



Half-year results to 31 Dec 2012

February 2013



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Presentation outline

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- > Overview
- > Results
- > Portfolio
- > Capital management
- > Governance
- > Outlook

Overview

- > Increased rental income from acquisitions, developments and rent reviews lifts revenue (up 9.3%) and distributable profit (up 8.2%) over comparable period last year
- > 100% payout ratio resulting in 7.0 cents per unit interim distribution (up 5.6% on last year)
- > One Bunnings Warehouse-anchored centre added to the portfolio during the half-year
- > Like-for-like rental growth of 2.4% for 12 months to 31 December 2012 (3.3% CY11)
- > Sound portfolio fundamentals: 100% occupancy, 7.2 years weighted average lease expiry and portfolio cap rates stable at 7.91%
- > NTA up by 2 cents for the six months to \$1.87 cents per unit, due to \$11.5 million net revaluation gain on investment properties
- > Weighted average cost of debt of 7.5% for the six months, down from 8.2% for the same period last year

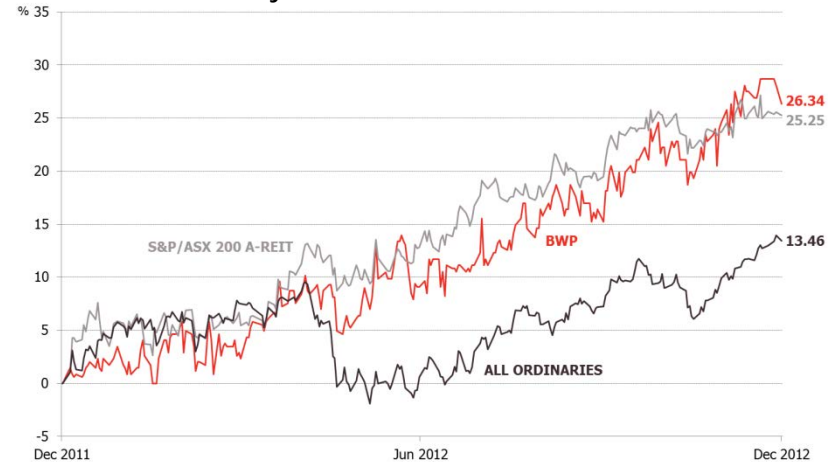
Overview – market performance

BWP unit price marginally outperforms the sector for the year

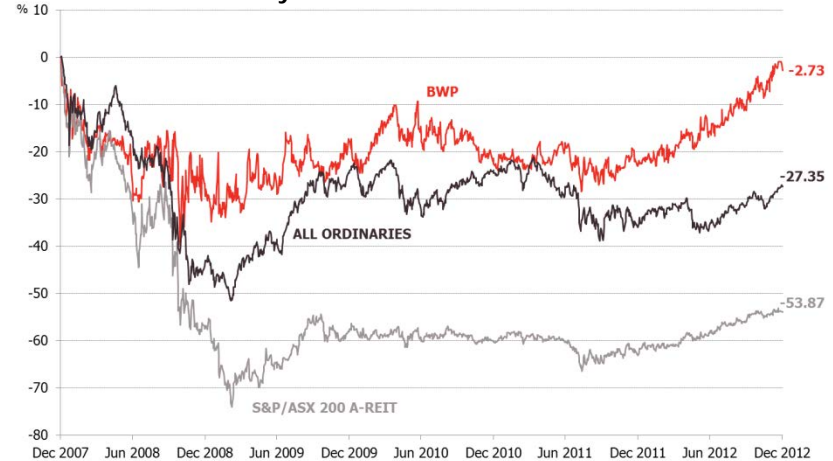
...and significantly outperforms the market longer term

