



Sabana Shari'ah Compliant Industrial REIT

FY 2018 and 4Q 2018 Financial Results Presentation

24 January 2019



Important Notice



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 fourth quarter from 1 October 2018 to 31 December 2018 (“4Q 2018”) and full year from 1 January 2018 to 31 December 2018 (“FY 2018”)

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.

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Key Highlights for FY2018



For the year ended 31 December 2018



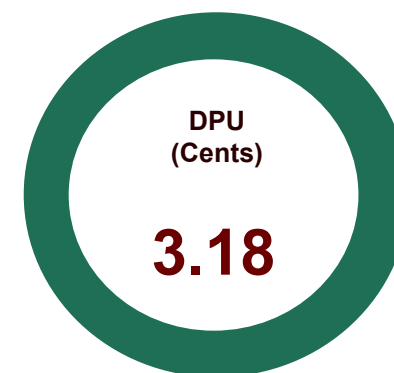
FY2017: S\$85.20m



FY2017: S\$53.38m



FY2017: S\$35.01m



FY2017: 3.31 cents

Summary

- Delivered Phase 1 of Refreshed Strategy:
 - Divested non-performing and mature assets; actively managed and optimised portfolio; maintained capital and risk discipline
 - Made difficult decisions beneficial to REIT in the long-run, early indicators of turnaround
- **Embarking on Phase 2:**
 - Provisional approval received by authorities for AEI at flagship property New Tech Park
- NAV at 0.57 Singapore cents at the end of FY2018 (FY2017: 0.54 cents)

Key Highlights for 4Q 2018



For the quarter ended 31 December 2018



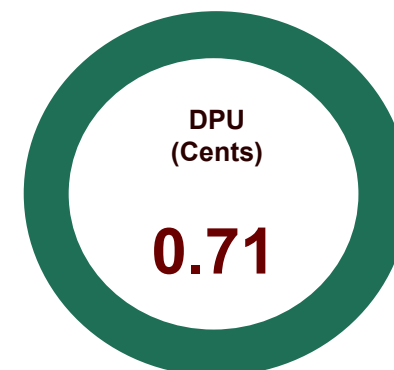
4Q2017: S\$20.40m



4Q2017: S\$13.71m



4Q2017: S\$8.78m



4Q2017: 0.83 cents

Significant Operational Updates

- Post 4Q 2018, completed the sale of 9 Tai Seng Drive for S\$99.6 million
 - Net proceeds to fund capital expenditures, repay outstanding loans and for consideration of distribution to Unitholders
- Active portfolio management:
 - Secured master tenant for 21 Joo Koon Crescent
 - Converted 10 Changi South Street 2 into multi-tenanted property; secured major tenant to complement current master tenant
- Progressing on AEI for New Tech Park

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In 2018: Introduced Refreshed Strategy with 3 Phases

Focus for 2018/2019

PHASE 1

- a. Divest Non-Performing and Mature Assets
- b. Continue to Actively Manage and Optimise Portfolio

PHASE 2

Undertake
Asset Enhancement Initiatives

2020 and beyond

PHASE 3

Potential Yield-
Accretive
Acquisitions
including Overseas

ALL UNDERPINNED BY

- Prudent Capital and Risk Management
 - Ongoing Cost Rationalisation

Phase 2 of Refreshed Strategy

Undertake Asset Enhancement Initiatives (“AEIs”)

New Tech Park, 151 Lorong Chuan



- Granted Outline Permission to add 3,979.69 sqm of new temporary commercial GFA by URA
- Team of consultants working closely with authorities
- New Tech Park represents approximately one third of overall portfolio asset value

Disciplined Execution of Phase 1 in 2018

Phase 1 of Refreshed Strategy

1a. Divest Non-Performing and Mature Assets

1b. Continue to actively Manage and Optimise Portfolio

Divested 6 Woodlands Loop



Announced divestment of
1 Tuas Avenue 4



Divested
9 Tai Seng Drive



- Total sales consideration of **S\$124.58 million vs S\$78.20 million** book value as at 31 December 2017
- Net proceeds to fund capital expenditures, repay outstanding loans and for consideration of distribution to Unitholders

Disciplined Execution of Phase 1 in 2018



Phase 1 of Refreshed Strategy

- 1a. Divest Non-Performing and Mature Assets
- 1b. Continue to actively Manage and Optimise Portfolio**

