



Annual
Results
Briefing
2020

**WELCOME
TO THE 2020 ANNUAL RESULTS BRIEFING.**



Contents

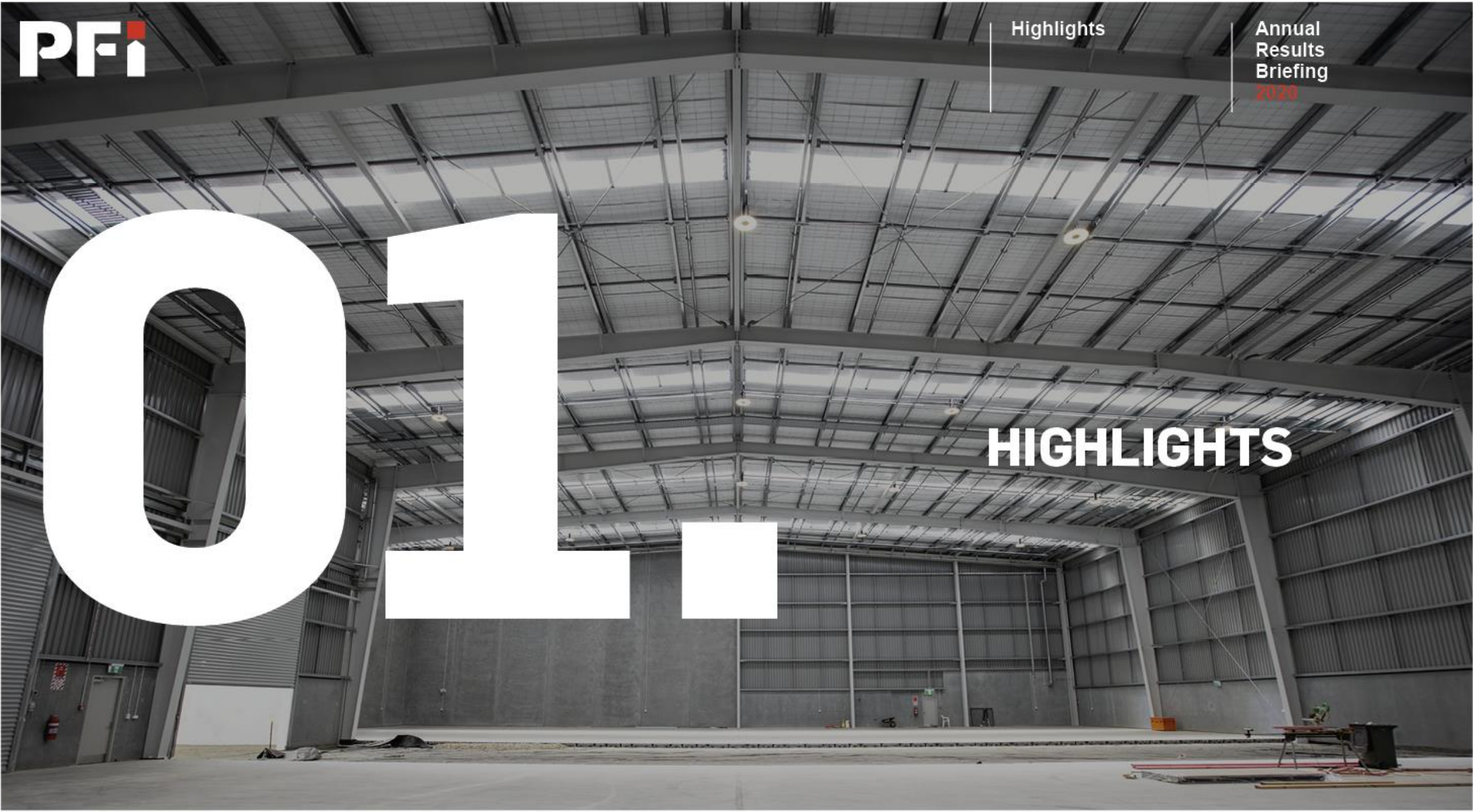
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HIGHLIGHTS





ROBUST ANNUAL RESULT:

Annual profit after tax of \$113.5 million, Funds From Operations (FFO)¹ earnings up 6.6% from the prior year to 9.67 cents per share, Adjusted Funds From Operations (AFFO) earnings up 3.1% from the prior year to 8.03 cents per share, 2020 cash dividends of 7.70 cents per share



STRONG BALANCE SHEET:

Net tangible assets up 7.5% to 220.9 cents per share, additional bank facility secured, over \$110 million of available liquidity, gearing of 30.0%



PORTFOLIO METRICS HEALTHY:

Weighted average lease term of 5.28 years, occupancy of 99.4%, just 3.3% of contract rent is due to expire in 2021



SIGNIFICANT STRATEGIC PROGRESS:

\$183 million invested in core industrial property and \$158 million of non-core divestments since the beginning of 2019, including the post balance date divestment of Carlaw Park for \$110 million, portfolio positioned to benefit from trends supporting long-term growth



INCREASED DIVIDEND GUIDANCE :

Robust results, a strong balance sheet, and forecast rental growth result in a lift in 2021 dividend guidance to 7.85 to 7.90 cents per share

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 34 for further details.

A large, white, sans-serif number '02' is superimposed over the left side of the image. The '0' is a simple circle, and the '2' has a thick, rounded stem. The number is positioned in front of a modern building with a white facade and dark window frames.

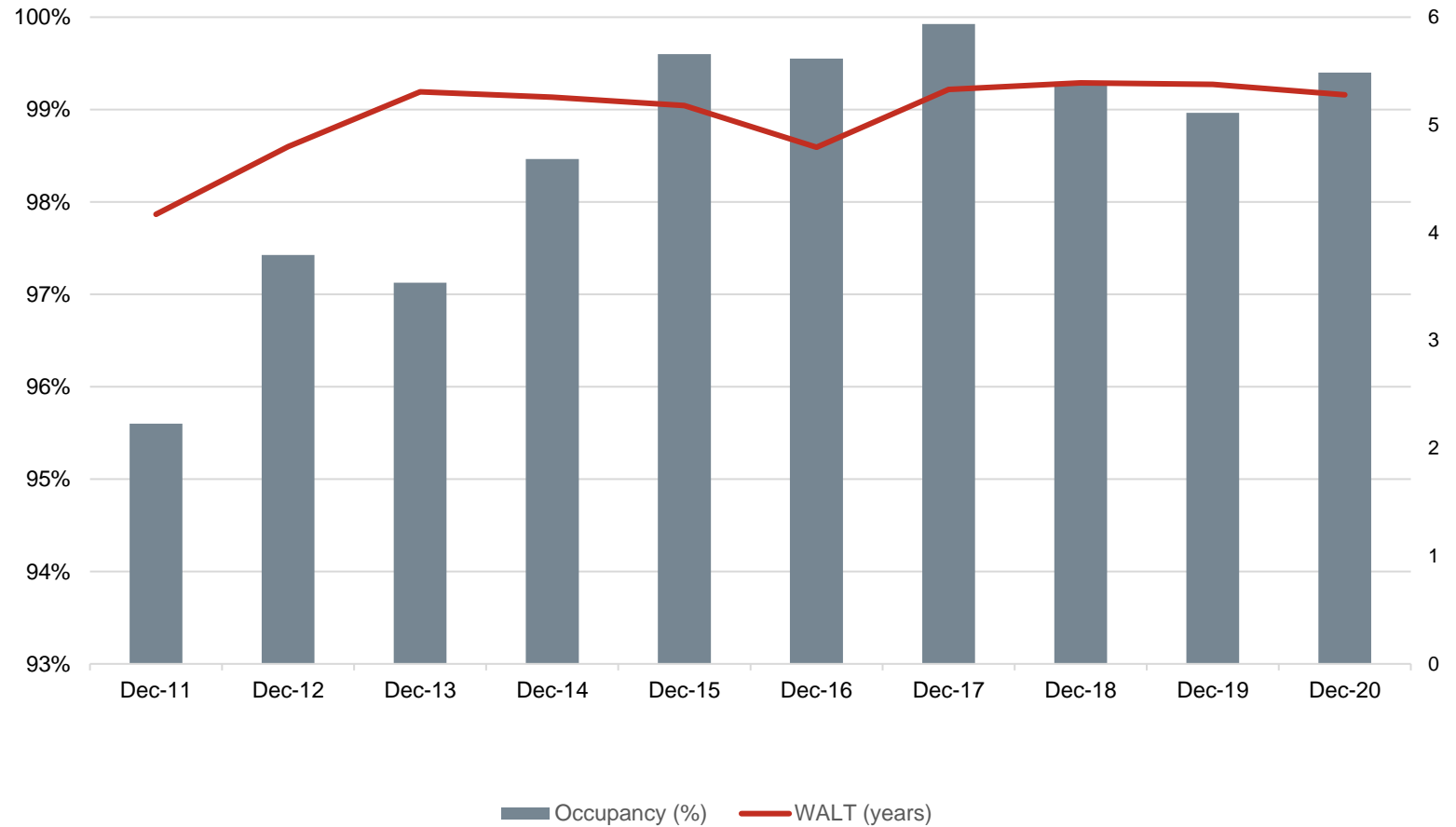
PORTFOLIO

- PFI's portfolio is diversified across 94 properties and 148 tenants, with 99.4% occupancy and a weighted average lease term of 5.28 years, weighted towards Auckland industrial property



