



# Half-year results to 31 December 2019

February 2020

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# Presentation outline

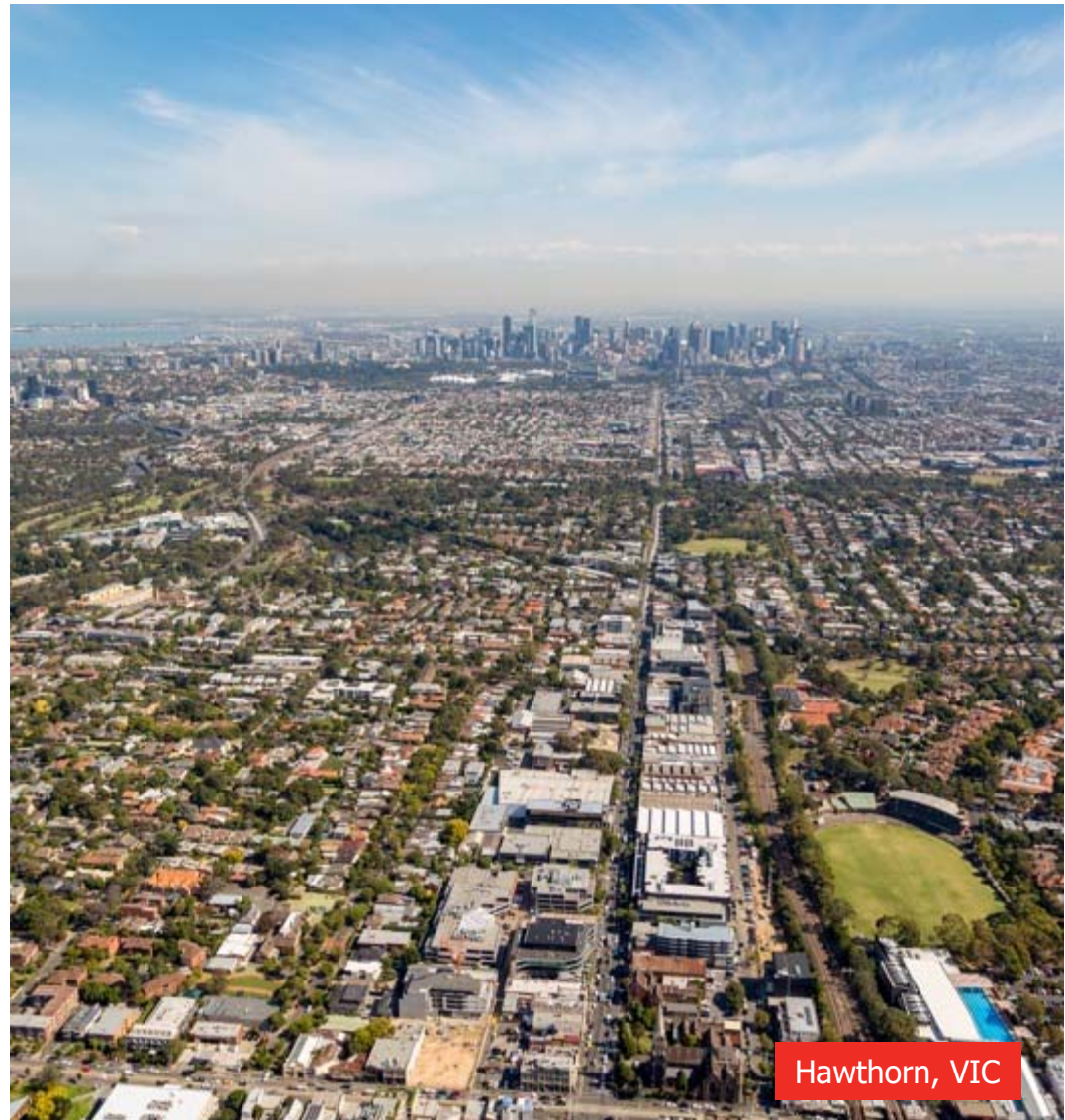
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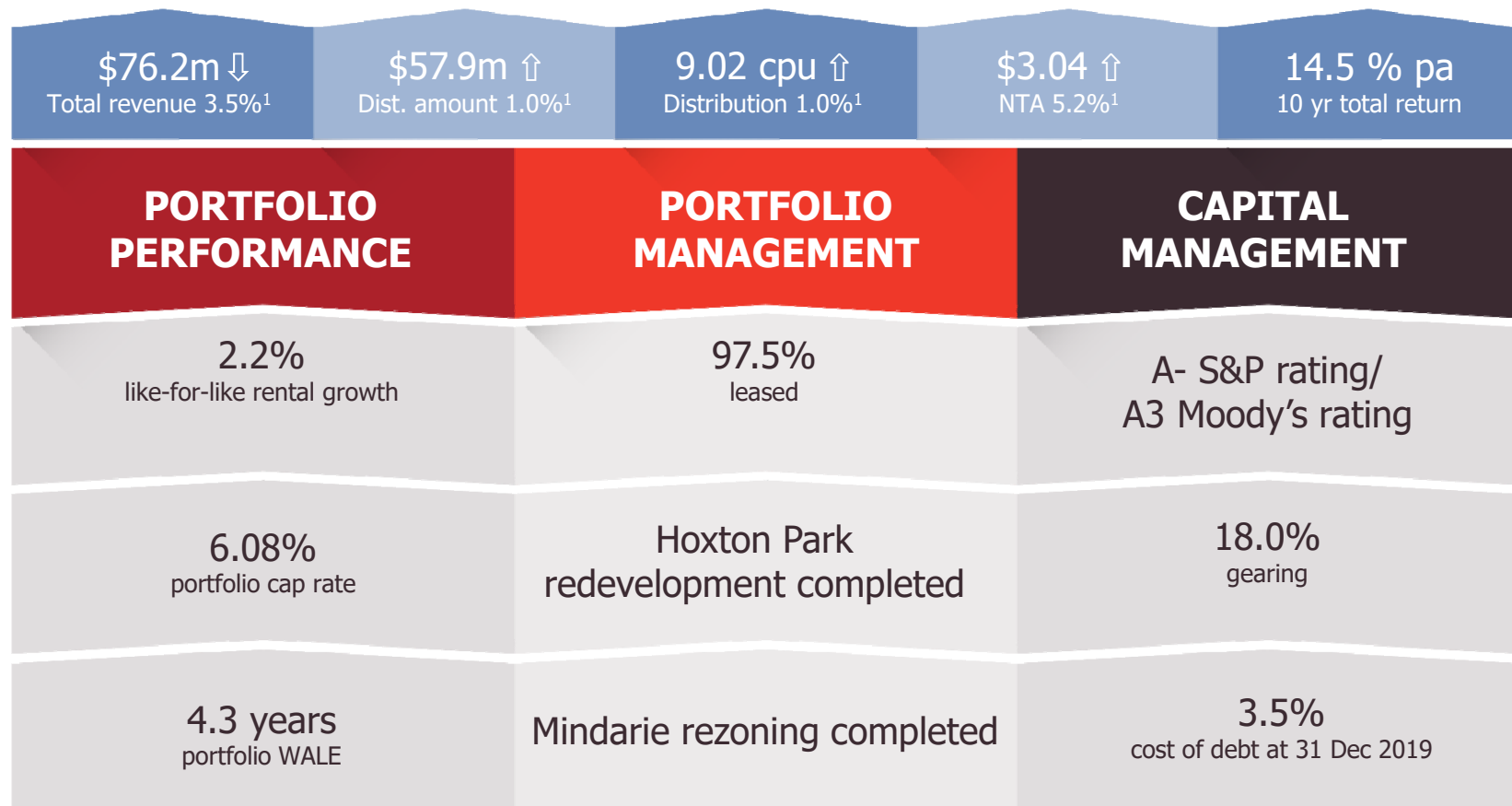
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- > Results
- > Portfolio
- > Core portfolio
- > Alternative use properties
- > Capital management
- > Outlook

