



# FY2019 Financial Results

Date: 10 October 2019



# Disclaimer

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This presentation is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in SPH REIT (“Units”). The value Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of SPH REIT is not necessarily indicative of its future performance. This presentation may also 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.

This presentation shall be read in conjunction with SPH REIT’s financial results for the fourth quarter and financial year ended 31 August 2019 in the SGXNET announcement.

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# Overview of SPH REIT

- SPH REIT is a Singapore-based Real Estate Investment Trust (“REIT”) established principally to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes.
- As of 31 August 2019, SPH REIT has a portfolio of 4 assets across Singapore and Australia.

<b>99.1%</b> Portfolio committed occupancy	<b>S\$3.6bn<sup>(1)</sup></b> Valuation of investment properties	<b>+8.4%</b> FY19 rental reversion
<b>1.2m<sup>(1)</sup></b> Net Lettable Area (“NLA”) (sq. ft)	<b>27.5%</b> Gearing ratio	

## Singapore



## Australia



Note:

1. Includes 100% size and valuation of Figtree Grove Shopping Centre; SPH REIT owns 85% of Figtree Grove Shopping Centre.



# A Singapore-anchored Prime Retail-dominant Portfolio with Presence in Australia

Valuation conducted as at 31 August 2019 for all assets

## Singapore



### Paragon

Valued at S\$2,745.0 million

A premier upscale retail mall and medical suite / office property located in the heart of Orchard Road.



### The Clementi Mall

Valued at S\$597.0 million

A mid-market suburban mall centrally located in Clementi town, integrated with HDB residential blocks, the Clementi public library, MRT, and bus interchange.



### The Rail Mall, acquired on 28 June 2018

Valued at S\$63.8 million

A unique retail strip with a 360-metre prominent road frontage to Upper Bukit Timah Road, housing a diverse selection of F&B and lifestyle offerings.

## Australia

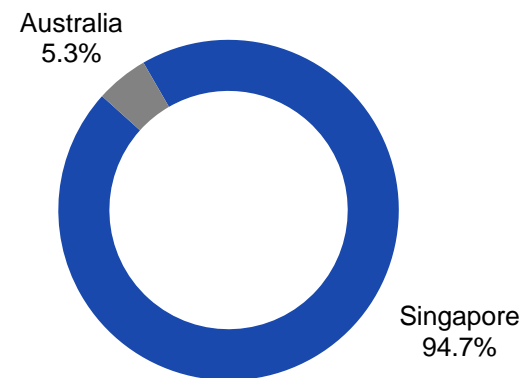


### Figtree Grove Shopping Centre, acquired on 21 December 2018

Valued at A\$206.0 million

An established sub-regional mall serving the Wollongong area in New South Wales, Australia over the past 54 years. Home to some of Australia's leading retailers; caters to c.4.6 million shoppers a year.

