



Half-year results to 31 December 2017

February 2018

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Presentation outline

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- > Summary
- > Results
- > Portfolio
- > Core portfolio
- > Alternative use properties
- > Capital management
- > Outlook



SUMMARY

Value drivers

Unique portfolio	underlying strength of the Australian Home Improvement market	long duration of occupancy by Bunnings	large sites in high population areas
Solid capital structure	ongoing capital markets support	low re-financing risk	positioned for growth
Disciplined approach	returns	lease attributes	location

2017/18 Half-year summary

\$76.9m



Total revenue 1.6%¹

\$56.4m



Dist. profit 1.7%¹

8.78 cpu



Distribution 1.7%¹

\$2.82



NTA

8.5%¹

10.0% pa

10 yr total return

Portfolio performance

2.4%

like-for-like rental growth

\$46.9 million

portfolio revaluation gains

6.50%

portfolio cap rate

4.8 years

portfolio WALE

Portfolio management

79

properties in portfolio

99.2%

leased

4

Bunnings MRRs finalised

4.1%

Bunnings MRR growth

Capital management

19.8%

gearing

1

bank facility extended

2.7 years

debt duration

4.7% p.a.

cost of debt at 31 Dec 2017

¹ Per prior corresponding period



RESULTS

Results - financial performance 6 monthly

	6 months to Dec 17	6 months to Dec 16
Total revenue	\$76.9m	\$75.8m
Management expense ratio	0.61%	0.62%
Other expenses	\$2.9m	\$3.0m
Distributable profit	\$56.4m	\$55.5m
Property revaluation gains	\$46.9m	\$17.9m
Net profit including property revaluations	\$103.3m	\$73.4m
Number of units on issue	642.4m	642.4m
Six month distribution (per unit)	8.78 cents	8.63 cents
Total assets	\$2,353.3m	\$2,218.7m
Borrowings	\$465.5m	\$470.4m
Weighted average cost of debt ¹ (p.a.)	4.65%	4.69%
Net Tangible Assets (per unit)	\$2.82	\$2.60
NTA per unit excluding hedging liabilities	\$2.82	\$2.60
Weighted average cap rate	6.50%	6.77%

¹ Finance costs divided by average borrowings for the six months



PORTFOLIO

Portfolio - FY2018 Bunnings market rent review outcomes

- > Four Bunnings market rent reviews resulted in a 4.1% increase, three from FY2017, and one due during the period

Property location	Passing rent (\$pa)	Reviewed rent (\$pa)	Variance (%)	Effective date
Croydon, VIC ¹	1,868,741	1,900,000	1.7	31-Oct-16
Gladstone, QLD ²	1,137,903	1,308,588	15.0 ³	16-Feb-17
Scoresby, VIC ¹	1,881,763	1,881,763	0.0	1-Jun-17
Hervey Bay, QLD	1,252,063	1,300,000	3.8	23-Dec-17
Weighted Average			4.1	

