



# Financial Results Presentation

4Q/FY2017



# Contents

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**FY2017 Results**



**Financial Performance**



**Prudent Capital Management**



**Real Estate Highlights**



**Market Outlook and Strategy**



**Appendix**

# FY2017 Results

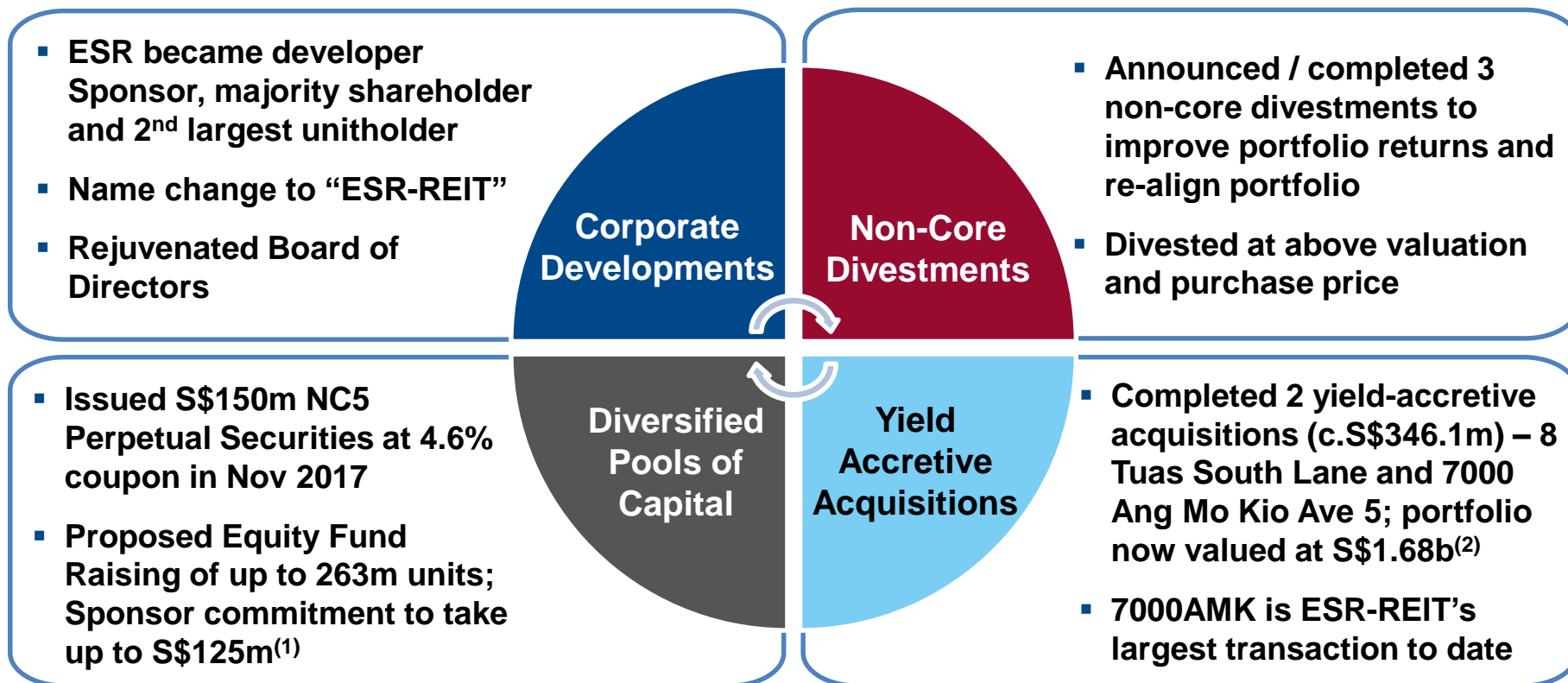
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# Key Developments in FY2017

Key developments in FY2017 enable ESR-REIT to begin 2018 from a position of strength

- Strategy to recycle capital from lower yielding non-core assets to scalable and value-adding acquisitions with long term growth prospects
- While taking a pro-active stance toward capital management



# FY2017 At A Glance



## Proactive Asset Management

- WALE 4.3 years
- Healthy 93.0% occupancy
- Completed acquisition of 8 Tuas South Lane and 80% stake in 7000 Ang Mo Kio Ave 5 SPV<sup>(2)</sup>

## Prudent Capital Management

- No refinancing till 4Q2018
- 100% of assets remains unencumbered
- S\$150.0m NC5 PERP issued at 4.60% coupon
- Proposed EFR of up to 263m new units announced

## Financial Performance

- No capital distribution
- 100% management fees payable in cash
- DRP switched on

# Financial Performance

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# FY2017 Financial Results

	FY2017 (S\$ million)	FY2016 (S\$ million)	YoY (%)
Gross Revenue <sup>(1)(3)</sup>	109.7	112.1	(2.1)
Net Property Income <sup>(2)(3)</sup>	78.4	82.3	(4.7)
Amount Available for Distribution to:	51.5	54.5	
- Perpetual Securities Holders	1.1	-	n.m.
- Unitholders <sup>(4)</sup>	50.4	54.5	(7.5)
<b>Distribution Per Unit (“DPU”) (cents)</b>	<b>3.853</b>	<b>4.173</b>	<b>(7.7)</b>

Note:

(1) Includes straight line rent adjustment of S\$0.8 million (FY2016: S\$1.7 million)

(2) Lower net property income mainly due to higher property operating expenses from lease conversions of properties during the year and full year impact of our leases converted in the prior year.

(3) Includes Non-Controlling Interest (“NCI”) of 20% of 7000 AMK in 4Q2017.

(4) Lower distributable income due to master lease conversion, property divestments, higher property expenses offset by leasing up and contributions from new acquisition.

# 4Q2017 Financial Results

	4Q2017 (S\$ million)	4Q2016 (S\$ million)	QoQ (%)
Gross Revenue <sup>(1)(3)</sup>	27.2	27.8	(2.2)
Net Property Income <sup>(2)(3)</sup>	19.9	19.7	1.2
Amount Available for Distribution to:	13.3	13.0	
- Perpetual Securities Holders	1.1	-	n.m.
- Unitholders <sup>(4)</sup>	12.2	13.0	(6.2)
<b>Distribution Per Unit (“DPU”) (cents)</b>	<b>0.929</b>	<b>0.996</b>	<b>(6.7)</b>

Note:

- (1) Includes straight line rent adjustment of S\$0.3 million (4Q2016: S\$0.4 million).
- (2) Higher Net Property Income (“NPI”) and distributable income mainly due to lower other property expenses such as repair and maintenance expenses.
- (3) Includes Non-Controlling Interest (“NCI”) of 20% of 7000 AMK in 4Q2017.
- (4) Lower distributable income to Unitholders due to lower NPI, higher manager’s fees and loan interest from increased debts.



