

## ELITE COMMERCIAL REIT'S RESULTS OUTPERFORM IPO FORECAST

*For The Financial Period From 6 February 2020 (Listing Date) To 30 June 2020*

- **Maiden Distribution per Unit ("DPU") of 1.95 pence exceeds IPO forecast**
- **Uniquely counter-cyclical tenant – the Department for Work and Pensions continues to be a crucial UK social infrastructure against COVID-19 backdrop**
- **Received in advance 99.8% of the three-months rent for period spanning across the months of July to September 2020**
- **Exploring growth opportunities through acquisitions, asset enhancement and lease income extensions to deliver returns to unitholders**

**SINGAPORE, 23 July 2020** – Elite Commercial REIT Management Pte. Ltd., the manager (the "**Manager**") of Elite Commercial REIT (the "**REIT**"), today announced that the financial results for the reporting period from 6 February 2020 ("**Listing Date**") to 30 June 2020 ("**Reporting Period**") have outperformed its IPO forecast with a DPU of 1.95 pence.

### Summary of Financial Results

	6 February 2020 to 30 June 2020		
	Actual <sup>(a)</sup> £'000	Forecast <sup>(b)</sup> £'000	Variance %
Revenue	9,316	9,284	0.3
Profit before tax	4,919	4,727	4.1
Profit after tax	3,877	3,622	7.0
Income available for distribution to Unitholders	6,517	6,431	1.3
Distribution per unit ("DPU") – pence	1.95	1.93	1.0

**Notes:**

- (a) Actual financial results from Listing Date to 30 June 2020 is the first reporting period incorporating the results of the portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.
- (b) Other than unit issue costs which were charged to the statement of comprehensive income, the forecast results for the period from the Listing Date to 30 June 2020 was derived by pro-rating the forecast results as disclosed in the Prospectus.

Oversea-Chinese Banking Corporation Limited ("**OCBC**") and UBS AG, Singapore Branch ("**UBS**") are the joint issue managers for the Offering. OCBC, UBS, CGS-CIMB Securities (Singapore) Pte. Ltd. and China International Capital Corporation (Singapore) Pte. Limited are the joint bookrunners and underwriters for the Offering (collectively, the "**Joint Bookrunners**").

## **Financial Performance Outperforms Forecast**

Elite Commercial REIT's actual revenue of £9.3 million exceeded the revenue forecast by 0.3% during the Reporting Period.

Finance costs were 7.3% lower than forecast largely due to the decline in the benchmark rate of 3-month GBP Libor, resulting in cost savings as compared to the forecast prepared for the Prospectus.

Overall, the REIT recorded a 7.0% greater than forecasted profit after tax as a result of higher revenue, savings in operating expenses, finance costs and lower than forecasted tax expenses.

This resulted in a higher distributable income of £6.5 million for the Reporting Period, outpacing its forecast by 1.3%. Consequently, the REIT recorded a DPU of 1.95 pence, which was 1.0% higher than the forecasted DPU of 1.93 pence.

Elite Commercial REIT's distribution policy is to distribute 100.0% of its annual distributable income for the period from the Listing Date to 31 December 2021. The books closure date for the DPU is Monday, 3 August 2020. Payment is expected to be made on Friday, 11 September 2020.

## **Rent Received in Advance; Recession-resistant Cash Flow**

Despite the challenging macroeconomic backdrop arising from the COVID-19 pandemic, Elite Commercial REIT continues to enjoy stable and recession-resistant cash flows, underpinned by its uniquely counter-cyclical tenant – the Department for Work and Pensions (“**DWP**”), UK Government's largest public service department.

With over 99.0% of its gross rental income derived from full repairing and insuring (triple net) leases from the UK Government, Elite Commercial REIT received in

advance 99.8% of the three-months rent for the period spanning across the months of July to September 2020, within 7 days of the due date.

Rated AA and Aa2 by S&P and Moody's respectively, the UK Government has one of the lowest debt-to-GDP ratios amongst the G7 countries. On top of that, the COVID-19 situation does not trigger force majeure or termination clauses of the Group's leases with the UK Government.

### **Stable Portfolio with Enhanced Income Visibility**

82.5% of the assets in the portfolio are used to provide key front-of-house services, primarily Jobcentre Plus<sup>1</sup> unemployment services. Claimant counts, job centre footfall and DWP benefit spending are all highly correlated to unemployment. An increase in unemployment has historically been linked to an increase in the number of UK benefits claimants requiring the services provided by the UK Government in the REIT's assets. Against the current macroeconomic backdrop, Elite Commercial REIT's assets via DWP continue to be a crucial social infrastructure that serves the UK society.

**Ms Shaldine Wang, Chief Executive Officer of the Manager** said, "We are pleased with the solid financial performance of our portfolio, amidst the challenging backdrop of the COVID-19 pandemic. This validates Elite Commercial REIT's investment proposition – our portfolio provides attractive and recession-proof cashflows backed by a uniquely counter-cyclical occupier, the DWP. In fact, there was minimal business disruption as Jobcentre Plus locations remained open to process and disburse benefits to claimants during the recent lockdown in the UK, even as medical assessments, interviews or other face-to-face appointments were discouraged. The UK Government has also announced the doubling of on-site JobCentre Plus work coaches due to the severe economic fallout."

