



# Sabana Shari'ah Compliant Industrial REIT

## FY2017 Financial Results Presentation

25 January 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.

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## A. Delivered on recalibrated strategy Executed key pathways; Strategic Review ends

- a) **Rejuvenate portfolio through selective divestments and active asset management**
  - 6 Woodlands Loop in advanced talks; 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

## B. Focus in future Refreshed leadership to focus on driving DPU improvement along 3 priorities

### 1) Driving revenue and occupancy

- Will ramp up marketing efforts and focus on retaining key tenants

### 2) Enhancing the portfolio

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

### 3) Further cost rationalisation

- Re-examine entire business to identify additional operational efficiencies

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# Key Highlights for 4Q 2017

DPU  
(Cents)

**0.83**

Distributable  
Income  
(S\$)

**8.8m**

Net Property  
Income  
(S\$)

**13.7m**

Gross  
Revenue  
(S\$)

**20.4m**

Net Asset  
Value per unit  
(S\$)

**0.54**

## Strategic Review of Operations

- Recalibrated strategy after talks with ESR-REIT ended
- Appointed Mr Kelvin Tan Wee Peng as Chairman of Audit Committee
- Departure of Mr Kevin Xayaraj as CEO and appointment of Mr Aw Wei Been as interim CEO for seamless transition to new leadership

## Active Portfolio Management

- Supplementary lease for 10 Changi South Street 2 commenced, generating S\$1 million in additional rental per annum
- Renewed Master Leases for three Sponsor-linked properties, securing steady recurring income
- Overall occupancy level stood at **85.4%**<sup>(1)</sup>

## Prudent Financial Management

- Continued to optimise capital structure:
  - Lower aggregate leverage at **38.2%** (4Q 2016: 43.2%)
  - Weighted all in cost of borrowing at **3.9%** (4Q 2016: 4.2%)
- Ensure the Trust is well capitalised to service outstanding loans:
  - Secured S\$130.0 million in term and revolving credit facilities to refinance 2018 commitments
  - Improved profit coverage ratio to 4.1 times (4Q 2016: 3.1 times)

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

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# Financial Performance At a Glance (y-o-y)

For the quarter ended 31 December 2017

(in S\$'000)	4Q 2017	4Q 2016	Variance (%)
Gross revenue	20,395	22,540	(9.5)
Net property income	13,711	13,894	(1.3)
Income available for distribution	8,783	9,258	(5.1)
DPU (cents)	0.83 <sup>(1)(2)</sup>	0.88	(5.7)
Annualised DPU (cents)	3.29	3.50	(6.0)

## Distribution per unit (DPU):

- Would be **0.92 cents** (+4.5% y-o-y) if Manager had received 80% of its base fees in units<sup>(2)</sup>

## 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

## Net Property Income down slightly:

- 22.7% reduction in property expenses due to active asset and lease management mitigated lower revenue

(1) Based on 1,053,083,530 units issued as at 31 December 2017 (2016: 1,053,083,530).

(2) For 4Q 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. The DPU for 4Q 2017 would have instead been approximately 0.92 cents had the Manager been able to continue receiving 80.0% of its base fee in units.

# Financial Performance At a Glance (q-o-q)

For the quarter ended 31 December 2017

(in S\$'000)	4Q 2017	3Q 2017	Variance (%)
Gross revenue	20,395	20,859	(2.2)
Net property income	13,711	13,400	2.3
Income available for distribution	8,783	8,336	5.4
DPU (cents)	0.83 <sup>(1)(2)</sup>	0.79 <sup>(3)</sup>	5.1
Annualised DPU (cents)	3.29	3.13	5.1

### Improvement in DPU q-o-q:

- Divestment of 218 Pandan Loop improved overall performance

### Higher Net Property Income:

- Savings in property expenses as a result of active management more than offset lower revenue

### Higher income available for distribution:

- Mainly due to higher net property income and lower profit expenses

(1) Based on 1,053,083,530 units issued as at 31 December 2017 (3Q 2017: 1,053,083,530).

