



# Full-year results to 30 June 2018

August 2018

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# Presentation Outline

## Michael Wedgwood

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Portfolio Manager

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BWP Management Limited

- > 2018 full-year highlights
- > Results
- > Portfolio
- > Core portfolio
- > Alternative use properties
- > Capital management
- > Outlook



## HIGHLIGHTS

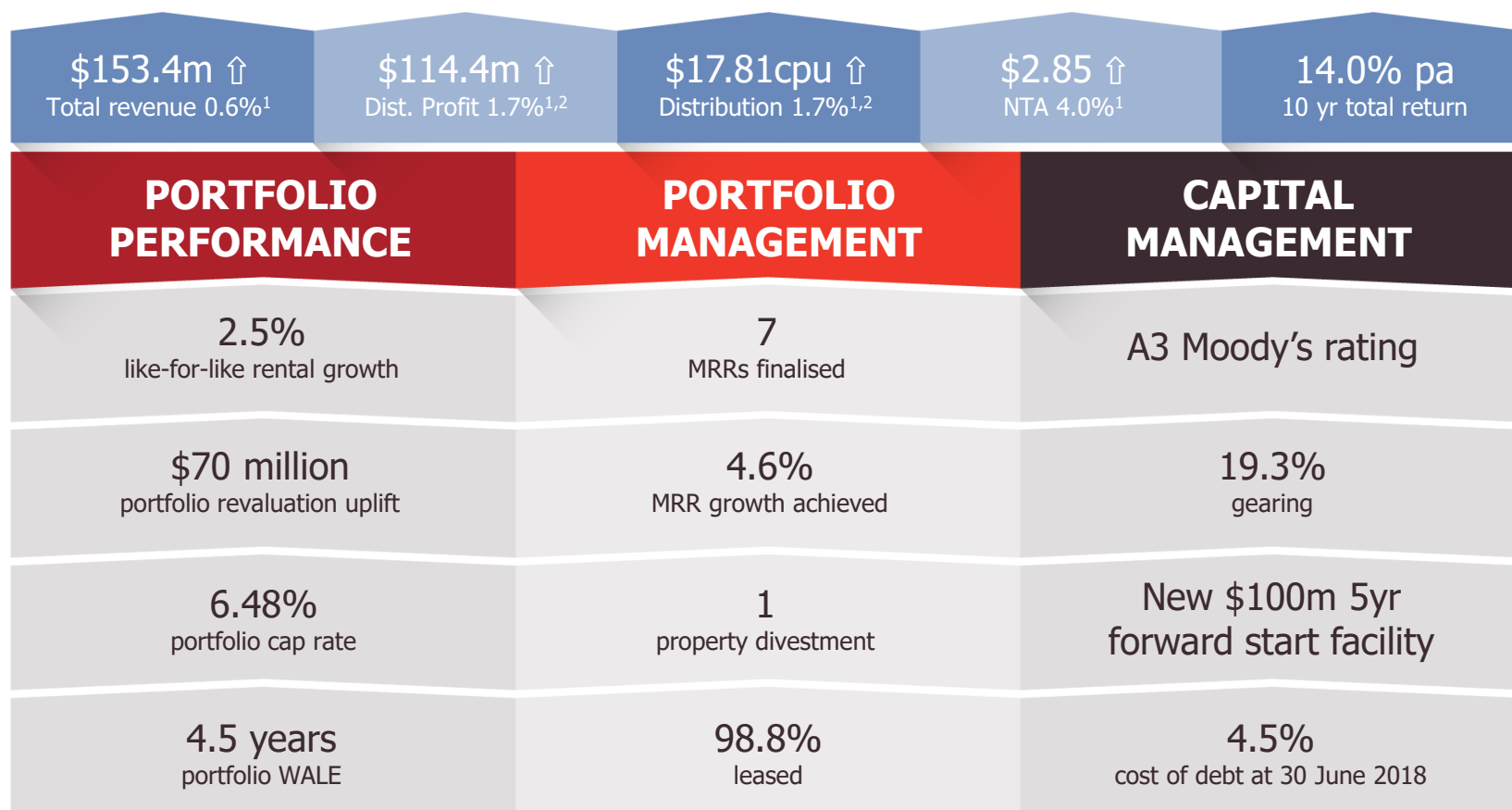
# Value drivers



# Core values

RESPECTFUL	RESPONSIBLE	RESOURCEFUL
We seek mutually beneficial relationships with all stakeholders	We are professional, honest and transparent in how we operate	We value simplicity and we focus on achieving effective and sustainable outcomes
We treat others as we expect to be treated We are committed to having a safe and inclusive work environment	We are accountable for our actions We operate within the law	We make the most of opportunities We are financially focussed and make decisions based on what creates value

# 2018 full-year highlights



<sup>1</sup> In comparison to prior corresponding period

<sup>2</sup> Current year distribution includes \$1.2m of capital profits released



## RESULTS



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

	FY2018	PCP
Total revenue	\$153.4m	\$152.5m
Management expense ratio	0.60%	0.60%
Other expenses	\$6.0m	\$5.9m
Distributable profit (excluding revaluations)	\$113.2m	\$112.5m
Number of units on issue	642.4m	642.4m
Full-year distribution per unit	17.81 cents	17.51 cents
Total assets	\$2,369.5m	\$2,312.8m
Borrowings	\$457.6m	\$471.1m
Net tangible assets per unit	\$2.85	\$2.74
Gearing (debt to total assets)	19.3%	20.4%

<sup>1</sup> pcp: prior corresponding period, being the 12 months ended 30 June 2017 or as at 30 June 2017 as relevant

