

# Lendlease Global Commercial REIT

3Q FY2020 Financial Results  
for the period 1 January to 31 March 2020

5 May 2020



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# UPDATE ON COVID-19

# COVID-19: Timeline of Key Events

## Singapore

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- **January**
  - Tourists from mainland China were not allowed to transit or enter Singapore.
- **February**
  - DORSCON level raised to Orange.
  - Tighter measures were implemented progressively to minimise further spread of COVID-19.
- **March**
  - Additional measures such as border restrictions, safe distancing, closure of entertainment venues were implemented.
- **April**
  - Circuit-breaker was implemented.
  - Circuit-breaker is further extended till 1 June, and the list of essential services that are allowed to operate during this period has reduced further.
  - Announcements made on 9 April and 20 April 2020 with regard to the IPO profit and distribution forecast for the financial year ending 30 June 2020 and the profit and distribution projection for the financial year ending 30 June 2021, as it may no longer be a fair basis against which the actual performance of LREIT could be compared given current circumstances.

## Milan

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- **January**
  - Italy confirmed its first COVID-19 case on 31 January.
- **February**
  - Border restrictions between Italy and China were imposed. Mandatory quarantine isolation measure and safe distancing were implemented.
  - The number of cases accelerated in northern Italy where the government ordered a lockdown of the region in February.
- **March**
  - Nationwide lockdown was ordered on 9 March till 3 April, and only essential services are allowed to operate during this period.
- **April**
  - Nationwide lockdown is extended further till 3 May, with few exception of trades allowed to reopen.

# COVID-19: Support Measures for Tenants

## Riding through the challenging period together

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- Full savings from the property tax rebate will be passed on to eligible tenants
- Rental rebate of up to a month inclusive of the Tenant Support Package announced on 12 March 2020
- Flexible rental payment scheme
- Conversion of cash security deposits into banker's guarantee
- Advertising and promotion:
  - Partnering food delivery services such as GrabFood, Deliveroo and Foodpanda to help tenants who are operating during the circuit-breaker period

# COVID-19: Outlook on Portfolio

## 313@somerset, retail mall in Singapore: Navigating through the downturn

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- Circuit-breaker has adversely affected tenants' operations at 313@somerset. More recently, COVID-19 (Temporary Measures) Act 2020 has been implemented. Tenants who cannot fulfil contractual obligations are able to seek temporary relief from paying rent for a period of up to six months from April to October, which may be extended for up to a year depending on the COVID-19 situation.
- Rental revenue:
  - Given the various measures implemented, the severity of the impact on tenants' operations and income cannot be quantified at this point. The rental payments of affected tenants during this period could potentially be deferred.
  - Rent relief measures provided to tenants during circuit-breaker period will potentially weigh down LREIT's performance in the coming quarters.
- Business operations:
  - Tenant sales is expected to be lower for the next few months.
  - Majority of the leases by NLA have been renewed for FY2020 with only approximately 5% by NLA is due for renewal in FY2021.
  - Rental reversion for the coming quarters might be flat or negative due to weak demand.



# COVID-19: Outlook on Portfolio

## Sky Complex, office buildings in Milan: Operational resilience

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- Support from the Italian government:
  - The Italian government has released stimulus packages in March and April, totalling €80 billion<sup>(1)</sup> to support individuals and businesses
- Rental revenue:
  - Sky Italia has to-date made all its rental payments in a timely manner
  - Rental is expected to remain flat for FY2021 as the ISTAT consumer price index variation<sup>(2)</sup> is likely to be in the negative range
- Business operations:
  - Long lease term till 2032<sup>(3)</sup>
  - Business is under essential services and its operations are continuing with broadcasting (without live audiences) still taking place within the premises

(1) Bloomberg, Italy Announces \$28 Billion Plan to Cushion Virus-Hit Economy, 11 March 2020

Italian Government Presidency of the Council of Ministers, Press conference of President Conte, 26 April 2020

(2) ISTAT: The Italian National Institute of Statistics. Last escalation was based on April 2019 consumer price index variance of 0.9%.

