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运通网城 REIT

# 1QFY2022 Results Presentation

12 May 2022



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# Agenda

## Section A

1QFY2022 Key Highlights

## Section B

Financial Review

## Section C

Portfolio Update



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# Section A: 1QFY2022 Key Highlights



# 1QFY2022 Key Highlights



## Financials and Asset Management

- **Gross revenue and NPI ↑ 4.4% and 7.4%** to S\$32.2 million and S\$29.7 million year-on-year respectively mainly due to **strengthening of RMB, organic rental escalation and late fee income**
- **Receipt of 30% of Compensation Package** for the **compulsory expropriation** of Fu Zhuo Industrial.
- **Recognition of 30% of pre-termination compensation** to 3<sup>rd</sup> party tenant at Fu Zhuo Industrial for distribution purpose resulting in **lower Distribution to Unitholders**
- The **balance** of the provision for Pre-Termination Compensation **will be recognised upon receipt of the remaining Compensation Package**
- **Distribution per Unit of 1.383 cents for 1QFY2022** is **9.7% lower** y-o-y mainly due to withholding tax expenses and recognition of 30% of Pre-termination Compensation
- **Fuzhuo Industrial ceased income contribution** from 1 April 2022
- Healthy **occupancy of 98.2%** as at 31 March 2022.
- WALE (by gross rental income) of **2.4 years** (by gross rental income)
- Refinancing in progress. Expects the **refinancing exercise will be completed prior to the loans' expiries**



