

WELCOME

TO THE **2015** ANNUAL RESULTS BRIEFING

PFI
YOUR INDUSTRIAL
PROPERTY EXPERTS

AGENDA



1. Highlights
2. Portfolio
3. Market & Strategy
4. 2015 Annual Results
5. Capital Management
6. Closing & Questions
7. Appendices



HIGHLIGHTS.



HIGHLIGHTS



- Profit after tax for the year of \$72.8 million or 17.25 cents per share
- Distributable profit for the year of 7.42 cents per share
- Fourth quarter cash dividend of 2.00 cents per share, total cash dividends for the year of 7.30 cents per share
- Strong balance sheet maintained via rights offer, dividend reinvestment, loan facility renegotiation and disposal of non-core property
- \$46.5 million or 4.9% portfolio revaluation uplift, 7.9% increase in net tangible assets per share to 140.5 cents
- 61% of contract rent varied, leased or reviewed during the year
- Portfolio occupancy at 99.6%, 2016 expiries of 9.3%
- \$76.0 million committed to the acquisition of six properties (\$48.2 million) and new developments (\$27.8 million)



PORTFOLIO.



PORTFOLIO SNAPSHOT



- PFI's portfolio is diversified across 84 properties and 141 tenants, with 99.6% occupancy and a weighted average lease term of 5.18 years

	31 December 2015	31 December 2014
Valuation	\$986.6m	\$876.0m
Number of properties	84	79
Number of tenants	141	134
Contract rent	\$72.3m	\$65.8m
Occupancy	99.6%	98.5%
Weighted average lease term	5.18 years	5.26 years

PORTFOLIO PERFORMANCE



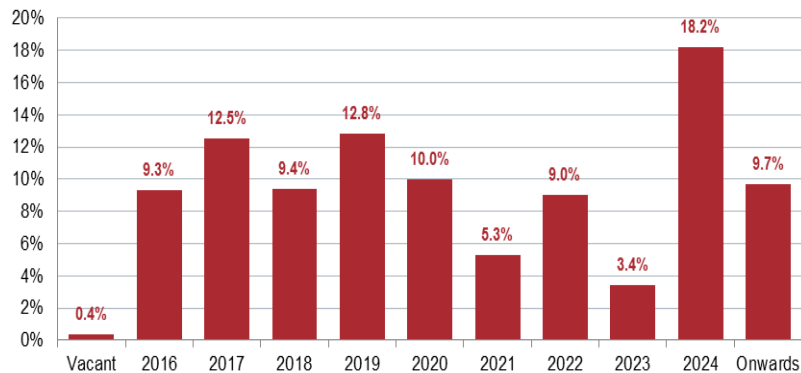
- Valuations
 - \$46.5 million or 4.9% portfolio revaluation uplift to \$986.6 million
 - Revaluation uplift reflects leasing activity, favourable rent reviews and firming of yields
 - Passing yield firmed from 7.51% to 7.33%
- Leasing
 - 27 leases agreed over more than 90,000 sqm of space for an average term of 5.7 years
 - Lease renewals accounted for more than 75% of the contract rent secured
 - 60 rent reviews conducted resulting in an average annual uplift of ~1.6% on ~\$32.8 million of contract rent

Tenant	Address	Term	Area	% Rent Roll
DHL Supply Chain	7-9 Niall Burgess Road, Mt. Wellington	3.4 years	23,565 sqm	2.8%
Massey University	229 Dairy Flat Highway, North Shore	4.0 years	4,429 sqm	1.3%
Doyle Sails	320 Rosebank Road, Avondale	9.0 years	6,286 sqm	0.9%
Mainfreight Air & Ocean	212 Cavendish Drive, Manukau	5.0 years	7,681 sqm	0.9%
TSB Living	17 Allens Road, East Tamaki	6.0 years	6,015 sqm	0.8%
New Zealand Crane	122 Captain Springs Road, Penrose	8.8 years	7,431 sqm	0.7%
21 other transactions, all for leases with contract rent of <\$0.45m		6.3 years	34,999 sqm	5.9%
27 leasing transactions	Various	5.7 years	90,406 sqm	13.3%

