

Frasers Logistics & Industrial Trust

1QFY20 Results Presentation



6 February 2020



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1QFY20 Overview



1QFY20 Highlights

Key Highlights

1.83 A\$ cents

Stable DPU

+12.9%

DI Growth

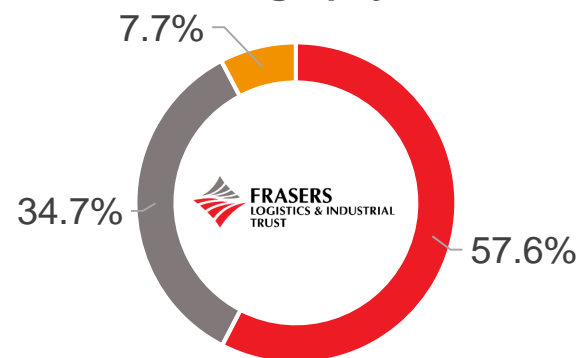
35.5%

Gearing⁽¹⁾

100%

Occupancy⁽²⁾

FLT Portfolio Breakdown by Geography



■ Australia ■ Germany ■ The Netherlands

Key Developments:

- ◆ Distributable Income **up 12.9% to A\$41.4 million**
- ◆ **Four leases signed**, including a new lease to Amazon at Perth Airport bringing portfolio occupancy to a **record 100%**
- ◆ **Completed the acquisition of two properties in Germany** bringing the total portfolio size to 93 properties worth A\$3.6 billion⁽⁴⁾
- ◆ Announced the **proposed merger with Frasers Commercial Trust** on 2 December 2019, which is expected to create a top-10 S-REIT by market capitalisation

1. As at 31 December 2019

2. Based on Gross Rental Income ("GRI"), being the contracted rental income and estimated recoverable outgoings for the month of December 2019. Excludes straight lining rental adjustments

3. Book value as at 31 December 2019 and based on an exchange rate of €1: A\$1.59218 as at 31 December 2019 for the European properties

4. Excludes recognition of right-of-use assets upon the adoption of FRS 116 Leases with effect from 1 October 2019

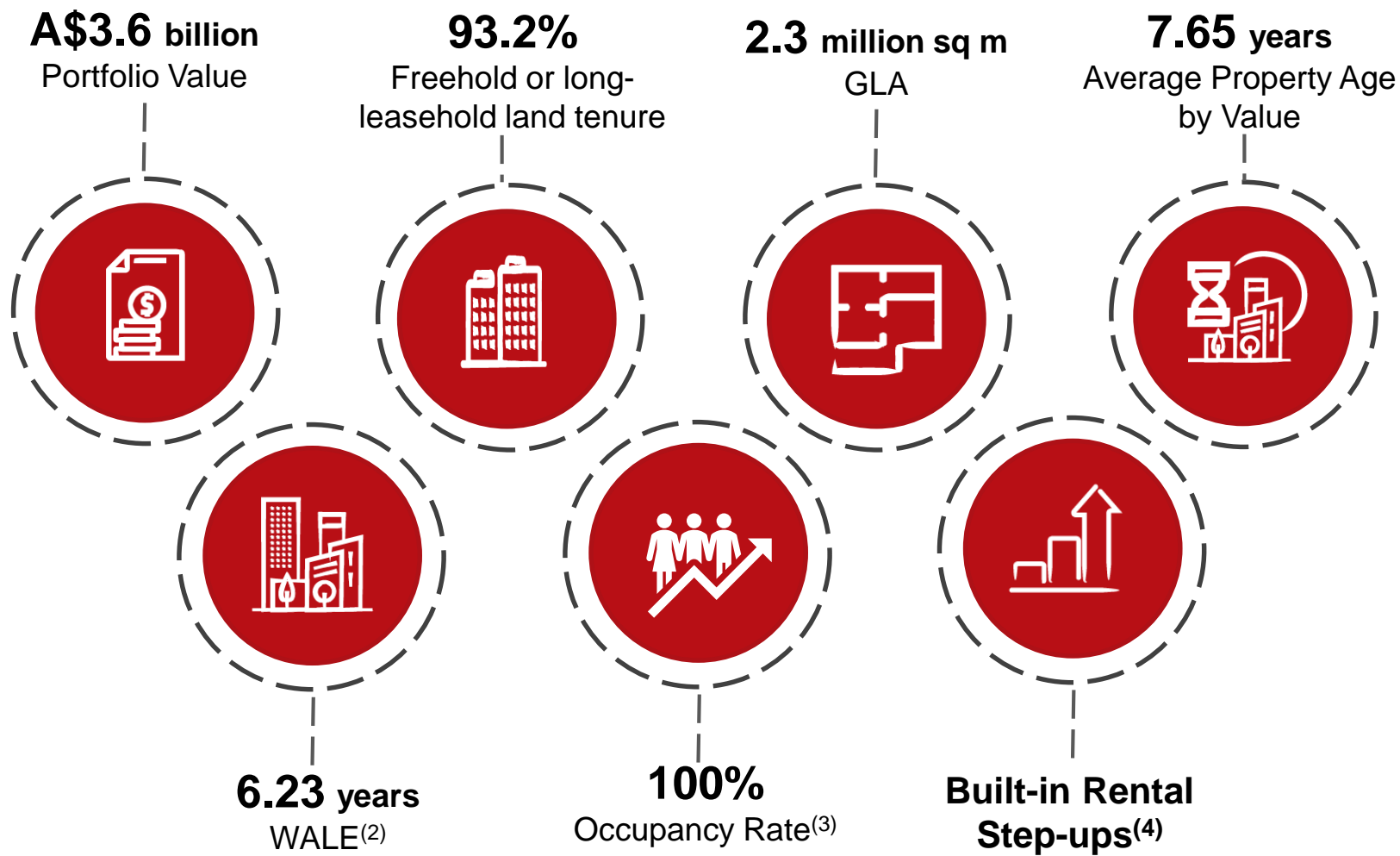
1QFY20 Leasing Summary

1QFY20 Leasing Summary:

- ◆ 42,116 sq m of leasing completed, representing 1.9% of portfolio GLA
- ◆ Average reversion of -0.9%

Tenancy/Property	Lease Type	GLA (sq m)	Lease Term (years)	New Expiry Date	Annual Increment	Reversion
ICAL International, Unit 1, 17-23 Jets Court, Melbourne Airport	Renewed	3,822	3.0	19-Sep-23	3.5%	-12.1%
Amazon, Unit 2, 60 Paltridge Road, Perth Airport	New	9,539	5.3	31-Jan-25	3.0%	N.A.
Hellmann Worldwide, Unit 2 Koperstraße 10, Nuremberg	Renewed	10,702	5.0	31-Mar-25	CPI	+1.5%
Rhenus Group, Johann-Esche- Straße 2, Chemnitz	Renewed	18,053	1.5	31-Dec-21	Nil	Nil

