



# Full-year results to 30 June 2016

August 2016

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# Presentation Outline

## Michael Wedgwood

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## Andrew Ross

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## David Hawkins

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BWP Management Limited

> 2016 full-year highlights

> Results

> Portfolio

> Capital management

> Strategic agenda

> Outlook



## 2016 FULL YEAR HIGHLIGHTS



# 2016 Full-year highlights

**\$150.2m** ↑  
Total income 3.7%

**\$107.9m** ↑  
Dist. profit 6.2%

**16.79 cpu** ↑  
Distribution 6.0%

**\$2.56** ↑  
NTA 14.3%

**13.5% pa**  
10 yr total return

## Portfolio performance

**2.3%**  
like-for-like rental growth

**10.2%**  
portfolio revaluation uplift

**6.77%**  
portfolio cap rate

**5.9 Years**  
portfolio WALE

## Portfolio management

**14**  
MRRs finalised

**2**  
store upgrades completed

**1**  
property divestment

**99.7%**  
leased

## Capital management

**4.9%**  
cost of debt at 30 June 2016

**5.8%**  
reduction in borrowing costs

**3.2 years**  
debt duration

**21.5%**  
gearing



# RESULTS

## Results – financial performance vs pcp<sup>1</sup>

	FY2016	Previous corresponding period
Total income	\$150.2m	\$144.9m
Management expense ratio	0.64%	0.65%
Other expenses	\$6.2m	\$6.4m
Distributable profit (excluding revaluations)	\$107.9m	\$101.6m
Number of units on issue	642.4m	642.4m
Full-year distribution per unit	16.79 cents	15.84 cents
Total assets	\$2,200.5m	\$2,018.0m
Borrowings	\$472.3m	\$485.4m
Net tangible assets per unit	\$2.56	\$2.24
Gearing (debt to total assets)	21.5%	24.1%

<sup>1</sup> pcp = previous corresponding period, being the 12 months ended 30 June 2015 or as at 30 June 2015 as relevant

## Results - financial performance 6 monthly

	6 months to Jun 16	6 months to Dec 15	6 months to Jun 15
Total income	\$75.5m	\$74.7m	\$73.7m
Distributable profit	\$54.6m	\$53.3m	\$52.5m
Property revaluation gains	\$29.1m	\$173.5m	\$40.3m
Net profit including property revaluations	\$83.7m	\$226.8m	\$92.8m
Six month distribution (cents per unit)	8.50	8.29	8.17
Total assets	\$2,200.5m	\$2,179.8m	\$2,018.0m
Borrowings	\$472.3m	\$479.6m	\$485.4m
Weighted average cost of debt <sup>1</sup>	4.92%	5.06%	5.26%
Net Tangible Assets (per unit)	\$2.56	\$2.52	\$2.24
NTA per unit excluding hedging liabilities	\$2.58	\$2.53	\$2.26
Weighted average cap rate	6.77%	6.81%	7.33%

<sup>1</sup> Finance costs less finance income divided by average borrowings for the six months



## Results - 5 year financial summary

30 June	2016	2015	2014	2013	2012
Revenue	\$150.2m	\$144.9m	\$127.4m	\$109.2m	\$101.2m
Distributable profit	\$107.9m	\$101.6m	\$92.8m	\$75.8m	\$76.7m <sup>1</sup>
Total assets	\$2,200.5m	\$2,018.0m	\$1,837.4m	\$1,398.7m	\$1,335.2m
Borrowings	\$472.3m	\$485.4m	\$448.3m	\$296.5m	\$288.9m
Gearing (debt to total assets)	21.5%	24.1%	24.4%	21.2%	21.6%
Weighted average cost of debt <sup>2</sup>	5.0%	5.5%	6.1%	7.3%	8.0%
Weighted average cap rate	6.77%	7.33%	7.59%	7.86%	7.91%
Management expense ratio	0.64%	0.65%	0.64%	0.62%	0.58%
Total distribution per unit	16.79 cents	15.84 cents	14.71 cents	14.14 cents	14.67 cents

<sup>1</sup> Includes a \$6.2m realised profit on sale of investment property

<sup>2</sup> Finance costs less finance income divided by average borrowings



PORTFOLIO

# Portfolio – developments completed in FY2016

	Lismore	Rockingham
Development completion	Aug 2015	Oct 2015
Development cost	\$4.6m	\$4.6m
Fully enclosed covered area	8,105m <sup>2</sup>	9,308m <sup>2</sup>
Commencing rent (per annum)	\$1.26m	\$2.02m
Lease term	12 years	12 years
Options	4 x 5-years	4 x 6-years
Annual rent reviews	3% fixed	CPI
Market reviews	At option (10% cap/collar)	At option (10% cap/collar)





