

SABANA

Shari'ah Compliant Industrial REIT

3Q 2019 Financial Results Presentation

24 October 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 third quarter from 1 July 2019 to 30 September 2019 (“3Q 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.

Agenda

01 Results Review: Key Highlights for 3Q 2019

02 Results Review: Financial Performance and Capital Management

03 Results Review: Portfolio Performance

04 Outlook and Key Takeaways

05 Appendix: Distribution Details

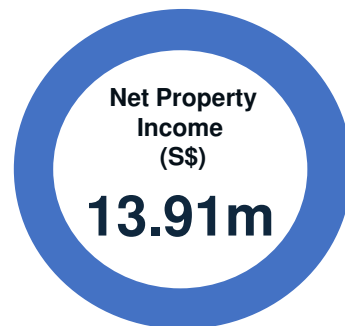


3Q 2019 Financial Highlights

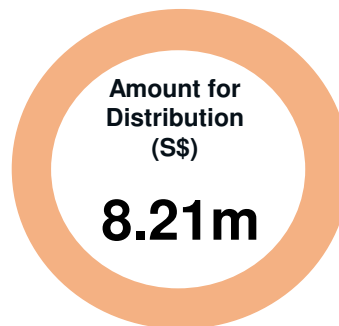
For the quarter ended 30 September 2019



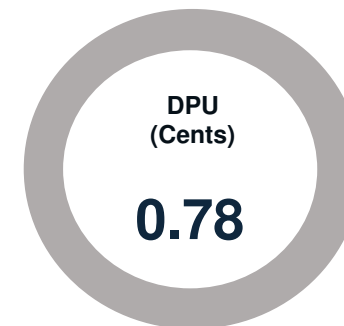
3Q 2018: S\$19.86m



3Q 2018: S\$12.63m



3Q 2018: S\$8.07m



3Q 2018: 0.77 cents

Summary

- **Distributable amount declared to Unitholders of S\$8.2 million**
- **Executing on Phase 2 of refreshed strategy to undertake AEs:**
 - Evaluating rental offers from prospective retail/F&B tenants at New Tech Park
 - Completed refurbishment at 8 Commonwealth Lane
- **Continues to actively manage and optimise portfolio:**
 - Secured new master tenant for 18 Gul Drive - a global chemical supplier that is part of a major U.S. listed MNC
 - In talks with potential anchor tenant(s) at 3A Joo Koon Circle
 - Secured 8 new leases totaling 75,897 sq ft in 3Q 2019, double the number from 33,055 sq ft in 2Q 2019

AEI to drive long-term growth progressing as planned

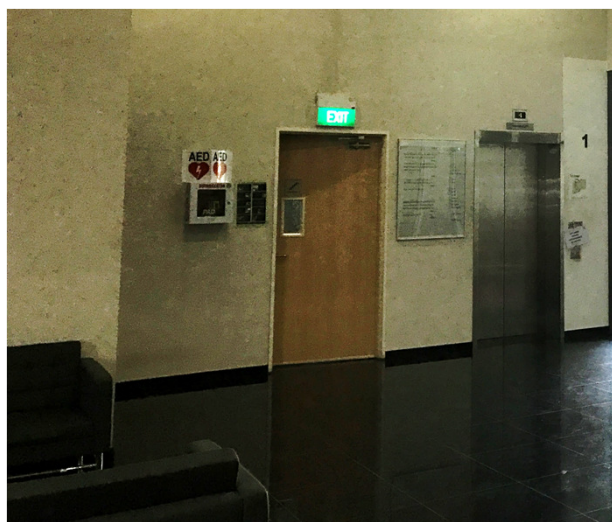
New Tech Park represents approx. one third of portfolio value