¹ 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

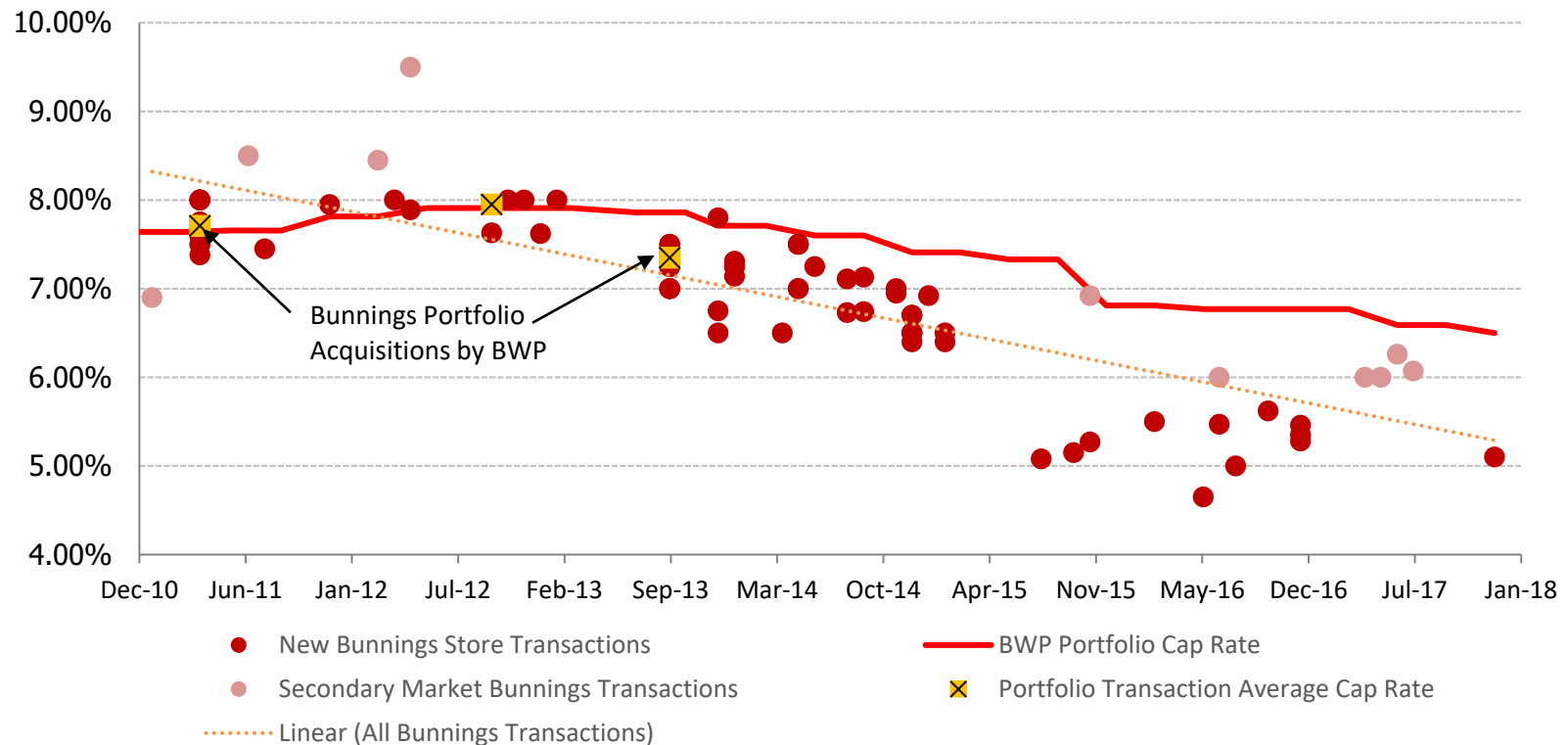
² The market rent review was due during the year ended 30 June 2017, but was determined by an independent valuer in the current financial year

³ The independently determined rent was 25.8% above the passing rent however, the market rent review clause in the lease has a 15% cap on the increase

Portfolio - capitalisation rate trends

- > Solid ongoing transactional support for new store yields
- > Secondary market sales with shorter remaining term certain seeing strong support however at a 50-100 basis point yield margin to new store transactions

Bunnings transaction yields



Portfolio - December 2017 revaluation

- > December 2017 weighted average capitalisation rate 6.50% (June 2017: 6.59%)
 - Stand alone Bunnings Warehouses weighted average cap rate of 6.38%
 - 12 independent valuations (15% of BWP portfolio value), average cap rate 6.31%
 - 67 internal valuations, average cap rate 6.54%
- > HY2017/18 net fair value gain of \$46.9m¹ on revaluation
 - Rental growth and cap rate compression equally contributed to the net fair value gain during the period
 - Cap rate movement; 10 properties decreased, 58 properties no change, and 11 properties increased

Revaluation by state 31 Dec 2017	No. of properties	Rental \$m/annum ²	Cap rate	Value \$m
NSW/ACT	18	33.8	6.68%	507.9
QLD	20	40.9	6.34%	604.2
SA	2	3.9	6.17%	63.1
VIC	23	47.2	6.35%	763.4
WA	16	26.7	6.86%	387.7
Total/weighted average	79	152.5	6.50%	2,326.3

