SABANA

Shari'ah Compliant Industrial REIT

2Q 2019 Financial Results Presentation

25 July 2019, Thursday

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 "REIT") for the second quarter from 1 April 2019 to 30 June 2019 ("2Q 2019").

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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02 Results Review: Financial Performance and Capital Management

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2Q 2019 Financial Highlights

For the quarter ended 30 June 2019

Gross Revenue (S$)	Net Property Income (S$)	Amount Available for Distribution (S$)	DPU (Cents)
18.20m	**12.04m**	**6.55m**	**0.62**
2Q 2018: S$20.08m	2Q 2018: S$12.57m	2Q 2018: S$8.64m	2Q 2018: 0.82 cents

Summary

- **Embarking on Growth Phase of Refreshed Strategy**
  - AEI works commences this month at New Tech Park
- **Continues to actively manage and optimise portfolio**
  - Secured 2 leases for New Tech Park (financial media and technology company and F&B company) that will begin contributing from **4Q 2019**
  - Secured lease for 2 Toh Tuck Link (self-storage facility) that will begin contributing from **1Q 2020**
  - Renewed master lease for 33 & 35 Penjuru Lane
- **NAV per unit of S$0.56 as at 30 June 2019** (31 December 2018: S$0.57)

Commencing AEI to drive long-term growth

New Tech Park represents approx. one third of portfolio value

New Tech Park

- Received Provisional Permission from the URA for alterations and additions works for the **first stage of AEI** to add up to 3,242.88 sqm (34,906.06 sf) of space for commercial use
- First stage of AEI will involve works on the first floor primarily for F&B and lifestyle use, including a gym and supermarket
- Contractors appointed, phased demolition such as hoarding and piling works to commence this month; scheduled to complete in 2Q 2020
- Concurrently finalising approval for second and final stage of AEI for F&B works on the second floor; targeted to complete in 4Q 2020
- Construction will be carried out in stages to minimise impact on tenants' operations, and to the REIT's overall performance

Recap: Refreshed Strategy with 3 Phases

Focus for 2018 and 2019

2020 and beyond

PHASE 1	PHASE 2	PHASE 3
a. Divesting Non-Performing and Mature Assets b. Continue to Actively Manage and Optimise Portfolio	Undertake Asset Enhancement Initiatives	Potential Yield-Accretive Acquisitions including Overseas

ALL UNDERPINNED BY

- Prudent Capital and Risk Management
- Ongoing Cost Rationalisation

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Financial Performance At a Glance (YoY)

For the quarter ended 30 June 2019

(in S$'000)	2Q 2019	2Q 2018	Variance (%)
Gross revenue	**18,205**	20,080	(9.3)
Net property income ("**NPI**")	**12,040**	12,570	(4.2)
Amount available for distribution	**6,553**	8,639	(24.1)
- *from operations*	***6,553***	*8,639*	*(24.1)*
- *from capital gains*	**-**	-	-
DPU (cents)	**0.62**	0.82	(24.4)
- *from operations*	***0.62***	*0.82*	*(24.4)*
- *from capital gains*	**-**	-	-

Distribution per unit ("DPU") declined:
- Reduced revenue and NPI amid a challenging market and portfolio optimisation
- Higher non-tax chargeable effects of recognising rental income on a straight line basis over the lease term
- Absence of one-time tax chargeable effects of the finalisation for the recovery of costs from ex-master tenant of 6 Woodlands Loop in 2Q 2018
- Partially offset by lower profit expense
- Excluding the recovery of costs for 6 Woodlands Loop and loss of income from 9 Tai Seng Drive, DPU would have been lower by approximately 9%

Net Property Income reduced:
- Primarily on reduced rental income from lower occupancies including at New Tech Park where a significant tenant had a planned exit upon their lease expiry in 1Q 2019
- Non-contribution from 9 Tai Seng Drive which was divested on 10 January 2019
- Partially offset by higher contributions from improved occupancies at 508 Chai Chee Lane and 23 Serangoon North Avenue 5, and lower property expenses

Net Finance Costs:
- Recognition of finance costs on lease liabilities upon adoption of FRS 116
- Excluding the FRS 116 effects, finance costs significantly reduced by 12.7% y-o-y on lower average outstanding borrowings following the repayment of S$100.0 million Trust Certificates Series II on 3 April 2019

