

# 1H 2020 Financial Results Presentation



# Agenda

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- 03** Capital Management
- 04** Portfolio Performance
- 05** Market Outlook & Strategy
- 06** Appendix: Distribution Details



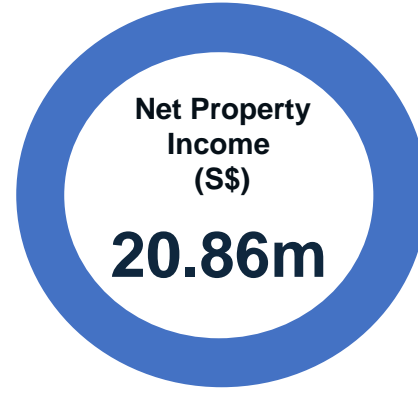
# Key Highlights for 1H 2020

# 1H 2020 Key Highlights

For the period ended 30 June 2020



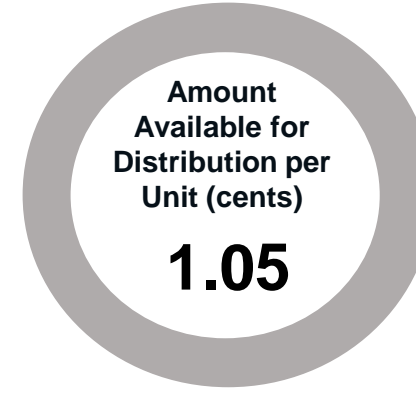
1H 2019: S\$36.73m



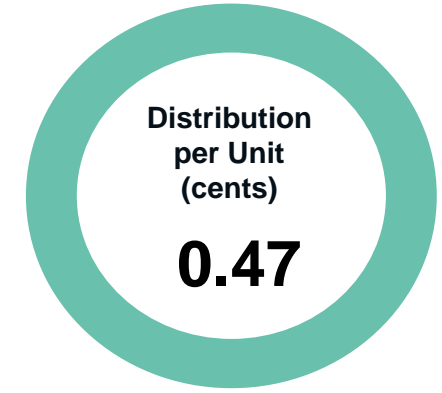
1H 2019 S\$24.69m



1H 2019: S\$14.45m<sup>(1)</sup>



1H 2019: 1.37 cents<sup>(1)</sup>



1H 2019: 1.37 cents<sup>(1)</sup>

## Summary

- DPU performance lower on deliberate capital management to weather pandemic:
  - DPU of 0.47 Singapore cents as Manager temporarily retains 55.0% of distributable income to conserve capital amid uncertain outlook; would have been 1.05 cents otherwise
- In steady financial position: healthy gearing ratio, no refinancing needs until 2021
- Improved portfolio occupancy to 77.3% in 1H 2020, up from 75.4% at the end of FY 2019
- Resumption of construction works for asset enhancement initiative (“**AEI**”) at New Tech Park (“**NTP**”)

(1) Distribution includes approximately S\$1.24 million or 0.12 cents of capital gains arising from the divestment of properties.

# Financial Performance



# Financial Performance At a Glance (YTD)

For the period ended 30 June 2020

(in S\$'000)	1H 2020	1H 2019	Variance (%)
Gross revenue	34,263	36,729	(6.7)
Net property income (“NPI”)	20,862	24,693	(15.5)
Total amount available for distribution to Unitholders for the period	11,077	14,451 <sup>(1)</sup>	(23.3)
Total distribution amount declared to Unitholders for the period	4,985	14,451 <sup>(1)</sup>	(65.5)
Amount available for distribution per Unit (cents)	1.05	1.37 <sup>(1)</sup>	(23.4)
Distribution per Unit (“DPU”) (cents)	0.47 <sup>(2)</sup>	1.37 <sup>(1)</sup>	(65.7)

## DPU declared to unitholders declined:

- 55.0% of 1H 2020 distributable amount retained for prudent cash management in view of COVID-19 uncertainties;
- weaker NPI performance of the portfolio;
- the absence of capital gains distribution; and
- partially offset by lower profit expense after the repayment of Trust Certificates in April 2019.

## NPI reduced:

- the expiry of the master leases in 10 Changi South Street 2 (“10CSS2”) and 3A Joo Koon Circle (“3AJKC”) in 2H 2019; and
- one-time provision of rental waiver on revenue and allowances for impairment losses on trade receivables were made for certain tenants across the portfolio on prudence basis.

(1) Distribution includes approximately S\$1.24 million or 0.12 cents of capital gains arising from the divestment of properties.

