



Half-year results to 31 December 2015

February 2016

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Presentation outline

Michael Wedgwood

Managing Director

BWP Management Limited

Andrew Ross

Portfolio Manager

BWP Management Limited

David Hawkins

Finance Manager

BWP Management Limited

- > 2016 half-year highlights
- > Results
- > Portfolio
- > Capital management
- > Strategic agenda
- > Outlook

2016 half-year highlights

\$74.7m



Total income 4.9%

\$53.3m



Dist. profit 8.5%

8.29 cpu



Distribution 8.1%

\$2.52



NTA 15.6%

12.3% pa

10yr total return

Portfolio performance

2.5%

like-for-like rental growth

8.7%

portfolio revaluation uplift

6.81%

portfolio cap rate

6.4 years

portfolio WALE

Portfolio management

9

MRRs finalised

2

store upgrades completed

1

Bunnings Warehouse store
lease assigned

100%

occupancy

Capital management

5.06%

w/average cost of debt

7.4%

reduction in borrowing costs

3.7 years

debt duration

22.0%

gearing

Results – performance vs pcp¹

	HY2016	Previous corresponding period
Total income	\$74.7m	\$71.2m
Management expense ratio	0.66%	0.63%
Other expenses	\$3.1m	\$3.3m
Distributable profit (excluding revaluations)	\$53.3m	\$49.1m
Number of units on issue	642.4m	639.7m
Half-year distribution per unit	8.29 cents	7.67 cents
Total assets	\$2,179.8m	\$1,926.0m
Borrowings	\$479.6m	\$451.2m
Net tangible assets per unit	\$2.52	\$2.18
Gearing (debt to total assets)	22.0%	23.4%

¹ pcp = previous corresponding period, being the 6 months ended 31 December 2014 or as at 31 December 2014 as relevant.

Results - performance 6 monthly

	6 months to Dec 15	6 months to Jun 15	6 months to Dec 14
Total income	\$74.7m	\$73.7m	\$71.2m
Distributable profit	\$53.3m	\$52.5m	\$49.1m
Property revaluation gains	\$173.5m	\$40.3m	\$68.2m
Net profit including property revaluations	\$226.8m	\$92.8m	\$117.3m
Six month distribution (cents per unit)	8.29	8.17	7.67
Total assets	\$2,179.8m	\$2,018.0m	\$1,926.0m
Borrowings	\$479.6m	\$485.4m	\$451.2m
Weighted average cost of debt ¹	5.06%	5.26%	5.79%
Net Tangible Assets (per unit)	\$2.52	\$2.24	\$2.18
NTA per unit excluding hedging liabilities	\$2.53	\$2.26	\$2.20
Weighted average cap rate	6.81%	7.33%	7.41%

¹ Finance costs less finance income divided by average borrowings for the six months.

Portfolio – Lismore expansion

- > Bunnings Warehouse expansion – Lismore, NSW (\$4.6m)
 - Development completed August 2015
 - 8,105m² fully-enclosed covered area (subject to survey)
 - Commencing annual rent \$1.26m
 - 12 year lease with 4 x 5-year options
 - Annual 3% fixed escalation
 - Market reviews on exercise of each option (10% caps/collars)
 - Scope of works included:
 - New fully enclosed goods inwards area
 - Roof extension over the timber trade area
 - New bagged goods canopy
 - Reconfigured nursery
 - New skylights and high bay lights
 - Roof safety access works to the new plant



Portfolio – Rockingham expansion

- > Bunnings Warehouse expansion – Rockingham, WA (\$4.6m)
 - Development completed October 2015
 - 9,308m² fully-enclosed covered area (subject to survey)
 - Commencing annual rent \$2.02m
 - 12 year lease with 4 x 6-year options
 - CPI escalations
 - Market reviews on exercise of each option (10% caps/collars)
 - Scope of works included:
 - Main warehouse extension
 - New timber trade area
 - Extended bagged goods canopy
 - Internal rack plan configuration



Portfolio – FY2016 rent reviews

- > Fountain Gate Bunnings Warehouse market rent review due in FY2015 is currently in determination
- > 2 Bunnings Warehouse market rent reviews due in FY2016¹ have been resolved by negotiation
- > 4 Bunnings Warehouse market rent reviews due in FY2016² currently being negotiated or at determination

Portfolio rent review types (all leases)

