

Frasers Logistics & Industrial Trust

3QFY18 Results Presentation



1 August 2018



Bakker Logistics Facility, Zeewolde, The Netherlands

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3QFY18 Highlights



Clifford Hallam Facility, Victoria, Australia

Performance Highlights

Distributable Income

- ◆ 3QFY18 Distributable Income of A\$30.7 million, up 22.4% from 3QFY17
- ◆ 3QFY18 Distribution Per Unit (“**DPU**”) of 1.80 Singapore cents, up 2.9% from 3QFY17

Portfolio Metrics

- ◆ Three leases signed/renewed in Australia
- ◆ As at 30 June 2018: WALE of 7.01 years and high occupancy of 99.3% maintained
- ◆ Reduced near-term expiries in FY2018 and FY2019 to 0.1% and 3.4% respectively

Acquisition Completion

- ◆ Completed the acquisition of 21 prime industrial properties in key global logistics hubs in Germany and the Netherlands on 25 May 2018

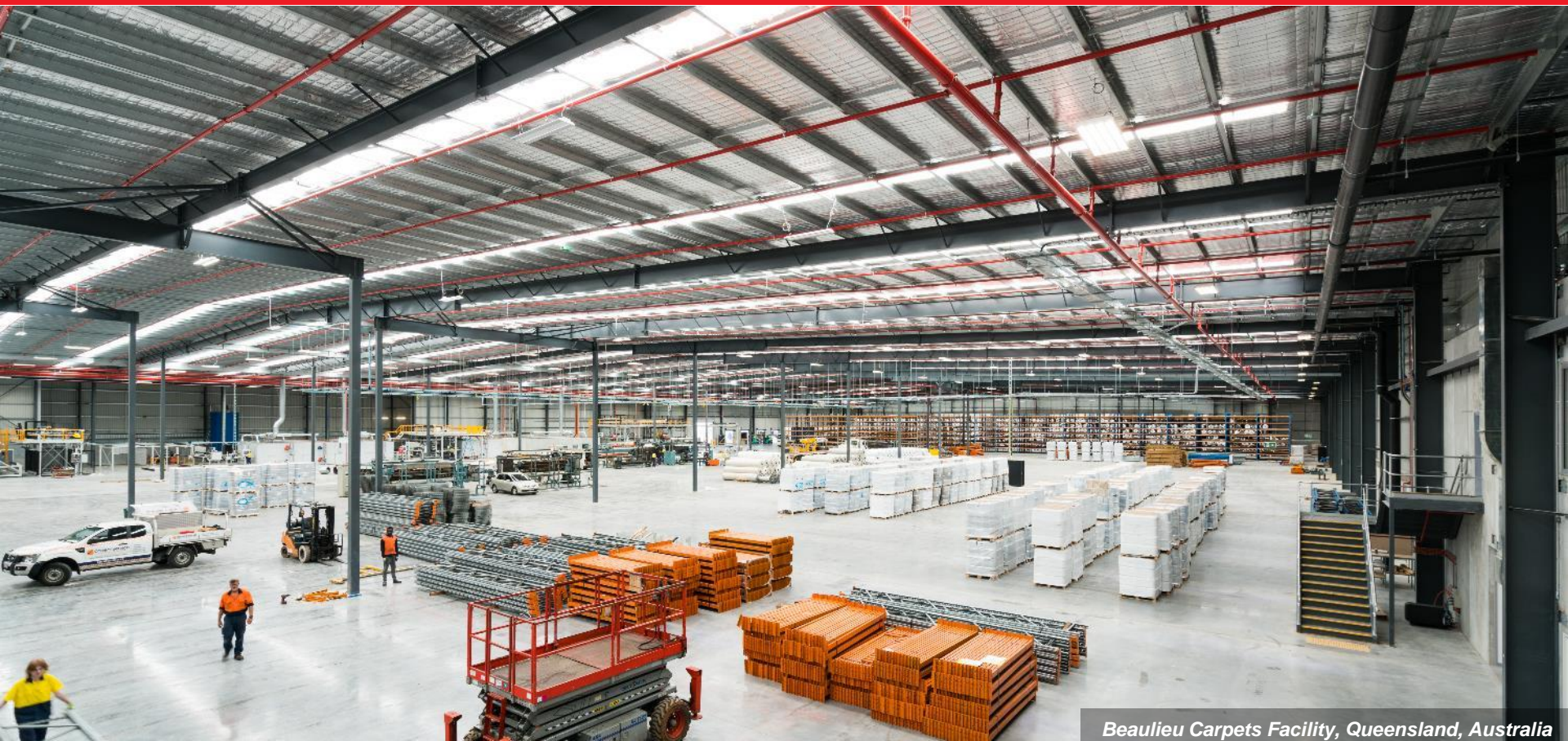
Proposed Divestment

- ◆ Announced proposed divestment of 80 Hartley Road, Smeaton Grange, New South Wales, Australia for A\$90.5 million (40.3% premium above book value of A\$64.5 million as at 31 March 2018) on 3 July 2018

Capital Management

- ◆ Gearing of 36.3% with debt headroom of A\$469 million as at 30 June 2018
- ◆ 81% of borrowings at fixed interest rates

Financial Review



Financial Performance 1 April 2018 - 30 June 2018

(A\$'000)	3QFY18	3QFY17 ⁽¹⁾	Change (%)	Remarks
Gross revenue	49,322	40,226	22.6	<ul style="list-style-type: none"> The 2018 Acquisition Transaction⁽³⁾ contributed NPI of A\$5.0 million (€3.2 million) from 26 May 2018 to 30 June 2018
Adjusted net property income ⁽²⁾	39,287	30,843	27.4	<ul style="list-style-type: none"> The four completed properties in the 2017 Acquisition Transaction⁽⁴⁾ and the Beaulieu, Stanley Black & Decker and Clifford Hallam facilities, which had achieved practical completion on 13 October 2017, 17 November 2017 and 4 May 2018 respectively, contributed adjusted NPI of A\$2.4 million Net effect of the annual fixed increment in the Australian portfolio
Finance costs	(6,506)	(4,220)	(54.2)	<ul style="list-style-type: none"> Higher borrowings drawn to finance the 2017 Acquisition Transaction and the 2018 Acquisition Transaction and existing debt of approximately €265.2 million (A\$418.6 million) assumed with the 2018 Acquisition Transaction
Distributable income to Unitholders	30,666	25,047	22.4	<ul style="list-style-type: none"> Contributions from the 2018 and 2017 Acquisition Transactions; <i>which was partially offset by:</i> Higher finance costs; and Corporate income tax for the New Properties and higher withholding tax paid
DPU ⁵ (Singapore cents)	1.80	1.75	2.9	<ul style="list-style-type: none"> Higher hedged exchange rate of A\$1.00:S\$1.0214⁽⁶⁾ (3QFY17: A\$1.00:S\$1.002); <i>which was partially offset by:</i> 41% increase in the number of units in issue at 30 June 2018 compared to 30 June 2017⁽⁷⁾

1. The comparative figures are for the quarter from 1 April 2017 to 30 June 2017. These figures are extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 28 July 2017

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

3. On 20 April 2018, FLT announced its second portfolio acquisition of 17 industrial properties located in Germany and 4 located in the Netherlands (the "New Properties") for an aggregate consideration of approximately €596.8 million (the "2018 Acquisition Transaction") which was completed on 25 May 2018

4. 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")

5. 100% of management fees is taken in the form of units for 3QFY18 and 3QFY17

6. A 100 bps points movement in AUD:SGD exchange rate will result in 0.02 Singapore cents movement in DPU. Movements in €:SGD will not have a material impact on FY18 DPU as the 2018 Acquisition Transaction was completed on 25 May 2018

7. Due to the issuance of management fee units, placement units and preferential offering for the 2017 and 2018 Acquisition Transactions.

