

# **Lendlease Global Commercial REIT**

Increased Interest in Jem of Up to 31.8%

7 June 2021

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3. Pro Forma Financial Effects
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# Overview



# Overview of the Proposed Acquisition

The Manager seeks approval from the Unitholders by way of Ordinary Resolution for the proposed acquisition.

1

Proposed to **acquire 53.0% stake in Lendlease Jem Partners Fund Limited (“LLJP”)** for S\$159.1 million.

2

Proposed to **acquire 5.0% interest in Lendlease Asian Retail Investment Fund 3 Limited (“ARIF3”)** for S\$45.0 million. The Trustee may also acquire up to 19.8% interest in ARIF3 from other third-party investors for S\$178.2 million<sup>1</sup>.

3

The acquisition will be **funded through its existing cash balance, debt facilities and proceeds from issuance of perpetual securities.**

4

Circular and Notice of Extraordinary General Meeting will be issued in due course.

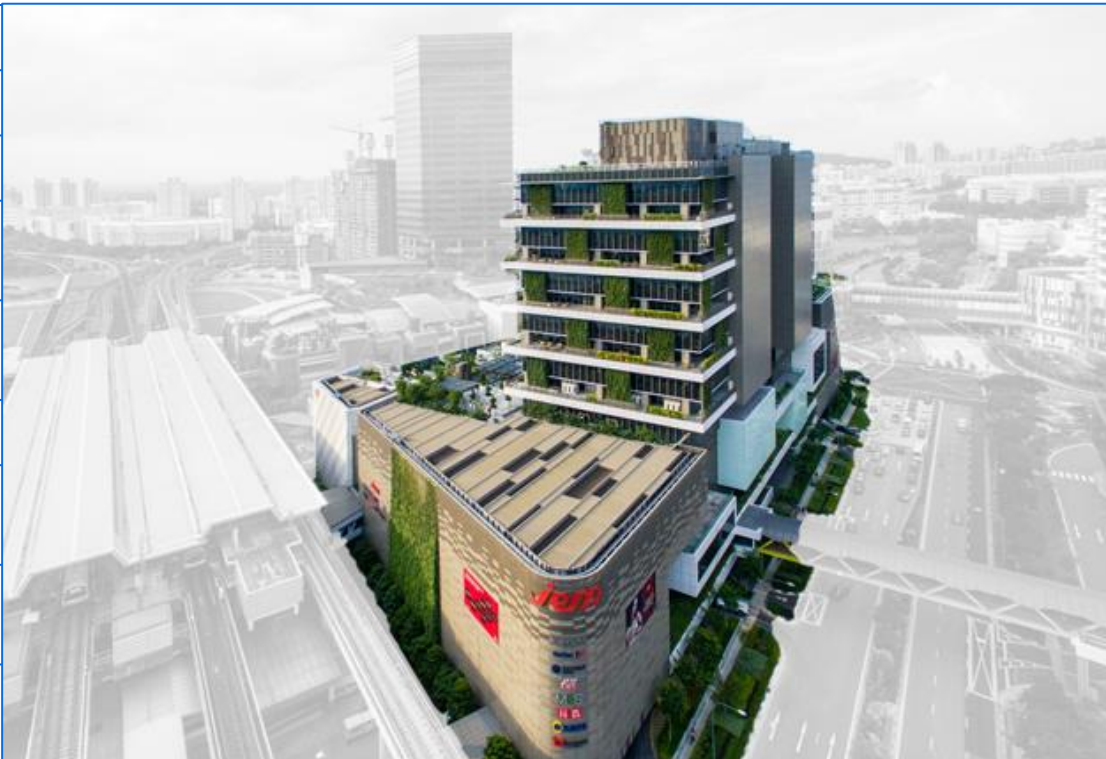
<sup>1</sup>Based on the assumption that the purchase consideration payable to the third-party investors in ARIF3 will not be more than the NAV of ARIF3 per ARIF3 share.

