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OUE Commercial REIT

Re-branding of Mandarin Orchard Singapore

26 March 2020

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Agenda

- Overview
- Rationale for Re-branding of Mandarin Orchard Singapore
- Terms of Master Lease Agreement
- Schedule of Asset Enhancement and Costs
- Additional Information

Overview



Re-branding of Mandarin Orchard Singapore to Hilton Singapore Orchard



Transformational re-branding with addition of new income-generating spaces to drive growth in sustainable returns and value



Re-branding will allow the hotel to leverage on Hilton's strong brand recognition and global sales & distribution network



Re-branded hotel set to become Hilton's flagship in Singapore and the largest Hilton hotel in Asia-Pacific



Major refurbishments to take place from 2Q 2020 onwards to capitalise on weak operating environment due to COVID-19



Expected re-launch of hotel in 2022

Income assurance for Unitholders

Downside protection from master lease throughout phased renovation and ramping-up period

Approximately **10%** expected return on investment on a stabilised basis

Rationale for Re-branding Exercise



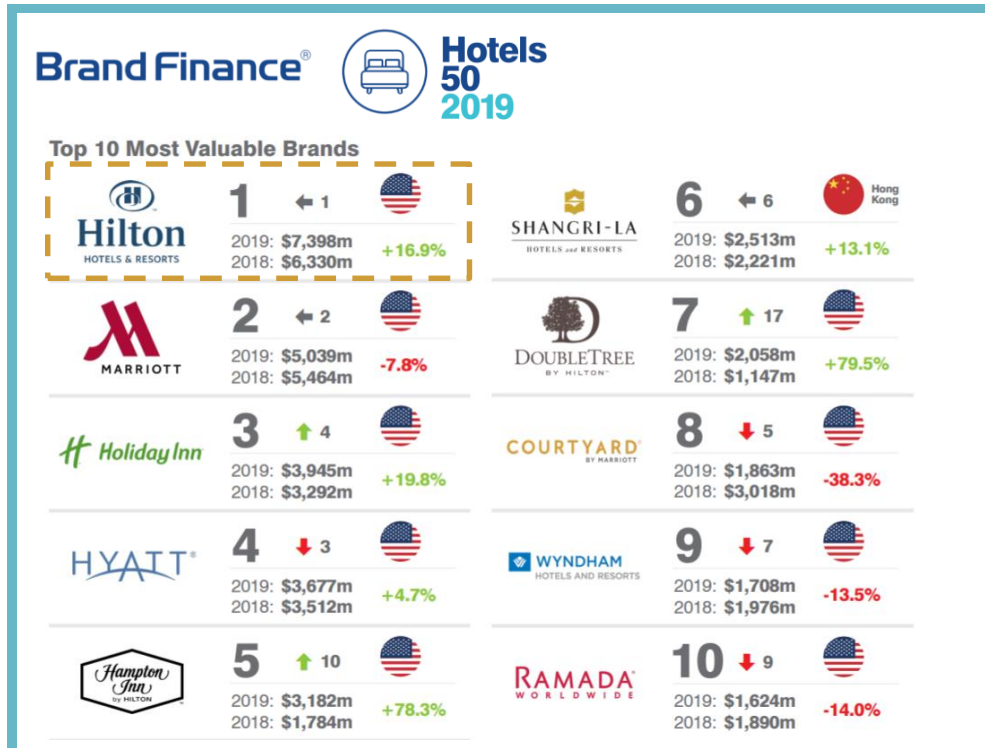
Rationale for Re-branding of Mandarin Orchard Singapore

- 1 Enhance the hotel's competitive positioning
- 2 Leverage on Hilton's strong global distribution network and established partnerships
- 3 Opportunity to drive more direct booking business on the back of established guest loyalty program
- 4 Positions the hotel to better tap on long term growth drivers in the Singapore hospitality sector

