

WELCOME

TO THE **2016** INTERIM RESULTS BRIEFING

PFI
YOUR INDUSTRIAL
PROPERTY EXPERTS

AGENDA



1. Highlights
2. Portfolio
3. Market & Strategy
4. 2016 Interim Results
5. Capital Management
6. Closing & Questions
7. Appendices



HIGHLIGHTS.



HIGHLIGHTS



- Profit after tax for the six months to 30 June 2016 of \$22.5 million or 5.01 cents per share
- Distributable profit for the six months to 30 June 2016 of 3.77 cents per share
- Increased guidance for full year distributable profit: 7.7 cents per share before management performance fees, 7.4 cents per share after management performance fees
- Second quarter cash dividend of 1.75 cents per share, total cash dividends for the six months to 30 June 2016 of 3.50 cents per share, in line with the previous corresponding period
- Strong balance sheet maintained via dividend reinvestment, loan facility renegotiation and settlement of a non-core property sold in the prior year
- \$10.6 million uplift from independent revaluation of eight properties, desktop review of the remainder of the portfolio, 1% increase in net tangible assets per share to 141.9 cents
- 32% of contract rent varied, leased or reviewed during the first six months of 2016
- Portfolio occupancy at 99.5%, with 1.4% due to expire in the second half of the year



PORTFOLIO.



PORTFOLIO SNAPSHOT



- PFI's portfolio is diversified across 84 properties and 142 tenants, with 99.5% occupancy and a weighted average lease term of 4.87 years, weighted towards Auckland industrial property

	30 June 2016	31 December 2015	30 June 2015
Valuation	\$1,010.1m	\$986.6m	\$930.3m
Number of properties	84	84	80
Number of tenants	142	141	142
Contract rent	\$72.6m	\$72.3m	\$69.7m
Occupancy	99.5%	99.6%	100.0%
Weighted average lease term	4.87 years	5.18 years	5.26 years
Auckland property	84.8%	85.8%	86.3%
Industrial property	85.0%	84.7%	83.7%

PORTFOLIO PERFORMANCE

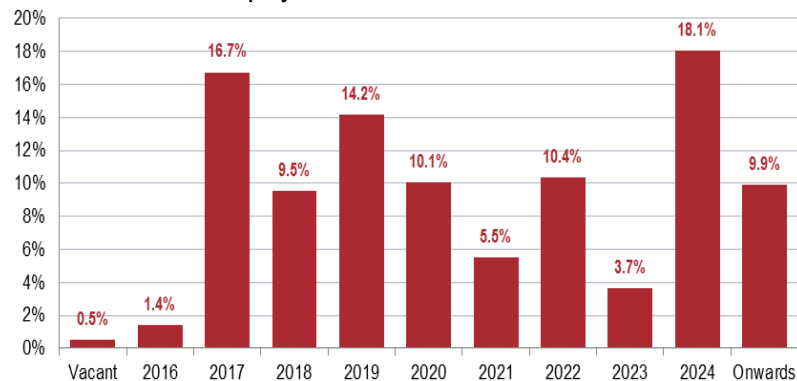


- Valuations:
 - Full valuations for eight properties, that either had significant capital works or were the subject of significant leasing, resulted in \$10.6 million or 10.2% uplift on those properties, desktop review of remainder of portfolio
- Leasing:
 - 15 leases agreed over ~43,000 sqm of space for an average term of 4.7 years at rental rates of ~4% ahead of December 2015 market rents
 - Lease renewals accounted for more than 85% of the contract rent secured
 - 41 rent reviews conducted resulting in an average annual uplift of ~1.0% on ~\$19.4 million of contract rent

Tenant	Address	Term	Area	% Rent Roll
Mainfreight	36 Neales Road, East Tamaki	3.0 years	12,546 sqm	1.6%
Fletcher Concrete and Infrastructure	304 Neilson Street, Penrose	6.0 years	13,438 sqm	1.0%
Canterbury	15 Copsey Place, Avondale	3.0 years	2,358 sqm	0.4%
Wilson Parking	Carlaw Park Gateway, Parnell	5.0 years	Car-parking	0.4%
11 other transactions, all for leases with contract rent of <\$0.25m		5.8 years	14,456 sqm	1.9%
15 leasing transactions	Various	4.7 years	42,798 sqm	5.3%

