



# BUNNINGS WAREHOUSE PROPERTY TRUST

Full year results 2009

August 2009

# Presentation outline

## **Grant Gernhoefer**

General Manager

Bunnings Property Management Limited

## **Andrew Ross**

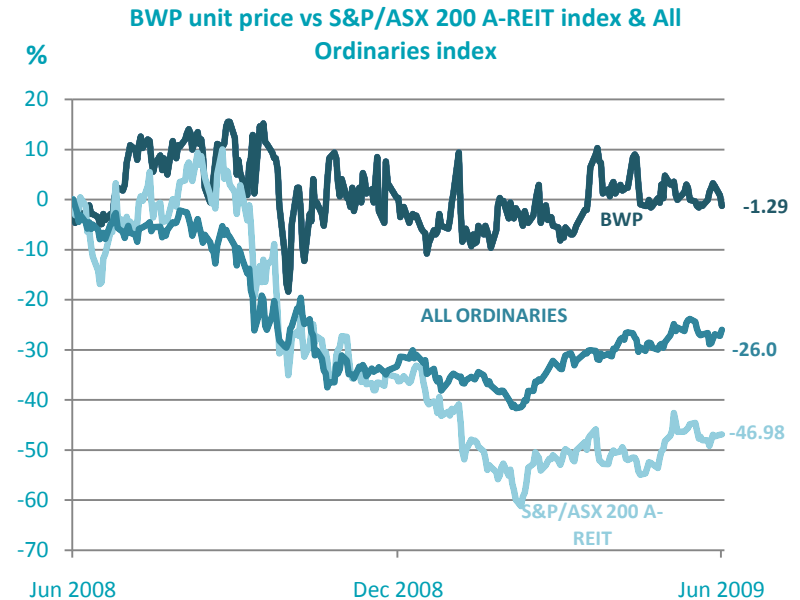
Portfolio Manager

Bunnings Property Management Limited

- Overview
- Results
- Portfolio
- Capital management
- Structure
- Outlook

# Overview






- BWP's defensive characteristics have enabled it to outperform the market
  - BWP outperformed the S&P/ASX 200 A-REIT Accumulation Index over the last 12 months<sup>1</sup> by 48.3% on a total return basis
  - only stock in S&P/ASX 200 A-REIT to make positive total return for the year
  - BWP unit price outperformed indices (see chart)
  - equity raising better positions the Trust over the medium to long term
  - solid growth from market rent reviews
  - business as usual approach to improving existing assets and acquiring new properties
  - portfolio value stable with \$45.4m capex and revaluation loss of \$52.1m