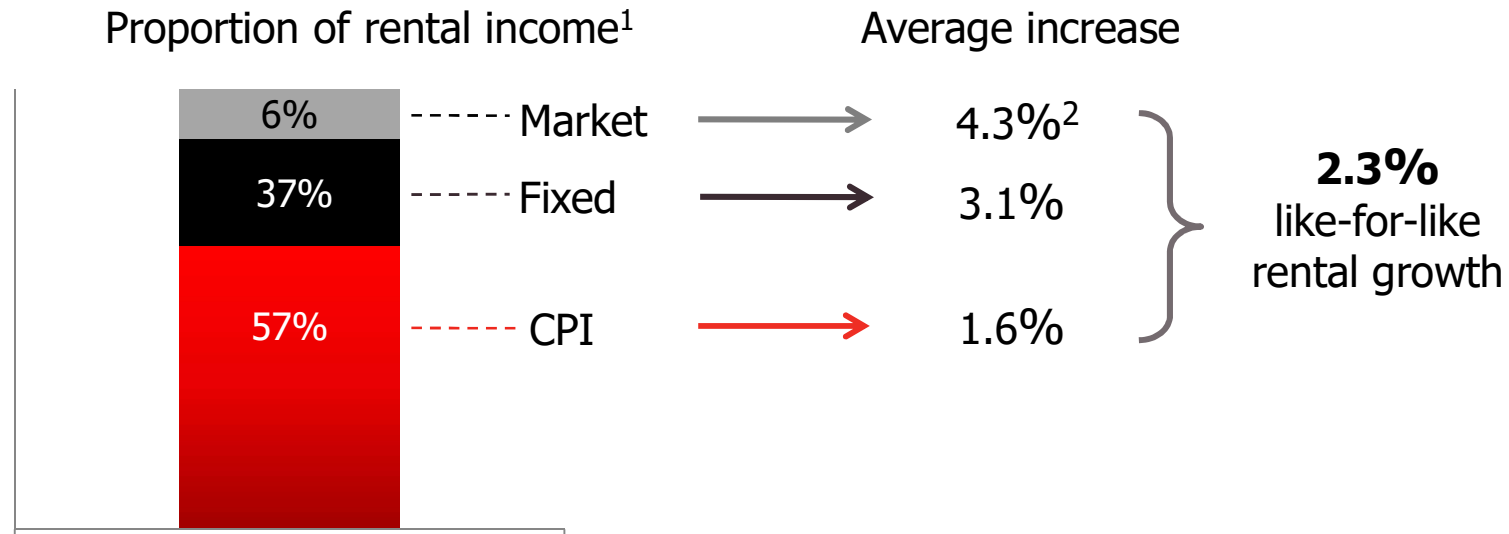
# Portfolio – FY2017 capital commitments so far...

	Villawood
Estimated development completion	Mid-2017
Development cost	\$4.0 million
Fully enclosed covered area	10,418m <sup>2</sup>
Commencing rent (per annum)	\$1.83m
Lease term	7 years
Options	5 x 5-years
Annual rent reviews	3% fixed
Market reviews	At option (10% cap/collar)
<u>Scope of works</u>	
<ul style="list-style-type: none"> <li>&gt; Extend and fully enclose the existing timber trade sales area</li> <li>&gt; Extend the nursery area</li> <li>&gt; Install a bagged goods inwards area</li> <li>&gt; Re-configure part of the car park</li> <li>&gt; Other works to the store interior in accordance with Bunnings standards</li> </ul>	



10 other store upgrades under consideration

# Portfolio – FY2016 like-for-like rental growth



## Like-for-like rental growth

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Rental growth <sup>3</sup>	4.4%	2.8%	7.1%	2.9%	3.4%	4.0%	2.1%	4.0%	2.9% <sup>4</sup>	2.3%
CPI growth <sup>5</sup>	3.7%	2.3%	4.5%	1.6%	2.9%	3.4%	1.7%	2.3%	2.5%	1.6%

<sup>1</sup> Subject to rounding

<sup>2</sup> Comprises five Bunnings Warehouse market rent reviews due during FY2016 out of 10 completed, excluding market rent reviews relating to the previous year and acquisitions

<sup>3</sup> Like-for-like rental growth compares the passing rent at the end of the period to the passing rent at the end of the previous corresponding period, but excludes any properties acquired, developed or upgraded during or since the previous corresponding period

<sup>4</sup> Revised from 2.6% following completion of 5 market rent reviews relating to the year ending 30 June 2015 completed in the year ending 30 June 2016. The average increase in the completed market rent reviews was 7.2%

