
Interim
Results
Briefing
2020
WELCOME
TO THE 2020 INTERIM RESULTS BRIEFING.

CONTENTS

01.

HIGHLIGHTS

RESILIENT INTERIM RESULT:

Interim profit after tax of $15.6 million, Funds From Operations (FFO)[1] earnings up 6.5% from the prior interim period to 4.78 cents per share, Adjusted Funds From Operations (AFFO) earnings down 7.8% from the prior interim period to 3.79 cents per share, H1 2020 cash dividends of 3.60 cents per share

STRONG BALANCE SHEET:

Net tangible assets largely unchanged at 204.8 cents per share, additional bank facility secured, almost $130 million of available liquidity, gearing of 28.7%

PORTFOLIO METRICS MAINTAINED:

Weighted average lease term of 5.28 years, occupancy of 99.0%, just 1.9% of contract rent is due to expire in the second half of 2020

DIVIDEND GUIDANCE REINSTATED:

Resilient results, a strong balance sheet, continued high levels of collection in July and August, resulting in the reinstatement of dividend guidance of 7.65 to 7.70 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 33 for further details.


COVID-19 update
Interim
Results
Briefing
2020
02.
COVID-19
UPDATE

HEALTH, SAFETY AND WELLBEING OF OUR TEAM AND TENANTS OUR TOP PRIORITY

PROACTIVE STEPS TAKEN:

- Secured an additional $50 million of liquidity from one of our key banking partners, the Commonwealth Bank of Australia
- Examined capital and operating costs, made cuts to and deferrals of expenditure, where appropriate
- Provided support for our tenants, including $0.7 million of abatement and $0.7 million of deferral (1.6% of annual rent), support directed to our most vulnerable tenants
- Divestment of remaining non-industrial properties, including Carlaw Park, put on hold due to volatile conditions (now expect to bring assets to market late 2020)
- Dividend reinvestment scheme reinstated

TRADING UPDATE:

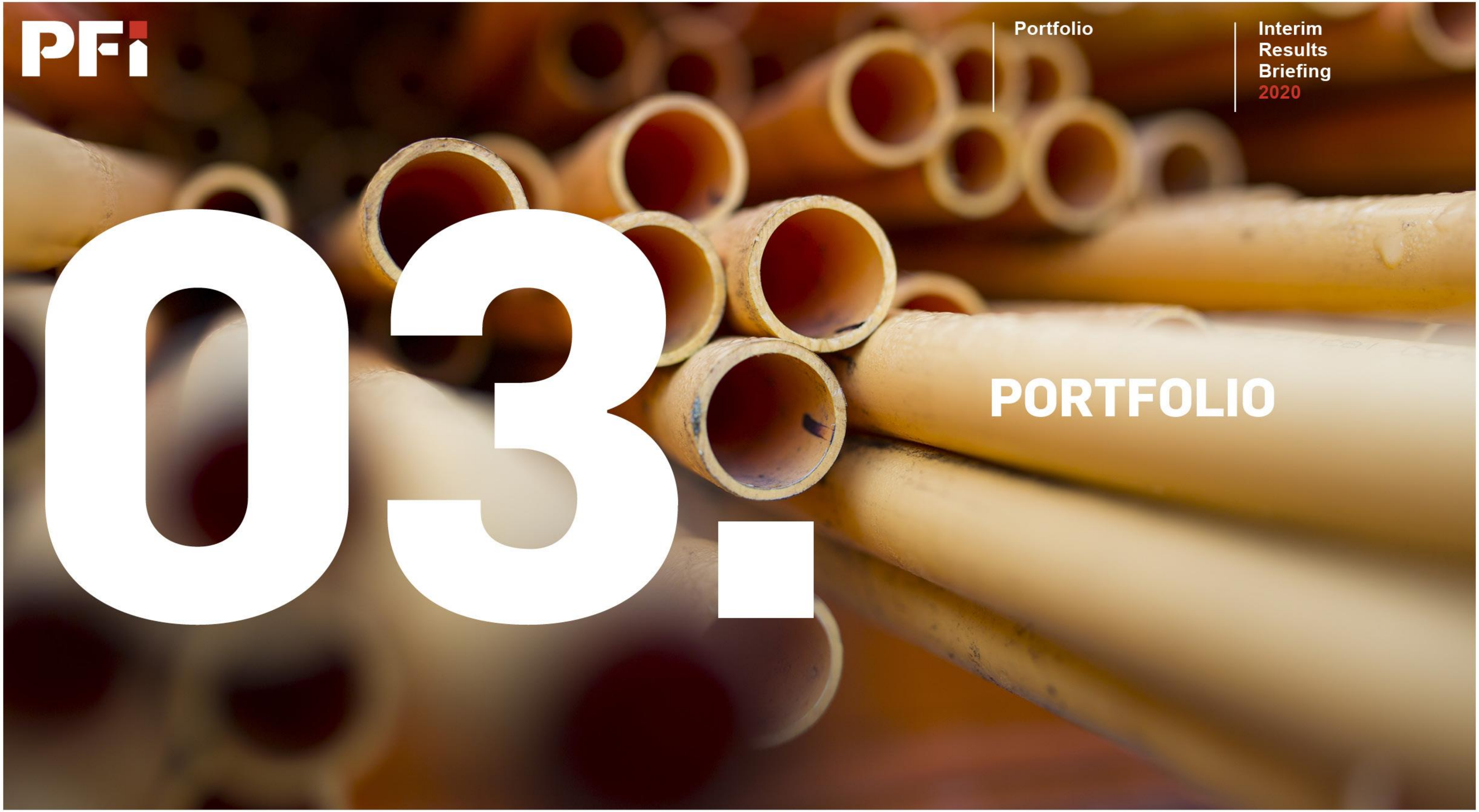
- H1 2020 financial performance materially in line with the prior interim period and the second half of 2019
- Change in the mix of factors contributing to H1 2020 result: decrease in rental income, offset by savings in interest and tax (due to the reintroduction of depreciation deductions on building structure for commercial and industrial buildings)
- High levels of collection have continued: more than 95% of July and August's rent and opex collected
- Stable industrial property prices (as evidenced by the results of the PFI's interim valuation process) recent sales of prime industrial property have been completed at yields as low as, and in some cases even lower, than pre-pandemic levels
- Impact from August COVID-19 restrictions not yet known

PFI'S STRATEGIC DIRECTION SERVING THE COMPANY WELL:

- Significant progress made in recent years to transition to a pure-play industrial listed property vehicle
- Gearing has been kept at low levels, knowing that low gearing will serve us well in times of crisis
- Dividends reflect what we earn, gearing isn't increased by paying out more than that which we have earned from our tenants
- PFI well placed to respond to latest challenges, and any opportunities that may arise from them

LOOKING FORWARD:

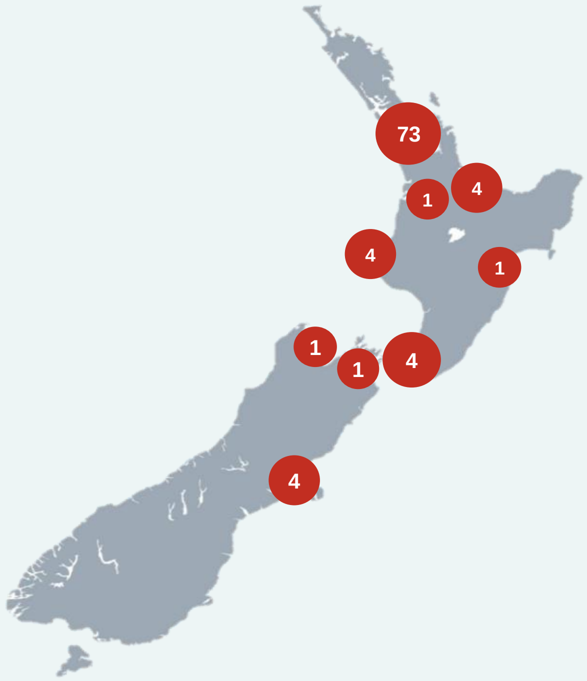
- COVID-19 pandemic has resulted in devastating health and economic outcomes across the globe
- Like previous pandemics, COVID-19 is also shaping large changes to society
- For example, a recent report from consultants McKinsey highlighted that, in the United States, there had been the equivalent of the last 10 years' growth in e-commerce in just the past three months
- Increased e-commerce volumes and businesses looking to create more localised and resilient supply chains expected to drive additional demand for logistics space
- These trends are anticipated to benefit PFI's long-held strategy of owning, developing and acquiring quality industrial properties in sought-after areas



03.

PORTFOLIO

- PFI's portfolio is diversified across 93 properties and 140 tenants, with 99.0% occupancy and a weighted average lease term of 5.28 years, weighted towards Auckland industrial property



	JUNE 2020	DECEMBER 2019	JUNE 2019
BOOK VALUE	$1,470.0m	$1,476.2m	$1,368.3m
NUMBER OF PROPERTIES	93	94	94
NUMBER OF TENANTS	140	144	147
CONTRACT RENT	$83.6m	$84.9m	$83.1m
OCCUPANCY	99.0%	99.0%	99.7%
WEIGHTED AVERAGE LEASE TERM	5.28 years	5.38 years	5.71 years
AUCKLAND PROPERTY	84.2%	84.1%	83.8%
INDUSTRIAL PROPERTY	91.0%	90.0%	87.4%

- All 93 properties valued at the half year (14 full valuations, desktop valuation of the remainder), resulting in a total write down of $7.8 million or 0.5%
- Independent market rental assessment estimates portfolio is ~3.5% under rented
- PFI's passing yield is now 5.74% (was 5.84%)
- CBRE estimate [1] Auckland prime industrial yields are 5.13% and secondary industrial yields are 6.19%
- Recent sales of prime industrial property have been completed at yields as low as, and in some cases even lower, than pre-pandemic levels

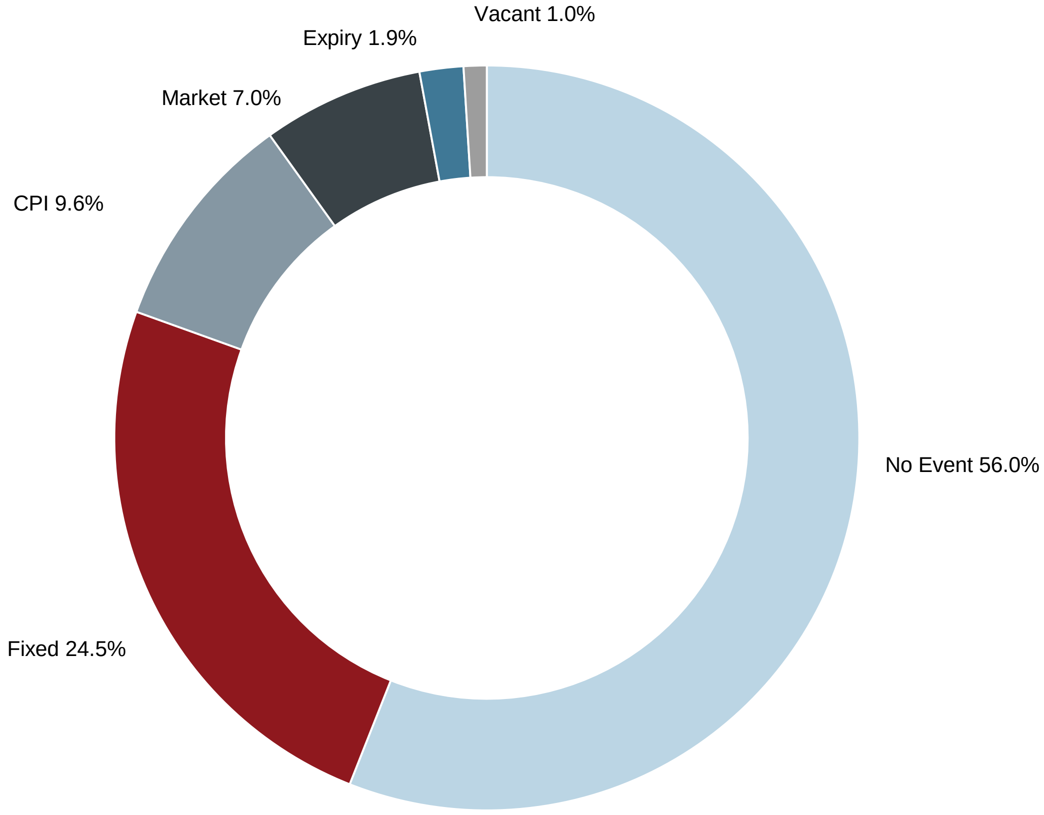
25 LANGLEY ROAD

[1] CBRE "Auckland Rent and Yield Trends", July 2020.

- 11 leases agreed over ~31,000 sqm of space for an average term of 6.4 years
- Two new leases and nine renewals secured
- Lease renewals accounted for more than 81% of the contract rent secured
- Average leasing costs less than half a month per year of term

ADDRESS	TENANT	TERM	AREA	% RENT ROLL
43 CRYERS ROAD	Astron Plastics	5.0 years	8,468 sqm	1.0%
320 ROSEBANK ROAD	Doyle Sails	12.0 years	6,719 sqm	0.9%
511 MT WELLINGTON HIGHWAY	Stryker	7.0 years	2,179 sqm	0.6%
15 COPSEY PLACE	Canterbury	3.0 years	2,809 sqm	0.5%
523 MT WELLINGTON HIGHWAY	BGH Group	6.0 years	1,677 sqm	0.3%
44 MANDEVILLE STREET	Pathway Engineering	3.0 years	1,815 sqm	0.3%
47 ARRENWAY DRIVE	Device Technologies	2.0 years	1,245 sqm	0.3%
VARIOUS	4 Other Transactions	6.7 years	6,020 sqm	0.7%
11 LEASING TRANSACTIONS		**6.4 years**	**30,931 sqm**	**4.6%**