(3) Assumes that tenant does not exercise its break option in 2026.

# COVID-19: Key Focus

## Prudent capital management

- Strong balance sheet through liquidity and capital management strategies
- Appropriate risk management strategies to mitigate market uncertainties

## Manage operating expenses

- Adopt disciplined approach to reduce costs
- Defer non-essential capital expenditure to conserve cash

## Adopt flexible leasing strategies

- Maintain long-term occupancy of the mall
- Capitalise on the mall's strategic location and prepare for COVID-19 recovery to drive visitation back to the mall

## Maintain communication with tenants and employees

- Support tenants to ensure business continuity
- Take care of the well-being and protect the livelihood of employees

# KEY HIGHLIGHTS

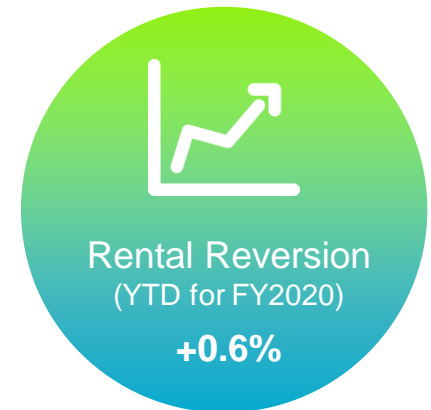
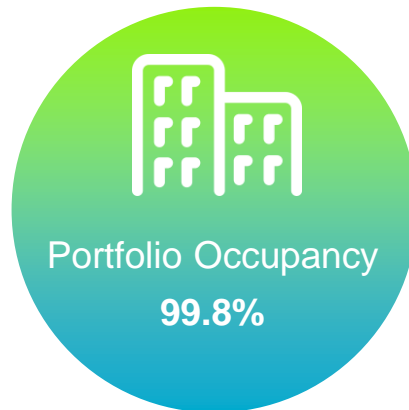
# Key Highlights

## Modest Growth Against Forecast<sup>(1)</sup>

### Key Financial Performance



### Portfolio Update



(1) The Manager had, in the interest of good corporate governance, made announcements on 9 April and 20 April 2020 respectively, with regard to the IPO profit and distribution forecast for the financial year ending 30 June 2020 ("FY2020") and the profit and distribution projection for the financial year ending 30 June 2021 ("FY2021"), as it may no longer be a fair basis against which the actual performance of LREIT could be compared given current circumstances. For transparency, the Manager will still provide year-on-year comparisons of LREIT's financial results for FY2020 against the profit forecast for FY2020 disclosed in LREIT's prospectus and FY2021 against LREIT's financial results for FY2020, in the announcements of LREIT's full year financial results for FY2020 and FY2021 respectively.



# FINANCIAL PERFORMANCE



## 3Q FY2020 Distribution Per Unit Up 0.7%

For the period 1 January to 31 March 2020

	Actual (S\$'000)	Forecast <sup>(1)</sup> (S\$'000)	Variance (%)
Gross revenue	21,663	21,197	2.2
Net property income	16,595	15,952	4.0
Distributable income	14,967	14,932	0.2
DPU (cents)	1.28	1.27	0.7

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# YTD Distribution Per Unit Up 1.9%

For the period 2 October 2019 to 31 March 2020

	Actual (S\$'000)	Forecast <sup>(1)</sup> (S\$'000)	Variance (%)
Gross revenue	43,070	42,396	1.6
Net property income	32,775	31,630	3.6
Distributable income	29,979	29,593	1.3
DPU (cents)	2.57	2.52	1.9