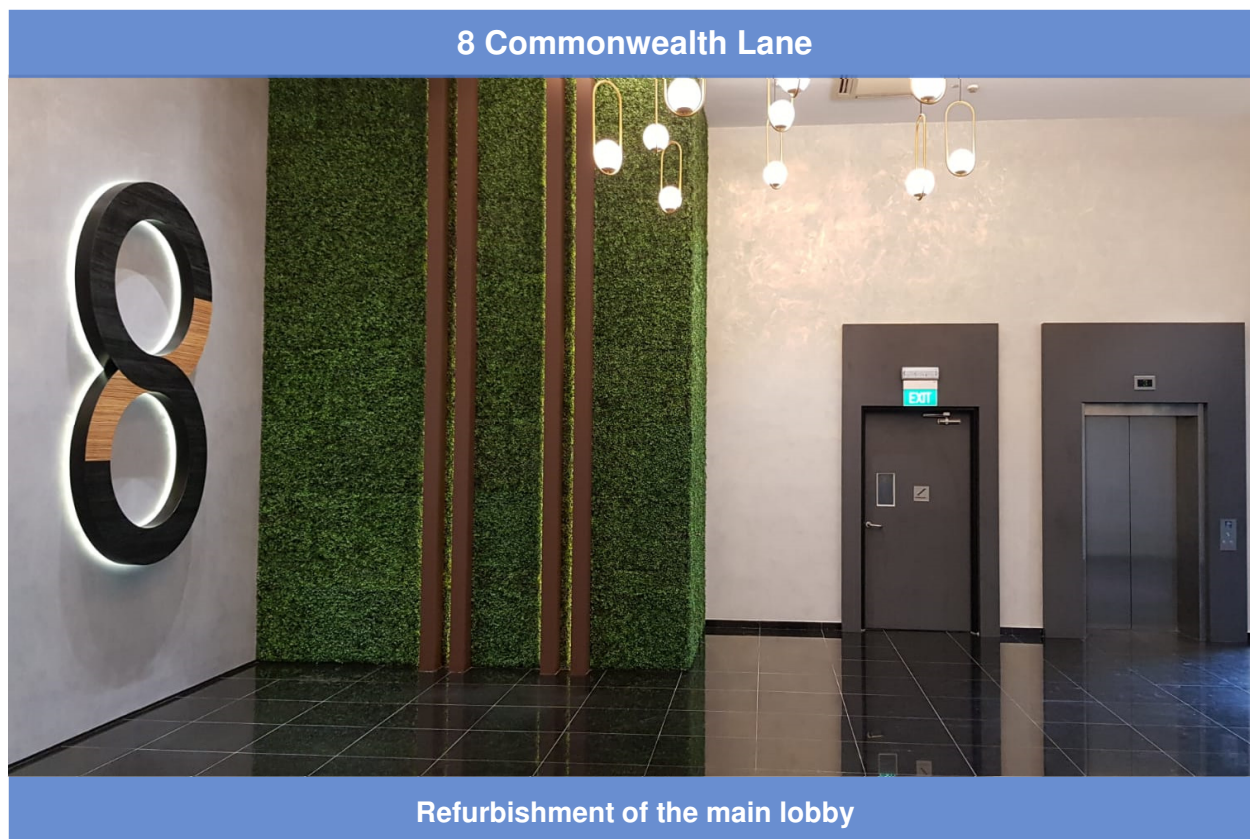
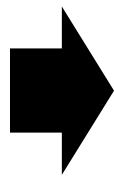
- Evaluating rental offers from prospective retail/F&B tenants