Attractive Portfolio Metrics



1. Based on book value as at 31 December 2019

2. "WALE" refers to the weighted average lease expiry based on GR), being the contracted rental income and estimated recoverable outgoings for the month of December 2019. Excludes straight lining rental adjustments

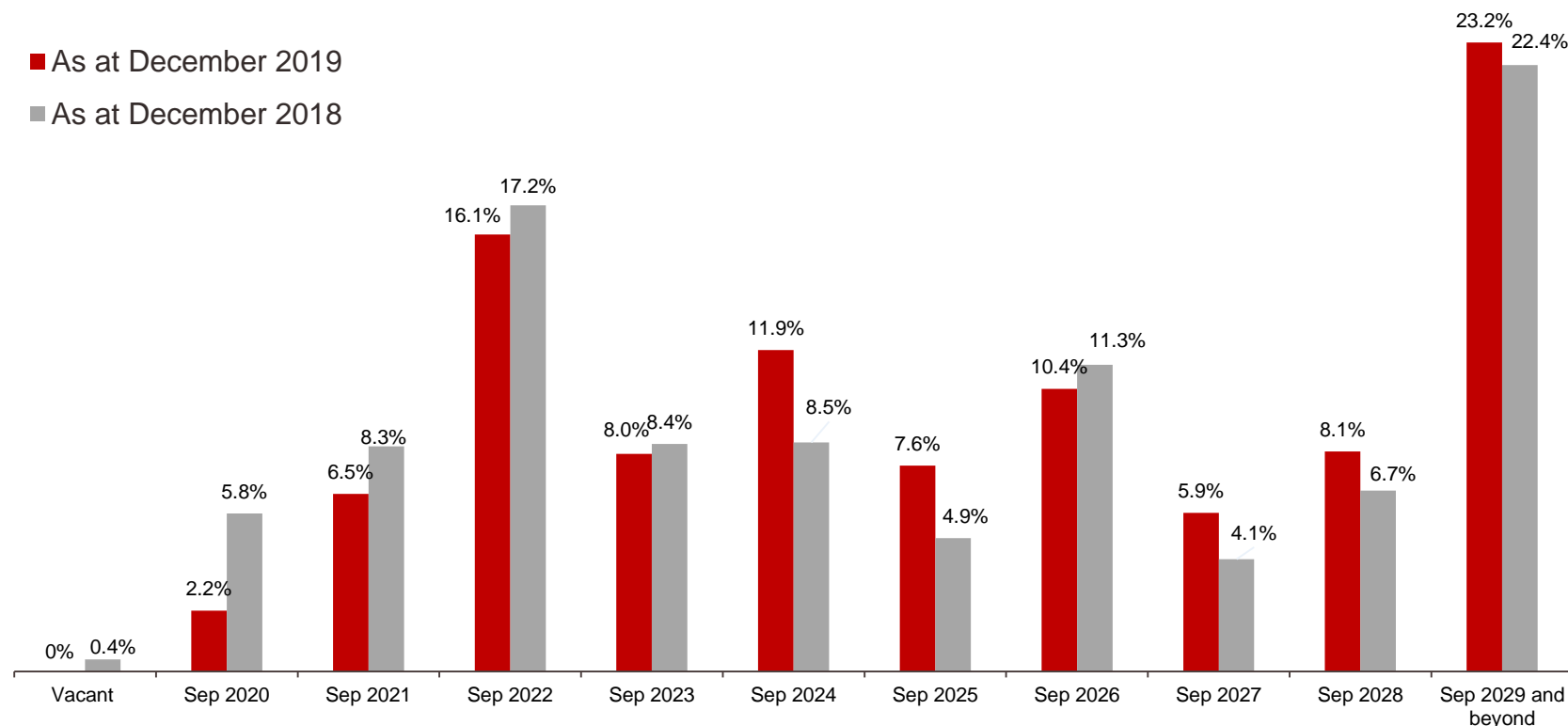
3. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of December 2019. Excludes straight lining rental adjustments

4. Average annual step-ups of 3.1% for the Australian leases and approximately 94.3% of the European leases have either CPI-linked indexation or fixed escalations

Well Spread-out Lease Expiry Profile

No concentration of lease expiry, providing long-term cash flow stability

- ◆ Only four leases, representing 2.2% of GRI, due for renewal in FY2020



Financial Review



Financial Performance Quarter ended 31 December 19

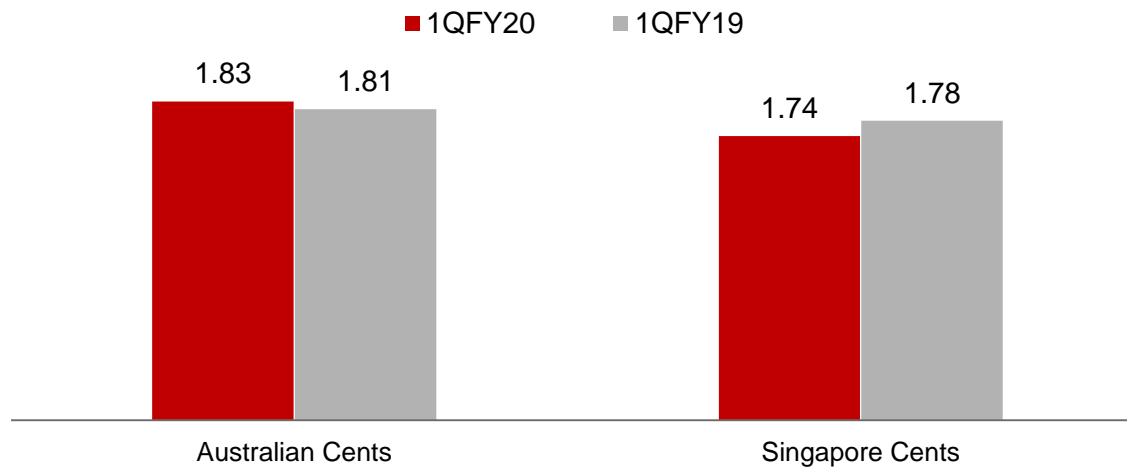
(A\$'000)	1QFY20	1QFY19	Change (%)	Remarks
Revenue	64,404	59,524	8.2	<ul style="list-style-type: none"> Contributions from the FY2019 Acquisitions⁽²⁾ <i>which were partially offset by:</i> The loss of income due to the FY2019 Divestments⁽²⁾
Adjusted net property income ⁽¹⁾	52,905	48,930	8.1	
Finance costs	7,376	7,512	(1.8)	<ul style="list-style-type: none"> Interest savings from the refinancing of A\$170 million borrowings and from the repayment of debt from the proceeds of the FY2019 Divestments which were partially offset by the interest expense on lease liabilities recognised due to the adoption of FRS116 Leases effective from 1 October 2019 The weighted average cost of debt for 1QFY20 was 2.0% per annum compared to 2.4% per annum for 1QFY19
Gain on divestment of investment property held for sale	623	-	N.M.	<ul style="list-style-type: none"> Relates to the gain on the sale of the Lot 1 Heatherton Road Divestment⁽²⁾
Distributable income to Unitholders	41,446	36,698	12.9	<ul style="list-style-type: none"> Contributions from the FY2019 Acquisitions⁽²⁾; and Lower finance costs
DPU (Australian cents)	1.83	1.81	1.1	<ul style="list-style-type: none"> Lower hedged exchange rate of A\$1.00: S\$0.9502 (1QFY19: A\$1.00: S\$0.9820) by 3.2% due to weaker AUD and EUR against the SGD
DPU (Singapore cents)	1.74	1.78	(2.2)	

