



# Half-year results to 31 December 2018

February 2019

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# Presentation outline

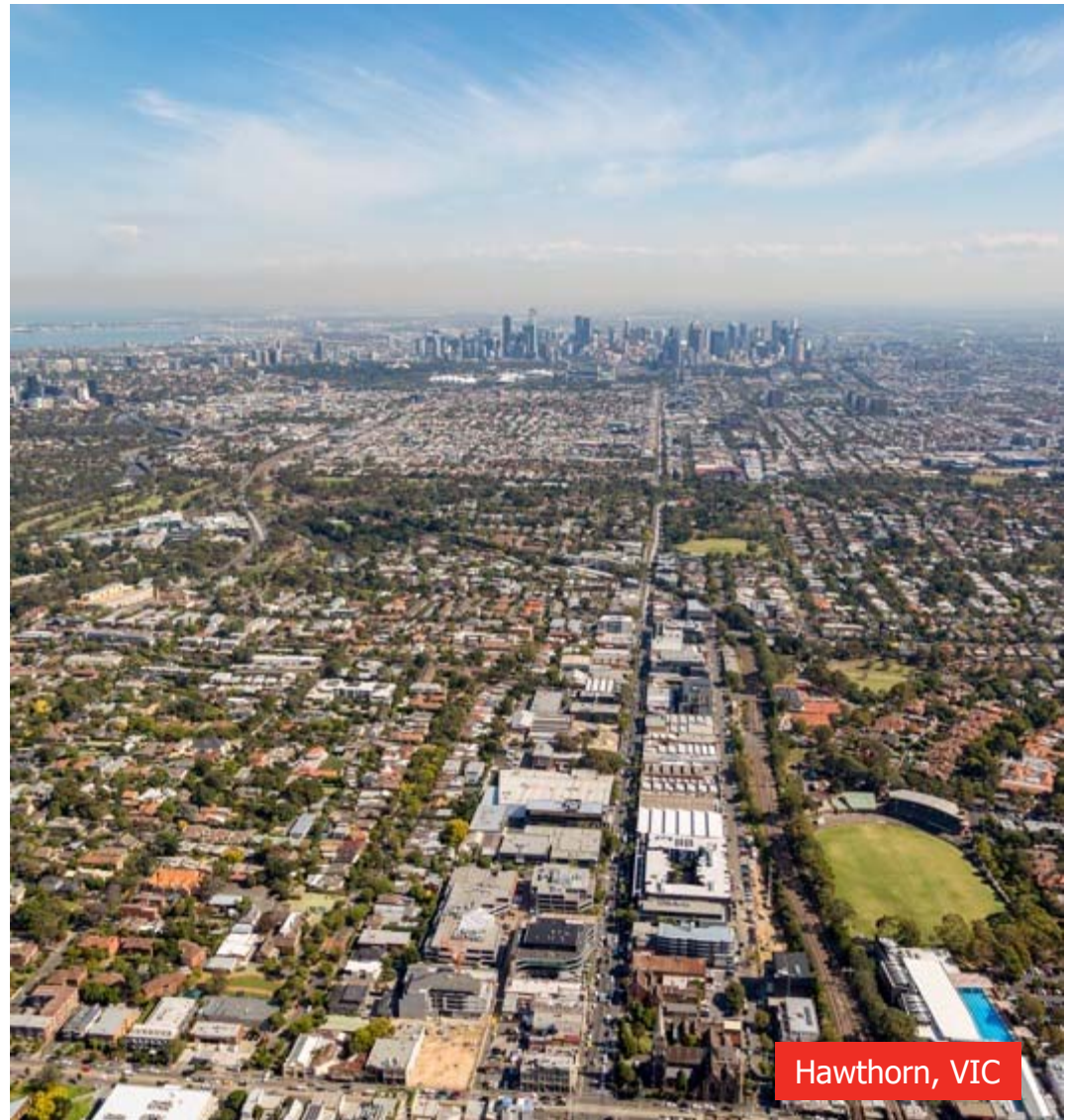
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- > Summary
- > Results
- > Portfolio
- > Core portfolio
- > Alternative use properties
- > Capital management
- > Outlook

# Summary



# Value drivers



# 2018/19 Half-year at a glance

<b>PORTFOLIO PERFORMANCE</b>		<b>PORTFOLIO MANAGEMENT</b>		<b>CAPITAL MANAGEMENT</b>	
<b>\$79.0m</b> ↑ Total revenue 2.7% <sup>1</sup>		<b>\$57.4m</b> ↑ Dist. amount 1.7% <sup>1</sup>		<b>8.93 cpu</b> ↑ Distribution 1.7% <sup>1</sup>	
				<b>\$2.89</b> ↑ NTA 2.5% <sup>1</sup>	
				<b>15.3% pa</b> 10 yr total return	
<b>2.5%</b> like-for-like rental growth		<b>99.1%</b> leased		<b>A- S&amp;P rating/ A3 Moody's rating</b>	
<b>\$22.7<sup>2</sup> million</b> portfolio revaluation gain		<b>4</b> properties being repositioned for LFR		<b>18.4%</b> gearing	
<b>6.40%</b> portfolio cap rate		<b>2</b> property divestments completed		<b>4.3%</b> cost of debt at 31 Dec 2018	
<b>4.3 years</b> portfolio WALE		<b>1</b> property rezoning completed		<b>\$200m MTN</b> maturing May 2019, covered by existing facilities	

