



# 3Q FY18 Financial Results

10 July 2018



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This presentation shall be read in conjunction with SPH REIT’s financial results for the third quarter and year-to-date ended 31 May 2018 in the SGXNET announcement.

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# Key Highlights

- Net property income for 3Q FY18 decreased 3.8% year-on-year
- 3Q FY18 DPU held steady at 1.37 cents
- YTD 3Q FY18 DPU was 4.11 cents
- Annualised distribution yield was 5.55% (based on closing price of \$0.990 per unit on 31 May 2018)
- The Rail Mall – yield accretive acquisition
- Strong balance sheet, with low gearing of 25.4% as at 31 May 2018

# 3Q FY18 financial performance

	3Q FY18 S\$'000	3Q FY17 S\$'000	Change %
Gross revenue	51,769	53,318	(2.9)
Property expenses	(11,210)	(11,148)	0.6
Net property income (NPI)	40,559	42,170	(3.8)
Income available for distribution	35,095	35,711	(1.7)
Distribution to Unitholders <sup>(a)</sup>	35,205	35,006	0.6
Distribution per unit (DPU) (cents)	1.37	1.37	-

Notes:

(a) Distribution for 3Q 2018 includes income available for distribution retained earlier in the year.



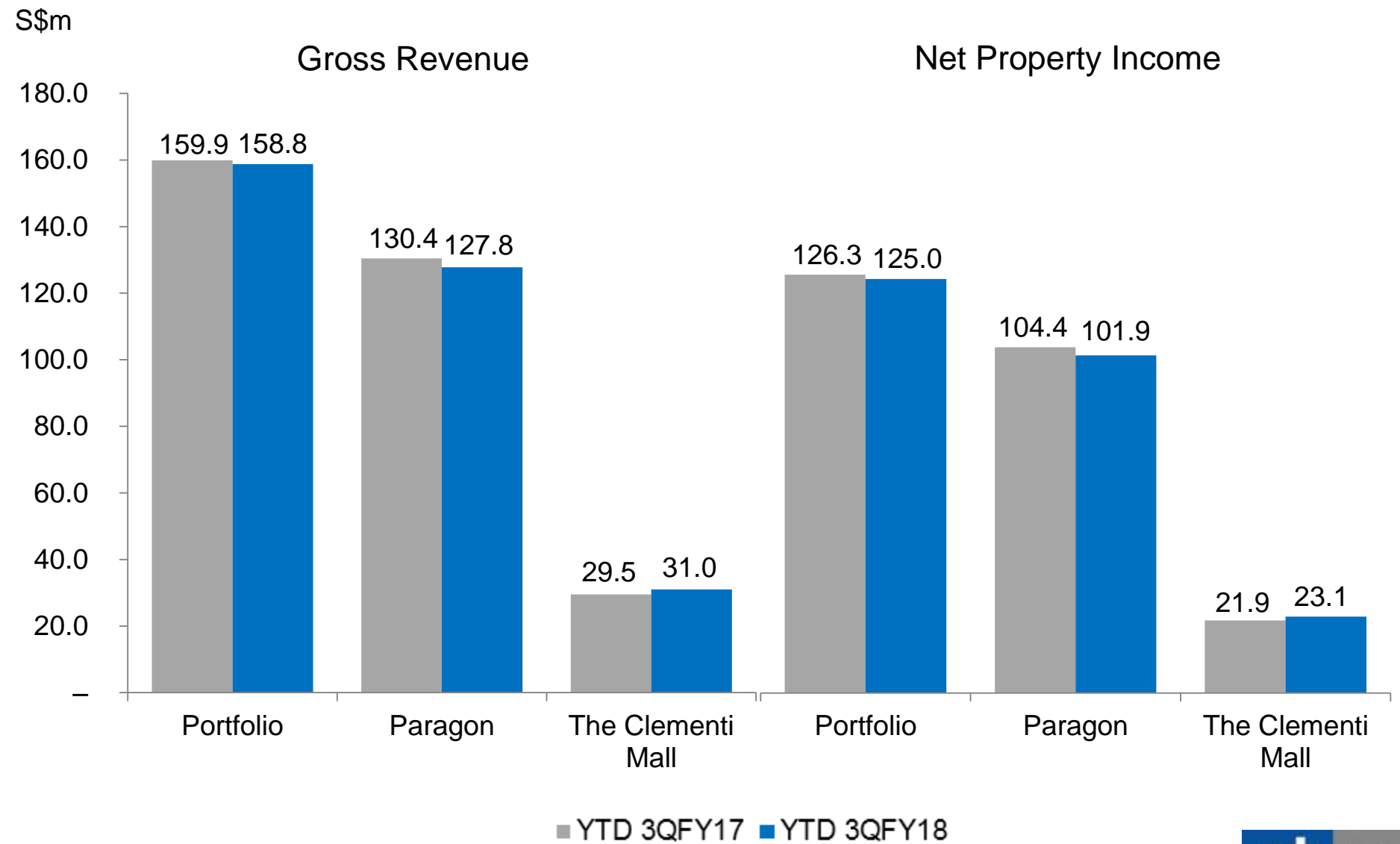
# YTD 3Q FY18 financial performance

	YTD 3Q FY18 S\$'000	YTD 3Q FY17 S\$'000	Change %
Gross revenue	158,840	159,906	(0.7)
Property expenses	(33,823)	(33,577)	0.7
Net property income (NPI)	125,017	126,329	(1.0)
Income available for distribution	107,734	109,397	(1.5)
Distribution to Unitholders <sup>(a)</sup>	105,532	104,932	0.6
Distribution per unit (DPU) (cents)	4.11	4.11	-

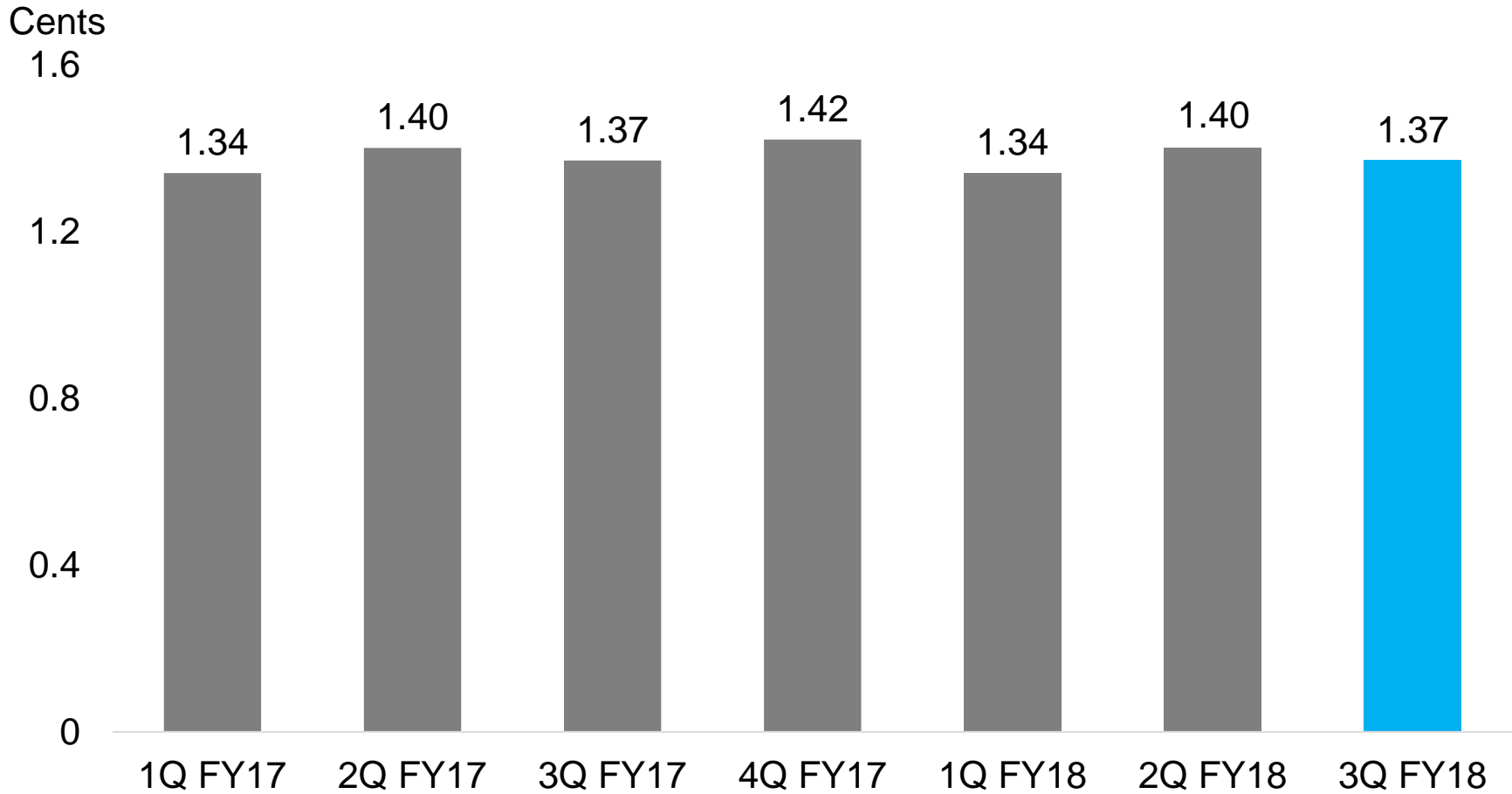
Notes:

(a) For YTD 3Q FY18, the distribution to unitholders was 98.0% of income available for distribution.

# Gross revenue and NPI



# Stable and regular DPU





# Balance sheet





# Financial position

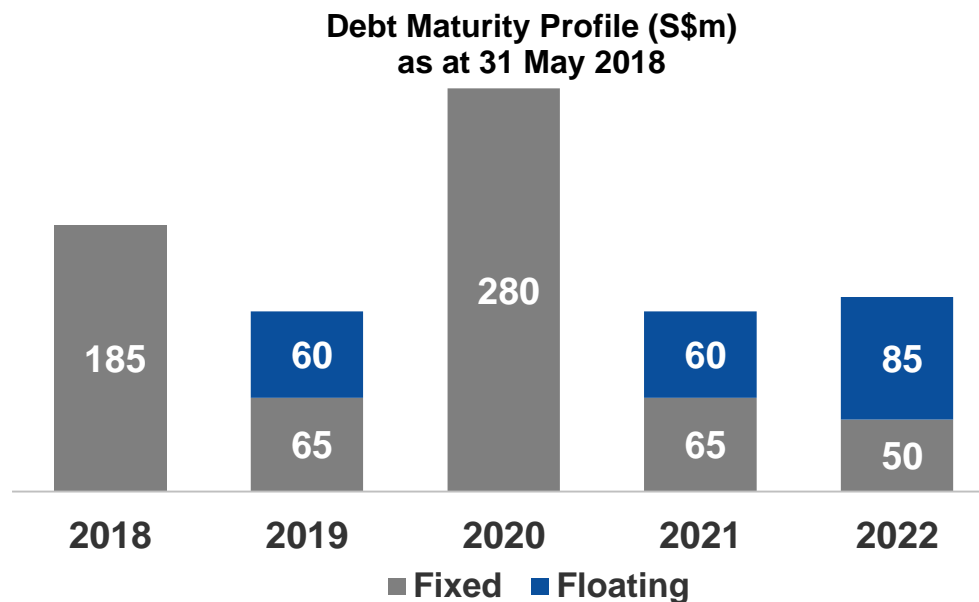
	As at 31 May 2018 S\$'000	As at 31 August 2017 S\$'000
Total assets	3,345,612	3,346,701
Total liabilities	919,094	925,641
Net assets	2,426,518	2,421,060
Net asset value per unit	S\$0.94	S\$0.95
Gearing <sup>(a)</sup>	25.4%	25.4%

Note:

(a) Gearing is computed based on total debt/ total assets

# Low gearing

- SPH REIT maintained a well staggered debt maturity profile without major concentration of debts maturing in a single year.
- Weighted average term to maturity: 2.0 years as at 31 May 2018, and is expected to be extended when the refinancing of the July 2018 tranche is completed.
- Gearing level of 25.4% and average cost of debt of 2.84% p.a as at 31 May 2018.
- A three year loan of \$45.0m was established on 25 June 2018 to partially finance the acquisition of The Rail Mall.





