



# **SABANA SHARI'AH COMPLIANT INDUSTRIAL REIT**

**2Q 2017: Second Quarter Ended 30 June 2017 Financial Results Presentation**

**25 July 2017**

# Important Notice

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## Disclaimer

**This presentation shall be read in conjunction with the financial information of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust") for the second quarter from 1 April 2017 to 30 June 2017 ("2Q 2017").**

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.

Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this presentation between the listed amounts and total thereof are due to rounding.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31



# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31

# Key Highlights for 2Q 2017

- Distribution per Unit (“DPU”) and distributable income of 0.81 Singapore cents and S\$8.6 million respectively for 2Q 2017
- Continued commitment to support DPU for Unitholders - One-off waiver of base fees by 25% for the quarter:
  - DPU would have been 0.87 cents had the Manager continued to receive 80% of its fees in units under the general mandate
  - DPU would have been 0.78 cents had the Manager not forgone any fees and received 100% of its fees in cash
- As at 30 June 2017, multi-tenancy occupancy level and overall occupancy level stood steady at 80.4%<sup>(1)</sup> and 87.3%<sup>(2)</sup> respectively
- Strategic Review Committee is still on-going to evaluate non-binding proposals that will be best placed to deliver long-term value for Unitholders

(1) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link, 123 Genting Lane and 39 Ubi Road 1.

(2) By Net Lettable Area (“NLA”). Legal completion of the divestment of 218 Pandan Loop (NLA 43,103 sq ft), has been rescheduled to 3Q 2017.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31

# Financial Performance



## For the quarter ended 30 June 2017

(in S\$'000)	2Q 2017	1Q 2017	Variance (%)	2Q 2017	2Q 2016	Variance (%)
Gross revenue	<b>21,964</b>	21,978	(0.1)	<b>21,964</b>	22,630	(2.9)
Net property income ("NPI")	<b>12,933</b>	13,335	(3.0)	<b>12,933</b>	13,965	(7.4)
Income available for distribution	<b>8,568</b>	9,318	(8.0)	<b>8,568</b>	9,063	(5.5)
DPU (cents)	<b>0.81</b>	0.88	(8.0)	<b>0.81</b>	1.07 <sup>(1)</sup>	(24.3)
Annualised DPU (cents)	<b>3.25</b>	3.57	(9.0)	<b>3.25</b>	4.30 <sup>(1)</sup>	(24.4)

(1) DPU for prior periods has been restated to reflect the effect of bonus element in the Rights Issue.



# 2Q 2017 QoQ Financial Performance

(in S\$'000)	2Q 2017	1Q 2017	Variance (%)
Gross revenue	21,964	21,978	(0.1)
Property expenses	(9,031)	(8,643)	(4.5)
<b>NPI</b>	<b>12,933</b>	13,335	(3.0)
Net finance costs	(3,974)	(5,148)	22.8
Manager's fees	(930)	(315)	(195.2)
Trustee's fees	(106)	(109)	2.8
Donation of non-Shari'ah compliant income	-	(21)	100.0
Other trust expenses	(1,296)	(318)	(307.5)
<b>Net income</b>	<b>6,627</b>	7,424	(10.7)
Net change in fair value of financial derivatives	(556)	(67)	NM
Net change in fair value of investment properties	(27,876)	-	NM
<b>Total return before taxation</b>	<b>(21,805)</b>	7,357	(196.4)
Distribution adjustments <sup>(1)</sup>	30,373	1,961	NM
<b>Income available for distribution</b>	<b>8,568</b>	9,318	(8.0)

**Gross Revenue** was maintained at a steady S\$22.0 million.

**Property expenses** increased by 4.5% mainly due to the higher impairment losses on trade receivables provided for 6 Woodlands Loop and higher repairs and maintenance expenses incurred quarter-on-quarter ("QoQ"). In line with the increase in property expenses, **NPI** fell by 3.0% QoQ.

**Net finance costs** decreased by 22.8% QoQ mainly due to the lower average outstanding borrowings arising from the repayment of outstanding borrowings using the net proceeds from the Rights Issue.

**Other trust expenses** increased by 307.5% mainly due to the one-time legal, professional and advisory fees relating to the Extraordinary General Meeting held on 28 April 2017 which were non-tax deductible.

**Distributable income** was lower by 8.0% mainly due to lower NPI and higher Manager's fees payable in cash. This was partially offset by the lower profit expense arising from lower outstanding borrowings QoQ.

NM denotes "not meaningful".

(1) Comprise the donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, Trustee's fees, net change in fair value of financial derivatives and investment properties and other expenses which are non-deductible for tax purposes.



# 2Q 2017 YoY Financial Performance

(in S\$'000)	2Q 2017	2Q 2016	Variance <sup>(1)</sup> (%)
Gross revenue	21,964	22,630	(2.9)
Property expenses	(9,031)	(8,665)	(4.2)
<b>NPI</b>	<b>12,933</b>	13,965	(7.4)
Net finance costs	(3,974)	(4,963)	19.9
Manager's fees	(930)	(1,318)	29.4
Trustee's fees	(106)	(113)	6.2
Donation of non-Shari'ah compliant income	-	(16)	100.0
Other trust expenses	(1,296)	(283)	(358.0)
<b>Net income</b>	<b>6,627</b>	7,272	(8.9)
Net change in fair value of financial derivatives	(556)	(259)	(114.7)
Net change in fair value of investment properties	(27,876)	(50,843)	45.2
<b>Total return before taxation</b>	<b>(21,805)</b>	(43,830)	50.3
Distribution adjustments <sup>(2)</sup>	30,373	52,893	(42.6)
<b>Income available for distribution</b>	<b>8,568</b>	9,063	(5.5)

- (1) Please refer to section 8 of the financial statements and distribution announcement for 2Q 2017 for a more detailed explanation of the variances.
- (2) Comprise the portion of management fees paid/payable in units, donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, Trustee's fees, net change in fair value of financial derivatives and investment properties and other expenses which are non-deductible for tax purposes.

**Gross revenue** decreased by 2.9% year-on-year ("YoY") mainly due to a lower contribution from five multi-tenanted properties in 2Q 2017 and the conversion of 39 Ubi Road 1 into multi-tenanted lease arrangements in 4Q 2016. These were partially offset by higher contribution from 9 Tai Seng Drive and 15 Jalang Kilang Barat YoY.

