FORSYTH BARR

Property For Industry

NEUTRAL

1H19 Result — Industrious

Property For Industry (PFI) has reported a 1H19 result close to expectations, with little in the way of surprise apart from a boost in adjusted funds from operations due to lower maintenance capex. PFI remains well placed, as a low risk yield play centred on well positioned Auckland industrial assets, given the nature of its portfolio and the positive outlook for major industrial assets. NEUTRAL.

What's changed?

- **Earnings:** Only minor with FY19 +1%, FY20 +1% and FY21 +1%
- **Target Price:** Lifted slightly from NZ$1.78 to NZ$1.81
- **Rating:** NEUTRAL

No surprises as PFI delivers another one

1H19 distributable profit per share was 4.35cps slightly ahead of our forecast of 4.30cps, driven by underlying market rental growth of ~5%. The 2Q19 dividend was 1.8cps also in line with expectations and the 1H19 dividend is an 88% pay-out of PFI's calculated adjusted funds from operations (AFFO), providing some slight upside risk to the 7.60cps FY19 dividend. There was an interim revaluation across 13 properties with an +8.8% uplift that has increased the NTA to NZ$1.83, up +3% since December 2018. The balance sheet is solid at 31% geared, well below the 50% banking covenant. This provides PFI with ample capacity to purchase industrial property ahead of divesting non-core property

Industrial strong portfolio — strategy on track

Occupancy sits at 99.7% and the 2.8% and 9.4% of contract rent that expires over 2H19 and FY20 respectively looks manageable. The WALT is steady at 5.7 years and the portfolio weighting to Auckland (84%) and to industrial property (87%) increased slightly. PFI continues to make progress transitioning away from non-industrial properties. It has purchased NZ$51m of industrial opportunities in Auckland and has started its non-core divestment.

Dividends and AFFO meet in the middle

Guidance was reiterated for a dividend to 7.60cps in FY19 and PFI expects this to be in the mid-point range of 95% to 100% of AFFO, as per dividend policy. PFI has indicated that FY19 funds from operations (FFO) in the middle of the target range is likely to be 8.95cps and is close to our forecast of 9.05cps.

Minor earnings and target price changes

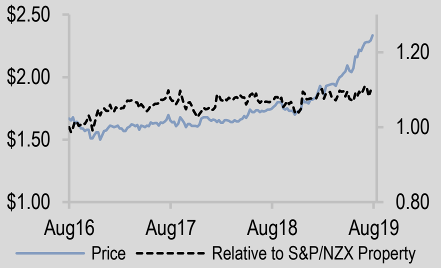
We have made only minimal changes to our forecasts and essentially just the adding in of the Spartan Road property that was acquired during the period. We have increased our AFFO forecasts slightly based on PFI's guidance for FY19 maintenance capex. Our target price has lifted slightly on the back of a lift in NAV and a slightly higher DCF reflecting the Spartan Road acquisition and the time value of money impact since our last update.

Investment View

PFI has continued its strong track record of reliable and steady performance underpinned by a clear, low risk strategy. PFI's large specialised industrial portfolio is centred on the key precincts in the Auckland market, and it remains well positioned to continue to deliver the defensive attributes it has to date. Our rating is NEUTRAL.

NZX Code	PFI
Share price	NZ$2.34
Target price	NZ$1.81
Risk rating	Low
Issued shares	498.7m
Market cap	NZ$1,165m
Average daily turnover	254.3k (NZ$485k)

Share Price Performance



Financials: December	18A	19E	20E	21E
NPAT* (NZ$m)	41.8	43.0	43.2	43.8
EPS* (NZc)	8.4	8.6	8.7	8.8
EPS growth* (%)	3.7	2.8	0.7	1.2
DPS (NZc)	7.6	7.6	7.7	7.7
Imputation (%)	100	100	100	100

Valuation (x)	18A	19E	20E	21E
EV/EBITDA	21.7	21.1	20.9	20.7
EV/EBIT	21.7	21.1	20.9	20.7
PE	27.9	27.1	26.9	26.6
Price / NTA	1.3	1.3	1.3	1.2
Cash dividend yield (%)	3.2	3.3	3.3	3.3
Gross dividend yield (%)	4.6	4.6	4.7	4.7

*Historic and forecast numbers based on underlying profits

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Property for Industry Ltd (PFI) — Priced as at 19 Aug 2019: NZ$2.34 — December year end

