



Sabana Shari'ah Compliant Industrial REIT

3Q 2018 Financial Results Presentation

26 October 2018



Important Notice



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 third quarter from 1 July 2018 to 30 September 2018 ("3Q 2018").

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.

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Key Highlights for 3Q 2018



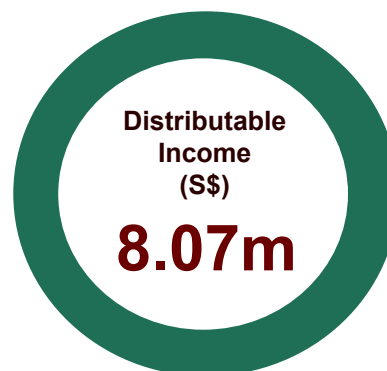
For the quarter ended 30 September 2018



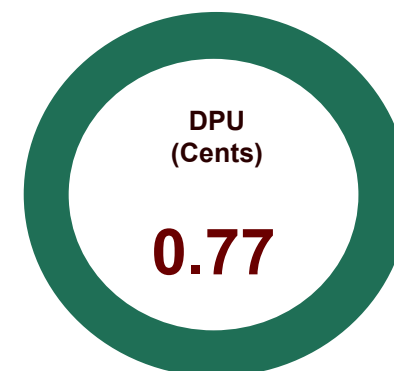
3Q2017: S\$20.86m



3Q2017: S\$13.40m



3Q2017: S\$8.34m



3Q2017: 0.79 cents

Significant Updates

- Announced divestments of non-performing and mature properties to fund future growth:
 - 9 Tai Seng Drive and 1 Tuas Avenue 4 for S\$110.78 million
- Active portfolio management:
 - Renewed all four remaining master leases expiring in 2018

Disciplined Execution of Phase 1 of Growth Plan

1a. Divest Non-Performing and Mature Assets **1b. Continue to Actively Manage and Optimise Portfolio**

- Announced divestments of 9 Tai Seng Drive and 1 Tuas Avenue 4 properties
- Successfully renewed remaining four master leases expiring this year
- Secured a new lease in October resulting from proactive leasing management efforts

ALL UNDERPINNED BY

Prudent Capital and Risk Management & Ongoing Cost Rationalisation

- Steady aggregate leverage at **38.6%** (3Q 2017: 36.0%)
- Improved profit coverage ratio to **3.7 times** (3Q 2017: 3.6 times)
- No refinancing requirements till 2Q 2019

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Financial Performance At a Glance (YoY)



For the quarter ended 30 September 2018

(in S\$'000)	3Q 2018	3Q 2017	Variance (%)
Gross revenue	19,855	20,859	(4.8)
Net property income	12,633	13,400	(5.7)
Amount available for distribution	8,072	8,336	(3.2)
DPU (cents) ⁽²⁾	0.77	0.79	(2.5)
Annualised DPU (cents)	3.05	3.13	(2.6)

Distribution per unit (DPU) declined:

- On lower revenue from lower contribution from some multi-tenanted properties and lower rental reversions amid challenging market
- Mitigated by ongoing proactive cost optimisation

Active asset and lease management mitigated rate of NPI decline:

- Property expenses down by 3.2% on lower impairment losses, cost savings from divested properties and lower net repair and maintenance expenses incurred for multi-tenanted properties

Net finance costs significantly reduced:

- Down 9.1% on repayment using divestment proceeds and refinancing with lower cost facilities

Financial Performance At a Glance (QoQ)

For the quarter ended 30 September 2018

(in S\$'000)	3Q 2018	2Q 2018	Variance (%)
Gross revenue	19,855	20,080	(1.1)
Net property income	12,633	12,570	0.5
Amount available for distribution	8,072	8,639	(6.6)
DPU (cents)	0.77	0.82	(6.1)
Annualised DPU (cents)	3.05	3.29	(7.3)

Distribution Per Unit (DPU):