(2) In view of the still-evolving COVID-19 situation, the Manager made the decision to temporarily retain 55.0% of its 1H 2020 distributable income to conserve capital, which will be paid out at a later date. Had this amount been included, DPU would be 1.05 cents.

# Resilient Balance Sheet

(\$'000)	As at 30 June 2020	As at 31 December 2019
Investment properties <sup>(1)</sup>	902,669	949,241
Investment properties held for divestment <sup>(1)</sup>	13,342	14,888
Other assets	11,438	7,518
<b>Total assets</b>	<b>927,449</b>	<b>971,647</b>
Borrowings, at amortised cost <sup>(2)</sup>	283,258	275,184
Other liabilities	105,065	101,448
<b>Total liabilities</b>	<b>388,323</b>	<b>376,632</b>
Net assets attributable to Unitholders	539,126	595,015
Units in issue (units)	1,053,083,530	1,053,083,530
<b>NAV per unit (S\$)</b>	<b>0.51</b>	<b>0.57</b>

(1) Movement in investment properties mainly due to the 1H 2020 revaluation of investment properties based on the independent valuations of the properties undertaken by independent valuers.

(2) Increase in borrowings mainly due to loan drawdown relating to AEI work progress at NTP.

# Distribution Details

**Sabana REIT Code: M1GU**

Distribution period	DPU (cents)
1 January 2020 to 30 June 2020	0.47

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	Wednesday, 22 July 2020
Ex-date	Thursday, 23 July 2020
Books closure date	Friday, 24 July 2020
Distribution payment date	Friday, 28 August 2020



# Capital Management



# Key Capital Management Indicators

- Prudent aggregated leverage at 33.7%
- Proportion of borrowings on fixed rates at 70.3%
- Lower all-in financing cost at 3.8%
- No refinancing requirements until 2021

	As at 30 June 2020	As at 31 December 2019
Total Borrowings (S\$ m)	284.4	276.5
- <i>Term loans</i>	223.4	220.0
- <i>Revolving Facilities</i>	61.0	56.5
<b>Aggregate leverage<sup>(1)</sup> (%)</b>	<b>33.7</b>	<b>31.1</b>
Proportion of total borrowings on fixed rates (%)	70.3	36.2
<b>Average all-in financing cost (%)</b>	<b>3.8</b>	<b>3.9</b>
Profit cover <sup>(2)</sup> (times)	3.6	4.2
Weighted average tenor of borrowings (years)	1.6	2.1
<b>Undrawn committed facilities available (S\$ m)</b>	<b>59.6</b>	<b>37.5</b>
Unencumbered assets (S\$ m) <sup>(3)</sup>	51.7	133.7

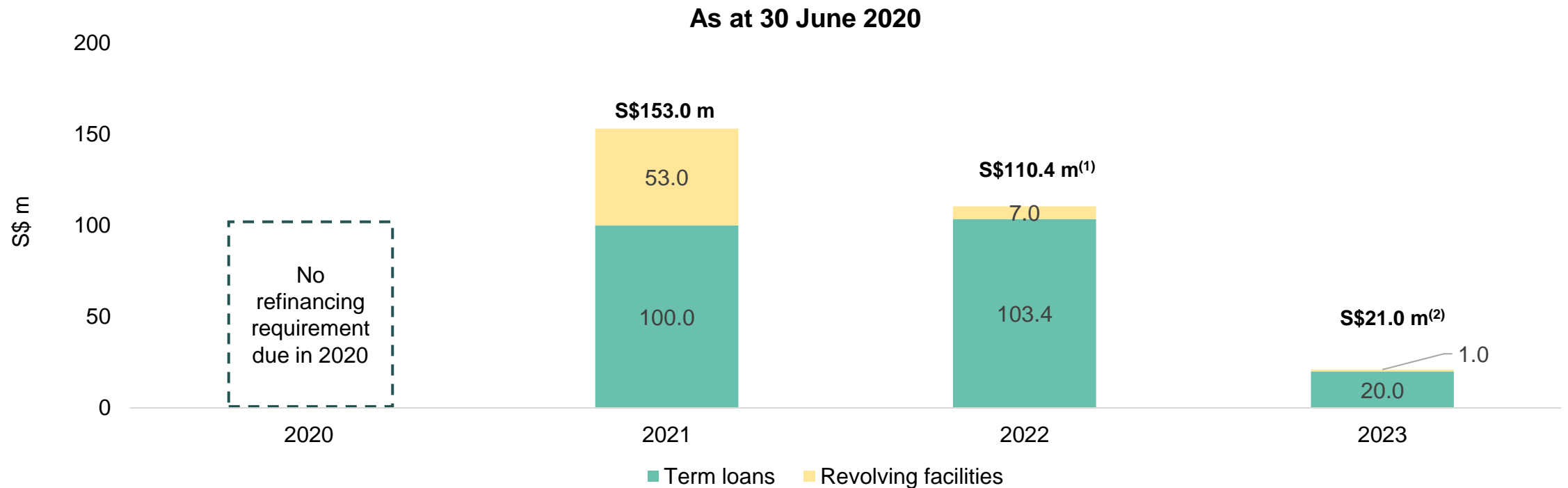
(1) Ratio of total borrowings & deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