FY 2018

Secured **61 lease transactions** (renewals and new leases);
overall occupancy level at 84.4%

Renewed all five master leases set to have expired in 2018,
securing steady recurring income

Strategic divestment of 6 Woodlands Loop, 9 Tai Seng Drive
and 1 Tuas Avenue 4 to streamline portfolio

Converted 10 Changi South Street 2 into **multi-tenanted property**;
secured major tenant to complement master tenant

1Q 2019

Completed divestment for 9 Tai Seng Drive

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Financial Performance At a Glance (YoY)



For the quarter ended 31 December 2018

(in S\$'000)	4Q 2018	4Q 2017	Variance (%)
Gross revenue	20,023	20,395	(1.8)
Net property income	13,001	13,711	(5.2)
Amount available for distribution	7,436	8,783	(15.3)
DPU (cents)	0.71	0.83	(14.5)

Distribution per unit (DPU) declined on:

- Lower revenue from lower contribution from some multi-tenanted properties and negative rental reversions amid challenging market
- Higher rent-free periods given to new tenants of multi-tenanted properties in 4Q 2018 over 4Q 2017

Active asset and lease management mitigated NPI decline

- Property expenses up by 5.1% on absence of net reversal of impairment losses for 1 Tuas Avenue 4 that occurred in 4Q 2017, and higher utility expenses for multi-tenanted properties
- Offset by cost savings from divested properties, and lower net repair and maintenance expenses for multi-tenanted properties

Financial Performance At a Glance (QoQ)



For the quarter ended 31 December 2018

(in S\$'000)	4Q 2018	3Q 2018	Variance (%)
Gross revenue	20,023	19,855	(0.8)
Net property income	13,001	12,633	2.9
Amount available for distribution	7,436	8,072	(7.9)
DPU (cents)	0.71	0.77	(7.8)

Distribution Per Unit (DPU):

- Lower by 7.8% mainly due to higher rent-free periods given to new tenants of multi-tenanted properties in 4Q 2018 over 3Q 2018

Financial Performance At a Glance (YTD)

For the year ended 31 December 2018

(in S\$'000)	FY 2018	FY 2017	Variance (%)
Gross revenue	80,961	85,196	(5.0)
Net property income	52,790	53,379	(1.1)
Amount available for distribution	33,391⁽¹⁾	35,005 ⁽²⁾	(4.6)
DPU (cents) ⁽³⁾	3.18	3.31	(3.9)

Distribution per unit (DPU):

- Mitigated by ongoing proactive cost optimisation

Marginally lower NPI:

- Lower revenue offset by 11.5% reduction in property expenses as a result of active asset and lease management

Net finance costs significantly reduced:

- Down 11.2% on repayment using divestment proceeds and refinancing with lower cost facilities

(1) The Manager had forgone 20% of its fees, approximately S\$238,000, for 1Q 2018.

(2) The Manager had forgone 25% and 75% of its fees, approximately S\$310,000 and S\$944,000, for 2Q 2017 and 1Q 2017 respectively.

(3) Based on 1,053,083,530 units issued.

Preserving Balance Sheet Resilience

(S\$'000)	As at 31 Dec 2018	As at 31 Dec 2017
Investment properties	869,200	942,400
Investment properties held for divestment	110,550	12,900
Other assets	9,659	10,809
Total assets	989,409	966,109
Borrowings, at amortised cost	361,709	365,806
Other liabilities	23,222	28,758
Total liabilities	384,931	394,564
Net assets attributable to Unitholders	604,478	571,545
Units in issue	1,053,083,530	1,053,083,530
NAV per unit (S\$)	0.57	0.54
Adjusted NAV per unit ⁽¹⁾ (S\$)	0.57	0.53

Steady balance sheet:

- 9 Tai Seng Drive and 1 Tuas Avenue 4 reclassified as investment properties held for divestment after divestment announcements
- Net proceeds from divestments of 6 Woodlands Loop used to pay down borrowings

(1) Excludes the amount of approximately S\$7.4 million (31 December 2017: S\$8.8 million) available for distribution for the quarter ended 31 December 2018.

