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运通网城 REIT

# 3QFY2020 Results Presentation

9 November 2020



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# Agenda

## Section A

3QFY2020 Key Highlights

## Section B

Financial Review

## Section C

Portfolio Update



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# Section A: 3QFY2020 Key Highlights





# Key Highlights

## Leases provides income predictability



### Proactive asset management

- Secured **renewal of major lease of 159,752 sqm** at Hengde Logistics at **competitive rate**
- **New lease** of 22,545 sqm to a reputable e-commerce tenant at **Wuhan Meiluote** commenced in end-October 2020
- **Portfolio occupancy of 96.7%** as at 30 September 2020. **Including the new lease** at Wuhan Meiluote, portfolio occupancy would be **99.0%**



### 3QFY2020 Financials and Distributions

- **10.8% increase in gross revenue** to **S\$28.5 million** mainly due to contribution from Fuzhou E-commerce which was acquired in August 2019 and organic rental escalations
- **Total amount available for distribution** increased **3.5% to S\$12.3 million**.
- Retention of 9.0% of total amount available for distribution
- DPU of **1.388 Singapore cents** translates to annualized yield of **7.7%**<sup>1</sup>



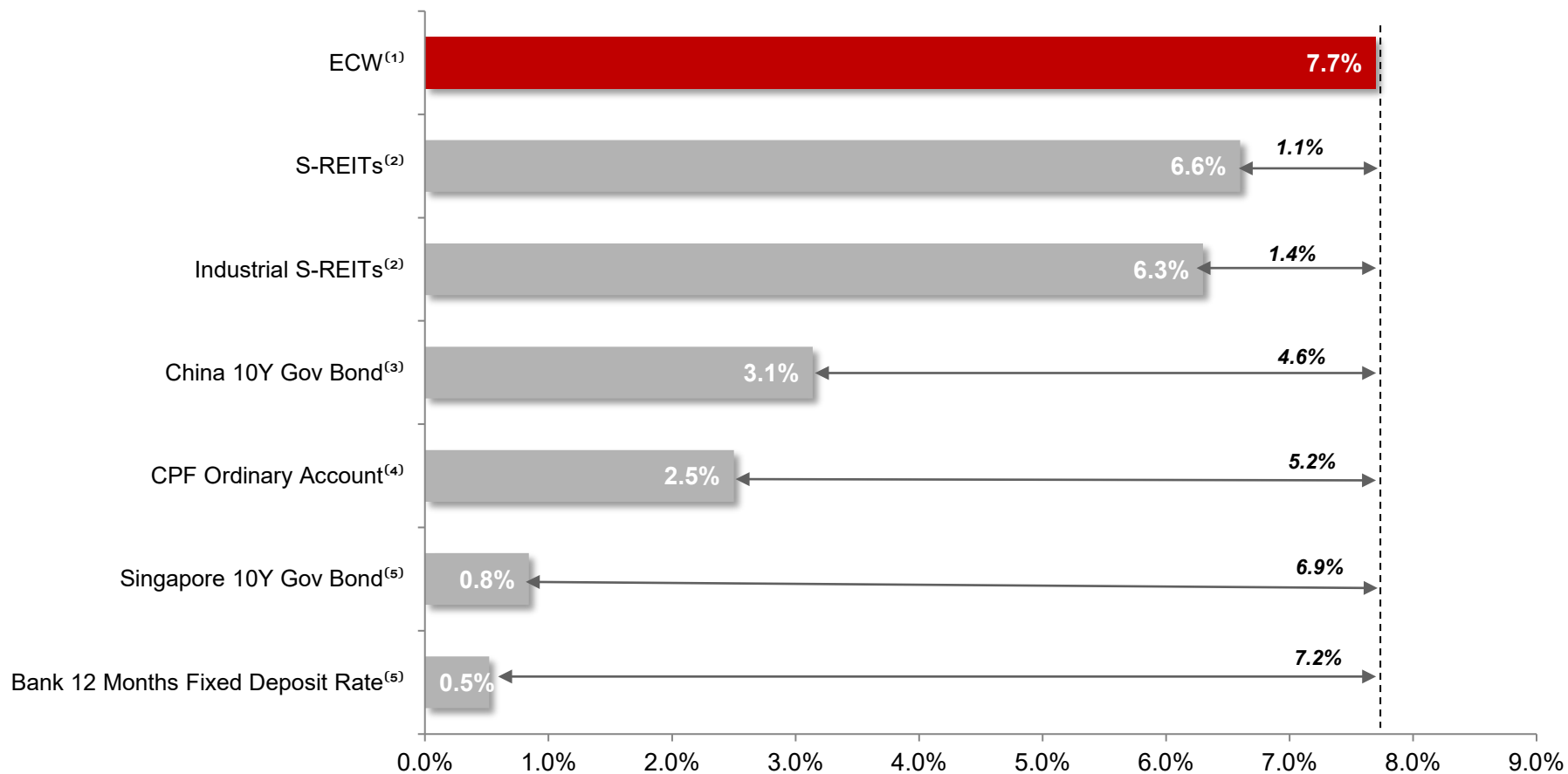
### Stable Capital and Debt Structure

- **All-in running interest rate** for 3QFY2020 of **4.2%**
- Weighted Average Term of Debt Expiry of **1.9 years**
- **100%** of interest rate risk of **Offshore Facility** hedged using **floating to fixed interest rate swaps and cross currency swaps**.

(1) Based on annualized DPU of 5.252 Singapore cents and closing price of S\$0.680 per unit as at 30 Sept 2020.

# Distribution Yield

## Attractive Yield Compared to Peers



(1) Based on annualized DPU of 5.252 Singapore cents and closing price of S\$0.680 per unit as at 30 Sept 2020.

(2) Based on Broker Research

(3) Source: Bloomberg

(4) Source: CPF Board

(5) Source: Monetary Authority of Singapore

# 3QFY2020 Distribution Timetable

## Distribution Timetable

<b>Last Day of Trading on “cum” Basis</b>	:	10 December 2020 (Thursday)
<b>Ex-date</b>	:	11 December 2020 (Friday)
<b>Record Date</b>	:	14 December 2020 (Monday)
<b>Distribution Payment Date</b>	:	29 December 2020 (Tuesday)