# Balance Sheet Summary

	As at 31 Dec 2017 (S\$ million)	As at 31 Dec 2016 (S\$ million)
Investment Properties	1,675.8 <sup>(1)</sup>	1,354.0
Other Assets	20.0	13.0
<b>Total Assets</b>	<b>1,695.8</b>	<b>1,367.0</b>
Total Borrowings (net of loan transaction costs)	669.8	509.6
Other Liabilities	35.4	30.4
Non-Controlling Interest	60.6	-
<b>Total Liabilities</b>	<b>765.8</b>	<b>540.0</b>
<b>Net Assets Attributable to:</b>		
- Perpetual Securities Holders	151.1	-
- Unitholders	778.9	827.0
No. of Units Issued (million)	1,313.6	1,304.4
<b>NAV Per Unit (cents)</b>	<b>59.3</b>	<b>63.4</b>

# Distribution Timetable

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## Distribution Details

Distribution Period	1 October 2017 – 31 December 2017
Distribution Rate	0.929 cents per unit from taxable income
Distribution Reinvestment Plan (“DRP”)	DRP switched on; 2% discount

## Distribution Timetable

Last Trading Day on a “Cum Distribution” Basis	22 January 2018
Distribution Ex-Date	23 January 2018
Books Closure Date	25 January 2018
Fixing of Unit Price for DRP Units	26 January 2018
Distribution Payment Date	28 February 2018
Listing of the DRP Units	28 February 2018

# Prudent Capital Management



# Key Capital Management Indicators

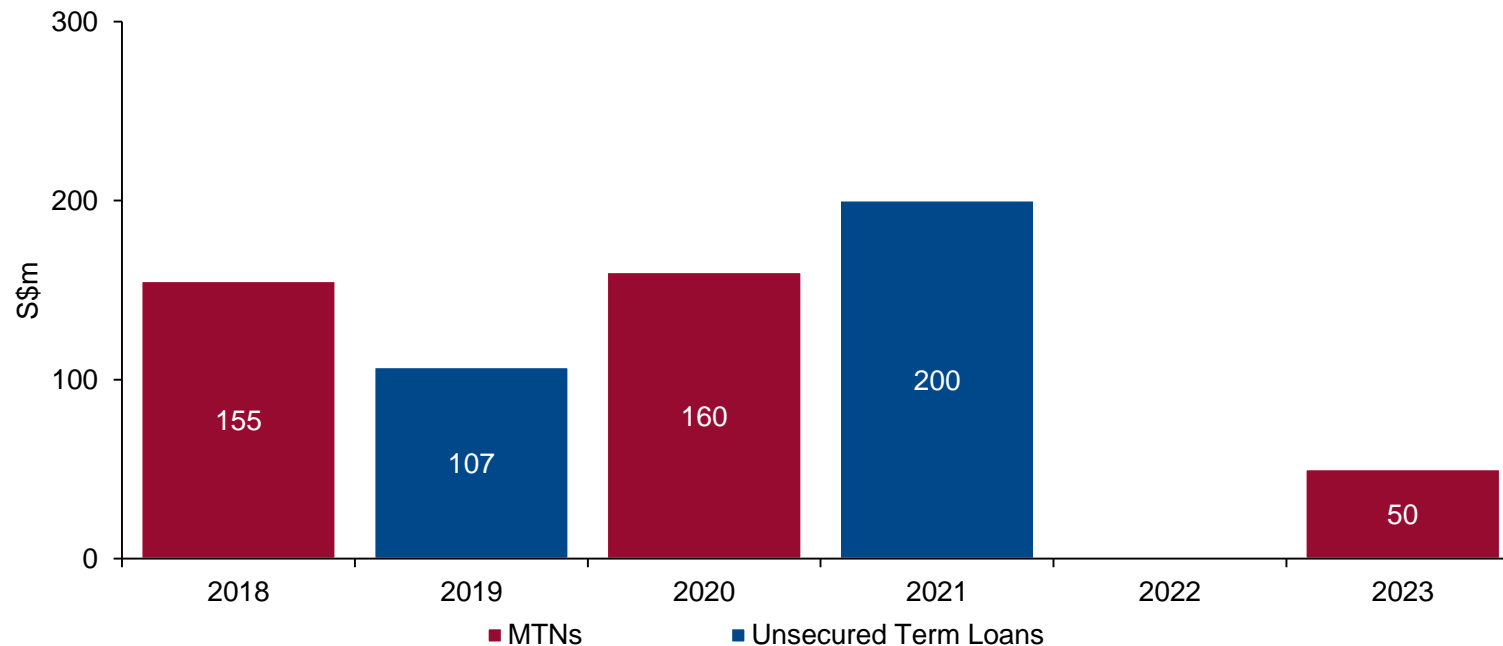
- **69.2% of interest rates fixed for the next 1.9 years**
- **S\$150.0 million in NC5 Perpetual Securities raised at a 4.6% coupon on 3 Nov 2017**
- **Proposed Equity Fund Raising (“EFR”) of up to 263 million new units announced**
  - Sponsor will undertake to subscribe in full its pro-rata entitlement and excess units up to a total subscription amount of S\$125.0 million<sup>(1)</sup>
  - Post proposed EFR exercise, c.85% of interest rate exposure is expected to be fixed, and Debt to Total Assets is expected to reduce to c.32.4%, which will provide potential debt head room of up to S\$387.4 million for financing flexibility

	As at 31 Dec 2017	As at 31 Dec 2016
Total Gross Debt (S\$ million)	672.0	512.5
Debt to Total Assets (%)	39.6	37.5
Weighted Average All-in Cost of Debt (%) p.a.	3.55	3.71
Weighted Average Debt Expiry (years)	2.4	3.1
Interest Coverage Ratio (times)	3.5	3.6
Interest Rate Exposure Fixed (%)	69.2	90.7
Proportion of Unencumbered Investment Properties (%)	100	100
Available Committed Facilities (S\$ million)	43.0	102.5