	First-half ³	Second-half	% of rental income ⁴
CPI	37	22	57%
Fixed	17	25	36%
Market	6	6	7%
Total	60	53	100%

Market rent reviews (BWH)
Morley, WA - finalised
Vermont South, VIC - finalised
Northland, VIC
Mt Gravatt, QLD
Broadmeadows, VIC
Belmont North, NSW

1 Morley WA and Vermont South VIC.

2 Northland VIC, Mt Gravatt QLD, Broadmeadows VIC and Belmont North NSW.

3 Includes the revised rent review structures for Rockingham and Lismore as a result of the new leases post development.

4 Percentage based on portfolio rental as at 31 December 2015.

Portfolio – market rent review outcomes

Six Bunnings reviews resulted in a 5.5% increase, 4 from FY2015, and 2 due during the period

Property location	Customer	Passing rent (\$pa)	Reviewed rent ¹ (\$pa)	Variance (%)	Effective date
Mornington, VIC ²	Bunnings	1,607,814	1,650,000	2.6%	13-Dec-14
Nunawading, VIC ²	Bunnings	2,289,748	2,337,500	2.1%	11-Feb-15
Morayfield, QLD ²	Bunnings	1,676,042	1,770,000	5.6%	22-Mar-15
Mile End, SA ^{2,3}	Bunnings	2,050,595	2,340,000	14.1%	23-Mar-15
Morley, WA	Bunnings	1,290,348	1,425,000	10.4%	3-Jul-15
Vermont South, VIC	Bunnings	2,166,812	2,166,812	0.0%	15-Aug-15
Geraldton Showrooms, WA	BCF	182,436	182,436	0.0%	12-Nov-15
Pakenham, VIC	Dollar Curtains	123,022	126,713	3.0%	10-Jan-16
Bayswater, VIC	BCF	269,423	290,000	7.6%	3-Jun-16
Weighted Average				5.4%	

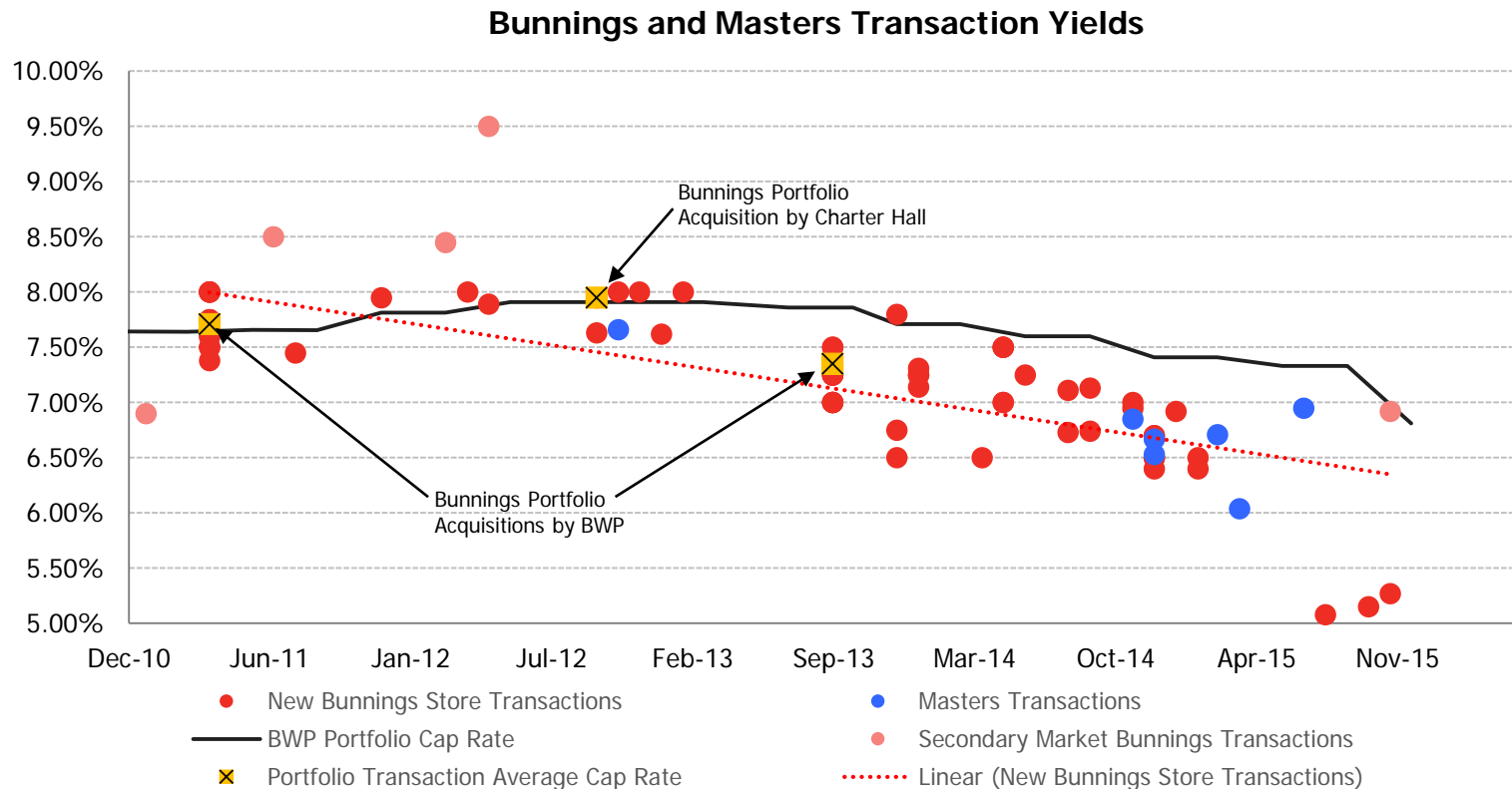
¹ All market rent reviews were negotiated between the Trust and the Customer except Mile End and Morayfield which were determined by an independent valuer.

