



Sabana Shari'ah Compliant Industrial REIT

Analyst Meeting Presentation

7 March 2018

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 2017 to 31 December 2017 (“4Q 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.

I.	Introduction to Sabana REIT	4
II.	Key Highlights for FY17 and Latest Developments	7
III.	Financial Performance and Capital Management	12
IV.	Portfolio Performance	18
V.	Outlook and Key Takeaways	23

- **Diversified portfolio of quality assets across 4 industrial segments, with strategically located properties that are near major transport routes and easily accessible by public transport**
- **Refreshed Board with experience in real estate and listed companies to provide firm stewardship**
- **Recalibrated strategy is focused on growth: Currently in process of further refining growth strategy, which will be presented in due course**

Diversified Portfolio: 20 Assets Across 4 Segments

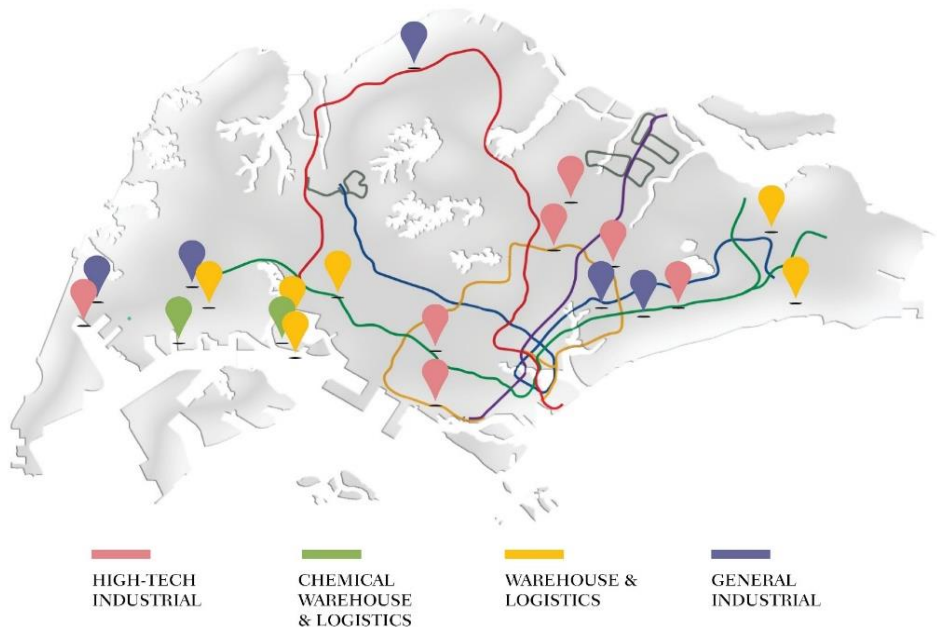
Portfolio Value
S\$1.0 billion

Total GFA (sq ft)
4.4 million

Total NLA (sq ft)
3.6 million

Tenant Base
117 tenants

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



I. Introduction to Sabana REIT	4
II. Key Highlights for FY17 and Latest Developments	7
III. Financial Performance and Capital Management	12
IV. Portfolio Performance	18
V. Outlook and Key Takeaways	23

Key Highlights for FY2017

DPU
(Cents)

3.31

Distributable
Income
(S\$)

35.0m

Net Property
Income
(S\$)

53.4m

Gross
Revenue
(S\$)

85.2m

Net Asset
Value per unit
(S\$)

0.54

Strategic Review of Operations

- Executed on recalibrated strategy
- Appointed Mr Kelvin Tan as Chairman of Audit Committee
- Departure of Mr Kevin Xayaraj as CEO in transition to new leadership
- Manager forgone 75% and 25% of fees in 1Q and 2Q respectively to mitigate DPU impact on unitholders

Active Portfolio Management

- 55 lease transactions secured in 2017; overall occupancy level stood at 85.4%
- Renewed all expiring four Master Leases, securing steady recurring income
- Started supplementary lease for 10 Changi South Street 2, generating S\$1 million in additional rental per annum
- Strategic divestment of 218 Pandan Loop to streamline portfolio; announced plans for 6 Woodlands Loop divestment

Prudent Financial Management

Continued to optimise capital structure:

- Lower aggregate leverage at 38.2% (FY2016: 43.2%)
- Weighted all in cost of borrowing at 3.9% (FY2016: 4.2%)

Ensure the Trust is well capitalised to service outstanding loans:

- Secured S\$130.0 million in credit facilities to refinance 2018 commitments
- Improved profit coverage ratio to 3.7 times (FY2016: 3.1 times)

Significantly reduced net finance costs:

- Net proceeds from Rights Issue used to pay down borrowings
- Redeemed higher cost convertible sukuk with lower cost facilities

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

Delivered on recalibrated strategy for 2017 Executed key pathways; Strategic Review ends

