

SABANA

Shari'ah Compliant Industrial REIT

1Q 2019 Financial Results
Presentation

20 April 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 “REIT”) for the first quarter from 1 January 2019 to 31 March 2019 (“1Q 2019”).

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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- 02** Embarking on Growth in 2019

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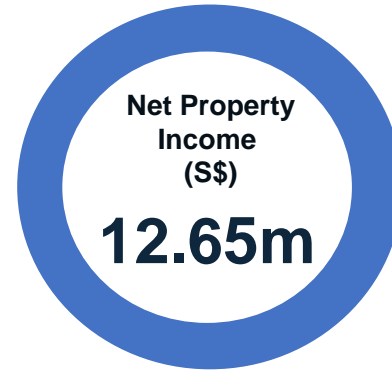


1Q 2019 Financial Highlights

For the quarter ended 31 March 2019



1Q 2018: S\$21.00m

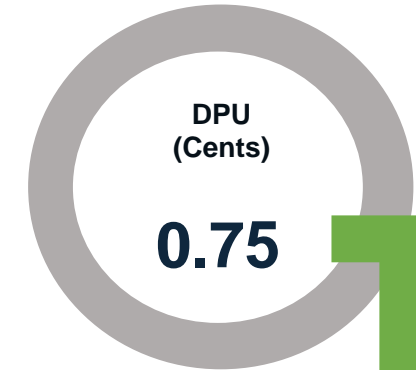


1Q 2018: S\$14.59m



1Q 2018: S\$9.24m

Includes S\$1.24m boost from capital gains from divested properties in prior years and in the current period



1Q 2018: 0.88 cents

Includes 0.12 cents from capital gains

Summary

- Successfully delivered on Phase 1 of Refreshed Strategy
- Embarking on Growth in Phase 2
 - Outline Permission received for AEI at flagship property New Tech Park
- Subsequent to the reporting date, fully redeemed the S\$100.0 million 4.25 per cent. Trust certificates on 3 April 2019
- NAV at S\$0.57 at the end of 1Q 2019 (FY 2018: S\$0.57)

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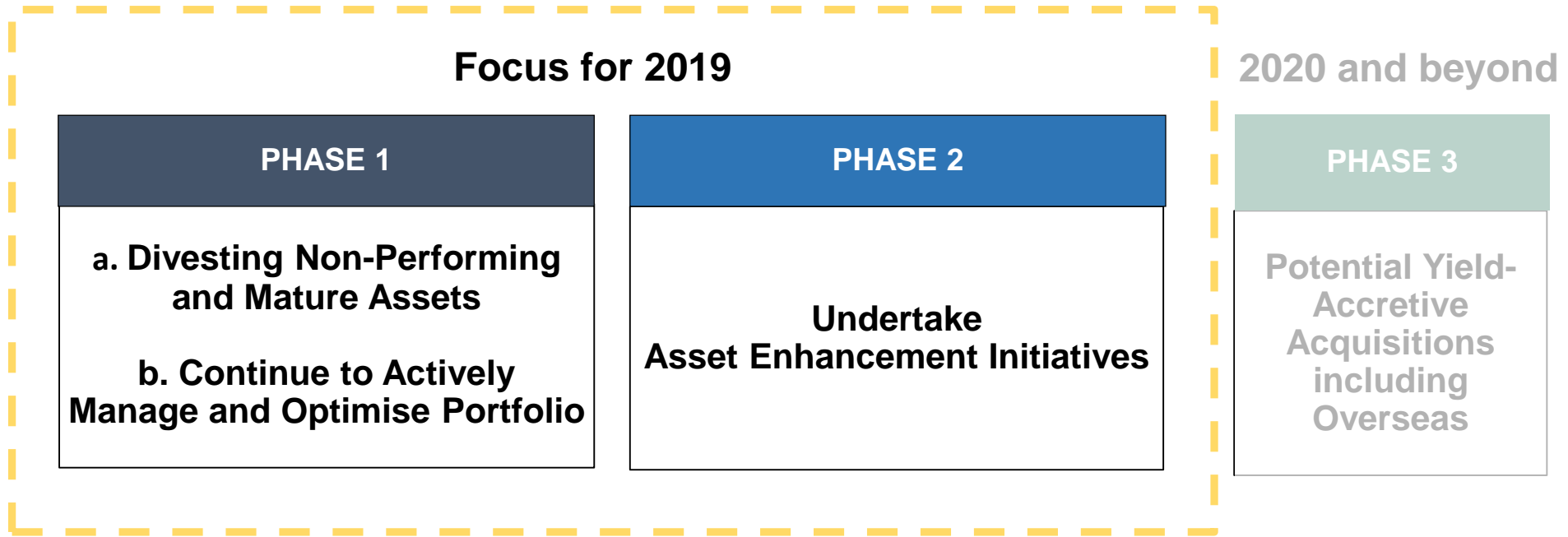
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Recap: Refreshed Strategy with 3 Phases