(2) For 4Q 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. The DPU for 4Q 2017 would have instead been approximately 0.92 cents had the Manager been able to continue receiving 80.0% of its base fee in units.

(3) The DPU for 3Q 2017 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.

# Financial Performance At a Glance (Full Year)

For the FY ended 31 December 2017

(in S\$'000)	FY2017	FY2016	Variance <sup>(1)</sup> (%)
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 <sup>(2)</sup>	4.17 <sup>(3)</sup>	(20.6)

## Distribution per unit (DPU) for FY2017:

- Would be **3.56 cents** if Manager had received 80% of its base fees in units.<sup>(2)</sup>
- 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

(\$'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
<b>Total assets</b>	<b>966,109</b>	<b>1,022,889</b>
Borrowings, at amortised cost	365,806	437,924
Other liabilities	28,758	28,170
<b>Total liabilities</b>	<b>394,564</b>	<b>466,094</b>
Net assets attributable to Unitholders	571,545	556,795
Units in issue <sup>(1)</sup>	1,053,083,530	742,371,286
NAV per unit (\$)	0.54	0.75 <sup>(3)</sup>
Adjusted NAV per unit <sup>(2)</sup> (\$)	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 <sup>(1)</sup>	38.2%	43.2%
Proportion of total borrowings on fixed rates	76.2%	90.2%
<b>Average all-in financing cost<sup>(2)</sup></b>	<b>3.9%</b>	<b>4.2%</b>
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
<b>Weighted average tenor of borrowings</b>	<b>1.8 years</b>	<b>1.9 years</b>
Profit cover <sup>(3)</sup>	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, down 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.

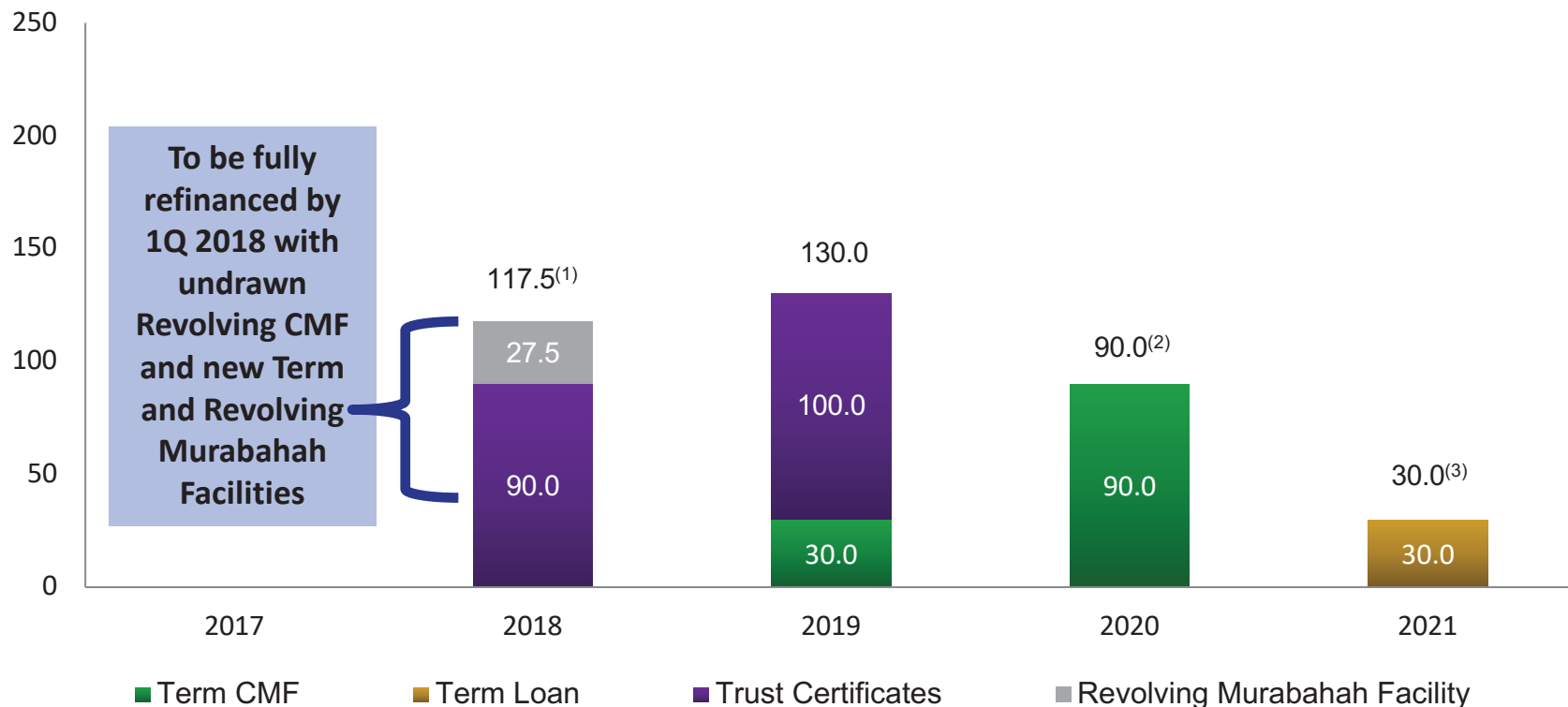
(2) Inclusive of amortisation of transaction costs.