## SPH REIT's portfolio by geography, by valuation



# FY2019

## Financial results-in-review

### Net Property Income (S\$'000)

**S\$179,779**

**+8.3%** vs FY2018 (S\$165,996)

### DPU – FY2019

**5.60 cents**

**+1.1%** vs FY2018 (5.54 cents)

### Distribution Yield

**5.14%** based on share price of S\$1.09

**(0.4%)** vs FY2018 (5.54% based on share price of S\$1.00)

### Gearing

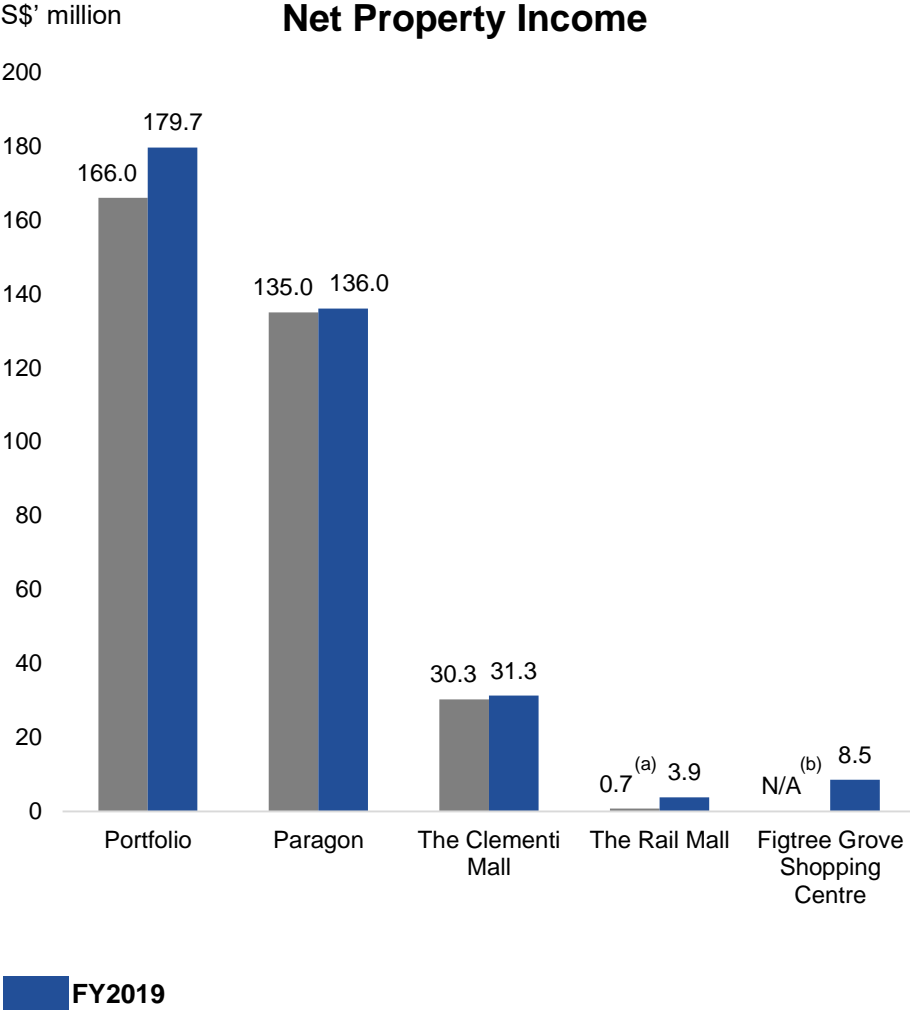
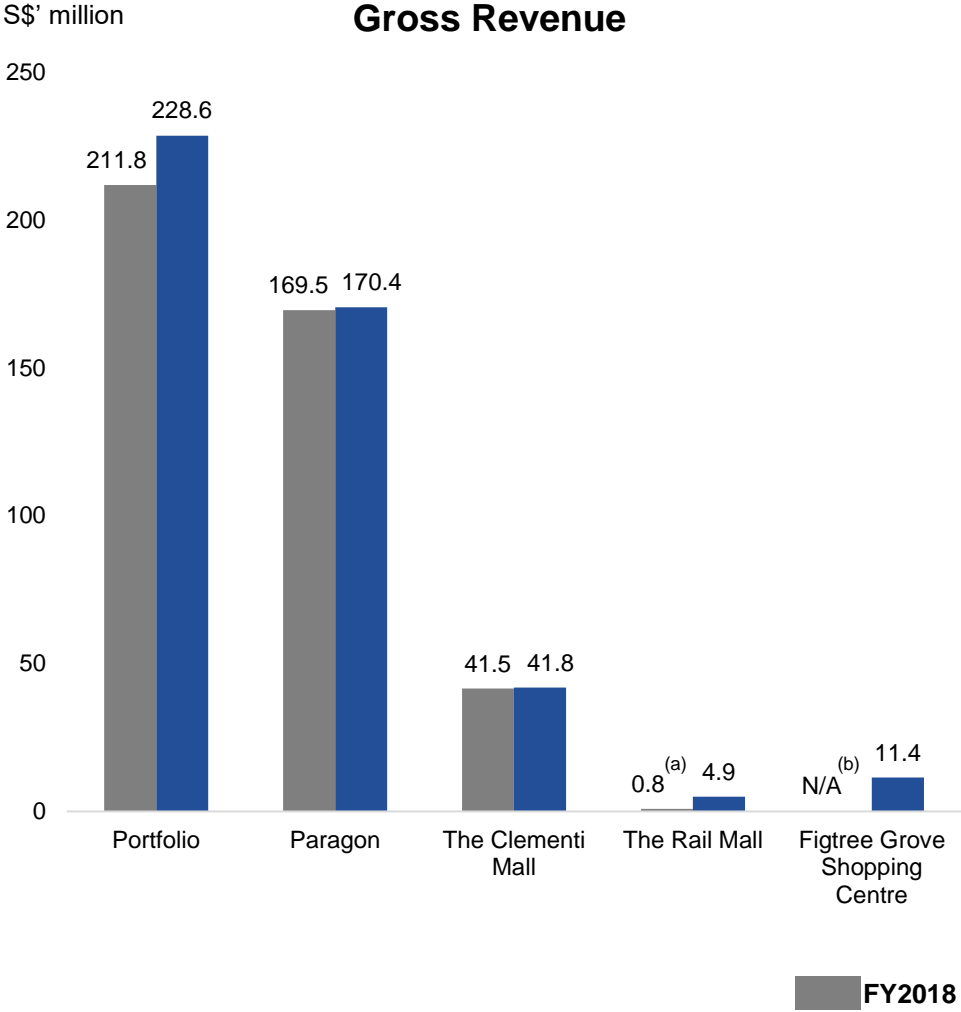
**27.5%**