- Lower by 6.1% mainly due to the absence of the one-time gain from the recovery of expenses from 6 Woodlands Loop in 2Q 2018

Financial Performance At a Glance (YTD)

For the period ended 30 September 2018

(in S\$'000)	9M 2018	9M 2017	Variance (%)
Gross revenue	60,938	64,801	(6.0)
Net property income	39,789	39,668	0.3
Amount available for distribution	25,955 ⁽¹⁾	26,222 ⁽²⁾	(1.0)
DPU (cents) ⁽³⁾	2.47	2.48	(0.4)
Annualised DPU (cents)	3.30	3.32	(0.6)

Distribution per unit (DPU):

- Mitigated by ongoing proactive cost optimisation

Net Property Income improved:

- Reduction in property expenses more than offset lower gross revenue as a result of active asset and lease management

Net finance costs significantly reduced:

- Down 15.0% YoY on repayment using divestment proceeds and refinancing with lower cost facilities

(1) The Manager had forgone 20% of its fees, approximately S\$238,000, for 1Q 2018.

(2) The Manager had forgone 25% and 75% of its fees, approximately S\$310,000 and S\$944,000, for 2Q 2017 and 1Q 2017 respectively.

(3) Based on 1,053,083,530 units issued.

Preserving Balance Sheet Resilience

(S\$'000)	As at 30 Sep 2018	As at 31 Dec 2017
Investment properties	876,670	942,400
Investment properties held for divestment	50,600	12,900
Other assets	10,587	10,809
Total assets	937,857	966,109
Borrowings, at amortised cost	359,453	365,806
Other liabilities	24,171	28,758
Total liabilities	383,624	394,564
Net assets attributable to Unitholders	554,233	571,545
Units in issue	1,053,083,530	1,053,083,530
NAV per unit (S\$)	0.53	0.54
Adjusted NAV per unit ⁽¹⁾ (S\$)	0.52	0.53

Strengthened balance sheet:

- Net proceeds from divestments of 6 Woodlands Loop used to pay down borrowings
- No refinancing requirements until 2Q 2019 after repaying borrowings with new lower cost facilities

(1) Excludes the amount of approximately S\$8.1 million (31 December 2017: S\$8.8 million) available for distribution for the quarter ended 30 September 2018.

Continued Capital Structure Optimisation

	As at 30 Sep 2018	As at 31 Dec 2017
Borrowings	S\$361.0 million	S\$367.5 million
Aggregate leverage ⁽¹⁾	38.6%	38.2%
Proportion of total borrowings on fixed rates	72.0%	76.2%
Average all-in financing cost⁽²⁾	4.1%	3.9%
Term CMF	S\$120.0 million	S\$120.0 million
Revolving CMF	S\$11.0 million	-
Term Murabahah Facility	S\$70.0 million	-
Revolving Murabahah Facility	S\$30.0 million	S\$27.5 million
Trust Certificates	S\$100.0 million	S\$190.0 million
Term Loan Facility	S\$30.0 million	S\$30.0 million
Weighted average tenor of borrowings	1.6 years	1.8 years
Profit cover ⁽³⁾	3.7 times	4.1 times
Unencumbered assets	S\$239.0 million	S\$268.7 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.