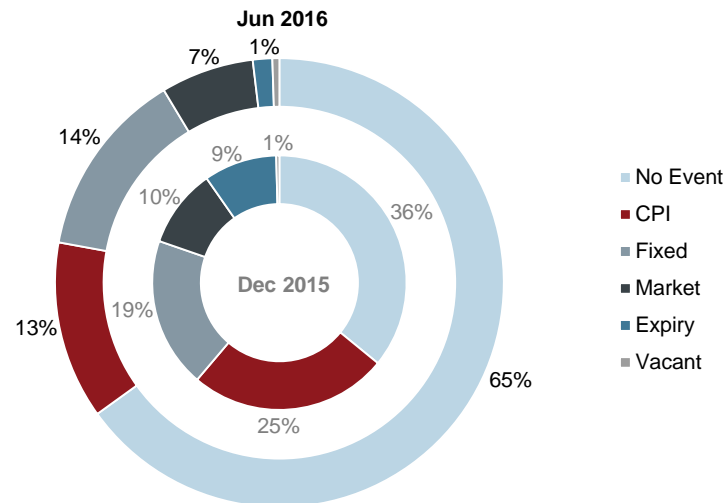
LEASE EVENTS

- 2016 Lease Expiry Profile:



- 1.4% of portfolio due to expire before end 2016, 0.7% at 27 Zelanian Drive and 0.6% at 102 Mays Road
- Penrose portfolio of five properties occupied by Sistema Plastics now expiring in Q1 2017 (see next slide), reduces 2016 expiries and increases 2017 expiries by 3.1%

- ~35% of portfolio subject to lease events in the remainder of 2016, of that ~20% of lease events market related, provides continued opportunity to access projected market rental growth:



PENROSE PORTFOLIO



- Portfolio of five industrial properties in Penrose, located on Hugo Johnston Drive and Autumn Place, purchased August 2015 via sale and lease back with short term lease in place
- Sistema Plastics moving to new purpose built facility, due to vacate all properties Q1 2017
- Marketing to new tenants launched in May 2016, Penrose industrial vacancy very low driving strong interest to date, in particular over 10 Autumn Place and 80 Hugo Johnson Drive
- Vendor incentivised to ensure successful leasing outcomes

	Area	December 2015 Market Rent
4 Autumn Place	1,490	\$149,519
6 Autumn Place	1,645	\$169,560
10 Autumn Place	7,042	\$632,872
65 Hugo Johnston Drive	6,975	\$858,915
80 Hugo Johnston Drive	3,872	\$436,352





MARKET & STRATEGY.



- The industrial property sector performed well during first half of 2016
 - Colliers International: Commercial Property Investor Confidence Survey
 - Investor demand for industrial property reached new high at the end of Q2 2016
 - Tauranga / Mount Maunganui and Auckland (90% of PFI's properties) recorded the second and third highest levels of investor confidence
 - Industrial property scored the highest level of investor confidence in Auckland
 - CBRE:
 - Auckland industrial property yields fell ~30 basis points (0.3%) increasing values further, rents increased ~3%
 - Auckland industrial vacancy could fall further during 2016 to as low as 1.5%
- PFI's quality portfolio weighted towards Auckland industrial property is in excellent shape to capitalise on any continuation of favourable market conditions

- PFI's strategy: 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 and **acquiring, developing and divesting** as follows:
 - **2016 acquisition strategy:** opportunistically pursue both core and value-add industrial acquisitions
 - ✓ **Interim update:** evaluated a number of opportunities during H1 2016, market expectations of pricing very “firm”, strong competition for opportunities, cautious approach being taken
 - **2016 divestment strategy:** divest of non-core assets when value has been maximised and an opportunity to recycle capital into industrial property arises
 - ✓ **Interim update:** limited opportunity to recycle capital in H1 2016