ALL UNDERPINNED BY

- Prudent Capital and Risk Management
 - Ongoing Cost Rationalisation

Embarking on Growth in 2019

AEI of Crown Jewel: New Tech Park

New Tech Park, 151 Lorong Chuan



- New Tech Park represents approximately **one third** of overall portfolio asset value
- Granted Outline Permission by URA to add 3,979.69 sqm (42,837 sf) of new retail/F&B GFA
- Temporary use for 3 years approved in Jan 2019, with discussions on-going to extend this for another 4 years (total: 7 years), subject to obtaining further Provisional Planning approval.
- Development costs not exceeding S\$20 million
- Construction targeted to start mid 2019; will not affect existing tenants
- 1st Phase retail/F&B to complete circa 1Q 2020
- Team of consultants working closely with authorities



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Financial Performance At a Glance (YoY)

For the quarter ended 31 March 2019

(in S\$'000)	1Q 2019	1Q 2018	Variance (%)
Gross revenue	18,524	21,003	(11.8)
Net property income	12,653	14,586	(13.3)
Amount available for distribution	7,898 ⁽¹⁾	9,244 ⁽²⁾	(14.6)
- from operations	6,655	9,244	(28.0)
- from capital gains	1,243	-	NM
DPU (cents)	0.75 ⁽¹⁾	0.88 ⁽²⁾	(14.8)
- from operations	0.63	0.88	(28.4)
- from capital gains	0.12	-	NM

Distribution per unit (DPU)

- On reduced revenue and NPI amid a challenging market and portfolio optimisation
- S\$7.9 million distributable amount which was boosted by the S\$1.24 million the Manager earmarked for distribution to unitholders following capital gains from divesting non-performing and mature properties

Net Property Income reduced:

- Primarily on reduced rental income from lower occupancies including that of 151 Lorong Chuan for which a significant tenant had a planned exit upon their lease expiry in 1Q 2019
- Non-contribution from 9 Tai Seng Drive which was divested on 10 January 2019
- Absence of a one-time payment versus the same period last year
- Offset by higher contributions from improved occupancies at 508 Chai Chee Lane and 23 Serangoon North Avenue 5

Net Finance Costs:

- Recognition of finance costs on lease liabilities upon adoption of FRS 116 Leases
- Excluding the FRS 116 Leases effects, finance costs significantly reduced by 11.1% y-o-y on repayment of short-term borrowings using divestment proceeds and redeeming higher cost facilities with lower cost facilities

NM denotes "not meaningful"

1) Includes distribution of approximately S\$1.24 million from the capital gains arising from the divestment of properties from prior years and current period.

2) For 1Q 2018, the Manager elected to forgo 20% of its base fees or approximately S\$238,000.

Preserving Balance Sheet Resilience

(S\$'000)	As at 31 Mar 2019	As at 31 Dec 2018
Investment properties	944,726	869,200
Investment properties held for divestment	15,899	110,550
Other assets	62,644	9,659
Total assets	1,023,269	989,409
Borrowings, at amortised cost	318,961	361,709
Other liabilities	101,847	23,222
Total liabilities	420,808	384,931
Net assets attributable to Unitholders	602,461	604,478
Units in issue(units)	1,053,083,530	1,053,083,530
NAV per unit (S\$)	0.57	0.57
Adjusted NAV per unit ⁽¹⁾ (S\$)	0.56	0.57

Maintained robust balance sheet

- Adoption of FRS 116 Leases on 1 January 2019 which the Group recognises Right-of Use (“ROU”) assets on certain properties that have land rent payment and corresponding lease liabilities
- Decrease in investment properties held for divestment due to divestment of 9 Tai Seng Drive
- Net proceeds from divestment of 9 Tai Seng Drive partially used to pay down revolving credit facilities
- Increase in cash and cash equivalents due to remaining proceeds from the divestment of 9 Tai Seng Drive set aside to redeem the Trust Certificate due on 3 April 2019

(1) Excludes the amount of approximately S\$7.9 million (31 December 2018: S\$7.4 million) available for distribution for the quarter ended 31 March 2019.

