

9 February 2022

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

## BWP Trust

### Finance

#### UNDERPERFORM

**BWP A\$4.01**      **TARGET PRICE A\$3.39**

BWP Trust (BWP) is a real estate investment trust investing in and managing commercial properties throughout Australia.

#### Company Data

Number of shares	642.4
Market Capitalisation	\$ 2576
Free float (%)	63.7
12-month high/low	\$4.36/\$3.80
Average Daily Turnover (\$m)	4.34
% S&P/ASX200	0.12
DDM Ranking	366
% All Ordinaries	0.104
GICS Industry Group	Finance

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end December	2021A	2022F	2023F	2024F
Revenue (\$M)	75.8	152.9	157.8	162.9
EBITDA (\$M)	128.9	129.2	133.5	138.0
Reported NPAT (\$M)	348.3	116.6	120.9	124.3
Adjusted NPAT (\$M)	117.5	114.9	120.5	123.8
Reported EPS (c)	41.0	18.0	19.0	20.0
Adjusted EPS (c - FD)	18.3	17.9	18.8	19.5
Adjusted EPS growth (%)	0.3	-2.0	4.7	3.7
Adjusted P/E (x)	21.9	22.4	21.4	20.6
Dividend (c/sh)	18.3	18.2	18.9	19.5
Gross yield (%)	4.6	4.5	4.7	4.9
Net yield (%)	4.6	4.5	4.7	4.9
ROIC (%)	4.6	4.4	4.6	4.6

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## H1FY22 Results Presentation

On 9th February 2022, BWP Trust (BWP) announced its Half Year Results Announcement with the following highlights:

#### Financial Highlights:

- Net profit for the six months was \$348.3 million, which included \$291.8 million of unrealised gains in the fair value of investment properties;
- Distributable amount of \$57.9 million for the six months – in line with the previous corresponding period;
- Interim distribution of 9.02 cents per unit – in line with the previous corresponding period;
- Like-for-like rental growth of 2.2 per cent for the 12 months to 31 December 2021;
- Weighted average lease expiry of 4.3 years at 31 December 2021 with 97.6 per cent leased;
- Gearing (debt/total assets) 15.5 per cent as at 31 December 2021;
- Weighted average cost of debt of 3.2 per cent per annum for the six month period;
- \$2.9 billion portfolio valuation as at 31 December 2021;
- Net tangible assets of \$3.75 per unit at 31 December 2021.

#### Portfolio Highlights:

- Capital expenditure of \$2.3 million was incurred during the period. It comprised minor works at various properties (31 December 2020: \$2.4 million);
- In July 2021, the Trust completed the sale for \$14.5 million to an unrelated third party of its Mindarie, Western Australia property which had previously been occupied by Bunnings;
- In August 2021, the Trust committed to acquire adjoining land for \$1.5 million and expand its Lismore Bunnings Warehouse, New South Wales at a cost of \$11.3 million. The annual rental will increase by approximately \$0.5 million;
- At 31 December 2021, the portfolio was 97.6 per cent leased with a weighted average lease expiry term of 4.3 years (30 June 2021: 4.2 years, 31 December 2020: 4.3 years);
- The rent payable for each leased property is increased annually, either by a fixed percentage or by CPI, except when a property is due for a market rent review;
- Forty seven of the leases of Trust properties were subject to annual fixed or CPI reviews during the period. The weighted average increase in annual rent for 23 CPI reviews was 3.3 percent and the 24 fixed reviews was 3.4 per cent; and
- Subject to there being no major COVID-19 or other disruption of the Australian economy, the Trust could expect the distribution for the year ending 30 June 2022 to be similar to the ordinary distribution paid for the year ended 30 June 2021.

## Earnings changes

BWP expects “the distribution for FY22 to be similar to last year” which was 18.3cpu. This compares to market expectations of 18.2cpu. Hence, we do not expect any significant earnings revisions for FY22 and future periods.

## Valuation

We are updating our 12-month target price from \$3.59 to \$3.39 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

### Conflicts of Interest

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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**Barclay Pearce Capital Recommendation Proportions**

Buy	36.6%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	( 0.0% of stocks with recommendations are Barclay Pearce clients)