**+1.2%** vs FY2018 (26.3%)

# FY2019 Financial performance

	FY2019 S\$'000	FY2018 S\$'000	Change %
Gross revenue	228,635	211,802	7.9
Property expenses	(48,856)	(45,806)	(6.7)
Net property income (NPI)	179,779	165,996	8.3
Income available for distribution	145,034	142,310	1.9
Distribution to Unitholders	144,790	142,310	1.7
Distribution per unit (cents)	5.60	5.54	1.1

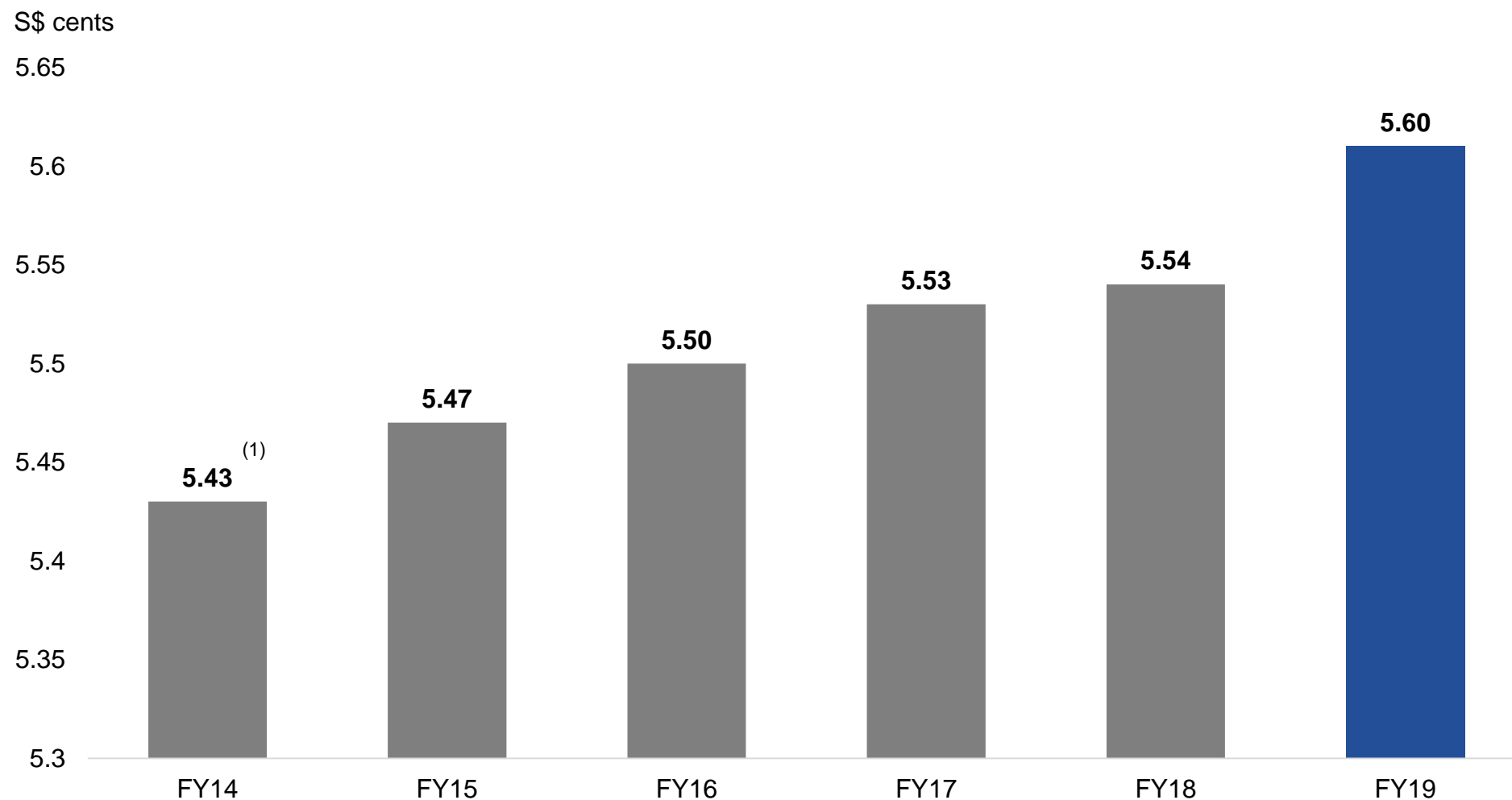
# Gross revenue and NPI



Note:  
 (a) Partial contribution as asset was acquired on 28 June 2018  
 (b) Not available as asset was acquired on 21 December 2018



# Steady growth in distribution since IPO



Note:

1. Does not include the distribution of S\$0.56 cents from 21 July 2013 (listing date) to 31 August 2013.

# Balance sheet

## Net assets value per unit

**S\$0.95**

**0%** vs FY2018 (S\$0.95)

## Average cost of debt

**2.91% p.a**

**+0.06%** vs FY2018 (2.85% p.a)

## Weighted average debt term to maturity

**2.5 years**

**+0.2 year** vs FY2018 (2.3 years)

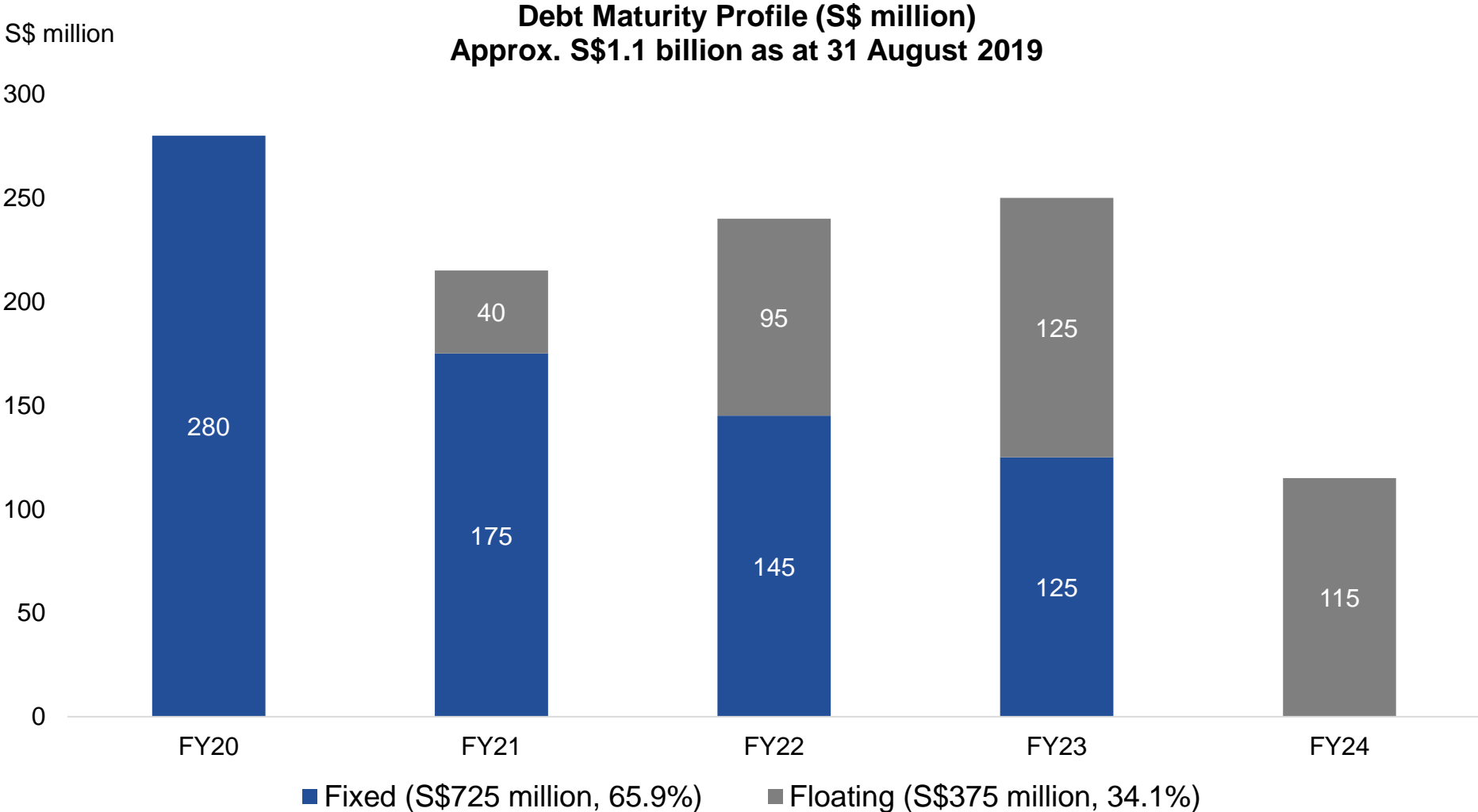
# Financial position

As at 31 August (S\$'000)	2019	2018	Change (%)
Total assets	3,948,402	3,408,034	15.9
Total liabilities	1,176,965	969,087	21.5
Net assets	2,771,437	2,438,947	13.6
Net asset value per unit	S\$0.95	S\$0.95	-
Debt gearing <sup>(1)</sup>	27.5%	26.3%	1.2

Note:



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

# Capital management




# Market value of properties

## Singapore assets

As at 31 August	Valuation (S\$ million) <sup>(1)</sup>			Capitalisation rate (%)	
	FY2019	FY2018	Variance	FY2019	FY2018
<b>PARAGON</b>	2,745.0	2,719.0	26.0	4.50% - Retail 3.75% - Medical Suite / Office	4.50% - Retail 3.75% - Medical Suite / Office
 <sup>(2)</sup>	597.0	586.0	11.0	4.50%	4.75%
	63.8	63.3	0.5	6.00%	6.00% (As at June 2018)

## Australia asset

	Valuation (AS\$ million) <sup>(3)</sup>			Capitalisation rate (%)	