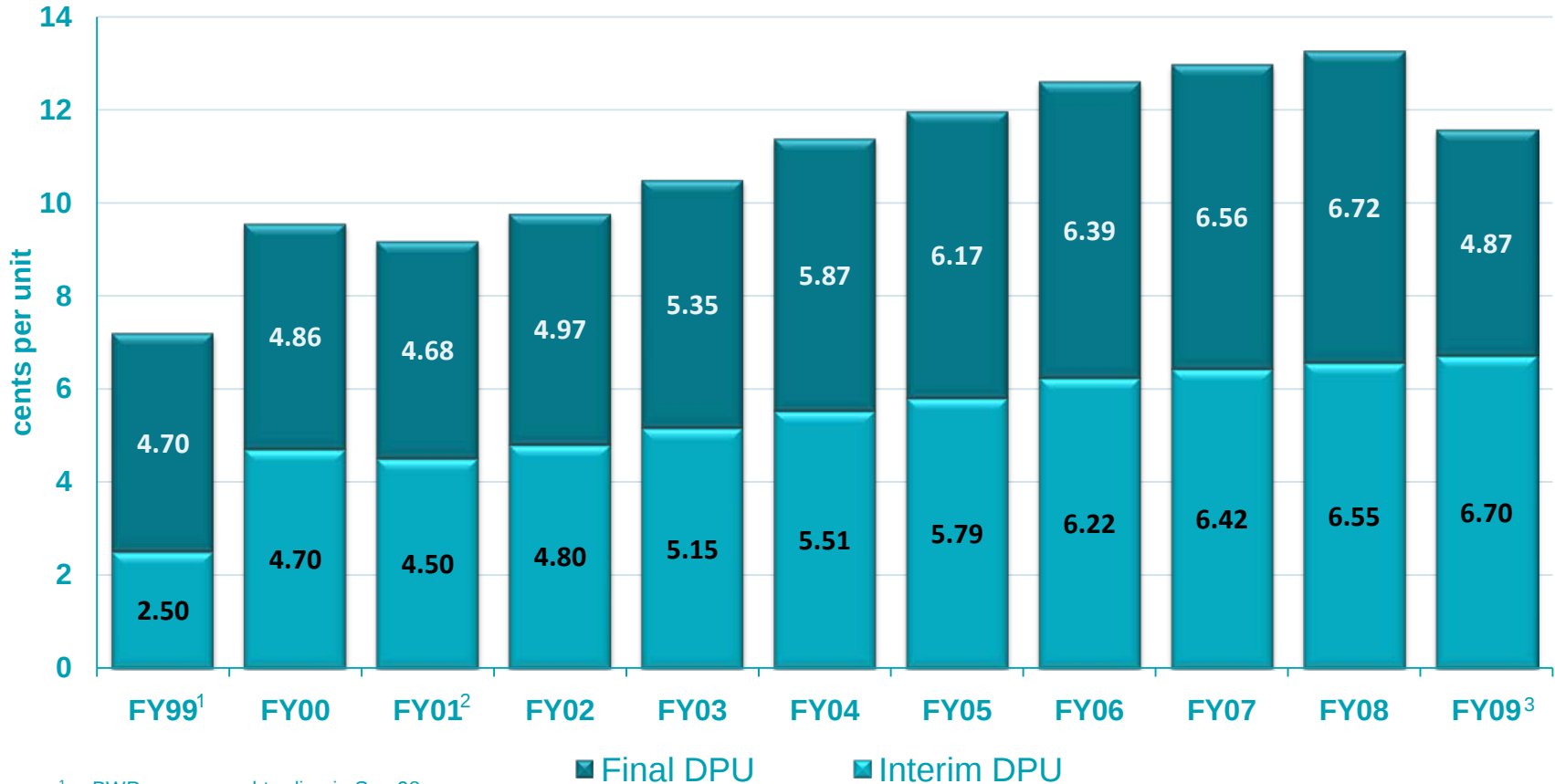
Source: Reuters, rebased to 100

<sup>1</sup> performance for the twelve months ending 30 June 2009

# Results - performance

	<u>2008/09</u>		<u>Previous corresponding period</u>
Revenue	\$73.2 million		11.0% on pcp
Net (loss)/profit including revaluations	(\$11.7 million)		\$0.7 million pcp
Distributable profit (excluding revaluations)	\$40.5 million		1.1% on pcp
Full year distribution	11.57 cpu		12.8% on pcp
Total assets	\$999.9 million		2.0% on pcp
Borrowings	\$225.9 million		\$308.5 million pcp
Net tangible assets	\$1.79 per unit		\$0.33 on pcp
Weighted average cap rate	7.81%		7.08% pcp
Gearing (debt to total assets)	22.6%		31.5% pcp
Covenant gearing (debt + n.c.l to total assets)	23.1%		31.5% pcp

