



# AIMS APAC REIT

FY2020: Third Quarter Financial Results Ended 31 December 2019  
Results Presentation

31 January 2020



# Important notice

## Disclaimer

This Presentation is focused on comparing actual results for the financial period from 1 October 2019 to 31 December 2019 (“3Q FY2020”) versus actual results year-on-year (“y-o-y”) and quarter-on-quarter (“q-o-q”). This Presentation shall be read in conjunction with AIMS APAC REIT’s (“AA REIT” or the “Trust”) results for 3Q FY2020 as per the SGXNet Announcement.

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# HIGHLIGHTS FOR 3Q FY2020

# Highlights for 3Q FY2020

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## Focusing on active asset management

- DPU performance: 2.50 cents per Unit for the quarter<sup>1</sup>.
- Gross revenue of S\$29.5 million was lower than that of the preceding quarter mainly due to the conversion from master leases to multi-tenancy leases for certain properties. The decrease was partially offset by the full quarter rental contribution from Boardriders Asia Pacific HQ in Australia.
- Net property income increased by S\$0.6 million from the preceding quarter to S\$23.1 million, mainly due to lower property operating expenses<sup>3</sup>.

## Active lease management

- Executed 21 new and renewal leases in 3Q FY2020, representing 81,196 sqm (or 12.6% of total net lettable area).
- Portfolio occupancy decreased to 89.4%<sup>2</sup>, as compared to 92.2% in the preceding quarter, mainly due to the transition of master leases to multi-tenancy leases at 1A International Business park (1AIBP) and the final phase at 20 Gul Way.

1 DPU unchanged q-o-q compared to 2Q FY2020.

2 Slightly above JTC 4Q2019 industrial average of 89.2%.

3 Arising from a property tax refund for 20 Gul Way.

# Highlights for 3Q FY2020 (cont'd)

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## Developing a higher quality portfolio

- Secured additional 12-year master lease with largest tenant **Optus** which resulted in an increase in the valuation of the underlying property to A\$570 million (30 September 2019: A\$475 million).
- Redevelopment of **3 Tuas Ave 2** has been completed and rental income is expected to commence around the end of March 2020<sup>1</sup>.
- Asset enhancement initiative at **NorthTech** has been completed on schedule and within budget.

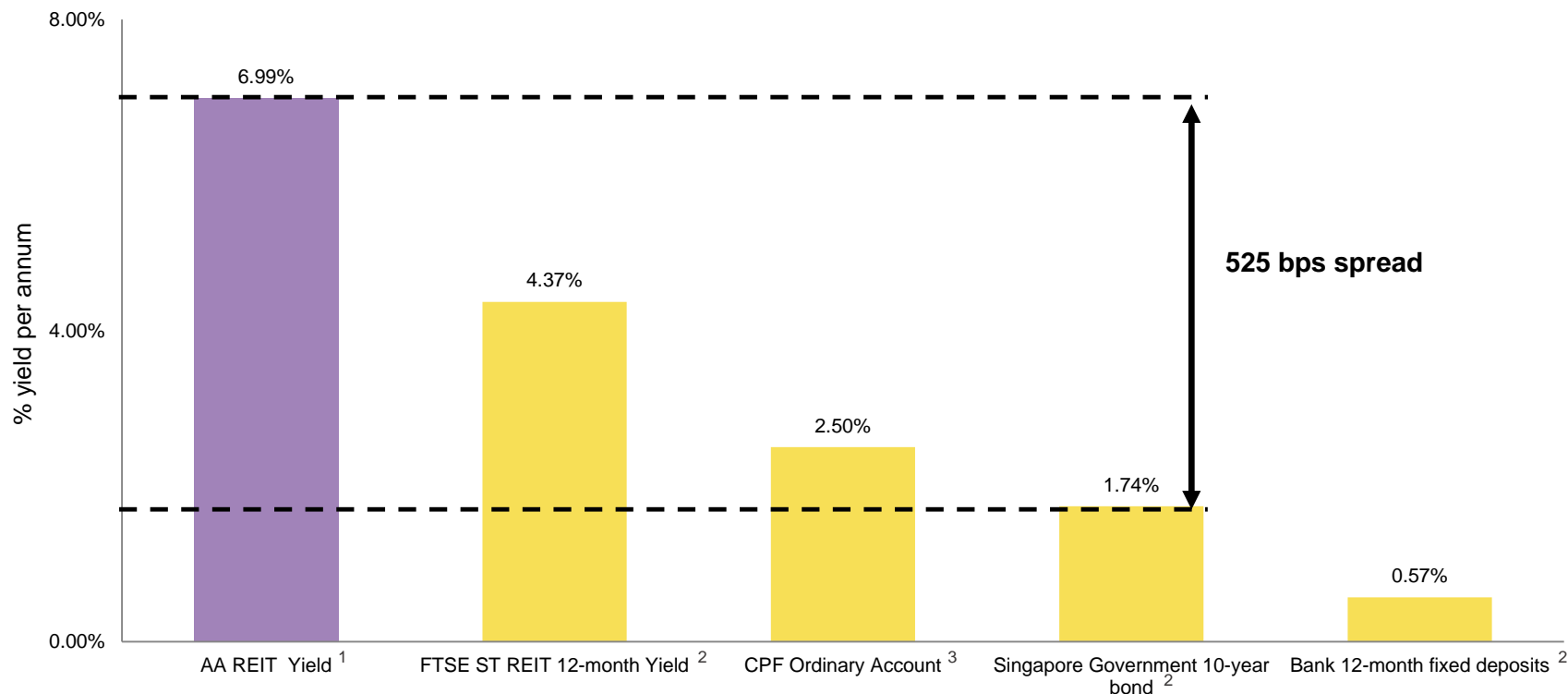
## Prudent Capital Management

- Aggregate leverage as at 31 December 2019 is at 35.2%.
- 79.5% of the portfolio's interest rate is fixed taking into account interest rate swaps and fixed rate notes.
- AA REIT issued a S\$100.0 million 5-year fixed rate notes at 3.60% in November 2019
  - Weighted average debt maturity of 2.7 years compared to preceding quarter of 2.3 years.
  - Overall blended funding cost (including funding of the Australian asset with Australian dollar loan) of 3.5%.
- Issued new Units amounting to S\$7.2 million pursuant to the distribution reinvestment plan ("DRP") for 2Q FY2020.

<sup>1</sup> The property has a 10-year master lease to a global medical device company.