	FY2019 As at 31 August 2019	FY2019 As at 21 December 2018	Variance	FY2019 As at 31 August 2019	FY2019 As at 21 December 2018
	206.0	206.0	0.0	6.00%	6.00%

Note:

- (1) Valuations as at 31 August 2019 and 31 August 2018 were conducted by Edmund Tie & Company (SEA) Pte Ltd.
- (2) The Clementi Mall's valuation excludes income support. The income support has ended on 23 July 2018, five years after listing date on 24 July 2013.
- (3) Valuation as at 31 August 2019, was conducted by m3property Pty Ltd.



# Operational performance

## Portfolio occupancy rate

**99.1%**

**(0.3%)** vs FY2018 (99.4%)

## Portfolio rental reversion

**8.4%**

**+11.9%** vs FY2018 (- 3.5%)



## Portfolio WALE

**By NLA** **3.2 years**


**By Gross Rental Income** **3.6 years**

# Occupancy Rate and Rental reversion

## Singapore assets

As at 31 August 2019	Occupancy rate	Number of renewals / new leases <sup>(1)</sup>	NLA renewed/ new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates <sup>(3)</sup>
<b>PARAGON</b>	99.8%	105	190,417	26.6%	9.7%
 <b>THE CLEMENTI mall</b>	100.0%	20	20,805	10.7%	5.0%
 <b>The Rail Mall</b>	84.3%	11	11,672	23.5%	9.4%
<b>Total</b>	99.1%	136	222,894	23.2% <sup>(2)</sup>	9.4% <sup>(4)</sup>