1 Enhance hotel's competitive positioning

Tap on Hilton's strong brand recognition and marketing

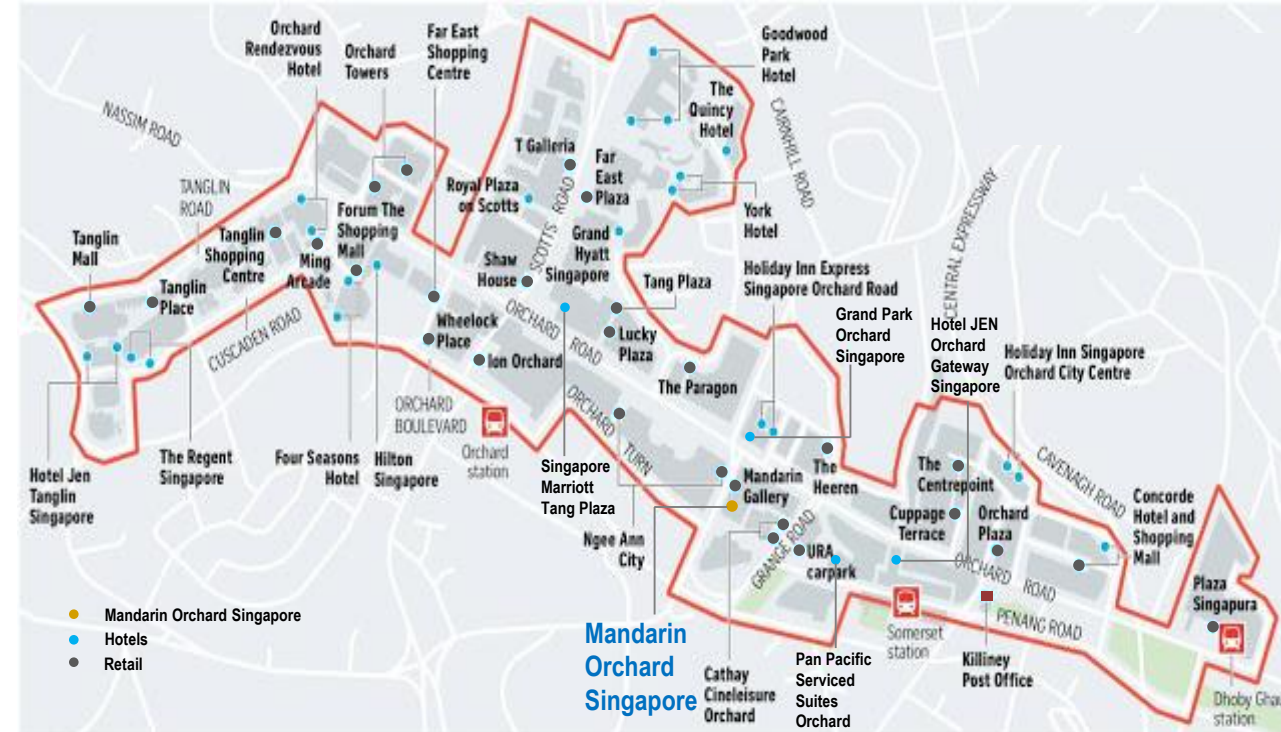
- Hilton named as the world's most valuable hotel brand within Brand Finance Hotels 50 2019 ranking
- The flagship Hilton brand named the most valuable single hotel brand



Source: Brand Finance Hotels 50 2019

Enhance competitive positioning alongside other upper upscale hotels along Orchard Road

- Strengthen the property's position as one of the premier hotels in the prime Orchard Road segment
- The property will be Hilton's largest flagship hotel in Asia when completed



2 Leverage on Hilton’s strong global distribution network and established partnerships

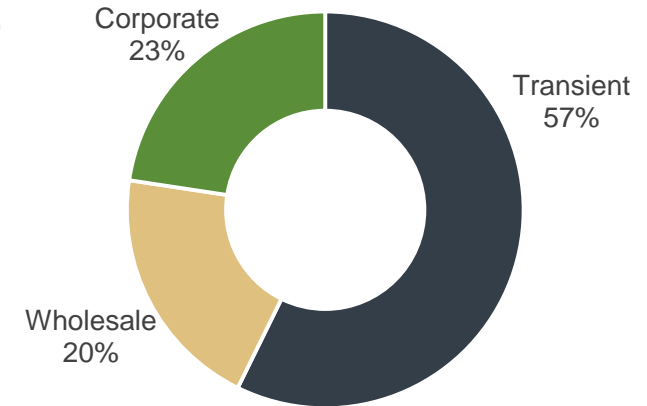
Diversification of business mix and enhances revenue, distribution and marketing strategies

