

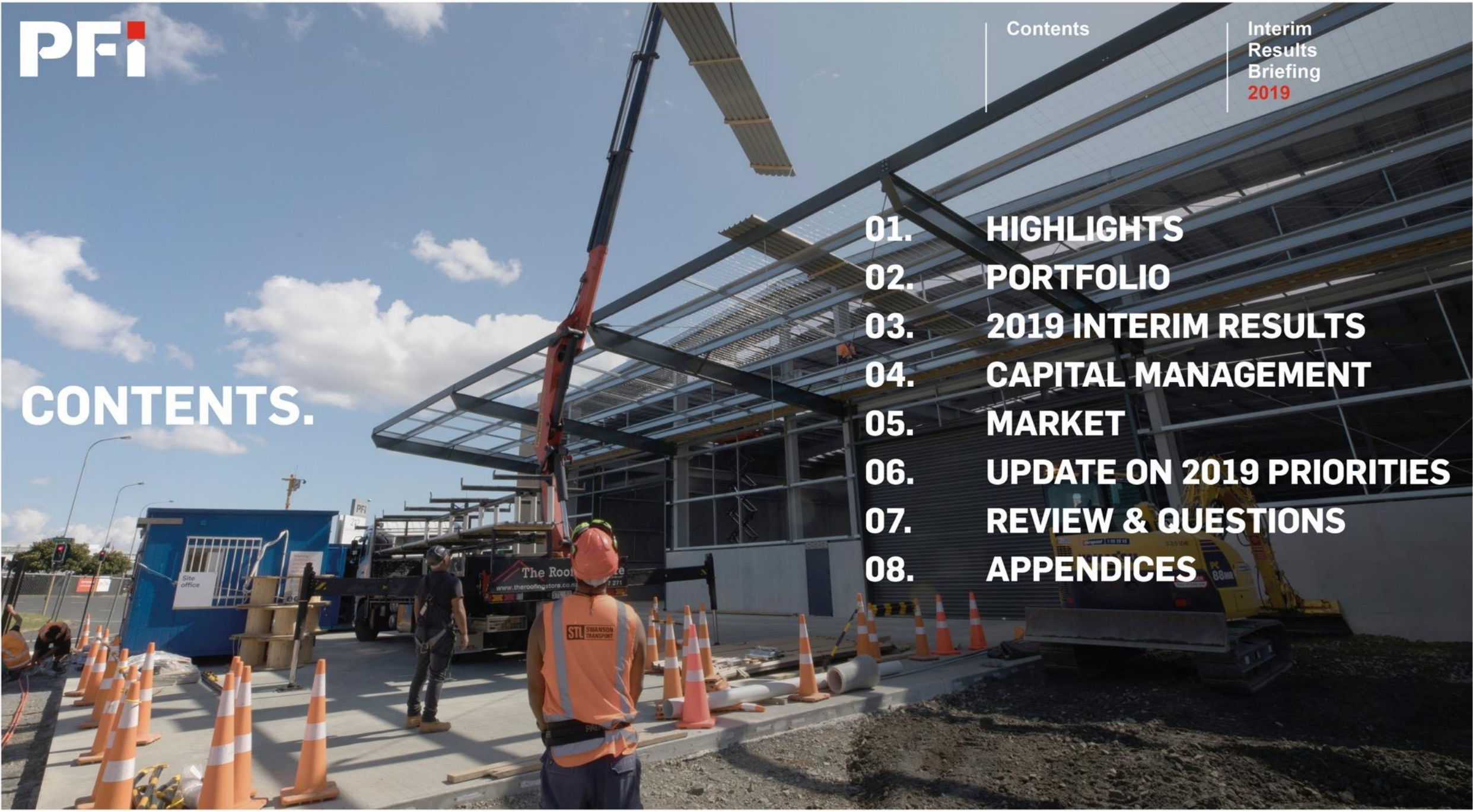


Interim
Results
Briefing
2019

WELCOME TO THE 2019 INTERIM RESULTS BRIEFING.

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02. PORTFOLIO
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Highlights

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Q1

HIGHLIGHTS



2019 PRIORITIES ADVANCED:

two Auckland industrial opportunities secured totalling \$51.4 million, 229 Dairy Flat Highway in Albany now being marketed for sale, \$19.1 million of value-add strategies committed to or in advanced stages of planning



EARNINGS GROWTH:

interim profit after tax up \$16.8 million, Funds From Operations (FFO) ¹ earnings per share in line with the prior interim period, Adjusted Funds From Operations (AFFO) earnings per share up 16.8% to 4.11 cents per share



VALUATION GAINS:

\$23.4 million or 8.8% increase in the value of 13 properties from independent valuations, net tangible assets per share up 5.4 cents or 3.0% to 183.1 cents per share



POSITIVE PORTFOLIO ACTIVITY:

over 72,000 square metres or 11% of the portfolio leased during the interim period to 14 tenants for an average increase in term of 6.8 years, market rent reviews settled at an average of ~4.8% above December 2018 market rental assessments

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 31 for further details.