# Results - distributions



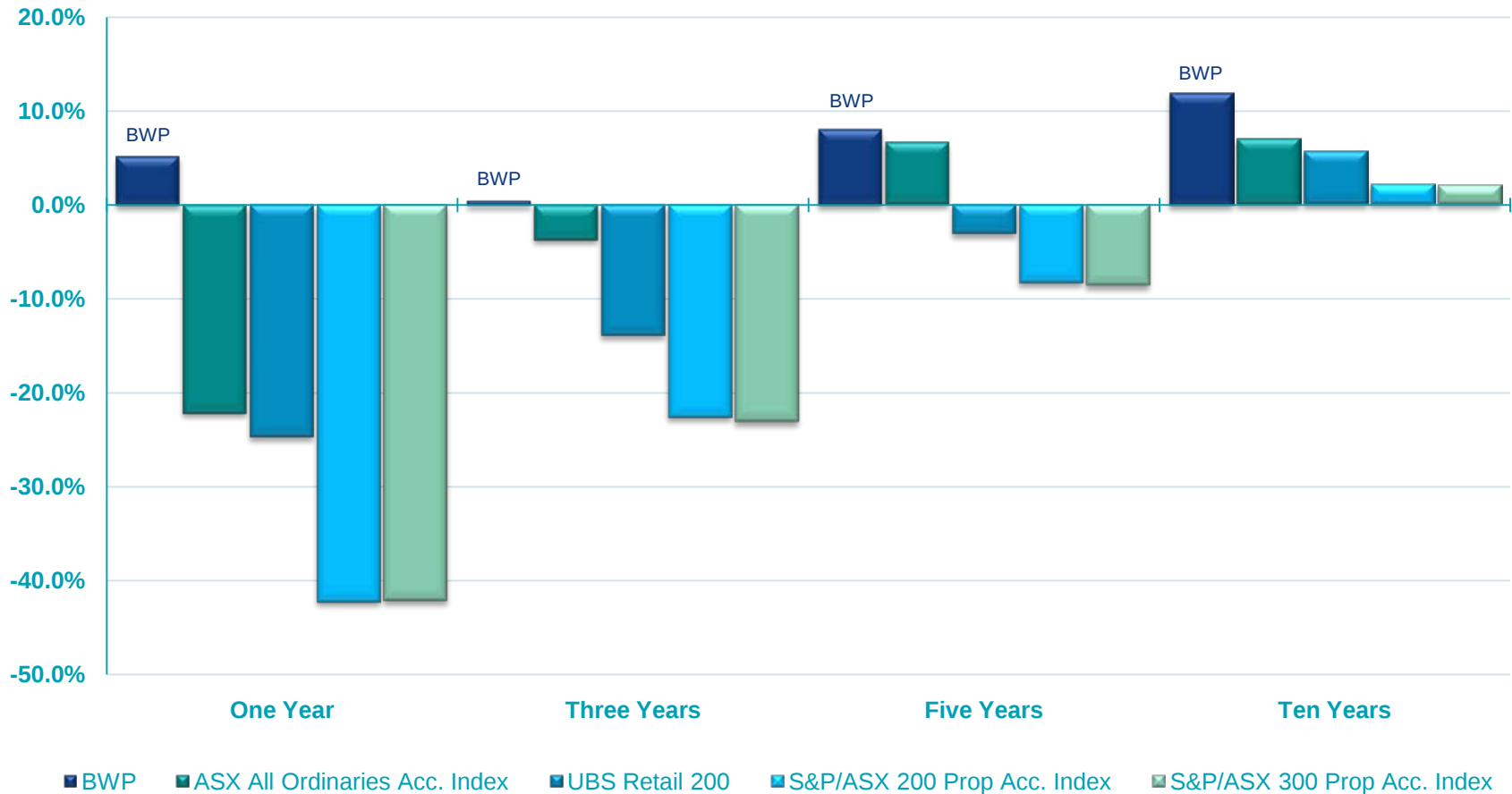
<sup>1</sup> BWP commenced trading in Sep 98

<sup>2</sup> end of concessional management fee

<sup>3</sup> 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

# Results – total returns

BWP total returns compared to market – periods ended 30 June 2009

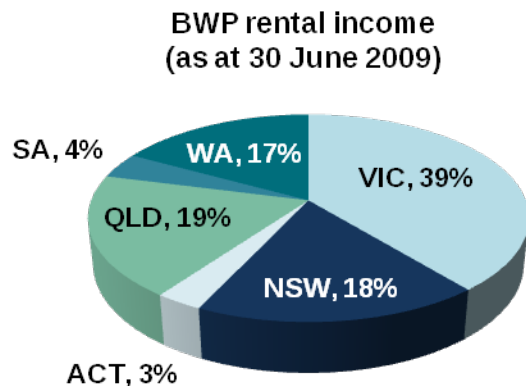
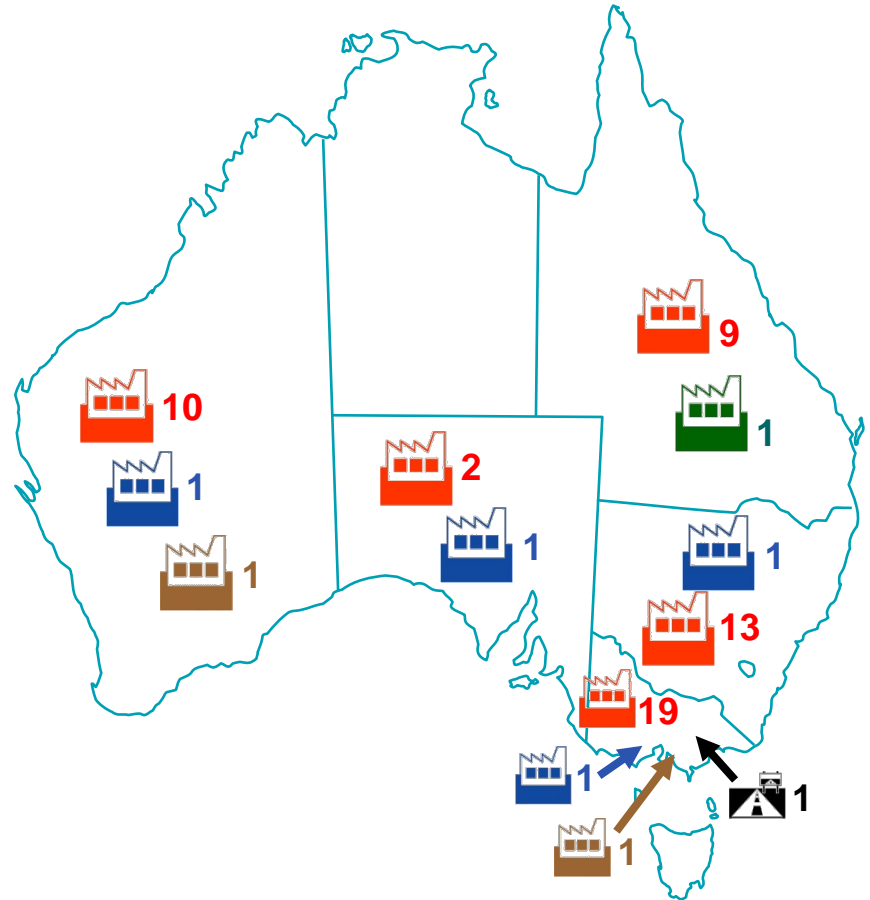