(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

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# 20 Properties Across 4 Industrial Segments

Portfolio Value  
**S\$1.0 billion**

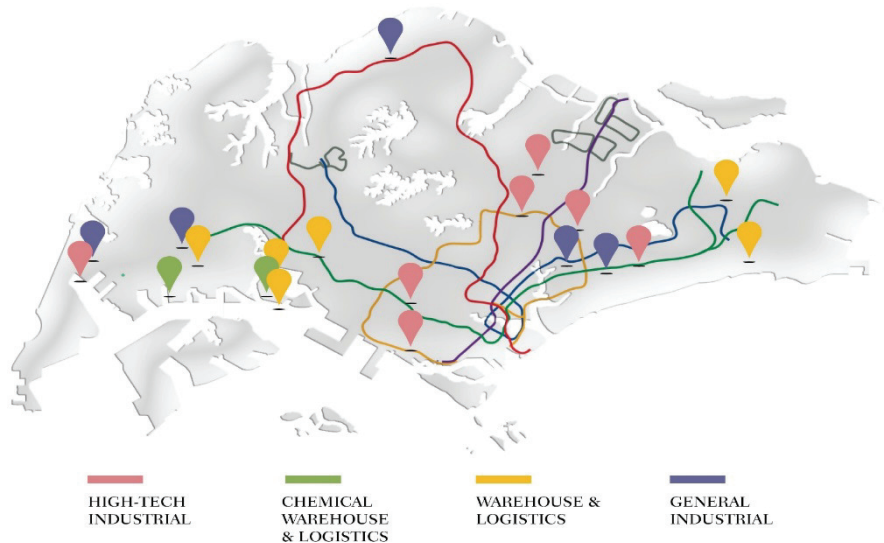
Total GFA (sq ft)  
**4.4 million**

Total NLA (sq ft)  
**3.6 million**

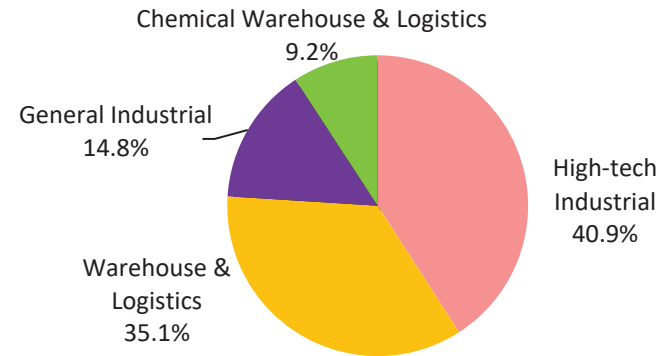
Tenant Base  
**117 tenants**

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

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

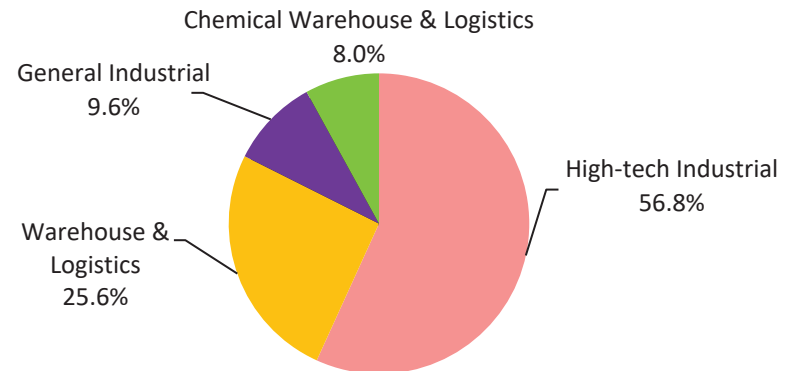


## Asset Breakdown by NLA for 4Q 2017<sup>(1)</sup>



(1) As at 31 December 2017

## Gross Revenue by Asset Type for 4Q 2017





# Occupancy Rates

	As at 31 Dec 2017	As at 30 Sept 2017
Total portfolio GFA	4,402,554 sq ft <sup>(1)</sup>	4,353,300 sq ft
Portfolio occupancy		
9 properties, master leases <sup>(2)</sup>	100.0%	100.0%
10 properties, multi-tenanted <sup>(3)</sup>	78.4%	80.4.0%
20 properties, total portfolio	85.4% <sup>(4)</sup>	88.4%
Weighted average master lease term to expiry <sup>(5)</sup>	2.6 years	2.1 years
Weighted average unexpired lease term for the underlying land <sup>(6)</sup>	33.6 years	33.8 years
Weighted average portfolio lease term to expiry <sup>(7)</sup>	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.