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

<sup>2</sup> Gross movement in valuations, statutory accounts reflect a \$20.1 million revaluation gain after adjustments made for straight-lining of rent



# Results



## Financial performance 6 monthly

	6 months to Dec 18	6 months to Dec 17
Total revenue	\$79.0m	\$76.9m
Management expense ratio	0.62%	0.61%
Other expenses	\$3.5m	\$2.9m
Distributable amount	\$57.4m <sup>1</sup>	\$56.4m
Property revaluation gains	\$20.1m <sup>2</sup>	\$46.9m
Net profit including property revaluations	\$78.9m	\$103.3m
Number of units on issue <sup>3</sup>	642.4m	642.4m
Six months distribution (per unit)	8.93 cents	8.78 cents
Total assets <sup>3</sup>	\$2,375.3m	\$2,353.3m
Borrowings <sup>3</sup>	\$437.9m	\$465.5m
Weighted average cost of debt <sup>4</sup> (p.a.)	4.31%	4.65%
Net tangible assets <sup>3</sup> (per unit)	\$2.89	\$2.82
NTA per unit excluding hedging liabilities <sup>3</sup>	\$2.89	\$2.82
Weighted average cap rate <sup>3</sup>	6.40%	6.50%

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

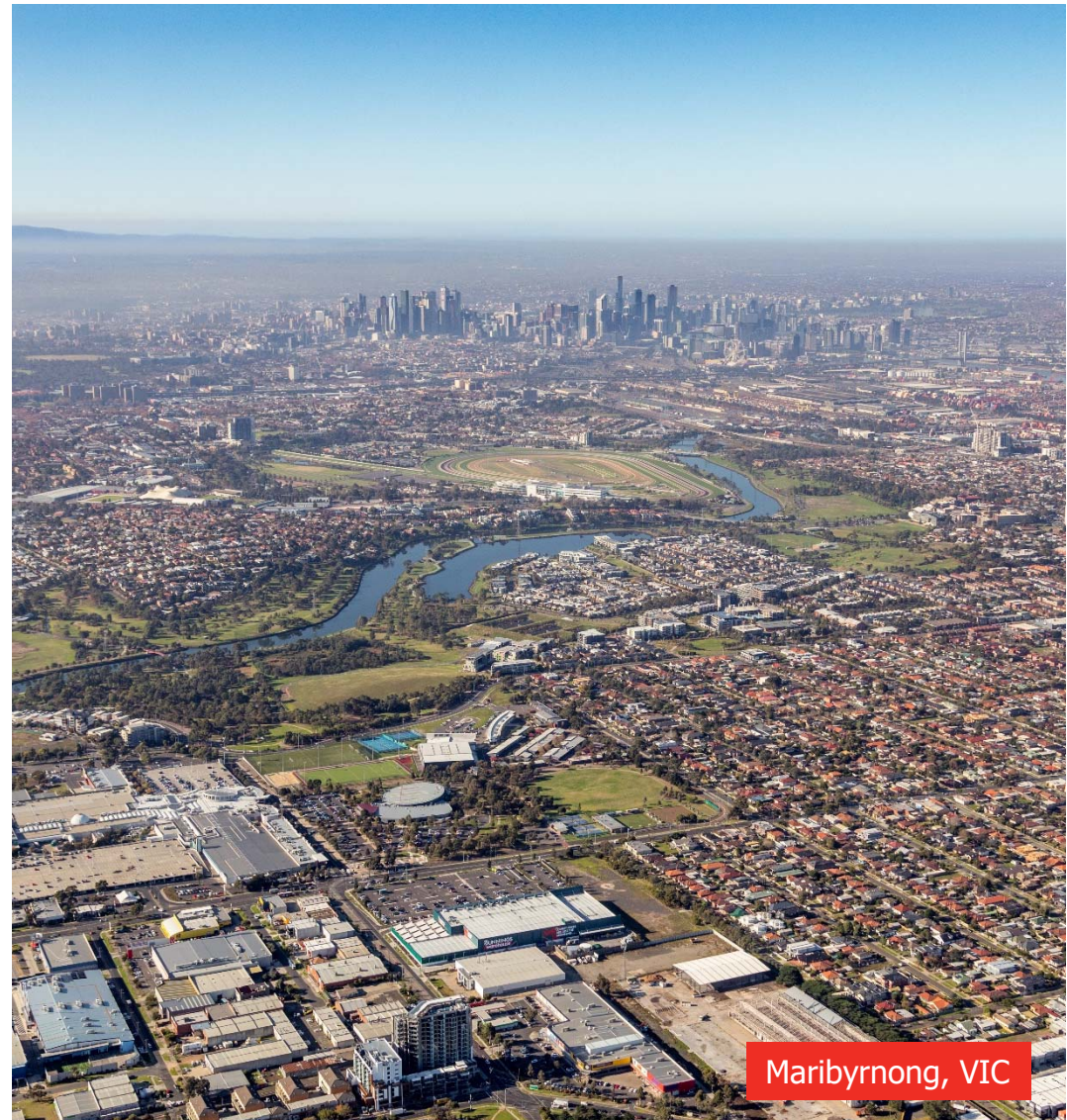
<sup>2</sup> After adjustments made for the straight-lining of rent

