PFi

YOUR INDUSTRIAL
PROPERTY EXPERTS

WELCOME

TO THE **2018** ANNUAL RESULTS BRIEFING

PRESENTING TODAY

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01. 2018 HIGHLIGHTS

2018 HIGHLIGHTS

- **Increased earnings and dividends:** profit after tax up $58.4 million, 3.2% increase in Funds From Operations (FFO)[1] earnings per share, Adjusted Funds From Operations (AFFO) earnings per share in line with the prior year, cash dividend up 1.3% to 7.55 cents per share
- **Valuation gains:** $66.4 million or 5.3% increase in the value of the property portfolio from independent valuations, net tangible assets (NTA) per share up 14.5 cents or 8.9% to 177.7 cents per share
- **Strong balance sheet:** second $100 million senior secured fixed rate 7-year bond issue, refinancing of $37.5 million of bank facilities, gearing of 30.3%
- **Significant portfolio activity:** over 100,000 square metres or 15% of the portfolio leased during the year to 30 tenants for an average increase in term of 6.2 years
- **Auckland industrial acquisitions:** two properties acquired for $28.4 million
- **Management changes:** former General Manager, Simon Woodhams, appointed as Chief Executive Officer, former Chief Financial Officer, Craig Peirce, appointed as Chief Finance and Operating Officer, former Managing Director, Greg Reidy, to transition to Non-Executive Director by June 2019

1. Funds From Operations and Adjusted Funds From Operations are non-GAAP financial information and are common investor metrics, which have been calculated in accordance with the guidelines issued by the Property Council of Australia. Please refer to slide 35 for further details.

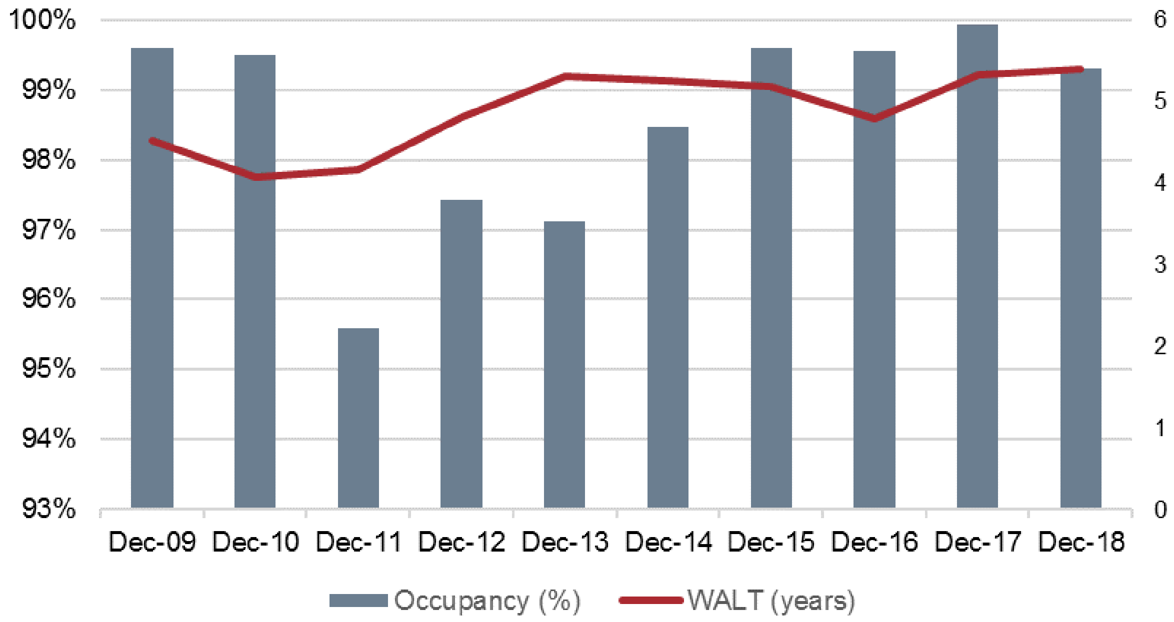
02.
PORTFOLIO

PORTFOLIO SNAPSHOT

- PFI's portfolio is diversified across 94 properties and 148 tenants, with 99.3% occupancy and a weighted average lease term of 5.39 years, weighted towards Auckland industrial property

	31 December 2018	31 December 2017
Book value	$1,322.0m	$1,210.8m
Number of properties	94	92
Number of tenants	148	148
Contract rent	$82.0m	$79.6m
Occupancy	99.3%	99.9%
Weighted average lease term	5.39 years	5.33 years
Auckland property	83.1%	82.4%
Industrial property	87.3%	86.4%

HISTORICAL OPERATIONAL PERFORMANCE



- Since 2009, PFI has achieved a year end average occupancy of 98.6% and WALT of 4.88 years

