



# Full-year results to 30 June 2015

August 2015

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# Presentation Outline

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- > 2015 full-year highlights
- > Results
- > Portfolio
- > Capital management
- > Strategic agenda
- > Outlook

# 2015 Full-year highlights

**\$144.9m** ↑  
Total income 13.7%

**\$101.6m** ↑  
Dist. profit 9.5%

**15.84 cpu** ↑  
Distribution 7.7%

**\$2.24** ↑  
NTA 8.2%

**30.0%**  
Total return

## Portfolio performance

**2.6%**  
like-for-like rental growth

**100%**  
occupancy

**7.33%**  
portfolio cap rate

**6.6 Years**  
portfolio WALE

## Portfolio management

**1**  
new store acquisition

**5**  
developments completed

**2**  
store upgrades in progress

**6**  
property divestments

## Capital management

**3**  
bank facilities repriced/ extd

**5.0%**  
cost of debt at 30 June

**4.2 years**  
debt duration

**24.1%**  
gearing

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

	FY2015	Previous corresponding period
Total income	\$144.9m	\$127.4m
Management expense ratio	0.65%	0.64%
Other expenses	\$6.4m	\$6.0m
Distributable profit (excluding revaluations)	\$101.6m	\$92.8m
Number of units on issue	642.4m	634.4m
Full-year distribution per unit	15.84 cents	14.71 cents
Total assets	\$2,018.0m	\$1,837.4m
Borrowings	\$485.4m	\$448.3m
Net tangible assets per unit	\$2.24	\$2.07
Gearing (debt to total assets)	24.1%	24.4%
Covenant gearing (debt + n.c.l. <sup>2</sup> to total assets)	24.6%	25.0%

<sup>1</sup> pcp = previous corresponding period, being the 12 months ended 30 June 2014 or as at 30 June 2014 as relevant

<sup>2</sup> n.c.l. = non-current liabilities

# Results - performance 6 monthly

	6 months to Jun 15	6 months to Dec 14	6 months to Jun 14
Total income	\$73.7m	\$71.2m	\$67.7m
Distributable profit	\$52.5m	\$49.1m	\$49.9m <sup>1</sup>
Property revaluation gains	\$40.3m	\$68.2m	\$33.3m
Net profit including property revaluations	\$92.8m	\$117.3m	\$82.4m
Six month distribution (cents per unit)	8.17	7.67	7.88 <sup>1</sup>
Total assets	\$2,018.0m	\$1,926.0m	\$1,837.4m
Borrowings	\$485.4m	\$451.2m	\$448.3m
Weighted average cost of debt <sup>2</sup>	5.26%	5.79%	5.78%
Net Tangible Assets (per unit)	\$2.24	\$2.18	\$2.07
NTA per unit excluding hedging liabilities	\$2.26	\$2.20	\$2.09
Weighted average cap rate	7.33%	7.41%	7.59%
Gearing (debt to total assets)	24.1%	23.4%	24.4%

<sup>1</sup> Includes \$0.8 million capital profits released from undistributed income reserve

<sup>2</sup> Finance costs less finance income divided by average borrowings for the six months

# Portfolio – Australind acquisition & development

- > Bunnings Warehouse - Australind, WA (\$18.3m)
  - Strongly growing part of regional Western Australia
  - Land acquired in June 2015 for \$8.3m (plus acquisition costs of approximately \$0.5 million)
  - Development completed June 2015
  - 8,725m<sup>2</sup> fully-enclosed covered area
  - Commencing annual rent \$1.25m
  - 12 year lease with 5 x 6-year options
  - Annual 3% fixed escalation
  - Market reviews on exercise of each option (10% caps/collars)