**Property expenses** increased by 4.2% mainly due to higher net impairment losses on trade receivables YoY, largely from arrears from the master tenants at 1 Tuas Avenue 4 and 6 Woodlands and higher property operating expenses from 39 Ubi Road 1. These were positively offset by lower property operating expenses from certain multi-tenanted and non-triple-net master tenanted properties YoY.

**Net finance costs** decreased by 19.9% mainly due to lower profit expenses YoY. This was primarily because of the repayment of outstanding borrowings using the net sale proceeds from the 2016 Divested Properties and the net proceeds from the Rights Issue.

**Other trust expenses** increased by 358.0% mainly due to the one-time legal, professional and advisory fees relating to the Extraordinary General Meeting held on 28 April 2017 and higher unitholder reporting expenses incurred YoY.

**Distributable income** lowered by 5.5% mainly due to lower NPI and higher Manager's fees paid in cash. This was positively offset by lower profit expense and higher non-tax deductible straight-lining adjustments on rental income.

# Balance Sheet



**As at 30 June 2017**

**S\$'000**

Investment properties	964,000
Investment properties held for divestment	12,800
Other assets	18,011
<b>Total assets</b>	<b>994,811</b>
Borrowings, at amortised cost	365,772
Other liabilities	28,283
<b>Total liabilities</b>	<b>394,055</b>
Net assets attributable to Unitholders	600,756
Units in issue <sup>(1)</sup>	1,053,083,530
NAV per unit (S\$)	0.57
Adjusted NAV per unit <sup>(2)</sup> (S\$)	0.56

(1) No new units are to be issued to the Manager as consideration of Manager's fees incurred for 2Q 2017 as the resolution to authorise the Manager to issue units and to make or grant convertible instruments was not passed at the Annual General Meeting held on 28 April 2017.

(2) Excludes distributable income of approximately S\$8.6 million available for distribution for the quarter ended 30 June 2017.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31

# Capital Structure At A Glance



## As at 30 June 2017

Borrowings	S\$367.8 million
Aggregate leverage <sup>(1)</sup>	37.0%
Proportion of total borrowings on fixed rates	87.8%
<b>Average all-in financing cost<sup>(2)</sup></b>	<b>4.0%</b>
Outstanding Term CMF	S\$135.0 million
Convertible Sukuk due 2017	S\$42.8 million
Trust Certificates	S\$190.0 million
<b>Weighted average tenor of borrowings</b>	<b>1.5 years</b>
Profit cover <sup>(3)</sup>	3.5 times
Unencumbered assets	S\$323.3 million

(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

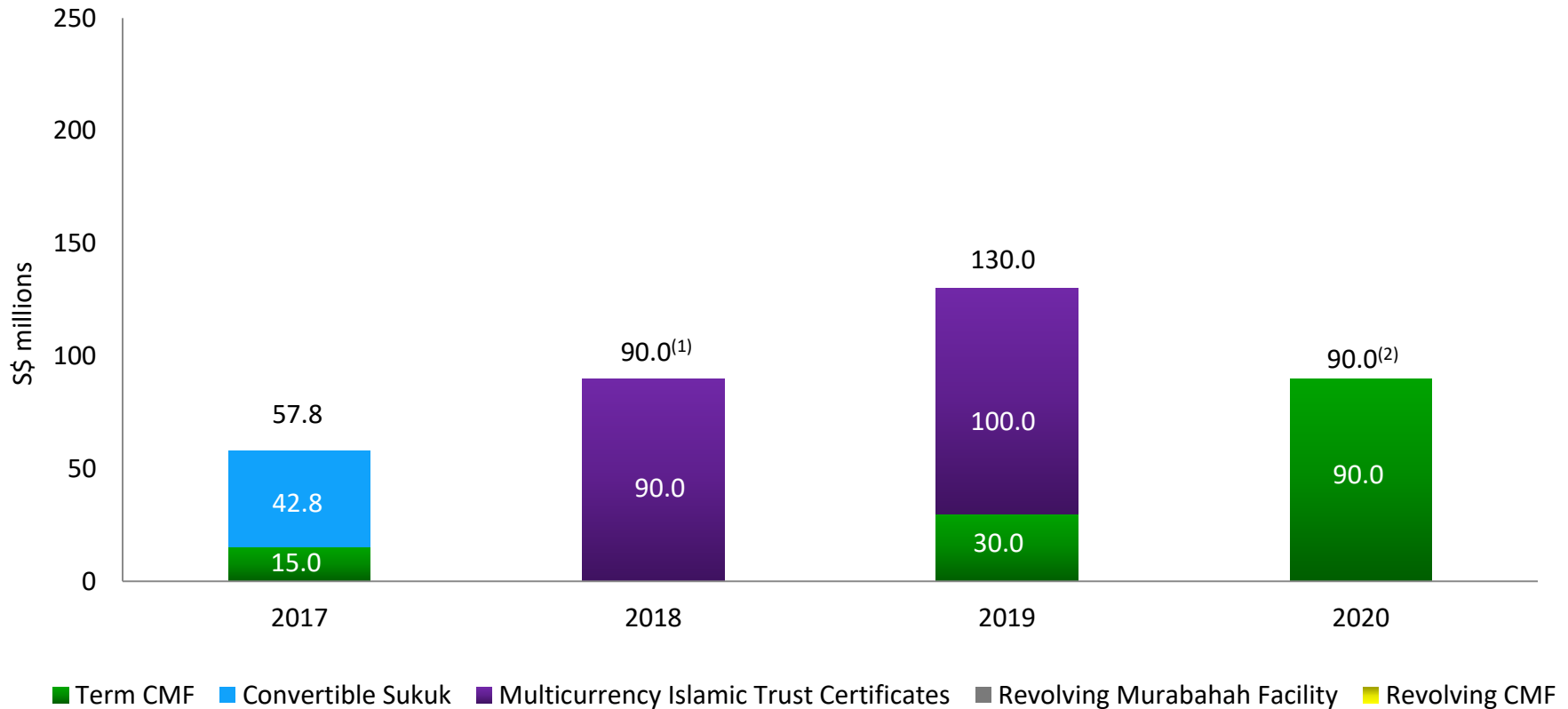
(2) Inclusive of amortisation of transaction costs.