<sup>3</sup> As at 31 December not 6 months to December

<sup>4</sup> Finance costs divided by average borrowings for the six months



# Portfolio



# FY2019 Bunnings market rent review outcomes

- > 2 Bunnings market rent reviews from FY2018 were resolved via negotiation at the current passing rental

Property location	Passing rent (\$pa)	Reviewed rent (\$pa)	Effective date
Artarmon, NSW <sup>1,2</sup>	1,705,451	1,705,451	9-Feb-18
Fyshwick, ACT <sup>1,3</sup>	1,233,359	1,233,359	24-Dec-17

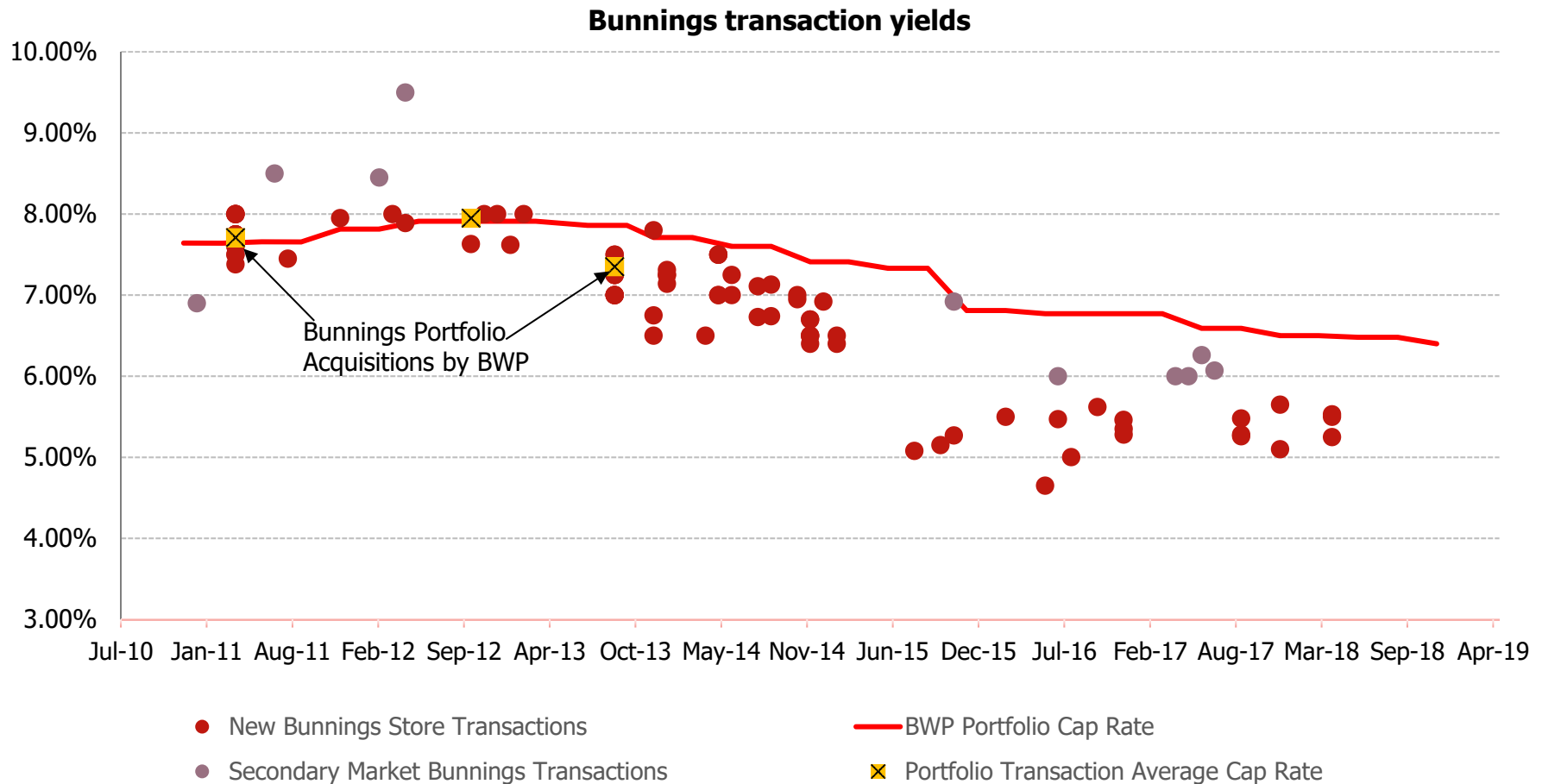
<sup>1</sup> The market rent review was due during the year ended 30 June 2018, but the outcome of the negotiation was only completed during the current financial year.

<sup>2</sup> The parties have agreed to waive the subsequent two CPI annual escalations in February 2019 and 2020.

<sup>3</sup> As part of the market rent review agreement, Bunnings has committed to an additional two years with the lease now expiring in December 2024 and the Trust has given Bunnings a five year option from that date.