# Attractive return on investment

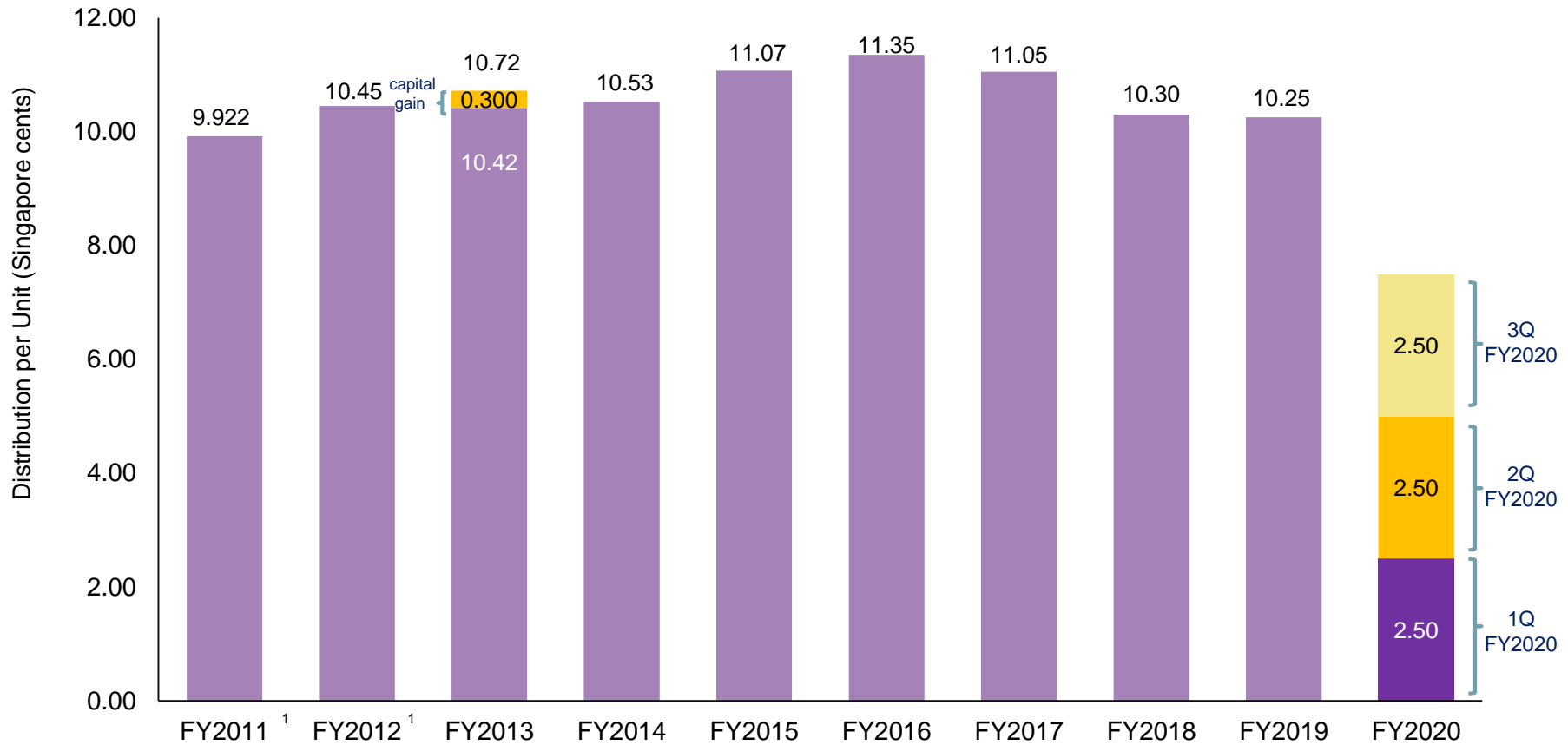
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- 1 Based on closing price of S\$1.43 on 30 January 2020 and annualised DPU of 10.00 cents. Annualised DPU is computed based on actual DPU payouts for the first three quarters of FY2020 and annualised to the full year.
- 2 Source: Bloomberg data as at December 2019.
- 3 Prevailing CPF Ordinary Account interest rate.

# Stable and sustainable DPU

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<sup>1</sup> The number of Units used to calculate the Distribution per Unit has been adjusted for the effect of the Unit Consolidation to allow for comparison.



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# 3Q FY2020 FINANCIAL RESULTS

# Distribution details

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<b>Stock counter</b>	<b>Distribution period</b>	<b>DPU (cents)</b>
AIMS APAC Reit Code: O5RU	For 1 October 2019 to 31 December 2019	2.50

<b>Distribution Period</b>	<b>For 1 October 2019 to 31 December 2019</b>
Ex-date	7 February 2020, 9.00am
Books closure date	10 February 2020, 5.00pm
Return of Tax Declaration Forms	2 March 2020, 5.00pm
Return of DRP Notices of Election	2 March 2020, 5.00pm
Distribution payment date	26 March 2020
Listing of DRP Units	On or around 26 March 2020

# Results for 3Q FY2020

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	3Q FY2020 S\$'000	2Q FY2020 S\$'000	Q-o-Q %	3Q FY2019 S\$'000	Y-o-Y %	YTD FY2020 S\$'000	YTD FY2019 S\$'000	Y-o-Y %
<b>Gross Revenue<sup>1</sup></b>	29,458	30,595	(3.7)	29,819	(1.2)	90,642	88,160	2.8
<b>Net Property Income<sup>1,2</sup></b>	23,110	22,490	2.8	19,447	18.8	68,541	58,170	17.8
<b>Share of profits of joint venture (net of tax)<sup>1,3</sup></b>	47,367	6,035	>100.0	3,471	>100.0	56,776	10,359	>100.0
<b>Distributions to Unitholders<sup>4</sup></b>	17,586	17,422	0.9	17,218	2.1	52,379	51,496	1.7
<b>DPU (cents)</b>	2.50	2.50	-	2.50	-	7.50	7.50	-
<b>DPU yield<sup>5</sup> (%)</b>	6.99							

1 Please refer to section 8 of the unaudited financial statement for explanation of the variances.

2 Pursuant to the adoption of FRS 116 on 1 April 2019, land rent payments to JTC Corporation and CapitaLand Singapore (BP&C) Pte. Ltd. (formerly known as Ascendas Land (Singapore) Ltd) for certain properties in AA REIT's portfolio were excluded from property operating expenses from 1 April 2019. Accordingly, NPI on a y-o-y basis increased in line with the lower property operating expenses.

3 The share of profits of joint venture (net of tax) comprised contribution from the Group's 49.0% interest in Optus Centre, which is located in Macquarie Park, NSW, Australia. The higher contribution in 3Q FY2020 was mainly due to the share of revaluation surplus recognised from the valuation of the underlying property. Following the execution of a new agreement for lease with the existing master tenant, Optus Administration Pty Limited in November 2019, the independent valuation of the underlying property was carried out by Knight Frank NSW Valuations & Advisory Pty Ltd and the property was valued at A\$570.0 million (equivalent to approximately S\$538.8 million) (30 September 2019: A\$475 million (equivalent to approximately S\$443.2 million)).

