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运通网城 REIT

# 2QFY2023 Results Presentation

11 August 2023



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# Agenda

## Section A

2QFY2023 Key Highlights

## Section B

Financial Review

## Section C

Portfolio Update





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# Section A: 2QFY2023 Key Highlights



## 2QFY2023 Key Highlights



### Financials and Distributions

- 2QFY2023 **Gross revenue** and **NPI** were down by **11.5%** and **8.8%** y-o-y respectively, mainly due to lower late fee income and weakening of RMB (by 8.4% y-o-y), offset by **organic rental escalations**
- **Retained** 10% of total amount available for distribution in 2QFY2023 for general working capital purpose
- Higher finance cost mainly due to higher interest rate and extension fee
- DPU of **0.926 cents** for 2QFY2023 and **2.053 cents** for 1HFY2023 was **33.2%** and **25.9% lower** y-o-y mainly due to lower gross revenue and higher finance cost
- Healthy **occupancy of 96.3%** as at 30 June 2023
- WALE (by gross income) of **1.2 yrs**



### Asset Management

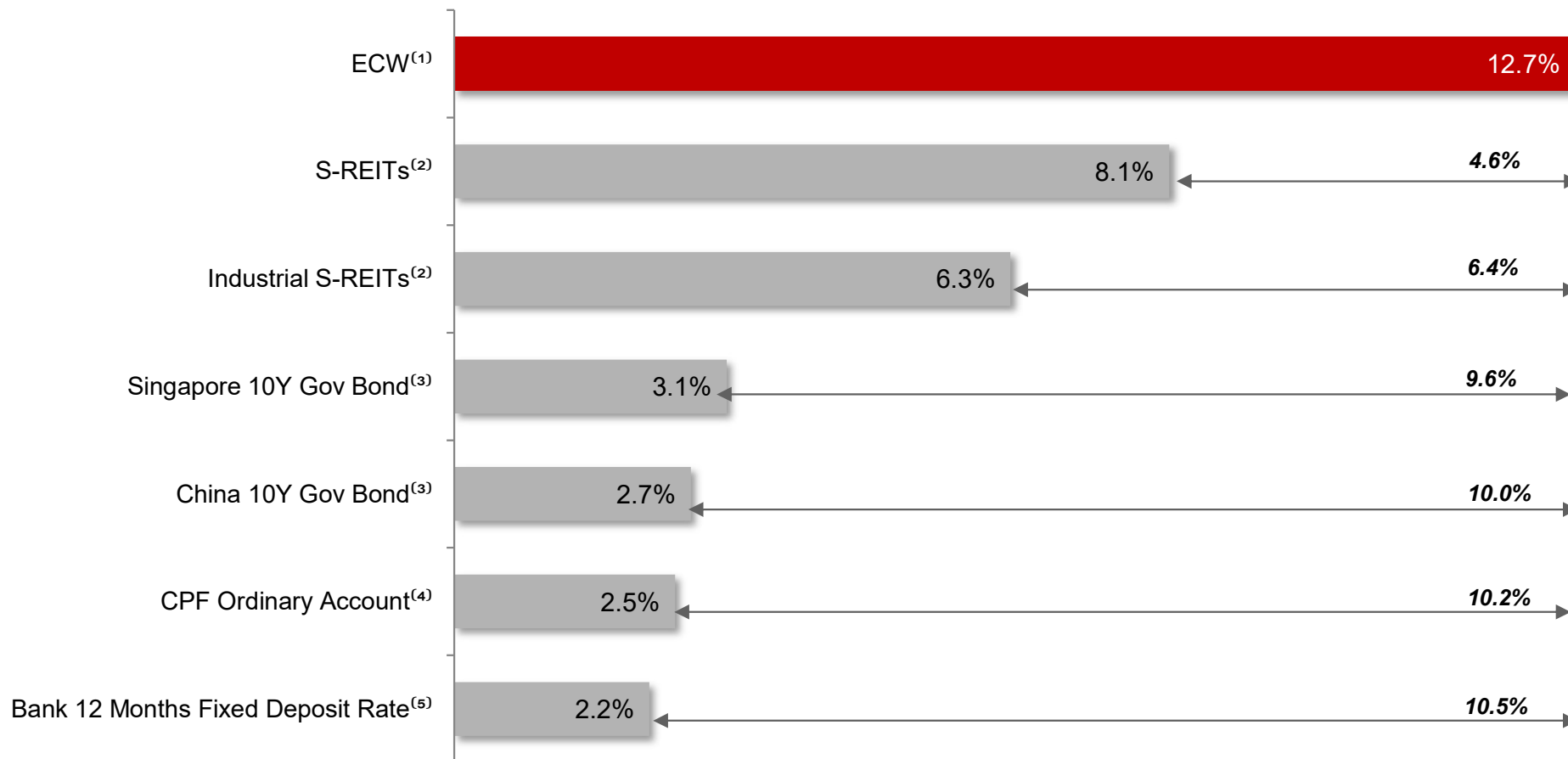


### Capital and Debt Structure

- **All-in running interest rate** for 2QFY2023 of **6.2%**
- Weighted average debt maturity of **1.45 years**
- Refinancing of the existing bank loans have been completed in June 2023

# Distribution Yield

## Attractive Yield Compared to Peers



(1) Based on 1HFY23 Annualised DPU of 4.140 Singapore cents and closing price of S\$0.325 per unit as at 30 June 2023.

(2) Source: SGX Research

(3) Source: Trading Economics

(4) Source: CPF Board

(5) Source: Average rate based on media compilation

# 2QFY2023 Distribution Timetable

## Distribution Timetable

<b>Last Day of Trading on “cum” Basis</b>	:	12 September 2023 (Tuesday)
<b>Ex-date</b>	:	13 September 2023 (Wednesday)
<b>Record Date</b>	:	14 September 2023 (Thursday)
<b>Distribution Payment Date (Est)</b>	:	28 September 2023 (Thursday)



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## Section B: Financial Review





## 2QFY2023 (Year-on-Year) Summary Results

Year-on-Year Comparison	2QFY2023	2QFY2022	Variance (%)
Gross revenue (S\$'000)	27,580	31,173	(11.5)
Net property income (S\$'000)	25,716	28,205	(8.8)
Finance Cost (S\$'000)	(11,745)	(10,207)	15.1
Income tax (expenses)/credit (S\$'000)	(5,858)	1,827	N/M
Total amount available for distribution (S\$'000)	8,328	9,977	(16.5)