LEASE EVENTS



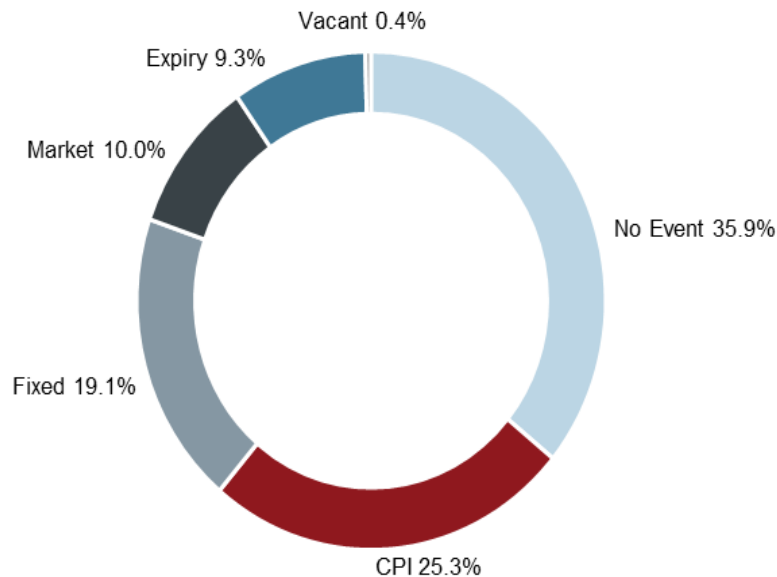
2016 Lease Expiry Profile:



2016 Expiries:

	Tenant	% Rent Roll
Penrose Portfolio (5 Properties)	Sistema Plastics	3.1%
36 Neales Road	Mainfreight	1.5%
27 Zelanian Drive	Retko Logistics	0.7%
2-6 Niall Burgess Road	Starz Evil Dead	0.6%
102 Mays Road	Carter Holt Harvey	0.6%
Other	Various	2.8%
Total		9.3%

- Balanced spread of 2016 lease events, almost 20% of events market related, provides opportunity to access projected market rental growth:





MARKET & STRATEGY.



- The industrial property sector continued to perform well during 2015:
 - Total returns of 10.7% (MSCI), Auckland returns particularly strong
 - Industrial property capitalisation rates or yields now lower than in 2007, the peak of the last cycle
 - Private and institutional investor demand for industrial property remains strong
 - Auckland's industrial vacancy just 1.8% (CBRE)
 - Low level of vacancy is being met with increasing levels of development activity
 - Modest growth in rents in 2015
- PFI's strong and stable high quality industrial portfolio is in excellent shape to capitalise on any continuation of favourable market conditions

- PFI's strategy is to invest in quality industrial property in New Zealand's main urban centres
- The company aims to drive shareholder returns by:
 - Managing the vacancy and upcoming lease expiries
 - Opportunistically pursuing both core and value-add industrial acquisitions
 - Maximising utilisation of the portfolio by the development of surplus Auckland land over the medium term
 - Divesting of non-core assets when value has been maximised and an opportunity to recycle capital into industrial property arises

ACQUISITIONS



	Year Ended December 2015	Year Ended December 2014
Number of properties	Six	One
Total purchase price	\$48.2m	\$15.4m
Tenant(s)	Pacific Asset Leasing, Sistema Plastics	Masterpet Corporation
Property description	Generic industrial	Generic industrial
Average yield	7.7% purchase yield	7.6% purchase yield
Average lease term on settlement	2.3 years	10 years

- 2015 acquisitions represent good “real estate” in core industrial locations, but do not have the long leases sought when purchasing in the past, allowing PFI to purchase these properties at softer or lower yields, providing PFI the opportunity to add value through the re-leasing process
- **2016 strategy:** opportunistically pursue both core and value-add industrial acquisitions

DEVELOPMENTS



	Year Ended December 2015		Year Ended December 2014
Number of properties	Two		One
Development spend	\$25.9m	\$1.9m ¹	\$3.6m
Tenant(s)	Various bulk store operators	N/A	Z Energy NZ Ltd
Property description	Industrial, bulk storage	Generic industrial	Industrial, manufacturing
Yield on incremental cost	10%	8%	10%
Lease term(s) on completion	12 years	N/A	10 years

- 2016 strategy:** maximise utilisation of the portfolio by development of ~\$3.6 million of surplus Auckland land over medium term, targeting a return on incremental cost of ~8%, subject to commercial viability and consents

1. \$1.9 million development at 54 Carbine Road and 6a Donnor Place has been commenced without tenant commitment. Once leased it is estimated that the yield on incremental cost of this property will be ~8%.

