



2Q FY18 Financial Results

6 April 2018

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This presentation shall be read in conjunction with SPH REIT’s financial results for the second quarter and half year ended 28 February 2018 in the SGXNET announcement.

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Key Highlights

- Net property income for 2Q FY18 decreased 1.1% year-on-year
- 2Q FY18 DPU held steady at 1.40 cents
- Annualised distribution yield was 5.53% (based on closing price of \$1.00 per unit on 28 February 2018)
- Strong balance sheet, with low gearing of 25.4%

2Q FY18 financial performance

	2Q FY18 S\$'000	2Q FY17 S\$'000	Change %
Gross revenue	53,592	54,009	(0.8)
Property expenses	(11,324)	(11,272)	0.5
Net property income (NPI)	42,268	42,737	(1.1)
Income available for distribution	36,099	37,312	(3.3)
Distribution to Unitholders	35,947	35,743	0.6
Distribution per unit (DPU) (cents)	1.40	1.40	-

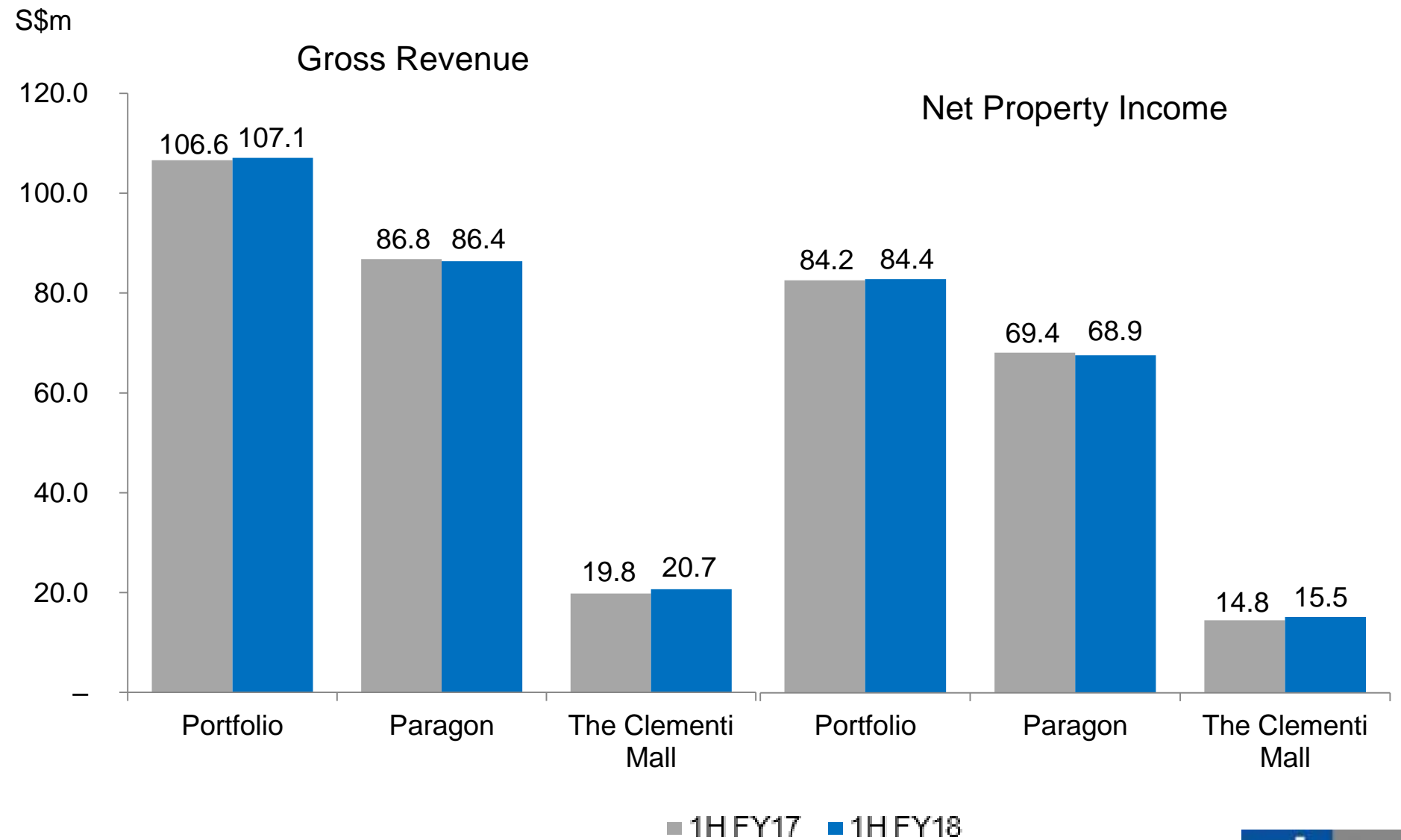
1H FY18 financial performance

	1H FY18 S\$'000	1H FY17 S\$'000	Change %
Gross revenue	107,071	106,588	0.5
Property expenses	(22,613)	(22,429)	0.8
Net property income (NPI)	84,458	84,159	0.4
Income available for distribution	72,639	73,686	(1.4)
Distribution to Unitholders ^(a)	70,327	69,926	0.6
Distribution per unit (DPU) (cents)	2.74	2.74	-

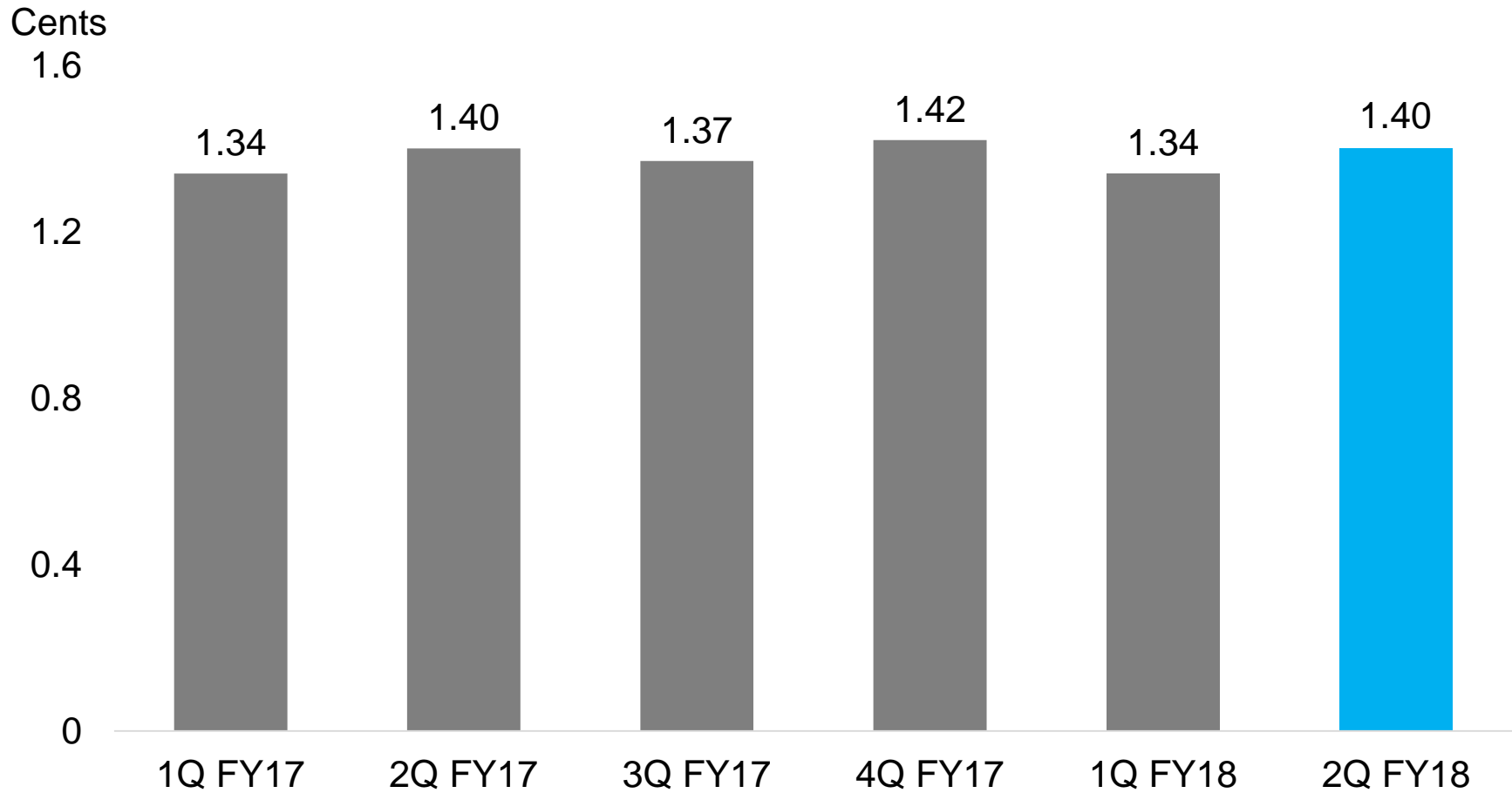
Notes:

(a) For 1H FY18, the distribution to unitholders was 96.8% of income available for distribution.

Gross revenue and NPI



Stable and regular DPU



Balance sheet



Financial position

	As at 28 February 2018 S\$'000	As at 31 August 2017 S\$'000
Total assets	3,345,908	3,346,701
Total liabilities	918,967	925,641
Net assets	2,426,941	2,421,060
Net asset value per unit	S\$0.94	S\$0.95
Gearing ^(a)	25.4%	25.4%

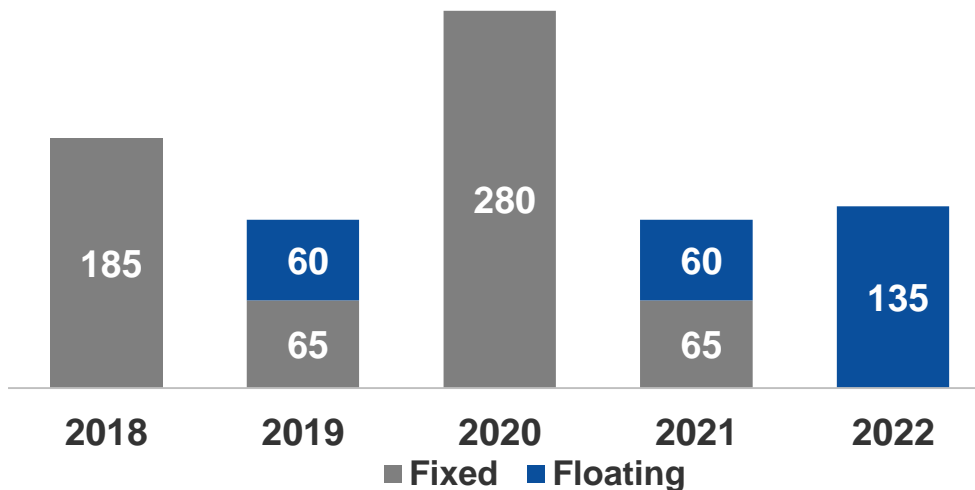
Note:

(a) Gearing is computed based on total debt/ total assets

Low gearing

- SPH REIT maintained a well staggered debt maturity profile without major concentration of debts maturing in a single year.
- The loan tranche of S\$135 million which matured in March 2018 was refinanced as a four year loan. The average term to maturity increased to 2.2 years after the renewal.
- Management is currently reviewing options for the remaining tranche due in 2018.
- Gearing level of 25.4% and average cost of debt of 2.84% p.a. for 1HFY18