	DECEMBER 2020	DECEMBER 2019
BOOK VALUE	\$1,631.5m	\$1,476.2m
NUMBER OF PROPERTIES	94	94
NUMBER OF TENANTS	148	144
CONTRACT RENT	\$89.8m	\$84.9m
OCCUPANCY	99.4%	99.0%
WEIGHTED AVERAGE LEASE TERM	5.28 years	5.38 years
AUCKLAND PROPERTY	84.6%	84.1%
INDUSTRIAL PROPERTY	91.7%	90.0%

- Since 2011 PFI has achieved a year end average occupancy of 98.5% and a weighted average lease term of 5.09 years



- Annual increase from independent valuations of \$72.5 million or 4.7% to \$1,631.5 million, including assets held for sale
 - Post balance date, Carlaw Park divestment at \$110.0 million, \$7.6 million above the year-end valuation
- Around one-third of valuation outcome was due to rental growth
- Passing yield firmed from 5.75% to 5.53%
- Independent market rental assessment estimates PFI's portfolio is ~2.6% under rented, consistent with internal estimates of under-renting of PFI's Auckland industrial portfolio
- CBRE estimate¹ Auckland prime industrial yields are 4.38% and secondary industrial yields are 5.41%, with recent transactions being completed at levels lower than this, further growth in the value of PFI's portfolio expected if current conditions persist



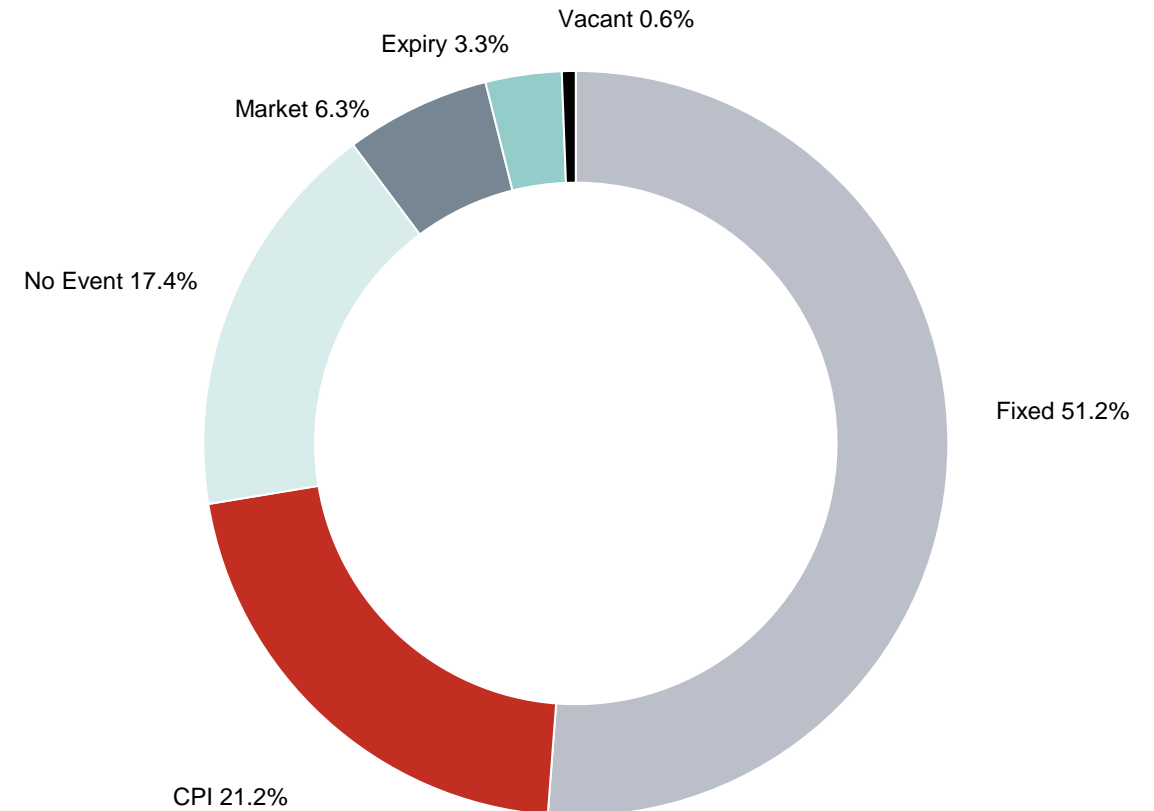
¹ CBRE "Auckland Yield & Rent Update", January 2021.

- 37 leases agreed over ~90,500 sqm of space for an average term of 7.5 years
- 11 new leases and 26 renewals secured
- Lease renewals accounted for more than 70% of the contract rent secured
- Average leasing costs of less than two-thirds of a month per year of term
- Six leases where COVID-19 deferrals or abatements were converted to additional term



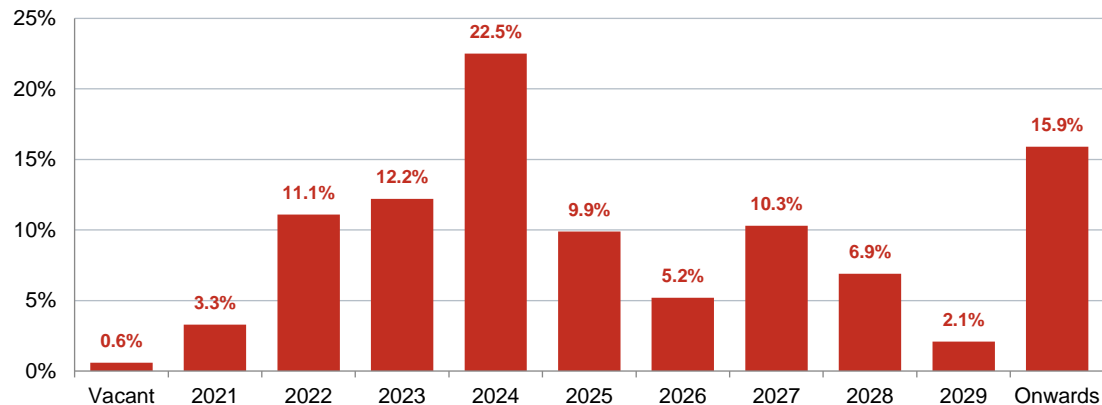
ADDRESS	TENANT	TERM	AREA	% RENT ROLL
59 Dalgety Drive	Store Rite Logistics	12.0 years	11,844 sqm	1.4%
4-6 Mt Richmond Drive	Iron Mountain	6.0 years	7,946 sqm	1.0%
Shed 22, 23 Cable Street	Shed 22 Hospo	20.0 years	2,809 sqm	1.0%
43 Cryers Road	Astron Plastics	5.0 years	8,468 sqm	0.9%
320 Rosebank Road	Doyle Sails NZ	12.0 years	6,719 sqm	0.9%
1 Mayo Road	Transdiesel	4.7 years	6,361 sqm	0.6%
Carlaw Park Gateway Building	Wilson Parking	6.0 years	250 carparks	0.6%
VARIOUS	30 Other Transactions	5.4 years	46,395 sqm	7.4%
37 LEASING TRANSACTIONS		7.5 years	90,541 sqm	13.8%