DIVESTMENTS



	Year Ended December 2015	Year Ended December 2014
Number of properties	One	Six
Net sales proceeds	\$9.5m	\$26.6m
Carrying value	\$9.0m	\$28.7m
Gain / (loss) on sale	\$0.5m	(\$2.1m)

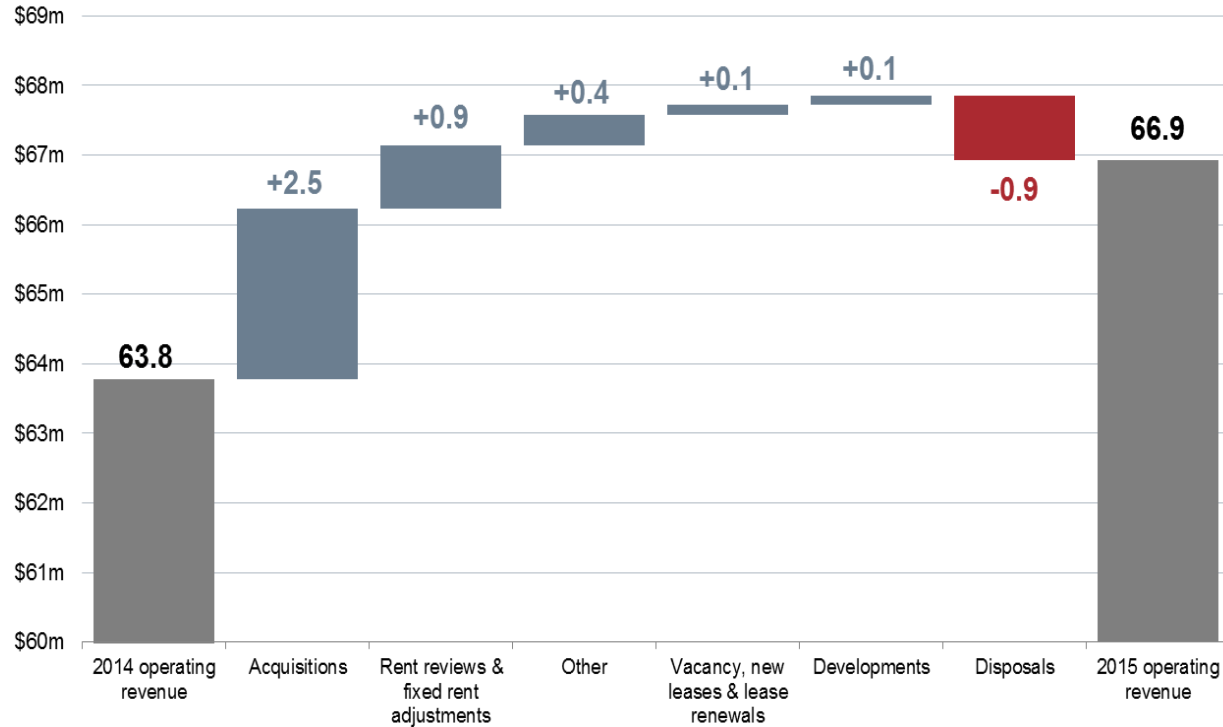
- Almost \$40 million of property disposed of over the last two years
- Approximately 5% of the portfolio still considered non-core, PFI may look to divest over the medium term as and when value has been maximised
- **2016 strategy:** divest of non-core assets when value has been maximised and an opportunity to recycle capital into industrial property arises