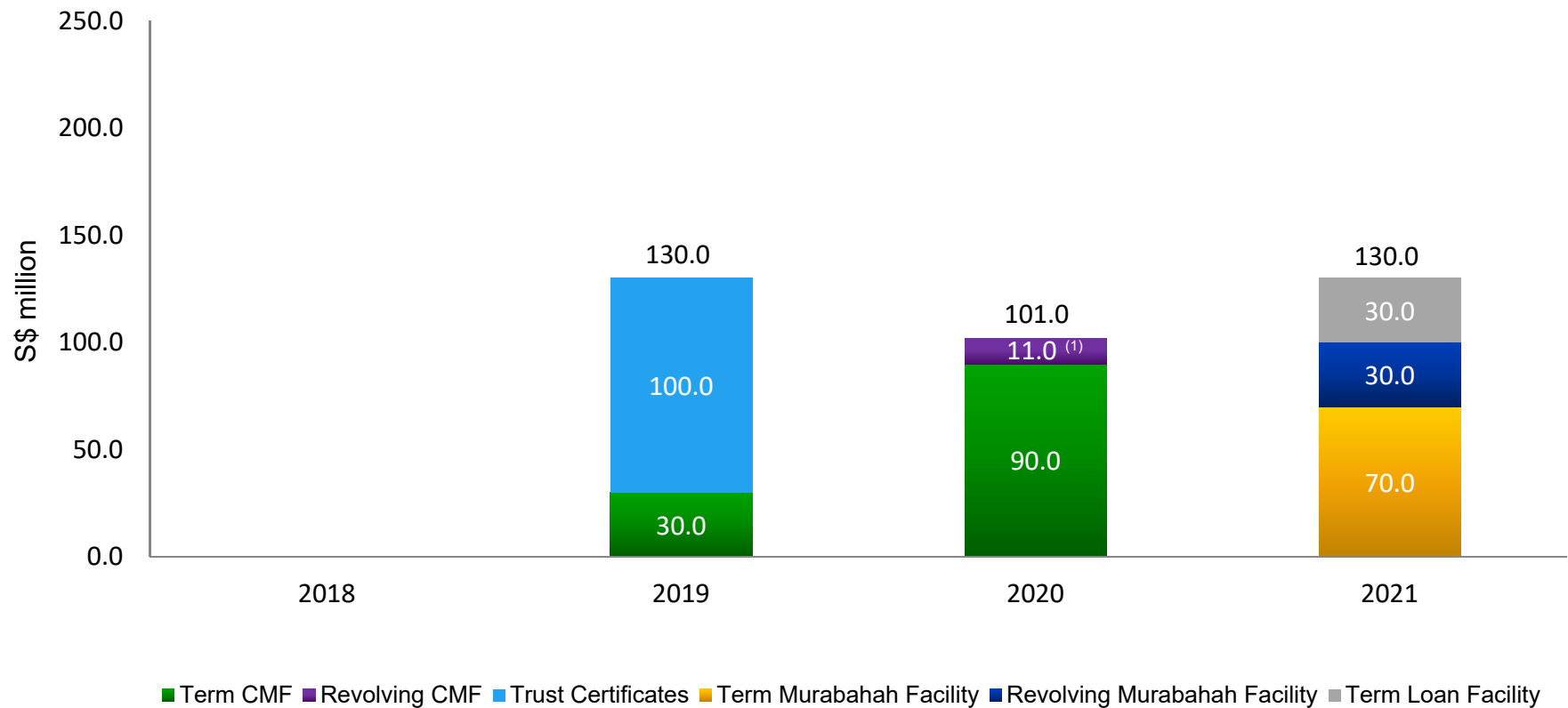
(3) Ratio of net property income over profit expense (excluding amortisation of transaction costs and other fees for 3Q 2018 (31 December 2017: 4Q 2017)).

Evenly Staggered Borrowings Maturity



Maturities of total outstanding borrowings of S\$361.0 million evenly staggered over next 3 years

As at 30 September 2018



(1) Excludes S\$7.0 million undrawn Revolving CMF

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19 Properties Across 4 Industrial Segments



