



# Sabana Shari'ah Compliant Industrial REIT

## 2Q 2018 Financial Results Presentation

25 July 2018

## 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 2018 to 30 June 2018 (“2Q 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.

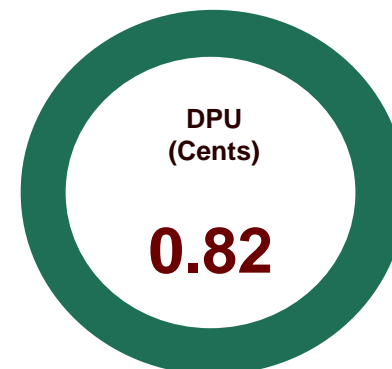
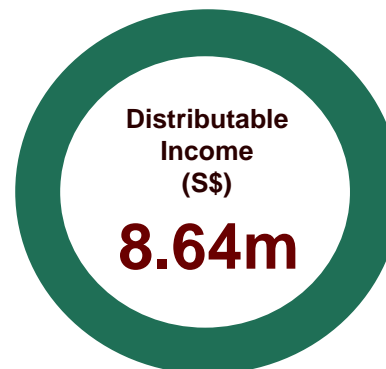
Any discrepancies in the tables included in this presentation between the listed amounts and total thereof are due to rounding.

I.	Key Highlights for 2Q 2018	5
II.	Financial Performance and Capital Management	8
III.	Portfolio Performance	14
IV.	Outlook and Key Takeaways	21
V.	Appendix: Distribution Details & Non-Shari'ah Compliant Income	24

I. Key Highlights for 2Q 2018	5
II. Financial Performance and Capital Management	8
III. Portfolio Performance	14
IV. Outlook and Key Takeaways	21
V. Appendix: Distribution Details & Non-Shari'ah Compliant Income	24