2015 ANNUAL RESULTS.



OPERATING REVENUE



- Operating revenues of \$66.9 million up 4.9%
- Increases due to acquisitions (\$2.5 million) and rent reviews and fixed rent adjustments (\$0.9 million) partially offset by decreases due to disposals (\$0.9 million)

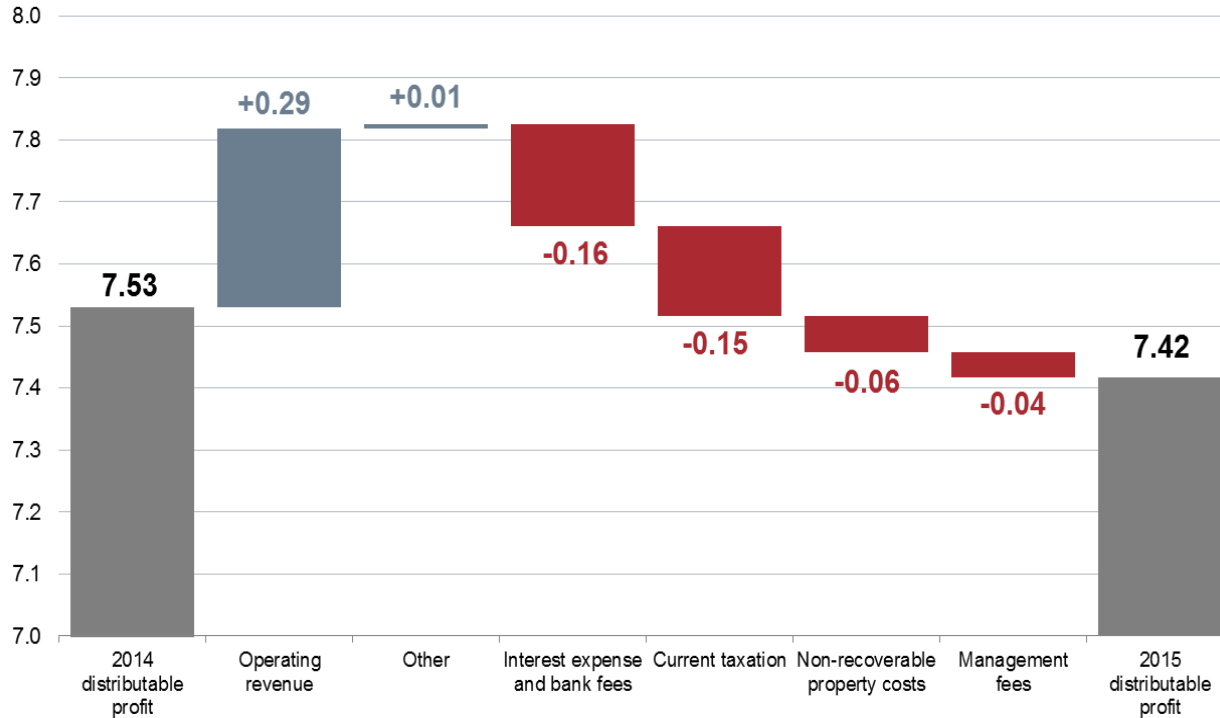
COMPREHENSIVE INCOME



For the year ended (audited, \$000)	Dec 2015	Dec 2014	Change
Total operating revenue	66,927	63,772	3,155
Non-recoverable property costs	(2,183)	(1,879)	(304)
Interest expense and bank fees	(19,398)	(18,230)	(1,168)
Management fees	(7,608)	(5,604)	(2,004)
Other expenses	(1,177)	(1,181)	4
Total operating expenses	(30,366)	(26,894)	(3,472)
Total operating earnings	36,561	36,878	(317)
Fair value gain on investment properties	46,471	36,286	10,185
Gain / (loss) on disposals of investment properties	479	(2,061)	2,540
Material damage insurance income	17	1,204	(1,187)
Fair value loss on derivative financial instruments	(3,952)	(6,431)	2,479
Total non-operating income and expenses	43,015	28,998	14,017
Profit before taxation	79,576	65,876	13,700
Current taxation	(7,151)	(7,113)	(38)
Deferred taxation	400	1,114	(714)
Total income tax (expense) / benefit	(6,751)	(5,999)	(752)
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	72,825	59,877	12,948