# Capitalisation rate trends

> New Bunnings Warehouse store yields remain stable in the 5.0 to 5.5% range



## December 2018 revaluation

- > December 2018 weighted average capitalisation rate 6.40% (June 2018: 6.48%)
  - 11 independent valuations (12% of BWP portfolio value), average cap rate 6.79%
  - 66 internal valuations, average cap rate 6.34%
  - Stand alone Bunnings Warehouses weighted average cap rate of 6.28%
- > HY18/19 gross fair value gain of \$22.7m<sup>1</sup> on revaluation
  - After adjusting for property disposals, cap rate compression largely contributed to the net fair value gain during the period after the portfolio average cap rate decreased 8bps
  - Cap rate movement; 8 properties decreased, 60 properties no change and 9 properties increased

Revaluation by state 31 Dec 2018	No. of properties	Rental \$m/annum <sup>2</sup>	Cap rate	Value \$m
NSW/ACT	18	34.4	6.64%	520.5
QLD	19	38.7	6.23%	593.7
SA	2	4.0	6.33%	63.9
VIC	22	47.3	6.16%	781.6
WA	16	26.3	6.81%	394.8
<b>Total/ weighted average</b>	<b>77</b>	<b>150.7</b>	<b>6.40%</b>	<b>2,354.5</b>

<sup>1</sup> Gross movement in valuations, statutory accounts reflect a \$20.1 million revaluation gain after adjustments made for straight-lining of rent

