STARHILL GLOBAL REIT

Media release by: YTL Starhill Global REIT Management Limited (YTL Starhill Global)
Manager of: Starhill Global Real Estate Investment Trust (SGREIT)

SGREIT reports DPU of 2.96 cents for FY19/20

HIGHLIGHTS

- **DPU for FY19/20 stood at 2.96 cents, 33.9% lower than FY18/19 largely due to rental assistance for its tenants affected by the COVID-19 pandemic**
- **Portfolio actual occupancy remains resilient at 96.2% as at 30 June 2020, with stable retail portfolio occupancy of 97.4%**

SINGAPORE, 28 July 2020 – YTL Starhill Global REIT Management Limited, the manager of SGREIT, is pleased to announce the results for the financial year ended 30 June 2020 (FY19/20). Revenue for SGREIT Group for FY19/20 eased 12.3% over the previous financial year ended 30 June 2019 (FY18/19) to S$180.8 million and net property income (NPI) for FY19/20 inched down by 17.1% over FY18/19 to S$132.1 million. Excluding Starhill Gallery where rental rebate was extended to the master tenant during the asset enhancement period of the mall in Malaysia, revenue and NPI for SGREIT Group in FY19/20 decreased by 8.4% and 12.4% over FY18/19 respectively. As per the Circular to Unitholders dated 25 April 2019, the income disruption resulting from the asset enhancement of Starhill Gallery will be partially mitigated by the Manager receiving part of its base management fees in units.

Income available for distribution for FY19/20 was S$77.4 million, a 23.7% decline over FY18/19, mainly due to the rental assistance for its tenants affected by the COVID-19 pandemic. In view of the continuing headwinds caused by COVID-19, the Manager has exercised prudence by retaining S$4.9 million of income available for distribution, claimed capital allowance and deferred S$7.7 million[1] of distributable income for FY19/20 so as to maintain financial flexibility. Distribution per Unit (DPU) for FY19/20 was 2.96 cents, representing a 33.9% decline over the previous corresponding period. This represents an annual distribution yield of 5.80%[2].

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[1] As allowed under COVID-19 relief measures announced by the Inland Revenue Authority of Singapore ("IRAS").

[2] Based on the closing unit price of S$0.51 as at 30 June 2020 and FY19/20 DPU.

Following SGREIT's change of its distribution frequency to semi-annual distributions, the current distribution period is for the six-month period from 1 January 2020 to 30 June 2020 (2H FY19/20). For 2H FY19/20, revenue for SGREIT Group decreased by 18.5% over the previous corresponding period of six months ended 30 June 2019 (2H FY18/19) to S$84.1 million. NPI for 2H FY19/20 declined by 27.0% over the previous corresponding period to S$58.0 million mainly due to the rental assistance for its eligible tenants. The Group recorded an income available for distribution for 2H FY19/20 of S$26.9 million, decreasing by 46.2% from 2H FY18/19. Nevertheless, total portfolio occupancy remains resilient at 96.2% as at 30 June 2020, with a stable retail portfolio occupancy of 97.4%. DPU for 2H FY19/20 stood at 0.70 cents, lower by 68.2% year-on-year (y-o-y) after retention and deferring S$7.7 million of distributable income. Unitholders can expect to receive their 2H FY19/20 DPU on 28 August 2020. Record date is on 6 August 2020 at 5.00 pm.

Valuation of investment properties

SGREIT Group's investment properties have been assessed by independent valuers at S$2,941.3 million[3] as at 30 June 2020 (2019: S$3,064.9 million), and the aggregate value was 4.0% lower y-o-y mainly due to the downward revaluation of the Australia Properties and Wisma Atria Property. The decline in valuation was largely due to the lower passing and market rents in view of the softer retail outlook which was impacted by the COVID-19 pandemic.

[3] Including right-of-use assets following the adoption of FRS 116 effective from 1 July 2019.

