

FY2023

# Financial Results

19 February 2024



ELITE COMMERCIAL REIT

Section I

# 2H & FY2023 Highlights



ELITE COMMERCIAL REIT



Crown House, Romford

# Key Highlights of FY2023

## What Elite REIT delivered in FY2023

### 1 Successful £28m Equity Fund Raising



Launched in Dec 2023 and first EFR to be completed in 2024



First GBP-denominated follow-on EFR on the SGX

**121%**

Subscribed

**89%**

Backed by sponsors and substantial unitholders

### 2 Completed Lease Re-gearing



Executed lease term extensions or lease break removals



Partnership with tenant to co-invest in energy-efficient and sustainable features

**13.1%**

Rental escalation achieved across 136 assets in the portfolio

### 3 Recycled Gross Proceeds of £11.4m<sup>(1)</sup>



Recycled capital through disposal of vacant assets to unlock value



Agreed reasonable dilapidation settlements of £8.0 million



Disposal value completed at 12.2% above valuation

### PRO-FORMA FY2023 CAPITAL MANAGEMENT

Including the effects of the £28m Preferential Offering



Net Gearing<sup>(2)</sup>

**40.9%**

31 Dec 2023: 47.5%  
31 Dec 2022: 44.9%



Interest Coverage

**3.1 times**

31 Dec 2022: 4.6 times



Fixed Rate Debt

**66%**

31 Dec 2023: 63%  
31 Dec 2022: 69%



Debt Headroom

**£55.9 million**

31 Dec 2022: £40.0 million

#### Notes:

(1) Includes dilapidation settlements and gross disposal proceeds from the divestment of assets.

(2) Net gearing is calculated as aggregate debt less cash over total assets less cash. Aggregate Leverage calculated as per the Property Funds Appendix would be 43.7% including the effects of the £28m Preferential Offering and 50.0% as at 31 Dec 2023 respectively.

# Key Highlights of FY2023



## ACTUAL FY2023

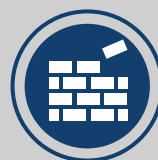


Revenue

**£37.6 million**

31 Dec 2022: £37.1 million

▲1.5% y-o-y



Net Property Income

**£41.4 million**

31 Dec 2022: £35.7 million

▲15.7% y-o-y



Net Asset Value

**£0.43 per Unit**

31 Dec 2022: £0.52 per Unit

▼17.3% y-o-y



Distributable Income

**£18.0 million**

31 Dec 2022: £23.1 million

▼21.9% y-o-y



Distribution per Unit<sup>(1)</sup>

**3.42 pence**

31 Dec 2022: 4.81 pence

▼28.9% y-o-y

### Note:

(1) Based on 100% payout ratio. At 90% payout ratio, the DPU in respect of FY2023 is 3.07 pence.



Ward Jackson House,  
Hartlepool



ELITE COMMERCIAL REIT

Section II

2H & FY2023

Financial Performance

# Financial Highlights – FY2023 vs FY2022

Financial Results	2H 2023	2H 2022	Change %	FY2023	FY2022	Change %	Factors influencing y-o-y performance
	Actual £'000	Actual £'000		Actual £'000	Actual £'000		
Revenue	18,539 <sup>(1)</sup>	18,367	▲ 0.9	37,637 <sup>(1)</sup>	37,075	▲ 1.5	• Higher revenue derived mainly from rent escalations, offset by eight assets vacated in Apr 2023
Net Property Income	21,367 <sup>(1)</sup>	17,639	▲ 21.1	41,364 <sup>(1)</sup>	35,741	▲ 15.7	• Dilapidation settlement in respect of vacated assets
Amount generated during the period for distribution to Unitholders	8,703	10,852	▼ 19.8	18,043	23,096	▼ 21.9	• Increased borrowing costs, offset by decline in debt levels
Available Distribution per unit (“DPU”) - pence	1.48 <sup>(2)</sup>	2.25	▼ 34.2	3.42 <sup>(2)</sup>	4.81	▼ 28.9	• Marginally enlarged equity base y-o-y

Financial Position	31 Dec 2023 £'000	31 Dec 2022 £'000
Non-current assets	414,202 <sup>(1)</sup>	460,042
Current assets	29,841	26,753
<b>Total assets</b>	<b>444,043</b>	<b>486,795</b>
Non-current liabilities	95,245	216,468
Current liabilities	141,556	22,426
<b>Total liabilities</b>	<b>236,801</b>	<b>238,894</b>
<b>Net assets / Unitholders' funds</b>	<b>207,242</b>	<b>247,901</b>