Portfolio Value
S\$939.3 million

Total GFA (sq ft)
4.3 million

Total NLA (sq ft)
3.5 million

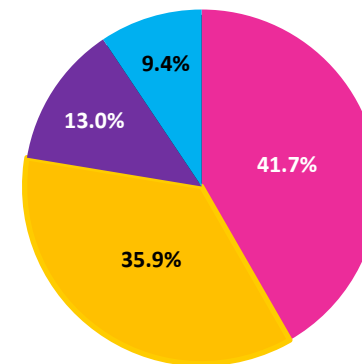
Tenant Base
118 tenants

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

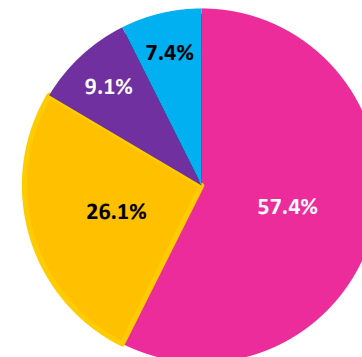
- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial



Asset Breakdown by NLA for 3Q 2018⁽¹⁾



Gross Revenue by Asset Type for 3Q 2018⁽¹⁾



(1) As at 30 September 2018

Occupancy Rates

	As at 30 Sep 2018	As at 30 Jun 2018
Total portfolio GFA	4,325,010 sq ft	4,325,010 sq ft
Portfolio occupancy		
7 properties, master leases ⁽¹⁾	100.0%	100.0%
10 properties, multi-tenanted ⁽²⁾	79.1%	79.7%
19 properties, total portfolio ⁽³⁾	81.4%	84.5%
Weighted average master lease term to expiry ⁽⁴⁾	2.5 years	2.0 years
Weighted average unexpired lease term for the underlying land ⁽⁵⁾	32.8 years	33.0 years
Weighted average portfolio lease term to expiry ⁽⁶⁾	2.4 years	2.3 years

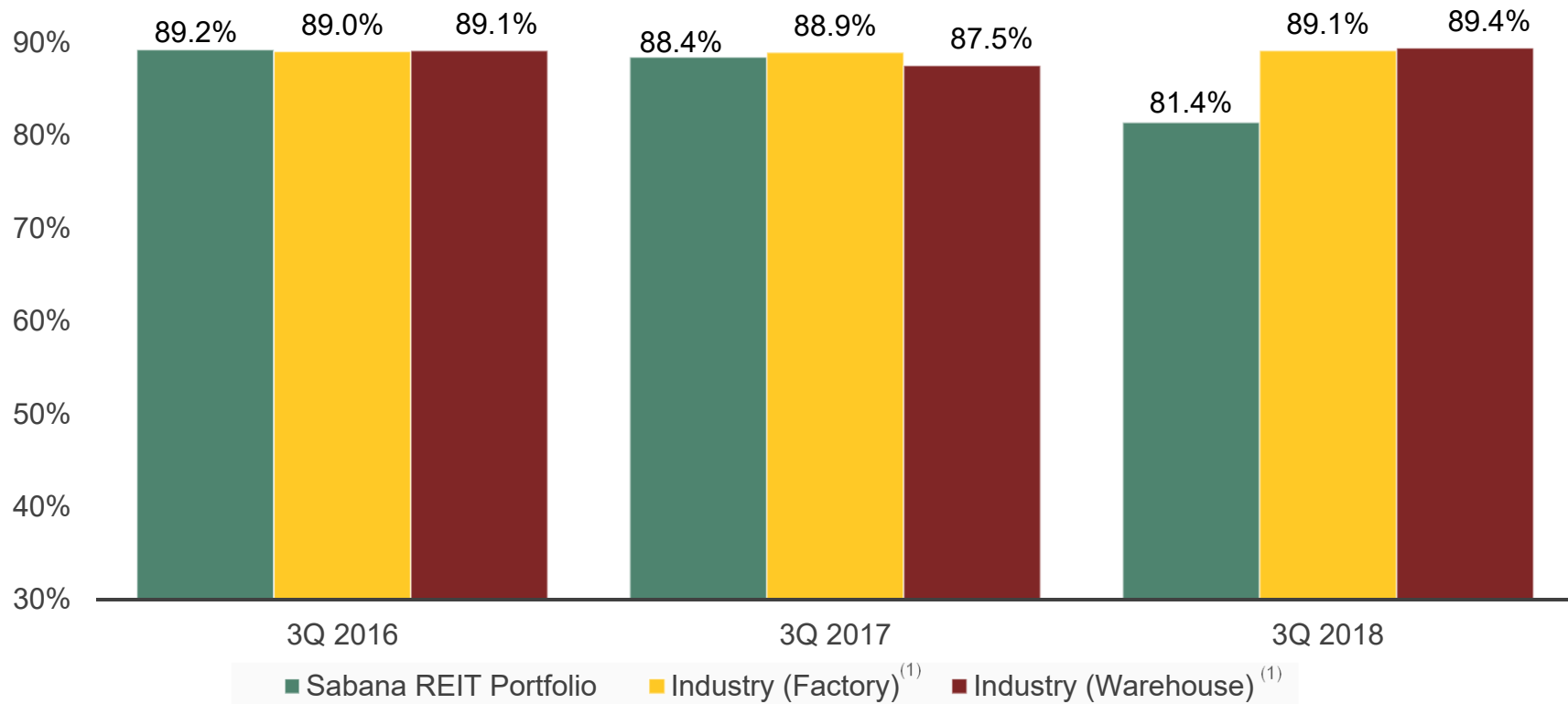
Would be **85.1%**
if 2 ongoing
divestments had
closed by 30 Sep