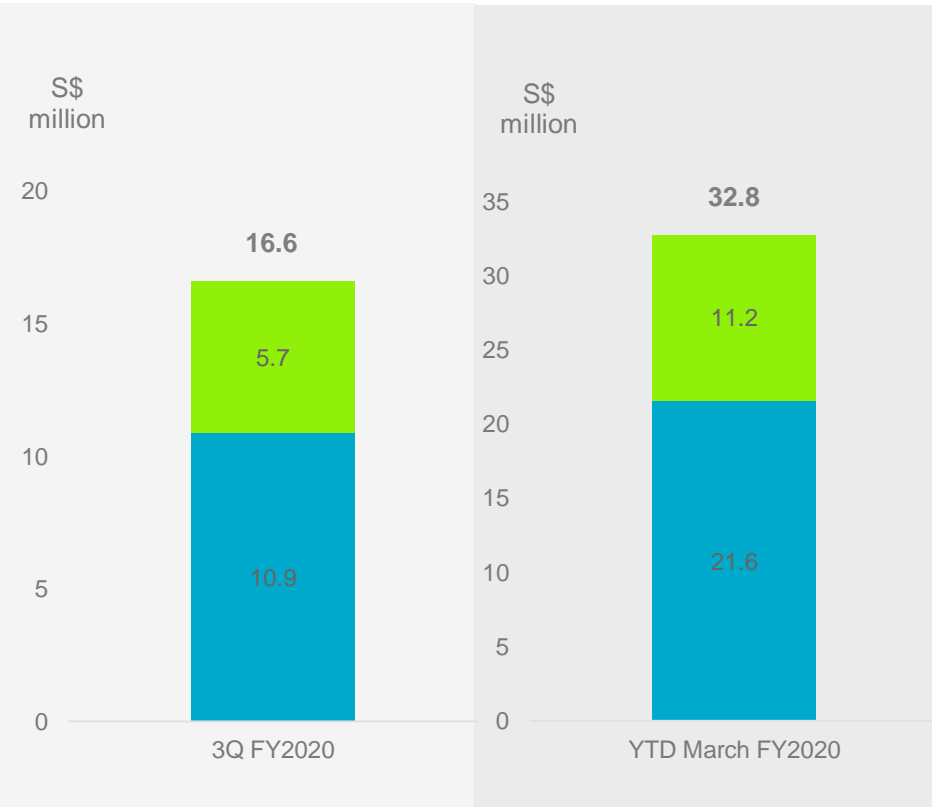
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# Gross Revenue and Net Property Income

### Gross Revenue



### Net Property Income



■ 313@somerset   ■ Sky Complex

■ 313@somerset   ■ Sky Complex

# Healthy Balance Sheet

NAV Per Unit Remains Stable

As at 31 March 2020	S\$('000)
Total assets	1,518,802
Gross borrowings	545,227
Total liabilities	562,553
Net assets attributable to unitholders	956,249
Units in issue	1,169,480,379
NAV per unit (S\$)	0.82

# Key Financial Indicators

## Strong Financial Position

	As at 31 March 2020	As at 31 December 2019
Gross borrowings	S\$545.2 million	S\$529.2 million
Gearing ratio	35.9%	34.9%
Weighted average debt maturity	3.3 years	3.6 years
Weighted average running cost of debt <sup>(1)</sup>	0.86% p.a.	0.86% p.a.
Interest coverage	11.2 times	10.8 times

(1) Excludes amortisation of debt-related transaction costs.



# Debt Facilities and Maturity Profile

No refinancing till FY2023

Debt	Loan Amount (million)	Loan Term	Interest Rate <sup>(1)</sup>
Singapore dollar term loan	S\$99.3	3 years	2.09% p.a.
Euro term loan	S\$445.9 (€285.0)	4 years	0.58% p.a.

(1) Excludes amortisation of debt-related transaction costs.

## Prudent capital structure

- Balance sheet flexibility with **100%** of **unsecured debt**
- Interest rate risk **100% hedged to fixed rate** debt through interest rate swaps and options
- **Euro natural hedge** for Sky Complex via Euro term loan
- **Diversity of debt funding** across a syndicate of lenders
- S\$20m equivalent of **uncommitted and undrawn debt facilities**

## Debt maturity profile



# PORTFOLIO UPDATE

# Portfolio Overview

High Quality and Well-Balanced Portfolio; High Occupancy



## 313@somerset, Singapore

**Atop Somerset MRT Station** and spans across eight retail levels, comprising three basement levels (B3 to B1) and five levels above ground (L1 to L5).