Financial Position	31 Dec 2023	31 Dec 2022
Units in issue and issuable	483.0m	481.1m
<b>Net asset value per Unit<sup>(3)</sup></b>	<b>£0.43</b>	<b>£0.52</b>

**Notes:**

- (1) Includes £317,000 of straight-line rent adjustments.
- (2) Based on 100% payout ratio. At 90% payout ratio, the DPU in respect of 2H 2023 and FY2023 are 1.33 pence and 3.07 pence, respectively.
- (3) Pro Forma units in issue and net asset value per unit, including the effects of the £28m Preferential Offering, will be 586.3 million units and £0.40, respectively.

# Capital Management

Refinancing is well progressed with lenders currently seeking credit approvals



Naturally hedged against foreign exchange fluctuations



Compliant with all debt facilities' financial covenants

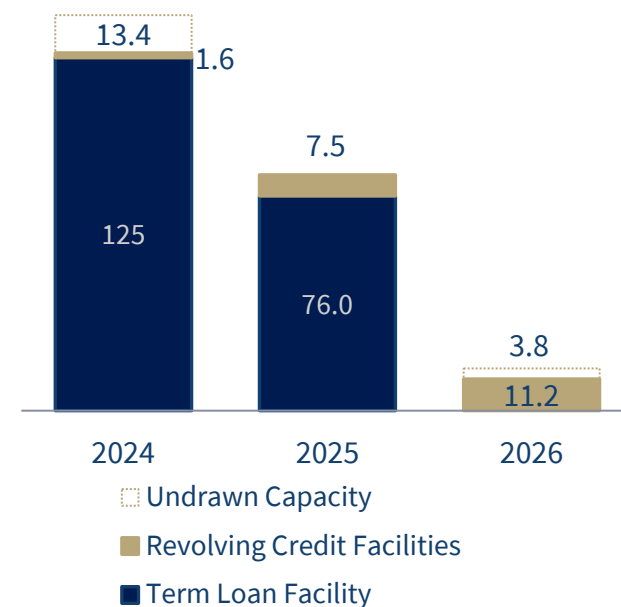
**66%**

Interest rate exposure fixed or hedged to fixed rates<sup>(1)</sup>

- ✓ **Advanced stages of credit approvals** with potential lenders on 3-year loan refinancing
- ✓ Every 100 basis points increase in interest rate will impact DPU by ~ 6%
- ✓ Every £5m of debt repayment will reduce gearing by ~49 basis points

	Pro-forma <sup>(1)</sup> 31 Dec 2023	31 Dec 2023	30 Sep 2023
<b>Total Debt</b>	£193.3m	£221.3m	£223.5m
<b>Net Gearing Ratio<sup>(2)</sup></b>	40.9%	47.5%	44.9%
<b>Borrowing Costs</b>	5.1%	5.2%	5.3%
<b>Interest Coverage Ratio</b>	3.1x	3.1x	3.3x
<b>Interest Rate Hedged / Fixed</b>	66%	63%	62%
<b>Available Debt Headroom<sup>(3)</sup></b>	£55.9m	£0.1m	£40.0m

## Elite REIT's Debt Maturity Profile



### Notes:

- (1) Including the effects of the £28m Preferential Offering.
- (2) Net gearing is calculated as aggregate debt less cash over total assets less cash. Aggregate Leverage calculated as per the Property Funds Appendix would be 43.7% including the effects of the £28m Preferential Offering and 50.0% as at 31 Dec 2023 respectively.
- (3) Based on gearing limit of 50%.