- a) **Rejuvenate portfolio through selective divestments and active asset management**
 - Announced plans for the divestment of 6 Woodlands Loop; 1 other property identified for divestment or conversion to multi-tenancy arrangement; working to renew 5 master leases expiring in 2018
- b) **Renew senior leadership**
 - Real estate veteran Donald Han appointed as new CEO
- c) **Enhance Board of Directors**
 - Mr Kelvin Tan Wee Peng appointed as Independent Director and Chairman of Audit Committee
 - Mr Tan Cheong Hin appointed as new Independent Director and member of Audit Committee

Board decides to take fee cut to reduce costs to Manager in support of partial fee waiver for unitholders

Already delivering on Strategy: 6WL divestment as first step

1) Driving revenue and occupancy

Will ramp up marketing efforts and focus on retaining key tenants

- Casting net wider to reach out to our real estate agency partners, keep our rents competitive and be flexible with our leasing terms to meet the varied needs of our tenants
- Enthusiastic response to “Meet the CEO” event on 1 March to engage with and familiarise top industrial agents to our portfolio of properties
- More effort will also be spent on tenant engagement and retention in order to deliver a healthy occupancy level

2) Enhancing the portfolio

Focus on high-spec assets and business parks, including through selective divestments of underperforming assets

- Will divest properties that no longer meet objectives of the REIT like 6 Woodlands Loop
- Will look to embark on AEI for properties primed to capitalise on SG transition and rejuvenate those at risk of becoming uncompetitive
- Proceeds from divestments could be redeployed to fund the AEI and/or explore acquisitions that are yield-accretive

3) Further cost rationalisation

- Re-examine entire business to identify additional operational efficiencies

Opportunistic Focus

Remain open to explore opportunities

- Board remains open to exploring opportunities with potential strategic partner(s), as long as they benefit Sabana REIT and will optimise value creation for unitholders sustainably

CEO's first 30 days

25 January 2018: Announcement of Donald's appointment. Unveiled 3-prong strategy:

1. Driving revenue and occupancy by ramping up marketing efforts, and focusing on retaining particularly key tenants
2. Enhancing the portfolio to focus on high specs assets and business parks, including through selective divestments of underperforming assets
3. Further cost rationalisation by re-examining entire business to identify additional operational efficiencies

28 February 2018: Sale of non-core asset 6 Woodlands Loop for S\$13.8 million announced

1 March 2018: Met 60 high-performing industrial property agents. Unveiled new competitive commission scheme and agent loyalty program

1 March 2018: Live interview on Money FM 89.3 to discuss strategic rationale of 6 Woodlands Loop divestment

7/15 March 2018: Meeting with analysts to discuss Sabana REIT under refreshed leadership



I.	Introduction to Sabana REIT	4
II.	Key Highlights for FY17 and Latest Developments	7
III.	Financial Performance and Capital Management	12
IV.	Portfolio Performance	18
V.	Outlook and Key Takeaways	23

Financial Performance At a Glance (Full Year)

For the FY ended 31 December 2017

(in S\$'000)	FY2017	FY2016	Variance ⁽¹⁾ (%)
Gross revenue	85,196	91,807	(7.2)
Net property income	53,379	56,942	(6.3)
Income available for distribution	35,005	36,949	(5.3)
DPU (cents)	3.31⁽²⁾	4.17 ⁽³⁾	(20.6)

Distribution per unit (DPU) for FY2017:

- Would be **3.56 cents** if Manager had received 80% of its base fees in units ⁽²⁾.
- Manager forgone 75% and 25% of fees in 1Q and 2Q respectively to mitigate DPU impact on unitholders

Significantly reduced net finance costs:

- Net proceeds from the Rights Issue and divestment of 218 Pandan Loop used to pay down borrowings
- Redeemed higher cost convertible sukuk with lower cost facilities

Gross revenue reduced:

- Due to non-contribution from 1 Tuas Avenue 4 and 6 Woodlands Loop, as well as lower revenue contribution from some of the other properties in the Trust's portfolio.

(1) Please refer to section 8 of the financial statements and distribution announcement for 4Q 2017 for a more detailed explanation of the variances.

(2) For FY2017, 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. The DPU for FY2017 would have instead been approximately 3.56 cents had the Manager been able to continue receiving 80.0% of its base fee in units.