Forsyth Barr valuation			
Valuation methodology	Blended DCF (50%) and NAV (50%)		
12-month target price (NZ$)*	**1.81**	**Spot valuations (NZ$)**	
Expected share price return	-22.5%	1. DCF	1.55
Net dividend yield	3.3%	2. NAV	1.96
Estimated 12-month return	-19.2%	3. n/a	n/a
Key WACC assumptions		**DCF valuation summary (NZ$m)**	
Risk free rate	2.8%	Total firm value	1,197
Equity beta	0.70	(Net debt)/cash	(397)
WACC	6.0%	Value of equity	792
Terminal growth	1.5%	Shares (m)	499

Profit and Loss Account (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Sales revenue	70.6	76.1	79.1	80.3	81.5
Normalised EBITDA	**64.8**	**71.4**	**74.3**	**75.3**	**76.1**
Depreciation and amortisation	-	-	-	-	-
Normalised EBIT	**64.8**	**71.4**	**74.3**	**75.3**	**76.1**
Net interest	(17.7)	(18.8)	(19.7)	(19.9)	(19.7)
Associate income	-	-	-	-	-
Tax	(10.0)	(10.9)	(11.7)	(12.1)	(12.6)
Minority interests	-	-	-	-	-
Normalised NPAT	**37.1**	**41.8**	**43.0**	**43.2**	**43.8**
Abnormals/other	14.6	68.3	18.9	18.8	17.1
Reported NPAT	**51.7**	**110.1**	**61.9**	**62.1**	**60.8**
Normalised EPS (cps)	8.1	8.4	8.6	8.7	8.8
DPS (cps)	7.5	7.6	7.6	7.7	7.7

Growth Rates	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Revenue (%)	2.6	7.7	3.9	1.5	1.5
EBITDA (%)	7.5	10.1	4.1	1.3	1.0
EBIT (%)	7.5	10.1	4.1	1.3	1.0
Normalised NPAT (%)	8.8	12.5	2.8	0.7	1.2
Normalised EPS (%)	7.3	3.7	2.8	0.7	1.2
DPS (%)	2.1	1.3	0.7	0.7	0.0

Cash Flow (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
EBITDA	**64.8**	**71.4**	**74.3**	**75.3**	**76.1**
Working capital change	(41.0)	1.6	0.7	0.3	0.3
Interest & tax paid	(21.9)	(19.2)	(31.4)	(32.1)	(32.3)
Other	-	-	-	-	-
Operating cash flow	**2.0**	**53.7**	**43.7**	**43.5**	**44.0**
Capital expenditure	(12.8)	(14.8)	(4.1)	(4.8)	(4.9)
(Acquisitions)/divestments	(62.5)	(28.3)	(13.8)	-	-
Other	(0.1)	(0.1)	-	-	-
Funding available/(required)	**(73.4)**	**10.6**	**25.8**	**38.7**	**39.2**
Dividends paid	(32.6)	(37.9)	(37.7)	(37.7)	(38.2)
Equity raised/(returned)	67.7	-	-	-	-
Increase/(decrease) in net debt	**38.3**	**27.3**	**11.8**	**(1.1)**	**(1.0)**

Balance Sheet (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Working capital	(7.0)	(9.2)	(9.6)	(9.7)	(9.9)
Fixed assets	1,210.8	1,318.7	1,350.0	1,373.6	1,395.6
Intangibles	29.1	29.1	29.1	29.1	29.1
Other assets	0.4	5.0	5.0	5.0	5.0
Total funds employed	**1,233.3**	**1,343.5**	**1,374.5**	**1,397.9**	**1,419.8**
Net debt/(cash)	370.0	396.6	408.4	407.3	406.3
Other non current liabilities	20.4	35.1	35.4	35.6	35.7
Shareholder's funds	842.9	911.8	930.6	955.0	977.7
Minority interests	-	-	-	-	-
Total funding sources	**1,233.3**	**1,343.5**	**1,374.5**	**1,397.9**	**1,419.8**