# Summary



# 2019/20 half-year at a glance



<sup>1</sup> In comparison to prior corresponding period

# Results



# Financial performance 6 monthly

	6 months to Dec 19	6 months to Dec 18
Total revenue	\$76.2m	\$79.0m
Management expense ratio	0.63%	0.62%
Other expenses	\$4.2m	\$3.5m
Distributable amount	\$57.9m	\$57.4m <sup>1</sup>
Property net revaluation gains	\$78.5m	\$20.1m
Net profit including property revaluations	\$135.6m	\$78.9m
Number of units on issue <sup>2</sup>	642.4m	642.4m
Six months distribution (per unit)	9.02 cents	8.93 cents
Total assets <sup>2</sup>	\$2,487.1m	\$2,375.3m
Borrowings <sup>2</sup>	\$447.0m	\$437.9m
Weighted average cost of debt <sup>3</sup> (p.a.)	3.53%	4.31%
Net tangible assets <sup>2</sup> (per unit)	\$3.04	\$2.89
Weighted average cap rate <sup>2</sup>	6.08%	6.40%

<sup>1</sup> Excludes \$1.4 million retained in reserves

<sup>2</sup> As at 31 December not 6 months to December

<sup>3</sup> Finance costs divided by average borrowings for the six months

# Portfolio





# FY2020 Bunnings market rent review outcomes

- > 4 Bunnings market rent reviews from FY2019 were resolved during the six months to 31 December 2019

