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运通网城 REIT

# 1QFY2020 Results Presentation

12 May 2020



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# Agenda

## Section A

1QFY2020 Key Highlights

## Section B

Financial Review

## Section C

Portfolio Update



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# Section A: 1QFY2020 Key Highlights





# 1QFY2020 Key Financial Highlights

## Mitigating Impact from COVID-19



### Asset Management: Tenants' businesses restarted post extended Spring Holidays

- **Businesses in China negatively impacted** by extended Spring Holidays and **delay in workers returning to work** post the extended holidays
- **Rental rebates** of approximately **RMB 23.7 million in 1QFY2020** to tenants within its portfolio in efforts to **mitigate the adverse impact of the COVID-19** situation on tenants' operations in China
- Expects rental rebates to be **one-off in nature** barring further unforeseeable circumstances
- **Weighted Average Lease to Expiry of 3.8 years** (by gross rental income)

### 1QFY2020 Financials and Distributions

- Decline in gross revenue 1.4% to S\$23.5 million mainly due to **recognition of rental rebates** mitigated by **full quarter revenue contribution by Fuzhou E-Commerce**
- Retain 5% of amount available for distribution in 1QFY2020 for prudence and financial fluidity.
- Distribution Per Unit ("DPU") of **1.158 cents** for **1QFY2020**. Excluding rental rebates, DPU would have been 1.529 cents in 1QFY2020



### Stable Capital and Debt Structure

- **Aggregate Leverage** of **38.6%**, well within new MAS limit of 50%
- **All-in running interest rate** for the quarter of **4.3%**
- Weighted Average Term of Debt Expiry of **2.37 years**
- **100%** of interest rate risk of **Offshore Facility hedged using floating to fixed interest rate swaps and cross currency swaps.**



# 1QFY2020 Key Operational Highlights

## Operations have resumed amidst slower pace

- **Extension of Spring Festival Holiday** countrywide by Chinese Government impacted tenants' operations
- **Majority of migrant workers returned to work only in March 2020** after serving the requisite quarantine period
- Within EC World REIT's assets, **tenants in all assets have resumed operations** as at 31 March 2020

SS	Asset	Occupancy	Status as at 31 March 2020
E-Commerce Logistics	Fu Heng	100%	Underlying tenant operations have resumed. Workers have also returned to work
	Fuzhou E-Commerce	100%	Commenced full operations. Part of the asset catered to essential services which remained operational during the extended Spring Holidays
	Stage 1 Properties of Bei Gang	100%	Underlying tenant operations have resumed. Workers have also returned to work
	Wuhan Meiluote	93.3%	Underlying tenant operations have resumed, albeit at a slower pace.
Port Logistics	Chongxian Port Investment	100%	Underlying tenant operations have resumed. Pick-up in operations mainly towards end-March 2020
	Chongxian Port Logistics	95.5%	Asset supports Chongxian Port Investment. While operations at Chongxian Port Investment have picked up, tenants were affected due to the extended closure of the port during the extended Spring Holidays
	Fuzhuo Industrial	100%	Slow down in supply and demand due to extended Spring Holidays.
Specialised Logistics	Hengde Logistics	100%	Underlying operations have restarted with the return of the full force of workers



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## Section B: Financial Review



# 1QFY2020 Summary Results

- **Decline in Gross Revenue and Net Property Income** mainly due to **recognition of one-off rental rebates** of RMB 23.7 million provided to tenants within portfolio in March 2020. This was mitigated by additional revenue from Fuzhou E-Commerce acquired in August 2019 and organic rental escalation.
- **Excluding rental rebates, DPU** would have been **1.529 cents**.
- Retained 5.0% of amount available for distribution and elected to pay 50% of the management fee in cash and 50% in units for 1QFY2020

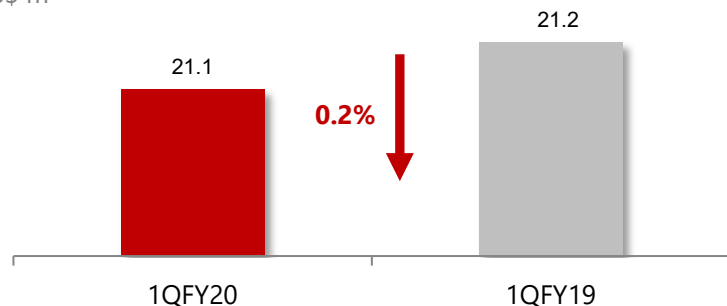
Year on Year Comparison	1QFY2020	1QFY2019	Variance (%)	Quarter on Quarter Comparison	1QFY2020	4QFY2019	Variance (%)
Gross revenue (S\$'000)	23,534	23,857	(1.4)	Gross revenue (S\$'000)	23,534	25,862	(9.0)
Net property income (S\$'000)	21,138	21,185	(0.2)	Net property income (S\$'000)	21,138	24,475	(13.6)
Amount available for distribution (S\$'000)	9,788	11,923	(17.9)	Amount available for distribution (S\$'000)	9,788	12,741	(23.2)
Distribution to Unitholders (S\$'000)	9,298	11,923	(22.0)	Distribution to Unitholders (S\$'000)	9,298	12,098	(23.1)
Distribution per unit (Singapore cents)	1.158	1.501	(22.9)	Distribution per unit (Singapore cents)	1.158	1.510	(23.3)