- 1QFY20 Adjusted net property income ("Adjusted NPI") is calculated based on the actual net property income excluding straight lining adjustments for rental income and adding lease payments of right-of-use assets. 1QFY19 Adjusted NPI is calculated based on the actual net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases.
- Please refer to Pages 2 and 17 of FLT's Financial Statements Announcement dated 6 February 2020 for details of the capitalised terms
- A 100 bps increase in the AUD:SGD and EUR:SGD exchange rates relative to their respective distributable income contribution will result in an increase of 0.02 Singapore cents in DPU

Distribution

- ♦ FLT manages foreign exchange volatility on its distributable income with hedging instruments and targets to hedge distributions on a rolling six-month basis
- ♦ The DPU of 1.74 Singapore cents is lower by 2.2% as compared to 1.78 Singapore cents for 1QFY19 and was mainly due to the hedged exchange rate being 3.2% lower for 1QFY20 vs 1QFY19
- ♦ FLT has paid out 100% of distributable income since IPO

Distribution per Unit



Balance Sheet

- ♦ The value of investment properties and investment property held for sale increased 7.1% from A\$3,572 million as at 30 September 2019 to A\$3,827 million as at 31 December 2019, due mainly to:
 - Completion of the German Properties Acquisition and the Lot 1 Heatherton Road Divestment⁽¹⁾
 - Recognition of the existing operating lease arrangements as right-of-use assets upon the adoption of FRS 116 Leases with effect from 1 October 2019
- ♦ FLT is in a net current liability position as at 31 December 2019 due to the maturity of short-term borrowings of A\$249 million. The REIT Manager is in discussion with banks to refinance the various loans

Balance Sheet (A\$'000)	As at 31 Dec 19	As at 30 Sep 19
Investment properties	3,813,350	3,554,152
Other non-current assets	6,468	2,117
Current assets	139,350	162,627
Total assets	3,959,168	3,718,886
Non-current liabilities	1,339,773	1,105,194
Current liabilities	318,328	270,955
Total liabilities	1,658,101	1,376,149
Net asset value per Unit (A\$)	1.00	1.02
Net asset value per Unit (S\$)	0.94⁽²⁾	0.95⁽³⁾

1. Please refer to Page 2 and 17 of FLT's Financial Statements Announcement dated 6 February 2020 for details of the capitalised terms

2. Based on an exchange rate of A\$1.00:S\$0.9443 as at 31 December 2019

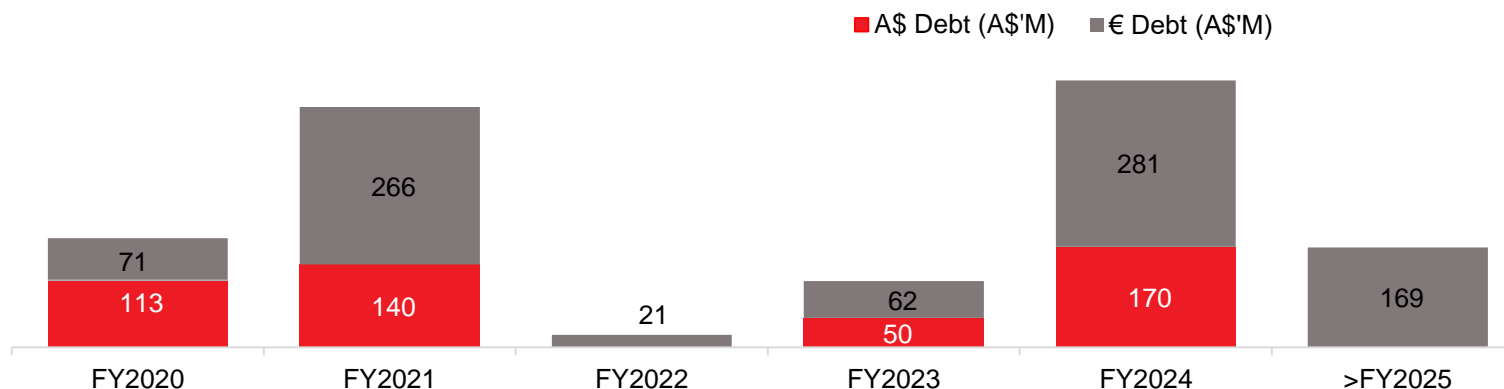
3. Based on an exchange rate of A\$1.00:S\$0.9307 as at 30 September 2019

Debt

As at 31 December 2019

Aggregate Leverage	35.5%
Total Gross Borrowings	A\$1,342 million
Cost of Borrowings	2.0%
Average Weighted Debt Maturity	3.2 years
Interest Rate Exposure Fixed	53%
Interest Coverage Ratio	9.9 times
Debt Headroom	A\$652 million ⁽¹⁾

