
PFi
YOUR INDUSTRIAL
PROPERTY EXPERTS
WELCOME
TO THE 2017 ANNUAL RESULTS BRIEFING

01. HIGHLIGHTS

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- **Significant acquisition activity:** $84.3 million of property acquired, improving portfolio metrics and providing significant medium to long-term development potential
- **Transition of the Penrose portfolio:** approximately $14 million of shareholder value created equating to a property level internal rate of return of approximately 26%
- **Strong balance sheet:** $70 million rights offer, $100 million of senior secured fixed rate seven-year bonds, gearing of 30.8%
- **Dividend policy change and increased dividend for FY18:** guidance of full year cash dividends of approximately 7.55 cents, approximately 95% to 100% of Adjusted Funds From Operations[1]
- **Governance and management changes:** David Thomson appointed to the Board as an Independent Director on 12 February 2018, internalisation of management on 30 June 2017

1. Adjusted Funds From Operations is non-GAAP financial information and a common investor metric, which has been calculated in accordance with the guidelines issued by the Property Council of Australia. Please refer to slide 24 for further details.

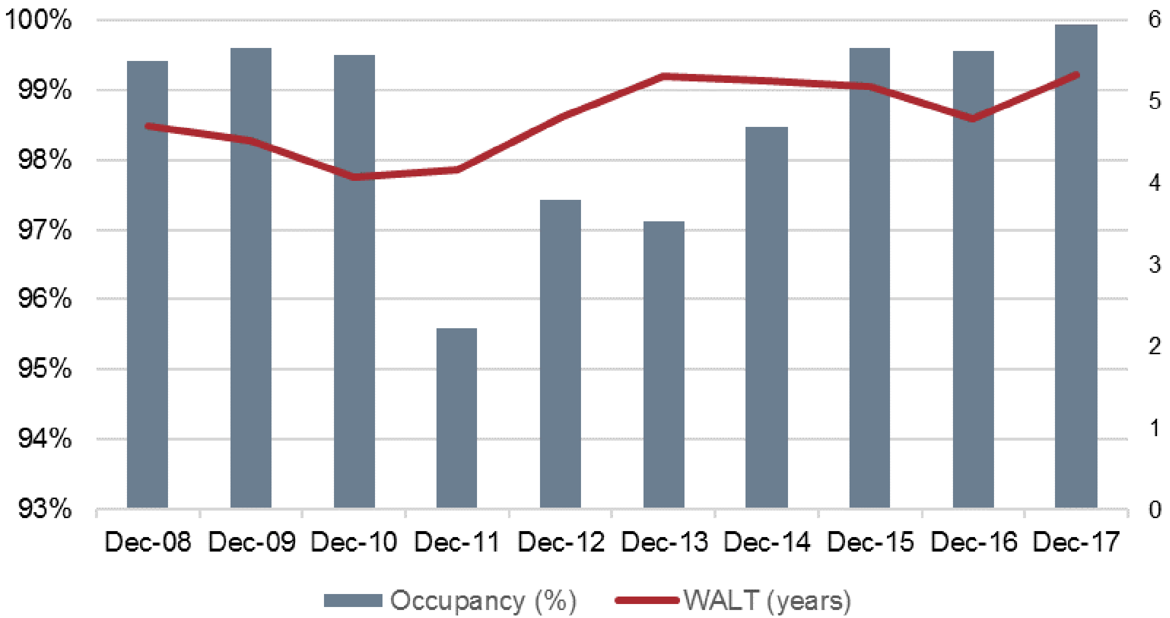
02. PORTFOLIO

PORTFOLIO SNAPSHOT

- PFI's portfolio is diversified across 92 properties and 148 tenants, with 99.9% occupancy and a weighted average lease term of 5.33 years, weighted towards Auckland industrial property

	31 December 2017	31 December 2016
Book value	$1,210.8m	$1,083.3m
Number of properties	92	83
Number of tenants	148	143
Contract rent	$79.6m	$72.5m
Occupancy	99.9%	99.6%
Weighted average lease term	5.33 years	4.79 years
Auckland property	82.4%	85.3%
Industrial property	86.4%	85.5%

HISTORICAL OPERATIONAL PERFORMANCE



- Since 2008, PFI has achieved a year end average occupancy of 98.6% and WALT of 4.81 years