# Key Highlights for 2Q 2018

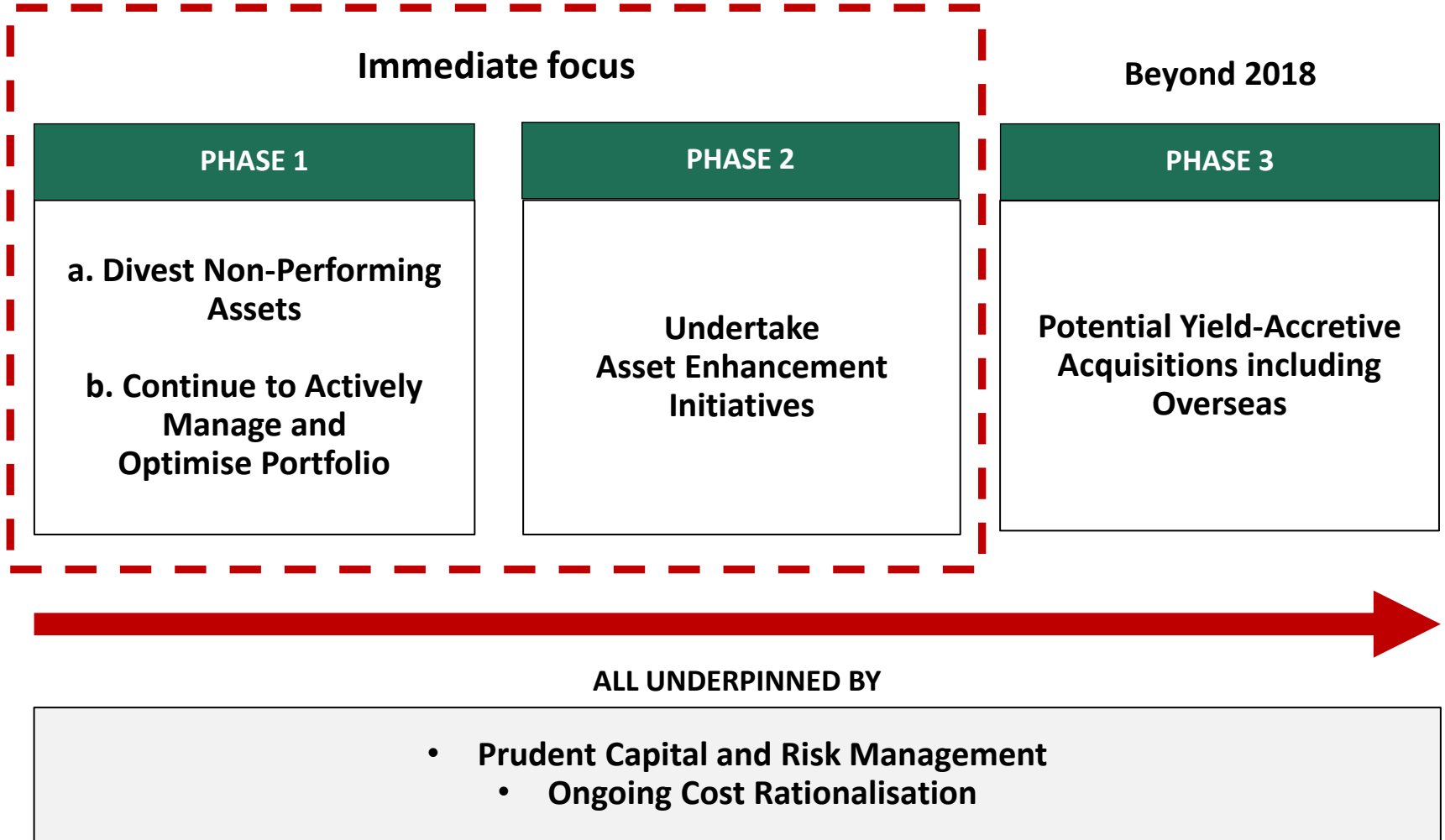
For the quarter ended 30 June 2018



## Significant Updates

- All resolutions passed at AGM held on 25<sup>th</sup> April 2018
- General mandate returned to REIT Manager
- 3-phase growth strategy plan unveiled

# Our Refreshed Strategy with 3 Phases



## Disciplined Execution of Phase 1 of Growth Plan

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

- Improved overall occupancy to 84.5% (1Q 2018: 84.1%)
- Of remaining 5 master leases expiring in 2018: finalising 1 renewal, considering divesting 1 asset, in discussions on the other 3

### **ALL UNDERPINNED BY**

### **Prudent Capital and Risk Management; Ongoing Cost Rationalisation**

- Maintained aggregate leverage at **38.2%**
- Improved profit coverage ratio to **3.7 times**
- No refinancing requirements till 2Q 2019

I. Key Highlights for 2Q 2018	5
II. Financial Performance and Capital Management	8
III. Portfolio Performance	14
IV. Outlook and Key Takeaways	21
V. Appendix: Distribution Details & Non-Shari'ah Compliant Income	24



# Financial Performance At a Glance (YoY)

For the quarter ended 30 June 2018

(in S\$'000)	2Q 2018	2Q 2017	Variance (%)
Gross revenue	<b>20,080</b>	21,964	(8.6)
Net property income	<b>12,570</b>	12,933	(2.8)
Amount available for distribution	<b>8,639</b>	8,568 <sup>(1)</sup>	0.8
DPU (cents) <sup>(2)</sup>	<b>0.82</b>	0.81 <sup>(1)</sup>	1.2
Annualised DPU (cents)	<b>3.29</b>	3.25	1.2

### Improved DPU YoY:

- Active management of portfolio and cost rationalisation efforts lowered net finance costs and property expenses

### Active asset and lease management mitigated rate of NPI decline:

- Property expenses down 16.8% YoY on extraction of cost savings related to non-performing assets

### Net finance costs significantly reduced:

- Down 9.3% YoY on repayment using divestment proceeds and refinancing with lower cost facilities

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

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

# Financial Performance At a Glance (QoQ)

For the quarter ended 30 June 2018

(in S\$'000)	2Q 2018	1Q 2018	Variance (%)
Gross revenue	<b>20,080</b>	21,003	(4.4)
Net property income	<b>12,570</b>	14,586	(13.8)
Amount available for distribution	<b>8,639</b>	9,244 <sup>(1)</sup>	(6.5)
DPU (cents) <sup>(2)</sup>	<b>0.82</b>	0.88 <sup>(1)</sup>	(6.8)
Annualised DPU (cents)	<b>3.29</b>	3.57	(7.8)

#### Distribution Per Unit:

- 1Q 2018 DPU included Manager waiving 20% of its fees to cushion impact on DPU
- Excluding fee waivers, DPU for 1Q 2018 would have been 0.86 cents

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

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

# Financial Performance At a Glance (YTD)

For the period ended 30 June 2018

(in S\$'000)	1H 2018	1H 2017	Variance (%)
Gross revenue	<b>41,083</b>	43,942	(6.5)
Net property income	<b>27,156</b>	26,268	3.4
Amount available for distribution	<b>17,883<sup>(1)</sup></b>	17,886 <sup>(2)</sup>	-
DPU (cents) <sup>(3)</sup>	<b>1.70</b>	1.69	0.6
Annualised DPU (cents)	<b>3.43</b>	3.41	0.6

### Improved DPU YoY:

- Active management of portfolio and cost rationalisation efforts lowered net finance costs and property expenses

### 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 17.6% YoY on repayment using divestment proceeds and refinancing with lower cost facilities

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

(2) The Manager forgone 75% of its fees, approximately S\$944,000, for 1Q FY2017 and 25% of its fees, approximately S\$310,000, for 2Q 2017.