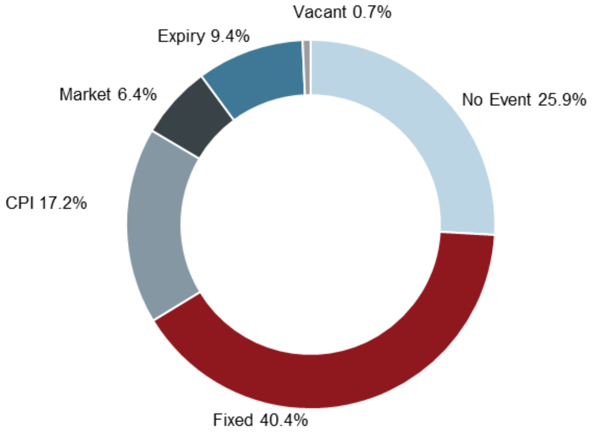
VALUATIONS & LEASING ACTIVITY

- Valuations:
  - Annual increase from independent valuations of $66.4 million or 5.3% to $1,322.0 million
  - Around one-third of valuation outcome was due to rental growth
  - Passing yield firmed from 6.57% to 6.21%, no over or under renting on a portfolio basis
- Leasing activity:
  - 30 leases agreed over ~102,000 sqm of space for an average term of 6.2 years
  - Lease renewals accounted for almost 70% of the contract rent secured

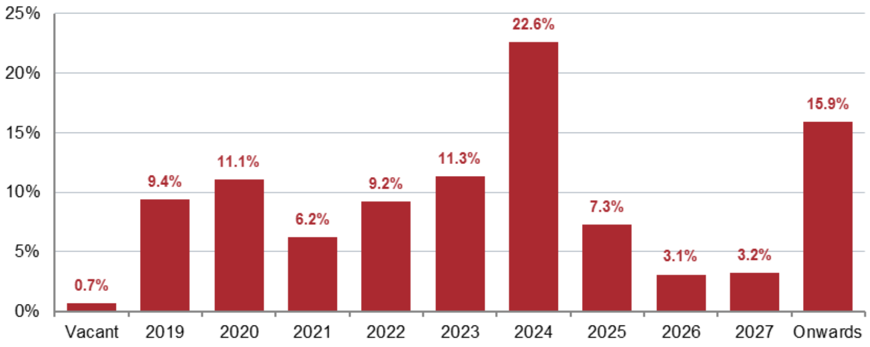
Tenant	Address	Term	Area	% Rent Roll
Mainfreight	36 Neales Road, East Tamaki	5.0 years	12,563 sqm	1.4%
Fletcher Building	232 Cavendish Drive	6.0 years	16,832 sqm	1.3%
Nestle	Carlaw Park Office Complex, Parnell	6.0 years	1,720 sqm	1.3%
Ballance Agri-Nutrients	124a Hewletts Road	11.0 years	10,497 sqm	1.2%
Department of Internal Affairs	Carlaw Park Office Complex, Parnell	6.0 years	2,438 sqm	1.1%
Peter Hay Kitchens	47 Dalgety Drive, Manukau	6.0 years	8,860 sqm	1.1%
24 other transactions	Various	6.4 years	~49,000 sqm	7.1%
30 leasing transactions	Various	6.2 years	~102,000 sqm	14.5%

RENT REVIEWS & 2019 LEASE EVENTS

- 100 rent reviews delivered an average annual uplift of ~2.5% on ~$46.4 million of contract rent
- 17 market rent reviews delivered an annualised increase of 2.3% over an average review period of 3.5 years on $5.8 million of contract rent
- ~75% of PFI's portfolio is subject to some form of lease event during 2019
- CBRE predict industrial rental growth over the next five years to average 3.1% per annum for prime properties and 4.1% per annum for secondary properties
- PFI will continue to access projected market rental growth as ~22% of the Company's 2019's lease events are market related



2019 LEASE EXPIRIES



- Portfolio is 99.3% occupied (0.7% vacancy) and 9.4% of contract rent is due to expire in 2019, a total of 10.1% (FY17: 7.5%)

- Carlaw Park represents 34% of PFI's current vacancy and 2019 expiries, terms agreed with Jacobs post balance date, Carlaw Park is a key priority in 2019 (see next slide)

	Tenant	% Rent Roll
Carlaw Park	**Jacobs**	**3.0%**
2 Pacific Rise	Hewlett-Packard	1.2%
6 Donnor Place	Wickliffe	1.1%
6-8 Greenmount Drive	Bridon	0.8%
9 Nesdale Avenue	Brambles	0.8%
Other	Various	2.5%
Total		**9.4%**

CARLAW PARK, PARNELL

- Acquired by PFI in 2013 via the merger with Direct Property Fund, development of the property was completed in March-2009, initial lease terms expiring 2018 / 2019
- Significant leasing progress during 2018 and early 2019:
  - Nestle secured in H1 2018 for 14.4% of the property on a six year term
  - Four leases secured in H2 2018: 18.9% or $1.4 million leased
  - Early renewal of Quest serviced apartments hotel secured post balance date
  - Terms agreed with Jacobs for a reduced footprint post balance date

Tenant	Space	Term	Area	% Property's Rent Roll
Nestle	Office, Building 1, Level 3	6.0 years	1,720 sqm	14.8%
Department of Internal Affairs	Office, Building 2, Ground and Level 1	6.0 years	2,438 sqm	13.2%
NZ Behavioural Health	Office, Building 2, Part Level 3	10.0 years	908 sqm	5.4%
Retail Tenancies (2)	Gateway, Ground Floor Retail	6.0 and 3.0 years	221 sqm	0.9%
Quest (signed)	Gateway, Hotel	10.0 years	42 rooms	10.6%
Jacobs (terms agreed)	Office, Building 1 & 2, Part Level 1, Level 2	7.0 years	4,307 sqm	24.4%
7 leasing transactions		7.3 years	9,504 sqm +	69.3%

Note: Please refer to slide 36 for floor plans of this property.