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

Preserving Balance Sheet Resilience

(S\$'000)	As at 31 Dec 2017	As at 31 Dec 2016
Investment properties	942,400	990,600
Investment properties held for divestment	12,900	13,000
Other assets	10,809	19,289
Total assets	966,109	1,022,889
Borrowings, at amortised cost	365,806	437,924
Other liabilities	28,758	28,170
Total liabilities	394,564	466,094
Net assets attributable to Unitholders	571,545	556,795
Units in issue ⁽¹⁾	1,053,083,530	742,371,286
NAV per unit (S\$)	0.54	0.75 ⁽³⁾
Adjusted NAV per unit ⁽²⁾ (S\$)	0.53	0.74

Strengthened balance sheet

- Deleveraged by utilising funds from Rights Issue and divestment of 218 Pandan Loop

NAV per unit of S\$0.54

- Lower mainly due to enlarged units base following issuance of 310,713,244 Rights Units after 31 December 2016

(1) No new units are to be issued to the Manager as consideration of Manager's fees incurred for 4Q 2017 as the 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 (31 December 2016: Comprises 739,791,059 units in issue as at 31 December 2016 and 2,580,227 units to be issued to the Manager by 31 January 2017 as partial consideration of Manager's fees incurred for 4Q 2016).

(2) Excludes distributable income of approximately S\$8.8 million (31 December 2016: S\$9.3 million) available for distribution for the quarter ended 31 December 2017.

(3) Excludes Right Units of 310,713,244 to be issued as at 31 December 2016.

Continued Capital Structure Optimisation

	As at 31 Dec 2017	As at 31 Dec 2016
Borrowings	S\$367.5 million	S\$441.1 million
Aggregate leverage ⁽¹⁾	38.2%	43.2%
Proportion of total borrowings on fixed rates	76.2%	90.2%
Average all-in financing cost⁽²⁾	3.9%	4.2%
Outstanding Term CMF	S\$120.0 million	S\$195.0 million
Revolving Murabahah Facility	S\$27.5 million	S\$13.3 million
Trust Certificates	S\$190.0 million	S\$190.0 million
Term loan	S\$30.0 million	-
Convertible Sukuk	-	S\$42.8 million
Weighted average tenor of borrowings	1.8 years	1.9 years
Profit cover ⁽³⁾	4.1 times	3.1 times
Unencumbered assets	S\$268.7 million	S\$331.5 million

Reduced aggregate leverage

- To 38.2% at 4Q 2017, down from 43.2% at 4Q 2016

Reduced cost of borrowings

- Weighted all in cost of borrowing at 3.9%, down from 4.2% at 4Q 2016

Improved profit coverage ratio

- To 4.1 times in 4Q 2017, from 3.1 times in 4Q 2016

Greater financial flexibility provides stronger platform to pursue growth needed to improve performance

(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.

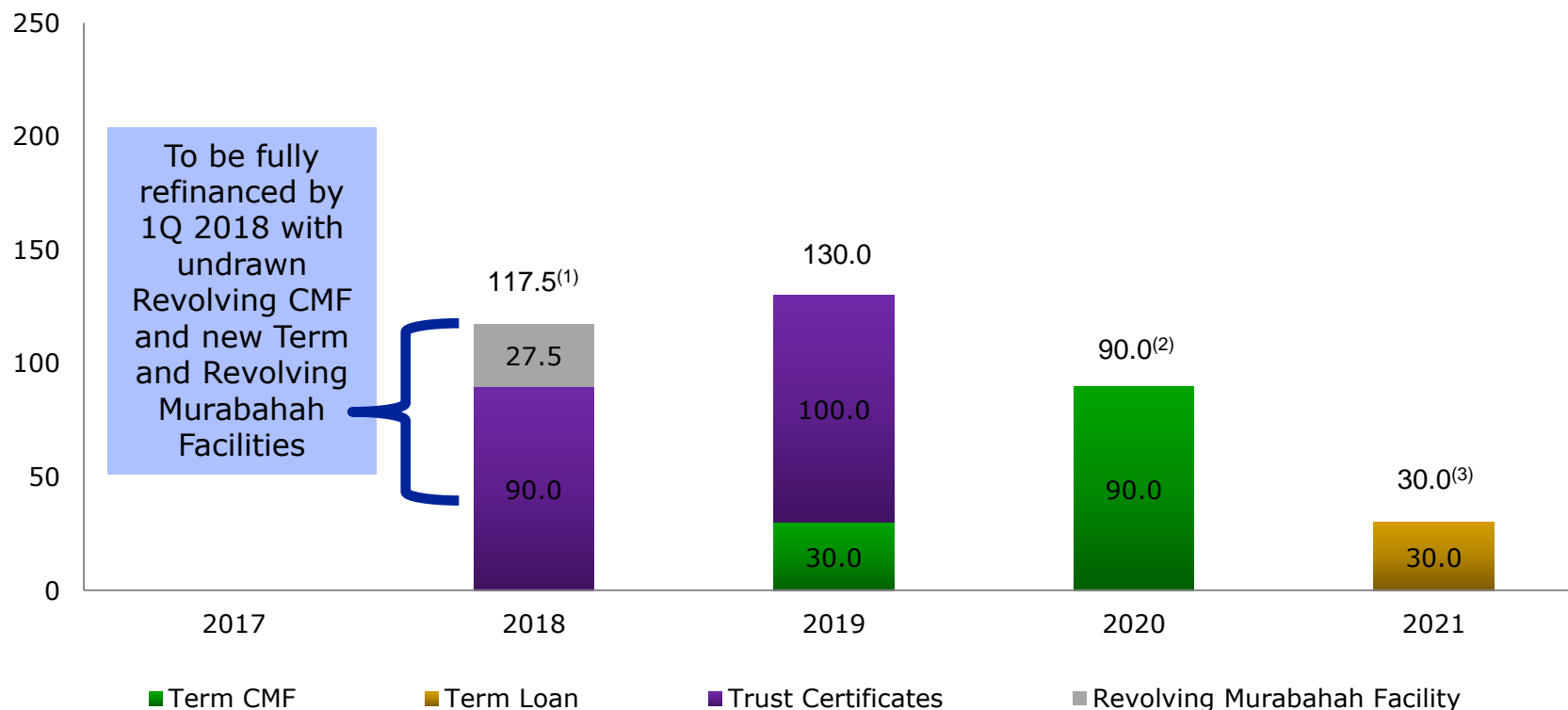
(2) Inclusive of amortisation of transaction costs.