Total returns include distributions and movement in price (assumes distributions are reinvested). Source: UBS

# Portfolio – geographic spread

-  **53 Bunnings Warehouses**
-  **1 Bunnings distribution centre**
-  **1 Bunnings Warehouse development site**
-  **4 Industrial properties**
-  **2 Bulky goods showrooms\***

\* showrooms at Bayswater are on the same site as the Bayswater BWH

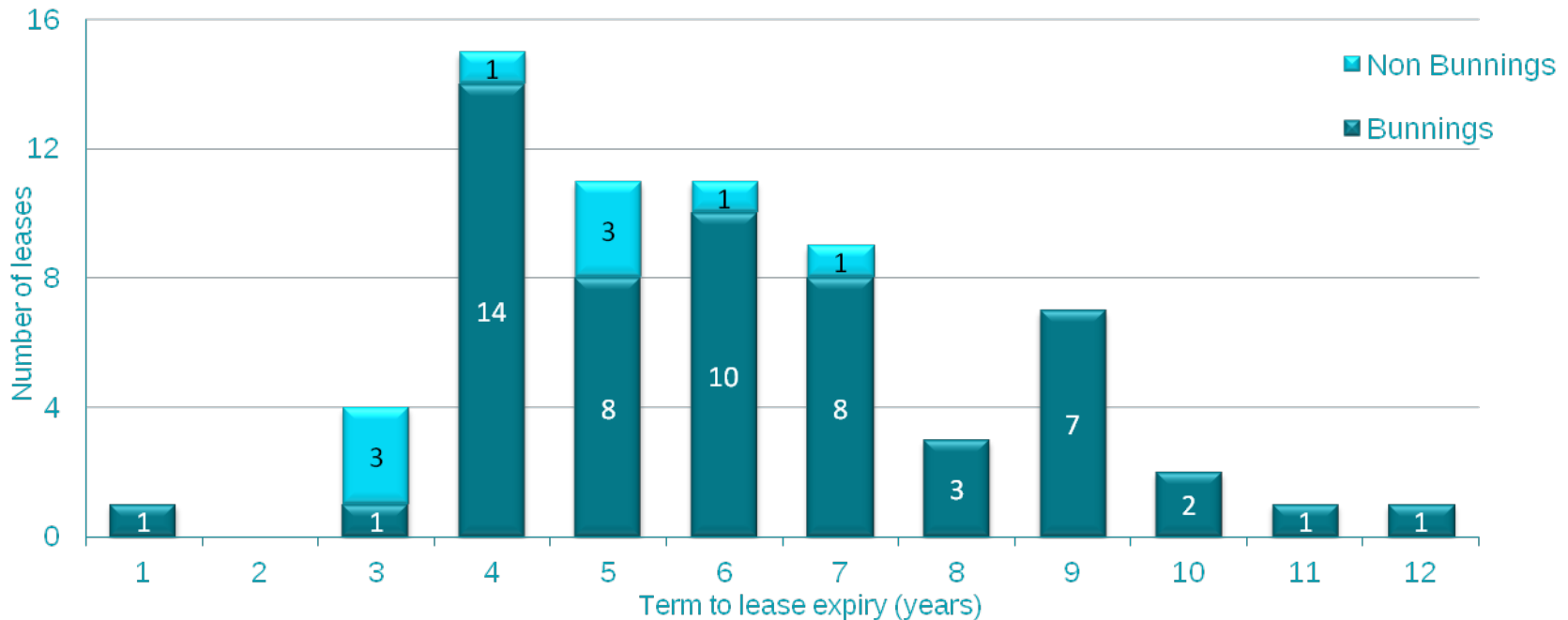


# Portfolio - WALE

## 6.3 year weighted average lease expiry (by rental income)

Typical Bunnings Warehouse Property Trust lease features:

- 15 years (plus 2 x 5 year options)
- annual CPI escalation
- 5 yearly market rent reviews (majority uncapped)
- Wesfarmers covenant (BBB+ credit rating)





# Portfolio – valuation process

- entire portfolio revalued every 6 months
- independent valuations on a 3 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
- June 09 weighted average capitalisation rate 7.81% (Dec 08: 7.57% and June 08: 7.08%)