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

# Preserving Balance Sheet Resilience

(S\$'000)	As at 30 Jun 2018	As at 31 Dec 2017
Investment properties	939,300	942,400
Investment properties held for divestment	-	12,900
Other assets	11,806	10,809
<b>Total assets</b>	<b>951,106</b>	<b>966,109</b>
Borrowings, at amortised cost	360,201	365,806
Other liabilities	23,149	28,758
<b>Total liabilities</b>	<b>383,350</b>	<b>394,564</b>
Net assets attributable to Unitholders	567,756	571,545
Units in issue	1,053,083,530	1,053,083,530
NAV per unit (S\$)	0.54	0.54
Adjusted NAV per unit <sup>(1)</sup> (S\$)	0.53	0.53

### Strengthened balance sheet:

- Net proceeds from divestment of 218 Pandan Loop and 6 Woodlands Loop used to pay down borrowings
- No refinancing requirements until 2Q 2019 after replacing outstanding borrowings with new facilities

(1) Excludes the amount of approximately S\$8.6 million (31 December 2017: S\$8.8 million) available for distribution for the quarter ended 30 June 2018.

# Continued Capital Structure Optimisation

	As at 30 Jun 2018	As at 31 Dec 2017
Borrowings	<b>S\$362.0 million</b>	S\$367.5 million
Aggregate leverage <sup>(1)</sup>	<b>38.2%</b>	38.2%
Proportion of total borrowings on fixed rates	<b>71.8%</b>	76.2%
<b>Average all-in financing cost<sup>(2)</sup></b>	<b>4.1%</b>	<b>3.9%</b>
Term CMF	<b>S\$120.0 million</b>	S\$120.0 million
Revolving CMF	<b>S\$12.0 million</b>	-
Term Murabahah Facility	<b>S\$70.0 million</b>	-
Revolving Murabahah Facility	<b>S\$30.0 million</b>	S\$27.5 million
Trust Certificates	<b>S\$100.0 million</b>	S\$190.0 million
Term Loan Facility	<b>S\$30.0 million</b>	S\$30.0 million
<b>Weighted average tenor of borrowings</b>	<b>1.8 years</b>	<b>1.8 years</b>
Profit cover <sup>(3)</sup>	<b>3.7 times</b>	4.1 times
Unencumbered assets	<b>S\$251.3 million</b>	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.

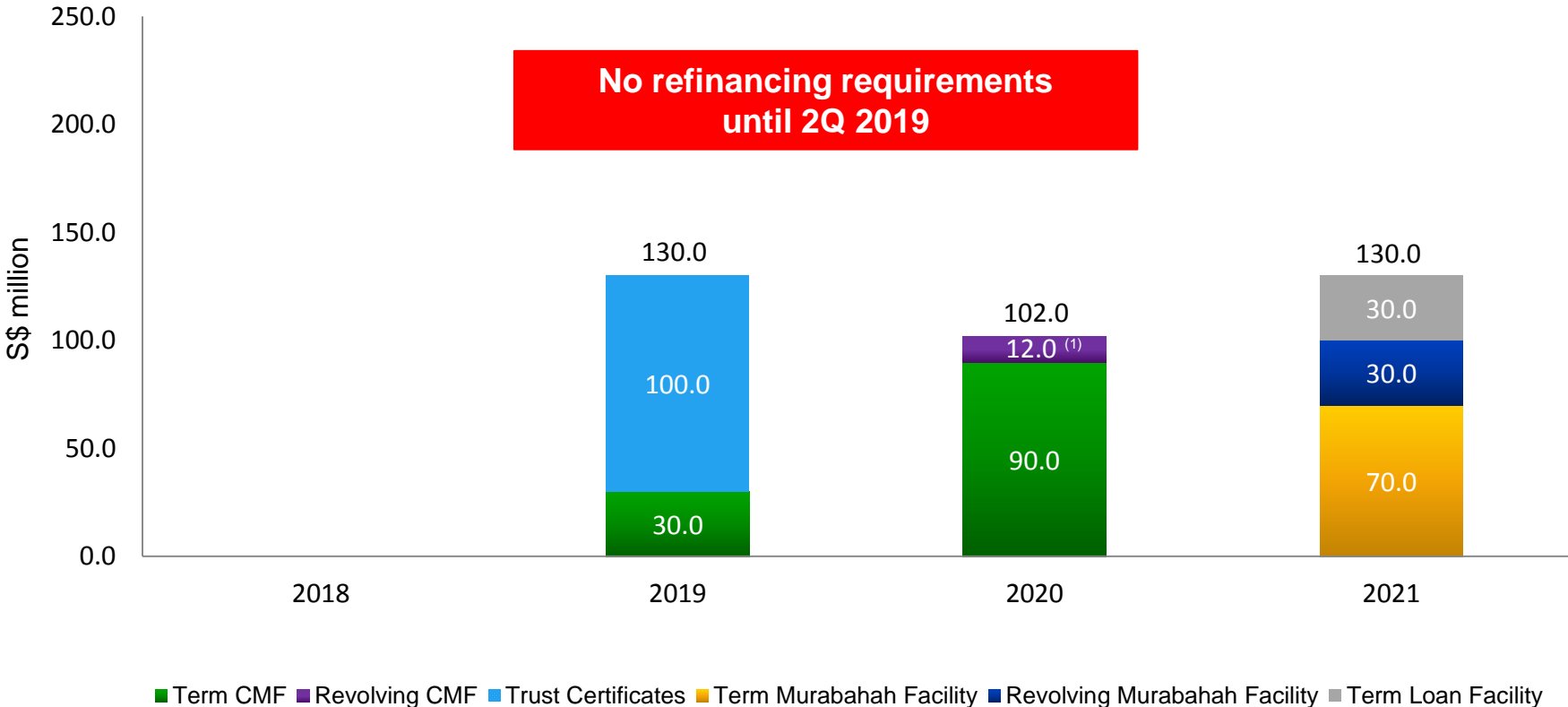
(3) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for 2Q 2018 (31 December 2017: 4Q 2017).

