



Annual
Results
Briefing
2019

WELCOME TO THE 2019 ANNUAL RESULTS BRIEFING.



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HIGHLIGHTS





25 LANGLEY ROAD

PRIORITIES ADVANCED:

four Auckland industrial opportunities secured totalling \$106.4 million, \$40 million of non-industrial divestments contracted during the year, committed to or completed ~\$26 million of value-add strategies



RECORD ANNUAL RESULTS:

profit after tax of \$176.3 million, Funds From Operations (FFO)¹ earnings up 2.6% to 9.07 cents per share, Adjusted Funds From Operations (AFFO) earnings up 4.4% to 7.79 cents per share



DIVIDENDS AFFO COVERED:

cash dividends of 7.60 cents per share, AFFO dividend payout ratio of 98%



STRONG BALANCE SHEET:

net tangible assets up 15.6% or 27.8 cents per share, bank facilities and bonds secured for an average of 4.1 years, gearing of 28.2%



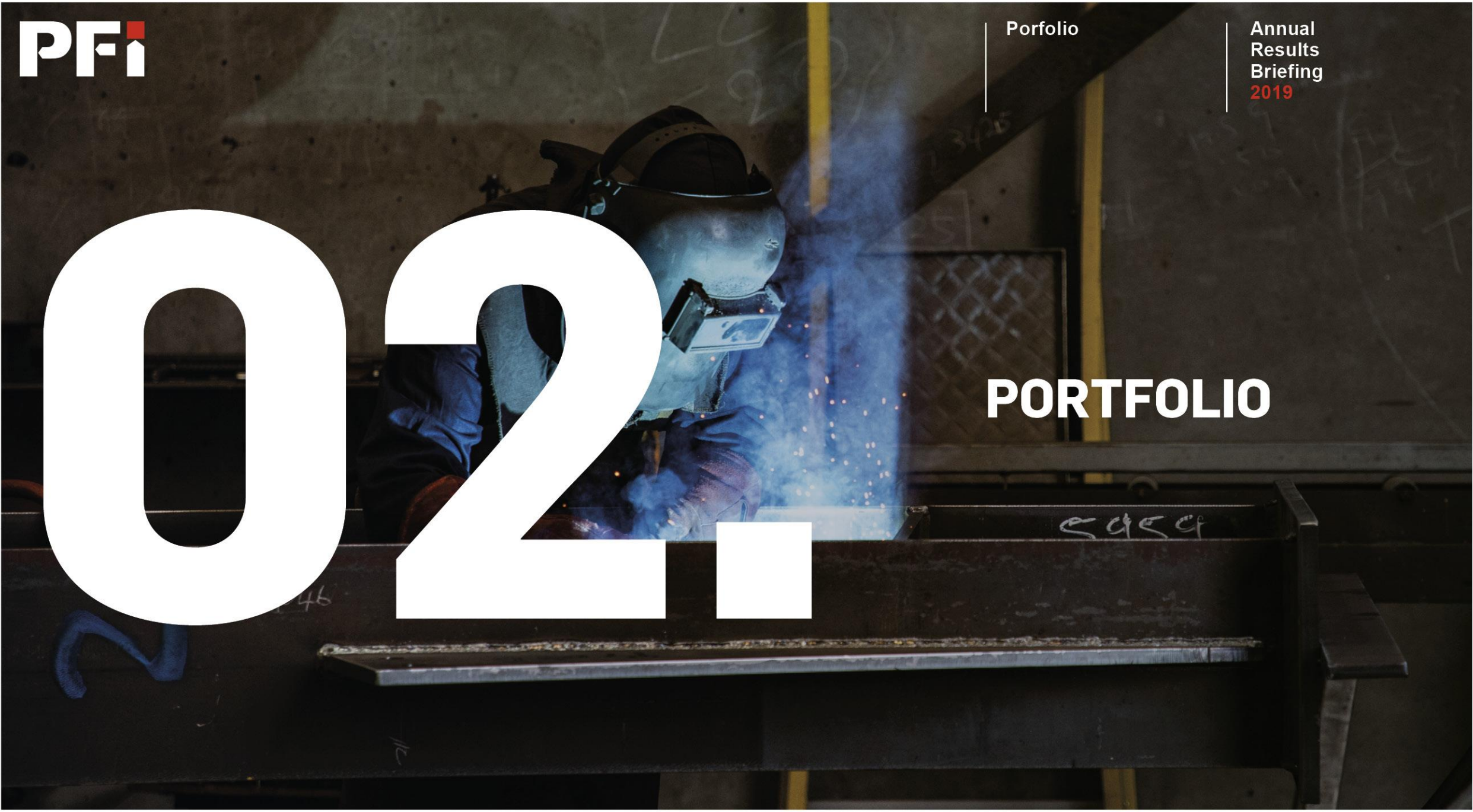
POSITIVE PORTFOLIO ACTIVITY:

nearly 100,000 square metres or 17% of the portfolio leased during the year to 24 tenants for an average increase in term of 6.7 years, rent reviews completed on 103 leases delivered an average annual uplift of ~4.6%

¹ Funds From Operations and Adjusted Funds From Operations are non-GAAP financial information and are common property investor metrics, which have been calculated in accordance with the guidelines issued by the Property Council of Australia. Please refer to slide 33 for further details.

