



**AIMS**  
**AA REIT**

# AIMS APAC REIT

*3Q FY2023 Business Update*  
*For the Period 1 October 2022 to 31 December 2022*

**25 January 2023**

# Important Notice

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Optus Centre, Australia

# 3Q FY2023 Key Highlights

# 3Q FY2023 Key Highlights

## Robust Financial Performance

- Strong organic growth
- Attractive distribution yield of 8.4%<sup>1</sup>



### Revenue

S\$42.0 million

+14.1% y-o-y

### Net Property Income

S\$30.9 million

+14.0% y-o-y

### Distributions to Unitholders

S\$18.7 million

+11.7% y-o-y

### DPU

2.59 cents

+10.2% y-o-y

## Active Portfolio Management

- Consistently high occupancy rate
- Sustained positive rental reversions



### Portfolio Occupancy

97.8%

30 September 2022: 97.5%

### Weighted Average Lease Expiry

4.5 years

30 September 2022: 4.8 years

### Rental Reversion

+21.2%

1H FY2023: +8.1%

### Tenant Retention Rate<sup>2</sup>

79.0%

1H FY2023: 85.4%

## Prudent Capital Management

- Proactive hedging strategy
- Strong financial flexibility



### Aggregate leverage ratio

36.4%

30 September 2022: 36.5%

### Weighted average debt maturity

3.2 years

30 September 2022: 3.5 years

### Borrowings on fixed rates<sup>3</sup>

~88%

30 September 2022: ~88%

### Hedged expected AUD distributable income

~70%

30 September 2022: ~67%

#### Notes:

1. Based on annualised 3Q FY2023 DPU and closing unit price of S\$1.24 as at 31 December 2022.
2. Based on trailing 12 months and by net lettable area.
3. Include forward interest rate swaps.

illumina

# Financial Performance

# 3Q FY2023 and 9M FY2023 Financial Performance



Increases in gross revenue and NPI were mainly driven by higher rental income from Singapore and Australia properties, as well as full quarter and nine-month period contribution from the acquisition of Woolworths Headquarters which was completed on 15 November 2021

Financial Highlights (S\$'000 unless otherwise stated)	3Q FY2023 <sup>1</sup>	3Q FY2022	Change (%)	9M FY2023 <sup>1</sup>	9M FY2022	Change (%)
<b>Gross Revenue</b>	42,014	36,807	14.1	125,214	102,053	22.7
<b>Net Property Income (“NPI”)</b>	30,860	27,070	14.0	92,003	74,779	23.0
<b>Distributions to Unitholders</b>	18,657	16,709	11.7	52,380	50,312	4.1
<b>Distribution per Unit (Singapore cents)</b>	2.59	2.35	10.2	7.29	7.10	2.7

Note:

1. 3Q FY2023 and 9M FY2023 included the full quarter and nine-month period contribution from the acquisition of Woolworths Headquarters in New South Wales which was completed on 15 November 2021.

# Distribution Details and Timetable



Stock Counter	Distribution Period	DPU Cents
AIMS APAC REIT Code: O5RU	For 1 October 2022 to 31 December 2022	2.59

Distribution Period	For 1 October 2022 to 31 December 2022
Ex-Date	2 February 2023, 9.00am
Record Date	3 February 2023, 5.00pm
Return of Tax Declaration Forms	22 February 2023, 5.00pm
Distribution Payment Date	24 March 2023



# Capital Management

# Prudent Capital Management

Key Balance Sheet Items (S\$' million)	As at 31 December 2022	As at 30 September 2022
<b>Total Assets</b>	2,346.1	2,362.9
<b>Total Liabilities</b>	973.8	985.5
<b>Net Assets</b>	1,372.3	1,377.4
<b>Net Asset Value per Unit (Singapore cents)</b>	1.38	1.40

Credit Metrics	As at 31 December 2022	As at 30 September 2022
<b>Aggregate Leverage<sup>1</sup> (%)</b>	36.4	36.5
<b>Blended Debt Funding Cost (%)</b>	3.2	3.0
<b>Weighted Average Debt Maturity (years)</b>	3.2	3.5
<b>Interest Cover Ratio ("ICR")<sup>2</sup> (times)</b>	4.1	4.6
<b>Adjusted ICR<sup>3</sup> (times)</b>	2.3	2.5
<b>Fixed rate debt as % of total debt<sup>4</sup></b>	88% <sup>5</sup>	88% <sup>6</sup>