² The market rent review was due during the year ended 30 June 2015, but the outcome of the negotiation was only completed during the year ended 30 June 2016.

³ Amortised rental portion of total rent ceased on 22 March 2015, the market rent review excludes amortised rent not subject to review.

Portfolio - capitalisation rate trends

- > Cap rate compression has intensified across most retail sectors in the past 12 months
- > Compression has been particularly evident in the hardware and home improvement sector with the most recent Bunnings Warehouse transactions yielding well below 6.00%



Portfolio – independent valuations

Property	State	Jun-15 Cap Rate	Jun-15 Valuation (\$m)	Dec-15 Cap Rate	Dec-15 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Dec-15 Term Certain (years)
Tuggeranong	ACT	7.00%	25.2	6.50%	27.6	-0.50%	2.4	7.9
Maitland	NSW	8.00%	16.4	7.75%	16.9	-0.25%	0.5	3.8
Belmont North	NSW	9.00%	10.6	7.50%	15.7	-1.50%	5.1	5.2
Blacktown (Industrial)	NSW	9.75%	6.6	9.00%	7.2	-0.75%	0.6	1.0
Cannon Hill	QLD	6.75%	33.3	6.00%	37.1	-0.75%	3.8	8.3
Townsville North	QLD	7.00%	21.9	6.25%	25.3	-0.75%	3.4	9.9
West Ipswich	QLD	7.00%	31.4	6.00%	37.8	-1.00%	6.4	10.7
Croydon	VIC	7.00%	26.3	6.00%	31.0	-1.00%	4.7	10.8
Scoresby	VIC	7.25%	25.6	6.75%	27.5	-0.50%	1.9	6.4
Epping	VIC	8.25%	15.0	8.00%	14.0	-0.25%	-1.0	3.2
Midland	WA	7.25%	22.2	6.75%	24.2	-0.50%	2.0	5.7
Total/weighted average		7.33%	234.5	6.61%	264.3	-0.72%	29.8	7.4

Portfolio – HY2016 revaluation

- > December 2015 weighted average capitalisation rate 6.81% (Jun 2015: 7.33%)
 - Stand alone Bunnings Warehouses weighted average cap rate of 6.70%
 - 10 independent valuations (12% of BWP portfolio value), average cap rate 6.54%¹
 - 61 internal valuations, average cap rate 6.73%
- > Net fair value gain of \$173.5m on revaluation for the period
 - Fair value gain primarily due to compression in cap rates across the portfolio and to a lesser extent rental growth
 - Cap rate movement; 71 properties decreased, 10 properties no change, and 1 property increased

Revaluation by state as at 31 December 2015	No. of properties	Rental \$/annum ²	Cap rate	Value \$m ²
NSW/ACT	19	32.8	6.91%	480.0
QLD	20	38.8	6.63%	542.2
SA	2	3.9	6.57%	58.4
VIC	24	48.1	6.83%	706.1
WA	17	25.8	7.10%	373.8
Total/weighted average	82	149.4	6.81%	2,160.5

¹ Excluding Epping and Blacktown from the calculation, as they are not representative of the BWP portfolio, the average cap rate equates to 6.46%.