(2) Ratio of net property income over profit expense (excluding effects of FRS 116, amortisation of transaction costs, finance costs relating to lease liabilities & other fees).

(3) Based on valuations by independent valuers.

# Borrowings Maturity Profile

## Maturities of total outstanding borrowings of S\$284.4 million



(1) Excludes S\$10.6 million of undrawn Term loans facility maturing in November 2022.

(2) Excludes S\$20.0 million and S\$29.0 million undrawn facilities maturing in November 2023 and April 2023 respectively.

# Portfolio Performance



# Portfolio Overview

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



Portfolio Value  
**S\$836.9 million**

Tenant Base  
**113 tenants**

Total GFA (sq ft)  
**4.1 million**

Portfolio Occupancy  
**77.3%**

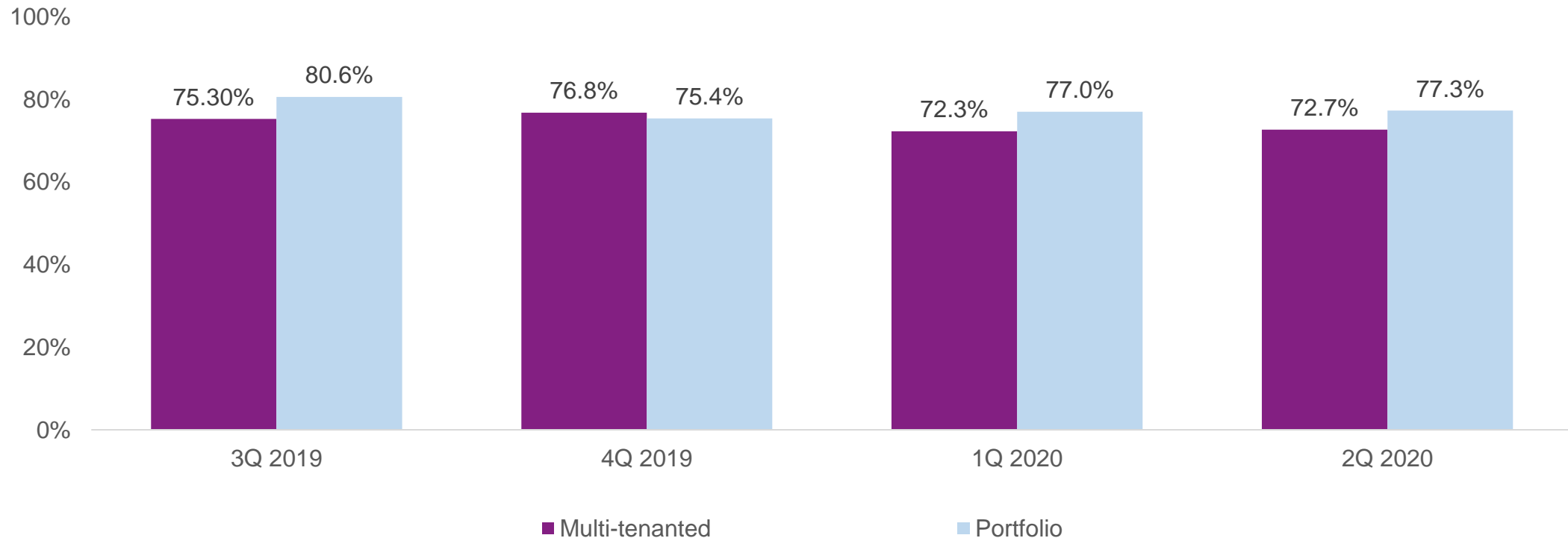
Total NLA (sq ft)  
**3.3 million**

Portfolio WALE  
**2.7 years**

# Overview of Portfolio Occupancy

- Overall occupancy levels improved to 77.3% as at 30 June 2020, up from 75.4% as at 31 December 2019.
  - Higher occupancy at 15 Jalan Kilang Barat
  - Secured new anchor tenant for approximately 56.0% of total net lettable space at 3AJKC, with an additional 39.0% of space leased out on a short-term basis<sup>(1)</sup>.