Notes:

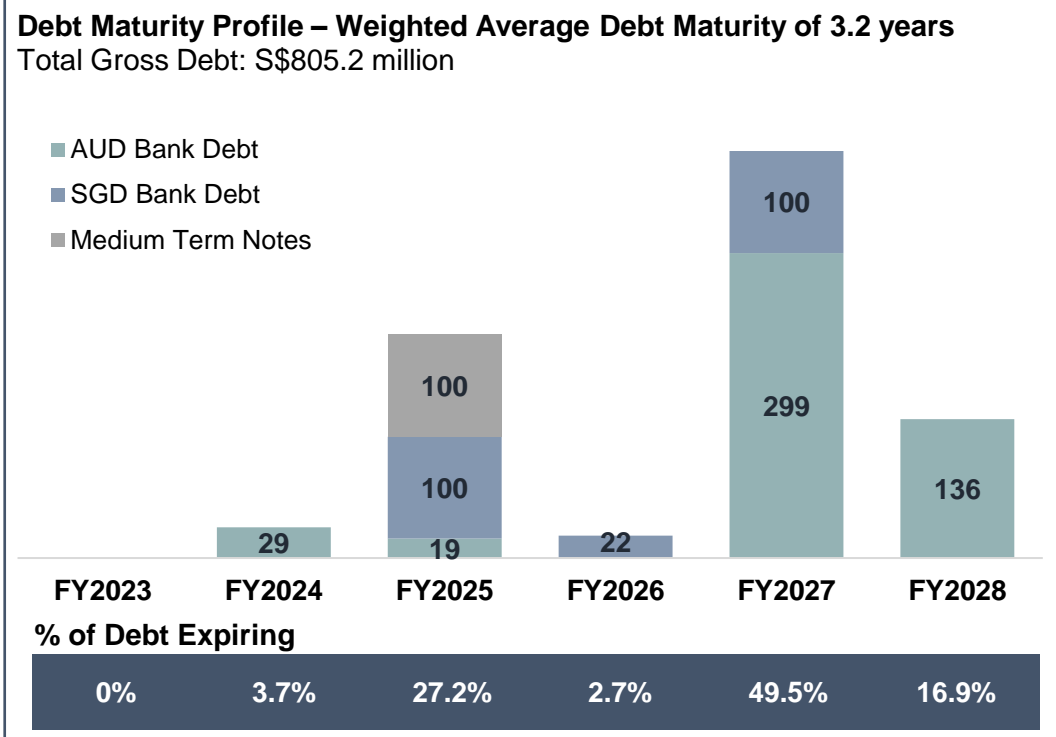
1. Aggregate leverage ratio is computed as total borrowings as a percentage of total assets and includes lease liabilities that are entered into in the ordinary course of AA REIT's business on or after 1 April 2019 in accordance with MAS guidelines.
2. The interest coverage ratio ("ICR") is calculated 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, foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees (excluding interest expense on lease liabilities).
3. The adjusted ICR includes the amount reserved for distribution to Perpetual Securities holders.
4. Includes forward interest rate swaps.
5. 71% of borrowings on fixed rates, 17% of borrowings on forward interest rate swaps.
6. 65% of borrowings on fixed rates, 23% of borrowings on forward interest rate swaps.

# Prudent Capital Management

Low refinancing risks and forward-looking hedging strategy

## Proactive Approach to Capital Management

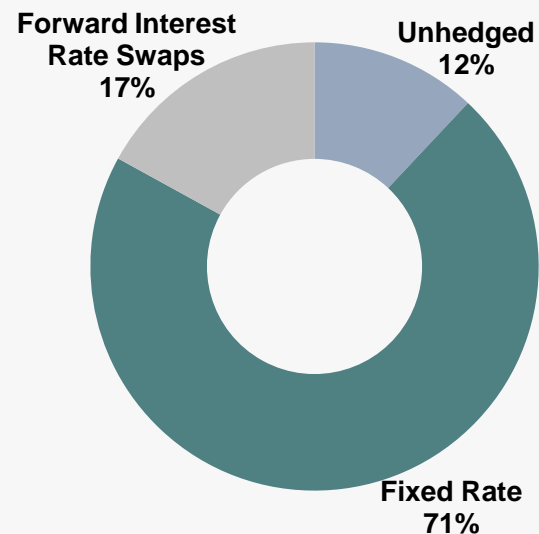
- Strong financial flexibility with undrawn committed facilities and cash and bank balances of ~S\$220.0 million
- Debt due in FY2024 can be covered via existing committed debt facilities
- Refinanced debt extended to FY2028 maturity accounts for 16.9% of total borrowings