- Operating revenues up \$3.2 million or 4.9%, refer slide 16: operating revenue
- Operating expenses up 12.9%, largely due to management performance fees (increase of \$1.7 million) and interest expense and bank fees (increase of \$1.2 million)
- Effective current tax rate static at 19.6% (2014: 19.3%)
- Profit after tax of \$72.8m or 17.25 cents per share

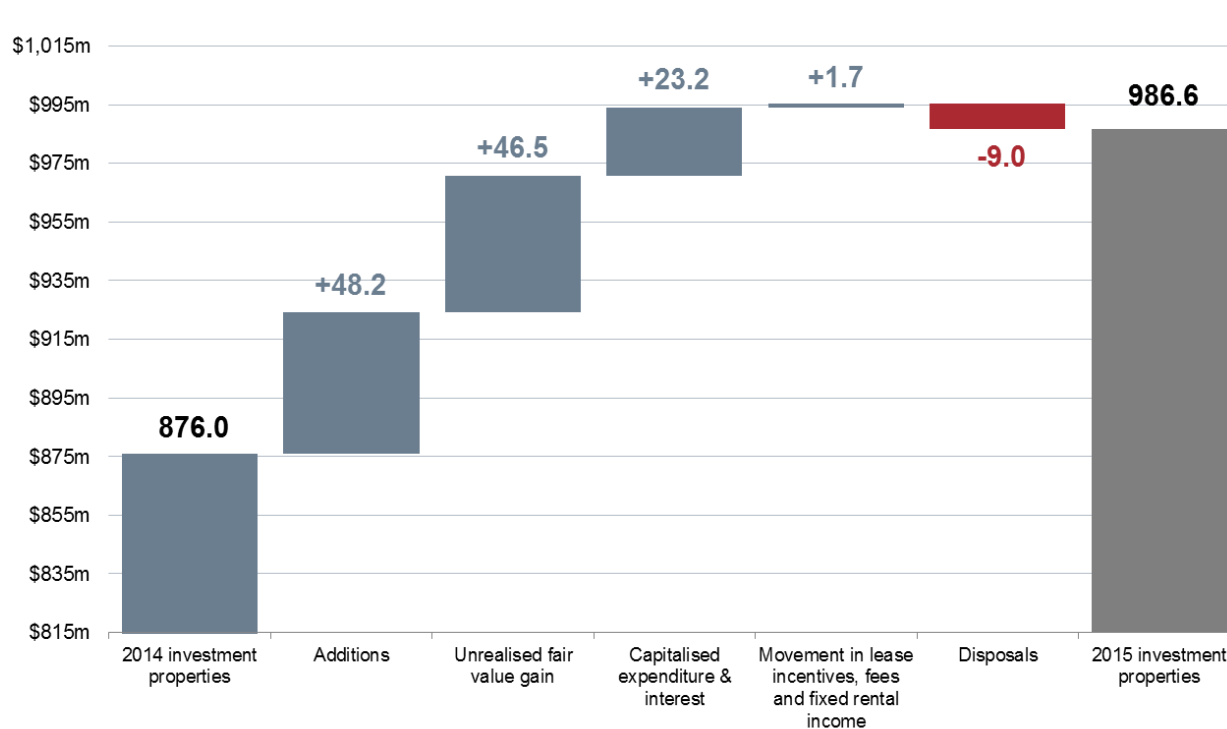
DISTRIBUTABLE PROFIT (CENTS PER SHARE, CPS)



- Distributable profit per share down 0.11 cps or 1.5%
- 2015 dividends of 7.30 cps, in line with guidance
- Amendment to the definition of distributable profit, *include* management performance fees net of tax (previously *excluded*) and lift allowable pay-out ratio above 100% should performance fees be earned, results in increase in 2015 pay-out ratio from 100% to 106%.
- FY16 earnings guidance before management performance fees of ~7.35 cps, dividend guidance of 7.30 cps