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PORTFOLIO

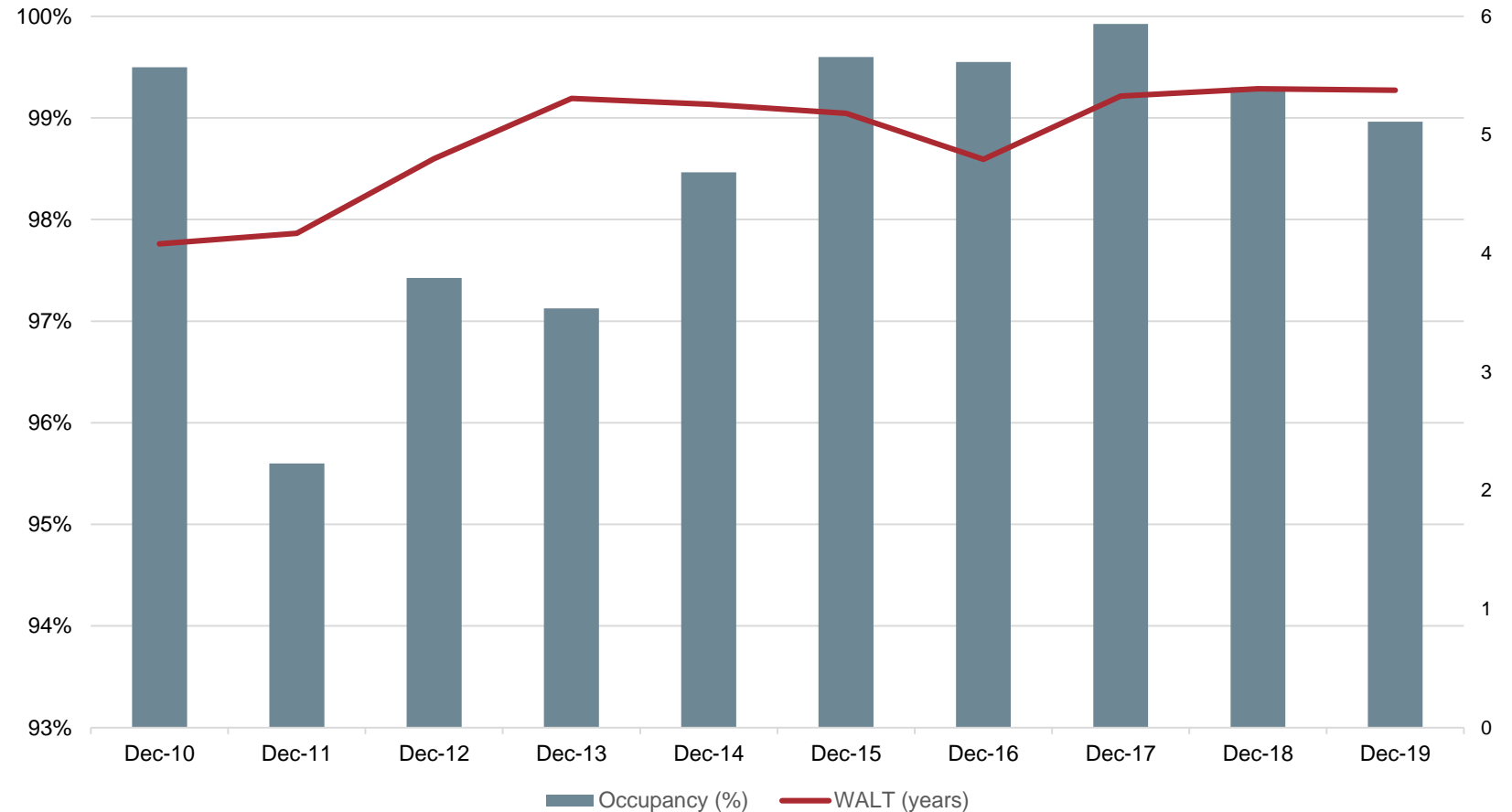


- PFI's portfolio is diversified across 94 properties and 144 tenants, with 99.0% occupancy and a weighted average lease term of 5.38 years, weighted towards Auckland industrial property



	DECEMBER 2019	DECEMBER 2018
BOOK VALUE	\$1,476.2m	\$1,322.0m
NUMBER OF PROPERTIES	94	94
NUMBER OF TENANTS	144	148
CONTRACT RENT	\$84.9m	\$82.0m
OCCUPANCY	99.0%	99.3%
WEIGHTED AVERAGE LEASE TERM	5.38 years	5.39 years
AUCKLAND PROPERTY	84.1%	83.1%
INDUSTRIAL PROPERTY	90.0%	87.3%

- Since 2010 PFI has achieved a year end average occupancy of 98.5% and a weighted average lease term of 4.97 years



- Annual increase from independent valuations of \$125.2 million or 9.3% to \$1,476.2 million
- Around one-third of valuation outcome was due to rental growth
- Passing yield firmed from 6.21% to 5.75%
- Independent market rental assessment estimates portfolio is ~3.5% under rented
- Internal estimates of PFI's Auckland industrial portfolio estimates ~6% under-renting
- CBRE estimate ¹ Auckland prime industrial yields are 4.96% and secondary industrial yields are 5.83%



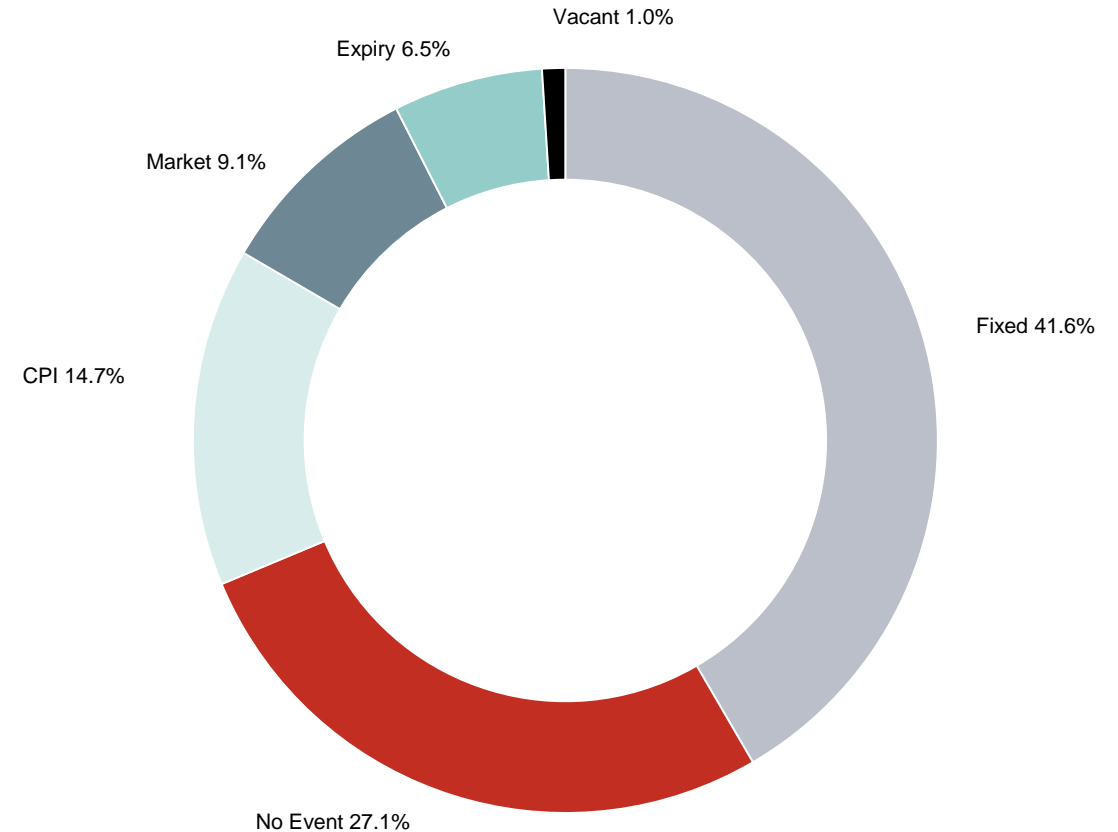
¹ CBRE "Auckland Rent and Yield Trends", January 2020.