Enhancing our assets to drive long-term growth

Refurbishment at main lobby



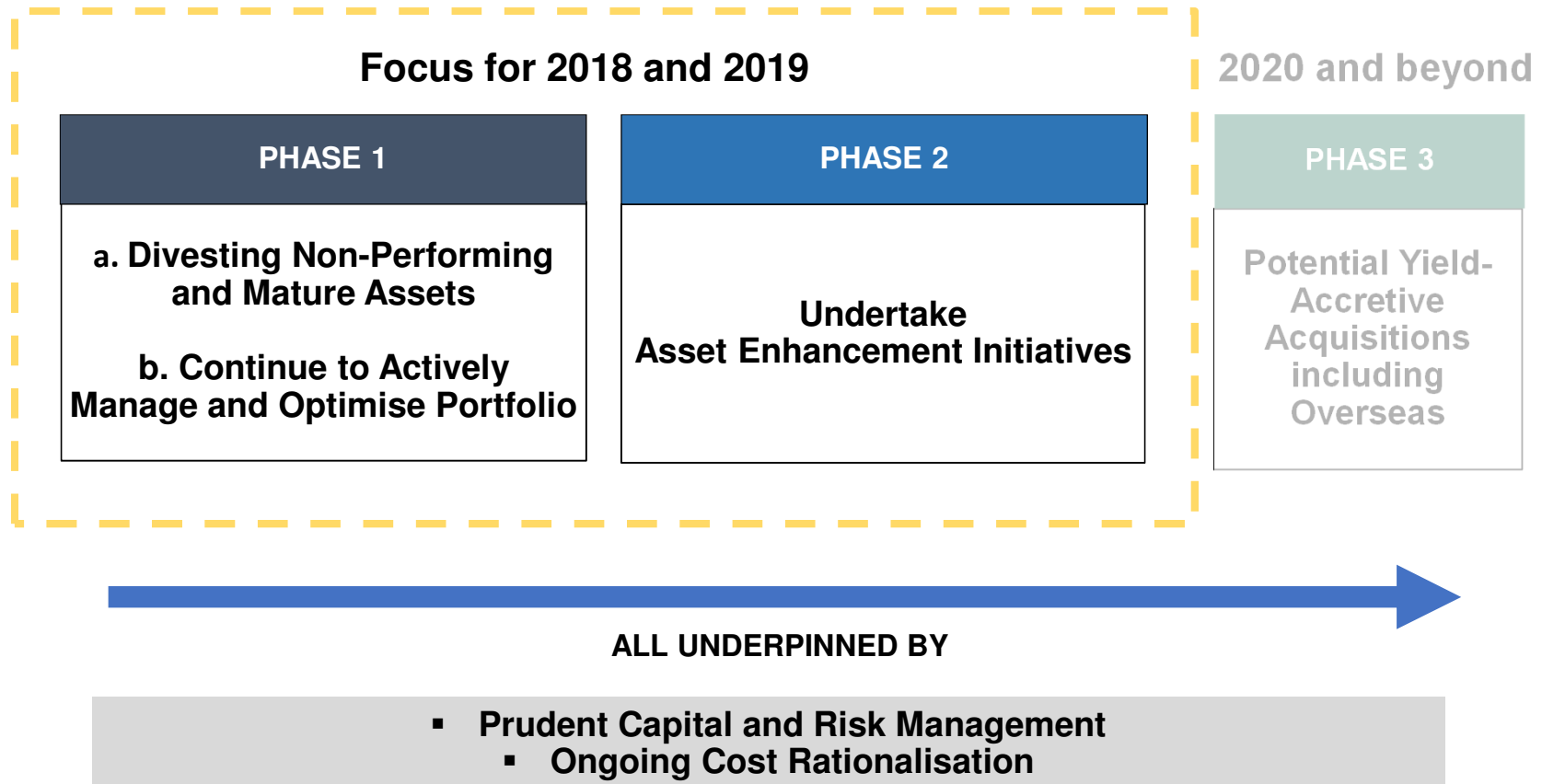
Before refurbishment



8 Commonwealth Lane

Refurbishment of the main lobby

Recap: Refreshed Strategy with 3 Phases



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Financial Performance At a Glance (YoY)

For the quarter ended 30 September 2019

(in S\$'000)	3Q 2019	3Q 2018	Variance (%)
Gross revenue	20,165	19,855	1.6
Net property income ("NPI")	13,913	12,633	10.1
Total amount declared to Unitholders	8,212	8,072	1.7
Distribution per unit ("DPU") (cents)	0.78	0.77	1.3

DPU increased:

- Higher NPI due to improved occupancies for 508 Chai Chee Lane, 23 Serangoon North Avenue 5, 8 Commonwealth Lane and 2 Toh Tuck Link.
- Higher non-tax chargeable effects of recognising rental income on a straight-line basis over the lease term
- Lower profit expense

NPI increased:

- Higher contribution from improved occupancies at 508 Chai Chee Lane, 23 Serangoon North Avenue 5, 8 Commonwealth Lane and 2 Toh Tuck Link
- One-off recovery of revenue relating to prior usage of common area from tenants of 151 Lorong Chuan and 2 Toh Tuck Link
- Lower property expenses
- Partially offset by non-contribution from 9 Tai Seng Drive which was divested on 10 January 2019 and lower contribution from 151 Lorong Chuan, 15 Jalan Kilang Barat and 39 Ubi Road 1 due to lower average occupancies

Net Finance Costs lower:

- Lower profit expense arising from lower average outstanding borrowings following the repayment of S\$100.0 million Trust Certificates Series II on 3 April 2019
- Partially offset by the recognition of finance cost on lease liabilities upon the adoption of FRS 116

Financial Performance At a Glance (YTD)

For the period ended 30 September 2019

(in S\$'000)	9M 2019	9M 2018	Variance (%)
Gross revenue	56,894	60,938	(6.6)
Net property income ("NPI")	38,606	39,789	(3.0)
Total amount declared to Unitholders	22,663	25,955 ⁽²⁾	(12.7)
- from operations	21,420	25,955	(17.5)
- from capital gains	1,243 ⁽¹⁾	-	NM
Distribution per unit ("DPU") (cents)	2.15	2.47 ⁽²⁾	(13.0)
- from operations	2.03	2.47	(17.8)
- from capital gains	0.12 ⁽¹⁾	-	NM

DPU declined:

- Lower 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
- Partially offset by lower profit expense and capital gains distribution of approximately S\$1.24 million in 1Q 2019

NPI reduced:

- Lower contribution from 9 Tai Seng Drive due to its divestment in 1Q 2019
- Absence of one-time recovery of revenue and the absence of writeback of previously impaired losses on trade receivables mainly arising from the recovery of trade receivables from the ex-master tenant of 6 Woodlands Loop in 1Q 2018
- Lower contribution due to lower average occupancies at 151 Lorong Chuan, 34 Penjuru Lane, 15 Jalan Kilang Barat, 39 Ubi Road 1 and 123 Genting Lane
- Lower contribution from 21 Joo Koon Crescent due to expiry of previous master lease in 3Q 2018 and the new master lease only commencing in November 2019;
- Partially offset by higher contribution from 508 Chai Chee Lane, 23 Serangoon North Avenue 5, 8 Commonwealth Lane and 2 Toh Tuck Link due to improved occupancies
- One-off recovery of revenue relating to prior usage of common area from tenants of 151 Lorong Chuan and 2 Toh Tuck Link

Net Finance Costs increased:

- Recognition of finance cost on the lease liabilities upon adoption of FRS 116
- Excluding the FRS 116 effects, the net finance costs significantly reduced by 16.6% y-o-y on lower average outstanding borrowings following the repayment of S\$100.0 million Trust Certificates Series II on 3 April 2019

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.