Property location	Passing rent (\$pa)	Reviewed rent (\$pa)	Variance (%)	Effective date
Balcatta, WA <sup>1,2</sup>	2,336,761	2,220,000	(5.0)	23-Sep-18
Coburg, VIC <sup>1,3</sup>	1,531,347	1,684,481	10.0	3-Nov-18
Tuggeranong, ACT <sup>1,2</sup>	1,847,740	1,800,000	(2.6)	1-Dec-18
Cannon Hill, QLD <sup>1,2</sup>	2,548,846	2,550,000	0.1	1-Apr-19
<b>Total</b>	<b>8,264,694</b>	<b>8,254,481</b>	<b>(0.1)</b>	

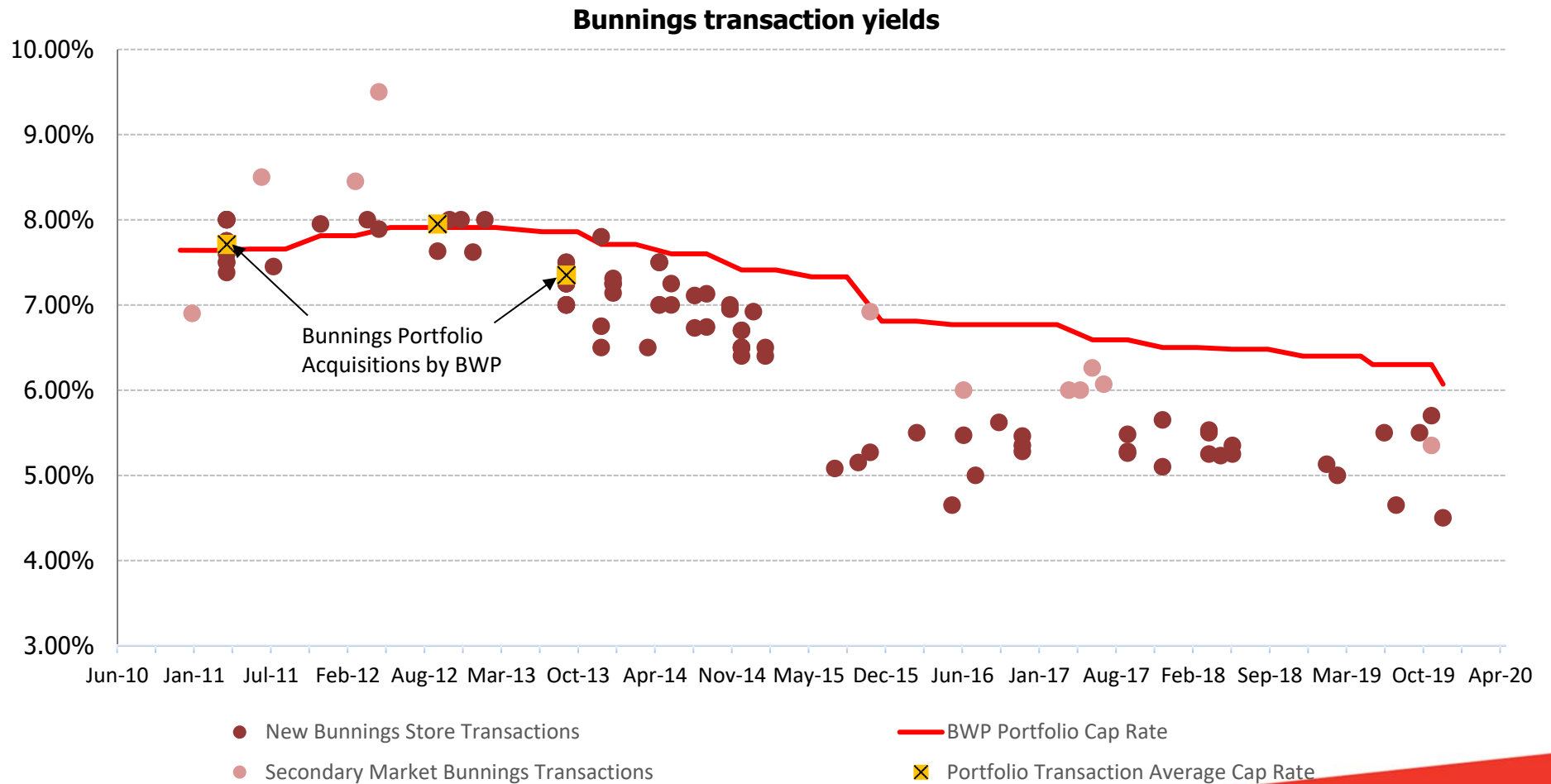
<sup>1</sup> The market rent review was due during the year ended 30 June 2019, but the outcome of the negotiation was only completed during the current financial year.

<sup>2</sup> The market rent review was determined by an independent valuer.

<sup>3</sup> The market rent review was agreed between the parties at the 10 per cent cap in the lease.