- Target higher-yielding luxury market for corporate segment with Hilton’s pipeline of global key accounts
- Increase exposure to higher-yielding transient segment with Hilton’s established partnerships with global travel companies
- Diversify geographic source market coverage to complement the hotel’s current strength in serving regional guests

Notes:
 Excludes aircrew and delays
 “Transient” refers to revenue derived from rental of rooms and suites to individuals or groups, who do not have a contract with the hotel
 “Corporate” refers to revenue derived from the rental of rooms and suites booked via a corporate or government company that has contracted annual rates with the hotel
 “Wholesale” refers to revenue derived from the rental of rooms and suites booked via a third party travel agent on a wholesale contracted rate basis

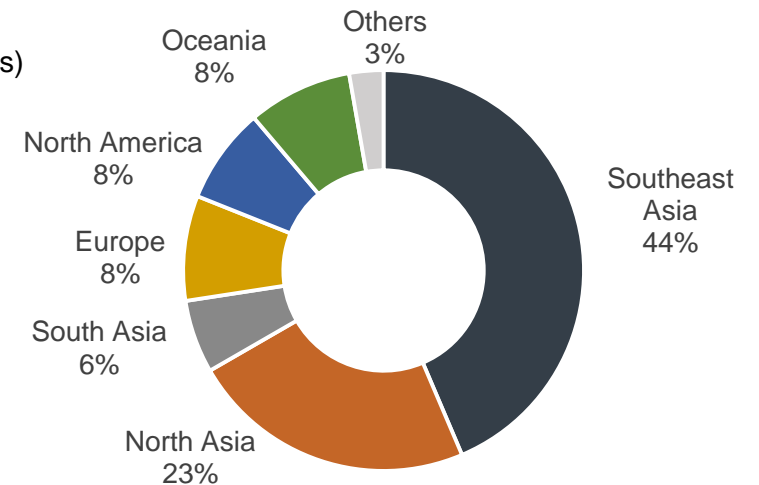
Mandarin Orchard Singapore - Customer Profile by Segment

4Q 2019
(By room revenue)



Mandarin Orchard Singapore - Customer Profile by Geography

4Q 2019
(By room nights)



3 Opportunity to drive direct booking business through Hilton's guest loyalty program

Leverage on strength of Hilton's loyalty program to drive direct bookings business

- Award-winning guest loyalty program for Hilton's 17 world-class brands comprising nearly 6,000 properties in 117 countries and territories
- Expand reach to more than 100 million Hilton Honors members worldwide

17 Brands **117** Countries & Territories **~6,000** Properties



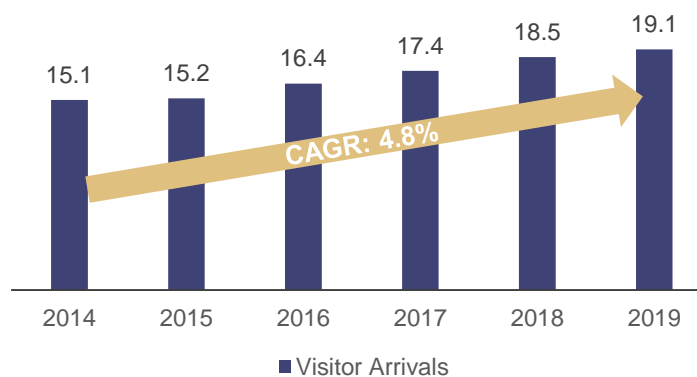
In Asia Pacific, Hilton Honors members spend 3.2X more than non Honors members and members stay 2.6X more than non Honors members.