² Subject to rounding.

Portfolio – future rent reviews and revaluations

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

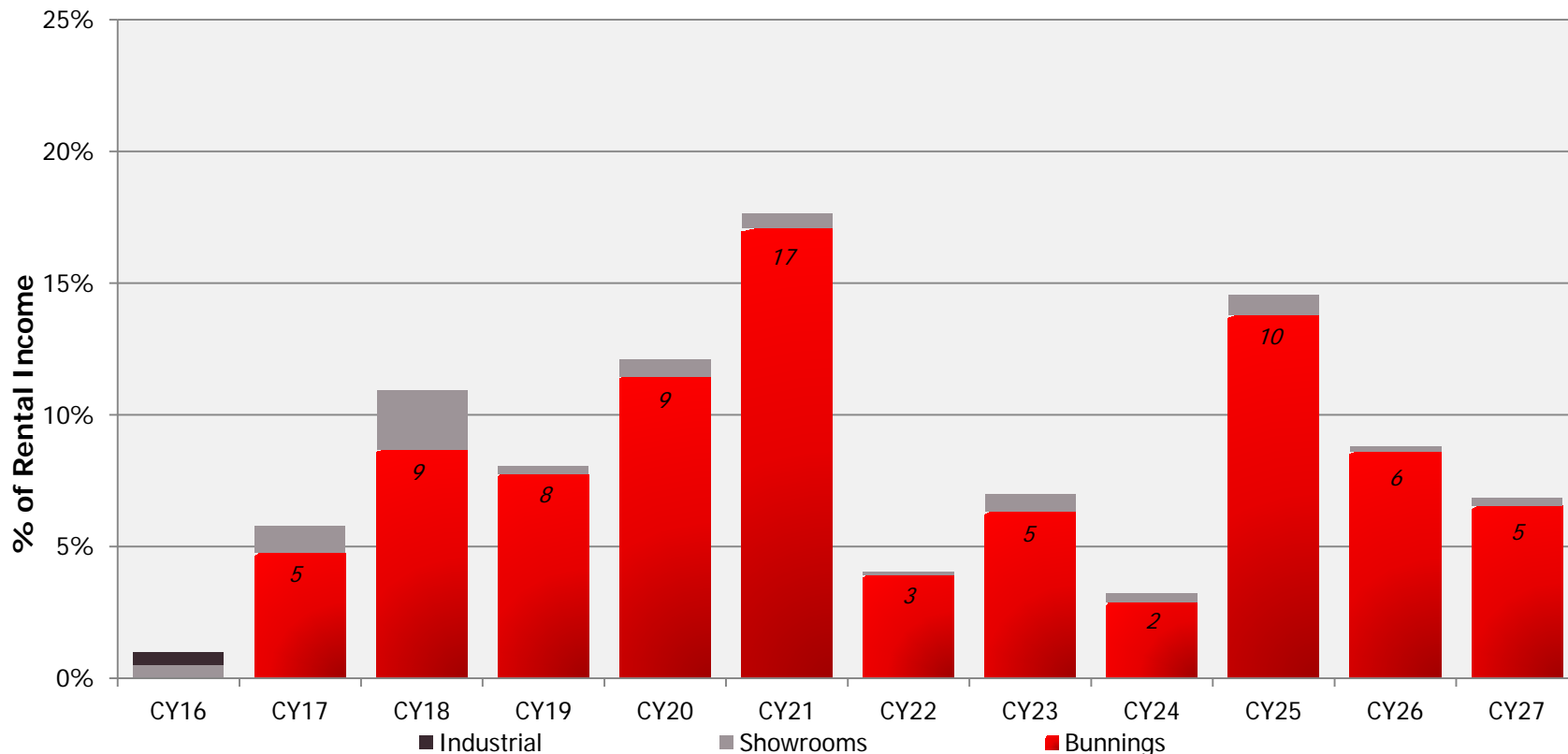
	FY2016	FY2017	FY2018	FY2019	FY2020
BWH market reviews ¹	5	7	8	13	11
% of total ²	5%	8%	8%	15%	12%
Independent valuations	15	30	24	25	30
% of total ³	20%	38%	29%	32%	38%

¹ FY2016 includes Fountain Gate which is unresolved from FY2015.

