



## **SABANA SHARI'AH COMPLIANT INDUSTRIAL REIT**

**3Q 2017: Third Quarter Ended 30 September 2017 Financial Results Presentation**  
**23 October 2017**

# 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 third quarter from 1 July 2017 to 30 September 2017 ("3Q 2017").**

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 3Q 2017

## Results

- Distribution per Unit (“DPU”) and distributable income of 0.79 Singapore cents and S\$8.3 million respectively for 3Q 2017

## Balance sheet

- Aggregate leverage and weighted average all-in cost of borrowings in 3Q 2017 reduced to 36.0% and 3.9% respectively
- Total value of unencumbered assets increased from S\$323.3 million (including 218 Pandan Loop) in second quarter to S\$507.2 million (excluding divested 218 Pandan Loop) in third quarter
- The net sales proceeds from the divestment of 218 Pandan Loop was used mainly to reduce the Trust’s existing borrowings and lower its recurring financing costs
- The proceeds from the rights issue, as previously announced, has been fully utilized to primarily repay maturing short-term borrowings, lowering the gearing from 43.2% as at 31 December 2016 to 36.0% as at 30 September 2017

## Tenancy

- As at 30 September 2017, multi-tenancy and overall portfolio occupancy levels stood at 80.4%<sup>(1)</sup> and 88.4%<sup>(2)</sup> respectively

## Strategic Review

- Strategic Review is still underway; talks are ongoing but no binding agreements have been entered into

(1) 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, 123 Genting Lane and 39 Ubi Road 1.

(2) By Net Lettable Area (“NLA”).

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# Financial Performance

## For the quarter ended 30 September 2017

(in S\$'000)	3Q 2017	2Q 2017	Variance (%)	3Q 2017	3Q 2016	Variance (%)
Gross revenue	<b>20,859</b>	21,964	(5.0)	<b>20,859</b>	23,031	(9.4)
Net property income ("NPI")	<b>13,400</b>	12,933	3.6	<b>13,400</b>	13,911	(3.7)
Income available for distribution	<b>8,336</b>	8,568	(2.7)	<b>8,336</b>	8,858	(5.9)
DPU (cents)	<b>0.79<sup>(1,2)</sup></b>	0.81 <sup>(3)</sup>	(2.5)	<b>0.79<sup>(1,2)</sup></b>	1.06 <sup>(4)</sup>	(25.5)
Annualised DPU (cents)	<b>3.13</b>	3.25	(3.7)	<b>3.13</b>	4.22 <sup>(4)</sup>	(25.8)

(1) Based on 1,053,083,530 units issued as at 30 September 2017.

(2) For 3Q 2017, the Manager received 100% of its fees fully in cash as the ordinary resolution to authorise the Manager to issue units and to make or grant convertible instruments was not passed at the Annual General Meeting held on 28 April 2017. Without the general mandate to issue new units, the Manager is not able to continue to receive 80.0% of its base fee in units and has to receive its fees fully in cash from 1Q 2017 onwards. The DPU for 3Q2017 of 0.79 cents would have instead been approximately 0.88 cents had the Manager been able to continue receiving 80.0% of its base fee in units.

(3) The DPU for 2Q2017 of 0.81 cents would have instead been approximately 0.87 cents had the Manager been able to continue receiving 80.0% of its base fee in units and approximately 0.78 cents had the Manager not elected to forgo 25% of its fees for 2Q2017.

(4) DPU for prior periods has been restated to reflect the effect of bonus element in the Rights Issue.

# 3Q 2017 QoQ Financial Performance



(in S\$'000)	3Q 2017	2Q 2017	Variance (%)
Gross revenue	20,859	21,964	(5.0)
Property expenses	(7,459)	(9,031)	17.4
<b>NPI</b>	<b>13,400</b>	<b>12,933</b>	<b>3.6</b>
Net finance costs	(4,066)	(3,974)	(2.3)
Manager's fees	(1,238)	(930)	(33.1)
Trustee's fees	(104)	(106)	1.9
Other trust expenses	(630)	(1,296)	51.4
<b>Net income</b>	<b>7,362</b>	<b>6,627</b>	<b>11.1</b>
Net change in fair value of financial derivatives	236	(556)	142.4
Net change in fair value of investment properties	-	(27,876)	100.0
Gain on divestment of investment properties	1,816	-	NM
<b>Total return for the period</b>	<b>9,414</b>	<b>(21,805)</b>	<b>143.2</b>
Distribution adjustments <sup>(1)</sup>	(1,078)	30,373	(103.5)
<b>Income available for distribution</b>	<b>8,336</b>	<b>8,568</b>	<b>(2.7)</b>

**Gross Revenue** decreased by 5.0% mainly due to non-recognition of revenue for master leases at 1 Tuas Avenue 4 and 6 Woodlands Loop as collections are no longer probable.