Continued Capital Structure Optimisation

	As at 31 Dec 2018	As at 31 Dec 2017
Borrowings	S\$363.0 million	S\$367.5 million
Aggregate leverage ⁽¹⁾	36.8%	38.2%
Proportion of total borrowings on fixed rates	71.6%	76.2%
Average all-in financing cost⁽²⁾	4.2%	3.9%
Term CMF	S\$120.0 million	S\$120.0 million
Revolving CMF	S\$13.0 million	-
Term Murabahah Facility	S\$70.0 million	-
Revolving Murabahah Facility	S\$30.0 million	S\$27.5 million
Trust Certificates	S\$100.0 million	S\$190.0 million
Term Loan Facility	S\$30.0 million	S\$30.0 million
Weighted average tenor of borrowings	1.3 years	1.8 years
Profit cover ⁽³⁾	3.7 times	4.1 times
Unencumbered assets ⁽⁴⁾	S\$240.8 million	S\$268.7 million

(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

(2) Inclusive of amortisation of transaction costs.

(3) Ratio of net property income over profit expense (excluding amortisation of transaction costs and other fees for 4Q 2018 (31 December 2017: 4Q 2017)).

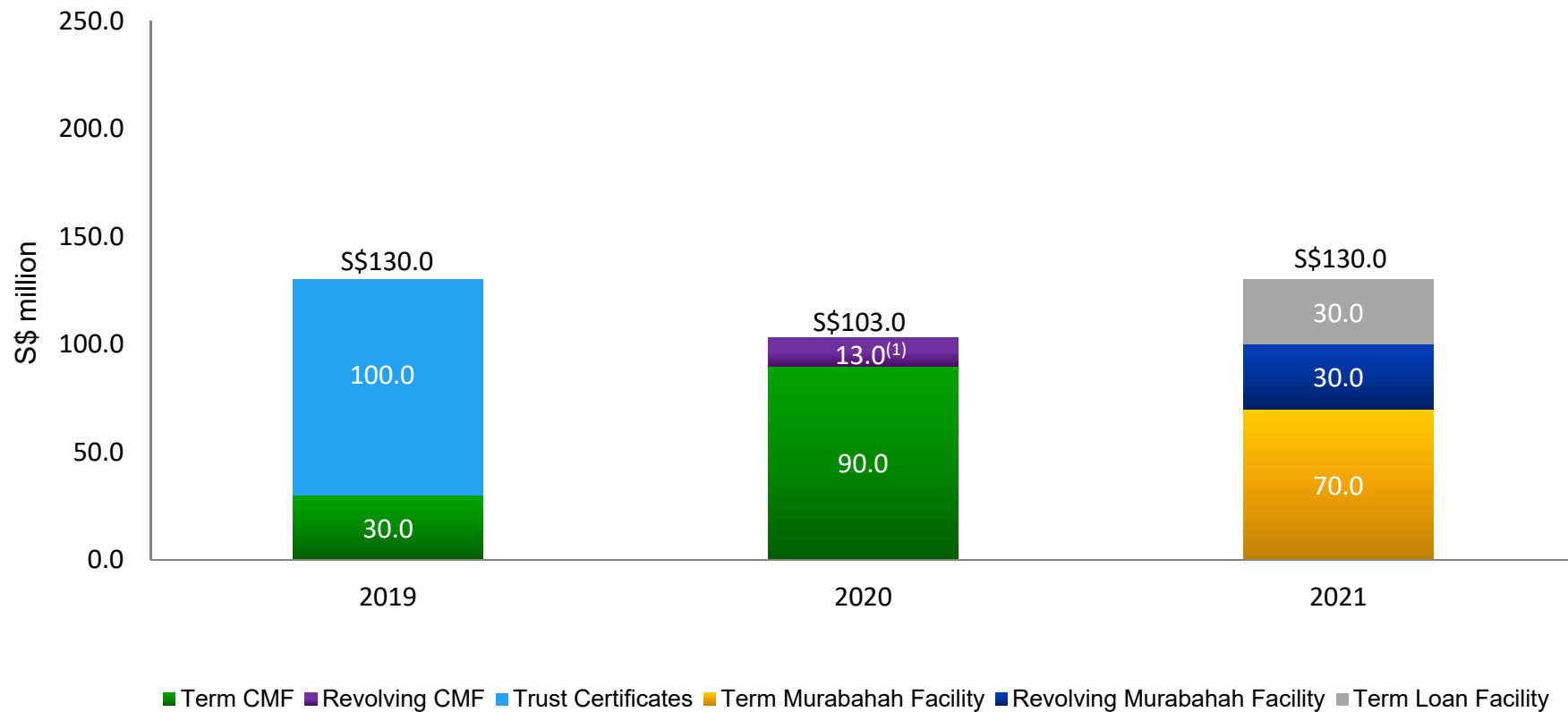
(4) Based on independent valuations as at 31 December 2018.