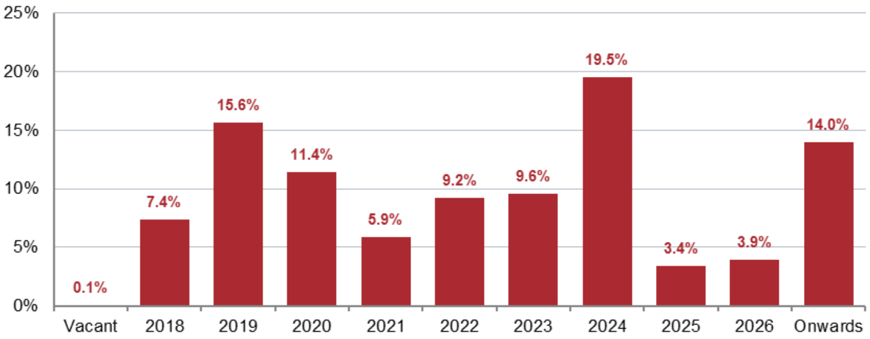
PORTFOLIO PERFORMANCE

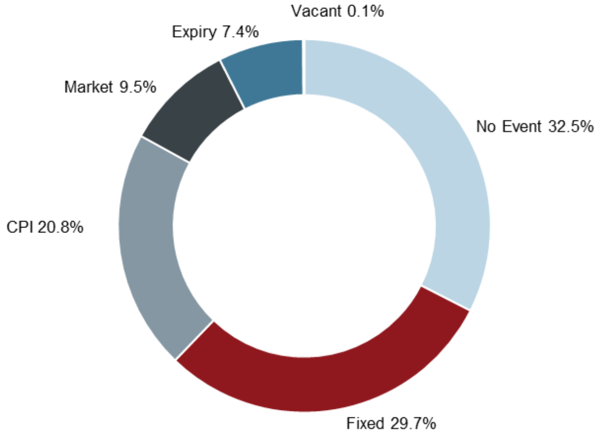
- Valuations:
  - $43.6 million or 3.7% portfolio revaluation uplift to $1,210.8 million
  - Passing yield firmed from 6.69% to 6.57%
- Leasing:
  - 27 leases agreed over ~97,000 sqm of space for an average term of 5.5 years
  - Lease renewals accounted for approximately half of the contract rent secured
  - 73 rent reviews, average annual uplift of ~2.5% on ~$38.6 million of contract rent

Tenant	Address	Term	Area	% Rent Roll
Ballance Agri-Nutrient	124a Hewletts Road, Mt Maunganui	2.1 years	11,765 sqm	1.3%
Massey University	229 Dairy Flat Highway, North Shore	8.0 years	4,429 sqm	1.2%
Hewlett-Packard	2 Pacific Rise, Mt Wellington	1.7 years	2,799 sqm	1.2%
Shed 22 Hospo	Shed 22, 23 Cable Street, Wellington	15.0 years	2,816 sqm	1.0%
Mainfreight Air & Ocean	212 Cavendish Drive, Manukau	6.0 years	9,225 sqm	0.9%
MOTAT	10 Autumn Place, Penrose	9.0 years	7,646 sqm	0.8%
21 other transactions, all for leases with contract rent of <$0.65m		5.2 years	58,170 sqm	7.8%
27 leasing transactions	Various	5.5 years	96,850 sqm	14.2%

LEASE EVENTS

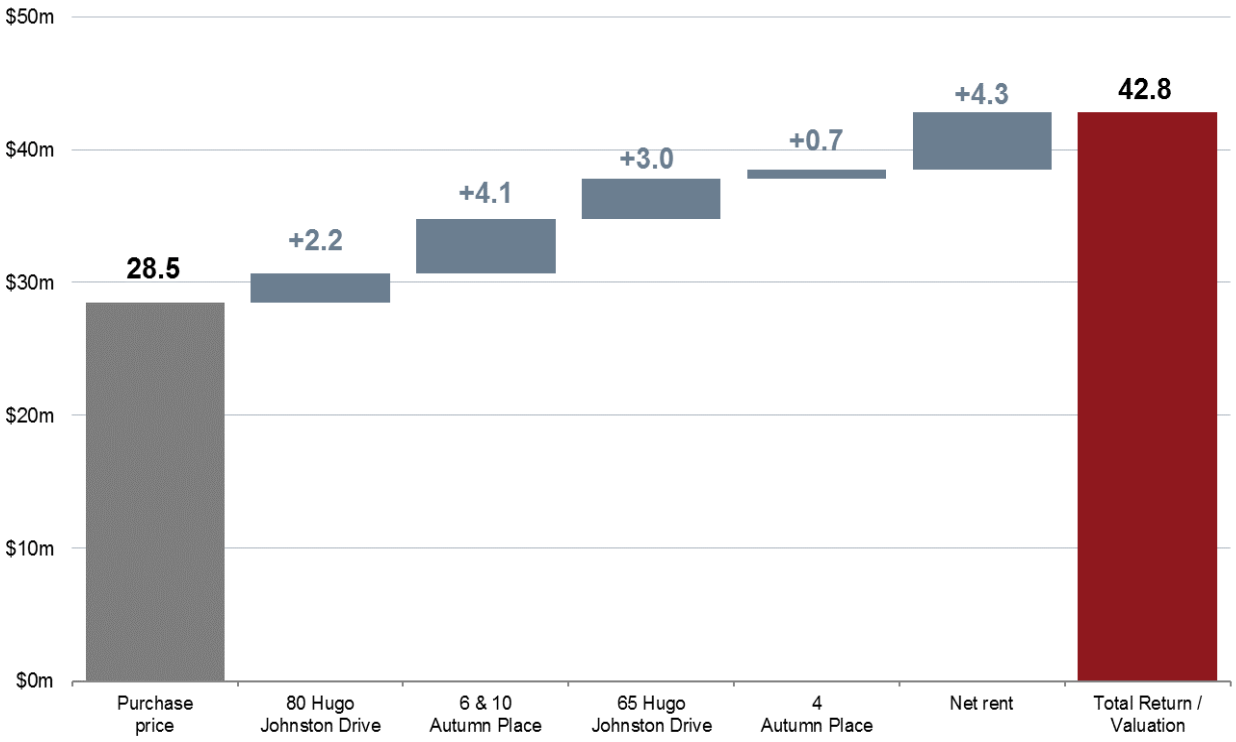
- Near term leasing outlook remains positive: just 7.4% of contract rent is due to expire during 2018
- Expiries at Carlaw Park, Parnell represent 3.2%, leasing of that space is a key priority in 2018
- ~68% of portfolio subject to some form of lease event during 2018