Continued Capital Structure Optimisation

	As at 31 Mar 2019	As at 31 Dec 2018
Borrowings	S\$320.0 million	S\$363.0 million
Aggregate leverage ⁽¹⁾	33.9% ⁽²⁾	36.8%
Proportion of total borrowings on fixed rates	90.6%	71.6%
Average all-in financing cost⁽³⁾	4.2%	4.2%
Term CMF	S\$120.0 million	S\$120.0 million
Revolving CMF	-	S\$13.0 million
Term Murabahah Facility	S\$70.0 million	S\$70.0 million
Revolving Murabahah Facilities	-	S\$30.0 million
Trust Certificates	S\$100.0 million	S\$100.0 million
Term Loan Facility	S\$30.0 million	S\$30.0 million
Weighted average tenor of borrowings	1.1 years⁽⁴⁾	1.3 years
Profit cover ⁽⁵⁾	3.9 times	3.7 times
Unencumbered assets	S\$134.3 million	S\$240.8 million

Reduced aggregated leverage due to the repayment of borrowings using the net proceeds from the divestment of 9 Tai Seng Drive

- To 33.9% as at 31 March 2019, down from 36.8% as at 31 December 2018

Improved profit coverage ratio

- To 3.9 times at 1Q 2019, up from 3.7 times at 4Q 2018

(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) Lease liabilities and right-of-use assets (included in investment properties and investment properties held for divestment) are excluded from the computation of aggregate leverage.

(3) Inclusive of amortisation of transaction costs.

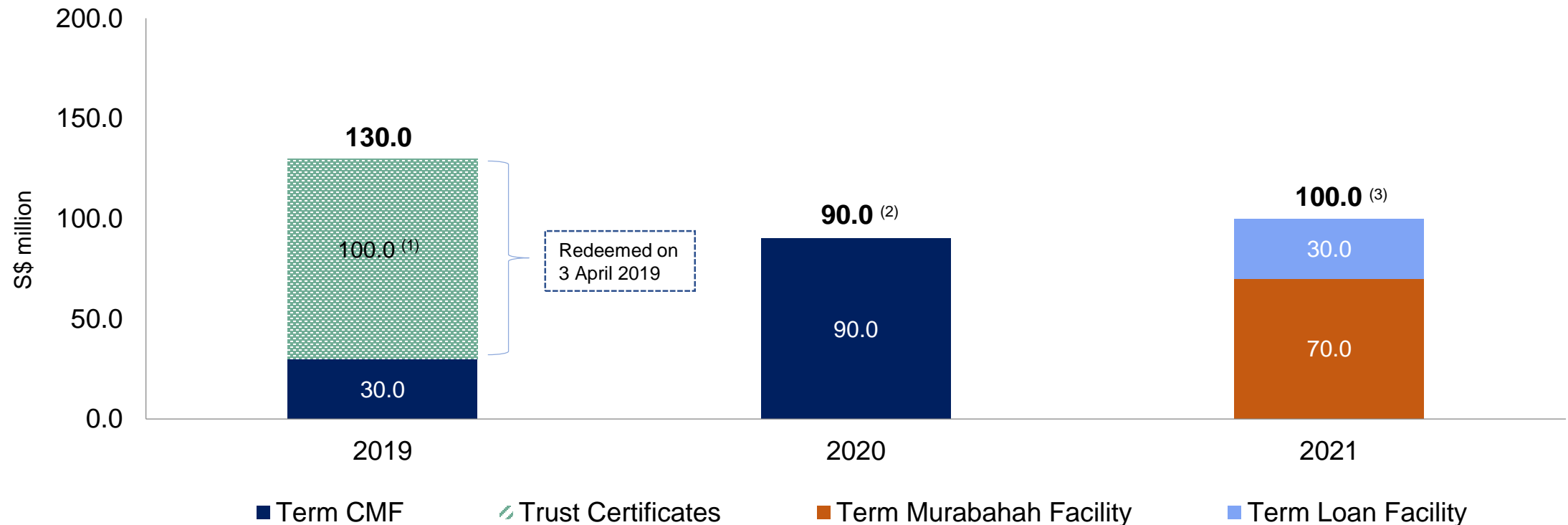
(4) Post repayment of the Trust Certificates on 3 April 2019, the weighted average tenor of borrowings would be 1.5 years instead.