## Key Highlights of the Proposed Acquisition

- ✓ Accretive DPU **up 3.6%**
- ✓ NAV per unit remains **neutral at S\$0.85**
- ✓ Gearing ratio **improved to 33.8%**
- ✓ Office component is 100% leased to a Singapore government ministry with a **long WALE of 24 years, providing strong stable cash flow**
- ✓ Exposure in the resilient suburban retail segment will be **increased significantly by 13.9%**
- ✓ **Increased strategic pre-emptive rights** in the funds

# Property Details

- Jem is an integrated office and retail asset located in Jurong Gateway, the **commercial hub of the Jurong Lake District**. It enjoys **direct connectivity to both the Jurong East MRT station and bus interchange**.
- One of the **largest suburban malls in Singapore** with retail space across six levels. It also comprises 12 levels of **office space fully leased to the Ministry of National Development (MND)** of Singapore.
- First mixed-use asset in Singapore to be awarded the **Green Mark Platinum version 4** and to receive the **Building and Construction Authority's Universal Design Mark Gold Plus Design Award**.

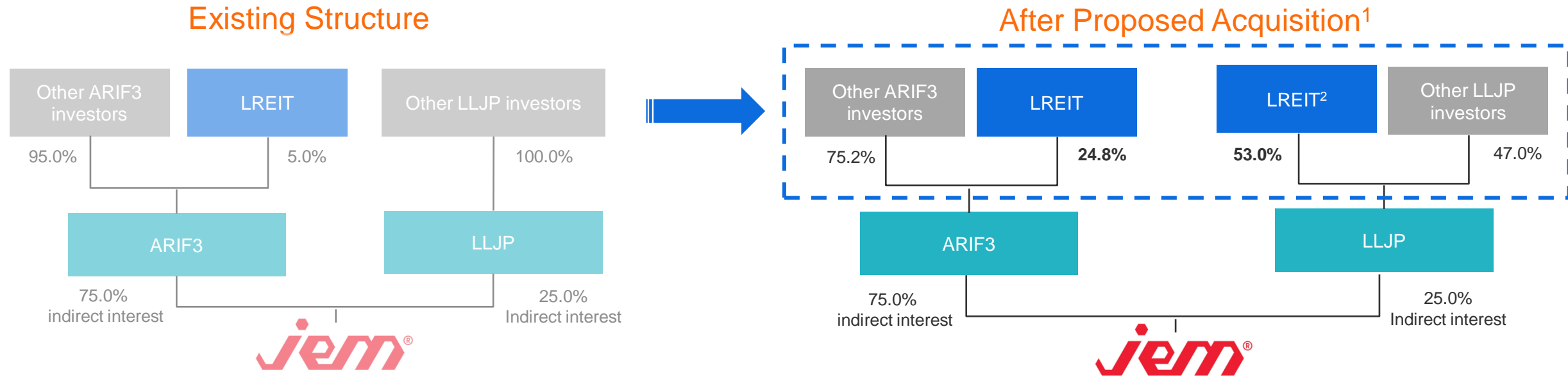
<b>GFA<sup>1</sup></b>	1,164,336 sq ft	
<b>NLA<sup>1</sup></b>	892,148 sq ft	
<b>Committed Occupancy<sup>1</sup></b>	99.7%	
<b>Weighted Average Lease Expiry by GRI<sup>1</sup> (years)</b>	6.5	
<b>Independent Valuations (as at 30 April 2021)</b>	JLL: \$2,085 million CBRE: \$2,061 million	
<b>Agreed Property Value</b>	S\$2,077 million	
<b>Capitalisation Rate</b>	Retail: 4.50% Office: 3.50%	
<b>Title</b>	Leasehold of 99 years commencing from 27 September 2010	
<b>NPI Yield Based on Agreed Property Value (FY2021<sup>2</sup>)</b>	3.9%	

<sup>1</sup> As at 31 March 2021.

<sup>2</sup> NPI Yield calculated based on forecasted NPI for financial year ending 30 June 2021.

# Ownership Structure

- Post-acquisition, LREIT will own **53.0% of LLJP** and up to **24.8% of ARIF3**.
- LREIT will own an **effective indirect interest of up to 31.8% in Jem**.



<sup>1</sup>Illustration is based on 24.8% interest in ARIF3.

<sup>2</sup>LREIT is entitled to nominate a wholly-owned subsidiary to acquire the sale shares in LLJP.