	Tenant	% Rent Roll
Carlaw Park Office Complex	Nestle	1.8%
8 McCormack Place	Information Management	1.1%
10c Stonedon Drive	Chemical Freight Services	1.0%
Carlaw Park Office Complex	Argosy	0.8%
41 William Pickering Drive	So-Pac Marine	0.1%
Other	Various	2.6%
Total		**7.4%**

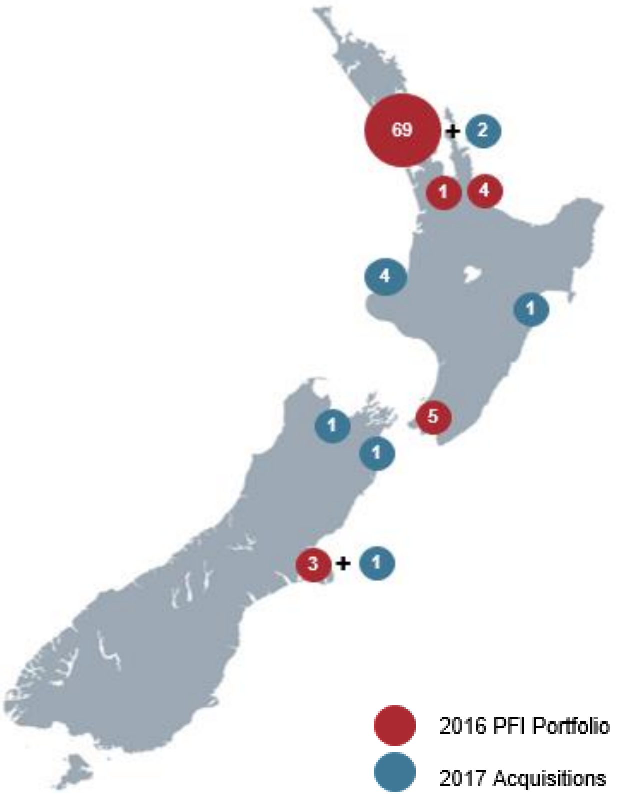
PENROSE PORTFOLIO



- Portfolio of five Penrose properties purchased in August 2015
- All five properties have been transitioned: four from former tenant Sistema to new tenants, one sold for a gain on sale of $1.9 million
- ~$14 million of shareholder value has been created
- Property level internal rate of return of ~26%

ACQUISITIONS

- During 2017 PFI secured ten quality properties for a total acquisition cost of $84.3 million
- The acquisitions:
  - **Established PFI's presence** in additional centres across New Zealand, whilst maintaining a high weighting towards the attractive Auckland property market
  - **Improved** a number of **PFI's portfolio metrics**
  - Were purchased with attractive lease terms, with a high proportion of the assets benefiting from fixed rent reviews, providing **future rental growth**
  - Have **low site coverage** providing for significant medium to long-term **development potential**
  - Established a **strategic partnership** with a quality nationwide tenant, the TIL Logistics Group



DIVESTMENTS AND DEVELOPMENT

- 65 Hugo Johnston Drive, Penrose sold during H1 2017 to an owner occupier for $14.3 million, with a $1.9 million gain on sale representing a 17.8% premium above the December 2016 book value
  - ~$32.3 million of divestments over the last three years
- Tenant commitment continues to be sought for the Company’s new 2,500 sqm warehouse to be built on surplus land at 212 Cavendish Drive, Manukau
  - ~$29.5 million of developments over the last three years

03.
MARKET & STRATEGY

MARKET UPDATE

- ANZ retain a broadly positive medium-term expectation:
  - Forecast annual growth of *"…up towards 3% by the end of 2018, and averaging 2½-3% over the next couple of years overall…"*
  - Equates to the average rate of growth experienced since 2010
- CBRE December 2017 Auckland Market Outlook for industrial property:
  - *"… structural economic changes [are] supporting demand and the supply outlook [is] remaining fairly well balanced relative to our absorption forecasts."*
  - Secondary industrial *"… continues as the market with the best return outlook, largely driven by favourable supply and demand conditions underpinning relatively good rent growth"*
  - Prime industrial ranks seventh out of 12 property classes in their returns forecasts
  - Secondary industrial forecast five year returns total 11.9% per annum (income 6.5%, capital 5.4%)
  - Prime industrial forecast five year returns total 8.8% per annum (income 5.6%, capital 3.2%)

STRATEGY

- PFI has always invested in quality industrial property in prime locations, in order to deliver attractive returns with a low level of volatility: our average annual return to shareholders since inception has been ~9.7%[1]
- We aim to drive shareholder returns by:
  - Active asset management
  - Development
  - Divestments
  - Acquisitions
- In 2017:
  - Internalisation and retention of existing team ensured continuity of strategy
  - Capital management initiatives ensured that the Company maintained a strong balance sheet
- PFI has ended the year with significant capacity to opportunistically pursue both core and value-add industrial acquisitions