BWP unit price vs S&P/ASX 200 A-REIT index & All Ordinaries index

1 year to 31 December 2012

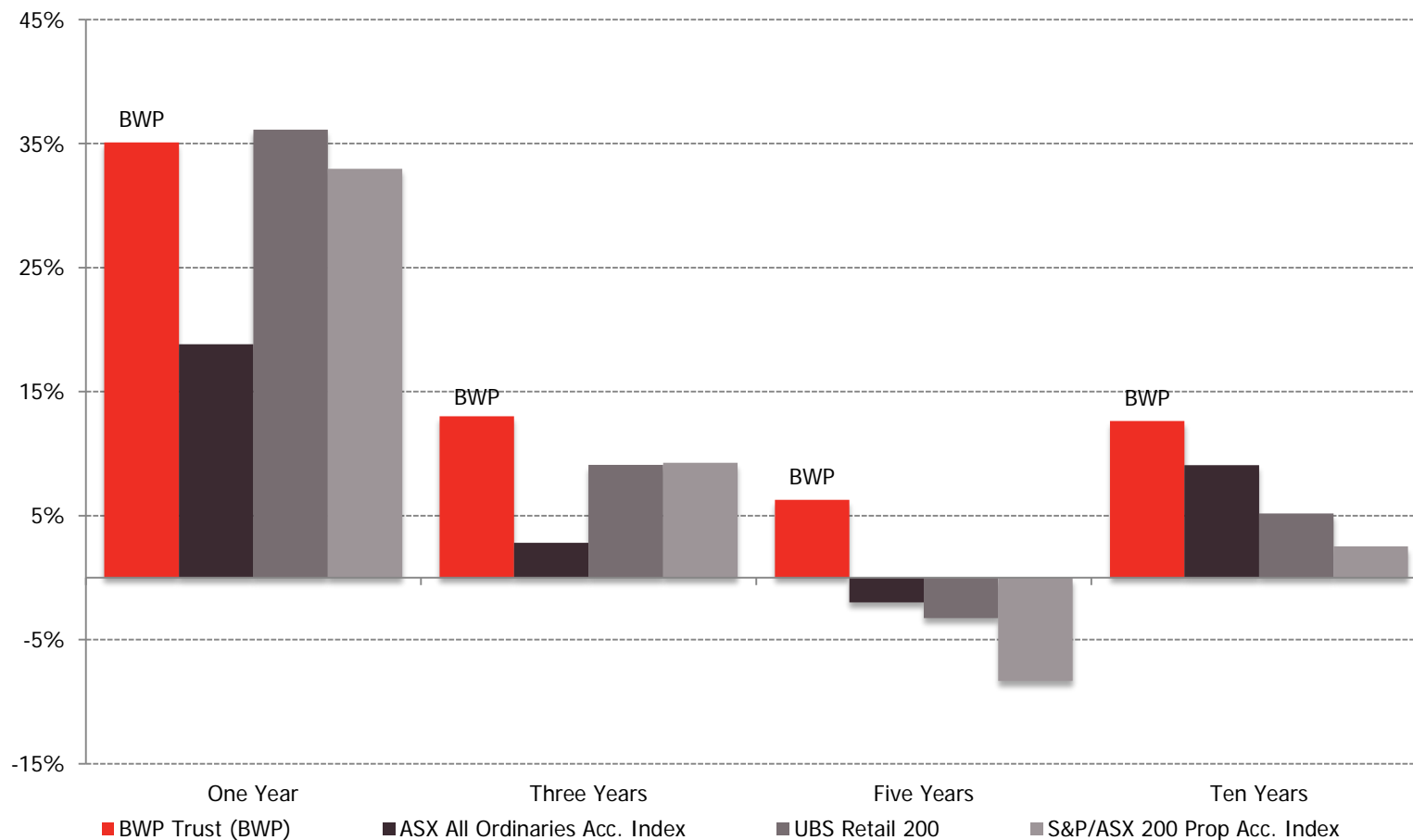


5 years to 31 December 2012



Results – total returns

> BWP total returns compared to market – periods ended 31 December 2012



Total returns include distributions and movement in price (assumes distributions are reinvested). Source: UBS

Results – performance vs pcp¹

	6 months to Dec 12	Previous corresponding period
Revenue	\$54.0 million	 9.3% ²
Net profit including revaluations	\$48.8 million	\$32.0 million
Distributable profit (excluding revaluations)	\$37.4 million	 8.2%
Number of units on issue	533.6 million	520.0 million
Half-year distribution per unit	7.0 cents	 5.6%
Total assets	\$1,364.6 million	 7.2%
Borrowings	\$296.3 million	\$240.5 million
Net tangible assets	\$1.87 per unit	 \$1.87 per unit
Weighted average cap rate	7.91%	7.81%
Gearing (debt to total assets)	21.7%	18.9%
Covenant gearing (debt + n.c.l. ³ to total assets)	22.9%	19.8%

1 pcp = previous corresponding period, being the 6 months ended 31 December 2011 or as at 31 December 2011 as relevant

2 For consistency, revenue for the previous corresponding period has been restated to exclude recoveries of outgoings, previously included as other property income

3 n.c.l. = non-current liabilities

Results – performance: 6 monthly

	6 months to Dec 12	6 months to Jun 12	6 months to Dec 11
Revenue	\$54.0m	\$51.8m ¹	\$49.4m ¹
Net profit including property revaluations	\$48.8m	\$37.9m ¹	\$32.0m
Unrealised property revaluation (gains)/losses	(\$11.5m)	(\$2.0m)	\$2.6m
Capital profit from property divestments	-	\$6.2m	-
Distributable profit	\$37.4m ²	\$42.2m ^{2,3}	\$34.5m ²
Six month distribution (cents per unit)	7.00	8.04 ³	6.63
Total assets	\$1,364.6m	\$1,335.2m	\$1,272.6m
Borrowings	\$296.3m	\$288.9m	\$240.5m
Weighted average cost of debt ⁴	7.5%	7.8%	8.2%
Net Tangible Assets (per unit)	\$1.87	\$1.85	\$1.87
NTA per unit excluding hedging liabilities	\$1.91	\$1.88	\$1.89
Weighted average cap rate	7.91%	7.91%	7.81%
Gearing (debt to total assets)	21.7%	21.6%	18.9%

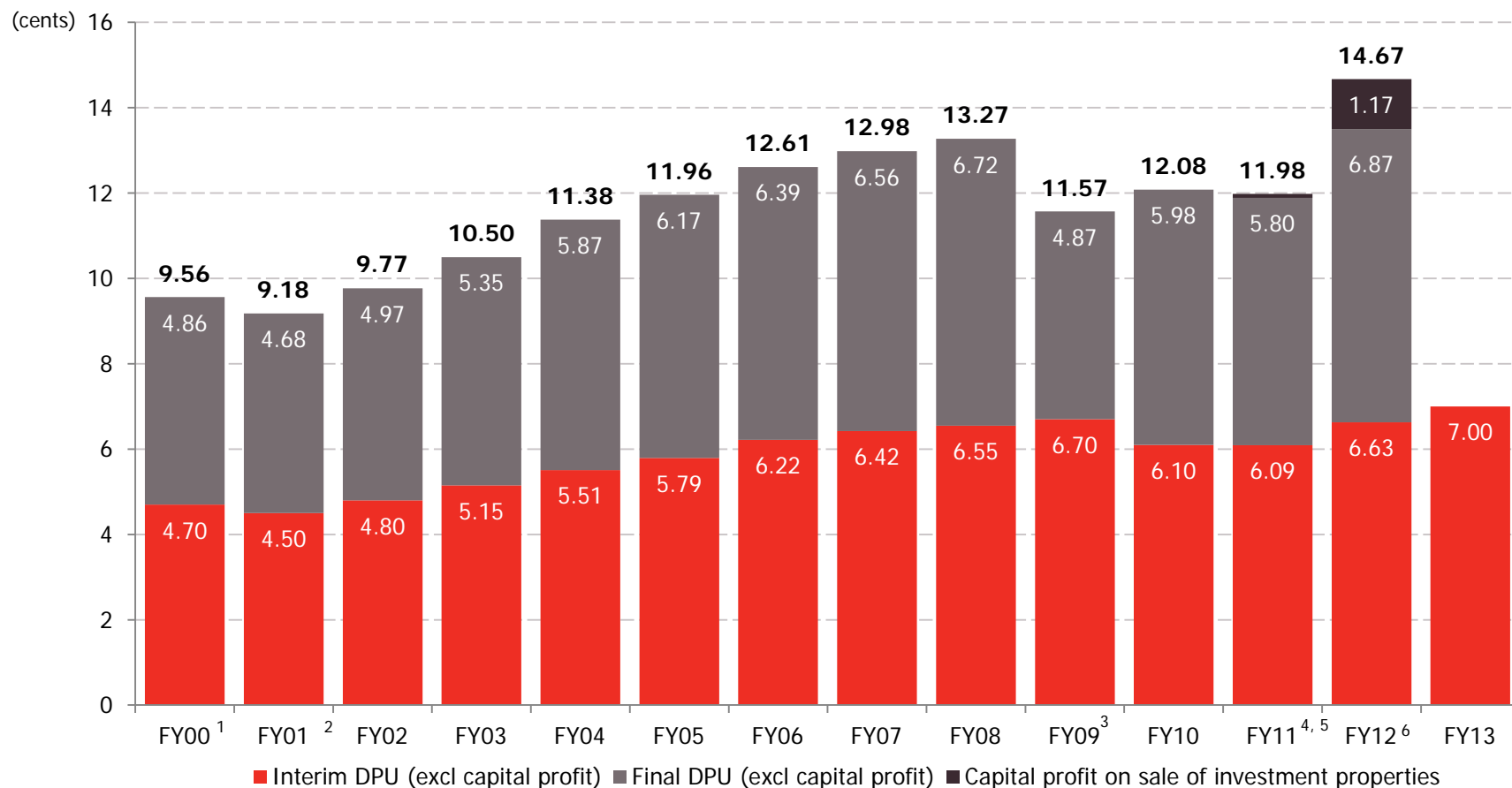
¹ For consistency, revenue for the previous periods has been restated to exclude recoveries of outgoings, previously included as other property income