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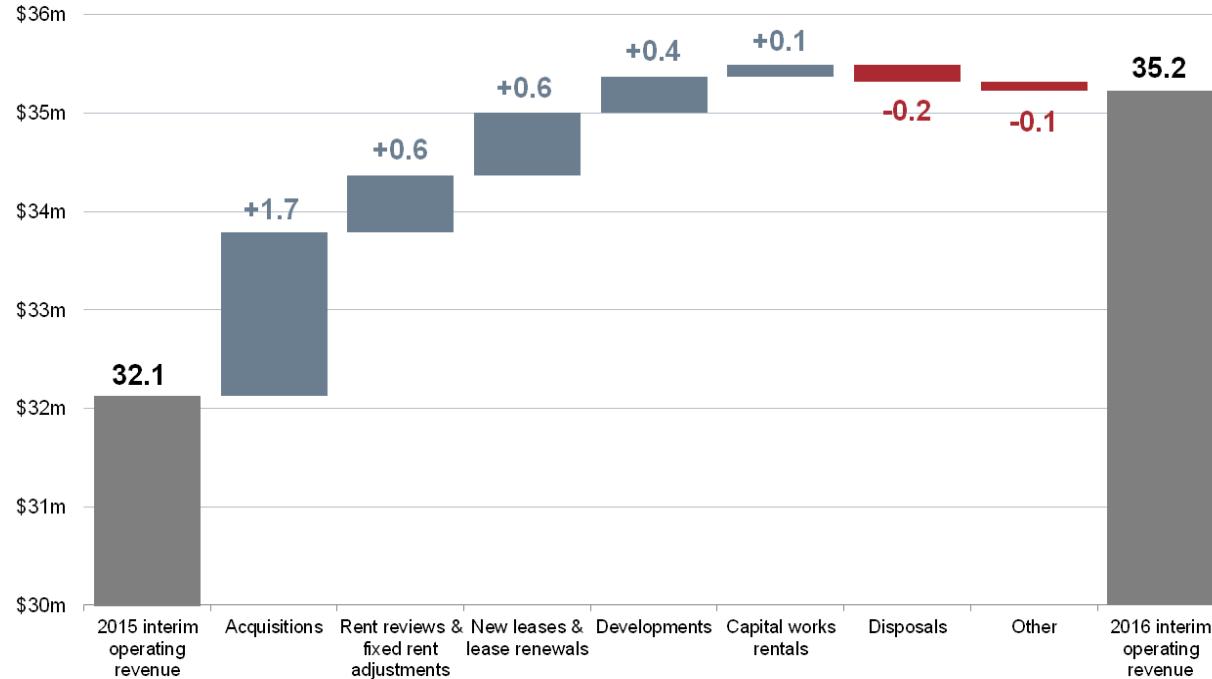
- **2016 development strategy:** maximise utilisation of the portfolio by development of ~\$3.6 million of surplus Auckland land over medium term, targeting a return on incremental cost of ~7%, subject to commercial viability and consents
 - ✓ **Interim update:** land at 9 Narek Place, Manukau leased to Fletchers for 10 years, advanced stages of planning for ~\$5 million development on portion of remaining land at 212 Cavendish Drive, Manukau



2016 INTERIM RESULTS.



OPERATING REVENUE



- Operating revenues of \$35.2 million up \$3.1 million or 9.7%
- Around half of the increase due to FY 2015 acquisitions (\$1.7 million)
- Remainder of the increase from positive leasing activity that was broad based in nature