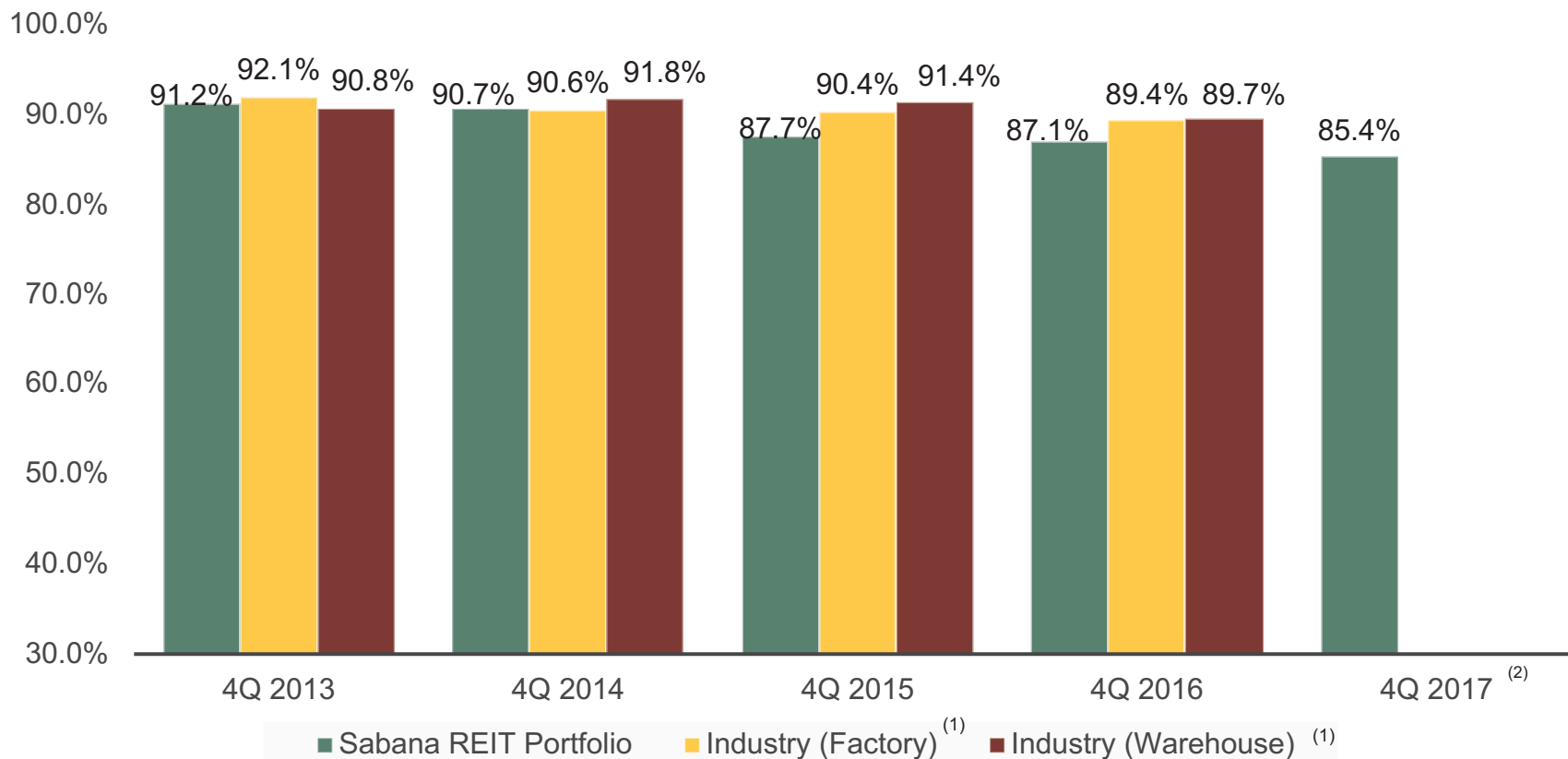
(4) By Net Lettable Area ("NLA"). 6 Woodlands Loop (NLA 70,643 sq ft), is currently vacant, pending completion of divestment by 1H2018. Excluding 6 Woodlands Loop, occupancy for 19 properties will be 87.1%.

(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).