Financial Performance At a Glance (YTD)

For the period ended 30 June 2019

(in S$'000)	1H 2019	1H 2018	Variance (%)
Gross revenue	**36,729**	41,083	(10.6)
Net property income ("**NPI**")	**24,693**	27,156	(9.1)
Amount available for distribution	**14,451**(1)	17,883(2)	(19.2)
- *from operations*	***13,208***	*17,883*	*(26.1)*
- *from capital gains*	***1,243***	-	*NM*
DPU (cents)	**1.37**(1)	1.70(2)	(19.4)
- *from operations*	***1.25***	*1.70*	*(26.5)*
- *from capital gains*	***0.12***	-	*NM*

NM denotes "not meaningful"

(1) Includes distribution of approximately S$1.24 million of capital gains, arising from the divestment of properties from prior periods, in 1Q 2019 only.
(2) The Manager forgone 20% of its fees, approximately S$238,000, for 1Q 2018 only.

Distribution per unit ("DPU") declined:
- Reduced revenue and NPI amid a challenging market and portfolio optimisation
- Higher non-tax chargeable effects of recognising rental income on a straight line basis over the lease term

Net Property Income reduced:
- Primarily on reduced rental income from lower occupancies including that of New Tech Park for which a significant tenant had a planned exit upon their lease expiry in 1Q 2019

Net Finance Costs:
- Recognition of finance costs on lease liabilities upon adoption of FRS 116
- Excluding the FRS 116 effects, finance costs significantly reduced by 11.9% y-o-y on lower average outstanding borrowings following the repayment of S$100.0 million Trust Certificates Series II on 3 April 2019

Preserving Balance Sheet Resilience

(S$'000)	As at 30 Jun 2019	As at 31 Dec 2018
Investment properties	**936,327**	869,200
Investment properties held for divestment	**15,627**	110,550
Other assets	**6,954**	9,659
Total assets	**958,908**	989,409
Borrowings, at amortised cost	**270,656**	361,709
Other liabilities	**96,720**	23,222
Total liabilities	**367,376**	384,931
Net assets attributable to Unitholders	**591,532**	604,478
Units in issue (units)	**1,053,083,530**	1,053,083,530
NAV per unit (S$)	**0.56**	0.57
Adjusted NAV per unit [(1)] (S$)	**0.56**	0.57

Maintained robust balance sheet

- Adoption of FRS 116 Leases on 1 January 2019 which the Group had recognised Right-of Use ("ROU") assets on their existing land leases with JTC and the corresponding lease liabilities
- Decrease in investment properties held for divestment due to divestment of 9 Tai Seng Drive on 10 January 2019
- Decrease in borrowings mainly due to the repayment of the S$100.0 million Trust Certificates Series on 3 April 2019, largely from the proceeds from the divestment of 9 Tai Seng Drive.

(1) Excludes the amount of approximately S$6.6 million (31 December 2018: S$7.4 million) available for distribution for the quarter ended 30 June 2019.

Continued Capital Structure Optimisation

	As at 30 Jun 2019	As at 31 Dec 2018
Borrowings	S$271.5 million	S$363.0 million
Aggregate leverage[(1)]	30.9%[(2)]	36.8%
Proportion of total borrowings on fixed rates	70.0%	71.6%
Average all-in financing cost[(3)]	**4.1%**	**4.2%**
Term CMF	S$120.0 million	S$120.0 million
Revolving CMF	-	S$13.0 million
Term Murabahah Facility	S$70.0 million	S$70.0 million
Revolving Murabahah Facilities	S$51.5 million	S$30.0 million
Trust Certificates	-	S$100.0 million
Term Loan Facility	S$30.0 million	S$30.0 million
Weighted average tenor of borrowings	**1.3 years**	**1.3 years**
Profit cover[(4)]	4.1 times	3.7 times
Unencumbered assets[(5)]	S$133.9 million	S$240.8 million

Reduced aggregated leverage, largely due to the repayment of Trust Certificates using the net proceeds from the divestment of 9 Tai Seng Drive
- To 30.9% as at 30 June 2019, down from 36.8% as at 31 December 2018