Committed Occupancy	99.2%
Appraised Valuation <sup>(1)</sup>	S\$1,005 million
Valuation Cap Rate <sup>(2)</sup>	4.25% / 4.50%
Net Lettable Area	288,277 sq ft



## Sky Complex, Milan

Comprises of **three office buildings** and has excellent accessibility via the public transport system. Fully leased to Sky Italia, owned by Comcast Corporation<sup>(3)</sup>.

Committed Occupancy	100%
Appraised Valuation <sup>(1)</sup>	S\$411 million <sup>(4)</sup>
Valuation Cap Rate <sup>(2)</sup>	5.50% / 5.75%
Net Lettable Area	999,116 sq ft

(1) As at 31 July 2019.

(2) CBRE/Colliers. Independent property summary valuation reports for the Singapore Property and Milan Property.

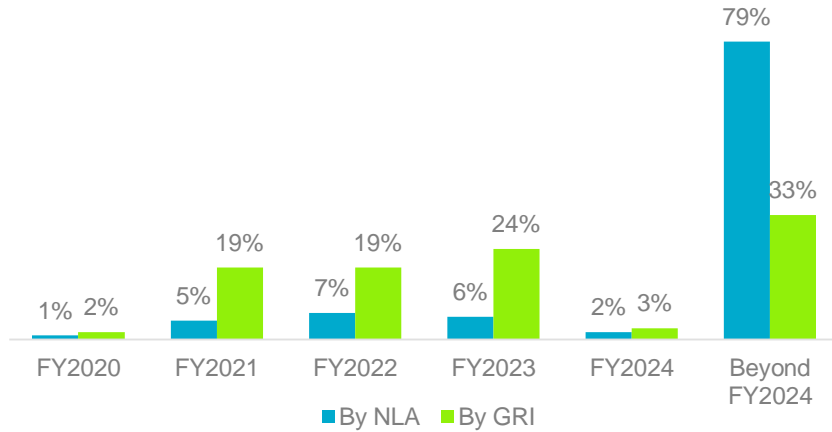
(3) Largest broadcasting and cable television company in the world by revenue based on Forbes publication dated 21 January 2020.

(4) Conversion of EURO to SGD is based on the FX rate of 1.5647 as at 31 March 2020.