Overview of Starhill Global REIT's financial results

(S$ million)	2H FY19/20	2H FY18/19	Y-O-Y Change (%)	FY 19/20	FY 18/19	Y-O-Y Change (%)
Gross revenue[4]	84.1	103.1	(18.5)	180.8	206.2	(12.3)
Gross revenue (excluding Starhill Gallery)[4]	**79.7**	**94.3**	**(15.5)**	**172.9**	**188.8**	**(8.4)**
Net property income[4]	58.0	79.5	(27.0)	132.1	159.4	(17.1)
Net property income (excluding Starhill Gallery)[4]	**54.0**	**70.9**	**(23.9)**	**124.8**	**142.5**	**(12.4)**
Income available for distribution before capital allowance claim	30.5	50.0	(38.9)	81.0	101.3	(20.0)
Income available for distribution	26.9[5]	50.0	(46.2)	77.4[5]	101.3	(23.7)
Income to be distributed to Unitholders	15.4[6]	48.0	(68.0)	64.8[6]	97.7	(33.7)
Distribution per Unit (cents)						
- For the period	0.70[6]	2.20	(68.2)	2.96[6]	4.48	(33.9)
- Annualised	1.41	4.44	(68.2)	-	-	-

Tan Sri Dato' (Dr) Francis Yeoh, Chairman of YTL Starhill Global, said: "Global growth has slowed significantly, with projected growth entering negative territory this year. Even as governments around the world progressively reopen their economies following stay-home orders and shopper traffic has seen improvement since reopening, we remain cautious given the fluidity of the pandemic. We have provided for further rental assistance to help our tenants through the business disruption due to the elevated safe distancing measures. We take heart that these are unprecedented times and call for us to stand in solidarity with our partners. Meanwhile, we continue to work proactively with our stakeholders to ride through this difficult period and we are confident of our quality portfolio over the long term."

4 Net of rental rebates for eligible tenants.

5 Net of approximately S$3.7 million capital allowance claim for 2H FY19/20 and FY19/20.

6 Approximately S$3.8 million of income available for distribution for 2H FY19/20 has been retained for working capital requirements (FY19/20: S$4.9 million) and S$7.7 million of distributable income for the current period has been deferred, as allowed under COVID-19 relief measures announced by IRAS.

Mr Ho Sing, CEO of YTL Starhill Global, said: "The elevated safe distancing measures implemented across the geographies coupled with the rental assistance to affected tenants in the portfolio has adversely impacted SGREIT's performance. However, our efforts in working together with our tenants and partners have helped to ensure our portfolio occupancy remains resilient at 96.2% as at 30 June 2020, with stable retail portfolio occupancy of 97.4%. In addition to statutory guidelines, we have further added new technological solutions such as advanced ultraviolet disinfectant systems to safeguard shopper safety and experience. As the situation remains dynamic, we continue to be vigilant and maintain financial flexibility through prudent capital management."

Review of portfolio performance

For the three months ended 30 June 2020 (4Q FY19/20), revenue for SGREIT Group was S$37.4 million, declining 27.9% over the previous corresponding period of three months ended 30 June 2019 (4Q FY18/19). NPI for SGREIT Group in 4Q FY19/20 decreased by 42.7% over 4Q FY18/19 to S$22.9 million. The decline was mainly attributed to the rental assistance for its eligible tenants. Most of its tenants at its core markets could not operate in 4Q FY19/20 due to the elevated safe distancing measures in light of COVID-19, hence the additional rental assistance provided in the current quarter, which includes mainly rental waivers[7] and rental rebates[8] for eligible tenants in Singapore and Australia.

SGREIT's Singapore portfolio, comprising interests in Wisma Atria and Ngee Ann City on Orchard Road, contributed 57.1% of total revenue, or S$21.4 million in 4Q FY19/20. NPI for 4Q FY19/20 declined by 35.8% y-o-y to S$16.1 million, mainly due to the further rental assistance for its tenants. Singapore retail portfolio registered an actual occupancy of 98.9% as at 30 June 2020, with Ngee Ann City Property (Retail) being fully occupied as at 30 June 2020. Tenant sales and footfall traffic at Wisma Atria fell 80.0% and 86.9% y-o-y respectively in 4Q FY19/20 due to the mandated closure of outlets as prescribed under the elevated set of safe distancing measures implemented by the Singapore Government to minimise further spread of COVID-19, minimal tourist arrivals due to travel restrictions and the lower proportion of essential services at Wisma Atria Property. Meanwhile, actual occupancy for the Singapore office portfolio increased marginally to 87.6% as at 30 June 2020 from 87.4% as at 31 March 2020.