- 24 leases agreed over ~99,000 sqm of space for an average term of 6.7 years
- Eight new leases and 16 renewals secured
- Lease renewals accounted for more than 76% of the contract rent secured
- Average leasing costs less than half a month per year of term



ADDRESS	TENANT	TERM	AREA	% RENT ROLL
7-9 NIALL BURGESS RD	DHL	7.0 years	23,525 sqm	2.8%
CARLAW PARK	Jacobs	5.4 years	4,334 sqm	2.1%
6 DONNOR PL	Coca-Cola Amatil	6.0 years	3,858 sqm	1.7%
92-98 HARRIS RD	GrainCorp	13.0 years	7,194 sqm	1.6%
2 PACIFIC RISE	Hewlett-Packard	0.5 years	2,757 sqm	1.1%
320 ROSEBANK RD	Doyle Sails	12.0 years	6,625 sqm	1.0%
9 NESDALE RD	CHEP	5.0 years	14,163 sqm	0.9%
VARIOUS	17 Other Transactions	6.0 years	36,646 sqm	6.0%
24 LEASING TRANSACTIONS		6.7 years	99,102 sqm	17.3%

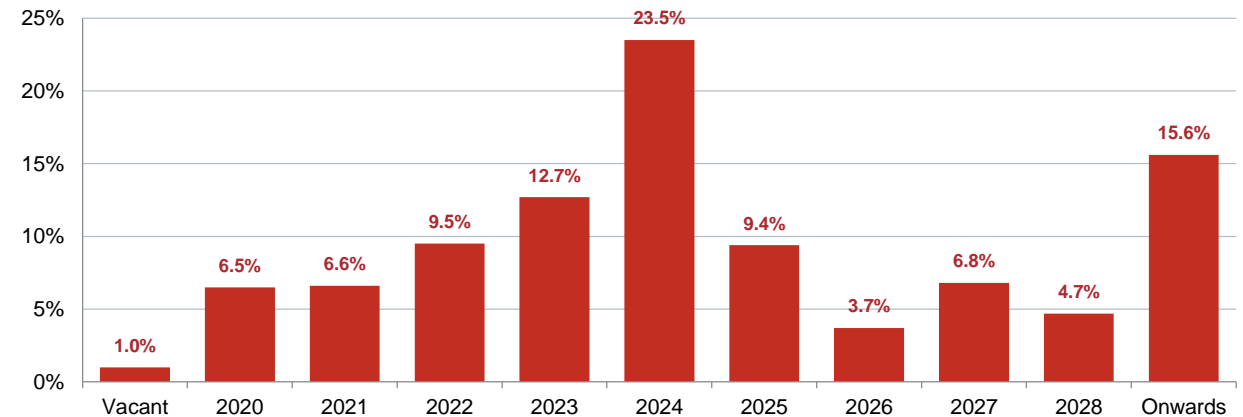
- 103 rent reviews delivered an average annual uplift of ~4.6% on ~\$52.7 million of contract rent
- 11 market rent reviews delivered an annualised increase of 4.7% over an average review period of 3.6 years on \$5.3 million of contract rent, reviews settled at average of 7.5% above December 2018 market rental assessment
- At the end of the year, the portfolio was 99.0% occupied and just 6.5% of contract rent is due to expire in 2020. When combined with rent reviews, almost 73% of PFI's portfolio is subject to some form of lease event during 2020
- CBRE predict¹ industrial rental growth over the next five years to average 2.5% per annum for prime properties and 3.0% per annum for secondary properties
- PFI will continue to access projected market rental growth as approximately 23% of the Company's 2020 lease events are market related



¹ CBRE "Auckland Market Outlook", December 2019.

- Portfolio is 99.0% occupied (1.0% vacancy) and 6.5% of contract rent is due to expire in 2020
- 2 Pacific Rise has been sold (with settlement due to take place in March 2020) and is therefore excluded from any 2020 expiries analysis
- 59 Dalgety Drive to be redeveloped post Goodman Fielder expiry (refer slide 29)

H2 2019 EXPIRIES	TENANT	% RENT ROLL
59 DALGETY DRIVE	Goodman Fielder	1.7%
CARLAW PARK OFFICE	Jacobs	0.5%
23 ZELANIAN DRIVE	Exclusive Tyre Distributors	0.5%
2-6 NIALL BURGESS ROAD	Repcos	0.5%
OTHER	Various	3.3%
TOTAL (EXCLUDING 2 PACIFIC RISE)		6.5%