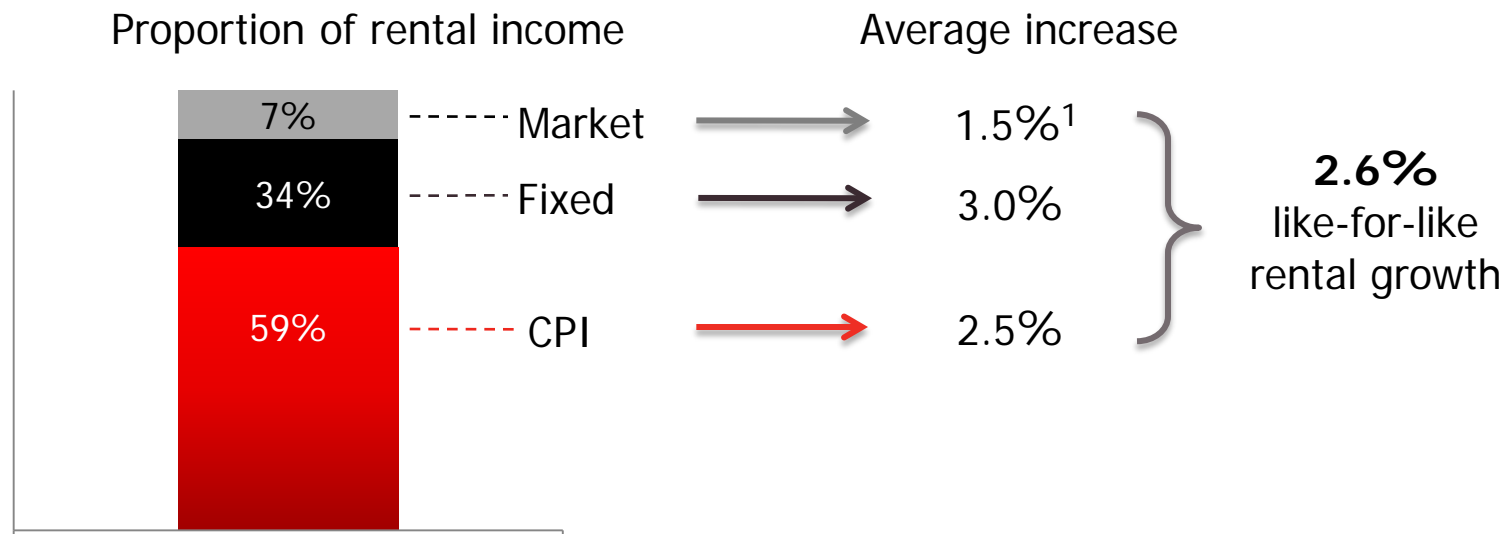
## Portfolio – developments completed in FY2015

	Manly West	West Ipswich	Brendale	Maribyrnong	Minchinbury upgrade
Development completion	Sep 2014	Sep 2014	Dec 2014	Feb 2015	Apr 2015
Land acquisition costs	\$7.2m	\$13.1m	\$8.1m	\$7.6m	\$4.3m
Development cost	\$21.3m	\$17.9m	\$19.2m	\$32.0m	\$8.6m
Fully enclosed covered area	11,090m <sup>2</sup>	11,461m <sup>2</sup>	11,757m <sup>2</sup>	14,487m <sup>2</sup>	12,448m <sup>2</sup>
Commencing rent (per annum)	\$2.05m	\$2.28m	\$1.88m	\$2.54m	\$2.71m
Lease term	12 years	12 years	12 years	12 years	12 years
Options	5 x 6-years	5 x 6-years	5 x 6-years	5 x 6-years	4 x 6-years
Annual rent reviews	3% fixed	3% fixed	3% fixed	3% fixed	CPI
Market reviews	At option (10% cap collar)	At option (10% cap collar)	At option (10% cap collar)	At option (10% cap collar)	At option (10% cap collar)

Note: Lismore and Rockingham store upgrades in progress, scheduled to be completed in August and October 2015 respectively, at total cost of \$9.0 million. New 12 year leases, with options, to commence on completion.



# Portfolio – FY2015 like-for-like rental growth



## Like-for-like rental growth<sup>2</sup>

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Rental growth	3.0%	4.4%	2.8%	7.1%	2.9%	3.4%	4.0%	2.1%	4.0% <sup>3</sup>	2.6%

<sup>1</sup> Comprises five Bunnings Warehouse market rent reviews due during FY2015 out of 10 completed, excluding market rent reviews relating to the previous year and acquisitions

<sup>2</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>3</sup> Revised from 2.5 per cent following completion of 12 market rent reviews relating to the year ending 30 June 2014 completed in the year ending 30 June 2015. The average increase in the completed market rent reviews was 8%, representing 25% of the total like-for-like growth on FY14