(3) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for 4Q 2017 (31 December 2016: 4Q 2016).

Evenly Staggered Borrowings Maturity

Maturities of total outstanding borrowings of S\$367.5 million evenly staggered over 4 years

As at 31 December 2017



(1) Excludes S\$21.4 million undrawn RMF
 (2) Excludes S\$18.0 million undrawn Revolving CMF
 (3) Excludes S\$100.0 million undrawn new Term and Revolving Murabahah Facilities secured in December 2017, mainly to repay outstanding borrowings due in 2018

Strong Relationships with Financial Institutions



Morgan Stanley



I.	Introduction to Sabana REIT	4
II.	Key Highlights for FY17 and Latest Developments	7
III.	Financial Performance and Capital Management	12
IV.	Portfolio Performance	18
V.	Outlook and Key Takeaways	23

Occupancy Rates

	As at 31 Dec 2017	As at 30 Sept 2017
Total portfolio GFA	4,402,554 sq ft ⁽¹⁾	4,353,300 sq ft
Portfolio occupancy		
9 properties, master leases ⁽²⁾	100.0%	100.0%
10 properties, multi-tenanted ⁽³⁾	78.4%	80.4%
20 properties, total portfolio	Improves to 87.1% ⁽⁸⁾ once 6WL sale completes ⁽⁴⁾ → 85.4% ⁽⁴⁾	88.4%
Weighted average master lease term to expiry ⁽⁵⁾	2.6 years	2.1 years
Weighted average unexpired lease term for the underlying land ⁽⁶⁾	33.6 years	33.8 years
Weighted average portfolio lease term to expiry ⁽⁷⁾	2.5 years	2.3 years

(1) Increase due to completion of annex block at 10 Changi South Street 2.

(2) 5 triple net & 4 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"). 6 Woodlands Loop (NLA 70,643 sq ft), is currently vacant, pending completion of divestment by 1H2018. Excluding 6 Woodlands Loop, occupancy for 19 properties will be 87.1%.

(5) Weighted by gross rental income (master leases of 9 properties).

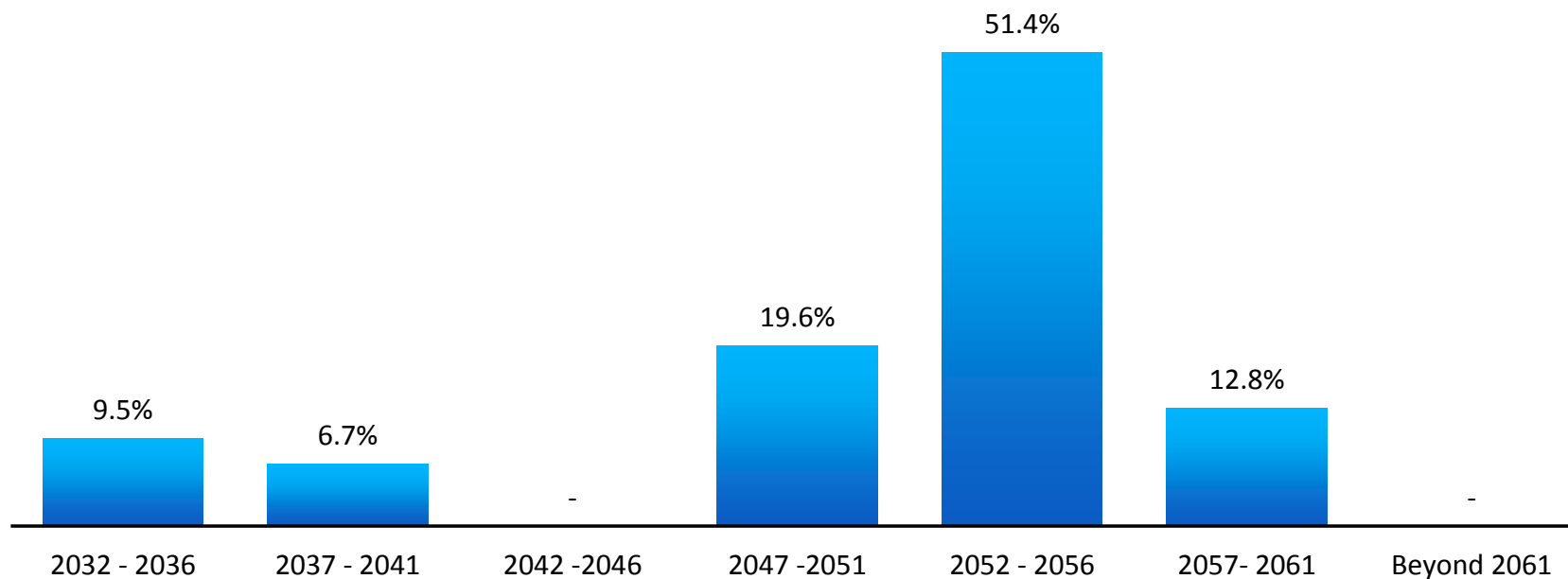
(6) Weighted by Gross Floor Area ("GFA").