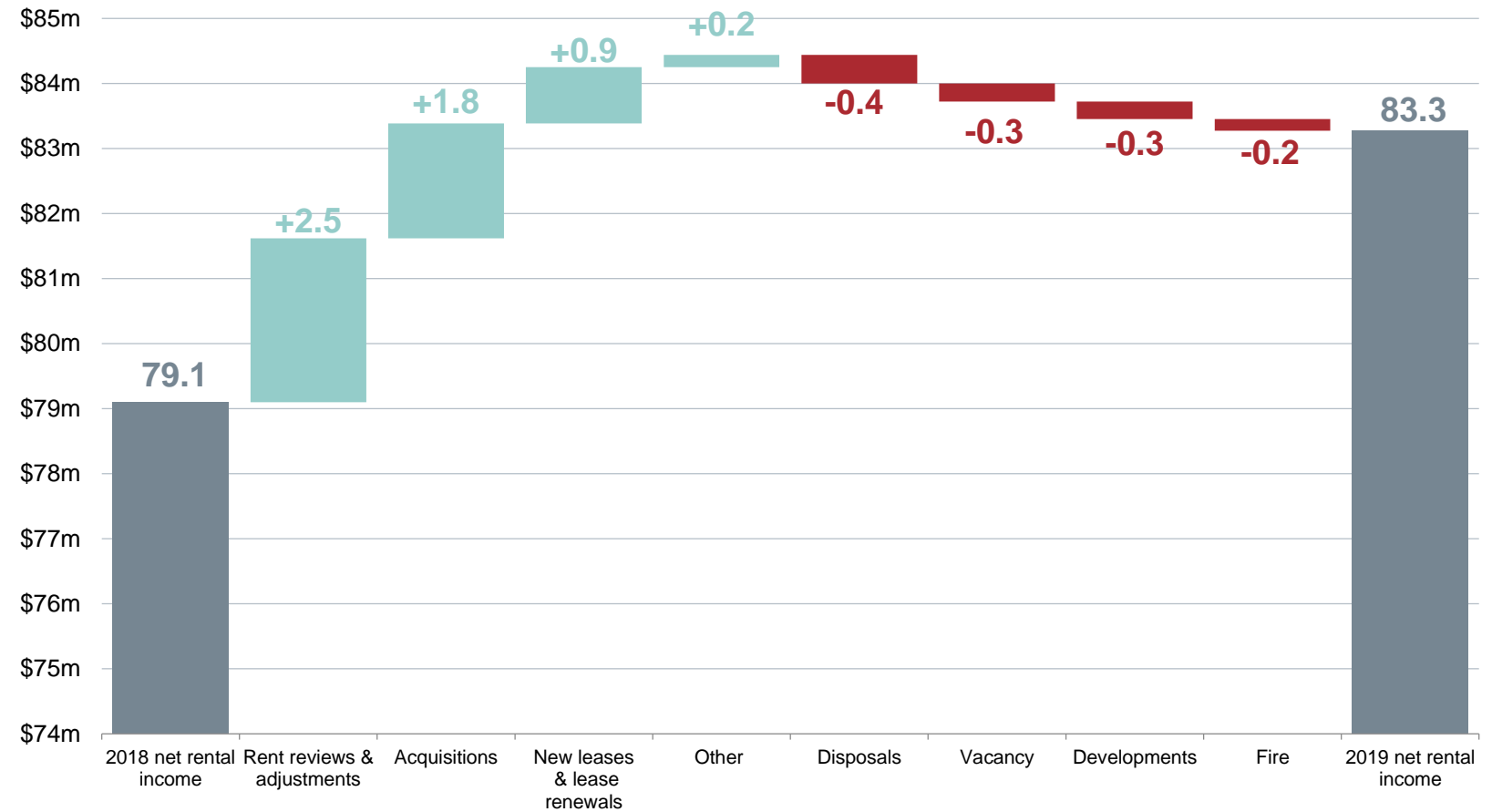


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2019 ANNUAL RESULTS

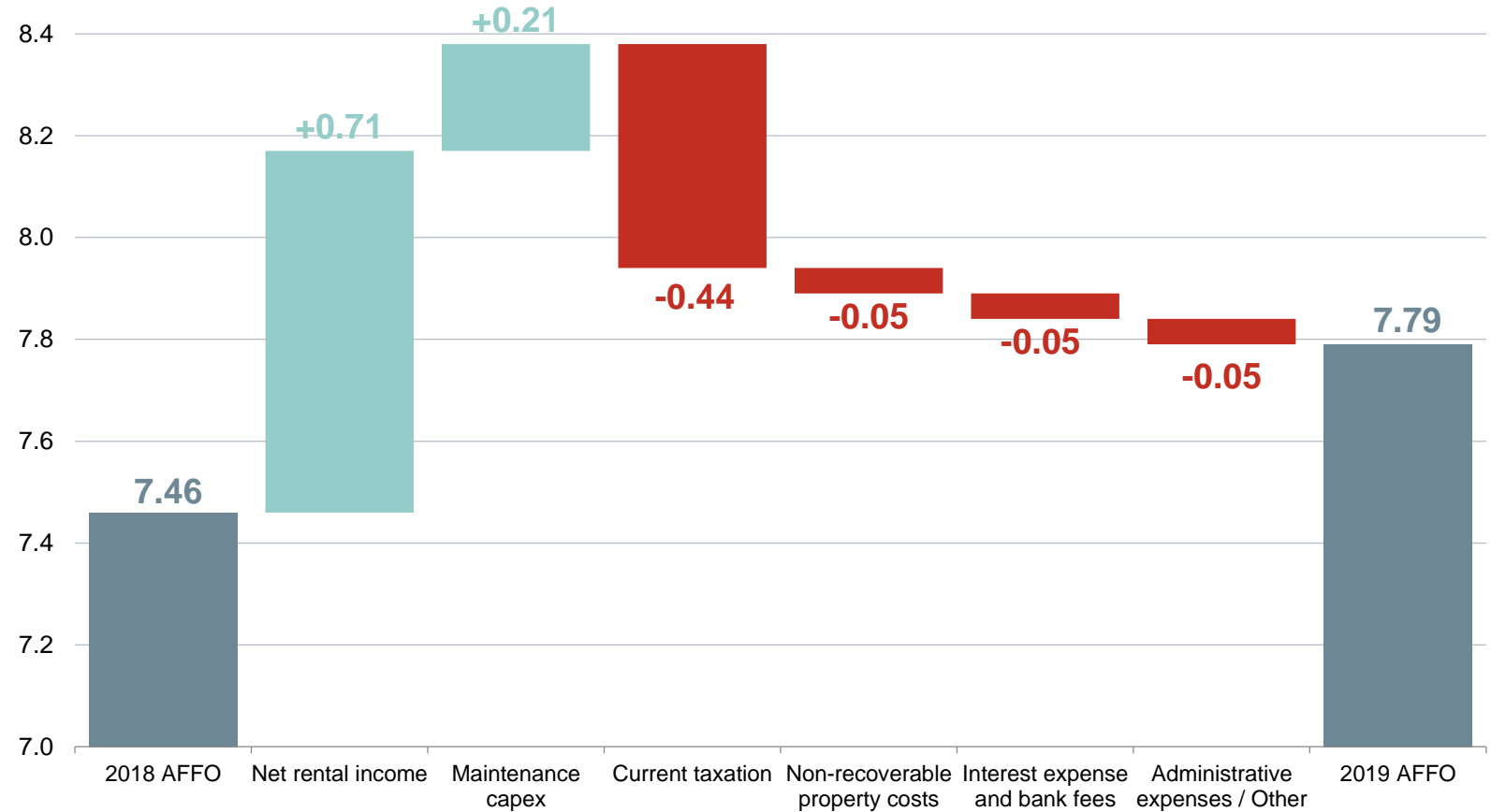


- Net rental income of \$83.3 million up \$4.2 million or 5.3%
- Increases due to positive leasing activity totalling \$3.3 million and acquisitions (\$1.8 million)
- Partially offset by lost rental income from disposals (\$0.4 million) and lost rental income from the fire at 314 Neilson Street, Penrose in April 2019 (\$0.2 million)¹



¹ PFI has 24 months of business interruption insurance in place for this property.