Preserving Balance Sheet Resilience

(S\$'000)	As at 30 Sep 2019	As at 31 Dec 2018
Investment properties	938,990	869,200
Investment properties held for divestment	15,604	110,550
Other assets	7,191	9,659
Total assets	961,785	989,409
Borrowings, at amortised cost	270,351	361,709
Other liabilities	98,114	23,222
Total liabilities	368,465	384,931
Net assets attributable to Unitholders	593,320	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\$8.2 million (31 December 2018: S\$7.4 million) for distribution for the quarter ended 30 September 2019.

Continued Capital Structure Optimisation

	As at 30 Sep 2019	As at 31 Dec 2018
Borrowings	S\$271.0 million	S\$363.0 million
Aggregate leverage ⁽¹⁾	30.8% ⁽²⁾	36.8%
Proportion of total borrowings on fixed rates	36.9% ⁽³⁾	71.6%
Average all-in financing cost⁽⁴⁾	4.1%	4.2%
Term CMF	S\$120.0 million	S\$30.0 million
Revolving CMF	-	S\$13.0 million
Term Murabahah Facility	S\$70.0 million	S\$70.0 million
Revolving Murabahah Facilities	S\$51.0 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	1.0 years	1.3 years
Profit cover ⁽⁵⁾	4.8 times	3.7 times
Unencumbered assets ⁽⁶⁾	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 30.8% as at 30 September 2019, down from 36.8% as at 31 December 2018

Average all-in financing cost of 4.1% as at 30 September 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) Proportion of total borrowings on fixed rates is less than 70.0% due to S\$90.0 million of Term CMF B and Term CMF C maturing within 6 months are left unhedged until it is refinanced.

(4) Inclusive of amortisation of transaction costs.

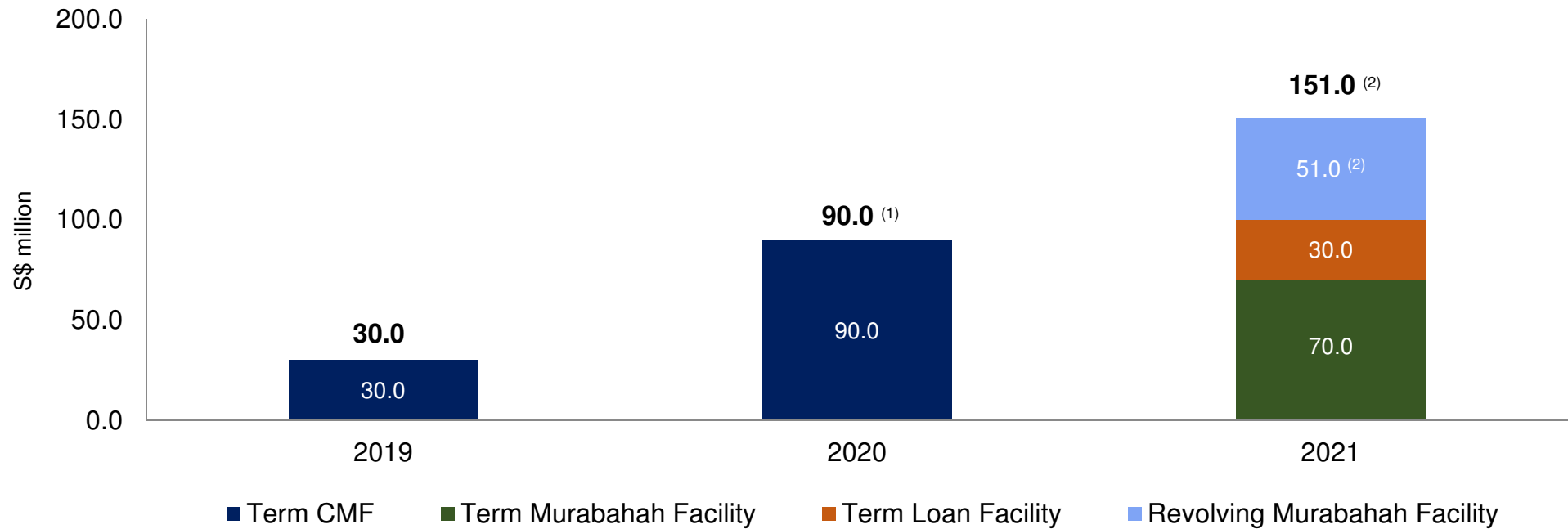
(5) Ratio of net property income over profit expense (excluding effects of FRS116, amortisation of transaction costs, finance costs on lease liabilities and other fees) for 3Q 2019 (31 December 2018: 4Q 2018).

(6) Based on latest valuation as at 30 June 2019 (2018: 31 December 2018).

Borrowings Maturity Profile

Maturities of total outstanding borrowings of S\$271.0 million

As at 30 September 2019



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

(2) Excludes S\$2.0 million undrawn Revolving Murabahah Facilities.