# Portfolio – FY2015 market rent review outcomes

17 Bunnings reviews resulted in an 8.0% increase, 12 from FY2014, and 5 due during the period

Property location	Customer	Passing rent (\$pa)	Reviewed rent (\$pa)	Variance (%)	Effective date
Altona, VIC <sup>1</sup>	Bunnings	1,089,650	1,122,339	3.0	24 Sep 13
Balcatta, WA <sup>1</sup>	Bunnings	1,841,264	2,170,000	17.9	24 Sep 13
Burleigh Heads, QLD <sup>1</sup>	Bunnings	1,479,587	1,648,000	11.4	22 Oct 13
Underwood, QLD <sup>1</sup>	Bunnings	1,369,988	1,527,500	11.5	22 Oct 13
Southport, QLD <sup>1</sup>	Bunnings	1,457,667	1,648,000	13.1	10 Nov 13
Port Macquarie, NSW <sup>1</sup>	Bunnings	876,852	960,000	9.5	17 Nov 13
Tuggeranong, ACT <sup>1</sup>	Bunnings	1,527,708	1,725,000	12.9	1 Dec 13
Epping, VIC <sup>1</sup>	Bunnings	1,181,865	1,235,000	4.5	12 Mar 14
Cannon Hill, QLD <sup>1</sup>	Bunnings	2,044,814	2,382,864	16.5	1 Apr 14
Lismore, NSW <sup>1</sup>	Bunnings	890,979	935,000	4.9	20 Apr 14
Bayswater, VIC <sup>1</sup>	Bunnings	1,656,983	1,820,000	9.8	21 Apr 14
Browns Plains, QLD <sup>1</sup>	Bunnings	1,520,912	1,668,340	9.7	7 May 14
Thornleigh, NSW	Bunnings	1,320,622	1,320,622	-	6 Sep 14
Hoxton Park, NSW	Bunnings	2,358,746	2,323,000	(1.5)	3 Oct 14
Maitland, NSW	Bunnings	1,287,329	1,350,000	4.9	18 Oct 14
Albany, WA	Bunnings	824,016	848,000	2.9	1 Nov 14
Bibra Lake, WA	Bunnings	1,647,203	1,647,203	-	1 Nov 14
Gladstone, QLD	Pets West Online	114,252	154,275	35.0	16 Dec 14
Gladstone, QLD <sup>2</sup>	Betta Electrical	203,851	227,150	11.4	14 Mar 15
Coburg, VIC	Cafe	58,493	58,493	-	1 Apr 15
<b>Weighted average</b>				<b>8.2</b>	

<sup>1</sup> The market rent review was due during the year ended 30 June 2014, but the outcome of the negotiation/determination was only completed during the year ended 30 June 2015

<sup>2</sup> The parties agreed a new lease for a term of 10 years in conjunction with negotiating the market rent review

# Portfolio – FY2016 rent reviews

- > 5 Bunnings Warehouse market rent reviews due in FY2015<sup>1</sup> currently being negotiated or at determination

Rent review type FY16 (all leases)

	First-half	Second-half	% of rental income <sup>2</sup>
CPI	38	22	58%
Fixed	18	23	35%
Market	6	6	7%
<b>Total</b>	<b>62</b>	<b>51</b>	<b>100%</b>



Market rent reviews (BWH)
Morley, WA
Vermont South, VIC
Northland, VIC
Mt Gravatt, QLD
Broadmeadows, VIC
Belmont North, NSW

<sup>1</sup> Mornington VIC, Fountain Gate VIC, Nunawading VIC, Morayfield QLD, Mile End SA

<sup>2</sup> percentage based on portfolio rental as at 30 June 2015

# Portfolio – FY2015 revaluation

- > June 2015 weighted average capitalisation rate 7.33% (Dec 2014: 7.41%)
  - Stand alone Bunnings Warehouses weighted average cap rate of 7.25%
    - 9 independent valuations (10% of BWP portfolio value), average cap rate 7.46%<sup>1</sup>
    - 63 internal valuations, average cap rate 7.24%
- > FY2015 net fair value gain of \$108.5m on revaluation
  - Rental growth contributed 70% of the net value gain and cap rate compression contributed 30%
  - Cap rate movement; 42 properties decreased , 20 properties no change, and 15 properties increased

Revaluation by state 30 June 2015	No. of properties	Rental \$m/annum <sup>2</sup>	Cap rate	Value \$m <sup>2</sup>
NSW/ACT	19	32.3	7.49%	432.7
QLD	20	38.1	7.30%	486.8
SA	2	3.5	7.19%	52.5
VIC	24	47.7	7.23%	661.3
WA	17	25.0	7.37%	342.3
<b>Total/weighted average</b>	<b>82</b>	<b>146.6</b>	<b>7.33%</b>	<b>1,975.6</b>

<sup>1</sup> Excluding Burleigh Heads from the calculation, the average cap rate equates to 7.35%