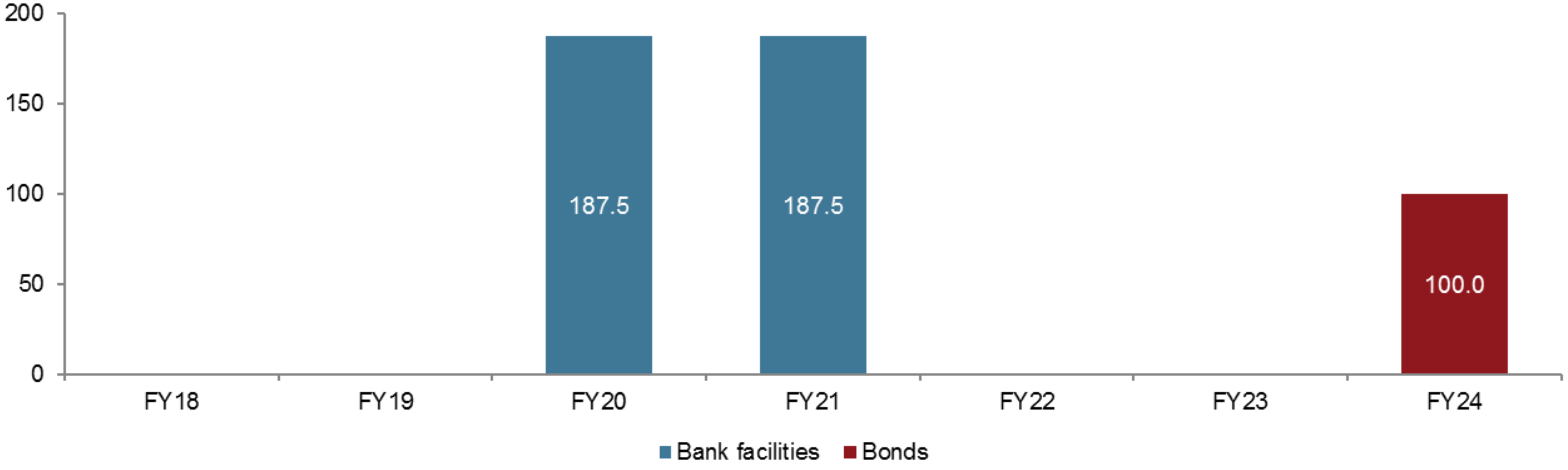
1. Cash dividends plus change in share price, assuming dividends are invested. Source: DataStream.

04. CAPITAL MANAGEMENT

EQUITY AND DEBT INITIATIVES

- **Equity:** ~$70 million raised via October/November 2017 one-for-ten rights offer, high level of take-up by existing shareholders: almost 80% of the new shares available
- **Debt:** inaugural bond offer in November 2017, $100 million of senior secured fixed rate seven-year bonds, rate of 4.59% per annum equating to a margin of 1.65%

Debt facility maturity profile ($m)



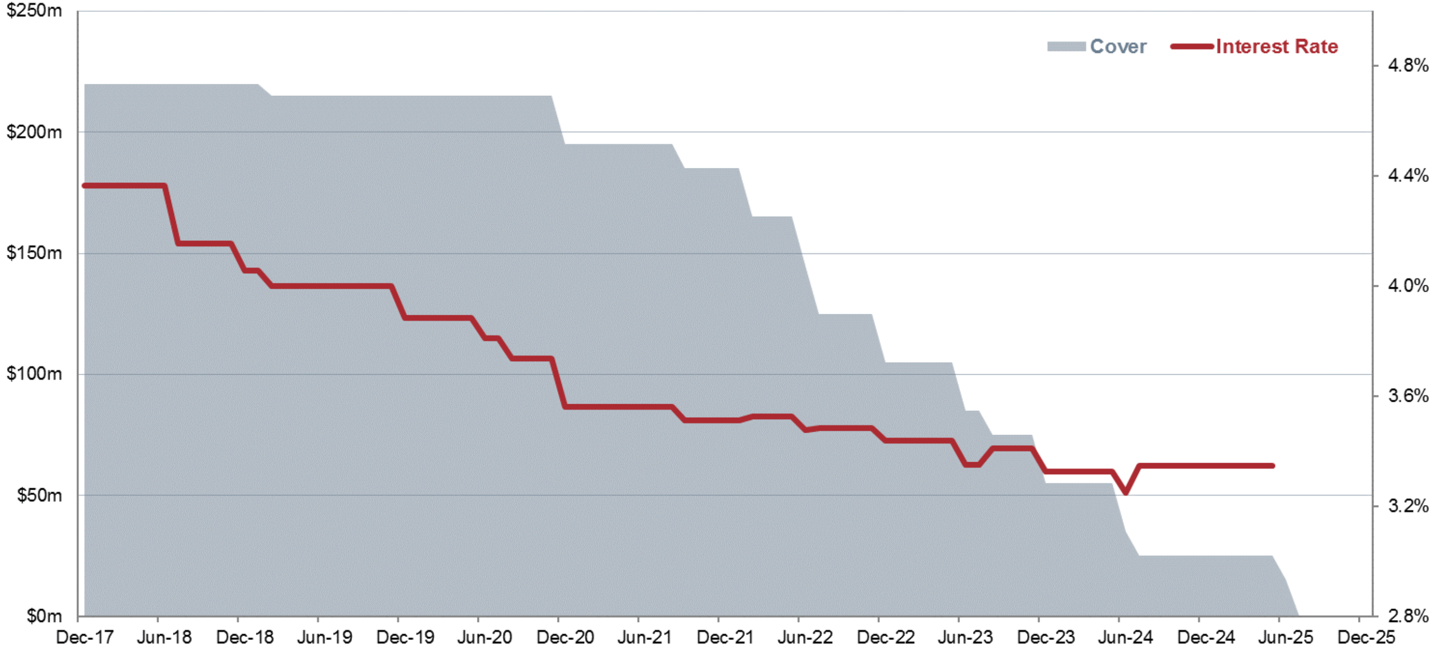
FUNDING, COVENANTS, INTEREST RATES

- Bond helps to diversify PFI's borrowings and to increase the average term to expiry of all facilities to 3.7 years as at the end of 2017
- Gearing of 30.8% and interest cover ratio of 3.7 times well within bank covenants

