



ParkwayLife REIT

(“PLife REIT”)



The Proposed Entry into the New Master Lease Agreements for Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property and the Renewal Capex Agreement (the “Proposed Transaction”)

14 July 2021

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Proposed Transaction – Overview

Background

- Singapore Hospitals¹ are key assets of PLife REIT contributing ~60.2% by asset value and ~58.9% by net property income² of PLife REIT's total portfolio
- Existing 15-year leases are expiring on 22 August 2022 ("Existing Term")

Proposed Transaction

- Proposed entry into New Master Lease Agreements for the Singapore Hospitals and Renewal Capex Agreement
- In connection with the Proposed Transaction, the Sponsor shall grant PLife REIT a right of first refusal over Mount Elizabeth Novena Hospital Property ("ROFR")
- An agreement for lease framework has been signed on 14 July 2021 in relation to the agreed terms for the New Master Lease Agreements, Renewal Capex Agreement and ROFR.

Key Highlights

PLife REIT will inject one-time Renewal Capex of S\$150 million to renovate and upgrade the Singapore Hospitals

Renewal Capex Works will take ~3 years to complete (FY2023 to FY2025); Rental Rebate on Tiered Basis (total of ~S\$60.9 million) will be granted to Master Lessee during this Downtime Period

Guaranteed rental step up till FY2025 ; Annual Rent Review Formula (similar to current formula) shall be applicable for Year 4 to Year 20 of Renewal Term i.e. FY2026 to FY2042

Total rental growth of ~39.6% at the end of Year 4 of Renewal Term, as compared to the estimated expiring rent for Year 15 of Existing Term³

Extended term ~ 20.4 years to 31 December 2042 for Singapore Hospitals ensures 100% committed occupancy; WALE of PLife REIT's overall portfolio will improve from 5.7 years to 16.6 years⁴

ROFR over Mount Elizabeth Novena Hospital Property for a period of 10 years

1. Singapore Hospitals refers to Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property (together with certain medical centre units, retail units and car park lots, where applicable)
2. As at 31 December 2020
3. Approximately S\$71.0 million, an estimation based on the latest available information and projections of the minimum guaranteed rent based on the CPI + 1% rent revision calculations for Year 15 (23 August 2021 to 22 August 2022) of the Existing Term
4. Based on gross rent, as at 31 December 2020

Proposed Transaction – Overview

Key Rationale

- 1 New Master Lease Agreements will provide long-term income certainty, stability and sustainable occupancy for PLife REIT
- 2 Clear rent structure of the New Master Lease Agreements underpins the organic growth of PLife REIT
- 3 Renewal Capex Works will enhance the operational performance and asset values of the existing high quality Properties
- 4 New Master Lease Agreements will ensure that the Properties remain well-positioned to ride on the growth potential of the Singapore healthcare industry
- 5 ROFR over a high quality asset in Singapore further enhances PLife REIT's growth potential; demonstrates Sponsor's strong support and alignment of interests between Sponsor and Unitholders of PLife REIT

Funding and Pro forma effects of Proposed Transaction (for illustration only)¹

Pro forma DPU	Pro forma NAV and Gearing	Funding
Expected to increase by approximately 0.51 cents (3.7%) and 4.47 cents (32.4%) at end of Year 1 and Year 4 of Renewal Term respectively	<ul style="list-style-type: none"> ▪ Immediately after the proposed entry into the Proposed Transaction, <i>pro forma</i> NAV is expected to increase by approximately S\$240.2 million (19.8%) and gearing to improve to 34.5%, from 38.5% ▪ At the beginning of Year 4 of Renewal Term, post completion of Renewal Capex Works, <i>pro forma</i> NAV is expected to increase by approximately S\$478.7 million/ 39.4%. Gearing will be at 37.3% 	Based on assessment of prevailing market conditions, the intention is to wholly finance the Renewal Capex Costs and related feasibility studies expenses via external borrowings.



