



A MEMBER OF THE TECITY GROUP

# **CORPORATE PRESENTATION**

**MARCH 2019**

**4Q 2018 and FY2018**

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## CONTENTS



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## FY18 HIGHLIGHTS

## FY18 HIGHLIGHTS

- 4Q2018 and FY2018 PATNCl increased 171.7% and 54.5% to S\$14.1 million and S\$71.7 million respectively, due to contributions from key business engines:

### STRAITS REAL ESTATE

- Significant profit growth of 61% in FY2018 to S\$40.4 million
- Underpinned by higher income and revaluation gains in Australia office properties and Japan residential portfolio

### ARA

- Gross AUM by ARA Group & associates at S\$80.1 billion
- STC's share of profit increased 64.6% to S\$24.2 million in FY2018

### Resources

- MSC more than doubled its net profit to RM34.3 million in 2018
- Efforts to rejuvenate MSC and raise operational efficiencies are well underway

- Growing significant scale across growth platforms with strategic acquisitions and investments
- Continue to focus on capital efficiencies to drive sustainable return on equity

# FY18 HIGHLIGHTS

## Identifying attractive investment opportunities

- Invested into an operating platform that enables the Group to tap opportunities in Australia's vibrant logistics real estate market
- Seeded with an income-generating portfolio valued at AUD137.5 million

## Crystallised valuation gains and recycling capital

- Divested five office properties in Japan to crystallise valuation uplifts
- Redeploying capital with a refreshed strategy to capitalize on buoyant investment trends

## Exploring options at the Butterworth Land

- Signed MOU with our subsidiary MSC to jointly explore options to unlock value for the freehold land at the Butterworth, Penang

## Divested non-core assets

- Divested 3 Gallop Green units for S\$16.8 million
- Monetised financial securities for S\$40.3 million



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## BUSINESS HIGHLIGHTS

REAL ESTATE ECOSYSTEM

# REAL ESTATE ECOSYSTEM

Structured for efficient capital allocation and enhanced access to opportunities

## PROPERTY PORTFOLIO

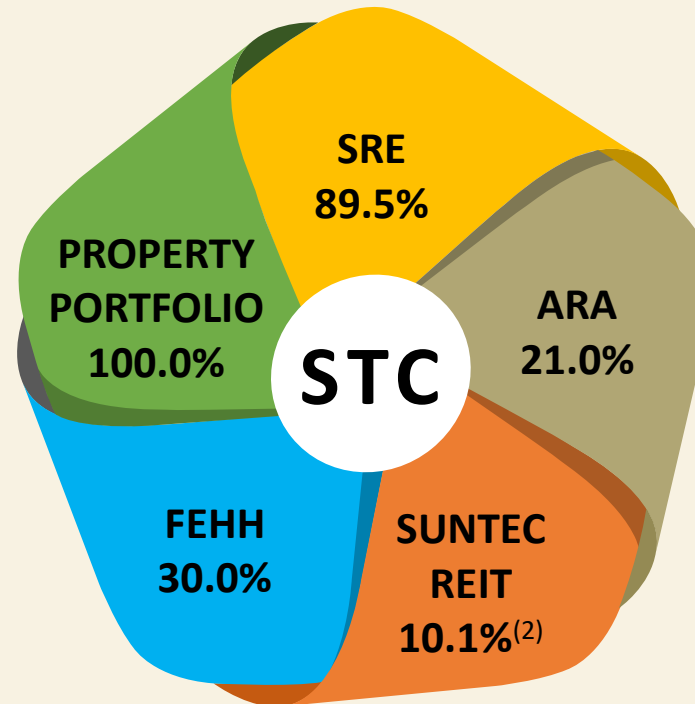
S\$317 million property value

Legacy investment properties in Singapore and Malaysia to monetise and redeploy capital

## FEHH

94 hotels and ~14,800 keys

Hotel ownership and management services



## SRE

S\$1.4 billion AUM

Direct real estate investments  
Other real estate opportunities<sup>(1)</sup>  
Investment securities

## ARA

S\$80.1 billion Gross AUM

Private fund management  
REIT management  
Real estate management services  
Infrastructure

## SUNTEC REIT

S\$9.9 billion AUM

Prime commercial and retail portfolio in Singapore and Australia central business districts

☑ Enhanced deal flow ☑ Arbitrage opportunities ☑ Ideas exchange ☑ Access to property value chain

<sup>(1)</sup> Including investments in development projects, special situations, mezzanine deals, etc.

<sup>(2)</sup> Aggregate interest in Suntec REIT including deemed interest through ARA group companies



# STRAITS REAL ESTATE

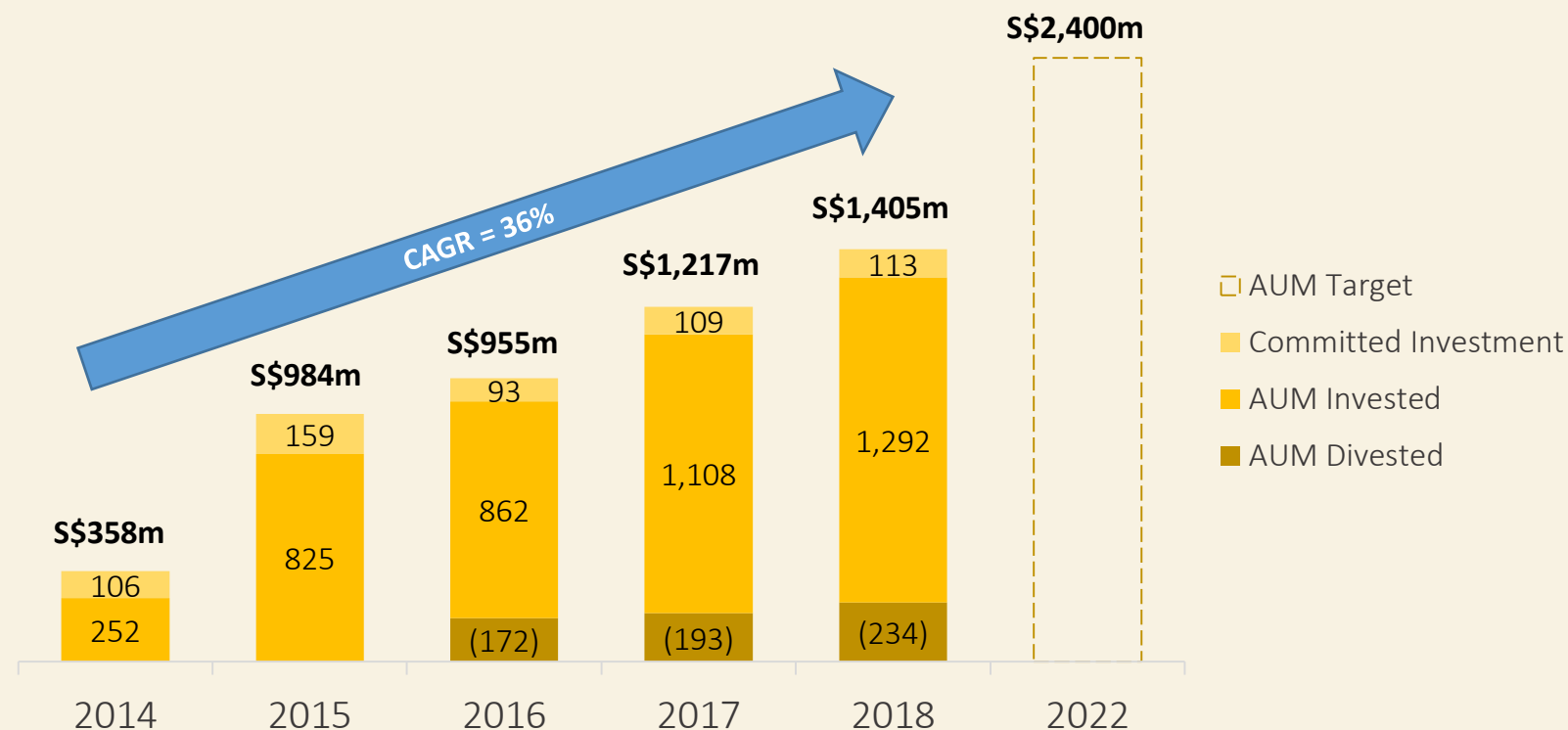
A growing global real estate investor

## Nurturing Platforms

(as of December 2018)