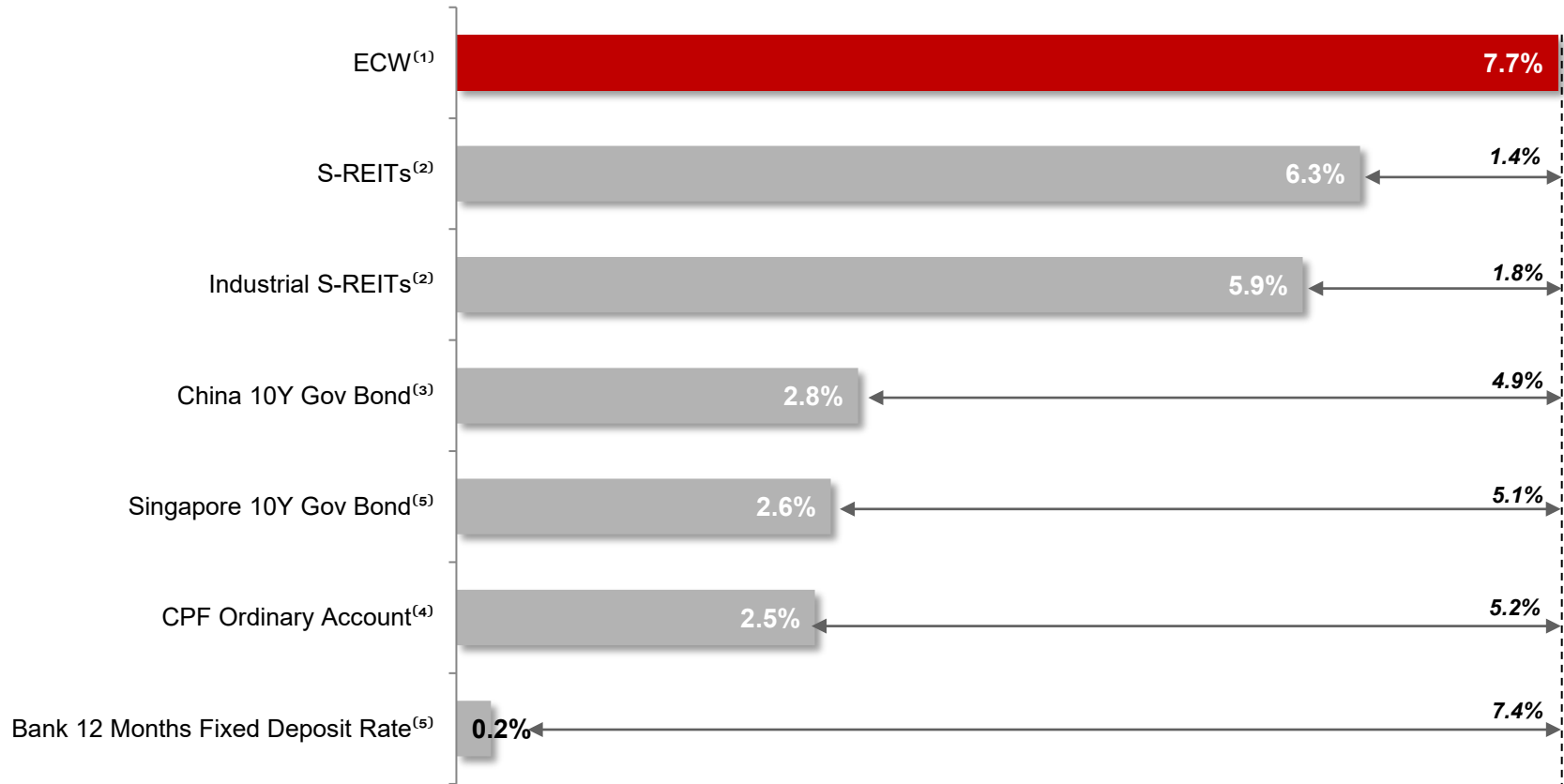
## Outlook

- **COVID** situation in China remains fluid
- Coupled with the war in Ukraine, countries around the world grapple with **supply-demand imbalances and rising inflation.**
- **Suspension of business operations and production** as well as widespread lockdowns in China are expected to **disrupt the logistics sector significantly.**
- For 2022, the Chinese government has a **GDP target of 5.5%** vis-à-vis a GDP growth of 8.1% in 2021.
- However, economists have indicated the **growth target of about 5.5% is increasingly challenging** due to the COVID outbreak and lockdowns as well as the war in Ukraine which has **hampered key economic activities.**



# Distribution Yield

## Attractive Yield Compared to Peers



(1) Based on 1QFY22 Annualised DPU of 5.609 Singapore cents and closing price of S\$0.730 per unit as at 31 March 2022.

(2) Based on Broker Research

(3) Source: Bloomberg

(4) Source: CPF Board

(5) Source: Monetary Authority of Singapore

# 1QFY2022 Distribution Timetable

## Distribution Timetable

<b>Last Day of Trading on “cum” Basis</b>	:	13 June 2022 (Monday)
<b>Ex-date</b>	:	14 June 2022 (Tuesday)
<b>Record Date</b>	:	15 June 2022 (Wednesday)
<b>Distribution Payment Date (Est)</b>	:	29 June 2022 (Wednesday)



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## Section B: Financial Review





# 1QFY2022 Summary Results

Year-on-Year Comparison	1QFY2022	1QFY2021	Variance (%)
Gross revenue (S\$'000)	32,151	30,802	4.4
Net property income (S\$'000)	29,734	27,679	7.4
Finance Cost (S\$'000)	(9,845)	(9,703)	1.5
Income tax expenses (S\$'000)	(6,888)	(4,891)	40.8
Total amount available for distribution (S\$'000)	11,200	13,736	(18.5)
Distribution Amount Available per Unit (Singapore cents) <sup>1</sup>	1.383	1.702	(18.7)
Distribution to Unitholders (S\$'000) <sup>2</sup>	11,200	12,361	(9.4)
Applicable number of units for computation of DPU (million)	809.8	806.8	0.4
<b>Distribution Per Unit<sup>2</sup> (Singapore cents)</b>	<b>1.383</b>	<b>1.532</b>	<b>(9.7)</b>

(1) Based on 100% distribution of total amount available for distributions

(2) For 1QFY2021, the Manager has retained 10% of the total amount available for distribution.