(5) Ratio of net property income over profit expense (excluding amortisation of transaction costs, finance costs on lease liabilities and other fees) for 1Q 2019 (31 December 2018: 4Q 2018).

Borrowings Maturity Profile

Maturities of total outstanding borrowings of S\$320.0 million evenly staggered over next 3 years

As at 31 March 2019



(1) The S\$100.0 million Trust Certificates due April 2019 were fully redeemed on their due date on 3 April 2019 by drawing down Revolving Murabahah Facility of S\$30.0 million, Revolving CMF of S\$18.0 million and the remaining with existing cash resources.
 (2) Excludes S\$18.0 million undrawn Revolving CMF.
 (3) Excludes S\$53.0 million undrawn Revolving Murabahah Facilities.



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18 Properties Across 4 Industrial Segments

Portfolio Value
\$880.2 million

Total GFA (sq ft)
4.1 million

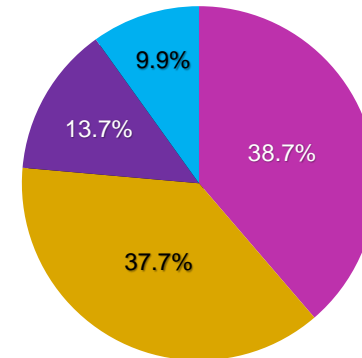
Total NLA (sq ft)
3.4 million

Tenant Base
109 tenants

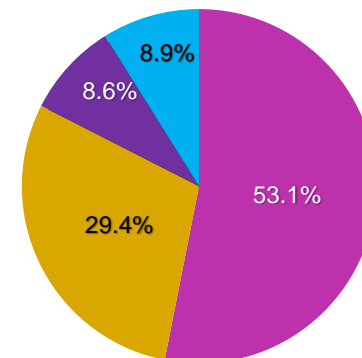
Our properties are diversified into **four industrial segments** across **Singapore**, close to expressways and public transportation.



Asset Breakdown by NLA for 1Q 2019⁽¹⁾



Gross Revenue by Asset Type for 1Q 2019⁽¹⁾



(1) As at 31 March 2019.

Occupancy Rates

	As at 31 Mar 2019	As at 31 Dec 2018
Total portfolio GFA	4,106,104 sq ft	4,325,010 sq ft
Portfolio occupancy		
7 properties, master leases ⁽¹⁾	100.0%	100.0%
10 properties, multi-tenanted ⁽²⁾	78.1%	81.4%
18 properties, total portfolio ⁽³⁾	82.4%	84.4%
Weighted average master lease term to expiry ⁽⁴⁾	1.7 years	2.0 years
Weighted average unexpired lease term for the underlying land ⁽⁵⁾	32.1 years	32.5 years
Weighted average portfolio lease term to expiry ⁽⁶⁾	2.4 years	2.6 years