- **S\$1.4 billion**  
AUM
- **S\$704.4 million**  
Net capital invested
- **S\$2.4 billion**  
AUM target by 2022
- **Return in 2018**  
5.5% ROIC  
8.0% ROE

## SRE AUM Growth (S\$m)



# STRAITS REAL ESTATE

Access to a large opportunity set and identify opportunities with unrealised latent value

## Australia

- Seeking strong recurring cash flow with value-adding opportunities
- Building an operating platform focusing on the growing logistics sector



320 Pitt Street, Sydney  
S\$252.0m



45 St Georges, Perth  
S\$55.9m



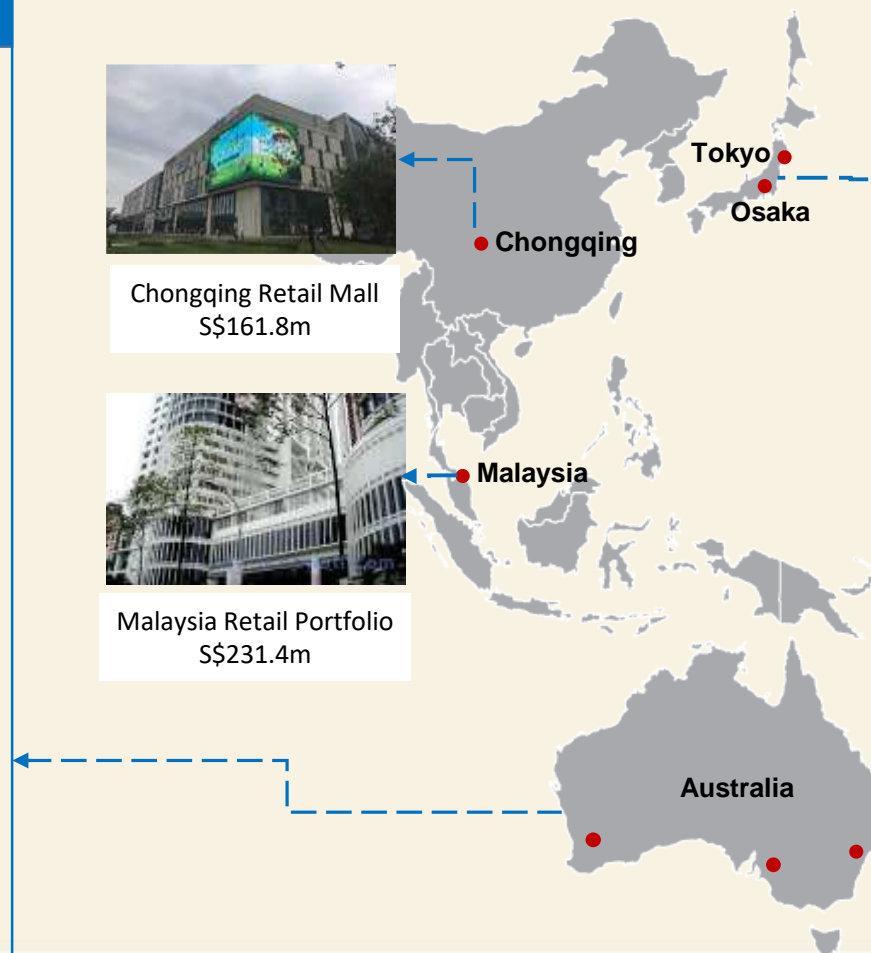
Logistic Portfolio, Adelaide  
S\$106.6m



Chongqing Retail Mall  
S\$161.8m



Malaysia Retail Portfolio  
S\$231.4m



## Japan

- Two-fold investment focus leveraging on local access and favourable market trends
- Aggregating a larger income-producing portfolio with exit optionality



Greater Tokyo Office Fund  
(fully divested)



Japan Value Fund II  
S\$92.3m



Japan Residential Portfolio  
S\$268.2m

# JAPAN STRATEGY

Acquiring office assets with high potential for capital gains

## Successful divestment of the Greater Tokyo Office Fund (GTOF)

- In June 2015 acquired 47.5% stake in a portfolio of office properties in greater Tokyo at higher-than-market yields via off-market deals
- Portfolio fully divested in FY2018; crystallised valuation gains of S\$35.0m, representing asset-level IRR of 19.0% and equity multiple of 1.4 times.
- Investment return far exceeded target returns



Follow-up fund with updated strategy

## Establishment of Japan Value Fund II

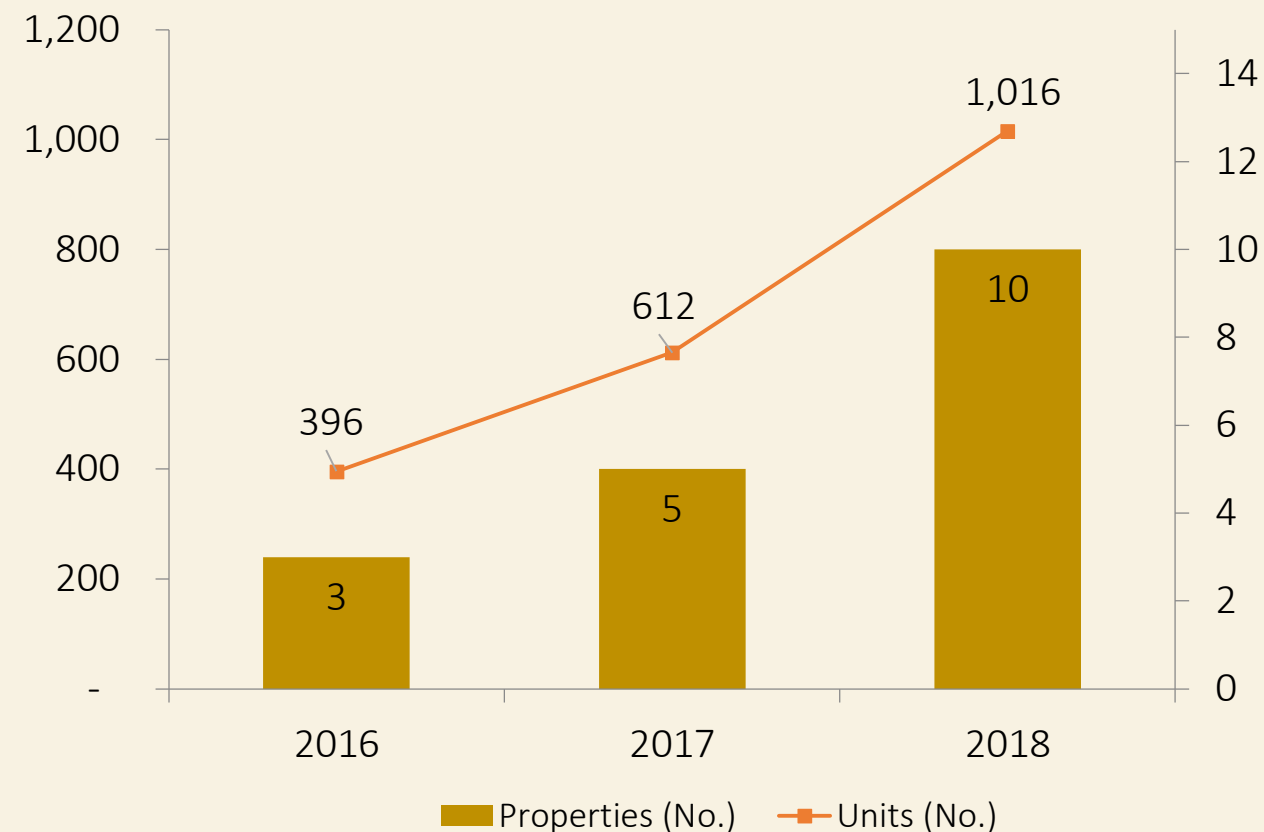
- Redeployed capital into a larger portfolio with a committed capital of JPY8.0bn in June 2018
- Updated mandate to acquire office and other assets in the Greater Tokyo and other key cities in Japan
- First investment in an office building made in central Fukuoka
- Second investment in a portfolio of residential buildings