² Adjusted for rounding

³ Includes \$6.2m capital profit on sale of Hoppers Crossing (1.17 cents per unit distribution)

⁴ Finance costs less finance income divided by average borrowings for the six months

Results – distributions per unit (DPU)



¹ BWP commenced trading in Sep 98

² End of concessional management fee

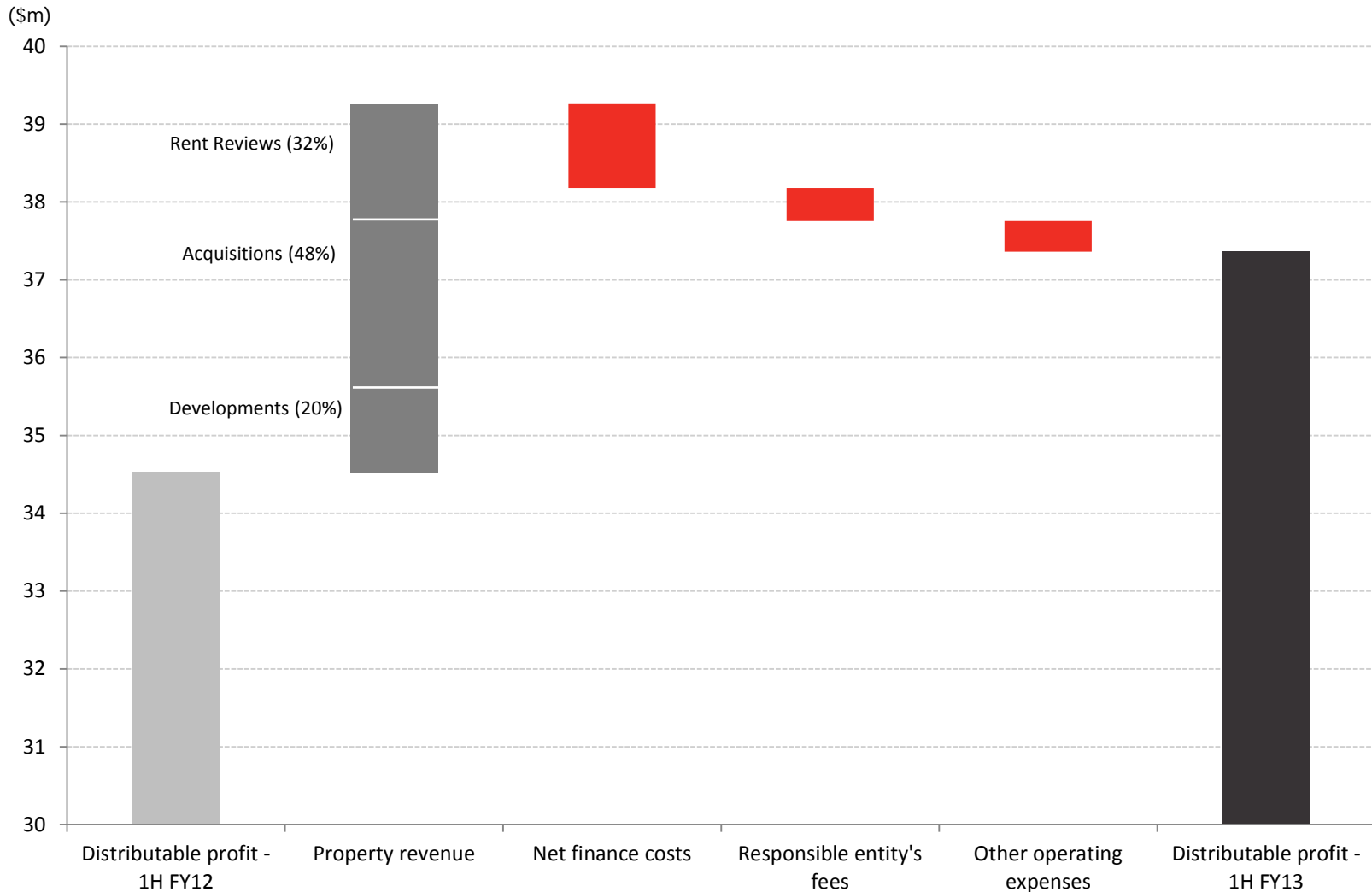
³ Final distribution FY09 – impacted by additional units issued from \$150 million capital raising and one-off termination costs of interest rate derivatives closed out to pay down debt from capital raising

⁴ FY11 includes 0.09 cents per unit (“cpu”) capital profit on sale of Canning Vale industrial property included with the interim distribution

⁵ Final distribution FY11 impacted by additional units issued from \$150 million capital raising

⁶ FY12 includes 1.17 cpu capital profit on sale of the Hoppers Crossing Bunnings Warehouse included with the final distribution

