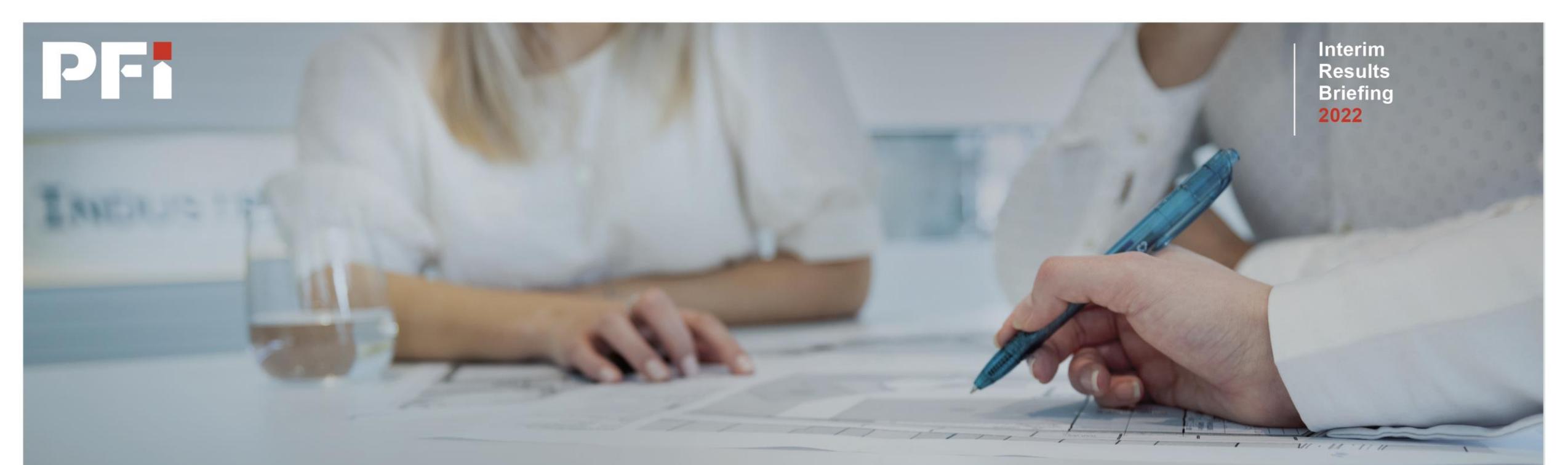




Interim  
Results  
Briefing  
2022

A blurred background image of a business meeting. Several people are seated around a table, looking at documents. One person in the foreground is holding a blue pen over a document. A glass of water is visible on the table.

**WELCOME  
TO THE \_\_\_\_\_ 2022 INTERIM  
RESULTS BRIEFING**

# CONTENTS

01. HIGHLIGHTS
02. PORTFOLIO
03. 2022 INTERIM RESULTS
04. CAPITAL MANAGEMENT
05. ESG
06. MARKET
07. OUR PRIORITIES
08. REVIEW & QUESTIONS

An aerial photograph of an industrial park. The foreground and middle ground are filled with numerous large, rectangular industrial buildings with grey roofs. Some buildings have solar panels on their roofs. There are parking lots with cars and trucks scattered throughout. In the background, a large body of water, possibly a lake or a wide river, stretches across the horizon. The sky is clear and blue, suggesting a bright day. The overall scene depicts a busy industrial facility.

# Q1

## HIGHLIGHTS



**STABLE OPERATING RESULT:**

Interim profit after tax of \$23.8 million, Funds From Operations (FFO) earnings down 4.3% from the prior interim period to 5.13 cents per share, Adjusted Funds From Operations (AFFO) earnings in line with the prior interim period at 4.64 cents per share, interim cash dividends of 3.60 cents per share



**PORTFOLIO DELIVERING STRONG RENTAL GROWTH:**

\$28.7 million of contract rent reviewed during H1 2022 delivering an average annualised uplift of 4.8%, 9.6% of contract rent leased during H1 2022 at an average of 15.6% above previous contract rents, 3.9% of contract rent due to expire in H2 2022



**RESILIENT INDUSTRIAL PORTFOLIO OF SCALE:**

Portfolio value of \$2.19 billion, 11 properties revalued at the half-year, fair value gains on properties of \$19.5 million, net tangible assets confirmed at 309.6 cents per share



**PROACTIVE CAPITAL MANAGEMENT:**

725,000 shares acquired through share buyback programme, \$100 million BNZ facility refinanced, USPP facility established post balance date, \$122 million of available bank liquidity, gearing comfortable at 27.6%



**BROWNFIELD OPPORTUNITIES PROGRESSED:**

47A Dalgety Drive complete, significant leasing progress made at 30-32 Bowden Road, \$219 million or 10% of the portfolio held in brownfield opportunities



Portfolio

Interim  
Results  
Briefing  
2022

# Q2

PORTFOLIO



- PFI's portfolio is diversified across 97 properties and 135 tenants, with 100.0% occupancy and a weighted average lease term of 5.32 years, weighted towards Auckland industrial property



	JUNE 2022	DECEMBER 2021
BOOK VALUE	\$2,192.7m	\$2,168.9m
NUMBER OF PROPERTIES	97	97
NUMBER OF TENANTS	135	136
CONTRACT RENT	\$97.2m	\$95.6m
OCCUPANCY	100.0%	100.0%
WEIGHTED AVERAGE LEASE TERM	5.32 years	5.40 years
AUCKLAND PROPERTY	82.3%	81.8%
INDUSTRIAL PROPERTY	98.2%	98.2%

FULL VALUATIONS FOR:



VALUATION UPLIFT

▲ **\$18.9M<sup>1</sup>** (9.8%)

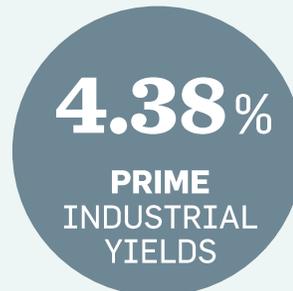
TO **\$2,192.7M**



**\$0.6M**  
GAINS  
on assets  
held for sale

39 Edmundson Street and 330 Devon Street East

CBRE ESTIMATES<sup>2</sup> FOR AUCKLAND:



**4.44%**  
PASSING YIELD  
▲ **0.03%**

### H1 22 - LEASED

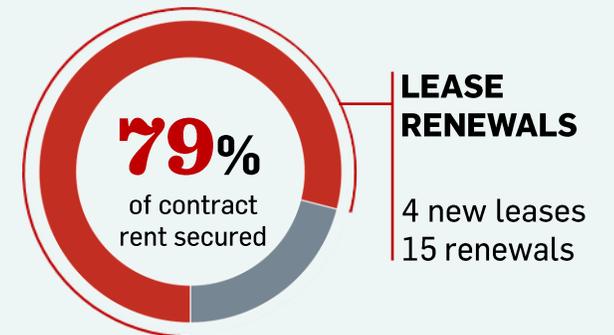


### AVERAGE INCENTIVE

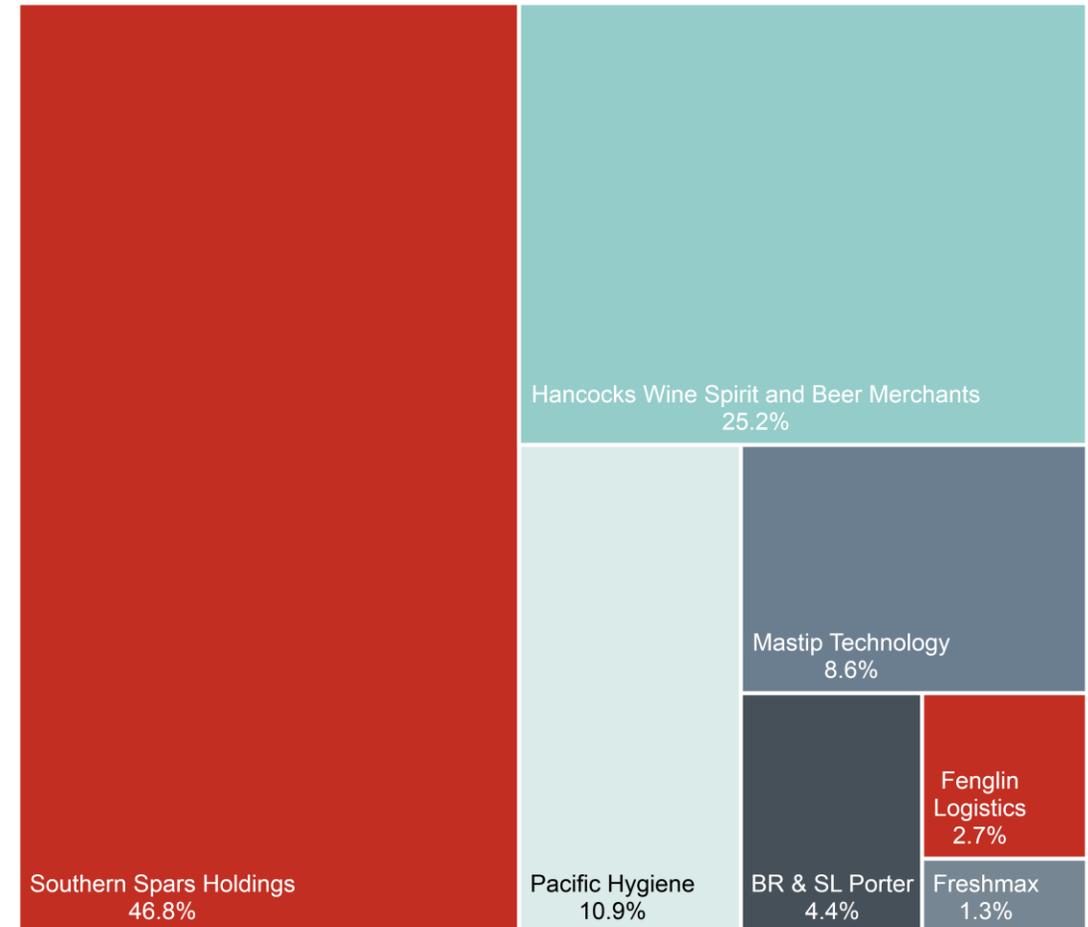
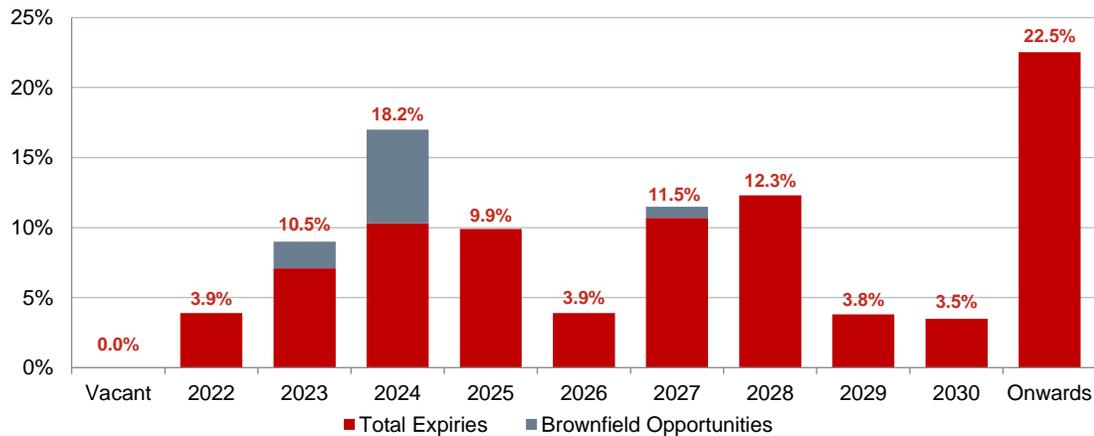


**5.4** YEARS

**Weighted Average Lease Term**  
for new leases and renewals



- Portfolio is 100.0% occupied (0.0% vacancy) and 3.9% of contract rent is due to expire in H2 2022 (graph below), largest single expiry 46.8% of that (1.8% of contract rent, chart on right)
- Leasing demand remains robust, all remaining H2 2022 expiries either secured, or in advanced stages of negotiation, since the end of the interim period
- Excluding brownfield opportunities, FY23 and FY24 expiries are 7.1% and 10.3%, respectively (bottom graph), in line with prior periods
- Vacancy still at historically low levels: CBRE reports<sup>1</sup> Auckland Prime industrial vacancy at 0.5%, Secondary industrial vacancy at 0.6%

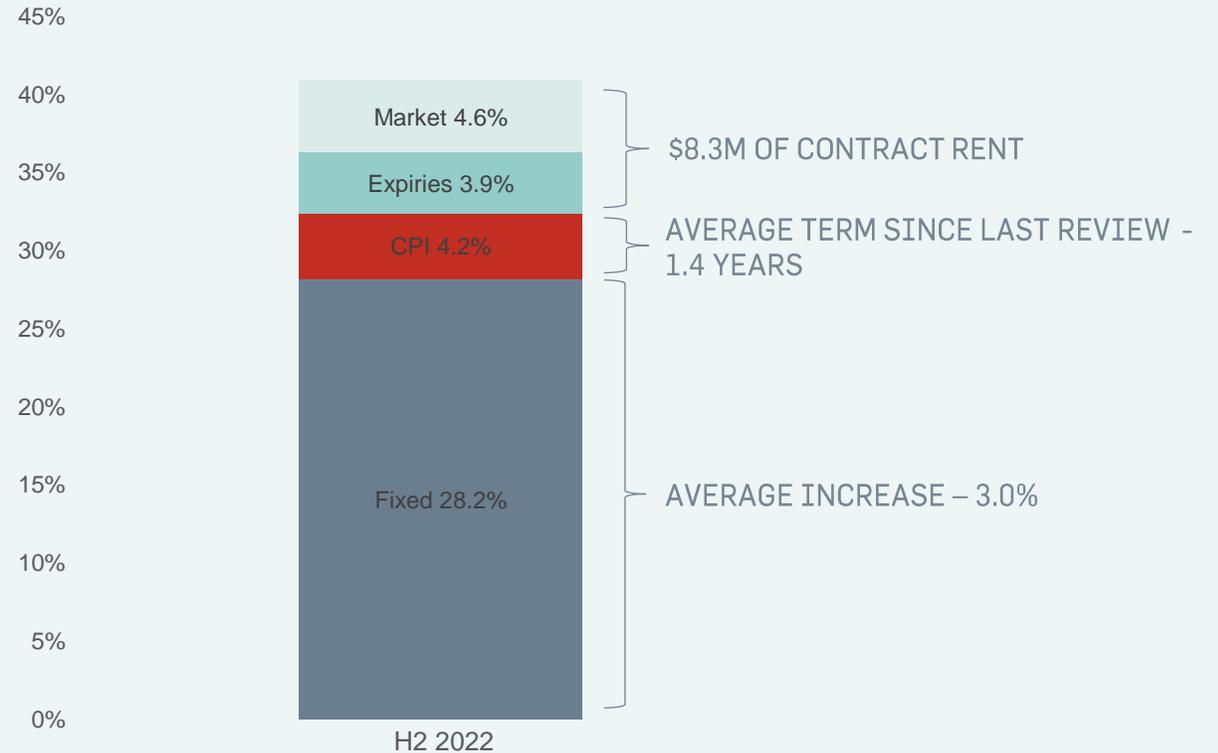


<sup>1</sup>CBRE "Auckland Property Market Outlook" June 2022, 39 Edmundson street has been sold (settled 8 Jul 2022) and is excluded from any expiries analysis

**61**  
RENT REVIEWS  
COMPLETED

▲  
**\$28.7M**  
CONTRACT  
RENT REVIEWED

**H2 2022 LEASE EVENTS**  
% OF CONTRACT RENT



CBRE five year average rental growth estimates<sup>1</sup> for Auckland:

▲ **5.0%**  
PRIME  
INDUSTRIAL  
RENTAL GROWTH

▲ **5.1%**  
SECONDARY  
INDUSTRIAL  
RENTAL GROWTH

▲  
**4.8%**  
AVERAGE  
ANNUALISED  
UPLIFT

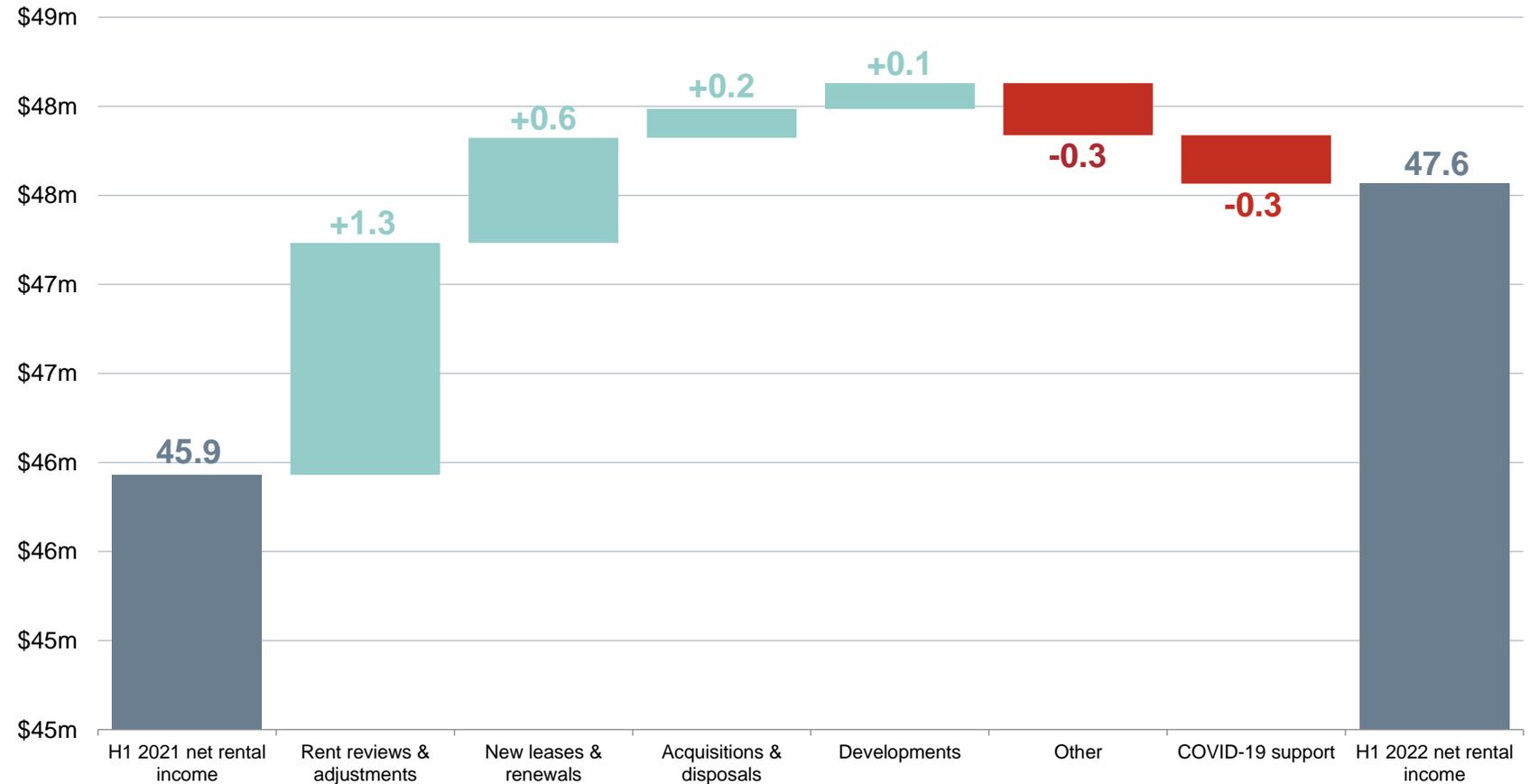
<sup>1</sup>CBRE "Auckland Property Market Outlook" June 2022

03

**2022 INTERIM  
RESULTS**



- Net rental income of \$47.6 million up \$1.6 million or 3.6% on the prior interim period of \$45.9 million
- Positive leasing activity contributed to an increase totalling +\$1.9 million
- Net impact of acquisition and disposal activity resulted in an increase of +\$0.2 million
- Decreases due to other -\$0.3 million and COVID-19 support -\$0.3 million

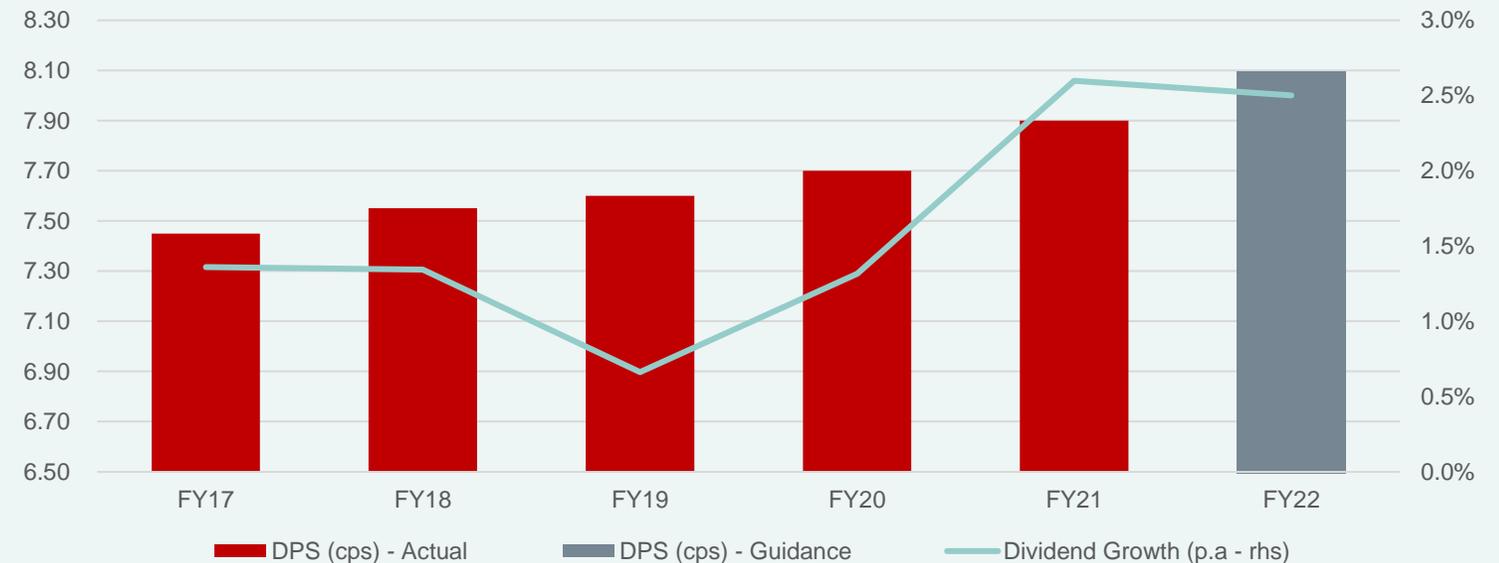


- Profit after tax of \$23.8 million
- AFFO earnings of 4.64 cents per share, 0.07 cents per share (cps) or 1.5% less than the prior interim period
- Net rental income (including AFFO adjustments) up \$2.2 million or 0.42 cps on the prior interim period
- Interest expense and bank fees up \$2.0 million on the prior interim period
- Admin expenses increased due to impact of new hires but remained constant as a % of average property values
- Maintenance capex down \$0.4 million on the prior year to 10 basis points