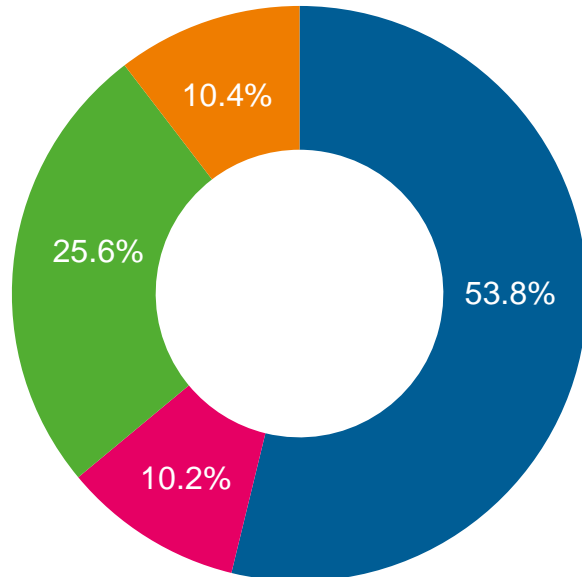
## Occupancy rates as at 30 June 2020



(1) This 39.0% short-term take-up is not computed in the overall occupancy of the property.

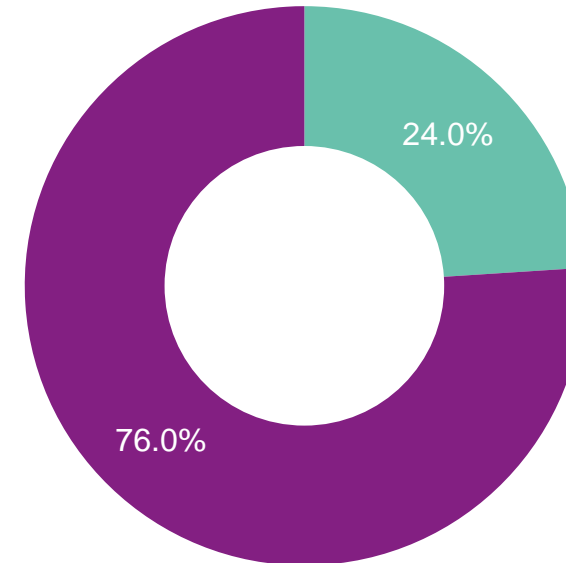
# Well-diversified Portfolio

**Breakdown of Asset Types  
By Gross Rental Income**



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

**Breakdown of Master-leased and  
Multi-tenanted Properties  
By Gross Rental Income**



- Master Lease
- Multi-tenant

# Breakdown of Occupancy Rates

	As at 30 June 2020	As at 31 December 2019
Total portfolio GFA	4,127,767 sq ft	4,127,767 sq ft
Portfolio occupancy		
6 properties, master leases <sup>(1)</sup>	100.0%	100.0%
11 properties, multi-tenanted <sup>(2)</sup>	72.7%	76.8% <sup>(3)</sup>
18 properties, total portfolio <sup>(4)</sup>	77.3%	75.4%
Weighted average master lease term to expiry <sup>(5)</sup>	2.5 years	2.8 years
Weighted average unexpired lease term for the underlying land <sup>(6)</sup>	30.9 years	31.4 years
Weighted average portfolio lease term to expiry <sup>(7)</sup>	2.7 years	2.8 years

(1) 3 triple net & 3 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, 3A Joo Koon Circle, 2 Toh Tuck Link, 10 Changi South Street 2, 123 Genting Lane and 39 Ubi Road 1.

(3) 3A Joo Koon Circle was converted to multi-tenanted in 1Q 2020.

(4) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 is currently vacant.

(5) Weighted by gross rental income (master leases of 6 properties).

