



# Sabana Shari'ah Compliant Industrial REIT

## Annual General Meeting

25 April 2018

## Meeting Housekeeping Matters

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**In consideration to others, kindly observe the following:**

- Please switch all mobile devices to silent mode
- Please do not make recordings the proceedings or or take photos of the meeting



# Sabana Shari'ah Compliant Industrial REIT

## Annual General Meeting

25 April 2018



# Important Notice

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## Disclaimer

**This presentation shall be read in conjunction with the financial information of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust") for the full financial year from 1 January 2017 to 31 December 2017 ("FY2017").**

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.

Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this presentation between the listed amounts and total thereof are due to rounding.

# Agenda

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I. Year in Review

II. Updated Strategy

III. Financial Highlights

IV. Outlook and Our Commitment To You

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# Challenging 2017: We've Heard Your Feedback and Have Been Refining Our Strategy to Deliver Value for You

**Feb '17** Undertook Strategic Review based on your feedback



**Nov '17** Unveiled key pathways to optimise our operations and have since delivered on them:

**1) Rejuvenate Portfolio**

- Identified 6 Woodlands Loop for divestment

**2) Renew Senior Leadership**

- Appointed Mr Donald Han as new CEO

**3) Enhance Board**

- Appointed new IDs:
- Mr Kelvin Tan Wee Peng
  - Mr Tan Cheong Hin



**Jan '18** Appointment of new CEO: Further recalibrated strategy to improve performance

**1) Driving revenue and occupancy**

- Will ramp up marketing efforts and focus on retaining key tenants

**2) Enhancing portfolio**

- Focus on high-spec assets and business parks, including selective divestments of underperforming assets

**3) Further cost rationalisation**

- Re-examine entire business to identify additional operational efficiencies

**SINCE THEN:** Refreshed Board and management have been re-examining entire business to improve performance

## CEO's First 90 Days: Re-examining and Delivering on Strategy

**25 January 2018:** Announcement of appointment. Unveiled recalibrated strategy

**28 February 2018:** Announced sale of non-performing asset 6 Woodlands Loop (6WL) for S\$13.8 million (approximately 7% above book value)

**1 March 2018:** Met 60 high-performing industrial property agents. Unveiled new competitive commission scheme and agent loyalty program

**29 March 2018:** 6WL sale completed

**March and April 2018:** Interviews with the media on strategic direction for the REIT moving forward

**March and April 2018:** Meeting with analysts to discuss Sabana REIT under refreshed leadership



**NOW: After re-looking business, consulting with stakeholders...  
READY TO ANNOUNCE NEW GROWTH STRATEGY TO IMPROVE DPU**