4 The Manager resolved to distribute S\$17.6 million for 3Q FY2020, comprising (i) taxable income of S\$16.2 million from Singapore operations; and (ii) tax-exempt income distribution of S\$1.0 million and capital distribution of S\$0.4 million from distributions remitted from the Group's investments in Australia. AA REIT's distribution policy is to distribute at least 90.0% of the Trust's Singapore taxable income for the full financial year. For 3Q FY2020, the Manager has resolved to distribute 99.6% of the Singapore taxable income available for distribution to the Unitholders.

5 Based on closing price of S\$1.43 on 30 January 2020 and annualised DPU of 10.00 cents. Annualised DPU is computed based on actual DPU payout for the first three quarters of FY2020 and annualised to the full year.

# Balance sheet

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	As at 31 December 2019	As at 30 September 2019
Total Assets (S\$m)	1,670.0 <sup>1</sup>	1,601.3 <sup>1</sup>
Comprising (S\$m):		
- Investment properties	1,319.1 <sup>1</sup>	1,318.5 <sup>1</sup>
- Investment property under development	49.8 <sup>1</sup>	46.4 <sup>1</sup>
- Joint venture	271.5	216.7
- Trade and other receivables	7.8	8.8
- Cash and cash equivalents	21.8	10.9
Total Liabilities (S\$m)	705.5 <sup>1</sup>	683.1 <sup>1</sup>
Net Assets (S\$m)	964.5	918.2
NAV per Unit (S\$)	1.37	1.32
Total Debt <sup>2</sup> (S\$m)	556.4	534.1
Aggregate Leverage (%) <sup>3</sup>	35.2	35.4

1 Pursuant to the adoption of FRS 116 on 1 April 2019, AA REIT recognised right-of-use assets representing AA REIT's right to use the underlying properties within "investment properties" and "investment property under development" and lease liabilities representing AA REIT's obligation to make lease payments. As at 31 December 2019, AA REIT recognised such assets of S\$91.3 million (30 September 2019: S\$92.5 million) and the corresponding lease liabilities of the same amount for its leases previously classified as operating leases.

2 Excluding unamortised loan transaction costs.

3 Total debt as a % of total assets. In line with the circular issued by the Monetary Authority of Singapore, the calculation of Aggregate Leverage excluded AA REIT's right-of-use assets and lease liabilities for operating leases entered into before 1 January 2019 pursuant to FRS 116.

# Key financial metrics

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	3Q FY2020	2Q FY2020
Portfolio Value <sup>1</sup>	S\$1,546.8 million	S\$1,489.5 million
Market Capitalisation <sup>2</sup>	S\$1,005.9 million	S\$961.7 million
NAV per Unit	S\$1.37	S\$1.32
Share Price <sup>2</sup>	S\$1.43	S\$1.38
Premium over NAV <sup>2</sup>	4.4%	4.5%
Aggregate Leverage <sup>3</sup>	35.2%	35.4%
Interest Cover Ratio <sup>4</sup>	5.3 times	5.4 times
Weighted Average Debt Maturity	2.7 years	2.3 years

- 1 Based on the book value of investment properties and investment property under development as well as the 49.0% interest in the book value of Optus Centre, Macquarie Park, NSW, Australia and excluding right-of-use assets.
- 2 Based on the units outstanding and closing price of S\$1.43 on 30 January 2020 and S\$1.38 on 4 November 2019.
- 3 Total debt as a % of total assets. In line with the circular issued by the Monetary Authority of Singapore, the calculation of Aggregate Leverage excluded AA REIT's right-of-use assets and lease liabilities for operating leases entered into before 1 January 2019 pursuant to FRS 116.
- 4 Calculated based on secured bank loan financial covenants which require an interest coverage ratio of at least 2.0 times.

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# PRUDENT CAPITAL MANAGEMENT

# Debt facilities as at 31 December 2019

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## Secured SGD borrowings

- Total secured facility of **S\$345.0 million** comprising:
  - 4-year term loan facility of S\$100.0 million, maturing in August 2020
  - 4-year revolving credit facility of S\$120.0 million, maturing in November 2021
  - 4-year term loan facility of S\$125.0 million, maturing in July 2022

## Secured AUD borrowings

- Secured AUD borrowings as natural hedge for the investments in Australia.
- Total secured facility of **A\$261.2 million** comprising:
  - 3-year offshore term loan facility of A\$65.0 million, maturing in November 2020
  - 3-year revolving credit facility of A\$65.0 million, maturing in June 2022
  - 5-year term loan facility of A\$110.0 million, maturing in July 2023
  - 5-year term loan facility of A\$21.2 million, maturing in July 2024

# Debt facilities as at 31 December 2019 (cont'd)

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## Unsecured borrowings

- S\$50.0 million 5-year fixed rate notes at 3.60% maturing in March 2022
- S\$100.0 million 5-year fixed rate notes at 3.60% maturing in November 2024 (maiden issuance under the S\$750 million Multicurrency Debt Issuance Programme established in November 2018)