# Capitalisation rate trends

- > New Bunnings Warehouse store yields continue to tighten with the most recent transaction recorded at 4.5%



# December 2019 revaluation

- > December 2019 weighted average capitalisation rate 6.08% (June 2019: 6.30%)
  - 18 independent valuations (25% of BWP portfolio value), average cap rate 6.00%
  - 57 internal valuations, average cap rate 6.11%
  - Stand alone Bunnings Warehouses weighted average cap rate of 5.91%
- > HY19/20 gross fair value gain of \$80.1m<sup>1</sup> on revaluation
  - Cap rate compression largely contributed to the net fair value gain during the period after the portfolio average cap rate decreased 22bps
  - Cap rate movement; 38 properties decreased, 32 properties no change and 5 properties increased

Revaluation by state 31 Dec 2019	No. of properties	Rental \$m/annum <sup>2</sup>	Cap rate	Value \$m
NSW/ACT	18	32.3	6.14%	575.5
QLD	19	37.9	6.06%	621.1
SA	2	4.1	5.93%	68.9
VIC	20	46.6	5.68%	794.1
WA	16	27.0	6.83%	400.8
<b>Total/ weighted average</b>	<b>75</b>	<b>147.9</b>	<b>6.08%</b>	<b>2,460.4</b>

<sup>1</sup> Gross movement in valuations; statutory accounts reflect a \$78.5 million revaluation gain after adjustments made for straight-lining of rent

<sup>2</sup> Subject to rounding

## December 2019 independent valuations

Property	State	Jun-19 Cap Rate	Jun-19 Valuation (\$m)	Dec-19 Cap Rate	Dec-19 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Dec-19 Term Certain (years)
Fyshwick	ACT	6.25%	24.0	6.25%	24.3	0.00%	0.3	5.0
Dubbo	NSW	7.00%	22.6	6.75%	24.0	-0.25%	1.4	2.1
Minchinbury	NSW	5.50%	52.7	5.50%	52.7	0.00%	0.0	7.3
Fairfield Waters	QLD	6.75%	25.2	6.50%	26.5	-0.25%	1.3	1.3
Rocklea	QLD	6.00%	35.1	6.00%	35.6	0.00%	0.5	5.8
Smithfield	QLD	6.75%	23.6	6.50%	24.5	-0.25%	0.9	1.4
Caroline Springs	VIC	6.25%	29.4	6.00%	31.2	-0.25%	1.8	1.4
Mornington	VIC	6.00%	29.3	5.75%	30.3	-0.25%	1.0	2.0
Pakenham	VIC	6.50%	31.4	6.25%	32.4	-0.25%	1.0	1.6