- Profit after tax up \$66.2 million to \$176.3 million
- FFO earnings of 9.07 cents per share, 0.23 cents per share or 2.6% ahead of the prior year
- AFFO earnings of 7.79 cents per share, 0.33 cents per share or 4.4% ahead of the prior year
- FY19 maintenance capex of \$3.4 million or 25 basis points, down from FY18 maintenance capex of \$4.5 million or 35 basis points



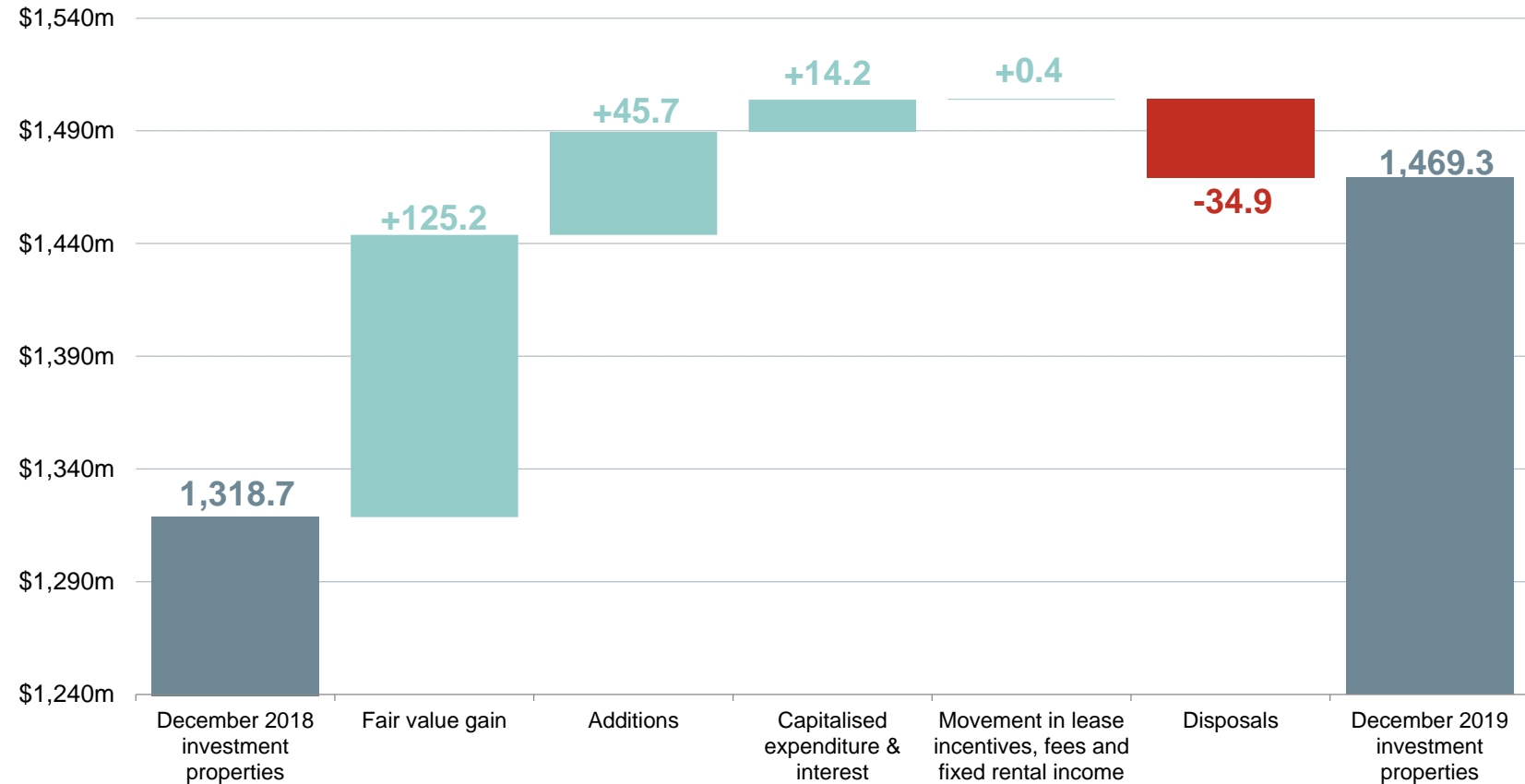
- 2019 cash dividends of 7.60 cents per share (cps), up 0.05 cps from 2018
- 2020 dividend guidance of 7.65 – 7.70 cps, up 0.05 – 0.10 cps
- 2020 earnings guidance: 2020 dividend of 7.65 – 7.70 cps forecast to equate to 80%-90% of FFO, 95%-100% of AFFO
- Given volatility in maintenance capex and other AFFO adjustments, PFI will be mindful of the AFFO dividend pay-out ratio over a longer time horizon than any one year when setting dividends
- For example, average AFFO dividend pay-out ratio is 101.0% since PFI began disclosing AFFO

EARNINGS	2019 CPS	2018 CPS	CHANGE
FUNDS FROM OPERATIONS	9.07	8.84	+0.23 CPS or +2.6%
ADJUSTED FUNDS FROM OPERATIONS	7.79	7.46	+0.33 CPS or +4.4%

DIVIDEND PAY-OUT	POLICY	2019 PAY-OUT RATIO	2018 PAY-OUT RATIO
FUNDS FROM OPERATIONS	80 – 90%	84%	85%
ADJUSTED FUNDS FROM OPERATIONS	95 – 100%	98%	101%