	Dec 2017	Dec 2016
Funding		
Syndicated Bank Facility drawn (excluding overdraft)	$272.7m	$333.7m
Syndicated Bank Facilities limit	$375.0m	$375.0m
Syndicated Bank Facilities headroom	$102.3m	$41.3m
Fixed Rate Bonds	$100.0m	-
Funding term (average)	3.7 years	3.8 years
Syndicated Bank Facilities banks	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
Covenants		
Gearing	30.8%	30.1%
Interest cover ratio	3.7 times	3.4 times
Interest rates		
Weighted average cost of debt (including margin and fees)	4.96%	5.24%
Fixed rate payer interest rate hedging (excl. forward starting hedging, $m / rate / duration)	$220m / 4.37% / 2.6 years	$243m / 4.53% / 3.0 years
Fixed rate payer interest rate hedging (forward starting hedging, $m / rate / duration)	$155m / 3.55% / 3.0 years	$70m / 3.54% / 2.9 years

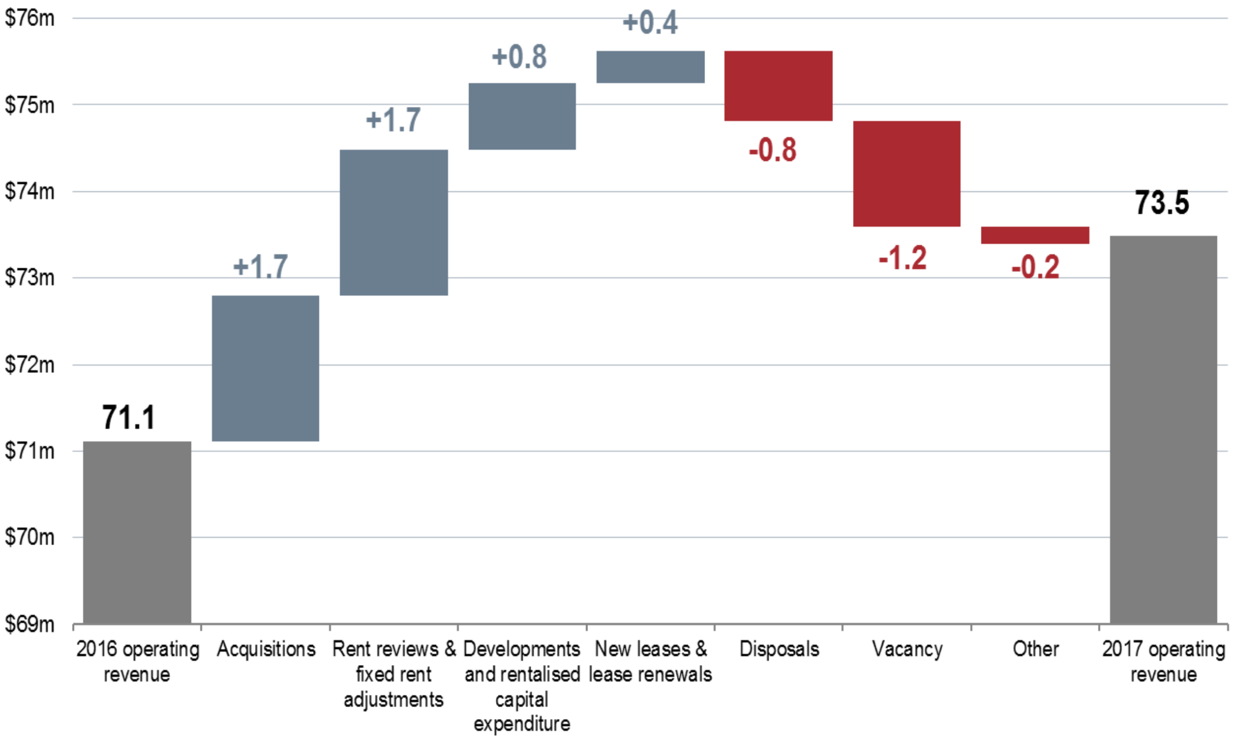
FIXED RATE PAYER HEDGING

- Weighted average cost of debt decreased from 5.24% at end FY16 to 4.96% at end FY17
- Cover profile provides for an average of ~59% of debt to be hedged at an average fixed rate of ~4.28% in FY18