# Evenly Staggered Borrowings Maturity



**Maturities of total outstanding borrowings of S\$362.0 million evenly staggered over next 3 years**

As at 30 June 2018



(1) Excludes S\$6.0 million undrawn Revolving CMF

I. Key Highlights for 2Q 2018	5
II. Financial Performance and Capital Management	8
III. Portfolio Performance	14
IV. Outlook and Key Takeaways	21
V. Appendix: Distribution Details & Non-Shari'ah Compliant Income	24

# 19 Properties Across 4 Industrial Segments

Portfolio Value  
**S\$939.3 million**

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

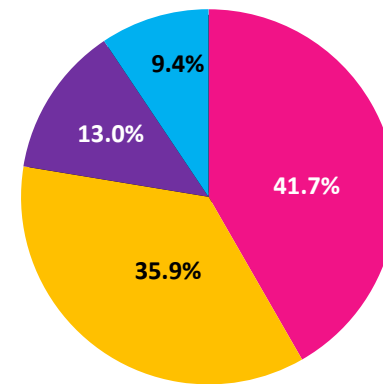
Total NLA (sq ft)  
**3.5 million**

Tenant Base  
**118 tenants**

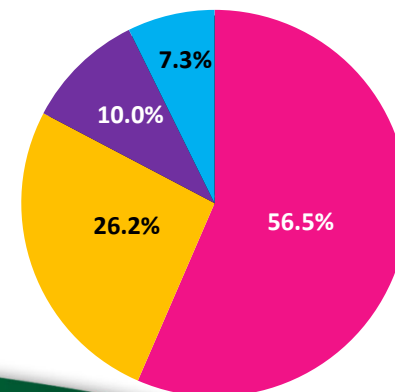
Our properties are diversified into **four industrial segments** across **Singapore**, close to expressways and public transportation.

Asset Breakdown by NLA for 2Q 2018 <sup>(1)</sup>

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



Gross Revenue by Asset Type for 2Q 2018 <sup>(1)</sup>



(1) As at 30 June 2018



# Occupancy Rates

	As at 30 Jun 2018	As at 31 Mar 2018
Total portfolio GFA	<b>4,325,010 sq ft</b>	4,325,010 sq ft
Portfolio occupancy		
8 properties, master leases <sup>(1)</sup>	<b>100.0%</b>	100.0%
10 properties, multi-tenanted <sup>(2)</sup>	<b>79.7%</b>	79.0%
19 properties, total portfolio <sup>(3)</sup>	<b>84.5%</b>	84.1%
Weighted average master lease term to expiry <sup>(4)</sup>	<b>2.0 years</b>	2.0 years
Weighted average unexpired lease term for the underlying land <sup>(5)</sup>	<b>33.0 years</b>	33.3 years
Weighted average portfolio lease term to expiry <sup>(6)</sup>	<b>2.3 years</b>	2.3 years

(1) 5 triple net & 3 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.