ACQUISITIONS

- PFI has maintained a cautious stance towards acquisition activity during 2018, but did purchase two Auckland industrial properties during the year

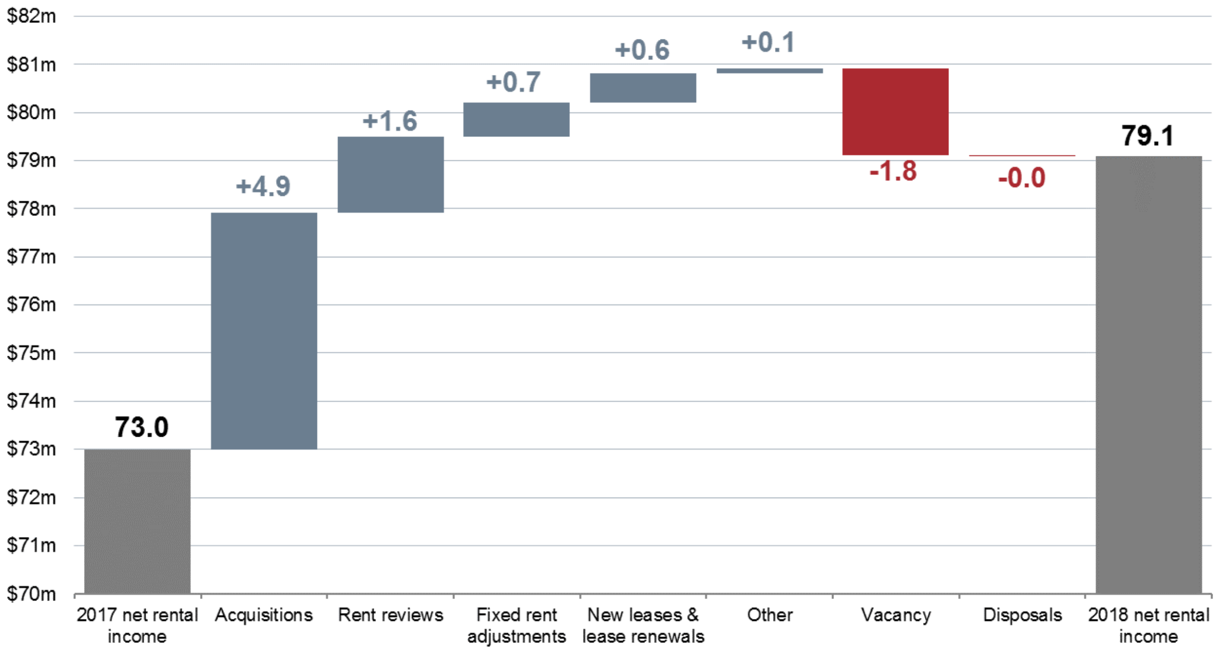
	306 Neilson Street, Penrose	12 Hautu Drive, Manukau
Purchase price	$16.0m	$12.3m
Tenant	Trade Depot	Kiwi Steel
Property description	Generic industrial	Generic industrial
Purchase yield	5.50%	5.35%
Lease term on settlement	10 years, triple-net	11 years
Rent reviews	Fixed rent reviews, 2.25% annually	Fixed rent reviews, 3.00% annually

DEVELOPMENT AND DISPOSAL

- Kiwi Steel secured in March 2018 on a 15-year term for a new 2,500 square metre warehouse on surplus land at 212 Cavendish Drive, Manukau
  - Completion of this project is expected April 2019
- 50 Parkside Road, Wellington sold December 2018 for a net sales price of $3.3 million
  - Settlement took place on 23 January 2019