- (1) 5 triple net & 2 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 Penjuru Lane, 2 Toh Tuck Link, 123 Genting Lane and 39 Ubi Road 1.
- (3) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 (NLA 120,340 sq ft) and 21 Joo Koon Crescent (95,667 sq ft) are currently vacant.
- (4) Weighted by gross rental income (master leases of 7 properties).
- (5) Weighted by Gross Floor Area ("GFA").
- (6) Weighted by gross rental income (7 master leases and 10 multi-tenanted properties).

Occupancy Levels

Occupancy levels over the years



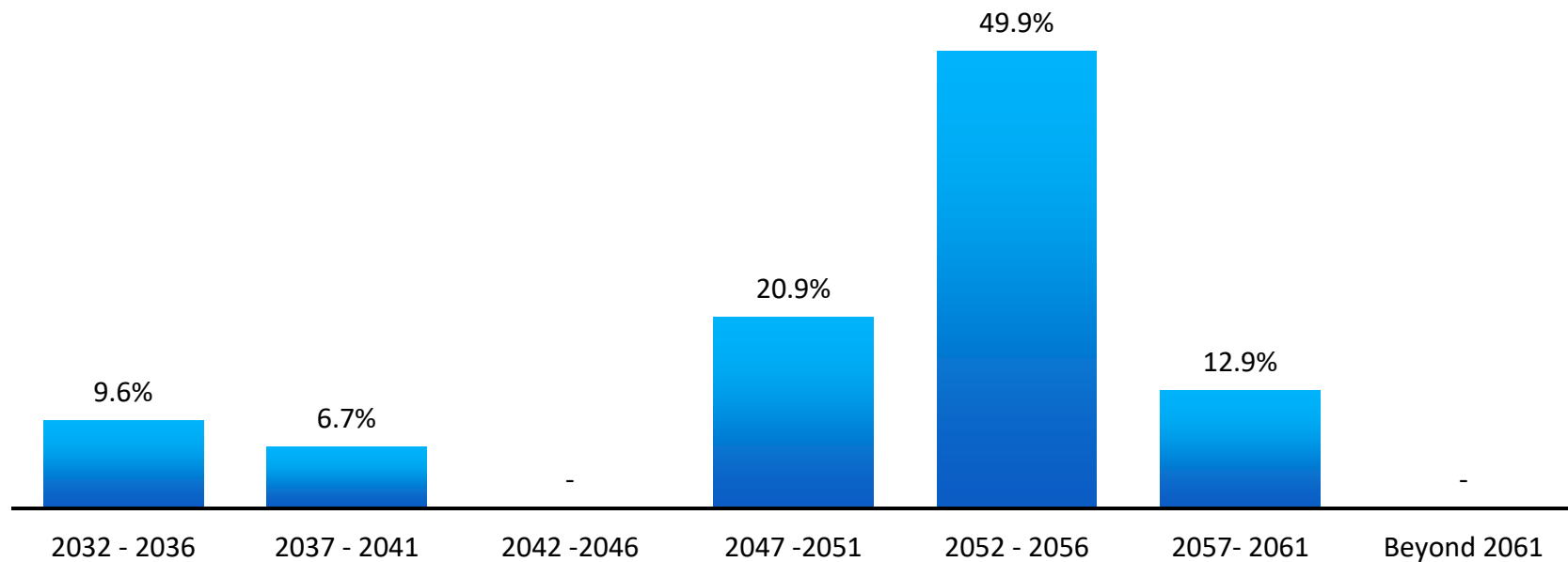
Comparisons to Singapore industrial average occupancy levels