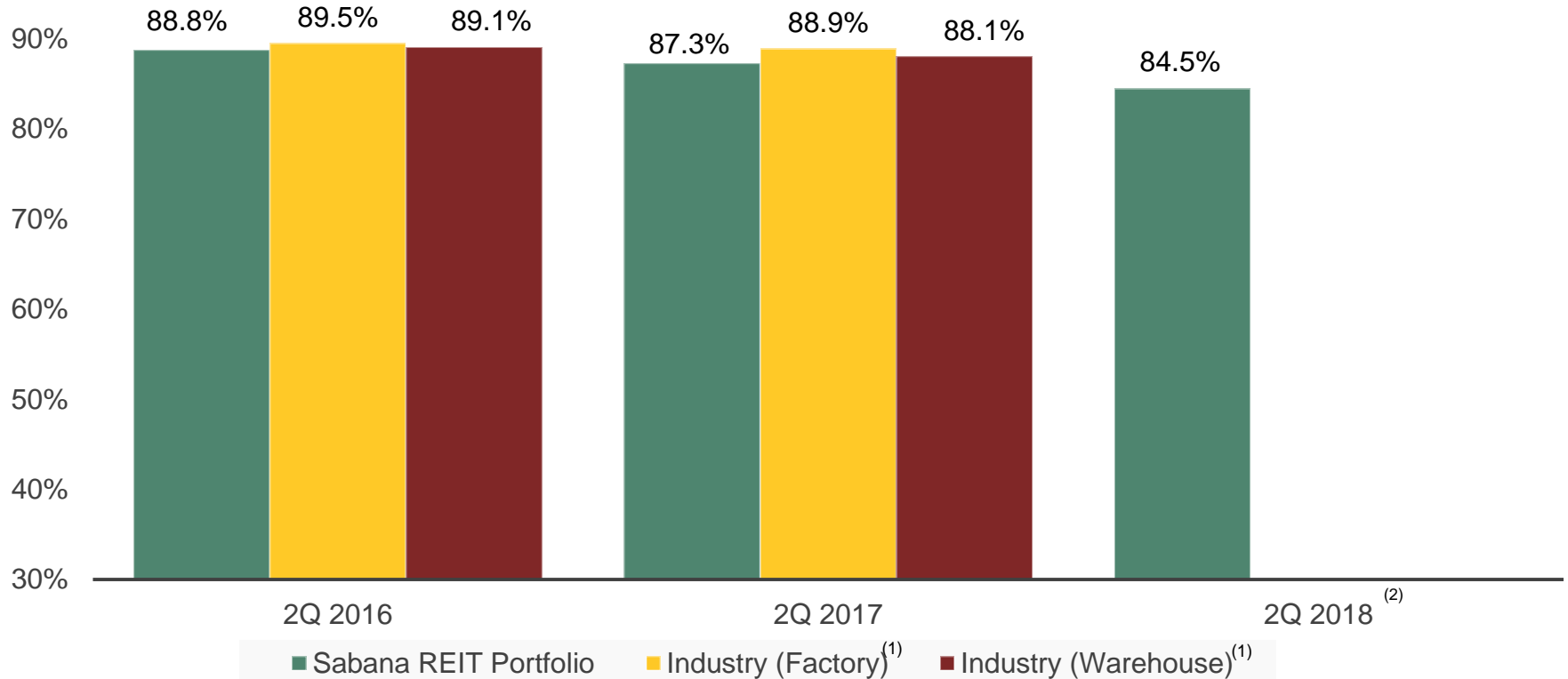
(3) By Net Lettable Area ("NLA"). 1 Tuas Avenue 4 (NLA 120,340 sq ft) is currently vacant.

(4) Weighted by gross rental income (master leases of 8 properties).

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

(6) Weighted by gross rental income (8 master leases and 10 multi-tenanted properties).

