

# Frasers Logistics & Industrial Trust

2QFY18 Results Presentation



7 May 2018



17 Hudson Court, Keysborough, Victoria, Australia

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- ◆ Overview and Distribution Details
- ◆ Financial Review
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- ◆ Strategy and Outlook



# Overview and Distribution Details



Lot 104 & 105 Springhill Road, Port Kembla, New South Wales, Australia

# Performance Highlights

## Distributable Income

- ◆ 2QFY18 Distributable Income (“**DI**”) of A\$25.9 million, up 3.2% from 2QFY17
- ◆ 2QFY18 Distribution Per Unit (“**DPU**”) of 1.81 Singapore cents, up 3.4% from 2QFY17

## Distributions Declared (1HFY18)

- ◆ Declared distributions of 3.61 Singapore cents for 1HFY18, up 3.4% from 1HFY17

## Portfolio Metrics

- ◆ Three leases renewed/signed
- ◆ As at 31 March 2018: WALE of 6.75 years and high occupancy of 99.4% maintained
- ◆ Reduced near-term expiries in FY2018 and FY2019 by 2.5% and 4.6% respectively

## Capital Management

- ◆ Gearing of 30.5% with debt headroom of A\$531 million as at 31 March 2018
- ◆ 85% of borrowings at fixed interest rates

## Proposed Acquisition

- ◆ 19 April 2018: Proposed acquisition of 21 prime industrial properties in key global logistics hubs in Germany and the Netherlands

# Distribution Details

Distribution Details	Timetable
Distribution Period	1 October 2017 – 31 March 2018
Distribution Per Unit (DPU)	3.61 Singapore cents
Ex-date	16 May 2018
Books Closure Date	18 May 2018
Distribution Payment Date	26 June 2018

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# Financial Review



78 Atlantic Drive, Keysborough, Melbourne, Australia



# Financial Performance Quarter ended 31 March 2018

(A\$'000)	2QFY18	2QFY17 <sup>(1)</sup>	Change (%)	Remarks
Gross revenue	43,575	40,939	6.4	<ul style="list-style-type: none"> <li>Contributed mainly by the four completed properties in the 2017 Acquisition Transaction<sup>(3)</sup>, as well as the Beaulieu and Stanley Black &amp; Decker facilities, which had achieved practical completion on 13 October 2017 and 17 November 2017 respectively, contributed adjusted NPI of A\$2.1 million.</li> </ul>
Adjusted net property income <sup>(2)</sup>	33,414	30,906	8.1	
Finance costs	(4,883)	(4,167)	(17.2)	<ul style="list-style-type: none"> <li>Due to higher borrowings drawn to finance the 2017 Acquisition Transaction. Weighted average cost of borrowings rate for 2QFY18 was 2.9% per annum (2QFY17: 2.8% per annum) excluding upfront debt related expenses.</li> </ul>
Distributable income to Unitholders	25,866	25,060	3.2	<ul style="list-style-type: none"> <li>Contributions from the 2017 Acquisition Transaction; <i>which was partially offset by:</i></li> <li>Higher finance costs; and</li> <li>Higher withholding tax paid on interest income and higher distributable income</li> </ul>
DPU (Singapore cents)	1.81	1.75	3.4	<ul style="list-style-type: none"> <li>Higher hedged exchange rate of A\$1.00:S\$1.0647 (2QFY17: A\$1.00:S\$1.0014); <i>which was partially offset by:</i></li> <li>Higher number of units in issue compared to 2QFY17<sup>(4)</sup>; and</li> <li>The Manager electing to receive 67.5% (2QFY17: 100%) of management fees in the form of units (For illustration and comparison purposes only, assuming 100% of management fees had been taken in the form of units, 2QFY18 DPU would have been 1.77 Australian cents (2QFY17: 1.75 Australian cents)).</li> </ul>

1. The comparative figures are for the quarter from 1 January 2017 to 31 March 2018. These figures are extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 5 May 2017

2. Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases

3. On 6 June 2017, FLT announced its first portfolio acquisition of seven industrial properties located in Australia comprising four completed properties and three development properties for an aggregate consideration of approximately A\$169.3 million (the "2017 Acquisition Transaction")

4. Due to the issuance of management fee units and the placement units for the 2017 Acquisition Transaction



# Financial Performance 1 October 2017 - 31 March 2018

(A\$'000)	1HFY18	1HFY17 <sup>(1)</sup>	Change (%)	Remarks
Gross revenue	86,005	80,617	6.7	<ul style="list-style-type: none"> <li>Due mainly to the four completed properties in the 2017 Acquisition Transaction and the Beaulieu and Stanley Black &amp; Decker facilities, which had achieved practical completion on 13 October 2017 and 17 November 2017 respectively, contributed adjusted NPI of A\$4.0 million.</li> <li>Full period's contribution from the Martin Brower call option property which was acquired on 30 November 2016.</li> </ul>
Adjusted net property income <sup>(2)</sup>	66,805	61,572	8.5	
Finance costs	(9,653)	(8,265)	(16.8)	<ul style="list-style-type: none"> <li>Due to higher borrowings of A\$85 million drawn to finance the 2017 Acquisition Transaction. Weighted average cost of borrowings for 1HFY18 was 2.9% per annum (1HFY17: 2.8% per annum) excluding upfront debt related expenses.</li> </ul>
Distributable income to Unitholders	51,720	49,937	3.6	<ul style="list-style-type: none"> <li>Contributions from the 2017 Acquisition Transaction; <i>which was partially offset by:</i></li> <li>Higher finance costs; and</li> <li>Higher withholding tax paid on interest income and higher distributable income</li> </ul>
DPU (Singapore cents)	3.61	3.49	3.4	<ul style="list-style-type: none"> <li>Higher hedged exchange rate of A\$1.00:S\$1.0615 (1HFY17: A\$1.00:S\$1.0007); <i>which was partially offset by:</i></li> <li>Higher number of units in issue compared to 1HFY17<sup>(3)</sup>; and</li> <li>The Manager electing to receive 72.8% (1HFY17: 100%) of management fees in the form of units (For illustration and comparison purposes only, assuming 100% of management fees had been taken in the form of units, 1HFY18 DPU would have been 3.52 Australian cents (1HFY17: 3.49 Australian cents)).</li> </ul>