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<sup>1</sup> Jobcentre Plus, which is part of the DWP, is a government-funded employment agency and social security office whose aim is to help people of working age find employment in the UK.

During the Reporting Period, the Manager secured waivers or extension of the break options for two properties – Lodge House, Bristol and John Street, Sunderland, enhancing the portfolio’s income visibility.

The lease for Lodge House, Bristol is extended to 31 March 2028 as the tenant has not exercised its break option. In addition, the Manager has also reached an agreement with the tenant to extend the break option for John Street, Sunderland by 12 months to 31 March 2022.

### **Prudent Capital Management and Strong Balance Sheet**

Elite Commercial REIT maintains a prudent capital structure, with adequate working capital and debt headroom to meet its ongoing obligations, and has no refinancing requirements till the financial year ending 2024. Elite Commercial REIT has an aggregate leverage of 32.6% and interest coverage ratio of 7.4x.

As at 30 June 2020, Elite Commercial REIT has in place £140.0 million of loan facilities, of which £103.2 million is drawn. The underlying properties are unencumbered. 50.0% of the drawn loan is a fixed rate loan, bearing an interest rate of approximately 2.0%.

### **Outlook and Prospects**

In June, both the head of the Bank of England, Andrew Bailey, and US Fed Chair, Jerome Powell, expressed concerns about rising unemployment in their respective economies. The Bank of England kept the base rate at a record low of 0.1% and added a further £100 billion of quantitative easing to help finance government spending.<sup>2</sup> Unemployment claims had risen to almost 3 million, with nearly 9 million people on the government’s furlough scheme, scheduled to finish in October 2020.<sup>3</sup>

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<sup>2</sup> “Bank of England adds another £100 billion to bond-buying program to combat coronavirus slowdown”, CNBC, 18 June 2020

<sup>3</sup> “UK jobcentre claimants rise 126% to 2.8m since start of the lockdown”, The Guardian, 16 June 2020

Moving forward, the Manager remains focused on strengthening the performance of the REIT's portfolio. In line with the investment mandate for the REIT, the Manager will continue to closely monitor and assess the market, proactively looking at opportunities for growth via yield-accretive asset acquisitions to enhance returns to Unitholders and improve prospects for future income and capital growth. This is especially so as the Manager has been granted a right of first refusal by one of its Sponsors to acquire properties located in the UK, most of which have been leased long-term by various ministries of the UK Government.

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## **About Elite Commercial REIT**

Elite Commercial REIT is a Singapore real estate investment trust established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom (“**UK**”). Listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 6 February 2020, Elite Commercial REIT is the first and only UK-focused listed REIT in Singapore.

Elite Commercial REIT’s portfolio (“**Portfolio**”) comprises 97 predominantly freehold<sup>4</sup> quality commercial buildings located across the UK, with a total net internal area of approximately 2.6 million square feet and a total site area of approximately 47 hectares. The Portfolio is valued at approximately GBP 319.1 million as at 31 August 2019<sup>5</sup>.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-rated UK Government and a long weighted average lease expiry of 7.8 years<sup>6</sup>. The full repairing and insuring (triple net) leases<sup>7</sup> with the UK Government include rental escalations that is linked to the UK Consumer Price Index. The Portfolio is primarily occupied by the Department for Work and Pensions (“**DWP**”), the UK’s largest public service department that is responsible for welfare, pensions and child maintenance for over 20 million claimants. DWP is a uniquely counter-cyclical occupier and the Portfolio is crucial public infrastructure for the provision of DWP services.

Elite Commercial REIT’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in distribution and net asset value

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<sup>4</sup> Of the 97 properties, 96 properties are freehold properties and one property is on a long leasehold tenure expiring on 19 May 2255.

<sup>5</sup> Based on the valuation report prepared by Colliers International Valuation UK LLP.

<sup>6</sup> As at 30 June 2020.

<sup>7</sup> Under a full repairing and insuring (triple net) lease, the responsibility for the repair of the external, internal and structural format of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability and will not be required to bear the costs of material repairs to the Properties, if any.



per unit, while maintaining an appropriate capital structure through disciplined execution of its key strategies.

Elite Commercial REIT is managed by Elite Commercial REIT Management Pte. Ltd., which is 85% owned by Elite Partners Holdings Pte. Ltd. and 15% owned by Sunway RE Capital Pte. Ltd..

For more information, please visit <https://elitecreit.com/>

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*The value of units in Elite Commercial REIT (“**Units**”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, Perpetual (Asia) Limited (as trustee of Elite Commercial REIT) or the Sponsors of Elite Commercial REIT or any of their respective affiliates.*

*An investment in the Units is subject to investment risks, including the possible loss of principal amount invested. Holders of Units (“**Unitholders**”) have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Elite Commercial REIT is not necessarily indicative of the future performance of Elite Commercial REIT.*

*This announcement may contain forward-looking statements that involve assumptions, 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. Predictions, projections and forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Elite Commercial REIT. The forecast financial performance of Elite Commercial REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.*

*This announcement is not an offer for sale of the Units in the United States or any other jurisdiction. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold in the United States unless registered under the Securities Act, or pursuant to an applicable exemption from registration. There is no intention to register any portion of the offering in the United States or to conduct a public offering of securities in the United States.*





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