# Agenda

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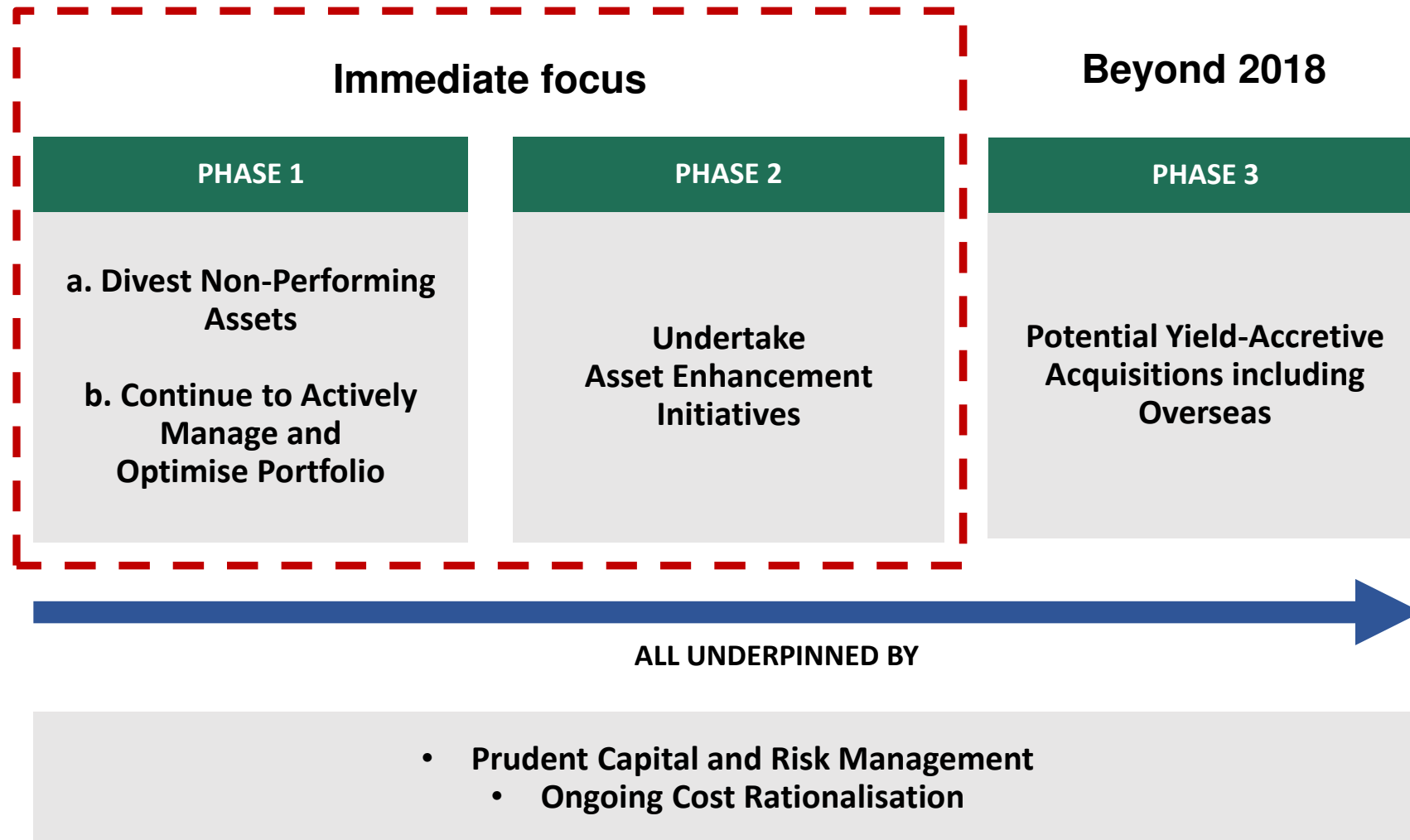
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# 2018: Our Refreshed Strategy with 3 Phases



# Already Actively Executing Phase 1 of Strategy

## A. Divest Non-performing Assets

- Potential proceeds will be recycled to pare down borrowings or fund value-accretive propositions like AEI or acquisitions in high-spec industrial assets and business parks

FY2017

Divested 218 Pandan Loop



Sold 15.6% above book value

FY2018

Divested 6 Woodlands Loop



Sold 7% above book value

EOI (Sale/Lease/Build-To-Suit) for 1 Tuas Avenue 4

Artist's Impression



EOI (Sale/Lease) for 21 Joo Koon Crescent



# Already Actively Executing Phase 1 of Strategy

## B. Continue to Actively Manage and Optimise Portfolio

FY2017

Secured **55 lease transactions** (renewals and new leases); overall occupancy level at 85.4%

**Renewed all four master leases** set to have expired in 2017, securing steady recurring income

**Strategic divestment** of 218 Pandan Loop to streamline portfolio; announced divestment of 6 Woodlands Loop

**Commenced supplementary lease** for 10 Changi South Street 2, generating S\$1.0 million in additional rental per annum

1Q2018

**Completed divestment** for 6 Woodlands Loop. Potential divestment (or lease) of 1 Tuas Avenue 4 and 21 Joo Koon Crescent