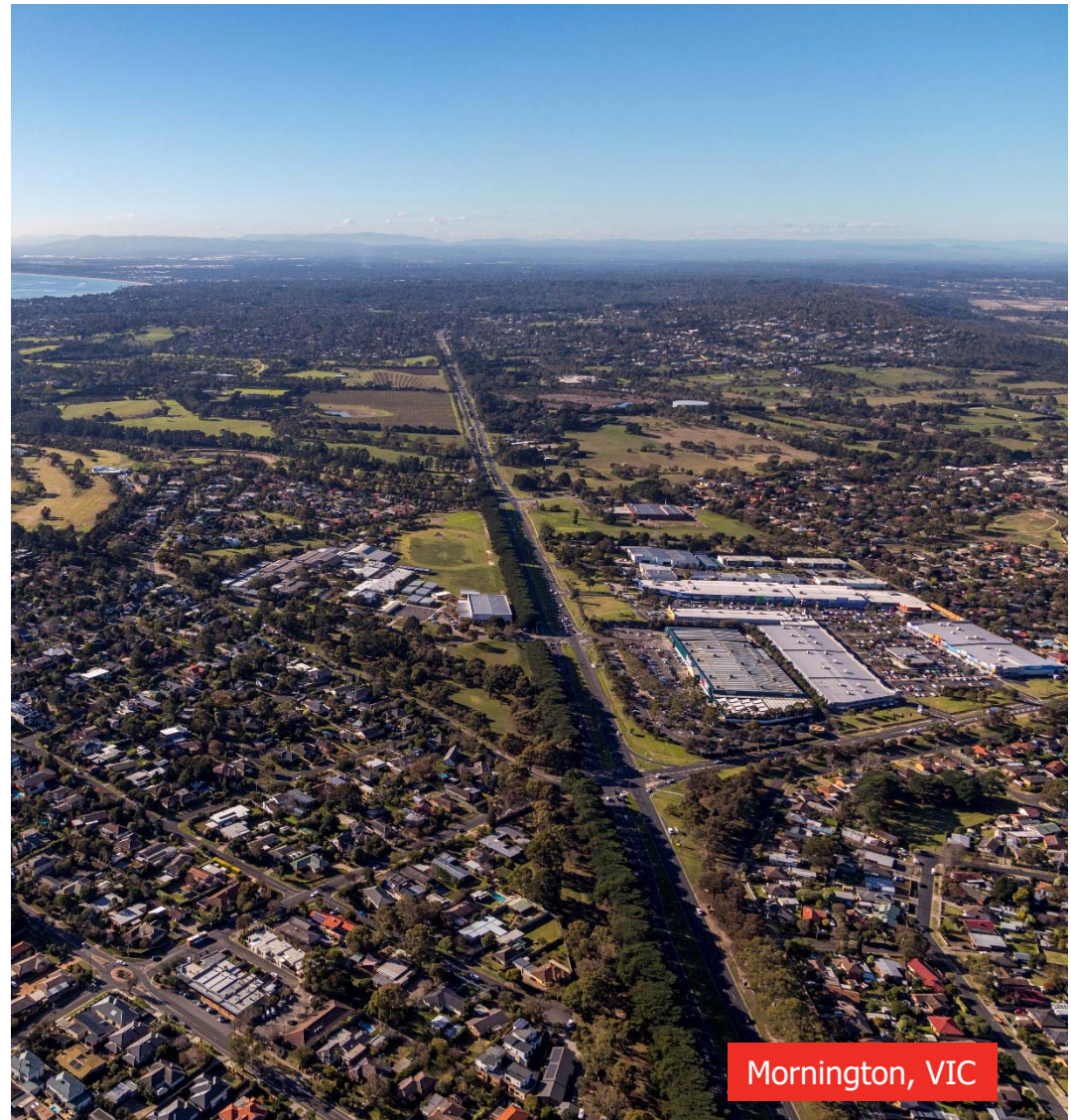
<sup>1</sup> Subject to rounding

## December 2019 independent valuations (continued)

Property	State	Jun-19 Cap Rate	Jun-19 Valuation (\$m)	Dec-19 Cap Rate	Dec-19 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Dec-19 Term Certain (years)
Coburg	VIC	6.75%	66.7	6.50%	70.0	-0.25%	3.3	2.9
Port Melbourne	VIC	4.75%	45.5	3.75%	55.0	-1.00%	9.5	5.2
Vermont South	VIC	6.25%	36.3	5.75%	39.6	-0.50%	3.3	0.6
Belmont	WA	6.25%	25.3	6.00%	26.4	-0.25%	1.1	1.3
Cockburn	WA	6.25%	28.4	6.00%	29.6	-0.25%	1.2	1.3
Ellenbrook	WA	6.00%	33.1	6.00%	34.1	0.00%	1.0	5.9
Harrisdale	WA	6.50%	37.5	6.50%	38.2	0.00%	0.7	2.9
Morley	WA	8.66%	16.9	8.75%	16.9	0.09%	0.0	0.5
Port Kennedy	WA	6.75%	24.7	6.25%	26.6	-0.50%	1.9	1.4
<b>Total/ weighted average<sup>1</sup></b>		<b>6.27%</b>	<b>587.7</b>	<b>6.00%</b>	<b>617.9</b>	<b>-0.28%</b>	<b>30.2</b>	<b>3.0</b>