<sup>5</sup> Reflects the annual average like-for-like growth resulting from CPI rent reviews completed during each period



# Portfolio – FY2016 market rent review outcomes

10 Bunnings reviews resulted in a 5.8% increase, 5 from FY2015, and 5 due during the period

Property location	Customer	Passing rent (\$pa)	Reviewed rent <sup>1</sup> (\$pa)	Variance	Effective date
Mornington, VIC <sup>2</sup>	Bunnings	1,607,814	1,650,000	2.6%	13-Dec-14
Fountain Gate, VIC <sup>2</sup>	Bunnings	1,469,209	1,650,000	12.3%	1-Feb-15
Nunawading, VIC <sup>2</sup>	Bunnings	2,289,748	2,337,500	2.1%	11-Feb-15
Morayfield, QLD <sup>2</sup>	Bunnings	1,676,042	1,770,000	5.6%	22-Mar-15
Mile End, SA <sup>2</sup>	Bunnings	2,050,595	2,340,000	14.1%	23-Mar-15
Morley, WA	Bunnings	1,290,348	1,425,000	10.4%	3-Jul-15
Vermont South, VIC	Bunnings	2,166,812	2,166,812	0.0%	15-Aug-15
Northland, VIC	Bunnings	1,876,874	1,900,000	1.2%	19-Aug-15
Geraldton Showrooms, WA	BCF	182,436	182,436	0.0%	12-Nov-15
Dubbo, NSW	KFC	116,986	121,665	4.0%	29-Nov-15
Mt Gravatt, QLD	Bunnings	1,163,007	1,250,000	7.5%	17-Dec-15
Broadmeadows, VIC	Bunnings	1,795,655	1,910,000	6.4%	4-Jan-16
Pakenham, VIC	Dollar Curtains & Blinds	123,022	126,713	3.0%	10-Jan-16
Bayswater, VIC	BCF	269,423	290,000	7.6%	3-Jun-16
<b>Weighted Average</b>				<b>5.8%</b>	

<sup>1</sup> All market rent reviews were negotiated between the Trust and the Customer except Fountain Gate, Mile End, Morayfield and Mt Gravatt which were determined by an independent valuer

<sup>2</sup> The market rent review was due during the year ended 30 June 2015, but the outcome of the negotiation/determination was only completed during the year ended 30 June 2016

# Portfolio – FY2017 rent reviews

> 1 Bunnings Warehouse market rent review due in FY2016<sup>1</sup> currently at determination

Rent review type FY17 (all leases)

	First-half	Second-half	% of rental income <sup>2</sup>
CPI	35	19	53%
Fixed	21	26	37%
Market	5	5	10%
<b>Total</b>	<b>61</b>	<b>50</b>	<b>100%</b>

