

TRANSCRIPT

Ascendas Reit's 2Q FY17/18 Results Analyst & Media Briefing

Venue & Date: Aperia – Edelweiss Room

30 October 2017, 5:30 pm

On the Panel:

Mr Manohar Khiatani, Non-Executive Director, Board of Ascendas Funds Management

Ms Yeow Kit Peng, Head, Capital Markets & Corporate Development

Ms Koo Lee Sze, Chief Financial Officer

Mr Manohar Khiatani: Thank you for taking your valuable time to join us today. Before we start to take questions from the floor, I would like to make a few remarks.

We announced on 20 October that Mr Chia Nam Toon has resigned as CEO of AFM (the Manager of Ascendas Reit) for personal reasons and that the board has accepted Mr Chia's voluntary resignation. We would like to assure unitholders that it remains to be business as usual for AFM. There has been no disruption as we have a highly competent team in place and AFM will continue to be managed by this strong and experienced team.

Many of you know my AFM colleagues since years, like Kit Peng and Lee Sze here with me, although I may be less known to you but I am not important. Furthermore, the board will be providing close supervision and support to the management team during this period, and I have been nominated as the board's representative to work with and support the team until the successor CEO is appointed.

I have been on the board of AFM for more than four years, and prior to joining Ascendas-Singbridge, I was the CEO of JTC Corporation. So I do have some familiarity with the industrial property market.

We have already started the process of reviewing potential candidates for the CEO position and will announce the successor CEO as soon as it is confirmed. So in the meantime, I want to reassure you that it is business as usual. We have a highly competent team running AFM, with the full support of the board.

Finally, I would like to introduce our new colleague here, Paul Toussaint. Paul is the CEO of our Australian business. Paul, if you can just stand up and show yourself. He has got 25 years experience in the real estate industry in Australia although he looks very young. We welcome Paul on board to join us in the leadership team of AFM.

With that, I would now like to open up the floor to anyone who has questions related to what Kit Peng has presented.

Ms Joy Wang, Deutsche Securities: Thanks for the presentation. I just wanted to chat about the rental reversion and what you have seen in the market. So obviously, second quarter rental reversion has all turned positive. Is this something that we can expect for the rest of the year? Are we likely to see numbers inching upward? And in terms of tenant expansion, what are the specific trades or any specific trends you have been seeing? Thank you.

Mr Manohar Khiatani: Thanks Joy. Let me paint the big picture, then maybe my colleagues can add on.

We are very encouraged by the rental reversions and also by the increase in the occupancy rates. The occupancy rate over the last 12 months has gone up quite significantly, from 88% to 90%. And the rental reversions have been positive, so it is very encouraging.

The recent GDP growth figures for Singapore, as you know, have also been quite strong. We are expecting to see growth in the upper range of 2-3% and what is even more interesting for us is that the manufacturing sector has grown quite

strongly in the last few quarters. In the last quarter growth was more than 15%. So certainly all these will have a knock-on effect. The take up rate for industrial property in the last quarter was also very encouraging. It was more than 50% of what it was in the quarter year-on-year. But with all these positives, we have to balance this with the other side of the equation. There is still a lot of supply coming on board.

The government has been pushing through lots of industrial properties because they want to establish a stable and sustainable industrial property market. There will still be a lot of supply coming this year. After 2017, we think that the supply will taper off. But the fact that the take up is quite positive, the fact that the economy is growing, are positive signs. But we have to balance this with the supply equation.

Of course the relative advantage that the Ascendas Reit has is our immensely diversified portfolio across segments, across geographies within Singapore and across the customer base. That will help us and stand us in good stead, but we are not out of the woods yet. Thank you.

Ms Yeow Kit Peng: Just to supplement a little. The businesses that we see that are expanding are in the technology sector such as cybersecurity and software, and biomedical devices.

And specific to our rental reversion numbers, you can see 11.3% positive rental reversion under the integrated development cluster. Embedded in that number is a lease in Aperia, a B1 space. We were able to achieve a 50 cents increase for that lease.

Mr David Lum, Daiwa Capital Markets Singapore: Hi, good afternoon. I have two questions. The first one pertains to the first page of your results announcement where you breakdown your DPU, for the quarter and half year, by operations and from capital. My question is how much of the distribution from capital is one-off, or is most of it sustainable? That's the first question.