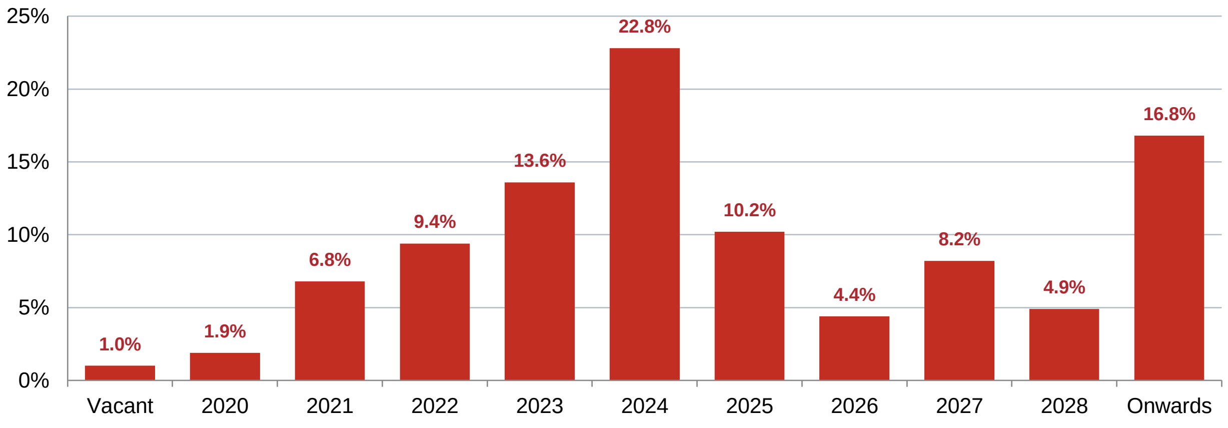
- 53 rent reviews delivered an average annual uplift of ~4.1% on ~$22.5 million of contract rent
- Five market rent reviews delivered an annualised increase of 7.1% over an average review period of 2.4 years on $1.2 million of contract rent, reviews settled at average of ~2.6% above December 2019 market rental assessment
- CBRE predict[1] industrial rental growth over the next five years to average 2.1% per annum for prime properties and 1.6% per annum for secondary properties, down from 3.0% and 4.1% respectively in December 2019
- Around 44% of PFI's portfolio is subject to some form of lease event during H2 2020



[1] CBRE "Auckland Property Market Outlook – Industrial Sector Preview", August 2020

- Portfolio is 99.0% occupied (1.0% vacancy) and 1.9% of contract rent is due to expire in the second half of 2020, a total of 2.9% (H2 2019: 3.1%)
- Leasing demand remains robust, transactions totalling more than $5.1 million either secured, or in advanced stages of negotiation, since the end of the interim period:
  - 0.8% of H2 2020 expiries have been leased post balance date, including 60% of Jacobs space at Carlaw Park, leased to a new tenant
- Vacancy still at historically low levels: CBRE August 2020 Market Flash reports Auckland Prime industrial vacancy of 1.2%, Secondary industrial vacancy at 1.5%
- Market levels of incentive have begun to trend up

H2 2020 EXPIRIES	TENANT	% RENT ROLL
CARLAW PARK OFFICE	Jacobs	0.5%
23 ZELANIAN DRIVE	Exclusive Tyre Distributors	0.5%
515 MT WELLINGTON HIGHWAY	Stryker	0.3%
5 Vestey Drive	PPG	0.3%
OTHER	Various	0.3%
TOTAL		**1.9%**
LEASED POST BALANCE DATE	Various	-0.8%
REMAINING H2 2020 EXPIRIES		**1.1%**



HEALTH, SAFETY & WELLBEING

RESOURCE EFFICIENCY

LONG-TERM THINKING

PROGRESS TO DATE:

- Developed a high level ESG strategy
- Recruited a Sustainability, Risk & Compliance Manager
- Established a management committee for ESG
- Refreshed our health, safety and wellbeing framework
- Measured our carbon footprint for the first time
- Implemented sustainability initiatives for the PFI office

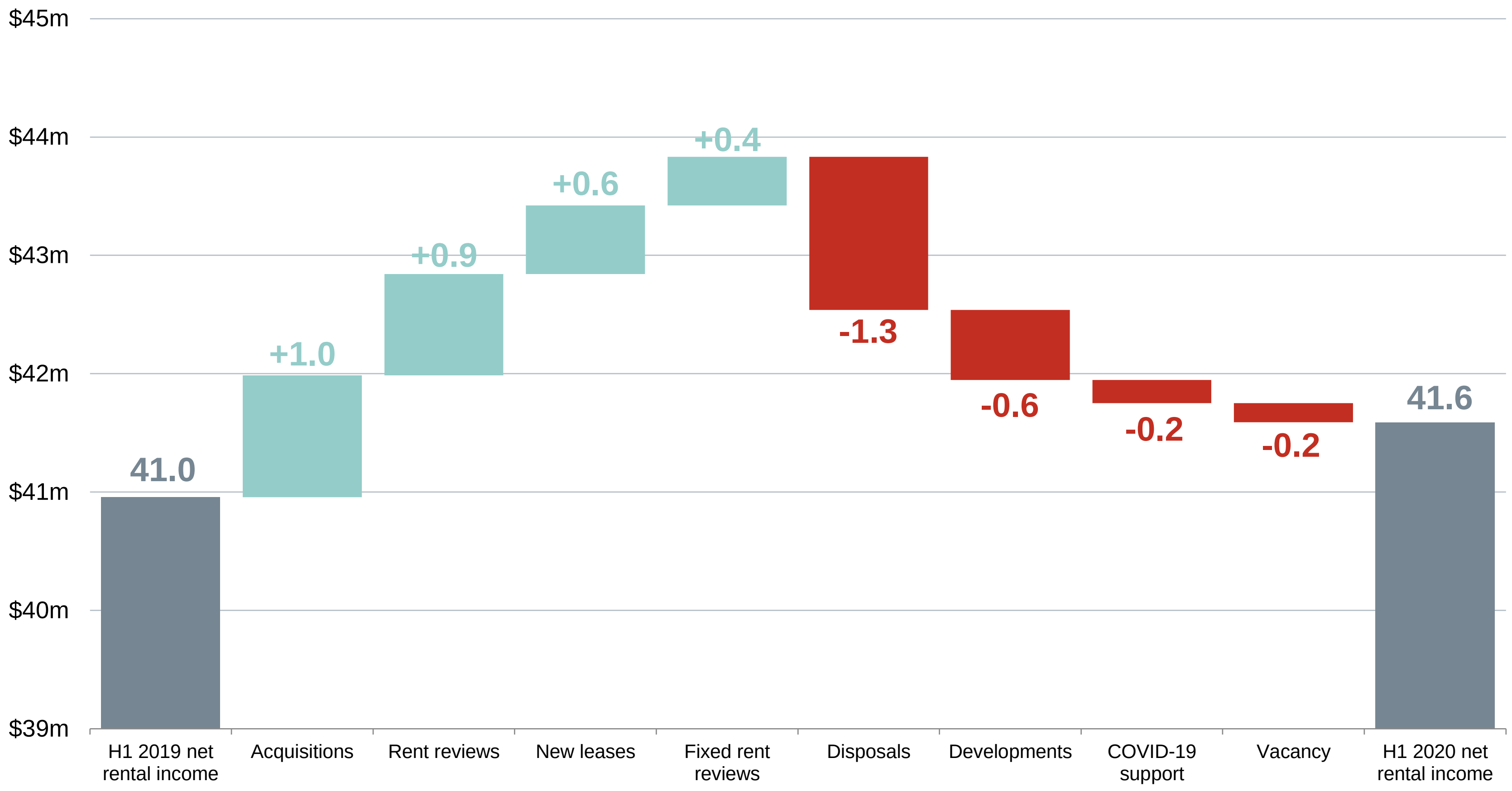
CURRENT FOCUS AREAS:

- Understanding and responding to our climate-related risks
- Responding to the Climate Disclosure Project (CDP) survey for the first time
- Agreeing the meaningful steps that we will take to enhance our ESG performance, with implementation from 2021

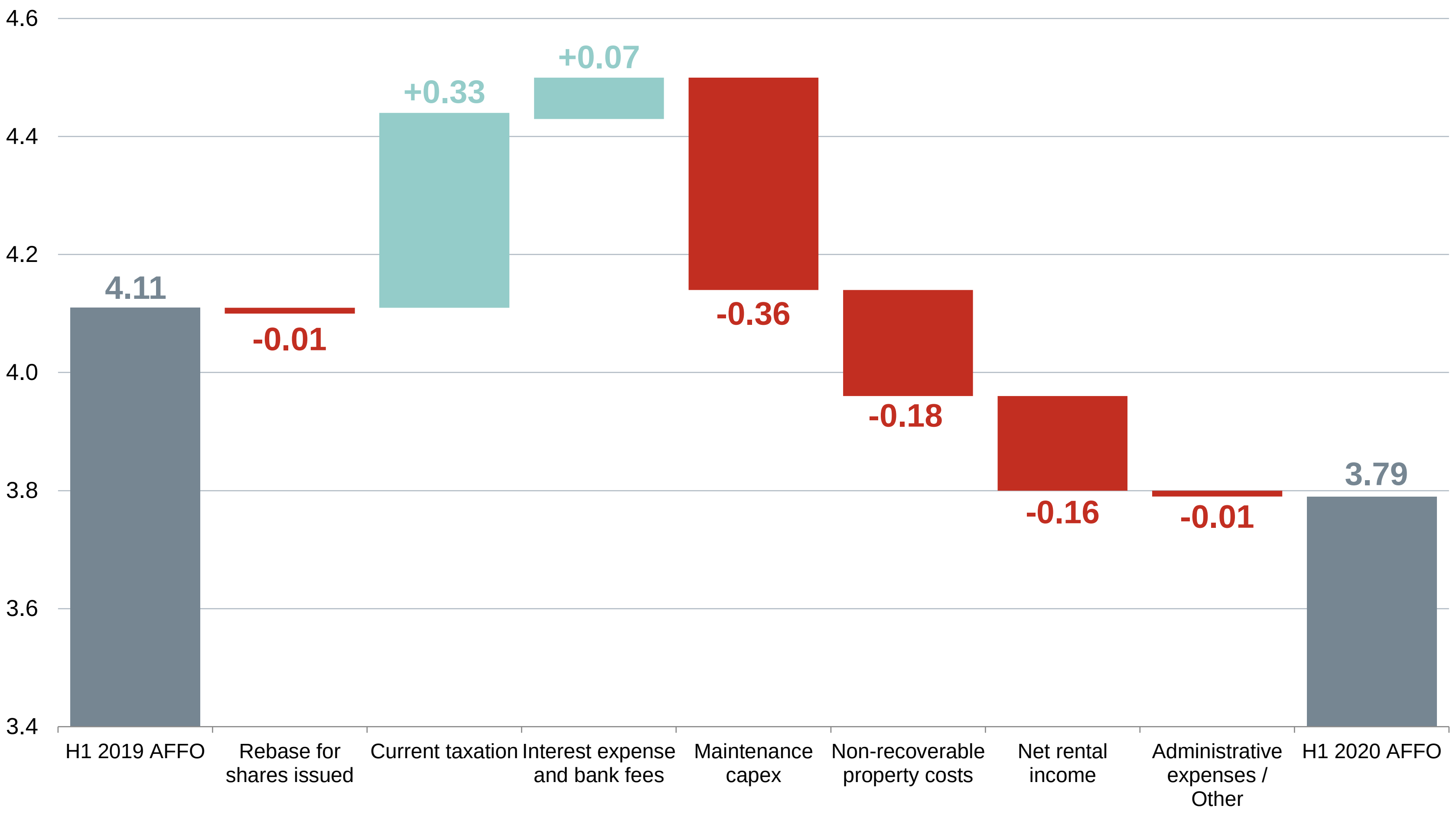
04.

2020 INTERIM RESULTS

- Net rental income of $41.6 million in line with the prior interim period ($41.0 million)
- COVID-19 related support for tenants included $0.7 million of abatement and $0.7 million of deferral, a combined total of 1.6% of annual rent
- Abatement and deferral deals resulted in a $1.1 million decrease in net rental income when compared to the prior interim period, but accounting entries required resulted in recording $0.9 million of income not received, resulting in a change to reported net rental income of just $0.2 million

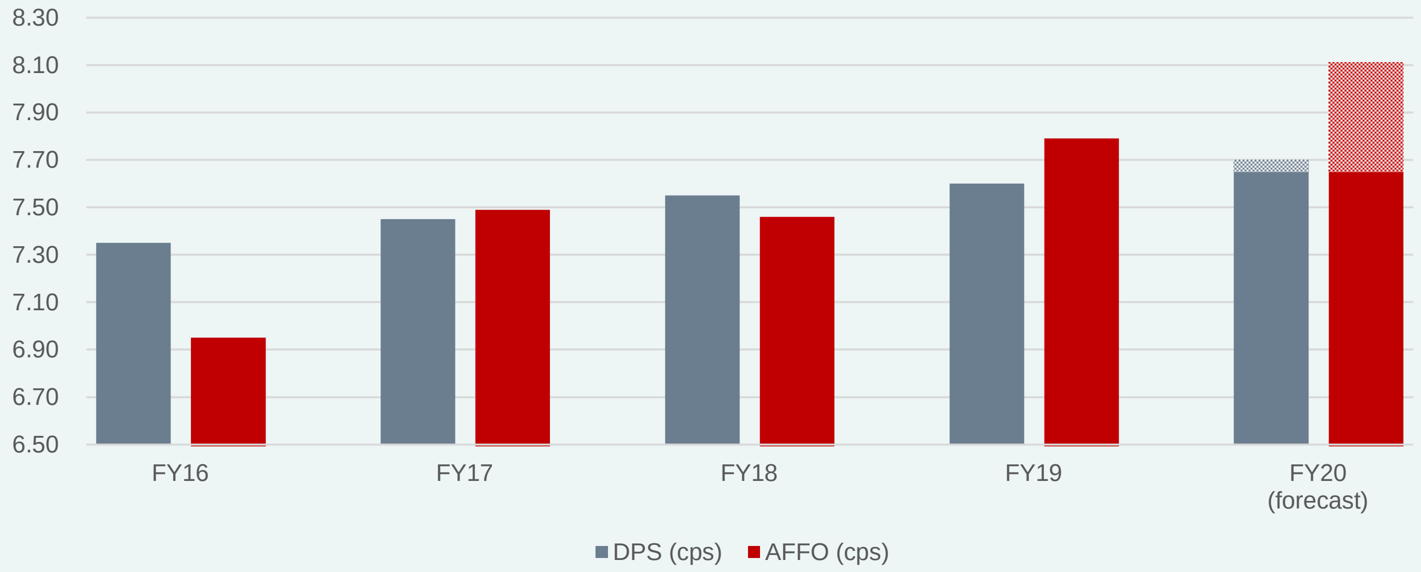


- Profit after tax of $15.6 million
- FFO earnings of 4.78 cents per share, 0.29 cents per share or 6.5% ahead of the prior interim period
- AFFO earnings of 3.79 cents per share, 0.32 cents per share or 7.8% down on the prior interim period
- Current tax down $1.6 million, interest expense and bank fees down $0.3 million
- Maintenance capex up $1.8 million to 29 basis points, accounting entries for COVID-19 abatement and deferral deals of $0.8 million adjusted out of AFFO earnings