(1) Source: Quarterly Market Report by Jurong Town Corporation.

Long Weighted Average Leasehold For Underlying Land



Long underlying land leases, with an average of **32.8 years** by GFA



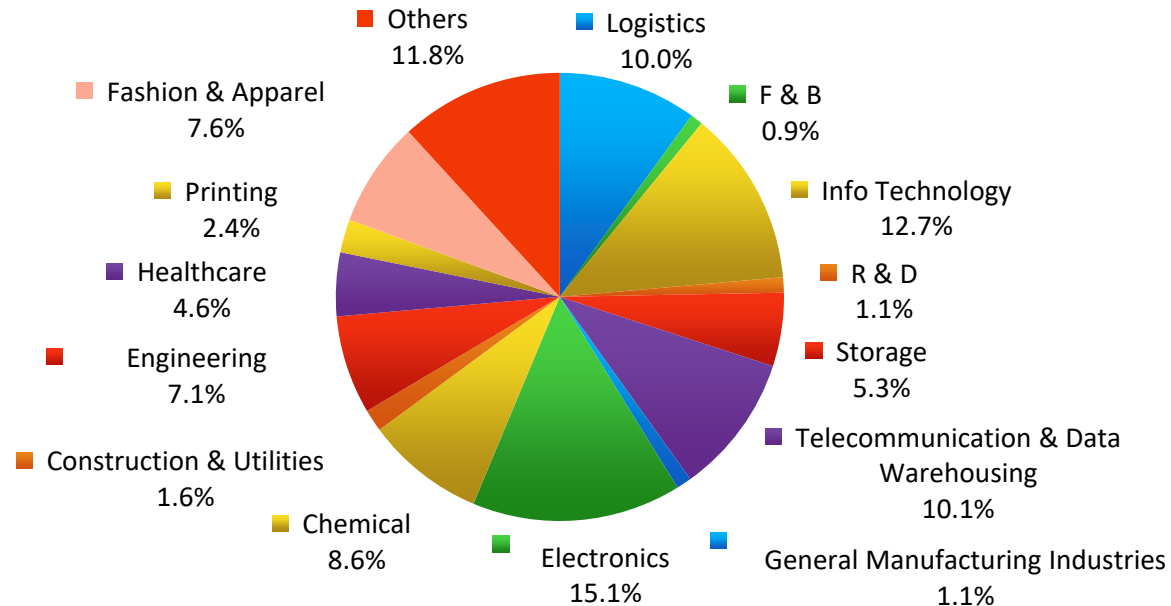
Percentage of unexpired land lease term by GFA⁽¹⁾

(1) As at 30 September 2018

Diversified Base of Quality Tenants

	As at 30 Sep 2018	As at 30 Jun 2018
Total NLA (sq ft)	3,534,703 ⁽¹⁾	3,533,127
Total number of tenants	118	118
Weighted average lease term to expiry (mths) ⁽²⁾	27.0	28.2