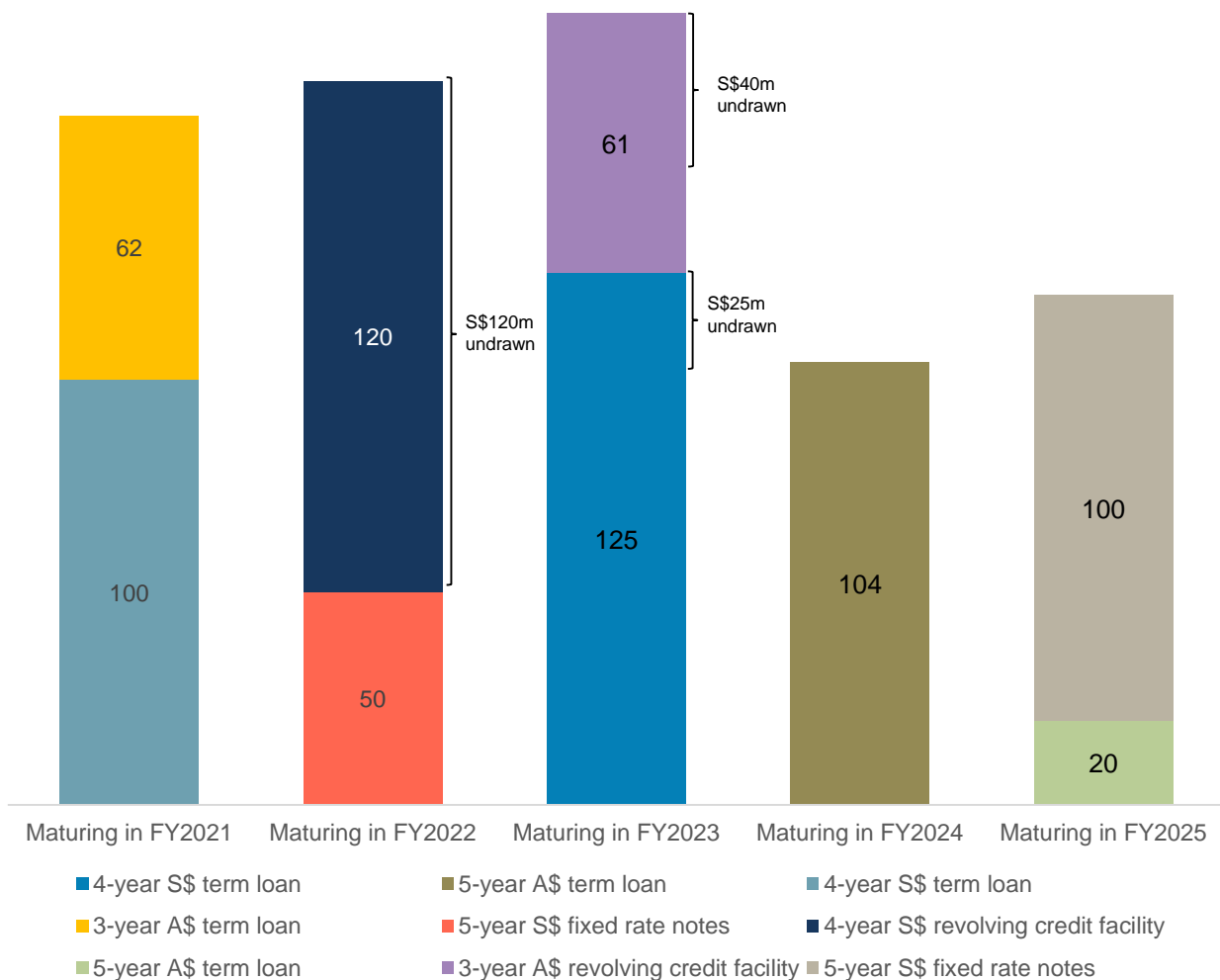
## Summary

- Increase in weighted average debt maturity from 2.3 years from the preceding quarter to 2.7 years following the issuance of S\$100.0 million 5-year fixed rate notes at 3.60% in November 2019.
- 79.5% of the portfolio's interest rate is fixed taking into account interest rate swaps and fixed rate notes.
- Overall blended funding cost of 3.5%.



# Debt facilities as at 31 December 2019 (cont'd)

> 3



Maturity date	S\$m
Due in August 2020 (FY2021)	100.0
Due in November 2020 (FY2021)	61.5
Due in March 2022 (FY2022)	50.0
Due in June 2022 (FY2023)	20.9
Due in July 2022 (FY2023)	100.0
Due in July 2023 (FY2024)	104.0
Due in July 2024 (FY2025)	20.0
Due in November 2024 (FY2025)	100.0
<b>Total debt drawn down</b>	<b>556.4</b>
<b>Undrawn available facilities</b>	<b>185.5</b>
<b>Total committed facilities</b>	<b>741.9</b>

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# PORTFOLIO PERFORMANCE

# Revenue performance since FY2011

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# Key portfolio statistics

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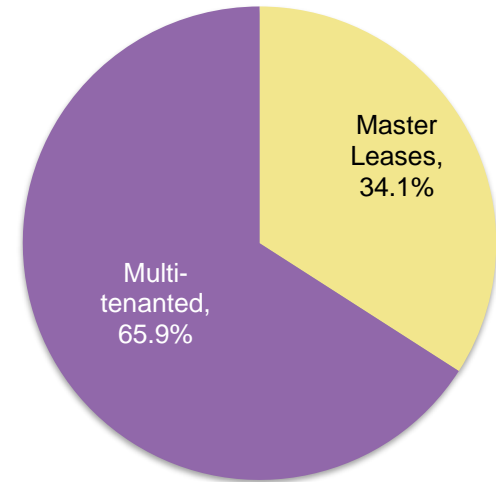
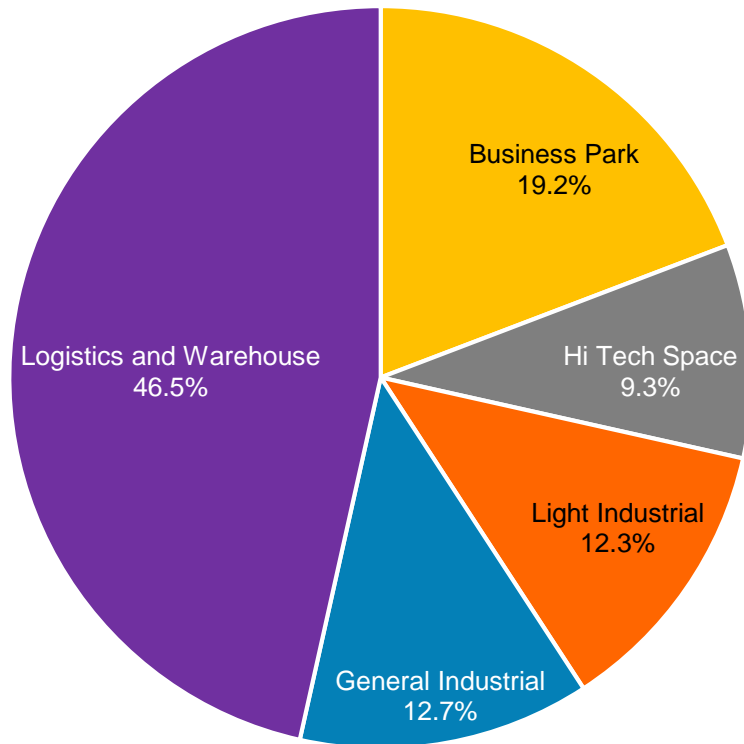
	As at 31 December 2019	As at 30 September 2019
Number of Properties	27	27
Portfolio Value (S\$ million) <sup>1</sup>	1,546.8	1,489.5
Net Lettable Area (sqm)	646,694	648,086
Number of Tenants	187	179
Portfolio Occupancy (%)	89.4	92.2
Weighted Average Lease Expiry (WALE) (years) <sup>2</sup>	4.01	2.45
Weighted Average Land Lease Expiry (years) <sup>3</sup>	37.2	37.4
Location of Properties	Singapore, Australia	Singapore, Australia

- 1 Based on the book value of investment properties and investment property under development as well as the 49.0% interest in the book value of Optus Centre, Macquarie Park, NSW, Australia and excluding right-of-use assets.
- 2 Computation included forward committed leases. Excluding forward committed leases, the WALE is 2.36 years as at 31 December 2019 and 2.39 years as at 30 September 2019.
- 3 For the calculation of the weighted average land lease, AA REIT's interest in the freehold properties, Optus Centre and Boardriders Asia Pacific HQ, have been assumed as 99-year leasehold interests and the calculation excludes 3 Tuas Avenue 2 which TOP on 10 January 2020.