(3) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for the period from 1 April 2017 to 30 June 2017.



# Borrowings Maturity Profile

As at 30 June 2017



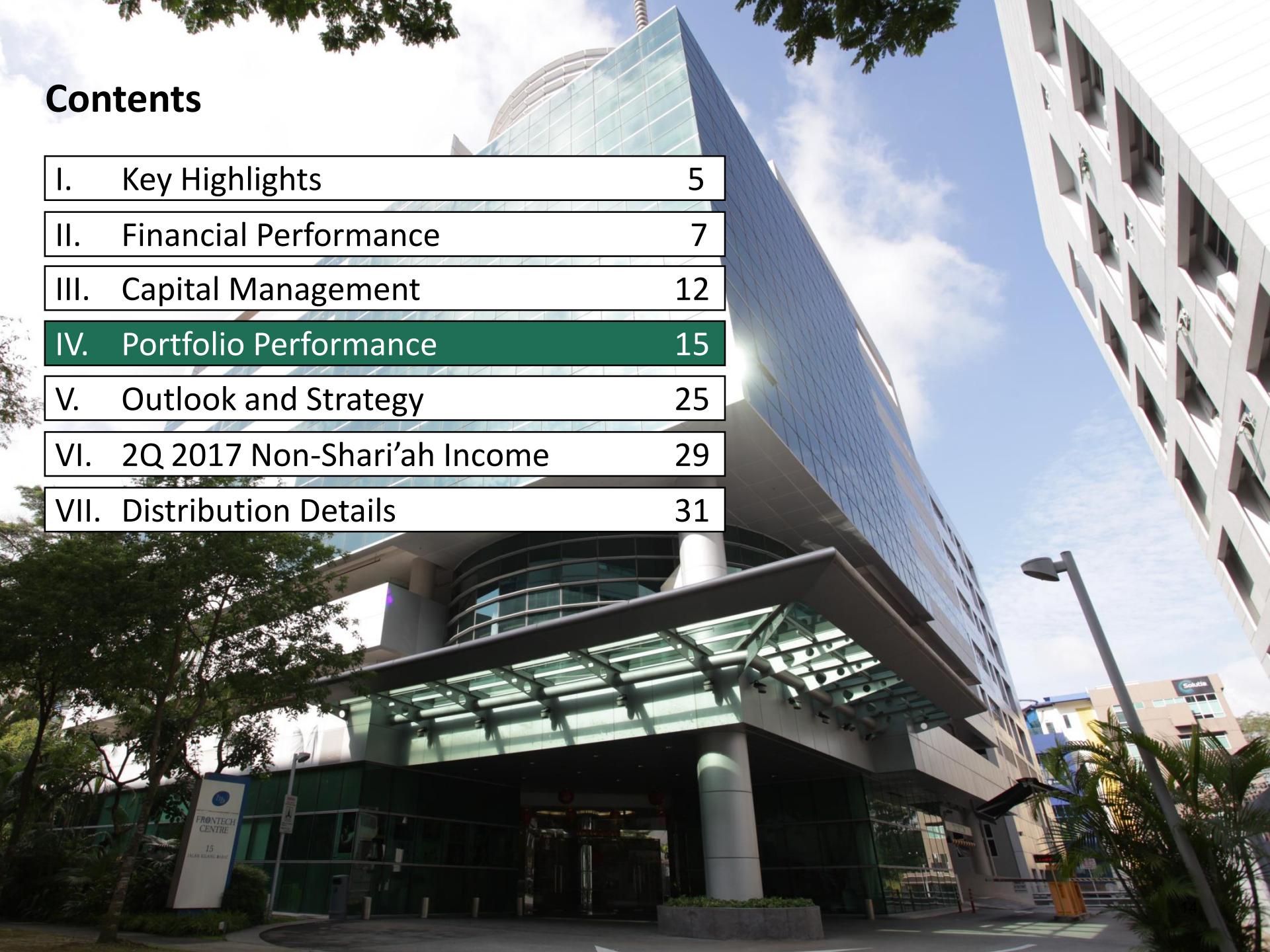
**Maturities of total outstanding borrowings of S\$367.8 million evenly staggered over 4 years.**

(1) Excludes S\$48.9 million of undrawn Revolving Murabahah Facility.

(2) Excludes S\$18.0 million of undrawn Revolving CMF.