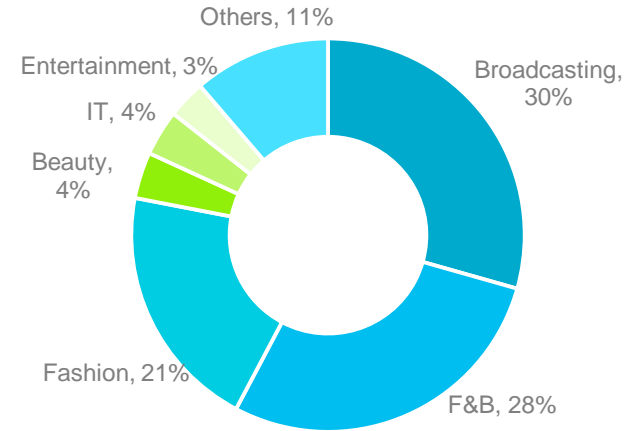
## Portfolio Lease Expiry Profile

Long WALE of 9.9<sup>(1)</sup> Years by NLA and 4.9 Years by GRI



## Trade Sector Breakdown (by GRI)

Well-diversified tenant base



313@somerset, Singapore

- WALE 1.9 years by NLA and 1.8 years by GRI



Sky Complex, Milan

- WALE 12.1<sup>(1)</sup> years by NLA and GRI



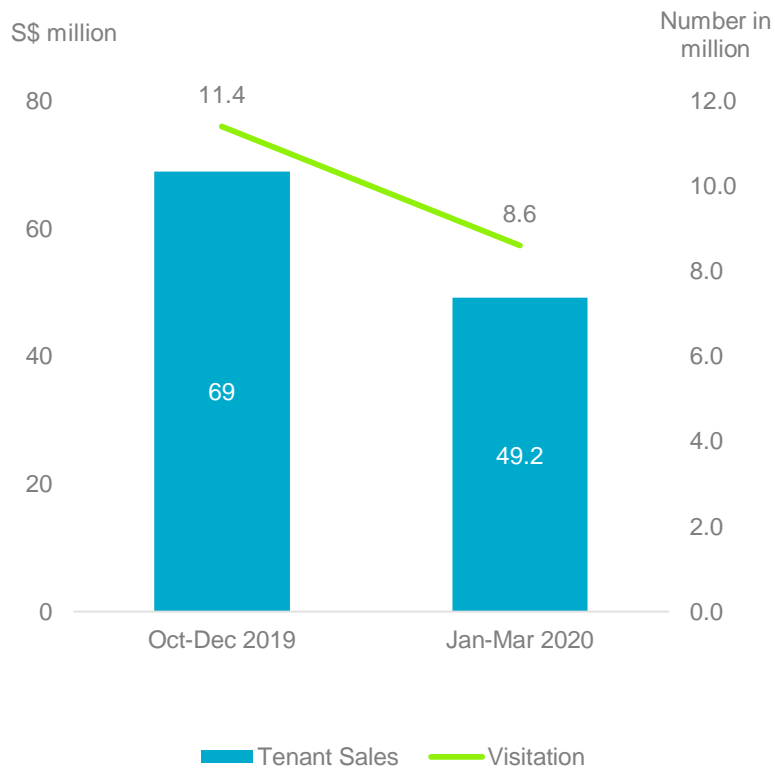
Information as at 31 March 2020.

(1) Excludes tenant's break option in 2026.

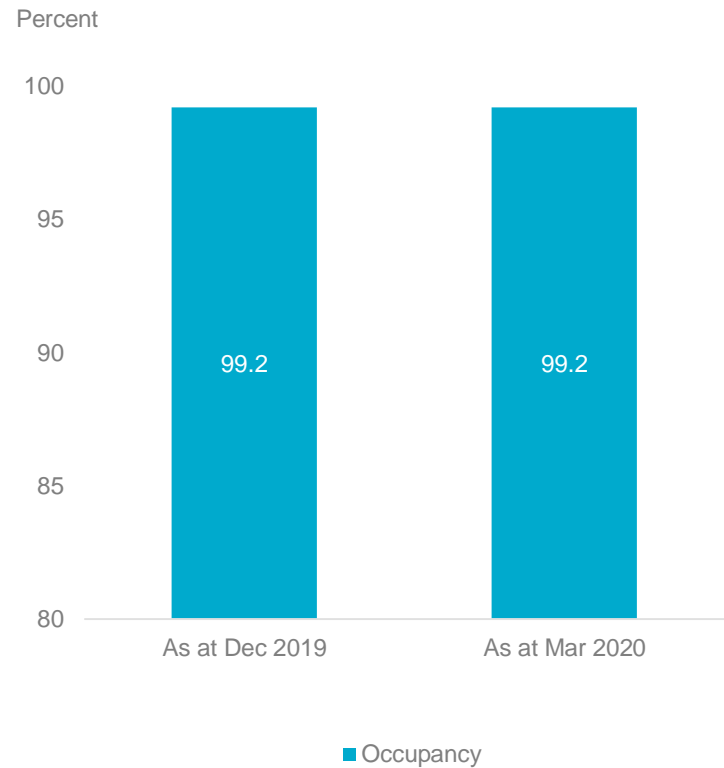
# 313@somerset – Operational Performance