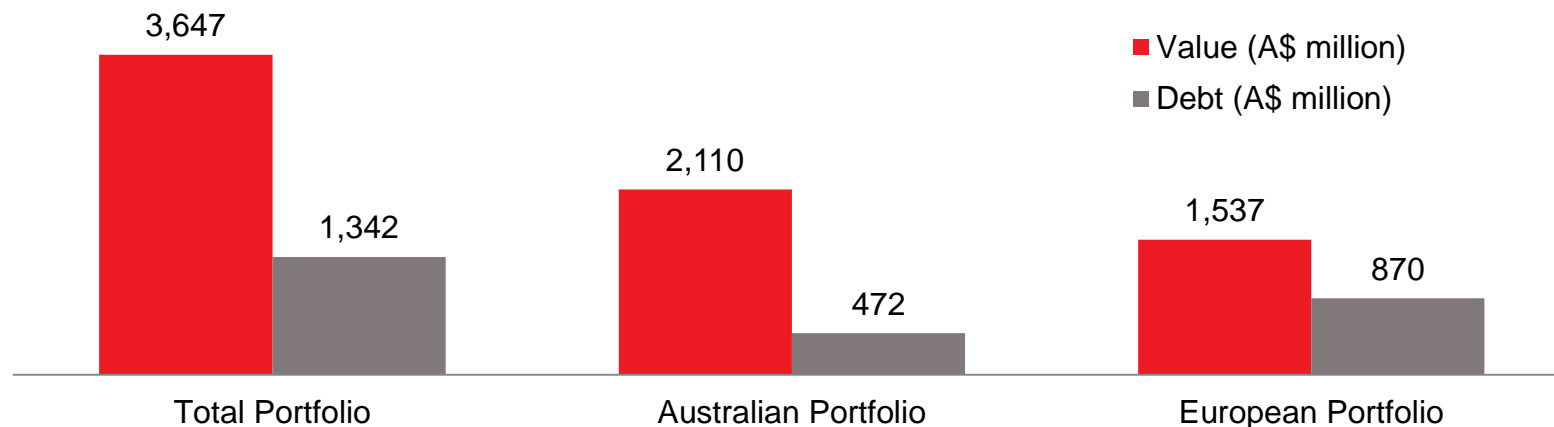
Debt Maturity Profile



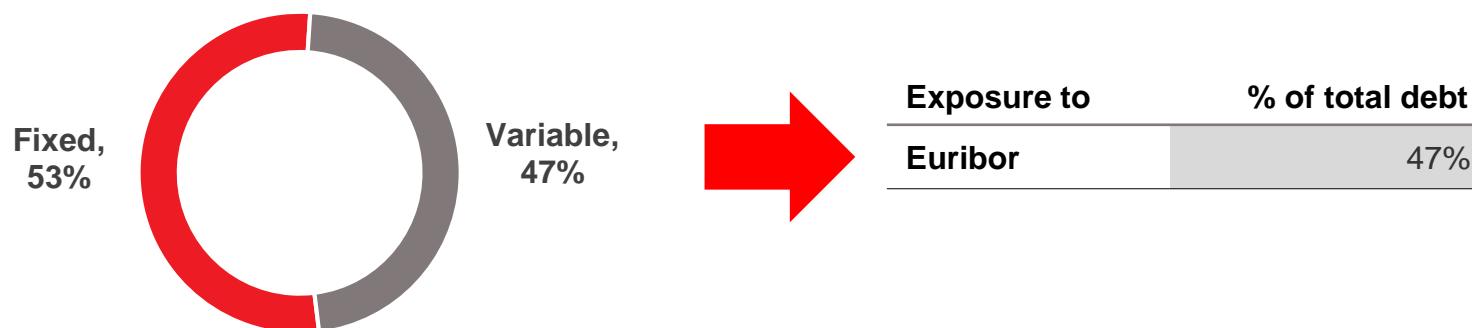
1. Prior to reaching the 45.0% aggregate regulatory leverage limit

Capital Management

Investment Properties⁽¹⁾ and Debt (As at 31 December 2019)



Interest Risk Management (As at 31 December 2019)



1. Includes Investment Property held for sale and excludes recognition of right-of-use assets upon the adoption of FRS 116 *Leases* with effect from 1 October 2019

Outlook and Strategy

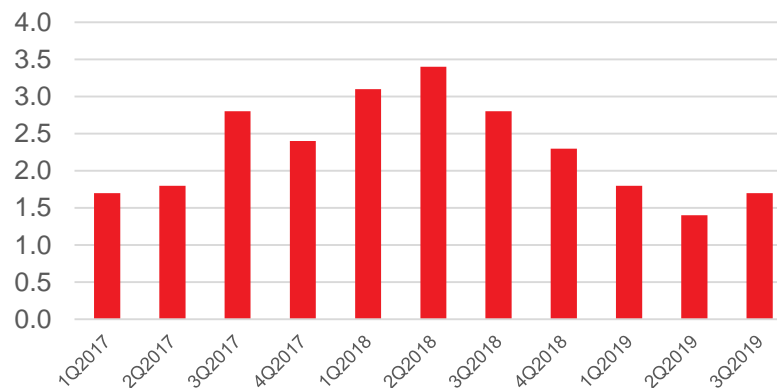


60 Paltridge Road, Perth Airport, Australia

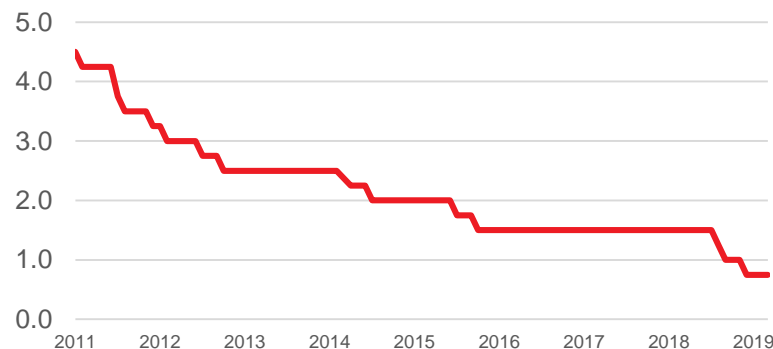
Australia – Economic Snapshot

- ◆ **GDP Growth:** +1.7% for the 12-months ended 30 September 2019, supported by a rebound in the residential property market, high levels of infrastructure spending, as well as an improved outlook for the resources sector
- ◆ **Unemployment rate:** Steady at 5.1% in December 2019
- ◆ **Inflation Rate/Australian Dollar:** Consumer Price Index rose 1.8% over the 12-months to the December 2019 quarter. The Australian Dollar continues to trade near historical lows amid ongoing virus fears
- ◆ **Official Interest Rates:** the official cash rate has remained flat at 0.75% since October 2019. This easing of monetary policy is expected to support employment and income growth over the next 12 months
- ◆ **Australian government 10-year bond yield:** 1.10% as of 23 January 2020

GDP Annual Growth Rates (%)

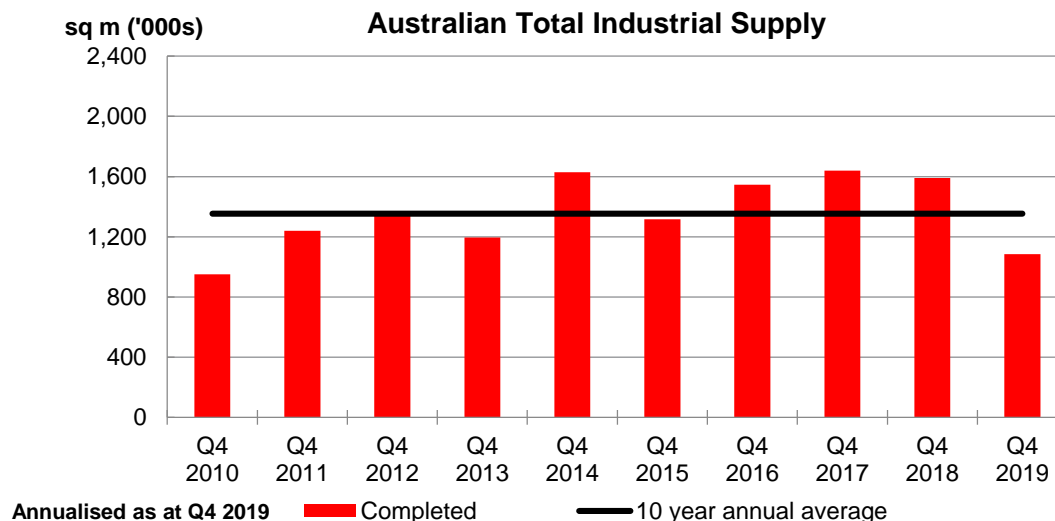


Official Cash Rate (%)