# Results – financial performance 6 monthly

	6 months to Jun 18	6 months to Dec 17	6 months to Jun 17
Total revenue	\$76.5m	\$76.9m	\$76.7m
Management expense ratio	0.60%	0.61%	0.60%
Other expenses	\$3.0m	\$2.9m	\$2.9m
Distributable profit	\$56.8m	\$56.4m	\$57.0m
Property revaluation gains	\$23.0m	\$46.9m	\$93.4m
Net profit including property revaluations	\$79.7m	\$103.3m	\$150.4m
Number of units on issue	642.4m	642.4m	642.4m
Six month distribution per unit	9.03 cents	8.78 cents	8.88 cents
Total assets	\$2,369.5m	\$2,353.3m	\$2,312.8m
Borrowings	\$457.6m	\$465.5m	\$471.1m
Weighted average cost of debt <sup>1</sup>	4.46%	4.65%	4.49%
NTA <sup>2</sup> per unit	\$2.85	\$2.82	\$2.74
NTA <sup>2</sup> per unit excluding hedging liabilities	\$2.86	\$2.82	\$2.75
Weighted average cap rate	6.48%	6.50%	6.59%

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

<sup>2</sup> Net Tangible Assets

\* Figures above subject to rounding

# Results – 5 year financial summary

30 June	2018	2017	2016	2015	2014
Revenue	\$153.4m	\$152.5m	\$150.2m	\$144.9m	\$127.4m
Distributable profit <sup>1</sup>	\$114.4m	\$112.5m	\$107.9m	\$101.6m	\$92.8m
Total assets	\$2,369.5m	\$2,312.8m	\$2,200.5m	\$2,018.0m	\$1,837.4m
Borrowings	\$457.6m	\$471.1m	\$472.3m	\$485.4m	\$448.3m
Gearing (debt to total assets)	19.3%	20.4%	21.5%	24.1%	24.4%
Weighted average cost of debt <sup>2</sup>	4.6%	4.6%	5.0%	5.5%	6.1%
Weighted average cap rate	6.48%	6.59%	6.77%	7.33%	7.59%
Management expense ratio	0.60%	0.60%	0.64%	0.65%	0.64%
Total distribution per unit	17.81 cents	17.51 cents	16.79 cents	15.84 cents	14.71 cents

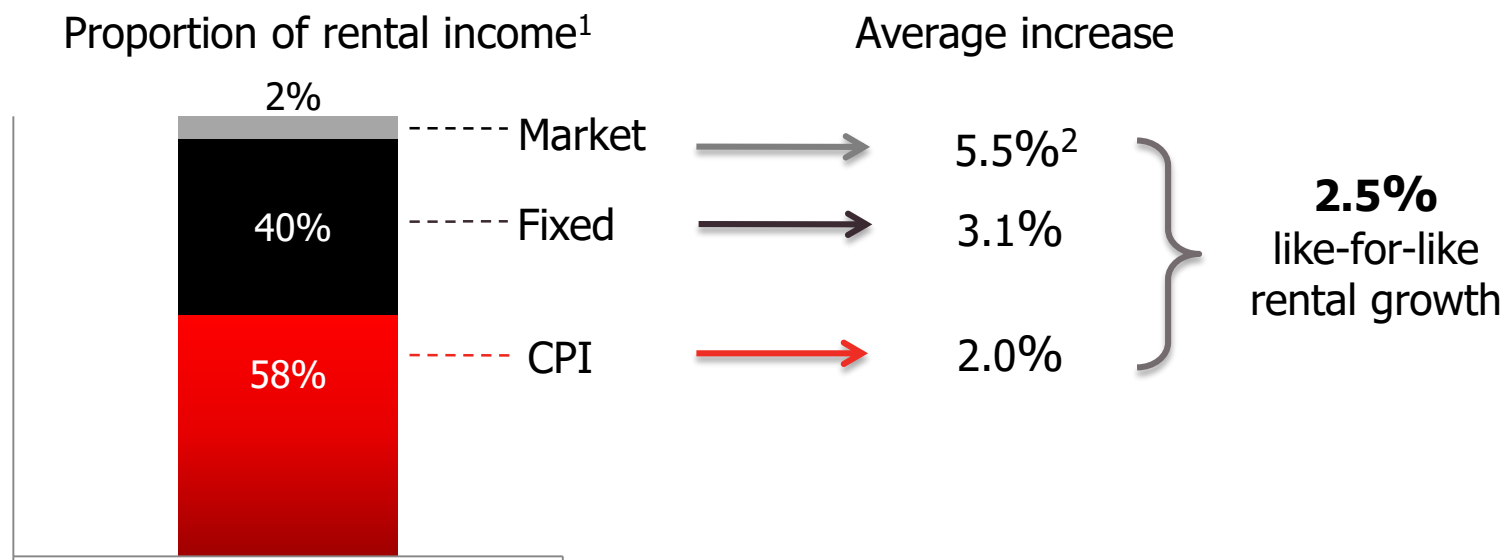
<sup>1</sup> Includes any capital profits released

<sup>2</sup> Finance costs divided by average borrowings



PORTFOLIO

# Portfolio – FY2018 like-for-like rental growth



## Like-for-like rental growth

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Rental growth <sup>3</sup>	7.1%	2.9%	3.4%	4.0%	2.1%	4.0%	2.9%	2.4%	2.1%	2.5%
CPI growth <sup>4</sup>	4.5%	1.6%	2.9%	3.4%	1.7%	2.3%	2.5%	1.6%	1.4%	2.0%