<sup>1</sup> Subject to rounding

# Core portfolio



# Core portfolio summary

**67**  
properties

**4.3 years**  
portfolio WALE

**3.3 ha**  
average land area

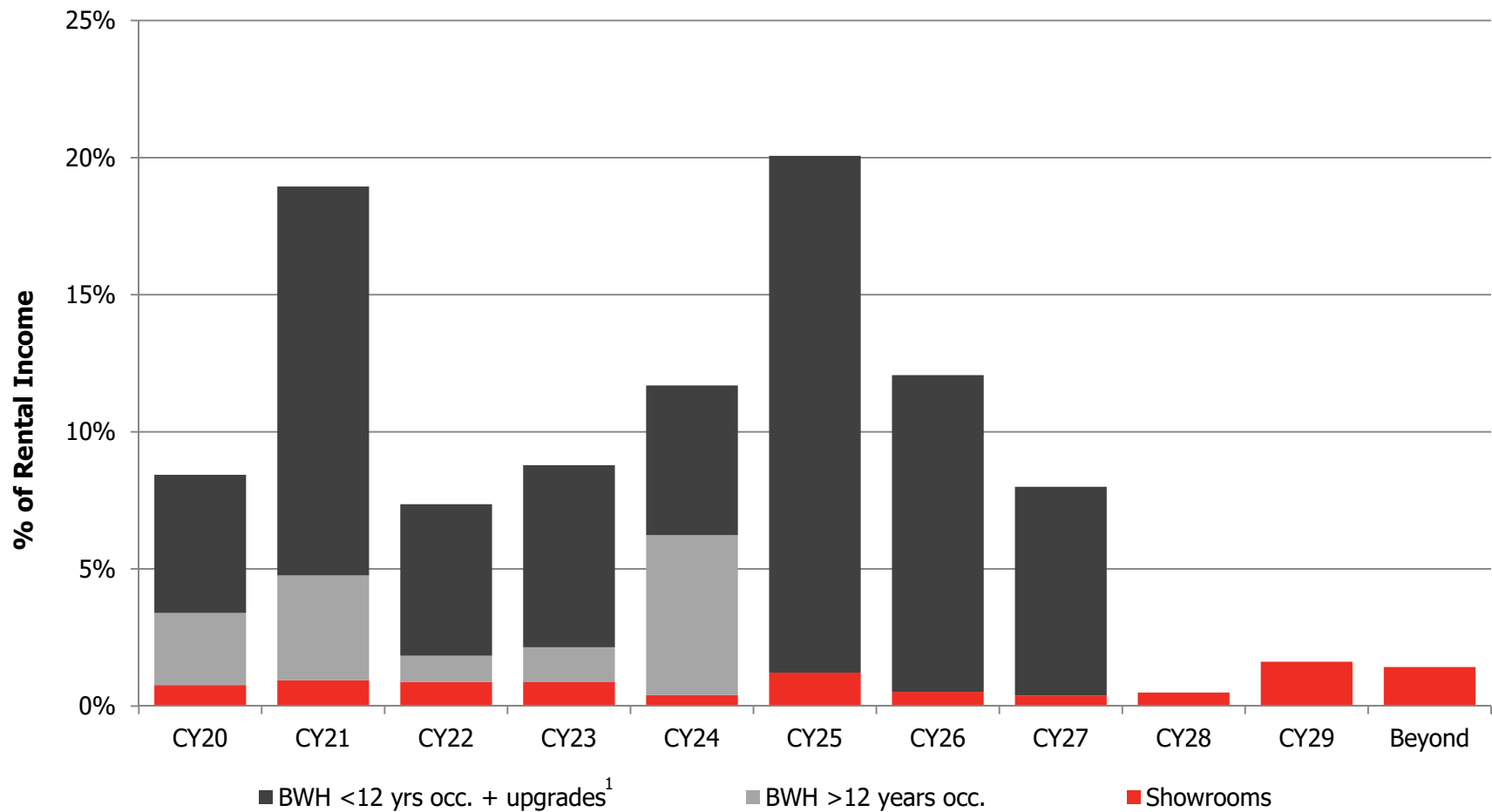
**14,204m<sup>2</sup>**  
average lettable  
area

**82%**  
metro located  
properties

**75%**  
upgrade  
properties or  
occupied <12yrs

**5.93%**  
weighted average  
cap rate

# Weighted average lease expiry profile



<sup>1</sup> Includes both proposed and completed upgrades



# Lease expiries next three years

> Five year options recently exercised for Fountain Gate (VIC) and Port Melbourne (VIC)

Property	Lease expiry	Options	Rent (\$'000pa)	Comments
Vermont South	Aug 2020	4 x 5 yrs	2,297	Notification required by Jun 2020
Northland	Aug 2020	2 x 5 yrs	2,030	Notification required by Jun 2020; Bunnings seeking planning approval for alternative site nearby
Hawthorn	Oct 2020	4 x 5 yrs	3,381	Notification required by Jul 2020
Coburg	Nov 2020	3 x 5 yrs	1,707	Board approval to upgrade (refer to slide 18)
Mt Gravatt	Dec 2020	4 x 5 yrs	1,407	Notification required by Sep 2020
Broadmeadows	Jan 2021	10 yrs	2,007	Notification required by Oct 2020
2011 Portfolio	Mar – Oct 2021	5 x 5 yrs	16,258	Properties acquired in 2011 portfolio transaction - Belmont, Cockburn, Fairfield Waters, Pakenham, Wagga Wagga, Port Kennedy, Smithfield, Dubbo, Harrisdale and Caroline Springs
Midland	Sep 2021	2 x 5 yrs	1,888	Notification required by Jun 2021; Bunnings seeking planning approval for alternative site nearby
Geraldton	Dec 2021	2 x 5 yrs	1,341	Notification required by Sep 2021
Mornington	Dec 2021	2 x 5 yrs	1,760	Notification required by Sep 2021
Frankston	Dec 2021	2 x 5 yrs	2,156	Notification required by Sep 2021
Gladstone	Feb 2022	3 x 5 yrs	1,353	Notification required by Nov 2021
Greenacre	Apr 2022	5 x 5 yrs	2,785	Notification required by Oct 2021
Craigieburn	May 2022	5 x 5 yrs	1,722	Notification required by Nov 2021
Scoresby	May 2022	2 x 5 yrs	1,943	Notification required by Feb 2022
Hervey Bay	Dec 2022	1 x 5 yrs	1,347	Notification required by Sep 2022

