



**Property for Industry Limited**  
Shed 24, Prince's Wharf,  
147 Quay Street, Auckland  
PO Box 1147, Shortland Street, Auckland

Phone: 09-303 9450  
Fax: 09-303 9657  
info@propertyforindustry.co.nz  
www.propertyforindustry.co.nz

## **Presentations to the Property for Industry Annual Meeting at 11.00am on Wednesday, 8 May 2019**

### **<< Slide 1: WELCOME TO THE 2019 PFI ANNUAL MEETING >>**

#### **<< Anthony Beverley >>**

Good morning, my name is Anthony Beverley and I am the Chairman of the Board of Directors of PFI.

Welcome to the twenty fifth Annual Meeting of PFI. I can see we have a quorum present, so let's get underway.

Before we start, can I just remind you to put your phone on silent? And in case of an emergency, please follow the instructions of the Eden Park staff, who will direct you to the appropriate exit.

### **<< Slide 2: AGENDA >>**

Here is the agenda.

Although the company representatives here today are familiar faces, there have been some significant changes in roles since last year's meeting, and I will talk about that, before Simon takes us through the annual results and our refreshed strategic direction.

You will then have the opportunity to ask questions or to make comments about those presentations or the financial statements and auditor's report. There will be a further opportunity for discussion when we get to general business.

As you have seen in the notice of meeting, we have four resolutions we would like you to approve.

After the meeting, please join us for light refreshments and a more informal chat with the Board and Management Team.

### << Slide 3: BOARD AND MANAGEMENT TEAM PRESENTATIONS >>

### << Slide 4: INTRODUCTIONS >>

Let me start by re-introducing the Management Team and Board...

- **Craig Peirce**, Chief Finance and Operating Officer;
- **Simon Woodhams**, Chief Executive Officer;
- **Susan Peterson**, Independent Director;
- **Greg Reidy**, Executive Director;
- **David Thomson**, Independent Director; and finally,
- **Humphry Rolleston**, Independent Director.

You will recall that at this meeting two years ago it was agreed that we would internalise the management of PFI. We wanted greater confidence that the trajectory of the company would be maintained by establishing a more direct relationship with the individuals that are key to our success.

A year later, the benefits of that decision were apparent: continued growth in the assets under management, lower expenses and – most importantly – increased returns to investors.

Towards the end of 2018, therefore, the Board took a further step. We invited Managing Director Greg Reidy to fully transition into a governance role from 1 July 2019 as a Non-Executive Director. We asked General Manager Simon Woodhams to become our CEO and Craig Peirce, our CFO and Company Secretary to become Chief Finance and Operating Officer.

As you will appreciate, this is all about continuity. Greg, Simon and Craig have been integral to PFI's performance and development. This move provides assurance that their skills and experience – and their enthusiasm – are retained, so that we continue to benefit from the high-quality leadership the three of them have provided.

You will also have noted that the changes to our management arrangements that have taken place over the last couple of years have occurred alongside changes to the Board.



The background to this is that some time ago it became clear that while the Board had remained stable for a number of years, changes were afoot for some of our long-standing Directors, and with this in mind we set out on a review of Board composition and began succession planning.

We wanted to be careful about that plan as the composition and stability of the Board had served PFI well over the years, this particularly so at a time when most, if not all, of the other Listed Property Vehicles were operating under the old Trust governance structure, which has now largely been replaced with the corporate and Board structure that PFI has always enjoyed.

The Board succession plan reflects what we believe the Board needs in terms of the type and combination of Directors going forward, both the technical skills and background, but also importantly, maintaining a Board with strong practical commercial capability and experience. The Board is also conscious that regulatory and market changes call for different kinds of technical and specialist governance skills and the composition of the Board is responding to these changes over time too.

Susan Peterson was the first appointment under our succession plans, and David Thompson followed two years later.

It's clear though that Board composition and succession planning is an ongoing focus and we anticipate that our Board will see further changes in the next 12 to 24 months.

On that note, Humphry Rolleston, who has been on the Board since the company came into existence in 1994, has advised the Board that he won't be seeking re-election at next year's annual meeting and will therefore retire from the Board. In doing so Humphry will be calling time on what can only be described as an incredibly successful 25 years with the company, and we will have an opportunity to recognise Humphry's contribution closer to the time.

## **<< Slide 5: 2018 HIGHLIGHTS >>**

Turning now to the key achievements in 2018...