# Review of Performance (1QFY2020 vs 1QFY2019)

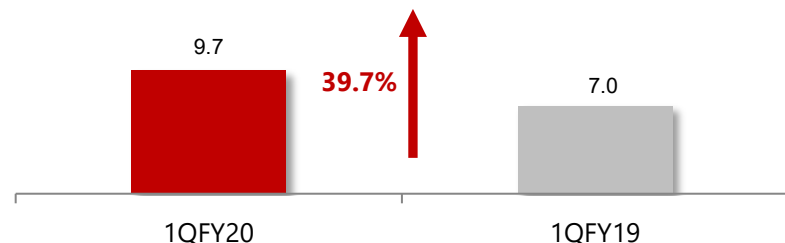
## Net Property Income (NPI)

S\$ m



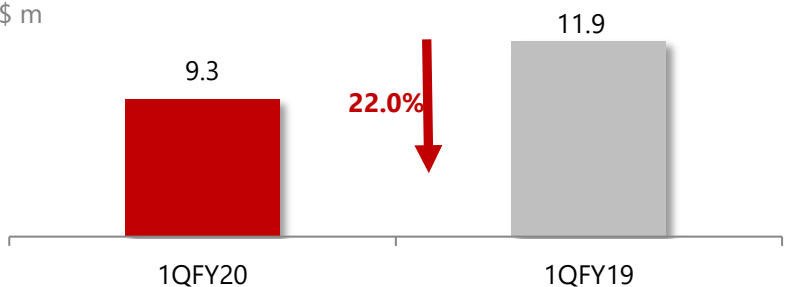
## Finance Cost

S\$ m



## Distribution to Unitholders

S\$ m



- **NPI** of S\$21.1 million was ~S\$47,000 or **0.2% lower** compared to 1Q19. **In RMB terms**, the gross revenue and **NPI** were **0.1% and 1.2% higher** respectively compared to 1Q19.
- **After straight-line, security deposit accretion and other relevant distribution adjustments**, the gross revenue and **NPI in RMB terms** were **0.9% and 1.4% higher** respectively compared to 1Q19, due to Fuzhou E-commerce acquired in August 2019 and organic rental escalations, offset by one-off rental rebates given to tenants in March 2020
- **Higher finance costs of 39.7%** compared to 1Q19 mainly due to higher term loan quantum in 1QFY2020 compared to 1QFY2019
- **Distribution to Unitholders** of S\$9.3 million, **22.0% decline** compared to 1Q19 **mainly due to rental rebates** announced on 03 April 2020 which has been recognized in 1QFY2020
- Excluding the **rental rebates**, DPU would have been 1.529 cents in 1QFY2020

# 1QFY2020 Distribution Timetable

## Distribution Timetable

<b>Last Day of Trading on "cum" Basis</b>	:	11 June 2020
<b>Ex-date</b>	:	12 June 2020
<b>Record Date</b>	:	15 June 2020
<b>Distribution Payment Date</b>	:	26 June 2020

# Stable Balance Sheet

<b>S\$'000</b>	<b>As at 31 Mar 2020</b>	<b>As at 31 Dec 2019</b>
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>117,737</b>	<b>119,469</b>
<b>Investment Properties</b>	<b>1,630,773</b>	<b>1,567,586</b>
<b>Total Assets</b>	<b>1,804,226</b>	<b>1,724,041</b>
<b>Borrowings</b>	<b>683,833</b>	<b>654,514</b>
<b>Total Liabilities</b>	<b>1,082,919</b>	<b>1,040,116</b>
<b>Net Assets attributable to Unitholders</b>	<b>721,307</b>	<b>683,925</b>
<b>NAV per unit (S\$)</b>	<b>0.90</b>	<b>0.85</b>

(1) Includes RMB194.7 million (S\$37.6 million) cash security deposits received from the master leases and cash deposits of RMB359.8 million (S\$69.5 million) placed as collateral for standby letter of credit ("SBLC") issuance.

# Prudent Capital Management

## Proactive Capital Management

### FY1Q2020 Summary

- ❑ **1QFY2020 blended** running interest rate of **4.3%**
- ❑ **Healthy Weighted Average Debt Expiry to 2.37 years**
- ❑ **100% of offshore facilities** has been swapped into **fixed rate**
- ❑ Aggregate leverage of **38.6%**
- ❑ Proactive monitoring of exchange rate. Entered into FX option contract to lock in SGDRMB 6 months forward for our RMB income source for 2QFY20 distribution.

### Key Debt Figures

#### Total Debt Drawdown as at 31 March 2020

- RMB1,095.0 million onshore
- S\$300.0 million and US\$86.8 (S\$123.6 million)
- S\$79.3 million RCF <sup>(2)</sup>

#### 1QFY2020 Blended Running Interest Rate<sup>(1)</sup>

- Onshore – 5.8% p.a.
- Offshore – 4.0% p.a.
- RCF – 1.5% to 2.6% p.a.