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PORTFOLIO

- PFI's portfolio is diversified across 94 properties and 147 tenants, with 99.7% occupancy and a weighted average lease term of 5.71 years, weighted towards Auckland industrial property



	JUNE 2019	DECEMBER 2018	JUNE 2018
BOOK VALUE	\$1,368.3m	\$1,322.0m	\$1,239.5m
NUMBER OF PROPERTIES	94	94	93
NUMBER OF TENANTS	147	148	146
CONTRACT RENT	\$83.1m	\$82.0m	\$80.0m
OCCUPANCY	99.7%	99.3%	98.1%
WEIGHTED AVERAGE LEASE TERM	5.71 years	5.39 years	5.39 years
AUCKLAND PROPERTY	83.8%	83.1%	82.6%
INDUSTRIAL PROPERTY	87.4%	87.3%	86.6%

- Full valuations for 13 properties, \$23.4 million or 8.8% uplift:
 - \$25.0 million or 11.3% uplift on 10 properties with leasing transactions (refer next slide for more detail)
 - \$0.7 million or 4% uplift on 51-61 Spartan Road, Takanini, purchased in March 2019 (refer slide 26 for more detail)
 - \$1.8 million or 17% write down on 314 Neilson Street, Penrose, due to a fire in April 2019¹
 - \$0.5 million or 2.6% write down on 6 Donnor Place, Mount Wellington, where refurbishment has started following tenant expiry (refer slide 27 for more detail)
- Independent desktop review of remainder of portfolio
- Passing yield firmed from 6.21% to 6.09%
- CBRE estimate² Auckland prime industrial yields are 5.17% and secondary industrial yields are 6.08%

¹PFI has material damage insurance up to a value of \$9.65 million and 24 months of business interruption insurance in place for this property. The final amounts to be received under these insurances are yet to be determined and received.

²CBRE “Hot Off The Press Update”, July 2019.

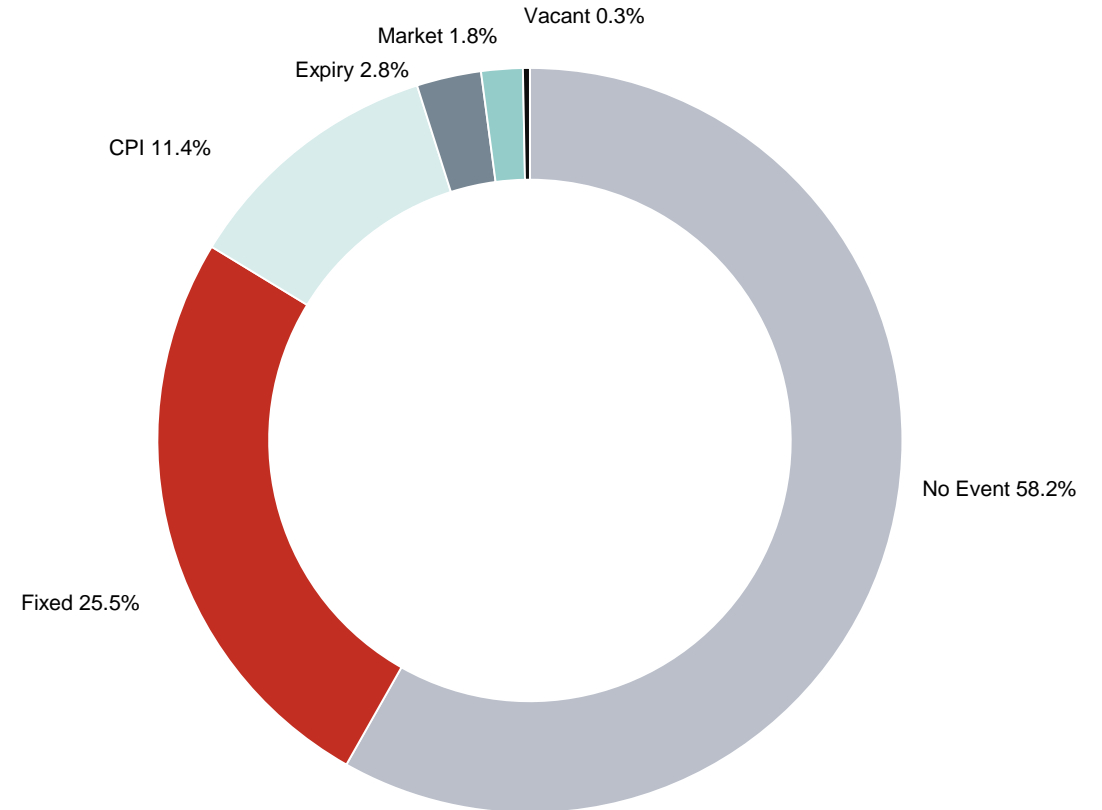


- 14 leases agreed over ~72,000 sqm of space for an average term of 6.8 years
- Lease renewals accounted for more than 90% of the contract rent secured
- Average leasing costs (incentives, capital expenditure) less than half a month per year of term
- \$25.0 million or 11.3% uplift on 10 properties with significant leasing transactions



ADDRESS	TENANT	TERM	AREA	% RENT ROLL
7-9 NIALL BURGESS RD	DHL	7.0 years	23,525 sqm	2.9%
CARLAW PARK	Jacobs	5.4 years	4,334 sqm	2.1%
320 ROSEBANK RD	Doyle Sails	12.0 years	6,625 sqm	1.0%
9 NESDALE AVE	Brambles	5.0 years	14,163 sqm	0.9%
CARLAW PARK	Quest	10.0 years	1,737 sqm	0.9%
6-8 GREENMOUNT DR	Bridon	12.0 years	6,590 sqm	0.8%
686 ROSEBANK RD	BUNZL	3.0 years	3,858 sqm	0.6%
VARIOUS	7 Other Transactions	4.0 years	11,651 sqm	2.0%
14 LEASING TRANSACTIONS		6.8 years	72,483 sqm	11.2%