05. 2017 ANNUAL RESULTS

OPERATING REVENUE



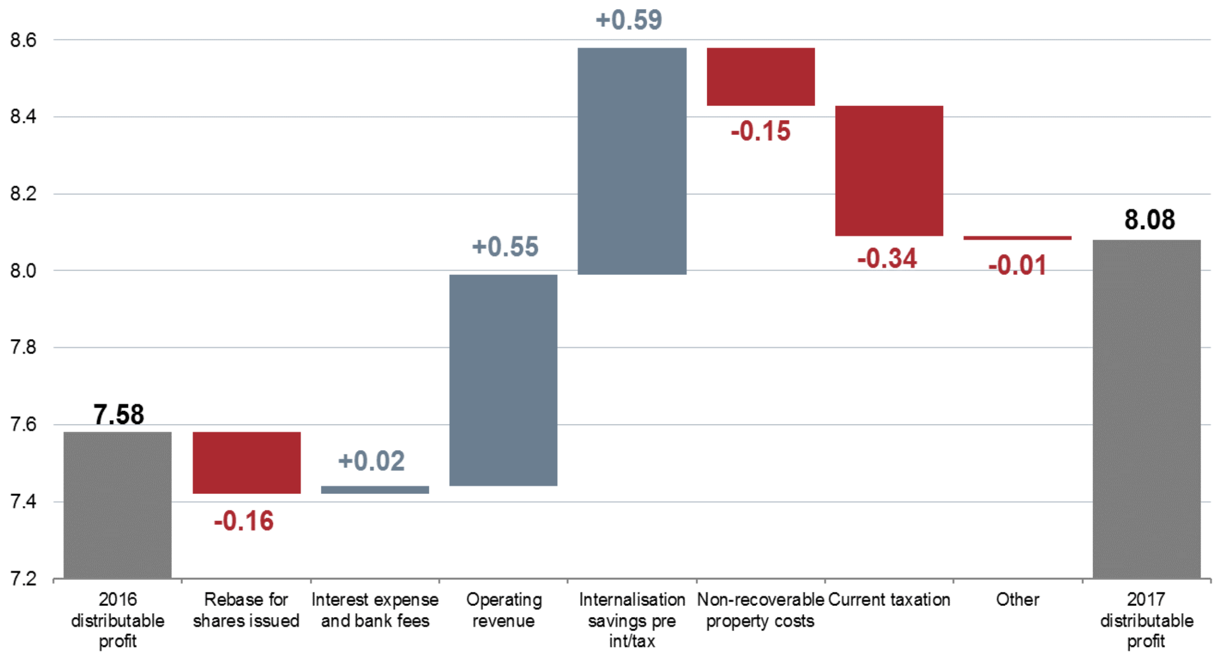
- Operating revenues of $73.5 million up $2.4 million or 3.4%
- Increases due to positive leasing activity ($1.9 million), acquisitions ($1.7 million) and completed developments ($0.8 million),
- Decreases due to increased intra-period vacancy ($1.2 million) and disposals ($0.8 million)
- Transition of the portfolio of five Penrose properties from prior tenant Sistema to new tenants contributed ~$0.8 million to the increase in vacancy (refer slide 10)

COMPREHENSIVE INCOME

For the year ended (audited, $000)	Dec 17	Dec 16	Change
Total operating revenue	**73,528**	**71,108**	**2,420**
Non-recoverable property costs	(2,357)	(1,646)	(711)
Interest expense and bank fees	(17,768)	(17,839)	71
Management fees	(2,919)	(7,259)	4,340
Other expenses	(2,891)	(1,230)	(1,661)
Total operating expenses	**(25,935)**	**(27,974)**	**(2,039)**
Total operating earnings	**47,593**	**43,134**	**4,459**
Fair value gain on investment properties	43,595	88,214	(44,619)
Gain on disposal of investment properties	1,949	302	1,647
Material damage insurance income	504	-	504
Fair value (loss) / gain on derivative financial instruments	(1,230)	433	(1,663)
Termination of management agreement	(42,869)	-	(42,869)
Total non-operating income and expenses	**1,949**	**88,949**	**(87,000)**
Profit before taxation	**49,542**	**132,083**	**(82,541)**
Current taxation	-	(8,535)	8,535
Deferred taxation	2,142	(136)	2,278
Total income tax benefit / (expense)	**2,142**	**(8,671)**	**10,813**
Profit after income tax	**51,684**	**123,412**	**(71,728)**

- Operating revenues up $2.4 million or 3.4%, refer slide 21: operating revenue
- Operating expenses down $2.0 million or 7.3%, due to management fees (down $4.3 million) partially offset by $1.6 million increase in administrative expenses incurred from July to December 2017 in lieu of management fees
- Higher non-recoverable property costs ($0.7 million) due to increased vacancy and asbestos testing programme
- Excl. the impact of the internalisation payment, net of tax, profit after tax of $82.6 million or 17.96 cents per share (refer Appendix 1)

DISTRIBUTABLE PROFIT (CENTS PER SHARE, CPS)



- Distributable profit per share up 0.50 cps or 6.6%
- Internalisation cost savings in H2 2017:
  - Estimated at ~$2.7 million (0.59 cps) before interest and tax, or $1.4 million (0.30 cps) after interest and tax
  - Represent a contribution of 7.1% to the H2 2017 increase in distributable profit, ahead of the 6% estimated by Northington Partners in their Independent Appraisal Report

1. Distributable profit is non-GAAP financial information used by the PFI Board to assist in determining dividends to shareholders. Refer: Note 4.1 of Financial Statements.