## Occupancy levels over the years



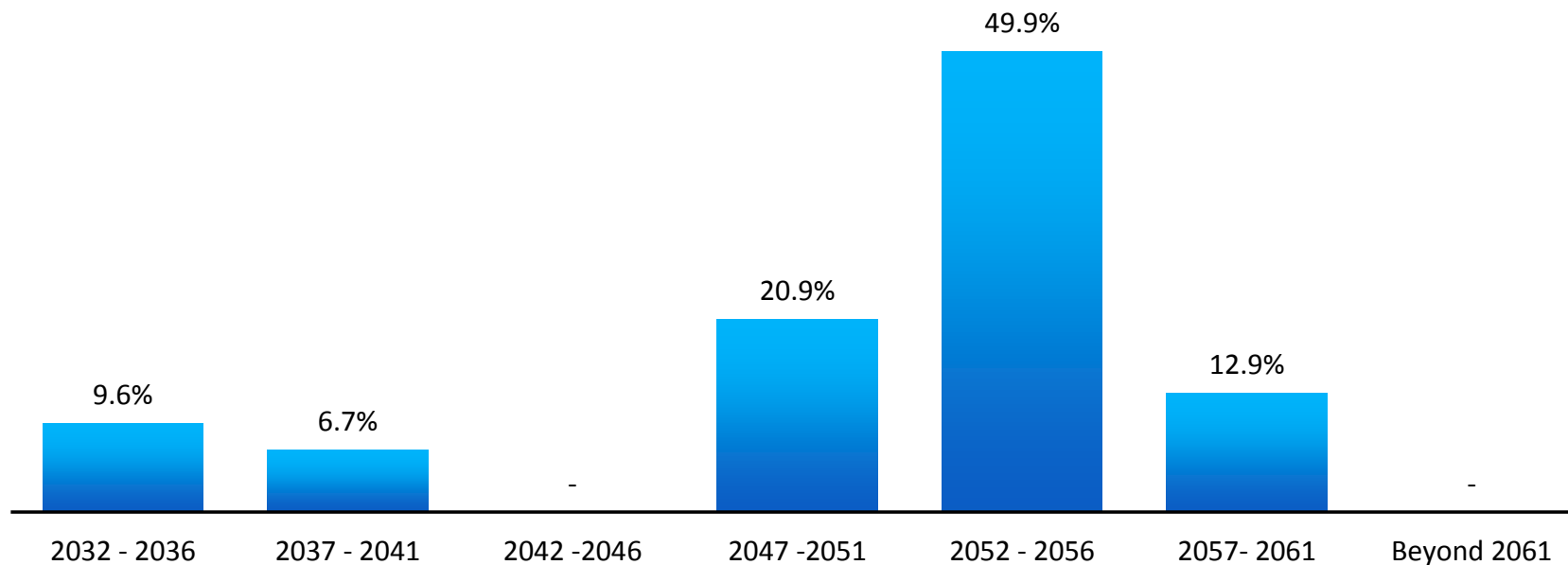
### Comparisons to Singapore industrial average occupancy levels

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

(2) Data for 2Q 2018 from Jurong Town Corporation not available 25 July 2018.

# Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of **33.0 years** by GFA



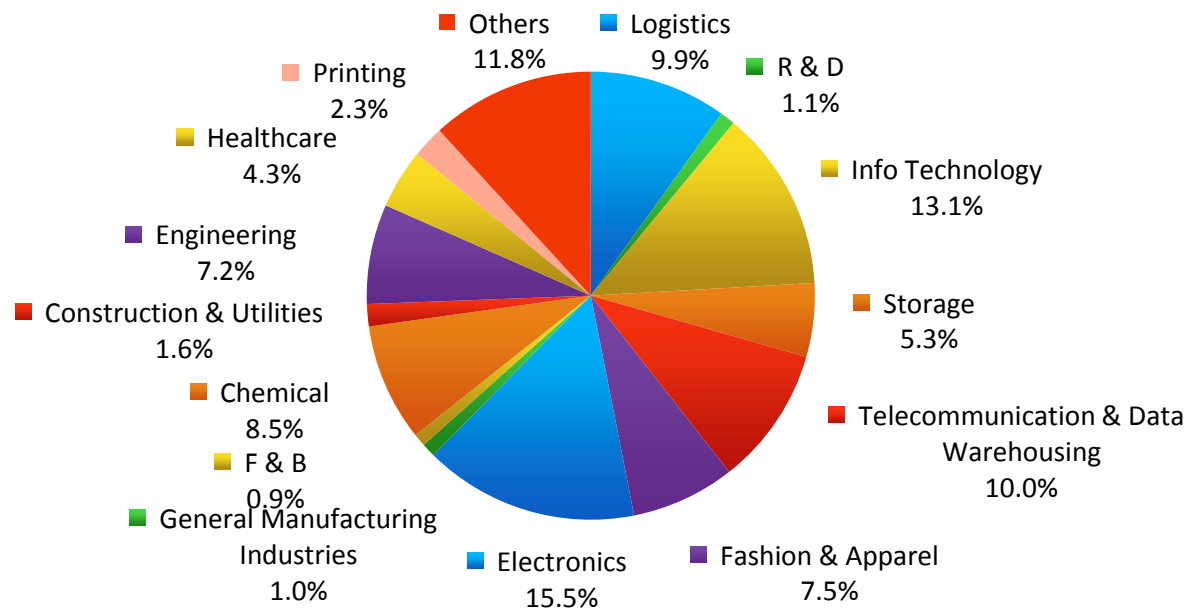
Percentage of unexpired land lease term by GFA<sup>(1)</sup>

(1) As at 30 June 2018

# Diversified Base of Quality Tenants

	As at 30 Jun 2018	As at 31 Mar 2018
Total NLA (sq ft)	3,533,127	3,533,127
Total number of direct and sub-tenants	118	122
Weighted average lease term to expiry (mths) <sup>(1)</sup>	28.2	27.5