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## Section B: Financial Review





# 3QFY2020 Summary Results

Year on Year Comparison	3QFY2020	3QFY2019	Variance (%)
Gross revenue (S\$'000)	28,455	25,675	10.8
Net property income (S\$'000)	26,131	22,920	14.0
Finance Cost (S\$'000)	(9,721)	(9,260)	5.0
Total amount available for distribution (S\$'000)	12,283	11,873	3.5
Amount retained for cash flow management (S\$'000) <sup>1</sup>	1,111	-	n.m.
Distribution to Unitholders (S\$'000)	11,172	11,873	(5.9)
Applicable number of units for computation of DPU (million)	804.9	797.4	1.1
Distribution Amount Available per Unit (Singapore cents)	1.525	1.489	2.4
<b>Distribution per unit after retention (Singapore cents)</b>	<b>1.388</b>		<b>(6.8)</b>

(1) Retention of 9% of total amount available for distribution in 3QFY2020 for prudence

- In SGD terms, **gross revenue and NPI is S\$2.8 million and S\$3.2 million higher** in 3QFY20 compared to 3QFY19
- **In RMB terms, the gross revenue and NPI were 9.2% and 12.3% higher** respectively compared to 3Q19.
- After straight-line, security deposit accretion and other relevant distribution adjustments, the **gross revenue and NPI in RMB terms were 9.8% and 11.0% higher** respectively compared to 3Q2019, mainly due to contribution from Fuzhou E-commerce which was acquired in August 2019 and organic rental escalations.
- **Finance cost** increased by 5.0% due to **higher loan quantum**
- Distribution to Unitholders **declined 5.9% y-o-y mainly due to retention of 9% of total amount available for distribution**
- DPU of **1.388 cents is 6.8% lower due to higher unit base and 9% retention of total amount available for distribution**

## 3QFY2020 Summary Results

Year on Year Comparison	3QFY2020	2QFY2020	Variance (%)
Gross revenue (S\$'000)	28,455	28,205	0.9
Net property income (S\$'000)	26,131	25,835	1.1
Finance Cost (S\$'000)	(9,721)	(9,751)	(0.3)
Total amount available for distribution (S\$'000)	12,283	12,376	(0.8)
Amount retained for cash flow management (S\$'000) <sup>1</sup>	1,111	1,234	n.m.
Distribution to Unitholders (S\$'000)	11,172	11,142	0.3
Applicable number of units for computation of DPU (million)	804.9	803.9	0.1
Distribution Amount Available per Unit (Singapore cents)	1.525	1.539	(0.9)
<b>Distribution per unit after retention (Singapore cents)</b>	<b>1.388</b>	<b>1.386</b>	<b>0.1</b>