<sup>2</sup> Subject to rounding

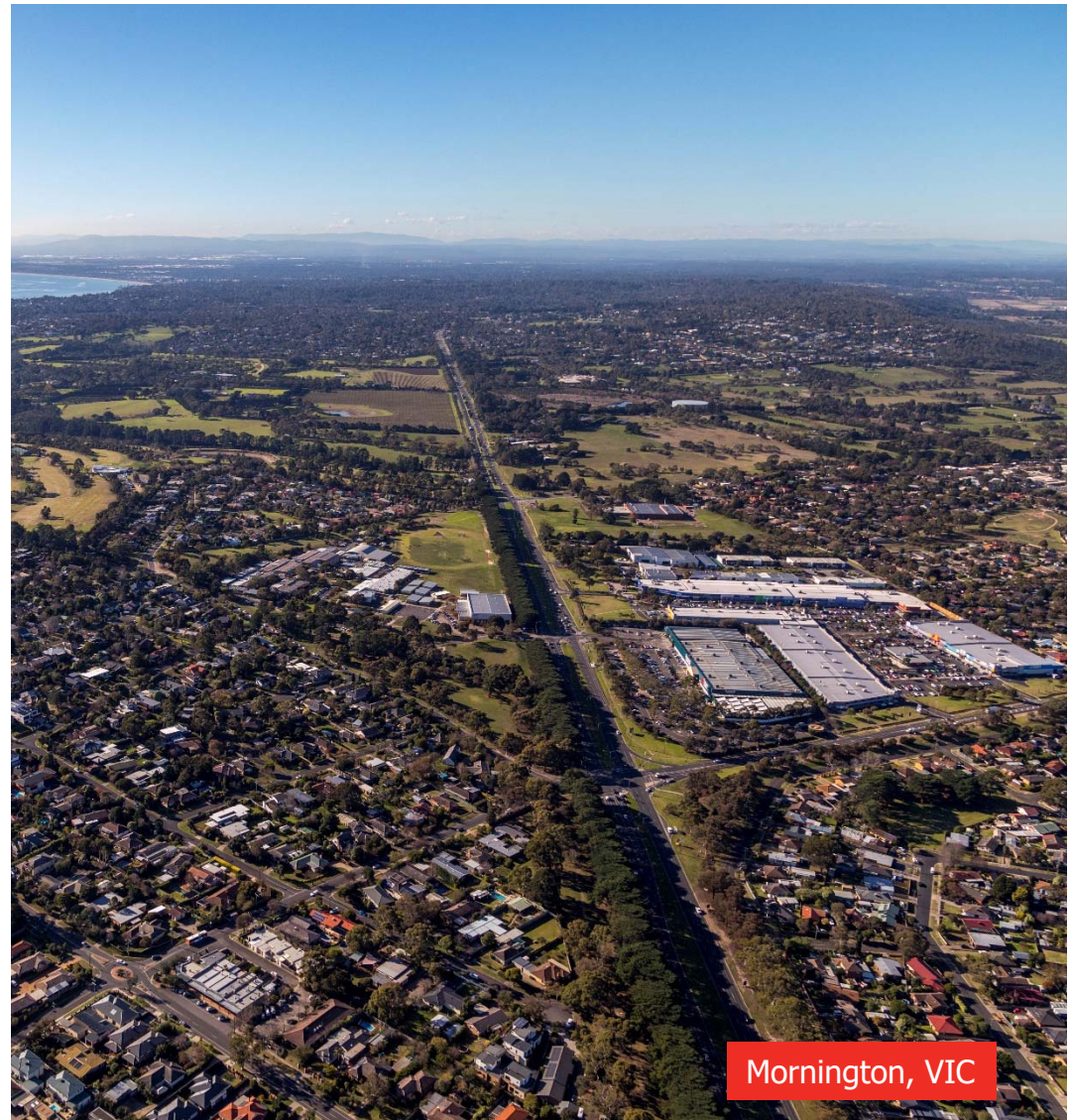
## December 2018 independent valuations

Property	State	Jun-18 Cap Rate	Jun-18 Valuation (\$m)	Dec-18 Cap Rate	Dec-18 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Dec-18 Term Certain (years)
Cannon Hill	QLD	5.50%	43.3	5.50%	43.3	0.00%	0.0	5.3
Croydon	VIC	5.75%	33.7	5.50%	35.9	-0.25%	2.2	7.8
Maitland	NSW	8.50%	16.7	8.50%	17.0	0.00%	0.3	0.8
Midland	WA	8.75%	20.8	9.53%	19.5	0.78%	-1.3	2.7
Scoresby	VIC	6.50%	29.5	6.25%	30.7	-0.25%	1.2	3.4
Townsville North	QLD	6.00%	27.9	6.00%	28.8	0.00%	0.9	6.9
Tuggeranong	ACT	6.00%	30.8	6.00%	30.8	0.00%	0.0	4.9