# Portfolio breakdown

By 3Q FY2020 gross rental income

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	Occupancy (%)
Total Portfolio <sup>1</sup> (26 properties)	89.4
Master Leases <sup>1,2</sup>	100.0
Multi-tenanted <sup>2</sup>	86.9

1 Excludes 3 Tuas Avenue 2 (a master lease) which obtained TOP on 10 January 2020.

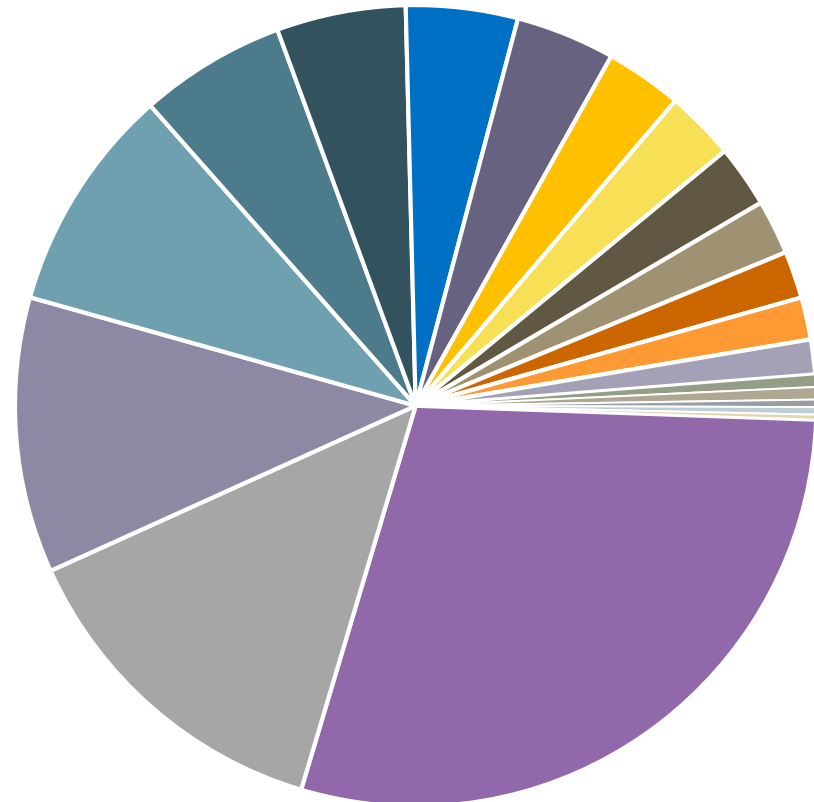
2 20 Gul Way and 30 Tuas West Road are each partially under master lease and multi-tenanted. The final phase of 20 Gul Way had reverted from master lease to multi-tenancy leases in December 2019. 1AIBP converted from master lease to multi-tenanted in November 2019.

# Diversified tenant / industry base<sup>1</sup>

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(By 3Q FY2020 Gross Rental Income)

- Logistics, 29.0%
- Telecommunication, 13.6%
- Engineering, 11.1%
- Biotech / Life Sciences, 9.1%
- Consumer products, 5.9%
- Infrastructure, 5.2%
- Fashion and Apparels, 4.5%
- IT & Electronics, 4.0%
- FMCG, 3.1%
- Furniture, 2.8%
- Pharmaceutical/Healthcare/Cosmetics, 2.5%
- Self-storage, 2.2%
- Data Centre, 1.9%
- Plastic Products and Distribution, 1.7%
- Testing and certification, 1.4%
- F&B, 0.5%
- Paper & Printing, 0.5%
- Others / Services, 0.3%
- Design & Marketing, 0.3%
- Education, 0.2%

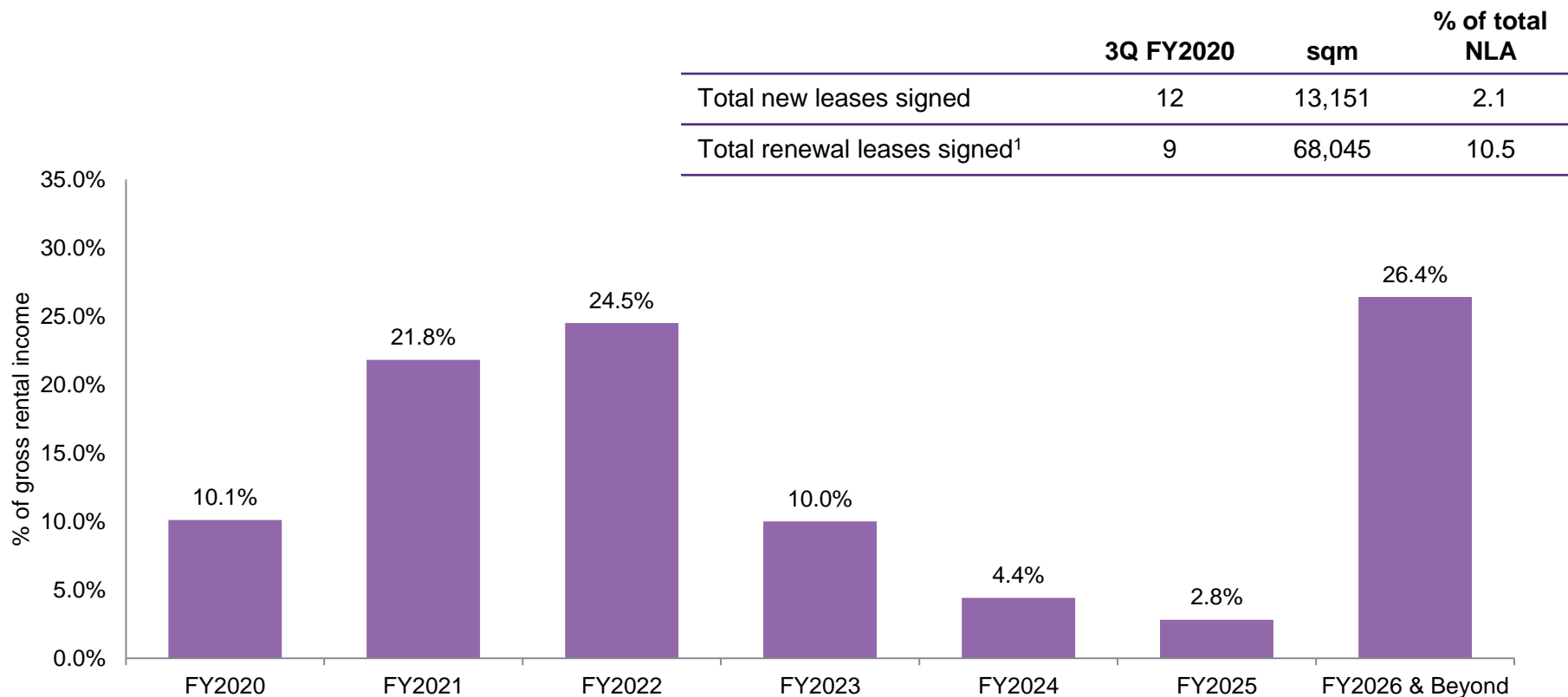


1 Tenant base expanded by 13% over the last 24 months (187 tenants as at 31 December 2019 vs 166 tenants as at 31 December 2017).