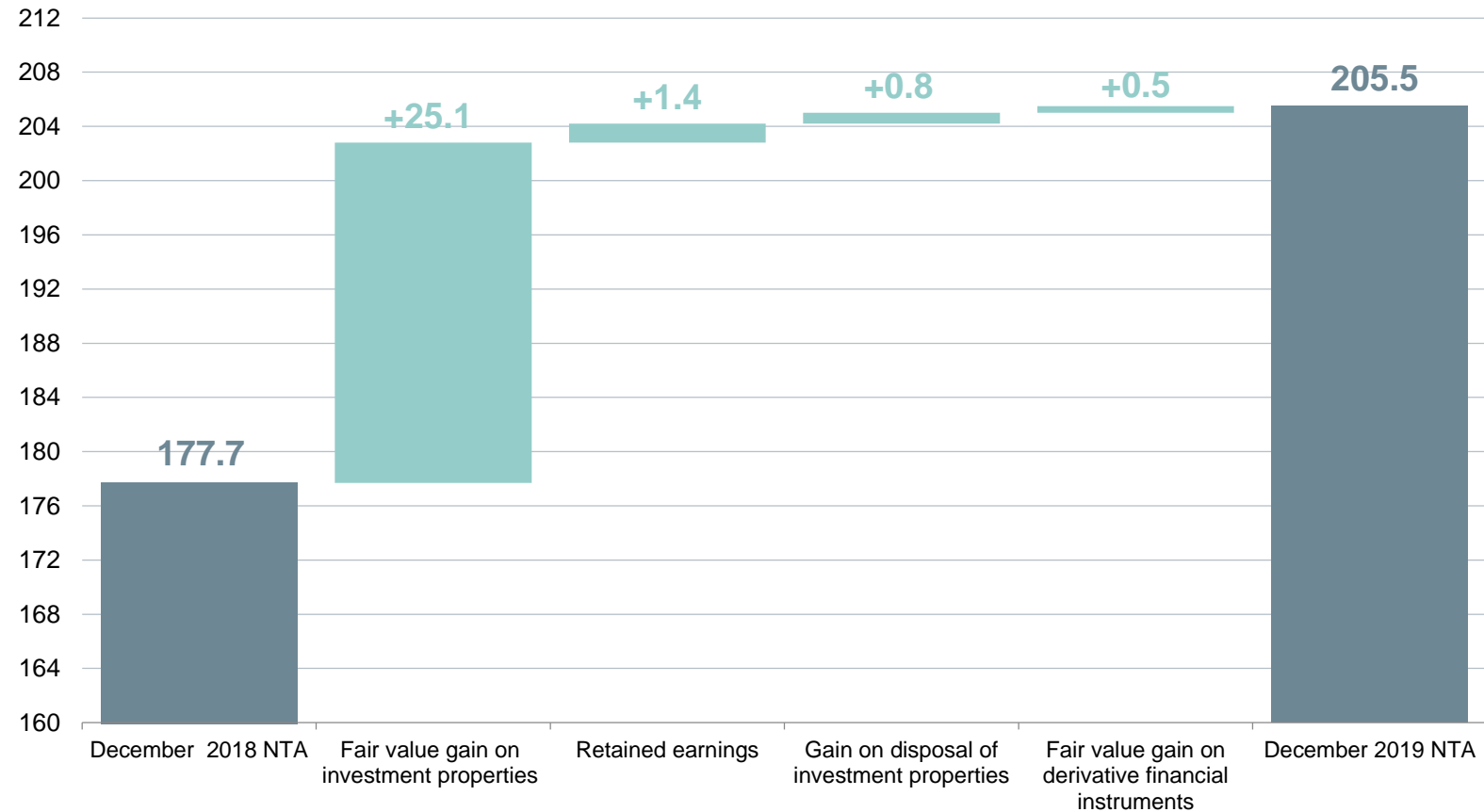
- Portfolio value of ~\$1.47 billion
- Increase from annual independent valuations of \$125.2 million or 9.3%
- 25 Langley Road, Wiri, purchased in December 2019 for \$36.0 million²
- 51-61 Spartan Road, Takanini, purchased in March 2019 for \$17.2 million
- Significant capex at 6 Donnor Place (refurbishment) and 212 Cavendish Drive (development)
- 229 Dairy Flat Highway, Albany, sold in October for \$33.0 million



¹ Investment properties as at 31 December 2019 exclude 2 Pacific Rise, Mt Wellington, as this property had been moved to “non-current assets classified as held for sale”.

² Initial settlement of \$28.5 million completed in December 2019, with a second settlement expected to take place in May 2020 on completion of an additional 3,240 sqm of warehouse and 120 sqm of office, which is currently under construction.

- Net tangible assets (NTA) per share increased by 27.8 cents per share or 15.6%
- Change in NTA per share driven by the increase in the fair value of investment properties (+25.1 cps), retained earnings (+1.4 cps), gains on disposal of non-industrial investment properties (+0.8 cps) and the decrease in the net fair value liability for derivative financial instruments (+0.5 cps)



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

YEAR ENDING 31 DECEMBER (\$M, UNLESS NOTED)	2015	2016	2017	2018	2019
TOTAL COMPREHENSIVE INCOME AFTER TAX	72.8	123.4	51.7	110.1	176.3
DISTRIBUTION ADJUSTMENTS	(41.5)	(92.1)	(17.3)	(72.9)	(137.5)
ADJUSTED FUNDS FROM OPERATIONS	31.3¹	31.3	34.4	37.2	38.8
TOTAL ASSETS	1,027.2	1,121.8	1,242.1	1,358.9	1,522.7
TOTAL LIABILITIES	369.2	365.7	399.2	443.8	468.7
TOTAL EQUITY	658.0	756.1	842.9	915.1	1,054.0
NET TANGIBLE ASSETS (CENTS PER SHARE)	140.5	160.7	163.2	177.7	205.5
LOAN-TO-VALUE RATIO (COVENANT: <50%)	33.3%	30.1%	30.8%	30.3%	28.2%
INTEREST COVER RATIO (COVENANT: >2.0X)	2.9x	3.4x	3.7x	3.9x	4.0x

¹ AFFO not disclosed for this period, therefore Distributable Profit is disclosed.