## Disciplined Hedging

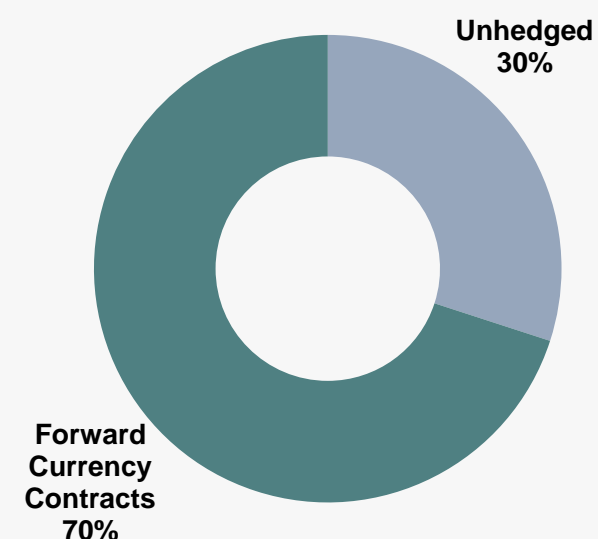
### Interest Rate Risk Management

- 88% of borrowings on fixed rates (including forward interest rate swaps)
- Every 25 bps increase in interest rates is expected to have a 0.08 cents DPU impact per annum<sup>1</sup>



### Forex Risk Management

- 70% of expected AUD distributable income is hedged into SGD via forward currency contracts
- Adopts natural hedging strategy for Australian investments



Note:

1. Based on fixed rates excluding forward interest rate swaps.

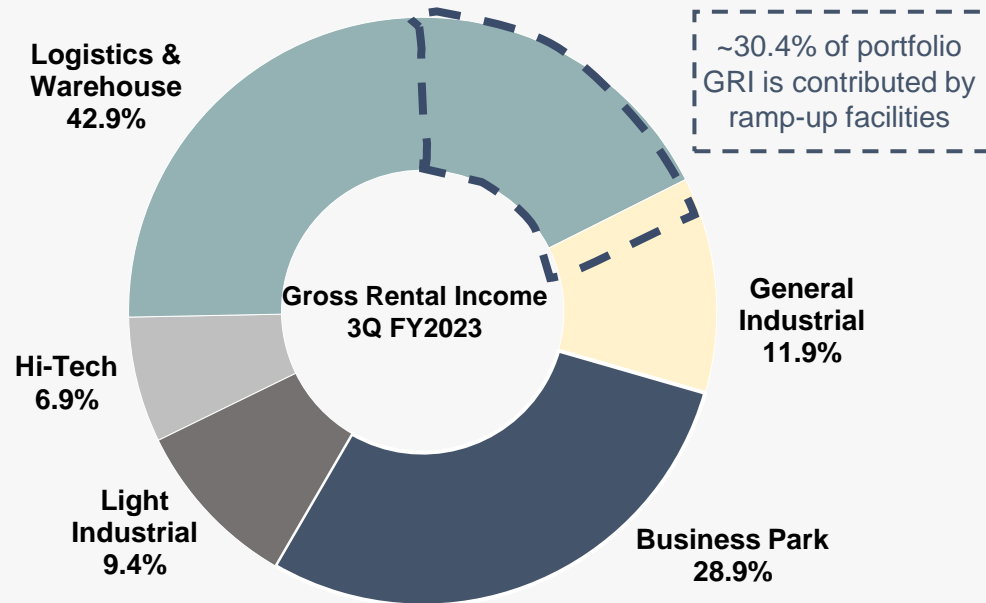
# Portfolio Highlights

# Gross Rental Income by Sub-Sectors and Property Type

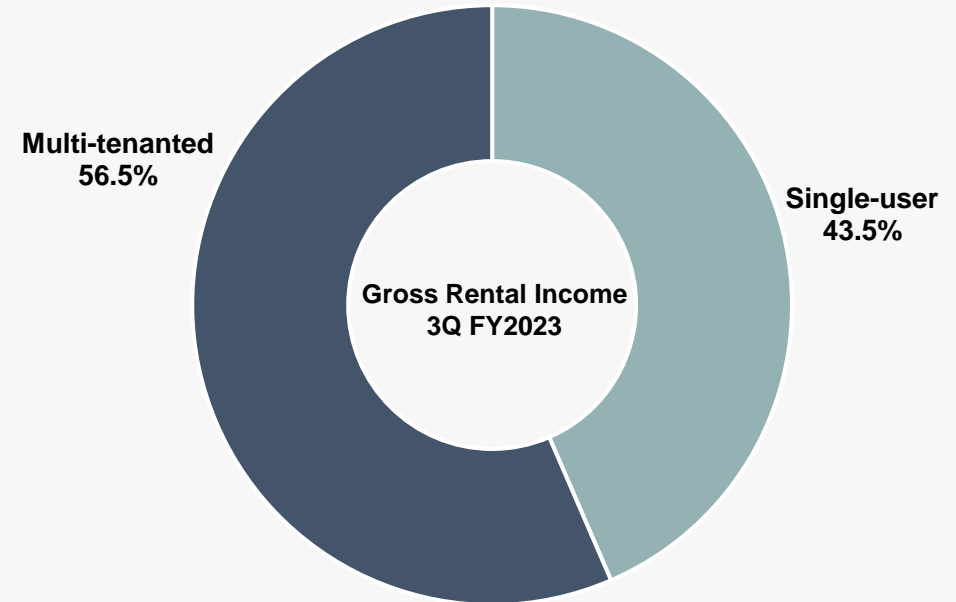
Well-diversified portfolio with organic growth and anchored by Australian business parks



## Gross Rental Income by Sub-Sectors



## Gross Rental Income by Property Type



- Anchored by high-quality Australian business parks (25.9% of GRI) master tenanted on long lease terms with rental escalation
- Exposure to hi-tech space (6.9% of GRI) with a large corporate tenant and long lease

- All single-user assets are at market rent with long lease terms providing income stability, majority (82.7%<sup>1</sup>) have built-in escalations
- Multi-tenanted assets, of which majority (65.0%<sup>2</sup>) are logistics properties, have shorter WALE with potential for rental growth

### Notes:

All references to "GRI" refers to 3Q FY2023 gross rental income.

1. Refers to gross rental income of single-user assets.

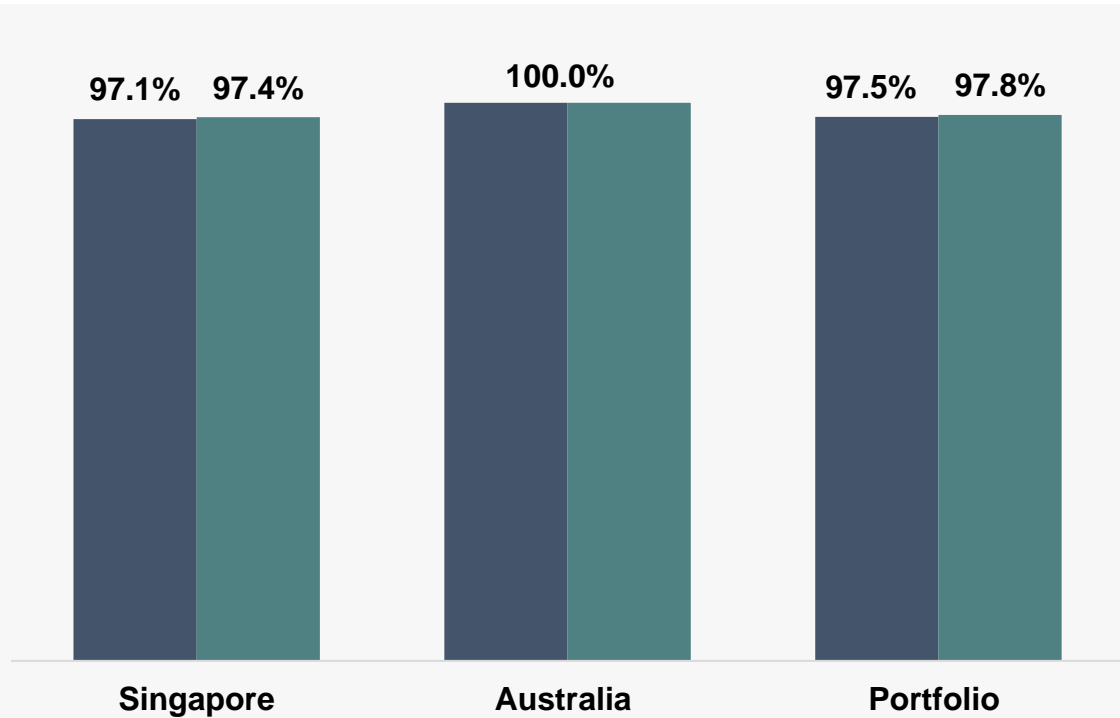
2. Refers to gross rental income of multi-tenanted assets.

