bwp TRUST

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4 August 2020

The Manager
Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

BWP results for the full-year ended 30 June 2020

In accordance with ASX Listing Rule 4.3A, the following documents are attached to this letter for release to the market:

> Appendix 4E
> Full-year 2020 results

The following will also be released in conjunction with today's results release:

> 2020 Annual Report
> Full-year 2020 results investor presentation
> 2020 Corporate Governance Statement
> Appendix 4G (Key to Corporate Governance disclosures)
> Dividend/Distribution – BWP (Actual)
> Attribution Managed Investment Trust Fund payment notice.

It is recommended that the full-year results announcement be read in conjunction with the Annual Report and accompanying ASX releases for a more detailed review of BWP Trust's activities and financial performance for the year ended 30 June 2020 and the outlook for the year ahead.

An investor/analyst briefing teleconference call, with a question and answer session, will be held on **4 August 2020** at **10.30AM AEST** (8.30AM AWST).

Investors and analysts wishing to participate should dial **1800 175 864** from within Australia (+61 283 733 550 from outside Australia) and ask to join the **BWP Trust Full-Year Results Investor Presentation** (conference ID/event pass code is **777 1106**). This briefing is recorded and made available via our website.

Yours faithfully

K A Lange
Company Secretary

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ASX release

4 August 2020

APPENDIX 4E — FINANCIAL YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET			**30 June 2020**	30 June 2019	Variance %
Revenue from ordinary activities		$000	**155,781**	156,263	(0.3)
Profit before gains on investment properties		$000	**117,078**	115,939	1.0
Gains in fair value of investment properties		$000	**93,564**	53,438	75.1
Profit from ordinary activities attributable to unitholders		$000	**210,642**	169,377	24.4
Net tangible assets per unit		$	**3.06**	2.92	4.8
DISTRIBUTIONS					
Interim distribution paid		$000	**57,943**	57,365	1.0
Final distribution payable	Ordinary	$000	**59,549**	58,971	1.0
	Special	$000	**-**	10,021	n/a
Interim distribution per unit		cents	**9.02**	8.93	1.0
Final distribution per unit	Ordinary	cents	**9.27**	9.18	1.0
	Special	cents	**-**	1.56	n/a
Record date for determining entitlements to the final distribution				30th June 2020	
Payment date for final distribution				21st August 2020	

Distribution Reinvestment Plan

The Distribution Reinvestment Plan ("DRP") applied for both the interim and final distribution for the year ended 30 June 2020.

Audit

This report is based on accounts that have been audited.

Commentary on the results for the year

The commentary on the results for the year is contained in the ASX release dated 4 August 2020 accompanying this statement.

This report should be read in conjunction with the annual financial report of the Trust and any announcements made in the period by or on behalf of the Trust in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

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ASX release

4 August 2020

FULL-YEAR RESULTS TO 30 JUNE 2020

The directors of BWP Management Limited, the responsible entity for the BWP Trust ("the Trust"), today announced the results of the Trust for the 12 months to 30 June 2020.

The Trust started the 2019/20 financial year with a strong balance sheet and a quality portfolio of property leased to Bunnings, and other national retailers. The Trust was well positioned for the challenges created by the global COVID-19 pandemic ("COVID-19") in the second half of the year, which are ongoing.

Throughout the financial year, Bunnings has been able to operate on an unrestricted basis from all the properties leased from the Trust, as have the significant majority of the Trust's other tenants. The Trust has leases with a small number of tenants such as gym operators that were subject to COVID-19 mandatory closure by Federal or State governments for some, or all, of March, April, May and June this year. A Code of Conduct was legislated in each state which stipulated how landlords and tenants should cooperate during this period. For tenants that qualified under the relevant Code of Conduct legislation, arrangements were put in place for the abatement of rent in accordance with legislation. Rent abatements totalling $435,886 were granted during the period ended 30 June 2020. The Trust received 98.8 per cent of rent due during the months of March to June this year, taking into account the COVID-19 impacts.

The Trust increased its available debt funding by $50 million in May this year to further increase available liquidity in the event of an extended shutdown of activity.

For the year ended 30 June 2020, the Trust reported a 1.0 per cent increase over the prior year in net profit before gains on investment properties of $117.1 million. The assessed valuation of the Trust's property portfolio increased by $93.6 million, a 4.0 per cent increase over the prior year portfolio valuation, reflecting the ongoing attractiveness of Bunnings Warehouse properties to investors.

The Trust pays out 100 per cent of distributable profit every six months. Divestments and the repositioning of vacated properties can impact the amount of distributable profit available in any particular reporting period. For the year ended 30 June 2020, BWP has reported a full-year ordinary distribution of 18.29 cents per unit, an increase of 1.0 per cent on the previous year's ordinary distribution paid.