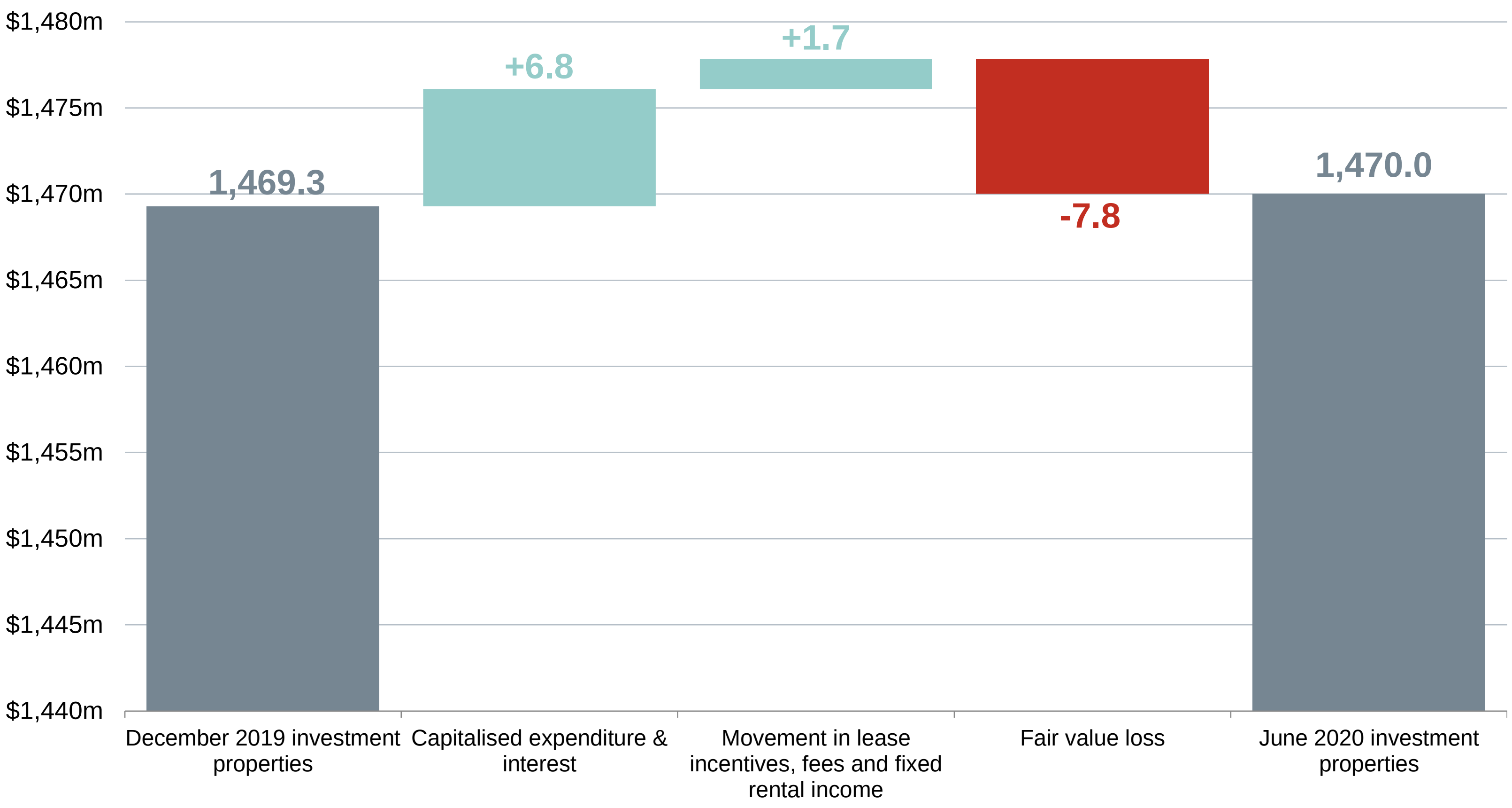


- Q2 dividend based on H1 2020 financial performance, performance materially in line with H1 and H2 2019
- H1 2020 cash dividends total 3.60 cps, in line with H1 2019
- Dividend reinvestment scheme in place for Q1 and Q2 dividends, 2% discount
- 2020 dividend guidance reinstated, dividend of 7.65 – 7.70 cps forecast to equate to 80%-90% of FFO, 95%-100% of AFFO
- Given volatility in AFFO adjustments, PFI remains mindful of the AFFO dividend pay-out ratio over a longer time horizon than any one period when setting dividends, average AFFO dividend pay-out ratio being 101.1% since PFI began disclosing AFFO in 2016

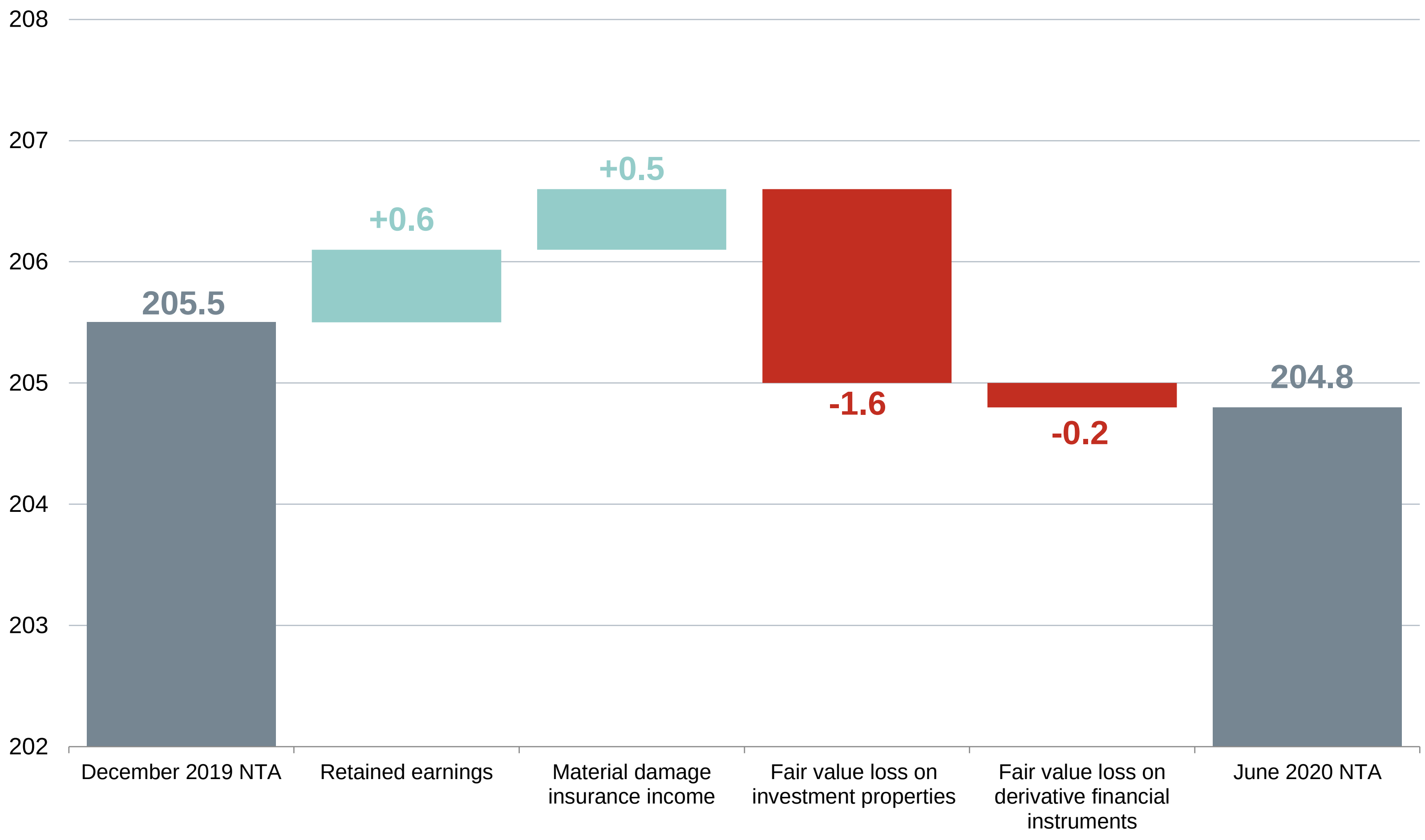
EARNINGS	H1 2020 CPS	H1 2019 CPS	CHANGE
FUNDS FROM OPERATIONS	4.78	4.49	+0.29 CPS or +6.5%
ADJUSTED FUNDS FROM OPERATIONS	3.79	4.11	-0.32 CPS or -7.8%