Results – distribution variance to pcp¹

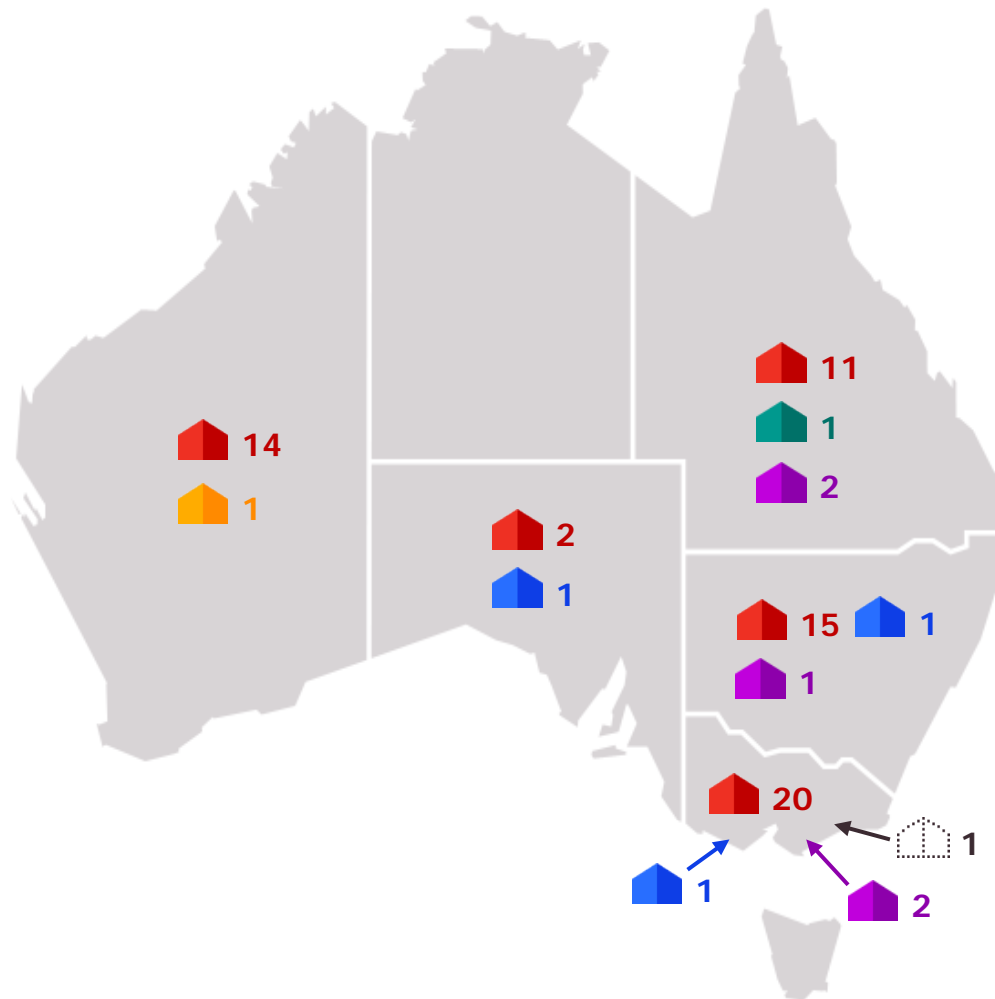
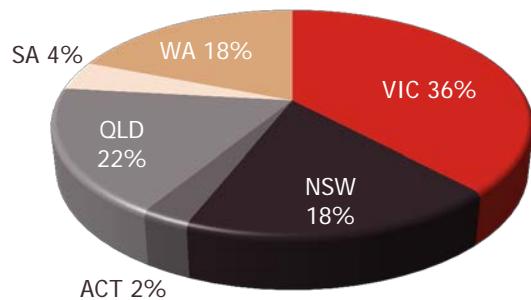


1 pcp = previous corresponding period, being the 6 months ended 31 December 2011

Portfolio - geographic spread

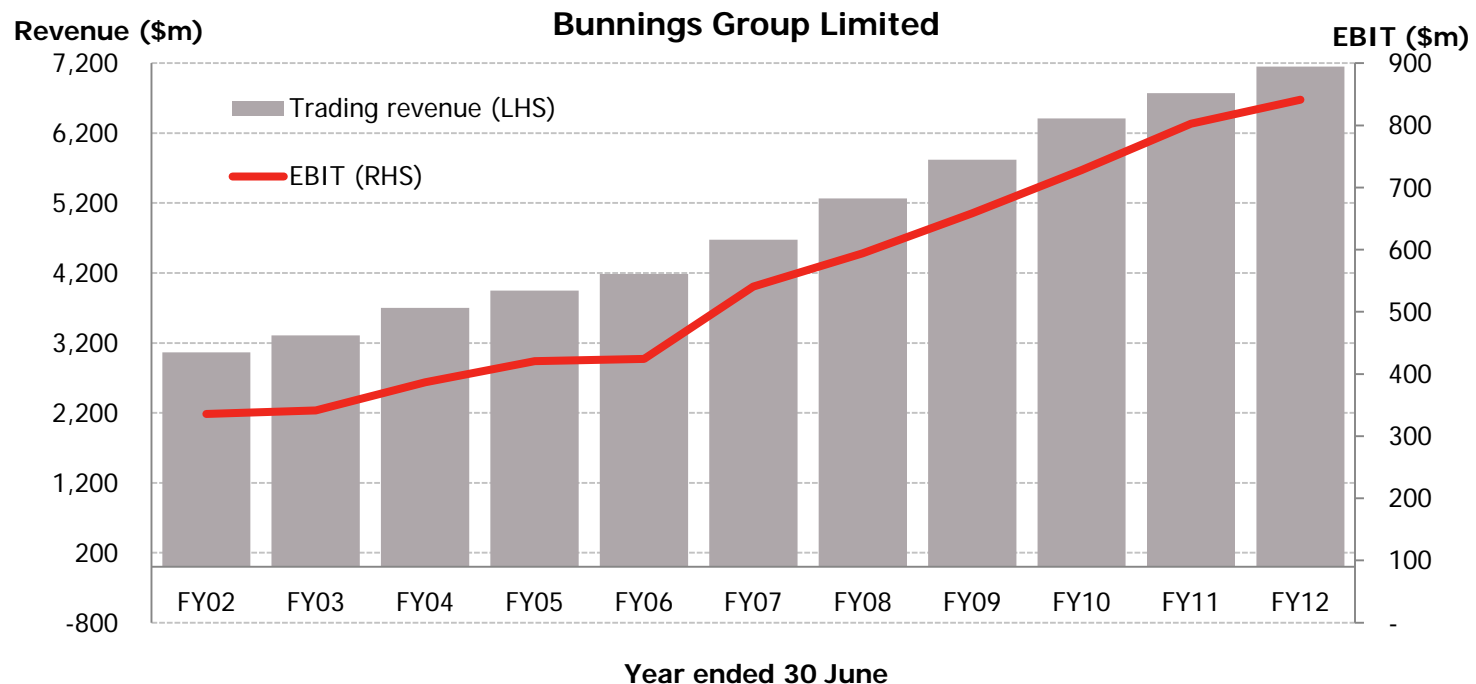
-  62 Bunnings Warehouses
-  5 Bunnings Warehouses and showrooms
-  1 Bunnings Warehouse development site
-  1 Bunnings distribution centre
-  1 Bulky goods showroom
-  3 Industrial properties

BWP rental income
(as at 31 Dec 2012)



Portfolio – major tenant

- > Majority (93%) of BWP income underpinned by the highly successful Bunnings business
- > 3.4% store-on-store sales growth for 6 months to 31 December 2012 (vs. p.c.p)