- 94 rent reviews delivered an average annual uplift of ~3.4% on ~\$50.7 million of contract rent
 - 12 market rent reviews delivered an annualised increase of 2.8% over an average review period of 2.5 years on \$4.2 million of contract rent, reviews settled at average of ~1.7% above December 2019 market rental assessment
- CBRE predict¹ industrial rental growth over the next five years to average 2.5% per annum for prime properties and 2.3% per annum for secondary properties, unchanged from 2.5% and down from 3.0% respectively in December 2019
- At the end of the year, the portfolio was 99.4% occupied and just 3.3% of contract rent is due to expire in 2021, when combined with rent reviews, almost 83% of PFI’s portfolio is subject to some form of lease event during 2021

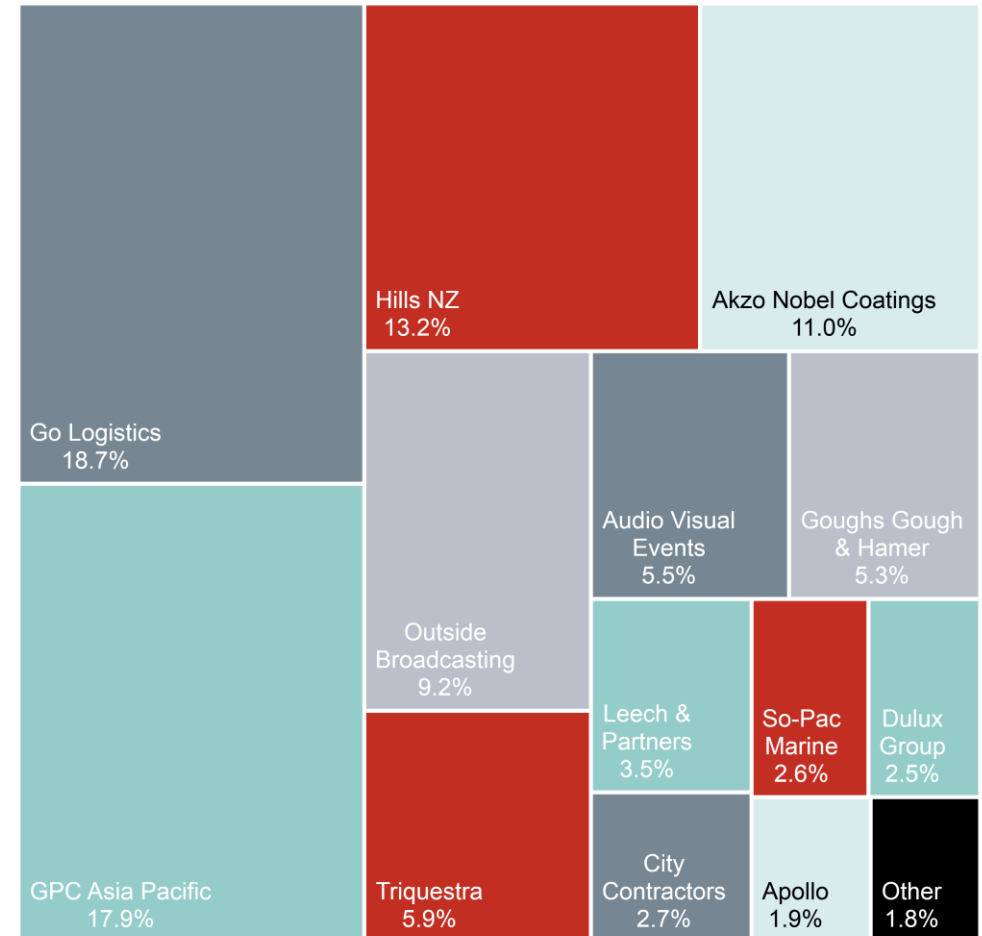


¹ CBRE “Auckland Property Market Outlook”, December 2020

- Portfolio is 99.4% occupied (0.6% vacancy) and 3.3% of contract rent is due to expire in 2021, a total of just 3.9% (graph below), down from 7.5% as at the end of 2019
 - 127 Waterloo Road has been sold with settlement due to take place in April 2021 and is excluded from any 2021 expiries analysis
- No large expiries, largest single expiry is \$538,000, just 18.7% of total (graph on RHS)
- Vacancy still at historically low levels: CBRE reports¹ Auckland Prime industrial vacancy at 1.2%, Secondary industrial vacancy at 1.7%



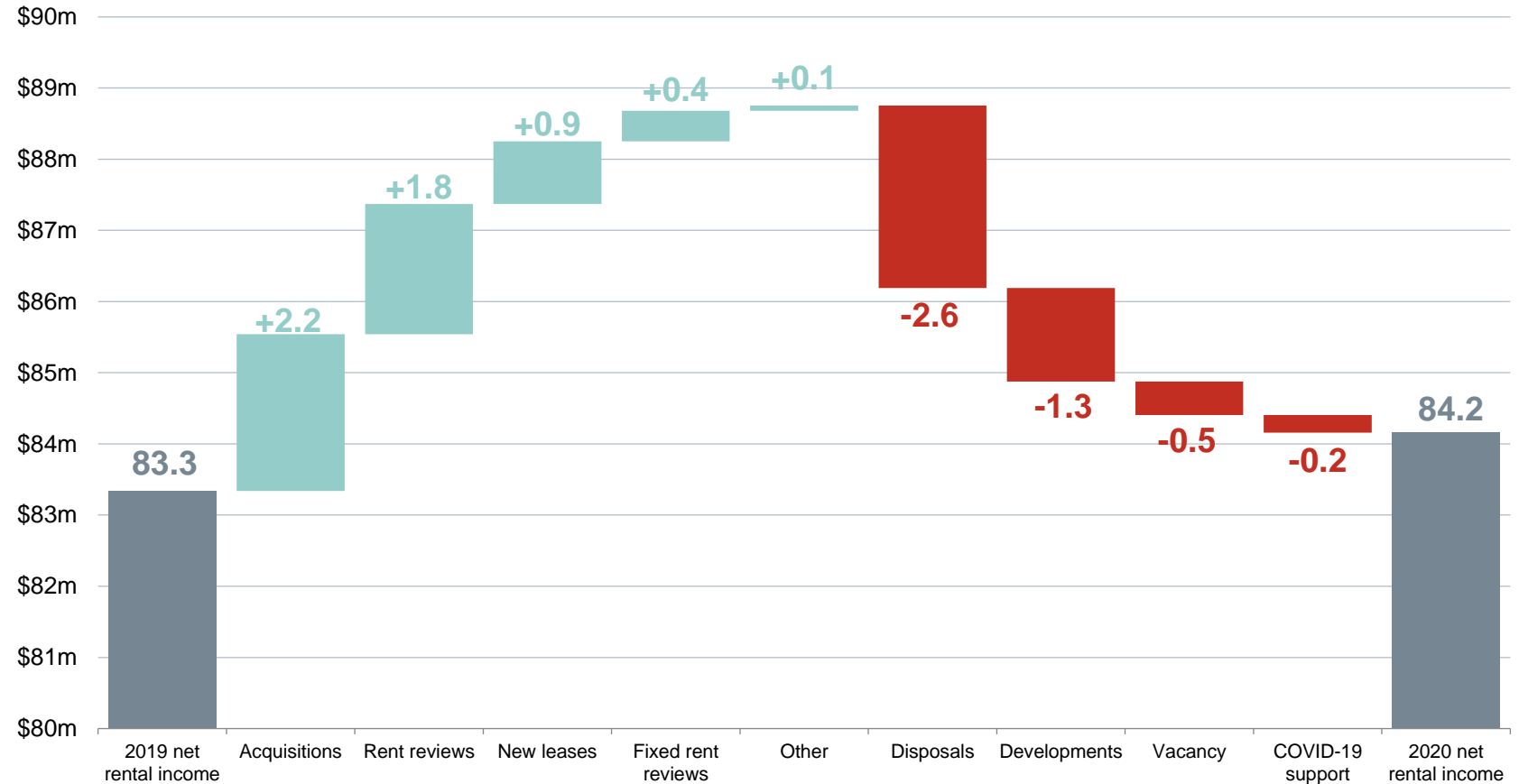
¹ CBRE "Auckland Industrial Space Market Trends", February 2021