- **Gross revenue and NPI increased 0.9% and 1.1% mainly due to** one-off facility revenue in 3QFY20 in Fu Heng
- Total amount available for distribution **declined 0.8%** mainly due to **higher withholding tax in 3QFY20**
- **Retained 9%** of total amount available for distribution **for 3QFY20**
- **Distribution per unit of 1.388 Singapore cents after retention** is 0.1% higher than 2QFY20 due to lower retention ratio

(1) Retention 9% of total amount available for distribution in 3QFY20 vis-à-vis retention of 10% of total amount available for distribution in 2QFY20

# YTD3QFY2020 Summary Results

Year on Year Comparison	YTD3QFY2020	YTD3QFY2019	Variance (%)
Gross revenue (S\$'000)	80,194	73,266	9.5
Net property income (S\$'000)	73,104	65,262	12.0
Finance Cost (S\$'000)	(29,208)	(23,213)	25.8
Total amount available for distribution (S\$'000)	34,447	36,110	(4.6)
Amount retained for cash flow management (S\$'000) <sup>1</sup>	2,835	-	n.m.
Distribution to Unitholders (S\$'000)	31,612	36,110	(12.5)
Applicable number of units for computation of DPU (million)	804.9	795.8	1.1
Distribution Amount Available per Unit (Singapore cents) <sup>2</sup>	4.283	4.537	(5.6)
<b>Distribution per unit after retention (Singapore cents)</b>	<b>3.932</b>		<b>(13.3)</b>

(1) Retention of total amount available for distribution in view of uncertainties arising from COVID-19

(2) Assuming no retention YTD3QFY2020

- In SGD terms, gross revenue is **S\$6.9 million higher while NPI is S\$7.8 million higher compared to YTD3QFY2019.**
- In RMB terms, the gross revenue and NPI were 9.4% and 12.0% higher respectively compared to YTD3QFY2019.
- After straight-line, security deposit accretion and other relevant distribution adjustments, the **gross revenue and NPI in RMB terms were 10.2% and 11.0% higher** respectively compared to YTD3QFY2019, mainly due to contribution from Fuzhou E-commerce which was acquired in August 2019 and organic rental escalations, **offset by one-off rental rebates** given to tenants to mitigate the adverse effects of the current COVID-19 situation on tenants' operations.
- Higher finance costs of S\$6.0 million compared to YTD3QFY2019, mainly due to higher loan quantum compared to same period last year.
- **YTD Distribution to Unitholders** of S\$31.6 million is 12.5% lower mainly due to rental rebates given in 1Q20 as announced on 3 April 2020 and retention of distribution in view of the macro economic uncertainties

# Stable Balance Sheet

<b>S\$'000</b>	<b>As at 30 September 2020</b>	<b>As at 31 December 2019</b>
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>128,883</b>	<b>119,469</b>
<b>Investment Properties</b>	<b>1,627,880</b>	<b>1,567,586</b>
<b>Total Assets</b>	<b>1,808,672</b>	<b>1,724,041</b>
<b>Borrowings</b>	<b>682,546</b>	<b>654,514</b>
<b>Total Liabilities</b>	<b>1,090,153</b>	<b>1,040,116</b>
<b>Net Assets attributable to Unitholders</b>	<b>718,519</b>	<b>683,925</b>
<b>NAV per unit (S\$)</b>	<b>0.89</b>	<b>0.85</b>

(1) Includes RMB194.7 million (S\$39.1 million) cash security deposits received from the master leases and cash deposits of RMB469.8 million (S\$94.4 million) placed as collateral for standby letter of credit ("SBLC") issuance.

# Prudent Capital Management

## Proactive Capital Management

### 3QFY20 Summary

- ❑ **3QFY2020 and YTD3QFY2020 blended** running interest rate of **4.2% and 4.3% respectively**
- ❑ **100% of offshore facilities** has been swapped into **fixed rate**
- ❑ Aggregate leverage of **38.3%**
- ❑ **Weighted Average Debt Expiry** of **1.9 years**
- ❑ Interest coverage ratio of **2.51x<sup>(1)</sup>**
- ❑ Proactive monitoring of exchange rate. Entered into FX option contract to lock in SGD/RMB for ECW's RMB income source for 3QFY20 distribution.