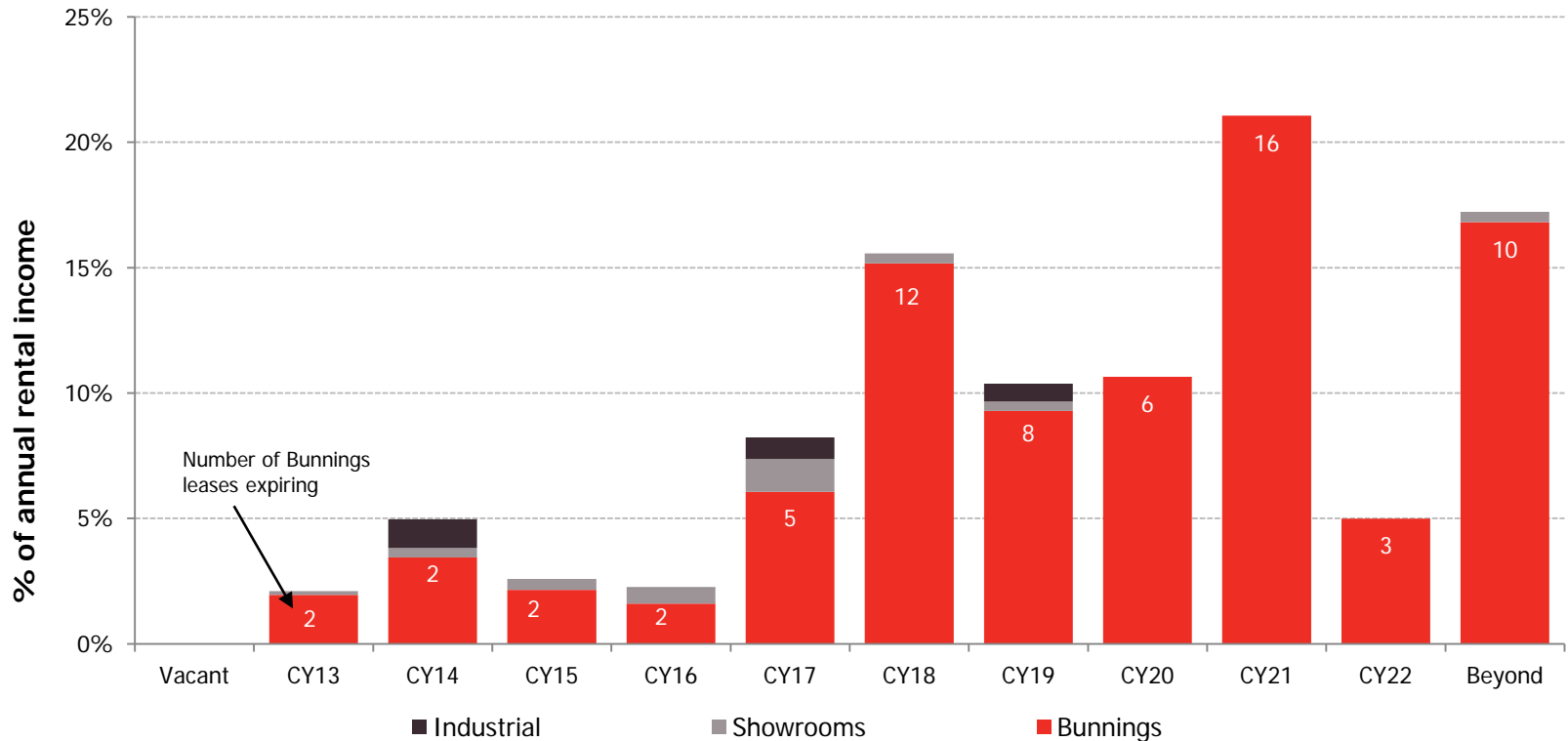
EBIT/revenue	11.0%	10.3%	10.4%	10.6%	10.1%	11.6%	11.3%	11.3%	11.4%	11.8%	11.8%
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Source: Wesfarmers Limited ASX Announcements

Notes:

- > Trading revenue excludes property rental income and non-trade items
- > EBIT is earnings before interest and taxes

Portfolio – lease expiry profile



- > All leases expiring in the next 5 years represent 20.1% of portfolio rental income
- > 13 Bunnings leases expiring in the next 5 years represent 15.2% of portfolio rental income (refer to next slide)

Refer Appendix A for further detail relating to annual expiry profile by tenant and property type

Portfolio – Bunnings lease expiries

> 13 Bunnings leases expiring in the next 5 years

Property	Lease expiry	Annual rent (\$'000)	Comments
Sandown	Sep 2013	1,107	Ongoing discussions with Bunnings; asset likely to be sold if Bunnings vacates
Sunshine	Sep 2013	992	Ongoing discussions with Bunnings. Well located site
Hemmant (distribution centre)	Feb 2014	2,226	Re-leasing campaign underway
Browns Plains	May 2014	1,488	Ongoing discussions with Bunnings. Well located site
Morley	Jul 2015	1,222	Too early for consideration
Mt Gravatt	Dec 2015	1,096	Too early for consideration
Belmont North	Mar 2016	892	Too early for consideration
Coffs Harbour	Nov 2016	837	Asset likely to be sold if Bunnings vacates
Gladstone	Feb 2017	1,052	Too early for consideration
Oakleigh South	Mar 2017	1,807	Too early for consideration
Dandenong	Nov 2017	1,347	Too early for consideration
Fyshwick	Dec 2017	1,166	Too early for consideration ¹
Hervey Bay	Dec 2017	1,165	Too early for consideration

¹ Bunnings recently exercised its 5 year option, expiring in Dec 2017

Portfolio – rent reviews

- > Finalised 7 market rent reviews during the half-year (refer to next page) resulting in a 7.1% average increase
- > 6 Bunnings Warehouse market rent reviews remain unresolved in FY13:
 - Dandenong, Artarmon, Belrose, Cairns, Wollongong and Port Melbourne
- > 42 leases subject to annual fixed or CPI reviews during the half-year resulting in weighted average increase of 1.7% for the period
- > 2.4% like-for-like rental growth¹ for 12 months to 31 December 2012 (3.3% for 12 months to 31 December 2011)

