PFI ANNOUNCES INTERIM RESULTS

Property for Industry Limited (PFI, the Company) today announced the Company's interim result for the six months ended 31 December 2024 (referred to as the FY25 interim results, or H1 FY25)[1].

PFI has delivered another robust set of operating results, highlighting the continued stability of the Company's industrial property portfolio and disciplined execution of its strategy. Profit after tax of $28.8m is up $7.6m on the pcp and incorporates a fair value gain of $16.6m on the Company's $2.1bn industrial property portfolio, as compared to a $4.2m fair value loss in the pcp. Positive leasing outcomes within the core portfolio, supported by the completion of the Company's 5 Green Star redevelopments[2] and an improving interest rate environment, have combined to support steady earnings, operating cash flows and dividends.

With PFI's property valuations showing signs of recovery, and sufficient balance sheet capacity to support the Company's near-term Green Star development pipeline, the outlook for PFI's earnings and cash flows will be supported by realising rental growth from the core portfolio, against the backdrop of a more supportive interest rate environment.

Highlights

- **Robust interim result:** Profit after tax of $28.8m, up $7.6m on the pcp, incorporating fair value gains on properties of $16.6m, as compared to losses of $4.2m in the pcp, Funds From Operations (FFO)[3] down 3.8% on the pcp to 4.84 cents per share (cps), Adjusted Funds From Operations (AFFO) down 4.9% on the pcp to 4.35 cps, reflecting increased interest and tax, interim cash dividends of 4.00 cps.
- **Continued stability of portfolio fundamentals:** Valuation of $2.1bn industrial property portfolio showing signs of recovery, 15 properties revalued at the half-year, fair value gains on properties of $16.6m or 3.1%, net tangible assets confirmed at $2.72 per share, $36.7m of contract rent reviewed during H1 FY25 delivering an average annualised uplift of 6.6%, $2.9m of contract rent leased during H1 FY25 at an average of 21.3% above previous contract rents, occupancy increased to 99.9% post-balance date, no contract rent due to expire in the second half of FY25.
- **Next phase of Green Star development pipeline commenced:** $220m of 5 Green Star developments completed on-time and on-budget across 30-32 Bowden Road and Stage 1 of 78 Springs Road, Stage 2 of the redevelopment of 78 Springs Road commenced and ~60% leased, opportunity to deploy ~$355m on Green Star development over the medium-term.
- **Disciplined capital management:** $550m of facilities refinanced or established during H1 FY25, $100m PFI010 bonds repaid in November 2024, ~$180m of facility headroom, gearing comfortable at 33.4%.
- **Outlook:** PFI well placed to navigate the remainder of FY25, guiding to cash dividends of 8.50 cps, an increase of 0.20 cps or 2.4% on annualised FP24 dividends.

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[1] Following the change in PFI and its subsidiaries' balance date from 31 December to 30 June, throughout this announcement (and the accompanying interim results presentation and interim financial statements), in order to provide a useful basis for comparison, the unaudited FY25 interim results (H1 FY25) have been compared to the audited six-month results from 1 January to 30 June 2024 (FP24, the prior comparable period, or 'pcp'), unless otherwise noted.

[2] PFI has achieved a 5 Green Star – NZ Design and As Built v.1.0 Design Certified Rating in relation to the Tokyo Food development at 32 Bowden Road and is well progressed through the 'As Built' certification process. PFI is also well progressed through the design certification process in relation to the Daiken development at 30 Bowden Road and the Fisher and Paykel Appliances development at 78 Springs Road (Stage 1).

[3] Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO) are non-GAAP financial information and are common property investor metrics, which have been calculated in accordance with the guidelines issued by the Property Council of Australia.

Interim result

PFI reported a profit after tax for the interim period of $28.8m (5.73 cps), as compared to $21.2m (4.22 cps) in the pcp. H1 FY25 profit after tax includes a $16.6m fair value gain on the independent valuation of the Company's property portfolio, as compared to a $4.2m fair value loss in the pcp.

H1 FY25 net rental income[4] of $51.9m was up $3.5m (7.3%) on the pcp ($48.4m), due to the impacts of brownfield development projects completing (+$2.5m) and positive leasing activity (+$2.0m), partly offset by divestment activity (-$0.6m) and vacancy (-$0.5m).

Profit before finance income and expenses, other gains and losses and income tax increased from $41.1m in the pcp to $44.1m in H1 FY25.