1. The comparative 1HFY17 figures are an aggregate of the 1QFY17 (extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 3 February 2017) and 2QFY17 results

2. Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases

3. Due to the issuance of management fee units and the placement units for the 2017 Acquisition Transaction

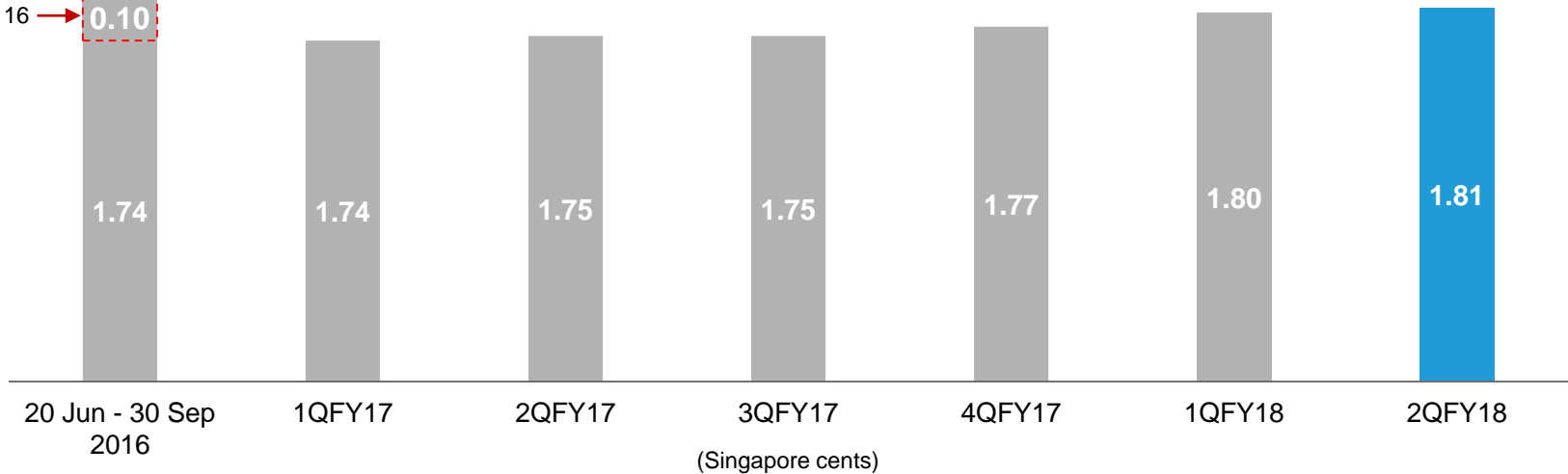
# Distribution

## Distribution Policy

- ♦ FLT's distribution policy was to distribute 100% of FLT's DI for the period from 20 June 2016 (the "Listing Date") to 30 September 2017. From FY2018, FLT will distribute at least 90.0% of its DI
- ♦ Distributions will be made on a semi-annual basis for the six-month periods ending 31 March and 30 September. The actual level of distribution above 90% is to be determined at the REIT Manager's discretion

## DPU History

For the period  
from 20 Jun to  
30 Jun 16 → 0.10



# Balance Sheet

The value of investment properties increased 1.04% from A\$1.91 billion as at 30 September 2017 to A\$1.93 billion as at 31 March 2018, due mainly to:

- Completion of the Beaulieu facility on 13 October 2017 and Stanley Black & Decker facility on 17 November 2017; and
- Completion of enhancement works to the Stramit facility on 19 December 2017

(A\$'000)	As at 31 Mar 18	As at 30 Sep 17
Investment properties	1,930,829	1,910,975
Other non-current assets	1,774	3,077
Current assets	83,593	62,272
<b>Total assets</b>	<b>2,016,196</b>	<b>1,976,324</b>
Non-current liabilities	631,579	592,797
Current liabilities	18,631	46,011
<b>Total liabilities</b>	<b>650,210</b>	<b>638,808</b>
<b>Net asset value per Unit (A\$)</b>	<b>0.90</b>	<b>0.88</b>
<b>Net asset value per Unit (S\$)</b>	<b>0.91<sup>(1)</sup></b>	<b>0.94<sup>(2)</sup></b>