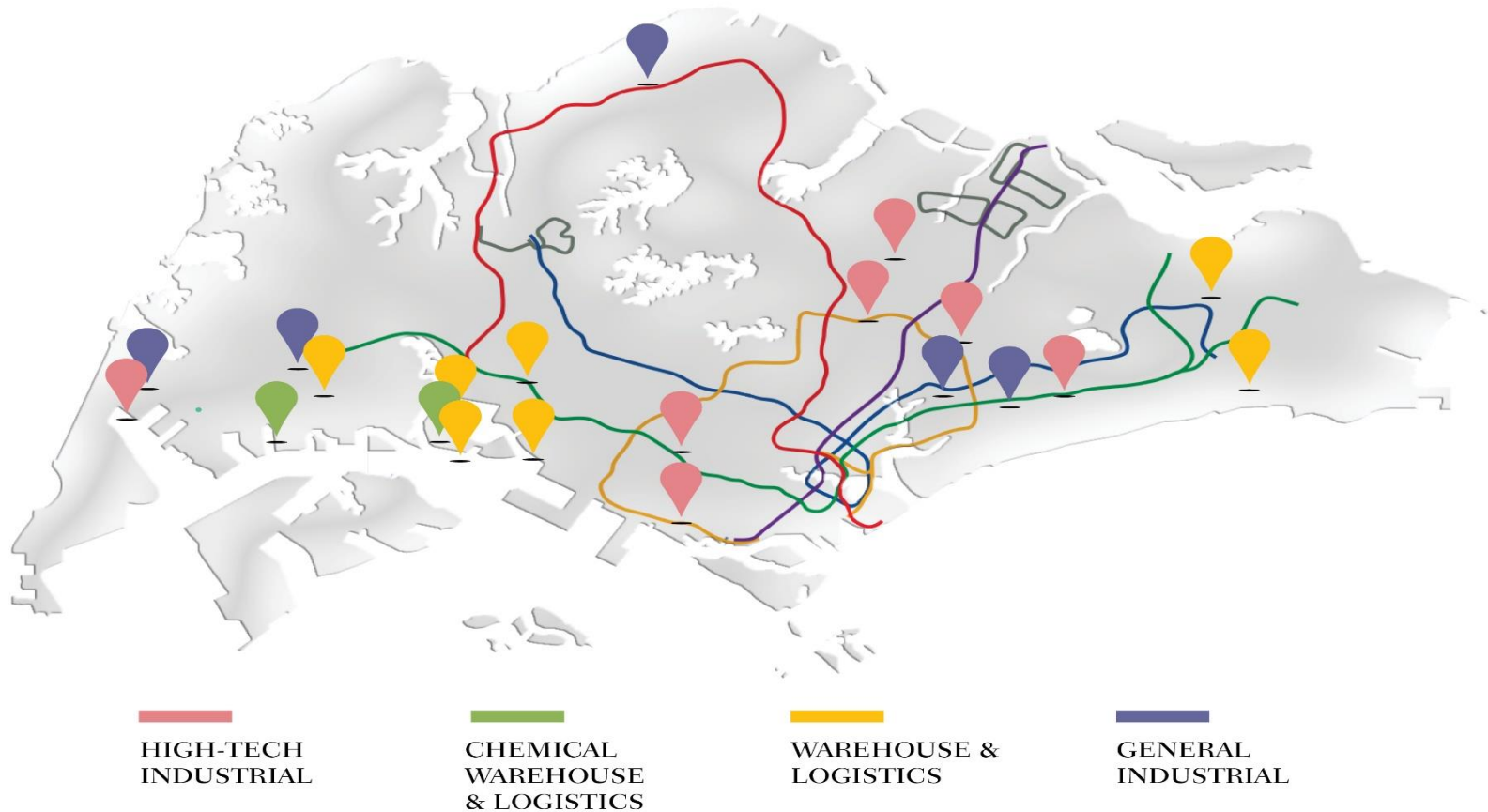
# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
<b>IV. Portfolio Performance</b>	<b>15</b>
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31



# Property Locations

Our properties are diversified into four industrial segments across Singapore, close to expressways and public transportation.



# Occupancy Rates

	As at 30 June 2017	As at 31 March 2017
Total portfolio GFA	4,403,674 sq ft	4,403,674 sq ft
Portfolio occupancy		
10 properties, master leases <sup>(1)</sup>	100.0%	100.0%
10 properties, multi-tenanted <sup>(2)</sup>	80.4%	80.4%
21 properties, total portfolio <sup>(3)</sup>	87.3%	87.3%
Weighted average master lease term to expiry <sup>(4)</sup>	2.4 years	2.6 years
Weighted average unexpired lease term for the underlying land <sup>(5)</sup>	34.1 years	34.3 years
Weighted average portfolio lease term to expiry <sup>(5)</sup>	2.4 years	2.5 years

(1) 5 triple net & 5 single net master leases.

(2) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjurong Lane, 2 Toh Tuck Link, 123 Genting Lane and 39 Ubi Road 1.

(3) By Net Lettable Area ("NLA"). Legal completion of the divestment of 218 Pandan Loop (NLA 43,103 sq ft), is expected to take place in 3Q 2017.

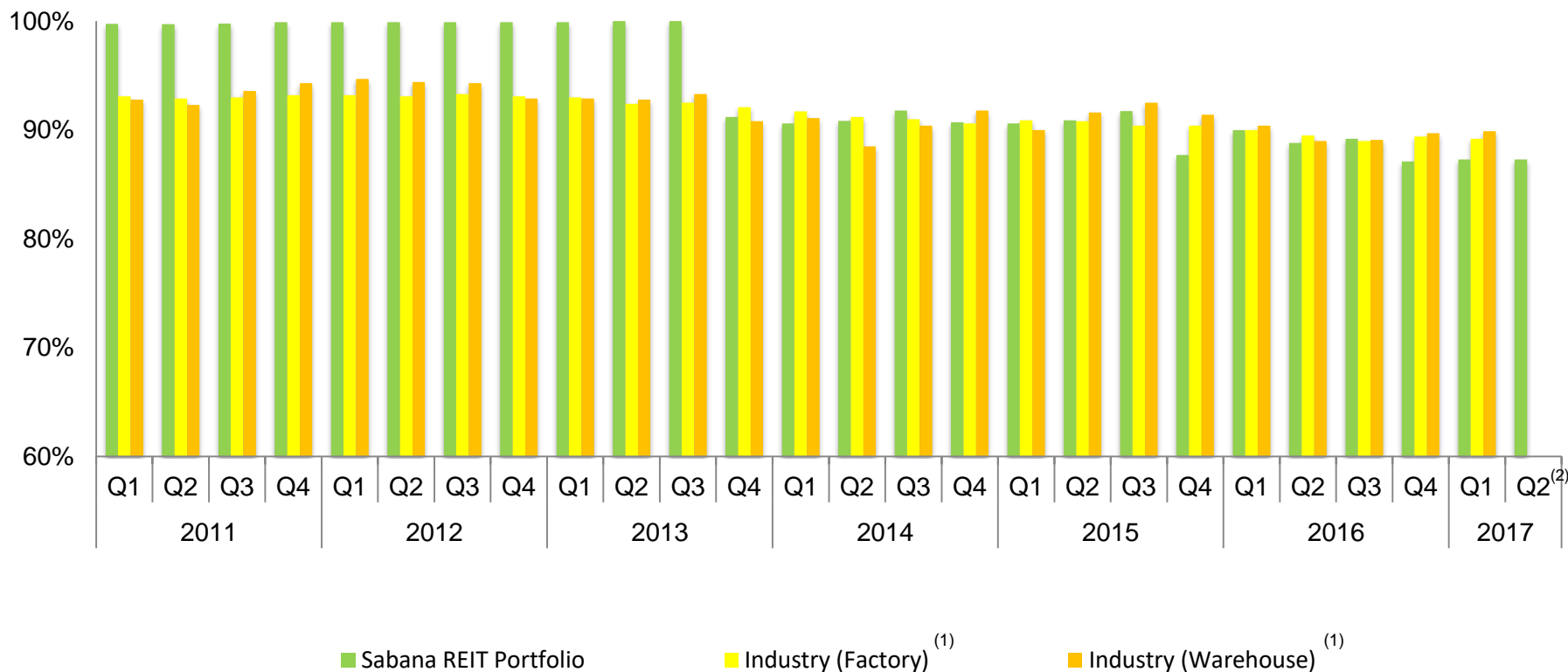
(4) Weighted by gross rental income (master leases of 10 properties).