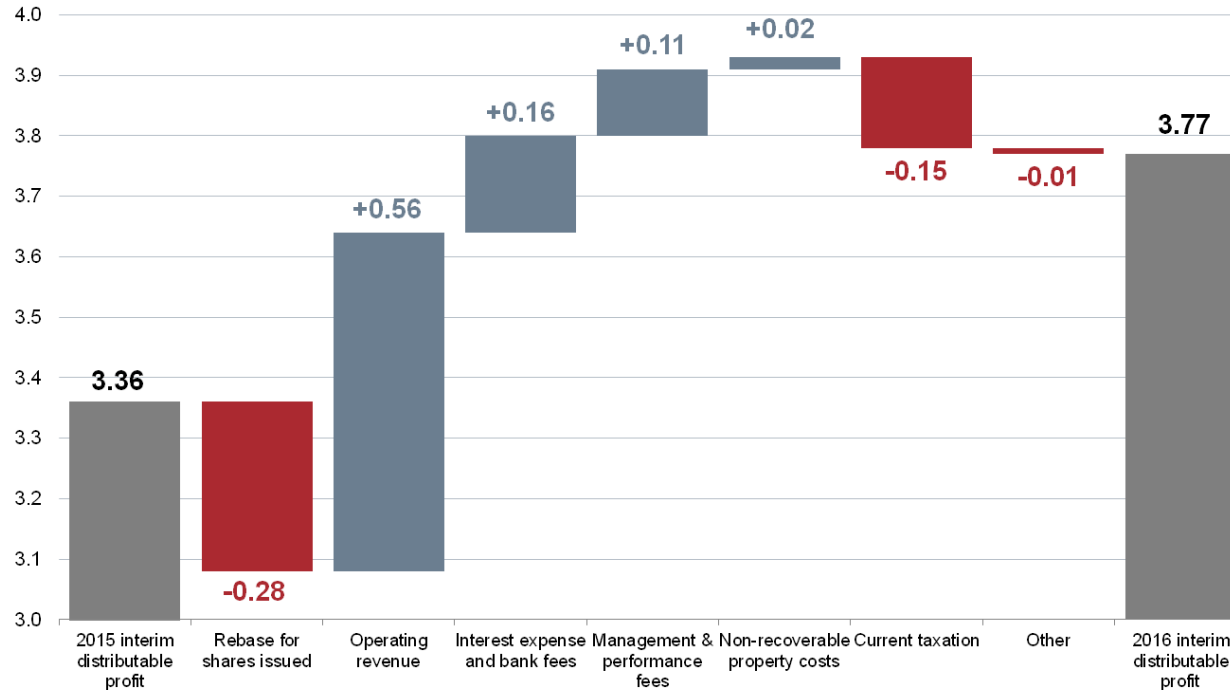
COMPREHENSIVE INCOME



For the six months ended (audited, \$'000)	June 16	June 15	Change
Total operating revenue	35,228	32,122	3,106
Non-recoverable property costs	(894)	(989)	95
Interest expense and bank fees	(8,913)	(9,642)	729
Management fees	(3,623)	(4,109)	486
Other expenses	(622)	(578)	(44)
Total operating expenses	(14,052)	(15,318)	1,266
Total operating earnings	21,176	16,804	4,372
Fair value gain on investment properties	10,623	25,577	(14,954)
Material damage insurance income	-	17	(17)
Loss on disposal of investment properties	(6)	-	(6)
Fair value loss on derivative financial instruments	(7,131)	(3,508)	(3,623)
Total non-operating income and expenses	3,486	22,086	(18,600)
Profit before taxation	24,662	38,890	(14,228)
Current taxation	(3,892)	(3,160)	(732)
Deferred taxation	1,721	687	1,034
Total income tax expense	(2,171)	(2,473)	302
Profit after income tax	22,491	36,417	(13,926)

- Operating revenues up \$3.1 million or 9.7%, refer slide 15: operating revenue
- Operating expenses down 8.3%, due to lower management performance fees (\$0.7 million) and interest expense and bank fees (\$0.7 million)
- Selected revaluations in H1 2016 resulted in \$10.6 million write up (H1 2015: all properties revalued)
- Effective current tax rate static at 18.4% (H1 2015: 18.8%)
- Profit after tax of \$22.5m or 5.01 cents per share

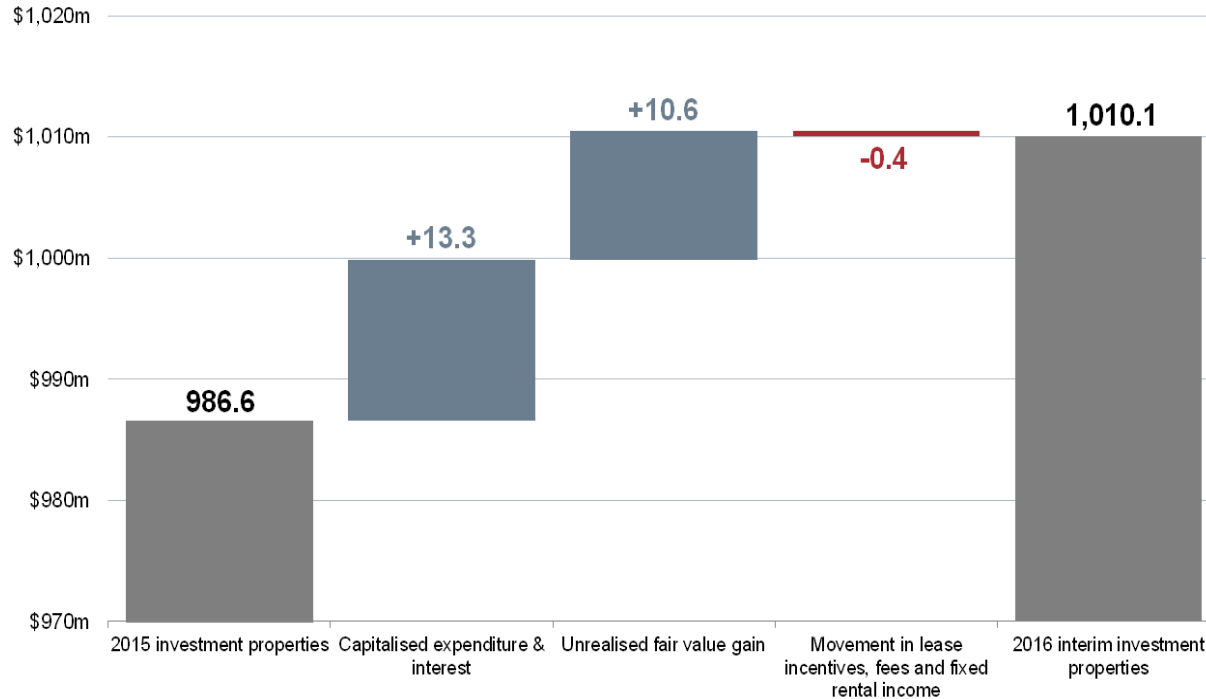
DISTRIBUTABLE PROFIT (CENTS PER SHARE, CPS)