No concentration in any single trade sector exceeding 16%

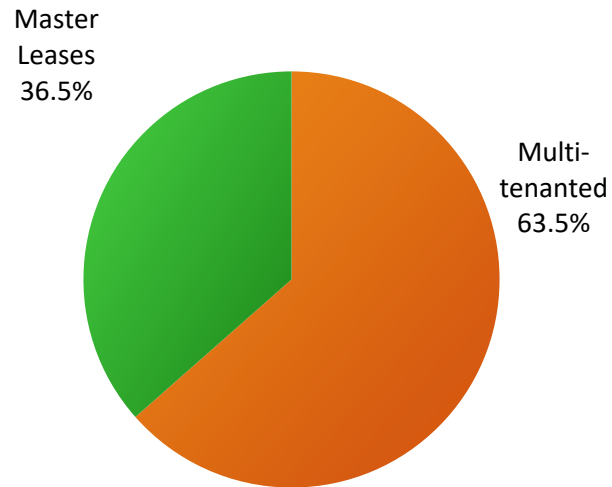


Tenants' industry diversification by NLA⁽³⁾

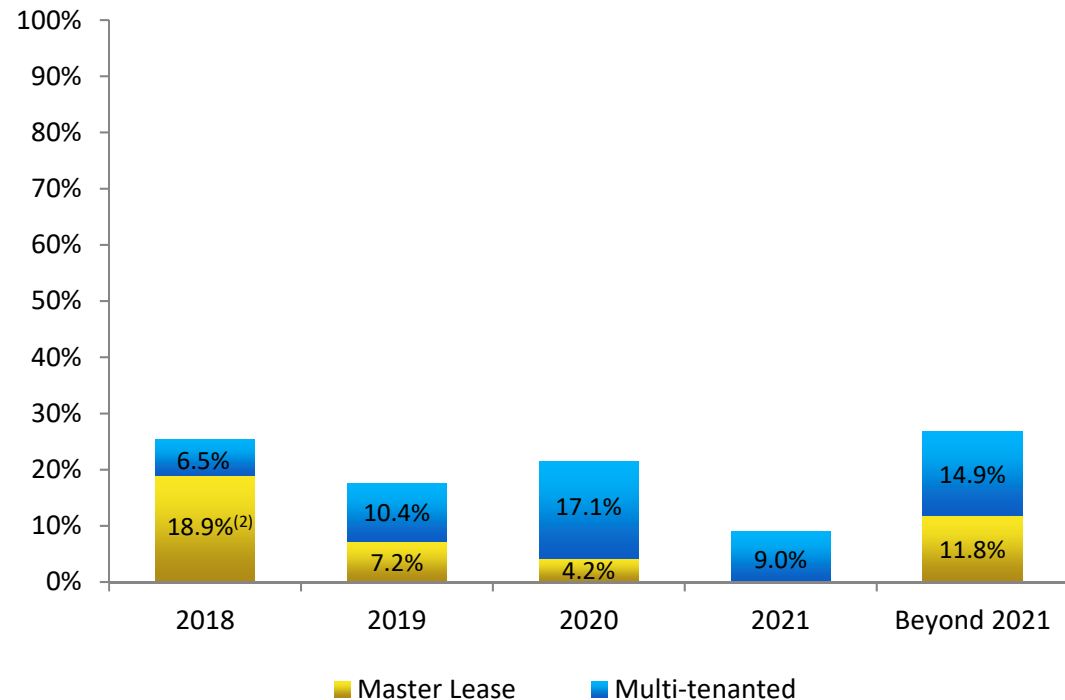
(1) Adjusted due to reconfiguration of space.
 (2) Weighted by tenancy gross rental income.
 (3) As at 30 September 2018.

Balanced and Proactive Lease Management

Lease Type by NLA for 3Q 2018⁽¹⁾



Lease Expiry by NLA⁽¹⁾



(1) As at 30 September 2018.