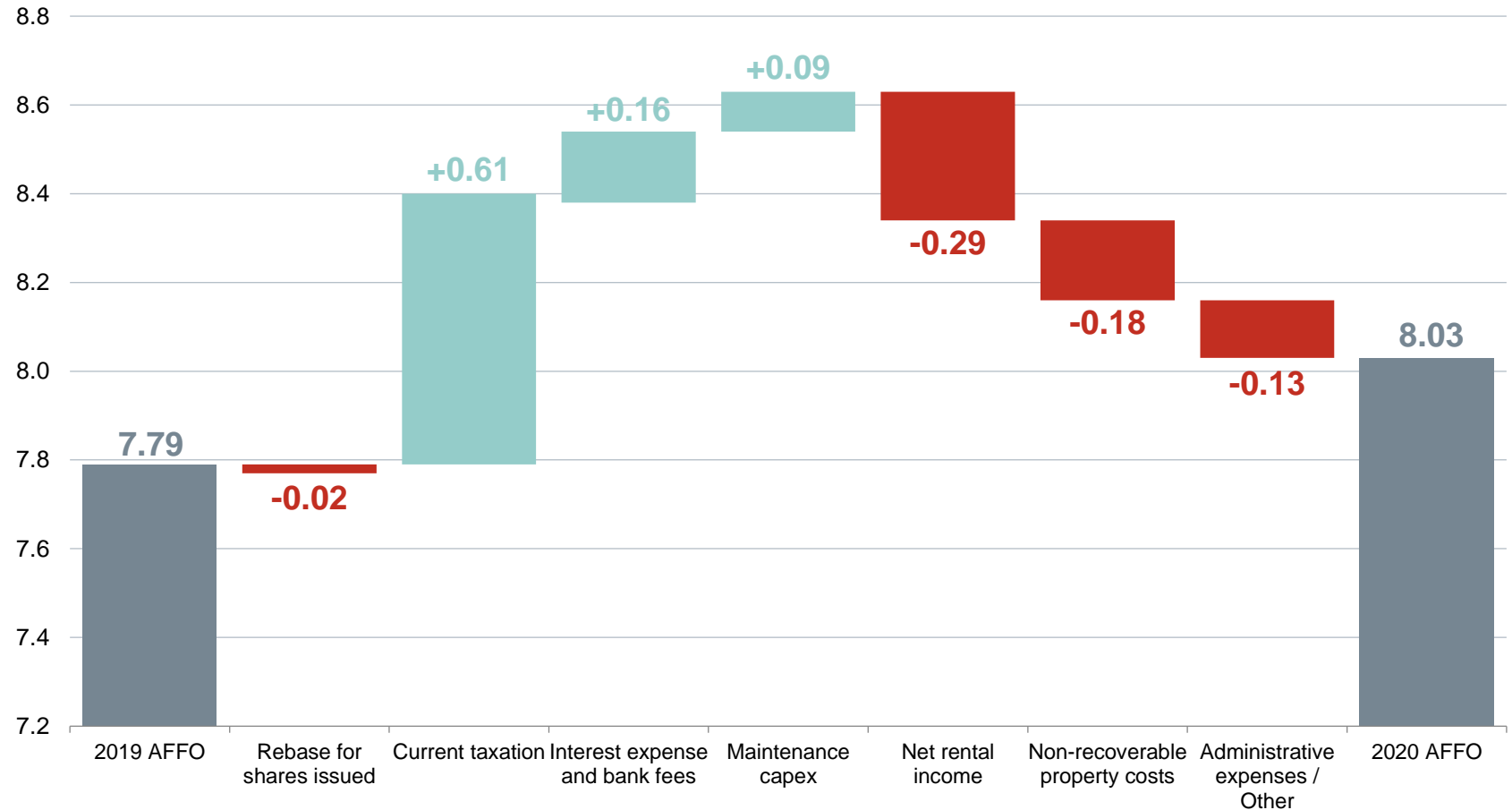
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2020 ANNUAL RESULTS

- Net rental income of \$84.2 million in line with the prior year (\$83.3 million)
- COVID-19 related support for tenants included \$0.9 million of abatement and \$0.6 million of deferral, a combined total of 1.7% of annual rent
- Abatement and deferral deals resulted in a \$1.5 million decrease in net rental income when compared to the prior year, but accounting entries required resulted in recording \$1.3 million of income not received, resulting in a change to reported net rental income of just \$0.2 million

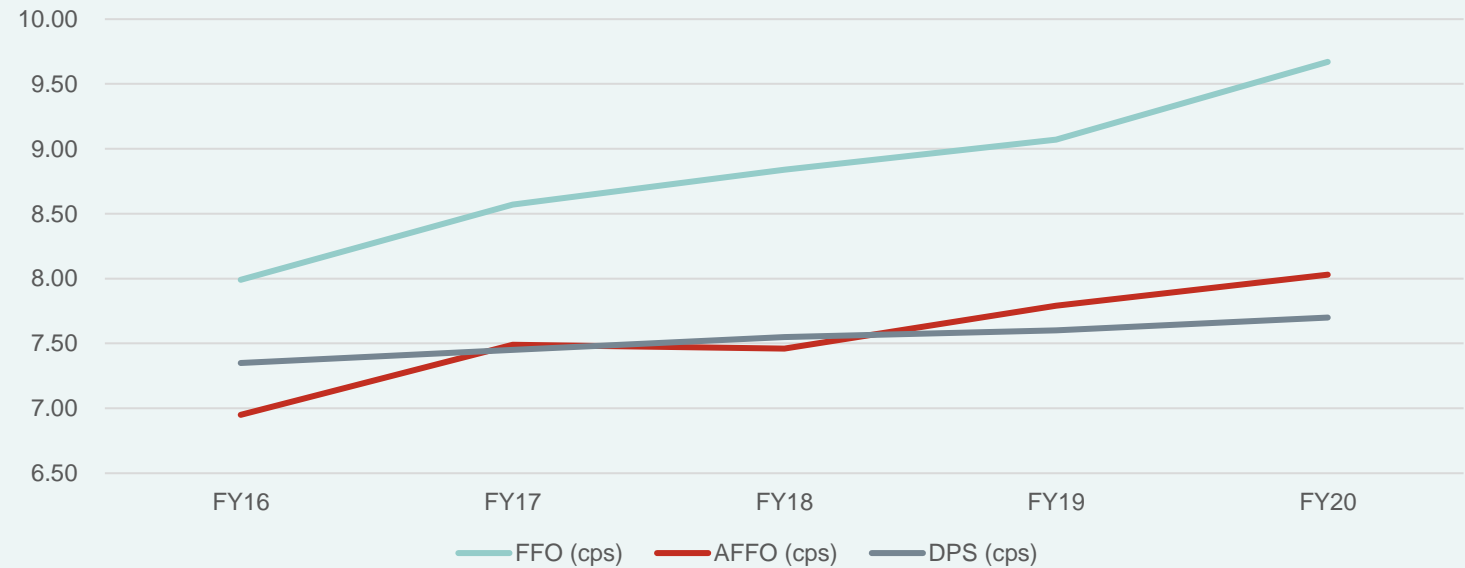


- Profit after tax of \$113.5 million
- FFO earnings of 9.67 cents per share, 0.60 cents per share or 6.6% ahead of the prior year
- AFFO earnings of 8.03 cents per share, 0.24 cents per share or 3.1% ahead of the prior year
- Current tax down \$3.0 million, interest expense and bank fees down \$0.8 million
- Maintenance capex down \$0.5 million to 19 basis points
- Accounting entries for COVID-19 of \$1.0 million adjusted out of AFFO earnings