West Ipswich	QLD	5.75%	41.9	5.75%	43.2	0.00%	1.3	7.7
Belmont North	NSW	12.95%	9.2	13.24%	9.0	0.29%	-0.2	2.2
Port Macquarie	NSW	9.25%	11.0	9.25%	11.0	0.00%	0.0	0.9
Underwood	QLD	9.14%	16.9	9.42%	16.4	0.28%	-0.5	0.3
<b>Total/ weighted average<sup>1</sup></b>		<b>6.80%</b>	<b>281.7</b>	<b>6.79%</b>	<b>285.6</b>	<b>-0.01%</b>	<b>3.9</b>	<b>4.4</b>

<sup>1</sup> Subject to rounding



# Core portfolio



Mornington, VIC

# Core portfolio summary

**67**  
properties

**4.5 years**  
portfolio WALE

**3.3 ha**  
average land area

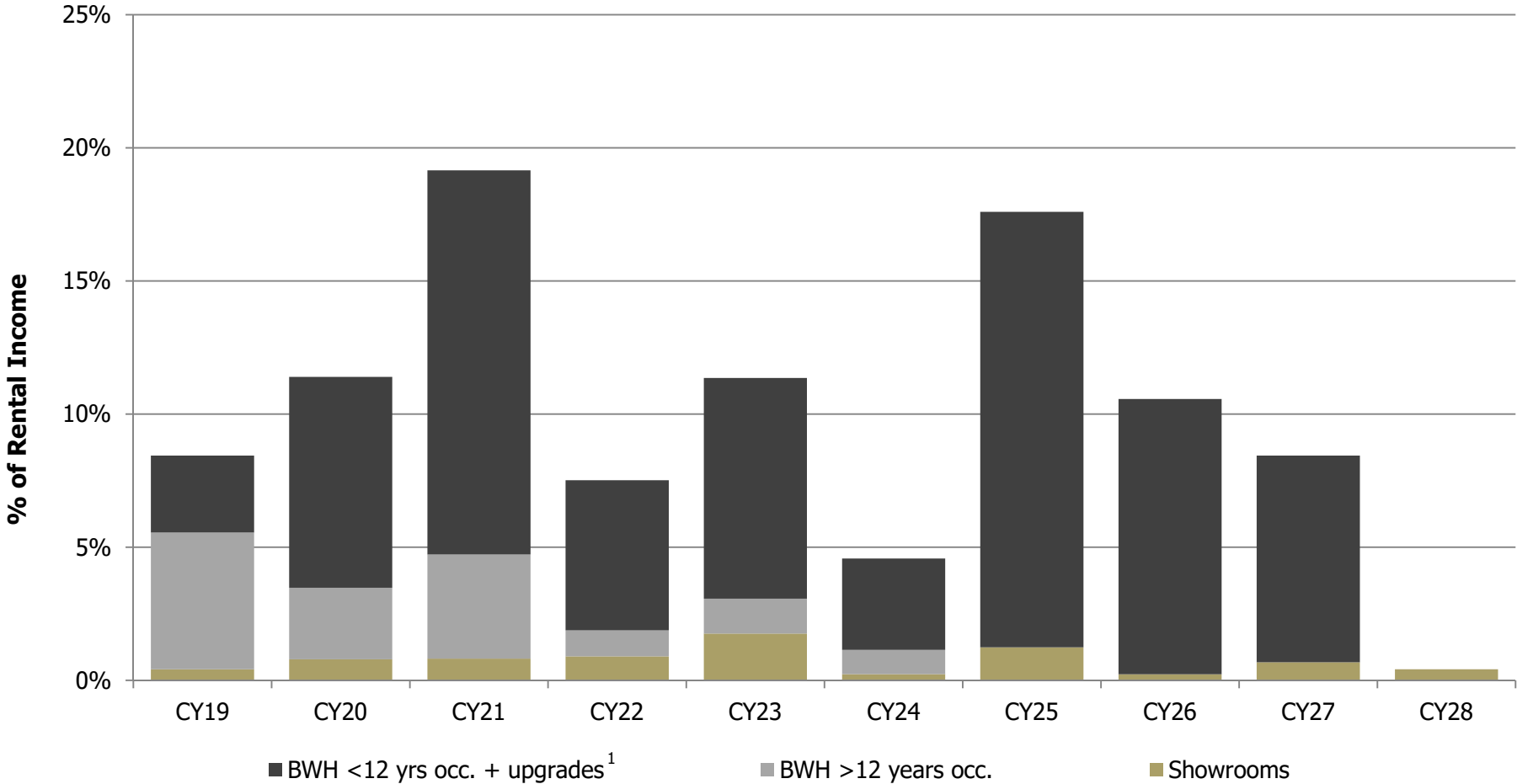
**14,025m<sup>2</sup>**  
average lettable  
area