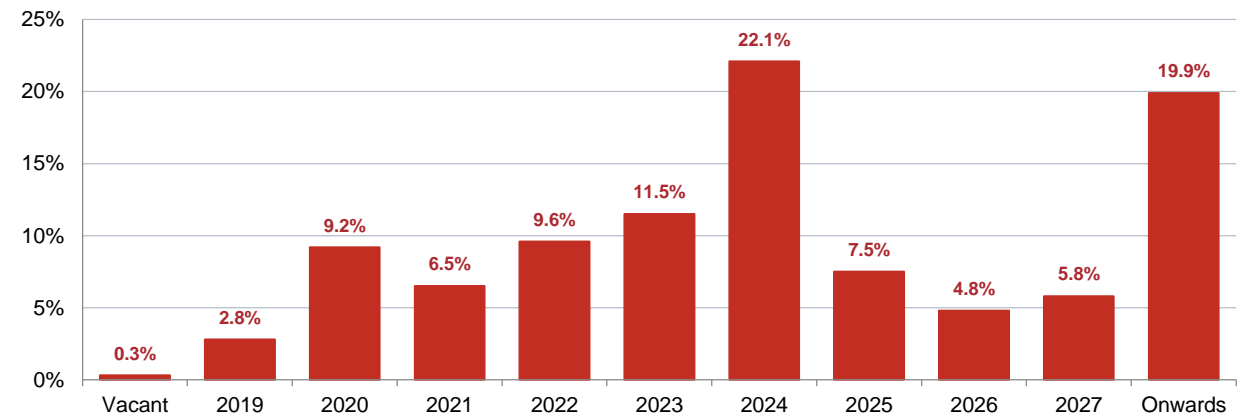
- 56 rent reviews delivered an average annual uplift of ~3.3% on ~\$23.4 million of contract rent
- Nine market rent reviews delivered an annualised increase of 3.3% over an average review period of 3.7 years on \$4.6 million of contract rent, reviews settled at average of ~4.8% above December 2018 market rental assessment
- CBRE predict¹ industrial rental growth over the next five years to average 3.0% per annum for prime properties and 4.1% per annum for secondary properties
- PFI will continue to access projected market rental growth as ~5% of the Company's H2 2019's lease events are market related
- Independent market rental assessment not completed at the end of the interim period, PFI estimates that the Company's Auckland industrial portfolio is ~5% under-rented, on a portfolio basis



¹CBRE "Auckland Market Outlook", June 2019.

- Portfolio is 99.7% occupied (0.3% vacancy) and 2.8% of contract rent is due to expire in the second half of 2019, a total of 3.1% (H2 2018: 3.9%)
- Short term renewal at 2 Pacific Rise secured post balance date
- CBRE estimate Auckland industrial vacancy of ~1.4%¹ and forecast vacancy to remain at an average of ~1.3%² over the next five years

H2 2019 EXPIRIES	TENANT	% RENT ROLL
2 PACIFIC RISE	Hewlett-Packard	1.2%
CARLAW PARK GATEWAY	Jacobs (car-parks)	0.7%
511 MT WELLINGTON HIGHWAY	Bremca	0.4%
44 MANDEVILLE STREET	Viridian Glass	0.3%
OTHER	Various	0.2%
TOTAL		2.8%