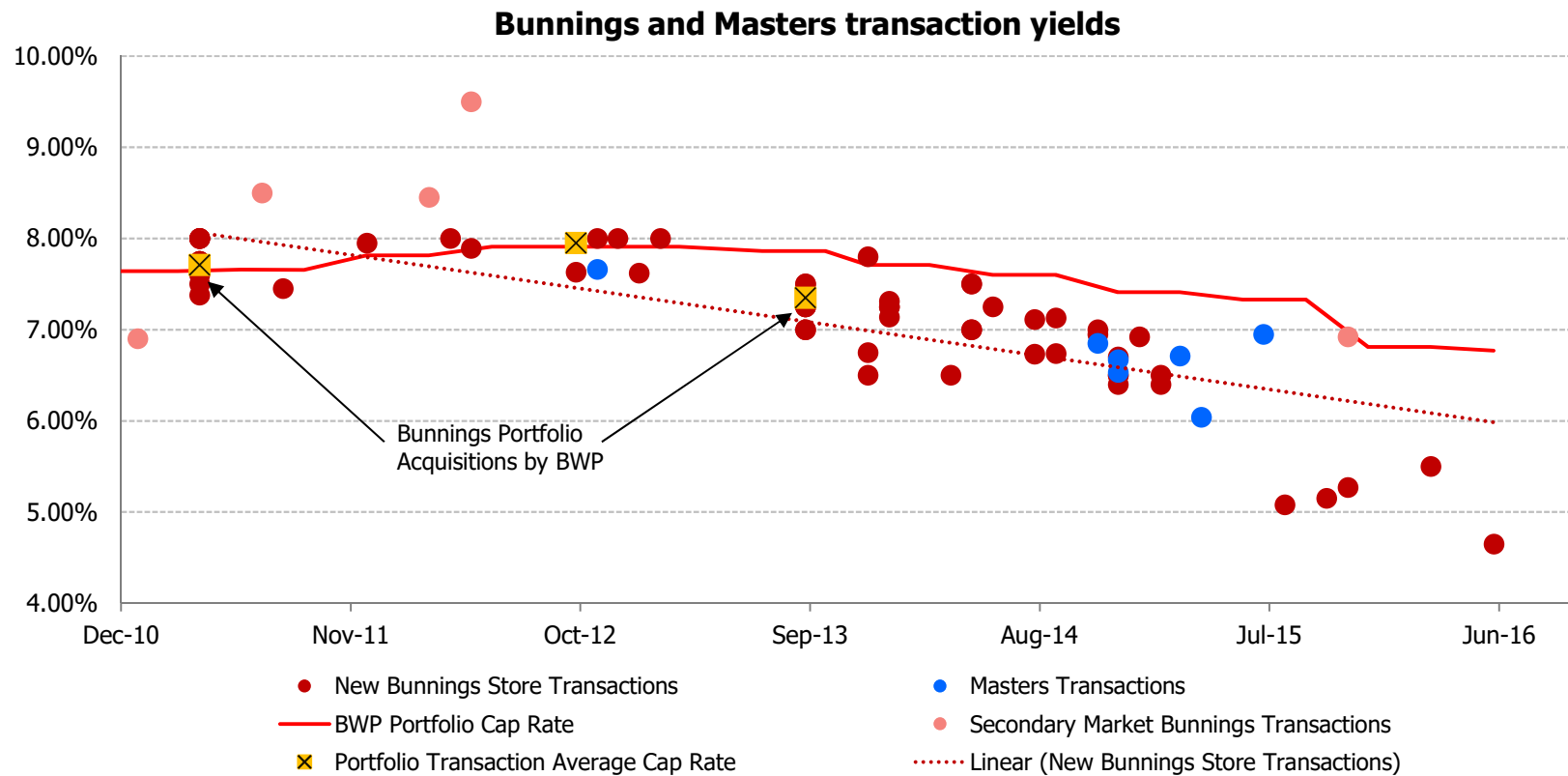
<sup>1</sup> Belmont North, NSW

<sup>2</sup> Percentage based on portfolio rental as at 30 June 2016

Market rent reviews (BWH)
Geraldton, WA
Midland, WA
Mindarie, WA
Croydon, VIC
Frankston, VIC
Oakleigh South, VIC
Scoresby, VIC
Gladstone, QLD

# Portfolio – capitalisation rate trends

- > Yields remain low and continue to tighten, largely driven by the private investor market
- > Compression has been particularly evident in the hardware and home improvement sector with the most recent Bunnings Warehouse transactions yielding approximately 5.0%



## Portfolio – independent valuations at June 2016

Property	State	Dec-15 Cap Rate	Dec-15 Valuation (A\$m)	Jun-16 Cap Rate	Jun-16 Valuation (A\$m)	Cap Rate Movement	Valuation Movement (A\$m)	Jun-16 Term Certain (years)
<b>Rydalmere</b>	NSW	6.00%	48.2	5.75%	51.0	-0.25%	2.8	9.7
<b>Thornleigh</b>	NSW	7.25%	18.6	7.25%	18.7	0.00%	0.1	3.2
<b>Wagga Wagga</b>	NSW	7.25%	18.6	7.25%	19.1	0.00%	0.5	4.8
<b>Arundel</b>	QLD	6.00%	34.7	6.00%	34.6	0.00%	-0.1	9.2
<b>North Lakes</b>	QLD	6.00%	40.6	5.75%	41.8	-0.25%	1.2	9.3
<b>Manly West</b>	QLD	6.00%	33.9	6.00%	33.6	0.00%	-0.3	10.2
<b>Bethania</b>	QLD	6.25%	27.9	6.25%	27.9	0.00%	0.0	9.2
<b>Springvale</b>	VIC	6.00%	32.7	6.00%	32.7	0.00%	0.0	9.5
<b>Sunbury</b>	VIC	6.25%	27.4	6.00%	29.3	-0.25%	1.9	10.0
<b>Broadmeadows</b>	VIC	6.75%	26.6	6.75%	28.3	0.00%	1.7	4.5
<b>Frankston</b>	VIC	6.75%	30.3	6.50%	31.5	-0.25%	1.2	5.5
<b>Oakleigh South</b>	VIC	8.50%	22.7	10.50%	18.5	2.00%	-4.2	0.7
<b>Ellenbrook</b>	WA	6.25%	29.1	6.00%	30.3	-0.25%	1.2	9.4
<b>Bibra Lake</b>	WA	7.50%	22.3	6.75%	24.0	-0.75%	1.7	3.3
<b>Geraldton Showrooms</b>	WA	7.50%	3.3	8.25%	3.1	0.75%	-0.3	6.6
<b>Geraldton</b>	WA	7.50%	17.6	7.50%	17.6	0.00%	0.0	5.5
<b>Total/ weighted average<sup>1</sup></b>		<b>6.53%</b>	<b>434.5</b>	<b>6.46%</b>	<b>442.0</b>	<b>-0.08%</b>	<b>7.4</b>	<b>7.2</b>