Section III

2H & FY2023

Portfolio Performance



Oates House, Stratford

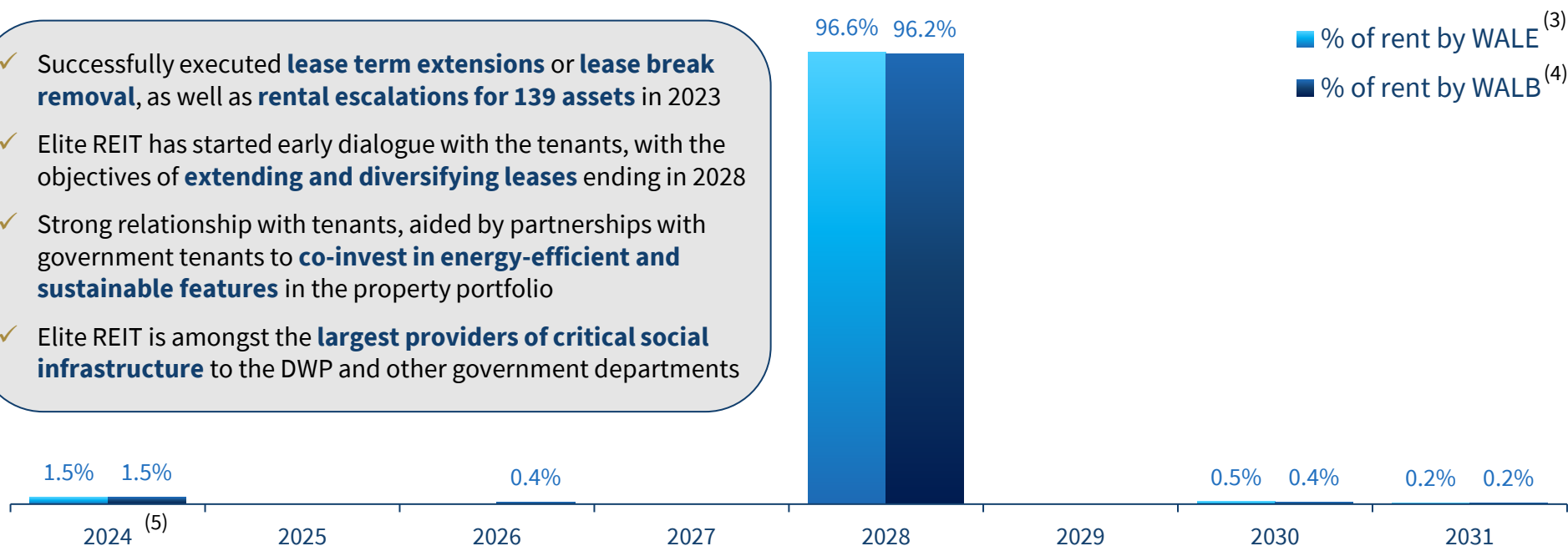


# Full Income Visibility from Government Leases



## Lease Expiry Profile as at 31 December 2023 (% of total portfolio rent)<sup>(2)</sup>

- ✓ Successfully executed **lease term extensions** or **lease break removal**, as well as **rental escalations for 139 assets** in 2023
- ✓ Elite REIT has started early dialogue with the tenants, with the objectives of **extending and diversifying leases** ending in 2028
- ✓ Strong relationship with tenants, aided by partnerships with government tenants to **co-invest in energy-efficient and sustainable features** in the property portfolio
- ✓ Elite REIT is amongst the **largest providers of critical social infrastructure** to the DWP and other government departments



### Notes:

- (1) The renewal of the lease was for another five straight years with no lease break option, which commenced in 2023 and will mature in April 2028.
- (2) Small differences between the listed figures and total, arose from Phoenix House, Bradford which expired in Dec 2023 and was subsequently renewed in Jan 2024.
- (3) Percentage of rent by WALE (Weighted Average Lease to Expiry) is based on the final termination date of the lease agreement (assuming the tenant does not terminate the lease on the permissible break dates).
- (4) Percentage of rent by WALB (Weighted Average Lease to Break) is based on the earlier of the next permissible break date at the tenant's election or the expiry of the lease.
- (5) Total of two properties with lease expiry in June 2024, being Newport Road, Cardiff and Units 1-2 Dallas Court, Salford.

# Diversified & Stable Portfolio



## Unique Asset Class

Network of social infrastructure assets serving the local communities



## Strategically Located

Assets located primarily in town centres, close to key transport nodes and amenities