(7) Weighted by gross rental income (9 master leases and 10 multi-tenanted properties).

(8) As at 31 December 2017

Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of **33.6 years** by GFA



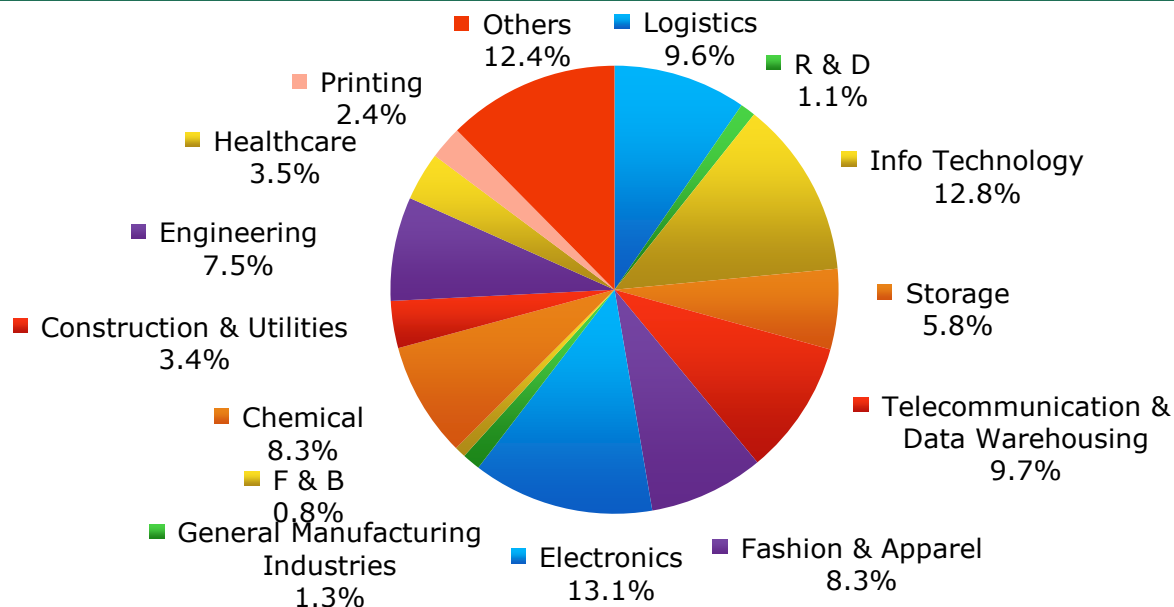
Percentage of unexpired land lease term by GFA⁽¹⁾

(1) As at 31 December 2017

Diversified Base of Quality Tenants

	As at 31 Dec 2017	As at 30 Sep 2017
Total NLA (sq ft)	3,606,304 ⁽¹⁾	3,561,627
Total number of direct and sub-tenants	117	118
Weighted average lease term to expiry (mths) ⁽²⁾	28.7	28.4

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



Sub-tenants' industry diversification by NLA⁽³⁾

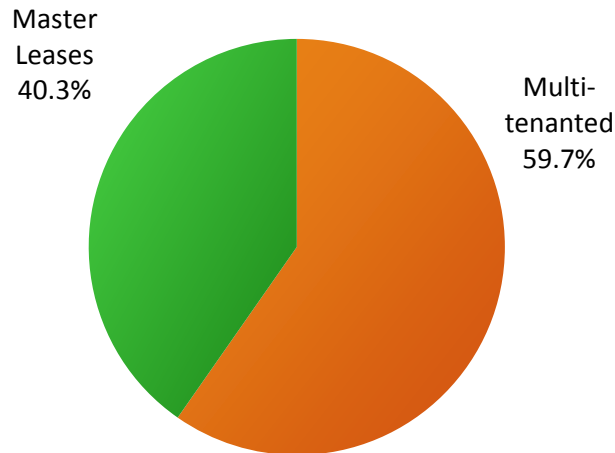
(1) Adjusted due to completion of annex block at 10 Changi South Street 2.