1 Subject to rounding

# Portfolio – FY2016 revaluation

- > June 2016 weighted average capitalisation rate 6.77% (Dec 2015: 6.81%)
  - Stand alone Bunnings Warehouses weighted average cap rate of 6.67%
    - 15 independent valuations (20% of BWP portfolio value), average cap rate 6.45%
    - 56 internal valuations, average cap rate 6.73%
- > FY2016 net fair value gain of \$202.6m on revaluation
  - Cap rate compression largely contributed to the net value gain after portfolio average cap rate was reduced by 56 bps for the 12 months to 30 June 2016
  - Cap rate movement; 66 properties decreased, 10 properties no change, and 5 properties increased

Revaluation by state 30 June 2016	No. of properties	Rental \$m/annum <sup>1</sup>	Cap rate	Value \$m
NSW/ACT	18	32.6	6.87%	480.3
QLD	20	39.1	6.61%	548.9
SA	2	3.9	6.57%	59.1
VIC	24	48.4	6.81%	715.9
WA	17	26.0	6.83%	380.0
<b>Total/ weighted average</b>	<b>81</b>	<b>150.0</b>	<b>6.77%</b>	<b>2,184.2</b>

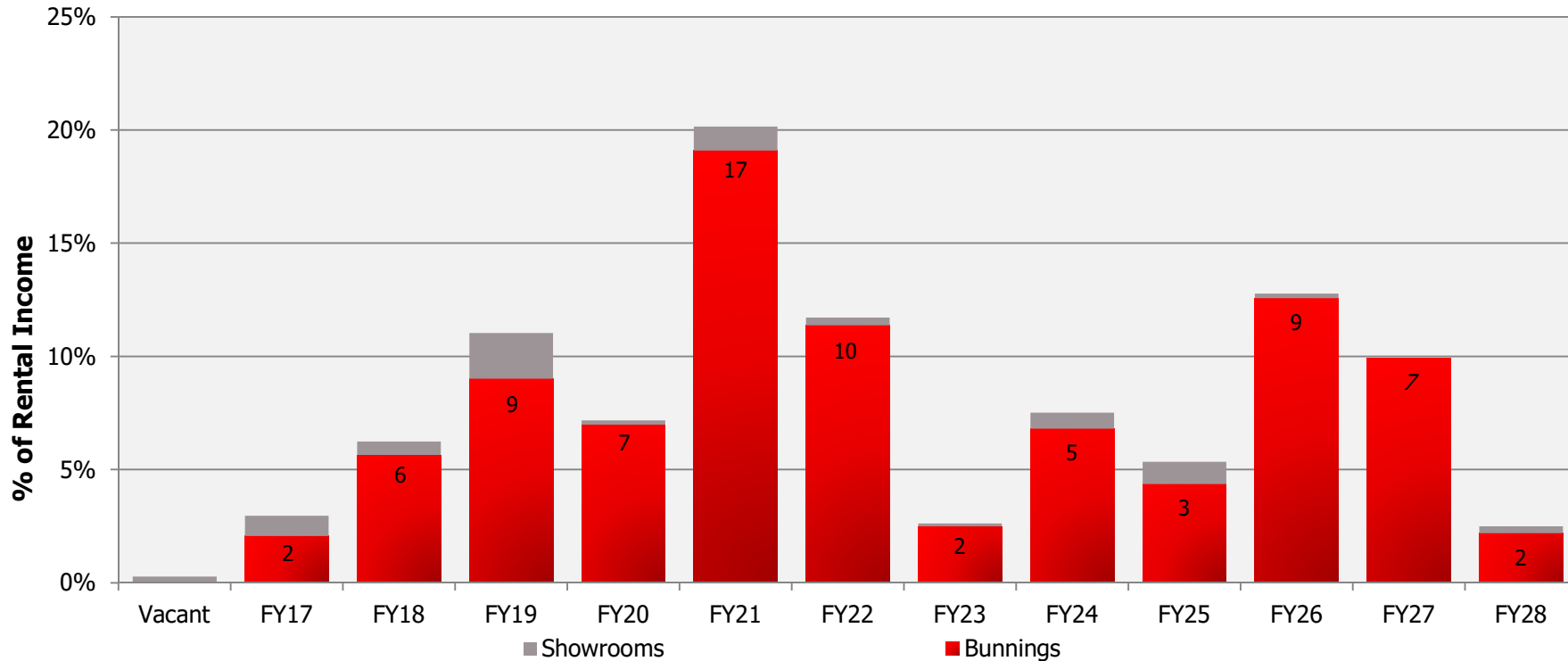
<sup>1</sup> Subject to rounding



# Portfolio – lease expiries next 3 years

Property	Lease expiry	Options	Rent (\$'000pa)	Comments
Gladstone	Feb 2017	4 x 5 yrs	1,138	Notification required by Nov 2016
Oakleigh South	Mar 2017	2 x 5 yrs	1,963	Notification required by Dec 2016
Dandenong	Nov 2017	2 x 5 yrs	1,595	Notification required by Aug 2017
Hervey Bay	Dec 2017	2 x 5 yrs	1,236	Notification required by Sep 2017
Fyshwick	Dec 2017	5 yrs	1,216	Notification required by Sep 2017
Cairns	Feb 2018	3 x 5 yrs	1,293	Bunnings vacated – repositioning in progress
Wollongong	Feb 2018	3 x 5 yrs	1,446	Notification required by Nov 2017
Villawood	May 2018	5 x 5 yrs	1,688	Expansion and lease extension agreed – completion mid-2017
Altona	Sep 2018	2 x 5 yrs	1,173	Bunnings vacated – property under call option agreement
Mentone	Sep 2018	2 x 5 yrs	1,608	Notification required by Jun 2018, sub-leased to Super Amart
Burleigh Heads	Oct 2018	2 x 5 yrs	1,723	Bunnings vacated – repositioning in progress
Underwood	Oct 2018	2 x 5 yrs	1,597	Notification required by Jul 2018
Port Macquarie	Nov 2018	2 x 5 yrs	1,004	Notification required by Aug 2018
Mandurah	Nov 2018	2 x 5 yrs	1,540	Notification required by Sep 2018