¹ 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

Portfolio – market rent reviews completed

Property location	Tenant	Passing rent (\$'000)	Reviewed rent ¹ (\$'000)	Uplift (\$'000)	Uplift (%)	Effective date
Geraldton, WA ²	Bunnings	924	1,219	295	+31.9	10 Dec 11
Oakleigh South, VIC ²	Bunnings	1,807	1,807	-	-	8 Mar 12
Blackburn, VIC ³	Pacific Laboratory Products	71	78	7	+10.0	1 Oct 12
Browns Plains, QLD ⁴	Spotlight	417	438	21	+5.0	9 Oct 12
Hervey Bay, QLD	Bunnings	1,131	1,165	34	+3.0	23 Dec 12
Fyshwick, ACT	Bunnings	1,147	1,166	19	+1.6	24 Dec 12
Browns Plains, QLD ⁴	The Good Guys	426	469	43	+10.0	14 Apr 13
Weighted average					+7.1	

¹ Geraldton and Oakleigh South rent reviews were determined by independent valuers; Blackburn, Browns Plains, Hervey Bay and Fyshwick were negotiated between the Trust and the tenant

² Geraldton and Oakleigh South rent reviews were due during the year ended 30 June 2012, but the outcome of the determination process was only completed during the half-year ended 31 December 2012

³ Multi-tenanted industrial property

⁴ Multi-tenanted bulky goods property

Portfolio – rent reviews and revaluations

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

	FY13	FY14	FY15	FY16	FY17
BWH market reviews	6	19	10	7	8
% of total ¹	9%	24%	16%	10%	11%
Independent revaluations	15	25	28	15	25
% of total ²	21%	35%	37%	21%	35%

Refer Appendices B & C for outline of valuations and market rent review process

¹ Percentages based on portfolio annual rent at 31 December 2012

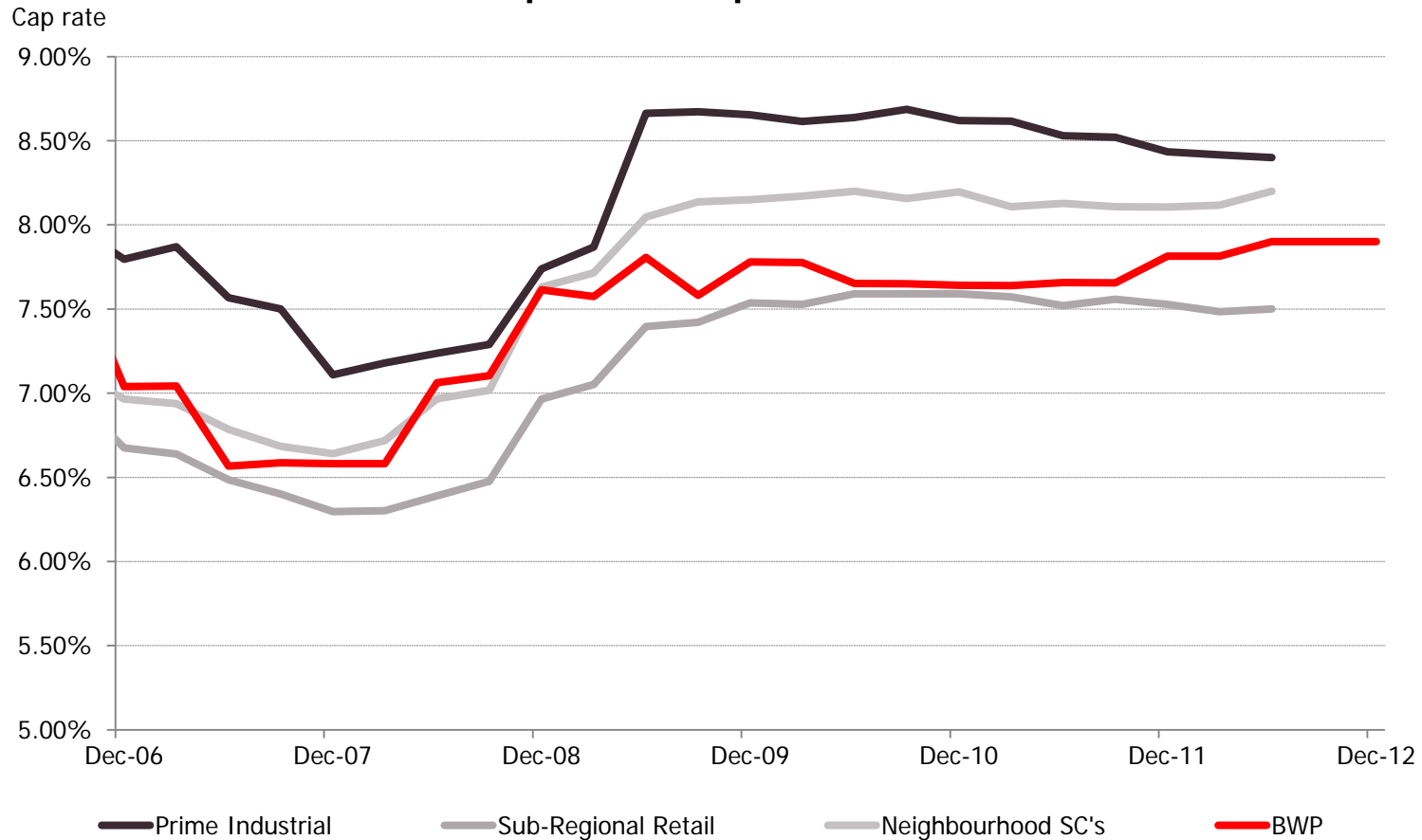
² Percentages based on fair value of the portfolio as at 31 December 2012

Portfolio - revaluations

- > December 2012 weighted average capitalisation rate 7.91%
 - June 2012: 7.91% and December 2011: 7.81%
 - net fair value gain of \$11.5m on revaluation
 - refer to Appendix B for valuation process and December 2012 valuation summary by State/Territory
- > 10 independent valuations in December 2012 (14% of BWP portfolio)
 - average cap rate 7.92%
 - average cap rate 7.80% for the 8 Bunnings Warehouses independently valued
- > 63 internal valuations in December 2012
 - average cap rate 7.91% remains the same as 30 June 2012

Portfolio – revaluations

Historical BWP cap rates compared to other asset classes



Source: IPD Research

Portfolio – acquisition of Bunnings/showrooms

Gladstone Home, Gladstone, Queensland



Boundaries shown are approximate

Portfolio – acquisition: Gladstone Home

Gladstone, Queensland (acquired September 2012)	
Purchase price	\$27m + \$1.6m acquisition costs
Net annual rent income ¹	\$2.38m
Initial yield on net income ¹	8.84%
Land area	5.5ha
Retail area	21,443sqm
Tenants	Bunnings, Harvey Norman + 6 others (refer next page)
Car bays	527 (2.46 car bays per 100sqm of lettable area)
Rent reviews	Annual CPI (≈80% of rental income) or fixed 3% and 4% Market reviews on exercise of options
W/average lease expiry	4.2 years at 31 December 2012
Occupancy	100%
Moving Annual Turnover ²	+4.4%