Financial Performance 1 October 2017 - 30 June 2018

(A\$'000)	9MFY18	9MFY17 ⁽¹⁾	Change (%)	Remarks
Gross revenue	135,327	120,843	12.0	
Adjusted net property income ⁽²⁾	106,092	92,415	14.8	<ul style="list-style-type: none"> Adjusted NPI contributions of the 2017 Acquisition Transaction of A\$6.4 million and 2018 Acquisition Transaction of A\$5.0 million (€3.2 million) Net effect of the annual fixed increment in the Australian portfolio
Finance costs	(16,159)	(12,485)	(29.4)	<ul style="list-style-type: none"> Higher borrowings drawn to finance the 2017 Acquisition Transaction and 2018 Acquisition Transaction and existing debt of approximately €265.2 million (A\$418.6 million) assumed with the 2018 Acquisition Transaction
Distributable income to Unitholders	82,386	74,984	9.9	<ul style="list-style-type: none"> Contributions from the 2018 and 2017 Acquisition Transactions; <i>which were partially offset by:</i> Higher finance costs; and Corporate income tax for the New Properties and higher withholding tax paid
DPU (Singapore cents)	5.41	5.24	3.2	<ul style="list-style-type: none"> Higher hedged exchange rate of A\$1.00:S\$1.0466 (9MFY17: A\$1.00:S\$1.0011); <i>which was partially offset by:</i> 41% increase in the number of units in issue as at 30 June 2018 compared to 30 June 2017⁽³⁾; and The Manager has elected to receive 82.9% (9MFY17: 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, 9MFY18 DPU would have been 5.28 Australian cents (9MFY17: 5.24 Australian cents))

1. The comparative 9MFY17 figures are an aggregate of the 1QFY17 (extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 3 February 2017), 2QFY17 (extracted from Paragraph 1 of FLT's Financial Statements Announcement dated 5 May 2017) and 3QFY17 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, placement units and preferential offering for the 2017 and 2018 Acquisition Transactions.

Distribution

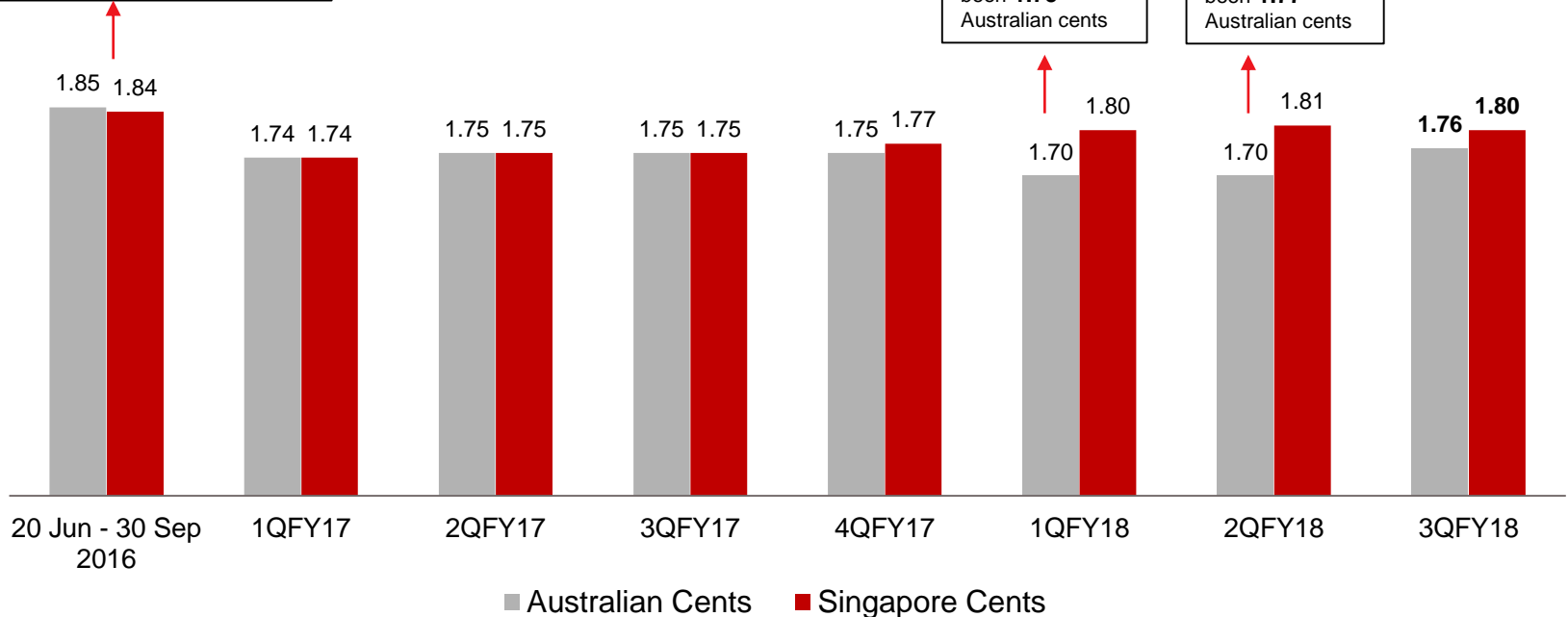
Distributions made on a semi-annual basis for the six-month period ending 31 March and 30 September

DPU History

Includes DPU of **0.10** Singapore cents (0.10 Australian cents) for the period from 20 Jun to 30 Jun 16

Assuming 100% of management fees were paid in units, 1QFY18 DPU would have been **1.75** Australian cents

Assuming 100% of management fees were paid in units, 2QFY18 DPU would have been **1.77** Australian cents



Balance Sheet

The value of investment properties increased 48.6% from A\$1.91 billion as at 30 September 2017 to A\$2.84 billion as at 30 June 2018, due mainly to:

- Completion of the 2018 Acquisition Transaction on 25 May 2018 (A\$942.0 million);
- Completion of the Stanley Black and Decker Facility (A\$16 million) on 17 November 2017, Clifford Hallam Facility on 4 May 2018 (A\$20 million), and the Stramit AEI (A\$2.1 million)
- FLT is in a net current liability position as at 30 June 2018 as A\$237 million of term loans which are repayable within the next 12 months are classified to current borrowings. This includes a A\$170 million term loan and also the instalment repayments for the debt assumed with the 2018 Acquisition Transaction. The REIT Manager is in discussion with banks to refinance these loans

(A\$'000)	As at 30 Jun 18	As at 30 Sep 17
Investment properties	2,839,672	1,910,975
Other non-current assets	1,441	3,077
Current assets	140,277	62,272
Total assets	2,981,390	1,976,324
Non-current liabilities	866,726	592,797
Current liabilities	265,824	46,011
Total liabilities	1,132,550	638,808
Net asset value per Unit (A\$)	0.91	0.88
Net asset value per Unit (S\$)	0.92⁽¹⁾	0.94⁽²⁾