Valuation Ratios	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
EV/EBITDA (x)	23.4	21.7	21.1	20.9	20.7
EV/EBIT (x)	23.4	21.7	21.1	20.9	20.7
PE (x)	28.9	27.9	27.1	26.9	26.6
Price/NTA (x)	1.43	1.32	1.29	1.26	1.23
Free cash flow yield (%)	-0.9	3.3	3.4	3.3	3.4
Net dividend yield (%)	3.2	3.2	3.3	3.3	3.3
Gross dividend yield (%)	4.6	4.6	4.6	4.7	4.7
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	92	90	88	88	87

Capital Structure	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Interest cover EBIT (x)	3.7	3.8	3.8	3.8	3.9
Net debt/ tangible assets (%)	30.7	30.2	30.4	29.8	29.2
Net debt/ND+E (%)	30.5	30.3	30.5	29.9	29.4
Net debt/EBITDA (x)	5.7	5.6	5.5	5.4	5.3

Key Ratios	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Return on assets (%)	5.2	5.3	5.4	5.3	5.3
Return on equity (%)	4.4	4.6	4.6	4.5	4.5
Return on funds employed (%)	4.3	4.4	4.3	4.3	4.2
EBITDA margin (%)	91.8	93.9	94.0	93.8	93.3
EBIT margin (%)	91.8	93.9	94.0	93.8	93.3
Capex to sales (%)	18.1	19.5	5.1	6.0	6.0
Capex to depreciation (%)	n/a	n/a	n/a	n/a	n/a

Property Statistics	**2014A**	**2015A**	**2016A**	**2017A**	**2018A**
Major Prop. Values - PFI (NZ$m)					
7-9 Niall Burgess Rd, Mt Wellington	24.7	27.3	28.9	31.0	32.0
54 Carbine Rd, Mt Wellington	19.9	22.4	25.8	26.4	28.6
6 Donner Place, Mt Wellington	17.4	14.5	15.0	15.1	15.1
686 Rosebank Rd, Avondale	31.1	32.2	33.4	35.0	40.0
212 Cavendish Drive, Manukau	14.7	17.1	19.1	22.4	29.7
3-5 Niall Burgess Rd, Mt Wellington	14.5	15.7	17.3	17.7	20.0
30-32 Bowden Rd, Mt Wellington	18.3	20.7	21.4	25.4	27.0
Major Prop. Values - DPF (NZ$m)					
Carlaw Commerical, Parnell	59.6	60.8	61.8	62.1	63.8
Carlaw Gateway, Parnell	33.7	33.8	35.0	35.0	35.5
78 Springs Road, East Tamaki	67.5	72.0	78.5	82.8	83.0
229 Dairy Flat Highway, Albany	22.0	22.9	24.7	27.0	28.0
15 Jomac Place, Avondale	19.9	21.0	23.6	24.0	24.5
Portfolio Summary					
Investment properties (NZ$m)	876.0	986.6	1,083.3	1,210.8	1,318.7
Weighted average lease term (yrs)	5.3	5.2	4.8	5.3	5.4
Occupancy rate (%)	98.5	99.6	99.6	99.9	99.3
Number of properties	79	84	83	92	94
NTA per share (NZ$)	1.30	1.41	1.61	1.63	1.78

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

1H19 — Key points of interest

Underlying rental growth coming through

PFI has reported a 1H19 result close to expectations, with little in the way of surprises apart from a boost in AFFO due to sharply lower maintenance capex in the period. The 1H19 distributable profit per share was 4.22cps and slightly down on our forecast of 4.30cps due to a higher effective tax rate (19% in the pcp vs 23% in 1H19). Net income was up a solid +4% driven equally by rent reviews and acquisitions. There were nine market reviews that had annualised rental increases of +3.3% which resulted in contract rents settling ~5% above December 2018 market rental levels. PFI noted that incentive levels were low for new leases highlighting the tenant demand.

FFO was very close to expectations and was steady on the pcp, up +0.8% and in line with our expectations of a flat distributable profit in the period. AFFO of 4.11cps was +7% ahead of our forecast of 3.83cps and up +17% due to a significantly lower than forecast maintenance capex of just NZ$0.3m in 1H19. Maintenance capex will be significantly higher in 2H19, however, PFI is guiding to maintenance capex of 30bpts in FY19 compared to its long run expectations of 35bpts.