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

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Singapore Economic Outlook

- Based on Ministry of Trade and Industry (MTI)'s advance estimates, Singapore's GDP grew 2.6% y-o-y in 3Q 2018 (2Q 2018: 4.1%; 3Q 2017: 5.5%) ⁽¹⁾
- MTI forecasts growth of 2.5% to 3.5% for 2018 ⁽²⁾
- Monetary Authority of Singapore (MAS) expects inflation to rise modestly in near term before stabilising at just below 2% ⁽³⁾

Industrial Property Outlook

- JTC data shows continued oversupply and island-wide vacancy of 10.9% as at 3Q 2018⁽⁴⁾. Overall rent reversion for 2018 likely to stay negative
- Colliers foresees a pick-up in interest in industrial properties as rents bottom out and stabilise, with increasing interest from institutional investors in the remainder of 2018 ⁽⁵⁾
- Savills expects that rents for industrial spaces will likely continue to face pressure amid an upcoming supply of 11.7 million sq ft in industrial space in 2018 ⁽⁶⁾

Sabana REIT

Market conditions remain challenging. Continue to focus on executing growth plan:

- Improve occupancy and drive revenue, active asset management, selective divestments
 - Announced divestments of 9 Tai Seng Drive and 1 Tuas Avenue 4
 - Renewed all four remaining master leases expiring in 2018
 - Secured a new lease in October
- Talks with authorities on asset enhancement initiatives (AEI) for New Tech Park ongoing

Sources:

- (1) "Singapore's GDP Grew by 2.6 Per Cent in the Third Quarter of 2018". Ministry of Trade and Industry. 12 October 2018.
- (2) "MTI Maintains 2018 GDP Growth Forecast at "2.5 to 3.5 Per Cent"". Ministry of Trade and Industry. 13 August 2018.
- (3) "MAS Monetary Policy Statement". Monetary Authority of Singapore. 12 October 2018.
- (4) "JTC Quarterly Market Report. Industrial Properties. Third Quarter 2018". JTC. 25 October 2018.
- (5) "Colliers Quarterly: Singapore Investment Q2 2018". Colliers International Singapore. 13 August 2018.
- (6) "Briefing Industrial Sector". Savills World Research Singapore. 23 August 2018.

Key Takeaways

RESULTS

- **DPU performance amid challenging conditions; Continued execution of refreshed growth strategy**
 - Proactive lease management and cost rationalisation
- **Balance sheet continued to remain resilient and well capitalised to meet commitments**
 - Selective divestments further bolster balance sheet to pursue opportunities like AEI

GROWTH STRATEGY

- **Divest non-performing and mature assets, actively manage and optimise portfolio**
 - Continue to review portfolio to fund future growth
 - Announced divestments of 9 Tai Seng Drive and 1 Tuas Avenue 4 for S\$110.78 million
 - Renewed all four remaining master leases expiring in 2018
 - Continue proactive leasing management efforts
 - Secured a new lease in October for 508 Chai Chee Lane
- **Undertake asset enhancement initiatives (AEIs)**
 - Ongoing talks with authorities on AEI for New Tech Park

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Appendix: Distribution Details

Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 July 2018 to 30 September 2018	0.77
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	31 October 2018
Ex-date	1 November 2018, 9am
Books closure date	5 November 2018, 5pm
Distribution payment date	29 November 2018
Disbursement of non-Shari’ah income to approved charities	29 November 2018 or earlier

Appendix: Non-Shari'ah Compliant Income



Sabana REIT distributes its non-Shari'ah compliant income on a quarterly basis as assessed, to various charitable causes.

Details on the contribution and beneficiary for 3Q 2018 as follows:

SG ENABLE



Organisation: SG Enable – TODAY Enable Fund

Purpose: Sabana REIT's 3Q 2018 non-Shari'ah income amounting to S\$1,376 will be directed to support their cause of outreach to the Singapore community.

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