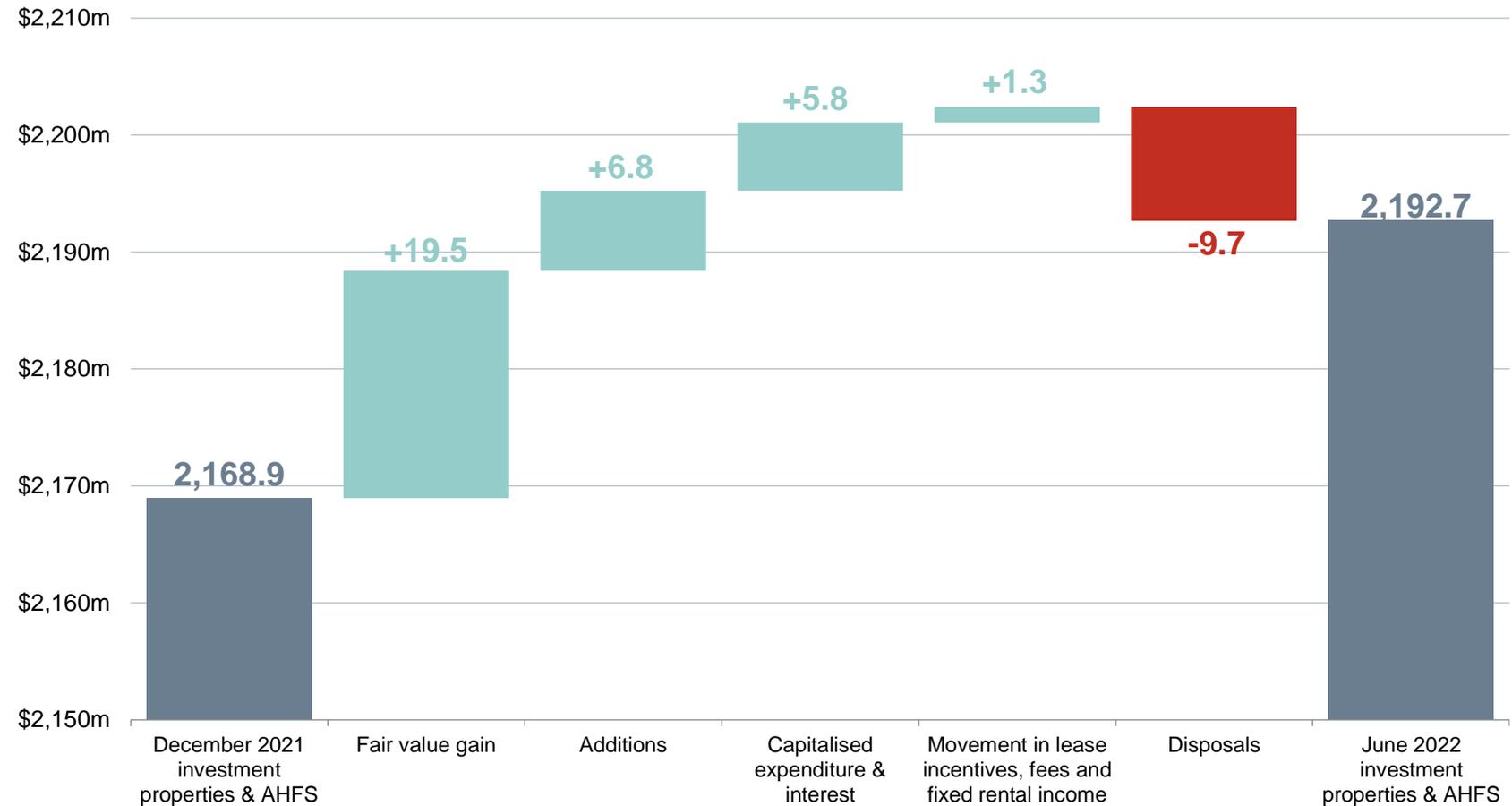
- H1 2022 cash dividends total 3.60 cents per share (cps), in line with H1 2021
- 2022 dividend guidance now 8.10 cps, at top of initial guidance range of guidance of 8.05 to 8.10 cps, growth of 2.5% on 2021 dividends
- Dividend policy to distribute between 90% to 100% of AFFO on a rolling three-year historic average basis
- Cash dividends of 8.10 cents per share are anticipated to result in a dividend pay-out at the bottom of this dividend policy range
- Guidance subject to no material adverse changes in conditions or unforeseen events, including no material tenant failures

EARNINGS	H1 2022 CPS	H1 2021 CPS	CHANGE
FUNDS FROM OPERATIONS	5.13	5.36	-0.23 CPS or -4.3%
ADJUSTED FUNDS FROM OPERATIONS	4.64	4.71	-0.07 CPS or -1.4%

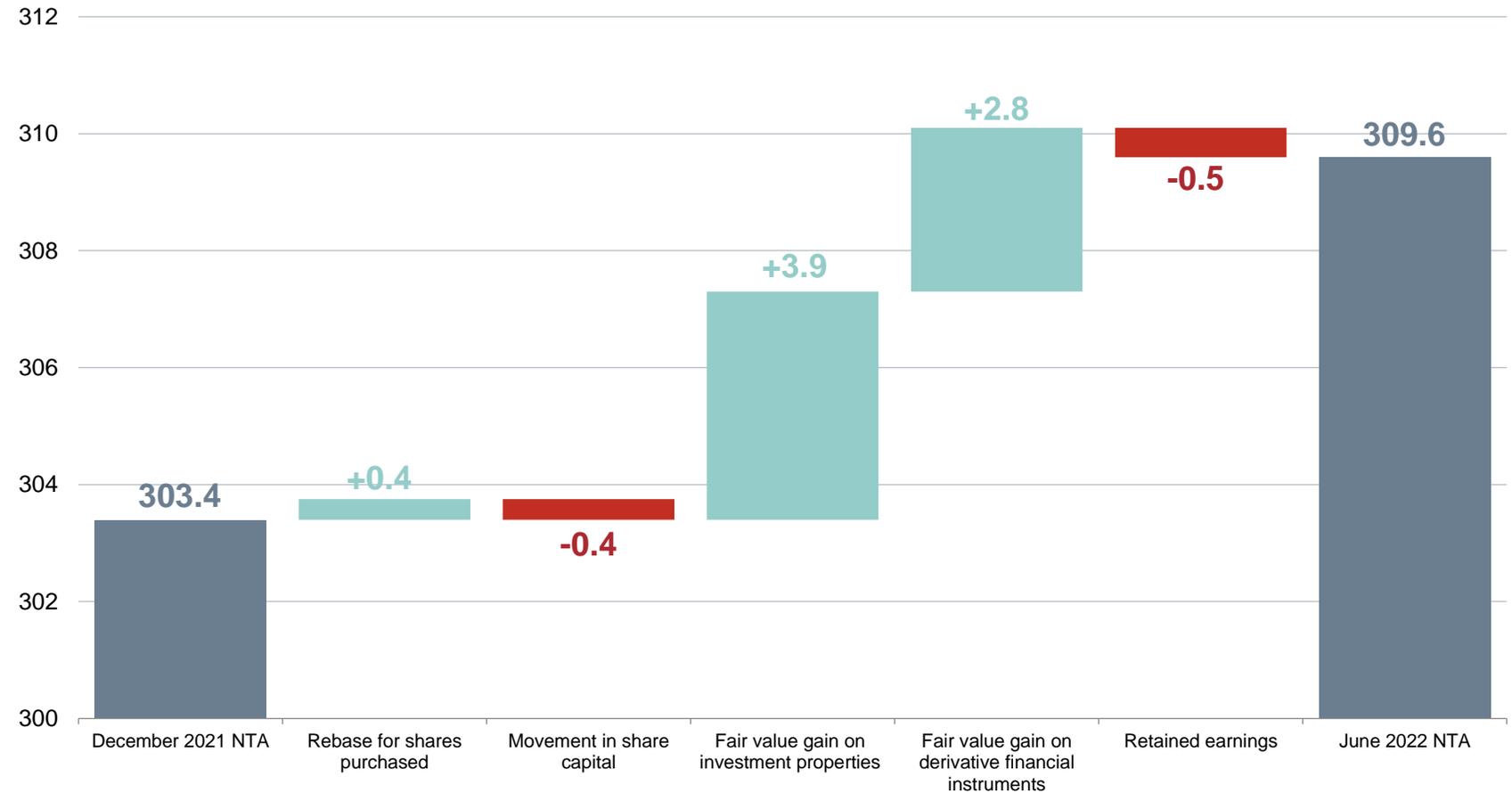


<sup>1</sup>PFI first began disclosing AFFO in 2016, therefore part of the rolling 3-year pay-out ratio for FY17 uses Distributable Profit