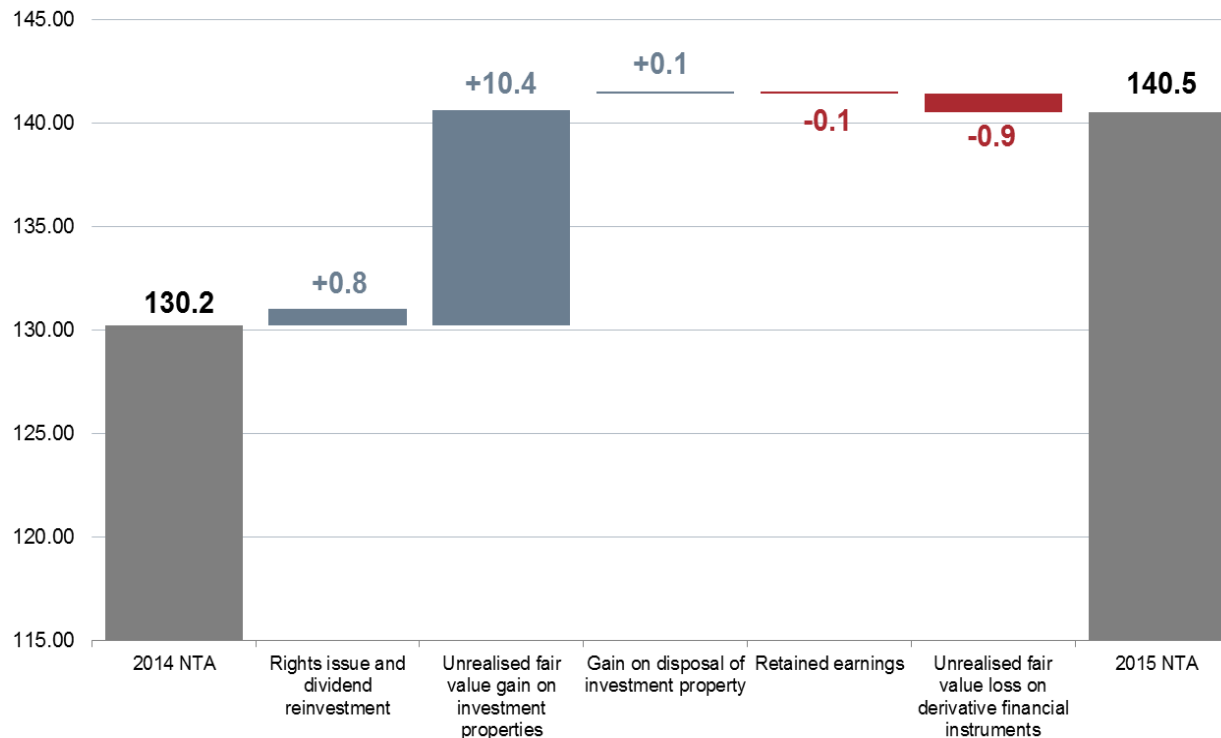
Note: Distributable profit is non-GAAP financial information. Distributable profit is used by the PFI Board to assist in determining dividends to shareholders. Refer: Appendix 1: Distributable Profit for further detail.

INVESTMENT PROPERTIES



- \$48.2 million of acquisitions completed, refer slide 12: acquisitions
- Unrealised fair value gain of \$46.5 million or 4.9%, refer slide 7: portfolio performance
- \$23.2 million of capital spent on portfolio, including developments at 9 Narek Place, 124 Hewletts Road, & 54 Carbine Road & 6a Donnor Place, refer slide 13: developments
- Disposal of non-core property at 85 Cavendish Drive, refer slide 14: divestments

NET TANGIBLE ASSETS (CENTS PER SHARE, CPS)



- Net tangible assets (NTA) per share up 10.3 cps or 7.9% to 140.5 cps
- Increase in fair value of investment properties (refer slide 7: portfolio performance) partially offset by reduction in the fair value of financial instruments of \$4.0 million or 0.9 cps

Refer: Appendix 2: Financial Position for further detail.



CAPITAL MANAGEMENT.