Figure 1. 1H19 result summary (NZ$m)

Financial period	1H18	1H19	Change	Forbar	Var	Comments
6 months ending	*06/18*	*06/19*	**pcp**			
Underlying profit & loss (NZ$000s)						
Net income	37,865	39,393	4.0%	39,204	0.5%	In line
Base corporate costs	(2,510)	(2,607)	3.9%	(2,437)	7.0%	
EBITDA	35,487	36,961	4.2%	36,734	0.6%	
Net interest	(9,157)	(9,582)	4.6%	(9,530)	0.5%	
PBT	26,330	27,379	4.0%	27,204	0.6%	
Current tax	(5,241)	(6,322)	20.6%	(5,757)	9.8%	Effective tax rate of 23%
NPAT (underlying)	**21,089**	**21,057**	**-0.2%**	**21,453**	**-1.8%**	In line
Amortisation of incentives and other	1,147	1,359	18.5%	1,240	9.6%	
Funds from operations (FFO)	**22,236**	**22,416**	**0.8%**	**22,687**	**-1.2%**	
Maintenance capex	(3,501)	(374)	-89.3%	(2,364)	-84.2%	Very low, signalling 30bpts for FY19
Tenant incentives, leasing fees and other	(1,194)	(1,556)	30.3%	(1,240)	25.5%	
Adjusted funds from operations	**17,541**	**20,486**	**16.8%**	**19,083**	**7.3%**	
NPAT underlying	21,089	21,057	-0.2%	21,453	-1.8%	
Investment property revaluations	7,948	23,449	195.0%	9,126	156.9%	Interim reval across 13 properties
Other non-operating adjustments	533	1,879	252.5%	-	-	
NPAT (reported)	**29,570**	**46,385**	**56.9%**	**30,573**	**51.7%**	NTA up 5.4cps to NZ$1.83 since Dec18
Weighted shares on issue (000s)	**498,723**	**498,723**	**-**	**498,723**	**-**	
NPAT (Forbar) per share (cps)	4.23	4.22	-0.2%	4.30	-1.8%	
FFO per share (cps)	4.46	4.49	0.8%	4.55	-1.2%	
AFFO per share (cps)	3.52	4.11	16.8%	3.83	7.3%	Lower Maintenance capex
Dividends (cps)	3.60	3.60	-	3.60	-	
Pay-out (NPAT)	85%	85%	0.2%	84%	1.9%	
Pay-out (FFO)	81%	80%	-0.8%	79%	1.2%	
Pay-out (AFFO)	102%	88%	-14.4%	94%	-6.8%	Targeting 95-100% AFFO pay-out % FY19

Source: Forsyth Barr analysis

Comfortable with gearing and looking to further acquisitions

PFI's balance sheet is very flexible with gearing currently sitting at 31.1%, well below its internally targeted range of 40% and bank covenants of 50%. Management provided sentiment to suggest that gearing will tick upward in the 2H, stating that given its debt position, investment in new prime industrial is possible ahead of divesting of non-core assets. An increase in debt is also being offset by the historically low interest rate environment, providing a ~34bps reduction in PFI's WACD to 4.56% over the LTM.

Steady dividend well covered by AFFO provides some upside

The 2Q19 dividend was 1.8cps, bringing the 1H19 dividend to 3.6cps. The record date is 24 August and payment is on 4 September. The dividend was as per our forecasts and equated to a low 88% pay-out of PFI's calculated AFFO of 4.11cps. This provides some slight upside risk to the 7.60cps FY19 dividend guidance.

Guidance was reiterated for a dividend of 7.60cps in FY19 and PFI expects this to be at the mid-point range of 95% to 100% of AFFO, as per the dividend policy. This indicates some modest upside risk to the dividend and our AFFO forecasts. PFI has indicated that FY19 FFO in the middle of a target range is likely to be 8.95cps and is close to our forecast of 9.05cps.

NTA up +3% to NZ$1.83

There was an interim revaluation across 13 properties with an +8.8% uplift that has increased the NTA to NZ$1.83, up +3% from NZ$1.78. The total portfolio is 94 properties with a book value of NZ$1,363m. The revaluation gain was driven by a combination of new leases, cap rate compression and market rental growth on existing leases. PFI indicated its overall passing yield was 6.09%, which is well placed for further cap rate compression given CBRE's estimate for market yields for prime Auckland industrial at 5.17% and secondary Auckland industrial at 6.08%. Estimates also propose that PFI's portfolio is ~5% under rented

Market conditions — a mixed bag but demand is robust

The first 6 months of the year has seen business confidence trend downward, coupled with the recent RBNZ 50bps rate cut, uncertainty in overseas markets and trade tensions heightening, forecast growth at a macro level is expected to continue to deteriorate. Although PFI commented that it is seeing some tenants feel the repercussions of a cooling economy, demand for prime industrial property remains very robust.