### Key Debt Figures

#### Total Debt Drawdown as at 30 Sept 2020

- RMB1,095.0 million onshore
- S\$305.6 million and US\$86.8 (S\$118.8 million)
- S\$120 million RCF <sup>(2)</sup>

#### 3QFY2020 Blended Running Interest Rate<sup>(3)</sup>

- Onshore – 5.8% p.a.
- Offshore – 4.1% p.a.
- RCF – 1.1% to 2.6% p.a.

#### Hedging Profile Forex (SGD/RMB) for 3QFY20 distribution

- Hedged through call vanilla option
- Strike price at CHN 5.0095

(1) Calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees.

(2) S\$82.9 million drawn down from the S\$120.0 million revolving credit facility

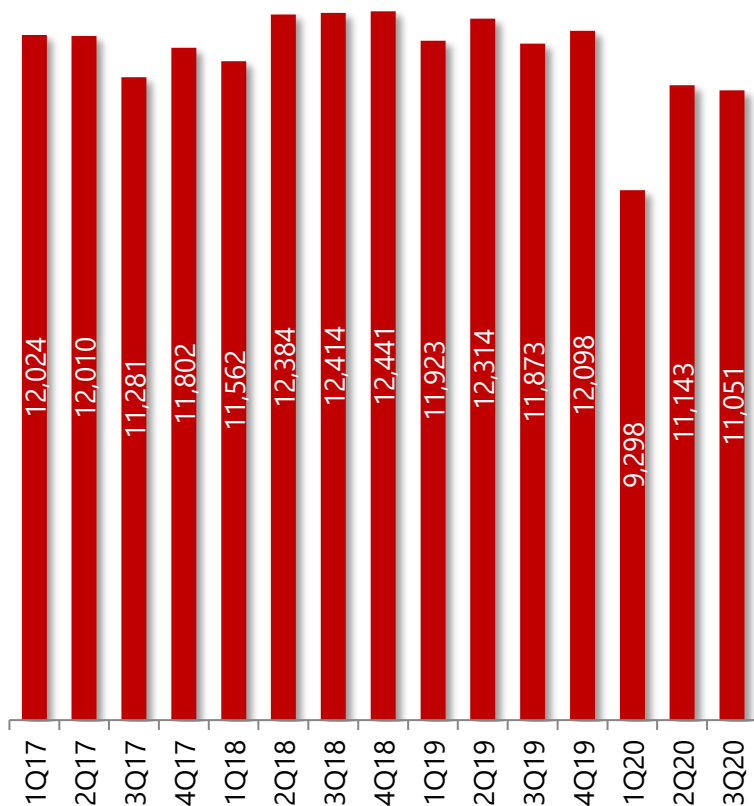
(3) Including amortized upfront fee, the all-in interest rate is 5.0% for 3QFY2020 and 5.1% for YTD3QFY2020