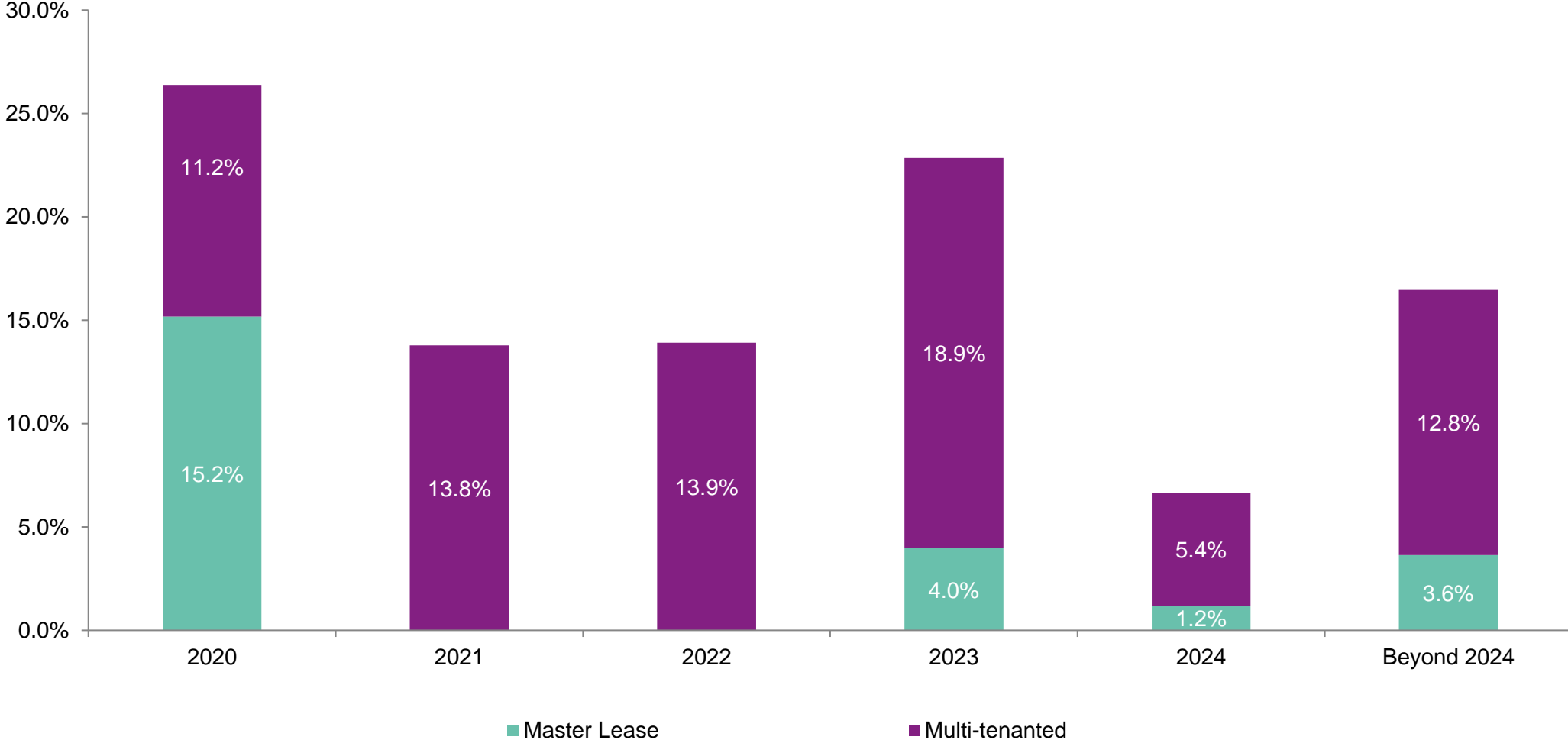
(6) Weighted by Gross Floor Area ("GFA").

(7) Weighted by gross rental income (6 master leases and 11 multi-tenanted properties).



# Proactive Lease Management

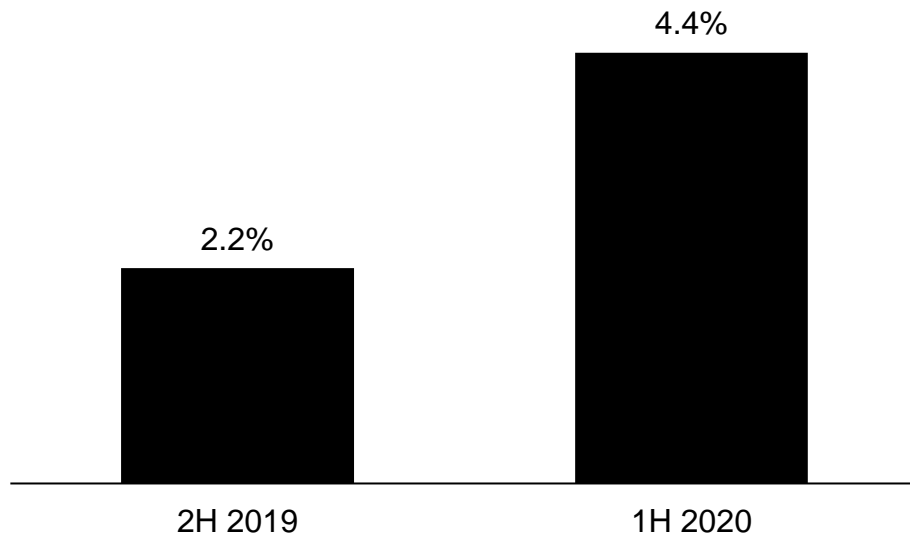
Lease Expiry by Gross Rental Income as at 30 June 2020