# Well-Staggered Debt Maturity Profile

- 100% unencumbered investment properties
- No refinancing due till 4Q2018
- Undrawn committed RCF of S\$43.0m provides ESR-REIT with financial flexibility for working capital requirements

## Debt Maturity Profile (as at 31 Dec 2017)



# Real Estate Highlights

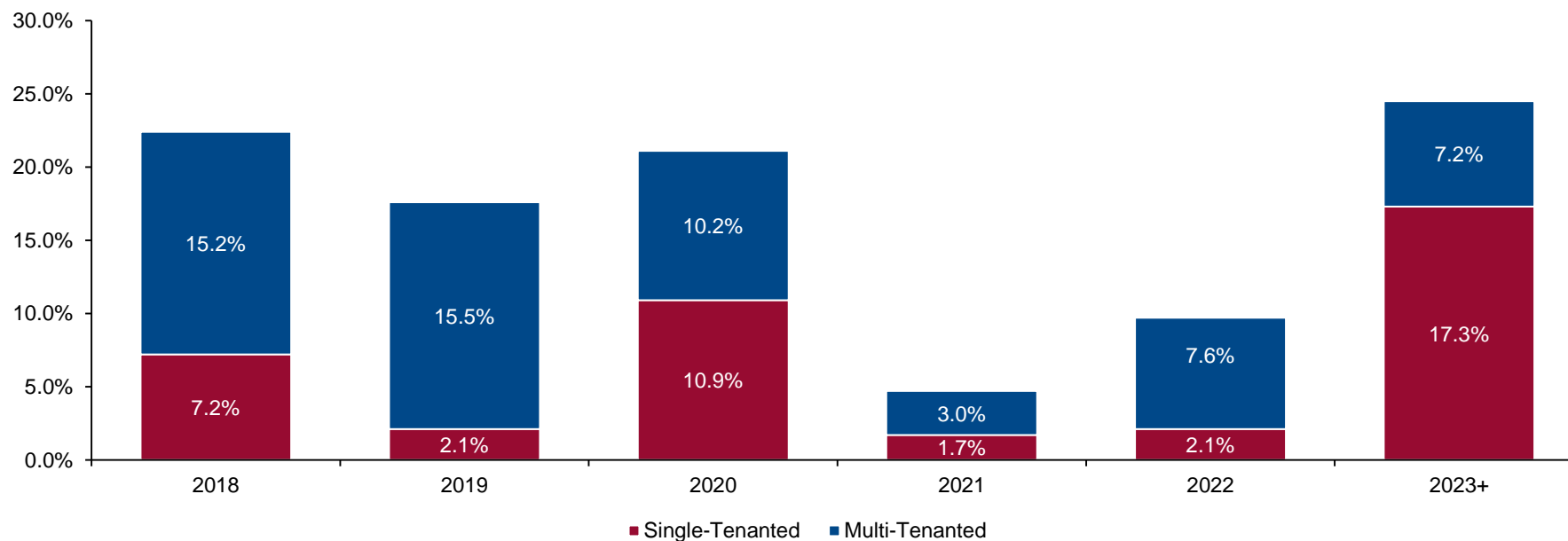
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# Proactive Lease Management

- Renewed and leased approximately 1,190,578 sq ft of leases in FY2017
- Tenant retention rate of 51.1%
- Rental reversion of -15.8%<sup>(1)</sup> for FY2017

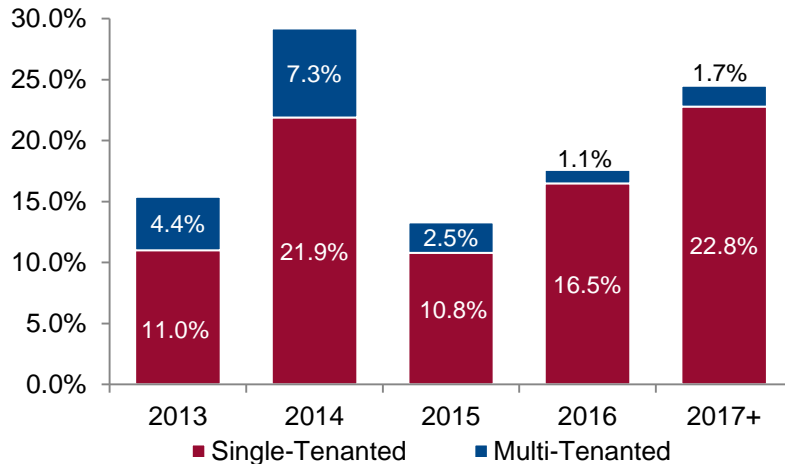
## WALE by Rental Income (as at 31 Dec 2017)



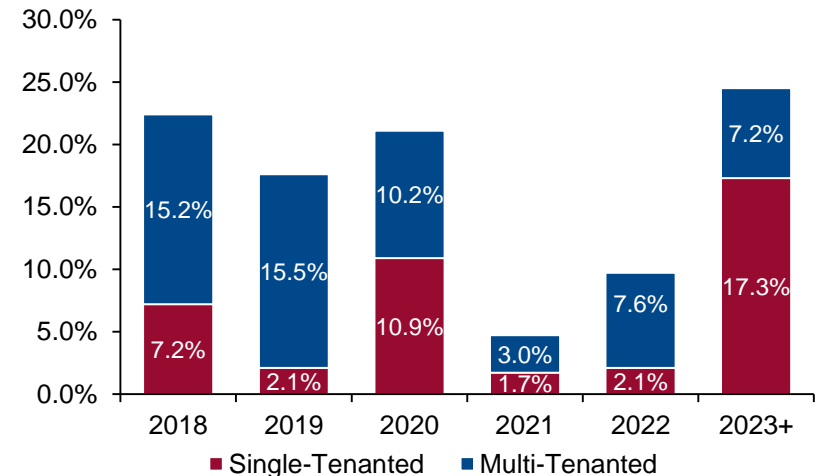
# Increasingly Balanced Portfolio

- ESR-REIT's portfolio is more balanced with the move from single-tenanted to multi-tenanted since 2012

WALE by Rental Income (2012)