	Properties	Rental \$m/annum	Cap rate	Value \$m
VIC	21	29.1	7.69%	389.2
NSW/ACT	14	16.0	7.88%	208.9
QLD	10	14.0	8.08%	156.1
WA	12	12.2	7.78%	158.6
SA	3	3.2	7.63%	42.8
<b>Total</b>	<b>60</b>	<b>74.5</b>	<b>7.81%</b>	<b>955.6</b>

# Portfolio – sales evidence

Bunnings Warehouse		Sale price \$m	Yield %	Date
Rothwell	QLD	16.70	7.93	Mar 09
Nerang	QLD	16.35	7.60	Jun 09
Campbelltown	NSW	21.35	7.66	Jun 09
Nowra	NSW	11.60	7.75	Jun 09
Mill Park	VIC	16.45	7.75	Apr 09
Box Hill	VIC	21.50	8.00	Jun 09
Bendigo	VIC	8.68	7.40	Apr 09
Belconnen	ACT	20.50	7.63	Jun 09
Kalgoorlie	WA	6.10	8.20	Jun 09
<b>Total/weighted average</b>		<b>139.23</b>	<b>7.76</b>	

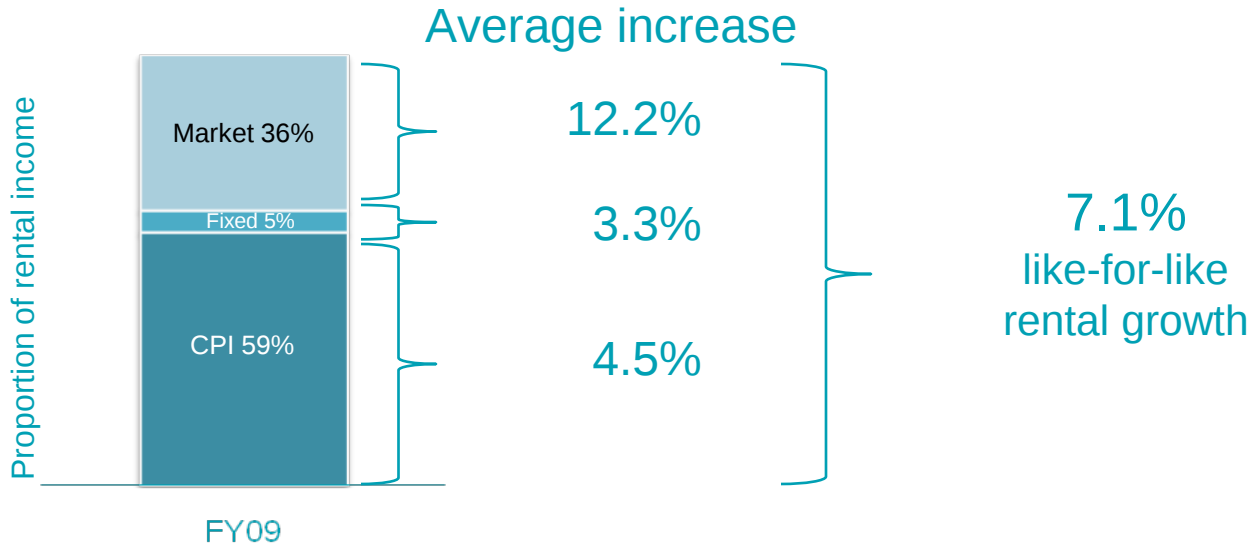
# Portfolio - revaluations

Independent valuations	31 Dec 08	30 June 09	31 Dec 09	30 June 10
VIC	4	3	2	6
WA	2	2	3	-
QLD	2	4	-	1
NSW/ACT	4	1	5	1
SA	-	-	1	-
<b>Proportion of portfolio value</b>	<b>11%<sup>1</sup></b>	<b>17%<sup>2</sup></b>	<b>15%<sup>2</sup></b>	<b>14%<sup>2</sup></b>