## Occupancy levels over the years

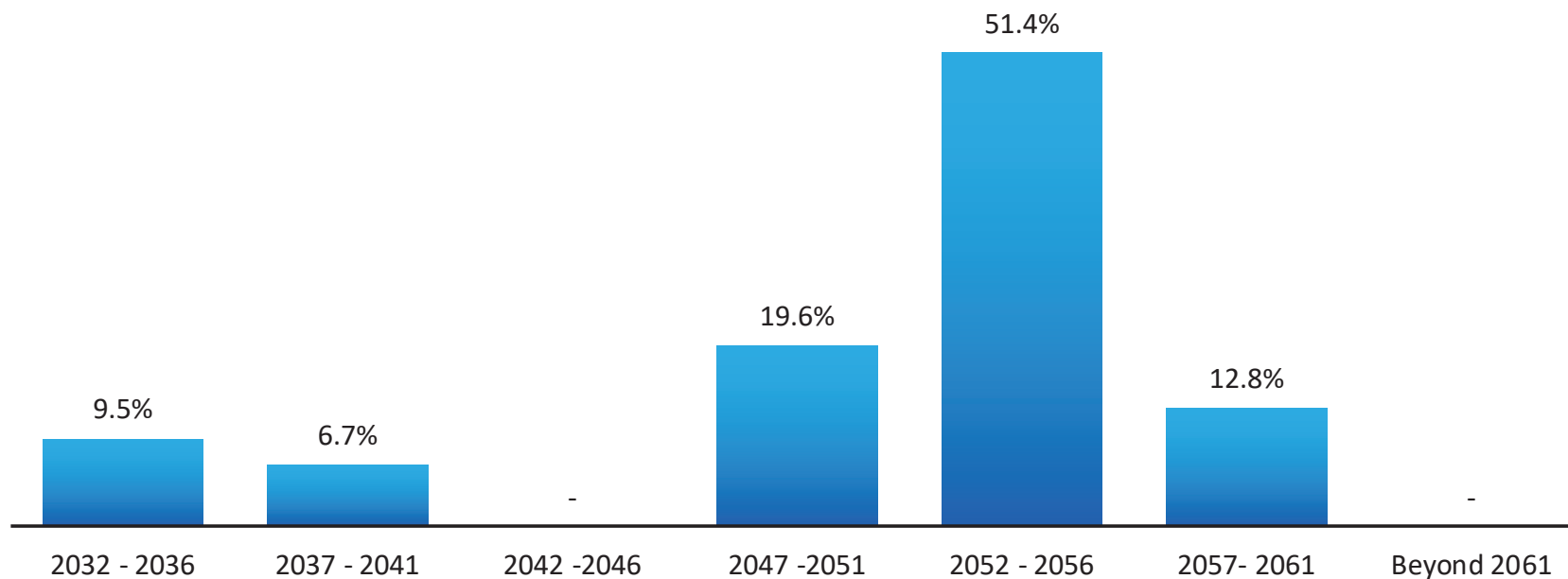


### Comparisons to Singapore industrial average occupancy levels

(1) Source: Property Market Information by Urban Redevelopment Authority and Quarterly Market Report by Jurong Town Corporation.  