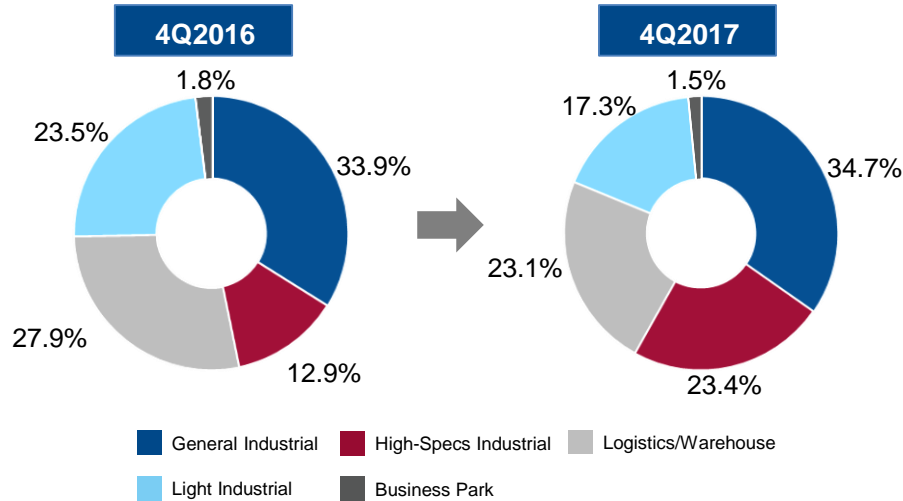
WALE by Rental Income (as at 31 Dec 2017)



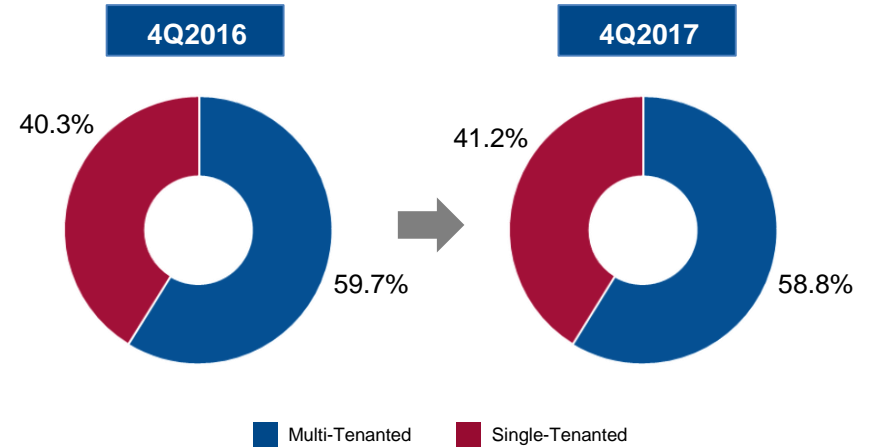


# Diversified Portfolio with Healthy Occupancy

## Asset Class by Rental Income

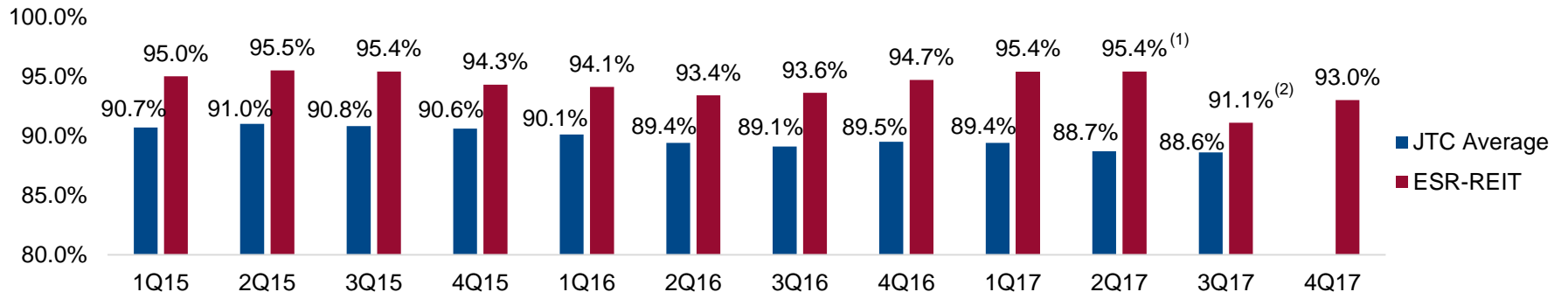


## Single-Tenanted vs Multi-Tenanted by Rental Income



## Portfolio Occupancy

(As at 31 Dec 2017)

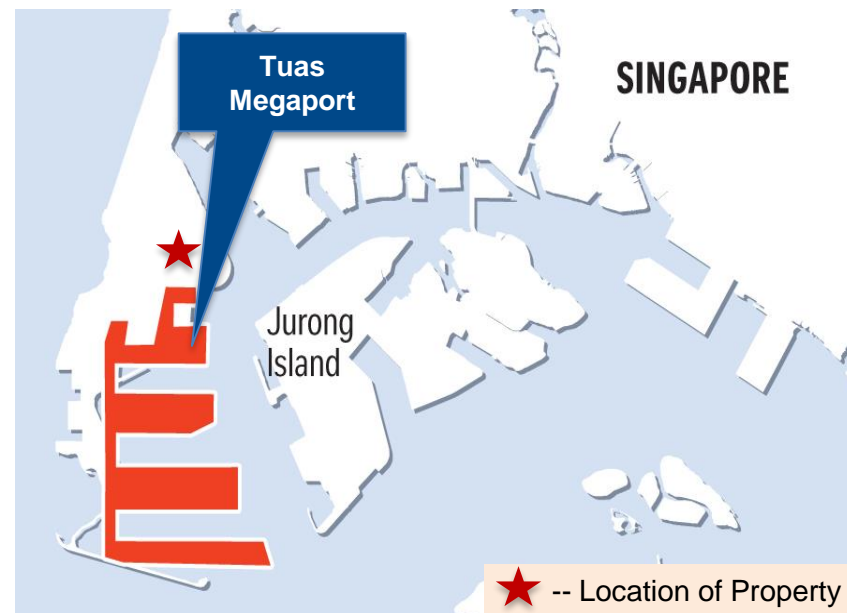


Note:

(1) Excluding 120 Pioneer Road which is currently undergoing AEI, and 55 Ubi Ave 3 and 23 Woodlands Terrace that are held for divestment.