#### Hedging Profile Forex (SGD/RMB) 2QFY20

- Hedged through call vanilla option
- Strike price at CHN 5.20

(1) Including amortized upfront fee, the all-in interest rate for 1QFY2020 is 5.1%

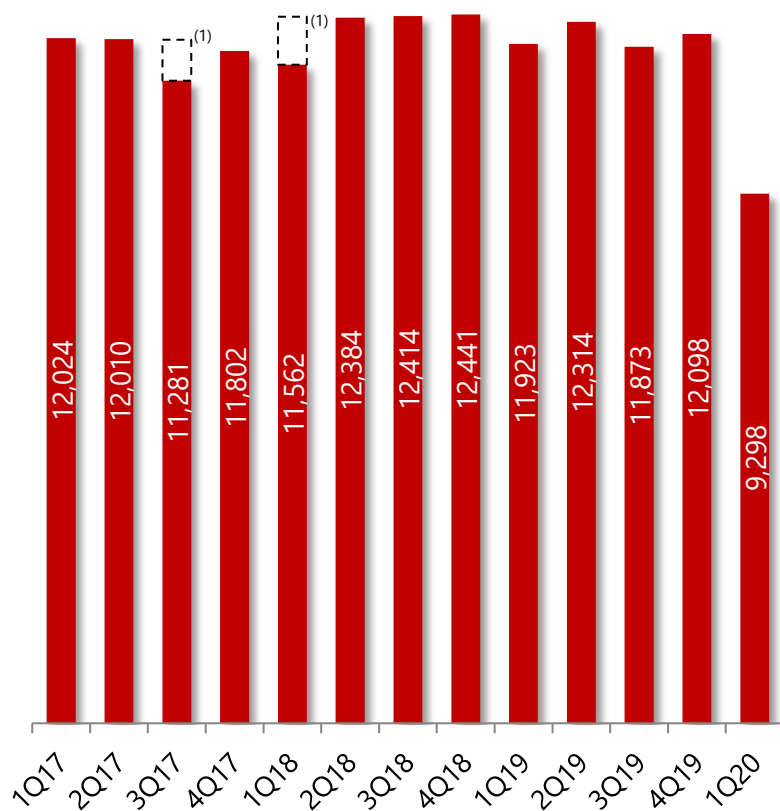
(2) S\$79.3 million drawn down from the S\$120.0 million revolving credit facility