# Distributions to Unitholders

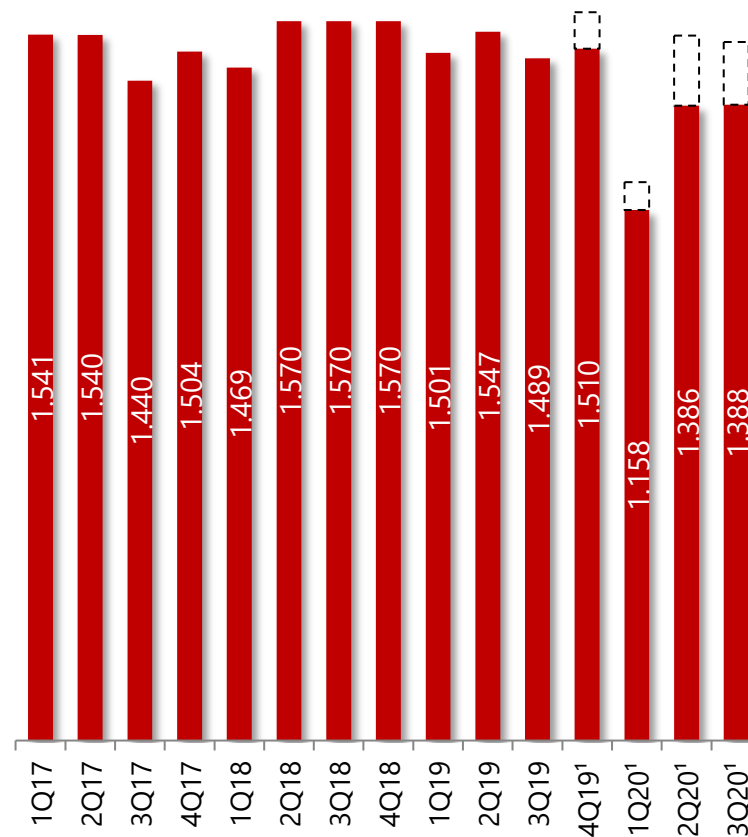
## Distribution to Unitholders

SGD'000



## DPU

Singapore cents



(1) For 4QFY2019 and 1QFY2020, ECW distributed 95% of total amount available for distribution to Unitholders. Based on a 100% distribution, DPU would have been 1.590 cents and 1.219 cents for 4QFY2019 and 1QFY2020 respectively. For 2QFY20, ECW distributed 90% of total amount available for distribution to Unitholders. For 3QFY20, ECW retained 9% of total amount available for distribution. Based on 100% distribution, DPU would have been 1.539 cents and 1.525 cents for 2QFY20 and 3QFY20 respectively.



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## Section C: Portfolio Update



# Stable Portfolio with Embedded Organic Growth

## Predictable lease structure

### E-Commerce Logistics Assets

Asset	Lease Structure	Occupancy	Key Highlight
Fu Heng	Master Lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 3.0% on 1st Jan 2020, 2.0% annually from 1st Jan 2021.	100%	Coveted property; <b>entire suite of facilities</b> supporting e-commerce fulfilment
Fuzhou E-Commerce	Master Lease: 8 Aug 2019 to 7 Aug 2024 Rental escalation of 2.25% per annum	100%	Situated next to Fu Heng. A <b>sizable integrated e-commerce</b> logistics asset