(5) Weighted by gross rental income (10 master leases and 10 multi-tenanted properties, excluding 218 Pandan Loop).



# Occupancy Levels Since Listing

## Comparisons to Singapore industrial average occupancy levels



(1) Source: Property Market Information by Urban Redevelopment Authority and Quarterly Market Report by Jurong Town Corporation.

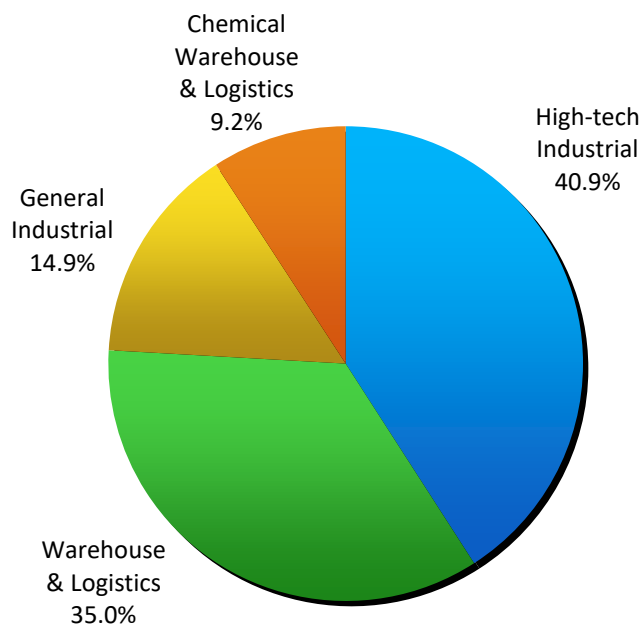
(2) 2Q 2017 data are not available as at 30 June 2017 from Jurong Town Corporation.

# Diverse Asset Types

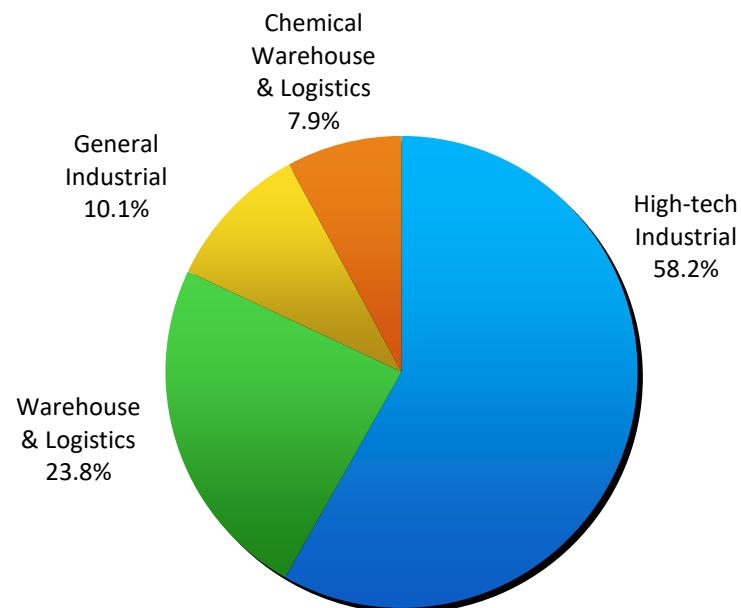
Sabana REIT's portfolio is diversified in the following asset types:

- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial

### Asset Breakdown by NLA for 2Q 2017<sup>(1)</sup>



### Gross Revenue by Asset Type for 2Q 2017

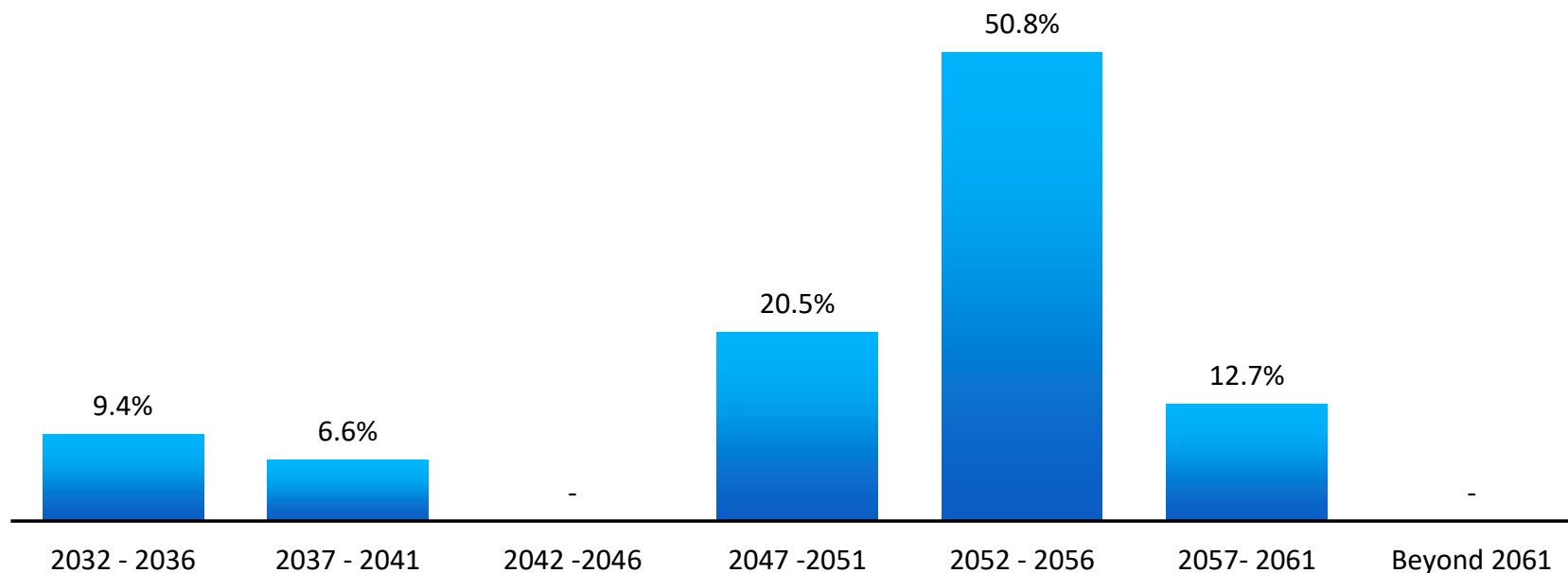


(1) As at 30 June 2017.