# Distributions to Unitholders

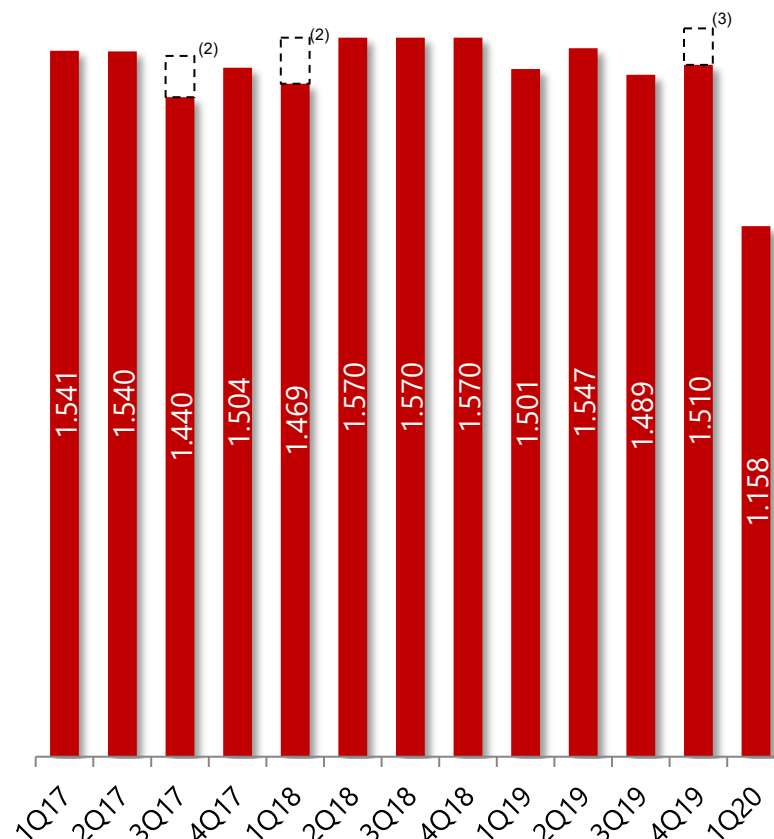
## Distribution to Unitholders

SGD'000



## DPU

Singapore cents



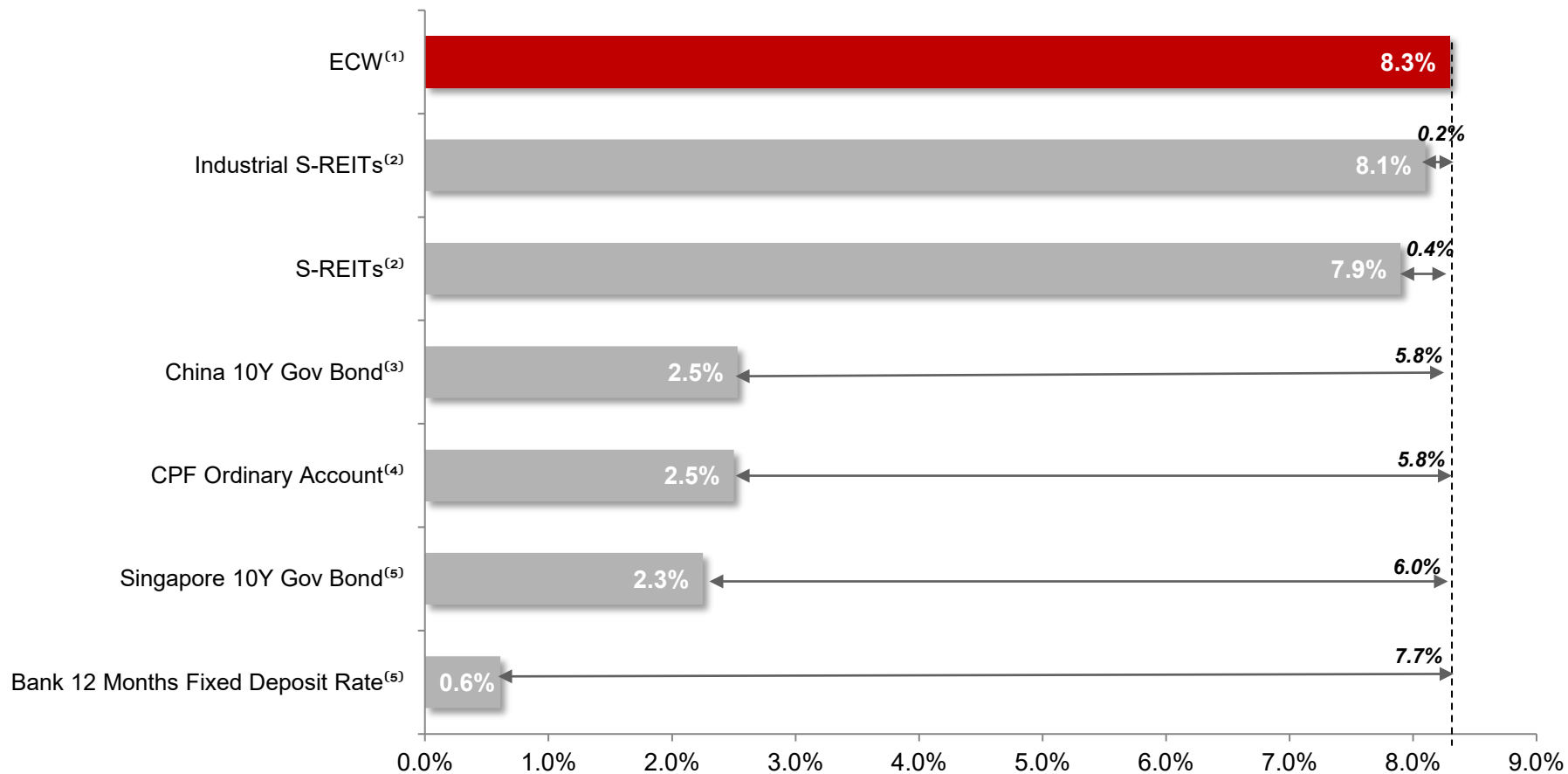
(1) There is a 5% withholding tax expenses incurred during the cash repatriation process for Distribution to Unitholders. Adjusted distribution to Unitholders gross of withholding tax expenses would be about S\$12.0 million and S\$12.4 million for 3Q17 and 1Q18 respectively

(2) Adjusted DPU gross of withholding tax expenses for 3Q17 and 1Q18 would be 1.530 and 1.570 Singapore cents respectively

(3) For 4QFY19, the Manager has resolved to distribute 95% of the capital distribution to Unitholders. Based on a 100% distribution, DPU would have been 1.590 cents for 4QFY19.

# Distribution Yield

## Yield Compared to Peers



(1) Based on annualized 1QFY2020 DPU of 4.657 cents and Unit Price of S\$0.560 per Unit as at 31 March 2020

(2) Based on Broker Research

(3) Source: Bloomberg

(4) Source: CPF Board

(5) Source: Monetary Authority of Singapore



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# Section C: Portfolio Update