1. Based on an exchange rate of A\$1.00:S\$1.0125 as at 31 March 2018

2. Based on an exchange rate of A\$1.00:S\$1.0636 as at 30 September 2017

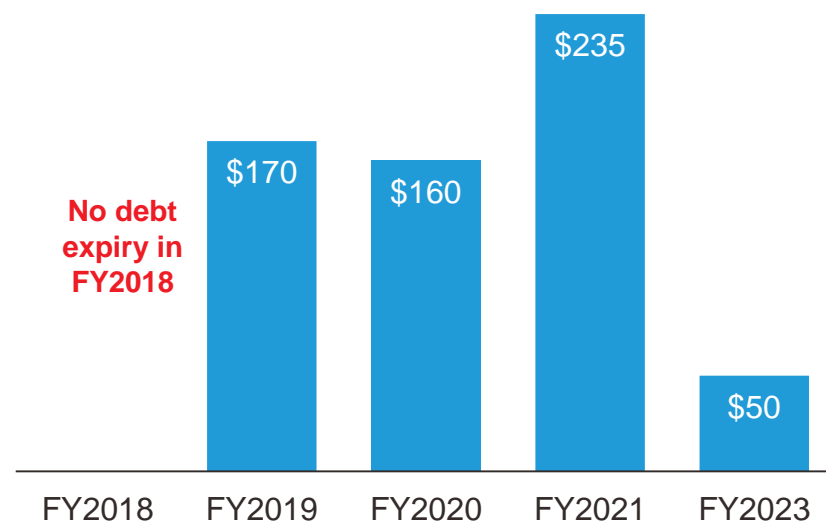
# Capital Management

- ◆ 85% of borrowings are at fixed interest rates, which mitigates volatility from potential fluctuations in borrowing costs
- ◆ Available debt headroom of A\$531 million to reach 45.0% aggregate regulatory leverage limit

## As at 31 March 2018

<b>Aggregate Leverage</b>	<b>Total Gross Borrowings</b>
30.5%	A\$615 million
<b>Weighted Average Cost of Borrowings<sup>(1)</sup></b>	<b>Interest Coverage Ratio</b>
2.9%	7.8 times
<b>Average Weighted Debt Maturity: 2.6 years</b>	

## Debt Maturity Profile (A\$'m)



1. Excluding upfront debt related expenses



# Portfolio Review



7 Eucalyptus Place, Eastern Creek, New South Wales, Australia

# Well-diversified Tenant Base

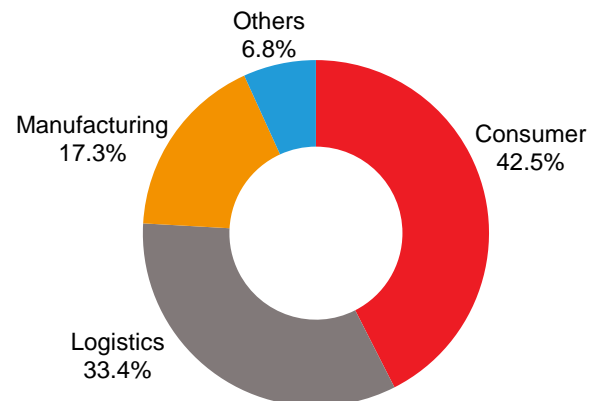
## Top 10 Tenants

(% of Gross Rental Income ("GRI") contribution<sup>(1)</sup>)

	% of GRI	WALE (Years)
<b>Coles</b>	13.4	10.6
<b>CEVA Logistics</b>	4.9	7.2
<b>Schenker</b>	4.4	6.6
<b>Toll Holdings</b>	3.1	1.6
<b>TTI</b>	3.1	4.3
<b>Martin Brower</b>	2.9	18.5
<b>Mazda</b>	2.8	5.9
<b>H.J. Heinz</b>	2.6	8.7
<b>Unilever</b>	2.3	5.2
<b>Inchcape</b>	2.1	3.0

## Breakdown of Tenants By Trade

(By GRI<sup>(1)</sup>)