<sup>1</sup> Subject to rounding

<sup>2</sup> All market rent reviews relating to year ended 30 June 2018

<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, divested, developed or upgraded during or since the previous corresponding period

<sup>4</sup> Reflects the annual average like-for-like growth resulting from CPI rent reviews completed during each period

# Portfolio – FY2018 market rent review outcomes

4 Bunnings reviews resulted in a 4.1% increase, three from FY2017, and one due during the year

Property location	Customer	Passing rent (\$pa)	Reviewed rent (\$pa)	Variance	Effective date
Croydon, VIC <sup>1</sup>	Bunnings	1,868,741	1,900,000	1.7%	31-Oct-16
Gladstone, QLD <sup>2</sup>	Bunnings	1,137,903	1,308,588	15.0% <sup>3</sup>	16-Feb-17
Scoresby, VIC <sup>1</sup>	Bunnings	1,881,763	1,881,763	-	1-Jun-17
Hervey Bay, QLD <sup>4</sup>	Bunnings	1,252,063	1,300,000	3.8%	23-Dec-17
<b>Weighted Average</b>				<b>4.1%</b>	

<sup>1</sup> The market rent review was due during the year ended 30 June 2017, but the outcome of the negotiation was only completed during the current financial year

<sup>2</sup> The market rent review was due during the year ended 30 June 2017, but was determined by an independent valuer in the current financial year

<sup>3</sup> The independently determined rent was 25.8 per cent above the passing rent however, the market rent review clause in the lease has a 15.0 per cent cap on the increase

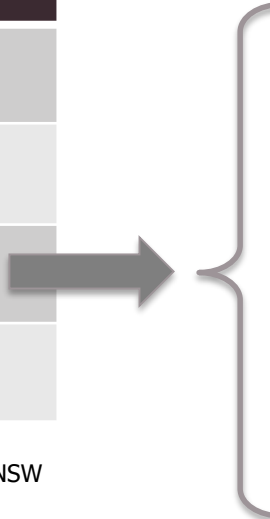
<sup>4</sup> The market rent review was negotiated between the parties

# Portfolio – FY2018 rent reviews

> 5 Bunnings Warehouse market rent reviews due in FY2018<sup>1</sup> currently in negotiation

Rent review type FY18 (all leases)

	First-half	Second- half	% of rental income <sup>2</sup>
CPI	35	18	55%
Fixed	20	23	38%
Market	4	5	7%
<b>Total</b>	<b>59</b>	<b>46</b>	<b>100%</b>



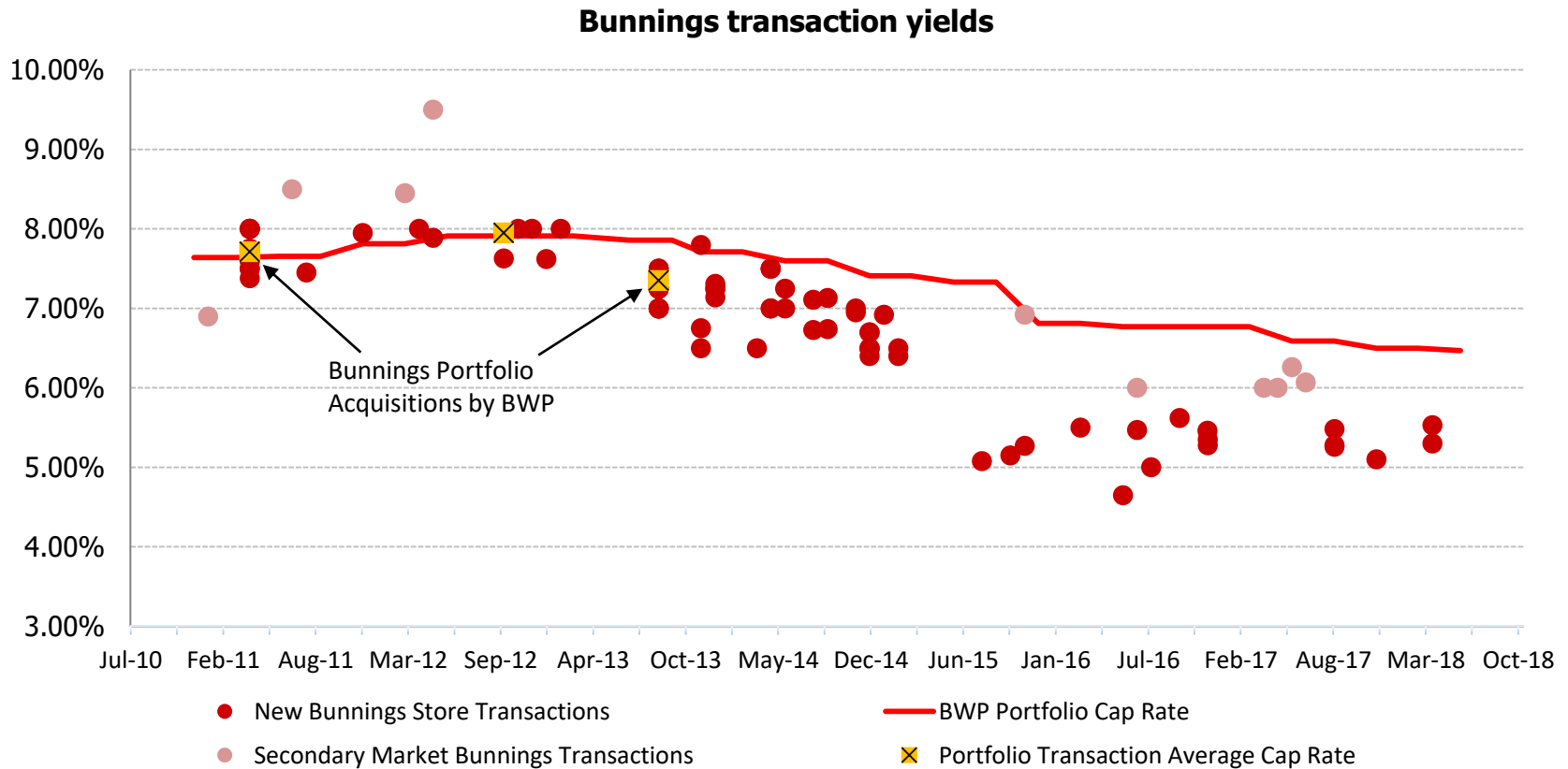
Market rent reviews (BWH)
Artarmon, NSW
Belrose, NSW
Fyshwick, ACT
Hervey Bay, QLD
Villawood, NSW
Wollongong, NSW