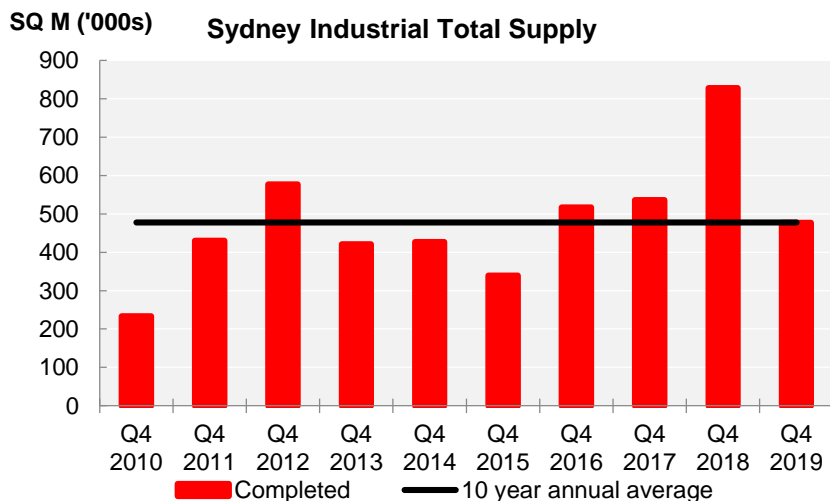
Australian Industrial Market

- ◆ **National take-up levels** over the 12 months to 31 December 2019 were 2.0 million sq m, compared to the 10-year average of 2.2 million sq m. Melbourne is Australia's top performing industrial market in term of lease activity, accounting for approximately 39% of total Australian take-up over the past 12 months. Melbourne's continued strength has been supported by strong economic fundamentals, population growth and rental affordability
- ◆ **New industrial supply** over the previous 12 months approximately 1.1 million sq m of new stock was completed. This is 20% below the 10-year average of 1.4 million sq m. Sydney continues to lead the development market, accounting for 44% of new completions
- ◆ As national take-up levels continue to exceed new completions, **vacancy levels** remain near 5-year lows across the three eastern seaboard capital cities of Sydney, Melbourne and Brisbane. However, there is a significant pipeline of new stock being developed on a speculative basis which is expected to be completed in the next 12 months
- ◆ A shortage of developable land and the expansion of development activity continue to place upward pressure on **land values**
- ◆ **Investor demand** for industrial space has continued with further yield compression compared to the third quarter of 2019 (**3Q 2019**). It is expected that yields will begin to stabilise over the next 12 months as the investment cycle approaches its peak

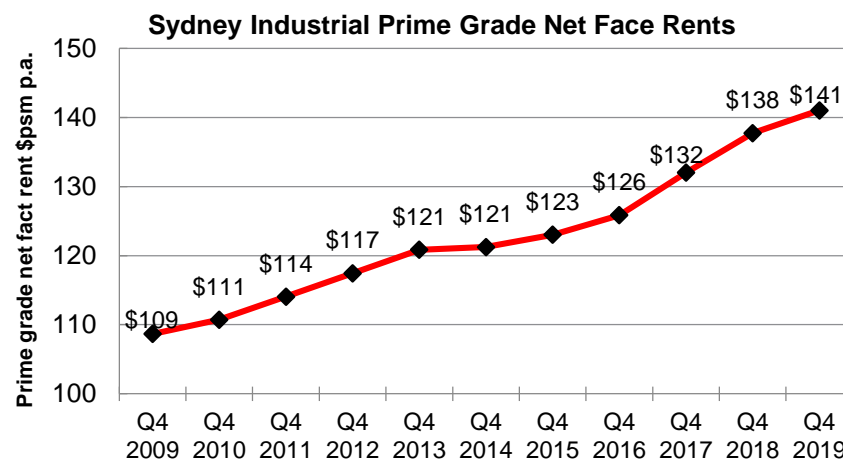


Sydney Industrial Market

- ◆ **Supply:** Development activity in Sydney was slightly below the 10-year average, with 476,538 sq m of new stock being added to the market over the last 12 months. New construction continues to be concentrated in the Outer Central Western precinct. The largest completion during the quarter was a 31,457 sq m facility leased to DHL in Kemps Creek
- ◆ **Demand:** 4Q 2019 industrial space take-up was 59,444 sq m, bringing total 2019 leasing demand to approximately 515,000 sq m. The largest transaction was a 12,451 sqm lease to United Steel in Riverstone
- ◆ **Rents:** The strong recent demand has translated to an average y-o-y rental growth of 2.4% across all precincts. The Outer Central West continues to be one of the strongest performing precincts at A\$123/sq m. Incentives in Sydney continue to remain relatively low at 8.0% for prime industrial assets
- ◆ **Vacancy:** As at October 2019 the level of available industrial space currently sits at approximately 412,988 sq m and remains near historic 5-year lows. However, Sydney Industrial vacancy is expected to increase over the next 12 months as new speculative stock is completed

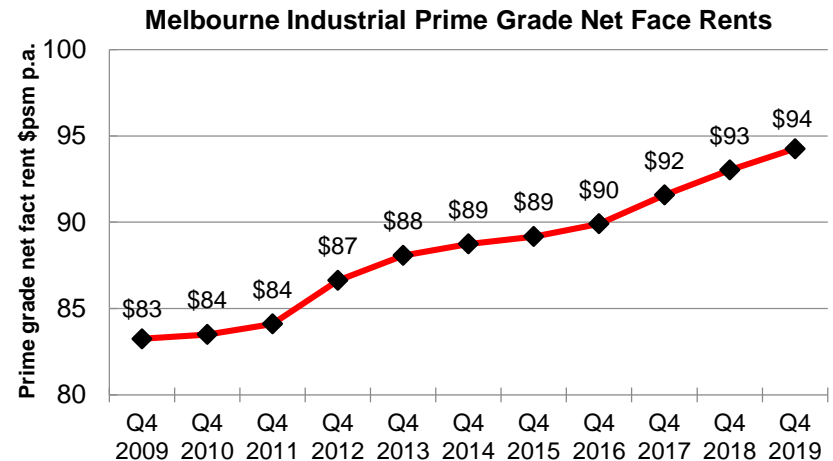
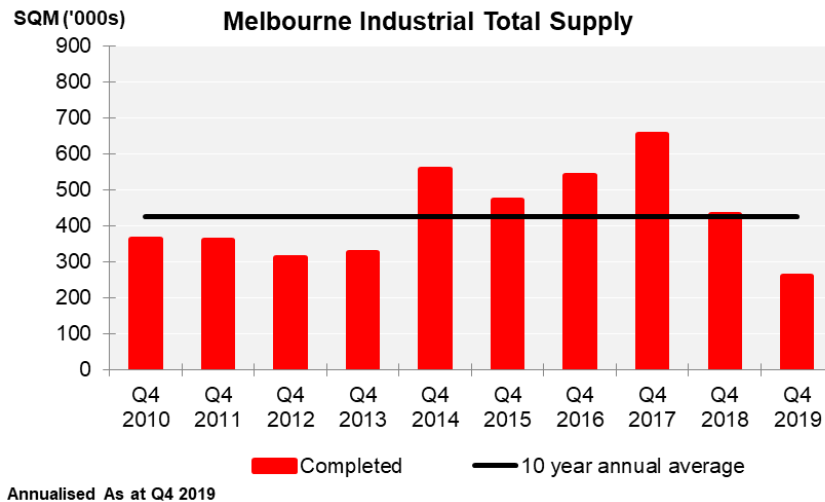