- Portfolio value of ~$1.47 billion, including 127 Waterloo Road, Christchurch, which is classified as held for sale and is due to settle April 2021
- All 93 properties valued at the half year – including 14 full valuations – resulting in write down of $7.8 million or 0.5%
- Significant capex at 59 Dalgety Drive (refurbishment) and 314 Neilson Street (development)



- Net tangible assets (NTA) per share decreased by 0.7 cents per share or 0.3%
- Change in NTA per share driven by the increase in retained earnings (+0.6 cps) and material damage insurance income (+0.5 cps), offset by a decrease in the fair value of investment properties (-1.6 cps) and a decrease in the fair value of derivative financial instruments (-0.2 cps)



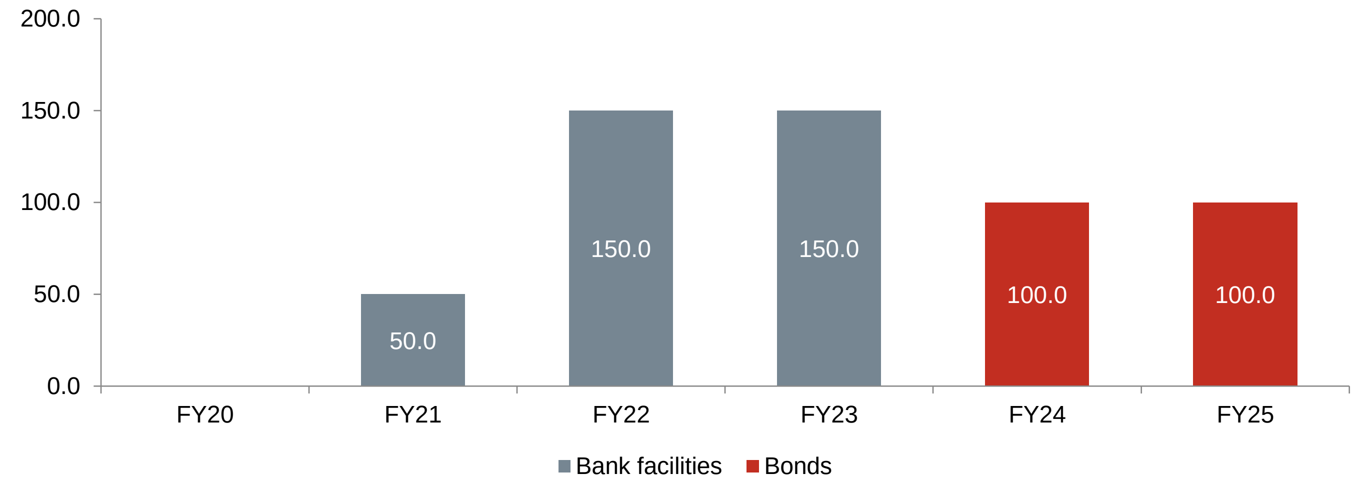
05.

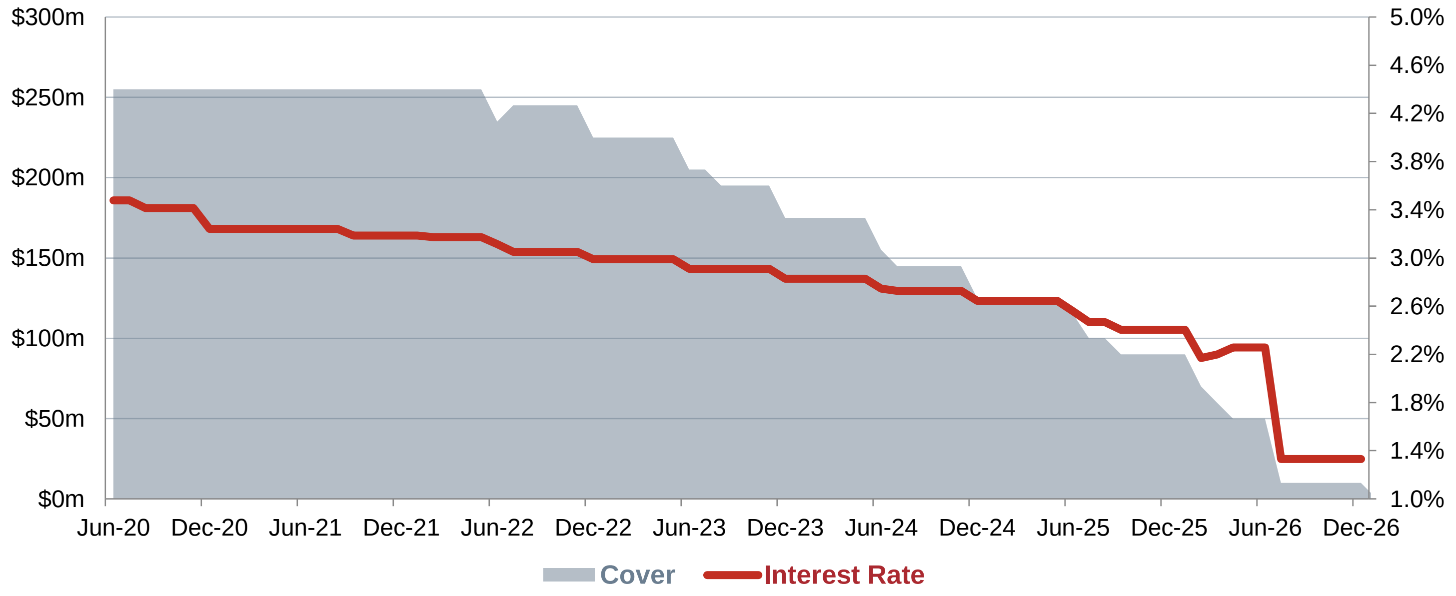
CAPITAL MANAGEMENT

- $50 million liquidity facility secured from CBA in March 2020 in response to the risks associated with COVID-19
- Large fall in the three-month Bank Bill Market (or "float") rate contributed to a 0.46% reduction in PFI's weighted average cost of debt during H1 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
- Bank loan market remains supportive of PFI
- Subject to market conditions, considering options such as another bond issue, to further extend and diversify borrowings