Evenly Staggered Borrowings Maturity



Maturities of total outstanding borrowings of S\$363.0 million evenly staggered over next 3 years

As at 31 December 2018



(1) Excludes S\$5.0 million undrawn Revolving CMF

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19 Properties Across 4 Industrial Segments



Portfolio Value
S\$929.2 million

Total GFA (sq ft)
4.3 million

Total NLA (sq ft)
3.5 million

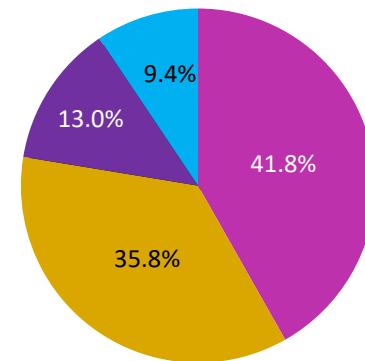
Tenant Base
116 tenants

Our properties are diversified into **four industrial segments** across **Singapore**, close to expressways and public transportation.

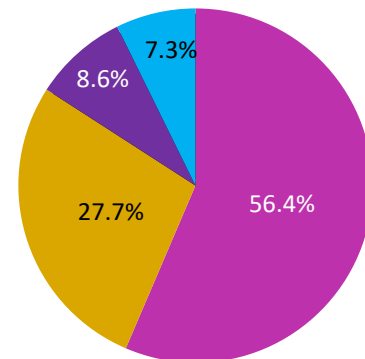
- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial



Asset Breakdown by NLA for 4Q 2018⁽¹⁾



Gross Revenue by Asset Type for 4Q 2018⁽¹⁾



(1) As at 31 December 2018

Occupancy Rates

	As at 31 Dec 2018	As at 30 Sept 2018
Total portfolio GFA	4,325,010 sq ft	4,325,010 sq ft
Portfolio occupancy		
7 properties, master leases ⁽¹⁾	100.0%	100.0%
11 properties, multi-tenanted ⁽²⁾	81.4%	79.1%
19 properties, total portfolio ⁽³⁾	84.4%	81.4%
Weighted average master lease term to expiry ⁽⁴⁾	2.0 years	2.5 years
Weighted average unexpired lease term for the underlying land ⁽⁵⁾	32.5 years	32.8 years
Weighted average portfolio lease term to expiry ⁽⁶⁾	2.6 years	2.4 years