# Long Weighted Average Leasehold For Underlying Land



## Percentage of unexpired land lease term by GFA<sup>(1)</sup>



**Well distributed, long underlying land leases, with an average of 34.1 years by GFA.**

(1) As at 30 June 2017.

# Quality Assets Attract Quality Tenants



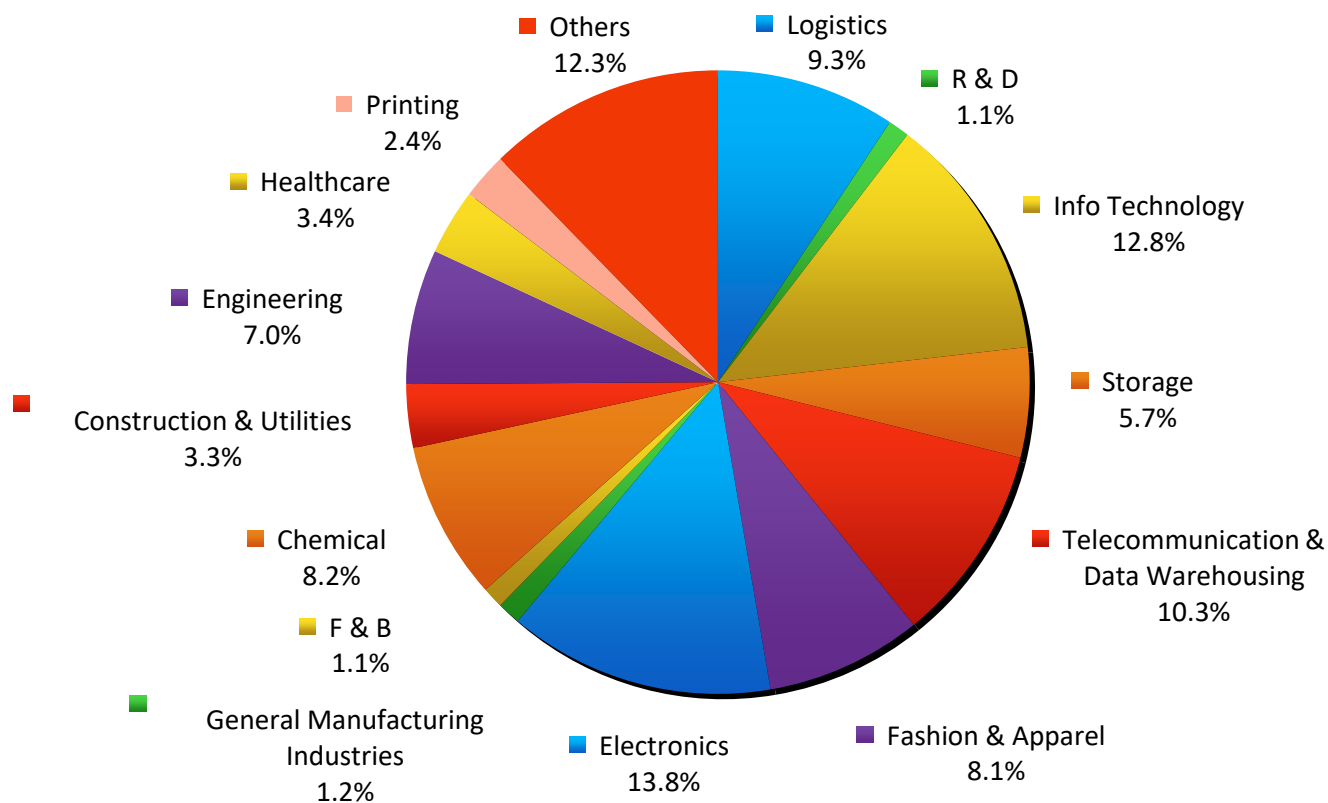
	As at 30 June 2017	As at 31 March 2017
Total NLA (sq ft)	3,604,730 <sup>(1)</sup>	3,605,294
Total number of direct and sub-tenants	118	116
Weighted average lease term to expiry (mths) <sup>(2)</sup>	28.9	29.3

(1) Decrease due to reconfiguration of space.

(2) Weighted by sub-tenancy gross rental income.