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03 **Results Review: Portfolio Performance**

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18 Properties Across 4 Industrial Segments

Portfolio Value
S\$872.2 million

Total GFA (sq ft)
4.1 million

Total NLA (sq ft)
3.4 million

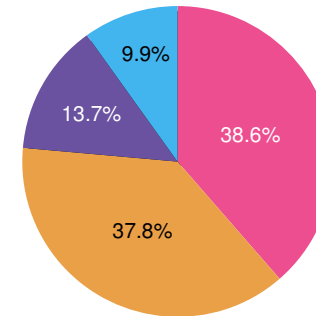
Tenant Base
110 tenants

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

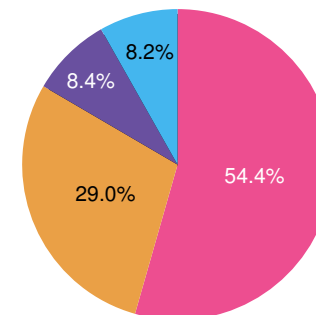
- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial



Asset Breakdown by NLA for 3Q 2019⁽¹⁾



Gross Revenue by Asset Type for 3Q 2019⁽¹⁾



(1) As at 30 September 2019.

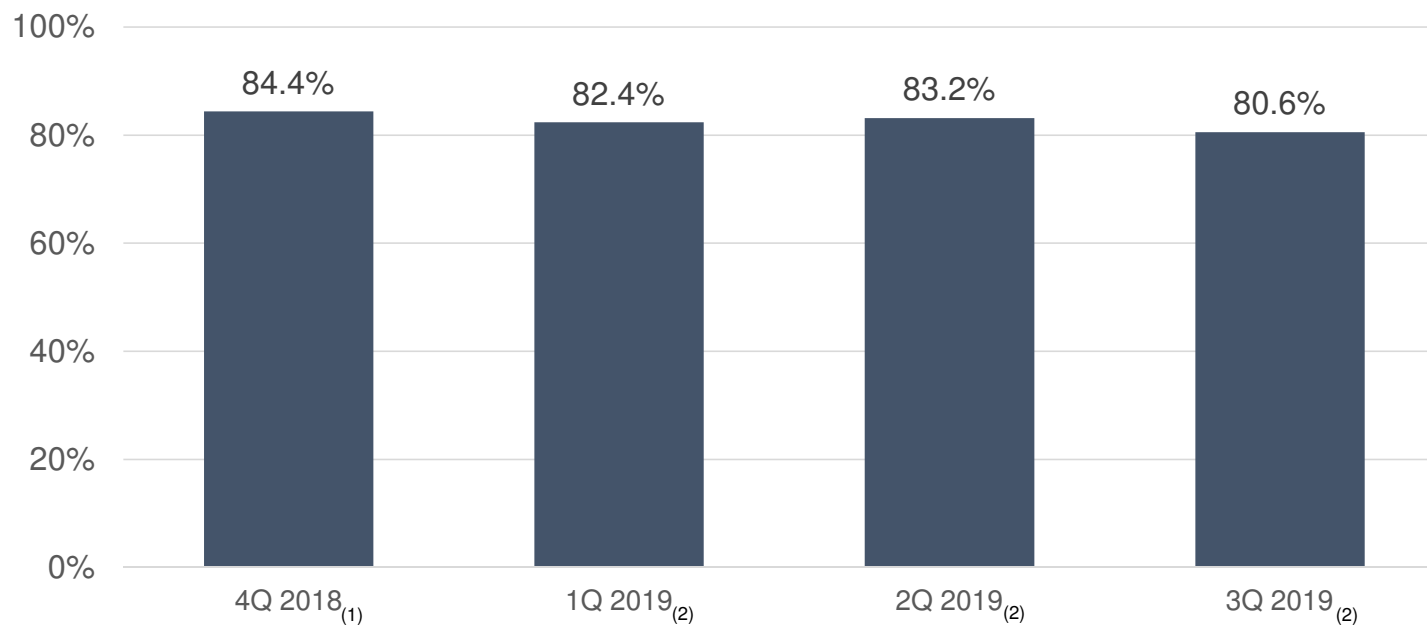
Occupancy

	As at 30 Sep 2019	As at 30 Jun 2019
Total portfolio GFA	4,127,767 sq ft	4,127,767 sq ft
Portfolio occupancy		
7 properties, master leases ⁽¹⁾	100.0%	100.0%
10 properties, multi-tenanted ⁽²⁾	75.3%	79.4%
18 properties, total portfolio ⁽³⁾	80.6%	83.2%
Weighted average master lease term to expiry ⁽⁴⁾	2.5 years	1.7 years
Weighted average unexpired lease term for the underlying land ⁽⁵⁾	31.6 years	31.8 years
Weighted average portfolio lease term to expiry ⁽⁶⁾	2.8 years	2.4 years

Multi-tenanted would be **82.7%**
 Total portfolio would be **85.4%**
 if not for the early settlement
 and termination of lease at 10
 Changi South Street 2

- (1) 5 triple net, 2 single net master leases. 1 forward single net master lease has been signed at 18 Gul Drive.
- (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, including 1 forward/new master lease at 18 Gul Drive).
- (5) Weighted by Gross Floor Area ("GFA").
- (6) Weighted by gross rental income (7 master properties and 10 multi-tenanted properties, including 1 forward/new master lease at 18 Gul Drive).