# Active lease management

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Lease Expiry Profile as at 31 December 2019  
(By 3Q FY2020 Gross Rental Income)



<sup>1</sup> Weighted average rental decrease for renewal leases was 1.92%.

# Quality tenant base

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## Top 10 tenants by 3Q FY2020 Gross Rental Income

Tenant	%
Optus Administration Pty Limited	13.1
Illumina Singapore Pte Ltd	9.1
Eurochem Corporation Pte Ltd	5.2
CWT Pte. Limited*	4.8
Schenker Singapore (Pte) Ltd	4.7
Beyonics International Pte Ltd	3.9
Focus Network Agencies (Singapore) Pte Ltd	3.0
GSM (Operation) Pty Ltd	2.8
CIT Cosmececutical Pte Ltd	2.2
King Plastic Pte Ltd	1.6
<b>Top 10 tenants</b>	<b>50.4</b>



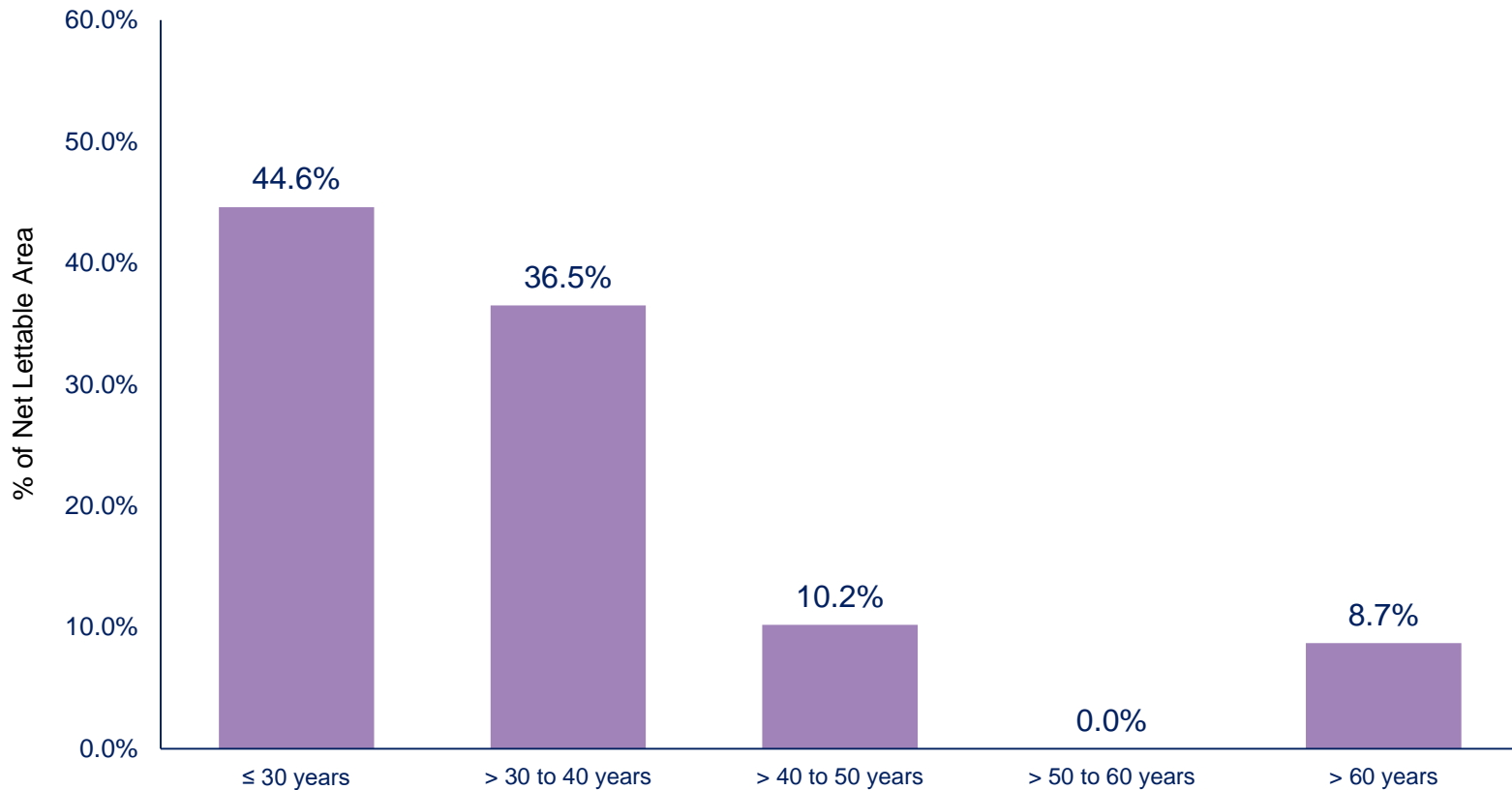
\* Exposure to CWT leases will be further reduced due to the expiries of the CWT lease agreements. Approximately 2.7% of AA REIT's 3Q FY2020 gross rental income from CWT will progressively expire in the current financial year FY2020. The final CWT lease agreement expires in July 2021 (FY2022).