Annualised as at Q4 2019



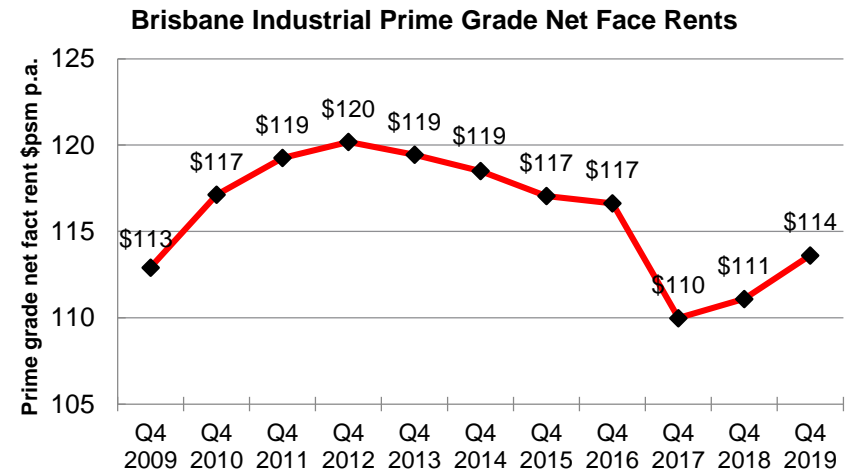
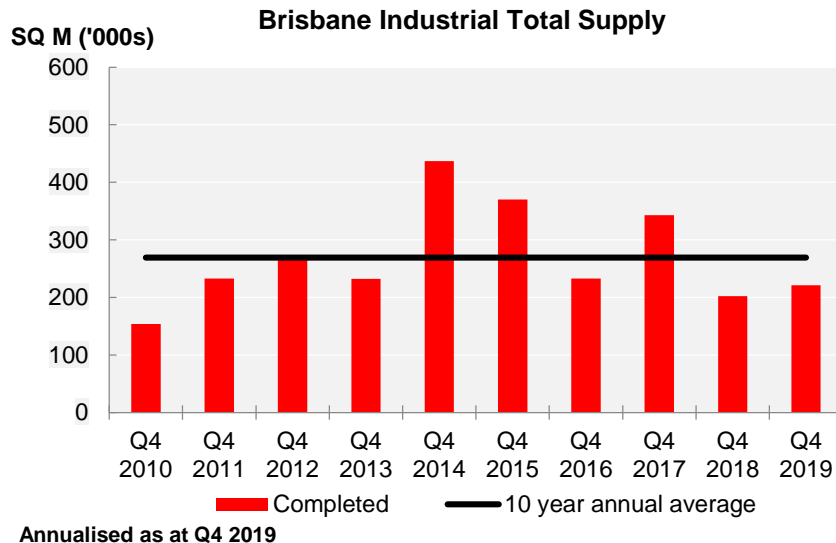
Melbourne Industrial Market

- ◆ **Supply:** Supply levels in Melbourne are below the long-term average with only 260,758 sq m completed during the 12 months to December 2019. The largest development to reach completion during the quarter was a 42,770 sq m industrial facility occupied by Visy at 27 Doriemus Drive, Truganina which was developed by Frasers Property Industrial
- ◆ **Demand:** Take-up levels remain above the long-term average with 166,371 sq m of space leased in 4Q 2019. In the 12 months to 30 September 2019 approximately 860,000 sq m of industrial space was taken up which is 31% higher than the 10-year average. This continued strength reflects the overall strength of the Victorian economy and competitive pricing, including incentives, to attract occupiers. Occupier demand continues to be driven primarily by eCommerce and retail trades
- ◆ **Rents:** Prime face rents have recorded a steady y-o-y growth of 1.3% across all precincts (except for City Fringe, which was stable). Incentives have been at elevated levels as landlords compete against developers to attract tenants to backfill space
- ◆ **Vacancy:** According to Knight Frank, vacancy in Melbourne remains near historic 5-year lows with a total of 670,259 sq m of vacant space available



Brisbane Industrial Market

- ♦ **Supply:** Development in Brisbane remains below the long-term average with only 40,192 sq m of new stock being completed in 4Q 2019. Over the previous 12 months there has been a total of 220,667 sq m of new stock added to the market. New development is concentrated primarily in the Southern and Trade Coast precincts. The largest development completed this quarter was the 31,000 sq m Australia Post facility at Redbank
- ♦ **Demand:** Net absorption of industrial space weakened with 61,487 sq m being leased in 4Q 2019. Over the last 12 months approximately 437,000 sq m of space was leased in Brisbane (4% below the 10-year average). The largest transaction during the quarter was the 9,797 sq m lease to TCK Alliance at 10 Siltstone Place, Berrinba (This is a FLT property)
- ♦ **Rents:** Despite weakening demand Brisbane has experienced modest rental growth of 2.3% across all precincts over the 12 months to 31 December 2019. Over the past 12 months the Northern Precinct recorded the strongest growth of 4.3%
- ♦ **Vacancy:** According to Knight Frank vacancies in the Brisbane market increases by 2.8% in the 12 months to October 2019. Total vacancies in the Brisbane industrial market are estimated to be approximately 472,543 sq m



Economic Snapshot – Europe

Germany

- ♦ **GDP Growth:** +0.5% for the 12-months ended 30 September 2019, mainly supported by household and government consumption expenditure
- ♦ **Inflation Rate:** +1.4% annual average for 2019
- ♦ **Unemployment Rate:** Low at 3.1% in November 2019, being the second lowest unemployment rate within the EU, which provides support even as ongoing US-China trade tensions and Brexit continue impact on economic growth