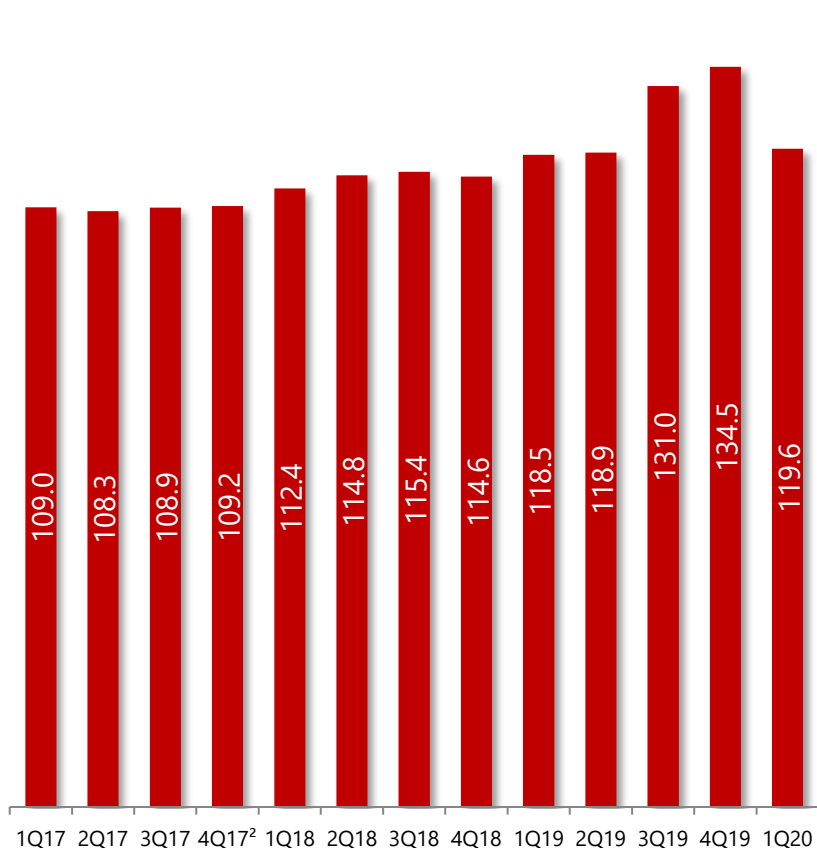


# Asset Portfolio Performance

## Short Term Operating Performance Impacted by Rental Rebates

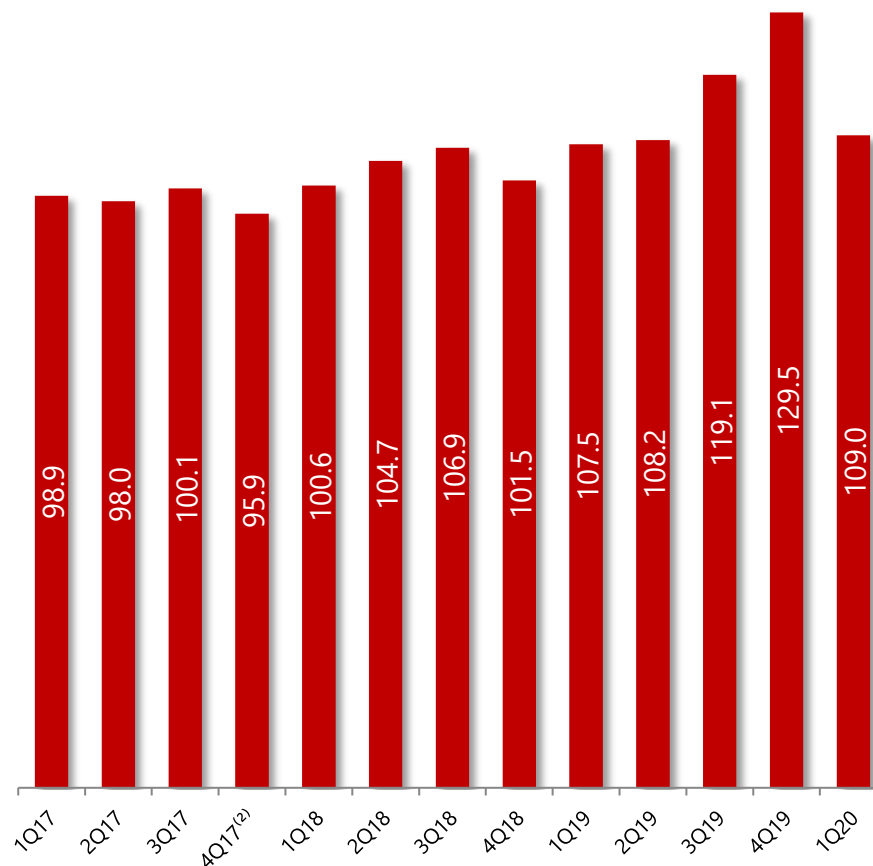
### Gross Revenue <sup>(1)</sup>

RMB million



### Net Property Income <sup>(1)</sup>

RMB million



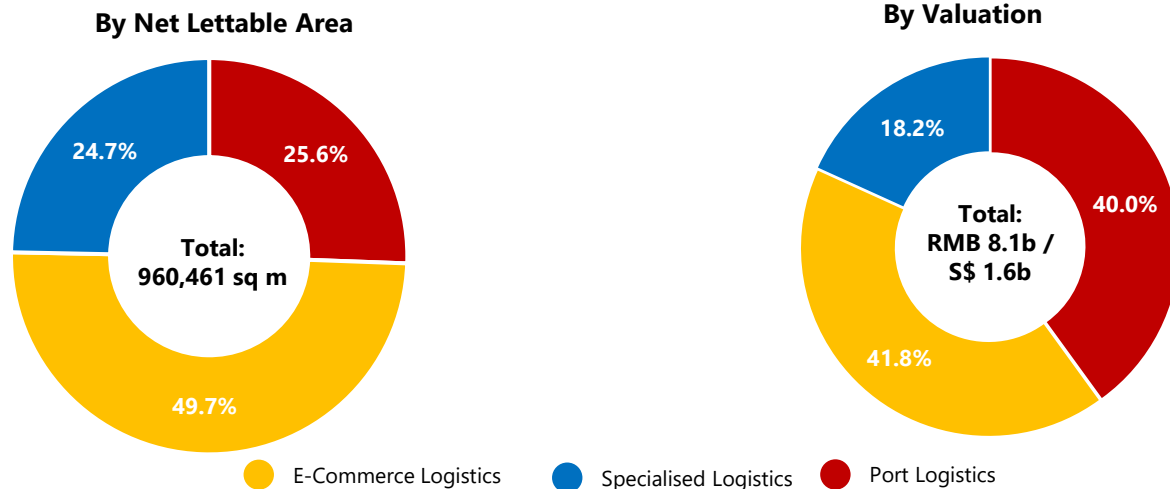
(1) Excluding straight-line, security deposit accretion and other relevant distribution adjustments