- Distributable profit per share up 0.41 cps or 12.3%
- H1 2016 dividends of 3.50 cps, in line with H1 2015
- Increased guidance for full year distributable profit: 7.7 cents per share before management performance fees, 7.4 cents per share after management performance fees
- Dividend guidance of 7.30 cps, lower pay-out ratio

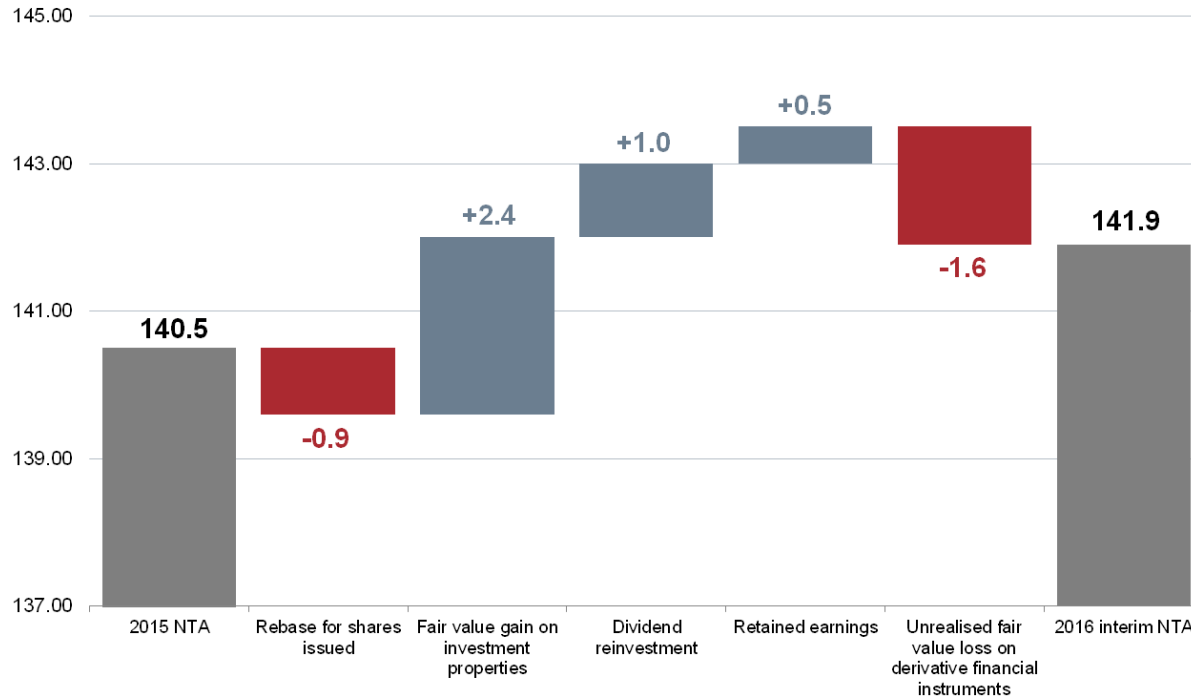
Note: Distributable profit is non-GAAP financial information. Distributable profit is used by the PFI Board to assist in determining dividends to shareholders. Refer: Appendix 1: Distributable Profit for further detail.