### Consumer sector tenants



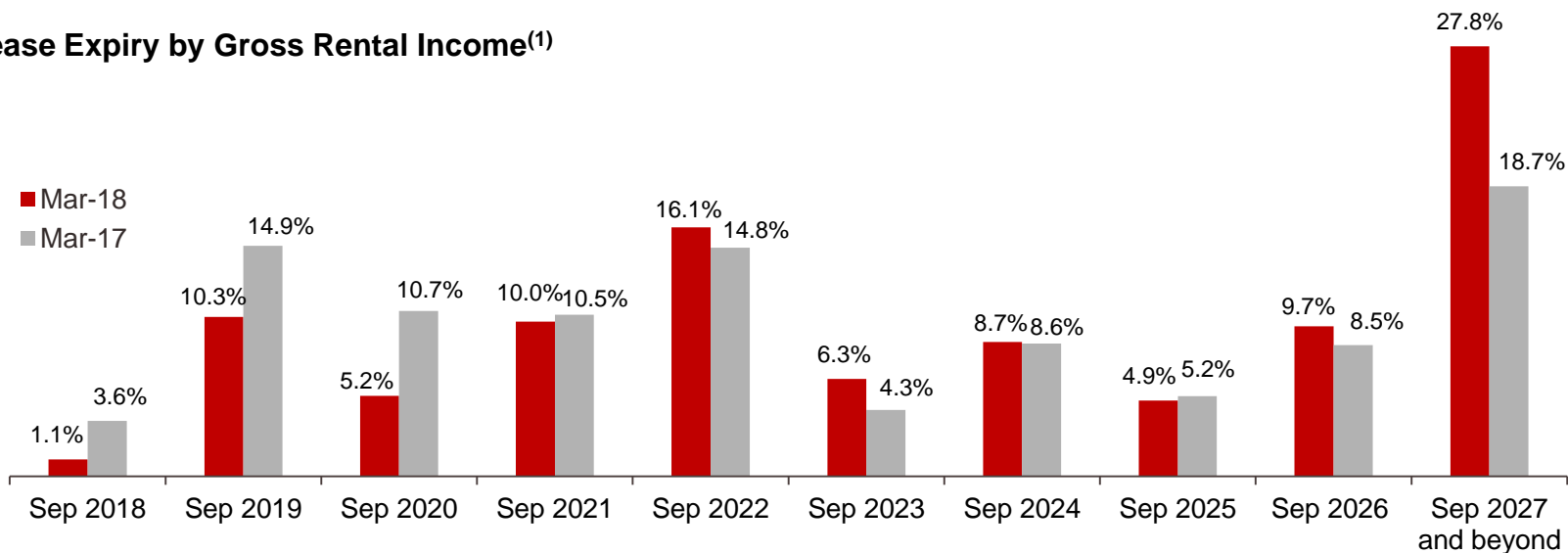
### Logistics sector tenants



1. For the month of March 2018. Excludes the development property at 17 Hudson Court, Keysborough, Victoria and straight lining rental adjustment

# Leasing Update

## Lease Expiry by Gross Rental Income<sup>(1)</sup>



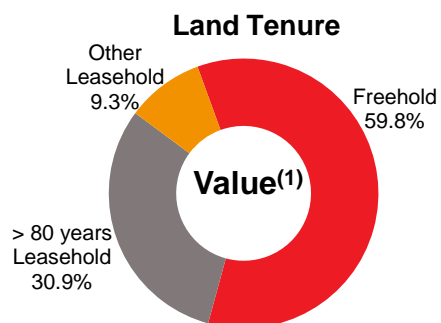
## 2QFY18 Leasing Activity

Property	Lease Type	Tenant	GLA (sq m)	Lease Term (years)	Lease Start Date	New Expiry Date	Annual Rent Increment
6 Reconciliation Rise, Pemulwuy, NSW	Extension	Ball and Doggett	19,218	7.1	21 April 2021	12 June 2028	3.15%
8A Reconciliation Rise, Pemulwuy, NSW	New	Ball and Doggett	8,520	10.0	13 June 2018	12 June 2028	3.15%
78 Atlantic Drive, Keysborough VIC	Extension	IVE Group Australia	6,789	2.0	1 April 2018	31 March 2020	3.25%
<b>2QFY18 reversion:</b>							<b>-7.3%</b>

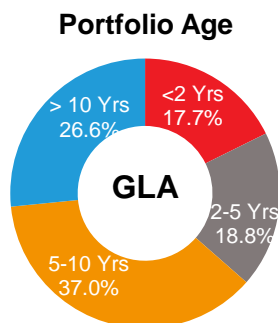
1. As at 31 December 2017. Excludes the development property at 17 Hudson Court, Keysborough, Victoria and straight lining rental adjustments

# Portfolio Metrics

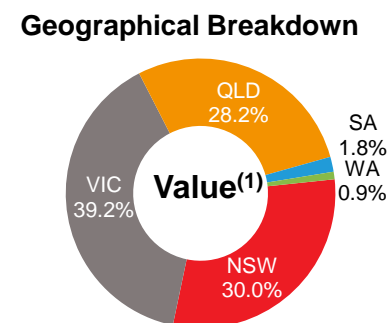
As at 31 March 2018	Australia
<b>No. of Completed Properties</b>	60
<b>No. of Development Properties</b>	1
<b>Total Portfolio Value<sup>(1)</sup></b>	A\$1,923.3 million
<b>Gross Lettable Area ("GLA")</b>	1.3 million sq m
<b>Average Property Age</b>	7.4 years
<b>Occupancy Rate (%)</b>	99.4%
<b>Weighted Average Lease Expiry ("WALE") by GRI</b>	6.75 years
<b>Average Fixed Annual Rental Increment</b>	3.1%



90.7% of FLT's portfolio (by value) comprises freehold and long leasehold land tenure assets



73.4% of FLT's portfolio (by GLA) is less than 10 years old with lower capital expenditure requirements



Focus on Australia's three largest capital cities of Sydney, Melbourne and Brisbane

1. Valuation as at 30 September 2017. Includes the balance of the acquisition amounts payable in respect of the Beaulieu Facility and the Stanley Black & Decker Facility which were paid by FLT on 13 October 2017 and 17 November 2017, respectively