**Net Property Income** increased by 3.6% mainly due to 17.4% savings in property expenses.

**Property expenses** decreased by 17.4% mainly due to lower impairment losses on master tenants at 1 Tuas Avenue 4 and 6 Woodlands Loop, arising from revenue not recognized in 3Q 2017.

**Net finance costs** increased marginally by 2.3% despite lower profit expense in 3Q2017 mainly due to lower Ta'widh charged to tenants and hence lower finance income compared to 2Q2017.

**Other trust expenses** decreased by 51.4% mainly due to the one-time legal, professional and advisory fees relating to the Extra-ordinary General Meeting in 2Q 2017.

**Income available for distribution** decreased by 2.7% mainly due to higher manager's fees payable in cash in 3Q 2017 due to a 25% manager's fee waiver in 2Q 2017 only.

NM denotes "not meaningful".

(1) Comprise Trustee's fees, donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, net change in fair value of financial derivatives and investment properties, gain on divestment of investment properties and other expenses which are non-deductible for tax purposes.



# 3Q 2017 YoY Financial Performance

(in S\$'000)	3Q 2017	3Q 2016	Variance <sup>(1)</sup> (%)
Gross revenue	20,859	23,031	(9.4)
Property expenses	(7,459)	(9,120)	18.2
<b>NPI</b>	<b>13,400</b>	<b>13,911</b>	<b>(3.7)</b>
Net finance costs	(4,066)	(5,295)	23.2
Manager's fees	(1,238)	(1,332)	7.1
Trustee's fees	(104)	(111)	6.3
Donation of non-Shari'ah compliant income	-	(23)	100.0
Other trust expenses	(630)	(225)	(180.0)
<b>Net income</b>	<b>7,362</b>	<b>6,925</b>	<b>6.3</b>
Net change in fair value of financial derivatives	236	(464)	150.9
Gain on divestment of investment properties	1,816	-	NM
<b>Total return for the period</b>	<b>9,414</b>	<b>6,461</b>	<b>45.7</b>
Distribution adjustments <sup>(2)</sup>	(1,078)	2,397	(145.0)
<b>Income available for distribution</b>	<b>8,336</b>	<b>8,858</b>	<b>(5.9)</b>

**Gross revenue** decreased by 9.4% year-on-year ("YoY") due to non-recognition of revenue for master leases at 1 Tuas Avenue 4 and 6 Woodlands Loop as collections are no longer probable, conversion of 39 Ubi Road 1 into multi-tenanted arrangements in 4Q2016, and lower contribution from 151 Lorong Chuan, 8 Commonwealth Lane, 508 Chai Chee Lane and 2 Toh Tuck Link; positively offset by higher contribution from 9 Tai Seng Drive and 15 Jalan Kilang Barat on a YoY basis.

**Property expenses** decreased by 18.2% YoY as a result of lower property tax, land rent, utilities and marketing expenses from certain multi-tenanted and non-triple-net master tenanted properties, as well as lower impairment loss on master tenant at 1 Tuas Avenue 4.

**Net finance costs** decreased by 23.2% mainly due to lower profit expense from lower outstanding borrowings YoY due to repayment of the then outstanding borrowings using the net proceeds from the Rights Issue and the net divestment proceeds from 218 Pandan Loop.

**Other trust expenses** increased by 180.0% mainly due to higher professional and advisory fees relating to the on-going strategic review on YoY basis.

**Income available for distribution** lowered by 5.9% mainly due to lower NPI and higher Manager's fees paid in cash, positively offset by lower profit expense arising from lower outstanding borrowings and lower non-taxable straight-lining adjustments on rental income.

(1) Please refer to section 8 of the financial statements and distribution announcement for 3Q 2017 for a more detailed explanation of the variances.

(2) Comprise the portion of Manager's fees paid/payable in units, Trustee's fees, donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, net change in fair value of financial derivatives, gain on divestment of investment properties and other expenses which are non-deductible for tax purposes.

# Resilient Balance Sheet



**As at 30 September 2017**

**S\$'000**

Investment properties	955,451
Investment properties held for divestment	12,250
Other assets	14,672
<b>Total assets</b>	<b>982,373</b>
Borrowings, at amortised cost	351,392
Other liabilities	29,340
<b>Total liabilities</b>	<b>380,732</b>
Net assets attributable to Unitholders	601,641
Units in issue	1,053,083,530
NAV per unit (S\$)	0.57
Adjusted NAV per unit <sup>(1)</sup> (S\$)	0.56

(1) Excludes distributable income of approximately S\$8.3 million available for distribution for the quarter ended 30 September 2017.