No concentration in any single trade sector exceeding 15%



Sub-tenants' industry diversification by NLA<sup>(2)</sup>

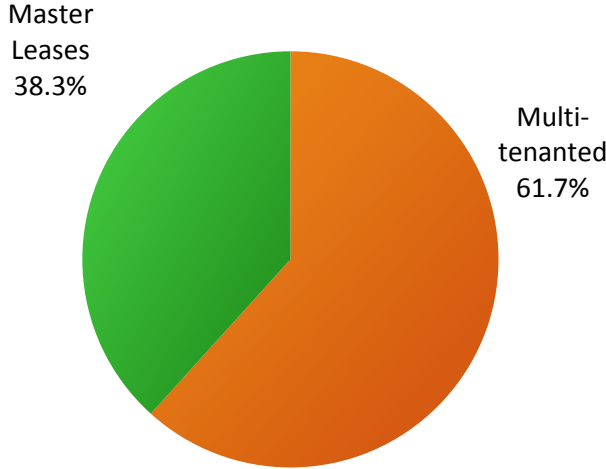
(1) Weighted by sub-tenancy gross rental income.

(2) As at 30 June 2018.

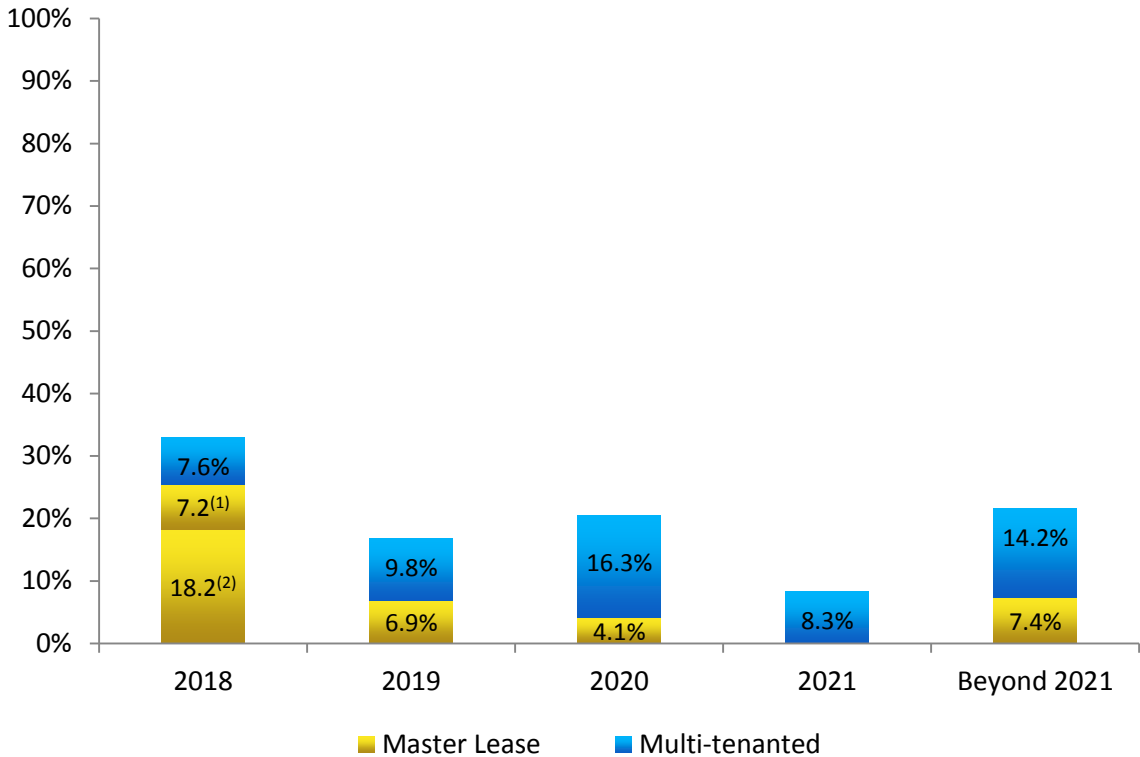
# Balanced and Proactive Lease Management



**Lease Type by NLA for 2Q 2018<sup>(3)</sup>**



**Lease Expiry by NLA<sup>(3)</sup>**



(1) Two properties: 26 Loyang Drive and 21 Joo Koon Crescent. Master lease for 30 & 32 Tuas Avenue 8 was renewed on 6 April 2018.  
 (2) Three properties: 33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road. Master tenants are Sponsor related companies  
 (3) As at 30 June 2018. Excludes 1 Tuas Avenue 4, which is currently vacant

I.	Key Highlights for 2Q 2018	5
II.	Financial Performance and Capital Management	8
III.	Portfolio Performance	14
IV.	Outlook and Key Takeaways	21
V.	Appendix: Distribution Details & Non-Shari'ah Compliant Income	24