<sup>1</sup> percentage based on fair value as at 31 December 2008

<sup>2</sup> percentage based on fair value as at 30 June 2009

# Portfolio – rent reviews



## Like-for-like rental growth

	FY04	FY05	FY06	FY07	FY08	FY09
BWP	8.2%	4.1%	3.0%	4.4%	2.8%	7.1%

Note: Like-for-like rental growth excludes income from acquisitions, developments and non-reviewable rents in the relevant years

# Portfolio – market rent reviews

- 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)
- 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

# Portfolio – FY09 market rent reviews

Property location	Passing rent (\$'000)	Determined rent (\$'000)	Uplift (\$'000)	Uplift (%)	Effective date
Altona, VIC*	965	994	29	3.0	24 Sep 08
Balcatta, WA	1,455	1,680	225	15.5	24 Sep 08
Bayswater, VIC	1,501	1,501	0	0.0	21 Apr 09
Broadmeadows, VIC	957	1,060	103	10.7	24 Sep 08
Burleigh Heads, QLD	1,241	1,350	109	8.8	22 Oct 08
Epping, VIC*	1,028	1,070	42	4.1	12 Mar 09
Hemmant, QLD (Distribution Centre)	1,333	2,017	684	51.3	19 Nov 08
Joondalup, WA	1,010	1,200	190	18.8	24 Sep 08
Lismore, NSW*	794	805	11	1.4	20 Apr 09
Mandurah, WA*	970	1,248	278	28.6	1 Dec 08
Mentone, VIC	1,104	1,370	266	24.2	24 Sep 08
Port Macquarie, NSW	758	800	42	5.6	17 Nov 08
Rocklea, QLD*	1,412	1,412	0	0.0	16 Aug 08
Sandown, VIC	908	1,010	102	11.2	24 Sep 08
Scoresby, VIC	1,115	1,173	58	5.2	24 Sep 08
Southport, QLD	1,230	1,330	100	8.2	10 Nov 08
Sunshine, VIC	820	905	85	10.4	24 Sep 08
Tuggeranong, ACT	1,259	1,390	131	10.4	1 Dec 08
Underwood, QLD	1,140	1,250	110	9.6	22 Oct 08
<b>Weighted average</b>				<b>12.2</b>	

\* Negotiated outcome

# Portfolio - market rent reviews

## 10 market rent reviews in FY10

Quarter 1 FY10	Quarter 2 FY10	Quarter 3 FY10
		Fountain Gate, VIC
	Maitland, NSW	Nunawading, VIC
	Bibra Lake, WA	Hoppers Crossing, VIC
	Albany, WA	Mile End, SA
Thornleigh, NSW	Mornington, VIC	Morayfield, QLD