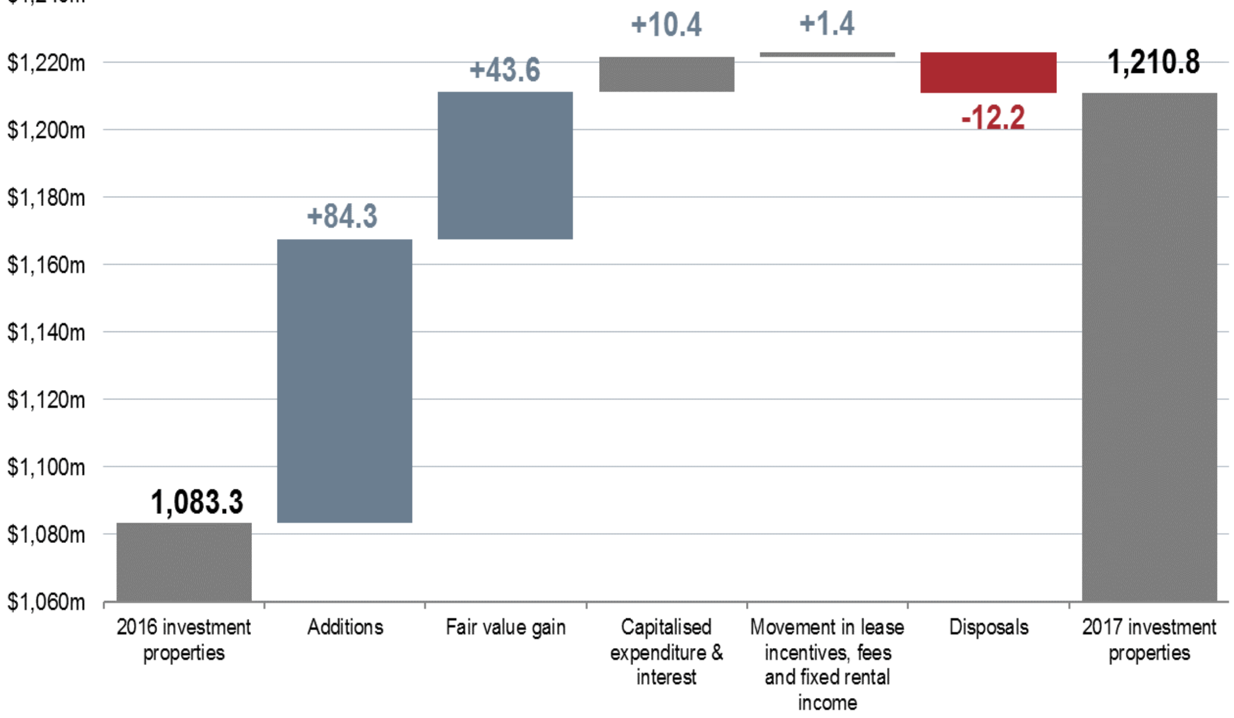
FFO, AFFO AND DIVIDENDS

(Unaudited, $000, unless noted)	Dec 2017	Dec 2016
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	51,684	123,412
Adjusted for:		
Fair value gain on investment properties	(43,595)	(88,214)
Material damage insurance income	(504)	-
Gain on disposal of investment properties	(1,949)	(302)
Fair value loss / (gain) on derivative financial instruments	1,230	(433)
Amortisation of tenant incentives	2,287	1,973
Straight lining of fixed rental increases	(490)	(607)
Deferred taxation	(2,142)	136
Termination of management agreement	42,869	-
Current taxation without deductibility of termination of management agreement	(10,010)	-
Funds from operations (FFO)	**39,380**	**35,965**
FFO per share (cents)	**8.57**	**7.99**
FFO dividend pay-out ratio	**87%**	**92%**
Maintenance capex	(2,641)	(2,962)
Incentives and leasing fees given for the period	(2,316)	(1,729)
Other	(12)	(12)
Adjusted funds from operations (AFFO)	**34,411**	**31,262**
AFFO per share (cents)	**7.49**	**6.95**
AFFO dividend pay-out ratio	**99%**	**106%**

- Funds From Operations (FFO) earnings up 0.58 cps, Adjusted Funds From Operations (AFFO), earnings up 0.54 cps
- FY17 cash dividends total 7.45 cps
- Change in dividend policy: from FY18, dividend policy will be based on 80-90% of FFO and 95-100% of AFFO
- New policy means that dividend payments will reflect cashflow from sustainable rental activity alone
- FY18 cash dividend guidance: 7.55 cps, representing 95% to 100% of AFFO, assumes ~97% occupancy