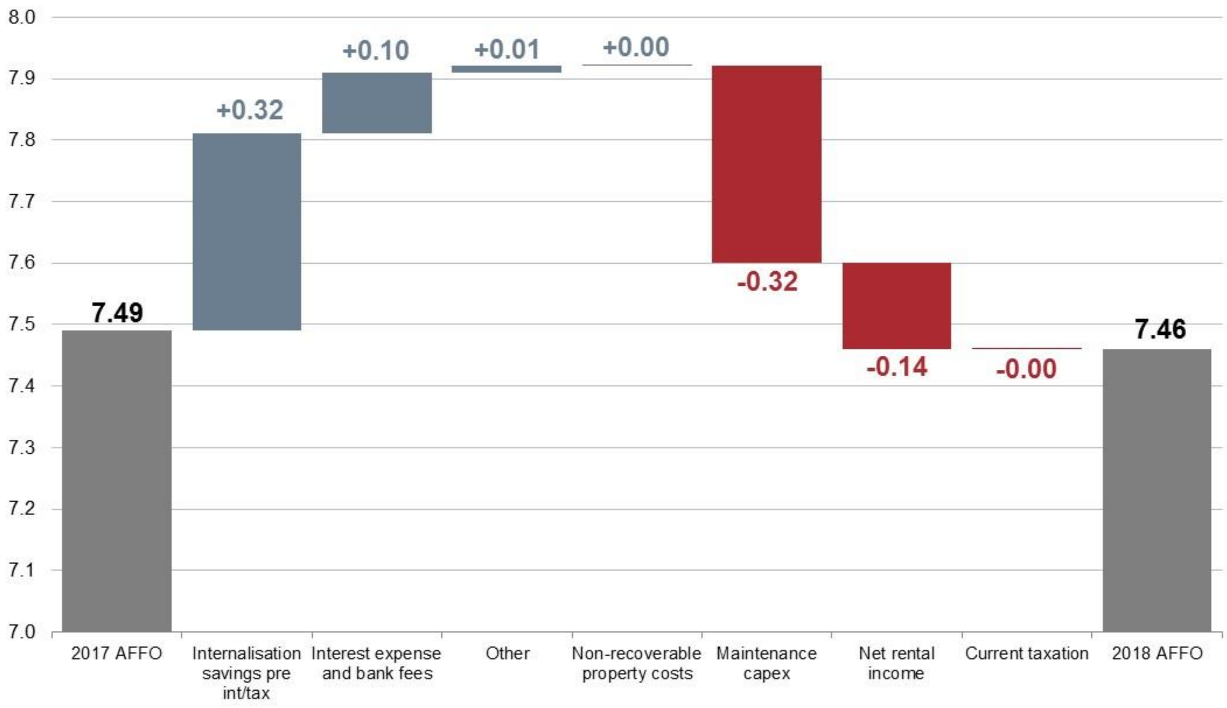

03.
2018 ANNUAL
RESULTS

NET RENTAL INCOME



- Net rental income of $79.1 million up $6.1 million or 8.4%
- Increases due to acquisitions ($4.9 million) and positive leasing activity ($3.0 million)
- Decrease due to increased intra-period vacancy ($1.8 million)
- Average occupancy during 2018 of 98%

ADJUSTED FUNDS FROM OPERATIONS (CENTS PER SHARE)



- Profit after tax up $58.4 million to $110.1 million
- Cost savings offset a reduction in net rental income (on a per share basis), resulted in a 3.2% increase in FFO earnings per share
- Maintenance capex increased from 23 basis points in 2017 to 35 basis points in 2018, resulted in AFFO earnings per share in line with the prior year

EARNINGS, DIVIDENDS, GUIDANCE

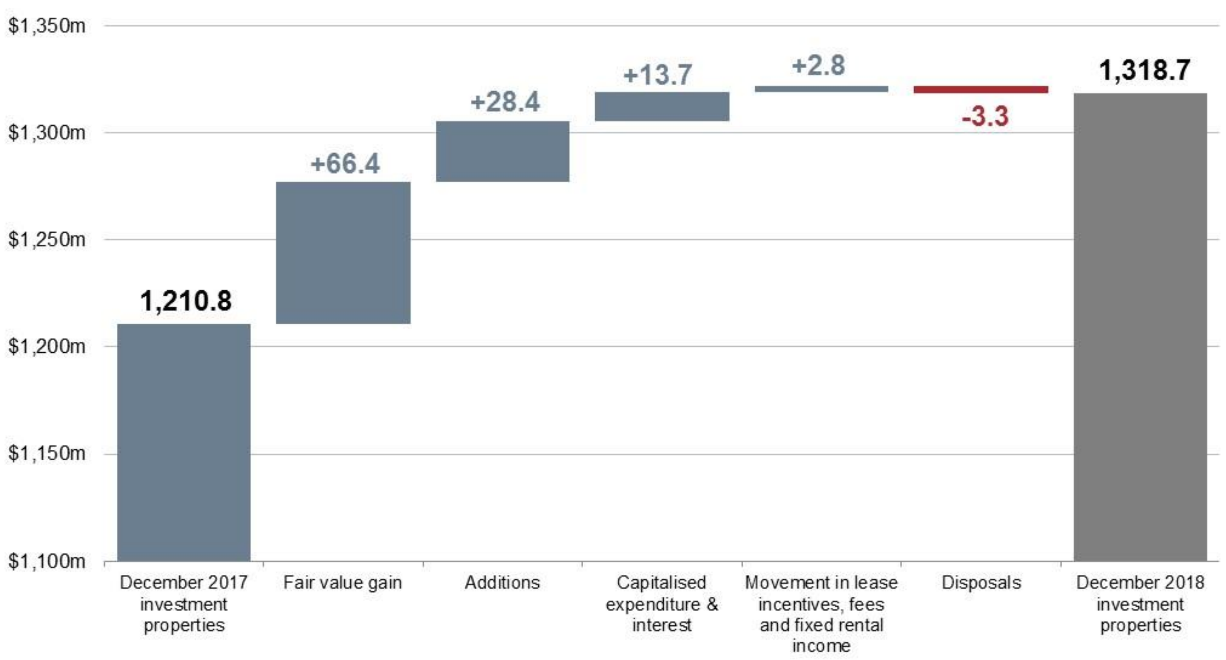
- Funds From Operations earnings: up 0.27 cps or 3.2% from the prior year
- Adjusted Funds From Operations earnings: in line with the prior year
- 2018 dividend: totals 7.55 cps, up 0.10 cps or 1.3% from the prior year
- Dividend policy: 80-90% of FFO and 95-100% of AFFO
- 2019 dividend guidance: 7.60 cps, up 0.05 cps or 0.7% from 2018
- 2019 earnings guidance: 2019 dividend of 7.60 cps forecast to equate to 95%-100% of AFFO

Earnings	2018 CPS	2017 CPS	Change
Funds From Operations	8.84	8.57	3.2%
Adjusted Funds From Operations	7.46	7.49	-0.4%
Distributable Profit[1]	8.38	8.08	3.7%

Dividend Pay-out	Policy	2018 Pay-out Ratio	2017 Pay-out Ratio
Funds From Operations	80 – 90%	85%	87%
Adjusted Funds From Operations	95 – 100%	101%	99%
Distributable Profit	95 – 100%	90%	96%

1. Distributable profit is non-GAAP financial information previously used by the PFI Board to assist in determining dividends to shareholders. Please refer to slide 37 for further details.

