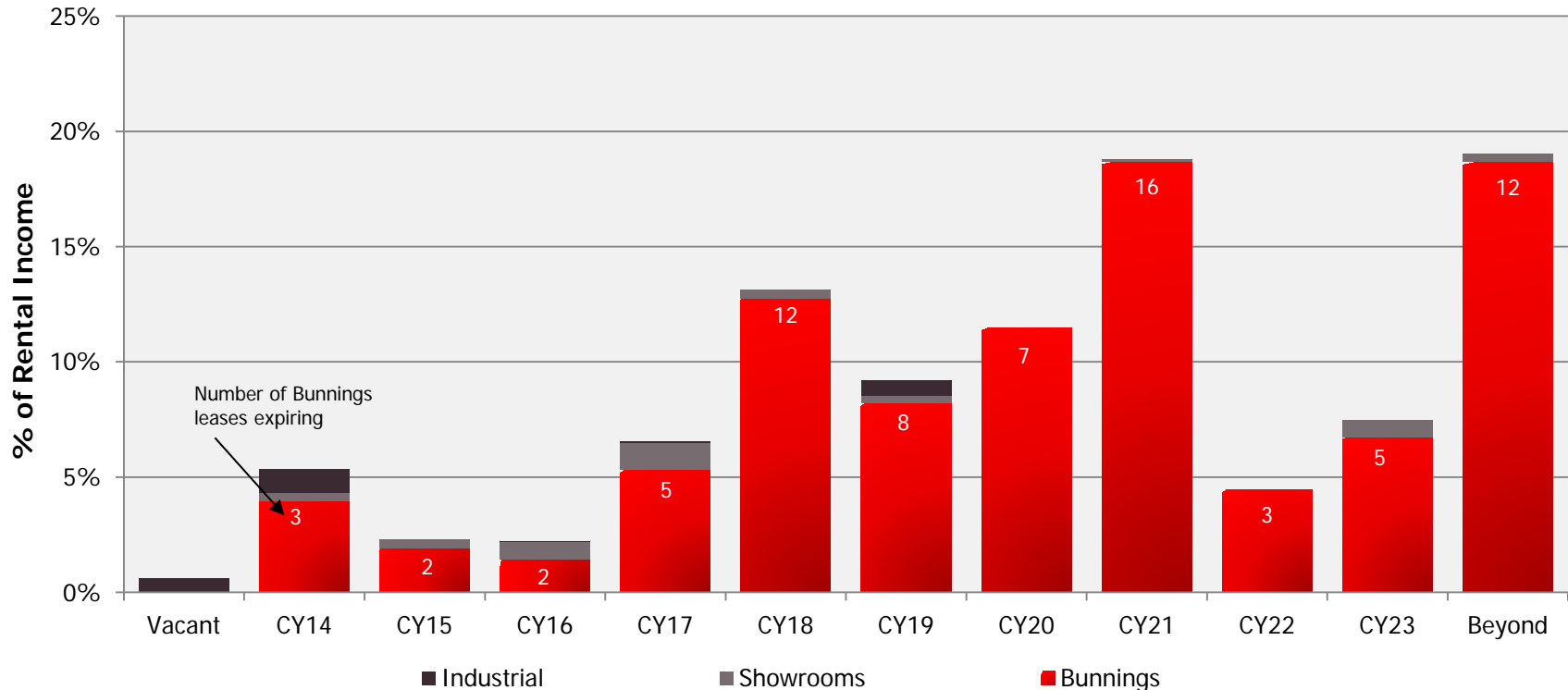
	Property	Payment date	Capital commitment (\$m)	
Acquisitions	Lincoln Mills ¹	Jan 14	57.39	
	Rydalmere (land)	Mar 14	25.82	83.21
Developments	Wallsend ²	Apr 14	21.22	
	Rydalmere	Mar 14	12.94	
	Manly West ³	Jun 14	21.30	
	West Ipswich ³	Jun 14	17.87	
	Sunbury ³	Jun 14	17.58	
	Harrisdale	Jun 14	4.50	
	Rockingham	Oct 14	6.00	
	Minchinbury	Dec 14	8.58	109.99
Total				193.20

¹ Includes stamp duty and acquisition costs but excludes the deposit of \$2.85m already paid.

² Wallsend land settled 29 January 2013.

³ Land purchase settled on 17 September 2013.