# Operational performance





# Operational performance

- SPH REIT portfolio maintained high occupancy of 99.6%.
- Paragon recorded a rental reversion of -6.2% for new and renewed leases cumulatively for YTD FY18. These leases were committed about a year ago, during the retail sales downturn. The decline was more moderated in Q3 compared to 1H.
- The Clementi Mall recorded a positive rental reversion of 5.3%.
- Tenant sales have continued to register growth, in tandem with the recovery in retail sales since June 2017.
- YTD 3Q FY18 visitor traffic remained steady.

# Rental reversion

	Number of renewals / new leases <sup>(a)</sup>	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates <sup>(c)</sup>
Paragon	58	195,233	27.3%	(6.2%)
The Clementi Mall	12	6,177	3.2%	5.3%
SPH REIT Portfolio	70	201,410	22.1% <sup>(b)</sup>	(6.0%) <sup>(d)</sup>

Notes:

(a) For expiries in YTD 3Q FY18.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 910,665 sqft as at 31 May 2018.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases were typically committed three years ago.

(d) Reversion rate is computed based on weighted average of all expiring leases.



# Staggered portfolio lease renewal

## Weighted Average Lease Expiry (WALE) as at 31 May 2018

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By NLA	1.9 years
By Gross Rental Income	1.9 years

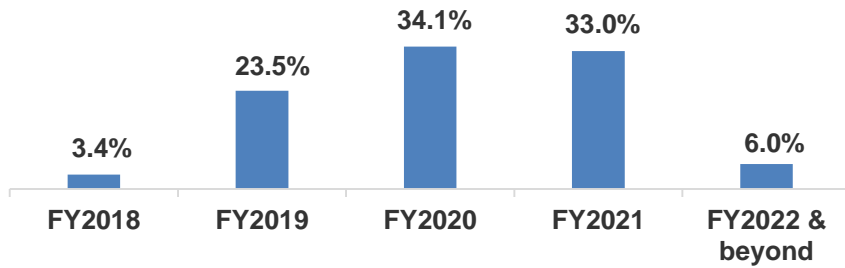
## Lease expiry as at 31 May 2018

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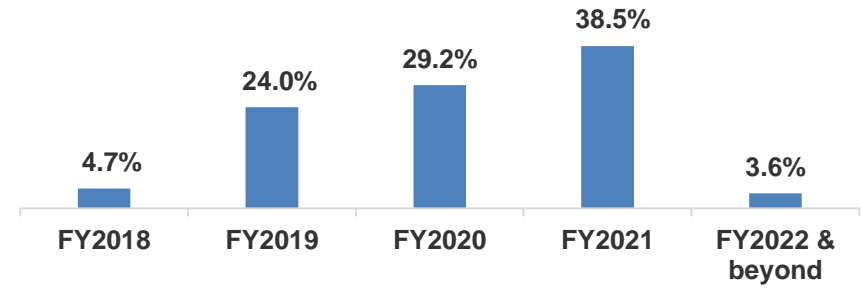
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022 and beyond</b>
Expiries as a % of total NLA	3.7%	21.1%	39.6%	32.7%	2.9%
Expiries as a % of Gross rental income	2.7%	20.7%	41.3%	30.2%	5.1%