**82%**  
metro located  
properties

**77%**  
upgrade  
properties or  
occupied <12yrs

**6.17%**  
weighted average  
cap rate

# Weighted average lease expiry profile



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

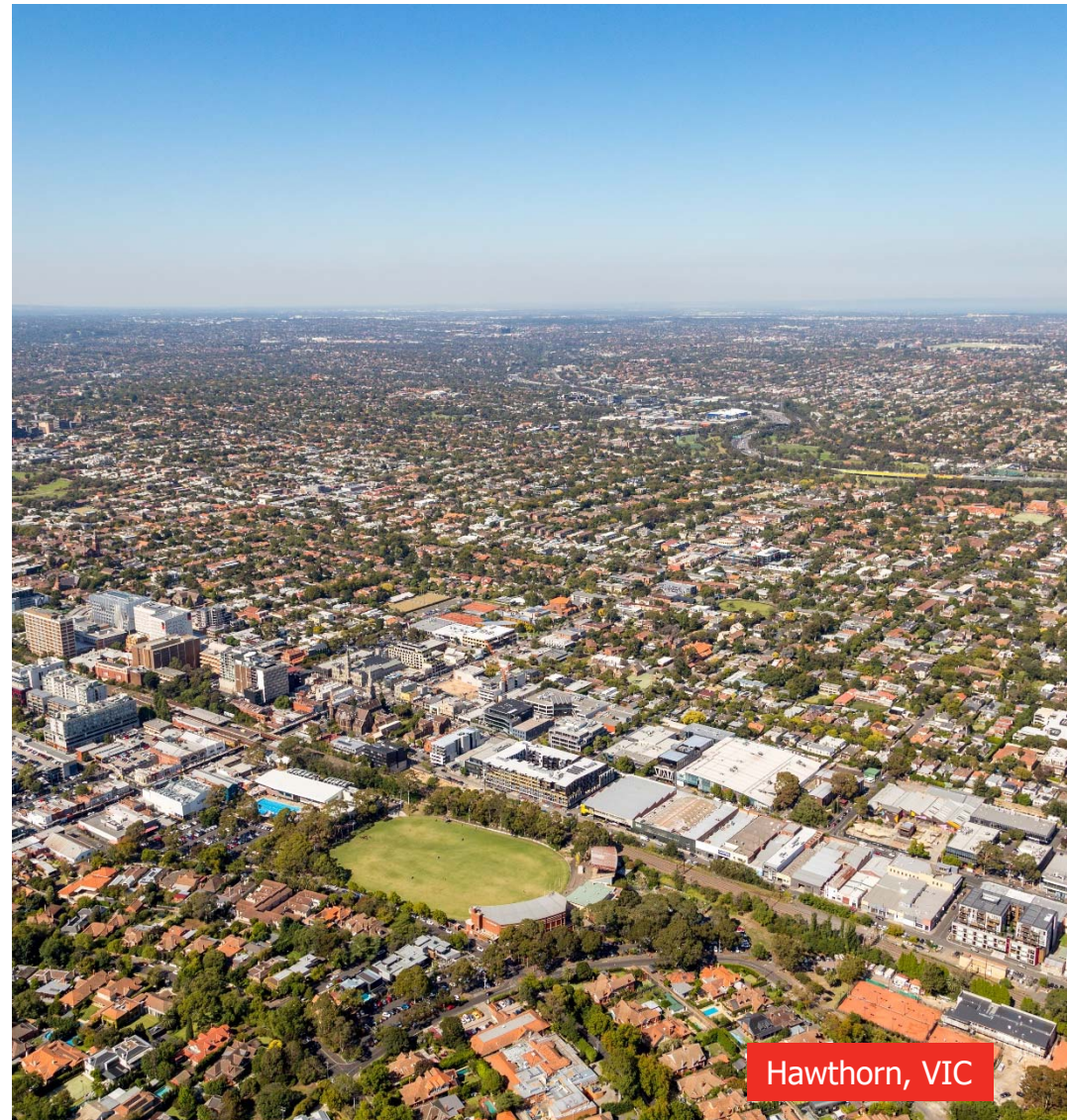
## Lease expiries next 3 years

Property	Lease expiry	Options	Rent (\$'000pa)	Comments
Thornleigh	Sep 2019	4 x 5 yrs	1,420	Notification required by Jul 2019; located within 300 metres of shopping centre and passenger train station; zoning allows mixed-use redevelopment opportunities
Noarlunga	Sep 2019	2 x 5 yrs	1,582	Notification required by Jun 2019; zoned Regional Centre
Maitland	Oct 2019	3 x 5 yrs	1,452	Notification required by Aug 2019; potential upgrade
Albany	Oct 2019	2 x 5 yrs	905	Notification required by Jul 2019; planning application granted for an upgrade
Bibra Lake	Oct 2019	2 x 5 yrs	1,758	Notification required by Jul 2019
Fountain Gate	Jan 2020	2 x 5 yrs	1,728	Notification required by Oct 2019; potential upgrade
Port Melbourne	Mar 2020	4 x 5 yrs	2,117	Notification required by Dec 2019
Vermont South	Aug 2020	4 x 5 yrs	2,269	Notification required by Jun 2020
Northland	Aug 2020	2 x 5 yrs	2,003	Notification required by Jun 2020; Bunnings seeking planning approval for alternative site nearby
Hawthorn	Oct 2020	4 x 5 yrs	3,337	Notification required by Jul 2020
Coburg	Nov 2020	3 x 5 yrs	1,531	Notification required by May 2020; potential upgrade
Mt Gravatt	Dec 2020	4 x 5 yrs	1,366	Notification required by Sep 2020
Broadmeadows	Jan 2021	10 yrs	1,970	Notification required by Oct 2020
2011 Portfolio	Mar – Oct 2021	5 x 5 yrs	15,785	Properties acquired in 2011 portfolio transaction - Belmont, Cockburn, Fairfield Waters, Pakenham, Wagga Wagga, Port Kennedy, Smithfield, Dubbo, Harrisdale and Caroline Springs
Other properties	Sep – Dec 2021	2 x 5 yrs	7,057	Midland, Geraldton, Mornington and Frankston

5 year options recently exercised for Bayswater (VIC) and Browns Plains (QLD)



# Alternative use properties





# Mentone repositioning

- > Bunnings surrendered its lease in August 2018
- > Two new large format retail leases secured
- > Landlord works completed in December 2018
- > Rezoning opportunities continue to be assessed for future land use flexibility

## Property financials

Jun 2018 fair value	\$20.8 million
Capex works	\$4.1 million
Dec 2018 fair value	\$31.0 million
Capitalisation rate	5.75%
WALE	11 years
Tenants	Officeworks Crunch Fitness



# Mandurah repositioning

- > Bunnings surrendered its lease in July 2018
- > Landlord capex works completed in December 2018
- > Amart Furniture commenced trading in December 2018
- > Strong leasing interest for the remaining lettable area

## Property financials

Jun 2018 fair value	\$14.0 million
Capex works	\$7.3 million
Dec 2018 fair value	\$20.2 million <sup>1</sup>
Capitalisation rate	7.25%
WALE	10 years
Tenant	Amart Furniture

<sup>1</sup> Includes capital adjustment for letting-up allowances and incentives



# Cairns repositioning

- > Redevelopment options being reviewed comprising building reconfiguration for industrial use and possible divestment of surplus land
- > Working with local developer to refine and progress concept

*Original site footprint*



*Redevelopment option*



## Other stores being repositioned

Property	Lease expiry <sup>1</sup>	Progress
Port Macquarie	Nov 2019	DA for large format retail redevelopment lodged in Jan 2019; anchor tenant terms finalised; leasing campaign progressing for remaining 2,200sqm of lettable area
Morley	Jul 2020	Bunnings continue to trade from store. Medium term residential and/or mixed-use development potential. Bunnings also trading at new ex-Masters property in Bayswater
Hoxton Park	Oct 2020	DA for large format retail redevelopment lodged; 60% of lettable area now committed; construction ready to proceed
Mindarie	Sep 2021	Scheme amendment and structure plan proposal lodged with council in 2018; expect approval by April 2019 to allow mixed use development of the site which adjoins Ocean Keys sub-regional shopping centre

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



# Divestments

Property	Lease expiry <sup>1</sup>	Sale price (\$m)	Progress
Underwood	Apr 2019	Undisclosed	Under conditional option agreement to sell to unrelated third party
Belmont North	Mar 2021	Undisclosed	Under conditional option agreement to sell to unrelated third party
Altona	Lease surrendered	14.4	Settlement completed in September 2018
Burleigh Heads	Lease surrendered	19.7	Settlement completed in September 2018
Epping	Mar 2019	16.2	Unconditional purchase contract, settlement scheduled for February 2019. Rent payable to BWP until settlement
Oakleigh South	Mar 2019	21.4	Unconditional purchase contract, settlement scheduled for February 2019. Rent payable to BWP until settlement