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

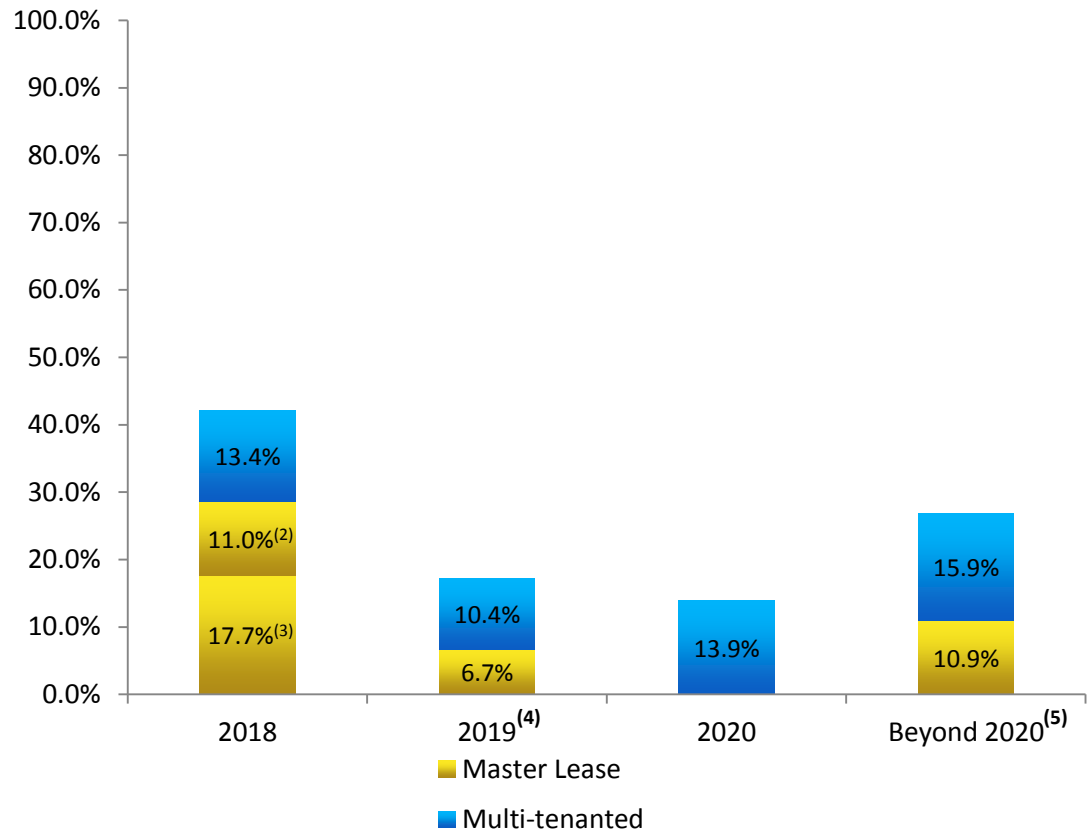
(3) As at 31 December 2017

Balanced and Proactive Lease Management

Lease Type by NLA for 4Q 2017⁽¹⁾



Lease Expiry by NLA⁽¹⁾



- (1) As at 31 December 2017. Excludes 6 Woodlands Loop, which is currently vacant, pending completion of divestment in 1H2018
- (2) Three properties: 26 Loyang Drive, 30 & 32 Tuas Avenue 8 and 21 Joo Koon Crescent.
- (3) Three properties: 33 & 35 Penjurong Lane, 18 Gul Drive and 51 Penjurong Road. Master tenants are Sponsor related companies.
- (4) Master lease expiring in 2019: 3A Joo Koon Circle.
- (5) Master leases expiring beyond 2020: 1 Tuas Avenue 4 and 10 Changi South Street 2

I. Introduction to Sabana REIT	4
II. Key Highlights for FY17 and Latest Developments	7
III. Financial Performance and Capital Management	12
IV. Portfolio Performance	18
V. Outlook and Key Takeaways	23

Outlook: Singapore Industrial Rents Bottoming?