# Coburg upgrade

- > Upgrade cost of \$2.5 million at a funding rate of 5.5 per cent
- > Upgrade increases the total retail area by 918 square metres incorporating an expansion and full enclosure of the timber trade sales area
- > Anticipated completion late 2020
- > On completion of the works Bunnings will enter into a new 10 year lease with existing 3 x 5 year options to remain (current term certain 0.8 years)
- > Annual CPI reviews with a market rent review on the exercise of each option
- > 10 per cent caps/collars on the market rent review
- > No other changes to the existing lease

# Hoxton Park repositioning

- > Bunnings surrendered its lease in June 2019 (\$2.15 million surrender fee to BWP)
- > Project completed at a total cost of \$13.0 million
- > Property is 92 per cent leased mainly to national tenants and expect remaining two tenancies to be leased by mid-2020
- > WALE 10.2 years at 31 December 2019 (pre-Bunnings lease surrender 2.0 years)
- > Fair value on-completion of \$58.3 million (7.00 per cent capitalisation rate), resulting in a \$19.5 million increase in fair value from 30 June 2019
- > Fair value prior to Bunnings advising it would vacate was \$45.6 million (June 2016)



# Alternative use properties



Hawthorn, VIC

## Other stores being repositioned

Property	Lease expiry <sup>1</sup>	Progress
Mandurah	Expired	Development complete with Amart Furniture and Snooze open and trading. Negotiations with other LFR tenants progressing for the remaining lettable area of 2,560sqm
Cairns	Expired	Concept and feasibility finalised for multi-tenanted development; heads of agreement secured for up to 2,500sqm of the building; lease discussions with other interested parties ongoing
Port Macquarie	Expired	Construction progressing for large format retail redevelopment; AFL executed with Amart Furniture for 5,000sqm; heads of agreement secured for 430sqm gym tenant; leasing campaign progressing for remaining 1,500sqm of lettable area
Morley	Jul 2020	Leasing interest received from a number of parties; redevelopment options being carefully considered given location and favourable zoning. Medium term residential and/or mixed-use development potential
Northland	Aug 2020	Bunnings has lodged a DA for an alternative location. Future options for the site are under review and include possible rezoning and mixed use development
Mindarie	Sep 2021	Scheme amendment and structure plan approved in late 2019 to allow mixed-use development of the site which adjoins Ocean Keys sub-regional shopping centre; interest received from national retailers

# Divestments

Property	Lease expiry <sup>1</sup>	Sale price (\$m)	Progress
Underwood	Expired	Undisclosed	Under conditional option agreement to sell to unrelated third party, progressing toward satisfaction of conditions
Belmont North	Mar 2021	Undisclosed	Under conditional option agreement to sell to unrelated third party, progressing toward satisfaction of conditions