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



# Capital management



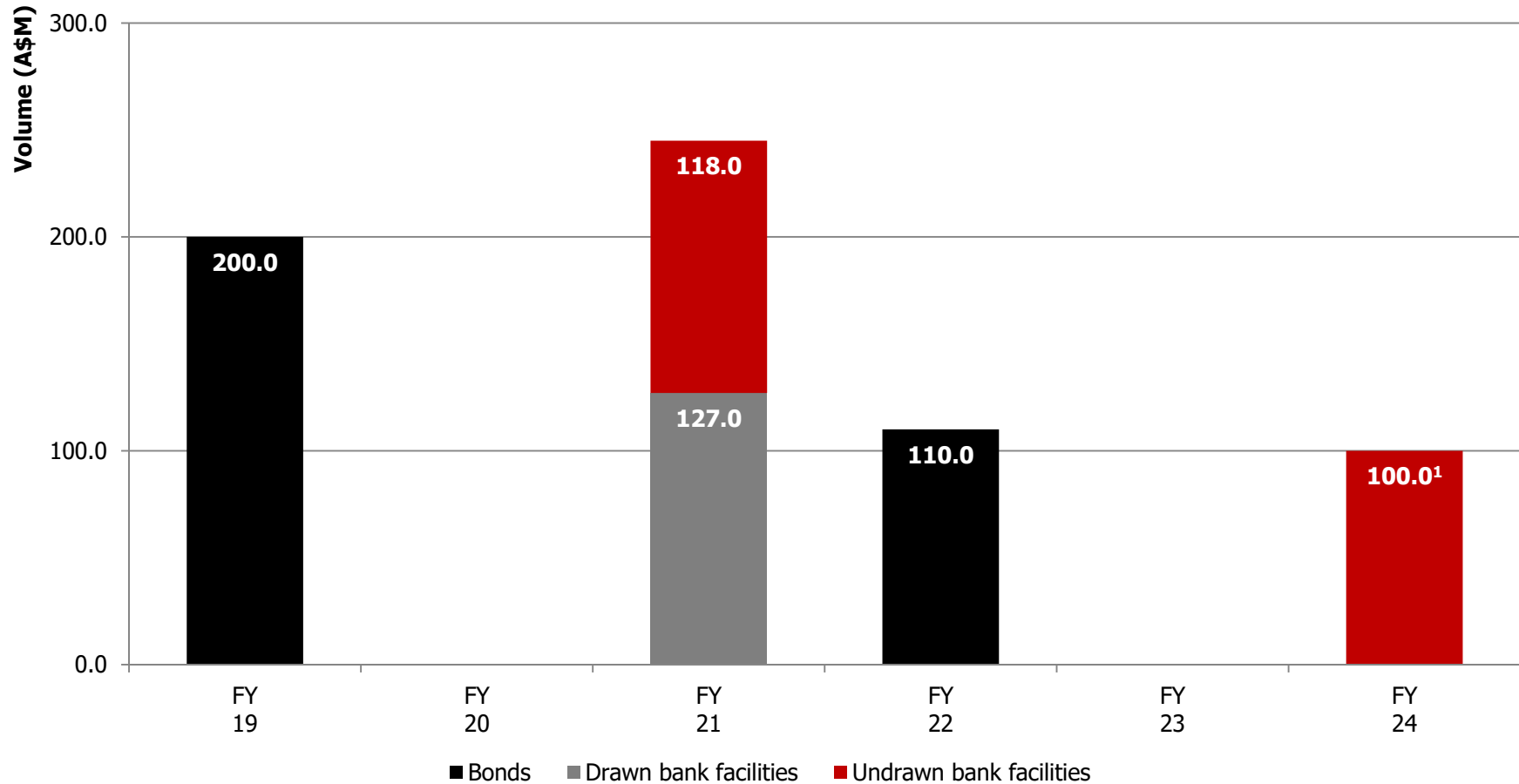
# Debt facilities

- > Average borrowings for the half-year \$460.8m (down 3.2% on pcp)
  - 4.31% p.a. weighted average cost of debt after hedging (2017: 4.65% p.a.)
  - Borrowing costs for the half-year \$10.0m (down 10.5% on pcp)
- > Bank facilities with CBA and WBC can be extended a further year each year, subject to agreement
- > New \$100m forward start five year term debt facility with Sumitomo Mitsui Banking Corporation (“SMBC”) entered into with a commencement date of May 2019
- > Cost of debt at 31 December 2018: 4.3% p.a.
- > Interest cover: 6.6x at 31 December 2018 (2017:6.2x)
- > Gearing 18.4% at 31 December 2018 (2017: 19.8%)
- > A- / Stable S&P rating and A3 Moody’s rating maintained

As at 31 Dec 2018	Limit (\$m)	Drawn (\$m)	Expiry
CBA	110	64	31 Jul 2020
WBC	135	63	30 Apr 2021
Corporate bond	200	200	27 May 2019
Corporate bond	110	110	11 May 2022
<b>Total / Weighted average</b>	<b>555</b>	<b>437</b>	<b>1.7 years</b>

# Debt duration

## Debt maturity profile as at 31 December 2018



<sup>1</sup> Forward start five year term debt facility with SMBC entered into with a commencement date of May 2019

# Interest rate hedging

Hedge book profile by half-year ending	Dec 18	Jun 19	Dec 19	Jun 20	Dec 20	Jun 21
Active swaps (\$m)	58	98	98	85	85	70
Swap rates (%)						
Maximum	4.92	4.92	4.92	4.12	4.12	2.60
Minimum	2.39	2.39	2.39	2.39	2.39	2.39
Weighted average (%) <sup>1</sup>	3.39	3.07	3.07	2.79	2.79	2.51

> Including fixed rate corporate bonds:

- \$367.5m hedged at 2.62%<sup>2</sup> weighted average to maturity, at 31 December 2018

<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

- > 16 CPI/ 25 fixed rent reviews in second half FY2019
- > 10 Bunnings MRR's to be finalised this financial year

## 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

## FY19 distribution

- > For the second half of the financial year the Trust expects to maintain distribution growth at 1.7 per cent. Capital profits will be utilised to support distributions if required during this period