Passing rent as %  
of total portfolio<sup>1</sup>

2%

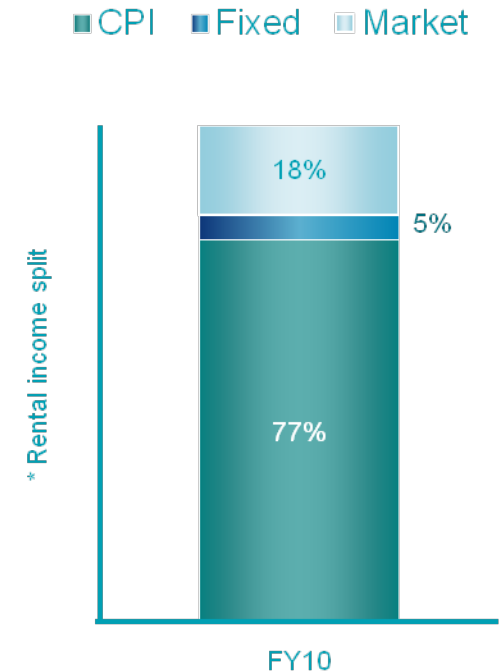
6%

10%

<sup>1</sup> percentage based on rental as at 30 June 2009

Note: no market rent reviews scheduled for Quarter 4 FY10

## Rental income profile



\* proportion of income by rent review method

# Portfolio – future revals and reviews

## Future Bunnings Warehouse revaluations and market rent reviews

	FY10	FY11	FY12	FY13	FY14
Rent reviews	10	4	7	7	22
Revaluations	19	19	23	19	19



# Portfolio - acquisitions

- **Mt Gravatt, QLD (\$11.2m acquisition + \$0.7m acquisition costs)**

- 10km south of Brisbane CBD
- 2.7ha site, 10,432m<sup>2</sup> total retail area
- 7 years + 5x5 year options
- annual rent \$0.97m
- cap rate on net income 8.0%
- annual 3% escalation
- market reviews on options (cap/collar +/- 10%)
- acquired December 2008



- **Altona, VIC (\$2.6m acquisition + \$0.2m acquisitions costs)**

- 1.0ha vacant site adjoining existing Trust owned Bunnings Warehouse
- acquired for future expansion of Bunnings Warehouse
- total land holding 3.4ha
- 11km south west of Melbourne CBD
- BGL pays 8% access fee until Bunnings Warehouse expanded onto site



# Portfolio - developments

- **Noarlunga, SA (\$3.6m est.)**

- expanded main trade area and timber drive through
- incremental rent \$0.36m per annum (\$0.29m represents 8.0% return on capital outlay + \$0.7 from MRR bought forward)
- new 10 year lease + one 5 year option
- annual CPI escalation
- market rent reviews on exercise of options (no caps/collars)
- completed June 2009



- **Cannon Hill, QLD (\$1.2m)**

- amalgamation of BWH & DC resulting in retail area of 16,556m<sup>2</sup>
- incremental rent \$0.23m per annum (\$0.13m represents 8.0% return on capital outlay + \$0.1m from MRR's bought forward)
- new 10 year lease + one 5 year option
- annual CPI escalation
- market rent reviews every 5 years (no caps/collars)
- completed December 2008



- **Hawthorn, Vic (\$24.1m)**

- site acquired for \$19.4 million in April 2007
- 7km east of Melbourne CBD
- new multi-level format 7,462m<sup>2</sup> Bunnings Warehouse on 0.84ha site
- commencing annual rent \$2.7m
- 12 years + 4 x 5 year options
- annual CPI escalation
- market review in year 6 (ratchet clause) and on each year option (cap/collar +/-10%)
- completed October 2008



# Capital management - debt facilities

As at 30 June 09	Limit (\$m)	Drawn (\$m) <sup>1</sup>	Expiry
ANZ	100	56.8	31 Jul 2010
NAB	100	53.8	Evergreen <sup>2</sup>
CBA	100	61.1	14 Jan 2010 <sup>3</sup>
WBC	80	54.5	1 Jul 2010 <sup>3</sup>
	<b>380</b>	<b>226.2</b>	

<sup>1</sup> amount drawn includes accrued interest of \$0.3 million as at 30 June 2009

<sup>2</sup> facility is extended annually in March each year provided there has been no event of default or potential event of default with any change to pricing to apply from 1 April the following year

<sup>3</sup> as at 30 June 2009 offers had been made by banks to extend these facilities – Commonwealth Bank of Australia to 14 January 2012 and Westpac Banking Corporation to 2 July 2012. These extensions have been formalised subsequently