(2) Including a provision of impairment (RMB5.2m) of receivables at Fu Zhuo as at 31 Dec 2017. There was no impact to DPU for FY17



# High Quality and Differentiated Asset Portfolio

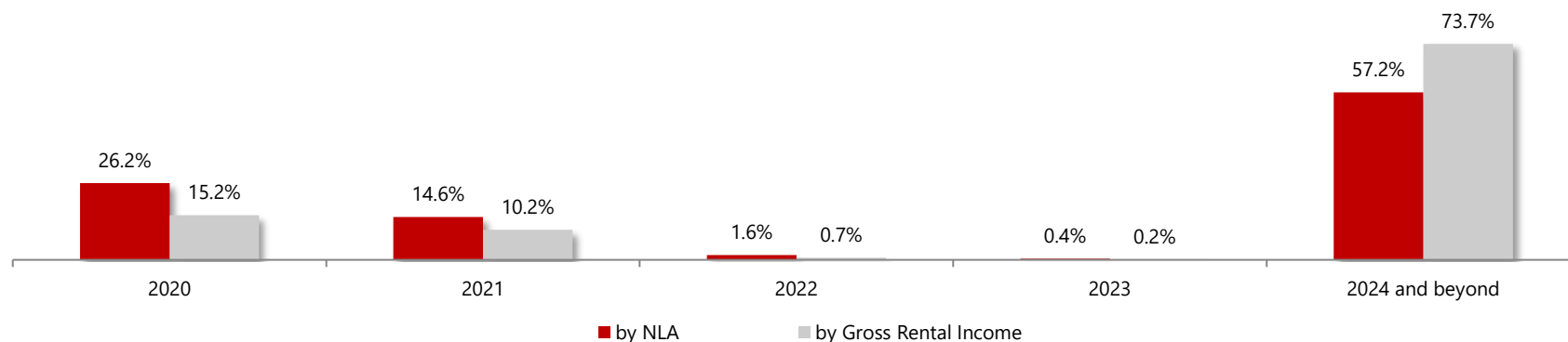
## Portfolio Diversification <sup>(1)</sup>