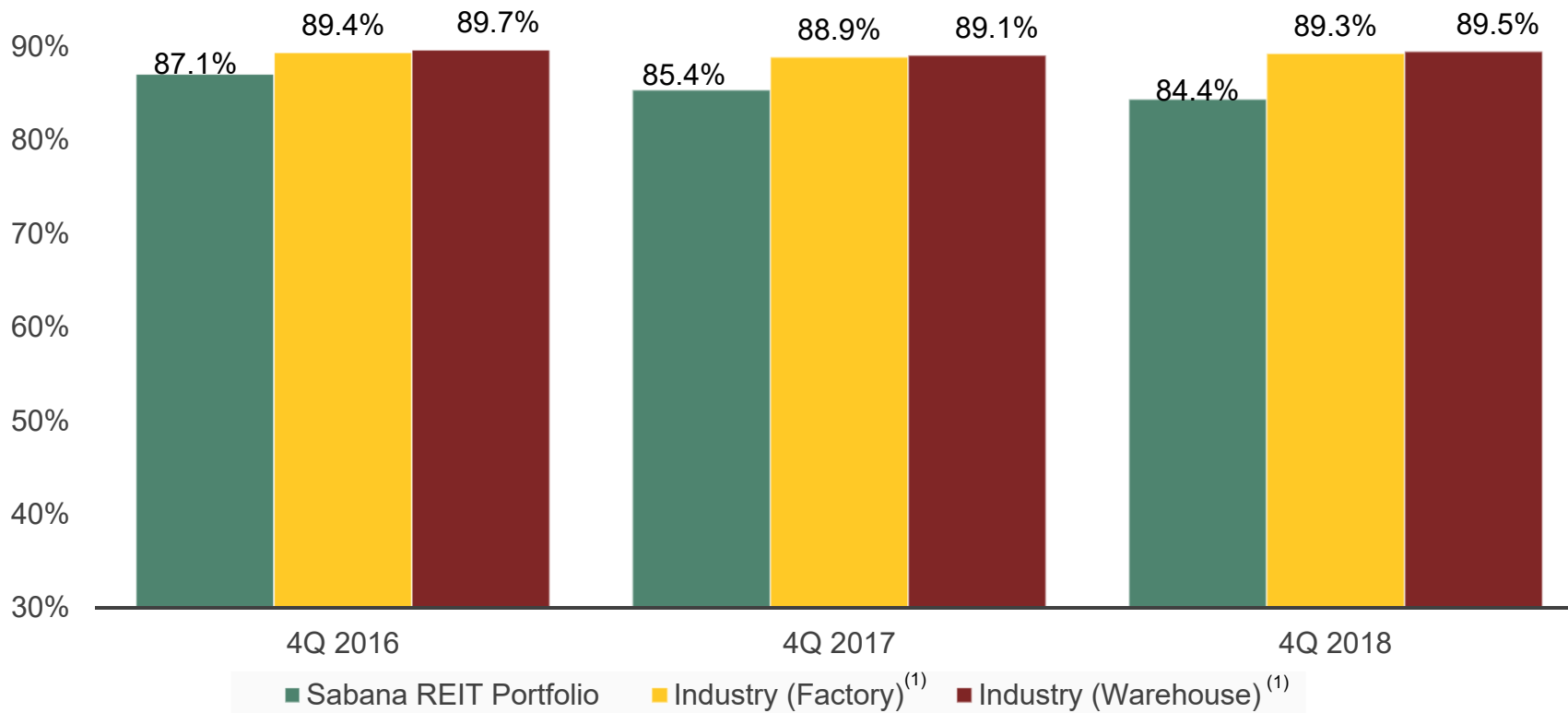
Would be **88.5%** if divestments of 1 Tuas Avenue 4 and 9 Tai Seng Drive had completed by 31 Dec 2018

84.4%

- (1) 5 triple net & 2 single net master leases.
- (2) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link, 10 Changi South Street 2, 123 Genting Lane and 39 Ubi Road 1. 10 Changi South Street 2 converted to multi-tenanted property in 4Q 2018.
- (3) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 (NLA 120,340 sq ft) is currently vacant.
- (4) Weighted by gross rental income (master leases of 7 properties). 10 Changi South Street 2 converted to multi-tenanted property in 4Q 2018.
- (5) Weighted by Gross Floor Area ("GFA").
- (6) Weighted by gross rental income (7 master leases and 11 multi-tenanted properties).