Stage 1 Properties of Bei Gang	Master lease: 1 Nov 2015 to 31 Oct 2024 Annual rental escalation of 1% from Nov 2020 to Oct 2024	100%	One of the <b>largest e-commerce developments</b> in the region
Wuhan Meiluote	Multi Tenanted	35.0% <sup>1</sup>	First acquisition in 2018. Houses mainly e-commerce players

### Specialized Logistics Asset

Asset	Lease Structure	Occupancy	Key Highlight
Hengde Logistics	Multi Tenanted.	100%	Customised environment control warehouse space for major SOE tenant <b>China Tobacco</b>

### Port Logistics Assets

Asset	Lease Structure	Occupancy	Key Highlight
Chongxian Port Investment	Master lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 3.0% on 1st Jan 2020 and 2.0% annually from 1st Jan 2021	100%	Leading river port with <b>60% market share</b> for steel products in Hangzhou
Chongxian Port Logistics	Multi Tenanted	100%	<b>Integrated operations</b> , storage processing and logistics distribution for steel products
Fu Zhuo Industrial	Two main tenancies: (1) Apr 2015 to Apr 2020: 10% annually in first 3 years, 15% from Year 4 from and (2) 7.5% every 3 years from Oct 2014 to Oct 2029	100%	<b>Adjacent to port</b> ; for cement related products

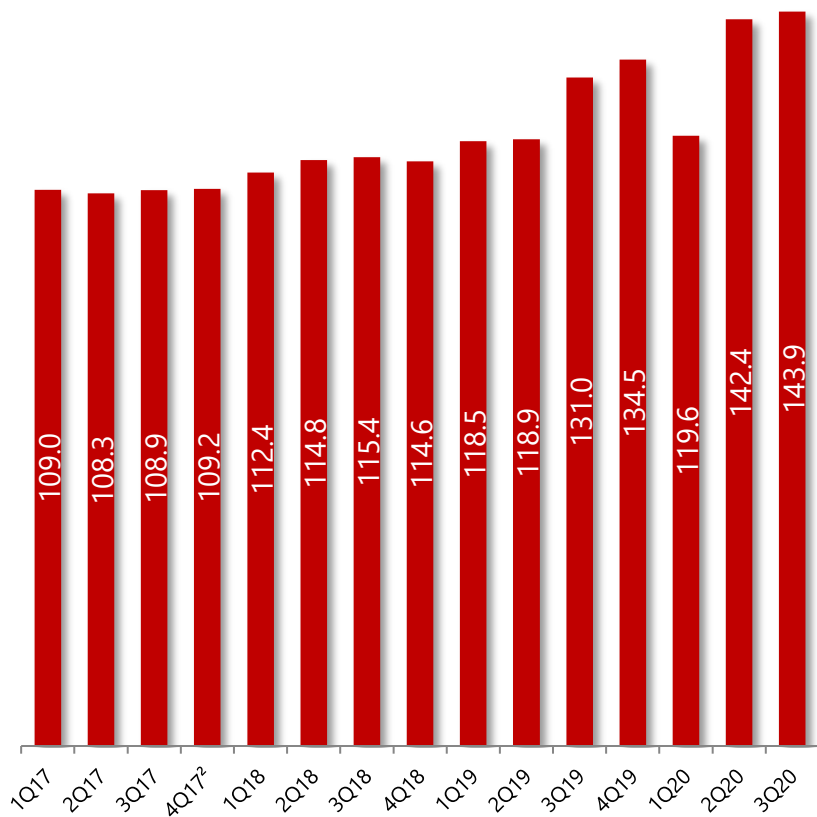
(1) In October 2020, the Manager announced that it has successfully leased 22,545 sqm of space at Wuhan Meiluote. Including these leases, occupancy at Wuhan Meiluote would be 81.1%