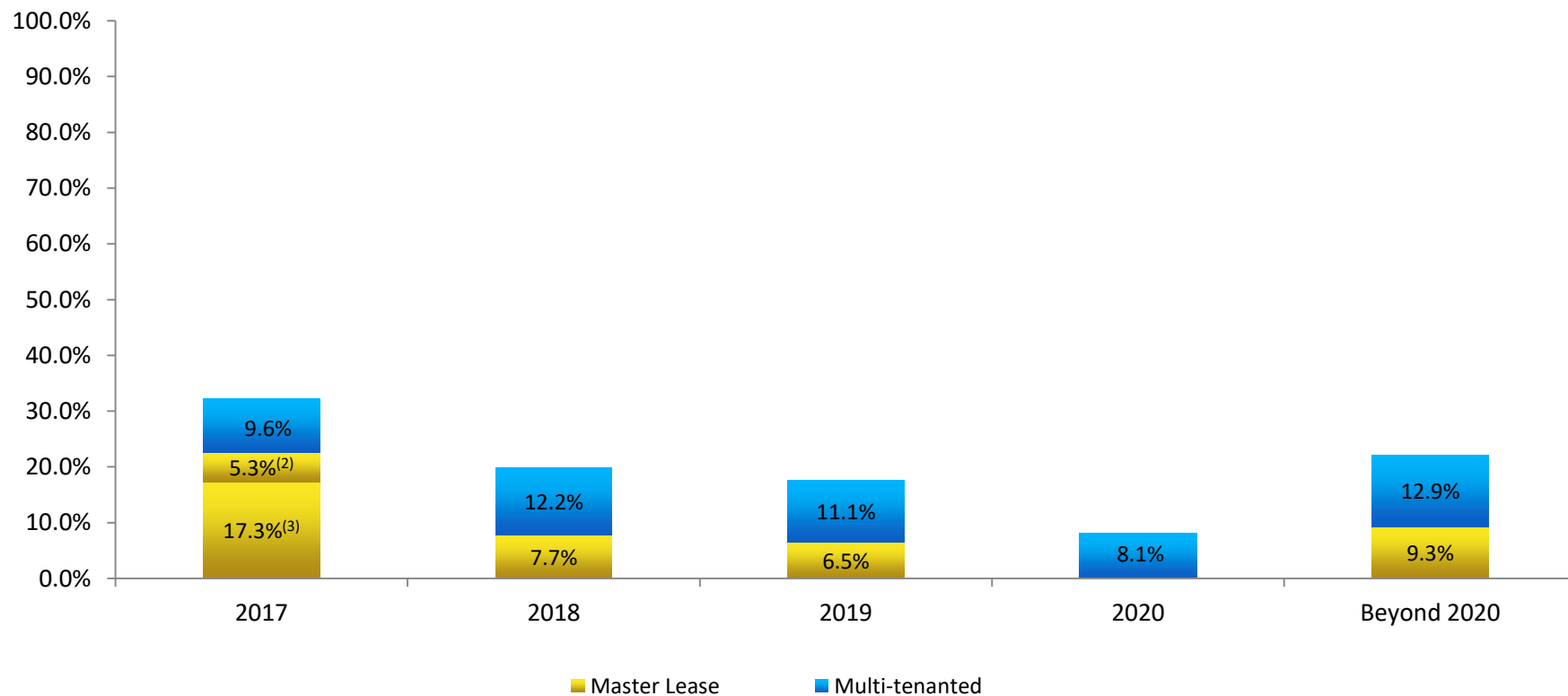
## Sub-tenants' industry diversification by NLA<sup>(1)</sup>:



**No concentration in any single trade sector exceeding 15%**

(1) As at 30 June 2017.

## Lease Expiry by NLA<sup>(1)</sup>

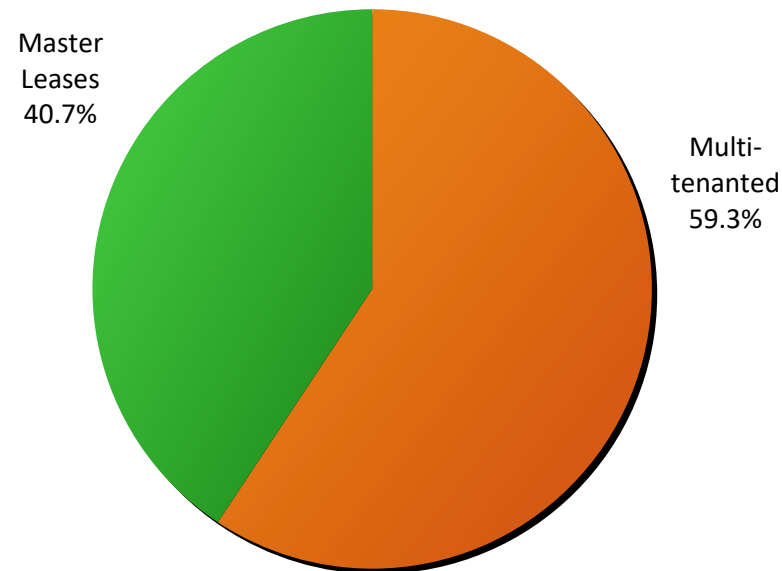


(1) As at 30 June 2017.

(2) Two properties: 21 Joo Koon Crescent and 6 Woodlands Loop.

(3) Three properties: 33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road. Master tenants are Sponsor related companies.

## Lease Type by NLA for 2Q 2017<sup>(1)</sup>



(1) As at 30 June 2017. Excludes 218 Pandan Loop, which is currently vacant, pending completion of divestment announced on 5 December 2016.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31



## Singapore Economy

### Singapore's economic growth outlook for 2Q 2017

- According to the advance estimates released by the Ministry of Trade and Industry (MTI), the Singapore economy expanded by 2.5% in the second quarter of 2017 on a y-o-y basis, a same pace of growth as the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the overall GDP increased by 0.4%, contrary to the 1.9% decline in the previous quarter<sup>(1)</sup>.
- In the latest survey conducted by the Monetary Authority of Singapore, private economists forecasted economic growth for 2017 to be 2.5% this year, higher than the forecasted growth of 2.3% in March<sup>(2)</sup>.

## Singapore Industrial Sector

### Industrial property outlook

- The softening of the industrial property market together with an increasing supply of industrial space, however, are likely to put further pressure on overall rentals and occupancy levels<sup>(3)</sup>.

#### Sources:

- (1) "Singapore's GDP Grew by 2.5 Per Cent in the Second Quarter of 2017". Ministry of Trade and Industry Singapore. 14 July 2017. Web. 14 July 2017.
- (2) "Singapore to release advance Q2 GDP estimates on July 14". The Straits Times. 7 July 2017. Web. 7 July 2017.
- (3) "JTC Quarterly Market Report. Industrial Properties. First Quarter 2017". 1Q 2017. Web. 1Q 2017.

### Management Strategy

- Ahead of their maturity, the Manager has commenced discussions with the relevant parties on the possible renewal of the five master leases expiring this year<sup>(1)</sup>, three of which are Sponsor-related properties.
- After taking into account feedback from Unitholders, the Manager had also announced the termination of the three proposed acquisitions<sup>(2)</sup> which were to be funded in part by a Rights Issue<sup>(3)</sup> completed earlier this year.
- On the utilization of the Rights Issue gross proceeds, as stated in the Offer Information Statement<sup>(3)</sup>, should any of the proposed acquisitions not be completed, the Manager may use the gross proceeds to reduce short-term borrowings.
- Further to the announcement on the utilization of the Rights Issue proceeds made on 6 February 2017<sup>(4)</sup>, approximately S\$13.3 million were further utilized to repay outstanding revolving credit facilities. The remaining S\$3.2 million not utilized for payments of issue-related fees and expenses were placed in new short-term bank deposits.