## Australia asset

As at 31 August 2019	Occupancy rate	Number of renewals / new leases	NLA renewed/ new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates <sup>(5)</sup>
 <b>figtree grove</b>	99.2%	5	2,544	1.1%	(2.7%)

Note:

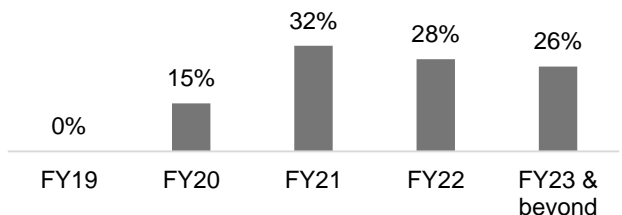
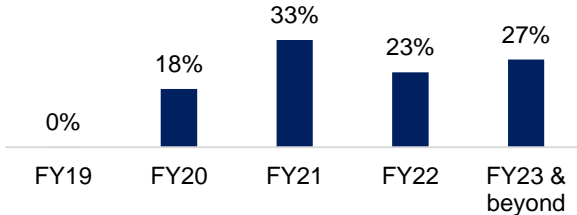
- (1) For expiries in FY19, excluding newly created and reconfigured units.
- (2) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 962,153 sqft as at 31 August 2019.
- (3) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. Preceding leases were typically committed three years ago.
- (4) Reversion rate is computed based on weighted average of all expiring leases.
- (5) Based on the first year fixed rent of the new leases divided by the preceding final year fixed rents of the expiring leases.

# Staggered lease renewal by portfolio and assets

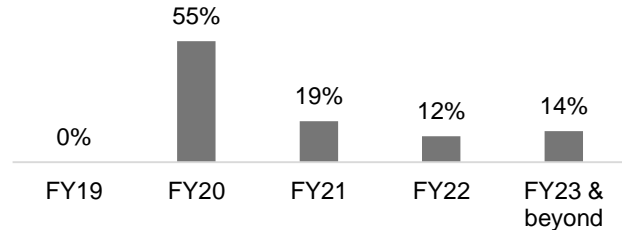
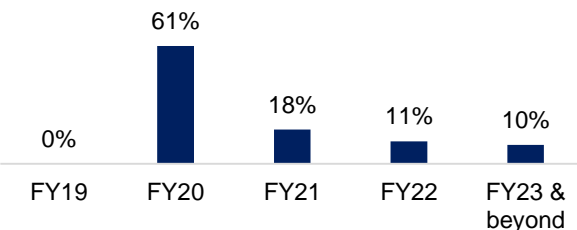
Portfolio lease expiry as at 31 August 2019	FY19	FY20	FY21	FY22	FY23 & beyond
Expiries as a % of total NLA	1%	24%	24%	20%	31%
Expiries as a % of Gross rental income	0%	21%	20%	21%	38%

Asset	Expiry by NLA					Expiry by Gross Rental Income				
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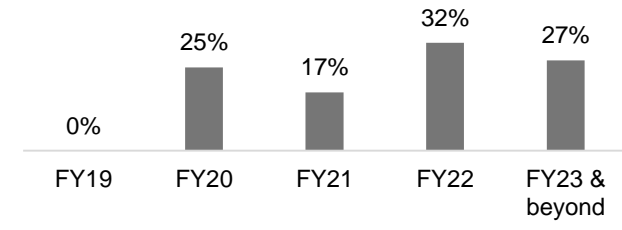
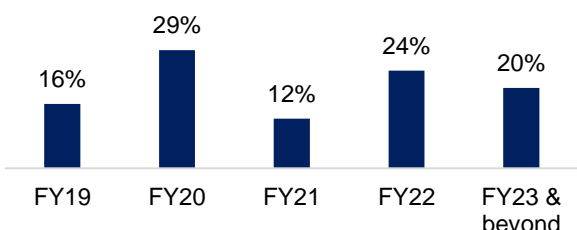
## PARAGON