1. Based on an exchange rate of A\$1.00:S\$1.0099 as at 30 June 2018

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

Capital Management

- ◆ 81% of borrowings are at fixed interest rates, which mitigates volatility from potential fluctuations in borrowing costs
- ◆ Available debt headroom of A\$469 million to reach 45.0% aggregate regulatory leverage limit

As at 30 June 2018	
Aggregate Leverage	36.3%
Total Gross Borrowings	A\$1,082 million
Weighted Average Cost of Borrowings ⁽¹⁾	2.5%
Interest Coverage Ratio	6.4 times
Average Weighted Debt Maturity	3.2 years

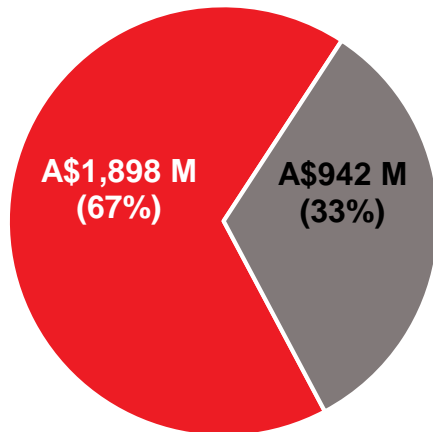
1. Excluding upfront debt related expenses

Investment Properties and Debt

- ◆ The Australian portfolio and European portfolio respectively accounted for approximately 67% and 33% of total investment properties as at 30 June 2018
- ◆ Debt:
 - Australian portfolio: A\$630 million (58% of total debt)
 - European portfolio: A\$452 million (42% of total debt)

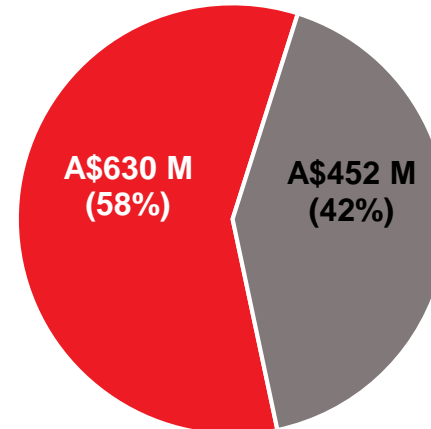
As at 30 June 2018

Investment properties



■ Australian portfolio ■ European portfolio

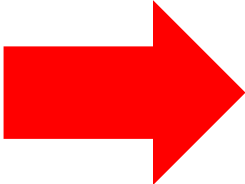
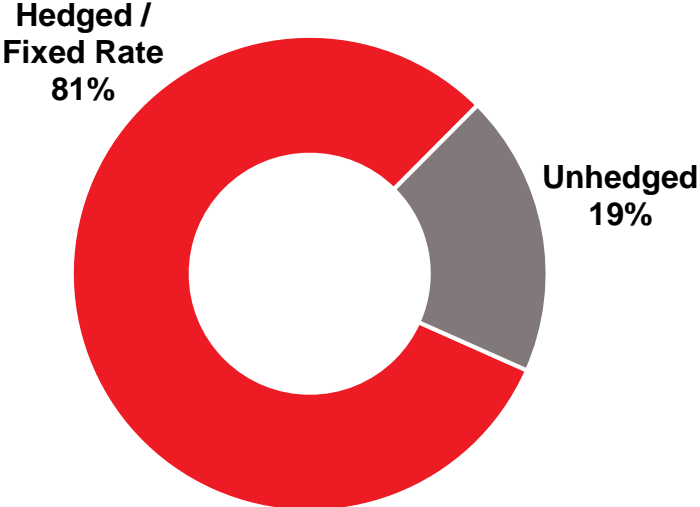
Debt