Epping	Mar 2019	2 x 5 yrs	1,277	Bunnings vacated – repositioning in progress
Bayswater	Apr 2019	4 x 5 yrs	1,881	Notification required by Feb 2019
Browns Plains	May 2019	1 x 5 yrs	1,731	Notification required by Feb 2019

# Portfolio – weighted average lease expiry profile



- > 40 Bunnings Warehouse stores in initial lease term
- > 22 Bunnings Warehouse stores have exercised one option
- > 17 Bunnings Warehouse stores have exercised more than one option
- > Average duration of occupancy of current replacement stores approximately 19 years
- > Refer Appendix A for weighted average lease expiry table

# Portfolio – re-positioning

Property	Tenancy	Sale price (\$m)	Settlement date
Blacktown	Ex-Blackwoods	7.7 <sup>1</sup>	May 16
Geraldton Showrooms	BCF and Ultra Tune	3.3 <sup>2</sup>	Aug 16

1 Before selling costs of \$0.2 million

2 Before selling costs of \$0.1 million

# Portfolio – Bunnings Warehouse replacements

Property	Lease expiry	Duration of occupancy <sup>1</sup>	Progress
Altona	Sep 2018	18yrs	Option agreement expiring in September 2016 to sell property
Cairns	Feb 2018	15yrs	Continuing to assess repositioning/ sale options
Joondalup	Sep 2018	20yrs	Lease assigned to ASX-listed Automotive Holdings Group subsidiary, re-zoning progressing
Burleigh Heads	Oct 2018	20yrs	Re-leasing/re-formatting discussions progressing
Mindarie	Sep 2021	19.5yrs	Detailed assessment of redevelopment/ re-zoning options underway
Epping	Mar 2019	19yrs	Zoned mixed use, discussions well progressed to reformat and re-lease to other large format retail tenants

<sup>1</sup> To the end of the current lease term



 CAPITAL MANAGEMENT



## Capital management – debt facilities

- > Average borrowings for the year \$483.4m (up 4.5% on previous year)
  - 5.0% weighted average cost of debt after hedging (2015: 5.5%)
  - Borrowing costs for the year \$24.3m (down 5.8% on pcp)
- > All bank facilities can be extended a further year each year, subject to agreement
- > Cost of debt at 30 June 2016: 4.90%
- > Interest cover: 5.6x at 30 June 2016 (2015: 5.1x)
- > Gearing: 21.5% at 30 June 2016 (2015: 24.1%)
- > A- /Stable / - S&P rating maintained