¹ Includes \$2.5 million gain on disposal of the Dandenong property

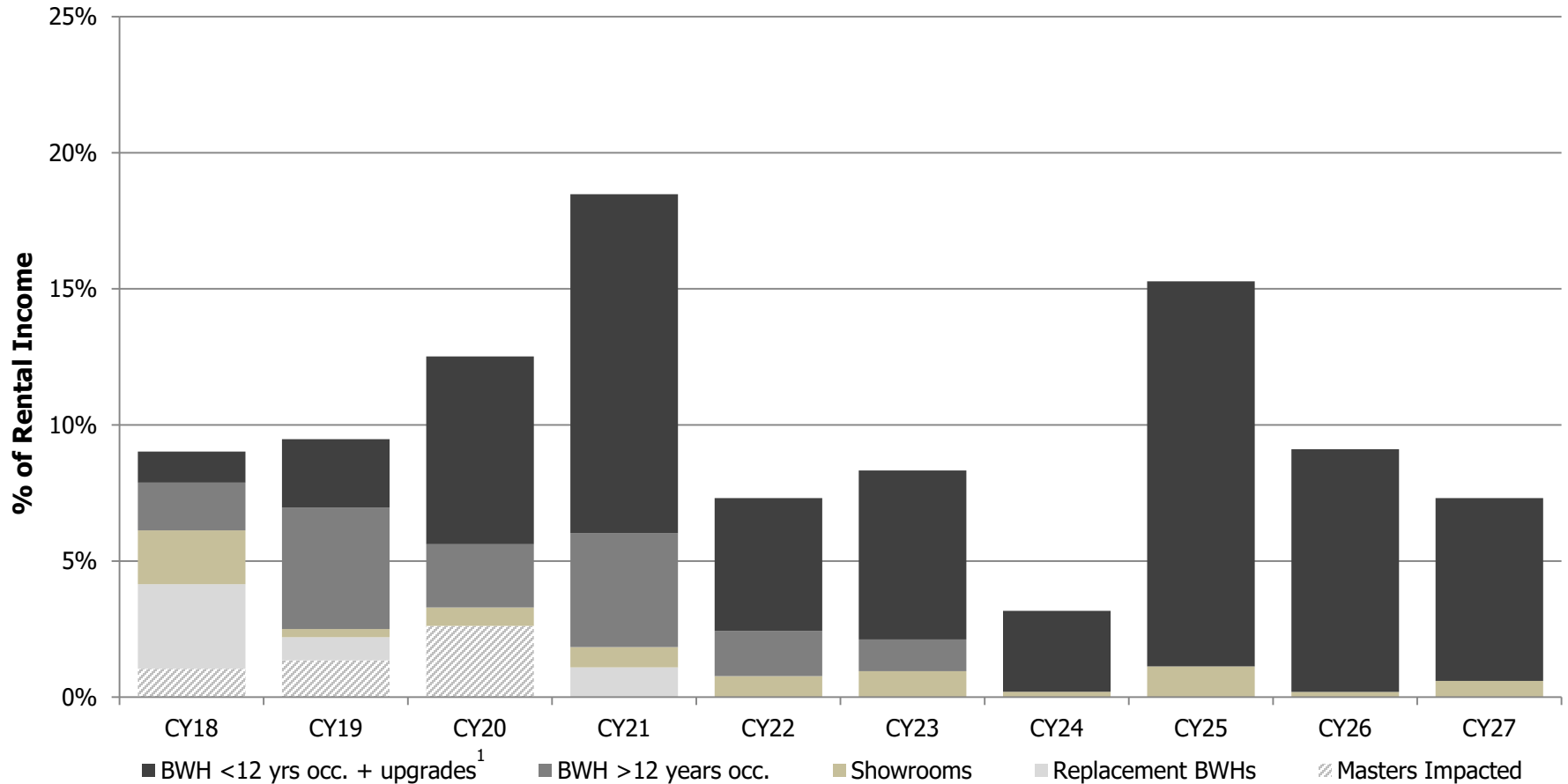
² Subject to rounding

Portfolio - December 2017 independent valuations

Property	State	Jun-17 Cap Rate	Jun-17 Valuation (\$m)	Dec-17 Cap Rate	Dec-17 Valuation (\$m)	Cap Rate Movement	Valuation Movement (\$m)	Dec-17 Term Certain (years)
Craigieburn	VIC	6.25%	26.0	6.00%	27.0	-0.25%	1.0	4.4
Hawthorn	VIC	6.75%	47.2	6.50%	49.0	-0.25%	1.8	2.8
Australind	WA	6.00%	22.1	6.00%	22.1	0.00%	0.0	9.5
Rockingham	WA	5.75%	35.6	6.00%	34.7	0.25%	-0.9	9.8
Cairns	QLD	13.19%	9.5	13.91%	9.0	0.72%	-0.5	0.1
Browns Plains	QLD	6.50%	40.7	6.25%	43.4	-0.25%	2.7	3.9
Mt Gravatt	QLD	7.00%	17.3	7.00%	18.0	0.00%	0.7	3.0
Artarmon	NSW	6.00%	28.4	6.00%	28.5	0.00%	0.1	5.1
Belrose	NSW	6.00%	35.2	6.00%	35.3	0.00%	0.1	5.1
Wollongong	NSW	7.50%	19.6	6.50%	22.7	-1.00%	3.1	5.1
Northland	VIC	6.00%	32.1	6.00%	33.0	0.00%	0.9	2.6
Nunawading	VIC	5.50%	45.3	5.50%	45.2	0.00%	-0.1	7.1
Total/ weighted average¹		6.41%	359.0	6.31%	367.9	-0.10%	8.9	4.9