**Renewed one master lease** expiring in 2018; in discussions over remaining master leases

# Next Focus: Growth Through Recycling Capital

## 2. Undertake Asset Enhancement Initiatives

- Identify key assets that can provide good rental growth opportunities
- Improve circulation, efficiency and rentable areas to enlarge revenue base
- Expected to be DPU- and valuation-accretive over the medium term



New Tech Park (151 Lorong Chuan) has been identified\* as one potential asset for AEI



# Growth Beyond 2018: Phase 3 of Strategy

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## 3. Potential Acquisitions, including Overseas

- Diversify earnings and ensure portfolio stability
- Capitalise on longer WALE tenancies, longer land tenures (including freehold) and opportunity to participate in key growth markets internationally
- Grow AUM and increase DPU



# All Growth Phases Underpinned by Sound Foundation

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- Prudent Capital and Risk Management
  - Ongoing Cost Rationalisation

- We will explore all avenues to fund growth, including recycling assets and employing an appropriate mix of debt and equity, hedging as necessary
- Continue to be proactive in expanding our relationships with banks



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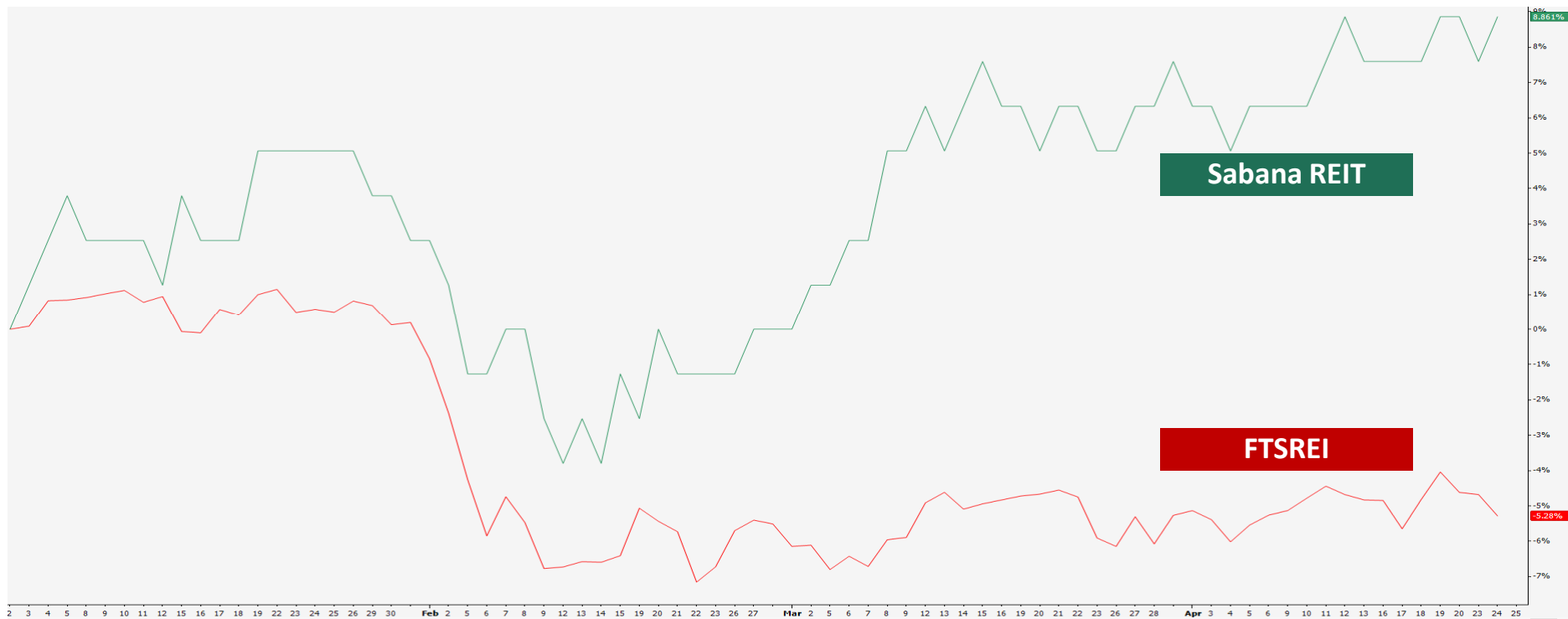
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# Improving Unit Price and Returns Performance