As at 30 June 2016	Limit (\$m)	Drawn (\$m)	Expiry
<b>ANZ</b>	110	81	1 July 2018
<b>CBA</b>	110	85	31 July 2020
<b>WBC</b>	135	106	30 April 2020
<b>Corporate bond</b>	200	200	27 May 2019
<b>Total/ Weighted average</b>	<b>555</b>	<b>472</b>	<b>3.2 years</b>

# Capital management – interest rate hedging

Hedge book profile by half-year ending:	Jun 16	Dec 16	Jun 17	Dec 17	Jun 18	Dec 18
Active swaps (\$m)	175	165	140	128	88	58
Swap rates (%)						
Maximum	5.54	5.54	5.54	5.54	5.54	4.92
Minimum	2.39	2.39	2.39	2.39	2.39	2.39
Weighted average (%) <sup>1</sup>	4.73	4.26	4.05	4.16	4.09	3.39

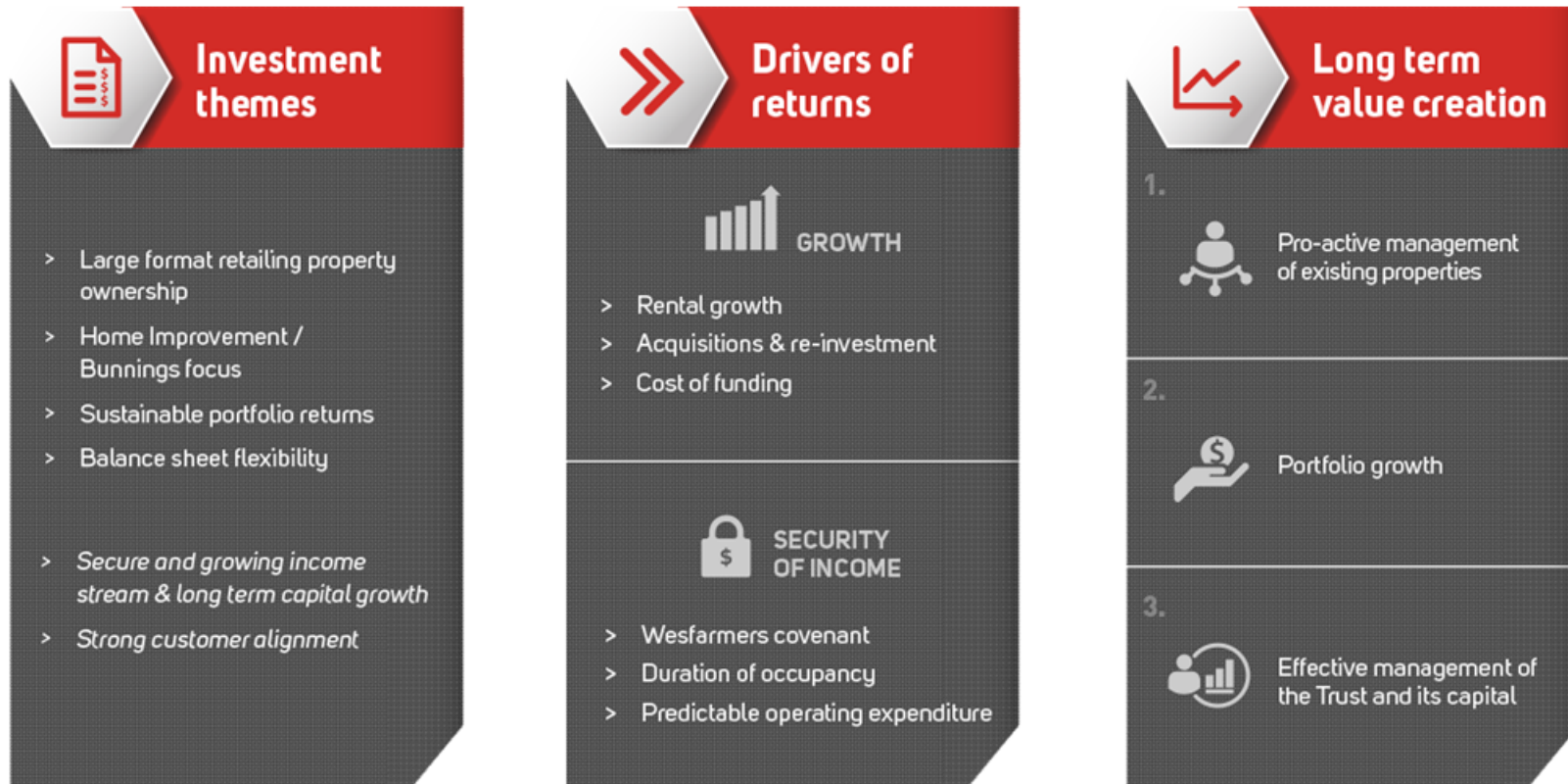
<sup>1</sup> Weighted average at balance date of active swaps to maturity.