Portfolio – lease expiry profile



- > All leases expiring in the next five years represent 29.5% of portfolio rental income
- > 24 Bunnings leases expiring in the next five years represent 25.4% of portfolio rental income
- > The vacancy represents approximately 10,000sqm tenancy at Blackburn industrial property

Portfolio – Bunnings lease expiries

> 24 Bunnings leases expiring in the next five years

Property	Lease expiry	Annual rent (\$'000)	Comments
Sandown	Apr 2014	1,140	Considering re-leasing or sale
Hemmant (distribution centre)	Apr 2014	2,292	Re-leasing campaign underway
Browns Plains	May 2014	1,521	In Jan 2014, Bunnings exercised five year option
Morley	Jul 2015	1,251	Too early for consideration
Mt Gravatt	Dec 2015	1,129	Too early for consideration
Belmont North	Mar 2016	914	Too early for consideration
Coffs Harbour	Nov 2016	857	Asset likely to be sold if Bunnings vacates
Gladstone	Feb 2017	1,069	Too early for consideration
Oakleigh South	Mar 2017	1,847	Too early for consideration
Dandenong	Nov 2017	1,347	Too early for consideration
Fyshwick	Dec 2017	1,185	Too early for consideration
Hervey Bay	Dec 2017	1,190	Too early for consideration
12 Bunnings Warehouses	CY18	15,892	Too early for consideration

Portfolio – rent reviews

- > 33 leases subject to annual fixed or CPI reviews: w/average +2.6%
- > Finalised two market rent reviews during the half-year

Tenancy & location	Passing rent (\$'000)	Reviewed rent ¹ (\$'000)	Uplift (\$'000)	Uplift (%)	Effective date
Bunnings Warehouse Port Melbourne, VIC ¹	1,673	1,840	167	+10.0	17 March 13
Autobarn showroom Bayswater, VIC ²	172	205	33	+19.3	1 November 13
Weighted average				+10.9	

¹ The market rent review with a 10% cap on the increase was due during the year ended 30 June 2013, but the outcome of the negotiation was only completed during the half-year ended 31 December 2013; the review excludes a portion of rental of \$80,308 per annum not subject to the market rent review.

² The parties have agreed a new lease for a term of 10 years in conjunction with negotiating the market rent review.

- > 12 Bunnings Warehouse market rent reviews due during the half-year remain unresolved
- > A further five Bunnings Warehouse market rent reviews, which were due during the year ended 30 June 2013, remain unresolved
- > 2.8% like-for-like rental growth for 12 months to 31 December 2013

Portfolio – market rent reviews

- > 22 Bunnings Warehouse market rent reviews remain to be completed this financial year
- > Most of the outstanding market reviews are likely to be referred for independent determination and may not be finalised by year-end (refer Appendix C for review process)

Due date: FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	
Artarmon, NSW	Altona, VIC	Tuggeranong, ACT	Epping, VIC	Lismore, NSW	
Belrose, NSW	Mentone, VIC	Port Macquarie, NSW		Browns Plains, QLD	
Wollongong, NSW	Sunshine, VIC	Burleigh, QLD		Cannon Hill, QLD	
Cairns, QLD	Balcatta, WA	Southport, QLD		Bayswater, VIC	
Dandenong, VIC	Joondalup, WA	Underwood, QLD			
		Hawthorn, VIC			
		Mandurah, WA			
					TOTAL
% of portfolio¹	6.1%	8.9%	0.9%	4.9%	26.2%