¹ Subject to rounding

Portfolio - weighted average lease expiry profile



¹ Includes both proposed and completed upgrades

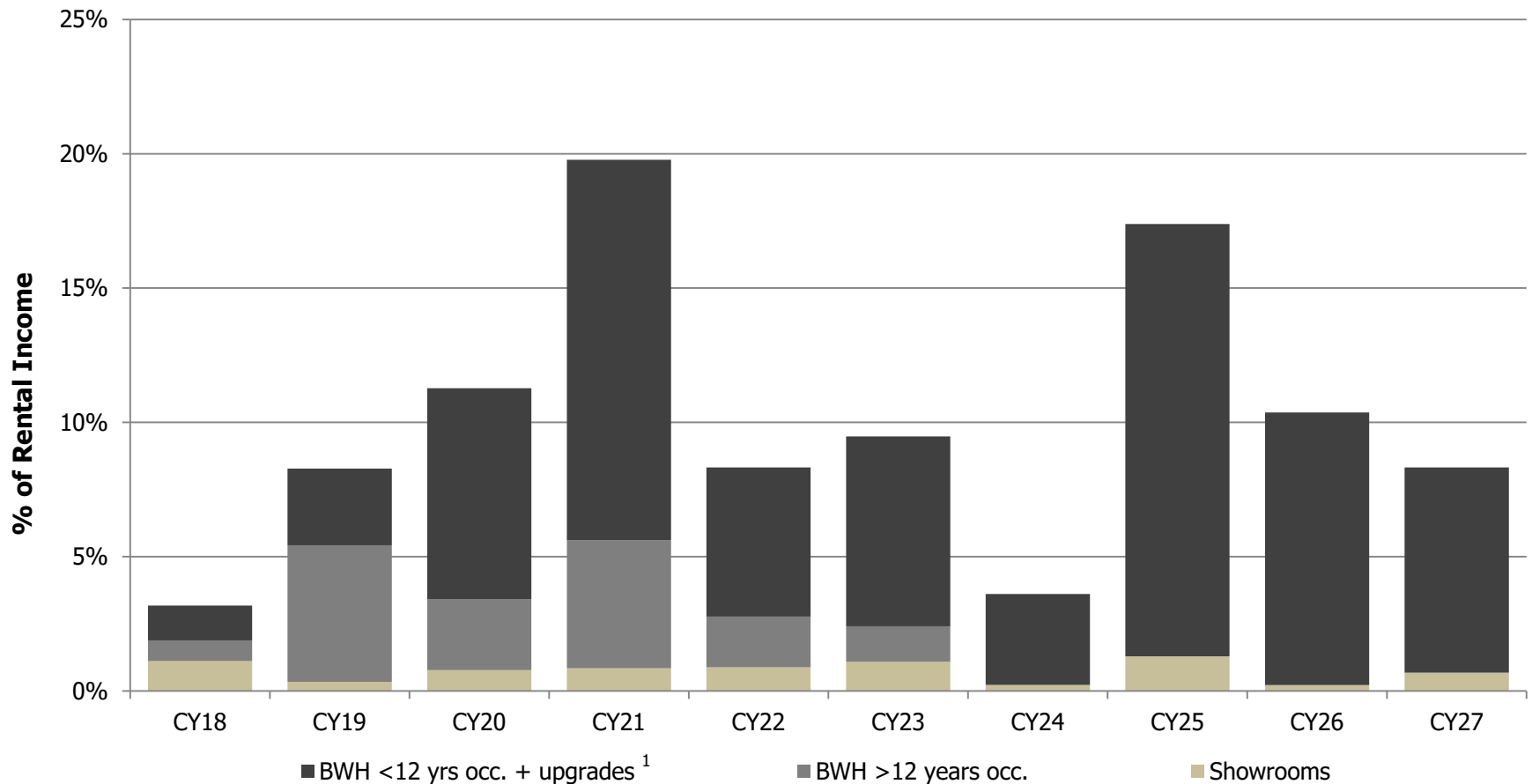


CORE PORTFOLIO

Core portfolio - summary

67 properties	5.3 years portfolio WALE
3.3ha average land area	13,990m² average lettable area
78% metro located properties	40% metro located properties within 20kms of CBD
76% upgrade properties or occupied <12yrs	6.22% weighted average cap rate

Core portfolio - weighted average lease expiry profile



¹ Includes both proposed and completed upgrades

Core portfolio - lease expiries next 3 years

Property	Lease expiry	Options	Rent (\$'000pa)	Comments
Villawood	May 2018	5 x 5 yrs	1,739	Five year option exercised in February 2018
Port Macquarie	Nov 2018	2 x 5 yrs	1,034	Notification required by Aug 2018; property well located in Port Macquarie commercial area
Bayswater	Apr 2019	4 x 5 yrs	1,909	Notification required by Feb 2019; well located property, already upgraded
Browns Plains	May 2019	1 x 5 yrs	1,758	Notification required by Feb 2019; well located property near Grand Plaza sub-regional shopping centre
Thornleigh	Sep 2019	4 x 5 yrs	1,392	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	1,550	Notification required by Jun 2019; zoned Regional Centre
Maitland	Oct 2019	3 x 5 yrs	1,423	Notification required by Aug 2019
Albany	Oct 2019	2 x 5 yrs	886	Notification required by Jul 2019; planning approval for a store upgrade