And the second question is about Ascendas' organisation. Do you have any comment on your succession policy? It seems like, if your CEO leaves, you should have a plan in place. If you are looking for a new CEO, can you tell us what qualities you are looking for in the candidate?

Mr Manohar Khiatani: Thanks David for that question. Let me take the second question and I will get my colleagues to answer the first one.

Of course, Ascendas-Singbridge is one of the leading property companies in Singapore, especially in the area of business space. So, we do have succession plans. But I think you will also realise that when a senior person resigns, we need to take some time to make sure we get the best person for the job, whether it is an internal candidate or an external candidate. I think that is the most critical thing and that is the way we view things. It is not automatic that you have to give it to an internal candidate. We have to look for the best person for the job.

And to your question on what qualities we look for? Technical quality is certainly important. The person must have a familiarity with the property market in Singapore, preferably somebody who understands the overall landscapes of the Reit business as well. Of course besides the technical quality, overall leadership quality is important. These are all the attributes that we look for in any of our senior positions within the Ascendas-Singbridge group and certainly the AFM CEO is one of those critical positions.

Ms Koo Lee Sze: With regards to capital distribution, it refers to tax differed distribution from Australia and no, there is no one-off item in this.

Mr Manohar Khiatani: I want to add on to what I just said to David's question because the question is very valid.

The CEO is important, no question. But we also want to make it very clear that it is the bench strength in any organisation that is the most critical and we do have a very strong bench strength, I would say in all our listed Reits, including Ascendas Reit.

And that is the reason why I made the point that even if we do not have a running CEO right now, the bench strength in our management team is experienced and competent enough to run the operation without any issues.

Mr Vijay Natarajan, RHB Research Institute: Hi, a question on your acquisitions. I think of late, your focus on acquisition has been moving to the Australian market. Is this a deliberate strategy? In terms of percentage, do you have some idea in mind what percentage Australia will contribute in the near term? Are there any other markets that you are looking at, besides Australia?

Mr Manohar Khatani: Thanks Vijay. We have stated that while we will remain as a Singapore anchored Reit, we do recognise that the Singapore market has its limitation in terms of size, and add on to that, some of the more recent policies that have been introduced pertaining to leases, for example, new land leases are now on 30-year tenure.

I'll put my hands up, I was JTC CEO when some of these policies were implemented for good reasons. We want to continue to grow the Reit in areas where the risk profile is similar, and that's the reason why we looked at the Australian market which has a similar risk profile and return profile as Singapore. It is really about diversifying prudently, not growing for the sake of growing. That has never been our intent, but identifying opportunities very prudently.

Now, Australia is an interesting market. We are in a position to acquire properties that are DPU accretive, and our experience there has been quite positive. Just over the last two years, we have been able to grow the portfolio to about \$1.4 billion which is about 15% of our overall portfolio.

Now, what is our target? I think majority will remain in Singapore, but if I was to wager a guess, I would say maybe about 30%. But don't hold me to that because we have to see how the landscape is changing five to six years down the road and then respond accordingly.

But the guarantee we want to give our unitholders is that when we expand, we do it in a very prudent manner. It is not just to grow the size of the Reit. And in addition to looking at new markets, you can see we have been proactive in asset management. When we recognise that some of the properties have reached a level where we don't think it is good to hold on to them, then we look to recycling capital, or redeveloping the property. This is all part and parcel of active asset management.

I hope I have answered your question. Thank you.

Ms Lee Meixian, Business Times: I am from Business Times. I just wanted to ask if you can elaborate a little more on the abrupt departure of Mr Chia. What was the reason he left. Thank you.

Mr Manohar Khiatani: As I mentioned, it was voluntary resignation for personal reasons, so I think we have to respect that. The board decided that if he is resigning, then we should allow him to resign with immediate effect. We knew that we have a competent team in place to manage the business. Thank you.

Mr Manohar Khiatani: Any other questions? Kit Peng, any more things to say?

Ms Yeow Kit Peng: The organisation's systems and controls are in place for continuity. We have our responsibilities to the company and the Unitholders, and we have to continue to carry out the long-term plans of the company.

Mr Manohar Khiatani: Ok. Very good. Thank you again for coming.

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