New Master Lease Agreements¹

Renewal Term

23 August 2022 to 31 December 2042 comprising:

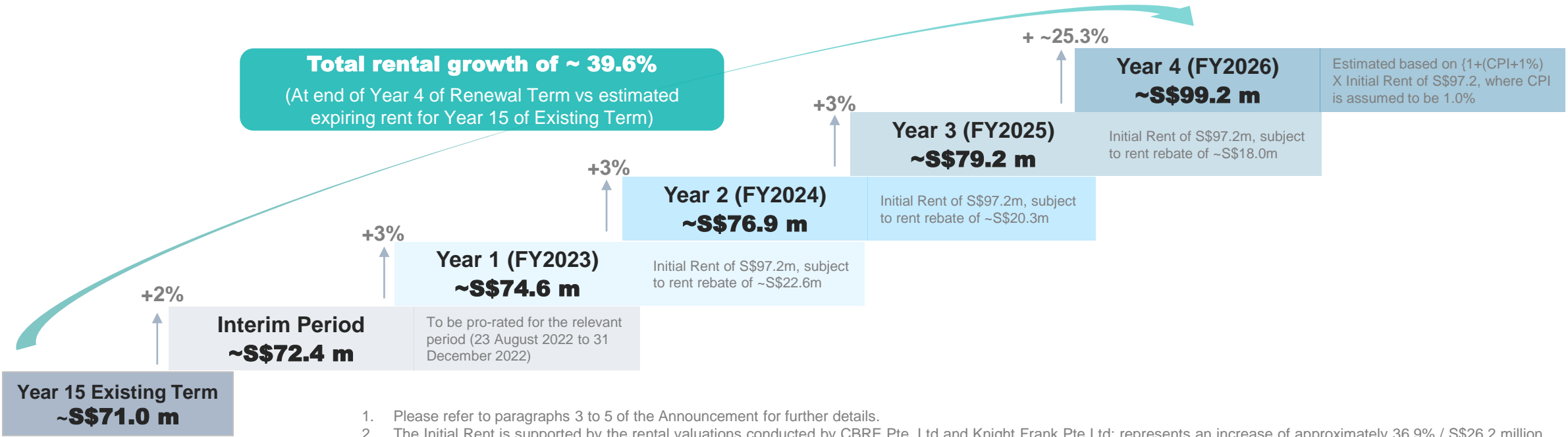
- (i) Interim Period (23 August 2022 to 31 December 2022)
- (ii) 20 years (1 January 2023 to 31 December 2042)

Extended Term

Option to renew for a further term of 10 years
(1 January 2043 to 31 December 2052)

Rent Payable for Renewal Term

- Initial Rent for FY2023 is S\$97.2 million (supported by rental valuations)²
- Renewal Capex Works will take ~ 3 years to complete and are expected to take place from FY2023 to FY2025 (“Downtime Period”)
- Tiered Rent Rebate totaling ~ S\$60.9 million will be granted to Master Lessee during the Downtime Period
- Guaranteed Rent Step-Up till FY2025 – 2.0% and 3.0% increase in rent for Interim Period and Downtime Period from preceding year/ period respectively
- Rent Review Formula³ (similar to existing formula) for Year 4 to Year 20 i.e. FY2026 to FY2042



1. Please refer to paragraphs 3 to 5 of the Announcement for further details.
2. The Initial Rent is supported by the rental valuations conducted by CBRE Pte .Ltd and Knight Frank Pte Ltd; represents an increase of approximately 36.9% / S\$26.2 million, compared to the estimated expiring rent for Year 15 of Existing Term of S\$71.0 million.
3. Higher of the (CPI+1%) or (Base Rent + Variable Rent); CPI refers to the percentage increase in the Consumer Price Index announced by the Department of Statistics of Singapore for the relevant year compared to the immediately preceding year. Where the CPI is negative for any given year, the CPI shall be deemed to be zero.

Renewal Capex Agreement¹

The Renewal Capex Works will:

- ✓ Enhance overall performance, operations and architectural design of the existing high quality properties
- ✓ Improve utilisation of available space and resources, allowing the Singapore Hospitals to meet patient demand and better serve the community as well as address emerging and evolving healthcare trends
- ✓ Enhance the quality positioning and increase competitiveness of PLife REIT and the Master Lessee (as hospital operator), thereby driving further growth



Renewal Capex Costs	Renewal Capex Timeline	Scope of Renewal Capex Works
<ul style="list-style-type: none"> ▪ Up to S\$150 million (exclusive of GST) ▪ Comprise the total value of the Renewal Capex Works (including a contingency amount) ▪ Parties shall negotiate any cost over-run in good faith with the view of agreeing on appropriate measures to contain the costs within the S\$150 million. 	<ul style="list-style-type: none"> ▪ PLife REIT will undertake and complete the Renewal Capex works ▪ Expected to start by 1 January 2023* ▪ Renewal Capex Works will take approximately 3 years to complete; Master Lessee may request for PLife REIT to carry out the works in phases due to operational consideration ▪ All Renewal Capex Works to complete no later than 31 March 2028* <p>* or such other date to be mutually agreed upon and/ or provided in accordance with the Renewal Capex Agreement</p>	<p>Substantially based on the following:</p> <ul style="list-style-type: none"> ▪ Future proofing through improvement works of the safety features and utilities infrastructure; ▪ Enhancing building performance with eco-friendly and sustainability features through Green Mark certification and technological advances such as building management system; and ▪ Refreshing aesthetic and the experience of the space of the property as well as addressing patient demand and evolving healthcare trends through upgrading and reconfiguration of the hospital space and functions ▪ Subject to changes and variations based on findings of the feasibility studies (expected to be completed around October 2021) ▪ Bulk of the works expected to be at Mount Elizabeth Hospital Property

Pro Forma Financial Effects of the Proposed Transaction

- DPU and Distribution Yield

- At the end of Year 1 of the Renewal Term, the *pro forma* Distribution Per Unit (“DPU”) is expected to increase by approximately 0.51 cents / 3.7%
- At the end of Year 4 of the Renewal Term, where the Tiered Rent Rebate no longer applies and the rent review formula kicked in, the *pro forma* DPU is expected to increase by approximately 4.47 cents / 32.4%