■ A\$ Debt ■ € Debt

Interest Rate Risk Management

- ◆ Approximately 81% of total debt is hedged or drawn in fixed rates

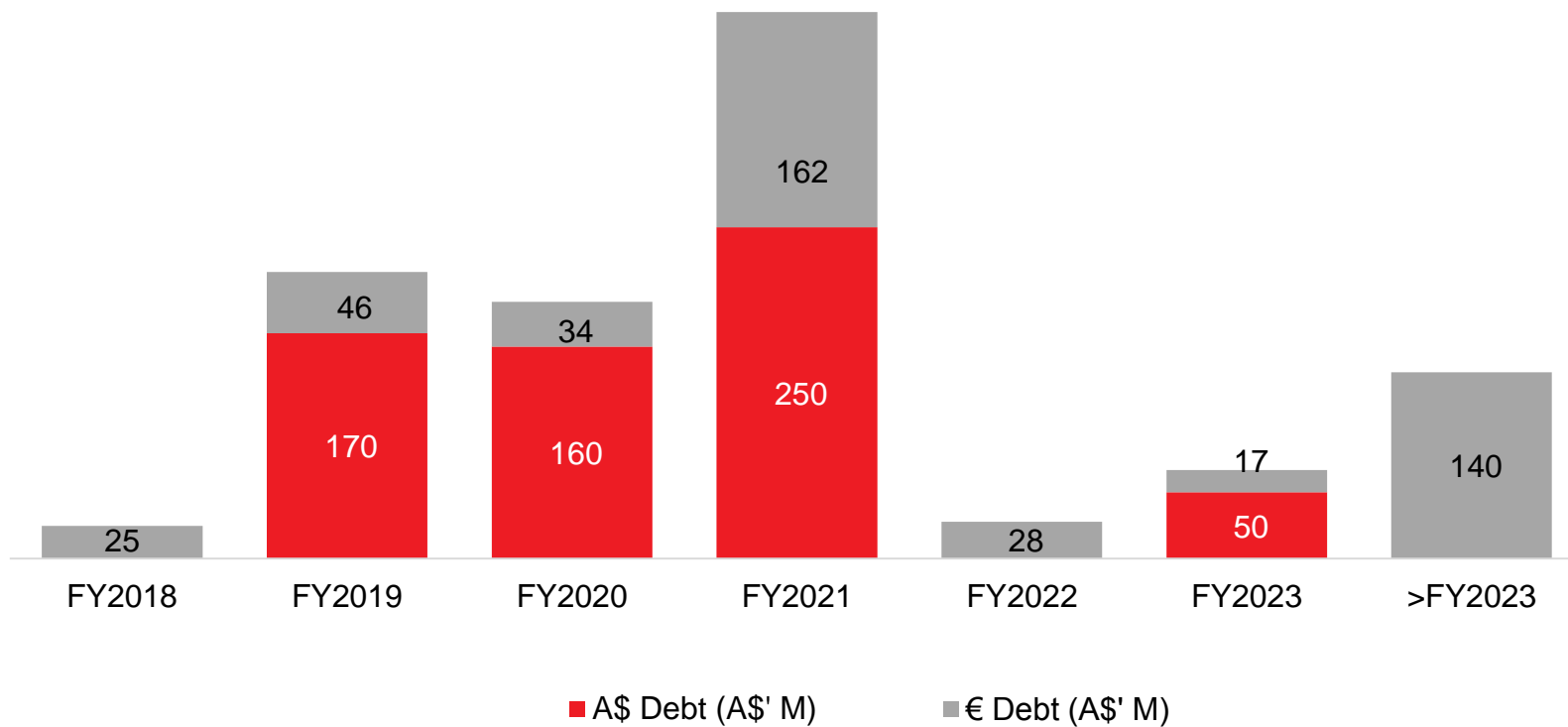


Breakdown of unhedged debt	
AUD	110 M
EURO	97 M

■ Hedged / Fixed Rate ■ Unhedged

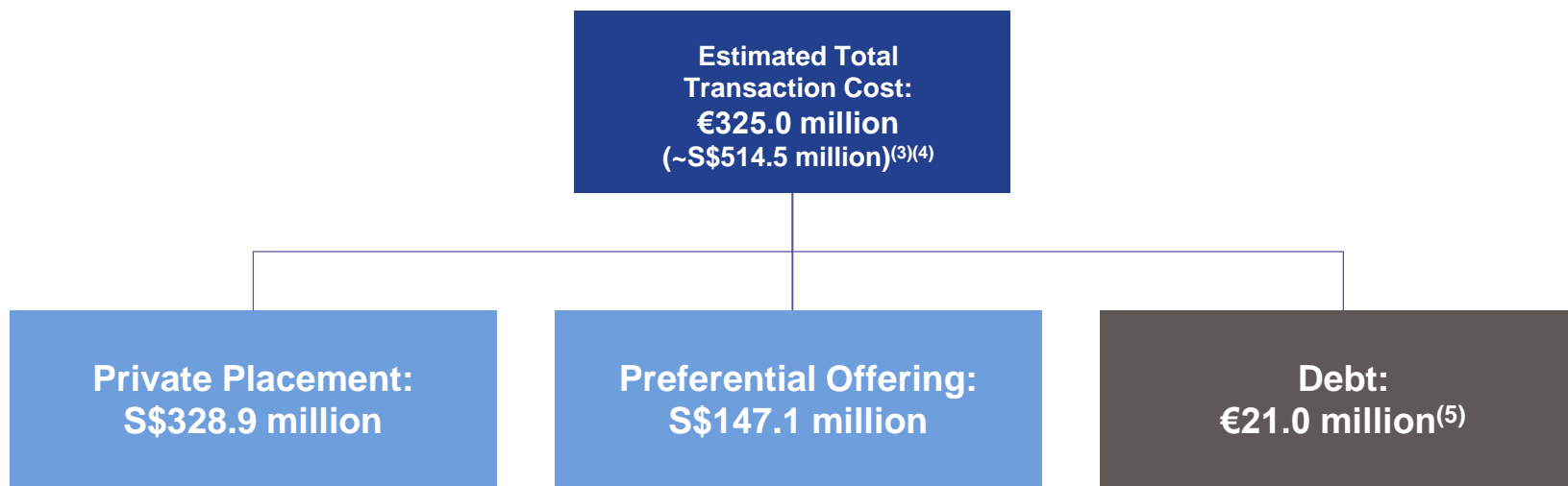
Debt Maturity Profile

- ◆ The average weighted debt maturity is 3.2 years



Equity Fund Raising for 2018 Acquisition Transaction

- ◆ Raised S\$476.0 million to finance the acquisition of the New Properties:
 - S\$328.9 million from a private placement which was 3.9 times subscribed and priced at S\$0.987 (representing a 1.3% discount to the adjusted volume weighted average price of S\$1.0003 per unit)⁽¹⁾
 - S\$147.1 million from a preferential offering which was 1.9 times subscribed⁽²⁾
- ◆ A total of 485,352,437 new units were issued through the private placement and preferential offering



1. Refer to the announcement dated 10 May 2018 for details

2. Refer to the announcement dated 5 June 2018 for details

3. Based on an average exchange rate of €1:S\$1.583

4. Comprised (i) purchase consideration of €316.2 million, (ii) acquisition fee of €2.8 million (payable in the form of FLT units), and (iii) transaction costs of €6.0 million. The remaining costs were funded using internal funds

5. FLT assumed approximately €265.2 million of debt with the 2018 Acquisition Transaction

Portfolio Overview



Mazda Facility, Victoria, Australia

Portfolio Metrics

As at 30 June 2018	Australia ⁽¹⁾	Europe	Total
No. of Completed Properties	61	21	82
Appraised Value	A\$1.9 billion ⁽²⁾	A\$1.0 billion ⁽³⁾⁽⁴⁾	A\$2.9 billion
GLA	1,354,228 sq m ⁽¹⁾	620,786 sq m	1,975,015 sq m
Average Property Age	7.5 years	7.9 years	7.7 years
Occupancy Rate	99.0%	100%	99.3%
Weighted Average Lease Expiry (“WALE”)⁽⁵⁾	6.83 years	7.53 years	7.01 years
Average Fixed Annual Rental Increment	3.1%	CPI-linked/Fixed ⁽⁶⁾	N.A.



1. For avoidance of doubt, the portfolio metrics for Australia includes 80 Hartley Street, Smeaton Grange, New South Wales, although a proposed sale of the property was announced on 3 July 2018
2. Based on the appraised value of FLT's existing portfolio of approximately A\$1.9 billion as at 30 September 2017 (Includes the balance of the acquisition amounts payable in respect of the Beaulieu, Stanley Black & Decker and Clifford Hallam Facilities, which were completed on 13 October 2017, 17 November 2017 and 4 May 2018, respectively)
3. Based on the appraised value of approximately €603.9 million for the New Properties acquired by FLT on 25 May 2018
4. Based on an exchange rate of €1:A\$1.58 as at 30 June 2018
5. Based on Gross Rental Income (“GRI”), being the contracted rental income and estimated recoverable outgoings for the month of June 2018. Excludes straight lining rental adjustments
6. 89% of the leases have either CPI-linked indexation or fixed escalations

Asset Management Overview

3QFY18 Leasing Update

**2-46 Douglas Street,
Port Melbourne,
Victoria, Australia**



- ❖ 18,541 sq m, 2-year lease extension with Toll Transport commencing 31 October 2019
- ❖ Annual Fixed Rental Increase: 2.50%
- ❖ No reversion

**18-34 Aylesbury Drive,
Altona, Victoria,
Australia**



- ❖ 9,077 sq m, 3-year lease agreement with Seaway Logistics, which commenced on 1 June 2018, upon expiry of existing lease to Cosmic on 31 May 2018
- ❖ Annual Fixed Rental Increase: 3.00%
- ❖ Reversion: -2.62%

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



- ❖ 42,100 sq m, 5-year lease extension with Inchcape commencing 21 August 2019
- ❖ Also signed a new 3-year lease over the adjoining 48,561 sq m commencing 14 August 2018⁽¹⁾
- ❖ Annual Fixed Rental Increase: 3.50%
- ❖ Reversion: 0.64%

3QFY18 total GLA leased/renewed: 118,279 sq m

3QFY18 average reversion: -0.05%

1. Aligns with the lease surrender by Mazda on 13 August 2018

Asset Enhancement

Keperstraße 10, 90451, Nuremberg, Germany














- ❖ Expansion of 22,355 sq m of modern Class A logistics space completed during the June quarter 2018
- ❖ 5,489 sq m of the expanded space leased to Johnson Outdoors for a 10-year lease term expiring 30 June 2028, with the additional 5,676 sq m and 11,190 sq m respectively taken up by existing tenants Roman and Hellmann