Portfolio Activity

Portfolio Theory

Occupancy sits at 99.7%, up slightly and the 2.8% and 9.4% of contract rent that expires over 2H19 and FY20 respectively looks very manageable. The 2H19 lease expiries has now dropped to 1.5% post the interim balance date due to recent leasing. The WALT is steady versus the pcp at 5.7 years and the portfolio weighting to Auckland (84%) and to industrial property (87%) increased slightly over the year.

PFI continues to make progress transitioning away from non-industrial properties. It has purchased NZ$51m of new industrial opportunities in Auckland and divestment of non-core property has commenced. PFI has a mixed use property in Albany (book value NZ$28m) that is currently on the market.

Choosing their positions wisely

In a hot property market PFI is taking an appropriately "cautious view to buying new property". Hence, during the period PFI made only two major acquisitions, both of which PFI has highlighted aligns with its strategy to divest of non-core assets, replacing them with quality industrial properties situated in highly demanded areas in Auckland.

51–61 Spartan road, Takinini was acquired for NZ$17.2m at a yield of 5.35%, and has locked in ASX listed MaxiTRANS as its tenant for a 12 year lease term. Although the property is functional in its current sate, PFI is exploring further development potential. The acquisition of the property settled on 28 March 2019.

Secondly, PFI recently announced the conditional off-market acquisition of an industrial property at Tidal Road, Mangere for NZ$34.2m on 14 August 2019. The property will be developed for logistics provider, Supply Chain Solutions, who is secured for a lease term of 12 years. With the completed development expected in February 2021, the acquisition will provide a yield of 5.35%. PFI is funding the development at an attractive rate which is boosting the overall initial yield.

Both of these properties will be subject to fixed rent reviews, increasing 2.75% and 2.5% p.a. respectively.

Figure 2. PFI 1H19 Major Acquisitions

Location	51-61 Spartan Road, Takanini	Tidal Road, Mangere
Purchase price	$17.2m	$34.2m
Tenant	MaxiTRANS	Supply Chain Solutions
Property description	Generic Industrial, Development potential	Generic Industrial development
Purchase yield	5.35%	5.35%
Lease term	12 years	12 years
Rent reviews	Fixed rent reviews, 2.75% p.a.	Fixed rent reviews, 2.50% p.a.

Source: Forsyth Barr analysis, Company Reports

Minor forecast changes

We have made only minimal changes to our forecasts and essentially just the adding in of the Spartan Road property that was acquired during the period. We have increased our AFFO forecasts slightly based on PFI's guidance for FY19 maintenance capex.

Our target price has lifted slightly from NZ$1.78 to NZ$1.81 on the back of a lift in NAV and a slightly higher DCF, reflecting the Spartan Road acquisition and the time value of money impact since our last update.

Figure 3. Forecast changes (NZ$m)

	2019E			2020E			2021E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Net income	**78.4**	**79.1**	**0.9%**	**79.6**	**80.3**	**0.9%**	**80.8**	**81.5**	**0.9%**
Corporate costs	(4.7)	(4.7)	-	(5.0)	(5.0)	0.0%	(5.4)	(5.4)	-
EBITDA	**73.7**	**74.3**	**0.9%**	**74.6**	**75.3**	**0.9%**	**75.4**	**76.1**	**0.9%**
Net interest	(19.4)	(19.7)	1.2%	(19.4)	(19.9)	2.7%	(19.1)	(19.7)	3.2%
Current tax	(11.5)	(11.7)	1.7%	(12.2)	(12.1)	-0.7%	(12.7)	(12.6)	-0.7%
NPAT (underlying)	**42.7**	**43.0**	**0.6%**	**43.0**	**43.2**	**0.6%**	**43.6**	**43.8**	**0.4%**
Net incentives	-	-	**-**	-	-	**-**	-	-	**-**
Maintenance capex	(4.7)	(4.1)	**-14.3%**	(4.8)	(4.8)	**-0.0%**	(4.9)	(4.9)	**-0.0%**
AFFO	38.0	38.9	**2.5%**	38.2	38.4	**0.7%**	38.7	38.9	**0.5%**
EPS (cps)	8.56	8.61	0.6%	8.62	8.67	0.6%	8.74	8.77	0.4%
AFFO (cps)	7.61	7.80	2.5%	7.66	7.71	0.7%	7.76	7.79	0.5%
DPS (cps)	7.60	7.60	-	7.65	7.65	-	7.65	7.65	-
Payout - EPS	89%	88%	-0.5%	89%	88%	-0.5%	88%	87%	-0.4%
Payout - AFFO	100%	97%	-2.4%	100%	99%	-0.7%	99%	98%	-0.5%