# Merits of the Proposed Acquisition



# Merits of the Proposed Acquisition

1

DPU Accretive

2

Quality Portfolio with Improved Diversification

3

Resilient Suburban Asset with Strong Sustainability Credentials

4

Strategically Located Asset with Attractive Market Fundamentals

5

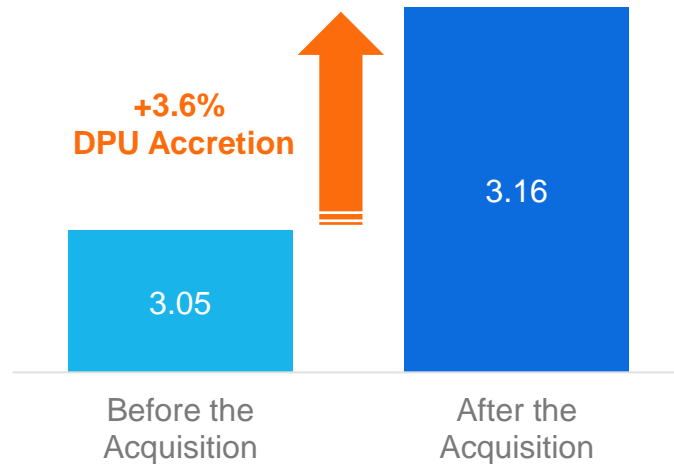
Strategic Move for Future Pipeline

# 1. DPU Accretive

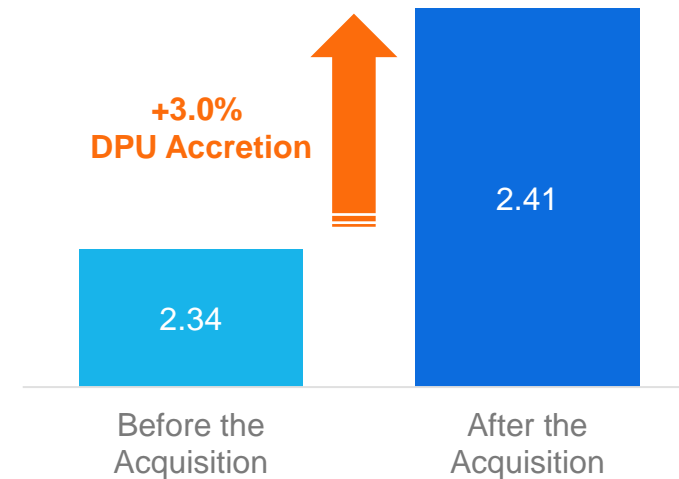
## 3.6% and 3.0% DPU accretive<sup>1</sup> based on the pro forma effects

- ✓ The acquisition will be funded through its existing cash balance, debt facilities and proceeds from the issuance of perpetual securities.
- ✓ **NAV per unit will remain at S\$0.85<sup>2</sup> with gearing improved to 33.8%<sup>2</sup> after the acquisition.**

FY2020 Pro Forma Effects



1H FY2021 Pro Forma Effects



<sup>1</sup>Based on the assumption that 19.8% of ARIF3 is acquired. Pro forma financial effects if 5% of ARIF3 is acquired can be found on slides 19 and 20.

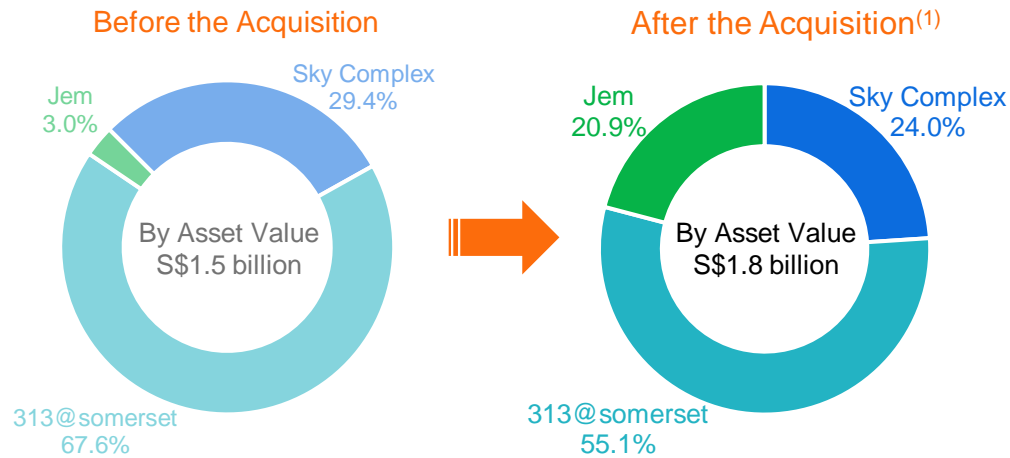
<sup>2</sup>Based on the pro forma effects of the proposed acquisition for FY2020. LREIT's pro forma gearing will be 34.1% based on the pro forma effects of the proposed acquisition for 1H FY2021.