Tenant Sales was \$49.2 million in 3Q FY2020; Committed Occupancy Remains Stable

Tenant Sales and Visitation



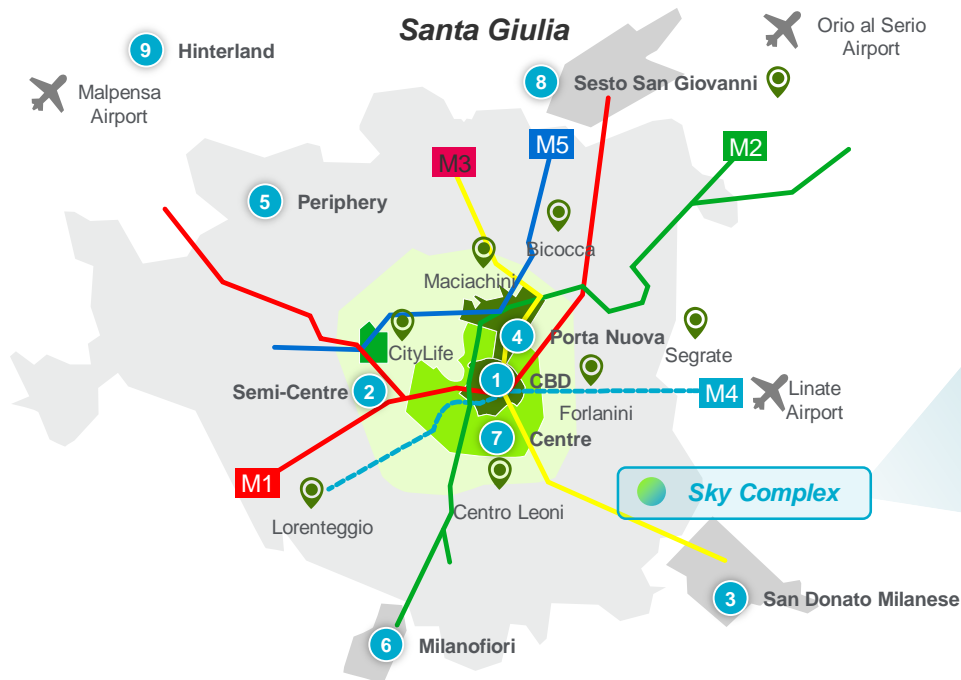
Occupancy





# Sky Complex – Business Continuity Plan Activated

- Long lease term till 2032<sup>(1)</sup> provides stable income to the portfolio
- Triple-net lease structure minimises operational costs and risks for Lendlease Global Commercial REIT
- Annual rental step-up based on 75% of ISTAT consumer price index variation<sup>(2)</sup>



<b>M1</b> Subway Lines	<b>1</b> CBD	<b>4</b> Porta Nuova	<b>7</b> Centre
Sub-markets	<b>2</b> Semi-Centre	<b>5</b> Periphery	<b>8</b> Sesto San Giovanni
Airport	<b>3</b> San Donato Milanese	<b>6</b> Milanofiori	<b>9</b> Hinterland

Source of location map: CBRE

(1) Assumes that tenant does not exercise its break option in 2026.  
 (2) ISTAT: The Italian National Institute of Statistics. Last escalation was based on April 2019 consumer price index variance of 0.9%.



# MARKET REVIEW

## Market Review

Strength of recovery will depend on how fast COVID-19 situation can be controlled and a vaccine providing consumers with certainty to return to normal activities

### Singapore Prime Retail Market

- Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy contracted by 2.2% year-on-year in the first quarter of 2020, reversing the 1.0% growth in the preceding quarter.
- The Singapore Tourism Board expects visitor arrivals for 2020 to fall by approximately 25% to 30%.
- Tourism-reliant submarkets such as Orchard and the fringe areas are likely to be affected.

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### Milan Office Market

- The rapidly changing economic environment has posed challenges for the Italian government to quantify the impact of the COVID-19 pandemic on its economy using the short-term indicators.
- Vacancy rates in Milan have gradually declined over recent years. Sizeable new additions are expected in the supply pipeline over the next two years.
- In the near term, assets with solid and financially sound tenants will likely perform better and ride the wave of recovery when the COVID-19 pandemic is fully contained.





# Thank You

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