Bottoming out

Tricia Song Director and Head | Research

Industrial rents showed signs of bottoming out as the rate of decline was the slowest in 11 quarters. Overall occupancy improved 0.3ppt QOQ despite the bumper supply completions. A rosier global economy and better growth forecast for Singapore this year, should help to lift business sentiment and encourage industrialists to consider expanding their operations. We expect rents to stabilise in 2018 and to post modest gains beyond that as new supply tapers in coming years. New high-specifications and business park industrial space ought to continue to lead demand.

Improved occupancy

While the manufacturing sector drove the higher-than-expected GDP growth since Q4 2016 and through 2017, it has not led to a broad-based improvement in the industrial property market in 2017. This was due mainly to a record new supply of 20.89 million sq ft (net lettable area) of industrial space completed in 2017. However, there are now signs of a bottoming. According to JTC, the All-industrial rental price index fell by 0.1%, the slowest since it started declining in Q2 2015. Despite bumper supply completions, occupancy improved 0.3 percentage point (ppt) QOQ to 88.9% in Q4 2017. With tapering supply coming on-stream in 2018-2021F, we expect average prices and rents to stabilise towards 2019. JTC's All-industrial prices and rents indices have declined 16.6% and 13.4% since their respective peaks.

Green shoots for rent at some industrial segments

Better economic outlook cited, but JTC data shows overall industrial rents down another 1.1% in Q3

FRI, OCT 27, 2017 - 5:50 AM

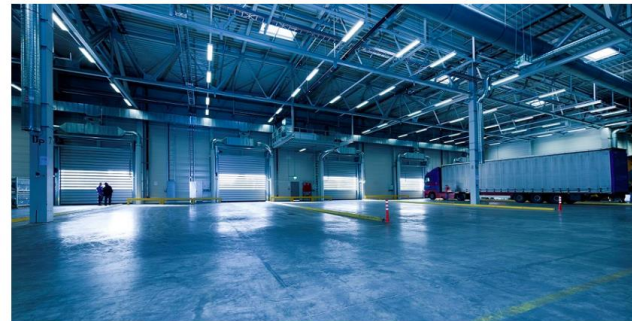
LEE MEIXIAN ✉ leemx@sph.com.sg 🐦 @LeeMeixianBT



While industrial rents continued to moderate in the third quarter, the absorption of industrial space has picked up pace in certain sub-segments following positive manufacturing and trade performance in Singapore. PHOTO: JTC

Singapore Industrial REITs: Tailwind of tapering new supply this year

February 12, 2018



- Maintain **Equal Weight** view on Industrial REITs sub-sector
- Sector occupancy ticked up QoQ, driven by take-up of newly completed warehouse space. However, sector occupancy was lower YoY.
- Rental Index across the board yet to bottom, but Business Park rental made new high
- Tapering of new supply in 2018 leads us to believe rents to bottom by end of this year

Sign up for BT Newsletters

Your e-mail address

SIGN UP

Terms & Conditions

BREAKING NEWS

- 04:38 PM France's once-vaunted trains are Macron's biggest challenge yet
- 04:30 PM Hong Kong: Stocks suffer another heavy loss
- 04:25 PM Swiss central bank earned 2.02b Swiss francs from negative rates in 2017
- 04:24 PM Beware fintech firms trying to get you hooked on bitcoin
- 04:04 PM PODCAST: Has the cryptocurrency bubble truly burst; time to invest now? (Money Hacks, Ep.2)
- 03:55 PM Japan car giants team up to build hydrogen stations

About the author



Richard Leow

Investment Analyst

Phillip Securities Research Pte Ltd
Richard covers the Transport Sector and Industrial REITs. He graduated with a Master of Science in Applied Finance from the Singapore Management University. He holds the CFE and FRM certifications and is a CFA charterholder.

He was ranked #2 Top Stock Picker for Resources & Infrastructure in the 2016 Thomson Reuters Analyst Awards.