¹ At acquisition, September 2012

² Moving annual turnover growth of those retailers that have been at the centre for at least two years and are required to report sales figures under the lease (six out of eight retailers – excludes Bunnings and BCF)

Portfolio – acquisition: Gladstone Home

> Tenancy details

Tenant	Gross lettable area (sqm)	Proportion of gross rental income (%)	Committed lease term remaining ²
Bunnings	12,623 ¹	40	4.1
Harvey Norman	4,004	25	4.2
BCF	1,019	8	4.2
Pillow Talk	1,267	9	6.9
Betta Electrical	826	6	2.2
Eureka Street Furniture	742	5	3.2
Port City Pet World	561	4	2.0
Open House	401	3	4.2
Total/weighted avg	21,443	100	4.2

¹ Comprises the total retail area of the Bunnings Warehouse

² As at 31 December 2012, weighted average based on gross rental income

Portfolio - pipeline

> Capital committed to acquisitions & developments at 31 December 2012

	Property	Payment date	Capital commitment (\$m)	
Acquisitions	Wallsend (land)	Jan 13	2.5 ¹	5.1
	Albany (land)	Feb 13	2.6 ²	
Developments	Rocklea upgrade	Jun 13	3.8	23.3
	Wallsend (development) ³	Nov 13	19.5	
Total			28.4	

¹ Wallsend land settled 29 January 2013

² Albany land settled 5 February 2013

³ Bunnings Warehouse to be developed by Bunnings for lump sum (part of portfolio acquisition from Bunnings in 2011)

Capital management

- > Financial strength supported by:
 - low gearing – 21.7% at 31 December 2012 (22.9% covenant gearing)
 - strong lease covenant in Bunnings/Wesfarmers
 - solid rental base with growth from CPI, fixed and periodic market rent reviews
 - low level of maintenance/stay in business capex
- > Maintaining 100% pay-out ratio of distributable profit
- > Distribution Reinvestment Plan active (24.4% take-up for interim distribution)

Capital management – debt facilities

- > Net borrowing costs¹ for the half-year \$11.0m (up 9% on December 2011):
 - average borrowings \$290.3m (2011: \$236.9m)
 - 7.5% weighted average cost of debt after hedging (December 2011: 8.2%)
- > Interest cover: 4.5x at 31 December 2012 (2011: 4.6x)
- > 3.3 years average duration

As at 31 December 2012	Limit (\$m)	Drawn (\$m)	Expiry
WBC	180	163	22 December 2016
ANZ	150	72	23 January 2017
CBA	100	62	14 January 2014
Total/Weighted avg	430	297	3.3 years

¹ Net borrowing costs = finance costs less finance income

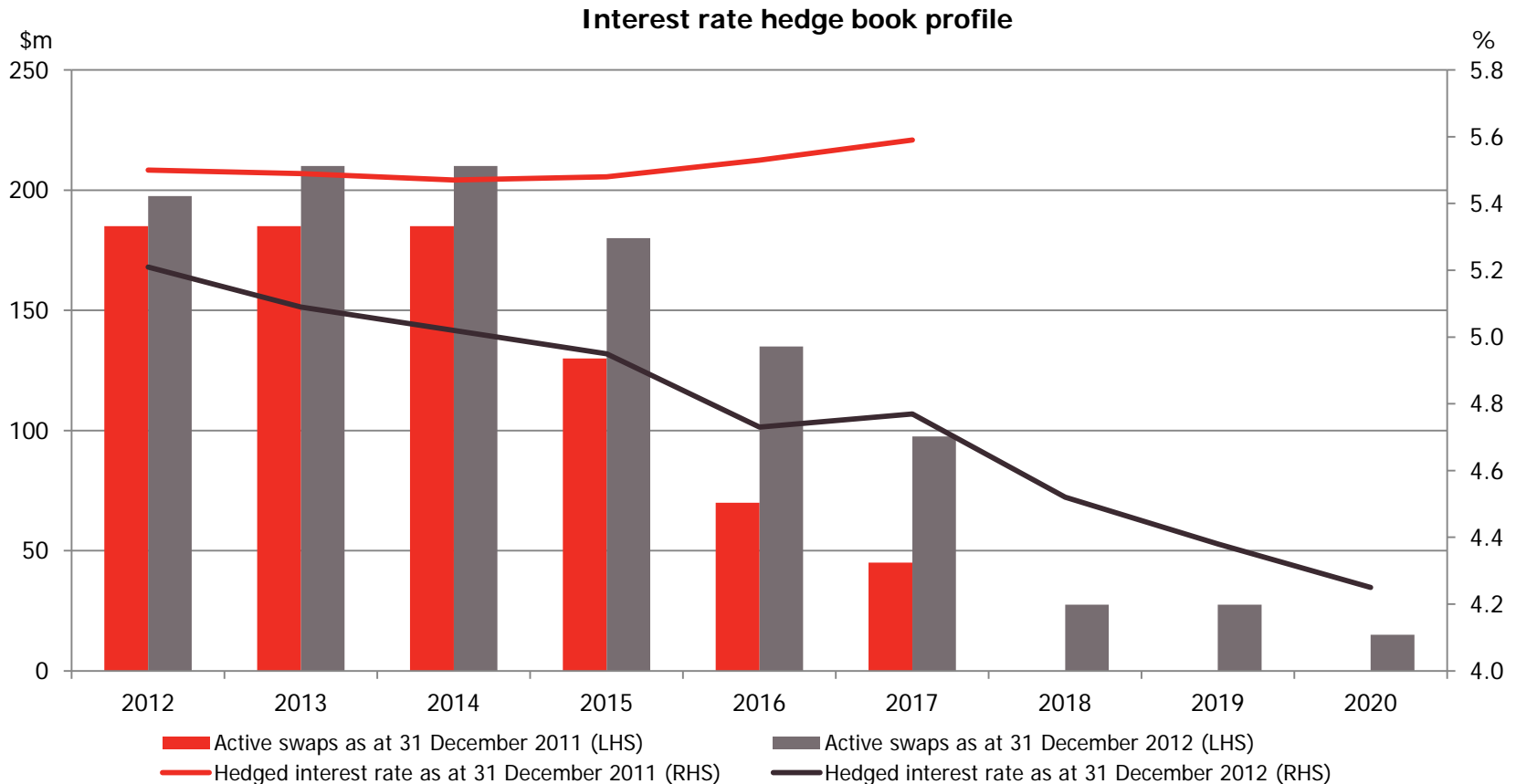
Capital management – interest rate hedging