Portfolio Occupancy

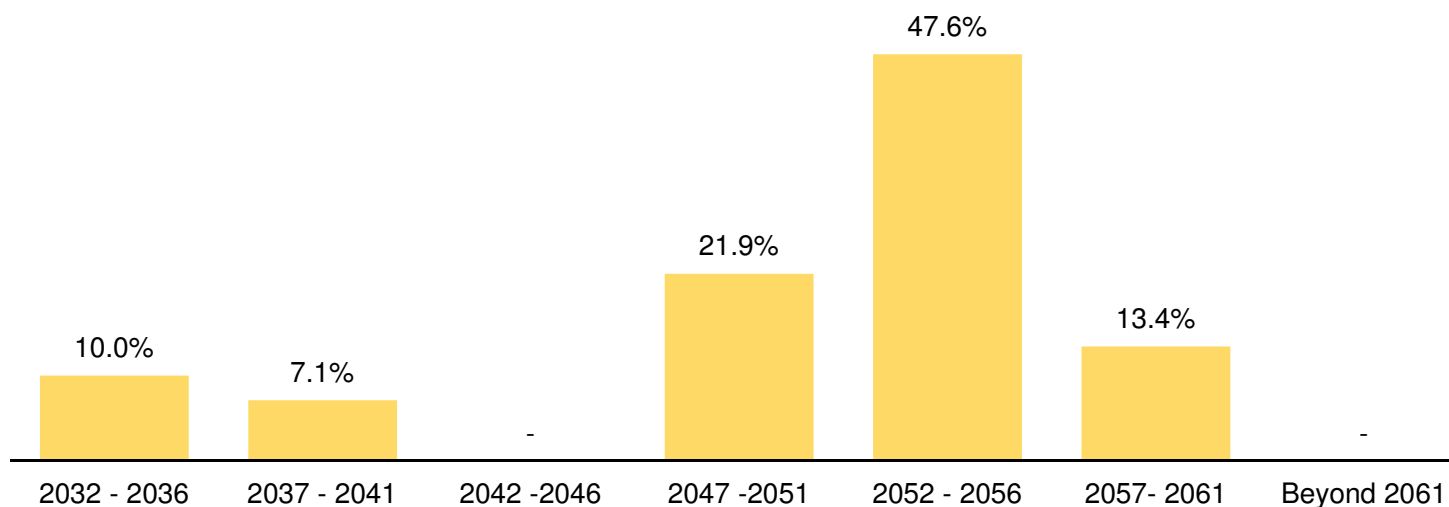


(1) 19 properties.

(2) 18 properties.

Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 31.6 years by GFA



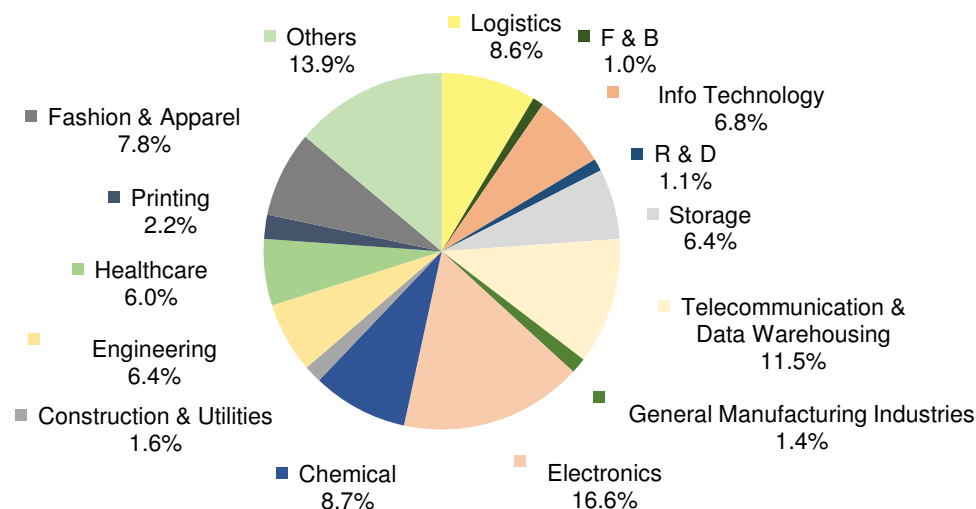
Percentage of unexpired land lease term by GFA⁽¹⁾

(1) As at 30 September 2019.