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CAPITAL MANAGEMENT

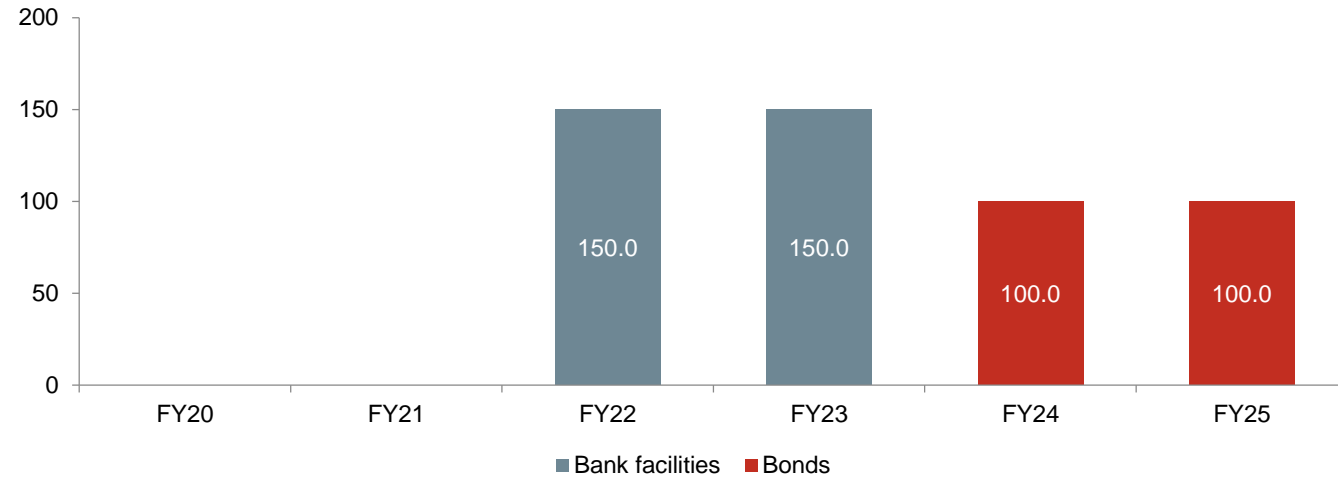


- Bank facilities refinanced in November 2019
- Gearing currently 28.2%, could move up to ~33%, allowing for divestment of remaining non-industrial properties, could return to ~27%

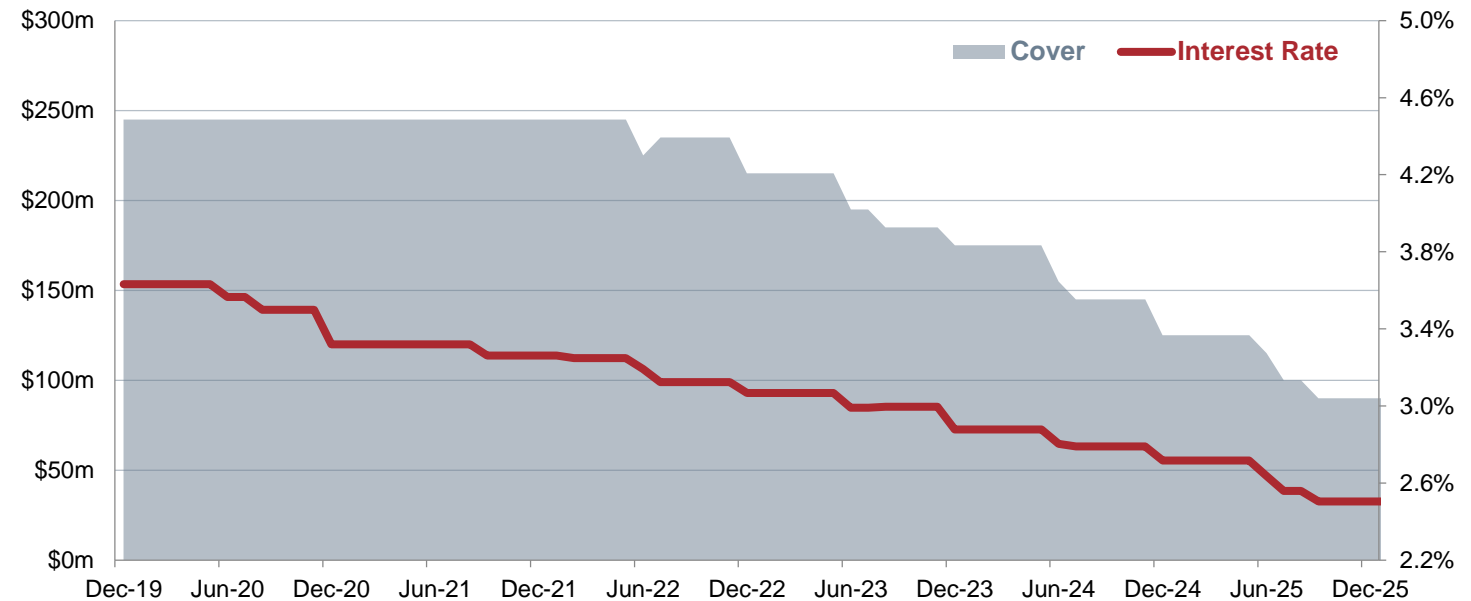


	DECEMBER 2019	DECEMBER 2018
FUNDING		
SYNDICATED BANK FACILITY DRAWN	\$215.6m	\$201.1m
SYNDICATED BANK FACILITY LIMIT	\$300.0m	\$275.0m
SYNDICATED BANK FACILITIES HEADROOM	\$84.4m	\$74.0m
FIXED RATE BONDS	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	4.1 years	4.0 years
SYNDICATED BANK FACILITY BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
COVENANTS		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	28.2%	30.3%
INTEREST COVER RATIO (COVENANT: >2.0X)	4.0 times	3.9 times
INTEREST RATES		
WEIGHTED AVERAGE COST OF DEBT	4.63%	4.86%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	\$245m / 3.75% / 2.4 years	\$220m / 4.16% / 2.1 years
FORWARD STARTING INTEREST RATE	\$190m / 3.32% / 3.5 years	\$210m / 3.43% / 3.5 years

- Debt facility maturity profile: average term to expiry of 4.1 years, \$84.4 million of unutilised bank facility capacity



- Fixed rate payer hedging profile: swap cover profile provides for an average of ~59% of debt to be hedged at an average fixed rate of ~3.58% during 2020



Q5

MARKET





- ✓ **Monetary policy**
- ✓ **Housing market**
- ✓ **Fiscal spending**
- ✓ **Labour market**



- ✗ **Credit availability**
- ✗ **Constrained business investment**
- ✗ **Drought / floods**
- ✗ **Novel coronavirus**



- ANZ interest rate forecasts:
 - Q4 2020 OCR: 1.00%
 - Q4 2020 10-year Bond Rates: 1.30%
 - Q4 2021 OCR: 1.00%
 - Q4 2021 10-year Bond Rates: 1.20%