4 Positions hotel to tap on longer term growth drivers in Singapore's hospitality industry

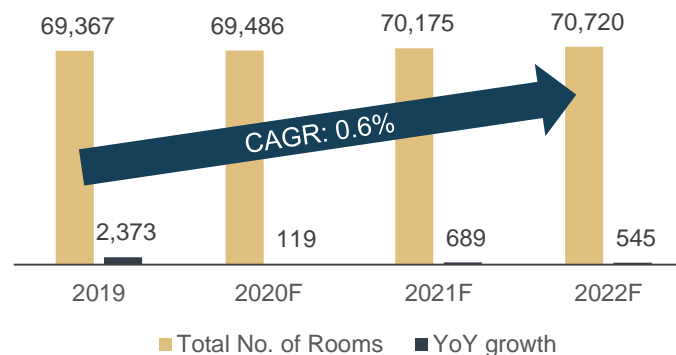
Positions hotel to tap on longer term growth drivers

- Addition of new income-generating meeting spaces positions property well to cater to growing demand in meetings, incentives, conferences and exhibitions ("MICE")
- While the COVID-19 situation is expected to impact tourist growth momentum in 2020, upcoming Singapore tourism developments and initiatives are expected to drive growth in arrivals in the medium to longer term
- Supply growth going forward is benign at 0.6% CAGR for 2019 - 2022, lower than the 3.9% CAGR from 2014 - 2019

Growth in visitor arrivals driven by continued tourism investment



Benign hotel room supply until 2022



Investment in tourism

- ✓ **Greater flight connectivity**
New and increased flights to key source markets
- ✓ **Partnerships to drive visitor arrivals and spending**
STB signed partnerships with Alibaba and Traveloka
- ✓ **Strong lineup of events** for leisure and MICE segments

Enhanced Aviation Facilities

- ✓ Integration of Terminal 1's expansion with Jewel will see increased capacity at Changi Airport
- ✓ Terminal 2 expansion and upgrading started in 2019
- ✓ Opening of Terminal 5 by ~2030 will increase capacity to up to 150 million passengers per annum

Upcoming Tourism Attractions and Developments

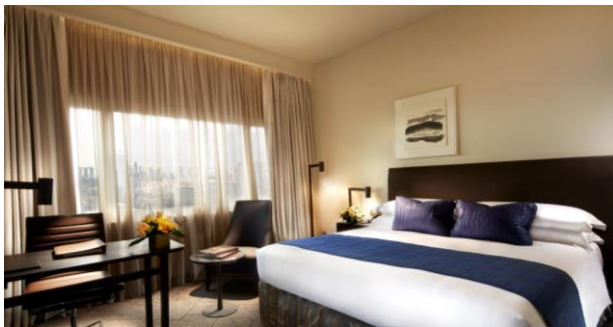
- Expansion of Integrated Resorts (~2022)
- Mandai Eco-Tourism (~2023)
- Sentosa Redevelopment (2030)
- Greater Southern Waterfront redevelopment (~2027)
- Jurong Lake District redevelopment (~2026)

Terms of Master Lease Agreement

 MANDARIN ORCHARD


MANDARIN
ORCHARD

Terms of Master Lease Agreement



Master Lessee	<ul style="list-style-type: none"> ▪ OUE Limited
Master Lease Rental	<p>Variable Rent Comprising Sum of:</p> <p><i>(i) 33.0% of gross operating revenue; and</i></p> <p><i>(ii) 27.5% of gross operating profit;</i></p> <p>subject to minimum rent of S\$45.0 million⁽¹⁾</p>
Term	<ul style="list-style-type: none"> ▪ First term of 15 years to expire in July 2028 ▪ Option to renew for an additional 15 years on the same terms and conditions
FF&E Reserve	<ul style="list-style-type: none"> ▪ 3% of gross operating revenue

(1) The rental under the master lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent



Schedule of Asset Enhancement and Costs



Schedule of Asset Enhancement Works

- Asset enhancement works are scheduled to commence in 2Q 2020 and expected to be completed by end-2021
- During the refurbishment period, MOS will continue to operate under the management of Meritus Hotel & Resorts, the hotel management company under the hospitality division of OUE Limited