Diverse Base of Tenants at Multi-Tenanted Buildings

	As at 30 Sep 2019	As at 30 Jun 2019
Total NLA (sq ft)	3,357,126 ⁽¹⁾	3,361,440
Total number of tenants ⁽²⁾	103	102
Weighted average lease term to expiry (year) ⁽³⁾	2.8	2.9

No concentration in any single trade sector exceeding 17%

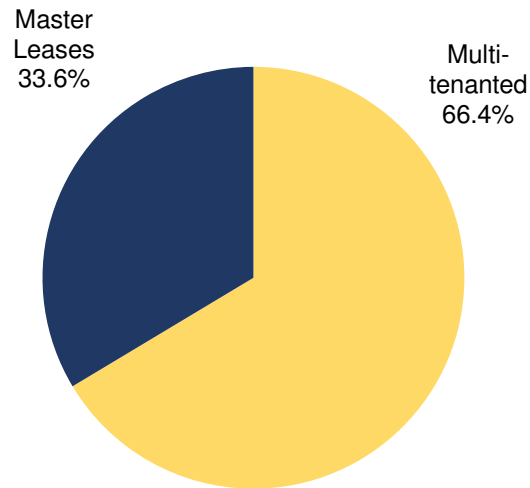


Tenants' industry diversification by NLA⁽⁴⁾

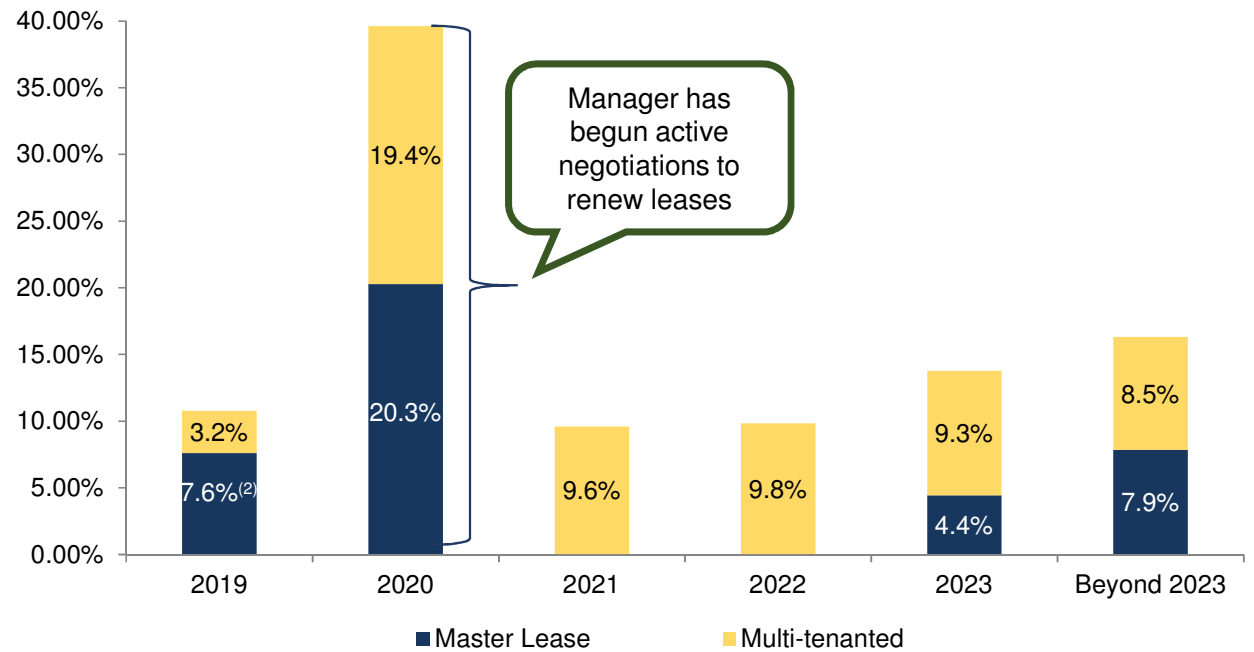
(1) Adjusted due to reconfiguration of space (AEI at 151 Lorong Chuan).
 (2) Excludes master tenants.
 (3) Weighted by tenancy gross rental income.
 (4) As at 30 September 2019.

Balanced and Proactive Lease Management

Lease Type by NLA for 3Q 2019⁽¹⁾



Lease Expiry by NLA⁽¹⁾



(1) As at 30 September 2019.

(2) Excludes 18 Gul Drive as a new forward master lease has been signed

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- 04** **Outlook and Key Takeaways**

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Singapore Economy Snapshot

THE BUSINESS TIMES

GOVERNMENT & ECONOMY

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Singapore Q3 GDP up by 0.1% in MTI flash data in close shave for recession fears

MON, OCT 14, 2019 - 8:00 AM | UPDATED MON, OCT 14, 2019 - 8:26 AM

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The Singapore economy may have narrowly avoided a technical recession in the third quarter, according to flash estimates from the Ministry of Trade and Industry (MTI) on Monday. PHOTO: ST FILE

THE Singapore economy may have narrowly avoided a technical recession in the third quarter, according to flash estimates from the Ministry of Trade and Industry (MTI) on Monday.