Bibra Lake	Oct 2019	2 x 5 yrs	1,721	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	2,071	Notification required by Dec 2019; planning application lodged for store upgrade; part of the Fisherman's Bend urban renewal precinct
Vermont South	Aug 2020	4 x 5 yrs	2,220	Notification required by Jun 2020
Northland	Aug 2020	2 x 5 yrs	1,966	Notification required by Jun 2020; planning application lodged for additional parking
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

During the period options were exercised for the Hervey Bay, Fyshwick and Wollongong properties



ALTERNATIVE USE PROPERTIES

Bunnings Warehouse replacements

Property	Lease expiry ¹	Progress
Altona	Lease surrendered under Option Agreement	Awaiting Planning Minister approval for redevelopment before adjoining owner exercises option to acquire the property
Cairns	Feb 2018	Re-leasing campaign ongoing
Mentone	Sep 2018	Currently sub-leased to Amart Furniture. Non-binding heads of agreement for lease executed with a national large format retailer to replace Amart; expect DA and building approval by mid-2018 and reconfiguration works to commence in Oct 2018
Burleigh Heads	Oct 2018	Under option agreement to sell, exercisable in July 2018; settlement September 2018; rent payable to BWP to settlement; other opportunities continue to be considered
Underwood	Oct 2018	Leasing campaign underway
Epping	Mar 2019	Under option agreement to sell, exercisable in July 2018; settlement February 2019; rent payable to BWP to settlement; other opportunities continue to be considered
Mindarie	Sep 2021	Scheme amendment and structure plan proposal to be lodged with council mid-2018