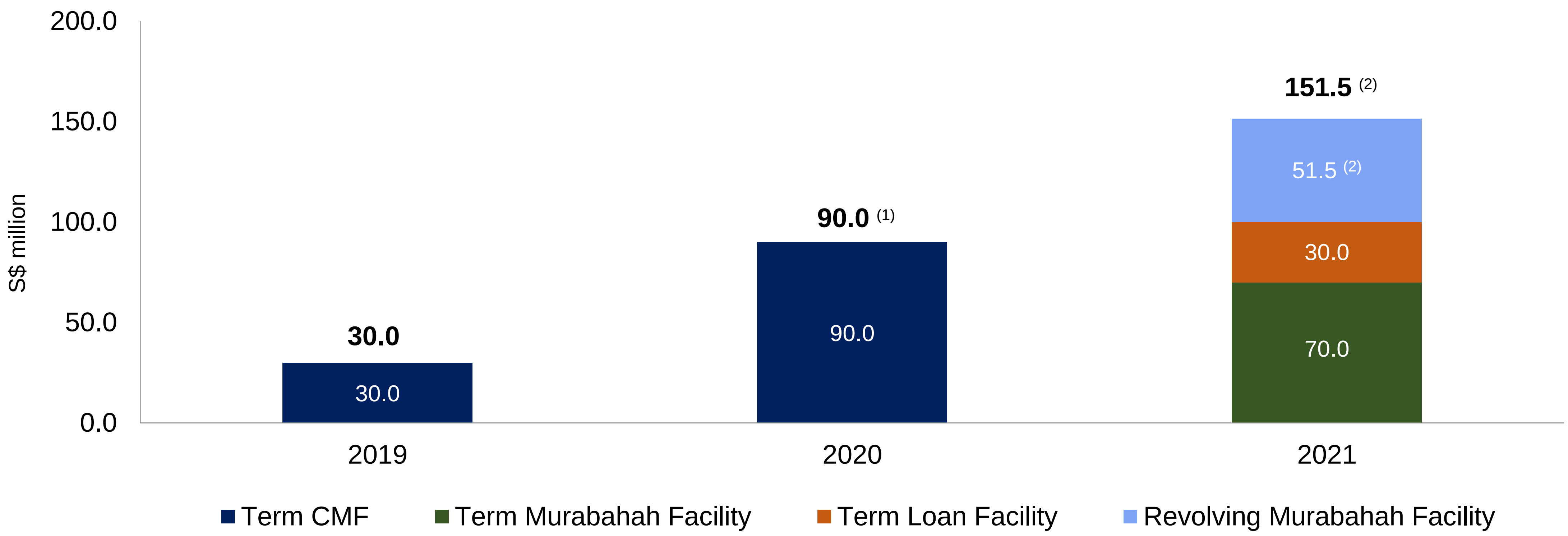
Average all-in financing cost of 4.1% as at 30 June 2019 (31 December 2018: 4.2%)

(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) Lease liabilities and right-of-use assets (included in investment properties and investment properties held for divestment) are excluded from the computation of aggregate leverage.
(3) Inclusive of amortisation of transaction costs.
(4) Ratio of net property income over profit expense (excluding effects of FRS116, amortisation of transaction costs, finance costs on lease liabilities and other fees) for 2Q 2019 (31 December 2018: 4Q 2018).
(5) Based on valuation as at 30 June 2019 (2018: 30 June 2018).

Borrowings Maturity Profile

Maturities of total outstanding borrowings of S$271.5 million over the next 3 years

As at 30 June 2019



(1) Excludes S$18.0 million undrawn Revolving CMF.
(2) Excludes S$1.5 million undrawn Revolving Murabahah Facilities.