[7] The COVID-19 (Temporary Measures) (Amendment) Bill passed in Parliament on 5 June 2020 seeks to provide a rental relief framework for Small and Medium Enterprises and to enhance the relief available for businesses, organisations and individuals, who are unable to fulfil their contractual obligations because of COVID-19.

[8] As guided by the Mandatory Code of Conduct for landlords and tenants released by the National Cabinet of Australia.

SGREIT's Australia portfolio, comprising Myer Centre Adelaide in Adelaide, South Australia, the David Jones Building and adjoining Plaza Arcade in Perth, Western Australia, contributed 27.4% of total revenue, or S$10.2 million in 4Q FY19/20. NPI for 4Q FY19/20 declined 77.1% y-o-y to S$1.6 million as a result of allowances for rental arrears and rebates for the tenants in Australia. Rental rebate discussions have been progressing. Nevertheless, Australia's retail portfolio registered stable actual occupancy of 94.3% as at 30 June 2020.

SGREIT's Malaysia portfolio, comprising Starhill Gallery and interest in Lot 10 along Bukit Bintang in Kuala Lumpur, contributed 12.3% of total revenue, or S$4.6 million in 4Q FY19/20. NPI for 4Q FY19/20 declined by 39.0% y-o-y to S$4.4 million. The lower contribution from the Malaysia Properties for 4Q FY19/20 was mainly due to the rental assistance extended to the master tenant whose sub-tenants were impacted by the Movement Control Order ("MCO") amidst the COVID-19 pandemic and lower contributions from Starhill Gallery in relation to its asset enhancement.

The balance of SGREIT's portfolio, which comprises a property in Chengdu, China, and two properties located in central Tokyo, Japan, contributed 3.2% of total revenue, or S$1.2 million in 4Q FY19/20. NPI for 4Q FY19/20 was S$0.9 million.

SGREIT's unaudited financial results for 4Q FY19/20 are available on its website (www.starhillglobalreit.com) and on SGXNet (www.sgx.com).

Capital management

In view of the uncertainty of the duration and extent of the COVID-19 pandemic, the Manager will continue to enhance its financial flexibility through prudent capital management.

In June 2020, SGREIT Group issued new five-year S$100 million unsecured medium term notes bearing a fixed coupon rate of 3.15% per annum, where the net proceeds were used to prepay S$50 million term loan and repay existing short-term debts drawn under its revolving credit facilities.

SGREIT's gearing level stood at 39.7% as at 30 June 2020 largely as a result of the devaluation of the portfolio and increased borrowings mainly to part finance the asset enhancement of Starhill Gallery and build cash balance to enhance liquidity in view of the COVID-19 pandemic. SGREIT also hedged about 91% of its borrowings and the average debt maturity is approximately 2.7 years as at 30 June 2020. The Group does not have any term debt maturities in the next 12 months, save for S$100 million medium term notes due in February 2021 and some short-term debts drawn under its revolving credit facilities. Additionally, the Group has available undrawn committed revolving credit facilities which is in excess of the maturing debts and can be drawn down to fund its working capital requirements.