¹ To the end of the current lease term

Masters impacted stores

> Home Consortium transaction completed in late 2017

Property	Lease expiry ¹	Proposed alternative use/s
Mandurah	Nov 2018	Anchor tenant terms almost finalised; negotiations with national retailers for remaining lettable area progressing; expect to commence works on Bunnings lease expiry
Oakleigh South	Mar 2019	In January 2018 Bunnings extended lease by 12 months; under option to sell, exercisable July 2018, to settle February 2019 with rent payable to BWP to settlement; large format retail and business park opportunities continue to be considered
Morley	Jul 2020	Large format retail – re-leasing discussions progressing. Medium term residential and/or mixed-use development potential
Hoxton Park	Oct 2020	Large format retail, advanced re-leasing discussions. DA expected to be lodged in March 2018

¹ To the end of the current lease term

> One additional site is still subject to confidentiality, the lease expiry is early 2021

Dandenong

- > Property sold (via direct negotiation off-market) to an unrelated third party for \$16.4 million in November 2017
- > Bunnings relocated to the Dandenong South ex-Masters
- > Demonstrates demand for well-located sites supporting strong underlying land value

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





 CAPITAL MANAGEMENT

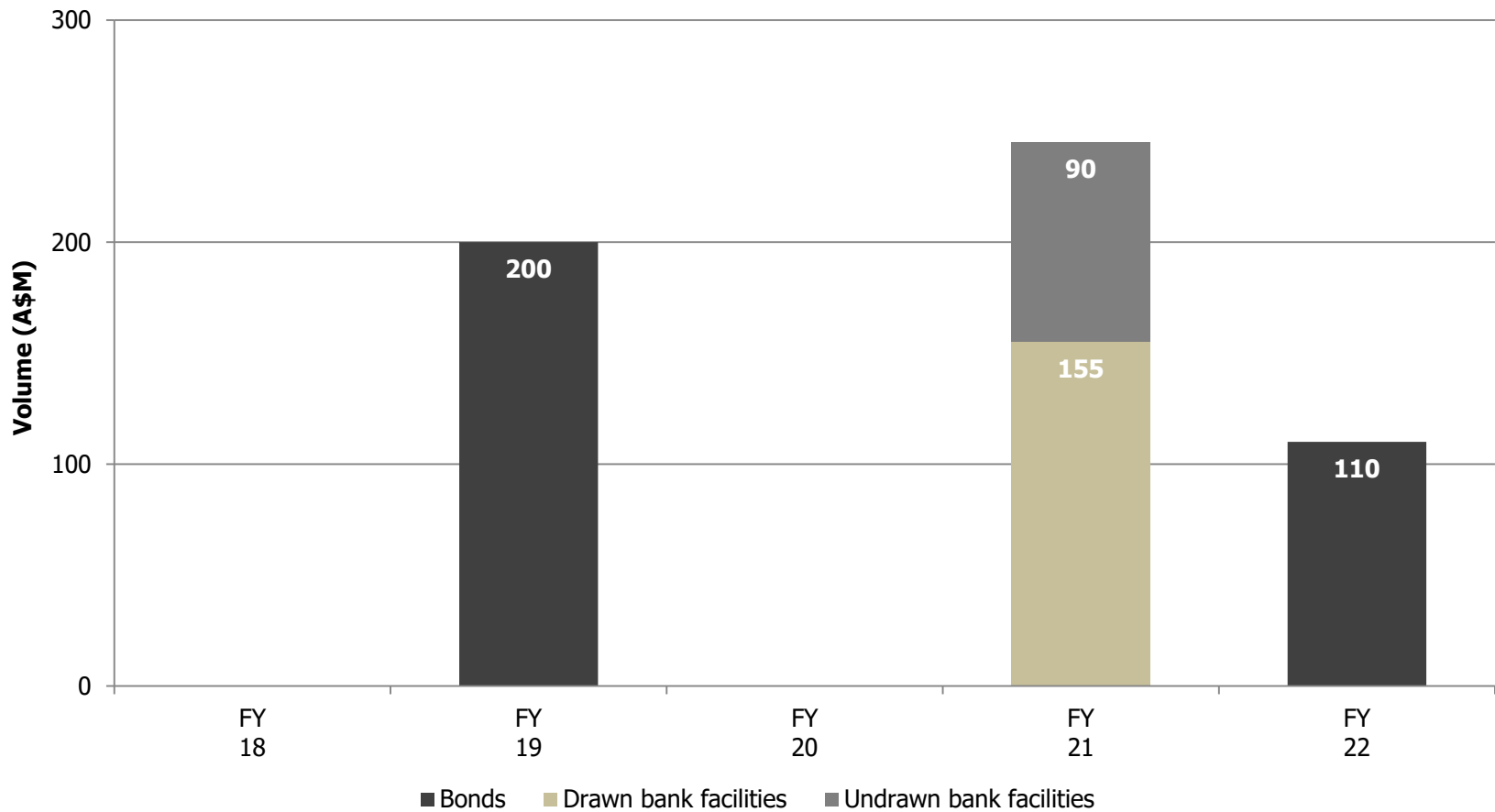
Capital management - debt facilities

- > Average borrowings for the half-year \$476.3m (down 0.2% on pcp)
 - 4.65% p.a. weighted average cost of debt after hedging (2016: 4.69% p.a.)
 - Borrowing costs for the half-year \$11.2m (down 1.0% on pcp)
- > All bank facilities can be extended a further year each year, subject to agreement
- > Extended WBC bank debt facility to April 2021, ANZ facility cancelled
- > Cost of debt at 31 December 2017: 4.7% p.a.
- > Interest cover: 6.2x at 31 December 2017 (2016: 6.1x)