Indicative Commencement Date	Scope of Work
2Q 2020	<ul style="list-style-type: none"> ▪ Phased renovation of Main Tower guestrooms ▪ Refurbishment of Main Tower Level 1 lobby area ▪ Creation of club lounge and gym on Orchard Wing Level 6 ▪ Creation of new spaces for MICE, food & beverage and lobby facilities on Level 5
4Q 2020	<ul style="list-style-type: none"> ▪ Phased renovation of Orchard Wing guestrooms

Value creation of Mandarin Orchard Singapore re-branding

- Capital expenditure for the re-branding exercise is approximately S\$90.0 million
- The Manager intends to draw down on existing loan facilities to fully fund the capital expenditure progressively over the renovation period
- Based on the projected incremental net property income on a stabilised basis, the expected return is approximately 10.0%

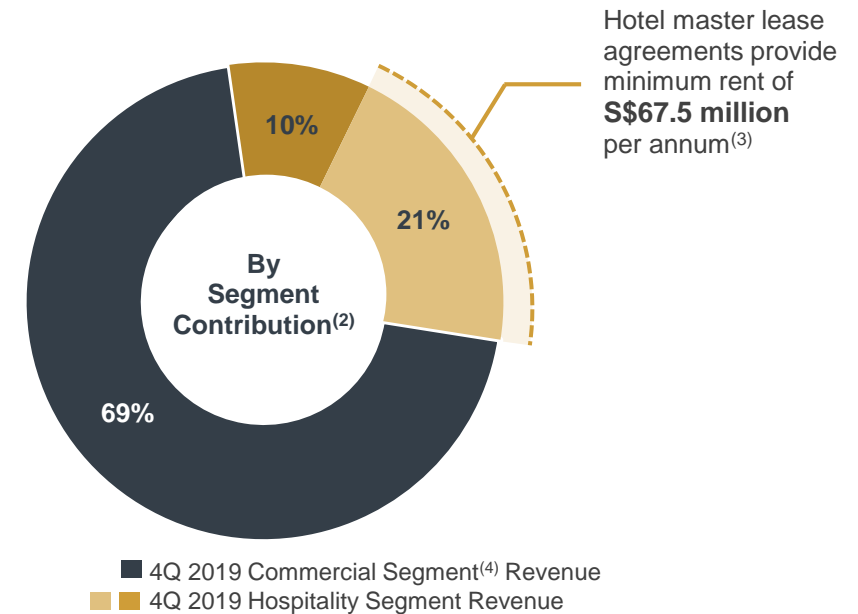
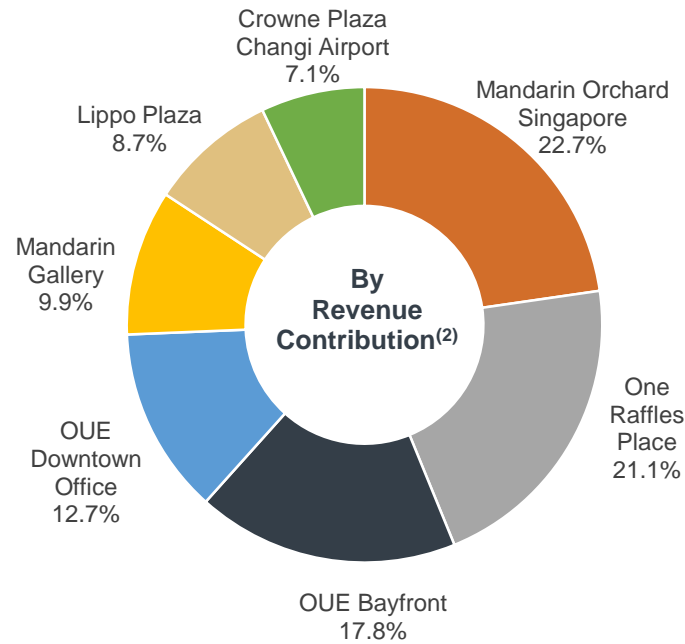
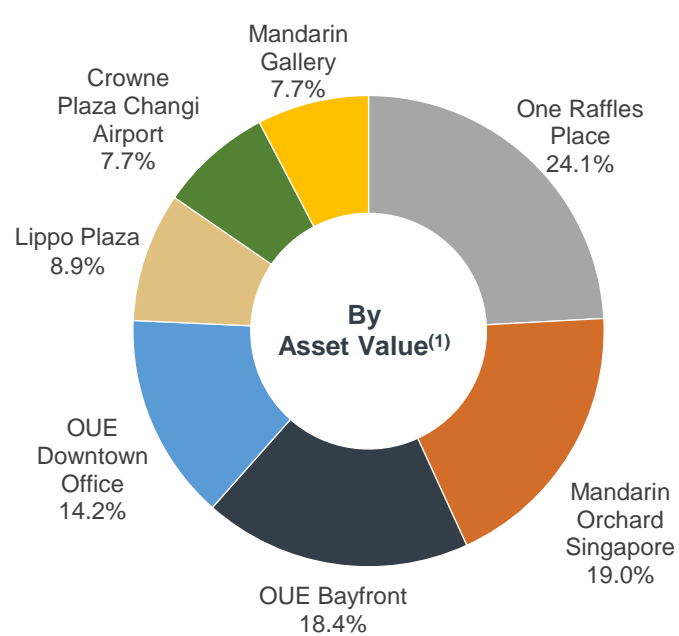
Start Date	▪ 2Q 2020
Expected Completion	▪ End 2021
Contribution to capital expenditure	▪ Approximately S\$90.0 million
Expected Return	▪ Approximately 10%