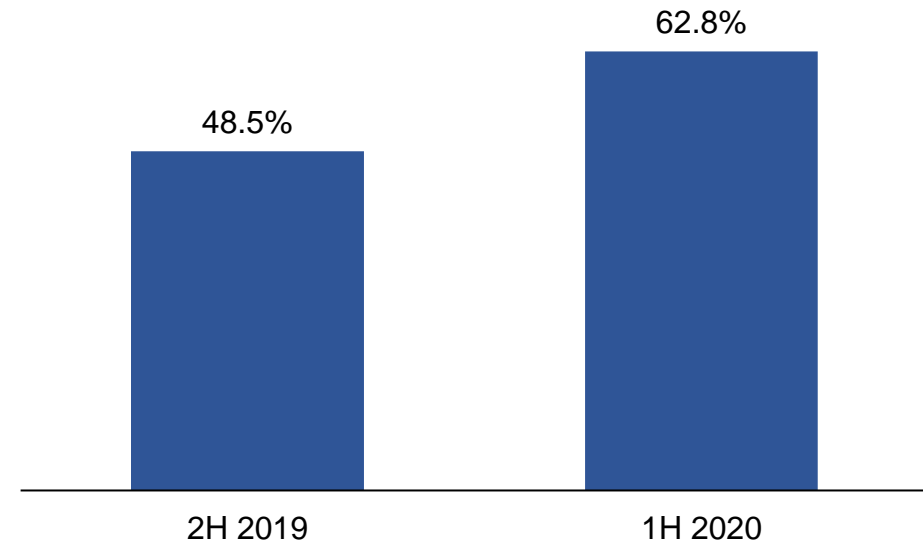
# Leasing Update

- Renewed 161,437 sq ft of leases (10 leases).
- Signed 176,009 sq ft (15 leases) of new leases.
- Positive rental reversion of 4.4%.
- Tenant retention rate was 62.8%.

Rental Reversion (%)