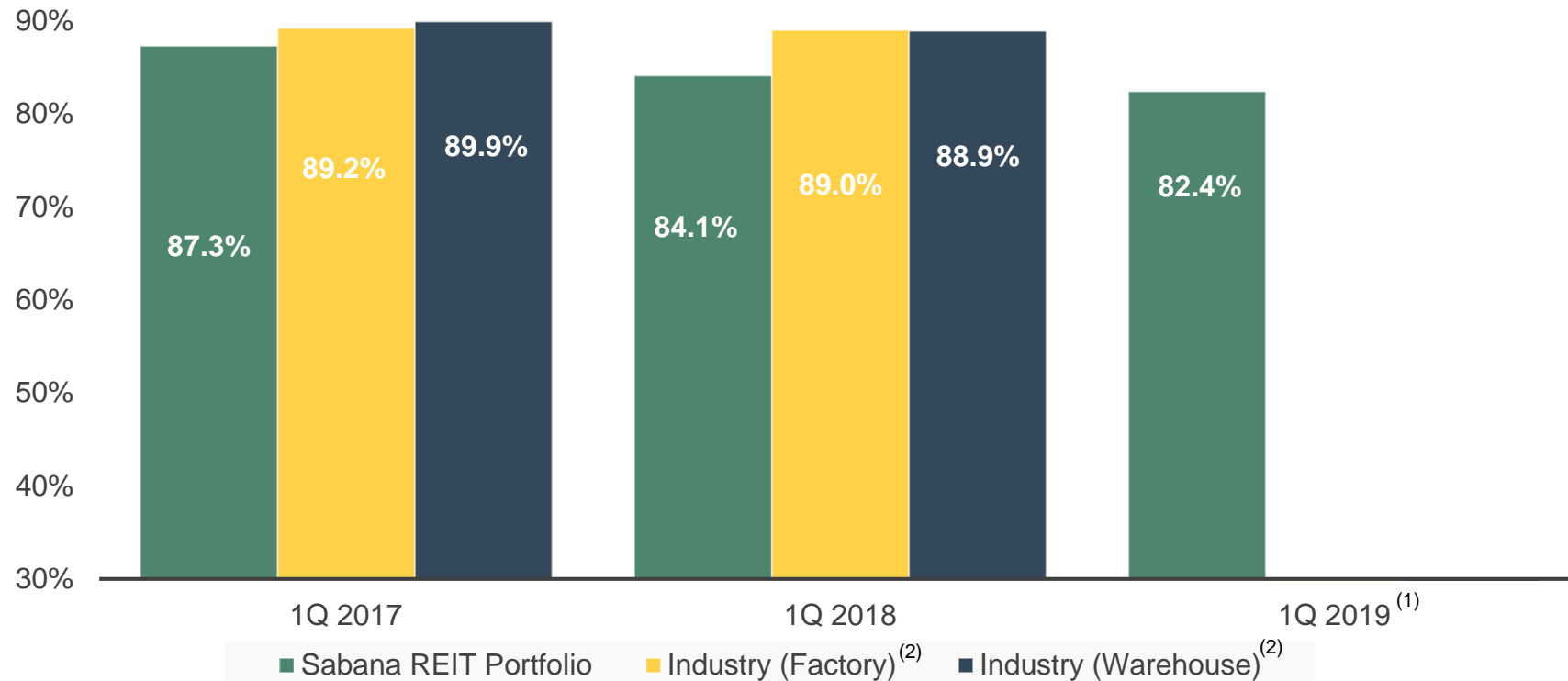
Would be **85.5%**
if divestment of 1 Tuas Avenue
4 had completed by 31 March



- (1) 5 triple net & 2 single net master leases.
- (2) 151 Lorong Chuan, 8 Commonwealth Lane, 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. 9 Tai Seng Drive divested on 10 January 2019.
- (3) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 is currently vacant.
- (4) Weighted by gross rental income (master leases of 7 properties).
- (5) Weighted by Gross Floor Area ("GFA").
- (6) Weighted by gross rental income (7 master leases and 10 multi-tenanted properties).

Occupancy Levels

Occupancy levels over the years



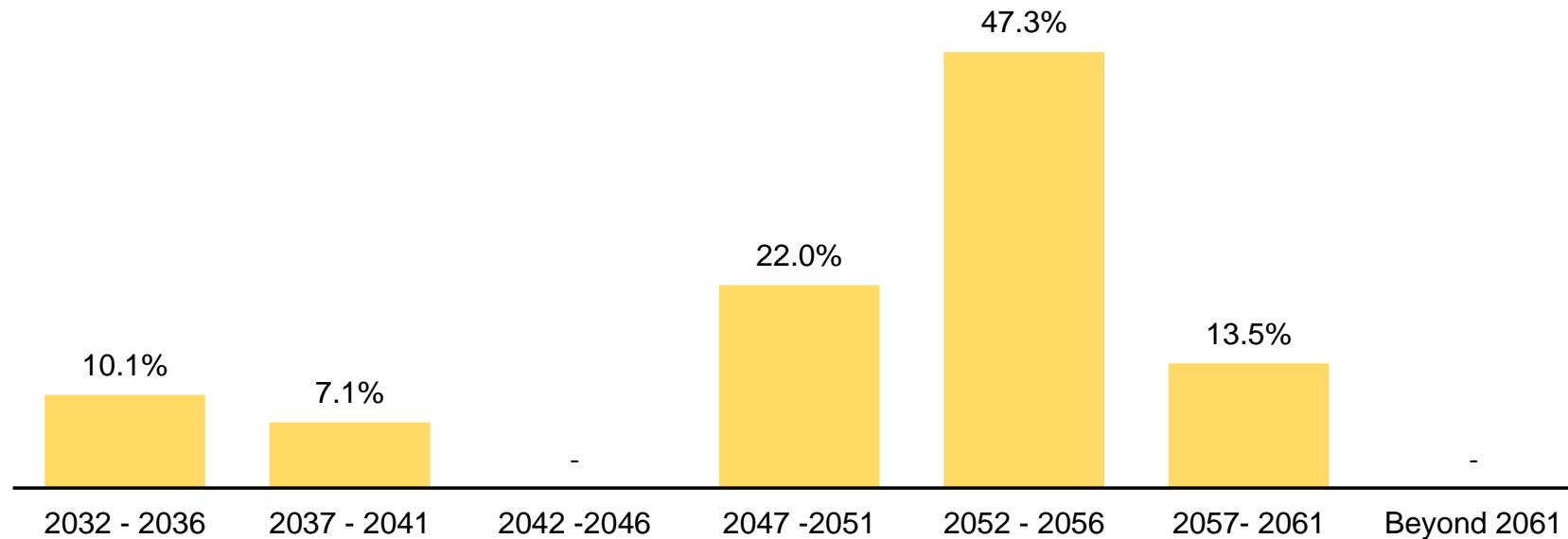
Comparisons to Singapore industrial average occupancy levels