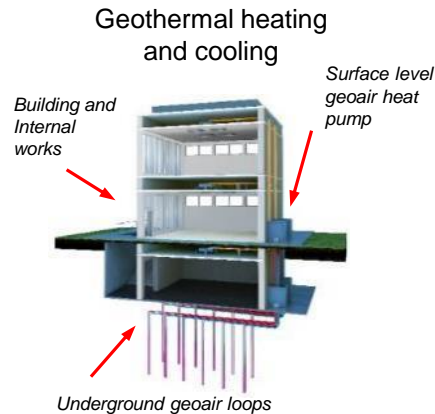
# FLT's Green Credentials

## Sustainability Initiatives

Energy-efficient LED lighting



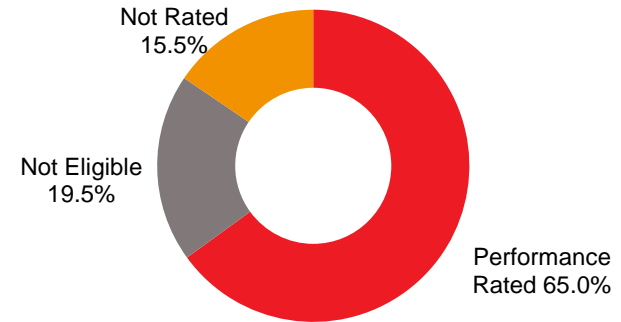
Solar PV Systems



## FLT's Green Star-rated status <sup>(1,2)</sup> (By GLA)



The highest-rated industrial Green Star performance rated portfolio in Australia



## Potential Sustainability Benefits

- Reduces ongoing occupancy costs
- Attracting new tenants, especially those using sustainability as a criteria
- Assists in retaining tenants at lease expiry
- Decreases building obsolescence
- Minimises vacancy downtime

## GRESB Assessment<sup>(3)</sup>



Named Regional Sector Leader 2017 (Australia / New Zealand) for Industrial



1. Green Star rating is awarded by the Green Building Council of Australia (GBCA) which has assessed the Properties against nine key performance criteria – energy, water, transport, materials, indoor environment quality, management, land use & ecology, emissions and innovation

2. As at 31 March 2018. 'Not Eligible' refer to properties which have obtained Design or As-Built ratings, but yet to be eligible for Performance ratings

3. Refers to the 2017 Real Estate Assessment by Global Real Estate Sustainability Benchmark (GRESB), the global ESG benchmark for real estate

# Strategy and Outlook





# Investment Strategy and Objectives

**To invest globally in a diversified portfolio of logistics and industrial assets**

- ◆ Deliver stable and regular distributions to unitholders
- ◆ Achieve long term growth in DPU



1. Asset Enhancement Initiative

2. Only completed income-producing real estate assets which are used for logistics or industrial purposes are included in the ROFR

3. Includes the United Kingdom

4. Excludes the industrial portfolio of Alpha Industrial Holding S.A., Luxembourg ("**Alpha industrial**"). Please refer to the announcement and press release issued by the Sponsor on 19 February 2018 where it was announced that the Sponsor had entered into a series of sale and purchase agreements to acquire a property portfolio of 22 assets, mainly owned and managed by Alpha Industrial, as well as the project and asset management business of Alpha Industrial

# Australian Economy Snapshot

## Economic Growth

- ◆ Australian economy improved over 2017 with a year-on-year GDP growth of 2.4%. The decrease from the last quarter of 2.8% was largely due to net trade however, stronger growth in exports is expected in 2018.
- ◆ The outlook for non-mining investment has improved further and reported business conditions are high.
- ◆ Increased public infrastructure investment has supported the economy.
- ◆ Population growth exceeded CY17 forecasts at 1.6% and net overseas migration contributed 63.2% to the growth.

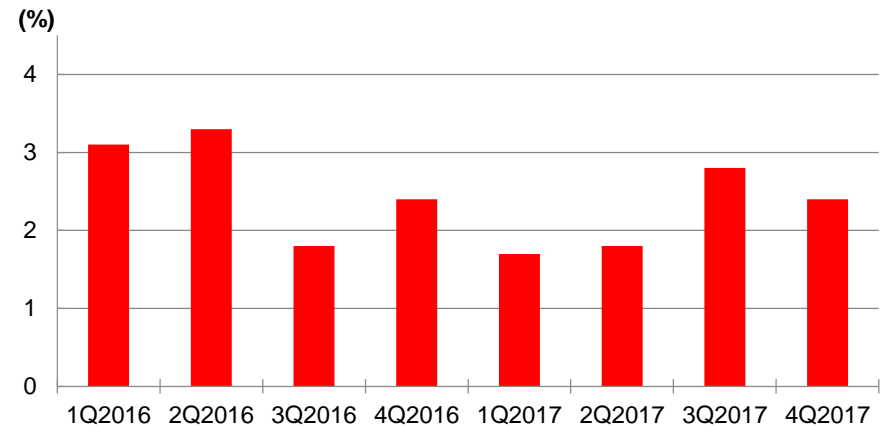
## Official Interest Rates

- ◆ The RBA maintained the cash rate at 1.5%.
- ◆ Australian government 10 year bond yields at 2.67%.