Debt Maturity Profile (S\$m)





Operational performance



Operational performance

- Both properties continued their track record of full occupancy.
- In keeping with our long-standing philosophy of partnering tenants for mutual sustainability, the rental negotiations with tenants took into consideration occupancy cost. Typically, leases are committed about a year before expiry. Paragon recorded a rental reversion of -7.1% for new and renewed leases in 1H FY18, mainly due to negotiations during the retail sales downturn since 2014. The decline was more moderated in Q2 compared to Q1.
- Tenant sales have grown, in tandem with the recent recovery in retail sales since June 2017.
- 1H FY18 visitor traffic remained steady.

Rental reversion

	Number of renewals / new leases ^(a)	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates ^(c)
Paragon	31	146,555	20.5%	(7.1%)
The Clementi Mall	3	2,636	1.4%	(2.5%) ^(d)
SPH REIT Portfolio	34	149,191	16.4% ^(b)	(7.1%) ^(e)

Notes:

(a) For expiries in 1H FY18.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 910,837 sqft as at 28 February 2018.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases were typically committed three years ago.

(d) One of the lease was for a replacement tenant of a different trade mix.

(e) Reversion rate is computed based on weighted average of all expiring leases.

Staggered portfolio lease renewal

Weighted Average Lease Expiry (WALE) as at 28 February 2018

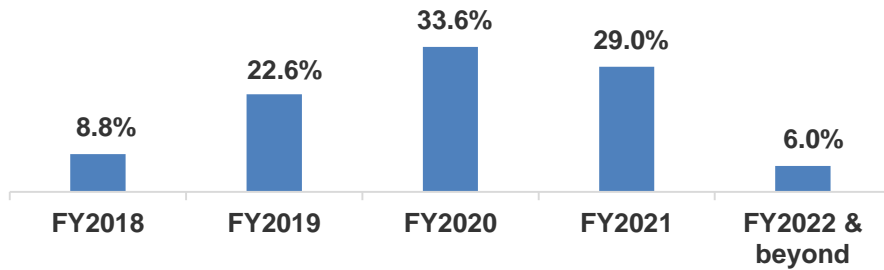
By NLA	2.1 years
By Gross Rental Income	2.1 years

Lease expiry as at 28 February 2018

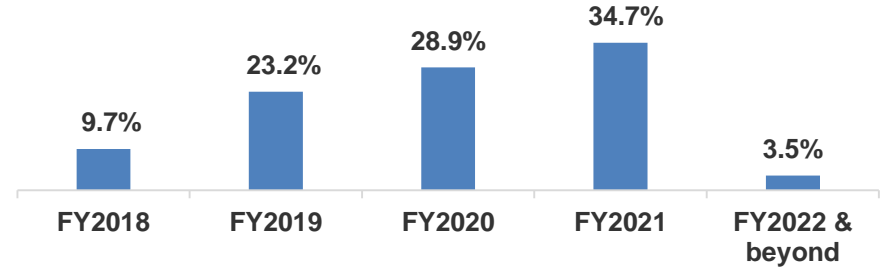
	FY2018	FY2019	FY2020	FY2021	FY2022 and beyond
Expiries as a % of total NLA	8.2%	21.0%	38.1%	30.0%	2.7%
Expiries as a % of Gross rental income	7.5%	20.1%	41.1%	26.5%	4.8%