# Long land lease expiry – 37.2 years

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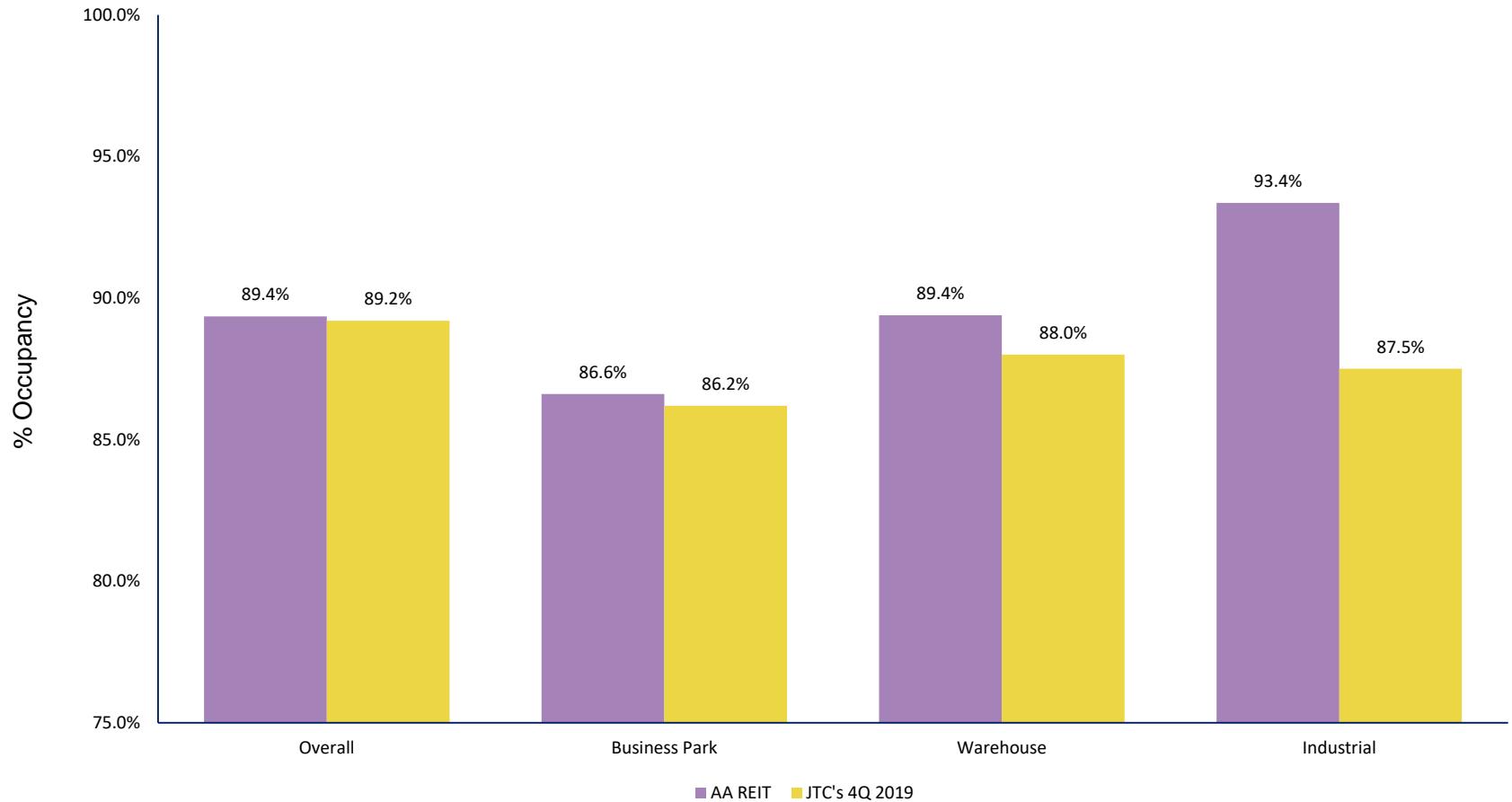
The weighted average unexpired land lease\* was 37.2 years as at 31 December 2019



\* For the calculation of the weighted average land lease of AA REIT, AA REIT's interest in the freehold properties, Optus Centre and Boardriders Asia Pacific HQ, have been assumed as 99-year leasehold interests and the calculation excludes 3 Tuas Avenue 2 which obtained TOP on 10 January 2020.

# Comparisons to Singapore's industrial average occupancy levels

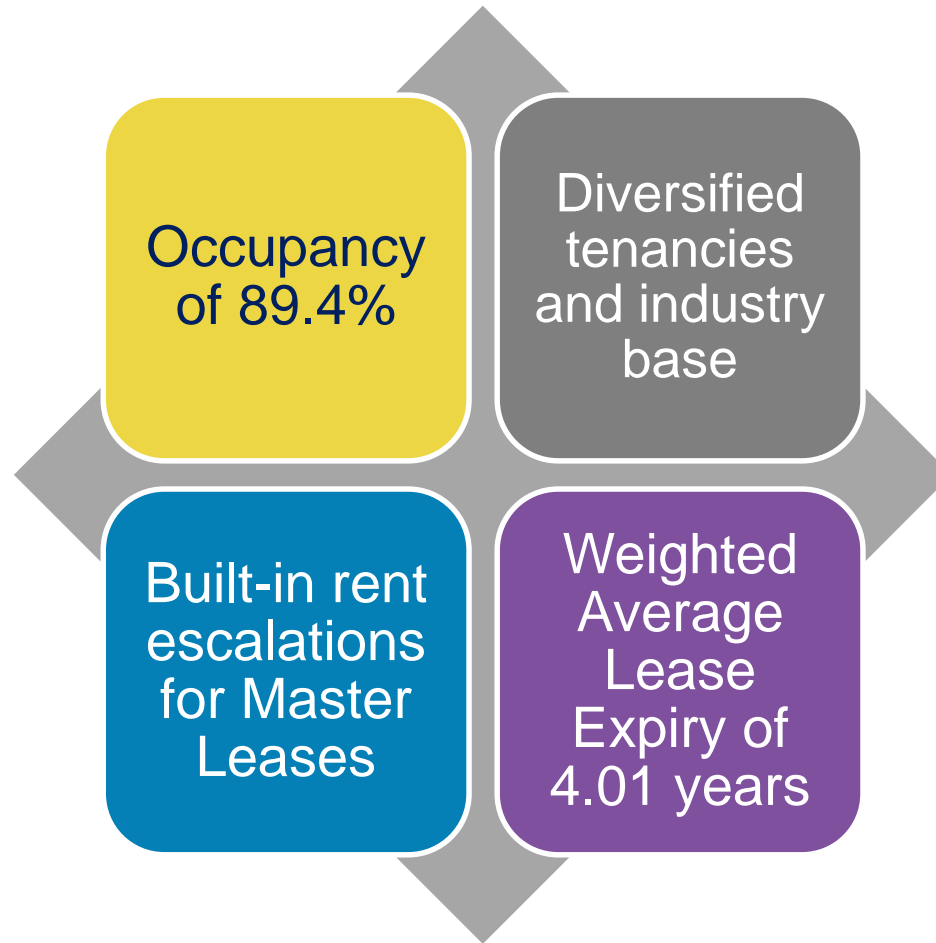
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Source: Based on JTC's 4<sup>th</sup> Quarter 2019 statistics.