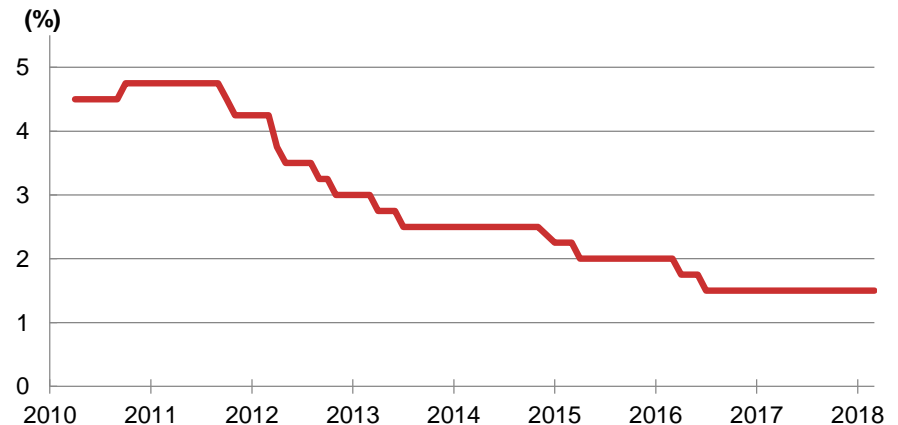
## Unemployment Rate

- ◆ Low unemployment rate of 5.6% with labour force participation rate increasing to 65.7%
- ◆ Wage growth is expected to pick up gradually as the labour market strengthens.

## Australian GDP Annual Growth Rates



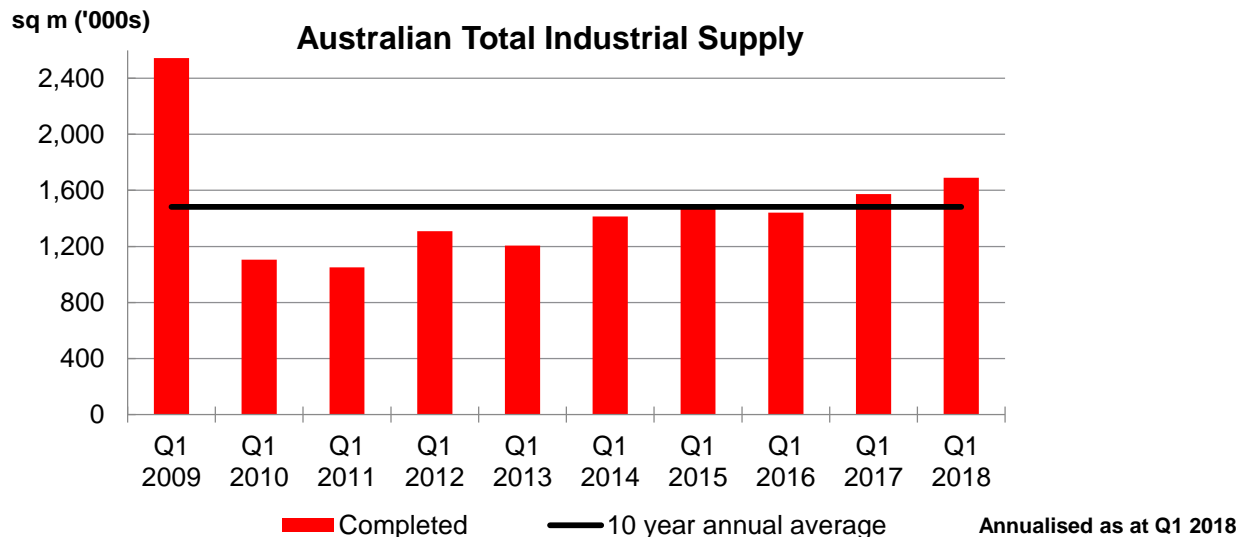
## Australian Cash Rate





# Australian Industrial Market

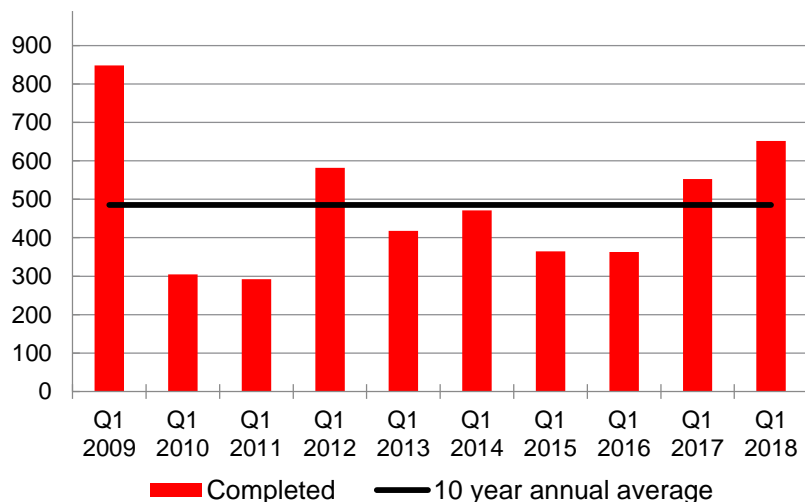
- ◆ **Australian industrial supply** is above the long term average with robust additions of over 450,000 sq m recorded in 1Q18. Construction activity is predominantly concentrated in Sydney and Melbourne, with increasing speculative developments as a result of the strong leasing market.
- ◆ Year-to-date **take-up levels** totalling 2.4 million sq m are 18% above the 10-year average, which has driven rental growth in all Sydney markets and Melbourne's South East.
- ◆ The positive spillover effects from **infrastructure investment** have been observed throughout 2017. Investor appetite remains strong in the vacant land market where capital value uplift has been realised across several markets, especially in Sydney with appreciation of 39% in 2-5 hectare lots over the year.