Paragon: Staggered lease expiry

Expiry by Gross Rental Income

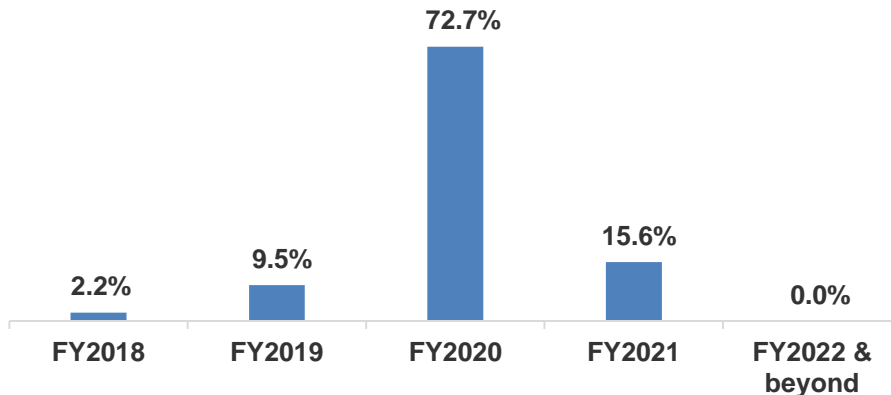


Expiry by NLA

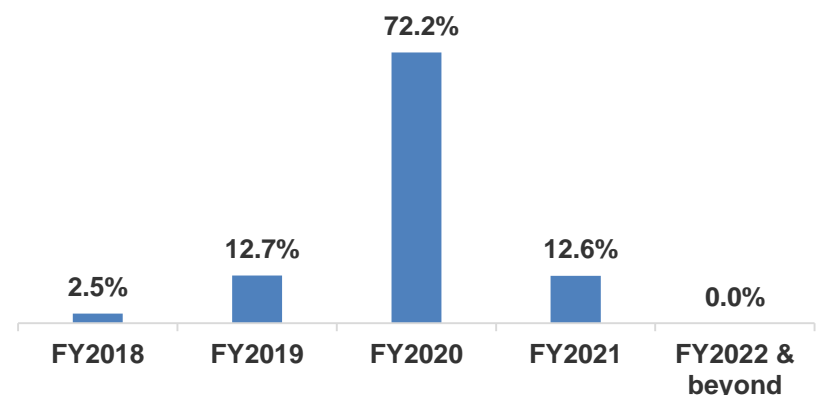


The Clementi Mall : Tenant retention rate of 89% for second renewal cycle in 2017

Expiry by Gross Rental Income



Expiry by NLA





Growth strategy and market outlook



Multi-pronged strategy to ensure growth

Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily⁽¹⁾ for retail purposes in Asia Pacific
 - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, and maintained high occupancy rate since its opening.
 - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to unitholders

Note:

- (1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

Engaging activities at our malls



Paragon awarded “The Most Insta-Worthy Display”



Virtual reality for Chinese calligraphy



Miu Miu disco-themed pop-up store in Paragon with first in the world launch of its new Laminato collection.



Interactive games to engage with shoppers

Market outlook

- **Outlook for Singapore economic growth is expected to moderate but remain firm**
 - The Ministry of Trade and Industry (MTI) reported that the Singapore economy grew by 3.6% on a year-on-year basis in 2017.
 - Growth is expected in domestically-oriented services sectors like retail and food services on the back of an improvement in consumer sentiments amidst the on-going recovery in the labour market.
 - MTI expects the economic growth forecast 2018 to come in slightly above the middle of the forecast range of “1.5% to 3.5%”.
- **Growth in international visitor arrivals and tourism receipts**
 - International visitor arrivals (IVA) recorded a 6.2% y-o-y growth in 2017.
 - Tourism receipts grew by 5.0% to S\$20.3 billion in the first three quarters of 2017.
- **Recovery in retail sales for three quarters**
 - The retail sales index (excluding motor vehicles) grew by 1.2% (year-on-year) in Q4 2017, 2.4% in Q3 2017 and 2.5% in Q2 2017.

Distribution details and timetable

Distribution period	2Q FY18 (1 December 2017 – 28 February 2018)
Distribution per unit	1.40 cents per unit
Ex-date	12 April 2018
Record date	16 April 2018
Payment date	16 May 2018

Thank You

Please visit www.sphreit.com.sg for more information.