# JAPAN STRATEGY

Growing income-producing residential assets to aggregate into a larger portfolio

## Portfolio of 1,016 units and growing

- Quality assets located near transport nodes and key amenities in Greater Tokyo and Osaka
- Occupancies remain high around 95%
- High cash yields attract more capital into this sector



# AUSTRALIA STRATEGY

Seeking assets with strong immediate cashflow and value-adding opportunities

**Achieved 24.6% IRR  
from 1<sup>st</sup> divestment**

*114 William Street (Melbourne CBD)*



**2015**

- Acquired 114 William Street
- Asset enhancement works done



**2016**

- Divested 114 William Street for A\$161.5 million

**Added prime located assets  
in Sydney & Perth CBD**

*320 Pitt Street (Sydney CBD)*



**2017**

- Acquired 320 Pitt Street in Sydney
- Acquired 45 St Georges Terrace in Perth

*45 St Georges Terrace (Perth CBD)*



**2018**

- Valuation gain of S\$30.0 mil on the back of ongoing asset enhancement and strong pre-leasing demand
- Occupancies exceeded 90% thanks to active asset management

# AUSTRALIA STRATEGY

Seeking assets with strong immediate cashflow and value-adding opportunities

## Entry into Australia's vibrant logistics segment

- Via a joint venture with Commercial & General (C&G) to create a real estate operating platform that owns, develops and manages logistics properties
- 80% interest in the initial portfolio of 5 logistics properties
  - Total valued at AUD137.5m;
  - Good-credit tenants such as Coca-Cola Amatil and Incitec Pivot;
  - Initial WALE exceeds 9 years

## Positive Sector Outlook\*

- ~AUD70bn allocated for transport infrastructure from 2014 to 2021
- Government to spend ~AUD75bn for funding road and rail infrastructure from 2018 to 2027
- ~AUD90bn government commitment for the National Defense program

Property	Tenant	Area (sqm)
Port Adelaide Property	Incitec Pivot Centre	17,330
Kilkenny Property	OI Glass	50,000 (land area)
Bayswater Property	Siemens (anchor tenant)	30,550
Salisbury Property	Coca-Cola Amatil	46,470
Land Parcel (Salisbury)	To be developed	152,000 (land area)



Port Adelaide Property  
(Incitec Pivot Centre)



SA Property (Coca-Cola Amatil)

# ARA ASSET MANAGEMENT

Accelerated expansion since privatisation

## 2017<sup>(1)</sup>

A premier **real estate** fund manager

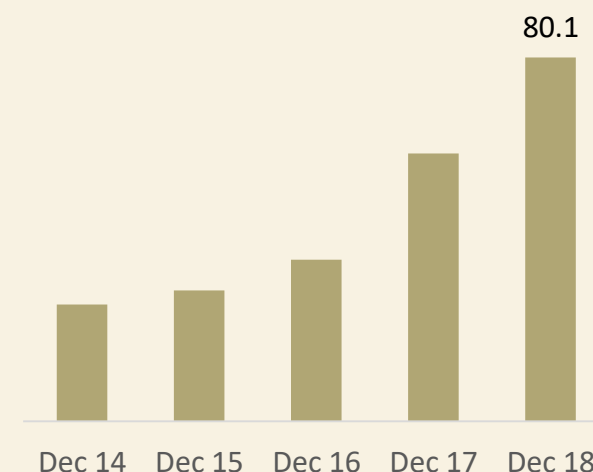
- 21 cities
- 8 countries
- Asia Pacific presence
- 11 REITS
- 9 private real estate funds
- AUM S\$40 billion

## 2018

A premier global **real assets** fund manager

- **Over 100** cities<sup>(2)</sup>
- **23** countries<sup>(2)</sup>
- **Global** presence
- **20** REITS<sup>(3)</sup>
- **Over 70** private real estate funds<sup>(3)</sup>
- Gross AUM **S\$80.1** billion<sup>(4)</sup>

Gross Assets (S\$ billion)



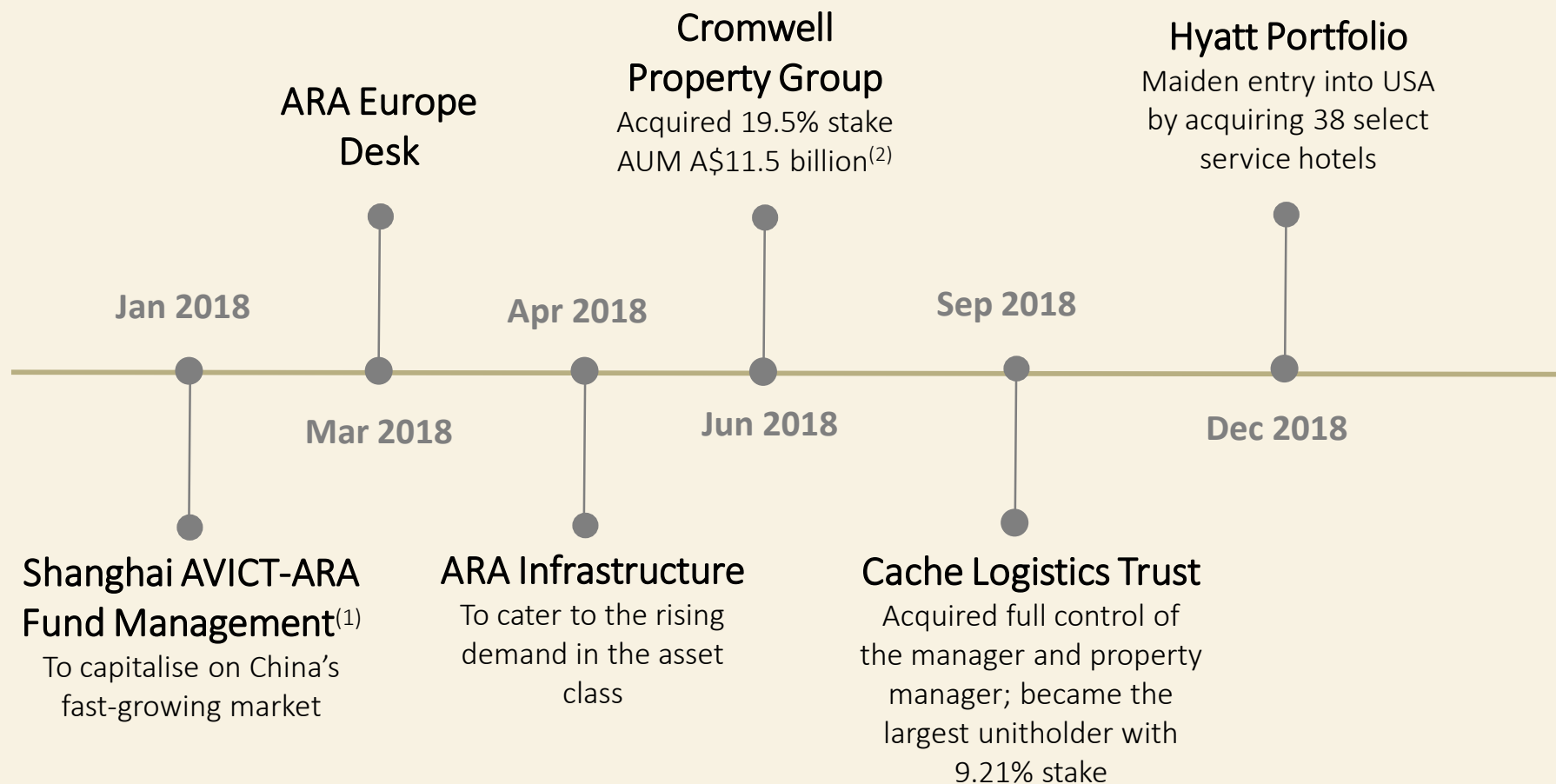
Aiming “to achieve an AUM of \$100 billion by 2021...”<sup>(5)</sup>

Sources:

- (1) Press release by ARA Asset Management “ARA Establishes European Platform” dated 1 March 2018
- (2) ARA website <http://www.ara-group.com/>
- (3) Press release by ARA Asset Management “ARA Group completes acquisition of 19.5% interest in Cromwell” dated 4 June 2018
- (4) Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates and Joint Ventures as at 31 December 2018
- (5) The Business Times “Steadfast about growth” 25 August 2018