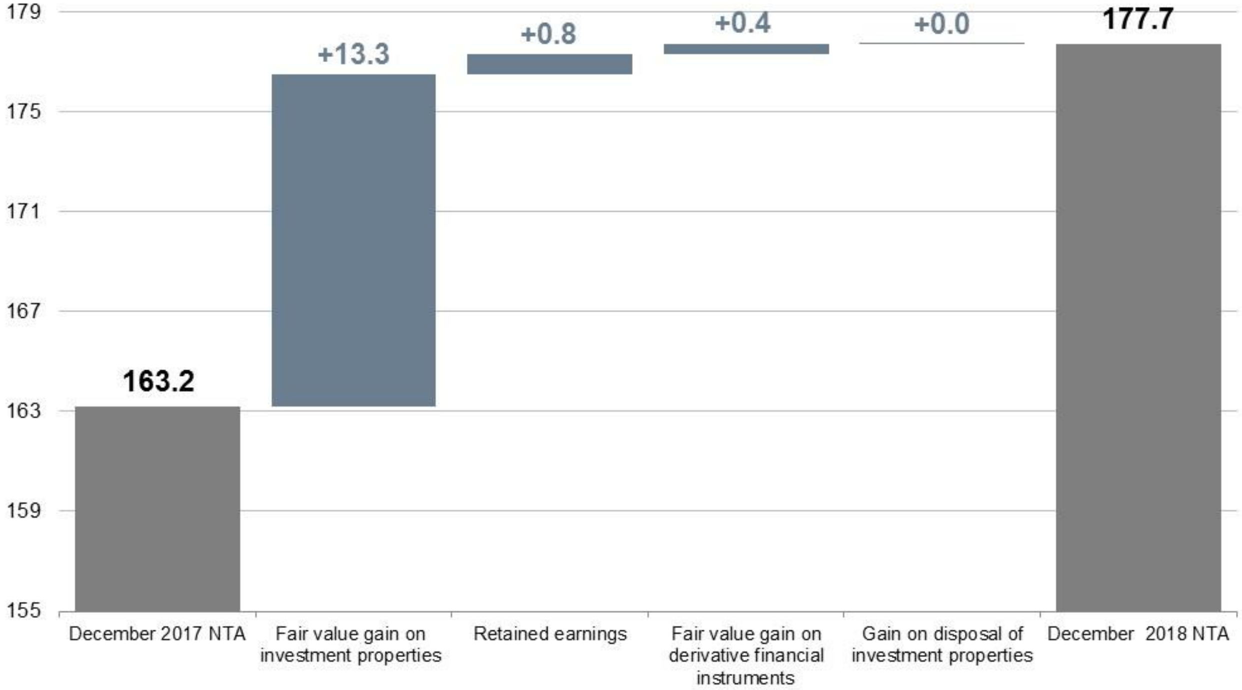
INVESTMENT PROPERTIES



- Portfolio value of ~$1.32 billion
- Annual increase from independent valuations $66.4 million or 5.3%
- Two industrial properties purchased in 2018, 306 Neilson Street in Penrose ($16.07 million) and 12 Hautu Drive in Manukau ($12.36 million)
- 50 Parkside Road in Wellington sold, settled January 2019

1. Investment properties as at 31 December 2018 exclude 50 Parkside Road, Wellington, as this property had been moved to “non-current assets classified as held for sale”.

NET TANGIBLE ASSETS (CENTS PER SHARE)



- Net tangible assets (NTA) per share increased by 14.5 cents per share or 8.9%
- Change in NTA per share driven by the increase in the fair value of investment properties (+13.3 cps), retained earnings (+0.8 cps) and the decrease in the net fair value liability for derivative financial instruments (+0.4 cps)

FIVE YEAR FINANCIAL SUMMARY

($m, unless noted)	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
Operating revenue	63.8	66.9	71.1	73.5	79.9
Total operating earnings	36.9	36.6	43.1	47.6	53.9
Total comprehensive income after tax	**59.9**	**72.8**	**123.4**	**82.6** [1]	**110.1**
Total assets	906.9	1,027.2	1,121.8	1,242.2	1,358.9
Total liabilities	341.9	369.2	365.7	399.2	443.8
Total equity	**565.0**	**658.0**	**756.1**	**842.9**	**915.1**
Banking covenants:					
Loan-to-value ratio (covenant: <50%)	35.8%	33.3%	30.1%	30.8%	30.3%
Interest cover ratio (covenant: >2.0x)	3.0x	2.9x	3.4x	3.7x	3.9x

- The last five years has seen **strong growth in rents and values** whilst keeping **gearing at low levels** and maintaining a **high ratio of interest cover**

1. Total comprehensive income excludes the impact of the 2017 internalisation, please see "Appendix 2 – Earnings and net tangible assets excluding the impact of the internalisation payment, net of tax" in the 12 February 2019 annual results announcement (see here: https://www.nzx.com/announcements/313996) for a reconciliation of this figure.