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# Stronger Capital Structure At A Glance



## As at 30 September 2017

Borrowings	S\$353.0 million
Aggregate leverage <sup>(1)</sup>	36.0%
Proportion of total borrowings on fixed rates	79.3%
<b>Average all-in financing cost<sup>(2)</sup></b>	<b>3.9%</b>
Outstanding Term Commodity Murabaha Facility (“CMF”)	S\$120.0 million
Revolving Murabahah Facility	S\$43.0 million
Trust Certificates	S\$190.0 million
<b>Weighted average tenor of borrowings</b>	<b>1.5 years</b>
Profit cover <sup>(3)</sup>	3.6 times
Unencumbered assets	S\$507.2 million

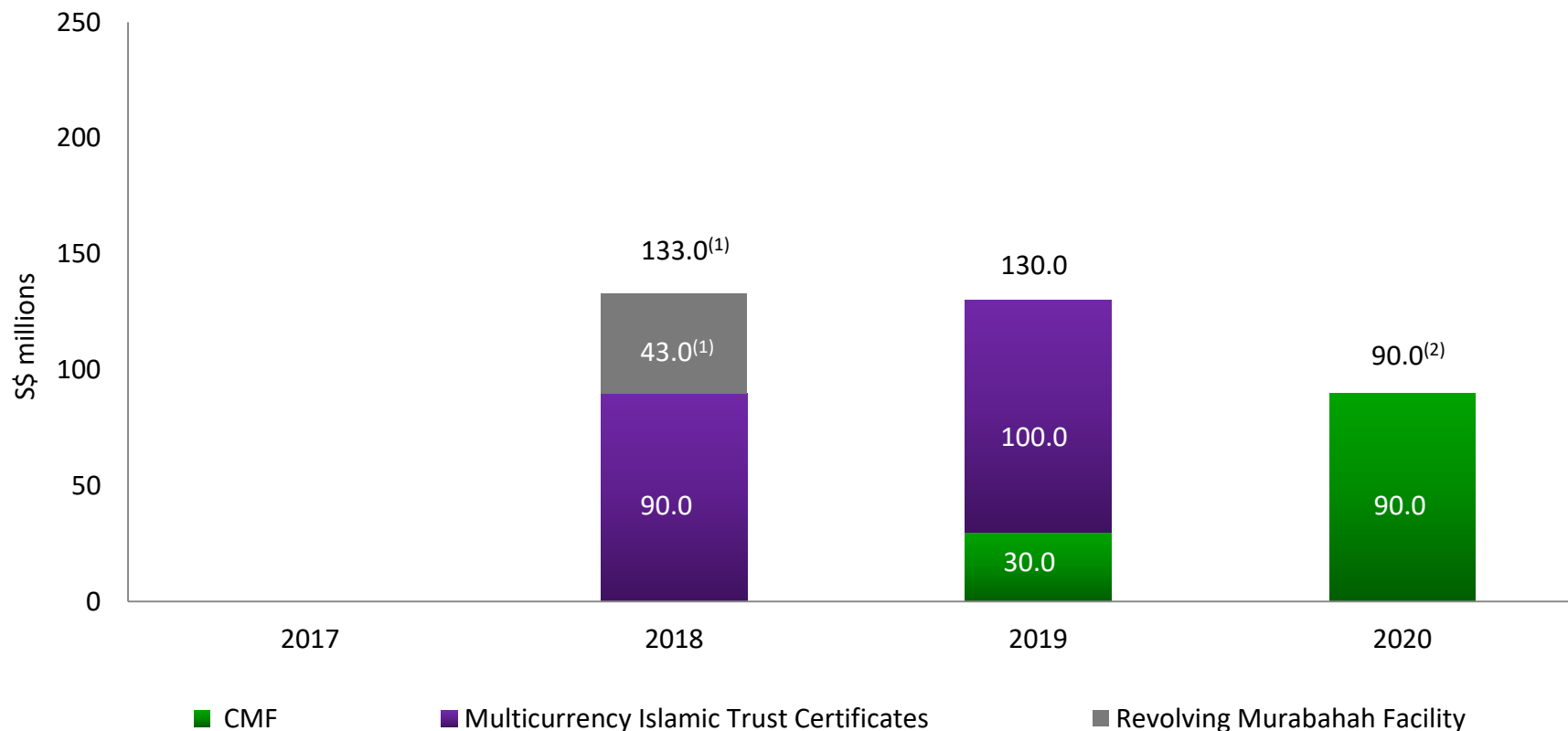
(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

(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 the period from 1 July 2017 to 30 September 2017.

# Evenly Staggered Borrowings Maturity

As at 30 September 2017



**Maturities of total outstanding borrowings of S\$353.0 million evenly staggered over next 3 years.**

(1) Excludes S\$5.9 million of undrawn Revolving Murabahah Facility.

(2) Excludes S\$18.0 million of undrawn Revolving CMF.