Our net rental income increased from \$73 million in 2017, to \$79 million in 2018... up 8.4%. People sometimes forget, I think, that PFI generates income for investors not from owning industrial properties as such, but from successfully managing the relationships we have with the businesses that occupy our properties. That increase in net rental income is a reflection of the quality of those relationships and a testament to the dedication of our property team. Over 100,000 square metres of space was leased last year, and three out of every four existing tenants chose to extend their relationship with us.

At the same time, however, we did acquire two additional properties during the year, and the value of our existing properties increased. That value increase is reflected in the growth of Net Tangible Assets per share: now at 177.7 cents, compared with 163.2 a year ago.

During the year we had another successful bond issue for \$100 million. As we discussed in the Annual Report, bonds have become a useful tool for managing debt. They have become easier to issue, they typically have a longer maturity profile than bank loans, and they are currently price competitive with bank debt. That was our second bond issue and the response again shows the enthusiasm for PFI's proposition to investors.

Which brings us to the last point on my slide: a dividend for the year of 7.55 cents per share. PFI's dividends have increased steadily over the past five years. It's the continuing story of PFI delivering strong, stable returns to investors.

There'll be the opportunity for questions or comments later in the meeting, but for now I'll hand over to our new Chief Executive, Simon Woodhams...

**<< Slide 6: MANAGEMENT TEAM PRESENTATION >>**

**<< Simon Woodhams >>**

Thanks Ant, and good morning everyone – it's always great to see so many of you making the effort to come along today to hear what we have to say, for us as a Management Team we enjoy the opportunity of being able to meet and talk to you about what the company is doing, so thank you for giving up your time today.



A few moments ago, Ant mentioned 'maintaining the trajectory of the company' and today I think it's appropriate to spend some time talking about that.

I'll talk about the 2018 result first, but only briefly, because most of you will have read the annual report, and if you have specific questions, we can answer those later in the meeting. Then I'll move on to our strategic direction and I'll use some recent activity as illustrations of our strategy in action.

### << Slide 7: 2018 IN CONTEXT >>

So here are the key results from 2018, in the context of the past five years. We show five years in this table as we believe it makes more sense to take a wider view, rather than looking at any one year's result, given that we constantly talk about strong, stable returns.

Let's move through the numbers...

Operating revenue is at a new high, thanks to a couple of acquisitions, and positive leasing activity.

Expenses were stable, with the benefit of the 2017 internalisation still flowing through.

The value of our assets continues to grow: acquisitions during the year, CAPEX and a 5.3% or \$66m lift in revaluations resulted in the portfolio being valued in excess of \$1.3 billion at the end of the year.

The acquisition of 306 Neilson Street and 12 Hautu Drive – which I'll discuss in more detail shortly – increased the number of properties owned to 94.

Pleasingly, at 99.3%, our occupancy continues to remain very high, which we think confirms the quality of our assets in that they are desirable to the tenant market.

During the year we successfully leased over 100,000 square metres of property, or 15% of the portfolio, for an average term of 6.2 years, and that leasing, combined with the acquisitions, improved our weighted average lease term or WALT from 5.33 years to 5.39 years.



Looking back over the five years you can see that 5.39 years is a strong number, especially when you consider that there are 15 more properties in the portfolio, increasing by over 25% the total lettable area.

Despite our continued growth we have kept our gearing at a conservative level – 30.3% – which is how we like it – as it provides us with flexibility to move quickly should we see opportunities come to market.

Next, earnings per share are back up, after the 2017 internalisation.

And perhaps most important of all the figures on this table: net dividends per share – that is the money we pay to you – continued to grow which is consistent with our promise of strong, stable returns.

Overall, then, we considered 2018 was another very good year of performance for PFI.

**<< Slide 8: [NO TITLE] >>**

So, the previous slide was looking at the recent past. As you saw on that slide, in the five years since 2014, PFI has grown from a portfolio of 79 properties worth around \$875 million, to 94 properties worth \$1.3 billion.

Over the past *ten* years, the business has tripled in size. This is our 25<sup>th</sup> Annual Meeting and we have been asking ourselves: where are we going to be – or rather, where do we want to be – after 30 years, or 35 years?

Looking back, reaching a billion dollars in assets was more profound than perhaps we appreciated at the time. We all cross thresholds and subsequently realise that things are different to the way they were before. PFI is a significant business now and that has changed – and is changing – the way we think, and the way we do things.