## 2. Quality Portfolio with Improved Diversification

- ✓ Following the proposed acquisition, the enlarged portfolio will have a diversified asset base and an exposure to a more resilient suburban retail segment.
- ✓ Portfolio size will increase by approximately 18% to S\$1.8 billion<sup>1</sup>.

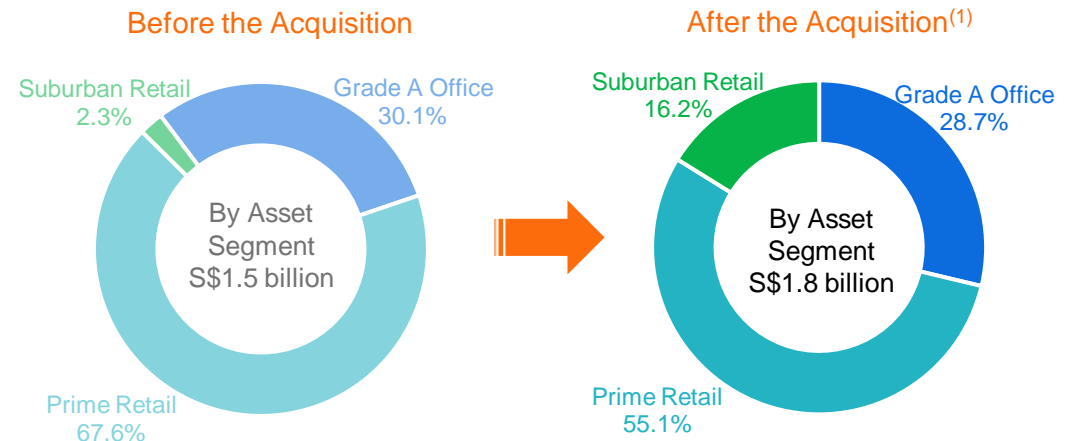
### Percentage Breakdown of Portfolio by Asset<sup>2</sup>

The single largest asset would represent no more than 56%<sup>1</sup> of the aggregate value of LREIT’s enlarged portfolio.



### Percentage Breakdown of Portfolio by Segment<sup>2</sup>

The enlarged portfolio will benefit from increased exposure to the suburban retail segment, which has demonstrated greater resilience during the COVID-19 pandemic.



<sup>1</sup>Based on the assumption that 19.8% of ARIF3 Share Capital is acquired, excluding any non-controlling interests. Note that if 5.0% of ARIF3 Share Capital is acquired, the pro forma portfolio effects will be: Portfolio size of approximately S\$1.7 billion; Asset Value of 14.7% for Jem, 25.8% for Sky Complex and 59.5% for 313@somerset; and Asset Segment of 11.3% for Suburban Retail, 29.2% for Grade A Office and 59.5% for Prime Retail.

<sup>2</sup>As at 31 March 2021, on a pro forma basis. Sky Complex’s valuation is based on the prevailing exchange rate of €1.00: S\$1.578. Jem’s valuation is estimated based on the NAV, prorated for LREIT’s effective indirect interest in Jem in the existing portfolio and the post acquisition portfolio.

### 3. Resilient Suburban Asset with Strong Sustainability Credentials

#### Suburban retail in Singapore remains a resilient segment

- ✓ Jem has established itself as a dominant retail mall in the West of Singapore and is one of Jurong Gateway's **best performing retail and office mixed-use assets**.
- ✓ The ability to achieve rapid replacement of former Robinsons department store space by **IKEA's first small concept store in Southeast Asia** is a strong testament of Jem's attractiveness as a retail destination.
- ✓ Jem is well-tenanted with a **high overall committed occupancy of 99.7%** as at 31 March 2021. Essential services trade mix such as F&B, services, supermarket and hypermarket account for 58.0% of its NLA.



Spanning across three levels in Jem, IKEA is expected to enrich shoppers' in-store experience and increase footfall to Jem.



Ground floor, a level occupied by former Robinsons department store, was rapidly replaced by F&B tenants.