<sup>2</sup> Subject to rounding

# Portfolio – future rent reviews and revaluations

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

	FY2016	FY2017	FY2018	FY2019	FY2020
BWH market reviews	6	7	8	15	11
% of total <sup>1</sup>	6%	8%	8%	16%	12%
Independent valuations	26	29	25	29	29
% of total <sup>2</sup>	34%	35%	30%	39%	35%

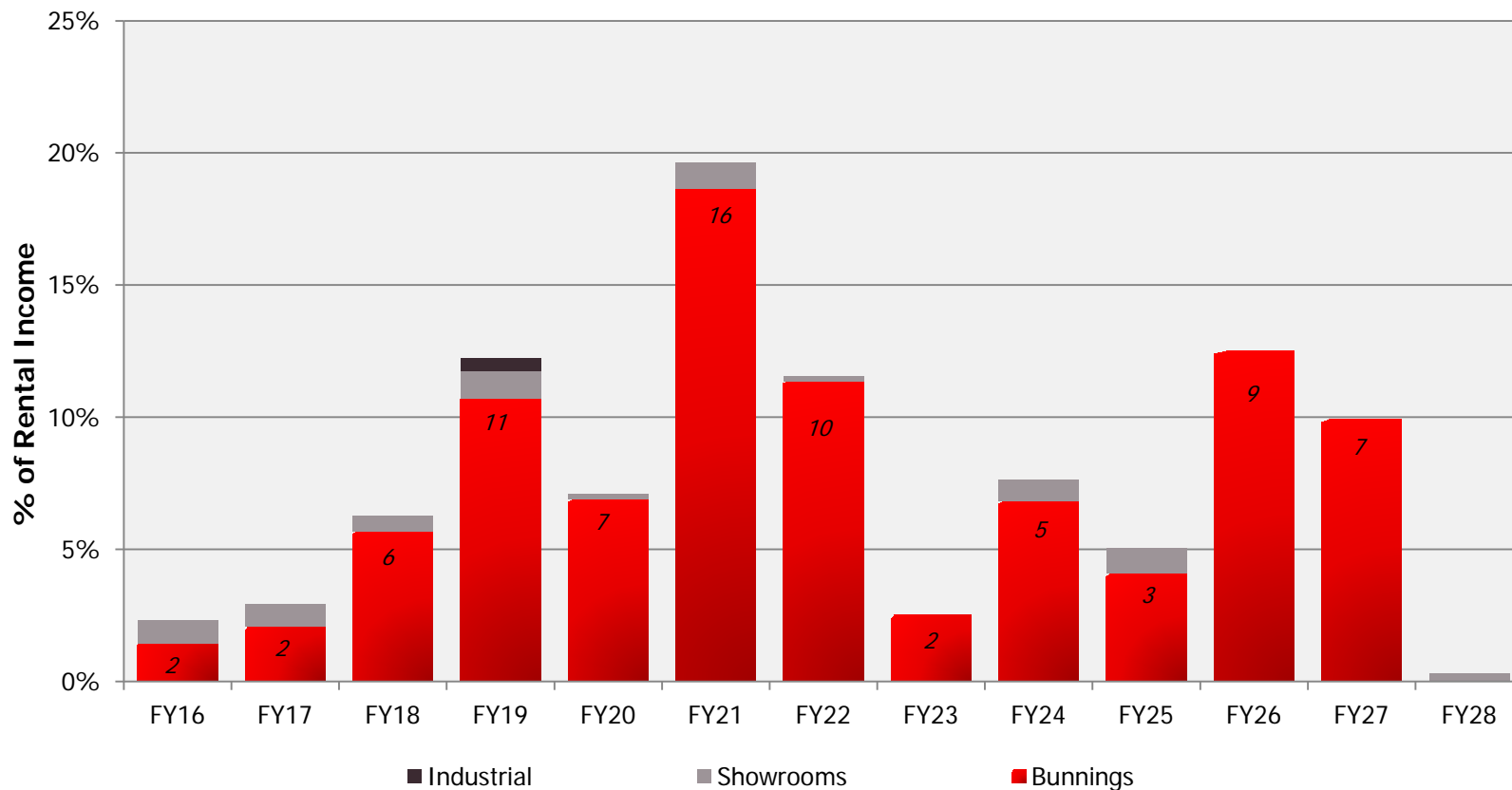
<sup>1</sup> Percentages based on portfolio annual rent as at 30 June 2015