For the 2020/21 financial year, the Trust's primary focus is on filling any vacancies in the portfolio, progressing store upgrades, extending existing leases with Bunnings through the exercise of options, completion of market rent reviews, and the continued rollout of energy efficiency improvements at its properties.

BWP Management Limited ABN 26 082 856 424
as Responsible Entity for the BWP Trust

2019/20 full-year highlights

- Final distribution of 9.27 cents, bringing the full-year ordinary distribution to 18.29 cents, up 1.0 per cent on the previous year
- Nine market rent reviews (including seven Bunnings Warehouse properties) finalised during the year with rents broadly in line with the market
- Like-for-like rental growth of 2.4 per cent for the 12 months to 30 June 2020, taking into account the average inflation on Consumer Price Index ("CPI") linked leases of 1.6 per cent
- Weighted average cost of debt of 3.4 per cent for the year, 3.0 per cent at year end
- Weighted average lease expiry of 4 years at 30 June 2020, portfolio 98.0 per cent leased
- Net revaluation gains on the property investment portfolio of $93.6 million for the year
- Net tangible assets of $3.06 per unit at 30 June 2020 (2019: $2.92 per unit), up 4.8 per cent on the previous year
- Gearing (debt/total assets) 19.7 per cent at 30 June 2020

Results summary

Year ended 30 June			2020	2019
Total income		$m	155.8	156.3
Total expenses		$m	(38.7)	(40.3)
Profit before gains in fair value of investment properties		$m	117.1	115.9
Gains in fair value of investment properties		$m	93.6	53.4
Net profit		$m	210.6	169.4
Less: gains in fair value of investment properties		$m	(93.6)	(53.4)
Capital profits released from undistributed income reserve		$m	0.4	0.5[1]
Distributable profit		$m	117.5	116.4
Distribution per ordinary unit	- interim	cents	9.02	8.93
	- final	cents	9.27	9.18
	- total	cents	18.29	18.11
Special distribution per unit		cents	-	1.56[1]
Tax-advantaged component		%	23.55	-[2]
Total assets		$m	2,552.6	2,382.3
Borrowings		$m	503.2	412.7
Unitholders' equity		$m	1,968.7	1,874.6
Gearing (debt to total assets)		%	19.7	17.3
Number of units on issue		m	642	642
Number of unitholders			22,030	20,667
Net tangible asset backing per unit		$	3.06	2.92
Unit price at 30 June		$	3.83	3.68
Management expense ratio[3] (annualised)		%	0.64	0.62

Figures above subject to rounding.

[1] $10.0 million of capital profits were released in 2019 for the payment of the special distribution.
[2] Due to capital gains arising from the divestment of four properties there were no tax deferred components in the 2019 financial year.
[3] Expenses other than property outgoings and borrowing costs as a percentage of average total assets.

Total income for the full-year to 30 June 2020 was $155.8 million, down by 0.3 per cent from last year. Rental and other property income was largely in line with the previous year, with additional income of $2.7 million received this year from forfeited deposits relating to divestments that did not proceed. This amount offset rent foregone from divestments in the prior period and for sites vacated by Bunnings that are being repositioned for alternative uses. During the year the Trust granted rent abatements of $0.4 million for tenants affected by the COVID-19 shutdowns.

Finance costs of $15.5 million were 20.7 per cent lower than last year, due to a lower weighted average cost of debt. The weighted average cost of debt for the year (finance costs as a percentage of average borrowings) was 3.4 per cent, compared to 4.3 per cent for the previous year. The average level of borrowings was 0.8 per cent higher than the previous year ($461.9 million compared with $458.3 million).

Other operating expenses increased from $7.3 million in the previous year to $8.8 million in the current year, mainly as a result of significant increases in Victorian land tax and outgoings for properties in the process of being repositioned.

The management expense ratio for the year ended 30 June 2020 (expenses other than property outgoings and borrowing costs as a percentage of average total assets) increased from 0.62 per cent in the previous year to 0.64 per cent for the current year. The management expense ratio was lower in the prior period due to a management fee waiver on $75 million of gross assets which did not apply for the 2019/20 financial year.

Profit as disclosed in the Trust's financial statements includes unrealised and realised gains or losses in the fair value of investment properties as a result of the revaluation of the entire property portfolio every six months and property divestments. The unrealised revaluation gains or losses are recognised as undistributed income as part of unitholders' equity in the financial statements and do not affect the profit available for distribution to unitholders each period.