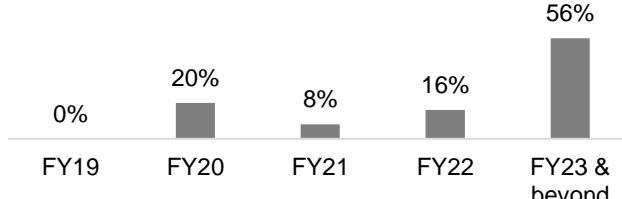
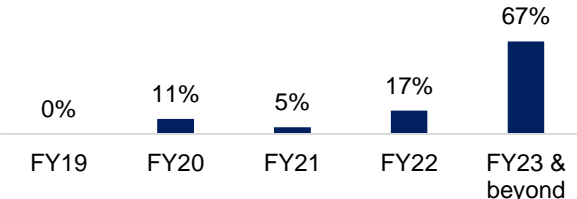
## THE CLEMENTI mall



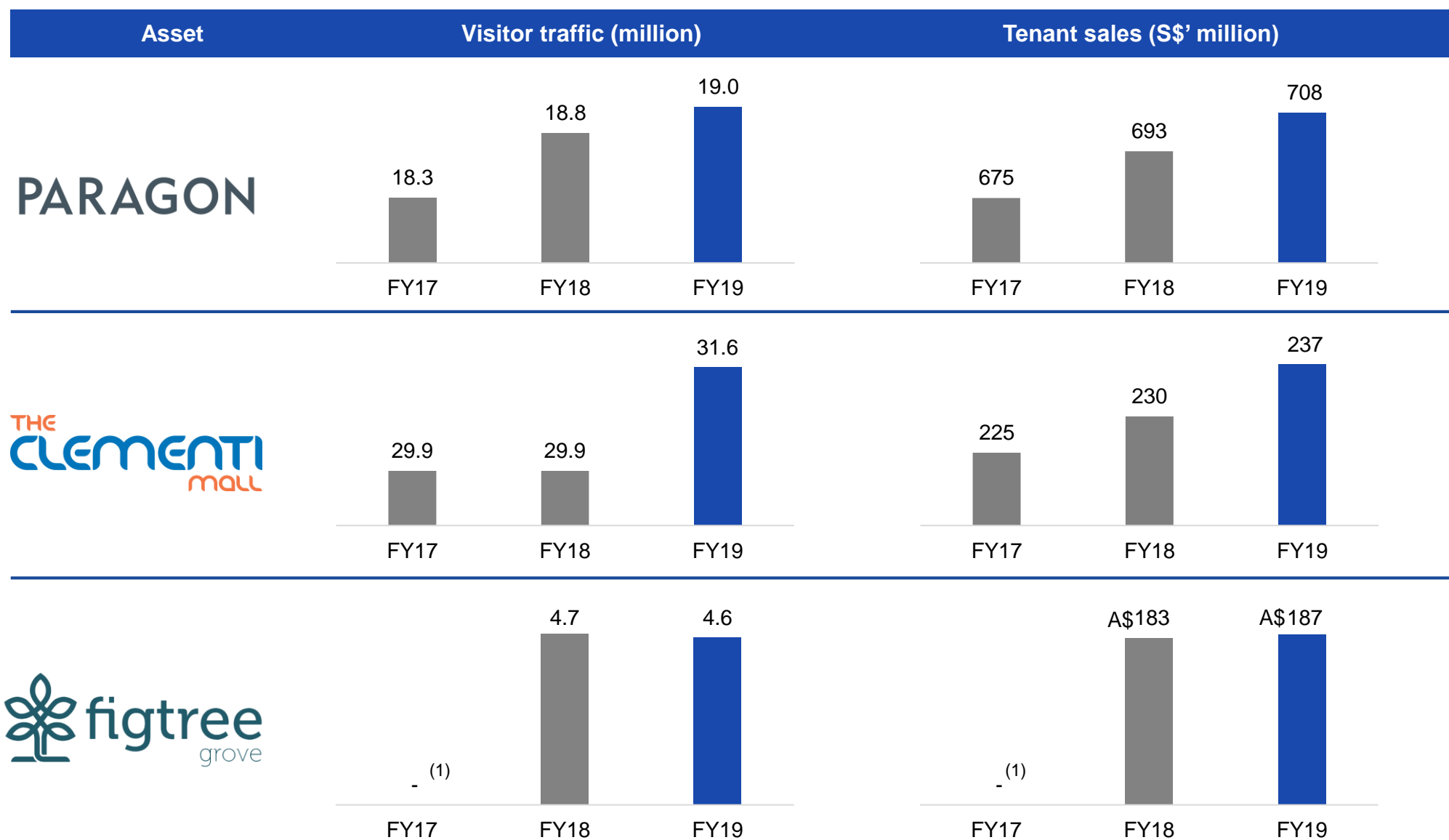
## The Rail Mall



## figtree grove



# Visitor traffic and tenant sales annual trend



Note:

(1) Record not available, as asset was newly acquired in December 2018



# **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 retail real estate space
- Implement asset enhancement initiatives and implement pro-active marketing plans

## Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily<sup>(1)</sup> for retail purposes in Asia Pacific:
  - One applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, and maintained high occupancy rate since its opening; and
  - 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.

# Market outlook - Singapore

## Economy's outlook

- Economy grew by 3.2% year-on-year (y-o-y) in 2018 according to the Ministry of Trade and Industry (MTI) boosted by the expansion of the electronics cluster in manufacturing sector.
- However, GDP for the manufacturing sector declined by 3.8% y-o-y in 2Q2019.
- MTI narrowed Singapore's GDP growth range for 2019 from 1.5% to 2.5% in May 2019, compared with the previously estimated 1.5% to 3.5% range forecasted at the beginning of 2019.

## Tourism

- Tourism Receipts in 2018 grew 0.5% y-o-y to S\$26.9 billion, lower than the 4.0% growth in 2017.
- The growth in visitor arrivals was largely fueled by higher volume of visitors from China (+5.9%) and India (+13.4%).
- Visitors from key regions such as Southeast Asia, Europe and Americas grew 4.8%, 11.3%, and 13.6% y-o-y respectively, largely attributable to high-profile summits.

## Retail sales index (RSI)

- The RSI (excluding Motor Vehicles, at constant prices) continued to improve in 2018, inching up by 0.5% y-o-y. Retail sales of Medical Goods & Toiletries and Furniture & Household Equipment grew by 5.1% and 3.3% y-o-y respectively.
- In 2019, the consumers' confidence took a hit after the announcement of the slower economic indicators. The RSI declined 12.3% from January to May 2019, more than the 7.1% decline y-o-y from January to May 2018.

Source: Knight Frank, 2019

# Market outlook – New South Wales, Australia

## Economy's outlook

- Growth in New South Wales (“NSW”) has moderated, with the downturn in the housing market in Sydney and soft income growth weighing on the consumer spending and housing investment.
- Partly offsetting these factors, infrastructure spending, non-residential construction, and exports continue to support growth.
- Government consumption and investment continue to make a strong contribution to growth.
- Public sector investment is expected to add around 0.5% per year to economic growth over the next two years, roughly 5 times the historical average.
- The 2019-20 NSW Budget outlined A\$93 billion in infrastructure spending commitments over the 4 years to 2022-23, including A\$56 billion for transport infrastructure.
- Notable projects include the Sydney Metro, Sydney Light Rail and WestConnex.
- The outlook for NSW is expected to improve from 2020, underpinned by stronger household consumption as the housing market stabilises, reduced drag from lower housing investment, and ongoing strength in infrastructure spending and non-residential construction activity.

## Retail trade

- Retail turnover has grown 8.0% since May 2016, rising from A\$8.1 billion to A\$8.7 billion in May 2019. The compound annual growth rate over the three years to May 2019, was 2.6%.
- In May 2019, retail spending was unchanged between April and May 2019, taking the year-end growth rate to 1.0%, in trend terms.
- YoY growth is still below its 10-year average (+4.2%), as Newspaper and books (-13.1%), Recreational Goods (-12.2%), Furniture (-9.8%), Household Goods (-3.7%), Electrical (-2.5%) and Clothing (-2.1%) spending detract from overall growth, indicative of weak spending on discretionary items.

Source: Knight Frank, 2019

# **Distribution details and timeline**

# Distribution details and timeline

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Distribution period	4Q FY2019 (1 June 2019 – 31 August 2019)
Distribution per unit	1.46 cents per unit
Ex-date	17 October 2019
Record date	18 October 2019
Payment date	20 November 2019

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**Thank You**

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