<sup>2</sup> Percentages based on fair value of the portfolio as at 30 June 2015

# Portfolio – Bunnings lease term expiries next 3yrs

Property	Lease term expiry	Options	Annual rent (\$'000)	Comments
Mt Gravatt	Dec 2015	5 x 5 yrs	1,163	Notification received to exercise next 5 year option
Belmont North	Mar 2016	2 x 5 yrs	955	Notification required by Dec 2015
Gladstone	Feb 2017	4 x 5 yrs	1,121	Notification required by Nov 2016
Oakleigh South	Mar 2017	2 x 5 yrs	1,930	Notification required by Dec 2016
Dandenong	Nov 2017	2 x 5 yrs	1,572	Notification required by Aug 2017
Hervey Bay	Dec 2017	2 x 5 yrs	1,218	Notification required by Sep 2017
Fyshwick	Dec 2017	5 yrs	1,209	Notification required by Sep 2017
Cairns	Feb 2018	3 x 5 yrs	1,274	Bunning vacated – considering re-leasing/divestment
Wollongong	Feb 2018	3 x 5 yrs	1,419	Notification required by Nov 2017
Villawood	May 2018	5 x 5 yrs	1,639	Notification required by Feb 2018

# Portfolio – weighted average lease expiry profile



- > 16 Bunnings Warehouse leases WALE > 10 years, combined property value \$469.1m
- > 36 Bunnings Warehouse leases WALE 5 to 10 years, combined property value \$961.8m
- > Refer Appendix A for weighted average lease expiry table

# Portfolio – re-positioning

The sale of six non-core properties completed in the year ending 30 June 2015

Property	Tenancy	Sale price (\$m)	Settlement date
Regency Park	Ex-Blackwoods	3.9	Jul 14
Hemmant	Ex-Bunnings	21.3	Sep 14
Sandown	Ex-Bunnings	8.6	Oct 14
Sunshine	Bunnings	13.0	Dec 14
Coffs Harbour	Bunnings	7.3	May 15
Blackburn	Industrial	17.5	Jun 15
<b>Total</b>		<b>71.6<sup>1</sup></b>	

<sup>1</sup> Before selling costs of \$0.8 million



# Portfolio – Bunnings Warehouse replacements

Property	Lease expiry	Duration of occupancy <sup>1</sup>	Outcome achieved
Altona	Sep 2018	18yrs	Option agreement expiring in July 2016 to sell property to Folkestone Limited
Mentone	Sep 2018	20yrs	Bunnings has moved to a new site, Trust owned store sub-let to Super A-Mart
			<b>Good progress</b>
Cairns	Feb 2018	15yrs	Bunnings re-located to new site in 2015, will most likely divest
Joondalup	Sep 2018	20yrs	Bunnings re-located to new site in 2014, progressing assignment of lease to an ASX listed company, and pursuing re-zoning of property to mixed use
Burleigh Heads	Oct 2018	20yrs	Bunnings re-located to a new site in 2014, re-leasing/redevelopment discussions in progress
Mindarie	Sep 2021	19.5yrs	Bunnings re-located to a new site in 2014, consideration being given re-lease, redevelopment and/or sale opportunities
			<b>New</b>
Epping	Mar 2019	19yrs	Bunnings expected to relocate to new site in late 2015, zoned mixed use, consideration is being given to re-lease, large format retail redevelopment and/or divestment

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

# Portfolio – Bunnings Warehouse replacements

## Epping

- > Located near Epping Train Station, in a large format retail precinct, adjacent to the Epping Plaza Shopping Centre
- > Mixed use zoning



# Capital management – debt facilities

- > Average borrowings FY2016 \$462.7m (up 39.2% on previous year)
  - 5.5% weighted average cost of debt after hedging (2014: 6.1%)
  - Borrowing costs for the full-year \$25.8m (up 23.5% on previous year)
- > Bank facilities repriced and extended during the year (1 x 3yr term, 2 x 5yr terms)
- > All facilities can be extended a further year each year, subject to agreement
- > Cost of debt at 30 June 2015: 5.0%
- > Interest cover: 5.1x at 30 June 2015 (2014: 5.7x)
- > Gearing: 24.1% 30 June 2015 (2014: 24.4%)
- > A- /Stable / - S&P rating maintained

As at 30 June 2015	Limit (\$m)	Drawn (\$m)	Expiry
<b>ANZ</b>	110	94	1 July 2018
<b>CBA</b>	110	92	31 July 2020
<b>WBC</b>	135	99	30 April 2020
<b>Corporate bond</b>	200	200	27 May 2019
<b>Total/ Weighted average</b>	<b>555</b>	<b>485</b>	<b>4.2 years</b>