*For illustrative purposes only
(As if the Proposed Transaction was completed on 1 January 2020)¹*

FY2020			
	Before Proposed Transaction	At the end of Year 1 of the Renewal Term after the Proposed Transaction	At the end of Year 4 of the Renewal Term after the Proposed Transaction
Distributable Income (S\$'000)	83,409	86,539	110,456
DPU (cents)	13.79	14.30	18.26
Annualised Distribution yield	3.56%	3.70%	4.72%



Funding and Pro Forma Financial Effects of the Proposed Transaction

- Pro Forma NAV per Unit and Gearing

- Immediately after the entry into the Proposed Transaction, the *pro forma* Net Asset Value (“NAV”) is expected to increase by approximately S\$240.2 million/ 19.8%. Gearing will improve to 34.5% from 38.5%.
- At the beginning of Year 4 of the Renewal Term, post completion of the Renewal Capex Works, the *pro forma* NAV is expected to increase by approximately S\$478.7 million/ 39.4%. Gearing will be at 37.3%.
- Based on assessment of prevailing market conditions, the intention is to wholly finance the Renewal Capex Costs and related feasibility studies expenses via external borrowings. No immediate need to fund the Renewal Capex Costs in full after entry into the Renewal Capex Agreement. Final decision regarding mode of financing to be employed will be made at the appropriate time.

*For illustrative purposes only
(As if the Proposed Transaction was completed on 31 December 2020)¹*

As at 31 December 2020			
	Before Proposed Transaction	Immediately after the entry into the Proposed Transaction	At the beginning of Year 4 of the Renewal Term post completion of the Renewal Capex Works
NAV (S\$'000)	1,183,615	1,423,815	1,508,515
NAV per Unit (S\$)	1.96	2.35	2.49
Asset Valuation (S\$'000)	1,213,800	1,454,000	1,692,500
Gearing (%)	38.5%	34.5%	37.3%

Right of First Refusal

- ROFR granted by Sponsor to PLife REIT at IPO had expired in 2012¹
- In connection with the Proposed Transaction, the Sponsor shall grant to PLife REIT, a ROFR for the Mount Elizabeth Novena Hospital Property² for a period of 10 years
- ROFR over a high quality healthcare asset in Singapore further enhances PLife REIT's growth potential and demonstrates the Sponsor's strong support for PLife REIT and the alignment of interest between the Sponsor and PLife REIT's Unitholders
- Paves the way for future collaboration between IHH Healthcare Singapore and PLife REIT



Conveniently located in the city fringe district of Singapore, the Mount Elizabeth Novena Hospital Property is a modern hospital which provides tertiary treatments in the comfort of all single bedded rooms and has received Joint Commission International (JCI) accreditation, the gold seal of approval for quality healthcare.

ROFR over a high quality property in Singapore

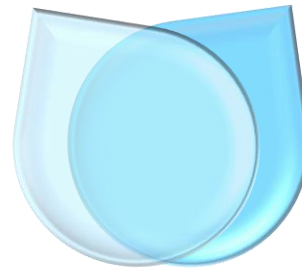


1. On 17 July 2007, the Sponsor had granted a ROFR to PLife REIT over sales of assets that is used, or primary used, for healthcare and/or healthcare related purposes located in the Asia- Pacific region (including Singapore) by the Sponsor and any of its subsidiaries.
2. The ROFR in respect of a sale, assignment or transfer of the ROFR grantor's ownership interest (or any part thereof) of the strata lot U4976A of Town Subdivision 29 comprised in Subsidiary Strata Certificate of Title Volume 1608 of Folio 186 (together with all accessory lots appurtenant thereto) (or any part thereof) which is the hospital block of the Mount Elizabeth Novena development currently owned by the ROFR grantor at 38 Irrawaddy Road, #01-01 and #01-18, Mount Elizabeth Novena Hospital, Singapore 329563 save and except the business and/or other non-real estate assets.

Extension of Strategic Collaboration for Singapore Hospitals by PLife REIT and IHH Healthcare

“ We are pleased to extend our longstanding strategic lease arrangement with our Master Lessee. With its extensive experience and repute, the Singapore Hospitals will continue to deliver quality operating performance, thereby underpinning the organic income growth of PLife REIT to deliver strong and stable distributions for the benefit of our Unitholders. More importantly, on an overall, the strategic arrangement marks a solid step in our growth journey and we look forward to further collaborations with IHH Healthcare.”

Mr. Yong Yean Chau, CEO of Parkway Trust Management Limited



“ Our Singapore hospitals are top performers for the Group as they provide world-class treatment and service, and generate strong, stable earnings even amid COVID-19. Partnering PLife REIT to extend the lease agreements for three of our hospitals in Singapore represents business continuity and operational stability for IHH Healthcare. They are key to IHH continuing to earn the trust of our patients, employees and shareholders. The S\$150 million in upgrades to our facilities will further enhance the top-notch service offerings we are known for and we look forward to collaborating closely with PLife REIT to ensure our Singapore operations remain positioned for future growth.”

Dr. Kelvin Loh, Managing Director & CEO of IHH Healthcare

Thank You

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