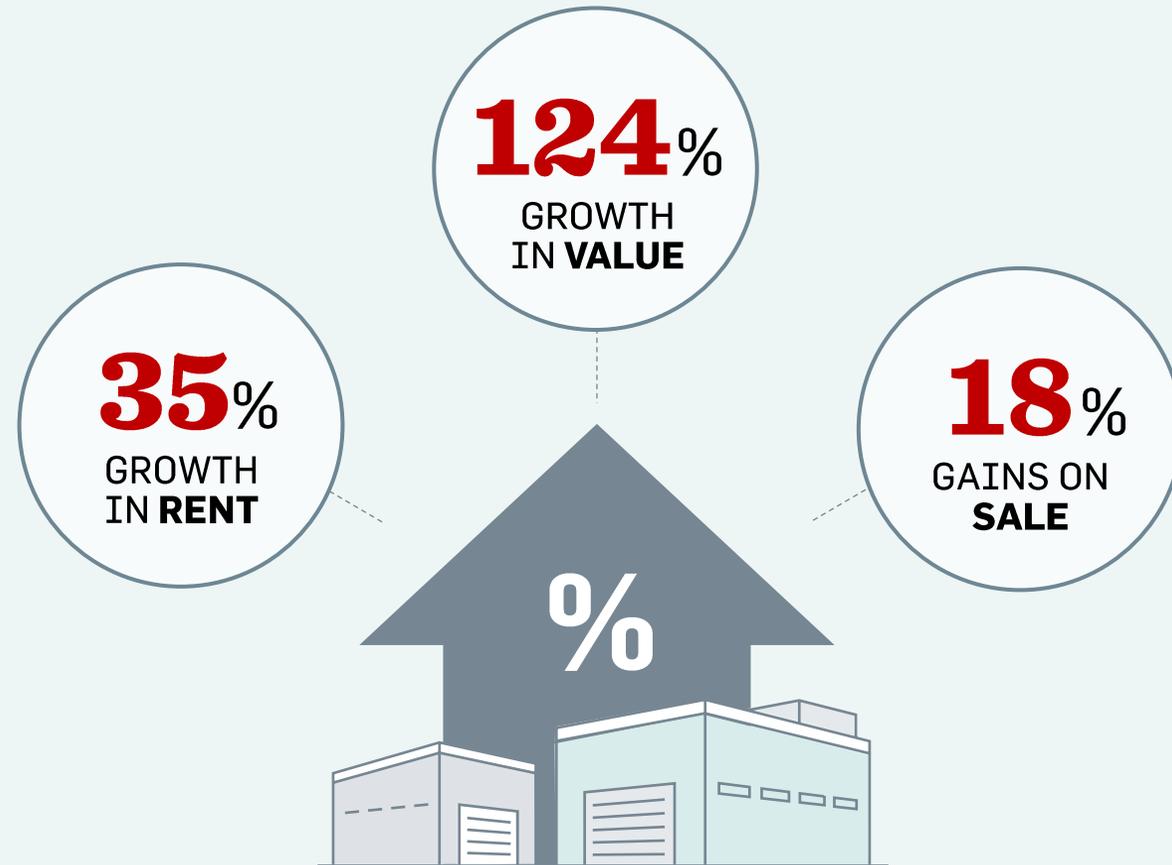
- Portfolio value of \$2.193 billion, including properties classified as held for sale (AHFS)
- Full valuations of 11 properties resulted in uplift of \$18.9 million or 9.8%, AHFS reclassifications contributed a further \$0.6 million
- 318 Neilson Street, Penrose, acquired in March 2022 for \$6.8 million
- Capex at Shed 22 (seismic strengthening works), 59 and 47A Dalgety Drive (redevelopment and development) and 3-5 Niall Burgess Road (sustainable refurbishment)
- 48 Seaview Road, Wellington, disposal settled February 2022



- Net tangible assets (NTA) per share increased by 6.2 cents per share (cps) or 2.0%
- Change in NTA per share driven by the increase in the fair value of investment properties (+3.9 cps), an increase in the net fair value asset for derivative financial instruments (+2.8 cps) and retained earnings (-0.5 cps)
- Share buyback programme accretive to NTA, shares purchased at an average cost of \$2.41 per share, compared to NTA as at 30 June 2022 of \$3.10



- Goodwill of \$29.086 million arose on the merger with Direct Property Fund (DPF) in July 2013 and represented the excess of the consideration over the fair value of the assets acquired
- Goodwill is tested for impairment by comparing the Company’s net assets to its market capitalisation (using a 1-day volume-weighted average share price as at 30 June 2022 (\$2.44)), adjusted for a control premium (15.2%) and costs of disposal
- Based on this test, and after cross checking with a “value in use” test, it was determined that goodwill was impaired, and the full amount has been written off during the period
- Notwithstanding this, the merger has been very successful transaction for PFI, with a growth in rents of 35% and values of 124% for those properties still owned by PFI, and gains on sale for those properties divested of 18%<sup>1</sup>

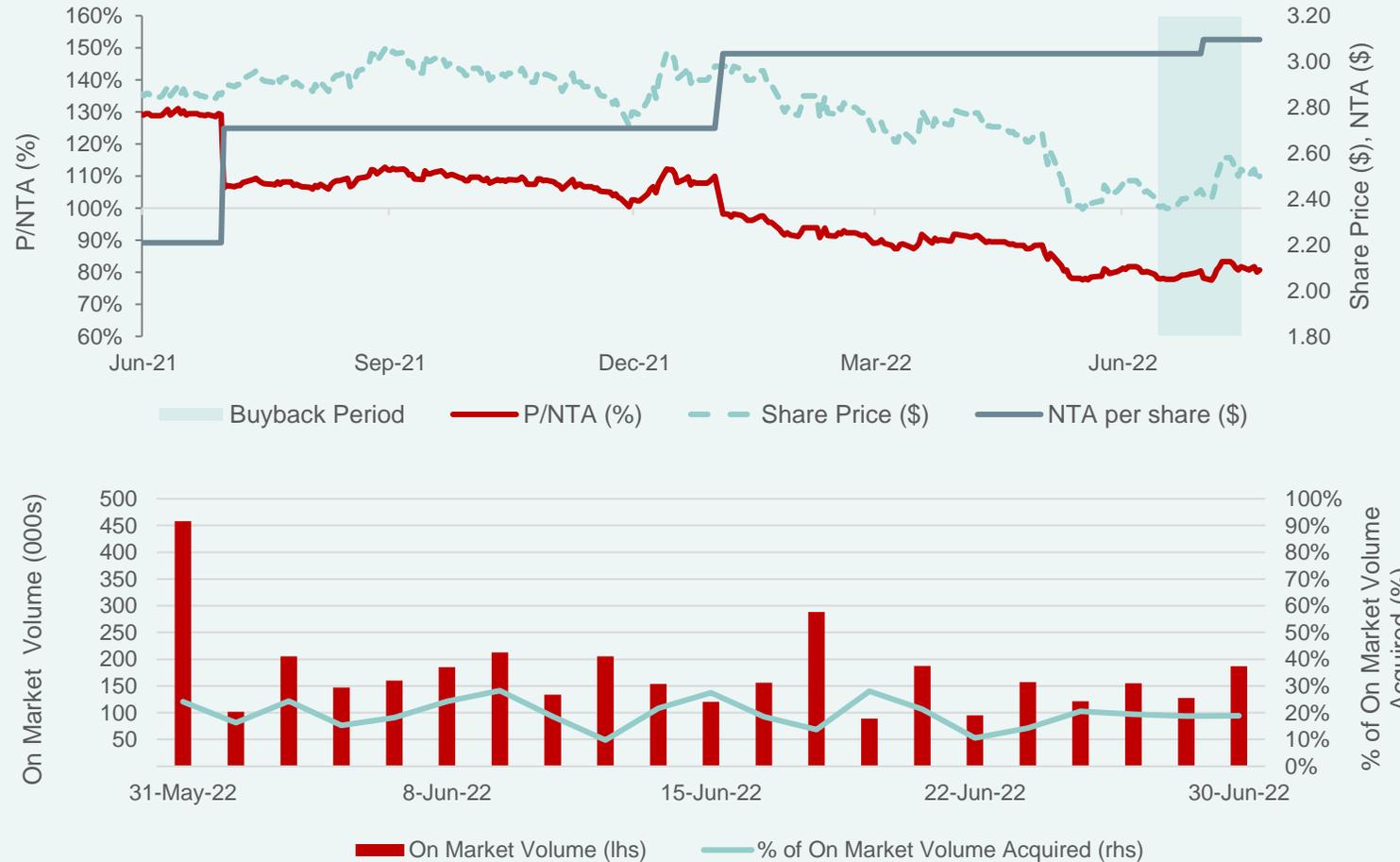


<sup>1</sup> All figures are gross and are unadjusted for capitalised expenditure, interest, lease incentives, fees and fixed rental adjustments