For the year ended 30 June 2020, net profit was $210.6 million, including $93.6 million in gains in the fair value of investment properties. This compares with net profit last year of $169.4 million which included gains of $53.4 million in the fair value of investment properties.

At the discretion of the Board, capital profits arising from the sale of investment properties can be distributed in the year they are generated, or retained for future growth or to be distributed in future years.

As at 30 June 2020, the Trust's total assets were $2.6 billion (2019: $2.4 billion) with unitholders' equity of $2.0 billion and total liabilities of $0.6 billion. Investment properties made up the majority of total assets comprising $2.5 billion (2019: $2.4 billion).

The underlying net tangible asset backing of the Trust's units ("NTA") as at 30 June 2020 was $3.06 per unit, an increase of 4.8 per cent from $2.92 per unit as at 30 June 2019. The increase in NTA was due to the increase in net assets through property revaluations and capital improvements.

Developments

In November 2019, the expansion of the Villawood Bunnings Warehouse, New South Wales, was completed at a cost of $5.0 million. The annual rental increased by approximately $0.2 million.

Following Bunnings' surrender of lease in mid-2019, the Trust completed works totalling $13.0 million in March 2020 to reconfigure the Hoxton Park, New South Wales property for use as a large format retail centre. The property is 90 per cent leased and leases for the remaining tenancies are expected to be finalised in the current financial year.

Following Bunnings' surrender of lease in early 2019, the Trust completed works totalling $7.0 million in March 2020 to reconfigure the Port Macquarie, New South Wales property for use as a large format retail centre. The property is 76 per cent leased and leases for the remaining tenancies are expected to be finalised in the current financial year.

Capital expenditure

During the year, the Trust invested $1.5 million on LED lighting at various properties, and $0.4 million installing solar panels and a Tesla battery at the Mandurah property. Approximately $2.4 million was spent on various other improvements to the portfolio.

In August 2019, the Trust committed to expand its Croydon Bunnings Warehouse, Victoria at a cost of $4.0 million. The annual rental will increase by approximately $0.3 million. Following completion of the expansion expected in mid-2021, the parties will enter into a new 10 year lease with one, 10 year option, exercisable by Bunnings.

In December 2019, the Trust committed to expand its Coburg Bunnings Warehouse, Victoria at a cost of $2.5 million. The annual rental will increase by approximately $0.1 million. Following completion of the expansion expected in early 2021, the parties will enter into a new 10 year lease with three, five year options, exercisable by Bunnings.

In February 2020, the Trust committed to expand its Port Melbourne Bunnings Warehouse, Victoria at a cost of $6.6 million. The annual rental will increase by approximately $0.4 million. Following completion of the expansion expected in mid-2021, the parties will enter into a new 10 year lease with two, five year options, exercisable by Bunnings.

Property acquisitions and divestments

There were no properties acquired or divested during the year. Option agreements entered into in the prior year did not proceed as conditions precedent were not met.

Occupancy

As at 30 June 2020, the portfolio was 98.0 per cent leased.

It is the nature of the Bunnings business model that its property requirements for some locations change over time as is the case for nine properties in the property investment portfolio. In all cases, Bunnings has relocated or is in the process of relocating to a new nearby site in the same demographic area. For any Bunnings Warehouse, the Trust gives full consideration to re-leasing the property, reinvesting in it to enhance rental outcomes, or divesting it, to provide the best overall outcome for the Trust. Good progress is being made on finding alternative uses for these properties.

Rent reviews

The rent payable for each leased property is increased annually, either by a fixed percentage or by the CPI, except when a property is due for a market review. Market reviews occur for most of the Trust's Bunnings Warehouses every five years from the date of the commencement of the lease. The market rental is determined according to generally accepted rent review criteria, based on rents paid at comparable properties in the market.

During the year, 87 leases in the portfolio had annual fixed or CPI increases, resulting in an average increase of 2.3 per cent in the annual rent for these properties.

During the year, market rent reviews were concluded on seven Bunnings Warehouses, resulting in a net increase in rent of one per cent on these properties. The market rent reviews that were due for two Bunnings Warehouses during the year ended 30 June 2018, one during the year ended 30 June 2019 and ten that were due during the year ended 30 June 2020 are still being negotiated or are being determined by an independent valuer and remain unresolved.

Property revaluations

The entire Trust portfolio was revalued at 31 December 2019 and again at 30 June 2020, including 32 property revaluations performed by independent valuers (18 at 31 December 2019 and 14 at 30 June 2020). Properties not independently revalued at each balance date are subject to internal valuations, with an independent valuer reviewing the methodology adopted. Factors that may affect the valuation of properties from time to time include: the supply of and competition for investment properties; leasing market conditions; the quality and condition of the particular property, including the duration of the lease; and the level of rent paid at the property compared with the broader market.