## Singapore Economic Outlook

- Based on the Ministry of Trade and Industry (MTI)'s advance estimates, Singapore's economy grew 3.8% y-o-y in 2Q 2018 (1Q 2018: 4.3%; 2Q 2017: 2.8%)(<sup>1</sup>)
- MTI forecasts growth of 2.5 to 3.5% for 2018 (<sup>2</sup>)
- But the Monetary Authority of Singapore (MAS) earlier cautioned that there will be an impact on global trade should the US-China trade dispute escalate(<sup>3</sup>)

## Industrial Property Outlook

- JTC data shows continued oversupply and island-wide vacancy of 11.0% as at 1Q 2018(<sup>4</sup>). Overall rent reversion for 2018 likely to stay negative
- Colliers foresees a pick-up in interest in industrial properties as rents bottom out, with increasing interest from institutional investors seeking higher yields(<sup>5</sup>)
- Savills forecasts a moderate quarterly rental decline in 1H 2018 and rents may only start to stabilise in 2H 2018(<sup>6</sup>)

## Sabana REIT

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

- Improve occupancy and drive revenue by active asset management, selective divestments
  - Of remaining 5 master leases expiring in 2018: finalising 1 renewal, considering divestment of 1 asset, and is in discussions on the other 3
- Consultation with authorities on AEI for New Tech Park ongoing, hope to receive feedback in 2H 2018

#### Sources:

- (1) "Singapore's GDP Grew by 3.8 Per Cent in the Second Quarter of 2018". Ministry of Trade and Industry. 13 July 2018.
- (2) "MTI Expects GDP Growth to be "2.5 to 3.5 Per Cent" in 2018". Ministry of Trade and Industry. 24 May 2018.
- (3) "MAS Monetary Policy Statement". Monetary Authority of Singapore. 13 April 2018.
- (4) "JTC Quarterly Market Report. Industrial Properties. First Quarter 2018". JTC. 1Q2018.
- (5) "Colliers Quarterly: Singapore Investment Q1 2018". Colliers International Singapore. 09 May 2018.
- (6) "Briefing Industrial Sector". Savills World Research Singapore. 24 May 2018.

## RESULTS

- **Improved DPU performance despite sector-wide headwinds**
  - Proactive property and lease management supported performance
- **Resilient balance sheet and remained well capitalised to meet commitments**

## GROWTH STRATEGY

- **Phase 1: Divest non-performing assets and continue to actively manage and optimise portfolio**
  - Continue to review and enhance portfolio of assets to be in good position to pursue growth opportunities
- **Phase 2: Undertake asset enhancement initiatives (AEIs)**
  - Any potential proceeds to be recycled for value-accretive propositions, such as AEI for New Tech Park
- **Phase 3: Potential yield-accretive acquisitions including overseas**
- **Refreshed strategy to be underpinned across all phases by:**
  - Prudent capital and risk management
  - Ongoing cost rationalisation



I. Key Highlights for 2Q 2018	5
II. Financial Performance and Capital Management	8
III. Portfolio Performance	14
IV. Outlook and Key Takeaways	21
V. Appendix: Distribution Details & Non-Shari'ah Compliant Income	24

# Appendix: Distribution Details



## Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 April 2018 to 30 June 2018	0.82
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	30 July 2018
Ex-date	31 July 2018, 9am
Books closure date	2 August 2018, 5pm
Distribution payment date	29 August 2018
Disbursement of non-Shari’ah income to approved charities	29 August 2018 or earlier

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 2Q 2018 as follows:

**SG ENABLE**



**Organisation:** SG Enable – TODAY Enable Fund

**Purpose:** Sabana REIT's 2Q 2018 non-Shari'ah income amounting to S\$24,154 will be directed to support their cause of outreach to the Singapore community.

The total amount of **S\$24,154** allocated to the organisation above represents approximately **0.1%** of Sabana REIT's 2Q 2018 gross revenue.

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

151 Lorong Chuan  
#02-03 New Tech Park  
Singapore 556741

[www.sabana-reit.com](http://www.sabana-reit.com)

Tel: +65 6580 7750

Fax: +65 6280 4700

**For enquiries, please contact:**

**Ms Grace Chew**

Sabana Real Estate Investment Management Pte. Ltd

Tel: +65 6580 7857

Email: [grace.chew@sabana.com.sg](mailto:grace.chew@sabana.com.sg)

**Ms Josephine Chew**

WATATAWA Consulting

Tel: +65 9061 0353

Email: [jchew@we-Watatawa.com](mailto:jchew@we-Watatawa.com)

**Mr Ong Chor Hao**

WATATAWA Consulting

Tel: +65 9627 2674

Email: [chorhao@we-watatawa.com](mailto:chorhao@we-watatawa.com)