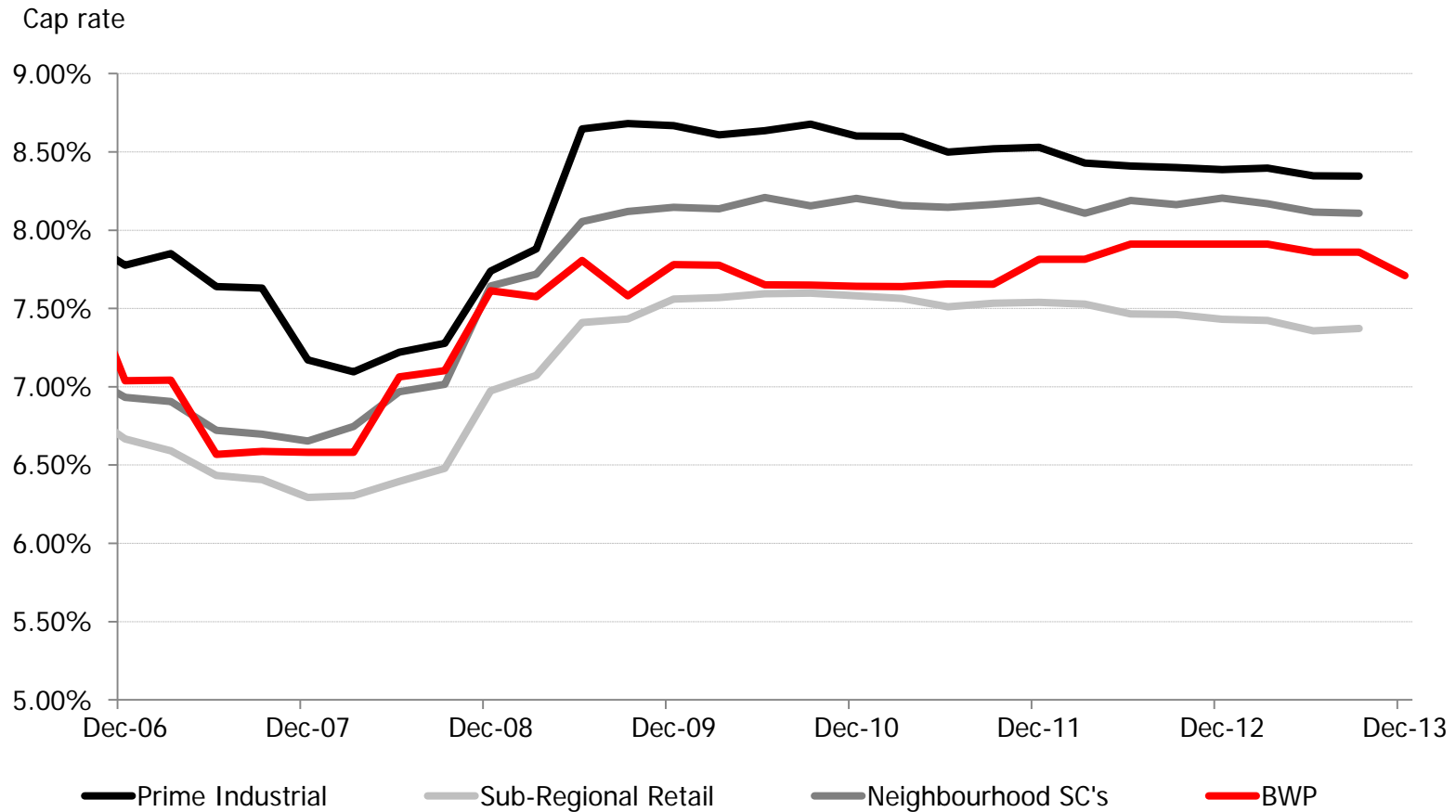
¹ Passing rent as % of total portfolio based on rental as at 31 December 2013.

Portfolio - revaluations

- > December 2013 weighted average capitalisation rate 7.71%
 - June 2013: 7.86% and December 2012: 7.91%
 - Stand-alone Bunnings Warehouses weighted average cap rate of 7.61%
 - Net fair value gain of \$23.8m on revaluation
 - Refer to Appendix B for valuation process and December 2013 valuation summary by State/Territory
- > 18 independent valuations in December 2013 (21% of BWP portfolio value)
 - Average cap rate 7.70%
 - Average cap rate 7.54% for the 14 Bunnings Warehouses independently valued
- > 66 internal valuations in December 2013
 - Average cap rate 7.79% (excluding the 2013 portfolio acquisition), an 8bps decrease from 7.87% at 30 June 2013
 - Average cap rate 7.72% (including the 2013 portfolio acquisition)

Portfolio – revaluations

Historical BWP cap rates compared to other asset classes



Source: IPD Research

Portfolio – rent reviews and revaluations

> Future market rent reviews and revaluations for Bunnings Warehouses (“BWH”)

	FY14 ¹	FY15	FY16	FY17	FY18
BWH market reviews	17	10	7	8	7
% of total ²	20%	13%	10%	10%	8%
Independent revaluations	26	26	27	26	26
% of total ³	33%	32%	31%	33%	32%

Refer Appendices B & C for outline of valuations and market rent review process.

Notes:

¹ Four market reviews previously due in FY14 are no longer required as a result of new leases being entered into as part of major redevelopments of existing Bunnings Warehouses (Rocklea and Minchinbury) or holding-over provisions on the expiry of leases (Sandown Bunnings Warehouse and Hemmant Distribution Centre).

² Percentages based on portfolio annual rent at 31 December 2013.

³ Percentages based on fair value of the portfolio as at 31 December 2013.