# Capital management – interest rate hedging

Hedge book profile by half-year ending:	Jun 15	Dec 15	Jun 16	Dec 16	Jun 17	Dec 18
Active swaps (\$ m)	180	180	175	135	110	28
Swap rates (%)						
Maximum	5.70	5.70	5.70	5.70	5.70	5.05
Minimum	3.10	3.10	3.10	3.10	3.10	4.25
Weighted average <sup>1</sup>	5.04	5.04	4.91	4.84	4.66	4.61

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

- > Including fixed rate corporate bonds:
  - \$380.0m hedged at 3.93% weighted average including delayed starts
  - 3.17 years weighted average maturity, including delayed starts

# Strategic agenda

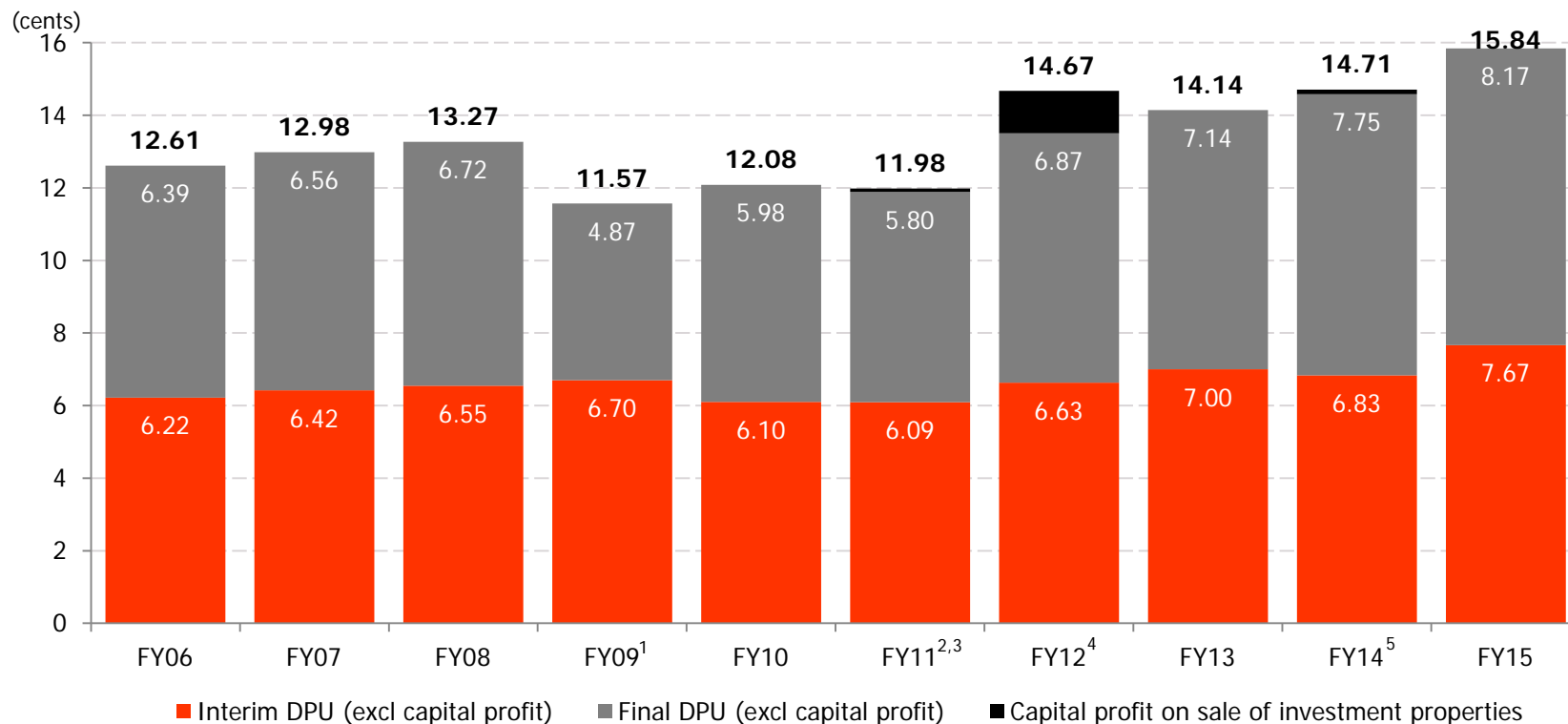


# Strategic agenda - major customers

Customer	Stores	Percentage of total BWP rent	Comments
Bunnings (Wesfarmers Limited)	80	92.8%	9.2% store-on-store growth for 9mths to 31 March 2015, adding 15 – 18 stores pa over next two years, 10 to 14 stores pa thereafter
BCF (Super Retail Group - ASX listed)	4	0.7%	Bayswater (VIC), Geraldton (WA), Gladstone (QLD), Coburg (VIC)