# Asset Portfolio Performance

## Business Resumption

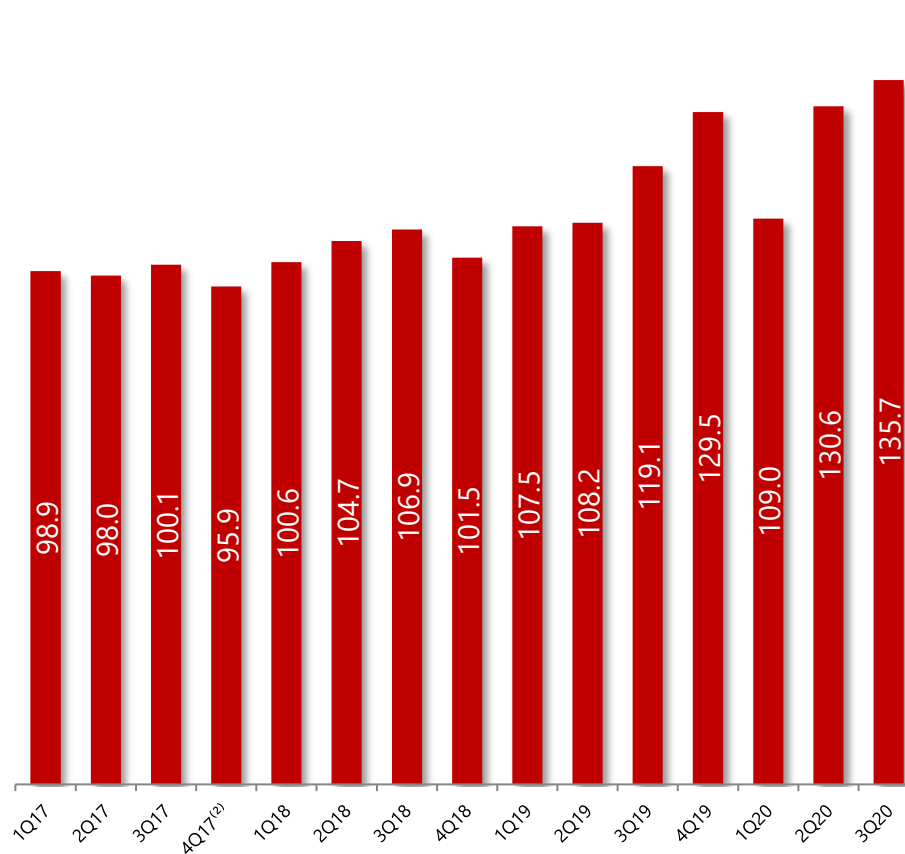
### Gross Revenue <sup>(1)</sup>

RMB million



### Net Property Income <sup>(1)</sup>

RMB million

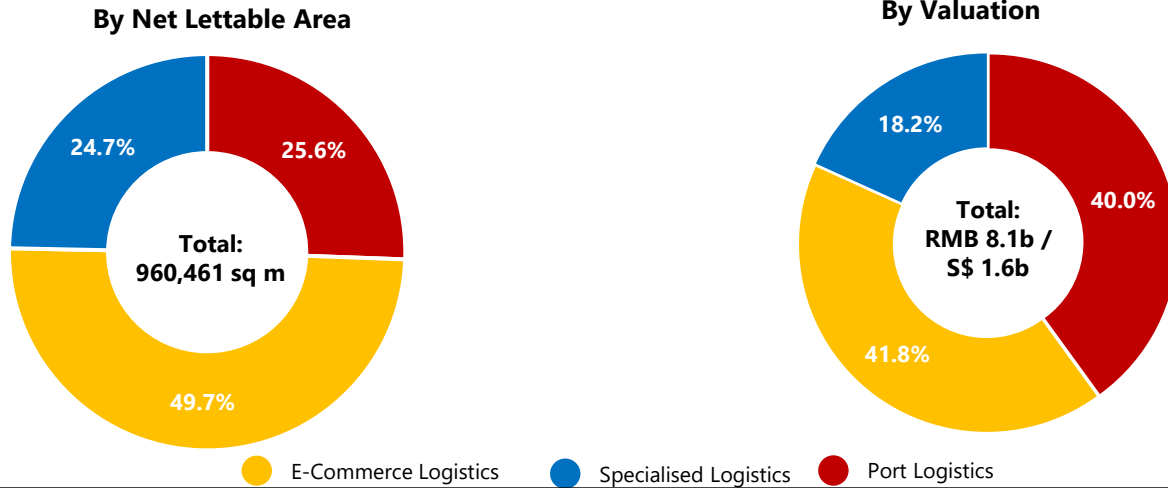


(1) Excluding straight-line, security deposit accretion and other relevant distribution adjustments

(2) Including a provision of impairment (RMB5.2m) of receivables at Fu Zhuo as at 31 Dec 2017. There was no impact to DPU for FY17

# High Quality and Differentiated Asset Portfolio

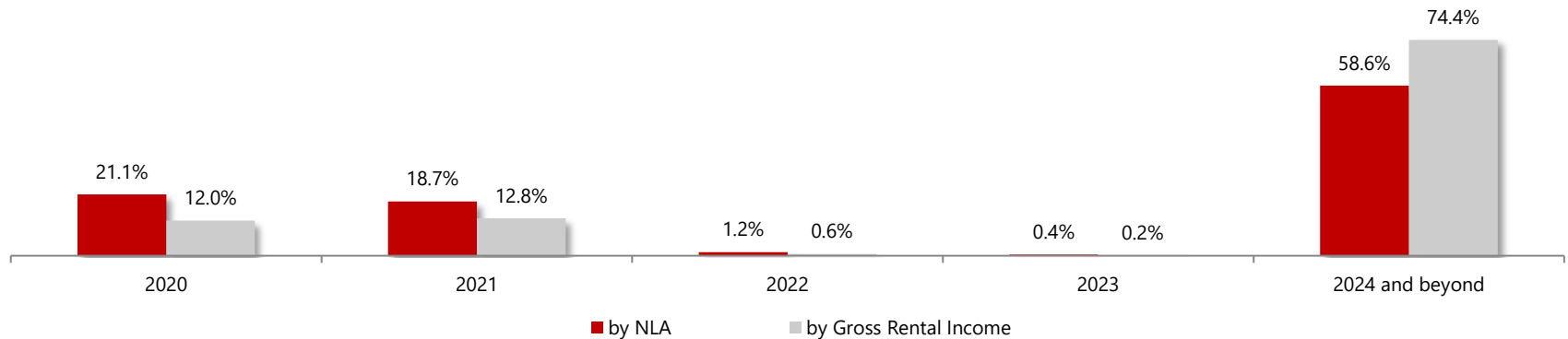
## Portfolio Diversification <sup>(1)</sup>