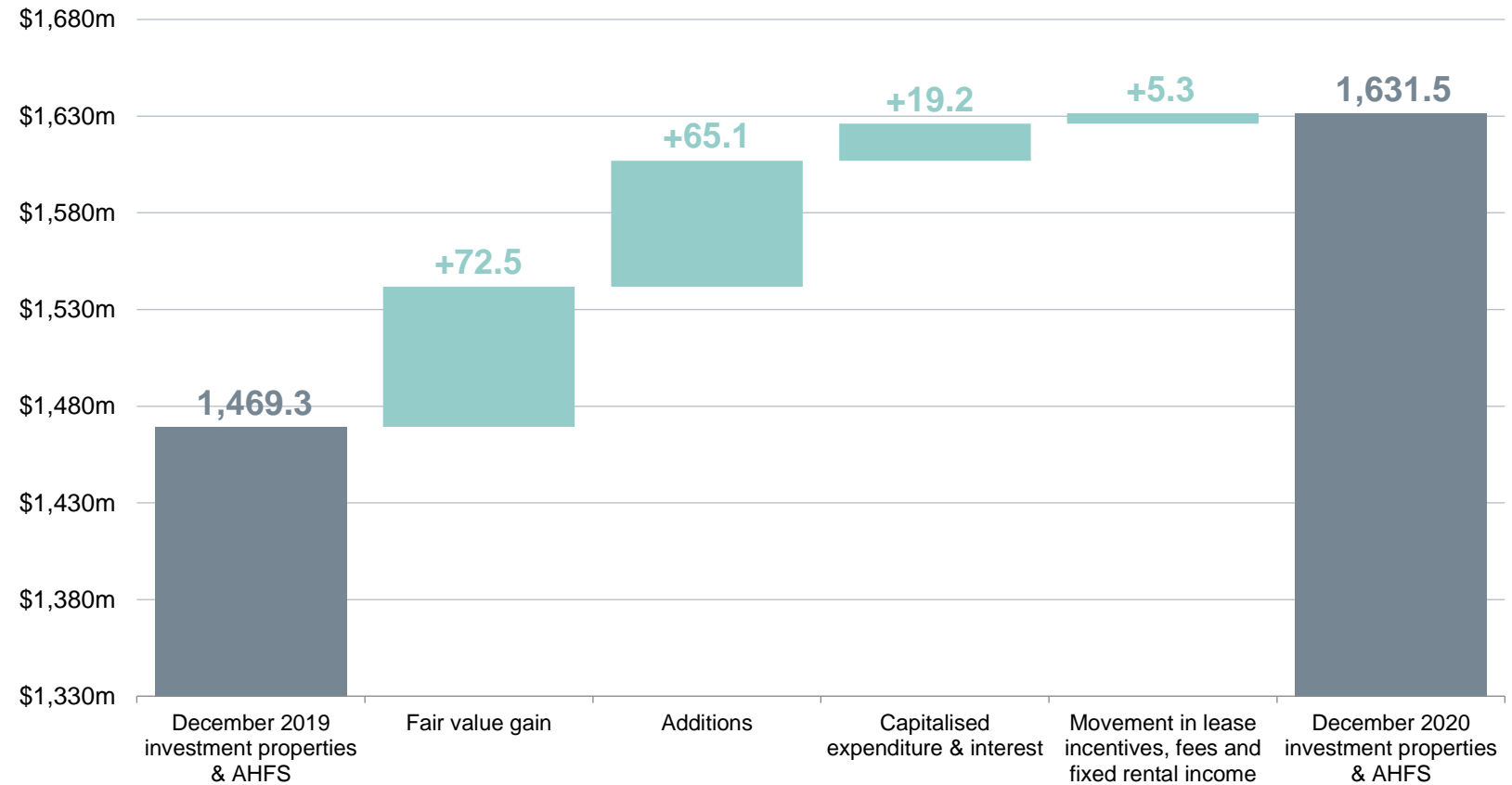


- 2020 cash dividends total 7.70 cents per share (cps), up 0.10 cps from 2019, dividend reinvestment scheme in place for 2020 dividends, 2% discount
- Average AFFO dividend pay-out ratio of 100.0% since PFI began disclosing AFFO in 2016
- 2021 dividend guidance: now that dividends are comfortably AFFO covered, pleased to advise a lift in forecast dividends of 0.15 to 0.20 cents per share to 7.85 to 7.90 cents per share, forecast to equate to 80%-90% of FFO, 95%-100% of AFFO

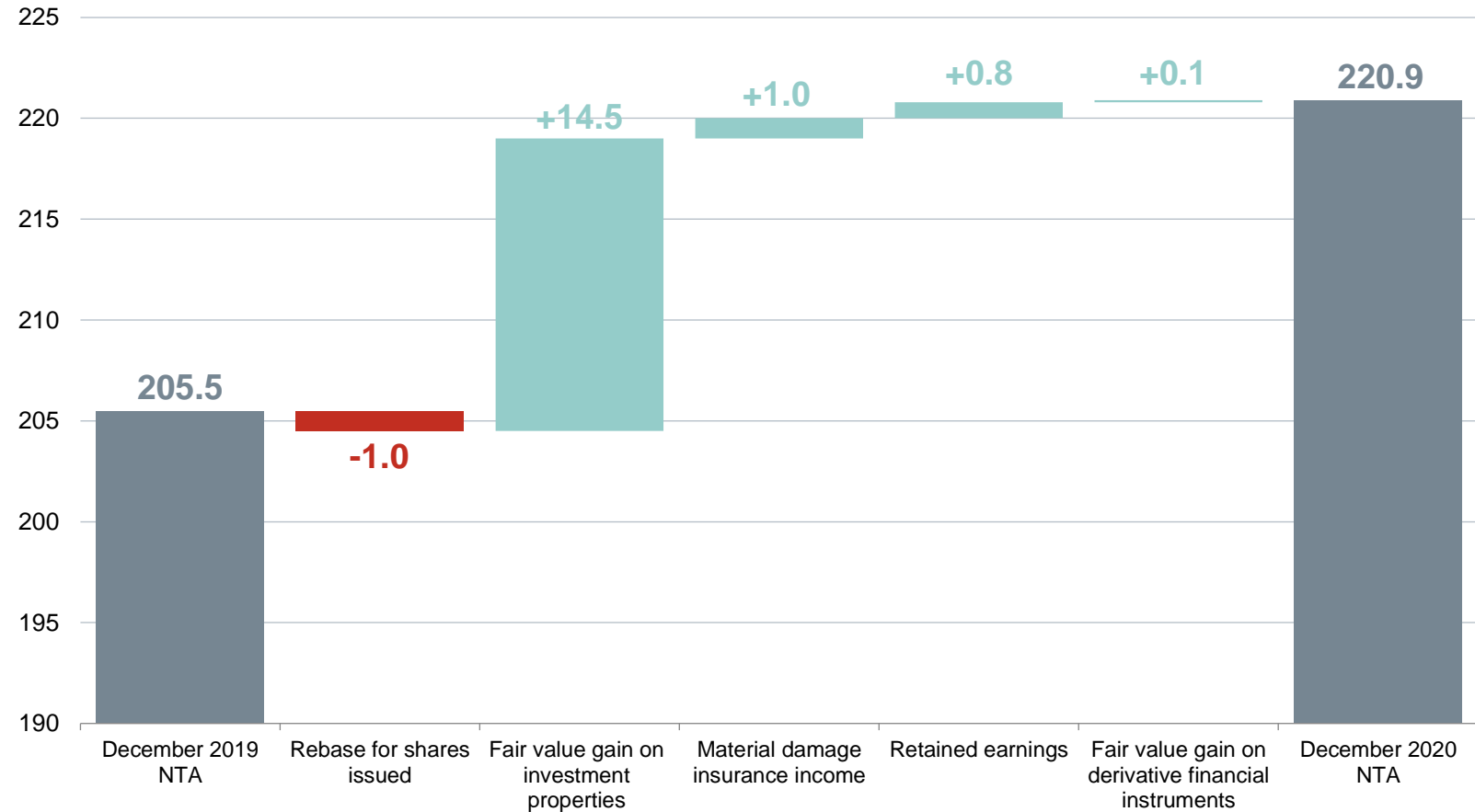
EARNINGS	2020 CPS	2019 CPS	CHANGE
FUNDS FROM OPERATIONS	9.67	9.07	+0.60 CPS or +6.6%
ADJUSTED FUNDS FROM OPERATIONS	8.03	7.79	+0.24 CPS or +3.1%