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# Property Locations

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

# Occupancy Rates

	As at 30 September 2017	As at 30 June 2017
Total portfolio GFA	4,353,300 sq ft <sup>(1)</sup>	4,403,674 sq ft
Portfolio occupancy		
10 properties, master leases <sup>(2)</sup>	100.0%	100.0%
10 properties, multi-tenanted <sup>(3)</sup>	80.4%	80.4%
20 properties, total portfolio <sup>(4)</sup>	88.4%	87.3%
Weighted average master lease term to expiry <sup>(5)</sup>	2.1 years	2.4 years
Weighted average unexpired lease term for the underlying land <sup>(6)</sup>	33.8 years	34.1 years
Weighted average portfolio lease term to expiry <sup>(7)</sup>	2.3 years	2.4 years

(1) Adjusted due to divestment of 218 Pandan Loop.

(2) 5 triple net & 5 single net master leases.

(3) 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, 123 Genting Lane and 39 Ubi Road 1.

(4) By Net Lettable Area ("NLA").

(5) Weighted by gross rental income (master leases of 10 properties).

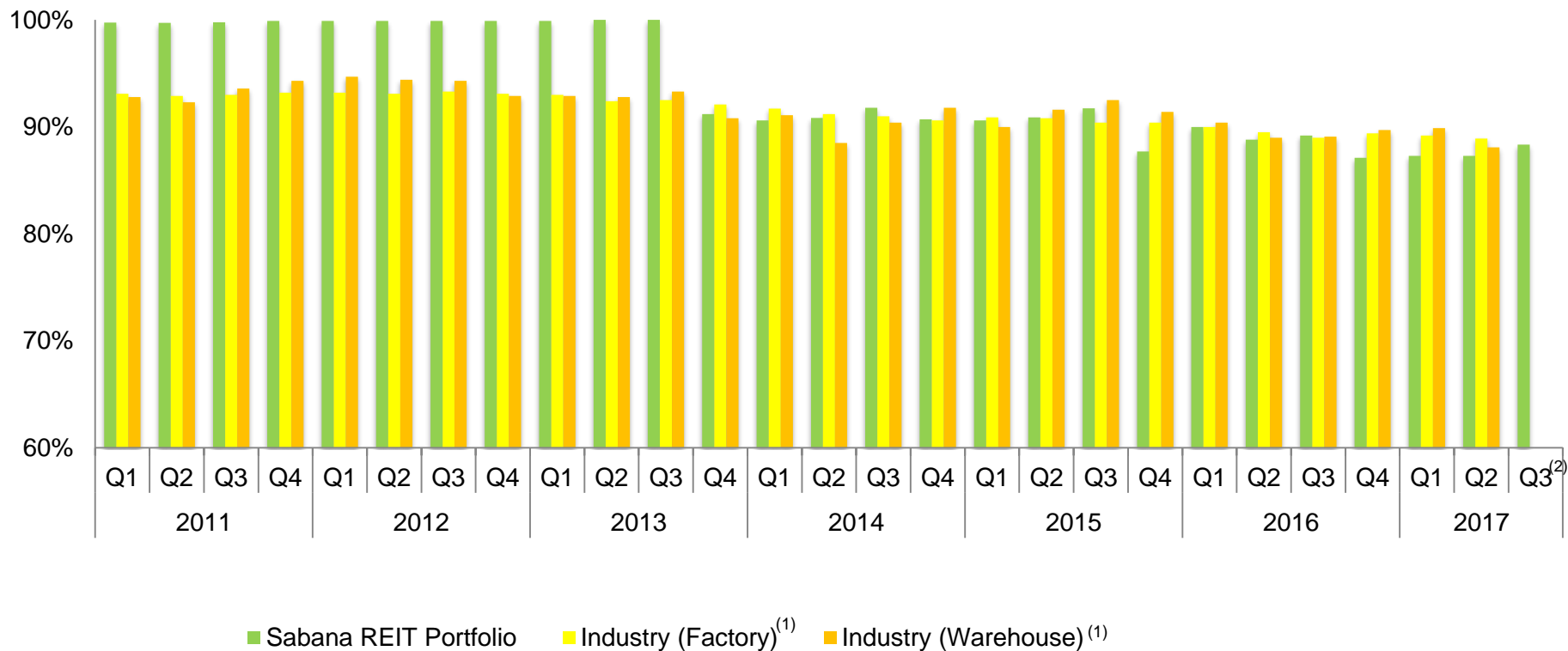
(6) Weighted by Gross Floor Area ("GFA")

(7) Weighted by gross rental income (10 master leases and 10 multi-tenanted properties).



# Occupancy Levels

## Comparisons to Singapore industrial average occupancy levels



(1) Source: Property Market Information by Urban Redevelopment Authority and Quarterly Market Report by Jurong Town Corporation.