Source: Forsyth Barr analysis, Company reports

Investment summary

Property for Industry (PFI) has continued its strong track record of reliable and steady performance underpinned by a clear, low risk strategy. PFI's large specialised industrial portfolio is centred on the key precincts in the Auckland market, and it remains well positioned to continue to deliver the defensive attributes it has to date. Revaluation gains have been very strong in recent years, driven primarily by significant cap rate compression for Auckland industrial assets. Rental growth has been slower but is starting to appear. PFI trades at a moderate premium to its peers on dividend yield and price-to-book multiples. In our view this is justified given its large industrial exposure, a best-in-class management expense ratio, and a pay-out ratio below peers. Our rating is NEUTRAL.

Earnings and cash flow outlook

- **Transactional activity:** PFI has ~NZ$80m of uncommitted debt capacity. We expect PFI will continue to be opportunistic with respect to acquisitions.
- **Development activity:** PFI's NZ$7m spec development on surplus land at 212 Cavendish Drive has now been leased to Kiwi Steel on a 15-year term.

Business quality

- **Property fundamentals:** PFI has occupancy of 99.7% and a WALT of 5.7 years. A deep occupier market and change of use optionality over the medium term provides defensive attributes for the industrial market.
- **Defensive qualities:** Industrial property has a very stable earnings profile and has proven to be a resilient asset class through the cycle. Over 80% of PFI's portfolio is weighted to the Auckland industrial market, which continues to experience record low vacancy underpinned by strong tenant demand.

Financial structure

- **Balance sheet capacity plus an intention to recycle more assets:** Balance sheet is solid at 31% geared, well below the 50% banking covenant limit and its self-imposed 40% maximum gearing. PFI has a well-diversified debt book with four banks in its syndicate and two issued bonds.
- **FY18 revaluation gain:** This was NZ$66.4m lifting its NTA to NZ$1.78 (up +8.9%). An interim 1H19 revaluation on 13 properties has further lifted NTA to NZ$1.83.

Risks factors

- **Rising interest rates:** Higher interest rates make other yield investments more attractive relative to listed property dividend yields.
- **Maintenance capex:** Industrial property requires a lower level of maintenance than other property sectors, albeit this is still a risk.

Company description

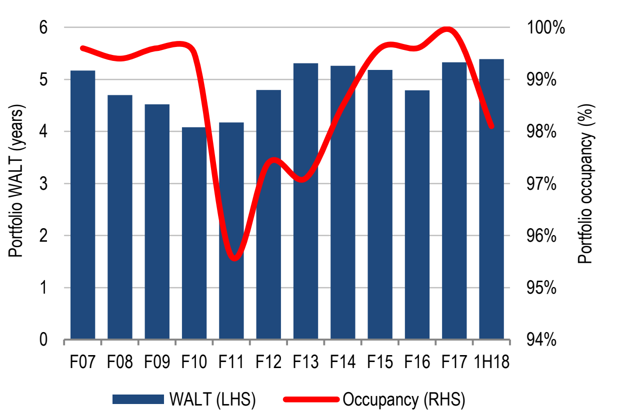
PFI is NZ's largest specialist industrial property landlord. Its portfolio has 94 mostly industrial properties with 148 tenants and a total value of NZ$1,368m as at June 2019. PFI's portfolio is ~84% weighted to Auckland and it has properties in most major Auckland industrial precincts. On 1 July 2013 PFI merged with Direct Property Fund, an unlisted property entity, substantially lifting the scale of the portfolio. PFI has recently completed internalising its management after being externally managed by McDougall Reidy & Co and AMP Capital prior to that.