Well-diversified Tenant Base

Top 10 Tenants

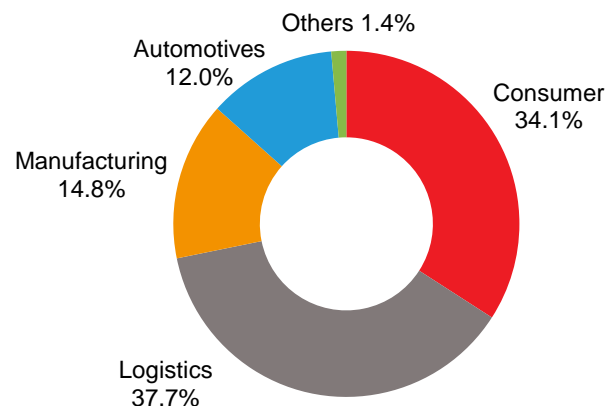
(% of GRI⁽¹⁾)

		% of GRI	WALE (Years)
Coles		10.0	11.4
CEVA Logistics		3.6	6.9
BMW		3.6	7.4
Schenker		3.2	6.4
Mainfreight		2.8	7.7
Constellium		2.4	9.0
Bakker Logistics		2.4	12.4
DSV Solutions	 	2.2	6.3
Techtronics Industries		2.2	4.1
Inchcape Motors		2.2	4.4

1. For the month of June 2018. Excludes straight lining rental adjustment

Breakdown of Tenants By Trade

(By GRI⁽¹⁾)



Consumer sector tenants



Logistics sector tenants



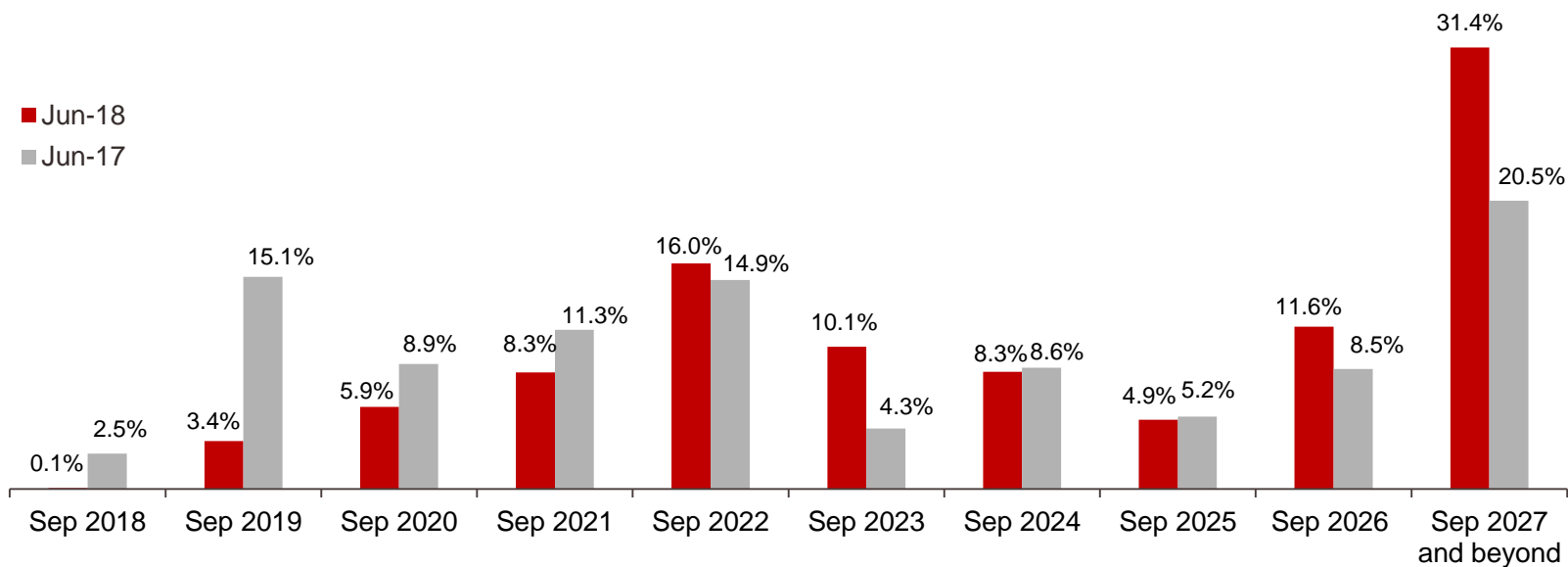
Automotive sector tenants



Lease Expiry Profile

7.01 years WALE⁽¹⁾ with no single financial year having more than 16.0% in lease expiries up to 30 September 2026

Lease Expiry by GRI



1. Based on GRI, being the contracted rental income and estimated recoverably outgoings for the month of June 2018. Excludes straight lining rental adjustments

Acquisitions and Divestments

◆ Acquisition

Purchased 21 prime industrial and logistics properties in Germany and the Netherlands on 25 May 2018 for €596.8 million⁽¹⁾



◆ Divestment

Proposed sale of a non-core property in Australia for A\$90.5 million announced on 3 July 2018

80 Hartley Street, Smeaton Grange, New South Wales

Sale Consideration A\$90.5 million

Premium to Book Value as at 31 March 2018 40.3%

Target Completion Date By October 2018



1. Based on 100% interest in each of the new properties and on the basis of the completion of the committed asset enhancement works (where applicable)

Outlook and Strategy



Economic Snapshot – Australia

Economic Growth

- ◆ Australian economy saw year-on-year GDP growth of 3.1% in the first quarter of 2018, consistent with the Reserve Bank of Australia's (RBA) forecast for GDP to average above 3 per cent in 2018/19
- ◆ 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 calendar year 2017 forecasts at 1.6% and net overseas migration contributed 63.2% to the growth

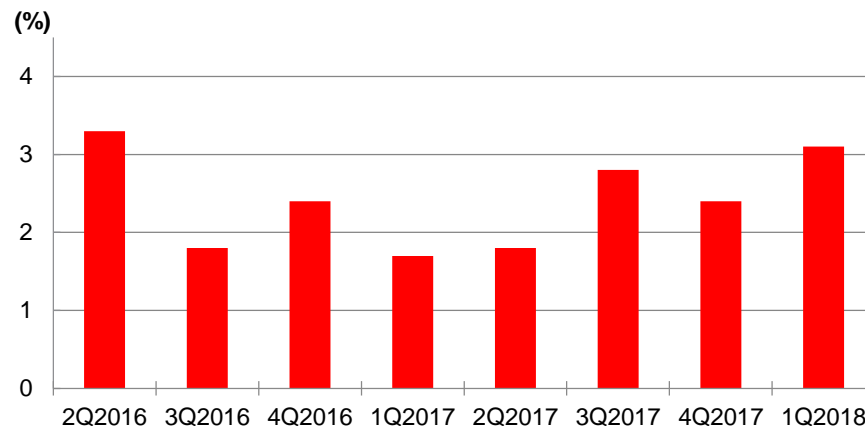
Official Interest Rates

- ◆ The RBA maintained the cash rate at 1.5%
- ◆ Australian government 10 year bond yields at 2.59%

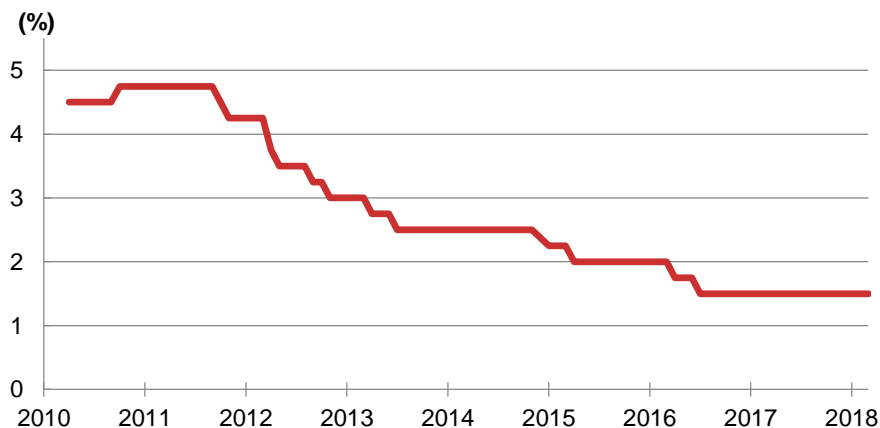
Unemployment Rate

- ◆ Low unemployment rate of 5.4% with workforce participation rate at 65.7%
- ◆ Wage growth at 2.1% and is expected to pick up gradually as the labour market strengthens.