- Portfolio value of ~\$1.63 billion, including 127 Waterloo Road, Christchurch (due to settle April 2021) and the Carlaw Park properties, which are classified as held for sale (AHFS)
- Increase from annual independent valuations of \$72.5 million or 4.7%
- 528-558 Rosebank Road, Avondale, purchased in November 2020, \$65.1 million
- Significant capex at 59 Dalgety Drive (refurbishment) and 314 Neilson Street (development)



- Net tangible assets (NTA) per share increased by 15.4 cents per share or 7.5%
- Change in NTA per share driven by the increase in the fair value of investment properties (+14.5 cps), material damage insurance income (+1.0 cps), retained earnings (+0.8 cps), and the decrease in the net fair value liability for derivative financial instruments (+0.1 cps)



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

NET TANGIBLE ASSETS

220.9

CENTS PER SHARE UP
7.5% ON LAST YEAR

Year	Net Tangible Assets (Cents per Share)
2020	220.9
2019	205.5
2018	177.7
2017	163.2
2016	160.7

YEAR ENDING 31 DECEMBER (\$M, UNLESS NOTED)	2016	2017	2018	2019	2020
TOTAL COMPREHENSIVE INCOME AFTER TAX	123.4	51.7	110.1	176.3	113.5
DISTRIBUTION ADJUSTMENTS	(92.1)	(17.3)	(72.9)	(137.5)	(73.4)
ADJUSTED FUNDS FROM OPERATIONS	31.3	34.4	37.2	38.8	40.1
TOTAL ASSETS	1,121.8	1,242.1	1,358.9	1,522.7	1,687.3
TOTAL LIABILITIES	365.7	399.2	443.8	468.7	550.7
TOTAL EQUITY	756.1	842.9	915.1	1,054.0	1,136.6
NET TANGIBLE ASSETS (CENTS PER SHARE)	160.7	163.2	177.7	205.5	220.9
LOAN-TO-VALUE RATIO (COVENANT: <50%)	30.1%	30.8%	30.3%	28.2%	30.0%
INTEREST COVER RATIO (COVENANT: >2.0X)	3.4x	3.7x	3.9x	4.0x	4.1x

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CAPITAL MANAGEMENT

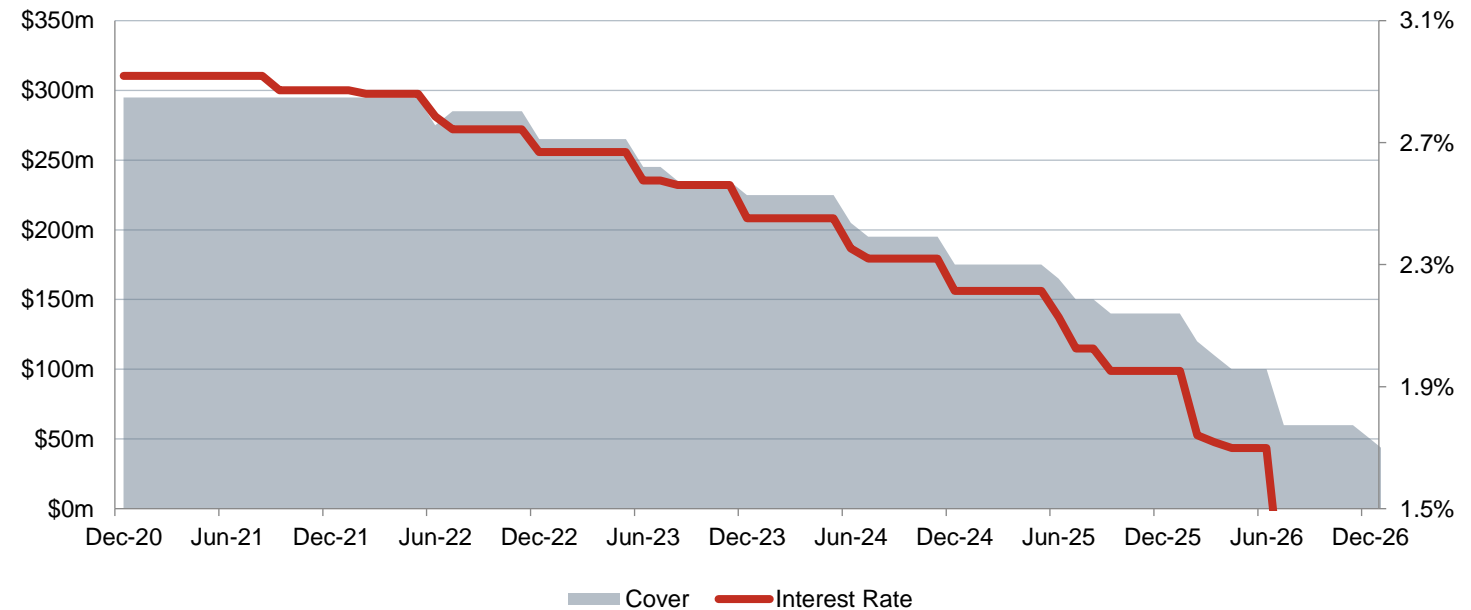
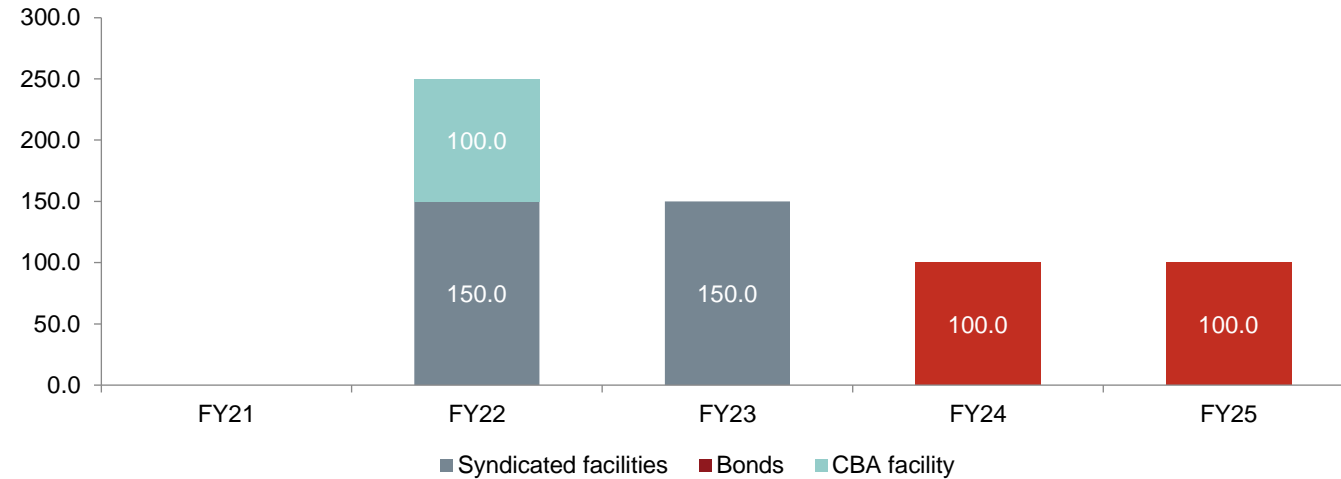


- \$50 million liquidity facility secured from CBA in March 2020 in response to the risks associated with the COVID-19 pandemic, increased to \$100 million and extended in November 2020
- Large fall in the three-month Bank Bill Market (or “float”) rate contributed to a 0.88% reduction in PFI’s weighted average cost of debt during 2020
- High levels of liquidity from a diverse range of sources, ultra-low interest rates and headroom to covenant levels provide PFI with a strong funding position



	DECEMBER 2020	DECEMBER 2019
FUNDING		
BANK FACILITIES DRAWN	\$289.9m	\$215.6m
BANK FACILITIES LIMIT	\$400.0m	\$300.0m
BANK FACILITIES HEADROOM	\$110.1m	\$84.4m
FIXED RATE BONDS	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	2.8 years	4.1 years
BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
COVENANTS		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	30.0%	28.2%
INTEREST COVER RATIO (COVENANT: >2.0X)	4.1 times	4.0 times
INTEREST RATES		
WEIGHTED AVERAGE COST OF DEBT	3.75%	4.63%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	\$295m / 3.07% / 3.1 years	\$245m / 3.75% / 2.4 years
FORWARD STARTING INTEREST RATE	\$110m / 3.09% / 3.7 years	\$190m / 3.32% / 3.5 years