# High Portfolio Occupancy Rate of 97.8%

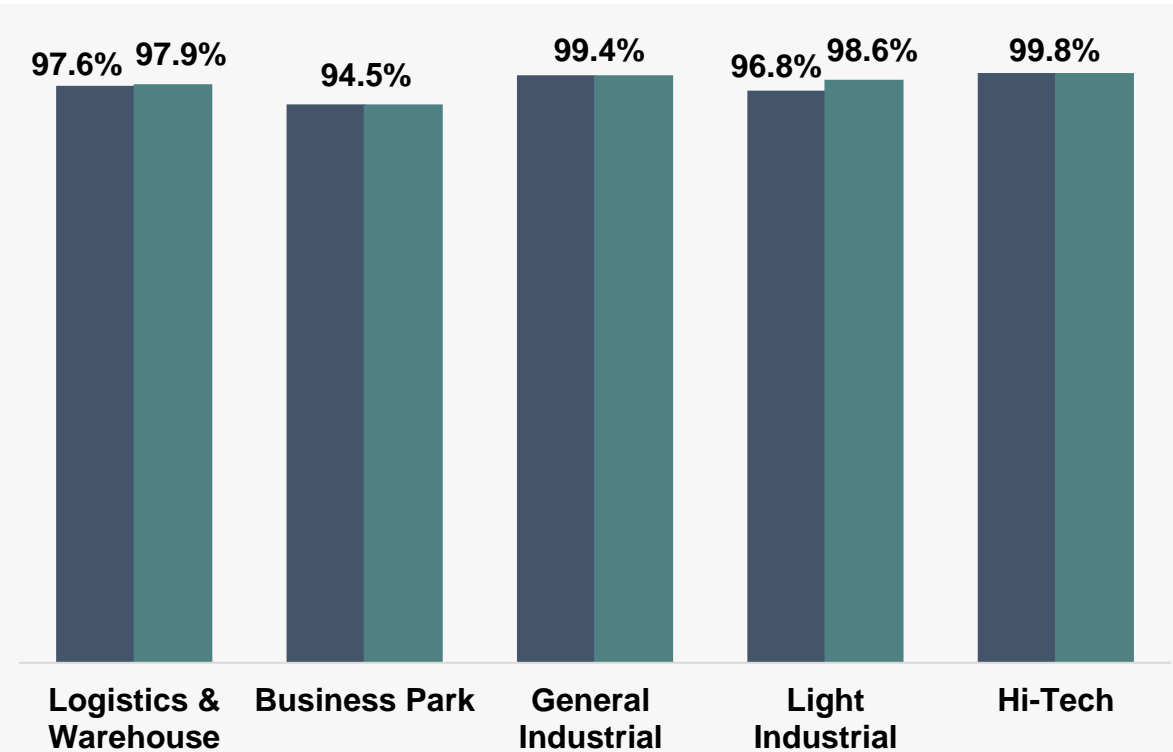
Active asset management ensures consistent high occupancy



Portfolio Occupancy by Geography



Occupancy Rate by Sub-Sectors



■ As at 30 Sep 2022  
■ As at 31 Dec 2022

Note: Computation of occupancy rates is based on net lettable area and is as at 31 December 2022.