Australian GDP Annual Growth Rates

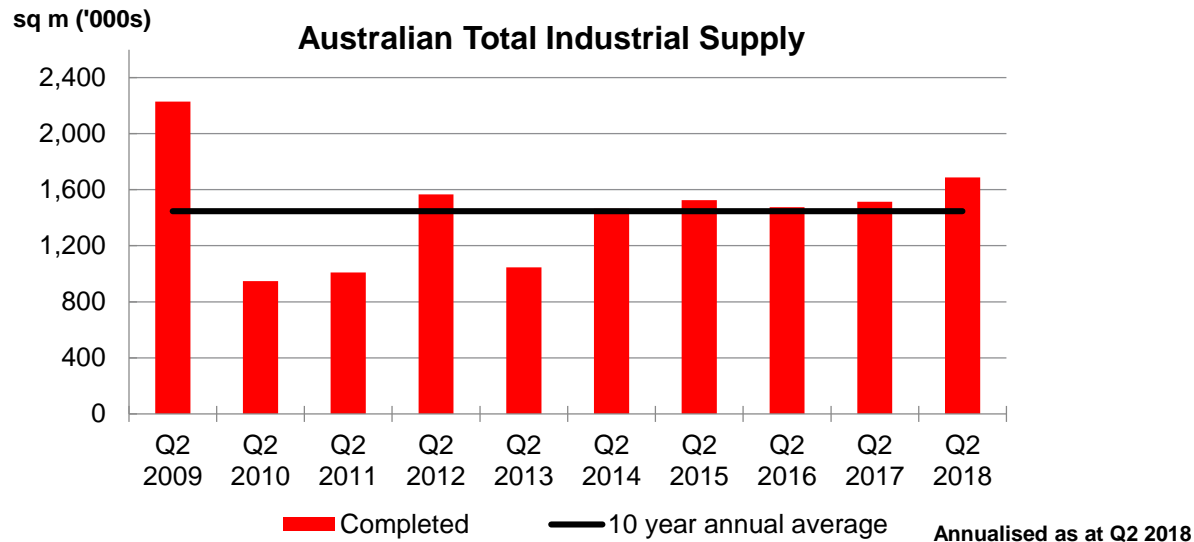


Australian Cash Rate



Australian Industrial Market

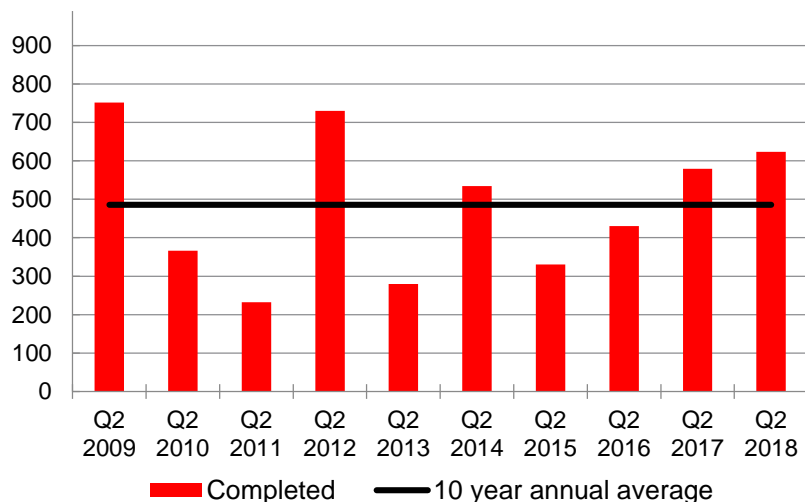
- ◆ Leasing market has been robust with year-to-date (“1H18”) **take-up levels** totalling 2.4 million sq m are 13% above the 10-year average. There has been a notable improvement in conditions reported for Brisbane (Southern precincts)
- ◆ Third party logistics providers (“**3PLs**”) and consumer sectors have been leading demand nationally and with the rise of online retailing becoming more significant. **E-Commerce** in Australia is growing at 29% per year and the growth will continue to have positive spillover effects on demand for industrial space
- ◆ **Australian industrial supply** is above the long term average with additions of nearly 340,000 sq m recorded in the second quarter of 2018 (“**2Q18**”). Sydney is in the midst of a development cycle and there has been increasing speculative developments as a result of the strong leasing market
- ◆ **Land value growth** has continued as a result of the demand-led expansion in development activity and re-zoning of land in certain precincts (especially South Sydney and Fisherman's Bend in Port Melbourne)
- ◆ **Prime yields** remain at the historically low levels



Sydney Industrial Market

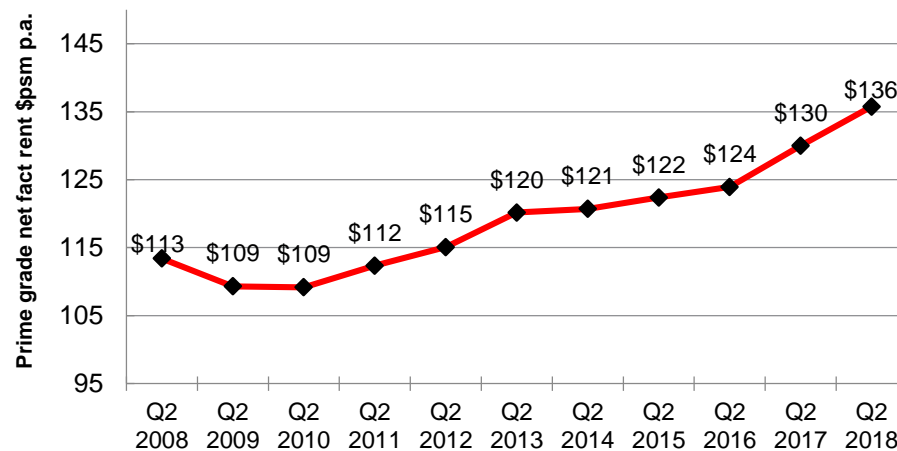
- ◆ **Supply:** Above-average supply is forecast to continue with completions of 373,000 sq m during 1H18 and a further 304,000 sq m under construction. However, a constrained supply of serviced land is likely to limit the amount of development activity post 2018
- ◆ **Demand:** Heightened demand has sustained with most absorption recorded in the Outer Central West; prime stock has accounted for most take-up, predominantly due to both pre-leased and speculative developments brought to the market. The major leasing activities over 2Q18 include DHL's pre-lease in Kemps Creek and Amazon which leased their first Sydney asset located in Moorebank
- ◆ **Rents:** Prime net rents are expected to remain stable over 2018 following the year-on-year growth of 4.4% across all precincts
- ◆ **Vacancy:** Available space is currently 40% below the historical average