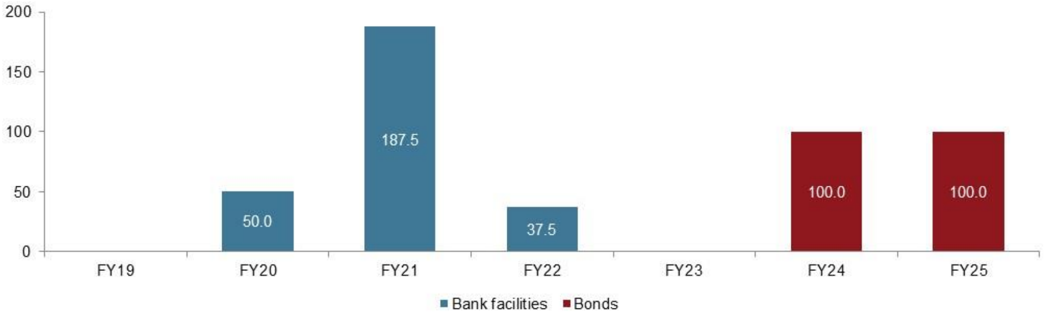
04. CAPITAL MANAGEMENT

FUNDING, COVENANTS, INTEREST RATES

- PFI carried out several capital management initiatives during the second half of 2018
- Second $100 million 7-year bond issue in October, rate of 4.25%, margin of 1.60% per annum
- $100 million of bank facilities cancelled in October, $37.5 million of bank facilities refinanced in December

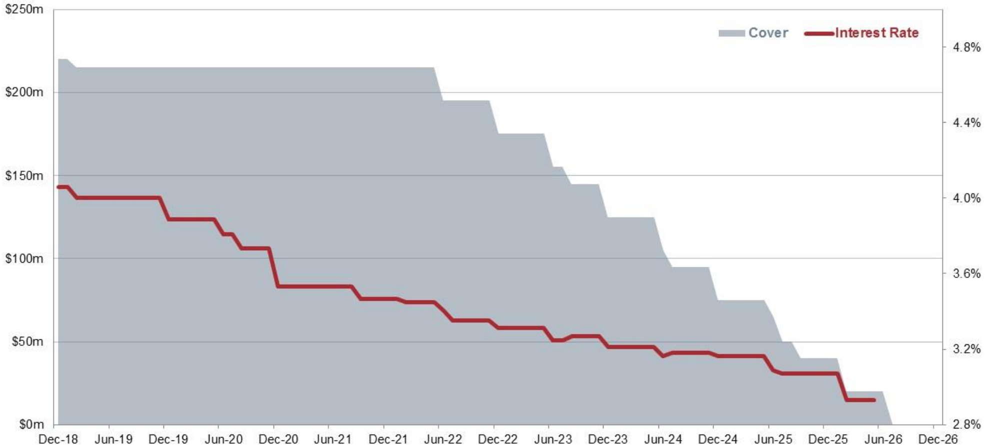
	December 2018	December 2017
Funding		
Syndicated bank facility drawn (excluding overdraft)	$201.1m	$272.7m
Syndicated bank facility limit	$275.0m	$375.0m
Syndicated bank facilities headroom	$74.0m	$102.3m
Fixed rate bonds	$200.0m	$100.0m
Funding term (average)	4.0 years	3.7 years
Syndicated bank facility banks	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
Covenants		
Loan-to-value ratio (covenant: <50%)	30.3%	30.8%
Interest cover ratio (covenant: >2.0x)	3.9 times	3.7 times
Interest rates		
Weighted average cost of debt (including margin and fees)	4.86%	4.96%
Fixed rate payer interest rate hedging (excl. forward starting hedging, $m / rate / duration)	$220m / 4.16% / 2.1 years	$220m / 4.37% / 2.6 years
Fixed rate payer interest rate hedging (forward starting hedging, $m / rate / duration)	$210m / 3.43% / 3.5 years	$155m / 3.55% / 3.7 years

MATURITY PROFILE, HEDGING



- Debt facility maturity profile (graph on LHS): average term to expiry of 4.0 years, $74 million of unutilised bank facility capacity

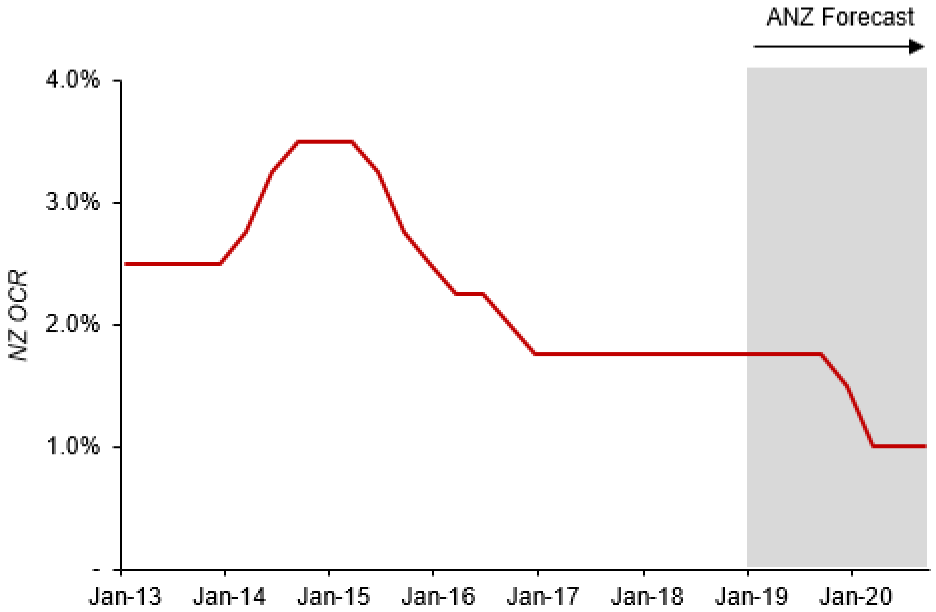
- Fixed rate payer hedging profile (graph on RHS): cover profile provides for an average of ~54% of debt to be hedged at an average fixed rate of ~4.01% for the duration of FY19