<sup>1</sup> Fyshwick ACT, Artarmon NSW, Belrose NSW, Wollongong NSW, Villawood NSW

<sup>2</sup> Percentage based on portfolio rental as at 30 June 2018

# Portfolio – capitalisation rate trends

> New Bunnings Warehouse store yields remain stable in the 5.0 to 5.5% range





# Portfolio – June 2018 revaluation

- > June 2018 weighted average capitalisation rate 6.48% (Dec 2017: 6.50%)
  - Stand alone Bunnings Warehouses weighted average cap rate of 6.36%
    - 5 independent valuations (6% of BWP portfolio value), average cap rate 6.19%
    - 63 internal valuations, average cap rate 6.37%
- > FY2018 net fair value gain of \$69.9m on revaluation
  - Cap rate compression largely contributed to the net value gain after portfolio average cap rate decreased by 11bps for the 12 months to 30 June 2018
  - Cap rate movement; 8 properties decreased, 57 properties no change, and 14 properties increased

Revaluation by state 30 June 2018	No. of properties	Rental \$m/annum <sup>1</sup>	Cap rate	Value \$m
NSW/ACT	18	34.1	6.61%	519.7
QLD	20	39.9	6.29%	607.2
SA	2	4.0	6.32%	63.5
VIC	23	48.0	6.33%	777.4
WA	16	26.9	6.94%	384.9
<b>Total/ weighted average</b>	<b>79</b>	<b>152.9</b>	<b>6.48%</b>	<b>2,352.7</b>

<sup>1</sup> Subject to rounding

# Portfolio – June 2018 independent valuations

Property	State	Dec-17 Cap Rate	Dec-17 Valuation (\$m)	Jun-18 Cap Rate	Jun-18 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Jun-18 Term Certain (years)
Lismore <sup>2</sup>	NSW	6.00%	22.4	5.75%	23.2	-0.25%	0.8	9.2
Wallsend <sup>2</sup>	NSW	6.00%	33.9	5.75%	36.3	-0.25%	2.4	5.9
Gladstone	QLD	7.00%	41.3	7.00%	44.5	0.00%	3.2	4.4
Southport <sup>2</sup>	QLD	6.25%	26.5	6.00%	27.0	-0.25%	0.5	5.4
Underwood <sup>2</sup>	QLD	7.75%	20.0	9.14%	16.9	1.39%	-3.1	0.8
Bayswater	VIC	6.50%	37.2	6.00%	40.6	-0.50%	3.4	2.1
Balcatta <sup>2</sup>	WA	5.75%	40.6	5.75%	40.6	0.00%	0.0	5.2
Joondalup	WA	7.50%	16.4	7.75%	14.8	0.25%	-1.6	5.2
<b>Total/ weighted average<sup>1</sup></b>		<b>6.49%</b>	<b>238.3</b>	<b>6.40%</b>	<b>243.9</b>	<b>-0.09%</b>	<b>5.6</b>	<b>4.6</b>