Additional Information

- **Portfolio Composition**
- **Investment in Tourism**

Portfolio Composition



■ 91.1% of portfolio located in Singapore

■ No single asset contributes more than 22.7% to total revenue

■ For 4Q 2019, approximately 68.1% of hospitality segment revenue supported by the minimum rent under the respective master lease agreements

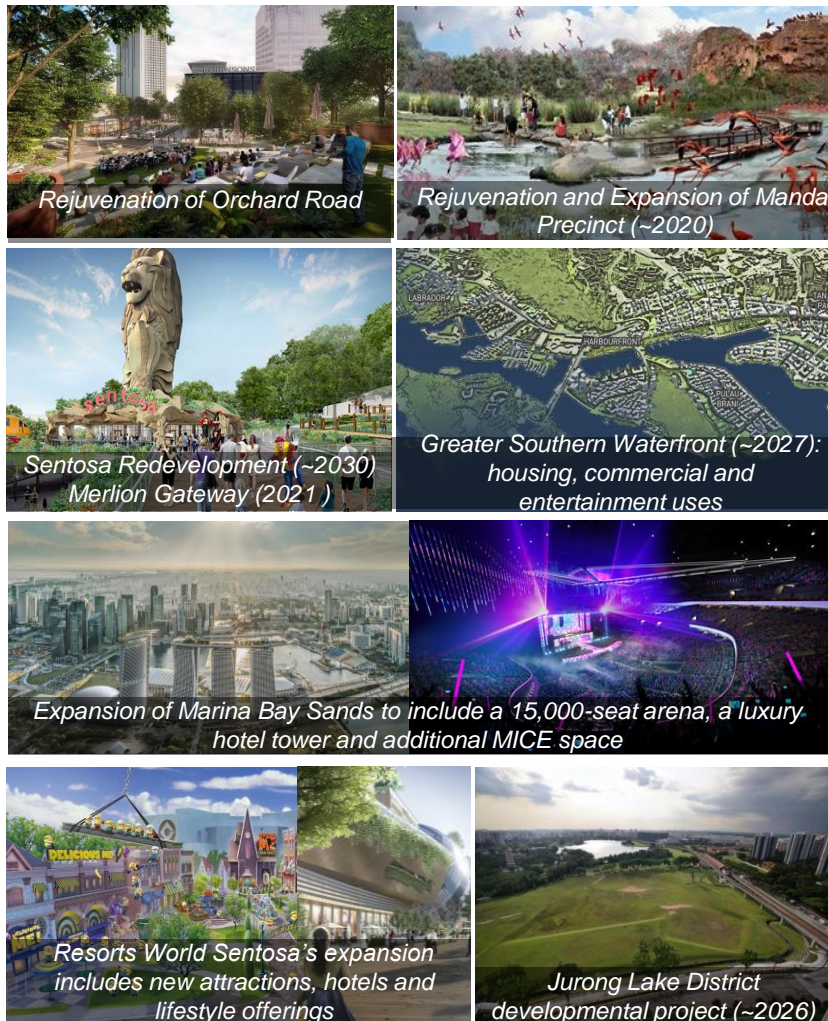
(1) Based on independent valuations as at 31 December 2019 and OUE C-REIT's proportionate interest in One Raffles Place