- Increase in gross revenue and NPI were mainly due to strengthening of RMB, late fee income and organic rental escalation. In RMB terms, gross revenue and NPI were 0.7% and 3.7% higher
- After the relevant distribution adjustments, **gross revenue and NPI in RMB terms was 1.3% and 4.4% higher**
- Finance cost was 1.5% higher mainly due to higher interest rate
- Income tax expenses increased 40.8% due to withholding tax paid for the repatriation of funds
- **Distribution to Unitholders declined 9.4%** mainly due to **higher income tax expenses** and provision for **Pre-termination Compensation to 3rd party tenant** as a result of compulsory expropriation of Fu Zhuo Industrial.

# 1QFY2022 Summary Results

Quarter-over-Quarter Comparison	1QFY2022	4QFY2021	Variance (%)
Gross revenue (S\$'000)	32,151	31,943	0.7
Net property income (S\$'000)	29,734	28,813	3.2
Income tax expenses (S\$'000)	(6,888)	(2,917)	236
Finance Cost (S\$'000)	(9,845)	(10,158)	(3.1)
Distribution to Unitholders (S\$'000)	11,200	12,440	(10.0)
Applicable number of units for computation of DPU (million)	809.8	809.5	n.m.
<b>Distribution Per Unit<sup>2</sup> (Singapore cents)</b>	<b>1.383</b>	<b>1.537</b>	(10.0)

- Marginal increase in gross revenue and NPI due to strengthening of RMB, organic rental escalation and higher late fee income in 1QFY2022
- Income tax expenses more than doubled due to higher withholding tax expenses incurred for the repatriation of funds.
- Distribution to Unitholders and DPU declined 10% mainly due to **higher income tax expenses** and provision for **pre-termination compensation to 3rd party tenant** as a result of compulsory expropriation of Fu Zhuo Industrial.
- In line with receipt of compensation package from the PRC authorities, 30% of the Pre-termination Compensation has been recognized.
- The balance of the pre-termination compensation will be recognized in accordance to the receipt of the rest of the compensation package

# Stable Balance Sheet

<b>S\$'000</b>	<b>As at 31 March 2022</b>	<b>As at 31 December 2021</b>
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>139,111</b>	<b>169,255</b>
<b>Investment Properties<sup>(2)</sup></b>	<b>1,657,745</b>	<b>1,673,893</b>
<b>Total Assets</b>	<b>1,892,917</b>	<b>1,895,263</b>
<b>Borrowings</b>	<b>705,101</b>	<b>721,493</b>
<b>Total Liabilities</b>	<b>1,139,097</b>	<b>1,143,510</b>
<b>Net Assets attributable to Unitholders</b>	<b>753,820</b>	<b>751,753</b>
<b>NAV per unit (S\$)</b>	<b>0.93</b>	<b>0.93</b>

(1) Includes RMB195.1 million (S\$41.6 million) cash security deposits received from the master leases and cash deposits of RMB526.4 million (S\$112.2 million) placed as collateral for standby letter of credit (“SBLC”) issuance.

(2) Decline in Investment Properties due to Compulsory Expropriation of Fuzhuo Industrial. Fuzhuo Industrial has been reclassified as an “Asset held for sale”.

# Capital Management

## Refinancing in Progress

- ❑ As at 31 March 2022, ECW REIT has an aggregated facilities of S\$706.5m outstanding. Save for a RMB 77.0 million onshore facility which will due in 2029, the rest of the Facilities are due in 2022.
- ❑ New regulations introduced in August 2020 aimed to de-risking the residential sector resulted in **tightening of credit to property developers**.
- ❑ While ECW is not in the residential property sector, the Manager noted that **lenders have become much more cautious** in giving out property related loans, resulting in additional challenges to the REIT's refinancing.
- ❑ At this juncture, the Manager expects that the **refinancing exercise will be completed prior to the maturity dates** of the term loans.