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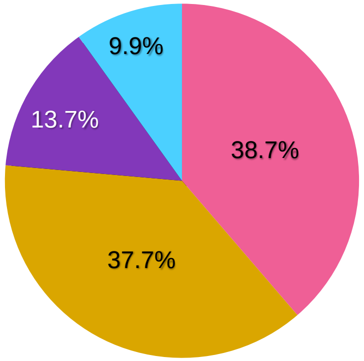
18 Properties Across 4 Industrial Segments

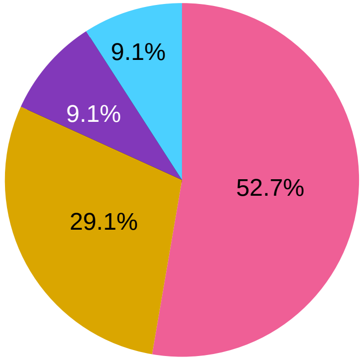
Portfolio Value	Total GFA (sq ft)	Total NLA (sq ft)	Tenant Base
S$872.2 million	**4.1 million**	**3.4 million**	**109 tenants**

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

Asset Breakdown by NLA for 2Q 2019[1]



Gross Revenue by Asset Type for 2Q 2019[1]



(1) As at 30 June 2019.

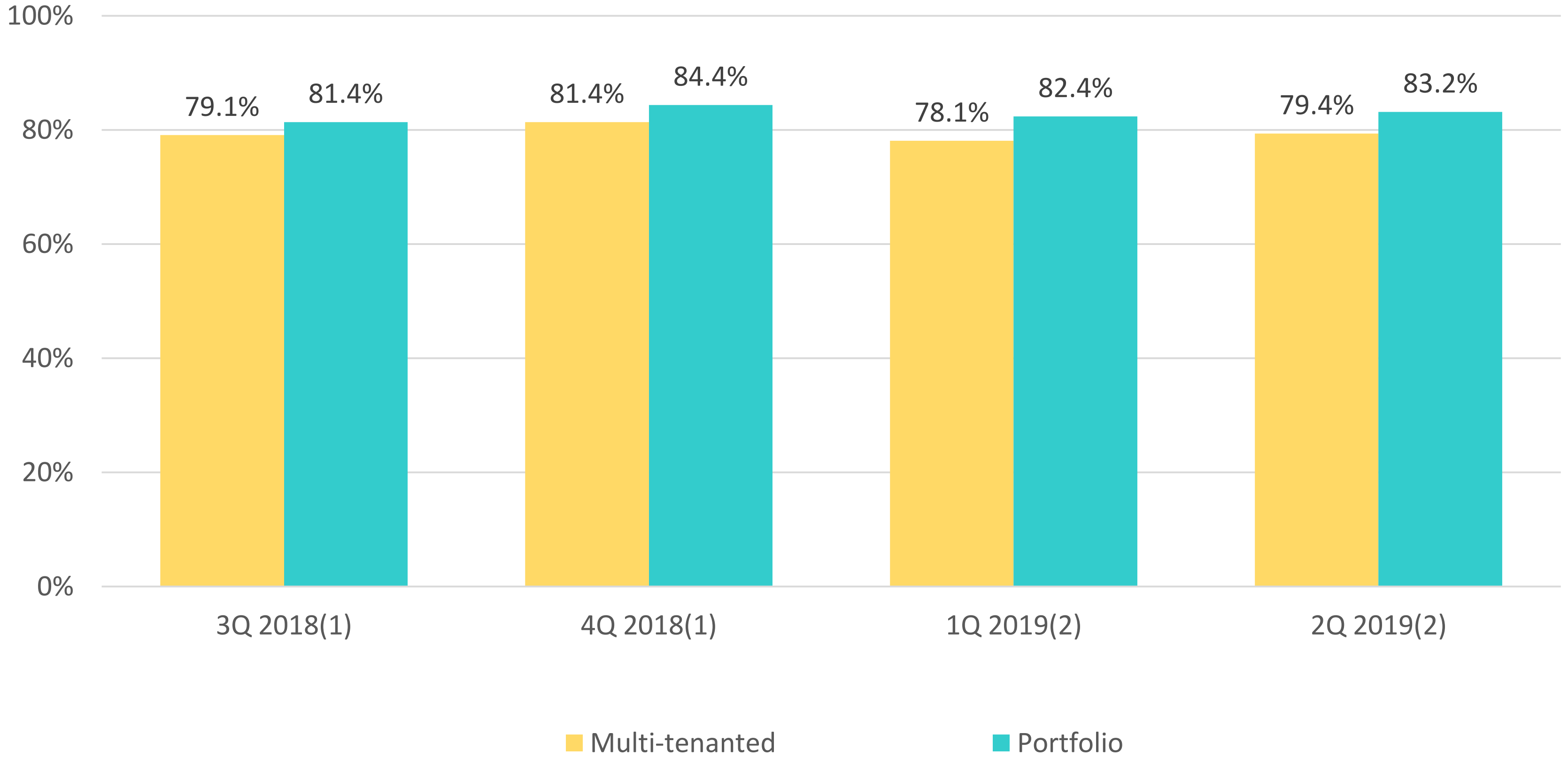
Occupancy Rates

	As at 30 Jun 2019	As at 31 Mar 2019
Total portfolio GFA	**4,127,767 sq ft**	4,106,104 sq ft
Portfolio occupancy		
7 properties, master leases[(1)]	**100.0%**	100.0%
10 properties, multi-tenanted[(2)]	**79.4%**	78.1%
18 properties, total portfolio[(3)]	**83.2%**	82.4%
Weighted average master lease term to expiry[(4)]	**1.7 years**	1.7 years
Weighted average unexpired lease term for the underlying land[(5)]	**31.8 years**	32.1 years
Weighted average portfolio lease term to expiry[(6)]	**2.4 years**	2.4 years

(1) 5 triple net & 2 single net master leases.
(2) 151 Lorong Chuan, 8 Commonwealth Lane, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link, 10 Changi South Street 2, 123 Genting Lane and 39 Ubi Road 1.
(3) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 is 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