- Average term to expiry of bank facilities and bonds (top graph) of 2.8 years, \$110.1 million of unutilised bank facility capacity
- FY22 expiries: CBA facility expires 19 March 2022, with the syndicated facility expiring 4 November 2022
- Divestment of Carlaw Park will provide further funding flexibility
- Fixed rate payer hedging profile (bottom graph) provides for an average of ~63% of debt to be hedged at an average fixed rate of ~2.91% during 2021, with the remainder on low float interest rates

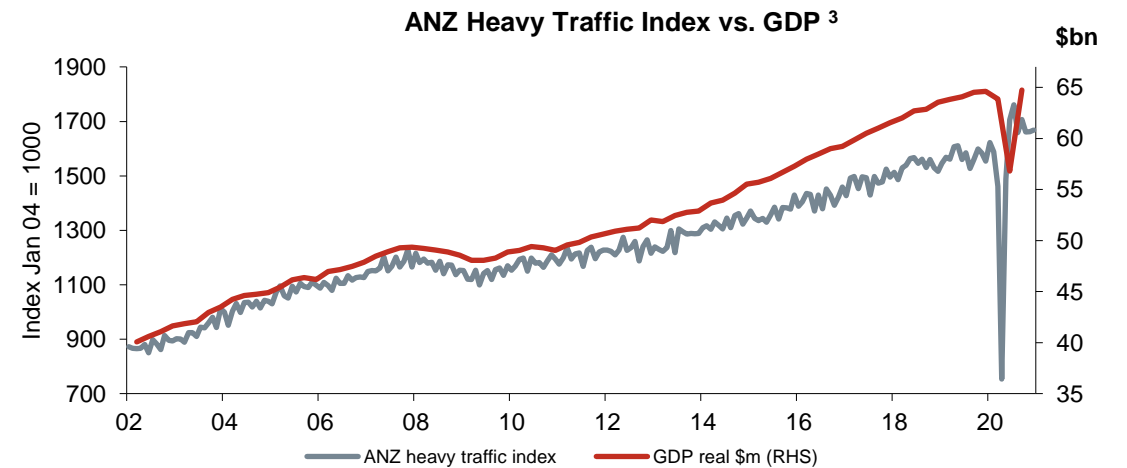
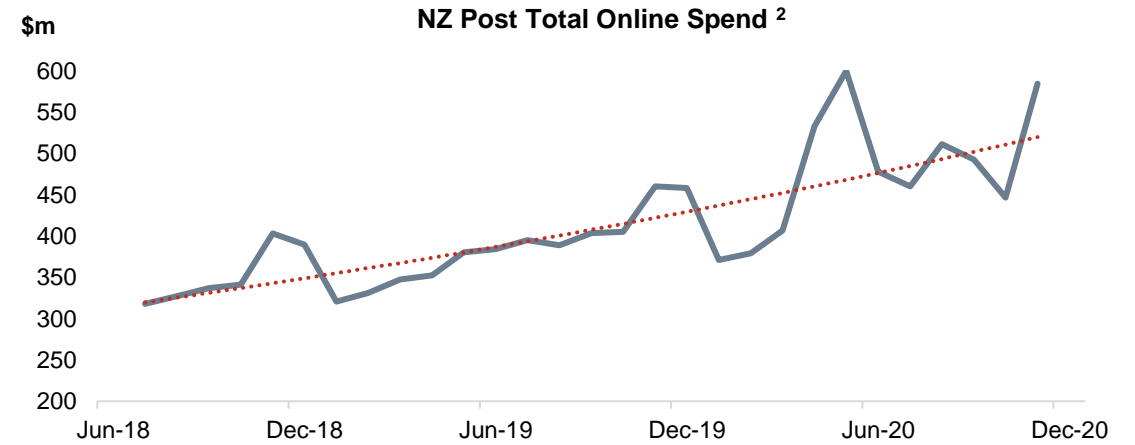


05.



MARKET

- Industrial property continues to perform, with trends supporting long-term growth
- Shift to online spending (top graph) accelerated by COVID-19 pandemic, boosting tenant demand for well-located industrial property close to key transport links
- ANZ Heavy Traffic Index (bottom graph), shows the continuance of pre-pandemic themes after 2020 lockdown restrictions were eased
 - Q4 2021 OCR: 0.25%
 - Q4 2021 10-year Bond Rates: 1.75%



¹ ANZ Economic Research; ² NZ Post, Forsyth Barr Analysis; ³ ANZ Truckometer January 2021

- CBRE “Auckland Property Market Outlook”, December 2020:
 - Outlook for vacancy and yields has improved since December 2019
 - Softer outlook for rents, as more generous incentives are offered to prospective tenants
- Stable cash flows and a return of depreciation on building structures are also contributing to increased investor demand for industrial property

<i>CBRE AUCKLAND MARKET OUTLOOK</i>	DECEMBER 2020	5-YEAR FORECAST: DECEMBER 2020	5-YEAR FORECAST: DECEMBER 2019
PRIME INDUSTRIAL			
VACANCY	1.1%	1.1% ▼	1.4%
RENTS	\$141	+2.5% ◀▶	+2.5%
YIELDS	4.46%	4.26% ▼	4.90%
SECONDARY INDUSTRIAL			
VACANCY	1.6%	1.6% ▼	2.1%
RENTS	\$112	+2.3% ▼	+3.0%
YIELDS	5.48%	5.22% ▼	5.80%

06

OUR PRIORITIES

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.

2020

OUR STRATEGIC DIRECTION

- Transitioning to a pure-play industrial Listed Property Vehicle
- Increasing our Auckland weighting
- Improving the property and tenancy fundamentals of our portfolio
- Decreasing the average age of our portfolio

SIGNIFICANT PROGRESS

- Including post balance date activity, since the beginning of 2019 PFI has invested \$182.9 million in core industrial property and divested \$157.8 million of non-core property (see next slide)
- On completion of post balance date activity, PFI's portfolio will be 98% industrial, positioning the Company to benefit from trends supporting long-term growth, such as e-commerce

Created ESG strategic framework

ESG STRATEGIC PILLARS

- Health, safety and wellbeing
- Resource efficiency
- Long-term thinking

ESG STRATEGIC THEMES

- Taking care of our team
- Looking after our tenants
- Responsible property ownership
- Delivering for our investors

Commenced execution of the ESG strategy

HIGHLIGHTS

- Formalised a comprehensive Health, Safety and Wellbeing framework
- Strengthened ESG governance and resourcing
- Increased transparency through:
 - First climate-related (TCFD) disclosures
 - First response to the Carbon Disclosure Project (CDP)
 - Expanded carbon footprint measurement