# 04.

## CAPITAL MANAGEMENT

- On-market share buyback programme of up to 5% of ordinary shares, announced on 25 May 2022
- At the time of announcement, PFI shares were trading at a 21% discount to NTA
- PFI acquired and subsequently cancelled 0.7 million shares at an average cost of \$2.41 per share, compared to share price as at 30 June 2022 of \$2.44 and net tangible assets per share as at 30 June 2022 of \$3.10
- Buyback programme paused on 30 June 2022 as PFI entered Interim Results blackout period
- Share buyback programme to recommence from 23 August 2022

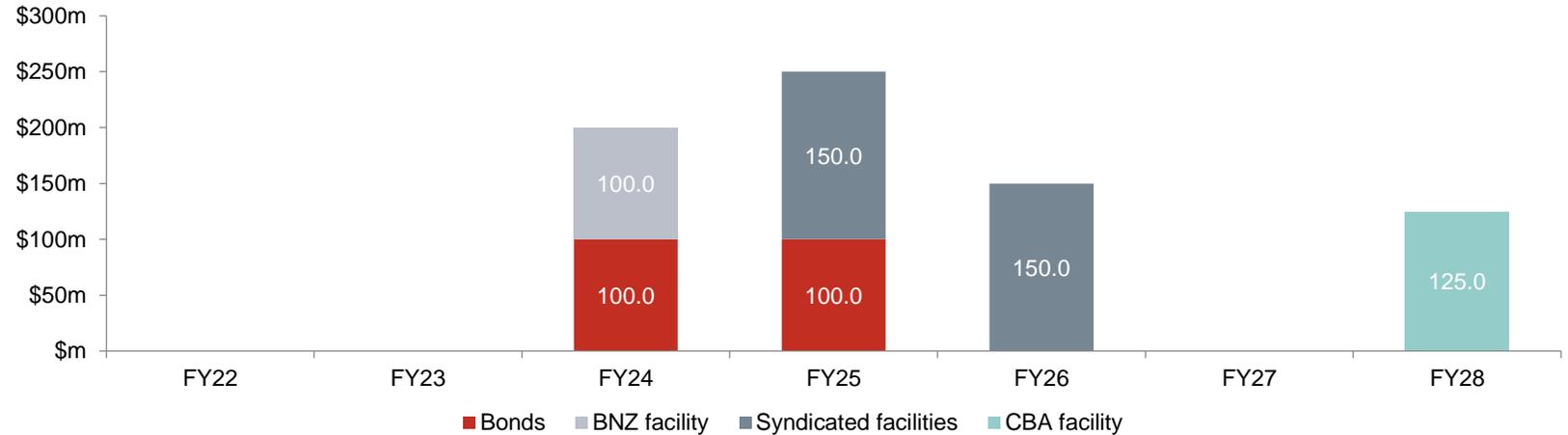


- \$100 million BNZ facility extended in June 2022
- Post balance date, USPP facility established with Pricoa, providing access to long-term funding
- High levels of liquidity from a diverse range of sources, coupled with low gearing, provide PFI with funding flexibility to execute on strategy, including upcoming brownfield development opportunities

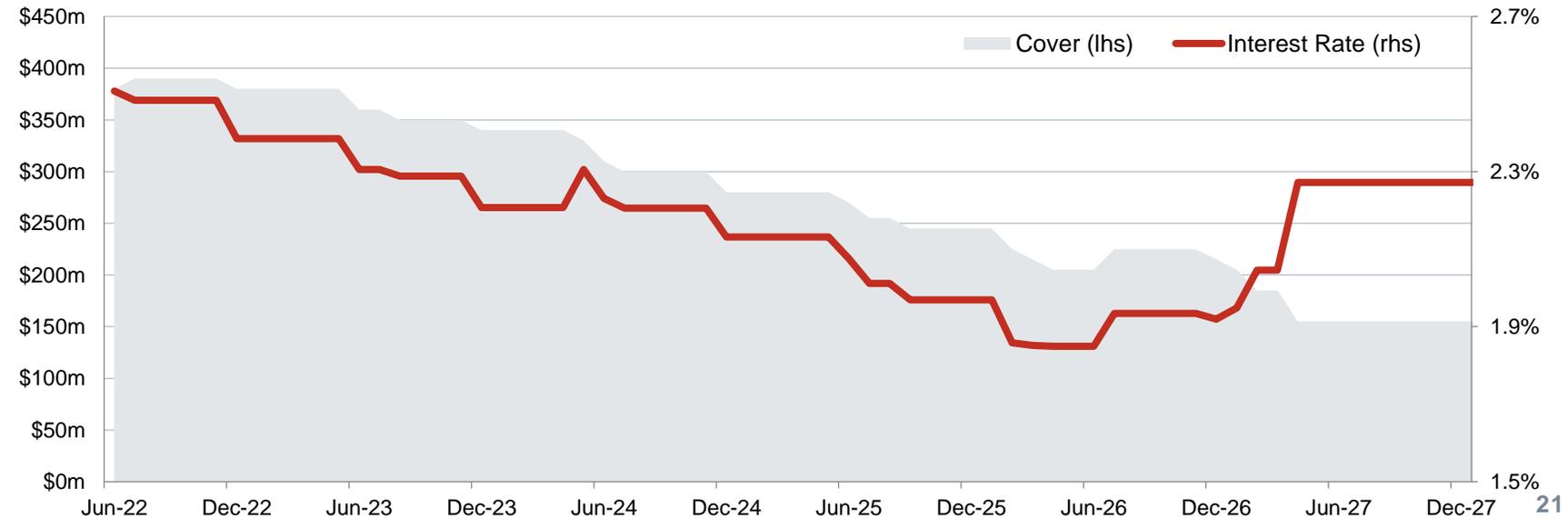


	JUNE 2022	DECEMBER 2021
<b>FUNDING</b>		
BANK FACILITIES DRAWN	\$402.7m	\$401.2m
BANK FACILITIES LIMIT	\$525.0m	\$525.0m
BANK FACILITIES HEADROOM	\$122.3m	\$123.8m
FIXED RATE BONDS	\$200.0m	\$200.0m
FUNDING TERM (AVERAGE)	3.5 years	3.9 years
BANKS	ANZ, BNZ, CBA, Westpac	ANZ, BNZ, CBA, Westpac
<b>COVENANTS</b>		
LOAN-TO-VALUE RATIO (COVENANT: <50%)	27.6%	27.7%
INTEREST COVER RATIO (COVENANT: >2.0X)	3.9 times	4.4 times
<b>INTEREST RATES</b>		
WEIGHTED AVERAGE COST OF DEBT	4.07%	3.81%
INTEREST RATE HEDGING (EXCL. FORWARD STARTING)	\$400m / 2.58% / 3.4 years	\$400m / 2.58% / 3.7 years
FORWARD STARTING INTEREST RATE	\$100m / 2.59% / 4.1 years	\$120m / 2.69% / 4.1 years

- Average term to expiry of bank facilities and bonds (top graph) of ~3.5 years, \$122.3 million of unutilised bank facility capacity