(1) Data for 1Q 2019 from Jurong Town Corporation not available as at 20 April 2019.

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

Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 32.1 years by GFA



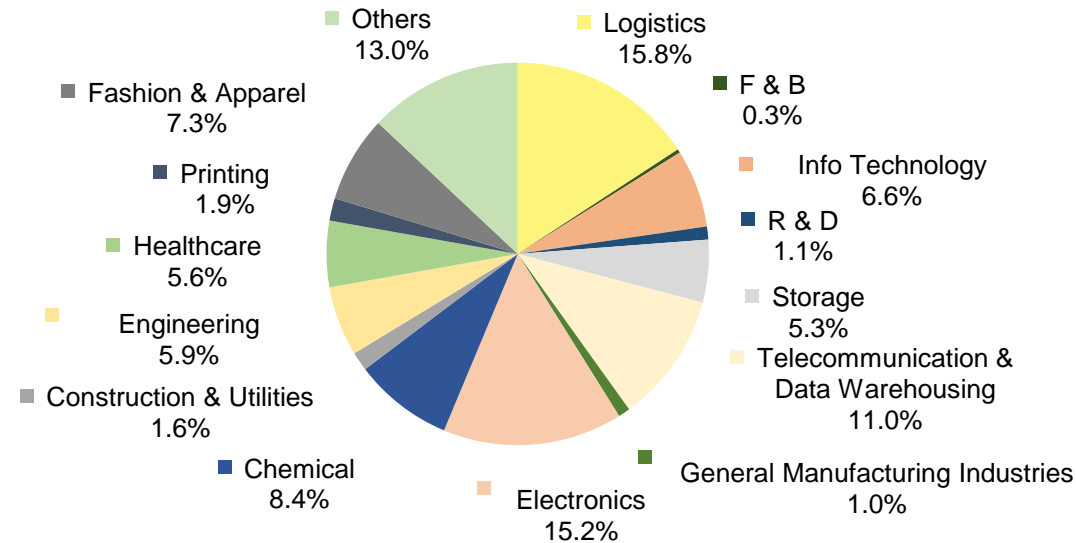
Percentage of unexpired land lease term by GFA⁽¹⁾

(1) As at 31 March 2019.

Diversified Base of Quality Tenants

	As at 31 Mar 2019	As at 31 Dec 2018
Total NLA (sq ft)	3,361,179 ⁽¹⁾	3,544,143
Total number of tenants ⁽²⁾	102	109
Weighted average lease term to expiry (mths) ⁽³⁾	35.8	36.6

No concentration in any single trade sector exceeding 16%



Tenants' industry diversification by NLA⁽⁴⁾

(1) Adjusted due to reconfiguration of space and divestment of 9 Tai Seng Drive.

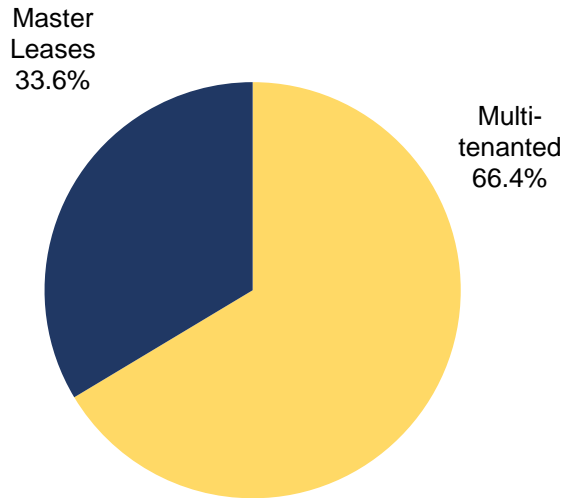
(2) Excludes 7 master tenants.