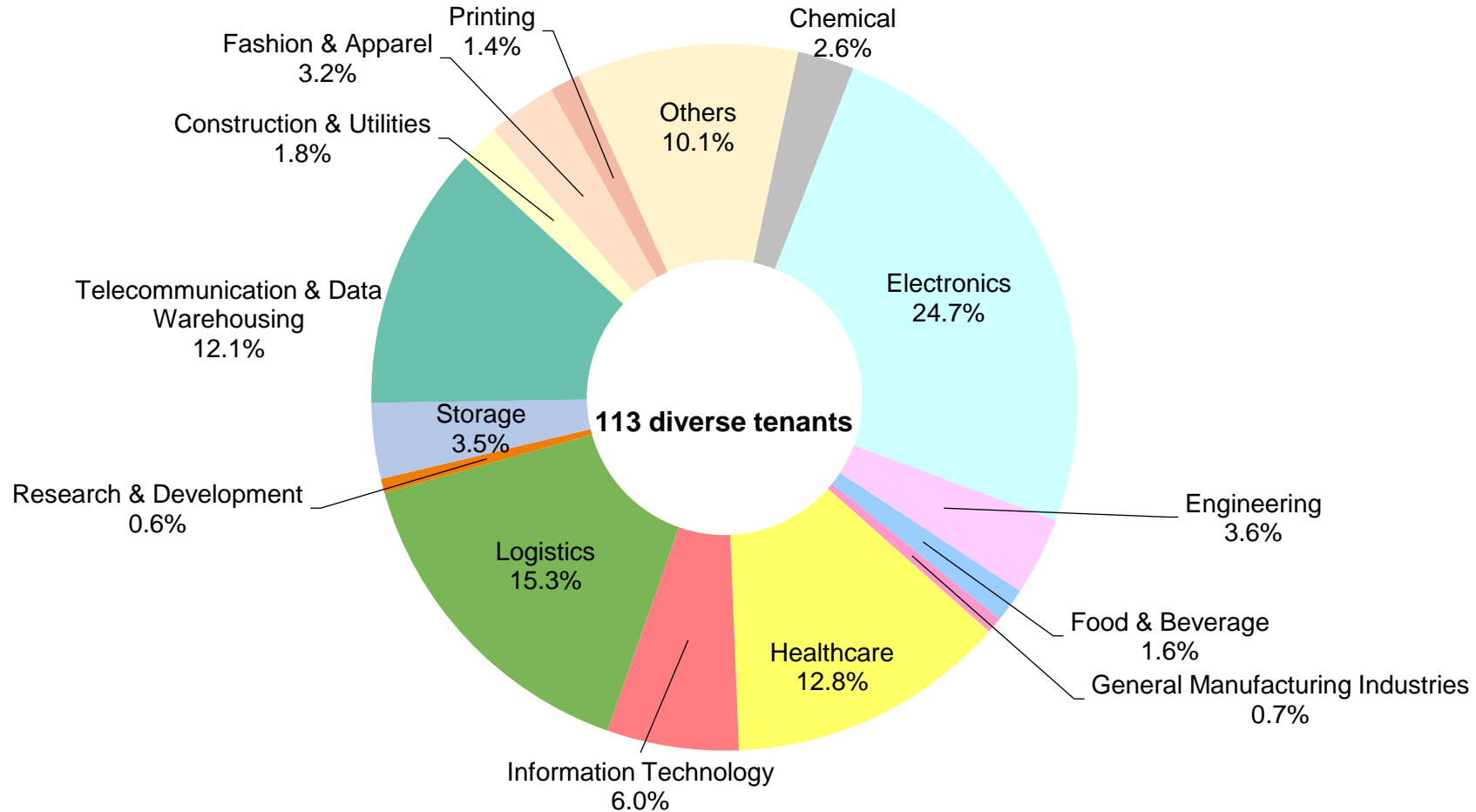


Retention Rate (%)



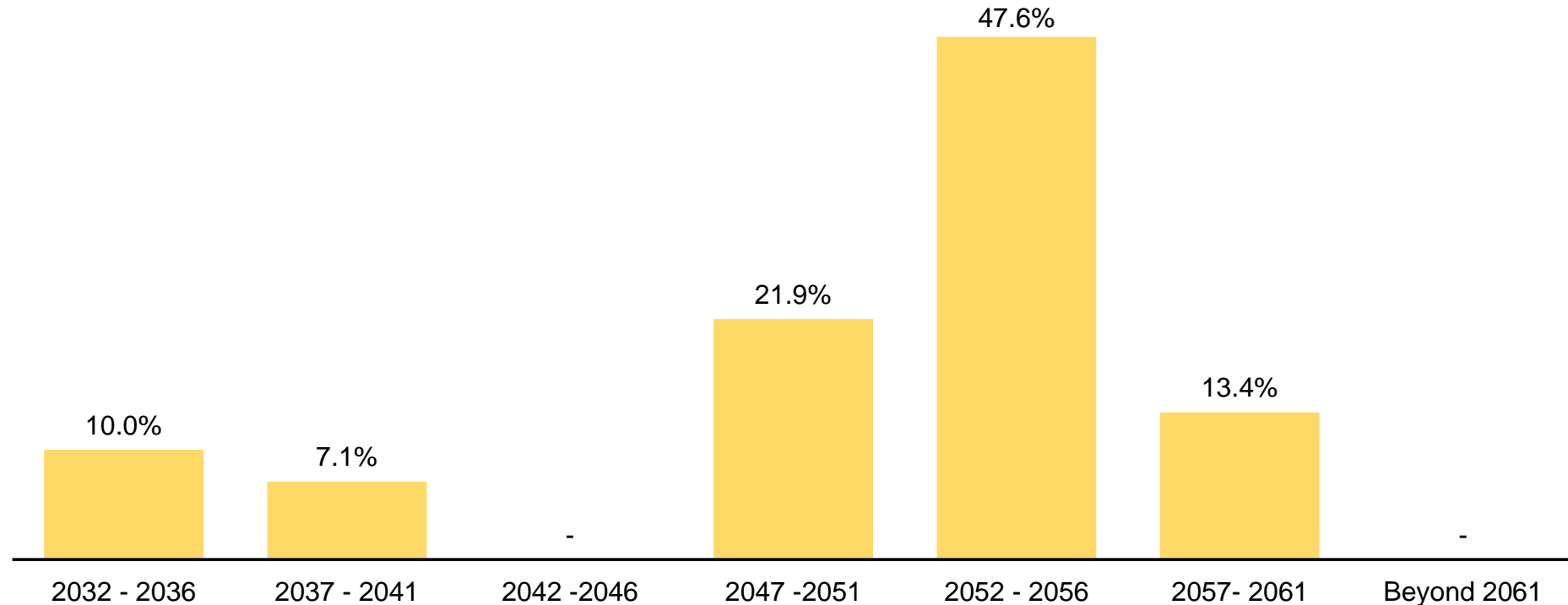
# Diverse Base of Tenants

Trade Sectors By Gross Rental Income  
as at 30 June 2020



# Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 30.9 years by GFA <sup>(1)</sup>