## Lease Expiry Profile of Portfolio <sup>(1)</sup>

WALE by NLA: 3.0 years

WALE by Gross Rental Income: 3.8 years

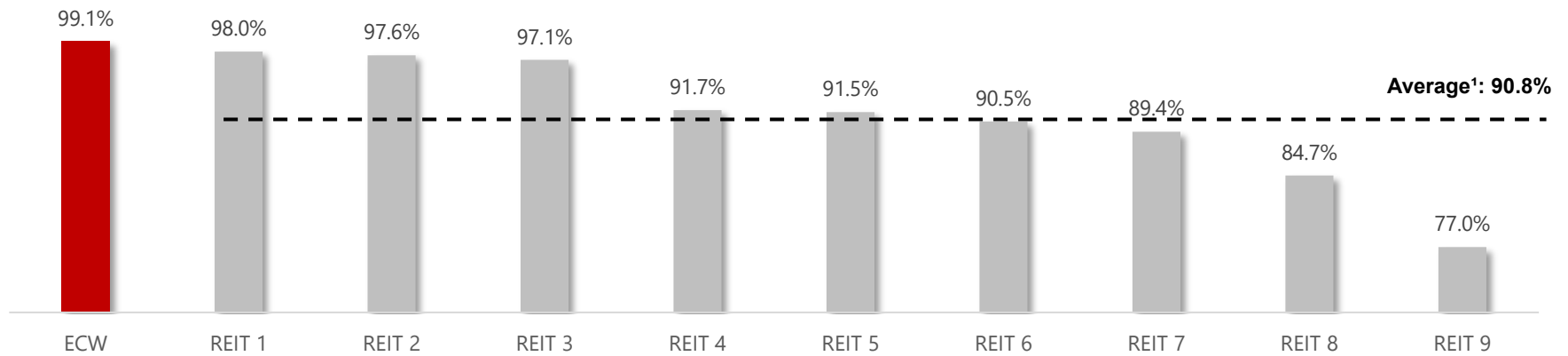


(1) As at 31 March 2020

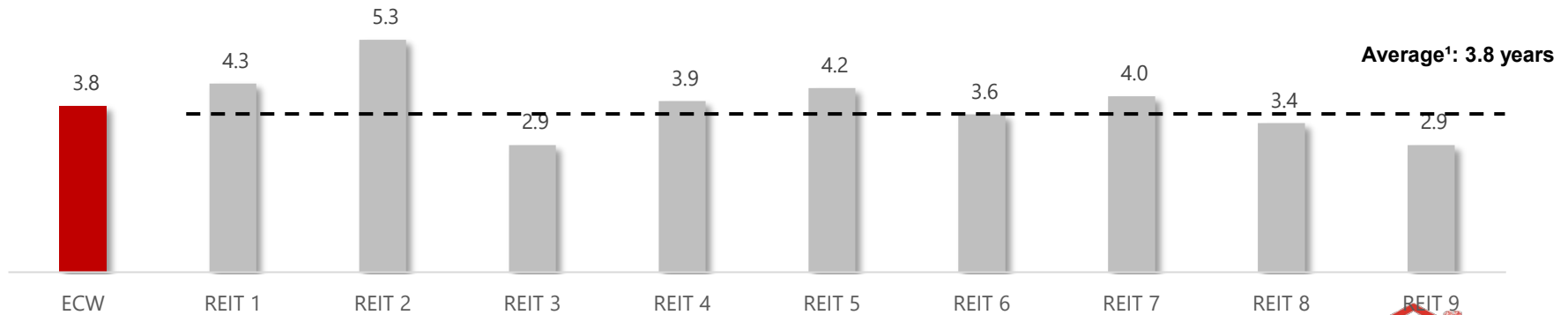
# Healthy Lease Structure and Occupancy

- ✓ Healthy WALE of 3.8 years by Gross Rental Income
- ✓ Occupancy remains healthy

## Portfolio Occupancy (Industrial S-REITs)



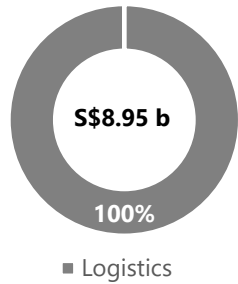
## Portfolio WALE<sup>2</sup> (Years) (Industrial S-REITs)



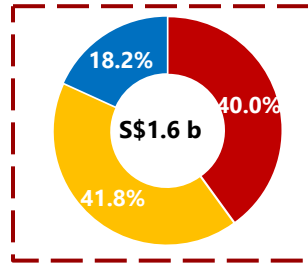
# Unique Exposure to the China E-Commerce Sector

**Only S-REIT Offering Substantial Access to E-Commerce Logistics Business**

**REIT 1**

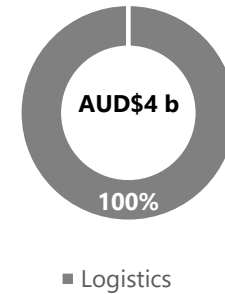


**ECW REIT**

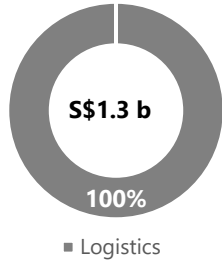


● E-Commerce Logistics ● Specialised Logistics ● Port Logistics

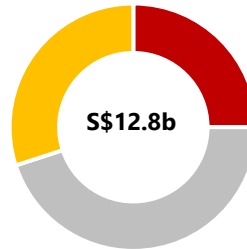
**REIT 2**



**REIT 3**

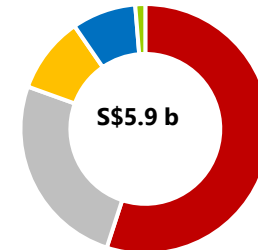


**REIT 4**



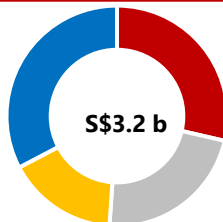
■ Logistics & Distribution Centres ■ Suburban Offices / Business Parks  
■ Industrial

**REIT 5**



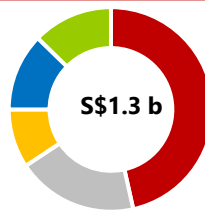
■ Hi-Tech Industrial ■ Flatted Factories  
■ Business Park ■ Stack-up/Ramp-up  
■ Light Industrial

**REIT 6**



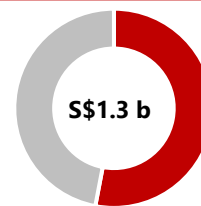
■ Business Parks ■ Logistics / Warehouse  
■ Hi-Specs Industrial ■ General Industrial

**REIT 7**



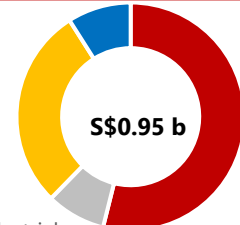
■ Logistics & Warehouse ■ Business Park  
■ Hi-Tech Space ■ Light Industrial