# Strong Leasing Momentum

Positive rental reversion with high tenant retention and well-staggered lease expiry profile



- Executed 11 new (23,478 sqm) and 16 renewal leases (29,180 sqm), representing 6.7% (52,658 sqm) of the portfolio's total net lettable area
- Achieved strong average portfolio reversion rate of 21.2% for 3Q FY2023 and high tenant retention rate of 79.0%<sup>1</sup>

Rental reversion by sub-sectors (%)	3Q FY2023	2Q FY2023	1Q FY2023
Logistics & Warehouse	25.9	10.3	16.5
Business Park	-6.4	0.7	-2.2
General Industrial	22.2	N.A.	8.0
Light Industrial	6.7	6.8	2.8
Hi-Tech	N.A.	N.A.	N.A.
<b>Overall Portfolio</b>	<b>21.2</b>	<b>6.2</b>	<b>9.5</b>

## Key tenants secured during 3Q FY2023

LF LOGISTICS

LF Logistics is a subsidiary of Maersk, a global leader in shipping services which operates in 130 countries.

EMERSON

Listed on the New York Stock Exchange, Emerson is a global software and engineering leader providing innovative solutions for customers with a global sales footprint

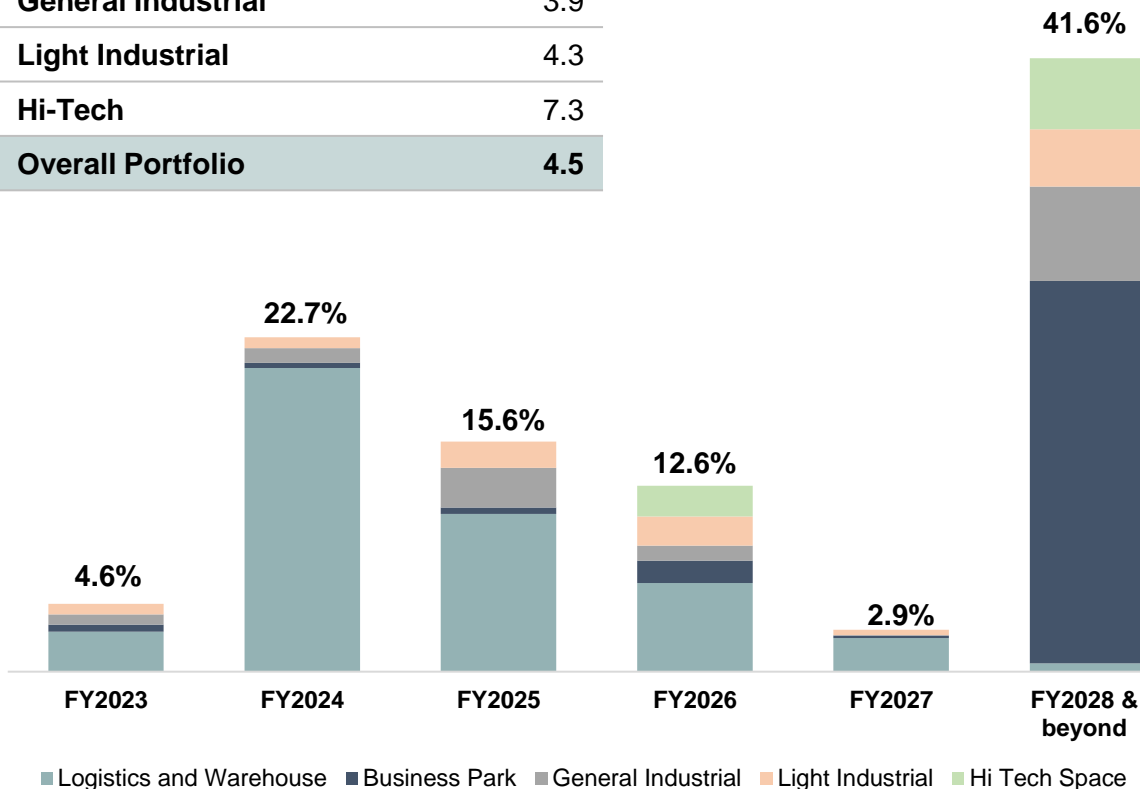
Notes:

- Based on trailing 12 months and by net lettable area.
- Weighted by 3Q FY2023 gross rental income.