## Credit Stability & Income Certainty

Leases signed directly with the Secretary of State<sup>(2)</sup>



## Geographically Diversified

Located across the UK covering regional cities



## Resilient Tenant Base

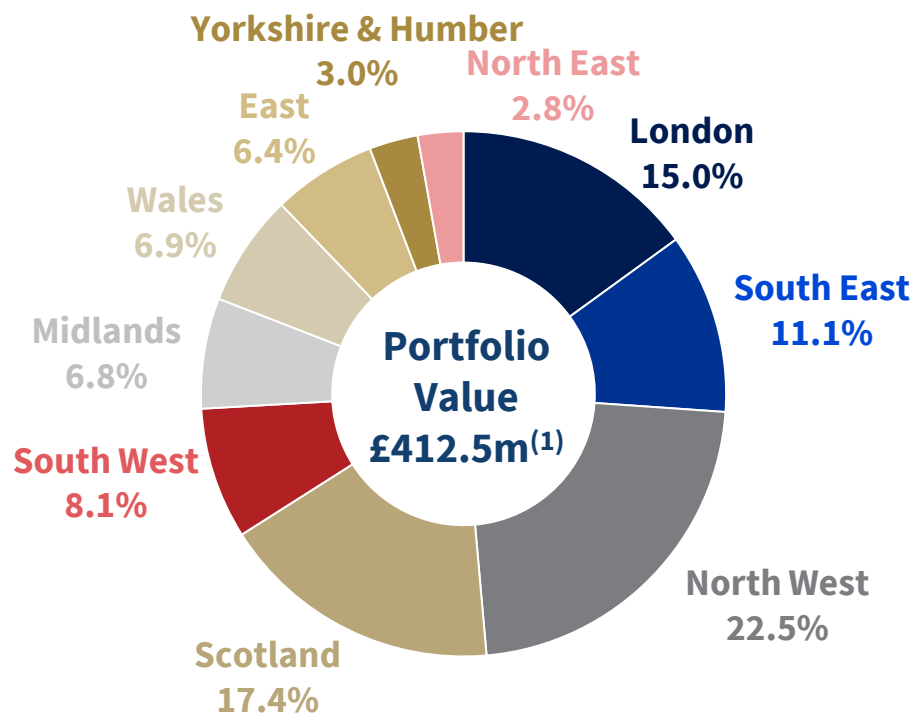
Tenancies backed by AA-rated UK sovereign credit strength



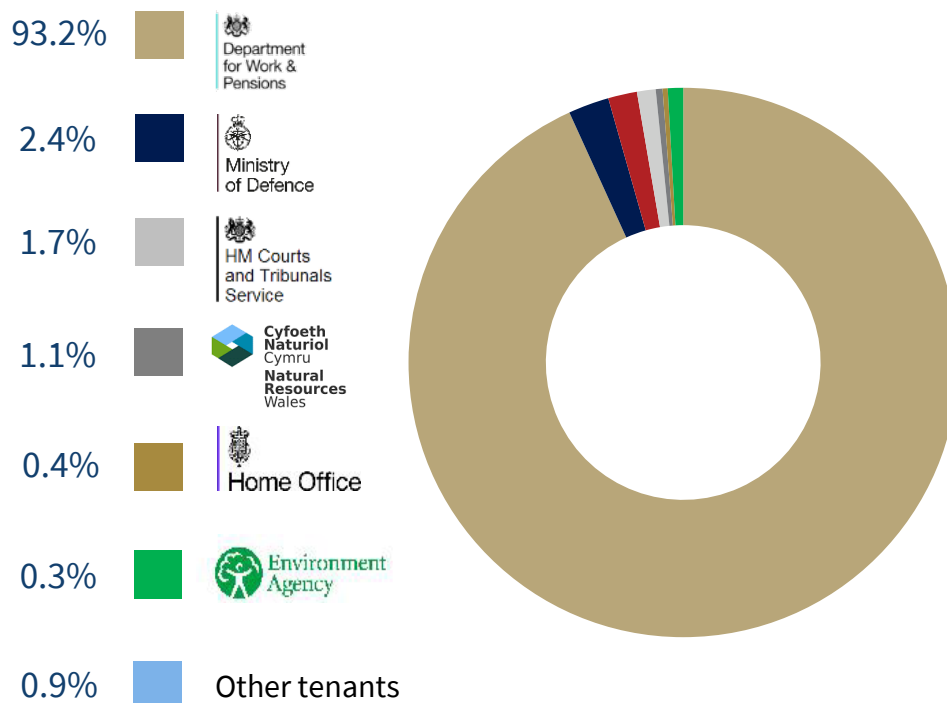
## Secured Distributions

Consistent rental collection in advance since listing

## Geographical Breakdown by Valuation<sup>(1)</sup>



## Tenant Breakdown by Gross Rental Income<sup>(3)</sup>



### Notes:

(1) Asset valuation as at 31 Dec 2023, excluding the completed divestments of Openshaw Jobcentre, Manchester; Cardwell Place, Blackburn; Leeds Road, Bradford; John Street, Sunderland and Crown House, Burton On Trent as at 31 Dec 2023.