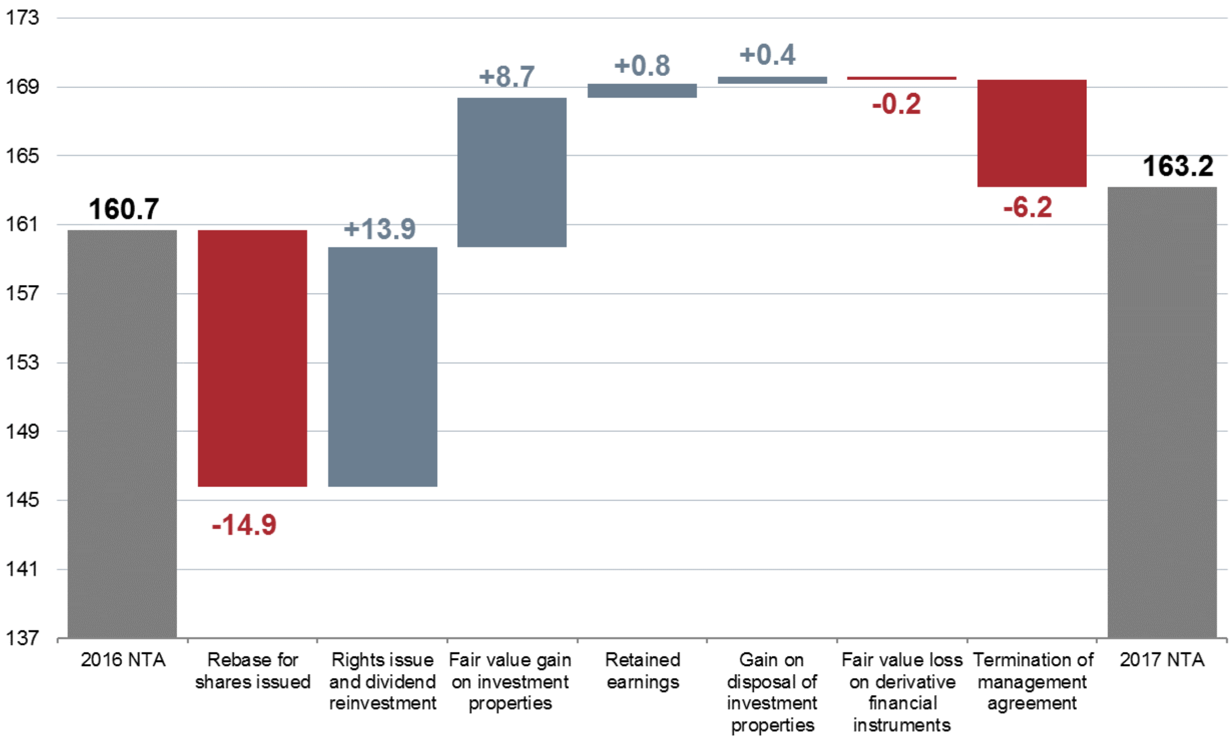
1. FFO and AFFO are non-GAAP financial information and are common investor metrics, which have been calculated in accordance with the guidelines issued by the Property Council of Australia.

INVESTMENT PROPERTIES



- Portfolio value of ~ $1.2 billion
- Significant acquisition activity: $84.3 million of property acquired, improving portfolio metrics and providing significant medium to long-term development potential
- Annual increase from independent valuations of $43.6 million or 3.7%

NET TANGIBLE ASSETS (CENTS PER SHARE, CPS)



- Net tangible assets (NTA) per increased by 2.5 cps or 1.6% to 163.2 cps
- Excluding the impact of the internalisation payment, net of tax, PFI's NTA would have increased by 8.7 cps or 5.4% to 169.4 cents (refer Appendix 1)

FIVE YEAR FINANCIAL SUMMARY

($m, unless noted)	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Operating revenue	48.1	63.8	66.9	71.1	73.5
Total operating earnings	26.9	36.9	36.6	43.1	47.6
Total comprehensive income after tax	**40.5**	**59.9**	**72.8**	**123.4**	**82.6** [1]
Total assets	877.0	906.9	1,027.2	1,121.8	1,242.2
Total liabilities	341.8	341.9	369.2	365.7	399.2
Total equity	**535.2**	**565.0**	**658.0**	**756.1**	**842.9**
Banking covenants:					
Company gearing (threshold 50%)	37.4%	35.8%	33.3%	30.1%	30.8%
Interest cover ratio	3.2x	3.0x	2.9x	3.4x	3.7x

- 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. Refer: Appendix 1: Total comprehensive income excluding internalisation

06. REVIEW & QUESTIONS

REVIEW & QUESTIONS

- PFI's strategy is to invest in quality industrial property in New Zealand's prime locations and the Company aims to deliver **strong**, **stable** shareholder returns
- 2017 highlights:
  - Significant acquisition activity
  - Transition of the Penrose portfolio
  - Strong balance sheet
  - Dividend policy change and increased dividend for FY18
  - Governance and management changes
- Questions?

07. APPENDICES

APPENDIX 1: EPS & NTA EXCL. INTERNALISATION

- Some measures have been presented excluding the impact of internalisation payment, net of tax

Adjusted earnings per share (unaudited, $000)	Dec 2017	Dec 2016
Total comprehensive income attributable to the shareholders of the Company	**51,684**	**123,412**
Adjusted for internalisation:		
Termination of management agreement	42,869	-
Tax benefit of termination of management agreement	(12,003)	-
Adjusted total comprehensive income attributable to the shareholders of the Company	**82,550**	**123,412**
Weighted average number of ordinary shares (shares)	**459,600,237**	**450,078,636**
Adjusted basic and diluted earnings per share (cents)	**17.96**	**27.42**

Adjusted net tangible assets per share (unaudited, $000)	Dec 2017	Dec 2016
Net tangible assets	**813,857**	**727,052**
Adjusted for internalisation:		
Termination of management agreement	42,869	-
Tax benefit of termination of management agreement	(12,003)	-
Adjusted net tangible assets	**844,723**	**727,052**
Closing shares on issue (shares)	**498,723,330**	**452,458,592**
Adjusted net tangible assets per share (cents)	**169.4**	**160.7**

DISCLAIMER

The information included in this presentation is provided as at 12 February 2018 and should be read in conjunction with the NZX annual results announcement, NZX appendix 1 (including the financial statements) and NZX appendix 7 issued on that same day.

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