# ARA ASSET MANAGEMENT

A multi-platform, multi-product global funds management platform



## In the pipeline:

New products and opportunities in China, Korea, Australia, Europe, Singapore, United States and Japan



# SUNTEC REIT

Singapore's first and largest composite REIT

High quality office assets, complemented by retail and convention components

7 assets comprising 4 properties in Singapore, 1 property in Sydney & 2 properties in Melbourne

S\$9.9 billion AUM as at 31 Dec 2018

REIT Manager with proven track record – improved operational performance of Suntec City Mall post-repositioning

- Footfall +4.8% YOY
- Tenants sale psf +5.2% YOY



# FAR EAST HOSPITALITY HOLDINGS

A scalable platform that allows us to tap into growth in the hospitality industry

- 70-30 JV between Far East Orchard Limited and STC
  - A premier hotel owner and operator
  - Hospitality partnership with Toga Group
  - 9 brands across 7 countries and 25 cities
- 
- Launched in FY2018: 4 hotels & serviced apartments in Australia
  - 94 properties with over 14,700 rooms (as at December 2018)
  - Secured contracts for ~2,600 rooms, including 3 hotels in Sentosa with 839 keys
  - Maiden foray into Japan: development of a 306-key hotel in Ariake, Tokyo



\*As at Sep 2018

Source: Far East Orchard Limited Investor Presentation, 3 October 2018

# FAR EAST HOSPITALITY HOLDINGS

Building a stronger pipeline

Strong hospitality  
pipeline up to  
2020  
& beyond<sup>(1)</sup>

**2018**

- >94 properties
- >14,700 rooms

**2020<sup>(2)</sup>**

- 115 properties
- >18,500 rooms

**2023 TARGET**

- 150 properties or  
30,000 rooms



**Adina Apartment Hotel  
Melbourne West End  
Australia**



**Vibe Hotel Darling Harbour  
Australia**



**Adina Apartment Hotel  
Freiburg, Germany**



**Adina Apartment Hotel  
Munich, Germany**



**Village Hotel at Sentosa  
Singapore**

# PROPERTY PORTFOLIO

Singapore & Malaysia Property Portfolio – To monetise and redeploy capital

- Singapore bungalows and apartments: S\$272.2 million
- Malaysia properties<sup>(1)</sup>: S\$44.4 million
- Divested three Gallop Green units in 2018
- Seek to capitalize on the resilient Good Class Bungalows market and record high transaction prices



Good Class Bungalows

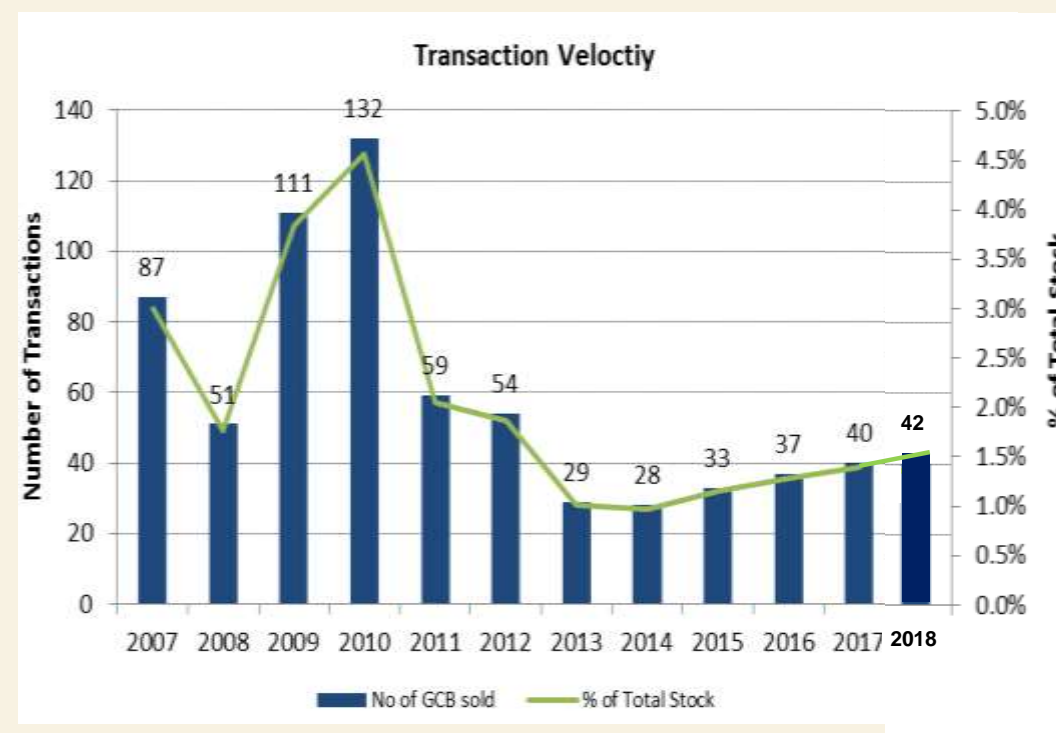
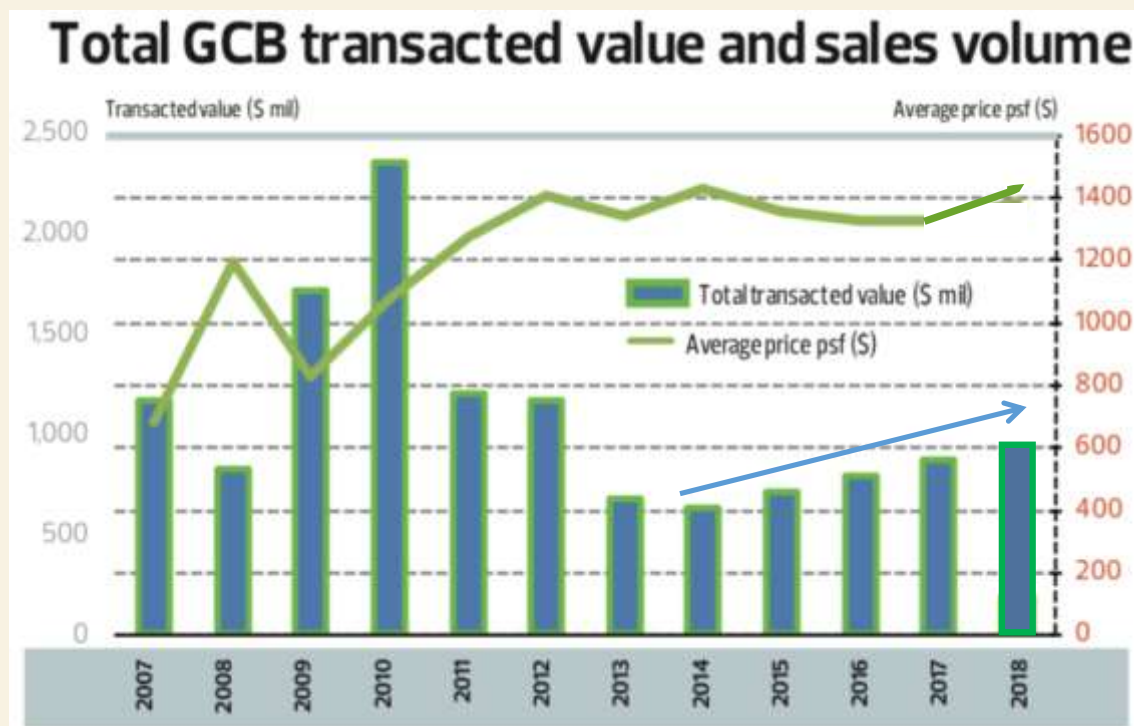


Gallop Green Townhouses & Apartments

# PROPERTY PORTFOLIO

Singapore GCB market stays buoyant

- GCB transactions have been steadily increasing y-o-y since 2013, with 2018 setting a new 6-year high crossing the S\$1 billion mark\*
- Average GCB transacted at S\$1,515 psf in 2018, 14% above the S\$1,330 psf registered in 2017\*



# PROPERTY PORTFOLIO

Unlocking value of prime land in Butterworth, Penang

- Non-binding MOU with MSC to jointly explore options to unlock the value of freehold land owned by both parties in Butterworth, Penang.
- Land size: 40.1 acres (STC: 26.2 acres; MSC: 13.9 acres)
- Prime location:
  - 5 to 10 min drive to the newly launched integrated transportation hub, Penang Sentral
  - Panoramic view of Penang Island
- Penang Draft Master Plan 2030 earmarked Butterworth as an extension of its key district- George Town, making it an attractive location for residential and commercial developments.