² Percentages based on portfolio annual rent as at 31 December 2015.

³ Percentages based on fair value of the portfolio as at 31 December 2015.

Portfolio – weighted average lease expiry profile



- > 11 Bunnings Warehouse leases WALE >10 years, combined property value \$369.6m
- > 38 Bunnings Warehouse leases WALE 5 to 10 years, combined property value \$1,036.2m
- > Refer Appendix A for weighted average lease expiry table

Portfolio – Bunnings lease term expiries next 3yrs

Property	Lease term expiry	Options	Annual rent (\$'000)	Comments
Gladstone	Feb 2017	4 x 5 yrs	1,121	Notification required by Nov 2016
Oakleigh South	Mar 2017	2 x 5 yrs	1,930	Notification required by Dec 2016
Dandenong	Nov 2017	2 x 5 yrs	1,595	Notification required by Aug 2017
Hervey Bay	Dec 2017	2 x 5 yrs	1,236	Notification required by Sep 2017
Fyshwick	Dec 2017	5 yrs	1,216	Notification required by Sep 2017
Cairns	Feb 2018	3 x 5 yrs	1,274	Bunning vacated – property being sold
Wollongong	Feb 2018	3 x 5 yrs	1,419	Notification required by Nov 2017
Villawood	May 2018	5 x 5 yrs	1,639	Notification required by Feb 2018
Altona	Sep 2018	2 x 5 yrs	1,173	Bunnings vacated – property under call option agreement
Mentone	Sep 2018	2 x 5 yrs	1,608	Notification required by Jun 2018, sub-leased to Super Amart
Burleigh Heads	Oct 2018	2 x 5 yrs	1,723	Bunnings vacated – considering repositioning options
Underwood	Oct 2018	2 x 5 yrs	1,597	Notification required by Jul 2018
Port Macquarie	Nov 2018	2 x 5 yrs	1,004	Notification required by Aug 2018
Mandurah	Nov 2018	2 x 5 yrs	1,540	Notification required by Sep 2018

Portfolio – re-positioning

Property	Lease expiry	31 Dec 2015 Book value (\$m)	Comment
Altona	Sep 2018	16.4	Option agreement expiring in July 2016 to sell property to Folkestone Limited
Cairns	Feb 2018	11.0	Bunnings re-located to new site in 2015, conditional sale agreement signed
Belmont North	Mar 2021	15.7	Sale process to commence in February 2016
Blacktown	Nov 2016	7.2	Sale process to commence in February 2016

Portfolio – Bunnings Warehouse replacements

Property	Lease expiry	Duration of occupancy ¹	Outcome achieved
Mentone	Sep 2018	20.0	Bunnings has moved to a new site, Trust owned store sub-let to Super Amart
Joondalup	Sep 2018	20.0	Bunnings re-located to new site, lease assigned to Automotive Holdings Group, pursuing re-zoning of property to mixed use
			Update
Burleigh Heads	Oct 2018	20.0	Bunnings re-located to a new site, re-leasing/redevelopment discussions progressing well
Epping	Mar 2019	19.0	Bunnings relocated to a new site, zoned mixed use, consideration is being given to re-lease, large format retail redevelopment and/or divestment
Mindarie	Sep 2021	19.5	Bunnings re-located to a new site, consideration being given re-lease, redevelopment and/or sale opportunities

¹ Number of years from BWP acquisition to the end of the current lease term.