(2) A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.

(3) As at 31 Dec 2023.

job  
centre  
plus



Section IV

# Asset Management Updates

Crown House, Grantham

# Asset Management Strategy

Active engagements with current and potential occupiers

## Proactive Tenant Engagement

### Focus on Tenant Retention

- Engage with various UK Government agencies in order to understand their requirements and to better meet their needs
- Develop collaborations that would be mutually beneficial to both occupiers and landlord

### Expand on Sustainability Collaboration

- Collaborate with the DWP to deliver asset enhancement works that will improve the energy efficiency of the DWP-occupied assets
- Broaden the successful sustainability collaboration with the DWP to other occupiers in our portfolio

### Diversify Lease Expiries and Income Profile

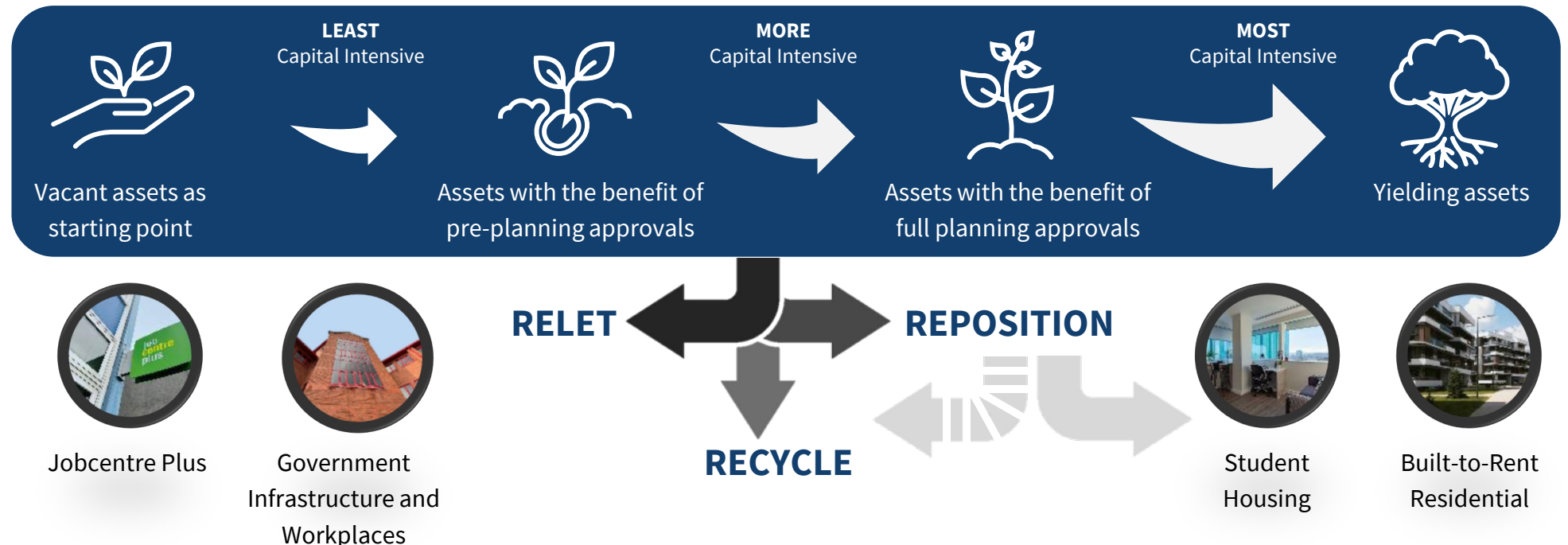
- Negotiate best outcomes on future lease renewals whilst seeking to diversify lease expiries and income profile



# Asset Repositioning Strategy

Vacant assets may be relet, repositioned or recycled

- ✓ Properties are located primarily in town centres, **close to transportation nodes and amenities**
- ✓ Properties may be **RELET** for commercial or other uses, or **REPOSITIONED** or disposed with capital **RECYCLED** back into the balance sheet
- ✓ Various potential alternative uses may be available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets
  - Planning approvals will be sought for assets with viable alternative uses and such assets may be disposed with the benefit of approvals or held on for further redevelopment
  - Assets could benefit from the living sector themes of student housing and built-to-rent residential, which are currently undersupplied in certain markets and facing positive tailwinds