INVESTMENT PROPERTIES



- Portfolio now in excess of \$1 billion
- \$13.3 million of capital spent on portfolio, including \$11.7 million on the finalisation of the development at 124 Hewletts Road
- Unrealised fair value gain of \$10.6 million from full valuations of eight properties, refer slide 7: portfolio performance

NET TANGIBLE ASSETS (CENTS PER SHARE, CPS)



- Net tangible assets (NTA) per share up 1.4 cps or 1.0% to 141.9 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 \$7.1 million or 1.6 cps

Refer: Appendix 2: Financial Position for further detail.



CAPITAL MANAGEMENT.



- Strong balance sheet maintained via a number of capital management initiatives:
 - Equity: \$4.3 million raised from the Q4 2015 and Q1 2016 dividend reinvestment
 - Loan facilities: active management of facilities and hedging to ensure long term facilities maintained at attractive pricing
 - Disposal of non-core property: 85 Cavendish Drive, Manukau sold for a gross sale price of \$10 million during prior year, settled February 2016
- Gearing of 33.4% and interest cover of 3.5 times provides ability to withstand shocks and capacity for opportunities
- Weighted averaged cost of debt (WACOD) continues to trend down as historic expensive hedging rolls off, coupled with historic low BKBM rates:
 - WACOD June 2015: 5.92%, December 2015: 5.71%, June 2016: 5.36%