 (2) Data for 4Q 2017 from Jurong Town Corporation not available 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



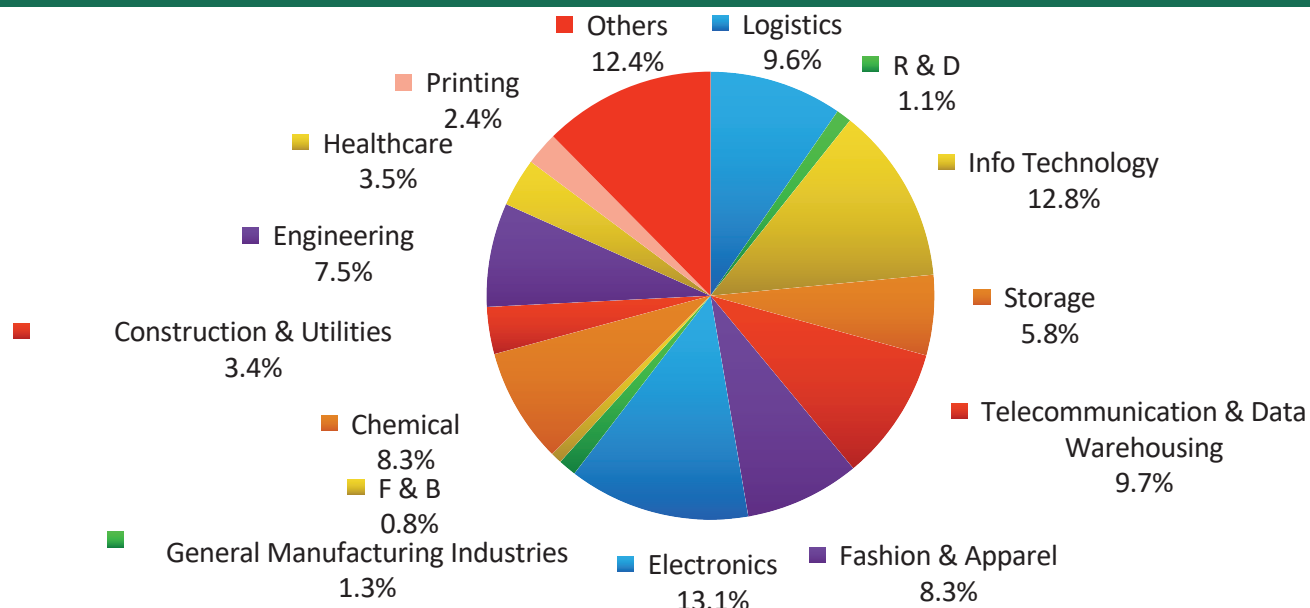
Percentage of unexpired land lease term by GFA<sup>(1)</sup>