## Lease expiry profile<sup>2</sup>

### WALE by sub-sectors (years)

Logistics & Warehouse	1.4
Business Park	8.8
General Industrial	3.9
Light Industrial	4.3
Hi-Tech	7.3
<b>Overall Portfolio</b>	<b>4.5</b>



# Diverse and High-quality Tenant Base

Stable top 10 tenants; 199 tenants diversified across trade sectors

No.	Tenant Name	% GRI	Trade Sector	Lease Expiry (Years)
1	Woolworths	14.8%	Food & Consumer Staples	8.8
2	Optus	11.1%	Data Centre & Telecommunication	10.5
3	Illumina Singapore	6.7%	Healthcare & Life Sciences	7.4
4	KWE-Kintetsu World Express	6.2%	Logistics	1.0
5	Beyonics International	3.0%	Precision Engineering	5.3
6	Schenker Singapore	2.8%	Logistics	1.7
7	ResMed Asia	2.7%	Healthcare & Life Sciences	7.2
8	Boardriders	1.9%	Fashion, Apparels and Cosmetics	8.5
9	CIT Cosmeceutical	1.7%	Fashion, Apparels and Cosmetics	1.3
10	Racks Central Pte Ltd	1.6%	Data Centre & Telecommunication	7.3

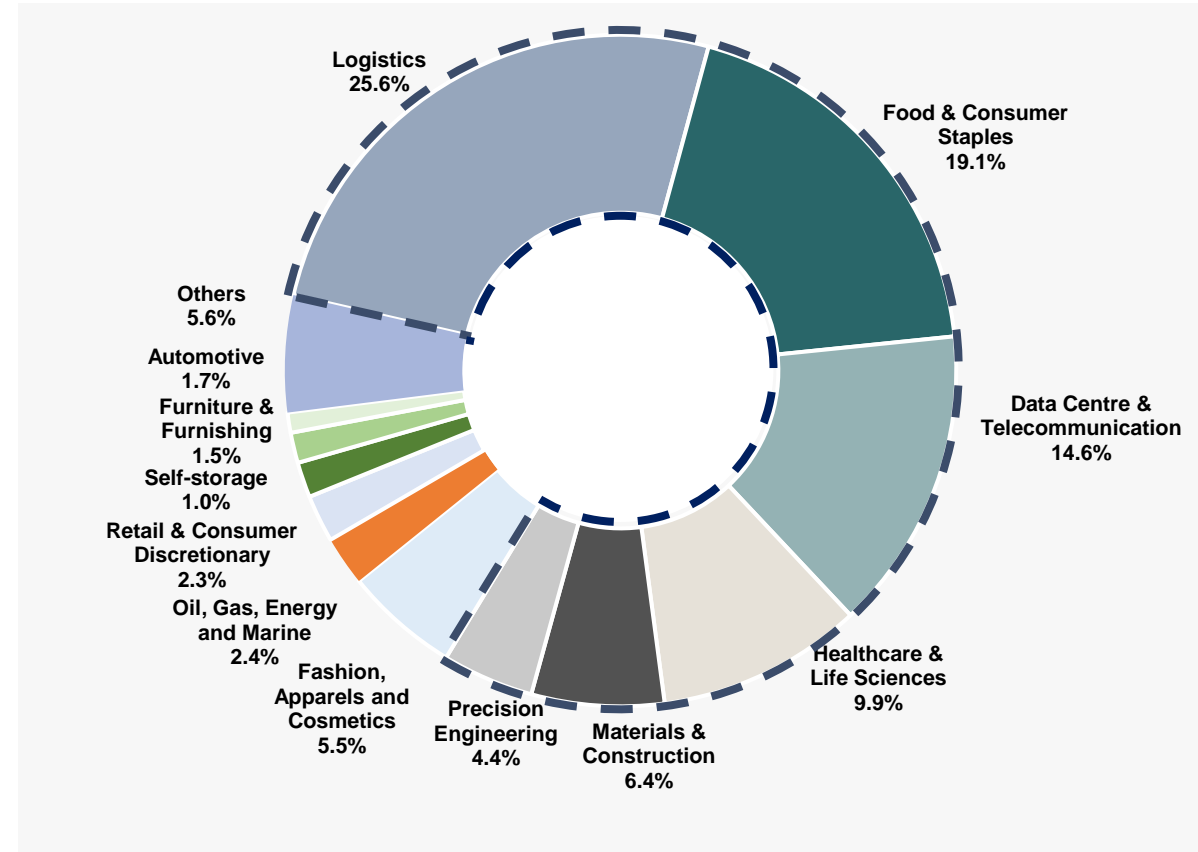
- **52.5% of GRI** contribution from Top-10 quality tenants with the majority being leading global, regional and local companies in their respective sectors
- In advanced negotiations with KWE on lease renewal
- WALE<sup>1</sup> for Top-10 tenants is **7.1 years**

Notes:

All references to "GRI" refers to 3Q FY2023 gross rental income.