Upper Huntbach Street,  
Stoke-On-Trent



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Section V

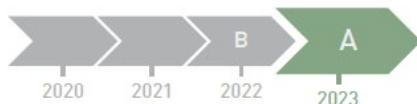
# Sustainability Efforts

# Commitment to ESG

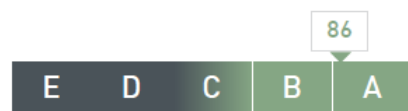
Driving sustainable value for Unitholders

## ESG Ratings: GRESB 2023 Public Disclosure & Real Estate Assessment

Participation & Score



GRESB Public Disclosure Level



Global Average: B  
Comparison Group Average: A



Achieved 2023 GRESB  
Top Public Disclosure Level

**A 86**

18% improvement from its  
inaugural participation in 2022



Achieved 2023 GRESB  
Real Estate Assessment score of

**54%**

42% improvement from its  
inaugural participation in 2022

## Excellence in Corporate Governance & Transparency



Awarded

### Certificate for Excellence

in investor relations at the  
prestigious IR Magazine Awards  
– South East Asia 2023 as  
finalists in four award categories

Maintained  
**Zero Incidents**  
of non-compliance/  
corruption



Majority  
**Independent Board**

## Environmental Efforts



- ✓ Landmark **Sustainability Collaboration** with UK's Department for Work and Pensions & Ministry of Defence
- ✓ **£15 million unsecured green loan** to fund sustainability enhancement works
- ✓ Upgrade in **Energy Performance Certificate** ratings of assets

# 'Greening' the Portfolio

## Progress of Sustainability Enhancement Works



1

Wyvern House,  
Bedford



**Replacement of  
windows**  
throughout the site

2

Nutwood House,  
Canterbury



**Replacement of gas or  
oil-fueled boilers with  
new high-efficiency or  
non-carbon-based  
heating system  
solution**

3

Bristol Road South,  
Birmingham



**Replacement of gas or  
oil-fueled boilers with  
new high-efficiency or  
non-carbon-based  
heating system  
solution**



Section VI

# Key Priorities



ELITE COMMERCIAL REIT



High Road, Ilford

# Outlook and Opportunities

## Positioning for long term income and value



### Economy of the UK

- 6<sup>th</sup> largest economy in the world and 2<sup>nd</sup> largest in Europe
- Stable and lawful political and judiciary system with low levels of corruption and crime
- GBP as a leading reserve currency and is one of the most sought-after global currencies in the world and in Asia



### Macroeconomic outlook

- 12-month UK inflation rate was 4.0%, substantially down from the peak of 11.1% in Oct 2022<sup>(1)</sup>
- Bank of England has maintained the bank rate at 5.25%, and updated its projections for a market-implied path for the bank rate to decline to 3.9% by 1Q 2025<sup>(2)</sup>
- Growth in employment has slowed over the year, and unemployment rate stood at 3.8% with a higher proportion of people economically inactive or long-term sick<sup>(3)</sup>



### Real estate outlook

- Inflation and interest rates are easing, and expected to decrease in the second half of 2024
- Supply and demand imbalance will drive rental growth
- Upgrades in energy efficiency and other sustainability features will value-add to attractiveness of assets

- ✓ Elite REIT's assets benefit from a resilient and stable income profile
- ✓ High level of income certainty
- ✓ Tenancies supported by AA-rated UK Government
- ✓ The only GBP-listed REIT in Singapore

- ✓ We are real estate partners to the DWP in providing critical social infrastructure to help alleviate unemployment in the UK
- ✓ Elite REIT's unique class of assets benefits from triple-net leases, inflation rental escalations and an overall cashflow-resilient profile

- ✓ Combination of yield stability and falling debt costs will stimulate investment activity in 2024
- ✓ Restricted competing supplies bode well for our existing well-located assets
- ✓ Sustainability collaboration with the DWP and other key occupiers

#### Notes:

- (1) Office for National Statistics, Consumer price inflation, UK: January 2024, 14 February 2024.
- (2) Bank of England, Monetary Policy Report, February 2024, 1 February 2024.
- (3) Office for National Statistics, Labour market overview, UK: February 2024, 13 February 2024.