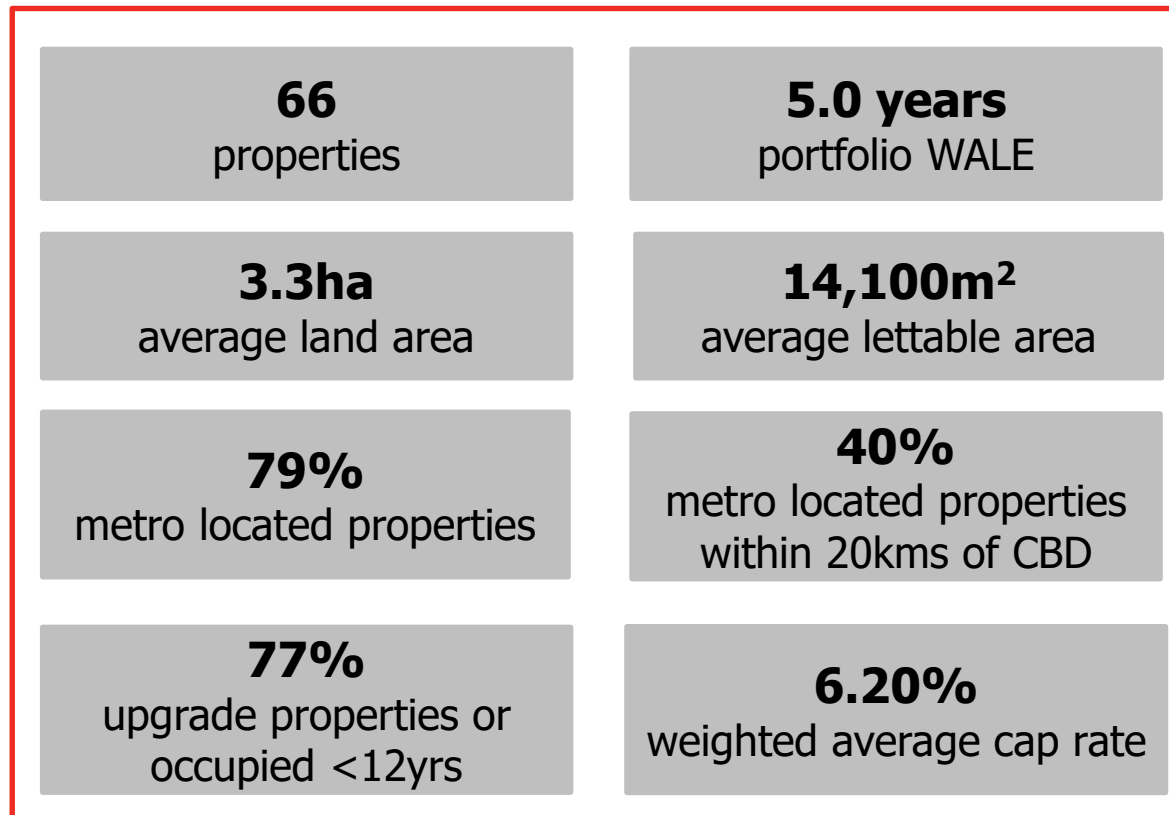
<sup>1</sup> Subject to rounding

<sup>2</sup> Stand alone Bunnings Warehouse



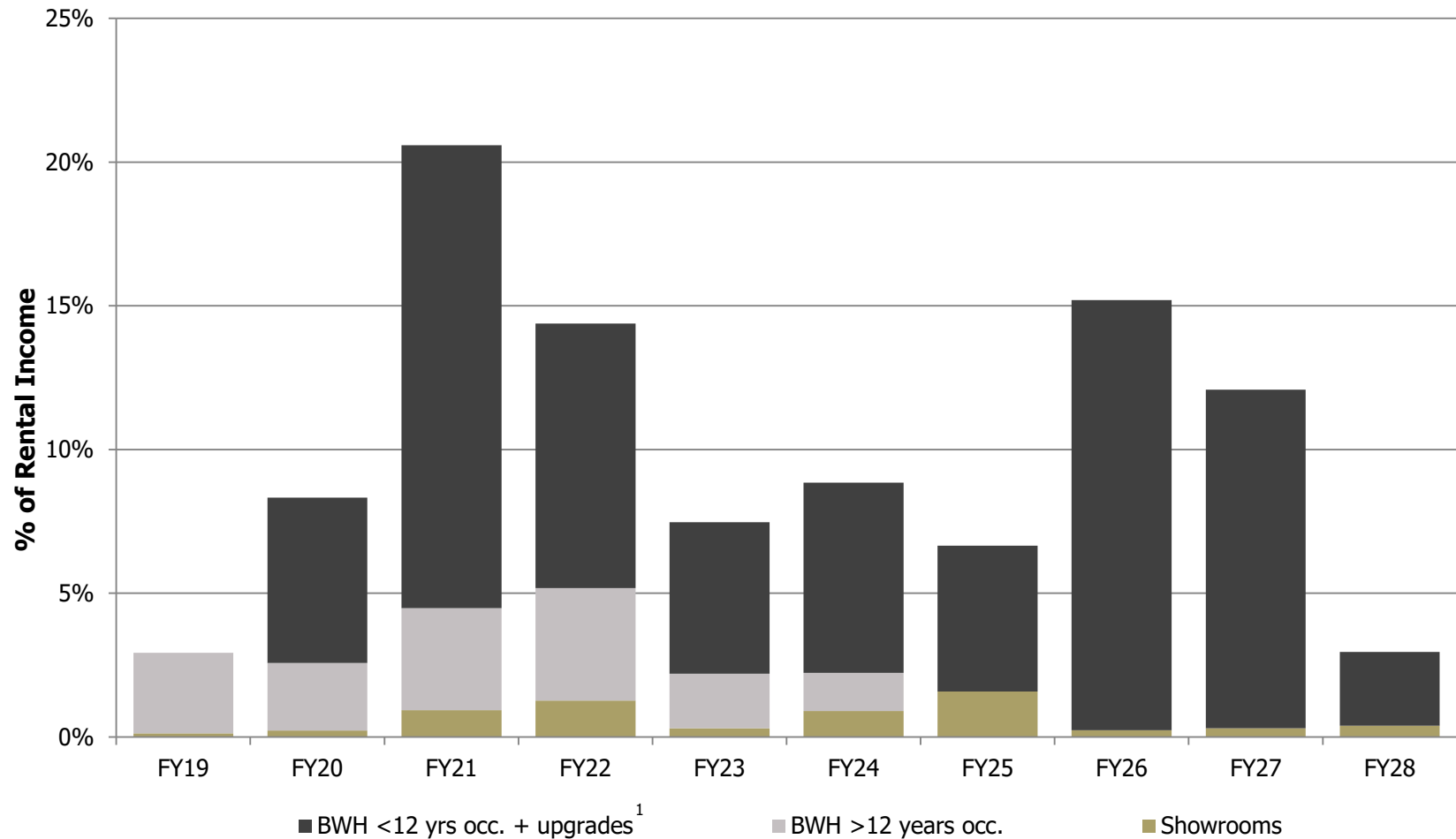
## CORE PORTFOLIO

# Core portfolio<sup>1</sup> – summary



<sup>1</sup> excludes any stores being re-positioned

# Core portfolio - weighted average lease expiry profile



<sup>1</sup> Includes both proposed and completed upgrades

# Core portfolio – lease expiries next 3 years

Property	Lease expiry	Options	Rent (\$'000pa)	Comments
Bayswater	Apr 2019	4 x 5 yrs	1,950	Notification required by Feb 2019; well located property, already upgraded
Browns Plains	May 2019	5 yrs	1,791	Notification required by Feb 2019; Bunnings seeking additional options with no agreement as yet; well located property near Grand Plaza sub-regional shopping centre
Thornleigh	Sep 2019	4 x 5 yrs	1,362	Notification required by Jul 2019; located within 300 metres of shopping centre and passenger train station; zoning allows mixed-use redevelopment opportunities
Noarlunga	Sep 2019	2 x 5 yrs	1,520	Notification required by Jun 2019; zoned Regional Centre
Maitland	Oct 2019	3 x 5 yrs	1,392	Notification required by Aug 2019
Albany	Oct 2019	2 x 5 yrs	870	Notification required by Jul 2019; planning application granted for an upgrade
Bibra Lake	Oct 2019	2 x 5 yrs	1,689	Notification required by Jul 2019
Fountain Gate	Jan 2020	2 x 5 yrs	1,697	Notification required by Oct 2019; potential upgrade
Port Melbourne	Mar 2020	4 x 5 yrs	2,117	Notification required by Dec 2019
Vermont South	Aug 2020	4 x 5 yrs	2,221	Notification required by Jun 2020
Northland	Aug 2020	2 x 5 yrs	1,966	Notification required by Jun 2020
Hawthorn	Oct 2020	4 x 5 yrs	3,255	Notification required by Jul 2020
Coburg	Nov 2020	3 x 5 yrs	1,531	Notification required by May 2020
Mt Gravatt	Dec 2020	4 x 5 yrs	1,326	Notification required by Sep 2020
Broadmeadows	Jan 2021	10 yrs	1,970	Notification required by Oct 2020
Belmont North	Mar 2021	5 yrs	1,191	Notification required by Dec 2020
Portfolio	Mar – May 2021	5 x 5 yrs	12,766	Properties acquired in 2011 portfolio transaction - Belmont, Cockburn, Fairfield Waters, Pakenham, Wagga Wagga, Port Kennedy, Smithfield and Caroline Springs



## ALTERNATIVE USE PROPERTIES

# Mentone re-positioning

- > Strong returns achieved to date as a Bunnings Warehouse (refer table below)