Amount retained (S\$'000) <sup>1</sup>	(833)	-	N/M
Amount previously retained (S\$'000) to be distributed	-	1,256	-
Distribution to Unitholders (S\$'000) <sup>2</sup>	7,495	11,233	(33.3)
Applicable number of units for computation of DPU (million)	809.8	809.8	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>0.926</b>	<b>1.387</b>	<b>(33.2)</b>

(1) Retention of total amount available for distribution in 2QFY2023 for general working capital purpose

(2) For 2QFY2022, total distribution includes distribution previously retained in 2QFY2020 (balance) and 3QFY2020 (partial)

- **Lower gross revenue and NPI** year-on-year, mainly due to weakening of RMB against SGD, lower late fee income and other operating income, mitigated partly by **organic rental escalations**
- In RMB terms after the relevant distribution adjustments, gross revenue contracted **2.3%** due to decrease in lower late fee income and other operating income, partly offset by **organic rental escalations**
- The **increase in NPI in RMB terms of 0.7%** was benefited from the **lower property expenses** and **refund of land use tax** offsetting the effect of lower gross revenue
- Higher finance cost was driven by higher interest rate and extension fee incurred which absorbed the impact of reduction in borrowings
- Income tax credit in 2QFY2022 mainly due to reversal of deferred tax as a result of fair value loss
- **Lower distribution to Unitholders** mainly due to lower gross revenue, higher finance cost, **10%** retention of distributable income and distribution retained in prior periods paid out in 2Q2022
- **DPU of 0.926 cents**, translating to a yield of **11.43%**, which will be part of the half yearly distribution for period 1 January 2023 to 30 June 2023

## 2QFY2023 (Quarter-on-Quarter) Summary Results

Year-on-Year Comparison	2QFY2023	1QFY2023	Variance (%)
Gross revenue (S\$'000)	27,580	28,134	(2.0)
Net property income (S\$'000)	25,716	26,078	(1.4)
Finance Cost (S\$'000)	(11,745)	(11,099)	5.8
Income tax credit/ (expenses) (S\$'000)	(5,858)	(6,612)	(11.4)
Total amount available for distribution (S\$'000)	8,328	10,142	(17.9)
Amount retained (S\$'000)	(833)	(1,014)	(17.9)
Distribution to Unitholders (S\$'000) <sup>1</sup>	7,495	9,128	(17.9)
Applicable number of units for computation of DPU (million)	809.8	809.8	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>0.926</b>	<b>1.127</b>	<b>(17.8)</b>