## Key Metrics as at 31 March 2022

<b>1QFY2022 Blended Running Interest Rate<sup>(1)</sup></b>	<ul style="list-style-type: none"><li>• 4.2% p.a.<ul style="list-style-type: none"><li>• Onshore – 5.9% p.a.</li><li>• Offshore – 4.1% p.a.</li><li>• RCF – 1.3% to 2.1% p.a.</li></ul></li></ul>
<b>Aggregate Leverage</b>	<ul style="list-style-type: none"><li>• 37.3%</li></ul>
<b>Interest coverage ratio<sup>(2)</sup></b>	<ul style="list-style-type: none"><li>• 2.97x</li></ul>
<b>Hedging Profile Forex (SGD/RMB) for 1QFY2022 distribution</b>	<p>Hedged through call vanilla option</p> <ul style="list-style-type: none"><li>• Strike price at CHN 4.715</li></ul>

(1) Including amortized upfront fee, the blended all-in interest rate of the aggregate facilities for the quarter ended 31 March 2022 was 5.1%.

(2) Calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees.



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## Section C: Portfolio Update



# Compulsory Expropriation of Fu Zhuo Industrial

- **PRC authorities to provide a Compensation Package of RMB108.5 million** to be paid in 3 tranches to ECW
- Compensation is 92.8% of latest valuation and 26.8% higher than purchase consideration at IPO.
- As at 31 March 2022, 30% of Compensation Package has been received
- Provision of **pre-termination compensation to third-party tenant of RMB19.2 million (~S\$4.1million)** of which 30% has been recognized in 1QFY2022
- Ceased income contribution from 1 April 2022



Fu Zhuo Industrial is a port property which comprises berths and office buildings and is located in the west of Chongxian New City, north of Hangzhou, on the east bank of the Beijing-Hangzhou Grand Canal, and next to the National Highway No. 320 and Jiaxing-Huzhou Expressway.

<b>Commencement of Operations</b>	Oct 2014
<b>Net Lettable Area (sqm)</b>	7,128
<b>Type of Lease</b>	Multi-tenanted
<b>Occupancy<sup>(1)</sup></b>	100.0%
<b>Purchase Consideration (RMB'm)</b>	85.6
<b>Independent Valuation (RMB'm) <sup>(1)</sup></b>	117.0
<b>% of Portfolio Valuation <sup>(1)</sup></b>	1.48%
<b>Compensation package (RMB'm)</b>	108.5
<b>Provision of Compensation to 3<sup>rd</sup> party tenant (RMB'm)</b>	19.2

(1) As at 31 March 2022.

(2) As at 31 March 2022. By Gross Rental Income

(3) For the financial year ended 31 December 2021

# Stable Portfolio with Embedded Organic Growth

## Healthy Occupancy of 98.6%

### E-Commerce Logistics Assets

Asset	Lease Structure	Occupancy <sup>1</sup>	Key Highlight
Fu Heng	Master Lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021.	100%	Coveted property; <b>entire suite of facilities</b> supporting e-commerce fulfilment
Fuzhou E-Commerce	Master Lease: 8 Aug 2019 to 7 Aug 2024 Rental escalation of 2.25% per annum	100%	Situated next to Fu Heng. A <b>sizable integrated e-commerce</b> logistics asset
Stage 1 Properties of Bei Gang	Master lease: 1 Nov 2015 to 31 Oct 2024 Annual rental escalation of 1% from Nov 2020 to Oct 2024	100%	One of the <b>largest e-commerce developments</b> in the region
Wuhan Meiluote	Multi Tenanted	78.8%	First acquisition in 2018. Houses mainly e-commerce players