- > Bunnings relocated to a nearby site in 2013, with rent payable until September 2018
- > Two new large format retail leases finalised, combined WALE 11.2 years
- > Capex approx. \$4.5 million, completion February 2019
- > Likely fair value on-completion of development - \$31.0 million
- > Re-zoning opportunities continue to be assessed for future land use flexibility

## Financial performance to date

Purchase date	September 1998
Purchase price	\$9.9 million
Additional capital invested	\$0.4 million
Total invested capital	\$10.3 million
Total rent received (Bunnings)	\$24.7 million
Average annual rent growth since inception	3.5% (CAGR)
June 2018 fair value	\$20.8 million





# Other stores being re-positioned

Property	Lease expiry <sup>1</sup>	Progress
Cairns	Lease expired	Re-leasing campaign ongoing, development options being assessed
Port Macquarie	Nov 2018	Bunnings intend to relocate to a new store on the ex-Masters site. New store due to be complete in 2019. Leasing campaign underway, other re-development options being assessed
Mandurah	Nov 2018	Anchor tenant terms finalised; negotiations with national retailers for remaining lettable area progressing; DA approval in place, building cost being finalised
Underwood	Apr 2019	Leasing campaign underway, other re-development options being considered
Morley	Jul 2020	Re-leasing discussions progressing. Medium term residential and/or mixed-use development potential. Bunnings now trading at new ex-Masters property in Bayswater. Bunnings still trading from Morley store
Hoxton Park	Oct 2020	Large format retail, advanced re-leasing discussions. DA lodged in May 2018
Mindarie	Sep 2021	Scheme amendment and structure plan proposal lodged with council in May 2018

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

# Divestments

Property	Sale price (\$m)	Lease expiry <sup>1</sup>	Status
Dandenong	16.4		Property sold in November 2017
Altona	14.4	Lease surrendered	Option exercised, settlement anticipated for September 2018
Burleigh Heads	19.7	Oct 2018	Option exercised, settlement scheduled for September 2018. Rent payable to BWP until settlement
Epping	16.2	Mar 2019	Conditional purchase contract, settlement anticipated for February 2019. Rent payable to BWP until settlement
Oakleigh South	21.4	Mar 2019	Option exercised, settlement scheduled for February 2019. Rent payable to BWP until settlement