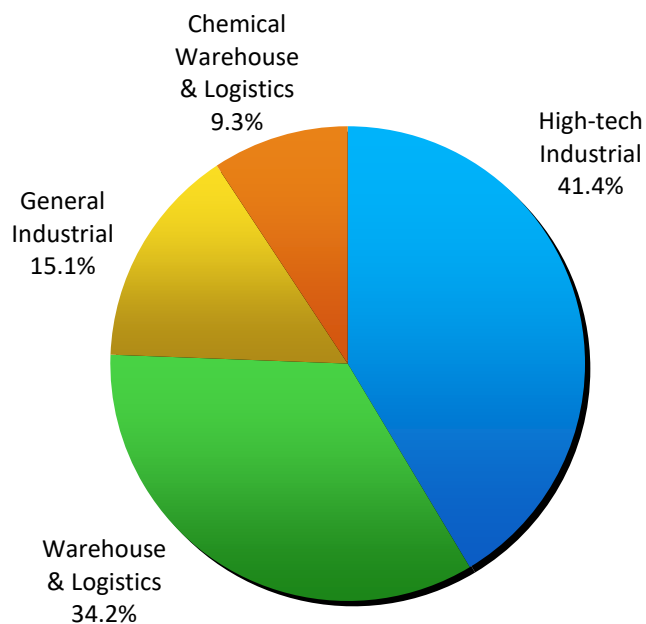
(2) 3Q 2017 data are not available as at 30 September 2017 from Jurong Town Corporation.

# Diverse Asset Types

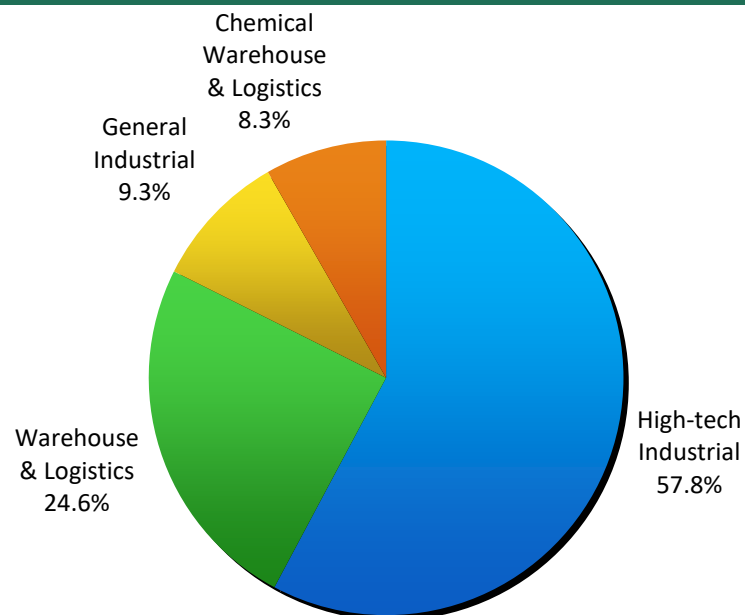
Sabana REIT's portfolio is diversified in the following asset types:

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

Asset Breakdown by NLA for 3Q 2017<sup>(1)</sup>



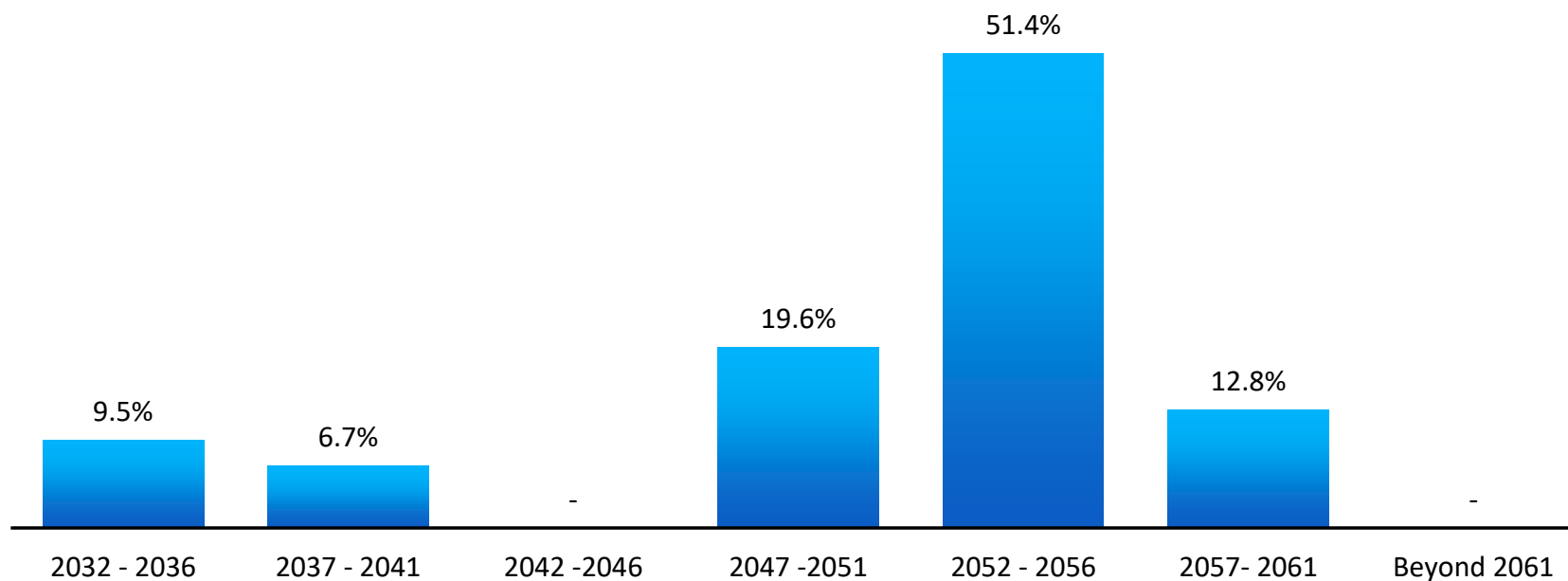
Gross Revenue by Asset Type for 3Q 2017



(1) As at 30 September 2017.

# Long Weighted Average Leasehold For Underlying Land

## Percentage of unexpired land lease term by GFA<sup>(1)</sup>



**Well distributed, long underlying land leases, with an average of 33.8 years by GFA.**

(1) As at 30 September 2017.

# Quality Assets Attract Quality Tenants



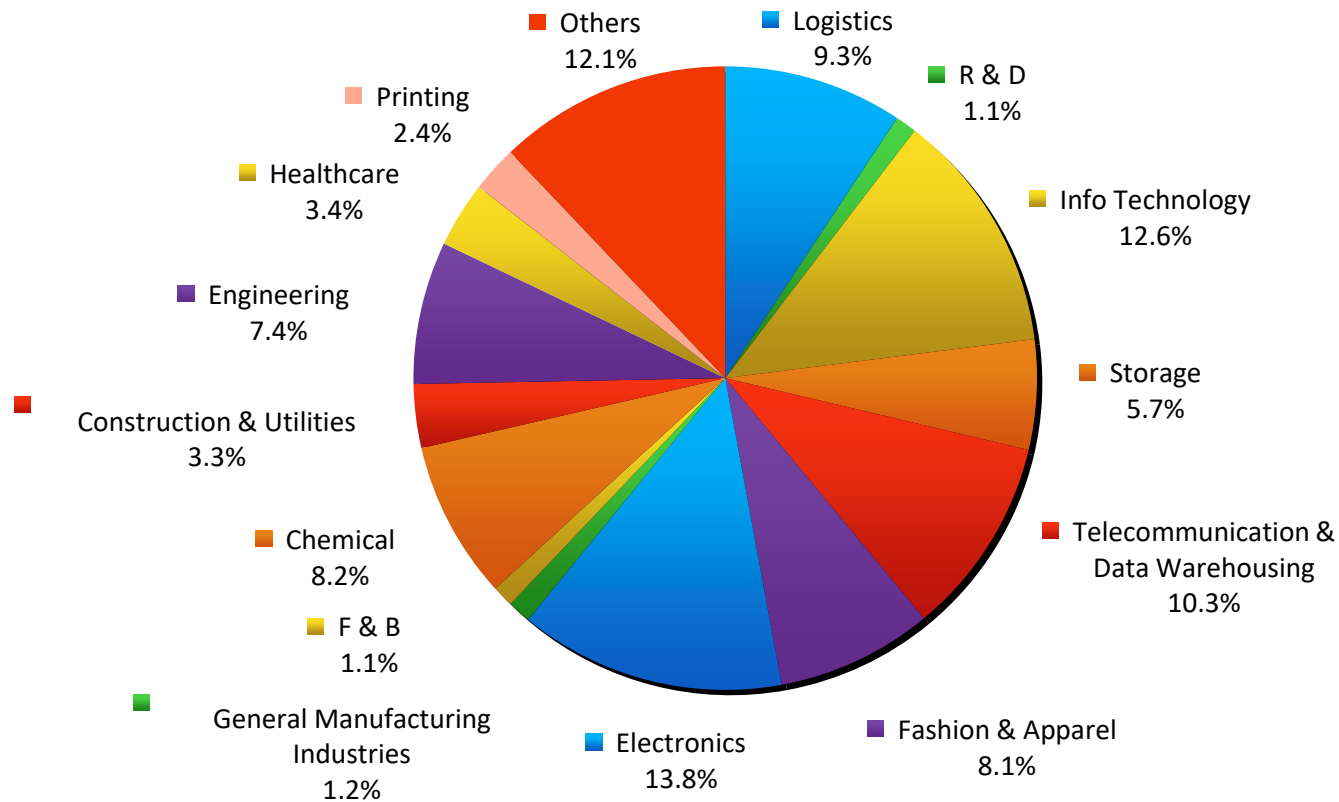
	As at 30 September 2017	As at 30 June 2017
Total NLA (sq ft)	3,561,627 <sup>(1)</sup>	3,604,730
Total number of direct and sub-tenants	118	118
Weighted average lease term to expiry (mths) <sup>(2)</sup>	28.4	28.9

(1) Adjusted due to divestment of 218 Pandan Loop.