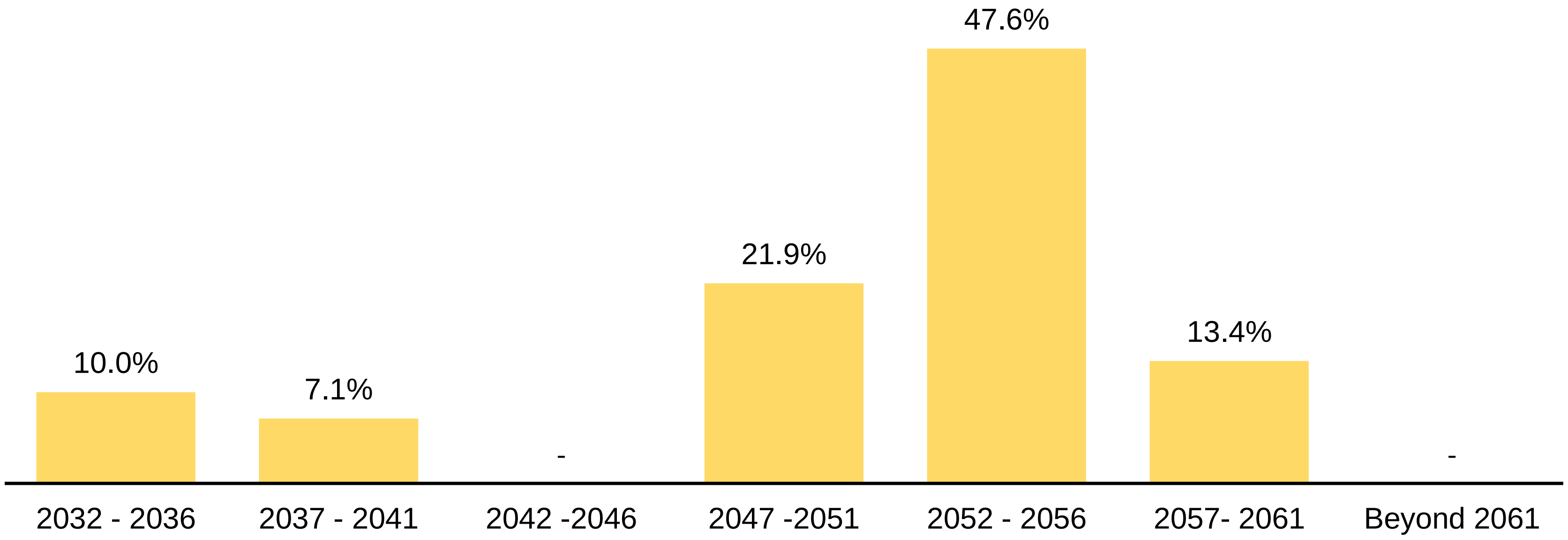
Occupancy levels over the years



(1) 19 Properties
(2) 18 Properties

Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 31.8 years by GFA



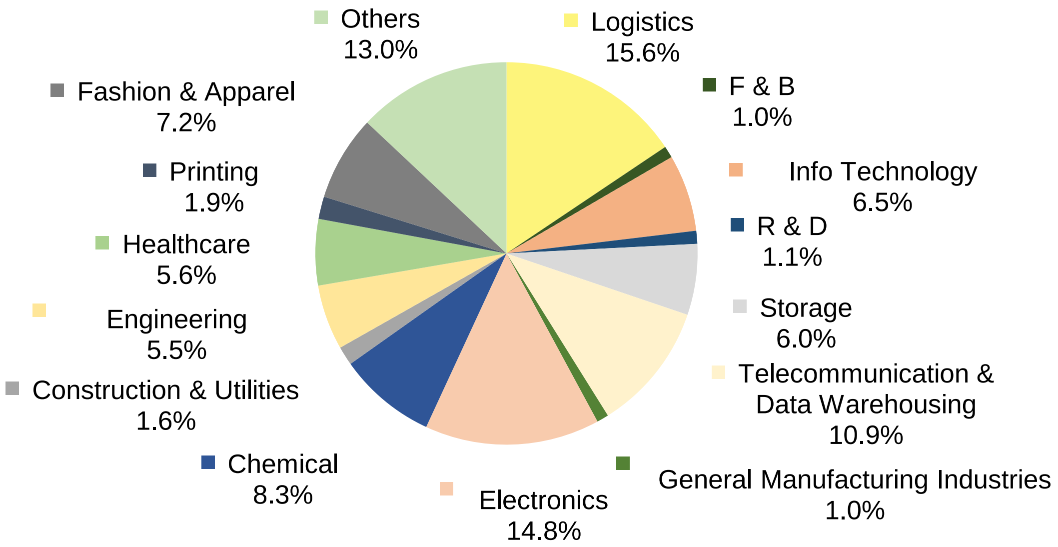
Percentage of unexpired land lease term by GFA[1]

(1) As at 30 June 2019.

Diversified Base of Quality Tenants