SQ M ('000s) Sydney Industrial Total Supply



Annualised as at Q2 2018

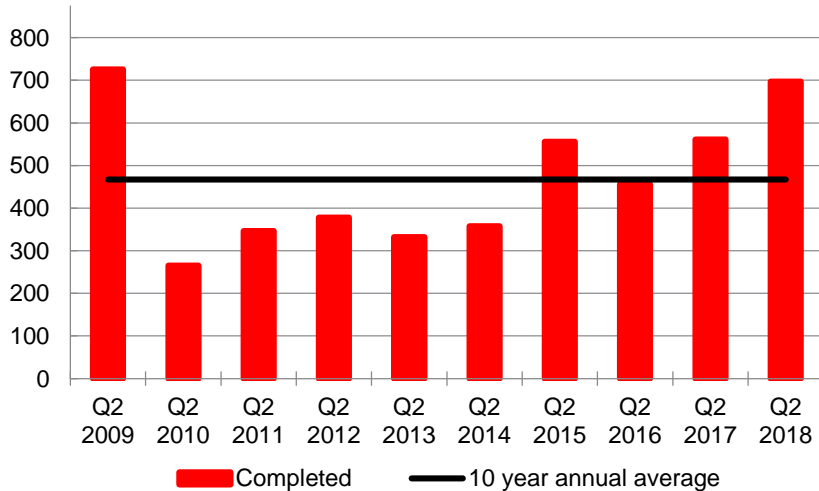
Sydney Industrial Prime Grade Net Face Rents



Melbourne Industrial Market

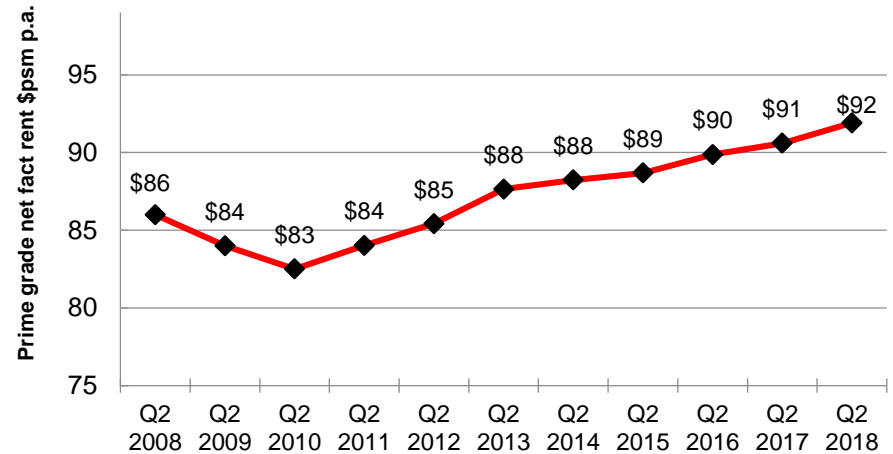
- ◆ **Supply:** Although Melbourne experienced modest additions of 95,000 sq m over 2Q18, annual supply levels have been increasing towards the previous construction peak (49% above long term average)
- ◆ **Demand:** Robust take-up levels of 268,200 sq m have been predominantly evident in the West and South East, driven by leases in existing assets
- ◆ **Rents:** Prime face rents have recorded a steady growth in the South East and there has seen an improvement in effective rents
- ◆ **Vacancy:** According to Knight Frank Research, vacancy is at its lowest level over the past four years, underpinned by a growing demand for industrial space (particularly from the e-commerce and transport & logistics sectors) and limited vacancy additions

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



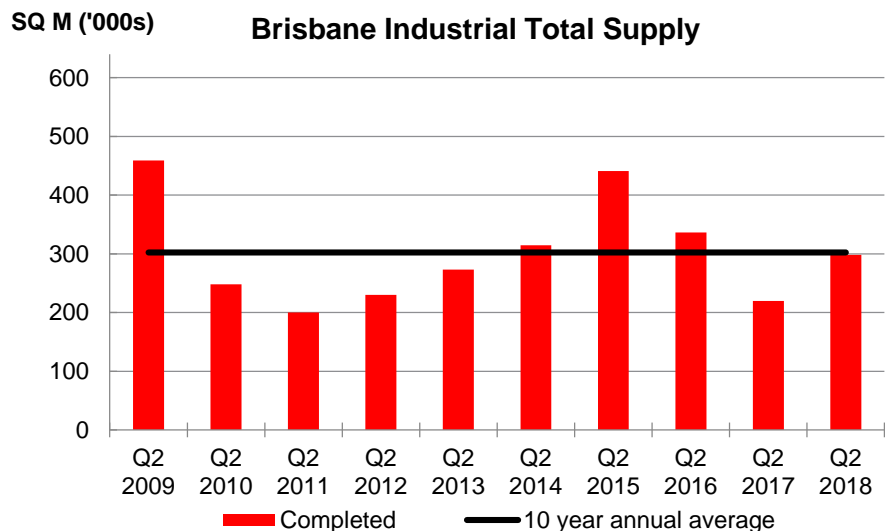
Annualised as at Q2 2018

Melbourne Industrial Prime Grade Net Face Rents

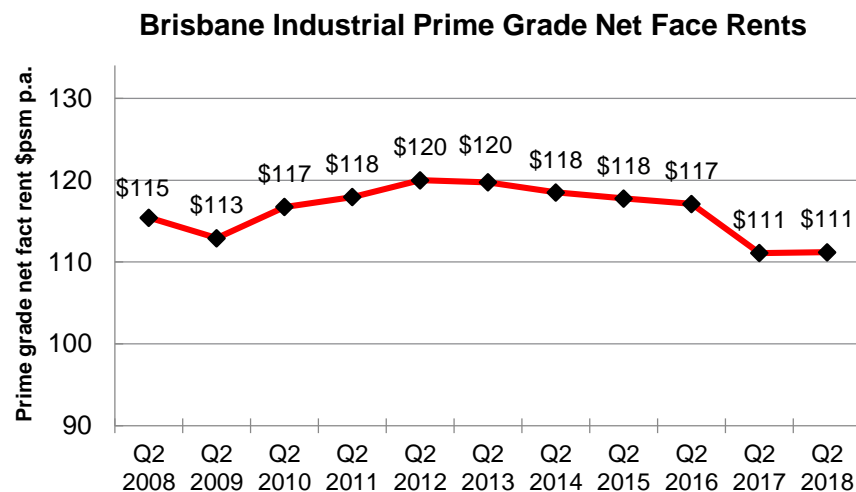


Brisbane Industrial Market

- ◆ **Supply:** Total annual supply remains at parity with the 10 year average. The addition in 2Q18 was largely attributable to the expansion of 30,100 sq m Coca-Cola distribution facility in Richlands. The forward pipeline is anticipated to be strong with 212,100 sq m to be delivered over 2018/2019
- ◆ **Demand:** year-to-date take-up is 18% above the long term average, mainly because third party logistics players, the most active sector, have continued to favour cost effective space in the Southern precincts
- ◆ **Rents:** As a result of improved occupier demand, prime rents in the Southern precincts have increased to A\$107.8 sq m with a year-on-year growth of 4.3%. Incentive levels appear to have plateaued across all precincts
- ◆ **Vacancy:** Vacancy has reduced by 18.9% over the past 12 months. The market is returning towards a balanced state and there has seen a reduction in availability of secondary stock