Interest expense and bank fees increased by $1.7m on the pcp, driven in part by lower levels of capitalised interest following the completion of the Company's 5 Green Star development projects. Current taxation of $4.3m increased by $1.7m on the pcp, largely due to lower depreciation deductions as a result of changes to tax legislation.

Net cash flows from operating activities were steady at $27.9m ($27.8m in the pcp).

FFO earnings were down 3.8% on the pcp to 4.84 cps, whilst AFFO earnings of 4.35 cps were down 4.9% on the pcp, reflecting the aforementioned increases in interest and tax.

In line with PFI's dividend policy, the PFI Board resolved to pay a second quarter interim cash dividend of 2.00 cps. The dividend reinvestment scheme will not operate for this dividend.

Continued stability of portfolio fundamentals

Strong re-leasing outcomes and structured rental growth, coupled with development projects completing during the period, have resulted in significant increases in the Company's weighted average lease term (WALT) to 5.67 years, and in total contract rent to $108.5m, at the end of the interim period. In addition, portfolio occupancy of 98.7% at the end of the interim period has increased to 99.9% post-balance date, following the leasing of the Company's only material vacancy at 212 Cavendish Drive to Portacom New Zealand Limited for an initial term of 12 years. There is also no contract rent due to expire in the second half of FY25, with all FY25 expiries secured by the end of the interim period.

Rent reviews were completed on 49 leases during H1 FY25, resulting in an average uplift of 7.8% (6.6% annualised) on ~$36.7m of contract rent.

Around 86,900 square metres (sqm), $13.8m or 12.8% of PFI's portfolio by rent, was leased during the interim period across five new deals and eight renewals for an average increase in term of 10.7 years. Negligible incentives were required to secure leases on stabilised contract rent, and a positive re-leasing spread[5] in excess of 21% on annual passing rents was observed where rents were agreed on stabilised properties.

Combined, over 49% of contract rent was reviewed, varied, or leased during the interim period.

Remaining FY25 fixed reviews ($28.5m, 25.9% of contract rent) are contracted to deliver an average increase of 5.0%, supported by renewal rents being agreed in prior periods. Remaining FY25 market

[4] Refer note 2.4 of the interim financial statements. Excludes service charge income recovered from tenants and management fee income.
[5] A re-leasing spread is the difference between what a landlord charges on an expiring lease, and what they get on a renewed or new lease for the same asset.

reviews[6] ($7.6m, 7.0% of contract rent) are ~21% under-rented at the end of the interim period after factoring in review caps. These remaining FY25 reviews, combined with the fact that the next leasing event for 21.8% of PFI's portfolio by rent is an expiry or market rent review, provides an embedded pathway for near-to-medium-term rental growth.

15 properties, representing around 25% of PFI's portfolio by value, were revalued at the end of the interim period, resulting in a fair value gain on those properties of $16.6m or an average increase of 3.1%. The valuation outcome was attributable to realised rental growth and the completion of the development projects at 30-32 Bowden Road and Stage 1 of 78 Springs Road, complemented by a ~3.5 basis point firming in market capitalisation rates. As a result of portfolio and valuation activity, excluding the Company's remaining active brownfield development site[7], PFI's passing yield increased by 0.07% to 5.21%, while the portfolio market cap rate firmed by 0.08% to 5.81%.

An independent market rental assessment of the 15 properties was completed as part of the valuation process, and when combined with December 2024 market rental assessments for the remainder of the portfolio, PFI's portfolio is estimated to be around 14% under-rented at the end of the interim period (June 2024: ~16%).

Net tangible assets (NTA) as at the end of the interim period of $2.72 per share is in line with June 2024 values, with the signs of recovery emerging in PFI's investment property valuations largely offset by a decrease in the net fair value asset for derivative financial instruments.

Next phase of Green Star development pipeline commenced

Following the on-time and on-budget completion of the Company's development projects at 30-32 Bowden Road and Stage 1 of 78 Springs Road during the interim period, PFI now has around $130m (6%) of the portfolio held in brownfield opportunities.

PFI has now completed over $220m of 5 Green Star developments since the start of 2024, underscoring the Company's strategic decision to transition to a low-carbon, climate-resilient portfolio, by redeveloping obsolete assets into best-in-class industrial facilities. PFI now has 11% of the portfolio by value, or 10% by rent, allocated to 5 Green Star rated facilities.