**REIT 8**



■ Industrial ■ Business Park

**REIT 9**



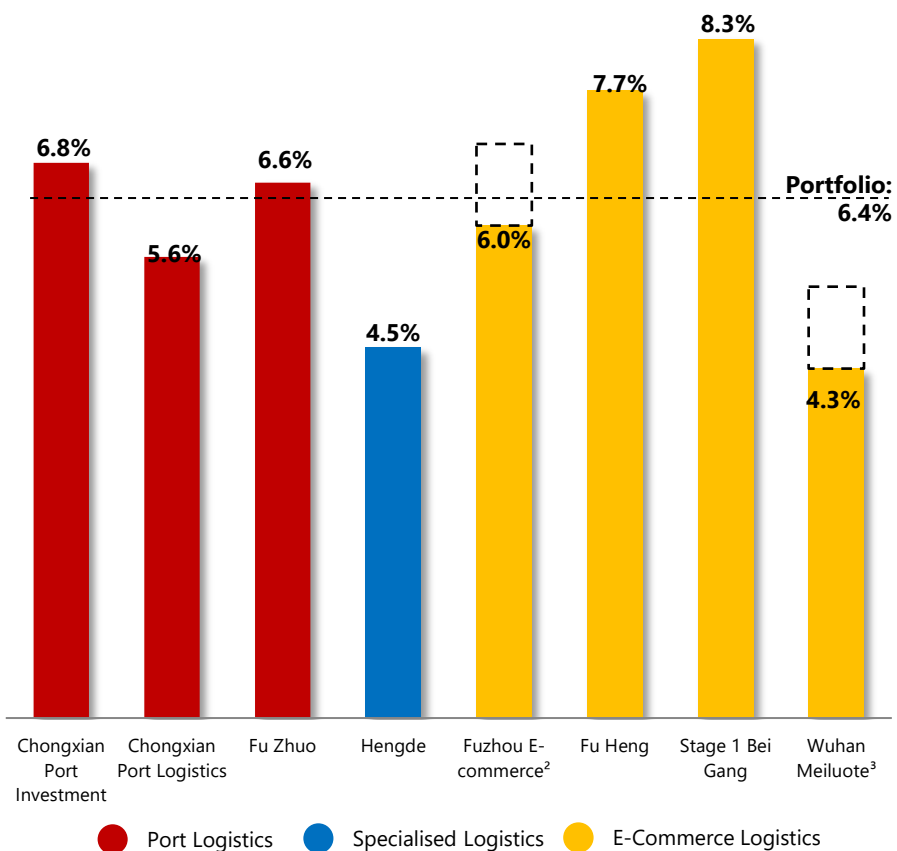
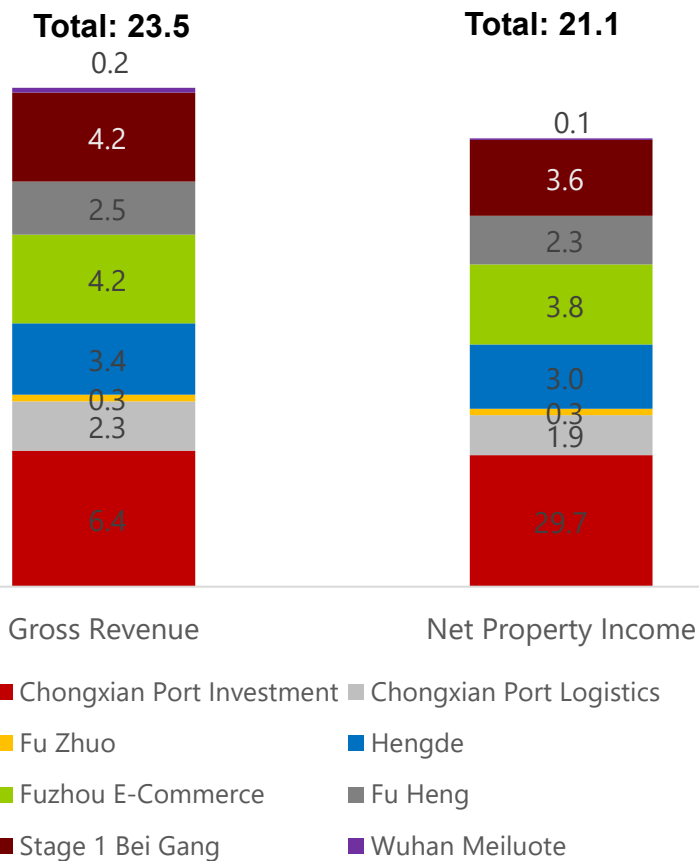
■ Hi-Tech Industrial  
■ Chemical Warehouse & Logistics  
■ Warehouse & Logistics  
■ General Industrial

Based on latest publicly available quarterly disclosure as at 31 March 2020. REIT 6 by Gross Rental. REIT 9 by NLA

# Summary Assets Performance

## 1QFY2020 Breakdown by Gross Revenue and NPI (SGD m)

## Annualised NPI Yield <sup>(1)</sup>



- (1) In RMB terms. Annualised based on NPI achieved for January to February 2020. Rental rebates were provided to tenants in March 2020  
 (2) Using acquisition price of RMB1,112.5 million, FY19 NPI yield would be 7.0%  
 (3) Using acquisition price of RMB145 million, FY19 NPI yield will be 5.3%





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**For queries, please contact:**

Sabrina Tay  
Senior Manager, Investor Relations  
Tel: +65 6221 9018  
sabinatay@ecwreit.com  
www.ecwreit.com



**Thank You**