Related News

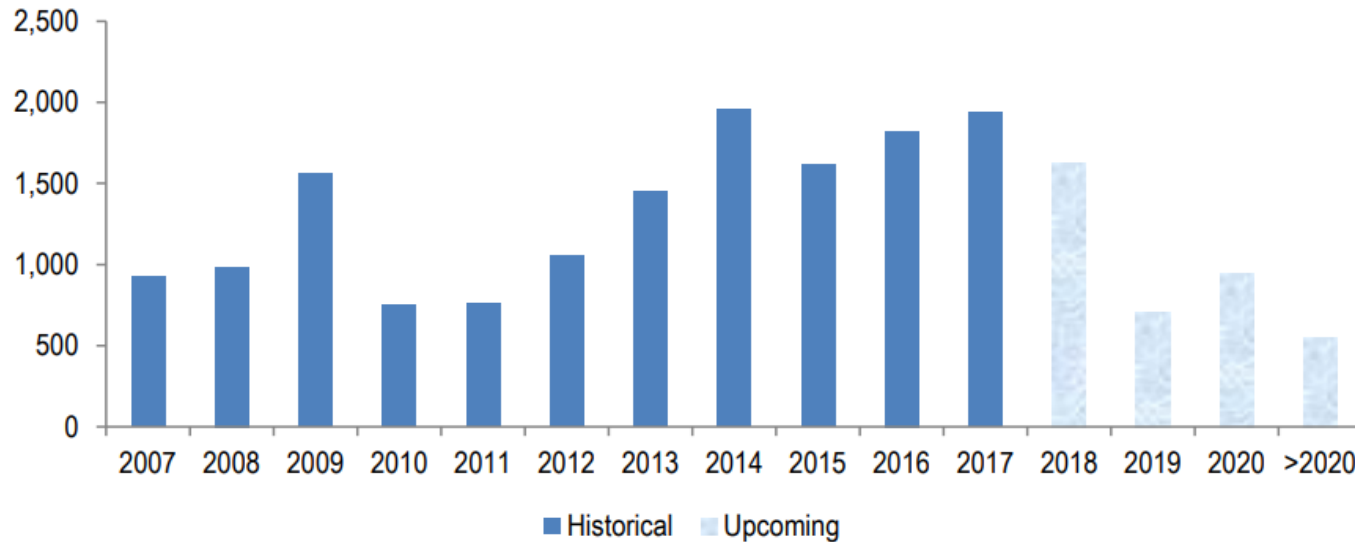
Sources:

The Business Times (27 Oct 2017) "Green shoots for rent at some industrial segments"
Colliers International (8 Feb 2018) Q4 2017 Singapore Industrial Market report
Phillip Securities (12 Feb 2018) Singapore Industrial REITs report

Outlook: Singapore Industrial Rents Bottoming?

Exhibit 7: Upcoming Supply of Industrial Space

New Supply (Historical and Upcoming)
('000 sqm)



Note: For industrial space, the figures for upcoming supply are in terms of gross floor area, whereas historical changes in available stock (i.e. historical new supply) and historical changes in occupied stock (i.e. historical new demand) are in terms of net floor area.

Source: JTC Quarterly Market Report (Industrial Properties) 4Q2017

Outlook: Singapore Industrial Rents Bottoming?

Quarterly Rental Index of Industrial Space (4Q2016 – 4Q2017)

Market Segment	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	% Change Over Previous Quarter
All Industrial	93.8	93.0	92.3	91.3	91.2	-0.1
Multiple-User Factory	91.7	90.7	89.9	89.2	89.1	-0.1
<i>Planning Region</i>						
Central Region	92.0	91.6	90.9	90.6	91.8	1.3
North Region	94.3	92.6	92.2	91.0	89.2	-2.0
West Region	84.2	82.7	82.0	80.8	79.1	-2.1
East Region	92.8	92.5	90.6	90.1	90.6	0.6
Northeast Region	85.0	83.8	83.1	81.8	81.7	-0.1
<i>Land-Use Zoning</i>						
Business 1	91.4	90.8	90.2	89.8	90.4	0.7
Business 2	87.6	86.0	84.6	83.1	81.5	-1.9
Single-User Factory	100.9	99.9	100.1	99.1	98.3	-0.8
Business Park	105.4	104.3	106.5	106.8	108.9	2.0
Warehouse	91.0	90.5	88.5	86.7	85.8	-1.0

Source: JTC Quarterly Market Report (Industrial Properties) 4Q2017

STRATEGY

- **Refreshed leadership and Board already delivering on refocused strategy to improve performance**
 - 6WL divestment is first step of many against our recalibrated strategy; immediate improvement to occupancy and related property management costs
 - Actively engaging with key stakeholders: top industrial agents, analysts and media
- **Going forward, to focus on delivering DPU improvement along three priorities:**
 - Driving revenue and occupancy
 - Enhancing the portfolio
 - Further cost rationalisation

RESULTS

- **Challenging FY2017 with dip in DPU but Q-o-Q improvement in 4Q 2017**
 - Distribution would be higher if Manager had received base fees in units
 - Proactive property and lease management mitigated impact on performance
- **Strengthened balance sheet, improved capital structure and remained well capitalised to meet commitments**

OUTLOOK

- **Manager remains confident of longer term prospects for industrial real estate sector and will navigate short-term volatility**

Sabana Real Estate Investment Management Pte. Ltd.

151 Lorong Chuan
#02-03 New Tech Park
Singapore 556741

www.sabana-reit.com

Tel: +65 6580 7750
Fax: +65 6280 4700

For enquiries, please contact:

Ms Josephine Chew
WATATAWA Consulting
Tel: +65 9061 0353
Email: jchew@we-watatawa.com

Mr Ong Chor Hao
WATATAWA Consulting
Tel: +65 9627 2674
Email: chorhaoo@we-watatawa.com