(3) Weighted by tenancy gross rental income.

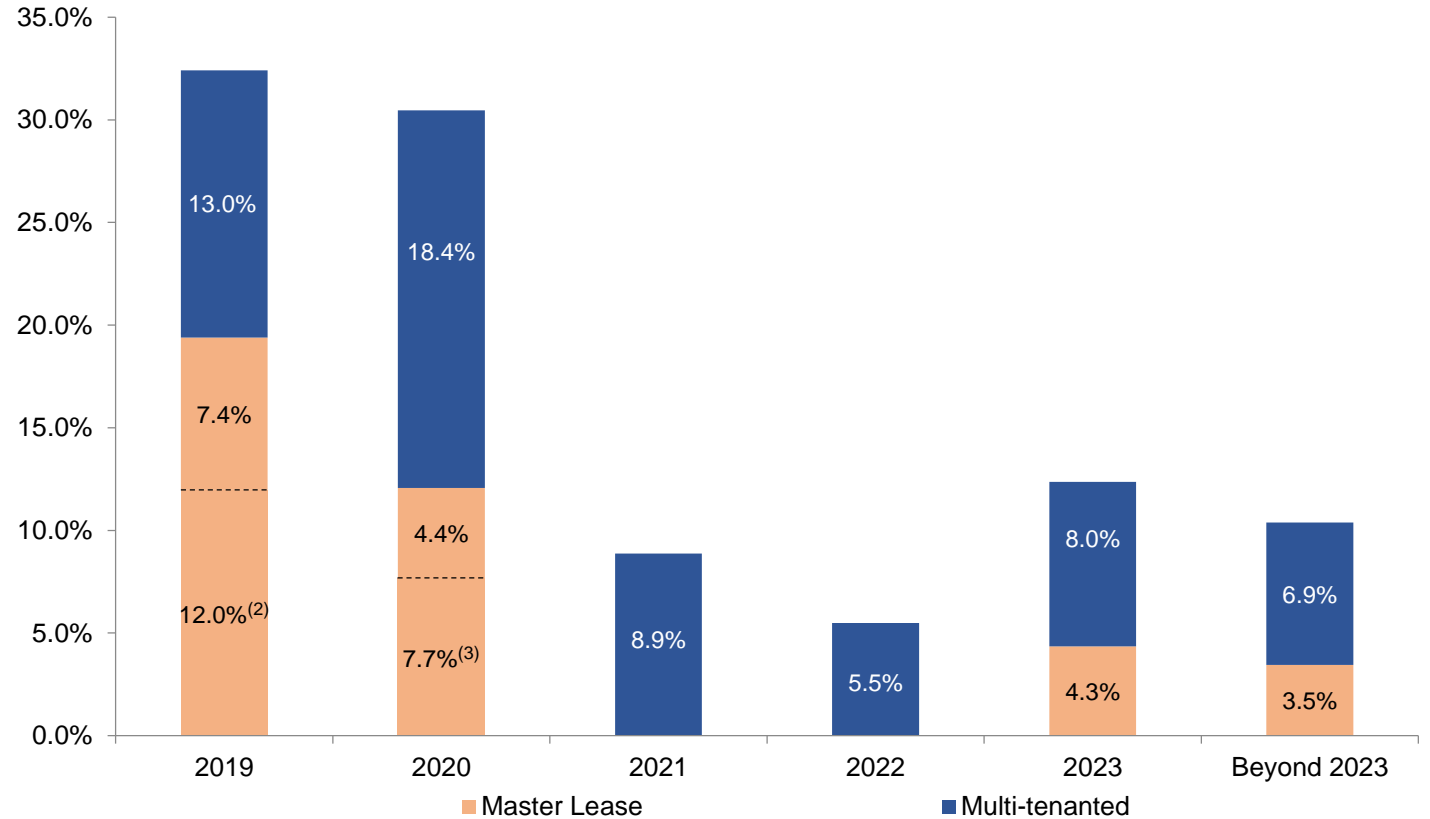
(4) As at 31 March 2019.

Balanced and Proactive Lease Management

Lease Type by NLA for 1Q 2019⁽¹⁾



Lease Expiry by NLA⁽¹⁾



(1) As at 31 March 2019.