Occupancy Levels

Occupancy levels over the years



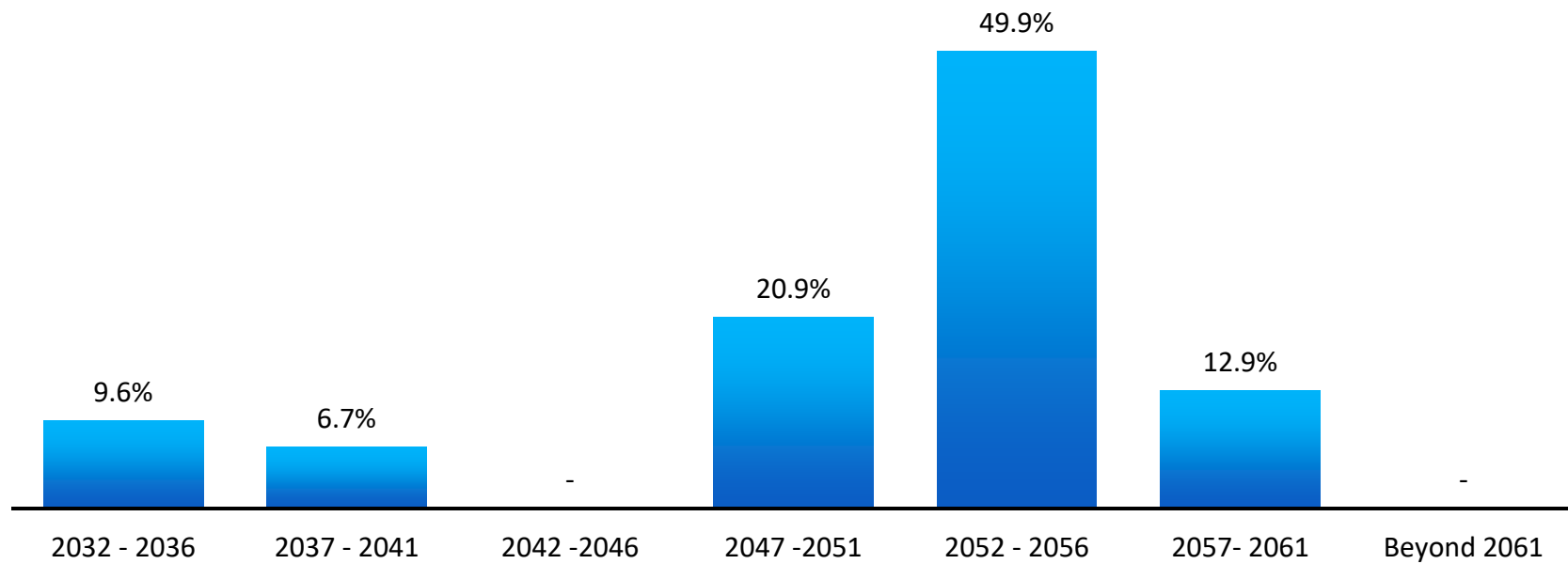
Comparisons to Singapore industrial average occupancy levels

(1) Source: Quarterly Market Report by Jurong Town Corporation.

Long Weighted Average Leasehold For Underlying Land



Long underlying land leases, with an average of **32.5 years** by GFA



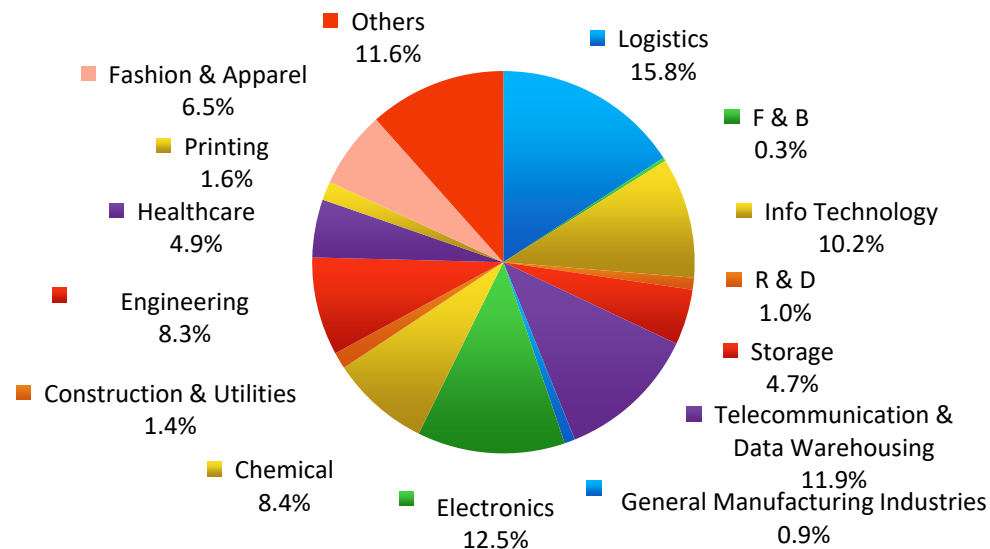
Percentage of unexpired land lease term by GFA⁽¹⁾

(1) As at 31 December 2018

Diversified Base of Quality Tenants

	As at 31 Dec 2018	As at 30 Sept 2018
Total NLA (sq ft)	3,544,143⁽¹⁾	3,534,703
Total number of tenants ⁽²⁾	109	118
Weighted average lease term to expiry (mths) ⁽³⁾	36.6	27.0

No concentration in any single trade sector exceeding 16%



Tenants' industry diversification by NLA⁽⁴⁾

(1) Adjusted due to reconfiguration of space.