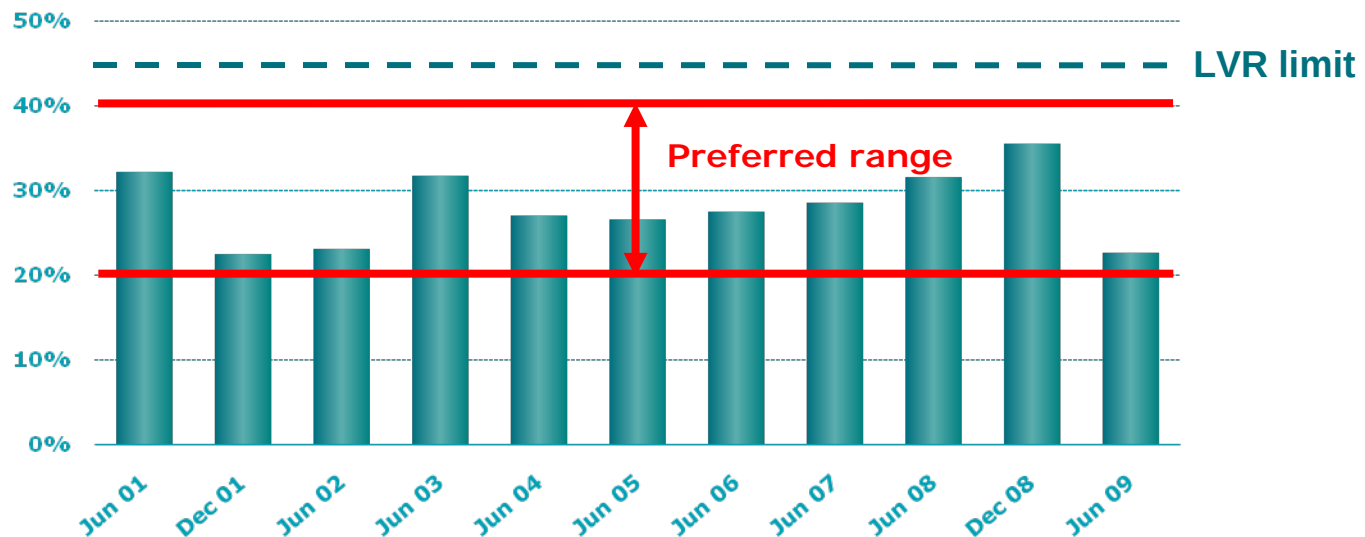
**Interest cover: 2.9x (2008: 3.3x) at 30 June 2009**

**Average duration: 2.2 years at 31 July 2009**

# Capital management - gearing

Gearing at 22.6% (covenant gearing: 23.1%)

- Balance sheet strength supported by:
  - \$150 million capital raising in May 09
  - active market for Bunnings Warehouses with private investors
  - solid rental base with growth from CPI and programmed rent reviews
  - low level of committed capex
  - Distribution Reinvestment Plan ( $\approx$  \$6.5m per half)



# Capital management – interest rates

- \$192.0m hedged (85%)
- 6.64% weighted average interest rate for all debt during the year after hedging and including margins and fees (2008: 6.56%)
- 3.07 years weighted average maturity, including delayed starts (2008: 2.43 years)

Hedge book overview	Jun 06	Dec 06	Jun 07	Dec 07	Jun 08	Dec 08	Jun 09
% debt hedged <sup>1</sup>	88	81	82	82	77	74	85
<b>Swap rates (%)</b>							
Maximum	6.62	6.30	6.67	6.87	7.88	7.88	7.85
Minimum	4.97	5.09	5.09	5.09	5.09	5.09	5.15
<b>Weighted average<sup>2</sup></b>	<b>5.72</b>	<b>5.74</b>	<b>5.99</b>	<b>5.99</b>	<b>6.21</b>	<b>6.28</b>	<b>5.79</b>

<sup>1</sup> interest bearing debt

<sup>2</sup> balance date (excluding margins)

# Capital management – interest rates

Forecast\* 9.8% effective interest rate for 2009/10 due to:

- fully hedged position (fixed rate of approx 6.3%)
- substantially higher bank margins and fees
- undrawn capacity magnifies fixed costs (e.g. 120 bps nominal line fee becomes 240 bps effective 50% drawn facility).
- potential to reduce effective rate by reducing undrawn capacity

\* forecast in May 2009 Capital Management Initiatives documents

# Structure

## Manager: Bunnings Property Management Limited

Subsidiary of Wesfarmers Limited *but*...independent board

- **John Austin** (Chairman); Leighton Properties (Chairman), MREEF, Ringmer Pacific, ex Jones Lang LaSalle
- **Peter Mansell**; ThinkSmart, OZ Minerals, Great Southern
- **Peter Johnston**; Kresta
- **Rick Higgins**; ex Colliers

## Major Tenant: Bunnings Group Limited

- subsidiary of Wesfarmers Limited

## Register

- Wesfarmers 23%
- “institutions” approximately 29%
- retail, other approximately 48%



# Outlook

- The Trust is well positioned to meet a range of economic and market conditions that may arise
  - reliable, CPI indexed income stream
  - conservative gearing with significant Loan to Value Ratio headroom
  - improved security of debt funding with \$180m out to 2012, \$100m evergreen and \$100m due to be refinanced by July 2010
  - \$154.1m undrawn capacity under debt facilities allows for selective acquisition opportunities
  - higher bank fees and margins and high level of fixed interest will increase effective interest rates



# Further information

Visit: [www.bwptrust.com.au](http://www.bwptrust.com.au)

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