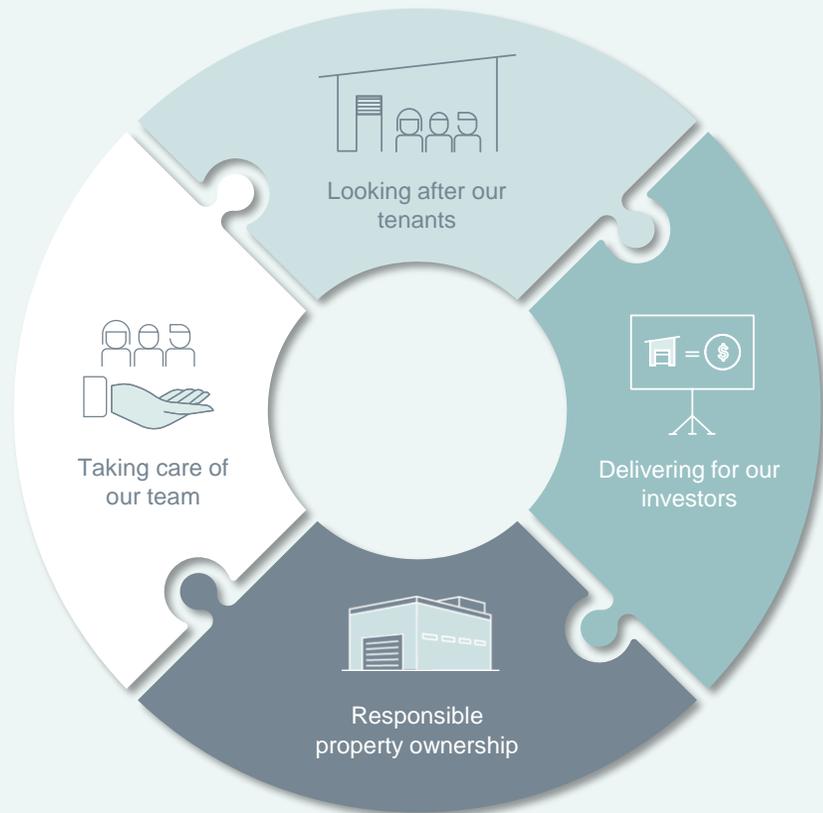
- Fixed rate payer hedging profile (bottom graph) provides for an average of ~65% of debt to be hedged at an average fixed rate of ~2.49% for the remainder of 2022, offering protection from rising interest rates



# 05.

ESG

## ESG STRATEGIC THEMES



## 2022 HIGHLIGHTS

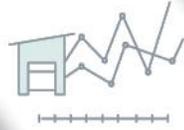
### COMPLETED

- Replaced HVAC systems containing ozone-depleting gases at 16 properties.
- Committed to a 5 Green Star certification target for our upcoming development at 30-32 Bowden Road.
- Began applying PFI's Sustainable Refurbishment Framework.
- Held staff volunteering days at Motuihe Island and Auckland City Mission.
- Delivered ongoing health and safety continuous improvements, including an 82% reduction in high-risk landlord hazards at PFI properties.

### IN PROGRESS

- Undertaking a refresh of our ESG strategy.
- Replacing further HVAC systems containing ozone-depleting gases.
- Commencing PFI's first solar panel installation.
- Undertaking ongoing seismic strengthening works.
- Completing a review of PFI's Corporate Governance Manual.
- Moving PFI's corporate office to a Green Star certified building.

**CHANGING HOW  
FACILITIES  
MANAGEMENT  
IS DELIVERED**



Bringing us closer to the **operational performance** of our buildings



Playing a more active role in **energy and water efficiency**



Working with tenants on sustainability initiatives



Embedding **sustainability** in our facilities management services

- **Carolyn Steele** has joined the PFI Board as an Independent Director and a member of the Audit and Risk Committee
- Carolyn is currently the Chair of Halberg Foundation and a director of WEL Networks, Green Cross Health, and Vulcan Steel, and an investment committee member at Oriens Capital
- Carolyn has a background in investment management, capital markets and mergers and acquisitions
- **Susan Peterson** has advised the Company that she will retire from the PFI Board in December 2022



Carolyn Steele  
Independent Director

006

■

**MARKET**

12.002

70.111

20.556

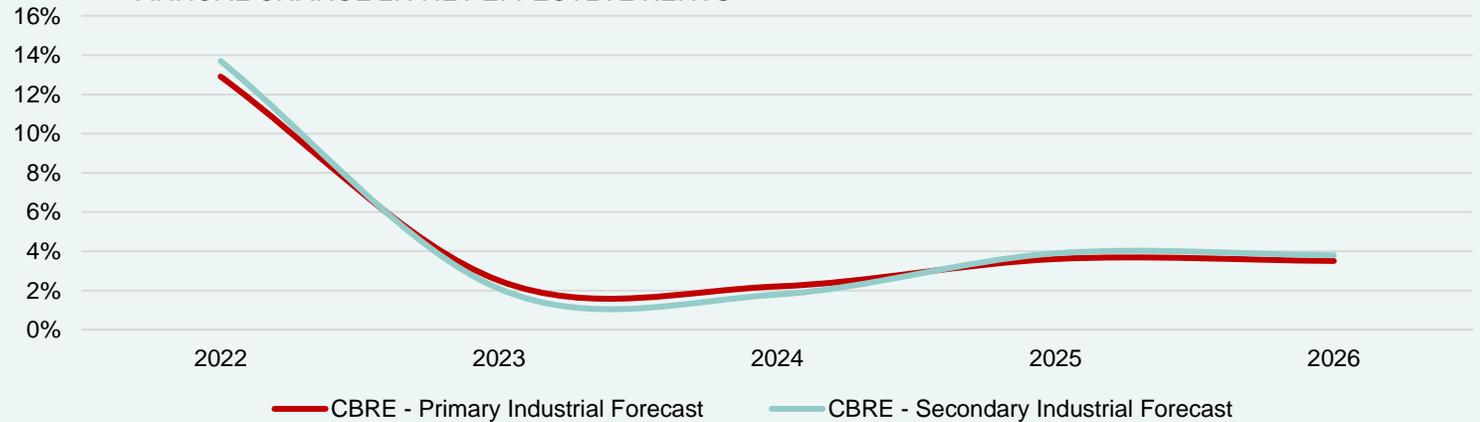
44.870

11.311

- Auckland industrial vacancy remains at all time lows
- These favourable supply/demand conditions provide a platform for forecast rental growth, potentially helping offset any interest rate driven softening in yields
- In the context of PFI, we are seeing these dynamics play out, with capital values holding broadly flat and supporting NTA per share as at 30 June 2022 of \$3.10
- Latest market forecasts assume further OCR hikes in the short term
- Interest rate outlook indicates the burden of cap rate pressures from rising interest rates set to ease during 2023
- Looking forward, PFI’s defensive portfolio is well placed to capture further rental growth (market and CPI) which, combined with the weight of capital continuing to target quality industrial properties, is supporting the outlook for values