# Sydney Industrial Market

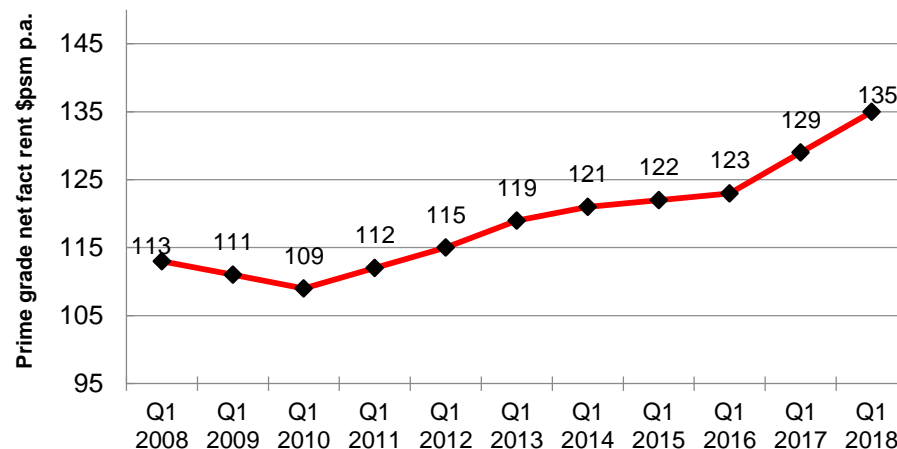
- ◆ **Supply:** Above-average supply is forecast to continue in 2018 with a number of projects currently under construction. However, a constrained supply of serviced land is likely to limit the amount of development activity post 2018.
- ◆ **Demand:** Gross take-up has well exceeded the 10-year average with most absorption recorded in the Outer Central West and there has been increased demand from the transport and logistics sector.
- ◆ **Rents:** Steady rental growth continues in 1Q18 with an average annual growth of 5.0% across all precincts. Both face and effective rental differences between prime and secondary assets have narrowed.
- ◆ **Vacancy:** Vacancy across the market is recorded at its lowest level but expected to increase slightly due to speculative stock earmarked for potential progression over the next 12 months.
- ◆ Positive tenant activity together with a reduction in land supply has translated into higher **land values**.

SQ M ('000s) Sydney Industrial Total Supply



Annualised as at Q1 2018

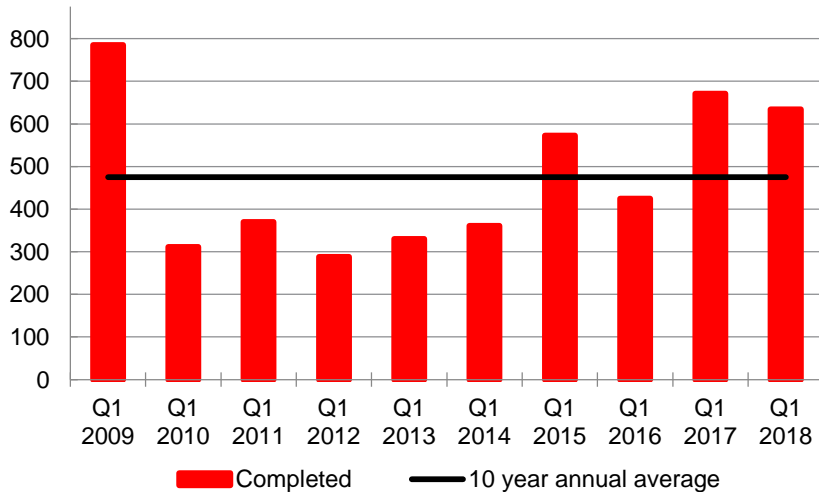
Sydney Industrial Prime Grade Net Face Rents



# Melbourne Industrial Market

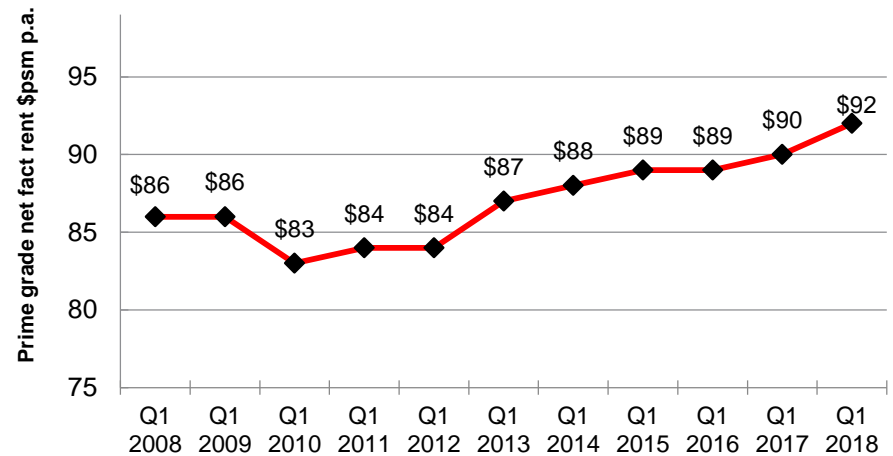
- ◆ **Supply:** Melbourne has continued to experience a strong level of supply in 1Q18, largely contributed by the 68,750 sq m fully automated Woolworths distribution centre in Dandenong South.
- ◆ **Demand:** Annual gross take-up levels exceed the long term average and have been evident in the West.
- ◆ **Rents:** Prime face rents have recorded a modest growth in the South East due to the combination of low vacancy and limited opportunities to develop new sites.
- ◆ **Vacancy:** Despite strong demand, the West has continued to dominate vacant stock. However, the letting-up period is anticipated to shorten given the West Gate Tunnel project, which will provide improved access to the Port of Melbourne, has been a catalyst for occupier interest in the precinct.