- Strong balance sheet maintained via a number of capital management initiatives:
 - Equity:
 - \$47.9 million raised via pro rata 1 for 12 renounceable rights offer
 - \$2.8 million raised from the Q1 and Q3 dividend reinvestment
 - Loan facilities: active management of facilities and hedging to ensure long term facilities secured at attractive pricing
 - Refer slides 23: loan facilities and 24: hedging
 - Disposal of non-core property at 85 Cavendish Drive for a gross sale price of \$10 million
 - Refer slide 14: divestments
- Gearing of 33.3% and interest cover of 2.9 times provides ability to withstand shocks and capacity for opportunities

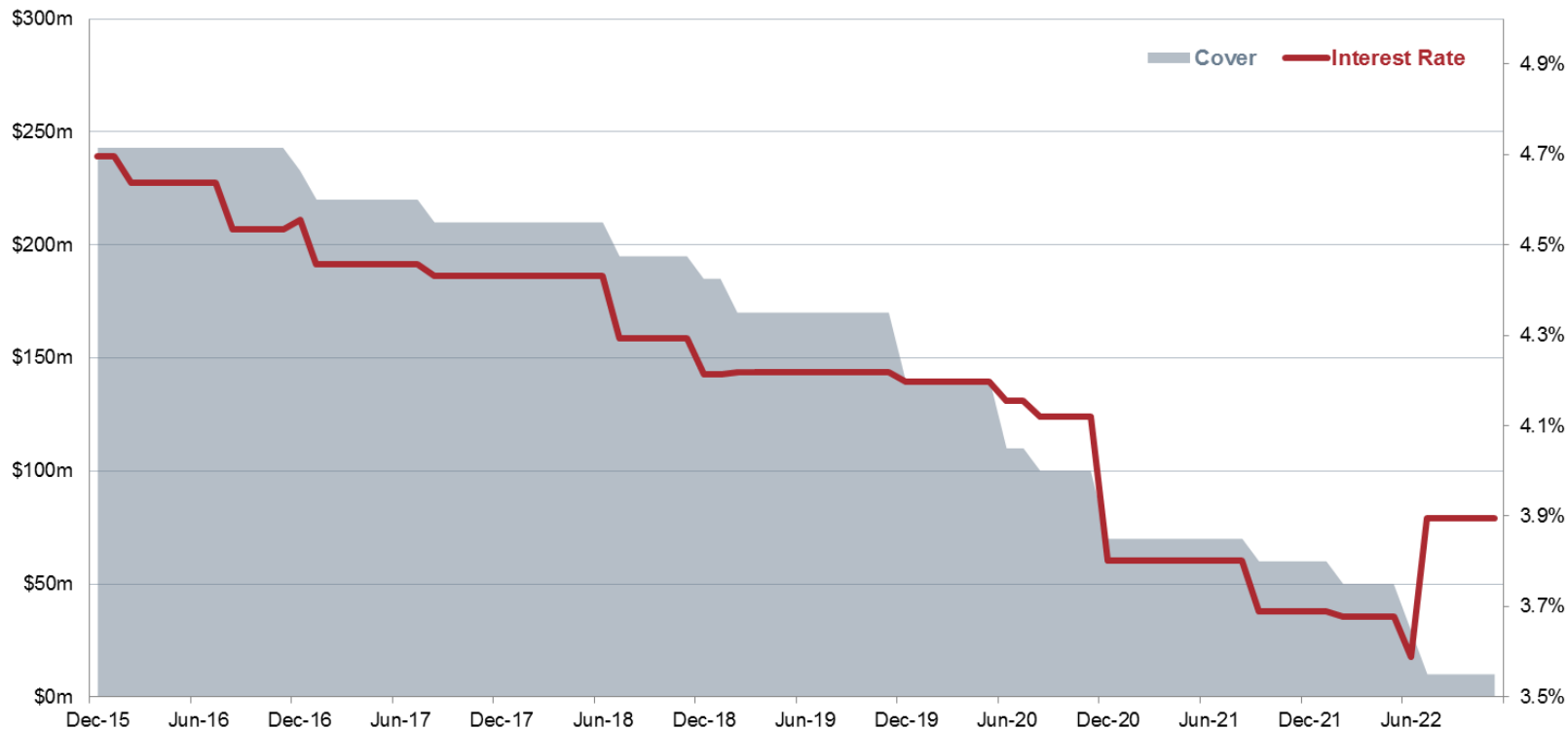
LOAN FACILITIES



- Facilities refinanced Q2 2015, limit increased \$25 million, average term extended, cost reduced
- Subsequent to year-end, refinanced again, average term extended to 4.7 years, cost reduced