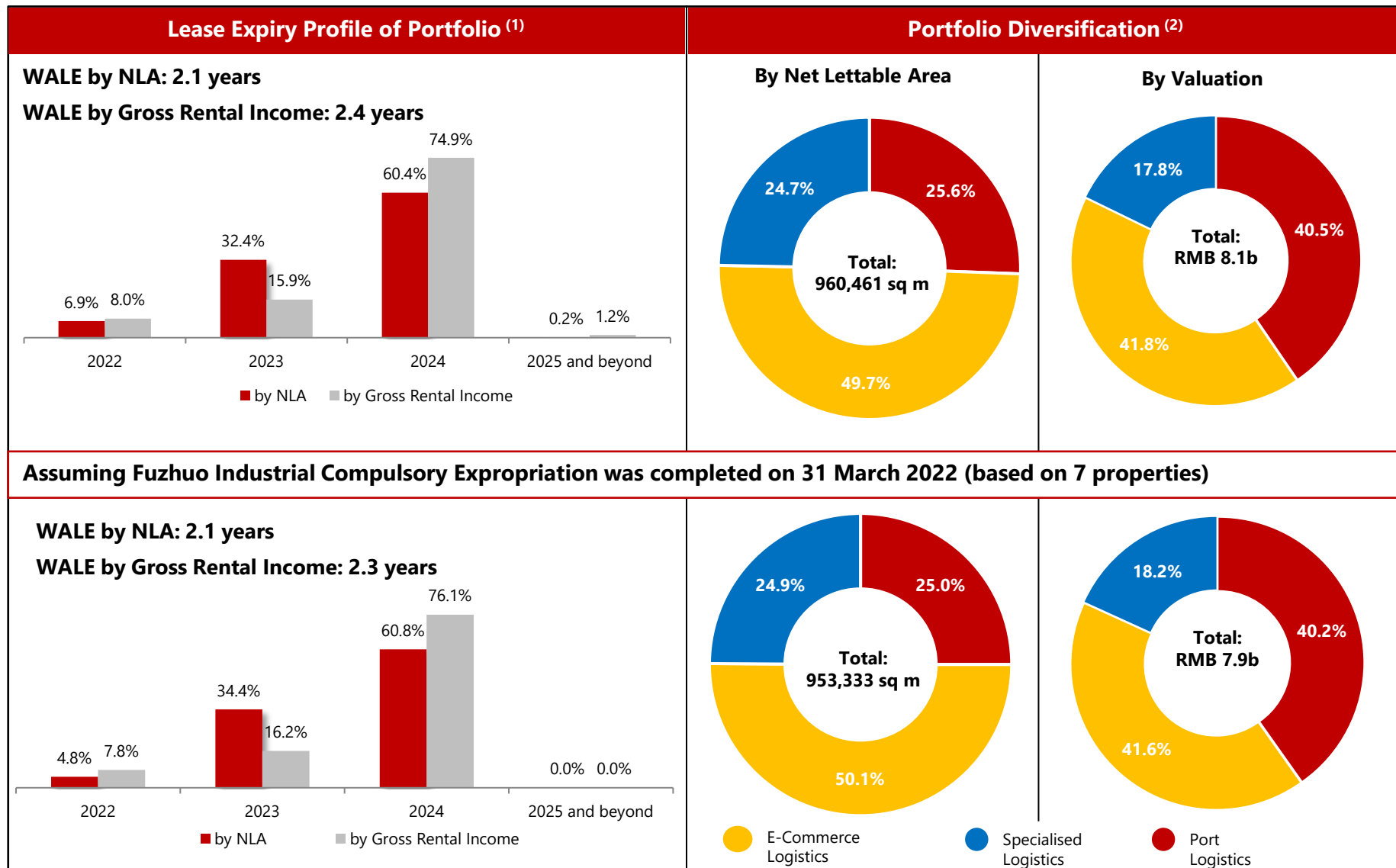
### Specialized Logistics Asset

Asset	Lease Structure	Occupancy	Key Highlight
Hengde Logistics	Multi Tenanted.	100%	Customised environment control warehouse space for major SOE tenant <b>China Tobacco</b>

### Port Logistics Assets

Asset	Lease Structure	Occupancy	Key Highlight
Chongxian Port Investment	Master lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021	100%	Leading river port with <b>60% market share</b> for steel products in Hangzhou
Chongxian Port Logistics	Multi Tenanted	97.8%	<b>Integrated operations</b> , storage processing and logistics distribution for steel products
Fu Zhuo Industrial	N.A.	100%	Asset is subject to compulsory expropriation and will no longer be income producing from 1 April 2022

# Asset Portfolio Parameters



(1) As at 31 March 2022

(2) For the financial year ended 31 December 2021





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**For queries, please contact:**

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**Thank You**