Capital management

- > Financial strength (A- credit rating with S&P) supported by:
 - Low gearing: 19.8% at 31 December 2013 (20.4% covenant gearing)
 - Strong lease covenant in Bunnings/Wesfarmers
 - Solid rental base with growth from CPI, fixed and periodic market rent reviews
 - Low level of maintenance/stay in business capex
- > Maintaining 100% pay-out ratio of distributable profit (as required by BWP's constitution)
- > Distribution Reinvestment Plan active (37.5% take-up for interim distribution)

Capital management – debt facilities

- > Net borrowing costs¹ for the half-year \$9.5m (down 13.6% on December 2012):
 - Average borrowings \$274.1m (2012: \$290.3m)
 - 6.65% weighted average cost of debt after hedging (December 2012: 7.46%)
- > Interest cover: 5.6x at 31 December 2013 (2012: 4.5x)
- > 3.3 years average duration
- > Additional \$25.0m bank funding obtained from CBA in February 2014 and full facility extended for an additional year until 31 July 2017
- > Additional debt funding will be obtained from BWP's existing lenders, new lenders or from debt capital markets to fund future capital commitments

As at 31 December 2013	Limit (\$m)	Drawn (\$m)	Expiry
WBC	180	124	31 December 2017
ANZ	150	112	23 January 2017
CBA	100	92	31 July 2016
Total/ Weighted avg	430	328	3.3 years

¹ Net borrowing costs = finance costs less finance income.

Capital management – interest rate hedging

- > \$210.0m hedged (64%) at 4.96% weighted average including delayed starts
- > 3.32 years weighted average maturity, including delayed starts (2012: 3.72 years)

Hedge book profile by half-year ending:	Dec 13	Jun 14	Dec 14	Jun 15	Dec 15	Jun 16	Dec 16
Active swaps (\$ m)	210	210	210	180	180	175	135
Swap rates (%)							
Maximum	5.77	5.77	5.77	5.70	5.70	5.70	5.70
Minimum	3.10	3.10	3.10	3.10	3.10	3.10	3.10
Weighted average ¹	5.23	5.23	5.23	5.04	5.04	4.91	4.84

¹ Weighted average at balance date of active swaps to maturity.

Governance – Board & management

> **Responsible Entity: BWP Management Limited**

Subsidiary of Wesfarmers Limited, but majority external directors

- John Austin: Chairman, non-executive external director
- Rick Higgins: Non-executive external director
- Fiona Harris: Non-executive external director
- Tony Howarth: Non-executive director

> **Board changes**

- Peter Mansell: Non-executive external director (resigned 4 December 2013)
- Bryce Denison: Non-executive external director (resigned 12 February 2014)
- Michael Wedgwood: Executive director (commencing 24 February 2014)
- John Atkins: Non-executive external director (commencing 1 April 2014)

> **Management changes**

- Grant Gernhoefer: CEO (resigning 24 February 2014)
- Michael Wedgwood: CEO/MD (commencing 24 February 2014)

Outlook – key drivers

> **Low cash/interest rate environment:**

- Improves A-REITs' attractiveness as yield investment compared to cash, but increased investor focus on growth is emerging
- Improves funding costs and relative affordability of commercial property assets, although some reduction in acquisition yields as competition increases for prime property assets
- Some continuing improvement in cost of debt for better quality credit risks

> **Moderate inflation:**

- Slightly higher annual CPI rent reviews compared with recent periods

> **Home improvement retail sector performance and growth:**

- Bunnings continues to trade well on a store-on-store basis, with the rollout of new warehouse stores occurring at higher than historical levels
- Bunnings' store network rollout and investment in existing stores may create opportunities for BWP to acquire new properties or upgrade existing assets
- Potential impact on property values and rents from growth in the home improvement retailing sector (may take time to become apparent)

Outlook – acquisition/development schedule

- > Authority approvals, tendering process and revised construction programs have delayed the likely date for completion of property settlement and some developments

	Property	Previous estimated completion	Revised estimated completion
Acquisitions	Rydalmere (land)	Sep 13	Mar 14
Developments	Wallsend ¹	Nov 13	Apr 14
	Manly West ²	May 14	Jun 14
	West Ipswich ²	May 14	Jun 14
	Rockingham	Mar 14	Oct 14
	Minchinbury	Jul 14	Dec 14

¹ Wallsend land settled 29 January 2013. Property was part of the Bunnings portfolio acquisition announced in February 2011.

² Land purchase settled on 17 September 2013.