(1) 10% of total amount available for distribution for the quarter was retained

- Gross revenue and NPI **declined 2% and 1.4% q-o-q**, mainly due to the **weakening of RMB against SGD**
- In RMB terms after relevant distribution adjustments, gross income were relatively unchanged, and **NPI rose marginally by 0.5% QoQ**, support by **stable revenue, lower property expenses** and **refund of land use tax** during the quarter
- **Higher finance cost** was driven by higher interest rate and extension fee incurred absorbed the impact of reduction in borrowings
- Lower amount available for distribution mainly due to lower NPI in SGD term and higher finance costs

# 1HFY2023 Summary Results

Year-on-Year Comparison	1HFY2023	1HFY2022	Variance (%)
Gross revenue (S\$'000)	55,714	63,324	(12.0)
Net property income (S\$'000)	51,794	57,939	(10.6)
Finance Cost (S\$'000)	(22,844)	(20,052)	13.9
Income tax expenses (S\$'000)	(12,470)	(5,061)	>100
Total amount available for distribution (S\$'000)	18,470	21,177	(12.8)
Amount retained (S\$'000) <sup>1</sup>	(1,847)	-	N/M
Amount previously retained (S\$'000) to be distributed	-	1,256	(100.0)
Distribution to Unitholders (S\$'000) <sup>2</sup>	16,623	22,433	(25.9)
Applicable number of units for computation of DPU (million)	809.8	809.8	-
<b>Distribution Per Unit (Singapore cents)</b>	<b>2.053</b>	<b>2.770</b>	<b>(25.9)</b>

(1) 10% Retention of total amount available for distribution for general working capital purpose

(2) For 2QFY2022, ECW paid out distribution previously retained in 2QFY2020 (balance) and 3QFY2020 (partial)

- Lower gross revenue and NPI year-on-year, mainly due to weakening of RMB against SGD, lower late fee income and other operating income, and the cessation of income contribution from Fu Zhuo Industrial from 1 Apr 2022, mitigated partly by **organic rental escalations**
- After the relevant distribution adjustments, **gross revenue** was **2.8% lower**, mainly because of lower late fee income and other operating income, along with the absence of income contribution from Fu Zhuo Industrial, but partly lifted by **organic rental escalations**.
- **NPI in RMB terms is only 1.2% lower** as NPI benefited from the impact of lower operating expenses at the properties and refund of land use tax during 2QFY2023
- Higher finance costs of 13.9% mainly due to higher interest rate and extension fees incurred offset the impact of lower borrowings
- Lower **income tax expenses** in **1H2022** was mainly due to the **reversal of deferred tax** as a result of fair value loss
- **Distribution to Unitholders declined 25.9%** was mainly due weakening of RMB against SGD, lower revenue, higher finance cost, 10% retention of distributable income and absence of distribution pay out retained in prior periods
- 1HFY2023 DPU was **2.053 cents**

# Stable Balance Sheet

S\$'000	As at 30 June 2023	As at 31 December 2022
Cash and cash equivalents <sup>(1)</sup>	119,070	113,330
Investment Properties <sup>(2)</sup>	1,041,402	1,076,874
Assets of Disposal Group classified as held-for-sale	410,859	460,424
<b>Total Assets</b>	<b>1,590,381</b>	<b>1,666,778</b>
Borrowings	537,272	593,136
Liabilities directly associated with Disposal Group classified as held-for-sale	141,223	161,053
<b>Total Liabilities</b>	<b>1,010,486</b>	<b>1,059,784</b>
<b>Net Assets attributable to Unitholders</b>	<b>579,895</b>	<b>606,994</b>
NAV per unit (S\$)	0.72	0.75

(1) Includes RMB71.6 million (S\$13.4 million) cash security deposits received from the master leases, and cash deposits of RMB507.7 million (S\$94.9 million) placed as collateral for standby letter of credit ("SBLC") issuance

(2) The decrease in the carrying amount of Investment Properties was due to the weakening of RMB against SGD.