### CBRE INDUSTRIAL RENTAL GROWTH FORECASTS<sup>1</sup>

ANNUAL CHANGE IN NET EFFECTIVE RENTS

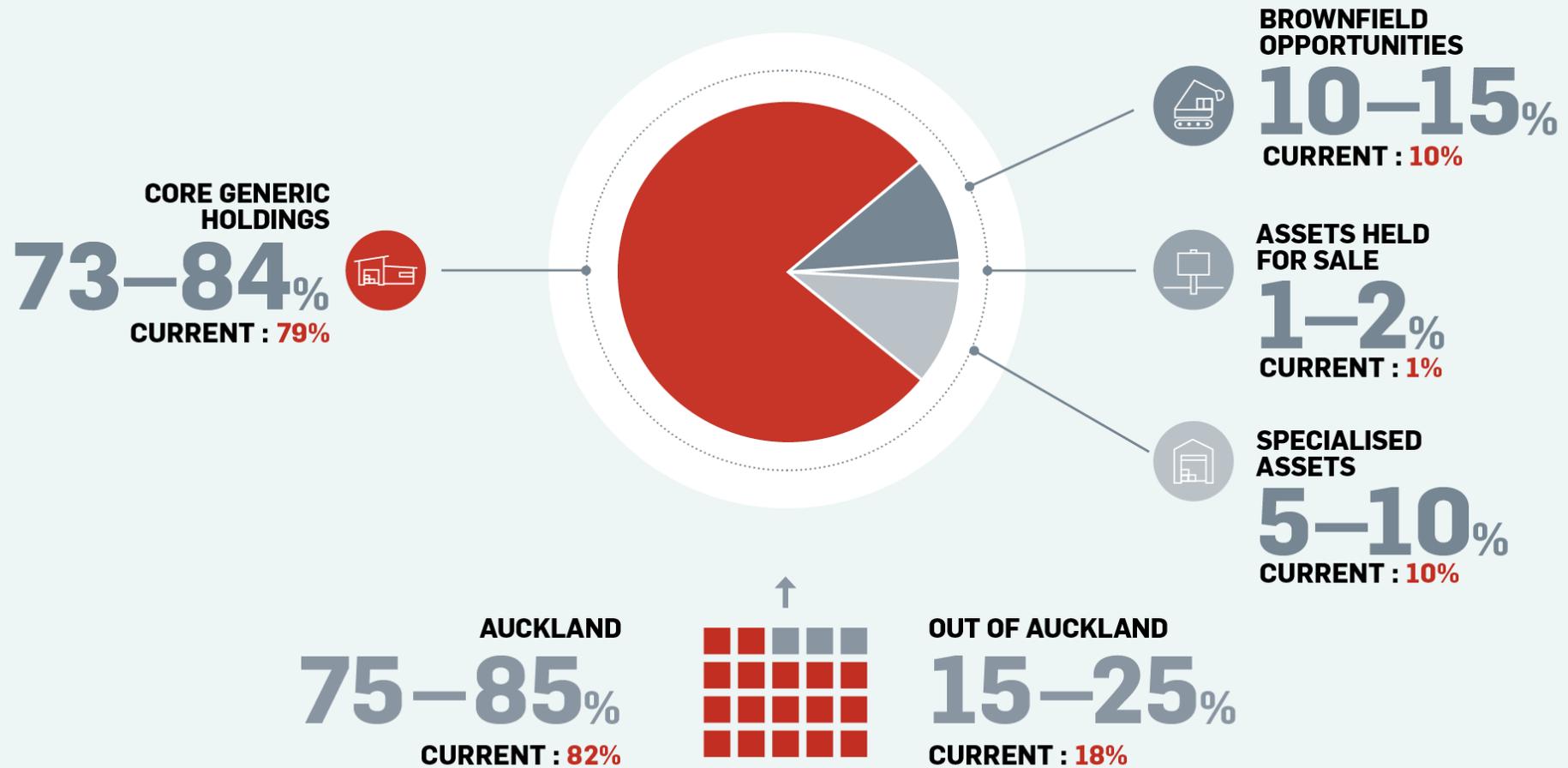


<i>CBRE AUCKLAND MARKET OUTLOOK<sup>1</sup></i>		JUNE 2022	5-YEAR FORECAST: JUNE 2022	5-YEAR FORECAST: DECEMBER 2021
<b>PRIME INDUSTRIAL</b>	– VACANCY	0.5%	0.6% ▼	1.0%
	– RENTS	\$171	+5.0% (p.a.) ▲	+3.9%
	– YIELDS	4.38%	4.33% ▲	4.06%
<b>SECONDARY INDUSTRIAL</b>	– VACANCY	0.6%	0.6% ▼	1.3%
	– RENTS	\$134	+5.1% (p.a.) ▲	+3.7%
	– YIELDS	5.40%	5.33% ▲	5.01%

<sup>1</sup>CBRE “Auckland Property Market Outlook” and “Auckland Rent & Yield Update” June 2022

A large, white, sans-serif number '07' is centered on the left side of the page. The background behind the number is a dark, textured surface with a grid of circular, metallic-looking elements that reflect light, creating a pattern of highlights and shadows.

**OUR PRIORITIES**



- ~\$219 million or 10% of the portfolio held in brownfield opportunities, providing a growing pipeline of medium-term development opportunities
- 318 Neilson Street (purchased in March 2022 for \$6.825 million) provides the opportunity to enable 'drive-round' access to 304 and 306 Neilson Street, improving leasing appeal on redevelopment
- Significant progress made at 30-32 Bowden Road and 78 Springs Road (see next slides)
- Remaining brownfield opportunities set to unlock parcels of land in key industrial precincts, providing PFI with the opportunity to deploy balance sheet capacity on accretive projects



PROPERTY	JUNE 2022 VALUE	LETTABLE AREA(SQM)	SITE COVERAGE	% OF CONTRACT RENT	LEASE EXPIRY
30-32 BOWDEN ROAD	\$32.5m	17,047	44%	1.9%	31-Mar-23
92-98 HARRIS ROAD	\$23.8m	7,194	27%	1.5%	3-Nov-23
170 SWANSON ROAD	\$33.5m	5,183	12%	1.2%	31-Jan-24
78 SPRINGS ROAD	\$102.5m	41,536	40%	6.7%	8-Oct-24
304 NEILSON STREET	\$19.5m	4,538	22%	0.8%	30-Jun-27
318 NEILSON STREET	\$7.2m	590	12%	0.2%	30-Jun-27
<b>TOTAL</b>	<b>\$219m</b>	<b>76,089</b>		<b>12.2%</b>	

**PFI**

# 30-32 BOWDEN ROAD



# 30-32

## BOWDEN ROAD, MT WELLINGTON

- Large 3.9ha site in one of Auckland’s prime industrial locations
- ~40% of development (inside the red lines) pre-leased to Tokyo Food, for a lease term of 12-years from June 2024, remainder of site to be developed on a speculative basis
- Estimated total project cost of up to \$75 million, targeting a yield on cost including land in excess of 5%
- Project will target a Five Green Star rating, creating PFI’s first fully Green Star rated industrial estate



30-32 BOWDEN ROAD, MT WELLINGTON

PFI

# 78 SPRINGS ROAD



# 78

## SPRINGS ROAD, EAST TAMAKI

- Significant 10.4-hectare site in East Tamaki
- Multiple warehouse redevelopment and refurbishment options on a versatile heavy industrial zoned site that can accommodate large-scale facilities
- October 2024 lease expiry provides PFI with a significant brownfields opportunity, which could involve an investment of ~\$150 million split across multiple stages
- PFI will target Five Green Star ratings on all new buildings



78 SPRINGS ROAD, EAST TAMAKI

## ASSETS HELD FOR SALE

- 39 Edmundson Street (Napier) settled 8 July 2022
- 330 Devon Street East (New Plymouth) sold, settles 25 August 2022
- Shed 22 (Wellington) seismic strengthening works complete, is being marketed for sale
- After planned divestments:
  - Pro forma LVR of 26.8%;
  - 83.2% of portfolio will be located in Auckland;
  - PFI will have completed the transition to a pure-play industrial portfolio



	JUNE 2022	<sup>39</sup> EDMUNDSON DIVESTMENT	330 DEVON DIVESTMENT	SHED 22 DIVESTMENT	PRO FORMA
INVESTMENT PROPERTIES & AHFS	\$2,187.6m	-\$5.3m ▼	-\$2.3m ▼	-\$14.7m ▼	\$2,165.3m
TOTAL DRAWN BORROWINGS	\$602.7m	-\$5.3m ▼	-\$2.3m ▼	-\$14.7m ▼	\$580.4m
CONTRACT RENT	\$97.2m	-\$0.2m ▼	-\$0.1m ▼	-\$0.9m ▼	\$96.0m
LOAN-TO-VALUE RATIO	27.6%	-0.2% ▼	-0.1% ▼	-0.5% ▼	26.8%
AUCKLAND PROPERTY	82.3%	+0.2% ▼	+0.1% ▲	+0.6% ▲	83.2%
INDUSTRIAL PROPERTY	98.2%	NC ◀▶	+0.1% ▲	+0.7% ▲	99.0%

# 08

A solid white square graphic located to the right of the large '08' text.

## REVIEW & QUESTIONS

**HIGHLIGHTS:**

- Stable operating result
- Portfolio delivering strong rental growth
- Resilient industrial portfolio of scale
- Proactive capital management
- Brownfield opportunities progressed

**CLOSING:**

- *“Our proactive capital management is providing us with the balance sheet to execute on a growing portfolio of brownfield opportunities. At the same time, PFI has delivered a stable operating result, with the Company’s resilient industrial \$2.2 billion portfolio delivering strong rental growth. Looking forward, we believe that PFI is well placed to respond to challenges, but just as importantly, the Company is ready to take advantage of opportunities that will no doubt present themselves.”*

**Questions?**

The information included in this presentation is provided as at 22 August 2022 and should be read in conjunction with the NZX results announcement, NZX Form – Results Announcement and NZX Form – Distribution Notice issued on that same day.

Property for Industry Limited (PFI) does not guarantee the repayment of capital or the performance referred to in this presentation.

Past performance is not a reliable indicator of future performance.

The presentation includes a number of forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond PFI's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.

While every care has been taken in the preparation of this presentation, PFI makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts.

This presentation has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this presentation, and seek professional advice, having regard to the investor's objectives, financial situation and needs.

This presentation is solely for the use of the party to whom it is provided.