Figure 4. Sector and regional portfolio exposure

	Auckland	Other North Island	South Island	Total
Industrial	70%	12%	5%	86%
Office	7%	0%	-	7%
Mixed use	5%	1%	-	6%
Total	82%	13%	5%	100%

Source: Forsyth Barr analysis, company reports Note: Data is based on reported portfolio as at 31/12/17

Figure 5. Portfolio metrics



Source: Forsyth Barr analysis, company reports

Figure 6. Substantial Shareholders

Shareholder	Latest Holding
ANZ NZ Investments	7.3%
ACC	5.3%

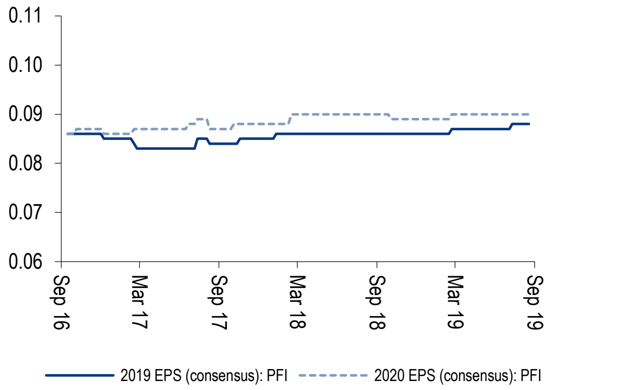
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 7. International Compcos

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash D/Yld
(metrics re-weighted to reflect PFI's balance date - December)			(m)	2019E	2020E	2019E	2020E	2019E	2020E	2020E
Property For Industry	**PFI NZ**	**NZ$2.34**	**NZ$1,165**	**27.1x**	**26.9x**	**21.0x**	**20.7x**	**21.0x**	**20.7x**	**3.3%**
Argosy Property *	ARG NZ	NZ$1.42	NZ$1,170	21.2x	20.8x	19.7x	18.8x	19.7x	18.8x	4.4%
Goodman Property Trust *	GMT NZ	NZ$2.13	NZ$2,768	31.0x	30.5x	26.3x	24.9x	26.3x	24.9x	3.1%
Investore *	IPL NZ	NZ$1.91	NZ$497	23.5x	23.1x	20.0x	19.7x	20.0x	19.7x	4.0%
Kiwi Property Group *	KPG NZ	NZ$1.61	NZ$2,325	22.8x	21.9x	20.3x	19.1x	20.3x	19.1x	4.4%
Asset Plus *	APL NZ	NZ$0.64	NZ$103	17.3x	17.3x	12.8x	12.9x	12.8x	12.9x	5.7%
Precinct Properties NZ *	PCT NZ	NZ$1.84	NZ$2,411	28.3x	26.9x	31.7x	23.6x	31.7x	23.6x	3.5%
Stride Property *	SPG NZ	NZ$2.33	NZ$851	22.1x	21.3x	21.0x	19.5x	21.0x	19.5x	4.3%
Vital Healthcare *	VHP NZ	NZ$2.62	NZ$1,169	27.2x	26.0x	23.1x	22.1x	23.1x	22.1x	3.4%
			Compco Average:	**24.2x**	**23.5x**	**21.9x**	**20.1x**	**21.9x**	**20.1x**	**4.1%**
EV = Current Market Cap + Actual Net Debt			**PFI Relative:**	**+12%**	**+15%**	**-4%**	**+3%**	**-4%**	**+3%**	**-20%**

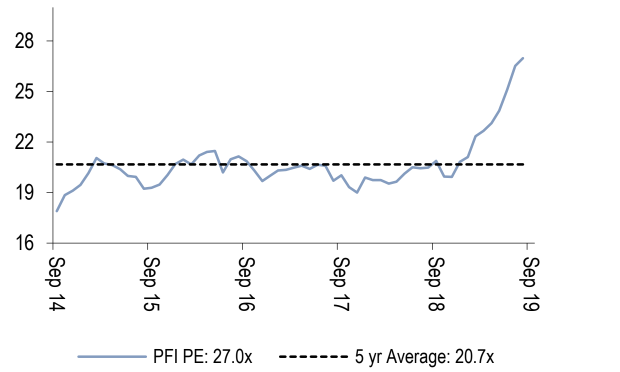
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (PFI) companies fiscal year end

Figure 8. Consensus EPS Momentum



Source: Forsyth Barr analysis, Bloomberg

Figure 9. 12 Month Forward PE



Source: Forsyth Barr analysis