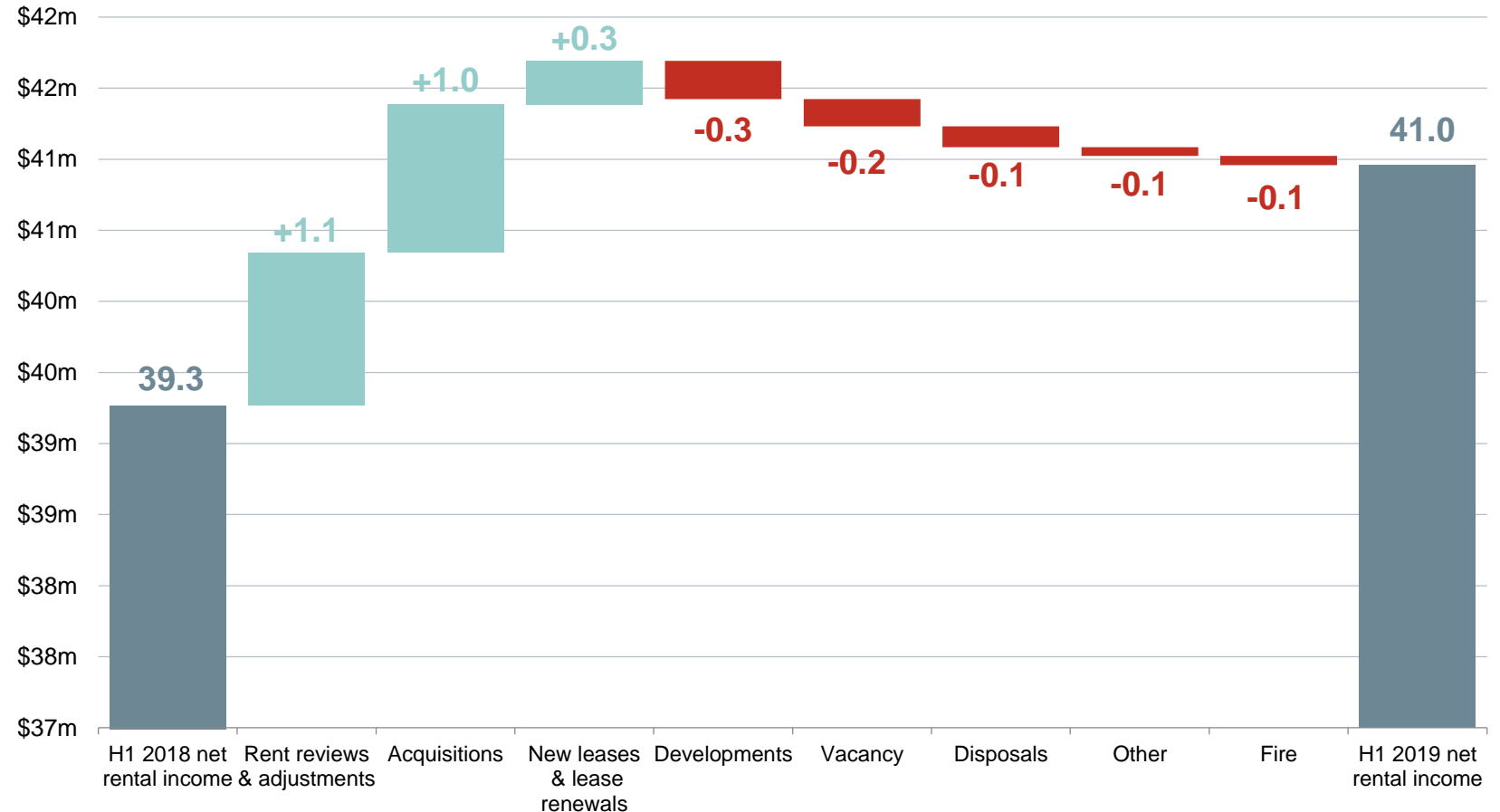
¹CBRE “Hot Off The Press Update”, August 2019.

²CBRE “Auckland Market Outlook”, June 2019.

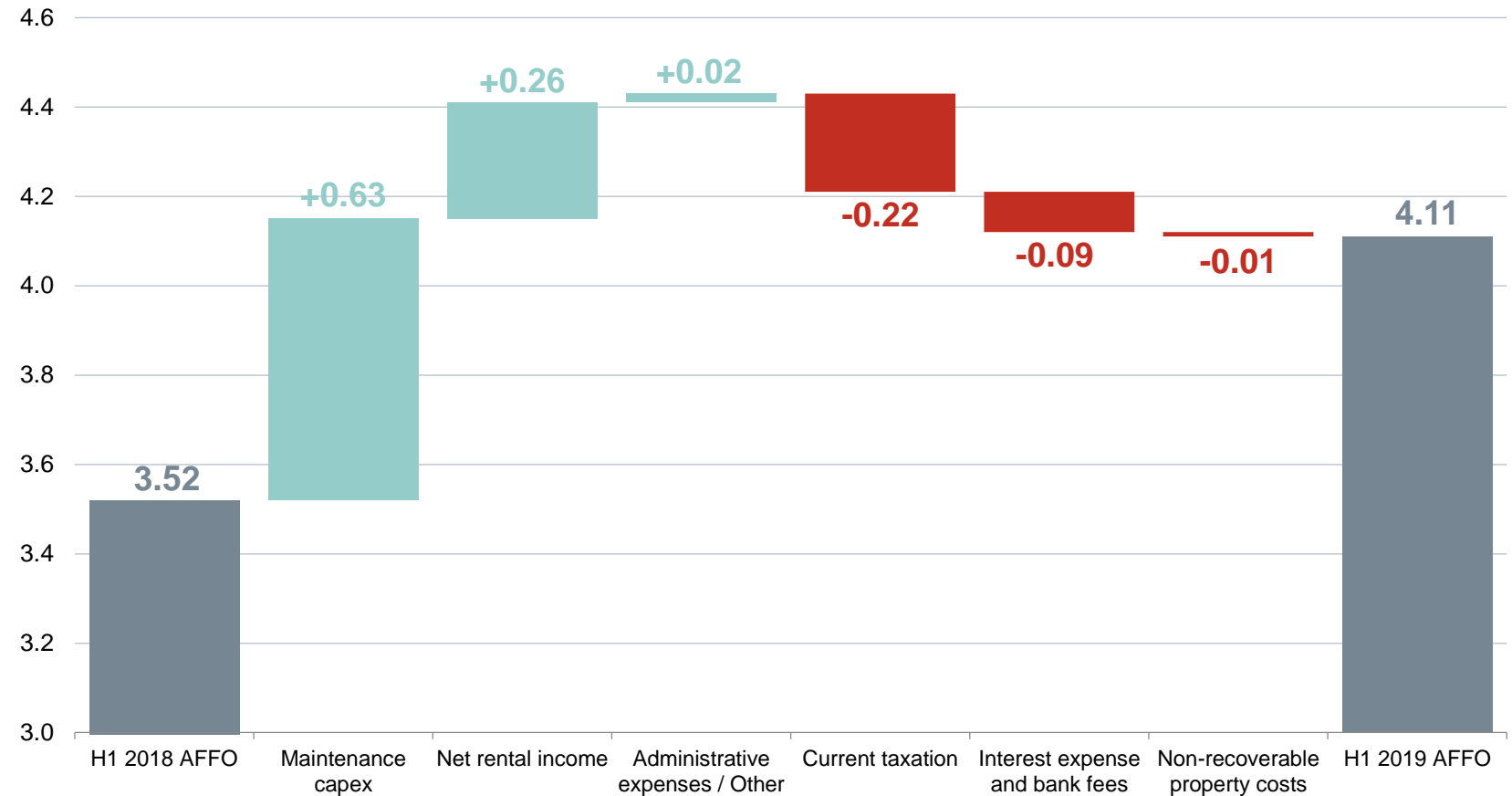
03.