## 3. Resilient Suburban Asset with Strong Sustainability Credentials

### Office component fully leased to government ministry

- ✓ Jem is strategically located with **direct access to the Jurong East MRT station.**
- ✓ Office component is fully leased to the Ministry of National Development (MND) of Singapore with a **long WALE of 24 years.**
- ✓ With the expected office decentralisation trend and the adoption of remote working, Jem will be particularly well-positioned as it provides conveniently located **good quality office spaces near residential communities.**

### Strong Sustainability Credentials

- ✓ BCA Green Mark Platinum Award
- ✓ BCA Universal Design Mark Gold Plus
- ✓ Regional Sector Leader and 1<sup>st</sup> in the 2020 Global Real Estate Sustainability Benchmark (GRESB) rankings under the Asia Retail (Non-Listed) category<sup>1</sup>

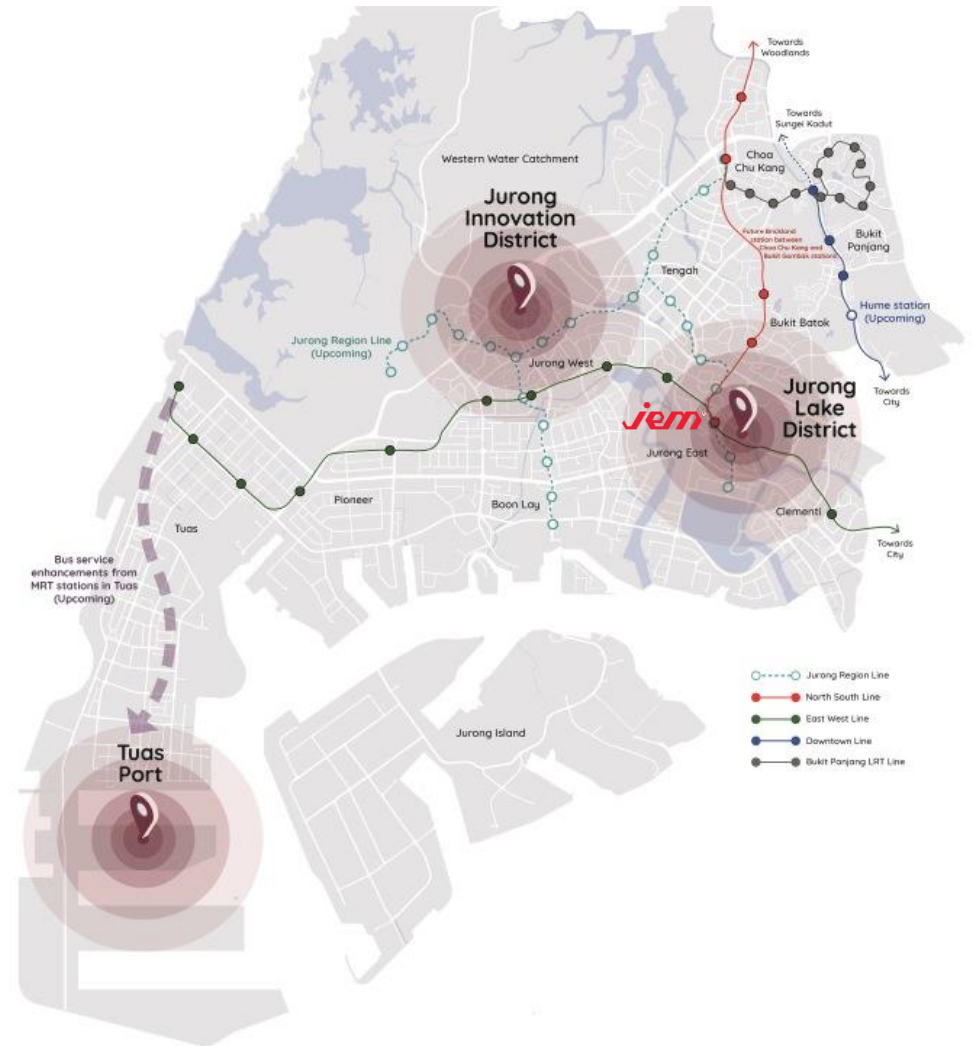
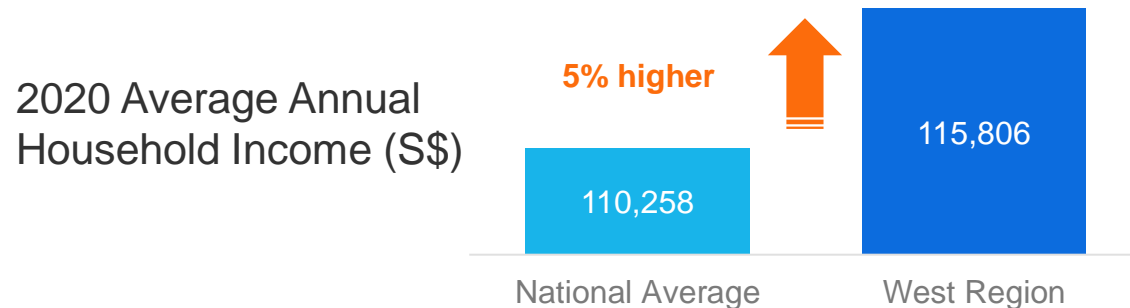