Officeworks (Wesfarmers Limited)	3	0.9%	Hoxton Park (NSW), Coburg (VIC), Pakenham (VIC)
Pet Barn and City Farmers (ASX listed)	3	0.5%	Coburg (VIC), Dubbo (NSW), Harrisdale (WA)
Harvey Norman (ASX listed)	2	1.1%	Coburg (VIC), Gladstone (QLD)
Major other retailers	6	1.7%	Spotlight, Good Guys, Super A-Mart <sup>1</sup> , Beacon Lighting, Kennards, Autobarn

<sup>1</sup> Super A-Mart sub-lease premises from Bunnings at Mentone

# Strategic agenda - distributions per unit (DPU)



<sup>1</sup> Final distribution FY2009 – impacted by additional units issued from \$150 million capital raising and one-off termination costs of interest rate derivatives closed out to pay down debt from capital raising

<sup>2</sup> Interim distribution FY2011 includes 0.09 cents per unit (“cpu”) capital profit released from undistributed income reserve

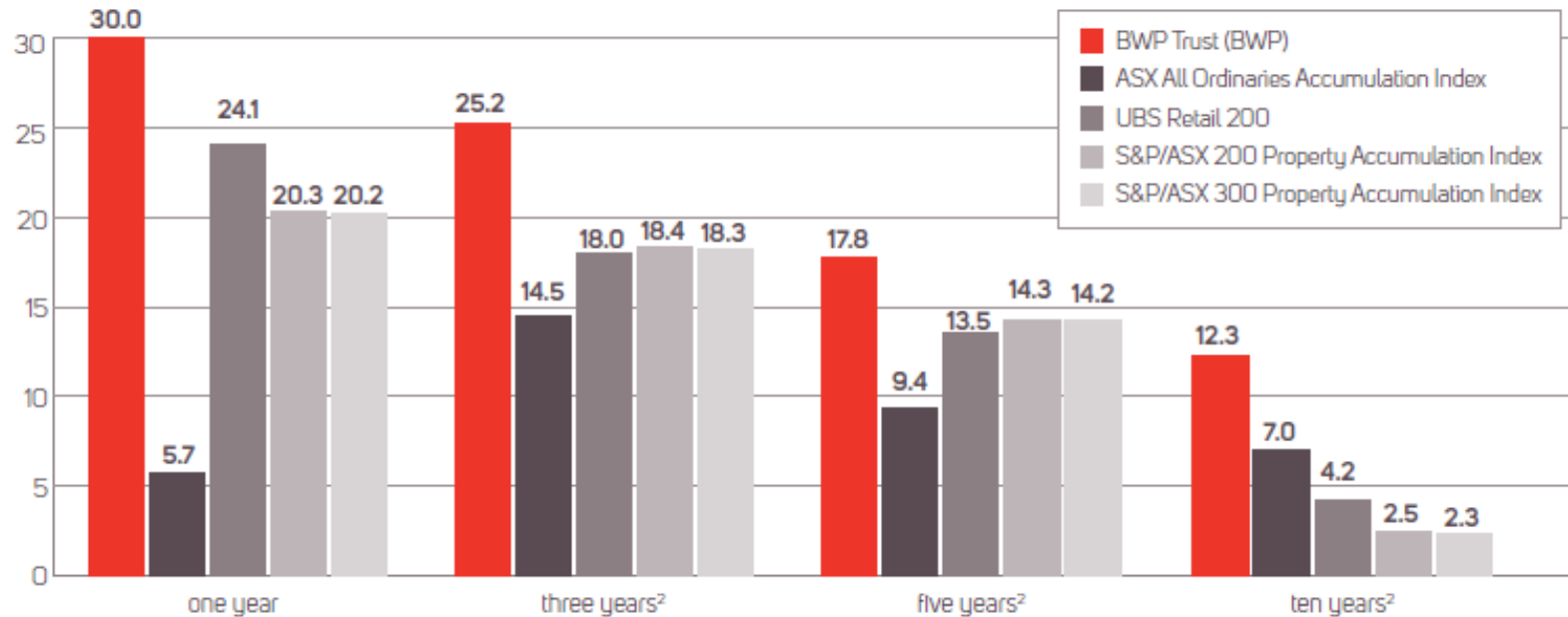
<sup>3</sup> Final distribution FY2011 impacted by additional units issued from \$150 million capital raising to fund portfolio acquisition