2019 INTERIM RESULTS

- Net rental income of \$41.0 million up \$1.7 million or 4.3%
- Increases due to positive leasing activity totalling \$1.1 million and acquisitions (\$1.0 million)
- Increases partially offset by lost rental income from properties now under re-development (\$0.3 million), disposals (\$0.1 million) and lost rental income from the fire at 314 Neilson Street, Penrose in April 2019 (\$0.1 million)



- Profit after tax up \$16.8 million to \$46.4 million
- FFO earnings per share in line with the prior interim period and slightly ahead of H2 2018
- AFFO earnings per share 0.59 cents per share or 16.8% ahead of the prior interim period and 0.14 cents per share or 3.5% ahead of H2 2018
- Maintenance capex was key driver of the increase: just \$0.4 million or 6 basis points in H1 2019

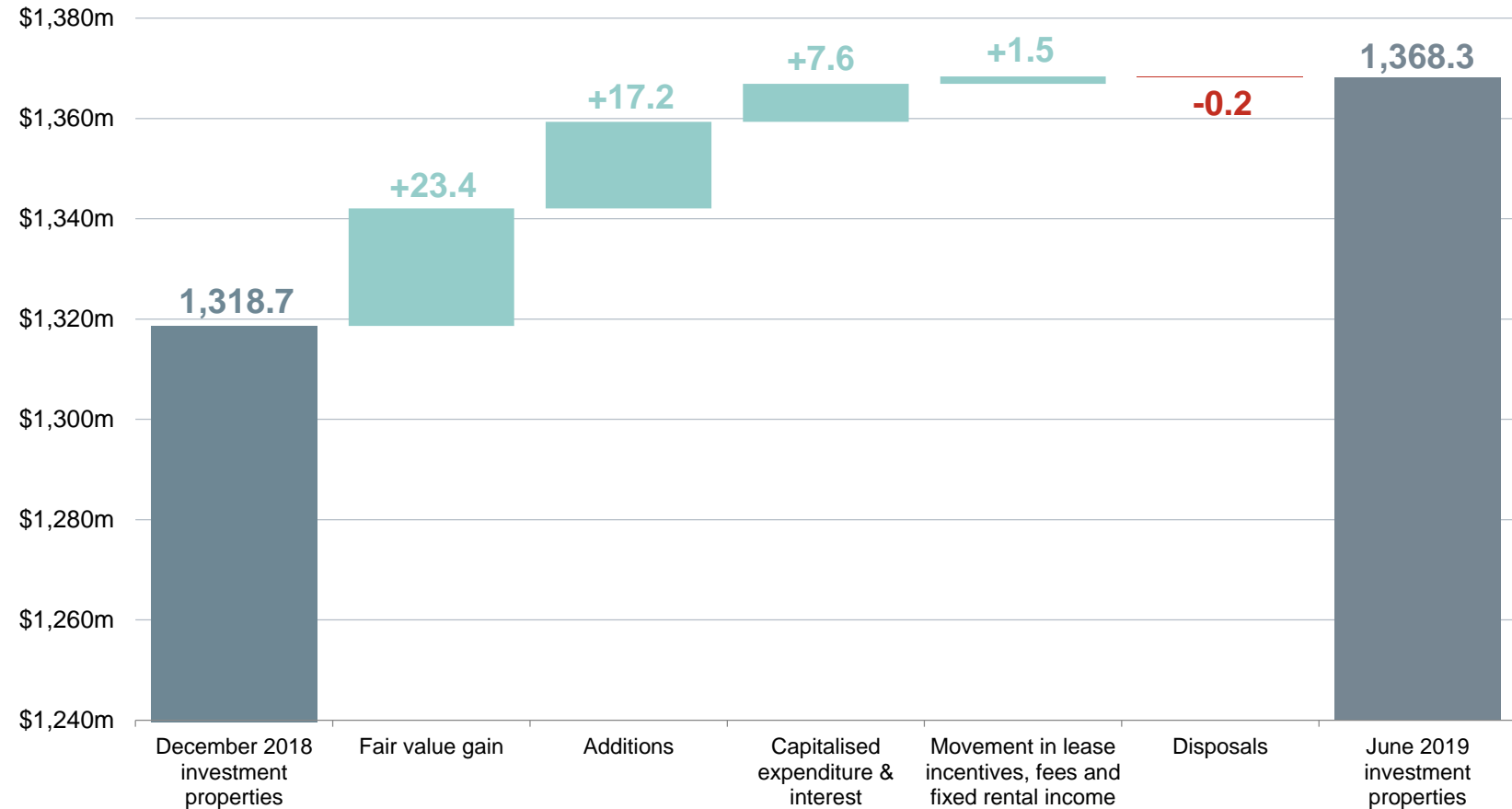


- H1 2019 cash dividends total 3.60 cps, in line with H1 2018
- 2019 dividend guidance unchanged: 7.60 cps, up 0.05 cps or 0.7% from 2018
- 2019 earnings guidance:
 - 2019 dividend of 7.60 cps forecast to equate to 80%-90% of FFO, 95%-100% of AFFO
 - Guiding to the mid-point of dividend policy ranges: FFO earnings of around 8.95 cps and AFFO earnings of around 7.80 cps
 - Potential for AFFO earnings per share to exceed this guidance if current expectations for maintenance capex of 30 basis points is not incurred