SQ M ('000s) **Melbourne Industrial Total Supply**



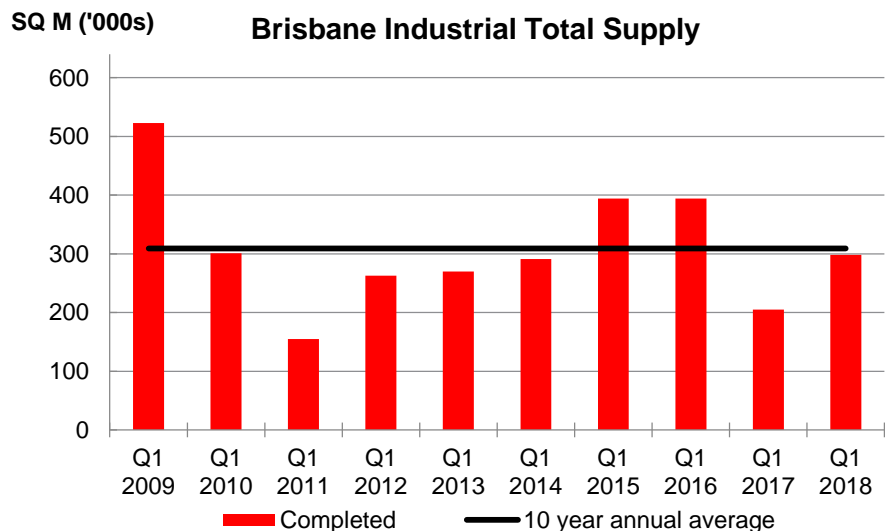
Annualised as at Q1 2018

**Melbourne Industrial Prime Grade Net Face Rents**

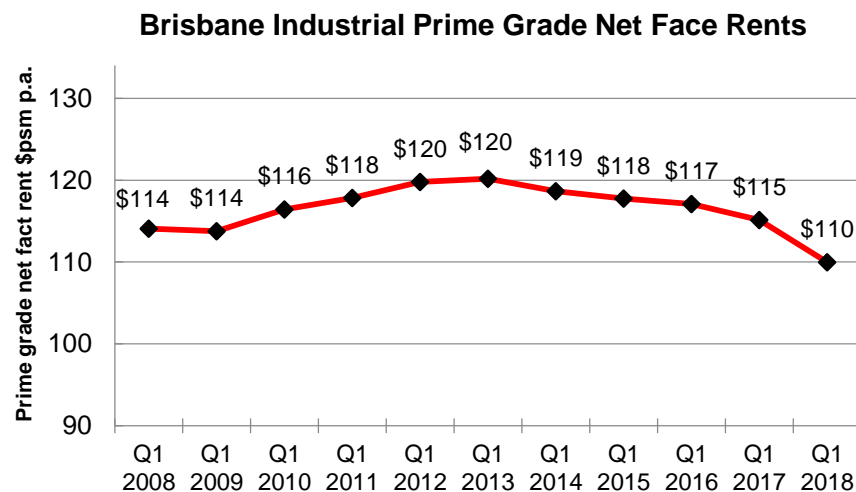


# Brisbane Industrial Market

- ◆ **Supply:** Total supply remains at parity with the 10 year average and developers are anticipated to deliver the same level of space over 2018/2019 due to improved demand for quality stock
- ◆ **Demand:** Third party logistics players and manufacturers are driving the occupier market in 1Q18 with majority of space leased in the Southern precinct. Tenants have continued to take advantage of competitive effective rents offered by landlords which allows for facility upgrades and expansion.
- ◆ **Rents:** Competition to secure tenants has resulted in converging net face rents across all precincts to average \$110 sq m.
- ◆ **Vacancy:** Vacancy has reduced by more than a third (-235,104 sq m) over the last year and the market is returning towards a balanced state, although the average time on the market remains high compared to Sydney and Melbourne.



Annualised as at Q1 2018



# Proposed Acquisition in Germany and Netherlands

19 April 2018: Proposed portfolio acquisition of 17 properties in Germany and four properties in the Netherlands for purchase consideration of €316.2 million<sup>(1)(2)</sup>



**21 Properties**  
Predominantly  
Freehold

Strategically  
located in  
**Germany and  
the Netherlands**

**€603.9 million**  
New Properties  
Appraised Value

**~595,000 sq m**  
GLA<sup>(3)</sup>

**100%**  
Occupancy Rate<sup>(3)</sup>

**8.0 years**  
WALE<sup>(4)</sup>

1. For details, please refer to the FLT's announcement dated 20 April 2018
2. The proposed acquisition is expected to be completed by June 2018, subject to unitholders' approval at an extraordinary general meeting to be convened on 8 May 2018
3. As at 31 December 2017
4. Based on GRI being the contracted rental income and estimated recoverable outgoings for the month of December 2017



**Experience  
matters.**



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