	As at 30 Jun 2019	As at 31 Mar 2019
Total NLA (sq ft)	**3,361,440[1]**	**3,361,179**
Total number of tenants[2]	**102**	**102**
Weighted average lease term to expiry (mths)[3]	**34.4**	**35.8**

No concentration in any single trade sector **exceeding 16%**

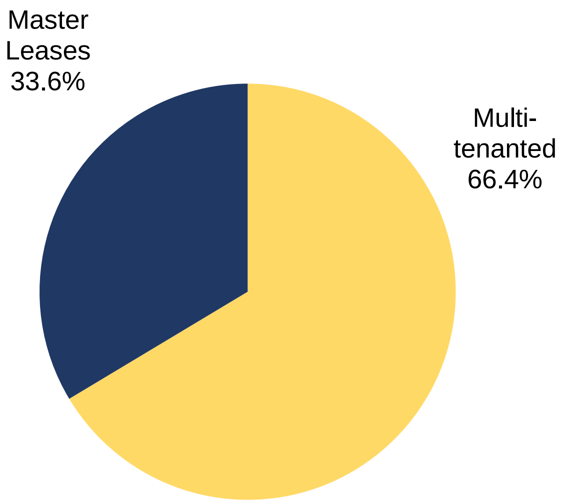


Tenants' industry diversification by NLA[4]