# 4. Strategically Located Asset with Attractive Market Fundamentals

## Strategic location with strong catchment...

- ✓ Located in the heart of **Jurong Gateway and the Jurong East Regional Centre**, which serves the entire West Region.
- ✓ The region is the primary destination retail and business centre for the western and northwest parts of Singapore.
- ✓ It enjoys **strong catchment from the estimated population of 1.1 million residents**.

... with an average annual household income that is **5% higher than Singapore's national average**.



## 4. Strategically Located Asset with Attractive Market Fundamentals

### Positioned to capitalise on future development plans

- ✓ Future Jurong Region MRT Line and the new Jurong East Integrated Transport Hub in 2029 will **enhance connectivity in the Jurong East and drive consumer traffic into Jurong Gateway.**
- ✓ Jurong Innovation District, an advanced manufacturing hub across over 600 hectares, will **create over 95,000 new jobs** when it is completed in 2022.
- ✓ Upcoming Tengah Forest Town will complement the Jurong Lake District and Jurong Innovation District, **adding 42,000 new homes** upon completion.





## 5. Strategic Move for Future Pipeline

- ✓ Acquisition will provide LREIT with increased pre-emptive rights to potentially **increase its strategic stake in Jem** through the funds if other investors divest their interests.
- ✓ Jurong Gateway to remain a **strategic commercial location** due to the development of the Jurong Lake District and the construction of the future Jurong Region MRT Line.
- ✓ The 600ha Jurong Innovation District with its first phase near completion in 2022 will function as an advanced manufacturing hub and **create over 95,000 new jobs**.



# Pro Forma Financial Effects



# Pro Forma Financial Effects for FY2020

	Before the Acquisition	After the Acquisition
<b>Net Property Income</b> (S\$ million)	40.3	40.3
<b>Profit before Tax and change in Fair Value</b> (S\$ million)	15.8	22.9
<b>Distributable Income</b> (S\$ million)	35.7	37.0
<b>Weighted Average Units in Issue</b> (million)	1,164.6	1,168.9
<b>Distribution Per Unit</b> (S\$ cents)	3.05	3.16
<b>Net Asset Value</b> (S\$ million)	992.3	1,334.7
<b>Net Asset Value Per Unit</b> (S\$)	0.85	0.85
<b>Total Borrowings</b> (S\$ million)	529.0	670.3
<b>Gearing Ratio</b> (%)	35.1	33.8

Notes:

- (1) Based on the assumption that 19.8% of ARIF3 is acquired. Note that if 5.0% of ARIF3 is acquired, the pro forma financial effects will be: Profit before tax and change in fair value of S\$19.6 million, Distributable Income of S\$36.2 million, Weighted Average Units in Issue of 1,167.2 million, DPU of 3.10 cents, DPU Accretion of 1.6%, NAV of S\$1,333.3 million and NAV per Unit of S\$0.85.
- (2) Assumes the additional acquisition fee units are issued at the beginning of the reporting period on 2 October 2019.
- (3) Assumes the LREIT Group's profit before tax and change in fair value takes into account share of profits from associates of the proposed acquisition.
- (4) NAV is based on the assumption that LREIT had effected the proposed acquisition on 30 June 2020, and that perpetual securities in issue and non-controlling interests from LLJP is accounted for under the NAV.