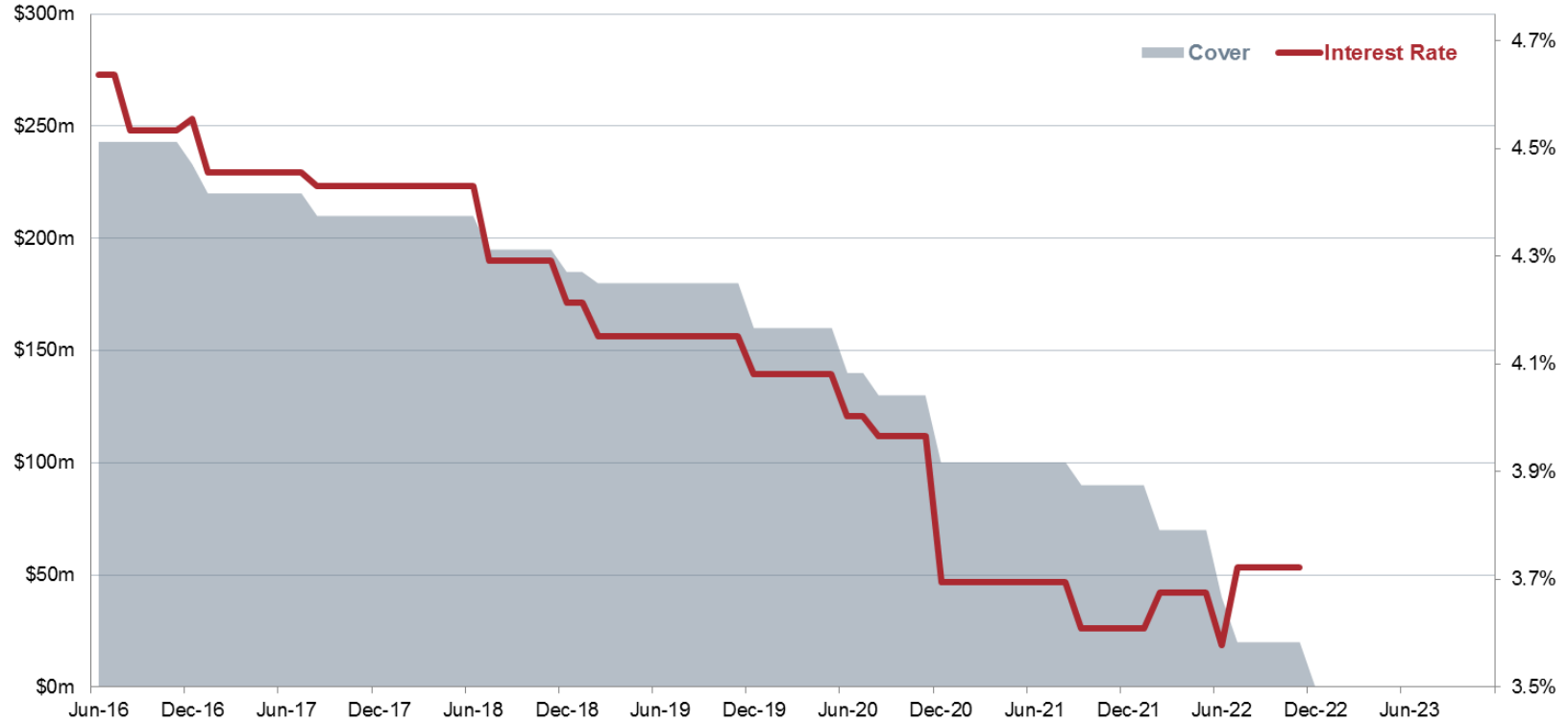
LOAN FACILITIES



- Facilities refinanced February 2016, average term extended, cost reduced
- Hedging rate for H2 2016 will reduce to ~4.57%, will reduce further in 2017 to ~4.46%

	June 2016	December 2015
Facilities		
Drawn (excluding overdraft)	\$337.2m	\$331.7m
Facilities limit	\$375.0m	\$375.0m
Facilities headroom	\$37.8m	\$43.3m
Facilities term (average)	4.4 years	3.8 years
Facilities banks	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
Covenants		
Gearing	33.4%	33.3%
Interest cover ratio	3.5 times	2.9 times
Interest rates		
Weighted average cost of debt (including margin and fees)	5.36%	5.71%
Interest rate hedging (excluding forward starting hedging, \$m / rate / duration)	\$243m / 4.64% / 3.4 years	\$253m / 4.66% / 3.6 years
Interest rate hedging (forward starting hedging, \$m / rate / duration)	\$70m / 3.69% / 2.8 years	\$55m / 3.92% / 2.9 years

HEDGING





CLOSING & QUESTIONS.

CLOSING & QUESTIONS



- Quality portfolio continues to deliver: occupancy 99.5%, H2 2016 expiries of 1.4% and WALT of 4.87 years
- Industrial property sector performing well, company well positioned to capture growth
- Robust result: profit after tax of 5.01 cps, distributable profit of 3.77 cps and net tangible assets of 141.9 cps
- Increased distributable profit guidance, dividend guidance of 7.30 cps, lower pay-out ratio
- Strong balance sheet via active management of the company's capital structure: loan facilities with 4.35 years to expiry and gearing of 33.4%
- PFI in excellent shape: consistent, long-term performance and strong, stable returns
- Questions?



APPENDICES.



APPENDIX 1: DISTRIBUTABLE PROFIT



For the six months ended (unaudited, \$000, unless noted)	June 2016	June 2015	June 2016	June 2015
	Current policy: <i>including</i> management performance fees net of tax		Historical policy: <i>excluding</i> management performance fees net of tax	
Profit and total comprehensive income after income tax attributable to the shareholders of the Company	22,491	36,417	22,491	36,417
<i>Adjusted for:</i>			-	-
Fair value gain on investment properties	(10,623)	(25,577)	(10,623)	(25,577)
Material damage insurance income	-	(17)	-	(17)
(Gain) / loss on disposals of investment properties	6	-	6	-
Tax on depreciation claw-back on disposals of investment properties	38	-	38	-
Fair value loss on derivative financial instruments	7,131	3,508	7,131	3,508
Deferred taxation	(1,721)	(687)	(1,721)	(687)
Movement in fixed rent reviews	(377)	199	(377)	199
Management performance fees net of tax	-	-	642	1,140
Other	(6)	(6)	(6)	(6)
Distributable profit	16,939	13,837	17,581	14,977
Distributable profit per share (cents)	3.77	3.36	3.92	3.64
Dividends paid relating to period reported	15,742	14,417	15,742	14,417
Pay-out ratio (%)	93%	104%	90%	96%

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 (\$000, unless noted)	June 2016 (unaudited)	December 2015 (audited)	Change
Investment properties	1,010,087	986,565	23,522
Goodwill	29,086	29,086	-
Other assets	2,622	11,593	(8,971)
Total assets	1,041,795	1,027,244	14,551
Borrowings	336,321	330,920	5,401
Deferred tax liabilities	9,169	10,890	(1,721)
Other liabilities	28,303	27,420	883
Total liabilities	373,793	369,230	4,563
Total equity	668,002	658,014	9,988
Shares on issue (unless noted)	450,394,154	447,692,460	2,701,694
Net tangible (excluding goodwill) assets (cents per share)	142	140	2

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