Annualised as at Q2 2018



Economic Snapshot – Europe

Germany

- ◆ Supported by domestic demand, the German economy grew 2.3% in 1Q18, marking the 15th quarter-on-quarter growth in a row, contributing to the longest upswing phase since 1991
- ◆ Low unemployment rate of 3.4% in May 2018, which was achieved by 44.3 million persons in employment, an increase of 609,000, or 1.4% from a year ago

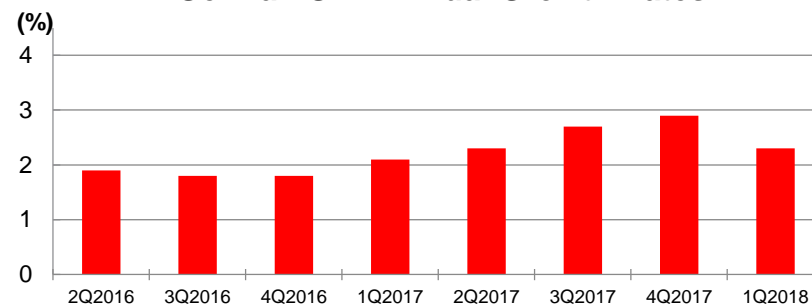
The Netherlands

- ◆ The Dutch economy grew 2.8% in 1Q18, mainly due to higher domestic expenditure: household consumption and investments in fixed assets grew substantially
- ◆ Exports grew as well, but imports grew even faster. For the first time in two years, net exports made a negative contribution to the growth of GDP as a result
- ◆ Low unemployment rate stood of 3.9% in May 2018

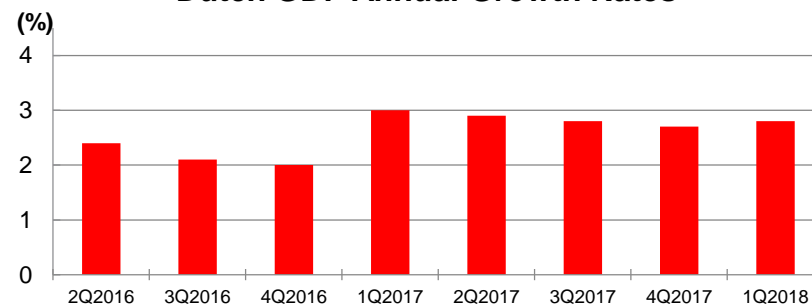
EURIBOR

- ◆ EURIBOR remained negative at 0.37%, and is expected to remain in the negative range for the rest of 2018

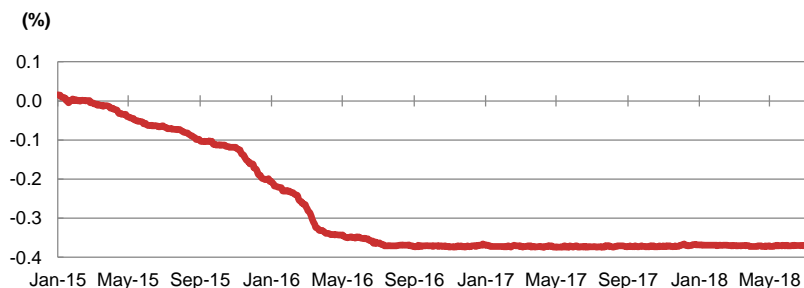
German GDP Annual Growth Rates



Dutch GDP Annual Growth Rates

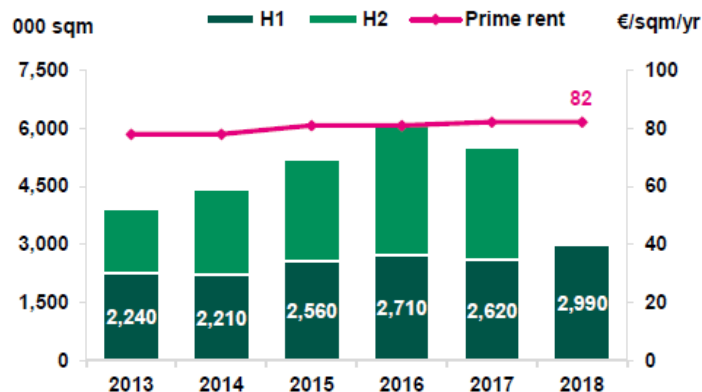


EURIBOR



Germany and the Netherlands Industrial Markets

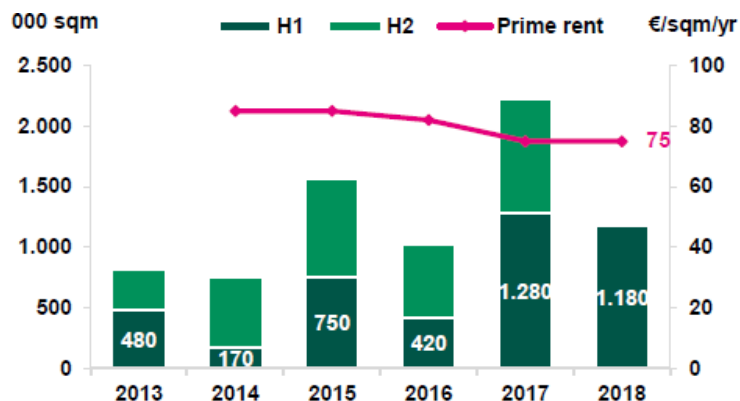
Germany Take-up and Prime Rent (for warehouse >5,000sqm)



Take-up : +14% (H1 2018 vs H1 2017)

- ◆ Industrial and logistics market remains underpinned by increasing demand, including growth in e-commerce and the favourable economic environment
- ◆ New industrial supply remains limited, with prime rents stable in most markets
- ◆ Following a strong compression in 2016 and 2017, yields compressed slightly in the second quarter of 2018

The Netherlands Take-up and Prime Rent (for warehouse >5,000sqm)



Take-up : -8% (H1 2018 vs H1 2017)

- ◆ Business confidence has been boosted by improving domestic demand and industrial output
- ◆ Industrial and logistics investment continued to increase sharply, representing 20% of total commercial real estate investment over the past 12 months to June 2018
- ◆ Further yield tightening in markets such as Venlo, Breda, Amsterdam and Rotterdam.

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

Active Asset Management

- ◆ **Proactive leasing:**
Maintain high occupancy rate, long WALE and well-diversified tenant base
- ◆ **Asset Enhancement:**
Assess and undertake AEIs⁽¹⁾ on the FLT portfolio to unlock further value

Selective Development

- ◆ Selectively undertake development activities of properties complementary to the FLT portfolio
- ◆ Re-development of existing assets
- ◆ Sponsor's development pipeline⁽²⁾

Acquisition Growth

- ◆ Pursue strategic acquisition opportunities of quality industrial properties
- ◆ **Sponsor's ROFR:**
 - ◆ 17 assets in Australia (~ 466,200 sq m)
 - ◆ 29 assets in Europe⁽³⁾ (~ 959,300 sq m)
- ◆ Third-party acquisitions

Capital & Risk Management

- ◆ Optimise capital mix and prudent capital management

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 and the industrial portfolio of Alpha Industrial Holding S.A., Luxembourg

**Experience
matters.**



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