But the city-state's gross domestic product (GDP) looks to have grown by just 0.1 per cent year on year in the July-to-September period, flat on the meagre expansion of 0.1 per cent posted in the second quarter.

The showing is still worse than expected - private-sector watchers had guided for growth of 0.2 per cent in a Bloomberg poll and 0.3 per cent in a Reuters poll - and Singapore faces tepid full-year growth of between zero and 1 per cent, according to

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Exports fall again as fresh worries emerge on horizon



Exports to the majority of Singapore's top markets fell, except for China. ST PHOTO: KUA CHEE SIONG

PUBLISHED SEP 18, 2019, 5:00 AM SGT



They break out of double-digit declines in Aug but messy Brexit and Mid-East tensions loom

Sue-Ann Tan ✉

The pain for exporters continued in August with shipments down for the sixth consecutive month. Signs that the worst is over are now being offset by fresh geopolitical concerns that could hurt trade.

Outlook

Singapore Economic Outlook

- Based on advance estimates by the Ministry of Trade & Industry (“MTI”), Singapore’s Gross Domestic Product (“GDP”) growth-continued to moderate, at 0.1% on a y-o-y basis in 3Q 2019. This was flat on the 0.1% growth in 2Q 2019, and down from the 1.1% growth in 1Q 2019.⁽¹⁾
- Economists predict a y-o-y growth in 3Q 2019 is likely to come in at 0.3%.⁽²⁾
- Overall rent reversion for 2019 is likely to remain negative, with JTC Corporation data showing continued oversupply and island-wide vacancy, and industrial rents rising slightly by 0.1% y-o-y as at 3Q 2019.⁽³⁾

Industry Property Outlook

- The moderation of the Industrial Government Land Sales (IGLS) programme.⁽⁴⁾
- Rents for multiple-user factories and warehouses are likely to face some downward pressure while rental growth for business park space and hi-tech industrial space are likely to remain relatively positive.⁽⁴⁾
- Meanwhile, JLL expects logistics rents and capital values to remain stable in 4Q 2019 barring any unforeseen shocks.⁽⁵⁾ CBRE on the other hand, said the economic slowdown is expected to affect sentiments, which may suppress overall industrial rental values.⁽⁶⁾

Sabana REIT

- Challenging macro conditions may affect leasing demand in short to medium term.
- Proactive lease and asset management will support DPU contribution:
 - Secured new master lease tenant for 18 Gul Drive
 - In talks with potential anchor tenant(s) at 3A Joo Koon Circle
 - Secured 8 new leases totaling 75,879 square feet in 3Q 2019
- Amid challenging market conditions, the Manager continues to focus on active lease and asset management and progressing on the AEI, as it executes its refreshed strategy.

Sources:

- (1) “Singapore’s GDP Grew by 0.1 Per Cent in the Third Quarter of 2019”. Ministry of Trade & Industry. 14 October 2019.
- (2) “MAS Survey of Professional Forecasters: September 2019”. Monetary Authority of Singapore. Retrieved 11 October 2019.
- (3) “Quarterly Market Report Industrial Properties Third Quarter 2019”. JTC Corporation. 24 October 2019.
- (4) “Singapore Q3 2019 Real Estate Times”. Edmund Tie. October 2019.
- (5) “Property Market Monitor.” JLL Singapore. 16 October 2019.
- (6) “CBRE Marketview, Singapore, Q3 2019”. CBRE Research. 16 October 2019.

Key Takeaways

RESULTS

- Higher DPU performance amidst increasingly challenging market
- Continued balance sheet resilience and remained well capitalised to meet commitments
- Positive rental reversion of 5.5%

STRATEGY

- Executing on Phase 2 of Refreshed Strategy to undertake AEs:
 - Evaluating rental offers from prospective retail/F&B tenants at New Tech Park
 - Completed refurbishment at 8 Commonwealth Lane
- Continues to actively manage and optimise portfolio:
 - Secured new master tenant for 18 Gul Drive - a global chemical supplier that is part of a major U.S.-listed MNC
 - In talks with potential anchor tenant(s) at 3A Joo Koon Circle
 - Secured 8 new leases totaling 75,879 sq ft in 3Q 2019, double the number 33,055 sq ft

MARKET OUTLOOK

- Muted performance expected for the remaining of 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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Appendix: Distribution Details

Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 July 2019 to 30 September 2019	0.78
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	Thursday, 31 October 2019
Ex-date	Friday, 1 November 2019
Books closure date	Monday, 4 November 2019
Distribution payment date	Thursday, 28 November 2019

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 2019 as follows:



Organisation: SG Enabled Ltd - Mediacorp Enable Fund

Purpose: Sabana REIT's 3Q 2019 non-Shari'ah income amounting to S\$1,347 will be directed to support people with disabilities. The fund aims to help build a society where people with disabilities are recognised for their abilities and lead full, socially integrated lives.