# Paragon: Staggered lease expiry

## Expiry by Gross Rental Income

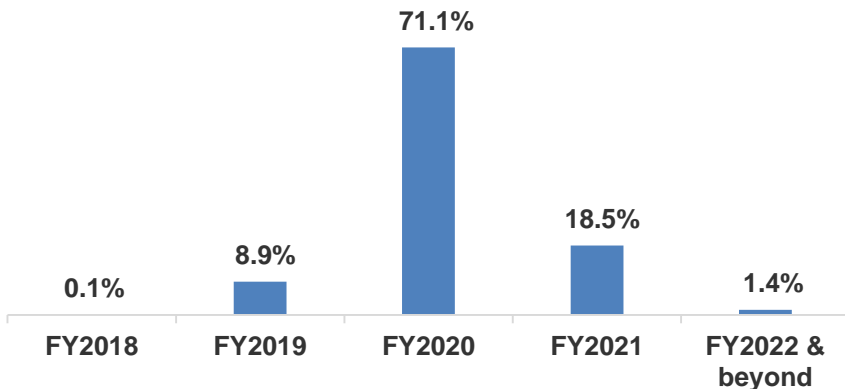


## Expiry by NLA

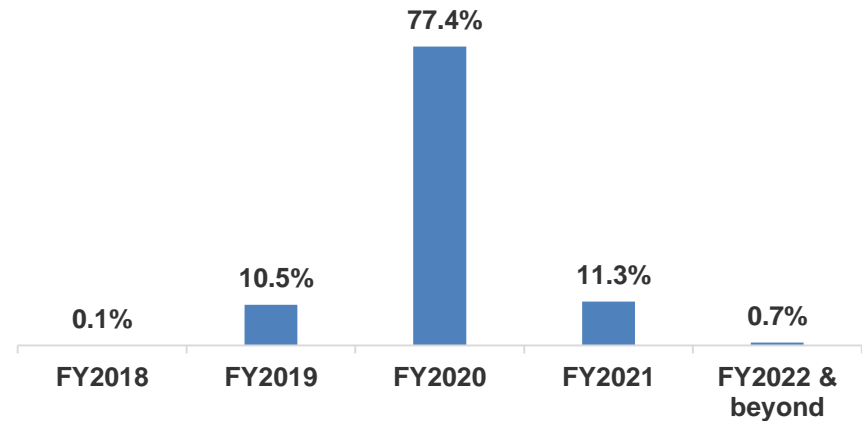


# The Clementi Mall : Tenant retention rate of 89% for second renewal cycle in 2017

## Expiry by Gross Rental Income



## Expiry by NLA







# Growth strategy and market outlook





# Multi-pronged strategy to ensure growth

## Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

## Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily<sup>(1)</sup> for retail purposes in Asia Pacific
  - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, and maintained high occupancy rate since its opening.
  - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to unitholders

Note:

- (1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

# Refresh tenancies



New tenant with personalised engraving service – Mont Blanc

45%



New tenant – First store in Orchard Road



Flagship store in South East Asia – MCM



Flagship store in South East Asia - UGG



New tenant – Largest store in Singapore



New tenant – Exclusive collection in Paragon



New tenant – Second store in Orchard Road





# Continual asset enhancement

## Level 3

- New retail experience for shoppers with open store design and curated multi-brands concept.
- New retail zone of about 16,000 sq ft at Level 3 will be completed in phases to minimise disruption to tenants. The first phase was launched in June.



Curated multi brands includes:



HUE

MOISELLE

MAKE UP STORE®

Samsonite  
FOR HER

SuLin Serio



esentials





# The Rail Mall

## Completed Acquisition on 28 June 2018

- Purchase consideration at \$63.238 million
- 99-year lease commencing 18 March 1947, with remaining lease tenure of about 28 years
- Approximately 50,000 sq ft net lettable area
- 360 metres prominent road frontage to Upper Bukit Timah Road
- Unique cluster of 43 single-storey shop units with established F&B offerings
- 250 metres to Hillview MRT and a network of public bus services
- Opportunity for SPH REIT to further strengthen its current F&B offerings and intensify community programs leveraging on the Rail Corridor to attract a wider catchment



# Market outlook

- **Outlook for Singapore economic growth is expected to remain firm**
  - The Ministry of Trade and Industry (MTI) reported that the Singapore economy grew by 4.4% on a year-on-year basis in the first quarter of 2018, higher than the 3.6% growth in the previous quarter.
  - Growth is expected in domestically-oriented services sectors like retail and food services on the back of an improvement in consumer sentiments amidst the on-going recovery in the labour market.
  - MTI expects the economic growth forecast in 2018 to come in at “2.5% to 3.5%”.
- **Growth in international visitor arrivals and tourism receipts**
  - International visitor arrivals (IVA) recorded a 7.1% y-o-y growth in the first three months of 2018.
  - Tourism receipts grew 4.0% y-o-y to S\$26.8 billion in 2017.
- **Growth in retail sales for four quarters**
  - The retail sales index (excluding motor vehicles) grew by 1.2% y-o-y in Q1 2018, continuing the growth momentum in the last three quarters of 2017.

# Distribution details and timetable

Distribution period	3Q FY18 (1 March 2018 – 31 May 2018)
Distribution per unit	1.37 cents per unit
Ex-date	16 July 2018
Record date	18 July 2018
Payment date	17 August 2018

# Thank You

Please visit [www.sphreit.com.sg](http://www.sphreit.com.sg) for more information.