(2) Weighted by sub-tenancy gross rental income.

# Diverse Sub-tenant Base

## Sub-tenants' industry diversification by NLA<sup>(1)</sup>:

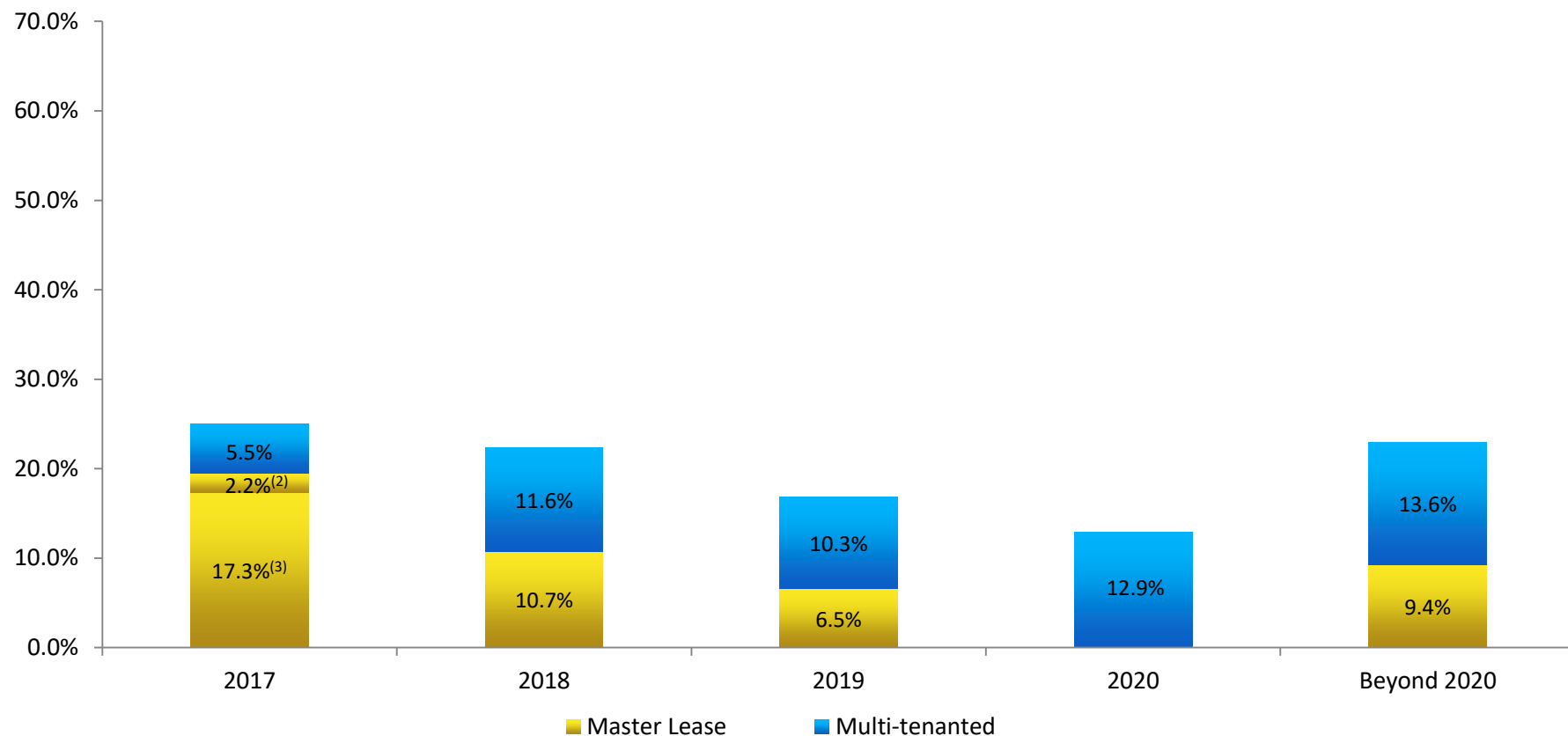


**No concentration in any single trade sector exceeding 15%**

(1) As at 30 September 2017.