Early works on Stage 2 of the redevelopment of 78 Springs Road commenced in January 2025, and PFI estimates a total incremental cost of around $42m, with a targeted yield on incremental cost, including land, in excess of 6%. With completion expected in mid-to-late 2026, Stage 2 will encompass ~11,300 sqm of warehouse facilities and is ~60% pre-leased to MiTek New Zealand Limited for a lease term of 12-years, with the balance of Stage 2 to be completed on a speculative basis.

As previously announced, in mid-February 2025 PFI agreed to acquire a ~5,600 sqm site at 316 Neilson Street, Penrose for $8.5m. This property is adjacent to existing PFI properties 304, 306, 312, 314 and 318 Neilson Street, which have a combined value of $80.8m[8]. When combined with the Company's existing holdings, post-settlement, PFI will have a ~5.7-hectare estate zoned Heavy Industrial in one of Auckland's key industrial precincts. 316 Neilson Street will be acquired on a sale-and-leaseback basis with a lease term of three-years. In the longer term, the property will facilitate future redevelopment of the Company's Neilson Street properties. Settlement of the acquisition is expected to take place in late-February 2025.

[6] Includes vacancies at 31 December 2024.
[7] Active brownfield development site being Stage 2 & 3 of 78 Springs Road, East Tamaki.
[8] Based on valuations as at 30 June 2024 in each case, other than 316 Neilson Street, which was calculated using the pre-purchase valuation.

Following recent development completions, executing on PFI's remaining ~$355m Green Star development pipeline remains a key focus for the Company in the medium-term. This pipeline includes the development of approximately 5.8 hectares of land within the proposed industrial subdivision at Spedding Road, located at the end of the Northwestern Motorway in Auckland, where subdivision consent was granted and an initial deposit paid during the interim period. The receipt of title and the completion of all subdivision works is still expected around mid-2025.

Disciplined capital management

PFI refinanced $425m of bank facilities during H1 FY25, established a new $100m, 3-year bank facility with its existing banking syndicate, made a $25m, 8.5-year drawdown on its Pricoa facility, and repaid the $100m PFI010 bonds in November 2024. Following this activity, PFI's debt instruments have a weighted average term to expiry of 3.6 years, and the Company has approximately $177m of unutilised bank facility capacity at the end of the interim period.

PFI's gearing as at the end of the interim period was 33.4% (covenant: 50%) and the interest cover ratio for the year then ended was 2.5 times (covenant: 2 times). Interest rate hedging provides for an average of ~69% of the Company's debt to be hedged at an average fixed rate of ~2.73% for H2 FY25.

Closing and outlook

"The completion of over $220m of 5 Green Star rated industrial developments on-time and on-budget is a key milestone for PFI" says PFI Chief Executive Officer, Simon Woodhams. "These developments, supported by strong leasing outcomes within the core portfolio, have resulted in steady operating cash flows over the first half of the financial year, despite the headwinds from the partial loss of tax depreciation and interest rates that, while improving, remained elevated through H1 FY25".

At the beginning of FY25, PFI guided to dividends of between 8.30 and 8.50 cps. Based on H1 FY25 performance and recent trading, and subject to events beyond the Company's control, the PFI Board now expects to declare FY25 cash dividends of 8.50 cps (being the top of that range), an increase of 0.20 cps or 2.4% on FP24 dividends (annualised). Cash dividends of 8.50 cps are anticipated to result in a dividend pay-out towards the middle of PFI's dividend policy range, and close to 100% of AFFO on a one-year basis.

"With signs of recovery emerging in the valuation of PFI's $2.1bn industrial property portfolio, and careful application of strategy, PFI is well placed to navigate the remainder of FY25."

ENDS

The PFI Management Team will present the results via live webcast from 10am NZT on 25 February 2025. To view and listen to the webcast, please visit https://edge.media-server.com/mmc/p/qd6kgs2w. Anyone wishing to participate in the webcast (for example, to ask a question) must pre-register for the conference call at https://register.vevent.com/register/BI8349473815bd41b9a208e83d4f00a78c. Upon registering, participants will be provided with participant dial-in numbers, a passcode and a unique registrant ID. In the 10 minutes prior to the call start time, you will need to use the conference access information provided in the email received at the point of registering, in addition to opening the webcast (using the details above).

ABOUT PFI & CONTACT

PFI is an NZX listed property vehicle specialising in industrial property. PFI's nationwide portfolio of 90 properties is leased to 124 tenants.

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