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

(1) As at 30 June 2020

# Update on Asset Enhancement Initiatives/ Refurbishment

New Tech Park represents approx. one third of portfolio value



## Resuming construction works post “Circuit-Breaker”:

- Received approval from the Building and Construction Authority to resume construction works for AEI
- Initial delay means Phase 1 completion now envisaged for 1Q 2021

### Phase 1 progress: Ground floor

- ~36.0% of space for retail and F&B stores pre-committed
- Another ~5.2% of space pending issuance of lease agreements to prospective tenants
- In advanced negotiations for another 40.0% of space

### Phase 2 progress: Food court on 2<sup>nd</sup> floor

- In advanced negotiations to take up 100% of space

10 Changi South Street 2



## Completed refurbishment works in 1Q 2020:

- At 10CSS2 (lobby)

# Market Outlook & Strategy



# Market Outlook & Strategy

## Singapore Economic Outlook

- The Ministry of Trade and Industry (“MTI”) Singapore’s latest advance estimates showed that Singapore’s economy contracted 12.6% y-o-y and 41.2% quarter-on-quarter (“q-o-q”) in 2Q 2020 due to “Circuit Breaker” measures.<sup>(1)</sup>
- Singapore’s GDP expected to contract by 5.8% this year in response to the fallout from COVID-19, a sharp reversal from the 0.6% growth expected in the previous survey.<sup>(2)</sup>
- Rental reversion for industrial properties is likely to remain negative for the year. Industrial rents remained flat and occupancy rates decreased by 0.1% y-o-y as at 1Q 2020.<sup>(3)</sup>

## Industrial Property Outlook

- Given the heightened macroeconomic uncertainties, logistics or warehouse rents could face downward pressure in 2020, while yields could compress in a low-interest rate environment.<sup>(4)</sup>
- Still, there are pockets of opportunities. Savills expects the Singapore industrial and warehousing markets to hold the greatest fundamental potential for a recovery after 2020.<sup>(5)</sup>
- This has accelerated trends in certain sectors such as pharmaceutical and medical technology, food and grocery delivery from central kitchens, warehousing and logistics for food and basic necessities, manufacturers of hygiene goods such as masks and hand sanitisers, as well as e-commerce products that facilitate online learning and workplace conferencing.<sup>(6)</sup>

## Sabana REIT

- Expects to face pressure on its earnings for the rest of the year due to COVID-19.
- Remain focused on executing its Refreshed Strategy through proactive lease and asset management and AEs.
- Navigate near-term challenges through four key thrusts of
  - Supporting its tenants
  - Continued prudent capital management
  - Commitment to safety excellence
  - Ensuring business resilience and continuity

### Sources:

- (1) “Singapore’s GDP Contracted by 12.6 Per Cent in the Second Quarter of 2020”. Ministry of Trade and Industry Singapore. 14 July 2020.
- (2) “Economic Policy Group survey of professional forecasters June 2020”. Monetary Authority of Singapore. 15 June 2020.
- (3) “Quarterly Market Report Industrial Properties First Quarter 2020”. JTC. 23 April 2020.
- (4) “Property Market Monitor, Singapore,”. JLL. 15 April 2020.
- (5) “Singapore Industrial Briefing Q1 2020” Savills. 12 May 2020.
- (6) “Singapore Research: Industrial Q1 2020”. Knight Frank. Retrieved 6 July 2020.

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## **Important Notice**

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# Appendix



# Non-Shari'ah Compliant Income

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

Details on the contribution and beneficiary for 1H 2020 as follows:



**Organisation:** The Invictus Fund

**Purpose:** Sabana REIT's 1H 2020 non-Shari'ah income amounting to S\$1,198.29 will go towards supporting social services agencies to continue delivering critical services to the vulnerable during COVID-19.

# Refreshed Strategy

## Focus for 2018 - 2020

## Opportunistic

### PHASE 1

- a. Divesting Non-Performing and Mature Assets
- b. Continue to Actively Manage and Optimise Portfolio

### PHASE 2

Undertake Asset Enhancement Initiatives (“AEIs”)

### PHASE 3

Potential Yield-Accretive Acquisitions including Overseas

### All underpinned by

- Prudent Risk and Capital Management
- Ongoing Cost Rationalisation