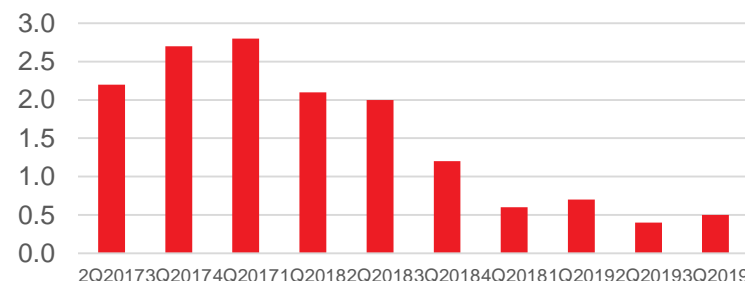
The Netherlands

- ♦ **GDP Growth:** +1.9% for the 12-months ended 30 September 2019, underpinned by increased trade balance and government consumption
- ♦ **Consumer Price Index:** 1.6% annual average for 2019
- ♦ **Unemployment Rate:** Low at 3.2% in December 2019

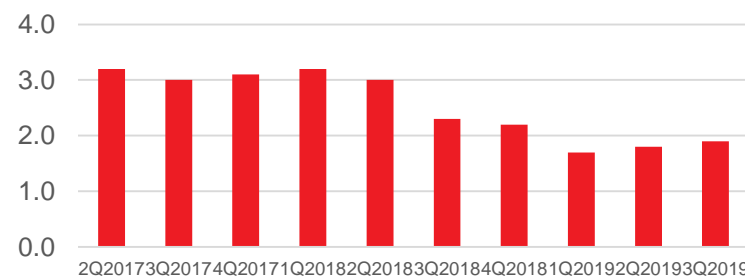
EURIBOR

- ♦ EURIBOR remained in the negative range

German GDP Annual Growth Rates (%)

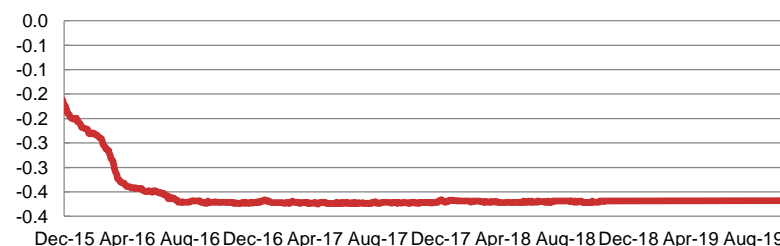


Dutch GDP Annual Growth Rates (%)



(%)

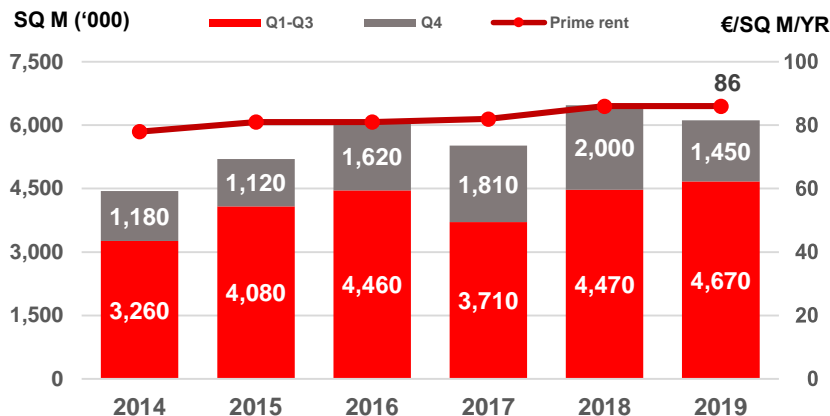
EURIBOR



Industrial Markets Overview Germany and the Netherlands

Germany

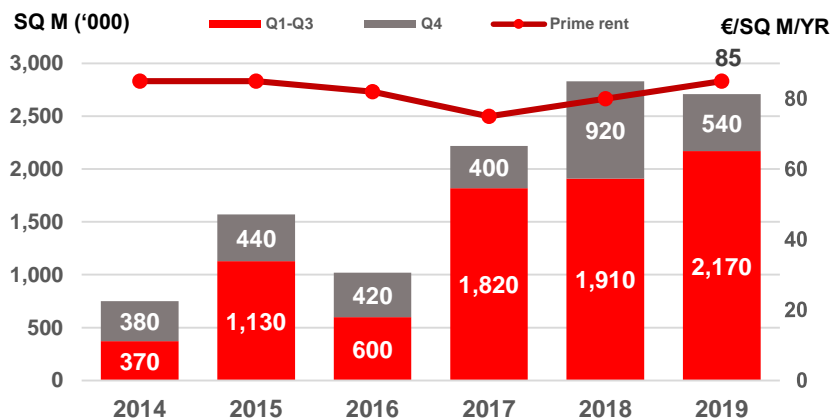
Take-up and Prime Rent (for warehouse >5,000 sq m)



- ◆ Take-up in Germany remained high albeit lower in some of the main hubs due to a lack of modern space
- ◆ Overall, the market remained dynamic as many companies have been shifting to smaller locations outside the traditional hubs, where there is still sufficient supply
- ◆ The prime rent in Berlin recorded the highest value in Germany stabilising at €86/sq m/year
- ◆ Despite a lack of investment stock, the logistics investment market continues to be strong. Total transaction volumes have increased by 5% to €7.5 billion compared to 2018
- ◆ Yields have firmed to 3.7% in the major logistics hubs (-35bps compared to 2018), which is the lowest yield recorded in Europe

The Netherlands

Take-up and Prime Rent (for warehouse >5,000 sq m)



- ◆ Business confidence has been boosted by domestic demand and industrial output over the past two years
- ◆ All of the major occupier markets have recorded healthy transaction volumes
- ◆ Prime rents in Venlo increased to €52/sqm/year
- ◆ Industrial and logistics investment accounted for 26% of total commercial real estate investment over the past 12 months in the Netherlands
- ◆ Prime yields have firmed to 4.4% and 4.65% respectively in Venlo and Rotterdam over the course of 2019

Investment Strategy and Objectives

Principal Objectives:

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

Strategies to support the Principal Objectives

1	Active Asset Management	<ul style="list-style-type: none">◆ Proactive leasing: Maintain high occupancy rate, long WALE and well-diversified tenant base◆ Asset Enhancement: Assess and undertake AEs on the FLT portfolio to unlock further value
2	Selective Development	<ul style="list-style-type: none">◆ Undertake development activities of properties complementary to the FLT portfolio<ul style="list-style-type: none">– Development activities can be up to 10% of the current AUM⁽¹⁾ as per MAS guidelines◆ Re-development of existing assets◆ Sponsor's development pipeline
3	Acquisition Growth	<ul style="list-style-type: none">◆ Pursue strategic acquisition opportunities of quality properties◆ ROFR⁽²⁾ over 22 properties in Europe and 18 properties in Australia from FLT's Sponsor as at 31 December 2019
4	Capital & Risk Management	<ul style="list-style-type: none">◆ Optimise capital mix and prudent capital management