The value of the Trust's portfolio increased by $126.0 million to $2,484.2 million during the year following capital expenditure of $29.3 million and revaluation gains of $93.6 million, after adjusting for the straight-lining of rent of $3.1 million.

The net revaluation gain was due mainly to growth in rental income and an average decrease in capitalisation rates across the portfolio during the year. The Trust's weighted average capitalisation rate for the portfolio at 30 June 2020 was 6.08 per cent (December 2019: 6.08 per cent; June 2019: 6.30 per cent).

Capital management

As at 30 June 2020, the weighted average duration of the Trust's debt facilities was 3.2 years to expiry (2019: 3.6 years) and average utilisation of debt facilities (average borrowings/average facility limits) for the year was 82.6 per cent which was slightly higher than the previous year at 80.4 per cent.

The Trust enters into interest rate swaps and fixed rate corporate bonds (hedging) to create certainty of the interest costs of the majority of borrowings over the medium to long term. As at 30 June 2020, the Trust's interest rate hedging cover was 69.1 per cent of borrowings, with $85.0 million of interest rate swaps and $260.0 million of fixed rate corporate bonds, against interest bearing debt of $499.6 million. The weighted average term to maturity of hedging was 3.4 years.

Due to the accounting requirement to mark the value of interest rate swap hedges to market, the Trust's hedging liabilities decreased to $2.8 million as at 30 June 2020 (2019: $3.8 million). The decrease in hedging liability during the year was due to the reduction in the average term to maturity of the interest rate swap profile.

The Trust's gearing ratio (debt to total assets) at 30 June 2020 was 19.7 per cent (2019: 17.3 per cent), which is slightly below the Board's preferred range of 20 to 30 per cent. The lower gearing provides flexibility for the Trust to take advantage of investment opportunities to create long-term value when they arise. The interest cover ratio (earnings before interest /interest expense) was 8.6 times (2019: 6.8 times).

Distribution

A final distribution of 9.27 cents per ordinary unit has been declared and will be made on 21 August 2020 to unitholders on the Trust's register at 5.00 pm (AEST) on 30 June 2020. The final distribution takes the total ordinary distributions for the year to 18.29 cents per unit (2019: 18.11 cents per unit).

The Distribution Reinvestment Plan (DRP) was in place for both the interim distribution and final distribution for the year ended 30 June 2020.

Outlook

The time taken and strength of recovery of the Australian economy from the impacts of COVID-19, the financial implications of that for the Trust's tenants, future investor demand for property, and the time and cost of repositioning vacant properties in the portfolio, are the variables that could have the most influence on the financial performance of the Trust in the near term.

The continuing economic uncertainty in relation to COVID-19 may require the Trust to grant further rent abatements and/or rent deferrals, especially to those tenants that qualified under the relevant Code of Conduct legislation in each state. Factors including the length and timing of any mandatory closures and government mandated restrictions will influence the requirement to waive or defer further rent.

The ongoing evolution and financial performance of the Bunnings business and how that impacts the duration of occupancy of Bunnings at the Trust's properties, the number of vacancies, and the higher and better use potential of properties in the Trust's portfolio, will be more important for the Trust's performance in the longer term.

For the year ended 30 June 2020, there continued to be strong investor demand for Bunnings Warehouse properties. This was driven by the low interest rate environment and the search by investors for running yields higher than interest rates, the strong Bunnings financial covenant, and relative risk of a Bunnings Warehouse investment, compared to other property or other asset classes.

The value of the Trust's property portfolio at 30 June 2020 reflects the continuing strong market support for Bunnings Warehouse properties from an investment and risk perspective. The Trust will remain disciplined in its investment approach to ensure it is well placed to create value from any new property investments over the medium term.

Approximately 57 per cent of the Trust's rental income is subject to CPI annual adjustment and 43 per cent is subject to fixed annual adjustment, other than in years in which respective properties are due for a market rent review (typically every five years for most of the Trust's existing portfolio). The Trust will have lower incremental rental growth while CPI remains low, compared to historical levels.

For the year ending 30 June 2021, CPI reviews will apply to 48 per cent of the base rent, with leases subject to a market rent review comprising 19 per cent of the base rent, and with the balance of 33 per cent reviewed to fixed increases of three to four per cent.

The Trust could expect the distribution for the year ending 30 June 2021 to be similar to the ordinary distribution paid for the year ended 30 June 2020, with capital profits being utilised to support the distribution as necessary. The distribution may be reviewed in the event the COVID-19 impacts are more severe or prolonged than anticipated.

For further information please contact:

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