	December 2015	December 2014
Facilities		
Drawn (excluding overdraft)	\$331.7m	\$313.5m
Facilities limit	\$375.0m	\$350.0m
Facilities headroom	\$43.3m	\$36.5m
Facilities term (average)	3.8 years	3.8 years
Facilities banks	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
Covenants		
Gearing	33.3%	35.8%
Interest cover ratio	2.9 times	3.0 times
Interest rates		
Weighted average cost of debt (including margin and fees)	5.71%	5.96%
Interest rate hedging (excluding forward starting hedging, \$m / rate / duration)	\$253m / 4.66% / 3.6 years	\$278m / 4.46% / 2.5 years
Interest rate hedging (forward starting hedging, \$m / rate / duration)	\$55m / 3.92% / 2.9 years	\$75m / 4.57% / 4.4 years

HEDGING



- Interest rate hedging profile extended, average duration increased to 3.5 years from 2.9 years



CLOSING & QUESTIONS.

CLOSING & QUESTIONS



- Strong and stable high quality industrial portfolio continues to perform: occupancy 99.6%, 2016 expiries of 9.3% and WALT of 5.18 years
- Industrial property sector continuing to perform well
- On strategy acquisition, development and divestment activity
- Robust result: profit after tax of \$72.8 million or 17.25 cps, distributable profit of 7.42 cps and net tangible assets of 140.5 cps
- Strong balance sheet maintained via capital management initiatives: gearing of 33.3%
- PFI in excellent shape to capitalise on any continuation of favourable market conditions
- Questions?



APPENDICES.

APPENDIX 1: DISTRIBUTABLE PROFIT



For the year ended (\$000, unless noted)	Dec 2015 management performance fees net of tax <u>excluded</u> (audited)	Dec 2014 management performance fees net of tax <u>excluded</u> (audited)	Dec 2015 management performance fees net of tax <u>included</u> (unaudited)	Dec 2014 management performance fees net of tax <u>included</u> (unaudited)
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	72,825	59,877	72,825	59,877
<i>Adjusted for:</i>				
Fair value gain on investment properties	(46,471)	(36,286)	(46,471)	(36,286)
Material damage insurance income	(17)	(1,204)	(17)	(1,204)
(Gain) / loss on disposals of investment properties	(479)	2,061	(479)	2,061
Tax on depreciation claw-back on disposals of investment properties	-	281	-	281
Fair value loss on derivative financial instruments	3,952	6,431	3,952	6,431
Deferred taxation	(400)	(1,114)	(400)	(1,114)
Movement in fixed rent reviews	200	455	200	455
Management performance fees net of tax	1,738	511	-	-
Other	(12)	(12)	(12)	(12)
Distributable profit	31,336	31,000	29,598	30,489
Distributable profit per share (cents)	7.42	7.53	7.01	7.41
Dividends paid relating to period reported	31,412	29,833	31,412	29,833
Pay-out ratio (%)	100%	96%	106%	98%

Note: Distributable profit is non-GAAP financial information and is calculated in accordance with the methodology shown above. Distributable profit is used by the PFI Board to assist in determining dividends to shareholders.

APPENDIX 2: FINANCIAL POSITION



As at (audited, \$000, unless noted)	Dec 2015	Dec 2014	Change
Investment properties	986,565	876,005	110,560
Goodwill	29,086	29,086	-
Other assets	11,593	1,788	9,805
Total assets	1,027,244	906,879	120,365
Borrowings	330,920	312,797	18,123
Deferred tax liabilities	10,890	11,290	(400)
Other liabilities	27,420	17,822	9,598
Total liabilities	369,230	341,909	27,321
Total equity	658,014	564,970	93,044
Shares on issue (unless noted)	447,692,460	411,502,391	36,190,069
Net tangible (excluding goodwill) assets (cents per share)	140	130	10

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