- > Gearing: 19.8% at 31 December 2017 (2016: 21.2%)
- > A- /Stable S&P rating maintained

As at 31 December 2017	Limit (\$m)	Drawn (\$m)	Expiry
CBA	110	85	31 Jul 2020
WBC	135	70	30 Apr 2021
Corporate bond	200	200	27 May 2019
Corporate bond	110	110	11 May 2022
Total/ <i>Weighted average</i>	555	465	<i>2.7 years</i>

Capital management - debt duration

Debt maturity profile



Capital management - interest rate hedging

Hedge book profile by half-year ending:	Dec 17	Jun 18	Dec 18	Jun 19	Dec 19	Jun 20
Active swaps (\$m)	128	88	58	98	98	85
Swap rates (%)						
Maximum	5.54	5.54	4.92	4.92	4.92	4.12
Minimum	2.39	2.39	2.39	2.39	2.39	2.39
Weighted average (%) ¹	4.16	4.09	3.39	3.07	3.07	2.79

- > Including fixed rate corporate bonds:
 - \$437.5m hedged at 2.81%² weighted average to maturity, at 31 December 2017

¹ Weighted average at balance of active swaps

² Excludes margins payable on the fixed corporate bonds



OUTLOOK

Outlook

> **Macro economic environment**

- Demand for Bunnings Warehouse properties expected to remain strong, while capital continues to flow into the Australian property sector

> **Rental growth**

- 18 CPI/ 23 fixed rent reviews in second half FY2018
- 5 Bunnings MRRs to be finalised this financial year

> **Investment**

- Strong focus on finalising negotiations and outcomes on alternative use sites
- Working with Bunnings to progress opportunities to re-invest in existing portfolio
- Well positioned for portfolio growth opportunities as market conditions permit

> **FY2018 distribution**

- For the second half of the financial year the Trust expects to maintain distribution growth at 1.7 per cent. Capital profits would be utilised to support distributions if required during this transition period for some of the properties in the portfolio

Further information

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