05. MARKET

MARKET UPDATE: ECONOMY

- ANZ predict annual GDP growth to average ~2.5% over the next couple of years, inflation pressures not expected to intensify in this environment
- ANZ Truckometer indexes (December) and Quarterly Survey of Business Opinion (January) are two examples of measures that suggest that momentum in the New Zealand economy is coming off the boil
- As a result, a continued low interest rate environment is forecast
- Those monetary conditions likely to be supportive of property values



Graph sources: Historical: RBNZ, Forecasts: ANZ

MARKET UPDATE: PROPERTY

- CBRE December 2018 Auckland Market Outlook:
  - *"Our return forecasts have been revised slightly upwards for some asset classes based on the more bullish short-term yield forecasts and / or stronger rent growth."*
  - Both prime and secondary industrial property have benefited from these trends
  - Prime industrial improved in CBRE rankings and now ranks second (June 2018: third) out of 12 property classes in their returns forecasts
  - Forecast five year returns of 8.7% per annum comprising income of 5.3% and capital of 3.4%, (June 2018: total of 7.8%, income 5.5%, capital 2.4%)
  - Secondary industrial continues as CBRE's pick of the market with the best return outlook: ranking of first out of 12 property classes in their returns forecasts retained
  - Forecast five year returns total 11.0% per annum comprising income 6.3% and capital 4.8% (June 2018: total of 10.7%, income 6.4%, capital 4.2%)

06. 2019 PRIORITIES

PURPOSE, VISION & STRATEGY

- Recognising the changing governance and reporting landscape both here in New Zealand and globally, during 2018 we spent some time considering our Purpose, Vision and Strategy
- Looking forward, we will continue working on integrating our Purpose, Vision and Strategy, together with our ESG vision, across all aspects of PFI, including reporting to our stakeholders
- Learn more about our Purpose, Vision and Strategy on page 68 of our annual report

Our Purpose	PFI generates income for investors as professional landlords to the industrial economy, generating prosperity for New Zealand.
Our Vision	PFI will be one of New Zealand's foremost listed property vehicles. Our measures will be performance, quality, scale and reputation.
Our Strategy	We will build on what we have and be true to who we are. But we will be more intentional; more proactive.

2019 PRIORITIES

- In order to deliver on our Vision, our 2019 priorities are:
  - **Disposals:** begin disposing PFI's non-industrial assets
  - **Acquisitions:** recycle capital from disposals into quality industrial properties in sought-after areas
  - **Value-add strategies:** recycle capital from disposals into value-add strategies within the existing portfolio
  - **Asset management:** Carlaw Park a key priority, as is leasing of vacant and expiring industrial spaces

VALUE-ADD STRATEGIES

- PFI's portfolio includes a number of properties with low site coverage and / or low land and building rates
- Value-add strategies for these properties include development of surplus land / refurbishment on lease expiry
- Surplus land opportunities include 47 and 59 Dalgety Drive, Manukau
- Refurbishment opportunities include 59 Dalgety Drive, Manukau, 6 Donnor Place and 2 Pacific Rise, Mount Wellington