Source: Extracted from article "Steering the course for Penang" in *The Edge Financial Daily*, 29 June 2018



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## BUSINESS HIGHLIGHTS

RESOURCES

# MALAYSIA SMELTING CORPORATION

## Largest Independent Custom Tin Smelter

Production of 27,172 tonnes of tin in 2017, approximately 7.5% of total global supply<sup>(1)</sup>

## Malaysia's Largest Tin Mine

Mine production of 2,226 tonnes in 2017 accounting for >40% of Malaysia's output<sup>(1)</sup>

## Stronger Financial Performance in FY2018

FY2018 net profit more than doubled to RM34.3m (from RM16.1m in 2017) from improved operating efficiencies of its tin smelting segment

## Malaysia Smelting Corp fires up as tin demand shines

MSC continues to strengthen its niche expertise in tin, including pursuing growth and undertaking initiatives to upgrade its smelting technology



"We're excited about the new technology that we can apply to bring us into the business to a new dimension," says Mr Wong, MSC's managing director. (Photo: MSC)

**A** FINE LINE BETWEEN an... (The article text is partially obscured and difficult to read in the image.)

MSC continues to strengthen its niche expertise in tin, including pursuing growth and undertaking initiatives to upgrade its smelting technology

MSC's managing director, Mr Wong, says the company's growth is driven by strong demand for tin, particularly in the electronics and automotive sectors. He highlights the company's commitment to innovation and technological advancement to maintain its competitive edge in the market.

Mr Wong also mentions the company's focus on sustainability and environmental stewardship. He notes that MSC is implementing various initiatives to reduce its carbon footprint and improve resource efficiency, reflecting its commitment to long-term value creation.

The article concludes by noting that MSC's strong financial performance in FY2018 is a testament to its operational excellence and strategic focus. It expresses confidence in the company's ability to continue its growth trajectory in the coming years.

**"I'm passionate about tin – not because I grew up with it, but because I can see its future – it's very clear, there's no other direction to go, and we're in the right industry."**

The Business Times, 31 Dec 2018



<sup>(1)</sup> Source: MSC Annual Report



# TRANSFORMATION PLANS

Becoming an efficient and fully integrated tin company



## TIN SMELTING

- **Port Klang Smelter**
  - Small-scale testing and refinery works since early 2018
  - Expected to be fully operational by 2020



## TIN MINING

- **Increased mining productivity**
  - Rose from 8.5 tonnes/day to 9 tonnes/day
  - To reach 10 tonnes/day in two years
- **Tin ore continuity**
  - Mining activities at Sungai Lembing Pahang to commence in FY2019
  - On-going efforts to explore new tin deposits and mining leases



## OUTLOOK

- Expect recovery yields, production and cost efficiencies to improve once Port Klang smelter is fully operational



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## **FINANCIAL HIGHLIGHTS 4Q2018 and FY2018**

Fourth Quarter and Full Year Ended 31 December 2018

## GROUP FINANCIAL HIGHLIGHTS

S\$'m	4Q 2018	4Q 2017*	% change	FY 2018	FY 2017*	% change
EBITDA	30.5	10.6	187.6	133.4	85.8	55.4
EBIT	29.0	9.2	216.3	126.8	80.2	58.1
Profit before tax	22.0	3.0	643.8	99.6	57.5	73.4
PATNCI	14.1	5.2	171.7	71.7	46.4	54.5
EPS (cents)	3.5	1.3	169.2	17.6	11.4	54.4

- PATNCI rose more than two-fold to S\$14.1m for the last quarter of 2018
- PATNCI for full year 2018 is the highest since 2014

# GROUP FINANCIAL HIGHLIGHTS

Strong financial position and prudent financial metrics

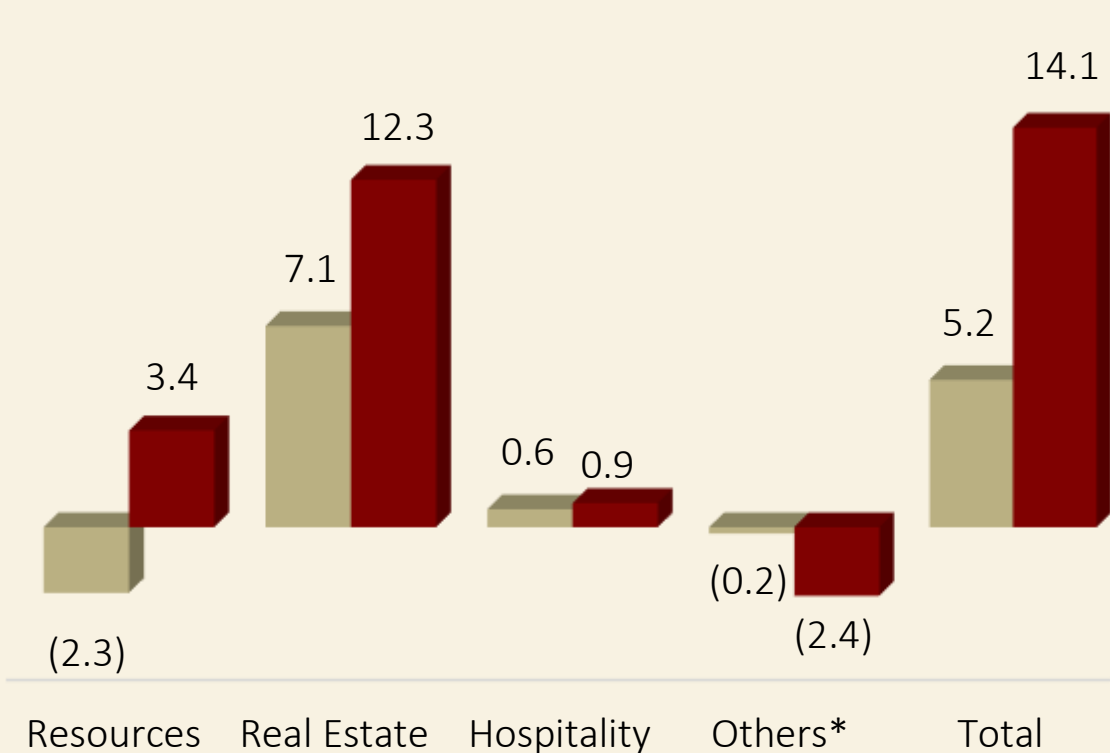
S\$m	31 Dec 2018	31 Dec 2017 (restated)
Cash and short-term deposits	244.9	362.4
Total assets	2,576.3	2,433.6
Total borrowings	864.5	768.7
Total liabilities	977.7	862.8
Total equity	1,598.6	1,570.9
NAV/share (S\$)	3.60	3.62
Net debt/Total equity	38.8%	25.9%
EBITDA/Interest expenses	4.91	3.77