Last year, the Board and Management Team spent some considerable time reviewing where we are and where we want to be. We looked at our own trajectory, but we also considered the environment in which we operate, which is becoming increasingly sophisticated.



In the Annual Report we talked about the 'silent revolution' that the introduction of KiwiSaver initiated, and how fund managers now have millions of additional dollars to invest every year.

25 years ago, PFI was founded on the belief that there were investors out there who understood the unique attributes of industrial property and who would be interested in a Listed Property Vehicle focussed on that asset class. Today, that is even more true. Industrial property has continued to outperform other property sectors and the listed property sector has continued to mature.

PFI is extremely well positioned to take advantage of this environment and further opportunities.

And so, what I'd like to share with you today is the work that we did on our Purpose, Vision and Strategy.

## << Slide 9: OUR PURPOSE – OUR VISION – OUR STRATEGY >>

As a group we set out to articulate three things:

- Firstly, what is "Our Purpose": Why does PFI exist?
- Secondly, what is "Our Vision": Where we would like to be?
- And thirdly, what is "Our Strategy": How we intend getting there"

Now, I should say that you are unlikely to be surprised by our answers to these questions: you may say that all we've done is write down what was generally understood. But the conversation was extremely valuable and putting it down on paper has ensured that the Board and Management Team are all – quite literally – on the same page.

Furthermore, I think there are some subtleties that are important, and we now have greater clarity and commitment to the 'where' and the 'how'.

For the whole Board and Management Team, the process and the outcome have been very energising.

Going into a little more detail...



## << Slide 10: OUR PURPOSE >>

This is our statement of purpose...

“PFI generates income for investors as professional landlords to the industrial economy, generating prosperity for New Zealand”

‘Income’ is the most significant word here: we are quite clear that PFI is an income stock and that our purpose, therefore, is to deliver strong, stable income returns. Capital growth may be part of the equation, but it’s stable income that is our primary focus.

In the past, we’ve used the word shareholders, but the growth of managed funds makes ‘investors’ more appropriate, because now there are thousands of New Zealanders who rely on PFI for strong stable returns who are not directly shareholders in our business, but rather via these managed funds, including KiwiSaver.

We achieve those returns by being professional landlords: by successfully managing our relationships with almost 150 tenants who occupy the 94 properties we own. It is those tenant relationships that produce the returns, not the properties themselves.

We specialise in being landlords to the industrial economy. Which is hardly surprising, given that our name is Property for Industry. But I’ll come back to that shortly, because being clear about that is influencing some of our activity currently.

More broadly, we are part of New Zealand Inc: helping our tenants succeed while generating income for our investors.

## << Slide 11: OUR VISION >>

As I mentioned earlier, PFI has been around for 25 years now, but where will we be in another 25 or even 50 years from now? Well, our vision is up on the screen now:



“PFI will be one of New Zealand’s foremost Listed Property Vehicles. Our measures will be performance, quality, scale and reputation.”

You will notice that we are not saying is “we’re going to be the biggest...”. Scale is in there, certainly, because scale elevates us into a different stratum: where we have more clear air and can play our own game to a certain extent, but again the key is it’s not growth for growth’s sake.

It’s about being a market leader; about being known to be experts in our field, with quality industrial properties and a reputation for being good to do business with.

We know already that that’s the secret to attracting and retaining great tenants and it’s what brings opportunities our way.

We want you, our investors, to be proud and happy to say you are a PFI shareholder and for others to know what PFI represents.

## **<< Slide 12: OUR STRATEGY >>**

This is the ‘how’ statement...how are we going to deliver on our Purpose and Vision ....

“We will build on what we have and be true to who we are. But we will be more intentional; more proactive.”

As I said earlier, there no real surprises here: this is not a new direction for the company. We will continue to be true to who we are.

But we do intend to build on what we already have built or created, and we will do that by being more intentional and more proactive.

This body of work – determining what our Purpose, Vision and our Strategy is – was work we completed back in September last year, so we’ve been living and working with that for nearly nine months now.



### << Slide 13: OUR STRATEGY IN ACTION >>

One of the ways that this Purpose, Vision and Strategy has been playing out, and will continue to play out, is that we have stated that over the medium term we will begin disposing of PFI's non-industrial assets and recycling the capital from those disposals into quality industrial properties in sought-after areas.