2 Pacific Rise, Mount Wellington

47 Dalgety Drive, Manukau

07. REVIEW & QUESTIONS

REVIEW & QUESTIONS

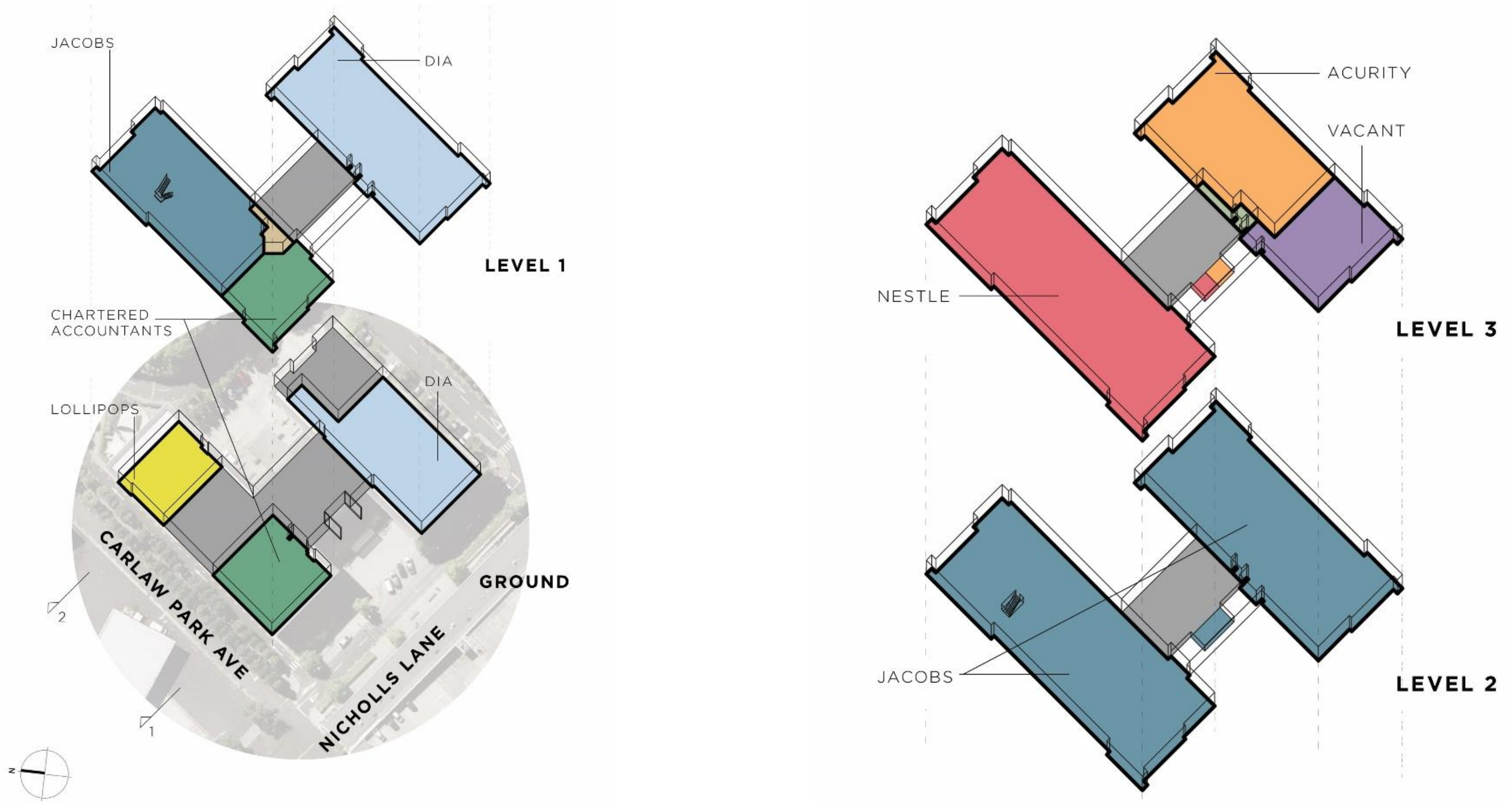
- With an excellent portfolio, a strong balance sheet, and favourable market conditions, we are well positioned to deliver on our Purpose: creating strong, stable income for investors and generating prosperity for New Zealand
- 2018 highlights:
  - Increased earnings and dividends
  - Valuation gains
  - Strong balance sheet
  - Significant portfolio activity
  - Auckland industrial acquisitions
  - Management changes
- Questions?

08. APPENDICES

APPENDIX 1: FFO AND AFFO

(Unaudited, $000, unless noted)	YE December 2018	YE December 2017
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	**110,094**	**51,684**
Adjusted for:		
Fair value gain on investment properties	(66,370)	(43,595)
Material damage insurance income	-	(504)
Gain on disposal of investment properties	(53)	(1,949)
Fair value (gain) / loss on derivative financial instruments	(2,009)	1,230
Amortisation of tenant incentives	2,330	2,287
Straight lining of fixed rental increases	(1,203)	(490)
Deferred taxation	3,314	(2,142)
Termination of management agreement	-	42,869
Adjustment to current taxation for the deductibility of the termination of the management agreement	(1,994)	(10,010)
Funds From Operations (FFO)	**44,109**	**39,380**
FFO per share (cents)	**8.84**	**8.57**
FFO dividend pay-out ratio (%)	**85%**	**87%**
Maintenance capex	(4,476)	(2,641)
Incentives and leasing fees given for the period	(2,426)	(2,316)
Other	(10)	(12)
Adjusted Funds From Operations (AFFO)	**37,197**	**34,411**
AFFO per share (cents)	**7.46**	**7.49**
AFFO dividend pay-out ratio (%)	**101%**	**99%**

APPENDIX 2: CARLAW PARK OFFICE



APPENDIX 3: DISTRIBUTABLE PROFIT

(Unaudited, $000, unless noted)	YE December 2018	YE December 2017
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	**110,094**	**51,684**
Adjusted for:		
Fair value gain on investment properties	(66,370)	(43,595)
Material damage insurance income	-	(504)
Gain on disposal of investment properties	(53)	(1,949)
Tax on depreciation claw-back on disposals of investment properties	-	34
Fair value (gain) / loss on derivative financial instruments	(2,009)	1,230
Deferred taxation	3,314	(2,142)
Movement in fixed rent reviews	(1,203)	(490)
Termination of management agreement	-	42,869
Adjustment to current taxation for the deductibility of the termination of the management agreement	(1,994)	(10,010)
Other	(10)	(12)
Distributable profit	**41,769**	**37,115**
Distributable profit per share (cents)	**8.38**	**8.08**
Dividends paid relating to period reported	**37,654**	**35,536**
Pay-out ratio (%)	**90%**	**96%**

DISCLAIMER

The information included in this presentation is provided as at 18 February 2019 and should be read in conjunction with the NZX results announcement, NZX appendix 1, NZX appendix 7 and annual report (including financial statements) issued on that same day.

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