- CBRE December 2019 Auckland Market Outlook:
 - “Low interest rates combined with property’s return profile relative to other assets... underpin further yield firming for the next two years.”
 - Estimated total industrial vacancy of 1.4%
 - Estimated rental growth in the last 12 months of 3.3% in prime industrial and 4.1% in secondary industrial
- “Omnichannel retailing” also expected to be a key driver for industrial property

<i>CBRE AUCKLAND MARKET OUTLOOK</i>	DECEMBER 2019	JUNE 2019
PRIME INDUSTRIAL RANKING	4 ▼	2
PRIME INDUSTRIAL INCOME RETURN	4.9% ▼	5.1%
PRIME INDUSTRIAL CAPITAL RETURN	4.1% ▲	3.8%
PRIME INDUSTRIAL TOTAL RETURN	9.0% ▲	8.9%
SECONDARY INDUSTRIAL RANKING	1 ◀▶	1
SECONDARY INDUSTRIAL INCOME RETURN	5.8% ▼	6.0%
SECONDARY INDUSTRIAL CAPITAL RETURN	4.8% ▼	5.2%
SECONDARY INDUSTRIAL TOTAL RETURN	10.6% ▼	11.2%

06

OUR PRIORITIES





CARLAW PARK

ASSET MANAGEMENT:

2019: Carlaw Park a key priority, as is leasing of vacant and expiring industrial spaces (refer “Section 2: Portfolio” for progress)



DISPOSALS:

2019: begin disposing PFI’s non-industrial assets



ACQUISITIONS:

2019: recycle capital from disposals into quality industrial properties in sought-after areas



VALUE-ADD STRATEGIES:

2019: recycle capital from disposals into value-add strategies within the existing portfolio

- **2019 priority:** begin disposing PFI's non-industrial assets
- **Progress:** \$40 million of divestments contracted during the year
- Includes the disposal of the mixed-use property at 229 Dairy Flat Highway in Albany, Auckland, for \$33 million and a ~\$5 million gain on sale
- Non-industrial properties now account for just 10% of PFI's portfolio
- **2020 focus:** disposal of remaining non-industrial properties, including Carlaw Park and Shed 22



229 DAIRY FLAT HIGHWAY

- **2019 priority:** replace PFI’s non-industrial properties with quality industrial properties in sought-after areas
- **Progress:** \$106.4 million committed to four prime Auckland industrial opportunities
- Estimated return to PFI of ~5.57%
- **2020 focus:** acquisitions to match the disposal of remaining non-industrial properties
- Target acquisition parameters include:
 - Increase Auckland weighting (currently 84.1%)
 - Improving the property and tenancy fundamentals of PFI’s portfolio
 - Decreasing the average age of PFI’s portfolio

	(1) 51-61 SPARTAN ROAD, TAKANINI	(2) DEVELOPMENT 1 AT TIDAL ROAD, MANGERE
PURCHASE PRICE	\$17.2m	\$34.2m
TENANT	MaxiTRANS	Supply Chain Solutions
PROPERTY DESCRIPTION	Generic industrial, development potential	Generic industrial development
PURCHASE YIELD	5.35%	5.35%
LEASE TERM	12 years	12 years
RENT REVIEWS	Fixed rent reviews, 2.75% annually	Fixed rent reviews, 2.50% annually
	(3) 25 LANGLEY ROAD, WIRI	(4) DEVELOPMENT 2 AT TIDAL ROAD, MANGERE
PURCHASE PRICE	\$36.0m	\$19.0m
TENANT	Grayson Engineering	N/A – empty
PROPERTY DESCRIPTION	Heavy industrial	Generic industrial development
PURCHASE YIELD	5.65%	6.00%
LEASE TERM	12 years	N/A
RENT REVIEWS	Fixed rent reviews, 2.50% annually	N/A

- **2019 priority:** recycle capital from disposals into value-add strategies within the existing portfolio
- **Progress:** \$14.6 million spent during 2019, committed additional ~\$21 million to four new significant projects
- **2020 focus:** complete build out of these projects, advance other opportunities within the portfolio

ADDRESS	PROJECT	2020 COMMITMENT
6 DONNOR PLACE	Finalise refurbishment	\$1.4m
59 DALGETY DRIVE	Refurbishment	\$6.6m
47 DALGETY DRIVE	Design and build	\$8.1m
314 NEILSON STREET	Design and build	\$4.7m
TOTAL		\$20.8m





Review &
Questions

Annual
Results
Briefing
2019

07

**REVIEW &
QUESTIONS**



Simon Woodhams concludes: “In 2020 we will continue on our pathway to becoming a **pure-play industrial listed property vehicle**. In order to achieve that goal, we will remain focused on our core asset management and value-add strategies within our portfolio. We also plan to supplement that activity with the replacement of PFI’s remaining non-industrial assets – including Carlaw Park in Parnell, Auckland – via acquisition of quality industrial properties in sought-after areas.”

Highlights

- **Record annual results**
- **Dividends AFFO covered**
- **Strong balance sheet**
- **Positive portfolio activity**
- **Priorities advanced**

Questions?

08

APPENDICES



(Unaudited, \$000, unless noted)	YE December 2019	YE December 2018
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	176,286	110,094
<i>Adjusted for:</i>		
Fair value gain on investment properties	(125,193)	(66,370)
Insurance proceeds	(1,125)	
Loss / (gain) on disposal of investment properties	(4,126)	(53)
Fair value (gain) / loss on derivative financial instruments	(2,577)	(2,009)
Amortisation of tenant incentives	2,656	2,330
Straight lining of fixed rental increases	(1,690)	(1,203)
Deferred taxation	986	3,316
Adjustment to current taxation for the deductibility of the termination of the management agreement	-	(1,994)
Other	12	-
Funds From Operations (FFO)	45,229	44,111
FFO per share (cents)	9.07	8.84
FFO dividend pay-out ratio (%)	84%	85%
Maintenance capex	(3,446)	(4,476)
Incentives and leasing fees given for the period	(2,955)	(2,426)
Other	-	(10)
Adjusted Funds From Operations (AFFO)	38,828	37,199
AFFO per share (cents)	7.79	7.46
AFFO dividend pay-out ratio (%)	98%	101%

The information included in this presentation is provided as at 17 February 2020 and should be read in conjunction with the NZX results announcement, NZX Form – Results Announcement, NZX Form – Distribution Notice, and Annual Report (including audited financial statements) issued on that same day.

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