We've already completed four key deals since the last annual meeting: three acquisitions and one sale...

In January of this year we confirmed the sale of 50 Parkside Road in Wellington. Whilst it was an industrial property, it was relatively small – it sold for \$3.4 million – we felt it had limited potential within the portfolio and we could make better use of the capital elsewhere.

The three acquisitions we have completed typify the kind of industrial property we want to own. As you can see on the slide, we have deployed more than \$45 million of capital into three quality Auckland industrial properties. Let's take a quick look at each of these acquisitions.

### << Slide 14: 306 NEILSON STREET >>

Starting with 306 Neilson Street in Penrose, here in Auckland. We purchased this property in June with a 10-year lease in place to Trade Depot.

This is a much larger property than the Wellington property that we sold: a five and a half thousand square metre warehouse on a one-hectare site.

But what made it even more attractive was this: the three neighbouring properties are already in the PFI portfolio. Buying this property effectively created a box set, and PFI now owns a four-and-a-half-hectare industrial estate in four titles in the heart of Penrose, one of Auckland's major industrial hubs.



**<< Slide 15: 12 HAUTU DRIVE >>**

Later in the year, we purchased 12 Hautu Drive, again here in Auckland. The tenant, Kiwi Steel, is already a PFI tenant and they had also recently recommitted to this property for a further 11.5 years.

Again, this is a large property: five thousand square metres of warehouse and office on a 1.1-hectare site. And it's in Wiri, another one of Auckland's major industrial hubs.

It's a quality building, with a quality tenant, that we have an expanding relationship with. At a purchase price of \$12.3 million, this is the space we want to be playing in.

Pleasingly this was an off-market transaction.

**<< Slide 16: 51-61 SPARTAN ROAD >>**

More recently, in March this year, we purchased 51-61 Spartan Road in Takanini, for \$17.2 million.

This is another high-quality industrial property in a strong Auckland location. Again, this was purchased in an off-market transaction, this time with an ASX listed entity via a sale-and-lease back arrangement, with a 12-year lease term in place.

I think in those three acquisitions you can see some of the things I've talked about playing out. We are specialist investors in industrial property, and we are operating at a higher level, in properties that are out of reach for smaller investors.

I should point out that we're also mindful of managing our buying and selling programme to ensure that we are able to consistently deliver your income returns, and for now, this will mean that we'll be looking to buy properties before we sell.



**<< Slide 17: ONE OF NEW ZEALAND'S FOREMOST LISTED PROPERTY VEHICLES >>**

The final slide of my presentation shows the trajectory PFI has been on: 25 years ago, PFI started out as a company with a portfolio valued at just \$40 million, today that portfolio is valued in excess of \$1.3 billion.

This a trajectory we have been on for a long time now and one this Board and Management Team is both committed to and excited about continuing – not growth for growths sake – but for the benefit of you, our shareholders.

We look forward to sharing more of our progress with you in the months and years ahead.

I will now hand the meeting back over to Ant

Thank you very much.

**<< Slide 18: SHAREHOLDER DISCUSSION >>**

**<< Anthony Beverley >>**

Thank you, Simon.

There is now an opportunity for questions or comments on the presentations, or on the financial statements and auditor's report, which you can find from page 52 of the annual report.

If you raise your hand, we'll get a microphone to you, so that everyone can hear. Can you start by introducing yourself: your name and whether you're a shareholder or a proxy holder and, if you are a proxy holder, the name of the shareholder you are representing?



## << Slide 19: FINANCIAL STATEMENTS >>

Thank you for your questions and comments. As there are no further questions on the financial statements and auditor's report, we will now consider the financial statements and auditor's report to have been received.

## << Slide 20: ORDINARY RESOLUTIONS >>

We will now move to the resolutions.

Craig advises me that 264 shareholders, representing 111,754,866 shares or 22.41% of the company's capital, are represented by proxies.

Voting for the resolutions will be conducted by poll. For the purpose of the poll, I appoint the company's registrar, Computershare, to carry out the poll, with the company's auditors, PricewaterhouseCoopers, to act as scrutineers on behalf of the shareholders.