**Robust YTD return:  
~9% improvement in unit price  
~11% in total returns (including dividends)**

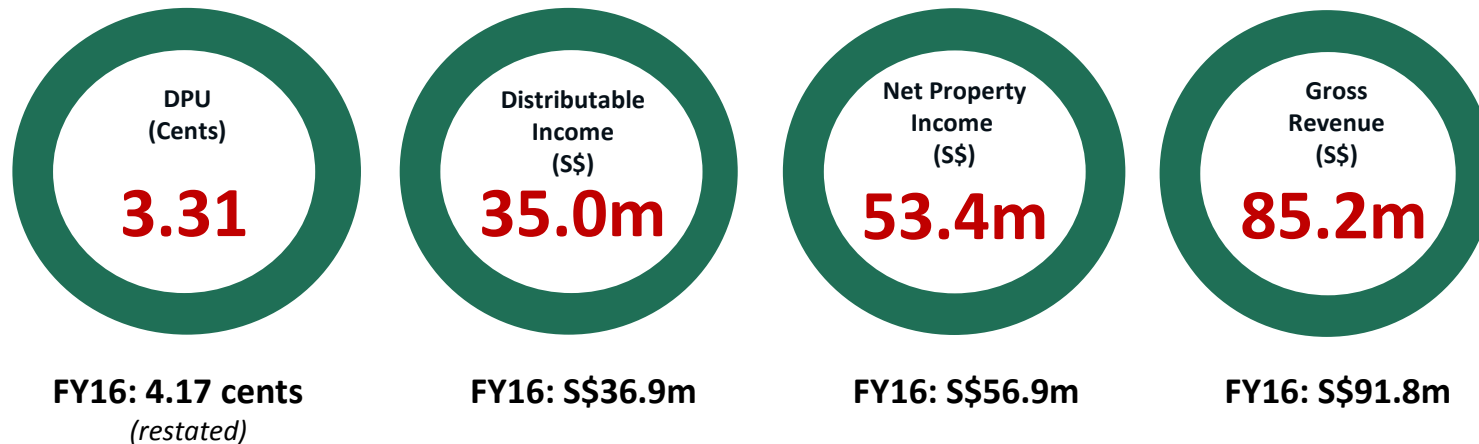
Unit price performance from 1 Jan to 24 April 2018



\*Source: Shareinvestor as at YTD 24th April 2018, in comparison with FTSE ST Real Estate Investment Trusts Index