	JUNE 2020	DECEMBER 2019
FUNDING		
BANK FACILITIES DRAWN	$222.3m	$215.6m
BANK FACILITIES LIMIT	$350.0m	$300.0m
BANK FACILITIES HEADROOM	$127.7m	$84.4m
FIXED RATE BONDS	$200.0m	$200.0m
FUNDING TERM (AVERAGE)	3.4 years	4.1 years
BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
COVENANTS		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	28.7%	28.2%
INTEREST COVER RATIO (COVENANT: >2.0X)	4.1 times	4.0 times
INTEREST RATES		
WEIGHTED AVERAGE COST OF DEBT	4.17%	4.63%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	$295m / 3.18% / 3.1 years	$245m / 3.75% / 2.4 years
FORWARD STARTING INTEREST RATE	$160m / 3.27% / 3.4 years	$190m / 3.32% / 3.5 years

- Average borrowings increased by $6.0 million or 1.5%
- Average term to expiry bank facilities and bonds (top graph) of 3.4 years, $127.7 million of unutilised bank facility capacity
- Ability to meet capital commitments regardless of the progress of divestment programme
- Fixed rate payer hedging profile (bottom graph) provides for an average of ~58% of debt to be hedged at an average fixed rate of ~3.44% for the remainder of 2020, with the remainder on low float interest rates





06.

MARKET

- Challenging economic outlook:
  - *"Households and businesses are cautious, and unemployment is rising. Investment and spending will be weaker, with policy providing an important but only partial offset. Despite our enviable position, the slowdown will be large and the recovery slow."* ANZ July 2020 Quarterly Economic Outlook
- Official Cash Rate now widely expected to turn negative in 2021
- Low interest rates are contributing to a demand for industrial property investment that continues to outstrip supply
- CBRE "Auckland Property Market Outlook – Industrial Sector Preview", August 2020:
  - Outlook for vacancy and yields has improved since December 2019
  - Softer outlook for rents, as more generous incentives are offered to prospective tenants

CBRE AUCKLAND MARKET OUTLOOK	JUNE 2020	5-YEAR FORECAST: JUNE 2020	5-YEAR FORECAST: DECEMBER 2019
PRIME INDUSTRIAL			
VACANCY	1.2%	1.1%▲	1.4%
RENTS	$141	+2.1%▼	+2.5%
YIELDS	5.13%	4.74%▲	4.90%
SECONDARY INDUSTRIAL			
VACANCY	1.5%	1.7%▲	2.1%
RENTS	$112	+1.6%▼	+3.0%
YIELDS	6.19%	5.65%▲	5.80%

07.

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.

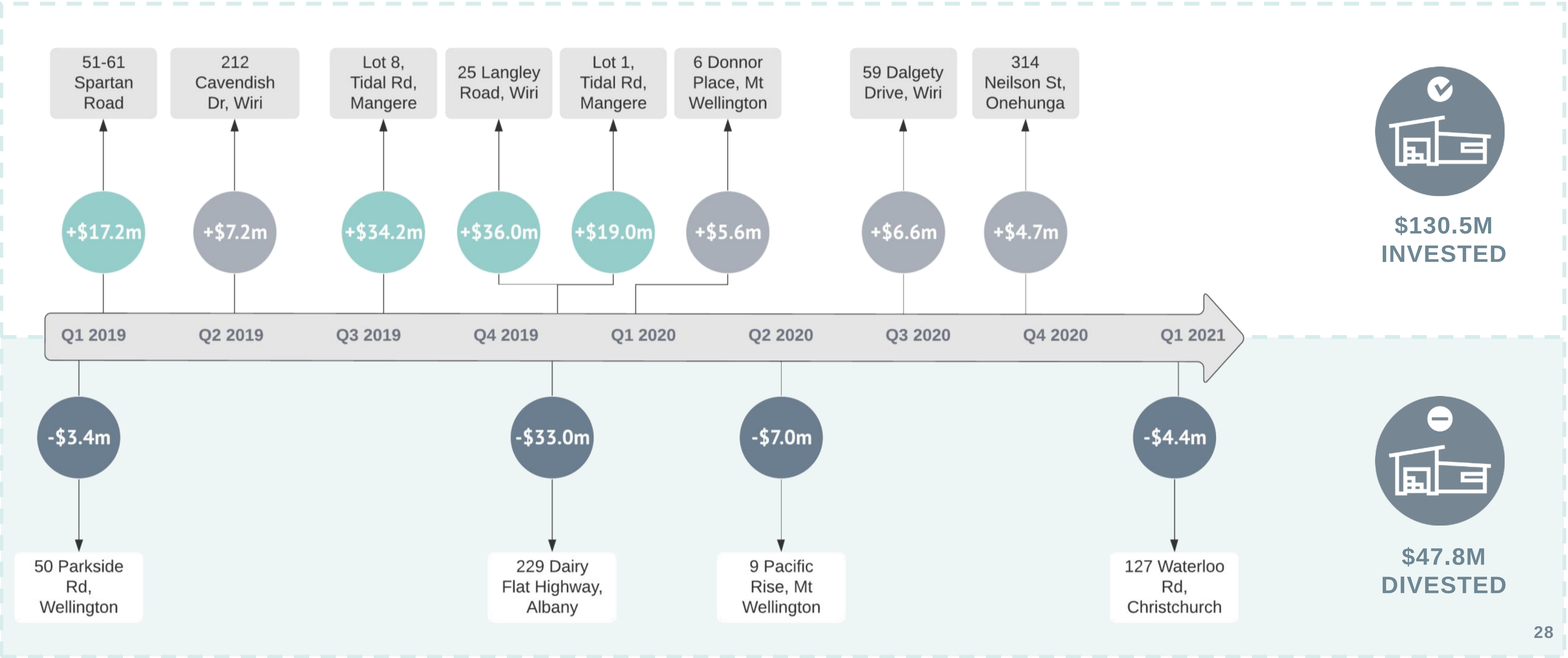
2020

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

- $130.5 million invested and $47.8 million divested since strategy refresh at the beginning of 2019 (see next slide)
- COVID-19 pandemic has created fresh challenges, short term strategy has responded accordingly (refer COVID-19 update on slides 6 and 7)