(2) Including 120 Pioneer Road as the AEI works are completed and excluding 23 Woodlands Terrace and 87 Defu Lane 10 that are held for divestment.

# 2017 Acquisitions: 8 Tuas South Lane



<b>Description</b>	Five detached factories, one 8-storey warehouse and four blocks of dormitory buildings
<b>Gross Floor Area</b>	c.781,126 square feet
<b>Remaining Land Tenure</b>	c.36 years
<b>Purchase Consideration</b>	S\$106.1 million
<b>Independent Valuation</b>	S\$115.0 million
<b>Lease Term</b>	15 years for majority of the space (with Hyflux), with built-in rental escalations
<b>Acquisition Completed</b>	13 December 2017

## Benefits of the Acquisition

- ✓ Broadens portfolio and tenant base by including Hyflux on a long-term lease with built-in rental escalation
- ✓ Potential to tap on to the future Tuas Megaport
- ✓ Increases portfolio WALE

# 2017 Acquisitions: 7000 Ang Mo Kio Ave 5



## Benefits of the Acquisition

- ✓ **Augments portfolio for long-term growth**
- ✓ **Income diversification and enlarged tenant base**
- ✓ **Increases portfolio WALE**
- ✓ **Potential upside from developing un-utilised plot ratio**
- ✓ **Enhancement of ESR-REIT's portfolio quality**

<b>Address</b>	7000 Ang Mo Kio Avenue 5 ("7000AMK") <sup>(1)</sup>
<b>Remaining Land Tenure</b>	c.39 years
<b>Purchase Consideration</b>	S\$240.0 million <sup>(2)</sup> (80% interest)
<b>Independent Valuation</b>	S\$303.0 million (100% basis)
<b>Gross Floor Area</b>	1,073,233 square feet
<b>Net Lettable Area</b>	834,783 square feet
<b>Description</b>	6-storey high-specifications production block 5-storey ancillary office block
<b>Anchor Tenants</b>	High value-added manufacturers, data centre operators, power and utilities companies and telecommunication companies such as Heptagon Micro Optics Pte. Ltd., SP Services Ltd and StarHub Ltd.
<b>Committed Occupancy</b>	91.9% (as at 1 December 2017)
<b>Number of Tenants</b>	8 (as at 1 December 2017)
<b>WALE by Rental Income</b>	5.5 years
<b>Acquisition Completed</b>	14 December 2017

# Divestments Completed in 4Q2017



## 23 Woodlands Terrace

**Sale Consideration** S\$17.68 million; 2.8% above valuation and 15% above acquisition price

**Description** 4-storey light industrial building

**Land Tenure** c. 39 years remaining

**Gross Floor Area** 124,425 square feet

**Completion Date** 7 December 2017



## 87 Defu Lane 10

**Sale Consideration** S\$17.5 million; 0.6% above valuation and 34% above acquisition price

**Description** 6-storey light industrial building

**Land Tenure** c. 33 years remaining

**Gross Floor Area** 109,920 square feet

**Completion Date** 16 November 2017

# Market Outlook and Strategy

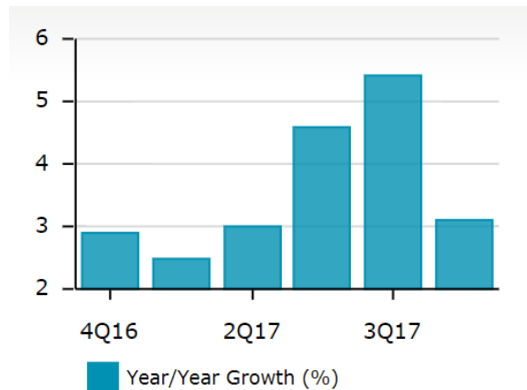


# Market Outlook

## Singapore Industrial Property Market Demonstrates Signs of Stabilization

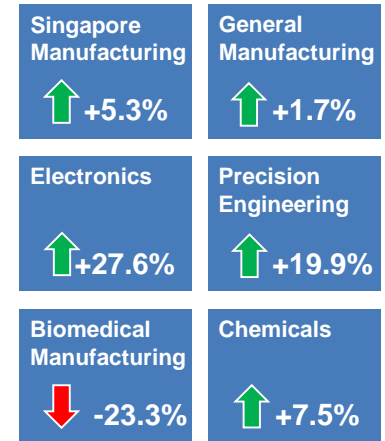
- Singapore's economy grew by 3.1%<sup>(1)</sup> y-o-y in 4Q2017, supported primarily by output expansion in the electronics and precision engineering clusters and PMI posting a reading of 52.6**
  - Based on past experience, the time lag between economic activity and impact on industrial space rentals is generally c.9-12 months
- Outlook of industrial sector still subdued due to existing supply imbalance, but Edmund Tie & Company ("ETC") reports signs of market improvement**
  - CBRE says in light of the strengthening trade environment, the industrial market is likely to reach a "soft landing" in 2018
- ETC also said industrial spaces that have the infrastructure and facilities to support restructured manufacturing sectors will be in demand**
- From now until end 2018, JTC estimates 2.3 million sqm of industrial space (representing 5% of current industrial stock) will come on-stream**
  - Limited supply expected from 2019-2021 thereafter

Singapore GDP Growth<sup>(1)</sup>



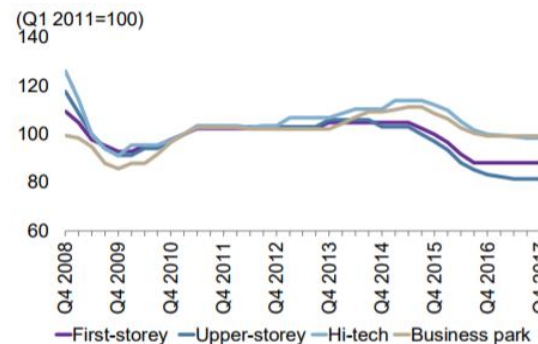
Source: Ministry of Trade and Industry

Singapore Manufacturing Output y-o-y Performance (Nov 2017)