Updates in view of COVID-19 pandemic

In Singapore, 'circuit breaker' measures announced by the Singapore Government on 3 April 2020 transitioned into Phase Two of the reopening on 19 June 2020, where retail businesses may reopen their physical outlets and food and beverage dine-in are allowed to resume. However, malls are subjected to capacity limits and operators are required to prevent crowds or long queues from building up within and in the immediate vicinity of their premises. Wisma Atria Property and Ngee Ann City Property have since reopened with preventive measures in place, including increased frequency of cleaning and disinfection. Antivirus and antimicrobial coating is also applied onto high-touch surfaces such as the lift buttons and escalator handrails. Autonomous disinfection robots that use innovative UV-C LED technology effective in killing microbes, including viruses like COVID-19, will also be deployed at Wisma Atria shopping mall and office tower from August 2020. Air cleaning system utilising advanced ultraviolet technology capable of purifying the air will also be installed inside air handling unit ductworks of Wisma Atria shopping mall and office tower for improved indoor air quality from August 2020.

In Australia, most tenants at our Australia assets have reopened following the easing of lockdown measures in South Australia and Western Australia. In Malaysia, Starhill Gallery and Lot 10 Property have resumed their operations as the nation transitioned into recovery MCO. Asset enhancement works at Starhill Gallery have also resumed following the stop work order during the MCO period.

To help tenants through the business disruption due to the COVID-19 pandemic, total rental rebates for eligible tenants in SGREIT's portfolio, including an allowance for rental arrears and rebates for the Australian tenants, amounting to approximately S$32.2 million has been recorded in FY19/20. The aggregate amount also includes approximately S$15.2 million of property tax rebates[9] for its eligible tenants and estimated cash grants[10] for eligible small and medium enterprises, both funded by the Singapore Government.

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[9] Property tax rebate as per the Budget 2020 announced by the Singapore Government on 18 February 2020 and the Resilience Budget announced on 26 March 2020.

[10] The Government announced on 26 May 2020 as part of the Fortitude Budget, a Government cash grant to qualifying property owners that would provide relief for Small and Medium Enterprises operating in qualifying non-residential properties.

Globally, as governments progressively reopen their economies, the threat of a second wave of infections exists with potential future lockdowns. As recovery trajectory remains uncertain, the authorities continue to be cautious in lifting safe management measures and travel restrictions. Such measures will affect tenants' sales and consequently rents and occupancy rate. Coupled with rental assistance, such measures are expected to adversely impact SGREIT's financial performance, income available for distribution and cash flows. In addition, valuations of investment properties are subject to significant estimation uncertainty given the constantly evolving impact from COVID-19 pandemic. Given the fluidity of COVID-19 pandemic, the full impact cannot be ascertained at this juncture.

The Group's portfolio is characterised by its quality master retail leases in Singapore and Malaysia which make up about 32.5% of revenue in FY19/20. Office portfolio contributed another 13.9% of revenue in FY19/20. Additionally, as at 30 June 2020, the weighted average portfolio lease expiry by gross rent stands at 5.6 years while retail leases expiring in the next financial year ending 30 June 2021 comprise 14.0% of gross retail rent. The Group's portfolio actual occupancy remains resilient at 96.2% as at 30 June 2020, with stable retail portfolio occupancy of 97.4% as at 30 June 2020.

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About Starhill Global REIT

Starhill Global REIT is a Singapore-based real estate investment trust investing primarily in real estate used for retail and office purposes, both in Singapore and overseas. Since its listing on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 September 2005, Starhill Global REIT has grown its initial portfolio from interests in two landmark properties on Orchard Road in Singapore to 10 properties in Singapore, Australia, Malaysia, China, and Japan, valued at about S$2.9 billion.

These comprise interests in Wisma Atria and Ngee Ann City on Orchard Road in Singapore, Myer Centre Adelaide, David Jones Building and Plaza Arcade in Adelaide and Perth, Australia, Starhill Gallery and Lot 10 in Kuala Lumpur, Malaysia, a retail property in Chengdu, China, and two properties in Tokyo, Japan. Starhill Global REIT remains focused on sourcing attractive property assets in Singapore and overseas, while driving organic growth from its existing portfolio, through proactive leasing efforts and creative asset enhancements.

Starhill Global REIT is managed by an external manager, YTL Starhill Global REIT Management Limited. The Manager is a wholly-owned subsidiary of YTL Starhill Global REIT Management Holdings Pte. Ltd. which is in turn an indirect wholly-owned subsidiary of YTL Corporation Berhad.

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