51-61 Spartan Road
+$17.2m
212 Cavendish Dr, Wiri
+$7.2m
Lot 8, Tidal Rd, Mangere
+$34.2m
25 Langley Road, Wiri
+$36.0m
Lot 1, Tidal Rd, Mangere
+$19.0m
6 Donnor Place, Mt Wellington
+$5.6m
59 Dalgety Drive, Wiri
+$6.6m
314 Neilson St, Onehunga
+$4.7m
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020
Q1 2021
-$3.4m
50 Parkside Rd, Wellington
-$33.0m
229 Dairy Flat Highway, Albany
-$7.0m
9 Pacific Rise, Mt Wellington
-$4.4m
127 Waterloo Rd, Christchurch
$130.5M INVESTED
$47.8M DIVESTED

VALUE-ADD STRATEGIES:

2020 focus: complete build out of current projects, advance other opportunities within the portfolio

DISPOSALS:

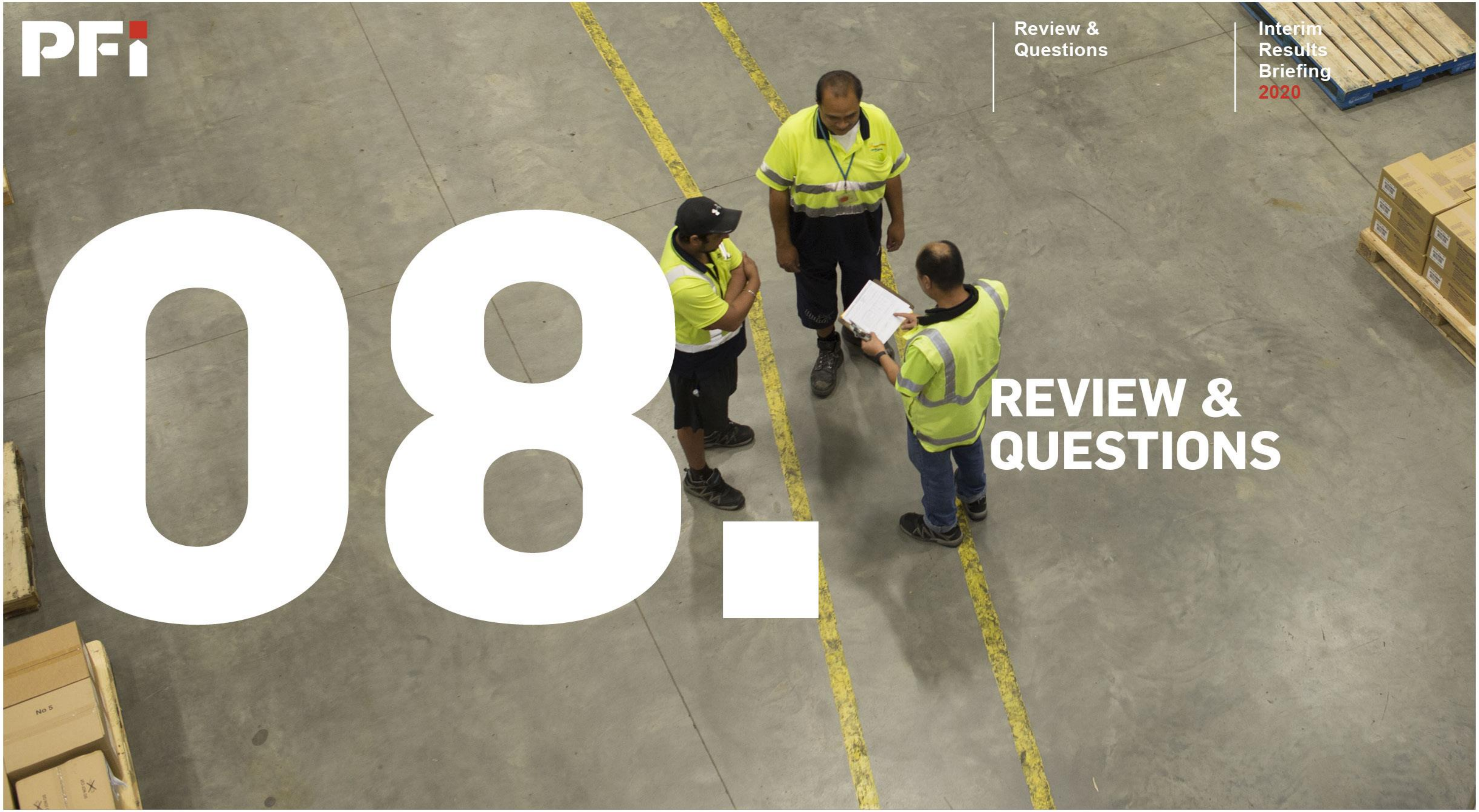
2020 focus: disposal of remaining non-industrial properties, including Carlaw Park and Shed 22

ACQUISITIONS:

2020 focus: acquisitions to match the disposal of remaining non-industrial properties

ASSET MANAGEMENT:

2020 focus: COVID-19 response, leasing of vacant and expiring spaces



08.

REVIEW & QUESTIONS

LOOKING FORWARD:

- Resilient interim result despite a period of significant volatility and uncertainty
- Returns reflect ownership of the right industrial properties, in the right locations, filled with quality tenants, managed by an experienced and dedicated team, coupled with conservative gearing and dividend pay-out ratios
- Demand for industrial space due to increased e-commerce volumes and businesses looking to create more localised and resilient supply chains are trends that are anticipated to benefit PFI
- PFI is well placed to respond to challenges and any opportunities that may arise from them

HIGHLIGHTS:

- Resilient interim result
- Strong balance sheet
- Portfolio metrics maintained
- Dividend guidance reinstated

Questions?

09.

APPENDICES

(Unaudited, $000, unless noted)	6ME June 2020	6ME June 2019
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	**15,649**	**46,398**
Adjusted for:		
Fair value (loss) / gain on investment properties	7,803	(23,449)
Material damage insurance income	(2,151)	-
Loss on disposal of investment properties	14	57
Fair value loss / (gain) on derivative financial instruments	1,023	(1,297)
Amortisation of tenant incentives	1,373	1,297
Straight lining of fixed rental increases	(999)	(717)
Deferred taxation	1,133	127
Other	3	-
Funds From Operations (FFO)	**23,848**	**22,416**
FFO per share (cents)	**4.78**	**4.49**
FFO dividend pay-out ratio (%)	**80%**	**85%**
Maintenance capex	(2,169)	(374)
Incentives and leasing fees given for the period	(1,985)	(1,556)
Other (incl. reversal of accounting entries for COVID-19 abatement and deferral deals)	(785)	-
Adjusted Funds From Operations (AFFO)	**18,909**	**20,486**
AFFO per share (cents)	**3.79**	**4.11**
AFFO dividend pay-out ratio (%)	**101%**	**93%**

Disclaimer

The information included in this presentation is provided as at 4 September 2020 and should be read in conjunction with the NZX results announcement, newsletter, NZX Form – Results Announcement, NZX Form – Distribution Notice, and interim financial statements issued on that same day.

Property for Industry Limited (PFI) does not guarantee the repayment of capital or the performance referred to in this presentation.

Past performance is not a reliable indicator of future performance.

The presentation includes a number of forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond PFI's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.

While every care has been taken in the preparation of this presentation, PFI makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts.

This presentation has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this presentation, and seek professional advice, having regard to the investor's objectives, financial situation and needs.

This presentation is solely for the use of the party to whom it is provided.