<sup>4</sup> Final distribution FY2012 (8.04 cpu) includes 1.17 cpu capital profit released from undistributed income reserve

<sup>5</sup> Final distribution FY2014 (7.78 cpu) includes 0.13 cpu capital profit released from undistributed income reserve

# Strategic agenda - total return profile

BWP TOTAL RETURNS COMPARED TO MARKET PERIODS ENDED 30 JUNE 2015 (%)<sup>1</sup>



<sup>1</sup> Total returns include distributions and movement in price (assumed distributions are reinvested). Source: UBS Australia.

<sup>2</sup> Annual compound returns



# Strategic agenda – long term return focus

## > Portfolio dynamics

- Average portfolio ROIC last 10 years +10%pa
- 43 Bunnings Warehouse stores initial lease term
- 23 Bunnings Warehouse stores have exercised one option
- 14 Bunnings Warehouse stores have exercised more than one option
- Average duration of occupancy of current replacement stores approx 19yrs

## > 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, 5.0 – 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 2015
- 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:	2015	2014	2013	2012	2011	2010	2009
Average DPU growth (%pa)	3.2	2.9	3.4	4.5	2.9	2.6	5.4
Total returns <sup>1</sup> (%pa)	12.3	12.2	11.6	11.5	12.5	14.7	11.8

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

# Strategic agenda - priorities

## > **Portfolio**

- Finalise Bunnings Warehouse replacement store outcomes ahead of lease expiry
- Reinvestment in existing properties to support Bunnings' evolving business model
- Ongoing review of portfolio for redeployment or divestment opportunities
- Continue to add to the portfolio, while managing return profile

## > **Capital structure**

- Leverage A- rating to diversify and lower the cost of funding
- Actively manage capital structure in line with the portfolio dynamics
- Maintain balance sheet flexibility into next property cycle

# 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 developments/ acquisitions completed in FY2015
- 60 CPI/ 41 fixed rent reviews in FY 2016
- 11 Bunnings MRRs to be finalised this financial year (including 5 from FY2015)

## > **Investment:**

- Portfolio growth opportunities will be influenced by the direction of interest rates
- Will progress opportunities to re-invest in existing portfolio
- Cost of debt funding to remain at around 5.0% (at current interest rates)

## > **FY2016 distribution:**

- On the basis of the existing property portfolio, and no significant unforeseen changes in the operating environment, the Trust could expect approximately 5% DPU growth for FY2016

# Further information

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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 (%)	Industrial (%)	Showrooms (%)
1	30-Jun-16	7	3,384,344	2.3%	1.4%	0.0%	0.9%
2	30-Jun-17	6	4,268,131	2.9%	2.1%	0.0%	0.8%
3	30-Jun-18	8	9,196,204	6.3%	5.7%	0.0%	0.6%
4	30-Jun-19	16	17,949,616	12.2%	10.7%	0.5%	1.0%
5	30-Jun-20	8	10,404,581	7.1%	6.9%	0.0%	0.2%
6	30-Jun-21	20	28,771,312	19.6%	18.6%	0.0%	1.0%
7	30-Jun-22	12	16,955,683	11.6%	11.4%	0.0%	0.2%
8	30-Jun-23	2	3,686,007	2.5%	2.5%	0.0%	0.0%
9	30-Jun-24	8	11,219,489	7.7%	6.8%	0.0%	0.8%
10	30-Jun-25	9	7,433,558	5.1%	4.1%	0.0%	1.0%
11	30-Jun-26	9	18,356,431	12.5%	12.5%	0.0%	0.0%
12	30-Jun-27	7	14,543,872	9.9%	9.9%	0.0%	0.0%
13	30-Jun-28	1	459,453	0.3%	0.0%	0.0%	0.3%
<b>TOTAL</b>		<b>113</b>	<b>146,628,681</b>	<b>100.0%</b>	<b>92.8%</b>	<b>0.5%</b>	<b>6.7%</b>

Note: table subject to rounding