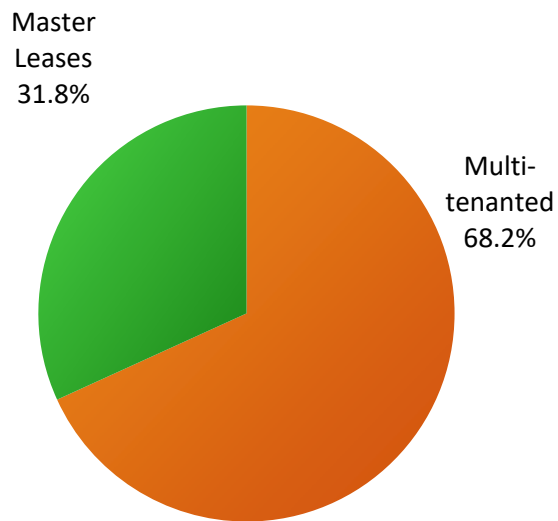
(2) Excludes 7 master tenants.

(3) Weighted by tenancy gross rental income. 10 Changi South Street 2 converted to multi-tenanted property in 4Q 2018.

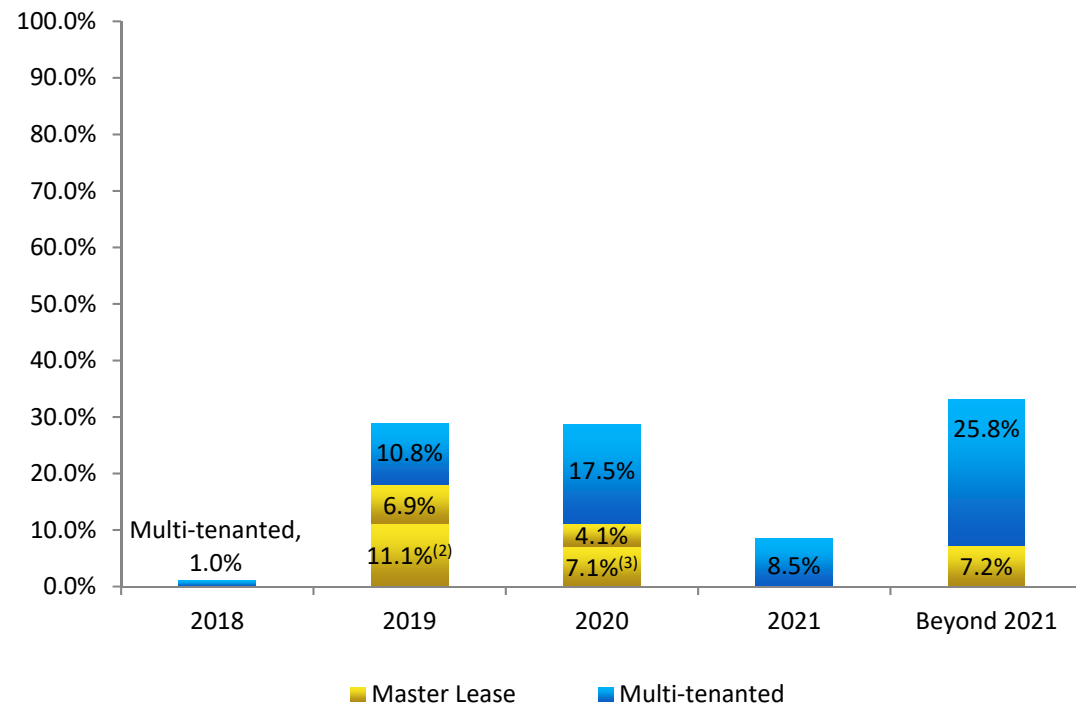
(4) As at 31 December 2018.

Balanced and Proactive Lease Management

Lease Type by NLA for 4Q 2018⁽¹⁾



Lease Expiry by NLA⁽¹⁾



(1) As at 31 December 2018.

(2) Two properties: 33 & 35 Penjuru Lane and 18 Gul Drive. Master tenants are Sponsor related companies.

(3) One property: 51 Penjuru Road. Master tenant is Sponsor related company.