EARNINGS	H1 2019 CPS	H1 2018 CPS	CHANGE
FUNDS FROM OPERATIONS	4.49	4.46	+0.03 CPS or +0.7%
ADJUSTED FUNDS FROM OPERATIONS	4.11	3.52	+0.59 CPS or +16.8%

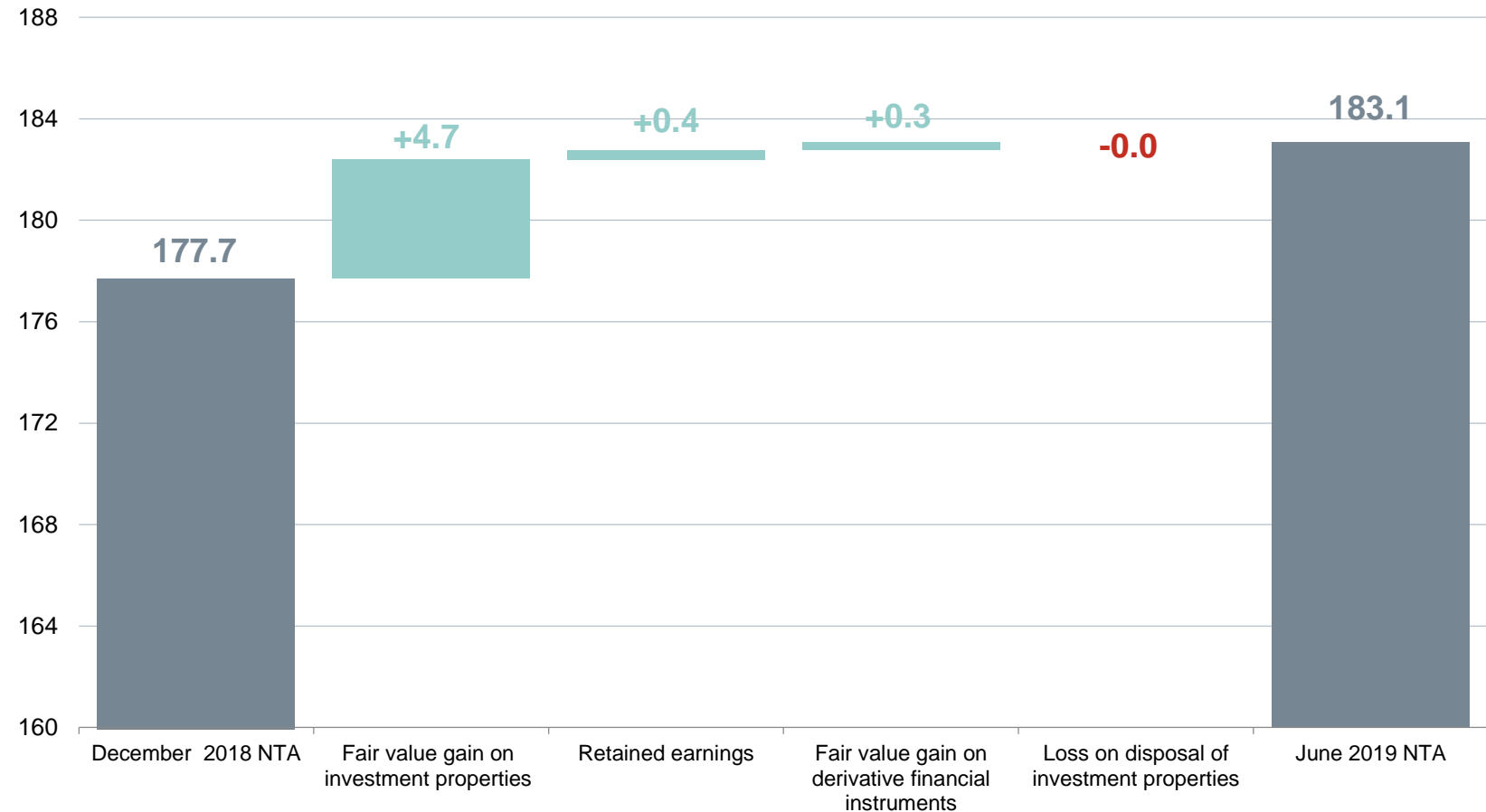
DIVIDEND PAY-OUT	POLICY	H1 2019 PAY-OUT RATIO	H1 2018 PAY-OUT RATIO
FUNDS FROM OPERATIONS	80 – 90%	85%	85%
ADJUSTED FUNDS FROM OPERATIONS	95 – 100%	93%	107%

- Portfolio value of ~\$1.37 billion
- Full valuations of 13 properties resulted in uplift of \$23.4 million or 8.8%
- 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)



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 (NTA) per share increased by 5.4 cents per share or 3.0%
- Change in NTA per share driven by the increase in the fair value of investment properties (+4.7 cps), retained earnings (+0.4 cps) and the decrease in the net fair value liability for derivative financial instruments (+0.3 cps)