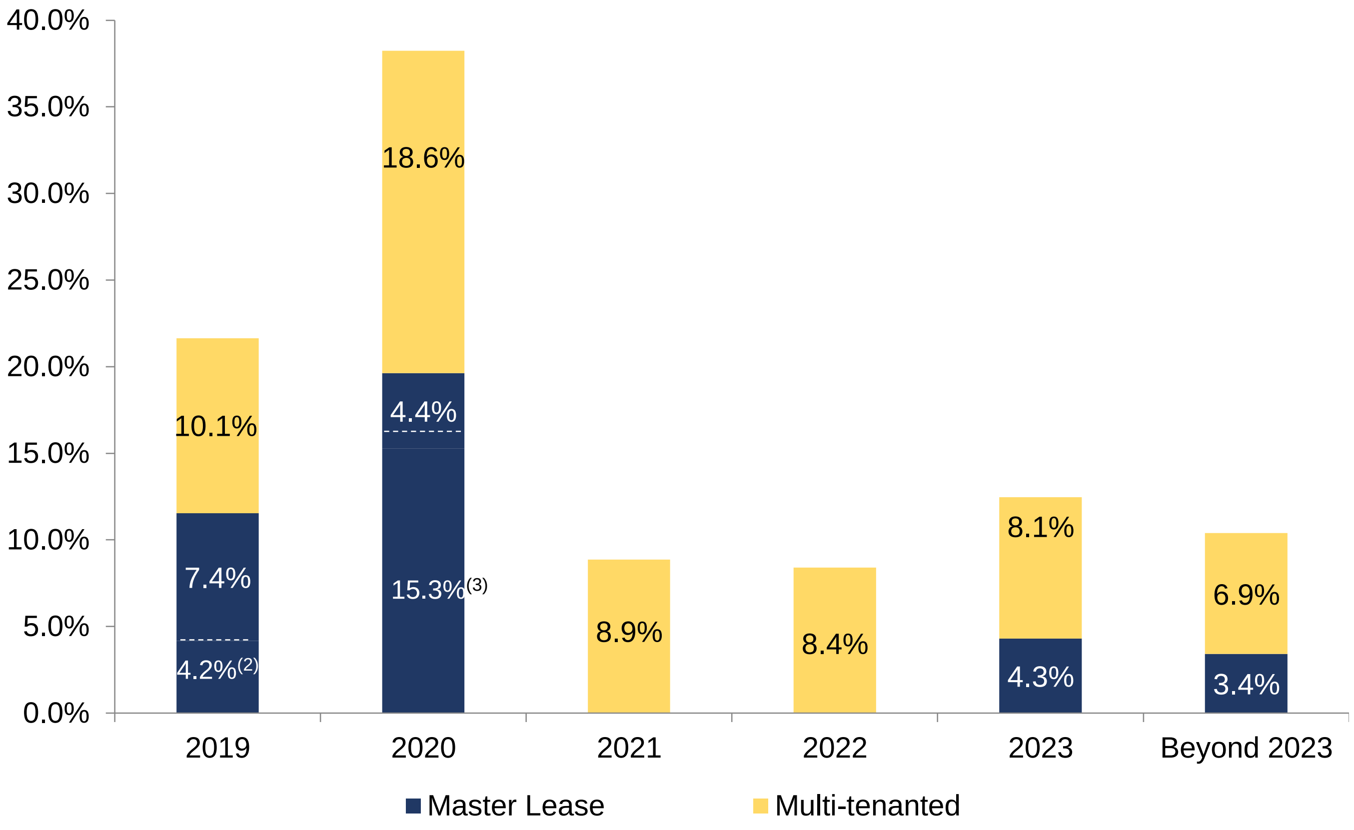
(1) Adjusted due to reconfiguration of space.
(2) Excludes 7 master tenants.
(3) Weighted by tenancy gross rental income.
(4) As at 30 June 2019.

Balanced and Proactive Lease Management

Lease Type by NLA for 2Q 2019[(1)]



Lease Expiry by NLA[(1)]



(1) As at 30 June 2019.
(2) One property: 18 Gul Drive. Master tenant is former Sponsor related company.
(3) Two properties: 33 & 35 Penjuru Lane and 51 Penjuru Road. Master tenant is former Sponsor related companies.

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Singapore Economy Snapshot

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SINGAPORE ECONOMY

Singapore reviewing again 2019 growth forecast: MAS chief

Growth for Q2 and also the year as a whole are expected to be weaker

FRI, JUN 28, 2019 - 5:50 AM

TAY PECK GEK peckgek@sph.com.sg @PeckGekBT

MAS expects year-on-year economic growth to be weaker in the second quarter than a decade-low 1.2 per cent achieved in the first quarter. PHOTO: REUTERS

Singapore

BARELY a month after the government lowered the upper-range of the full-year growth forecast by one percentage point to between 1.5 and 2.5 per cent, it is again reviewing this estimate, as recent indicators suggest that second-quarter growth could even be weaker than the 1.2 per cent recorded in the quarter before.