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Singapore Economic Outlook

- Based on Ministry of Trade and Industry (MTI)'s advance estimates⁽¹⁾, Singapore's GDP moderated to 2.2% y-o-y in 4Q 2018 (3Q 2018: 2.3%; 4Q 2017: 3.6%) For 2018, Singapore's GDP grew 3.3%.
- MTI forecasts growth of 1.5% to 3.5% for 2019 ⁽²⁾

Industrial Property Outlook

- Overall rent reversion for 2019 likely to remain negative, with JTC data showing continued oversupply and island-wide vacancy of 10.7% ⁽³⁾.
- Knight Frank sees continued demand for industrial space in short to medium term but does not expect rents to rise due to ample supply, especially given the uncertain external environment.⁽⁴⁾
- CBRE, however, expects that rents will likely recover in light of higher leasing activity, albeit from a low base.⁽⁵⁾
- Colliers foresees pick-up in investment interest in industrial assets as rents bottom out and stabilise, especially those in high-end sectors (eg. high-spec facilities, modern ramp-up logistics properties).⁽⁶⁾

Sabana REIT

Muted performance in 1H 2019 amidst challenging market conditions; foresee improved performance in 2H 2019:

- Granted Outline Permission for proposed AEI for New Tech Park, adding nearly 4,000 sqm of new commercial space
- Improve occupancy and drive revenue, active asset management, selective divestments
 - Completed divestment of 9 Tai Seng Drive post 4Q 2018
 - Secured master tenant for 21 Joo Koon Crescent
 - Converted 10 Changi South Street 2 to multi-tenancy; secured major tenant

Sources:

- 1) "Singapore's GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2018". Ministry of Trade and Industry. 2 January 2019.
- 2) "MTI Forecasts GDP to Grow by "3.0 to 3.5 Per Cent" in 2018 and "1.5 to 3.5 Per Cent" in 2019". Ministry of Trade and Industry. 22 November 2018.
- 3) "JTC Quarterly Market Report. Industrial Properties. Fourth Quarter 2018". JTC. 24 January 2019.
- 4) "Knight Frank Q3 2018 industrial market snapshot". Knight Frank Singapore. Retrieved 10 January 2019.
- 5) "CBRE Q4 2018 Marketview Singapore". CBRE Research (Singapore). 11 January 2019.
- 6) "Q3 2018 Singapore Investment", Colliers International. 14 November 2018

Key Takeaways

RESULTS

- **DPU affected amid challenging conditions**
 - Proactive lease management and portfolio optimisation, increased occupancy
- **Balance sheet remained resilient; well capitalised to meet commitments**
 - Net proceeds to fund capital expenditures, repay outstanding loans and for consideration of distribution to Unitholders
- NAV at 0.57 Singapore cents at the end of FY2018 (FY2017: 0.54 Singapore cents)

DELIVERING ON STRATEGY

- **Embarking on phase 2 of refreshed strategy with AEs:**
 - Granted Outline Permission for proposed works to New Tech Park, adding approximately 4,000 sqm of new commercial space
- **Delivered Phase 1: Divested non-performing and mature assets; actively managed and optimised portfolio; maintained capital and risk discipline**
 - Review portfolio and divested non-performing and mature assets that will fund future growth
 - Completed divestment of 9 Tai Seng Drive for S\$99.6 million on 10 January 2019
 - Proactive leasing management efforts and diversification of tenancy mix
 - Secured master tenant for 21 Joo Koon Crescent
 - Converted 10 Changi South Street 2 to multi-tenancy; secured major tenant to complement master tenant

Appendix: Distribution Details

Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 October 2018 to 31 December 2018	0.71
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	30 January 2019
Ex-date	31 January 2019
Books closure date	01 February 2019
Distribution payment date	28 February 2019
Disbursement of non-Shari’ah income to approved charities	28 February 2019 or earlier

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Appendix: Non-Shari'ah Compliant Income



Sabana REIT distributes its non-Shari'ah compliant income on a quarterly basis as assessed, to various charitable causes.

Details on the contribution and beneficiary for 4Q 2018 as follows:



Organisation: National Youth Achievement Award Council (NYAAC)

Purpose: Sabana REIT's 4Q 2018 non-Shari'ah income amounting to S\$3,328 will be directed to support their mission of developing and maximising the potential of youth in Singapore to contribute to society and the nation.

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