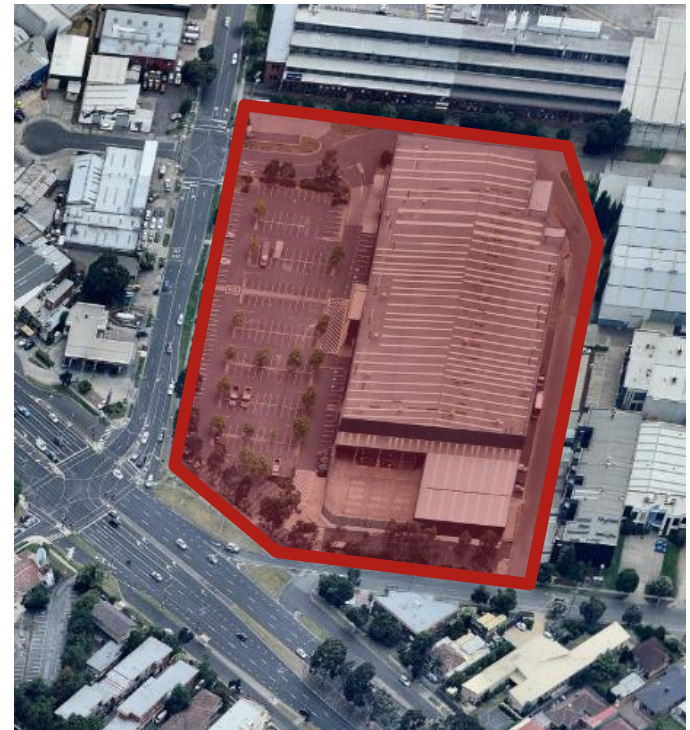
<sup>1</sup> To the end of the current lease term

# Dandenong

- > Property sold to an unrelated third party for \$16.4 million in November 2017
- > Bunnings relocated to the Dandenong South ex-Masters
- > Solid rental returns and land value appreciation over life of asset

## Outcome

Purchase date	April 2002
Land purchase price	\$4.3 million
Additional capital invested	\$7.4 million
Total invested capital	\$11.7 million
Total rent received	\$19.9 million
Average annual rent growth since inception	3.5% (CAGR)
Sale price	\$16.4 million
June 2017 fair value	\$13.3 million



# Altona

- > Bunnings relocated to the adjoining property in late 2014, with lease in place to September 2018
- > Option to purchase contract terms agreed in first-half CY2017 with remaining rent included as part of sale price
- > Unconditional contract now in place with an unrelated third party, settlement anticipated for September 2018

Outcome	
Purchase date	September 1998
Land & building purchase price	\$7.4 million
Additional capital invested	\$2.8 million
Total invested capital	\$10.2 million
Total rent received	\$17.7 million
Average annual rent growth since inception	3.3% (CAGR)
Sale price	\$14.4 million
December 2016 fair value	\$13.9 million



# Burleigh Heads

- > Bunnings relocated to a nearby site in 2014 with rent payable until September 2018
- > Pursued a number of re-development options including divestment
- > Option to sell contract terms agreed in second-half CY2017
- > Unconditional contract now in place with an unrelated third party, settlement scheduled for September 2018. Rent payable to BWP until settlement

## Outcome

Purchase date	October 1998
Land purchase price	\$2.4 million
Additional capital invested	\$8.6 million
Total invested capital	\$11.0 million
Total rent received	\$26.5 million
Average annual rent growth since inception	3.5% (CAGR)
Sale price	\$19.7 million
June 2017 fair value	\$16.6 million



# Epping

- > Bunnings relocated to a nearby site in October 2015 with rent payable until March 2019
- > Pursued a number of re-development options including divestment
- > Option to sell contract terms agreed in second-half CY2017
- > Conditional contract now in place to sell to an unrelated third party, settlement anticipated for February 2019

## Outcome

Purchase date	March 1999
Land purchase price	\$3.0 million
Additional capital invested	\$6.2 million
Total invested capital	\$9.2 million
Total rent received	\$21.0 million
Average annual rent growth since inception	3.3% (CAGR)
Sale price	\$16.2 million
June 2017 fair value	\$13.1 million



# Oakleigh South

- > Bunnings intend to relocate from property, lease expires in March 2019
- > Have considered a number of re-development options including divestment
- > Option to sell contract terms agreed in second-half CY2017
- > Unconditional contract now in place with an unrelated third party, settlement scheduled for February 2019. Rent payable to settlement

## Outcome

Purchase date	April 2001
Land purchase price	\$7.0 million
Additional capital invested	\$10.0 million
Total invested capital	\$17.0 million
Total rent received	\$31.5 million
Average annual rent growth since inception	2.1% (CAGR)
Sale price	\$21.4 million
June 2017 fair value	\$18.3 million