# Capital Management

## Key Metrics as at 30 June 2023

<b>Average Leverage</b>	<ul style="list-style-type: none"><li>• 36.2% (31 December 2022: 38.8%)</li></ul>
<b>1HFY2023 Blended Running Interest Rate<sup>(1)(2)</sup></b>	<ul style="list-style-type: none"><li>• Aggregate – 5.7% p.a.</li><li>• Onshore – 5.7% p.a.</li><li>• Offshore – 5.8% p.a.</li><li>• RCF – 4.19% to 5.55% p.a.</li></ul>
<b>Weighted Average Debt Maturity<sup>(3)</sup></b>	<ul style="list-style-type: none"><li>• 1.45 years</li></ul>
<b>Interest coverage ratio<sup>(4)</sup></b>	<ul style="list-style-type: none"><li>• 2.41x</li></ul>

### Refinancing of Existing Bank Loans in progress

- Refinancing of outstanding loans has been completed on **6 June 2023**
- New offshore facility aggregate principal amount of up to SGD348.9m, onshore facility aggregate principal amount of up to RMB745.5m
- The new offshore facility's tenure is 11 months ending on 30 April 2024, to be extended for further period of 24 months to 30 April 2026, subject to registration with NDRC, the lenders' consent and other conditions

(1) S\$89.5 million drawn down from S\$90.0 million revolving credit facility. Including amortized upfront fee, the blended all-in interest rate of the aggregate facilities for the quarter ended 30 June 2023 was 7.1%

(2) Based on average loans outstanding for the prior 6 months

(3) Based on the maturity date of new Onshore and Offshore facilities

(4) 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, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees





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## Section C: Portfolio Update



# Stable Portfolio with Embedded Organic Growth

## Healthy Occupancy of 96.3%

### E-Commerce Logistics Assets

Asset	Lease Structure	Occupancy <sup>1</sup>	Key Highlight
Fu Heng	Master Lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021.	100.0%	Coveted property; <b>entire suite of facilities</b> supporting e-commerce fulfilment
Fuzhou E-Commerce	Master Lease: 8 Aug 2019 to 7 Aug 2024 Rental escalation of 2.25% per annum	100.0%	Situated next to Fu Heng. A <b>sizable integrated e-commerce</b> logistics asset
Stage 1 Properties of Bei Gang	Master lease: 1 Nov 2015 to 31 Oct 2024 Annual rental escalation of 1.0% from Nov 2020 to Oct 2024	100.0%	One of the <b>largest e-commerce developments</b> in the region
Wuhan Meiluote	Multi Tenanted	29.2%	First acquisition in 2018. Houses mainly e-commerce players Heavy competition at Wuhan market currently

### Specialized Logistics Asset

Asset	Lease Structure	Occupancy	Key Highlight
Hengde Logistics	Multi Tenanted.	99.9%	Customised environment control warehouse space for major SOE tenant <b>China Tobacco</b>

### Port Logistics Assets

Asset	Lease Structure	Occupancy	Key Highlight
Chongxian Port Investment	Master lease: 1 Jan 2016 to 31 Dec 2024 Rental escalation of 2.0% annually from 1 <sup>st</sup> Jan 2021	100.0%	Leading river port with <b>60% market share</b> for steel products in Hangzhou
Chongxian Port Logistics	Multi Tenanted	99.3%	<b>Integrated operations</b> , storage processing and logistics distribution for steel products
Fu Zhuo Industrial	N.A.	N.A.	Ceased income contribution from 1 April 2022

(1) As at 30 June 2023

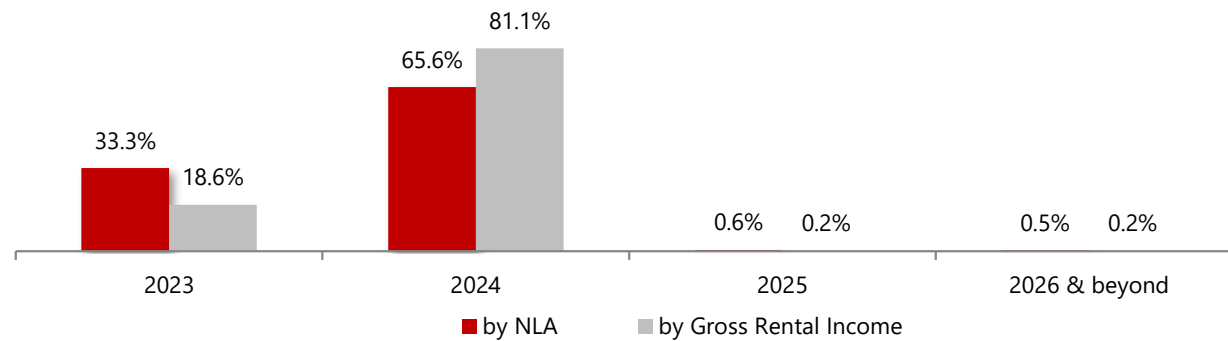
# Quality and Differentiated Asset Portfolio