# Key Priorities

## Management's focus areas in the near-term

01

### Proactive Asset Management

- Close out remaining dilapidation settlements and relet assets
- Seek planning consent for 'highest and best use' for assets with viable alternative uses
- Focus on high-value assets to unlock value and increase portfolio base
- Disposal with vacant possession or following reletting



02

### Capital Management

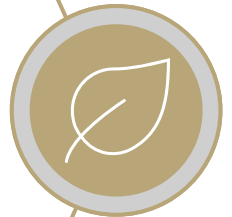
- Reduce gearing through capital recycling and proactive asset management
- Diversify funding sources by expanding financier relationships and accessing new sources of capital
- Opportunistic divestments to fund asset enhancement and manage gearing



03

### Future-proof our Assets

- Diversify lease expiry profile and extend leases ahead of expiries
- Expand the sustainability collaboration project to more properties
- Improve energy performance certificate ratings
- Explore co-location of selected properties with other government occupiers



04

### Improve Trading Liquidity

- Broaden research analyst and media coverage
- Step up investor engagement through regular investor roadshows and participation in webinars and conferences
- Improve liquidity via a larger asset base as Elite REIT grows in the future





Acacia Walk, Nottingham

# Thank You

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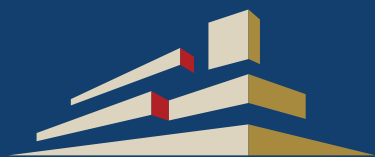
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Section VII

# Additional Information



ELITE COMMERCIAL REIT



Duchy House, Preston

# Singapore-listed UK REIT

Government facilities providing critical services to local communities<sup>(1)</sup>



**100%**

Freehold and Long Leasehold Assets<sup>(2)</sup>



**Triple Net**

Full Repairing & Insuring Leases<sup>(3)</sup>



**3.8**

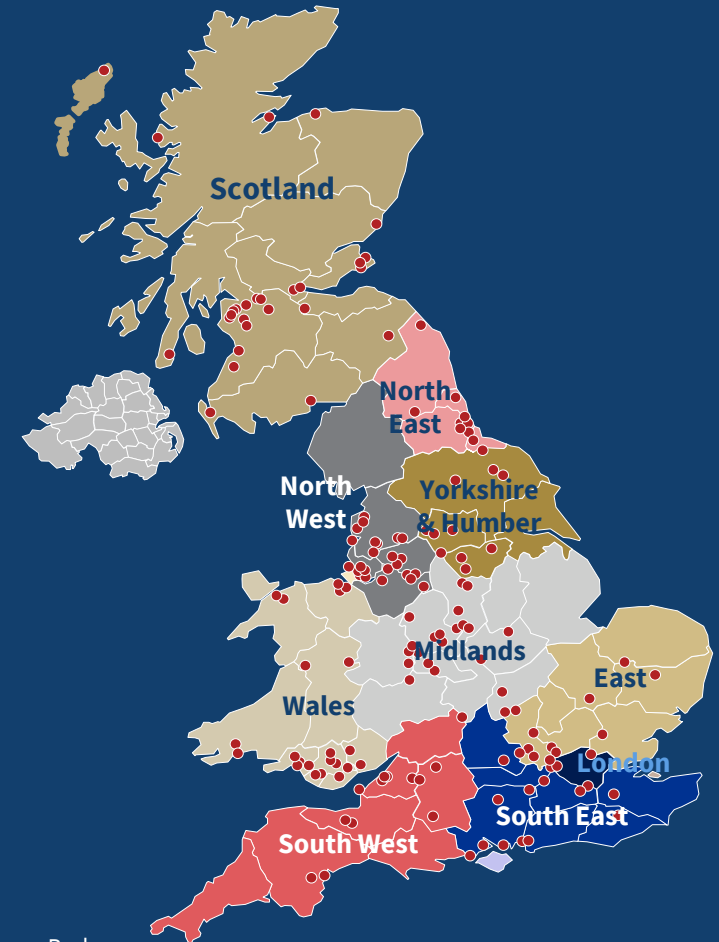
Million Square Feet of Net Lettable Area



**4.2**

Years Weighted Average Lease Expiry

**Geographically Diversified with a network of strategically well-located assets across the UK**



Elite REIT's Sponsors:



- Notes:**
- (1) A majority of the leases are signed with the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.
  - (2) 145 properties are on freehold tenures and five properties are on long leasehold tenures.
  - (3) Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant for occupied assets.

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