1. FLT may exceed the regulatory limit of not more than 10% of the company's deposited property (subject to maximum of 25%) only if additional allowance of up to 15% of the deposited property is utilised solely for redevelopment of an existing property that has been held for 3 years and continues to be held for 3 years after completion and specific approval of unitholders for redevelopment is obtained

2. Refers to the right of first refusal ("ROFR") granted by the Sponsor to FLT's Trustee in respect of the completed income-producing real estate assets which are used for logistics or industrial purposes

**Experience
matters.**



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Appendix: Portfolio Information

- Completed acquisition of the two remaining German properties on 29 November 2019 and 20 December 2019 respectively, bringing total portfolio size to 93 properties worth A\$3.6 billion

As at 31 December 2019	Australia ⁽¹⁾	Europe	Total
No. of Properties	62	31	93
Portfolio Value (A\$ billion)	2.1	1.5 ⁽²⁾	3.6
GLA (sq m)	1,377,594	881,281	2,258,875
Average Property Age by Value	7.72 years	7.55 years	7.65 years
WALE ⁽³⁾	5.54 years	7.52 years	6.23 years
Occupancy Rate by GRI	100%	100%	100%
Average Annual Rental Increment	3.1%	CPI-linked/ Fixed ⁽⁴⁾	N.A.

1. Excludes 610 Heatherton Road, Clayton South, Victoria, Australia

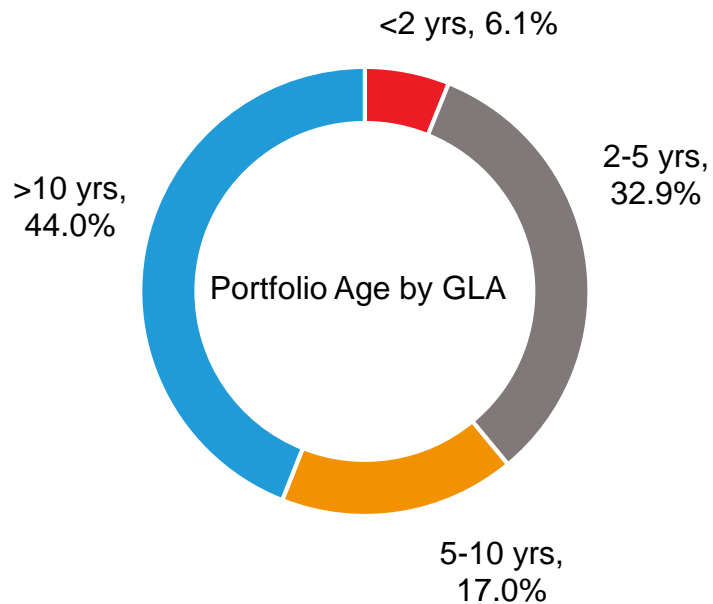
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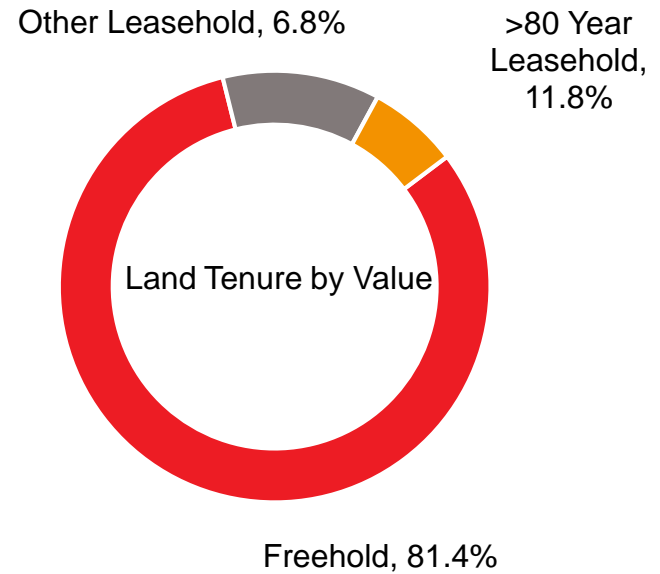
4. 94.3% of the leases have either CPI-linked indexation or fixed escalations

Modern & Freehold Properties

Young and Modern Portfolio



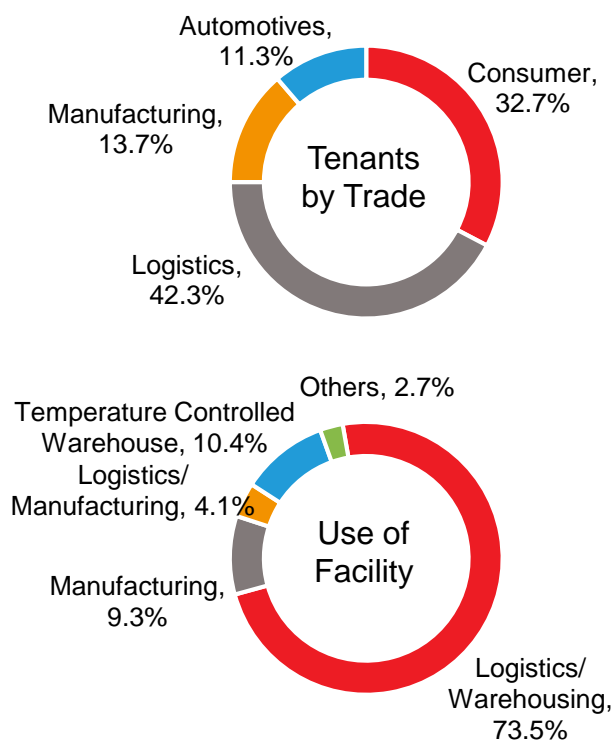
Predominantly Freehold Tenure














Well-Diversified and High-Quality Tenant Base

High quality, diversified tenant base underpinned by primary industries including consumer, logistics services, manufacturing and automotives

Portfolio Breakdown⁽¹⁾



Top 10 Tenants⁽¹⁾

Tenant		% of GRI	WALE (Years)
CEVA Logistics (Australia) Pty Ltd		3.3%	5.5
BMW		3.3%	5.8
Coles Group Limited		3.2%	12.5
Techtronic Industries Australia Pty Limited		3.0%	3.1
Schenker Australia Pty Ltd		2.9%	4.9
Mainfreight		2.5%	6.2
Hermes Germany		2.3%	13.0
Constellium		2.3%	7.4
Bakker Logistics	 	2.1%	10.9
Bosch		2.1%	8.6

High quality tenant base that includes MNCs, listed companies and conglomerates with strong lease terms

1. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of December 2019. Excludes straight lining rental adjustments