# Financial Performance At a Glance (FY2017)

For the FY ended 31 December 2017

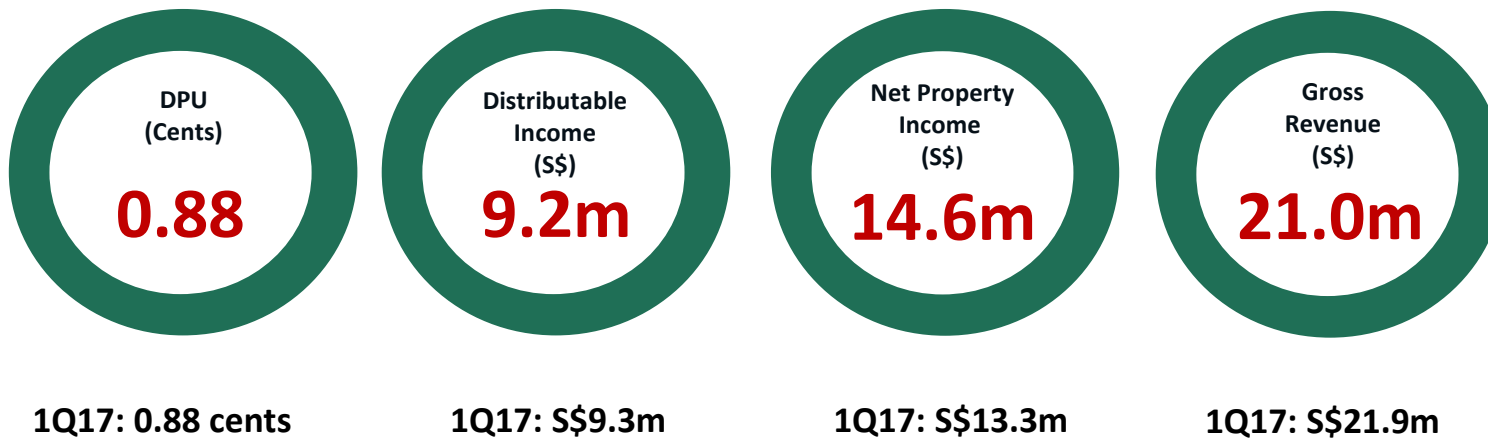


- DPU for FY2017 would have been **3.56 cents** with general mandate
- Manager partially waived fees to cushion DPU



# Steady Performance in 1Q 2018

For the quarter ended 31 March 2018



- DPU for 1Q 2018 would have been **0.94 cents** with general mandate
- Manager continued to partially waive fees to cushion DPU. It would have been 0.86 cents otherwise

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# Uncertainty Remains Near-Term for our Sector, but Manager Actively Executing on Refocused Strategy

## Industrial Property Outlook

- Continued oversupply and island-wide vacancy of 11.1% <sup>(1)</sup> as at end 2017 means overall reversionary rent for 2018 likely to stay negative
- Further JTC land sales slated despite lackluster demand for 2 recent plots in Tuas
- Knight Frank believes landlords of older properties may need to offer competitive rental rates or AEI to keep up with changing market needs<sup>(2)</sup>
- Colliers forecasted stronger leasing demand on growth in manufacturing and exports, along with easing supply<sup>(3)</sup>

## Manager's Commitment

**Market conditions continue to be uncertain. Will continue to refine strategy and drive changes:**

- Maximise agent/tenants outreach and offer competitive rents to boost occupancy
- Active management of the six master leases, the bulk of which are expiring at the end of this year – one master tenancy has been renewed, proactive management of remaining five
- Continue to review portfolio and identify non-performing assets for divestment
- Proceeds from divestments to be channeled to pay down borrowings and/or to fund value-accretive propositions such as AEI
  - New Tech Park as one possible asset for AEI<sup>(4)</sup>

(1) "JTC Quarterly Market Report. Industrial Properties. Fourth Quarter 2017". 4Q2017. Web. 4Q2017.

(2) "Research Commentary – For Independent Review Of The Singapore Industrial Property Market". Knight Frank Pte Ltd Consultancy & Research. 29 March 2018.

(3) "Colliers Outlook: Singapore 2018 Market Outlook". Colliers International Singapore. 27 February 2018.

(4) Subject to regulatory approval

## Key Takeaways

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- We have a clear growth strategy after re-examining entire business
- Improving performance will take time, especially with near-term industry volatility, but we are already turning the business around
- Sabana REIT's and the industry's medium-term prospects are good, and we will actively manage near-term volatility
- With your support and our refocused strategy, the Manager commits to generating long-term value for Unitholders

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**Thank you**



## Q&A Housekeeping Matters

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### **In consideration to others, kindly observe the following:**

- Please limit yourself to a reasonable number and length of questions and to matters relevant to the Agenda for this Meeting
- Please speak into the microphones provided so we can hear you. Please also state your name before you ask your question