(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 Economy Snapshot

Non-oil exports plunge 11.7%; drop largest since 2016

© PUBLISHED APR 18, 2019, 5:00 AM SGT



Dismal showing by electronics exports; Enterprise Singapore notes high-base effect

Derek Wong

Singapore's non-oil domestic exports (Nodx) slumped 11.7 per cent last month after a short-lived rise of 4.8 per cent in February, on the back of the biggest year-on-year drop in electronics exports since 2013.

Weak manufacturing drags Singapore economy to 1.3% growth in Q1, slowest since 2009

© FRI, APR 12, 2019 - 8:00 AM

ANNABETH LEOW leowhma@sph.com.sg @AnnabethLeowBT



Singapore seems to have started the year off on the wrong foot, with economic flash data coming in a shade beneath market expectations in the first quarter. PHOTO: ST FILE

Singapore exports see biggest fall since 2016, raising risks to GDP forecast

© WED, APR 17, 2019 - 8:34 AM

Yield curve inversion = Imminent recession?

Since 1960, every recession was preceded by an inversion, but not every inversion led to a recession

© SAT, APR 20, 2019 - 5:50 AM

LEONARDO DRAGO



Since equity markets have a tendency to anticipate and discount future events, equity bear markets always start well before a recession. This happens because economic recessions are based on GDP data, which is backward looking. PHOTO: EPA/EFE

BEARS love indicators to justify their gloomy outlook. The aptly named "Death Cross" is one of the favourites of technical analysts, while an inversion of the yield curve is a favourite of fundamental analysts and economists.

Outlook

Singapore Economic Outlook

- Singapore's GDP grew 1.3% on a year-on-year basis in 1Q 2019, moderating from the 1.9% growth in 4Q 2018, based on MTI's advance estimates.⁽¹⁾
- MAS forecasts Singapore's GDP will grow slightly below the mid-point of the 1.5–3.5% forecast range in 2019.⁽²⁾
- JTC Corporation data showed continued oversupply and island-wide vacancy as at 4Q 2018⁽³⁾

Industry Property Outlook

- Colliers International forecasts annual demand to moderate to 9.6 million square feet over 2018-2023 and island-wide industry supply to increase 150% year-on-year in 2019, before tapering off in 2020.⁽⁴⁾
- It recommends that landlords of ageing properties consider upgrades and enhancements to be ready for Industry 4.0.⁽⁴⁾

Sabana REIT

- **Muted performance in 1H 2019 amid challenging market conditions**
- **Approaching a long but bottoming down-cycle but foresees recovery prospects in 4Q 2019 or early 2020:**
 - Contribution from 21 Joo Koon Crescent's new master tenant in Nov 2019
 - Proposed AEI for New Tech Park, adding nearly 42,837 sf of new retail/F&B space will contribute additional revenue, potentially attract new business space tenants

Sources:

- (1) "Singapore's GDP Grew by 1.3 per cent in the first quarter of 2019". Ministry of Trade and Industry. 12 April 2019.
- (2) "MAS Monetary Policy Statement". Monetary of Singapore. 12 April 2019.
- (3) "JTC Quarterly Market Report – Industrial Properties". JTC. 24 January 2019.
- (4) "H2 2018 | Singapore Industrial Market". Colliers International Singapore. 1 March 2019.

Key Takeaways

RESULTS

- Lower DPU performance amid a still challenging market
- Distributable income upped by proceeds from previous non-performing and mature properties divestment
- Continued balance sheet resilience and remained well capitalised to meet commitments

STRATEGY

- Successfully delivering on Phase 1 of Refreshed Strategy
- Embarking on Growth Phase 2 of Refreshed Strategy with provisional approval for AEI at flagship property New Tech Park

MARKET OUTLOOK

- Muted performance in 1H 2019 amidst challenging market conditions; foresee improved performance later part of 2019, early 2020 (post New Tech Park's AEI)
- Negative reversionary rents likely for 2019 with over-supply of industrial space in Singapore and broader geopolitical and economic uncertainty
- Manager will maximise outreach to agents and tenants to boost occupancy level and continue optimising the portfolio



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Appendix: Distribution Details

Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 January 2019 to 31 March 2018	0.75

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	25 April 2019
Ex-date	26 April 2019
Books closure date	29 April 2019
Distribution payment date	30 May 2019
Disbursement of non-Shari’ah income to approved charities	30 May 2019 or earlier

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 1Q 2019 as follows:



Organisation: Brighthill Evergreen Home

Purpose: Sabana REIT's 1Q 2019 non-Shari'ah income amounting to S\$3,752 will be directed to support their mission of providing quality health care and shelter for the disadvantaged and aged sick in Singapore.

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