1. By 3Q FY2023 gross rental income.

## Diversified across trade sectors<sup>1</sup>



- **80.0% of GRI** contributed by tenants operating in defensive and resilient industries



# Market Outlook

## Singapore

### Growth in industrial market underpinned by favourable demand-supply dynamics

- Based on advance estimates, Singapore's economy grew 2.2% in 4Q 2022, moderating from the 4.2% growth in 3Q 2022<sup>1</sup>. Singapore Manufacturing PMI in December 2022 decreased 0.1 point from the previous month to post a fourth month of continuous contraction at 49.7<sup>2</sup>
- In the industrial market, favourable demand-supply dynamics continue to support healthy occupancy rates
- Tight supply conditions and resilient long-term demand from the life science and high-value manufacturing sectors will continue to support rental rates for high-quality assets, in particular the prime logistics segment

## Australia

### Flight to quality, infrastructure improvements and limited supply to benefit city-fringe business parks

- Australia's growth forecast is expected to slow from 3.8% in 2022 to around 1.5% in 2023, as rising inflation and higher interest rates curb household consumption<sup>3</sup>
- In Sydney, the flight to quality assets and infrastructure improvements continue to drive demand for high-quality spaces in the Macquarie Park precinct and Norwest Business park
- In the Gold Coast, strong population growth, a fast-growing economy and major infrastructure improvements, coupled with a chronic undersupply of industrial space will continue to keep vacancy rates at low levels

### Strategy

- Tenant retention to maintain high occupancy
- Pursue opportunities for asset enhancements, re-development and divestments to improve portfolio quality and to drive organic growth
- Monitor the market and exercise prudence when assessing new investment opportunities
- Adopt a disciplined approach to capital management as well as maintaining a well-capitalised balance sheet

#### Notes:

1. Singapore's GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2022 and by 3.8 Per Cent in 2022, Ministry of Trade and Industry Singapore.
2. Singapore PMI summary as of December 2022, Singapore Institute of Purchasing and Materials Management (SIPMM)
3. Statement by Philip Lowe, Governor: Monetary Policy Decision, 6 December 2022, Reserve Bank of Australia.

# Sharpening Our ESG Focus

## Continued Progress on Sustainability

### Progress YTD in FY2023

#### Environment



Stepping up efforts to implement **energy conservation projects** across selected portfolio properties



Introducing **green leases** to tenants



Installation of large-scale **rooftop solar system** across six Singapore properties by December 2023



**Green building** certifications account for ~24% of AA-REIT's total portfolio by GFA

#### Social



**Partnered with Habitat for Humanity** to rehabilitate homes for vulnerable persons and family



Conducted and reviewed tenants' satisfaction survey participation rate to **improve customer experience**



Enhanced **employee engagement** through health and wellness initiatives and corporate team bonding sessions

#### Governance



**Singapore Governance and Transparency Index 2022<sup>1</sup> - REIT and Business Trust**  
Ranked **13<sup>th</sup>** out of 45 trusts



Solar panel to be installed atop 20 Gul Way, Singapore



Achieved BCA Greenmark Gold Plus for 7 Bulim Street, Singapore



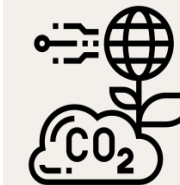
Home rehabilitation in partnership with Habitat for Humanity

### Focus Areas



#### ESG Roadmap

Establish an ESG Roadmap with clear targets



#### Decarbonisation Journey

Reduction in Scope 1 and Scope 2 carbon emissions to achieve science-based emissions reduction targets, in line with the Science-Based Targets Initiative'



#### Climate Resilience

To assess assets within the portfolio against climate risks

Note:

1. The Singapore Governance and Transparency Index (SGTI) is the leading index for assessing corporate governance practices of Singapore-listed companies.

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**Thank You**

For enquiries, please contact:

**Sheryl Sim**

**Investor Relations**

+65 6309 3638

Email Address: [sheryl.sim@aimsapac.com](mailto:sheryl.sim@aimsapac.com)