- > In January 2016, the Trust entered into a basis-swap overlay on its interest rate swaps which has resulted in an initial 18 bps reduction on the fixed rate of its interest swaps.
- > Including fixed rate corporate bonds:
  - \$375.0m hedged at 3.49% weighted average to maturity, at 30 June 2016
  - 2.63 years weighted average maturity



## STRATEGIC AGENDA

# Strategic Agenda



# Strategic agenda – solid foundations

## > Drivers

- Exposure to a business model focused on location
- Long duration of occupancy
- Portfolio built over an 18 year period

## > Short term variables

- Like-for-like rental growth, range last 10 years, 2.1% – 7.1%pa
- Annual variation in CPI
- Cost of debt, range last 10 years, 4.9% – 10.3%pa
- Bunnings Warehouse acquisitions; 20 initially, 27 in period 1999 to 2003, 6 in period 2004 to 2008, 18 in period 2009 to 2013, 16 in the period 2014 to 2016
- Acquisition capitalisation rates, range last 10 years, 6.25%–9.0%
- Equity, \$627.9m raised over the last 10 years

## > Returns over 10 year periods

10 year periods ended 30 June:	2016	2015	2014	2013	2012	2011	2010
Portfolio ROIC (%pa)	10.5	10.5	10.5	10.5	10.3	10.2	10.1
Average DPU growth (%pa)	3.2	3.2	2.9	3.4	4.5	2.9	2.6
Total returns <sup>1</sup> (%pa)	13.5	12.3	12.2	11.6	11.5	12.5	14.7

<sup>1</sup> Source: UBS Australia





OUTLOOK

# Outlook

## > **Macro economic environment:**

- Demand for Bunnings Warehouse properties expected to remain strong, while interest rates remain low
- Further cap rate compression will be a function of the duration of the current interest rate cycle

## > **Rental growth:**

- Increased rental income from upgrades completed in FY2016
- 54 CPI/ 47 fixed rent reviews in FY2017
- 9 Bunnings MRRs to be finalised this financial year (including 1 from FY2016)

## > **Investment:**

- Portfolio growth opportunities will be influenced by the direction of interest rates
- Will progress opportunities to re-invest in existing portfolio and re-zonings

## > **FY2017 distribution:**

- On the basis of further expected rental growth from the existing property portfolio, after taking into account the likelihood of low inflation in the near term, the Trust could expect distribution per unit growth of about 3 per cent for FY2017

## Further information

**[bwptrust.com.au](http://bwptrust.com.au)**

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## Appendix A: weighted average lease expiry table

Year	Year End	Total Lease Expiries	Total Rental Income (\$)	Rental Income (% of Total)	Bunnings (%)	Showrooms (%)
	Vacant	1	420,000	0.3%	0.0%	0.3%
1	30-Jun-17	6	4,439,366	3.0%	2.1%	0.9%
2	30-Jun-18	8	9,359,629	6.2%	5.6%	0.6%
3	30-Jun-19	14	16,562,583	11.0%	9.0%	2.0%
4	30-Jun-20	8	10,774,074	7.2%	7.0%	0.2%
5	30-Jun-21	22	30,241,770	20.2%	19.1%	1.1%
6	30-Jun-22	13	17,572,665	11.7%	11.4%	0.3%
7	30-Jun-23	3	3,937,599	2.6%	2.5%	0.1%
8	30-Jun-24	8	11,278,527	7.5%	6.8%	0.7%
9	30-Jun-25	9	8,017,838	5.3%	4.4%	1.0%
10	30-Jun-26	10	19,166,804	12.8%	12.6%	0.2%
11	30-Jun-27	7	14,917,235	9.9%	9.9%	0.0%
12	30-Jun-28	3	3,751,687	2.5%	2.2%	0.3%
<b>TOTAL</b>		<b>111</b>	<b>150,019,776</b>	<b>99.7%</b>	<b>92.6%</b>	<b>7.1%</b>

Note: table subject to rounding

# Appendix B – future rent reviews and revaluations

Future market rent reviews for Bunnings Warehouses (“BWH”) and revaluations

	FY2017	FY2018	FY2019	FY2020	FY2021
BWH market reviews	8	8	13	11	17
% of total <sup>1</sup>	9%	8%	15%	13%	19%
Independent valuations	30	24	25	30	24
% of total <sup>2</sup>	38%	29%	32%	38%	29%

<sup>1</sup> Percentages based on portfolio annual rent as at 30 June 2016

<sup>2</sup> Percentages based on fair value of the portfolio as at 30 June 2016