(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 <sup>(1)</sup>	3,561,627
Total number of direct and sub-tenants	117	118
Weighted average lease term to expiry (mths) <sup>(2)</sup>	28.7	28.4

No concentration in any single trade sector exceeding 15%



**Sub-tenants' industry diversification by NLA<sup>(3)</sup>**

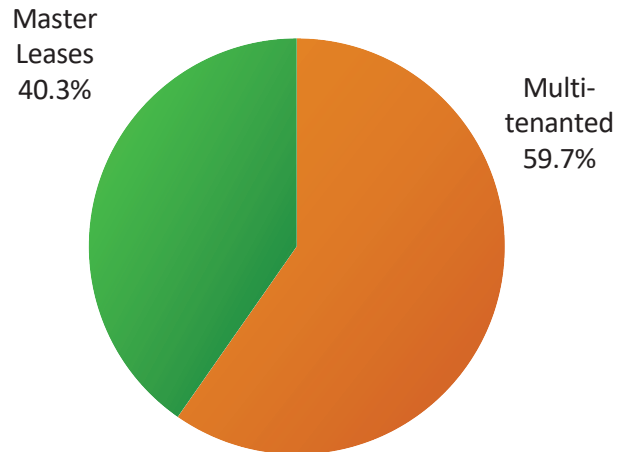
(1) Adjusted due to completion of annex block at 10 Changi South Street 2.