CAPITAL MANAGEMENT



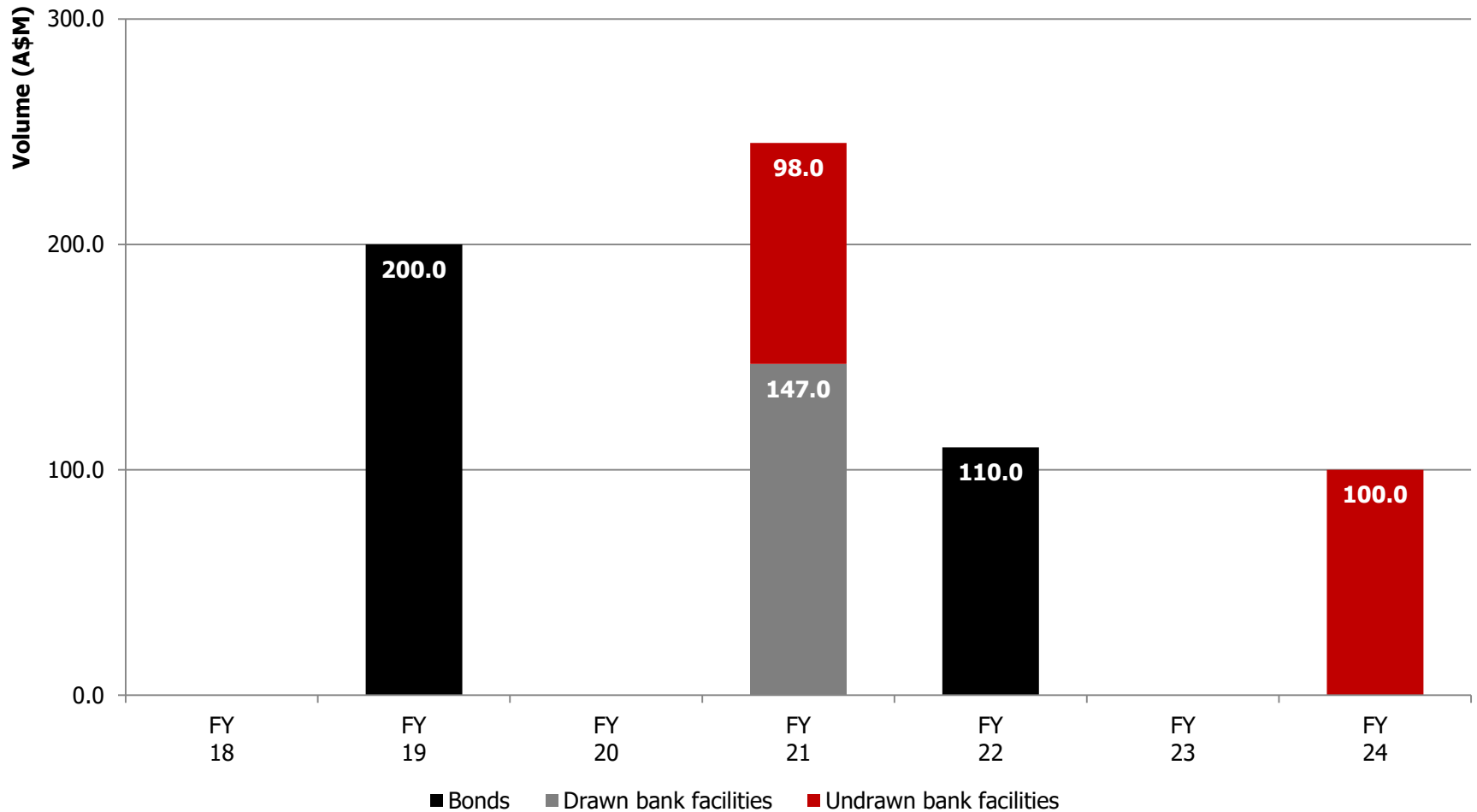
# Capital management – debt facilities

- > Average borrowings for the year \$470.6m (down 1.8% on the previous year)
  - 4.6% weighted average cost of debt after hedging (2017: 4.6%)
  - Borrowing costs for the year \$21.5m (down 2.4% on pcp)
- > All existing bank facilities (CBA and WBC) can be extended a further year each year, subject to agreement
- > New \$100m forward start 5 year term debt facility with Sumitomo Mitsui Banking Corporation entered into post year-end to commence May 2019
- > Cost of debt at 30 June 2018: 4.5%
- > Interest cover: 6.5 at 30 June 2018 (2017: 6.3x)
- > Gearing: 19.3% at 30 June 2018 (2017: 20.4%)
- > A3/ Stable Moodys rating obtained and A- /Stable / - S&P rating maintained

As at 30 June 2018	Limit (\$m)	Drawn (\$m)	Expiry
<b>CBA</b>	110	68	31 July 2020
<b>WBC</b>	135	79	30 April 2021
<b>Corporate bond</b>	200	200	27 May 2019
<b>Corporate bond</b>	110	110	11 May 2022
<b>Total/ Weighted average</b>	<b>555</b>	<b>457</b>	<b>2.2 years</b>

# Capital management – debt duration

## Debt maturity profile as at 31 July 2018



# Capital management – interest rate hedging

Hedge book profile by half-year ending:	Jun 18	Dec 18	Jun 19	Dec 19	Jun 20	Dec 20
Active swaps (\$m)	88	58	98	98	85	85
Swap rates (%)						
Maximum	5.54	4.92	4.92	4.92	4.12	4.12
Minimum	2.39	2.39	2.39	2.39	2.39	2.39
Weighted average (%) <sup>1</sup>	4.09	3.39	3.07	3.07	2.79	2.79

- > Including fixed rate corporate bonds:
  - \$397.5m hedged at 2.72%<sup>2</sup> weighted average to maturity, at 30 June 2018

<sup>1</sup> Weighted average at balance of active swaps

<sup>2</sup> excludes margins payable on the fixed corporate bonds



OUTLOOK

# Outlook

## > **Macro economic environment**

- Demand for Bunnings Warehouse properties is expected to remain stable, subject to any significant risk events interrupting capital flows into the Australian property sector.

## > **Rental growth**

- 45 CPI/ 42 fixed rent reviews in FY2019
- 8 Bunnings MRRs to be finalised this financial year (plus 5 from FY2018)

## > **Investment**

- Strong focus on achieving good outcomes on alternative use sites
- Will progress opportunities to re-invest in existing portfolio and re-zonings
- Portfolio growth opportunities will be influenced by market valuations

## > **FY2019 distribution**

- For FY2019, the Trust expects further rental growth from its core Bunnings warehouse property portfolio. It is likely that the divestment of up to four properties will be completed during the year and that other ex-Bunnings Warehouse stores will be transitioned to alternative uses with some impact on overall rental income.
- We expect to be in a position to at least maintain distribution growth equivalent to that for the year ended 30 June 2018. Capital profits will be utilised to support distributions as required during this period of transition.

# Further information

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