- ✓ Strong portfolio occupancy of **96.3%** as at 30 June 2023
- ✓ Stable income contribution across all sectors

## Lease Expiry Profile of Portfolio <sup>(1)</sup>

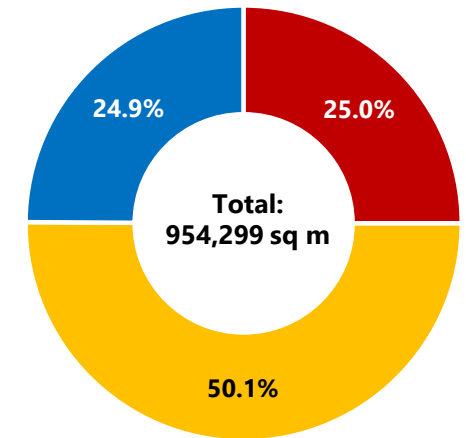
WALE by NLA: 1.0 years

WALE by Gross Rental Income: 1.2 years

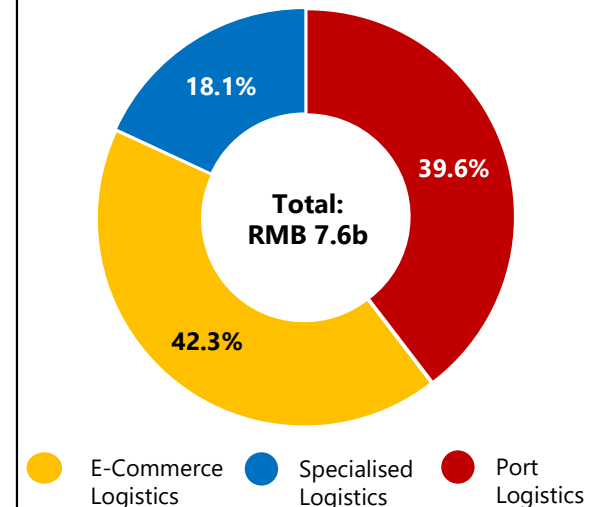


## Portfolio Diversification <sup>(1)</sup>

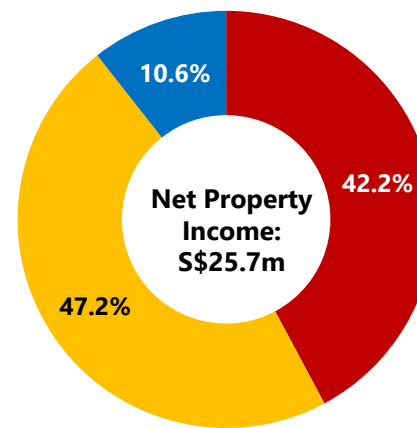
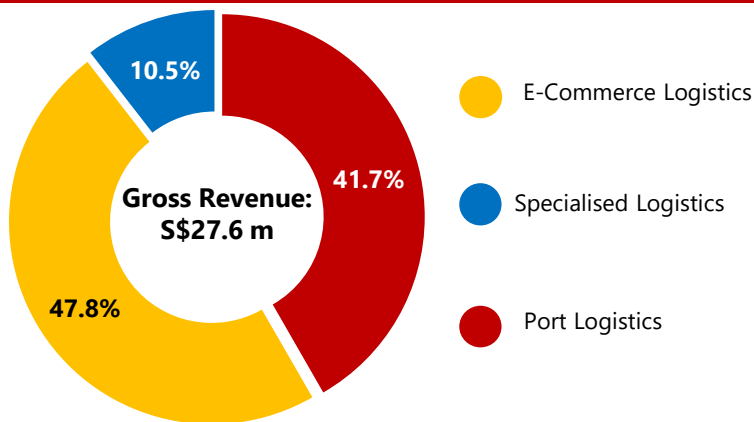
By Net Lettable Area



By Valuation



## 2QFY2023 Contribution by segments



(1) As at 30 June 2023



**For queries, please contact:**

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**Thank You**