#### Sources:

(1) 21 Joo Koon Crescent, 6 Woodlands Loop, 33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road.

(2) SGX announcement on the termination of the proposed acquisition of 47 Changi South, 107 Eunos Avenue 3 and 72 Eunos Avenue 7 were made on 9 May 2017, 6 July 2017 and 21 July 2017 respectively.

(3) SGX Lodgement and Despatch of Offer Information Statement for Underwritten And Renounceable Rights Issue - Lodgement And Despatch Of Offer Information Statement, 30 December 2016.

(4) SGX announcement on the use of proceeds from the Rights Issue was announced on 6 February 2017.

## The Trust

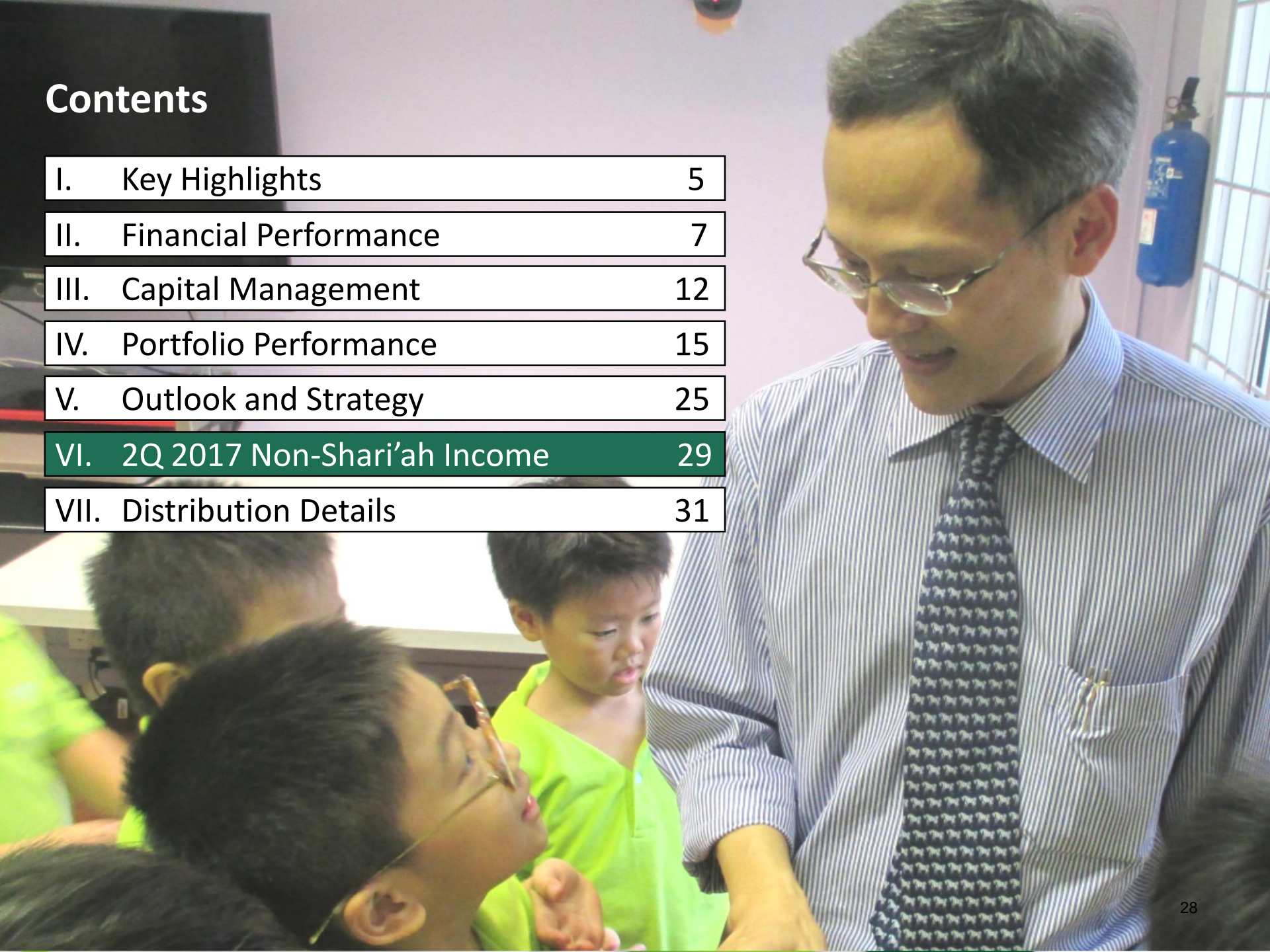
- While the Manager expects market conditions to remain challenging, it is focusing on managing short-term volatility through marketing and leasing efforts, retaining existing tenants while improving its occupancy levels in the multi-tenanted buildings to secure long-term value for Unitholders.

### **Strategy Review Update**

- As announced previously, Sabana REIT is undertaking a strategic review of the Trust and the Strategic Review Committee (“SRC”) continues to evaluate non-binding proposals from several parties. No binding agreements have been entered into at this time.
- The Manager will make the necessary announcements in accordance with its obligations under the listing rules as and when there are any material developments.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31





## 2Q 2017 Non-Shari'ah Income



Sabana REIT gives out its non-Shari'ah income on a quarterly basis, to charitable causes

After taking into consideration the uncollected Ta'widh and Ta'widh processing cost for the quarter, there will be no non-Shari'ah compliant income subjected to cleansing and to be donated to charitable causes for 2Q 2017.

# Contents

I. Key Highlights	5
II. Financial Performance	7
III. Capital Management	12
IV. Portfolio Performance	15
V. Outlook and Strategy	25
VI. 2Q 2017 Non-Shari'ah Income	29
VII. Distribution Details	31



# Distribution Details



## Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 April 2017 to 30 June 2017	0.81

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	28 July 2017
Ex-date	31 July 2017, 9am
Books closure date	2 August 2017, 5pm
Distribution payment date	29 August 2017

# Thank you

**Sabana Real Estate Investment Management Pte. Ltd.**

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