Continue execution of the ESG strategy

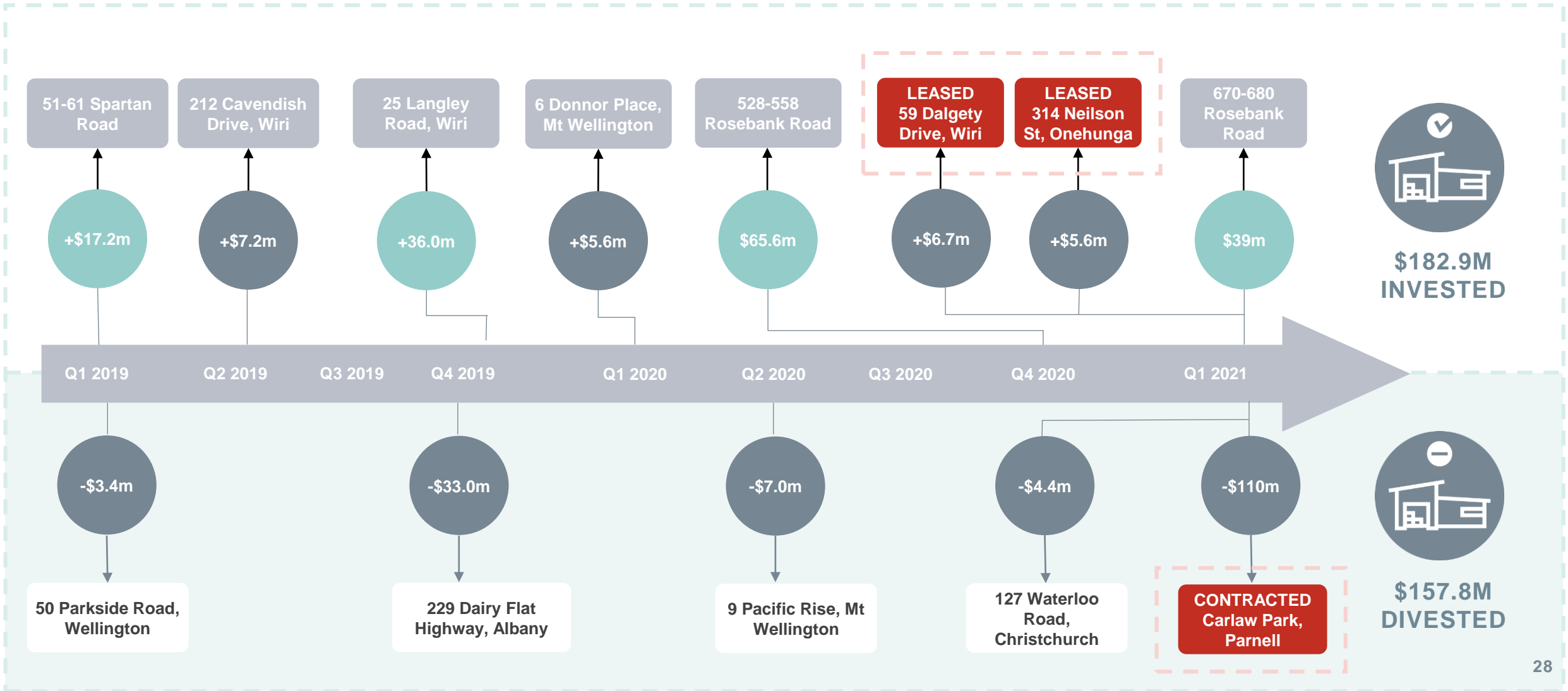
KEY COMMITMENTS

- \$2m investment to reduce emissions and stop ozone damage from our HVAC systems
- Net zero Scope 1, Scope 2 and selected Scope 3 emissions
- Ongoing transparency for our stakeholders
- Sustainable building design

2019

2020

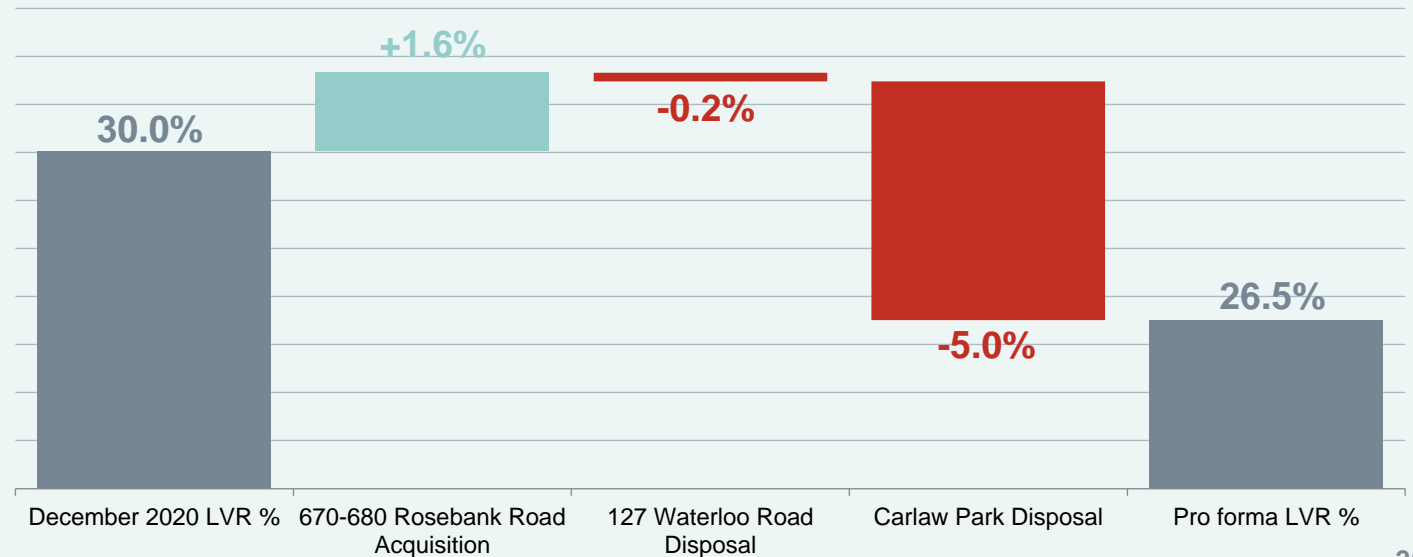
2021 onward



- After all planned acquisitions and divestments:
 - Pro forma LVR of 26.5%;
 - Borrowings headroom of \$185.5 million; and
 - Portfolio will be 98% industrial
- Positions PFI to advance areas of focus, including advancing value add strategies and responding to acquisition opportunities as they arise



	DECEMBER 2020	670-680 ROSEBANK ACQUISITION	127 WATERLOO DIVESTMENT	CARLAW PARK DIVESTMENT	PRO FORMA
INVESTMENT PROPERTIES & AHFS	\$1,631.5m	+\$39.0m	-\$4.3m	-\$102.4m	\$1,563.8m
TOTAL DRAWN BORROWINGS	\$489.9m	+\$39.0m	-\$4.4m	-\$110.0m	\$414.5m
LOAN-TO-VALUE RATIO	30.0%	+1.6%	-0.2%	-5.0%	26.5%





VALUE-ADD STRATEGIES:

2021 focus: advance our plans for some of our strategic sites, such as our Bowden Road site in Mount Wellington, and our Springs Road site in East Tamaki, where upcoming potential lease expiries will provide PFI with significant redevelopment opportunities. The recommencement of the build-to-lease development at 47 Dalgety Drive in Wiri (\$9.0 million) will also be a priority.



DISPOSALS:

2021 focus: disposal of Shed 22 in Wellington following completion of seismic works.



ACQUISITIONS:

2021 focus: continue to target acquisitions of core industrial properties, like the recent acquisition on Rosebank Road.



ASSET MANAGEMENT:

2021 focus: leasing of vacant and expiring spaces, monitor and respond to COVID-19 related developments.

07

REVIEW & QUESTIONS

LOOKING FORWARD:

- “This year, we took proactive steps to protect our people and core business. At the same time, we held our course on our strategy and retained the confidence of the market. The year’s results show that even when the country and the economy as a whole are struck by unexpected events like the COVID-19 pandemic, our patient, long-term approach remains relevant.” Simon Woodhams, Chief Executive Officer
- Impact from February 2021 COVID-19 restrictions not yet known

HIGHLIGHTS:

- Robust annual result
- Strong balance sheet
- Portfolio metrics healthy
- Significant strategic progress
- Increased dividend guidance

Questions?

08

APPENDICES



(Unaudited, \$000, unless noted)	YE December 2020	YE December 2019
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	113,452	176,286
<i>Adjusted for:</i>		
Fair value (loss) / gain on investment properties	(72,546)	(125,193)
Material damage insurance income	(5073)	(1,125)
Loss on disposal of investment properties	14	(4,126)
Fair value loss / (gain) on derivative financial instruments	(643)	(2,577)
Amortisation of tenant incentives	2,841	2,656
Straight lining of fixed rental increases	(1,882)	(1,690)
Deferred taxation	12,175	986
Other	2	12
Funds From Operations (FFO)	48,340	45,229
FFO per share (cents)	9.67	9.07
FFO dividend pay-out ratio (%)	80%	84%
Maintenance capex	(2,977)	(3,446)
Incentives and leasing fees given for the period	(4,225)	(2,955)
Other (incl. reversal of accounting entries for COVID-19 abatement and deferral deals)	(1,010)	-
Adjusted Funds From Operations (AFFO)	40,128	38,828
AFFO per share (cents)	8.03	7.79
AFFO dividend pay-out ratio (%)	96%	98%

The information included in this presentation is provided as at 22 February 2021 and should be read in conjunction with the NZX results announcement, NZX Form – Results Announcement, NZX Form – Distribution Notice, and annual report issued on that same day.

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