# PATNCI BY BUSINESS SEGMENTS

Main drivers of profitability - Real Estate segment and SRE

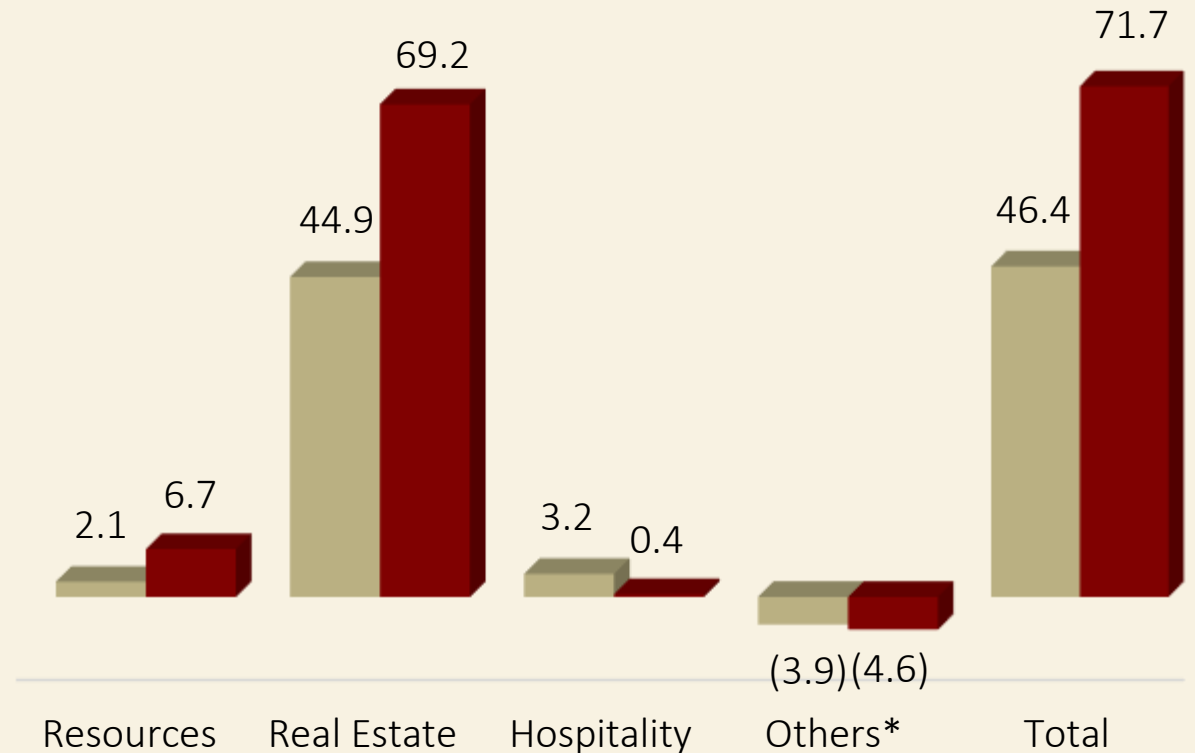
### 4Q PATNCI (S\$ million)

■ 4Q2017 ■ 4Q2018



### FULL YEAR PATNCI (S\$ million)

■ FY2017 ■ FY2018

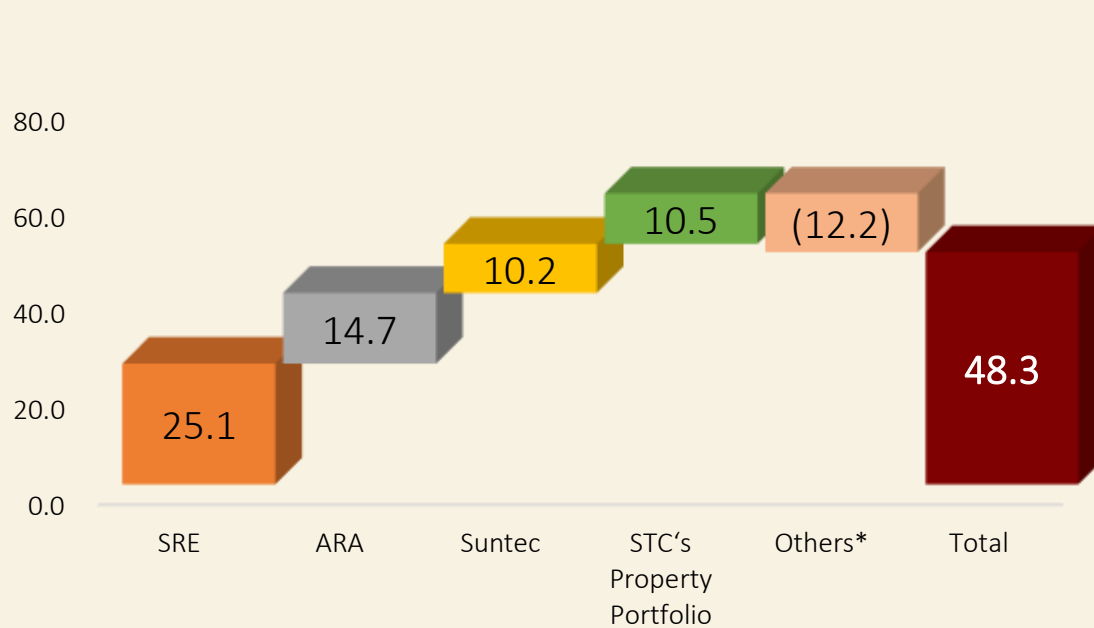


\*Others comprise Group-level corporate and treasury services

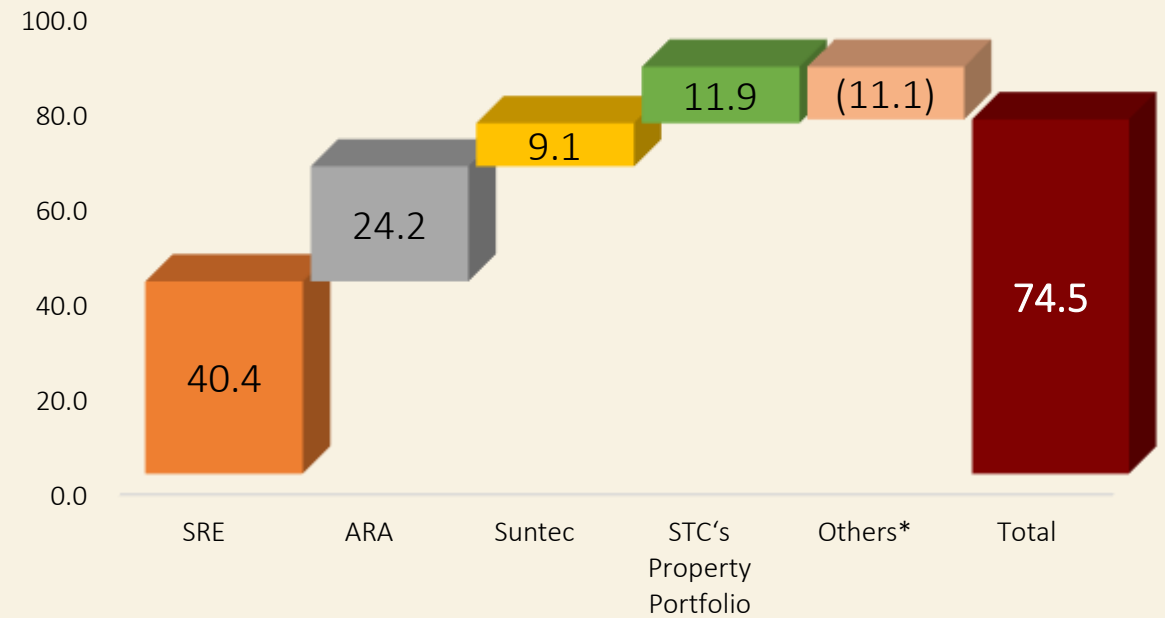
# PAT BREAKDOWN: REAL ESTATE SEGMENT

SRE main driver of profitability

FY2017 (S\$'m)\*\*



FY2018 (S\$'m)



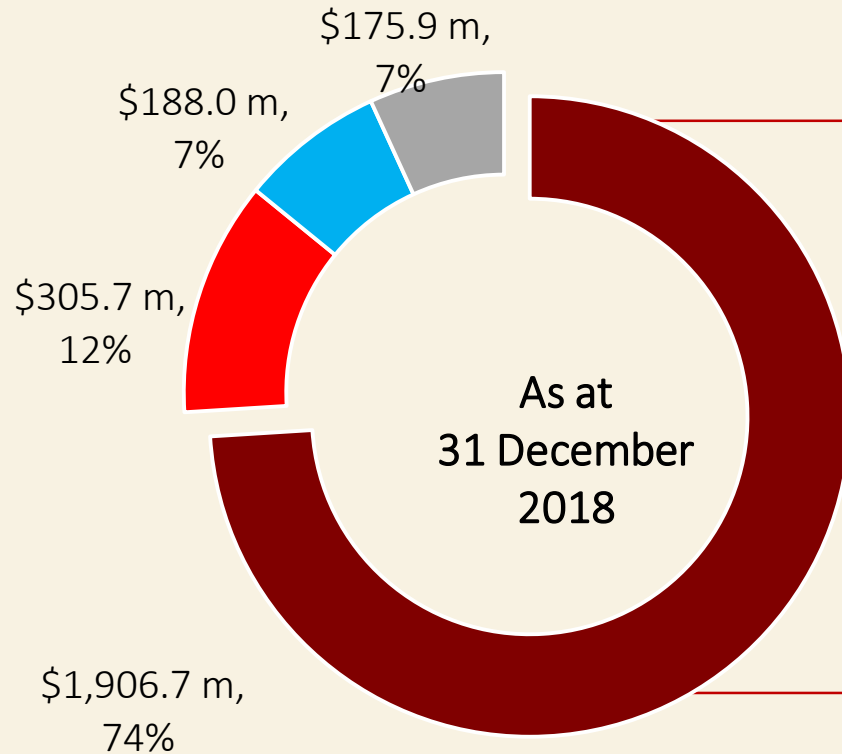
- Overall increased profitability from SRE, ARA and STC's Property Portfolio