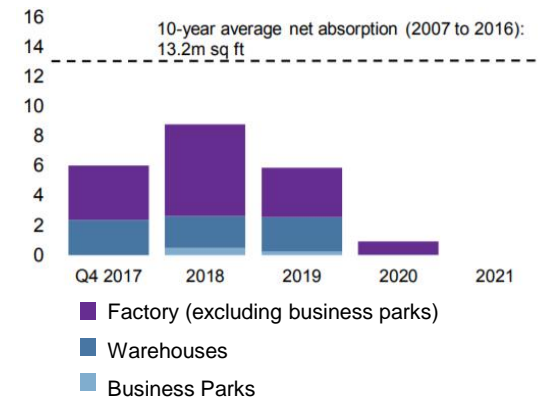
Source: EDB Singapore

Industrial Rental Indices



Source: Edmund Tie & Company

Industrial Development Pipeline



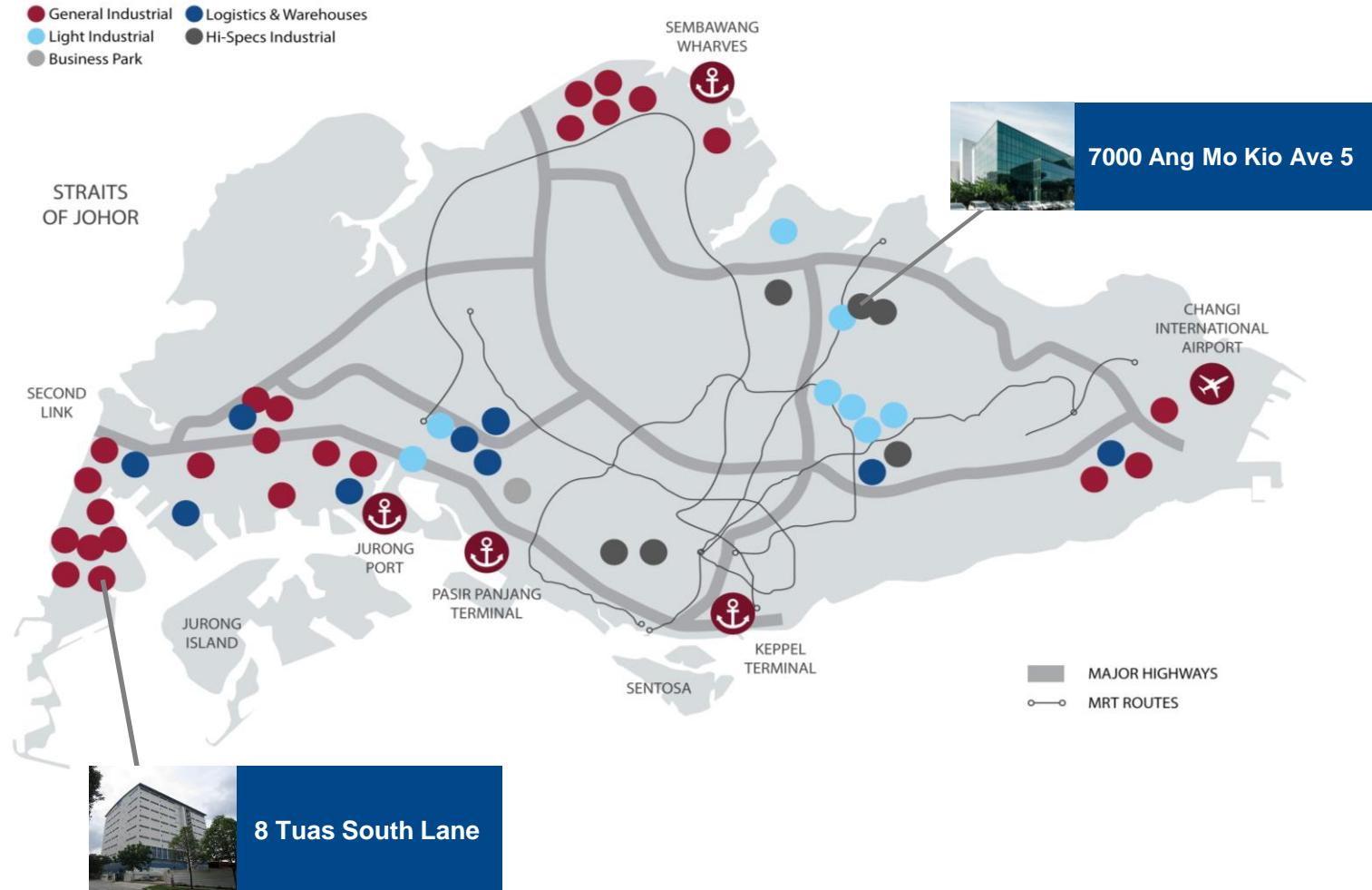
Source: JTC, Edmund Tie & Company

# Appendix

3 Pioneer Sector 3



# ESR-REIT Portfolio





# Key Portfolio Statistics

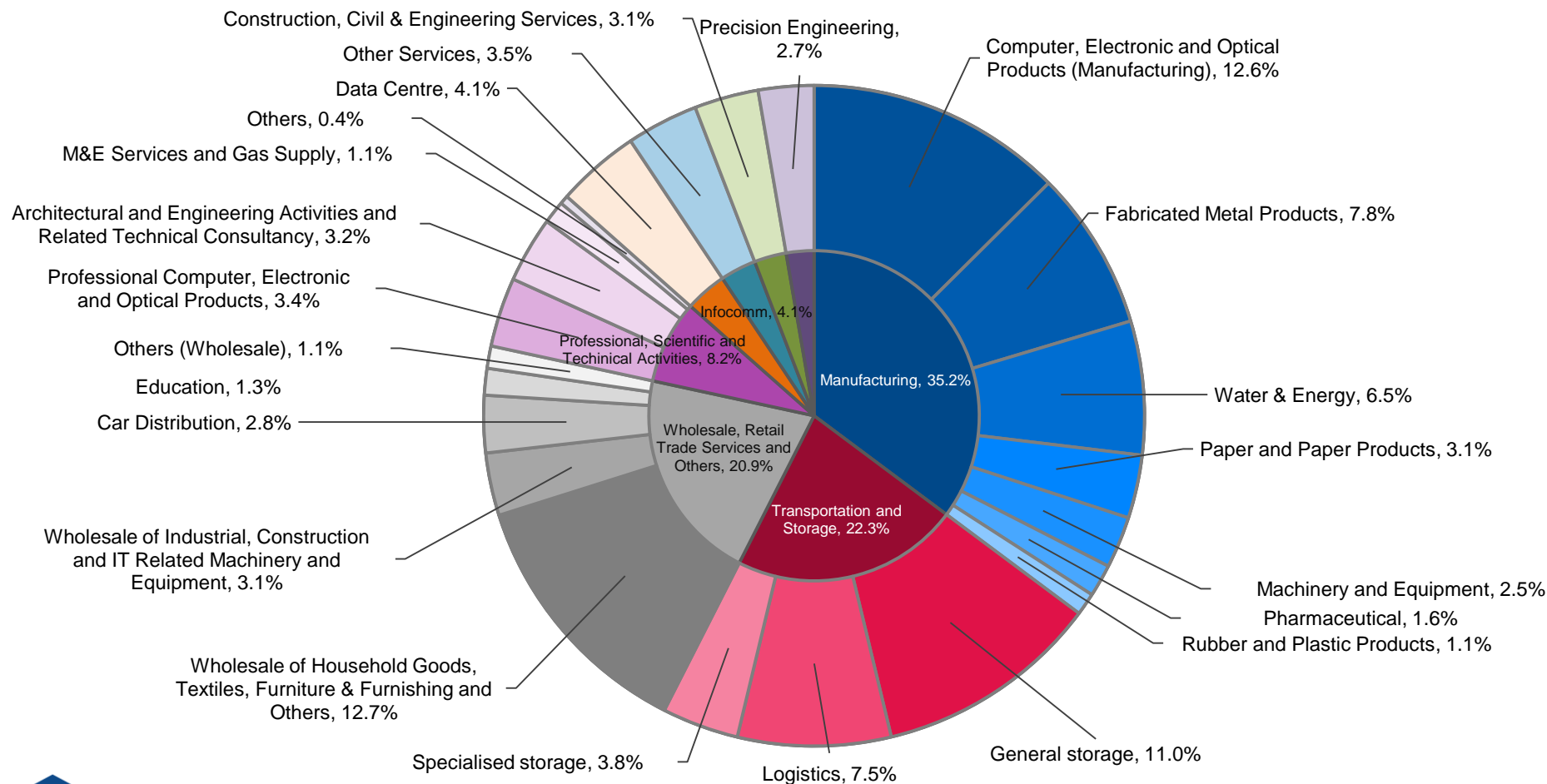
	As at 31 Dec 2017	As at 30 Sep 2017
Number of Properties	48	48
Valuation (S\$ million)	1,675.8 <sup>(1)</sup>	1,332.0
GFA (million sq ft)	9.9	8.2
NLA (million sq ft)	9.0	7.6
Weighted Average Lease Expiry (“WALE”) (years)	4.3	3.4
Weighted Average Land Lease Expiry (years)	33.8	33.1