04

CAPITAL MANAGEMENT

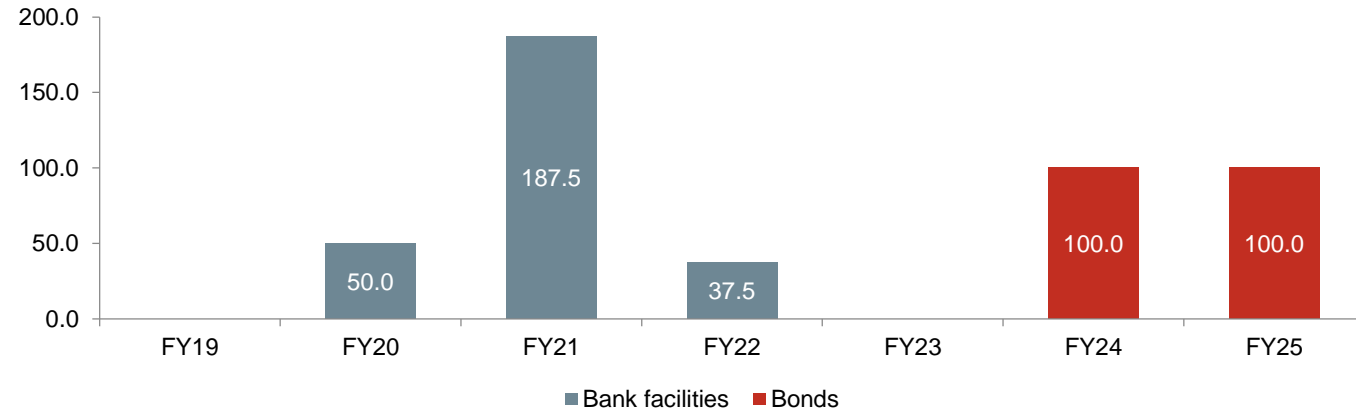


- No changes to PFI's bank facilities during the first half of 2019
- Gearing of 31.1% well within the self-imposed gearing limit of 40% and bank covenants of 50%, provides capacity to deliver on recycling strategy

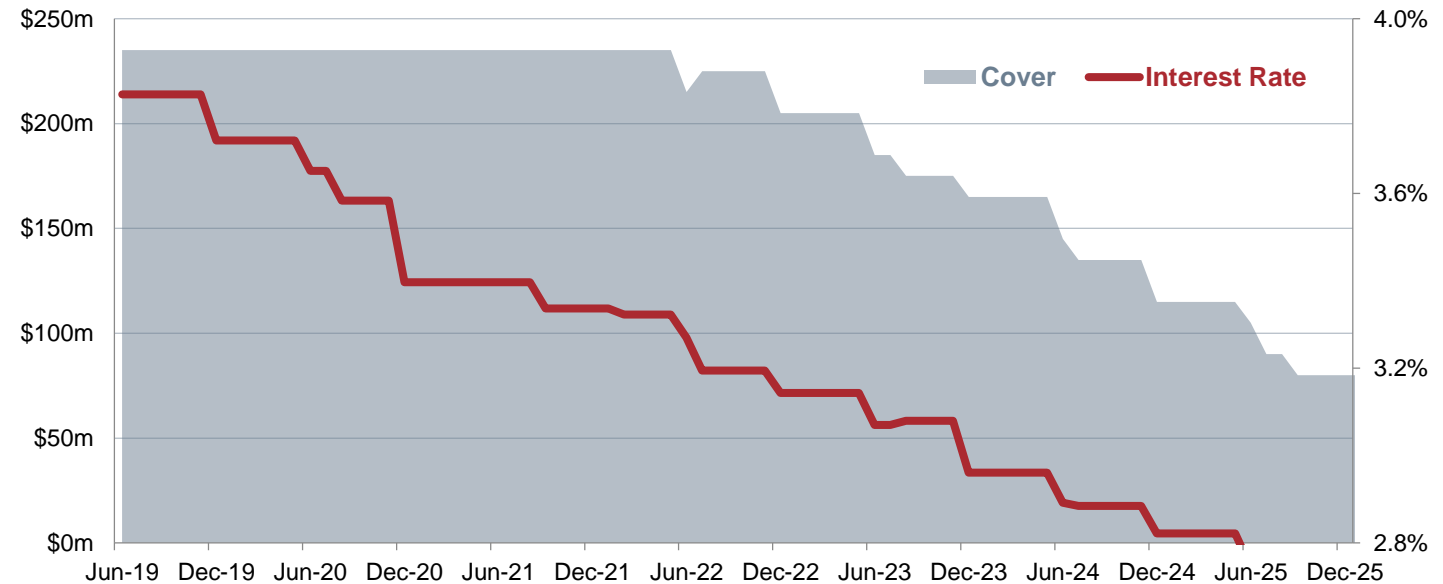


	JUNE 2019	DECEMBER 2018
FUNDING		
SYNDICATED BANK FACILITY DRAWN	\$224.8m	\$201.1m
SYNDICATED BANK FACILITY LIMIT	\$275.0m	\$275.0m
SYNDICATED BANK FACILITIES HEADROOM	\$50.2m	\$74.0m
FIXED RATE BONDS	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	3.5 years	4.0 years
SYNDICATED BANK FACILITY BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
COVENANTS		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	31.1%	30.3%
INTEREST COVER RATIO (COVENANT: >2.0X)	3.9 times	3.9 times
INTEREST RATES		
WEIGHTED AVERAGE COST OF DEBT	4.56%	4.86%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	\$235m / 3.83% / 2.7 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 3.5 years, \$50.2 million of unutilised bank facility capacity