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By Ho Meng Kit

17 Jul 2019 06:24AM
(Updated: 17 Jul 2019 07:46AM)

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Commentary | Commentary

Commentary: Singapore and the dreaded R word - recession

Bad news is good news for the prepared, says Singapore Business Federation CEO Ho Meng Kit.

File photo of a manufacturing facility in Singapore. (Photo: AFP/Roslan Rahman)

SINGAPORE: The R word has been in the headlines and conversations of late, especially in the wake of the latest gross domestic product (GDP) flash data showing almost flat growth in the second quarter of 2019.

The figures paint a grim picture. At 0.1 per cent year-on-year, the advance estimates, based on preliminary numbers from April and May, marks the slowest growth rate since the global financial crisis in 2008.

Outlook

Singapore Economic Outlook

- Singapore's GDP growth continued to moderate, growing 0.1% on a year-on-year basis in 2Q 2019 compared to 1.1% growth in 1Q 2019 and the 1.9% growth in 4Q 2018, based on the Ministry of Trade & Industry's ("MTI") advance estimates.[1]
- The MTI and the Monetary Authority of Singapore ("MAS") are reviewing the 1.5–2.5% forecast range for Singapore's GDP growth this year, premised on the economy stabilising in the third quarter of 2019 with a modest pickup thereafter.[2]
- Economists predict a technical recession may take place.[3]
- JTC Corporation data showed continued oversupply and island-wide vacancy, with industrial rents staying flat as at 2Q 2019.[4]

Industry Property Outlook

- Knight Frank envisages industrial rents to decline up to 2.0% year-on-year by end 2019 on the uncertain trade outlook, which continues to be weighed down by the escalated trade tensions between the US and China.[5]

Sabana REIT

- Challenging macro conditions may affect leasing demand in short to medium term
- Proactive lease and asset management will result in positive contribution from 4Q 2019:
  - 3 new leases of 33,055 sf for New Tech Park and 2 Toh Tuck Link secured in June 2019; leases commencing from 4Q 2019
  - 21 Joo Koon Crescent's new master tenant commences 4Q 2019
- Commencing first stage of AEI for New Tech Park, adding up to 3,242.88 sqm (34,906.06 sf) of space for primarily F&B use; bulk of additional revenue upon completion in 2Q 2020.

Sources:
(1) "Singapore's GDP Grew by 0.1 Per Cent in the Second Quarter of 2019". Ministry of Trade & Industry. 12 July 2019.
(2) "Remarks by Mr Ravi Menon, Managing Director, MAS, at the MAS Annual Report Press Conference 2018/2019, on 27 June 2019". Monetary Authority of Singapore. 27 June 2019.
(3) "As Singapore relooks 2019 projections, economists warn of possible technical recession". Channel NewsAsia. 27 June 2019.
(4) "JTC Quarterly Market Report – Industrial Properties". JTC. 25 July 2019.
(5) "Q2 2019 Industrial Market Snapshot". Knight Frank Singapore. Retrieved 12 July 2019.

Key Takeaways

RESULTS

- Lower DPU performance amid a still challenging market and deliberate actions to optimise portfolio for future growth
- Continued balance sheet resilience and remained well capitalised to meet commitments

STRATEGY

- Embarking on Growth Phase of Refreshed Strategy
  - AEI works commences this month at New Tech Park; first stage expected to complete 2Q 2020
- Continues to actively manage and optimise portfolio
  - Secured 2 leases for New Tech Park (financial media and technology company and F&B company) that will begin contributing from **4Q 2019**
  - Secured lease for 2 Toh Tuck Link (self-storage facility) that will begin contributing from **1Q 2020**
  - Renewed master lease for 33 & 35 Penjuru Lane
- Manager will maximise outreach to agents and tenants to boost occupancy level and continue optimising the portfolio, while progressing on the AEI

MARKET OUTLOOK

- Muted performance expected for 2H 2019 amid challenging market conditions
- Negative reversionary rents likely for 2019 with over-supply of industrial space in Singapore and broader geopolitical and economic uncertainty

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Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 April 2019 to 30 June 2019	0.62
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	Wednesday, 31 July 2019
Ex-date	Thursday, 1 August 2019
Books closure date	Friday, 2 August 2019
Distribution payment date	Thursday, 29 August 2019

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