- > While the development and acquisition delays will defer the commencement of income from these properties, the responsible entity is maintaining the forecast full-year distribution provided in August 2013 of 14.6 cents per unit

Outlook - priorities

> **Property portfolio**

- Complete currently committed acquisitions and developments
- Continue to evaluate opportunities to acquire complementary properties on an accretive basis (stand-alone Bunnings Warehouses or Bunnings-anchored centres such as Hoxton Park and Lincoln Mills recent acquisitions)
- Additional upgrades of existing properties as required by Bunnings (to increase rental income, improve building format, and extend lease expiry)
- Continue to consider redeployment or divestment opportunities for properties that have reached optimal value for BWP (crystallise capital growth for unitholders, recycle capital, refine portfolio quality)

> **Improve the efficiency, security and flexibility of funding**

- Manage debt facilities to balance the need for financial flexibility and cost efficiency (maintain sufficient liquidity but not holding excess funding capacity)
- Maintain hedging in the target range of 50-75% of borrowings
- Improve duration and average cost of debt
- Target alternate sources of debt capital as opportunity arises to improve diversity and duration of funding

Further information

Visit: www.bwptrust.com.au

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Appendix A: Lease expiry profile data table

Year	Year End	Total Lease Expiries	Total Rental Income (\$)	Rental Income (% of Total)	Bunnings (%)	Industrial (%)	Showrooms (%)
	Vacant	1	875,000 ¹	0.7%	0.0%	0.7%	0.0%
1	31-Dec-14	7	6,631,461	5.3%	4.0%	1.0%	0.3%
2	31-Dec-15	5	2,866,707	2.3%	1.9%	0.0%	0.4%
3	31-Dec-16	8	2,744,945	2.2%	1.4%	0.0%	0.8%
4	31-Dec-17	10	8,178,551	6.6%	5.3%	0.1%	1.2%
5	31-Dec-18	13	16,360,348	13.1%	12.8%	0.0%	0.4%
6	31-Dec-19	12	11,461,502	9.2%	8.2%	0.6%	0.3%
7	31-Dec-20	7	14,245,241	11.4%	11.4%	0.0%	0.0%
8	31-Dec-21	17	23,418,511	18.8%	18.7%	0.0%	0.1%
9	31-Dec-22	3	5,555,622	4.5%	4.5%	0.0%	0.0%
10	31-Dec-23	7	9,343,284	7.5%	6.7%	0.0%	0.8%
	Beyond	13	23,732,908	19.0%	18.7%	0.0%	0.4%
	TOTAL	102	124,539,080²	100.0%	93.7%	1.7%	4.6%

¹ Estimated market rental income for the vacant premises.

² Excludes market rental income of the vacant premises.

Appendix B: Valuations

- > Process
 - entire portfolio revalued every six months
 - independent valuations on a three year cycle for each property
 - balance of portfolio – directors' valuation using recognised valuation methodology
 - directors' valuations methodology reviewed by an independent valuer and have regard to market evidence and the independent valuations completed at the time
- > Valuations at 31 December 2013 by State/Territory

	No. of properties	Rental \$m/annum	Cap rate	Value \$m
VIC	24	40.1	7.62%	541.2
NSW/ACT	18	26.3	7.95%	336.2
QLD	18	32.1	7.82%	375.1
WA	16	21.9	7.52%	294.4
SA	3	4.1	7.54%	50.6
Total	79	124.5	7.71%	1,597.5

Excluding development sites at Wallsend, Manly West, West Ipswich, Maribyrnong and Sunbury and subject to rounding.

Appendix C: Typical lease structure

- > Typical Bunnings Warehouse lease in BWP portfolio features:
 - Minimum 10 year initial term (plus five-year tenant options)
 - Predominantly five-yearly market rent reviews (majority uncapped)
 - Annual CPI or 3% escalation
 - Wesfarmers covenant (A- (stable) credit rating)
- > Typical Bunnings Warehouse market rent review clause
 - Assumes free and open market with vacant possession
 - Has regard to the rent paid by Bunnings at other Bunnings Warehouses
 - Has regard to the rental value of other properties of a similar size and similar standard of construction and used for similar purposes
 - No regard to store turnover (i.e. no turnover or percentage rent)
- > Market rent review process
 - Trust's asking rent based on advice from an independent valuer
 - Negotiation period with Bunnings
 - If not agreed with Bunnings then referred to determination
 - Determination by independent valuer jointly agreed or nominated by the President of the Australian Property Institute
 - Results binding