- Fixed rate payer hedging profile: swap cover profile provides for an average of ~55% of debt to be hedged at an average fixed rate of ~3.83% for the remainder of FY19, remainder (~45%) on historically low float interest rates





Market

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MARKET

- July ANZ Business Outlook Survey:
 - Headline business confidence fell six points in July, net 44% of respondents reporting that they expect general business conditions to deteriorate in the year ahead
 - Employment intentions also fell in July from zero to a net 6% of firms expecting to cut jobs
- A growing number of central banks have taken action to shore up cooling economies, all this against a background of inflation that remains subdued across the OECD
- Interest rates in the main industrialised economies have fallen sharply, and local markets continue to reflect the likelihood of further easing by the RBNZ

ANZ BUSINESS OUTLOOK SURVEY JULY 2019

-44.3

Business confidence
-6.2 change
from June 2019 

-5.5

Employment
-5.5 change
from June 2019 



New OCR rate
after RBNZ reduced it by 50
basis points on 7 August 2019



AKL



Prime industrial once again ranks **second** in CBRE rankings out of 12 property classes in their returns forecasts



Prime industrial forecast five year returns of **8.9%** per annum comprising income of 5.1% and capital of 3.8%



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



Secondary industrial forecast five year returns total **11.2%** per annum comprising income 6.0% and capital 5.2%



Investment markets will continue to benefit from the renewed monetary stimulus being implemented by Reserve Banks around the world suppressing both short and long term interest rates."

CBRE
June 2019 Auckland
Market Outlook



Update on
2019 Priorities

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**UPDATE ON
2019 PRIORITIES**





ASSET MANAGEMENT:

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



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

- **2019 priority:** begin disposing PFI’s non-industrial assets
- **Progress:** Following completion of asset management initiatives, mixed-use property at 229 Dairy Flat Highway, Albany now being marketed for sale by Colliers International under deadline private treaty closing Tuesday, 27 August 2019



- **2019 priority:** replace PFI’s non-industrial properties with quality industrial properties in sought-after areas
- **Progress:** \$51.4 million committed to two prime Auckland industrial opportunities



51-61 SPARTAN ROAD,
TAKANINI



DEVELOPMENT AT TIDAL ROAD,
MANGERE

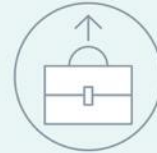
	51-61 SPARTAN ROAD, TAKANINI	DEVELOPMENT AT TIDAL ROAD, MANGERE
PURCHASE PRICE	\$17.2m	\$34.2m
TENANT	MaxiTRANS	Supply Chain Solutions
PROPERTY DESCRIPTION	Generic industrial, development potential	Generic industrial development
PURCHASE YIELD	5.35%	5.35%
LEASE TERM	12 years	12 years
RENT REVIEWS	Fixed rent reviews, 2.75% annually	Fixed rent reviews, 2.50% annually





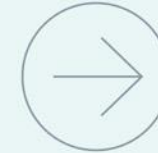
2019 **PRIORITY**

Recycle capital from disposals into value-add strategies within the existing portfolio



PORTFOLIO

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



PROGRESS

- Kiwi Steel's 2,500 square metre warehouse on surplus land at 212 Cavendish Drive, Manukau, achieved practical completion early May
- PFI has committed to four more new projects with a total value of \$8.3 million, expected to deliver a return on incremental cost of 6.3%
- Projects include \$5.6 million refurbishment of 6 Donnor Place, Mount Wellington following tenant expiry
- \$10.8 million of projects are in advanced stages of planning and negotiation

07

REVIEW & QUESTIONS



With an excellent portfolio, a strong balance sheet, and a favourable outlook for industrial property, we enter the second half of 2019 well positioned to deliver on our Purpose: **Creating strong, stable income for investors and generating prosperity for New Zealand.**



Questions?

08



APPENDICES

(Unaudited, \$000, unless noted)	6ME June 2019	6ME June 2018
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	46,398	29,570
<i>Adjusted for:</i>		
Fair value gain on investment properties	(23,449)	(7,948)
Loss / (gain) on disposal of investment properties	57	(53)
Fair value (gain) / loss on derivative financial instruments	(1,297)	(647)
Amortisation of tenant incentives	1,297	1,141
Straight lining of fixed rental increases	(717)	(524)
Deferred taxation	127	2,691
Adjustment to current taxation for the deductibility of the termination of the management agreement	-	(1,994)
Funds From Operations (FFO)	22,416	22,236
FFO per share (cents)	4.49	4.46
FFO dividend pay-out ratio (%)	85%	85%
Maintenance capex	(374)	(3,501)
Incentives and leasing fees given for the period	(1,556)	(1,188)
Other	-	(6)
Adjusted Funds From Operations (AFFO)	20,486	17,541
AFFO per share (cents)	4.11	3.52
AFFO dividend pay-out ratio (%)	93%	107%

The information included in this presentation is provided as at 19 August 2019 and should be read in conjunction with the NZX results announcement, NZX Form – Results Announcement, NZX Form – Distribution Notice, and interim financial statements issued on that same day.

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