<sup>1</sup> End of the current Bunnings lease term

# Capital management



# Debt facilities

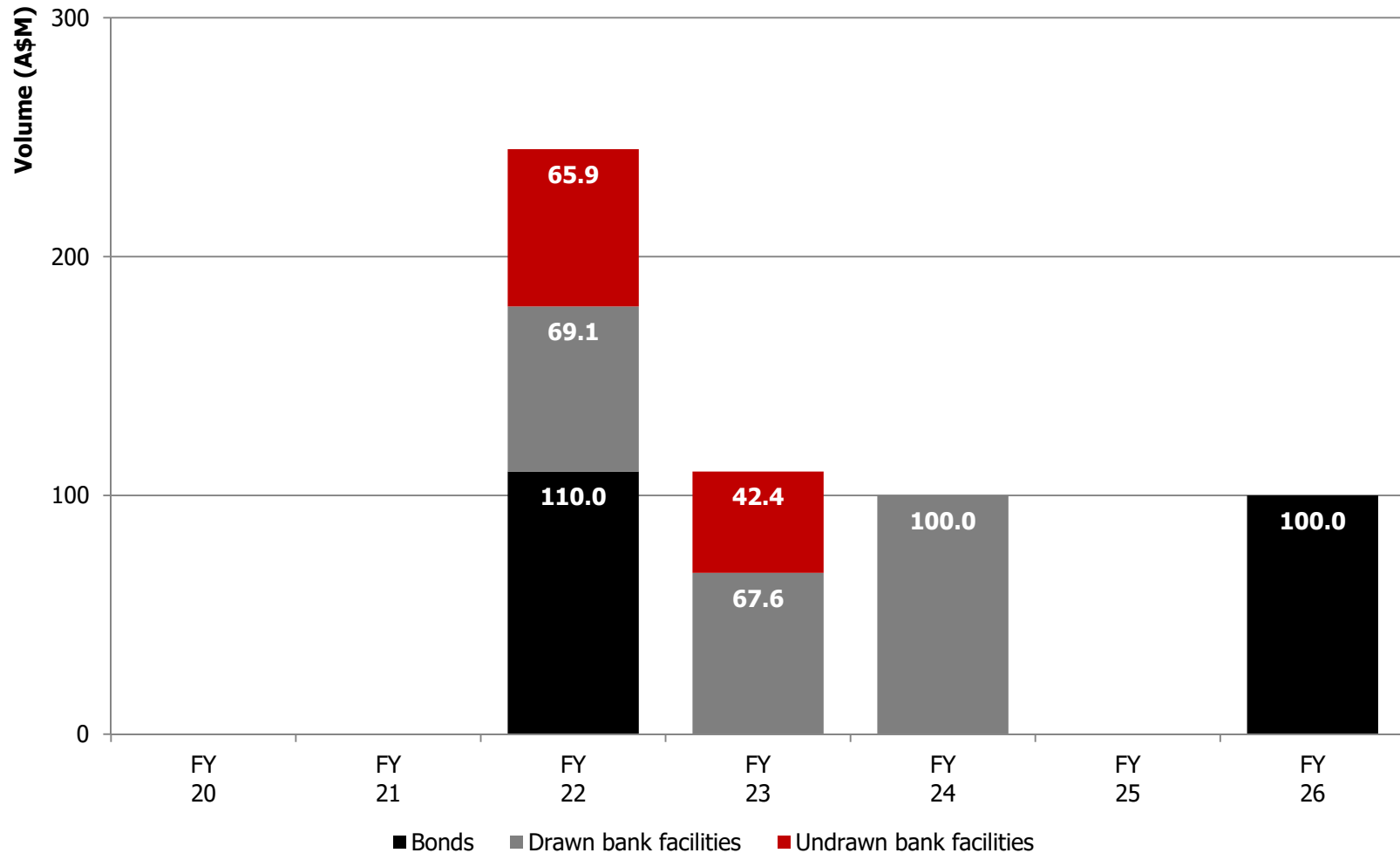
- > Average borrowings for the half-year \$439.0m (down 4.7% on prior corresponding period)
  - 3.53% p.a. weighted average cost of debt after hedging (2018: 4.31% per annum)
  - Borrowing costs for the half-year \$7.8m (down 21.9% on prior corresponding period)
- > Bank facilities with CBA and WBC can be extended a further year each year, subject to agreement
- > Cost of debt at 31 December 2019: 3.5% per annum
- > Interest cover: 8.5 times at 31 December 2019 (2018: 6.6 times)
- > Gearing 18.0% at 31 December 2019 (2018: 18.4%)
- > A- / Stable S&P rating and A3 Moody's rating maintained

As at 31 Dec 2019	Limit (\$m)	Drawn (\$m)	Expiry
WBC	135	69	30 April 2022
CBA	110	68	31 July 2022
SMBC	100	100	20 May 2024
Corporate bonds- five year	110	110	11 May 2022
Corporate bonds- seven year	100	100	10 April 2026
<b>Total / Weighted average</b>	<b>555</b>	<b>447</b>	<b>3.5 years</b>



# Debt duration

## Debt maturity profile as at 31 December 2019



# Interest rate hedging

Hedge book profile by half-year ending	Dec 2019	Jun 2020	Dec 2020	Jun 2021	Dec 2021	Jun 2022
Active swaps (\$m)	98	85	85	70	40	-
Swap rates (%)						
Maximum	4.92	4.12	4.12	2.60	2.60	-
Minimum	2.39	2.39	2.39	2.39	2.60	-
Weighted average (%) <sup>1</sup>	3.07	2.79	2.79	2.51	2.60	-

> Including fixed rate corporate bonds

- \$307.5m hedged at 2.08%<sup>2</sup> weighted average to maturity, at 31 December 2019

<sup>1</sup> Weighted average of active swaps at respective half-year end

<sup>2</sup> Excludes margins payable on the fixed corporate bonds

# Outlook



# Outlook

## Macro economic environment

- > Demand for Bunnings Warehouse properties should remain stable, subject to any significant risk events interrupting capital flows into the Australian property sector
- > The Trust is well positioned in the event of any change in the macro economic environment with low gearing, sustainable cashflow and good access to funding

## Rental growth

- > 19 CPI/ 26 fixed rent reviews in second half FY2020
- > 16 Bunnings MRR's to be finalised

## Investment

- > Primary focus on finalising outcomes on alternative use sites
- > Negotiating with Bunnings to progress opportunities to re-invest in existing portfolio
- > Continuing to look for acquisitions that create value for the Trust

## FY20 distribution

The Trust could expect the distribution for the year ending 30 June 2020 to be one per cent higher than the ordinary distribution paid for the year ended 30 June 2019, a similar level of growth to the interim distribution. Capital profits will be utilised to support distributions as necessary.

# Further information

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