- > \$197.5m hedged (66%) at 5.02% weighted average including delayed starts
- > 3.72 years weighted average maturity, including delayed starts (2011: 3.59 years)

Hedge book profile by half-year ending:	Dec 12	Jun 13	Dec 13	Jun 14	Dec 14	Jun 15	Dec 15
Active swaps (\$ m)	198	210	210	210	210	180	180
Swap rates (%)							
Maximum	5.77	5.77	5.77	5.77	5.77	5.70	5.70
Minimum	3.10	3.10	3.10	3.10	3.10	3.10	3.10
Weighted average ¹	5.21	4.98	5.09	5.06	5.02	4.97	4.95

¹ Weighted average at balance date of active swaps to maturity

Capital management – interest rate hedging



- > Restructuring hedge book is not considered as delivering sustained benefits
- > Have taken advantage of low forward yields to enter into \$65m of delayed-start swaps in the 12 months to 31 December 2012

Governance – structure

Responsible Entity: BWP Management Limited

Subsidiary of Wesfarmers Limited, but majority external directors

- > **John Austin:** Chairman, non-executive external director
- > **Bryce Denison:** Non-executive external director
- > **Rick Higgins:** Non-executive external director
- > **Peter Mansell:** Non-executive external director
- > **Fiona Harris:** Non-executive external director (appointed 1 Oct 2012)
- > **Tony Howarth:** Non-executive director (appointed 1 Oct 2012)

Management fee

- > Simple structure based on gross assets (0.585% of gross assets)

Major Tenant: Bunnings Group Limited

- > subsidiary of Wesfarmers Limited

Register

- > Wesfarmers \approx 24%
- > Institutional \approx 37%
- > Retail investors \approx 39%



Outlook – key drivers

> **Low cash/interest rate environment:**

- improves A-REITs' attractiveness as yield investment (strength in stock price and liquidity)
- improves funding costs and relative affordability of commercial property assets
- increases competition for prime property assets and may reduce supply as existing owners hold

> **Low inflation:** constrains annual CPI rent reviews

> **Home improvement retail sector performance and growth:**

- Bunnings continues to trade well in softer retail and housing market environments and increased competition in home improvement space
- hardware and garden supplies category shows limited penetration in online retailing¹ and considered less likely to be impacted by structural changes in retailing
- Bunnings' store network rollout and investment in existing stores may create opportunities for BWP to acquire new properties or upgrade existing assets
- potential impact on property values and rents from growth in the home improvement retailing sector (may take time to become apparent)

¹ Around 3% of total online sales. Source: PwC/Frost & Sullivan, *Australian and New Zealand online shopping market and digital insights*, July 2012

Outlook - priorities

> **Property portfolio**

- Continue to evaluate opportunities to acquire complementary properties on an accretive basis (such as recent Gladstone acquisition)
- Upgrades of existing properties as required by Bunnings (to increase rental income, improve building format, and extend lease expiry)
- Continue to consider redeployment or divestment opportunities for properties that have reached optimal value for BWP (crystallise capital growth for unitholders, recycle capital, refine portfolio quality)

> **Improve the efficiency, security and flexibility of funding**

- Manage debt facilities to balance the need for financial flexibility and cost efficiency (maintain sufficient liquidity but not holding excess funding capacity)
- Maintain hedging in the target range of 50-75% of borrowings
- Improve duration and fixed rate of borrowings through lower longer-term swap rates
- Target alternate sources of debt capital as opportunity arises to improve diversity and duration of funding

Further information

Visit: www.bwptrust.com.au

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Appendix A: Lease expiry profile data table

Year	Year End	Total Lease Expiries	Total Rental Income (\$)	Rental Income (% of Total)	Bunnings (%)	Industrial (%)	Showrooms (%)
	Vacant	0	0	0.0%	0.0%	0.0%	0.0%
1	31-Dec-13	3	2,270,592	2.1%	1.9%	0.0%	0.2%
2	31-Dec-14	6	5,355,897	5.0%	3.4%	1.1%	0.4%
3	31-Dec-15	5	2,788,189	2.6%	2.2%	0.0%	0.4%
4	31-Dec-16	8	2,427,179	2.3%	1.6%	0.0%	0.6%
5	31-Dec-17	11	8,865,133	8.2%	6.1%	0.9%	1.3%
6	31-Dec-18	13	16,778,428	15.6%	15.2%	0.0%	0.4%
7	31-Dec-19	12	11,180,999	10.4%	9.3%	0.7%	0.4%
8	31-Dec-20	6	11,477,468	10.6%	10.6%	0.0%	0.0%
9	31-Dec-21	16	22,702,624	21.1%	21.1%	0.0%	0.0%
10	31-Dec-22	3	5,377,709	5.0%	5.0%	0.0%	0.0%
	Beyond	11	18,566,292	17.2%	16.8%	0.0%	0.4%
	TOTAL	94	107,790,511	100%	93.2%	2.7%	4.1%

Appendix B: Valuations

> Process

- entire portfolio revalued every 6 months
- independent valuations on a 3 year cycle for each property
- balance of portfolio – directors' valuation using recognised valuation methodology
- directors' valuations methodology reviewed by an independent valuer and have regard to market evidence and the independent valuations completed at the time

> Valuations at 31 December 2012 by State/Territory

	No. of properties	Rental \$m/annum	Cap rate	Value \$m
VIC	23	38.2	7.81%	492.6
NSW/ACT	17	22.4	8.00%	285.8
QLD	14	23.5	8.20%	258.1
WA	15	19.7	7.78%	254.6
SA	3	4.0	7.68%	49.5
Total	72	107.8	7.91%	1,340.6

Excluding development site at Maribyrnong (\$7.6m) and subject to rounding

Appendix C: Typical lease structure

- > Typical Bunnings Warehouse lease in BWP portfolio features:
 - Minimum 10 year initial term (plus 5-year tenant options)
 - 5-yearly market rent reviews (majority uncapped)
 - annual CPI or 3% escalation
 - Wesfarmers covenant (A- (stable) credit rating)
- > Typical Bunnings Warehouse market rent review clause
 - assumes free and open market with vacant possession
 - has regard to the rent paid by Bunnings at other Bunnings Warehouses
 - has regard to the rental value of other properties of a similar size and similar standard of construction and used for similar purposes
 - no regard to store turnover (i.e. no turnover or percentage rent)
- > Market rent review process
 - Trust's asking rent based on advice from an independent valuer
 - negotiation period with Bunnings
 - if not agreed with Bunnings then referred to determination
 - determination by independent valuer jointly agreed or nominated by the President of the Australian Property Institute
 - results binding