# Pro Forma Financial Effects for 1H FY2021

	Before the Acquisition	After the Acquisition
<b>Net Property Income</b> (S\$ million)	30.4	30.4
<b>Profit before Tax and change in Fair Value</b> (S\$ million)	5.3	10.1
<b>Distributable Income</b> (S\$ million)	27.5	28.4
<b>Weighted Average Units in Issue</b> (million)	1,173.0	1,177.4
<b>Distribution Per Unit</b> (S\$ cents)	2.34	2.41
<b>Net Asset Value</b> (S\$ million)	995.0	1,337.4
<b>Net Asset Value Per Unit</b> (S\$)	0.85	0.84
<b>Total Borrowings</b> (S\$ million)	545.8	687.1
<b>Gearing Ratio</b> (%)	35.5	34.1

Notes:

- (1) Based on the assumption that 19.8% of ARIF3 is acquired. Note that if 5.0% of ARIF3 is acquired, the pro forma financial effects will be: Profit before tax and change in fair value of S\$7.9 million, Distributable Income of S\$27.9 million, Weighted Average Units in Issue of 1,175.7 million, DPU of 2.37 cents, DPU Accretion of 1.3%, NAV of S\$1,336.1 million and NAV per Unit of S\$0.85.
- (2) Assumes the additional acquisition fee units are issued at the beginning of the reporting period on 1 July 2020.
- (3) Assumes the LREIT Group's profit before tax and change in fair value takes into account share of profits from associates of the proposed acquisition.
- (4) NAV is based on the assumption that LREIT had effected the proposed acquisition on 31 December 2020, and that perpetual securities in issue and non-controlling interests from LLJP is accounted for under the NAV.