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

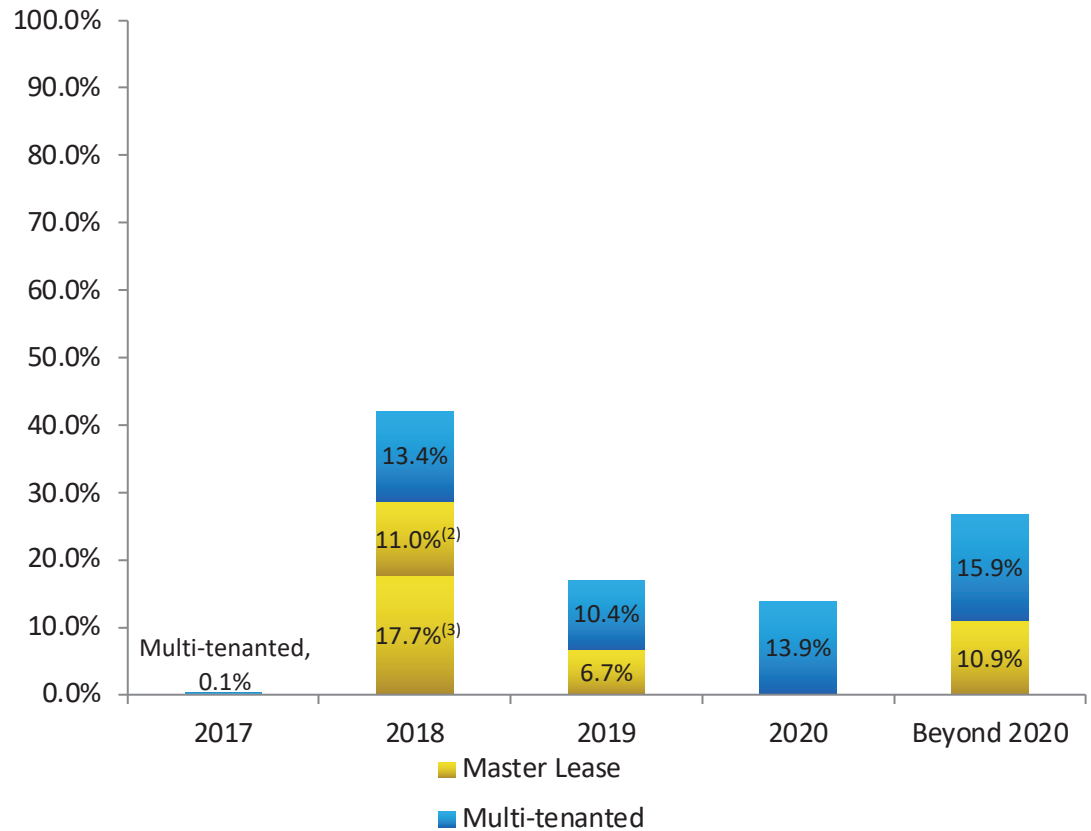
(3) As at 31 December 2017

# Balanced and Proactive Lease Management

## Lease Type by NLA for 4Q 2017<sup>(1)</sup>



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



(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.

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## Singapore Economic Outlook<sup>(1)</sup>

- Singapore GDP grew 3.1% YoY in 4Q 2017, based on advance MTI estimates<sup>(1)</sup>
- This is down from 5.4% growth in previous quarter<sup>(1)</sup>
- For FY2017, Singapore grew 3.5%, in line with MTI forecast of 3-3.5%<sup>(1)</sup>

## Industry Property Outlook <sup>(2)(3)</sup>

- Savills Singapore expects improved manufacturing performance to be limited to tech sector<sup>(2)</sup>
- Foresees declining industrial rents for 4Q 2017 and 2018<sup>(2)</sup>
- Latest JTC report estimates 1.4 million sqm of industrial space to come on stream in 2018 <sup>(3)</sup>
- This increased supply means prices and rentals to continue to moderate <sup>(3)</sup>

## Sabana REIT

Market conditions continue to be challenging in 2018. Will continue to refine strategy and drive changes to improve performance:

- 6 master leases to expire this year: working to renew master leases for 5 of them; remaining property may be divested or converted to multi-tenant arrangement
- In advanced talks over divestment of 6 Woodlands Loop; targeting to complete in 1H 2018
- Expect to refinance trust certificates and murabahah facilities maturing in 2018 by 1Q 2018; no further refinancing until 2Q 2019

Sources:  
(1) "Singapore's GDP Grew by 3.1 Per Cent in the Fourth Quarter of 2017". Ministry of Trade and Industry. 2 January 2018. Web. 2 January 2018  
(2) "Savills: Briefing Industrial Sector. December 2017". Savills World Research Singapore. December 2017.  
(3) "JTC Quarterly Market Report. Industrial Properties Third Quarter 2017". 3Q 2017. Web. 3Q 2017.

## RESULTS

- **Challenging FY2017 with dip in DPU but delivered 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**

## STRATEGY

- **Delivered on key pathways of recalibrated strategy; Strategic Review ends**
  - New CEO and Independent Directors including Chairman of Audit Committee appointed, assets identified for selective divestment
- **Going forward, refreshed leadership will focus on delivering DPU improvement along three priorities:**
  - Driving revenue and occupancy
  - Enhancing the portfolio
  - Further cost rationalisation

## OUTLOOK

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



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# Appendix: Distribution Details



## Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 October 2017 to 31 December 2017	0.83

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	31 January 2018
Ex-date	1 February 2018, 9am
Books closure date	5 February 2018, 5pm
Distribution payment date	28 February 2018

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