Capital management – debt facilities

- > Average borrowings for the half-year \$481.2m (up 6.6% on previous year)
 - 5.06% weighted average cost of debt after hedging (2014: 5.79%)
 - Borrowing costs for the half-year \$12.3m (down 7.4% on pcp)
- > All bank facilities can be extended a further year each year, subject to agreement
- > Cost of debt at 31 December 2015: 5.08%
- > Interest cover: 5.5x at 31 December 2015 (2014: 4.8x)
- > Gearing: 22.0% at 31 December 2015 (2014: 23.4%)
- > A- /Stable / - S&P rating maintained

As at 31 December 2015	Limit (\$m)	Drawn (\$m)	Expiry
ANZ	110	93	1 July 2018
CBA	110	93	31 July 2020
WBC	135	94	30 April 2020
Corporate bond	200	200	27 May 2019
Total/ Weighted average	555	480	3.7 years

Capital management – interest rate hedging

Hedge book profile by half-year ending:	Dec 15	Jun 16 ²	Dec 16 ²	Jun 17 ²	Dec 17 ²	Jun 18 ²
Active swaps (\$ m)	180	175	135	110	98	58
Swap rates (%)						
Maximum	5.70	5.54	5.54	5.54	5.54	5.54
Minimum	3.10	2.92	2.92	2.92	2.93	4.12
Weighted average ¹	5.04	4.73	4.67	4.50	4.70	4.97

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

² Includes basis-swap overlay margins entered into in January 2016

- > In January 2016, the Trust entered into a basis-swap overlay on its interest rate swaps which has resulted in an initial 18 bps reduction on the fixed rate of its interest swaps.
- > Including fixed rate corporate bonds:
 - \$375.0m hedged at 3.82% weighted average to maturity, at 1 February 2016
 - 2.71 years weighted average maturity

Strategic agenda



Strategic agenda - priorities

> **Portfolio**

- Finalise Bunnings Warehouse replacement store outcomes ahead of lease expiry
- Reinvestment in existing properties to support Bunnings' evolving business model
- Ongoing review of portfolio for redeployment or divestment opportunities
- Continue to add to the portfolio, while managing return profile

> **Capital structure**

- Leverage A- rating to diversify and lower the cost of funding
- Actively manage capital structure in line with the portfolio dynamics
- Maintain balance sheet flexibility into next property cycle

Outlook

> **Macro economic environment:**

- Demand for Bunnings Warehouse properties expected to remain strong, while interest rates remain low
- Further cap rate compression will be a function of the duration of the current interest rate cycle

> **Rental growth:**

- Increased rental income from developments/ acquisitions completed in 2015 calendar year
- 22 CPI/ 25 fixed rent reviews in second half 2016
- 5 Bunnings MRRs to be finalised

> **Investment:**

- Portfolio growth opportunities will be influenced by the direction of interest rates
- Will progress opportunities to re-invest in existing portfolio
- Cost of debt funding to remain at around 5.0% (at current interest rates)

> **FY2016 distribution:**

- On the basis of the existing property portfolio, and no significant unforeseen changes in the operating environment, the Trust could expect full-year DPU growth of approximately 5%, in line with the outlook provided in August 2015

Further information

bwptrust.com.au

Responsible entity:

BWP Management Limited

Tel: +61 8 9327 4356

Email: investorrelations@bwptrust.com.au

Appendix A: weighted average lease expiry table

Year	Year End	Total Lease Expiries	Total Rental Income (\$)	Rental Income (% of Total)	Bunnings (%)	Industrial (%)	Showrooms (%)
1	31-Dec-16	4	1,472,179	1.0%	0.0%	0.5%	0.5%
2	31-Dec-17	9	8,630,364	5.8%	4.8%	0.0%	1.0%
3	31-Dec-18	14	16,335,426	10.9%	8.7%	0.0%	2.2%
4	31-Dec-19	10	12,018,218	8.0%	7.7%	0.0%	0.3%
5	31-Dec-20	11	18,109,576	12.1%	11.5%	0.0%	0.7%
6	31-Dec-21	23	26,573,595	17.8%	17.1%	0.0%	0.7%
7	31-Dec-22	4	6,044,462	4.0%	3.9%	0.0%	0.1%
8	31-Dec-23	7	10,464,537	7.0%	6.3%	0.0%	0.7%
9	31-Dec-24	3	4,619,597	3.1%	2.9%	0.0%	0.2%
10	31-Dec-25	15	21,723,266	14.5%	13.8%	0.0%	0.8%
11	31-Dec-26	7	13,132,384	8.8%	8.6%	0.0%	0.2%
12	31-Dec-27	6	10,251,632	6.9%	6.6%	0.0%	0.3%
TOTAL		113	149,375,236	100.0%	91.8%	0.5%	7.7%

Note: Table subject to rounding.