(2) For 4Q 2019 based on OUE C-REIT's proportionate interest in One Raffles Place

(3) Mandarin Orchard Singapore and Crowne Plaza Changi Airport's master lease agreements are subject to a minimum rent of S\$45.0 million and S\$22.5 million per annum respectively, totalling S\$67.5 million per annum

(4) Commercial segment comprises OUE Bayfront, One Raffles Place (67.95% effective interest), OUE Downtown Office, Lippo Plaza (91.2% strata interest) and Mandarin Gallery

Upcoming Attractions and Developments



Tourism Investment

- ✓ **Greater Flight Connectivity**
New and increased flights to key markets of China, India, Japan and USA
- ✓ **Partnerships to drive visitor arrivals**
STB, CAG and Royal Caribbean collaborated on a new multimillion-dollar five-year tripartite marketing partnership to promote fly-cruises. The collaboration is expected to bring some 623,000 international fly-cruise visitors to Singapore and generate over S\$430 million in tourism receipts between end-2019 and 2024
- ✓ **Singapore is Qantas' largest hub outside Australia**, with the opening of Qantas first ever First Lounge in Asia at Changi Airport Terminal 1 in November 2019

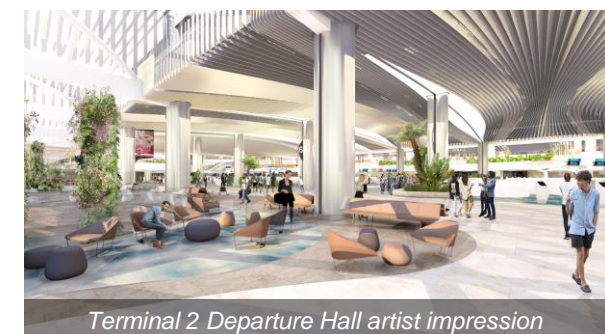
Source: Singapore Tourism Board, Changi Airport Group and Singapore Airlines Media Releases

Strong Leisure and Events Calendar



Enhanced Aviation Facilities at Changi Airport

- ✓ **Terminal 2 commenced four-year expansion and upgrading of facilities in Jan 2020**, adding 15,500 sq m to the terminal building and increasing Changi Airport's capacity by 5 million passengers per annum when completed⁽¹⁾
- ✓ **Passenger traffic at Changi Airport grew 4.0% YoY to 68.3 million in 2018⁽²⁾ and recorded 5.2% YoY increase for Jan 2020 of 5.95 million passenger movements⁽³⁾**
- ✓ **Opening of Terminal 5 by ~2030 will increase capacity to up to 150 million passengers per annum⁽⁴⁾**

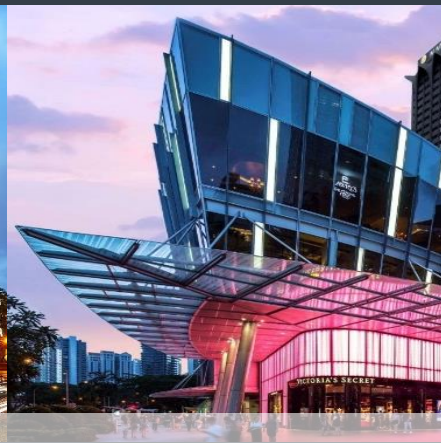


Terminal 2 Departure Hall artist impression

(1) Changi Airport Group, Changi Airport begins Terminal 2 expansion works to increase capacity and enhance passenger experience, 16 January 2020
 (2) Changi Airport Group, Changi Airport handled 68.3 million passengers in 2019, 31 January 2020
 (3) Changi Airport Group, Operating Indicators for January 2020, 25 February 2020
 (4) Changi Airport Group Annual Report FY2017/18



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Thank You