Occupancy (%)	93.0	91.1
Number of Tenants	207	206
Security Deposit (months)	7.0	8.0

# Diversified Tenant Base and Trade Sectors

**No individual trade sector accounts for more than 12.7% of ESR-REIT's Rental Income**

## Breakdown by Trade Sectors (by Rental Income)

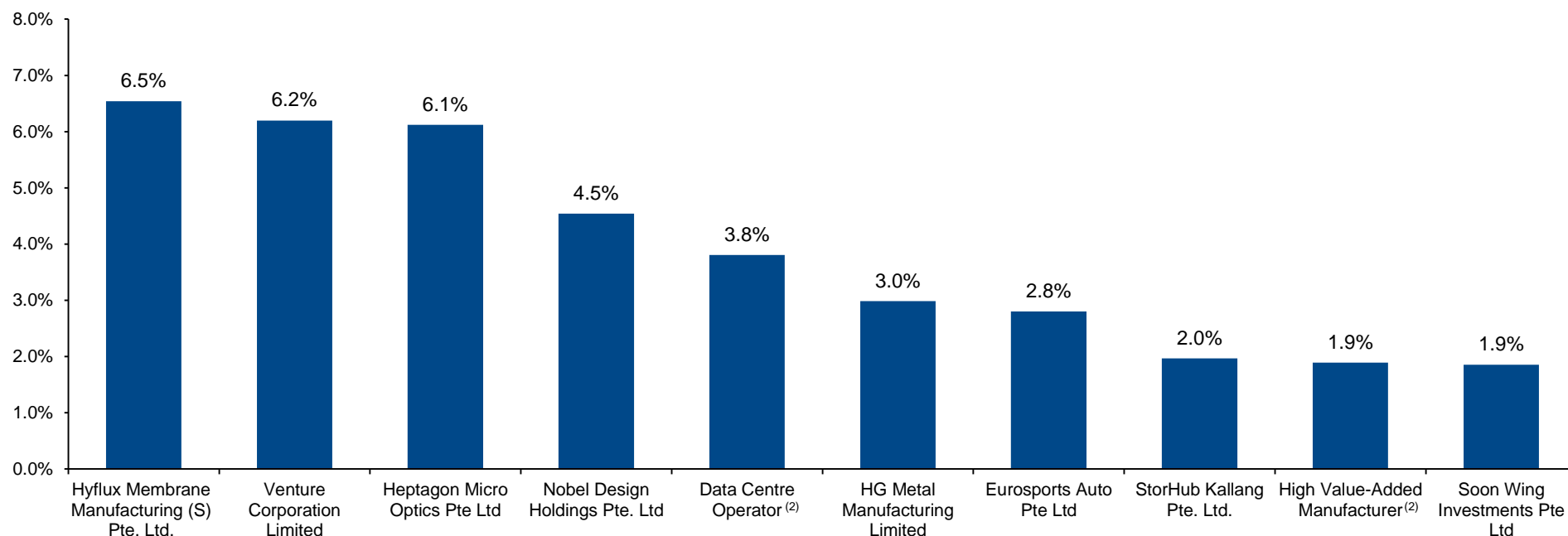
(4Q2017)



# Quality and Diversified Tenant Base

## Top 10 Tenants Account for 38.7% of Rental Income

### Top 10 Tenants (by Rental Income)<sup>(1)</sup> (4Q2017)



Note:

(1) Excludes Tellus Marine Engineering Pte Ltd as the lease has been pre-terminated in January 2018.

(2) Tenant cannot be named due to confidentiality obligations.