\* Others comprise mainly Group-level finance costs and overheads

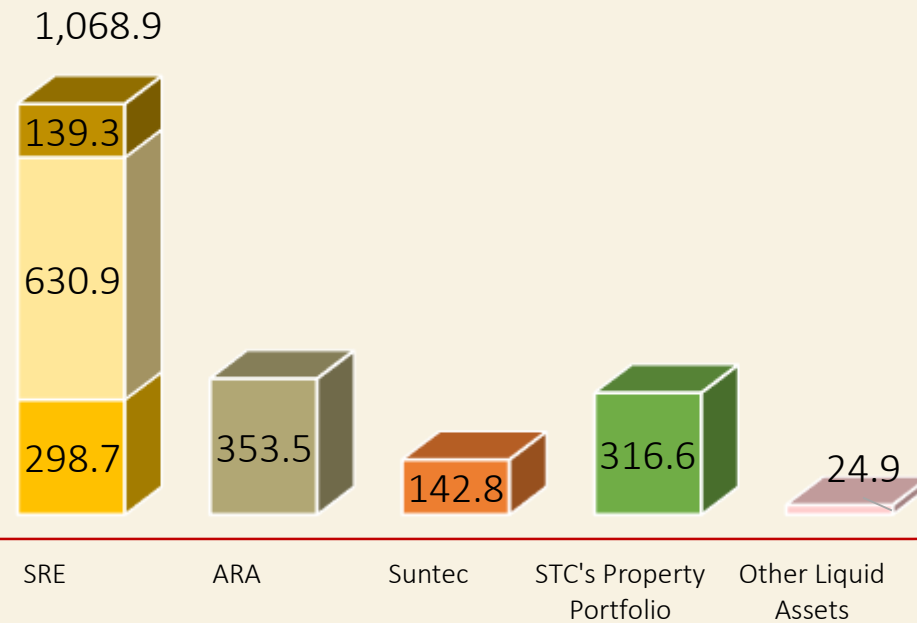
\*\*Restated following adoption of new financial reporting framework, Singapore Financial Reporting Standards (International)

# TOTAL ASSETS

S\$2.6 billion (FY2017: S\$2.4 billion) in total assets; 81% from real estate and hospitality segments



Real Estate Assets Breakdown (S\$ million)



■ Real Estate ■ Resources ■ Hospitality ■ Others\*

■ Cash & others

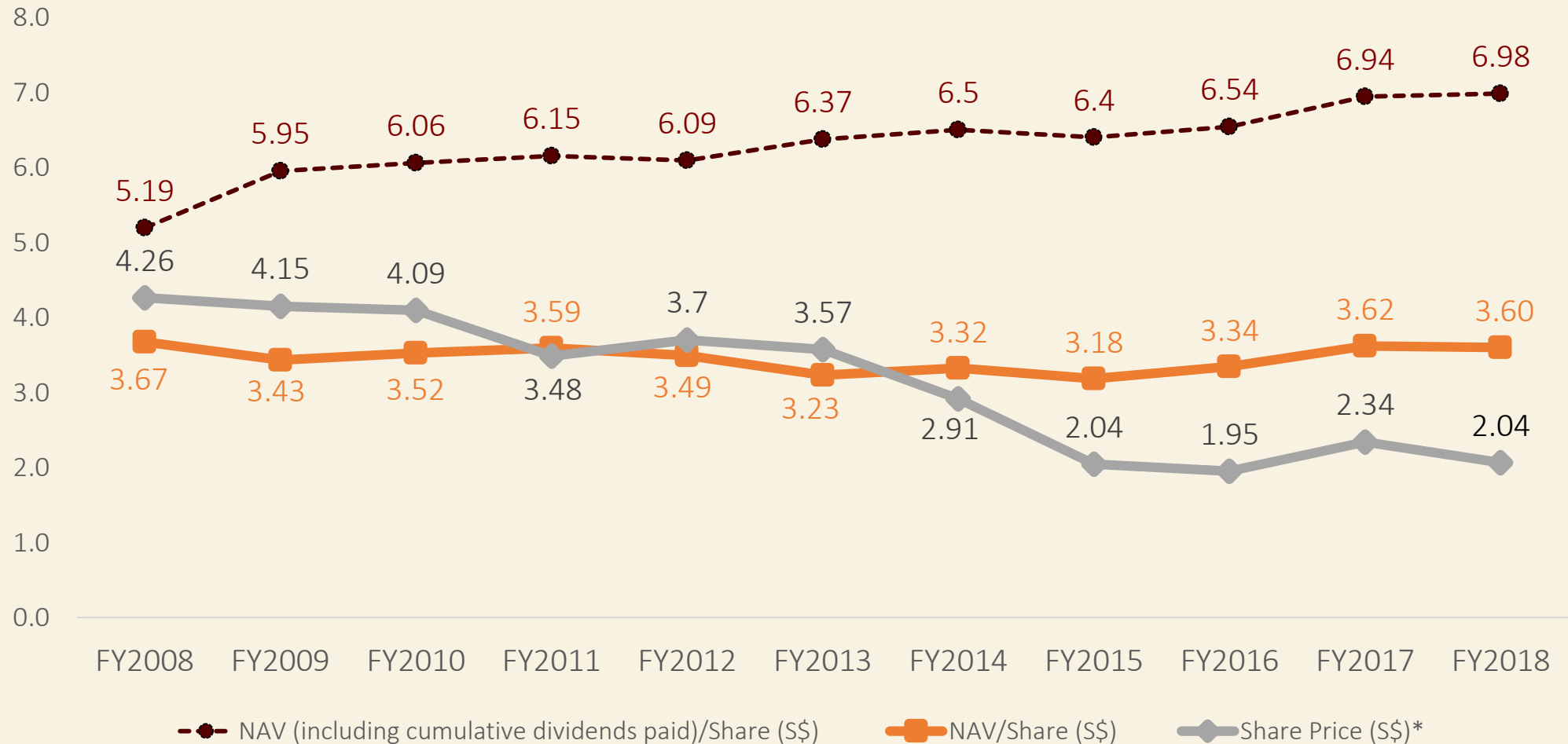
■ Chongqing Mall, 45 St Georges Terrace, logistics assets & Japan residential properties