## Lease Expiry Profile of Portfolio <sup>(1)</sup>

WALE<sup>2</sup> by NLA: 2.6 years

WALE<sup>2</sup> by Gross Rental Income: 3.3 years



(1) As at 30 September 2020

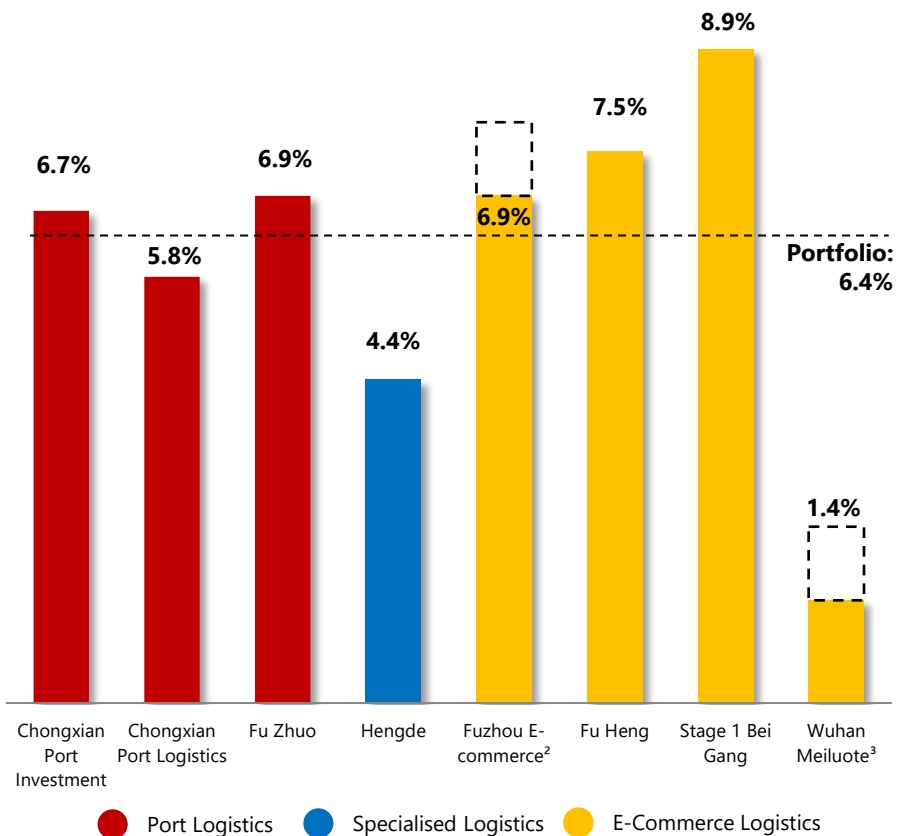
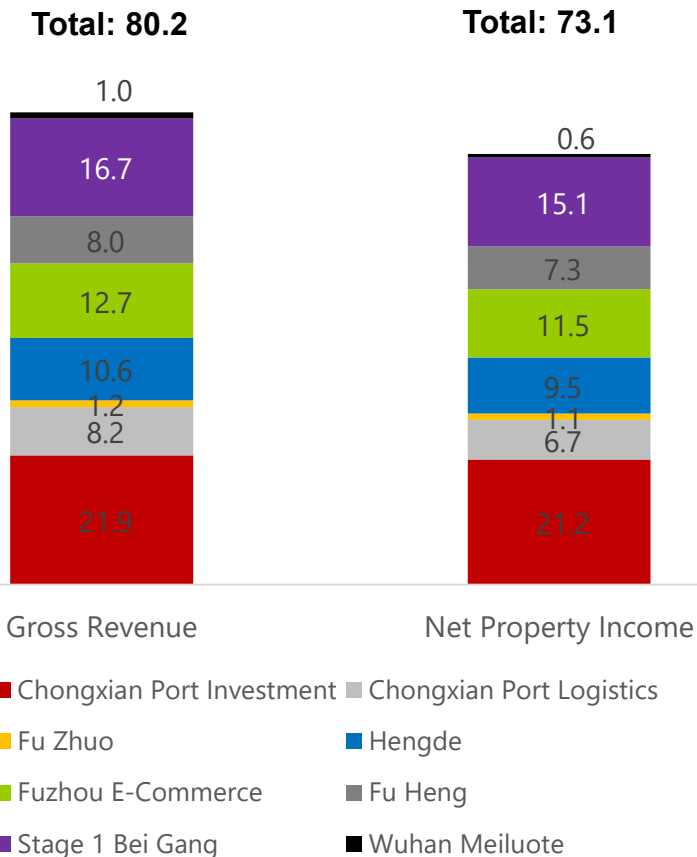
(2) Taking into account the renewal of 159,752 sqm of space at Hengde Logistics and new lease of 22,545 sqm of warehouse and dormitory space at Wuhan Meilute which commenced in October 2020, WALE would be 3.1 years and 3.5 years by NLA and Gross Rental Income respectively



# Summary Assets Performance

## YTD3QFY2020 Breakdown by Gross Revenue and NPI (SGD m)

## Annualised NPI Yield (1)



- (1) In RMB terms. Annualised based on 3QFY2020 NPI
- (2) Using acquisition price of RMB1,112.5 million, NPI yield would be 7.0%
- (3) Using acquisition price of RMB145 million, NPI yield will be 1.7%. Wuhan Meiluote had an occupancy rate of 35.0% as at 30 Sep 2020. The Manager has since backfilled the space to 81.1% as at 30 October 2020



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**Thank You**