# Proactive Lease Management

## Lease Expiry by NLA<sup>(1)</sup>

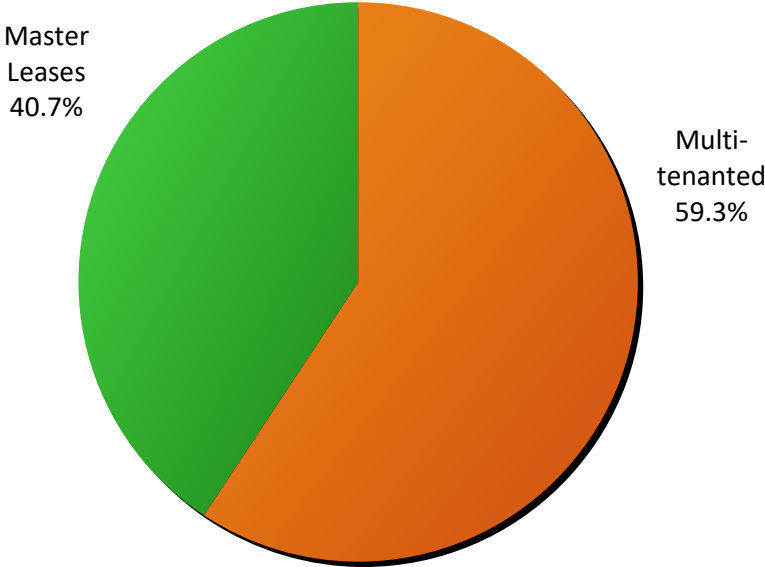


(1) As at 30 September 2017.

(2) One property: 6 Woodlands Loop.

(3) Three properties: 33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road. Master tenants are Sponsor related companies.

## Lease Type by NLA for 3Q 2017<sup>(1)</sup>



(1) As at 30 September 2017.

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## Singapore Economy

### Singapore's economic growth outlook for 3Q 2017

- Based on advance estimates released by Ministry of Trade and Industry, Singapore's GDP grew by 4.6% on a y-o-y basis in the third quarter of 2017, higher than the 2.9% growth in the second quarter<sup>(1)</sup>. On a q-o-q seasonally-adjusted annualised basis, the economy expanded by 6.3%, improving from the 2.4% growth in the previous quarter. GDP forecast consensus among private economists remained at 2.5%<sup>(2)</sup> for 2017.

## Singapore Industrial Sector

### Industrial property outlook

- The 2Q 2017 industrial property market report by JTC has estimated about 2.5 million sqm of industrial space to come on-stream in the second half of 2017 and 2018. The additional supply of industrial space coming on-stream will likely exert further downward pressures on prices and rentals<sup>(3)</sup>.

#### Sources:

- (1) "Singapore's GDP Grew by 4.6 Per Cent in the Third Quarter of 2017". Ministry of Trade and Industry. 13 October 2017. Web. 13 October 2017.
- (2) "Economic Policy Group Survey of Professional Forecasters". Monetary Authority of Singapore. September 2017. Web. September 2017.
- (3) "JTC Quarterly Market Report. Industrial Properties Second Quarter 2017". 2Q 2017. Web. 2Q 2017.

### Management Strategy

- The Manager continues to be proactive in rebalancing and strengthening its portfolio, despite the challenging overall market. Improving the Trust's portfolio occupancy and retaining existing tenants remains a top priority for the Manager and it will continue to proactively manage its lease expiry profile through aggressive marketing and leasing efforts.
- The Manager remains committed to proactively managing its capital structure and has commenced discussions with the lenders to explore different refinancing options for the S\$90.0 million Islamic Trust Certificates Series I due March 2018.
- The Manager is currently in talks on the possible renewal/extension of the four <sup>(1)</sup> master leases expiring this year, three of which are Sponsor-related properties. 6 Woodlands Loop is being considered for divestment.

### Strategic Review Update

- As announced previously on 7 August 2017, the Manager is still in discussions with ESR Funds Management (S) Limited to explore options in connection with the Strategic Review. At this point, Sabana REIT has not entered into any definitive legally binding agreement. Accordingly, there can be no assurance that any transaction or agreements will eventually materialise pursuant to these discussions.
- The Manager will make the necessary announcements in accordance with its obligations under the listing rules as and when there are any material developments arising out of the Strategic Review exercise.

(1) 21 Joon Koon Crescent, 33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road.

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## 3Q 2017 Non-Shari'ah Income



Sabana REIT gives out its non-Shari'ah income on a quarterly basis, to charitable causes

After taking into consideration the Ta'widh and Ta'widh processing cost for the quarter, there will be no non-Shari'ah compliant income subjected to cleansing and to be donated to charitable causes for 3Q 2017.

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# Distribution Details



## Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 July 2017 to 30 September 2017	0.79

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	26 October 2017
Ex-date	27 October 2017, 9am
Books closure date	31 October 2017, 5pm
Distribution payment date	28 November 2017

# Thank you

**Sabana Real Estate Investment Management Pte. Ltd.**

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