# Appendix

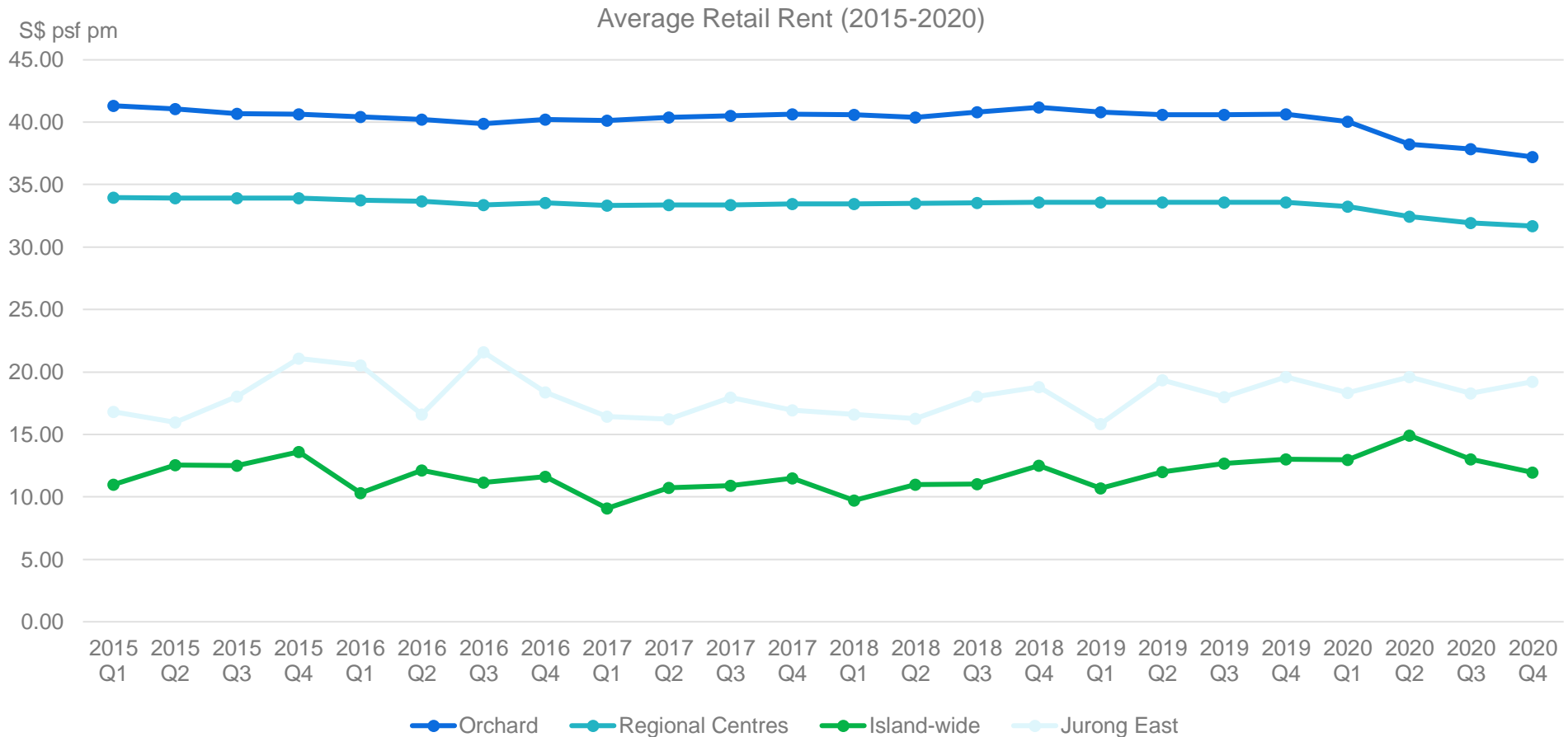


The image shows the exterior of the JEM building at night. The building features a prominent orange 'jem' logo on its facade. A large glass-walled upper level is visible, showing interior lighting and people. The building is illuminated with warm lights, and the sky is dark. A teal circular graphic is overlaid on the left side of the image.

**jem**

# Overview of Singapore Retail Market

Rents in Regional Centres remain the most resilient of the submarkets due to natural local population catchments and domestic demand.



Source: Colliers Research. Regional centres refer to suburban malls in key regional centres such as the North (Woodlands), East (Tampines) and West (Jurong East).

# LREIT's Key Milestones Since Listing



## LREIT's Financial Performance for 1H FY2021

	1H FY2021 (S\$'000)	1H FY2020 <sup>1</sup> (S\$'000)	Variance
Gross revenue	41,608	40,326	3.2%
Net property income	30,393	29,905	1.6%
Distributable income	27,546	27,164	1.4%
DPU (cents)	2.34	2.32	0.8%

<sup>1</sup>The annualised results for the 6 months ended 31 December 2019 is based on the actual results from 2 October 2019 to 30 June 2020 (273 days) pro-rated to 366 days, deducting for the actual results from 1 January 2020 to 30 June 2020.

Note: Information as at 31 December 2020 as LREIT has adopted half-yearly announcement of financial statements result with effect from 13 July 2020.



## LREIT's Balance Sheet as at 31 December 2020

NAV per unit remained stable at \$0.85

<b>S\$('000) unless otherwise stated</b>	<b>As at 31 December 2020</b>	<b>As at 30 June 2020</b>
Total assets	1,577,523	1,555,498
Gross borrowings	559,495	545,319
Total liabilities	582,516	563,248
Net assets attributable to unitholders	995,007	992,250
Units in issue (number)	1,177,145,952	1,171,795,224
NAV per unit (S\$)	0.85	0.85

Note: Information as at 31 December 2020 as LREIT has adopted half-yearly announcement of financial statements result with effect from 13 July 2020.

## COVID-19 Phase Two (Heightened Alert)

The Singapore government has heightened the safety measures to minimise further spread of COVID-19 in the community. The additional measures have taken effect on 8 May and will run through till 13 June 2021.

Key measures include reducing the permissible group size to two people; work from home will be the default arrangement; for food & beverage establishments, dining-in is not allowed, only takeaway and food delivery are permissible; services which require masks to be removed will have to be ceased.

### Safety remains our top priority

At the mall, we are working hand-in-hand with the authorities and tenants to ensure a COVID-safe environment.

We continue to enforce strict safe distancing measures and a stepped up, rigorous cleaning and disinfection regime at all the mall

In line with authorities' guidelines, we have implemented TraceTogether-only Safe Entry check-ins at the mall. Our crowd management measures remain in force such as directing shoppers to manned entrances as well as deploying security staff for crowd control.

We are also working closely with our tenants to manage daily operations in a safe manner.

### Supporting our tenants

We are committed to working with our tenants to deliver the most appropriate assistance for them.

We are monitoring the situation and working closely with them to understand their circumstances and render appropriate support, which includes adjustments to their trading hours.

### Continue to shape the future of the retail landscape

We will focus on building online presence to create a seamless chain between online and on-site shopping

The number of Lendlease Plus members increased by approximately 40% year-on-year



One of the entrances in 313@somerset, a prime retail mall along Orchard Road.



# Thank You

For enquiries, please contact Ling Bee Lin, Manager Investor Relations  
Tel: (65) 6671 7374 / Email: [enquiry@lendleaseglobalcommercialreit.com](mailto:enquiry@lendleaseglobalcommercialreit.com)