# Portfolio summary

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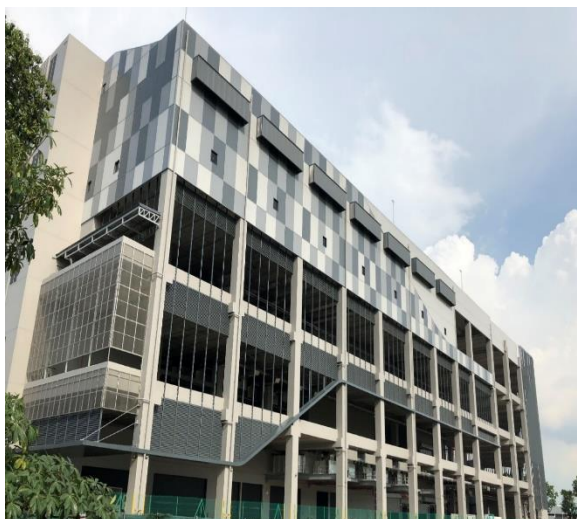
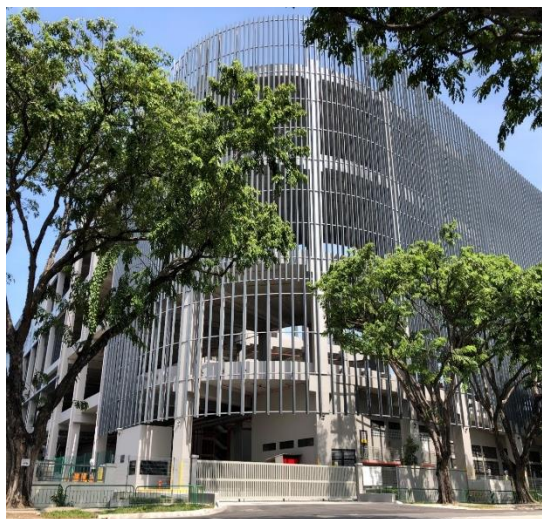


# Proactive asset and lease management

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## Continued focus on active asset and lease management

- Developing a higher quality portfolio
  - ✓ Completion of redevelopment of **3 Tuas Ave 2** – Obtained Temporary Occupation Permit (TOP) on 10 January 2020, in line with the project's expected completion.
    - Estimated project development costs (including land value and other transaction costs) of S\$45.2 million is S\$3.0 million lower than the initial estimate of S\$48.2 million.
    - Rental income is expected to commence around the end of financial year ending 31 March 2020 following the expiry of the fitting-out period.



# Proactive asset and lease management (cont'd)

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## Continued focus on active asset and lease management

- Developing a higher quality portfolio
  - ✓ Completion of AEI base contract for **NorthTech at Woodlands** – Completed within budget on 2 January 2020.
    - Increase in property's value to S\$116.5 million compared to S\$102.0 million (as at 31 March 2018) prior to the AEI



# Proactive asset and lease management (cont'd)

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## Continued focus on active asset and lease management

- Developing a higher quality portfolio
  - ✓ Secured a 12-year master lease with existing master tenant at **Optus Centre**.
  - ✓ New lease will commence from 1 July 2021 following the completion of an AEI that includes end-of-trip facilities, new access roads, drop-off areas, a pedestrian link from the car park, upgrades to existing bathrooms and utility infrastructure such as mechanical, electrical and building management systems.
    - A new 12-year master lease, with annual rental escalation of 3.25% on face rent, and two, five-year options to extend the lease after the initial lease term.
    - Valuation uplift of A\$100.0 million from A\$470.0 million (as at 31 March 2019) to A\$570.0 million on an “as-is” basis (as at 25 November 2019) for 100% of Optus Centre upon the execution of the agreement for lease (after taking into account the lease incentives and AEI works).

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# MARKET OUTLOOK AND STRATEGY

# Market Update and Outlook

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## Macro Environment

- There remain a number of uncertainties which continue to cloud the global economy:
  - The recent evolving respiratory illness outbreak caused by a novel coronavirus with cases reported in international locations, including Singapore, poses a serious public health threat which may lead to further restriction of business activities in the affected economies;
  - Notwithstanding the signing of a partial “Phase One” US-China trade deal, US-China trade tensions remain a source of risk, which would have the most impact on US and China and will also impact the highly trade-dependent ASEAN economies; and
  - Uncertainties over any negotiations between the UK and EU during the transition period after the Brexit withdrawal date which could continue to pose risks to growth in the UK and EU.

## Singapore Economy

- The Singapore economy would likely be impacted due to its dependence on global trade and manufacturing activities. However, being a regional hub, Singapore could potentially benefit from businesses reassessing their supply chains and sourcing locations.
- After taking into account the growth outlook for Singapore’s key final demand markets and the projected recovery in the global electronics cycle in 2020, the Singapore economy is expected to grow by 0.5% to 2.5% in 2020.

## Industrial Sector

- Based on JTC 4Q 2019 statistics, occupancy rate of Singapore’s overall industrial property market remained stable from the preceding quarter at 89.2%.
- Prices and rentals of industrial space remained stable. In 4Q 2019, the price index fell by 0.2% while the rental index remained unchanged as compared to 3Q 2019.
- Compared to a year ago, the price index fell by 0.3% while the rental index rose by 0.1%.

## Looking Ahead

- The Manager remains focused on anticipating and adapting in such an environment by building a diversified and resilient portfolio through unlocking organic growth and strategic acquisitions to ensure the creation of sustainable, long-term value for Unitholders.



# Strategy

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## Portfolio growth

To pursue accretive investment opportunities in Singapore and Australia.

Pursue development and/or built-to-suit opportunities.

## Active asset and leasing management

Continual focus on proactive asset and lease management.

Unlocking value of selected asset(s) within the portfolio through asset enhancement.

## Prudent capital and risk management

Prudent capital management by substantially hedging interest rate exposure.

Diversified sources of capital and staggered debt maturities.

# Potential opportunities within AA REIT's portfolio

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**A large proportion of current portfolio have under-utilised plot ratios;  
with potential organic opportunities.**



2 Ang Mo Kio Street 65



8 Senoko South Road



11 Changi South Street 3



10 Changi South Lane



3 Toh Tuck Link



7 Clementi Loop



541 Yishun Industrial Park A



**Potential untapped GFA  $\approx$  502,707 sqft**



*Awarded Gold Awards for Excellence in Corporate Governance, Social Responsibility and Investor Relations at The Asset Corporate Awards 2019*



*Awarded Shareholder Communications Excellence Award at the 18th Investors' Choice Awards 2017*



*Awarded Best Investor Relations Company and Asia's Best CEO in Singapore at the 6th Asian Excellence Awards 2016*



*Awarded the Honours Award in Traditional Annual Report at the 2018 ARC Awards*

# Thank you

For enquiries, kindly contact:

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