■ Harmony III, GTOF, JVF II, SDF & 320 Pitt St

\* Others comprise mainly Group-level cash, separate account portfolio

# NET ASSET VALUE PER SHARE

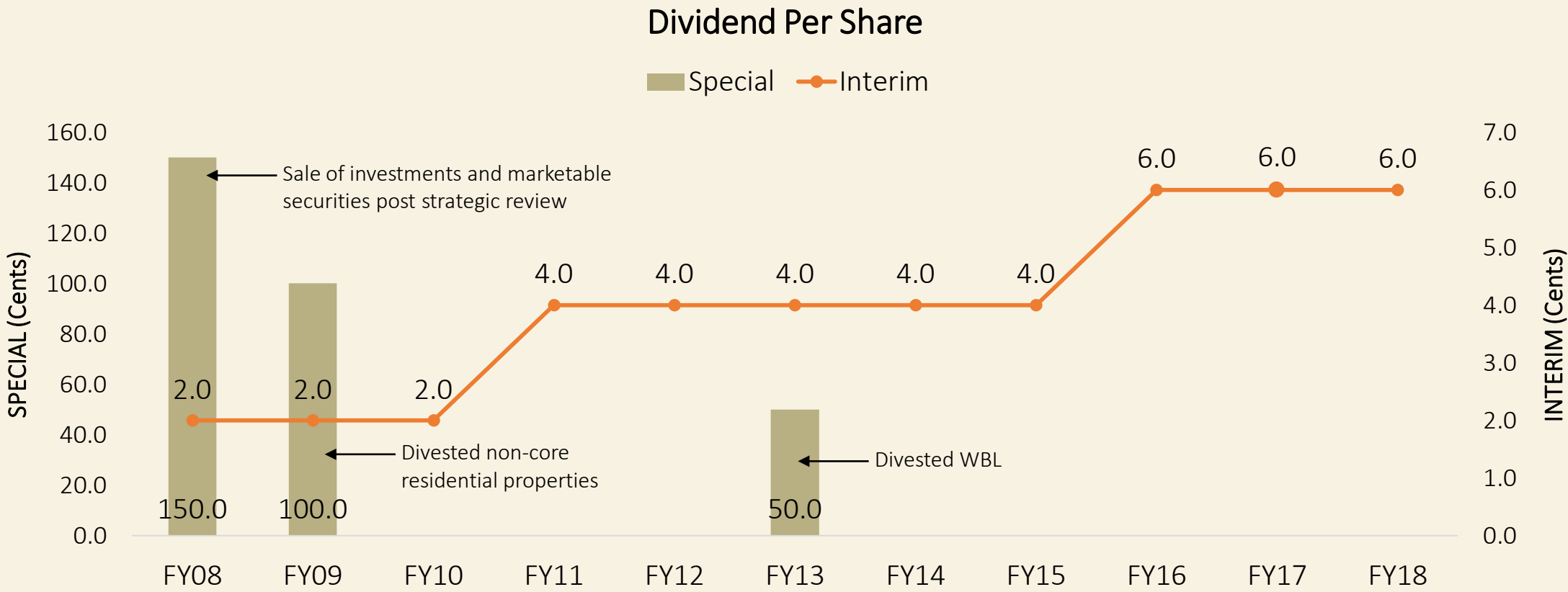
Stock price is currently trading at a discount to our intrinsic value





# DIVIDEND RECORD

Rising dividends reflects improvement in our business





## APPENDIX

# THE STRAITS TRADING COMPANY

STC is an **investment company**,  
with diversified interests in Real Estate, Hospitality and Resources across the Asia Pacific,  
that invests for **risk-adjusted returns**.

## REAL ESTATE

- SRE's AUM and STC's property portfolio valued at over S\$1.7 billion
- ARA Group & Associates S\$80.1 billion AUM
- Suntec REIT S\$9.9 billion AUM

## HOSPITALITY

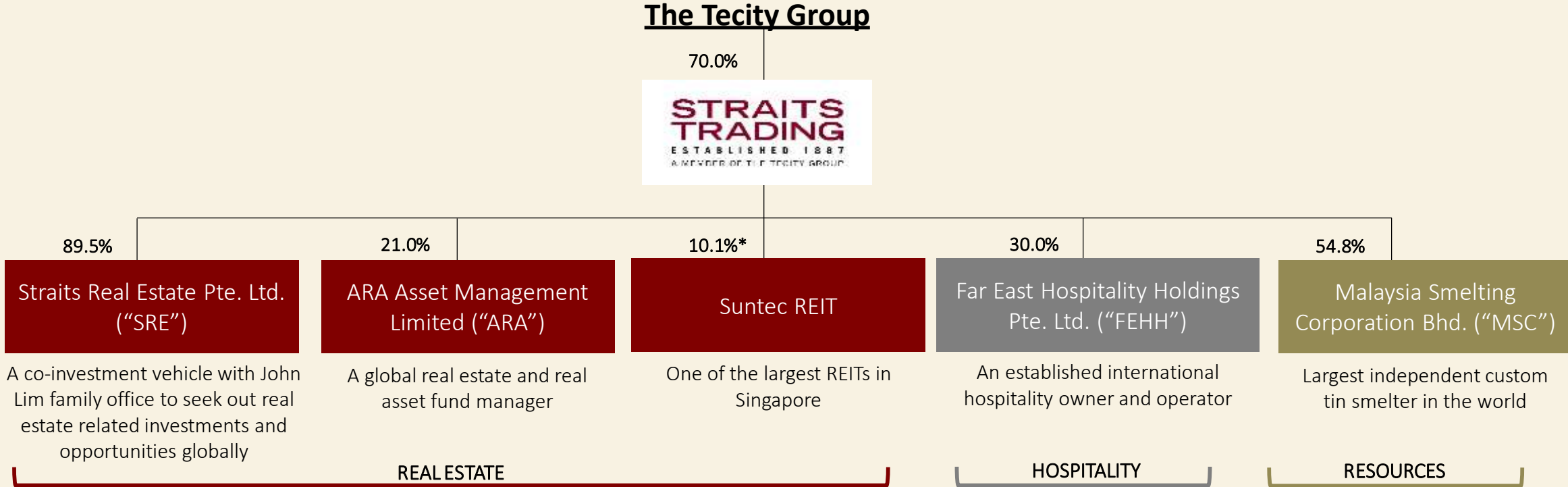
- An international hotel owner and operator with a diverse portfolio of 94 hotels and over 14,700 rooms under management

## RESOURCES

- A majority stake in the largest independent custom tin smelter in the world

# CORPORATE STRUCTURE

Structured to implement our strategy as a capital allocator

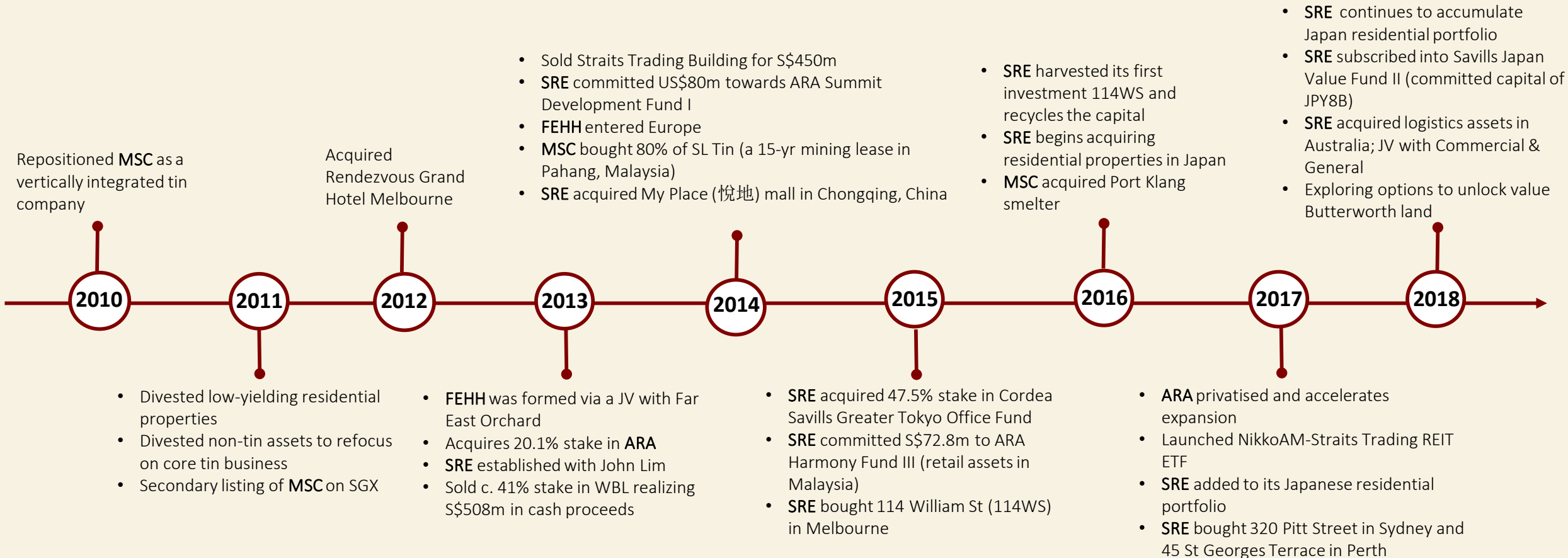


\* Aggregate interest in Suntec REIT including deemed interest through ARA group companies



# BUSINESS TRANSFORMATION SINCE 2008

Redefining focus and making new investments





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**THANK YOU**