# ESR: Strong Developer-Sponsor

## Leading “Pure Play” Pan-Asian Logistics Real Estate Platform

- Focused on developing and managing modern, institutional-quality logistics facilities with a high quality tenant base
- Co-founded by Warburg Pincus and backed by blue-chip institutional investors, including:



**External Assets Under Management**

**>US\$10 billion**

**GFA**

**10.2 million sq metres in operation and under development**

- With operations across China, Japan, Korea, Singapore and India, ESR has emerged as a leading “pure play” Pan-Asian logistics real estate platform
- ESR-REIT has “first look” on the pipeline of assets in an increasingly asset scarce environment for quality logistics assets
- In August 2017, SK Holdings made a strategic equity investment of USD 333 million for a 10% fully diluted stake in ESR

### China

- One of the top players by logistics facilities area
- A leading landlord of key global e-commerce players

### Korea

- One of the largest modern warehouse developers in Korea upon completion of projects under development

### Japan

- One of the highest starts by value in 2015 and 2016
- Strong execution and capital market capability to manage sizable developments

### Singapore

- Invested in ESR-REIT, an early industrial S-REIT player with >9m sq ft of GFA
- c.12% stake in ESR-REIT; c.80% stake in ESR-REIT Manager and c.100% stake in its Property Manager

### India

- To build a leading real estate platform in both size and volume
- Initial focus on Tier-1 city agglomerations

### Australia

- Entered Australia market in 2017 and became the largest shareholder of PropertyLink and Centuria Capital which collectively have over A\$6b of AUM

# ESR's Key Client Network

## Ability to Leverage Off Sponsor's Network and Expertise

Strategic relationship with leading global e-commerce companies, retailers, logistic service providers/ 3PLs and manufacturers

### Landlord of E-Commerce Companies & Retailers

- One of the largest landlords of leading e-commerce companies in China
- One of the major warehouse facilities providers for offline retailers
- Examples of key clientele:



Diversified Customer Source

### Collaborations with 3PLs / Logistics Operators

- Strategic alliance with major 3PLs and reputable logistics service providers
- Examples of key clientele:



Broad Offering to Clients

### Built-to-suit Logistics Solutions Provider & Reliable Landlord

- Developing built-to-suit state of the art modern warehousing and distribution facilities for leading global e-commerce companies and manufacturers
- One of the landlords of choice for cold-storage users
- Examples of key clientele:



Economies of Scale

# ESR-REIT's Competitive Strengths

## Poised to Take on the Next Stage of Growth

- **Leading “pure play”** Pan-Asian logistics real estate platform with **>US\$10.0bn AUM**
- ESR has c.80% stake in the REIT Manager, c.100% stake in Property Manager and a c.12% stake in the REIT
  - Demonstrates long-term **commitment** and **alignment of interest**
- **Co-founded by Warburg Pincus** and backed by blue-chip institutional ownership and investors
- Provides ESR-REIT with **development expertise** and extensive **network to strong regional tenant base**

- **Close to 70 years of collective experience** in local and regional real estate companies and financial institutions
  - In-depth knowledge, proven track record and capabilities in Real Estate market, with focus in industrial property sector
- Members have played key roles in the shaping and management of successful REITs in Singapore

- **Proactively conducting AEI Initiatives** to optimize asset returns
- **Established track record** of acquiring strategic assets and managing build-to-suit (“BTS”) development projects
- **In-house expertise** to specifically address the requirements of clients and their projects
- **Experienced and flexible team** to **pro-actively manage** projects
- **Sponsor ESR has proven track record** of developing BTS warehousing and distribution facilities for leading global e-commerce companies



- 48 properties valued at S\$1.68 billion<sup>(1)</sup>
- **Strategically located** in key industrial zones across Singapore
- **Proactive** asset and lease management focus
- **Well balanced portfolio** with Single-Tenanted Building conversions to Multi-Tenanted Buildings
- **Diversified Portfolio: No individual trade sector** accounts for >12.7% of rental income
- **Healthy occupancy rate** of 93.0%
- Portfolio WALE of 4.3 years
- Leases backed by **7 months security deposits**
- **Built-in rental escalations** provide organic growth

- Extensive network of 207 tenants
- Diversified across industries including: Logistics, Wholesale Trade, General Storage, Fabrication and Electronics
- Top 10 tenants account for 38.7% of rental income
- **Long lease terms** of 3-15 years provide **stability** for Unitholders, with in-built escalation
- **51.1% tenant retention rate**

- **Stable and secure income stream** supported by **prudent capital and risk management**
  - Staggered debt maturity profile; no refinancing until 4Q2018
  - **69.2% of interest rates fixed**
  - **100% of assets unencumbered**
- **Diversified sources of funding**, with **alternative pools of capital**

# Concise Strategy to Unlock Value

ESR-REIT has adopted a 3-pronged strategy to maximise returns to unitholders, leveraging on ESR's expertise:

- **Asset enhancements** to unlock value
- **Proactive asset management** to maximise unitholder returns
- Regular review of portfolio and to recycle capital and enhance portfolio quality
- Leverage on ESR's capabilities:
  - **Tap into ESR's client network** to enhance REIT's tenant quality and diversify tenant base
    - **One of the largest landlords** of leading e-commerce companies in China
    - May provide solutions to **existing ESR tenants who are keen to expand into this region**



- Evaluation of yield-accretive and value-enhancing opportunities in Singapore and overseas
  - 1) Overseas expansion to focus on **scalability** in markets where ESR has a **presence**
    - Eg. Australia, China, Japan, Korea
  - 2) **Potential pipeline from Sponsor**
    - c.10.2 m sqm in operation and under-development projects across China, Japan and Korea
  - 3) Increased acquisition opportunities from **ESR's network**
- Approval of General Mandate obtained at 2017 AGM provides **financial flexibility** to execute growth plans

- **Potential investment into development projects**
  - ESR-REIT is permitted to take **up to 10%** of its deposited properties
  - May potentially **participate alone or jointly with ESR**
- Provides potential **upside kicker**; downside protected from stable income generating assets
- **Further able to take on more development projects** as ESR-REIT grows in size
- Leverage on **ESR's proven track record and built-to-suit ("BTS") development capabilities**
  - Developer of BTS warehousing and distribution facilities for leading global e-commerce companies



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# Important Notice

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**This material shall be read in conjunction with ESR-REIT's results announcements for the financial period ended 31 December 2017.**

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This material may contain forward-looking statements that involve assumptions, 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 occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

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