The procedure for the conduct of the poll will be as follows:

- Voting papers have been provided with the notice of meeting, pens, where required, will be distributed now;
- If you do not have a voting paper, please see a representative from Computershare who will print off a voting paper for you;
- The voting paper already has your name, or the name of the shareholding represented, and the number of voting shares pre-printed on the paper;
- Indicate your vote for, against or abstain, by placing a tick in the appropriate box;
- If you are here as a proxy for a shareholder who has not marked 'proxy discretion' on their proxy form, your vote will be automatically counted in accordance with the voting directions given by your appointer, but please sign the voting paper provided when you arrived at the meeting;
- Where you are a proxy holder and you have been granted a discretion on how to vote the resolution, please use the voting paper provided when you arrived at the meeting;



- After recording your vote, please remember to sign your voting paper, then place the voting paper in the boxes being passed down the aisle from where they will be collected by the auditor's and Computershare's staff.

Having collected the votes, they will be taken to a separate room for counting and, while that is in progress, we will continue with the business of the meeting. The results of the poll will be announced via NZX as soon as they are available.

Please note that the Board recommends that you vote in favour of each of the three ordinary resolutions and one special resolution.

**<< Slide 21: ORDINARY RESOLUTIONS >>**

The first resolution is that Susan Peterson, who retires and is eligible for election, be elected as a Director of the Company.

The Board considers Susan will be an Independent Director, if elected, and supports her re-election.

Susan is an Independent Director of ASB Bank Limited, Trustpower Limited, Vista Group International Limited and Xero Limited and her management career included a variety of executive roles at ANZ. There is a profile of Susan in the notice of meeting.

Susan, would you like to say a few words?

**<< Susan Peterson spoke >>**

**<< Anthony Beverley >>**

Thank you, Susan.

The resolution is: *"That Susan Peterson, who retires and is eligible for election, be elected as a Director of the Company."*



Is there any discussion?

Please mark your voting papers for resolution 1.

Turning to the second resolution: *“That the Directors are authorised to fix the fees and expenses of the auditors, PricewaterhouseCoopers Auckland.”*

Is there any discussion?

Please mark your voting papers for resolution 2.

Turning to the third resolution: *“That the Directors be authorised to fix the remuneration of the Directors of the Company from the close of this meeting as per the table shown in the Explanatory Notes.”*

As you will have seen in the notice of meeting, the proposed resolution is to change the structure of Director fees from a total Director fee pool cap to a per Director rate. This allows full transparency of fees and enables the Board to proactively advance the succession planning I spoke about earlier on in the meeting.

In setting the proposed rates, the Board commissioned an independent benchmarking review of both the structure of payments and the current level of Directors’ fees by Strategic Pay. A summary of Strategic Pay’s report, together with their attestation of independence, has been made available to all shareholders on PFI’s website.

The proposed structure and rates are set out in the notice of meeting, and if resolution 3 is approved by shareholders today then this will remove the current total Director fee pool cap and the set rates will apply from the close of this meeting. Going forward the rates would be reviewed every second year by the Board in advance of the Annual Meeting with any adjustment put to shareholders for approval.

Is there any discussion?

Please mark your voting papers for resolution 3.



**<< Slide 22: SPECIAL RESOLUTION >>**

**<< Slide 23: SPECIAL RESOLUTION >>**

We now come to the special resolution. Today we are seeking shareholder approval to revoke PFI's current constitution and adopt an updated constitution. The changes in the updated constitution from PFI's current constitution are:

- First, due to PFI's transition to the new NZX Listing Rules on 1 May 2019;
- Second, to incorporate the NZX Listing Rules by reference as opposed to repeating many of the NZX Listing Rules in full;
- Third, to remove unnecessary repetition of sections of the Companies Act 1993 that PFI must comply with; and
- Fourth, to simplify the form of the constitution.

Further details can be found in the notice of meeting, and a copy of the updated constitution has been made available since the release of the notice of meeting.

So, the special resolution is: *"That the existing constitution of the Company is revoked and the constitution referred to in the Explanatory Notes is adopted as the constitution of the Company, with effect from the close of this meeting."*

Is there any discussion?

Please mark your voting papers for resolution 4.



**<< Slide 24: GENERAL BUSINESS >>**

We now come to general business.

If there is something you wish to put to the meeting, could you raise your hand and we'll get one of the microphones to you? A reminder to please state your name and whether you are a shareholder or proxy holder.

That ends the formal part of the meeting and I declare the meeting closed.

**<< Slide 25: CLOSE OF MEETING & REFRESHMENTS >>**

Thank you for your attendance and your continued support, please join us for light refreshments and further conversation.

**<< Slide 25: DISCLAIMER >>**

